Connecting our communities with a better financial future

Newcastle Building Society Group Half-Yearly Financial Information 2025

newcastle.co.uk

Performance Highlights 2025

£10.5m
Operating profit before impairments and provisions
(HY 2024: £20.1m)

£15.9m
Underlying profit*
(HY 2024: £15.6m)

£10.8m
Profit before tax
(HY 2024: £0.2m)

£5.7bn
Saving balances
(YE 2024: £5.4bn)

12.1%
Common Equity Tier 1
(YE 2024: 12.2%)

£570m
Gross residential lending
(HY 2024: £584m)

97%
Overall customer satisfaction
(YE 2024: 96%)

4,000+
Colleague volunteering hours
(HY 2024: 4,795+)

+50
Colleague engagement score
(YE 2024: +49)

*Underlying operating profit is determined by removing items not arising from the core activities of the Group; further details can be found on page 10.

As a place-based, Purpose-led, customer-owned business we are increasingly aware of the role we can play in supporting our Members and their communities through these often challenging and turbulent times. Our high street presence and a commitment to face to face service and accessible financial advice is clearly valued by our Members as evidenced by the growth in high street savings balances and the number of customers we have helped access their first home.

Andrew Haigh, Chief Executive

Chief Executive's Review

Introduction

At the heart of our organisation is a clear and compelling purpose: “Connecting our communities with a better financial future”. This guiding principle continues to shape every decision we make and every service we deliver. In the first half of the year, we’ve made progress against this ambition — investing in the places, people, and products that matter most to the communities we serve.

The Group’s half year results show clear evidence of our commitment to creating value for our Members as a place-based, Purpose-led organisation while delivering a solid performance, with increases seen across mortgage balances, savings balances and the number of Members.

The first half of 2025 saw operating profit before impairments and provisions of £10.5m (HY 2024: £20.1m) and profit before tax for the Group at £10.8m (HY 2024: £0.2m). Net interest and other income increased by 15% over the first half of 2025 demonstrating margin growth in the Member business, as well as growth in income in our Solutions business. Offsetting this were losses on instruments the Group holds at fair value, which were impacted by the economic environment, as well as increases in costs relating to investment in our colleagues and non-colleague related costs, including investment in systems and infrastructure. The half year 2024 profit was impacted by our decision to offer voluntary support to Members who were affected by the actions and subsequent collapse of Philips Trust.

A year on year comparison is further informed by underlying performance results: underlying operating profit for the Group was £15.9m for the half year to 2025 (HY 2024: £15.6m), demonstrating the solid underlying business model that underpins the Group.

Capital remains strong and well within regulatory limits, with Common Equity Tier 1 at 12.1% (YE 2024: 12.2%). We also continue to manage our liquidity efficiently using high quality liquid assets, with the statutory liquidity percentage at 30 June 2025 at 16.5%, well within our regulatory limits (31 December 2024: 19.0%).

Further details of financial performance can be found in the business review.

The Newcastle Building Society Group structure includes the Society and its operating brands, Newcastle Building Society and Manchester Building Society, our savings management outsourcing subsidiary, Newcastle Strategic Solutions Limited (Solutions) and our regulated financial advice subsidiary, Newcastle Financial Advisers Limited.

We have continued to use the Mutual Value Measurement framework to guide our approach to creating and measuring value for our Members of both Newcastle Building Society and Manchester Building Society brands. This has led us to making a series of Member value commitments, which can be broadly grouped into three areas:

- Product, pricing, service and accessibility
- Membership and community
- Partnership and employment

Product, pricing, service and accessibility

We've made a specific Member value commitment to continue to offer our Members consistent, good value savings interest.

Over the period January – May 2025 (the latest data available), our savings rates were 0.62% higher than the market average of 3.17%, equating to an additional £13.8m of interest for our savings Members over the same period.

In the first half of 2025 we've seen a 4% growth in savings balances to £5.7bn with a net growth in branch accounts of more than 3%.

Over the period January – May 2025 (the latest data available), our branch savings balances have grown at more than double the rate of the market average across all channels, including online.

We've committed to maintain good value mortgage pricing on our Standard Variable Rate (SVR). Our SVR for residential mortgages remains one of the most competitive on the market. So far this year we've reduced SVR twice – once in April from 6.94% to 6.75% and again in July from 6.75% to 6.50%. Over the first half of the year, the competitor market average SVR was 7.60%, meaning our SVR borrowers saved more than £850,000 in additional interest.

To help people take their first steps into home ownership, we've supported more than 1,000 first time buyers in the first half of the year.

In June we were named Best Regional Building Society at the What Mortgage Awards for the ninth year in a row. Voted for by What Mortgage readers, the awards celebrate excellence in the mortgage industry. To have won the award for nine consecutive years reflects the hard work of colleagues and their dedication to outstanding customer service.

A customer satisfaction score at end of June 2025 of 97% (YE 2024: 96%) evidences our ongoing focus on personal customer service. A Net Promoter Score (NPS) of +87 (YE 2024: +86) shows customers are willing to recommend our products and services to others.

One specific Member value commitment continued into 2025 was to open our new flagship Monument branch in Newcastle city centre. I'm thrilled that following a great deal of hard work and expertise from colleagues across the business, we formally opened the branch in early July. This followed a multi-million-pound refurbishment bringing all five floors of the building back to life and into public use. Monument is more than a branch; our ambition is that the space and facilities on offer make it a focal point for meaningful conversations and collaboration, bringing together our communities and partners to drive positive change in the city and beyond.

Work is also progressing well on our new branch in King Street, Manchester, which will be the first branch under our new Manchester Building Society brand. Specialist contractors are working to create a welcoming, modern location, while respecting the historic fabric of the building, and we're on track for a planned opening later this year.

Our financial advice subsidiary, Newcastle Financial Advisers Limited, which provides regulated financial advice across our branch network and local communities, continues to deliver strong performance with over 6,100 advice appointments undertaken, evidencing the ongoing demand for accessible, face to face advice in our communities.

Investing nearly £77m on behalf of our customers, our financial advice team again achieved Top Rated firm status from VouchedFor, the UK's leading review site for financial advisers, for the fourth consecutive year, one of only a select group of financial advisory businesses in the UK to do so.

They were also the winner of VouchedFor's Client Impact Award, recognition of the real impact on customer lives and their financial futures by providing quality and accessible financial advice for all. They have now received over 3,300 VouchedFor reviews in total with an overall rating of 4.9/5.

The acquisition in April of the trade and assets of Orchard Financial Management Limited helped expand our customer base and accessible financial advice footprint across County Durham.

Membership and community

Vital to being a mutual organisation is listening to the views of our Members. One of our Member value commitments is to expand our Member engagement, to enable more Members to have their say and thereby help influence our future plans. Throughout 2025 we are holding a series of events which allow us to do exactly that in an informal, relaxed setting. So far this year we've held evening events in Teesside, Northumberland, and Durham, all of which were very well attended and a fantastic opportunity for senior leaders in the business to hear from our customers. Members can visit www.newcastle.co.uk/events to register for listening events coming up later in the year.

Something we hear repeatedly from Members is how much they value their passbook as a way of managing their savings. Earlier this year to celebrate our commitment to them, we released a limited-edition set of artist-designed passbooks, offering a choice of three beautiful and vibrant covers.

As well as telling a story of connection to the region, the designs helped to highlight the benefits that come from saving with a passbook and offered savers something beautiful and collectable to keep. We're reviewing customer feedback on the designs and how we can continue to share everything that's special about passbooks.

In the first half of the year, nearly £100,000 in grants have been allocated through our Community Funds. In the North West, grants totalling £20,950 were issued to five charities from the Manchester Building Society Community Fund at Forever Manchester, which is one of our Greater Manchester strategic partners. The Newcastle Building Society Community Fund at the Community Foundation North East also issued 15 grants totalling £71,240.

Grants were issued to charities helping to tackle our priority community themes of work and opportunity, debt management, homelessness and insecure housing, food poverty, and the environment.

Colleagues continue to volunteer their time to a range of good causes, and in the first half of 2025, logged more than 4,000 volunteering hours. Nearly 75% of these were in support of our community priorities, helping to supercharge our impact by donating an equivalent of more than 400 working days.

Half of the branches across our network have dedicated rooms which we offer free of charge to the community for activities such as meetings, social gatherings, training, and workshops. Popular with local groups and charities, these spaces are a unique and tangible example of our commitment to place; bringing together people across the community and using our assets to support our high streets and wider social wellbeing. During the first half of the year, these spaces have been used by over 150 different groups for a total of 2,400 hours.

Employment and partnerships

We continue to embed our 'A Place to Be You' strategy, which seeks 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.

Colleague-led networks inform policy updates and are vital to the success of a range of activities which help build an inclusive culture. Recognition for this approach includes success at the FT Advisor Diversity Awards in June, where we were named winners in the category for Championing LGBT Inclusion.

Our colleague net promoter score has remained steady at end of June 2025 at +50 (YE 2024: +49), a very good result which compares well against industry benchmarking.

As well as through focused grant-giving, supporting work and opportunity in our regions is delivered through a range of partnerships and other activities.

Our long-standing partnership with Newcastle United Foundation works to tackle issues around confidence, opportunity, workplace skills and readiness, and financial education. Colleagues continue to support their work by participating in careers talks and employability skills sessions.

In the North West, we continue to build our partnership with Empower Youth Zones, supporting their new site, Salford Youth Zone, following a donation of £100,000 in 2024.

The facility, which opened this summer provides a safe and inclusive space for thousands of children and young people to explore and enjoy a range of activities, as well as access essential mental health support and advice. Our contribution will be to support young people with their financial literacy and employability skills - a key part of our commitment to the region through Manchester Building Society as we deepen our roots across Greater Manchester.

Our Helping Hand service – which is delivered in partnership with Citizens Advice Gateshead – has continued to help Members and colleagues across the UK with fast, free and confidential support on a wide range of issues, often linked to the cost of living. So far this year, the service has helped more than 100 individuals, issuing 48 emergency grants by way of shopping vouchers and advising on available benefits and support.

Since launching in 2023, Helping Hand has supported more than 400 people, and through advice and information around access to welfare and benefits, helped to realise a total support for them of more than £1m.

Powering the savings industry

The Solutions business continues to deliver year on year growth in revenue. Balances under management increased by more than £700m to £51.4bn in the first half of 2025. Solutions' clients have not only grown through the period, but they also continue to win industry recognition for the quality of service and products they are able to offer to their savings customers (over 30 awards since 2024) and we have been proud to play our part in helping deliver those achievements.

The growth of the Solutions business and continued investment in systems has increased costs in the Solutions business during the period, offsetting the growth in revenue seen, making the Solutions business loss making during the period. Reviewing costs and maximising efficiency is a key strategic focus for the short and medium term, with actions being taken to ensure sustainable business growth.

Summary

As a place-based, Purpose-led, customer-owned business we are increasingly aware of the role we can play in supporting our Members and their communities through these often challenging and turbulent times. Our high street presence and a commitment to face to face service and accessible financial advice is clearly valued by our Members, as evidenced by the growth in high street savings balances and the number of customers we have helped access their first home.

The first half of 2025 has seen significant investment in infrastructure and technology, most notably evidenced by the launch of our Monument branch in July. We remain committed to continuing to invest in those products and services that matter to our Members and ensure a robust future for the business.

As always, we are grateful for the ongoing support of our Members in the North East and as the year progresses, the North West and for the hard work of colleagues across the business in ensuring that we can continue to 'Connect our communities with a better financial future'.

Andrew Haigh | Chief Executive
31 July 2025

Business review
Group financial performance

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 (31 December 2024: £6.6 billion). 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	**Unaudited 6 months to 30 Jun 25 £m**	**Unaudited 6 months to 30 Jun 24 £m**	**Audited 12 months to 31 Dec 24 £m**
Net interest income	51.0	43.6	91.9
Other income and charges	30.9	27.6	56.1
Fair value gains less losses and hedge accounting	(5.6)	6.0	4.9
Total operating income	76.3	77.2	152.9
Administrative expenses and depreciation	(65.8)	(57.1)	(118.7)
Operating profit before impairments and provisions	10.5	20.1	34.2
Impairments and provisions charges	-	(19.9)	(18.5)
Gain on disposal of non-current assets	0.3	-	-
Profit before taxation	**10.8**	**0.2**	**15.7**
Taxation	(1.9)	4.1	0.8
Profit after taxation	**8.9**	**4.3**	**16.5**

The Group has delivered a solid half year performance against a backdrop of a volatile global political and economic environment, with profit before taxation of £10.8m, adversely impacted by fair value losses of £5.6m. At the same time, the Group continues to invest in a sustainable business model fit for the future which has led to an increased level of administrative expenses and depreciation. The Group profit before taxation of £10.8m compares to £0.2m for the first half of 2024, with the first half of 2024 being impacted by fair value gains of £6.0m and £20.0m of costs recognised for the voluntary support offered to Members who were affected by the actions and subsequent collapse of Philips Trust, further detail of which can be found in note 25 of the 2024 Annual Report & Accounts.

Operating profit before impairments and provisions decreased during the period to £10.5m compared to £20.1m for the six months to 30 June 2024. Despite strong increases seen in net interest income and other income to £81.9m (six months to 30 June 2024: £71.2m), this was offset by the volatile economic environment negatively impacting the value of instruments the Group holds at fair value, as well as increases in administrative expenses from continued investment in people, processes and systems.

The Board views the alternative performance measure of underlying operating profit as a clearer view of the underlying performance of the business for our Members, which is reported alongside the operating profit before impairments and provisions measure.

Underlying operating profit of the Group is determined by removing income or expenses arising from events or transactions distinct from the core activities of the Group which do not represent the Group's true performance.

The following table provides a reconciliation of operating profit before impairments and provisions to underlying operating profit:

Underlying Operating Profit	**Unaudited 6 months to 30 Jun 25 £m**	**Unaudited 6 months to 30 Jun 24 £m**	**Audited 12 months to 31 Dec 24 £m**
Operating profit before impairments and provisions	10.5	20.1	34.2
Net losses / (gains) in fair value of equity release mortgages and associated derivative financial instruments	2.9	(4.0)	(4.9)
Losses / (gains) on hedge ineffectiveness on accounting hedges	2.6	(1.9)	(0.3)
Losses on revaluation of equity investments	0.2	-	0.4
Foreign exchange movements	(0.1)	-	(0.1)
Investment distribution	(0.8)	-	-
IT transformation costs	0.6	1.4	2.6
Underlying operating profit	**15.9**	**15.6**	**31.9**

Segmental information is available in note 9 and details the Member business and Solutions business segments.

Net interest income

Net interest income was £51.0m (30 June 2024: £43.6m) and net interest margin was 1.57% at 30 June 2025 (30 June 2024: 1.38%). Net interest margin benefitted from the repayment of £340m of drawings previously made under the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME) since 30 June 2024. At the same time the Society prudently slowed down mortgage growth to maintain quality of earnings whilst awaiting the successful completion of the inaugural public securitisation issuance that took place in July 2025.

Other income and charges

Other income and charges, which includes income from Solutions and Newcastle Financial Advisers, was £30.9m for the six months ended 30 June 2025 compared to £27.6m for the first half of 2024. Solutions continued to see growth in its underlying business in the first half of 2025 as balances under management with existing clients continued to increase, with income in the Solutions business increasing by 10% compared to the first six months of 2024. Newcastle Financial Advisers delivered a pleasing performance over the first half of the year with strong appointment levels increasing regulated and servicing income such that turnover has increased 31% to £4.2m compared to £3.2m in the first half of 2024.

Fair value gains less losses and hedge accounting

The impact of market interest rate changes on the Society is mitigated by hedging our exposure to interest rate risks using interest rate swaps. This significantly reduces the impact of changes in market interest rates on net interest income, ensuring that existing lending remains profitable as interest rates move.

Interest rate swaps are held at fair value and therefore the value of the swap changes when market interest rates move. As a result of changing interest rates, net values of the interest rate swaps have decreased by £44.5m in the six month period to June 2025 (six month period to 30 June 2024: £40.3m increase). This was largely offset by increases in the Society's hedge adjustments and the value of mortgages held at fair value, resulting in a net loss of £5.6m (30 June 2024: £6.0m gain), which is included in the fair value gains less losses on financial instruments and hedge accounting line in the Income Statement. Additional information on derivative and fair value movements is provided in notes 10 and 11 to the financial information.

Administrative expenses and depreciation

Administrative expenses and depreciation increased by £8.7m from £57.1m for the half year to June 2024 to £65.8m for the half year to June 2025. The number of colleagues increased during the period, increasing staff costs. Whilst increasing headcount to address current demand, the Group continues to invest further into its systems to drive improved customer service, business capacity and efficiency, which will support the strategic ambitions of the Group.

The Board considers the cost to income ratio to be a simple measure of financial efficiency. Our cost to income ratio at 30 June 2025 has increased to 86.3% (30 June 2024: 74.0%), as our administrative expenses increase outstripped the increases in income in the period. Excluding fair value gains less losses and hedge accounting, our cost to income ratio remained broadly static at 80.4% (30 June 2025: 80.2%).

Reshaping our cost base and maximising efficiency is a key strategic focus for the short and medium term, with actions being taken to align our unwavering Purpose and ongoing commitment to our Members with investments to drive efficiency and ensure sustainable business growth.

Impairment on loans and advances to customers

During the six months to 30 June 2025 there was no net charge recognised for impairment on loans and advances to customers (six months to 30 June 2024: reversal of £0.6m).

Provisions against our residential and buy to let mortgages have remained broadly static during the first six months of the year. The book has grown modestly by £156m and we have seen small increases in stage 3 assets. However, those increases have been partly offset by impairment reductions due to lower than expected losses occurring from the continuing higher interest rate environment across the UK, with Members adapting to the increasing borrowing costs. In addition, there was a release of part of the provision held in relation to properties with unsuitable cladding or other fire safety risks following reassessment of the valuation of these properties. The result of these movements is a £0.3m charge for impairment provisions on residential and buy to let mortgages, whilst provisions against legacy loans have reduced by £0.3m during the period due to redemption of, or capital repayments against, these loans.

Balance Sheet

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

Summary Balance Sheet	Unaudited 30 Jun 25 £m	Unaudited 30 Jun 24 £m	Audited 31 Dec 24 £m
Assets			
Liquid assets	1,002.3	1,305.9	1,155.6
Derivatives and hedged risk adjustments	39.5	38.1	34.7
Loans and advances to customers	5,427.7	5,079.9	5,289.3
Other assets	80.9	78.3	76.6
Total assets	**6,550.4**	**6,502.2**	**6,556.2**
Liabilities			
Shares	5,663.5	5,275.2	5,432.7
Deposits and debt securities	412.7	800.1	658.6
Derivatives and hedged risk adjustments	46.8	35.6	29.4
Other liabilities	45.8	62.7	55.6
Capital and reserves	381.6	328.6	379.9
Total liabilities and equity	**6,550.4**	**6,502.2**	**6,556.2**

Liquid assets

We continue to manage our liquidity levels efficiently using high quality liquid assets, comprising of assets held in cash or that can easily be converted to cash through treasury markets (repo) or via the various Bank of England liquidity schemes.

The statutory liquidity percentage (liquid assets as a percentage of shares, deposits and liabilities) at 30 June 2025 was 16.5% (31 December 2024: 19.0%). This is in excess of the Group's minimum operating level. The Group reduced its excess liquidity position utilising cash reserves and repaid a further £207m of maturing TFSME funding in the six months to 30 June 2025.

The liquidity coverage ratio (LCR) measures unencumbered high quality liquid assets as a percentage of net cash outflows over a 30 day stress period. The LCR at 30 June 2025 was 179% (31 December 2024: 229%), comfortably in excess of the minimum regulatory limit of 100%. The Group successfully completed its inaugural public securitisation with a £350m issuance on 1 July 2025, which will be a route to maintain and develop wholesale funding in the future. Since the completion of the deal the LCR has increased to over 200%.

Loans and advances to customers

The net increase in loans and advances to customers after provisions was £138m for the first half of the year (six months to 30 June 2024: £220m), with total mortgage balances increasing to £5.4bn at the end of June 2025 from £5.3bn at the end of 2024. Net residential lending, including buy to let, was £156m for the first half of the year, compared to £280m for the same period in 2024. Gross lending for the first half of the year was £570m (six months to 30 June 2024: £584m).

The Society prudently slowed down mortgage growth in the lead up to the securitisation issuance in July 2025 to efficiently manage liquidity and capital, resulting in a reduction in net lending in the first half of the year compared to the same period in 2024.

During the period there was also a £19m reduction (30 June 2024: £51m) in our exposure to the legacy lending book, which continues to run off.

The percentage of mortgages in arrears by three months or more was 1.02% (31 December 2024: 0.94%). Movement in the Group's mortgage provisions are outlined earlier in the report.

There were 25 properties in possession at 30 June 2025 (31 December 2024: 13). Overall, properties in possession remain low as a total volume of our lending. We always strive to ensure repossession is a last resort.

Funding

The Society is predominantly funded by retail savings with wholesale funding used to provide a diversified funding source. 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.

Retail savings balances were £5.7bn at 30 June 2025 (31 December 2024: £5.4bn), increasing by £231m during the first half of 2025 (six months to 30 June 2024: £261m), as savings volumes were carefully managed to balance with mortgage volumes and other funding sources.

The ratio of shares and deposits to wholesale balances has moved to 93% / 7% at 30 June 2025, from 89% / 11% at 31 December 2024.

Wholesale funding, which is made up of deposits and includes drawdown on Bank of England Funding Schemes, decreased by £246m during the first half of the year to £413m (31 December 2024: £659m). The Society currently utilises the Bank of England TFSME and at 30 June 2025 had £152m of drawings (31 December 2024: £359m), which is due to be repaid in 2025.

On 1 July 2025 the Group successfully raised £350m of funding through its first public securitisation using a special purposes vehicle, Hadrian Funding 2025-1 PLC, with similar vehicles expected to be utilised for future wholesale funding with additional market issuances. More detail is found in note 16 to the financial information.

Provisions for liabilities

During 2024 the Group committed to providing voluntary financial support to help customers whose trusts were affected by the actions and subsequent collapse of Philips Trust. A provision of £21.2m was recognised during 2024 in respect of this.

During the six months to 30 June 2025, payments of £8.6m were made to affected customers.

In addition, in the six months to 30 June 2025, £1.0m has been received from the administrators of Philips Trust from the recoveries made from Philips Trust investments. The amounts received as recoveries from the administrators are recognised within 'Provisions for liabilities and charges' within the Income Statement.

The remaining provision being held in respect of this scheme was £1.8m at 30 June 2025, which is expected to be utilised during the year for final payments in relation to this scheme. Further detail is found in note 14 to the financial information.

Reserves

The Group's reserves increased by £1.7m during the period (six months to 30 June 2024: £7.8m); with the retained profit in the period of £8.9m increasing general reserves (six months to June 2024: £4.3m), offset by reductions in the cashflow hedging reserve of £4.4m due to market interest rate movements impacting instruments held at fair value (six months to 30 June 2024: £3.7m increase), as well as being further reduced by £2.8m of distributions made to Additional Tier 1 holders (six months to 30 June 2024: £nil). These instruments pay a fully discretionary, non-cumulative fixed coupon at an initial rate of 14% per annum, which are paid semi-annually, and are recognised directly in reserves rather than through the Income Statement.

Capital

Total capital resources increased from £369m at 31 December 2024 to £375m in the six months to 30 June 2025 primarily as a result of profitability in the period. In the same period, risk weighted assets increased from £2,354m to £2,405m due to growth of the Society's residential mortgage portfolio.

The net result is a small decrease in capital ratios, as the Group started to utilise the capital raised in the previous year. Total Capital ratio (Solvency) was 15.6% as at 30 June 2025 (31 December 2024: 15.7%) and Common Equity Tier 1 ratio was 12.1% (31 December 2024: 12.2%). The regulatory minimum is 8.0% and 4.5% for Total Capital ratio and Common Equity Tier 1 ratio respectively. The Group's UK Leverage ratio was 5.0% at 30 June 2025 (31 December 2024: 5.2%). The Prudential Regulatory Authority (PRA) expects UK firms to maintain their leverage ratio above 3.25%.

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 and are consistent with the prior year.

Please refer to the Strategic Report in the 2024 Annual Report & Accounts for further details on our KPIs.

Key performance indicators	6 months to 30 Jun 25	6 months to 30 Jun 24	12 months to 31 Dec 24
Financial			
Sustainable business			
Profit before taxation	£10.8m	£0.2m	£15.7m
Operating profit before impairments and provisions	£10.5m	£20.1m	£34.2m
Underlying operating profit	£15.9m	£15.6m	£31.9m
Common Equity Tier 1 ratio	12.1%	12.1%	12.2%
Leverage ratio	5.0%	4.6%	5.2%
Liquidity coverage ratio	179%	212%	229%
Efficiency			
Cost to income ratio	86%	74%	78%
Lending and saving			
Net interest margin	1.57%	1.38%	1.44%
Lending			
Gross mortgage lending	£570m	£584m	£1,196m
Net core residential lending	£156m	£280m	£496m
Savings			
Savings balances	£5,664m	£5,275m	£5,433m
Non-financial measures			
Service quality and customer experience			
Customer satisfaction	97%	91%	96%
Customer engagement score (NPS)	+87	+86	+86
People, leadership and culture			
Colleague engagement score (eNPS)	+50	+49	+49

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are detailed below. A more detailed explanation of the risks below and how the Group seeks to mitigate them can be found in the Risk Management report of the 2024 Annual Report & Accounts.

Category	Definition
Capital risk	Capital risk is the risk that the Group is or becomes inadequately capitalised to address the risks to which it is exposed.
Conduct risk	Conduct risk is the risk of customer detriment arising from the Group's activities. Examples include products that do not perform as customers expected them to, or products being sold to customers for whom they are not suitable.
Credit risk	Credit risk is the risk that retail borrowers do not repay the Group and the Group's collateral is insufficient to meet the debt obligations. The risk is sensitive to economic conditions, unemployment rates, property prices, interest rates and the application of underlying assumptions and data within our credit loss modelling.
Interest rate risk	Interest rate risk is the risk that the value of the Group's net assets or net interest income falls as a result of a change in interest rates. Basis risk is the risk that net interest income falls because of a change in the relationship between two market rates.
Liquidity risk	Liquidity risk is the risk of loss or failure caused by the Group being unable to meet its liabilities or commitments as they fall due or only being able to do so at excessive cost.
Operational risk	Operational risk is the risk of loss, resulting from inadequate or failed internal processes, people and systems, or from external events. For the Group this definition includes legal risk, strategic risk and reputational risk.
Cyber risk	Cyber risk refers to the potential exposure or loss stemming from cyber incidents or data breaches, expanding to the financial stability of the Group, consumer and client confidence.
Climate change risk (Emerging risk)	Climate change risk recognises the risks associated with adverse climate change and the impact on the Group's operations, the impact on borrowers and the decrease in the value of security in support of mortgage lending. The most tangible financial risk to the Group from climate change relates to flood risk in respect to properties held as securities for mortgage loans.

Income Statements
Condensed Consolidated Income Statement

	Note	Unaudited 6 months to 30 Jun 25 £m	Unaudited 6 months to 30 Jun 24 £m	Audited 12 months to 31 Dec 24 £m
Interest receivable and similar income	7	167.0	161.4	335.7
Interest payable and similar charges		(116.0)	(117.8)	(243.8)
Net interest income		**51.0**	**43.6**	**91.9**
Other income and charges		30.9	27.6	56.1
Fair value gains less losses on financial instruments and hedge accounting	10	(5.6)	6.0	4.9
Total operating income		**76.3**	**77.2**	**152.9**
Administrative expenses		(61.9)	(53.6)	(111.1)
Depreciation and amortisation		(3.9)	(3.5)	(7.6)
Operating profit before impairments and provisions		**10.5**	**20.1**	**34.2**
Impairment reversals on loans and advances to customers		-	0.6	2.5
Gain on disposal of non-current assets		0.3	-	-
Provisions for liabilities and charges		-	(20.5)	(21.0)
Profit before taxation		**10.8**	**0.2**	**15.7**
Taxation	5	(1.9)	4.1	0.8
Profit after taxation for the financial period		**8.9**	**4.3**	**16.5**

The notes on pages 23 to 41 form an integral part of this condensed consolidated half-yearly financial information.

Condensed Consolidated Statement of Comprehensive Income

	Unaudited 6 months to 30 Jun 25 £m	Unaudited 6 months to 30 Jun 24 £m	Audited 12 months to 31 Dec 24 £m
Profit for the period	**8.9**	**4.3**	**16.5**
Other comprehensive income			
Items that may be reclassified to income statement			
Cash flow hedges			
Fair value movements recognised in equity	(3.9)	5.9	7.1
Amounts transferred to income statement	(2.1)	(0.9)	(2.1)
Tax on net amounts recognised in equity	1.6	(1.3)	(1.3)
Financial assets measured at fair value through other comprehensive income			
Fair value movements recognised in equity	-	(0.3)	(0.4)
Tax on net amounts recognised in equity	-	0.1	0.2
Total items that may be reclassified to income statement	**(4.4)**	**3.5**	**3.5**
Total other comprehensive (expense) / income	**(4.4)**	**3.5**	**3.5**
Total comprehensive income for the financial period	**4.5**	**7.8**	**20.0**

The notes on pages 23 to 41 form an integral part of this condensed consolidated half-yearly financial information.

Condensed Consolidated Balance Sheet

	Note	Unaudited 30 Jun 25 £m	Unaudited 30 Jun 24 £m	Audited 31 Dec 24 £m
ASSETS				
Liquid assets		1,002.3	1,305.9	1,155.6
Derivative financial instruments		27.5	65.2	56.6
Loans and advances to customers	13	5,427.7	5,079.9	5,289.3
Fair value adjustments for hedged risk		12.0	(27.1)	(21.9)
Property, plant and equipment		36.9	30.9	13.8
Intangible assets		13.0	13.8	34.0
Other assets		31.0	33.6	28.8
TOTAL ASSETS		**6,550.4**	**6,502.2**	**6,556.2**

	Note	Unaudited 30 Jun 25 £m	Unaudited 30 Jun 24 £m	Audited 31 Dec 24 £m
LIABILITIES AND EQUITY				
Shares		5,663.5	5,275.2	5,432.7
Fair value adjustments for hedged risk		2.0	(0.1)	-
Deposits and debt securities		412.7	800.1	658.6
Derivative financial instruments		44.8	35.7	29.4
Provisions for liabilities	14	2.8	20.3	11.2
Other liabilities		22.7	22.9	24.2
Subordinated liabilities		20.3	19.5	20.2
Subscribed capital		34.8	34.8	34.8
TOTAL LIABILITIES		**6,203.6**	**6,208.4**	**6,211.1**
Reserves		346.8	293.8	345.1
TOTAL LIABILITIES AND EQUITY		**6,550.4**	**6,502.2**	**6,556.2**

The notes on pages 23 to 41 form an integral part of this condensed consolidated half-yearly financial information.

Condensed Consolidated Statement of Movement in Members' Interests

For the 6 months ended 30 June 2025 (Unaudited)

	General reserve	Fair value through other comprehensive income	Cash flow hedge reserve	Other equity instruments	Total reserves
	£m	£m	£m	£m	£m
At 1 January 2025	299.8	0.2	5.1	40.0	345.1
Profit for the period	8.9	-	-	-	8.9
Other comprehensive income					
Net movement in cash flow hedge reserve	-	-	(4.4)	-	(4.4)
Total other comprehensive income	-	-	(4.4)	-	(4.4)
Total comprehensive income	8.9	-	(4.4)	-	4.5
Distribution to Additional Tier 1 capital holders	(2.8)	-	-	-	(2.8)
At 30 June 2025	305.9	0.2	0.7	40.0	346.8

For the 6 months ended 30 June 2024 (Unaudited)

	General reserve	Fair value through other comprehensive income	Cash flow hedge reserve	Total reserves
	£m	£m	£m	£m
At 1 January 2024	284.2	0.4	1.4	286.0
Profit for the period	4.3	-	-	4.3
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	4.3	(0.2)	3.7	7.8
At 30 June 2024	288.5	0.2	5.1	293.8

The notes on pages 23 to 41 form an integral part of this condensed consolidated half-yearly financial information.

For the year ended 31 December 2024 (Audited)

	General reserve	Fair value through other comprehensive income	Cash flow hedge reserve	Other equity instruments	Total reserves
	£m	£m	£m	£m	£m
At 1 January 2024	284.2	0.4	1.4	-	286.0
Profit for the period	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

The notes on pages 23 to 41 form an integral part of this condensed consolidated half-yearly financial information.

Condensed Consolidated Cash Flow Statement

	Note	Unaudited 6 months to 30 Jun 25 £m	Unaudited 6 months to 30 Jun 24 £m	Audited 12 months to 31 Dec 24 £m
Net cash flows from operating activities	15	(151.5)	66.1	(110.6)
Taxation paid		(3.3)	0.2	(2.9)
Cash flows from operating activities		**(154.8)**	**66.3**	**(113.5)**
Purchases of property, plant and equipment		(4.2)	(1.9)	(4.7)
Purchase of intangible assets		(1.1)	(2.4)	(4.6)
Sales of property, plant and equipment		1.4	-	-
Acquisition of trade and assets		(0.2)	(0.1)	(0.1)
Purchase of debt securities		(230.4)	(241.1)	(475.6)
Sale and maturity of debt securities		91.9	241.8	485.4
Net cash flows from investing activities		**(142.6)**	**(3.7)**	**0.4**
Interest paid on subscribed capital and subordinated liabilities		(2.9)	(1.8)	(4.3)
Capital payment for lease arrangements		(0.9)	(1.0)	(2.3)
Proceeds on issue of subordinated liabilities		-	19.8	19.8
Net proceeds of Additional Tier 1 capital		-	-	39.1
Distribution to Additional Tier 1 capital holders		(2.8)	-	-
Net cash flows from financing activities		**(6.6)**	**17.0**	**52.3**
Net (decrease) / increase in cash and cash equivalents		**(304.0)**	**79.6**	**(60.8)**
Cash and cash equivalents at the start of period	15	472.7	533.5	533.5
Cash and cash equivalents at the end of the period	15	**168.7**	**613.1**	**472.7**

The notes on pages 23 to 41 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 ('the Directors'), 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 2024 has been extracted from the accounts for that year. The Auditors gave an unqualified opinion on the accounts for the 12 months to 31 December 2024, and they have been filed with the Financial Conduct Authority and the Prudential Regulation Authority.

1.3. The half-yearly financial information for the six months to 30 June 2025 and the six months to 30 June 2024 is unaudited.

1.4. The half-yearly financial information is presented on a Group basis, unless otherwise stated, which comprises Newcastle Building Society and its subsidiary undertakings, principally, Newcastle Strategic Solutions Limited and Newcastle Financial Advisers Limited. Details on the subsidiary undertakings of the Group are found in note 15 to the 2024 Annual Report & Accounts.

1.5. The announcement is available at www.newcastle.co.uk.

2. Basis of preparation

The condensed consolidated financial information for the half year ended 30 June 2025 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with International Accounting Standard (IAS) 34, 'Interim financial reporting' as applicable in the United Kingdom. It does not include all the information required by International Financial Reporting Standards (IFRSs). The half-yearly financial information should be read in conjunction with the Annual Report & Accounts for the year ended 31 December 2024, which have been prepared in accordance with IFRSs as applicable in the United Kingdom.

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 forecasts including different plausible scenarios based on possible internal and external developments and emerging risks. Together with regular stress testing, the Group's forecasts show that the Group 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 the Group 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 the half-yearly financial information. The Directors have concluded that there are no material uncertainties that may cast significant doubt upon the Group's ability to continue to apply the going concern basis of accounting.

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 2024.

4. 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 half-yearly financial information. 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. Whilst there have been no changes to the accounting areas where the most significant estimates and judgements are applied, an overview of the impact the changed economic situation, or external developments, has had on these is provided below.

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, property price growth rates and volatility. Key assumptions and sensitivity analysis are outlined in note 12, Equity release mortgages.

Impairment of financial assets
The impairment of mortgage assets is determined by a weighted average of the expected credit losses of four different economic scenarios. Each scenario is based on a range of assumptions, including property price growth rates and unemployment rates. The scenarios are weighted based on management's current expectation about the future probability of each economic scenario. Economic scenarios and scenario weightings are outlined in note 13, Credit risk.

Pensions
At 31 December 2024, the pension scheme was valued using a range of assumptions including the most appropriate discount rate, mortality rates, inflation, take up of the Pension Increase Exchange offer and future salary increases. Management received independent external advice from its actuarial consultants in arriving at the scheme assumptions which were outlined together with sensitivity analysis in note 19, Retirement benefit obligations, of the 2024 Annual Report & Accounts. Detailed sensitivity analysis and stress testing performed at year end showed that the probability of the pension surplus becoming a deficit was remote. As a result, no revaluation of the pension scheme surplus was performed at the half year.

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. The UK government announced on 5 June 2025 that legislation will be introduced enabling retrospective actuarial certification to validate historic amendments. While this legislative solution is anticipated to remove the requirement for provisions related to void benefit changes, neither the timing nor precise scope are confirmed. Until enacted, there remains significant uncertainty as to whether the judgements 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 defined benefit pension obligation could be materially increased. Further detail is found in note 19 to the 2024 Annual Report & Accounts.

Judgements

Fair value of derivatives and financial assets

Fair values of derivatives and financial assets are determined by the three tier valuation hierarchy as defined within IFRS 13 'Fair Value Measurement'. There have been no significant changes to valuation methodologies applied since the publication of the 2024 Annual Report & Accounts.

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. See note 13, Credit risk for details.

5. Taxation

The tax charge in the period of £1.9m (six months to 30 June 2024: £4.1m credit; 12 months to 31 December 2024: £0.8m credit) has been calculated to approximate the expected full year tax rate and includes an adjustment to deferred tax assets. The tax credit of £4.1m for the six months to 30 June 2024 included recognition of £4.0m of deferred tax assets relating to taxable losses of Manchester Building Society and were recognised following a change in tax regulations applicable to Building Societies, allowing the Society to utilise the tax losses against profits since 1 July 2023.

The effective rate of tax for the six months to 30 June 2025 was 17.6% and is lower than the standard rate of corporation tax due to adjustments for allowable distributions to Additional Tier 1 capital holders. The effective rate of tax in 2024 was significantly different to the standard rate of tax of 25% due to the recognition of the Manchester Building Society taxable losses.

6. Related party transactions

During the six months to 30 June 2025 the Society purchased £6.8m of business support services and managed IT and property services from Newcastle Strategic Solutions Limited ('Solutions'), a wholly owned subsidiary (six months to 30 June 2024: £8.4m; 12 months to 31 December 2024: £17.8m). The Society received £8.0m from Solutions in the six months to 30 June 2025 for the provision of financial and administrative services (six months to 30 June 2024: £5.1m; 12 months to 31 December 2024: £11.8m).

7. Interest receivable and similar income

	Unaudited 6 months to 30 Jun 25 £m	Unaudited 6 months to 30 Jun 24 £m	Audited 12 months to 31 Dec 24 £m
Interest income on assets held at amortised cost	130.4	120.2	254.2
Interest income on assets held at fair value through profit or loss	5.6	6.0	11.4
Interest income on assets held at fair value through other comprehensive income	15.9	16.4	31.5
Net income on derivatives used for hedging purposes	15.1	18.8	38.6
Total interest receivable and similar income	**167.0**	**161.4**	**335.7**

8. Revenue from contracts with customers

In accordance with IFRS 8, 'Operating Segments', 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.

The table below illustrates the disaggregation of revenue in scope of IFRS 15, 'Revenue from Contracts with Customers'. Revenue from contracts with customers generated by the Solutions business and the Member business is included in 'Other income and charges' within note 9, Segment information.

	Unaudited 6 months to 30 Jun 25 £m	Unaudited 6 months to 30 Jun 24 £m	Audited 12 months to 31 Dec 24 £m
Revenue from contracts with customers			
Solutions business:			
Savings management services	24.3	22.5	45.6
Savings management project and change services	0.9	0.2	1.5
IT services	0.3	0.4	0.2
Member business:			
Regulated advice services	4.2	1.3	6.8
Third party services	0.6	1.9	1.7
Other services	-	1.2	0.1
Total revenue from contracts with customers	**30.3**	**27.5**	**55.9**

9. Segment information

The chief operating decision maker has been identified as the Board of Directors. The Directors review 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 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 Limited) provides business to business services through people, processes and technology. The Directors assess 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.

6 months to 30 June 2025 – Unaudited	Member £m	Solutions £m	Total £m
Net interest income / (expense)	52.2	(1.2)	51.0
Other (charges) and income	(3.9)	34.8	30.9
Fair value gains less losses on financial instruments and hedge accounting	(5.6)	-	(5.6)
Administrative expenses	(27.9)	(34.0)	(61.9)
Depreciation and amortisation	(1.4)	(2.5)	(3.9)
Operating profit / (loss) before impairments and provisions	**13.4**	**(2.9)**	**10.5**
Gain on disposal of non-current assets	0.3	-	0.3
Provisions for liabilities and charges	0.1	(0.1)	-
	13.8	**(3.0)**	**10.8**
Profit before taxation			**10.8**
Taxation			(1.9)
Profit after taxation for the financial period			**8.9**

6 months to 30 June 2024 – Unaudited

	Member £m	Solutions £m	Total £m
Net interest income	43.5	0.1	43.6
Other (charges) and income	(4.0)	31.6	27.6
Fair value gains less losses on financial instruments and hedge accounting	6.0	-	6.0
Administrative expenses	(26.0)	(27.6)	(53.6)
Depreciation and amortisation	(1.2)	(2.3)	(3.5)
Operating profit before impairments and provisions	**18.3**	**1.8**	**20.1**
Impairment reversals on loans and advances to customers	0.6	-	0.6
Provisions for liabilities and charges	(20.4)	(0.1)	(20.5)
	(1.5)	**1.7**	**0.2**
Profit before taxation			**0.2**
Taxation			4.1
Profit after taxation for the financial period			**4.3**

Year to 31 December 2024 – Audited	Member £m	Solutions £m	Total £m
Net interest income / (expense)	94.0	(2.1)	91.9
Other income	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 for the financial period			**16.5**

10. Fair value gains less losses on financial instruments and hedge accounting

	Unaudited 6 months to 30 Jun 25 £m	Unaudited 6 months to 30 Jun 24 £m	Audited 12 months to 31 Dec 24 £m
Fair value movement on loans and advances to customers held at fair value through profit and loss	(3.0)	(3.8)	(5.8)
Fair value movement on derivatives held to economically hedge loans and advances to customers held at fair value through profit and loss	0.1	7.8	10.7
Economically offsetting fair value movements on loans and advances to customers held at fair value and associated derivatives	**(2.9)**	**4.0**	**4.9**
Interest (expense) / income on derivatives in economic but not accounting hedge relationships	(0.5)	0.1	-
Fair value movement on equity instruments	(0.2)	-	(0.4)
Hedge ineffectiveness	(2.0)	1.9	0.4
Fair value gains less losses on financial instruments and hedge accounting	**(5.6)**	**6.0**	**4.9**

11. 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 at 30 June 2025.

	Level	Unaudited 30 Jun 25 £m	Unaudited 30 Jun 24 £m	Audited 31 Dec 24 £m
Financial assets				
Debt securities – fair value through other comprehensive income	1	745.8	614.2	602.3
Equity investments	1	0.1	0.1	0.1
Derivative financial instruments	2	27.5	65.2	56.6
Fair value adjustments for hedged risk	2	12.0	(27.1)	(21.9)
Equity investments	3	1.3	1.8	1.5
Loans and advances to customers held at fair value	3	164.6	178.3	171.6
Financial liabilities				
Derivative financial instruments	2	44.8	35.7	29.4
Fair value adjustment for hedged risk	2	2.0	(0.1)	-

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).

Loans and advances to customers held at fair value

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 is 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 30 June 2025 the fair value of the mortgage assets held at fair value was £164.6m (December 2024: £171.6m). The sensitivity of this value to the estimates shown above is as follows:

Assumption	Change in assumption	(Decrease) / increase in fair value £m
Discount rate	+ / - 1.0%	(9.0) / 9.9
Long term property price growth	+ / - 2.0%	3.9 / (4.8)
Sales discount on collateral	+ / - 2.5%	(1.2) / 1.2
Property price volatility	+ / - 3.0%	(2.8) / 2.4

The following table provides a reconciliation of the equity release portfolio's opening and closing fair value.

	Unaudited 6 months to 30 Jun 25 £m	Unaudited 6 months to 30 Jun 24 £m	Audited 12 months to 31 Dec 24 £m
As at 1 January	171.6	188.4	188.4
Interest accrued	5.9	6.5	12.2
Redemptions	(11.3)	(11.2)	(21.8)
Changes in property price assumptions – recorded in profit and loss	0.5	0.9	-
Changes in discount rate – recorded in profit and loss	(2.9)	(5.7)	(6.0)
Changes in exchange rates – recorded in profit and loss	0.8	(0.6)	(1.2)
As at 30 June / 31 December	**164.6**	**178.3**	**171.6**

Equity investments

The fair value of the Group's unlisted investments is calculated using a model which discounts the future expected cash flows from the investment. These cash flows relate primarily to the dividends receivable by the Group. These dividends are 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 business performance. These estimates are made using listed peers as a benchmark and other publicly available information.

At 30 June 2025 the fair value of the investments was £1.4m (December 2024: £1.6m). The sensitivity of this value to the estimates shown above is as follows:

Assumption	Change in assumption	(Decrease) / increase in fair value £m
Discount rate	+ / - 1%	(0.2) / 0.1
Long term dividend growth rate	+ / - 2%	(0.2) / 0.2

The following table provides a reconciliation of the level 3 equity investments opening and closing fair value:

	Unaudited 6 months to 30 Jun 25 £m	Unaudited 6 months to 30 Jun 24 £m	Audited 12 months to 31 Dec 24 £m
As at 1 January	1.5	1.8	1.8
Changes in fair value recorded in profit and loss	(0.2)	-	(0.3)
As at 30 June / 31 December	**1.3**	**1.8**	**1.5**

12. Equity release mortgages

The gross mortgage balances and fair value adjustment relating to the equity release mortgage portfolio are as follows:

Denominated in £	Unaudited 30 Jun 2025 £m	Unaudited 30 Jun 2024 £m	Audited 31 Dec 2024 £m
Gross mortgage balances	140.1	148.3	143.8
Fair value adjustment	0.6	5.1	2.9
Fair value presented on Balance Sheet	**140.7**	**153.4**	**146.7**

Denominated in €	Unaudited 30 Jun 2025 £m	Unaudited 30 Jun 2024 £m	Audited 31 Dec 2024 £m
Gross mortgage balances	41.1	42.8	40.7
Fair value adjustment	(17.2)	(17.9)	(15.8)
Fair value presented on Balance Sheet	**23.9**	**24.9**	**24.9**

Combined	Unaudited 30 Jun 2025 £m	Unaudited 30 Jun 2024 £m	Audited 31 Dec 2024 £m
Gross mortgage balances	181.2	191.1	184.5
Fair value adjustment	(16.6)	(12.8)	(12.9)
Fair value presented on Balance Sheet	**164.6**	**178.3**	**171.6**

The gross mortgage balances above reflect the Group's maximum pre-collateral exposure to credit risk at the Balance Sheet date. The Group typically expects its equity release mortgages to be repaid through sale of the underlying properties. In all instances, the Group holds the contractual right to sale proceeds required to repay a borrower's mortgage at the time of sale. By their nature, equity release mortgages are not considered to hold a pre-determined maturity date.

The Group recognises interest income on a per asset basis using the effective interest rate (EIR) method. For equity release mortgages, the EIR is considered to be the contractual fixed rate of interest detailed in the mortgage contracts. The gross mortgage balances, as presented above, reflect both the amortised cost and contractual balance of the Group's equity release mortgages.

The fair value adjustment has reduced by £3.7m during the period and provisions of £0.1m were released to the Income Statement to offset crystallised losses, as well as £0.6m EIR adjustments being transferred between fair value gains and losses and interest income, resulting in a fair value loss of £3.0m being recognised in the Income Statement. The main source of the change in fair value was a change in market interest rates, as well as the impact of the illiquidity premium applied to the discount rate used to value the loans, driven by movements in market mortgage rates. The Society 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 £0.1m, resulting in a net movement of £2.9m in the period (see also note 10, Fair value gains less losses on financial instruments and hedge accounting).

13. Credit risk

Loans and advances to customers consist of the following balances:

Product	Unaudited 30 Jun 2025 £m	Unaudited 30 Jun 2024 £m	Audited 31 Dec 2024 £m
Prime residential	4,686.1	4,303.6	4,523.5
Buy to let	377.5	379.7	384.7
Legacy books:			
Legacy buy to let	4.2	6.9	5.8
Purchased credit impaired lending	4.5	6.7	5.3
Commercial	2.0	5.9	2.0
Housing association	171.6	179.7	179.2
Serviced apartments	12.9	14.0	13.9
Policy loans	0.9	1.0	1.0
Equity release mortgages	164.6	178.3	171.6
Provisions	(6.6)	(8.0)	(6.6)
Micro fair value hedge adjustments	2.9	4.3	2.2
Effective interest rate adjustments	6.8	7.8	6.5
Fair value adjustments	0.3	-	0.2
Total	**5,427.7**	**5,079.9**	**5,289.3**

EIR adjustments include a £1.1m liability relating to the fair value discount applied to acquired credit impaired books (31 December 2024: £1.5m).

Loans and advances to customers are accounted for under IFRS 9, 'Financial Instruments'. This note provides an overview of changes in credit risk since December 2024 for all books held at amortised cost.

In line with the existing strategy, the Group continues to grow its core prime residential lending. Gross lending is similar in quantum and loan to value distribution to the comparable reporting period of 2024.

Prime residential and retail buy to let portfolios

Under IFRS 9, scenario analysis is used to assess and provide for expected credit losses. Please see the 2024 Annual Report & Accounts for details of the Group's methodology of this assessment.

No changes were made to the provisioning methodology since the December 2024 accounts. However, scenarios have been updated to reflect the current economic outlook. A summary of each of the macroeconomic scenarios is as follows:

- Base scenario – references the average HM Treasury short term forecast over the first two years and then the medium term forecasts for 2027 onwards for the UK economy
- Upside scenario – references the most positive HM Treasury short and medium term forecasts for the UK economy
- Downside scenario –references the most negative short and medium term HM Treasury forecasts for the UK economy
- Stress scenario – uses guidance issued by the Bank of England for stress testing purposes.

The Group's final expected credit losses are the losses calculated under each discrete scenario, multiplied by a 'likelihood factor', or 'scenario weighting'. The scenario weightings remain unchanged since the December 2024 accounts (10% / 40% / 40% / 10%).

The following tables summarise the house price growth (HPI) and unemployment assumptions used, which are the most significant assumptions to determine the provision. HPI is provided as annual percentage growth or contraction compared to the previous year.

30 June 2025

Scenario		2025	2026	2027	2028	2029
Upside	Unemployment %	4.2	3.7	3.7	3.7	3.7
	HPI % pa	4.5	5.7	5.4	4.4	4.0
Base	Unemployment %	4.7	4.7	4.6	4.6	4.5
	HPI % pa	2.6	1.7	2.4	2.9	3.4
Downside	Unemployment %	5.3	6.4	6.2	5.9	5.7
	HPI % pa	(3.7)	(6.1)	(2.0)	3.9	4.5
Stress	Unemployment %	6.0	8.7	8.4	7.4	6.7
	HPI % pa	(11.5)	(15.5)	(2.0)	6.5	5.8
Weighted	Unemployment %	5.0	5.7	5.5	5.3	5.1
	HPI % pa	(1.1)	(2.7)	0.5	3.8	4.1

30 June 2024

Scenario		2024	2025	2026	2027	2028
Upside	Unemployment %	4.2	3.9	3.9	3.9	3.8
	HPI % pa	4.5	5.5	6.6	7.2	7.1
Base	Unemployment %	4.3	4.4	4.4	4.4	4.4
	HPI % pa	(1.8)	(0.4)	1.6	3.7	3.8
Downside	Unemployment %	4.5	5.0	5.4	5.7	5.8
	HPI % pa	(6.3)	(6.9)	(1.4)	2.5	3.3
Stress	Unemployment %	8.5	8.0	7.4	6.8	6.8
	HPI % pa	(10.7)	(15.2)	(8.3)	(0.8)	0.3
Weighted	Unemployment %	4.8	5.0	5.1	5.1	5.1
	HPI % pa	(3.9)	(3.9)	(0.1)	3.1	3.6

31 December 2024

Scenario		2024	2025	2026	2027	2028
Upside	Unemployment %	4.2	3.5	3.1	3.0	3.1
	HPI % pa	2.2	4.2	4.2	4.4	4.1
Base	Unemployment %	4.2	4.4	4.4	4.3	4.1
	HPI % pa	1.7	2.3	2.0	2.6	2.7
Downside	Unemployment %	4.5	6.4	6.9	6.6	6.3
	HPI % pa	1.7	(3.3)	(7.1)	(3.6)	3.5
Stress	Unemployment %	4.5	7.9	9.7	8.2	7.4
	HPI % pa	(0.4)	(12.6)	(11.5)	(2.5)	2.7
Weighted	Unemployment %	4.4	5.4	5.8	5.5	5.2
	HPI % pa	1.5	(1.2)	(2.7)	(0.2)	3.1

Sensitivity

The 30 June 2025 provisions are sensitive to the likelihood factor applied to the different scenarios. The analysis below demonstrates the impact of a 100% weighting to each scenario.

	Upside	Base	Downside	Severe downside	Provision
Provision £m	2.9	3.7	6.0	11.1	5.3

Post model adjustments

Fire safety and cladding risk

The Group has a small number of loans secured on properties with unsuitable cladding or other fire safety risks. As the marketability of such properties is currently uncertain, an immaterial post model adjustment of £0.1m (31 December 2024: £0.3m) has been recognised.

Affordability

Whilst the Group has seen small increases in non-performing, stage 3 loans in the current period, overall arrears remain low and below overall market levels. However, the significant increases in market interest rates over the previous two years have resulted in significantly higher refinance costs for borrowers on variable rate products, as well as for those whose fixed rate products mature. The proportion of the Group's borrowers who originated before October 2022 and have not had a refinance event since continues to decrease; we expect that circa 75% of them will have experienced such events by the end of 2025. A post model adjustment of £0.4m (31 December 2024: £0.6m) has been recognised to account for this risk. The adjustment has been determined by classifying borrowers most at risk from increased mortgage interest rates as stage 2.

Climate change

Whilst the Group has seen no observed defaults directly attributed to climate change, climate related events are becoming more frequent. The Group has recognised £0.2m in the accounts (31 December 2024: £0.1m) related to how these risks might develop over the short and medium term. This has been done by adjusting property values using the modelling output from third-party suppliers which quantify physical risks.

IFRS 9 staging and loss provisioning

The impact of IFRS 9's staging and loss provisioning to the Group's closing Balance Sheet was as follows (payment holidays are not considered to be arrears):

IFRS 9 Gross Exposure

	Stage 1 Of which months in arrears			Stage 2 Of which months in arrears			Stage 3 Of which months in arrears			Total
	< 1	1-3	> 3	< 1	1-3	> 3	< 1	1-3	> 3	
	£m									
Prime residential	3,940.3	-	-	639.9	31.1	-	18.7	15.2	40.9	4,686.1
Buy to let	306.3	-	-	62.9	4.4	-	1.6	0.4	1.9	377.5
Total	4,246.6	-	-	702.8	35.5	-	20.3	15.6	42.8	5,063.6

Expected Credit Losses

	Stage 1 Of which months in arrears			Stage 2 Of which months in arrears			Stage 3 Of which months in arrears			Total
	< 1	1-3	> 3	< 1	1-3	> 3	< 1	1-3	> 3	
	£000									
Prime residential	597.4	-	-	2,143.7	240.5	-	390.1	288.6	1,249.8	4,910.1
Buy to let	25.7	-	-	109.7	6.2	-	3.6	10.8	184.9	340.9
Total	623.1	-	-	2,253.4	246.7	-	393.7	299.4	1,434.7	5,251.0

The impact of IFRS 9's staging and loss provisioning to the Group's closing 30 June 2024 Balance Sheet was as follows (payment holidays are not considered to be arrears):

IFRS 9 Gross Exposure

	Stage 1 Of which months in arrears			Stage 2 Of which months in arrears			Stage 3 Of which months in arrears			Total
	< 1	1-3	> 3	< 1	1-3	> 3	< 1	1-3	> 3	
	£m									
Prime residential	3,611.5	-	-	601.5	27.2	-	19.2	12.6	31.6	4,303.6
Buy to let	307.1	-	-	62.6	3.3	-	2.5	1.9	2.3	379.7
Total	**3,918.6**	**-**	**-**	**664.1**	**30.5**	**-**	**21.7**	**14.5**	**33.9**	**4,683.3**

Expected Credit Losses

	Stage 1 Of which months in arrears			Stage 2 Of which months in arrears			Stage 3 Of which months in arrears			Total
	< 1	1-3	> 3	< 1	1-3	> 3	< 1	1-3	> 3	
	£000									
Prime residential	559.1	-	-	3,002.2	360.6	-	696.8	233.9	716.2	5,568.8
Buy to let	91.4	-	-	274.3	17.2	-	261.9	14.5	85.3	744.6
Total	**650.5**	**-**	**-**	**3,276.5**	**377.8**	**-**	**958.7**	**248.4**	**801.5**	**6,313.4**

The impact of IFRS 9's staging and loss provisioning to the Group's closing 31 December 2024 Balance Sheet was as follows (payment holidays are not considered to be arrears):

IFRS 9 Gross Exposure (restated)*

	Stage 1 Of which months in arrears			Stage 2 Of which months in arrears			Stage 3 Of which months in arrears			Total
	< 1	1-3	> 3	< 1	1-3	> 3	< 1	1-3	> 3	
	£m									
Prime residential	3,801.2	-	-	629.6	25.6	-	19.9	18.6	28.6	4,523.5
Buy to let	301.5	-	-	75.1	3.6	-	1.3	2.7	0.5	384.7
Total	4,102.7	-	-	704.7	29.2	-	21.2	21.3	29.1	4,908.2

*The above balances have been represented since 31 December 2024 due to a misallocation of post model adjustments between the different stages, resulting in a decrease in stage 1 mortgages of £279.4m, an increase in stage 2 mortgages of £277.1m and an increase in stage 3 mortgages of £2.3m. There is no impact on the total gross mortgage balances.

Expected Credit Losses (restated)*

	Stage 1 Of which months in arrears			Stage 2 Of which months in arrears			Stage 3 Of which months in arrears			Total
	< 1	1-3	> 3	< 1	1-3	> 3	< 1	1-3	> 3	
	£000									
Prime residential	498.6	-	-	2,292.1	242.4	-	140.9	453.5	1,156.7	4,784.2
Buy to let	29.4	-	-	171.4	47.5	-	4.8	41.3	94.8	389.2
Total	528.0	-	-	2,463.5	289.9	-	145.7	494.8	1,251.5	5,173.4

*The above balances have been represented since 31 December 2024 due to a misallocation of post model adjustments between the different stages, resulting in an increase in stage 1 expected credit losses and a decrease in stage 2 expected credit losses of £0.3m. There is no impact on the total expected credit losses.

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)	**30 Jun 2025**		**30 Jun 2024**		**31 Dec 2024**	
	£m	**%**	**£m**	**%**	**£m**	**%**
<70%	2,623.9	56.0	2,498.1	58.1	2,557.0	56.5
70% - <80%	774.0	16.5	680.0	15.8	758.2	16.8
80% - <90%	950.6	20.3	701.6	16.3	802.9	17.7
>90%	337.6	7.2	423.9	9.8	405.4	9.0
	4,686.1	**100.0**	**4,303.6**	**100.0**	**4,523.5**	**100.0**

At the end of June 2025, the Group had 13 properties in possession in relation to prime residential loans (December 2024: five).

The Group offers a range of forbearance measures to customers such as payment breaks and reductions, transfers to interest only products and other support. No loans that would be past due or impaired have had their terms renegotiated.

The Group granted forbearance against 91 residential loans in the six months to 30 June 2025 (31 December 2024: 92). No alteration was made to the contractual rates of interest with balances totalling £14.6m at 30 June 2025 (31 December 2024: £16.2m), this did not lead to any modification gain or loss as a result of short term forbearance granted. Provisions of £0.3m (31 December 2024: £0.4m) are held against residential mortgages that were granted forbearance during the period.

Retail buy to let mortgage book

The retail buy to let mortgage book consists of buy to let individuals of less than £1m.

Loan to value (indexed)	30 Jun 2025		30 Jun 2024		31 Dec 2024	
	£m	%	£m	%	£m	%
<70%	294.1	77.9	318.1	83.8	300.8	78.2
70% - <80%	75.9	20.1	52.1	13.7	72.9	18.9
80% - <90%	6.5	1.7	8.4	2.2	10.0	2.6
>90%	1.0	0.3	1.1	0.3	1.0	0.3
	377.5	**100.0**	**379.7**	**100.0**	**384.7**	**100.0**

At the end of June 2025, the Group had one buy to let property in possession (31 December 2024: one). 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 did not grant forbearance against any buy to let loans in the six months to 30 June 2025 (31 December 2024: four, of which no alteration was made to the contractual rates of interest with balances totalling £1.1m and no provisions were held against these loans).

Geographical split of lending

The table below provides a breakdown of the geographic concentration of the Group's prime residential and retail buy to let mortgage portfolio. The Group's mortgage portfolio is diversified across the UK.

Region	Prime residential £m	Buy to let £m	30 Jun 2025 Total £m	30 Jun 2025 Total %	31 Dec 2024 Total £m	31 Dec 2024 Total %
North East	484.9	8.0	**492.9**	**9.7**	**487.0**	**9.9**
East of England	376.3	40.2	**416.5**	**8.2**	**410.0**	**8.4**
East Midlands	327.6	15.0	**342.6**	**6.8**	**327.6**	**6.7**
Northern Ireland	1.6	0.1	**1.7**	**-**	**1.9**	**-**
North West	550.1	21.8	**571.9**	**11.3**	**545.2**	**11.1**
Scotland	527.3	6.2	**533.5**	**10.6**	**511.8**	**10.4**
South East	1,126.3	225.8	**1,352.1**	**26.7**	**1,331.4**	**27.1**
South West	383.2	23.4	**406.6**	**8.0**	**387.2**	**7.9**
Wales	157.8	7.0	**164.8**	**3.3**	**151.4**	**3.1**
West Midlands	337.7	17.7	**355.4**	**7.0**	**335.5**	**6.8**
Yorkshire	408.7	12.3	**421.0**	**8.3**	**408.7**	**8.3**
Other	4.6	-	**4.6**	**0.1**	**10.5**	**0.3**
Total	**4,686.1**	**377.5**	**5,063.6**	**100.0**	**4,908.2**	**100.0**

Legacy portfolios

The provisioning methodology for commercial, legacy buy to let, and serviced apartments exposures follows that outlined in the 2024 Annual Report & Accounts. Economic scenarios have been updated to correspond with the scenarios used for residential mortgages and the same scenario weightings are used for these books as are used for the core books above. The following sector specific discounts and uplifts have been used, compared to current collateral valuations:

Sector	Upside	Base	Downside	Stress
Retail	90%	80%	70%	40%
Industrial	90%	70%	60%	40%
Leisure	60%	50%	45%	35%
Residential	99%	99%	86%	73%
Serviced apartments	106%	85%	70%	40%

These discounts and uplifts are applied to the latest valuation of the property serving as collateral. No losses are expected on exposures to housing associations and policy loans. The resulting gross balances and corresponding provisions are as follows:

Product	30 Jun 2025		30 Jun 2024		31 Dec 2024	
	Exposure £m	Provision £m	Exposure £m	Provision £m	Exposure £m	Provision £m
Legacy buy to let	4.2	-	6.9	-	5.8	-
Purchased credit impaired lending	4.5	-	6.7	0.1	5.3	-
Commercial	2.0	0.7	5.9	0.6	2.0	0.6
Housing associations	171.6	-	179.7	-	179.2	-
Serviced apartments	12.9	0.6	14.0	1.0	13.9	0.9
Policy loans	0.9	-	1.0	-	1.0	-
Total	**196.1**	**1.3**	**214.2**	**1.7**	**207.2**	**1.5**

Sensitivity

The 30 June 2025 provisions are sensitive to the likelihood factor applied to the different scenarios. The analysis below demonstrates the impact of a 100% weighting to each scenario.

	Upside	Base	Downside	Severe downside	Provision
Provision £m	0.7	1.0	1.3	2.0	1.3

At the end of June 2025, the Group had four properties in possession or subject to LPA receivership in relation to legacy loans (31 December 2024: four). 18 legacy borrowers were in arrears of three months or more with exposures of £4.2m (31 December 2024: 14 legacy borrowers, £5.0m).

The Group granted forbearance against one legacy loan in the six months to 30 June 2025 (31 December 2024: none). No alteration was made to the contractual rates of interest with balances totalling £0.1m at 30 June 2025 (31 December 2024: £nil), this did not lead to any modification gain or loss as a result of short term forbearance granted. There are no provisions (31 December 2024: £nil) held against legacy mortgages that were granted forbearance during the period.

14. Provisions for liabilities

	Unaudited 6 months to 30 Jun 25 £m	Unaudited 6 months to 30 Jun 24 £m	Audited 12 months to 31 Dec 24 £m
Opening provision at 1 January	11.2	0.6	0.6
New provisions in the year	1.0	20.5	22.2
Amounts utilised during the year	(9.4)	(0.8)	(11.6)
Closing provision at 30 June / 31 December	**2.8**	**20.3**	**11.2**

During 2024 the Group committed to providing voluntary financial support to help customers whose trusts were affected by the actions and subsequent collapse of Philips Trust. The support offered was entirely voluntary and there is no legal or regulatory requirement to provide financial support. A provision of £21.2m was recognised during 2024 in respect of this, as outlined in note 25 of the 2024 Annual Report & Accounts.

At 30 June 2025, total payments of £18.7m have been made to affected customers since inception of the scheme in 2024, of which, £8.6m was made in the first half of 2025. Included within amounts utilised during the six months to 30 June 2025 is £0.1m of costs incurred in respect of administration of the scheme, with total costs incurred for administration of the scheme since inception being £0.7m.

In addition, a total of £2.2m has been received from the administrators of Philips Trust from the recoveries made from Philips Trust investments, of which £1.0m was received in the first half of 2025. The amounts received as recoveries from the administrators are recognised within 'Provisions for liabilities and charges' within the Income Statement.

At 30 June 2025, the remaining provision being held in respect of this scheme was £1.8m, which is expected to be utilised during the year for final payments in relation to this scheme.

Included within the remaining £1.0m of provisions is an estimate of £0.6m of the costs of potential consumer redress costs.

15. Notes to the Cash Flow Statement

	Unaudited 30 Jun 25 £m	Unaudited 30 Jun 24 £m	Audited 31 Dec 24 £m
Reconciliation of profit before taxation to net cash flows from operating activities			
Profit before taxation	10.8	0.2	15.7
Depreciation and amortisation	3.9	3.5	7.6
Interest on subscribed capital and subordinated liabilities	2.9	1.8	4.7
Decrease / (increase) in derivative financial instruments	40.6	(34.4)	(30.9)
Interest on finance lease arrangements	0.2	0.1	(0.3)
Net cash flows before changes in operating assets and liabilities	**58.4**	**(28.8)**	**(3.2)**
Increase in loans and advances to customers	(139.9)	(218.8)	(429.5)
(Decrease) / increase in fair value adjustments for hedged risk	(31.9)	13.8	8.7
(Increase) / decrease in cash collateral pledged	(7.2)	5.8	14.5
Decrease in cash ratio deposit	-	14.5	6.7
Increase in shares	230.8	260.9	418.4
Decrease in amounts due to other customers and deposits from banks	(245.9)	(0.9)	(142.4)
Decrease in other assets	0.6	1.8	3.2
Decrease in other liabilities	(2.2)	(2.2)	(0.2)
(Decrease) / increase in provisions	(9.4)	19.7	10.6
Other non-cash movements	(4.8)	0.3	2.6
Net cash flows from operating activities	**(151.5)**	**66.1**	**(110.6)**
Cash and cash equivalents			
Cash and balances with the Bank of England	149.4	588.7	451.5
Loans and advances to banks repayable on demand	19.3	24.4	21.2
At 30 June / 31 December	**168.7**	**613.1**	**472.7**

Cash and cash equivalents comprise cash in hand, balances with the Bank of England, loans and advances to banks 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.

16. Subsequent Events

On 1 July 2025, the Group issued its first public securitisation through its special purpose vehicle, Hadrian Funding 2025-1 PLC, issuing £350m of securities to the external market and the Society retaining £361m of securities. The securities issued are secured on a pool of mortgage loans, the beneficial interest of which was transferred to Hadrian Funding 2025-1 PLC from the Society. The impact of this transaction on the financial position of the Group is an increase in liquid assets of £350m and a corresponding increase in deposits and debt securities.

Statement of Directors' responsibilities

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

The Directors of Newcastle Building Society are listed in the 2024 Annual Report & Accounts (page 200), with the exception of:

- Moorad Choudry, who was appointed to the Board on 2 January 2025 and was elected as a Non-Executive Director at the AGM on 23 April 2025;
- David Samper, who stepped down as an Executive Director on 31 March 2025;
- Michele Faull, who stepped down as a Non-Executive Director at the AGM on 23 April 2025; and
- Karen McDonagh Reynolds, who joined the Board as a Non-Executive Director on 23 April 2025.

On behalf of the Board

Andrew Haigh | Chief Executive
31 July 2025

Independent review report to Newcastle Building Society

Conclusion

We have been engaged by the Society to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2025 which comprises the income statement, the balance sheet, the statement of movement in members' interests, the cash flow statement and related notes 1 to 16.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2025 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, 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 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.

As disclosed in note 2, the annual financial statements of the Society are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing 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 Society or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the Society a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the Society in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the Society those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP | Statutory Auditor
Manchester, United Kingdom
31 July 2025