

Message from the Managing Director

In February we announced a pleasing half year result.

Growth in loans to home owner occupiers was a highlight in an environment where competition for those customers remains fierce, underlining how well our valued brand continues to resonate in the market.

Our funding mix and deposit gathering capability are real strengths for our Bank, providing flexibility for organic and inorganic asset growth. With 80 percent of funding provided by retail customers, we are very well positioned should we head into a more volatile time for financial markets.

Our current capital position, with Common Equity Tier 1 Capital having grown to 8.61 percent, means we are extremely well capitalised. Generated by strong profitability, a stable balance sheet and reduced risk, our capital position is one of the strongest in the industry on a like for like basis. Pleasingly, our ability to organically generate capital has enabled us to achieve the regulator's (APRA) "unquestionably strong" capital benchmarks well within the required timeframe.

APRA has subsequently released further policy on asset risk weights that will be the subject of industry consultation over the near term. Both of those matters will have an impact on levelling the playing field, something all smaller banks have requested be addressed for some years now.

In November the Federal Government announced a Royal Commission into the misconduct of Australia's financial services industry. The inquiry should help improve the trust in the banking industry as a whole, and restore confidence in our industry.

With the rate of change we are currently experiencing, we identified a need to improve our ability to respond, to drive simplicity and productivity, to get to market faster with innovation, and to continually deliver improvement. We have transformed the way we work and have been rolling a new, more agile way of working, initially across our technology areas, but also more broadly across the organisation.

In this environment where trust and reputation are paramount, it was with no small amount of pride that we received an array of accolades for our business this year – including two significant international awards. This is a real testament to our staff commitment to the high levels of customer service that have always been a hallmark of the Bank. That, coupled with the organisation's unwavering commitment to help our customers' achieve success in their financial lives, goes to the heart of our value proposition.

The uptake of our customers doing business with us 24/7 has validated our significant investment into improvements of our digital platforms. Website traffic, online applications and usage of the Bendigo Bank app has all increased.

We are currently at user testing stage of our digital bank Up, which will bring a new style of banking for the next generation by helping people spend wisely and save effortlessly.

A foundational participant in the New Payments Platform (NPP), Bendigo Bank customers went live in February. The NPP is an exciting industry innovation providing a fast, versatile, and data rich payments system for making every day payments, bringing significant benefits for consumers and businesses.

We've also been testing the lending experience for borrowers through our partnership with South Australian fintech company Tic:Toc. Launched in July, Tic:Toc is an online lending platform that uses a digital decisioning system to approve online applications in real-time, improving turnaround times from the typical 22 days to just 22 minutes.

These results are to the manifestation of the hard work and dedication of our staff, and I would like to take this opportunity to thank them very much for their contribution.



Mike Hirst
Managing Director



Interim results snapshot

Statutory profit after tax up \$22.7m to \$231.7m

Cash earnings up \$21.8m to \$225.3m

Cash earnings per share up 3.3 cents to 46.8 cents

Interim dividend up 1 cent to 35 cents

Interim dividend to be paid 29 March 2018



Partnering for success

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Partnerships continue to be an important part of our business, enhancing our own capability and helping us to accelerate the investments we have made.

In September, Bendigo Bank and its **Community Bank®** partners announced \$183 million had been distributed to local communities since the banking model was established almost 20 years ago.

More than \$18.4 million was returned during the 2017 financial year, with \$5 million injected into sporting clubs and associations. This investment reflects the importance of sport to local communities, improving physical health, mental health, and fostering connection and belonging for all people.

In December Rural Finance customer accounts were fully transitioned across to Rural Bank and Bendigo Bank systems, with our agricultural customers now serviced under the one Rural Bank brand.

We have also celebrated the first anniversary of Deakin **Community Bank®**; received Board approval for two more credit unions to join our Alliance Bank® model; and awarded financial assistance to young people nationally through the Bendigo and Adelaide Bank scholarship program.

Resilience in our workforce

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In March 2017, Bendigo and Adelaide Bank launched the Equip program to all employees. Described as a resilience toolkit, Equip is one of the most significant investments in staff training, boosting skills in resilience and wellbeing when faced with change or adversity.

Our employees are our greatest asset, and resilient people are happier, healthier and better able to cope in trying times, at work and home.

Equip comprises four training modules over a 12 month period. Employees undertake a training module each quarter, facilitated by 50 accredited in-house trainers, and more than 200 coaches to support the 7,400 people organisation wide.

About 85 percent of employees have completed session one and two, with session three currently underway.

“The program allows you to take back control of how you react to any situation. This is immensely powerful. It allows you to make better decisions, have a healthier, happier life, ultimately producing more engaged and productive staff – and this all leads to happy customers, partners, and community.”

Ben McDermid, Equip coach and participant.

“My ability to focus, prioritisation skills and personal interactions have improved, not only at work but also at home. The interactive nature was enjoyable, and hearing real life experiences from others made the program very relatable. I’ve been able to apply the skills practically to create positive thought patterns, live in the present and let go of those things you cannot control.”

Imogen McGregor, Equip participant.



Scholarships

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The Bendigo and Adelaide Bank scholarship program is one of the leading privately funded scholarship programs in Australia, and is one of the Bank's most financially and socially significant contributions to education.

Established in 2007, the program has awarded more than \$6.5 million to 568 financially disadvantaged, yet academically outstanding regional students, supporting them at a time when their main focus should be on their education.

In 2018, more funding was granted to students through the scholarship program, which incorporates the Bendigo and Adelaide Bank Scholarship for rural and regional students, scholarships from participating **Community Bank®** Boards which for the first time is being extended to TAFE students, and the Rural Bank Agribusiness Scholarship.

"I am studying the Bachelor of Veterinary Bioscience which is a full time course giving entry to the Doctorate of Veterinary Medicine, which graduates practicing Veterinarian's in Australia. Before I started this course, I was quite stressed about the amount of paid work I would need to do to support living away from home.

Without the scholarship, all of my spare time would have gone to working to afford my food and accommodation and there would have been no way I could be as deeply involved with the University experience as I am, and I certainly could not have had the time to network with my peers the way I have been over the past year.

"Having the time to make as many friends and meet as many new people as I have through the various clubs and activities I am involved in has made the transition to University so much easier and I don't know how I could have stayed on top of things otherwise."

Tobias Threadgold, 2017 Port Lincoln Community Bank® Scholarship recipient.

Be the change

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A series of Be the Change videos were launched last year. Filmed at a Bendigo Bank branch, up to 15 community groups surprised real customers, thanking them for their contribution to the community. You can also watch our Be the Change videos by visiting www.bendigobank.com.au.



Awards

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Rated Top Bank¹

Mozo People's Choice Awards

- Outstanding Customer Satisfaction
- Excellent Customer Service
- Highly Trusted
- Staff Friendliness
- Most Recommended
- Excellent Banking Application
- Customer Satisfaction Everyday Banking
- Customer Satisfaction Credit Cards

Experts Choice Award 2017
Low Rate Platinum Credit Card

#1

Forrester's
Australian
Customer
Experience
Index³



Asiamoney Best Bank Awards⁴

- ✓ Best Domestic Bank
- ✓ Best Bank for Corporate Social Responsibility



RFI Group Australian Business Banking Awards⁵

Outstanding product and service offerings for Australian business owners



JD Power Awards⁶

Ranked highest in credit cards



Brand Sentiment
Bendigo Bank
9.2% above
industry⁸



92.1%
Highest home loan
customer satisfaction⁷



Fortune 2017 Change the World²

Ranked 13th organisation globally and the leading Australian company

Fortune 50 Change the World

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In September, Bendigo and Adelaide Bank was ranked the top Australian company in the Fortune Annual "Change the World" list of companies that are doing well by doing good. The annual list competitively ranks enterprises based on their innovative strategies that positively impact the world. Bendigo and Adelaide Bank was ranked thirteenth globally, taking into account the Bank's measurable social impact, business results and degree of innovation.

Bendigo and Adelaide Bank was the only company recognised for a business model, and not a one off project. This is recognition that our **Community Bank®** model, established almost 20 years ago, is ahead of its time. The model is a true example of shared value, requiring partnership between local people and community enterprises, providing communities with quality banking services, employment opportunities, a local investment option for shareholders, and importantly, a source of revenue for projects determined by local people.

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Visit our website www.bendigoadelaide.com.au click on the "Shareholders" tab to follow the links to register to be an eShareholder.

Bendigo and Adelaide Bank Limited,
The Bendigo Centre,
PO Box 480, Bendigo, VIC, 3552.

For shareholder enquiries please phone 1800 646 042
or visit www.bendigoadelaide.com.au