

A Leading Voice of Mutual Banking

Media Release

Wednesday, 13 October 2021

NEWCASTLE PERMANENT DELIVERS FOR CUSTOMERS WITH DEPOSIT GROWTH AND RECORD NEW HOME LOAN APPROVALS

In financial year 2020/2021, Newcastle Permanent Building Society Limited (Newcastle Permanent) delivered one of its best years ever; growing both deposits and home loan approvals, maintaining its market-leading capital position, and delivering outstanding customer satisfaction and employee engagement. All despite a challenging year of ongoing COVID-19 restrictions, historically low interest rates and continued economic uncertainty.

Highlights (consolidated entity)

- Net Profit After Tax increased to **\$42.7 million**, up 41.6% on last year
- Total assets grew 5.4% to **\$11.7 billion**
- Record **\$2.5 billion** in new home loan approvals, up 51% on last year
- Home loan portfolio **\$9.2 billion**, up 3.7% on last year
- Customer deposits increased to **\$8.9 billion**, up 5.2% on last year
- Capital Adequacy Ratio held steady at **20.7%**, significantly above all major competitors
- Consolidated Equity Position exceeds **\$1 billion**
- Net Interest Margin improved to **1.84%**
- Employee engagement result up 10% to **86%**
- Customer satisfaction score of **92%** and being named by Forbes as the **top Australian-owned financial institution in 2021**

In announcing these results, CEO Bernadette Inglis said Newcastle Permanent had demonstrated its underlying strength to perform in uncertain times, maintaining its position as one of Australia's largest customer-owned financial institutions.

"In the face of challenging headwinds, our continued focus on innovation and supporting our customers led us to deliver a strong and balanced financial result, increasing net profit after tax to \$42.7 million, an almost 42% increase on last year.

"Helping thousands of customers into a new home, our new home loan approvals reached a record \$2.5 billion, representing a 51% increase on last year. This saw our home loan portfolio grow to \$9.2 billion, up 3.7% year-on-year. Customers also took advantage of the low interest rate environment to repay their loans faster, with 92% of customers ahead on their repayments.

"Deposits continued to contribute the majority of our funding during the year, with overall deposit balances increasing 5.2% to \$8.9 billion. In addition to strengthening our liquidity position, this has enabled us to diversify our high quality home lending portfolio.

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newcastlepermanent.com.au/media-centre
media@newcastlepermanent.com.au
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“While we’re pleased that our balanced approach has enabled us to perform so well over the past year, we accept that the long-term effects of historically low interest rates and the global pandemic have not yet been fully felt. We are preparing for a more challenging forward environment characterised by ongoing market and economic uncertainty,” Ms Inglis said.

Chair of Newcastle Permanent’s Board of Directors, Mr Jeff Eather said the results this year were a testament to the organisation’s unwavering commitment to continue to deliver for customers despite the challenging environment.

“Profit provides the critical capital needed to underwrite our Balance Sheet and invest in strategic projects. As a mutual, we’re not about maximising profit at any cost. Rather, our aim has always been to achieve the *right* level of profit for our business and our members, which I believe we’ve done this year.

“We started 118 years ago as a positive alternative to the major banks and we remain true to that purpose. The difference is, today, we’re doing it in a much more complex and challenging environment,” Mr Eather said.

People

Mr Eather said the good work of the Newcastle Permanent’s strong and resilient team underpinned the mutual’s impressive performance.

“There’s no denying that it’s been a tough two years and I want to acknowledge the tremendous efforts of our people. Throughout what can only be considered a tumultuous time, they continued to show great grit and commitment.

“They have rallied to support customers feeling the ongoing economic stress associated with the pandemic, have adapted to deliver new technologies and products to meet evolving consumer preference, and throughout everything, continuously kept the customer at the centre of every decision,” he said.

Ms Inglis added, “At Newcastle Permanent, investing in our people and helping them forge careers is a key part of who we are. This was evidenced by almost 15% of our people being promoted during the year and an impressive uplift of 10% on our organisational employee engagement score to 86%. Both of these outcomes reflect our people’s dedication, energy and resilience.”

Customers

With 118 years of history as a customer-owned organisation, Newcastle Permanent’s steadfast commitment to ‘customer-first’ has remained, with a number of key enhancements introduced to better meet our customers’ evolving banking needs.

Ms Inglis said, “In the past year, we’ve rolled out a new banking app that is more intuitive and offers greater functionality, and introduced new ID check tools for more convenience.

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Additionally, the introduction of digital signatures has had an incredible response, with 93% uptake from those customers offered the option.

“In FY2020/2021 we also invested significantly in our branch network, which remains a critical part of our future. Extensive upgrades at our Coffs Harbour, Glendale, Gosford, Mount Hutton, Raymond Terrace, Gosford and Wallsend branches delivered fresh and modern physical spaces that better meet changing customer needs and preference. And the feedback has been wonderful, with customers complimenting the new look and feel.”

For the second year in a row, Newcastle Permanent was recognised in the Forbes World’s Best Banks rankings, being named as the top Australian-owned financial institution in 2021. The organisation was also awarded the Roy Morgan Customer Satisfaction Award, recording full year customer satisfaction of 92%, and achieved a net promoter scoreⁱ of +43, significantly outperforming the major banks, which averaged below zero.

Community

Mr Eather said, “Another important milestone in the reporting year was the creation of the *Newcastle Permanent Environmental, Social and Governance Framework*, which will ensure we remain a sustainable and community-supportive organisation into the future.

“We will make every effort to minimise our operational environmental footprint by improving our energy, water, waste and transport practices. We will continue to promote and measure equality and diversity within our workforce, and empower our people to proactively support their communities.

“Each year, Newcastle Permanent invests almost \$1.5 million to support its local communities through sponsorships, employee donations, volunteering and fundraising activities, and this will continue.

“Further, the Newcastle Permanent Charitable Foundation again invested more than \$1.5 million in projects that address disadvantage, marginalisation, and isolation in communities throughout regional NSW last year. To date the Charitable Foundation has provided more than \$23 million in grants to more than 500 community initiatives – an incredible accomplishment,” said Mr Eather.

Merger plans

In August 2021, Newcastle Permanent and Greater Bank announced both organisations had signed a Memorandum of Understanding (MoU) to explore merging. Both parties are exploring the potential commercial and member benefits to be derived from bringing together the two Newcastle-based organisations with a collective \$19.8 billion in total assetsⁱⁱ and a combined 600,000 strong customer base.

Completion of the merger remains subject to due diligence and then approval by eligible members of both Newcastle Permanent and Greater Bank, and regulators.

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Mr Eather said, “Recognising we’ve just recorded one of our best years ever, this merger is still a unique and highly compelling opportunity to create a large, forward thinking, innovative customer-owned mutual. It will really solidify our place in the market and set us up for future success.

“Our collective capabilities and capacity will enable us to invest more in technology and innovation, and offer even greater value for our customers, which is always our ultimate goal,” he said.

-Ends-

The **Newcastle Permanent 2021 Annual Report** can be found at <https://www.newcastlepermanent.com.au/annual-results>.

About Newcastle Permanent Building Society

Newcastle Permanent is one of the largest customer owned financial institutions in Australia with total assets of \$11.7 billion. It is a financially strong organisation and is consistently recognised for its superior customer service. It proudly serves 325,000 customers with award-winning products and delivers trusted banking that’s here for you, here for good.

ⁱ A widely accepted measure of how likely customers are to recommend an organisation to friends and colleagues.

ⁱⁱ Total Assets calculated as at 30 June 2020.

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