

A Leading Voice of Mutual Banking

Media Release

Wednesday 28 September 2022

NEWCASTLE PERMANENT ANNOUNCES STRONG ANNUAL RESULT AS VOTING OPENS ON MERGER PROPOSAL

As member voting on its proposed merger opens, Newcastle Permanent has released its Financial Year 2022 result, having again grown deposits and home loan approvals to end the year in a strong financial position.

Highlights (consolidated entity)

- Record \$2.6 billion in home loan approvals, up 7% on last year
- Home loan portfolio \$9.8 billion, up 6.7% on last year
- Total assets grew 3.8% to \$12.1 billion
- Customer deposits increased to \$9.5 billion, up 6.7% on last year
- Capital Adequacy Ratio held steady at 20.5%, significantly above all major competitors
- Despite challenging interest rate environment, net interest margin decreased by just 2 basis points to 1.82%
- Delivered a robust profit outcome of \$32.0 million
- Highest customer count in recent history, surpassing 330,000
- At 85% employee engagement remained exceptionally high
- Customer satisfaction score of **93**% and once again recognised by Forbes as one of Australia's Best Banks 2022.

In announcing the result, CEO Bernadette Inglis said despite the rapidly evolving economic environment, Newcastle Permanent had again performed well across its core businesses of home lending and deposits.

"In FY2022, against a backdrop of historically low interest rates and fierce competition from the major banks, we maintained last year's incredible momentum to reach a new record of \$2.6 billion in home loan approvals, growing the portfolio to \$9.8 billion.

"We're continuing to challenge ourselves to accelerate growth and help even more customers achieve their dream of home ownership. This was no better demonstrated than in May when we reached the new high of approving almost 1,000 applications in just that one month," she said.

Customer deposit growth contributed to the majority of funding for the year and continued to provide a resilient liquidity position for Newcastle Permanent.

"On deposits, we again recorded good growth, ending the year up almost 7% at \$9.5 billion. Our strong financial position built over many years enabled us to pass on increased deposit rates for more than 155,000 customers from May 2022 when the official cash rate started to rise," Ms Inglis said.

While total net profit for the consolidated group did decrease to \$32 million, Ms Inglis attributed this to the impact of financial market volatility on the Newcastle Permanent

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Charitable Foundation's investment fund and Newcastle Permanent's increased investment in digital innovation, growth and compliance.

"We have taken significant strides forward with technology this past financial year, having delivered new payment platforms, adopted digital signatures and digital verification of identity, streamlined online account opening, and enhanced our fraud protection technology as an additional safeguard against emerging financial crimes.

"This investment combined with expenditure related to our proposed merger with Greater Bank, and important but increasing compliance and regulation, has led to reduced profit this year. However, this result remains in line with our budget forecast and with overall net assets increasing to \$1.1 billion, we have retained our position as one of Australia's leading customer-owned financial institutions," she said.

Merger voting open

Chair of Newcastle Permanent Board of Directors, Jeff Eather, said he encouraged eligible members to have their say as voting on a proposal to merge with Greater Bank opens today, ahead of a Special General Meeting planned for 2 November 2022.

"Given the changes in the financial services industry and evolving customer preferences, the Board believes that merging is the way forward, because each and every day we're competing against the major banks and to do so successfully requires continuous adaptation of our business model," said Mr Eather.

"Merging with Greater Bank represents an unparalleled opportunity to bring two iconic Hunterbased organisations together to create a financial powerhouse for the region. Our merged entity will benefit from our combined strengths, be a more resilient force in the market and enable us to continue to deliver the best value and service to our customers.

"The Newcastle Permanent Board of Directors unanimously supports the Merger, as does the Greater Bank Board of Directors, and we're encouraging our members to also vote in favour of this proposal," he said.

In putting the proposal to members, both customer-owned banks have confirmed the two iconic brands – Newcastle Permanent and Greater Bank – will continue, the merged entity will remain 100% customer-owned and its customer contact centres and headquarters will continue to be based in the Hunter.

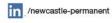
Members will receive information on the proposal and voting options from today.

People

Ms Inglis said Newcastle Permanent showed strong commitment to career development this past financial year, with many employees benefiting from upskilling and secondment opportunities brought about by Covid-19.

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"While no doubt disruptive, the pandemic provided us the opportunity to fast-track new initiatives and introduce new technology, and new ways of working. Our people have shown incredible adaptability and resilience, with more than 10% transferring their wonderful face-to-face customer service skills to new, virtual ways of helping our customers.

"Another exceptional employee engagement score this year shows that we're genuinely committed to supporting and developing our people and to living our values, and we're excited for what our merger could bring for our team. With growth in our sights, our merged entity would be one of the biggest local employers, creating more opportunities for our people and enabling them to forge rewarding and diverse careers right here in the region," she said.

Customers

Ms Inglis said the mutual was focused on providing world-class customer service and delivering on its strategy this year.

"A highlight this year was launching digital payments, Apple Pay and Google Pay, for our customers and the uptake has been phenomenal with more than 8 million transactions since launch.

"In addition, our new app, which offers more opportunity for personalised banking, accounts for more than \$500 million in customer transactions every month and ranked second [in our peer set] on the Apple App Store during the year.

"Branches continue to be a critical part of our service offering and in the last three years we have invested \$2.5 million to deliver fresh, bright branch spaces for our customers. The most recent being Charlestown which underwent significant refurbishment in FY2022," she said.

For the third consecutive year, Newcastle Permanent received the Roy Morgan Award for Customer Satisfaction (Building Society/Credit Union) and was recognised by Forbes as one of Australia's Best Banks.

Community

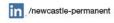
Mr Eather noted a significant milestone for FY2022 was finalising the organisation's Reconciliation Action Plan (RAP), a key deliverable of Newcastle Permanent's Environmental, Social, Governance Framework published last year.

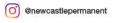
"As a customer-owned mutual, acting responsibly and ethically is at our core. We know that supporting reconciliation matters to our people and our customers, and our Reconciliation Action Plan is a reflection of the dedication within our organisation to understand how we can best contribute to positive and lasting change and healing.

"When preparing our RAP, we engaged with our Aboriginal and Torres Strait Islander communities to help us capture and include a variety of views, feedback and ideas as it was vital we delivered a truly authentic and meaningful plan.

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"The result is a Reflect RAP, endorsed by Reconciliation Australia, that sees real action for us to deliver today while also laying the foundation for future reconciliation initiatives for our organisation and our people," he said.

In FY2022 Newcastle Permanent continued its yearly commitment of investing almost \$1.5 million to support its local communities. Also, its Employee Donation Program surpassed the impressive milestone of more than \$1 million donated to local charity groups since its inception.

"This incredible achievement reflects the generosity of spirit of our people, digging deep to support charities that matter to them. Beyond the dollars donated, this extends to their own time," said Mr Eather.

"Every year our people have access to two paid community leave days to volunteer with a local charity they're passionate about, and it was wonderful to see the enthusiasm with which our people returned to this hands-on support once lockdowns and restrictions eased."

Further to Newcastle Permanent's community contribution, this year Newcastle Permanent Charitable Foundation continued to support innovative, grassroots charities making a meaningful difference to the lives of people facing disadvantage in regional communities.

"Since its inception in 2003, the Charitable Foundation has granted \$24.7 million to 536 important projects and initiatives. This past financial year included more than \$1.6 million granted to 23 projects focused on delivering life-changing projects and infrastructure to support their local communities," said Mr Eather.

"The Charitable Foundation combined with our major community sponsorship and partnership programs continue to go from strength to strength, and should our merger with Greater Bank proceed, we've committed to maintaining our combined community investment.

"Between Newcastle Permanent, Greater Bank and our respective charitable foundations, that represents more than \$4.5 million going back to our local communities every year. And I think I speak for both of our organisations when I say our aspiration is for this to grow."

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