NEWCASTLE BUILDING SOCIETY
Announcement of half-year results for the six months ended 30 June 2013

Newcastle Building Society today announces continuing improvement in profitability and further progress on delivering its long-term strategy with a profit before tax of £0.8m reported for the six months ended 30 June 2013.

Key Highlights

- Profit before tax of £0.8m for the six months ended 30 June 2013 compared to a profit before tax of £0.5m for the six months ended 30 June 2012.
- Operating profit before impairments, provisions and exceptional items improved to £5.8m from £4.3m.
- The Society's financial advice subsidiary, Newcastle Financial Services Limited ("NFSL"), completed a smooth transition to the new regulatory regime under the Retail Distribution Review ("RDR") which commenced on 1st January 2013. NFSL has exceeded planned profitability in the first half of the year.
- Gross residential mortgage lending in the first half of 2013 has almost equalled the residential mortgage lending for the whole of 2012 and the Society is on track to achieve its target of doubling gross mortgage lending in 2013 compared to 2012.
- Income from the Society's third party servicing Solutions business remained in line with expectations with a very strong pipeline of new contracts currently being progressed.
- Wind-down in legacy mortgage portfolios, where the Society is no longer lending, continued on plan with a £37m reduction in the 6 months to 30 June 2013 with a greater reduction expected in the second half. Commercial provisions have been increased by £5m reflecting the backdrop for commercial property values.
- The number of mortgages in arrears by 3 months or more continued at a low level of 0.7%; much lower than the UK average of 1.28%. Within this figure the number of residential borrowers in arrears of 3 months or more reduced to 0.68% at 30 June 2013 compared to 0.75% at the end of 2012.
- Solvency ratio improved to 16.9% from 16.4% at the end of 2012. Core tier 1 capital ratio improved from 10.7% to 11.1%.
- Liquidity ratio remains strong at 25.8% (30.2% at 31/12/12).
- Support for members continued through 95% LTV first time buyer mortgages, charity linked savings accounts and competitive savings products.
- Overall customer satisfaction is at 92% with satisfaction in NFSL also at 92%.

Chief Executive's Review
The UK economy has avoided a return to recession and there are some signs that we may be on a path to recovery albeit a slow and winding one. The Housing Market is showing some increased activity but still at very modest levels compared to historical trends. Mortgage rates have fallen following the launch of the Funding for Lending Scheme ("FLS") but on the flipside savings rates have also reduced. The introduction of RDR in January 2013 has presented NFSL with an opportunity as it has caused several financial advice providers to exit the market (or provide services only to high net worth individuals) as the fee based income is significantly below pre RDR commission levels, making it more difficult to provide financial advice to customers, profitably.

Against this backdrop we believe we have made excellent progress in the first half of 2013 with improving profitability, increased residential lending, successful transition to the RDR regime in our financial advice subsidiary which is trading profitably, continuing wind down of legacy portfolios, reducing arrears rates and at the same time achieving excellent customer satisfaction scores and reducing complaints.

Improving Profitability
Profit before tax was £0.8m for the six months ended 30 June 2013 compared to £0.5m for the first half 2012. Operating profit before impairments, provisions and exceptional items increased from £4.3m to £5.8m.

Interest margin improved from 42bp to 59bp reflecting the positive impact of new lending, lower funding costs and improved returns on non buffer liquidity.

Other income reduced from £13.8m to £12.6m due mainly to reduced income from the Society's financial advice subsidiary following the RDR transition; while income is down the subsidiary is trading profitably and slightly ahead of plan. Income from the Solutions business was flat at £7.8m but this was in line with expectations given the impact of the FLS on demand for savings balances and therefore related savings administration services. Growth in the Solutions business income in the short to medium term will be achieved via conversion of the excellent pipeline with organic growth expected in the medium to longer term following withdrawal of the FLS. The Society increased the provision held against investment properties held for sale by £0.8m, to ensure that wind down of this legacy portfolio is achieved within the next 12 months.

Management expenses reduced by £0.5m from £18.4m to £17.9m reflecting efficiency and cost improvements which more than offset the impact of the annual salary review. In addition, the cost base within NFSL was also subject to review and re-set reflecting the new RDR framework. Whilst management expenses reduced the Society's balance sheet size also reduced which resulted in an increase in the management expenses ratio from 0.88% to 0.92%. Due to the Society's ongoing strategy of simplification and de-risking, the size of the balance sheet has reduced and in the short term is expected to reduce further. In addition, as the Solutions business increases costs without increasing the Society's balance sheet size a more meaningful measure of cost efficiency is the Cost to Income ratio. The ratio improved from 82% for the first half of 2012 to 76% for the six months ended 30 June 2013, due to improved cost to income ratios in both the Member and Solutions businesses. The Solutions business provides a diversified income stream for the Society based on core competencies and enhances profitability.

Complaints reduced in the first half of 2013 for both MPPI and non-MPPI complaints. It is pleasing that we have started to see a reduction in the number of MPPI complaints although is it still of concern that over a third of the MPPI complaints coming through are speculative i.e. the complainant didn't have a product with the Society. The Society has never sold single premium MPPI and we have not seen any evidence of systemic mis-selling issues.

Mortgage loss provisions amounted to £3.9m compared to £3.2m for the same period last year, with the majority of provisions continuing to relate to mortgages secured on commercial property.

It is disappointing that we have seen a further increase in the charge levied by the Financial Services Compensation Scheme in respect of failed banks. The charge for the half year increased from £0.8m to £1.1m reflecting that deposit takers are now also contributing to the capital shortfalls on the loans advanced to bail out the banks, as well as the interest cost. The FSCS levy represents a greater burden on financial institutions funded by retail deposits as they bear a higher proportion of the charge than institutions funded via wholesale markets.

Higher Capital Ratios
The Society's capital ratios continue to improve as higher risk assets, with higher capital requirements, redeem from the Society's balance sheet. The overall Solvency ratio increased to 16.9% from 15.9% at the same time last year and Tier 1 ratio improved from 12.3% to 13.1% over the same period. Core tier 1 capital ratio, the key measure of focus under new capital regulations, improved from 10.5% to 11.1%.

Strong Liquidity
Liquidity continues at a strong level, in excess of 25%, and means that the Society already has funding in place to support mortgage lending plans in the second half.

Lower Credit Risk
The number of mortgages in arrears by 3 months or more continued at a level lower than the UK average, at 0.70% compared to 0.75% at the end of 2012. Within this figure the value of residential borrowers in arrears of 3 months or more was 0.68% at 30 June 2013 compared to 0.75% at the end of 2012. Possession cases continued at low levels with 11 prime residential possessions and 14 Buy to Let (BTL) possessions at 30 June 2013 compared to 5 and 17, respectively, at the end of 2012.

The Society saw an increase in the number of commercial loans where a Law of Property Act 1925 (LPA) receiver had been appointed from 4 to 5 due to another lender appointing an administrator to the company that holds the Society's security property. There were 3 BTL exposures where an LPA receiver was appointed.

The Society's prime residential mortgage book increased by £45m during the first half of 2013 with legacy mortgage books reducing by £37m. Gross and net prime residential mortgage lending volumes were up significantly in the first half of 2013 compared to the first half of 2012.

Supporting our Members
The Society has continued to help the North East's first time buyers realise their home owning ambitions with the regular availability of mortgage products that require just a 5% deposit.

In the first six months of 2013 we have advanced loans to the same number of first time buyers as we did throughout the entire 12 month period of 2012. We also have a target of doubling 2012's gross lending by the end of this year. In addition, our Big Home Saver product – which encourages borrowers to save for a deposit – has attracted more than 5,000 new customers this year.

It was great to be awarded the UK's best mortgage lender for first-time buyers by Moneywise Mortgage Awards; to receive such acknowledgement against strong market competition is a great achievement for all the staff involved in the mortgage process.

Our charity-linked savings products, in support of the North-East charity the Sir Bobby Robson Foundation, reached a fantastic milestone in 2013 with payments to the charity of £300,000. This money will be used to support essential investment in cancer research.

Our financial advisory service in the new post-RDR regime has been very well received; initial research has delivered good feedback from customers with overall satisfaction at 92%.

Supporting our Staff
We have continued with the rollout of our values programme, which has been well-received by staff. In addition, our Staff To Achieve Recognition (S.T.A.R) awards have entered the second year with staff being rewarded for special achievements in the workplace.

As a Society, we are celebrating our 150th anniversary this year; this included a special event for staff at a historical north east landmark, held as a thank you for their support and loyalty over the years. As well as this we also launched a special 'Celebration Bond' for our members as part of this special celebration.

The Society continues to invest in the training and development of staff and it is pleasing that we continue to see year on year improvement in employee satisfaction.

Supporting our Communities
We have commenced the third year of our Cornerstone in the Community initiative. This involves our branch network engaging with the local communities in which they operate through a range of support activities, including volunteering, fundraising, a school-engagement programme, branch activities and an award ceremony. The initiative has grown since last year and so far we have engaged with more than 650 school children as part of a financial education programme called the Boardroom Charity Challenge. As well as this, we have celebrated local heroes at an award ceremony held to reward those doing good within the local communities. We have several more ceremonies planned and many more fundraising events in the community to support throughout the rest of this year.

We said goodbye to one Charity of the Year, Help for Heroes, after staff raised more than £24,000 through a range of dress down days, cake sales and much more; we then welcomed our new charity of the year, The Alzheimer's Society. Our corporate Charity of the Year initiative has ran for more than five years and it is something we're very proud of having raised more than £100,000 for five good causes within our region.

I am very pleased with our continued progress this year. This is down to the dedicated efforts of our executive team and staff and I would like to thank them for their loyalty and hard work, without which the progress would not have been achieved.

Jim Willens
Chief Executive
30th July 2013

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

NEWCASTLE BUILDING SOCIETY GROUP
HALF-YEARLY FINANCIAL INFORMATION

Summary Consolidated Income Statement

	Unaudited 6 months to 30 Jun 13 £m	Unaudited 6 months to 30 Jun 12 £m	Audited 12 months to 31 Dec 12 £m
Interest and similar income	50.3	56.5	111.0
Interest expense and similar charges	(38.4)	(47.5)	(90.4)
Net interest receivable	**11.9**	**9.0**	**20.6**
Other income and charges	12.6	13.8	27.9
Loss on revaluation of investment properties held for sale	(0.8)	(0.1)	(1.0)
Total operating income	**23.7**	**22.7**	**47.5**
Administrative expenses	(16.7)	(17.0)	(34.5)
Depreciation	(1.2)	(1.4)	(2.6)
Operating profit before impairments, provisions and exceptional items	**5.8**	**4.3**	**10.4**
Impairment charge on loans and advances to customers	(3.9)	(3.2)	(8.3)
FSCS levy	(1.1)	(0.8)	(2.1)
Other provisions for liabilities and charges	-	0.2	0.7
Gain on disposal of Prepaid Cards Business	-	-	0.8
Profit before taxation	**0.8**	**0.5**	**1.5**
Taxation expense	(0.4)	(0.2)	(1.5)
Result after taxation for the financial period	**0.4**	**0.3**	**-**

The notes on pages 9 to 12 form an integral part of this condensed consolidated half-yearly financial information.

NEWCASTLE BUILDING SOCIETY GROUP
HALF-YEARLY FINANCIAL INFORMATION

Summary Consolidated Statement of Comprehensive Income

	Unaudited 6 months to 30 Jun 13 £m	Unaudited 6 months to 30 Jun 12 £m	Audited 12 months to 31 Dec 12 £m
Result for the period	0.4	0.3	-
Other comprehensive (expense)/income			
Items that may be reclassified to income statement			
Movement on available for sale reserve	(5.0)	4.9	6.8
Income tax on items that may be reclassified to income statement	1.2	(1.2)	(1.6)
Total items that may be reclassified to income statement	(3.8)	3.7	5.2
Items that will not be reclassified to income statement			
Actuarial loss on retirement benefit obligations	-	-	(6.7)
Income tax on items that will not be reclassified to income statement	-	-	1.5
Total items that will not be reclassified to income statement			(5.2)
Total comprehensive (expense)/income for the period	(3.4)	4.0	-

The notes on pages 9 to 12 form an integral part of this condensed consolidated half-yearly financial information.

Summary Consolidated Balance Sheet

	Unaudited 30 Jun 13 £m	Unaudited 30 Jun 12 £m	Audited 31 Dec 12 £m
ASSETS			
Liquid assets	906.8	1,137.4	1,114.1
Derivative financial instruments	24.6	43.5	38.1
Loans and advances to customers	2,735.7	2,846.9	2,727.6
Fair value adjustments for hedged risk	31.0	62.0	40.0
Assets pledged as collateral	66.2	25.0	54.0
Property, plant and equipment	22.1	23.1	23.0
Investment properties held for sale	10.7	15.7	14.0
Other assets	35.9	32.0	29.3
TOTAL ASSETS	**3,833.0**	**4,185.6**	**4,040.1**

	Unaudited 30 Jun 13 £m	Unaudited 30 Jun 12 £m	Audited 31 Dec 12 £m
LIABILITIES			
Shares	3,298.4	3,598.5	3,445.4
Fair value adjustments for hedged risk	4.5	26.4	17.5
Deposits and debt securities	218.7	204.3	246.0
Derivative financial instruments	30.2	60.9	40.0
Other liabilities	23.8	30.9	30.5
Subordinated liabilities	59.0	58.8	58.9
Subscribed capital	29.7	29.7	29.7
Reserves	168.7	176.1	172.1
TOTAL LIABILITIES	**3,833.0**	**4,185.6**	**4,040.1**

The notes on pages 9 to 12 form an integral part of this condensed consolidated half-yearly financial information.

Summary Consolidated Statement of Movement in Members' Interests

For the 6 months ended 30 June 2013 (unaudited)

	General reserve £m	Available for sale reserve £m	Total £m
At 1 January 2013	165.8	6.3	172.1
Movement in the period	0.4	(3.8)	(3.4)
At 30 June 2013	166.2	2.5	168.7

For the 6 months ended 30 June 2012 (unaudited)

	General reserve £m	Available for sale reserve £m	Total £m
At 1 January 2012	171.0	1.1	172.1
Movement in the period	0.3	3.7	4.0
At 30 June 2012	171.3	4.8	176.1

For the year ended 31 December 2012 (audited)

	General reserve £m	Available for sale reserve £m	Total £m
At 1 January 2012	171.0	1.1	172.1
Movement in the year	(5.2)	5.2	-
At 31 December 2012	165.8	6.3	172.1

The notes on pages 9 to 12 form an integral part of this condensed consolidated half-yearly financial information.

Summary Consolidated Cash Flow Statement

	Unaudited 6 months to 30 Jun 13 £m	Unaudited 6 months to 30 Jun 12 £m	Audited 12 months to 31 Dec 12 £m
Net cash flows from operating activities	(168.5)	(94.3)	(71.3)
Payment into defined benefit pension scheme	-	-	(2.1)
Net cash flows from investing activities	92.3	215.0	229.8
Net cash flows from financing activities	(3.5)	(3.0)	(6.4)
Net (decrease)/increase in cash and cash equivalents	**(79.7)**	**117.7**	**150.0**
Cash and cash equivalents at the start of period	528.0	378.0	378.0
Cash and cash equivalents at the end of the period	**448.3**	**495.7**	**528.0**

Other percentages

	Unaudited 6 months to 30 Jun 13 %	Unaudited 6 months to 30 Jun 12 %	Audited 12 months to 31 Dec 12 %
Gross capital as a percentage of shares and borrowings	7.3	6.9	7.1
Liquid assets as a percentage of shares and borrowings	25.8	29.9	30.2
Wholesale deposits as a % of shares and borrowings	6.2	5.4	6.7
Net interest receivable as a % of mean total assets	0.59	0.42	0.47
Cost to income ratio	75.6	81.5	77.0
Profit after tax as a % of mean total assets	0.02	0.01	-
Management expenses as a % of mean total assets*	0.92	0.86	0.88
Core Tier 1	11.1	10.5	10.7
Tier 1	13.1	12.3	12.6
Solvency	16.9	15.9	16.4

** Expressed on an annualised basis*

The notes on pages 9 to 12 form an integral part of this condensed consolidated half-yearly financial information.

Notes

1. General information

1.1. The half-yearly financial information set out above, which was approved by the Board of Directors on 30th July 2013, 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 2012 has been extracted from the accounts for that year which have been filed with the Financial Services Authority and on which the auditors gave an unqualified opinion.

1.3. The half-yearly financial information for the 6 months to 30 June 2013 and the 6 months to 30 June 2012 is unaudited.

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

2. Basis of preparation

The condensed consolidated half-yearly financial information for the half-year ended 30 June 2013 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The half-yearly financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRSs as adopted by the European Union.

The Group meets its day-to-day liquidity requirements through managing both its retail and wholesale funding sources and is required to maintain a sufficient buffer over regulatory capital and liquidity requirements. The Group's risk appetite as well as its management and control processes for managing exposure to credit, market, liquidity and operational risk are described in the Risk Management Report in the Annual Report and Accounts for 2012. The Group's forecasts and projections, including multiple-scenario stress testing and sensitivity analysis, show that the Group will be able to operate at adequate levels of liquidity and capital for the foreseeable future. After making enquiries, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis in preparing the interim financial information.

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 2012, as described in those financial statements.

There have been no new standards, or amendments to standards, which have been adopted, published or issued in exposure draft since the signing of the Annual Report and Accounts, which would have a material impact on the Group.

4. Principal Risks and Uncertainties

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

The interim condensed consolidated financial information does not include all risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's Annual Report and Accounts for December 2012.

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

5. Taxation

The effective tax charge is 46% (first half 2012 – 45%). The tax charge has been calculated as far as possible to approximate to the expected full year tax rate and includes an adjustment to deferred tax assets, and to current tax for changes in the enacted corporation tax rate. Further changes to the enacted tax rate subsequent to the period end are expected to impact the overall effective tax rate for the full year.

6. Related Party Transactions

There have been no changes to the nature of the related party transactions entered into since the last annual report. There were no material related party transactions in the period.

7. Segment information

The chief operating decision maker has been identified as the Board of Directors. The Board reviews 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 Board of Directors. The operating segments used by the Group meet the definition of a reportable segment under IFRS 8.

The 'Member business' provides mortgage, savings, investment and insurance products to members and customers. The 'Solutions business' provides business to business services through people, processes and technology. The Board assesses performance based on profit before tax after the allocation of all central costs. Income and directly attributable costs are allocated to each segment and support costs are apportioned, based on direct salary costs.

No segment information is presented on geographical lines, because substantially all of the Group's activities are in the United Kingdom.

6 months to 30 June 2013	**Member Business £m**	**Solutions Business £m**	**Total £m**
Net interest receivable	11.9	-	11.9
Other income and charges	4.8	7.8	12.6
Loss on revaluation of investment properties held for sale	(0.8)	-	(0.8)
Administrative expenses	(12.6)	(4.1)	(16.7)
Depreciation	(0.9)	(0.3)	(1.2)
Operating profit before impairments and provisions	**2.4**	**3.4**	**5.8**
Impairment charges and provisions for liabilities and charges	(4.1)	0.2	(3.9)
FSCS levy	(1.1)	-	(1.1)
(Loss)/profit for the period before taxation	**(2.8)**	**3.6**	**0.8**
Taxation expense			(0.4)
Profit after taxation for the financial period			**0.4**

6 months to 30 June 2012	**Member Business £m**	**Solutions Business £m**	**Total £m**
Net interest receivable	9.0	-	9.0
Other income and charges	6.0	7.8	13.8
Loss on revaluation of investment properties held for sale	(0.1)	-	(0.1)
Administrative expenses	(12.5)	(4.5)	(17.0)
Depreciation	(1.0)	(0.4)	(1.4)
Operating profit before impairments and provisions	**1.4**	**2.9**	**4.3**
Impairment charges and provisions for liabilities and charges	(3.0)	-	(3.0)
FSCS levy	(0.8)	-	(0.8)
(Loss)/profit for the period before taxation	**(2.4)**	**2.9**	**0.5**
Taxation expense			(0.2)
Profit after taxation for the financial period			**0.3**

Year to 31 December 2012	**Member Business £m**	**Solutions Business £m**	**Total £m**
Net interest receivable	20.6	-	20.6
Other income and charges	11.7	16.2	27.9
Loss on revaluation of investment properties held for sale	(1.0)	-	(1.0)
Administrative expenses	(25.6)	(8.9)	(34.5)
Depreciation	(2.0)	(0.6)	(2.6)
Operating profit before impairments and provisions	**3.7**	**6.7**	**10.4**
Impairment charges and provisions for liabilities and charges	(8.4)	0.8	(7.6)
FSCS levy	(2.1)	-	(2.1)
Exceptional items	-	0.8	0.8
(Loss)/profit for the period before taxation	**(6.8)**	**8.3**	**1.5**
Taxation expense			(1.5)
Result after taxation for the financial period			**-**

8. Fair value measurement

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

	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets				
Debt securities - available for sale	519.6	-	-	519.6
Derivative financial instruments	-	24.6	-	24.6
Investment properties held for sale	-	10.7	-	10.7
Financial liabilities				
Derivative financial instruments	-	30.2	-	30.2

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as price) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

These definitions have been taken from the March 2009 amendment to IFRS 7 'Improving Disclosures about Financial Instruments'.

There were no transfers between levels in the period.

Statement of directors' responsibilities

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

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

The directors of Newcastle Building Society are listed in the Annual Report for 2012. During the period the only changes to the Board were the resignation of Gillian Tiplady on 11th April 2013 and the retirement of David Holborn on 24th April 2013.

On behalf of the Board

Jim Willens
Chief Executive
30th July 2013

Independent review report to Newcastle Building Society

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013, which comprises the Summary Consolidated Income Statement, the Summary Consolidated Statement of Comprehensive Income, the Summary Consolidated Balance Sheet, the Summary Consolidated Statement of Movements in Members' Interests, the Summary Consolidated Cash Flow Statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
30th July 2013
Newcastle upon Tyne

Notes:

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

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

ENDS

Media Contact:
Natalie Falkous
Group Corporate Communications Manager
Tel: 0191 244 2024
Mobile: 07917388329
Email: natalie.falkous@newcastle.co.uk