

Branch Directory

Newcastle Upon Tyne

136 Northumberland Street, NE1 7DQ Tel: (0191) 261 4940
Portland House, New Bridge Street, NE1 8AL **Opening May 2016**
22 Denton Park Centre, NE5 2RA Tel: (0191) 267 5038
105/107 High Street, Gosforth, NE3 1HA Tel: (0191) 285 5965

North East

Alnwick - 28 Bondgate Within, NE66 1TD Tel: (01665) 603 344
Ashington - 10 Station Road, NE63 9UJ Tel: (01670) 815 919
Berwick Upon Tweed - 12 Hide Hill, TD15 1AB Tel: (01289) 306 417
Chester-Le-Street - 42 Front Street, DH3 3BG Tel: (0191) 388 5266
Consett - 19/21 Middle Street, DH8 5QP Tel: (01207) 502 636
Cramlington - 34/35 Craster Court, NE23 6UT Tel: (01670) 735 813
Darlington - 87/88 Skinnergate, DL3 7LX Tel: (01325) 383 656
Durham - 25 Elvet Bridge, DH1 3AA Tel: (0191) 384 3182
Gateshead - 12 Ellison Walk, Trinity Square, NE8 1BF **Opening June 2016**
Hartlepool - 133/135 York Road, TS26 9DR Tel: (01429) 233 014
Hexham - 3 Beaumont Street, NE46 3LZ Tel: (01434) 605 106
Middlesbrough - 38 Linthorpe Road, TS1 1RD Tel: (01642) 243 617
Morpeth - 14 Market Place, NE61 1HG Tel: (01670) 514 702
North Shields - 76 Bedford Street, NE29 0LD Tel: (0191) 259 5286
Ponteland - 23 Broadway, Darras Hall, NE20 9PW Tel: (01661) 821 828
South Shields - 67 Fowler Street, NE33 1NS Tel: (0191) 454 0407
Stokesley - 19 High Street, TS9 5AD Tel: (01642) 711 742
Sunderland - 14 Waterloo Place, SR1 3HT Tel: (0191) 565 0464
Whickham - 28 Front Street, NE16 4DT Tel: (0191) 488 1766
Whitley Bay - 78/84 Park View, NE26 2TH Tel: (0191) 252 0642
Yarm Library - 41 The High Street, TS15 9BH **Opening Autumn 2016**

North West

Carlisle - 2/4 English Street, CA3 8HX Tel: (01228) 524 518
Penrith - 12 Market Square, CA11 7BX Tel: (01768) 862 888

Scotland

Dumfries - 2/6 Queensberry Square, DG1 1BL Tel: (01387) 253 815

Gibraltar

197-201 Main Street Tel: (00 350) 200 41143

Agency

Allen Sykes, 17 Galgate, Barnard Castle, DL12 8EQ

Financial Advice Centres

136 Northumberland Street, NE1 7DQ Tel: (0191) 261 4940
Portland House, New Bridge Street, NE1 8AL **Opening May 2016**

Newcastle Building Society

Member Update including Summary
Financial Statement 2015



Building trust...
Building people...
Building communities...
Building Society
since 1863.

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

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

Visit us online: www.newcastle.co.uk or call into one of our branches.

Principal Office: Portland House, New Bridge Street, Newcastle upon Tyne, NE1 8AL



Andrew Haigh - Chief Executive

Chief Executive's Review

I am pleased to report good progress in 2015 across both financial and non-financial key performance indicators. As a mutual our customers are at the heart of our business so I am very pleased to see higher customer satisfaction scores, low complaint volumes and achievement of great customer service levels. Of course financial performance is vitally important and whilst we have improved profitability, maintained strong capital and liquidity ratios and achieved record

low arrears figures, we have also made significant investment in the business.

In moving forward with our strategy it is essential that we focus on the long term success of the Society and invest for the future in our people, branches and technology so that we grow and develop to meet the changing needs of our customers.

Since taking on the role of Chief Executive in May 2015 I have been genuinely impressed with the culture and values that are central to the mutual ethos of the Society. These are demonstrated by our staff on a day to day basis, underpinning our vision to be the best regional building society, delivering excellent customer outcomes for the people of the North East and beyond.

2015 has been another year where we have seen uncertainty in financial markets with the path for UK interest rates still unclear. What is clear is that the world economy is still fragile and may provide significant headwinds to the UK's economic recovery whether this is from China, uncertainty

around a potential 'Brexit' or from the Middle East. The Bank of England has indicated that the UK base rate of 0.5% will remain lower for longer and there is currently no sign of an increase coming through in 2016.

Low rates have been great news for borrowers who have seen some of the most competitive mortgage products ever whilst at the same time seeing house prices rise and disposable incomes grow. Of course savers continue to fund the low rates on mortgages through lower rates on savings balances and this makes the provision of good financial advice to Members even more important so they can understand the options for investing their savings.

Financial Performance

Profit before tax improved to £5.4m for the year ended 31 December 2015 compared to £4.0m for 2014, an increase of 35%. Operating profit before impairment charges and the FSCS levy was down slightly from £12.4m to £11.9m due to a higher depreciation charge reflecting higher levels of investment in infrastructure and also increased investment in staff as we build our capability to grow the business.

Net interest margin improved from 0.70% to 0.75% reflecting lower funding costs although spreads on mortgage lending also narrowed due to a much more competitive mortgage market.

The profitability of our outsourcing subsidiary, Newcastle Strategic Solutions, improved reflecting the launch of four new contracts in 2015. It is the nature of these contracts that there is significant investment in the year of launch but then as the contracts build over time the income and profitability grows. The Solutions business provides a diversified income stream, based on core competencies within the building society business. All of the profits from this business are ploughed back in to the Society and support increased investment in services for Members as well as providing capital to support and grow the business. The pipeline for the Solutions business continues to be very strong.

Our financial advice subsidiary, Newcastle Financial Services Limited, delivered a 7% increase in income in 2015 although profitability was flat compared to 2014 due to increased staff costs arising from investment in an administrative support team to enhance service to customers and higher salaries for financial planning managers. Significant investment is going in to this area of our business, which has the highest customer satisfaction rating across all areas of the Society's business at 99%. As part of this investment we will be increasing our seminar activity for new and existing customers and also creating two new financial advice centres in our heartland, this is in addition to the major refurbishment of our branches to provide a welcoming and engaging environment within which to provide face to face advice.

Profit for the Year before Taxation



There was a decrease in impairment charges from £5.9m to £4.6m reflecting the ongoing reduction in the legacy commercial portfolio and the FSCS levy also decreased from £2.5m to £1.9m due to a reduction in the amount of the levy and lower eligible balances.

Capital ratios continued to improve with Common Equity Tier 1 ratio improving from 12.7% to 13.6% and Tier 1 capital ratio increasing from 14.6% to 15.3%. The Group's overall capital ratio (Solvency ratio) increased from 18.6% to 18.7% and the leverage ratio improved from 5.2% to 5.6%.

Capital Ratios



The mortgage market was extremely competitive in 2015 which impacted our achievement of gross and net lending targets with both figures showing a reduction on the previous year; gross residential mortgage lending was £340m in 2015 compared to £350m in 2014 and net lending was £10m against £134m in the prior year. Net lending was also impacted by higher maturities and capital repayments. We have a much stronger mortgage pipeline going in to 2016.

Percentage of Loans in Arrears of 3 months or more (number of loans)



The percentage of mortgage loans in arrears of 3 months or more, across the whole mortgage portfolio based on the number of loans, reduced again from 0.53% to 0.49%; considerably lower than the industry average with 2015 seeing a record low since we have been tracking 3 months arrears.

Our liquidity at the end of the year was 17.7%, excluding encumbered assets, slightly ahead of the level at the end of 2014 of 17.4%. Including encumbered assets the ratio increased from 23.6% to 24.3%. On 1 October 2015 a new European liquidity regime was introduced with the focus on the liquidity coverage ratio; against this new measure the Society's ratio was 230% against a minimum required level of 80%. This significant headroom reflects the quality of the Society's liquidity with the majority of it invested in highly rated assets.

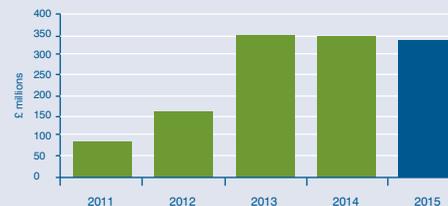
Supporting our Members

Over the last 12 months we have engaged with our Members through "meet the Chief Executive" road-shows, branch events, our customer panel, and most importantly listening to what our Members tell us when they give us feedback, whether it's good or bad. By understanding what is important to our Members we can continue to improve and expand the products and services we offer and also enhance the quality of our customer service.

2015 was a good year for Members moving home or taking their first steps to get on the property ladder. Throughout the year we offered a wide range of mortgage products with fixed rates ranging from 2 to 10 years duration, first time buyer products where only a 5% deposit was required and our fees free mortgage products continued to be extremely popular with borrowers. Many of our products featured in best buy tables and were available directly with the Society and via mortgage brokers.

In 2015 the Society launched a new Buy to Let proposition with a maximum loan to value of 75% and prudent lending criteria, this recognises that a large proportion of residential lending in the UK relates to this sector. In addition the Society also launched a new online mortgage application system for mortgage brokers with further upgrades and enhancements made during the year.

Gross Residential Mortgage Lending



Following on from the launch of new mortgage regulations in 2014 (the Mortgage Market Review) there has also been major activity on regulatory projects in 2015 with the Society already implementing some of the changes required for the new European Mortgage Credit Directive due in March 2016.



The Government has also taken steps to help First Time Buyers with the launch of the Help to Buy ISA on 1 December 2015 with the Society being one of only 14 providers of the product at the date of launch. The Government scheme is very similar to the Big Home Saver product the Society has operated for many years with a bonus payable

when the customer buys a home based on the amount saved.

The Society has continued to offer its own home savings product alongside the Government scheme which means our customers can benefit from both great schemes by splitting their annual ISA allowance using our innovative CustomISA functionality.

While the low rate environment has meant another challenging year for savers the Society continues to offer a range of good value savings products including easy access, regular savings and fixed rate bonds, providing competitive rates wherever possible. We also offered Member exclusive products with better rates to reward our loyal savers. Our Big Little Saver was popular with parents and grandparents alike to help promote the savings habit in young children.

We have seen a significant fall in complaint volumes in 2015; total complaints fell by 26% with Mortgage Payment Protection Insurance (MPPI) complaints falling by 12% and non-MPPI complaints falling by 37%. The majority of cases referred to the Financial Ombudsman are found in the Society's favour.

Our most pleasing achievement has come in the form of increased customer satisfaction with the percentage increasing to 95% at the end of 2015 from 92% a year earlier. We also met or exceeded our targets for customer service levels in 2015.

Overall Customer Satisfaction Percentage



Supporting our Employees

Growing and developing our staff is fundamental to the success of the Society and that is why in 2015 we have invested further in recruitment, training and development of our people. Over the course of 2015 we increased our headcount across the business by 80 staff, an increase of 9%, and the first time we have expanded our workforce since before the credit crisis.

New roles have been created across the business to enhance customer service, support the growing Solutions business and other areas that are expanding including mortgage lending and financial advice. Underpinning our staff development programme is strong and regular communication so everyone understands their role in delivering the Society's strategy, culture and values.

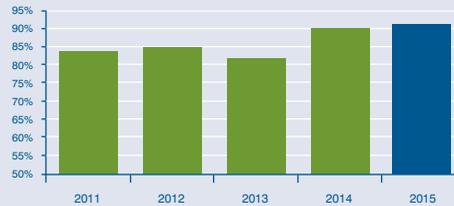
In 2015 we partnered with Openwork LLP to launch 'Ocademy' to our staff, a dedicated training academy for staff to become Financial Planning Managers with Newcastle Financial Services Limited. The 12 month programme provides great career progression and means we are developing our own talent to support our financial advice proposition.

In 2014 we introduced the Talent Management Programme, which is designed to support development of potential future leaders of our business and after an 18 month journey our management placements have now graduated. All placements completed master classes at the University of Sunderland Business School. This supplements other programmes that the Society already has in place.

Our staff turnover rate across the business increased from 12.6% in 2014 to 13.2%, reflecting a more competitive employment market and reducing rates of unemployment. While this increase was not unexpected given very low levels of turnover over recent years, we are still working hard to retain staff and also ensure we attract the best talent to the Society.

The results of the annual staff survey were again strong with overall satisfaction at 91% a slight increase over 90% last year. The most pleasing aspects of the survey are that so many of our staff would recommend the Society as a place to work, 84%, and that 94% of staff are committed to the Society and understand its future strategy.

Overall Staff Satisfaction Percentage



In April we gave an annual pay award of 2% which was ahead of UK CPI inflation. In December the Remuneration Committee approved a Society-wide corporate bonus, based on achievement of the Corporate Key Performance Indicators of 3% of base salary.

Supporting our Communities

As a mutual we believe it is important to give something back to the communities in which we operate and in doing so we seek to reflect the views of our Members and staff in the charities and activities we support. The work we do with communities and charities in the region was recently recognised at the Charity Times Better Society Awards where the Society was awarded the top prize for Commitment to the Community.

Our financial education programme is now in its sixth year and has helped more than 1,700 school pupils learn about managing money and becoming financially independent. The main part of this programme is the 'Boardroom Charity Challenge' where schoolchildren develop business ideas that focus on benefiting their local community while also making a profit. The £1,000 prize money is then put towards turning the idea into reality with all proceeds going to a local charity.

This six week long curriculum based learning not only helps children learn about business but also helps them develop their communication and presentation skills when they come in to the Society's Boardroom to pitch their proposal to senior executives.

We launched our new and improved volunteering policy in 2015 and more than 80 staff have already supported charities and local communities, turning their hand to a range of activities including painting and decorating, gardening, serving in hospice shops and helping to document a charity's strategy.



Lady Elsie Robson "The Newcastle is very much part of our team effort. They understand what we're trying to achieve and its importance and we're most grateful to the Newcastle and its customers for their support."

We've supported Percy Hedley Foundation, a local charity that provides a wide range of specialist care and education support to disabled people and their families, for almost two years and have raised more than £20,000 during this time. As well as many staff volunteering to help the charity we have also held a number of sponsored events including 19 runners from the Society taking part in the Great North Run.

We have maintained our close relationship with the Sir Bobby Robson Foundation, with donations to this leading cancer research charity in the North East now exceeding £1.8m over the period of the relationship.

Our fund within the Tyne & Wear Community Foundation has been running for over 25 years and has allowed us to donate thousands of pounds to local charities. Our staff nominate the charities they want to receive a donation, which ranges from £500 to £2,000, and over the last 12 months we have made donations to charities that support people in the region living with cancer, youth initiatives and help for homeless people. We are looking to expand the charities and communities we support in the region even further through the expansion of our Community Foundation fund in 2016.

Summary

I am delighted with the Society's performance in 2015 which is against a backdrop of investment and development of the business for the longer term. Whilst there may be ongoing volatility in

financial markets we will continue to focus on what is important to our Members; providing a great range of straightforward savings and mortgage products and trusted financial advice. We will continue to invest in the business, updating our branch footprint and digital presence whilst developing our staff to their full potential.

I would like to thank my predecessor, Jim Willens, for the excellent progress achieved since 2010 which means I have inherited a business in much better shape allowing me to focus my efforts on building the performance and capability of the Society in the years ahead.

Last but not least, I would like to pay tribute to the fantastic team of people we have working at the Society who work really hard to provide great service for our customers and make the Society such a great place to work. Their exceptional loyalty and commitment has enabled the Society to deliver the year on year improvement in our results and I would like to thank them for their contribution.

Andrew Haigh
Chief Executive
1 March 2016

Community Support Roundup

Building better financial skills for children

Our aim is simple, to educate children to be more financially aware.

As a mutual building society, supporting the communities where we are based is vitally important to us. Here are some of the highlights from 2015.

We began our financial education programme around six years ago, working with young pupils in two regional primary schools. We deliberately chose to deliver the programme to Year 5 pupils (aged 9 to 10) as it's an age at which children are more likely to use what they've learned in later life.

Our collaboration with local schools has gone from strength to strength, and with the support of dedicated school staff we're proud to say we have now worked with more than 1,700 Year 5 pupils across the North East.



Chief Executive, Andrew Haigh, with the winners of the 2015 Boardroom Challenge, Shiremoor Primary School.

The programme has evolved to become the Boardroom Challenge, and sees pupils work together within school, using numeracy, literacy and team working skills, to develop a money making business idea that will benefit their community.



One of the teams giving their presentation in the Boardroom.

They compete with hundreds of other local school children to come up with the best idea which they hope will see them shortlisted to present in a Boardroom final. The eventual winners receive a £1,000 prize that will enable them to bring their idea to fruition, with the proceeds going to a local good cause.

Whilst we will continue our work with primary school children, we want to do even more in 2016. We therefore aim to extend the benefit of financial education to an older, secondary school age group, by creating a curriculum based, tailor made programme to help teenagers be more prepared to meet the financial challenges of working life.

We will also be running more financial advice seminars for our Members.



Dale Barclay, branch manager, helping a team with their presentation.

Charitable fundraising

£1.5m for Sir Bobby Robson Foundation

Our support for the valuable work of the Sir Bobby Robson Foundation celebrated a significant milestone in October 2015, when the donation total reached £1.5m. Since then our Members have continued to raise even more money with donations exceeding £1.8m, making the Society the charity's biggest supporter.



Sales & Marketing Managing Director, Steve Urwin, with Lady Elsie Robson and Alan Shearer.

Percy Hedley Foundation receives £20,000

We have also supported The Percy Hedley Foundation for almost two years, the chosen charity of our staff, which helps children and adults who have special mental and physical needs. During this time staff fundraising has reached over £20,000.

Community Foundation

Our community fund has been operating for more than 25 years and is administered by the Community Foundation Tyne & Wear. Through the Foundation we donate thousands of pounds every year to local causes that need extra help and support.

Just some of the local causes we have supported over the last twelve months include:

- Daft As a Brush Cancer Care
- St Clare's Hospice
- Corbridge Youth Initiative
- MS Research & Relief Fund
- Destiny Streetworx

In total Newcastle Building Society is proud to have raised in excess of £2.5m over the years to support the local community and in 2016 we plan to expand our activities with the Community Foundation even more.

Society backs Staff Volunteering

Our staff have jumped at the chance to use up to two work days a year to dedicate their time and effort to improve something they care about in their area. We launched the new Volunteering Policy in 2015, and more than 80 staff have already taken the opportunity to make a difference in their local communities.



Kate Bowery, Andy Rose & Daryl Brown sweeping up at the People's Kitchen, Newcastle.

Mortgages and Savings

Good value mortgage products

Here at Newcastle Building Society we believe in supporting you through life's financial milestones. That's why we invest time in developing the right products to meet genuine needs backed by the kind of customer service you need.

And financial milestones don't come much bigger than buying your first home. We have continued to provide a competitive range of first time buyer mortgage products, which are available at up to 95% loan to value. This means that even with a small deposit, home ownership could be within reach.

Buying a first home is an exciting time, but it can also be daunting. With this in mind we developed a series of free seminars for first time buyers in 2015 to provide helpful information about the house buying and mortgage application process. Designed to simplify the complex, and provide information on what for many is an unfamiliar process, we also provide a useful FREE online guide to buying a home at: newcastle.co.uk/guides/mortgage-guides/first-time-buyer-guide/



Christie Edge, first time buyer with the Newcastle Building Society in her new home.

Our best buy mortgage products have also proved popular with all borrowers whether they're seeking to move or simply remortgage. Whether you want a fixed rate for two years or 10 years, or a rate that tracks the Bank of England Base Rate then we have a great range of products to choose from. Many borrowers find our fees free mortgage products particularly helpful in minimising upfront costs.



Meanwhile, behind the scenes we've introduced changes to reduce the time from receiving an application to providing an offer on a mortgage. We recognise that knowing where you stand on your mortgage makes your life easier and lets you get on with the important business of buying a home.

We plan to continue investing in our business so we can continue to offer excellent customer service and reliable, competitive products that provide good value to our Members.

Help to Buy: ISA



Newcastle Building Society was one of only 14 providers in the UK to introduce a Help To Buy: ISA when the Government launched the scheme on 1 December 2015.

The Help to Buy: ISA supports first time buyers by giving savers up to 25% of their savings as a bonus, from the Government, towards the cost of their property. The Government will give a £50 bonus for every £200 invested, up to a total of £3,000. All of which is tax free.

Our Help to Buy: ISA can be opened with a deposit of up to £1,200, what's more, thanks to our CustomISA facility, savers can now open a Help to Buy: ISA and still use their full Cash ISA allowance. This means borrowers can take advantage of two great schemes the Government scheme and Newcastle's First Home Saver ISA, with the latter product offering a bonus of up to £1,000 from the Society.

For more information on these products please visit: www.newcastle.co.uk/savings

Find out about new products first...

At Newcastle Building Society we understand that everyone has different needs, which is why we offer a range of competitive products and services to suit all stages of life.

By joining our Priority Register Service, you'll be kept up to date via email when we launch new products and services.

It's easy to join, just ask in your local branch or call us on 0345 734 4345.

Don't miss out!

E-Newsletters

We regularly produce e-newsletters for our customers, which act as a great source of useful information. If you would like to receive this information, please register your interest on our website www.newcastle.co.uk and sign up via the homepage.

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

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

Financial Advice

Newcastle Building Society exists to help people save, buy their own home and plan for their financial future. We are committed to offering trusted advice and making it readily available to anyone who needs it. We do this through our wholly-owned subsidiary, Newcastle Financial Services Limited.

You may not know, but the rules around the provision of financial advice changed significantly in 2013. These changes brought in much needed transparency for consumers and placed their need firmly – and we believe, rightly – at the heart of the advice process. As a result, many providers, especially the banks, chose to withdraw from providing financial advice completely, or only provide services for their wealthy customers. We took a different view.

We listen to what our customers say

We believe people should have access to face-to-face advice on the high street. Newcastle Financial Services Limited (NFSL), has experienced, fully qualified advisers in all of our branches.

As part of our commitment to making financial advice accessible we offer no-obligation financial seminars throughout the North East and Cumbria, covering a large range of topics including savings and investments, retirement planning, funeral planning, inheritance tax and estate planning.

The presentations are delivered in a friendly, relaxed style to equip you with the information you need to make the right decisions for your future. To register for a free place at a Newcastle Building Society Financial Planning Seminar or to find out when and where the next seminars will take place, please contact your local branch, email us at: seminars@newcastle.co.uk or visit: www.newcastle.co.uk/financialplanning

Don't just take our word for it!

When NFSL customers were surveyed in 2015, an overwhelming 99% said they were satisfied or very satisfied with the service they received, and agreed with our commitment to providing face-to-face financial advice.

We feel that making such advice accessible is so important that later in the year, we are opening two new Financial Advice Centres in Newcastle city centre, dedicated to providing face-to-face financial and mortgage advice. They will be open until 8pm on weekdays and 3pm on Saturdays, making it more convenient for our customers.

If you would like to experience our great service, give us a call on **0345 600 4330**, to arrange an initial, no-obligation meeting.

Developing advisers of the future

In 2015 we introduced our Ocademy Programme, in conjunction with our partner Openwork. The aim of the Ocademy is to offer a career path for existing employees of the Society who want to become a Financial Planning Manager in the future.



Stuart Dodson, Managing Director, NFSL with Mark Duckworth, CEO Openwork.

Exciting Changes



New look website launching soon...

Our new website will make it much easier to find out about products and services and will feature helpful guides, tools and videos.

You will also be able to use the site to provide feedback to us. For a preview of the new site visit: www.newcastle.co.uk/preview

Web Chat

We have recently launched a web chat facility which has been developed to improve our first line support by offering an alternative and responsive customer service option for our customers.

To contact us via the web chat facility during its operating hours of 9am-5pm, Monday to Friday, visit our website: www.newcastle.co.uk

New branches coming soon...

As part of a £10m investment programme, we have some very exciting developments happening in our branch network.

In 2015, we saw the relaunch of three new branches. Cramlington and North Shields branches were redeveloped, with a completely new look and much improved meeting space. While at Chester-le-Street an entirely new branch replaced a smaller and dated facility. In addition to this, we plan to open a new branch in Gateshead in early Summer having agreed a unit in a prime position within the prestigious Trinity Square development in the area.

As well as this, an innovative new strategic partnership with Stockton Borough Council will enable the Society to re-establish a presence on Yarm High Street and offer traditional building society services and financial advice as part of a redeveloped library facility. The pilot is expected to be the first of a number of other community partnerships and it will be the UK's only library-based branch.



Our recently refurbished Cramlington branch.

Notice of AGM

Notice is given that the AGM of Members of Newcastle Building Society will be held on Thursday 28 April 2016 in the Bamburgh Suite, St James' Park, Newcastle United Football Club, Newcastle upon Tyne NE1 4ST at 1.45pm prompt, for the following purposes:

Ordinary Resolutions

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

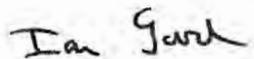
Re-election of Directors

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

Special Resolution

5. To consider and, if thought fit, to pass the following resolution as a Special Resolution: "That the Memorandum of the Society be amended by:
 - i) In paragraph 4(a) deleting "other than by the creation of a floating charge";
 - ii) In paragraph 7 in the definition "dispose (or disposing)" deleting "(except by way of floating charge)"; and
 - iii) In paragraph 7 in the definition "parent undertaking" deleting "section 258 of the Companies Act 1985" and inserting "section 1162 of the Companies Act 2006."

By Order of the Board



Ian Good - Group Secretary
1 March 2016

Notes

1. These notes form part of the Notice of Meeting.
2. Under the Society's Rules, a Member entitled to attend the Meeting and vote may appoint a proxy to attend and vote on his or her behalf.

You may appoint the Chairman of the Meeting or anyone else as your proxy and your proxy does not have to be a Member of the Society.

Your proxy may vote for you at the Meeting but only on a poll.

3. You may instruct your proxy how to vote at the Meeting. Please read the instructions on the Voting Form.

How to Vote

Online

1. You can vote online at www.newcastle.co.uk/agm
2. You must vote online by **5pm Monday 25 April 2016**. 30p will be donated to our Corporate Charity, Percy Hedley Foundation, for every online vote received.

Freepost

1. Complete, sign and detach the Voting Form.
2. Post it in the pre-paid envelope provided. No stamp is required. Your form should be received by the independent scrutineers no later than **5pm Monday 25 April 2016**.

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

At the AGM

1. You can vote in person at the AGM on **Thursday 28 April 2016**.
2. Bring your Voting Form, or other evidence of membership, to the Meeting.

Agenda:

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

AGM Business

1. The Annual Report and Accounts for the year ended 31 December 2015 are required to be received formally by Members at the AGM.
2. It is a requirement that the auditors are appointed by the Members each year. The Board is proposing the re-appointment of PricewaterhouseCoopers LLP as auditors.
3. Although it is not a legal requirement, in line with current best practice, Members are being asked to approve the Directors' Remuneration Report for the year ended 31 December 2015, included on pages 18 to 20.

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

4. In accordance with best practice on corporate governance, all of the Society's Directors are standing for re-election at the AGM. Details of all the Directors are set out on pages 16 and 17.
5. The Board is proposing that the Society's Memorandum be changed at this year's AGM. The Building Societies Act 1986 contained a prohibition on building societies giving a floating charge (a charge given by a building society that allows assets covered by the charge to be bought or sold, as it only becomes fixed in certain circumstances such as default by the Society).

This prohibition has been removed by Parliament so the prohibition in the Society's Memorandum can also now be removed. The Board would only give a floating charge over some or all of the Society's assets if it thought this was in the best interests of the Society.

A reference to an out of date section of the Companies Act 1985 is also being updated.

A copy of the existing Memorandum, with the proposed changes, is available on the Society's website at www.newcastle.co.uk, or you can request a copy from the Group Secretary, Newcastle Building Society, Portland House, New Bridge Street, Newcastle upon Tyne NE1 8AL.

It is intended that, if the changes to the Memorandum are agreed at the AGM, they will take effect (subject to registration by the FCA) on 1 August 2016.

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

1. Andrew Haigh

Chief Executive

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

3. Angela Russell

Deputy Chief Executive and Finance Director

Angela is a Fellow of the Institute of Chartered Accountants and a Certified Public Accountant with 27 years' experience in finance in the UK and abroad. She has worked in a variety of positions covering finance, risk, audit, project and corporate planning roles.

5. Patrick Ferguson

Strategy, Planning and Risk Director

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

7. Karen Ingham

Non-Executive Director

Karen has an extensive customer services background within the consumer sector and is extremely people and customer focused. Her roles have included Head of Service and Customer Experience Director. She started her career with 18 years in Financial Services at the Co-operative Bank.

9. Richard Bottomley OBE

Non-Executive Director

Richard is a fellow of the Institute of Chartered Accountants and in 2010 was awarded an Order of the British Empire for services to the Accountancy Profession and Business in the North East. His professional career has spanned over 30 years and he has experience in Corporate Finance and Strategic Planning.

2. Phil Moorhouse

Chairman

Phil, the Society's Chairman since April 2013, is an experienced accountant and a Fellow of the Chartered Association of Certified Accountants. He brings 36 years of business experience to the Society's Board and his expertise was recognised when he was awarded 'North East Non-Executive of the Year 2015' at the North East Business Executive of the Year Awards.

4. Ron McCormick

Deputy Chairman

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

6. John Morris

Non-Executive Director

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

8. Ian Ward

Non-Executive Director

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

10. David Buffham

Non-Executive Director and Senior Independent Director

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



For full Directors' biographies, please see the 2015 Annual Report and Accounts.

This report summarises the Society's approach to pay for the period 1 January to 31 December 2015. It sets out the remuneration policy and remuneration details for the Executive and Non-Executive Directors of the Society. This summary is split into three main sections; the Statement by the Chairman of the Remuneration Committee, the Report on Remuneration and the Directors' Remuneration Policy. A full version of each section can be found in the 2015 Annual Report and Accounts.

i) Statement by the Chair of the Remuneration Committee

The Remuneration Committee operates within the Terms of Reference (TOR) agreed by the Board. The TOR and effectiveness of the committee are reviewed annually and both were last reviewed on 24 November 2015.

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

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

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

ii) Report on Remuneration

The total remuneration received by Executive Directors is shown opposite. The information has been audited and shows remuneration for the years ended 31 December 2014 and 31 December 2015 as required under the Building Society (Accounts and Related Provisions) Regulations 1998.

The Chief Executive is the Society's most highly paid employee and no employee earns more than any Executive Director. For details of other Director positions held by the Society's Executive Director team see the Annual Business Statement on page 77 of the 2015 Annual Report and Accounts. None of the current Executive Directors retained any remuneration as a result of their non-Society positions.

JH Willens held the position of Chief Executive of the Society until his retirement on 30 April 2015 and also held a Non-Executive Director position with Brown Shipley & Co Limited, retaining the remuneration from this directorship as agreed by the Board.

Directors' Emoluments (Audited)

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

	Salary or fees	Other benefits	Annual bonus	Pension contributions to defined contribution scheme (Notes 2 & 4)	Total 2015 contractual benefits	2014 total
	£000	£000	£000	£000	£000	£000
Executive Directors						
AS Haigh <small>Notes 2 and 3</small>	227	32	8	-	267	167
AM Russell	183	10	6	16	215	210
P Ferguson <small>(appointed 19 February 2014)</small>	132	10	4	12	158	136
JH Willens <small>(retired 30 April 2015) - Note 4</small>	261	34	-	-	295	349
Total for Executive Directors	803	86	18	28	935	862
Non-Executive Directors						
PJ Moorhouse	65	-	-	-	65	63
RJ Bottomley OBE <small>(appointed 22 September 2014)</small>	37	1	-	-	38	9
DJ Buffham	47	-	-	-	47	46
K Ingham <small>(appointed 4 September 2014)</small>	29	-	-	-	29	9
RD Mayland <small>(retired 24 February 2015)</small>	6	-	-	-	6	37
RJ McCormick	52	2	-	-	54	51
J Morris	43	2	-	-	45	37
CRR Vine-Lott <small>(retired 31 December 2015)</small>	43	3	-	-	46	44
IW Ward	42	1	-	-	43	41
Total for Non-Executive Directors	364	9	-	-	373	337
Total for all Directors	1,167	95	18	28	1,308	1,199

Notes:

- The Society's Executive Directors participate in the Group's annual corporate bonus scheme. The annual corporate bonus is determined based on achievement of the current year's corporate KPIs. There is no consequent deferral of the bonus payment or vested element.
- Mr AS Haigh has elected to take his pension contribution amounting to £20,400 as a cash payment. He is liable for his own tax and national insurance contributions on this payment.
- Mr AS Haigh's salary increased to £265,000 on 1 May 2015 following appointment to the role of Chief Executive Officer.
- Mr J H Willens had elected to take his pension contribution amounting to £22,500 as a cash payment. He is liable for his own tax and national insurance contributions on this payment. He received £181,000 in lieu of notice.

iii) Directors' Remuneration Policy

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

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

- The Policy is clearly linked to the Society's strategic plan, objectives and values;

- Policy, processes and practice are consistent with and promote effective risk management, whilst creating an acceptable relationship between risk and reward;
- Basic pay and total remuneration is set at a competitive level to attract and retain the appropriate calibre of people;
- The approach to pay satisfies regulatory requirements and good Corporate Governance practice;
- Remuneration arrangements are transparent, consistent and fair, reflecting individual responsibilities and performance; and

- Remuneration arrangements are straightforward to understand, communicate and administer.

Remuneration for Executive Directors

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

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

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

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

Short Term Incentive Scheme - Performance measures and targets are set on an annual basis and are measured over the financial year. Payment is made in cash, after performance has been assessed, at the discretion of the Committee. The Committee determines the maximum incentive. A corporate bonus payment has been awarded of 3.0% of base salary in relation to 2015 performance. The performance measures attached to the Corporate scheme are delivery of the corporate KPIs which include financial, service level, and customer satisfaction targets.

There was no deferred remuneration during 2015. As the Society's Remuneration Policy does not include significant performance-related variable remuneration, no formal ratio between fixed and variable remuneration is relevant.

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

Remuneration of Non-Executive Directors

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

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

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

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

Non-Executive Directors do not have service agreements. Non-Executive Directors are appointed for an initial three year term. They will generally be expected to serve more than one three year term.

All Directors volunteer for annual re-election.

Consideration of Member Views

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

In 2014, the Society voluntarily elected to adopt some of the changes to remuneration reporting that apply to UK listed companies and one of the factors that the Committee took into consideration was the opportunity to give Members a chance to vote on the Society's Remuneration Policy.

Members voted and gave their support (89.35% voted to approve the policy with 18,145 votes for, 2,163 against and 539 withheld) to the policy in April 2015 which took immediate effect. Similar approval was given to the Directors' remuneration Report (89.85% approval with 18,297 votes for, 2,066 against and 485 withheld). In accordance with the Code, the policy will be put forward for vote again in 2018.

John Morris

Chairman of the Remuneration Committee
1 March 2016

For the year ended 31 December 2015

This Summary Financial Statement is a summary of information in the audited Annual Accounts, the Directors' Report and the Annual Business Statement, all of which will be available to Members and depositors, free of charge on demand, at every branch of the Newcastle Building Society and online from 21 March 2016.

Summary Directors' Report

The requirements of the Summary Directors' Report for the year ended 31 December 2015 can be found within the Chief Executive's Review on pages 2 to 7. The Directors consider the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis has continued to be adopted in preparing the Annual Report and Accounts.

Approved by the Board of Directors on 1 March 2016

Phil Moorhouse, Chairman

Richard Bottomley, Chairman of the Audit Committee

Andrew Haigh, Chief Executive

Group results for the year

	2015 £m	2014 £m
Net interest receivable	27.1	25.1
Other income and charges	23.0	22.3
Administrative expenses and depreciation	(38.2)	(35.0)
Operating profit before impairments and FSCS levy	11.9	12.4
Impairment charges	(4.6)	(5.9)
FSCS levy	(1.9)	(2.5)
Profit for the year before taxation	5.4	4.0
Taxation expense	(2.1)	(1.1)
Profit after taxation for the financial year	3.3	2.9

For the year ended 31 December 2015

Group financial position at the end of the year

	2015 £m	2014 £m
Assets		
Liquid assets	726.0	768.1
Mortgages	2,461.8	2,640.5
Fair value adjustments for hedged risk	190.8	201.8
Other loans	16.8	19.6
Derivative financial instruments	7.3	16.4
Fixed and other assets	42.8	89.8
Total assets	3,445.5	3,736.2
Liabilities		
Shares	2,678.8	2,973.7
Fair value adjustments for hedged risk	5.3	8.4
Borrowings	307.1	279.5
Derivative financial instruments	190.4	201.6
Other liabilities	14.7	17.4
Subordinated liabilities	50.0	59.5
Subscribed capital	30.0	29.9
Reserves	169.2	166.2
Total liabilities	3,445.5	3,736.2

Summary of key financial ratios

	2015 %	2014 %
Gross capital as a percentage of shares and borrowings	8.34	7.86
Liquid assets as a percentage of shares and borrowings	24.31	23.61
Profit for the year as a percentage of mean total assets	0.09	0.08
Management expenses for the year as a percentage of mean total assets	1.06	0.93

Notes

Gross capital as a percentage of shares and borrowings

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

Liquid assets as a percentage of shares and borrowings

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

Independent Auditors' Statement
to the Members and Depositors of Newcastle Building Society

We have examined the Summary Financial Statement of Newcastle Building Society (the 'Society') set out on pages 21 to 23 which comprises the Group results for the year, the Group financial position as at 31 December 2015, the Summary of key financial ratios and Notes.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Summary Financial Statement, in accordance with applicable United Kingdom law. Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement with the full Annual Accounts, the Annual Business Statement and the Directors' Report and its compliance with the relevant requirements of Section 76 of the Building Societies Act 1986 and the regulations made under it.

We also read the other information contained in the Member Update including Summary Financial Statement 2015 and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement. This statement, including the opinion, has been prepared for and only for the Society's Members as a body in accordance with Section 76 of the Building Societies Act 1986 and for no other purpose.

Profit for the year as a percentage of mean total assets

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

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

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

We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion

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

Opinion

In our opinion the Summary Financial Statement is consistent with the full Annual Report and Accounts of Newcastle Building Society for the year ended 31 December 2015 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986, and the regulations made under it.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Newcastle upon Tyne, 1 March 2016