Newcastle Building Society announces continuing improvement in capital position and achievement of 12% Ceiling Trigger

Newcastle Building Society (the "Society") today announces that, as at 30 June 2014, the Society's Core Tier 1 Capital Ratio (under Basel II) and Common Equity Tier 1 Capital Ratio (under Basel III / CRD IV) exceeded the 12% Ceiling Trigger set out in the Capital Agreement that was finalised in May 2010.

Following achievement of the Ceiling Trigger, the Society has sent a Ceiling Trigger Notice and an Auditor's Ceiling Confirmation Report to the holders of the capital instruments subject to the Capital Agreement (the "Relevant Securities") notifying them of this event, as required by the terms of the Capital Agreement. Accordingly, with effect from 1st September 2014, the Relevant Securities will cease to be convertible to Profit Participating Deferred Shares and the prevailing coupon on the Relevant Securities will be reduced by 1% for the 2015 Notes and 2017 Loan and 0.25% for the 2008 PIBS (see further details and background information below).

Jim Willens, Chief Executive of Newcastle, said: "I am delighted that we have achieved the 12% Ceiling Trigger, several years ahead of when we expected at the time the Capital Agreement was undertaken in 2010, and this further demonstrates the improvement in the Society's financial strength since the beginning of 2010."

Background

- In May 2010 the Society announced that an agreement had been reached with holders of certain classes of the Society's existing subordinated debt and permanent interest bearing shares ("PIBS"), which materially strengthened the Society's capital position during the credit crisis (the "Capital Agreement").
- The Relevant Securities are as follows:
  - the £9.6 million 7.375% fixed rate subordinated notes due 2015 (ISIN: XS0227704037) ("2015 Notes");
  - the £25 million 8.19% fixed rate subordinated loan due 2017 ("2017 Loan"); and
  - the £10 million 12.25% permanent interest bearing shares ("2008 PIBS")
- The investor parties to the Capital Agreement were the lender under the 2017 Loan, each of the holders of the 2008 PIBS and, with respect to the 2015 Notes, holders or parties acting as investment manager for holders together representing 75% by value of the 2015 Notes.
- The Society's other subordinated notes (the £25 million 6.625% fixed rate subordinated notes due 2019, ISIN XS0178286901) and PIBS (the £10 million 12.625% PIBS, ISIN GB0006361371; and the £10 million 10.75% PIBS, ISIN GB0006371529) were not subject to the Capital Agreement.
- All the different classes of the Relevant Securities would have converted in full and on the same terms into Profit Participating Deferred Shares ("PPDS"), had the Society's core tier 1 capital ratio fallen below 5%.
- In consideration of agreeing to the insertion of a conversion feature to the terms of the Relevant Securities, the coupon on the Relevant Securities was amended as follows:
  - 2015 Notes: increased by 1%;
  - 2017 Loan: increased by 1%; and
  - 2008 PIBS: increased by 0.25%.
- In the event that the Society's core tier 1 ratio reached a level equal to or greater than 12% (the "Ceiling Trigger"), the Relevant Securities would cease to be convertible into PPDS and the then prevailing coupon on the Relevant Securities would be reduced by 1% for the 2015 Notes and 2017 Loan and 0.25% for the 2008 PIBS.

For more information contact:

Newcastle Building Society

Natalie Falkous
Group Corporate Communications Manager
Newcastle Building Society
0191 244 2024
07587175991