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# Results presentation

For the full year  
ended 30 June 2019



**Bendigo Bank**



**Bendigo and  
Adelaide Bank**

# Agenda

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## Overview

Marnie Baker

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## FY19 financials

Travis Crouch

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## Summary and outlook

Marnie Baker

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## Q&A

Marnie Baker and Travis Crouch

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# Overview

**Marnie Baker**  
**Managing Director**

# Overview FY19 : Reshaping for the future

## Financial

Cash earnings after tax  
down 6.6% to  
**\$415.7 million**

Net interest  
margin maintained at  
**2.36%**

Residential lending above  
system  
**3.5%**

Total income<sup>1</sup> steady at  
**\$1.6 billion**

Bad and doubtful debts  
down 28.8% to  
**\$50.3 million**

CET1 position up 30 bps to  
**8.92%**

Fully franked total dividends steady at  
**70 cents  
per share**

## Customers

Net promoter score<sup>2</sup>  
increased 2.5 to  
**24.8**

Consistently ranked in  
top 10 most trusted  
brands in Australia<sup>3</sup>  
**9th most  
trusted brand**

Over 21 years  
**\$220m+**  
**community  
contributions**

Net customers  
increased 4x  
**139,000**

New digital solutions launched  
**Up  
Bendigo Express**

Enhanced partnerships  
**Elders  
Tic:Toc**

Number of customers increased by 7.2% to  
**1.7 million  
customers**

<sup>1</sup> Total income on cash earnings basis

<sup>2</sup> Roy Morgan Single Source (Australia), rolling 6-month comparisons as at June 2018 and June 2019 NPS of those with any financial relationship with the bank

<sup>3</sup> Roy Morgan Net Trust Score, October 2018

Note: All comparative numbers to prior corresponding period ending 30 June 2018 (FY18)



# FY19 financial result

	FY19	FY18	FY19 v FY18
Statutory net profit (\$m)	376.8	434.5	(13.3%)
Cash earnings (\$m)	415.7	445.1	(6.6%)
Underlying earnings (\$m) <sup>1</sup>	435.7	447.1	(2.5%)
Cost to income (%)	59.2	55.6	+360 bps
Underlying cost to income <sup>1</sup>	57.4	55.4	+200 bps
Return on tangible equity (cash, %)	10.73	11.52	-79 bps
CET1 (%) <sup>2</sup>	8.92	8.62	+30 bps
Net interest margin (%)	2.36	2.36	Steady
Cash earnings per share (cash, ¢)	85.0	92.1	(7.7%)
Dividends per share (¢)	70.0	70.0	Steady

Excluding Homesafe  
unrealised loss  
**\$24.1m<sup>3</sup>**

Excluding  
remediation **\$16.7m<sup>3</sup>** and  
redundancies **\$11.9m<sup>3</sup>**

NIM increased  
**+2bps** in 2H19

<sup>1</sup> Adjusted for remediation and redundancy costs

<sup>2</sup> As at 30 June

<sup>3</sup> Pre-tax

# Proactive and customer focussed approach to remediation

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- » Comprehensive review undertaken
- » Conservative in identifying and applying any remediation needs
- » Self reported to regulator
- » Conducted in conjunction with an external advisor
- » Aligned with our values of keeping the trust of our stakeholders

**Remediation     \$16.7m**

**Advice     \$7.9m**

Insufficient documentation to demonstrate that services had been provided to Bendigo Financial Planning<sup>1</sup> customers in accordance with their service contracts

**Product     \$8.8m**

Products not operating in accordance with their terms and conditions

<sup>1</sup> Bendigo Financial Planning business has been sold

# Disciplined execution delivers positive momentum




## Our vision

**To be Australia's bank of choice**

## Our purpose

**To feed into the prosperity of our customers and their communities, not off it**

## Our strategy

-  Reduce complexity
-  Invest in capability
-  Tell our story

### **To deliver:**

Seamless customer experience

Medium-term reduction in cost base

Sustainable growth

## Our progress

- » Simplified organisational structure
- » Sold Bendigo Financial Planning
- » Handed back Rural Bank ADI licence
- » Launched new digital solutions
- » Tested new concept stores
- » Reduced number of branches
- » Invested in relationship managers
- » Expanded partnerships

### **2H19 Achievements:**

- » Lending growth momentum:
  - Mortgages: +4.3%
  - SME<sup>1</sup> +9.5%
  - Agribusiness<sup>2</sup> +12.8%
- » NIM +2bps to 2.37%
- » CET1 +16bps to 8.92%
- » 77% of annual net customer growth in second half

<sup>1</sup> SME represents businesses with lending between \$250k and \$10m

<sup>2</sup> Agribusiness can be impacted by seasonal conditions and cycles

# Resetting priorities and building on our strengths

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## Reduce complexity

- » Right sizing the business
- » Decommissioning legacy platforms
- » Improving business processes
- » Ongoing channel optimisation



## Better customer outcomes

## Invest in capability

- » Adoption of new technologies
- » Increased investment in relationship managers
- » Adaptive people and a strong, agile culture
- » Ongoing focus on risk and compliance



# Focussing on key markets

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**Enhancing digital capabilities**

**Leveraging existing and new partnerships**

**Deepening our relationship with customers**

**Offering award winning products**

## Consumer

- » Expanding white label mortgage offering with Connective and Aussie Home Loans partnerships
- » Community Bank® continues to support lending growth
- » Leveraging digital prequalify tool to maximise home loan pipeline
- » Australia's first and largest next-gen digital bank supporting growth in younger customer segments

## Business

- » Investing in Relationship Banking model to support growth and differentiated customer experience
- » Focussed strategies from Micro to SMEs delivering growth. SME lending grew by 9.5% over second half of FY19
- » Specialised cells focussed on Retirement Living & Aged Care, Property, Not for Profit and Non-Bank ADI sectors
- » Empowering Relationship Bankers to deliver total banking solutions

## Agribusiness

- » Execution of new partnership agreement with Elders
- » Strong growth via partnerships with Community Banks®
- » Investment in knowledge and insights capability via acquisition of Profarmer and Australian Crop Forecasters
- » Leveraging expertise for proactive risk management and better customer and credit outcomes

**Key priority markets**

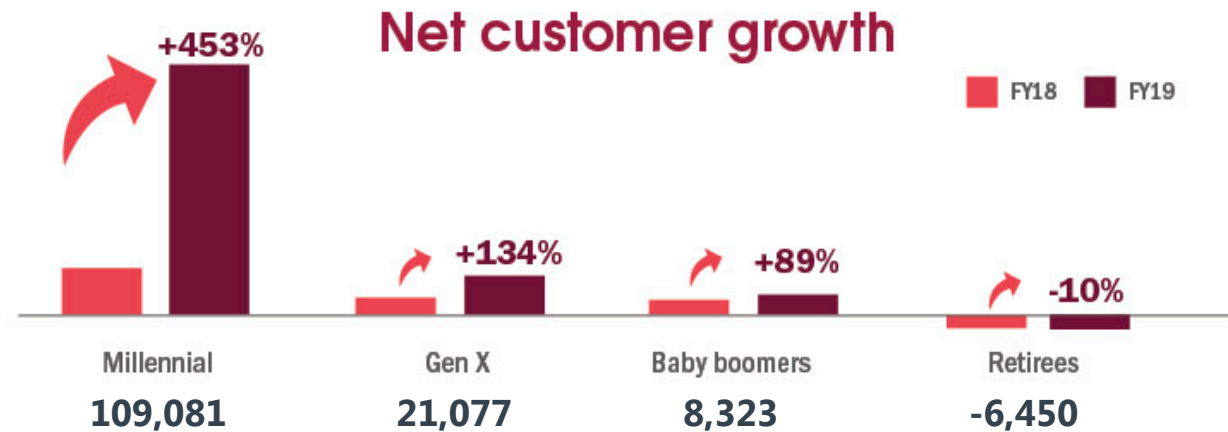
**Existing customers**

**Millennials**

**Small to medium businesses**

**Family corporate farms**

# Delivering strong customer growth FY19



**4x** growth in net customers

Customer retention increased to **93.5%**<sup>1</sup>

## Key priority markets

Existing customers

**+0.3%**  
customer retention<sup>1</sup>

Millennials

**+453%**  
customer growth

Small to medium businesses

**+5%**  
customer growth

Family corporate farms

**+11%**  
customer growth

<sup>1</sup> Includes deceased customers



# FY19 financials

**Travis Crouch**  
**Chief Financial Officer**



# Financial performance

	FY19 (\$m)	FY18 (\$m)	FY19 vs FY18	2H19 vs 2H18
Net interest income	\$1,304.2	\$1,323.6	(1.5%)	(1.2%)
Other income	\$295.3	\$281.2	5.0%	8.8%
Homesafe <sup>1</sup>	\$14.1	\$16.2	(13.2%)	(4.6%)
Operating expenses <sup>2</sup>	\$954.5	\$900.9	5.9%	7.7%
Credit	\$50.3	\$70.6	(28.8%)	2.1%
<b>Cash earnings (after tax)</b>	<b>\$415.7</b>	<b>\$445.1</b>	<b>(6.6%)</b>	<b>(10.9%)</b>
<b>Statutory net profit (after tax)</b>	<b>\$376.8</b>	<b>\$434.5</b>	<b>(13.3%)</b>	<b>(14.4%)</b>
<b>Underlying earnings (after tax)<sup>3</sup></b>	<b>\$435.7</b>	<b>\$447.1</b>	<b>(2.5%)</b>	<b>(2.9%)</b>
<b>Cash EPS</b>	<b>85.0c</b>	<b>92.1c</b>	<b>(7.7%)</b>	<b>(11.7%)</b>

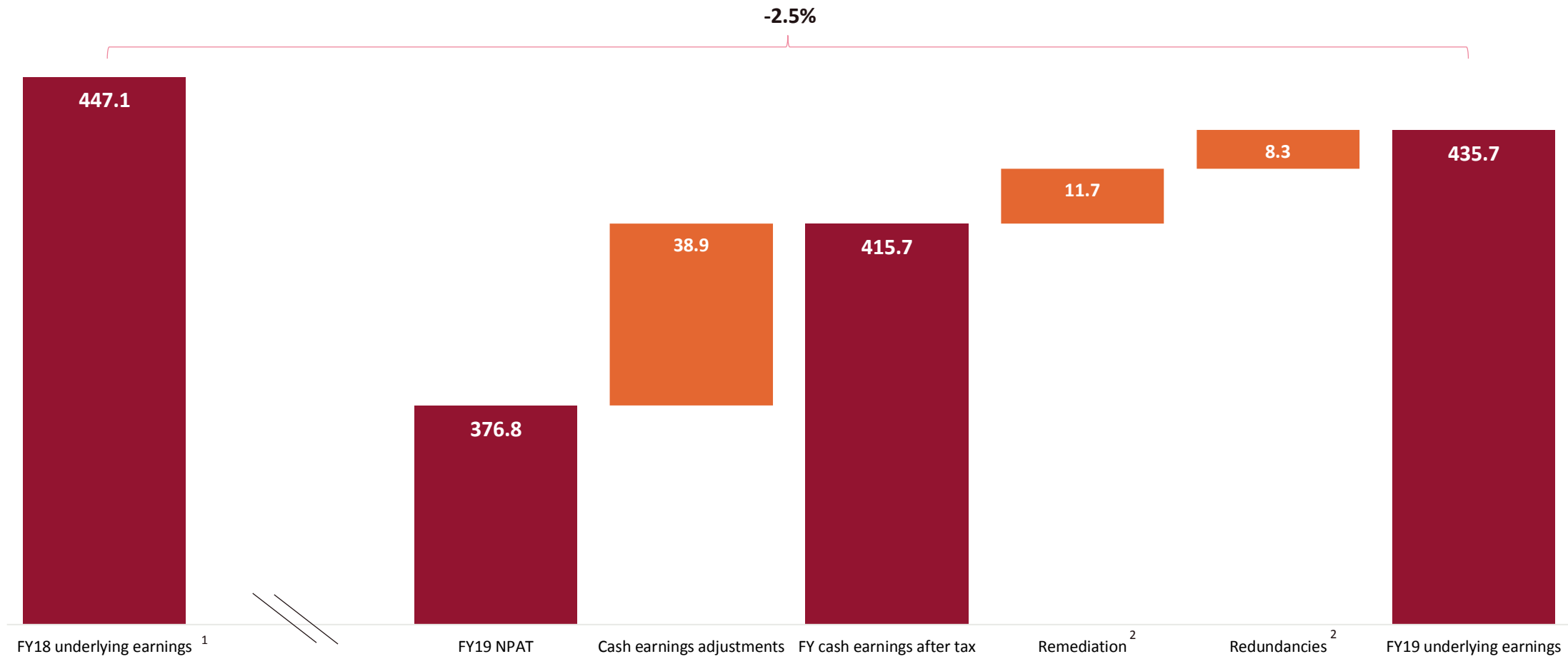
Note: NII, other income and operating expenses all cash basis before tax

<sup>1</sup> Homesafe net realised income before tax

<sup>2</sup> Includes remediation and redundancies

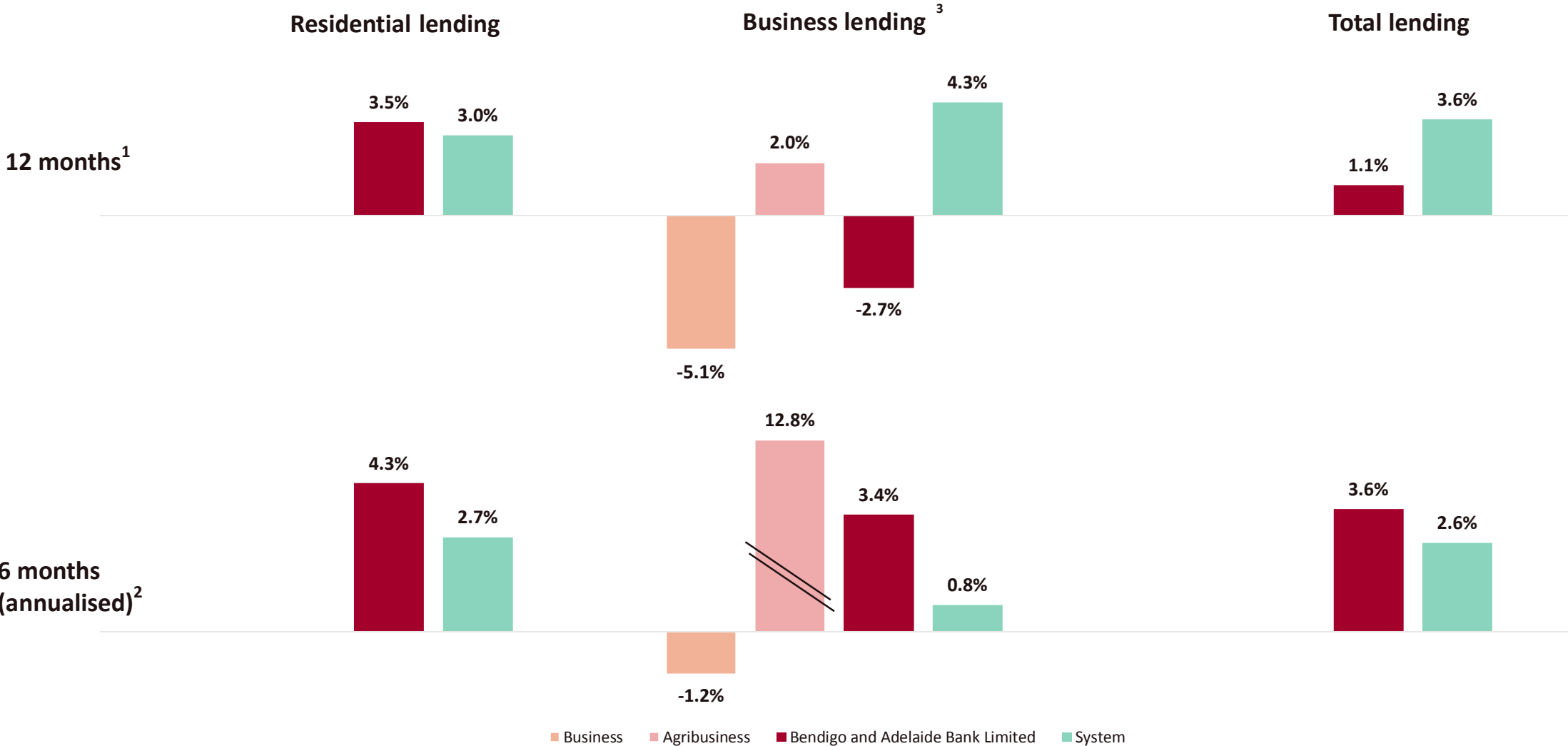
<sup>3</sup> Excludes remediation and redundancies

# Underlying earnings (\$m)



<sup>1</sup> FY18 cash earnings excludes after tax remediation costs (\$0.4m) and redundancy costs (\$1.6m)  
<sup>2</sup> Remediation and redundancies after tax

# Lending growth profile



<sup>1</sup> Source: APRA Monthly Banking Statistics June 2019. Data is a growth rate based on a 12 month period (30/06/18 – 30/06/19) for Bendigo and Adelaide Bank Limited and System  
<sup>2</sup> Source: APRA Monthly Banking Statistics June 2019. Data is an annualised growth rate based on a 6 month period (31/12/18 – 30/06/19) for Bendigo and Adelaide Bank Limited and System  
<sup>3</sup> BEN Business and Agribusiness split is calculated using internal data that is consolidated to APRA as part of the Group's reporting

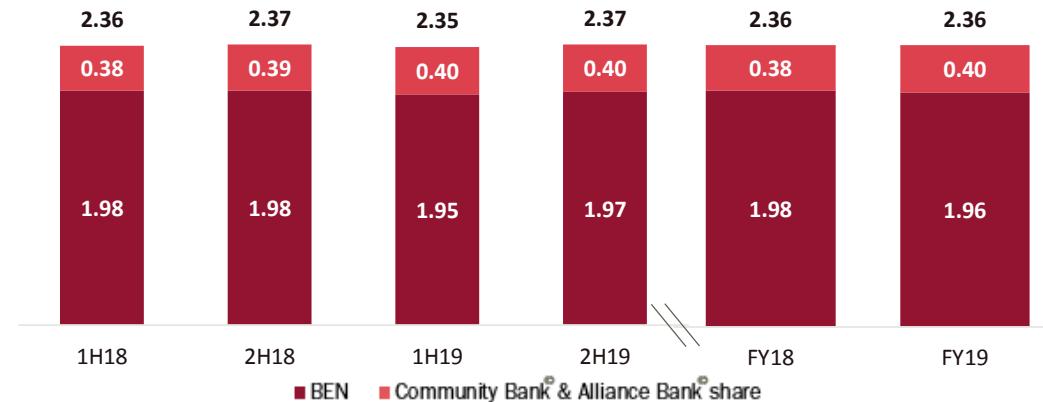


# Net interest margin

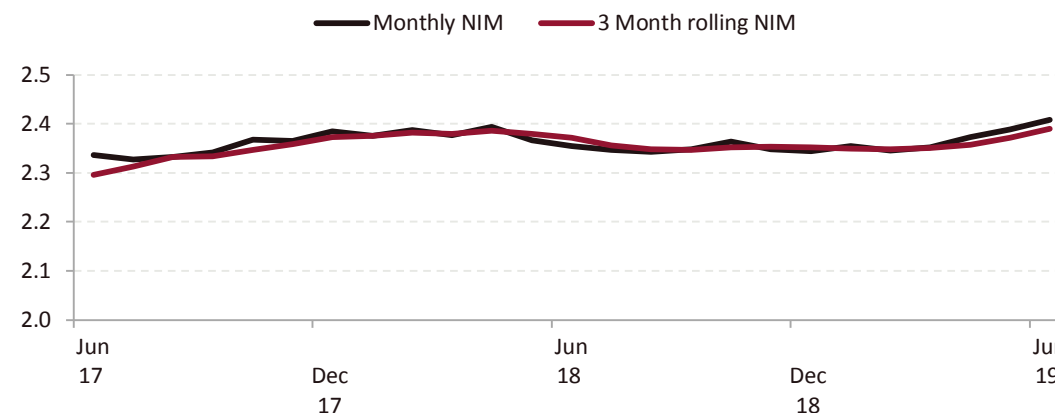
- » June 2019 exit margin 2.41%
- » Active management of price/volume balance
- » Underlying yield curve reductions improved wholesale deposit pricing in 2H19
- » Funding mix improved due to securitisation run-off ahead of June 2019 issuance
- » Favourable hedging income movement provided tailwind in 2H19

NIM impacts	2H19	1H19	2H18
Front book/back book repricing	(6bps)	(7bps)	(5bps)
Variable mortgage repricing	-	4bps	-
BBSW priced commercial lending	(1bp)	1bp	1bp
Hedging costs	3bps	1bp	1bp
Treasury liquids	(1bps)	2bps	1bp
Retail deposit repricing	3bps	(2bps)	7bps
Wholesale funding	2bps	(2bps)	(4bps)
Funding mix	1bp	1bp	1bp
Equity contribution	1bp	-	(1bp)
<b>Total</b>	<b>2bps</b>	<b>(2bps)</b>	<b>1bp</b>

Historical NIM (%)



NIM monthly movement



# Income

- » Reduction in fee income due to changes in customer behaviour and product options available to customers
- » Introduction of lending retention team has resulted in decrease in discharges and associated fee income
- » Launch of new retail product and increased engagement with Business Customers generated significant growth in Foreign Exchange activity
- » Strong Managed Funds fee income
- » Trading book performance was generated through a reduction in interest rates across the curve, a net long position and contraction in cash/bills spread in 2H19
- » Agribusiness fee generating businesses (Profarmer, Australian Crop Forecasters and government services) provide diversity and quality of earnings

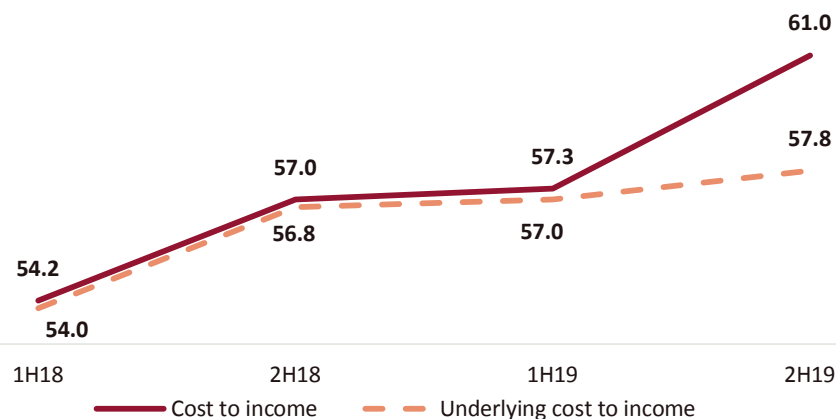
	FY19 (\$m)	FY18 (\$m)	FY19 vs FY18	2H19 vs 2H18
<b>Net interest income</b>	<b>\$1,304.2</b>	<b>\$1,323.6</b>	<b>(1.5%)</b>	<b>(1.2%)</b>
Fee income	\$163.8	\$167.9	(2.4%)	(5.1%)
Commissions	\$73.5	\$71.7	2.5%	(0.8%)
Foreign exchange income	\$22.4	\$18.8	19.1%	16.7%
Trading book income	\$12.2	\$0.8	Large	Large
Other	\$23.4	\$22.0	6.4%	18.4%
<b>Other income</b>	<b>\$295.3</b>	<b>\$281.2</b>	<b>5.0%</b>	<b>8.8%</b>
<b>Total Income (ex specific items)</b>	<b>\$1,599.5</b>	<b>\$1,604.8</b>	<b>(0.3%)</b>	<b>0.5%</b>

Note: Other income breakdown on a cash basis and excludes Homesafe revaluation (-\$24.1m) and revaluation gains on economic hedges (+\$10.5m)

# Operating expenses

- » Underlying operating expenses increased by 2.6%
- » Increase in staff costs due to new Elders Agri-finance staff from March 2019 (+\$5.5m) and increased investment in Group Risk and People & Culture resources
- » Staff costs impacted by annual salary increases (November 2018) and lower capitalisation levels of project costs throughout FY19
- » Other expenses increases include higher corporate insurance premiums and insurance associated with new credit card products
- » Decrease in fees and commissions driven by new Elders distribution agreement

Cost to income - HoH



	FY19 (\$m)	FY18 (\$m)	FY19 vs FY18
Staff costs	\$506.6	\$495.0	2.3%
Occupancy, property, plant and equipment	\$101.9	\$102.5	(0.6%)
IT costs	\$74.9	\$70.2	6.7%
Amortisation of acquired intangibles	\$3.7	\$8.2	(54.9%)
Amortisation of software intangibles	\$33.8	\$28.0	20.7%
Fees and commissions	\$31.1	\$35.2	(11.6%)
Communications, advertising and promotion	\$66.7	\$64.4	3.6%
Other	\$110.9	\$102.8	7.9%
<b>Total – excluding remediation and redundancies</b>	<b>\$929.6</b>	<b>\$906.3</b>	<b>2.6%</b>
Staff costs – redundancies	\$11.9	\$2.3	Large
Other – remediation	\$16.7	\$0.5	Large
<b>Total</b>	<b>\$958.2</b>	<b>\$909.1</b>	<b>5.4%</b>



# Consumer division

- » Solid growth in mortgages of \$1.3bn, above system in 2H19, through Retail and Third Party channels
- » Deposit growth of \$1.2bn reflecting careful margin management
- » NII flat despite lending net interest margin compression
- » Banking fee income continues to decline
- » Increase in operating expenses includes \$18.7m increase in allocated expenses, \$6m increase in software amortisation and redundancies of \$8.3m
- » Remediation costs of \$16.7m
- » Resource efficiencies resulting in full year decrease of 51.2 FTE, 43.4 FTE in 2H19
- » Bendigo Financial Planning sale will further reduce FTE by 94 in 1H20
- » Credit expense of \$19.2m driven by new collective provision methodology (\$6.8m)

	FY19 (\$m)	FY18 (\$m)	FY19 vs FY18
Net interest income	\$816.9	\$817.7	(\$0.8)
Other income	\$222.8	\$229.2	(\$6.4)
Operating expenses	\$636.6	\$583.1	\$53.5
Credit expenses	\$19.2	\$17.7	\$1.5
Tax	\$122.1	\$140.4	(\$18.3)
<b>Cash earnings before Homesafe</b>	<b>\$261.8</b>	<b>\$305.7</b>	<b>(\$43.9)</b>
Homesafe net realised income <sup>1</sup>	\$9.9	\$11.3	(\$2.4)
<b>Cash earnings</b>	<b>\$271.7</b>	<b>\$317.0</b>	<b>(\$45.3)</b>
Remediation <sup>2</sup>	\$11.7	\$0.4	\$11.3
Redundancies <sup>2</sup>	\$5.8	\$0.8	\$5.0
<b>Underlying earnings</b>	<b>\$289.2</b>	<b>\$318.2</b>	<b>(\$29.0)</b>

Note: P&L prepared on cash basis

<sup>1</sup> Homesafe net realised income after tax

<sup>2</sup> Remediation and redundancies after tax

# Business division

- » Lower NII reflects the contraction in the commercial property lending portfolio and increased margin pressure
- » Positive growth achieved across other segments with margin maintained on new-to-bank business
- » Improvement in other income driven by growth in Foreign Exchange transaction activity
- » Operating expenses impacted by redundancies, increased investment in leadership roles and maintaining relationship banking footprint
- » Credit expenses benefited from reduction in collective provision, in line with the reduction in the commercial property lending portfolio

	FY19 (\$m)	FY18 (\$m)	FY19 vs FY18
Net interest income	\$324.0	\$339.7	(\$15.7)
Other income	\$38.7	\$35.9	\$2.8
Operating expenses	\$237.2	\$234.9	\$2.3
Credit expenses <sup>1</sup>	\$33.7	\$50.1	(\$16.4)
Tax	\$29.0	\$28.4	\$0.6
<b>Cash earnings</b>	<b>\$62.8</b>	<b>\$62.2</b>	<b>\$0.6</b>
Redundancies <sup>2</sup>	\$2.1	\$0.7	\$1.4
<b>Underlying earnings</b>	<b>\$64.9</b>	<b>\$62.9</b>	<b>\$2.0</b>

Note: P&L prepared on cash basis

<sup>1</sup> Credit expenses included Great Southern

<sup>2</sup> Redundancies after tax

# Agribusiness division

- » Strong margin management, despite continued extreme pricing competition
- » Credit quality reflects conservative underwriting standards, historically high commodity prices and rising farm land values
- » Business acquisition (ProFarmer and Australian Crop Forecasters) and growing Government Services division provides specialist skills and insights, and improves diversification and quality of earnings
- » Business simplification undertaken in FY19 (returned ADI licence and entered new distribution agreement with Elders) to provide underlying cost benefits and lower operational risk profile
- » Impact of drought being managed through proactive relationship management and hardship assistance. Most customers expected to operate within existing limits and facilities

	FY19 (\$m)	FY18 (\$m)	FY19 vs FY18
Net interest income	\$163.3	\$166.2	(\$2.9)
Other income	\$15.2	\$8.6	\$6.6
Operating expenses	\$80.7	\$70.4	\$10.3
Credit expenses	(\$2.6)	\$2.8	(\$5.4)
Tax	\$31.8	\$31.9	(\$0.1)
<b>Cash earnings</b>	<b>\$68.6</b>	<b>\$69.7</b>	<b>(\$1.1)</b>
Redundancies <sup>1</sup>	\$0.4	\$0.1	\$0.3
<b>Underlying earnings</b>	<b>\$69.0</b>	<b>\$69.8</b>	<b>(\$0.8)</b>

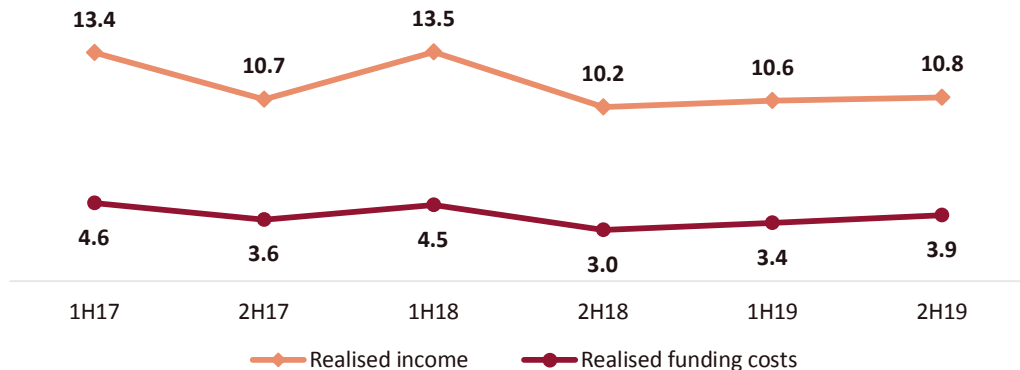
Note: P&L prepared on cash basis

<sup>1</sup> Redundancies after tax

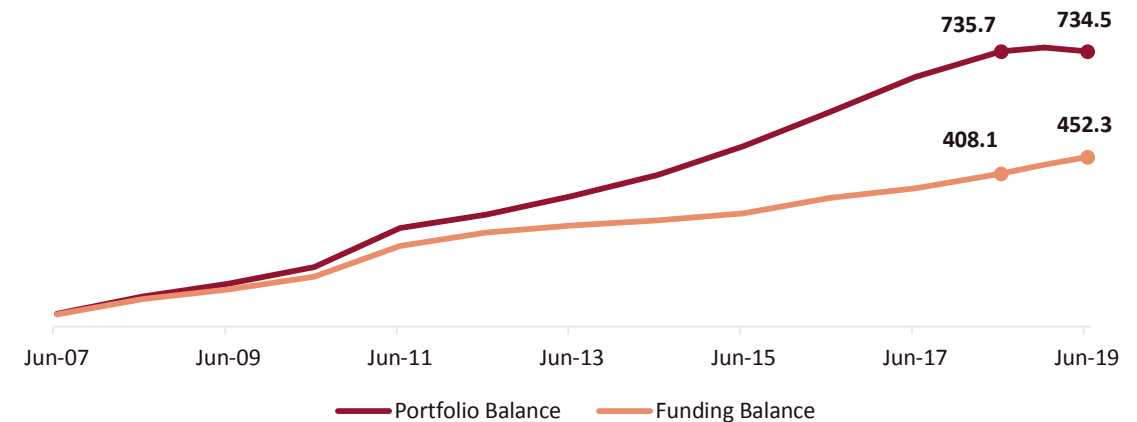
# Homesafe investment property portfolio

- » Proceeds on contracts completed during 2H19 exceeded carrying value by \$0.7m or 3.3%
- » Average annual return on completed contracts since inception is 9.9%, pre funding costs
- » Total unrealised losses for year -\$24.1m (1H19 -\$5.4m, 2H19 -\$18.7m)
- » Portfolio distributed between Melbourne (63%) and Sydney (37%)
- » Portfolio valuation methodology reviewed and growth outlook maintained at 0% year 1, 3% year 2 and 4% year 3+
- » Property values would need to fall by a further c38% before any impact on regulatory capital

Realised - income vs funding costs (\$m)



Homesafe portfolio & funding balance (\$m)



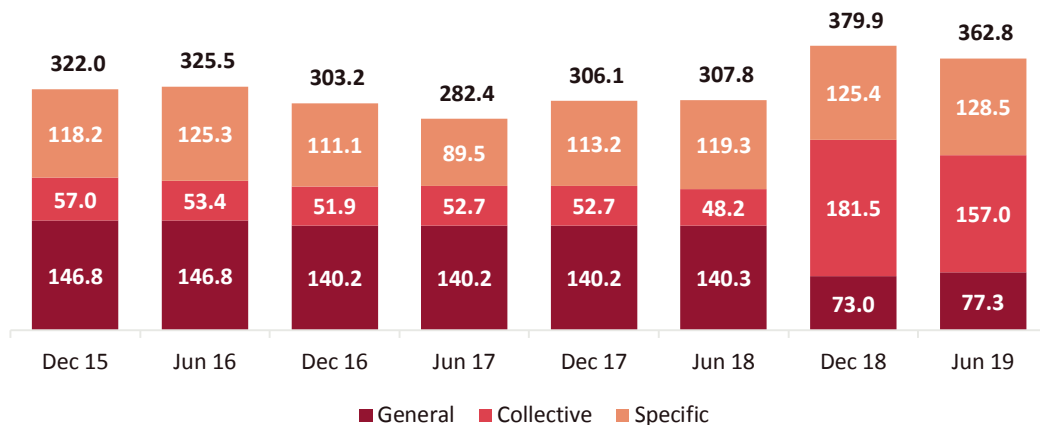
	2H19 (\$m)	1H19 (\$m)	2H18 (\$m)	1H18 (\$m)
Discount unwind	\$11.2	\$11.2	\$10.1	\$10.4
Profit/(loss) on sale	\$0.7	-\$0.2	\$1.3	\$1.0
Property revaluations	-\$30.6	-\$16.4	\$4.4	\$28.2
<b>Total</b>	<b>-\$18.7</b>	<b>-\$5.4</b>	<b>\$15.8</b>	<b>\$39.6</b>



# Bad and doubtful debts

- » All core portfolios remain well secured and portfolio performance remains sound
- » FY19 BDD charge 8bps of gross loans, below long term average
- » Provision coverage ratio of 116.7% up from 92% at 30 June 2018
- » FY19 reflects adoption of new AASB9 collective provision methodology
- » Total impaired assets decreased by 7.4% since 30 June 2018

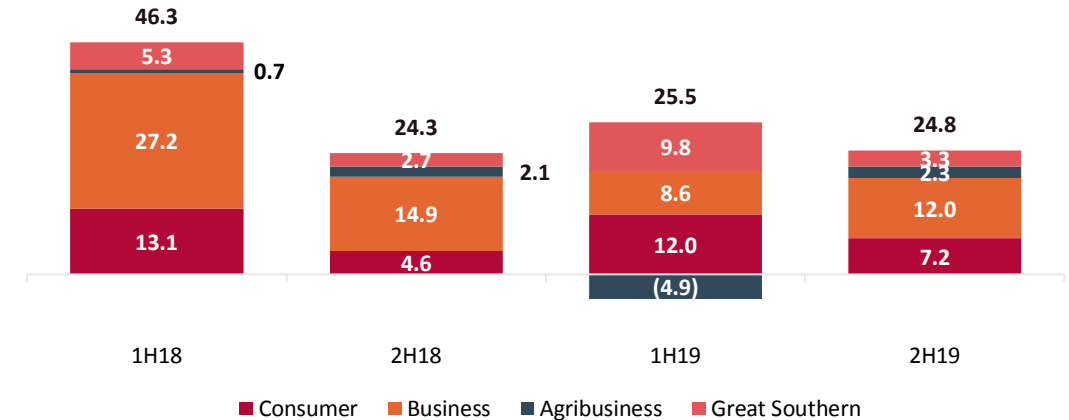
Provisions for doubtful debts (\$m)<sup>1</sup>



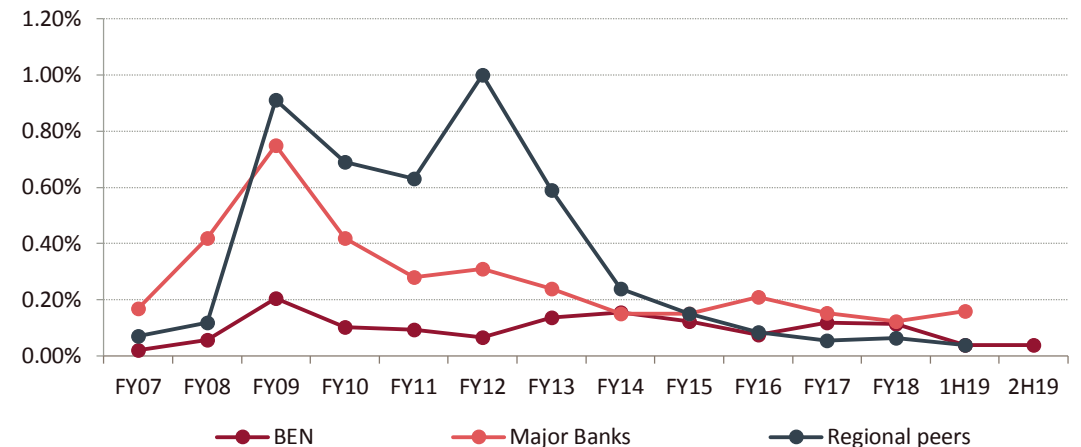
<sup>1</sup> AASB9 was adopted from 1 July 2018 (prior periods are not required to be restated)

<sup>2</sup> External data supplied by Morgan Stanley.

Bad and doubtful debts composition (\$m)

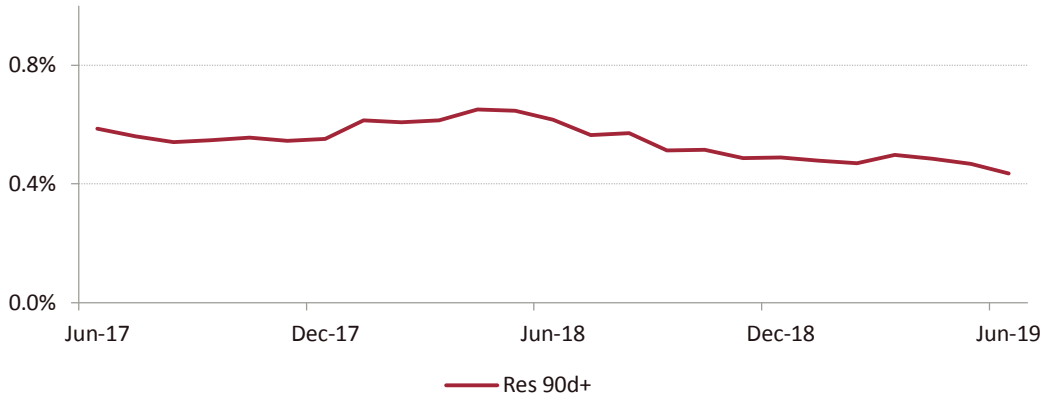


BDD / Loans<sup>2</sup>

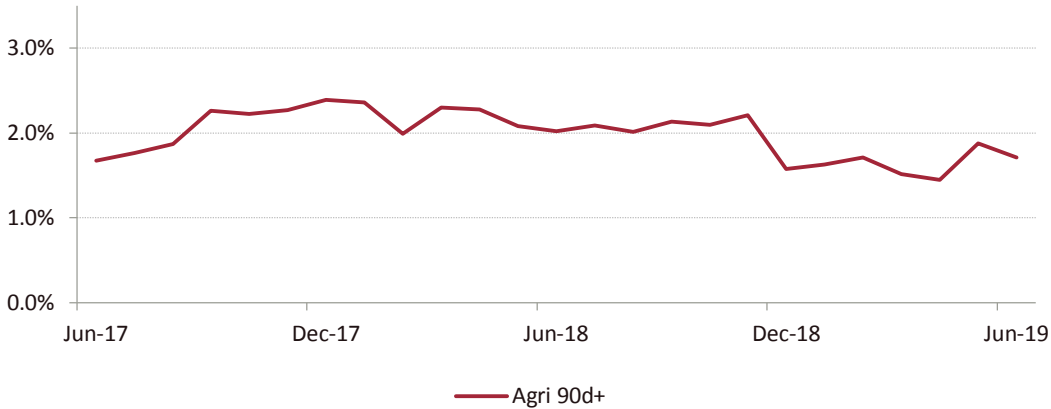


# Arrears

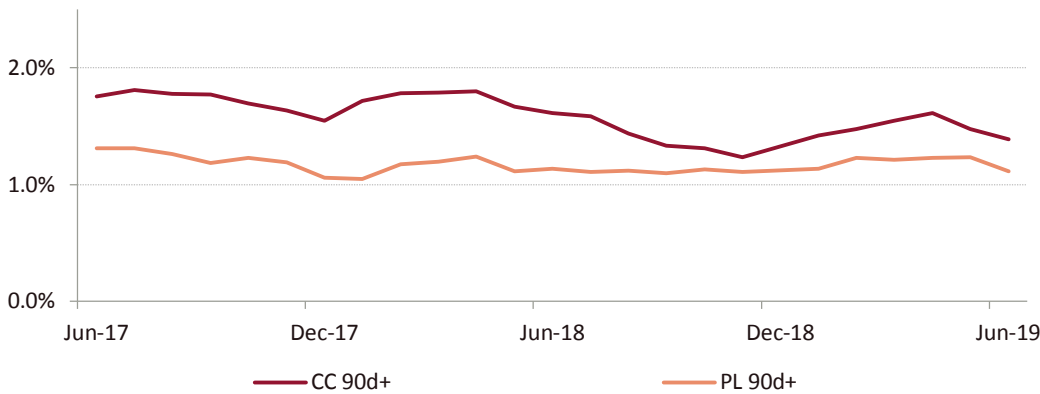
Residential



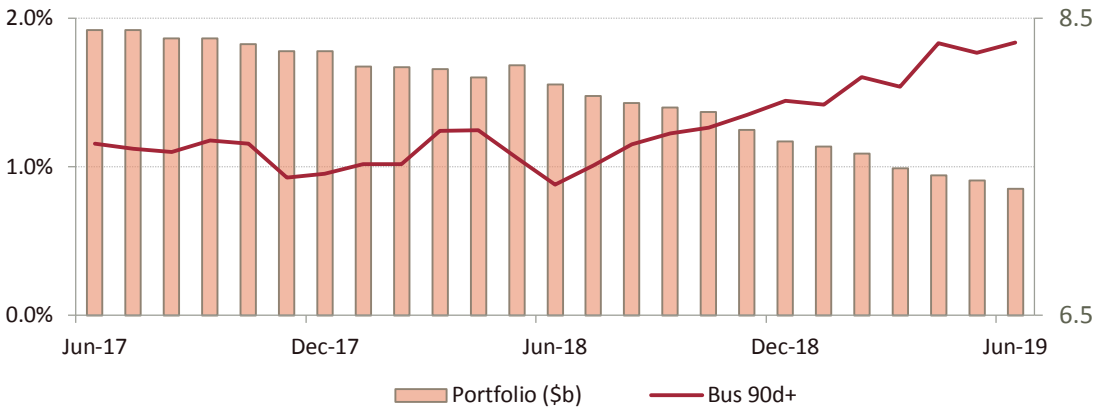
Agribusiness



Credit cards & Personal loans



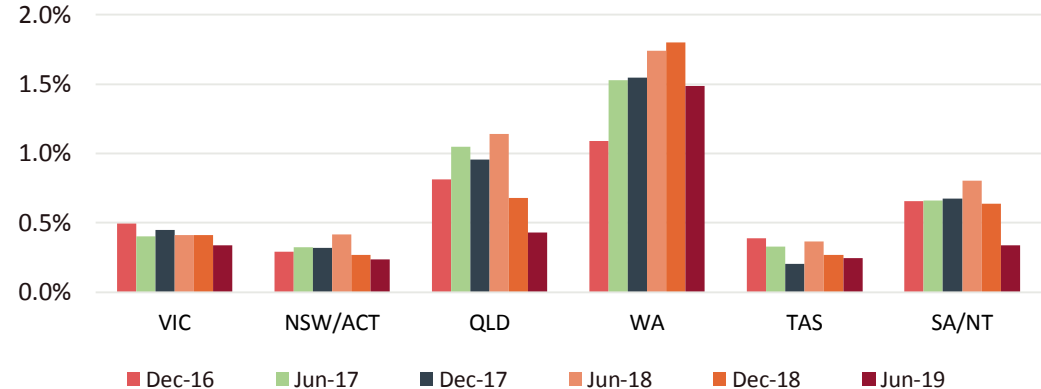
Business & Commercial



<sup>1</sup> Arrears includes impaired over 90d+ and excludes arrangements

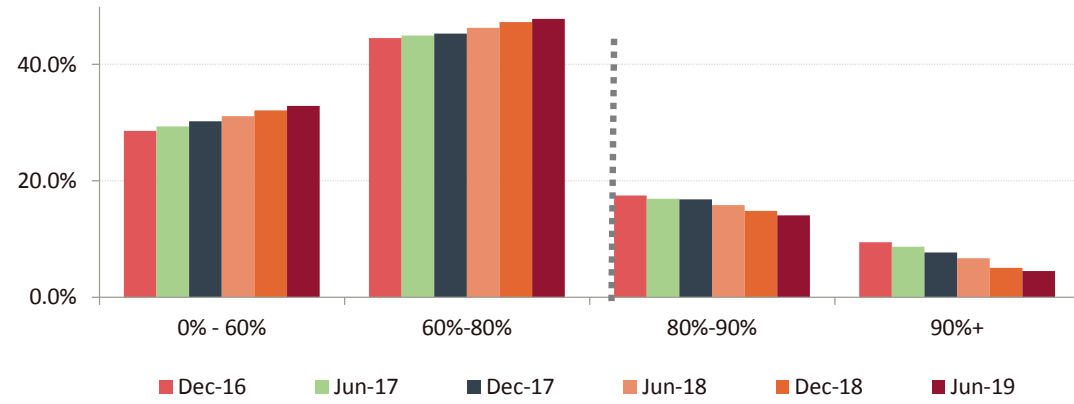
# Residential portfolio key metrics

Home Loans 90+ days past due - by state<sup>1</sup>



Residential loan-to-value profile<sup>2</sup>

82% of portfolio with LVR ≤ 80%



Residential portfolio and settlement metrics<sup>3</sup>

	Jun-19	Dec-18
Retail mortgages	58%	58%
Third Party mortgages	42%	42%
Lo Doc	1%	2%
Owner occupied	63%	63%
Owner occupied P&I	86%	84%
Owner occupied I/O	14%	16%
Investment	37%	37%
Investment P&I	49%	46%
Investment I/O	51%	53%
Mortgages with LMI	20%	22%
Average LVR	58%	58%
Average loan balance	\$239k	\$235k
90+ days past due - exc arrangements	0.4%	0.5%
Impaired loans	0.08%	0.09%
Specific provisions	0.03%	0.02%
Loss rate	0.02%	0.01%
Variable	74%	73%
Fixed	26%	27%

<sup>1</sup> Keystart included from Jun-17, excludes Delphi Bank. Arrears includes impaired over 90d+ and excludes arrangements

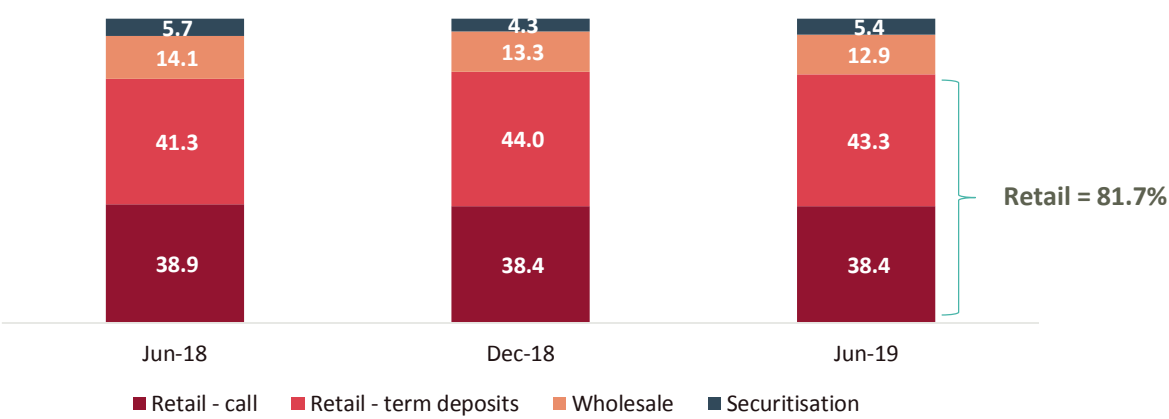
<sup>2</sup> Breakdown of LVRs by residential mortgages by origination

<sup>3</sup> Loan data represented by purpose. Includes Business and Agribusiness divisions. Excludes Delphi Bank & Keystart data. Arrears includes impaired over 90d+ and excludes arrangements

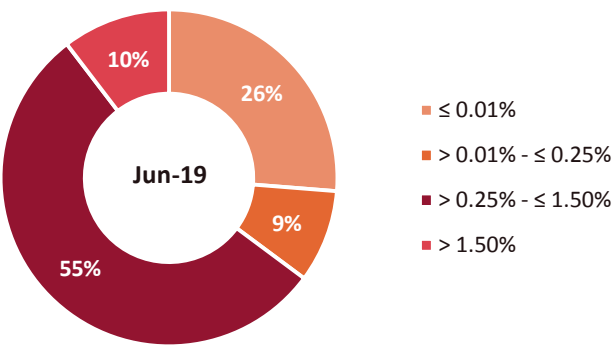
# Funding mix

- » Funding mix continues to be a strength, providing flexibility to fund asset growth and manage cost of funding in low rate environment
- » Retail deposit balances increased from June 2018 to improve overall retail funding to 81.7%
- » Term deposit retention rate of 85.4% in June 2019
- » Lower BBSW improved cost of wholesale and securitisation funding through 2H19
- » LCR of 125% and NSFR ~112% at 30 June 2019
- » \$1bn capital effective securitisation transaction, Torrens 2019-1, completed in June 2019

Funding profile (%)



Retail call deposit funding costs





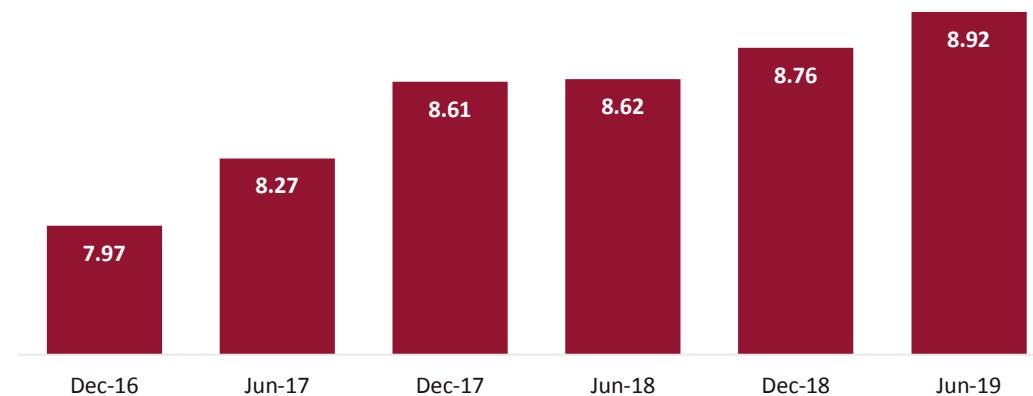
# Capital

- » 30 bps increase in CET1 since June 2018
- » Organic capital generation reflects stability in the balance sheet and the continuing movement to lower risk exposures
- » Increase in deferred tax asset driven by one off charge in collective provision following adoption of AASB9 in 1H19

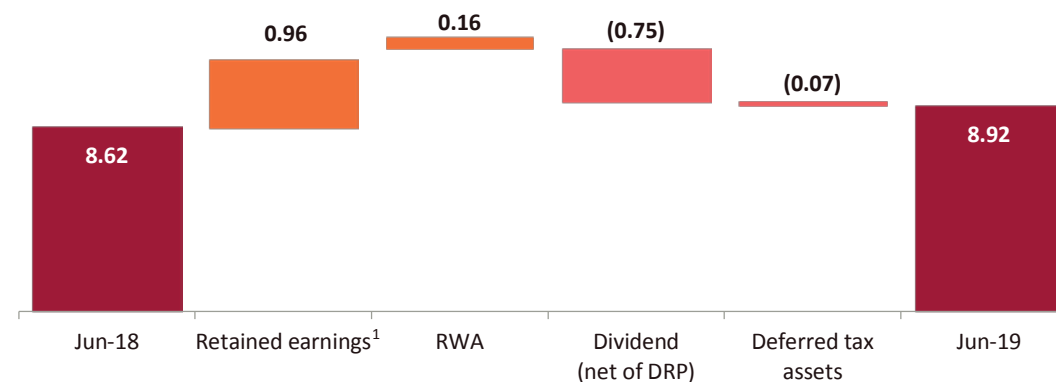
## APRA's capital reforms

- » We are undertaking a detailed assessment of APRA's consultation package, released in June 2019, relating to changes in credit risk weights for both standardised and IRB, and the unquestionably strong requirements under IRB
- » As the new capital proposals are being evaluated, we continue to make sound progress towards meeting the regulatory requirements for IRB to ensure we can pursue the most beneficial option

Historical CET1 (%)



CET1 movement - 12 months (%)



<sup>1</sup> Unrealised Homesafe revaluation revenue has been excluded from increases in retained earnings



# Summary and outlook

Marnie Baker  
Managing Director

# Our strength



## Trusted brand

- » Number 1 for Customer Experience in Australia for fourth year running<sup>1</sup>
- » Consistently ranked in Top 2 banks for customer satisfaction<sup>2</sup>
- » 9<sup>th</sup> most trusted brand in Australia and consistently ranked in top 10<sup>3</sup>



## Disciplined execution of strategy

- » Positive growth in key priority markets
- » Focussed on reducing our medium-term cost base
- » Enhanced customer experience through history of innovation



## Financially strong

- » Strong funding position and active management of margin
- » Conservative approach to maintaining balance sheet strength
- » Active management of risk, with strong emphasis on non-financial risk

<sup>1</sup> Forrester's Australian Customer Experience Index (December 2018)

<sup>2</sup> Roy Morgan's 'Customer Satisfaction report on Consumer Banking in Australia' (May 2019 & December 2018)

<sup>3</sup> Roy Morgan Net Trust Score (October 2018)



# Continually evolving regulatory environment

- » Increasing regulatory focus
- » Continues to favour larger participants
- » Expect similar pace in FY20
- » We continue to:
  - » Invest in risk management and compliance capabilities
  - » Take a transparent approach with regulatory agencies
  - » Engage with external parties to assist

## During FY19 key initiatives included:

- » The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry
- » APRA Risk Governance Self-Assessment
- » Banking Executive Accountability Regime (BEAR)
- » APRA Economic and Financial Statistics (EFS) reporting requirements
- » APRA Prudential Standard CPS 234 Information Security
- » Removal of the residential mortgage investor growth limit
- » Continued work on advanced accreditation
- » Numerous APRA consultation packages
- » Sedgwick
- » Banking Code of Practice
- » Open Banking
- » Comprehensive Credit Reporting



# Economic outlook

## GDP growth

GDP forecast of +2% supported by a cash rate which has fallen to 1%

## Housing market

Uptick in auction clearance rates in Melbourne, Sydney, regional Tasmania

## Core inflation

Remains around 1.6%, just below the RBA's target of 2%-3%

## Business confidence

In positive territory and around the ten-year average, momentum seen in non-mining capital investment

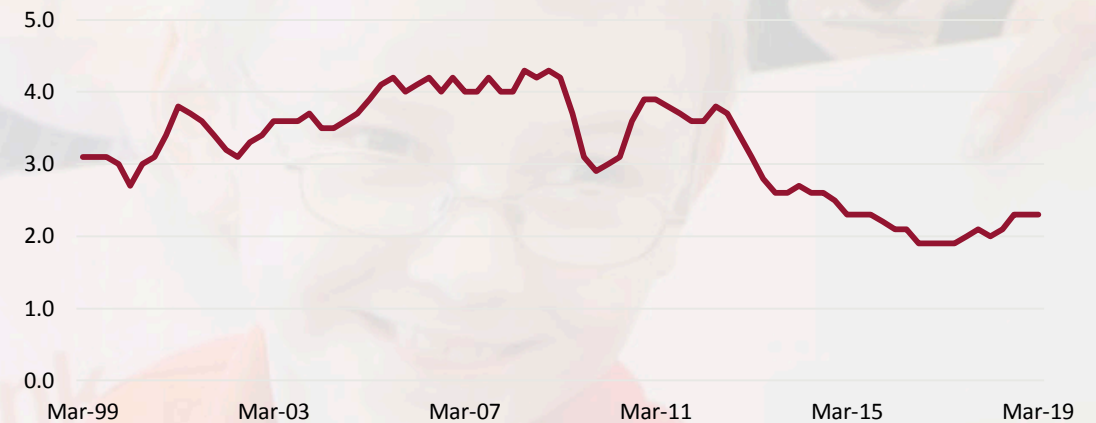
## Australian dollar

Expected to trend lower, supporting export markets and combining favourably with elevated commodity prices

## Wages

Growth remains subdued, between 2%-3%

Wage price index – quarterly growth (%)<sup>1</sup>



Real GDP - quarterly growth (%)<sup>1</sup>



<sup>1</sup> Reserve Bank of Australia, 2019

# Reshaping our business : Australia's bank of choice

## Solid foundations

- » New management team
- » New vision and strategy
- » Detailed business review
- » Executing early opportunities
- » New and expanding partnerships
- » Optimising channel network
- » Focus on growth and efficiency
- » Cultural review to support change

## Accelerating execution

- » Enhanced ability to utilise new technologies and capabilities
- » Modernise and simplify our architecture
- » Streamlining of processes
- » Deepening partnerships
- » Ongoing enhancements to customer experience
- » Branch network aligned to demographic opportunities
- » Developing deeper customer relationships
- » Investing to sustainably lower cost base

## Outcomes

**Seamless customer experience**

**Medium-term reduction in cost base**

\* Targeting sustainable CTI ratio towards 50%

**Sustainable growth**

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# Questions



# Appendix



# Appendix index

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We are well placed



**Top 10  
most trusted  
brand in  
Australia<sup>1</sup>**

Roy Morgan Net Trust Score



**Mozo's Experts  
Choice Award  
Winner 2019**

1st Excellent Banking App



**Mozo People's  
Choice Award  
Winner 2019<sup>2</sup>**

**#2 Consumer Banking  
Satisfaction<sup>3</sup> for**

Home Loan customers  
and Non Home Loan customers

**Up winner of Fintech  
Australia awards for**

**Best Partnership of the Year**  
**Excellence in Industry  
Collaborations &  
Partnerships**

Bendigo and Adelaide  
Bank and Ferocia



**J.D. Power**

Bendigo Bank ranks  
highest in credit card  
satisfaction



**Ranked 11th  
overall – top  
ranking bank  
and financial  
institution**

Australia 2019  
RepTrak® Results



**Canstar 5-Star Rated**

**Savings & transaction  
accounts 2019**

in Youth Transactor Category for  
Bendigo Bank Student Account

**Most Satisfied Customers  
Award for Credit Cards**

**Outstanding Value Award for  
Premium Credit Card**

**Canstar Innovation Excellence  
Award for Youth Debit Card**

**Canstar Outstanding Value  
Award for Leveraged**  
Second year running

**#1**

**Forrester's Australian  
Customer Experience Index**

Top rated across all industries for the fourth year  
running.

**2019 DBM Australian Financial Awards  
Winner of 5 business banking awards**

Best Business  
Customer  
Service

Best Business  
Relationship  
Managers

Best Digital  
Business  
Bank

Most  
Competitive  
Business Bank

Most  
Recommended  
Business Bank

- Outstanding Customer Satisfaction
- Most Recommended
- Bank Account Satisfaction
- Excellent Customer Service
- Highly Trusted
- Staff Friendliness
- Customer satisfaction credit cards

1. Roy Morgan All Brand Net Trust Score Survey

2. Mozo People's Choice Awards 2019

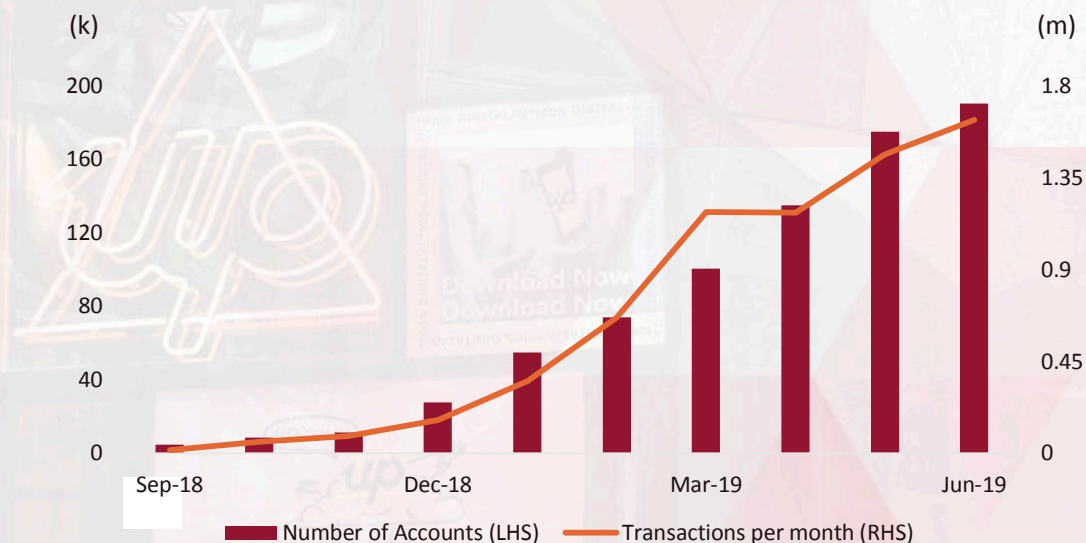
3. Roy Morgan's 'Customer Satisfaction report on Consumer Banking in Australia', May 2019



## Super Powered Banking. LIVING

### Australia's first next-gen digital bank

- Technology-led banking
- Helping customers spend wisely and save effortlessly
- 100,000+ customers, 86% new-to-bank
- 5.3m+ transactions (\$205m+ value)
- Less than 3 min average mobile account opening
- Fast moving with 5+ software updates per day
- First in-app instant Apple Pay and Google Pay
- The Tree of Up public roadmap: [up.com.au/tree](https://up.com.au/tree)



#### Winner of Fintech Australia Finnie awards 2019

*Best Partnership of the year*  
*Excellence in Industry Collaborations & Partnerships*

Bendigo and Adelaide Bank and Ferocia



Designed and built in partnership with Ferocia

500,000+ cloud infrastructure provisions

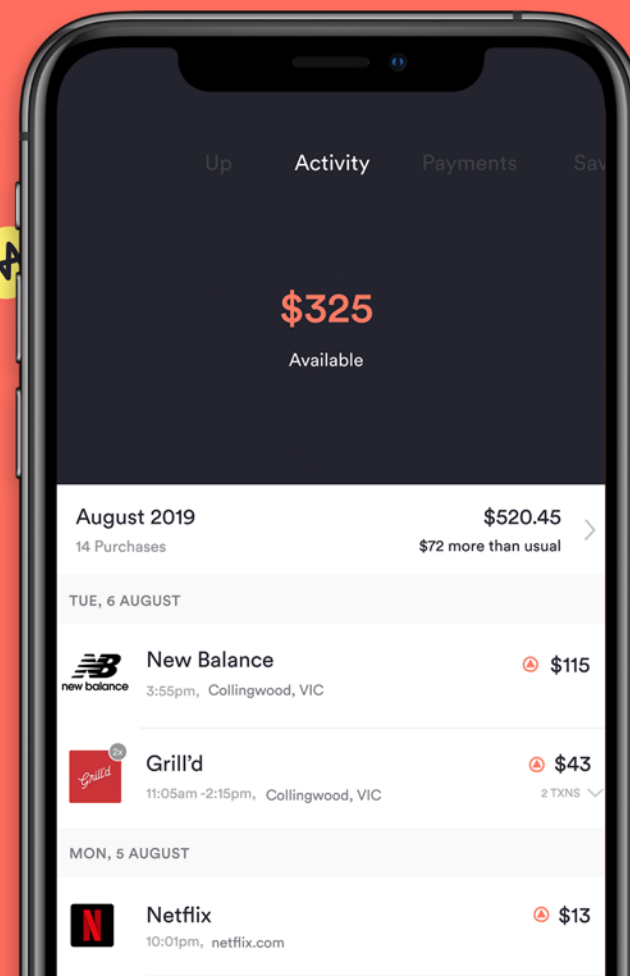
Platform availability checked every 5 secs

11,000,000+ production system checks

99.97% Up platform availability

65,000+ merchants identified since launch

FEROCIA +  Bendigo and Adelaide Bank







- » Tic:Toc's proprietary artificial intelligence creates significant efficiency gain in home loan assessment compared to traditional processes. Reflected in a customer experience delivering a completed application, assessment, approval and customer contract dispatched within 58 minutes, utilising 12 minutes of human effort.
- » \$3bn value of assessed applications since launch, with 55% growth in approvals in H2 2019 on prior period. Strong start in Q1 fiscal 2020, with a 75% increase in approval volume in July 2019 compared to prior corresponding period.
- » The portfolio has had no defaults or credit losses since launch in July 17, reflecting the strength of the digital assessment process and automation of responsible lending practices.
- » Launch of Bendigo Express in FY19, demonstrated capability for the leverage of the Tic:Toc platform for the Bendigo proprietary channel.
- » Opportunity to develop both Platform and Software as a service proposition, with strong interest in the Financial Validation AI evident.

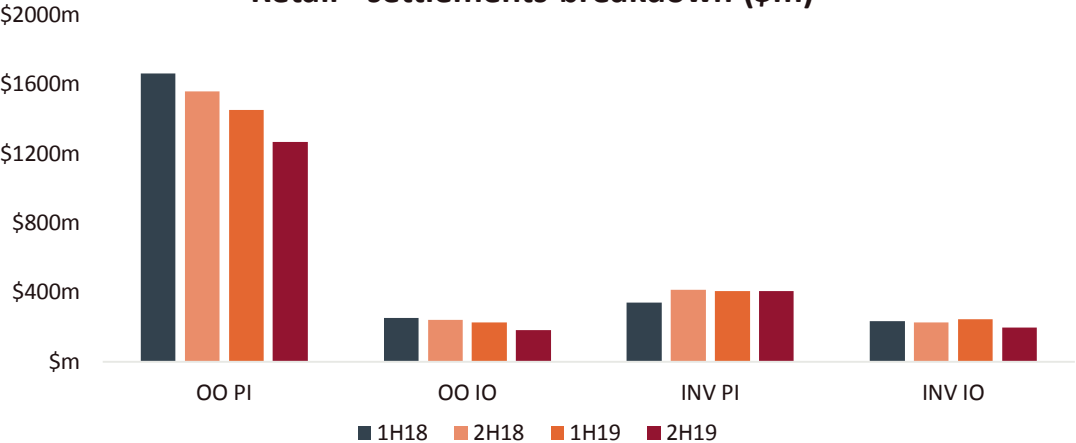
**Tic:Toc - portfolio history (\$m)**



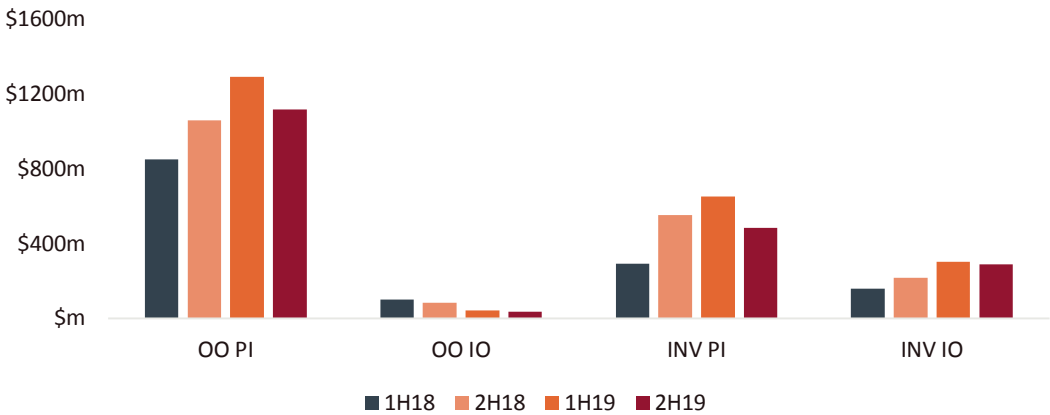
# 2H19 residential lending

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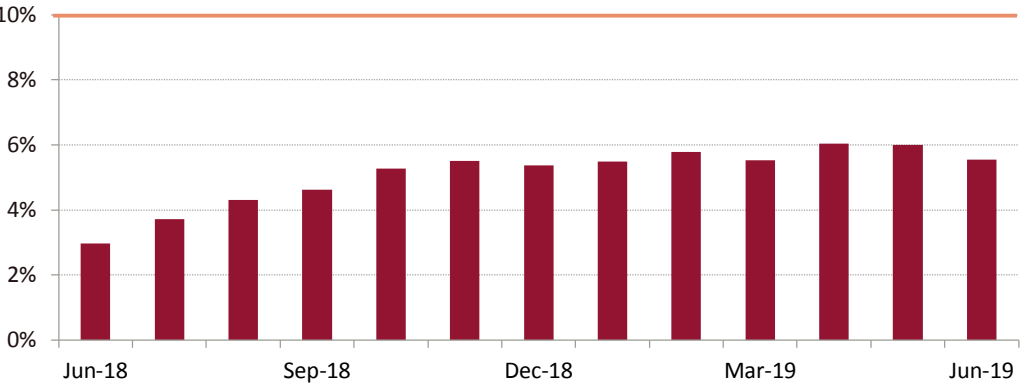
Retail - settlements breakdown (\$m)<sup>1</sup>



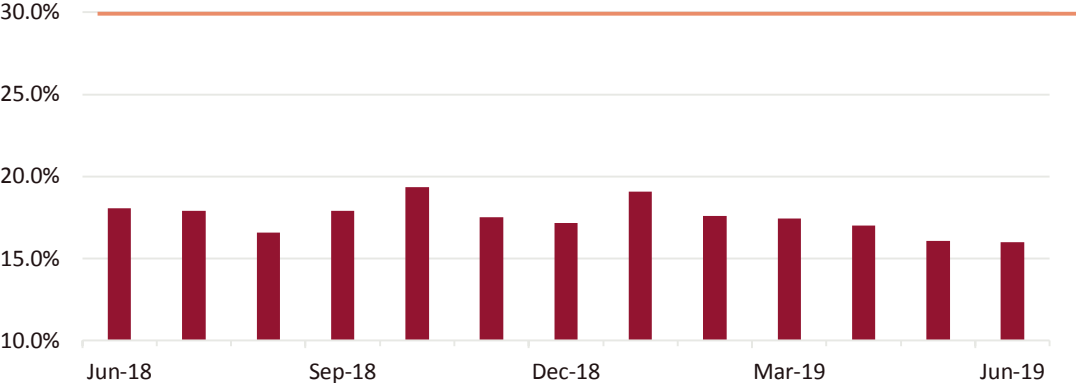
Third Party Banking – settlements breakdown (\$m)<sup>1</sup>



Investor credit growth<sup>2</sup>



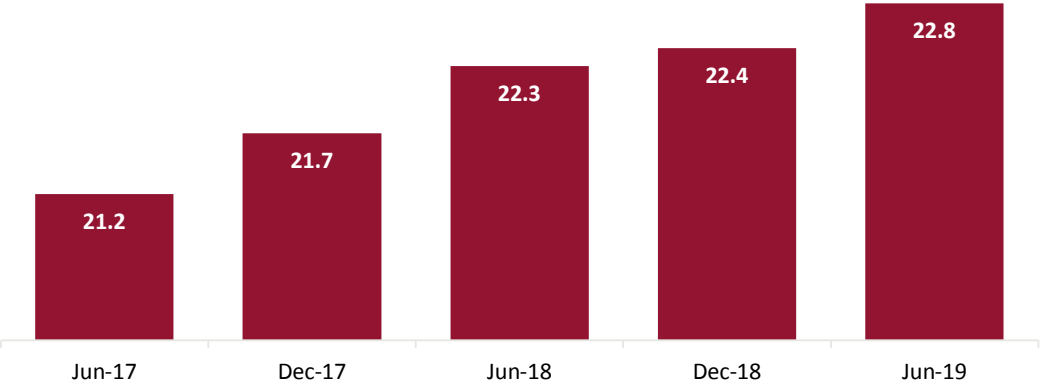
Interest only flows



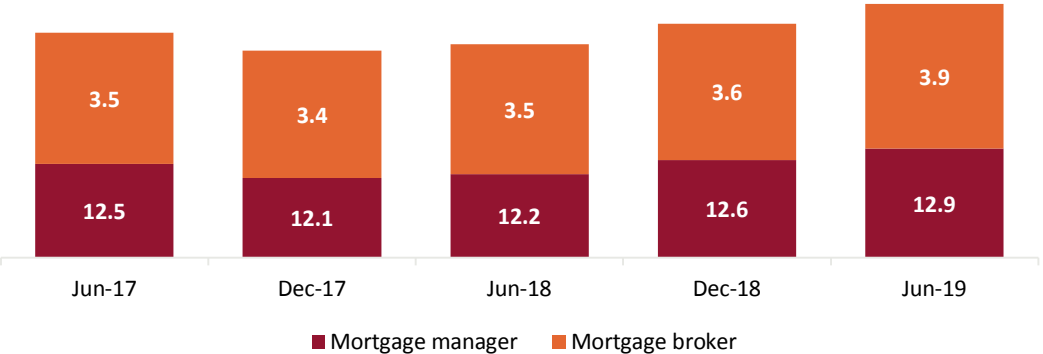
<sup>1</sup> Loan settlements are based on term loans using end of month asset balances. Excludes Delphi Bank, Alliance Bank and line of credit products  
<sup>2</sup> APRA Investor limits to be removed in 1H20

# Residential portfolio

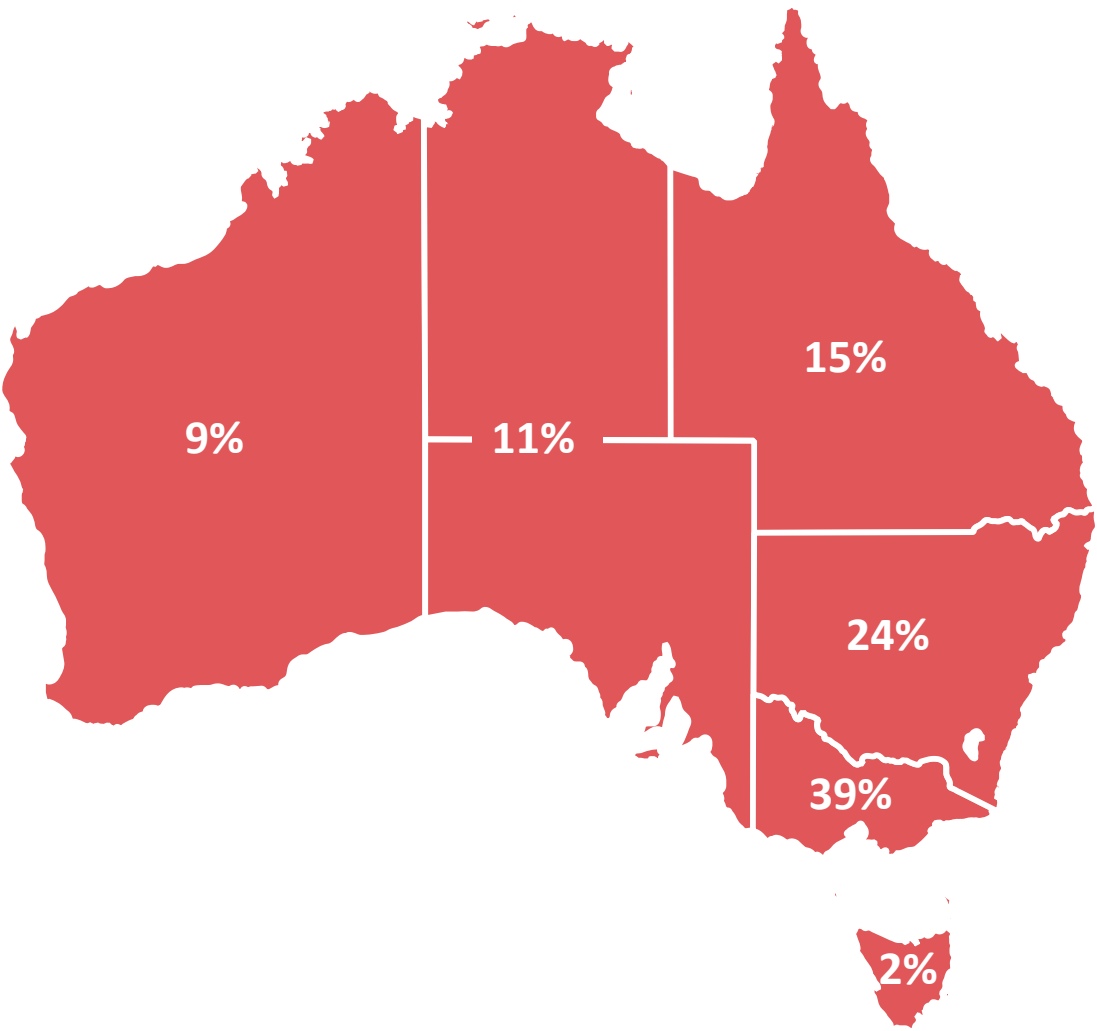
Retail - portfolio (\$b)<sup>1</sup>



Third Party Banking - portfolio (\$b)<sup>1</sup>



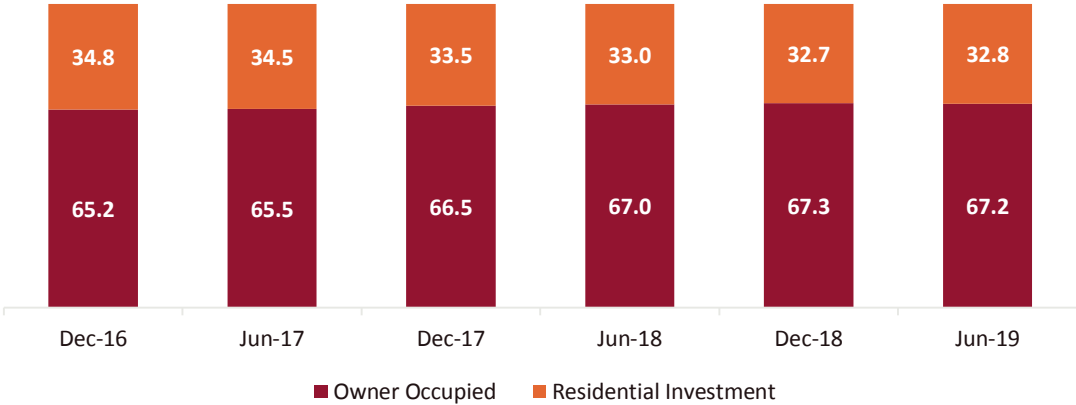
Exposure by State



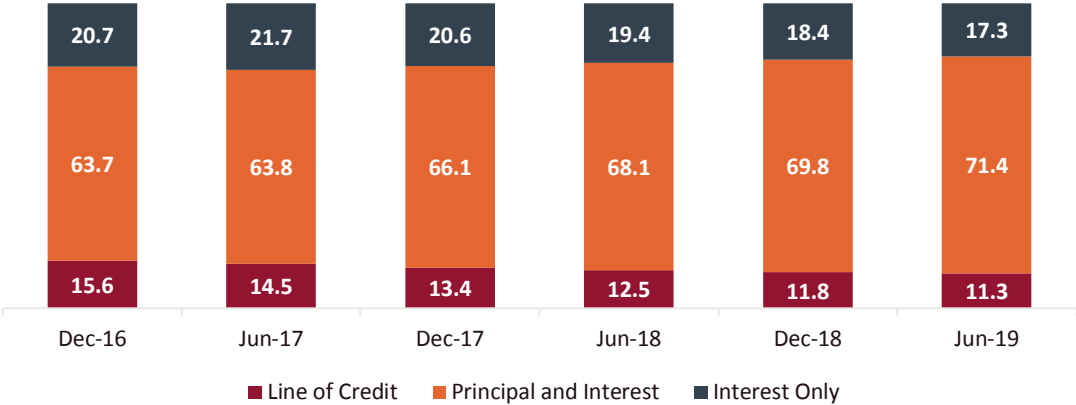
<sup>1</sup> Loan portfolio constructed from internal data and includes line of credit products

# Residential portfolio

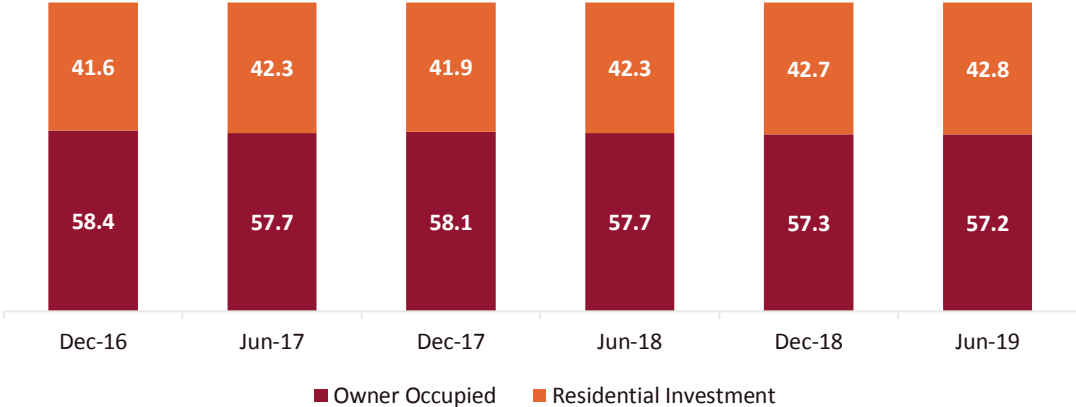
Retail lending - purpose (%)



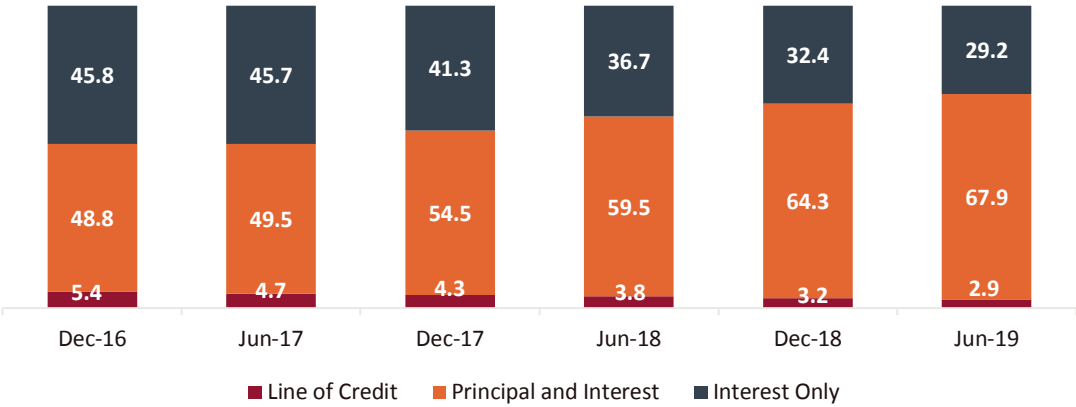
Retail lending - payment type (%)



Third Party Banking lending - purpose (%)



Third Party Banking lending - payment type (%)

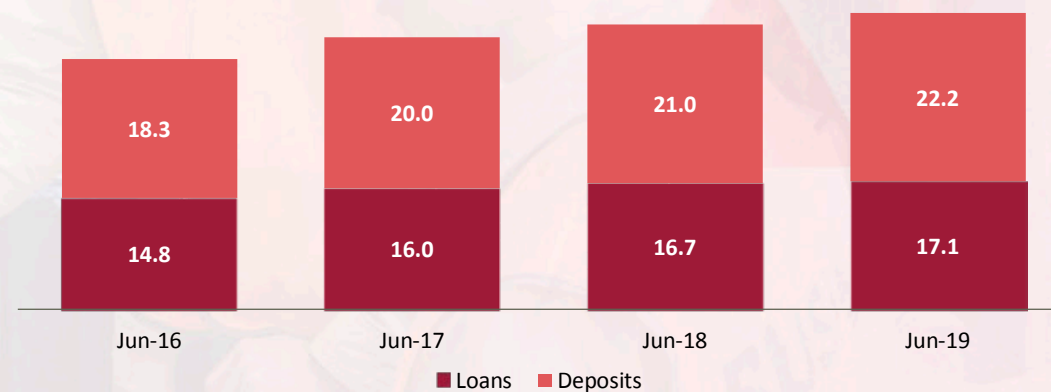




# The Community Bank<sup>®</sup> model

- » Community banking is based on a 'profit with purpose' model, which means profits are returned directly to the community which has generated them
- » Over \$220m in community contributions<sup>1</sup> since inception, enabling tangible economic and social benefits for the communities and our business
- » Significant matched funding leveraged by community partners for major local infrastructure initiatives
- » 324 Community Bank<sup>®</sup> branches, of which over 20% are the last financial institution in the town or suburb
- » Proven, reliable and cost effective distribution strategy
- » Compelling and significant engagement across communities with 75,000+ Community Bank<sup>®</sup> shareholders and 1,950+ directors.
- » One of the largest social enterprise movements globally

Community Bank<sup>®</sup> footings (\$bn)



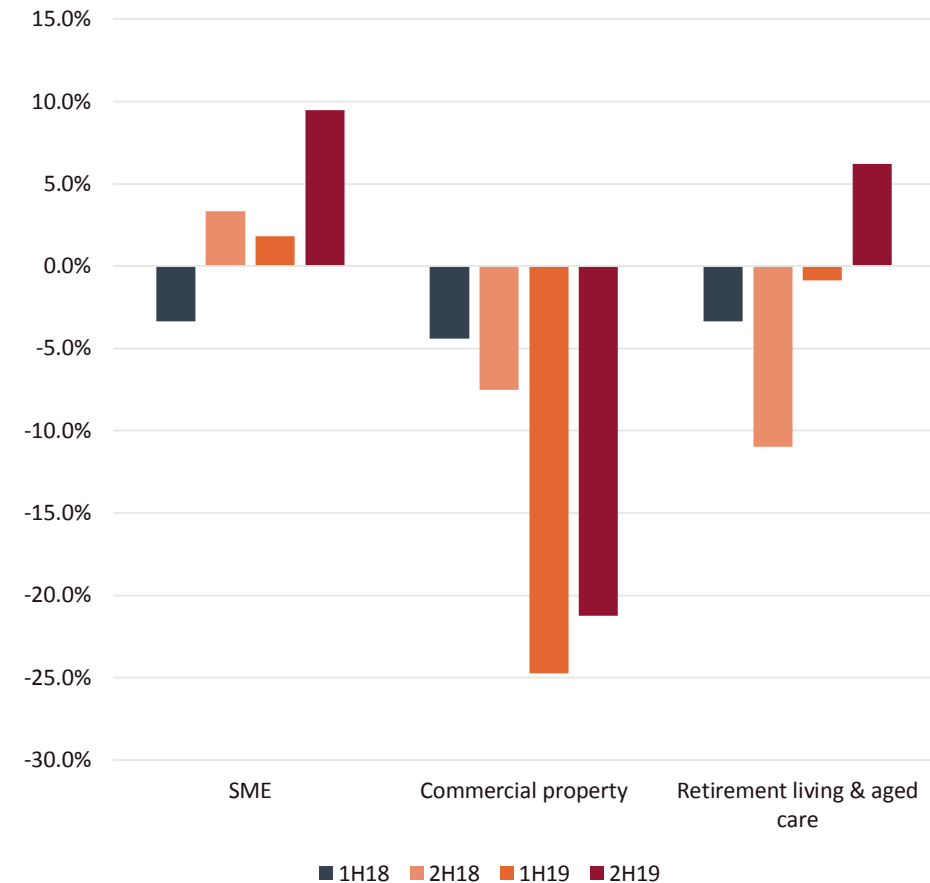
<sup>1</sup> Includes total sponsorships, donations and grants

<sup>2</sup> Community Bank footing includes Private Franchises (4 branches in total)

# Business portfolio

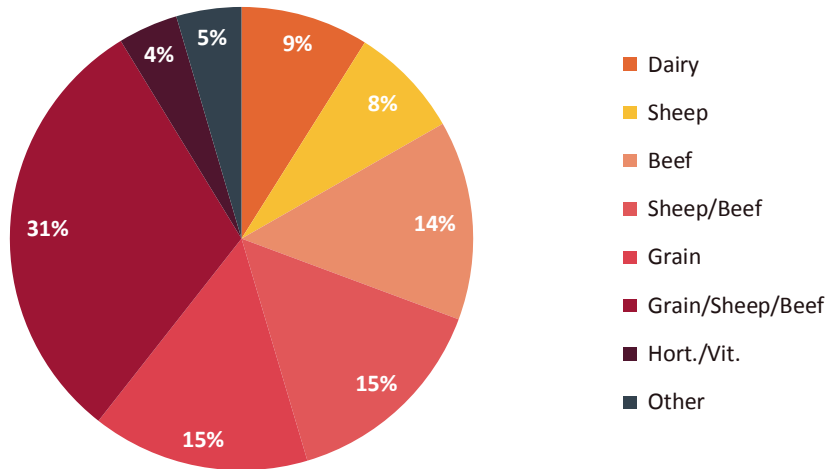
- » Customer Segmentation model now established, with over 6,000 customers transitioned from previous operating model to align to our Relationship Banking proposition
- » Small Business portfolio was the first established and saw significant growth in 2H19
- » Decline in the Commercial property lending portfolio accounted for >100% of total decline in Business lending portfolio. Specialised focus now established and policy settings adjusted to reflect revised segment appetite
- » Investment in Relationship Banking capacity has been maintained to support growth aspirations and differentiated customer experience
- » SME segments remain key priorities, with expectations of accelerating growth through FY20
- » Return to positive growth in Commercial Property expected in 2H20

Segment Growth Rates

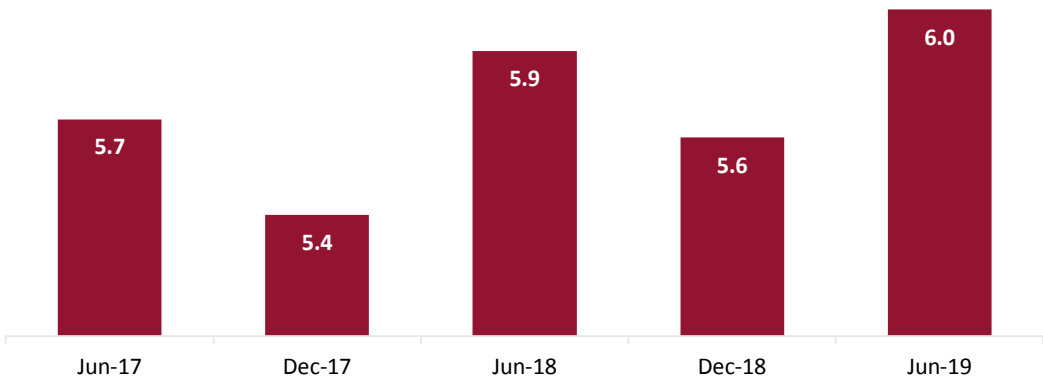


# Agribusiness portfolio

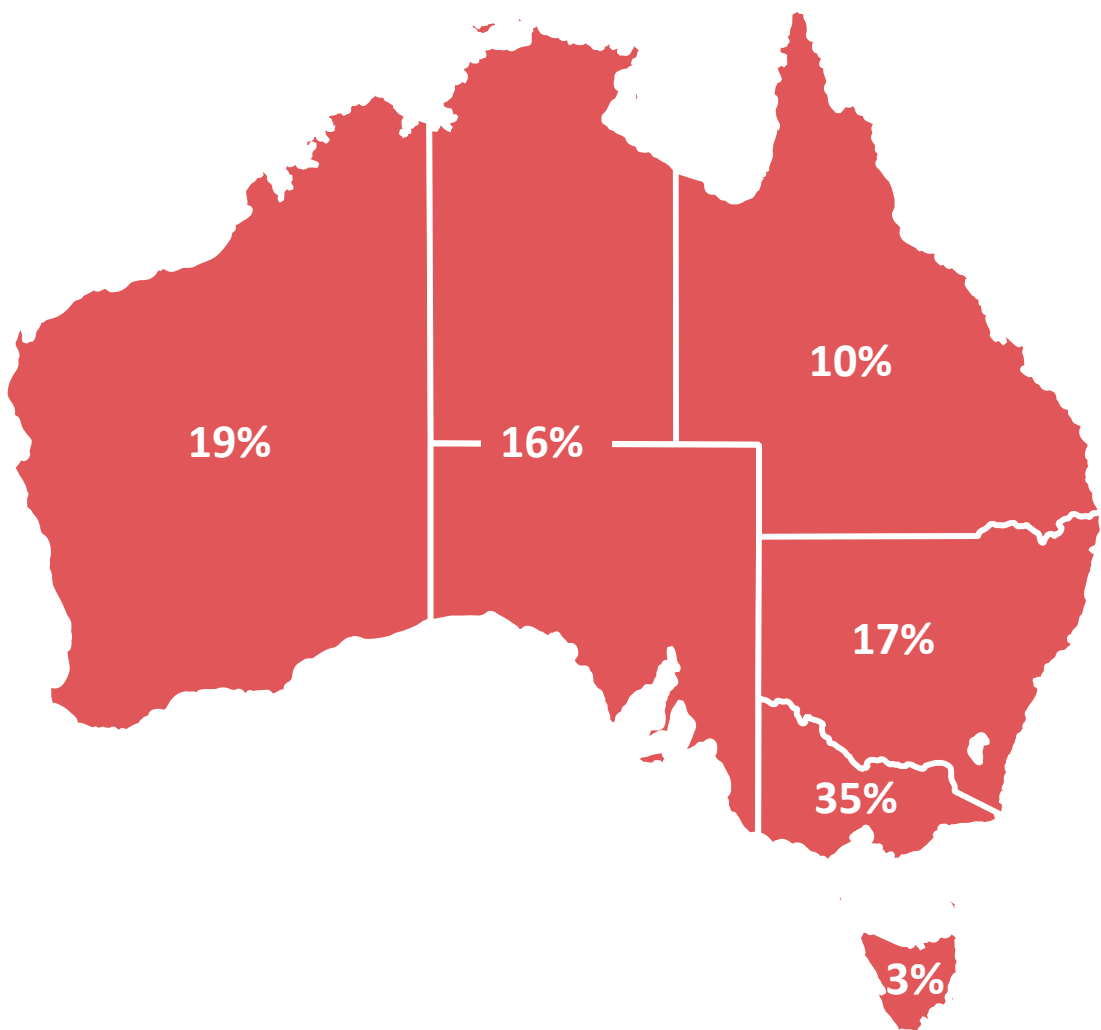
Exposure by industry



Agribusiness portfolio (\$b)

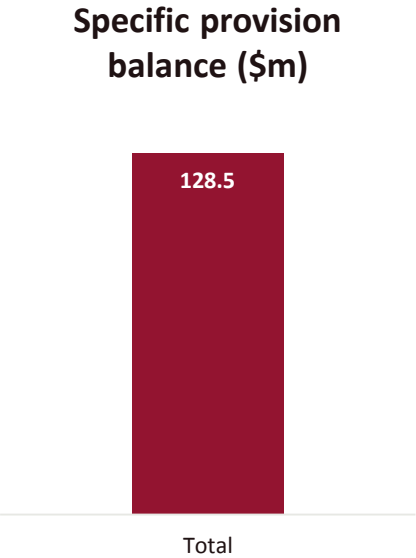


Exposure by State

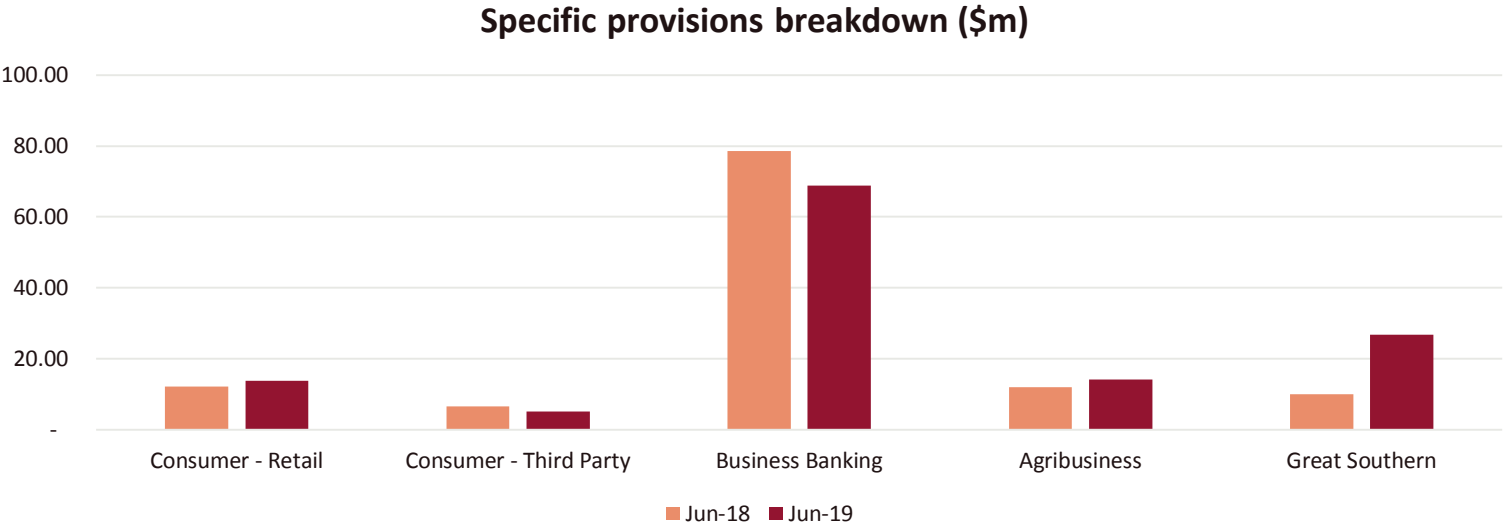


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# Specific provisions



Represented by



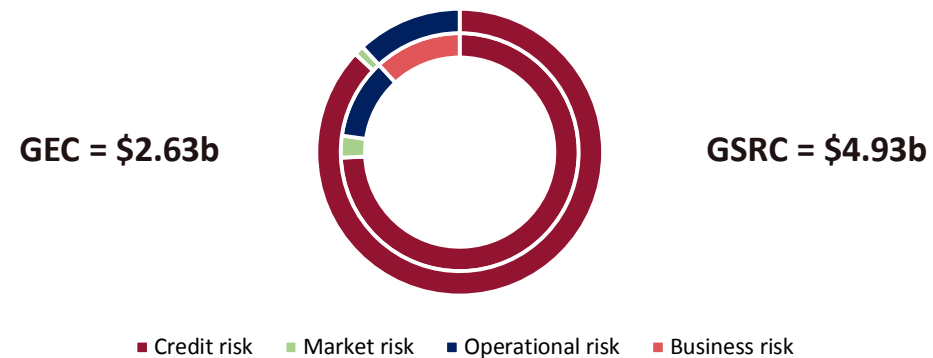
Provision as % of each portfolio's gross loans	Consumer – Retail	Consumer – Third Party	Business Banking	Agribusiness	Great Southern	BEN total
June 2019	0.05%	0.03%	0.73%	0.23%	46.98%	0.21%
June 2018	0.04%	0.04%	0.77%	0.20%	11.62%	0.19%



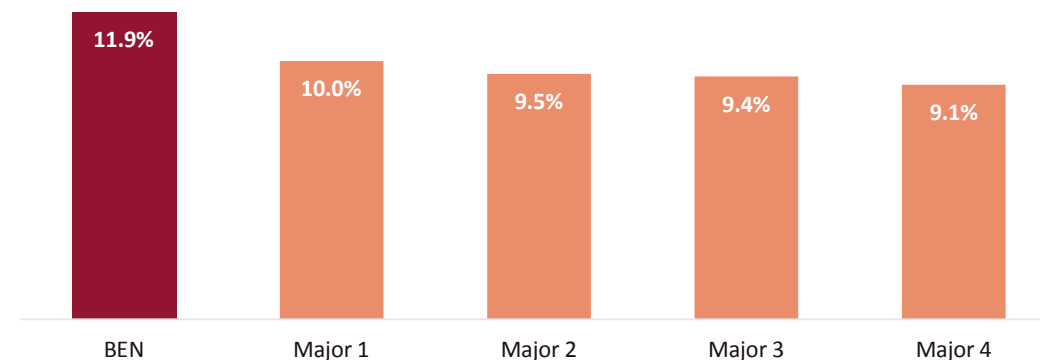
# Key capital ratios

	2H19 (%)	1H19 (%)	2H18 (%)	1H18 (%)
Common Equity Tier 1	8.92%	8.76%	8.62%	8.61%
Additional Tier 1	2.39%	2.39%	2.34%	2.37%
Tier 1	11.31%	11.15%	10.96%	10.98%
Tier 2	1.83%	2.69%	1.89%	2.00%
Total capital	13.14%	13.84%	12.85%	12.98%
Total Risk weighted assets	\$37.5b	\$37.5b	\$38.3b	\$37.7b

Group economic capital (GEC) & Group standardised regulatory capital (GSRC)<sup>1</sup>



S&P RAC Ratio<sup>2</sup>

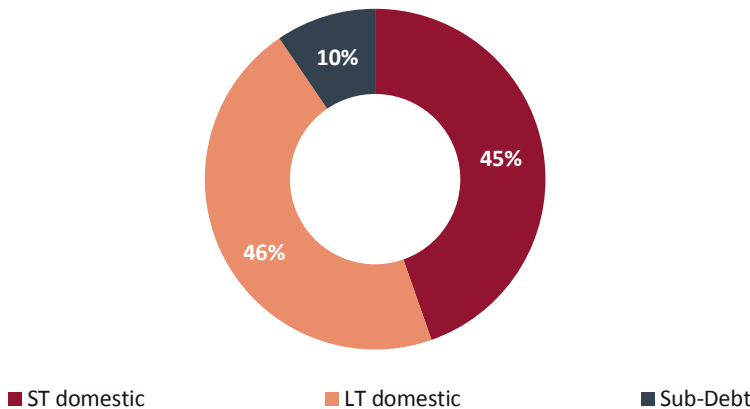


<sup>1</sup> Calculated using a combination of internal models and standardised measures

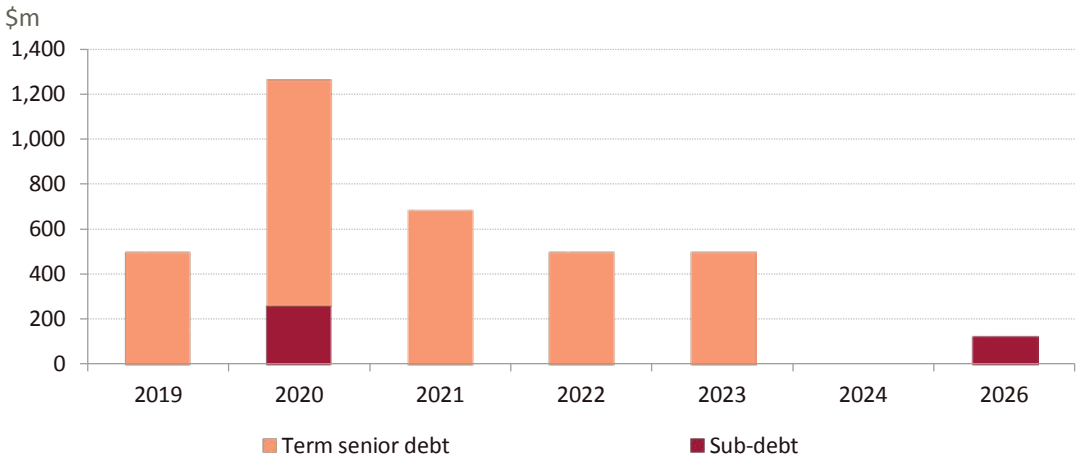
<sup>2</sup> Standard & Poors RAC Ratio, Major 1 banks as at 31 Dec 2019, Major 2, 3, 4 as at 30 Sep 2018 & BEN as at 30 Jun 2018

# Funding and liquidity

Wholesale funding composition<sup>1</sup>



Term funding maturity profile<sup>2</sup>

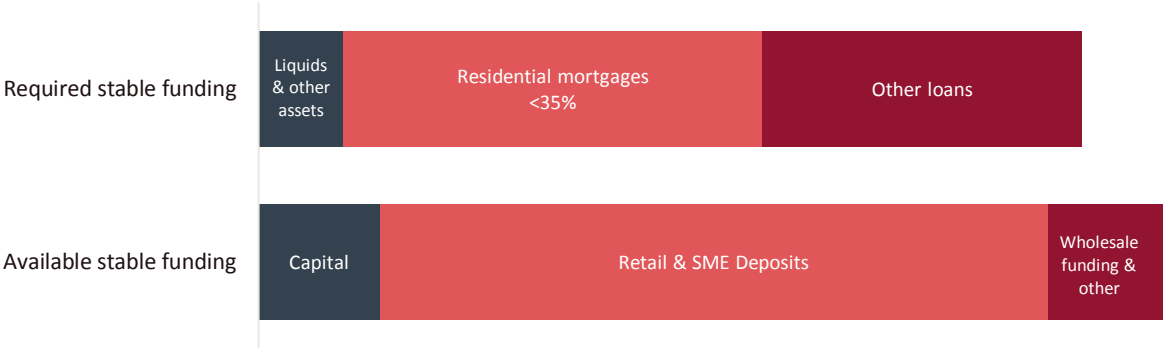


Liquidity coverage ratio – 3 month average<sup>3</sup>

	Jun-19 (\$b)	Mar-19 (\$b)	Dec-18 (\$b)	Sep-18 (\$b)
High quality liquid assets	4.29	4.91	4.44	3.92
Committed liquidity facility	2.99	2.98	3.48	3.48
<b>Total LCR liquid assets</b>	<b>7.28</b>	<b>7.89</b>	<b>7.92</b>	<b>7.40</b>
Customer deposits	3.87	3.83	3.74	3.66
Wholesale funding	0.62	0.85	0.85	0.89
Other flows	1.35	1.50	1.38	1.30
<b>Net cash outflows</b>	<b>5.84</b>	<b>6.18</b>	<b>5.97</b>	<b>5.85</b>
<b>LCR</b>	<b>125%</b>	<b>128%</b>	<b>133%</b>	<b>127%</b>

Net Stable Funding Ratio (NSFR)

111.7% as at 30 June 2019



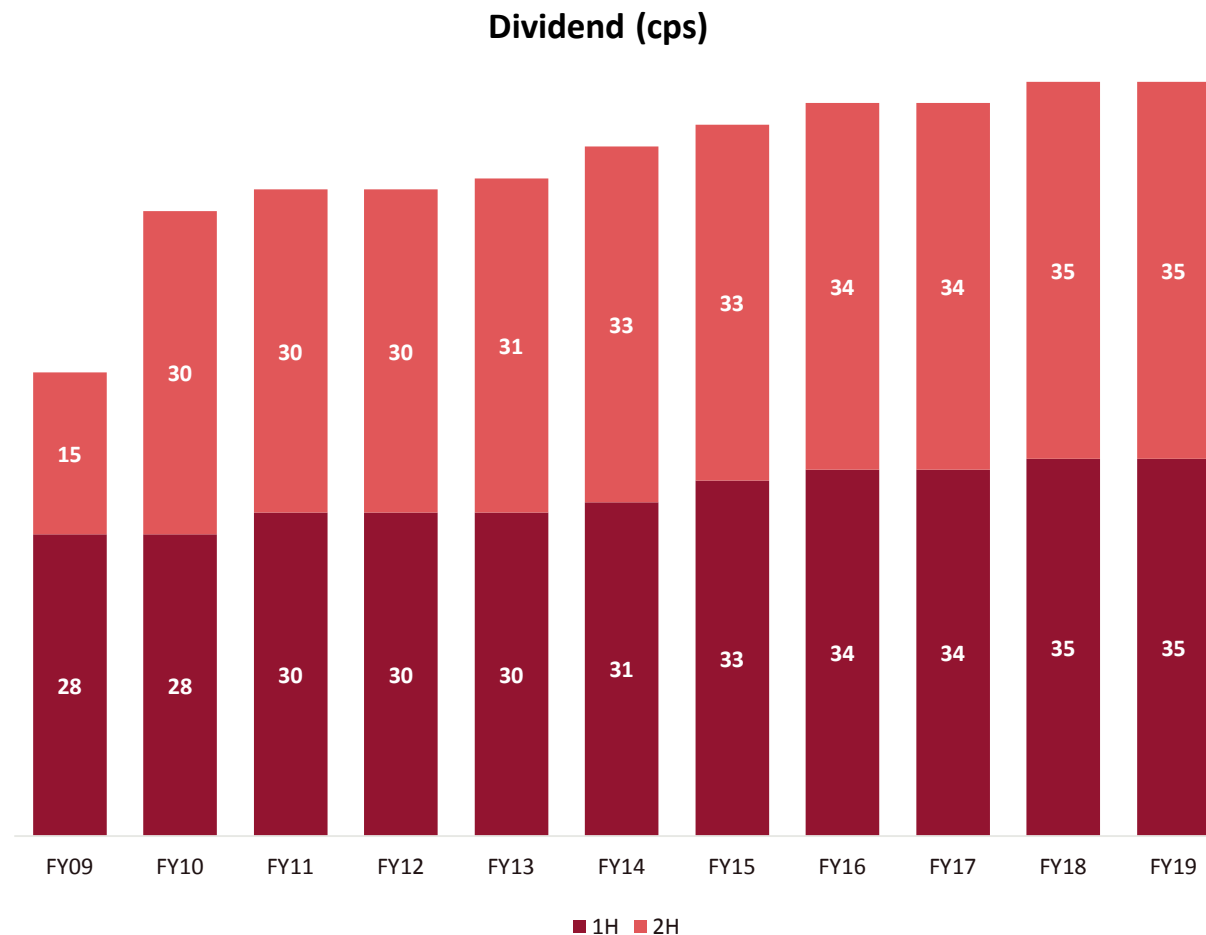
<sup>1</sup> Wholesale funding composition excludes financial markets NCDs

<sup>2</sup> Subordinated debt maturity refers to legal final maturity date.

<sup>3</sup> LCR values are based the average LCR outcomes observed during each quarter (i.e. 91 data points for the quarter ended 30 June 2019) whereas LCR averages provided in 4E are based on semi-annual averages (i.e. 181 data points for the 6 months to 30 June 2019)

# Long term shareholder returns

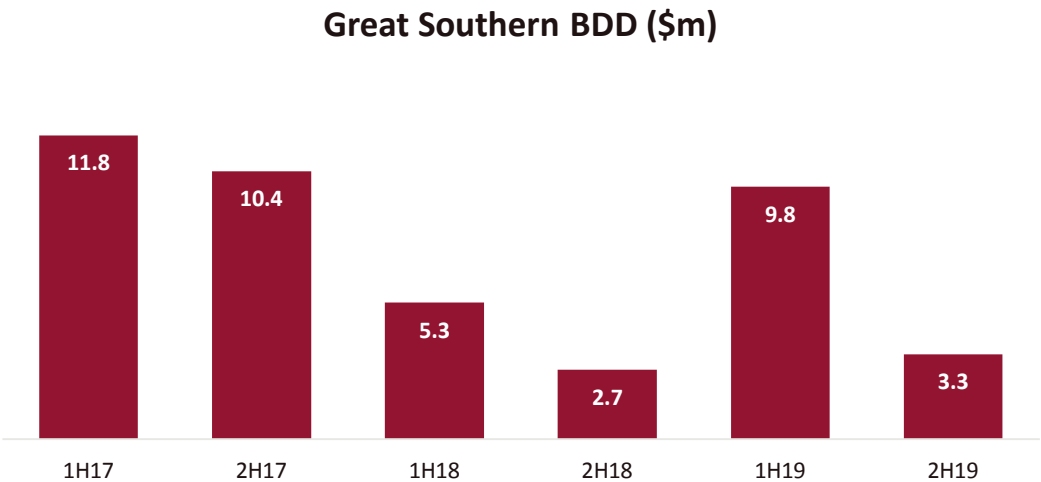
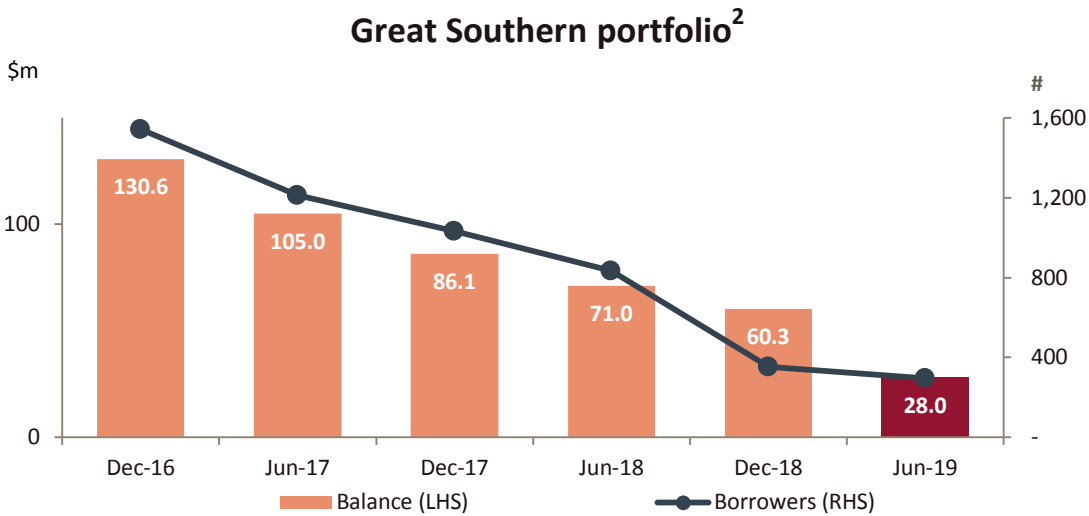
- » Dividend yield over the last ten years has averaged in excess of 6 per cent<sup>1</sup>
- » History of consistently rewarding shareholders with a high-yielding dividend



<sup>1</sup> internal data

# Great Southern

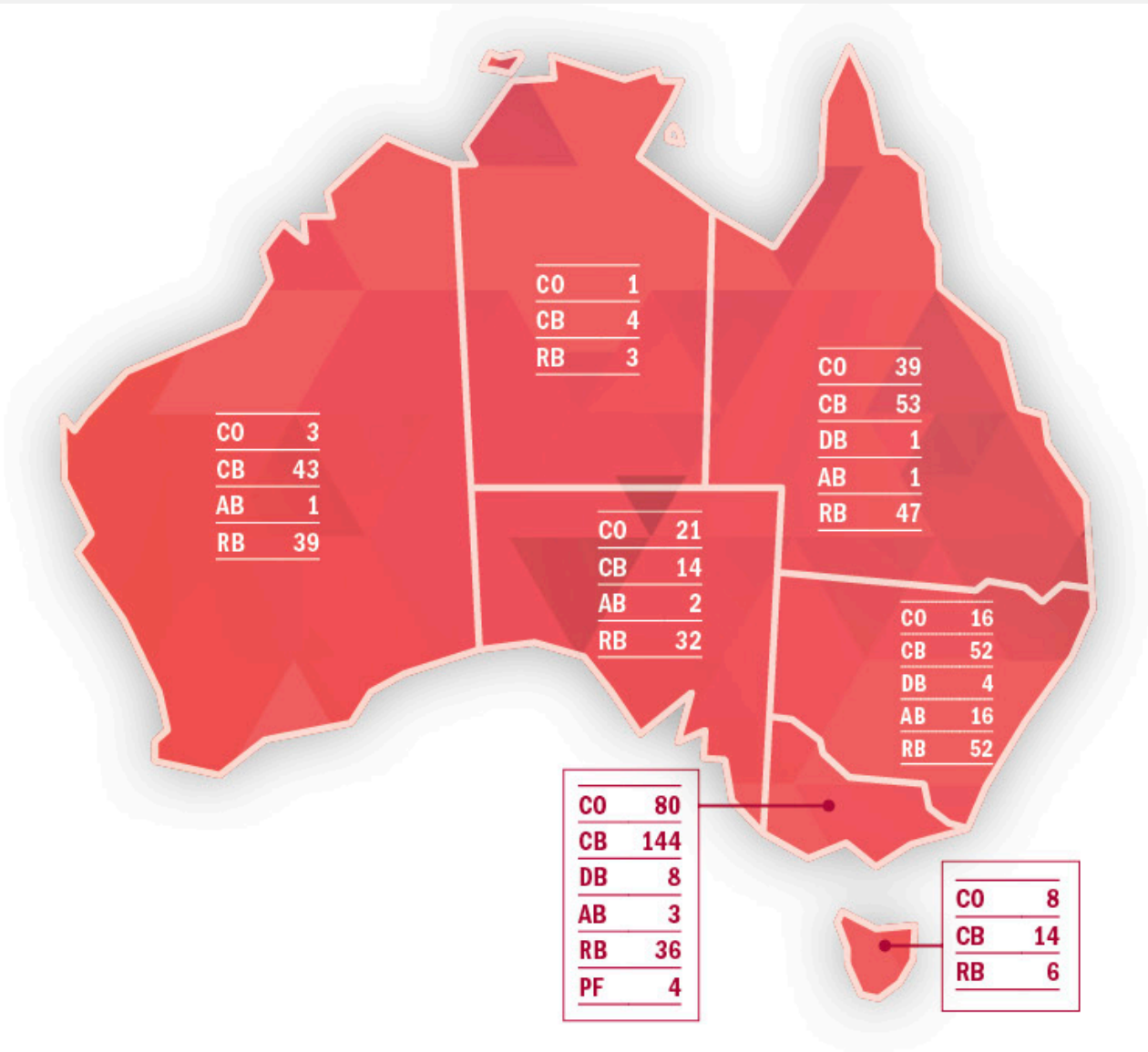
- » Great Southern portfolio has paid down significantly and is adequately provisioned
- » Past due 90 days of \$34.9m, down 18.7% from 30 June 2018
- » Specific provision of \$26.8m, up \$16.9m from 30 June 2018
- » Collective provision of \$8.8m, down \$26.2m from 1 July 2018<sup>1</sup>








<sup>1</sup> Referenced from 1 July 2019 due to AASB9 adoption  
<sup>2</sup> Balance of loans less specific provisions



# Physical presence



POINTS OF PRESENCE		
	CO	Company-owned branch 168
	CB	Community Bank® branch 324
	DB	Delphi Bank 15
	RB	Rural Bank 215
	AB	Alliance Bank 21
	PF	Private Franchises 4
TOTAL		747

# Reconciliation

	FY19 (\$m)	FY18 (\$m)
<b>Statutory Profit after tax</b>	<b>\$376.8</b>	<b>\$434.5</b>
Fair value adjustments	\$0.3	\$0.8
Homesafe unrealised adjustments	\$29.5	(\$26.8)
Hedging revaluation	(\$7.4)	(\$1.2)
Loss on sale of business	\$1.6	\$1.2
Integration costs	\$0.5	\$5.3
Impairment charge	\$0.5	\$0.4
Operating expenses <sup>1</sup> , includes legal, litigation and compensation costs	\$1.4	\$13.8
Amortisation of intangibles	\$2.6	\$5.8
<b>Cash earnings after tax (sub total)<sup>2</sup></b>	<b>\$405.8</b>	<b>\$433.8</b>
Homesafe net realised income after tax	\$9.9	\$11.3
<b>Cash earnings after tax</b>	<b>\$415.7</b>	<b>\$445.1</b>
Remediation	\$11.7	\$0.4
Redundancy	\$8.3	\$1.6
<b>Underlying earnings</b>	<b>\$435.7</b>	<b>\$447.1</b>

<sup>1</sup> Operating expenses includes legal, litigation and compensation costs

<sup>2</sup> Cash earnings after tax (subtotal) is equal to cash earnings before Homesafe realised income

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# Disclaimer

This document is a presentation of general background information about the Group's activities current at the date of the presentation. It is information in a summary form and no representation or warranty is made as to the accuracy, completeness or reliability of the information. It is to be read in conjunction with the Bank's full year results filed with the Australian Securities Exchange on 12 August 2019 and the bank's other periodic and continuous disclosure announcements. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

This presentation may contain certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. You are cautioned not to place undue reliance on forward-looking statements. Such forward-looking statements only speak as of the date of this presentation and the Group assumes no obligation to update such information.

To the maximum extent permitted by law, the Group shall have no liability whatsoever for any loss or liability of any kind arising in respect of the information contained, or not being contained, in this document.

Non-IFRS Financial Information: The discussion and analysis discloses the net profit after tax on both a 'statutory basis' and a 'cash basis'. The statutory basis is prepared in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS). The cash basis is used by management to present a clear view of the Group's underlying operating results, excluding a number of items that are deemed to be outside of our core activities and such items are not considered to be representative of the Group's ongoing financial performance. Refer to the Appendix 4E for reconciliation to statutory profit.

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