

Bendigo and Adelaide Bank announces solid HY results, delivers customer growth.

- **After tax statutory profit:** \$203.2 million, up 0.2 percent¹
- **Underlying cash earnings:** \$219.8 million, flat on the prior half
- **Cash earnings per share:** 45.1 cents, down 0.2 cents¹
- **Fully franked final dividend:** 35 cents² per share, in line with the prior period

Monday 11 February 2019: Bendigo and Adelaide Bank, Australia's fifth largest retail bank, today announced an after-tax statutory profit of \$203.2 million for the six months ending 31 December 2018. Underlying cash earnings were \$219.8 million, flat on the prior half.

The Bank announced a fully franked interim dividend of 35 cents² per share, in line with the prior period.

Managing Director Marnie Baker said the results demonstrate strong customer loyalty and increasing customer growth, despite a challenging operating and external environment, as the Bank executes on its vision of being Australia's Bank of choice.

"Independent recognition as one of Australia's most trusted brands, continued market-leading customer satisfaction rankings and award-winning products and services, coupled with a clear, purpose-driven culture, proven business model, innovative mindset and technology investments have driven today's solid result," Ms Baker said.

"While our strategy to reduce complexity, invest in capability and tell our story has delivered solid results and strong growth in customer numbers, the lack of fair competition in Australian banking continues to inhibit true customer choice."

Market-leading funding position and capital strength continue

"Our robust market-leading funding position continues, providing flexibility to fund asset growth and manage margin. The solid performance of our business, particularly in a subdued banking sector facing ongoing disruption and regulatory changes, is further highlighted by continued increase of funding sourced from retail customers (82.4 percent in 1H19).

"With Common Equity Tier 1 Capital growing 14 basis points since June 2018, the continued strength of our capital position, is a highlight. Our organic capital growth reflects solid profitability, a stable balance sheet and an ongoing movement to lower risk exposures. The Bank is in an excellent position to meet APRA's unquestionably strong capital benchmarks.

"We continue to work towards Advanced Accreditation. During the half, we received accreditation for interest rate risk in the banking book and we continue to make progress on credit risk accreditation. We anticipate greater clarity once APRA's credit risk capital prudential standards changes are released in 2019."

Innovation that matters; balancing cost, compliance and regulation

"Our 1H19 customer growth numbers demonstrate the results of our continued investment in innovation that matters to our customers. As part of our vision, our ongoing commitment to targeted technology investments and innovation, including the launch of Up, Australia's first next-generation digital bank, ongoing security, technology stability, modernisation and automation investments, combined with one-off regulatory costs, contributed to a slight cost to income ratio increase of 30 basis points from the June 2018 half.

"Active management of margin for both lending and deposits to offset high funding costs in 1H19, saw margin performance decrease two basis points to 2.35 percent in the half year.



“Our strategy to reduce complexity and cost by simplifying functions, systems and processes and an ongoing assessment of our brand portfolio, will continue.”

Solid performance despite highly competitive environment and uneven playing field

“Even though lending markets remain highly competitive and we operate in an uneven playing field, our housing loan growth is tracking towards system, with a 2.7 percent annualised increase in 1H19. The launch of Up, our partnership with Tic:Toc making us the first Australian lender offering an instant digital home loan known as Bendigo Express, and branch innovations that reimagine the branch of the future, will continue to drive further growth opportunities.

“Our refreshed focus and investment in Business Banking and the continued rebalancing of the portfolio positions the Bank’s Business Banking division for future growth, underpinned by a dedicated Executive, new leadership and a strong value proposition focused on personal relationships and deep expertise.

“Our Agribusiness division delivered strong financial earnings growth. Whilst severe drought conditions continue in parts of the country, there has been minimal impact on the performance of the division. Our staff continue to engage with customers in affected areas and seek to assist customers to better foresee and manage risks. A new distribution agreement with Elders also further bolsters our regionally-based specialist agricultural banking service and distribution network across Australia.”

A less competitive environment is a lesser offering for the consumer.

“We continue to implement our strategy to control our destiny and realise our vision, but the external environment still inhibits customer choice.

“Whilst the Royal Commission Final Report makes strong industry-wide recommendations to improve customer outcomes, little goes to the issues of competition and a level playing field, something many inquiries cite as being essential to better customer outcomes, and a point we’ve made for years. There is considerable scope for Government to supplement the recommendations with pro-competition initiatives, including addressing the ‘too big to fail’ funding cost advantage accessed by the major banks, enhanced risk-weight settings that would result in fairer capital outcomes across all banks and the disproportionate cost of regulation on smaller participants. A less competitive environment means poorer customer outcomes.

“Despite an uneven playing field in a subdued, challenging, Royal Commission environment, our business continues to perform. We are tracking to system, managing our costs, our balance sheet is solid and our investment in technology that Australian customers desire is driving strong customer growth.”

Australia’s better big bank is Australia’s bank of choice

“As Australia’s better big bank, there has never been a better time for our style of banking. We are better placed than our competitors in the current environment given our deep customer connection and expansive points of presence across all channels, our agility and the high level of trust we hold with the general public, especially in comparison with our peers. We know consumers are looking for an alternative, and as an organisation that puts the interests of customers first, we are well-placed, given the strength of our product offering, our market leading customer service and our price competitiveness to be that for them.

“We continue to deliver to our strategy and live by our purpose to feed into prosperity, to cement our position as Australia’s bank of choice,” concluded Ms Baker.

Full Year Result webcast: The full results presentation will be held today at 10:00am AEDT. Watch the live [2019 Interim Results Announcement](#) or view the archived webcast from Tuesday 12 February at bendigoadelaide.com.au

1 All results relate to the half year ended 31 December 2018, with all comparisons against "prior half". The term "prior half" refers to the half year ended 30 June 2018.

2 Ex-dividend date for final dividend of 35¢ is 01 March 2019, record date is 04 March 2019, and dividend payment date is 29 March 2019.

Media enquiries:

Simon Fitzgerald, Head of Public Relations
0427 460 046 / 03 5485 7135 or simon.fitzgerald@bendigoadelaide.com.au