

Friday, 12 October 2018

Newcastle Permanent tables market-leading position in annual results

Newcastle Permanent published its annual results for 2017-18 overnight, reporting strong profit, capital adequacy and portfolio growth figures, capped by market-leading customer satisfaction and meaningful community support.

Celebrating its 115th year, Newcastle Permanent recorded a \$43.8 million net profit after tax, up by 12.4% on the prior year, despite one of the most complex regulatory environments faced by the banking industry to date.

Chair Jeff Eather said that amid the background of the Financial Services Royal Commission, Newcastle Permanent's strong performance was testament to the benefits of its customer-owned banking model.

"This year has been one of high operational complexity for our organisation, and I'm pleased to report that despite this, we're thriving, becoming more efficient and remaining highly focussed on customer value and community support.

"Our market-leading customer satisfaction, improved profit, and exceptionally strong capital position combine to show that we are well placed to continue serving our customers for the next 115 years," Mr Eather said.

Mr Eather also cited the performance of outgoing CEO Terry Millett in leading the organisation to deliver a raft of strategic projects and enhance the value delivered to customers during his decade-long tenure in the role.

"The Board is extremely proud of the work Terry and his team have done to achieve such consistent, market leading results while navigating the increasingly complex operating and regulatory environment and intense competition.

"In the ever-evolving realm of retail banking, we've delivered a range of significant upgrades to systems, processes and services which enrich our customers' experiences and make us a far more efficient business, while maintaining our suite of highly awarded and industry-leading products."

Mr Millett said he was proud of the achievements of the entire staff during his time as CEO over the past 10 years, capped this year with exceptional, market-leading customer metrics.

"Of the many measures we use to evaluate our performance, one that stands out is our customer satisfaction that was 93%, as recorded by industry research agency Roy Morgan – making us the number one ranked financial institution in Australia in June 2018.

"Our profits are 100% retained in the business to benefit our customers and community, and this year we generated an estimated \$102.2 million in customer value, made up of our net profit after tax of \$43.8 million and our \$58.4 million Mutuality Dividend – a great outcome for our customers," Mr Millett said.

"Never has the beacon of Newcastle Permanent shone brighter than this year amid the Royal Commission's revelations of unethical and potentially illegal banking behaviour within some of the largest banks in Australia.

"In the midst of our organisation's largest digital transformation, the future looks bright and I'm exceptionally proud to leave Newcastle Permanent in such strong and capable hands," he said.

All key 2017-18 figures on following page

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Newcastle Permanent 2017-18 results in numbers:

- Net Profit After Tax of **\$43.8 million**, up **12.4%** from the prior year.
- Capital Adequacy Ratio stands at **20.0%**, significantly above regulatory requirements and far superior to the major banks and all other significant customer-owned banking institutions in Australia.
- Mutuality Dividend of **\$58.4 million**, which is the amount independently calculated by Canstar (average of the two six-monthly calculations) to estimate the additional, collective financial benefit our customers receive by banking with Newcastle Permanent rather than the major banks.
- Customer satisfaction of **93%** (Roy Morgan, June 2018), making Newcastle Permanent the **number one ranked financial institution in Australia** at that time.
- We invested **more than \$2 million** in community programs and events which directly engaged 200,000 people in our communities, and helped them to lead happy and healthy lives.
- Our home loan portfolio grew by **4.4%** to **\$8.9 billion**, which includes **more than \$2.0 billion** of home loans in the Sydney market.
- Customer deposits **increased to \$8.1 billion**.
- Arrears rate of just **0.1%** which is almost **10x lower** than the major and regional banks.
- Invested **more than \$55 million** over the past five years in major strategic projects, including the ongoing maintenance of our information technology infrastructure and development of enhanced capability.
- Newcastle Permanent Charitable Foundation has provided **more than \$18.3 million** in grants to date, to enable community initiatives addressing disadvantage and marginalisation in the areas of health, young people and social wellbeing.

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