

Strong capital and funding positions bank for growth

Monday 15 February 2016: Bendigo and Adelaide Bank, Australia's fifth largest retail bank, today announced an after tax statutory profit of \$208.7 million for the six months ending 31 December 2015.

Underlying cash earnings were \$223.7 million, a 2.7 percent increase on the December 2014 half year result.

Cash earnings per share were 48.9 cents, a 1.7 percent increase on the prior corresponding period¹.

The interim fully franked dividend of 34 cents² per share is an increase of 1 cent per share. In addition a 1.5% discount will be applied to shares issued under both the Dividend Reinvestment Plan and Bonus Share Scheme.

Managing Director Mike Hirst said the results reflected the Bank's disciplined management approach through the half.

"This last half saw extreme price competition for mortgages, with several competitors seeking to increase their balance sheet exposure to Australian home loans and some irrational pricing in the lead up to changes in regulation," Mr Hirst said.

"Of course, those changes were deemed necessary by the Financial System Inquiry to begin levelling the playing field for all banks.

"Net interest margin contracted slightly on the prior half year by 1 basis point to 2.16 percent, however repricing of the mortgage market to more realistic levels has seen margin improve in the latter part of the half.

"The low interest rate environment also impacted growth as many customers chose to reduce debt. About 43 per cent of the Bank's customers are ahead in their loan repayments, while mortgage offset accounts grew by 12 percent over the period.

"All of this means that the Bank is in a very strong position from a balance sheet perspective and particularly well placed to compete vigorously for customers in the future.

"With our Basel III common equity tier 1 ratio increasing 7bps to 8.24 percent and total capital increasing 9bps to 12.66 percent, we have ample capital to grow our business.

"Funding is a particular strength, with about 81 percent of funding now provided by retail customers. As the wholesale markets move through a period of volatility and higher prices, our funding profile provides some insulation from those issues.

"We're very pleased to see a more level playing field in practice, which ultimately means our Bank can be a large part of the increasing choice Australians have when deciding who to trust with their banking."

Mr Hirst said the Bank's focus on providing an outstanding customer experience will ensure its unique value proposition is maintained.

"Our Bank ranked highest among Australia's financial institutions and seventh out of the top 60 companies (by revenue) operating in Australia in the AMR and Reputation Institute's 2015 Corporate Reputation Index. This is a great testament to the outstanding service our dedicated staff provide," he said.

"Our technology innovations are market leading in functionality and customer experience. Our award winning miBanker app supports our business banking customers across many aspects of their business with advice and information, and our miVoice app sees us collaborating with customers around new initiatives.

"We believe that a partnering mindset will allow us to remain at the forefront of customer considerations. This is a clear strategic objective that dovetails into our Bank's long-held belief that our success will come from focusing on the success of all the stakeholders in our business.

"Achieving advanced accreditation continues to be an important focus, and this substantial investment has increased our risk management capability and improved how we serve our customers. That investment is now in use in the business and providing us with greater insight into our customers and the risks we manage.

"Our Bank's outlook – particularly because of our strong capital, funding and credit position – remains very positive.

"We have built a strong and valued brand and our steadfast approach to disciplined margin management and balance sheet growth means our Bank is well placed for sustainable growth, and is one that investors and customers should consider," he said.

Interim result webcast:

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

Watch the live webcast at <http://edge.media-server.com/m/p/ivxuxgm4>

Or view the archived webcast from Tuesday 16 February at www.bendigoadelaide.com.au

¹ All results relate to the half year ended 31 December 2015, with all comparisons against "prior corresponding period". The term "prior corresponding period" refers to the half year ended 31 December 2014.

² Ex-dividend date for interim dividend of 34¢ is 1 March 2016, record date is 3 March 2016, and dividend payment date is 31 March 2016.