ASX Announcement

Bendigo and Adelaide Bank full year 2021 financial result

16 August 2021

Bendigo and Adelaide Bank Limited (**ASX:BEN**), Australia's better big bank, today announced its results for the full year ending 30 June 2021.

- **Statutory net profit:** $524.0 million, up 172 percent[1]
- **Cash earnings after tax:** $457.2 million, up 51.5 percent[1]
- **Net interest margin:** 2.26 percent, down 7 basis points[1] (bps)
- **Total income on a cash basis:** $1,702.5 million, up 4.5 percent[1]
- **Bad and doubtful debts:** $18.0 million
- **CET 1:** 9.57 percent, up 32 bps[1]
- **Cash earnings per share:** 85.6 cents per share (cps), up 43.4 percent[1]
- **Total fully franked dividend:** 50.0 cps[2]
- **Total lending:** $72.2 billion, up 10.6 percent[1]
- **Residential lending:** 2.8x system at 14.8 percent[3]
- **Total deposits:** $78.0 billion, up 15.2 percent[1], with customer deposits up 14.2 percent[1]

Marnie Baker, Managing Director and CEO, said: "These results clearly demonstrate our strategy is making us a bigger, better and stronger business. We have delivered on what we said we would do and more by growing customer numbers and market share in both lending and deposits. We continue to act with care, customers and community in mind and our transformation has improved our efficiency, productivity, speed to market, and customer experience.

"At the same time our balance sheet, brand proposition, risk profile and investments have made our business stronger for all stakeholders for the future.

"As many Australians and the economy faced another challenging and disruptive year, our important role of supporting customers and communities became even more apparent. This ongoing commitment remains important this financial year, as the nation faces potential further disruption, with an ambition to transition out of the pandemic. This further underlines the importance of our longstanding purpose – feeding into prosperity, not off it.

"Notwithstanding these challenges and supported by our strategy, we delivered on the opportunities before us, as evidenced by our strong revenue and customer growth, and resolute focus on costs.

"Full year cash earnings were up 51.5 percent on the prior corresponding period, with statutory net profit up 172 percent[1] to $524.0 million. Total income was $1,702.5 million, up 4.5 percent[1], as we once again exceeded system lending growth, maintained our leading trust ratings, and further bolstered our balance sheet.

"The number of Australians selecting us as their bank of choice continued to increase this year, up 9.6 percent to 2.06 million[1]. Our customers also continued to benefit from consistent market leading customer experience. Our net promoter score[4] of 27.3 remains well in excess of the industry average (25.7 points higher) and the average of the major banks (29.8 points higher).

"Our transformation strategy and investment in digital alongside our deep human connection and approach - as well as our high trust and customer experience rankings - have all combined to help us expand our market share and our agility when responding to the ever-changing needs of our customers."

Key metrics
"Our strategy to reduce complexity, invest in capability and tell our story saw us record strong growth right across our business. This growth was paired with a resolute focus on cost and productivity to drive positive cash earnings in all customer divisions.

"We continued to drive very strong customer deposit growth – up 14.2 percent on the year[1] – through our trusted customer and community relationships. Total lending increased by 10.6 percent or 3.8x system[3] to $72.2 billion, with residential lending a standout, up 14.8 percent at 2.8x system[3]. This was further bolstered by a 36.8 percent increase in lending applications for the year[5]. The division's cash earnings contribution was up 9.0 percent and operating expenses down 2.5 percent[1].

"Our Consumer division is now into its third year of outperforming system with our unique branch network, digital and third party partner strategies demonstrating how our customers and partners continue to respond to the experience, and service we provide them."

Continued strength in agricultural conditions supported the strong performance of the Bank's Agribusiness division, with cash earnings contribution up 28.3 percent and operating expenses down 3.5 percent[1]. This was underpinned by stronger net interest income driven by effective margin management and to a lesser extent, higher average asset balances. Ongoing higher revenue from the division's government services business also continued.

Cash earnings contribution for the Business Banking division was up 29.0 percent, whilst operating expenses were down 10.7 percent[1]. Business Banking grew its market share in its target SME market during the year, accelerating during the second half, resulting in customer growth of 3.5 percent for the year. The division was recognised by its customers for the support it provided to those impacted by COVID-19 via its investment in relationship bankers, resulting in Business Banking continuing to maintain its exceptional Net Promotor Score.

"Net interest margin decreased seven basis points on the prior corresponding period, reflecting significant growth in fixed lending and competitive new business rates with funding mix and deposit repricing benefits providing a tailwind throughout the year.

"Common Equity Tier 1 increased 32 basis points year on year to 9.57 percent, above APRA's 'unquestionably strong' benchmark. This consistently strong capital position reflects a well-managed balance sheet and strong risk management, whilst supporting continued lending growth and future investment in transformation.

"With measured risk underpinning quality growth, bad and doubtful debts were $18.0 million and comprised two basis points of gross loans. Excluding the provision release of $19.4 million announced on 05 August 2021, bad and doubtful debts represents five basis points of gross loans."

The Board declared a final dividend of 26.5 cents[2] per share with a DRP (Dividend Reinvestment Plan) discount of 1.5 percent, taking the fully franked, full year dividend to 50.0 cents[2] per share, and continuing a history of rewarding shareholders with a high yield and long-term returns. Ongoing stress testing continues to support the Bank's strong balance sheet and capital position.

Business highlights
"These results – supported by a clear vision, purpose and strategy – reinforce our unique position as we look to further capitalise on the ever-expanding opportunities that lie ahead of us.

"We continue to accelerate our digital and customer experience transformation to drive above system lending and ongoing customer growth. This investment is combining our human, digital and community strengths to shape future banking for our customers.

"At the same time, we have remained steadfast in our support for all stakeholders affected by the impacts of the pandemic, while also providing credit to support the economy. The number of customers on deferral arrangements from the latest COVID-19 induced lockdowns remains modest and our strong capital position ensures we are well positioned to manage through the pandemic. Whilst we have only seen a small number of customers seek assistance, we are conscious that behind each and every number is a person, a family or a small business. We treat each situation individually, with care and respect, and through our experience, we are confident the support we offer will assist customers through these difficult times.

“This enduring commitment of support has seen us continue to rank highly in key trust and reputation indices. Roy Morgan rates us as one of Australia’s top 20 most trusted brands – across all industries, our home loan customers cite ongoing high satisfaction, and our business banking division is considered the highest rated bank for supporting customers through COVID-19.

“We continue to modernise our branch network with six, new community-focused experience stores opening during the year. We’ve also invested in digital coaching in every branch to assist with upskilling customers, increased our mobile relationship managers by 27 percent – which drove a 63 percent increase in lending settlements – and delivered a 34 percent uplift in servicing productivity across the branch network. Our branches remain a critical part of our retail distribution strategy and are important to our customer and community connections.

“Our partnership with Tic:Toc was further bolstered this year thanks to a seven-year extension of our distribution agreement, which will allow Tic:Toc the capacity to increase its monthly volumes by more than 300 percent and further accelerate its growth as Australia’s leading digital home loan platform. Tic:Toc sustained further growth in FY21 with a 55 percent increase in home loan approvals, and a 61 percent increase in settlements.

“We also announced a partnership with Tyro which is providing our business customers with simple, flexible and innovative payment solutions and combines with our relationship-focused Business Banking expertise. Our digital challenger brand Up, continues to grow at near exponential pace with customer numbers at 400,000, up 58 percent year on year.”

Accelerating our business transformation and acquisition of Ferocia
During the year, transformation costs totalled $87.2 million and included investments to improve customer experience and productivity, build out multi cloud and API capability and deliver technology simplification and key capabilities such as Open Banking.

“Our business transformation is leveraging our unique human, digital and community strengths to pioneer the future of banking, and this investment will align with our revenue growth. We will continue to deliver effective cost management initiatives, improving productivity and enhancing the experience we provide our customers.

“Today, we are excited to announce we will acquire Melbourne-based fintech, Ferocia to further accelerate the Bank’s digital strategy and shape the future of banking for a new generation of customers. We have partnered with Ferocia for more than nine years to deliver our Bendigo e-banking app and Internet banking platform, and in 2018, we collaborated to introduce Up - Australia’s first and largest mobile-only digital bank platform.

“Powered by technology-led customer experience design and an internationally experienced team, the acquisition brings outstanding digital and technical expertise to the Bank, internalising Ferocia’s market leading digital capability and consolidating ownership of Up – Australia’s highest rating banking app.

“Through our partnership, we have embraced Up as a strategic, digital testbed – reimagining new banking experiences for a new generation of customers – and its rapid growth has far exceeded all expectations.

“Up’s customer engagement is unparalleled when compared to global peers. It’s welcomed more than 400,000 customers and $840 million in deposits in less than three years, it’s empowered a new generation of savers and it will secure our market leading position with this emerging, influential demographic.

“We will continue to support the innovation the Ferocia team have delivered over the last nine years with, Up remaining as the same brand, run by the same people, with the same customer proposition.

“We are excited by this opportunity to continue to grow and advance the Up platform, and further develop our digital ecosystem, adding Up’s exciting product roadmap to the existing offerings provided by the Bank including the market leading digital home loan capability of our partner, Tic:Toc. More than 30 percent of active Up customers are saving for a home loan. The announcement unites our strong customer, community and innovation heritage with Ferocia’s market leading digital capability to deliver all Australians world-leading digital banking experiences,” said Ms Baker.

Operating expenses
Operating expenses were $1,027.4 million – up 0.6 percent on the prior year[1] – driven by increased investment in transformation. Excluding transformation, operating costs declined 2.5 percent[1].

"The Bank's cost to income ratio was 60.3 percent, down 240 basis points on the prior year[1]. A resolute focus on cost combined with strong revenue growth, supported our commitment to target a sustainable cost to income ratio towards 50 percent in the medium term. We will continue to act with flexibility around our accelerated transformation so we can further simplify our business and align with growth."

Outlook
"We anticipate economic and market conditions will continue to provide both ongoing challenges and opportunities for our Bank.

"While we expect the housing and employment markets to grow nationally – as well as the economic expansion of regional Australia – we remain cautious of the potential impacts of further pandemic induced lockdowns, a slower than initially anticipated vaccine rollout and take-up, international trade sentiment and the continuing effects of natural disasters, and climate change.

"At the same time, we are encouraged by measures introduced by state and federal governments to aid Australia's economic recovery.

"Even though we face a historic low interest rate environment, which continues to place pressure on our margins, we will continue to take advantage of strong customer lending demand across our consumer, business, and agribusiness divisions.

"As we advance our transformation strategy, we expect above system lending growth to continue, driven by our consumer business and further advances in small business and agribusiness sectors, whilst maintaining a resolute focus on costs, improving our productivity and preserving a strong and resilient balance sheet.

"Our greatest opportunity and key unique strengths lie in our ability to bring together our human approach to customer and community connections with our strong digital capabilities and new digital investments. We have a proven history in delivering innovative banking firsts in Australia and this provides us with an excellent foundation upon which to build further investment in new capabilities, partnerships, technology and skills.

"This foundation, as illustrated by our recent partnership with Tyro, our investment in Tic:Toc and our acquisition of Ferocia, will support a significant step change in our transformation and digital banking strategy to deliver market leading experiences for all customers.

"We remain resolute in our determination to realise our vision to be Australia's bank of choice and we will continue to call on our point of difference, strength of purpose, digital innovation and community connection to position us for ongoing success, and shape the future of banking for all our stakeholders," concluded Ms Baker.

Full Year Result webcast
The full year results presentation will be held on Monday 16 August 2021 at 10:00am AEST. Click here to watch the live 2021 Full Year Results Announcement. A replay of the webcast will then be made available at the Bendigo and Adelaide Bank website from 2.00pm AEST www.bendigoadelaide.com.au

1 All results relate to the full year ended 30 June 2021, with all comparisons against "prior corresponding period". The term "prior corresponding period" refers to the full year ended 30 June 2020.

2. Ex-dividend date for final dividend of 26.5¢ is 03 September 2021, record date is 06 September 2021, and dividend payment date is 30 September 2021.

3. APRA Monthly Banking Statistics June 2021. Growth rate based on a 12-month period (30/06/20 – 30/06/21).

4. Roy Morgan Net Promoter Score Roy Morgan Research, 6 month rolling averages, comparing BEN to the industry average. Industry includes: ANZ, BOM, BOQ, Bank SA, Bankwest, CBA, ING, NAB, St. George, Suncorp & WBC. Net Promoter, Net Promoter System, Net Promoter Score, NPS and the NPS related emoticons are registered trademarks of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc.

5. In Third Party Banking and Retail divisions.

Appendix: Reconciliation

	FY21 ($m)	FY20 ($m)
Statutory Profit after tax	**$524.0**	**$192.8**
Fair value adjustments	-	$0.1
Homesafe unrealised adjustments	($90.4)	($16.4)
Hedging revaluation	$5.7	$2.2
Sale of merchant services business	$3.1	-
Impairment charge	-	$2.8
Software impairment	-	$85.5
Operating expenses[1]	-	$21.5
Amortisation of intangibles	$2.1	$2.2
Cash earnings after tax (sub total)[2]	**$444.5**	**$290.7**
Homesafe net realised income after tax	$12.7	$11.0
Cash earnings after tax	**$457.2**	**$301.7**

1 Operating expenses include restructuring costs, legal costs and software accelerated amortisation costs

2 Cash earnings after tax (subtotal) is equal to cash earnings before Homesafe net realised income

Approved for release by: The Bendigo and Adelaide Bank Board.

Media enquiries

Simon Fitzgerald, Head of Public Relations
p 08 8300 6019 m 0427 460 046
e simon.fitzgerald@bendigoadelaide.com.au

Investor enquiries

Karen McRae, Head of Investor Relations
p 08 8414 7060 m 0417 186 500
e karen.mcrae@bendigoadelaide.com.au

About Bendigo and Adelaide Bank Limited
Bendigo and Adelaide Bank is Australia's better big bank, with more than 7,000 staff helping our over 2 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.