Newcastle Building Society

Announcement of half-year results for the six months ended 30 June 2016

Key Highlights
• Profit before tax of £3.5m for the six months ended 30 June 2016 compared to £1.5m for the same period in 2015
• Operating profit before impairment charges and FSCS levy unchanged at £6.1m
• £10m investment programme launched – new branch and financial advice centres opened in Newcastle city centre and new flagship branch opened in Gateshead
• Gross residential mortgage lending increased to £255m from £148m and net lending improved from £2m to £116m in the first half of 2016 compared to the same period in 2015
• The percentage of mortgages in arrears by 3 months or more continued at a very low level of 0.47% compared to 0.51% at the same point last year; well below industry averages
• Capital ratios are robust with Total Capital Ratio (Solvency) at 18.2%, Tier 1 Ratio at 15.1%, Common Equity Tier 1 Ratio at 13.7% and Leverage Ratio at 4.9%
• Liquidity as a percentage of shares, deposits and liabilities (excluding encumbered assets) was 17.2% compared to 17.7% at the end of 2015
• Launch of behaviours framework to support staff in delivering our goals and delivering against our new customer promise
• Launch of Newcastle Community Saver accounts to help support longer term funding to charities and communities within the North East

Chief Executive's Review

We are a straightforward building society from the North East that puts our customers at the heart of our business, providing a great range of mortgage and savings products and trusted financial advice, combined with excellent customer service. This is what we have been doing for over 150 years and what we will continue to do in the years ahead. Whilst we have seen a more volatile economic backdrop over the first half of 2016, which became more pronounced following the vote to leave the European Union, this won't impact our commitment to providing our customers with the products, services and advice they need. It is at times like this that customers want to know that their money is safe, they can get a mortgage to buy a home, and that advice is available to help them navigate the stormy seas.

It is against this background that I am pleased to report another period of solid financial performance for the Society, with increased profits, strong capital ratios, robust liquidity position, higher lending volumes and record low levels of arrears reflecting the excellent credit quality of our residential mortgage book.

As a customer owned business, we need to make sufficient profits to grow and invest for the future, while maintaining strong capital ratios. I am particularly pleased that we have been able to increase profitability at a time when we are making significant investment into the business with new financial advice centres, our reinvigorated branch refurbishment programme, developing our people, enhancing the resilience of our systems and, not least, focusing on the provision of first class service to our customers.

Profitability
Profit before tax was £3.5m for the six months ended 30 June 2016 compared to £1.5m for the first half of 2015. Operating profit before impairment charges and the annual industry levy for the Financial Services Compensation Scheme remained at £6.1m. Interest margin remained at 75bp with lower funding costs being offset by narrower spreads on mortgage lending due to a mortgage market that remained extremely competitive. Other income and charges increased from £10.9m to £13.1m due mainly to increased income from the Newcastle Strategic Solutions business. Management expenses increased by £2m from £18.2m to £20.2m reflecting the growth in the headcount to support growing areas of the business, particularly mortgage lending and the Solutions business. Our increased capital investment programme has resulted in a higher charge for depreciation, however this will create benefits to the business in the longer term. We have seen an increase in staff related costs, particularly training and development, recruitment and HR project costs. Another area of growth has been within information technology where we have invested heavily in projects to enhance our infrastructure and resilience, whilst at the same time expanding our IT development team as we develop our in-house systems to keep pace with digital and regulatory changes. As a result of this investment the cost to income ratio increased from 75.2% to 76.9%, which was in line with expectations of an increase in the short term.

The pipeline for the Newcastle Strategic Solutions business continues to be strong. The Solutions business delivers a diversified income stream, taking one of our core competencies in savings management and providing it in the form of a comprehensive outsourced service to other financial institutions. All of the profits from the Solutions business are ploughed back in to the Society and support increased investment in services for members as well as providing capital to support and grow the business.

Mortgage impairment charges reduced from £2.7m to £1.8m, with the majority of provisions continuing to relate to lending secured on commercial property. We expect the level of commercial provisions to continue to fall as the book is now below £100m and is expected to fall further by the end of the year.

The charge for the Financial Services Compensation Scheme levy reduced from £1.9m to £0.8m reflecting a lower overall expected levy in 2016 following the announcement that there will be no levy for capital shortfalls in relation to failed banks this year.

Capital
The Total Capital Ratio (Solvency) increased to 18.2% from 18.1% at the same time last year but was down compared to 31 December 2015 level of 18.7%; this reduction being due to the amortisation of Tier 2 capital as it approaches maturity. Tier 1 ratio improved from 14.5% to 15.1% over the same period. Common Equity Tier 1 ratio improved from 12.8% to 13.7%. The Society's Basel III leverage ratio (transitional basis) was 4.9% compared to 5.3% at 30 June 2015, the reduction being due to a larger balance sheet size. Capital ratios include half year retained profits.

Liquidity
Liquid assets as a percentage of Shares, Deposits and Liabilities at 30 June 2016 was 25.9% compared to 24.3% at the end of 2015. Excluding encumbered liquid assets the ratio fell from 17.7% to 17.2% at 30 June 2016. The quality of liquidity continues to be excellent, comprising assets that can be used to generate funding through treasury markets (repo) or via the various Bank of England liquidity schemes.

Credit Risk
The percentage of mortgages in arrears by 3 months or more continued at a level lower than the UK average, at 0.47% compared to 0.51% at the half year last year, and 0.49% at 31 December 2015. Within this figure the percentage of residential borrowers in arrears of 3 months or more was 0.45% at 30 June 2016 compared to 0.48% at the same period last year and 0.47% at the end of 2015. Possession cases continued at very low levels. The low levels of arrears and possessions reflect the excellent credit quality of the Society's residential lending.

The Society's prime residential mortgage book increased by £116m during the first half of 2016 (£2m first half 2015) with this being offset by a reduction in legacy mortgage books of £54m (£88m first half 2015). The increase in prime residential lending was due mainly to a 70% increase in gross lending to individuals from £148m to £255m with redemptions being slightly lower and capital repayments being slightly higher.

Supporting Customers

We have a great range of mortgage products for customers which we have expanded to include a new range of products tailored for customers who are either self-employed or require a larger loan size. Our first time buyer lending has been very successful in the first half of 2016 with consistent good value products up to 95% Loan to Value ("LTV") for those customers taking their first step onto the property ladder. Our buy to let and self-build mortgage products have also been well received by brokers and customers and have contributed to strong lending volumes in the first half of the year. We pride ourselves on having mortgage products to suit a wide range of house buyers, from 2 to 10 year fixed rates, variable and discounted rates, and fee free products. We also have a range of retention products available on maturity for loyal customers.

Our 'Home Saver' products have been popular with customers looking to save for a home where they can participate in the Government's Help to Buy scheme and also take the Society's First Home Saver account, both available through our innovative 'CustomISA' facility. CustomISA allows customers to combine tax free saving into a Help to Buy ISA and a First Home Saver ISA at the same time, taking advantage of the bonuses offered on both products when the customer buys their home.

With savings rates at an all time low we believe it is important to provide a broad range of savings products to customers, including bonds, regular savings accounts, loyalty products and of course provide advice where customers want to understand investment options outside of a regular savings account.

Our financial advice subsidiary, Newcastle Financial Services Limited, gives customers financial advice regardless of how much they have to invest. We know our customers really value this face-to-face service as this area of the business scores very highly in customer satisfaction (currently at 99%), and experiences high repeat levels of business. We have made further investment into our financial advice proposition this year with the launch of two new advice centres in our branches in the heart of Newcastle city centre, and we have grown the number of financial advisors we have available to help customers navigate a route through the challenging market turmoil.

We launched a new branch at our head office in Newcastle city centre in May and a flagship branch in Gateshead in July; demonstrating our long term commitment to the branch network and maintaining a strong presence across the region. Our programme of investment was announced in January, coinciding with the re-opening of our newly refurbished branch in North Shields, and will continue through the year. We are particularly excited about the impending launch of a new branch in Yarm which is being progressed through an innovative partnership with Stockton Borough Council and will be located in the newly refurbished Yarm library.

We continue to put the customer at the heart of our business as we believe this is what being a mutual building society is about. Our focus on customers is reinforced with the appointment of a new customer director, Damian Thompson, who joins the Society in August 2016, with a wealth of experience of developing services and products for customers within the building society sector.

Supporting our Staff

Our focus on being a leading employer in the region means we continually search for ways to make the Society an even better place to work. We have continued our investment into the recruitment and development of staff across the business. Alongside the introduction of an online recruitment management platform, we have introduced a framework of behaviours to help us achieve our vision, our goals and to underline and support our customer focused culture, including a new customer promise. We have continued to invest in our 'Ocademy' programme, working with our partner, Openwork, to develop new advisors for Newcastle Financial Services. The first candidates are expected to graduate this year and we continue to recruit new members of staff on to the scheme. In line with our promised commitment at the start of the year, we are over half way to our target of creating 100 new jobs to support our growth plans.

Supporting our Communities

We have continued to support the North East based cancer charity, the Sir Bobby Robson Foundation through our charity-linked savings accounts, and this year reached an impressive £1.8m in donations since the fund first started.

Following the success of this approach we recently launched new Community Saver accounts. These accounts offer competitive interest rates, and generate a Society donation to the Newcastle Building Society Community Fund in association with the Community Foundation. This fund will provide grants to good causes across our North East branch network. Causes will be nominated by our customers, enabling us to directly support our customers' communities.

Our financial education programme for schools is in its sixth year and to date has delivered lessons to improve financial capability to more than 2,000 primary school children. The culmination of the programme is the Boardroom Charity Challenge which asks young participants to develop business ideas that will benefit their local community while making a profit. A Gateshead Primary School won this year's £1,000 prize.

The Society's wider financial education commitment has so far this year seen it provide more than 38 free information talks to Society members and others who want to learn more about their financial position and how to plan for their future.

Our staff volunteering policy, allows time off during the working week to support a range of charities based in our local communities. From archaeology digs at Hadrian's Wall, to scrubbing and painting school fences, members of staff have made themselves available to lend a hand and make a difference.

Staff have been supporting the Percy Hedley Foundation as our corporate charity over the last two years and we are very proud that over £20,000 has been raised through a wide variety of fund raising activities. Percy Hedley Foundation supports young children and adults with physical and mental impairments.

We were thrilled to receive recognition for our commitment to our communities at the North East Business Awards, where we won the "Heart of the Community" Award.

I am pleased with the Society's results for the first half of the year. We will continue to invest in the business to develop our proposition for members and continue to provide excellent customer service. In the second half we will be focusing very closely on delivering our investment programme and supporting our customers and members through these changing and uncertain times.

Andrew Haigh
Chief Executive
26th July 2016

Forward-looking statements

Certain statements in this half-yearly information are forward-looking. These statements are made in good faith based on the information available up to the time of approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information. Therefore actual results may differ materially from those expressed or implied by these forward-looking statements. The Directors undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Summary Consolidated Income Statement

	Unaudited 6 months 30 Jun 16 £m	Unaudited 6 months 30 Jun 15 £m	Audited 12 months 31 Dec 15 £m
Interest and similar income	36.1	39.9	78.0
Interest expense and similar charges	(22.9)	(26.5)	(50.9)
Net interest receivable	**13.2**	**13.4**	**27.1**
Other income and charges	13.1	10.9	23.0
Total operating income	**26.3**	**24.3**	**50.1**
Administrative expenses	(19.1)	(17.2)	(36.1)
Depreciation	(1.1)	(1.0)	(2.1)
Operating profit before impairments and provisions	**6.1**	**6.1**	**11.9**
Impairment charges on loans and advances to customers	(1.8)	(2.7)	(4.6)
FSCS levy	(0.8)	(1.9)	(1.9)
Profit before taxation	**3.5**	**1.5**	**5.4**
Taxation expense	(0.7)	(0.4)	(2.1)
Profit after taxation for the financial period	**2.8**	**1.1**	**3.3**

The Notes on pages 10 and 11 form an integral part of this condensed consolidated half-yearly financial information.

Summary Consolidated Statement of Comprehensive Income

	Unaudited 6 months 30 Jun 16 £m	Unaudited 6 months 30 Jun 15 £m	Audited 12 months 31 Dec 15 £m
Profit for the period	2.8	1.1	3.3
Other comprehensive (expense)/income			
Items that may be reclassified to income statement			
Movement on available for sale reserve	(0.5)	(0.7)	(0.8)
Income tax on items that may be reclassified to income statement	0.1	0.1	0.2
Total items that may be reclassified to income statement	(0.4)	(0.6)	(0.6)
Items that will not be reclassified to income statement			
Actuarial re-measurements on retirement benefit obligations	-	-	0.4
Income tax on items that will not be reclassified to income statement	-	-	(0.1)
Total items that will not be reclassified to income statement	-	-	0.3
Total other comprehensive expense	(0.4)	(0.6)	(0.3)
Total comprehensive income for the financial period	2.4	0.5	3.0

The Notes on pages 10 and 11 form an integral part of this condensed consolidated half-yearly financial information.

Summary Consolidated Balance Sheet

	Unaudited 30 Jun 16 £m	Unaudited 30 Jun 15 £m	Audited 31 Dec 15 £m
ASSETS			
Liquid assets	810.9	733.2	726.0
Derivative financial instruments	10.5	9.5	7.3
Loans and advances to customers	2,547.4	2,577.5	2,478.6
Fair value adjustments for hedged risk	274.5	174.1	190.8
Property, plant and equipment	23.1	23.0	23.4
Other assets	19.2	20.2	19.4
TOTAL ASSETS	**3,685.6**	**3,537.5**	**3,445.5**

	Unaudited 30 Jun 16 £m	Unaudited 30 Jun 15 £m	Audited 31 Dec 15 £m
LIABILITIES			
Shares	2,730.6	2,853.5	2,678.8
Fair value adjustments for hedged risk	8.4	6.3	5.3
Deposits and debt securities	405.0	228.9	307.1
Derivative financial instruments	274.3	174.4	190.4
Other liabilities	15.7	18.2	14.7
Subordinated liabilities	50.0	59.5	50.0
Subscribed capital	30.0	30.0	30.0
Reserves	171.6	166.7	169.2
TOTAL LIABILITIES	**3,685.6**	**3,537.5**	**3,445.5**

The Notes on pages 10 and 11 form an integral part of this condensed consolidated half-yearly financial information.

Summary Consolidated Statement of Movement in Members' Interests

For the 6 months ended 30 June 2016 (unaudited)

	General reserve £m	Available for sale reserve £m	Total £m
At 1 January 2016	169.7	(0.5)	169.2
Movement in the period	2.8	(0.4)	2.4
At 30 June 2016	172.5	(0.9)	171.6

For the 6 months ended 30 June 2015 (unaudited)

	General reserve £m	Available for sale reserve £m	Total £m
At 1 January 2015	166.1	0.1	166.2
Movement in the period	1.1	(0.6)	0.5
At 30 June 2015	167.2	(0.5)	166.7

For the year ended 31 December 2015 (audited)

	General reserve £m	Available for sale reserve £m	Total £m
At 1 January 2015	166.1	0.1	166.2
Movement in the year	3.6	(0.6)	3.0
At 31 December 2015	169.7	(0.5)	169.2

The Notes on pages 10 and 11 form an integral part of this condensed consolidated half-yearly financial information.

Summary Consolidated Cash Flow Statement

	Unaudited 6 months to 30 Jun 16 £m	Unaudited 6 months to 30 Jun 15 £m	Audited 12 months 31 Dec 15 £m
Net cash flows from operating activities	12.7	(77.7)	(61.6)
Payment into defined benefit pension scheme	(0.9)	(0.9)	(2.0)
Net cash flows from investing activities	19.4	(46.0)	(48.8)
Net cash flows from financing activities	(3.1)	(3.4)	(16.2)
Net increase/(decrease) in cash and cash equivalents	**28.1**	**(128.0)**	**128.6**
Cash and cash equivalents at the start of period	186.5	514.4	315.1
Cash and cash equivalents at the end of the period	**214.6**	**386.4**	**186.5**

Other percentages

	Unaudited 6 months 30 Jun 16 %	Unaudited 6 months 30 Jun 15 %	Audited 12 months 31 Dec 15 %
Gross capital as a % of shares and borrowings	8.0	8.3	8.3
Liquid assets as a % of shares and borrowings	25.9	23.8	24.3
Wholesale deposits as a % of shares and borrowings	12.9	7.4	10.3
Liquid assets as a % of shares and borrowings excluding encumbered assets	17.2	18.1	17.7
Net interest receivable as a % of mean total assets	0.75	0.75	0.75
Cost to income ratio	76.9	75.2	76.0
Profit after tax as a % of mean total assets	0.16	0.06	0.09
Management expenses as a % of mean total assets*	1.14	1.01	1.06
Common Equity Tier 1 Ratio	13.7	12.8	13.6
Tier 1 Ratio	15.1	14.5	15.3
Total Capital Ratio (Solvency)	18.2	18.1	18.7
Leverage Ratio (Basel III - end point)	4.5	4.7	4.9
Leverage Ratio (Basel III - transitional)	4.9	5.3	5.6

** Expressed on an annualised basis*

The Notes on pages 10 and 11 form an integral part of this condensed consolidated half-yearly financial information.

Notes

1. General information

1.1. The half-yearly financial information set out above, which was approved by the Board of Directors on 26th July 2016, does not constitute accounts within the meaning of the Building Societies Act 1986.

1.2. The financial information for the 12 months to 31 December 2015 has been extracted from the accounts for that year, and on which the auditors gave an unqualified opinion, and which have been filed with the Financial Conduct Authority and Prudential Regulation Authority.

1.3. The half-yearly financial information for the 6 months to 30 June 2016 and the 6 months to 30 June 2015 is unaudited.

1.4. The announcement will be sent to holders of the Society's permanent interest bearing shares. Copies are available from the Society's Principal Office at Portland House, Newcastle upon Tyne NE1 8AL.

2. Basis of preparation

The condensed consolidated half-yearly financial information for the half-year ended 30 June 2016 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The half-yearly financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRSs as adopted by the European Union.

The Board has reviewed medium and long term plans over a 5 year horizon with particular emphasis on examining forecast capital, profitability and liquidity of the Group and the risks to those forecasts through a variety of stress testing scenarios. This horizon is considered appropriate through alignment to the Group's usual forecasting and management reporting allowing robust and continuous assessment of the Group's expected position and principal risks over the time-frame. Active risk management is undertaken to mitigate the Group's principal risks as detailed in note 4 of this half-yearly financial information.

The outcome of this review is that the Directors are satisfied that the Society and the Group have adequate resources to continue in business and meet its liabilities throughout the period of assessment.

Accordingly the financial statements of the Group have been prepared on a going concern basis with no material uncertainties that the going concern basis of accounting is appropriate.

3. Accounting policies

The half-yearly financial information has been prepared on the basis of the accounting policies adopted for the year ended 31 December 2015, as described in those financial statements.

4. Principal Risks and Uncertainties

The Group's activities expose it to a variety of risks: market risk (predominantly interest rate risk), credit risk, liquidity risk and operational risk. There have been no changes in the principal risks and uncertainties facing the Group and no significant changes to these risks are expected in the second half of the year.

The interim condensed consolidated financial information does not include all risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's Annual Report and Accounts for December 2015.

There have been no major changes in the risk management departments since year end or in any risk management policies or procedures.

5. Taxation

The effective tax rate is 20% (first half 2015 – 23%). The tax charge has been calculated as far as possible to approximate to the expected full year tax rate and includes an adjustment to deferred tax assets, and to current tax for changes in the enacted corporation tax rate.

6. Related Party Transactions

During the 6 months to 30 June 2016 the Society purchased £6.4m of Business Support Services from Newcastle Strategic Solutions Limited (NSSL) and £2.0m Managed IT and Property Services from Newcastle Systems Management Limited (NSML), both wholly owned subsidiary companies. The Society received £2.1m from NSSL and £0.5m from NSML for the provision of financial and administrative services during the same period. There were no comparable intra-group transactions during the 6 months to June 2015. For further detail see Note 29 of the Newcastle Building Society Annual Report and Accounts 2015.

7. Fair value measurement

The following table summarises the fair value measurement basis used for assets and liabilities held on the Balance Sheet at fair value.

	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Financial assets				
Debt securities - available for sale	324.8	-	-	324.8
Derivative financial instruments	-	10.5	-	10.5
Fair value adjustments for hedged risk on underlying instruments	-	274.5	-	274.5
Financial liabilities				
Derivative financial instruments	-	274.3	-	274.3
Fair value adjustments for hedged risk on underlying instruments	-	8.4	-	8.4

Level 1: Quoted prices (unadjusted) 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).

These definitions have been taken from the March 2009 amendment to IFRS 13 'Improving Disclosures: Financial Instruments'.

There were no transfers between levels in the period.

Statement of Directors' responsibilities

The Directors confirm that this condensed consolidated half-yearly financial information has been prepared in accordance with IAS 34 as adopted by the European Union, and that the half-yearly management report herein includes a true and fair review of the information required by the Disclosure and Transparency Rules (DTR 4.2.4, DTR 4.2.7 and DTR 4.2.8).

The Society's Home Member State is the United Kingdom.

The Directors of Newcastle Building Society are listed in the Annual Report for 2015. There were no other changes to the Board in the period except as already disclosed in the 2015 Annual Report.

On behalf of the Board

Andrew Haigh
Chief Executive
26th July 2016

Independent review report to Newcastle Building Society

Report on the condensed consolidated interim financial statements

Our conclusion
We have reviewed the condensed consolidated interim financial statements, defined below, in the Announcement of half-year results of Newcastle Building Society for the six months ended 30 June 2016. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed
The condensed consolidated interim financial statements, which are prepared by Newcastle Building Society, comprise:

- the Summary Consolidated Balance Sheet as at 30 June 2016;
- the Summary Consolidated Income Statement and Summary Consolidated Statement of Comprehensive Income for the period then ended;
- the Summary Consolidated Cash Flows Statement for the period then ended;
- the Summary Consolidated Statement of Movements in Members' Interests for the period then ended; and
- the explanatory Notes to the condensed consolidated interim financial statements.

As disclosed in Note 2, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed consolidated interim financial statements included in the Announcement of half-year results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of condensed consolidated financial statements involves
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Announcement of half-year results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

Responsibilities for the condensed consolidated interim financial statements and the review

Our responsibilities and those of the Directors

The Announcement of half-year results, including the condensed consolidated interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Announcement of half-year results in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the company a conclusion on the condensed consolidated interim financial statements in the Announcement of half-year results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
26th July 2016
Newcastle upon Tyne

Notes:

(a) The maintenance and integrity of the Newcastle Building Society website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.