Connecting our communities with a better financial future.

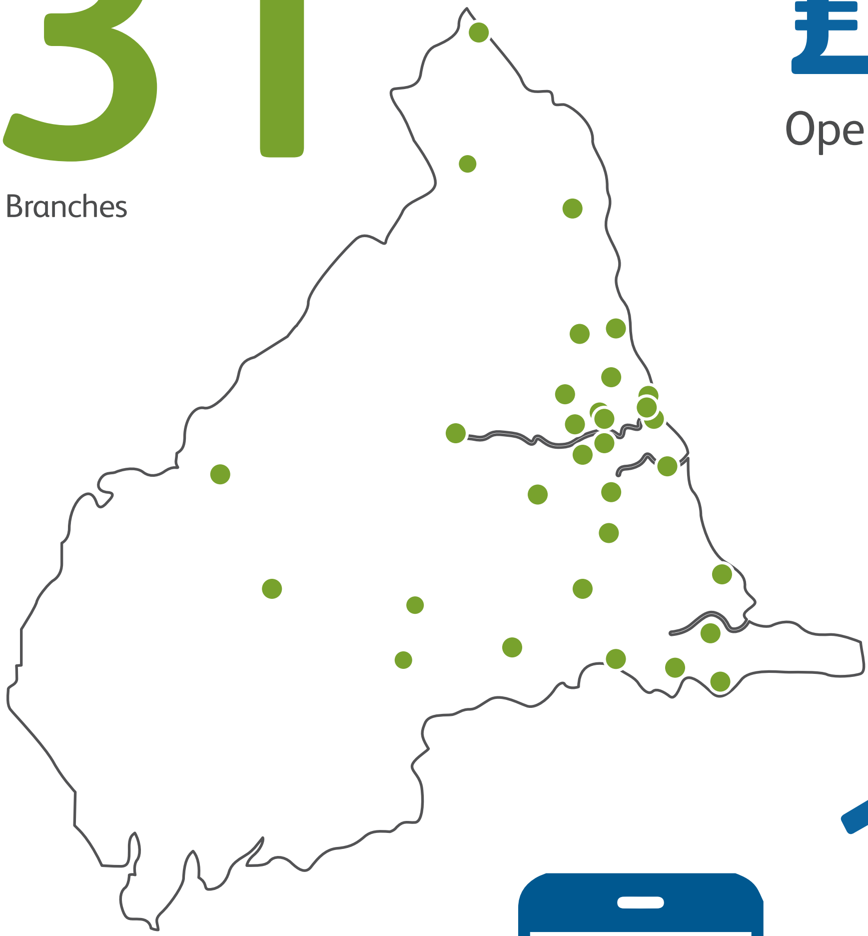
Newcastle Building Society
Half-Yearly Report 2020

Cover photo: South Shields, one of many great locations in the region.

Newcastle Building Society

2020 Performance Highlights

31
Branches



£7.3m
Operating Profit

Gross residential lending
£357m

13.7%
Common Equity Tier 1 Capital

Launch of
Mobile Saving App

1,200
Colleagues

81
Customer net promoter score

+37
Colleague eNPS

Chief Executive's Review

It would be difficult to begin any summary of the last six months without starting with Covid-19.

The global impact of the pandemic on loved ones, on personal and working lives, and on individual opportunities has been painful and profound. This is an intensely human crisis.

We have also witnessed an economic contraction the like of which has not been experienced for decades. While we remain optimistic that over time economies will recover, it would be unrealistic to think this can happen as quickly as we might hope.

Economic uncertainty and lack of confidence has played out globally due to the worldwide nature and impact of the crisis. Lack of clarity on the scope and length of the impact has eroded confidence and created a climate that has seen stock market falls, wider investment programmes delayed or cancelled, and employment uncertainty.

In these challenging times, our Society's focus on Members and our communities, driven from a purpose-led strategy, appears more relevant and more important than ever.

The UK went into lockdown on 23rd March.

As providers of an essential service, all but one of our branches remained open. We moved quickly to enable the vast majority of our office based colleagues to work remotely from home, maintaining continuity of service while following Government guidelines as the whole country responded to the emerging crisis.

Although Covid-19 has negatively impacted our Society's trading, our underlying business is still performing well, reflecting our resilient core. Our operating profit has seen a reduction of £1.2m to £7.3m (from £8.5m in the first half of last year).

The knock on effects of the exceptional deterioration in the macro-economic environment has resulted in a significant increase in our credit and legacy provisions resulting in a pre-tax profit of £2.2m, compared to £8.2m for the same period in 2019. We remain strongly capitalised and continue to operate with appropriate levels of liquidity.

We have been proud to be able to maintain our tradition of strong support for our local communities throughout the lock down, including being a launch donor giving £100,000 to the region's Coronavirus Response and Recovery Fund, established by The Community Foundation for Tyne & Wear and Northumberland.

While the UK lockdown is now being eased, with businesses being allowed to re-open, the economy being re-started and the lock down of the housing market being reversed, we are mindful that the pandemic is not yet resolved. Any recovery is likely to be both fragile and much slower than the contraction.

Some highlights of the first half of 2020 are:

- Operating profit before impairment and provisions decreased by £1.2m to £7.3m (2019: £8.5m);
- Profit before tax was £2.2m (2019: £8.2m);
- Gross lending was £357m (2019: 380m);
- Net core residential lending for the first half of the year was £178m, despite the extremely challenging economic conditions (Full year 2019: £575m);
- Highest ever engagement score for our colleagues of +37;
- Record new account openings in April and May in our Solutions business;
- Customer Net Promoter Score 81 (84 for Full Year 2019);
- Mortgage arrears remain at low levels at 0.36% (31 December 2019: 0.34%);
- Capital ratios remain robust with Total Capital Ratio (Solvency) at 15.0%, Tier 1 Ratio at 13.9%, Common Equity Tier 1 Ratio at 13.7% and Leverage Ratio at 4.6%; and
- Liquidity as a percentage of shares, deposits and liabilities (excluding encumbered assets) was 12.0%

Purpose-led strategy

Our purpose, 'Connecting Communities with a better Financial Future', and our purpose-led strategy are as important as ever. They give real meaning to the organisation and the difference we can make, inform our decision making, and reinforce our commitment that 'doing the right thing' will support our delivery of a robust, long term business for the benefit of our Members.

As an essential service we have remained ***open for business*** throughout lockdown. We have continued ***supporting our communities*** and we strive to maintain this important focus as we also seek to play our part in ***enabling recovery*** in our region and across our communities.

Open for business

As a designated 'essential service' we have remained open for business throughout lockdown. We have continued our sensible lending and the provision of mortgages; we have maintained convenient, local access to our savings service for our customers, and continued to provide financial advice, delivering our services in different ways to meet the challenges of our changed context.

Throughout, our priority has been to keep our customers and colleagues safe and we implemented a range of changes to effect this across our operations.

Chief Executive's Review

Continued

Saving and financial advice

Our branch network across the North East, Cumbria and North Yorkshire has maintained essential transactions and services for customers and the otherwise financially excluded. Safety measures were implemented for colleagues and customers, whose essential needs necessitated a branch visit. These included a one in one out policy; social distancing; safety screens; face coverings and masks for colleagues; colleagues working in small bubble teams; and reduced branch opening hours. These actions protected customers' access to cash and other key services and were reinforced by a partnership with the Post Office to provide local cash access to vulnerable customers in the event of an unavoidable branch closure.

Our branch network has remained resilient and open throughout the crisis, with the exception of our Yarm Library Branch, which was closed as part of a wider council decision to close library locations.

Just prior to lockdown, we had been delighted to formally open two exciting and innovative new branches in partnership with communities in the rural towns of Hawes in North Yorkshire and Wooler in Northumberland, both of which had been left isolated after the last bank had left their towns. It has been good to see that in both of these locations, our new branches have been able to continue operations throughout the crisis, providing their essential service to their local communities.

We supplemented our location-based services with online and phone transaction capability and launched a mobile savings app, which enables easy access to accounts from a mobile device utilising fingerprint and facial recognition technology.

The Bank of England reduced base rates during the crisis to record low levels of just 0.1%. As always, we are mindful of the impact that very low rates will have on returns for Members, particularly in these difficult times, but reluctantly, we concluded that it was necessary to pass on a corresponding rate reduction to our variable rate savings products.

As some of our savings products have financial penalties if they are closed ahead of the agreed term end, we ensured customers could access their savings quickly and without penalty where health issues, or difficulties caused by Covid-19, made this necessary.

This commitment was applied across all our savings products, with the exception of the Lifetime ISA which has a separately applied Government penalty.

In order to safely continue the provision of financial advice, the Society's Newcastle Financial Advisers Limited subsidiary introduced a telephone and video financial advice service. Delivered by its network of experienced advisers, they continue to provide reassurance and help define plans for customers who may otherwise feel lost and afraid without this professional support and insight.

Continuing a strategy for growth and a desire to increase the local accessibility of financial advice, ahead of the virus lockdown Newcastle Financial Advisers Limited acquired Carter James, a North Yorkshire financial advice firm.

Mortgages

Helping people own their own home is core to our Purpose. The mortgage market reduced by 50% between January and May this year. As a result we have seen a negative impact on our lending business from the flow-through of the reduction in economic activity.

Following the announcement of the financial support package in response to Covid-19 by the Government and set out by the Financial Conduct Authority (FCA), the Society quickly responded to customer concerns, to requests for mortgage payment holidays, and for flexibility in repayments for those borrowers struggling to pay their mortgages as a result of Covid-19.

Where customers can afford to re-start their mortgage payments it is in their best interests to do so, but some may need additional support and for longer. The FCA has extended the time to apply for a payment holiday to the end of October.

During the lockdown, our focus moved to remortgages and mid loan to value mortgage products as part of our sensible lending policy. Our manual underwriting is frequently cited as a key benefit for customers, and for our broker partners. Our continued presence in the market saw us over perform against budgets and we helped 559 customers remortgage to a competitive deal.

We have begun to see some early shoots of regeneration in the house purchase market, although we remain cautious as the economic picture is yet to clarify.

We recognise that for some customers the time ahead may be challenging for their finances in the short/medium term and we will ensure we support them where we can.

Supporting our Communities

Community lies at the heart of our Purpose and we have not lost sight of our commitments to helping people deliver positive change and support those who need a helping hand.

Early in the Covid-19 crisis the Society moved quickly to provide a £100,000 donation to the North East region's Coronavirus Response and Recovery Fund delivered through the Community Foundation Tyne & Wear and Northumberland.

The Newcastle Building Society Community Fund has continued to support local registered charities providing services for the most vulnerable people in society; including many of those who will be hardest hit by the economic effects of the pandemic.

This was supported by additional Covid-19 crisis focused grants of £35,000 made through the Newcastle Building Society Community Fund.

Chief Executive's Review

Continued

The Newcastle Building Society Community Fund is also helping community groups and charities find digital solutions to their challenges through its participation in the North East Social Tech Fund – a grant from the Fund of £20,000 has contributed towards £80,000 total awarded to nine North East-based charities and social enterprises. The money is being reinvested directly into the region's digital economy, driving collaboration between voluntary organisations and tech SMEs.

The application of new technologies to bring people closer together is an area of great interest to our Society, with our particular focus on building lasting, authentic customer relationships. One recent example is our partnership with the National Innovation Centre for Ageing and tech for good company, onHand. This Newcastle-based pilot is connecting volunteers from our Society with older people needing support with minor tasks via a mobile app. Whilst this initiative has been particularly relevant during the pandemic, the potential is for it to help revolutionise the approach to volunteering beyond the crisis and into the years ahead. Early feedback has been very positive.

Our contribution to community happens in many small ways too, at both a regional and local level. Collaborations include supporting North East specialist medical cream manufacturer, Nursem, in its quest to provide free hand cream to nurses at the frontline of clinical care who suffer the drying effects of frequent hand washing and sanitising. Or donating a vital supply of much needed, hand sanitiser to communities in the Yorkshire Dales through partnering with a local, Yorkshire Dales based distillery.

Supporting our colleagues

We employ more than 1200 people across our head office and branch locations.

Maintaining essential financial services during Covid-19, while keeping our colleagues safe, necessitated a significant change in working practices as all but around 200 colleagues moved to work remotely, from home. At the same time our branch locations were adapted to ensure the safety of customers and colleagues while our head office locations were adapted to ensure colleague social distancing and the adoption of safety protocols to minimise the risks of catching and spreading the virus.

Seamlessly revolutionising our working environments while maintaining great service for our customers and clients is a tribute to the hard work, flexibility, and personal commitment of colleagues across our business.

Whilst working from home suits many colleagues, we are all different, and it doesn't suit all. Some colleagues may experience a heightened level of anxiety around Covid-19. The Society is mindful of the potential challenges around mental health and provides a regular flow of information, advice and resources to assist colleagues and point them towards additional help provided by our mental health first aiders and employee assistance programme.

At the half year point we achieved a record high colleague eNPS of +37, which positioned us in the top 25% of our survey provider's global finance sector benchmark, a very positive indication that throughout the crisis and in the current climate, our colleague engagement has increased.

The Society's decision to participate in the Government's Coronavirus Job Retention Scheme has helped to protect jobs while we have orientated to a rapidly changing business environment and re-planned in the absence of an, as yet, clearer view of business in the next months and years of recovery.

The future is far from certain, but we are pleased to have already returned some of our furloughed colleagues to full time work as we have moved forward.

Enabling Recovery

One of our key priorities is to ensure that we play our part in enabling recovery in our region and across our communities. We are continuing to invest in our infrastructure and digital capabilities to complement our face to face presence and deliver efficient operations.

Many local businesses are financially challenged by the pandemic and we continue to seek to work with them, being committed to playing our part in bringing our communities back together. Whether working with the North East of England Chamber of Commerce or local chambers of trade, with councils and with the National Innovation Centre for Ageing, we're focused on driving improvements and benefits to our region and the people who live and work here.

Our lending business is reliant on strong relationships with our broker community – we are listening to their concerns and needs through this crisis and respond where we can to support them (and their customers) with the right product mix for a recovering housing market.

Our market leading savings management outsourcing business, Newcastle Strategic Solutions Limited (Solutions), has secured record growth of account openings and balances under management over the past six months as it responded to its clients' needs for additional savings funding. The business has transformed how it delivers for its clients as part of a 'safe working' shift to remote working, whilst managing record numbers of account openings and account balances. This has driven a regional recruitment drive to secure additional technology skills to continue to deliver ambitious plans for the years ahead.

The Solutions business has also developed and launched a mobile savings app, which its parent company Newcastle Building Society was the first client brand to adopt. It allows customers to check their online savings accounts whilst on the go.

Chief Executive's Review

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Financial Performance

Our Society has been well placed to meet the ongoing financial challenges arising from the pandemic, with robust capital, good levels of liquidity and a sound underlying business, further supported with diversified income from our Newcastle Strategic Solutions subsidiary.

Profitability

Operating profit before impairment and provisions decreased by £1.2m to £7.3m from £8.5m at half year 2019. Profit before tax was £2.2m for the six months ended 30 June 2020 compared to £8.2m for the first half of 2019. The reduction largely reflects the £5.1m increase in provisions as a result of the potential impact of the Covid-19 pandemic and the associated economic downturn.

Net interest income was £19.1m and our net interest margin reduced to 86bps at 30 June 2020 (30 June 2019: 97bps and 31 December 2019: 95bps). The lower margin is driven by a bigger fall in mortgage yields than the fall in savings rates, this reflects the competitive nature of the mortgage market over the past few years and the reductions in the Bank of England base rate.

Other income and charges increased by £1.2m to £18.7m (30 June 2019: £17.5m) through increased income from Newcastle Strategic Solutions, our savings management and IT subsidiary. Member income, which includes our financial services subsidiary, remained in line with our budget expectations, with Newcastle Financial Advisers Limited, our financial advice subsidiary reporting strong performance in a difficult UK and global economic environment.

Our cost to income ratio increased to 80.8% (30 June 2019: 76.4%) and management expenses (comprising administration expenses and depreciation) increased by £2.9m from £27.6m to £30.5m. The increase in cost is due to the investment in our business from 2019 being reflected into our 2020 cost base, with these costs incurred in relation to increased business volumes and ongoing strategic investment for the long term in our people, including the creation of additional roles throughout the Society. The increase also includes specific costs relating to our Covid-19 response.

Credit Risk

Impairment charges on loans and advances to customers were £5.1m (30 June 2019: £0.3m). The increase in the charges are due to the potential impact of the Covid-19 pandemic on the UK economy and therefore the likely impact on our borrowers and the ability to make their mortgage payments.

Covid-19 has had a severe impact on the economic activity in the UK and worldwide, with the pandemic's full economic impact still difficult to forecast.

The Group's credit risk in relation to its prime residential mortgage portfolios is closely correlated with significant rises in unemployment rates and falls in property values. The increase in provisions against residential exposures is based on the Society's provisioning model, using economic scenarios assuming significant downsides, including the increased potential for rising unemployment and reduced property values.

The Society had made significant progress in winding down its legacy commercial lending exposures. Credit risk for the remaining exposure depends primarily on the sectors which the tenants operate in and to what extent the commercial properties are likely to be attractive for businesses after the pandemic.

Provisions for these exposures have been calculated on an individual basis, taking into account all information the Society have on individual customers.

Credit risk in the Society's legacy lifetime lending is most sensitive to assumptions on longer term house price rises. As these may be impacted by the economic changes due to Covid-19, provisions for this exposure have been based on reduced levels of assumed house price inflation.

The percentage of mortgages in arrears by 3 months or more remain at low levels at 0.36% (30 June 2019: 0.36% and 31 December 2019: 0.34%). Possession cases remain at very low levels. Gross lending for the first half of the year was £357m (first half of 2019: £380m). Total lending for the first half of 2020 was £163m, which includes a £15m reduction in our exposure to the legacy lending book (first half of 2019: £12m). The Society's core residential mortgage book grew by £178m during the first half of 2020 (first half of 2019: £220m).

Liquidity

We continue to manage our liquidity levels efficiently and comfortably within our regulatory limits. Liquid assets as a percentage of Shares, Deposits and Liabilities at 30 June 2020 were 19.1% (30 June 2019: 22.5%). Excluding encumbered liquid assets the ratio was 12.0% at 30 June 2020 (15.5% at 30 June 2019). The quality of liquidity continues to be excellent, comprising assets held in cash or that can easily be converted to cash through treasury markets (repo) or via the various Bank of England liquidity schemes.

Capital

Capital ratios remain robust. Total Capital Ratio (Solvency) decreased to 15.0% (31 December 2019: 15.3%). The Tier 1 ratio was 13.9% (31 December 2019: 14.3%) and Common Equity Tier 1 ratio was 13.7% (31 December 2019: 13.9%). The Society's Basel III leverage ratio (transitional basis) was 4.6% at 30 June 2020 (31 December 2019: 4.7%). Capital ratios disclosed include half year retained profits.

The UK countercyclical capital buffer (CCyB), is expected to fall away in times of economic stress and rather than an expected increase by 1% to 2% in 2020, the CCyB was reduced to 0% in

Chief Executive's Review

Continued

March 2020 due to the economic stress caused by Covid-19. This has improved the Society's capital headroom against the 2020 budgeted position, with the buffer not expected to increase to previous levels until 2022.

Board Changes

We were very pleased to welcome Stuart Lynn to the Board as a non-executive director. An experienced business leader, specialising in technology, Stuart originally joined the Board of Newcastle Building Society's technology subsidiary, Newcastle Strategic Solutions, last year. His appointment to the main Board will enable him to contribute to the wider Group's ambitions.

Summary and Look Ahead

There is no doubt we face challenging times to the end of the year and beyond. At this time, with no vaccine for the Covid-19 virus, we must remain vigilant to the fact that there are many scenarios in which, despite the best efforts of Government and the wider population, the outlook both on the pandemic and the economy could become increasingly challenging. While we all hope that will not be the case and that recovery continues on a steady course, whatever happens we will continue to be there for our customers and Members and seek to deliver a Society that supports and makes a positive contribution to our communities in the North East, Cumbria and North Yorkshire.

While we must remain cautious about the outlook and prospects for the months and even years ahead, when we look at our business there is much to take heart from. We remain very strong with considerable capital, liquidity and resources to withstand even the worst forecast economic scenario. I have been impressed beyond words by the dedication, resourcefulness and determination of colleagues across our Society to meet the challenges of this pandemic and continue to offer an outstanding service to our customers, clients and partners. My heartfelt thanks and appreciation go out to all for their service to date and ongoing commitment in addressing the considerable and ever changing demands presented in these unique and difficult times.

We remain confident in our purpose and strategy, and convinced of our role in the region as the North East's largest building society. We continue to invest in people, systems and infrastructure for the long term, enabling us to achieve our purpose in changed conditions, strengthen our business and ultimately our contribution to 'Connecting our Communities with a better Financial Future.'

Andrew Haigh
Chief Executive
28th July 2020

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 20 £m	Unaudited 6 months to 30 Jun 19 £m	Audited 12 months to 31 Dec 19 £m
Interest receivable and similar income	43.4	40.8	87.3
Interest payable and similar charges	(24.3)	(22.2)	(48.7)
Net interest income	**19.1**	**18.6**	**38.6**
Other income and charges	18.7	17.5	36.3
Total operating income	**37.8**	**36.1**	**74.9**
Administrative expenses	(28.2)	(25.6)	(54.4)
Depreciation	(2.3)	(2.0)	(4.2)
Operating profit before impairments and provisions	**7.3**	**8.5**	**16.3**
Impairment charges on loans and advances to customers	(5.1)	(0.3)	(1.5)
Provisions for liabilities and charges	-	-	(0.1)
Profit before taxation	**2.2**	**8.2**	**14.7**
Taxation expense	(0.4)	(1.6)	(3.3)
Profit after taxation for the financial period	**1.8**	**6.6**	**11.4**

The Notes on pages 13 to 21 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 20 £m	Unaudited 6 months to 30 Jun 19 £m	Audited 12 months to 31 Dec 19 £m
Profit for the period	**1.8**	**6.6**	**11.4**
Other comprehensive income/(expense):			
Items that may be reclassified to income statement			
Movement on fair value through other comprehensive (expense) / income	(0.5)	1.0	0.9
Income tax on items that may be reclassified to income statement	0.1	(0.1)	(0.1)
Total items that may be reclassified to income statement	**(0.4)**	**0.9**	**0.8**
Items that will not be reclassified to income statement			
Derecognition of pension surplus	(0.2)	(0.4)	(0.8)
Total items that will not be reclassified to the income statement	**(0.2)**	**(0.4)**	**(0.8)**
Total other comprehensive (expense) / income	**(0.6)**	**0.5**	**-**
Total comprehensive income for the financial period	**1.2**	**7.1**	**11.4**

The Notes on pages 13 to 21 form an integral part of this condensed consolidated half-yearly financial information.

Newcastle Building Society Group
Half-Yearly Financial Information

Summary Consolidated Balance Sheet

	Unaudited 30 Jun 20 £m	Unaudited 30 Jun 19 £m	Audited 31 Dec 19 £m
ASSETS			
Liquid assets	771.5	803.1	862.5
Derivative financial instruments	0.2	1.7	0.1
Loans and advances to customers	3,452.7	2,980.0	3,295.1
Fair value adjustments for hedged risk	228.6	192.1	186.6
Property, plant and equipment and other assets	68.3	59.8	67.8
TOTAL ASSETS	**4,521.3**	**4,036.7**	**4,412.1**

	Unaudited 30 Jun 20 £m	Unaudited 30 Jun 19 £m	Audited 31 Dec 19 £m
LIABILITIES			
Shares	3,489.9	2,925.6	3,400.9
Fair value adjustments for hedged risk	-	0.1	-
Deposits and debt securities	557.1	651.6	579.4
Derivative financial instruments	228.4	192.9	185.9
Other liabilities	18.9	20.0	20.1
Subordinated liabilities	-	25.0	-
Subscribed capital	20.0	20.0	20.0
Reserves	207.0	201.5	205.8
TOTAL LIABILITIES	**4,521.3**	**4,036.7**	**4,412.1**

The Notes on pages 13 to 21 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 2020 (unaudited)

	General reserve £m	Fair Value through Other Comprehensive Income £m	Total £m
At 1 January 2020	204.4	1.4	205.8
Movement in the period	1.6	(0.4)	1.2
At 30 June 2020	**206.0**	**1.0**	**207.0**

For the 6 months ended 30 June 2019 (unaudited)

	General reserve £m	Fair Value through Other Comprehensive Income £m	Total £m
At 1 January 2019	193.8	0.6	194.4
Movement in the period	6.2	0.9	7.1
At 30 June 2019	**200.0**	**1.5**	**201.5**

For year ended 31 December 2019 (audited)

	General reserve £m	Fair Value through Other Comprehensive Income £m	Total £m
At 1 January 2019	193.8	0.6	194.4
Movement in the year	10.6	0.8	11.4
At 31 December 2019	**204.4**	**1.4**	**205.8**

The Notes on pages 13 to 21 form an integral part of this condensed consolidated half-yearly financial information.

Newcastle Building Society Group
Half-Yearly Financial Information

Summary Consolidated Cash-Flow Statement

	Unaudited 6 months to 30 Jun 20 £m	Unaudited 6 months to 30 Jun 19 £m	Audited 12 months to 31 Dec 19 £m
Net cash flows from operating activities	(135.4)	80.8	186.8
Payment into defined benefit pension scheme	(0.2)	(0.4)	(0.8)
Net cash flows from investing activities	40.8	13.2	(94.5)
Net cash flows from financing activities	(1.2)	(2.0)	(28.1)
Net (decrease) / increase in cash and cash equivalents	**(96.0)**	**91.6**	**63.4**
Cash and cash equivalents at the start of period	226.4	163.0	163.0
Cash and cash equivalents at the end of the period	**130.4**	**254.6**	**226.4**

Other percentages

	6 months 30 Jun 20 %	6 months 30 Jun 19 %	12 months 31 Dec 19 %
Gross capital as a % of shares and borrowings	5.6	6.9	5.7
Liquid assets as a % of shares and borrowings	19.1	22.5	21.7
Wholesale deposits as a % of shares and borrowings	13.8	18.2	14.6
Liquid assets as a % of shares and borrowings excluding encumbered assets	12.0	15.5	15.8
Overall liquidity adequacy ratio	21.3	20.5	23.9
Net interest receivable as a % of mean total assets ("NIM")	0.86	0.97	0.95
Cost to income ratio	80.8	76.4	78.0
Profit after tax as a % of mean total assets	0.08	0.34	0.28
Management expenses as a % of mean total assets*	1.38	1.44	1.45
Common Equity Tier 1 Ratio	13.7	15.1	13.9
Tier 1 Ratio	13.9	15.6	14.3
Total Capital Ratio (Solvency)	15.0	16.9	15.3
Leverage Ratio (Basel III - end point)	4.5	4.9	4.5
Leverage Ratio (Basel III - transitional end point)	4.6	5.0	4.7

* Expressed on an annualised basis

Capital ratios disclosed include half year retained profits. The figures for the 12 months ended 31 December 2019 are extracted from the audited 2019 accounts. The Notes on pages 13 to 21 form an integral part of this condensed consolidated half-yearly financial information.

Newcastle Building Society Group
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, 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 2019 has been extracted from the financial statements for that year, and on which the auditors gave an unqualified opinion, and which have been filed with the Financial Conduct Authority and Prudential Regulation Authority.

1.3. The half-yearly financial information for the 6 months to 30 June 2020 and the 6 months to 30 June 2019 is unaudited.

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

2. Basis of preparation

The condensed consolidated financial information for the half-year ended 30 June 2020 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct 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 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The Directors have assessed whether the Group continues to be a going concern, based on internal forecasts and stress testing, taking into account all available information about the Group and its trading environment.

The outbreak of Covid-19 has resulted in a severe economic contraction, causing an increase in expected credit losses (see note 12 for details), and the pandemic's full future economic impact is still uncertain. However, based on their review, the directors are satisfied that the Group is well placed to survive even a sustained economic downturn, due to its robust underlying profitability, in conjunction with a strong capital position and liquidity buffers.

Based on the most recent formal review in July 2020, the directors have concluded that the Group has adequate resources to continue in business for the foreseeable future. Accordingly the financial statements of the Group have been prepared on a going concern basis with no material uncertainties that the going concern basis of accounting is appropriate.

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 2019, as described in those financial statements, except for capitalised development costs, see note 10 for details of the new accounting policy adopted.

4. Accounting estimates and Judgements in applying Accounting Policies

The Group has to make judgements in applying its accounting policies, which affect the amounts recognised in the Half-yearly Financial Information. These judgements are based on management's best knowledge but the eventual outcome may differ from them. In addition, estimates and assumptions are made that could affect the reported amounts of assets and liabilities within the following year. Whilst there have been no changes to the accounting areas where the most significant estimates and judgements are applied, an overview on the impact the changed economic situation has had on these is provided below.

Pensions

The Group, through its pension accounting policy, does not recognise IAS 19 pension surplus. Whilst the changed economic conditions have had a negative impact upon the valuation of pension assets, an update on the triennial valuation in May 2020 from the group's actuaries indicated that the scheme was still in surplus on an accounting basis. As part of the triennial valuation the Trustees agreed to remove any future funding obligations to the pension scheme.

Effective Interest Rate (EIR)

Management review regularly the assumptions in respect of the expected lives of loans, used to determine the EIR adjustment. The impact the pandemic and resulting economic downturn will have on customer behaviour is still highly uncertain. As past behaviour therefore may not be as reliable a guide to future behaviour, a small haircut to the EIR asset has been taken.

Impairment of Financial Assets

Management experience and judgement is required in using IFRS 9 impairment models to project historic performance into uncertain future economic environments, in particular in economic environments as unstable as the current one. Note 12 provides a summary of management's most central estimates and judgements applied in determining provisions as well as sensitivities relating to these assumptions.

Fair Value of Derivatives and Financial Assets

Fair Values are determined by the three tier valuation hierarchy as defined within IFRS 7. Please see note 12 for details. There have been no significant changes to valuation methodologies applied since the publication of the Group's 2019 Annual Report and Accounts.

5. 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 currently 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 2019 Annual Report and Accounts.

There have been no material changes to the Group's risk appetite since publication of the Group's 2019 Annual Report and Accounts.

The Group does not trade outside of the UK and Gibraltar and does not rely on non-UK resident EU employees. As such, the direct impact of the end of the transition period in which the UK is still trading with the EU as if it was still part of the EU in December 2020 is expected to be limited with the Group continuing to monitor the progress of the negotiations. Depending on the subsequent terms of the relationship between the EU and the UK, the Group may be impacted indirectly through, for example, the wider economic impacts of property valuations, UK unemployment and interest rate movements.

Further economic uncertainty relates to the economic effect of Covid-19 and the related lockdown in the first half of 2020 as well as the ongoing impact on business and consumers. As described in note 4 above, management have carefully assessed the impact of the pandemic on all aspects of the Group, including on judgements and estimates relevant to the financial statements.

6. Taxation

The effective tax rate is 19% (2019:19.0%). The tax charge has been calculated 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.

7. Related Party Transactions

During the 6 months to 30 June 2020 the Society purchased £2.9m of Business Support Services and Managed IT and Property Services from Newcastle Strategic Solutions Limited (NSSL) a wholly owned subsidiary. (In the same period in 2019, Business Support Services of £2.3m were procured from NSSL, whereas Managed IT and Property Services of £2.4m were sourced from Newcastle Systems Management Limited (NSML), a subsidiary that was merged into NSSL in the second half of 2019.) The Society received £3.0m from NSSL in the 6 months to 30 June 2020 for the provision of Financial and Administrative Services. (This compares to £4.7m from NSSL and £0.5m from NSML for the same period in 2019.) For further detail see Note 30 of the Group's 2019 Annual Report and Accounts.

8. Revenue from contracts with customers

In accordance with IFRS 8, 'Operating Segments', the Group reports the following segments; Member business and Solutions business. When the Group prepares financial information for management, it dis-aggregates revenue by segment and service type.

The table above illustrates the disaggregation of revenue in scope of IFRS 15, 'Revenue from Contracts with Customers'. Revenue from customers with contracts generated by the Solutions business and the Member business can be seen in "Other income and charges" within the Segment information note.

	Unaudited 6 months to 30 Jun 20 £m	Unaudited 6 months to 30 Jun 19 £m	Audited 12 months to 31 Dec 19 £m
Revenue from contracts with customers			
Solutions Business:			
Savings management services	16.1	13.1	27.5
Savings management project and change services	0.6	0.5	0.9
IT services	0.3	0.3	0.6
Member Business:			
Regulated advice services	2.5	2.1	4.5
Third party services	0.3	0.4	0.7
Total revenue from contracts with customers	**19.8**	**16.4**	**34.2**

9. 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' segment provides mortgage, savings, investment and insurance products to Members and customers. The 'Solutions business' segment (also referred to as Newcastle Strategic Solutions Limited (NSSL)) 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. Operating profit before impairments and provisions is also assessed as this provides information on underlying business performance.

Income and directly attributable costs are allocated to each segment and support costs are apportioned, based on direct salary costs and detailed allocations by budget holders.

Newcastle Building Society Group
Half-Yearly Financial Information

6 months to 30 June 2020	**Member Business £m**	**Solutions Business £m**	**Total £m**
Net interest income	19.1	-	19.1
Other income and charges	1.7	17.0	18.7
Administrative expenses	(16.1)	(12.1)	(28.2)
Depreciation	(1.4)	(0.9)	(2.3)
Operating profit before impairments and provisions	**3.3**	**4.0**	**7.3**
Impairment charges on loans and advances to customers	(5.1)	-	(5.1)
Provisions for liabilities and charges	-	-	-
(Loss) / Profit before taxation	**(1.8)**	**4.0**	**2.2**
Taxation expense			(0.4)
Profit after taxation for the financial period			**1.8**

6 months to 30 June 2019	**Member Business £m**	**Solutions Business £m**	**Total £m**
Net interest income	18.6	-	18.6
Other income and charges	2.4	15.1	17.5
Administrative expenses	(14.7)	(10.9)	(25.6)
Depreciation	(1.3)	(0.7)	(2.0)
Operating profit before impairments and provisions	**5.0**	**3.5**	**8.5**
Impairment charges on loans and advances to customers	(0.3)	-	(0.3)
Provisions for liabilities and charges	-	-	-
Profit before taxation	**4.7**	**3.5**	**8.2**
Taxation expense			(1.6)
Profit after taxation for the financial period			**6.6**

Year to 31 December 2019	**Member Business £m**	**Solutions Business £m**	**Total £m**
Net interest income	38.6	-	38.6
Other income and charges	5.8	30.5	36.3
Administrative expenses	(31.4)	(23.0)	(54.4)
Depreciation	(2.8)	(1.4)	(4.2)
Operating profit before impairments and provisions	**10.2**	**6.1**	**16.3**
Impairment charges on loans and advances to customers	(1.5)	-	(1.5)
Provisions for liabilities and charges	(0.1)	-	(0.1)
Profit before taxation	**8.6**	**6.1**	**14.7**
Taxation expense			(3.3)
Profit after taxation for the financial period			**11.4**
Total Assets	**4,394.3**	**17.8**	**4,412.1**

10. Capitalisation of Development Costs

Accounting Policy

Research expenditure is written-off to the income statement in the period in which it is incurred. Development expenditure is also written-off to the income statement, except where the Directors are satisfied as to the technical, commercial and financial viability of individual projects. Where all capitalisation criteria specified in IAS 38 Intangible Assets are met, the expenditure directly attributable to a project is capitalised and amortised over the period in which the Society expects the project's economic benefits.

Internally generated intangible assets with finite useful lives are carried at cost less accumulated amortisation and any impairment losses. Amortisation is recognised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The useful economic life of internally generated intangible assets is as follows:

- Development costs: 4 years

At each balance sheet date, the Society reviews the carrying value of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable value of the asset is estimated to determine the extent of the impairment loss (if any). If the recoverable value of an asset is estimated to be less than the current carrying value, the carrying value of the asset is reduced to its recoverable value. Where an impairment loss subsequently reverses, the carrying value of the asset is increased to the revised estimate of its recoverable value.

Capitalised cost as at 30th June 2020

As at the 30th June 2020 the Group has capitalised the following costs relating to internally generated intangible assets:

	Unaudited 30 Jun 20 £m	Unaudited 30 Jun 19 £m	Audited 31 Dec 19 £m
Capitalised internal development costs	**1.2**	**-**	**-**

All projects remain ongoing and no amortisation will be charged until completion.

11. Fair value measurement

The following table summarises the fair value measurement basis used for assets and liabilities held on the Balance Sheet at fair value at 30 June 2020.

	Level	Unaudited 30 Jun 20 £m	Unaudited 30 Jun 19 £m	Audited 31 Dec 19 £m
Financial assets				
Debt securities – Fair value through other Comprehensive income	1	372.1	316.5	416.3
Derivative financial instruments	1	0.2	1.7	0.1
Equity investments	1	0.2	0.3	0.3
Fair value adjustments for hedged risk on underlying instruments	2	228.6	192.1	186.6
Equity investments	3	0.3	-	0.1
Financial liabilities				
Derivative financial instruments	1	228.4	192.9	185.9
Fair value adjustments for hedged risk on underlying instruments	2	**-**	0.1	-

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

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

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

These definitions have been taken from March 2009 amendment to IFRS 13 'Improving Disclosures: Financial Instruments'.

There were no transfers between levels in the period.

12. Credit Risk

Loans and advances to customers consist of the following balances:

Product	30 Jun 20 £m	30 Jun 19 £m	31 Dec 19 £m
Prime residential	2,504.0	2,048.1	2,346.6
Buy to Let	315.8	242.4	295.5
Legacy Buy to Let	23.5	25.9	23.4
Commercial	28.9	38.4	30.0
Housing association	384.9	421.0	396.6
Serviced apartments	18.1	18.6	18.2
Policy loans	2.2	3.0	2.6
Equity release mortgages	185.4	195.0	187.2
Provisions	(10.1)	(12.4)	(5.0)
Total	**3,452.7**	**2,980.0**	**3,295.1**

Loans and advances to customers are accounted for under IFRS 9: Financial Instruments, with the exception of the equity release portfolio which is accounted for under IFRS 4: Insurance Contracts.

This note provides an overview of changes in credit risk since December 2019, primarily due to the economic impact of Covid 19.

Residential and retail Buy to Let portfolios

Under IFRS 9, scenario analysis is used to assess and provide for expected credit losses. Please see the Group's 2019 Annual Report and Accounts for details of the Society's methodology of this assessment.

A number of changes have been made to enhance the methodology of calculating expected credit losses for the active mortgage books and to accommodate the economic impact of Covid-19.

Model Enhancements

The Society's IFRS 9 model applies a flat forced sale discount, but actual discounts vary. Using historic data, Monte-Carlo Simulation was used to estimate the impact of this model limitation on calculated expected credit losses. As a result, the provision was increased by 13% in a post model adjustment.

Response to changes in the economic situation due to Covid-19

The full economic impact of Covid-19 and the shape of its recovery are still unknown and difficult to project, resulting in significant uncertainty around future house price inflation, unemployment and other factors used to determine expected credit losses.

As a consequence of this uncertainly, the Society has refrained from developing new economic scenarios for the interim accounts, changing the weightings of the existing scenarios instead to reflect the more negative economic outlook. During the second half of 2020 and in advance of the 2020 annual accounts, once more reliable estimates of the pandemic's economic impact are available, a review of current scenarios will be undertaken.

The Society's IFRS 9 model is most sensitive to assumed house price growth and unemployment, which are summarised below. Note that, due to the time it takes for properties to be repossessed, the model is not very sensitive to the economic parameters for the first two years.

Scenario	Economic measure	2020	2021	2022	2023	2024
Upside	Unemployment rate, %	3.8	3.6	3.4	3.3	3.3
	House price growth, % pa	2.6	3.5	3.5	3.5	3.5
Base	Unemployment rate, %	4.0	3.8	3.6	3.5	3.5
	House price growth, % pa	2.3	3.0	3.0	3.0	3.0
Downside	Unemployment rate, %	4.6	5.9	6.5	6.5	6.5
	House price growth, % pa	(4.2)	(9.6)	(3.5)	3.0	3.0
Severe Downside	Unemployment rate, %	7.7	9.8	10.8	9.5	8.3
	House price growth, % pa	(15.0)	(23.5)	(11.2)	2.6	13.9

The risk weightings applied are:

	30 Jun 2020	31 Dec 2019	30 Jun 2019
Upside scenario: a positively stressed variant to the base scenario	0%	10%	10%
Base scenario: calculated with reference to the Bank of England's quarterly forecasts, and in line with budgets	35%	60%	80%
Downside scenario: a negatively stressed variant to the base scenario	60%	29%	10%
Severe downside scenario: an acute once in one hundred year stress	5%	1%	0%

Treatment of Covid-19 related payment holidays

As a direct response to the lockdown imposed in March 2020, customers facing a reduction in income due to the economic effects of the pandemic were granted a 3 month mortgage payment holiday, which they can apply to extend to up to 6 months.

Whilst it is not expected that long term credit risk has increased for all customers who have been granted Covid-19 related payment holidays, a portion of such customers is likely to face difficulties continuing their mortgage payments after the end of the payment holiday. The increase in credit risk was accounted for in a post model adjustment. Factors such as account history, employment type and industry, bureau data and other internally available information were used to determine the stage 1 mortgages on payment holidays most at risk of default following the payment holiday. For these accounts, provisions were raised to the average stage 2 coverage. The total impact of the post model overlay on the provision was £554k on a balance of £90m.

IFRS 9 staging and loss provisioning

The impact of IFRS 9's staging and loss provisioning to the Society's closing 30 June 2020 balance sheet was as follows (payment holidays are not considered to be arrears):

IFRS 9 Gross Exposure

	Stage 1 Of which Months in Arrears			Stage 2 Of which Months in Arrears			Stage 3 Of which Months in Arrears			Total
	<1 £m	1-3 £m	>3 £m	<1 £m	1-3 £m	>3 £m	<1 £m	1-3 £m	>3 £m	£m
Prime residential	2,155.1	-	-	300.5	29.3	-	7.2	1.4	10.5	**2,504.0**
Buy to Let	289.6	-	-	23.3	2.8	-	-	-	0.1	**315.8**
Total	**2,444.7**	**-**	**-**	**323.8**	**32.1**	**-**	**7.2**	**1.4**	**10.6**	**2,819.8**

Expected Credit Losses

	Stage 1 Of which Months in Arrears			Stage 2 Of which Months in Arrears			Stage 3 Of which Months in Arrears			Total
	<1 £000	1-3 £000	>3 £000	<1 £000	1-3 £000	>3 £000	<1 £000	1-3 £000	>3 £000	£000
Prime residential	199	-	-	1,712	181	-	528	21	580	**3,221**
Buy to Let	20	-	-	100	27	-	-	-	-	**147**
Total	**219**	**-**	**-**	**1,812**	**208**	**-**	**528**	**21**	**580**	**3,368**

Sensitivity

The 30 June 2020 provisions are sensitive to the likelihood factor applied to the different scenarios. The analysis below demonstrates the impact of changes to the scenario weightings. The analysis also includes the post model overlays discussed above, which had not been included in previous years.

	Upside	Base	Downside	Severe Downside	Provision £m
December 2019 likelihood factor	10%	60%	29%	1%	2,148
Sensitivity 1	2.5%	50%	45%	2.5%	2,675
June 2020 likelihood factor	0%	35%	60%	5%	3,368
Sensitivity 2	0%	0%	100%	0%	3,859

Commercial, Legacy Buy to Let and other legacy portfolios

Commercial and Legacy Buy to Let exposures are assessed individually for indications of impairment, the probability of default being estimated based on account history and knowledge of the customer and property, as well as bureau data and the impact the pandemic is likely to have on the tenants' sector. Loss given default is estimated based on pre-Covid-19 vacant property values after a sector specific hair-cut and taking into account sales and other costs.

The resulting balances and corresponding provisions are as follows:

Product	30 Jun 2020 £m	30 June 2019 £m	31 Dec 2019 £m
Legacy Buy to Let	23.5	25.9	23.4
Commercial	28.9	38.4	30.0
Provisions	(4.3)	(9.5)	(1.7)
Total	**48.1**	**54.8**	**51.7**

An increase of the haircut to 50% of the pre-Covid-19 valuation for sectors affected by Covid-19 would result in additional provisions of £827k. A 10% decrease of the haircut for the same sectors would result in a reduction of the provision by £376k.

Other Legacy portfolios

No losses are expected on exposures to housing associations, loans secured on serviced apartments and policy loans, and therefore no provisions are held against these.

Equity release mortgages

The exposure and corresponding insurance liability relating to the equity release mortgage portfolio are as follows:

	30 Jun 2020 £m	30 Jun 2019 £m	31 Dec 2019 £m
Gross mortgage balances	185.4	195.0	187.2
Insurance liability	(2.4)	(1.4)	(1.5)
Net position	**183.0**	**193.6**	**185.7**

Since December 2019, there have been no changes to the methodology of calculation of insurance liabilities arising from the equity release mortgage book. The valuation model has, however, been updated to reduce the long term house price growth rate (HPI) assumption to 2%. Whilst house price growth of 2% may not be expected in the short term, the valuation is most sensitive to the long term growth rate. As shown in the sensitivity analysis below, an initial shock to house prices, followed by a period of no growth before house prices start to grow again would result in a very similar provision.

Scenario Description	Insurance liability £000
The actual provision is based on perpetual HPI growth of 2%, starting in December 2019	2,380
Assuming an initial shock to HPI of 4.2%, followed by a 5 year period of no growth, after which HPI resumes to a growth rate of 5% (just below the average growth rate between 2000 and 2019) results in significantly reduced provisions required	1,365
Assuming a significant shock to HPI of 10% followed by a 4 year period of no growth, after which HPI increases by 4% every year, yields a provision very similar to the provision booked	2,259
Assuming a significant shock to HPI of 10% followed by a year period of no growth, after which HPI resumes at a rate of 3%, which is significantly below long term average, would result in a provision higher than actual	3,811

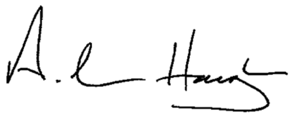
Statement of Directors' Responsibilities

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 2019, subject to the following changes: Stuart Lynn joined the Board on 22 April 2020. There were no other changes to the Board in the period.

On behalf of the Board



Andrew Haigh
Chief Executive
28th July 2020

Independent review report to the Directors of Newcastle Building Society

Report on the half yearly financial information

Our conclusion

We have reviewed Newcastle Building Society's half yearly financial information (the "interim financial statements") for the 6 month period ended 30 June 2020. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

What we have reviewed

The interim financial statements comprise:

- the summary consolidated balance sheet as at 30 June 2020;
- the summary consolidated income statement and summary consolidated statement of comprehensive income for the period then ended;
- the summary consolidated cash flow statement for the period then ended;
- the summary consolidated statement of movement in members' interests for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the announcement of half-year results for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The announcement of half-year results for the six months ended 30 June 2020, including the interim financial statements, is the responsibility of, and has been approved by, the directors.

Our responsibility is to express a conclusion on the interim financial statements based on our review. This report, including the conclusion, has been prepared for and only for the directors of the Society as a body, for management purposes, in connection with our review of your half-yearly financial information and for no other purpose. Our report may not be made available to any other party without our prior written consent. We do not, in giving this conclusion, 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.

What a review of interim financial statements involves

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, 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.

We have read the other information contained in the announcement of half-year results for the six months ended 30 June 2020 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
Newcastle upon Tyne
28th July 2020

Connecting our communities with a better financial future.

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