

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

Branch and Financial Advice Centre Directory

Alnwick - 28 Bondgate Within, NE66 1TD	Tel: (01665) 603 344
Ashington - 10 Station Road, NE63 9UJ	Tel: (01670) 815 919
Barnard Castle - 25 Market Place, DL12 8NE	Tel: (01833) 600 100
Berwick Upon Tweed - 12 Hide Hill, TD15 1AB	Tel: (01289) 306 417
Bishop Auckland - 15 Newgate Street, DL14 7HG	Tel: (01388) 433 001
Carlisle - 65 English Street, CA3 8JU	Tel: (01228) 524 518
Chester-Le-Street - 42 Front Street, DH3 3BG	Tel: (0191) 388 5266
Consett - 19/21 Middle Street, DH8 5QP	Tel: (01207) 502 636
Cramlington - 34/35 Craster Court, NE23 6UT	Tel: (01670) 735 813
Darlington - 7/8 Horsemarket, DL1 5PW	Tel: (01325) 383 656
Durham - 73/75 Saddler Street, DH1 3NP	Tel: (0191) 384 3182
Gateshead - 12 Ellison Walk, Trinity Square, NE8 1BF	Tel: (0191) 477 2547
Gosforth - 105/107 High Street, NE3 1HA	Tel: (0191) 285 5965
Hawes - Hawes Community Office, Market Place, DL8 3RA	Tel: (01969) 600 333
Hartlepool - 133/135 York Road, TS26 9DR	Tel: (01429) 233 014
Hexham - 1-2 Beaumont Street, NE46 3LZ	Tel: (01434) 605 106
Middlesbrough - 38 Linthorpe Road, TS1 1RD	Tel: (01642) 243 617
Morpeth - 14 Market Place, NE61 1HG	Tel: (01670) 514 702
Newcastle - 136 Northumberland Street, NE1 7DQ	Tel: (0191) 261 4940
Newcastle - Portland House, New Bridge Street, NE1 8AL	Tel: (0191) 232 0505
North Shields - 76 Bedford Street, NE29 0LD	Tel: (0191) 259 5286
Penrith - 12 Market Square, CA11 7BX	Tel: (01768) 862 888
Ponteland - 23 Broadway, Darras Hall, NE20 9PW	Tel: (01661) 821 828
South Shields - Unit 3-5 Denmark Centre, NE33 2LR	Tel: (0191) 454 0407
Stokesley - 36 High Street, TS9 5DQ	Tel: (01642) 711 742
Sunderland - 14 Waterloo Place, SR1 3HT	Tel: (0191) 565 0464
West Denton - 22 Denton Park Centre, NE5 2RA	Tel: (0191) 267 5038
Whickham - 28 Front Street, NE16 4DT	Tel: (0191) 488 1766
Whitley Bay - 303 Whitley Road, NE26 2HU	Tel: (0191) 252 0642
Wooler - The Cheviot Centre, NE71 6BL	Tel: (01668) 260 360
Yarm Library - 41 The High Street, TS15 9BH	Tel: (01642) 785 985

Connecting our communities with a better financial future.

Newcastle Building Society
Member update including
Summary Financial Statement 2019



Portland House, New Bridge Street, Newcastle upon Tyne, NE1 8AL
Tel: 0191 244 2000 www.newcastle.co.uk



Highlights of 2019

Branches

We have opened 10 branches that had been refurbished or relocated across our network, as part of our multi-million pound investment programme, branches included South Shields, Morpeth and Ponteland.

Slow Shopping

First organisation in the UK to roll out a Slow Shopping environment across a branch network. Slow Shopping caters for those who live with disability. Each branch has dedicated times when shopping can be more relaxed and quiet.

Community Branches

Giving back to our communities, we opened two new community branches in Hawes and Wooler. These community branches will serve the rural populations that the banks have left behind.

Careers

Welcoming 7 graduates and 15 new apprentices to develop their careers in our business and become our future leaders, including two young people from the Prince's Trust programme.

Awards

In 2019, 29 industry awards were won by Solutions clients. The Society received eight awards, including 'Best Regional Building Society' for the 3rd year in a row, and were also rated as one of the top 100 employers for apprenticeships.

Financial Advice

The acquisition by our subsidiary, Newcastle Financial Advisers Limited, of a financial advice business. In 2019 we purchased the advice firm, Fidelis Financial Solutions, based in the bustling market town of Pickering in North Yorkshire.



Mortgage Lending

Record mortgage lending whilst expanding our proposition into new lending areas. This has been supported by strong retail funding through our branches.

Financial Performance

A robust financial performance with Group profit before tax and Group operating profit increased by 11% to £14.7m and £16.3m respectively.

Colleague Engagement

In 2019 we launched a new 'Colleague Voice' platform, which provides insight driven feedback via a continuous conversation. Maintaining colleague engagement scores considerably higher than the financial services sector average.

LISA

Following the successful launch of our Lifetime ISA back in 2018, we were pleased to provide further support to potential homeowners by launching our new Lifetime ISA Deposit Booster mortgage.

Community Fund

In 2019 we surpassed £2m in the value of our Newcastle Building Society Community Fund and were able to increase our grant giving. We donated the equivalent of 11% in pre-tax profits to the Community Fund.

Dementia Friends

In 2019, our Dementia Friends programme expanded. The Society has now trained over 2,070 Dementia Friends, including every colleague of the Society, local businesses and the public in 145 sessions.

Chairman's Statement

Newcastle Building Society made positive progress in 2019, despite continuing uncertainty and the challenges of the UK's sluggish economic growth. The Society continued to deliver its purpose led strategy to 'connect communities with a better financial future' and saw growth across the Group, an increase in Society membership and an increase in profit.

Phil Moorhouse, Chairman



Cow Hill, Town Moor, Newcastle

Economic Summary

The impact of Brexit uncertainty on investment and consumer confidence continued to be felt throughout the year. The outcome of the UK's future trading relationships will likely continue to impact consumer and business confidence until we have more clarity in this area.

Towards the end of 2019 GDP growth slowed due to the UK General Election and Brexit. Not surprisingly, the housing market has remained flat, while we have seen significant competition in the market with some of the lowest fixed rates seen for some time and continued downward pressure on margins. As re-mortgaging has reduced, we've seen first time buyers take a larger share of the market. Post-election, we saw an almost immediate uplift in mortgage approvals, increasing 10% on the previous month.

The level of UK personal debt has increased in recent years, driven by student loans and hire purchase. Despite recent growth, earnings in real terms are still lower than before the economic downturn in 2008/2009.

Savings rates continued to fall in 2019 with the outlook for 2020 not looking much better. As a result we are seeing customers choosing to save in easy access products, compared to fixed term/fixed rate products.

Looking forward, inflation is predicted to remain low but slightly higher than 2019 and forecasts for UK economic growth are similarly subdued.

We anticipate increased competition in both savings and mortgage markets, however the lower interest rate, lower margin environment has seen some lenders withdraw from the market altogether in 2019.

Although the Society has faced these significant headwinds, I am pleased to report it has delivered a strong financial performance alongside continuing to invest in the Society for the benefit of Members and colleagues.

Strategy and purpose

Our aim is for the Society to continue to build a long term sustainable business, through focus on and delivery of our purpose led strategy.

As a Member owned business there is a desire and a need to continue to invest for the benefit of Members. In addition to significant investment in IT resilience across the Group, a multi-million pound investment in creating a network of modern branches has continued.

New branch formats combine a modern design with a person first approach. It is our continuing belief that it's not just important for the Society to maintain or even grow a physical presence on our high streets, but to continue to combine that with a friendly face, empathy towards customers' individual circumstances and a high level of customer service and satisfaction. In our view, the future success of a branch network isn't just about bricks and mortar, but it's also about commitment and finding our place in the communities we serve.

Branches were opened in two new locations and building on the success of the Society's Community Branch in Yarm Library, partnerships were developed to enable the opening of two new, highly innovative community branches in remote, rural towns in region in early 2020.

Branches continue to offer accessible financial advice on the high street, which is provided through the Society's subsidiary, Newcastle Financial Advisers Ltd. The business has seen growing customer demand for its financial advice throughout the year. We were pleased to see this subsidiary strengthened with the acquisition of another advice business – extending its reach and adding to our customer base.

A commitment to being a great place to work and to realising regional potential saw continued investment in colleagues throughout 2019. Over 1,250 colleagues are now employed by the Group and I have been pleased to see the continued efforts across the business to ensure that all colleagues, wherever they work feel connected to our Purpose.

In addition to creating regional employment opportunities through 150 new roles, the Society has implemented additional positive changes for our colleagues throughout 2019 which include a focus on colleague wellbeing, a new approach to performance management and colleague engagement and an ongoing journey to ensure we offer fair and appropriate reward, connected to the overall performance of the business.

National recognition of the Society's achievements continued via a number of awards, ranging from mortgage lending to customer service and experience, being a great place to work, and its growing apprenticeship programme. It is heartening to see how colleagues share the commitment to making our region a great one. From highest ever colleague fundraising in support of our Community Fund, to volunteering days spent in the service of local charities and community projects, I am proud of their dedication and passion to play their part in delivering positive change in areas that need it most.

Performance

Alongside a strong balance sheet, profit is one important measure of performance, and in 2019 Group operating profit before impairments and provisions was £16.3m, a £1.6m increase on 2018. The Society has also continued to maintain robust capital ratios with Common Equity Tier 1 ratio at 13.9%, well within regulatory guidelines alongside more than adequate levels of liquidity at 15.8%. Further details of the financial performance are provided on the following pages, within the Chief Executive's Review.

The Society's mortgage lending has gone from strength to strength and it has proved itself capable of succeeding in a challenging and competitive market place, with record levels of new lending in 2019.

Innovation

In 2019 the Group's two subsidiaries, Newcastle Strategic Solutions Limited and Newcastle Systems Management Limited were merged into a single organisation under the Solutions brand. Award winning Newcastle Strategic Solutions is the UK's market leading provider of third party online savings management, technology and service.

These changes have brought under one area both the technology and service elements of the proposition. The subsidiary continues to make a valuable contribution to the Group's scale and efficiency, further strengthening its ability to invest for the long term benefit of current and future Members.

Governance and regulation

The Society has regard for the Revised UK Corporate Governance Code which emphasises the culture and purpose of an organisation and putting stakeholder organisational relationships at the core of a set of principles to promote long term sustainable growth. We are comfortable this aligns well with our purpose led strategy.

Countercyclical Capital Buffers (CCyB) are one of the tools that the Bank of England uses to adjust the resilience of the banking system against the potential of increasing risk by determining an additional amount of capital that institutions are required to hold. In December 2019, the Bank announced that CCyB is due to increase in December 2020 from 1% to 2%. The Group's capital plans incorporate this increase in requirement.

Board

As part of changes to our Board we welcomed Adam Bennett, who joined as a non-executive director in April 2019. He is a member of the Society's Group Risk Committee and a director of Newcastle Portland House Limited.

One of the UK's leading lawyers with more than 30 years' experience, his specialist expertise was in advising building societies and other financial mutuals on corporate, constitutional, governance and regulatory issues.

Patrick Ferguson, the Society's Strategy Planning and Risk Director left the Society after nine years' service, including five as a director. I would like to record our appreciation for Patrick's contribution over that time.

Summary

It has been pleasing to see how the Society's purpose and strategy has galvanised colleagues and continued to drive innovation in all areas of the organisation. I hope that our Members can detect this energy and ambition and can feel the benefits of the changes underway. There is a real desire to make Newcastle Building Society the best regional building society for its Members and for its region.

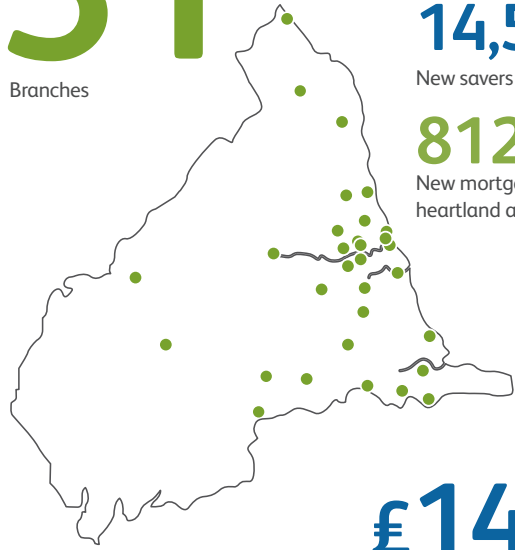
A handwritten signature in black ink, appearing to read 'Phil Moorhouse'.

Phil Moorhouse
Chairman
25 February 2020

2019 Performance Highlights

31

Branches



1,169

First-time buyers

14,516

New savers across the UK

812

New mortgages in our heartland area



37

Industry awards

13.9%

Common Equity Tier 1 Capital



Gross residential lending

£931m

£14.7m

Profit before tax

4,650

Volunteering hours donated by colleagues



1,250

Colleagues



£183m

Invested by new savers

86

Community projects awarded with grants totalling

£403,000

96%

Overall customer satisfaction

Chief Executive's Review

2019 was a year of hard work and challenge, along with many 'firsts' and real progress, as we have continued in our endeavour to make a genuine, positive difference in our region and beyond.

Andrew Haigh, Chief Executive



Whitley Bay Branch

I am very pleased to have welcomed over 40,000 additional customers to our Society. This is an important indicator that our purpose - 'to connect our communities with a better financial future' - which in turn drives our strategy, is delivering impact for the people we aim to serve. Alongside a 12% net growth in customers. I am also pleased to report an increase in profit, strong capital ratios, good liquidity and low credit risk across our mortgage book - all key measures of how we are building a long term, sustainable business. Some of our key highlights include:

- Completion of 10 more branch launches as part of our multi-million pound branch refurbishment and relocation programme;
- First organisation in the UK to roll out a Slow Shopping environment across a branch network;
- Introduction of two new community branches in Hawes and Wooler to serve rural populations that the banks have left behind;
- Record mortgage lending supported by strong retail funding through our branches;
- A robust financial performance with Group profit before tax and Group operating profit before impairments and provisions increased by 11% to £14.7m and £16.3m respectively;
- Maintaining colleague engagement scores considerably higher than the financial services sector average;
- Welcoming 7 graduates and 15 new apprentices to develop their careers in our business and become our

future leaders, including two young people from the Prince's Trust programme;

- 29 savings awards won by Newcastle Strategic Solutions' clients;
- The acquisition by our subsidiary, Newcastle Financial Advisers Limited, of a financial advice business;
- Launch of our new LISA Mortgage Booster in response to our customers' feedback to help with a deposit on a new home; and
- Surpassing £2m in the value of our Newcastle Community Fund at the Community Foundation.

Our regional view

As the North East's largest building society with assets now in excess of £4.4bn, we are committed to supporting and developing the potential of our heartland, which includes the North East, Cumbria, and North Yorkshire. Our towns are facing many challenges, and like many regions in the UK we've witnessed the withdrawal of banks and financial institutions from our high streets.

This creates concern as we witness closed premises, visible decline, and the reduction in the availability of local financial services. But at the same time it creates opportunity for a Building Society committed to the region and whose strategy is to be part of the solution. In our view, something has got to change and it is time for some new and innovative thinking.

Chief Executive's Review

Continued

Our strategy is expressed through our commitment: to a presence on our region's high streets; to work in partnership to support our communities; to making financial information and advice accessible to all. Work undertaken in 2019 in these areas will we believe, make a tangible difference in 2020 to our ability to support the communities in our region, including those which have been previously abandoned by financial services.

Strategy and purpose

We continue to place our purpose front and centre of our strategy.

Our strategy is powered by four key themes that include being purpose led; building our reputation and brand through the communities we serve; recognising that appropriately growing the scale of the business, while maintaining a sharp focus on efficiency are essential features of our long term sustainability; and that if we do all of these things well, our customers will value and support us, making mutual advocacy a key part of our ongoing success. Put more simply, as a purpose led, Member owned organisation, we recognise that our success will be determined by the reputation we build in, and what we deliver for, the communities we serve across our region.

We occupy a unique and privileged position as a Member owned organisation, based in the North East, with a powerful connection for our colleagues both to their roles, and to the customers they serve. Our colleagues know that they are personally making a real and positive difference to the people and places that are important to them.

Our performance

Our strategy is delivering results. We grew our customer numbers by 40,000 in 2019. We increased our branch savings balances by 23%, a net movement of £400m. Our overall net savings growth grew by 25% to £687m and since launching our Lifetime ISA in 2018, we now have more than 40,000 Lifetime ISA customers.

Strong retail savings balances provide a solid foundation for our record net residential mortgage lending of £575m, an increase of £415m on 2018. This lending has been achieved within margin forecasts and in the context of a flat mortgage market.

In addition to this positive progress, we continued our ongoing programme of investment into the resources and capabilities of the business, enabled by a continued improvement in our operating profits.

Building authentic, lasting relationships

With our customers

Nowhere is our success better measured than through our customer satisfaction scores. In 2019 we achieved a score of

96 per cent. Our net promoter score measures the loyalty of our customer relationships and is driven by the quality and value our colleagues deliver to our customers. In 2019 our NPS score was 84 - a high score that puts us near the top of the spectrum, as NPS scores range from -100 to +100.

We have also introduced a new tool, Customer Voice, which measures real time customer satisfaction across all our channels including telephone, digital and face to face.

On our high streets

Our friendly and helpful colleagues are at the centre of excellent scores such as these, but they deliver more than an impressive level of service and satisfaction. Almost all colleagues across our business and all those in our branches are Dementia Friends. Our active commitment to promoting awareness of dementia has created more than 2,000 Dementia Friends in our region and beyond. This has driven other innovations, including an initial pilot and full roll out of 'Slow Shopping' across our branch network.

The Slow Shopping movement was pioneered by Katherine Vero in Gosforth and enlists shops and businesses on the high street to provide both a sympathetic environment and a deeper level of customer understanding to create a welcoming environment for people living with conditions like dementia and autism. The inclusive nature of Slow Shopping means that more people can feel at home on our high streets, reducing isolation and improving quality of life. We are the first institution in the UK to deliver this across a full network of branches.

We believe in the role of the high street at the heart of our communities. Our multi-million pound branch refurbishment and relocation programme this year delivered ten new-look, modern branches. Combining the best in personal face to face service with a spacious and open environment, our customers have been highly supportive of our changes. Where space allows, we have also introduced community rooms, which are provided free of charge for use by local community groups. Eleven of our branches have community rooms in which groups meet up in for education and reading groups, craft groups or to socialise and share cultures. We expect to add more community rooms to our branch network in 2020.

Our commitment to maintaining our presence on the high street has seen the Society increase its network to 31 branches in 2019, with the addition of four new branches. In Teesdale, we have transformed our Barnard Castle presence from an agency to a full branch. In Bishop Auckland our new branch was welcomed in such numbers by locals that we made the decision to begin trading there ahead of refurbishing the old bank premises we took over.

We're no less thrilled to be adding to our branch network through community partnerships and have introduced two

new community branches - to Wooler in Northumberland and to Hawes in the Yorkshire Dales. Both towns were abandoned by the banks. It has been inspiring to witness the work of the Glendale Gateway Trust in Wooler and the Upper Dales Community Partnership in Hawes, both highly proactive local community trusts seeking to improve the lives of local people. We're proud to play our part by bringing local financial services back to these towns.

Providing accessible financial advice is another of our commitments and 2019 saw our subsidiary, Newcastle Financial Advisers, deliver approximately 6,500 advice sessions to customers. The team enjoy customer satisfaction levels of 98 per cent, and achieve a 93 per cent net promoter score. With a strategy for growth, in 2019 Newcastle Financial Advisers purchased the advice firm, Fidelis Financial Solutions, based in the bustling market town of Pickering in North Yorkshire. Newcastle Financial Advisers also runs an Academy training programme in association with Openwork to recruit and skill the next generation of professional advisers. Six new trainees joined in 2019. The subsidiary experienced its best ever year for the volume of new investments.

With our communities

Creating a long term, sustainable, charitable funding legacy to support our region is another key priority and 2019 saw us celebrate surpassing £2m value in our Newcastle Building Society Community Fund at the Community Foundation, Tyne & Wear and Northumberland.

Our Society was the first to sign up to the Alternative Scheme operated by Reclaim Fund Limited, which enables smaller building societies and banks to utilise qualifying dormant accounts to support their local charities. This saw a substantial donation to the Community Fund of £943,000. The Newcastle Building Society Community Fund made £403,000 in community grants across the North East and Cumbria during the year. The Fund doubled the value of Building Improvement Grants to provide up to £100,000 for maintaining or improving community buildings. Organisations that benefited included Barnabas Safe and Sound, which provides support and services for young and vulnerable people; Earsdon & Wellfield Community Association which welcomes around 500 people across all age ranges every week to its building; and East End Youth and Community Centre.

We supported 86 community projects and causes in 2019 including the Sir Bobby Robson Foundation and the Prince's Trust. Six grants were made to foodbanks in our region.

Our colleague fundraising is key to continuing to add momentum to the Fund's value and support and colleague fundraising surpassed a record £28,500 in the year. Meanwhile, 42 per cent of colleagues used their volunteering days to support community ventures.

We have a tradition of partnering with our region's libraries which began with our Yarm Library branch opened in 2016. Understanding that these valued public spaces are under financial pressure, the Society has committed to work with Whickham Library in Gateshead and Stokesley Library as part of a three year programme of financial support which will be used towards any funding gaps, and further enhance the library facility and community activities.

In partnership with the North East England Chamber of Commerce, and following the Chamber's High Street Report in 2018, we are piloting delivery of a programme of free information events for high street retailers in North Shields. Hosted largely by the Society, sessions are delivered by established businesses and share valuable know-how, experience, and tips to help smaller independents make the most of their businesses. The programme may be extended across the North East if it proves successful.

With our broker partners

The majority of our mortgage lending is done through UK wide networks of brokers and this channel of distribution has been significant in driving our record levels of mortgage lending. We actively listen to our brokers to better understand their needs and during the course of 2019 we increased our broker intermediaries team and introduced a product transfer facility and an online selection tool. We were pleased to maintain our FT Adviser four star rating for service, as voted for by brokers.

With our colleagues

We created and filled over 150 new jobs in the region in 2019 and were thrilled to achieve second place in the North East's 'Best 100 Places to Work' awards.

While we have maintained colleague engagement scores that are considerably higher than the sector average, we recognise we have more to do. Colleague feedback includes a requirement to improve our working environment; creating break out spaces for collaborative working and making our workspaces better and more creative places to be.

We continue to invest in our Early Talent programme and in 2019 we were placed in the top 100 employers with 'Rate My Apprenticeship'. We also saw one of our apprentices winning the 'Rising Star Award' for the North East region at the national apprenticeship awards.

Our Prince's Trust partnership was recognised at the end of its first year in 2019 with 'Highly Commended for the Best New Partnership' for our contribution in helping young people to live, learn and earn. In delivery of our partnership we welcomed five Prince's Trust students to our Society for a two week work experience programme which resulted in two young people being offered permanent roles with us through our apprentice programme.

Chief Executive's Review

Continued

As part of our investment in being a great place to work, in 2019 all managers attended our 'Manager as Coach' programme to help build a coaching culture and empower colleagues to take ownership of their performance and development.

All colleagues attended a Forum Theatre immersive learning experience to inform and empower their adoption of a new approach to performance management, incorporating a conversation rich, future focussed, colleague led approach. We also continued our investment in business leaders and launched a talent management framework.

Performance related pay was rolled out across the Group to enable recognition of colleagues for their development within their individual role and their contribution to our Society's success.

We launched a new 'Colleague Voice' platform, which provides insight driven feedback via a continuous conversation. Our focus on colleague wellbeing included the introduction of wellbeing advocates, mental health first aiders and a number of successful awareness campaigns across the year. This resulted in a Bronze 'Better Health at Work' award.

We kicked off 2020 with all colleague Vision & Strategy events to outline our strategic ambition, progress to date and gain colleague feedback. Our colleague belief and energy is key to driving the organisation on to achieve greater success and our commitment to these two days across our Group was an important investment.

Innovating

Scale and efficiency

We are delighted that the UK's leading provider of third party online savings management services is based in the heart of the North East. A shining example of building society innovation, our subsidiary, Newcastle Strategic Solutions continues to strengthen its reputation as a fintech leader and influencer, and to provide valuable career opportunities in the region for those who want to develop a career in technology, service or related business support areas.

Employing more than 620 talented colleagues, Solutions has added to its growing roster of clients having welcomed B-North and Recognise on board, both developing new challenger banks to the market, focusing on the needs of small to medium sized businesses.

We made changes last year to our business structure to merge two subsidiaries, Newcastle Strategic Solutions Ltd and Newcastle Systems Management Ltd under a single Solutions brand. This has created a more streamlined and efficient approach to planning, operating and reporting for the benefit of both our clients and our Group.

Solutions has an important role to play in delivering our purpose and strategy. It drives technological innovation across our Group, provides great career opportunity for local talent, contributes to Group profitability and enables us to build scale and resulting efficiencies. I'm pleased to see that it is continuing to grow its contribution to the Group and its reputation and opportunities.

Products, services, recognition

Against a backdrop of record mortgage lending and attracting similarly high levels of retail savings through our branches, we have continued to develop and innovate our product range.

We launched Custom Build and Advance Payment Self-build propositions alongside launching Buy to Let in Scotland. When we talked to our Lifetime ISA customers they told us that while they could afford monthly mortgage payments the time it was taking to save a deposit was the big challenge. As a result we launched an innovative LISA deposit booster mortgage providing a £2,000 boost to a mortgage deposit.

We became the first building society in the UK to introduce a digital debt help service using integrated Open Banking technology for mortgage customers facing financial difficulty or those needing extra support to understand their financial position. This led to the Society winning 'Best Debt and Arrears Management Strategy' at the Mortgage Finance Gazette Awards. Other accolades during the year included: third time winner in a row of What Mortgage 'Best Regional Building Society'; second time winner of L&G's 'Best Smaller Lender'; and 'Best Self Build Lender' in the Personal Finance Awards.

Financial Performance

Group profit before tax improved, increasing by 10% to £14.7m for the year ended 31 December 2019, compared to £13.3m for 2018. Operating profit before impairments and provisions improved by 11% to £16.3m (£14.7m in 2018).

Total operating income increased by 16% to £74.9m in 2019 (£64.5m in 2018). This was offset by overall management expenses including business administration costs and depreciation expenses, both of which increased to a cumulative £58.6m from £49.8m in 2018, reflecting significant levels of investment in colleagues, the branch network, and information technology resilience and data security.

The Society's net interest margin improved to 0.95% from 0.92% in 2018. Net interest income increased by £4.4m to £38.6m, reflecting an increase in our mortgage lending and the impact of rises in LIBOR alongside reduced funding costs.

The Group's capital ratios remain robust with Common Equity Tier 1 ratio reducing slightly to 13.9% from 15.7% and Tier 1 ratio reducing to 14.3% from 16.3%. Both reductions were primarily as a result of increased lending. The Group complied with Individual Capital Guidance plus capital buffers, as notified by the Prudential Regulation Authority, throughout 2019.

The Society continued its focus on core residential lending while winding down legacy portfolios. The net increase in customer loans and advances was £523m overall in 2019 and included a £575m net increase in core residential, of which £94m was in buy to let.

The percentage of mortgages in arrears by three months or more remain at low levels for 2019. Overall number of loans arrears have seen a slight increase (0.04%) to 0.34%. This remains lower than the industry average.

The Group's liquidity, excluding encumbered assets, ended the year at 15.8% compared to 14.6% in 2018. This is comfortably in excess of the Society's minimum operating level.

Summary and look ahead

The combination of visible progress against our purpose led strategy; significant growth; substantial investment; and improved financial performance against a challenging and uncertain economic and political backdrop was very encouraging in 2019 and sets a positive tone for 2020 and beyond.

However, we need to be mindful that the outlook for business in a post Brexit world is far from settled, interest rates are likely to remain low and given so many uncertainties, we can expect continued and appropriate caution from regulators with regard to capital requirements for all financial institutions. We also plan to continue our investment programme into infrastructure, technology and resources across the business – with a view to growth, continued strengthening of our business model and improved efficiency and financial performance for the long term.

We have been pleased by the positive response to our activities – in supporting our communities, encouraging people to save, helping them own their own home and plan their finances.

We are genuinely committed to supporting our high streets and finding new ways to ensure an authentic, face-to-face service, delivered locally can be part of our core offer to communities for the years ahead, while also investing in what the best of modern technology can offer. We are also proud of the achievements of Newcastle Strategic Solutions and the difference that subsidiary makes: bringing further diversification to the financial services market place; creating jobs in our region and delivering income back to the Group for the benefit of our Members.

I have no doubt that the year ahead will be full of both familiar and entirely new challenges. However, I believe we have a clarity of purpose and strategy that will enable us to continue to be relevant to the needs of our region, to make a genuine positive difference and to flourish. As ever, this is only possible with the support of our wonderful colleagues across the Group, whom I thank for their tireless efforts and the many other partner organisations and advocates who have given us so much positive feedback over the last year. I must also recognise the support of our Board and most of all, our Members, as we look forward to a further year of progress in 2020 in 'Connecting our communities with a better financial future'.



Andrew Haigh
Chief Executive

25 February 2020

Community Support



Here at Newcastle Building Society, we are committed to helping our communities make positive changes.

Our colleague volunteering supported 153 causes this year and we provided 86 grants to the many small (and not so small) community groups across our region.

We provide our grant support through the Newcastle Building Society Community Fund. We celebrated a major milestone when the fund passed a £2m milestone this year.

One of our priorities, through the fund, is to create a long term, sustainable funding legacy to support the hard working and committed communities of our region for many years to come.

More than £403,000 was distributed in community donations across the North East and Cumbria during the year. We doubled the value of Building Improvement Grants to provide up to £100,000 for groups in need of assistance in maintaining or improving their community buildings.

To the right are a few of the local causes that have been supported over the year.

We've made a small change to our grant nomination process recently. From 2020 Members can nominate local community groups, causes and charities across the North East for grants of up to £3,000, at any point in the year .

If you would like to nominate a cause local to you and to our branch network, please see our website: newcastle.co.uk/community or visit your local branch for more information.

BAY Foodbank

The BAY Foodbank aims to provide emergency food provision to individuals or families experiencing a financial crisis. A grant of £3,000 is helping to fund the Foodbank's food for two breakfast clubs and a lunch club for schools on the Meadowell Estate in North Tyneside.



Barnabas Safe and Sound

Barnabas Safe and Sound works with young people aged 11 – 25 experiencing a personal or housing crisis. A BIG grant of £49,956 was used to refurbish Wellwood House and remove interior walls. This has created a 1-1 room and an open plan area for delivery of services for young people in their care.

RDA Unicorn Centre

The centre based in Cleveland has used their grant of £3,000 to pay for a new horse, named Caesar. Caesar helps the centre to deliver their riding therapy sessions to children and young adults with disabilities.



Boardroom Charity Challenge

This year, we changed up the Boardroom Charity Challenge and hosted the event externally with Gateshead Council and Proto, supporting 8 Gateshead schools. St Mary's RC Primary School in Whickham were the winners on the day and won the £1,000 cash prize to host their big school pyjama party, raising funds for a local charity.



The Children's Foundation

The Children's Foundation is a charity which works to improve the health and well-being of children and young people in the North East. They used their grant of £3,000 to create a wooden story chair and provide reading resources for children visiting the Great North Children's Hospital to help reduce their anxiety whilst in hospital.



East End Youth and Community Centre

The Community Centre in North Shields used a grant of £3,560 to make much-needed repairs to its dance studio, which is used for theatre and dance groups and Zumba classes. The grant enabled them to redecorate the interior and replace the performance mirrors.



Savings and Mortgages



Buying a home? You might like our common sense approach

As the North East's largest building society, we take a common sense approach to lending. Whether you're a first time buyer or an older lender, we appreciate your needs will be different. We make the effort to understand your particular circumstances using manual underwriting to help you own your home. We're one of the most competitive lenders for 5% deposit mortgages. In 2019, we supported 1,167 first time buyers onto the property ladder.

Record breaking year

The Society has had a record breaking year for mortgage lending as more borrowers turned to us for help in re-mortgaging their homes or buying their dream home.

Thanks to our multi-million pound branch refurbishment/relocation programme we've attracted more savings to deposits held in our branches; these have increased by 20%.

This achievement has been recognised through various industry awards including winning What Mortgage's 'Best Regional Building Society' for the 3rd year in a row.

Cash Lifetime ISA (LISA) mortgage

Since the launch of our successful LISA back in 2018, we introduced our deposit booster mortgage, exclusive for Newcastle LISA customers. This mortgage gives prospective home buyers an extra £2,000 which could be used towards their deposit on a new home.



Financial Advice



Ask Newcastle Financial Advisers

Newcastle Financial Advisers was established over 17 years ago by Newcastle Building Society. We're here to provide trusted and accessible financial advice to those who need it. We have financial advisers in all of our 31 branches.

Last year, we provided around 6,500 financial advice sessions for our customers to connect them with a better financial future. Over £95 million of customer money was invested to meet their longer term financial planning needs.

We're pleased to announce that our customer satisfaction score was 98% and our Net Promoter Score was 93, the highest levels of satisfaction and advocacy we've ever received.

As part of our strategy for growth, in 2019 we purchased the advice firm, Fidelis Financial Solutions, based in the bustling market town of Pickering in North Yorkshire.

We also continue to invest and grow our regional talent and we were pleased to welcome six new trainees into our Financial Adviser Academy. Our aim is to create financial advisers of the future and to make sure they have the skills and values to provide expert advice to our customers.

Throughout 2019 the BIG talks continued across our heartland area. They're free, relaxed and informal events focused on helping people make the most of their money.

If you're interested in coming along to an event this year, here is a list of some upcoming dates and venues.



BIG talks in your community

Wednesday 6th May 2020

Judges Country House Hotel, Kirkclevington

Tuesday 12th May 2020

Emirates Riverside Stadium, Chester-le-Street

Wednesday 13th May 2020

Carlisle Branch, 65 English Street, Carlisle

Tuesday 9th June 2020

White Swan Hotel, Bondgate Within, Alnwick

Tuesday 16th June 2020

Jury's Inn, Fry Street, Middlesbrough

Wednesday 24th June 2020

Old Low Light Heritage Centre, North Shields

Tuesday 30th June 2020

Best Western Hotel, Beaumont Street, Hexham

Ask in your local branch when their next BIG talk seminar is scheduled and they can reserve a place for you and any guests.

Annual General Meeting AGM

Notice of AGM

Notice is given that the AGM of Members of Newcastle Building Society will be held on Wednesday 22 April 2020 in the Barracks Suite, St James' Park, Newcastle United Football Club, Newcastle upon Tyne, NE1 4ST at 1.45pm, for the purpose of considering and voting on the following matters (items 1 to 3 being proposed as ordinary resolutions and item 4 relating to the election and re-election of directors):

Ordinary Resolutions

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

Election and Re-election of Directors

4.
 - i) To elect George Adam Bennett
 - ii) To re-elect Bryce Paul Glover
 - iii) To re-elect Andrew Scott Haigh
 - iv) To re-elect Karen Ingham
 - v) To re-elect Anne Laverack
(Business name: Anne Shiels)
 - vi) To re-elect Stuart Miller
 - vii) To re-elect Philip James Moorhouse
 - viii) To re-elect John Morris
 - ix) To re-elect David Alan Samper
 - x) To re-elect Michael Roger Thompson
 - xi) To re-elect Ian William Ward

The Board recommends that you vote "For" each of the resolutions and "For" the election or re-election of each of the Directors.

By order of the Board



Ian Good
Group Secretary
25 February 2020

Notes

1. These Notes form part of the Notice of Meeting.
2. Under the Society's Rules, a Member entitled to attend the Meeting and vote may appoint a proxy to attend and, in the case of a poll, vote on their behalf.
You may appoint the Chairman of the Meeting or anyone else as your proxy and your proxy does not have to be a Member of the Society.
3. You may direct your proxy how to vote at the Meeting. Please read the instructions on the Voting Form or on the online voting website specified below.

How to Vote

You can either vote:

Online

1. You can vote online at www.newcastle.co.uk/agm
2. You must vote online by 5pm on Friday 17 April 2020. 30p will be donated to The Newcastle Building Society Community Fund at the Community Foundation for every vote submitted online.
3. By voting online, you are appointing the Chairman (or another representative that you choose, who does not need to be a Member of the Society) to attend and vote in your place. You can also tell them how to vote at the Meeting by following the instructions online.

Freepost

1. Complete, sign and detach the Voting Form.
2. Post it in the pre-paid envelope provided. No stamp is required. Your form should be received by the independent scrutineers, Civica Election Services, by no later than 5pm on Friday 17 April 2020.
3. By voting by post, you are appointing the Chairman (or another representative that you choose, who does not need to be a Member of the Society) to attend and vote in your place. You can also tell them how to vote at the Meeting by following the instructions on the Voting Form.

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

At the AGM

1. You can vote in person at the AGM on Wednesday 22 April 2020.
2. Bring your Voting Form, or other evidence of membership, to the Meeting.

Agenda:

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

Annual General Meeting AGM

Continued

Explanatory notes to the business of the AGM

The following explanatory notes to the business of the AGM are for information purposes only and do not form part of the Notice of AGM. Please note that the numbering of the items in these explanatory notes is the same as in the Notice of AGM.

1. The Annual Report and Accounts for the year ended 31 December 2019 are required to be received formally by Members at the AGM.
2. As a building society, the Society is required by law at each AGM to appoint the external auditors who are to hold office until the end of the next AGM. The Board is proposing the re-appointment of PricewaterhouseCoopers LLP as auditors.
3. The Summary Directors' Remuneration Report included on pages 22 to 24 of the "Member update including Summary Financial Statement 2019" document summarises the Society's approach to pay for the period 1 January 2019 to 31 December 2019. It also sets out the remuneration policy and remuneration details for the Executive and Non-Executive Directors of the Society. The summary is split into three main sections:
 - i) Statement by the Chairman of the Remuneration Committee;
 - ii) Report on Remuneration; and
 - iii) Directors' Remuneration Policy.

A full version of the Directors' Remuneration Report can be found in the Annual Report & Accounts 2019 which will be available at every branch of the Society from 20 March 2020. This information is also available online at: www.newcastle.co.uk/agm2020

Voting on the Report

At the AGM there will be a vote on sections (i) and (ii) of the Directors' Remuneration Report as it appears, in full, in the Annual Report & Accounts 2019. This vote will be on an advisory basis, and the Directors' entitlement to remuneration is not conditional on it. We will take the views of our Members seriously, as expressed through the advisory vote, and will consider the result carefully to determine what action, if any, is appropriate.

4. In accordance with best practice on corporate governance, all of the Society's Directors are standing for either election or re-election at the AGM.
The biographical details of all the Directors are set out on pages 18 to 21 of the "Member update including Summary Financial Statement 2019" document and also on pages 30 to 33 of the Annual Report & Accounts 2019. Those details include their skills, experience and qualifications, and for those Directors seeking election or re-election why their contributions

are, and continue to be, important to the Society's long-term sustainable success. The Board confirms that all of the Directors seeking election or re-election continue to be effective with a strong commitment to the role. This applies equally in relation to Mr. Ian Ward who will be aged 70 at the date of the AGM. In compliance with section 60(7) of the Building Societies Act 1986, we are specifically required to notify you of his age and the reasons for the Board's approval of his eligibility for re-election (which are set out in his biographical details).

Mr. George Adam Bennett was appointed to the Board as a Non-Executive Director in April 2019. He is seeking election for the first time at the AGM.

Mr. John Morris, the Society's Deputy Chairman and Senior Independent Director is seeking re-election at the AGM, but has advised the Board of his intention to stand down as a Director prior to 31 October 2020.

The Society's Chairman, Mr. Phil Moorhouse, will be putting himself up for re-election at the AGM. He was first appointed to the Board as a Non-Executive director in October 2011 and became Chairman in April 2013. The 2018 UK Corporate Governance Code (which the Society has regard to in establishing and reviewing its corporate governance arrangements) recommends that the tenure of board chairmen should not exceed nine years from the date of first appointment to the Board.

Subject to Mr. Moorhouse being re-elected to the Board at the AGM, he will have served for a full nine years on the Board with effect from October 2020. Accordingly, it is currently anticipated that Mr. Moorhouse will stand down as both a Non-Executive Director and as Chairman, at a mutually agreed point in the future, giving the Board sufficient time to select and appoint a suitable successor and to ensure a successful handover.

Staying safe online

At Newcastle Building Society, we take security very seriously but there are a few things you can do to help keep your online accounts safe:

- Don't write down your online log in details;
- Make sure you have up-to-date anti-virus and anti-spyware software installed on your computer;
- Take care when opening email attachments;
- Ensure you always log off properly when you've finished transacting online; and
- We will never ask you to send personal details in an email; do not respond to suspicious emails asking for such information.

Our Directors



Andrew Haigh
Chief Executive

Andrew became the Society's Chief Executive in May 2015 having joined the Board as Chief Operating Officer in January 2014.

He has a track record in transforming and developing businesses, and has more than 30 years' business experience, including over 20 years in the mutual sector. He has held financial services leadership roles as both an Executive and a Non-Executive Director, bringing a depth of consumer understanding developed from a variety of sectors including the financial, motor, information technology and airline industries.

A proven Chief Executive, Andrew has particular strength in building effective leadership teams and organisations with healthy cultures. His sound experience and customer focus has seen him guide the long term growth and innovation of brands through clearly defined, purpose led strategies.

Andrew is a strong advocate for the role of mutuals in the financial services sector and appreciates the balance between delivering profitability and meaningful member value. As the former Chief Executive of Engage Mutual Assurance, he led the organisation for over 10 years, through a period of sustained growth and innovation.

Andrew is a Board member of the Community Foundation serving Tyne & Wear and Northumberland, a Director of the North East England Chamber of Commerce and a Vice President of the Chamber Council, and Chairman of the Northern Association of Building Societies.



David Samper
Chief Financial Officer

David joined the Society in 2018 as Chief Financial Officer.

An accomplished strategic leader with over 20 years' experience as a Chartered Accountant, David has a fundamental knowledge of the issues impacting the long term commercial sustainability of our business model, balance sheet and profitability.

He understands the financial services sector exceptionally well and has valuable experience in managing financial performance across both large and medium sized financial organisations in the UK and abroad. He brings a different perspective to his team and the Board, gained from his international business experience. David's career has also encompassed multiple platform builds and system migrations, complementing the knowledge and expertise of our growing Solutions business.

He has held senior roles across a number of organisations, including RBS, Ulster Bank, and at Sainsbury's Bank as its interim Chief Financial Officer. He has led complex acquisitions and driven transformational change, whilst consistently delivering core commercial outperformance.

David's previous experience with broader capital markets and shaping organisational strategy in an ever changing economic and competitive environment will be key to ensuring the success of our ambitious Group.



Stuart Miller
Customer Director

Stuart became Customer Director for the Society in 2018.

He is an Associate of the Chartered Institute of Bankers and holds the Customer Experience Professionals Association qualification for senior business leaders. Stuart is a Director of Newcastle Financial Advisers Limited. Stuart brings extensive experience of regulated sales across mortgages, savings and financial advice. This ensures the Society delivers a great experience and outcomes for customers and the right conduct and culture amongst colleagues.

Amongst his areas of expertise are developing customer experience strategies and voice of customer programmes, which are critical to acquiring, retaining and growing the Society's customer base.

His broad experience in managing and inspiring large teams of colleagues is critical to the Society's work to connect its people to its strategy and purpose and contribute to making the Society a great place to work.

Stuart has more than three decades' customer service experience in the financial services sector, including with Virgin Money, RBS International, and NatWest. He is responsible for ensuring Newcastle Building Society Members receive a stand out experience, whether across its branch network, via telephone or online.



Phil Moorhouse
Chairman

Phil has been the Society's Chairman since the 2013 AGM.

He is a Fellow of the Chartered Association of Certified Accountants. He is the Chair of Newcastle Strategic Solutions Limited. Phil also chairs the Society's Nominations Committee.

Phil brings important skills to our board as a qualified and highly experienced accountant and business operator, providing a knowledgeable overview in balancing risk, capital, liquidity and profitability.

As Managing Director of a highly successful and fast growing plc he understands how to ensure an entity grows safely and sustainably. His NHS experience brings additional insight from a highly regulated, non financial services sector organisation.

He has held a number of senior Board positions, including that of Managing Director (UK) of Northgate PLC, which he held for more than seven years; this followed six years as Finance Director. In addition to being Vice Chairman of Cumbria Partnership NHS foundation trust for four years, Phil was a Non-Executive Director at MPAC plc for seven years, and a Non-Executive Director at North P&I Group. He brings many years of business experience to the Society's Board. In recognition of his skills and expertise he was awarded 'North East Non-Executive of the Year 2015' at the North East Business Executive of the Year Awards.



John Morris
Deputy Chairman and Senior Independent Director

As a Fellow of the Institute of Chartered Accountants, John brings significant experience of both the banking and building society sectors.

Highly experienced in accounting standards and governance, John's strong sector experience and deep knowledge of issues affecting balance sheets and long term profitability provide robust oversight and future focused guidance for the Society. This is consolidated with his financial services risk management experience, from both a prudential risk and conduct risk perspective.

As a Non-Executive Director with the Society for over eight years, John has built considerable understanding of the Society's business model, including its highly successful Solutions business. The Society has achieved a sustained improvement in profitability during the period in which John has served on the Board.

John worked for several years as Director of Finance for the Retail Banking Division at HBOS. Prior to that, he held senior posts at Halifax (Halifax Building Society and then Halifax PLC) as General Manager and Leeds Permanent Building Society where he held the post of General Manager Finance. He also worked at KPMG where he started his accountancy career. He is Chairman of the Remuneration Committee and a member of both the Nominations Committee and the Audit Committee.



Karen Ingham
Non-Executive Director

Karen has an extensive customer services background gained in highly competitive consumer sectors and is extremely people and customer focused.

In her current role as Vice President of Expedia for EMEA and as part of a digital business, Karen brings a valuable level of experience to the Board across culture, diversity and the development of customer benefits using digital technologies.

As an ex-HR Director she also understands employment law and is able to bring this perspective to Board discussions.

Her contribution to delivering great customer experiences linked to profitable growth aligns to the Society's strategy in building impact and long term success.

Karen's external roles have included Head of Service and Customer Experience Director. She also spent 18 months as HR Director in the construction industry and started her career with 18 years in Financial Services at the Co-operative Bank. Karen is a member of the Chief Customer Officer Forum. She is also a Director of Newcastle Strategic Solutions Limited and a member of the Remuneration Committee.

Our Directors Continued



Ian Ward
Non-Executive Director

Ian has extensive experience in financial services and was Chief Executive of Leeds Building Society for 16 years until his retirement in 2011.

As CEO of Leeds Building Society, Ian acquired significant experience of managing and guiding a building society through a period of significant growth, such as that currently being experienced by the Society.

As a Board Director he provides ongoing and valuable strategic input and knowledge to the business, while his previous experience within the NHS has proved helpful in bringing non financial services thinking to the Board.

Ian is a Non-Executive Director of OneSavings Bank PLC as well as Charter Court Financial Services Group PLC and its subsidiaries.

He was Senior Independent Director of Harrogate & District NHS Foundation Trust and a member of its Audit & Finance Committees for six years until September 2018.

He has been a Non-Executive Director of Newcastle Building Society since 2013 and Chairs Newcastle Financial Advisers Limited. He is also a member of the Society's Group Risk Committee.



Anne Shiels
Non-Executive Director

Anne is an HR professional with extensive Executive and Board level experience, across a broad range of sectors including retail, financial services, telecommunications, manufacturing and consumer.

Her widespread sector experience and deep understanding of employment law, diversity and changing workforce demographics both helps us develop a broader view on matters affecting the Society, and assists in developing our current and future people strategies.

She has held Executive roles at Hallmark Cards and Lloyds Banking Group/HBOS. She is also a trusted executive coach and adviser to boards and directors in diverse businesses in the UK and the US.

Anne is a member of the Society's Audit Committee, Nominations Committee, and Remuneration Committee.



Bryce Glover
Non-Executive Director

Bryce is a highly experienced Director who has operated at Executive Committee and Board level in a number of leading UK financial services businesses.

Bryce adds a genuine breadth of commercial and retail banking expertise, along with a strong credit and risk management background, which is particularly valuable in his role as Chair of the Society's Risk Committee.

He has a deep understanding of the mutual sector, having spent nine years working for the UK's largest building society, the last three as Corporate Affairs Director.

His extensive industry knowledge and business acumen assist the development of the business.

The majority of Bryce's career has focused on corporate and commercial banking. He was Managing Director of Commercial Banking at A&L / Santander, before joining Nationwide Building Society in 2009 as a Director heading its Commercial Division, where he managed a £22bn commercial lending portfolio and the Society's business savings accounts before heading Corporate Affairs.

Bryce is Chairman of the Society's Group Risk Committee and a member of the Remuneration Committee.



Mick Thompson
Non-Executive Director

Mick joined the Board in January 2019, is Chairman of the Audit Committee and is also a member of the Nominations Committee.

He brings significant accountancy experience to the Board and with a deep knowledge of audit can support the Society's governance and audit function. Mick spent 21 years as a Partner and nine years as Office Senior Partner at KPMG Newcastle, where he was responsible for driving growth and expansion.

He has worked with companies and organisations across a broad range of industry sectors, including housebuilding, social housing, education, retail, charities and financial services.

He is a Trustee of Greggs Foundation Charity; Trustee of NUFC Foundation Charity; Trustee of Tyne and Wear Building Preservation Trust; Regional Treasurer of The Lord's Taverners Charity and a Member of the International Advisory Board of the Newcastle University Business School.

His extensive network in the region helps bring excellent connections to support the development of the Society's brand and strategy. His wide ranging board portfolio, particularly in the charity sector, is well aligned to our community focus and helps us better understand the issues affecting this sector.



Adam Bennett
Non-Executive Director

Adam joined the Board in April 2019 and is a member of the Society's Group Risk Committee and a Director of Newcastle Portland House Limited.

Adam spent 36 years at law firm, Addleshaw Goddard, where he specialised in advising building societies. He has a deep knowledge of the building society sector and its associated corporate governance and regulatory requirements.

Adam's fantastic professional network is a great benefit to the Society. He has advised building societies across a diverse range of issues. He brings formidable legal insight and experience of different business models and structures, important given the Group structure, which includes two key subsidiaries, Newcastle Strategic Solutions Ltd and Newcastle Financial Advisers Ltd.

During his professional career, Adam has advised on Rules of Building Societies, on corporate governance, including compliance with the UK Corporate Governance Code, and on the powers and statutory and fiduciary duties of directors.

Summary Directors' Remuneration Report

Introduction

This report details the Society's approach to pay for the period 1 January to 31 December 2019. It sets out the remuneration policy and remuneration details for the Executive and Non-Executive Directors of the Society. A full version of each section can be found in the 2019 Annual Report and Accounts.

i) Statement by the Chairman of the Remuneration Committee

The Remuneration Committee's purpose is to consider, agree and recommend to the Board an overall remuneration policy and approach that promotes achievement of the Society's long term business strategy and business objectives and is aligned with the long term interests of the Society's Members, other stakeholders and risk appetite.

The Board believes remuneration should be sufficient to attract, retain and motivate colleagues and senior managers to continue to run the Society successfully. The Remuneration Policy, therefore, focuses on rewarding our colleagues and Executives in line with the achievement of our goals set out in the Strategic Plan and Corporate Key Performance Indicators thus ensuring long-term value for money for our Members.

The Committee comprises solely of Non-Executive Directors who have no personal financial interest in the recommendations. The Chairman of the Committee is John Morris, the other members are Bryce Glover, Karen Ingham and Anne Shiels. The Chairman, Chief Executive and HR Director (except for items relating to their remuneration) also attend meetings but are not members of the Committee. The Company Secretary acts as Secretary to the Committee.

ii) Report on Remuneration

The total remuneration received by Executive Directors is shown opposite. The information has been audited and shows remuneration for the years ended 31 December 2018 and 31 December 2019 as required under the Building Society (Accounts and Related Provisions) Regulations 1998.

The Chief Executive is the Society's most highly paid employee and no employee earns more than any Executive Director. For details of other non-Society Board positions held by the Society's Executive Directors see the Annual Business Statement in the 2019 Annual Report and Accounts. None of the current Executive Directors retained any remuneration as a result of their non-Society positions.

In 2019 Mr P Ferguson ceased to be a Director and was awarded a redundancy payment of £176,845, by reference to his employment contract and in addition to the amounts disclosed in the table.

Calculation of Annual Bonus

Throughout 2019, the Society operated an Executive Bonus Scheme that applied to Executive Directors and other members of the Executive Committee and a Corporate Bonus Scheme that applied to all other colleagues across the Society.

In agreeing the level of Executive bonus the Committee considers performance and a mix of financial and non-financial measures as well as personal objectives. A proportion of the Executive bonus payments have been deferred and is payable in future years as shown in the table below. For further details please see the full version of this report in the 2019 annual report and accounts.

Executive Director Bonus Table

Executive Director	Deferred from	Payable				Total deferred
		2020	2021	2022		
		£000	£000	£000	£000	
Andrew Haigh	2019	36	36	36	108	
David Samper	2019	20	20	21	61	
Stuart Miller	2019	21	21	21	63	
Total		77	77	78	232	

iii) Directors' Remuneration Policy

This section sets out the Director's Remuneration policy that applied during 2019. The Society's Remuneration Policy is designed to provide competitive remuneration packages that attract, retain and reward our Executives, including our Executive Directors, to deliver business objectives in support of the Society's strategy while providing value for Members.

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

- The Policy is clearly linked to the Society's Purpose, Strategic Plan, objectives and values;
- Policy, process and practice are consistent with and promote effective risk management in line with the Group risk appetite statement and detailed policies;
- Basic pay and total remuneration are set at a competitive level to attract and retain the appropriate calibre of people;
- The approach to pay satisfies regulatory requirements and good Corporate Governance practice;
- Remuneration arrangements are transparent, consistent and fair, reflecting individual responsibilities and performance; and
- Remuneration arrangements are straightforward to understand, communicate and administer.

Directors' Emoluments (Audited)

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

	Year	Salary or fees	Other benefits	Annual bonus (Note 1)	Defined Contribution Pension (Note 2,3 & 4)	Total contractual benefits
		£000	£000	£000	£000	£000
Executive Directors						
AS Haigh - Note 2	2019	314	41	108	-	463
	2018	306	41	9	-	356
D Samper (Appointed 20 December 2018)	2019	215	21	61	11	308
	2018	6	-	-	-	6
S Miller	2019	157	24	63	-	244
	2018	147	18	5	5	175
P Ferguson - Note 5 (Resigned 21 June 2019)	2019	74	5	-	7	86
	2018	150	10	5	14	179
AM Russell (Retired 25 April 2018)	2019	-	-	-	-	-
	2018	64	14	-	-	78
Total for Executive Directors	2019	760	91	232	18	1,101
	2018	673	83	19	19	794
Non-Executive Directors						
PJ Moorhouse	2019	77	-	-	-	77
	2018	69	-	-	-	69
DJ Buffham (Resigned 24 June 2019)	2019	27	-	-	-	27
	2018	56	-	-	-	56
J Morris	2019	58	2	-	-	60
	2018	53	2	-	-	55
IW Ward	2019	53	1	-	-	54
	2018	52	1	-	-	53
BP Glover	2019	43	3	-	-	46
	2018	39	4	-	-	43
A Laverack (Business name: Anne Shiels)	2019	42	2	-	-	44
	2018	40	1	-	-	41
K Ingham	2019	41	-	-	-	41
	2018	40	-	-	-	40
RJ Bottomley OBE (Retired 24 September 2018)	2019	-	-	-	-	-
	2018	32	2	-	-	34
MR Thompson (Appointed 29 January 2019)	2019	40	-	-	-	40
	2018	-	-	-	-	-
GA Bennett (Appointed 24 April 2019)	2019	26	1	-	-	27
	2018	-	-	-	-	-
Total for Non-Executive Directors	2019	407	9	-	-	416
	2018	381	10	-	-	391
Total for all Directors	2019	1,167	100	232	18	1,517
	2018	1,054	93	19	19	1,185

Notes:

1. During 2019 the Society's Executive Directors participated in the Group's annual Executive Bonus Scheme. A proportion of the Executive bonus payments has been deferred and is payable in future years as shown in the Executive Director Bonus Payable table opposite.
During 2018 the Society's Executive Directors participated in the Group's annual Corporate Bonus Scheme. Payments under this scheme were paid in 2019 and are shown in the table above.
2. Mr AS Haigh has elected to take his pension contribution amounting to £28,297 (2018: £27,506) as a cash payment. He is liable for his own tax and national insurance contributions on this payment.
3. Mr S Miller has elected to take his pension contribution amounting to £14,149 (2018: £8,072) as a cash payment. He is liable for his own tax and national insurance contributions on this payment.
4. None of the Society's Directors participate in the Group's defined benefit pension scheme.

Summary Directors' Remuneration Report

Continued

Key changes to the Directors' Remuneration Policy for 2019

In February 2019, the Board approved the introduction of an Executive Bonus Scheme in relation to 2019 performance. The key driver for the introduction of the Executive Bonus Scheme was to ensure that the Society meets the objectives of the Remuneration Policy as set out overleaf.

The development of the new Executive Bonus Scheme was underpinned by a robust benchmarking process with support from an external remuneration specialist.

The Corporate Bonus Scheme will remain in place for other colleagues, however the Scheme is currently being reviewed with the intention of replacing it in performance year 2020.

Remuneration for Executive Directors

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

Basic salary - Basic salary reflects the size of the role and responsibilities, individual performance (assessed annually) and the skills and experience of the individual. In setting appropriate salary levels, the Committee takes into account data for similar roles in comparable organisations as determined by the Group Job Evaluation Policy. The Society aims to position Executive Directors competitively within the reference group.

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

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

Executive Bonus Scheme - The Executive Bonus Scheme supports the attraction and retention of Executive Directors, the development of a high performance culture and rewards performance within the context of achieving corporate goals and objectives as set out in the corporate strategy. The Executive Bonus Scheme considers a number of performance measures and targets linked to the delivery of corporate strategy with measures including financial, customer, people and personal objectives. Targets will be set annually and payments are to be made at the discretion of the Remuneration Committee.

Payments will be made in three equal parts, with the first payment in the year after the bonus is earned and the remainder over the following two years. The maximum potential bonus opportunity is 50% of base salary. On target bonus opportunity is 30% of base salary.

The measures will be assessed by the Remuneration Committee on an annual basis and will be subject to discretion. Performance measures are weighted as follows: 40% financial, 30% non-financial, 30% personal objectives.

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

Remuneration of Non-Executive Directors

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

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

Additional fees - Additional fees are payable for additional responsibilities such as Committee chairmanship or membership.

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

Consideration of Member Views

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

The Society's Remuneration Report and Policy was last voted on in April 2019. Member approval was given to the 31 December 2018 Directors' Remuneration Report (91.50% approval with 14,412 votes for, 1,339 against and 300 withheld). Member approval was given similarly to the Directors' Remuneration Policy (90.88% approval with 14,302 votes for, 1,436 against and 312 withheld).



John Morris

Chairman of Remuneration Committee
25 February 2020

Summary Financial Statement

For the year ended 31 December 2019

This Summary Financial Statement is a summary of information in the audited Annual Accounts, the Directors' Report and the Annual Business Statement, all of which will be available to Members and depositors free of charge, on demand, at every branch of the Newcastle Building Society from 20 March 2020. This information is also available online at: www.newcastle.co.uk/agm2020

Summary Directors' Report

The requirements of the Summary Directors' Report for the year ended 31 December 2019 can be found within the Chief Executive's Review. The Directors consider the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis has continued to be adopted in preparing the Annual Report and Accounts.

Approved by the Board of Directors on 25 February 2020

Phil Moorhouse, Chairman

Mick Thompson, Chairman of the Audit Committee

Andrew Haigh, Chief Executive

Group Results for the year

	2019 £m	2018 £m
Net interest receivable	38.6	34.2
Other income and charges	35.8	30.2
Gains less losses from financial instruments and hedge ineffectiveness	0.5	0.1
Administrative expenses and depreciation	(58.6)	(49.8)
Operating profit before impairments and provisions	16.3	14.7
Impairment charges on loans and advances to customers	(1.5)	(1.5)
Provisions for liabilities and charges	(0.1)	0.1
Profit for the year before taxation	14.7	13.3
Taxation expense	(3.3)	(2.5)
Profit after taxation for the financial year	11.4	10.8

Summary Financial Statement

Continued

Group financial position at the end of the year

	2019 £m	2018 £m
Assets		
Liquid Assets	862.5	692.4
Mortgages	3,292.5	2,768.9
Fair value adjustments for hedged risk	186.6	175.9
Other loans	2.6	3.3
Derivative financial instruments	0.1	3.5
Fixed and other assets	67.8	53.8
Total assets	4,412.1	3,697.8
Liabilities		
Shares	3,400.9	2,713.7
Fair value adjustments for hedged risk	-	0.4
Borrowings	579.4	552.4
Derivative financial instruments	185.9	178.3
Other liabilities	20.1	12.7
Subordinated liabilities	0.0	25.0
Subscribed capital	20.0	20.0
Reserves	205.8	195.3
Total liabilities	4,412.1	3,697.8

Summary of key financial ratios

	2019 %	2018 %
Gross capital as a percentage of shares and borrowings	5.67	7.37
Liquid assets as a percentage of shares and borrowings	21.7	21.2
Profit for the year as a percentage of mean total assets	0.28	0.29
Management expenses for the year as a percentage of mean total assets	1.45	1.33

Notes

Gross capital as a percentage of shares and borrowings

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

Liquid assets as a percentage of shares and borrowings

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

Profit for the year as a percentage of mean total assets

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

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

Management expenses are the costs of running the Society and comprise administrative expenses and depreciation. The lower this ratio is, the greater a society's efficiency. The Directors also look at a number of other efficiency measures which more accurately reflect efficiency in the Society's business.

Independent auditors' statement on the Summary Financial Statement to the members of Newcastle Building Society.

We have examined the Summary Financial Statement of Newcastle Building Society (the 'Society'), set out on pages 25 to 27, which comprises the Group results for the year, the Group financial position as at 31 December 2019, the summary of key financial ratios and notes.

Respective responsibilities of Directors and Auditors

The directors are responsible for preparing the Summary Financial Statement, in accordance with the Building Societies Act 1986.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement with the full Annual Accounts, the Annual Business Statement and the Directors' Report and its compliance with the relevant requirements of Section 76 of the Building Societies Act 1986 and the regulations made under it.

We also read the other information contained in the Summary Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement. The other information comprises only the Chairman's statement, Chief Executive's review, Summary Directors' Remuneration Report and Directors' Emoluments.

This statement, including the opinion, has been prepared for and only for the Society's members as a body in accordance

with Section 76 of the Building Societies Act 1986 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion

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

Opinion

In our opinion, the Summary Financial Statement is consistent with the full Annual Accounts, the Annual Business Statement and the Directors' Report of Newcastle Building Society for the year ended 31 December 2019 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986, and the regulations made under it.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
25 February 2020