

Interim Review 2019



Message from the Managing Director

In February, we were pleased to announce a solid half year result with an after-tax statutory profit of \$203.2 million for the period ending 31 December. Underlying cash earnings were \$219.8 million, flat on the prior half. A fully franked interim dividend of 35 cents per share was in line with the prior period.

More customers are choosing us as their bank of choice, with an 18% increase in new to bank customers compared to the same time last year. Many of these customers joined the bank through our new digital offering Up.

We continued to strengthen our capital position, with Common Equity Tier 1 Capital growing 14 basis points since June 2018. Our organic capital growth reflects solid profitability, a stable balance sheet and an ongoing movement to lower risk exposures. We are in an excellent position to meet APRA's unquestionably strong capital benchmarks.

Advanced accreditation continues to be a focus. This half we received accreditation for interest rate risk in the banking book, whilst continuing to make progress on credit risk accreditation. We anticipate greater clarity once APRA's credit risk capital prudential standards changes are released in 2019.

Our cost-to-income ratio for the half increased by 30 points to 57.3%. While we have done a good job managing our costs, this result is a reflection of the ongoing security, technology stability, modernisation and automation investments, combined with one-off regulatory costs.

Our balance sheet, particularly our retail funding and our capital, continues to be a real strength. Retail deposit balances have increased by more than 3% this half, and this growth in deposits sees our retail funding ratio at over 82% at the end of December. This highlights the strength of our extensive branch network, providing us with both exceptional customer relationships and a source of funding. It also validates the value our customers place not only on our products, but on the outstanding service our people provide.

While lending markets remain highly competitive, our housing loan growth saw a 2.7% annualised increase, just under system at 3.3%.

The Royal Commission increased public scrutiny and heightened the level of debate about culture. Although we think the recommendations are well considered and measured, we also took the opportunity to address our ongoing concerns with competition in banking - which we think is essential to better customer outcomes. A less competitive environment means poorer customer outcomes. The uneven playing field and the market power this yielded was in our view part of the reason the industry has seen some behavioural and cultural issues called out during the Royal Commission.

There is considerable scope for Government to supplement the recommendations with pro-competition initiatives, including addressing the 'too big to fail' funding cost advantage accessed by the major banks, enhanced risk-weight settings that would result in fairer capital outcomes across all banks, and the disproportionate cost of regulation on smaller participants. These recommendations would help enhance customer choice, resulting in a greater customer experience. And it would certainly assist us in achieving our vision to be Australia's bank of choice.

We continue to perform well in a challenging and subdued environment. We are tracking towards system, managing our costs, our balance sheet is solid, and our investment in technology that Australian consumers desire is driving strong customer growth.

As Australia's better big bank, there has never been a better time for our style of banking. We know consumers are looking for an alternative, and as an organisation that puts the interests of customers first, we are well-placed, given the strength of our product offering, our market leading customer service and our price competitiveness to be that for them.

Our business performance

After tax
statutory profit
\$203.2 million,
up 0.2 percent

Fully franked
final dividend
35 cents
per share

Cash earnings
per share
45.1 cents,
down 0.2 cents

Dividend
payment date
29 March

Underlying
cash earnings
\$219.8 million,
flat on the prior
half

Marnie Baker
Managing Director



Launch of Bendigo Express

A partnership with Australian fintech Tic:Toc – the world's only fully digital home loan platform – is giving our customers access to our own instant home loan, Bendigo Express. This makes us the first Australian bank to offer a digital home loan application and assessment process under its own brand.

This partnership allows us to offer customers a streamlined digital fulfilment process, bringing significant efficiencies in the way we originate home loans. The automated assessment strips cost from the process and delivers digital validation of income and expenses.

As we continue our vision to be Australia's bank of choice, we are committed to investing in new capability and innovation for our customers. By partnering with fintechs such as Tic:Toc, we continue to set the bar for best-of-breed solutions and outcomes for our customers.

bendigobank.com.au/homeloans



A new way of banking is open

Our Norwood branch has undergone a significant transformation.

With a brand legacy steeped in community and a business directive to help build sustainable communities, we are now looking to repurpose more of our branch network to achieve this.

Located in the heart of South Australia's bustling shopping and entertainment precinct, the Norwood branch was chosen as the pilot site for this new experience due to its unique and varied mix of small businesses, and its community minded residents.

Key features of the new branch include:

- **Business Connections** supported by video conferencing to connect a network of savvy professionals with a wealth of experience, ready to answer questions, share experiences, and offer valuable insight into running, growing and marketing businesses or ideas.
- The **Retail Pop-Up** gives emerging local business owners the opportunity to have a free shopfront space on a rotational basis, boosting their brand presence.
- The **Community Space** allows community groups and local business a central space for up to 60 people to conduct meetings or host events.

- The **Property Journey** brings together local experts and specialists (e.g. council, interior design, engineers, heritage advice, etc.) to provide customers with guidance on their property journey.
- A progressive entertaining space hosts live events and seminars, both within branch opening hours and after hours.
- Digital screens promote community events and showcase local business and branch activities.
- A mural by South Australian street artist, Jack Fran, graces the adjacent alley and is visible from inside the space.
- Local artists and musicians can also use the space to create their artwork in a dedicated creative space.

This project has been a transformational initiative for our retail business. Traditional products have become in-branch experiences, and we have new branch team roles dedicated solely to community integration. This ability to connect customers across our physical and digital channels will soon become a major differentiator in our customer offer.

norwood.c.bendigobank.com.au



The OTIS Foundation partnership

The OTIS Foundation is a national charity gifting retreat accommodation to people experiencing breast cancer and their loved ones. Since 2008, we have been the principal partner of The OTIS Foundation, gifting almost \$1.2 million during this time. These funds help cover administration and overhead costs, ensuring the highest percentage of all donations goes directly towards OTIS Retreats.

The OTIS Foundation has offered more than 3,500 nights of accommodation at one of its properties in Victoria, New South Wales, South Australia, Queensland, Western Australia and Northern Territory.

Victorian branches raised more than \$19,000 for The OTIS Foundation by selling Little Blue Towels to customers throughout October. The lint free and absorbent blue towels are normally discarded after single use. Instead, they are collected from hospitals in Victoria, New South Wales and ACT, are laundered and packaged by employment enterprises for people with disability in Echuca, Ballarat and Kew and sold to raise money for The OTIS Foundation.

otisfoundation.org.au



Community Bank® at Swinburne

Swinburne is the latest University to announce it will open a University **Community Bank®**, with the customer hub set to open in the coming months at the Hawthorn Campus.

Profits from the **Community Bank®** at Swinburne will be used to support the University community in a number of ways, including scholarships to support young people, funding grants to help researchers become leaders in their field, sustainable infrastructure projects, and financial support for clubs and societies.

This partnership with Swinburne forms part of the evolution of the **Community Bank®** model and recognises that community isn't just bound by geography – a town or a suburb – but is also created through shared interests and objectives.

In 20 years, the **Community Bank®** network has reached the milestone of more than \$205 million going back to local communities, with more than \$22 million in the past financial year.

National disaster assistance

Fire, flood and drought are currently affecting many of our customers throughout Australia, having a devastating social, environmental and economic impact on communities.

Disaster assistance packages are available to those customers affected by the recent fires in Tasmania and the floods in Northern Queensland, assisting in their recovery from these events.

Rural Bank staff are in contact with agribusiness customers affected by natural disaster and unfavourable climatic conditions. These agri-specialists review financial positions, and explore strategies that may provide some relief, including, where appropriate, temporary financial arrangements.

bendigobank.com.au/appeals/natural-disasters

North Queensland Flood Appeal

The Community Enterprise Foundation launched the North Queensland Flood Appeal in partnership with the Salvation Army Disaster Relief Fund after February's flood event in North Queensland.

The community sustained substantial damage with as many as 22,000 homes directly impacted, and drought-stricken graziers have estimated to have lost 500,000 head of cattle.

Contributions of \$2 and over to the North Queensland Flood Appeal are tax-deductable and will assist the short, medium and long term recovery efforts.

communityenterprisefoundation.com.au

Awards



9th most trusted brand in Australia

Roy Morgan Net Trust Score (October 2018 quarter). Ranked 9th (October 2018). Ranked 7th (July 2018).

KPMG 2018 Customer Experience Excellence Report #3



Bendigo Bank is consistently ranked in the top two banks for customer satisfaction.

Roy Morgan, Consumer Banking Customer Satisfaction Report



Canstar Outstanding Value Award for Leveraged

#1

Forrester's Australian Customer Experience Index

Top rated across all industries for the fourth year running

Bendigo Bank Ranks Highest in Credit Card Satisfaction in Australia

J.D. Power 2018 Australia Credit Card Satisfaction Study

Mozo People's choice

1st for Outstanding Customer Satisfaction.
1st Most Recommended. 1st Customer Satisfaction Everyday Banking. 2nd Excellent Customer Service. 2nd Highly Trusted. 2nd Staff Friendliness. 3rd Customer satisfaction credit cards.



Farewell and welcome

The Annual General Meeting in October gave shareholders the opportunity to farewell long-standing board member Deb Radford, and welcome new board member, Vicki Carter.

Deb joined the board in 2006, bringing skills and expertise in banking following a career with both international and local banks, and seven years with the Victorian State Treasury.

Deb has made a significant contribution to the board during her 12 year tenure, especially as chair of the credit committee. Her counsel and expertise will be missed.

Our new non-executive director is Vicki Carter, a veteran of the financial services and technology industries, current Executive Director Strategy and Business Services, Telstra, and member of Chief Executive Women.

Vicki has held executive responsibility for NAB's retail branch network and earlier, NAB support functions including sales development, human resources, capital management and productivity, customer complaints and change management. She also held senior management roles in financial planning for Business and Agri Banking and sales and distribution for MLC, ING and Prudential Assurance.

Vicki's deep experience in banking, telecommunications and disruptive technologies will be valuable as we strive towards providing more customer choice in interaction and products.



Deb Radford



Vicki Carter

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Visit our website www.bendigoadelaide.com.au and click on the "Shareholder Centre" tab. Click on the "logon to online share registry" and follow the prompts to register to be an eShareholder.

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