NEWCASTLE BUILDING SOCIETY
Announcement of half-year results for the six months ended 30 June 2012

Newcastle Building Society today announces sustained progress on delivering its long-term strategy with a profit before tax of £0.5m reported for the six months ended 30 June 2012.

Key Highlights

- Profit before tax of £0.5m for the six months ended 30 June 2012 compared to a profit before tax of £1.0m for the six months ended 30 June 2011. Excluding the £0.8m increase in Financial Services Compensation Scheme levy, profit for the six months would have been £1.3m.
- Operating profit before impairments, provisions and exceptional items improved to £4.3m from £4.2m, with the reduction in the operating profit following the sale of the prepaid cards business being offset by increased income from the Solutions business.
- The Solutions business continues to expand with savings balances administered for third parties increasing by over 50% since 30 June 2011, and another significant contract launched in May 2012.
- Wind-down in the commercial property mortgage portfolio continued ahead of plan with a £30m reduction in the 6 months to 30 June 2012.
- The value of mortgages in arrears by 3 months or more continued at a level lower than the UK average at 0.75%. Within this figure the value of residential borrowers in arrears of 3 months or more reduced to 0.69% at 30 June 2012 compared to 0.78% at the end of 2011.
- Solvency ratio improved to 15.9% from 14.8% at the same time last year. Core tier 1 capital ratio improved from 9.8% to 10.5% over the same period.
- Liquidity ratio remains strong at over 29%.
- Support for members continued through 95% LTV first time buyer mortgages, the launch of charity linked savings accounts and competitive savings products.
- Overall customer satisfaction has increased from 87% in June 2011 to 92% in June 2012.

Chief Executive's Review
The UK economy continues to face challenges with a double-dip recession, combined with increased turmoil in European markets, impacting both customer and business confidence. Recent adverse press coverage around the activities of the larger banks has also caused consumer confidence in financial services to dip even further. Despite this, there has never been a better time for building societies to show they can be relied upon and trusted to provide good quality financial products while delivering excellent customer service.

Building societies offer a distinctive alternative for customers and this was reinforced recently with the publication of the Government's discussion paper, which set out the vision for the building society sector. Building societies operate under a mutual model, are owned by their members and do not have shareholders. So, instead of seeking to maximise profits we aim to offer value for money products to our members.

During the first half of 2012, we were pleased with the progress we made which was slightly ahead of our strategic plan. Within our strategic plan the four key drivers the Society looks at in assessing the financial performance of the organisation are profitability, capital, liquidity and credit risk. However, there are other non-financial measures that are just as important including customer satisfaction, supporting our staff and how much we have contributed to Corporate Social Responsibility activities.

Profitability
Profit before tax was £0.5m for the six months ended 30 June 2012 compared to £0.1m for 2011 and £1.0m for the first half 2011. While reported profit for the six months was lower than the same period last year, the increased charge for the Financial Service Compensation Scheme (FSCS) levy reduced profit by £0.8m. Operating profit before impairments, provisions and exceptional items increased from £4.2m to £4.3m. While the increase of £0.1m was modest, the Society sold its prepaid card business at the end of 2011 and it is pleasing that the lost operating profit from this division has already been replaced with income from the expanding Solutions business.

Interest margin improved slightly from 41bp to 42bp although this was against a backdrop of continuing high costs of funding and the ongoing squeeze due to the impact of the Liquidity Standards Regime on liquidity returns. Across the wider market it is clear these costs, along with the costs of capital and credit risk, are starting to feed through into wider mortgage lending margins.

Non-interest income improved from £12.5m to £13.7m, an increase of 10% overall and an increase of 20% once the impact of the disposal of the prepaid cards business is taken into account. The majority of this increase relates to the Solutions business as existing contracts expand and new contracts are taken on with the latest contract being successfully launched in May 2012.

Administrative expenses increased by £0.8m from £17.6m to £18.4m reflecting the impact of the annual salary review, increased regulatory costs in the form of higher FSA fees and the costs of implementing a wide range of new regulatory requirements. In addition there were increased costs from the continued expansion of the Solutions business which provides a diversified income stream for the Society based on core competencies and enhances profitability. As the Solutions business increases cost without increasing the Society's balance sheet size a more meaningful measure of cost efficiency is the Cost to Income ratio which remained at just over 80%. The Society has an established Performance Improvement Programme which continues to identify savings to offset the upward pressure on costs.

Mortgage loss provisions amounted to £3.2m compared to £2.9m for the same period last year, with the majority of provisions continuing to relate to mortgages secured on commercial property.

Capital

The Society's capital ratios continued to improve as higher risk mortgages redeemed from the Society's mortgage portfolio thereby reducing capital requirements. The overall Solvency ratio improved to 15.9% from 14.8% at the same time last year and Tier 1 ratio improved from 11.5% to 12.3% over the same period. Core tier 1 capital ratio, the key measure of focus under new capital regulations, improved from 9.8% to 10.5%.

Liquidity

Liquidity continues at a strong level, in excess of 29%, reflecting caution against the backdrop of volatile treasury markets and increasing competition for retail funding. Around 90% of the Society's treasury instruments are in the form of the highest quality AAA rated assets and the Society does not have any direct treasury exposures to Greece, Spain, Portugal, Italy or Ireland.

Credit Risk

The value of mortgages in arrears by 3 months or more continued at a level lower than the UK average, at 0.75% compared to 0.64% at the end of 2011. Within this figure the value of residential borrowers in arrears of 3 months or more was 0.69% at 30 June 2012 compared to 0.78% at the end of 2011. Possession cases continued at low levels with only 6 prime residential possessions and 16 Buy to Let (BTL) possessions at 30 June 2012 compared to 9 and 20, respectively, at the end of 2011.

The Society saw an increase in the number of commercial loans where a Land Property Act (LPA) receiver had been appointed from 2 to 3 with this action taken where the Society has concerns that the borrower is not acting in a way that protects the Society's interests or is diverting rents away from paying their mortgage subscription. There was also an increase in BTL cases where an LPA receiver was appointed from 2 to 4.

Wind-down in the commercial property mortgage portfolio continued ahead of plan with a £30m reduction in the 6 months to 30 June 2012. In addition there were £32m of redemptions on Housing Association loans and £12m on BTL loans. Over 60% of the £127m reduction in mortgage balances in the first half was attributable to mortgage portfolios where the Society is no longer lending with the majority of the remaining reduction of £50m relating to residential borrowers making capital repayments, including lump sum repayments as they pay down debt.

Supporting our Members

The Society has supported our region's first time buyers in taking their first step on to the housing ladder by launching a suite of 95% LTV mortgage products, supported by Mortgage Indemnity Guarantee insurance paid for by the Society. Additionally, we launched two charity-linked savings products aimed at supporting a North-East based charity. The Sir Bobby Robson Foundation ISA and Saver were launched in March and May respectively and pay an additional percentage of interest on the total investments to this fantastic cause. The accounts proved very popular with customers, on a regional and national level, and the first quarterly payment to the charity was £12,000.

We carried out our third independent customer satisfaction survey, which forms part of our strategy to provide long-term member value while making progress in delivering the services we offer. We're pleased to report this has improved from 87% to 92% (when you compare the 2011 and 2012 half year positions). This demonstrates the efforts of our staff in delivering the best in class service for our Society and our sustained focus on customer service.

Additionally, we recently reviewed and made positive changes to our residential lending policy to continue to ensure we provide a fair and balanced approach to our members while remaining prudent as an organisation.

Like so many other financial institutions we have seen a major increase in Mortgage Payment Protection Insurance (MPPI) complaints in the first half of 2012, up over 1000% compared to the first half of 2011. The Society received 1,167 cases in the six months to 30th June 2012 with 219 of these complaints relating to customers that did not have MPPI with the Society; indeed many of these did not have a mortgage with the Society. Around 40% of complaints are submitted via Claims Management Companies. The Society has never sold single premium MPPI and we have not seen any evidence of systemic mis-selling issues; of the 403 MPPI complaints received by the Society in 2011, less than 5% were upheld and none of these cases related to mis-selling. The increased level of claims has been frustrating as we would prefer to spend that time serving our customers. We welcome the formal complaint lodged by the Building Societies Association with the Ministry of Justice requesting that the regulatory oversight of Claims Management Companies is increased.

Supporting our Staff

Our staff engagement programme was launched in 2010 with help from a group of staff representatives. The first project was to launch an annual staff survey. In January this year we gained the results of our second survey which showed an improvement in our staff satisfaction indicator to 84%. In the first half of 2012 we have followed this by launching our set of internal values. These values were developed by staff and something our team of Executives and entire Board believe in. They not only show our commitment to one another as colleagues but also aim to build a rewarding and supportive culture in the Society.

In 2011, we started a strategy to, where possible, reward our lower paid members of staff. We built on this in 2012 with an April pay award and a series of staff recognition events that rewarded examples of excellent customer service.

We are also about to embark on the second year of our undergraduate work placement programme, following a hugely successful first year. This, in addition to the launch of our graduate programme, focuses on nurturing our region's talent and providing ambitious youngsters with a solid foundation on which to build a successful career.

Supporting our Communities

As a regional mutual organisation, Corporate Social Responsibility (CSR) is at the heart of what we do and forms part of our corporate objectives. 2012 has been a packed year so far thanks to the launch of our Cornerstone of the Community branch campaign, which has focussed on supporting the local environments in which we operate. This allowed our branch staff to volunteer and raise money for important local causes while rolling out a wide-scale financial education programme. Through our 'Boardroom Challenge' we introduced a six-week long curriculum-based learning programme to around 500 nine and ten year old pupils, to provide education on money. This culminated in groups of pupils developing a business idea that focussed on supporting their community through the introduction of a product or service. The best ideas were presented to a team in our boardroom with the winner receiving a £500 donation to their good cause.

2011-2012 was our most successful fundraising year ever for our Charity of the Year initiative with more than £30,000 raised for Macmillan Cancer Support in the North East. We aim to reach even higher this year with our new charity, Help for Heroes. We also continue our work with the Community Foundation through the Society's fund and we have identified eight charities that we will donate funds to over the coming months.

The recent floods in the North East left many people devastated with substantial damage caused to their properties. We didn't remain unscathed although thankfully only a few branches were damaged. I must pay tribute to the ingenuity of some of our branch staff who were so determined to continue to offer services to members, from their water-damaged branch, that they used the letterbox in their doorway as a makeshift counter for customers wishing to make transactions from the flooded street.

It is thanks to our hard-working staff, who are dedicated to supporting the Society, that we can report continued and steady progress.

Jim Willens
Chief Executive
24th July 2012

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.

Summary Consolidated Income Statement

	Unaudited 6 months to 30 Jun 12 £m	Unaudited 6 months to 30 Jun 11 £m	Audited 12 months to 31 Dec 11 £m
Interest and similar income	56.5	50.5	103.8
Interest expense and similar charges	(47.5)	(41.2)	(85.7)
Net interest receivable	**9.0**	**9.3**	**18.1**
Other income and charges	13.7	12.5	26.6
Total operating income	**22.7**	**21.8**	**44.7**
Administrative expenses	(17.0)	(16.1)	(32.6)
Depreciation	(1.4)	(1.5)	(2.9)
Operating profit before impairments, provisions and exceptional items	**4.3**	**4.2**	**9.2**
Impairment charge on loans and advances to customers	(3.2)	(2.9)	(12.3)
FSCS levy	(0.8)	-	(1.4)
Other provisions for liabilities and charges	0.2	(0.3)	0.7
Gain on disposal of Prepaid Cards Business	-	-	3.9
Profit before taxation	**0.5**	**1.0**	**0.1**
Taxation expense	(0.2)	(0.5)	(0.8)
Profit/(loss) for the financial period	**0.3**	**0.5**	**(0.7)**

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

Summary Consolidated Statement of Comprehensive Income

	Unaudited 6 months to 30 Jun 12 £m	Unaudited 6 months to 30 Jun 11 £m	Audited 12 months to 31 Dec 11 £m
Profit/(loss) for the period	0.3	0.5	(0.7)
Other comprehensive income			
Movement on available for sale reserve	4.9	0.3	(0.5)
Actuarial loss on retirement benefit obligations	-	-	(3.9)
Income tax relating to components of other comprehensive income	(1.2)	-	1.1
Other comprehensive income for the period, net of tax	3.7	0.3	(3.3)
Total comprehensive income for the period	4.0	0.8	(4.0)

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

Summary Consolidated Balance Sheet

	Unaudited 30 Jun 12 £m	Unaudited 30 Jun 11 £m	Audited 31 Dec 11 £m
ASSETS			
Liquid assets	1,137.4	928.5	1,180.9
Derivative financial instruments	43.5	44.1	44.3
Loans and advances to customers	2,846.9	3,162.0	2,976.6
Fair value adjustments for hedged risk	62.0	39.4	57.9
Assets pledged as collateral	25.0	130.3	85.1
Property, plant and equipment	23.1	24.8	23.9
Investment properties	15.7	14.3	15.9
Other assets	32.0	38.1	33.9
TOTAL ASSETS	**4,185.6**	**4,381.5**	**4,418.5**

	Unaudited 30 Jun 12 £m	Unaudited 30 Jun 11 £m	Audited 31 Dec 11 £m
LIABILITIES			
Shares	3,598.5	3,653.3	3,761.4
Fair value adjustments for hedged risk	26.4	25.9	28.7
Deposits and debt securities	204.3	366.3	280.8
Derivative financial instruments	60.9	40.7	57.4
Other liabilities	30.9	30.2	29.8
Subordinated liabilities	58.8	58.6	58.7
Subscribed capital	29.7	29.6	29.6
Reserves	176.1	176.9	172.1
TOTAL LIABILITIES	**4,185.6**	**4,381.5**	**4,418.5**

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

Summary Consolidated Statement of Movement in Members' Interests

For the 6 months ended 30 June 2012 (unaudited)

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

For the 6 months ended 30 June 2011 (unaudited)

	General reserve £m	Available for sale reserve £m	Total £m
At 1 January 2011	174.6	1.5	176.1
Movement in the period	0.5	0.3	0.8
At 30 June 2011	175.1	1.8	176.9

For the year ended 31 December 2011 (audited)

	General reserve £m	Available for sale reserve £m	Total £m
At 1 January 2011	174.6	1.5	176.1
Movement in the year	(3.6)	(0.4)	(4.0)
At 31 December 2011	171.0	1.1	172.1

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

Summary Consolidated Cash Flow Statement

	Unaudited 6 months to 30 Jun 12 £m	Unaudited 6 months to 30 Jun 11 £m	Audited 12 months to 31 Dec 11 £m
Net cash flows from operating activities	(94.3)	113.6	314.7
Payment into defined benefit pension scheme	-	(0.4)	(2.4)
Net cash flows from investing activities	215.0	(57.6)	(289.2)
Net cash flows from financing activities	(3.0)	(3.0)	(6.0)
Net increase in cash and cash equivalents	**117.7**	**52.6**	**17.1**
Cash and cash equivalents at the start of period	378.0	360.9	360.9
Cash and cash equivalents at the end of the period	**495.7**	**413.5**	**378.0**

Other percentages

	Unaudited 6 months to 30 Jun 12 %	Unaudited 6 months to 30 Jun 11 %	Audited 12 months to 31 Dec 11 %
Gross capital as a percentage of shares and borrowings	6.9	6.6	6.4
Liquid assets as a percentage of shares and borrowings	29.9	24.9	29.2
Wholesale deposits as a % of shares and borrowings	5.4	9.1	7.0
Net interest receivable as a % of mean total assets	0.42	0.41	0.40
Management expenses as a percentage of income	81.5	81.1	80.0
Profit/(loss) after tax as a % of mean total assets	0.01	0.02	(0.02)
Management expenses as a % of mean total assets*	0.86	0.80	0.80

** Expressed on an annualised basis*

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

Notes

1. General information

1.1. The half-yearly financial information set out above, which was approved by the Board of Directors on 24th July 2012, 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 2011 has been extracted from the accounts for that year which have been filed with the Financial Services Authority and on which the auditors gave an unqualified opinion.

1.3. The half-yearly financial information for the 6 months to 30 June 2012 and the 6 months to 30 June 2011 is unaudited.

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

2. Basis of preparation

The condensed consolidated half-yearly financial information for the half-year ended 30 June 2012 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The half-yearly financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with IFRSs as adopted by the European Union.

The Group meets its day-to-day liquidity requirements through managing both its retail and wholesale funding sources and is required to maintain a sufficient buffer over regulatory capital and liquidity requirements. The Group's risk appetite as well as its management and control processes for managing exposure to credit, market, liquidity and operational risk are described in the Risk Management Report in the Annual Report and Accounts for 2011. The Group's forecasts and projections, including multiple-scenario stress testing and sensitivity analysis, show that the Group will be able to operate at adequate levels of liquidity and capital for the foreseeable future. After making enquiries, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis in preparing the interim financial information.

3. Accounting policies

The half-yearly financial information has been prepared on the basis of the accounting policies adopted for the year ended 31 December 2011, as described in those financial statements.

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

4. Principal Risks and Uncertainties

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

The interim condensed consolidated financial information does not include all risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's Annual Report and Accounts for December 2011.

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

5. Taxation

The effective tax charge is 45% (first half 2011 – 44%). The tax charge has been calculated as far as possible to approximate to the expected full year tax rate and includes an adjustment to deferred tax assets for changes in the enacted corporation tax rate changing from 25% to 24%.

Further changes to the enacted tax rate subsequent to the period end may impact the overall effective tax rate for the full year.

6. Related Party Transactions

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

7. Segment information

The chief operating decision maker has been identified as the Board of Directors. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Board of Directors. The operating segments used by the Group meet the definition of a reportable segment under IFRS 8.

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

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

6 months to 30 June 2012	**Member Business £m**	**Solutions Business £m**	**Total £m**
Net interest receivable	9.0	-	9.0
Other income and charges	5.9	7.8	13.7
Administrative expenses	(12.5)	(4.5)	(17.0)
Depreciation	(1.0)	(0.4)	(1.4)
Operating profit before impairments and provisions	**1.4**	**2.9**	**4.3**
Impairment charges and provisions for liabilities and charges	(3.0)	-	(3.0)
FSCS levy	(0.8)	-	(0.8)
(Loss)/profit for the period before taxation	**(2.4)**	**2.9**	**0.5**
Taxation expense			(0.2)
Profit for the financial period			**0.3**

6 months to 30 June 2011	**Member Business £m**	**Solutions Business £m**	**Total £m**
Net interest receivable	9.3	-	9.3
Other income and charges	5.7	6.8	12.5
Administrative expenses	(11.9)	(4.2)	(16.1)
Depreciation	(1.1)	(0.4)	(1.5)
Operating profit before impairments and provisions	**2.0**	**2.2**	**4.2**
Impairment charges and provisions for liabilities and charges	(2.9)	(0.3)	(3.2)
(Loss)/profit for the period before taxation	**(0.9)**	**1.9**	**1.0**
Taxation expense			(0.5)
Profit for the financial period			**0.5**

Year to 31 December 2011	Member Business £m	Solutions Business £m	Total £m
Net interest receivable	18.1	-	18.1
Other income and charges	11.0	15.6	26.6
Administrative expenses	(24.0)	(8.6)	(32.6)
Depreciation	(2.1)	(0.8)	(2.9)
Operating profit before impairments, provisions and exceptional items	**3.0**	**6.2**	**9.2**
Impairment charges and provisions for liabilities and charges	(11.6)	-	(11.6)
FSCS levy	(1.4)	-	(1.4)
Exceptional items	-	3.9	3.9
(Loss)/profit for the year before taxation	**(10.0)**	**10.1**	**0.1**
Taxation expense			(0.8)
Loss after taxation for the financial year			**(0.7)**

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 fair review of the information required by the Disclosure and Transparency Rules (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 2011. During the period the only change to directors was the resignation of John Warden from the Board on 30 June 2012.

On behalf of the Board

FD Holborn
Chairman
24th July 2012

Independent review report to Newcastle Building Society

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012, which comprises the Summary Consolidated Income Statement, the Summary Consolidated Statement of Comprehensive Income, the Summary Consolidated Balance Sheet, the Summary Consolidated Statement of Changes in Members' Interests, the Summary Consolidated Cash Flow Statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
Newcastle upon Tyne
24th July 2012

Notes:

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

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

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