Announcement of half-year results for the six months ended 30 June 2021

Connecting our communities with a better financial future.

- Helping people own their home, save and plan their finances
- Building lasting, authentic relationships with customers, clients and partners
- Empowering people to realise their potential and delivering a great place to work
- Fostering inclusion, diversity and positive change at work and in our communities
- Caring for our environment and ensuring sustainability for future generations

The first half of 2021 has seen the country move to a more positive place in terms of the Covid-19 pandemic, with the vaccination programme well underway and enabling greater freedoms. However, the pandemic is far from over and there will no doubt be further challenges ahead. We are mindful that uncertainty related to the pandemic continues to dominate both our Members' lives and the economic environment too, and can be expected to do so for some time to come.

The Society delivered a strong performance in the first half of 2021 despite the ongoing Covid-19 restrictions and concerns. Our underlying business is performing very well with a 78% increase in operating profit of £5.7m taking the total for the period to £13.0m (from £7.3m in the first half of last year).

At the 2020 year end, we reported a significant increase in our credit and legacy provisions which resulted in a pre-tax profit of £2.0m for last year. During the first half of this year we have not seen any indication that these provisions need to increase further, however we do continue to be watchful of the economic conditions in this respect. In addition to positive headlines in our financial performance, we remain strongly capitalised and continue to operate with appropriate levels of liquidity.

The UK savings market has continued to see significant growth in 2021 following the uplift seen in 2020 as a result of reduced spending linked to the Covid-19 lockdown. We expect some of this growth will be reinvested back into the economy as levels of normality return, however some of these 'accidental savers' may look to maintain their savings habit and the improved financial stability that this supports.

The Bank of England base rate remains at a historic low of 0.1%, with savings rates therefore also continuing to be low, bringing continuing challenges for many savers.

The mortgage market has been buoyant in 2021, fuelled by changing requirements as working from home has driven changing needs for home owners. Gardens, a home office, strong internet connections, or simply more space, are all factoring into people's desires and prompting house moves. Housing market sales and house prices have recently been running at their strongest levels since the global financial crisis and look set to continue positively for much of the year.

While the government intervention to introduce a stamp duty holiday on homes up to £500,000 in 2020, and its subsequent extension to 30 June 2021, has no doubt stimulated the market, its phased removal will see some demand cool off in the second half of 2021. First time buyers continue to struggle as rising house prices have exacerbated affordability pressures by lifting the size of loans needed and deposit requirements. Government assistance schemes, including the Mortgage Guarantee Scheme and First Homes scheme, designed to support low deposit lending, have been introduced. Getting a deposit together is still the biggest barrier for first time buyers, but the structural problem at the root of high house prices remains the lack of available housing.

Highlights of the first half of 2021:

- Operating profit before impairment and provisions increased by £5.7m to £13.0m (Half year 2020: £7.3m);
- Profit before tax increased significantly by £11.7m to £13.9m (Half year 2020: £2.2m);
- Gross lending was £483m (Half year 2020: £357m);
- Net core residential lending for the first half of the year was £220m (Full year 2020: £228m);
- Highest ever colleague advocacy scores;
- Customer Net Promoter Score increased to +81 (+78 for Full year 2020);
- Mortgage arrears remain at low levels with 0.43% of mortgages in arrears by 3 months or more (Full year 2020: 0.36%);
- Capital ratios remain robust with Total Capital Ratio (Solvency) at 14.6% (Full year 2020:15.5%), Tier 1 Ratio at 13.5% (Full year 2020: 14.4%), Common Equity Tier 1 Ratio at 13.3% (Full year 2020:14.1%) and Leverage Ratio at 4.3% (Full year 2020: 4.4%);
- Robust Liquidity with Liquidity as a percentage of shares, deposits and liabilities of 21.6% (Full year 2020: 25.2%) and cash liquidity of 16.7% (Full year 2020: 19.1%);
- Committed £111k in community grants: focusing our support on employability skills, food poverty and debt management charities across our heartland;
- Average savings rate paid to Members 0.83%, which is over 50bps more than the market average;
- Deposit Unlock - the first lender in an innovative new build homes initiative which will be piloted exclusively in the North East, supporting those with a small deposit to get a foot on the housing ladder;
- First Homes – participation in the government scheme to support affordable home ownership; and
- Awards:
  - What Mortgage Awards Best Regional Building Society for the 5th consecutive year
  - Newcastle Strategic Solutions was shortlisted for the National Contact Centre Awards.

Purpose Led Strategy

We have managed your Society through these uncertain times under the consistent guidance of our Purpose: **Connecting our communities with a better financial future.**

Our Purpose continues to serve us well, and has given us a clear sense of direction through this challenging period. It has helped us decide how we might best support our customers, and deliver a wider positive impact for communities across our region. We are determined to make a positive difference for those we serve and that we will continue to be present and accessible through and beyond the current pandemic, in the months and years ahead.

To emphasise our commitment to diversity, inclusion and the environment we have revised the wording of the pillars which support our Purpose. This includes introducing a new pillar “Caring for our environment and ensuring sustainability for future generations” which brings emphasis to our inter-generational commitment to longer term sustainability.

We support our communities; we remain committed to our high streets and continue to invest in our physical branch presence as well as new digital technologies. Looking after our customers means being available to them and making it easy to interact with us in the way they choose.

We have remained open for business throughout the pandemic. We have continued to help people own their own home through the provision of mortgages; maintained a full branch operation including access to cash which was vital for some of our most vulnerable customers; and provided ongoing financial advice through our subsidiary, Newcastle Financial Advisers Limited, who found new and innovative ways to continue to safely meet the needs of our customers.

Early in 2021 we moved out of our Newcastle city centre head office location, reducing our administrative building footprint from two to one. As we look to a future of hybrid working, top of our agenda is the opportunity this provides for us to embed an environmentally friendly approach and practice as we transform our new head office building at Cobalt Park, North Tyneside. Investing in our shared future to reduce our carbon footprint has also included the introduction of an environmentally friendly electric vehicle leasing scheme as a colleague benefit.

We continue to encourage our colleagues to share their views, to empower them to realise their potential and that of others in our region. We believe that actively fostering inclusion drives diversity, talent optimisation, and performance excellence.

Investment, innovation and collaboration have characterised our approach across our Group businesses as we have moved through the first half of the year. This has been underpinned by the passion and commitment of our colleagues who have continued to focus on delivering to the needs of our customers, clients, partners and communities.

Innovation and collaboration

Saving

A key part of our purpose is helping people to save and we are pleased that we continued to offer significantly better than UK average savings interest rates - paying an average rate across our products of 0.83% versus a whole of market average of 0.32%, based on CACI's independent financial benchmarking data.* We know how important it is for people to make the most of their savings which is why we always offer existing customers access to our best savings rates. For the first half of this year we have seen over 80% of our savers continue to save with us after their fixed rate savings product matured.

* CACI Current Account and Savings Database, Stock, including fixed and variable rates. CACI is an independent company that provides financial benchmarking data which covered 87% of the cash savings market in 2020. Data correct as at April 2021.

Financial Advice

Continuing from last year's strong performance relative to the challenging economic environment, our financial advice subsidiary, Newcastle Financial Advisers, which provides access to face to face advice on the high street, has delivered another strong performance in the first half of this year.

Options and advice for customers to manage their financial plans, pensions and investments, and maximise returns in a low interest rate environment are now also delivered by video. Meanwhile, the popular Big Talk free financial information sessions have successfully moved to an online webinar format and extended their reach in the process.

In the past six months, Newcastle Financial Advisers has successfully grown its customer base, level of funds invested, and funds under management, well ahead of planned targets and continues to deliver an outstanding customer service.

The subsidiary's financial advisers have a 4.9 out of 5.0 rating on the professional adviser review and rating site, VouchedFor.co.uk, from more than 600 customer reviews.

Owning your own home

Strong savings balances in our branches provide stable funding for our lending. Our mortgage lending volumes have increased as we have focused both on managing market risk and opportunity, while maintaining our sensible lending approach in a heated market. Our gross mortgage lending in the first half of 2021 was £483m (Half year 2020: £357m) with net core lending at £220m and we welcomed 2,331 (June 2020: 1,933) new mortgage customers.

House prices across the country continue to rise and achieving the dream of home ownership can often feel out of reach when a large deposit is required. This impacts both first time and next time buyers. Our support for both has been further strengthened in the past few months through our participation in two new innovative mortgage support schemes.

One area of the market particularly challenging for buyers is purchasing a new build home with a small (5%) deposit, as most lenders don't offer high loan to value lending on a new build mortgage.

We were therefore delighted to announce 'Deposit Unlock' in June, an innovative new-build mortgage product which provides an option for those with a small deposit to realise their dream of owning a new-build home. We helped develop this innovative scheme, a first for the UK, collaborating with insurance broker, Gallagher Re, The Home Builders Federation and four of its Members: Vistry Group, Barratt Developments, Keepmoat Homes, and Bellway Homes.

As a key player in the development of Deposit Unlock, Newcastle Building Society is the first lender to offer mortgages under this arrangement, which is being piloted exclusively in our region before being rolled out nationally.

This launch quickly followed our announcement of participation in the Government-led 'First Homes' scheme. This helps local first-time buyers – many of whom could be key workers such as NHS staff and veterans – onto the property ladder by offering homes at a discount of at least 30% compared to the market price.

First Homes will make a proportion of new homes available with a minimum 30% discount on the open market value, which will be passed on with the sale of the property to future first-time buyers. This means homes will always be sold below market value and local communities will benefit from easier access to them for generations to come. The Government is working with several regional and national lenders, including your Society, to deliver the first of these homes in England.

Our recent announcements mean that we now help first time buyers through five different mortgage and savings schemes: Deposit Unlock; First Homes; Help to Buy; Joint Mortgage Sole Proprietor and Lifetime ISAs.

The first half of 2021 also saw us re-introduce 90% and 95% loan to value (LTV) lending on home purchases, and we extended the availability of our Self Build and Custom Build mortgages by increasing the LTV cap from 80% to 85% to support those with less to invest in the initial build phase. As with savings we have seen a high proportion of customers with a maturing mortgage product take out a new mortgage with us.

In line with the financial support package set out by the FCA in response to the pandemic, the Society has continued to offer payment deferral support to customers who are experiencing financial difficulties as a result of Covid-19. We're pleased that over 98.5% of borrowers who requested a payment deferral have since returned to making normal monthly payments, which is in line with the rest of the building society sector.

Our mortgage arrears remain better than the industry average with the percentage of mortgages in arrears by 3 months or more at 0.43% against an overall industry average of 0.85%. *.

** UK Finance. Data correct as at 13th May 2021.*

Investing

Building lasting relationships with our customers

Our 30 local branches across our region means that colleagues are always on hand, on the high street, with a warm welcome for our customers - up to 6 days a week.

We continue to invest in our branch network as part of an ongoing multi-million pound programme of improvements. For example, we are currently working with North Tyneside Council to open a community branch in the Tynemouth Library building after its refurbishment. The branch is expected to open in 2022, supporting the re-introduction of local financial services to Tynemouth's high street.

We're also underway with the relocation of our West Denton branch to a better location where we will create a modern, accessible and welcoming space for our customers in the area. Our Bishop Auckland branch will be next this year to undergo a major refurbishment as part of a programme of work that was originally put on hold due to the Covid-19 pandemic.

Our work with the High Streets Task Force and ongoing collaboration with the North East of England Chamber of Commerce and its members continues as high streets and towns across our region work to improve their offer and manage the pace of change they are currently experiencing.

Whilst we remain committed to providing a face-to-face service on the high street, we also continue to invest in our digital capability ensuring customers have access to help and support across multiple channels:

- We have developed the capability to run our financial information 'Big Talks' both in person and virtually, incorporating personalised and local delivery. Our virtual Big Talks on the Little Screen will continue alongside in person seminars in the future.

- The launch of our online customer community forum in April, has provided a great opportunity to share views and build conversations with and between our customers on our Connected Communities platform, and we will use this insight to help develop and deliver future products and services, as well as understanding other priorities for our customers.

- We use a quick and convenient digital feedback tool for our customers to rate their experience across branch, telephone or online. Whether in the physical or virtual world, the tool enables our colleagues to know almost immediately how our customers rate the experience they've delivered.

- Our savings app, provided by Newcastle Strategic Solutions, continues to be developed and provides customers with an increasing range of features to help manage their account.

Our customer satisfaction score at the half year point is 96% and our net promoter score (NPS), which measures the loyalty of our customer relationships driven by the quality and value delivered by our colleagues, is +81 (NPS scores range from -100 to +100).

Building lasting relationships with our clients and partners

Our subsidiary, Newcastle Strategic Solutions Limited, has delivered a solid first half financial performance. It is the UK's market leading provider in third party savings management and welcomed new client, Recognise Bank, on board earlier this year.

It also extended its proposition to provide business savings for SMEs, complementing the existing retail savings offering. Ongoing development of the mobile savings app continue at pace with transactional capabilities and a range of other functions now available for Newcastle Strategic Solutions' clients to offer to their customers.

Our Newcastle Strategic Solutions subsidiary also serves the Group's technology needs. Investment in the Group technology infrastructure to strengthen and enhance resilience and performance, build greater business flexibility, and adapt to changing propositions while delivering value for clients and customers is ongoing. Investment in capacity and capability across the business has continued across IT, risk and compliance, financial crime, as well as the Group's IT Security and infrastructure stability to drive Newcastle Strategic Solutions' overall proposition and service provision.

Investing in our people

Our colleagues are key to our success as a business and we are pleased that our employee advocacy is at an all-time high

We are committed to attracting and retaining talent by fostering inclusion, and this approach is already driving positive outcomes. In February this year we were rated tenth in the 'Rate my Placement' Top 50 Employer list. We work hard with our partner organisations, The Prince's Trust and Newcastle United Foundation, to deliver meaningful opportunities for young people to build workplace skills and experience with a view to turning this into real employment with permanent roles. This year will offer apprenticeships, graduate roles and student placements, in addition to a ring fenced Prince's Trust apprenticeship.

For the second year we sponsored the 'Young Leader Programme' with Common Purpose which supports young people in the UK, to develop their leadership skills. Five of our own young leaders have attended the programme this year, along with two young people from the Newcastle United Foundation's NU Futures Programme.

Investing in our communities

Recognising that the pandemic has brought significant challenge to our communities, our community grant giving programme through the Newcastle Building Society Community Fund at the Community Foundation Tyne & Wear and Northumberland has been refocused to support Covid recovery.

The Newcastle Building Society Community Fund grants are providing ongoing support to programmes delivering employability skills and experience; addressing food poverty; and helping with debt management. So far this year we have provided or committed £111,000 in support grants across these areas of focus.

Colleague volunteering continues to be a fundamental way we offer support to our communities. We worked with tech for good business, onHand and the National Innovation Centre for Ageing to roll out an innovative volunteering app across our region. To date this year, colleagues have delivered more than 148 days of volunteering in our communities.

Following the launch of our £1.1m partnership with the Newcastle United Foundation last year to deliver 'NUCASTLE powered by Newcastle Building Society', a new community hub for sports, education and wellbeing, we marked a key point in the construction in May. Along with other key supporters, we signed the building foundation steels, and were joined by two of the participants from the NU Futures programme who, following completion of the programme we support, have since gone on to full employment.

Both our NUFutures and the Prince's Trust partnerships have challenged our creativity in being able to deliver the quality of a face to face experience when delivered by our colleagues remotely. It is testament to the commitment of those who have put themselves forward, from our branch network and across our Society, that the feedback they have received from participants has been outstanding.

Board changes

We have announced a number of changes to our Board.

In July, the current Chair of our Board, Phil Moorhouse announced that he intended to stand down. Phil has given outstanding service as a non-executive director of our Society for nearly 10 years, having joined the Board in 2011 and becoming Chair after the AGM in 2013. In his time as Chair, Phil has led the Board through a period of sustained growth for the Group while providing stewardship through some uniquely challenging periods in the aftermath of the last financial crisis and more recently, during the most difficult days of the Covid-19 pandemic. As a Board and a Society, we are extremely appreciative of Phil’s contribution to our Society’s progress.

After the completion of a thorough recruitment process, we have selected James Ramsbotham CBE DL as our new Chair. Through his role as Chief Executive of North East of England Chamber of Commerce, James brings extensive knowledge of business throughout our region and specific experience of financial services gained as both an executive and a non-executive, together with a clear focus on customers and communities. I am sure that all colleagues across our Society will very much look forward to making James welcome in his new role and working with him in the years ahead.

We also welcome a new non-executive director, Michele Faull to the Board. Michele, a former Chief Financial Officer at Coventry Building Society and a Risk Director at Nationwide, will also become a member of the Board’s Audit and Group Risk Committees.

Financial Performance

The 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 and Newcastle Financial Adviser subsidiaries.

Profitability

Operating profit before impairment and provisions increased by £5.7m to £13.0m from £7.3m at half year 2020. Profit before tax was £13.9m for the six months ended 30 June 2021 compared to £2.2m for the first half of 2020. The increase in profit before tax is primarily due to an increase in income combined with a smaller increase in the cost base but also a modest write-back of impairment charges.

Net interest income was £23.9m and our net interest margin increased to 99bps at 30 June 2021. (30 June 2020: 81bps and 31 December 2020: 87bps). The increase in margin is driven by falling market interest rates as well as the Group continuing to access central bank funding via the TFS and TFSME schemes.

Other income and charges increased by £1.9m to £21.6m (30 June 2020: £19.7m) reflecting steady first half year performance from Newcastle Strategic Solutions, our savings management and IT subsidiary. Member income, which includes our financial advice subsidiary, increased, with Newcastle Financial Advisers, recording strong performance over the first half of the year, despite the challenging economic environment.

Our cost to income ratio decreased to 71.5% (30 June 2020: 80.7%) and management expenses (comprising administration expenses and depreciation) increased by £2.2m from £30.3m to £32.5m. The increase in costs is attributable to continued investment in our colleagues and infrastructure. The decrease in the cost to income ratio is as a result of the increase in income being in excess of the increase in costs.

Credit Risk

Impairment charges on loans and advances to customers were a reversal of £0.9m (30 June 2020: charge of £5.1m). The £0.9m reversal on impairment charges includes write-backs of £0.7m on the Group’s commercial portfolio, £0.5m on the residential portfolio, and a slight increase in provision of £0.3m on the Group’s equity release portfolio.

Covid-19 continues to have severe impact on the economic activity in the UK and worldwide, with the UK currently experiencing a third wave of the pandemic.

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. Provisions against residential exposures are 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 reduction in provisions is due to more positive economic data and the outlook for the UK economy when compared with the situation at 31 December 2020.

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 has on individual customers.

Credit risk in the Society's legacy lifetime lending is most sensitive to assumptions on longer term house price rises. In determining these assumptions consideration has been given to the potential impact Covid-19 may have on the economy with provisions for this exposure being 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 0.43% (0.36%: 30 June 2020 and 0.36%: 31 December 2020). Possession cases remain at very low levels. Gross lending for the first half of the year was £483m (First half of 2020: £357m). The net change across the whole of our lending for the first half of 2021 was £191m (First half of 2020: £163m), which includes a £29m reduction in our exposure to the legacy lending book (First half of 2020: £15m). The Society's core residential mortgage book grew by £220m during the first half of 2021 (First half of 2020: £178m).

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 2021 were 21.6% (31 Dec 20: 25.2%). Cash liquidity was 16.7% at 30 June 2021 (19.1% at 31 Dec 2020). This is in excess of the Society's minimum operating level. The Liquidity Coverage Ratio (LCR) measures unencumbered high quality liquid assets as a percentage of net cash outflows over a 30 day stress period. The LCR as at 30 June 2021 was 202% (31 Dec 20: 226%) comfortably in excess of the minimum regulatory limit of 100%. 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) reduced to 14.6% (31 December 2020: 15.5%). The Tier 1 ratio was 13.5% (31 December 2020: 14.4%) and Common Equity Tier 1 ratio was 13.3% (31 December 2020: 14.1%). The Society's Basel III leverage ratio (transitional basis) was 4.3% at 30 June 2021 (31 December 2020: 4.4%). Capital ratios disclosed include unverified half year 2021 retained profits.

Summary and look ahead

The Society has continued to focus on what is important: our customers; our communities; our region; delivering excellent service and good value through the products and services we offer and all while maintaining a robust financial performance. Once again, I thank all colleagues across the Society for their continued efforts, resilience, compassion and positivity in addressing the many challenges in serving our customers and communities through this unique and demanding period. I also thank the Society's Members for their ongoing support and loyalty to the Society, and for the many messages of positive feedback and encouragement we have received.

Throughout the pandemic we have been more conscious than ever of the role we play and the difference we can make for our customers and communities – driven by a clear sense of purpose across the Society. While there is no doubt that we are not yet clear of the pandemic and all the challenges it brings, this does feel like another moment of change, when we must ask ourselves again how we can best support all those whom we aim to serve through this next chapter. The Society is well placed to move forward with confidence, to continue to invest for the future and to remain focused on 'Connecting our communities with a better financial future', in the months and years ahead.

Andrew Haigh
Chief Executive

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.

Condensed Consolidated Income Statement

	Unaudited 6 months to 30 Jun 21 £m	Unaudited 6 months to 30 Jun 20 £m	Audited 12 months to 31 Dec 20 £m
Interest receivable and similar income	40.6	42.2	82.9
Interest payable and similar charges	(16.7)	(24.3)	(42.7)
Net interest income	**23.9**	**17.9**	**40.2**
Other income and charges	21.6	19.7	39.0
Total operating income	**45.5**	**37.6**	**79.2**
Administrative expenses	(30.0)	(28.0)	(57.9)
Depreciation and amortisation	(2.5)	(2.3)	(4.9)
Operating profit before impairments and provisions	**13.0**	**7.3**	**16.4**
Impairment reversals/(charges) on loans and advances to customers	0.9	(5.1)	(10.5)
Impairment reversals/(charges) on property and equipment	0.1	-	(3.8)
Provisions for liabilities and charges	(0.1)	-	(0.1)
Profit before taxation	**13.9**	**2.2**	**2.0**
Taxation expense	(2.3)	(0.4)	(0.6)
Profit after taxation for the financial period	**11.6**	**1.8**	**1.4**

The Notes on pages 14 to 22 form an integral part of this condensed consolidated half-yearly financial information.

Condensed Consolidated Statement of Comprehensive Income

	Unaudited 6 months to 30 Jun 21 £m	Unaudited 6 months to 30 Jun 20 £m	Audited 12 months to 31 Dec 20 £m
Profit for the period	11.6	1.8	1.4
Other comprehensive income/(expense):			
Items that may be reclassified to income statement			
Movement on fair value of debt securities through other comprehensive income/(expense)	0.2	(0.5)	0.6
Income tax on items that may be reclassified to income statement	(0.1)	0.1	(0.2)
Total items that may be reclassified to income statement	0.1	(0.4)	0.4
Items that will not be reclassified to income statement			
Derecognition of pension surplus	-	(0.2)	(0.2)
Other non classified items	-	-	0.1
Total items that will not be reclassified to the income statement	-	(0.2)	(0.1)
Total other comprehensive income/(expense)	0.1	(0.6)	0.3
Total comprehensive income for the financial period	11.7	1.2	1.7

The Notes on pages 14 to 22 form an integral part of this condensed consolidated half-yearly financial information.

Condensed Consolidated Balance Sheet

	Unaudited 30 Jun 21 £m	Unaudited 30 Jun 20 £m	Audited 31 Dec 20 £m
ASSETS			
Liquid assets	959.7	771.5	1,109.7
Derivative financial instruments	2.1	0.2	-
Loans and advances to customers	3,669.9	3,452.7	3,477.9
Fair value adjustments for hedged risk	168.4	228.6	214.3
Property, plant and equipment and other assets	62.0	68.3	62.4
TOTAL ASSETS	**4,862.1**	**4,521.3**	**4,864.3**

	Unaudited 30 Jun 21 £m	Unaudited 30 Jun 20 £m	Audited 31 Dec 20 £m
LIABILITIES			
Shares	3,771.5	3,489.9	3,776.3
Deposits and debt securities	664.3	557.1	628.0
Derivative financial instruments	169.5	228.4	214.3
Other liabilities	17.6	18.9	18.2
Subscribed capital	20.0	20.0	20.0
Reserves	219.2	207.0	207.5
TOTAL LIABILITIES	**4,862.1**	**4,521.3**	**4,864.3**

The Notes on pages 14 to 22 form an integral part of this condensed consolidated half-yearly financial information.

Condensed Consolidated Statement of Movement in Members' Interests

For the 6 months ended 30 June 2021 (unaudited)

	General reserve	Fair Value through Other Comprehensive Income	Total
	£m	£m	£m
At 1 January 2021	205.7	1.8	207.5
Movement in the period	11.6	0.1	11.7
At 30 June 2021	217.3	1.9	219.2

For the 6 months ended 30 June 2020 (unaudited)

	General reserve	Fair Value through Other Comprehensive Income	Total
	£m	£m	£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 year ended 31 December 2020 (audited)

	General reserve	Fair Value through Other Comprehensive Income	Total
	£m	£m	£m
At 1 January 2020	204.4	1.4	205.8
Movement in the year	1.3	0.4	1.7
At 31 December 2020	205.7	1.8	207.5

The Notes on pages 14 to 22 form an integral part of this condensed consolidated half-yearly financial information.

Condensed Consolidated Cash Flow Statement

	Unaudited 6 months to 30 Jun 21 £m	Unaudited 6 months to 30 Jun 20 £m	Audited 12 months to 31 Dec 20 £m
Net cash flows from operating activities	(102.7)	(134.2)	227.3
Corporation tax paid	(1.9)	(0.8)	(2.2)
Payment into defined benefit pension scheme	-	(0.2)	(0.2)
Cash (outflows)/inflows from operating activities	(104.6)	(135.2)	224.9
Purchases of property, plant and equipment	(3.0)	(2.6)	(5.6)
Purchase of investment securities	(62.4)	(83.1)	(110.7)
Sale and maturity of investment securities	27.0	126.5	158.8
Net cash flows from investing activities	(38.4)	40.8	42.5
Interest paid on subscribed capital	(1.2)	(1.2)	(2.3)
Payment for finance lease arrangements	(0.4)	(0.4)	(1.2)
Net cash flows from financing activities	(1.6)	(1.6)	(3.5)
Net (decrease)/increase in cash and cash equivalents	**(144.6)**	**(96.0)**	**263.9**
Cash and cash equivalents at the start of period	490.3	226.4	226.4
Cash and cash equivalents at the end of the period	**345.7**	**130.4**	**490.3**

The Notes on pages 14 to 22 form an integral part of this condensed consolidated half-yearly financial information.

Other percentages

	6 months 30 Jun 21 %	6 months 30 Jun 20 %	12 months 31 Dec 20 %
Gross capital as a % of shares and borrowings	5.4	5.6	5.2
Liquid assets as a % of shares and borrowings	21.6	19.1	25.2
Wholesale deposits as a % of shares and borrowings	15.0	13.8	14.3
Overall liquidity adequacy ratio	21.0	21.3	26.4
Liquid assets as a % of shares and borrowings excluding encumbered assets	16.7	12.0	19.1
Net interest receivable as a % of mean total assets (“NIM”)	0.99	0.81	0.87
Cost to income ratio	71.5	80.7	79.0
Profit after tax as a % of mean total assets	0.48	0.08	0.03
Management expenses as a % of mean total assets*	1.35	1.37	1.35
Common Equity Tier 1 Ratio	13.3	13.7	14.1
Tier 1 Ratio	13.5	13.9	14.4
Total Capital Ratio (Solvency)	14.6	15.0	15.5
Leverage Ratio (Basel III - end point)	4.2	4.5	4.1
Leverage Ratio (Basel III - transitional)	4.3	4.6	4.4

** Expressed on an annualised basis*

Capital ratios disclosed include unverified half-year retained profits. The figures for the 12 months ended 31 December 2020 are extracted from the audited 2020 accounts. Definitions of the ratios above are included in the audited 2020 accounts.

The Notes on pages 14 to 22 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, 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 2020 has been extracted from the accounts for that year. The auditors gave an unqualified opinion on the accounts for the 12 months to 31 December, and they have been filed with the Financial Conduct Authority and the Prudential Regulation Authority.

1.3. The half-yearly financial information for the 6 months to 30 June 2021 and the 6 months to 30 June 2020 is unaudited.

1.4. The Society has legacy Equity Release Mortgages with a gross value of £175m (2020: £185m). The Society is exposed to interest rate risk that arises from this portfolio of assets and to mitigate this risk, a portion of the assets are designated into a macro fair value hedge. The fair value of the hedged risk is included on the balance sheet under the heading "Fair value adjustments for hedged risk" and at 30 June 2021, the adjustment totalled £81m (2020: £98m). By design, the Society's hedges are expected to be economically effective, with notional balances, durations and rates on interest rate swaps agreed only where they are expected to be a good fit to the same characteristics of the underlying assets that are to be hedged.

In the second quarter of 2021, the Society commenced a review of all our interest rate swaps associated with this legacy Equity Release Mortgage portfolio, which includes preparation for the associated transfer of these swaps from LIBOR to SONIA. As part of this work, the Society is reviewing the relevant historical accounting entries associated with hedging of these financial instruments given the complexity and the compounding nature of these requirements, over a significant period of time. This review is not expected to be complete until the final quarter of 2021, at which point any material findings impacting the Society will be reflected in the full year financial statements, which may include prior period adjustments.

The Society has recently appointed new external auditors (Deloitte LLP), who will work through the outputs of this review once available and as such Deloitte have not expressed a view on the 30th June 2021 half-yearly information. All connected prior year balances and corresponding in year adjustments had been the subject of an unqualified audit opinion from our previous auditors PricewaterhouseCoopers LLP.

1.5. 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 2021 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim financial reporting' as applicable in the United Kingdom. It does not include all the information required by International Financial Reporting Standards (IFRSs). The half-yearly financial information should be read in conjunction with the annual accounts for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as applicable in the United Kingdom.

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 as detailed below

The outbreak of Covid-19 has resulted in a severe economic contraction in 2020, causing an increase in expected credit losses in that year. Governments, central banks and other public institutions have responded with unprecedented support for the economy and those most affected, and as a result, hardly any of the expected credit losses have realised yet. However, whilst the economic outlook has improved significantly, due to the success of mass vaccinations and the reopening of the economy, the impact of unwinding government support could still lead to the realisation of these losses. Therefore, the level of provisioning has been held largely constant since the 2020 year end (see note 12 for details).

Based on the most recent formal review in July 2021 which includes the Group's latest stress and scenario testing, the Directors have concluded that the Group has adequate resources to continue in business for the foreseeable future, due to its robust underlying profitability, in conjunction with a strong capital position and liquidity buffers and resources. Accordingly the accounts 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 2020, as described in those financial statements.

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.

Estimates

Pensions

In accordance with requirements in IAS 19, the Group does not recognise its IAS 19 pension surplus. Changes in economic conditions suggest that the pension surplus is likely to have increased since December 2020, which is in line with updated valuations received from the scheme's actuary. Therefore, it was not considered necessary to obtain a formal valuation of the scheme as at 30 June 2021.

Effective Interest Rate (EIR)

Management regularly review the assumptions in respect of the expected lives of loans, used to determine the EIR adjustment. Management have observed higher levels of early repayments compared to recent years in the first half of 2021. This is likely the result of low interest rates encouraging customers to remortgage. In addition, increased levels of savings due to lockdowns and travel restrictions are used to repay debt. Management consider these increased levels of early redemptions a temporary event. Assuming a 1% increase in prepayments would results in an increase in EIR asset by £0.1m, and assuming a 1% decrease would result in a decrease of the EIR asset by £0.1m.

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 2020 Annual Report and Accounts.

Judgements

Impairment of Financial Assets
Management experience and judgement is required in using IFRS 9 impairment models and IFRS 4 insurance liability 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 the tables of sensitivities relating to these assumptions.

5. Principal Risks and Uncertainties

The Group's activities expose it to a variety of risks: credit risk, liquidity risk, market risk (predominantly interest rate and macro-economic risk), pension fund obligation risk, capital risk, operational risk, conduct risk and climate change 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 accounts, and should be read in conjunction with the Group's 2020 Annual Report and Accounts.

There have been no material changes to the Group's risk appetite since publication of the Group's 2020 Annual Report and Accounts.

6. Taxation

The effective tax rate is 19.0% (2020:19.0%). 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 2021 the Society purchased £2.8m 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 2020, £2.9m were procured from NSSL). The Society received £4.8m from NSSL in the 6 months to 30 June 2021 for the provision of Financial and Administrative Services. (This compares to £5.0m from NSSL for the same period in 2020). For further detail see Note 31 of the Group's 2020 Annual Report and Accounts.

8. Interest receivable and similar income

	Unaudited 6 months to 30 Jun 21 £m	Unaudited 6 months to 30 Jun 20 £m	Audited 12 months to 31 Dec 20 £m
Interest Income calculated using effective interest rate	45.5	45.9	**91.6**
Interest recognised in respect of insurance contracts	6.0	6.3	**12.7**
Net expense on derivatives used for hedging purposes	(10.9)	(10.0)	(21.4)
Total Interest Income	**40.6**	**42.2**	**82.9**

Certain costs and income recognized using the effective interest rate method are included in Interest income calculated using effective interest rate in line with IFRS 9 since the 2020 year end accounts, but had been included elsewhere in the Income Statement in previous periods. To ensure the prior half year balance is comparable, the following reclassifications have been made to the 2020 half year results. Other income and charges increased by £1.0m, administrative expenses decreased by £0.2m, resulting in a net decrease in interest income of £1.2m.

9. 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 disaggregates revenue by segment and service type.

The table below illustrates the disaggregation of revenue in scope of IFRS 15, 'Revenue from Contracts with Customers'. Revenue from contracts with customers generated by the Solutions business and the Member business is included in “Other income and charges” within the Segment information note.

	Unaudited 6 months to 30 Jun 21 £m	Unaudited 6 months to 30 Jun 20 £m	Audited 12 months to 31 Dec 20 £m
Revenue from contracts with customers			
Solutions business:			
Savings management services	16.3	16.1	31.6
Savings management project and change services	0.4	0.6	1.2
IT services	0.3	0.3	0.7
Member business:			
Regulated advice services	2.4	2.5	4.3
Third party services	0.8	0.3	0.6
Other services	0.1	-	0.1
Total revenue from contracts with customers	**20.3**	**19.8**	**38.5**

10. 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.

6 months to 30 June 2021	**Member Business £m**	**Solutions Business £m**	**Total £m**
Net interest income	24.4	(0.5)	23.9
Other income and charges	1.7	19.9	21.6
Administrative expenses	(12.9)	(17.1)	(30.0)
Depreciation	(1.3)	(1.2)	(2.5)
Operating profit before impairments and provisions	**11.9**	**1.1**	**13.0**
Impairment reversals on loans and advances to customers	0.9	-	0.9
Provisions for liabilities and charges	(0.1)	-	(0.1)
	12.7	**1.1**	**13.8**
Impairment reversals on property and equipment			**0.1**
Profit before taxation			**13.9**
Taxation expense			(2.3)
Profit after taxation for the financial period			**11.6**

6 months to 30 June 2020	**Member Business £m**	**Solutions Business £m**	**Total £m**
Net interest income	18.7	(0.8)	17.9
Other income and charges	1.7	20.0	21.7
Administrative expenses	(13.5)	(16.5)	(30.0)
Depreciation	(1.3)	(1.0)	(2.3)
Operating profit before impairments and provisions	**5.6**	**1.7**	**7.3**
Impairment charges on loans and advances to customers	(5.1)	-	(5.1)
Provisions for liabilities and charges	-	-	-
Profit before taxation	**0.5**	**1.7**	**2.2**
Taxation expense			(0.4)
Profit after taxation for the financial period			**1.8**

Year to 31 December 2020	**Member Business £m**	**Solutions Business £m**	**Total £m**
Net interest income	41.8	(1.6)	40.2
Other income and charges	-	39.0	39.0
Administrative expenses	(24.8)	(33.1)	(57.9)
Depreciation	(2.8)	(2.1)	(4.9)
Operating profit before impairments and provisions	**14.2**	**2.2**	**16.4**
Impairment charges on loans and advances to customers	(10.5)	-	(10.5)
Provisions for liabilities and charges	-	(0.1)	(0.1)
	3.7	**2.1**	**5.8**
Impairment charges on property and equipment	-		(3.8)
Profit before taxation			**2.0**
Taxation expense			(0.6)
Profit after taxation for the financial period			**1.4**

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 2021.

	Level	Unaudited 30 Jun 21 £m	Unaudited 30 Jun 20 £m	Audited 31 Dec 20 £m
Financial assets				
Debt securities – Fair value through other comprehensive income	1	404.4	372.1	368.7
Equity investments (included in other assets)	1	0.2	0.2	0.3
Derivative financial instruments	2	2.1	0.2	-
Fair value adjustments for hedged risk on underlying instruments	2	168.4	228.6	214.3
Equity investments (included in other assets)	3	0.3	0.3	0.3
Financial liabilities				
Derivative financial instruments	2	169.5	228.4	214.3

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.

12. Credit risk

Loans and advances to customers consist of the following balances:

Product	30 Jun 2021 £m	30 Jun 2020 £m	31 Dec 2020 £m
Prime residential	2,680.4	2,483.0	2,497.5
Buy to let	390.0	315.8	352.0
Legacy books:			
Legacy buy to let	32.0	37.0	32.0
Commercial	18.1	28.9	21.8
Housing association	363.7	384.9	381.4
Serviced apartments	17.7	18.1	18.0
Policy loans	1.8	2.2	1.9
Equity release mortgages	174.5	185.4	182.5
Accrued interest	6.6	7.5	6.4
Provisions	(14.9)	(10.1)	(15.6)
Total	**3,669.9**	**3,452.7**	**3,477.9**

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 2020.

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 2020 Annual Report and Accounts for details of the Society's methodology of this assessment.

No changes were made to the model or scenario weightings since the December 2020 accounts. However, The House Price growth assumptions (HPI) within the scenarios have been updated slightly to reflect the more positive economic outlook. The following table summarises the HPI assumptions used. They are provided as annual percentage growth or contraction compared to the previous year. There have been no adjustments to post model adjustments and the treatment of payment holidays since December 2020 and they are not material individually or in aggregate. No other assumptions have been changed since the December 2020 accounts.

Scenario	2021	2022	2023	2024	2025
Upside	7.0	4.0	3.0	3.5	3.5
Base	(1.0)	(6.0)	2.0	5.0	5.0
Downside	(3.0)	(7.0)	(2.0)	1.0	5.0
Stress	(20.0)	(25.0)	(5.0)	5.3	16.7

IFRS 9 staging and loss provisioning

The impact of IFRS 9's staging and loss provisioning to the Society's closing 30 June 2021 balance sheet was as follows (payment holidays are not considered to be arrears):

IFRS 9 Gross Exposure

	Stage 1			**Stage 2**			**Stage 3**			**Total**
	Of which Months in Arrears			**Of which Months in Arrears**			**Of which Months in Arrears**			
	< 1	**1-3**	**> 3**	**< 1**	**1-3**	**> 3**	**< 1**	**1-3**	**> 3**	
					£m					
Prime residential	2,378.4	-	-	268.1	9.0	-	11.9	1.4	11.6	**2,680.4**
Buy to Let	361.1	-	-	25.7	1.7	-	0.7	0.2	0.6	**390.0**
Total	**2,739.5**	**-**	**-**	**293.8**	**10.7**	**-**	**12.6**	**1.6**	**12.2**	**3,070.4**

Expected Credit Losses

	Stage 1			**Stage 2**			**Stage 3**			**Total**
	Of which Months in Arrears			**Of which Months in Arrears**			**Of which Months in Arrears**			
	< 1	**1-3**	**> 3**	**< 1**	**1-3**	**> 3**	**< 1**	**1-3**	**> 3**	
					£000					
Prime residential	438.5	-	-	1,169.2	85.0	-	636.1	6.8	190.6	**2,526.2**
Buy to Let	70.1	-	-	173.5	24.9	-	339.1	3.5	3.7	**614.8**
Total	**508.6**	**-**	**-**	**1,342.7**	**109.9**	**-**	**975.2**	**10.3**	**194.3**	**3,141.0**

Sensitivity

The 30 June 2021 provisions are sensitive to the likelihood factor applied to the different scenarios. The analysis below demonstrates the impact of changes to the scenario weightings.

	Upside	Base	Downside	Severe downside	Provision £m
Actual weighting	10%	40%	35%	15%	3.1
Sensitivity 1	0%	100%	0%	0%	1.8
Sensitivity 2	0%	0%	100%	0%	2.3

Legacy portfolios

The provisioning methodology for Commercial, Legacy Buy to Let, and Service Apartments exposures follows that outlined in the December 2020 accounts. Economic scenarios have been updated to correspond with the scenarios used for residential mortgages and the same scenario weightings are used for these books as are used for the core books above.

The following sector specific discounts and uplifts have been used, compared to current collateral valuations:

Sector	Upside	Base	Downside	Severe downside
Retail	90%	80%	60%	40%
Banking	100%	90%	80%	50%
Leisure	70%	50%	40%	30%
Residential	106%	94%	82%	50%
Hotel	106%	75%	60%	40%
Distribution	120%	100%	90%	80%

These discounts and uplifts are applied to the latest valuation of the collateral property used for provisioning. No losses are expected on exposures to housing associations and policy loans

The resulting gross balances and corresponding provisions are as follows:

Product	30 Jun 2021		30 Jun 2020		31 Dec 2020	
	Exposure	Provision	Exposure	Provision	Exposure	Provision
	£m	£m	£m	£m	£m	£m
Legacy Buy to Let	32.0	3.6	37.0	2.0	32.0	3.0
Commercial	18.1	4.7	28.9	2.3	21.8	5.6
Housing Associations	363.7	-	384.9	-	384.1	-
Serviced Apartments	17.7	0.8	18.1	-	18.0	0.9
Policy Loans	1.8	-	2.2	-	1.9	-
Total	**433.3**	**9.1**	**471.1**	**4.3**	**457.8**	**9.5**

Sensitivity

The 30 June 2021 provisions are sensitive to the likelihood factor applied to the different scenarios. The analysis below demonstrates the impact of changes to the scenario weightings.

	Upside	Base	Downside	Severe downside	Provision £m
Actual weighting	10%	40%	35%	15%	8.9
Sensitivity 1	0%	100%	0%	0%	6.5
Sensitivity 2	0%	0%	100%	0%	10.4

Equity release mortgages

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

	30 Jun 2021 £m	30 Jun 2020 £m	31 Dec 2020 £m
Gross mortgage balances	174.5	185.4	182.5
Insurance liability	(2.7)	(2.4)	(2.4)
Net position	**171.8**	**183.0**	**180.1**

Since December 2020, the model used to determine the insurance liability for the equity release book has been updated to better reflect the liability associated with each individual account. HPI and dilapidation assumptions have also been changed to best reflect historic experience and management's expectations about medium and long term economic developments. The following table provides details about the assumptions used and the sensitivities to alternative assumptions.

Scenario Description	Insurance liability £m
The actual provision is based on an initial shock to HPI of 7.5% followed by 0% growth for 3 years. HPI then grows at 4.5% from 2024 onwards. Dilapidation costs are estimated at 6.5%.	2.7
Assuming an initial shock to HPI of 7.5% followed by 0% growth for 3 years. HPI then grows at 4.5% from 2024 onwards. Dilapidation costs fall 200bips to 4.5%	2.2
Assuming an initial shock to HPI of 7.5% followed by 0% growth for 3 years. HPI then grows at 4.5% from 2024 onwards. Dilapidation costs increase 200bips to 8.5%	3.3
Assuming no shock to HPI and HPI at a rate of 3% throughout, which is significantly below long term average. Dilapidation costs are estimated at 6.5%.	3.3
Assuming no shock to HPI and HPI at a rate of 4% throughout, which is below long term average. Dilapidation costs are estimated at 6.5%.	0.8

Statement of Directors' responsibilities

The Directors confirm that this condensed consolidated half-yearly financial information has been prepared in accordance with IAS 34 as applicable in the United Kingdom, and that the half-yearly management report herein includes a true and fair review of the information required by the Disclosure Guidance 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 2020, subject to the following changes: Phil Moorhouse stood down from the Board on 23rd August 2021, James Ramsbotham and Michele Faull joined the Board on 23rd August 2021.

On behalf of the Board

Andrew Haigh
Chief Executive
26 August 2021