

Branch Directory

Alnwick - 28 Bondgate Within, NE66 1TD	Tel: (01665) 603 344
Ashington - 10 Station Road, NE63 9UJ	Tel: (01670) 815 919
Berwick Upon Tweed - 12 Hide Hill, TD15 1AB	Tel: (01289) 306 417
Carlisle - 2/4 English Street, CA3 8HX	Tel: (01228) 524 518
Chester-Le-Street - 42 Front Street, DH3 3BG	Tel: (0191) 388 5266
Consett - 19/21 Middle Street, DH8 5QP	Tel: (01207) 502 636
Cramlington - 34/35 Craster Court, NE23 6UT	Tel: (01670) 735 813
Darlington - 87/88 Skinnergate, DL3 7LX	Tel: (01325) 383 656
Dumfries - 2/6 Queensberry Square, DG1 1BL	Tel: (01387) 253 815
Durham - 25 Elvet Bridge, DH1 3AA	Tel: (0191) 384 3182
Gateshead - 12 Ellison Walk, Trinity Square, NE8 1BF	Tel: (0191) 477 2547
Gibraltar - 197-201 Main Street	Tel: (00 350) 200 41143
Gosforth - 105/107 High Street, NE3 1HA	Tel: (0191) 285 5965
Hartlepool - 133/135 York Road, TS26 9DR	Tel: (01429) 233 014
Hexham - 3 Beaumont Street, NE46 3LZ	Tel: (01434) 605 106
Middlesbrough - 38 Linthorpe Road, TS1 1RD	Tel: (01642) 243 617
Morpeth - 14 Market Place, NE61 1HG	Tel: (01670) 514 702
Newcastle - 136 Northumberland Street, NE1 7DQ	Tel: (0191) 261 4940
Newcastle - Portland House, New Bridge Street, NE1 8AL	Tel: (0191) 232 0505
North Shields - 76 Bedford Street, NE29 0LD	Tel: (0191) 259 5286
Penrith - 12 Market Square, CA11 7BX	Tel: (01768) 862 888
Ponteland - 23 Broadway, Darras Hall, NE20 9PW	Tel: (01661) 821 828
South Shields - 67 Fowler Street, NE33 1NS	Tel: (0191) 454 0407
Stokesley - 19 High Street, TS9 5AD	Tel: (01642) 711 742
Sunderland - 14 Waterloo Place, SR1 3HT	Tel: (0191) 565 0464
West Denton - 22 Denton Park Centre, NE5 2RA	Tel: (0191) 267 5038
Whickham - 28 Front Street, NE16 4DT	Tel: (0191) 488 1766
Whitley Bay - 78/84 Park View, NE26 2TH	Tel: (0191) 252 0642
Yarm Library - 41 The High Street, TS15 9BH	Tel: (01642) 785 985

Agency

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

Newcastle - 136 Northumberland Street, NE1 7DQ	Tel: (0191) 261 4940
Newcastle - Portland House, New Bridge Street, NE1 8AL	Tel: (0191) 232 0505

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

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

Visit us online: www.newcastle.co.uk or call into one of our branches.
Principal Office: Portland House, New Bridge Street, Newcastle upon Tyne, NE1 8AL



Connecting communities in the North East with a better financial future



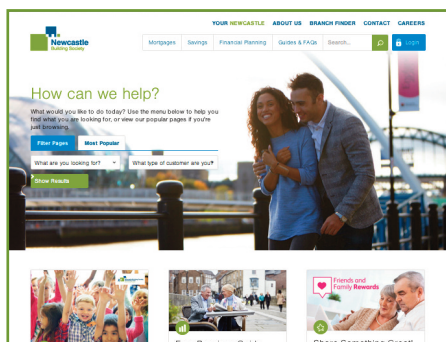
Newcastle Building Society
Member Update including Summary
Financial Statement 2016



Face-to-Face Financial Advice

As part of our ongoing commitment to providing face-to-face financial advice on the high street, we launched a new branch and financial advice centre on New Bridge Street in the City Centre.

Bright, open plan, and with improved access to services, as well as private meeting spaces, it's open on Saturdays too. Come and take a look. We're dedicated to helping you get the information you need in order to make the right decisions for your financial future. Financial planning is important for everyone, regardless of how much you have to invest. To discuss your financial plans you can make an appointment with an adviser in any of our branches or by calling 0345 600 4330.



New Look Website

We hope you like our new look, user friendly website, which you'll find is also easy to use on your mobile!

It features improved account set up and servicing for online savings customers, alongside a web chat facility and web mortgage appointment booking option for those seeking to mortgage or remortgage a property. All part of our £10m investment in improving our service to customers.



New Customer Director

We welcomed Damian Thompson as our new Customer Director.

Damian will be focused on growing our Member business, connecting with Members in the North East and beyond, and ensuring Members continue to have a powerful voice across their Society.



New branches in Yarm and Gateshead

Our partnership with Stockton Borough Council to create a community branch at the heart of the town also secured the ongoing provision of library services for local residents.

Yarm Library branch is the first of its kind in the UK, connecting our customers, colleagues, and the local community.



We also celebrated the launch of our new Gateshead Branch in Trinity Square.

The flagship branch was the third branch refurbishment in 2016. It has been designed to improve the experience that customers have when they visit us and most importantly, now provides appropriate and comfortable private meeting spaces for customers - a fantastic environment for face-to-face financial advice.



Newcastle Building Society Community Fund

We launched our Newcastle Building Society Community Fund in association with the Community Foundation Tyne & Wear and Northumberland, to provide long term financial support for charities and community groups.

Our Members play a key role in directing these grants to North East projects they wish to support. The projects that have already benefitted from grants of up to £3,000 include;

- Daisy Chain Project
- MS Research & Relief Fund
- Nathan's Needs
- Henry Dancer Days
- Whickham Hermitage Community Garden

See how our local communities are already benefiting on page 10 and 11.

2016 highlights

- Profit before tax of £8.1m
- Robust capital and liquidity ratios
- Increase in residential lending by 46 % to £496m
- Successful launch of Newcastle Building Society Community Fund and Community Saver Accounts
- New branches in Gateshead and Yarm Library
- Launch of financial advice centres in Newcastle City Centre
- Customer satisfaction rating of 93 %



The Society has made good progress in 2016, despite what has been a challenging and unpredictable external environment. At the start of the year we set out an ambitious agenda including substantial investment to improve our service to customers through digital, branches and mortgage intermediaries and the creation of over 100 new jobs across the North East region.

It is very pleasing to report that we achieved the goals we announced at the beginning of the year, while also adapting to the changing regulatory agenda and unforeseen events, both in the wider world and closer to home too.

Andrew Haigh - Chief Executive

A few of the highlights include: opening new customer facilities at our Head Office, Gateshead and Yarm branches; launching the Advice Centre concept in Newcastle City Centre; delivering good and timely outcomes to some significant regulatory projects such as the Deposit Guarantee Scheme Directive and FCA cash savings study; achieving our goal of creating 100 jobs; development workshops for our staff; launching the Newcastle Building Society Community Fund and Community Saver accounts; continued growth in Newcastle Strategic Solutions; a new website; an expanded and enhanced recruitment team and a brilliant effort in supporting local communities through our volunteering scheme.

Of course financial performance is also important and across 2016 we have improved profitability, maintained strong capital and liquidity ratios and achieved record low arrears figures.

Financial Performance

Profit before tax improved to £8.1m for the year ended 31 December 2016 compared to £5.4m for 2015, an increase of 50 %. Operating profit before impairment charges and the Financial Services Compensation Scheme (FSCS) Levy was maintained at £11.9m with a higher contribution from the Solutions business being used to fund investment into the Group both in infrastructure and also increased investment in staff as we build our capability to grow. Net interest margin improved from 0.75 % to 0.77 % reflecting increased levels of residential mortgage lending although the mortgage market continued to be very competitive with mortgage rates at historically low levels.

The profitability of our Solutions business improved reflecting the impact of the 4 contracts launched in 2015 as they continued to grow and build scale. The Solutions business provides a diversified income stream, based on core competencies within the building society business. All of the profits from this business are ploughed back into the Society and support increased investment in services for Members as well as providing capital to support and grow the business.



£8.1m

Profit before tax



£200m

Customer balances in new community saver accounts to date



New Website



46 %

Gross Residential Mortgage Lending



The opening of our new Gateshead Branch in Trinity Square welcomed customers and long term community partners to celebrate its launch.

Dale Barclay, Gateshead branch manager and Lindsay McSkimmings cut the cake at the official opening of the new Gateshead branch.

In 2016 we invested significantly in IT systems and supporting processes, particularly around combatting cybercrime, enhancing resilience, reflecting the latest regulatory developments and improving functionality. All of this is essential to further enhance our market leading Solutions business proposition and also benefits the Society's wider business and service to customers. The pipeline for the Solutions business continues to be very strong particularly for 2017 implementation.

There was a reduction in impairment charges from £4.6m to £3.2m reflecting the ongoing reduction in the legacy commercial portfolio and the FSCS levy also decreased from £1.9m to £0.6m due to a pleasing reduction in the amount of the levy imposed on retail deposit takers by the FSCS.

The Society's capital ratios continue to improve with Common Equity Tier 1 ratio improving from 13.6 % to 14.3 % and Tier 1 capital ratio increasing from 15.3 % to 15.8 %. The Group overall capital ratio (Solvency ratio) remained at 18.7 % as strong profitability offset amortisation of Tier 2 capital in the run up to maturity dates in 2017 and 2019. The leverage ratio (on a transitional basis) reduced from 5.3 % to 5.2 % reflecting a larger balance sheet size, but remains comfortably in excess of minimum requirements.

Despite the mortgage market being extremely competitive in 2016 we achieved a significant uplift in lending reflecting the investment we have made in distribution, our mortgage product range and online systems capability for brokers. Gross residential mortgage lending was up 46 % from £340m to £496m and net lending increased from £10m to £195m reflecting the higher level of lending and greater retention of existing mortgage customers. We also have a strong mortgage pipeline going into 2017.

The percentage of mortgage loans in arrears of 3 months or more, across our whole mortgage portfolio based on the number of loans, reduced again from 0.49 % to 0.42 %; lower than the industry average with 2016 seeing a record low since we began tracking 3 months arrears. Possession cases also continued at very low levels reflecting the excellent credit quality of the Society's residential lending.

Our liquidity at the end of the year was 17.4 %, excluding encumbered assets, down slightly compared to the level at the end of 2015 of 17.7 % but well above our minimum operating requirements. Against the liquidity coverage ratio, the new European measure introduced in 2015, the Society's ratio was 202 % against a minimum required level of 90 % (from 1 January 2017).

This significant headroom reflects the quality of the Society's liquidity with the majority of it invested in AAA/AA rated assets, in the UK.

Supporting our Members

Our mortgage borrowers have seen mortgage rates at record lows this year following the base rate cut announced by the Bank of England in August. As well as continuing to offer a great range of products for customers we have expanded our range to include new products tailored for customers who are either self-employed or require a larger loan size.

Our first time buyer lending was successful in 2016 with consistent good value products up to 95 % Loan to Value (LTV) for those customers taking their first step onto the property ladder.

We extended our support for first time buyers with the launch of Help to Buy mortgage products. 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 2016.

Our 'Home Saver' savings products have been popular and we are now seeing customers buying their home who have been saving through the Government's Help to Buy scheme and the Society's First Home Saver account, taking advantage of the bonuses available on both accounts.

A high point of 2016 has been the successful launch of our Community Saver accounts where we have already attracted over £200m of balances from customers who want to combine a good savings rate with helping to support their local communities. More details of this exciting new initiative are given in the Community Support Round-up Report, on pages 10 and 11.

Our financial advice subsidiary, Newcastle Financial Advisers 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 (97 % for 2016), and experiences high levels of repeat 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. Over the last 12 months we have engaged with our Members through 'Meet the Chief Executive' roadshows, branch events, our customer panel, and most importantly responding to the feedback our Members give us.



100+

Jobs created since January



703

First-Time Buyer mortgages



Financial advice customer satisfaction



1,000+

employees



The launch of our new Yarm Library partnership branch in October was a real community affair and included an Alice In Wonderland family fun day.

Picture shows Layla Tempest with branch staff, Kimberley Saunders and Rachael Benford (branch manager).

I really value the direct feedback I receive through the roadshow events as a measure of where we are doing well and where we need to develop or improve.

At several of our 'Meet the Chief Executive' roadshows I have had questions around security of customer data. Criminals are becoming increasingly sophisticated in their tactics to access and use information held online and it's a challenge faced by every organisation to ensure that confidential customer information is protected. The Society was pleased to be awarded the Cyber Essentials Plus Standard of assurance in 2016. Cyber Essentials is a UK government-backed cyber security certification scheme that sets out how to meet a good cyber security baseline, and provides an independent endorsement of the high cyber security standards we employ across the business.



We remain mindful that this is a threat that continues to evolve and we therefore plan to maintain our ongoing investment in developing our defences and keeping a strong focus on this key area.

Supporting our Staff

We are conscious of our responsibilities as a leading employer in the region. We continually search for ways to make the Society an even better place to work and help people achieve their potential. 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 advisers for Newcastle Financial Advisers Limited. The first candidates graduated this year, with excellent results, and our second cohort have already started the next programme. Our Aspire development programme, our newly launched service academies and our well established relationships with local universities all reflect the investment we are making in our people.

In line with our promised commitment at the start of the year, we reached and exceeded our target of creating 100 new jobs in the region in 2016, supporting our growth plans for 2017 and beyond and we expect to grow our workforce further in the year ahead.

It is pleasing to note that as well as increasing the number of new staff at the Society we have also maintained the tradition of building long term career relationships. While we have just passed the 1,000 employee mark, we are also proud of the fact that nearly one quarter of our staff have 10 years' service or more. This is a remarkable sign of commitment and a wealth of experience within the Society.

Summary

I am very pleased with the Society's performance in 2016 which I believe balances the need for a robust financial performance with investing in the products and services we provide for customers both now and for the longer term.

I would like to thank our staff for their exceptional contribution in 2016. We have had a challenging year and whether it has been dealing with the myriad of new regulations, input into projects to grow and develop our business or helping customers navigate financial uncertainties, the flexibility, professionalism and commitment of everyone across the Society has been impressive.

We look forward to the future knowing that we will be true to our purpose of Connecting Communities in the North East with a better financial future, encouraging people to save and plan their finances and helping people to own their own home. During what may be uncertain times, our Members and customers can rely on their local building society.

Andrew Haigh
Chief Executive
23 February 2017



Overall customer satisfaction



Record low mortgage arrears rates



Awarded in 2016



Value of money raised for community fund



Grants make our communities even better...

Through the Newcastle Building Society Community Fund at the Community Foundation, our Members can nominate local groups and charities for grants. Projects across the North East have already benefited from grants of up to £3,000 each.

If you would like to nominate a cause local to you and our branch network, please visit: newcastle.co.uk/community or visit your local branch.



Daisy Chain Project

Provides day care and short term respite to families with children on the autism spectrum across the Tees Valley area.

The project was nominated by Patricia Chambers, a customer of our Middlesbrough branch, and received a grant of £3,000 to help build a permanent canopy which will enable children to play outside all year round. It will especially benefit the toddlers who aren't yet big enough to use all the play equipment already in place.



MS Research & Relief Fund

Was nominated by our customer, Catherine Gilroy and received a £1,500 grant to help establish a weekly support group for multiple sclerosis carers in Morpeth.

The group will enable carers to meet people in similar situations to themselves, share their experiences, access useful new information and find support where they need it, all free of charge.



Nathan's Needs

Seven year old Nathan Main from Ashington suffers from severe cerebral palsy, leaving him unable to sit up, walk or talk.

Customer, Tracey Main Walsh set up Nathan's Needs to fundraise for essential adaptations to the family home and provide Nathan with specialist equipment and aids to help with communication and mobility. A grant of £1,135 has helped purchase a wheelchair attachment and EyeGaze software to advance Nathan's learning and communication when he's out and about.



Henry Dancer Days

A grant of £1,500 is extending a special storytelling project which helps young cancer patients during their treatment at the Great North Children's Hospital.

The storytelling sessions project was nominated by Jane Nattrass, a customer at our Morpeth branch whose son Henry passed away at the age of 12 due to bone cancer.



Whickham Hermitage Community Garden

Customer John Gibbon nominated the Whickham Hermitage Community Garden, a walled garden on the outskirts of Gateshead, for a grant to help build a permanent marquee over its outdoor seating area. As the canopy will be used by a variety of local residents and visitors to the garden, the £1,865 grant will benefit many in this local community.

North East businessawards 2016
with NECC
North East Chamber of Commerce

At the 'heart' of our community

We were thrilled to win the prestigious Heart of the Community accolade at the North East Business awards for Tyneside and Northumberland.



£2m landmark contribution

Our fundraising for the Sir Bobby Robson Foundation tipped the £2m mark in 2016.

The charity funds research and treatment which benefits cancer patients from across our heartland area and contributes significantly to the global fight against the disease.

Colleagues from Legal and Secretarial Services (above right) picked up their paint brushes and headed to Beamish for a team volunteering day.

The Compliance team (below right) volunteered their time painting at Chipchase House, a Percy Hedley Foundation care home.



Percy Hedley Foundation
Achievement for All

Percy Hedley Foundation

Percy Hedley Foundation was our corporate charity for the past two years and over that time our staff have raised in excess of £20,000 for this important North East charity.

One of the largest regional charities supporting disabled people, Percy Hedley Foundation provides a wide range of high quality, specialist and personalised care and education support to over 1,000 families each year.



Supporting through volunteering

Society staff have taken volunteering to the next level this year, supporting 20 different causes across our branch network as part of their two day work volunteering allocation.

From Teesside's Northern Children's Book Festival Gala Day at Middlesbrough Central Library to Newcastle's West End Food Bank's collection, storage and distribution, staff have been making a positive difference to our communities.



Financial Education Programme

Our ongoing Financial Education Programme receives heart-warming feedback from teachers and parents about the benefits and enjoyment it brings to the children involved.

Over the six week schools programme, branch colleagues are actively involved in guiding the groups of children and helping them develop their ideas. Winning groups from each school then present their ideas to a panel of judges, which includes our Chief Executive.



This year's Boardroom Charity Challenge final was won by Gateshead's Lingey House Primary School. They scooped the £1,000 prize, going on to work with Gateshead College to create an inspiring community fashion show and raise a significant amount for Marie Curie.

Savings and Mortgages



An easy access saver that benefits our communities!

Launched in June, our new charity-linked easy access saver account, the Newcastle Building Society Community Saver has proved very popular. It has an attractive variable rate of interest, and allows you to deposit or withdraw money easily.

The Society pays an equivalent of 0.1% of the account balances to the Newcastle Building Society Fund at the Community Foundation, to build a multi-million pound grant legacy for the region. The more you save, the more grants we can make to our North East and branch communities.

Supporting First Time Buyers



Helping Members buy their first home is something that we continuously support. In 2016 we extended our proposition to include support for the highly popular Help to Buy Equity Loan scheme.

Available through Newcastle intermediaries our Help to Buy products allow first time buyers to buy a new build property with support from the Government in the form of an equity loan. This move follows our launch of the Help to Buy: ISA in 2015 which helps prospective first time buyers save towards their deposit.



Residential mortgage lending to age 80

As we're living longer, continuing with a mortgage later in life is becoming more common.

To reflect this, and having listened to feedback from our Members, we have increased the maximum lending age for our residential mortgages to 80.

You might also wish to know that our Newcastle Intermediaries team provides Buy to Let mortgages through mortgage brokers which have no age limit at application or end date.



Competitive mortgage rates



We continue to offer competitive rates on our mortgage products. Our fixed rate mortgages, over two, three and five years offer free valuation and cash back in some instances.

Our range of fixed rate products, have proved popular with home buyers seeking more certainty around what their future mortgage payments will be. 2016 has seen significant growth in the Society's mortgage lending as more people have chosen Newcastle Building Society to help them buy their home.

Thinking about remortgaging?

Historically low interest rates have made this an attractive option for home buyers who find they may be financially better off paying an early redemption charge on an existing mortgage in order to take advantage of a better deal.

Remortgaging to help younger generations onto the property ladder by providing some or all of the deposit is also increasingly popular. Property values have risen significantly over the last couple of decades and parents, or even grandparents, are raising capital through remortgaging to help younger family members build a deposit to get a foot on the property ladder.

We are very pleased that a significant number of our remortgaging customers choose to stay with us. We make all our products, including best buy deals, available to any customer who meets the product conditions.



Helping savers

We continue to offer a wide range of savings products through our branch network, online or by post, which are designed to meet our Members' changing needs. We also provided a number of Member loyalty products through the year.





Stuart Dodson
Managing Director
Newcastle Financial
Advisers Limited



Committed to providing financial advice

We have seen more banks and building societies withdraw their financial advice services from the high street. We remain committed to providing face-to-face financial advice to our customers regardless of how much they have to invest, helping them secure a better financial future.

This year alone it has been reported that we can expect to see over 400 bank and building society branches close their doors. This can leave customers without access to a financial adviser. In May we opened two new Financial Advice Centres in Newcastle. This was a conscious move to provide a first class environment and a service for people needing advice. By operating longer opening hours, till 8pm Monday to Thursday and 3pm on a Saturday we are making sure we fit in with people's busy lives.

In October we changed our name from Newcastle Financial Services Limited to Newcastle Financial Advisers Limited. Whilst this might seem like a subtle change we felt it was important to make a better connection with our name and what we do for our customers. We are proud of the service we offer through Newcastle Building Society's branch network and how we help make a difference to people's lives in our local communities.



Next Generation Financial Advisers

Congratulations to David Simpson in our North Shields branch and Rachael Benford in our Yarm Partnership branch, who undertook the Ocademy training programme in association with Openwork to become qualified financial advisers.

The first in a number of our staff who are undertaking this professional training, both have now successfully completed their Diploma in Financial Advice.

A big well done to both!

What our customers think about our service*

'Professional advice when needed'

'Everything carefully explained'

'Efficient professional service'

'Excellent customer service from a well informed adviser'

'We value NEWCASTLE'

'Excellent ongoing advice'

*Responses from Newcastle Financial Advisers Limited Customer Satisfaction Survey, January 2017

Ken Hines
Seminar & Community
Manager



BIG talks in your Community

Our regular financial seminars have now become our Big talks. Taking place across the North East throughout the year, Big talks are relaxed and informal events that help you to stay up to date on financial information that's relevant to you.

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

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



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

Every year we run around 50 Big Talks across the North East in a variety of locations.



If you're interested in coming along to a BIG talk seminar, here is a list of our upcoming dates and venues:

Wednesday 3rd May 2017

Grand Hotel, Grand Parade, Tynemouth

Thursday 4th May 2017

White Swan Hotel, Bondgate Within, Alnwick

Wednesday 10th May 2017

Jury's Inn, Middlesbrough

Tuesday 16th May 2017

Lumley Castle, Chester-le-Street

Thursday 25th May 2017

Paxton House, Berwick upon Tweed

Wednesday 14th June 2017

The Cairndale Hotel, English Street, Dumfries

Wednesday 21st June 2017

Gibside Hotel, Front Street, Whickham

Wednesday 28th June 2017

George Hotel, Devonshire Street, Penrith

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

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



We look forward to seeing you there.

Annual General Meeting (AGM)

Notice of AGM

Notice is given that the AGM of Members of Newcastle Building Society will be held on Wednesday 26 April 2017 in the Barmburgh Suite, St James' Park, Newcastle United Football Club, Newcastle upon Tyne NE1 4ST at 1.45pm prompt, for the following purposes:

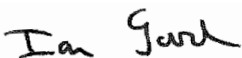
Ordinary Resolutions

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

Election and Re-election of Directors

4. i) To re-elect Richard John Bottomley
ii) To re-elect David John Buffham
iii) To re-elect Patrick Ferguson
iv) To re-elect Andrew Scott Haigh
v) To re-elect Karen Ingham
vi) To re-elect Philip James Moorhouse
vii) To re-elect John Morris
viii) To re-elect Angela May Russell
ix) To elect Damian Thompson
x) To re-elect Ian William Ward

By order of the Board



Ian Good
Group Secretary
23 February 2017

Notes

1. These notes form part of the Notice of Meeting.
2. Under the Society's Rules, a Member entitled to attend the Meeting and vote may appoint a proxy to attend and vote on their behalf.
You may appoint the Chairman of the Meeting or anyone else as your proxy and your proxy does not have to be a Member of the Society.
Your proxy may vote for you at the Meeting but only on a poll.
3. You may instruct your proxy how to vote at the Meeting. Please read the instructions on the Voting Form.

How to Vote

Online

1. You can vote online at **www.newcastle.co.uk/agm**
2. You must vote online by **5pm on Friday 21 April 2017**. 30p will be donated to The Newcastle Building Society Community Fund at the Community Foundation for every vote submitted online.

Freepost

1. Complete, sign and detach the Voting Form.
2. Post it in the pre-paid envelope provided. No stamp is required. Your form should be received by the independent scrutineers no later than **5pm on Friday 21 April 2017**.

Please do not include passbooks or cheques in the pre-paid envelope.

At the AGM

1. You can vote in person at the AGM on **Wednesday 26 April 2017**.
2. Bring your Voting Form, or other evidence of membership, to the Meeting.

Agenda:

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

AGM Business

1. The Annual Report and Accounts for the year ended 31 December 2016 are required to be received formally by Members at the AGM.
2. It is a requirement that the auditors are appointed by the Members each year. The Board is proposing the re-appointment of PricewaterhouseCoopers LLP as auditors.
3. Although it is not a legal requirement, in line with current best practice, Members are being asked to approve the Directors' Remuneration Report for the year ended 31 December 2016. A summary is included on pages 22 to 24, whilst a full version can be found in the 2016 Annual Report and Accounts.

This is an advisory vote and we will take the views of our Members seriously, and will consider the results carefully to determine what action, if any, is appropriate.

4. In accordance with best practice on corporate governance, all of the Society's Directors are standing for either election or re-election at the AGM, with the exception of Mr. R.J. McCormick who is standing down as a Director and Deputy Chairman at the end of the AGM.

Details of all the Directors are set out on pages 20 and 21.

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

Important Reminder

We have to remind all our Members from time to time that they can opt out of receiving marketing by post, phone or email from the Society.

You can change your preferences anytime, simply by letting the staff in your local branch know, or calling us on 0345 734 4345.

Our Directors

1. Andrew Haigh Chief Executive

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

2. Phil Moorhouse Chairman

Phil, the Society's Chairman since April 2013, is an experienced accountant and a Fellow of the Chartered Association of Certified Accountants. He brings 37 years of business experience to the Society's Board and his expertise was recognised when he was awarded 'North East Non-Executive of the Year 2015' at the North East Business Executive of the Year Awards.

3. Angela Russell Deputy Chief Executive and Finance Director

Angela is a Fellow of the Institute of Chartered Accountants and a Certified Public Accountant with 28 years' experience in finance in the UK and abroad. She has worked in a variety of positions covering finance, risk, audit, project and corporate planning roles.

4. Ron McCormick Deputy Chairman

Ron is both a Fellow of the Institute of Chartered Accountants and a Fellow of the Chartered Institute of Internal Auditors. He has previously worked as Group Finance Director then Group Commercial Director at Skipton Building Society, posts which he held for a total of 14 years.

5. Patrick Ferguson Strategy, Planning and Risk Director

Patrick joined the Society's Board in February 2014. Before this he was the Society's Group Risk Executive for almost four years. He has extensive experience in risk management, including conduct risk and regulatory compliance, in addition to financial reporting, planning, and budgeting. He has 17 years' experience in the building society sector.

6. Damian Thompson Customer Director

Damian joined the Board as Customer Director in August 2016. He brings extensive experience in customer insight and retention and has previously held senior customer-related roles, including Head of Retail and, latterly, Head of Distribution for a leading building society. He has spent more than 25 years serving and understanding customers, and has particular expertise in delivering exceptional customer experience.

7. Karen Ingham Non-Executive Director

Karen has an extensive customer services background within the consumer sector and is extremely people and customer focused. She is currently Customer Service Director at Virgin Media and has previously held roles in other organisations as Head of Service and HR Director. Karen started her career with 18 years in Financial Services at the Co-operative Bank.

8. Ian Ward Non-Executive Director

Ian has extensive experience in financial services that includes his role as Chief Executive of Leeds Building Society for 16 years until his retirement in 2011. He has been a Non-Executive Director of Newcastle Building Society since 2013.

9. Richard Bottomley OBE Non-Executive Director

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

10. David Buffham Non-Executive Director and Senior Independent Director

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

11. John Morris Non-Executive Director

John is a Fellow of the Institute of Chartered Accountants. He worked for several years as Director of Finance for the Retail Banking Division at HBOS. Prior to that, he held senior posts at Halifax as General Manager and at Leeds Permanent Building Society as General Manager Finance.



For full Directors' biographies, please see the 2016 Annual Report and Accounts

Summary Directors' Remuneration Report

This report summarises the Society's approach to pay for the period 1 January to 31 December 2016. It sets out the remuneration policy and remuneration details for the Executive and Non-Executive Directors of the Society. This summary is split into three main sections; the Statement by the Chairman of the Remuneration Committee, the Report on Remuneration and the Directors' Remuneration Policy. A full version of each section can be found in the 2016 Annual Report and Accounts.

i) Statement by the Chair of the Remuneration Committee

The Remuneration Committee operates within the Terms of Reference (TOR) agreed by the Board. The TOR are reviewed annually and were last reviewed on 29 November 2016. The effectiveness of the committee is also reviewed on an annual basis and was last reviewed, and found effective, on 29 November 2016.

The Board believes remuneration should be sufficient to attract, retain and motivate senior managers to continue to run the Society successfully, whilst avoiding paying more than is necessary for this purpose. The Remuneration Policy, therefore, focuses on rewarding our most senior Executives in line with the achievement of our goals set out in the annual strategic plan whilst continuing to provide value for money for our Members.

The committee comprises solely of Non-Executive Directors who have no personal financial interest in the recommendations. The Chairman and Chief Executive (except for items relating to his own remuneration) also attend meetings but are not members of the Committee. The HR Director acts as Secretary to the Committee. No use of external remuneration consultants was made by the Committee during the year.

The Chief Executive recommends the fees payable to Non-Executive Directors, including the Chairman's fee, to the Remuneration Committee. The Committee has complete discretion to make payment under the Corporate Bonus Scheme and also has discretion to amend or remove the scheme where necessary to ensure the arrangements continue to meet the Committee's overriding remuneration principles.

ii) Report on Remuneration

The total remuneration received by Executive Directors is shown opposite. The information has been audited and shows remuneration for the years

ended 31 December 2015 and 31 December 2016 as required under the Building Society (Accounts and Related Provisions) Regulations 1998.

The Chief Executive is the Society's most highly paid employee and no employee earns more than any Executive Director. For details of other non-Society Board positions held by the Society's Executive Director team see the Annual Business Statement on page 78 of the 2016 Annual Report and Accounts. None of the current Executive Directors retained any remuneration as a result of their non-Society positions.

iii) Directors' Remuneration Policy

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

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

- The Policy is clearly linked to the Society's business strategy, objectives and values;
- Policy, process and practice are consistent with and promote effective risk management, whilst creating an acceptable relationship between risk and reward;
- Basic pay and total remuneration is set at a competitive level to attract and retain the appropriate calibre of people;
- The approach to pay satisfies regulatory requirements and good Corporate Governance practice;
- Remuneration arrangements are transparent, consistent and fair, reflecting individual responsibilities and performance; and
- Remuneration arrangements are straightforward to understand, communicate and administer.

Directors' Emoluments (Audited)

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

	Year	Salary or fees	Other benefits	Annual bonus (Note 1)	Pension contributions to defined contribution scheme (Notes 2 and 3)	Total contractual benefits
		£000	£000	£000	£000	£000
Executive Directors						
AS Haigh - Note 2, 4	2016	269	37	8	-	314
	2015	227	32	8	-	267
AM Russell - Note 3	2016	186	15	6	12	219
	2015	183	10	6	16	215
P Ferguson	2016	135	10	4	12	161
	2015	132	10	4	12	158
D Thompson - (Appointed 22 August 2016)	2016	58	7	-	5	70
	2015	-	-	-	-	-
JH Willens - (Retired 30 April 2015)	2016	-	-	-	-	-
	2015	261	34	-	-	295
Total for Executive Directors	2016	648	69	18	29	764
	2015	803	86	18	28	935
Non-Executive Directors						
PJ Moorhouse	2016	66	-	-	-	66
	2015	65	-	-	-	65
R Bottomley OBE	2016	39	2	-	-	41
	2015	37	1	-	-	38
D Buffham	2016	50	-	-	-	50
	2015	47	-	-	-	47
K Ingham	2016	37	-	-	-	37
	2015	29	-	-	-	29
RD Mayland - (Retired 24 February 2015)	2016	-	-	-	-	-
	2015	6	-	-	-	6
RJ McCormick	2016	53	1	-	-	54
	2015	52	2	-	-	54
J Morris	2016	49	2	-	-	51
	2015	43	2	-	-	45
CRR Vine-Lott - (Retired 31 December 2015)	2016	-	-	-	-	-
	2015	43	3	-	-	46
IW Ward	2016	43	1	-	-	44
	2015	42	1	-	-	43
Total for Non-Executive Directors	2016	337	6	-	-	343
	2015	364	9	-	-	373
Total for all Directors	2016	985	75	18	29	1,107
	2015	1,167	95	18	28	1,308

Notes:

1. The Society's Executive Directors participate in the Group's annual Corporate Bonus Scheme. The annual corporate bonus is determined based on achievement of the current year's corporate KPIs. There is no consequent deferral of the bonus payment or vested element.
2. Mr AS Haigh has elected to take his pension contribution amounting to £24,208 as a cash payment. He is liable for his own tax and national insurance contributions on this payment.
3. Mrs A M Russell has elected to take a proportion of her pension contribution amounting to £5,141 as salary.
4. Mr AS Haigh was appointed as Chief Executive in May 2015.

Remuneration for Executive Directors

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

Basic salary - Reflects the size of the role and responsibilities, individual performance (assessed annually) and the skills and experience of the individual. Increases to base salary are determined annually by the Committee taking into account individual performance, the scope of the role, pay levels of comparable organisations and pay increases elsewhere in the Group.

Pension - Generally the Society contributes to a defined contribution pension scheme for the Executive Directors. The contribution can instead be paid in cash (which is excluded from bonus calculations) if the Executive Director is likely to be affected by the limits for tax approved pension saving. The maximum potential Society contribution to pension is 9 % of basic salary.

Other benefits - A number of benefits are provided to Executive Directors, including car or car allowance, private medical insurance, life insurance, relocation allowance and permanent health insurance. The Committee reviews benefits and from time to time may make changes, for example to reflect market practice or the needs of the business.

Short Term Incentive Scheme - Performance measures and targets are set on an annual basis and are measured over the financial year. Payment is made in cash, after performance has been assessed, at the discretion of the Committee. The Committee determines the maximum incentive. A corporate bonus payment has been awarded of 3 % of base salary in relation to 2016 performance.

The performance measures considered by the Remuneration Committee in respect of the Corporate scheme are delivery of the corporate KPIs which include financial, service level, and customer satisfaction targets. There was no deferred remuneration during 2016. As the Society's Remuneration Policy does not include significant performance-related variable remuneration, no formal ratio between fixed and variable remuneration is relevant.

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

Remuneration of Non-Executive Directors

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

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

Additional fees - Payable for additional responsibilities such as committee chairmanship or membership.

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

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

Consideration of Member Views

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

In 2014, the Society voluntarily elected to adopt some of the changes to remuneration reporting that apply to UK listed companies and one of the factors that the Committee took into consideration was the opportunity to give Members a chance to vote on the Society's Remuneration Policy. Members voted and gave their support (89.35 % voted to approve the policy with 18,145 votes for, 2,163 against and 539 withheld) to the policy in April 2015 which took immediate effect. In accordance with the Code, the policy will be put forward for vote again in 2018.

John Morris

Chairman of the Remuneration Committee
23 February 2017

For the year ended 31 December 2016

This Summary Financial Statement is a summary of information in the audited Annual Accounts, the Directors' Report and the Annual Business Statement, all of which will be available to Members and depositors free of charge, on demand, at every branch of the Newcastle Building Society from 15 March 2017. This information is also available online at: www.newcastle.co.uk/agm2017

Summary Directors' Report

The requirements of the Summary Directors' Report for the year ended 31 December 2016 can be found within the Chief Executive's Review on pages 4 to 9. The Directors consider the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis has continued to be adopted in preparing the Annual Report and Accounts.

Approved by the Board of Directors on 23 February 2017

Phil Moorhouse, Chairman

Richard Bottomley, Chairman of the Audit Committee

Andrew Haigh, Chief Executive

Group results for the year

	2016 £m	2015 £m
Net interest receivable	27.1	27.1
Other income and charges	27.4	22.9
Gains less losses from financial instruments and hedge ineffectiveness	0.1	0.1
Administrative expenses and depreciation	(42.7)	(38.2)
Operating profit before impairment charges and provisions	11.9	11.9
Impairment charges	(3.2)	(4.6)
Provision for FSCS levy	(0.6)	(1.9)
Profit for the year before taxation	8.1	5.4
Taxation expense	(2.0)	(2.1)
Profit after taxation for the financial year	6.1	3.3

Group financial position at the end of the year

	2016 £m	2015 £m
Assets		
Liquid assets	776.5	726.0
Mortgages	2,548.2	2,461.8
Fair value adjustments for hedged risk	233.8	190.8
Other loans	15.6	16.8
Derivative financial instruments	6.5	7.3
Fixed and other assets	40.9	42.8
Total assets	3,621.5	3,445.5
Liabilities		
Shares	2,709.2	2,678.8
Fair value adjustments for hedged risk	5.2	5.3
Borrowings	398.4	307.1
Derivative financial instruments	234.3	190.4
Other liabilities	16.1	14.7
Subordinated liabilities	50.0	50.0
Subscribed capital	30.0	30.0
Reserves	178.3	169.2
Total liabilities	3,621.5	3,445.5

Summary of key financial ratios

	2016 %	2015 %
Gross capital as a percentage of shares and borrowings	8.31	8.34
Liquid assets as a percentage of shares and borrowings (including encumbered assets)	24.99	24.31
Profit for the year as a percentage of mean total assets	0.17	0.09
Management expenses for the year as a percentage of mean total assets	1.21	1.06

Notes

Gross capital as a percentage of shares and borrowings

Gross capital represents reserves, plus subordinated liabilities and subscribed capital. The purpose of capital is to provide a buffer against any losses arising from a society's activities, thereby protecting investors' funds. The gross capital ratio measures the extent to which a society's activities are funded by capital, compared to shares and borrowings. The higher this ratio is, the greater the protection for investors.

Liquid assets as a percentage of shares and borrowings

Liquid assets are assets held by a society, which are in the form of cash or assets which are readily convertible into cash. The ratio is maintained at a level which the Directors consider appropriate for the activities of the Society.

Profit for the year as a percentage of mean total assets

A building society needs to make a reasonable level of profit each year in order to maintain and strengthen its gross capital ratio. It is similar to a company's return on assets. The Newcastle Building Society operates a policy of 'profit sufficiency' and one of the most appropriate measures of profitability is to express profit as a percentage of mean total assets.

Management expenses for the year as a percentage of mean total assets

Management expenses are the costs of running a society and comprise administrative expenses and depreciation. The lower this ratio is, the greater a society's efficiency.

Independent Auditors' Statement on the Summary Financial Statement to the Members of Newcastle Building Society

We have examined the Summary Financial Statement of Newcastle Building Society (the 'Society') set out on pages 25 to 27, which comprises the Group results for the year, the Group financial position as at 31 December 2016, the summary of key financial ratios and notes.

Respective responsibilities of Directors and Auditors

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

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

We also read the other information contained in the Summary Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement.

This statement, including the opinion, has been prepared for and only for the Society's members as a body in accordance with Section 76 of the Building Societies Act 1986 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion

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

Opinion

In our opinion the Summary Financial Statement is consistent with the full Annual Report and Accounts of Newcastle Building Society for the year ended 31 December 2016 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986, and the regulations made under it.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
23 February 2017