

Bendigo and Adelaide Bank announces strong half year result

Monday 12 February 2018: Bendigo and Adelaide Bank today announced an after tax statutory profit of \$231.7 million for the six months ending 31 December 2017.

Underlying cash earnings were \$225.3 million, a 10.7 percent increase on the prior corresponding period¹.

Cash earnings per share were 46.8 cents, a 3.3 cent increase on the prior corresponding period.

The Bank has announced a final fully franked interim dividend of 35 cents² per share, up 1 cent on the prior corresponding period, with the discount for shares issued under the Dividend Reinvestment Plan removed.

Managing Director Mike Hirst said these results reflect the Bank's focus on driving success for all stakeholders and its status as Australia's most trusted retail bank.

"The Bank experienced strong growth in loans to home owner occupiers in an environment where competition for those customers remains fierce. While lending to home investors was curtailed by caps applied by APRA, all other metrics indicate that we are fulfilling our customers' needs by providing a premium banking experience," Mr Hirst said.

"Our disciplined approach to asset and liability pricing resulted in margin expanding 18 basis points relative to the prior corresponding period, with an exit margin of 2.38 percent.

"This improvement obviously reflects mortgage repricing in response to regulatory caps on interest only and investor lending, as we sought to restrict growth in those products. However, the first half saw growth in total housing lending up 0.7 percent for the half with Owner Occupier P&I lending settlement flows up 13 percent on the prior corresponding period. This demonstrates that 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 79.6 percent of funding provided by retail customers we are very well positioned as we head into what may well be a time of greater volatility for financial markets.

"A focus on increasing efficiency to drive a better customer experience and planned, active cost management has driven productivity improvement, with our cost to income ratio moving down 220 basis points to 54.2 percent.

"Our current capital position is a highlight, with Common Equity Tier 1 Capital having grown to 8.61 percent, generated by strong profitability, a stable balance sheet and reduced risk. Pleasingly, our ability to organically generate capital has enabled us to achieve APRA's "unquestionably strong" capital benchmarks well within the required timeframe.

"Progress towards Advanced Accreditation awaits APRA's release of new capital adequacy guidelines, however the significant investment we have made to improve our risk capability is already paying dividends."

Mr Hirst said the Bank's vision of being Australia's most customer connected bank consistently resonates with retail customers, businesses and communities, and is reflected in today's results.

“Our customers are our greatest advocates. Our premium proposition has driven the highest levels of trust and advocacy in the industry, and we are consistently recognised nationally and globally for our unique approach to focusing on the success of all stakeholders as part of core business,” he said.

“We’re number one, for the third consecutive year, in the Forrester’s Australian Customer Experience Index across all industries; our corporate reputation is the highest of all Australian retail banks; and, out of all banks’ customers, our customers are most likely to recommend us to others.

“Our products are consistently recognised for good value, features and benefits, and we have the highest home loan customer satisfaction rating of all banks, according to Roy Morgan research.

“We continue to invest in our people, who are critical in driving success for our customers. We are implementing programs that support their development and build resilience, and this investment in their capability and wellbeing will underwrite our success in the future.

“Our **Community Bank**[®] model is delivering benefits for many communities and our business, providing more than \$183 million in community contributions since inception, and about \$18.4 million last financial year. The economic and social impact of this funding stream will support the sustainability of hundreds of Australian communities into the future.

“The opportunity for our Bank has never been greater. Our customer connected strategy, and the outstanding customer advocacy this has generated, provides us with fertile ground for sustainable, long-term growth, and the strength of our balance sheet places us in good stead for the opportunities ahead.

“Increasingly the Government is ensuring regulators strive to provide an even playing field in the pursuit of greater competition, an approach we have been advocating for some time. In that vein, the Productivity Commission’s interim report is welcomed and we look forward to being able to grow our business without having to overcome regulatory matters that unfairly advantage the largest players.”

“I’d like to take this opportunity to thank our customers, staff and other stakeholders for their contribution to our business.”

Half Year Result webcast:

The half results presentation will be held today at 10:00am AEST.

Click here to watch the live [Bendigo and Adelaide Bank 2018 half year results](#)

Or view the archived webcast from Tuesday 13 February at www.bendigoadelaide.com.au

1 All results relate to the half year ended 31 December 2017, with all comparisons against "prior corresponding period". The term "prior corresponding period" refers to the half year ended 31 December 2016.

2 Ex-dividend date for final dividend of 35¢ is 01 March 2018, record date is 02 March 2018, and dividend payment date is 29 March 2018.

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