



**NEWCASTLE
PERMANENT**

Here for good.

Annual Report 2021



Newcastle Permanent acknowledges the traditional owners and custodians of country throughout Australia and acknowledges their continuing connection to land, waters and community. We pay our respects to the people, the cultures and the elders past, present and emerging.

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About us

At Newcastle Permanent our vision is to be Australia's favourite banking experience. We take pride in helping our customers achieve financial success and in contributing to the wellbeing and vibrancy of our local communities.

We began 118 years ago as a positive alternative to the major banks and a better way for our customers to achieve home ownership – offering competitive rates, award-winning service, and a real commitment to supporting and giving back to our local communities.

Today our 325,000 customers are served by our workforce of more than 900 people. We are proudly one of Australia's largest customer-owned financial institutions and recognised as an industry leader. We are regulated under the *Banking Act 1959* (Cth) and supervised by the Australian Prudential Regulation Authority (APRA).

Ours is a story of constant innovation, with the success and wellbeing of our customers, our people and our community as our driving purpose. We will keep working and adapting to achieve our vision, today and for future generations. Newcastle Permanent: trusted banking that's here for you, here for good.



A place in the community

Continuity prosperity is conferred not by tradition, but by people... not by how much they have, but how it is used.

THE ROLE OF THE INVESTOR
Individual investors with the Newcastle Permanent Building Society deposit their money for many reasons. To save for holidays. New cars. Pensions. Retirement. Or just saving while waiting for the future.

They enjoy complete security, yet at 4.5% gain every interest, without sacrificing access to their savings.

Individuals they may invest only small amounts, but collectively they contribute to the Society's assets, which now approach \$40 million, assets of homes owned and built by and in the community... and home ownership has long been recognised as a major factor in our stability and prosperity.

LOOKING TO THE FUTURE
Bill and Carol look to the future. Their invest-

ment is making better everyday sense than just a dozen. Their savings give them quality for the Commonwealth Government's Home Savings Grant, and establish priority when they're ready to better.

The Society, too, looks to the future. Branch offices with full facilities for customers and businesses are being built and opened in community centres... Exercise and Recreation were added during the year, and Hunter Street Mall and Waterford will soon follow. Offices to serve everyone better.

Through greater customer and community involvement, and the advantages of local understanding and a more personal relationship.

The Newcastle Permanent Building Society is proud of its place in the community. It has been, for over 118 years, a safe and soundly managed society for over 25,000 investors, and it has advanced, and will continue to advance, the growth and prosperity of our city.

HEAD OFFICE:
20-22 Hunter St, NEWCASTLE (near Civic Station)
Phone: 08 1510 17 0000

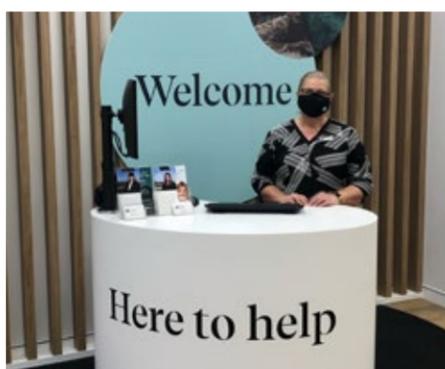
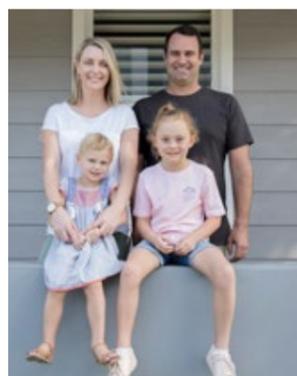
BRANCH OFFICES:
Hunter Street Mall & White Street, NEWCASTLE
Phone: 08 1510 17 0000

Ridley Street & Charlestown Mall, CHARLESTOWN
Phone: 43 3111 (2 lines)

The Brindleyville, TACKLETON, Phone: 55 2778, 55 2848
Pacific Highway, BELMONT, Phone: 42 2842 (2 lines)
8-11 Tyne Street, HULLMANTON, Phone: 51 1427
c/o M. TURNBULL, Managing Director

OUR TOWN

Newcastle Permanent Building Society Ltd.



Celebrating 118 years

We've been helping our customers for 118 years.

We've celebrated with you through the good times and rolled up our sleeves to help in the tough times.

We've walked alongside you, every step of life's way.

We've never been afraid to face challenges head-on, of doing what's best for our customers, and adapting and evolving to ensure we're here for good.

For that entire time, we have proudly been a customer-owned financial institution that has embraced change.

And as we look forward to new opportunities and start new journeys, we proudly honour our history of helping to build societies. This is us. Newcastle Permanent: here for you, here for good.

Our strategy on a page

Our purpose

Trusted banking that's here for you, here for good.

Our values

 Share the success	 Do the right thing
 Embrace the opportunity	 Give a damn, every day

What drives us

 Deliver market-leading service, customer and partner experience.

 Grow our customer base by meeting the financial needs of more Australians.

 Be a beacon for the industry, our customers and our people.

Delivering for our customers

-  Customer satisfaction above 90% throughout the year
-  Roy Morgan Customer Satisfaction Award, for the second year running
-  New mobile banking app, with a more intuitive design
-  Enhanced our online account opening capabilities, and introduced digital signatures and digital verification of ID for loans
-  Enhanced web chat functionality across our website

-  One of Australia's largest customer-owned financial institutions
-  \$2.5 billion in new home loan approvals, helping 6,778 customers finance a home
-  Expanded our service to brokers in Queensland
-  Groundbreaking partnership with Athena Home Loans
-  Entrusted with \$11.7 billion in total assets and \$1.1 billion in equity

-  Top Australian-owned bank in the Forbes World's Best Banks 2021 survey
-  Over 15 accolades across business, service and community sectors
-  First customer-owned financial institution to partner with FinTech Australia
-  Organisational employee engagement increased to 86%
-  Newcastle Permanent Charitable Foundation awarded its 500th community grant, now totalling more than \$23 million since 2003

Our vision

To be Australia's favourite banking experience.

Message from Chair & CEO

Newcastle Permanent has a long and proud history, in fact, the success and wellbeing of our customers, our people, and our community has been our driving purpose for 118 years.

As we look back on the last year, collectively we've withstood the challenges of bushfires, floods and a pandemic. Throughout this, our organisation and our people not only stepped up and showed incredible strength, but led the way. Be it through offering our customers hardship support packages when they most needed them, keeping our branches open, or literally rolling up our sleeves and helping our local communities to clean out mud from homes following flood devastation.

In this ever-changing world, customers' banking needs and behaviours are also evolving. Customer preferences have shifted towards digital banking for simple transactions – in fact, more than 95% of all our customer transactions are now completed digitally – while regulators introduce increased governance requirements and the major banks use their size and scale advantage to compete aggressively for our customers' business. We're seeing it become increasingly harder for smaller industry players, who don't have scale, to compete and remain viable in the longer term.

We have an ambitious vision and strategy, and this past year we made significant progress towards delivering both to drive benefit for our customers. For the second year in a row we were recognised in the Forbes World's Best Banks rankings, in 2021 being named as the top Australian-owned financial institution. We were also awarded the Roy Morgan Customer Satisfaction Award. Individually, these awards are outstanding achievements, but to be recognised with both is remarkable and a testament to our commitment to delivering incredible outcomes for our customers.

Our customer advocacy this year was industry-leading, recording full year customer satisfaction of 92% and a net promoter score – a widely accepted measure of how likely our customers are to recommend us to friends and colleagues – was 43 for the year, while the average score of the major banks was below zero.

We are extremely proud of these achievements as they represent an ongoing validation of our core purpose of putting our customers first.

As one of the largest customer-owned financial institutions in the country, we ended the year in a strong financial position and with a unique capital strength. We hold \$11.7 billion in total assets and \$1.1 billion in equity. This afforded us options to navigate our way through the challenges of the past 12 months but also allows us to seize growth and investment opportunities as they arise.

We have an ambitious vision and strategy, and this past year we made significant progress towards delivering both to drive benefit for our customers

Customer support when it mattered most

As we entered Financial Year 20/21 (FY21) our communities were still feeling the impact of COVID-19 and many of our customers still needed support. Our team worked closely with these customers to help them find a way to get back on track with their normal loan repayments. Our personalised approach proved successful, with our customers generally resuming normal repayments ahead of our industry peers.

The combination of the pandemic-impacted economy, unprecedented low interest rates, and fierce competition reshaped the market. As the industry challenges unfolded, we rose to the challenge and moved forward, offering some of the most competitive home loan interest rates across Australia.

Helping Australians into and own their own home is core to our purpose. It gave us great delight that in the past year we helped our customers towards this goal, with 92% of our customers ahead on their scheduled home loan repayments. We also achieved a record \$2.5 billion in new loan approvals, representing an impressive increase of 51% on last financial year, and helped 6,778 customers finance a home.

Our strategic agenda

As customers and business environments change, our vision, purpose, values and strategic priorities are enduring and guiding principles for us. They provide the certainty and direction that enable us to confidently embrace the new; be it new for us, new for the industry, or new for our customers.

This past year we've delivered incredible outcomes for our customers. We've embraced new ways of banking that empower our people to help our customers achieve their financial goals faster. We've enhanced our online account

opening capabilities making it even easier for customers to open a new account and start transacting, and the evidence is in the numbers with a year-on-year increase of almost 200% in customers choosing to take advantage of this enhancement. We've introduced digital verification of identity, speeding up the home loan process by removing the requirement for customers to visit a branch to be identified. And, we introduced digital signatures for customers, with 93% of those offered this option, choosing to take it up.

A high priority this year has been accelerating a pipeline of technology enhancements to support us into the future. Our new mobile banking app, not only looks great, but importantly is accessible, intuitive and easy to use, and sets the foundation for future developments such as mobile payments.

This year we've purposefully expanded into new markets, offering our wonderful service and award-winning products to Queensland through almost 530 new broker partners. An important dynamic in the Australian home lending market, brokers initiate more than 40% of our approved home loans. We continued to support our Sydney and ACT brokers, listening to their needs and prioritising new technology solutions to enhance their and their clients' experience with us.

As a customer-owned financial institution, our customers and our communities are at the centre of all our decisions. This year we continued our commitment to our branches, which remain a critical part of our future. We've significantly invested in our network to deliver fresh and modern physical spaces that better meet our customers' evolving banking needs, while complementing the wonderful service delivered by our people.

118

years of service to customers

92%

customer satisfaction

\$11.7 billion

in total assets

\$2.5 billion

in home loan approvals,
a 51% increase year-on-year

92%

of customers ahead on
their home loan repayments

93%

digital signature
uptake

95%

of all transactions
are now digital

500

projects supported by
Newcastle Permanent Charitable Foundation

Our people

Our workforce is 900 strong and we believe that when our people are happy and engaged they provide excellent service and better customer outcomes.

The events of FY21 created another year of change and uncertainty for Australia and the world. We applaud our people for showing extraordinary resilience during this time and continuing to adapt and put our customers at the centre of our decisions and actions.

This past year we were delighted to achieve an organisational engagement score of 86%. Representing a year-on-year increase of 10%, this is a testament to our employees' energy, passion and resilience. We take this opportunity to thank our amazing people for their steadfast dedication to serving our customers and living our purpose of trusted banking that's here for you, here for good.

Our proactive environment, social and governance approach

We made significant progress in the development of our Environment, Social & Governance (ESG) approach.

We have proactively published the *Newcastle Permanent Environmental, Social and Governance Framework*, which outlines our guiding principles for embedding ongoing sustainable and ethical business practices in our operations.

Additionally, in March 2021 we published our Modern Slavery Statement reflecting our commitment to monitoring and reporting on modern slavery risks within our business operations and supply chains.

Our purpose of trusted banking that's here for you, here for good sits at the heart of our commitment to our ESG approach, which encompasses actions to enable us to remain a sustainable and community-supported organisation into the future.

Our approach to ESG will evolve to ensure it continues to align with the expectations of our people, our customers, the community, and relevant regulatory requirements or practices.

Here for our community

For almost 120 years the purpose of mutuality has been at the core of our business. It's simple – we support the communities that support us. This year our people again proved their generosity of spirit, contributing to their local communities through volunteering at local charities and community groups that are important to them, such as Landcare, Waves of Wellness, Lifeline, Friends with Dignity and Hunter Dog Rescue. They also dug deep and donated almost \$75,000 to local charities and community groups including Talk2MeBro, Prostate Cancer Foundation of Australia, Top Blokes Foundation, and Feel the Magic.

This year we celebrated the 40th anniversary of our annual Primary School Mathematics Competition, challenging the mathematical minds of Year 5 and 6 students with more than 17,500 students participating. We marked 39 years of partnership with Surf Life Saving helping to keep our beaches safe, and we continued our long-standing partnership with Northern NSW Football as the major partner of community football. We take this opportunity to recognise our partners who in the face of challenges presented this year, delivered exceptional programs for our local communities.

Following health advice, we paused our signature summer event Cinema Under the Stars and instead were delighted to partner with The Wiggles to bring our communities The Wiggles Up Close and Virtual. The cutting edge augmented reality technology meant families could sing and dance with The Wiggles from anywhere using a smartphone or tablet.

Reaching the significant milestone of 500 community grants since 2003, Newcastle Permanent Charitable Foundation continues to inspire. Having now delivered more than \$23 million in grant-giving, we are immensely proud of the work the Charitable Foundation undertakes in helping people who are disadvantaged, marginalised, or isolated in our community.

Our commitment to continuous improvement

We've listened to our customers and continued to review our business, operations and governance frameworks to ensure the best outcomes for our customers.

We know we'll sometimes make mistakes and we remain committed to fixing them to the benefit of our customers. In a recent review of our packaged home loan products, for example, we identified that some customers didn't automatically receive the discount on their insurance benefits to which they were entitled. We apologise for this and we are working to identify all impacted customers and provide reimbursements. Accordingly, we have taken up a \$550,000 provision in our financial statements and will resolve this as quickly as possible.

Leadership

In the past two years we've built exceptional capability within our executive leadership team and this shift in capability underpins our confidence to be bold in our business, in our partnerships, and in the future.

We take this opportunity to sincerely thank our executive team for their unwavering display of outstanding leadership, a commitment to our values, and for each day striving to deliver our vision to be Australia's favourite banking experience.

Strong foundations

Financial Year 20/21 offered a unique set of challenges with the pandemic resulting in historically low interest rates, increased economic uncertainty, and elevated credit risks. In the face of these headwinds, our deliberate decisions led us to deliver a strong financial result: growing deposits and home loan balances, maintaining a market-leading capital position. This was achieved while continuing to provide exceptional and award-winning customer service.

This year, we helped more customers into a home than ever before. Our new loan approvals reached a record \$2.5 billion, representing a 51% increase on last year. Customers also took advantage of our lowest ever home loan rates to repay their loans faster; we ended the year with 92% of customers in advance on their scheduled repayments. The net impact is that home loan balances grew to \$9.2 billion or +3.7% year-on-year.

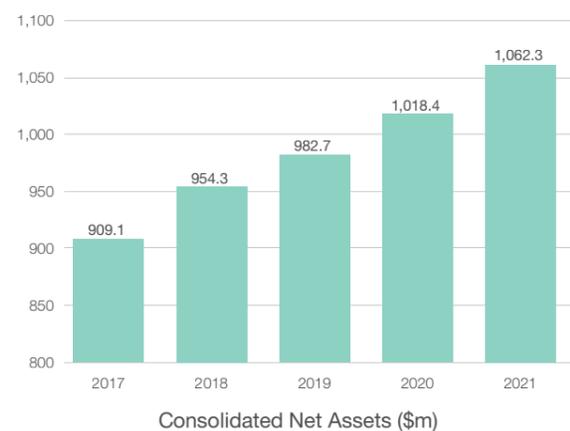
Deposit rates across the industry have reduced during the past 12 months, as the official cash rate moved to an all-time low. We understand the importance of offering competitive rates for our customers and consistently offered returns on term deposits in excess of the major banks. This contributed to overall deposit balances increasing +5.2% to \$8.9 billion. This growth resulted in deposits continuing to contribute the majority of our funding during the year, whilst also strengthening our liquidity position.

Overall, net assets increased to \$1.1 billion (+4.3%) and as a result, we retained our position as one of Australia's largest customer-owned financial institutions, demonstrating our underlying strength to perform in uncertain times.

Total net profit for the consolidated group increased to \$42.7 million driven by an increase in net interest income of \$13.8 million (+7.1%), partly offset by an increase in expenses of \$1.1 million (+0.7%). Overall Net Interest Margin improved to 1.84%, up 4 basis points, as we balanced customer value and the organisation's long-term sustainability in a low interest rate environment. Our prudent lending practices and customer support services ensured that arrears remained low.

Our capital adequacy position of 20.7%, a market-leading position amongst significant financial institutions, illustrates our underlying financial strength and stability.

Profit is an important measure even for a customer-owned financial institution, as it provides the capital we need to underwrite our balance sheet, invest in strategic projects and support growth in the number of customers who have home loans with us. Our aim is not to maximise profits, but to achieve the right level of profit.



Creating one of Australia's largest customer-owned financial institutions

In August 2021 we announced we had signed a Memorandum of Understanding (MoU) with Greater Bank as a first and important step towards merging our two organisations to create one of Australia's largest customer-owned financial institutions.

Both organisations spent considerable time in the months leading to the announcement examining the commercial and member benefits of bringing together these two locally-grown mutuals. We believe the logic is sound in a time of rapid change and opportunity across the financial services landscape in Australia.

Should a merger proceed, the combined entity would have approximately \$19.8 billion in total assets, and a combined customer base of approximately 600,000. This would create a large, forward-thinking financial institution that sustains the core principles of customer-owned banking and positions the Hunter region as a financial powerhouse in Australia.

Both organisations independently have exceptional financial strength. Our collective capabilities and capacity will enable us to invest more in technology and innovation, and offer great value for customers.

Demonstrating this is a true merger, the MoU sets out a proposal for an aligned Board of Directors to govern the merged entity, and the retention of both existing CEOs. A new leadership structure will also be designed to harness the strengths of both entities. Additionally, the vision is to be a vibrant employer of choice for more than 1,600 people, delivering fulfilling and rewarding careers across all our regions.

Importantly for our customers, both the Newcastle Permanent and Greater Bank brands will be retained. This is critically important for all customers given the history and affinity both brands carry. We can assure you that should the merger be completed, post-merger you'll continue to enjoy the great products and award-winning customer service you enjoy at Newcastle Permanent.

This proposal is highly compelling. We have great aspirations to be Australia's number one customer-owned financial institution, and bringing these two organisations together will enable us to provide growth opportunities for the two brands.

We are currently working through due diligence, and then importantly, the merger proposal will require approval by eligible members of both organisations, as well as a number of regulatory approvals.

Members will receive a detailed information pack on the proposal prior to formal member approval being sought in 2022.

Looking ahead

At Newcastle Permanent, our success of 118 years has been based on our ability to adapt, to innovate, and to lead. These traits are at the forefront of our service and our delivery to our customers, each and every day. But we cannot rest on our laurels, or sit still.

While it has been another challenging year, we are immensely proud of our achievements. We have a clear vision and a confident outlook, and we have made considerable progress towards delivering our three year strategic plan.

We have a highly talented and capable team leading our organisation, we have a strong financial position and a unique strength of capital. We will continue to seize opportunities when they arise to enable our organisation to go from strength to strength.

We are Newcastle Permanent: we are committed to delivering our vision of being Australia's favourite banking experience, and we'll continue to be here for you, here for good.

Jeff Eather
Chair

Bernadette Inglis
CEO



Top Australian-owned banking institution in 2021

Forbes World's Best Banks Survey

Innovating to deliver Australia's favourite banking experience

Accolades and achievements

Every day, our people in our local branches, in our call centre and offices, work for the good of our customers and community. We take enormous pride in offering award-winning products and services that help our customers achieve their financial goals.

In the Forbes World's Best Banks 2021 survey we were named the top Australian-owned financial institution and ranked second overall in Australia, ahead of all the major banks and our customer-owned peers. This is a remarkable achievement and one we are immensely proud of. This was a year where our commitment to offering a best-in-class customer experience brought us many accolades:

- Roy Morgan – Customer Satisfaction Award 2020 (Building Society/Credit Union) for the second year running
- Mortgage Choice National Lender of the Year – Tier 2
- Rate City Gold Award 2021 – Best Variable Home Loan
- Rate City Gold Award 2021 – Best Variable Home Loan over \$1 million
- Rate City Gold Award 2021 – Best Small Deposit Home Loan
- Rate City Gold Award 2021 – Best Investor Interest Only Loan
- Australian Lending Awards 2021 – Finalist – Best Customer Experience
- Australian Lending Awards 2021 – Finalist – Best Investor Lender
- Australian Lending Awards 2021 – Finalist – Best Mutual
- Australian Lending Awards 2021 – Finalist – Best Secured Personal Lender
- Australian Lending Awards 2021 – Finalist – Best Unsecured Personal Lender
- Fintech Australia Award – Best Fintech and non-bank collaboration

Transforming our customer experience

We understand what our customers want and we're striving to get the blend of services right, seamlessly bringing our physical, digital and virtual services together.

We are steadfast in our focus on building Australia's favourite banking experience by delivering digital banking with a human touch. For us, our digital banking transformation is about enabling our customers to have a better banking experience in any way they choose.

Ways we've made banking easier for our customers this year:

- With 95% of all our customer transactions now digital, our new mobile banking app not only looks great, it's also intuitive and easy to use. Importantly, it enables a future pipeline of new ways to help our customers to manage their money from the palm of their hand, including bringing their cards into one place, making payments using their

device, and easily seeing and tracking where they're spending their money.

- Enhancements within our call centre removed the wait time for 27% of our total callers who can now immediately access simple account balances and activate their cards. This simple, self-service solution is also available 24/7.
- Our customers are loving the convenience of web chat. In fact, almost 20% of all customer interactions are now either a web chat or email.
- To help our customers keep pace with technology we hosted a series of digital masterclasses in our branches. These sessions equipped our customers with digital knowledge and confidence to support their in-branch banking. The success of these masterclasses was evident when customers came back into branch the following day to boast they'd checked their account balance or paid a bill for the first time using the app.

Technology and innovation helps more Australians into a home

A focus on delivering technology to make the loan approval process easier for our customers and brokers has been a high priority for us this past year and we've certainly delivered.

We've made it easier than ever for customers to secure a loan with us this year by introducing:

- new tools to check ID and collect supporting documents means customers need only visit a branch if they choose to as part of the loan process.
- digital signatures, which has had an impressive 93% uptake from those customers offered the option, and has reduced the loan approval time, in some cases from days to hours.

Refusing to let the events of the past year hinder our plans to help more Australians into their new home, we purposefully extended our award-winning products and services into Queensland with a new partnership with almost 530 brokers.

We also introduced specialist technology to help our entire suite of broker partners secure a speedy approval for their customers, reducing the approval time for some applications to just a handful of days. Technology we've introduced includes digital signatures for application documents and document verification service (DVS) checks for ID matching with government records. We've also introduced technology which collects the living expense data captured by brokers when they meet with their customers, removing the need to review bank statements manually and saving valuable time on the approval process.

Partnerships to be here for you, here for good

In September 2020, we announced a groundbreaking partnership with Athena Home Loans. Under this partnership, Newcastle Permanent purchased \$300 million in home loans from Athena. This relationship is part of our strategy to actively pursue partnership opportunities in emerging sectors of the finance industry where they align to our core business of helping customers to save for and purchase homes.

This partnership enabled us to diversify our mortgage acquisition strategy, supporting the value Newcastle Permanent offers customers and the long-term growth of the organisation.

This year Newcastle Permanent also became the first customer-owned financial institution in Australia to partner with Australia's national fintech association, FinTech Australia. This partnership will help us connect with fintech leaders across Australia, to fast-track our digital evolution and grow our business, and in turn create a better return and experience for our customers.



Our Environment, Social & Governance approach

Acting responsibly and ethically is part of our DNA. We are proactively seeking to share our ESG journey with our customers, people, and community.

This year we formalised our reporting on our ESG commitments with the creation of the *Newcastle Permanent Environmental, Social and Governance Framework*.

This Framework sets out our focus areas for the future and creates a reference point on the minimum standards we strive to achieve, the goals and commitments we are working towards, and the governance in place to support our objectives.

At Newcastle Permanent our core values underpin everything we do.

- We are here for our customers
- We strive to act responsibly and ethically
- We strive to be a sustainably responsible organisation
- We are focused on operating in an ethical manner that builds trusted relationships
- We work to support our customers and local communities in building towards the future

Our approach to ESG will evolve to ensure it continues to align with expectations from our people, our customers, the community, and relevant regulatory requirements or practices.

Our customers

Customers are at the centre of everything we do at Newcastle Permanent. We're customer owned and we began as an alternative way for our customers to achieve home ownership.

Our priorities to support our customers include continuing to deliver a customer experience aligned with our vision of providing Australia's favourite banking experience, improving accessibility to our products and services for customers, especially in times of vulnerability, and supporting our customers to understand banking can help them be able to better manage their money.

Our people

The generosity of spirit and dedication of our people has always been part of the fabric of Newcastle Permanent. Our aspiration is to help our people achieve their best, professionally, personally, and within our local communities.

This year our priorities around our people and the workplace will include a growing commitment to wellness in the workplace, ensuring that our Equal Employment Opportunity policy creates a diverse and inclusive approach to recruitment and the workplace and continuing to develop the talent and skills of the team. Read on to learn about how we are also committed to continuing our employee volunteering program.

Our community

We are an active and supportive part of the communities in which we operate and we are dedicated to supporting our local communities. We do this through our active community sponsorship and partnership program, which you can learn about in the coming pages, and through Newcastle Permanent Charitable Foundation. In addition, we champion human rights, support national reconciliation and we are working through the development of our own Reconciliation Action Plan.

Our environment

This year at Newcastle Permanent we are building on our contribution to protecting the environment, for now and future generations. We recognise it is the responsibility of organisations to do more and our customers, in recent research, have told us that they support this approach.

We will focus our efforts on minimising our operational environmental footprint. Within our operations we will focus on improving our energy, water, waste and transport practices, with some examples as follows:

Energy

Within our business we are actively seeking opportunities to become more energy efficient, including by minimising our energy consumption and implementing energy-saving practices across our business where possible.

Water

We will continue to monitor water use at all Newcastle Permanent facilities and look to make savings where practical.

Waste

We continue to reduce our paper consumption through the implementation of digital processes and communications, source recycled supplies, and work with our contractors and suppliers to manage waste more efficiently.

Transport

We will continue to manage and monitor our motor vehicle fleet usage and look to make savings in fuel consumption.

Our governance

Strong governance guides our principled approach, with customers at the centre of our decision-making. Our Corporate Governance report is included in this annual report demonstrating our transparent and well-measured management systems and reporting.

Our customers

- Deliver a customer experience aligned with our vision of being Australia's favourite banking experience
- Improve accessibility to our products and services for customers

Our people

- Promote and measure equality and diversity within our workforce through creating programs, initiatives and opportunities for our people
- Help our employees with coaching, training and development opportunities to enhance their development and customer interactions
- Encourage our employees to proactively support their local community

Our community

- Support individuals and organisations that contribute positively to social outcomes and equality
- Contribute to social equality through the activities we undertake in our local communities
- Encourage and support community advocacy, in alignment with our core values, vision and purpose

Our environment

- Work to reduce our use of natural resources and our contribution to global warming
- Introduce, where possible, further energy and waste efficiency practices that reduce our environmental footprint year on year
- Engage our people on environmentally sustainable practices

Our governance

- Employ and achieve high standards of corporate governance
- Continue to ensure customers are at the centre of our decisions to enable the best outcome for them
- Set high expectations with our people to adopt ethical, transparent and honest behaviour

Here for community: our people

Our CommunityAssist program was created more than 20 years ago because our people were passionate about supporting their local communities. Since then, nothing has changed; our people are as passionate as ever, consciously choosing and supporting charities and community groups that can be life-changing to the people they help every day. We're so proud of the way our people contribute to the local communities in which we live and work.

Passionate about helping our local communities thrive

This past year, each of our people had the opportunity to contribute two volunteer days to help our local communities. Taking enormous pride in choosing local charities and community groups they're passionate about and offering hands-on assistance, this past year our people gave hours of support to organisations including: Lifeline, Waves of Wellness, Ronald McDonald House, Hunter Wetlands Centre, Cerebral Palsy Alliance, Landcare, Friends with Dignity, Oz Harvest, Hunter Dog Rescue, Hunter New England Health and Variety.



Our people also generously donated funds to local charities, giving almost \$75,000 this year. Of this amount our people donated almost \$60,000 through our payroll giving program, choosing for these funds to go to four local charities: Talk2MeBro, Prostate Cancer Foundation of Australia, Top Blokes Foundation and Feel the Magic.

Almost \$75,000 donated by employees



CommunityAssist program established more than 20 years ago



Two volunteer days available per person to help our local communities



In the face of the challenges of the past year, our people remained passionate about supporting local charity fundraising and awareness campaigns. In a remarkable show of strength and resilience our people and customers actively supported campaigns and fundraising efforts for Cancer Council's Biggest Morning Tea, the Children's Medical Research Institute Jeans for Genes Day, The Salvation Army's Christmas Appeal, Beanies for Brain Cancer, Do it for Cancer – Pink Day, Red Cross Blood Appeal, Variety's Spin for Kids, Wear it Purple Day, R U OK? Day, White Ribbon Day, Baytr's Splash the Stigma, First Chance, NAIDOC Week and Parkinson's Awareness Month.

Almost \$1.5 million to help
our communities thrive



Photo: Daniel Danuser

Here for community: our partnerships

This year we honoured our heritage of proudly helping build societies that are vibrant and filled with opportunity, maintaining our commitment of almost \$1.5 million in helping our communities thrive.

Partnerships for the decades

We're long term thinkers, permanent is in our name after all. While this year presented some new challenges for us and our sponsorship partners we worked together to ensure we delivered an outstanding and engaging program for our local communities.

Our partnership with Surf Life Saving now spans almost 40 years. Partnering with every branch and club from Umina on the Central Coast to Fingal on the Queensland border, this year we helped 9,620 junior lifesavers and 26,429 volunteer lifesavers keep our beaches safe. Our partnership helps our local clubs purchase essential safety equipment, support the delivery of volunteer patrols, and helps to nurture the lifesavers of tomorrow through dedicated training and award and recognition programs.

Australia's favourite game, football, is firmly part of winter weekends for families right across northern NSW and we're right there alongside you. Our partnership with Northern NSW Football, now spanning more than a decade, this year helped make the game more accessible to almost 40,000 players. More than 10,000 families enjoyed helping their five to seven-year-old children and siblings practise their newly acquired football skills using their very own Newcastle Permanent football. In the challenging environment of 2020/21, we proactively celebrated the contribution of the thousands of volunteers who generously give their time to their local club, players and community. We also found a new way to support football, proudly presenting the Newcastle Permanent Premier League Grand Final Series and Grand Final in October.

This year our signature Cinema Under the Stars series had to be paused, as we all adhered to the health advice. However,

in its place, we were delighted to partner with Australia's favourite children's entertainers, The Wiggles, to bring our communities 'The Wiggles Up Close and Virtual'. The cutting-edge augmented reality technology meant families could sing and dance with The Wiggles in their lounge room, the park, beach, or wherever they chose using their smartphone or tablet. The experience was an overwhelming success. In fact when broken down, the numbers showed the equivalent of a Wiggles song was played four times an hour, every hour of the day!

Turning 40 this year, our very popular Newcastle Permanent Primary Schools Mathematics Competition returned for Year 5 and 6 students. Without using mathematical instruments, such as a ruler or calculator, more than 17,500 students from 290 schools participated in what is the longest running annual competition of its kind in Australia.

There's no doubt about it, it was a challenging year for events, with many of our long-standing regional community events being postponed or cancelled this year. We did have the absolute pleasure of supporting the Newcastle & Hunter Combined Schools ANZAC Commemorative Event, Pink Up Mudgee and Our Kids Day Out in Ballina. We hope to continue to support the remainder of our much-loved community events when it's safe for them to recommence.

While this year we dedicated much of our efforts to supporting our existing partners through the challenging times, we were equally delighted to establish new partnerships. It was our great pleasure to partner with the Newcastle Knights to deliver the Newcastle Permanent Fan Zone at home games and to see our logo once again take pride of place around the scoreboard at McDonald Jones Stadium. We also strengthened our commitment to supporting our local business community, increasing our support to Business Hunter, continuing our relationship with the Committee for the Hunter, and creating new partnerships with Newcastle Business Club and Hunter Young Professionals.

Charitable Foundation: helping rewrite the future

Newcastle Permanent Charitable Foundation's bold vision is to help rewrite the future, now and for generations to come. The Charitable Foundation provides \$1.5 million in grants each year to help innovative, grassroots charities make a meaningful difference to the lives of people facing disadvantage and create opportunities to thrive in regional communities.

In a year of enormous challenges, the Charitable Foundation has not only maintained its strategic grant-making program but also supported the capacity of charities to survive and face up to the challenges of the COVID-19 pandemic. In addition to funding, the Charitable Foundation has worked closely with its partners to share the burden of risk management, develop ideas and collaborate in new ways, drawing on its 18 years' experience in place-based grant making.

In September the Charitable Foundation announced \$600,000 in funding to support 13 existing partners innovate and meet the needs of the community through the COVID-19 pandemic. Then in May it announced \$930,000 for 14 new projects with a focus on building resilience and restoring social connections that underpin our healthy and vibrant regional communities.

Grant-making highlights for the year include:

- A \$50,000 grant to Little Wings to fly specialist doctors from John Hunter Hospital to regional and isolated northern NSW communities, providing more than 600 seriously ill children with access to the treatment they need without unnecessary exposure to COVID-19 risk and alleviating the significant burden of travel to major centres for health care.
- \$48,000 for Newcastle-based charity The Kaden Centre to deliver a digital home exercise oncology program for people affected by cancer or chronic health conditions throughout Australia, enabling continued access to cancer treatment and prevention programs during the COVID-19 pandemic and beyond.
- Supporting The Australian Literacy and Numeracy Foundation with \$55,000 to deliver *Subtext*, an arts-based program with a cultural adaptation for Indigenous participants which aims to improve educational and wellbeing outcomes for marginalised young people in the Macleay Valley.
- Helping Wheelchair Sports New South Wales expand sporting opportunities for people living with a disability in regional NSW through its wheelchair basketball program via a grant of \$64,000.

In 2021 the Charitable Foundation announced its landmark 500th grant since its inception in 2003. Fittingly, the 500th grant was provided to PCYC NSW, one of the Foundation's inaugural grant partners, to deliver the GRIT mental health and resilience program that will support wellbeing and opportunity for young people for generations to come. At the end of the year grant-making has totalled \$23 million for 512 important projects and initiatives.

This milestone provided an opportunity to reflect on how each project has improved the lives of people in need and helped rewrite the future for so many. It also marks an opportunity to celebrate the reach of the Charitable Foundation's broad project portfolio, which reflects the diversity of the community it serves.

This year was also a landmark year for the Charitable Foundation Board as it farewelled two long-term directors, Phil Neat and Mike Rabbitt, who have each made a unique and lasting impact on the Foundation.

Phil's leadership as Chair and Mike's deep community connections have contributed immensely to improving the lives of people in need throughout regional NSW over nearly two decades. The Board welcomed Margie Haseltine, Ashley

Gordon and Natasha Beyersdorf who bring deep governance expertise and experience, community relationships and passion for causes spanning disability, mentoring and improved outcomes for Aboriginal and Torres Strait Islander people.

The Charitable Foundation Board and management acknowledge the support provided by Newcastle Permanent Building Society that enables the Foundation to maximise its philanthropic work. We extend special thanks to Newcastle Permanent staff, who share our values and passion for supporting our local communities.

To learn more about the impact made by the Charitable Foundation to communities across regional NSW refer to its separate Annual Review.

27
grants this year

\$564,251
for health projects

\$624,000
for projects supporting young people

\$340,600
for social wellbeing projects



Board of Directors



Jeff Eather (Chair)



Ross Griffiths



Margie Haseltine

Jeffrey R Eather Chair

Jeff has been a Director since May 2013, and was appointed Chair in October 2016. He is a qualified accountant with strong governance credentials and hands-on business experience, having overseen some of Newcastle's leading corporations including in his former role as CEO of NBN Television. He is also the Managing Director of The Callaghan Institute and was formerly Chair of the University of Newcastle Foundation and Deputy Chair of Hunter Water Corporation.

Corporate Governance & Nominations Committee (Chair), Risk Committee, Remuneration & People Committee

BCom, CPA, FGIA, MAICD

Ross E Griffiths

Ross has been a Director since January 2015. He is a chartered accountant with extensive retail banking, finance and risk management experience. Ross had 28 years' experience at one of Australia's major banks before retiring in 2014. His appointments at that bank included Group Chief Credit Officer and Head of Credit Management. Ross is a former Director of Targus Australia Pty Ltd, Mirabela Nickel Limited and Commonwealth Managed Investments Limited, which was the Responsible Entity for two ASX-listed Property Trusts.

Risk Committee (Chair), Audit Committee, Corporate Governance & Nominations Committee

Dip Bus Studies (Acc), MBA, FCA (Aust), GAICD

Margaret A Haseltine

Margie has been a Director since March 2018. She forged a successful executive career with Mars Incorporated and led the company as its CEO for five years. She is an experienced and proven leader with more than 15 years' experience as a Board Director across a range of industries, including education, retail, hospitality and freight. She has expertise in change management, information technology, supply chain management and strategic planning and procurement. Margie is currently the Chair of Bapcor Limited and Advisory Chair of PURE Grain. She is a Non-Executive director of Central Coast Industry Connect, Droppoint Australia and Metcash Limited. Margie is also a Director of Newcastle Permanent Community Foundation Company Limited, which is the Trustee of Newcastle Permanent Charitable Foundation.

Audit Committee, Remuneration & People Committee

BA, FAICD



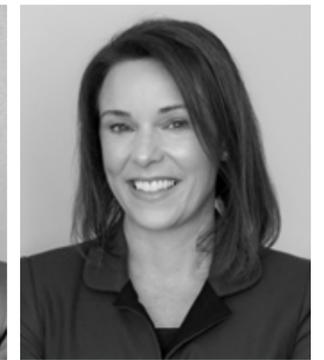
Karina W Kwan



Jennifer Leslie



Samantha Martin-Williams



Nicki Page

Karina W Kwan

Karina became a Director in March 2020. She is a highly experienced banking and financial services industry leader with expertise in treasury, finance and risk governance. Karina is a Non-Executive Director of WAM Active Ltd (part of the Wilson Asset Management group), Nulis Nominees (Australia) Ltd as Trustee of the MLC Superannuation Fund, and Kyckr Ltd. She is also an Advisory Board Member of the University of Sydney Business School and fintech companies Split Payments Pty Ltd, 1WordFlow and Open Orbit. Karina previously held the positions of Chief Financial Officer at Citibank Australia & New Zealand and CFO/General Manager of the corporate centre of a major bank.

Audit Committee, Risk Committee

BEc, FCPA, GAICD, GradDip Applied Finance (FinSIA)

Jennifer M Leslie

Jennifer has been a Director since June 2015. She has a well-established career forged in the Hunter Region, including 14 years as the inaugural Managing Director of Pitcher Partners Newcastle and Hunter Wealth Management. She is also the Chair of Newcastle Permanent Community Foundation Company Limited, which is the Trustee of Newcastle Permanent Charitable Foundation. Jennifer is a Director of Job Futures Ltd (trading as CoAct), a member of the University of Newcastle Alumni Advisory Committee and a member of the Hunter New England Local Health District Audit and Risk Management Committee.

Audit Committee (Chair), Corporate Governance & Nominations Committee, Remuneration & People Committee

BCom, FCA (Aust) - FPS, MAICD, TFASFA, FGIA

Samantha J Martin-Williams

Samantha has been a Director since February 2012. She has had a career with over 25 years diverse business experience in complex and highly regulated industries including financial services, education, health, resources and logistics. She provides deep strategy, governance and risk culture advice to companies facing disruption. Samantha is a former CEO where she led significant organisational reform, diversification and transformation. She is a Conjoint Lecturer at the University of Newcastle, and a former Telstra Business Woman of the Year. An experienced Board Director, she currently serves on several Boards encompassing aviation, supply chain, social purpose and education.

Remuneration & People Committee (Chair), Corporate Governance & Nominations Committee, Risk Committee

BBus, M.HR&IR, M.CommLaw, FAICD

Nicola J Page

Nicki is a highly experienced IT professional and non-executive Director, with digital transformation, technology and leadership expertise in both the UK and Australia. Nicki is a Non-Executive Director of Kennards Hire Pty Ltd and Interactive IT Pty Ltd and was previously a Director of Gymnastics Australia and the Chief Executive Officer and Executive Director of MOQdigital, an ASX-listed technology company. Nicki has also completed leadership and innovation training at Harvard Business School.

Audit Committee, Risk Committee

GAICD, MACS

Our Executive team



Bernadette Inglis (CEO)



Mark Williams



Shilpa Uppal



Edith Pfister



Paul Juergens



Stuart Hall



James Cudmore

Bernadette Inglis Chief Executive Officer

Bernadette joined Newcastle Permanent on 1 July 2019 as CEO and has over 20 years' executive leadership experience in financial services. She has been a successful business leader in retail banking, wealth management and insurance, and has held senior executive roles across core corporate services functions at both major and regional organisations. Bernadette also has extensive experience across a broad spectrum of Board appointments including arts, education, real estate, infrastructure and financial services. Her involvement has also extended to a number of community engagements including being a Director of the Newcastle Permanent Charitable Foundation.

BBus, MBA, GAICD, INSEAD Graduate

Bernadette enjoys reading, long seaside walks and creative cooking with her family.

Mark Williams Chief Technology Officer

Mark joined Newcastle Permanent in 2006 as Financial Controller and has held various executive positions as Chief Financial Officer, Chief Operations Officer, Acting Chief Executive Officer and Acting Chief Customer Officer leading our frontline teams. He is a Chartered Accountant with over 25 years' experience working within the chartered accounting profession and in a number of finance roles in the commercial and government sectors.

BCom, CA, GAICD, F Fin

During COVID-19, Mark rediscovered an old passion – Lego, building models of the Taj Mahal, Big Ben and NYC.

Shilpa Uppal Chief People & Culture Officer

Shilpa joined Newcastle Permanent in September 2020 as Chief People & Culture Officer. She is a seasoned people and culture professional with two decades of experience gained nationally and internationally within financial and professional services organisations including CBA, Barclays Capital, Macquarie Group and KPMG. Shilpa has led strategic initiatives to drive improvement in culture, leadership and organisational design.

BCom, Organisational Coaching (IECL)

During her downtime and as a creative outlet, Shilpa has begun a diploma in interior design.

Edith Pfister Interim Chief Risk Officer

Edith assumed the position of Interim Chief Risk Officer on 1 July 2021, with more than 30 years of diverse financial and operational leadership experience in the Financial Services sector in Australia and overseas. In Australia she held Chief Risk Officer roles with IAG, ANZ Wealth, RGA Reinsurance Group and SwissRe and held Interim Executive roles within the mutual sector. Edith served on the Board of the Financial Services Accountants Association and chaired the Swiss-Australian Chamber of Commerce.

CPA, MBA, MAcc

Edith is a keen cook and traveller, and loves to explore Australia and the world, whenever time permits.

Paul Juergens Chief Customer Experience Officer

Paul joined Newcastle Permanent in 2019 as the Chief Customer Experience Officer. Paul has over 20 years' experience working within the finance industry and has held senior positions at several of the major banks, including NAB, ANZ and St George. Paul has a strong focus and experience in delivering business growth and customer advocacy outcomes.

MBA

Paul is a keen runner and a weekend football fanatic, having played and coached for years.

Stuart Hall Chief Operating Officer

Stuart joined Newcastle Permanent in August 2021 as the Chief Operating Officer. Stuart has over 30 years' experience in the finance industry, having held senior roles at major banks and smaller financial institutions. He has experience in distribution, transformation and operations, risk and compliance, and is focussed on delivering a great experience for customers.

BApp Ec

Stuart loves being outdoors – gardening, bushwalking, snow skiing or playing football.

James Cudmore Chief Customer & Product Officer

James joined Newcastle Permanent in 2019 as Chief Customer & Product Officer. James has over 18 years' experience in the banking and financial services industry in Australia and overseas, with roles spanning marketing, product, digital, innovation, distribution and regulatory affairs. James has held senior leadership roles with Westpac Banking Corporation, including leadership of the customer branch network in NSW and mortgage lending nationally. In 2016, James was awarded the Australian Financial Review Young Executive of the Year.

BA, GAICD

James enjoys spending time with his family and teaching his two young boys all things AFL.



Mark Colless



Chris Cockburn



Grant Katz

Mark Colless
Chief Financial Officer

Mark commenced with Newcastle Permanent in March 2020 and was appointed to the role of Chief Financial Officer in July 2021, having previously held the role of Deputy Chief Financial Officer. He is a chartered accountant with over 20 years' experience including roles with the Commonwealth Bank, PwC and Qantas.

 BCom, MBA, CA, CFA, GAICD

 Outside the office, Mark enjoys golf, rugby and cricket, and has a passion for surfing.

Chris Cockburn
Chief Strategy & Governance Officer

Chris was the Company Secretary of Newcastle Permanent from 16 December 2016 until 2 June 2021, when he was appointed to the role of Chief Strategy & Governance Officer. He has more than 10 years' experience in banking and finance, has practised law in private practice and corporate legal roles and is a member of the Law Society of NSW and an Associate of the Governance Institute of Australia and The Chartered Governance Institute.

 BEc, LLB, Grad Dip Leg Prac, Grad Dip ACG, AGIA, ACG

 In his spare time, Chris is a passionate water skier and has represented Australia at junior and elite levels.

Grant Katz
Head of Internal Audit

Grant commenced with Newcastle Permanent in January 2020, he has extensive experience across all three lines of defence, finance, strategy, treasury, risk, compliance and internal audit. Specifically, Grant has held senior internal audit roles with large Australian organisations Woolworths Group, Mirvac and Metcash. Grant has a strong passion for internal audit. He has been developing partnerships between our internal audit function and the wider business.

 BCompt Honours, CA, MBA

 To recharge, Grant enjoys going for a jog on the foreshore or reading research articles and papers.



Directors' report

Relationship of the concise financial report to the full financial report

The concise financial report is an extract from the full financial report for the year ended 30 June 2021. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Newcastle Permanent Building Society Limited (Newcastle Permanent) and its controlled entities as the full financial report. Further financial information can be obtained from the full financial report.

The full financial report and auditor's report will be sent to members on request, free of charge. Please call 13 19 87 to request a copy, or visit newcastlepermanent.com.au/annual-report.

The Directors present their report on the consolidated entity consisting of Newcastle Permanent and the entities it controlled at the end of, or during, the year ended 30 June 2021.

Directors

The following persons were Directors of Newcastle Permanent during the financial year. Unless otherwise indicated, the listed persons were Directors for the whole of the financial year and up to the date of this report.

J.R. Eather (Chair)
R.E. Griffiths
M.A. Haseltine
K.W. Kwan
J.M. Leslie
S.J. Martin-Williams
P.J. Neat (retired as a Director on 5 November 2020)
N.J. Page

Details of the current Directors and their experience, qualifications and any special responsibilities are set out on page 26 of this annual report.

Information on former Director

Philip J Neat MBA, MAICD, FAMI, CPM, GIA (Cert)
Board Member from July 2003 to November 2020

Phil was a Director of Newcastle Permanent until his retirement in November 2020. He was a former Chair of the Risk Management and Remuneration committees (now known as the Risk, and Remuneration & People committees) during his time with Newcastle Permanent. Phil was an adviser for over 30 years to major Australian and international corporations involved in the infrastructure, property development and resource and mining sectors. He had a background in journalism before establishing his own consultancy and group of associated companies. Phil was also the Chair of the Board of Newcastle Permanent Community Foundation Company Limited until his retirement from that Board in September 2020. He holds a Master of Business Administration and is a Fellow of the Australian Marketing Institute. Phil was a former Chairman of the Hunter Olympic Committee and was awarded the NSW Olympic Council's Order of Merit in 2010.

Company Secretaries

The following persons were Company Secretaries of Newcastle Permanent as at the end of the financial year.

Vera Corbett

BCom, LLB (Hons), Grad Dip Leg Prac

Vera Corbett was appointed Acting Company Secretary of Newcastle Permanent on 2 June 2021. She holds commerce and law degrees, a Diploma of Legal Practice and is admitted to practice law in the Supreme Court of NSW. Vera has practised law for more than 20 years in private practice and in-house legal roles and is a member of the Law Society of NSW and the Governance Institute of Australia.

Linda Lindsay

BCom, LLB, Grad Dip Leg Prac, Grad Dip ACG, AGIA, ACG

Linda Lindsay is the Assistant Company Secretary of Newcastle Permanent and Company Secretary of Newcastle Permanent Community Foundation Company Limited. She holds commerce and law degrees, a Diploma of Legal Practice and a Graduate Diploma in Applied Corporate Governance. Admitted to practice law in the Supreme Court of NSW and admitted as a solicitor of the Supreme Court of England and Wales, Linda has over 20 years' experience in private practice and in-house legal roles.

Meetings of Directors

The number of meetings of Newcastle Permanent's Board of Directors and of each Board Committee held during the year ended 30 June 2021 and the numbers of meetings attended by each Director were:

	Board		Committee Attendance							
	No. of Meetings	No. Attended	Audit		Risk		Remuneration & People		Corporate Governance & Nominations	
			No. of Meetings	No. Attended	No. of Meetings	No. Attended	No. of Meetings	No. Attended	No. of Meetings	No. Attended
J.R. Eather	15	15	–	7 ²	10	10	4	4	5	5
R.E. Griffiths ¹	15	14	7	7	10	10	–	2 ⁴	5	5
M.A. Haseltine ¹	15	14	7	6	–	4 ³	4	4	–	2 ⁵
K.W. Kwan ¹	15	14	7	7	10	10	–	2 ⁴	–	3 ⁵
J.M. Leslie	15	15	7	7	–	9 ³	4	4	5	5
S.J. Martin-Williams ¹	15	14	–	3 ²	10	9	4	4	5	5
P.J. Neat ^{1,6}	6	4	–	1 ²	4	3	2	1	–	–
N.J. Page ¹	15	15	7	6 ⁷	10	10	–	2 ⁴	–	3 ⁵

Notes:

1. Leave of absence may be granted by the Board in advance to excuse a Director from attending a particular meeting.
 2. J.R. Eather, S.J. Martin-Williams and P.J. Neat were not members of the Audit Committee during the year, however they attended some of these meetings by invitation.
 3. M.A. Haseltine and J.M. Leslie were not members of the Risk Committee during the year, however they attended some of these meetings by invitation.
 4. R.E. Griffiths, K.W. Kwan and N.J. Page were not members of the Remuneration & People Committee during the year, however they attended some of these meetings by invitation.
 5. M.A. Haseltine, K.W. Kwan and N.J. Page were not members of the Corporate Governance & Nominations Committee during the year, however they attended some of these meetings by invitation.
 6. P.J. Neat retired from the Board on 5 November 2020.
 7. N.J. Page excused herself from attending the Audit Committee meeting held on 24 July 2020 in order to manage a potential conflict of interest.
- 'No. of Meetings' refers to the number of meetings of the Board or relevant Committee that were held while that Director was on that Board or relevant Committee.
- In addition to the formal meetings noted:
- two Board strategy sessions were held on 8 December 2020 and 30 March 2021; and
 - three circulating resolutions were distributed to and signed by the Board on 15 October 2020, 6 November 2020 and 22 January 2021.

Officers

In addition to the Directors and Secretaries outlined above, the following persons were Senior Executives or acted in a Senior Executive role for a substantial period during the year, and were therefore considered to be officers of Newcastle Permanent.

Officers for the full financial year:

B. Inglis
C. Cockburn
J. Cudmore
P. Juergens
G. Katz
E. Larkin
M. Williams

Officers for part of the financial year:

F. Laczina until 6 September 2020
S. Uppal from 7 September 2020
S. Hassall until 23 March 2021
M. Colless from 24 March 2021

Objectives

Newcastle Permanent's purpose is to provide trusted banking that's here for you, here for good, while aspiring to become Australia's favourite banking experience. The core values of Newcastle Permanent are to share the success, do the right thing, embrace the opportunity and give a damn every day.

Newcastle Permanent's strategy continues to be guided by three strategic objectives that we must excel at in order to achieve our vision. Those strategic objectives are to:

- deliver market leading service, customer and partner experience
- grow our customer base by meeting the financial needs of more Australians
- be a beacon for the industry, our customers and our people.

The key strategic focus areas for Newcastle Permanent for the period ahead are the competitiveness of our core deposit and home lending products and simplifying our technology to continue delivering award-winning products and services to our customers.

The performance of Newcastle Permanent was measured during the year against a balanced scorecard of key performance indicators (KPIs) across the areas of customer, community, people, strategic initiatives and financial with mandatory risk and value modifiers incorporated for the CEO and Executive Team. The main KPIs were:

- customer: customer satisfaction and advocacy levels, customer growth and service and brand consideration
- community: corporate social responsibility, contribution to local communities and relationships with external stakeholders
- people: employee engagement and talent management
- strategic initiatives: effectiveness of strategic plan implementation and roadmap initiative outcomes
- financial: capital position, net profit after tax, return on equity and the cost to income ratio.

Principal activities

The principal continuing activities of the consolidated entity consisted of the provision of a range of financial products and services to members and the operation of a charitable trust. There has been no significant change in the nature of the core business or activities of Newcastle Permanent during the year ended 30 June 2021.

To support the achievement of its strategic objectives, Newcastle Permanent progressed a suite of strategic initiatives designed to:

- sustainably grow the fundamental home loan and deposit portfolios
- enhance customers' experience through improved digital sales and service capability
- deliver a competitive product offering and customer value proposition
- foster employee wellbeing, engagement, culture and competency
- strengthen the risk and compliance frameworks, including management of regulatory changes
- continue giving back to heartland communities, with almost \$1.5 million in sponsorships, events and donations.

Review of operations

Newcastle Permanent delivered a strong financial result in FY21 as the financial impacts of the COVID-19 pandemic were not as severe as initially anticipated. However the forward outlook for the economy remains challenging, with widespread lockdowns in force at the end of the financial year in Newcastle Permanent's primary geographic market of NSW.

The following points explain the material drivers of the financial performance and position during the year.

- Net profit after tax increased to \$42.7 million (2020: \$30.1 million) primarily due to an increase in net interest income and an increase in the fair value of investments held in the charitable trust. Profitability returned to a level in line with historical trend following a lower result in the prior year.

- Provisions for expected credit losses were retained at a level consistent with the prior year and represent approximately 0.08% of gross lending assets. Whilst Newcastle Permanent did not experience any material level of bad debt write-offs during the financial year, considerable uncertainty remains in the forward outlook for the economy. As a result, it was deemed prudent to retain the provision for expected credit losses to mitigate any potential future losses due to the continued economic uncertainty associated with the COVID-19 pandemic.

This remains a substantially stronger credit quality position than the vast majority of Australian Authorised Deposit-Taking Institutions (ADIs) and Newcastle Permanent retains ample capital to absorb these losses should they occur over the coming years.

- In a challenging lending environment, characterised by record low interest rates, total home loan assets increased by \$0.3 billion to \$9.2 billion, representing portfolio growth of 3.7%.

The increase in the lending portfolio included the whole of loan purchase from Athena Mortgage Pty Limited (Athena), as reported in the prior year annual report. This contributed 2.8% of the increase in the home loan portfolio.

- From a funding perspective, Newcastle Permanent again recorded strong growth (\$0.4 billion or 5.0%) in customer deposits which ended the year at \$8.9 billion (2020: \$8.5 billion). Customers exhibited strong preference for at-call deposits which increased by \$0.9 billion whilst fixed-term deposits decreased by \$0.5 billion.

Borrowings from wholesale funding providers were reduced where possible given the strong liquidity position and the availability of the Reserve Bank of Australia's Term Funding Facility (TFF). Newcastle Permanent fully utilised its TFF allocation during the financial year, with the total outstanding increasing by \$0.4 billion. The TFF provides ADIs with a secured fixed rate borrowing for 3 years at a rate between 0.10% and 0.25%.

- Total equity increased to \$1,062 million (2020: \$1,018 million) and the regulatory capital adequacy ratio of the parent entity decreased slightly to 20.7% (2020: 21.2%). At this level, Newcastle Permanent remains one of the best capitalised ADIs in Australia and provides a stable base off which to navigate the uncertain forward environment.
- Newcastle Permanent's liquidity position has remained strong through the pandemic and it recorded a regulatory liquidity ratio of 18.3% (2020: 20.2%) as at 30 June 2021. Whilst the ratio has declined from the prior year, this was as a result of deliberate management actions to ensure that excess liquid assets were deployed through higher growth in the home loan portfolio.

Looking forward, the environment remains uncertain and subject to change. The notes to the financial statements set out all the critical accounting estimates and judgements that have been made in preparing the 2020/21 financial statements and to account for known risks at present. Further to those risks, the lower interest rate environment will continue to place pressure on profitability.

The Directors consider that these financial statements and the exceptional capital, liquidity and credit profile of Newcastle Permanent demonstrate that the consolidated entity is well positioned to navigate the forward environment and the consolidated entity expects to remain profitable, liquid and well capitalised over the coming year.

Athena Whole of Loan Sale Arrangement

As indicated above and in last year's Directors' Report, during FY21 Newcastle Permanent established a whole of loan sale arrangement with Athena through which Newcastle Permanent is entitled to purchase high quality residential mortgage assets. Under this arrangement, Newcastle Permanent owns the purchased assets through an equitable assignment arrangement, has perfection of title rights such that legal titles will transfer to Newcastle Permanent in certain circumstances and the ongoing servicing of the loans has been outsourced to Athena, who retains ownership of the customer relationship. Newcastle Permanent benefits from the revenue generated from interest charged on the assets and pays fees to Athena for the purchase and ongoing servicing.

Newcastle Permanent purchased the first tranche of \$296 million residential mortgage assets from Athena on 22 September 2020. On 23 August 2021 Newcastle Permanent purchased a second tranche of \$246 million residential mortgage assets from Athena.

The Athena arrangement and the additional purchase of residential mortgage assets does not have a material impact on the financial statements, but they do positively contribute to Newcastle Permanent's financial performance.

Potential merger with Greater Bank Limited

In August 2021, Newcastle Permanent and Greater Bank Limited (Greater Bank) announced they had signed a Memorandum of Understanding (MoU) to explore merging the two Hunter-based organisations to create a leading customer-owned bank. The MoU allows both parties to investigate the customer and commercial benefits that may be gained from merging the two organisations through a due diligence process.

As at the date of this report, the due diligence process has commenced and, subject to the due diligence outcomes and regulatory and member approval, the target date for completion of the merger is in the first half of the 2022 calendar year. For the merger to proceed, a number of regulatory approvals will be required, including from the Australian Prudential Regulatory Authority (APRA) and most likely the Federal Treasurer. Eligible members of both Newcastle Permanent and Greater Bank will also be asked to approve the merger at an extraordinary general meeting in 2022.

Both the Athena arrangement and the potential merger with Greater Bank reflects Newcastle Permanent's focus on developing partnerships and working with like-minded organisations to complement its organic growth strategies and support customer value objectives and long-term organisational sustainability.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

During the 2020/21 financial year, the consolidated entity completed the wind-up and voluntary liquidation of Newcastle Friendly Society Limited, and that entity was deregistered on 28 June 2021.

Matters subsequent to the end of the financial year

The Review of Operations (page 34) outlines two relevant matters that were subsequent to the end of the financial year, namely:

- entering into a MoU regarding the potential merger of Newcastle Permanent and Greater Bank
- the purchase of a second tranche of residential mortgage assets from Athena.

Apart from these matters, there have been no other matters or circumstances that have arisen since 30 June 2021 that have significantly affected, or may significantly affect:

- a. the consolidated entity's operations in future financial years; or
- b. the results of those operations in future financial years; or
- c. the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

There are no likely developments that would be expected to have a material impact on the operations of the consolidated entity as at the date of this report.

As detailed in the Review of Operations (page 34), the economic environment continues to remain uncertain as a result of the COVID-19 pandemic and this will impact the operating environment. However, the consolidated entity expects to continue to operate profitably during the next financial year whilst continuing to undertake its principal activities and exploring the merger with Greater Bank.

Liability of Members

Newcastle Permanent is a company limited by shares and guarantee, however there are no shares currently on issue. Under the Constitution, the liability of each person who became a member of Newcastle Permanent after 29 September 2000 is limited to an obligation to contribute a maximum amount of \$1 if Newcastle Permanent is wound up while they are a member or within one year after they cease to be a member. The member liability provision of the Constitution does not apply to those persons who became members of Newcastle Permanent prior to 29 September 2000. As at 30 June 2021, the total amount that the members of Newcastle Permanent were liable to contribute if it was wound up was \$204,877.

Dividends or distributions

Newcastle Permanent is a mutual company operated for the benefit of its members. It does not pay dividends or distributions to its members, but reinvests its profits for the future benefit of its members.

Environmental regulation

The consolidated entity has assessed whether there are any particular or significant environmental regulations which apply to it and has determined that there are none.

Directors' and officers' indemnities

All past and present Directors, Company Secretaries and Senior Executives of Newcastle Permanent and its wholly owned subsidiaries are indemnified under Newcastle Permanent's Constitution, on a full indemnity basis and to the extent permitted by law, against:

- every liability incurred by them in their respective capacities (except a liability for legal costs)
- all legal costs incurred by them in defending or resisting proceedings in which the person becomes involved because of that capacity.

Newcastle Permanent has also executed:

- Deeds of Indemnity with each current Director and a number of former Directors
- employment or other agreements with the CEO, current and former Executives, Company Secretaries and Newcastle Permanent's in-house lawyers,

that provide them with indemnification in substantially the same terms to that provided in the Constitution.

In the case of the Directors, the indemnification extends to any liabilities incurred by them as a result of being a Director of another company in the consolidated group of Newcastle Permanent.

Insurance of officers

During the financial year, Newcastle Permanent paid a premium to insure the current and certain former Directors, Company Secretaries and the Senior Executives of Newcastle Permanent and its controlled entities. In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

No insurance cover has been provided for the benefit of the auditors of the consolidated entity.

Proceedings on behalf of Newcastle Permanent

No person has applied to the Court under section 237 of the *Corporations Act 2001* (Cth) for leave to bring proceedings on behalf of Newcastle Permanent, or to intervene in any proceedings to which Newcastle Permanent is a party, for the purpose of taking responsibility on behalf of Newcastle Permanent for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of Newcastle Permanent with leave of the Court under section 237 of the *Corporations Act 2001* (Cth).

Rounding of amounts

Newcastle Permanent is an entity referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration, as required under section 307C of the *Corporations Act 2001* (Cth), and the name of the Audit Partner are set out on page 59.

Disclosure of Prudential Information

Newcastle Permanent is an Authorised Deposit-taking Institution regulated by APRA. As a result of this regulation, Newcastle Permanent is required to comply with Australian Prudential Standards (APSs) released by APRA. APS 330 Public Disclosure requires Newcastle Permanent to disclose information regarding the composition of its regulatory capital base, risk exposures, a reconciliation of the balance sheet in the financial statements to the balance sheet prepared under the regulatory scope of consolidation and the full terms and conditions of any issued regulatory capital instruments. Please refer to the Regulatory Disclosures section of Newcastle Permanent's website at newcastlepermanent.com.au/regulatory-disclosures for further information. Newcastle Permanent does not currently have any regulatory capital instruments on issue.

This report is made in accordance with a resolution of the Directors.

JR Eather
Chair

JM Leslie
Director

17 September 2021
Newcastle

Corporate governance

The Board adopts a best-practice approach to corporate governance that is efficient, transparent and, where practicable for Newcastle Permanent, aligned with the 4th edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles). Although Newcastle Permanent is not required to comply with the ASX Principles, our stakeholders can view our level of alignment to these practices by viewing our governance disclosures table at newcastlepermanent.com.au/performance.

This statement describes Newcastle Permanent's Corporate Governance Framework, principles and practices as at 17 September 2021.

1. Purpose, culture and values

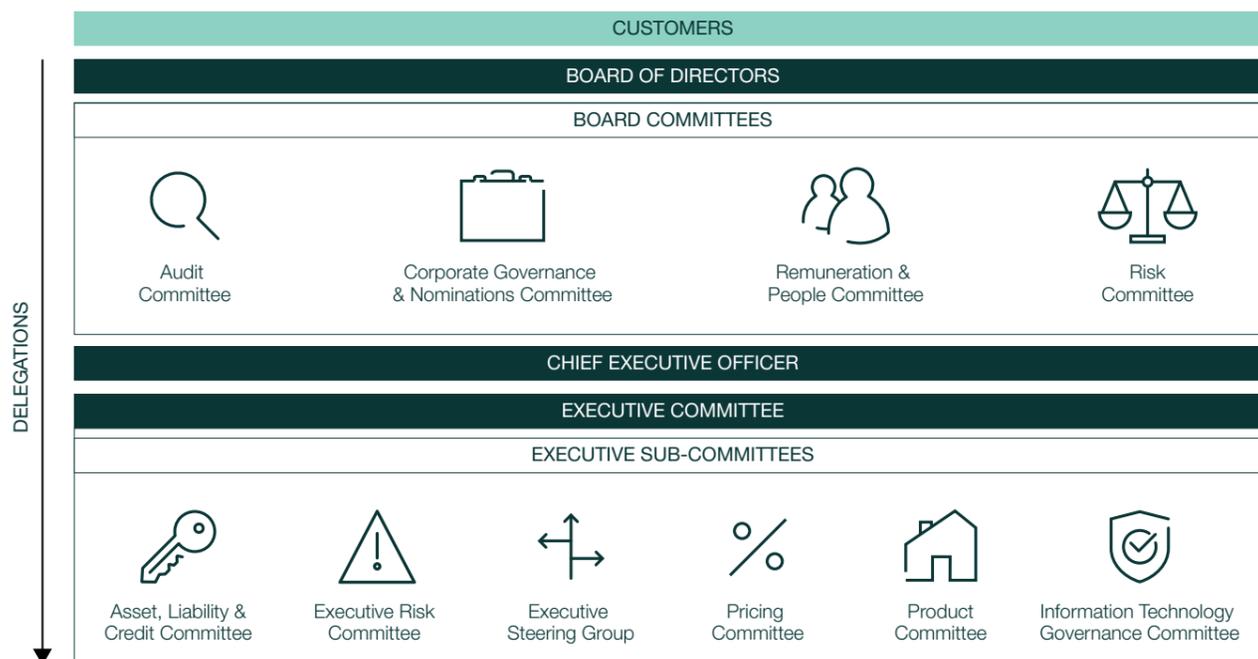
For Newcastle Permanent, good corporate governance is how we make decisions and manage risks to deliver on our purpose as a customer-owned financial institution – providing trusted banking that's here for the good of our customers, our people and our communities.

The Board recognises that a cohesive corporate culture is the cornerstone of an effective governance framework, and that it is responsible for establishing the 'tone from the top'. The Board shapes Newcastle Permanent's culture of acting lawfully, ethically and responsibly by communicating and operating in a way that is consistent with the organisational values: 'Share the success', 'Do the right thing', 'Embrace the opportunity' and 'Give a damn, every day'. These guiding values are reinforced through regular communications, and are intrinsically linked to the Strategic Plan and key performance indicators for all employees.

All Directors, Executives and employees are also required to comply with the behavioural standards and expectations in Newcastle Permanent's Code of Conduct Policy and Fraud and Corruption Control Policy, and are encouraged to 'speak up' about any unlawful, unethical or irresponsible behaviour under the Whistleblower Protection Policy.

2. Corporate Governance Framework, roles and responsibilities

Newcastle Permanent's corporate governance structure is outlined below.



2.1 Board and Committees

The role of the Board is to set and oversee plans and policies for the sound management of Newcastle Permanent, including the company's culture and values, strategic direction, financial performance, operational objectives, remuneration framework and risk governance. The role, responsibilities and reserve powers of the Board are set out in the Board Charter, which is published on Newcastle Permanent's website.

To assist in the execution of these responsibilities and streamline its processes, the Board has established and delegated certain duties to its standing Board Committees.

Audit Committee	Risk Committee	Remuneration & People Committee	Corporate Governance & Nominations Committee
<p>Provides objective, non-executive oversight and review of:</p> <ul style="list-style-type: none"> integrity of the financial statements, financial reporting systems and external reporting effectiveness of the internal control environment and Risk Management Framework work of the Internal Audit function appointment and independence of Newcastle Permanent's external auditor and co-sourced internal audit services provider. 	<p>Oversees and makes recommendations to the Board in relation to:</p> <ul style="list-style-type: none"> establishment, review, ratification and implementation of the risk management strategy and framework, risk appetite and tolerance levels an aggregate view of Newcastle Permanent's risk profile risk culture information from management on new and emerging risks adequacy and effectiveness of the compliance management framework managing insurable interests due diligence activities. 	<p>Reviews and makes recommendations to the Board on the:</p> <ul style="list-style-type: none"> Remuneration Policy Directors' fees employment agreements and remuneration packages of the CEO and Executives people and organisational culture initiatives, programs and metrics. 	<p>Reviews, oversees and facilitates the:</p> <ul style="list-style-type: none"> appointment, induction and succession planning for Directors and Committee members optimal size and mix of skills required on the Board and Committees annual review of Board, Committee and Director performance and effectiveness annual assessment of Directors' independence the Corporate Governance Framework and key governance documents and processes (for example, the Constitution, Board Charter and Conflicts of Interest Policy).
<p>Members: Ms J.M. Leslie (Chair) Mr R.E. Griffiths Ms M.A. Haseltine Ms K.W. Kwan Ms N.J. Page</p>	<p>Members: Mr R.E. Griffiths (Chair) Mr J.R. Eather Ms K.W. Kwan Ms S.J. Martin-Williams Ms N.J. Page</p>	<p>Members: Ms S.J. Martin-Williams (Chair) Mr J.R. Eather Ms M.A. Haseltine Ms J.M. Leslie</p>	<p>Members: Mr J.R. Eather (Chair) Mr R.E. Griffiths Ms J.M. Leslie Ms S.J. Martin-Williams</p>

Details of Board and Committee meetings and attendance are set out in the Directors' report on page 33. Each Board Committee has a Charter which is reviewed at least annually and sets out the Committee's powers, duties and responsibilities, including the ability to obtain information from management and seek advice from external consultants as required.

Special Committees may also be formed from time to time to assist the Board with particular matters.

2.2 Board composition and renewal

The Directors and their respective qualifications, experience and special responsibilities are outlined on page 26 of the annual report.

The Corporate Governance & Nominations Committee is responsible for the ongoing Board succession planning and renewal process, and makes recommendations to the Board on the appointment of Directors taking into account the criteria in Newcastle Permanent's Board Renewal Policy and the following guiding principles for Board and Committee composition:

- requirements under Newcastle Permanent's Constitution, Board and Committee Charters and regulatory obligations, including the requirement to have a majority of independent, Non-Executive Directors
- sufficient Directors to serve on various Committees without overburdening the Directors or making it difficult to discharge their duties, and
- ensuring the appropriate blend of skills, tenure and diversity on the Board.

Where a person is standing for election or re-election as a Director of the Board, the explanatory notes in the Notice of Annual General Meeting include a summary of the Director's relevant qualifications, skills, experience, independence and other material information to assist members in making an informed decision.

Skills and experience

The Board uses a skills matrix to capture the desired and existing skills, expertise and experience considered important for the effective governance of Newcastle Permanent.

A regular skills analysis is undertaken to review the matrix and assess the extent to which the Directors possess and exhibit the relevant capabilities.

In line with market practice, the skills analysis involves the Directors completing a self-assessment against each capability on a five-point rating scale through a questionnaire process, which is designed and facilitated by an external governance consultant. The below graph shows the collective results from the most recent skills analysis in June 2021, based on the average self-assessment ratings for each desired skill set.



The results reflect that collectively, the skills of the existing Directors align to the capabilities desired on the Board for its effective governance and oversight of Newcastle Permanent.

The Board has also articulated its desired behavioural and cultural attributes, which require Directors to be:

- collaborative and respectful
- independent
- an effective communicator
- open-minded
- courageous
- agile.

Independence and tenure

Under its Charter, the Board is required to have a majority of independent Non-Executive Directors. This is assessed on an ongoing basis and formally once per year by the Corporate Governance & Nominations Committee against Newcastle Permanent's criteria for Director independence, which are based on the factors set out in APRA Prudential Standard CPS 510 Governance. The most recent assessment in August 2021 found that all Directors, including the Chair, were independent based on this criteria.

It is essential for Directors to possess, exhibit and bring to bear independent decision-making abilities to all Board deliberations, and this is facilitated through:

- regular meetings of the Directors without management representatives present
- the right for Directors to access all relevant information and seek, subject to prior consultation with the Chair, independent professional advice at Newcastle Permanent's expense
- principles and procedures for the management of Directors' material personal interests and conflicts of interest, as set out in the Conflicts of Interest Policy. Details of Directors' related-entity transactions with Newcastle Permanent and the consolidated entity are set out in the notes on Key Management Personnel Disclosures in Newcastle Permanent's full financial report.

The Board is comprised of Directors with a mix of tenures, some with medium and longer terms of service who have a detailed understanding of Newcastle Permanent and its corporate history, and newer Directors who bring fresh perspectives to the Board.

Length of tenure 2021



Appointment, induction and education

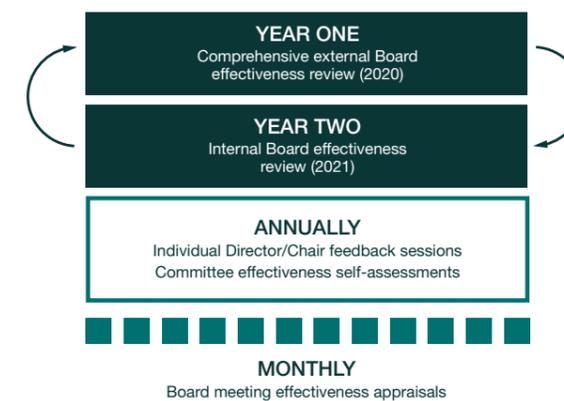
Each Director signs a Letter of Appointment outlining the terms of their appointment to the Board and an Accountability Statement acknowledging their responsibilities for the purposes of the Banking Executive Accountability Regime (BEAR) under the *Banking Act 1959* (Cth). The Directors are also required to satisfy a fit and proper person assessment prior to their appointment and on an annual basis to confirm that they possess the competence, character, diligence, honesty, integrity and judgement to be a responsible person for the purposes of Prudential Standard CPS 520 Fit and Proper. This involves verification of qualifications and experience, criminal history and personal insolvency checks, enquiries of ASIC and APRA disqualification registers, and disclosure of actual or potential conflicts of interest.

To prepare new Directors for participation in Board governance processes and decision-making, they are provided with key governance documents and undertake a structured induction process under the Director Induction Framework, including meetings with the Chair, CEO, Company Secretary and relevant Executives.

All Directors are encouraged to be members of the Australian Institute of Company Directors and undertake ongoing professional education and development in fields relevant to their role on the Board and the operations of Newcastle Permanent, in alignment with their individual development plans, to ensure continuing improvement in Board performance.

2.3 Board performance evaluation

The Board acknowledges that continuing assessment, development and improvement of its performance is critical for the effective governance of Newcastle Permanent. Its process for formally evaluating the performance of the Board, Committees and individual Directors, through the Corporate Governance & Nominations Committee, involves the following elements:



2.4 Relationship with management

CEO

The Board is responsible for appointing the CEO, and delegates to the CEO responsibility for the day-to-day management of Newcastle Permanent consistent with the Strategic Plan, objectives, culture, values, budgets and risk appetite set by the Board. The CEO may sub-delegate any functions to the Executives or other employees, and all delegations and reserve powers of the Board are captured in a Delegations Manual.

Executive Committee

The CEO leads the Executive Committee, which meets regularly to review and report on Newcastle Permanent's business activities and provides information to the Board to enable its oversight role.

All Executives have entered into a written agreement with Newcastle Permanent setting out the terms of their appointment, signed an Accountability Statement acknowledging their responsibilities under BEAR, and are required to satisfy a fit and proper person assessment on appointment and annually.

Company Secretary

The Company Secretary is appointed by the Board and charged with advising on and facilitating Newcastle Permanent's corporate governance processes. In doing so, the Company Secretary has a direct and independent reporting responsibility, through the Chair, to the Board and each of its Committees.

Evaluation of management performance

Through the Remuneration & People Committee, the Board evaluates the performance of the CEO and Executives on an annual basis by:

- setting the relevant performance criteria, in alignment with the organisation's Strategic Performance Scorecard
- considering individual performance against these criteria, including (with respect to the Executives) recommendations from the CEO and information from the Head of Internal Audit and Chief Risk Officer in relation to relevant audit and risk items
- approving any merit-based salary increases or incentives to be paid.

These reviews are completed in October each year.

The Board undertakes, through its relevant Committees, a separate annual assessment of the performance of the Company Secretary, Chief Risk Officer and Head of Internal Audit in relation to their independent reporting obligations to the Board and Committees.

3. Here for our customers

3.1 Information, communications and feedback

As a mutual organisation, our customers are our members and we engage with them through various channels, including:

- **website (newcastlepermanent.com.au):** containing information about Newcastle Permanent's history, Member Charter, strategic and community activities, governance and management structure, Constitution and Board and Committee Charters, recent annual reports and financial highlights, and the most recent prudential disclosures on capital adequacy, risk exposures and remuneration practices
- **our regular newsletter, *Permanently Yours*:** providing subscribers with articles, offers and updates
- **social media:** sharing updates, insights and assistance to thousands of followers across Facebook, Instagram, LinkedIn, YouTube and Twitter
- **statements and other communications:** which customers can elect to receive electronically
- **surveys and market research**
- **customer service touchpoints:** customers can submit enquiries, complaints or feedback through our website, Customer Contact Centre, branches or internet banking.

Newcastle Permanent has an iterative process for considering feedback from our customers through regular monitoring and review by management, the Board (via the Risk Committee), and a dedicated Voice of the Customer and Insights function. Looking ahead to the new regulatory environment with respect to customer complaints, we will evolve our policy, processes and reporting to align with the relevant requirements and our customers' expectations, which may involve including further information in future annual reports.

3.2 Annual General Meeting (AGM)

Newcastle Permanent recognises the importance of member participation at the AGM. Written notice of the meeting is provided to all members who have requested it, as well as being displayed in all branches and head office for at least three weeks in advance.

The full financial report is made available on our website for members to review, in addition to the annual report, which is also provided directly to members who have requested to receive it. Members are encouraged and given the opportunity to ask questions during the meeting in relation to any of the items of business, including the financial results, or other matters relating to the performance of the company. The external auditor also attends the AGM to answer questions from members.

To facilitate participation across Newcastle Permanent's member base in the COVID-19 environment, the AGM will be held as largely an online meeting with members attending and participating online. The Chair of the meeting, Directors and some senior management will conduct the meeting from a physical location if circumstances allow otherwise they will also attend online. All resolutions at the meeting will be decided by a poll, using voting application technology. Members who are unable to attend the AGM also have the opportunity to participate in the meeting by lodging a direct vote (by post or online) or by appointing a proxy to vote on their behalf.

4. Here for our people

4.1 Diversity and inclusion

Newcastle Permanent recognises the value and importance of diverse insights, perspectives, experiences and cultures in our business and our local communities.

We seek to create a workplace and organisational culture that is fair, inclusive and supportive for all employees through our Equal Employment Opportunity Policy, training programs, flexible and remote working arrangements and by celebrating relevant observances throughout the year (such as International Women's Day, NAIDOC Week and National Reconciliation Week). Under our ESG Framework (as discussed on page 18), we will continue to evolve our formal approach for promoting and measuring diversity and inclusion throughout our organisation over the coming years.

As outlined in our public report for the Workplace Gender Equality Agency (WGEA), women make up 75% of Newcastle Permanent's non-manager workforce, and 55% of staff at manager level and above. The Board of Newcastle Permanent comprises 71% females and 29% males, and given this balanced gender representation, the measurable objective for Board diversity has been adjusted to having a minimum of two Directors, and not less than 25% of the Board composition overall, of each gender on the Board.

4.2 Remuneration

The Board recognises remuneration as a key driver of culture, and has adopted a Remuneration Policy that demonstrates, among other things, alignment of remuneration decisions with Newcastle Permanent's Risk Management Framework. Any incentive schemes are designed to encourage conduct that supports the organisation's values, customer interests, financial soundness and risk appetite. This is achieved through the application of risk and behaviour gateways and modifiers, and supported by a consequence management framework.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and Executives. The Remuneration & People Committee obtains independent advice on the appropriateness of Director and Executive remuneration packages, including trends in comparable organisations, and makes recommendations to the Board in this respect.

The remuneration for Executives comprises a mix of fixed and performance-based remuneration, as well as other benefits prescribed in Newcastle Permanent's policies from time to time. A balanced scorecard approach is taken to the assessment of Executive performance, which incorporates risk and behaviour gateways and modifiers, and drives annual Executive Remuneration decisions. In accordance with the Banking Executive Accountability Regime (BEAR), a certain proportion of Executives' variable remuneration may also be deferred, to be released only where the Board is satisfied that the Executive has met their accountability obligations and certain other criteria. The Board may also determine that any variable remuneration is reduced or forfeited due to malus or clawback trigger events. Termination payments are not payable where the employment of an Executive is terminated for misconduct.

The structure of remuneration for Directors is distinct from that of the Executives and management. Recommendations for increases in the total Directors' remuneration pool must be submitted to and approved by the members at the AGM. Directors do not participate in any performance incentive schemes, to preserve the independence of the Board and its decision-making processes. Directors first appointed after 1 January 2011 do not receive any retirement benefits from Newcastle Permanent other than compulsory superannuation entitlements.

5. Here for our community

We have a long and proud history of supporting the communities we are part of through local sponsorships, staff donations and volunteering, charity fundraising activities and community events, as outlined in our ESG Framework (page 18).

The Newcastle Permanent Charitable Foundation provides grant funding for eligible not-for-profit organisations in our regions to address issues of disadvantage such as health, social wellbeing and young people. The Newcastle Permanent Charitable Foundation Annual Review can be viewed at newcastlepermanent.com.au/charitable-foundation/who-we-are.

6. Here for our environment

Newcastle Permanent's ESG Framework (page 18) sets out our current priorities and initiatives for working sustainably and minimising our operational environment footprint.

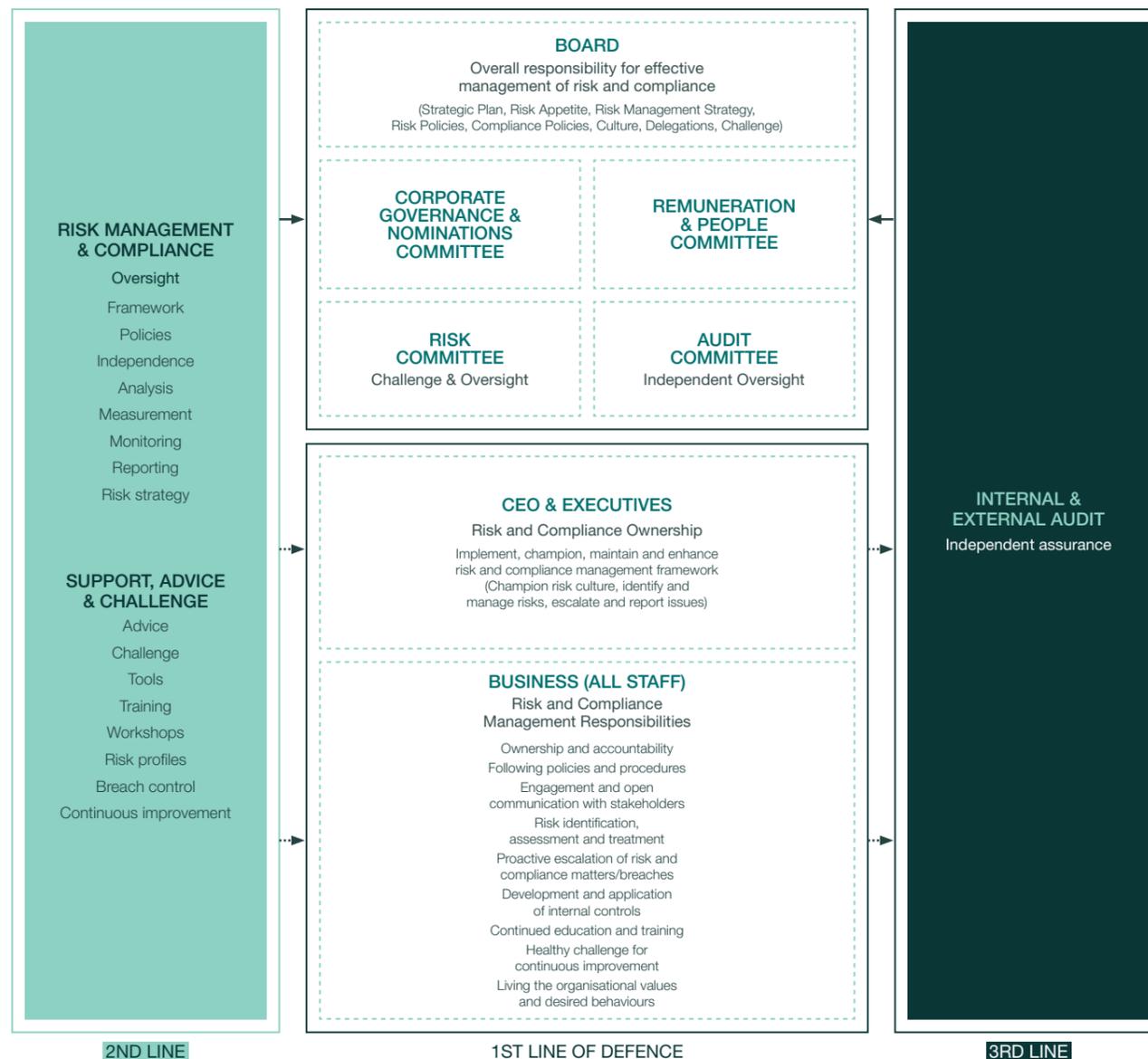
7. Managing risk

7.1 Risk Management Framework

The Board has adopted a Risk Management Framework for the effective management of Newcastle Permanent's material risks, comprising the following key elements:

- Risk Management Strategy
- Risk Culture Framework
- Strategic Plan and strategic planning process
- Risk Appetite Statement, which articulates the quantitative and qualitative risk appetite and tolerance for each material risk
- material risk policies designed to identify, assess, monitor and mitigate all material financial and non-financial business risks
- risk management methodology, processes, policies and systems
- enterprise wide scenario analysis and stress testing
- Internal Capital Adequacy Assessment Process (ICAAP).

Newcastle Permanent is continuously improving and embedding the 'three lines of defence' risk governance model, which comprises the following elements:



The Board has delegated risk oversight and risk governance to the Risk Committee, which regularly reviews and makes recommendations to the Board regarding the Risk Management Framework. The Risk Management Strategy, Risk Appetite Statement and material risk policies, being core documents of the Risk Management Framework, were recently reviewed by the Committee and approved by the Board in June 2021.

Exposure to environmental and social risks

The Board acknowledges the importance of managing environmental and social risks, particularly climate risk, as a responsible organisation in the community and in fulfilling Newcastle Permanent's purpose to be 'here for good'.

Climate-related risks relevant to our business are monitored and assessed in line with our Risk Management Framework, to identify and manage potential direct and indirect impacts for Newcastle Permanent's customers, communities and activities. We recognise that climate-related risks are evolving and require close monitoring, and our approach for managing these emerging risks through the Risk Management Framework will, as appropriate, utilise and align with relevant regulatory guidance provided by APRA.

7.2 Internal Audit

Newcastle Permanent maintains an in-house internal audit function, whose work is augmented by a co-sourced internal audit service provider. The role of the internal audit function is to provide independent and objective assurance to management and the Audit Committee. The internal auditors systematically review Newcastle Permanent's risk management, governance and internal controls in accordance with an annual Internal Audit Plan, assess how well risks are managed and recommend process improvements.

The Head of Internal Audit reports functionally to the Audit Committee through its Chair, and administratively to the CEO. The Audit Committee has direct access to the internal auditors, and both the Audit Committee and the internal auditors have access to management to seek all necessary information and explanations with respect to internal audit reviews.

Concise financial report

Income Statements

For the year ended 30 June 2021

	Notes	Parent Entity		Consolidated Entity	
		2021	2020	2021	2020
		\$'000	\$'000	\$'000	\$'000
Interest revenue	5	314,330	356,114	274,296	324,499
Interest expense	5	(105,543)	(161,854)	(65,469)	(129,500)
Net interest income		208,787	194,260	208,827	194,999
Fee and commission revenue	6	14,247	15,500	14,242	15,361
Fee and commission expense		(10,087)	(9,243)	(10,087)	(9,243)
Net fee and commission income		4,160	6,257	4,155	6,118
Other operating income	7	1,104	1,399	2,745	2,572
Other net gains/(losses)	8	386	246	1,409	(952)
Expected credit losses on loans and advances		221	(5,578)	221	(5,578)
Expected credit losses on financial assets at amortised cost		13	47	13	54
Depreciation and amortisation expense		(17,324)	(17,431)	(17,324)	(17,431)
Personnel related expenses		(93,482)	(91,476)	(93,483)	(91,492)
Operating expenses		(45,088)	(41,859)	(46,592)	(44,324)
Profit before income tax		58,777	45,865	59,971	43,966
Income tax expense		(17,314)	(13,837)	(17,314)	(13,837)
Profit for the year		41,463	32,028	42,657	30,129
<i>Attributable to:</i>					
Non-controlling interests		–	–	1,194	(1,899)
Members of Newcastle Permanent Building Society Limited		41,463	32,028	41,463	32,028

The above income statements should be read in conjunction with the accompanying notes.

Statements of Comprehensive Income

For the year ended 30 June 2021

	Parent Entity		Consolidated Entity	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Profit for the year	41,463	32,028	42,657	30,129
Other comprehensive income, net of tax				
<i>Items that may be reclassified to profit or loss:</i>				
Changes in the fair value of cash flow hedges	1,232	6,940	1,232	6,940
<i>Items that will not be reclassified to profit or loss:</i>				
Changes in the fair value of property	–	1,695	–	1,695
Other comprehensive income for the year, net of tax	1,232	8,635	1,232	8,635
Total comprehensive income for the year	42,695	40,663	43,889	38,764
<i>Attributable to:</i>				
Non-controlling interests	–	–	1,194	(1,899)
Members of Newcastle Permanent Building Society Limited	42,695	40,663	42,695	40,663

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

Balance Sheets

As at 30 June 2021

	Parent Entity		Consolidated Entity	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Assets				
Cash and cash equivalents	420,254	584,015	803,060	800,002
Prepayments and other receivables	23,550	20,684	13,673	10,538
Derivative financial instruments	2,068	5,595	2,068	5,595
Financial assets at amortised cost	1,616,411	1,316,167	1,616,411	1,318,481
Financial assets at fair value through profit or loss (FVTPL)	2,393,054	2,664,020	27,649	25,943
Loans and advances to members	9,159,845	8,847,195	9,159,845	8,847,195
Net deferred tax assets	6,215	6,071	6,215	6,071
Intangible assets	12,349	12,802	12,349	12,802
Property, plant and equipment	60,887	73,015	60,887	73,015
Investment properties	1,524	1,702	1,524	1,702
Total assets	13,696,157	13,531,266	11,703,681	11,101,344
Liabilities				
Payables	31,751	15,307	24,828	10,923
Derivative financial instruments	9	–	9	–
Deposits	9,142,888	8,773,693	9,141,950	8,773,603
Borrowings	3,448,686	3,706,524	1,435,449	1,253,648
Lease liability	20,072	27,969	20,072	27,969
Current tax liabilities	5,738	1,583	5,738	1,583
Provisions	13,360	15,232	13,360	15,232
Total liabilities	12,662,504	12,540,308	10,641,406	10,082,958
Net assets	1,033,653	990,958	1,062,275	1,018,386
Equity				
Reserves	37,293	35,681	37,293	35,681
Retained profits	996,360	955,277	996,360	955,277
Parent entity interest	1,033,653	990,958	1,033,653	990,958
Non-controlling interest	–	–	28,622	27,428
Total equity	1,033,653	990,958	1,062,275	1,018,386

The above balance sheets should be read in conjunction with the accompanying notes.

Statements of changes in equity – consolidated entity

For the year ended 30 June 2021

	Attributable to members of Newcastle Permanent Building Society Limited				
	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2020	35,681	955,277	990,958	27,428	1,018,386
Profit for the year	–	41,463	41,463	1,194	42,657
Other comprehensive income	1,232	–	1,232	–	1,232
Total comprehensive income for the year	1,232	41,463	42,695	1,194	43,889
Transfers between reserves and retained earnings	380	(380)	–	–	–
Balance at 30 June 2021	37,293	995,360	1,033,653	28,622	1,062,275
Balance at 1 July 2019	27,180	925,468	952,648	30,022	982,670
Change on initial application of AASB 16	–	(2,353)	(2,353)	–	(2,353)
Profit/(loss) for the year	–	32,028	32,028	(1,899)	30,129
Other comprehensive income	8,635	–	8,635	–	8,635
Total comprehensive income for the year	8,635	29,675	38,310	(1,899)	36,411
Extraordinary bonuses credited to life insurance contract liabilities	–	–	–	(640)	(640)
Movement in death benefit reserve for life insurance contract liabilities	–	–	–	(55)	(55)
Transfers between reserves and retained earnings	(134)	134	–	–	–
Balance at 30 June 2020	35,681	955,277	990,958	27,428	1,018,386

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Statements of changes in equity – parent entity

For the year ended 30 June 2021

	Attributable to members of Newcastle Permanent Building Society Limited		
	Reserves	Retained earnings	Total equity
	\$'000	\$'000	\$'000
Balance at 1 July 2020	35,681	955,277	990,958
Profit for the year	–	41,463	41,463
Other comprehensive income	1,232	–	1,232
Total comprehensive income for the year	1,232	41,463	42,695
Transfers between reserves and retained earnings	380	(380)	–
Balance at 30 June 2021	37,293	996,360	1,033,653
Balance at 1 July 2019	27,180	925,468	952,648
Change on initial application of AASB 16	–	(2,353)	(2,353)
Profit for the year	–	32,028	32,028
Other comprehensive income	8,635	–	8,635
Total comprehensive income for the year	8,635	29,675	38,310
Transfers between reserves and retained earnings	(134)	134	–
Balance at 30 June 2020	35,681	955,277	990,958

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Statements of cash flows

For the year ended 30 June 2021

	Parent Entity		Consolidated Entity	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Interest received	319,625	362,615	279,590	331,054
Other income	1,338	688	3,359	1,790
Fees and commissions received	18,123	18,941	18,191	18,802
Interest paid	(103,967)	(145,902)	(64,985)	(128,174)
Donations paid	–	–	(599)	(1,535)
Payments to suppliers and employees (inclusive of GST)	(145,315)	(149,096)	(144,388)	(150,077)
Income tax paid	(13,830)	(12,328)	(13,830)	(12,328)
<i>(Increase)/decrease in operating assets:</i>				
Net movement in financial assets at amortised cost and FVTPL	(29,227)	(1,489,476)	(299,585)	(174,098)
Net movement in loans and advances to members	(308,727)	244,285	(311,717)	247,694
<i>Increase/(decrease) in operating liabilities:</i>				
Life insurance contract contribution receipts	–	–	–	9
Life insurance contract withdrawal payments	–	–	–	(14,802)
Life investment contract withdrawal payments	–	–	–	(351)
Net increase in deposits	422,023	358,998	421,176	363,584
Net cash inflow/(outflow) from operating activities	160,043	(811,275)	(112,788)	481,568
Cash flows from investing activities				
Payments on unwinding of interest rate swaps	–	(7,232)	–	(7,232)
Payments for intangible assets	(3,951)	(3,675)	(3,951)	(3,675)
Payments for property, plant and equipment	(3,735)	(3,136)	(3,735)	(3,136)
Payments for investment property	–	(22)	–	(22)
Proceeds from sale of property, plant and equipment	3,213	85	3,213	85
Net cash outflow from investing activities	(4,473)	(13,980)	(4,473)	(13,980)
Cash flows from financing activities				
Net increase/(decrease) in borrowings	(310,374)	1,017,968	129,276	(135,975)
Payments for lease liabilities	(8,984)	(8,855)	(8,984)	(8,855)
Net cash inflow/(outflow) from financing activities	(319,358)	1,009,113	120,292	(144,830)
Net increase/(decrease) in cash and cash equivalents	(163,788)	183,858	3,031	322,758
Cash and cash equivalents at the beginning of the financial year	584,064	400,206	800,051	477,293
Cash and cash equivalents at the end of the financial year (excluding provision for impairment losses)	420,276	584,064	803,082	800,051

The above statements of cash flow should be read in conjunction with the accompanying notes.

Notes to financial statements

For the year ended 30 June 2021

This concise financial report relates to both Newcastle Permanent as an individual entity and the entities it controlled at the end of, or during, the year ended 30 June 2021. The accounting policies adopted have been consistently applied to all years presented.

Newcastle Permanent is an entity referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report. Amounts in the concise financial report have been rounded off in accordance with that Instrument to the nearest thousand dollars.

1. Presentation currency

The presentation currency used in this concise financial report is Australian dollars.

2. Dividends

Newcastle Permanent is a mutual building society and is prohibited from paying dividends.

3. Comparative information

Comparative information has been reclassified where appropriate to enhance comparability. Please refer to the full set of financial statements for further information.

4. Management discussion and analysis

4.1 Income statement

(a) Net interest income

Consolidated	2021 (\$m)	2020 (\$m)	Var (\$m)
Interest revenue	274	324	(50)
Interest expense	(65)	(129)	64
Net interest income	209	195	14

Net interest income increased by \$14 million compared to the previous year. However, both interest revenue and interest expense decreased significantly in an environment characterised by the historically low official cash rate, which further reduced by 15 basis points to 0.10% during the year.

Despite the challenging interest rate environment, full year net interest margin increased by 4 basis points to 1.84%. This reflected a focus throughout the year on supporting sustainable net interest margins over the long term whilst balancing long-term customer value.

(b) Other income

Consolidated	2021 (\$m)	2020 (\$m)	Var (\$m)
Net fee and commission income	4	6	(2)
Other operating income	3	3	-
Other net gains and losses	1	(1)	2

Net fee and commission income

Net fee and commission income decreased by \$2 million during the year, primarily attributable to:

- increased customer preference for using fee free payment methods and everyday transaction accounts which have reduced transaction based fee revenue
- increased card scheme costs which are not directly reflected in fees charged to customers.

Other net gains and losses

In accordance with AASB 9 Financial Instruments, net gains and losses on financial assets at FVTPL (Fair Value Through Profit and Loss) are recognised directly in the income statement. The consolidated entity recorded a net unrealised fair value gain for the year on the investment portfolio held by the Newcastle Permanent Charitable Foundation of \$1.0 million (compared to an unrealised loss of \$1.2 million in the prior year). This reflected improved performance in financial markets over the course of the 2020/21 financial year, which rebounded from significant declines in the prior year caused by the initial uncertainty from the COVID-19 pandemic.

(c) Non-interest expenses, excluding income tax

Total operating expenses were \$157.8 million for the year ended 30 June 2021, representing a decrease of \$1.1 million (0.7%). Excluding impairment losses, operating costs increased by 3.1% primarily due to a sustained focus on investing in initiatives to support the strategic plan. Material components included:

Consolidated	2021 (\$m)	2020 (\$m)	Var (\$m)
Personnel expenses	93	91	2
Impairment losses on loans and advances	(0.2)	5.6	(5.8)
Operating and administrative expenses (including depreciation and amortisation)	64	62	2

Personnel expenses

Personnel expenses represent 59.2% of the total operating expenses excluding impairment losses (2020: 59.7%). Whilst personnel costs increased in absolute terms, they remained consistent in terms of the proportion of total operating expenses (excluding impairment losses). This reflected cost management and productivity initiatives in a challenging operating environment.

Expected credit losses on loans and advances

Provisions for expected credit losses were retained at a level consistent with the prior year and represent approximately 0.08% of gross lending assets. Whilst Newcastle Permanent did not experience any material level of bad debt write-offs during the financial year, considerable uncertainty remains in the forward outlook for the economy. As a result, it was deemed prudent to retain the provision for expected credit losses to mitigate any potential future losses due to the continued economic uncertainty associated with the COVID-19 pandemic.

4.2 Balance sheet

(a) Assets

Total assets increased by \$0.6 billion to \$11.7 billion at 30 June 2021, representing an increase of 5.4%. Material components included:

Consolidated	2021 (\$m)	2020 (\$m)	Var (\$m)
Loans and advances	9,160	8,847	313
Cash and liquid assets	2,419	2,118	301
Other	125	136	(11)
Total assets	11,704	11,101	603

Loans and advances

Loans and advances increased by \$313 million, or 3.5% during the financial year. This increase was primarily attributable to the home loan portfolio, which increased by \$324 million or 3.7%. The growth in the home loan portfolio materially benefited from the purchase of loans from Athena Mortgage Pty Limited, which contributed 2.8% of the portfolio growth. Improved momentum during the financial year saw Newcastle Permanent's organic home loan portfolio grow by 0.9%, compared to a decrease of 2.8% in the prior year.

Cash and liquid assets

Newcastle Permanent operates a cash and liquid asset portfolio consisting of cash and cash equivalents and held-to-maturity investments.

Consolidated	2021 (\$m)	2020 (\$m)	Var (\$m)
Cash and cash equivalents	803	800	3
Financial assets at amortised cost	1,616	1,318	298
Total cash and liquid assets	2,419	2,118	301

Cash and liquid assets increased by \$301 million (14%) during the year as Newcastle Permanent, primarily driven by strong growth in customer deposits.

Newcastle Permanent's liquidity position has remained strong through the pandemic and it recorded a regulatory liquidity ratio of 18.3% (2020: 20.2%) as at 30 June 2021. Whilst the ratio has declined from the prior year, this was as a result of deliberate management actions to ensure that excess liquid assets were deployed through higher growth in the home loan portfolio.

At all times Newcastle Permanent maintains sufficient liquidity to meet its obligations, regulatory requirements and operate within its prudent liquidity risk appetite.

(b) Liabilities

Total liabilities increased by \$0.6 billion to \$10.6 billion 30 June 2021, representing an increase of 5.5%. Material components included:

Consolidated	2021 (\$m)	2020 (\$m)	Var (\$m)
Customer deposits	8,924	8,500	424
Other deposits and borrowings	1,653	1,527	126
Other	64	56	8
Total liabilities	10,641	10,083	232

Customer deposits

Customer deposit funding increased by 5.0% during the year. At 30 June 2021, customer deposits remain Newcastle Permanent's primary source of funding representing 84% of the consolidated entity's total funding (2020: 85%).

Other deposits and borrowings

In line with its strategy of maintaining a diversified funding base, Newcastle Permanent obtains a proportion of its funding from various wholesale funding sources.

Borrowings from wholesale funding providers were reduced where possible given the strong liquidity position and the availability of the Reserve Bank of Australia's Term Funding Facility (TFF). Newcastle Permanent fully utilised its TFF allocation during the financial year, with the total outstanding increasing by \$0.4 billion. The TFF provides ADIs with a secured fixed rate borrowing for 3 years at a rate between 0.10% and 0.25%.

At 30 June 2021 wholesale funding represents 14% of the consolidated entity's total funding (2020: 15%) comprised primarily of long-term funding.

(c) Equity

Total equity of the consolidated entity has increased by \$44 million (4.3%) to \$1,062 million at 30 June 2021.

This is primarily attributable to the net profit after tax of \$41 million generated by the parent entity during the year.

4.3 Cash flow statement

There has been an increase in cash and cash equivalents during the year of \$3 million in respect of the consolidated entity, compared to a increase of \$323 million in the prior year.

The movement in cash and cash equivalents is detailed in 4.2(a).

	Parent Entity		Consolidated Entity	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
5. Net interest income				
<i>Interest revenue:</i>				
Loans and advances to members	257,185	296,805	259,838	298,584
Cash and liquid assets	57,145	59,309	14,458	25,915
	314,330	356,114	274,296	324,499
<i>Interest expense:</i>				
Deposits	48,702	100,208	48,702	94,785
Borrowings	56,358	60,983	16,284	34,052
Other interest expense	483	663	483	663
	105,543	161,854	65,469	129,500
Net interest income	208,787	194,260	208,827	194,999
6. Fee and commission income				
Fee revenue	12,072	13,016	12,067	12,877
Commission revenue	2,175	2,484	2,175	2,484
	14,247	15,500	14,242	15,361
7. Other operating income				
Rental income	168	140	168	140
Partnership income	450	750	450	750
Other income	486	509	2,127	1,682
	1,104	1,399	2,745	2,572
8. Other net gains and losses				
Net gain/(loss) on disposal of property, plant and equipment	280	(109)	280	(109)
Net gain on remeasurement of lease liability	75	-	75	-
Net loss on disposal of investments	-	-	(2)	(3)
Net fair value gains/(losses) on financial assets at FVTPL	31	355	1,056	(840)
	386	246	1,409	(952)

9. New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2021 reporting periods. These standards are not expected to have a material impact on the consolidated entity in future financial reporting periods and on foreseeable future transactions. Therefore, they have not been disclosed in this note.

10. Matters subsequent to the end of the financial year

Athena Whole of Loan Sale Arrangement

During the year ended 30 June 2021, Newcastle Permanent established a whole of loan sale arrangement with Athena through which it is entitled to purchase high quality residential mortgage assets. Under this arrangement, Newcastle Permanent owns the purchased assets through an equitable assignment arrangement, has perfection of title rights such that legal titles will transfer to Newcastle Permanent in certain circumstances and the ongoing servicing of the loans has been outsourced to Athena, who retains ownership of the customer relationship. Newcastle Permanent benefits from the revenue generated from interest charged on the assets and pays fees to Athena for the purchase and ongoing servicing.

Newcastle Permanent purchased the first tranche of \$296 million residential mortgage assets from Athena on 22 September 2020. On 23 August 2021 Newcastle Permanent purchased a second tranche of \$246 million residential mortgage assets from Athena.

The Athena arrangement and the additional purchase of residential mortgage assets does not have a material impact on the financial statements, but they do positively contribute to Newcastle Permanent's financial performance.

Potential merger with Greater Bank Limited

In August 2021, Newcastle Permanent and Greater Bank Limited (Greater Bank) announced they had signed a Memorandum of Understanding (MoU) to explore merging the two Hunter-based organisations to create a leading customer-owned financial institution. The MoU allows both parties to investigate the member and commercial benefits that may be gained from merging the two organisations through a due diligence process.

As at the date of this report, the due diligence process has commenced and, subject to the due diligence outcomes and regulatory and member approval, the target date for completion of the merger is in the first half of the 2022 calendar year. For the merger to proceed, a number of regulatory approvals will be required, including from the Australian Prudential Regulatory Authority and most likely the Federal Treasurer. Eligible members of both Newcastle Permanent and Greater Bank will also be asked to approve the merger at an extraordinary general meeting in 2022.

With the exception of the matters outlined above, there have been no other matters or circumstances that have arisen since 30 June 2021 that have significantly affected, or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of Newcastle Permanent in future financial years.

Directors' declaration

The Directors of Newcastle Permanent Building Society Limited declare that in their opinion, the concise financial report of the consolidated entity for the year ended 30 June 2021 as set out in the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements complies with Accounting Standard AASB 1039 Concise Financial Reports.

The concise financial report is an extract from the full financial report for the year ended 30 June 2021. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report and auditor's report, which is available on request free of charge.

This declaration is made in accordance with a resolution of the Directors.

JR Eather
Chair

JM Leslie
Director

Newcastle
17 September 2021

Independent Audit Report

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Independent Auditor's Report to the members of Newcastle Permanent Building Society Limited

Opinion

We have audited the concise financial report of Newcastle Permanent Building Society Limited (the "Entity") and its controlled entities (the "Group") which comprises the consolidated balance sheet as at 30 June 2021, the consolidated income statement and comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and related notes, derived from the financial report of the Entity and Group for the year ended 30 June 2021.

In our opinion, the accompanying concise financial report of Newcastle Permanent Building Society Limited, complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Concise Financial Report* section of our report. We are independent of the Entity and Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the "Code") that are relevant to our audit of the concise financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Concise Financial Report

The concise financial report does not contain all the disclosures required by the Australian Accounting Standards in the preparation of the financial report. Reading the concise financial report and the auditor's report thereon, therefore, is not a substitute for reading the financial report and the auditor's report thereon.

The Financial Report and Our Report Thereon

We expressed an unmodified audit opinion on the financial report in our report dated 17 September 2021.

Responsibilities of the Directors for the Concise Financial Report

The directors of the Entity are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports* and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the concise financial report.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

Deloitte.

Auditor's Responsibilities for the Audit of the Concise Financial Report

Our responsibility is to express an opinion on whether the concise financial report, in all material respects, complies with *AASB 1039 Concise Financial Reports* based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.



DELOITTE TOUCHE TOHMATSU



Mark Lumsden
Partner
Chartered Accountants
Sydney, 17 September 2021

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
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17 September 2021

**The Board of Directors
Newcastle Permanent Building Society Limited
King Street
Newcastle West, NSW 2310**

Dear Directors,

Auditor's Independence Declaration to Newcastle Permanent Building Society Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Newcastle Permanent Building Society Limited.

As lead audit partner for the audit of the financial report of Newcastle Permanent Building Society Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Mark Lumsden
Partner
Chartered Accountants

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Newcastle Permanent Building Society Limited
Australian Credit Licence/Australian Financial Services Licence 238273

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