

together
we're bigger

 Bendigo and
Adelaide Bank

Interim Review | 2015



A message from the Managing Director

In February the Bank announced its interim result, which continues to reflect disciplined margin management and balance sheet growth.

We were able to maintain our net interest margin for the half year, reflecting the value we add for customers. We believe this was a solid result given the highly competitive environment in which the Bank is operating.

Interim results snapshot

- > Cash earnings:
\$217.9 million
- > Profit after tax:
\$227.3 million
- > Interim dividend: **33 cents**
per share fully franked
- > Interim dividend
distribution date:
Tuesday 31 March 2015

Demand for housing loans is solid and we are seeing an increase in customers paying down their debt across all portfolios. While this impacts the Bank's growth, it's fantastic for our customers as they're building equity and greater financial wealth, particularly as interest rates have fallen.

We've strengthened our balance sheet with a strong Basel III compliant liquidity position, while our capital raising activities have been well-supported by institutional and retail investors.

The Bank closely manages expenses while seeking to make investments to better connect us with our customers. We've announced a number of market-leading technologies during the year, partnering with specialist companies to provide solutions that our customers are asking for.

We will continue to pursue opportunities that emerge from the ever-changing financial services environment. Our acquisition of Rural Finance and growth of Rural Bank has given us a strong position in the agri-business banking market.

We've also established a banking model that enables participating mutuals to position themselves for growth in this challenging environment while remaining true to their traditional ideals and values. This alliance is just one of the many examples of how our Bank works with organisations and communities to create solutions to the challenges they face.

We welcomed the final report of the Financial System Inquiry, which acknowledges the need to level the playing field in banking. Our Bank and other regional banks are calling for the key recommendations to be expedited for the benefit of Australian consumers and communities. We look forward to working with the Government and regulator towards an appropriate resolution of these issues in the short term.

Our strategy continues to be focused on the success of our customers and communities for the long term. We are intent on growing the business profitably, not just growth for its own sake.

Our Bank is well-positioned for future growth. Our unique value proposition is supported by our customers and endorsed by our staff, partners and communities Australia wide.

I would like to thank you for your ongoing support.



Mike Hirst
Managing Director,
Bendigo and Adelaide Bank.



\$1.4 million boost to tertiary funding in scholarship program

High schools students across Australia shared in more than \$1.4 million in scholarship funding in 2015, thanks to Bendigo and Adelaide Bank and its program partners.

More than 90 students have accepted a scholarship to support their first year of study, while 90 others have received a Bank scholarship for a second year.

Thanks to program partners - Bendigo Bank's **Community Bank**[®] network, Rural Bank, La Trobe University and Melbourne University - the Bendigo and Adelaide Bank Scholarship Program is one of Australia's largest privately funded scholarship programs with more than \$3.9 million handed out to 355 students since its inception in 2007.

Bendigo and Adelaide Bank Chairman Robert Johanson said the program's rapid expansion indicated an ever-growing need for financial support for students Australia-wide.

"For many young people living in rural and regional areas this financial support is the difference between whether they can attend university or have to miss out," Mr Johanson said.

"No matter what their financial position or personal background, we believe that young Australians should have the opportunity to further their education and fulfil their potential, one day giving their knowledge and experience back to the community."

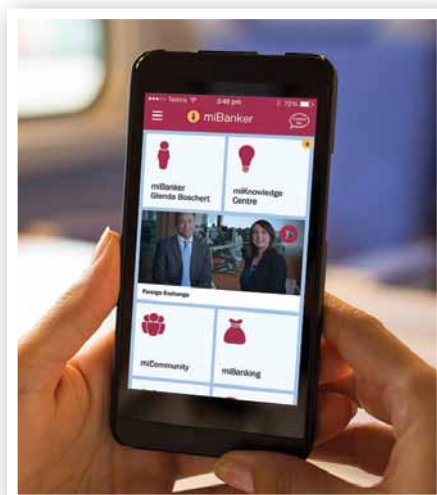
Bank launches 24/7 business banking advice app, miBanker

Bendigo Bank's business customers now have access to an Australian first in banking; 24/7 business banking advice in the palm of their hands.

Available to all Bendigo Bank business banking customers, the free miBanker app responds to the immediate and critical needs of business owners.

"Our business customers tell us that it's not easy to be across all aspects of running a business, from cash flow and general business management challenges, to cost control, staffing and future planning," said Head of Financial Markets, David Robertson.

"They want the flexibility to source information they need. With miBanker, our customers choose the information they want to receive, at a time and place that suits them.



Bendigo returns banking to Nauruan community

In January the Bank announced its first off-shore venture, an agency agreement with the Republic of Nauru to return banking services to the community after a 15-year absence.

"This is an important initiative for our Bank and for the Nauruan community," said Executive Community Engagement, Robert Musgrove.

"Nauru has been without a bank for 15 years and recognises banking is essential in establishing a more prosperous community for the future.

"And for Bendigo, it is our first tangible response to the widespread international interest shown in the work we undertake with local communities."

The Bank will employ the same public agency model it already uses in more than 100 Australian communities.

Mayor celebrates Bank's long term commitment to Ipswich

Managing Director Mike Hirst and Ipswich Mayor, Paul Pisasale officially opened the Bank's new Ipswich office.

The Bank is one of Ipswich's largest employers, with more than 270 staff working from Tower Central and a further 70 retail staff in its Bendigo Bank branches across Ipswich district.

Managing Director Mike Hirst said it was a special day in the Bank's 156 year history.

"Our investment in a new home for our people in Ipswich is bigger than a building move. It's a symbol of our lasting commitment to Ipswich and Queensland," Mr Hirst said.

"We've been part of Queensland since the late 1800's and we plan to stay and grow and we hope our new home in Ipswich serves as a constant reminder," he said.





Bank staff prove every drop counts

Hundreds of Bendigo and Adelaide Bank staff took up the blood donation challenge in 2014, helping the Bank become one of Australia's biggest corporate donors.

Executive Community Engagement Robert Musgrove said more than 1000 Bank staff rolled up their sleeves and made a blood donation last year.

"Our people understand the meaning of community, and how giving up our time (and even our blood) can help others around us in need," Mr Musgrove said.

"We're proud to reach this milestone and I'm confident we can exceed our donation record in 2015."

Each donation to the Australian Red Cross Blood Service has the potential to save three lives.

Redefining anywhere, anytime banking

The Bank launched a new mobile app in September, with the design based on extensive banking customer feedback.

New fast-track eBanking functions include a four-digit PIN and the ability to make payments from the home screen, reducing logon times and making banking simpler. Clearer transactions lists quick and easy identification of payees and unique account graphs help to promote greater customer connectivity.

"We know our customers are increasingly using their mobiles to do their banking and we want to make that process as easy as possible with our new app," said Executive Customer Voice, Marnie Baker.

The Bank also launched **GoPos®** Lite last year, a card payment powered by mobile phone technology.

Transfer of business complete on new Alliance

A new banking model created by Bendigo and Adelaide Bank and an alliance of Australian credit unions celebrated a significant milestone in March, with the transfer of business between the parties now complete.

The model was developed by the Bank and four credit unions (AWA, BDCU, Circle and Service One). The balance sheet transfer of the Alliance partners' more than \$540 million in loans, and \$620 million in deposits has now taken place, with the alliance partners relinquishing their ADIs, and operating as agents of the Bank under its banking licence.

The Bank's Managing Director Mike Hirst and Service One CEO and Alliance spokesman Peter Carlin, said the Alliance model was an exciting advancement that will enable the Alliance partners to grow their business while remaining independent.

"This new model received overwhelming support from our members as it will enhance our ability to offer greater competitive choice and provide our members with access to a wider range of products and services," Mr Carlin said.

"Many businesses are trying to meet the demands of increasing regulation and new technologies. By aligning with the Bank we can free ourselves from prudential capital and funding challenges, minimise our regulatory requirements and costs, and successfully overcome these disruptors," he said.

Mr Hirst said the Alliance is a logical solution for all parties, and affords the Bank with an opportunity to grow its business in a manner that is totally aligned to its strategy.

Bank scores four-in-a-row business banking accolade

Bendigo Bank has been named Business Bank of the Year at Roy Morgan Research's Customer Satisfaction Awards for the fourth year running.

Bendigo Bank Retail Executive Dennis Bice said the award was recognition of the significant investment the Bank continues to make to benefit its business customers nation-wide.

"We constantly strive to improve our offering, always seeking bigger and better ways of doing business. This is why we think our Bank is bigger than most," Mr Bice said.

"The recognition shows that regardless of business size, operation or annual turnover, banking with Bendigo Bank provides beneficial outcomes for all stakeholders."

This accolade follows Bendigo Bank being named Australia's most recommended by its customers participating in Roy Morgan research in July, with almost two-thirds (63.2 per cent) saying they would recommend Bendigo to friends and colleagues.

In the same month, the Bank was named one of Australia's Most Trusted Brands in the annual Reader's Digest awards. This follows wins in the finance category in 2010 and 2011.



Bank cooks up \$140,000 to support sick kids

Bank staff set the temperature to full blast in 2014 when thousands of staff across the network nation-wide went head to head in the Bendigo Bank Community Cooking Challenge for Starlight.

Following a Bendigo Bank supported cooking challenge episode of MasterChef Australia in June, staff from about 200 branches and hundreds of head office staff across Australia hosted barbecues, morning teas, lunches and community cooking challenges to raise more than \$140,000 for seriously ill children.



The technology revolution has begun. Are you **redy**?

The Bank, its telecommunications subsidiary Community Telco Australia, and Samsung Australia have joined forces to create a new retail point of sale mobile payment solution called **redy**.

Available to all Australians using a compatible smart phone, **redy** offers customers the ability to make payments by using their mobile device.

Unmatched in the marketplace, **redy** not only rewards consumers and benefits businesses, but it also raises money to support community fundraising initiatives.

Customers making purchases via the **redy** app earn creds, which they can use to make a donation to a charity or cause of their choice.

“The face of banking is changing, with technology quickly revolutionising the way we use and move our money. Our Bank recognises this and we’ve developed our own solution that delivers mobile payments and a lot more,” said Bendigo Bank’s Head of Customer Led Connections Andrew Cairns.

Since its launch, **redy** has gathered global interest. In an Australian technology first last July, a financial transaction was enacted by a wearable device - a Samsung Gear 2 smart watch – using **redy**.

The innovation was recognised in the 2014 BRW Innovative Company list and was named the “most innovative and creative way to benefit its customers” by leading enterprise mobility management provider AirWatch.

In February 2015, the Bank was selected to demonstrate **redy** to more than 1000 international financial executives at FinovateEurope 2015 in London, one of only two Australian companies invited to present their innovation.

You can learn more about **redy** at www.redy.com.au.



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Bendigo and Adelaide Bank Limited, The Bendigo Centre,
PO Box 480, Bendigo, VIC, 3552.
For shareholder inquiries please phone 1800 646 042 or visit
www.bendigoadelaide.com.au



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