

# NEWCASTLE BUILDING SOCIETY ANNOUNCES 2024 FINANCIAL RESULTS

## Key Highlights

- Our average savings rates for Newcastle Building Society customers were 0.56% higher than the market average, resulting in £28.1m more savings interest for our Members compared to the market average
- The Standard Variable Rate (SVR) for Newcastle Building Society mortgages remained one of the most competitive on the market at 6.94% throughout 2024 vs a market average of 7.87%, saving our SVR borrowers around £2.8m in interest payments during 2024 compared to the market average
- Profit for the year before taxation fell to £15.7m (2023: £29.1m) as a result of the voluntary financial support offered to customers impacted by the actions and subsequent collapse of Philips Trust
- Operating profit before impairments and provisions improved by 9% to £34.2m (2023: £31.4m)
- Underlying operating profit decreased slightly to £31.9m (2023: £32.8m)
- Gross mortgage lending for 2024 increased to £1.2bn, exceeding the previous record level of £1.1bn set in 2023, whilst net core residential lending reduced to £496m from £575m in 2023
- Customer satisfaction score of 96% (2023: 95%) and net promoter score of +86 (2023: +82)
- We raised £20m of tier 2 capital in June and £40m of additional tier 1 capital in December to support the Society's development and growth plans
- In 2025 we announced investment plans to breathe new life into our Manchester Building Society brand. We aim to create a financial services offering based on the principles of local face-to-face advice and trustworthy financial products
- In the North West, we're pleased to have already committed to working with and supporting two amazing charities: Forever Manchester, and Empower Salford Youth Zone
- We opened our 32nd branch in Pickering, restoring access to financial services in the town, and relocated our North Shields branch to share space with YMCA North Tyneside
- More than 6,000 colleague hours were volunteered on activities linked to our strategic themes during 2024, and more than 10,000 colleague hours were volunteered in total
- We made a donation of more than £1m to the Newcastle Building Society Community Fund at the Community Foundation and during 2024 24 grants totalling more than £140,000 were allocated from the Fund
- We became the first organisation in the North East and the first building society in the UK to become an accredited Living Pension employer
- We made a significant investment to transform our systems in finance, telephony and people management and also upgraded the Wi-Fi in our branch network

# Chief Executive's Statement

## Introduction

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

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

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

## Financial performance summary

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

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

Our net interest margin reduced by 6 basis points to 1.44% (2023:1.50%).

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

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

The full extent of the challenges faced by some customers as a result of the actions of Philips Trust became clear in the early part of 2024. The background to these problems is complex, however, in summary, the Society arranged introductions to The Will Writing Company at differing times between 2005 and 2018 to provide later-life planning services, with the Society stopping referrals when the service from The Will Writing Company began to deteriorate.

The Will Writing Company went into administration in 2018, after which Philips Trust became the trustee of some trusts belonging to a small number of customers originally referred by the Society and holder of some investments. The Society was not involved in the transfer of trustee, any agreements customers entered into with Philips Trust, or any decisions taken by Philips Trust. Subsequently, assets in some investment trusts were moved from low-risk funds with reputable companies into high-risk funds. Customers encountered severe difficulties in dealing with Philips Trust and it entered administration in 2022.

As we began to understand the scale of the impact on Members, even though the Society had no responsibility for, nor involvement in these actions, nor did we have any legal or regulatory obligation to offer support, we chose to offer voluntary support to the Members involved. The strength of the

Society and underlying performance during the year ensured that we were able to set aside a sum of £20m to provide this support.

We believe that these actions are entirely consistent with the principles of the Society and the wider mutual movement, in supporting Members through such a time of difficulty. The arrangements of the offer were such that those wishing to take part had to register their interest in sufficient time to complete the process before the end of 2024. We will continue to offer support to any current or future police investigation which aims to hold those responsible to account.

## **Manchester Building Society**

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

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

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

## **Creating value for our Members and communities**

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

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

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

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

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

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

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

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

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

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

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

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

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

Our subsidiary, Newcastle Strategic Solutions Limited (Solutions), has a vital role in generating profits for the Group and in 2024 celebrated 20 years of supporting its clients with outsourced savings management. Solutions saw further positive growth during 2024 with client savings balances under management exceeding £50bn for the first time (2023: £47bn) and increasing its client base to 17 UK banks and building societies from 16 in 2023.

The Solutions business again invested heavily in its savings infrastructure and supporting technologies including the transition of all its retail savings clients onto a new digital savings platform, the rollout of a new workforce management tool, and the implementation of 'Contact Centre as a Service' capabilities. It also delivered on a number of important regulatory changes impacting its clients and their customers such as Consumer Duty, Confirmation of Payee and Authorised Push Payment fraud rules.

## **A community catalyst**

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

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

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

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

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

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

More than 6,000 colleague hours were volunteered on activities linked to our strategic themes during 2024.

## **Creating a great place to work**

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

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

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

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

## **Looking ahead**

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

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

**Andrew Haigh**  
**Chief Executive**  
**28 February 2025**

**NEWCASTLE BUILDING SOCIETY**  
**PRELIMINARY ANNOUNCEMENT**  
for the year ended 31 December 2024

**SUMMARY CONSOLIDATED INCOME STATEMENTS**

	2024	2023
	£m	£m
Interest receivable and similar income		
Interest income calculated using effective interest rate	285.7	214.4
Interest income recognised in respect of mortgages held at fair value	11.4	11.1
Net expense on derivatives hedging mortgage assets	38.6	34.4
Total interest receivable and similar income	<u>335.7</u>	<u>259.9</u>
Interest payable and similar charges	(243.8)	(173.5)
<b>Net interest income</b>	<u>91.9</u>	<u>86.4</u>
Other income and charges	55.9	51.6
Fair value gains less losses on financial instruments and hedge accounting	4.9	(0.4)
Income from dividends	0.2	0.3
Administrative expenses	(111.1)	(100.1)
Depreciation and amortisation	(7.6)	(6.4)
<b>Operating profit before impairments and provisions</b>	<u>34.2</u>	<u>31.4</u>
Impairment reversals / (charges) on loans and advances to customers	2.5	(1.1)
Impairment of tangible and intangible assets	-	(0.3)
Provisions for liabilities and charges	(21.0)	(0.9)
<b>Profit for the year before taxation</b>	<u>15.7</u>	<u>29.1</u>
Taxation	0.8	(7.0)
<b>Profit after taxation for the financial year</b>	<u>16.5</u>	<u>22.1</u>

## SUMMARY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	2024	2023
	£m	£m
<b>Profit for the financial year</b>	<b>16.5</b>	<b>22.1</b>
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to income statement</i>		
<b>Cash flow hedges</b>		
Fair value movements recognised in equity	7.1	5.8
Amounts transferred to the Income Statement	<b>(2.1)</b>	(0.4)
Tax on net amounts recognised in equity	<b>(1.3)</b>	(1.3)
<b>Financial assets measured at fair value through other comprehensive income</b>		
Fair value changes recognised in equity	<b>(0.4)</b>	0.6
Tax on net amounts recognised in equity	<b>0.2</b>	(0.2)
<b>Total items that may be reclassified to the Income Statement</b>	<b>3.5</b>	<b>4.5</b>
<b>Total comprehensive income for the financial year</b>	<b>20.0</b>	<b>26.6</b>



## SUMMARY CONSOLIDATED BALANCE SHEETS

	2024	2023
	£m	£m
<b>ASSETS</b>		
Liquid assets	1,155.6	1,250.3
Derivative financial instruments	56.6	50.9
Loans and advances to customers	5,289.3	4,859.7
Fair value adjustments for hedged risk	(21.9)	(13.2)
Investments	1.6	1.9
Intangible assets	13.8	12.8
Property, plant and equipment	34.0	31.5
Other assets	27.2	29.3
<b>TOTAL ASSETS</b>	<b>6,556.2</b>	<b>6,223.2</b>
<b>LIABILITIES</b>		
Shares	5,432.7	5,014.3
Deposits and debt securities	658.6	801.0
Derivative financial instruments	29.4	61.7
Other liabilities	35.4	25.4
Subordinated liabilities	20.2	-
Subscribed capital	34.8	34.8
<b>TOTAL LIABILITIES</b>	<b>6,211.1</b>	<b>5,937.2</b>
Reserves	345.1	286.0
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>6,556.2</b>	<b>6,223.2</b>

## SUMMARY CONSOLIDATED CASH FLOW STATEMENTS

	2024 £m	2023 £m
<b>Net cash (outflows) / inflows from operating activities</b>	<b>(110.6)</b>	251.9
Corporation tax paid	<b>(2.9)</b>	(7.0)
<b>Cash (outflows) / inflows from operating activities</b>	<b>(113.5)</b>	244.9
<b>Cash inflows / (outflows) from investing activities</b>		
Purchase of property, plant and equipment	<b>(4.7)</b>	(2.0)
Purchase of intangible assets	<b>(4.6)</b>	(5.4)
Sale of property, plant and equipment	-	0.7
Acquisition of trade and assets	<b>(0.1)</b>	-
Cash acquired on transfer of engagements	-	42.7
Purchase of investment securities	<b>(475.6)</b>	(501.5)
Sale and maturity of investment securities	<b>485.4</b>	330.0
<b>Net cash inflows / (outflows) from investing activities</b>	<b>0.4</b>	(135.5)
<b>Cash inflows / (outflows) from financing activities</b>		
Interest paid on subscribed capital and subordinated liabilities	<b>(4.3)</b>	(2.9)
Proceeds on issue of subordinated liabilities	<b>19.8</b>	-
Net proceeds on issue of additional Tier 1 Capital	<b>39.1</b>	-
Capital and interest payments for lease arrangements	<b>(2.3)</b>	(0.9)
<b>Net cash inflows / (outflows) from financing activities</b>	<b>52.3</b>	(3.8)
<b>Net (decrease) / increase in cash</b>	<b>(60.8)</b>	105.6
Cash and cash equivalents at start of year	<b>533.5</b>	427.9
<b>Cash and cash equivalents at end of year</b>	<b>472.7</b>	533.5

<b>Summary of key financial ratios</b>	<b>2024</b>	<b>2023</b>
	%	%
Gross capital as a percentage of shares and borrowings	<b>6.57</b>	5.52
Liquid assets as a percentage of shares and borrowings	<b>18.97</b>	21.50
Profit for the year as a percentage of mean total assets	<b>0.26</b>	0.38
Management expenses for the year as a percentage of mean total assets	<b>1.86</b>	1.85

### Notes

1. The financial information set out above, which was approved by the Board of Directors on 28 February 2025, does not constitute accounts within the meaning of the Building Societies Act 1986.
2. The financial information for the years ended 31 December 2024 and 31 December 2023 has been extracted from the Accounts for those years and on which the auditors have given an unqualified opinion.