

PREPAID CARDS: NO VICTIM OF THE CREDIT CRUNCH

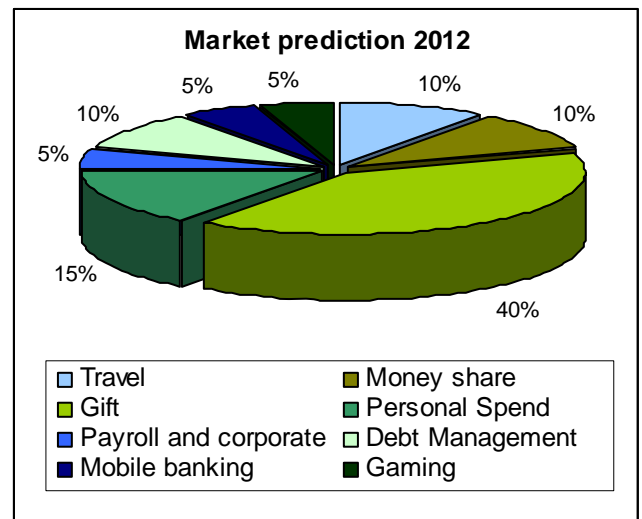
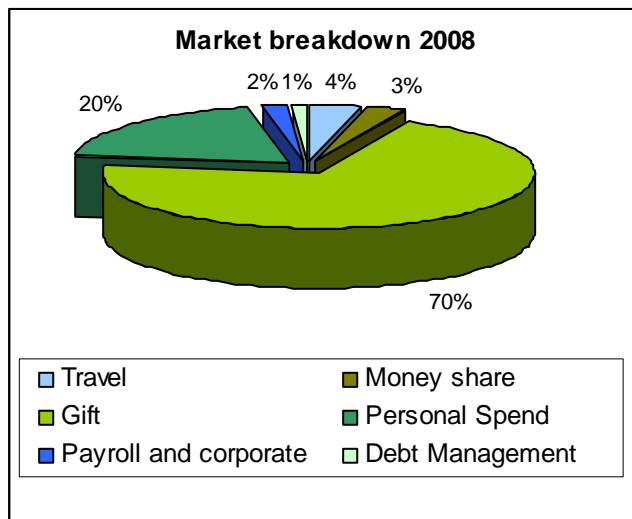
500,000 cards in regular monthly use through Newcastle Building Society Card Solutions

Newcastle Building Society Card Solutions, one of the premier providers of MasterCard® prepaid cards in the UK and Europe, today reports the growth of its position within the market and highlights the continued potential for this sector despite the present credit crunch.

By this time next year the total number of issued prepaid cards in the UK is estimated to reach over 10.8 million and the total value spent on these cards is expected to exceed £697 million*. Since its launch in 2005, Newcastle Building Society Card Solutions has increased its number of card programmes year on year and last week it celebrated the addition of its 100th scheme. The Society accounts for one million prepaid card transactions a month and has 500,000 cards in regular monthly use. As one of the largest providers of MasterCard® prepaid cards within the UK and Europe, Newcastle Building Society Card Solutions predicts that the growth seen in this market sector is set to continue and expects to have processed at least \$1.2bn in transactions by the end of 2008 alone.

Current cards of choice:

Figure 1: Newcastle Building Society Card Solutions prepaid card current breakdown and predictions for 2012





While a vast majority of prepaid cards are still used within the gift arena (70% of Newcastle's cards used per year) the market is diversifying and within the direct to consumer market the society predicts that travel cards could see 10% of all cards used by 2012 (currently 4%).

The opportunities for the 'unbanked' community have also become ever more apparent over the last year and the use of moneyshare cards among migrant workers without access to a UK bank account has increased significantly. Newcastle Building Society Card Solutions processes 10 of these specific card schemes at present and expects the area to account for 10% of all card use by 2012 (3% at present).

Within the beneficiaries market, prepaid cards continue to be embraced and companies appear unperturbed by restrictions of the credit crunch. Designed to replace paper-based means of delivering benefits and as alternative methods for payroll and remittance of staff wages, these cards are becoming increasingly attractive at both ends of the corporate scale and Newcastle now operates nine schemes of this nature.

A far from saturated market

Prepaid cards are now seen by many within the industry as the next logical step toward a cashless society. Withstanding of the current market conditions due to their diverse target populations and removal from credit debt risk, the potential future for this sector is extensive.

Debt management is one area that is expected to expand over the next four years. The average debt accrued by those signing up for individual voluntary arrangements (IVAs) reached £47,000 in August 2008** and is expected to grow as the credit crunch continues. As prepaid cards do not allow credit options and must be topped up once funds are spent, they offer very real solutions for customers in IVAs as an opportunity to manage and take control of their finances. Newcastle predicts this area could potentially account for 10% of the market as a whole by 2012.



The use of cards within mobile banking and the gaming industry are also predicted to increase, both taking a 5% share of the market by 2012.

Kriya Patel, Head of Card Solutions at Newcastle Building Society, commented;

"The popularity and growth of prepaid cards over the last year is astounding. Newcastle Building Society Card Solutions has been an issuing bank for these card schemes since 2005 and the number and diversity of the schemes available increases each month. As one of the premier providers of MasterCard® prepaid cards in Europe, we have witnessed first hand the potential for these cards among widely differing populations and our recent SEPA licence (Single European Payments Area) has also allowed us to explore the opportunities within the European market.

"The number of transactions Newcastle Building Society Card Solutions manages each month offers us a good indication of the market as a whole and allows us to make informed predictions for the future. As the market grows so too does our team and of the 500 new jobs Newcastle Building Society anticipates creating by 2012, a vast number will be within the fast growing Card Solutions business."

-ENDS-

Notes to Editors:

* Newcastle Building Society Card Solutions calculations based on industry sources for Q2 2008; assuming quarter on quarter growth is maintained

** IVA.com August 2008

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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 £4.8bn 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.

About Card Solutions

Newcastle Building Society has 100 live prepaid and debit card programmes including:

- Debit cards
- Retail gift cards - replacement of paper gift token
- Teen cards
- Sub-prime cards - Un-banked adults cards
- Travel cards - Safe convenient alternative to travellers cheques
- Corporate incentive cards - cards issued direct to employees as reward payments
- Payroll and Payroll Plus cards - salary payments to employees

The Society is a MasterCard® Principal Member, with the most MasterCard® approved prepaid programmes in the UK. It holds a SEPA licence and has live programmes in the UK, Ireland, Germany, Belgium, Italy and Spain.

www.nssl.info