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Manchester Building Society is a trading name of Newcastle Building Society

Picture: Dave and family, Colleague

Connecting our communities with a better financial future

Newcastle Building Society Annual Report & Accounts 2024

Connecting our communities with a better financial future

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newcastle.co.uk

Pickering, North Yorkshire

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Performance Highlights

2024

£15.7m
Profit before tax
(2023: £29.1m)

£34.2m
Operating profit before impairments
(2023: £31.4m)

96%
Overall customer satisfaction
(2023: 95%)

12.2%
Common Equity Tier 1
(2023: 12.5%)

+49
Colleague engagement score
(2023: +57)

10,000+
Colleague volunteering hours
(2023: 10,000+)

£5.4bn
Savings balance
(2023: £5.0bn)

£1.2bn
Gross residential lending
(2023: £1.1bn)

5,350
New mortgage customers
(2023: 5,700)

188
Individuals Supported through Helping Hand

£140k+
in community grants distributed through Community Fund

4
Branch Investments completed

Chair's Statement

In 2025 the mutual sector will celebrate the passing of 250 years since the first building society was established in 1775. So much has changed since then, but what remains is the principle that building societies seek to deliver purpose beyond profit, by focusing on the interests of their Members and in many cases, local communities.

The Government have made a commitment to double the size of the mutual and co-operative sector. We welcome this ambition and the recognition of the value of the building society model and the role that member-ownership can play in tackling the challenges facing our country, economy, and our Society more generally.

Newcastle Building Society, together with the subsidiaries that make up our Group structure, has made great progress in 2024 in the delivery of our Purpose and creation of value for our Members across the North East and beyond. That achievement sits at the heart of what we now aim to deliver by bringing the Manchester Building Society brand back to the high streets of the North West.

Whether it's our innovative approach to delivering face-to-face local financial services, the help provided to individual Members through our work with Citizens Advice Gateshead, or our work with Newcastle United Foundation to improve life outcomes for disadvantaged young people in the regions we serve, I'm proud of the difference we're making.

In the North West we've already invested heavily in supporting new charity partnerships with Forever Manchester and Salford Youth Zone as part of our plans for Manchester Building Society. And in 2024, we made an additional contribution of more than £1m to our Newcastle Building Society Community Fund at the Community Foundation Tyne & Wear and Northumberland. This has helped to grow the Fund's endowment to more than £3.5m, securing a long-term sustainable source of funding for our community grants and guaranteeing meaningful support for generations to come.

That is the kind of difference a building society can make. Our mutual structure allows us to go where others can't, to make longer term decisions for wider positive impact, to enable choices which truly put customers and communities first.

The Society's strategy fits the mutual model perfectly and is delivering results. Whilst we remain true to our original Purpose of helping people to own their own homes, we're also seeing the growth in savings balances in our branches outperform the market average; customer loyalty and satisfaction reach record highs; and more and more Members are joining us and recognising the benefits of being part of the Society.

I'm confident that we will continue to thrive, because despite the challenges we face, with the support of our Members we remain well positioned to meet our commercial ambitions and make an even greater contribution within our regions in the coming years.

Voluntary support for Members affected by the actions of Philips Trust

It has been very distressing to hear the problems that Members have experienced as a result of the actions of Philips Trust Corporation ('Philips Trust'). Although there was no obligation to do so, the Society chose to offer voluntary financial support to those Members impacted by the actions of Philips Trust and this process is already well advanced.

Members will understand this decision is consistent with our Purpose and supporting the communities we serve. More detail is available within the CEO Review and on our website.

Regulatory update

In September 2024 the Financial Conduct Authority (FCA) introduced new rules to protect access to cash in communities where branches are closing. The aim is to ensure reasonable access to cash and protect vital services. We are committed to growing branch presence in our communities and will continue to explore new ways to address concerns over access to cash and other financial services, especially where the last bank branch has closed.

Board matters

Amanda Shepherd was appointed to the Board in December 2024 and I'm delighted to welcome her to the Society. Amanda joined the Executive team earlier in the year as Chief Operating Officer, bringing a wealth of financial services experience and expertise.

As shared at the 2024 Annual General Meeting, Michele Faull had previously announced her intention to step down from the Board. Following a change in her circumstances I am delighted that she has chosen to remain on the Board.

In addition, we have also taken steps to strengthen our Board with the appointment of a new Non-Executive Director, Moorad Choudhry, in January 2025. Moorad is a renowned expert in Balance Sheet and treasury management, and an experienced non-executive in financial services. I have no doubt that he will make a very strong contribution to our Board.

In the first half of 2025 we will say goodbye to David Samper, the Society's Chief Financial Officer and Executive Director. Over the past 6 years David has brought a wealth of experience and made an extensive contribution to the Society. We wish David well for the future. The process to recruit a successor is underway.

Looking ahead

2024 was another eventful year, creating challenges for our Members and communities, and certainly posing questions for businesses of all shapes and sizes. Falling inflation and uncertainty within the wider economy gave your Board plenty to think about in our support for the organisation and its journey of growth.

I'm confident that the Society is making good progress on its ambitions for growth and in amplifying the value created for Members and in the wider community. The recent announcement of the plans for Manchester Building Society and our ongoing work on the Monument flagship branch in Newcastle city centre demonstrate the scale of our ambition and highlight the potential of what's possible for even more communities in our regions. Our continued progress in Purpose delivery, steady growth and sound financial performance all point to the relevance of the mutual model in these often challenging and difficult times.

I'd like to thank the colleagues who continue to work diligently each day to provide an outstanding level of customer service and offer my sincere thanks to our Members who help shape the Society and provide support in so many ways.

James Ramsbotham
Chair
28 February 2025

Our early talent colleages graduation

Chief Executive's Review

Introduction

The full year 2024 saw another strong performance for Newcastle Building Society and the wider Group, as we continue to keep the delivery of our Purpose, 'connecting our communities with a better financial future' at the centre of all that we do. Delivering that Purpose for the long term is, in our view, about more than being just another provider of savings, mortgages and advice. It requires a deep understanding of the communities we serve, careful allocation of resources and an ongoing commitment to innovation, investment and growth across the Group.

2024 was another challenging year for our communities, facing higher living costs and uncertainty in the wider economy. I am particularly encouraged by the Society's increasing momentum in our commitment to 'place', and a continuing physical presence in our regions to support our Members and communities. This is particularly evident in our progress in branch innovation and investment in delivering face-to-face service. Throughout the year we have consistently demonstrated the importance we place on listening to our Members and doing the right thing for our communities.

The pace of change, growth progression, and a place-based, Purpose-led approach gives me confidence in the years ahead. I believe that we are well-positioned to deliver over the long term and create even more value for our Members and deliver greater positive impact in our communities.

Financial performance summary

The underlying business continues to perform well and for 2024 we are reporting an operating profit before impairments and provisions of £34.2m (2023: £31.4m). Group profit before tax for the year ending 2024 was £15.7m (2023: £29.1m). On an underlying basis operating profit was £31.9m for 2024 (2023: £32.8m).

Gross mortgage lending for 2024 increased to £1.2bn, exceeding the previous record level of £1.1bn set in 2023, whilst net core residential lending reduced to £496m from £575m in 2023.

In view of the Society's aspiration for continued growth and development of the branch network, along with significant investment in infrastructure, we took the opportunity to raise an additional £20m of tier 2 capital in June and £40m of additional tier 1 capital in December.

Further details of financial performance for 2024 can be found in the Strategic Report.

Voluntary support for Members affected by the actions of the Philips Trust

The full extent of the challenges faced by some customers as a result of the actions of Philips Trust became clear in the early part of 2024. The background to these problems is complex, however, in summary, the Society arranged introductions to The Will Writing Company at differing times between 2005 and 2018 to provide later-life planning services, with the Society stopping referrals when the service from The Will Writing Company began to deteriorate. The Will Writing Company went into administration in 2018, after which Philips Trust became the trustee of some trusts belonging to a small number of customers originally referred by the Society and holder of some investments. The Society was not involved in the transfer of the trustee, any agreements customers entered into with Philips Trust, or any decisions taken by Philips Trust. Subsequently, assets in some investment trusts were moved from low-risk funds with reputable companies into high-risk funds. Customers encountered severe difficulties in dealing with Philips Trust and it entered administration in 2022.

As we began to understand the scale of the impact on Members, even though the Society had no responsibility for, nor involvement in these actions, nor did we have any legal or regulatory obligation to offer support, we chose to offer voluntary support to the Members involved. The strength of the Society and underlying performance during the year ensured that we were able to set aside a sum of £20m to provide this support. We believe that these actions are entirely consistent with the principles of the Society and the wider mutual movement, in supporting Members through such a time of difficulty. The arrangements of the offer were such that those wishing to take part had to register their interest in sufficient time to complete the process before the end of 2024.

We will continue to offer support to any current or future police investigation which aims to hold those responsible to account.

Manchester Building Society

We are proud of our unique understanding of what it means to be a building society serving the communities of the North East and the many and distinct ways in which we have brought our Purpose to life across the region. Throughout 2024, following the merger with Manchester Building Society in 2023, we have been keen to consider how we might build on what we have learnt in the North East to develop a unique approach that would deliver our Purpose in ways that would truly resonate with the communities of the North West.

In early 2025 we announced investment plans to breathe new life into our Manchester Building Society brand, making it relevant to communities in Greater Manchester and the wider region. Working with local leaders and the community, we aim to create a financial services offering based on the same principles of local face-to-face advice and trustworthy financial products that Newcastle Building Society has so successfully delivered in our North East, Cumbria and North Yorkshire regions.

The North West is one of the UK's top four worst hit regions for bank and building society branch closures. More than 700 branches have closed since 2015, leaving many with few or no options to bank locally, and struggling to access cash. By contrast, Manchester Building Society will open branches, starting in the heart of Manchester city centre, and over time across Greater Manchester's towns and the wider North West.

Creating value for our Members and communities

Throughout 2024 we demonstrated our continued commitment to 'place' across the regions and the communities we serve. This is true right across the Newcastle Building Society Group, whether through our Newcastle Building Society or Manchester Building Society brands, or our subsidiaries, Newcastle Financial Advisers and Newcastle Strategic Solutions.

At the heart of that commitment is the provision of competitive savings and lending products, alongside financial advice accessible to all in every one of our branches. We don't see financial advice as a service solely for the wealthy, but something that is appropriate for every customer, as 'helping people to plan their financial futures' is critical to the difference we can make within our communities through financial services provision.

The Standard Variable Rate (SVR) for Newcastle Building Society mortgages remained one of the most competitive on the market at 6.94% throughout 2024 vs a market average of 7.87%, (source: Moneyfacts) saving our SVR borrowers around £2.8m in interest payments during 2024 compared to the market average. Significant investment into our Intermediaries brand and online lending tools has vastly improved the experience for our broker partners.

We have continued to make progress with our strategic priority of helping people to own their own home, with 5,350 new mortgage customers during the year (2023: 5,700).

Over the 12 months to December 2024 our average savings rates for Newcastle Building Society customers were 0.56% higher than the market average (source: CACI), resulting in £28.1m more savings interest for our Members compared to the market average.

Our 2024 savings growth was driven by the success of our branch network, contradicting established industry thinking that the provision of accessible face-to-face financial services is prohibitively costly, and 'justification' for extensive bank branch closures since 2016.

We see a very different future for branches and the role they can play within a community as part of our long-term thinking. Since 2015 we've invested around £10m in new branch locations and the refurbishment of existing facilities. In 2024 we opened our 32nd branch in Pickering, restoring access to financial services in the town, and continuing the pioneering use of a multi-bank kiosk within our branches, working with our fintech partner OneBanx. These kiosks benefit the whole community by making available to all, free-to-use bank current account cash deposit and withdrawal facilities for both personal and small business customers, with no requirement to be a Member of Newcastle Building Society in order to make use of the services.

In North Shields, we relocated our branch to share space with YMCA North Tyneside at their vibrant community hub, placing our full range of branch services alongside their busy café, gym, and programme of community activities. A full branch refurbishment in Hartlepool and a relocation to a new facility in Middlesbrough completed a busy year of branch investment which also included the ongoing work on our flagship Monument location in Newcastle city centre, due to open in 2025.

As mentioned, our intent in the North West is to create a Manchester Building Society branch network including a commitment over time, to open branches across the boroughs of Greater Manchester and the wider North West which will create good jobs for local people and be a catalyst for success in Manchester just as it has been throughout the North East.

Continued demand for accessible, in-person financial advice remained strong in 2024 across the communities we serve, with approaching 11,000 appointments undertaken by our qualified team of financial advice experts from our wholly owned subsidiary, Newcastle Financial Advisers Limited.

Newcastle Financial Advisers has seen an increasing demand for financial advice, supporting customers with key decisions around pensions and retirement planning, as well as investment, inheritance tax and protection advice. Having recently surpassed £1billion of assets under management, Newcastle Financial Advisers remains committed to providing expertise, advice and support to all of our Members throughout their lifetime. Newcastle Financial Advisers also achieved the VouchedFor 'Top Rated Firm' status for a third consecutive year, with an average rating of 4.9/5 for the service they provide to their customers.

For more detail on our approach to the provision of face-to-face financial services in our communities, please see the Strategic Report section.

Our branch-based model fuels our business success. In 2024, branch savings balances grew by £442.2m and at a rate of 14.9% (2023: £332.1m and at a rate of 12.2%) compared to the rest of market average across all channels (which includes online) of 5.4%. With savings balances growing at a much higher rate than the rate of the market average, the commercial benefits of listening to our Members and responding to their needs is clear.

In 2024, we achieved record high levels of customer satisfaction at 96% (2023: 95%) and a record high net promoter score (NPS) of +86 (2023: +82), which suggests that customers value our approach, continue to choose Newcastle Building Society and recommend our services to others.

Our subsidiary, Newcastle Strategic Solutions Limited (Solutions), has a vital role in generating profits for the Group and in 2024 celebrated 20 years of supporting its clients with outsourced savings management. Solutions saw further positive growth during 2024 with client savings balances under management exceeding £50bn for the first time (2023: £47bn) and increasing its client base to 17 UK banks and building societies from 16 in 2023. The Solutions business again invested heavily in its savings infrastructure and supporting technologies including the transition of all its retail savings clients onto a new digital savings platform, the rollout of a new workforce management tool, and the implementation of 'Contact Centre as a Service' capabilities. It also delivered on a number of important regulatory changes impacting its clients and their customers such as Consumer Duty, Confirmation of Payee and Authorised Push Payment fraud rules.

A community catalyst

With a member-owned model comes a transformative potential to create a better financial future for our customers, our communities and the places we share. Making that difference in the most impactful way was a focus for 2024.

In the North West, we're pleased to have already committed to working with and supporting two amazing charities as part of our inaugural investment in the region: Forever Manchester, and Empower Salford Youth Zone. We have taken our time to speak with local people, charities and other groups to ensure that what we are building here responds to their needs. And we expect this to be just the start as we work with partners across Manchester in delivery of our Purpose, creating long term, scalable benefits and sustainable legacy.

Listening to Members is incredibly valuable in getting close to what matters to them and their communities. In 2024, we held a series of local listening events, taking time to meet with Members across our regions and hear their specific needs and concerns. Another way we seek to understand what's important in our communities is through our support for the Community Foundation Tyne & Wear and Northumberland in their creation of Vital Signs 2024, a wide-ranging study into the issues impacting the North East.

Events held in our offices and at The Glasshouse International Centre in Gateshead brought over 300 business leaders, academics, charities, community groups, philanthropists, entrepreneurs and members of local government together in discussion, aiming to spark conversation and collaboration to drive meaningful and sustainable change in our region.

One of the ways we aim to create positive change in our communities is through the Newcastle Building Society Community Fund at the Community Foundation Tyne & Wear and Northumberland. Vital Signs helps inform our strategic community priorities and throughout 2024, 24 grants totalling more than £140,000 were allocated from the Fund, supporting more than 200,000 people across our region.

In 2024 we made a further donation of more than £1m to the endowment which supports the Newcastle Building Society Community Fund to help make an even bigger impact in the years ahead, building an even bigger legacy for generations to come as part of a long-term commitment to our charitable sector.

More than 10,000 colleague hours were volunteered on activities across our communities during 2024.

For more on how we seek to create a lasting, positive impact in our communities, including our work with Citizens Advice Gateshead, Newcastle United Foundation, and colleague volunteering and fundraising initiatives, please see the Strategic Report section.

MIchelle, colleague West Denton

Chief Executive's Review | Continued

Creating a great place to work

Through our 'A Place To Be You' strategy, we're focused on building a diverse workforce which represents all our communities where everyone feels able to be themselves at work and can achieve their potential.

We continue to make good progress on our long-term journey to evolve our culture by building on our solid foundations through our 'Be the Change' programme, to ensure we are ready to address the challenges ahead as we seek to deliver our ambitions for growth and success.

In 2024 we became the first organisation in the North East and the first building society in the UK to become an accredited Living Pension employer. This means all new colleagues receive a default level of pension contribution aligned to Living Pension standards.

Over the year we have seen our colleague employee net promoter score (eNPS) fall slightly to +49 (2023: +57). The degree of investment and change within the business means that the fall in colleague engagement is not unexpected. However, a score of +49 remains a very positive result and places us above our survey provider's finance sector benchmark.

Looking ahead

Despite the many challenges in the external environment, 2024 proved to be a year of progress for the Society with improvements in our infrastructure, the service we provide to Members and in our financial results. We never lose sight of the fact that this progress would not be possible without the dedication of our colleagues, the collaboration of our strategic partners and most importantly of all, the support of our Members.

In 2024 we laid the foundations for a bright new future for the Manchester Building Society brand and a continuation of commitment to community and high streets from the whole Society. Our investment in digital capabilities for the Solutions business will ensure that it is ready to continue its development road map and the evolution of its services. We look back on 2024 with gratitude to all those who made our journey to date possible and look forward with positivity, as we seek to further our efforts to 'Connect our communities with a better financial future'.

Andrew Haigh
Chief Executive
28 February 2025

Ben, colleague North Shields

Strategic Report

Our Purpose, strategy and stakeholders

Purpose and Strategic Pillars

As a sustainable mutual business, our success lies in the intersection between serving the interests of our stakeholder Members and communities and delivering an efficient, profitable and resilient business model: a strategy that is led from the Purpose of the organisation, valued by, and compelling to, its customers, and is financially robust.

Our Purpose

Connecting our communities with a better financial future.

What we do

We operate nationally through digital and mortgage intermediary channels, but the heart of our business is in face-to-face delivery and the lasting, inter-generational relationships we build in our regions and communities. We operate in 32 locations on high streets stretching across the North East, Cumbria and North Yorkshire. In the North West, we've committed to opening a Manchester Building Society flagship branch in 2025. We care about our communities and are deeply committed to making a positive difference for the people and places we serve.

We are owned by our Members (not shareholders), which allows us to focus on what's really important – delivering fair value through the products we offer, providing our customers with amazing service and building a sustainable, successful business that benefits our Members, communities and regions, both now and in the future.

We care about building lasting, authentic relationships with our customers, which means that while digital and intermediary channels play a key role in our distribution and service delivery, face-to-face contact and a thriving branch network are particularly important. We are therefore keen to innovate in this area, ensuring we can continue to play a role in maintaining vibrant high streets across our regions. We call this being 'Powered by Purpose'.

As a Member-owned business, we are clear how being truly led by our Purpose of 'connecting our communities with a better financial future' means that through our five strategic pillars we can deliver a unique and sustainable business to benefit both our regions and our customers for the long term.

We help people to own their own home, to save and to plan their finances

We help our customers to save and plan their finances by offering consistently fair rates on a range of savings accounts through our branch network and online. We also help people to own their own home, taking care to personally assess each customer on their circumstances. We help people with very different circumstances and requirements, such as first-time buyers, people borrowing in retirement and the self-employed. We offer long-term financial planning through our Newcastle Financial Advisers subsidiary, with a qualified, professional financial adviser available in all our branches.

We build lasting, authentic relationships with our customers and partners

We're always listening to our customers and finding new ways to deliver the services they need. We're committed to maintaining financial services on our high streets and believe in the power of warm, friendly face-to-face customer conversations. Our convenient branch services are supported by our popular savings app, and online account opening and servicing options.

We aim to deliver a great place to work where people are empowered to realise their potential

We provide opportunities for our colleagues to build meaningful careers and are committed to developing talent from a range of different backgrounds. We provide opportunity for all our colleagues to make a real and positive difference to the people and places that mean the most to them.

We foster inclusion, diversity and positive change at work and in our communities

We're committed to being an inclusive organisation, both as a place to work and in our approach to our communities. We help our communities to create positive change through a variety of partnerships, including long-term relationships with the Newcastle United Foundation and the King's Trust. We also provide significant financial support to local good causes through our grants programme.

We care for our environment and ensure its sustainability for future generations

We fully recognise our responsibility to care for our environment and support a sustainable future for our communities. We will make positive changes to improve our own sustainability but also work with our Members and partners to help them to reduce their environmental impact.

Mutual Value

In 2023, we adopted a new framework to bring even greater focus to our delivery of Purpose and to help us drive more meaningful impact and value from our actions.

The Mutual Value Measurement (MVM®) framework was developed in Australia, by the Business Council for Cooperatives and Mutuals and Monash University in Melbourne, working with Warwick University in the UK.

To bring additional clarity and focus to the value we deliver, we aligned our findings from the Mutual Value Measurement framework with our Purpose and strategic intent, simplifying them into three broad areas and providing the framework for reporting the Member value we deliver each year:

Product value, service and accessibility

Membership and community

Partnerships and employment

In 2024, we were delighted to become the first UK organisation to receive Mutual Value Measurement Accreditation, recognising our ongoing commitment to create value and better serve our Members and their communities.

Our strategy

Bringing together our understanding of Purpose and Member Value, in a savings, mortgage and advice business, our strategy is built around five themes:

1.

Being truly Purpose-led in our approach to strategy and developing the business in a manner which delivers a business model that is 'Powered by Purpose'.

2.

Building our brand through our communities, recognising that our success relies on the reputation we build with our Members, the difference we make for their communities and the degree to which our Members connect with the value we create for them across multiple dimensions.

3.

Growing the scale and efficiency of the business, with appropriate infrastructure, technology, skills and culture to increase our impact and the long-term sustainability of our operations.

4.

Fostering mutual advocacy, whereby our Members genuinely value the services we provide and the contribution we make to their community and region; they actively participate in the Society and become our biggest advocates, encouraging others to become part of our Society.

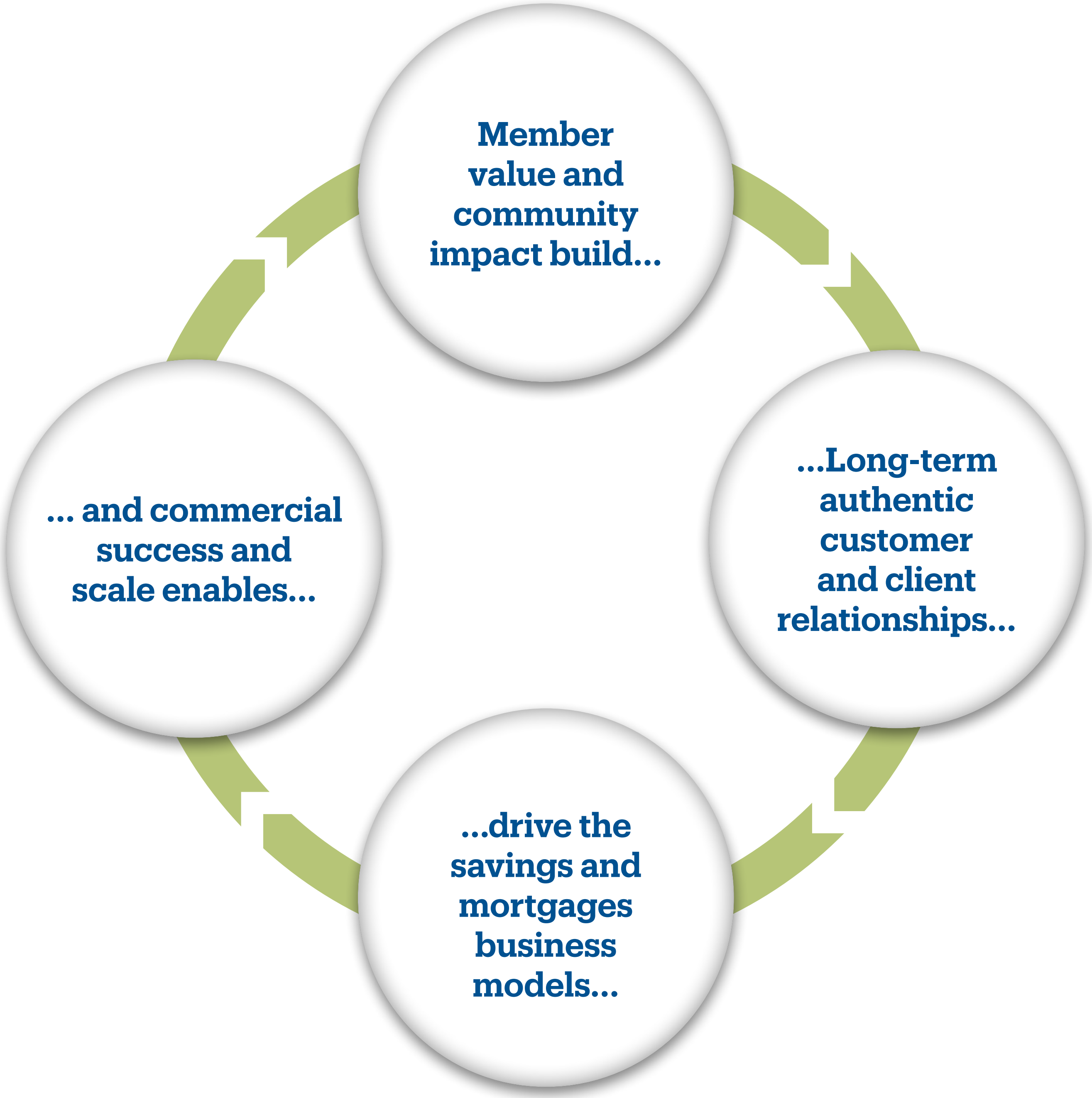
5.

Understanding that making a positive contribution to the region's sustainability and environment is no longer a matter of choice but necessity.

We believe that our approach to strategy delivers a truly Purpose-led business, which is driven to act in the interests of, and create value for, our customers, who are also our key stakeholders, but also has the attributes required to power a successful commercial outcome as a result.

Commercial success is vitally important as the profits we generate are re-invested into the business to support areas such as growth, innovation and infrastructure, for the long-term benefit of Members, and provide the capital to underpin our operations, providing resilience and security for our Members.

Our 'strategy wheel' summarises our approach and demonstrates how each aspect of our business contributes and complements each other to work in synergy and deliver stable, cost-effective funding and lending, achieving a sustainable business model for the long term, which is uniquely placed within the regions and the communities we serve.



Our business model

Our business model is powered by the delivery of our Purpose of 'connecting our communities with a better financial future'. As a Member-owned, mutual, regional building society we help people own their own home, save and plan their finances. We attract savings balances by offering our customers fair and consistent rates over the long term and we offer fairly priced mortgages on residential property to customers whom we believe will be well placed to repay their loan. We offer financial planning in all our branches, which helps our customers to plan their finances for the long term, while strengthening the trust and bond between us.

Our delivery of Purpose ensures that we are valued for more than consistent pricing and excellent service as we seek to benefit our region through our role as employer, enabler of talent and facilitator of positive change within our communities.

The net effect of 'mutual value' we deliver is to foster long term, authentic customer relationships which in turn form the foundation of a stable, sustainable savings and mortgage business, in the form of a building society. We bring scale and a diversified income stream to the Group by taking one of our core skills, savings management, and offering that as a service to other banks and building societies.

How we fund our Society

As a Member business, our funding predominantly comes from our Members and the savings they deposit with us. We diversify this funding with wholesale funding and Bank of England funding schemes. We also hold reserves which are generated from profits from prior years.

How we generate income

We earn income from the mortgages our customers hold with us and this then enables us to pay interest to our Members who have savings with us. We also earn income on the liquidity we hold and through our savings management outsourcing business, Newcastle Strategic Solutions and our financial advice business, Newcastle Financial Advisers.

How we use this funding in our Society

We use our funding to enable people to own their own home, save and plan their finances. We do this by offering residential and buy-to-let mortgages. We also hold some of our funding in liquid assets so we can ensure we meet regulatory limits as well as being able to pay out all liabilities as they fall due.

How we invest in a sustainable business

Community sits at the heart of our Society and as a mutual business we are committed to providing a service to our communities and to building authentic, lasting relationships. We reward our colleagues fairly to ensure we are a great place to work where people can realise their potential. We also ensure that we are investing in the infrastructure and capability to provide a safe, secure and sustainable business and adapt to change and new opportunities and challenges as they arise.

Our customers

A key part of our strategy is delivering outstanding levels of service and building authentic long-lasting relationships with our Members. In 2024, we increased our net promoter score to +86 (2023: +82) and achieved a strong customer satisfaction score of 96% (2023: 95%), demonstrating our commitment to this strategy and something we are very proud of.

Our 'Voice of the Customer' programme provides daily, real-time feedback from our customers, helping us to continue to develop and improve the service we deliver. In 2024, we received almost 23,000 responses from our customers across all our channels including the branch network, digital savings, mortgage operations, mortgage advice, mortgage intermediaries and our financial advice subsidiary, Newcastle Financial Advisers.

We have used this feedback to improve our products and services we deliver to Members and many of them have consented to provide testimonials to communicate across our social media platforms, enabling us to share our customers' voices in the external environment.

We continue to engage Members in the direction of the Society's goals and ambitions. 'Connected Communities', a Member initiative that we launched in 2021, is an online forum where views can be exchanged and gathered. Over the last year, 'Connected Communities' has seen Member engagement grow consistently, with poll votes increasing by 34% in 2024. Since inception, 'Connected Communities' has captured over 4,150 comments, 450 items of content, and over 4,450 poll votes; a huge testament to the value our Members place on being part of our Society.

In January 2025 we launched our sister platform, 'Connected Communities' powered by Manchester Building Society. The tool will expand our listening programme and will give us a dedicated space to have valuable conversations with the North West community as we co-create the brand with the Greater Manchester community.

Our communities

During the year we continued to support the people and places within our regions in a variety of ways, including through key long-term strategic partnerships and collaborations:

- We have given Members and colleagues a 'Helping Hand' through our tailored, confidential support and advice service delivered by Citizens Advice Gateshead. By providing easy-to-access, free-to-use guidance, advice and practical assistance across a wide range of topics, we have supported nearly 200 individuals, helping to unlock more than £300,000 in additional income through advice on eligibility for benefits and welfare support.
- We contributed an additional £1.1m to the Newcastle Building Society Community Fund at the Community Foundation Tyne & Wear and Northumberland, building the endowment to around £3.5m and increasing the level of funding which will be made available to charities in our regions for generations to come.
- In collaboration with our partners at Newcastle United Foundation, branch colleagues delivered more than 200 different financial coaching sessions or scam awareness talks and visited more than 50 schools, reaching nearly 5,000 pupils. In addition, 76 colleagues helped deliver 33 different employability sessions, reaching more than 5,000 participants.

Volunteering-friendly policies enable colleagues to donate their time to local good causes and create new connections with their communities. Through the Newcastle Building Society Community Fund at the Community Foundation Tyne & Wear and Northumberland, grants are provided to local charities tackling the issues of employability, debt management, homelessness, food poverty, and the environment.

Please see The Building Society Difference report for more information.

Our branches

With 32 branches on high streets stretching across the North East, Cumbria and North Yorkshire, we believe that branches play an essential role in the heart of our communities. We are committed to growing our presence on our high streets and in our town centres and making people think differently about branches.

A vibrant high street is often the beating heart of a community, providing local jobs, services and driving economic wellbeing. Financial services are an important part of this, so when the last bank branch closes, the damage to the community extends far beyond its customers.

We are making the most of people and partnerships to deliver for our communities. This means bringing new thinking and working with like-minded partners to re-imagine what a branch could be, opening branches in innovative locations and sharing space with local services such as libraries, tourist information, community centres and even the police.

We have seen a number of exciting developments in our branch network during the year, with more details on this found in The Building Society difference report.

Our colleagues

Being a great place to work where people can realise their potential is key to living our Purpose.

Our people strategy focuses on providing an immediate, ongoing and long-term framework for engaging, developing and managing our people, creating an inspiring place for people to work and be able to achieve their full potential whilst delivering the Group's ambitions with our people vision and key priorities shown below:

Right people
Early Talent
Talent Enablement

Loving what they do
Colleague Experience
Leadership and Culture

Doing it the right way
Organisational Design
Diversity, Equality & Inclusion

Doing it well
Performance
Reward

The Group places a great deal of emphasis on engaging colleagues in the ongoing development of its business and delivering its Purpose and strategy. 'Colleague Voice', our colleague survey methodology, is representative of views from colleagues across our Group and can make a significant contribution to our ongoing development, both from a business performance and a colleague experience perspective. Our approach to colleague surveys enables us to measure colleague engagement at a strategic level as well as provide managers with the ability to listen to colleagues and work with the feedback, incorporating these insights into their daily thinking, decision-making and conversations.

Our survey practices, tools and resources provide managers with real-time access to their feedback, as well as the ability to respond real-time and create simple and effective action plans to drive positive change, empowering leaders and managers to own their colleague engagement with their teams.

Employee net promoter core or eNPS is our strategic people metric and enables us to benchmark ourselves against the financial services sector and the very best employers across the industry. With so much change in the organisation, we have seen our eNPS score fall slightly for 2024 to +49 (2023: +57); a score of +49 is a very positive result and places us in the top 25% of the financial services sector within Workday Peakon's (our provider) global client database. We are delighted to have also maintained our prestigious Investors in People Platinum status in 2024.

We launched a culture programme in 2024, which gathered views and insights from colleagues across the Group, this has culminated in a new behavioural framework: Be Collaborative, Be Curious, Be Courageous, Be Efficient and Be Accountable. We will continue to drive, review and measure the culture in the Group in 2025 and beyond.

An annual pay review for all colleagues takes place on 1 April each year and in addition the Group operates the 'Sharing in our Success' Bonus Scheme for all colleagues below Executive level. Payments from this scheme are determined by the delivery of financial and non-financial metrics linked to the Group's strategic objectives and the personal performance of each colleague.

We consult with Unite when considering our approach to annual pay awards for colleagues, except for Executives. The 2024 pay rise for colleagues ranged from 0% to 19%, with an average increase of 6.0% received by colleagues.

The Society has overall accountability for ensuring the health, safety and wellbeing of all its colleagues. Through the way we work and behave, we are committed to protecting all colleagues and visitors who may be affected by our work activities.

Through an ongoing and determined commitment to continually improve health and safety at work, the Society is committed to ensuring that effective health and safety management is paramount to the business and actively contributes to our success.

Supporting colleagues with their health and wellbeing has continued to be an area of focus throughout 2024. We have raised awareness of key topics such as mental health, menopause and endometriosis and are working with key partnerships such as Henpicked and Andy's Man Club. We have also reviewed our people policies across 2024, enhancing our Parental Leave, Absence and Wellbeing and Reasonable Adjustments Policy and introducing a new Fertility Policy.

A key contributor in the delivery of our People strategy is the way we manage our talent, from the moment they begin their colleague journey with us, through to their continued professional development in role whilst supporting their career aspirations.

2024 saw the launch of our leadership skills academy, alongside giving all colleagues access to the virtual learning platform LinkedIn Learning. Our ongoing commitment to our employability agenda saw our early talent programme go from strength to strength in 2024, welcoming a new cohort of graduates, apprentices and students across the organisation. We will continue to build and develop the programme more widely in 2025, with a clear focus on inclusion, financial education and the ongoing development of strategic partnership. Workday, the Group's newly implemented HR and financial system, presented opportunities to revisit our approach to performance and supporting colleagues to realise their potential and 2025 will see a clear focus on how we effectively manage our talent to support future success through the stability and strength of our people structures.

Diversity, equity and inclusion

In 2024, we continued to embed our 'Place to Be You' strategy which aims to cultivate a workforce and future talent pipeline that represents the diverse communities we serve and create a culture where every colleague feels able to be themselves and belong.

The diversity, equity and inclusion (DE&I) steering committee chaired by our Chief Executive Andrew Haigh, meets on a quarterly basis and is tasked with overseeing the implementation and delivery of our 'Place to Be You' strategy and plan.

Drawing on data and insight, our programme of activity has been designed to support the delivery of our five strategic DE&I goals.

Inclusive culture

1
Create an environment where colleagues can be themselves at work, perform at their best and belong

Leadership & governance

2
Create shared ownership and hold ourselves accountable for making progress

Talent management

3
Attract, recruit, develop and retain the best diverse talent to create high performing innovative teams

Inclusive by design

4
Remove the structural barriers to inclusion, providing fair, equitable and accessible practices for all

Community & supply chain

5
Diversify our supply chain and community partners, collaborate with them to achieve our diversity, equity and inclusion goals together

We have continued to make progress against each of our DE&I goals throughout 2024.

Our colleague-led networks are integral to us creating a workplace where all our colleagues feel able to be themselves and belong. By sharing their lived experience and diverse perspectives they have helped us to build more inclusive policies and working practices throughout the year.

In April we launched a suite of enhancements to our family leave provision and support through the introduction of equalised parental leave to all parents regardless of their route to parenthood, combined with enhanced support for fertility, neonatal and baby loss.

To strengthen our ability to attract, develop and retain a diverse talent pipeline, we partnered with the Clear Company to undertake an inclusive recruitment audit. We are using this insight to remove any barriers to employment by making our hiring practices more inclusive.

Through our partnerships with Goss and the Digital Accessibility Centre, we remain focused on creating an accessible and inclusive experience for our colleagues, Members and communities.

We also carried out accessibility audits of key branch sites and our digital environments to support us in building the foundations that will enable us to become inclusive by design.

Working in collaboration with our colleague-led networks, we have continued to raise awareness and provide education around key topics such as gender, race, menopause, neurodiversity, disability, wellbeing and LGBTQ+ inclusion, through a calendar of events.

We held our first Powered by Pride event in June, which raised awareness of the disparities that exist for the LGBTQ+ community through a regional, UK and global lens. Over 170 people attended the event and collectively considered the actions they could take to build LGBTQ+ inclusive practices in their respective organisations. Following this in July, we celebrated Pride across the region with over 80 colleagues joining the Northern Pride march.

In August, it was an honour to be headline sponsor of the Newcastle Mela, the largest multi-cultural festival in the North East which celebrates South Asian culture and brings diverse communities together to build greater community cohesion, social integration and connection.

We were pleased to be awarded bronze status in both the Clear Assured external inclusion maturity index and the Stonewall Workplace Equality index this year in recognition of the progress we continue to make.

In 2020 we committed to the Women in Finance Charter. The charter is a commitment by the government and signatory firms across the finance sector to work together to build a more balanced and fair industry and to create gender balance, particularly at mid and higher levels across financial services firms.

Since signing the Charter, we have achieved a 20% increase in female representation across Senior Management positions (which includes our Board, Executive Committee and Executive direct reports). We have set ourselves a target to achieve a gender balanced Senior Management population by 2026.

	Female		Male	
	2024	2023	2024	2023
Senior Management*	49%	49%	51%	51%
Managers	47%	47%	53%	53%
Colleagues	66%	66%	34%	34%
Overall	**60%**	**61%**	**40%**	**39%**

*Senior Management is defined as Board, Executive Committee and Executive direct reports

Our Group structure

At our core, we remain a straightforward saving, lending and advice business putting Members at the heart of what we do. As well as providing mortgage and savings accounts to our Members, we also provide a number of other related services, including regulated financial advice for investments through our subsidiary Newcastle Financial Advisers, an appointed representative of Openwork LLP.

Newcastle Strategic Solutions

Newcastle Strategic Solutions (Solutions) provides an award-winning, full savings solution for some of the UK's leading savings providers. Celebrating its 20th anniversary of being in business in 2024, Solutions manages 1.6 million savings accounts and £51 billion in savings deposits on behalf of its clients, growing from 1.5 million savings accounts and almost £50 billion in savings deposits in 2023. Solutions is widely recognised as powering more savings operations than any other provider.

Solutions plays an important part in helping to deliver our Purpose-led strategy as the Society directly benefits from its investment in technology, resilience and infrastructure. Solutions is also a large regional employer and is an important source of talented colleagues for the wider Group helping to power its employability agenda.

Newcastle Financial Advisers

Newcastle Financial Advisers, our financial advice subsidiary, provides Members with trusted financial advice, something we believe everyone deserves and should have access to. We have been providing our financial advice service through Newcastle Financial Advisers for over 20 years, providing customers with a variety of solutions and excellent service tailored to their specific needs. Continuing to support our communities in achieving better financial futures in the North East of the UK, and a commitment to extend that support into the North West.

Newcastle Financial Advisers continues to grow its position on the high street along with its reach into our communities. Having recently surpassed £1billion of assets under management they remain committed to providing expertise, advice and support to all our Members throughout their lifetime. Through Newcastle Financial Advisers, we are proud to offer:

1. **Personalised financial advice and services:** Advice on products and ongoing support that are tailored to individual needs to ensure their money is working as hard as possible.
2. **No pressure to make decisions:** There is no obligation to follow any advice provided and there is no rush to make a decision. No fees are charged unless any recommendations made are implemented. Any associated costs are clearly explained at the outset.
3. **Trustworthy specialist advisers you can always reach:** Financial Advisers are available to meet face to face in every Newcastle Building Society branch. The availability of telephone and video chat options also means there is always a way to get in touch and give financial planning the attention it deserves. Our advisers are there to have a friendly, jargon-free chat, however and wherever is most convenient.
4. **Helping Members at every stage of their life** By offering investment, pensions, retirement, life and income protection insurance and inheritance tax planning. As circumstances change, so do financial needs and goals. Members can continually access and review their plans with a Financial Adviser as their needs change. Ensuring financial objectives are always on track to give a better financial future.
5. **Choice and flexibility:** Being part of the Openwork Partnership, one of the UK's largest and longest established financial advice networks, means Newcastle Financial Advisers can offer advice on a wide range of products and high-quality services tailored to personal needs.
6. **A service that is open and accessible to everyone:** Unlike many UK banks and building societies, there is no minimum investment required. In fact, customers are welcome to ask for advice even if they do not take up our recommendations.

No matter how much Members have saved, want to invest or to review any existing plans, Newcastle Financial Advisers are available to give their customers' financial planning the attention it deserves.

Key performance indicators

The Board regards key performance indicators (KPIs) as an important way of monitoring achievement of short-term objectives and progress against the strategic plan. The KPIs that are reported to the Board monthly are detailed below. There have been no changes to the KPIs reported to the Board, or calculations in determining these KPIs, during the year.

Key performance indicators	How it is measured	Performance	Link to our strategy and Purpose
Financial – Sustainable business			
Profit before tax*	Profit before tax as reported in the income statement.	2024: £15.7m 2023: £29.1m	To ensure we generate the necessary capital to grow the business.
Operating profit before impairment and provisions	Operating profit before impairment and provisions as reported in the income statement.	2024: £34.2m 2023: £31.4m	To ensure we generate the necessary capital to grow the business.
Underlying operating profit*	Underlying operating profit excludes items defined as income or expenses that arise from events or transactions that are distinct from the core activities of the Group and therefore do not represents the Group's true performance.	2024: £31.9m 2023: £32.8m	To ensure we generate the necessary capital to grow the business.
Common Equity Tier 1 ratio	Common Equity Tier 1 capital (defined by the PRA as general reserves or qualifying capital instruments which for the Society is the accumulation of retained profits as a percentage of risk weighted assets).	2024: 12.2% 2023: 12.5%	To ensure we remain financially strong and be able to protect against risks inherent in running a building society.
UK leverage ratio	A Basel III ratio which measures Tier 1 capital against total on and off balance sheet assets.	2024: 5.2% 2023: 4.8%	To ensure we remain financially strong and be able to protect against risks inherent in running a building society.
Liquidity coverage ratio	The liquidity coverage ratio measures unencumbered high quality liquid assets as a percentage of net cash outflows over a 30 day stress period.	2024: 229% 2023: 227%	Ensures the Group has sufficient liquidity to operate.
Efficiency			
Cost to income ratio	Administrative expenses, depreciation and amortisation as a percentage of total income.	2024: 78% 2023: 77%	Cost to income ratio is a measure of financial progress against internal targets and the return achieved on investment in the business.
Lending and saving			
Net interest margin	Net interest margin is a relative measure of the Group's net interest income (as disclosed in the Income Statements) – the difference between interest received on assets and interest paid on liabilities – divided by the Group's average total assets during the year.	2024: 1.44% 2023: 1.50%	To measure the income we generate from our mortgage and savings accounts.

Key performance indicators	How it is measured	Performance	Link to our strategy and Purpose
Lending			
Gross mortgage lending	The value of residential lending advanced during the year.	2024: £1,196m 2023: £1,103m	Helping people own their own homes.
Net core residential lending*	Gross residential lending, less repayments of principal and redemptions during the year across core residential and retail buy-to-let mortgages.	2024: £496m 2023: £575m	Helping people own their own homes. Helping people save and plan their finances.
Savings			
Savings balances	The value of savings balances held by our Members.	2024: £5,433m 2023: £5,014m	Helping people save and plan their finances.
Non financial measures - Service quality and customer experience			
Customer satisfaction	Customer satisfaction is a measure of how our products and services meet customer expectations.	2024: 96% 2023: 95%	Building lasting authentic relationships.
Customer engagement score (NPS)*	Customer engagement measures the loyalty of our customer relationships.	2024: +86 2023: +82	Building lasting authentic relationships.
People, leadership and culture			
Colleague engagement score (eNPS)*	Colleague engagement is measured throughout the year across all colleagues. Society goals are delivered by highly engaged colleagues.	2024: +49 2023: +57	Being a great place to work where people can realise their potential.

* Included as a key measure in the Executive Directors' Remuneration Policy calculations. For further details see the Directors' Remuneration Report.

Senior management consider a wide range of financial and non-financial metrics to assess the performance and future direction of both the Group and Society. Financial metrics include both measures defined or specified by the Group's applicable financial reporting frameworks (primarily International Financial Reporting Standards and the Building Societies (Accounts and Related Provisions) Regulations), such as Group operating profit before impairments and provisions, and non-specified measures, such as net interest margin and cost to income ratio.

Those financial measures not specified by the Group's financial reporting frameworks are alternative performance measures with further detail provided in the financial KPIs and analysis section.

Our financial performance

The Chief Executive's Review details the Group's performance throughout 2024 and should be read in conjunction with this report. The Strategic Report outlines the financial performance of the Group during 2024.

Newcastle Building Society is the largest building society based in the North East of England and the seventh largest building society in the UK, with assets of £6.6 billion (2023: £6.2 billion). For 2024, we are reporting a decrease from 2023 profit for the year before taxation from £29.1m to £15.7m in 2024, predominantly as a result of the announcement to provide voluntary financial support to Members who are affected by the actions and subsequent collapse of Philips Trust. Further details of this voluntary support are found in the Chief Executive's Review and in note 25 of the Annual Accounts.

Our operating profit before impairment and provisions has increased from £31.4m in 2023 to £34.2m in 2024, demonstrating the core strength of the Group's operating model and we continue to operate with strong capital ratios and have robust liquidity ratios.

Financial profitability

Profitability is one of the key performance measures the Board monitors closely. The Society seeks to make sufficient profit in order to invest in and grow the business for the benefit of its current and future Members.

Summary Group Income Statement	2024	2023
	£m	£m
Net interest income	91.9	86.4
Other income and charges	61.0	51.5
Total operating income	**152.9**	**137.9**
Administrative expenses	(111.1)	(100.1)
Depreciation	(7.6)	(6.4)
Operating profit before impairments and provisions	**34.2**	**31.4**
Impairment reversals / (charges) on loans and advances to customers	2.5	(1.1)
Impairment charges on tangible and intangible assets	-	(0.3)
Provision for liabilities and charges	(21.0)	(0.9)
Profit for the year before taxation	**15.7**	**29.1**

Alternative performance measures

The Board reviewed and was satisfied that the alternative performance measure of underlying profit before tax, which is reported alongside the statutory profit measure, gives a clearer view of the underlying performance of the business for our Members.

The following items are considered in determining the underlying profit of the Group. They are items defined as income or expenses that arise from events or transactions that are distinct from the core activities of the Group and therefore do not represent the Group's true performance, primarily relating to fair value adjustments.

On an underlying basis, operating profit before impairment and provisions was £31.9m in 2024, a reduction of £0.9m from £32.8m in 2023, as a result of costs increasing slightly more than underlying income, with more detail found in the following pages. The key non-underlying adjustments in the year include a fair value gain (net of movements in associated interest rate swaps) of £4.9m on the equity release mortgage book, and IT transformation costs of £2.6m, relating to the extensive investment in IT infrastructure during the year, which includes the replacement of the Group's legacy financial and HR systems with a state-of-the-art system.

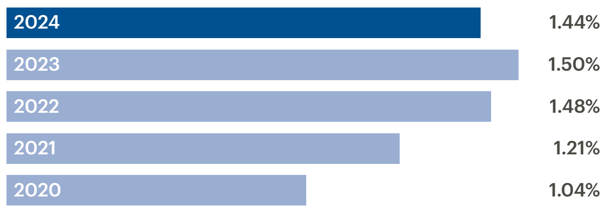
The following table shows a reconciliation of operating profit before impairment and provisions to underlying operating profit. Segmental information is available in note 9 to the Annual Accounts and details the Member business and Solutions' business segments.

Operating profit	2024	2023
	£m	£m
Operating profit before impairment and provisions	34.2	31.4
Gain in fair value of equity release mortgages	(4.9)	(0.5)
Hedge ineffectiveness (gain) / loss on accounting hedges	(0.3)	0.5
Revaluation loss on equity investments	0.4	0.2
Foreign exchange movements	(0.1)	(0.3)
IT transformation costs	2.6	0.2
Transactional costs	-	1.3
Underlying operating profit	**31.9**	**32.8**

Net interest margin

Net interest income increased by £5.5m to £91.9m in 2024 (2023: increase of £11.0m to £86.4m) and our net interest margin was 1.44% (2023: 1.50%). Net interest margin was expected to fall in 2024 as retail cost of funds continued to rise in the first half of the year following the increase in bank base rate in 2023. This was further impacted by two base rate cuts in the second half of the year which we chose not to pass on in full to savings customers in order to protect Member Value. Net interest income grew as a result of Balance Sheet growth, with mortgage balances, including provisions and accounting adjustments, increasing by £429.6m and savings balances increasing by £418.4m (2023: increase of £600.2m and £793.5m, respectively).

Net interest margin



Other income and charges

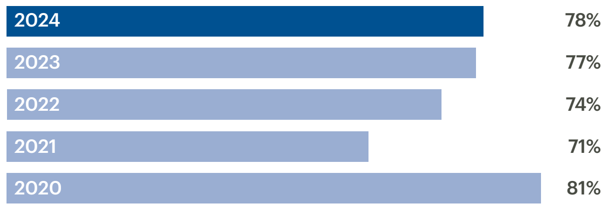
Other income and charges includes income from Newcastle Strategic Solutions (Solutions) and Newcastle Financial Advisers. Income from Solutions includes income generated from balances under management of Solutions' clients. Income from Newcastle Financial Advisers relates to fee income generated through financial advice services. Other income and charges increased by £9.5m to £61.0m in 2024 from £51.5m in 2023.

Administrative expenses and depreciation

Overall management expenses (the sum of administrative expenditure and depreciation) increased to £118.7m from £106.5m, reflecting investment in the Group's colleagues and systems, following increased colleague costs and replacement of the Group's legacy financial and HR systems to help ensure the Group's infrastructure and operational capabilities support our future strategy.

The cost to income ratio is broadly in line with the previous year at 78% in 2024 (2023: 77%). The cost to income ratio reflects costs deemed to be under the control of management (administrative expenses plus depreciation as disclosed in the Income Statements) divided by total operating income, as similarly presented. Management assesses the ratio as a measure of operating efficiency and continues to look for ways to improve this metric.

Cost to income ratio



Impairment charges

During the year inflation has reduced and remains below current average earnings growth. Bank base rate has also reduced and overall, the cost of borrowing has reduced, which has eased affordability pressures and supported a recovery in the housing market, with house prices increasing by 4%.

Although residential mortgage arrears have increased to some extent, in line with the overall market, borrowers have remained very resilient to affordability pressures. The improvement in the economic outlook over the year has resulted in provisions for expected credit losses decreasing over the reporting period to reflect all these factors.

Impairment provisions for loans and advances to customers

The Society saw a net gain from releases on impairment for loans and advances to customers of £2.5m in 2024 (2023: charge of £1.1m).

The following table provides an overview of the movement in provisions. More details are included in notes 41 and 42 to the Annual Accounts.

Movements in loans and advances to customers and related provisions	Opening balance	New originations in 2024	Redemptions	Movements relating to loans originated before 2024	Closing balances
Prime and buy-to-let	Loan balance (£m)				
	4,409.4	1,146.6	(647.8)	-	4,908.2
	Provision (£m)				
	5.8	1.4	(0.8)	(1.2)	5.2
Legacy (excl) housing associations	Loan balance (£m)				
	43.0	0.7	(15.7)	-	28.0
	Provision (£m)				
	1.8	0.6	(0.5)	(0.5)	1.4

Prime residential and buy-to-let lending

In 2024, increases in residential lending increased provisions by £1.4m, whilst redemptions resulted in a £0.8m reduction, with £1.2m of provisions released on residential and buy-to-let mortgages as the macro-economic outlook improved during the year, resulting in a net gain of £0.6m. The mortgage loss provision coverage ratios moved from 0.13% to 0.11%.

Legacy books

The Society successfully continued winding down its legacy portfolios, seeing the redemption of, or capital repayments against, legacy loans, reducing the balances by £15.0m and a reduction in provisions of £0.4m.

A number of loans acquired as part of the merger with Manchester Building Society in 2023 were classed as Purchased or Originated Credit Impaired on merger, resulting in the loans being recognised on the Balance Sheet at the net amount of gross mortgage balance less provision, as required by accounting standards. Following redemptions of £3.0m of these loans, provisions of £1.5m which were originally netted off the gross mortgage balances have been released, leading to a £1.5m gain to the Income Statement.

Provisions for liabilities and charges

Provisions for liabilities and charges increased from £0.9m in 2023 to £21.0m in 2024 as a result of costs recognised following our commitment to provide voluntary financial support to help Members whose trusts are affected by the actions and subsequent collapse of Philips Trust, as outlined in the Chief Executive's review.

Management has determined that the estimate of the total cost of the voluntary scheme and associated costs to be incurred (net of the recovery received from Philips Trust administrators (see below) and including legal and scheme costs) will not exceed £20m.

At 31 December 2024, £10.1m of payments had been made to affected customers, with remaining payments expected to be made in the first half of 2025. In addition, £1.2m was received from the administrators of Philips Trust from the recoveries made from Philips Trust investments, which has been netted off the cost of the provision. Additional recoveries are being sought to reimburse the Society's costs of providing support to affected customers. Whilst additional recoveries are expected in 2025, these have not been recognised in the Balance Sheet in line with accounting requirements.

At 31 December 2024, the remaining provision being held in respect of this scheme was £10.5m. More detail on the provision is found in note 25 to the Annual Accounts.

Taxation

The Group shows an effective corporation tax rate of a 5.1% credit in 2024 (2023: 23% charge). The overall tax credit during the year is made up of both tax payable against 2024 profitable operations and the recognition of £4.0m of deferred tax assets relating to taxable losses of Manchester Building Society. These have been recognised in the current period following a change in tax regulations applicable to Building Societies during the year, allowing the Society to utilise the tax losses against profits since 1 July 2023. This results in the effective rate paid in the current year being lower than the statutory rate of 25%, as well as differences in timing of when charges are recognised for accounting and tax purposes.

Balance Sheet

A consolidated balance sheet is set out below with key Balance Sheet items discussed in detail in this report.

	2024	2023
	£m	£m
Assets		
Liquid assets	1,155.6	1,250.3
Derivative financial instruments	56.6	50.9
Loans and advances to customers	5,289.3	4,859.7
Fair value adjustments for hedged risk	(21.9)	(13.2)
Intangible assets	13.8	12.8
Property, plant and equipment	34.0	31.5
Other assets	28.8	31.2
Total Assets	**6,556.2**	**6,223.2**
Liabilities		
Shares	5,432.7	5,014.3
Deposits and debt securities	658.6	801.0
Derivative financial instruments	29.4	61.7
Other liabilities and provisions for liabilities	55.6	25.4
Subscribed capital	34.8	34.8
Reserves and equity	345.1	286.0
Total Liabilities	**6,556.2**	**6,223.2**

Liquid assets

The Society has continued to maintain a level of high quality liquid assets throughout 2024. The Society's liquid assets comprise of assets held in cash or that can be easily convertible to cash through treasury markets (repo) or via various Bank of England liquidity schemes.

The Society's strong liquidity position is also demonstrated by the Liquidity Coverage Ratio, which was 229% at 31 December 2024 (2023: 227%), well in excess of the regulatory requirement of 100%. The Society complied with all regulatory and internal liquidity requirements throughout the year.

Asset class	2024	2023
	%	%
Cash in hand and balances with the Bank of England	42.8	45.1
Covered bonds	19.3	15.9
Residential mortgage backed securities	9.0	7.8
Gilts	19.2	6.7
Treasury Bills	5.0	15.5
Other	4.7	9.0
Total	**100.0**	**100.0**

As mentioned, the Society has access to the Bank of England liquidity schemes and has pre-positioned mortgage collateral and asset-backed securities that provide funding as part of business as usual and contingency funding plans.

The statutory liquidity percentage (liquid assets as a percentage of shares, deposits and liabilities) reported at 31 December 2024 was 19.0% compared to 21.5% in 2023.

Loans and advances to customers

The Society's strategy to grow the core lending, which includes prime residential and buy-to-let mortgages, whilst winding down legacy portfolios continued during 2024. Details of the movement in the Society's mortgage books is provided in note 12 to the Annual Accounts.

Loan portfolios	2024	2023
	£m	£m
Core lending		
Prime residential	4,524	4,020
Retail buy-to-let <£1m	385	390
	4,909	**4,410**
Legacy Lending		
Equity release	172	188
Specialist buy-to-let	6	13
Housing associations	179	212
Commercial	2	6
Other	19	24
	378	**443**
	5,287	**4,853**
Provisions	(7)	(8)
Other accounting adjustments	9	15
Loans and advances to customers	**5,289**	**4,860**
	%	%
Average LTV%	67.7	65.9
Average ILTV%	62.9	63.2

The balance of loans and advances to customers after provisions increased by £429.6m overall in 2024 (2023 £600.2m). Gross mortgage lending for 2024 increased to £1.2bn, exceeding the previous record level of £1.1bn set in 2023, whilst net core residential lending reduced to £496.2m from £575.1m in 2023. The reduction in the year was in line with lending targets as we carefully managed the balance of capital, funding and liquidity, with new mortgage applications increasing in December 2024 to support increased 2025 net lending targets.

Average loan to value increased during the year to 67.7% (2023: 65.9%) and average indexed loan to value saw a small decrease to 62.9% (2023: 63.2%).

The main source of the change in valuation of the Society's equity release mortgages is market interest rates. The Society economically hedges fair value movements on the equity release portfolio due to market interest rate movements using interest rate swaps. The value of these swaps increased by £10.5m resulting in a net gain of £3.7m (2023: £0.5m) in the year included in the Income Statement.

The majority of the Society's lending is secured with a first charge registered against the collateral property. Core and legacy residential loans are shown at indexed loan to value using the quarterly regional Halifax House Price Indices, all other loans are shown without indexing.

Mortgage credit quality

Arrears

The Society measures mortgage arrears of 3 months or more (excluding possessions) for both number and value of loans. Although primarily a measure of the quality of the existing mortgage books, the Society also uses its mortgage support functions to influence future lending with 'lessons learned' fed back into Lending Policy.

Arrears performance

3 months or more arrears*

	By number of loans		By balance	
	2024	2023	2024	2023
	%	%	%	%
Core lending	0.7	0.5	0.8	0.5
Legacy lending	5.5	4.8	1.4	1.2
Total	**0.9**	**0.7**	**0.8**	**0.5**

*includes mortgages acquired from Manchester Building Society in 2023

The percentage of mortgages in arrears by 3 months or more remains at low levels for 2024. Overall by number of loans in arrears we have seen an increase of 0.2% to 0.9%, and by balance we have seen an increase of 0.3% to 0.8%. We have redefined the basis of our arrears definition to include interest only mortgages that have passed the capital repayment date, which were not included in prior periods as this more accurately reflects the number of mortgages that are in arrears. Excluding the interest only mortgage accounts, the percentage of mortgages in arrears at 31 December 2024 was 0.8% for number of accounts in arrears by 3 month or more and 0.7% for balance of accounts in arrears by 3 months or more. The comparatives in the table above have not been restated for the changes in arrears definition.

The mortgages acquired through our merger with Manchester Building Society have significantly higher arrears positions than the lending originated by the Society, however they make up only £85.5m (2023: £103.9m) of total lending.

Forbearance

The Society works closely with any homeowner experiencing difficulties, offering help and advice on aspects of the situation. Customers utilising the benefits offered by the Mortgage Charter (an agreement between the UK government, mortgage lenders, and the Financial Conduct Authority that outlines the standards and commitments for lenders when providing residential mortgages) are not considered by the Society to be in forbearance. Forbearance cases and options granted are monitored by the Society's Credit Risk Committee with the levels of concessions granted not considered to be material for the size of the overall book. Please refer to note 42 to the Annual Accounts for further details.

Law of Property Act Receiverships and Possessions

The Society continued to experience a low level of possessions on residential loans and Law of Property Act receiver appointments. At the end of 2024 the Society had 11 properties in possession (2023: 8) in relation to residential loans, 1 of which being managed by a Law of Property Act receiver (2023: 1) and there were 2 legacy commercial loan properties (2023: 2) being managed by a Law of Property Act receiver.

Funding

The Society manages its funding levels, mix and duration carefully to ensure it has the required resources in place to meet its liquidity and lending targets. The Society is predominantly funded through retail savings with wholesale funding used to provide a diversified funding source.

Retail savings balances increased by £418.4m during 2024 to £5.4bn. Wholesale funding, including drawdown on Bank of England Funding schemes, reduced during the year by £142.4m, following repayment of £162m of drawings previously made under the Bank of England's Term Funding scheme with additional incentives for SMEs (TFSME) during the year. The balance of the Society's TFSME drawings at 31 December 2024 was £359.3m (2023: £521.7m), which is due to be repaid in 2025.

During the period, the Society took the opportunity to diversify its funding portfolio, issuing £20m of Tier 2 capital eligible loan notes during the period (2023: £nil), presented in Other Liabilities in the consolidated Balance Sheet presented on page 29.

The ratio of shares and deposits to wholesale balances moved from 86% / 14% in 2023 to 89% / 11% in 2024.

Reserves and Equity

The Group's equity is predominantly made up of £299.8m retained profits in the general reserve (2023: £284.3m). In addition, £40m of Additional Tier 1 (AT 1) instruments were issued during the period (2023: £nil), which are recognised in other equity reserves.

Capital

The following table shows the composition of the Group's capital ratios at the end of the year. The increase in common equity tier 1 capital relates to the profit in the year, after any applicable prudential adjustments. The growth in additional tier 1 capital is due to an external capital raise completed in December 2024. The total amount raised was £40m.

The increase in tier 2 capital relates to £20m additional external capital raised in June 2024, leading to tier 2 capital of £54.3m at the year end. Any additional tier 1 and tier 2 capital not eligible under the current regulatory regime has been deducted, resulting in £35.4m of eligible Additional tier 1 capital and £47.2m of eligible tier 2 capital. This capital will become eligible as the Society's Balance Sheet grows further.

Capital	2024 £m	2023 £m
Common equity tier 1 capital		
Retained earnings	299.8	284.3
Other reserves and prudential adjustments	(13.7)	(10.5)
	286.1	273.8
Additional tier 1 capital		
Perpetual capital securities	40.0	-
Ineligible additional tier 1 capital deducted	(4.6)	-
	35.4	-
Total tier 1 capital	**321.5**	**273.8**
Tier 2 capital		
Permanent Interest Bearing Shares	34.8	34.8
Subordinated loan notes	19.5	-
Ineligible tier 2 capital deducted	(7.1)	-
	47.2	34.8
Total capital	**368.7**	**308.6**
Risk weighted assets		
Liquid assets	34.2	42.0
Loans and advances to customers	1,990.4	1,813.4
Other assets	69.0	68.7
Counterparty credit risk	54.5	79.5
Operational risk	206.3	182.7
	2,354.4	2,186.3
Capital Ratios		**%**
Common equity tier 1 ratio	12.2	12.5
Tier 1 ratio	13.7	12.5
Total capital ratio	15.7	14.1
UK Leverage ratio (excluding claims on central banks)	5.2	4.8

The Group complied with its regulatory overall capital requirements (which include regulatory capital buffers), as notified by the Prudential Regulation Authority, throughout 2024. The total capital ratio was 15.7% (2023: 14.1%); Tier 1 capital ratio was 13.7% (2023: 12.5%), and common equity tier 1 ratio was 12.2% (2023: 12.5%). As expected, the common equity tier 1 capital ratio has reduced in the year, as growth in risk weighted assets due to higher lending levels has only been partially offset by retained earnings generated in the year. The tier 1 capital ratio and the total capital ratio have increased year on year, due to the external capital raised.

The leverage ratio is a simplified capital strength ratio measuring qualifying tier 1 capital against on- and off-balance sheet assets. The Board monitors the leverage ratio on a monthly basis, and, at 31 December 2024, the figure was 5.2% (2023: 4.8%). This is, and has remained throughout 2024, well in excess of the regulatory target of 3.25%. The improvement is due to the additional tier 1 capital raised in the year.

The Group's total capital requirement is communicated annually by the Prudential Regulation Authority and consists of minimum regulatory capital requirements (Pillar 1) plus additional Society specific capital requirements for credit, market, operational, counterparty, credit concentration, interest rate and pension obligation risk (Pillar 2A). The Group's total capital requirement at 31 December 2024 (excluding capital buffers) was £188.9m (2023: £185.8m). Further detail on the Group's capital is given in the Pillar III disclosures available on the Society's website.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are detailed in the Risk Management Report.

It is our policy to conduct all of our business in an honest and ethical manner. In doing so we will take reasonable steps to prevent the facilitation of bribery, corruption and tax evasion and where we identify that our organisation is being used to facilitate bribery, corruption or tax evasion we will take a zero-tolerance approach.

Our Anti-Bribery and Corruption Policy sets out our responsibilities, and those of anyone working for us, in observing and upholding our position on bribery, corruption and preventing the criminal facilitation of tax evasion, and it also provides information and guidance to colleagues on how to recognise and deal with a suspicion of bribery, corruption or tax evasion issues. It is a criminal offence to offer, promise, give, request, or accept a bribe or fail to prevent our colleagues, workers, agents or service providers facilitating tax evasion. Individuals found guilty can be punished by up to ten years' imprisonment and/or a fine. As an employer if we fail to prevent bribery or tax evasion we can face criminal sanctions, an unlimited fine and damage to our reputation. We therefore take our legal responsibilities very seriously.

Anti-slavery and human trafficking

The Group has a zero-tolerance approach to modern slavery and we are committed to acting ethically and with integrity in all our business dealings and relationships and to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere within our own business or any of our supply chains. We are also committed to ensuring there is transparency in our own business and in our approach to tackling modern slavery throughout our supply chains, consistent with our disclosure obligations under the Modern Slavery Act 2015. We expect the same high standards from all our contractors, suppliers and other business partners.

Our Anti-Slavery and Human Trafficking Policy applies to all persons working on our behalf in any capacity, including colleagues at all levels, Directors, officers, agency workers, seconded workers, volunteers, agents, contractors, external consultants, third-party representatives and business partners, sponsors, or any other person associated with us, wherever located.

Outlook

Whilst the key UK economic metrics have shown some signs of improvement in 2024, the outlook remains uncertain. When combined with the increasingly fluid geopolitical landscape, predicting with certainty how the external environment will evolve, and the consequential potential impact on our Group, remains somewhat challenging. We will continue to model multiple forward-looking scenarios as well as closely monitor the external conditions and refine our actual growth and risk posture accordingly.

Whilst we remain cautious, we believe that our clear strategy and strength in our core business allows us to continue to support our Members and our UK wider customer and client base connect to a better financial future.

On behalf of the Board
David Samper
Chief Financial Officer
28 February 2025

Alan, West Denton customer and Member

“Our belief is that face-to-face financial services and financial advice for all are an essential requirement within any community.”

The Building Society **difference**

Being a Purpose-led, Member-owned business means we can think differently about how we address the needs of our customers and communities. Whether it’s how we collaborate with others, address the financial needs of our communities, or target support at those in need, the benefits of a mutual approach are clear.

The Building Society difference

Better with branches

Since 2015, more than 6,100 bank branches have closed across the country, making it difficult for ordinary people to access financial services and damaging our high streets. That trend of bank branch closures continued in 2024, with an additional 300+ closure announcements, stretching to every corner of the UK. However, the inconvenient truth for the banks is that almost everyone will come to value access to face-to-face financial services at some point in their lives.

We take a different approach. Our belief is that face-to-face financial services and financial advice for all are an essential requirement within any community.

By listening to our Members, and responding directly to their needs, it is our view that rather than close branches and force people online, the better answer is to offer a service which blends the best of digital and personal services.

This leads us to explore new and different ways of thinking when it comes to expanding our branch network. In the past ten years we've invested around £10m in our branches, opening in new locations, innovating in design and operating models and restoring financial services in communities abandoned by the banks.

In 2024 we created our fifth community partnership branch by relocating our North Shields branch to share space with YMCA North Tyneside, an award-winning charity. Alongside their popular community café and gym, we're able to support their excellent work which includes education, youth and community work, and provision of supported accommodation.

Investment in Hartlepool and Middlesbrough upgraded branch facilities to create two new spaces for local charities and community groups to meet – free of charge. More than half our branches now have a community room, providing a dedicated bookable space with refreshments available to Members and non-members. During 2024, more than 200 different charities and local groups used our community rooms as they become an increasingly useful part of the social fabric in their communities, bringing people together and giving people another reason to visit their high street.

We also opened a brand new branch in Pickering, a town which was due to become unable to access a local bank in 2025. Through our financial advice subsidiary, Newcastle Financial Advisers, we have had a modest office presence in Pickering since 2019 but in 2024 we opened a new branch on the high street, maintaining access to financial services and putting our team of financial advisers within the new branch. The installation of a free-to-use multi-bank kiosk in Pickering means customers of any bank, even if they aren't customers of the Society, can access their current account for cash withdrawal and deposits.

Throughout 2024, work continued on the creation of our Monument flagship branch in Newcastle city centre. Consisting of five floors spread over 8,400 square feet, the branch will house a full range of branch services, a huge flexible community space, plus meeting, events, and working spaces. Previously a retail unit, much of the space will be brought back into community usage for the first time in decades when it opens in 2025.

In the North West, we've committed to opening a Manchester city centre flagship branch in 2025, which will feature community space, meeting space and advice space as well as all the facilities you would expect to find in a building society branch. Over time we will expand the branch network across Greater Manchester's towns and the wider North West.

Our ongoing investment in branch services helps to create value which extends far beyond the transactions that take place at the counter.

Accessible financial planning is an essential feature of our branch network, with a professional qualified financial advisor in each branch and no minimum level of customer investment required. This radically inclusive offer means we aim to provide personalised advice in our communities for anyone, at every stage of life.

Branch colleagues are also key to the provision of vital financial education in our communities, much of which is done in collaboration with our partners at Newcastle United Foundation. Branch colleagues delivered more than 200 different financial coaching sessions or scam awareness talks during 2024, and visited more than 50 schools, reaching nearly 5,000 pupils. In addition, 76 colleagues helped deliver 33 different employability sessions, reaching more than 5,000 participants.

In addition, branch colleagues are embedded and collaborating within their local communities, helping direct community grants from the Newcastle Building Society Community Fund to where they're needed most, volunteering, and fundraising. Community groups in turn can make use of branch space for meetings and access a range of financial and non-financial support.

Understanding regional priorities

Vital Signs North East 2024 is a collection of reports created by the Community Foundation Tyne & Wear and Northumberland (the Community Foundation) which explore the biggest issues facing the North East. By 'taking the pulse' of the region, the reports aim to identify our common challenges and highlight the opportunities to respond collaboratively.

Our support for Vital Signs North East 2024 includes helping to bring together more than 300 leaders from business, charity and the public sector at a series of events to share the findings, spark conversation and drive action. At close to 100 subsequent 'On The Table' events nearly 1,000 people came together to chat through the issues which mean the most at a grassroots level, providing feedback and ideas.

Vital Signs North East 2024 informs our strategic community priorities, creating a clear link to our Purpose including how we approach giving and volunteering.

In 2024 our community focus remained on five areas of strategic priority, which are debt management, homelessness, food poverty, environment and employability. Across these areas of focus we seek to adopt an inclusive approach, reaching people from all backgrounds across our diverse regions.

Since 1995 the Newcastle Building Society Community Fund at the Community Foundation has benefited local causes with grant funding worth more than £2.7m.

We contributed an additional £1.1m to the Newcastle Building Society Community Fund during 2024, building the endowment to around £3.5m and increasing the level of funding which will be made available to charities in our regions for generations to come.

In addition, in 2024 the Newcastle Building Society Community Fund awarded 24 grants, worth a total of more than £140,000, reaching more than 200,000 people in areas around our branch network.

In the North West, we're pleased to have already committed to working with and supporting two amazing charities as part of our inaugural investment in the region: Forever Manchester, and Empower Salford Youth Zone, donating £100,000 to each charity in 2024.

One of our most impactful initiatives is our partnership with Citizens Advice Gateshead who deliver our 'Helping Hand' service for Members and colleagues. By providing easy-to-access, free-to-use guidance, advice and practical assistance across a wide range of topics, we've supported nearly 200 individuals, helping to unlock more than £300,000 in additional income through advice on eligibility for benefits and welfare support.

Colleagues play a vital role in driving positive change in our communities. Our volunteering-friendly policies encourage individuals and teams to spend time on local good causes aligned with our strategic community priorities of food poverty, homelessness, debt management, employability, and sustainability.

Volunteering with strategic focus helps to create meaningful impact and can include use of specialist skills or the time spent supporting local good causes.

More than 6,000 colleague hours were volunteered on activities linked to our strategic themes during 2024, ranging from support for local food banks to time spent on charity boards and included support for the Newcastle Mela festival in the summer, and a winter fundraising campaign in support of FareShare North East which helped to raise more than £14,000 to enable the purchase of a new van for delivery of surplus food across the region.

All this means that the value of our community support in 2024 was more than £1.9m.

Mairi, Julie, and Kim, Whitley Bay customers and Members

Sustainability Report

Durham, County Durham

Climate-related financial disclosures

Introduction

Our climate-related disclosures are structured around four key pillars and aim to provide consistent disclosures and information on the Society's exposure to, and management of, climate risks and opportunities. The four pillars are:

- Governance
- Strategy
- Risk Management
- Targets and Metrics

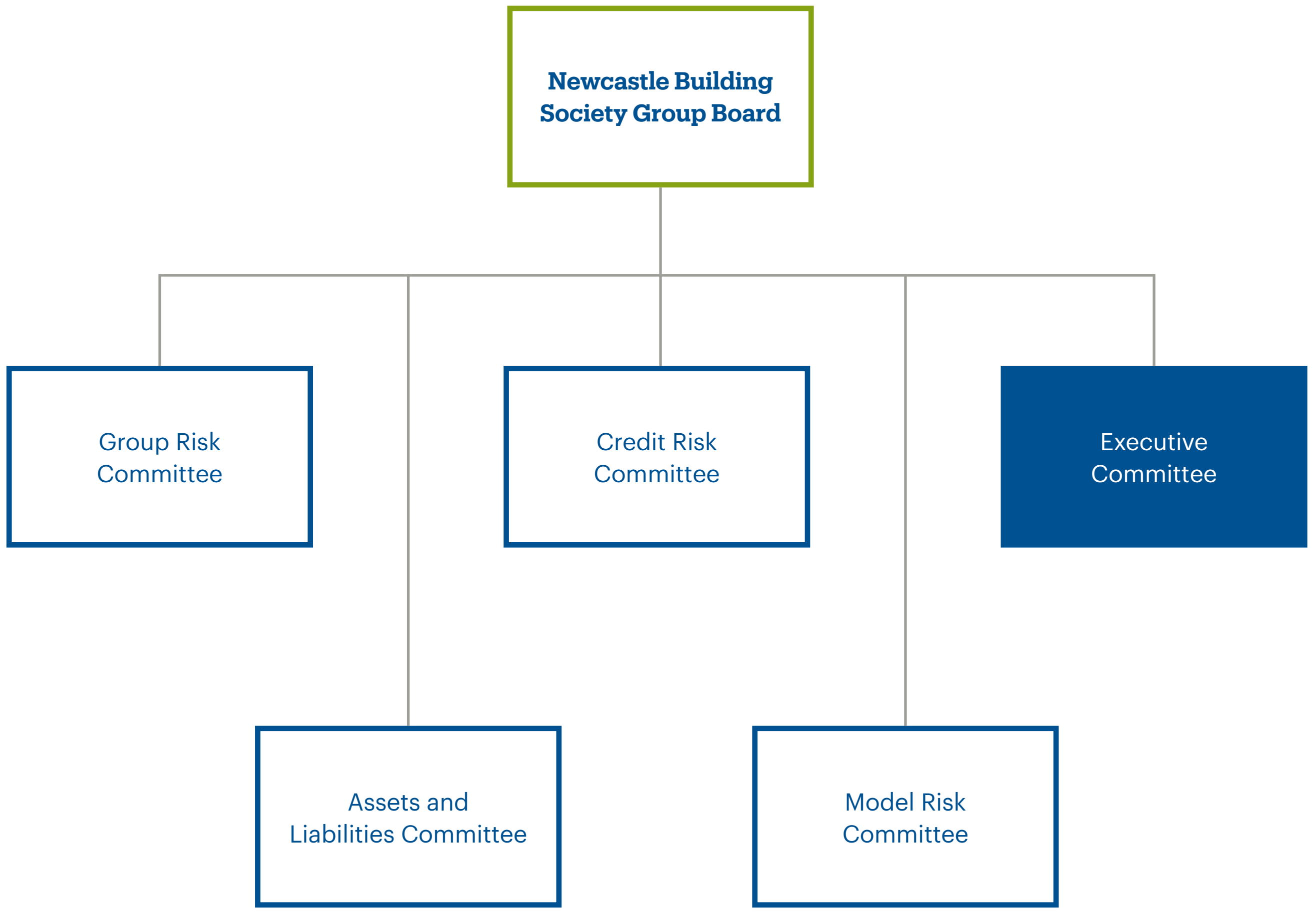
Governance

The Society has introduced an appropriate governance structure, which identifies and manages the risks and assesses the opportunities in relation to climate change. The Society has designed the governance structure to be sufficient for the nature, scale, and complexity of its operations. As the Society has an exposure to climate-related risk across its operations, it ensures that climate-related considerations are embedded into its approach to governance so that appropriate decisions are made to secure a strong financial future for the Society as well as for our Members and customers.

The governance process for assessing and managing climate-related risks and opportunities is consistent with our established risk governance framework. Climate-related risks identification and quantification refreshes are carried out on an annual basis and feed into our Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) assessments.

Risks and opportunities are being incorporated within the Society's risk management frameworks, with this being complemented by climate specific processes where relevant.

Our climate-related governance structure is as follows:



- The Board is ultimately responsible for the governance of the risks and opportunities in relation to climate change;
- The Society's Group Risk Committee is responsible for ensuring climate-related risks and opportunities are being managed effectively, with the Chief Risk Officer being responsible for the day-to-day management of climate-related risks;
- Known or emerging risks are raised to the appropriate Board sub-risk committee;
  - Enterprise Risk Committee for climate risks to business operations (including operational resilience);
  - Credit Risk Committee for climate-related risks to the Society's secured mortgages; or
  - Assets and Liabilities Committee for climate-related risks to capital or liquidity.
- The Society's Executive Committee chaired by the Chief Executive is responsible for overseeing the identification and management of climate-related risks and opportunities. They work pro-actively to review any new, emerging or changing risks focusing on short-term priorities to ensure the business adapts accordingly. Discussions are focused on the Society's short-term exposure to physical and transitional climate-related risks and opportunities;
- Throughout 2024, the Executive Committee discussed the following risks based on detailed investigations and modelling performed by the Society;
  - The physical risk exposure of flooding, subsidence and coastal erosion associated to our lending portfolio;
  - The transitional risk exposure of energy performance certificate (EPC) ratings linked to our lending portfolio; and
  - Short term recommendations on business climate adaptation to address the short-term risk and opportunities identified.

Anisa, colleague

Strategy

The impact of climate change has the potential to be significant to the business, our Members and customers.

As a result, the Society continues to strengthen its strategic focus on sustainability and climate risk management activity.

Climate risk can be separated into two key themes: physical risk and transition risk:

- Physical risk arises from an increased frequency and severity of climate and weather-related events; and
- Transition risk is an exposure that may arise from changes to regulation and policy (e.g. targets for more energy-efficient homes), legal, technology and market changes associated with the process of adjusting toward a low-carbon economy.

The most significant risks are focused on the impact of climate change on our residential mortgage portfolio. We have undertaken scenario analysis which shows the forecast credit losses will primarily come from physical risks associated to flooding (from fluvial, pluvial and tidal sources), as well as subsidence and coastal erosion, but losses are relatively low. The table below summarises the key climate risks we have identified and their potential impact on the Society.

These are split into transitional and physical risk and the time horizon assigned to each.

- Short term: <5 years this aligns with the Groups financial planning cycle
- Medium term: 5-15 years, this covers the main time horizon associated with transitional risk
- Long term: 15+years, this covers the main time horizon associated with physical risk and our climate risk stress testing horizon.

Area	Time horizon	Risk description	Risk impact
Credit Risk – potential to increase mortgage defaults, losses and capital requirements due to:			
Physical	Medium	Rising insurance costs	Impact on customer affordability and therefore impacts borrower's ability to repay the loan
	Medium and long	Mortgage asset impact	Increased impact and more regular occurrences of physical risk perils such as flooding, subsidence and coastal erosion, leading to a decrease in property values
Transition	Short and medium	Cost of home energy efficiency improvements:	Impact on customer affordability due to higher running costs, and therefore impacting the borrower's ability to repay the loan
	Medium and long	Mortgage asset impact	Less energy efficient properties becomes less desirable leading to a decrease in property values
Other risks			
Physical	Medium	Operational risk, operational resilience and supply chain disruption	Increased costs due to damage to our business premises from physical risk sources and potential interruption to the provision of goods and services.

Climate change is relevant to the Society's success as the physical effect of climate change and the transition to a low carbon economy continues to create unforeseen risks and opportunities. We also recognise that we have a corporate and ethical responsibility to address any negative impact we have on the wider environment because of our business operations.

Our climate strategy is built around our Society Purpose, which includes "Caring for our environment and ensuring sustainability for future generations" as one of its five strategic pillars.

The Society's climate strategy prioritises those areas that may pose the most material risks to its stability and that align to our Purpose.

The Society has quantitative credit risk appetite limits to manage the financial risk from climate change. These have been set in relation to both physical and transition risks. We report on and monitor climate risk exposures for flooding, subsidence and coastal risks, as well as monitoring EPC status of our mortgage book to gain better insight into the opportunities we may have to reduce carbon emissions and our position against risk appetite limits.

As well as identifying the risks associated with climate, we have also identified opportunities that we are considering, which supports the transition to a net zero economy.

Green finance products: we are looking for ways to develop financial products to help Members reduce their carbon footprint, with a focus on products which support members' purchases of new, more energy efficient homes.

Policy and collaboration: we are reviewing how we interact with third party suppliers that share similar sustainability goals. We are also engaging with key organisations to support us in the journey towards Net Zero and have become signatories to the United Nations Principles for Responsible Banking in 2024.

Communication: we are engaging with colleagues and Members to increase understanding of climate related risks and the importance of the transition to net zero.

To ensure the strategy remains relevant the Society conducts annual stress tests, scenario analysis and impact exercises focusing on hypothetical but plausible scenarios, to ensure that strategic deliverables are appropriate, it also enables the Society to assess its current response to, and to identify opportunities to strengthen its resilience to, climate-related risks. This activity is aligned to the Society's planning cycle and further scenario analysis is completed during the annual ICAAP assessment.

As part of this exercise the Society makes qualitative estimates of medium and long-term climate-related capital needs relative to the capital needs disclosed by the largest UK banks as part of the 2021 Climate Biennial Exploratory Scenario. Our response assessment considers the likelihood of the risk materialising and the expected impact on the Society. By doing so, it assesses the materiality of the type of climate-related risks the Society is exposed to, which informs business response and actions to an acceptable residual risk profile.

We have undertaken scenario analysis to understand the impact of climate change on our residential mortgage portfolio. The scenarios used broadly align to the Bank of England CBES scenarios and the Intergovernmental Panel on Climate Change (IPCC) which set out representative concentration pathways (RCPs) which reflect different levels of global greenhouse gas emissions. The scenarios used can be found in the table below.

Climate Change Scenarios

Scenario	**Early action**	**Late action**	**No Policy action**
RCPs	**2.6**	**6.0**	**8.5**
Internal link to Bank of England Climate Scenarios	Low emissions Significant reduction in greenhouse emissions	Medium emissions All signatories of Paris accord deliver on commitments.	High emissions Business as usual
Temperature increase	0.9°C - 2.3°C by 2100	2.0°C – 3.7°C by 2100	3.2°C – 5.4°C by 2100

Scenario analysis outcome

Our climate risk scenario analysis continues to evolve as our knowledge, experience and access to data grows. Damage to mortgage assets is the key physical risk that we consider in the scenario analysis. The physical risks included are flooding, subsidence and coastal risk, with the focus being on the medium term 2050 scenario as that covers our maximum mortgage term of 40 years. Scenario analysis undertaken combines both quantitative and qualitative assessments covering both physical and transition risk. Scenario analysis output for the residential mortgage portfolio show that expected credit losses are expected to rise under each scenario. The more material effects from climate occur towards 2050, which is our medium term no action scenario.

Risk Management

The Society recognises the exposure to risks and opportunities presented by climate change across both its physical operations (e.g. due to physical risks to its property estate) and its financial operations (due to transitional risk associated with financial assets such as mortgages) and is committed to managing those risks effectively.

However, climate change is a complex and an inherently systemic issue and it is particularly difficult to model given the long-term, horizon nature of the exposure and the potential implications cutting across a number of key areas of risk such as credit, operational, liquidity, market and operational resilience. We are therefore focusing on short term exposures to the Society and prioritising actions to mitigate and adapt the business to respond to the changing environment.

Overseeing day to day robust and efficient management of climate-related risk belongs to the Chief Risk Officer and the risk senior leadership team. The Head of Environment and Sustainability works closely with the Chief Risk Officer, and the risk senior leadership team to support their roles ensuring that they consider the risks associated with all elements of climate, environment and sustainability and that regulatory and legislative obligations are being fulfilled where internal capability allows.

Climate-related environmental events, international policy and strategy to address climate change, economic, social and market trends are considered as part of the Society's risk management planning and reporting, notably via the Chief Risk Officer's Report to the Group Risk Committee and the Board.

Regular review of the risk horizon carried out as part of this reporting takes account of key internal and external influences to our strategic goals and informs our response to emerging risks or threats.

This approach includes an internal assessment of the Society's exposure to key risks highlighted within HM Government's National Risk Register.

The Society has developed specific climate-related risk appetite statements and reporting as a component within the Society's risk management framework.

Climate change risk is considered as an emerging risk by the Society given the uncertainty in relation to the exact nature and timing of any impact on strategy and operations.

Processes for identifying and assessing climate-related risk

The business is committed to increasing our controls around identification, assessment, management and monitoring of climate change risk. With respect to mortgage credit risk, discussions have taken place through governance channels on how we can best identify key climate risk and how we can best manage lending exposures. Climate risk is also managed in other areas, and climate risk scenario analysis is included within our ILAAP, covering both time and greenhouse gas emission scenarios. Biannual reporting is produced in relation to mortgage portfolio exposures to risks arising from flooding, subsidence and coastal risk. Reporting also covers our exposure in relation to energy efficiency. This is reported to relevant committees, under the governance framework. The Enterprise Risk teams are responsible for providing oversight and challenge to the first line. Internal Audit Services provide independent assurance on the effectiveness of how we manage climate risk.

Processes for managing climate-related risk

The Society has set quantitative credit risk appetite limits to manage the financial risks from climate change. Limits have been set for physical and transition risks. We monitor our climate risk exposures where we continue to monitor EPC transition risk to track our mortgage portfolio.

How processes for climate-related risk are integrated into overall risk management

Climate risk management is embedded within the Society's risk management processes. The Society has a three lines of defence framework in place to both identify and manage business risks.

The Society revisits annually the operational scenarios it runs based on the key risks it faces, the greatest potential impact of those risks and the likelihood of those risks. The operational risk scenario library includes at least one scenario which considers the impact of an environmental event such as severe weather and flooding. These scenarios are developed internally, in discussion with key stakeholders from across the business and consider the operational impact of the event.

Internal Capital Adequacy Assessment Process (ICAAP)

In 2024, as part of the Society's ICAAP we conducted three scenarios linked to climate-related risk, with the focus being on the medium-time horizon, which covers our maximum mortgage term of 40 years. We will continue to include climate-related scenarios within the ICAAP to inform our capital planning.

Internal Liquidity Adequacy Assessment Process (ILAAP)

The ILAAP considers the impact of a range of scenarios on the Society's liquidity position. Whilst climate-related risks were considered as part of scoping the stress tests within the most recent ILAAP, the Society concluded that currently we do not consider climate-related liquidity risks to present a material exposure to our business. The Society will continue to consider climate-related risk assessments within the scope of future ILAAPs, acknowledging the evolving risks presented by climate change.

Operational resilience

Building on the business resilience as summarised above, the Society's operational resilience framework addresses how the Society would be impacted by future responses to climate-related risks and opportunities. The Society's activities are largely in the UK and its direct emissions are limited so any future carbon emissions taxes are not expected to materially impact the Society. Meanwhile, the Society's mortgage book is a dynamic asset and as such medium-term risks such as additional flooding risks associated with increases in global temperatures can be mitigated through our lending criteria reducing the immediate effect on the credit worthiness of those assets.

Metrics and targets

The Society is committed to aligning to a science-based pathway to support in becoming a net zero sustainable Society. We are also committed to contributing to the UK Government's greening of UK homes agenda and aim to reduce our financed emissions (emissions relating to mortgage properties) accordingly in line with the UK Government's agenda whilst supporting our Members and customers in line with our strategic goals. In addition to monitoring key metrics associated with climate change, the Society is working hard to reduce absolute emissions, as measured by our carbon balance sheet, in order to bring us closer to being net zero.

Metrics and targets used to monitor physical and transition risk metrics

The metrics we have chosen to monitor these risks are:

- Properties classed in the highest flood risk category;
- Properties classed in the highest subsidence risk category;
- Properties at risk of being impacted by coastal erosion; and
- Mortgage portfolio distribution by EPC category.

The Society has quantitative portfolio credit risk appetite metrics to manage and limit the exposure to physical and transition risks associated with climate. The monitoring specifically focuses on the lending in the very high-risk categories given these are likely to be impacted the most from a valuation perspective and higher insurance costs due to the severity and frequency of physical events.

Physical risk metrics

In 2024, we engaged with a third-party data provider in relation to the physical risks covering flooding, subsidence and coastal risk. All climate risk exposures are monitored bi-annually to ensure we operate within our risk appetite. The current overall exposure remains low and below UK averages as shown in the table below:

Current Society physical risk exposures

	2024			
Physical risk	Number	Exposure £m	% book	UK %[1]
Properties classed in the highest flood risk category[2]	457	63.4	1.4%	1.7%
Properties classed in the highest subsidence risk category[3]	1,399	375.9	4.4%	6.5%
Properties classed in the highest coastal risk category[4]	-	-	-	-

1. UK benchmark refers to both mortgaged and unmortgaged properties. Flood, subsidence and coastal data covers residential and BTL
2. Twinn current flood risk rating (81-100)
3. Terrafirma current subsidence risk score (10-15)
4. Terrafirma current coastal risk score (100)

The Society tests the resilience of its mortgage portfolio via scenario analysis. It does so by forecasting what the exposure of the current portfolio would be using the most severe view for greenhouse gas emissions over the lifetime of the book. The scenario is represented by a 'no further policy action' scenario where global temperatures will continue to rise progressively by the end of the century, reaching up to 5.4°C, from pre-industrial levels. In those circumstances, the greatest movement in the book is observed for flood risk, which represents circa 2.4% of the current book. Overall, the risk remains relatively low and below the UK average. The increases seen from other physical risks are less pronounced as seen in the next table:

Current Society physical risk exposures under RCP 8.5 in 2050

Physical risk	Number	Exposure £m	% book
Properties classed in the highest flood risk category	718	99.6	2.4%
Properties classed in the highest subsidence risk category	1,422	379.9	4.4%
Properties classed in the highest coastal risk category	2	0.3	0.01%

Energy performance certificates (EPCs)

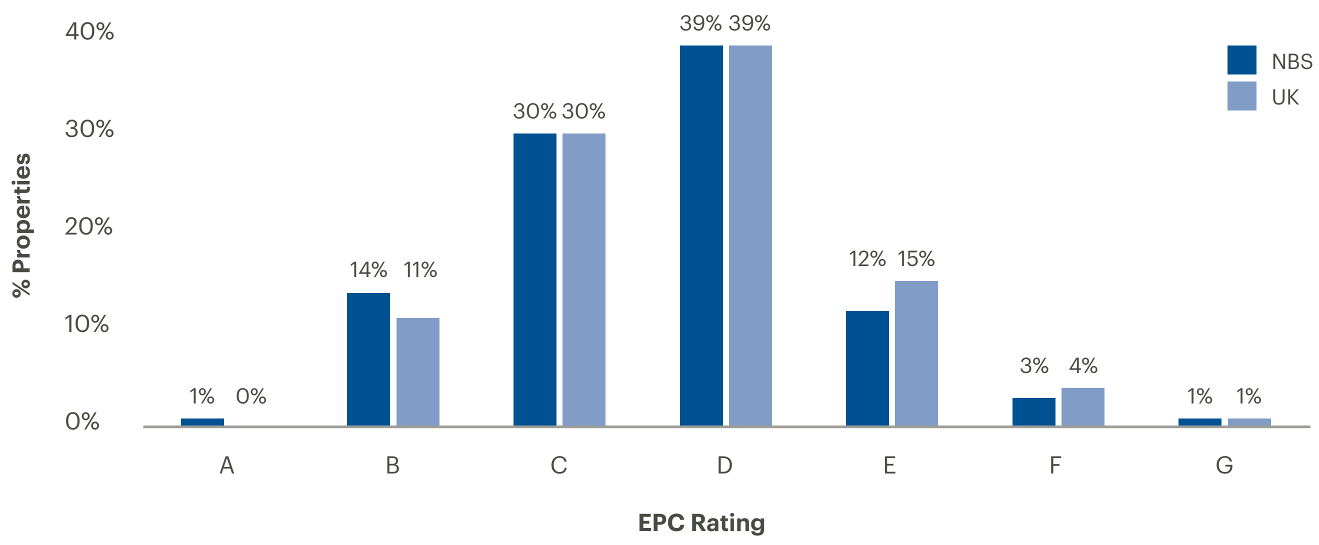
Domestic EPCs are banded from 'A' to 'G' where 'A' is the most energy efficient in terms of likely fuel costs and CO2 emissions, and 'G' is the least energy efficient. Properties are categorised into these seven bands based on their Standard Assessment Procedure (SAP) rating.

EPC Rating	SAP Score
A	92+
B	81 - 91
C	69 - 80
D	55 - 68
E	39 - 54
F	21 - 38
G	1 - 20

Such ratings consider the performance potential of the building itself (the fabric) and its services (such as heating, insulation ventilation and fuels used). The method used to calculate the SAP score is regularly reviewed by the Government, where it is expected that the new SAP 11 method is to be rolled out as part of the future home's standard on new builds in 2025. In 2024 we started to perform analysis of EPC ratings on our residential mortgage portfolio, to understand our exposures regarding energy efficiency.

The most common EPC rating based on book volume on the Society's residential mortgage portfolio is a 'D' which is consistent with the rest of UK. The Society has a slightly higher skew in terms of EPC, with 45% of properties having an EPC rating of C and above, against the UK at 40%.

Current EPC: Newcastle Building Society vs UK



Risk exposure to actual EPCs

	Year end 24		
EPC Category	Volume	Exposure £m	% book
A	156	33.2	0.7%
B	4,131	763.3	15.1%
C	7,155	1,118.3	22.1%
D	9,339	1,484.5	29.4%
E	2,910	489.8	9.7%
F	563	103.2	2.0%
G	129	25.0	0.5%
Unknown	7,455	1,034.8	20.5%

This table is inclusive of both valid and expired EPCs. Unknown covers both properties which do not have an EPC or have not been matched in the open register. This is due to EPC being captured on Oct 24 for England and September 24 for Scotland. % Book based off exposure.

Carbon Balance Sheet

Greenhouse Gas Emissions Report	2024	2023	% change	
Energy consumption (kWh)				
Natural gas	895,384	856,200*	4.58	↑
Electricity	2,340,337	2,376,164**	(1.51)	↓
Transport	468,038***	377,933	23.84	↑
Total	**3,703,759**	**3,610,297**	**2.59**	↑
Greenhouse gas emissions in tonnes of carbon dioxide equivalent				
Natural gas	163.77	160.47*	2.06	↑
Electricity	484.57	492.04**	(1.52)	↓
Transport	103.94***	85.61	21.41	↑
Total	**752.28**	**738.12**	**1.92**	↑
Intensity metric				
tCO2e per sq. M	0.05	0.05	-	→

* 2023 natural gas figures have been restated as improved consumption data has become available.
**2023 electricity figures have been restated as invoices have been rebilled and improved consumption data has become available.
*** Fleet was changed from 100% diesel to 75% electric vehicles.

Cramlington, Northumberland

This report (including the Scope 1 and scope 2 consumption and CO2e emissions data) has been developed and calculated using the GHG Protocol – A Corporate Accounting and Reporting Standard (World Resources Institute and World Business Council for Sustainable Development, 2004); Greenhouse Gas Protocol – Scope 2 Guidance (World Resources Institute, 2015); Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance (HM Government, 2019).

Government Emissions Factor Database 2023 version 1.1 has been used, utilising the published kWh gross calorific value (CV) and kgCO2e emissions factors relevant for the reporting period 1 January 2024 to 31 December 2024.

The Society's scope 1 direct emissions (combustion of natural gas, refrigerants, and transportation fuels) for this reporting year are 169.48 tCO2e, resulting from the direct combustion of 919,284 kWh of fuel. This represents a carbon increase of 2.2% from last year, ending December 2023.

Scope 2 indirect emissions (purchased electricity) for this reporting year are 494.03 tCO2e, resulting from the consumption of 2,340,337 kWh of electricity purchased and consumed in day-to-day business operations. This represents a carbon reduction of 1.5% from last year, ending December 2023. Head office uses green tariff renewable electricity and we are assessing our branch network in line with the same approach.

The Society's operations have an intensity metric of 0.051 tCO2e/ m2 for this reporting year. This represents a reduction in the operational carbon intensity of 0.048% from last year, ending December 2023.

We continue our work to understand the requirements in all relevant scope 3 categories, aiming to get a clearer view of our baseline emissions across relevant categories and prioritising our efforts to address the largest negative emitters.

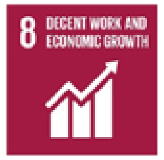
Outlook

The Society has recently become a signatory to the United Nations Principles for Responsible Banking (UNPRB) and a member of the United Nations Environment Programme Finance Initiative (UNEP FI). This not only demonstrates our commitment to our journey to Net Zero, however also allows us access to increased resources and exceptional support in planning all forward-looking steps required.

We have also adopted a number of UN Sustainable Development Goals. Being a responsible and sustainable business, these goals are firmly embedded in our Purpose, our Strategy and our ongoing activity in supporting the communities we serve.

As part of our commitment to UNPRB we will publish our initial Net Zero gap analysis, our related proposed sustainability milestones and enhanced mapping of our adopted Sustainable Development Goals within extended disclosures in our 2025 Report & Accounts as well as separately in our sustainability commitments and climate-related disclosures, which will be published by the 2nd quarter of 2026.

SDG3 – Good health and wealth being
We will aim to ensure healthy lives and promote well-being for all at all ages

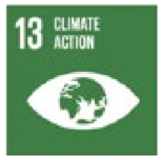


SDG8 – Decent work and economic growth
We will aim to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

SDG4 – Quality education
We will aim to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

SDG11 – Sustainable cities and communities
We will aim to make the cities, towns and communities we support inclusive, safe, resilient and sustainable

SDG5 – Gender equality
We will aim to achieve gender equality and empower all women and girls



SDG13 – Climate action
We will aim to take urgent action to combat climate change and its impacts

Governance

Sam, North Shields Customer and Member

Our Directors

James Ramsbotham
Chair

Having been part of the mutual sector in various guises I am deeply committed to the unique way in which we can be catalysts for positive change in our communities.

Appointed: August 2021.

Experience: Prior to joining the Board, he was Chief Executive of the North East Chamber of Commerce for 15 years, and Chair of Darlington Building Society until December 2017.

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

He was a soldier for 12 years with the Royal Green Jackets and benefited from executive education at Harvard (USA), INSEAD (France), and Oxford University, after graduating from Durham University.

Other roles: James is the Chair of Newcastle Strategic Solutions Limited as well as being Chair of the Society's Nominations and Governance Committee. During 2024 he was Chair of the Group Technology and Change Committee. Until September 2024, he was Chair of Newcastle Financial Advisers Limited.

James is a Pro-Chancellor of Sunderland University (2016); made an Honorary Fellow of the Association of International Accountants (FAIA Hon.) (2017); and made a CBE for services to business and the North East economy in the 2019 New Year's Honours.

Andrew Haigh
Chief Executive

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

Appointed: January 2014

Experience: With over 30 years' experience in the mutual sector, Andrew has an extensive track record in transforming and developing businesses. He has held financial services leadership roles as both an Executive and a Non-Executive Director, reinforcing the Board's depth of consumer understanding. His previous experience is drawn from a variety of sectors including the financial services, technology, automotive and airline industries.

Andrew became the Society's Chief Executive in May 2015. A proven Chief Executive, Andrew has particular strength in building effective leadership teams and organisations with healthy, customer focussed cultures, and proudly drives our Society's ongoing commitment to equity, diversity and inclusion.

Other roles: Andrew was appointed a Director and Chair of Newcastle Financial Advisers Limited in September 2024. Andrew is a Board member of the North East Chamber of Commerce and the Community Foundation serving Tyne & Wear and Northumberland.

Adam Bennett
Non-Executive Director

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

Appointed: April 2019

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

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

Other roles: Adam is the Senior Independent Director and a member of the Society's Group Risk Committee and the Nominations and Governance Committee, upholding the Society's commitments to financial control, integrity and regulation. He is also Chair of the Society's subsidiary, MBS (Mortgages) Limited.

Rory Campbell
Non-Executive Director

I'm passionate about harnessing our Society's connection to Purpose. My experience enabling businesses and leaders to unlock this potential will contribute to achieving our ambitions as a Purpose-led organisation, making a meaningful difference beyond the bottom line.

Appointed: June 2023

Experience: Rory brings to the Board his extensive experience as a senior executive, Board member and advisor to leaders and organisations in a range of industries.

He previously spent six years at John Lewis & Partners, including three years on the Management Board and as a standing attendee of the Audit and Risk Committee.

Reflecting the Society's values, Rory's passion for purpose, society and leadership sees him devote his time to a number of causes. He is a former independent member of the anti-poverty charity Joseph Rowntree Foundation; a Visiting Fellow of Nottingham Business School; an Independent Chair of Trustees of Ignite Consulting Trustee Ltd, and a Fellow of The Royal Society for the Encouragement of Arts, Manufactures and Commerce.

Other roles: Formerly, Rory spent 12 years as a senior executive in Lloyds Banking Group. He is also a member of the Society's Remuneration Committee and the Nominations and Governance Committee.

Professor Moorad Choudhry
Non-Executive Director

It is a great privilege to join the Board at Newcastle Building Society. The building society movement is part of the heritage of this country, and I am looking forward to working with everyone here as we all do our part to keep the Newcastle moving onwards and upwards!

Appointed: January 2025

Experience: Moorad was a Non-Executive Director on the Boards of Recognise Bank Limited, Loughborough Building Society and Wandle Housing Association before joining Newcastle Building Society, where his experience within the financial services sector will help to inform decision making at Board level.

Other roles: Moorad is Honorary Professor at University of Kent Business School, Chair of the Audit & Risk Committee at Goldsmiths, University of London, and an independent member of the Board Risk Committee at the Brazilian bank Nubank. He is also a member of the Society's Group Risk Committee.

Prior to that he was Treasurer, Corporate Banking Division at the Royal Bank of Scotland, and worked in wholesale banking and markets roles at several high-profile banks.

He is a Fellow of the Chartered Institute of Securities & Investments, the London Institute of Banking and Finance, and the Global Association of Risk Professionals, a Liveryman at the Worshipful Company of International Bankers and Author of the book "The Principles of Banking".

Michele Faull
Non-Executive Director

I hope to use my commercial experience combined with a passion for helping others succeed to help guide the Society in delivering on its Purpose and fulfilling its commitments to its communities.

Appointed: August 2021*

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

Michele spent nine years as Trustee and Treasurer of the Bow Arts Trust and mentored for The Aspire Foundation, which supports women's development internationally. She currently chairs The Line Public Art Walk charity. Her wide-ranging career has also incorporated roles with global insurer Aviva, accountants PwC where she was a Partner, and IT services provider, ICL.

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

*Michele was originally appointed to the Board in August 2021; however, she did not stand for re-election at the 2024 Annual General Meeting (AGM). Due to a change in circumstances, Michele informed the Board that she was able to continue in her role as a Non-Executive Director. The Board appointed her to a casual vacancy on 29 April 2024; Michele will be standing for election to the Board at the 2025 AGM.

Bryce Glover
Non-Executive Director

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

Appointed: August 2017

Experience: Bryce is a highly experienced Director who has operated at Executive Committee and Board level in a number of leading UK financial services businesses.
Adding a genuine breadth of commercial and retail banking expertise, Bryce helps to shape the Group's overall strategy. His extensive industry knowledge and business acumen assist the development of the Group.
The majority of Bryce's career has focused on corporate and commercial banking. He was Managing Director of Commercial Banking at A&L/Santander, before joining Nationwide Building Society in 2009 as a Director heading its Commercial Division, where he managed a £22bn commercial lending portfolio and the society's business savings accounts before heading Corporate Affairs.

He has a deep understanding of the mutual sector, having spent nine years working for the UK's largest building society, the last three as Corporate Affairs Director. He also co-founded a UK SME bank which received its full banking licence in 2021.

Other roles: Bryce is Chair of the Society's Group Risk Committee and a member of the Board of Newcastle Strategic Solutions Limited. During 2024 he was a member of the Society's Group Technology and Change Committee.

Stuart Miller
Chief Commercial Officer

The UK savings and mortgage market continues to go through significant change and I am proud of the part our colleagues have played in supporting our Members through such dynamic and uncertain times.

Appointed: January 2018

Experience: Stuart became the Chief Commercial Officer in January 2025 having previously spent two years as Managing Director of Newcastle Strategic Solutions Limited (NSSL). NSSL is a Group subsidiary and the UK's leading provider of outsourced savings solutions, managing over 1.7m savings accounts on behalf of its clients.

He has over three decades' experience working in the financial services sector, including at Virgin Money, RBS International and NatWest.

Stuart has extensive experience in leading large teams with a focus on delivering an outstanding experience for colleagues and customers which will be a major focus in his new role where he will be accountable for the Member experience across Newcastle Building Society, Manchester Building Society and Newcastle Financial Advisers Limited.

Other roles: Stuart is a Director of Newcastle Strategic Solutions Limited, Newcastle Financial Advisers Limited and spent four years on the Board of the national High Streets Task Force. During 2024, Stuart was also a member of the Society's Group Technology and Change Committee.

Amanda Shepherd
Chief Operating Officer

I'm passionate about driving meaningful change within organisations, dedicating my career to influencing workplace culture, fostering high-performing environments, and ensuring the customer / client remains at the heart of every decision.

Appointed: December 2024

Experience: Amanda is a transformative business leader with proven Board, regulator and investor exposure. She plays a key role on the Group's executive team leading the operations, processing, technology and change functions as Chief Operating Officer.

Amanda brings over 30 years' experience working in the financial sector. Her success in developing and implementing change strategies to align with business objectives will be key to the development and delivery of the Society's Strategic Plan and the overall Group strategy.

With a wealth of experience, most recently from the UK's leading platform for private investors, Hargreaves Landsdown, where she was Chief Operating Officer, Amanda also held senior positions at Barclays Bank PLC, leading operations in the UK including Northern Ireland, Scotland and North Wales.

Other roles: Amanda was a former Director on the Board for Hargreaves Lansdown Asset Management and is Chair of the Society's Transformation Steering Committee, a Board Director of Newcastle Strategic Solutions Limited and a member of the Society's Enterprise Risk Committee.

Anne Shiels
Non-Executive Director

As the Society continues to grow, the Board leans on my track record of leading large people functions and experience facilitating transformative organisational change to develop a broader view on matters affecting the Society and assist in developing people strategies, including our approach to culture, talent, succession and reward.

Appointed: July 2017

Experience: Anne's extensive UK and international board-level experience working with both FTSE 100 and independently owned companies, in both regulated and non-regulated businesses, reinforces the Board's broad range of skill and competency.

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

She has held executive roles at Hallmark Cards, Lloyds Banking Group/HBOS, Safeway and Thus Plc.

Other roles: Anne is a trusted executive coach and adviser to Boards and Directors in diverse businesses in the UK and the US. She also chairs the Remuneration Committee and is a member of the Society's Audit Committee. She is also a Director of Newcastle Financial Advisers Limited.

Mick Thompson
Deputy Chair and Non-Executive Director

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

Appointed: January 2019

Experience: Mick brings significant accountancy experience with a deep knowledge of audit to support the Society's governance and audit function.

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

Mick spent 21 years as a Partner and nine years as Office Senior Partner at KPMG Newcastle.

Other roles: Mick is a Non-Executive Director of The Clinkard Group Limited, Atlas Cloud Limited and NorthStandard Ltd. Recognising the importance of charitable action and giving back to causes throughout the region, Mick is also a Trustee of Greggs Foundation Charity; Trustee of NUFC Foundation Charity; Trustee of Tyne and Wear Building Preservation Trust, and Regional Treasurer of The Lord's Taverners Charity.

Mick chairs the Society's Audit Committee, as well as being a member of the Society's Remuneration Committee. During 2024 he was a member of the Society's Group Technology and Change Committee. Mick also chairs the Newcastle Building Society Pension & Assurance Scheme Board.

Outgoing Directors

David Samper
Chief Financial Officer

David Samper, who has served as Chief Financial Officer for over six years has announced that he will be leaving the Society and is not therefore seeking re-election to the Board. David has made a significant contribution to the Society's progress during his time with us, not least in 2024 when he led the successful projects to transform our finance systems and the raising of Tier 2 and Additional Tier 1 capital to support the Society's ongoing plans for investment and growth. We thank David for his contribution and wish him well for the future.

Our Board members skills and experience contributes to delivery of a long-term and sustainable Society, details of which are found in their biographies.

Directors' Report

The Directors present their Annual Report and Accounts and Annual Business Statement for the year ended 31 December 2024, which they consider to be fair, balanced and understandable, providing Members with the information necessary to assess the Group's and Society's position and performance, business model and strategy.

Objectives and activities

It is the intention of the Directors that the Society, as parent company of the Group, will continue to remain an independent regional building society. The Society's Purpose and strategy are set out in the Strategic Report.

Business review and future developments

The Chief Executive's Review and Strategic Report set out the business activities and business performance in the year against our strategic objectives, as well as likely future developments. The Strategic Report also outlines the Group's and Society's key performance indicators (KPIs), which include customer, colleague and financial KPIs, details of the Group's and Society's customer focus, colleague agenda, financial analysis, mortgage credit quality, funding and capital position.

The Annual Business Statement and the Credit Risk Notes, 40 to 42, contain respectively the ratios and arrears disclosures required by the Building Societies Act 1986.

Going concern and long-term viability assessment

Financial planning, risk and stress testing

The Group's financial planning includes a detailed budget for the next financial year and a forecast for a number of financial years thereafter, which covers a minimum three-year period and considers a range of outcomes relative to internal and external conditions. Achievement of long-term plans and goals is not guaranteed, given the uncertainty in predicting macro-economic factors long into the future, which may materially impact the Group's performance and could also lead to changes in the Group's business strategy.

The Strategic Report includes a description of the Group's business activities and any factors likely to affect its future development, as well as details of the Group's financial performance and position, including liquidity and capital structure. The Group's principal risks, including the strategy for managing these, are detailed in the Risk Management Report. Further details in respect to interest rate risk, liquidity risk and capital risk are provided in the notes to the Annual Accounts (see notes 36, 43 and 44 (respectively).

The Group performs detailed capital and liquidity stress testing at least once per year in the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) in line with regulatory requirements. The ICAAP stress test ensures that the Group's forecast of capital requirements and capital generation are resilient to 'severe but plausible' stresses to the Group's external or internal environment, far beyond the levels forecast in the most negative scenarios considered in the Group's longer-term plan. The stress test demonstrates that the Group's capital buffers are sufficient to absorb the level of potential capital erosion considered in the stress scenario, continuing to meet minimum regulatory capital requirements. The ILAAP stress test ensures that the Group holds adequate liquid assets to meet both its business as usual liquidity needs and increased liquidity requirements that could occur as a result of entering a period of stress. The Group is forecast to hold a sufficient quantity and quality of liquid assets over the following three-year period to be able to meet its liabilities as they fall due, even in the event of a severe but plausible stress scenario.

Assessment of the appropriateness of preparing the Annual Accounts on a going concern basis

The Directors are required to satisfy themselves that it is appropriate to adopt the going concern basis of accounting when preparing the financial statements in accordance with IAS 1 Presentation of Financial Statements and guidance from the Financial Reporting Council.

The Directors' going concern review considered the Group's and Society's forecasts, including different possible scenarios based on possible internal and external developments and arising risks. Together with regular stress testing, the forecasts show that the Group and Society will be able to maintain adequate levels of both liquidity and capital for at least the next 12 months while meeting all relevant regulatory requirements.

After making enquiries, the Directors are therefore satisfied that both the Group and the Society have adequate resources to continue in business for at least the next 12 months and therefore it is appropriate to adopt the going concern basis of accounting in preparing these financial statements. The Directors have concluded that there are no material uncertainties that may cast significant doubt upon the Group and Society's ability to continue to apply the going concern basis of accounting.

Assessment of the Group's and Society's long-term viability

The Directors have assessed the long-term viability of the Group and the Society over the three years to December 2027. The assessment took account of the Group's and Society's principal and emerging risks and relevant management actions and controls, including the Board's risk appetite and performance against risk limits. It considered the Group's and Society's financial forecasts, including profitability, capital and liquidity positions. It also considered the most recent ICAAP and ILAAP stress tests, complemented by further stress tests and forecasts completed at December 2024, to ensure the viability of the Group and Society even in times of severe stress. The most significant stress scenario which was considered included an increase in unemployment to 8.5% and house price falls of 30% over the period 2025 to 2027.

Based on this assessment, the Directors have a reasonable expectation that both the Group and Society will continue in operation and meet their liabilities as they fall due over the period to December 2027.

The Directors consider three years the most appropriate period for the viability assessment, as it is within the period covered by the financial forecasts and the stress testing undertaken by the Group and Society, but does not extend too far into the future, where forecasts become increasingly more uncertain.

Risk management, principal risks and uncertainties

The Risk Management Report sets out the principal risks and uncertainties faced by the Group together with the risk management framework and risk governance structure. The Risk Management Report also details how the Group mitigates the specific key risks to which it is exposed, which are capital risk, climate change risk, conduct risk, credit risk (commercial, investment and residential), liquidity risk, interest rate risk and operational risk (including cyber risk). In addition, the Credit Risk notes, 40 to 42, set out the metrics associated with the key risks including sensitivity analysis and exposure level.

Mortgage arrears

As at 31 December 2024, there were 42 cases (2023: 34) where payments were 12 months or more in arrears. The capital balance of these loans was £4.3m (2023: £3.8m). The total amount of arrears on these loans was £0.6m (2023: £0.6m).

Political and charitable gifts

Community funding, including charitable donations and colleague fundraising, totalled £1,535,731 in 2024 (2023: £357,296).

The organisations that the Group supported and the corresponding donations made in 2024 included £1,060,637 to the Newcastle Building Society Community Fund at the Community Foundation Tyne & Wear and Northumberland, £100,000 to the Forever Manchester Community Foundation, £100,000 to Salford Youth Zone and £60,000 to the Newcastle United Foundation.

In 2024, colleagues continued to deliver on the Group's Purpose of making a positive difference to the people who make up its heartland. A variety of fundraising activities secured a colleague and customer fundraising contribution of £29,959 in aid of the Newcastle Building Society Community Fund and other charities.

Volunteering was also a key focus for colleagues who gave their time and skills to good causes throughout our regions delivering more than 10,000 hours of support to local communities.

The Group has not made any political donations during 2024 (2023: £nil).

Supplier Payment Policy

The Group follows an internal policy that payment to suppliers will be made within 30 days from receipt of an invoice and endeavours to meet individual supplier payment terms which may be set at shorter timescales. At 31 December 2024, the number of creditor days was 27 (2023: 27 days).

Directors

At 31 December 2024, the members of the Board, who have served at any time during the year and continue to act as Directors, are as follows:

James Ramsbotham, Adam Bennett, Rory Campbell, Michele Faull, Bryce Glover, Andrew Haigh, Anne Laverack (business name: Anne Shiels), Stuart Miller, David Samper, Amanda Shepherd and Mick Thompson. Stuart Lynn retired from the Board on 24 April 2024. David Samper will be stepping down as a Director before the 2025 Annual General Meeting.

At the Annual General Meeting, to be held on 23 April 2025, all of the current Directors will offer themselves up for either election or re-election, with the exception of David Samper. In addition, Moorad Choudhry, who joined as a Non-Executive Director on 2 January 2025, will be standing for election.

Directors and Officers insurance has been put in place by the Group.

All Directors are Members of the Society.

Please see the Remuneration Committee Report for further information.

Independent auditors

A resolution to re-appoint Deloitte LLP will be proposed at the Annual General Meeting.

Statement of Disclosure to External Auditor

So far as each Director is aware, there is no relevant audit information of which the Group's External Auditor are unaware. Each of the Directors, whose names and functions are listed in the Our Directors section have taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's External Auditor are aware of that information.

Corporate governance

The Group's statement on corporate governance can be found in the Report of the Directors on Corporate Governance.

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the Statement of Auditors' Responsibilities, is made by the Directors to explain their responsibilities in relation to the preparation of the Annual Report and Accounts, Annual Business Statement and Directors' Report.

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulation. The Building Societies Act 1986 (the Act) requires the Directors to prepare Annual Accounts for each financial year.

Under that law, the Directors have prepared the Group and Society Accounts in accordance with International Financial Reporting Standards (IFRSs). Under the Act, Directors must not approve the Annual Accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Society and of the profit or loss of the Group and Society both as at the end of the financial year. In preparing the Annual Accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable accounting standards have been followed and the financial statements have been prepared in accordance with International Accounting Standards, subject to any material departures disclosed and explained in the Annual Accounts;
- make judgements and accounting estimates that are reasonable; and
- prepare the Annual Accounts on the going concern basis unless it is inappropriate to presume that the Group and Society will continue in business.

The Directors consider that the Annual Report and Accounts are fair, balanced and understandable, when taken as a whole, and that they provide the information necessary for Members to assess the Group's and Society's performance, business model and strategy. In addition to the Annual Accounts, the Act requires the Directors to prepare an Annual Business Statement and a Directors' Report for each financial year. Each contains prescribed information relating to our business and subsidiary undertakings. We are also required to provide details of Directors' remuneration in accordance with part VIII of the Act and regulations made under it.

The Directors are also responsible for safeguarding the assets of the Group and Society and hence for taking reasonable steps in the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Group and Society:

- keep adequate accounting records that are sufficient to show and explain the Group's and Society's transactions and disclose with reasonable accuracy, at any time, the financial position of the Group and Society and enable them to ensure that the Annual Accounts comply with the Act, as regards the Group Financial Statements; and
- take reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the rules made by both the Prudential Regulation Authority and the Financial Conduct Authority under the Financial Services and Markets Act 2000.

The Disclosure and Transparency Rules of the Financial Conduct Authority (the FCA) require the Annual Report and Accounts to include:

- the audited Accounts for the Group and Society;
- a Strategic and Risk Report that includes a fair review of the business and a description of the principal risks and uncertainties; and
- responsibility statements (see below).

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Society's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed in the Our Directors section, confirm that, to the best of their knowledge:

- the Group and Society Accounts, which have been prepared in accordance with IFRSs, give a true and fair view of the assets, liabilities, financial position and profit of the Group and profit of the Society; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Society, together with a description of the principal risks and uncertainties that they face.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as each Director is aware, there is no relevant audit information of which the Group's and Society's External Auditor are unaware;
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Society's External Auditor are aware of that information; and
- the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for Members to assess the Group's and Society's position, performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 28 February 2025 and is signed on its behalf by:

On behalf of the Board
James Ramsbotham
Chair
28 February 2025

Report of the Directors on Corporate Governance

Introduction

Corporate governance is the system of rules and practices by which the Group is directed and controlled. In discharging its responsibilities and to be accountable to our Members for the operation of the Society, the Board regards good corporate governance as extremely important. The UK Corporate Governance Code (the Code), issued by the Financial Reporting Council (FRC) in July 2018, is addressed to companies with a premium listing. However, the Group Board considers it to be best practice, and in the best interests of all our stakeholders, to have regard to the Code, in so far as is relevant to a building society, when establishing and reviewing our corporate governance arrangements.

The Code contains a set of principles that emphasise the value of good corporate governance to long-term sustainable success. The Code has at its heart the culture and purpose of an organisation: putting the relationship between organisations and their stakeholders at the core of its principles designed to promote long-term sustainable growth in the UK economy. Our corporate governance procedures and processes are regularly reviewed to ensure they are aligned appropriately with the Code, including when updates or revised guidance are published.

The FRC published the 2024 edition of the Code in January 2024. The 2024 edition of the Code applies to financial years beginning on or after 1 January 2025. Therefore, this Report, together with the Audit Committee Report, the Risk Management Report, and the Remuneration Committee Report, outlines our approach and how the Group Board considers it has demonstrated application of the principles of the 2018 edition of the Code throughout 2024.

The Board

The Society recognises that it must be headed by an effective Board which is responsible for the long-term success of the Society, whilst acting in the best interests of our current and future Members. James Ramsbotham is the Chair of the Society and Mick Thompson is the Deputy Chair. Further details of the composition of the Board is detailed in the Our Directors section of the Annual Report and Accounts.

In carrying out its role, the Board aims to achieve its strategic goals for the benefit of the Society's Members. The Board has responsibilities for setting the purpose and values of the Group and believes that the interests of all stakeholders can be best served by remaining a strong and forward-looking mutual building society.

An effective Board should not necessarily be a comfortable place; constructive challenge, as well as teamwork, being essential features. Open, honest and transparent debate by Non-Executive Directors is something which is encouraged by the Chair and, where appropriate, training is provided to support the challenge process. A culture of openness and accountability exists within the Group at every level and Non-Executive Directors regularly meet with members of the Executive team throughout the year to ensure a good understanding of the business and to promote strong relationships amongst the Board.

There is a clear division of responsibilities between the running of the Board and the Executive responsibility for the running of the Society's business. No one individual has unfettered powers of decision and the roles of Chair and Chief Executive are exercised by different people within the Society.

Adam Bennett is the Senior Independent Director, providing a sounding board for the Chair and, where necessary, serving as an intermediary for the Directors, Members and stakeholders.

Board balance and independence is important to ensure an unfettered ability to fairly and objectively direct the affairs of the Society. The Society's Board includes an appropriate combination of Executive and Non-Executive Directors (and in particular independent Non-Executive Directors) to ensure that no individual or small group of individuals can dominate the Board's decision making. The composition of the Board, through the Society's Nominations and Governance Committee, reflects an appropriate balance of skills and comprises of seven Non-Executive Directors and four Executive Directors as at the end of 2024.

Details of the various Board Committees in existence are set out later in this report.

Matters reserved to the Board

As a mutual society, ensuring good customer outcomes for our Members is a key area of focus for Board discussions and decision making, whilst also ensuring that the Board has oversight of the operational resilience of the Society to ensure it can deliver its important business services effectively. The responsibilities of the Board are set out in the Board's Terms of Reference, which can be found on the corporate governance section of the Society's website. The Board's Terms of Reference are reviewed on a regular basis.

A schedule is maintained of matters reserved to the Board which includes the following:

- **Strategy and management** – determining the overall strategy of the Group including approval of the Strategic Plan, with the responsibility for its implementation delegated to the Executive team; monitoring operational and financial performance in pursuit of the strategy; overseeing and approving the Society's recovery plans, playbook, and resolution pack on an annual basis; monitoring the indicators and overseeing any proposed actions in accordance with the playbook; approving budgets, forecasts and major capital expenditure or major disposal; approving any extension of the Society's activities into new business or geographical areas; and approving any decision to cease all, or a material part, of the Society's business.
- **Culture** – overseeing and setting the tone for the culture, values and behaviours of the Group ensuring that the interests of Members and customers and good outcomes delivered are central to the Group's culture and purpose and are embedded within the Group; and overseeing and setting the tone for diversity and inclusion within the Group.
- **Structure, capital and liquidity** – approval of the Society's Internal Liquidity Adequacy Assessment Process (ILAAP); approval of the Society's Internal Capital Adequacy Assessment Process (ICAAP); approval of changes to the Group's corporate structure; approval of any programme for the issuance or buy back of long-term debt or capital; and approval of any utilisation of Bank of England emergency liquidity support.
- **Financial reporting and internal controls** – approval of stock exchange announcements, half year and final annual results; approval of the Annual Report and Accounts including the Strategic Report, Risk Management Report, Report of the Directors on Corporate Governance, and the Remuneration Committee Report; approval of the Pillar 3 disclosures; ratification of the going concern and business viability review following review and approval by the Audit Committee; approval of any significant changes in accounting policies or practice based on the recommendations of the Audit Committee; and ensuring an adequate internal control environment is in existence. The Board delegates oversight of internal controls to the Audit Committee.
- **Risk management and regulatory** – ensuring an adequate risk management framework is in place and that good customer outcomes are a central focus to business processes. This includes approval of risk appetite, oversight of risk governance, reviewing the top risks, ensuring the strategy and risk appetite are consistent, and approving the ICAAP. Oversight of the assessment of the financial and other risks from climate change that affect the Society and actions to address these risks within the Society's overall business strategy and risk appetite. The Board delegates oversight of risk management to the Society's Group Risk Committee, as well as oversight of compliance with regulations (including by the Prudential Regulation Authority and the Financial Conduct Authority). Assessment, at least on an annual basis, of the Society's delivery of good outcomes for Members and customers, including but not limited to the Consumer Duty Annual Board Report.
- **Senior Managers and Certification Regime** – ensuring that the Society meets its obligations under the Senior Managers and Certification Regime (SMCR), including: reviewing at least annually the SMCR Policy; and maintaining a responsibilities map for all prescribed responsibilities and ensuring all prescribed responsibilities have been allocated.
- **Operational resilience** – the Board retains oversight and approval of the operational resilience strategy and matters prescribed in regulatory requirements.
- **Board membership and Senior Management issues** – approval of changes to the structure, size and composition of the Board, following recommendations from Nominations Committee; ensuring that adequate succession planning for the Board and Senior Management is in place following recommendations from the Nominations Committee; and approving and overseeing appointments to the Boards of subsidiary companies.
- **Appointment and/or re-appointment or removal of the External Audito**r – to be put to Members for approval, following a recommendation from the Audit Committee.
- **Remuneration** – agreeing the Remuneration Policy for the Directors and other senior executives, following recommendations from the Society's Remuneration Committee.

- **Delegation of authority** – approval of the responsibilities of the Chair, the Chief Executive and the Senior Independent Director; approval of the delegation of authorities to the Chief Executive; ratifying the terms of reference for Board committees and subsidiary companies; and receiving minutes and/or reports from the Chairs of the Board committees and subsidiary companies.
- **Corporate governance matters** – to ensure that a formal evaluation of the effectiveness of the Board is undertaken and to facilitate an assessment by external consultants at an opportune time; determining the independence of Directors; reviewing the Group's overall corporate governance arrangements; agreeing the Directors' Conflicts of Interest Policy and other relevant policies; approval of the Notice of any General Meeting of the Society including all resolutions to be put forward to Members; and insurance: approval of overall levels of insurance for the Group, including Directors and Officers liability insurance.
- **Whistleblowing** – receive reports from Audit Committee regarding the adequacy of arrangements for colleagues to raise concerns, in confidence, about possible wrongdoings in financial reporting or any other matter; To formally approve any changes to the reporting arrangements for colleagues to raise concerns, following a recommendation from Audit Committee; To routinely receive reports (if any) from Audit Committee regarding any reports for concern that has been received from colleagues; and to ensure that arrangements are in place for the proportionate and independent investigation of such matters and appropriate follow up action.
- **The Society's Defined Benefit Pension Scheme** – the consent of the Board is required to amend the Pension Scheme's Trust Deed and Rules; and the Board approves of the appointment/removal of Society nominated Trustees.

Board changes

Stuart Lynn resigned as a Non-Executive Director at the Annual General Meeting (AGM) on 24 April 2024. Amanda Shepherd joined the Society in July 2024 as Chief Operating Officer. Amanda was formally appointed to the Board on 3 December 2024 and will be standing for election at the 2025 AGM.

Michele Faull, who was appointed to the Board in August 2021, did not stand for re-election at the 2024 AGM. However, due to a change in circumstances, Michele informed the Board that she was able to continue in her role as a Non-Executive Director. The Board appointed her to a casual vacancy on 29 April 2024; Michele will be standing for election to the Board at the 2025 AGM.

Moorad Choudhry was appointed to the Board on 2 January 2025 and will be standing for election at the 2025 AGM.

All of the Society's Directors are standing for either election or re-election at the AGM, with the exception of David Samper. David was appointed to the Board in November 2018 and will be stepping down as a Director before the 2025 AGM.

The biographies of all of the Directors standing for election or re-election are detailed in the Our Directors section and provide further details of how our Board members' skills and experience contribute to delivery of a long-term and sustainable Society.

Copies of the Terms of Engagement for all of the Society's Directors are available on request, and at the AGM.

Management information

The Chair is responsible for ensuring that the Directors receive accurate, timely and clear information to enable the Board to discharge its duties effectively. The Board meet at least 10 times per year, at appropriate times during the financial reporting period. Board members receive meeting packs in advance of each Board meeting. Management information is provided to Directors throughout the year and the content of the management information is regularly assessed to ensure it remains relevant to the Society's operations and business model. A rolling Board agenda is tabled at each Board meeting to ensure that all key areas are covered in a timely manner during the year and sufficient time is set aside at each meeting to ensure that constructive discussion and challenge can take place.

All Directors have access to independent professional advice, if required, and also access to the services of the Group Secretary.

Board performance, effectiveness and evaluation

The Board recognise the importance of reflecting on the effectiveness of the Board. Having regard to the Code, this is undertaken both through formal and rigorous annual internal reviews of the Board, its committees, the Chair and individual Directors and through externally facilitated reviews. The Society commissioned its last external effectiveness review in 2022 which was undertaken by BVALCO Limited.

Following presentation to the Board in October 2022 of the key findings of the external review, the Board has continued to reflect on the findings of the BVALCO external review throughout 2024. When conducting the internal effectiveness reviews, the findings of the BVALCO report are reviewed and considered to ensure that the Board continuously reflect on its behaviours and development.

The next external effectiveness review of the Board will be commissioned in late 2025 and is expected to take place in 2026.

An external effectiveness review of the Board's Committees and the Group's subsidiary companies will be taking place in 2025.

In compliance with the Code, Non-Executive Directors hold the Executive Directors to account against agreed performance objectives. As part of this scrutiny, throughout 2024 the Chair, James Ramsbotham, met separately with the Non-Executive Directors without the Executive Directors present. The conclusions of the scrutiny undertaken by the Non-Executive Directors concluded that all Executive Directors were fulfilling their duties and performing against their agreed performance objectives.

Board Committees

The Board delegates certain matters to Board Committees. Each Board Committee comprises of Executive and/or Non-Executive Directors who have the most relevant experience to consider those matters delegated by the Board. The roles and responsibilities of each Board Committee are set out in their individual Terms of Reference, which are reviewed on an annual basis. The Chair of each Board Committee reports to the Board at a subsequent Board meeting on matters discussed at each Board Committee meeting.

Similar to the Board, each Board Committee carries out a review of its own effectiveness, and where improvement opportunities have been identified the individual Board Committees are responsible for tracking action points.

Information concerning attendances at the meetings is detailed in the Board and Board Committee Membership Attendance Record section of this report. Terms of Reference for the Audit Committee, Group Risk Committee, Remuneration Committee and Nominations and Governance Committee are included on the Society's website (https://www.newcastle.co.uk/who-we-are/our-governance/our-committees).

Audit Committee

Details of the Audit Committee are contained in the Audit Committee Report. Through the work of the Audit Committee and Internal Audit Services during 2024, the Directors have carried out a review of the Group's risk management and internal control systems, covering all material controls, including financial, operational and compliance controls.

Group Risk Committee

Details of the Group Risk Committee are contained in the Risk Management Report.

Remuneration Committee

Details of the Remuneration Committee are contained in the Remuneration Committee Report.

Non-Executive Director Remuneration Committee ("NED RemCo")

The NED RemCo reports to the Board and its overarching purpose is to consider, agree and recommend to the Board an overall remuneration approach for Non-Executive Directors together with recommendations for individual fees. The Committee is chaired by Andrew Haigh.

Group Technology Governance Committee

The Group Technology and Change Governance Committee operated during 2024 and its authority was to govern the strategic direction of the Group's technology and change activities and to advise the Group Board with regards to progress against the overall agreed strategy and deliverables. The Committee was chaired by James Ramsbotham. The decision was taken in January 2025 that this Committee will cease because the responsibilities of the Committee are already reported either directly into the Board or to other Board Committees.

Nominations and Governance Committee ("Nominations Committee")

The Society has a Nominations Committee comprising only of Non-Executive Directors and which operates within the Terms of Reference agreed by the Board.

The current Members of the Nominations Committee are James Ramsbotham (Committee Chair), Adam Bennett and Rory Campbell. Rory Campbell is the Board representative from the Nominations Committee who sits on the Society's Diversity, Equity and Inclusion Steering Committee.

Nominations Committee is supported by the Chief Executive and the Chief People Officer who attend meetings in an advisory capacity only.

Nominations Committee operates to a rolling agenda to ensure it discharges its full responsibilities. In 2024 it met on five occasions.

The Nominations Committee's overarching purpose is:

- to assist the Chair in keeping the composition and succession of the Board, its committees and the Group's subsidiary company boards under review;
- to lead in the appointments process for nominations to the Society Board and its Senior Management appointments;
- to review the Board's governance arrangements and make recommendations to the Board to ensure governance arrangements are consistent with best practice; and
- to oversee the implementation of the Society's Diversity, Equity and Inclusion policy, its objectives and linkage to Group strategy and Purpose.

All key decisions of the Nominations Committee, for example, Board appointments, must also be ratified by the full Board.

Appointments to the Board

Nominations Committee follows a stringent recruitment process when making appointments to the Board. This process is tailored to meet the requirements of each particular vacancy and the method of attracting candidates is adapted depending on the nature of the skills required for the vacancy. Board appointments must be ratified by the full Board following the Nominations Committee recruitment process. External consultants and advisers are normally utilised to ensure there is a robust list of suitable candidates with which to fill a vacancy.

For the recruitment of the position of Chief Operating Officer in 2024, Nominations Committee was assisted by the Diversifying Group (an independent, external recruitment firm). Other than advising the Society on the recruitment of an Executive Director in 2024, the Diversifying Group have no other connection with the Society or any individual Director on the Board.

Miles Advisory (an independent, external recruitment firm) assisted the Nominations Committee in the recruitment of Moorad Choudhry, who was appointed to the Board as a Non-Executive Director on 2 January 2025. Other than advising the Society on the recruitment of the Non-Executive Director, Miles Advisory have no other connection with the Society or any individual Director on the Board.

When a new Director is appointed, the Financial Conduct Authority and Prudential Regulation Authority have the right, for certain key roles, to carry out formal Significant Influence Function (SIF) interviews in order that the Director becomes an Approved Person.

All Directors have been issued with Service Agreements, Role Descriptions and Terms of Engagement (for Non-Executive Directors) to ensure that they all fully understand and comply with their roles and the responsibilities of being a Director of the Society.

Succession planning

The Board delegates responsibility to Nominations Committee to give full consideration to succession planning for the Board and its Committees. Nominations Committee reviews the succession planning on a regular basis, ensuring that the challenges and opportunities facing the Society are taken into account when considering what skills, experience and expertise are needed on the Board in the future.

Diversity of the Board

The Board recognises and embraces the benefits of having a diverse Board which utilises a range of factors including skills, industry experience, background, race, gender and the other characteristics, experience and qualities of its Directors.

In regard to current gender ratios, three (25%) of our Board Directors are women and two (17%) of our Board are from ethnically diverse backgrounds.

It is important to note that all Board appointments are made on the basis of individual competence, skills and expertise measured against identified objective criteria. Appointment is therefore based on merit.

Further details of gender diversity statistics across the Group can be found in the Strategic Report.

Election or re-election to the Board

All Directors are required to seek election or re-election at the forthcoming Annual General Meeting (AGM), to be held on 23 April 2025, with the exception of David Samper.

Non-Executive Directors are usually expected to serve more than one three-year term, subject to satisfactory performance evaluations and re-election by Members. Only in exceptional circumstances would Non-Executive Directors be able to seek re-election when they have served nine years on the Board. Nominations Committee has in place a risk-based succession plan which is reviewed on a regular basis.

Independence of Directors

The Terms of Engagement for Non-Executive Directors require that they declare to the Society any other external interests and appointments. Details of the Directors' external appointments are set out in the Annual Business Statement.

Nominations Committee carries out an annual review of the independence of Non-Executive Directors against the circumstances set out in the Code. Following the review undertaken by Nominations Committee in January 2025, the Committee were satisfied that all Non-Executive Directors, including the Chair, were considered to be independent; this was subsequently agreed by the Board.

Conflicts of interests

The Group Secretary maintains a register of all other directorships and interests of the Directors to ensure the Board has good governance arrangements in place to manage and identify any potential or actual conflicts of interests.

Nominations Committee and the Board review the registers at least annually to ensure that all declarations remain acceptable.

Time commitments

As part of their formal appraisal Non-Executive Directors discuss the time commitment with the Chair. To ensure that they can devote sufficient time to undertake their role effectively, Nominations Committee take into account the time commitment when considering a request from a Non-Executive Director to take any external appointments held within other organisations. Following the review of other commitments, Nominations Committee were satisfied that all Directors have sufficient time to properly discharge their duties as Directors of the Society.

Assessment of Directors

All Directors are subject to a formal appraisal of their performance on an annual basis. The Chair conducted the appraisals of the Chief Executive and Non-Executive Directors, the Senior Independent Director conducted the appraisal of the Chair and the Chief Executive conducted the appraisals of the Executive Directors.

Skills and continuous development

All Directors are required, as part of their terms of engagement, to follow a process of continuous development to ensure their skills and experience meet the needs of the Society and the regulatory environment in which it operates. The training and development plans of Non-Executive Directors are reviewed at least annually during their performance appraisal.

Nominations Committee oversees the on-going training and development of Non-Executive Directors including a formal induction programme for newly appointed Directors. The Chief Executive oversees the programme for Executive Directors.

In order to ensure that Nominations Committee discharges its duties in this area effectively, a Board skills matrix and a training menu for Non-Executive Directors are in place.

During 2024, the Board received a number of internal training sessions on the specific topics and areas of interest to ensure that they maintain a process of continuous professional development. In addition to internal training sessions, the Board have also attended external training courses, such as those provided by the Building Societies Association.

Relations with Members

The views of Members are very important to the Board. This section sets out how we engage with our Members. Further details regarding our Member and community engagement are given in the Building Society Difference section and the Strategic Report.

Member engagement is at the heart of our strategy and the Society develops relationships with Members on a number of different levels. The first and most obvious is through the Annual General Meeting voting process where Members are encouraged, as owners of the business, to use their vote to register their views. We try to make this process as easy as possible, providing the convenience of voting online or by post, and providing an additional incentive through a small charity contribution for every online vote cast.

Following the success of our Member engagements events held in 2023, we continued to hold a number of events over 2024 across the North East and North West. The events across the North East and North West are an invaluable opportunity for the Chief Executive, Executive team and Non-Executive Directors to hear feedback from our Members. We were excited to hold our first listening event in Manchester in April 2024. We were keen to hear from our Members in their own communities and therefore over 2024 we held a number of community listening events across the North East region, including events in Darlington, North Shields, Whitley Bay, Yarm and Alnwick. Attended by approximately 50 of our Members and Stakeholders across all of the listening events, we were able to have in-depth discussions with our Members to understand more about the challenges and experiences of the different communities across our regions and what our Members in those communities would like to see from us.

As well as engaging with our Board at the events, Members are also welcome to contact Committee Chairs via the Group Secretary if they wish to do so. We have an online customer satisfaction feedback which is regularly reviewed by the Chief Executive, Executive team and senior managers.

We are committed to maintaining face to face financial services and our investment into our branch network has continued throughout 2024. Following the success of our community partnership branches in Knaresborough, Yarm, Hawes and Wooler, we have continued on our journey of branch innovation with the opening of a brand new, unique branch in North Shields in partnership with YMCA North Tyneside. This new branch secures the future of financial services in that community and is an exciting opportunity for us to provide our services and engage with our Members in this bustling community facility in the heart of North Shields.

Throughout 2024, work has continued on our other investments into our branch network. This includes our new flagship branch in the heart of Newcastle city centre which is due to open in 2025 which will include a number of community spaces to be used by local groups, charities and organisations. In September 2024, we were proud to open the doors of our brand-new Pickering branch. As the 32nd branch in our network, the Pickering branch will ensure that essential banking services continue in the town following the announcement that the last bank in the town will close their branch in January 2025. Our Hartlepool branch has undergone an exciting full refurbishment in Autumn 2024. During the period that the branch was closed, to allow the exciting refurbishment work to be completed, we opened a special 'pop-up' branch because we recognise the importance of maintaining financial services in the town.

Through our community and charity support activities we are able to engage with both our Members and the communities we serve. Following the launch of the Newcastle Building Society Community Fund at the Community Foundation, we have provided a growing volume of financial grants to North East community projects, some of which are nominated by our Members. In 2024 Building Self-Belief CIO, who work with vulnerable young people to improve their mental health, self-esteem and life chances, received a grant from the Newcastle Building Society Community Fund to support the cost of running an employability programme and the creation of a short film exploring the impact of the programme on its students. As part of the programme, students were welcomed to our Head Office at Cobalt where our colleagues engaged with the students to provide mock interviews to build the students' skills, confidence and work experience. We work hard to make a difference and help our communities make positive changes. In support of our community and charity activities, we have also continued to develop our relationships with the King's Trust and Citizens Advice Gateshead.

In 2024, we were proud to be the headline sponsor of the Newcastle Mela as part of our commitment to fostering inclusion, diversity and positive change in our communities. As part of the festivities over the August bank holiday, our colleagues hosted a stall where we welcomed visitors to the largest multicultural event in the North East. We raised awareness of the Society's community activities whilst also providing us with an opportunity to learn more about the diverse communities in our regions and build new relationships.

The Financial Conduct Authority's new Consumer Duty rules, where a firm must act to deliver good outcome for customers, came into effect during 2023. Being a mutual society, the interests of our Members are already at the heart of our strategy and purpose and are a key focus for Board discussions and decision making. The introduction of the Consumer Duty principles further supports the five pillars of our Strategy. The Board has appointed Rory Campbell, Non-Executive Director, as Consumer Duty Champion. In June 2024, the Board approved its first Consumer Duty Annual Assessment, where the Board concluded that it was satisfied we are complying with the Consumer Duty and that our business strategy complied with the obligations under the Duty.

Relations with colleagues

The Code sets out the responsibility for a Board to have appropriate workforce policies and practices, which reinforce a healthy culture. Being one of the five pillars of our Strategy, we strive to be a 'great place to work, where people can realise their potential'. This pillar ensures that the well-being of our colleagues is at the forefront of our Purpose and is a key component of Board discussions and decision-making.

To support our colleagues, we have launched a number of networks within the Society including the Diversity, Equity and Inclusion Network, LGBTQ+ Network, Women in Leadership, Menopause Network and Disability Network. The networks have been imperative in shaping our policies and practices across the organisation. The Board recognises the strength of embracing different views, experiences and perspectives.

The Society has a well-established "Colleague Forum", chaired by a member of the Executive team. This formally recognised group consists of colleagues who represent all areas across the entire Group and who support leaders in the delivery of key organisational and people matters that are focused on creating a great colleague experience.

Further details of our people strategy are set out within the Strategic Report.

Culture

The Code requires the Board to create a culture which aligns corporate values with strategy and to assess how the Society generates and preserves value over the long term. As a Purpose-led Society we expect all colleagues to embrace the Society's Purpose, values and behaviours. The Board is responsible for assessing and monitoring the culture of the Society, and the Board oversees and sets the tone for the culture, values and behaviours of the Group.

Over 2024, we have been on a significant culture journey across the Group with all of our colleagues. A journey which will support our Purpose of 'connecting our communities with a better financial future', which is at the heart of everything that we do. Our colleagues have embraced our new culture behaviours introduced over 2024 to 'Be Curious'; 'Be Courageous'; 'Be Collaborative'; 'Be Efficient'; and 'Be Accountable'. At the heart of these new culture principles is a passion for building lasting, valued customer relationships and meaningful careers for colleagues. As a Purpose-led Society, the Board provides clear leadership to ensure that all policies, practices and behaviours are aligned to our Purpose, values and strategy. The Board monitors culture in a number of ways throughout the year, receiving a range of management information reported to Board at regular intervals. This will also ensure that the Board has a good understanding and oversight of how the new culture behaviours are embedding within the Society.

The Board use a third party agency to organise surveys and capture comments made by colleagues, in confidence, which are then acted upon by Senior Management. To enable the Board to assess and monitor culture, it has been agreed that culture will be formally reviewed by the Board at regular intervals and the Board regularly considers how the desired culture is embedded across the Society.

Newcastle Strategic Solutions Limited (NSSL)

NSSL Board members:

The current Board members of NSSL are James Ramsbotham (Chair and Non-Executive Director), Bryce Glover (Non-Executive Director), Stuart Miller (Newcastle Building Society Chief Commercial Officer) and Amanda Shepherd (Newcastle Building Society Chief Operating Officer).

In January 2025, Michael Hartig was appointed Managing Director of NSSL. Stuart Lynn (Non-Executive Director) resigned from the NSSL Board on 24 April 2024.

The main responsibilities of NSSL, as delegated by the Society's main Board, are as follows:

- to oversee the strategic direction of NSSL ensuring this is consistent with the Society's agreed strategic plan;
- to evaluate and monitor the financial and operational performance of NSSL against pre-determined objectives, which includes assessing performance in terms of contract contribution, profitability, efficiencies, risk, compliance and development of the savings management proposition;
- to ensure that appropriate mechanisms are in place to inform the Society's Board about the performance of NSSL and any key issues identified;
- to ensure that NSSL complies with all relevant legislation, including the General Data Protection Regulation and associated data protection legislation and the appropriate regulations relating to NSSL activities;
- to establish and review a risk appetite statement for NSSL, and to review, at least annually, the position of NSSL against that risk appetite statement;
- to ensure that an annual review of service resilience is conducted and that there is ongoing development to enhance resilience;
- to approve the NSSL budget on an annual basis (prior to inclusion in the Group budget which is approved by the Society's Board);
- to approve the NSSL statutory accounts;
- to consider and act upon the findings of any external/internal audits or reviews;
- to ensure that information assets are protected sufficiently that their confidentiality, integrity and availability are maintained in line with the ISO27001 standard along with company and client requirements; and
- to ensure that a formal evaluation of the effectiveness of the NSSL Board is undertaken on an annual basis.

Further details of the activities of NSSL are given in the Strategic Report.

Newcastle Financial Advisers Limited (NFAL)

NFAL Board members are:

The current Board members of NFAL are Andrew Haigh (Chair (appointed 19 September 2024) and Newcastle Building Society Chief Executive), Anne Shiels (Non-Executive Director), Stuart Miller (Newcastle Building Society Chief Commercial Officer) and Iain Lightfoot (Managing Director of NFAL).

James Ramsbotham resigned as a Director of NFAL on 9 September 2024.

The NFAL Board will also use external consultants to provide challenge and advice to the Board, as required. At least once a year Directors from Openwork Limited attend an NFAL Board meeting to provide a financial and market update; NFAL is an appointed representative of Openwork Limited.

The main responsibilities of NFAL, as delegated by the Society's main Board, are as follows:

- to oversee the strategic direction of NFAL ensuring this is consistent with the Society's agreed strategic plan;
- to evaluate and monitor the performance of NFAL against the objectives set, which includes assessing performance in terms of sales quality, customer satisfaction and outcomes, complaints, risk and compliance oversight (including consideration of the aspects that are specifically the responsibility of Openwork Limited) and profitability;
- to review the performance of NFAL in terms of financial results including profitability, risk management and customer outcomes;
- to review and approve the NFAL variable remuneration scheme ensuring that quality and customer outcomes are central to performance assessment;
- to review, at least annually, the reputational and consumer risks associated with NFAL and the controls in place in respect of this risk. The review will be presented to the NFAL Board in the first instance and ratified by the Society's Group Risk Committee;
- to ensure that NFAL complies with all relevant legislation including the General Data Protection Regulation and associated data protection legislation, and the appropriate regulations relating to NFAL activities;
- to approve the NFAL budget on an annual basis (prior to inclusion in the Group budget which is approved by the Society's Board);
- to approve the NFAL statutory accounts;
- to receive the minutes of strategic partner governance meetings and to be made aware of any changes to the framework for managing relationships with strategic partners;

- to consider and act upon the findings of any external/internal audits or reviews and make suitable recommendations as appropriate; and
- to ensure that a formal evaluation of the effectiveness of the NFAL Board is undertaken on an annual basis.

Board and Board Committee Membership Attendance Record

The table below sets out the number of meetings attended by Directors during 2024 with the number in brackets representing the maximum number of meetings the Director was eligible to attend.

In addition to the scheduled meetings as set out in the Board meeting table below, the Board held two strategy days in 2024 to discuss the future direction of the Society.

Director	Board	Audit Committee	Group Risk Committee	Remuneration Committee	Nominations Committee	Group Technology Governance Committee	NSSL	NFAL
Adam Bennett	13 (13)	5 (5)	4 (4)		3 (3)			
Rory Campbell	13 (13)			4 (4)	3 (3)			
Michele Faull	12 (13)	7 (8)	2 (4)					
Bryce Glover	12 (13)		4 (4)			5 (6)	3 (5)	
Andrew Haigh	13 (13)					5 (6)		2 (2)
Stuart Lynn*	5 (5)						2 (2)	
Stuart Miller	13 (13)					5 (6)	5 (5)	7 (7)
James Ramsbotham	13 (13)				3 (3)	6 (6)	5 (5)	5 (5)
David Samper	13 (13)							
Amanda Shepherd**	2 (2)					1 (2)		
Anne Shiels	13 (13)	7 (8)		4 (4)				7 (7)
Mick Thompson	13 (13)	8 (8)		3 (4)		6 (6)		

* resigned as a Director on 24 April 2024
** appointed as a Director on 3 December 2024

Annual General Meeting (AGM)

The AGM provides an opportunity for Members to question the Chair, Chief Executive, Board Committee Chairs and other Directors on the resolutions to be proposed at the meeting, the Annual Report and Accounts, and on any other aspect of the Society's business.

All Members who are eligible to vote at the AGM are encouraged to participate. Members will be able to vote either in person at the meeting or by using their proxy form. Votes may also be submitted online using the 2-part unique security codes found in the AGM pack. The use of the online voting system is encouraged and for each vote placed online at the AGM in 2025, the Society will be donating £2 to the Newcastle Building Society Community Fund at the Community Foundation.

All votes are counted by independent scrutineers. As soon as practicable after the AGM, full details of the results of the voting are placed on the Society's website.

On behalf of the Board
James Ramsbotham
28 February 2025

Michele, Non-Executive Director

Audit Committee Report

Audit Committee

Members of the Audit Committee at 31 December 2024 were:

Mick Thompson (Committee Chair), Anne Shiels, and Michele Faull.

The Audit Committee's extensive experience and qualifications are detailed in the Our Directors section of the Annual Report and Accounts. The Audit Committee has combined financial sector experience, and their competence remains considerable and wide-ranging with specific relevance to the Group's core building society activities and commercial subsidiaries. At least one member of the Audit Committee meets the requirements of the UK Corporate Governance Code to have significant recent, relevant financial experience. The Audit Committee members were selected for appointment by recommendation of the Society's Nominations Committee in consultation with the Audit Committee Chair.

Directors' remuneration, including for members of the Audit Committee, is detailed within the Remuneration Committee Report. The Report of the Directors on Corporate Governance also sets out the process for reviews of the effectiveness of Board sub-committees, including the Audit Committee. The Audit Committee concluded that it was operating effectively as part of its latest review, on 29 November 2023, and maintained that view throughout 2024.

Audit Committee meetings:

The Audit Committee meets at least four times each year, coinciding with key dates in the Group's financial reporting calendar, following a rolling schedule of items for discussion, agreed and reviewed on an ongoing basis. Meetings are attended by Audit Committee members with other regular attendees at meetings including the Chief Executive, Chief Financial Officer, Chief Risk Officer, Chief Internal Auditor and a representative of the External Auditor, Deloitte LLP, as well as other management, as the Committee feels is appropriate and necessary. For details of Audit Committee meeting attendance, see the Board and Board Committee Membership Attendance Record in the Report of the Directors on Corporate Governance.

As a general rule, the Audit Committee formally invites the External Auditor and the Chief Internal Auditor to meet the Audit Committee without Senior Management present at least once a year. These meetings cover matters relating to the Audit Committee's terms of reference and any issues arising from audits. The Chair and Chief Internal Auditor also meet outside of the Audit Committee on a regular basis.

Key roles and responsibilities as delegated by the Board:

The Audit Committee's responsibilities are delegated from the Board and details of the delegated responsibilities are available on the Society's website www.newcastle.co.uk/who-we-are/our-governance/our-committees. All Board members have access to minutes from Audit Committee meetings and the Chair of the Audit Committee updates the Board at every meeting on recent Audit Committee activity.

The main function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities, specifically the ongoing review, monitoring and assessment of the following areas:

Financial reporting:

The Audit Committee's primary role regarding financial reporting is to monitor the integrity of the Group's financial statements, including the interim and annual reports, and any other formal announcements relating to the Group's financial performance, and to monitor the statutory audit of the annual and consolidated accounts.

This responsibility is discharged through:

- review of interim and year end announcements, the Annual Report and Accounts, Summary Financial Statement and Pillar 3 disclosures, covering their clarity, completeness and compliance with relevant accounting standards and other regulatory and legal requirements;
- reporting to the Board on the consistency and appropriateness of critical accounting policies and any changes thereto, taking into account the views of the External Auditor;
- review and challenge of significant financial reporting judgements, estimates and the actions and judgements of management;
- review and challenge of accounting disclosures to ensure as a whole they are fair, balanced and understandable and in accordance with relevant disclosure requirements;
- advice to the Board on whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for Members to assess the performance, strategy and business model of the Group;
- review of any correspondence from regulators in relation to financial reporting;
- review of the going concern and business viability assessment produced by the Chief Financial Officer on a six-monthly basis;
- evaluating the risks to the quality and effectiveness of the financial reporting process, especially in light of the External Auditor's communications with the Audit Committee; and
- review and monitoring of management's responsiveness to the External Auditor's findings and recommendations.

In 2024, the main areas of significant financial reporting considered by the Audit Committee were as follows:

- **IFRS 9 provisioning:** The Audit Committee maintains oversight and challenge of the key model inputs driving the Group's IFRS 9 provisioning models for the residential and commercial books, with particular focus paid towards the Group's forward looking macro-economic forecast inputs. These inputs are the key judgements in calculating the provision. The Model Risk Committee makes non-binding recommendations on the Group's IFRS 9 scenarios (base, upside, downside and stress), scenario inputs and scenario weightings. In 2024, the Audit Committee's attention focused towards the current economic environment and consideration of the risk associated with heightened cost-of-living and refinancing risk on the Group's existing IFRS 9 scenarios. This included the recalibration of the post model adjustments for affordability given the improvement in the economic outlook during the year. The Audit Committee noted the impact of the post model adjustment relating to the potential impact of fire safety risks relating to securities pledged on a small portion of the book and the small post model adjustment introduced. during the year in relation to risks on securities pledged from the impact of climate change.

  The Audit Committee has concluded that the Society's provisions are appropriate and reasonable.

  In addition, the Audit Committee is satisfied that the estimates, judgements and methodologies applied to the commercial property provisions relating to legacy assets acquired as part of the Manchester merger, in particular those classified as Purchased or Originated Credit Impaired (POCI) at merger, are appropriate.
- **Effective interest rate:** Loans and advances to customers are held at amortised cost, using the effective interest rate method. That implies that one-off charges and receipts, such as property valuations the Society pays for, arrangement fees and early repayment fees, are included as interest income and spread over the life of the product, rather than being recognised separately. Assumptions and estimates relating to the expected behaviour of the Society's current mortgages were reviewed based on recent experience.
- **Equity release accounting and valuation:** In respect of the valuation of the legacy equity release portfolios, the Audit Committee reviews and challenges the key model inputs. In particular, the determination of the discount rate used to calculate the value of projected cash flows, and the assumptions used to value the no negative equity guarantee, such as future property price growth and volatility. In the current year, a particular focus of the Audit Committee was on the appropriate discount rate for the cash flows arising from the equity release portfolios. Whilst the basis of the Group's accounting estimate for deriving the discount rate from observable market rates for the purpose of valuing its equity release mortgage loans remained consistent, management refined its methodology for applying judgement and assumptions during the period. Audit Committee was kept fully informed and provided robust challenge to management on the appropriateness of judgements and the methodology applied. The Audit Committee is satisfied that the valuation at the year-end is appropriate and in line with market practice and accounting requirements; and that assumptions and methodologies utilised for the equity release portfolios, including the updated discount rate calculation methodology, are appropriate and in line with accounting requirements.
- **Hedge accounting:** The Audit Committee is appraised of the Group's derivative and hedge accounting position and strategy and agrees the accounting policy for hedging, including disclosures in the Annual Report and Accounts.
- **Going concern:** Preparing the Annual Report and Accounts under the going concern assumption requires the Board and Audit Committee to be satisfied that the Group and Society will stay in business for at least 12 months from the date the Accounts are signed. In addition, the Accounts contain a statement that the Group and Society are considered viable within its Directors' Report. As a result, a detailed assessment of the Group's and Society's viability over the next three years is reviewed by the Audit Committee, which considers the Group's and Society's business operations, business planning, business management and risk management. The assessment also includes forecasts and stress testing of long-term liquidity, capital resources and capital strategy, noting the capital raised during the year through issuance of capital eligible instruments. The Audit Committee concluded that the adoption of the going concern basis to prepare the Accounts is appropriate and considers the Group and Society viable over the next three years.

- **Voluntary customer support provision:** The Audit Committee was kept informed of the Board's actions regarding the support for Members affected by the actions and subsequent collapse of Philips Trust and reviewed accounting papers prepared by management on the accounting treatment of the costs associated with the voluntary support, including recognition as a provision for liability, the timing of recognition of recoveries from Philips Trust administrators and the associated tax treatment of the costs included in this provision.
- **Replacement of financial reporting system:** The Audit Committee challenged management over the control framework applied to the replacement of the financial reporting system and requested management to outline controls applied and how they ensured accuracy of the financial information prepared during the year using the new system. Management papers were presented outlining the control framework applied to the implementation and how management gained comfort over the implementation of the new system, including reconciliations to the incumbent system and thorough management review. The Audit Committee is satisfied the information provided by management can be relied upon as evidence of a strengthened financial reporting control environment.
- **The Audit Committee considers matters raised by the External Auditor** and concluded there were no uncorrected adjustments in isolation or in aggregate that were material to the Annual Report and Accounts.

The Audit Committee is satisfied that the key estimates and judgements are appropriate and suitably disclosed in the Annual Report and Accounts. Having undertaken the above responsibilities and considerations throughout the Group's 2024 financial year, the Audit Committee recommended to the Board that approval be given to the audited Annual Report and Accounts and Summary Financial Statements as at 31 December 2024.

Internal control and risk management:

The Audit Committee works closely with the Society's Group Risk Committee to ensure that management and colleagues take appropriate responsibility for departmental, business unit and subsidiary risk mitigation and internal control. The Audit Committee also reviews Internal Audit Services and management reports on the effectiveness of systems for internal control and risk management across the Group.

Further details of risk management activities are given in the Risk Management Report.

The Audit Committee is responsible for:

- review of the scope and effectiveness of the Group's internal controls and risk management systems, including those for ensuring compliance with the regulatory environment in which the Group operates;
- review of the Group's resolution pack arrangements and oversight of the Group's recovery plan self-assessment; and
- review and approval of the statements to be included in the Annual Report and Accounts concerning internal controls and risk management.

The Group's Internal Audit Services forms a core component of the Group's risk management and internal control process.

During the year, the Audit Committee, through Internal Audit Services and from other management reports, reviewed the scope and effectiveness of the Group's internal controls. The coverage of the reviews in 2024 included reviewing certain controls in operation for lending, savings, information technology and cyber security, treasury, finance, risk management, operational resilience, regulatory compliance and reporting and strategic change initiatives.

Internal Audit Services engaged the services of Ernst & Young LLP, DCR Partners Ltd and BDO LLP during 2024 for co-sourced internal audits to provide specialist expert input and promote knowledge transfer to Internal Audit Services.

Internal Audit Services represents the Audit Committee's primary available resource; however, the Audit Committee retains the authority to obtain outside legal or independent professional advice as it sees fit. Reports from the Chief Risk Officer, Internal Audit Services, the External Auditor and Senior Management provide input on key risks, uncertainties and controls directly to the Audit Committee.

Internal Audit Services:

The Audit Committee is responsible for monitoring and reviewing the effectiveness of the Group's Internal Audit Services in the context of the Group's risk management and for ensuring that professional standards are applied, and that resource is adequate in terms of number, skills, knowledge and standing within the Group to execute its responsibilities in an independent and objective manner. This review includes assessment of the Chief Internal Auditor with respect to appointment, remuneration, performance evaluation and assessment of their objectivity and independence.

A formal internal review of the qualification and effectiveness of Internal Audit Services is undertaken by the Audit Committee annually and most recently in July 2024, which concluded positively, confirming that Internal Audit Services effectively met its responsibilities.

Additionally, and in accordance with good practice, the Audit Committee also requires an external effectiveness review of Internal Audit Services at least every five years, which considers the quality, experience and expertise of the function. A review was carried out during 2024 by an external firm appointed by the Audit Committee. The review concluded that Internal Audit Services was operating effectively and confirmed that Internal Audit Services conforms to the standards expected by the Institute of Internal Auditors. The next external review is planned for 2029.

The Audit Committee approves and reviews the internal audit strategy, work programme and results, and ensures Internal Audit Services maintains sufficient access to the Board, management and the books and records of the Society and its subsidiaries. This oversight allows the Audit Committee to monitor and assess the role and effectiveness of Internal Audit Services in the overall context of the Group's internal control framework, ensures appropriate management responsiveness to audit findings and recommendations given and promotes open communication between the Group's Risk, Compliance, Finance and Internal Audit functions and the External Auditor.

External Audit:

The Audit Committee is responsible for overseeing the Group's relationship with the External Auditor, Deloitte LLP. This role extends to:

- appointment, reappointment, removal and assessment of independence, objectivity and effectiveness of the External Auditor;
- approval of terms and remuneration in respect of audit services provided;
- annual approval of the Group's policy on the use of the External Auditor for non-audit work as well as any non-audit work to be performed by the External Auditor; and
- consideration of audit quality, including reports by the Financial Reporting Council (FRC) Audit Quality Review team.
- The Audit Committee annually assesses the qualifications, expertise and resources of the External Auditor, seeking reassurance that the External Auditor and their staff have no family, financial, employment, investment or business relationships with the Group that are considered to impact their independence. The External Auditor communicates their formal independence annually and appraises the Audit Committee of policies, processes and monitoring in place for maintaining their independence. The Audit Committee seeks annual feedback from internal stakeholders to facilitate a robust assessment of the effectiveness of the External Auditor.

Prior to an external audit engagement, the Audit Committee discusses the nature and scope of the audit. It reviews findings of the External Auditor's work and assesses the effectiveness of the audit process. This assessment reviews whether the External Auditor has met the agreed audit plan, considers the robustness and perceptiveness of the External Auditor in responding to questions from the Audit Committee and obtains feedback about the conduct of the audit from key people involved.

The Audit Committee ensures that non-audit services provided by the External Auditor will not adversely impact the independence and objectivity of the audit firm in performing their duties. A formal policy on the use of the External Auditor, aligned to the FRC ethical standard, for non-audit work is reviewed annually.

The External Auditor undertook a number of non-audit assignments during the year including review of the Interim Financial Report and assurances services in relation to the Society's capital raising. The fees paid to the External Audit firm for audit and non-audit services are set out in the Administrative Expenses note to the Annual Accounts. The ratio of non-audit fees to audit fees in 2024 was 0.29:1.

Whistleblowing:

The Audit Committee reviews the Group's procedures for detecting fraud and policies related to its prevention and detection, including whistle blowing. This includes ensuring that arrangements are in place by which colleagues, in confidence, may raise concerns about possible improprieties ensuring that arrangements are in place for independent investigation and appropriate follow-up action. These could be in matters of financial reporting, financial control or any other matters. The outcome of the review is reported to the Board.

On behalf of the Board
Mick Thompson
Chair of the Audit Commitee
28 February 2025

Remuneration Committee Report

Annual statement from the Chair of the Remuneration Committee

Introduction

I am pleased to share the Directors' Remuneration Report, on behalf of the Remuneration Committee 'the Committee', which details the Group's approach to pay, incentives and benefits for the period 1 January to 31 December 2024. It sets out the Remuneration Policy, and remuneration details, for the Group's Executive and Non-Executive Directors, is aligned with our broader business strategy, is in adherence with the Regulators' Remuneration Code, the disclosure requirements arising under the Capital Requirements Directive IV (CRD IV) and has regard to the principles of the UK Corporate Governance Code relating to remuneration.

The Remuneration Committee

The Committee is comprised solely of Non-Executive Directors who have no personal financial interest in the recommendations:

Anne Shiels	Non-Executive Director (Chair)
Mick Thompson	Non-Executive Director & Chair of Audit Committee
Rory Campbell	Non-Executive Director

The Chair of the Board, Chief Executive, Chief People Officer and Head of Reward (except for items relating to their own remuneration) also attend meetings but are not members of the Committee.

Our Purpose-led reward approach – the decisions of our Remuneration Committee in 2024

As a Society, our Purpose continues to be 'connecting our communities with a better financial future'. This guides all the Society's actions including how we reward our colleagues, including leaders and Board members.

2024 was another successful year for the Society but the challenges of high inflation during 2023 and its ongoing impact on the cost of living for both our Members and our colleagues remained a concern in the early parts of the year. In this environment, paying our colleagues, particularly those in lower paid roles, a fair and competitive wage remained a high priority for the Committee. This was to help ensure both the financial wellbeing of our colleagues and that the Society remains able to attract and retain the best talent.

To address these cost of living challenges the Committee approved a differentiated approach to pay review in 2024, with colleagues in lower paid roles receiving a higher pay award than colleagues in more senior and better paid positions. Our pay review approach awarded average increases of 10% for colleagues in our lowest pay range, 7.5% for colleagues in our next band with remaining colleagues receiving on average a 5% increase in their pay. This differentiated approach to pay review helped support the 40% of our colleagues in our lowest pay bands with a higher award, ensured that we continued to pay each of our colleagues at least the real living wage whilst maintaining appropriate pay differentials between colleagues at different levels of seniority.

I am also pleased to report that we took several further actions in the last year to ensure our reward package reflects our Purpose by delivering a great place to work and helping us to foster inclusion, diversity and positive change in our workplace.

Firstly, we made significant changes to our Parental Leave Policy in 2024 by both improving our paid parental leave provisions and equalising the parental leave offering across all parents, regardless of gender, sexuality or route to parenthood. In conjunction with these changes, we also reviewed and improved a number of supporting policies and practices including our adoption, surrogacy, fertility support, neonatal and return to work policies. We undertook these changes to support working parents, who we recognise represent a key demographic in our workforce and in recognition that family friendly policies and equalised parental leave are two key ways to help address the gender pay gap.

As an organisation we continue to see a gender pay gap but are pleased to see this reduce over the last 12 months, because of some of the actions we have taken. Additionally, I'm pleased to confirm that we have voluntarily chosen to report our ethnicity pay gap alongside our gender pay for the last two years. We believe in being transparent about these gaps and are committed to taking action to reduce both pay gaps, as outlined in our recently published report, which is available on our website.

I am also pleased to confirm that in addition to the Society being a 'Living Wage Employer' and part of the action group that is seeking to make Newcastle a 'Living Wage City' we were also accredited as a 'Living Pension Employer', in the last 12 months. This accreditation helps to ensure we provide each of our colleagues access to a pension that is designed to meet at least their basic everyday needs at retirement. This is a relatively new accreditation provided by the Living Wage Foundation and we're pleased to have been the first building society and organisation in the North East to receive this accreditation.

In conjunction with becoming a 'Living Pension Employer' we were keen to ensure our colleagues had a better understanding of their pension and to help them plan better for their retirement. We therefore undertook a programme of financial well-being sessions throughout 2024 with a key focus on pensions. These sessions were led by colleagues from our HR and Newcastle Financial Advisers teams and as a result of this programme and a wider colleague communication campaign we have seen 15% of colleagues choose to increase their pension contributions over a 12-month period. We will continue to focus on colleagues' financial well-being and seek to support them in a variety of ways throughout 2025.

Director and Executive remuneration in respect of 2024

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

Significant work has been carried out over recent years to introduce a robust and equitable performance and reward framework for colleagues across the Society, in a way that is fair, affordable, reflects market practice and ensures that the organisation offers competitive total reward packages. Part of this process has been to ensure closer alignment of our Executive remuneration to our peers in the sector and the wider market. The pay increases of our Executive team therefore ranged from 0% to 10.8% in 2024, reflective of personal performance and alignment to market benchmarks. The average/median increase of the Executive team was 5% and was in line with our wider workforce, where the average increase was 7.5% to 10% for colleagues in our lowest paid pay bands and 5% for all other colleagues.

2024 bonus awards were made to the Executive team and reflected the Society's performance against a range of financial and non-financial metrics, including profit, net lending, net funding, customer net promoter score (NPS) and employee net promoter score (eNPS).

The profit metric used for bonus purposes is underlying group operating profit which is reflective of the core activities of the Group and excludes one off income or expenses, and gains or losses which are outside of the normal course of business. The voluntary financial support to Members that the Society has chosen to make to help customers whose trusts are affected by the actions and subsequent collapse of Philips Trust is considered a one-off item and as such is excluded from underlying group operating profit.

In 2024, underlying group operating profit achieved the stretch target set by the Committee at the start of the year. Under normal circumstances this would result in the maximum pay-out of this element. However the Committee are mindful of the significant value of financial support offered to Members affected by Philips Trust, and the impact this will have upon Group profit before tax. Whilst the Committee fully support the decision of financial support for Members affected by the collapse of Philips Trust it has chosen to operate some downward discretion and reduce the value of bonus payments linked to the profit metric to a 'target', rather than the 'maximum' award value.

The overall level of Executive bonus payments for 2024 were therefore 35.4% of salary. This level of bonus payments is slightly above the 30% on target award but below the maximum available award of 50% of salary.

With the exception of the downward discretion exercised by the Committee, as outlined above, the bonus has been awarded in line with the rules of the scheme and against the performance metrics agreed at the beginning of the year.

As per prior years, 50% of Executive bonus is deferred and payable in later years, this allows the Committee to review whether the payment remains appropriate and in line with Strategy and Purpose, providing the ability to operate the malus and clawback rules in place for the scheme and thus potentially reducing or cancelling the payments in cases such as, but not limited to, significant failures in risk management, material errors or the Society's financial underperformance.

The malus and clawback rules are in place for a period of five years after bonus payments are made. The Committee have reviewed the provisions contained in these rules prior to awarding any bonus payments for 2024 and can confirm that no circumstances have arisen which require them to be exercised.

The relative levels of bonus payment for Executives, against the maximum percentage award, was similar for all colleagues across the Group who participate in our 'Sharing in Our Success' Bonus Scheme and the bonus scheme operated in a similar way, except no bonus deferral is in place in our colleague scheme.

Further detail on how we have delivered our Purpose of being a great place to work, where people can realise their potential in 2024, can be found in our Chair's Report, Chief Executive Review and Strategic Report.

Directors' Remuneration Policy

Policy aims and principles

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

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

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

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

Key changes to the Directors' Remuneration Policy for 2025

The Committee has recently reviewed the Directors' Remuneration Policy for the upcoming year and has determined that it remains robust, appropriate and aligned to our Purpose. There is however one proposed change to our Policy for the coming year.

The Committee recently reviewed the Executive Bonus Scheme and undertook external benchmarking of the scheme compared to other financial services institutions, including other Building Societies. This exercise, supported by independent advice from Willis Towers Watson, indicated that the level of bonus opportunity available to Executives has fallen behind the market in recent years. This is also aligned to the Society's recent experience in recruiting senior roles, where a lower level of bonus opportunity has made it more difficult to attract the appropriate calibre of skills and experience to support the delivery of our ambitious strategic plans.

To ensure the Society can continue to attract and retain the appropriate calibre of Executives, in an increasingly competitive market place, the Committee have chosen to increase the 'on target' bonus available under the Executive bonus from 30% of salary to 50%, with the maximum award increasing from 50% to 75% of salary.

These changes will come into effect from 2025. The scheme will continue to be based on a robust set of financial and non-financial measures together with personal objectives. In addition, there will continue to be a deferred element to the bonus, with 50% of the award paying out in the year after the bonus is earned and the remainder in equal parts over the following two years. The deferred element of bonus goes above and beyond the Financial Reporting Council and Prudential Regulation Authority requirements, however the Committee have chosen to keep deferral in place in line with best practice and to facilitate the effective operation of malus and clawback rules, if required.

Directors' service agreements and notice periods

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

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, but not longer than nine years in total, unless in exceptional circumstances and after approval by the Board.

All of the Society's Directors volunteer for annual re-election.

Policy on termination pay

The Committee aims to treat departing Executive Directors fairly, taking into account the circumstances of their departure, but is always careful to ensure that the interests of Members are considered and that there are no rewards for failure. Executive Directors are entitled to be paid their basic salary and contractual benefits (including pension contributions) during their notice period. The Society has the discretion to pay these as a lump sum in lieu of notice. The rules of the Executive Bonus Scheme set out the treatment for an individual who ceases to be a colleague or Director of the Society.

Remuneration for Executive Directors

The table below shows the elements of remuneration for Executive Directors and the way they operate. These elements would be expected to apply equally to any new Executive Directors appointed in the future. This table includes the updates to the Executive Bonus Scheme which will come into effect from 2025, as outlined in this report.

How elements support our strategy	Operation	Maximum potential value	Performance conditions and assessment
Basic salary Supports the attraction and retention of Executive Directors, reflecting their individual roles, skills and contribution and ensuring internal pay equity (ensuring colleagues within similar roles are compensated in a similar way).	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. Consideration is also given to internal pay equity.	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.	Individual performance is taken into account when considering base increases, as well as affordability and the performance of the Group. Increases are proposed by the Chief Executive or Chair and approved by the Committee.
Pension Supports attraction and retention of Executive Directors at a cost that can be controlled by the Society.	Generally, the Society contributes to a defined contribution pension scheme for Executive Directors. The contribution can instead be paid in cash (which is excluded from bonus calculations) if the Executive Director so chooses.	Up to 9% of basic salary, which is consistent with the benefit available to the wider workforce.	None applicable.
Benefits Supports attraction and retention of Executive Directors; and provides a competitive level of benefits to assist Executive Directors to carry out their roles effectively.	A number of benefits are provided to Executive Directors, including car allowance, private medical insurance, life insurance, health screening and permanent health insurance. The Committee reviews benefits offered and may make changes, for example, to reflect market practice or the needs of the business. The Society offers all colleagues the option to participate in a salary sacrifice scheme in order to make use of current incentives and encourage use of electric vehicles.	The Society chooses to invest in the cost of providing benefits which may vary from year to year.	None applicable.

How elements support our strategy	Operation	Maximum potential value	Performance conditions and assessment
Executive Bonus Scheme* Rewards performance within the context of achieving corporate goals and objectives as set out in the corporate strategy. Supports attraction and retention of Executive Directors. Supports the development of a high performance culture.	Based on a number of performance measures and targets linked to the delivery of corporate strategy. Measures include financial, customer, people and personal objectives. Targets are set annually and payments are made at the discretion of the Committee. Payments are made in cash in instalments over a three year period.	The maximum potential bonus opportunity is 75% of base salary. On target bonus opportunity is 50% of base salary.	Performance against pre-determined objectives will be measured by the Committee on an annual basis and discretion may be applied under exceptional circumstances. Personal performance must be judged to have at least met expectations for any payment to be made from the scheme. Bonus levels take affordability into account together with specific performance measures which are set at the beginning of each financial year. A financial gateway exists to ensure the financial viability of the bonus scheme. For the 2024 scheme this was a profit gateway,

*As noted above, the Committee has complete discretion to make payment under the Executive Bonus Scheme and also has discretion to amend or remove that scheme where necessary to ensure the arrangements continue to meet the Committee's overriding remuneration principles.

Directors' emoluments (Audited)

The total remuneration received by Executive Directors is shown opposite. The information has been audited and shows remuneration for the years ended 31 December 2023 and 31 December 2024 as required under the Building Societies (Accounts and Related Provisions) Regulations 1998. There is a requirement under Rule 14 of the Society's Rules to have deposits to the value of not less than £1,000 in a Society share account in order to qualify as a Director. This means all Directors are Members of the Society. There are no requirements for a Director to own shares in the Society's subsidiary companies.

Details of other Board positions held by the Group's Directors outside of the Group are shown in the Annual Business Statement. None of the current Executive Directors retained any remuneration as a result of their non-Society positions. The table below has been audited as it forms part of the financial statements.

	Year	Salary or fees	Taxable benefits	Annual bonus (Note 1)	Pension contributions to defined contribution scheme (Notes 2,3,4 and 5)	Total contractual benefits
Executive Directors		£000	£000	£000	£000	£000
AS Haigh	**2024**	**504**	**59**	**181**	**-**	**744**
	2023	484	57	146	-	687
D Samper (Note 6)	**2024**	**333**	**42**	**-**	**-**	**375**
	2023	318	41	48	-	407
S Miller	**2024**	**296**	**39**	**106**	**-**	**441**
	2023	279	37	86	-	402
A Shepherd (Appointed 29 July 2024)	**2024**	**139**	**18**	**49**	**-**	**206**
	2023	-	-	-	-	-
Total for Executive Directors	**2024**	**1,272**	**158**	**336**	**-**	**1,766**
	2023	1,081	135	280	-	1,496
Non-Executive Directors						
B Glover	**2024**	**79**	**-**	**-**	**-**	**79**
	2023	70	-	-	-	70
A Laverack (Business name: Anne Shiels)	**2024**	**70**	**-**	**-**	**-**	**70**
	2023	67	-	-	-	67
K Ingham (Retired 26 April 2023)	**2024**	**-**	**-**	**-**	**-**	**0**
	2023	22	-	-	-	22
MR Thompson (Note 7)	**2024**	**93**	**-**	**-**	**-**	**93**
	2023	89	-	-	-	89
GA Bennett	**2024**	**65**	**-**	**-**	**-**	**65**
	2023	60	-	-	-	60
S Lynn (Retired 24 April 2024)	**2024**	**18**	**-**	**-**	**-**	**18**
	2023	63	-	-	-	63
MJ Faull	**2024**	**52**	**-**	**-**	**-**	**52**
	2023	50	-	-	-	50
JDA Ramsbotham	**2024**	**118**	**-**	**-**	**-**	**118**
	2023	113	-	-	-	113
R Campbell (Appointed 01 June 2023)	**2024**	**52**	**-**	**-**	**-**	**52**
	2023	29	-	-	-	29
Total for Non-Executive Directors	**2024**	**547**	**-**	**-**	**-**	**547**
	2023	563	-	-	-	563
Total for all Directors	**2024**	**1,819**	**158**	**336**	**-**	**2,313**
	2023	1,644	135	280	-	2,059

1. During 2024 the Executive Directors participated in the Group's annual Executive Bonus Scheme. A proportion of the Executive bonus payment is deferred and is payable in future years as shown in the Executive Bonus Payment table overleaf.
2. Mr AS Haigh has elected to take his pension contribution amounting to £45,360 (2023: £43,530) as a cash payment. He is liable for his own tax and national insurance contributions on this payment.
3. Mr D Samper has elected to take his pension contribution amounting to £29,948 (2023: £28,575) as a cash payment. He is liable for his own tax and national insurance contributions on this payment.
4. Mr S Miller has elected to take his pension contribution amounting to £26,663 (2023: £25,125) as a cash payment. He is liable for his own tax and national insurance contributions on this payment.
5. Mrs A Shepherd has elected to take her pension contribution amounting to £12,525 (2023: nil) as a cash payment. She is liable for her own tax and national insurance contributions on this payment.
6. Following David Samper's resignation, under scheme rules, he is not entitled to any deferred bonus payments due in future years. He therefore will not receive the deferred amount of £49k relating to his 2023 bonus that had been expected for payment in future years (2025: £24k and 2026: £25k).
7. Mr M Thompson received £19,613 (2023: £18,900) in relation to chairing the Newcastle Building Society Pension and Assurance Scheme Board which is included in the figures presented in the table.
8. No Directors received termination payments in 2024 (2023: None).

Chief Executive remuneration

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

Mr Andrew Haigh received a 5% pay rise on base salary in April 2024. This increase is an outcome of the independent review of Executive reward, undertaken by the Committee's reward advisors Willis Towers Watson and was in line with the average increase in the wider workforce.

Chief Executive Officer (CEO) remuneration

The Companies (Miscellaneous Reporting) Regulations 2018 requires the publication of the ratio of the CEO's single figure remuneration. We have chosen to use the Government's preferred methodology (option A), which determines the total full time equivalent total remuneration for all colleagues for the relevant financial year, and compares the 25th, 50th and 75th percentiles against the CEO's single figure.

	Quartile	Base salary £	Total pay and benefis £	Ratio to CEO
2024	25th	24,434	28,843	26:1
	50th	29,158	33,433	22:1
	75th	43,734	52,154	14:1
2023	25th	22,729	25,848	27:1
	50th	28,113	32,761	21:1
	75th	40,620	48,946	14:1
2022	25th	22,316	26,347	28:1
	50th	27,882	33,187	22:1
	75th	39,328	46,062	16:1
2021	25th	20,623	22,438	26:1
	50th	25,987	29,087	20:1
	75th	36,773	42,329	14:1

Annual Executive Bonus

The Executive Bonus Scheme is paid in three parts, with the first payment of 50% in the year after the bonus is earned and the remainder over two equal payments in the following two years. This allows the Committee to review whether the payment remains appropriate and in line with Strategy and Purpose, providing the ability to reduce or cancel the payment in cases such as, but not limited to, significant failures in risk management, material errors or the Society's financial under performance.

The Executive Bonus Scheme is dependent on performance, measured against personal objectives as well as financial and non-financial performance indicators.

In 2024 both a profit gateway (financial gateway) and a strategic projects gateway were in place for the Executive Bonus Scheme and needed to be met prior to any payments being made. This ensured a minimum level of underlying Group operating profit was achieved and significant progress had been made against the delivery of key infrastructure and programmes directly linked to Member Value, before any bonus payments became available. Furthermore, each Executive's personal performance was required to have at least 'met expectations', as determined by the Committee, to qualify for any bonus payment.

Following the achievement of these two gateways and the personal performance criteria, the level of bonus payments were then determined by the Society's performance against a range of financial and non-financial metrics, including profit, net lending, net funding, customer net promoter score (NPS) and employee net promoter score (eNPS).

In 2024, should all gateways and bonus metrics have been met, the level of on target bonus was set at 30% of base salary for each Executive with a maximum bonus potential of 50% of base salary for exceptional business performance.

The Society achieved both bonus gateways and 'above target' against a number of metrics set for the scheme. As outlined in the statement from the Committee Chair at the beginning of this report, underlying group operating profit performed very well in 2024 and achieved the stretch target set by the Committee. Under normal circumstances this would result in the maximum pay-out of this element of bonus. However the Committee are mindful of the significant value of financial support offered to Members affected by the actions and subsequent collapse of Philips Trust, and the impact this has had upon Group profit before tax. Whilst the Committee fully support the decision of financial support for Members affected by the collapse of Philips Trust it has chosen to operate some downward discretion and reduce the value of bonus payments linked to the profit metric to a 'target' rather than the 'maximum' award value.

The overall level of Executive bonus payments for 2024 were therefore 35.4% of salary.

The rules of the Executive Bonus Scheme determine that under most circumstances no bonus is payable to Executives who resign from the business. This applies to bonus payments from the current year and any unpaid deferred elements from prior years. As per these rules no bonus is therefore payable to David Samper who announced his departure from the business in early 2025.

With the exception of the downward discretion exercised by the Committee, as outlined above, the bonus has been awarded in line with the rules of the scheme and against the performance metrics agreed at the beginning of the year.

Payments and deferred payments under the Executive Bonus Scheme are shown in the table opposite.

Executive bonus

Executive Director	Bonus deferred from	Bonus payable in 2025 £000	Bonus payable in 2026 £000	Bonus payable in 2027 £000	Total deferred bonus £'000
Andrew Haigh	2022	54	-	-	54
	2023	37	36	-	73
	2024	90	45	45	180
	Total	**181**	**81**	**45**	**307**
Stuart Miller	2022	30	-	-	30
	2023	22	21	-	43
	2024	53	27	27	107
	Total	**105**	**48**	**27**	**180**
Amanda Shepherd	2024	25	12	12	49
	Total	**25**	**12**	**12**	**49**
Total		**311**	**141**	**84**	**536**

As noted above, following David Samper's resignation, under scheme rules, he is not entitled to any deferred bonus payments due in future years. The amounts deferred under the scheme and no longer payable are 2025: £61k and 2026: £25k.

This table has been updated since original publication on 19 March 2025.

Remuneration of Non-Executive Directors

A separate Non-Executive Director Remuneration Committee reviews and approves the fees of Non-Executive Directors which are then ratified by the Board. Membership of the Non-Executive Remuneration Committee consists of the Chair of the Board, Chief Executive and Chief Financial Officer and is attended by the Chair of the Remuneration Committee and Chief People Officer. Remuneration for the Chair of the Board is recommended by the Chief Executive to the Remuneration Committee for approval and subsequent ratification by the Board.

Element	Approach
Basic 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. The fee currently paid is £52,500 (2023: £50,000) for Non-Executive Directors and £119,700 (2023: £114,000) for the Board Chair.
Additional fees	Additional fees are payable for additional responsibilities, such as Committee Chair, Chair or NED of a subsidiary business or for being the Senior Independent Director. Fees range from £5,400 to £21,600 (2023: £5,150 to £20,600) depending on time commitments required.
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 remuneration for colleagues who are not Directors

Code Staff and Executives who are not Directors

In addition to setting the remuneration of the Executive Directors, the Committee approves the remuneration policy for Senior Managers who have a material impact on the Society's risk profile (Code Staff). The Committee also reviews recommendations from the Chief Executive for approval of the remuneration of other Executives.

The Group's colleagues

All colleagues receive basic salary, benefits and pension consistent with market practice and are eligible to participate in one of the Group's Corporate Bonus Schemes. When setting salary increases for Executive Directors, the Committee considers the level of salary increases across the Group. No colleague consultation on Executive Director remuneration has been undertaken.

The 'Sharing in our Success' Bonus Scheme ensures that each colleague below Executive level also has the correct mix of base and variable pay to reward and incentivise the performance required to deliver the ambitious strategic plans of the Society.

The metrics and rules of the 'Sharing in our Success' Bonus Scheme are broadly in line with the Executive Bonus Scheme. The Committee approved payments of the 2024 'Sharing in our Success' bonus, in line with the scheme rules. The relative levels of bonus payment from the scheme were similar, as a percentage of the maximum award, to those awarded under the Executive scheme.

Summary of the Remuneration of Material Risk Takers

Remuneration Code Staff or Material Risk Takers are currently defined as Senior Management, control functions and any colleague receiving total remuneration that takes them into the same remuneration bracket as Senior Management, or whose professional activities have a material impact on the Group's risk profile. The table below shows the aggregate remuneration for Code Staff in relation to their services to the Society and Group.

Category	Year	Number of colleagues	Salary or Fees £'000	Other taxable benefits £'000	Variable remuneration (Note 1) £'000	Total remuneration £000
Executive Directors	**2024**	**4**	**1,272**	**158**	**336**	**1,766**
	2023	3	1,081	135	280	1,496
Other Senior Management	**2024**	**5**	**870**	**110**	**295**	**1,275**
	2023	5	879	121	255	1,255
Other material risk takers	**2024**	**18**	**1,891**	**268**	**367**	**2,526**
	2023	18	1,827	234	314	2,375
Total	**2024**	**27**	**4,033**	**536**	**998**	**5,567**
	2023	**26**	**3,787**	**490**	**849**	**5,126**

1. Variable remuneration reflects participation in the Executive Bonus Scheme for Executive Directors and other members of the Executive Committee and the Corporate Bonus Scheme for all other Code Staff.

Consideration of Member views

The Society seeks the views of the Society's Members on its Remuneration Policy and practices via our Annual General Meeting process. For a number of years, the Committee has invited Members to vote on the annual Remuneration Report, and Members have always voted in favour.

The Directors' Remuneration Report was last voted on in April 2024. Member approval was given to the 31 December 2023 Directors' Remuneration Report (92% approval with 15,437 votes for, 1,310 against and 333 withheld).

The Remuneration Committee

The Committee is responsible for the oversight and governance of the Group's overall compliance with the Remuneration Code.

The Committee's main objectives are:

- to ensure that fair and competitive remuneration packages are in place, in line with market rates, that attract, retain and reward the Executive and Senior Management for delivering stated business objectives in support of the Group's Strategy and Purpose, whilst providing value for Members, stakeholders and communities;
- to ensure compliance with the Regulators' Remuneration Code through at least annual review and to ensure the Remuneration Policy is consistent with regulatory requirements and the Group's financial situation and future prospects;
- to determine and agree with the Board the framework for Executive and Senior Management remuneration and conditions of employment;
- to approve the salaries, and any salary adjustments, variable pay awards and payments, for Executive and Material Risk Takers and to approve the terms of the annual pay review for all colleagues;
- approve the design of any variable remuneration schemes and approve the total annual payments under such schemes;
- to approve the Remuneration Policy Statement and Remuneration Committee Reports in the Annual Report and Accounts and Summary Financial Statements, and the remuneration section of the Pillar 3 disclosures;
- to approve service agreements, terms and conditions for the appointment of Executive Directors; and
- to consider and make recommendation to the Board on the general framework of colleague bonus schemes.

The Board believes remuneration should be sufficient to attract, retain and motivate colleagues and Senior Managers to continue to run the Group successfully and in line with stated aims and Purpose. The Remuneration Policy, therefore, focuses on rewarding colleagues and Executives in line with the achievement of the Group's goals set out in the strategic plan and corporate key performance indicators, thus ensuring long-term value for money for Members.

The Remuneration Committee operates within the terms of reference agreed by the Board. The terms of reference are reviewed annually and were last reviewed in June 2024. A review of the effectiveness of the Committee was also undertaken during 2024 covering areas including performance, membership, management information and administration of the Committee.

During the year, the Committee met four times, and activities included:

- overseeing compliance of the Group's approach to remuneration against the requirements of the Regulators' Remuneration Code;
- considering and agreeing pay and benefits for Executive Directors, Executives, Material Risk Takers and the Chair;
- overseeing remuneration and benefits matters across the Group;
- reviewing and benchmarking the level of pay for both colleagues and Executives;
- determining the level and approach to annual pay review for all colleagues;
- agreeing bonus metrics for the coming financial year;
- reviewing the performance for the full year and approving the level of Executive and Corporate Bonus to be paid based on achievement of various financial and non-financial key performance measures;
- agreeing changes to remuneration policies and practice;
- reviewing latest market practice to determine strategic reward focus for the coming years;
- considering the disclosure requirements for the Remuneration Report including Pillar 3 disclosures; and
- approving the Directors' Remuneration Report.

External advice received

During the year, Willis Towers Watson were engaged to assist the Committee by reviewing the Group's Director and Executive level remuneration and benchmarking it against the external market. The Committee is satisfied that the advice received is objective and independent, with Willis Towers Watson being a reputable firm with no other ties to the Group, its Directors or Senior Management.

The fee for the advice was £15,636 (2023: £10,200)

On behalf of the Board
Anne Shiels
Chair of Remuneration Committee
28 February 2025

Risk Management Report

Overview

The risk management framework is designed to proactively identify and manage risk, while supporting Senior Management in the delivery of the Strategy. This is achieved through the effective utilisation of risk appetite and ensuring resilience to operational and financial risks. The Group's ability to identify, measure, monitor, report and control risks is key to the continued delivery of sustainable and resilient business performance, including fair outcomes for our customers. The Chief Risk Officer has ultimate accountability for the maintenance and enhancement of the organisation's risk management framework.

First line of defence	Comprises of core business units, which ultimately hold the responsibility for **identifying, quantifying and managing risk** while adhering to corporate risk appetite, policies and standards. The first line also holds the responsibility for implementing and maintaining regulatory compliance.
Second line of defence	The Risk function provides **independent oversight** of the implementation of effective risk management, while developing and maintaining risk management policies and methodologies. The second line reports (through the Chief Risk Officer) to the Chief Executive and ultimately to the Group Risk Committee.
Third line of defence	Internal Audit Services provide **independent assurance** to the Board and senior management on the adequacy of the design and operational effectiveness of internal control systems and measures across the business.

The risk management framework includes the use of Board approved risk appetite statements covering a variety of principal risks that the Group faces. Additionally, regular management information and performance data in respect of the overall framework is provided to the Group Risk Committee. There is a demonstrated level of balance within the framework with evidence of performance, stress testing, scenario analysis and recovery planning.

Overall, there is a high degree of awareness and understanding of risk across the Group. Senior management understands and champions the basis for risk measures with detailed understanding of strengths and limitations. The culture across the organisation supports the development of risk skills which is articulated from the top down and gives due focus to risk management.

Risk governance

The Board is ultimately responsible for ensuring that adequate systems of risk management are in place, and that the Strategy, risk appetite and risk management are aligned. To assist the Board, a Group Risk Committee oversees the management of risk across the Group. In addition, the Board is responsible for the establishment of risk appetites that ensure business activities and decisions are taken within our capacity for accepting risk; performance to risk appetites are monitored by the Board and the Group Risk Committee.

The second line of defence Risk function oversees the suitability and effectiveness of risk management across the organisation and supports the Group Risk Committee. This includes the provision of oversight reporting to the Group Risk Committee and its sub-committees. The Chair of the Group Risk Committee reports formally to the Board on the Group Risk Committee's business at its monthly meetings. This includes confirming the effectiveness of risk management and the internal control systems which have been in place throughout the year.

The Chief Risk Officer provides formal updates on risk management to the Board, in relation to the Group, on a regular basis.

Group Risk Committee

The Group Risk Committee, chaired by Non-Executive Director Bryce Glover, oversees the risk management and governance framework, and the overall risk profile. The Committee meets at least four times per year and more frequently when required.

The duties of the Group Risk Committee include:

- oversight of overall risk appetite, tolerance and risk management strategy and the principal and emerging risks the Group is willing to take in order to achieve its long-term strategic objectives;
- oversight of the management of risks to which the business may be exposed, including (but not limited to) prudential risks, conduct risks, operational risks, climate change related risks, operational resilience and IT related risks including cyber;
- oversight of compliance with risk policies;
- oversight, review and recommendation to the Board in respect of approval of the Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP), the Recovery Plan and Resolution Pack (RRP);
- oversight of the risk sub-committees (see risk governance structure section of this report); and
- review and assessment of the risk appetite and associated stress testing.

During 2024, Group Risk Committee considered the following matters:

- The annual operational resilience self-assessment. Further positive progress has been made with continued maturity and embedding to maintain compliance with regulatory requirements;
- The impact of interest rate payment shock on mortgage product maturities to inform both risk management and support for relevant customers;
- Periodic review of the amount of risk we are prepared to accept in the conduct of our business, measuring delivery against regulatory compliance and good customer outcomes;
- Approach to categorisation of material suppliers, covering all third-party arrangements deemed to be material, irrespective of whether the arrangement is outsourcing; and
- Review and approval of entity level policies including (but not limited to) lending, treasury, interest rate risk, operational risk and conduct risk.

The Group Risk Committee met on four occasions in 2024.

Credit Risk Committee

The Credit Risk Committee, chaired by the Chief Risk Officer, is responsible for the oversight of the retail and commercial credit risk framework. This Credit Risk Committee acts under the authority of the Group Risk Committee and has delegated authority to make decisions and recommendations in accordance with the agreed terms of reference. The Credit Risk Committee ensures the use of regular stress testing and scenario modelling that are reflective of the nature of the associated risk.

The Credit Risk Committee met on thirteen occasions in 2024.

Enterprise Risk Committee

The Enterprise Risk Committee, chaired by the Chief Risk Officer, is responsible for overseeing the risk framework for operational risk, conduct risk, IT risk, people risk and operational resilience. The Enterprise Risk Committee has the responsibility for review and approval of entity level policies in advance of final approval by the Group Risk Committee. All relevant operational risk management information, to include (but not limited to) performance against risk appetite statements, is reported to the Enterprise Risk Committee.

The Enterprise Risk Committee met on eleven occasions in 2024.

Model Risk Committee

The Model Risk Committee, chaired by the Chief Risk Officer, ensures the Group's compliance with the Prudential Regulation Authority (PRA) Supervisory Statement SS3/18 'Model Risk Management Principles for Stress Testing'. The Model Risk Committee acts under the authority of the Group Risk Committee in an advisory capacity and makes non-binding recommendations concerning adherence to the Model Risk Policy. Recommendations are made by the Model Risk Committee to the Group Risk Committee on suitable macroeconomic scenarios, model risk appetite, model performance (monitoring) and model limitations. Approval of the macroeconomic scenarios remains the responsibility of the Board.

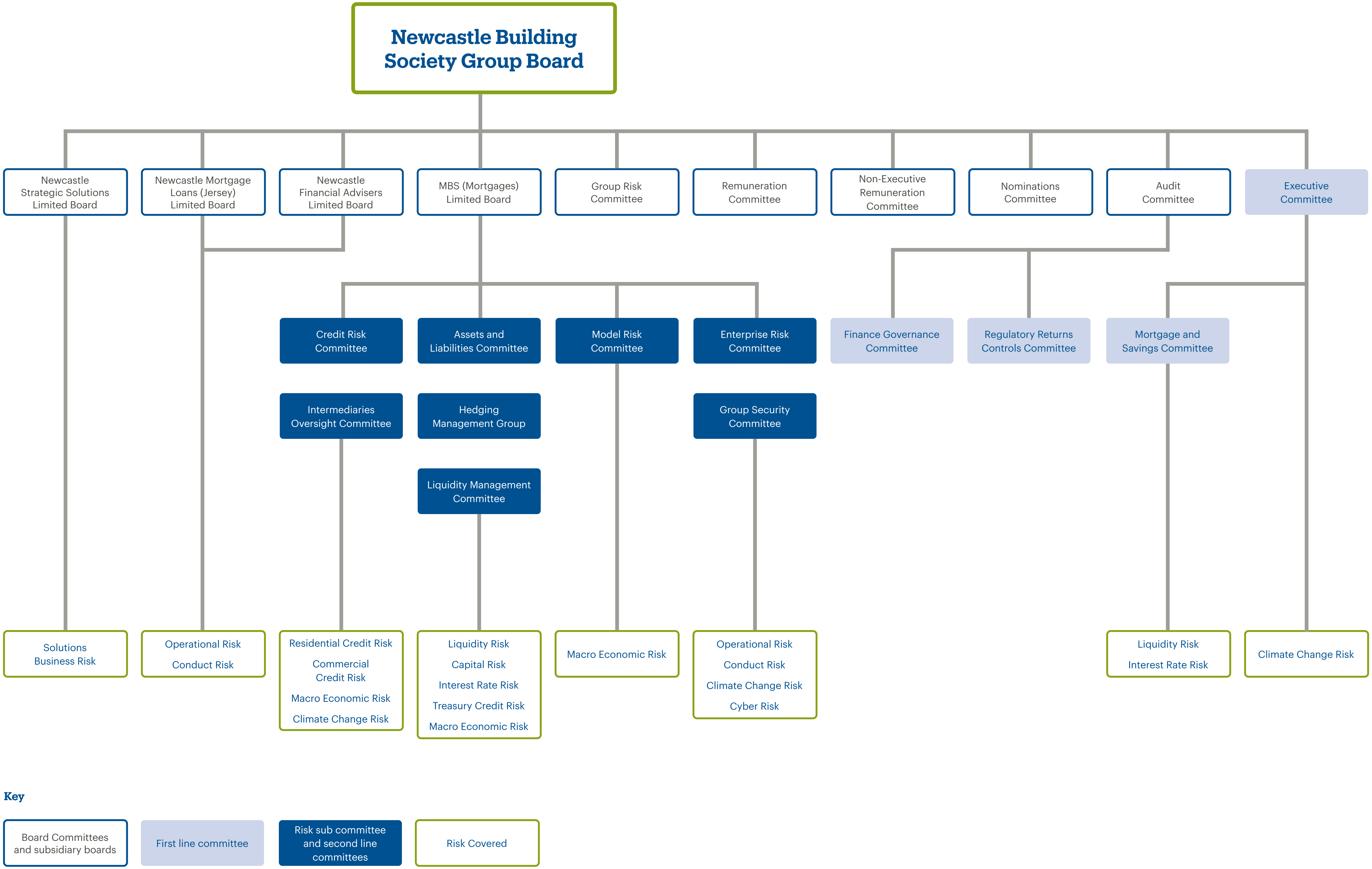
The Model Risk Committee met on seven occasions in 2024.

Assets and Liabilities Committee

The Assets and Liabilities Committee, chaired by the Chief Financial Officer, oversees asset and liability mix, the effectiveness of risk and controls of strategic capital planning, liquidity, funding and interest rate risk in the Banking Book (IRRBB) and compliance with limits and metrics set out in the Treasury Policy and Standards.

The Assets and Liability Committee met on fourteen occasions in 2024.

Risk Governance Structure



Principal Risks

The Society's Purpose is 'connecting our communities with a better financial future'. To enable the Society to achieve its strategic objectives as a Purpose-led organisation, the Board ensures that systems and controls are in place so that risks are suitably identified, quantified, managed and reported.

The Board categorises the key risks to achieving its strategic objectives as principal risks. In addition to the principal risks, climate risk is included as an emerging risk, reflective of the increased frequency/severity of climate related events.

The current principal risks the Group faces are:

Principal Risk	Risk Management	Commentary
Capital Risk (Principal Risk)	Capital risk refers to the risk that the Society holds insufficient capital to cover the risks it is exposed to and therefore is unable to absorb losses arising in a stress or finds itself in breach of regulatory capital requirements. Such a stress could be the result of an economic downturn affecting all UK financial institutions, an event only impacting the Society or a combination of both. To manage this risk, the Society plans its capital usage and generation closely and monitors adherence to its business plans regularly. Day-to-day capital management is delegated to the Chief Financial Officer with oversight by the Assets and Liabilities Committee, the Group Risk Committee and the Board. The Group assesses its capital position and risks through an annual Internal Capital Adequacy Assessment Process (ICAAP) in line with regulatory requirements. The ICAAP considers the key capital risks and the amount of capital that should be retained. These requirements are assessed against the current position and throughout any forward planning. The Prudential Regulation Authority sets and monitors capital requirements for the Group. Capital adequacy is measured by comparing both current and forecast capital resources to capital requirements. Capital stress testing is performed as part of the ICAAP and makes sure that the Group is resilient to a range of stresses, assessing whether capital requirements would be met under severe but plausible stress scenarios and considers the mitigating actions available to management. The Group's policy is to maintain a strong capital base to maintain Member, creditor and market confidence and to sustain future growth. The Group has complied with all externally imposed capital requirements and internally set limits throughout the year.	↔ **Risk remained static in 2024.** The Society has raised £60m external capital in the year, demonstrating the confidence of external investors in the Society and the Society's ability to raise capital. As a result, the total capital ratio improved from 14.1% to 15.7%, remaining well ahead of the regulatory minimum of 8%. Common Equity Tier 1 (CET1) capital has reduced from 12.5% to 12.2%, as no CET1 capital was raised and generation of capital through profitability was lower than the use of CET1 capital due to business growth. This was in line with the Society's business plan and CET1 capital remains comfortably above the regulatory minimum of 4.5%. Risks and opportunities with potential capital impact such as business growth (and in 2024 the impact of the voluntary financial support of Members affected by the collapse of Philips Trust) are continually reviewed in order to drive appropriate action where necessary.

Principal Risk	Risk Management	Commentary
Credit risk (Principal risk)	Loans are underwritten individually based on affordability, credit score and history, appropriate collateral levels and the overall Society's lending criteria. The Society does not undertake new residential sub-prime or self-certification lending and has minimal exposures to commercial and other legacy lending. The Lending Policy is actively managed and has been enhanced throughout 2024 to ensure we respond appropriately to the macroeconomic environment and market challenges. The loan book is subject to monthly reporting to the Credit Risk Committee in relation to its credit risk characteristics (which includes loan to value, loan to income, arrears, credit score profile, early delinquencies and arrears arising from cohorts of lending). The risk appetite is expressed in terms of asset quality and losses arising in a stressed scenario and remains well within the credit risk appetite set by the Board.	↔ **Risk remained static in 2024.** During 2024 the Bank of England base rate has reduced by 50 basis points (0.5%), average earnings growth has remained above the consumer price inflation, which has almost halved and is trending towards the Bank of England's 2% target. Overall, the cost of borrowing has reduced. All of these factors have slightly eased affordability pressures and supported a recovery in the housing market, with house prices increasing by around 4% during the year, against market expectations. Residential mortgage arrears have increased slightly but remain broadly stable and well within risk appetite. Actual losses on residential mortgages lending remain extremely low. Loan impairment provisions during the year have decreased to some extent, reflecting the easing in affordability and wider credit risk environment. The level of loan impairment provision is appropriate, aligned to historical experience and reflects expected macroeconomic trends. Although borrowers have remained resilient, the outlook remains uncertain given ongoing geopolitical tensions and emerging fiscal policies. The Group continues to monitor these uncertainties and the impact of borrower's ability to pay to ensure that appropriate support is provided to all our borrowers.

Principal Risk	Risk Management	Commentary
Conduct Risk (Principal Risk)	The Group maintains a Conduct Risk Policy which is subject to review and approval by the Enterprise Risk Committee and Group Risk Committee, together with risk appetite statements relating to customer outcomes. Performance is measured against this with monthly reporting to the Enterprise Risk Committee with oversight from the Group Risk Committee. The embedding of Consumer Duty, outcomes-based testing and supporting customers in vulnerable circumstances continued to be a key area of focus for the Financial Conduct Authority (FCA) in 2024. The Group's programme to review and align its conduct risk management to these regulatory requirements has been robust and reinforces the focus on delivering good outcomes for our customers. All new products are approved by the Mortgage and Savings Committee, which includes consideration of an assessment of risks to customer outcomes. A customer outcomes dashboard is maintained, which looks at evidence supporting good customer outcomes (or suggesting poor customer outcomes) and this is reviewed monthly and reported to the Enterprise Risk Committee. The Group maintains independent oversight of the management of conduct risks, through approved monitoring plans, which are risk based and reviewed quarterly, with reporting to the Enterprise Risk Committee with oversight from the Group Risk Committee.	**Risk increased in 2024.** The risk is considered to have increased and then stabilised in 2024. This was in part due to the higher standard of consumer care required by the FCA's Consumer Duty for new and existing products, which requires more proactive action to deliver good outcomes and fair value. Maintaining relevant control frameworks remains a key focus, particularly in relation to further enhancing monitoring and testing of outcomes and supporting customers with vulnerabilities. The Group provides a simple product range of savings and mortgages to its customers. Newcastle Financial Advisers provides financial advice as an appointed representative of the Openwork Partnership.

Principal Risk	Risk Management	Commentary
Interest Rate Risk (Principal Risk)	The Group does not operate a trading book (there are no instruments that meet the specifications for trading book instruments as per Basel regulation) and therefore only has interest rate risk in the banking book (IRRBB). The Group uses structural hedging for retained profit, allocating these reserves to time buckets and offsetting exposures where possible. Remaining exposures from fixed mortgages and deposits are hedged with derivatives where necessary. A suite of prescribed and idiosyncratic stress scenarios are performed on a regular basis to assess vulnerability to net interest income (NII) and economic value of equity (EVE). Outcomes are reported to the Assets and Liabilities Committee along with any mitigating management actions. IRRBB components are included in funds transfer pricing (FTP) when considering product pricing. Product proposals also consider risks such as basis risk and maturity concentrations. Customer optionality is regularly reviewed and stressed to capture changes in customer behaviour. Interest rate risk and basis risk are monitored and reported monthly to the Assets and Liabilities Committee, including compliance with policy defined limits and metrics. A suite of metrics is used to manage interest rate risks within risk appetite. These metrics are designed to address all sub-components of interest rate risk including basis risk, earnings risks, economic value risks, credit spread risks, duration and optionality risks. The Group completes regular stress testing analysis to ensure that IRRBB remains within appetite should such scenarios arise.	**Risk remained static in 2024.** The market volatility that increased the level of this risk in 2023 continued during 2024. The year included geopolitical, economic and fiscal policy changes of note. The Group continues to maintain a robust interest rate risk framework and an effective hedging strategy. IRRBB continues to be managed within the Group's conservative risk appetite.

Principal Risk	Risk Management	Commentary
Liquidity Risk (Principal Risk)	The Group ensures it holds sufficient quality and quantity of liquidity to be able to withstand a severe but plausible stress. Cash flow forecasts are used to forecast liquidity, ensuring future compliance with limits set by the Board. Wherever appropriate, the Group ensures it takes any necessary steps to ensure it has access to any available Bank of England Schemes designed to support financial institutions, such as Term Funding Schemes. Liquidity risk is monitored against limits and metrics defined within the approved Treasury Policy and Standards, including the liquidity coverage ratio, net stable funding ratio and internal firm-specific liquidity requirements, whilst the Internal Liquidity Adequacy Assessment Process is subject to both the Assets and Liabilities Committee and Board approval. Stress tests are used to ensure liquidity risk is managed within risk appetite. Liquidity is monitored daily with a weekly Liquidity Management Group in place and monthly reporting to the Assets and Liabilities Committee. Investments are subject to a Group Risk Committee approved policy, including limits on exposures to instruments, countries and counterparties. Investments are monitored and reported monthly to the Assets and Liabilities Committee. The mark-to-market value of investments in gilts, residential mortgage-backed securities, and covered bonds are monitored daily and reported to the Assets and Liabilities Committee monthly.	**Risk remained static in 2024.** Liquidity risk overall remains within our risk appetite and the Group maintains sufficient sources of liquidity to be able to avoid having to sell investments at a discount to raise cash, even in severely stressed circumstances. The Group has £359m (2023: £522m) of Term Funding Scheme and Term Funding for SME drawings which are due to be repaid during 2025. Relevant drawings were repaid in 2024 as due. The Group plans to replace these funds with additional retail funding and through a securitisation program. The Group maintains a robust Treasury Policy governing such activity and focuses on investment in high-quality liquid assets.

Principal Risk	Risk Management	Commentary
Operational risk, operational resilience & supplier, third party risks (Principal risks)	Operational risk is subject to a Group Risk Committee approved policy, which covers the framework for the management of operational risk. This framework includes identification, assessment against risk appetite and management of risks through controls and control testing. The framework also defines procedures for reporting risk events, response and operational losses. Key and emerging risks, taking account of internal and external influences, together with coverage across regulatory risk categories are used to inform scenario exercises to test business resilience, control effectiveness and operational recovery Operational resilience is a significant area of focus. The Operational Resilience framework is subject to review and approval by the Group Risk Committee and the Board. This continues to mature in line with regulatory requirements, with important business services and associate impact tolerances defined, critical dependencies identified and a programme of plausible and severe exercises maintained to test the Group's ability to recover from severe disruption within defined tolerances. Identified vulnerabilities are assessed for any necessary remediation and eradication. It is accepted that the use of suppliers and critical third parties exposes the Group to the risk of disruption to important business services due to interruption to service provided by third parties. These risks are controlled and managed by maintaining a suitable Supplier Management framework. The Group has a defined and approved incident management process that sets out a clear structure for responding to and managing incidents.	**Risk remained static in 2024.** The Group's operational risk framework continues to mature and enables the effective identification, assessment and management of operational risk within approved risk appetites. There is increased current focus on change risk management, which is particularly appropriate given the investment in IT infrastructure across the Group's operations. Key risks and controls are mapped by all areas of the business, to understand the risk profile and to inform actions to maintain residual risks within defined appetite. As the Group's business model includes diversification via the Newcastle Strategic Solutions business, this increases exposure to operational risk, particularly in relation to IT systems capability and human error. Corporate insurance policies have been negotiated with regard to the key risks within the Group requiring greater mitigation.

Principal Risk	Risk Management	Commentary
Cyber Risk (Principal Risk)	The Group's Cyber Security framework comprises a suite of cyber security policies which are aligned to the controls structure of ISO27001:2022. These policies are subject to review and approval by the Enterprise Risk Committee, with the overarching Information Security Policy subject to review and approval by the Group Risk Committee. The Group maintains a cyber capability model comprised of threat management, security operations, colleague behaviour, risk profiling and risk and control self-assessment (as per the Operational Risk framework, and governance and MI reporting). Cyber reporting is provided to the Enterprise Risk Committee with summary updates/ escalation to the Executive Committee, Group Risk Committee and the Board. The Group continues to invest in its cyber resilience capability, through initiatives such as updating our security operations centre capability, utilising AI and machine learning for threat detection, developing brand protection, updating colleague training and awareness, continued penetration testing and updated incident playbooks through exercising.	**Risk remained static in 2024.** The cyber risk threat remains elevated in 2024 in line with the increasing trend in 2023. The external cyber threat to the UK remains due to the current tense geopolitical environment. There is a continued development and evolution of ransomware, phishing and digital fraud and the growing use of AI by threat actors to generate attacks. The direct risk to the Group's business operations is deemed to be stable. The risk remains at a higher level but is considered stable given the continued investment in and enhancements to our cyber capability. Threat monitoring and reporting is ongoing. Corporate cyber insurance cover has been maintained at the same level of cover throughout 2024.
Climate Change Risk (Emerging Risk)	The Group is exposed to both physical risks arising from climate change (damage to homes from flooding for example) and transitional risks associated with adjusting towards a lower carbon economy. The Group has robust operational resilience processes and responses to manage the impact of any transient localised climate change events. Climate change scenarios have been developed which have been used in capital modelling and stress testing. The Group actively engages with the industry as a whole to consider the potential impacts and longer-term scenarios of climate change and resulting risks. Climate risk remains an emerging risk given the uncertainty in relation to the exact nature and timing of the impact on the Group's strategy and operations.	**Risk was static in 2024.** The broader climate risk continues to increase as a result of increased frequency/severity of climate related events. The Group continues to strengthen its strategic focus on environmental sustainability. Scenario planning and modelling continue to evolve, though the Group's exposure to losses from climate change related risks remains low in the context of overall credit loss provisioning. Exposure and potential impact will continue to evolve as government policy develops and technology advances.

Additional notes

Principal risks covered in the 2023 report but now removed and not included in the 2024 report are:

- Credit risk – Commercial: this is no longer considered a separate category of principal risk as the commercial loan book continues to be actively managed down and is more appropriately referenced where relevant within an overall credit risk category.
- Macroeconomic risk: impacts are closely monitored, reported and assessed and they are referenced within the commentary in this report rather than in a separate principal or emerging risk category as the movements are beyond management control.
- Investment credit risk: rather than a separate principal risk category this would be referenced where relevant within liquidity risk, for example if the lower credit quality of liquid assets had a material impact on available liquidity.

As outlined in the Half-Yearly Financial Information 2024, the Society announced it would provide a scheme of voluntary financial support to its Members affected by the actions and subsequent collapse of Philips Trust. There was no legal or regulatory requirement to provide financial support and the Society considered any impact on the risks above in addition to how to balance our values, our reputation as a Member owned mutual business, and the expectations of the communities we serve.

On behalf of the Board
Bryce Glover
Chair of the Group Risk Commitee
28 February 2025

Independent Auditor's Report

to the Members of Newcastle Building Society

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Newcastle Building Society (the 'Society') and its subsidiaries (the 'Group'):

- give a true and fair view of the state of the Group's and of the Society's affairs as at 31 December 2024 and of the Group's and the Society's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the financial statements which comprise:

- the Group and Society income statements;
- the Group and Society statements of comprehensive income;
- the Group and Society balance sheets;
- the Group and Society statements of movements in members' interests;
- the Group and Society cash flow statements; and
- the related notes 1 to 45.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom international accounting standards.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and the Society for the year are disclosed in note 6 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Society.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: ▪ Fair value of equity release mortgages; and ▪ Expected credit loss (ECL) allowance on residential lending.
Materiality	The materiality that we used for the Group financial statements was £2.7m which was determined on the basis of 0.8% of net assets.
Scoping	All components of the Group are operated centrally and all audit work was performed centrally by the Group audit engagement team. This provided 99% coverage of revenue, profit before tax and net assets of the Group.
Significant changes in our approach	Following our risk assessment procedures, we concluded that the accounting and valuation of the merger with Manchester Building Society (MBS) was no longer a key audit matter. The merger occurred on 1 July 2023 with no significant accounting judgements that involved accounting estimation uncertainty continuing into the current year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and Society's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of relevant controls around the Directors' going concern assessment;
- assessing the Directors' considerations regarding whether they consider it appropriate to adopt the going concern basis of accounting;
- assessing the Group's and Society's compliance with regulation including capital and liquidity requirements;
- involving prudential risk specialists in assessing the information supporting the liquidity and capital forecasts, including the stress testing and reverse stress testing performed by the Directors;
- assessing the assumptions such as estimated future cash flows in the context of current and forecast macroeconomic conditions, capital and liquidity, used in the forecasts prepared by the Directors;
- assessing historical accuracy of forecasts prepared by the Directors; and
- assessing the appropriateness of the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Society's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

to the Members of Newcastle Building Society

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1 Fair value of equity release mortgages

Key audit matter description	The Group accounts for its legacy portfolio of equity release mortgages ("ERMs") at fair value through profit and loss under IFRS 9, determining fair value in accordance with IFRS 13. The ERMs had a carrying value at 31 December 2024 of £171.6m (2023: £188.4m), including £146.7m (2023: £161.3m) located in the UK and £24.9m (2023: £27.1m) located in Spain. The fair value of the ERMs is determined using a discounted cash flow model and is reliant upon several unobservable and judgemental inputs. Our key audit matter relates to the risk of management bias, and therefore the potential risk of fraud, in determining its estimate of the discount rates used and future UK house price (HPI) assumptions used within the fair value models and the impact these assumptions have on the modelling of the no negative equity guarantee. This also includes consideration of repayment profiles and the credit risk associated with the assets. The Group's disclosure of the ERMs is detailed within note 13 and note 34. The associated accounting policies are detailed on page 118 with detail about critical accounting judgements in applying accounting policies and key sources of estimation uncertainty on page 122. The Audit Committee's consideration of the matter is described on page 72.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls over the fair valuation of ERM portfolios. We challenged the Society's valuation methodology for the ERM portfolio by: ▪ involving our valuation specialists in the audit of the Group's valuation approach; ▪ verifying that the ERM model is consistent with the model reviewed by our modelling specialists in previous years, when we assessed that the model mechanics had been prepared in accordance with the contractual terms of the loans; ▪ involving our valuation specialists in our assessment of the rate used to discount the future cash flows to present value, by independently determining a reasonable range of discount rates through utilising external data and taking into account the forecast repayment profiles associated with the Group's borrowers and credit risks related to the assets; ▪ involving our economics specialists to assess the future HPI forecast assumptions used; this was done by benchmarking to external information and assessing internal consistency with assumptions used in other modelling by the Group; ▪ assessing the appropriateness of the other elements inherent in the valuation of the underlying loan assets, such as no negative equity guarantees provided by the Group, with reference to trends in historical behavioural experience and by assessing the completeness and accuracy of the data used for a sample of loans; ▪ challenging the appropriateness of the assumptions in light of current market factors; ▪ performing a 'stand back' assessment as to whether the fair value of the ERM portfolio determined by the Group using each of the individually assessed judgemental inputs, resulted in a reasonable outcome when combined in aggregate through the ERM model; and ▪ assessing the appropriateness of disclosures relating to the ERM portfolio, the Group's methodology for determining fair value, and the estimation uncertainty in respect of the most significant accounting estimates.
Key observations	Based on the work performed, we concluded that the Group's valuation methodology of the ERM portfolio was in line with the accounting standards and that each of the assumptions, as well as the overall valuation, were within a reasonable range.

5.2 Expected credit loss (ECL) allowance on residential lending

Key audit matter description	Under IFRS 9, the Group is required to determine a provision for the expected credit loss ('ECL') on loans measured at amortised cost. Estimating expected credit losses requires judgement and estimation on assumptions relating to customer default rates, likelihood of repossession, future property values, forced sale discounts and indicators of significant increases in credit risk. These assumptions are informed using historical behaviour and experience through different economic cycles as well as credit bureau data. The Group held £4.9m (2023: £5.9m) of impairment provisions at year-end in accordance with IFRS 9 against its Prime and buy-to-let residential loans and advances to customers of £4,908.8m (2023: £4,409.4m). The Group applies four macro-economic scenarios when determining the ECL calculation: a central outlook, a downside, a severe downside and a growth scenario. The selection and probability weighting of relevant macro-economic scenarios is judgemental and has a significant impact on the ECL calculation. We have identified the selection of macro-economic assumptions, and scenario weightings as a key audit matter; it is highly judgemental and has a significant impact on the ECL calculation. There exists a risk of bias, and therefore a potential risk of fraud, in selecting the macro-economic scenarios and weightings applied in the IFRS 9 model. The Group's loan loss provision balances are detailed within note 12. The associated accounting policies are detailed on page 119 with detail about critical accounting judgements in applying accounting policies and key sources of estimation uncertainty on page 122. The Group's consideration of the effect of the future economic environment is disclosed in note 40. The Audit Committee's consideration of the matter is described on page 72.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls over the loan impairment provisioning process. This included assessment of the data flows used within the models, and the level of challenge at the Model Risk Committee in respect of the assumption and methods used to determine these accounting estimates. We challenged the Society's impairment provisions on residential mortgages by: ▪ involving our credit risk specialists to assess the compliance of the modelling approach and methodology with the requirements of IFRS 9; ▪ involving our credit risk specialists to assess whether the documented modelled approach was implemented in practice and if there had been any changes to the model since our review in the prior period; ▪ involving our economics specialist to challenge the Group's consideration of the future economic environment by assessing the Group's approach as well as comparing the Group's weighted macroeconomic scenarios to publicly available data from peer organisations, regulators and economic commentators; ▪ challenging management as to whether there was sufficient evidence for the level of provisions held compared to the low levels of historical loss data; ▪ assessing, using publicly available data, whether the combination of management's modelled downside and alternative downside scenarios appropriately captured credit risk relating to the future economic environment; ▪ reconciling the mortgage book to the general ledger and substantively tested a sample of loans to assess whether the data used in the provision calculation was complete and accurate; and ▪ assessing the appropriateness of disclosures relating to loan loss provisions, and the estimation uncertainty in respect of the most significant accounting estimates.
Key observations	Based on the work performed, we concluded that the Group's ECL applied to the residential mortgage book is reasonable.

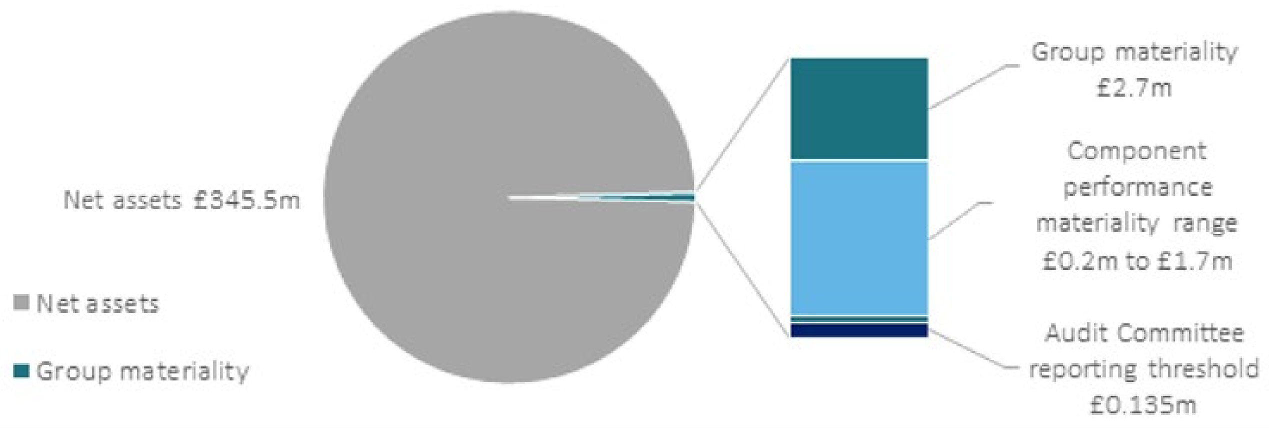
6. Our application of materiality

6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Society financial statements
Materiality	£2.7m (2023: £2.4m)	£2.4m (2023: £2.3m)
Basis for determining materiality	0.8% of the Group's net assets (2023: 0.8% of the Group's net assets)	0.8% of the Society's net assets (2023: 0.8% of the Society's net assets). Society materiality is capped at 95% of the Group materiality (2023: capped at 95% of Group materiality)
Key observations	In determining materiality we considered a range of possible benchmarks. The overall capital base is a key focus for the Group's and Society's Members and regulators. Net assets are also a more stable metric in comparison to profit before tax. Therefore net assets (consisting of reserves and subscribed capital) have been considered the most appropriate base on which to determine materiality.	



6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Society financial statements
Performance materiality	70% (2023: 70%) of Group materiality	70% (2023: 70%) of Society materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: ▪ the quality of the control environment and that we consider it appropriate to rely on controls over a number of business processes; and ▪ the nature, volume and size of misstatements in the previous audit.	

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £135k (2023: £118k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1 Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

We identified components at the individual entity level. All components of the Group are operated centrally and all audit work was performed centrally by the Group audit engagement team. We identified three components (2023: four components) where we performed an audit of the entire financial information. This provided 99% (2023: 99%) coverage of revenue, profit before tax and net assets of the Group.

The component performance materiality range used for determining the level of audit procedures to be performed ranged from £0.2m to £1.7m (2023: £0.2m to £1.6m).

At the Group level, we also tested the consolidation process.

7.2 Our consideration of the control environment

Our approach in relation to the Group's business cycles

We relied on controls over the following business cycles that operate on the Group's core operating system:

- Residential mortgage lending (loans and advances to customers and interest income); and
- Saving accounts (due to members and interest payable).

We did not rely on controls over the operating systems that were brought into the Group through the merger with Manchester Building Society.

We tested and relied on relevant automated and manual controls tested over these business cycles within the Group. We also obtained an understanding of controls that relate to our identified significant audit risks. The Audit Committee's assessment of the Group's internal control environment is set out on page 73.

Our approach in relation to the Group's IT systems

We relied on controls over the following IT systems as being key to the financial reporting processes in the Group:

- Core mortgage (lending) system;
- Core savings (deposits) system; and
- Underlying databases for the above system, as applicable.

Together with IT specialists, we tested the general IT controls related to these systems. Where relevant we reviewed service auditor reports obtained by the Group in respect of these systems, and were able to rely on these controls as originally planned.

We also obtained an understanding of the relevant controls of the Group's new accounting system, WorkDay which was implemented during the year and assessed the reconciliation of balances between the legacy systems and WorkDay.

7.3 Our consideration of climate-related risks

In planning our audit, we made enquiries of management to understand the extent of the potential impact of climate change risk on the Group's financial statements.

As disclosed in note 39, the Directors concluded that there was no material impact on the financial statements. Our evaluation of this conclusion included performing enhanced risk assessment procedures over the key judgements and estimates in areas where we considered that there was greatest potential for climate change impact. This was principally in relation to the loan loss provisions.

We also considered the consistency of the climate change disclosures included in the Strategic Report with the financial statements and our knowledge from our audit.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Society's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Society or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the Directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, pensions, IT, economics, real estate, credit risk and prudential risk specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: fair value of equity release mortgages and ECL allowance for residential lending. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Building Societies Act 1986 for the Society and UK Companies Act for the subsidiaries.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the regulations set by the Prudential Regulatory Authority (PRA) relating to the regulatory capital and liquidity requirements.

11.2 Audit response to risks identified

As a result of performing the above, we identified fair value of equity release mortgages and ECL allowance for residential lending as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and those responsible for legal and compliance matters concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with PRA, FCA and HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent Auditor's Report | Continued

to the Members of Newcastle Building Society

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Building Societies Act 1986

In our opinion, based on the work undertaken in the course of the audit:

- the annual business statement and the Directors' report have been prepared in accordance with the requirements of the Building Societies Act 1986;
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the annual business statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given.

In the light of the knowledge and understanding of the Group and the Society and their environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' report.

13. Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in note 45 to the financial statements for the financial year ended 31 December 2024 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

14. Matters on which we are required to report by exception

14.1 Adequacy of explanations received and accounting records

Under the Building Societies Act 1986 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Society; or
- the Society's financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations and access to documents we require for our audit.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1 Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Society's members at the Annual General Meeting on 28 April 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is four years, covering the years ending 31 December 2021 to 31 December 2024.

15.2 Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of this report

This report is made solely to the Society's members, as a body, in accordance with section 78 of the Building Societies Act 1986. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Heaton
Senior statutory auditor
On behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom
28 February 2025

Consett, County Durham

Financial Statements

Hawes, Yorkshire Dales

Income Statements for the year ended 31 December 2024

	Note	Group		Society	
		2024	2023	**2024**	2023
		£m	£m	**£m**	£m
Interest receivable and similar income					
Interest income calculated using effective interest rate	2	**285.7**	214.4	**294.7**	223.5
Interest income recognised in respect of mortgages held at fair value	2	**11.4**	11.1	**11.4**	11.1
Net income on derivatives hedging mortgage assets	2	**38.6**	34.4	**30.7**	26.3
Total interest receivable and similar income	2	**335.7**	259.9	**336.8**	260.9
Interest payable and similar charges	3	**(243.8)**	(173.5)	**(243.0)**	(173.5)
Net interest income		**91.9**	86.4	**93.8**	87.4
Other income	4	**56.1**	51.8	**14.2**	13.7
Other charges	4	**(0.2)**	(0.2)	**(0.2)**	(0.2)
Fair value gains less losses on financial instruments and hedge accounting	39	**4.9**	(0.4)	**5.3**	(0.2)
Income from dividends	4	**0.2**	0.3	**1.6**	1.7
Total operating income		**152.9**	137.9	**114.7**	102.4
Administrative expenses	6	**(111.1)**	(100.1)	**(78.1)**	(70.6)
Depreciation and amortisation	16, 17	**(7.6)**	(6.4)	**(2.5)**	(2.2)
Operating profit before impairments and provisions		**34.2**	31.4	**34.1**	29.6
Impairment reversals / (charges) on loans and advances to customers	12	**2.5**	(1.1)	**2.3**	(0.9)
Impairment charges of tangible and intangible assets	16, 17	**-**	(0.3)	**-**	(0.1)
Provisions for liabilities and charges	25	**(21.0)**	(0.9)	**(20.7)**	(0.3)
Profit for the year before taxation		**15.7**	29.1	**15.7**	28.3
Taxation	8	**0.8**	(7.0)	**2.3**	(5.2)
Profit after taxation for the financial year		**16.5**	22.1	**18.0**	23.1

The notes on page 116 to 195 form part of these Accounts.

Statements of Comprehensive Income for the year ended 31 December 2024

	Note	Group		Society	
		2024	2023	**2024**	2023
		£m	£m	**£m**	£m
Profit for the financial year		**16.5**	22.1	**18.0**	23.1
Other comprehensive income					
Items that may be reclassified to Income Statement:					
Cash flow hedges					
Fair value movements recognised in equity	39	**7.1**	5.8	**7.1**	5.8
Amounts transferred to the Income Statement	39	**(2.1)**	(0.4)	**(2.1)**	(0.4)
Tax on net amounts recognised in equity	18	**(1.3)**	(1.3)	**(1.3)**	(1.3)
Financial assets measured at fair value through other comprehensive income					
Fair value changes recognised in equity		**(0.4)**	0.6	**(0.4)**	0.6
Tax on net amounts recognised in equity	18	**0.2**	(0.2)	**0.2**	(0.2)
Total items that may be reclassified to the Income Statement		**3.5**	4.5	**3.5**	4.5
Total comprehensive income for the financial year		**20.0**	26.6	**21.5**	27.6

The notes on page 116 to 195 form part of these Accounts.

Balance Sheets as at 31 December 2024

ASSETS	Note	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Cash and balances with the Bank of England		**451.5**	525.5	**451.5**	525.5
Loans and advances to credit institutions	10	**101.8**	109.8	**85.1**	95.8
Debt securities	11	**602.3**	615.0	**602.3**	615.0
Derivative financial instruments	37	**56.6**	50.9	**47.9**	40.6
Loans and advances to customers	12	**5,289.3**	4,859.7	**5,287.8**	4,856.8
Deemed loan asset	14	**-**	-	**14.7**	13.4
Fair value adjustments for hedged risk	39	**(21.9)**	(13.2)	**(21.9)**	(13.2)
Other assets	20	**17.0**	19.9	**13.0**	10.6
Current tax assets		**1.8**	1.9	**3.1**	3.1
Investments	15	**1.6**	1.9	**42.7**	41.8
Intangible assets	16	**13.8**	12.8	**1.5**	1.3
Property, plant and equipment	17	**34.0**	31.5	**15.6**	13.0
Deferred tax assets	18	**8.4**	7.5	**8.4**	7.7
Total assets		**6,556.2**	6,223.2	**6,551.7**	6,211.4

The notes on page 116 to 195 form part of these Accounts.

Balance Sheets as at 31 December 2024

LIABILITIES	Note	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Due to Members	21	**5,432.7**	5,014.3	**5,432.7**	5,014.3
Due to other customers	22	**241.0**	262.3	**241.0**	262.3
Deposits from credit institutions	23	**417.6**	538.7	**417.6**	538.7
Derivative financial instruments	37	**29.4**	61.7	**29.4**	61.7
Other liabilities	24	**22.6**	23.1	**26.2**	20.4
Provisions for liabilities	25	**11.2**	0.6	**11.2**	0.5
Deferred tax liabilities	18	**1.6**	1.7	**-**	0.7
Subordinated liabilities	26	**20.2**	-	**20.2**	-
Subscribed capital	27	**34.8**	34.8	**34.8**	34.8
Total liabilities		**6,211.1**	5,937.2	**6,213.1**	5,933.4
Reserves		**345.1**	286.0	**338.6**	278.0
Total Members' interest, equity and liabilities		**6,556.2**	6,223.2	**6,551.7**	6,211.4

These accounts were approved by the Board of Directors on 28 February 2025 and signed on its behalf by

Andrew Haigh
Chief Executive

The notes on page 116 to 195 form part of these Accounts.

Statements of Movements in Members' Interests
for the year ended 31 December 2024

Group

	General reserve £m	Fair value through other comprehensive income £m	Cash flow hedge reserve £m	Other equity instruments £m	Total reserves £m
At 1 January 2024	284.2	0.4	1.4	-	286.0
Profit for the year	16.5	-	-	-	16.5
Additional Tier 1 Capital issued	(0.9)	-	-	40.0	39.1
Other comprehensive income					
Net movement in fair value through other comprehensive income	-	(0.2)	-	-	(0.2)
Net movement in cash flow hedge reserve	-	-	3.7	-	3.7
Total other comprehensive income	-	(0.2)	3.7	-	3.5
Total comprehensive income	15.6	(0.2)	3.7	40.0	59.1
At 31 December 2024	299.8	0.2	5.1	40.0	345.1

Group

	General reserve £m	Fair value through other comprehensive income £m	Cash flow hedge reserve £m	Total reserves £m
At 1 January 2023	246.5	0.4	(2.7)	244.2
Reclassification*	0.4	(0.4)	-	-
Profit for the year	22.1	-	-	22.1
Other comprehensive income				
Net movement in fair value through other comprehensive income	-	0.4	-	0.4
Net movement in cash flow hedge reserve	-	-	4.1	4.1
Total other comprehensive income	-	0.4	4.1	4.5
Total comprehensive income	22.5	-	4.1	26.6
Transfer of engagements**	15.2	-	-	15.2
At 31 December 2023	284.2	0.4	1.4	286.0

*The reclassification relates to historic tax amounts which have been previously realised in the Income Statement.
** Transfer of engagements arising on merger with Manchester Building Society in 2023.

The notes on page 116 to 195 form part of these Accounts.

Statements of Movements in Members' Interests
for the year ended 31 December 2024

Society

	General reserve £m	Fair value through other comprehensive income £m	Cash flow hedge reserve £m	Other equity instruments £m	Total reserves £m
At 1 January 2024	276.2	0.4	1.4	-	278.0
Profit for the year	18.0	-	-	-	18.0
Additional Tier 1 Capital issued	(0.9)	-	-	40.0	39.1
Other comprehensive income					
Net movement in fair value through other comprehensive income	-	(0.2)	-	-	(0.2)
Net movement in cash flow hedge reserve	-	-	3.7	-	3.7
Total other comprehensive income	-	(0.2)	3.7	-	3.5
Total comprehensive income	17.1	(0.2)	3.7	40.0	60.6
At 31 December 2024	293.3	0.2	5.1	40.0	338.6

Society

	General reserve £m	Fair value through other comprehensive income £m	Cash flow hedge reserve £m	Total reserves £m
At 1 January 2023	237.9	0.4	(2.7)	235.6
Reclassification*	0.4	(0.4)	-	-
Profit for the year	23.1	-	-	23.1
Other comprehensive income				
Net movement in fair value through other comprehensive income	-	0.4	-	0.4
Net movement in cash flow hedge reserve	-	-	4.1	4.1
Total other comprehensive income	-	0.4	4.1	4.5
Total comprehensive income	23.5	-	4.1	27.6
Transfer of engagements**	14.8	-	-	14.8
At 31 December 2023	276.2	0.4	1.4	278.0

*The reclassification relates to historic tax amounts which have been previously realised in the Income Statement.
** Transfer of engagements arising on merger with Manchester Building Society in 2023.

The notes on page 116 to 195 form part of these Accounts.

Cash Flow Statements for the year ended 31 December 2024

	Note	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Net cash (outflows) / inflows from operating activities	30	**(110.6)**	251.9	**(118.3)**	249.8
Corporation tax paid		**(2.9)**	(7.0)	**(2.9)**	(7.0)
Cash (outflows) / inflows from operating activities		**(113.5)**	244.9	**(121.2)**	242.8
Cash inflows / (outflows) from investing activities					
Purchase of property, plant and equipment		**(4.7)**	(2.0)	**(2.8)**	(1.1)
Purchase of intangible assets	16	**(4.6)**	(5.4)	**(0.5)**	(0.4)
Sale of property, plant and equipment		**-**	0.7	**-**	0.7
Aquisition of trade and assets		**(0.1)**	-	**(0.1)**	-
Cash acquired on transfer of engagements		**-**	42.7	**-**	42.7
Additional loans to subsidiary undertakings	15	**-**	-	**(1.3)**	(1.8)
Repayment of loans to subsidiary undertakings	15	**-**	-	**0.3**	0.6
Purchase of debt securities	11	**(475.6)**	(501.5)	**(475.6)**	(501.5)
Sale and maturity of debt securities	11	**485.4**	330.0	**485.4**	330.0
Net cash inflows / (outflows) from investing activities		**0.4**	(135.5)	**5.4**	(130.8)
Cash inflows / (outflows) from financing activities					
Interest paid on subscribed capital and subordinated liabilities	30	**(4.3)**	(2.9)	**(4.3)**	(2.9)
Proceeds on issue of subordinated liabilities		**19.8**	-	**19.8**	-
Net proceeds of additional tier 1 capital		**39.1**	-	**39.1**	-
Capital payment for lease arrangements	30	**(2.3)**	(0.9)	**(2.3)**	(0.9)
Net cash inflows / (outflows) from financing activities		**52.3**	(3.8)	**52.3**	(3.8)
Net (decrease) / increase in cash		**(60.8)**	105.6	**(63.5)**	108.2
Cash and cash equivalents at start of year		**533.5**	427.9	**519.5**	411.3
Cash and cash equivalents at end of year	30	**472.7**	533.5	**456.0**	519.5

The notes on page 116 to 195 form part of these Accounts.

1. Material accounting policies

Basis of preparation

The Annual Accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the UK and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and in accordance with the Building Societies Act 1986 and the Building Societies (Accounts and Related Provisions) Regulations 1998 as applicable to building societies reporting under IFRS.

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial instruments measured at fair value at the end of each reporting period. The Directors' going concern review considered the Group's and Society's forecasts, including different possible scenarios based on possible internal and external developments and arising risks. Together with regular stress testing, the forecasts show that the Group and Society will be able to maintain adequate levels of both liquidity and capital for at least the next 12 months while meeting all relevant regulatory requirements.

After making enquiries, the Directors are therefore satisfied that both the Group and the Society has adequate resources to continue in business for at least the next 12 months and therefore it is appropriate to adopt the going concern basis of accounting in preparing these financial statements. The Directors have concluded that there are no material uncertainties that may cast significant doubt upon the Group and Society's ability to continue to apply the going concern basis of accounting.

The Group has chosen to present the financial statements in pound sterling, which is the Group's functional currency. All figures in the financial statements are rounded to the nearest hundreds of thousands of pound sterling (£0.0m), unless otherwise stated.

The ultimate controlling party and parent to the Group is Newcastle Building Society.

A summary of the Group's principal accounting policies is set out below.

Basis of consolidation

The Group Accounts include the results of the Society, its subsidiary undertakings and other entities which it is deemed to control, all of which have accounting periods ending 31 December. Subsidiaries and other controlled entities are entities over which the Society has the power to control financial and operating policies so as to obtain benefits from their activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases. Upon consolidation, inter-company transactions, balances and unrealised gains on transactions are eliminated. The accounting policies of subsidiaries are consistent with Group accounting policies.

Business combinations between mutual organisations

Where trading operations, assets and liabilities of another mutual entity are merged into the business of the Society, the Society assesses whether it's a business combination and then applies acquisition accounting under IFRS 3, Business Combinations. All assets and liabilities are incorporated into the Society's Balance Sheet at fair value on the date of merger. No consideration is transferred for business combinations between mutual entities, the deemed purchase consideration is determined by measuring the fair value of the acquired business. The amount of goodwill recognised on merger being the difference between fair value of the acquired assets and liabilities and the deemed purchase consideration. Any goodwill recognised would be an intangible asset on the Balance Sheet and negative goodwill (or a gain on bargain purchase) would be recognised in the Income Statement. All transaction costs are expensed as incurred. Any fair value adjustments made to the acquired assets and liabilities are released to the Income Statement over the assets or liabilities estimated life where those assets are held at amortised cost. Where the acquired assets are held at fair value going forward, any change in the fair value after acquisition is recognised in accordance with the Group's relevant accounting policy for that item.

Securitisations

The Group securitises mortgage loans by transferring the beneficial ownership of a mortgage pool to a Special Purpose Vehicle (SPV), which issues debt secured on the transferred mortgage loans. The Society is deemed to control the SPV, and therefore the SPV is fully consolidated into the Group accounts under IFRS 10, Consolidated Financial Statements.

Since the Society is entitled to any residual profits or losses of the SPV, it retains substantively all risks and rewards of holding the mortgage loans. As a result, the transfer of the beneficial ownership of the mortgage loans to the SPV does not meet the criteria for derecognising the mortgages from the Society's Balance Sheet under IFRS 9, Financial Instruments. The Society therefore continues to recognise the securitised mortgage loans on its Balance Sheet. The proceeds received by the Society from the transfer of the mortgage pool are accounted for as a deemed loan from the SPV. Any loan notes retained by the Society are netted off the deemed loan.

The transaction includes an interest rate hedging structure to the effect that the mortgage cash flows transferred to the SPV are based on a floating interest rate.

Income recognition

Interest income and expense

Interest receivable and interest payable for all interest bearing financial instruments are recognised within 'Interest receivable and similar income' and 'Interest payable and similar charges' in the consolidated Income Statements, using the effective interest rate method (EIRM).

EIRM is used to calculate the amortised cost of financial instruments and to recognise interest receivable or payable over the relevant period. The effective interest rate is the rate that exactly discounts estimated cash flows (excluding credit losses) to zero, through the expected life of the instrument. In calculating the effective interest rate, all contractual terms of the financial instrument are taken into account. Historical and forecast mortgage redemption data and management judgement are used to estimate the expected lives of mortgage assets.

Fees and commissions income and charges

Fees and commissions relating to originating loans and advances to customers are deferred and spread using the EIRM and included in interest income. Other fees and commissions are recognised as 'Other income' on the accruals basis as services are provided.

Other income

Other income relates to income from contracts with customers recognised under IFRS 15, Revenue from Contracts with Customers. Revenue is recognised when the Group transfers control over a product or service to its customer. It is measured as the fair value of consideration specified in the contract with a customer. The Group recognises revenue at both point in time and over time depending on the nature of the performance obligations in the contract with the customer.

Please see note 5 for details on income from contracts with customers.

Financial assets

In accordance with IFRS 9 the Group classifies its financial assets into the following categories:

Financial assets held at amortised cost

Under IFRS 9, assets may be held at amortised cost, where the assets contractual cash flows reflect solely payments of principal and interest on the principal amount outstanding (SPPI) and the business model is to hold the asset to collect the contractual cash flows. In this case, income is recognised under the EIRM.

In assessing the business model applicable to its financial assets, the Group has considered how financial asset performance is evaluated and reported to senior management, the key risks affecting this performance, how these are managed, and how managers of the business are compensated in respect of asset performance.

Loans and advances to customers

The Group's mortgage lending, other than equity release mortgages, meets the definition of SPPI as the Group originates the mortgages with the intention to hold the asset until maturity, collecting contractual cash flows. Mortgage assets are recognised on the Balance Sheet as 'loans and advances to customers'. Interest is recognised in accordance with the EIRM.

Loans and advances to credit institutions

The Group's non-mortgage lending, typically loans and advances to credit institutions, is similarly undertaken with a view to recovery of contractual cash flows and with interest charged that meets the SPPI requirements

Cash

The Group's cash balances, where interest generative, are held to collect contractual interest flows and to ensure appropriate liquidity is available to meet the Group's liabilities as they fall due.

Trade receivables

The Group's trade receivables, held within other assets on the Balance Sheet, whether due from third parties or intra-group companies, are held to collect the contractual cash balances as they fall due. The Group does not engage in debt factoring activities.

Investments in subsidiaries

Investments in subsidiaries are held on the Balance Sheet at cost less impairment, for cost of shares and amortised cost for loans to subsidiaries. Investments in subsidiaries are assessed for impairment on an annual basis.

Financial assets held at fair value through other comprehensive income

Under IFRS 9, where the contractual cash flow characteristics of an asset reflect SPPI, an asset may be classified at 'fair value through other comprehensive income' (FVOCI), where the assets are held to collect contractual cash flows or to sell. In this case, the fair value of the asset is recognised on the Balance Sheet, whilst the fair value movement is recognised in 'other comprehensive income'. Interest received on these assets continues to be recognised in the Income Statement using the EIRM.

Debt securities

The Group holds a portfolio of debt securities for liquidity management purposes, primarily consisting of covered bonds, residential mortgage-backed securities (RMBS) and government gilts. These instruments meet the definition of SPPI but may be sold if liquidity is required. They are therefore held at FVOCI.

Financial assets held at fair value through profit and loss

Under IFRS 9, where the contractual cash flow characteristics of an asset do not reflect SPPI, or where assets are neither held for sale or to collect contractual cash flows, the asset is classified at 'fair value through profit or loss' (FVTPL), with fair value movements recognised through the Income Statement.

Equity investments

The Group has a small portfolio of equity investments. As return on these assets are not SPPI, they are held at fair value, with fair value changes and any dividends recognised in the Income Statement. Equity investments are included in 'Investments' on the Balance Sheet.

Derivative financial instruments

The Group enters into derivative financial instruments to hedge its exposures relating to interest rates and foreign exchange rates. Derivative financial instruments are recognised at fair value on the date the derivative contract is entered into, and subsequently re-measured at their fair value with changes in fair value being recognised in the Income Statement. In accordance with the Group's Treasury Policy and the Building Societies Act 1986, the Group does not hold or issue derivative financial instruments for trading purposes. The need for credit valuation adjustments is considered in the determination of the fair value of derivatives.

Fair value hedge accounting

Derivative financial instruments may be designated in formal accounting hedge relationships. At the Balance Sheet date, this included micro fair value hedges accounted for under IFRS 9, and portfolio macro fair value hedges accounted for under IAS 39.

The fair value of the hedged risk is included on the Balance Sheet under the heading 'fair value adjustments for hedged risk'. Any gain or loss arising from hedge ineffectiveness is recognised immediately in the Income Statement in the 'Fair value gains less losses on financial instruments and hedge accounting' line.

Micro fair value hedges are assessed before the hedge is incepted and regularly thereafter, ensuring there continues to be an economic relationship between the hedged item and the hedging derivative and that value changes are not primarily due to credit risk, as required by IFRS 9.

The hedge effectiveness of macro hedges is assessed both pro- and retrospectively. In accordance with IAS 39, Financial Instruments: Recognition and Measurement, only highly effective hedges are incepted or continued.

When a hedging instrument is terminated or no longer meets the criteria for hedge accounting, and the underlying asset or liability remains on the Balance Sheet, hedge accounting is discontinued. Cumulative hedge adjustments are amortised to the Income Statement within 'net interest income'.

Cash flow hedge accounting

Derivatives may also be designated into formal cash flow hedge relationships under IFRS 9. The effective portion of changes in the fair value of designated derivatives are recognised in 'other comprehensive income' and accumulated in the cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement and is included in the 'fair value gains less losses on financial instruments and hedge accounting' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the Income Statement in the periods when the hedged item affects profit or loss and are included in the 'fair value gains less losses on financial instruments and hedge accounting' line. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to the Income Statement.

The Group discontinues cash flow hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss and is included in the 'fair value gains less losses on financial instruments and hedge accounting' line item.

Mortgage assets held at fair value through profit or loss

The Group's equity release mortgage assets contractual cash flows are not solely payments of principal and interest and are therefore classified as FVTPL. Assets classified as FVTPL are initially recognised at fair value with any subsequent changes in fair value recognised immediately in the Income Statement.

The fair value is the present value of the forecast contractual cash flows less the value of the no-negative equity guarantee, which is calculated using an option pricing model, discounted using a suitable market rate at the reporting date. Inputs are market driven, or when no market driven data is available, are based on management judgement informed by observable data to the greatest extent possible. Interest on equity release mortgages is recognised in accordance with the EIRM, based on contractual interest rates or market interest rates as at the time of the loan's acquisition where applicable.

Included in the equity release mortgage assets is a fixed reversion book. For this book, the repayment amount is determined at mortgage completion, but the timing of redemption is uncertain. Interest on fixed reversion loans is recognised based on the interest rate implicit in the mortgage contract.

Cash and cash equivalents

For the purpose of the Cash Flow Statements, 'cash and cash equivalents' comprises cash in hand, balances with the Bank of England, loans and advances to credit institutions available on demand or with original maturities of three months or less and debt securities with a maturity period of three months or less i.e. highly liquid assets readily convertible into cash. For operational purposes, the Group's debt security portfolio is maintained for liquidity purposes with the assets therein demonstrably convertible into cash regardless of maturity. The Group does not include encumbered assets in its cash and cash equivalents.

The Group does not consider the timing of derivative collateral inflows to be sufficiently reliably estimated to include such collateral placed with counterparties as a liquid asset for cash flow presentation.

Impairment of financial assets

Loss allowances for expected credit losses are recognised on all financial assets held at either amortised cost or FVOCI, with loss allowances recognised in the Income Statement.

The Group provides for expected credit losses across applicable financial assets based on whether there has been a significant increase in credit risk since the asset's origination. Internal provisioning models are used to determine expected credit losses for each individual asset, based on four different economic scenarios (base, upside, downside, stressed downside). The four scenarios are assigned a probability weighting to determine the loss allowance recognised.

Where an asset has not seen a significant increase in credit risk since its origination ('stage 1 assets'), 12 month expected credit losses are recognised as a loss allowance. These are the portion of lifetime expected credit losses that result from default events on the asset expected within the 12 months after the reporting date.

Where an asset has seen a significant increase in credit risk since origination, but there is no objective evidence of impairment at the reporting date ('stage 2 assets'), lifetime expected credit losses are recognised.

Where an asset has seen significant increase in credit risk since origination and there is objective evidence of impairment at the reporting date ('stage 3 assets'), lifetime expected credit losses are recognised and interest income is to be calculated against the net carrying amount of the financial asset, rather than the gross amount.

Loans that are either purchased or originated credit impaired (POCI) are classified as stage 3 assets at initial recognition and cannot be transferred to stage 1 or 2 even if the credit quality of these assets improves. The Group has a portfolio of loans acquired as part of the Manchester Building Society's transfer of engagements that meets this definition. Any change in the credit quality of the asset at each reporting date is reflected in the Income Statement.

A simplified approach is adopted for trade receivables and contract assets. These are not classified into different stages and lifetime expected credit losses are recognised.

See note 40 for details on the Group's provisioning methodology.

Financial liabilities

All financial liabilities are initially measured at fair value, being the issue proceeds, net of premia, discounts and transaction costs incurred. Derivative financial liabilities remain accounted for at fair value on the Balance Sheet date. Hedged risk fair value adjustments are also held on the Balance Sheet at fair value. The remaining Group financial liabilities including shares, deposits, Permanent Interest Bearing Shares (subscribed capital) and subordinated loan notes and are subsequently measured at amortised cost, using the EIRM.

Property, equipment and intangible assets

Intangible Assets

Intangible assets relate to computer software purchased from third parties, development costs for internally generated software, and customer lists acquired from third parties. Computer software and development costs are initially recognised at cost, which includes the original purchase price of the asset and the costs directly attributable to acquiring the asset and bringing it into working condition for its intended use. Customer lists are initially recognised at fair value. Subsequently, intangible assets are recognised at their initial value less accumulated amortisation and any provisions for impairment.

Research expenditure is charged to the Income Statement in the period in which it is incurred. Development expenditure is also charged to the Income Statement, except where the Directors are satisfied as to the technical, commercial and financial viability of individual projects. Where all capitalisation criteria specified in IAS 38, Intangible Assets, are met, the expenditure directly attributable to a project is capitalised.

Amortisation of intangible assets commences when they are ready for their intended use and is provided at rates calculated to write down the assets to their estimated residual values over the course of their anticipated useful lives, on the following bases:

Computer software	- 5 to 7 years
Development costs	- 5 to 7 years
Customer lists	- 5 to 7 years

At each Balance Sheet date, the Group reviews the carrying value of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable value of the asset is estimated to determine the extent of the impairment loss (if any). If the recoverable value of an asset is estimated to be less than the current carrying value, the carrying value of the asset is reduced to its recoverable value. Where an impairment loss subsequently reverses, the carrying value of the asset is increased to the revised estimate of its recoverable value.

Software as a service (SaaS)

A SaaS arrangement is a type of cloud computing in which the supplier provides the customer with access to application software residing on the supplier's infrastructure. These arrangements can include other services, such as technical support, implementation and data migration. The customer typically pays a fee on a periodic basis and implementation costs may be incurred at the inception of the arrangement.

Where the Group enters into a SaaS arrangement, the Group recognises a software asset only if such an intangible asset or a software lease is received at commencement of the arrangement, otherwise, the arrangement is accounted for as a service contract.

When accounting for a SaaS arrangement as a service contract, fees paid by the Group are spread over the period to which they relate. Implementation costs associated with configuration and customisation of the software are prepaid over the contractual period where they relate to configuration or customisation services performed by the software supplier (or its agent) and where the services received are not distinct from the right to receive access to the supplier's software.

All other costs associated with implementation, including internal time and resources, are expensed to the Income Statement as incurred.

Freehold property and equipment

Freehold property and equipment are stated at cost less accumulated depreciation and any provisions for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation on assets commences when they are ready for their intended use and is provided at rates calculated to write down the assets to their estimated residual values over the course of their anticipated useful lives, on the following bases:

Freehold buildings
- 2% per annum, straight line

Equipment, fixtures and fittings and motor vehicles

Refurbishment expenditure:
- 6.67% to 10% per annum, straight line

Equipment, fixtures and fittings:
- 10% per annum, straight line

Motor vehicles:
- 20% per annum, straight line

Computer equipment:
- 20% to 33% per annum, straight line

Gains and losses on disposals are determined by comparing the net disposal proceeds with the carrying amount of the asset and are included in the Income Statement in the period in which they arise.

Leasehold property

Leased property and equipment is accounted for in accordance with IFRS 16, Leases. The standard requires the lessee to recognise a right of use asset and a corresponding liability on the Balance Sheet for all leases, with the exception of short-term leases or leases of a low value asset. The liability is initially measured by discounting variable and fixed lease payments, as well as other payments inherent to the lease, to its present value. Where possible, the discount rate used is the rate implicit in the lease. However, where this cannot be readily determined, the Group's incremental borrowing rate is used. The incremental borrowing rate is set using the Society's base funding cost and the costs of any asset buffers required. The right of use asset is initially measured at cost, including the amount of the initial measurement of the lease liability, any lease payments made before the commencement date of the lease, less any incentives received, any initial direct costs and any restoration costs. Where a change to lease payments is agreed, the lease liability is re-measured, and a corresponding adjustment is made to the right of use asset.

Leasehold buildings are depreciated on the following basis:

Leasehold with terms greater than 50 years:
- 2% per annum, straight line

Other leasehold buildings:
- over the term of the lease

Interest charged on the lease liability is calculated based on the rate used as discount factor to calculate the lease liability and is included in interest payable and similar charges.

Impairments of property and equipment

At each Balance Sheet date, the Group reviews the carrying value of its property and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable value of the asset is estimated to determine the extent of the impairment loss (if any). If the recoverable value of an asset is estimated to be less than the current carrying value, the carrying value of the asset is reduced to its recoverable value. Where an impairment loss subsequently reverses, the carrying value of the asset is increased to the revised estimate of its recoverable value.

Taxation

Corporation tax is charged on profits adjusted for tax purposes. Deferred tax on temporary differences arising between the tax bases and carrying amounts of assets and liabilities is provided in full, using the liability method. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the Balance Sheet date and that are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Pension scheme costs

The Society operates a defined contribution scheme on behalf of Executive Directors and colleagues. For the defined contribution scheme, contributions are charged to the Income Statements, as they become payable, in accordance with the rules of the scheme.

The Society historically operated a defined benefit scheme; this was closed to future accrual from 30 November 2010 and was funded by contributions partly from colleagues and partly from the Society at rates determined by an independent actuary. These contributions are invested separately from the Group's assets.

Under IAS 19, Employee Benefits, the defined benefit scheme assets are measured at bid value at each Balance Sheet date and the obligations are measured by an independent actuary using the projected unit valuation method, discounted using a high quality corporate bond rate.

The Group does not recognise IAS 19 pensions surpluses on its Balance Sheet as the Society does not have an unconditional contractual right to benefit economically from the surplus. IAS 19 pension deficits are recognised immediately with relevant actuarial re-measurements recognised in the Statement of Comprehensive Income. IAS 19 service costs are recognised in the Income Statement.

Provisions

A provision is recognised when there is a present obligation as a result of a past event, it is probable that the obligation will be settled, and it can be reliably estimated. The amount recognised as a provision is the best estimated of the net present value of the consideration required to settle the obligation, taking into account the risks and uncertainties surrounding the obligation.

Contingent liabilities have not been recognised. A contingent liability is a possible obligation which is not probable or not reliably measurable.

Contingent assets have not been recognised. A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events.

Segment information

The operating segments disclosed (Member business and Solutions business) are those used in the Group's management and internal reporting structures (for the chief operating decision maker) in accordance with IFRS 8, Operating Segments. No segment information is presented on geographical lines, because substantially all of the Group's activities are in the United Kingdom.

Equity instruments

Equity instruments issued by the Group are Additional Tier 1 (AT 1) instruments. Financial instruments are classified as equity instruments where the contractual arrangements with the instrument holder do not result in the Group having a present obligation to deliver cash, another financial asset or a variable number of equity instruments. The proceeds of the issuance of AT 1 instruments are included in reserves in 'Other equity instruments', with the costs of issuance included in the general reserves. Distributions to holders of equity instruments are recognised when they become irrevocable and are deducted from the general reserve.

Accounting developments

At the date of approval of these financial statements there are no amendments to International Financial Reporting Standards relevant to these accounts that are mandatory for the first time for the financial year beginning 1 January 2024.

Developments and standards issued but not yet effective

There are a number of new or amended standards which become effective in 2025 and beyond, as listed below. Early adoption is permitted, but the Group does not intend to adopt the standards before their mandatory date.

Amendments to IAS 21, Lack of exchangeability are effective from 1 January 2025.

Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9, Financial Instruments and IFRS 7, Financial Instruments are effective from 1 January 2026.

IFRS 18 Presentation and Disclosure in Financial Statements, effective from 1 January 2027.

The amendments to accounting standards listed above are not expected to have a significant impact on the Group Accounts. IFRS 18 requires changes to the presentation of primary financial statements and associated notes to the accounts, however, will not impact the financial position of the Group.

Critical accounting estimates and judgements in applying accounting policies

The Group has to make judgements in applying its accounting policies, which affect the amounts recognised in the Annual Accounts. These judgements are based on management's best knowledge, but the eventual outcome may differ from them. In addition, estimates and assumptions are made that could affect the reported amounts of assets and liabilities within the following year. The most significant areas where judgements and estimates are made are as follows.

Estimates

Fair value of the equity release mortgage assets

The valuation of the Group's equity release mortgage assets depends on a range of assumptions, including the most appropriate discount rate and property price growth rates and volatility. Key assumptions and sensitivity analysis are outlined in note 34.

Impairment of financial assets

The impairment of mortgage assets is determined by a weighted average of the expected credit losses of four different possible economic scenarios. Each scenario is based on a range of assumptions, including property price growth rates and unemployment rates. The scenario weightings are based on management's current expectation about the future probability of each economic scenario. Further details and sensitivity analysis are provided in notes 40 to 42.

Pensions

In estimating the value of the pension scheme surplus or deficit, management rely on a range of assumptions including the most appropriate discount rate and mortality rates, inflation, take up of the Pension Increase Exchange offer and future salary increases. The Board receives independent external advice from actuarial consultants in arriving at the scheme assumptions, which are outlined together with sensitivity analysis in note 19.

In addition, the Society is aware of the 2023 ruling in the Virgin Media vs NTL Pension Trustee legal case and subsequent Court of Appeal ruling published in July 2024. There remains significant uncertainty as to whether the judgments will result in additional liabilities for UK pension schemes and the Society cannot be certain of the potential implications (if any) and therefore a sufficiently reliable estimate of any effect on the obligation cannot be made, however it is possible that the DB pension obligation could be materially increased. Further detail is found in note 19.

Judgements

Fair value of derivatives and financial assets

Fair values are determined in line with the three level valuation hierarchy as defined within IFRS 13, Fair Value Measurement. Judgement can be required to determine the classification of valuations into the different levels. Further details are provided in note 34.

Impairment of financial assets

The modelling of impairment of mortgage assets includes a range of management judgements, including the Society's definition of default, significant increase in credit risk and the use of post model adjustments. Further detail is provided in note 40.

Securitised assets

Management has judged that the transfer of the beneficial interest in the loans transferred from the Society to the SPV does not result in a transfer of the risks and rewards in relation to these loans. Therefore, the transfer of the beneficial interest is not recognised as a sale by the Society, and the loans continue to be recognised within the Society's Statement of Financial Position, with the proceeds received from the transfer accounted for as a deemed loan repayable to the SPV. Further detail is provided in note 14.

Impact of climate change

The Group has considered the impact of climate change on the valuation of the assets and liabilities held on its Balance Sheet and assessed that its impact is immaterial to the current balance sheet position when considering the potential physical and transitional risks to the Group's operations. A climate change post model adjustment in relation to the impact of climate change on expected credit loss on loans and advances to customers has been recognised during the year. Further detail is provided in note 40.

2. Interest receivable and similar income

	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
On loans and advances to customers held at amortised cost	**221.9**	158.0	**229.4**	167.7
On debt securities				
- interest and other income	**31.4**	21.1	**33.7**	20.9
- profits net of losses on realisation	**0.1**	-	**0.1**	-
On other liquid assets				
- interest and other income	**32.3**	35.3	**31.5**	34.9
Interest recognised in respect of mortgages held at fair value	**11.4**	11.1	**11.4**	11.1
Net income on derivatives hedging assets	**38.6**	34.4	**30.7**	26.3
	335.7	259.9	**336.8**	260.9

Interest receivable and other income includes £5.3m (2023: £5.3m) from fixed income securities. Other than £2.0m (2023: £1.0m) generated on loans originated in Spain and £1.6m interest income on supranational bonds, all interest receivable and other similar income has been generated within the United Kingdom.

3. Interest payable and similar charges

	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
On financial liabilities held at amortised cost:				
On amounts due to Members	**205.0**	135.6	**205.0**	135.6
On subscribed capital	**3.4**	2.9	**3.4**	2.9
On subordinated liabilities	**1.3**	-	**1.3**	-
On deposits and other borrowings	**32.5**	35.1	**31.7**	35.1
On finance leases	**0.3**	0.2	**0.3**	0.2
	242.5	173.8	**241.7**	173.8
On financial liabilities held at FVTPL:				
Net expense / (income) on derivatives hedging liabilities	**1.3**	(0.3)	**1.3**	(0.3)
	243.8	173.5	**243.0**	173.5

4. Other income and charges

	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Other income				
Savings management income	**47.3**	43.6	**-**	-
Regulated advice services	**6.8**	6.1	**-**	-
Fee and commission income	**1.8**	1.7	**1.8**	1.7
Income recognised under IFRS 15	**55.9**	51.4	**1.8**	1.7
Other operating income	**0.2**	0.4	**12.4**	12.0
	56.1	51.8	**14.2**	13.7

Other income includes income from contracts with customers of £55.9m (2023: £51.4m) which is recognised under IFRS 15. Further information is included in note 5.

	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Other charges				
Fee and commission expense	**0.2**	0.2	**0.2**	0.2

	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Dividend income				
Received from equity investments	**0.2**	0.3	**-**	-
Received from subsidiary undertakings	**-**	-	**1.6**	1.7
	0.2	0.3	**1.6**	1.7

5. Revenue from contracts with customers

1. Disaggregation of revenue from contracts with customers

The Group and Society derive revenue from the transfer of services at a point in time and over time in the following business segments and service areas, excluding intagroup income.

	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Solutions Business				
Savings management services recognised over time	**45.6**	41.7	**-**	-
Savings management project and change services recognised over time	**1.5**	1.0	**-**	-
IT services recognised over time	**0.2**	0.9	**-**	-
	47.3	43.6	**-**	-
Member Business				
Regulated advice services recognised at a point in time	**2.6**	2.4	**-**	-
Regulated advice services recognised over time	**4.2**	3.7	**-**	-
Third party services recognised at a point in time	**1.7**	1.6	**1.7**	1.6
Other services recognised over time	**0.1**	0.1	**0.1**	0.1
	8.6	7.8	**1.8**	1.7
Total revenue from contracts with customers	**55.9**	51.4	**1.8**	1.7

In accordance with IFRS 8 the Group reports the following segments: Member business and Solutions business. When the Group prepares financial information for management, it disaggregates revenue by segment and service type.

Details of intercompany income for the Society are included in note 31.

2. Unsatisfied long-term service contracts

The following table shows partially unsatisfied performance obligations resulting from fixed-price long-term contracts at 31 December 2024 where the contract ends after the balance sheet date:

	Group		Solutions	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Aggregate amount of transaction price allocated to long-term savings management projects	**2.6**	3.2	**5.0**	6.7
Aggregate amount of transaction price allocated to long-term IT services	**0.7**	0.7	**0.7**	0.7
	3.3	3.9	**5.7**	7.4

In relation to savings management contracts, the Group expects to recognise approximately £2.1m of the unearned amount in 2025, and £2.9m thereafter. In relation to IT contracts, the Group expects to recognise approximately £0.6m of the unearned amount in 2025, and £0.1m thereafter.

3. Assets and liabilities related to contracts with customers

No contract assets or liabilities have been recognised by the Group (2023: £nil).

4. Descriptions of different types of income from contracts with customers

Savings management services and savings management project and change services

Savings management and savings management project and change services are provided by the Society's subsidiary, Newcastle Strategic Solutions (NSSL).

NSSL provide outsourced savings management services to the Society and other financial institutions. This includes managing retail savings on behalf of the Society and third parties. Revenue relating to this is recognised as savings management services.

Significant work may be required to implement the requirements of a new customer, to implement changes required by existing customers or to decommission NSSL's services. Revenue relating to such services are recognised as savings management project and change services.

Revenue for implementation, project, and change services is recognised over time. Each milestone has a corresponding transaction price which represents the portion of the service provided to the customer at that point in time.

Revenue for savings management services is recognised over time in discrete monthly amounts which are calculated based on actual work completed by NSSL in the relevant month. Revenue for providing an ongoing savings management service is recognised monthly in line with the time elapsed in each individual contract. The amount of revenue recognised for ongoing savings management is spread evenly throughout the contractual term, consistent with the pattern of transfer of the service to the customer.

IT services

NSSL provide managed IT services to the Group and external customers, which includes managed IT solutions for savings management and client account systems, and data storage services. Revenue for all services is recognised monthly in line with the time elapsed in each individual contract. The amount of revenue recognised for savings management systems and data storage services is spread evenly throughout the contractual term, consistent with the pattern of transfer of the service to the customer. The amount of revenue recognised for client account systems is calculated based on the actual asset balance held by a customer in the relevant month.

Regulated advice services

Regulated advice services are provided by the Society's subsidiary, Newcastle Financial Advisers Limited (NFAL). All services derive from NFAL's principal activity, the provision of financial planning services, and include regulated advice, ongoing advice, and life protection plans. NFAL is an appointed representative of Openwork Limited and provides services on behalf of Openwork Limited. For the purposes of IFRS 15, Openwork Limited is the sole customer of NFAL and all consideration for the services provided by NFAL is received from Openwork Limited.

Revenue for regulated advice and protection plans is recognised when confirmation of the investment or plan is received by Openwork Limited, and the service is complete. Revenue for ongoing advice is recognised on a straight-line basis at the end of each month the service is in place. Consideration for regulated advice and protection plans is calculated using contractually stated and agreed rates, on an ad valorem basis for regulated advice, and dependent upon specific product lines for protection plans. Consideration for ongoing service is calculated on an annual basis as a percentage of an investment portfolio.

Third party services

Third party services are provided by the Society through its branch network and online. The Society introduces customers to third parties who provide mortgage related services such as conveyancing. The Society is the principal in the relationship with each third party provider and has no contractual relationship for the third party service with the customer.

The service provided by the Society of introducing or referring customers to a third party is complete once the third party provider has agreed a sale with the customer. Revenue for all services is recognised when cash is received, which in all instances is in line with, or shortly after, completion of the third party contract in line with contractual payment terms. Consideration for all services is calculated based on discrete, and contractually agreed, transaction prices which are noted as a commission amount to the Society. The Society receives consideration based on an invoicing schedule agreed with each third party and all payments received relate to performance completed up to the invoice date.

All services

Due to the nature of services provided, IFRS 15 is more material to NSSL and NFAL than to the Society. Details of transactions which are not material to the Group, but are material to the individual companies, can be found in the specific company's annual report and accounts.

The transaction prices for all services provided by the Group are calculated using contractually stated and agreed rates. There are no elements of variable consideration, no significant payment terms and no critical judgements in allocating the transaction price. There is little judgement in the recognition of this revenue as transaction prices are agreed upfront, the timing and scope of work is agreed as part of each customer's contract.

The Group measures impairment losses on receivable balances as of the end of the reporting period at an amount equal to lifetime expected credit losses in accordance with IFRS 9. Provisions held against receivable balances at 31 December 2024 are not material.

6. Administrative expenses

	Note	Group		Society	
		2024	2023	**2024**	2023
		£m	£m	**£m**	£m
Staff costs	7	**79.0**	71.0	**52.4**	43.3
Short term leases for land and buildings					
- payable to third parties	17	**0.1**	0.3	**0.1**	0.2
Other administrative expenses		**29.4**	27.3	**23.0**	25.6
Transaction costs		**-**	1.3	**-**	1.3
IT transformation costs		**2.6**	0.2	**2.6**	0.2
		111.1	100.1	**78.1**	70.6

IT transformation costs are implementation costs of the Group's newly implemented HR and financial system, which is a software as a service arrangement and does not meet the criteria to be capitalised.

During the year the Group and Society obtained the following services from the Society's External Auditor, and these are included in other administrative expenses.

	Group		Society	
	2024	2023	**2024**	2023
	£000	£000	**£000**	£000
Fees payable to the Society's auditors for the audit of Society and consolidated financial statements	**791**	816	**791**	816
Fees payable for the audit of subsidiaries	**107**	81	**-**	-
Fees payable for other audit related assurance services	**125**	119	**125**	119
Fees payable for non-audit services	**138**	50	**138**	50
	1,161	1,066	**1,054**	985

Other audit related assurance services primarily consist of the half year review, interim profit verifications and client money assurance engagements.

The 2024 non-audit services relate to comfort letter work and other assurance services for the Society in relation to issuances of capital instruments.

The fees payable to the Society's External Auditor above are presented excluding VAT.

7. Staff costs

	Note	Group		Society	
		2024	2023	**2024**	2023
		£m	£m	**£m**	£m
Wages and salaries		**63.2**	56.9	**44.3**	35.9
Social security costs		**6.9**	6.2	**3.5**	3.1
Pension costs for defined contribution scheme		**8.9**	7.9	**4.6**	4.3
	6	**79.0**	71.0	**52.4**	43.3

Directors' emoluments are disclosed in the Remuneration Committee Report. Total Directors' emoluments for 2024 amount to £2.3m (2023: £2.1m).

The Group's key management personnel are the Group's Material Risk Takers, the compensation of which is included within the Remuneration Committee Report and totals £5.6m (2023: £5.2m).

The monthly average number of persons employed, including Executive Directors, during the year was:

	Group		Society	
	2024	2023	**2024**	2023
Full time	**1,468**	1,353	**604**	560
Part time	**305**	299	**163**	165
	1,773	1,652	**767**	725
Head Office	**1,539**	1,442	**562**	538
Branch	**234**	210	**205**	187
	1,773	1,652	**767**	725

8. Tax expenses

	Note	Group 2024	Group 2023	Society 2024	Society 2023
		£m	£m	£m	£m
Current tax					
Current year		**1.9**	6.9	**0.8**	5.7
Adjustments in respect of prior years		**(0.9)**	(1.2)	**(0.7)**	(1.6)
Total current tax		**1.0**	5.7	**0.1**	4.1
Deferred tax					
Current year		**(2.0)**	0.7	**(2.3)**	1.0
Adjustments in respect of prior years		**0.2**	0.6	**(0.1)**	0.1
Total deferred tax	18	**(1.8)**	1.3	**(2.4)**	1.1
Total taxation (credit) / expense in Income Statements		**(0.8)**	7.0	**(2.3)**	5.2

Analysis of taxation for the year

The tax on the Group and Society profit before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits as follows:

Analysis of taxation expense for the year	Group 2024	Group 2023	Society 2024	Society 2023
	£m	£m	£m	£m
Profit for the year before taxation	**15.7**	29.1	**15.7**	28.3
Profit before taxation at the standard rate of corporation tax in the UK of 25.00% (2023: 23.52%)	**3.9**	6.8	**3.9**	6.6
Effects of:				
Non-taxable dividend income received	**-**	-	**(0.4)**	(0.4)
Expenses not deductible for tax	**0.7**	0.8	**-**	0.8
Transfer pricing adjustment	**-**	-	**(0.7)**	(0.7)
Timing differences	**-**	-	**-**	0.4
Recognition of deferred tax asset*	**(4.0)**	-	**(4.0)**	-
Non-taxable income	**(0.7)**	-	**(0.4)**	-
Adjustments in respect of prior years	**(0.7)**	(0.6)	**(0.7)**	(1.5)
	(0.8)	7.0	**(2.3)**	5.2

*Section 4(4) of The Mutual Societies (Transfers of Business) (Tax) Regulations 2009, which governs the tax treatment of building society mergers; has been updated during the year. The change now allows for post-April 2017 tax losses to be available for set off within merged building societies.

The amendment took effect from May 2024 and resulted in post-April 2017 tax losses within Manchester Building Society being able to be utilised within the Newcastle Building Society Group. This resulted in a recognition of £4.0m of deferred tax assets in the Society's Balance Sheet and a corresponding credit to the Income Statement for taxation.

Factors affecting future tax charges

The Society has brought forward trading losses for tax purposes which are expected to affect future taxable profits (see further details in note 18).

9. Segment information

The chief operating decision maker has been identified as the Board of Directors. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Board of Directors. The operating segments used by the Group meet the definition of a reportable segment under IFRS 8.

The 'Member business' segment provides mortgage, savings, investment and insurance products to Members and customers. The 'Solutions business' segment (also referred to as Newcastle Strategic Solutions) provides business to business services through people, processes and technology. The Board assesses performance based on profit before tax after the allocation of all central costs. Operating profit before impairments and provisions is also assessed as this provides information on underlying business performance.

Income and directly attributable costs are allocated to each segment and support costs are apportioned, based on direct salary costs and detailed allocations by budget holders.

Year to 31 December 2024	Member Business £m	Solutions Business £m	Total £m
Net interest income / (expense)	94.0	(2.1)	91.9
Other income and charges	2.9	53.2	56.1
Fair value gains less losses on financial instruments and hedge accounting	4.9	-	4.9
Administrative expenses	(65.6)	(45.5)	(111.1)
Depreciation and amortisation	(2.6)	(5.0)	(7.6)
Operating profit before impairments and provisions	**33.6**	**0.6**	**34.2**
Impairment reversals on loans and advances to customers	2.5	-	2.5
Provisions for liabilities and charges	(20.7)	(0.3)	(21.0)
	15.4	**0.3**	**15.7**
Profit before taxation			**15.7**
Taxation			0.8
Profit after taxation			**16.5**

Included within other income and charges is internal revenue of £11.8m and £13.1m in relation to the Member and Solutions business respectively.

Year to 31 December 2023

	Member Business £m	Solutions Business £m	Total £m
Net interest income / (expense)	88.0	(1.6)	86.4
Other income and charges	(8.6)	60.5	51.9
Fair value gains less losses on financial instruments and hedge accounting	(0.4)	-	(0.4)
Administrative expenses	(47.1)	(53.0)	(100.1)
Depreciation and amortisation	(2.4)	(4.0)	(6.4)
Operating profit before impairments and provisions	**29.5**	**1.9**	**31.4**
Impairment charges on loans and advances to customers	(1.1)	-	(1.1)
Provisions for liabilities and charges	(0.3)	(0.6)	(0.9)
	28.1	**1.3**	**29.4**
Impairment charges on tangible and intangible assets			(0.3)
Profit before taxation			**29.1**
Taxation expense			(7.0)
Profit after taxation			**22.1**

Included within other income and charges is internal revenue of £11.2m and £12.6m in relation to the Member and Solutions business respectively

10. Loans and advances to credit institutions

Repayable from the date of the Balance Sheet in the ordinary course of business as follows:

	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
On demand	**21.6**	22.9	**4.9**	8.9
In not more than 3 months	**80.2**	86.9	**80.2**	86.9
	101.8	109.8	**85.1**	95.8

No provisions are held against loans and advances to credit institutions (2023: £nil). Included within loans and advances to credit institutions is collateral of £80.6m (2023: £87.3m).

11. Debt securities

	Group and Society	
	2024	2023
Transferable debt securities movement	**£m**	£m
At 1 January	**615.0**	433.7
Additions	**475.6**	501.5
Disposals	**(42.2)**	(115.2)
Maturities	**(443.2)**	(212.7)
Other changes in value	**(2.9)**	7.7
At 31 December	**602.3**	615.0
Transferable debt securities		
Issued by public bodies - listed	**252.6**	248.9
Issued by other borrowers - unlisted	**349.7**	366.1
	602.3	615.0

In addition to the securities above, the Society has retained notes issued by Tyne Funding No.1 PLC, an entity controlled by Group. These are presented net of the deemed loan from the issuing Special Purpose Vehicle. See note 14 for details on the deemed loan.

The carrying amount of debt securities included a fair value hedge adjustment of £(1.6)m (2023: £2.1m).

The Directors consider that the primary purpose of holding securities is to comply with prudential requirements. All transferrable debt securities are held with the intention of use on a continuing basis in the Group's activities. They are designated by management on initial recognition as assets held at fair value with changes recognised in other comprehensive income.

Unlisted securities are AAA rated holdings of residential mortgage-backed securities, covered bonds and supranational bonds.

No provisions are held against debt securities (2023: £nil).

12. Loans and advances to customers

	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Loans fully secured on residential property	**5,259.3**	4,827.0	**5,257.7**	4,823.9
Loans fully secured on land	**26.7**	24.4	**26.7**	24.4
Other loans	**1.0**	1.3	**1.1**	1.3
Gross loans and advances	**5,287.0**	4,852.7	**5,285.5**	4,849.6
Allowance for losses on loans and advances	**(6.6)**	(7.6)	**(6.6)**	(7.4)
Micro fair value hedge adjustments	**2.2**	9.3	**2.2**	9.3
Effective interest rate adjustments	**6.5**	5.3	**6.5**	5.3
Fair value adjustments	**0.2**	-	**0.2**	-
	5,289.3	4,859.7	**5,287.8**	4,856.8

At 31 December 2024 the Group had €30.1m of loans denominated in Euros (2023: €31.2m) with a carrying value of £24.9m (2023: £27.1m).

Effective interest rate adjustments include a £1.5m liability relating to the fair value discount applied to acquired credit impaired books (2023: £2.4m).

Impairment provisions for loans and advances to Customers

Group	Loans fully secured on residential property £m	Loans fully secured on land £m	Total £m
Balance at 1 January 2024	6.2	1.4	7.6
Credit for the year	(1.9)	0.9	(1.0)
Balance at 31 December 2024	**4.3**	**2.3**	**6.6**

Society	Loans fully secured on residential property £m	Loans fully secured on land £m	Total £m
Balance at 1 January 2024	6.0	1.4	7.4
Credit for the year	(1.7)	0.9	(0.8)
Balance at 31 December 2024	**4.3**	**2.3**	**6.6**

In addition to the movements in provisions in the tables above, there was a gain of £1.5m recognised in Impairment reversals on loans and advances to customers in the Income Statement during the year in relation to redeemed loans that were classed as Purchased or Originated Credit Impaired, acquired on merger with Manchester Building Society in 2023. Further information is found in note 41.

Group	Loans fully secured on residential property £m	Loans fully secured on land £m	Total £m
Balance at 1 January 2023	3.5	3.1	6.6
Charge / (credit) for the year	2.8	(1.7)	1.1
Utilised during the year	(0.1)	-	(0.1)
Balance at 31 December 2023	**6.2**	**1.4**	**7.6**

Society	Loans fully secured on residential property £m	Loans fully secured on land £m	Total £m
Balance at 1 January 2023	3.5	3.1	6.6
Charge / (credit) for the year	2.6	(1.7)	0.9
Utilised during the year	(0.1)	-	(0.1)
Balance at 31 December 2023	**6.0**	**1.4**	**7.4**

Equity release mortgage assets denominated in £

Included in loans and advances to customers secured on residential property is a balance of £146.7m (2023: £161.3m) relating to equity release mortgages secured on properties in the UK.

Equity release mortgage assets denominated in €

Included in loans and advances to customers secured on residential property is a balance of £24.9m (2023: £27.1m) relating to equity release mortgages secured on properties in Spain. This book was acquired as part of the transfer of engagements from Manchester Building Society.

Equity release mortgages are held at fair value through profit or loss. Details on the balances and valuation of the equity release portfolio are included in notes 13 and 34.

Loans and advances to customers - securitisation

In 2021, the Society transferred beneficial ownership of a pool of mortgages of £282.7m to Tyne Funding No.1 PLC, a securitisation vehicle. The Society continues to be exposed to all risk and rewards of ownership of these mortgages, and therefore the mortgages continue to be recognised on the Society's Balance Sheet. See note 14 for details on the securitisation.

No loans and securities were transferred to securitisation vehicles in the current or prior year.

Loans and advances to customers - write offs

There were no loans and advances to customers written off during the year (2023: £0.1m).

Further details of the Group's provisioning methodology is given in note 40 and detailed analysis of expected credit losses is provided in note 41.

13. Mortgages held at fair value through profit and loss

The Group's equity release mortgage assets are accounted for as fair value through profit or loss. The mortgages were advanced as indeterminate length fixed interest rate contracts, to be repaid in full at maturity through sale of the mortgaged properties. Most equity release contracts contain a no-negative-equity guarantee; that is, where the value of a mortgaged property at the point of sale falls short of the contractual amount due to the Group, the shortfall is written off. Equity release mortgages are presented at fair value on the Balance Sheet as part of the Group's loans and advances to customers.

	Group and Society					
	2024			2023		
	Gross mortgage balances £m	**Fair value adjustment £m**	**Fair value presented on Balance Sheet £m**	Gross mortgage balances £m	Fair value adjustment £m	Fair value presented on Balance Sheet £m
Denominated in £	**143.8**	**2.9**	**146.7**	151.7	9.6	161.3
Denominated in €	**40.7**	**(15.8)**	**24.9**	47.7	(20.6)	27.1
Total	**184.5**	**(12.9)**	**171.6**	199.4	(11.0)	188.4

The gross mortgage balances above reflect the Group's maximum pre collateral exposure to credit risk at 31 December. See note 34 for details of the movement in the fair value adjustment. The Group typically expects its equity release mortgages to be repaid through sale of the underlying properties. Property collateral of £323.6m (2023: £403.1m) is held against the Group's equity release exposures denominated in £. By their nature, equity release mortgages are not considered to hold a pre-determined maturity date.

At 31 December 2024 the Group had €49.2m (2023: €54.9m) of equity release mortgages denominated in Euros, against which €54.2m (2023: €56.8m) collateral is held.

The fair value is the present value of the forecast portfolio cash flows less the value of the no-negative equity guarantee, which is calculated using an option pricing model. See note 34 for details.

Against equity release assets, the following income and charges have been recognised through the Income Statement:

	Interest income £m	**Fair value change £m**
31 December 2024	**11.4**	**(5.8)**
31 December 2023	11.1	4.4

The Group recognises interest income on a per asset basis using the effective interest rate method. The gross mortgage balances, as presented above, reflect the amortised cost of the Group's equity release mortgages. Changes in the fair value are included in the Income Statement within fair value gains less losses on financial instruments, further details are given in note 34.

For fixed reversion contracts, the effective interest rate is considered to be the rate implicit in the mortgage contract. The balances recognised in respect to fixed reversion mortgages included in the total above are as follows:

	Reversion value £m	**Book value £m**	**Interest income £m**
31 December 2024	**9.2**	**7.3**	**0.5**
31 December 2023	12.5	10.4	0.6

The Group's equity release books are closed to new entrants with limited further advances available to existing customers at the discretion of the Group.

14. Deemed loan

In 2021, the Society securitised a pool of mortgage loans with a book value of £282.7m, by transferring their beneficial ownership at net book value to Tyne Funding No.1 PLC. Tyne Funding No. 1 PLC issued debt securities (loan notes) with a total value of £282.7m secured on the transferred mortgage loans. All loan notes have been purchased by the Society and are available as security for repurchase agreements with the Bank of England or third parties. Since the securitised mortgage loans do not meet the criteria for de-recognition from the Society's Balance Sheet, they continue to be held on the Society's Balance Sheet. The consideration received from Tyne Funding No.1 PLC is accounted for as a deemed loan. As permissible under IFRS 9, the Society has elected to present the deemed loan net of the loan notes issued by Tyne Funding No.1 PLC, as the loan notes constitute essentially the same asset as the transferred mortgages and presenting them gross results effectively in presenting the same assets twice on the Society's Balance Sheet. The carrying value of the notes reduces as coupons are paid on a quarterly basis whilst the consideration received for transfer of mortgages is repaid on a daily basis.

The net deemed loan liability presented on the Balance Sheet consists of the following items:

	Society	
	2024 £m	2023 £m
Loan notes	**190.2**	227.5
Consideration received for transfer of mortgages	**(183.6)**	(223.6)
Net value of derivatives integral to transaction	**8.1**	9.5
	14.7	13.4

At the Balance Sheet date, the securitised mortgage loans had a book value of £183.6m (2023: £223.6m). Class A notes have a coupon rate of SONIA + 58bps and a call date of 25 November 2026.

In the Accounts, any derivatives associated with the transaction are presented gross in assets and liabilities within derivative financial instruments.

15. Investments

	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Equities	**1.6**	1.9	**0.1**	0.2
Securities	**-**	-	**42.6**	41.6
	1.6	1.9	**42.7**	41.8

Investments in equities

Equity investments relate to the Society's holdings in Abrdn PLC after demutualisation of Standard Life, and Newcastle Financial Advisers' holding in units in Openwork LLP, a network of independent financial advisers, under the licence of which it operates. Equity investments are held at fair value through profit or loss. See note 34 for details.

Investments in subsidiaries

Investment in subsidiary undertakings	**Shares**	**Loans**	**Total**
Cost	**£m**	**£m**	**£m**
At 1 January 2024	5.9	35.7	41.6
Additions	-	1.3	1.3
Repayments received	-	(0.3)	(0.3)
Balance at 31 December 2024	**5.9**	**36.7**	**42.6**
Provisions			
At 1 January 2024 and 31 December 2024	**-**	**-**	**-**
Net book amount at 31 December 2024	**5.9**	**36.7**	**42.6**

Investment in subsidiary undertakings	**Shares**	**Loans**	**Total**
Cost	**£m**	**£m**	**£m**
At 1 January 2023	3.9	34.5	38.4
Additions	2.0	1.8	3.8
Repayments received	-	(0.6)	(0.6)
Balance at 31 December 2023	**5.9**	**35.7**	**41.6**
Provisions			
At 1 January 2023 and 31 December 2023	**-**	**-**	**-**
Net book amount at 31 December 2023	**5.9**	**35.7**	**41.6**

The Society directly holds 100% of the issued ordinary share capital of all its subsidiary undertakings.

The Directors believe that the carrying value of the investments in subsidiary undertakings is supported by their underlying net assets.

Name of principal subsidiary undertakings	Principal activity
Newcastle Financial Advisers Limited	Provision of financial services
Newcastle Mortgage Loans (Jersey) Limited	Mortgage lending
Newcastle Strategic Solutions Limited	Provision of specialised savings management and IT services
MBS (Mortgages) Limited	Mortgage lending

Newcastle Mortgage Loans (Jersey) Limited is incorporated and operates in Jersey. All other of the above subsidiary undertakings are incorporated in England and Wales and operate in the United Kingdom. The registered address for these entities is: 1 Cobalt Park Way, Wallsend, NE28 9EJ.

The entire share capital of MBS (Mortgages) Limited was transferred to Newcastle Building Society as part of the transfer of engagements on 1 July 2023. MBS (Mortgages) Limited is entitled to audit exemption under section 479a of the Companies Act 2006 and no Members have required them to obtain an audit of their accounts.

Further information on transactions between Group entities can be found in note 31 Related Parties.

During the year, the Society received dividends from subsidiary undertakings totalling £1.6m (2023: £1.7m) which were recognised in the Income Statement.

Other controlled entities

The following entity is deemed to be controlled by the Society. Although the Society does not have a controlling shareholding, it has the right of variable returns from the entity and is able to influence these returns. In substance, the entity is therefore no different than if it was wholly owned by the Society. As a result, it is consolidated into the Group accounts. The carrying value of the entity in the Society's Balance Sheet is £nil.

Tyne Funding No.1 PLC

Tyne Funding No.1 PLC was incorporated on 30 September 2021. It is a Special Purpose Vehicle (SPV) to facilitate the securitisation of a mortgage pool previously owned by the Society, see note 14 for details. The entity's financial period end is 31 December. Its registered office is 1 Bartholomew Lane, London, EC2N 2AX.

16. Intangible assets

Group

Cost	Purchased software £m	Internally developed software: work in progress £m	Internally development software: in use £m	Acquired customer lists £m	Total £m
At 1 January 2024	12.7	3.1	9.5	0.4	25.7
Additions	0.5	3.8	-	0.3	4.6
Transfers	-	(4.6)	4.6	-	-
Disposals	(1.7)	-	-	-	(1.7)
At 31 December 2024	**11.5**	**2.3**	**14.1**	**0.7**	**28.6**
Accumulated depreciation					
At 1 January 2024	9.3	-	3.2	0.4	12.9
Charge for the year	1.1	-	2.4	0.1	3.6
Disposals	(1.7)	-	-	-	(1.7)
At 31 December 2024	**8.7**	**-**	**5.6**	**0.5**	**14.8**
Net book amount 31 December 2024	**2.8**	**2.3**	**8.5**	**0.2**	**13.8**

Group

Cost	Purchased software* £m	Internally developed software: work in progress £m	Internally development software: in use* £m	Acquired customer lists £m	Total* £m
At 1 January 2023 (restated)*	11.7	2.5	6.0	0.4	20.6
Additions	1.3	4.1	-	-	5.4
Transfers	-	(3.5)	3.5	-	-
Disposals	(0.3)	-	-	-	(0.3)
At 31 December 2023 (restated)*	**12.7**	**3.1**	**9.5**	**0.4**	**25.7**
Accumulated depreciation					
At 1 January 2023 (restated)*	8.7	-	1.4	0.3	10.4
Charge for the year	0.9	-	1.6	0.1	2.6
Impairment	-	-	0.2	-	0.2
Disposals	(0.3)	-	-	-	(0.3)
At 31 December 2023 (restated)*	**9.3**	**-**	**3.2**	**0.4**	**12.9**
Net book amount 31 December 2023 (restated)*	**3.4**	**3.1**	**6.3**	**-**	**12.8**

*The opening balances for cost and accumulated depreciation have been restated during the year following a review of historic balances. There is no impact on the overall net book value of Group or Society intangible assets.

Society

Cost	Purchased software £m	Internally developed software: work in progress £m	Internally development software: in use £m	Acquired customer lists £m	Total £m
At 1 January 2024	4.0	-	-	-	4.0
Additions	0.5	-	-	-	0.5
Transfers	-	-	-	-	-
Disposals	(1.7)	-	-	-	(1.7)
At 31 December 2024	**2.8**	**-**	**-**	**-**	**2.8**
Accumulated depreciation					
At 1 January 2024	2.7	-	-	-	2.7
Charge for the year	0.3	-	-	-	0.3
Disposals	(1.7)	-	-	-	(1.7)
At 31 December 2024	**1.3**	**-**	**-**	**-**	**1.3**
Net book amount 31 December 2024	**1.5**	**-**	**-**	**-**	**1.5**

Society

Cost	Purchased software* £m	Internally developed software: work in progress £m	Internally development software: in use £m	Acquired customer lists £m	Total* £m
At 1 January 2023 (restated)*	3.9	-	-	-	3.9
Additions	0.4	-	-	-	0.4
Transfers	-	-	-	-	-
Disposals	(0.3)	-	-	-	(0.3)
At 31 December 2023 (restated)*	**4.0**	**-**	**-**	**-**	**4.0**
Accumulated depreciation					
At 1 January 2023 (restated)*	2.8	-	-	-	2.8
Charge for the year	0.2	-	-	-	0.2
Disposals	(0.3)	-	-	-	(0.3)
At 31 December 2023 (restated)*	**2.7**	**-**	**-**	**-**	**2.7**
Net book amount 31 December 2023 (restated)*	**1.3**	**-**	**-**	**-**	**1.3**

*The opening balances for cost and accumulated depreciation have been restated during the year following a review of historic balances. There is no impact on the overall net book value of Group or Society intangible assets.

Purchased software

Purchased software relates to IT systems purchased from external providers, with a useful economic life longer than one year.

Internally developed software

Internally developed software relates to capitalised staff costs for developing new IT systems or enhancing the functionality of existing ones. The software is either used by the Group or licenses are sold to third parties. Internally developed software assets are classified as work in progress until the software is ready to use. Once it is ready to use, it is reclassified as internally developed software in use and amortised over its useful economic life.

Acquired customer lists

Acquired customer lists relate to customer lists acquired by Newcastle Financial Advisers. In 2019, Newcastle Financial Advisers bought Fidelis Financial Solutions Limited and integrated its trade and assets into its own operations. In 2020, the customer list of Carter James Associates Limited was acquired and integrated into Newcastle Financial Advisers. In 2024, the customer list of Keith Dyson Financial Consulting was acquired and integrated into Newcastle Financial Advisors.

17. Property, plant and equipment

Group	Freehold buildings	Leasehold land and buildings	Equipment, fixtures, fittings and motor vehicles	Investment property	Total
Cost	£m	£m	£m	£m	£m
At 1 January 2024	3.1	26.7	29.0	1.1	59.9
Additions	-	2.1	4.7	-	6.8
Lease remeasurement	-	(0.3)	-	-	(0.3)
Disposals	-	-	(7.0)	(0.4)	(7.4)
At 31 December 2024	**3.1**	**28.5**	**26.7**	**0.7**	**59.0**
Accumulated depreciation					
At 1 January 2024	1.1	6.3	20.0	1.0	28.4
Charge for the year	-	1.6	2.4	-	4.0
Lease remeasurement	-	(0.1)	-	-	(0.1)
Disposals	-	-	(6.9)	(0.4)	(7.3)
At 31 December 2024	**1.1**	**7.8**	**15.5**	**0.6**	**25.0**
Net book amount 31 December 2024	**2.0**	**20.7**	**11.2**	**0.1**	**34.0**

Group	Freehold buildings*	Leasehold land and buildings*	Equipment, fixtures, fittings and motor vehicles*	Investment property	Total*
Cost	£m	£m	£m	£m	£m
At 1 January 2023 (restated)*	3.1	22.8	28.0	1.1	55.0
Additions	-	4.8	2.0	-	6.8
Lease remeasurement	-	0.2	-	-	0.2
Disposals	-	(1.1)	(1.0)	-	(2.1)
At 31 December 2023 (restated)*	**3.1**	**26.7**	**29.0**	**1.1**	**59.9**
Accumulated depreciation					
At 1 January 2023 (restated)*	1.0	5.1	18.8	1.0	25.9
Charge for the year	0.1	1.5	2.2	-	3.8
Impairment	-	0.1	-	-	0.1
Disposals	-	(0.4)	(1.0)	-	(1.4)
At 31 December 2023 (restated)*	**1.1**	**6.3**	**20.0**	**1.0**	**28.4**
Net book amount 31 December 2023 (restated)*	**2.0**	**20.4**	**9.0**	**0.1**	**31.5**

*The opening balances for cost and accumulated depreciation have been restated during the year following a review of historic balances. There is no impact on the overall net book value of Group or Society property, plant or equipment.

Society	Freehold buildings	Leasehold land and buildings	Equipment, fixtures, fittings and motor vehicles	Investment property	Total
Cost	£m	£m	£m	£m	£m
At 1 January 2024	3.1	11.8	15.3	1.1	31.3
Additions	-	2.1	2.9	-	5.0
Lease remeasurement	-	(0.3)	-	-	(0.3)
Disposals	-	-	(4.0)	(0.4)	(4.4)
At 31 December 2024	**3.1**	**13.6**	**14.2**	**0.7**	**31.6**
Accumulated depreciation					
At 1 January 2024	1.1	4.8	11.4	1.0	18.3
Charge for the year	0.1	1.3	0.8	-	2.2
Lease remeasurement	-	(0.1)	-	-	(0.1)
Disposals	-	-	(4.0)	(0.4)	(4.4)
At 31 December 2024	**1.2**	**6.0**	**8.2**	**0.6**	**16.0**
Net book amount 31 December 2024	**1.9**	**7.6**	**6.0**	**0.1**	**15.6**

Society	Freehold buildings*	Leasehold land and buildings*	Equipment, fixtures, fittings and motor vehicles*	Investment property	Total*
Cost	£m	£m	£m	£m	£m
At 1 January 2023 (restated)*	3.1	7.8	14.7	1.1	26.7
Additions	-	4.8	0.7	-	5.5
Lease remeasurement	-	0.2	-	-	0.2
Disposals	-	(1.0)	(0.1)	-	(1.1)
At 31 December 2023 (restated)*	**3.1**	**11.8**	**15.3**	**1.1**	**31.3**
Accumulated depreciation					
At 1 January 2023 (restated)*	1.0	4.0	10.7	1.0	16.7
Charge for the year	0.1	1.1	0.8	-	2.0
Impairment	-	0.1	-	-	0.1
Disposals	-	(0.4)	(0.1)	-	(0.5)
At 31 December 2023 (restated)*	**1.1**	**4.8**	**11.4**	**1.0**	**18.3**
Net book amount 31 December 2023 (restated)*	**2.0**	**7.0**	**3.9**	**0.1**	**13.0**

*The opening balances for cost and accumulated depreciation have been restated during the year following a review of historic balances. There is no impact on the overall net book value of Group or Society property, plant or equipment.

Leases

The right of use assets recognised for branch and operational property leases is included in the table above as 'Leasehold land and buildings'. The corresponding lease liability is included in other liabilities (note 24).

Lease liabilities are expected to amortise as follows:

	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Within one year	**1.1**	1.1	**1.1**	1.1
In one to five year	**3.0**	2.5	**3.0**	2.5
In more than five years	**3.4**	4.1	**3.4**	4.1
	7.5	7.7	**7.5**	7.7

The following charges are included in the Income Statement in respect to leases:

	Note	Group		Society	
		2024	2023	**2024**	2023
		£m	£m	**£m**	£m
Depreciation of right of use assets included in administrative expenses		**1.2**	1.1	**1.2**	1.1
Interest charges on lease liabilities	30	**0.3**	0.2	**0.3**	0.2
Expenses relating to short term and low value leases included in administrative expenses - payable to third parties	6	**0.1**	0.3	**0.1**	0.2
		1.6	1.6	**1.6**	1.5

There is no expense recognised in the Income Statement in respect of variable lease payments that are not included in the measurement of the lease liabilities. The carrying value of lease liabilities is approximately the fair value of the lease liabilities. Total cash payments in respect of leases was £2.3m (2023: £1.2m).

Investment property

Included within investment property are freehold and leasehold commercial buildings, which are owned by the Society and Group, and held to earn rental income. The transfer in the prior year relates to a property which was held for sale at the Balance Sheet date. See note 17 for details.

Management consider the purchase price less depreciation to represent a fair value for properties held. No formal third party valuation of the Society or Group investment property holdings was undertaken during 2024 with the properties managed to facilitate continued operation (via rental to third parties or otherwise) and not towards view of speculative sale.

During 2024 rental income from investment properties of £0.1m (2023: £0.1m) was recognised by the Group and the Society. Directly attributable operating expenses to investment property are not measured as both Group and third parties occupy the properties.

18. Deferred tax

The movement on the deferred tax account is shown below.

	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
At 1 January	**5.8**	4.5	**7.0**	5.7
Income Statement expense	**2.0**	(0.7)	**2.3**	(1.0)
Prior year adjustment	**(0.2)**	(0.6)	**0.1**	(0.1)
Arising on transfer of engagements	**-**	4.1	**-**	4.1
Credited on items taken directly through reserves	**(1.1)**	(1.5)	**(1.1)**	(1.5)
Other	**0.3**	-	**0.1**	(0.2)
At 31 December	**6.8**	5.8	**8.4**	7.0
Deferred tax assets				
Deferred tax asset to be recovered in less than 12 months	**0.3**	0.3	**0.3**	0.3
Deferred tax asset to be recovered in more than 12 months	**8.1**	7.2	**8.1**	7.4
	8.4	7.5	**8.4**	7.7
Deferred tax liabilities				
Deferred tax liabilities to be recovered in less than 12 months	**(0.2)**	(0.2)	**-**	-
Deferred tax liabilities to be recovered in more than 12 months	**(1.4)**	(1.5)	**-**	(0.7)
	(1.6)	(1.7)	**-**	(0.7)

Group	**2023**	**Arising on transfer of engagements**	**Charge credited to Income Statement**	**Other Comprehensive Income**	**2024**
	£m	**£m**	**£m**	**£m**	**£m**
Trading losses	2.6	-	(0.8)	-	1.8
Temporary timing differences	(0.7)	4.0	(0.5)	-	2.8
Adjustments relating to historic changes in accounting policies	4.9	-	(0.7)	-	4.2
Equity investments held at fair value through the income statement	(0.4)	-	0.1	-	(0.3)
Debt securities held at fair value through other comprehensive income	(0.2)	-	-	0.2	-
Cash flow hedge accounting held at fair value through other comprehensive income	(0.4)	-	-	(1.3)	(1.7)
	5.8	**4.0**	**(1.9)**	**(1.1)**	**6.8**

Society	**2023**	**Arising on transfer of engagements**	**Charge credited to Income Statement**	**Other Comprehensive Income**	**2024**
	£m		**£m**	**£m**	**£m**
Trading losses	2.6	-	(0.8)	-	1.8
Temporary timing differences	0.1	4.0	(0.1)	-	4.0
Adjustments relating to historic changes in accounting policies	4.9	-	(0.6)	-	4.3
Debt securities held at fair value through other comprehensive income	(0.2)	-	-	0.2	-
Cash flow hedge accounting held at fair value through other comprehensive income	(0.4)	-	-	(1.3)	(1.7)
	7.0	**4.0**	**(1.5)**	**(1.1)**	**8.4**

Adjustments relating to historic changes in accounting policies unwind over a period of 10 years from the change in accounting policy. Deferred tax arising from losses acquired through the transfer of engagements from Manchester Building Society are unwound as taxable profits allocatable to Manchester Building Society's trade is generated. Deferred tax adjustments arising on fair value adjustments arising as a result of the merger with Manchester Building Society are unwound over a period of 6 years from the merger date. No changes to the rate of corporation tax have been announced.

Unrecognised deferred tax assets

The following table summarises the unrecognised deferred tax assets.

	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Unrecognised deferred tax assets	**2.0**	5.2	**-**	3.2

Newcastle Building Society

Section 4(4) of The Mutual Societies (Transfers of Business) (Tax) Regulations 2009, which governs the tax treatment of building society mergers; has been updated during the year. The change now allows for post-April 2017 tax losses to be available for set off within merged building societies.

The amendment took effect from May 2024 and resulted in post-April 2017 tax losses within Manchester Building Society being able to be utilised within the Newcastle Building Society Group. This resulted in a recognition of £4.0m of deferred tax assets in the Society's Balance Sheet.

MBS Mortgages Limited

MBS (Mortgages) Limited, a 100% owned subsidiary of the Society acquired as part of the merger with Manchester Building Society, has deferred tax losses of £8.1m, corresponding to an unrecognised deferred tax asset of £2.0m. The Society has not recognised any deferred tax assets relating to this subsidiary, as it is not currently profitable, and future profits that the tax losses could be offset against are not currently considered sufficiently certain to justify the recognition of the deferred tax in the Consolidated Financial Statements.

19. Retirement Benefit Obligations

Group and Society pension schemes

The Society operates a UK registered trust-based pension scheme, Newcastle Building Society Pension and Assurance Scheme (the Scheme) that provides defined benefits. The Scheme was closed to new entrants in 2000 and closed to the future accrual of benefits in 2010. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier).

The Trustees of the Scheme are responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which sets out their powers. The Trustees of the Scheme are required to act in the best interests of the beneficiaries of the Scheme. There is a requirement that at least one-third of the Trustees are nominated by the members of the Scheme.

There are two categories of pension scheme members:

- Deferred members: current and former employees of the Society who are not in receipt of a Scheme pension; and
- Pensioner members: former employees of the Society who are in receipt of Scheme pension.

The defined benefit obligation is valued by projecting the best estimate of future benefit obligations (allowing for revaluation to retirement for deferred members and annual pension increases for all members) and then discounting to the Balance Sheet date. Some benefits receive increases linked to inflation (subject to a cap of no more than 5% pa). The valuation method used is known as the Projected Unit Method.

The approximate overall duration of the Scheme's defined benefit obligation at 31 December 2024 was 11 years (2023: 13 years).

Future funding obligation

The Trustees are required to carry out an actuarial valuation every 3 years. The last actuarial valuation of the Scheme was performed by the Scheme Actuary for the Trustees at 30 June 2022. This valuation revealed the Scheme had no funding deficit relative to the Scheme's statutory funding objective and so no deficit reduction contributions are payable. However, the Society has agreed to pay contributions of currently £300k per annum in respect of Scheme expenses and levies. The Society does not recognise a surplus for the reasons set out in Note 1.

Assumptions

The results of the actuarial valuation at 30 June 2022 have been updated to 31 December 2024 by a qualified independent actuary. The assumptions used for the IAS 19 year end valuation are as follows:

Significant actuarial assumptions	**2024**	2023
Discount rate	**5.50%**	4.60%
RPI Inflation	**3.15%**	3.00%
CPI Inflation:		
Before 2030	**RPI less 1.0% pa**	RPI less 1.0% pa
From 2030	**RPI less 0.0% pa**	RPI less 0.0% pa
Mortality assumptions		
Mortality (post-retirement)	**SAPS 'S3'CMI 2023 [1.25%] (yob)**	SAPS 'S3'CMI 2022 [1.25%] (yob)
Other actuarial assumptions		
RPI pension increases	**3.05%**	2.95%
Pension increases in deferment	**2.65%**	2.50%
Life expectancies (in years)		
For an individual aged 62		
Male	**24.0 years**	24.0 years
Female	**26.7 years**	26.7 years
At 62 for an individual aged 42 in 2024		
Male	**25.4 years**	25.4 years
Female	**28.1 years**	28.1 years

Risks

Through the Scheme, the Society is exposed to a number of risks:

- **Asset volatility:** The Scheme's defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields, however the scheme invests in some growth assets. These assets are expected to outperform corporate bonds in the long term but provide volatility and risk in the short term.
- **Changes in bond yields:** A decrease in corporate bond yields would increase the Scheme's defined benefit obligations. The Scheme invests in Liability Driven Investments (LDI) assets, which are designed to offset the impact of changes to market yields. Changes in bond yields are therefore not expected to be a significant source of Balance Sheet volatility other than significant changes in credit spreads.
- **Inflation risks:** A significant proportion of the Scheme's defined benefit obligation is linked to inflation, therefore higher inflation will result in a higher defined benefit obligation (subject to the appropriate caps in place), although the Scheme's LDI holding is expected to offset the impact of inflation rate changes.
- **Mortality risk:** If Scheme members live longer than expected, the Scheme's benefits will need to be paid for longer, increasing the Scheme's defined benefit obligation.

The Trustees and Society manage risks in the Scheme through the following strategies:

- **Diversification:** Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.
- **Investment strategy:** The Trustees are required to review their investment strategy on a regular basis.
- **LDI:** The Scheme invests in LDI assets, whose long-term investment returns are expected to partially hedge interest rate and inflation rate movements.
- **Pension increase exchange:** The Trustees currently offer retiring members an option to exchange future pension increases for a higher immediate pension. This has reduced the Scheme liabilities for retired members who have already taken up the option and, based upon the assumption of future take up, for deferred members who will retire in future.

Sensitivity Analysis	Change in assumption	Change in defined benefit obligations
Assumptions		
Discount rate	+ / - 0.5%	- 5% / + 6%
Inflation	+ / - 0.5%	+ 2% / - 2%
Assumed life expectancy	+ / - 1 year	+ 3% / - 3%

Limitations of the sensitivity analysis

These calculations provide an approximate guide to the sensitivity of results and may not be as accurate as a full valuation carried out on these assumptions. Each assumption change is considered in isolation, which in practice is unlikely to occur, as changes in some of the assumptions are correlated.

Asset class at market value

The assets of the Scheme were invested as follows:

Asset class at market value	**2024**	2023
	%	%
Equities	**12.0**	9.2
Diversified growth funds	**11.0**	8.8
Corporate bonds	**29.0**	29.8
Fixed interest and index linked gilts	**45.0**	49.0
Annuities	**1.0**	0.7
Cash	**2.0**	2.5
Total	**100.0**	100.0
Actual return on assets over the period	**(3.4)**	2.8

All assets listed above are held as Legal and General Pooled Investment Vehicles with the exception of the small amount in the Trustees bank account. The multi asset class consists of a single diversified fund with underlying assets of equities, bonds, commodities and listed infrastructure, property, private equity and global real estate companies.

Reconciliations to the Balance Sheet	**2024**	2023
	£m	£m
Total value of assets	**68.1**	76.2
Present value of defined benefit obligations	**(64.2)**	(71.9)
Funded status	**3.9**	4.3
Adjustment in respect of minimum funding requirement	**(3.9)**	(4.3)
Pension asset recognised in the Balance Sheet before allowance for deferred tax	**-**	-

Analysis of changes in the value of the defined benefit obligation over the period	**2024**	2023
	£m	£m
Value of defined benefit obligations at start of the period	**71.9**	70.6
Interest cost	**3.2**	3.4
Benefits paid	**(4.1)**	(4.2)
Actuarial gains / (losses): experience differing from that assumed	**(0.4)**	0.8
Actuarial gains: changes in demographic assumptions	**(0.1)**	(1.2)
Actuarial (gains) / losses: changes in financial assumptions	**(6.3)**	2.5
Value of defined benefit obligation at end of period	**64.2**	71.9

Analysis of changes in the value of the Scheme assets over the period	**2024**	2023
	£m	£m
Market value of assets at start of period	**76.2**	77.8
Interest income	**3.4**	3.7
Actual return on assets less interest	**(6.8)**	(0.9)
Employer contributions	**0.3**	0.3
Benefits paid	**(4.1)**	(4.2)
Administration costs	**(0.9)**	(0.5)
Market value of assets at end of period	**68.1**	76.2

Amount recognised in Income Statement	**2024**	2023
	£m	£m
Administration costs	**0.3**	0.5
Amount charged to Income Statement	**0.3**	0.5

Amount recognised in Income Statements	**2024**	2023
	£m	£m
Actuarial losses on defined benefit obligation	**6.8**	(2.1)
Actual return on assets less interest	**(7.4)**	(0.9)
Limit on recognition of assets less interest	**0.6**	3.0
Amounts recognised in Statement of Comprehensive Income	**-**	-

The total administration costs, including current service costs, incurred during the year totalled £0.9m (2023: £0.5m), of which £0.3m (2023: £0.3m) was paid for by the Society and therefore recognised in the Society's Income Statement. The remaining £0.6m (2023: £0.2m) was met from a surplus in the Scheme assets. As the Scheme's surplus is not recognised on the Society's Balance Sheet, this balance does not impact the Society's financial statements.

Guaranteed minimum pension equalisation

On 26 October 2018, the High Court ruled in the Lloyds Banking Group case that trustees are under a duty to make sure that equal benefits are paid, including where these benefits are in the form of guaranteed minimum pension (GMP). As a result, all schemes with GMP rights will have to act to allow for equalisation of benefits for the effect of unequal GMPs. This is known as GMP equalisation. As a result of this judgment, it is generally expected companies make an allowance for any increase in the defined benefit obligation that they expect as a result of GMP equalisation. As per previous years, an approximate allowance for the impact of GMP equalisation of 0.5% of the defined benefit obligation has been made. This considers current members of the Scheme only.

Barber Equalisation

On 17 May 1990, the Court of Justice of the European Union ruled that occupational pensions were deferred pay and, as such, schemes had to treat men and women equally. This judgement was incorporated into UK domestic law and applies for any accrual from 17 May 1990 until benefits were subsequently equalised at age 62. The Scheme equalised benefits on 25 September 1995. The relevant equalisation period is therefore from 17 May 1990 to 25 September 1995. The scheme lawyers have identified deficiencies with the documentation of this, which has led to the need for the Scheme benefits to be rectified and arrears paid. The scheme actuary has set up a reserve for the Barber Equalisation, equivalent to 1% of total liabilities.

Insured members

The pension obligation for some members of the Scheme is insured by a third party. The pension liability relating to insured members and the corresponding insurance assets in respect to these members always net to £nil. At 30 June 2024 (being the latest data available), they were estimated to be £0.4m (2023: £0.5m). They have no effect on any primary financial statement. The pension liability and pension asset have been presented including the insured pension liability and related insurance asset (previously presented net).

Virgin Media Limited v NTL Pension Trustees II Limited

The Society is aware of the 2023 ruling in the Virgin Media vs NTL Pension Trustee legal case and subsequent Court of Appeal ruling published in July 2024.

There remains significant uncertainty as to whether the judgments will result in additional liabilities for UK pension schemes and it is possible that the Department of Work & Pensions will introduce legislation to allow changes to be certified retrospectively. In case no retrospective regulation is being implemented, a detailed review of historical documentation will be needed to determine whether any changes made by the Scheme were invalid. Such a review will take some time to complete. In cases where invalid changes to the Scheme were made and these changes resulted in a reduction in the scheme liabilities, the pension obligations could increase as a result. However, none of the information the Directors currently have available indicates that such changes were made or rule out that such changes were made.

As outlined in note 1, the Society cannot be certain of the potential implications of the Virgin Media Limited v NTL Pension Trustees II Limited case (if any) and therefore a sufficiently reliable estimate of any effect on the obligation cannot be made, however it is possible that the defined benefit pension obligation could be materially increased.

20. Other assets

	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Receivable from subsidiary undertakings	**-**	-	**8.9**	2.8
Prepayments and accrued income	**11.5**	13.8	**3.6**	5.3
Other receivables	**5.5**	6.1	**0.5**	2.5
	17.0	19.9	**13.0**	10.6

21. Due to members

	Group and Society	
	2024	2023
	£m	£m
Held by individuals	**5,432.6**	5,014.2
Other shares	**0.1**	0.1
	5,432.7	5,014.3

22. Due to other customers

	Group and Society	
	2024	2023
	£m	£m
Due to other customers	**241.0**	262.3
	241.0	262.3

23. Deposits from credit institutions

	Group and Society	
	2024	2023
	£m	£m
Amounts owed to credit insitutions	**417.6**	538.7
	417.6	538.7

24. Other liabilities

	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Amounts payable to subsidiary undertakings	**-**	-	**9.0**	3.4
Lease liabilities	**7.5**	7.4	**7.5**	7.4
Other creditors	**3.7**	3.3	**2.1**	1.6
Accruals and deferred income	**11.4**	12.4	**7.6**	8.0
	22.6	23.1	**26.2**	20.4

25. Provisions for liabilities and charges

	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Opening provision at 1 January	**0.6**	0.6	**0.5**	0.5
New provisions for the year	**22.2**	0.9	**21.9**	0.3
Amounts utilised / transferred during the year	**(11.6)**	(0.9)	**(11.2)**	(0.3)
Closing provision at 31 December	**11.2**	0.6	**11.2**	0.5

During the year the Society committed to providing voluntary financial support to help customers whose trusts are affected by the actions and subsequent collapse of Philips Trust. The support offered is entirely voluntary and there is no legal or regulatory requirement to provide financial support.

A provision of £21.2m was recognised during the year in respect of this based on the expected cost of claims received by the scheme administrator by the claim deadline, and including legal and scheme administrative costs.

At 31 December 2024, £10.1m of payments have been made to affected customers, with remaining payments expected to be made in the first half of 2025. In addition, £1.2m was received from the administrators of Philips Trust from the recoveries made from Philips Trust investments, which has been netted off the cost of the provision in the Income Statement. Additional recoveries are being sought to reimburse the Society's costs of providing support to affected customers, with additional recoveries expected in 2025, which have not been recognised in the financial statements in line with accounting standards. Included within amounts utilised during the year is £0.6m of costs incurred to 31 December 2024 in respect of administration of the scheme.

At 31 December 2024, the remaining provision being held in respect of this scheme was £10.5m. Subsequent to the year end, additional payments of £6.8m have been made to affected customers.

Included within the remaining £0.7m of provisions is an estimate of the costs of potential consumer redress costs.

26. Subordinated liabilities

	Group and Society	
	2024	2023
	£m	£m
Fixed rate subordinated notes 2034 – 12.5%	**20.2**	-
	20.2	-

All subordinated liabilities are denominated in Sterling. Coupons are paid on a fixed basis semi-annually.

In June 2024, £20.0m of callable subordinated loan notes were issued by the Group, with a maturity date of September 2034 and an optional call date of September 2029.

The notes rank behind all other creditors of the Society and the claims of shareholding members, other than holders of Permanent Interest Bearing Shares (PIBS).

27. Subscribed capital

	Group and Society	
	2024	2023
Presented as liabilities	**£m**	£m
12.625% permanent interest bearing shares	**10.0**	10.0
10.750% permanent interest bearing shares	**10.0**	10.0
6.750% permanent interest bearing shares	**9.6**	9.6
8.000% permanent interest bearing shares	**5.2**	5.2
	34.8	34.8

The 12.625%, 8.000% and 10.750% subscribed capital issues were issued for an indeterminate period and are only repayable in the event of the winding up of the Society. The 6.750% subscribed capital issue has a call date of April 2030 at the discretion of the Society. The Society's permanent interest bearing shares (PIBS) rank equally with each other. The 6.750% and 8.000% PIBS were acquired from Manchester Building Society on merger and have notional values of £10m and £5m respectively.

On winding up or dissolution of the Society, the claims of holders of the PIBS rank behind all other creditors of the Society including the claims of shareholding members for both principal and interest. The holders of PIBS are not entitled to any surplus upon winding up or final dissolution of the Society. Where the PIBS have no fixed maturity, they are classified as financial liabilities as their terms do not grant the Directors discretion to avoid the payment of interest, as the only instance where interest could not be paid on the instruments would be where capital levels are insufficient to allow such a payment to be made. The PIBS are carried at amortised cost.

28. Other equity instruments

£40m of Perpetual Contingent Convertible Additional Tier 1 (AT 1) Capital Securities were issued by the Society in December 2024 with the costs of issuance of £0.9m (net of VAT) being recognised in the Society's general reserve.

These AT 1 instruments pay a fully discretionary, non-cumulative fixed coupon at an initial rate of 14% per annum. The rate will reset on 6 June 2030 and every five years thereafter. Coupons are paid semi-annually in June and December and are treated as distributions to the instrument holders and so will be recognised directly in the Society's general reserve.

The instruments are perpetual, having no fixed maturity date and are repayable at the option of the Society. If the applicable Common Equity Tier 1 ratio for the Group falls below 7%, they convert to Core Capital Deferred Shares (CCDS) at the rate of one CCDS for every £67 of AT 1 instrument held.

On winding up or dissolution of the Society, the AT 1 instruments rank junior to all other creditors of the Society including subordinated liabilities and the claims of shareholding Members for both principal and interest. The holders are not entitled to any share in any final surplus upon a winding up or final dissolution of the Society.

29. Guarantees, contingent liabilities and commitments

(i) Until 11 June 1996, under Section 22 of the Building Societies Act 1986, the Society had an obligation to discharge the liabilities of its subsidiary undertakings insofar as they were unable to discharge the liabilities out of their own assets.

(ii) Commitments

The Society had £2.2m of capital commitments for the acquisition of property, plant, and equipment at 31 December 2024 in relation to branch refurbishments. Commitments in respect to leases classified as short term or small under IFRS 16 are disclosed in note 17.

In addition, since 2012 the Society has provided a commitment that liabilities arising from Newcastle Financial Advisers' current banking arrangements with a financial institution are met. There are no outstanding liabilities arising from this arrangement (2023: £nil).

Furthermore, there are a small number of legacy Newcastle Strategic Solutions client contracts that include a parental guarantee from the Society to guarantee payment of sums owed by Newcastle Strategic Solutions to the client set out under the contract.

	Group and Society	
	2024	2023
	£m	£m
Irrevocable undrawn committed loan facilities	**291.2**	208.0

30. Notes to the Cash flow Statements

Reconciliation of profit before taxation to net cash (outflows) / inflows from operating activities	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Profit before taxation	**15.7**	29.1	**15.7**	28.3
Depreciation and amortisation	**7.6**	6.4	**2.5**	2.2
Interest on subscribed capital and subordinated liabilities	**4.7**	2.9	**4.7**	2.9
(Increase) / decrease in derivative financial instruments	**(30.9)**	52.0	**(32.5)**	45.1
Interest payment for finance lease arrangements	**(0.3)**	(0.2)	**(0.3)**	(0.2)
Net cash (outflows) / inflows before changes in operating assets and liabilities	**(3.2)**	90.2	**(9.9)**	78.3
Increase in loans and advances to customers	**(429.5)**	(492.6)	**(431.0)**	(492.8)
Decrease / (increase) in fair value adjustments for hedged risk	**8.7**	(48.0)	**8.7**	(48.0)
Decrease in cash ratio deposits	**14.5**	1.2	**14.5**	1.2
Decrease / (increase) in cash collateral pledged	**6.7**	(3.1)	**6.7**	(3.1)
Increase in shares	**418.4**	672.8	**418.4**	672.8
(Decrease) / increase in amounts due to other customers and deposits from credit institutions	**(142.4)**	42.3	**(142.4)**	42.3
(Increase) / decrease in deemed loan	**-**	-	**(1.3)**	2.4
Decrease / (increase) in other assets, prepayments and accrued income	**3.2**	(1.5)	**(2.3)**	(1.1)
(Decrease) / increase in other liabilities	**(0.2)**	0.4	**6.1**	(0.4)
Increase in provisions	**10.6**	-	**10.7**	-
Other non-cash movements	**2.6**	(9.8)	**3.5**	(1.8)
Net cash (outflows) / inflows from operating activities	**(110.6)**	251.9	**(118.3)**	249.8
Cash and cash equivalents				
Cash and balances with the Bank of England	**451.5**	525.5	**451.5**	525.5
Less Bank of England cash ratio deposit	**-**	(14.5)	**-**	(14.5)
Loans and advances to banks repayable on demand	**21.2**	22.5	**4.5**	8.5
At 31 December	**472.7**	533.5	**456.0**	519.5

Cash and cash equivalents comprise cash in hand, balances with the Bank of England, loans and advances to credit institutions available on demand or with original maturities of three months or less and investment securities with a maturity period of three months or less i.e. highly liquid assets readily convertible into cash.

IAS 7, Statement of cash flows requires enhanced disclosures around changes in liabilities from financing activities arising from cash flows and non-cash flows.

Changes of liabilities arising from financing liabilities in the year were as follows:

Group and Society

		Non-cash changes				Cashflows			
	Balance sheet 31 December 2023 £m	New leases £m	Lease remeasurements* £m	Lease disposal £m	Accrued interest / lease charge £m	Interest payment flows £m	Proceeds from issuance £m	Capital repayment flows £m	Balance sheet 31 December 2024 £m
Subordinated liabilities and subscribed capital	**35.2**	**-**	**-**	**-**	**4.7**	**(4.0)**	**19.8**	**-**	**55.7**
Lease liabilities	**7.7**	**2.1**	**(0.3)**	**-**	**0.3**	**(0.3)**	**-**	**(2.3)**	**7.2**

Group and Society

			Non-cash changes				Cashflows		
	Balance sheet 31 December 2022 £m	Acquired on transfer of engagements £m	New leases £m	Lease remeasurements* £m	Lease disposal £m	Accrued interest / lease charge £m	Interest payment flows £m	Capital repayment flows £m	Balance sheet 31 December 2023 £m
Subscribed capital	20.4	14.8	-	-	-	2.9	(2.9)	-	35.2
Lease liabilities	4.8	0.1	4.4	(0.3)	(0.4)	0.2	(0.2)	(0.9)	7.7

* Lease remeasurements relate to changes in the contractual lease payments due being reflected in the lease liability.

Opening and closing balance sheet positions include applicable accrued interest. The Group's financing liabilities (lease liabilities, subordinated liabilities and subscribed capital) are held on Balance Sheet at their amortised cost under IFRS 9, except for leases which are held at amortised cost under IFRS 16 and are denominated in sterling. Accordingly, the accounting value of the Group's financing liabilities has not been impacted by changes in fair value or foreign exchange rates during the years to 31 December 2024 or 2023.

31. Related parties

The Group is controlled by Newcastle Building Society which is registered in England and Wales and operates in the United Kingdom. See note 15 for further details of subsidiary undertakings.

Transactions with Directors and their close family members

Directors and their close family members have entered into the following transactions with Newcastle Building Society in the normal course of business.

Loans to Directors and close family members

	Group and Society	
	2024	2023
	£000	£000
At 31 December	**43**	241

These loans were made on normal commercial terms and a register of them is available for inspection at the Principal Office for a period of 15 days up to and including the Annual General Meeting.

Deposits and investments held by Directors and their close family members

	Group and Society	
	2024	2023
	£000	£000
At 31 December	**559**	481

Amounts deposited by Directors and members of their close families earn interest on the same terms and conditions applicable to other customers. There were no other transactions with Directors or their close family members during 2024 or 2023.

Transactions with other Group undertakings

The Society receives managed IT, property and business support services from Newcastle Strategic Solutions, a wholly owned subsidiary of the Society. The Society provides financial and administrative services to Newcastle Strategic Solutions.

During the year, the following transactions were carried out with related parties:

(a) Sales of financial and administrative services

	Group and Society	
	2024	2023
	£000	£000
Newcastle Strategic Solutions Limited	**11,774**	11,244

Sales of services are negotiated with related parties on commercial terms.

(b) Purchases of services

Business Support Services

	Group and Society	
	2024	2023
	£000	£000
Newcastle Strategic Solutions Limited	**17,758**	16,782

Purchased services are negotiated with related parties on commercial terms.

At 31 December 2024 the following unsecured trading balances remained outstanding with related parties:

(c) Outstanding balances

	Amounts owed to Society		Amounts owed by Society	
	2024	2023	**2024**	2023
	£000	£000	**£000**	£000
Newcastle Strategic Solutions Limited	**7,097**	2,731	**4,287**	1,846
Newcastle Financial Advisers Limited	**-**	-	**1,530**	1,450
Newcastle Mortgage Loans (Jersey) Limited	**12**	-	**-**	-
MBS (Mortgages) Limited	**46**	-	**1,461**	112

At 31 December 2024 the following borrowings and cash deposits remained outstanding with related parties:

(d) Borrowings / cash deposits

	Amounts borrowed from Society		Amounts deposited with Society	
	2024	2023	**2024**	2023
	£000	£000	**£000**	£000
Newcastle Strategic Solutions Limited	**33,940**	32,813	**-**	-
Newcastle Mortgage Loans (Jersey) Limited	**122**	367	**-**	-
Tyne Funding No.1 plc	**2,544**	2,544	**-**	-

	Interest paid to Society		Interest paid by Society	
	2024	2023	**2024**	2023
	£000	£000	**£000**	£000
Newcastle Strategic Solutions Limited	**2,292**	1,743	**-**	-
Newcastle Mortgage Loans (Jersey) Limited	**46**	45	**-**	-
Tyne Funding No.1 plc	**13**	13	**-**	-

The loan from the Society to Newcastle Strategic Solutions is made up of three tranches, each on a rolling basis. The interest rate on the loans is the Society's SVR +1% and SVR -2%.

The loan between the Society and Newcastle Mortgage Loans (Jersey) Limited has an interest rate of Sonia +0.12% and will mature when the company's underlying mortgage book redeems.

The loan to Tyne Funding No.1 Plc has an interest rate of 0.5%. The loan is subordinate to all other obligations of Tyne Funding No.1 Plc and repayable at the maturity of the notes detailed in note 14.

32. Accounting for financial instruments

Disclosures relating to financial instruments and related risks in notes 33 to 44 are given on a Group basis, as the risks of the organisation are managed on a Group basis. The Society basis is not considered to be materially different from the Group basis for any of these disclosures.

Note 1 describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following measurement basis acronyms are used throughout this disclosure:

FVOCI	fair value through other comprehensive income
FVTPL	fair value through profit or loss

The Group has financial assets and liabilities for which there is a practical right to offset the recognised amounts, and which are settled net in practice. However, the netting arrangements do not result in an offset of balance sheet assets and liabilities for accounting purposes as the right to offset is not unconditional in all circumstances. There are no financial assets or liabilities which are offset with the net amount presented on the Balance Sheet, with the exception of the deemed loan with Tyne Funding No. 1 Plc as detailed in note 14.

The Group has not reclassified any financial assets during the year.

The Group does not have material exposure to equity risk or currency risk.

33. Categories of financial instruments

The following table analyses the financial assets and liabilities in the balance sheet by the class of financial instrument to which they are assigned and by the measurement basis.

Group at 31 December 2024	Note	Amortised cost £m	FVOCI £m	FVTPL £m	Total £m
Financial assets					
Cash in hand and balances with the Bank of England		451.5	-	-	**451.5**
Loans and advances to credit institutions*	10	101.8	-	-	**101.8**
Debt securities	11	-	602.3	-	**602.3**
Derivative financial instruments	37	-	-	56.6	**56.6**
Loans and advances to customers	12	5,117.7	-	171.6	**5,289.3**
Investments	15	-	-	1.6	**1.6**
Other assets, of which financial	20	5.2	-	-	**5.2**
Total financial assets		**5,676.2**	**602.3**	**229.8**	**6,508.3**
Financial liabilities					
Due to Members	21	5,432.7	-	-	**5,432.7**
Due to other customers	22	241.0	-	-	**241.0**
Amounts owed to credit insitutions	23	417.6	-	-	**417.6**
Derivative financial instruments	37	-	-	29.4	**29.4**
Subordinated liabilities	26	20.2	-	-	**20.2**
Subscribed capital	27	34.8	-	-	**34.8**
Other liabilities, of which financial	24	9.0	-	-	**9.0**
Total financial liabilities		**6,155.3**	**-**	**29.4**	**6,184.7**

Group at 31 December 2023	Note	Amortised cost £m	FVOCI £m	FVTPL £m	Total £m
Financial assets					
Cash in hand and balances with the Bank of England		525.5	-	-	525.5
Loans and advances to credit institutions*	10	109.8	-	-	109.8
Debt securities	11	-	615.0	-	615.0
Derivative financial instruments	37	-	-	50.9	50.9
Loans and advances to customers	12	4,671.3	-	188.4	4,859.7
Investments	15	-	-	1.9	1.9
Other assets, of which financial	20	6.0	-	-	6.0
Total financial assets		**5,312.6**	**615.0**	**241.2**	**6,168.8**
Financial liabilities					
Due to Members	21	5,014.3	-	-	5,014.3
Due to other customers	22	262.3	-	-	262.3
Deposits from credit institutions	23	538.7	-	-	538.7
Derivative financial instruments	37	-	-	61.7	61.7
Subscribed capital	27	34.8	-	-	34.8
Other liabilities, of which financial	24	10.9	-	-	10.9
Total financial liabilities		**5,861.0**	**-**	**61.7**	**5,922.7**

*Loans and advances to credit institutions includes £16.7m (2023: £14.0m) in cash held by the Society's subsidiary entities.

All of the Group's FVTPL financial assets and liabilities are mandatorily measured at fair value under IFRS 9. The Group has not elected to hold any financial assets or liabilities at FVTPL under IFRS 9 that could otherwise have been held at amortised cost or at FVOCI.

Cash in hand and balances with the Bank of England

Cash held for liquidity and operational purposes.

Loans and advances to credit institutions

Cash lent to financial institutions to generate an interest income return, operational bank accounts and cash collateral placed with derivative counterparties to be repaid to the Group in future periods.

Debt securities

Assets comprising covered bonds, residential mortgage-backed securities, government gilts and supranational bonds. Investments made to utilise liquid cash reserves to generate interest income.

Derivative financial instruments

Financial instruments whose value is derived from an underlying asset, index or reference rate it is linked to. The Group does not operate a derivative financial instruments trading book. Derivatives are held for hedging purposes.

Loans and advances to customers

Cash lent to individual customers of the Group, corporates and housing associations.

Investments

Investments in equity instruments of subsidiaries and other companies.

Due to Members

Cash deposits made by Members of the Society.

Due to other customers

Cash deposits made by non-Members of the Group.

Deposits from credit institutions

Deposits made by financial institutions with the Group.

Subordinated liabilities

Subordinated loan notes issued by the Group, with further details given in note 26.

Subscribed capital

Permanent Interest Bearing Shares issued by the Group, with further details given in note 27.

34. Financial instruments held at fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair value hierarchy and summary of assets and liabilities held at fair value

For assets held at fair value, the following table summarises the basis for measuring the fair value, using the three levels defined in IFRS 13:

		2024	2023
Financial assets	Level	**£m**	£m
Debt securities at FVOCI	1	**602.3**	615.0
Equity investments	1	**0.1**	0.1
Derivative financial instruments	2	**56.6**	50.9
Equity investments	3	**1.5**	1.8
Loans and advances to customers held at fair value	3	**171.6**	188.4
Financial liabilities			
Derivative financial instruments	2	**29.4**	61.7

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as price) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Mortgage assets held at fair value through profit or loss

The Group's equity release mortgage assets are accounted for as fair value through profit or loss.

The fair value of the equity release portfolio is calculated using a model that estimates the future cash flows expected from the portfolio. The timing of those cash flows are determined with reference to mortality tables overlaid by expected prepayments. The model discounts these cash flows to their present value, using a discount rate based on interest rates for new equity release mortgages available at the Balance Sheet date, adjusted for the specific characteristics of the Society's portfolio. The model further calculates a value for the 'no-negative equity guarantee' provided to the customer using an option pricing method.

The valuation uses a number of inputs which require estimation, such as the mortality and prepayment rates, the discount rate, property price volatility and the haircut applied to individual sales prices.

The key estimates used in the model and the basis of estimation are summarised below:

Assumption	**Basis of estimation**
Discount rate	Interest rates for equity release mortgages available at the Balance Sheet date, adjusted for specific characteristics of the Society's portfolio
Long-term property price growth	Analysis of historic long-term property price growth
Sales discount on collateral	Analysis of historic sales discounts
Property price volatility	Analysis of historic property price volatility and third party research

At 31 December 2024 the fair value of the equity release mortgage assets was £171.6m (2023: £188.4m). The sensitivity of this value to the estimates shown above is as follows:

Mortgage assets held at fair value

Assumption	**Change in assumption**	**31 December 2024 (Decrease) / increase in fair value**	**31 December 2023 (Decrease) / increase in fair value**
		£m	**£m**
Discount rate	+/- 1%	(9.6) / 10.8	(11.2) / 12.5
Long term property price growth	+/- 2%	4.0 / (4.8)	4.6 / (5.7)
Sales discount on collateral	+/- 2.5%	(1.5) / 1.5	(1.7) / 1.6
Property price volatility	+/- 3%	(2.9) / 2.9	(3.5) / 2.9

The following table provides a reconciliation of the equity release portfolio's opening and closing fair value.

	2024	2023
	£m	£m
At 1 January	**188.4**	166.3
Acquired on transfer of engagements	**-**	26.5
Interest accrued	**12.2**	11.2
Redemptions	**(21.8)**	(19.3)
Changes in property price assumptions – recorded in profit and loss	**-**	(3.0)
Changes in discount rate– recorded in profit and loss	**(6.0)**	6.4
Changes in exchange rates – recorded in profit and loss	**(1.2)**	0.3
At 31 December	**171.6**	188.4

The Society hedges fair value movements on the equity release portfolio due to market interest rate movements using interest rate swaps. There was a reduction in fair value adjustment on the equity release portfolio during the year of £5.8m, with the remaining movements being due to movements in loan balances. The value of interest rate swaps increased by £10.7m, resulting in a net gain of £4.9m in the year included in the Income Statement. See note 39 for details.

Equity Investments

The fair value of the Group's investment in Openwork units is calculated using a model which discounts the future expected cash flows from the investment. These cash flows relate primarily to the dividend's receivable by the Group. These dividends are then discounted to their present value, using a discount rate that estimates the underlying risks associated with an unlisted equity instrument. The valuation uses a number of inputs which require estimation, such as future dividend payout ratios, discount rates, long term dividend growth and the underlying businesses performance.

At 31 December 2024 the fair value of the level 3 investments held at fair value was £1.5m (2023: £1.8m). The sensitivity of this value to the key estimates used is as follows:

Assumption	**Change in assumption**	**31 December 2024 (Decrease) / Increase in fair value**	**31 December 2023 (Decrease) / Increase in fair value**
		£m	**£m**
Discount rate	+/- 1%	(0.1) / 0.2	(0.2) / 0.2
Long term dividend growth rate	+/- 2%	0.2 / (0.2)	0.4 / (0.2)

The following table provides a reconciliation of the level 3 equity investments opening and closing fair value:

	2024	2023
	£m	£m
At 1 January	**1.8**	2.0
Changes in fair value recorded in profit or loss	**(0.3)**	(0.2)
At 31 December	**1.5**	1.8

35. Fair value of assets held at amortised cost

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's or Society's Balance Sheets at their fair value. These assets and liabilities are held at values reflecting their intended use. In all cases, this is via collection of contractual amounts due and not through disposal. This is deemed to also reflect their best use. If the Group's intended use of an asset or liability changes, the accounting adopted for the item is revisited for reclassification. The carrying values below reflect the Group's maximum exposure to counterparty credit risk at 31 December 2024.

GROUP			Carrying value		Fair value	
			2024	2023	**2024**	2023
Financial assets	Note	Level*	**£m**	£m	**£m**	£m
Cash and balances with the Bank of England		1	**451.5**	525.5	**451.5**	525.5
Loans and advances to credit institutions	10	1	**101.8**	109.8	**101.8**	109.8
Loans and advances to customers	12	3	**5,117.7**	4,671.3	**5,095.3**	4,498.6
Other assets, of which financial	20	3	**5.2**	6.0	**5.2**	6.0
Financial liabilities						
Due to Members	22	3	**5,432.7**	5,014.3	**5,435.4**	4,983.4
Due to other customers	23	3	**241.0**	262.3	**241.0**	262.0
Deposits from credit institutions	24	3	**417.6**	538.7	**417.9**	538.7
Subordinated liabilities	26	1	**20.2**	-	**20.9**	-
Subscribed capital	27	1	**34.8**	34.8	**48.2**	45.0
Other liabilities, of which financial	25	3	**9.0**	10.9	**9.0**	10.8

*Levels are defined in note 33.

The Group does not trade in financial instruments. Against level 3 assets there is no expectation that a deferred gain or loss on initial recognition will be recognised in future periods: the transaction price at inception is considered to reflect an appropriate day one fair value. For short term receivables and payables within other assets and other liabilities, the carrying value of amounts due and owed is considered to approximate the fair value of the amounts due and owed. IFRS 9 based impairment allowances against other assets is not material. There were no gains or losses arising from financial assets or liabilities held at amortised cost.

Cash and balances with the Bank of England

The fair value of floating rate and overnight deposits is their carrying amount.

Loans and advances to credit institutions

The fair value of floating rate and overnight deposits is their carrying amount. The fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

Loans and advances to customers

Loans and advances to customers are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Due to Members and due to other customers

The fair value of shares and balances due to other customers represents the discounted amount of estimated future cash flows paid to Members and other customers.

Deposits from credit institutions

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings without market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

Subordinated liabilities and subscribed capital

The fair value of subordinated liabilities and subscribed capital is calculated based on public market prices on the Balance Sheet date.

36. Interest rate risk

The table below presents the impact of interest rate shocks on the Group's economic value and net interest income, including the Groups hedging positions. The most severe Economic Value Impact (EVE) shock is the parallel shock up, with a reduction in market value of £17.0m. A parallel shock estimates the impact on earnings and the discounted present value of future cash flows (EVE) via increasing the yield curve a fixed amount across all future points. The majority of this is driven by the structural hedging of the Group's general reserves (which is excluded from the EVE results below). The Group maintains this structural hedge to manage interest income volatility and to protect against margin compression as rates fall. The remainder of the reduction is due to timing differences of hedging fixed rate mortgages and savings at a tranche level. Conversely, the biggest reduction in net interest income comes from a parallel shock down. This is driven by basis risk positions and timing differences in rate pass-on to administered rates vs external market indices.

	2024		2023	
	+2.5%	**-2.5%**	+2.5%	-2.5%
	£m	£m	£m	£m
Economic value impact At 31 December	(17.0)	15.2	(6.2)	4.8

The increase in the economic value shock from 2023 has arisen due to a greater focus on hedging short term fixed rate savings. Whilst this increases the EVE shock results, it offers greater protection against falling rates and ensures the Society has a better balance between the two key metrics of EVE and NII shocks. The EVE result at year end was still significantly below the outlier test trigger set by the regulator.

Please see notes 37-39 for details about instruments used for managing interest rate risk.

The exposure to interest rate risk due to the Group's defined benefit pension scheme is detailed in note 19.

37. Derivative financial instruments

The Group uses interest rate swaps to hedge against interest rate risk and forward contracts to manage foreign exchange risk. Offsetting collateral is pledged and received in line with underlying Credit Support Annexes (CSA) with the Group's financial counterparties. The table below shows the fair value of the Group's and Society's derivative portfolios, and the collateral pledged/received against these.

Group as at 31 December 2024

	Gross amount	Master netting arrangements	Financial collateral	Net amount
	£m	£m	£m	£m
Financial assets				
Derivative assets	56.6	(18.2)	(29.5)	8.9
Financial liabilities				
Derivative liabilities	(29.4)	18.2	10.8	(0.4)

Group as at 31 December 2023

	Gross amount	Master netting arrangements	Financial collateral	Net amount
	£m	£m	£m	£m
Financial assets				
Derivative assets	50.9	(40.6)	-	10.3
Financial liabilities				
Derivative liabilities	(61.7)	40.6	19.0	(2.1)

Society as at 31 December 2024

	Gross amount	Master netting arrangements	Financial collateral	Net amount
	£m	£m	£m	£m
Financial assets				
Derivative assets	47.9	(18.2)	(29.5)	0.2
Financial liabilities				
Derivative liabilities	(29.4)	18.2	10.8	(0.4)

Society as at 31 December 2023

	Gross amount	Master netting arrangements	Financial collateral	Net amount
	£m	£m	£m	£m
Financial assets				
Derivative assets	40.6	(40.6)	-	-
Financial liabilities				
Derivative liabilities	(61.7)	40.6	19.0	(2.1)

Cash collateral is posted and received on a daily basis to minimise the Group's and the counterparty's exposure to counterparty credit risk. Collateral posted is measured against counterparty mark-to-market values and may not reflect the Group's internal valuation of its financial instruments.

The Group has entered into International Swaps and Derivatives Association (ISDA) Master agreements with financial counterparties in line with standard industry practice. Netting agreements contained within are not alone considered sufficient to satisfy the offsetting criteria of IAS 32. The netting agreements are intended to protect the Group against fair value loss in the unlikely future event of counterparty default.

The Group has continued to make use of the London Clearing House (LCH), minimising its exposure to non-LCH counterparties. The protected manner of LCH collateral placements mitigates counterparty credit risk with respect to collateral that would otherwise be pledged to non-centralised derivative counterparties.

Financial collateral of £68.9m (2023: £63.3m) has been placed with LCH with respect to 'initial margin': an amount calculated by central counterparties to protect against potential future exposures that could arise from valuation changes. This is in addition to the 'variation margin', covering LCH's current net exposure to the Group. The Group's collateral pledged against initial margin requirements is not included in the collateral column above, but it is included in note 38.

The Group has a one way collateralisation swap agreement as part of the securitisation program, the exposure under this agreement is £8.7m (2023: £10.3m). The remaining over-collateralisation of £0.9m (2023: £5.1m) relates to initial bilateral margin, changes in the valuation since the last margin call, minimum transfer amounts and differences between internal valuations used for reporting purposes and counterparty valuations which collateral is based on.

Where the Group holds multiple financial assets and liabilities with a single counterparty, and a master netting agreement is in effect, the net fair value exposure for each counterparty is calculated. Net exposures placed with counterparties are consolidated into the financial asset's disclosure above, net exposures received from counterparties are similarly consolidated into the financial liabilities.

38. Encumbered assets

Certain financial assets have been utilised as collateral to support the wholesale funding initiatives of the Group and are used as security for funding with the Bank of England or other third parties. Alternatively, assets may be used as collateral in line with Credit Support Annexes relating to derivatives, as detailed in note 37. Assets that are used for such purposes are classified as encumbered and cannot be used for other purposes.

The following table provides an overview of the Group's encumbered and un-encumbered financial assets.

Group	2024		2023	
	Encumbered	**Unencumbered**	Encumbered	Unencumbered
	£m	**£m**	£m	£m
Cash and balances with the Bank of England	**-**	**451.5**	14.5	511.0
Loans and advances to credit institutions	**80.9**	**20.9**	87.3	22.5
Debt securities*	**-**	**602.3**	-	615.0
Loans and advances to customers*	**773.3**	**4,516.0**	945.1	3,914.6
Derivative financial instruments	**-**	**56.6**	-	50.9
Other assets	**-**	**54.7**	-	62.3
Total	**854.2**	**5,702.0**	1,046.9	5,176.3

*£182.6m of encumbered loans and advances to customers relate to mortgage assets used as a security in the Group's securitisation programme. Loan notes secured on these mortgage assets totalling £190.2m (2023: £227.5m) have been retained by the Group, as outlined in note 14. These notes are not presented on the Group Balance sheet and are unencumbered; £157.5m of these loan notes are available as securities to the Group and could be used as collateral.

39. Hedge accounting

The Group is exposed to interest rate risk across its fixed interest rate financial assets and liabilities.

The Society's core business is to provide competitive mortgage and savings products to its customers and Members. Deposits by Members fund the Society's mortgage lending, with the Society paying an interest charge in return for deposited funds, and borrowers pay to the Society an interest income in return for the funds they have borrowed.

Mortgage contracts attracting a fixed rate of interest are typically the most popular of the Society's mortgage offerings, with a fixed rate usually agreed for a term of two to five years. By contrast, most of the Society's deposits are made under short term agreements, with deposits often repayable 'on demand'. This introduces 'interest rate risk' to the Society's business, as when market-wide interest rates move, the return received on mortgage assets adjusts more slowly than the return paid on Member deposits.

To address this risk, the Society enters into interest rate swap agreements with external counterparties. These contracts protect against interest rate risk by 'swapping' a portion of the Society's fixed interest rate exposure to a variable rate: the Society agrees to pay a fixed rate to a financial counterparty for a period of time in exchange for receipt of a variable interest rate against a notional balance. The resulting variable interest income received matches the Society's variable interest expense, locking in interest margin.

Derivative financial instruments, including interest rate swaps, are held at fair value. The fair value changes when market interest rates change, with this change reflected in the Income Statement. However, most of the fixed rate exposures that the interest rate swaps are used to hedge are held at amortised cost, and thus their value on the Society's Balance Sheet does not change in line with market interest rates. The Society applies fair value hedge accounting and cash flow hedge accounting to address this mismatch. Hedge accounting allows the Society to post an adjustment for the value change in the hedged risk; and the movement of this adjustment is reflected in the Income Statement. If the hedge is effective, the adjustment in relation to the swaps' fair value change and the hedged risks' fair value change net off.

The Society also uses swap contracts in order to hedge exposures that are not yet on its Balance Sheet, for example fixed rate mortgages that have been offered but have not yet completed. To avoid volatility in the Society's Income Statement as a result of this hedging activity, the Society utilises cash flow hedge accounting.

Cash flow hedge accounting allows fair value adjustments to derivatives designated in a cash flow hedge to be posted through Other Comprehensive Income rather than the Income Statement to the extent the hedge is effective. Hedge effectiveness is measured by comparing the derivative fair value movement to that of a hypothetical derivative representing the hedged risk. The fair value movement represented in Other Comprehensive Income is restricted to the cumulative fair value movement of the hypothetical derivative. Hedge ineffectiveness is recognised in the Income Statement where fair value movements in the hedging instrument exceed those in the hypothetical derivative.

The Society makes use of the following different types of accounting hedges:

- The hedged item in a fair value micro hedge is a specific mortgage contract or a specific group of such contracts. It could also be a specified treasury asset (e.g. a fixed rate gilt) or treasury liability.
- The hedged item in a fair value macro hedge is a defined portion of a mortgage or savings book, but this portion is re-designated on a regular basis to reflect changes in the hedged portfolio, such as mortgage prepayments or new mortgage contracts.
- The hedged item in a cashflow hedge is usually a forecast floating rate liability, such as Term Funding Scheme or future securitisation funding. This is primarily used to hedge wholesale funding that will economically hedge the mortgage pipeline and swaps that have been transacted during the month. These swaps are designated into a macro fair value hedge at the beginning of the month following the drawdown of hedged loans.

The Society enters into derivative contracts for hedging purposes only. However, not all interest rate swaps may be designated in accounting hedge relationships. This could be the case if the hedged item is held at fair value, and there is therefore no mismatch to be addressed by hedge accounting, or if the restrictive accounting rules do not allow for a hedge to be designated or make it impractical to do so.

The Society uses foreign exchange forwards to protect against foreign exchange risk by fixing the exchange rate on a portion of the Society's Euro exposure. These foreign exchange forwards are not designated in accounting hedge relationships. There is no mismatch to be addressed by hedge accounting as the Society's euro-denominated equity release book is held at fair value.

Maturity analysis of hedging instruments

The maturity profile of the Group's hedging instruments at 31 December 2024 is as follows:

	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Interest rate swaps designated in macro fair value hedge relationships					
Nominal amount	-	827.9	2,051.6	28.0	2,907.5
Average fixed interest rate	-	4.26%	3.42%	3.63%	3.66%
Fair value of assets	-	3.7	36.6	0.8	41.1
Fair value of liabilities	-	(0.6)	(4.0)	(0.1)	(4.7)
Interest rate swaps designated in micro fair value hedge relationships					
Nominal amount	-	47.9	172.9	136.7	357.5
Average fixed interest rate	-	3.16%	3.70%	4.25%	3.84%
Fair value of assets	-	0.4	1.8	0.4	2.6
Fair value of liabilities	-	-	(0.2)	(3.8)	(4.0)
Interest rate swaps designated in cashflow hedge relationships					
Nominal amount	-	-	191.0	106.5	297.5
Average fixed interest rate	-	-	3.77%	3.73%	3.75%
Fair value of assets	-	-	1.7	1.3	3.0
Fair value of liabilities	-	-	-	-	-
Interest rate swaps utilised in securitisations					
Nominal asset amount	-	-	-	162.1	162.1
Average fixed interest rate	-	-	-	1.54%	1.54%
Nominal liability amount	-	-	-	162.1	162.1
Average fixed interest rate	-	-	-	1.49%	1.49%
Fair value of assets	-	-	-	8.7	8.7
Fair value of liabilities	-	-	-	(8.8)	(8.8)
Interest rate swaps in economic hedge relationships but not designated in accounting hedge relationships					
Nominal amount	287.5	60.0	208.5	175.5	731.5
Average fixed interest rate	4.80%	4.56%	4.21%	4.80%	4.61%
Fair value of assets	0.4	-	0.3	0.1	0.8
Fair value of liabilities	(0.5)	-	-	(11.4)	(11.9)
Total interest rate swaps					
Nominal amount	287.5	935.8	2,624.0	770.9	4,618.2
Average fixed interest rate	0.96%	2.39%	3.02%	3.59%	3.48%
Fair value of assets	0.4	4.1	40.4	11.3	56.2
Fair value of liabilities	(0.5)	(0.6)	(4.2)	(24.1)	(29.4)
Foreign exchange forwards in economic hedge relationships but not designated in accounting hedge relationships					
Nominal amount	11.1	16.6	-	-	27.7
Average GBP/EUR exchange rate	1.17	1.19	-	-	1.18
Fair value of assets	0.3	0.1	-	-	0.4
Fair value of liabilities	-	-	-	-	-

The maturity profile of the Group's hedging instruments at 31 December 2023 is as follows:

	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Interest rate swaps designated in macro fair value hedge relationships					
Nominal amount	-	57.0	1,171.0	10.0	1,238.0
Average fixed interest rate	-	2.51%	2.77%	4.57%	2.77%
Fair value of assets	-	1.3	37.3	-	38.6
Fair value of liabilities	-	-	(10.6)	(0.8)	(11.4)
Interest rate swaps designated in micro fair value hedge relationships					
Nominal amount	11.5	18.5	52.7	110.2	192.9
Average fixed interest rate	4.47%	4.80%	2.66%	4.38%	3.96%
Fair value of assets	-	-	1.5	-	1.5
Fair value of liabilities	-	-	(0.3)	(12.7)	(13.0)
Interest rate swaps designated in cashflow hedge relationships					
Nominal amount	-	-	57.5	55.0	112.5
Average fixed interest rate	-	-	4.08%	4.13%	4.10%
Fair value of assets	-	-	-	-	-
Fair value of liabilities	-	-	(1.0)	(2.0)	(3.0)
Interest rate swaps utilised in securitisations					
Nominal asset amount	-	-	-	203.4	203.4
Average fixed interest rate	-	-	-	1.49%	1.49%
Nominal liability amount	-	-	-	203.4	203.4
Average fixed interest rate	-	-	-	1.54%	1.54%
Fair value of assets	-	-	-	10.3	10.3
Fair value of liabilities	-	-	-	(10.4)	(10.4)
Interest rate swaps in economic hedge relationships but not designated in accounting hedge relationships					
Nominal amount	35.0	50.0	-	148.8	233.8
Average fixed interest rate	3.95%	5.25%	-	5.03%	4.92%
Fair value of assets	0.2	0.2	-	-	0.4
Fair value of liabilities	(0.1)	-	-	(21.5)	(21.6)
Total interest rate swaps					
Nominal amount	46.5	125.5	1,281.2	730.8	2,184.0
Average fixed interest rate	1.68%	1.46%	1.90%	3.92%	3.45%
Fair value of assets	0.2	1.5	38.8	10.3	50.8
Fair value of liabilities	(0.1)	-	(11.9)	(47.4)	(59.4)
Foreign exchange forwards in economic hedge relationships but not designated in accounting hedge relationships					
Nominal amount	17.5	24.7	-	-	42.2
Average GBP / EUR exchange rate	1.15	1.15	-	-	1.15
Fair value of assets	-	-	-	-	-
Fair value of liabilities	(0.1)	(0.2)	-	-	(0.3)
Deferred consideration derivative					
Nominal amount	-	8.2	18.7	38.6	65.5
Fair value of assets	-	-	-	-	-
Fair value of liabilities	-	(0.2)	(0.5)	(1.1)	(1.8)

Swap assets and liabilities are held at their fair value on Balance Sheet as derivative financial instruments.

Summary of hedged items in designated hedge relationships

Fair value hedges

Interest rate risk

	2024				2023			
	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged item	Change in fair value of hedged items in the year used for ineffectiveness measurement	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged item	Change in fair value of hedged items in the year used for ineffectiveness measurement
	Assets £m	Liabilities £m	£m	£m	Assets £m	Liabilities £m	£m	£m
Fixed rate mortgages	2,289.6	-	(21.9)	(11.5)	1,239.2	-	(13.2)	45.3
Fixed rate customer deposits	-	716.3	-	-	-	-	-	0.2
Fixed rate customer loans individually hedged	118.0	-	2.2	(7.1)	96.4	-	9.3	(3.5)
Fixed rate FVOCI debt instruments	239.3	-	(1.6)	(3.7)	87.2	-	2.1	4.4

Cash flow hedges

Interest rate risk

	2024			2023		
	Change in fair value of hedged item in the year used for hedge ineffectiveness measurement	Cash flow hedge reserve		Change in fair value of hedged item in the year used for hedge ineffectiveness measurement	Cash flow hedge reserve	
	£m	Continuing hedges £m	Discontinued hedges £m	£m	Continuing hedges £m	Discontinued hedges £m
Gross floating rate liabilities*	(7.1)	2.3	4.6	5.8	(3.1)	4.9

Cash flow hedges

Interest rate risk

	2024				2023			
	Hedge ineffectivness recognised in Income Statement	Effective portion recognised in other comprehensive income	Reclassified to Income Statement		Hedge ineffectivness recognised in Income Statement	Effective portion recognised in other comprehensive income	Reclassified to Income Statement	
	£m	£m	Net interest income £m	Non-interest income £m	£m	£m	Net interest income £m	Non-interest income £m
Gross floating rate liabilities*	-	7.1	-	2.1	-	5.8	-	0.4

* Highly probable future cash flows arising from loans and advances to customers

Hedge Ineffectiveness

By design, the Society's hedges are expected to be economically effective, with notional balances, durations and rates on interest rate swaps agreed only where they are expected to be a good fit to the same characteristics of the underlying assets that are to be hedged. Hedge ineffectiveness can nonetheless arise from early asset repayments, imperfectly matched key terms, differences in the timing of cash flows of hedged items and hedging instruments, different interest rate curves applied to discount the hedged items and hedging instruments and the effect of changes in counterparties' credit risk on the fair values of hedging instruments. The table below provides details of the hedge ineffectiveness during the year.

	2024 £m	2023 £m
Gains / (losses) on micro hedging instruments		
Interest rate swaps	**10.6**	(1.1)
(Losses) / gains on micro hedged item		
Mortgage assets (loans and advances to customers)	**(10.8)**	0.9
Gains / (losses) on cashflow instruments		
Interest rate swaps	**7.1**	5.8
(Losses) / gains on cashflow hedge items		
Floating rate liabilities	**(5.0)**	(5.4)
Gains / (losses) on macro hedging instruments		
Interest rate swaps	**6.7**	(43.2)
(Losses) / gains on macro hedged items		
Mortgage assets (loans and advances to customers)	**(11.5)**	45.5
Total ineffectiveness recognised in the Income Statement	**(2.9)**	2.5

Hedging gains and losses are recognised in the Income Statement within 'gains less losses on financial instruments and hedge accounting'. There were no unexpected sources of hedge ineffectiveness during the year.

Fair value gains less losses on financial instruments and hedge accounting recognised in the income statement

	Group		Society	
	2024 £m	2023 £m	**2024 £m**	2023 £m
Fair value movement on loans and advances to customers held at FVTPL	**(5.8)**	4.4	**(5.8)**	4.4
Fair value movement on derivative financial instruments in economic relationship with loans and advances to customers held at FVTPL but not in accounting hedge relationships	**10.7**	(3.7)	**10.7**	(3.7)
Fair value movement on derivative financial instruments in other economic but not in accounting hedge relationships	**3.3**	(2.9)	**3.3**	(2.9)
Interest expense on derivatives in economic but not in accounting hedge relationships	**-**	(0.5)	**-**	(0.5)
Hedge ineffectiveness on accounting hedges	**(2.9)**	2.5	**(2.9)**	2.5
Revaluation of investments	**(0.4)**	(0.2)	**-**	-
	4.9	(0.4)	**5.3**	(0.2)

Cash flow hedging reserve

	Total £m
Balance at 1 January 2024	1.4
Reclassification of hedging losses to Income Statement	(2.1)
Revaluation of interest rate cash flow hedges in Other Comprehensive Income	7.1
Deferred tax on cash flow hedges	(1.3)
Balance at 31 December 2024	**5.1**

All transactions and balances included within the cash flow hedging reserve are related to interest rate swaps.

40. Credit risk: Impairment methodologies

Credit risk is the risk that a customer or counterparty is unable to honour their repayment of obligations as they fall due.

The Group Risk Committee maintain oversight of the Credit Risk Committee. The Credit Risk Committee is responsible for the monitoring of Group's exposure to credit risk. Model Risk Committee is charged with oversight of the Group's IFRS 9 models and assessment and approval of its key model inputs. Throughout 2024 the Model Risk Committee met regularly, coinciding with key dates in the Group's reporting calendar.

Credit risk mainly arises from commercial and customer loans and advances and loan commitments arising from lending activities but also arises from the Group's investment in debt securities and exposure to third party (financial and non-financial) debtors.

The Group's policy with respect to accounting for impairment of financial assets is given in note 1. This note describes the practical application of this policy.

Provisioning methodology

Under IFRS 9, the Group conducts a forward-looking assessment of impairment. Expected credit losses are recognised across applicable financial assets based on whether there has been a significant increase in credit risk since the asset's origination. Assets with no significant increase in credit risk since origination are denoted as stage 1 assets, assets which have suffered a significant increase in credit risk but have not defaulted are denoted as stage 2 assets and assets that have defaulted are denoted as stage 3 assets.

When assessing movement in credit risk, it is the change in the risk of default occurring that is key, not the change in the amount of any expected credit loss.

Assets are assessed on an individual basis with a forward-looking assessment undertaken to support the recognition of future potential losses. While losses are provided for, assets are only formally written off when the Group no longer holds any expectation of subsequent receipt, typically at the conclusion of a negotiation or sale.

Where lifetime probabilities of default are not available on acquired books, the Group uses comparable customer credit ratings and loan to value information to assess a suitable provision for that lending.

Purchased or originated credit impaired (POCI)

It is not the Group's practice to acquire or originate POCI assets, the POCI assets held arose on the transfer of engagement from Manchester Building Society in 2023.

POCI loan books are recognised at their fair value on acquisition, with changes in credit risk reflected through a loss allowance going forward. These mortgages are treated as stage 3 borrowers and do not get transferred to stage 1 or 2 if credit risk reduces.

Residential and buy-to-let mortgages

Significant increase in credit risk since origination

At the application stage, a prospective borrower's credit risk is assessed. The Group does not lend to high risk customers but will lend to prime customers who can fall under a range of application scores - based on a wide variety of factors including affordability, credit history and committed monthly spend. A borrower's application score gives a quantified assessment of borrower risk – a risk score.

On a quarterly basis, the Group receives borrower credit scores from Experian, an industry leader in the provisioning of consolidated credit scoring information. This data is mapped internally to a new borrower risk score – allowing continuous assessment of the movement in borrower risk since origination.

The Group apply the below criteria when assessing whether there has been a significant increase in credit risk for residential and buy-to-let mortgages:

Stage 1 borrowers:

- Risk score is suitably consistent between origination date and reported date.

Stage 2 borrowers:

- Risk score increases past pre-defined internal thresholds but has not defaulted; or
- Have fallen into >1 month's arrears.

Stage 3 borrowers:

- Have defaulted (assessed a range of internal qualitative and quantitative criteria); or
- Have fallen into >3 month's arrears.

Impairment calculation

The Group calculates for each mortgage exposure a forward view as to how likely that mortgage is to default at some point over its expected life. For stage 1 assets, the Group provides for losses resulting from events that may occur in the following 12 months. For stage 2 and stage 3 assets, the Group provides for losses that may occur at any time in the life of the mortgage.

12 months and lifetime expected credit losses are calculated by the Group as the discrete losses that would likely be incurred (considering mortgage exposure vs. the expected sale value of the mortgaged property) if a mortgage defaulted on any of a large range of future dates. Each discrete provision needs to be assigned a probability of default weighting in order to calculate one overall lifetime expected credit loss. As such, a continuous forward view to the probability of default is calculated.

Key impairment model inputs, assumptions and estimation techniques

The Group calculates its probability of default (PD) as follows:

- The Group has undertaken a detailed assessment of more than 12 years of its internal credit risk data to determine the core factors that lead to borrower default.
- Default indicators identified include granting of forbearance, evidence of mortgage fraud, borrowers falling into > 3 months arrears, borrower insolvency or bankruptcy and voluntary repossession of property. These are used in the staging assessment above to assist in the classification of borrowers as stage 1, stage 2 or stage 3.
- The Group's assessment also considers wider patterns of default, analysing historic borrower defaults by their maturity (how long a mortgage had been held by the Group), vintage (during which original time period the Group lent to a borrower) and considering exogenous factors in play at the time of default (external factors including the interest rate environment, unemployment rates, UK (nominal) GDP and House Price Index).
- The exogenous, maturity and vintage (EMV) factors are used to derive point in time and forward-looking probability of default curves: projecting historical information about defaults suffered under known 'EMV conditions' forward in combination with the Group forward views on the wider macroeconomic environment (as this will influence the forward view on how exogenous factors may develop over time). In combination, these curves form the Group's forward-looking probability of default curve, as calculated under the EMV model.

The Group calculates its exposure at default (EAD) as follows:

- The Group projects mortgage balances forward to give an estimate of each borrower's mortgage balance over time. This factors in forecast interest additions and expected borrower payments alongside an estimate of the value of each borrower's property collateral throughout a long-term forecast. An adjustment is made to uplift the Group's exposure to borrowers to simulate a typical borrower default of 3 missed monthly payments plus typical fees associated with arrears.
- The output is a per-mortgage forward projection of mortgage balances.

The Group calculates its expected loss given default (LGD) as follows:

- The Group calculates a per-mortgage LGD, an estimate of the proportion of each mortgage loan exposure that is believed to be at risk if the borrower defaults on their obligation to repay the outstanding capital and interest and the property is subsequently possessed and sold.
- LGD is calculated as the probability of possession given the default of a borrower (PPD) which estimates the likelihood of possession following default multiplied by the expected shortfall on each mortgage: an estimation of the difference between the exposure at default (as discussed above) and the sale price of the property, net of relevant sales costs.

The Group calculates expected credit loss provisions as PD * EAD * LGD

- The Group calculates a final provision for each mortgage as the probability of default multiplied by the amount the Group expects to lose in the event of a default.
- As discussed above, this is not static or a point in time loss: the Group calculates PD, EAD and LGD across a continuous forward planning horizon. The final provision number is not a singular PD*EAD*LGD, it reflects the discounted overall expected loss that could be incurred over the life of each mortgage: a weighted average of multiple possible future loss events.

Multiple economic scenarios

IFRS 9 expects more than one scenario to be considered when calculating expected credit losses. The Group applies this principle by assessing the provisions required under four separate macroeconomic forecasts. These macroeconomic forecasts feed into the exogenous component of the Group's EMV models.

The Group runs:

- Base scenario: uses as a reference the average HM Treasury short term forecast for the UK economy for the first 2 years and then the medium-term forecasts for 2025 onwards
- Upside scenario: uses as a reference the most positive HM Treasury short and medium term forecasts for the UK economy
- Downside scenario: uses the most negative short and medium term HM treasury forecasts; and
- Stress scenario: a severely negative scenario, developed with reference to the Bank of England's annual concurrent stress test scenarios for the largest UK banks and building societies.

The Group's final expected credit losses are the losses calculated under each discrete scenario, multiplied by a likelihood factor, or scenario weighting. The weightings at 31 December 2024 were as follows:

Scenario weighings	Upside	Base	Downside	Stress
2024	10%	40%	40%	10%
2023	10%	40%	40%	10%

Key macroeconomic information

The Group considers the following to be the key macroeconomic and forward view inputs to its impairment models:

- UK unemployment rate
- UK house price index
- UK household income
- Bank of England base rate
- UK nominal gross domestic product

The Group's assessments as to which variables are key has not changed in the current year. Quarterly updates to the variables themselves to reflect the most recent market information have been reflected in the Group's impairment results.

Changes to Economic scenarios

Against the uncertainty in the UK economy, the Group have developed new economic scenarios for the credit loss provision model, using the most recent industry data, forecasts and benchmarks available at the time of development.

The Group's IFRS 9 model is most sensitive to forecasted house price growth and unemployment, which are summarised below.

		31 December 2024					
Scenario	**Economic measure**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Upside	Unemployment rate, %	4.2	3.5	3.1	3.0	3.1	3.1
	House price growth, % pa	2.2	4.2	4.2	4.4	4.1	4.1
Base	Unemployment rate, %	4.2	4.4	4.4	4.3	4.1	4.1
	House price growth, % pa	1.7	2.3	2.0	2.6	2.7	2.7
Downside	Unemployment rate, %	4.5	6.4	6.9	6.6	6.3	6.3
	House price growth, % pa	1.7	(3.3)	(7.1)	(3.6)	3.5	3.5
Severe downside	Unemployment rate, %	4.5	7.9	9.7	8.2	7.4	7.4
	House price growth, % pa	(0.4)	(12.6)	(11.5)	(2.5)	2.7	2.7
Weighted*	Unemployment rate, %	4.4	5.4	5.8	5.5	5.2	5.2
	House price growth, % pa	1.5	(1.2)	(2.7)	(0.2)	3.1	3.1

		31 December 2023					
Scenario	**Economic measure**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Upside	Unemployment rate, %	4.7	4.4	4.3	3.6	3.6	3.6
	House price growth, % pa	1.0	3.0	5.4	7.9	7.9	7.9
Base	Unemployment rate, %	4.8	5.5	5.0	5.0	4.8	4.8
	House price growth, % pa	(1.2)	(3.4)	0.7	3.9	6.4	6.4
Downside	Unemployment rate, %	4.9	6.2	5.5	5.4	5.4	5.4
	House price growth, % pa	(5.8)	(9.7)	(4.4)	1.0	3.9	3.9
Severe downside	Unemployment rate, %	5.2	8.5	8.0	7.4	6.8	6.8
	House price growth, % pa	(8.0)	(13.3)	(15.1)	(1.7)	0.7	0.7
Weighted*	Unemployment rate, %	4.9	6.0	5.4	5.3	5.1	5.1
	House price growth, % pa	(3.5)	(6.3)	(2.5)	2.6	5.0	5.0

*Expected credit losses are calculated for each loan in each scenario and then probability weighted, so the weighted figure presented above is for illustrative purposes only.

Post model adjustments

The Group recognises post model adjustments when it identifies risks which are not addressed by its core impairment model. Emerging risks are regularly considered by the Group Risk Committee and if necessary, a post model adjustment is recognised.

Fire safety and cladding risk

The Group has a small number of loans secured on properties with unsuitable cladding or other fire safety risks. A review of high-risk properties has been performed and as the marketability of such properties is uncertain, a post model adjustment of £0.3m (2023: £0.3m) has been recognised.

Affordability

Whilst the Group has seen small increases in non-performing loans in the current year, overall arrears remains low. However, the significant increases in market interest rates over the previous two years result in significantly increased mortgage costs for borrowers on variable rate products, as well as for those whose fixed rate products mature. A post model adjustment of £0.6m (2023: £0.9m) has been booked to account for the risk that some borrowers whose borrowing costs have recently increased significantly or will do so in the following three years may struggle to afford their increased mortgage payments, based on information available to the Group.

The adjustment has been determined by classifying borrowers most at risk from increased mortgage interest rates as stage 2.

Climate change

There have been no observed climate change related defaults and therefore no identifiable increases in credit risk. A post model adjustment of £0.1m (2023: £nil) has been recognised for the risk of losses from reduction in property values that are most at risk due to climate change.

Commercial and other legacy books

Commercial and other legacy books are managed by the commercial lending department and includes properties secured on commercial property, buy-to-let customers which would now be outside of the Group's lending policy and loans secured on serviced apartments.

Significant increase in credit risk since origination:

An assessment of the risk of loss against the Group's legacy mortgage books is carried out on a case-by-case basis. Across the highest risk exposures, this includes the annual completion of a tailored risk grade scorecard designed to encompass the key characteristics contributing to underlying risk.

Each of the scorecard risks are weighted to provide a final weighted risk score for the loan, which categorises the loan in terms of likelihood of failure in a moderate or severe recessionary scenario. The risks that carry the highest weightings relate to tenant failure and serviceability.

Due to the low number of remaining commercial borrowers, all borrowers are closely monitored. All payments due are monitored on a real-time basis. In the event of a late payment, the position is reviewed immediately and appropriate action taken.

The Group apply the below criteria when assessing whether there has been a significant increase in credit risk for commercial and legacy mortgages:

Stage 1 borrowers:

- Risk score is suitably consistent between origination date and reported date.

Stage 2 borrowers:

- Risk score increases past pre-defined internal thresholds, or where the commercial lending department flags that credit risk has increased significantly, but a borrower has not otherwise defaulted; or
- Have fallen into >1 month's arrears.

Stage 3 borrowers:

- Have defaulted (assessed a range of internal qualitative and quantitative criteria); or
- Have fallen into >3 month's arrears.

Impairment calculation and key impairment model inputs

The calculation used to determine the provisions for legacy mortgage contracts is similar to that used for the prime residential book. Provisions are determined as probability of default (PD) * exposure at default (EAD) * loss given default (LGD). Please see explanations of each of these terms above.

The main difference between the prime residential and the legacy books consists in the way model inputs are determined. Due to the nature and the small size of the legacy books, the most significant model inputs are determined manually on a mortgage-by-mortgage basis or for small groups of mortgages.

For each mortgage contract, the Group applies its specific knowledge of the customer and the property on an individual basis, as well as its understanding of the sector to determine a forward view as to how likely that mortgage is to default at some point over its expected life for stage 2 mortgages, or due to events occurring in the following 12 months in the case of stage 1 accounts.

Loss given default is calculated based on a sector specific discount to the property's current indexed valuation. The discount reflects management's confidence about the sector's prospects in the current and projected future economic environment. The valuation takes into account the individual property's circumstance and the local market conditions.

Economic scenarios

The provisions booked in respect to commercial and other legacy books are based on four economic scenarios, consistent with those scenarios used for residential provisioning.

The impairment provision is most sensitive to the borrower specific probability of default and the sector or property specific discount to indexed valuations at the time of disposal.

Future commercial property prices are highly uncertain and depend on the future prosperity of the UK in general, the individual sector the property can be used for, local economic conditions, the remaining duration of the current lease agreement, and the strength of the current tenant.

For loans secured on legacy buy-to-let and commercial properties, the following reductions to valuations at 31 December 2024 were applied:

Sector	Upside	Base	Downside	Stress
Retail	10%	20%	30%	60%
Leisure	40%	50%	55%	65%
Residential	1%	1%	14-17%	27-29%

A separate model has been designed to accommodate the specific circumstances of the Serviced Apartments portfolio, where property values are exposed to the profitability of the London hotel market. For this portfolio, the following (increases) / reduction to 2024 property values have been assumed:

Sector	Upside	Base	Downside	Stress
Serviced apartments	(6%)	15%	30%	60%

Housing associations

Loans to housing associations are monitored and managed by the commercial lending department with a range of management information used to assess the Group's ongoing exposure (which while of extremely high credit quality remains of significant size). An open dialogue is maintained with borrowers, with the Group appraised of their status, financial results and position, and numerous other financial and risk metrics. Quarterly management information is also reviewed including business plans. Lending is contingent on compliance with a number of financial commitments and covenants. The Group actively monitors for potential breaches of contractual positions.

Whilst the Group has never experienced any arrears or suffered losses, due to the scale and nature of long-term exposures, borrowers' credit risk is measured through a bespoke risk grade scorecard which charts financial performance, covenant compliance, asset cover, stock location/demand and regulatory feedback.

Housing associations are historically a nil loss, nil default sector and are widely considered to be Government backed in the case of financial stress. Housing association exposures have proven to be of the lowest credit risk throughout a volatile and extended recession period. The Group has no internal history of loss to draw on with respect to housing association exposures and cannot supplement its own data with loss data of its peers.

The combined effect of a well collateralised set of exposures, in an environment where the demand for housing is only increasing, with no history of default on the part of any borrower and a sincere expectation that any theoretical default would be addressed by the jurisdictional Government, leads to a conclusion that no material impairment of housing association exposures is plausibly expected.

Debt securities

The Group monitors the external credit ratings applied to its debt security investments on a daily basis.

The Group's debt security holdings are all of investment grade or higher. The Group has therefore assessed that the credit risk on its debt security exposures has not increased significantly since initial recognition.

The Treasury Risk department runs very severe annual stressed scenarios over the residential mortgage backed securities (RMBS). The Group's policy to allow only investment grade and senior secured exposures leaves the Group highly insensitive to stressed scenarios as the waterfall structure of RMBS payments ensures continued receipt of contractual cash flows even through significantly stressed scenarios.

The Group's covered bond exposures are similarly resilient: the Group is only exposed to regulated UK covered bonds with the regulations providing for the full segregation of covered bond asset pools from the bond issuer. The regulations introduce numerous investor protections including mandatory over-collateralisation, an extensive initial application process and regular regulatory stress testing and supervisory monitoring.

Other financial assets

The Group has elected to take advantage of IFRS 9's practical expedient when assessing the accounting impairment applied to its trade receivables. Lifetime expected credit losses are therefore provided against all trade receivables. A provisions matrix approach, where provisions against receivables are calculated as an increasing percentage of the receivable balance, rising as receivables fall further overdue, has been adopted.

Assessment of the appropriate provision percentages has been made in line with the Group's historic trade receivable recovery. Where appropriate, forward-looking views to recovery are also incorporated.

Modifications

The Group grants forbearance to commercial borrowers in the form of extending the loan term on maturity, capitalising arrears as part of a wider exercise to get a borrower back on track with a revised debt repayment plan and adjusting the interest rate to aid serviceability particularly where a fixed rate has expired. Generally, the Group expects commercial investment loans to be repaid on maturity given the stated strategy of winding down the portfolio, but the Group will grant forbearance when this is also in the best interests of the Group, e.g. providing the borrower with more time to sell the security property following a tenant renewal.

The Group occasionally grants forbearance to other borrowers (in similar forms to commercial) where this is expected to improve the ultimate recovery on loans advanced.

The requirement to grant forbearance is considered an objective indicator that an asset has suffered a significant increase in credit risk since origination. As such, while forbearance may mitigate a selection of the Group's other indications of default, the granting of forbearance will not result in a preferential staging (Stage 1 or 2) being applied to any forborne asset. While benefitting from any revised terms that forbearance may bring, an asset is not able to move to a lower staging. Only once forbearance has been lifted can an asset qualify for a reduced staging with the Group operating a six month curing policy: deferring the reduction in staging until a six month period has passed in which no other indicators of default or heightened credit risk have presented themselves.

41. Credit risk: Expected credit losses

During the year inflation has reduced and remains below current average earnings growth. Bank base rate has also reduced and overall, the cost of borrowing has reduced, which has eased affordability pressures and supported a recovery in the housing market, with house prices increasing by 4%.

Although residential mortgage arrears have increased to some extent, in line with the overall market, borrowers have remained very resilient to affordability pressures. Whilst there has been a small decrease in the proportion of borrowers in stage 1, the improvement in the economic outlook over the year has resulted in overall provisions for expected credit losses decreasing over the reporting period and a reduction in mortgage loss provision coverage ratio across all mortgage loans decreasing from 0.13% to 0.11%.

Prime residential and buy-to-let lending

In 2024, provisions of £1.4m were booked on residential and buy-to-let mortgages newly originated in the year, reflecting the growth of the mortgage book. Redemptions in the year resulted in a £0.8 m reduction of provisions, with £1.2m of provisions released on residential and buy-to-let mortgages as the macro-economic outlook improved during the year, resulting in a net gain of £0.6m.

This results in a decrease in the mortgage loss provision coverage ratios from 0.13% to 0.11%.

Legacy books

The Group successfully continued winding down its legacy portfolios, seeing the redemption of, or capital repayments against, legacy loans, reducing the balances by £15.0m and an overall reduction in provisions of £0.4m.

Mortgage loans transferred to the legacy books from prime residential and buy-to-let lending results in a £0.6m increase in provisions in relation to this portfolio of loans (with a corresponding reduction in prime residential and buy-to-let provisions), with redemptions in the year resulting in a £0.5m reduction in provisions and a net decrease in credit risk across legacy lending decreasing provisions by a further £0.5m.

A number of loans acquired as part of the merger with Manchester Building Society in 2023 were classed as Purchased or Originated Credit Impaired on merger, resulting in the loans being recognised on the Balance Sheet at the net amount of gross mortgage balance less provision. Following redemptions of £2.6m of these loans, provisions of £1.5m which were netted off the gross mortgage balances have also been reversed, leading to a £1.5m gain to the Income Statement.

Quantitative impairment impact

Reconciliation table	Loss allowance at 1 January 2024 £000	Increases due to orgination and acquisition £000	Decreases due to derecognition £000	Transition between stages £000	Changes in credit risk £000	Loss allowance at 31 December 2024 £000
Prime residential						
Stage 1	705.6	273.5	(267.5)	1,160.2	(1,152.2)	719.6
Stage 2	3,224.3	890.4	(239.9)	(1,203.1)	(358.2)	2,313.5
Stage 3	1,261.1	190.9	(100.4)	42.9	356.5	1,751.0
Total	**5,191.0**	**1,354.8**	**(607.8)**	**0.0**	**(1,153.9)**	**4,784.1**
Buy-to-let						
Stage 1	114.8	45.4	(36.9)	41.2	(39.3)	125.2
Stage 2	301.4	31.9	(7.2)	(38.9)	(164.0)	123.2
Stage 3	225.7	-	(197.4)	(2.3)	115.0	141.0
Total	**641.9**	**77.3**	**(241.5)**	**0.0**	**(88.3)**	**389.4**
Legacy buy-to-let						
Stage 1	52.6	-	(49.7)	-	(0.5)	2.4
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Total	**52.6**	**-**	**(49.7)**	**-**	**(0.5)**	**2.4**
Purchased credit impaired lending						
Stage 1	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-
Stage 3	244.7	-	(26.8)	-	(217.9)	-
Total	**244.7**	**-**	**(26.8)**	**-**	**(217.9)**	**-**
Commercial						
Stage 1	28.8	-	(28.8)	1.1	-	1.1
Stage 2	492.7	-	(292.1)	(1.1)	(199.6)	(0.1)
Stage 3	-	575.4	-	-	-	575.4
Total	**521.5**	**575.4**	**(320.9)**	**(0.0)**	**(199.6)**	**576.4**
Housing association						
Stage 1	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**
Serviced apartments						
Stage 1	14.1	-	(2.1)	85.2	(80.7)	16.5
Stage 2	622.2	-	(0.7)	(85.2)	(87.0)	449.3
Stage 3	343.6	-	(1.5)	-	86.3	428.4
Total	**979.9**	**-**	**(4.3)**	**-**	**(81.4)**	**894.2**
Policy loans						
Stage 1	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-
Stage 3	-		-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**
Total						
Stage 1	**915.9**	**318.9**	**(385.0)**	**1,287.7**	**(1,272.7)**	**864.8**
Stage 2	**4,640.6**	**922.3**	**(539.9)**	**(1,328.3)**	**(808.8)**	**2,885.9**
Stage 3	**2,075.1**	**766.3**	**(326.1)**	**40.6**	**339.9**	**2,895.8**
Total	**7,631.6**	**2,007.5**	**(1,251.0)**	**-**	**(1,741.6)**	**6,646.5**

Provisions of £0.2m (2023: £0.2m) above relate to loans and advances to customers made by a subsidiary company, secured on prime residential property.

Quantitative impairment impact

Reconciliation table	Gross exposure at 1 January 2024 £m	Increases due to orgination and acquisition £m	Decreases due to derecognition £m	Transition between stages £m	Gross exposure at 31 December 2024 £m
Prime residential					
Stage 1	3,248.4	922.1	(537.9)	(58.6)	3,574.0
Stage 2	720.8	171.2	(47.4)	36.9	881.5
Stage 3	50.6	2.9	(7.2)	21.7	68.0
Total	**4,019.8**	**1,096.2**	**(592.5)**	**-**	**4,523.5**
Buy-to-let					
Stage 1	292.6	40.4	(53.2)	(30.5)	249.3
Stage 2	90.4	10.0	(1.4)	30.5	129.5
Stage 3	6.6	-	(0.7)	-	5.9
Total	**389.6**	**50.4**	**(55.3)**	**-**	**384.7**
Legacy buy-to-let					
Stage 1	13.3	-	(7.5)	-	5.8
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
Total	**13.3**	**-**	**(7.5)**	**-**	**5.8**
Purchased credit impaired lending					
Stage 1	-	-	-	-	-
Stage 2	-	-	-	-	-
Stage 3	7.7	-	(2.4)	-	5.3
Total	**7.7**	**-**	**(2.4)**	**-**	**5.3**
Commercial					
Stage 1	3.2	-	(3.2)	1.3	1.3
Stage 2	2.9	-	(1.6)	(1.3)	-
Stage 3	-	0.7	-	-	0.7
Total	**6.1**	**0.7**	**(4.8)**	**-**	**2.0**
Housing association					
Stage 1	211.9	-	(32.7)	-	179.2
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
Total	**211.9**	**-**	**(32.7)**	**-**	**179.2**
Serviced apartments					
Stage 1	9.7	-	(0.8)	0.3	9.2
Stage 2	4.0	-	-	(0.3)	3.7
Stage 3	1.0	-	-	-	1.0
Total	**14.7**	**-**	**(0.8)**	**-**	**13.9**
Policy loans					
Stage 1	1.2	-	(0.2)	-	1.0
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
Total	**1.2**	**-**	**(0.2)**	**-**	**1.0**
Total					
Stage 1	**3,780.3**	**962.5**	**(635.5)**	**(87.5)**	**4,019.8**
Stage 2	**818.1**	**181.2**	**(50.4)**	**65.8**	**1,014.7**
Stage 3	**65.9**	**3.6**	**(10.3)**	**21.7**	**80.9**
Total	**4,664.3**	**1,147.3**	**(696.2)**	**-**	**5,115.4**

Quantitative impairment impact

Reconciliation table	Loss allowance at 1 January 2023 £000	Increases due to orgination and acquisition £000	Decreases due to derecognition £000	Transition between stages £000	Changes in credit risk £000	Loss allowance at 31 December 2023 £000
Prime residential						
Stage 1	441.2	526.5	(191.8)	635.7	(706.0)	705.6
Stage 2	1,680.5	1,261.1	(63.4)	(763.5)	1,109.6	3,224.3
Stage 3	873.5	62.3	(255.0)	127.8	452.5	1,261.1
Total	**2,995.2**	**1,849.9**	**(510.2)**	**-**	**856.1**	**5,191.0**
Buy-to-let						
Stage 1	131.6	50.2	(20.6)	12.2	(58.6)	114.8
Stage 2	223.8	1.8	(5.9)	(47.0)	128.7	301.4
Stage 3	94.4	-	(94.2)	34.8	190.7	225.7
Total	**449.8**	**52.0**	**(120.7)**	**-**	**260.8**	**641.9**
Legacy buy-to-let						
Stage 1	39.6	-	-	-	13.0	52.6
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Total	**39.6**	**-**	**-**	**-**	**13.0**	**52.6**
Purchased credit impaired lending						
Stage 1	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	244.7	244.7
Total	**-**	**-**	**-**	**-**	**244.7**	**244.7**
Commercial						
Stage 1	39.2	118.5	(39.2)	(89.7)	-	28.8
Stage 2	529.6	-	(32.2)	89.7	(94.4)	492.7
Stage 3	1,826.9	-	(1,826.9)	-	-	-
Total	**2,395.7**	**118.5**	**(1,898.3)**	**-**	**(94.4)**	**521.5**
Housing association						
Stage 1	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**
Serviced apartments						
Stage 1	11.8	-	(1.2)	(0.6)	4.1	14.1
Stage 2	439.4	-	(38.9)	63.8	157.9	622.2
Stage 3	303.3	-	-	(63.2)	103.5	343.6
Total	**754.5**	**-**	**(40.1)**	**-**	**265.5**	**979.9**
Policy loans						
Stage 1	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**
Total						
Stage 1	**663.4**	**695.2**	**(252.8)**	**557.6**	**(747.5)**	**915.9**
Stage 2	**2,873.3**	**1,262.9**	**(140.4)**	**(657.0)**	**1,301.8**	**4,640.6**
Stage 3	**3,098.1**	**62.3**	**(2,176.1)**	**99.4**	**991.4**	**2,075.1**
Total	**6,634.8**	**2,020.4**	**(2,569.3)**	**-**	**1,545.7**	**7,631.6**

Quantitative impairment impact

Reconciliation table	Gross exposure at 1 January 2023 £m	Increases due to orgination and acquisition £m	Decreases due to derecognition £m	Transition between stages £m	Gross exposure at 31 December 2023 £m
Prime residential					
Stage 1	2,810.3	934.4	(418.2)	(78.1)	3,248.4
Stage 2	531.6	176.5	(39.7)	52.4	720.8
Stage 3	27.2	2.0	(4.3)	25.7	50.6
Total	**3,369.1**	**1,112.9**	**(462.2)**	**-**	**4,019.8**
Buy-to-let					
Stage 1	328.3	22.1	(23.9)	(33.9)	292.6
Stage 2	65.2	1.8	(5.0)	28.4	90.4
Stage 3	2.4	-	(1.3)	5.5	6.6
Total	**395.9**	**23.9**	**(30.2)**	**-**	**389.6**
Legacy buy-to-let					
Stage 1	14.0	0.3	(1.0)	-	13.3
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
Total	**14.0**	**0.3**	**(1.0)**	**-**	**13.3**
Purchased credit impaired lending					
Stage 1	-	-	-	-	-
Stage 2	-	-	-	-	-
Stage 3	-	8.0	(0.3)	-	7.7
Total	**-**	**8.0**	**(0.3)**	**-**	**7.7**
Commercial					
Stage 1	3.1	3.6	(3.1)	(0.4)	3.2
Stage 2	2.7	-	(0.2)	0.4	2.9
Stage 3	4.8	-	(4.8)	-	-
Total	**10.6**	**3.6**	**(8.1)**	**-**	**6.1**
Housing association					
Stage 1	270.9	0.2	(59.2)	-	211.9
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
Total	**270.9**	**0.2**	**(59.2)**	**-**	**211.9**
Serviced apartments					
Stage 1	11.8	-	(1.6)	(0.5)	9.7
Stage 2	3.5	-	(0.3)	0.8	4.0
Stage 3	1.3	-	-	(0.3)	1.0
Total	**16.6**	**-**	**(1.9)**	**-**	**14.7**
Policy loans					
Stage 1	1.5	-	(0.3)	-	1.2
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
Total	**1.5**	**-**	**(0.3)**	**-**	**1.2**
Total					
Stage 1	**3,439.9**	**960.6**	**(507.3)**	**(112.9)**	**3,780.3**
Stage 2	**603.0**	**178.3**	**(45.2)**	**82.0**	**818.1**
Stage 3	**35.7**	**10.0**	**(10.7)**	**30.9**	**65.9**
Total	**4,078.6**	**1,148.9**	**(563.2)**	**-**	**4,664.3**

The gross carrying values above reflect the Group's maximum exposure to credit risk at 31 December 2024 and 31 December 2023 without taking into account any collateral held or provisions made against expected loss. The table above has been updated to remove effective interest rate adjustments from the underlying mortgage assets.

The Group did not purchase or originate any financial assets that were considered to be credit impaired during 2024. Purchased credit impaired loans relate to legacy residential and commercial lending which was acquired credit impaired as part of the transfer of engagements with Manchester Building Society. The lending is outside of the Group's current lending policy.

There has been no material movement in loss allowances held against other financial assets during 2024. Debt securities held remain of very high credit quality at 31 December 2024 and the Group is not exposed to any significant value or volume of overdue trade receivables.

Risk exposures by credit grade for residential lending

Across the Group's prime residential and buy-to-let mortgage exposures, provisions may be disaggregated by detailed probability of default ranges as follows:

2024	Exposure			Provision			Provision coverage ratio		
Lifetime PD %	Stage 1 £m	Stage 2 £m	Stage 3 £m	Stage 1 £000	Stage 2 £000	Stage 3 £000	Stage 1 %	Stage 2 %	Stage 3 %
0.0% - 1.0%	48.7	0.6	-	1.0	0.2	-	-	0.03	-
1.0% - 2.0%	1,686.1	69.2	-	124.3	65.9	-	0.01	0.10	-
2.0% - 3.0%	1,563.5	75.0	-	225.8	75.2	-	0.01	0.10	-
3.0% - 4.0%	139.4	2.9	-	15.1	1.1	-	0.01	0.04	-
4.0% - 5.0%	422.1	24.6	-	155.8	33.4	-	0.04	0.14	-
5.0% - 6.0%	3.4	-	-	0.1	-	-	-	-	-
6.0% - 7.0%	3.2	-	-	0.1	-	-	-	-	-
7.0% - 8.0%	5.6	0.3	-	-	-	-	-	-	-
8.0% - 9.0%	4.4	6.0	-	0.2	2.2	-	-	0.04	-
9.0% - 10.0%	13.0	22.1	-	1.7	12.4	-	0.01	0.06	-
10.0% - 100.0%	140.4	560.1	58.3	127.8	2,467.2	1,188.0	0.09	0.44	2.04
Total*	**4,029.8**	**760.8**	**58.3**	**651.9**	**2,657.6**	**1,188.0**	**0.02**	**0.35**	**2.04**

*The table above excludes gross mortgage balances of £59.3m, with a provision of £0.1m for which no lifetime probability of default is available. This includes £52.0m of mortgages originating in Manchester Building Society, for which probability of default bands were estimated based on external credit data.

2023	Exposure			Provision			Provision coverage ratio		
Lifetime PD %	Stage 1 £m	Stage 2 £m	Stage 3 £m	Stage 1 £000	Stage 2 £000	Stage 3 £000	Stage 1 %	Stage 2 %	Stage 3 %
0.0% - 1.0%	22.0	-	-	-	-	-	-	-	-
1.0% - 2.0%	971.5	25.9	-	64.8	53.0	-	0.01	0.20	-
2.0% - 3.0%	1,422.6	48.6	-	197.8	154.3	-	0.01	0.32	-
3.0% - 4.0%	626.1	24.7	-	184.6	83.9	-	0.03	0.34	-
4.0% - 5.0%	396.1	21.8	-	179.3	82.4	-	0.05	0.38	-
5.0% - 6.0%	87.6	5.1	-	19.1	12.9	-	0.02	0.25	-
6.0% - 7.0%	1.8	0.1	-	0.1	-	-	0.01	-	-
7.0% - 8.0%	1.3	0.1	-	-	-	-	-	-	-
8.0% - 9.0%	2.2	2.4	-	0.1	0.7	-	-	0.03	-
9.0% - 10.0%	1.3	3.3	-	-	0.4	-	-	0.01	-
10.0% - 100.0%	106.9	527.5	40.4	141.6	3,262.2	678.9	0.13	0.62	1.68
Total*	**3,639.4**	**659.5**	**40.4**	787.4	3,649.8	678.9	**0.02**	**0.55**	**1.68**

* The table above excludes gross mortgage balances of £70.1m, with a provision of £0.8m for which no lifetime probability of default is available. This includes £66.4m of mortgages originating in Manchester Building Society, for which probability of default bands were estimated based on external credit data.

Lifetime probability of default indicates the percentage change that a loan will trigger any of the stage 3 indicators, as detailed above, over the life of the loan and does not alone indicate a likeliness that the default will result in any significant loss to the Group.

The comparatively small provisions coverage reflects the capacity for property collateral to effectively mitigate the Group's ultimate exposure to loss.

Provisions against other financial assets are not considered to be sufficiently material to warrant further detailed analysis.

Provisions against commercial and legacy buy-to-let mortgages are not presented by risk grade as legacy exposures are assessed for impairment on an individual basis by the commercial lending department.

Sensitivity of the credit loss provisions to key assumptions

The Group's mortgage provisions reflect probability weighted scenarios run across its mortgage books and are sensitive to the probabilities applied accordingly. Provisions are most sensitive to increases in the downside and stress scenarios probabilities:

2024	**Residential and buy-to-let £m**	**Commercial, legacy buy-to-let and credit impaired lending £m**	**Serviced apartments £m**
Actual	5.0	0.5	0.8
Upside	2.9	0.5	0.1
Base	3.5	0.5	0.6
Downside	5.8	0.6	1.0
Stress	10.0	0.6	1.8

2023	**Residential and buy-to-let £m**	**Commercial, legacy buy-to-let and credit impaired lending £m**	**Serviced apartments £m**
Actual	5.9	0.8	1.0
Upside	2.9	0.5	0.1
Base	3.9	0.7	0.6
Downside	7.2	0.8	1.2
Stress	13.0	1.3	2.3

Equity release portfolio

The Group's equity release portfolio is accounted for at fair value. Its fair value includes any allowances for credit risk. Further information on the fair value of the equity release portfolio, including sensitivity analysis is included in notes 13 and 34.

42. Credit quality

The Group's mortgage lending is all secured with a first charge registered against the collateral property. This includes the Group's equity release mortgages. The average loan to value of the Group's loan portfolios at 31 December 2024 is 67.7% (2023: 65.9%) as detailed in the Strategic Report. Quarterly regional Halifax House Price Index data is used to monitor the value of residential collateral. The contractual capacity to recover defaulted mortgage contracts through the sale of property collateral acts significantly to reduce the Group's risk of loss.

The credit quality of the Group's residential loans is considered to be excellent with the loans continuing to perform and arrears being below industry averages. At 31 December 2024 there were 42 loans in 12 months arrears or more with balances of £4.3m (2023: 43 loans totalling £4.0m).

The percentage of mortgages in arrears by 3 months or more remains at low levels for 2024.

Overall, by number of loans in arrears we have seen an increase of 0.22% to 0.94%, and by balance we have seen an increase of 0.30% to 0.84%.

The Group's non-impaired commercial loan assets are also considered to be of a good credit quality.

Further specifics by type of mortgage lending are as follows:

Prime residential mortgage book

The prime residential mortgage book consists of traditional residential loans. No sub-prime or self-certification lending has been undertaken.

Loan to value (indexed)	**2024 £m**	**2024 %**	2023 £m	2023 %
<70%	**2,557.0**	**56.5**	2,274.6	56.6
70% - <80%	**758.2**	**16.8**	673.8	16.8
80% - <90%	**802.9**	**17.7**	592.8	14.7
>90%	**405.4**	**9.0**	478.6	11.9
	4,523.5	**100.0**	4,019.8	100.0

Payment status	**2024 £m**	**2024 %**	2023 £m	2023 %
Not past due	**4,448.0**	**98.3**	3,956.9	98.4
Past due up to 3 months	**41.1**	**0.9**	36.9	0.9
3 to 6 months past due	**18.0**	**0.4**	12.8	0.3
Over 6 months past due	**15.5**	**0.3**	12.9	0.3
In possession	**0.9**	**0.1**	0.3	0.1
	4,523.5	**100.0**	4,019.8	100.0

The Group continued to experience a low level of possessions on residential loans and Law of Property Act receiver appointments. At the end of 2024 the Group had five possession properties in relation to owner occupied loans, (2023: three possession properties).

Against past due and possession cases, £152.4m (2023: £123.5m) collateral is held. No loans that would be past due or impaired have had their terms renegotiated.

The Group offers a range of forbearance measures to customers such as payment breaks and reductions, transfers to interest only products and other support. The Group granted forbearance against 92 residential loans in 2024 (2023: 157), with no alteration made to the contractual rates of interest and balances totalling £16.2m at 31 December 2024 (2023: £22.3m), this did not lead to any modification gain or loss a result of short-term forbearance granted. Provisions of £0.4m (2023: £0.4m) are held against residential mortgages that were granted forbearance during the year.

The increase in indexed loan to value in the prime residential mortgage book is due to reductions in house prices since the origination of the mortgages.

Retail buy-to-let mortgage book

The retail buy-to-let (BTL) mortgage book consists of buy-to-let to individuals <£1m.

	2024	**2024**	2023	2023
Loan to value (indexed)	**£m**	**%**	£m	%
<70%	**300.8**	**78.2**	312.4	80.2
70% - <80%	**72.9**	**18.9**	68.8	17.7
80% - <90%	**10.0**	**2.6**	7.8	2.0
>90%	**1.0**	**0.3**	0.6	0.1
	384.7	**100.0**	389.6	100.0

	2024	**2024**	2023	2023
Payment status	**£m**	**%**	£m	%
Not past due	**377.3**	**98.0**	383.0	98.2
Past due up to 3 months	**4.2**	**1.1**	3.2	0.8
3 to 6 months past due	**0.6**	**0.2**	2.6	0.7
Over 6 months past due	**2.4**	**0.6**	0.7	0.2
In possession	**0.2**	**0.1**	0.1	0.1
	384.7	**100.0**	389.6	100.0

At the end of 2024 the Group had one BTL possession property, whose exposure was being managed by a Law of Property Act receiver (2023: one).

Against past due and possession cases, £16.8m (2023: £13.6m) collateral is held.

No loans that would be past due or impaired have had their terms renegotiated.

The Group offers a range of forbearance measures to customers such as payment breaks and reductions, transfers to interest only products and other support. The Group granted forbearance against four retail BTL loans in 2024 (2023: one loan). With no alteration made to the contractual rates of interest and balances totalling £1.1m at 31 December 2024 leading to no modification gain or loss recorded as a result of short-term forbearance granted. No provisions are held against BTL mortgages that were granted forbearance during the year (2023: £nil).

Equity release mortgages denominated in £

The below analysis includes equity release mortgage lending but excludes the fair value adjustments detailed in note 39.

	2024	**2024**	2023	2023
Loan to value (indexed)	**£m**	**%**	£m	%
<70%	**135.7**	**94.4**	147.1	95.5
70% - <80%	**4.4**	**3.1**	3.4	2.2
80% - <90%	**1.5**	**1.0**	1.0	0.7
>90%	**2.2**	**1.5**	2.5	1.6
	143.8	**100.0**	154.0	100.0

	2024	**2024**	2023	2023
Payment status	**£m**	**%**	£m	%
Not past due	**143.5**	**99.8**	152.1	98.8
Over 6 months past due	**-**	**-**	0.1	0.1
In possession / LPA receivership	**0.3**	**0.2**	1.8	1.1
	143.8	**100.0**	154.0	100.0

At the end of 2024 the Group had three possession properties in relation to equity release mortgages (2023: six).

Equity release mortgages denominated in €

The below analysis includes equity release mortgage lending but excludes the fair value adjustments detailed in note 39.

	2024	**2024**	2023	2023
Loan to value (indexed)	**€m**	**%**	€m	%
<70%	**3.4**	**8.4**	3.4	7.1
70% - <80%	**4.9**	**12.0**	5.2	10.9
80% - <90%	**5.2**	**12.8**	6.2	13.0
>90%	**27.2**	**66.8**	32.9	69.0
	40.7	**100.0**	47.7	100.0

	2024	**2024**	2023	2023
Payment status	**€m**	**%**	€m	%
Not past due	**40.7**	**100.0**	47.7	100.0
	40.7	**100.0**	47.7	100.0

Legacy lending books

The legacy lending books comprises the following:

	2024	**2024**	2023	2023
	£m	**%**	£m	%
Loans secured on commercial property	**2.0**	**1.0**	6.1	2.5
Loans secured on serviced apartments	**13.9**	**6.9**	14.7	6.0
Specialist buy-to-let	**5.8**	**2.9**	13.3	5.4
Loans to housing associations	**179.2**	**89.2**	211.9	86.1
	200.9	**100.0**	246.0	100.0

Loans secured on commercial property

Loan to value (indexed)	2024 £m	2024 %	2023 £m	2023 %
<70%	**2.0**	**100.0**	4.0	65.6
70% - <80%	**-**	**-**	0.8	13.1
80% - <90%	**-**	**-**	0.6	9.8
>90%	**-**	**-**	0.7	11.5
	2.0	**100.0**	6.1	100.0

Payment status	2024 £m	2024 %	2023 £m	2023 %
Not past due	**2.0**	**100.0**	6.1	100.0
	2.0	**100.0**	6.1	100.0

Diversification by industry type	2024 £m	2024 %	2023 £m	2023 %
Retail	**-**	**-**	2.5	41.0
Office	**-**	**-**	0.7	11.5
Hotel / leisure	**1.3**	**65.0**	2.6	42.6
Other	**0.7**	**35.0**	0.3	4.9
	2.0	**100.0**	6.1	100.0

At 31 December 2024, the Group had no commercial investment loans in arrears of 3 months or more (2023: none). No loan that would be past due or impaired had their terms renegotiated.

The Group had no commercial loans in possession or subject to LPA receivership at the end of 2024 (2023: none).

The Group did not grant forbearance against any loans secured on commercial property in 2024 (2023: none).

Loans secured on serviced apartments

Loan to value (indexed)	2024 £m	2024 %	2023 £m	2023 %
<70%	**2.3**	**16.5**	2.1	14.3
70% - <80%	**6.6**	**47.5**	7.1	48.3
80% - <90%	**5.0**	**36.0**	5.5	37.4
	13.9	**100.0**	14.7	100.0

Payment status	2024 £m	2024 %	2023 £m	2023 %
Not past due	**13.0**	**93.5**	14.1	95.9
Past due up to 3 months	**0.4**	**2.9**	-	-
LPA receivership	**0.5**	**3.6**	0.6	4.1
	13.9	**100.0**	14.7	100.0

The Group had two serviced apartments loans in possession or subject to LPA receivership at the end of 2024 (2023: two).

Against cases where an LPA appointment has been made, £0.6m collateral is held.

The Group did not grant forbearance against any loans for serviced apartments during the year.

Legacy buy-to-let

The legacy residential mortgage book consists of residential investment loans, loans secured on buy-to-let properties to corporates, and loans secured on buy-to-let properties to individuals, where the Group's exposure to the borrower is larger than £1m.

Loan to value (indexed)	2024 £m	2024 %	2023 £m	2023 %
<70%	**5.0**	**86.2**	13.3	100.0
70% - <80%	**0.8**	**13.8**	-	-
	5.8	**100.0**	13.3	100.0

Payment status	2024 £m	2024 %	2023 £m	2023 %
Not past due	**5.8**	**100.0**	13.3	100.0
	5.8	**100.0**	13.3	100.0

There are no past due or possession cases in 2024 (2023: none). For 2024, no collateral (2023: £nil) was held against past due and in possession cases.

At 31 December 2024, the Group had no specialist buy-to-let loans in arrears of 3 months or more (2023: none). No loans that would be past due or impaired have had their terms renegotiated.

The Group did not grant forbearance against any loans secured on specialist buy-to-let property in 2024 (2023: £nil).

Loans to housing associations

Loan to value (unindexed)	**2024 £m**	**2024 %**	2023 £m	2023 %
<70%	**66.9**	**37.3**	98.1	46.3
70% - <80%	**112.3**	**62.7**	92.9	43.8
80% - <90%	**-**	**-**	20.9	9.9
	179.2	**100.0**	211.9	100.0

Loans to housing associations are secured on residential property. No housing association loans are past due or impaired.

Purchased or originated credit impaired loans (POCI)

The below analysis shows the status of the Group's POCI and how they are distributed across loan to value bands.

	2024 £m	**2024 %**	2023 £m	2023 %
Gross exposure	**7.4**	**100.0**	11.5	100.0
Fair value adjustment	**(2.1)**	**(28.4)**	(3.8)	(33.0)
	5.3	**71.6**	7.7	67.0

Loan to value (indexed)	**2024 £m**	**2024 %**	2023 £m	2023 %
<70%	**2.8**	**52.8**	3.0	39.0
70% - <80%	**-**	**-**	-	0.0
80% - <90%	**1.4**	**26.4**	2.0	26.0
>90%	**1.1**	**20.8**	2.7	35.0
	5.3	**100.0**	7.7	100.0

Payment status	**2024 £m**	**2024 %**	2023 £m	2023 %
Not past due	**2.2**	**41.6**	4.9	63.6
Past due up to 3 months	**-**	**-**	0.2	2.6
3 to 6 months past due	**0.1**	**1.8**	0.5	6.5
Over 6 months past due	**1.8**	**34.0**	1.3	16.9
In possession / LPA receivership	**1.2**	**22.6**	0.8	10.4
	5.3	**100.0**	7.7	100.0

The Group had two POCI loans in possession or subject to LPA receivership at the end of 2024 (2023: two).

POCI loans relate to legacy residential and commercial lending which was acquired credit impaired as part of the merger with Manchester Building Society. The lending is outside of the Group's current lending policy.

Geographical split of lending

The table below provides a breakdown of the geographic concentration of the Group's prime residential and buy-to-let mortgage portfolios at 31 December 2024. The Group's mortgage portfolio is diversified across the UK.

Region	Prime Residential £m	Buy-to-let £m	Total £m	Total %
North East	480.1	6.9	487.0	9.9
East of England	368.0	42.0	410.0	8.4
East Midlands	312.6	15.0	327.6	6.7
Northern Ireland	1.7	0.2	1.9	0.0
North West	524.3	20.9	545.2	11.1
Scotland	505.7	6.1	511.8	10.4
South East	601.4	70.9	672.3	13.7
South West	363.1	24.1	387.2	7.9
Wales	145.4	6.0	151.4	3.1
West Midlands	318.3	17.2	335.5	6.8
Yorkshire	396.6	12.1	408.7	8.3
London	495.8	163.3	659.1	13.4
Other	10.5	-	10.5	0.3
Total	**4,523.5**	**384.7**	**4,908.2**	**100.0**

43. Liquidity risk

Liquidity risk is the risk that the Group has insufficient funds to meet its obligations as they fall due. This risk is managed on a Group basis (including all subsidiary entities) with day-to-day responsibility delegated to the Group's Treasury department with oversight by the Assets and Liabilities Committee, the Group Risk Committee and the Board.

Management of Liquidity risk

The Group ensures it holds sufficient quality and quantity of liquidity to remain liquid after a severe but plausible stress. In addition, it assesses its liquidity position and risks through an annual Internal Liquidity Adequacy Assessment Process (ILAAP) in line with the regulatory requirements. Cash flow forecasts are used to forecast liquidity, ensuring future compliance with limits set by the Board. Wherever appropriate, the Group ensures it takes any necessary steps to ensure it has access to any available Bank of England Schemes designed to support financial institutions.

Liquidity resources

The Group's liquidity resources include funds in cash accounts held in the Bank of England reserve account and other easily marketable assets and contingent liquidity. The Group monitors the requirements of the Liquidity Coverage Ratio (LCR), which measures unencumbered high quality liquid assets as a percentage of net cash outflows over a 30 day stress period, on a weekly basis for compliance against the regulatory minimum of 100%. At 31 December 2024 the LCR was 229% (2023: 227%).

Contractual maturity profile of financial assets and liability

The table below analyses the contractual cash flows of financial assets and financial liabilities based on the remaining contractual life to the maturity date. The contractual maturity will differ to actual payments; for example, most on demand customer deposits will be repaid later than the earliest date on which repayment can be requested and mortgages may be repaid ahead of their contractual maturity.

At 31 December 2024	Repayable on demand	Up to 3 months	3-12 months	1-5 years	More than 5 years	Total
	£m	£m	£m	£m	£m	£m
Assets						
Cash and balances with the Bank of England	451.5	-	-	-	-	451.5
Loans and advances to credit institutions	101.8	-	-	-	-	101.8
Debt securities	-	36.1	95.8	426.3	44.1	602.3
Derivative financial instruments	-	0.7	4.2	40.5	11.2	56.6
Loans and advances to customers	-	12.9	45.3	260.3	4,970.8	5,289.3
Other financial assets	-	4.3	0.6	0.3	-	5.2
Total financial assets	**553.3**	**54.0**	**145.9**	**727.4**	**5,026.1**	**6,506.7**
Liabilities						
Due to Members	4,728.4	152.7	378.2	173.4	-	5,432.7
Due to other customers	131.7	78.0	30.3	1.0	-	241.0
Deposits from credit institutions	31.0	100.8	285.8	-	-	417.6
Derivative financial instruments	-	0.5	0.7	4.1	24.1	29.4
Other financial liabilities	-	1.8	0.8	3.0	3.4	9.0
Total financial liabilities	**4,891.1**	**333.8**	**695.8**	**181.5**	**27.5**	**6,129.7**
Net liquidity gap (contractual)	**(4,337.8)**	**(279.8)**	**(549.9)**	**545.9**	**4,998.6**	**377.0**

At 31 December 2023	Repayable on demand	Up to 3 months	3-12 months	1-5 years	More than 5 years	Total
	£m	£m	£m	£m	£m	£m
Assets						
Cash and balances with the Bank of England	525.5	-	-	-	-	525.5
Loans and advances to credit institutions	109.8	-	-	-	-	109.8
Debt securities	-	99.2	203.8	264.8	47.2	615.0
Derivative financial instruments	-	0.2	1.6	38.8	10.3	50.9
Loans and advances to customers	-	60.7	191.7	845.0	3,762.3	4,859.7
Other financial assets	-	5.7	0.3	-	-	6.0
Total financial assets	**635.3**	**165.8**	**397.4**	**1,148.6**	**3,819.8**	**6,166.9**
Liabilities						
Due to Members	4,282.8	125.9	320.4	285.2	-	5,014.3
Due to other customers	145.7	88.0	26.1	2.5	-	262.3
Deposits from credit institutions	-	14.9	164.1	359.7	-	538.7
Derivative financial instruments	-	0.2	0.2	11.8	49.5	61.7
Other financial liabilities	-	3.6	0.8	2.5	4.0	10.9
Total financial liabilities	**4,428.5**	**232.6**	**511.6**	**661.7**	**53.5**	**5,887.9**
Net liquidity gap (contractual)	**(3,793.2)**	**(66.8)**	**(114.2)**	**486.9**	**3,766.3**	**279.0**

Liquidity risk outlook

The Group has £359.3m (2023: £521.7m) of Term Funding Scheme (TFS) and Term Funding for SMEs (TFSME) drawings which are due to be repaid during 2025. The Group's plans to replace these funds are well advanced and have seen the Group extend its range of wholesale funding.

44. Capital Risk

Capital risk is the risk that the Group is or becomes inadequately capitalised to address the risks to which it is exposed.

Management of Capital

Day to day capital management is delegated to the Chief Financial Officer with oversight by the Assets and Liabilities Committee, the Group Risk Committee and the Board.

The Group assesses its capital position and risks through an annual Internal Capital Adequacy Assessment Process (ICAAP) in line with the regulatory requirements. The ICAAP considers the key capital risks and the amount of capital it should retain. These requirements are assessed against the current position and throughout any forward planning. The Prudential Regulation Authority sets and monitors capital requirements for the Group. Capital adequacy is measured by comparing both current and forecast capital resources to capital requirements.

Capital stress testing is performed as part of the ICAAP and makes sure that the Group is resilient to a range of stresses, assessing whether capital requirements would be met under severe but plausible stress scenarios and considers what mitigating actions are available to management.

The Group's policy is to maintain a strong capital base to maintain Member, creditor and market confidence and to sustain the future growth of the Group. The Group has complied with all externally imposed capital requirements and internally set limits throughout the year.

For more information on how the Group is meeting its objectives for managing capital, see the capital section of the Strategic Report and the capital risk section of the Risk Management Report.

45. Country-by-Country Reporting

The reporting obligations set out in Article 89 of the European Union's Capital Requirements Directive IV (CRD IV) have been implemented in the UK by the Capital Requirements (Country-by-Country Reporting) Regulations.

Newcastle Building Society is the biggest building society in the North East and the 7th largest in the UK with assets of £6.6 billion (2023: £6.2 billion).

As a mutual organisation, the Society's primary focus is its Members, and it aims to provide mortgage and savings products supported by excellent customer service. Additionally, the Society offers financial advice, as an appointed representative of Openwork, through Newcastle Financial Advisers. Outsourcing of financial services and information technology services are provided through Newcastle Strategic Solutions.

The consolidated financial statements of the Newcastle Building Society Group include the audited results of the Society and its subsidiary undertakings. The consolidated entities, their principal activities and countries of incorporation, are detailed in Note 15 to the Annual Report and Accounts.

Basis of preparation

a) Country

All of the consolidated entities were incorporated in the United Kingdom, with the exception of Newcastle Mortgage Loans (Jersey) Limited, which is incorporated and operates with no employees in Jersey.

b) Total operating income and profit before taxation

Total operating income and profit before taxation are compiled from the Newcastle Building Society Group consolidated financial statements for the year ended 31 December 2024, which are prepared in accordance with International Financial Reporting Standards (IFRS). Total operating income represents the sum of the Group's net interest income, other income, other charges and gains less losses on financial instruments and hedge accounting. Group total operating income was £152.9m (2023: £137.9m), the proportion not arising from UK-based activity is not considered material for the purpose of this disclosure.

c) Corporation tax paid

Corporation tax paid represents the net cash taxes paid to the tax authority, HMRC, during 2024. Corporation tax paid is reported on a cash basis and will normally differ from the tax expense recorded for accounting purposes due to:

Timing differences in the accrual of tax charge. The Group makes quarterly payments on account to HMRC. Payments are made in July, October, January, and April. As the Group's accounting year runs from January to December, payments made in any financial year will not align with tax due in that financial year.

The Society brought forward into 2024 tax losses from previous years that were used to extinguish a portion of its taxable profits in 2024.

Other differences between when income and expenses are accounted for under IFRSs and when they become taxable.

During 2024 the Group paid £2.9m in corporation tax (2023: £7.0m).

d) Full-time equivalent employees

The average number of Group full time equivalent employees was 1,671.4 (2023: 1,547.3) all of which were employed in the UK.

e) Group profit before taxation

Group profit before taxation was £15.7m (2023: £29.1m) with a tax credit of £1.2m (2023: £7.0m tax charge). The profit before taxation and the taxation during the year relates to UK-based activity and the UK tax jurisdiction.

Greenhub, Middlesbrough

Other Information

Barnard Castle, County Durham

Annual Business Statement

for the year ended 31 December 2024

1. Statutory percentages

	2024	Statutory
	%	%
Lending limit	**1.87%**	25.0
Funding limit	**10.8%**	50.0

The above percentages have been calculated in accordance with the provisions of the Building Societies Act 1986. Lending limit is calculated excluding fair value adjustments for derivative values.

The lending limit measures the proportion of business assets not in the form of loans secured on residential property.

Business assets are the total assets of the Group plus allowances for losses on loans and advances less liquid assets, investment properties and property, plant and equipment as shown in the Group Balance Sheet.

The funding limit measures the proportion of shares and borrowings not in the form of shares held by individuals.

The statutory limits are as laid down under the Building Societies Act 1986 and ensure that the principal purpose of a building society is that of making loans which are fully secured on residential property and are funded substantially by its Members.

1. Statutory percentages

	2024	2023
As a percentage of shares and borrowings:	%	%
Gross capital	**6.57**	5.52
Free capital	**5.78**	4.85
Liquid assets	**18.97**	21.50
Result for the year as a percentage of mean total assets	**0.26**	0.38
Management expenses as a presentage of mean total assets	**1.86**	1.85

The above percentages have been prepared from the Annual Accounts.

Gross capital represents the aggregate of the general reserve, FVOCI reserve, cash flow hedge reserve, other equity reserves, subordinated liabilities and subscribed capital.

Free capital represents gross capital less property, plant and equipment and investment property.

Liquid assets are as shown in the Group Balance Sheets but exclude liquid assets pledged under repo agreements and includes collateral.

Shares and borrowings represent the total of shares, amounts owed to credit institutions and amounts owed to other customers.

Management expenses represent the aggregate of administrative expenses and depreciation and includes expenses relation to the Group's Solutions business.

Mean total assets are the average of the 2024 and 2023 total assets.

Directors' other directorships and other interests

Directors at 31 December 2024	Date of Birth	Date of Appointment	Business Occupation
GA Bennett MA	**10.02.61**	**24.04.19**	**Non-Executive Director**
Other Directorships:	Darkwood Croft Management Company Limited, MAM Properties Limited, MBS (Mortgages) Limited		
RTS Campbell	**24.04.78**	**01.06.24**	**Non-Executive Director**
Other Directorships:	Ignite Consulting Trustee Limited , New Vantage Consulting Limited, Visiting Fellow of Nottingham Business School, Fellow of RSA (The Royal Society for the Encouragement of Arts, Manufactures and Commerce), Deloitte LLP- client of New Vantage Consulting Limited		
MJ Faull FCCA	**24.11.60**	**23.08.21**	**Non-Executive Director**
Other Directorships:	IQUW Syndicate Management Limited, The Line Art Walk, The Line Public Art Walk CIC, Henry's of Harbury Management Company Limited		
BP Glover LLB, ACIB	**03.07.60**	**11.08.17**	**Company Director**
Other Directorships:	Newcastle Strategic Solutions Limited, Advance Mortgage Funding Limited, First Complete Limited, Personal Touch Financial Services Limited, Tenetlime Limited, United Trust Bank Limited		
AS Haigh BSc	**26.01.63**	**27.01.14**	**Building Society Chief Executive Officer**
Other Directorships:	Newcastle Financial Advisers Limited, Community Foundation serving Tyne & Wear and Northumberland, North East Chamber of Commerce		
A Laverack BA (Business name: Anne Shiels)	**08.06.61**	**7.07.17**	**Non-Executive Director**
Other Directorships:	Newcastle Financial Advisers Limited, Anne Shiels Consulting Limited, Infantry Training (Catterick) Advisory Board (Member)		
S Miller BSc, ACIB	**16.10.70**	**16.01.18**	**Building Society Customer Director**
Other Directorships:	Newcastle Financial Advisers Limited, Newcastle Strategic Solutions Limited		
JDA Ramsbotham CBE, DL	**30.08.59**	**23.08.21**	**Non-Executive Director**
Other Directorships:	Newcastle Strategic Solutions Limited, High Doctor Pasture Caravan Park Limited Altruism Limited, Willan Trustee Limited, 170 Tachbrook Street Management Limited (Co. Secretary), Gillian Dickinson Trust (Trustee), Sunderland University (Pro Chancellor), Durham Cathedral Finance Committee (Lay Member), Durham Cathedral Nominations Committee (Lay Member), The Rifles (Honorary Colonel), Gateshead Citizens Advice (Patron), Foundation of Light (Trustee & Vice Chair), Deputy Lieutenant for The County Durham Lord Lieutenancy		
DA Samper BA, CA	**21.12.74**	**20.12.18**	**Building Society Chief Financial Officer**
Other Directorships:	None		
AD Shepherd	**24.05.73**	**03.12.24**	**Building Society Chief Operating Officer**
Other Directorships:	Newcastle Strategic Solutions Limited, Make Living Beautiful Properties Limited		
MR Thompson BA, FCA	**11.10.61**	**29.01.19**	**Non-Executive Director**
Other Directorships:	Atlas Cloud Limited, Newcastle United Foundation, The Clinkard Group Limited, Clinkard Holdings Limited, NorthStandard Limited, NorthStandard EU Designated Activity Company, Tyne and Wear Building Preservation Trust Limited, Newcastle Building Society Pension & Assurance Scheme (Trustee and Chair), Greggs Foundation (Trustee), The Charles Urie Peat Prize Fund (Trustee), Regional Treasurer of Lord's Taverners Charity		

Documents may be served on any of the Directors c/o Addleshaw Goddard LLP, One St Peter's Square, Manchester M2 3DE. The Executive Directors have service contracts which can be terminated at any time by the Society on six months' notice. The Executive Directors' service contracts were entered into on the dates of their appointment, excepting A S Haigh who was appointed to the role of Chief Executive on 1 May 2015, having previously held the role of Chief Operating Officer. There are no contracts for Non-Executive Directors and no compensatory terms for loss of office.

Principal office

Newcastle Building Society is a building society incorporated and domiciled in the United Kingdom. The address of the Society's principal office is 1 Cobalt Park Way, Wallsend, NE28 9EJ

Glossary

Set out below are the definitions of the terms used within the Annual Report and Accounts to assist the reader and to facilitate comparison with other financial institutions:

Arrears - A customer is in arrears when they are behind in their mortgage payments. A customer is 3 months in arrears when they have missed the equivalent of 3 mortgage payments.

Administrative expenses - Expenses incurred in running the day to day activities of the Society including staff, property, marketing and technology costs.

AT 1 (additional tier 1) instruments - instruments issued to capital and are perpetual, meaning they have no maturity date, and investors are not paid back the principal amount.

Basel II - The second of the Basel Accords, issued by the Basel Committee on Banking supervision, which defines the methods by which firms should calculate their regulatory capital requirements to retain enough capital to protect the financial system against unexpected losses. Basel II became law in the EU Capital Requirements Directive, and was implemented in the UK via the PRA Handbook.

Basel III - The third of the Basel Accords, issued by the Basel Committee on Banking supervision, which are a long-term package of changes that will strengthen regulatory requirements for capital and liquidity.

Buy-to-let (BTL) - A mortgage designed to support customers purchasing an investment property to let out.

Capital Requirements Directive (CRD IV) - The EU legislative package covering prudential rules for banks, building societies and investment firms. CRD IV is made up of the Capital Requirements Directive and Capital Requirements Regulations, it is designed to implement the Basel III Accord across the EU.

Commercial lending / mortgage - Loans secured on commercial property.

Common Equity Tier 1 capital - Defined by the PRA as general reserves or qualifying capital instruments which for the Society is the accumulation of retained profits.

Common Equity Tier 1 ratio - Common Equity Tier 1 capital as a percentage of risk weighted assets.

Contractual maturity - The final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal and interest is due to be paid.

Covered bonds - Debt securities backed by a portfolio of mortgages that is segregated from the issuer's other on-balance sheet assets solely for the benefit of the holders of the covered bonds.

Credit risk - The risk that a customer or counterparty is unable to honour their repayment obligations as they fall due.

Debt securities - Assets representing certificates of indebtedness of credit institutions, public bodies or other undertakings excluding central banks.

Derivative financial instruments - A derivative financial instrument is a type of financial instrument (or an agreement between two parties) that has a value based on the underlying asset, index or reference rate it is linked to. The Group uses derivative financial instruments to hedge its exposures to interest rate risk.

Effective interest rate method (EIR) - The method used to measure the carrying value of a financial asset or a liability and to allocate associated interest income or expense over the relevant period.

Fair value - Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financed Emissions –The indirect greenhouse gas emissions attributable to the properties which the Group's lending is secured on.

Financial Conduct Authority (FCA) - FCA regulates the conduct of financial firms providing services to consumers and maintains the integrity of the UK's financial markets.

Financial Services Compensation Scheme (FSCS) - The UK's compensation fund of last resort for customers of authorised financial services firms. The FSCS may pay compensation to customers if a firm is unable, or likely to be unable, to pay claims against it, usually because it has stopped trading or has been declared in default. The FSCS is funded by the financial services industry. Every firm authorised by the PRA is obliged to pay an annual levy, which goes towards running costs and compensation payments.

Forbearance - A term generally applied to arrangements which are provided to support mortgage customers experiencing financial difficulties. An example of this would be a temporary reduction in mortgage payments.

Free capital - Represents gross capital less property, plant and equipment and investment property.

Funding limit - Measures the proportion of shares and borrowings not in the form of shares held by individuals.

Gilts - These are bonds issued by certain national governments. The Group only classifies debt securities issued by the Bank of England as Gilts.

Gross capital - The aggregate of general reserve, available-for-sale reserve, subscribed capital and subordinated liabilities.

Impaired loans - Loans where an event has occurred which indicates the Group does not expect to collect all the contractual cash flows due, or expects to collect them later than they are contractually due.

Individual Capital Guidance (ICG) - Guidance from the PRA on the minimum level of capital that must be held.

Individual Liquidity Guidance (ILG) - Guidance from the PRA on the minimum quantity of a firm's liquidity resources and the firm's funding profile.

Individually / collectively assessed - Individual assessments are made of all mortgage loans where objective evidence indicates losses are likely or the property is in possession. A collective impairment provision is made against the remaining group of loans and advances where objective evidence indicates that it is likely that losses may be incurred.

Interest rate risk - The risk that the value of the Society's net assets or net interest income falls as a result of a change in interest rates.

Internal Capital Adequacy Assessment Process (ICAAP) - The Group's own assessment of the levels of capital that it needs to hold in respect of the risks it faces under a business as usual scenario and a variety of stress scenarios.

Internal Liquidity Adequacy Assessment Process (ILAAP) - The Group's internal assessment of the liquidity levels needed to meet its regulatory liquidity requirements.

Legacy mortgage portfolios - Mortgage loan books where the Group has ceased new lending and is winding down exposures.

Lending limit - Measures the proportion of business assets not in the form of loans fully secured on residential property.

Leverage ratio - A Basel III ratio which measures Tier 1 capital against total on and off balance sheet assets.

Liquid assets - The total of cash in hand and balances with the Bank of England, loans and advances to credit institutions and debt securities.

Liquidity Coverage Ratio (LCR) - A Basel III measure of the amount of highly-liquid assets against cash outflows over a 30 day period.

Liquidity risk - The risk that the Group does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash inflows and outflows.

Loan-to-value ratio (LTV) - A ratio which expresses the amount of a mortgage as a percentage of the value of the property. The Group calculates UK residential mortgage LTV on an indexed basis (the value of the property is updated on a quarterly basis) to reflect changes in house prices.

Loans and advances to credit institutions - Treasury investments purchased with credit institutions.

Management expenses - Management expenses represent administrative expense and depreciation. The management expense ratio is management expenses expressed as a percentage of mean total assets.

Market risk - The risk that movements in market risk factors, including re-pricing of assets and liabilities and the imperfect matching of interest rates between different asset and liability types, may adversely impact the Society.

Mean total assets - Represents the amount produced by halving the aggregate of total assets at the beginning and end of the financial year.

Member - A person who has a qualifying share investment or a mortgage loan with the Society.

Net interest income - The difference between interest received on assets and interest paid on liabilities.

Non-Executive Director - A Member of the Society's Board who does not form part of the executive management team. They are not an employee of the Society.

Operational risk - The risk of loss arising from inadequate or failed internal processes, people and systems or from external events.

Other lending - Loans and advances secured on traded endowment policies.

Past due - Loans on which payments are overdue including those on which partial payments are being made.

Permanent Interest Bearing Shares (PIBS) - Unsecured, deferred shares that are a form of capital. PIBS rank behind the claims of all subordinated debt holders, depositors, payables and investing Members of Newcastle Building Society.

Prime - Prime mortgages are those granted to the most credit worthy category of residential borrowers.

Prudential Regulation Authority (PRA) - Part of the Bank of England and responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms

Regulators' Remuneration Code - The Dual-regulated firms Remuneration Code (SYSC 19D) sets out the standards and policies that dual-regulated firms must meet when setting pay and bonuses for their staff.

Renegotiated loans - Loans are classed as renegotiated with the customer's consent, when their terms have changed during the year. Loans and advances are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower.

Repo - Short to medium-term funding agreements which allow a borrower to sell a financial asset, such as Government bonds, as security for cash. As part of the agreement the borrower agrees to repurchase the security at a later date. For the party selling the security (and agreeing to repurchase it in the future) it is a repo; for the party on the other end of the transaction (buying the security and agreeing to sell in the future), it is a reverse repurchase agreement or reverse repo.

Glossary | Continued

Residential mortgage backed securities (RMBS) - Asset backed securities that represent interests in residential mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and principal).

Residential loans - Residential loans are secured against residential property.

Risk appetite - The articulation of the level of risk that the Group is willing to take (or not take) in order to safeguard the interests of the Society's Members whilst achieving business objectives.

Risk-weighted assets (RWA) - The value of assets, after adjustment under Basel II rules, to reflect the degree of risk they represent. The Society measures RWA using the standardised approach.

Shares - Funds deposited by a person in a retail savings account with the Society. Such funds are recorded as liabilities for the Society.

Shares and borrowings - The total of shares, amounts owed to credit institutions, amounts owed to other customers and debt securities in issue, including accrued interest.

Solutions - A subsidiary of the Society that offers business to business services through people, process and innovative application of technology. Services include complete systems for smaller societies and white-labelled savings management for a range of banks and building societies.

Solvency ratio - The ratio of total capital to total risk weighted assets.

Subordinated debt / liabilities - A form of Tier 2 capital that is unsecured and ranks behind the claims of all depositors, creditors, and investing Members (other than holders of PIBS).

Tier 1 capital - Tier 1 capital is divided into Common Equity Tier 1 and other Tier 1 capital. Common Equity Tier 1 capital comprises general reserves from retained profits. Other regulatory adjustments may be made for the purposes of capital adequacy. Under the grandfathering rules of Basel III qualifying capital instruments such as PIBS can be included in other Tier 1 capital (i.e. not Common Equity Tier 1) transferring to Tier 2 over the grandfathering period.

Tier 2 capital - Comprises the Group's qualifying subordinated debt and collective impairment allowance (for exposures treated on a Basel II standardised basis).

Wholesale funding - The total of deposits from banks, amounts owed to other customers and debt securities in issue.

Branch and Financial Advice Centre Directory

Alnwick - 28 Bondgate Within, NE66 1TD	(01665) 603 344
Ashington - 10 Station Road, NE63 9UJ	(01670) 815 919
Barnard Castle - 25 Market Place, DL12 8NE	(01833) 600 100
Berwick Upon Tweed - 12 Hide Hill, TD15 1AB	(01289) 306 417
Bishop Auckland - 15 Newgate Street, DL14 7HG	(01388) 433 001
Carlisle - 65 English Street, CA3 8JU	(01228) 524 518
Chester-Le-Street - 42 Front Street, DH3 3BG	(0191) 388 5266
Consett - 19/21 Middle Street, DH8 5QP	(01207) 502 636
Cramlington - 34/35 Craster Court, NE23 6UT	(01670) 735 813
Darlington - 7/8 Horsemarket, DL1 5PW	(01325) 383 656
Durham - 73/75 Saddler Street, DH1 3NP	(0191) 384 3182
Gateshead - 12 Ellison Walk, Trinity Square, NE8 1BF	(0191) 477 2547
Gosforth - 105/107 High Street, NE3 1HA	(0191) 285 5965
Hartlepool - 133/135 York Road, TS26 9DR	(01429) 233 014
Hawes - Hawes Community Office, Market Place, DL8 3RA	(01969) 600 333
Hexham - 1-2 Beaumont Street, NE46 3LZ	(01434) 605 106
Knaresborough - 40 Market Place, HG5 8AG	(01423) 648 750
Middlesbrough - 31 Linthorpe Road, TS1 1RJ	(01642) 243 617
Morpeth - 14 Market Place, NE61 1HG	(01670) 514 702
Newcastle - 136 Northumberland Street, NE1 7DQ	(0191) 261 4940
North Shields - YMCA North Tyneside, Church Way, NE29 0AB	(0191) 259 5286
Penrith - 12 Market Square, CA11 7BX	(01768) 862 888
Pickering - 16 Market Place, YO18 7AE	(01751) 202 030
Ponteland - 23 Broadway, Darras Hall, NE20 9PW	(01661) 821 828
South Shields - Unit 3-5 Denmark Centre, NE33 2LR	(0191) 454 0407
Stokesley - 36 High Street, TS9 5DQ	(01642) 711 742
Sunderland - 14 Waterloo Place, SR1 3HT	(0191) 565 0464
West Denton - 15 Denton Park Centre, NE5 2RA	(0191) 267 5038
Whickham - 28 Front Street, NE16 4DT	(0191) 488 1766
Whitley Bay - 303 Whitley Road, NE26 2HU	(0191) 252 0642
Wooler - The Cheviot Centre, NE71 6BL	(01668) 260 360
Yarm - 41 The High Street, Yarm, TS15 9BH	(01642) 785 985