

ASX Announcement



Bendigo and Adelaide Bank update on COVID-19 impacts

28 May 2020

Bendigo and Adelaide Bank Limited (ASX:BEN) today released its quarterly Basel III Pillar 3 Disclosures (Prudential Standard APS330) as at 31 March 2020. The Bank also announced it has further strengthened its level of provisioning through an overlay of \$148.3m for potential future impacts from the COVID-19 pandemic. This overlay has been recognised during May 2020 and is in accordance with the AASB9 Financial Instruments accounting standard which requires the use of forward-looking assumptions in the calculation of the Group's provisions.

The additional overlay will increase the collective provision and FY20 credit expense by \$127.7m and the general reserve for credit losses (GRCL) by \$20.6m, increasing the ratio of total collective provisions and GRCL over gross loans to 56 basis points.

The COVID-19 overlay will decrease the Group's Common Equity Tier 1 (CET1) capital ratio by 40 basis points leading to a proforma CET1 of 9.30% as at 31 March 2020, above APRA's unquestionably strong benchmark target for standardised banks. However, total capital which was 13.77% as at 31 March 2020, will remain unchanged as the provision is eligible for Tier 2 capital.

The COVID-19 provision overlay is based on three components:

- A significant change to the base case economic outlook given COVID-19 impacts. This includes lower GDP, higher unemployment, and a reduction in residential and commercial property prices;
- A shift in the weightings of the scenarios used in the calculation of the provision, towards an increase in the downside economic scenarios; and
- An overlay specific to business and consumer portfolios reflecting further potential COVID-19 impacts.

The assessment and determination of forward-looking assumptions used to calculate the provision is challenging given the inherent uncertainties around COVID-19. The Bank has not assumed a sharp recovery in the adopted economic outlook, but rather a slower recovery with probabilities biased to the downside. The increase in the collective provisions are based on the Bank's view of the impacts of COVID-19 and do not reflect any deterioration in observed credit quality.

The additional provisioning incorporates a range of economic outcomes and reflects the Bank's priority in maintaining strong balance sheet settings. The Bank has provided updated arrears data for April which reflect improved arrears in the mortgage portfolio and stable arrears in the other consumer portfolios (allowing for seasonal trends). There has been a slight increase in arrears for the business and agribusiness portfolios with business impaired loans decreasing over the period. The targeted rebalancing of the business portfolio away from real estate construction and development lending over the last two years has improved the risk profile of the portfolio. The Bank will continue to monitor its lending portfolios and the provisioning level as required by the accounting standards.

"We remain fully committed to supporting our customers and communities through this unique time in history. We have provided more than 20,000 personal and business accounts with dedicated support to give them the best possible opportunity to weather the COVID-19 impacts. We are continuing to provide credit to our customers, both new and existing, recognising the role we play in supporting the economy, our customers, partners and communities.

"We are very well placed, driven by our longstanding and prudent risk appetite settings, increased credit provisioning and a strong balance sheet and capital base, above APRA's unquestionably strong benchmark target for standardised banks, and further bolstered by our recent capital raise.

"COVID-19 has demonstrated the flexibility of our organisation to adapt at scale in how we do business in line with our vision to be Australia's bank of choice," said Marnie Baker, Managing Director, Bendigo and Adelaide Bank.

Further information is detailed in the appendix.

Bendigo and Adelaide Bank

Approved for release by: The Bendigo and Adelaide Bank Board

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About Bendigo and Adelaide Bank Limited

Bendigo and Adelaide Bank is Australia's fifth largest retail bank, with more than 7,200 staff helping our 1.8 million customers to achieve their financial goals. Bendigo and Adelaide Bank's vision is to be Australia's bank of choice, by feeding into the prosperity of customers and their communities.

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COVID-19 impacts
28 May 2020

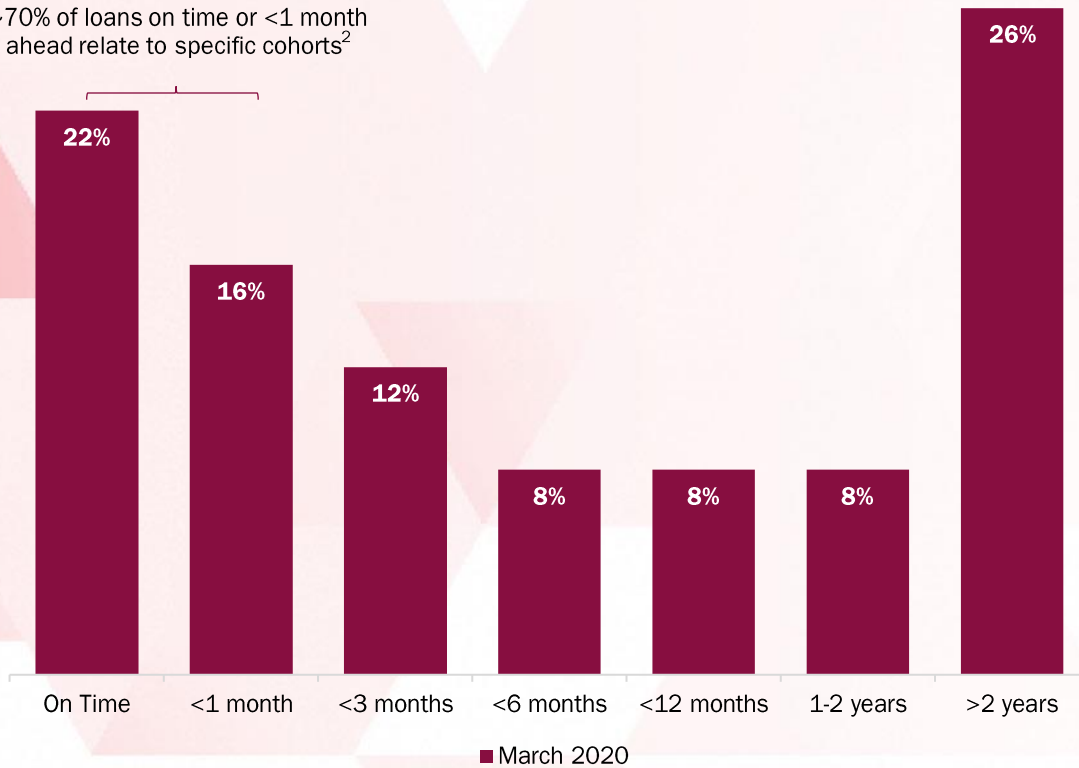


**Bendigo and
Adelaide Bank**

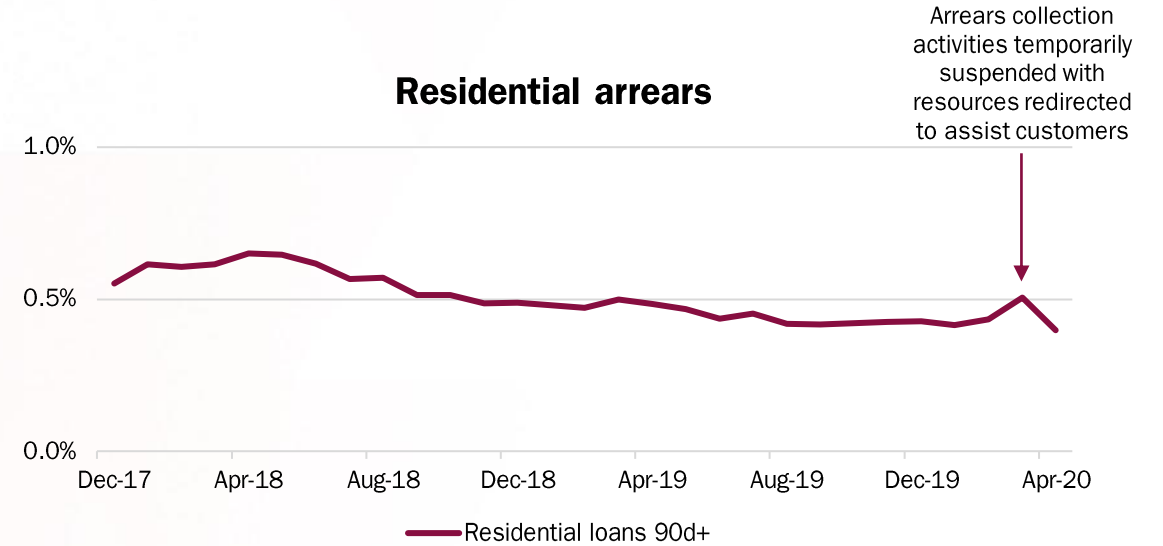
Residential and consumer portfolio

Residential loan repayment profile
% of accounts ahead¹

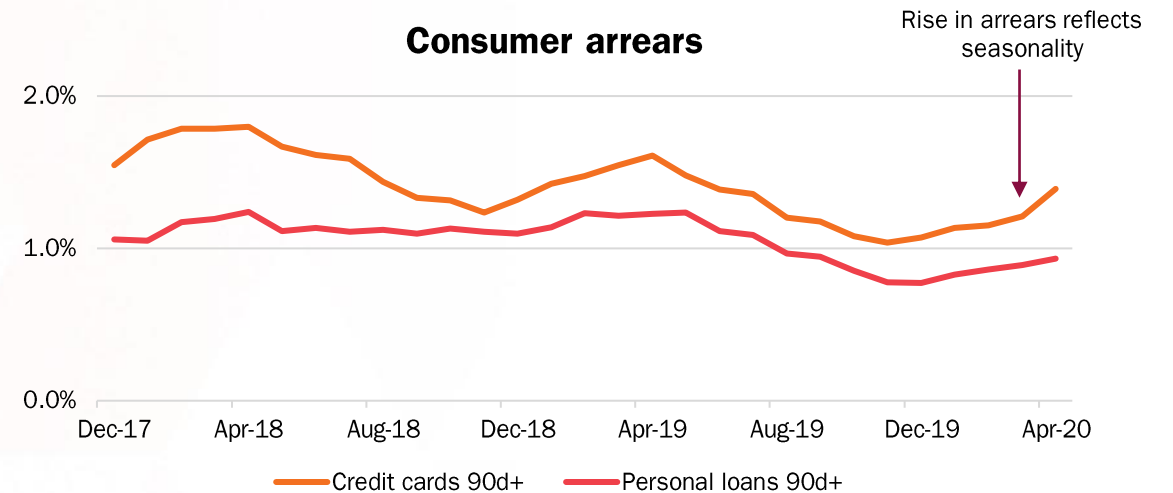
~70% of loans on time or <1 month ahead relate to specific cohorts²



Residential arrears



Consumer arrears



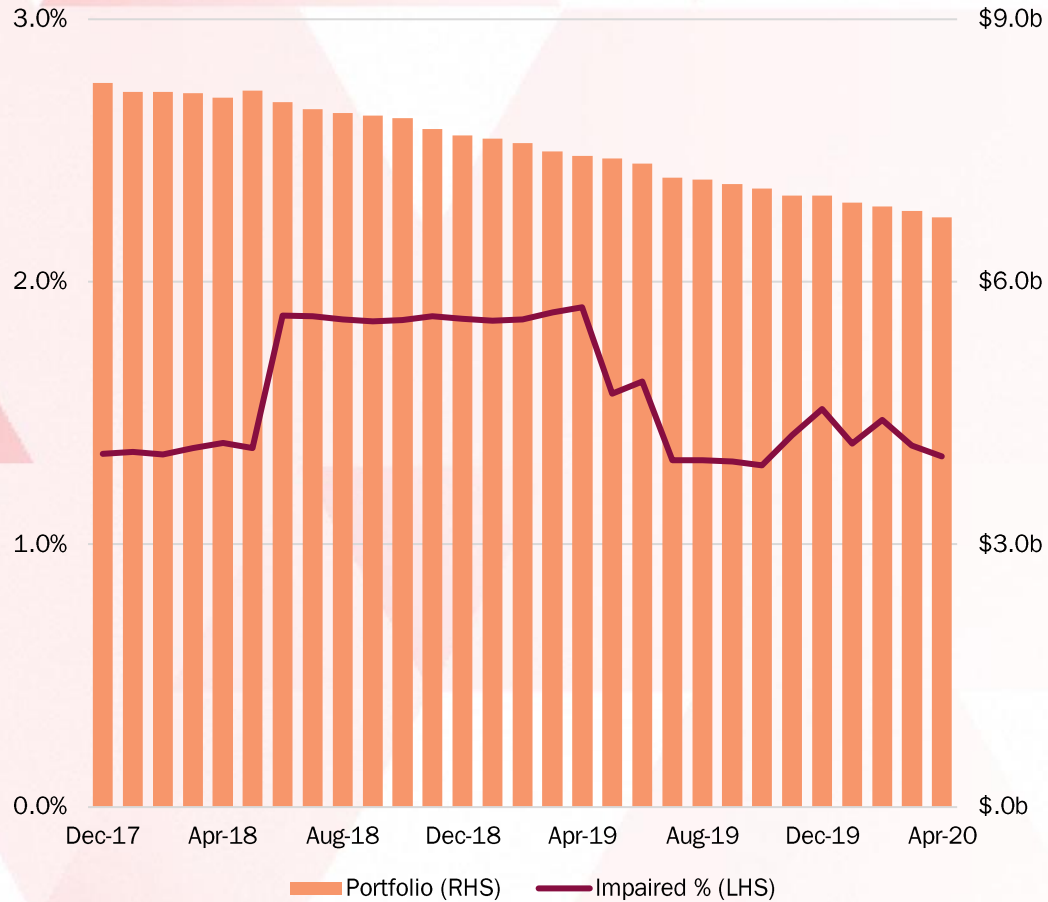
Note - Arrears includes impaired over 90d+ and excludes arrangements

1. Includes offset accounts. Excludes Portfolio Funding portfolio and Rural Bank.

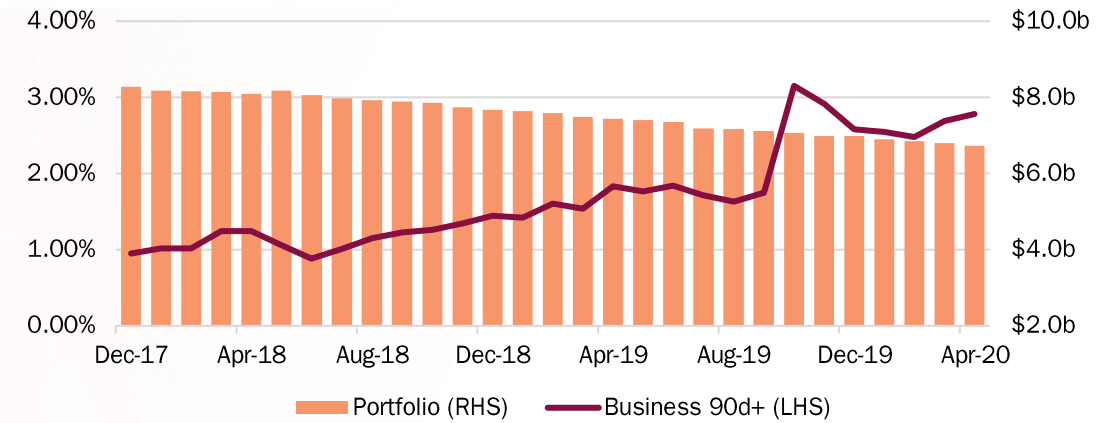
2. The ~70% of loans on time or <1 month ahead comprises of loans to investors, new accounts (less than 1 year old), fixed rate loans.

Commercial portfolio

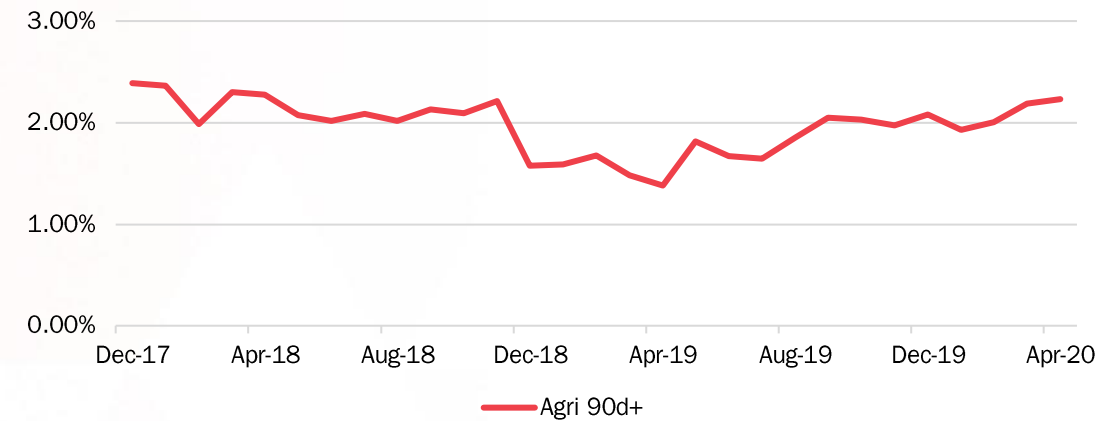
Business impaired loans % vs portfolio



Business arrears¹



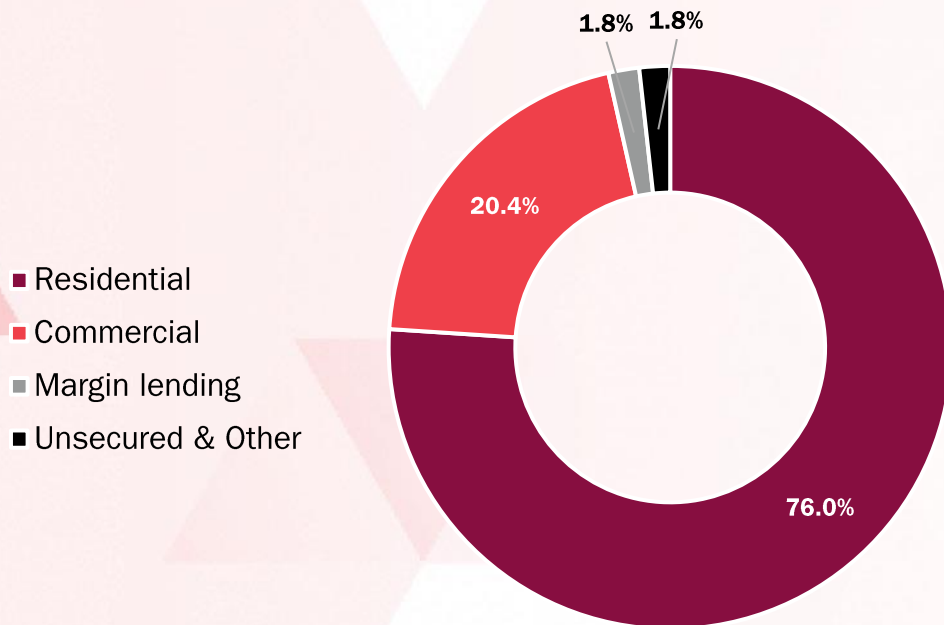
Agribusiness arrears



Note - Arrears includes impaired over 90d+ and excludes arrangements
 1. October 19 includes correction in arrears reporting

BEN portfolio – as at 31 March 2020

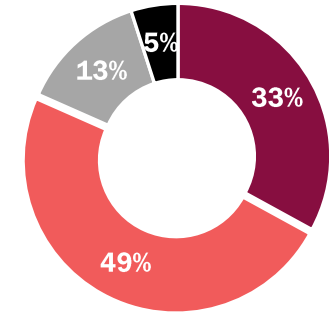
Total portfolio¹



- Residential
- Commercial
- Margin lending
- Unsecured & Other

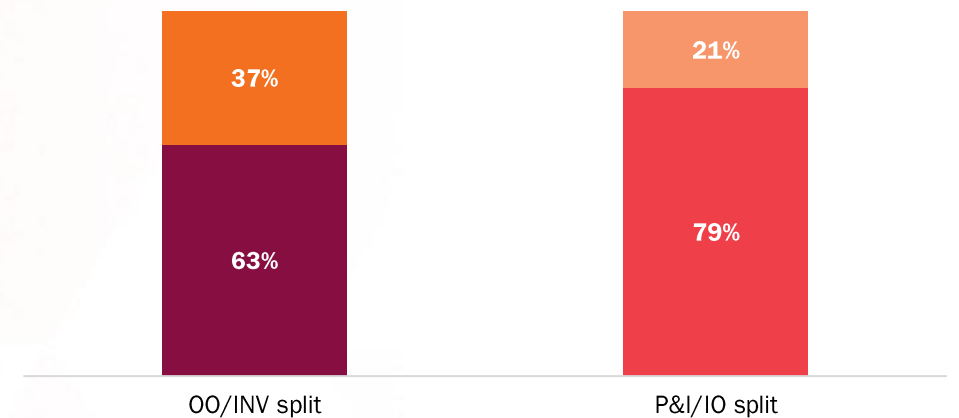
Residential LVR breakdown²

- 0% - 60%
- 60% - 80%
- 80% - 90%
- 90%+



Residential portfolio – purpose and payment type³

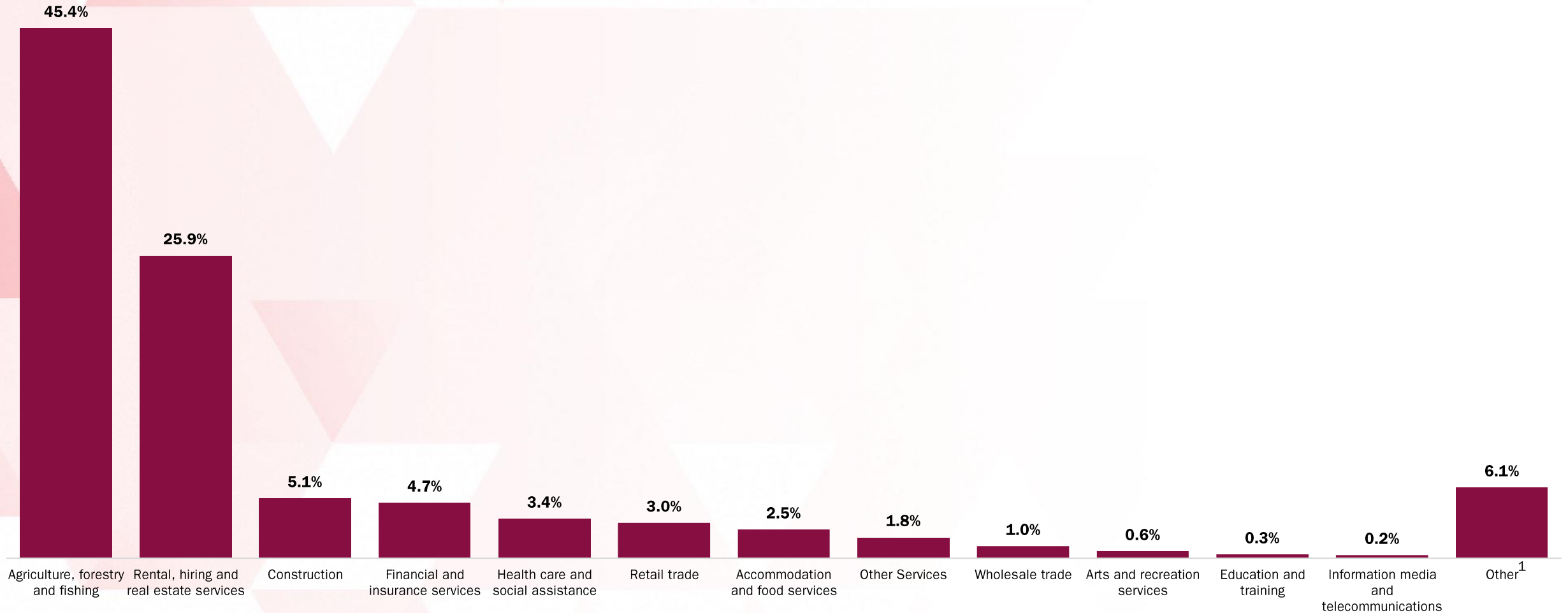
- IO
- P&I
- Inv
- OO



1. Breakdown of total portfolio by security
 2. LVR reflects current balance divided by valuation at date of origination
 3. Excludes Delphi Bank, Alliance Bank and Portfolio Funding. Excludes Line of Credit products

BEN commercial portfolio – as at 31 March 2020

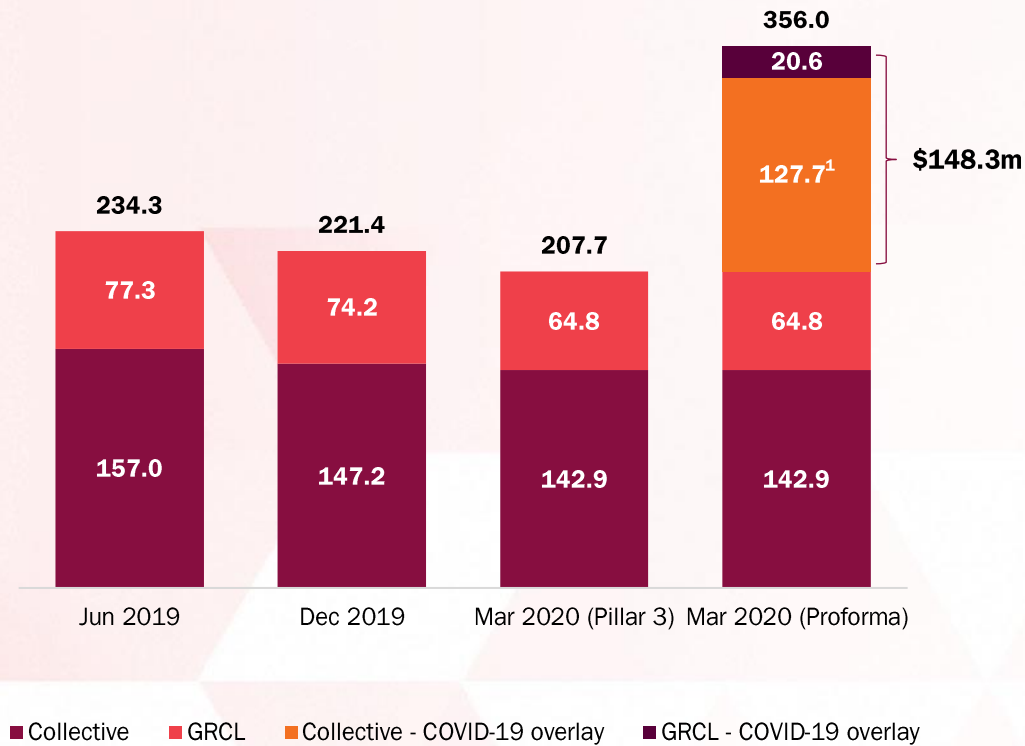
Total commercial portfolio - exposure to industry (%)



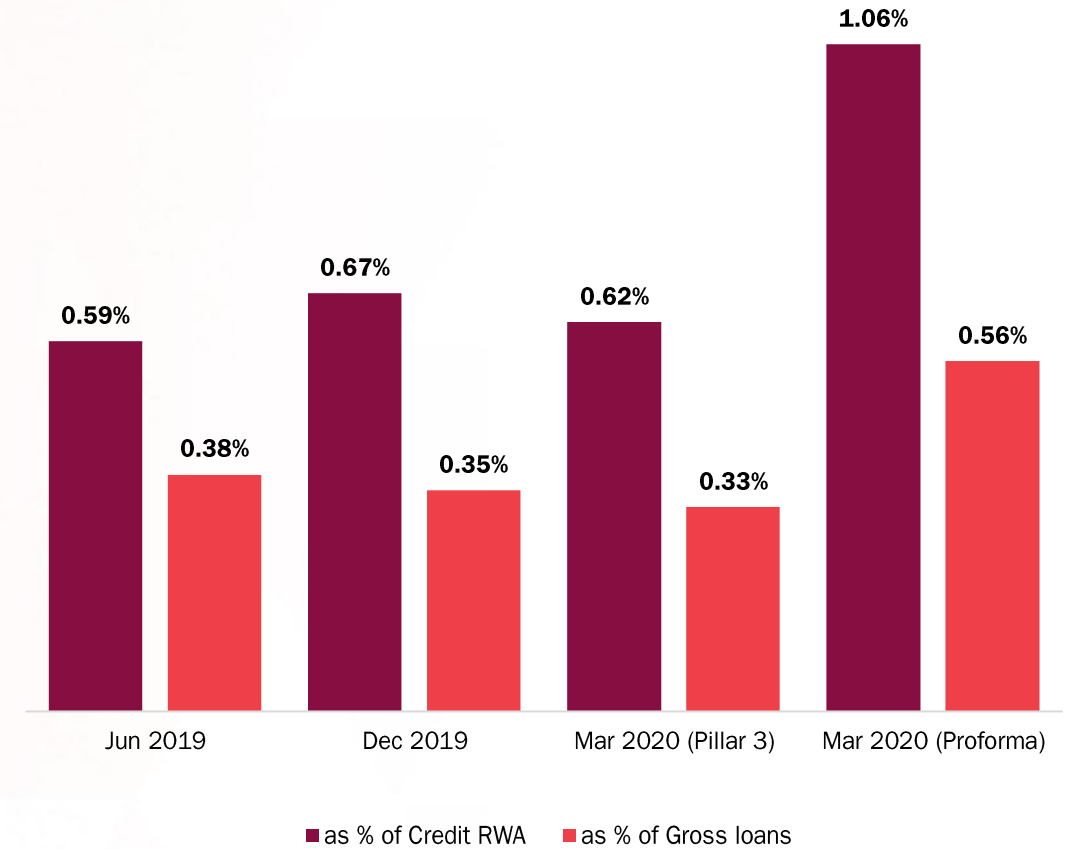
1. Other includes eight categories: public administration and safety; administrative and support services; electricity, gas, water and waste services; mining; manufacturing; transport, postal and warehousing professional, scientific and technical services

COVID-19 collective provision and GRCL adjustments

Total collective provisions and GRCL (\$m)



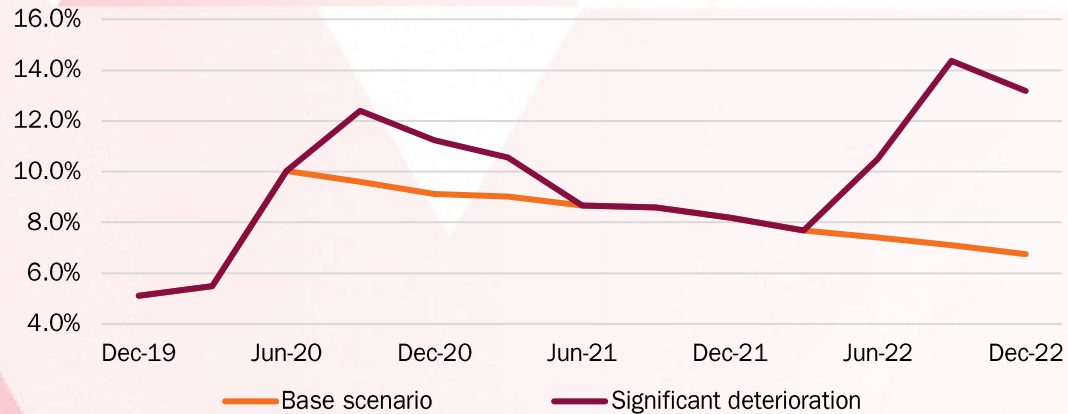
Total provision coverage ratio (Collective and GRCL)



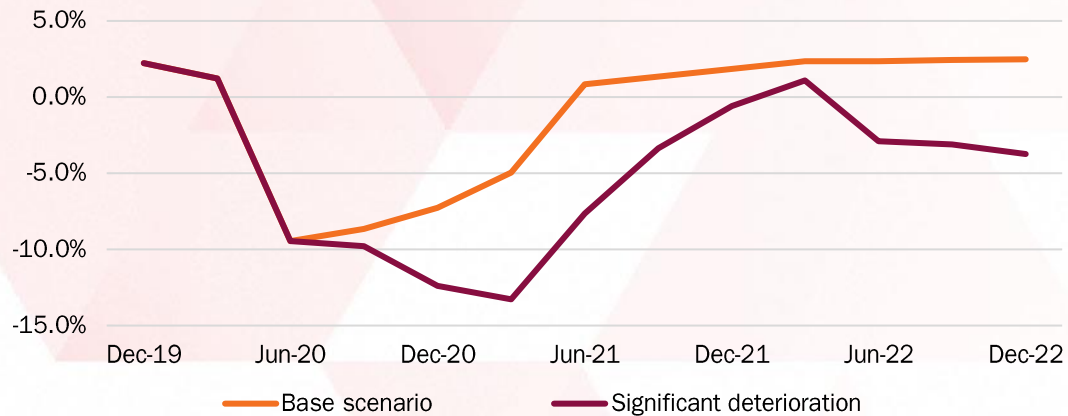
1. Credit expense for collective COVID-19 overlay amounts to 20bps of gross loans

COVID-19 economic outlook

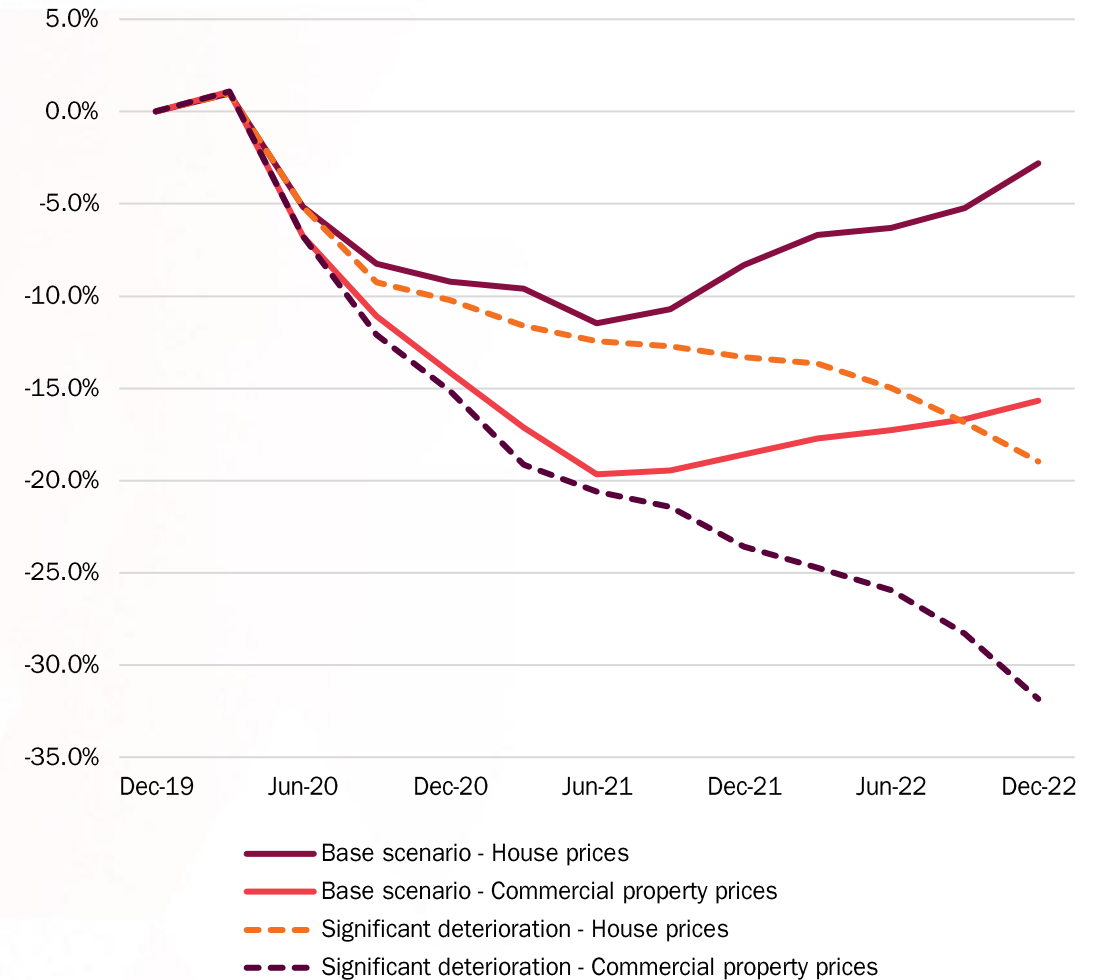
Unemployment (%)



Gross Domestic Product (%)



House prices and commercial property prices (%)¹

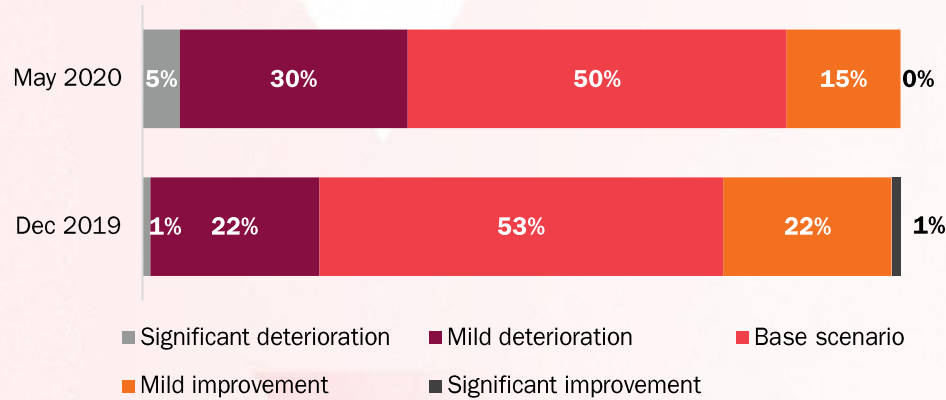


1. House prices and commercial property prices are cumulative from Dec-19

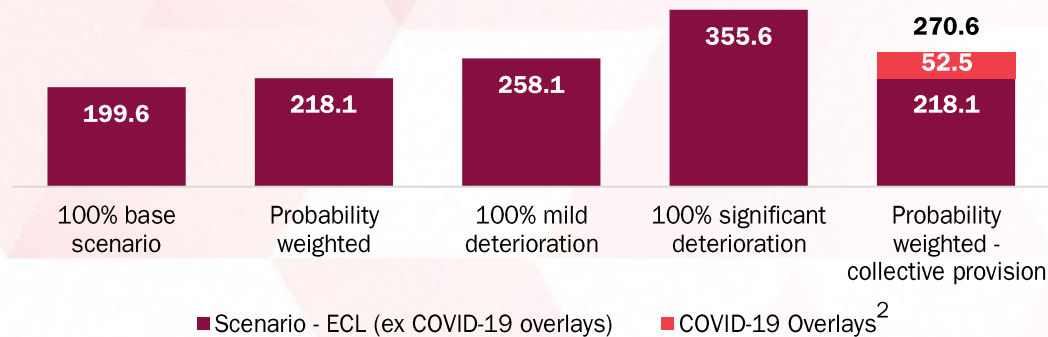
COVID-19 scenario weightings & sector overlays

Economic outlook - scenario weights \$75.2m
Business and consumer portfolio overlays \$52.5m

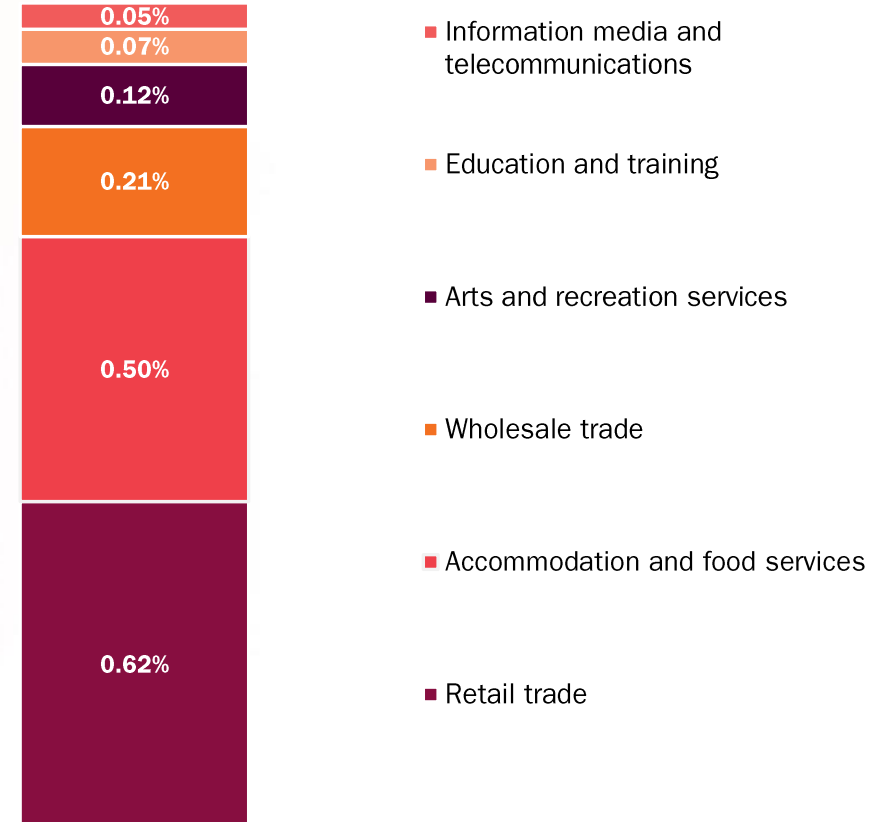
Scenario weightings



Collective provision - scenarios outcomes (\$m)¹



More exposed industries - % of GLA³



1. Excludes GRCL
 2. Includes business and consumer portfolio overlays
 3. Informed by external industry data

Supporting our customers through COVID-19 (as at 30 April)

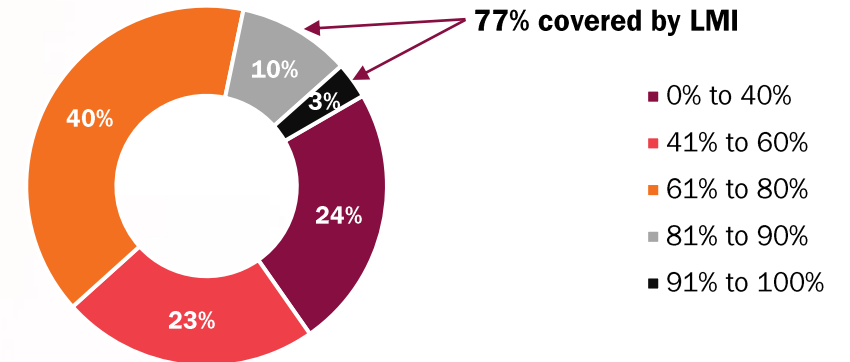
| | |
|----------------|--------|
| Total accounts | 20,411 |
| Total balance | \$6.3b |

| Residential & consumer support packages | | Commercial support packages | |
|---|--------|-----------------------------|--------|
| Accounts | 16,267 | Accounts | 4,144 |
| Loan value | \$4.6b | Loan value | \$1.7b |
| % of portfolio (#) | ~4% | % of portfolio (#) | ~7% |
| % of portfolio (\$) | ~10% | % of portfolio (\$) | ~11% |
| % of personal loans | 8% | | |

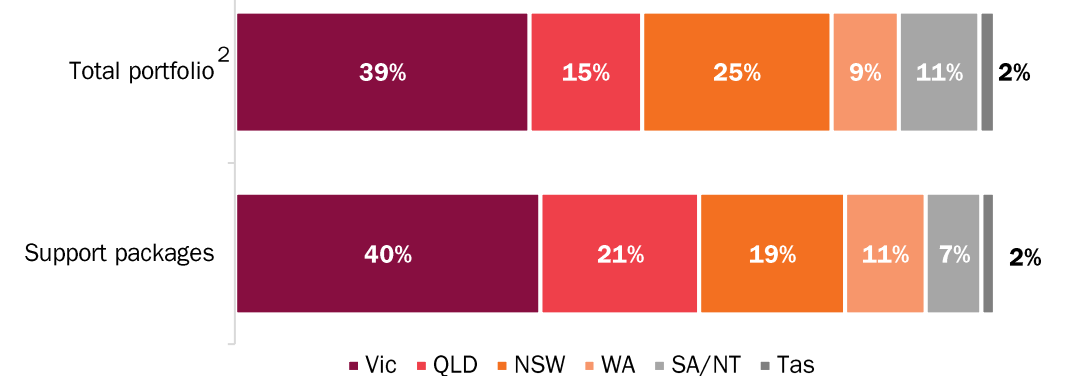
Residential support packages – product and payment split



Residential support packages - by LVR¹



Residential & consumer support packages vs total portfolio - by state

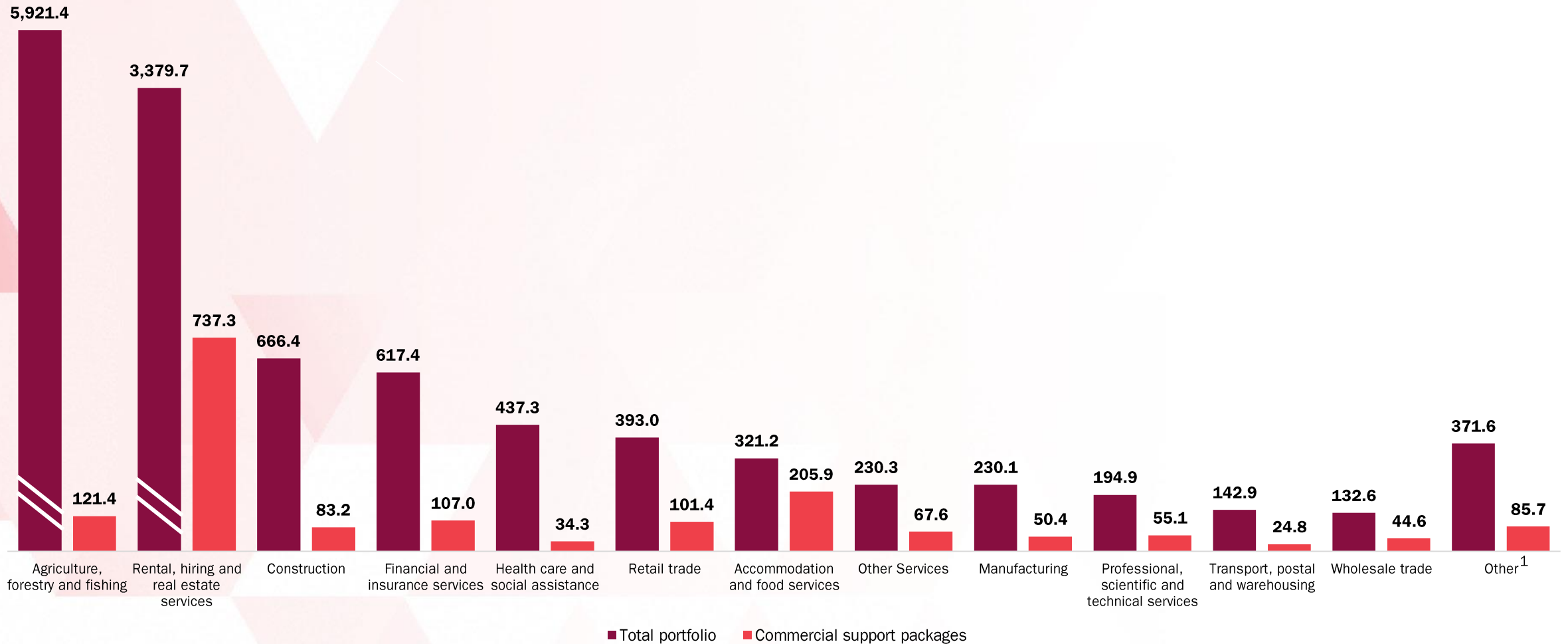


1. LVR reflects current balance divided by valuation at date of origination

2 Excludes Delphi Bank, Alliance Bank and Portfolio Funding

Supporting our customers through COVID-19 (as at 30 April)

Total commercial portfolio vs commercial support packages – by industry (\$m)



1. Other includes eight categories: public administration and safety; administrative and support services; electricity, gas, water and waste services; mining; arts and recreation services; education and training; information, media and telecommunications; other

