NEWCASTLE BUILDING SOCIETY
Announcement of half-year results for the six months ended 30 June 2015

Key Highlights

- Profit before tax of £1.5m for the six months ended 30 June 2015 compared to £0.8m for the same period in 2014.
- Operating profit before impairment charges and FSCS levy improved to £6.1m from £5.9m.
- Cost to income ratio was maintained at 75% although management expenses were higher overall by 3% reflecting the investment being made in business infrastructure and the higher costs of regulation.
- Great progress was made in the Society's third party servicing business with three new contracts implemented in the first half with the pipeline of enquiries continuing to be very strong.
- Support for borrowers continued through a wide range of competitive mortgage products including for first time buyers and the launch of a new range of new build mortgage products. Mortgage completions in the first half were up 6.5% but net residential lending was down compared to the first half of 2014.
- The number of mortgages in arrears by 3 months or more continued at a very low level at 0.51% compared to 0.59% at the same point last year; 3 month arrears continue to be well below industry averages and reflect the excellent credit quality of the residential lending portfolio.
- Reduction in legacy mortgage portfolios of £88m, 76% more than in the first half of 2014.
- Capital ratios strengthened with Total Capital Ratio (Solvency) at 18.1%, Tier 1 Ratio at 14.5%, Common Equity Tier 1 Ratio at 12.8% and Leverage Ratio at 5.3%.
- Strong liquidity position at 23.8% of shares, deposits and liabilities, compared to 26.9% at 30 June 2014.
- Successful launch of a new online mortgage application system for intermediaries in March which we will continue to develop and improve as part of the wider IT road map for the business.
- The Sir Bobby Robson Foundation, Big Home Saver and Big Little Saver accounts continued to be popular with savers.
- Excellent customer service levels with all SLA targets exceeded for the first half.

Chief Executive's Review

Since taking over as Chief Executive on 1 May 2015 I have taken the opportunity to review the great progress the Society has made over the last 5 years in recovering from the adverse impact of the worldwide financial crisis and in particular the success we have achieved in winding down legacy business. I would like to thank my predecessor, Jim Willens, for the progress achieved since 2010 which means I have inherited a business in much better shape.

I am delighted to take over as Chief Executive and continue the vision and strategy agreed by the Board which focuses on our key stakeholders; our members, our staff, the communities in which we operate and our Solutions business clients. As someone who believes passionately in the mutual sector I am excited about the opportunity to take the Society's business forward keeping our members and mutual ethos at the heart of our strategy.

During the last 6 months there has been a high degree of uncertainty in financial markets prompted by the re-emergence of problems within the Eurozone, uncertainty around the election and then following the election over whether the UK will stay in Europe. In addition the pace of growth in developing economies has also started to ease with the resultant impact being lower commodity prices and UK inflation now being at the lowest levels since records of CPI inflation began. Despite the backdrop of volatility in global markets and further austerity on the horizon the UK economy continues on the path to recovery. Recent pronouncements from the Governor of the Bank of England now suggest that a rise in bank rate is likely to happen sooner rather than later which will be welcome news for savers. Mortgage rates are also likely to rise although the record low rates available in the last 6 months appear to have had minimal impact on the housing market with the Council of Mortgage Lenders recently revising down its full year forecasts for 2015 gross and net residential lending. A lack of housing supply and pronouncements from the Financial Policy Committee on housing market tools they may deploy are also likely to have a dampening effect on the housing market.

I am pleased with the Society's performance in the first half of 2015. Our profitability and capital ratios have improved, arrears are at a record low, progress on legacy wind-down has exceeded expectations and the service to our members has been maintained at very high levels. In addition we have made excellent progress on our infrastructure and regulatory projects. We have however not been immune to the more challenging backdrop for mortgage lending seen in the first half of 2015. Whilst completions were up 6.5% compared to the first half of 2014, intense competition on mortgage pricing combined with a lower than expected market size, resulted in net residential lending being lower than the first half of 2014. Mortgage lending will be an area of continued focus in the second half and in to next year.

Profitability

Profit before tax was £1.5m for the six months ended 30 June 2015 compared to £0.8m for the first half of 2014, an increase of 88%.

Operating profit before impairment charges and the FSCS levy improved from £5.9m to £6.1m. Interest margin increased from 67bp to 75bp reflecting lower funding costs although spreads on mortgage lending also narrowed due to a much more competitive mortgage market. Other income and charges reduced from £11.1m to £10.9m due mainly to lower mortgage administration fees due to the popularity of "fees free" mortgage products and also lower commercial mortgage fees due to the significant reduction in the size of the book. Income from the Solutions business increased by £0.7m reflecting the successful launch of three new savings administration contracts in the first half of 2015. Management expenses increased by £0.5m from £17.7m to £18.2m, an increase of 3% and cost to income ratio was maintained at 75%. The increase in management expenses reflects three factors; the significant investment in IT infrastructure including enhancements to resilience, upgrade of telephony, PCs, networks and servers, the increased headcount to support the new Solutions contracts which will continue to build scale in the medium to longer term and there was also a greater cost in relation to regulatory projects.

The pipeline for the Solutions business continues to be very strong. The Solutions business provides a diversified income stream, based on core competencies within the building society business. All of the profits from the Solutions 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.

Mortgage impairment charges were consistent with the prior year at £2.7m, with the majority of provisions continuing to relate to lending secured on commercial property.

The annual charge for the Financial Services Compensation Scheme levy is recognised in full on 1 April each year following a change in accounting treatment in 2014. The fall in the levy from £2.4m to £1.9m reflects a lower overall expected levy for capital and interest charges in respect of the current year and also a fall in the level of eligible Protected Deposits.

Capital

The Total Capital Ratio (Solvency) increased to 18.1% from 17.8% at the same time last year and Tier 1 ratio improved from 14.0% to 14.5% over the same period. Common Equity Tier 1 ratio improved from 12.3% to 12.8%. The Society's Basel III leverage ratio, on a transitional basis, was 5.3% (30 June 2014: 5.0%). Capital ratios exclude half year retained profits.

Liquidity

Liquid assets as a percentage of Shares, Deposits and Liabilities at 30 June 2015 was 23.8% compared to 26.9% at the same point last year. The reduction in liquidity was in line with expectations. The quality of liquidity continues to be excellent comprising assets that can be used to generate funding through treasury markets (repo) or via the various Bank of England liquidity schemes.

Credit Risk

The number of mortgages in arrears by 3 months or more continued at a level lower than the UK average, at 0.51% compared to 0.59% at the half year last year and 0.53% at 31 December 2014. Within this figure the number of residential borrowers in arrears of 3 months or more was 0.48% at 30 June 2015 compared to 0.58% at the same period last year and 0.52% at the end of 2014. Possession cases continued at very low levels. The low levels of arrears and possessions reflect the excellent credit quality of the Society's residential lending.

The Society's prime residential mortgage book increased by £2m during the first half of 2015 (£50m first half 2014) with legacy mortgage books reducing by £88m (£50m first half 2014). The lower net increase in prime residential lending reflected a higher level of mortgage maturities in the first half of 2015 which also had a lower retention rate due to the competitive mortgage market backdrop. Gross residential lending to individuals increased by 6.5% from £139m to £148m in the first half.

The number of commercial loans where a Law of Property Act 1925 (LPA) receiver had been appointed increased to 2 at 30 June 2015 compared to 1 at the same point in 2014. There were 2 Buy to Let corporate exposures where an LPA receiver was appointed, down from 3 for the same period last year.

Supporting our Members
In May the Society launched a range of new build mortgage products to complement our wide range of existing products including many with no fees or offering incentives. We try to give as much help as possible to borrowers looking to buy a home particularly First Time Buyers who are looking to get on the housing ladder and may have only a 5% deposit. Key to that support is ensuring that borrowers understand the commitment they are making with a mortgage and that advice is available to help them with their journey and ensure the mortgage is affordable. Many borrowers now choose to go to an intermediary for advice as they can look at a range of products across a number of providers, it has therefore been really important for the Society to develop its offering for intermediaries and in March 2015 we successfully launched our new online mortgage application system for intermediaries. We will continue to develop our systems and support for intermediary lending reflecting how the distribution of mortgages has changed over recent years.

Our charity-linked savings products, in support of the North-East charity the Sir Bobby Robson Foundation are set to reach a fantastic milestone in 2015 with cumulative payments to the charity of £1.5m. This money will be used to support essential investment in cancer research including detection equipment. Our Big Home Saver and Big Little Saver accounts remain very popular and provide great encouragement for members to be regular savers.

Our financial advice subsidiary, Newcastle Financial Services Limited, gives customers financial advice regardless of how much they have to invest. We know our customers really value this face to face service as they consistently score this area of the business very highly and have high repeat business levels. We have made further investment into our financial advice proposition this year demonstrating our ongoing commitment including increased staff numbers and streamlining of processes for a better customer journey.

We continue to put the customer at the heart of our business as we believe this is what being a mutual building society is about. This means we focus on customer satisfaction and service and ensuring we do all we can to act on customer feedback and reduce the level of complaints.

Supporting our Staff
We have maintained strong staff satisfaction results at 90% following our staff survey and we continue to engage with staff on the survey results to ensure we make the Society a great place to work. We have a number of action plans in place to continue developing our proposition for staff, including in relation to staff recognition, learning and development and wider engagement and communication with staff across the business.

We have created new roles within the business, primarily our Solutions business, providing opportunities for existing and new staff to gain additional skills and progress their career with the Society.

Developing our staff and nurturing talent is key to the future success of the business. We have commenced management development and leadership programmes to support those who are promoted or recruited into managerial positions. We have introduced a secondment programme to encourage managers and staff to work in other areas of the business to widen their skills and develop a greater understanding of customer needs.

Finally, we have provided full-time employment for several of our 2014 graduate placements following their degree qualification. To progress new talent, such as this, by offering some of our regional graduates their first step on the career ladder is important to us as a large regional employer.

Supporting our Communities
We started the year with the launch of our Volunteering Policy, which is a scheme that allows staff time off during the working week to support a range of charities based in our local communities. This has been very well received with staff painting and decorating, helping out in hospice shops, writing business strategies for charities, gardening and much more. Our staff have enjoyed the opportunity to help so may good causes and save thousands of pounds for charities in the process.

We also entered the fifth year of our financial education programme, which is going from strength-to-strength. Eight regional schools took part in a six-week long numeracy and literacy curriculum-based learning package, which culminated in teams of children presenting a business idea to a panel of judges from the Society. The winning team took a £1,000 prize back to their school to invest in and implement their business idea to raise money for a local charity.

We have supported our Corporate Charity, the Percy Hedley Foundation, which is a group that supports young children and adults with physical and mental impairments, through a range of activities. As well as being one of the charities benefitting from our Volunteering Policy we have also arranged a sponsored fire walk, had dress down days and cake sales, and we also submit teams to the Great North Run and the Great North 10k.

We have also launched our fifth Cornerstone of the Community awards, which focuses on celebrating our local heroes that make fantastic contributions to their communities and perhaps go unnoticed. Many of the nominees for these awards are put forward by customers from our branches. To date we have given awards to around 100 people that live within our Heartland area and we look forward to hosting several events later this year to recognise even more achievements.

Finally, in recognition of the targeted and sustained support we have provided to our local communities, we won a prestigious national award at the Charity Times Better Society awards for 'Commitment to the Community' within the region.

I am pleased with the Society's results for the first half of the year. We have a solid foundation to build on and we will continue to invest in the business to develop our proposition for members and provide excellent customer service. In the second half we will be focusing very closely on developing our mortgage lending proposition so that we are well placed to grow the balance sheet in future years.

Andrew Haigh
Chief Executive
28th July 2015

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 30 Jun 15 £m	Unaudited 6 months 30 Jun 14 £m	Audited 12 months 31 Dec 14 £m
Interest and similar income	39.9	44.3	85.3
Interest expense and similar charges	(26.5)	(31.8)	(60.2)
Net interest receivable	**13.4**	**12.5**	**25.1**
Other income and charges	10.9	11.1	22.3
Total operating income	**24.3**	**23.6**	**47.4**
Administrative expenses	(17.2)	(16.8)	(33.2)
Depreciation	(1.0)	(0.9)	(1.8)
Operating profit before impairments and provisions	**6.1**	**5.9**	**12.4**
Impairment charge on loans and advances to customers	(2.7)	(2.7)	(5.9)
FSCS levy	(1.9)	(2.4)	(2.5)
Profit before taxation	**1.5**	**0.8**	**4.0**
Taxation expense	(0.4)	(0.2)	(1.1)
Profit after taxation for the financial period	**1.1**	**0.6**	**2.9**

The Notes on pages 10 to 13 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 30 Jun 15 £m	Unaudited 6 months 30 Jun 14 £m	Audited 12 months 31 Dec 14 £m
Profit for the period	1.1	0.6	2.9
Other comprehensive (expense)/income			
Items that may be reclassified to income statement			
Movement on available for sale reserve	(0.7)	0.9	(1.3)
Income tax on items that may be reclassified to income statement	0.1	(0.1)	0.3
Total items that may be reclassified to income statement	(0.6)	0.8	(1.0)
Items that will not be reclassified to income statement			
Actuarial loss on retirement benefit obligations	-	-	(6.0)
Income tax on items that will not be reclassified to income statement	-	-	1.2
Total items that will not be reclassified to income statement	-	-	(4.8)
Total other comprehensive (expense)/income	(0.6)	0.8	(5.8)
Total comprehensive income/(expense) for the financial period	0.5	1.4	(2.9)

The Notes on pages 10 to 13 form an integral part of this condensed consolidated half-yearly financial information.

Summary Consolidated Balance Sheet

	Unaudited 30 Jun 15 £m	Restated Unaudited 30 Jun 14 £m	Audited 31 Dec 14 £m
ASSETS			
Liquid assets	733.2	908.1	768.1
Derivative financial instruments	9.5	22.3	16.4
Loans and advances to customers	2,577.5	2,702.7	2,660.1
Fair value adjustments for hedged risk	174.1	132.3	201.8
Assets pledged as collateral	-	-	48.5
Property, plant and equipment	23.0	22.4	23.0
Other assets	20.2	23.4	18.3
TOTAL ASSETS	**3,537.5**	**3,811.2**	**3,736.2**

	Unaudited 30 Jun 15 £m	Restated Unaudited 30 Jun 14 £m	Audited 31 Dec 14 £m
LIABILITIES			
Shares	2,853.5	3,248.2	2,973.7
Fair value adjustments for hedged risk	6.3	6.8	8.4
Deposits and debt securities	228.9	145.6	279.5
Derivative financial instruments	174.4	132.3	201.6
Other liabilities	18.2	18.9	17.4
Subordinated liabilities	59.5	59.1	59.5
Subscribed capital	30.0	29.8	29.9
Reserves	166.7	170.5	166.2
TOTAL LIABILITIES	**3,537.5**	**3,811.2**	**3,736.2**

The Notes on pages 10 to 13 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 2015 (unaudited)

	General reserve	Available for sale reserve	Total
	£m	£m	£m
At 1 January 2015	166.6	(0.4)	166.2
Movement in the period	1.1	(0.6)	0.5
At 30 June 2015	167.7	(1.0)	166.7

For the 6 months ended 30 June 2014 (unaudited)

	General reserve	Available for sale reserve	Total
	£m	£m	£m
At 1 January 2014	168.5	0.6	169.1
Movement in the period	0.6	0.8	1.4
At 30 June 2014	169.1	1.4	170.5

For the year ended 31 December 2014 (audited)

	General reserve	Available for sale reserve	Total
	£m	£m	£m
At 1 January 2014	168.5	0.6	169.1
Movement in the year	(1.9)	(1.0)	(2.9)
At 31 December 2014	166.6	(0.4)	166.2

The Notes on pages 10 to 13 form an integral part of this condensed consolidated half-yearly financial information.

Summary Consolidated Cash Flow Statement

	Unaudited 6 months to 30 Jun 15 £m	Unaudited 6 months to 30 Jun 14 £m	Audited 12 months 31 Dec 14 £m
Net cash flows from operating activities	(77.7)	22.5	(57.7)
Payment into defined benefit pension scheme	(0.9)	-	(2.0)
Net cash flows from investing activities	(46.0)	71.1	171.4
Net cash flows from financing activities	(3.4)	(3.5)	(7.5)
Net (decrease)/increase in cash and cash equivalents	**(128.0)**	**90.1**	**104.2**
Cash and cash equivalents at the start of period	514.4	410.2	410.2
Cash and cash equivalents at the end of the period	**386.4**	**500.3**	**514.4**

Other percentages

	Unaudited 6 months 30 Jun 15 %	Restated Unaudited 6 months 30 Jun 14 %	Audited 12 months 31 Dec 14 %
Gross capital as a % of shares and borrowings	8.3	7.6	7.9
Liquid assets as a % of shares and borrowings	23.8	26.9	23.6
Wholesale deposits as a % of shares and borrowings	7.4	4.3	7.2
Net interest receivable as a % of mean total assets	0.75	0.67	0.70
Cost to income ratio	75.2	75.4	74.0
Profit after tax as a % of mean total assets	0.06	0.03	0.08
Management expenses as a % of mean total assets*	1.01	0.96	0.93
Common Equity Tier 1	12.8	12.3	12.7
Tier 1	14.5	14.0	14.6
Total Capital Ratio (Solvency)	18.1	17.8	18.6
Leverage Ratio (Basel III - end point)	4.7	4.4	4.5
Leverage Ratio (Basel III - transitional)	5.3	5.0	5.2

** Expressed on an annualised basis*

The Notes on pages 10 to 13 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 28th July 2015, 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 2014 has been extracted from the accounts 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 2015 and the 6 months to 30 June 2014 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 2015 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 2014, which have been prepared in accordance with IFRSs as adopted by the European Union.

The Board has reviewed medium and long term plans over a 5 year horizon with particular emphasis on examining forecast capital, profitability and liquidity of the Group and the risks to those forecasts through a variety of stress testing scenarios. This horizon is considered appropriate through alignment to the Group's usual forecasting and management reporting allowing robust and continuous assessment of the Group's expected position and principal risks over the time-frame. Active risk management is undertaken to mitigate the Group's principal risks as detailed in note 4 of this half-yearly financial information.

The outcome of this review is that the Directors are satisfied that the Society and the Group have adequate resources to continue in business and meet its liabilities throughout the period of assessment.

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 and restatement

The half-yearly financial information has been prepared on the basis of the accounting policies adopted for the year ended 31 December 2014, as described in those financial statements.

Clarifying amendments to IAS 32 have had an impact on the Balance Sheet figures presented at 30 June 2014. Cash collateral pledged and received against exposures to and with financial derivatives counterparts is now presented gross on the Balance Sheet. The Society's corresponding derivative financial instruments assets and liabilities have been similarly restated to their gross position.

Figures for June 2014 have been restated on the Balance Sheet and reflected in restated Other Percentages.

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 2014.

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 rate is 23% (first half 2014 – 25%). The tax charge has been calculated as far as possible to approximate to the expected full year tax rate and includes an adjustment to deferred tax assets, and to current tax for changes in the enacted corporation tax rate.

6. Related Party Transactions

There have been no changes to the nature of related party transactions entered into since the last annual report. There were no 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 operating profit and 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 2015	**Member Business £m**	**Solutions Business £m**	**Total £m**
Net interest receivable	13.4	-	13.4
Other income and charges	2.7	8.2	10.9
Administrative expenses	(12.6)	(4.6)	(17.2)
Depreciation	(0.7)	(0.3)	(1.0)
Operating profit before impairments and provisions	**2.8**	**3.3**	**6.1**
Impairment charges and provisions for liabilities and charges	(2.7)	-	(2.7)
FSCS levy	(1.9)	-	(1.9)
(Loss)/profit for the period before taxation	**(1.8)**	**3.3**	**1.5**
Taxation expense			(0.4)
Profit after taxation for the financial period			**1.1**

6 months to 30 June 2014	**Member Business £m**	**Solutions Business £m**	**Total £m**
Net interest receivable	12.5	-	12.5
Other income and charges	3.6	7.5	11.1
Administrative expenses	(12.7)	(4.1)	(16.8)
Depreciation	(0.7)	(0.2)	(0.9)
Operating profit before impairments and provisions	**2.7**	**3.2**	**5.9**
Impairment charges and provisions for liabilities and charges	(2.7)	-	(2.7)
FSCS levy	(2.4)	-	(2.4)
(Loss)/profit for the period before taxation	**(2.4)**	**3.2**	**0.8**
Taxation expense			(0.2)
Profit after taxation for the financial period			**0.6**

Year to 31 December 2014	Member Business £m	Solutions Business £m	Total £m
Net interest receivable	25.1	-	25.1
Other income and charges	7.1	15.2	22.3
Administrative expenses	(25.3)	(7.9)	(33.2)
Depreciation	(1.4)	(0.4)	(1.8)
Operating profit before impairments and provisions	**5.5**	**6.9**	**12.4**
Impairment charges and provisions for liabilities and charges	(5.9)	-	(5.9)
FSCS levy	(2.5)	-	(2.5)
Profit for the period before taxation	**(2.9)**	**6.9**	**4.0**
Taxation expense			(1.1)
Profit after taxation for the financial period			**2.9**

8. Fair value measurement

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

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Debt securities - available for sale	346.7	-	-	346.7
Derivative financial instruments	-	9.5	-	9.5
Fair value adjustments for hedged risk on underlying instruments	-	174.1	-	174.1
Financial liabilities				
Derivative financial instruments	-	174.4	-	174.4
Fair value adjustments for hedged risk on underlying instruments	-	6.3	-	6.3

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

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

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

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

There were no transfers between levels in the period.

Statement of Directors' responsibilities

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

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

The Directors of Newcastle Building Society are listed in the Annual Report for 2014 with the exception that on 30 April 2015 Jim Willens retired from the Board and Andrew Haigh was appointed Chief Executive on 1 May 2015, having previously held the position of Chief Operating Officer. There were no other changes to the Board in the period except as already disclosed in the 2014 Annual Report.

On behalf of the Board

Andrew Haigh
Chief Executive
28th July 2015

Independent review report to Newcastle Building Society

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed the condensed consolidated interim financial statements, defined below, in the Announcement of half-year results of Newcastle Building Society for the six months ended 30 June 2015. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The condensed consolidated interim financial statements, which are prepared by Newcastle Building Society, comprise:

- the Summary Consolidated Balance Sheet as at 30 June 2015;
- the Summary Consolidated Income Statement and Summary Consolidated Statement of Comprehensive Income for the period then ended;
- the Summary Consolidated Cash Flows Statement for the period then ended;
- the Summary Consolidated Statement of Movements in Members' Interests for the period then ended; and
- the explanatory Notes to the condensed consolidated interim financial statements.

As disclosed in Note 2, 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.

The condensed consolidated interim financial statements included in the Announcement of half-year results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of condensed consolidated 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 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.

We have read the other information contained in the Announcement of half-year results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

Responsibilities for the condensed consolidated interim financial statements and the review

Our responsibilities and those of the Directors

The Announcement of half-year results, including the condensed consolidated interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Announcement of half-year results in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the company a conclusion on the condensed consolidated interim financial statements in the Announcement of half-year results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. 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.

PricewaterhouseCoopers LLP
Chartered Accountants
28 July 2015
Newcastle upon Tyne

Notes:

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

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