

TURBULENT TIMES FORCE FINANCIAL SERVICES TO RETHINK STRATEGY

Outsourcing trend will grow predicts Newcastle Building Society

Unpredictable and unstable markets will see more financial services companies experiencing benefits by outsourcing their systems or services during 2008, predicts Newcastle Building Society.

The Society experienced significant year on year growth of its own outsourcing business. Newcastle Strategic Solutions (NSSL), established in 1997, saw assets under management rise from £5.3bn to £10.5bn. Growth has continued steadily in 2008, with a notable increase in the number of new customers outsourcing for the first time.

An increasing number of companies outsourcing for cost-cutting reasons is likely to be an area of growth for providers if economic problems dominate companies' plans in 2008, according to the Butler Group Review, February 2008.

Colin Greaves, Managing Director, Newcastle Strategic Solutions Limited believes that the 'credit crunch' will not only emphasise the importance of diverse funding strategies in the savings and mortgage market, but also create an opportunity to address broader issues such as the mounting pressure on costs and tightening margins. Outsourcing is a commercially savvy option - according to a recent survey by Capgemini¹, almost 75% of IT leaders said that outsourcing has a positive impact, allowing them to focus on innovation.

¹ Capgemini's 2008 Global CIO Survey of 400 CIOs reported in Computer Weekly 'IT spending set to rise during slump' 8 March 2008

Colin Greaves said: "2007 was the year the global nature of economic issues and the impact they can have on our economy began to be realised by both businesses and the public. Our Solutions business expanded beyond our expectations in 2007 in terms of customer acquisitions and business volumes. We are now being approached by those thinking of outsourcing for the first time, who are being forced to rethink their strategies in the current climate.

"Newcastle Building Society offers high speed access to both technology and support staff, something that, unless it has been high on the internal agenda for some time, is not always available to firms. Our ability to facilitate a company's launch to market with a new distribution channel such as the internet presents a tactical solution to strategic issues that may be of concern to organisations in the forthcoming months.

"Perhaps the greatest achievement has been the consequential significant growth in the workforce and the expansion into our new processing centre where we anticipate creating 500 additional jobs by 2012."

Newcastle Strategic Solutions launched to increase the innovative services of Newcastle Building Society, and now offers three distinct routes to outsourcing for savings, mortgages and systems as well as an innovative and market leading proposition for managed Debit and Prepaid cards.

-ENDS-

Notes to Editors:

About Newcastle Strategic Solutions Ltd:

In May 1997 Newcastle Building Society launched the first component of its Solutions business – Building Society Systems (formerly known as Newton Facilities Management Limited or NFML) – which aimed to provide modern, cost efficient computer systems and support to like minded building societies. Since its beginnings Newcastle Solutions business has grown in line with the Society and expanded its operation to include specific savings and mortgage system expertise – Card Solutions forms the most recent addition to the operation.

2007 developments:

Building Society Systems

2007 was another successful year for NSSL's Building Society Systems. The business has evolved and worked closely with clients to successfully improve efficiency levels overall. This satisfaction of our clients has been reflected in Melton Mowbray Building Society extending their contract and Kingdom bank signing a contract to join us in 2008. IT developments in this division have satisfied our clients' demands and reflect our innovative bespoke approach to this business.

Savings Solutions

2007 has been an exceptional year for NSSL's Savings Solutions with profits up 83% as assets under management for the clients rose from £5.3bn to £10.5bn. The success is due to the launch of two new partnerships, one of which being ASDA with Bradford and Bingley. The success is set to continue in 2008 as two clients, BBG and Landsbanki have extended their contracts and a new partnership has already been secured with Heritable Bank. By November 2007 Savings Solutions was managing 366,957 accounts for its third party clients.

Mortgages

NSSL took the bold approach to re-launch the Third Party Mortgage Administration business in 2007 and celebrated by securing its first major client, the National Bank of Dubai. The partnership between NSSL – Mortgage Solutions and the National

Bank of Dubai resulted in a new partnership with John Charcol and promises to be successful into 2008.

Card Solutions

With over 50 card schemes launched it has been another successful year for Card Solutions. NBS remains well placed in the arena and is currently maintaining a market leading position. Anticipated settlement on cards for 2008 is \$1bn; having already achieved \$0.25bn in Q1 2008. The majority of our card sales have been through gift cards with FEV and Giftflex accounting for the majority of sales. In 2007 NBS was the first UK issuing bank to acquire a SEPA (Single European Payments Area) licence authorising the issuing of cards throughout Europe. Card Solutions have now launched prepaid card programmes in Belgium, Germany and Italy.

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About Newcastle Building Society

Newcastle Building Society is the biggest building society based in the North East and one of the strongest mutual building societies in the country. With assets under management of over £4.42bn we are certainly large enough to cope but small enough to care deeply about the needs of our members. We are committed to providing a range of innovative and attractive products and services.

www.newcastle.co.uk

The Newcastle Building Society is committed to remaining mutual and by doing so we feel we are better placed to continue to provide our investors with the quality of service expected from one of the country's strongest building societies.

