

# Results Presentation

For the year ended 30 June 2014

**Mike Hirst**

Managing Director

**Richard Fennell**

Chief Financial Officer

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This presentation may contain certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. You are cautioned not to place undue reliance on forward-looking statements. Such forward-looking statements only speak as of the date of this presentation and the Group assumes no obligation to update such information.

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**Non-IFRS Financial Information:** The discussion and analysis discloses the net profit after tax on both a 'statutory basis' and a 'cash basis'. The statutory basis is prepared in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS). The cash basis is used by management to present a clear view of the Group's underlying operating results, excluding a number of items that are deemed to be outside of our core activities and such items are not considered to be representative of the Group's ongoing financial performance. Refer to the Appendix 4E for reconciliation to statutory profit.

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- Overview
- Financial performance
- Summary & Outlook
- Appendices

Mike Hirst

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Group Managing Director

## Our full year result

Financial performance - statutory profit after tax	Financial performance - cash basis earnings
<ul style="list-style-type: none"><li>• Statutory profit after tax \$372.3m</li><li>• Full year dividend of 64.0¢, fully franked<sup>1</sup></li><li>• Final dividend of 33.0¢ fully franked<sup>1</sup></li></ul>	<ul style="list-style-type: none"><li>• Cash earnings of \$382.3m</li><li>• Cash earnings per share 91.5¢</li><li>• Return on average tangible equity 13.34%</li><li>• Return on average ordinary equity 8.96%</li></ul>
Balance sheet management	Credit
<ul style="list-style-type: none"><li>• 5 basis point NIM improvement year-on-year</li><li>• Disciplined pricing supporting margin growth</li><li>• Basel III CET1 ratio increased to 8.02%<sup>2</sup></li><li>• \$230m institutional share placement and \$150m share purchase plan for RFC acquisition</li></ul>	<ul style="list-style-type: none"><li>• Great Southern agreement reached pending court approval</li><li>• Provision coverage strengthened</li><li>• 90 days arrears to gross loans down 44bps year-on-year</li></ul>

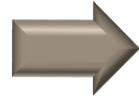
1. Ex-dividend date for final dividend of 33.0¢ is 19 August 2014, record date is 21 August 2014, and dividend payment date is 30 September 2014

2. Capital ratio shows pro-forma impact to capital adequacy for the Rural Finance acquisition which was completed 1 July 2014

## Consolidation to investment

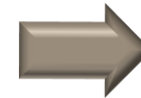
### Consolidation

- Rating agency upgrades (Fitch "A-", S&P "A-")
- BEN's securitisation program used to support funding and capital
- Balance sheet strength through strong retail deposit base and demand for our wholesale funding programs
- Improvement in Capital position through Tier 1 and Tier 2 issuances



### Strengthening

- BEN buys Australian arm of Bank of Cyprus – later naming it Delphi Bank
- BEN acquires 100% of Community Telco and Rural Bank
- BEN buys Southern Finance and HD&C Securities portfolio's
- Flexible liability strategy
- Position Margin Lending business for growth
- Staff engagement



### Investment

- Basel II Advanced Accreditation
- Industry consolidation
- Digital channels
- Lending systems platform
- Agri-business
- Payments innovation

# Great Southern

- BEN has entered into an agreement (subject to court approval) to conclude the class actions brought by investors in managed investment schemes operated by Great Southern
- BEN's borrowers who are members of the class actions have admitted that their loans are valid and enforceable
- All loans are full recourse
- Principal and interest payable by borrowers
- Total arrears - \$303.6m at June 2014
- Specific and collective provisions at June 2014 were \$15.8m and \$11.8m respectively

The borrower – occupation type <sup>1</sup>	
Occupation	% of funded book
Builders/Construction Workers	1%
Executives/General Managers	28%
Medical (ie. Doctors/Specialists)	9%
Professional (ie. Accountants,	24%
Retail (ie. Sales and Customer	2%
Self Employed	4%
Services (ie. Teachers, Police)	5%
Tradespersons	10%
Other (Not provided)	17%

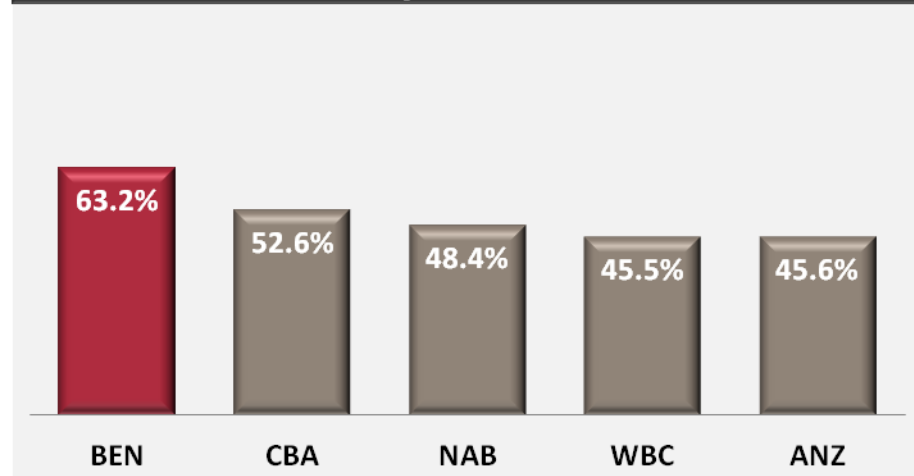
The borrower – financial information <sup>1</sup>			
Net Assets	% of funded book	Salary/Income	% of funded book
> \$10m	13.8	> \$1m	15.3
\$ 5m - \$10m	12.9	\$ 500k - \$1m	15.1
\$ 1m - \$5m	45.4	\$ 250k - \$500k	22.1
\$ 500K - \$1m	17.2	\$ 100K - \$250k	34.5
\$100k < \$500k	10.2	\$50k < \$100k	11.9
< \$100k	0.5	< \$50k	1.1

1. Data as at date of loan application

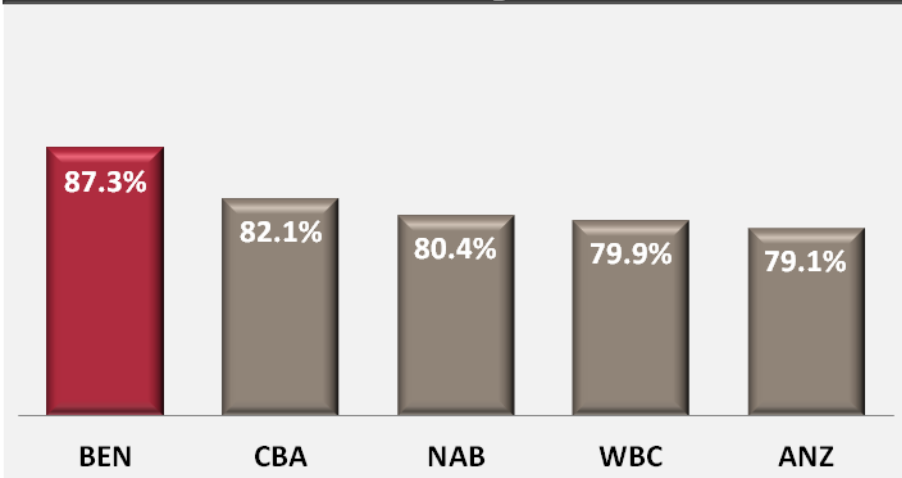
# Unique and valued customer proposition

- ★ Voted one of Australia's most trusted brands<sup>3</sup>
- ★ Business bank of the year<sup>4</sup> for 2011, 2012 & 2013
- ★ Bendigo SmartStart Super<sup>®</sup> awarded 5 star rating by Canstar
- ★ Leading financial institution for customer loyalty 2013<sup>5</sup>

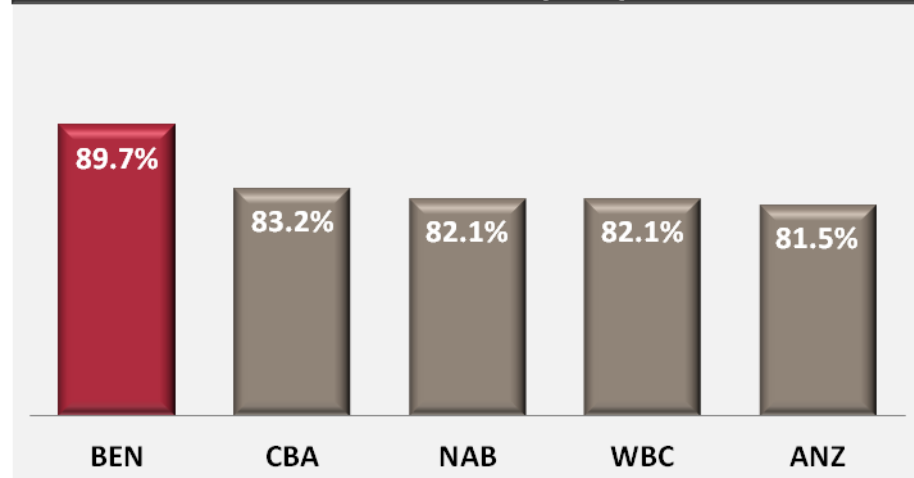
## Most Likely to Recommend<sup>1</sup>



## Consumer Banking Satisfaction<sup>2</sup>



## Main Financial Institution (MFI) Satisfaction<sup>2</sup>



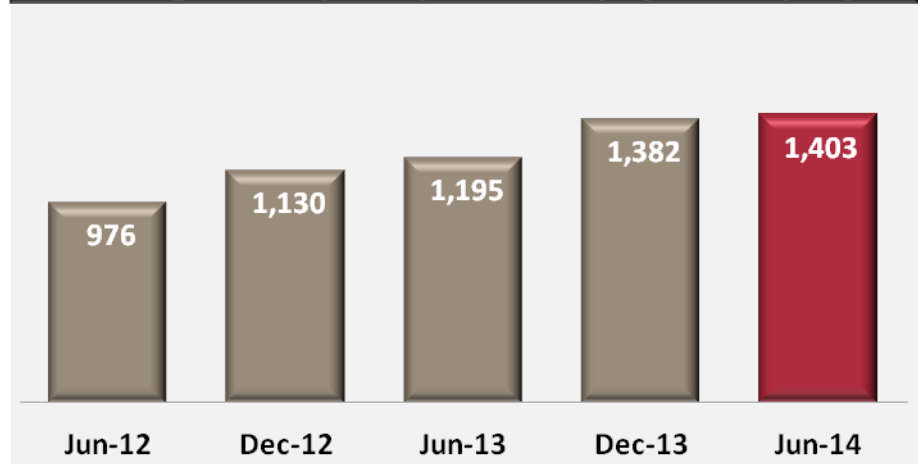
1. Roy Morgan Research, High Advocate Customers, 6 month average to June 2014    2. Roy Morgan Research - 6 month average to June 2014  
3. Readers Digest Trusted Brands 2014    4. Roy Morgan - Business bank of the year award  
5. Engaged Marketing - 2013 financial institution consumer recommendation & loyalty study



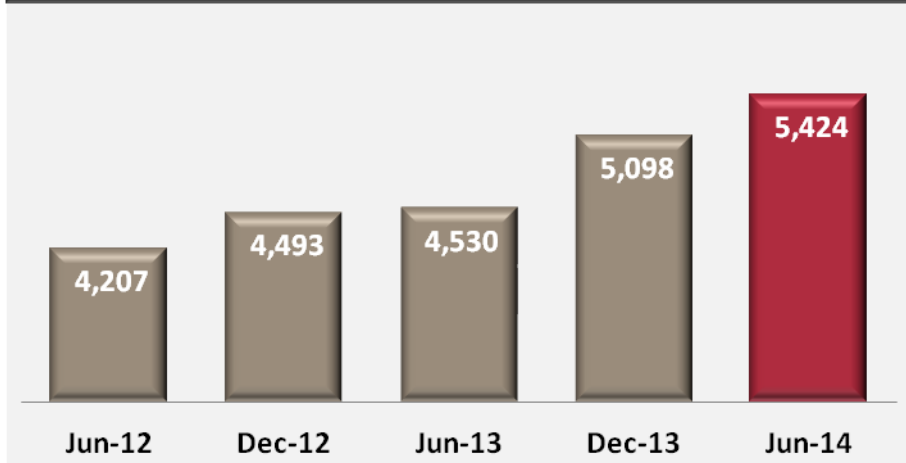
## Loan approvals continue to grow

- Continued growth in new loan approvals
- Accelerated amortisation of back book impacting net growth
- Half-on-half seasonality evident in loan growth

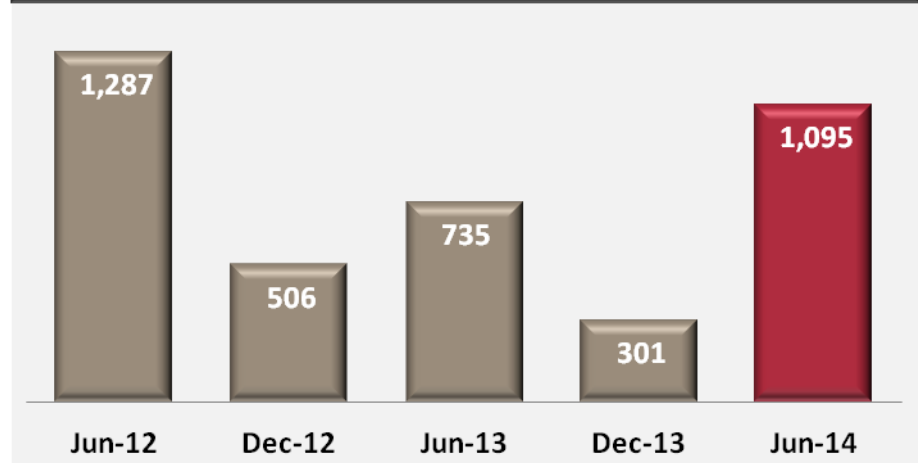
### Bendigo Bank (retail) excess repayments (\$m)



### Total residential loan approvals (\$m)



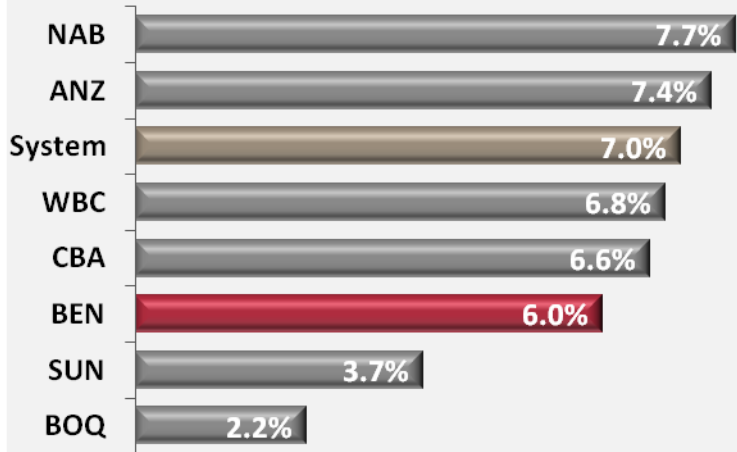
### Total residential loan growth<sup>1</sup> (\$m)



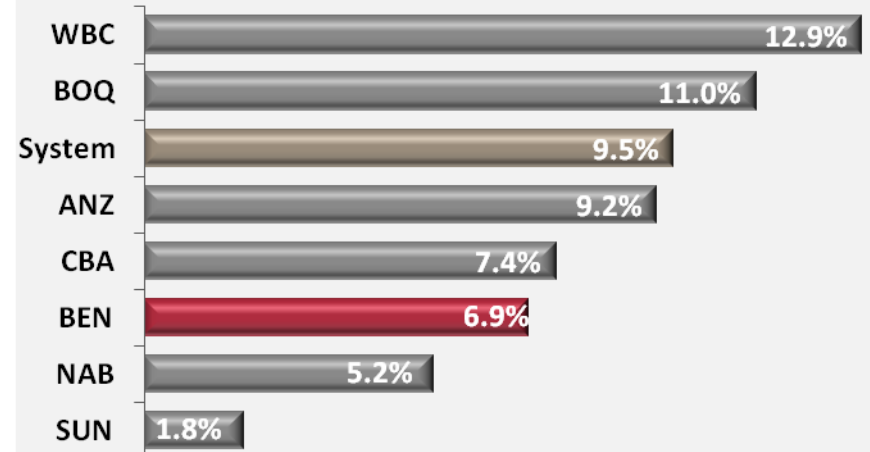
1. Adjustment to Jun-14 loan growth of \$704m has been made to take into account a change to certain loan products terms and conditions

## Second half growth outcome

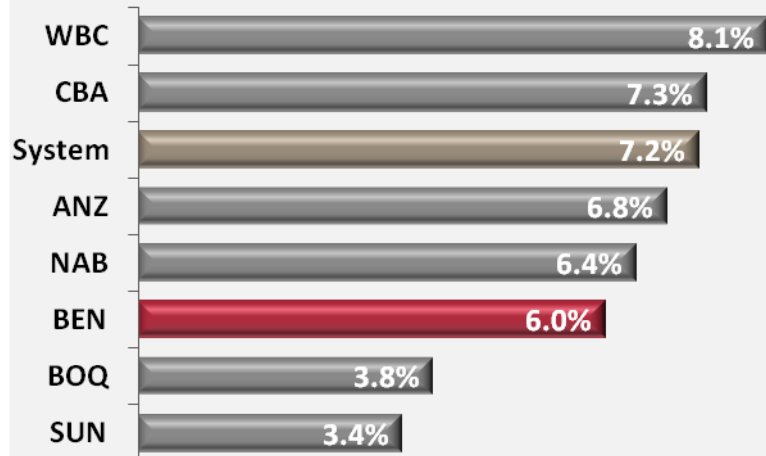
### Housing lending growth<sup>1</sup>



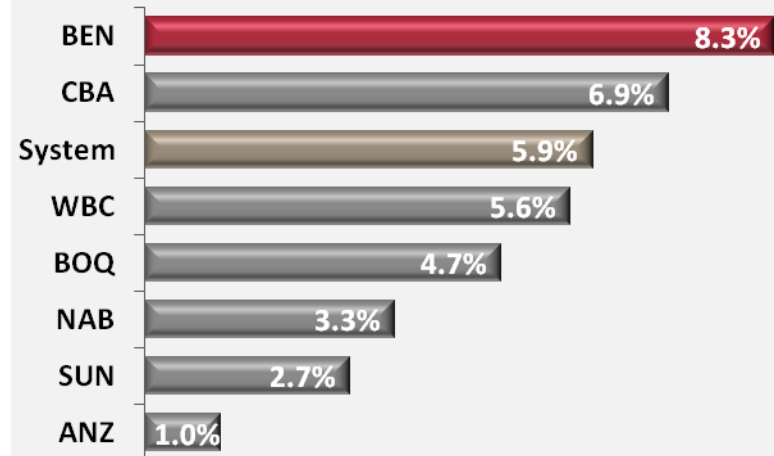
### Business lending growth<sup>1</sup>



### Total lending growth<sup>1</sup>



### Total deposit growth<sup>1</sup>



Source: APRA statistics June 2014 (including Rural Bank), Nomura research

1. Data is based on 6 month growth (annualised)

Richard Fennell

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Chief Financial Officer

## At a glance

	FY14	FY13	Change FY13 – FY14	Change 1H14 – 2H14
<b>Cash earnings</b>	<b>\$382.3m</b>	<b>\$348.0m</b>	<b>9.9%</b>	<b>5.6%</b>
Statutory NPAT	\$372.3m	\$352.3m	5.7%	6.0%
Cash EPS	91.5¢	85.4¢	6.1¢	1.5¢
Net interest margin	2.24%	2.19%	5 bps	-
Expense to income ratio	55.4%	57.0%	(160 bps)	10 bps
Expense to average assets	1.30%	1.30%	-	1 bps
Return on tangible equity <sup>1</sup>	13.34%	13.48%	(14 bps)	8 bps
Return on equity <sup>1</sup>	8.96%	8.58%	38 bps	25 bps
Dividend per share	64.0¢	61.0¢	3.0¢	2.0¢

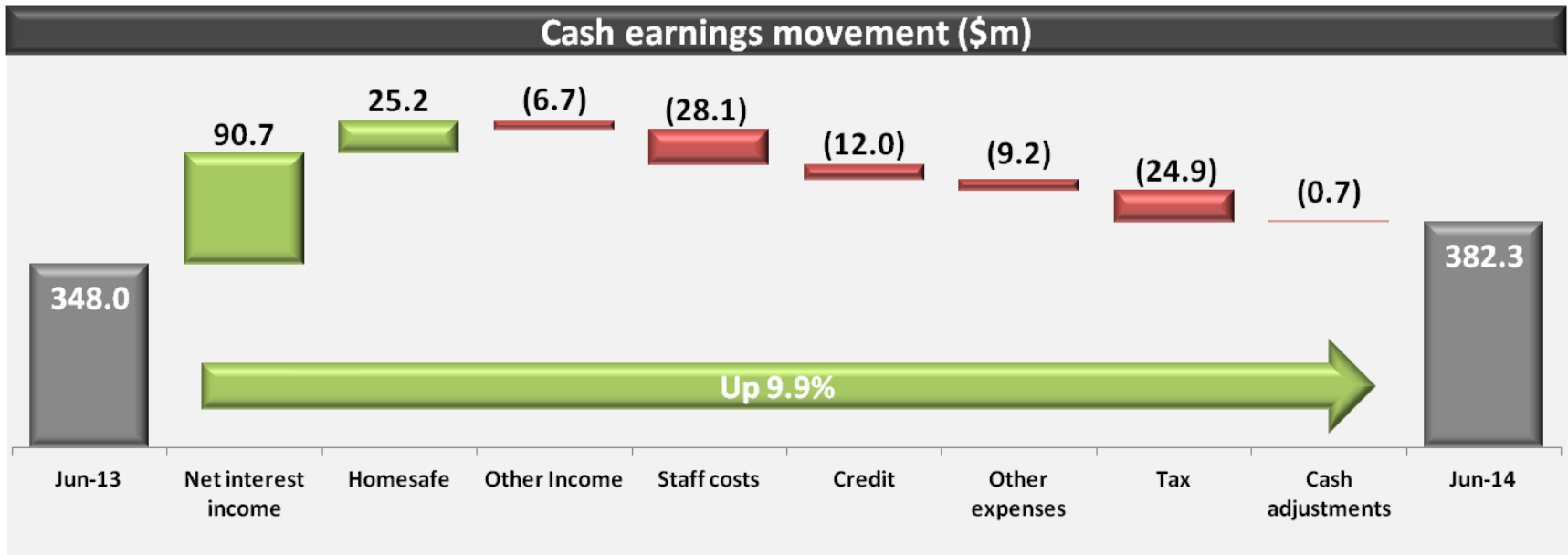
Balance Sheet	FY14	Change FY13 – FY14	Change 1H14 – 2H14	Capital and funding	FY14	Change FY13 – FY14	Change 1H14 – 2H14
Total assets	\$65.1b	7.9%	7.7%	Tier 1 capital <sup>2</sup>	9.22%	(3 bps)	(2) bps
Total liabilities	\$60.1b	7.6%	7.5%	Total capital <sup>2</sup>	11.39%	68 bps	67 bps
RWA's	\$32.6b	6.8%	4.9%	Deposit funding	77.8%	(60 bps)	(80 bps)

1: Cash earnings basis

2: Shows pro-forma impact to capital adequacy of the Rural Finance acquisition which was completed 1 July 2014

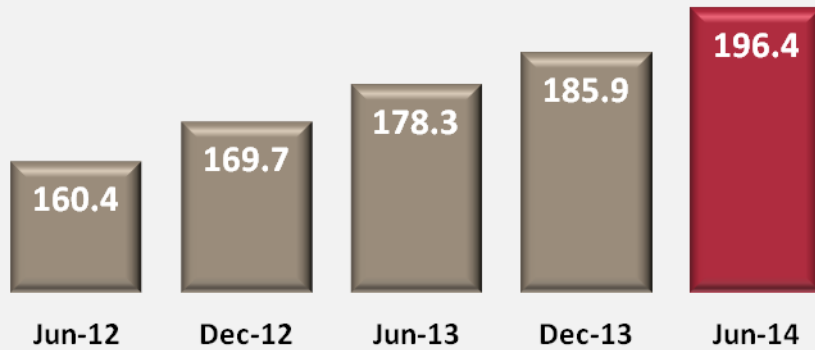
## Strong cash earnings growth

- Disciplined margin management
- Growth in contribution from Homesafe portfolio
- Staff costs reflect investments in Basel II, payment innovations and salary adjustments

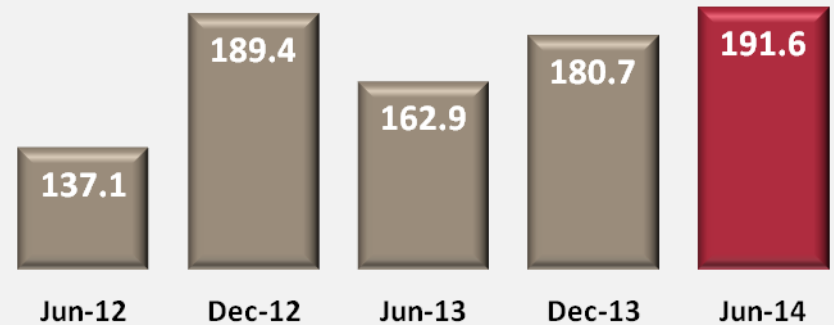


## Positive earnings momentum

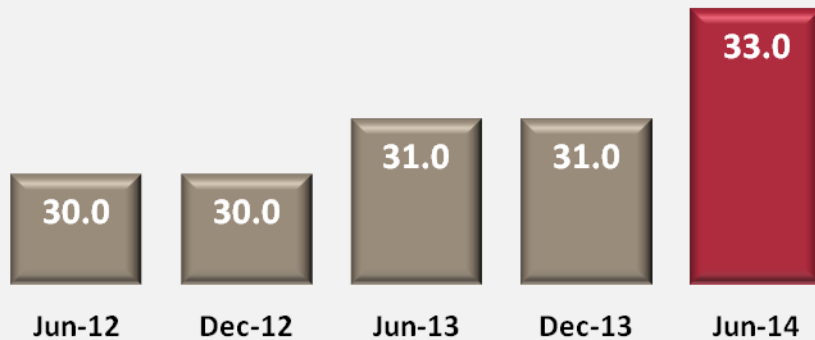
### Cash basis profit (\$m)



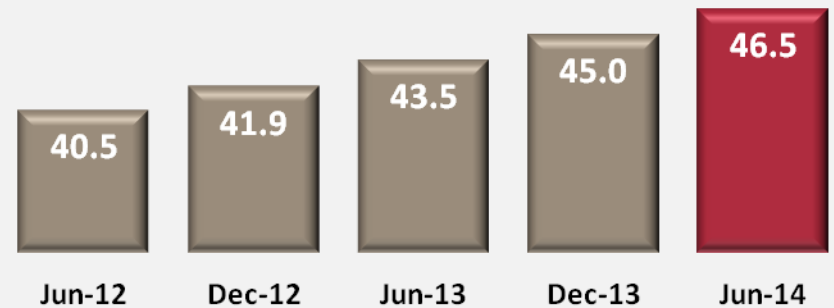
### Statutory profit (\$m)



### Dividends (cents)

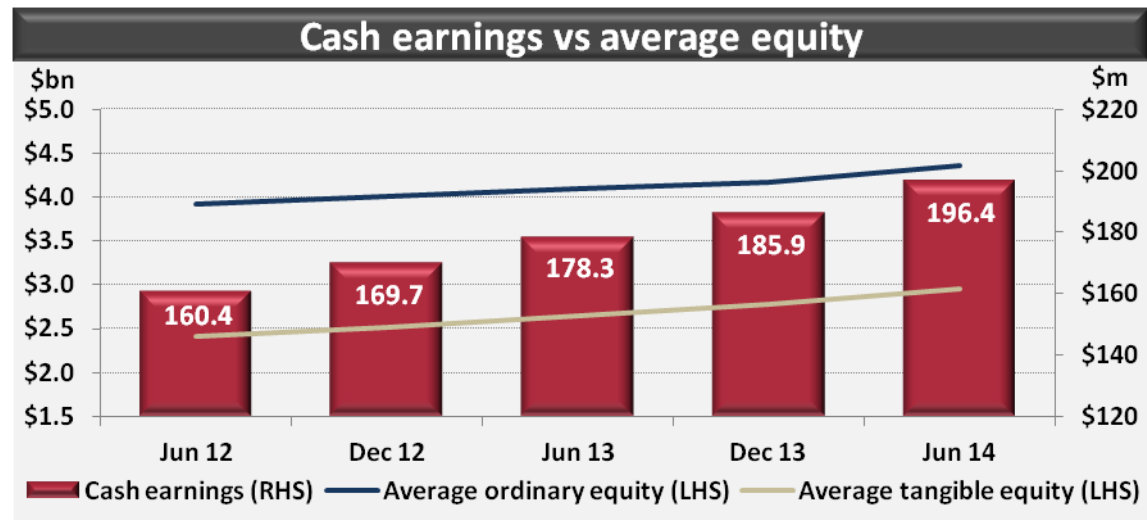
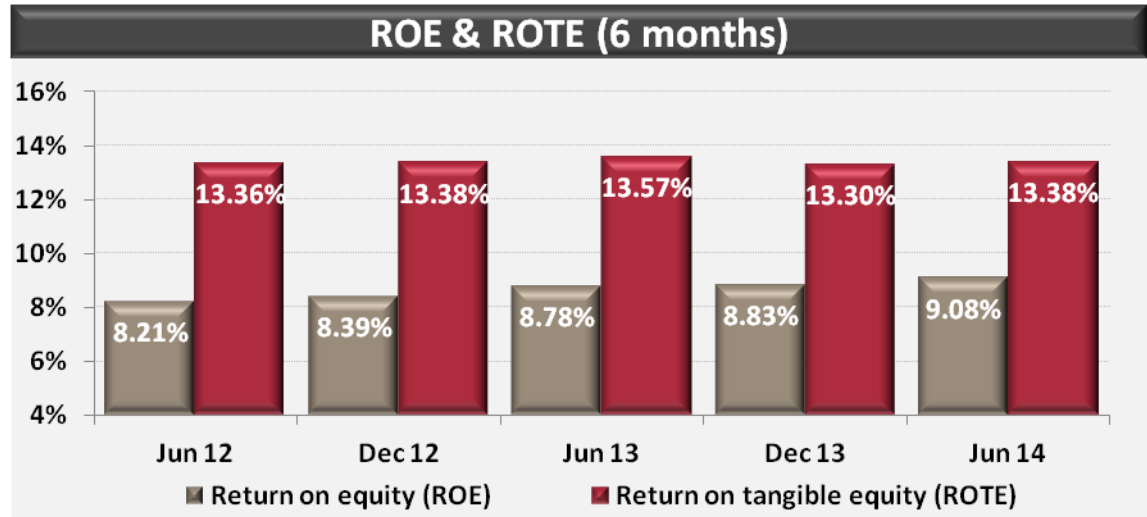


### Cash earnings per share (cents)



## Steady growth in ROE

- Improved ROE outcome
- ROTE stable
- Capital base strengthened for RFC acquisition

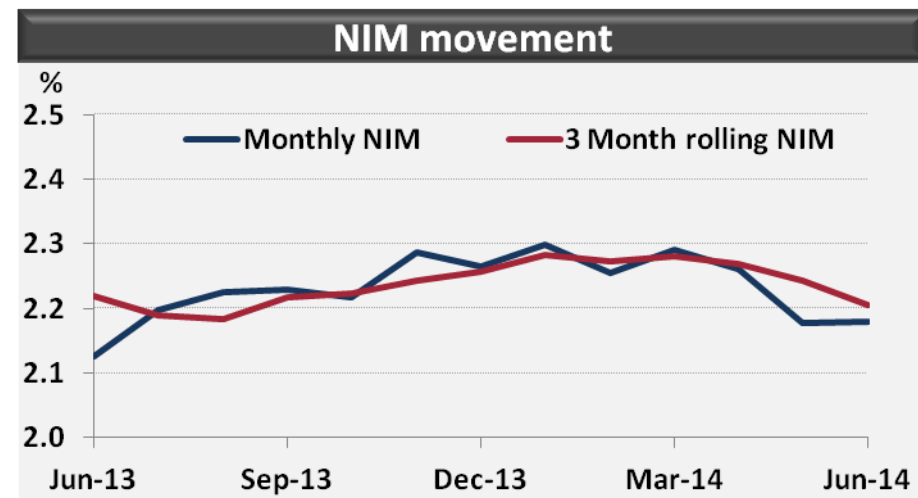
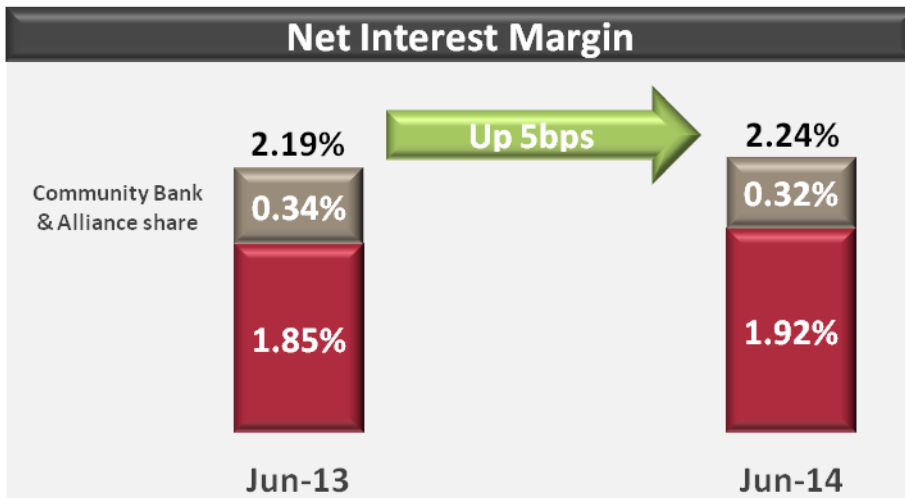


Return on Equity (ROE) is the net income returned as a percentage of shareholders equity

Return on Tangible Equity (ROTE) is the net income returned as a percentage of shareholders equity excluding intangible assets such as goodwill

## Net interest margin

- NIM growth reflects brand value and disciplined approach to pricing in a competitive environment
- Continued improvement in wholesale funding spreads
- 2H14 asset price competition and customer propensity for fixed rate mortgages impacting NIM
- Liquidity build up for RFC acquisition impacted last quarter of FY14

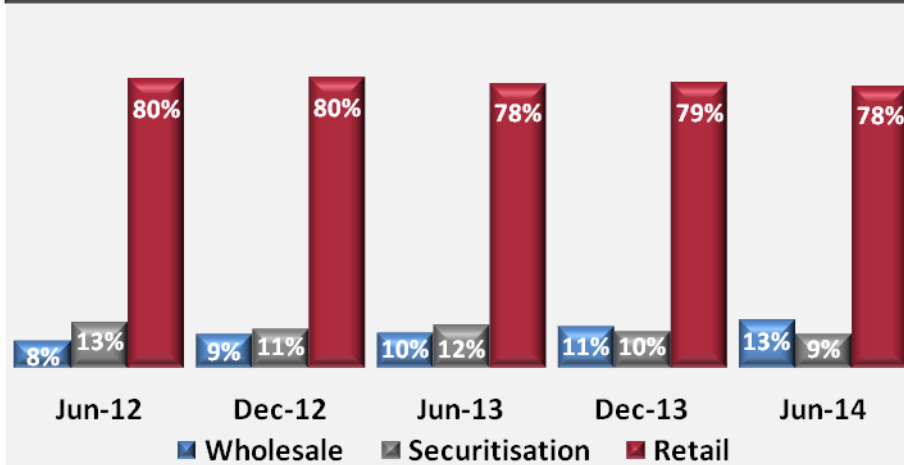




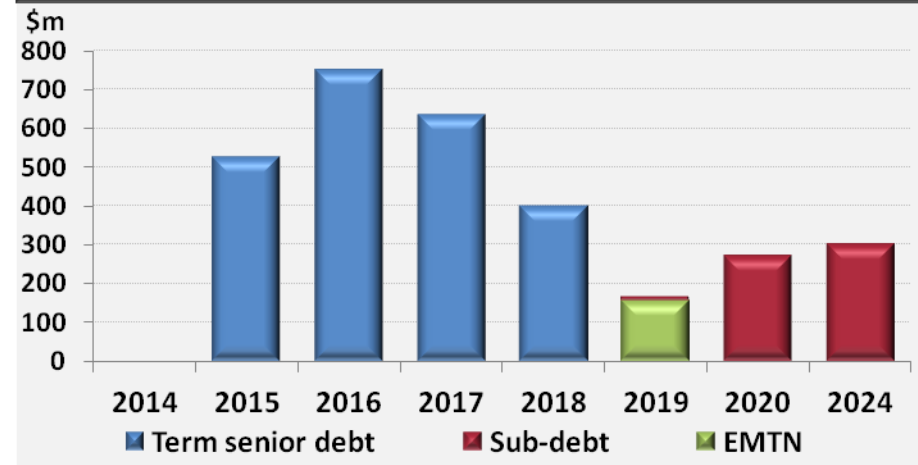
## Flexible funding structure

- Leveraging core strengths of the retail brand and network
- We continue to issue in wholesale markets to achieve diversity, tenor and pricing benefits
- RMBS issue in 2H14
- Completed first Swiss Franc senior debt deal

### Historical funding mix



### Term funding maturity profile

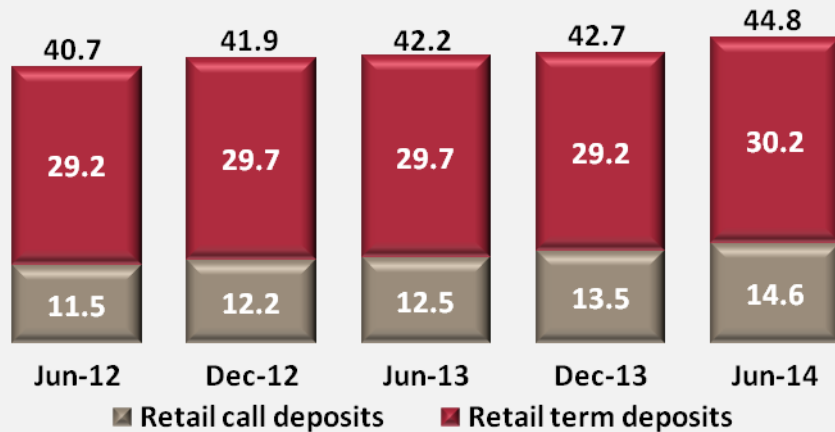


Note : Term funding maturity profile as at 30 June 2014

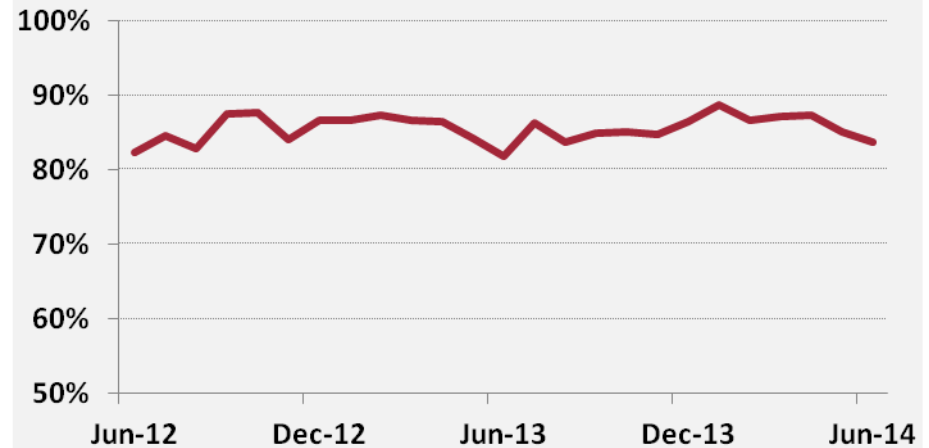
## Retail funding

- Management target of 75-80% retail funding maintained
- Term deposit retention rate consistently above 80%
- Growth in at-call deposits
- Preparation well underway for Basel III liquidity

### Retail deposit portfolio balances (\$bn)



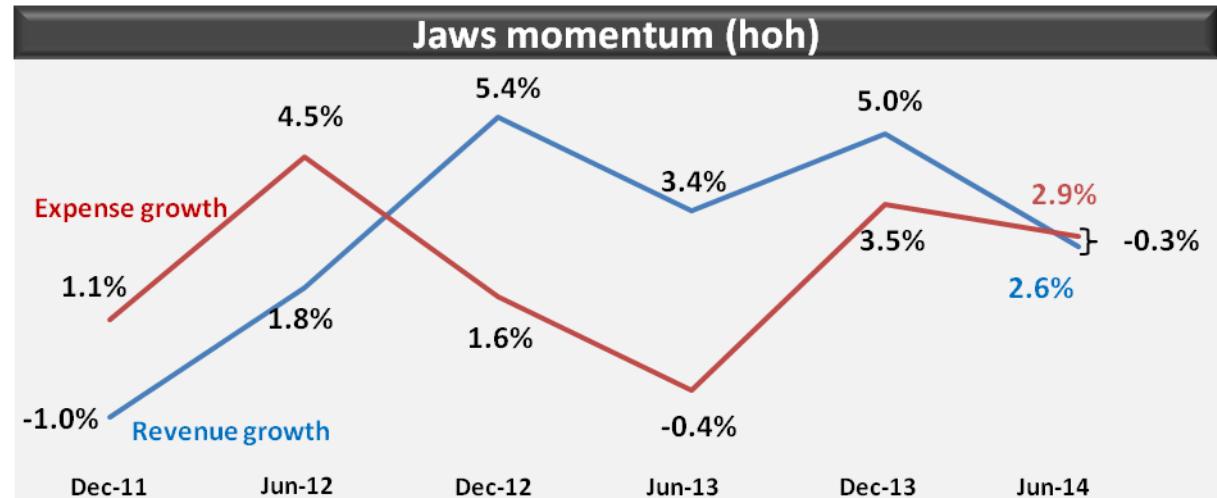
### Retail term deposit retention rate<sup>1</sup>



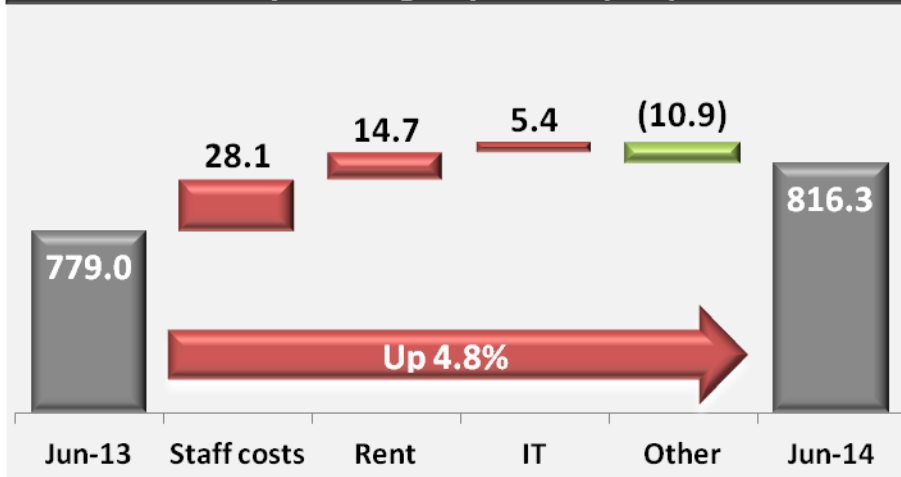
<sup>1</sup>Source: Company data

## Efficiency focus remains

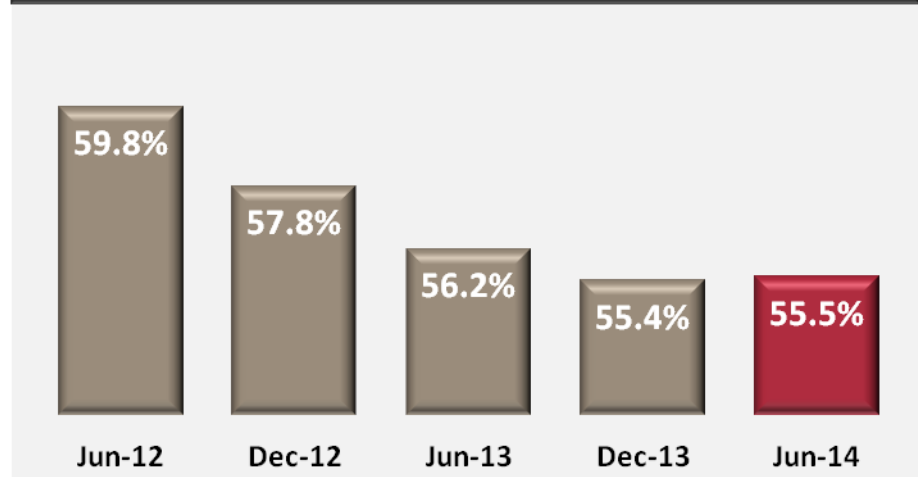
- Impact on costs
  - New Adelaide head office
  - Basel II Advanced Accreditation project
  - Brand campaign 2H14
- 'JAWS' management will remain a focus



### Operating expenses (\$m)

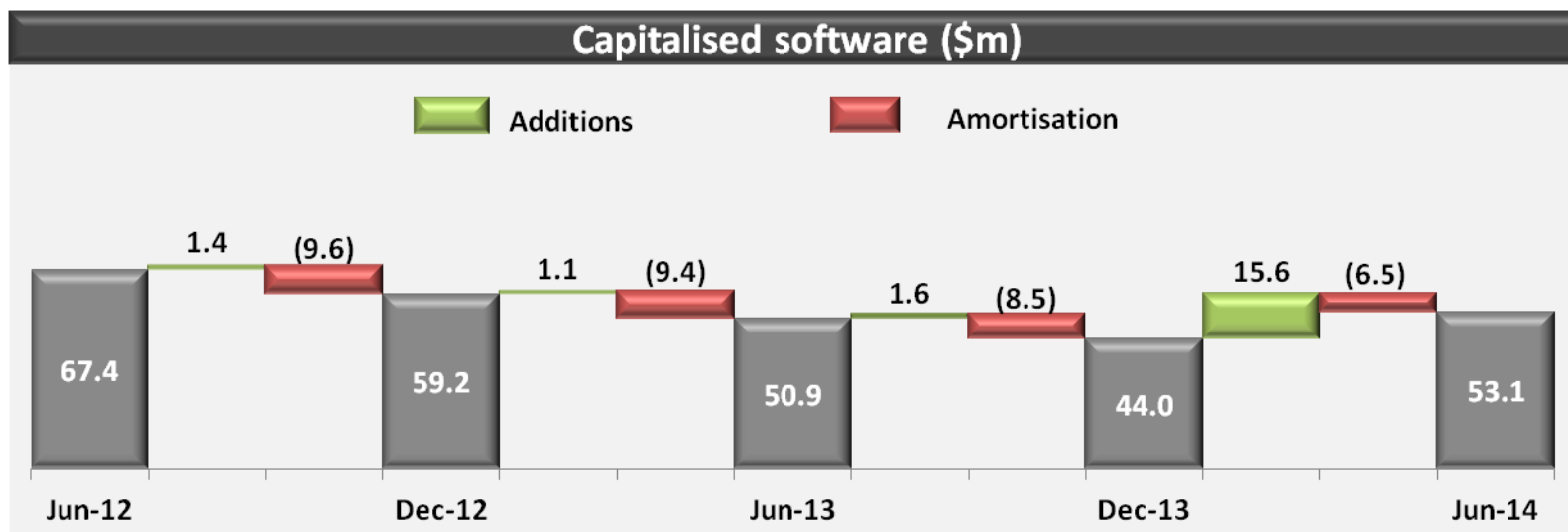


### Cost to income - six months



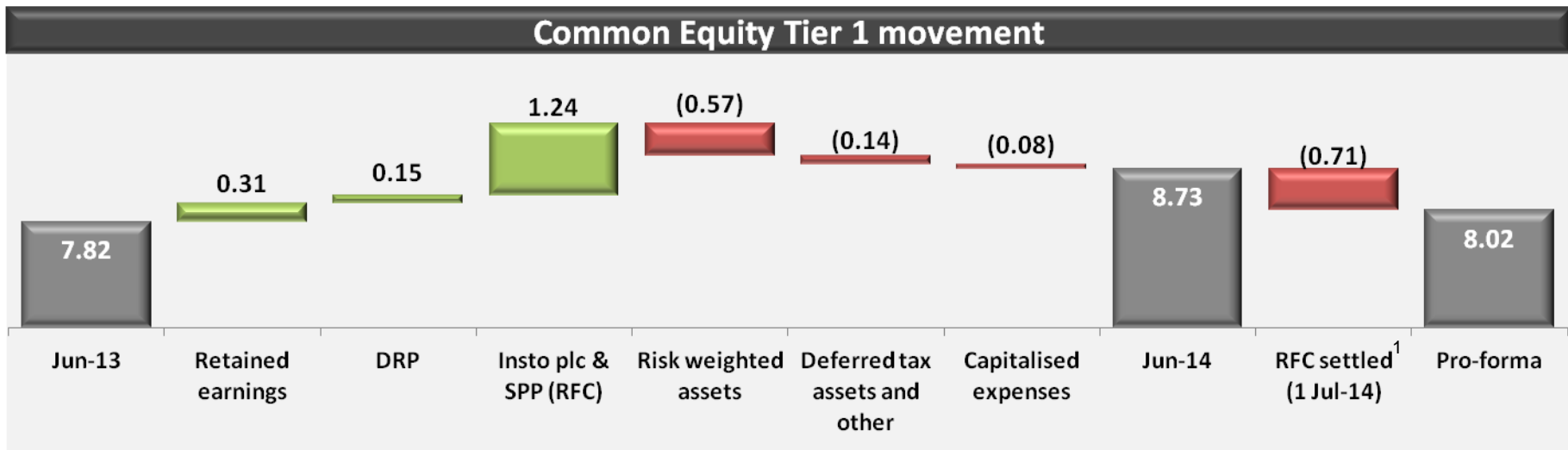
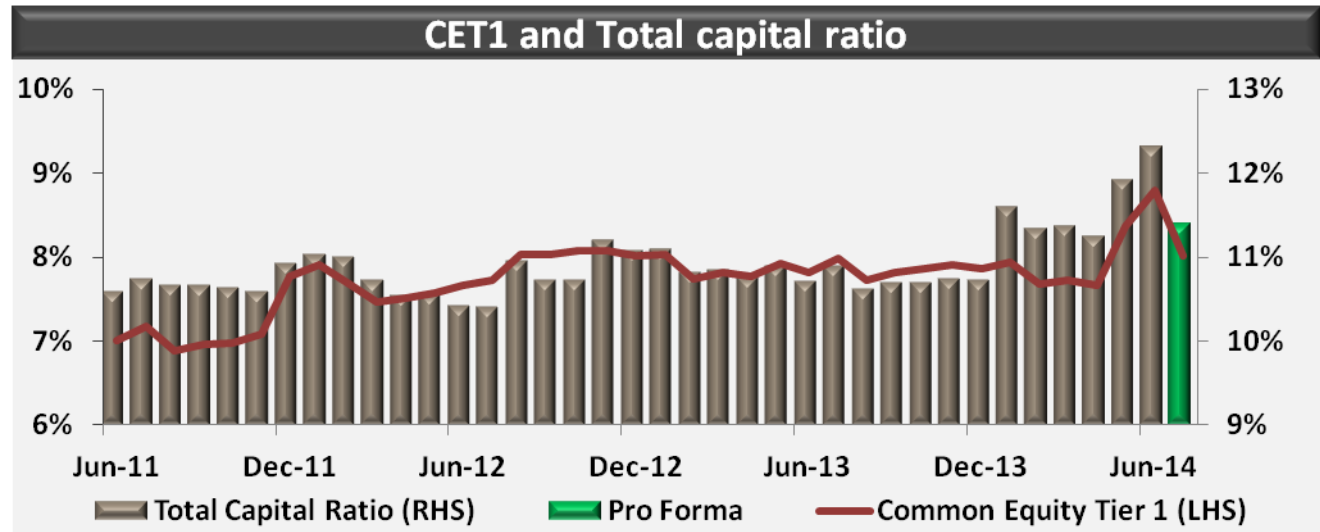
## Capitalised software

- Capitalised software balance increased due to enhancements to our third party lending platforms and ongoing CRM improvements
- Will increase as strategic initiatives are finalised including Basel II Advanced Accreditation
- \$38.6m of Basel II costs (to date) yet to be added to capitalised software



## Improved capital position

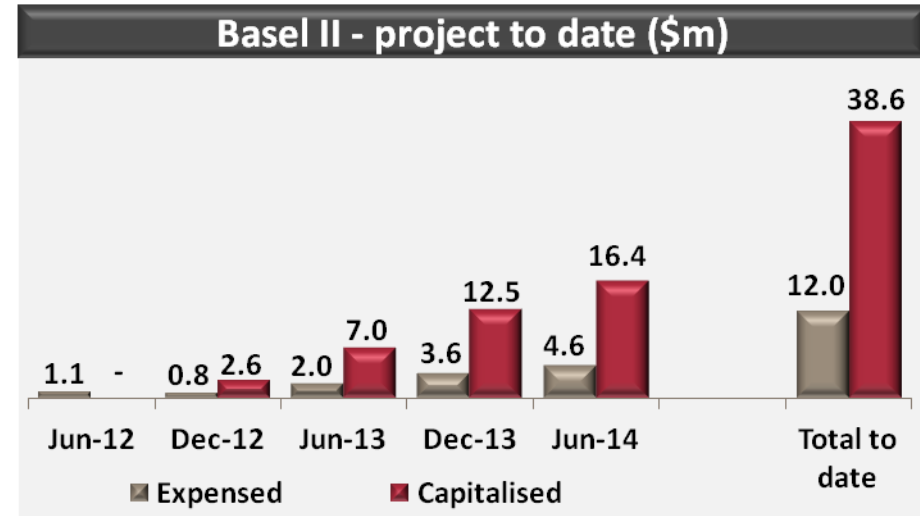
- Common equity Tier 1 capital improved to 8.02%<sup>1</sup>
- Capital position strengthened through \$230m institutional share placement, \$150m SPP and \$300m Basel III compliant tier 2 sub debt



1. Shows pro-forma impact to capital adequacy of the Rural Finance acquisition which was completed 1 July 2014  
 2. Included in the 57bps movement in CET1 for RWA is 8bps from the changes to certain loan products terms and conditions.

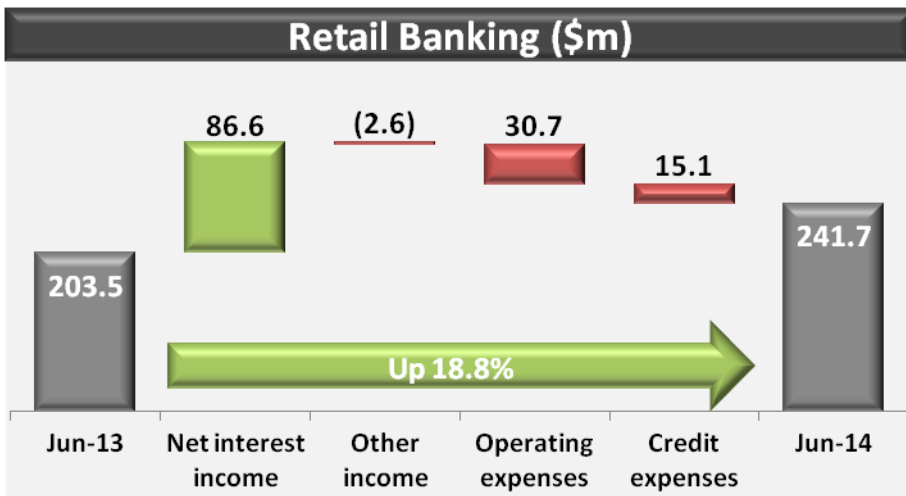
## Basel II Advanced Accreditation

- Model development substantially complete across all risk areas
- Independent model validation well advanced
- Enhanced risk-adjusted performance measures and capital allocation methodologies being rolled-out
- Internal estimates reflect low risk credit profile

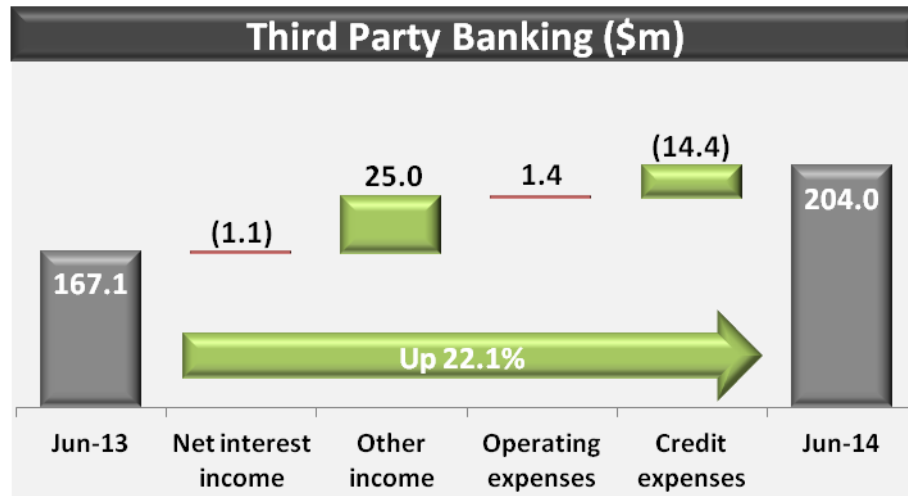


## Business segment performance

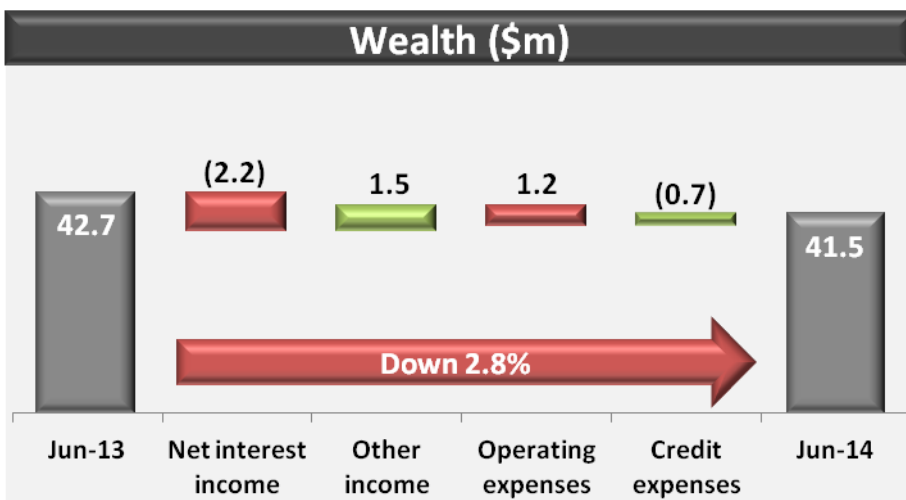
### Retail Banking (\$m)



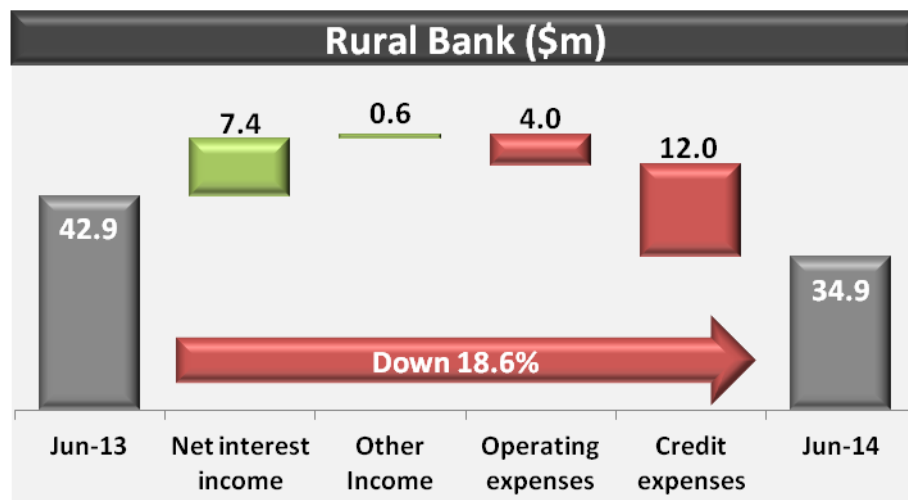
### Third Party Banking (\$m)



### Wealth (\$m)



### Rural Bank (\$m)

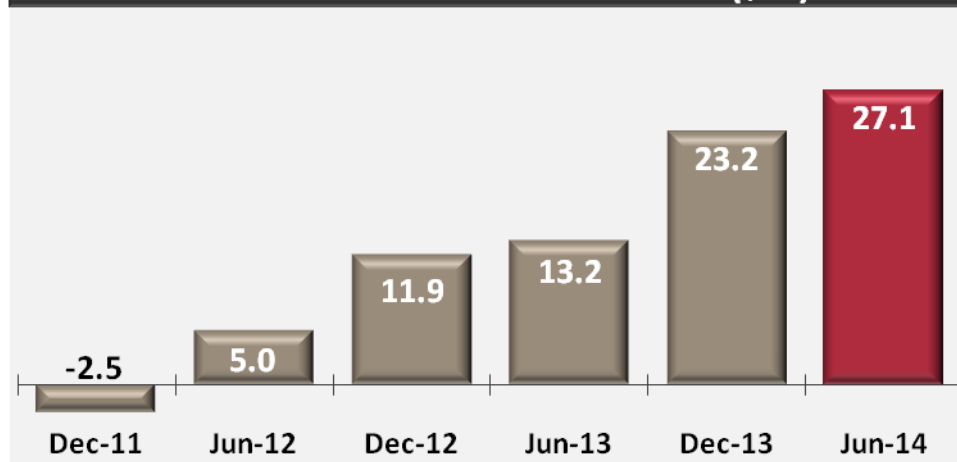


Note – Graphs refer to operating segment performance on p20 in 4E, excludes central functions.

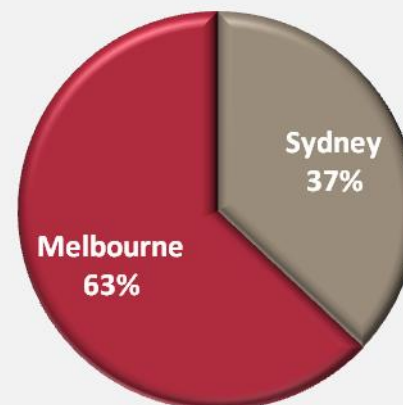
## Homesafe investment property portfolio

- Asset growth driven by:
  - New business (properties acquired)
  - Portfolio revaluation (income contribution)
    - Change in property prices – residex index increase for 12 months<sup>1</sup>;  
Melbourne +8.3%  
Sydney +15.4%
    - Ageing of portfolio
- Average annual return on completed contracts since inception 8.0% (up 10bps in 2H14)

### Homesafe income contribution (\$m)



### Homesafe portfolio distribution

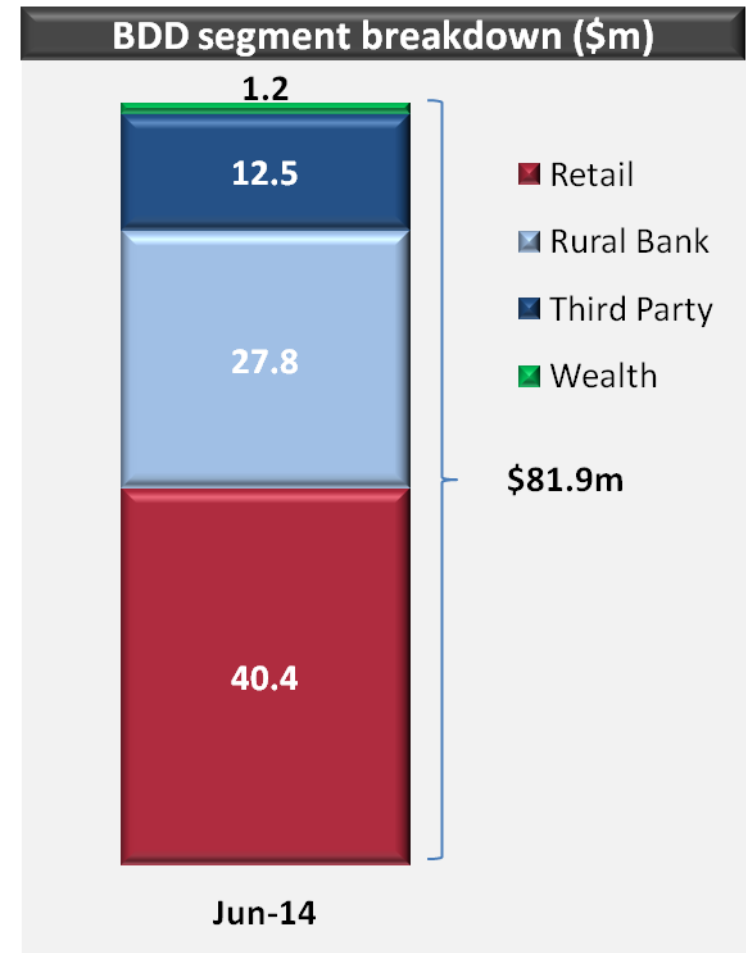
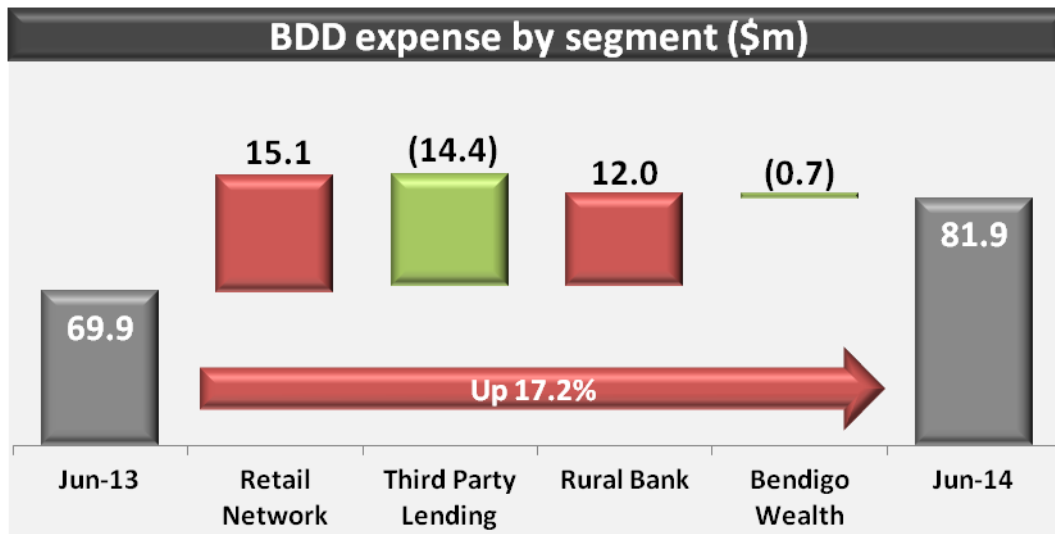


1. 12 months July 2013 – June 2014



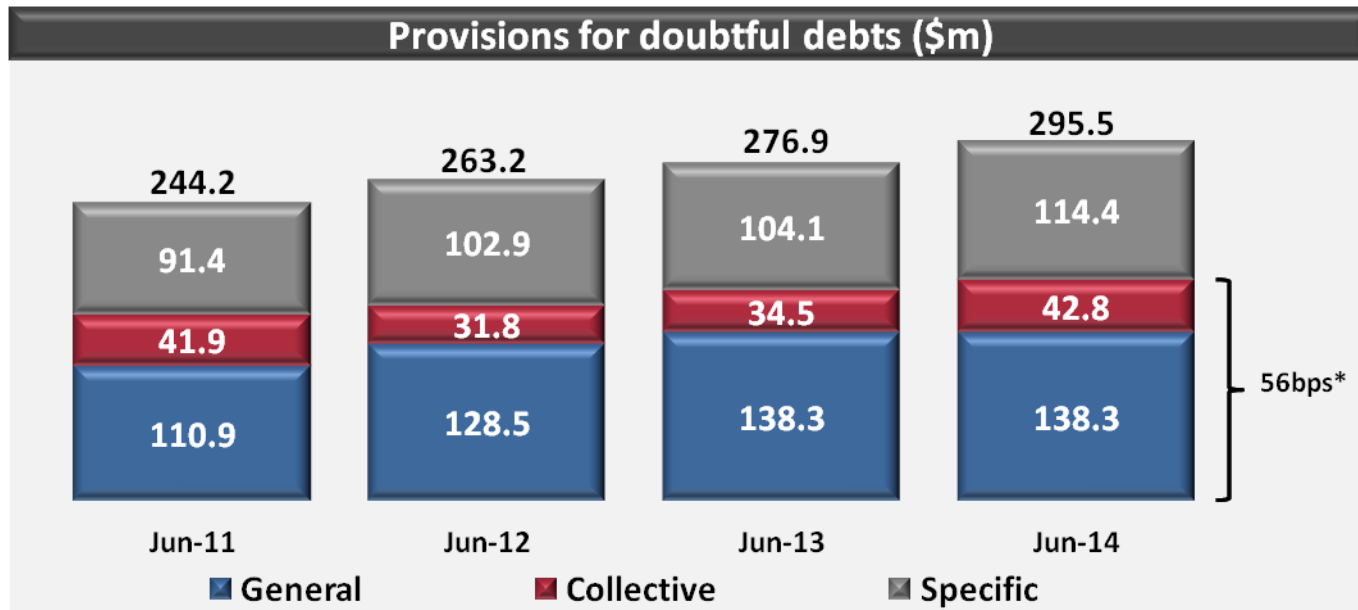
## Bad and doubtful debts

- Retail BDD charge in 2H14 impacted by one large exposure
- Northern Australia cattle property values stabilised in 2H14
- Improvement in Third Party Lending predominantly due to Great Southern MIS portfolio



## Bad and doubtful debts cont

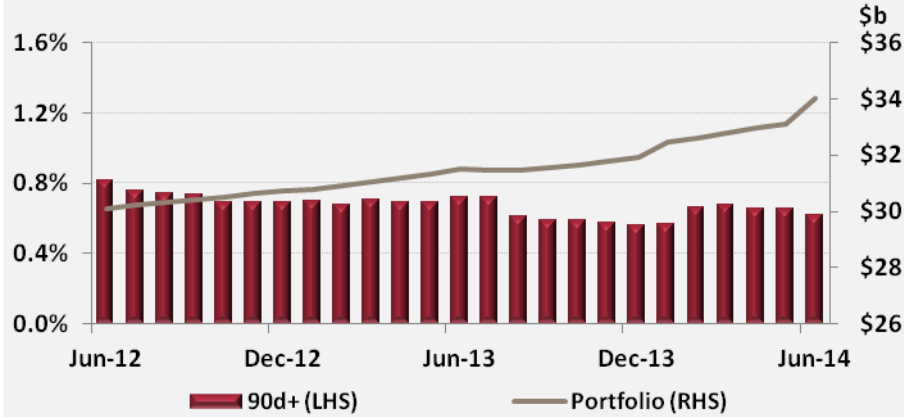
- Increase in collective provisions in 1H14
- Portfolio remains well secured, with low LVR's



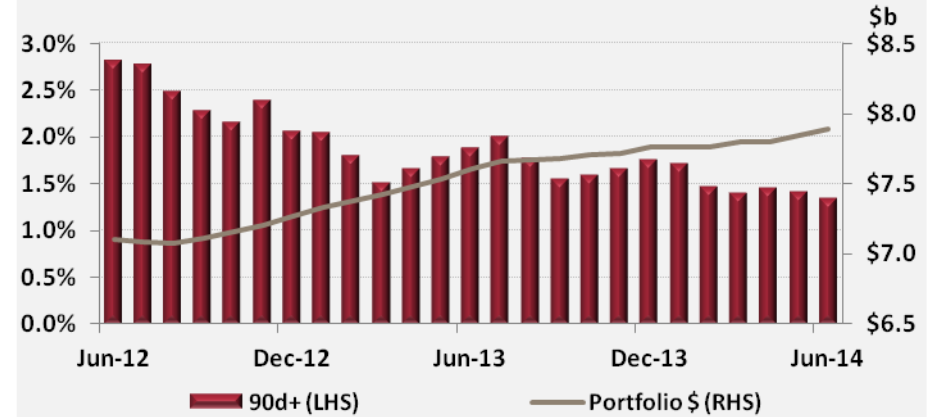
\* Collective provision (adjusted for tax) & GRCL to risk weighted assets

# Arrears – 90 days+

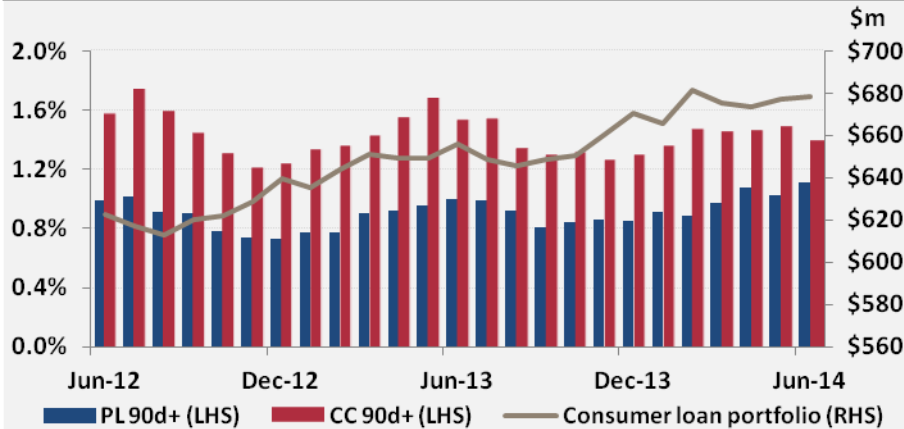
## Residential loan arrears



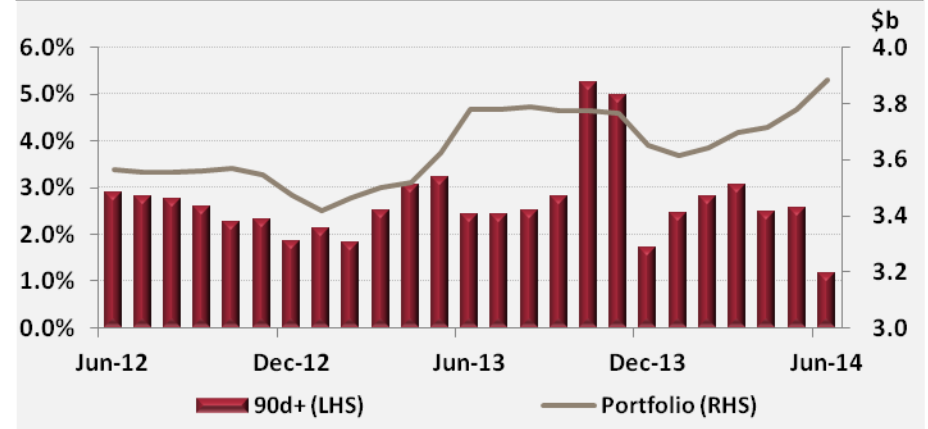
## Business loan arrears



## Consumer loan arrears



## Rural Bank loan arrears



Mike Hirst

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Group Managing Director

## Digital technologies: providing customers greater choice and flexibility

### Mobile website



We've made it easier to get the answers you need when you're on the go. Working with feedback from our customers, we've redesigned our mobile website to improve accessibility to the information they're after.

### redy



redy rewards you, what you care about and the places you shop. Unique in the Australian market place redy adds a new dimension to the payments landscape, empowering people to make convenient payments that matter.

### Bendigo microPay



Perfect for tradies, the hospitality industry, and businesses on the move. A pocket-sized, lightweight EFTPOS device that links wirelessly to a smart phone or tablet.

### Samsung partnership

Partnering with Samsung Australia to bring to market digital initiatives for the benefit of the Bank's customers.



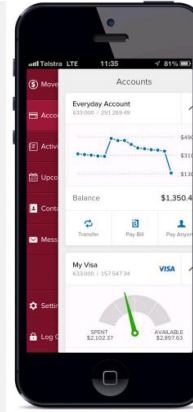
## Digital technologies cont: coming soon

### Business Banking app



Providing our business customers with quality information on topics of their choice, via their mobile device or tablet, in a format that suits them, when they are ready to receive it.

### Mobile e-banking app



A stylish interactive new look and feel that can be personalised depending on a customer's preferences. The app includes all the great functions and features of our existing mobile banking solution as well as a number of new ones. Just by using mobile e-banking you'll know more about your finances than ever before.

### University banking



A mobile digital wallet that combines mobile payments and a virtual currency to improve student's 'on-campus' university experience.

### Universal terminal



Merging of traditional payment methods with virtual currencies and loyalty programmes onto the one device.

## In summary....

### Performance

- Disciplined management of margin and balance sheet
- Investing in customer experience and innovation
- Basel II work advancing
- Credit solid
- Expanded Agri-business capability

### Future







- Asset price competition
- Market disruption
- Financial System Inquiry

# Questions



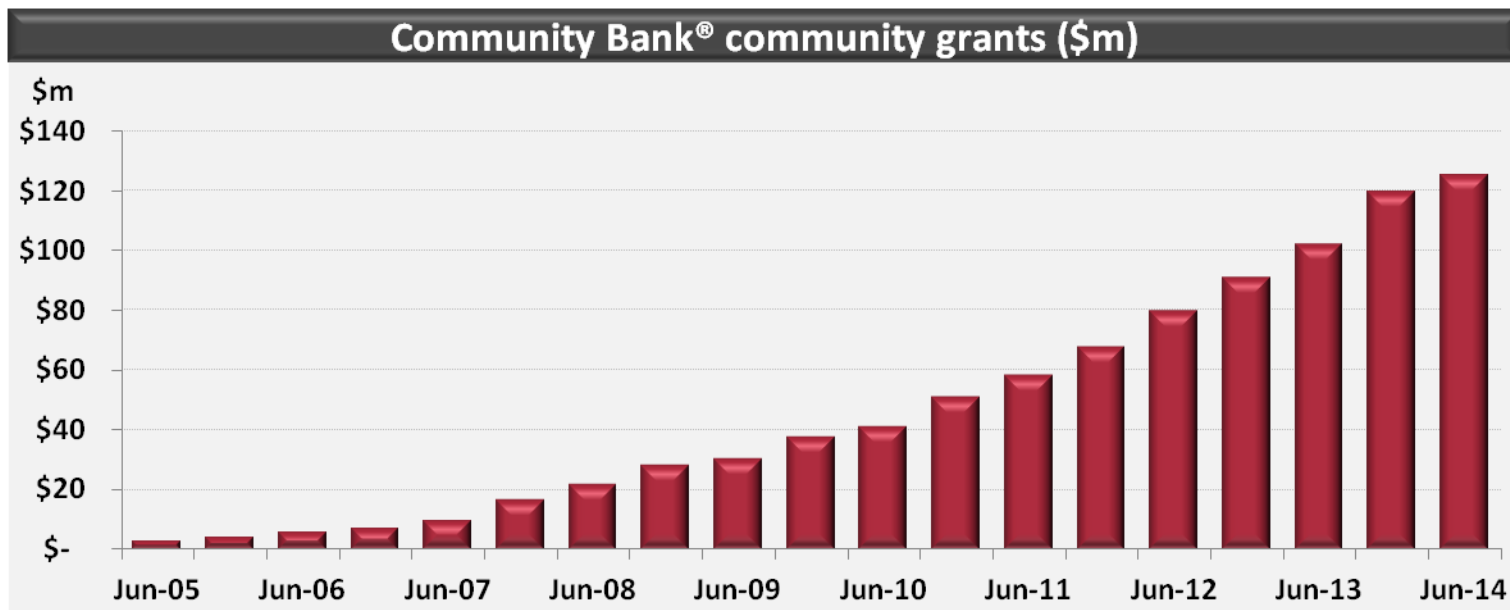


## A portfolio of diverse businesses

Business	Segment	
	Domestic bank operating five distinct brands	<ul style="list-style-type: none"> <li>• Challenges through continued regulatory change</li> <li>• Unique community, customer, and partner proposition</li> </ul>
	Consumer and SME banking	<ul style="list-style-type: none"> <li>• #1 banking brand for customer and business satisfaction, and advocacy</li> <li>• Unique business model – positioned for growth through business cycle</li> <li>• Valued and unique customer proposition</li> </ul>
	Third party channel	<ul style="list-style-type: none"> <li>• Independent brand</li> <li>• Continue to upgrade key systems</li> <li>• Origination channel of choice for many consumers</li> </ul>
	Margin lending, wealth management, superannuation	<ul style="list-style-type: none"> <li>• Independent provider of choice in select products</li> <li>• Increased investment in IT and distribution capability</li> <li>• Margin lending positioned for growth</li> </ul>
	Agri-business banking	<ul style="list-style-type: none"> <li>• Growing brand and distribution</li> <li>• Long-term prospects for agricultural services strong</li> <li>• Expansion of capability and customer base through RFC acquisition</li> </ul>
	Consumer and SME banking for Hellenic communities	<ul style="list-style-type: none"> <li>• Strategic fit with BEN business model</li> <li>• Solid loan growth and deposit retention</li> </ul>

## The Community Bank® model 16 years old

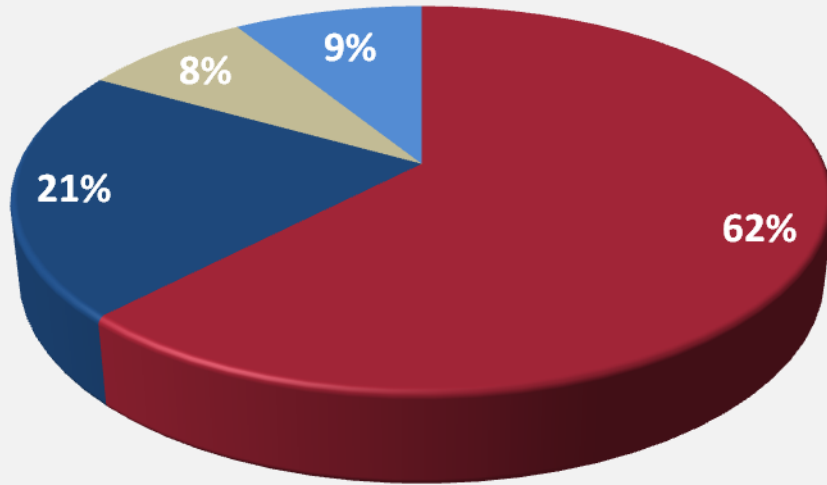
- More than \$120m in community grants since inception – delivering tangible benefits for these communities and our business
- 305 Community Bank branches with more than 90 in communities where there is no alternative provider
- Proven, reliable and cost effective distribution strategy



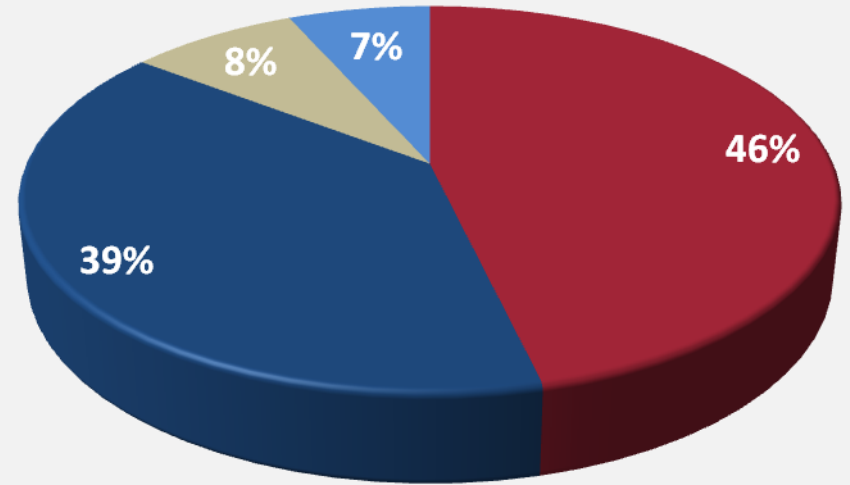
Note: Includes total sponsorships, donations and contributions

## Diversity of revenue and profit contribution

Contribution by revenue




Contribution by profit



 Retail

 Third party lending

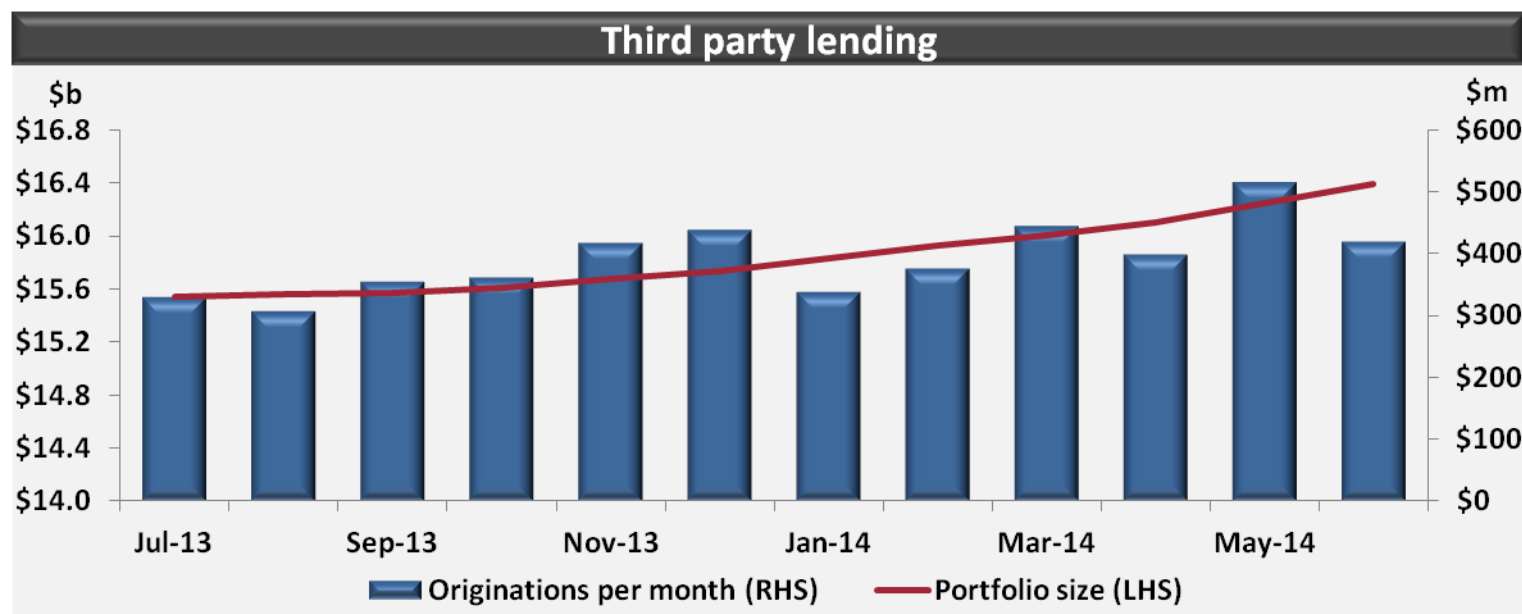
 Wealth

 Rural Bank

Note – Graphs refer to operating segment performance on p20 in 4E, excludes central functions.

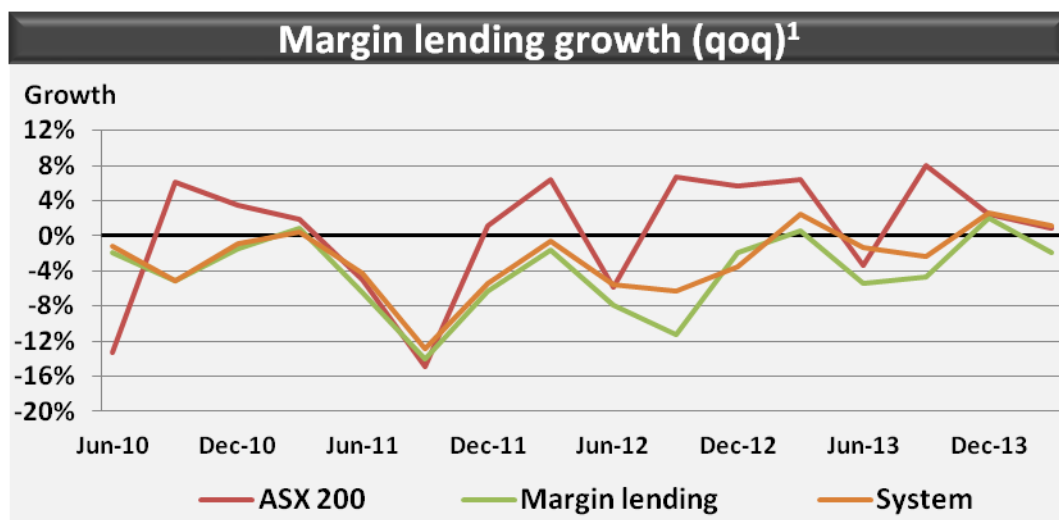
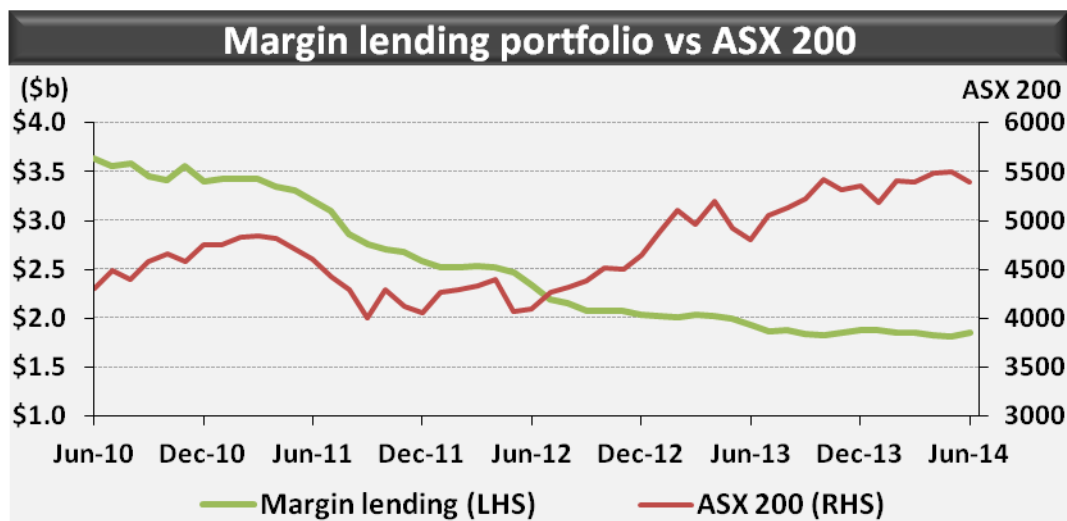
## Third party banking

- Investment in third party lending systems upgrades delivering benefits
- Market conditions remain highly competitive, especially in the broker channel



## Margin Lending portfolio

- Margin lending portfolio stabilised
- Restablished our commitment to our customers and partners
- Positioned to take advantaged of upswing in equities and renewed interest in leveraging products

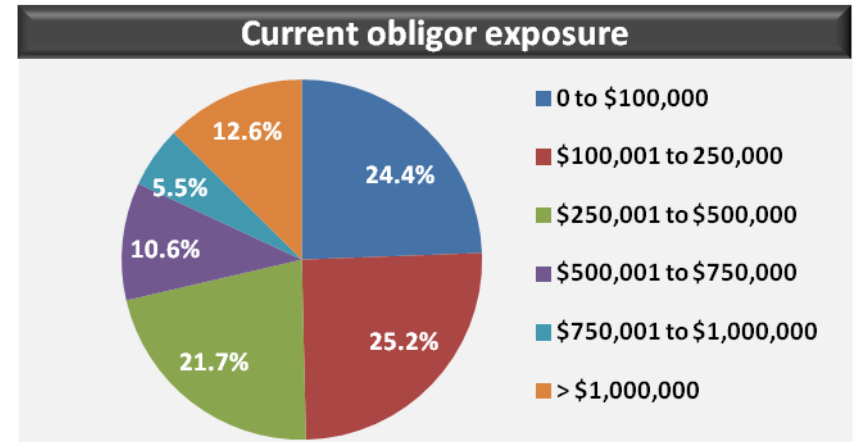
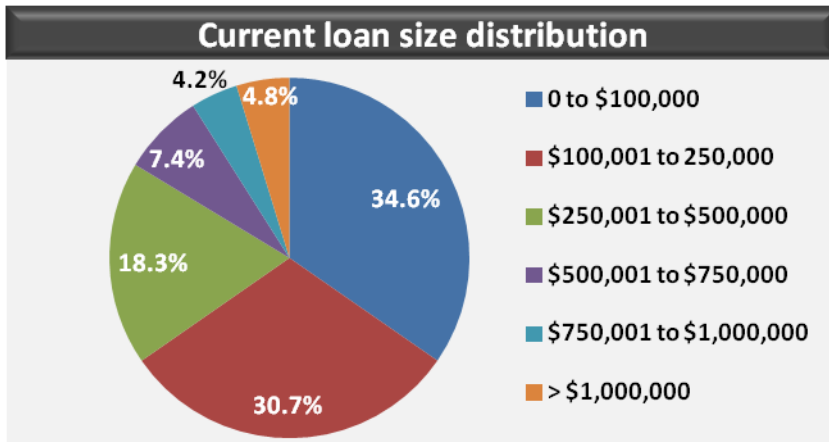


Source: RBA/APRA/Thomson one

1. Excludes protected finance

# Great Southern – loan pool summary

Pool summary statistics	
Total number of Loans:	6,028
Total current value of all loans	378,517,386
Max Loan Size	2,468,475
Avg Loan Size	60,816
Weighted Avg Term to Maturity	2.6 yrs
Weighted Avg Interest Rate	10.77%



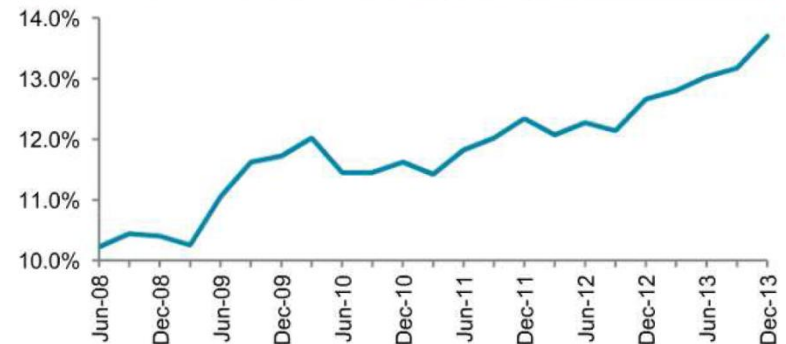
Note - Data as at 30 June 2014

# Rural Finance Corporation

- A\$1.7b rural loan book in Victoria
- 11 offices across Victoria with Head office in Bendigo - BEN company branches co-located in 9 towns
- Circa 115 staff
- Customer value proposition underpinned by:
  - 70-year history
  - Specialist focus on agri-business
  - Quality of relationship management
    - Agri backgrounds
    - Sales disciplines
  - Brand reputation and value add
- RFC has approximately 3,300 customers and traditionally focussed on mainstream 'family farm' and 'family corporate farm' segments
- RFC's loan growth has consistently exceeded sector growth and driven market share gains
- Demonstrated management strength with low historical credit losses over a sustained period despite economic, climate and sector shocks



Rural Finance market share of Vic. farm debt



Source - Rural Finance Corporation, April 2014



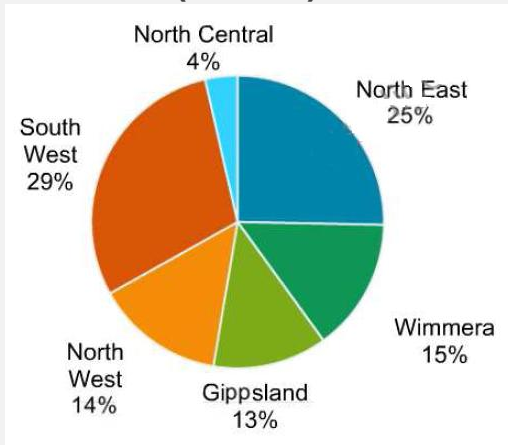
# Rural Finance Corporation

- RFC offers a broad range of agri products but does not have a retail deposit offering
- Community activities include the administration of Government programs and investment incentives – program proposed to continue under contract with Victorian Government

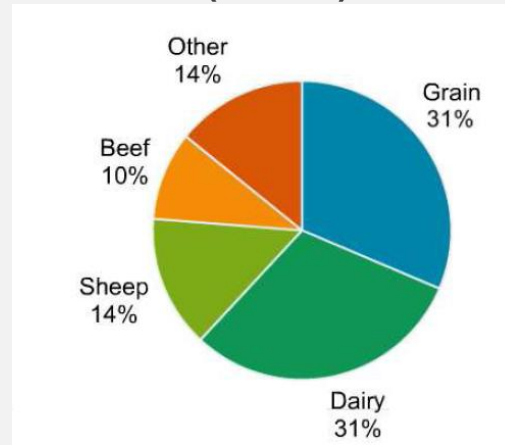
## Current product offering

- Farm business loans
- Access overdraft and visa card
- Vehicle, plant & equip finance
- Industry and business loans
- Housing and invest loans
- Farm management deposits

**Victorian geographic exposure  
(Dec-13)**



**Industry exposure  
(Dec-13)**

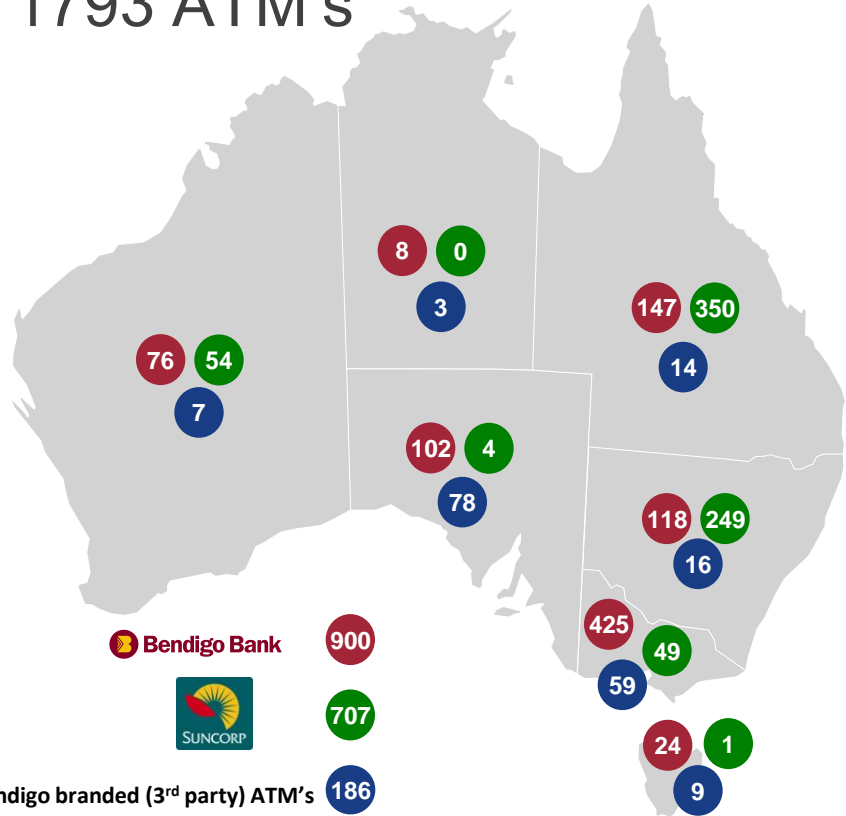


**RFC maintains broad geographic diversification within VIC, with proportionately higher concentration in dairy and grain sectors**

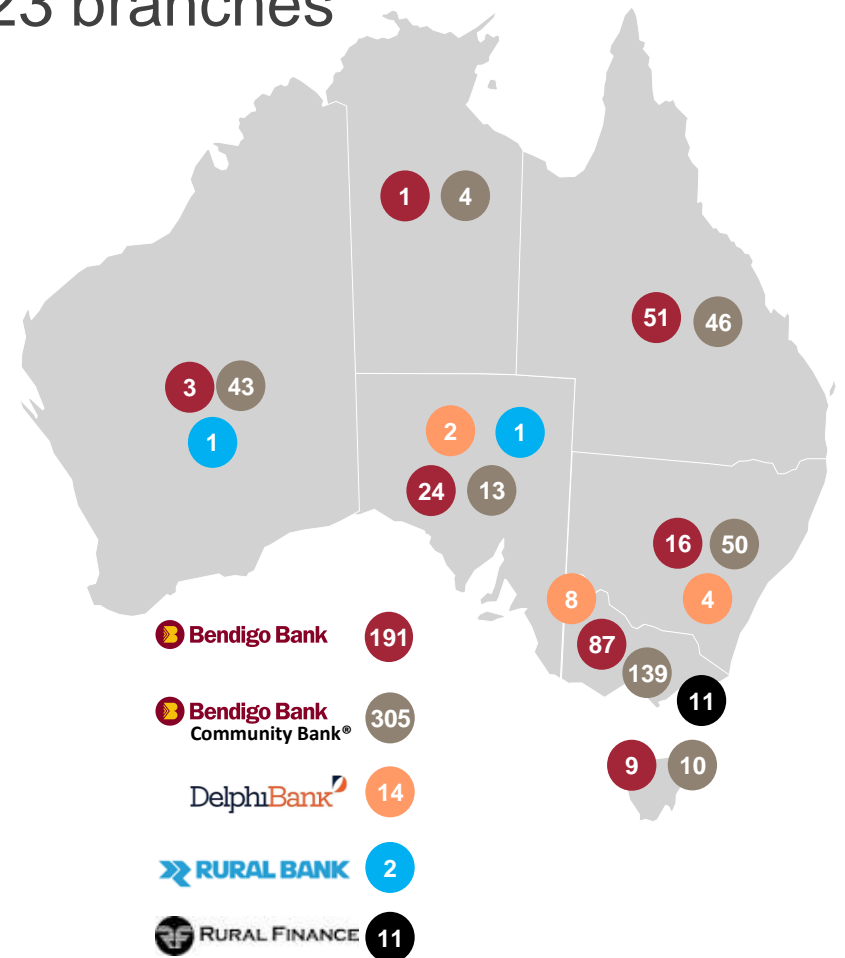
Source - Rural Finance Corporation, April 2014

# Diverse geographic footprint

## 1793 ATM's

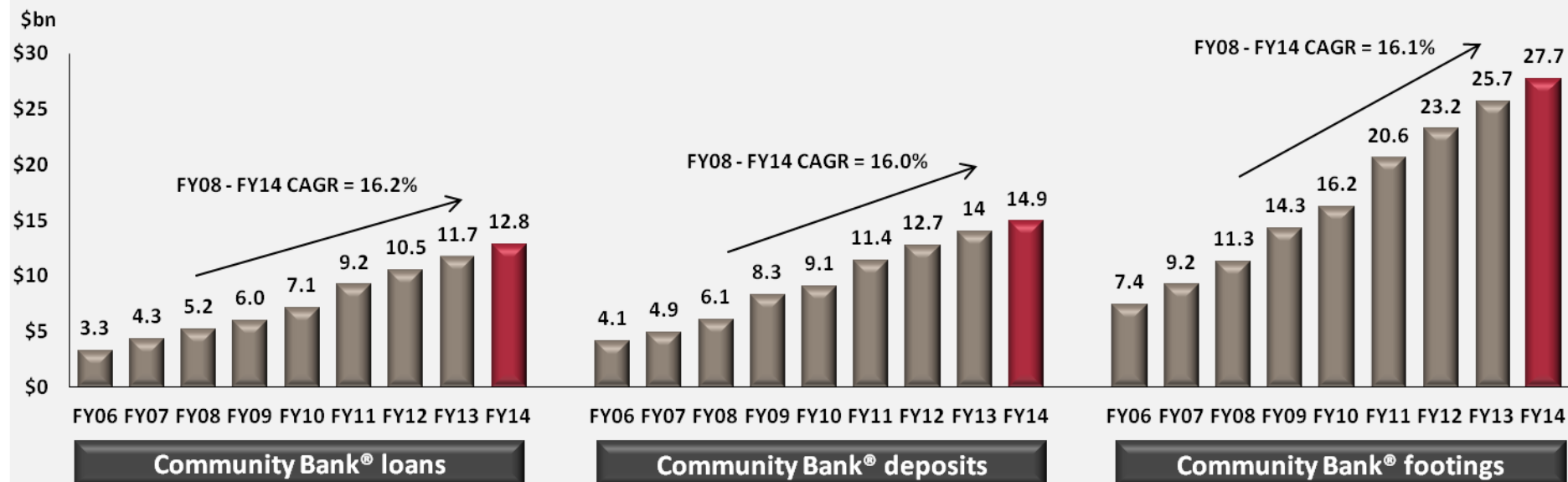


## 523 branches

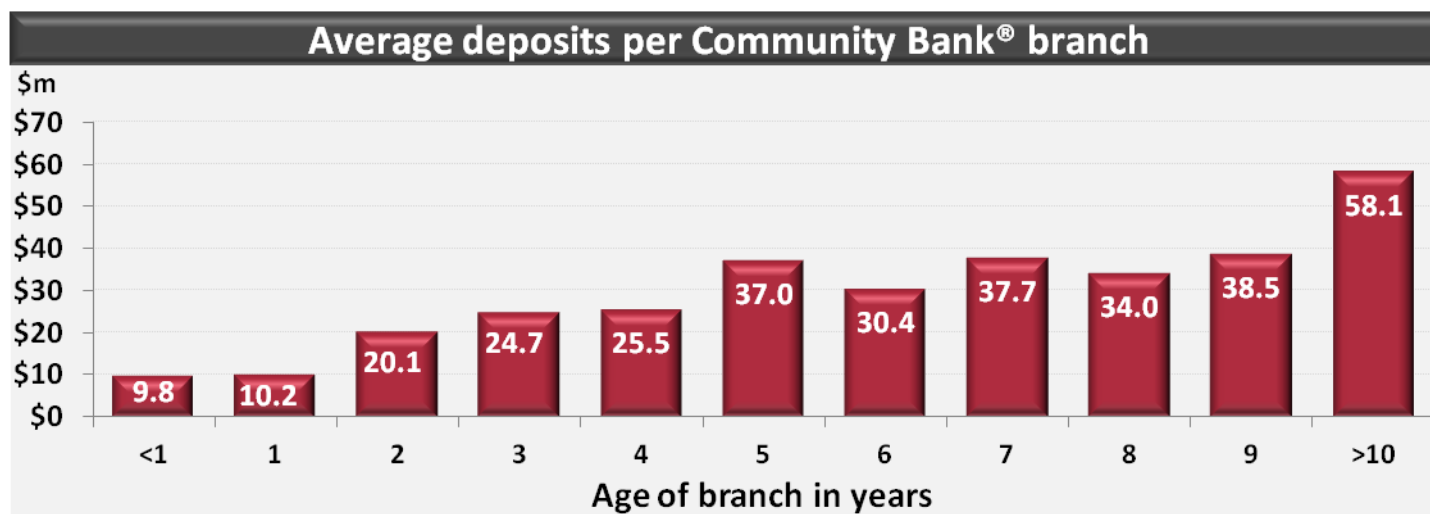
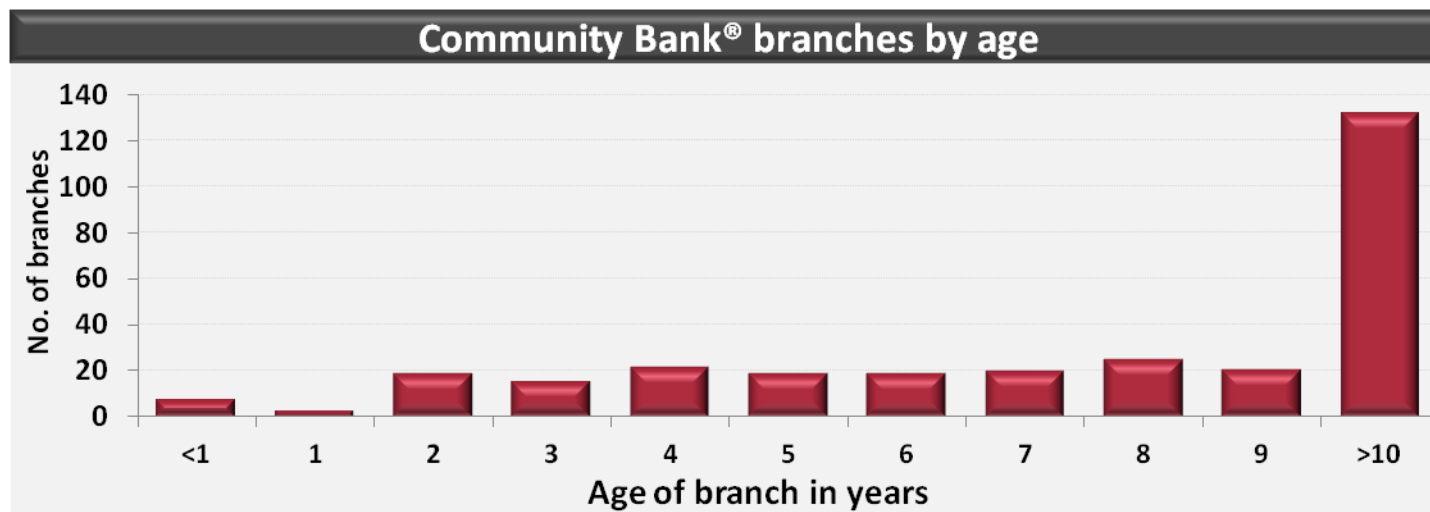


# Community Bank® footings growth

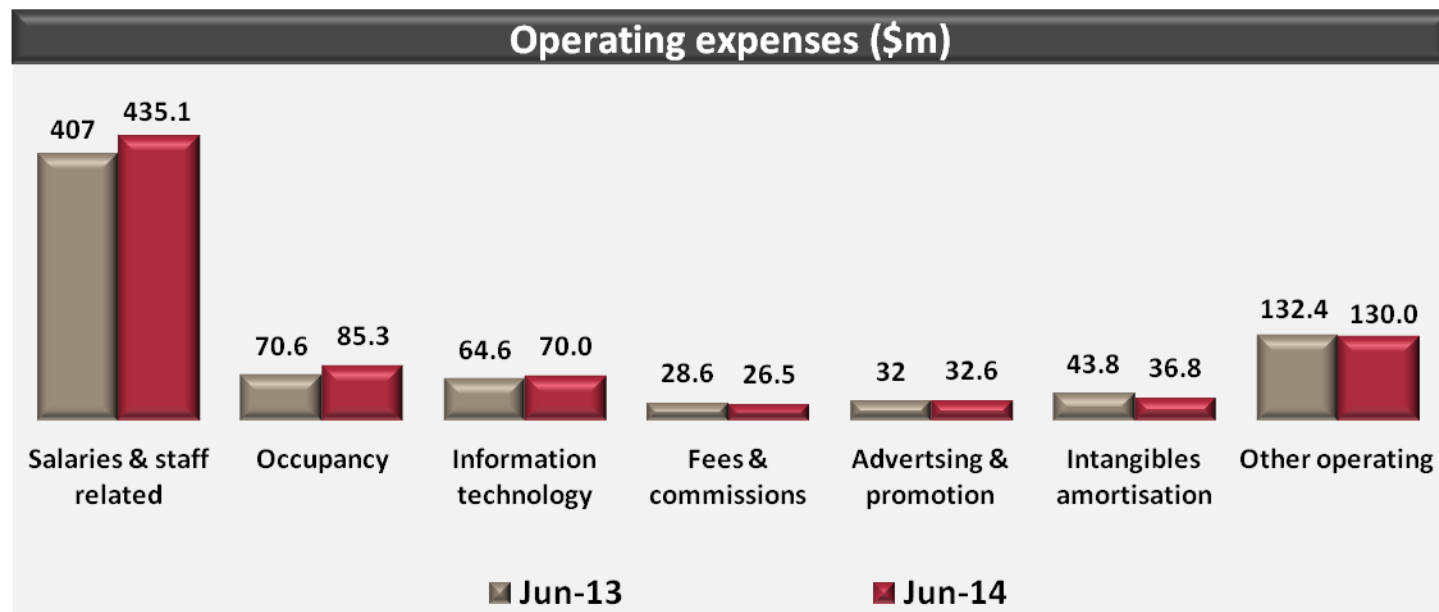
## Community Bank® footings growth



## Community Bank® maturing

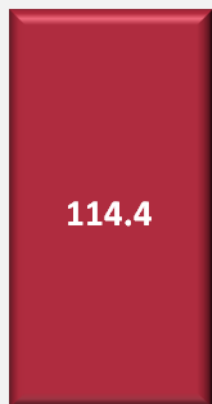


## Operating expenses



## Specific provisions

### Specific provision balance (\$m)

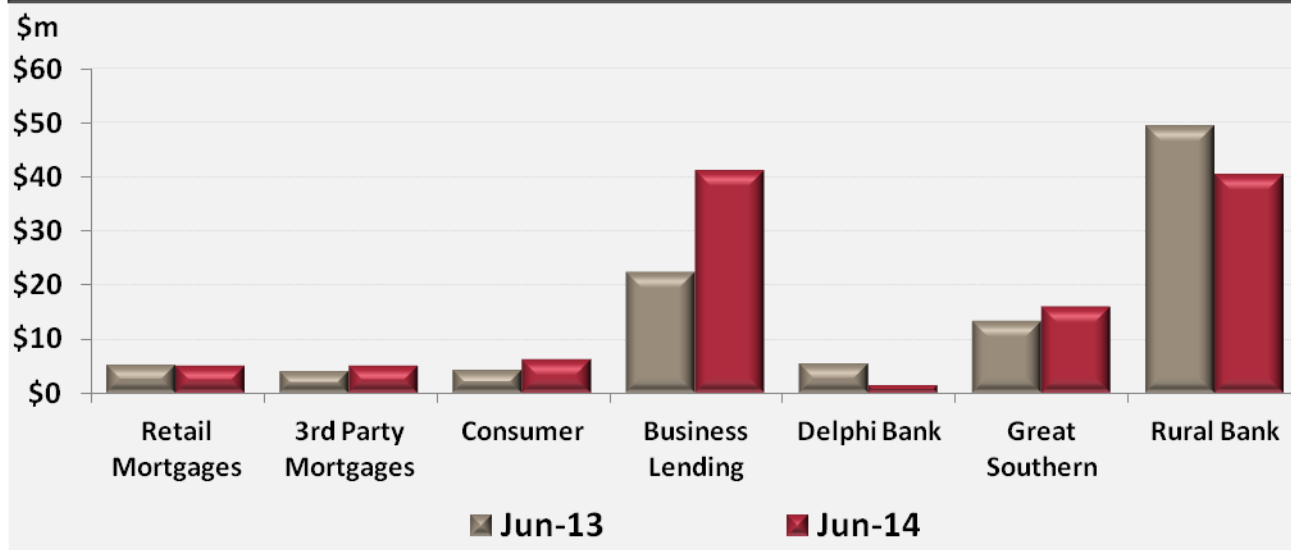


As at Jun 2014

Represented by



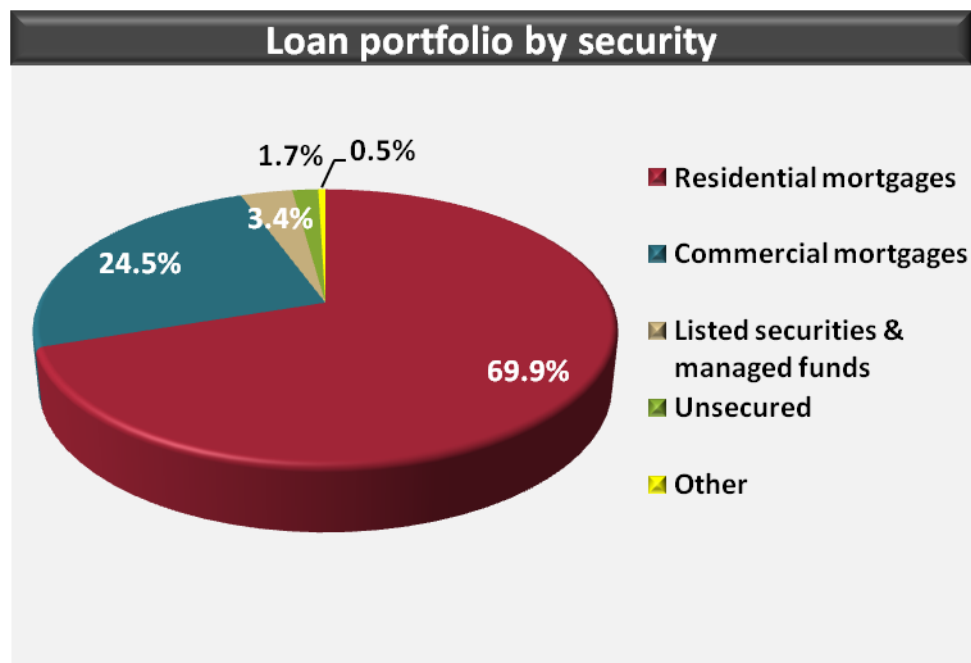
### Specific provisions segment breakdown



Provision as % of portfolio	Retail Mortgages	3 <sup>rd</sup> Party Mortgages	Consumer	Commercial / Business	Delphi Bank	Great Southern	Rural Bank	Wealth	BEN total
June 2013	0.03%	0.03%	0.17%	0.29%	0.35%	3.50%	1.31%	-	0.21%
June 2014	0.03%	0.03%	0.23%	0.52%	0.08%	4.28%	1.04%	-	0.22%
Portfolio as % of gross loans	33.5%	30.8%	4.9%	15.9%	3.4%	0.7%	7.3%	3.5%	100%

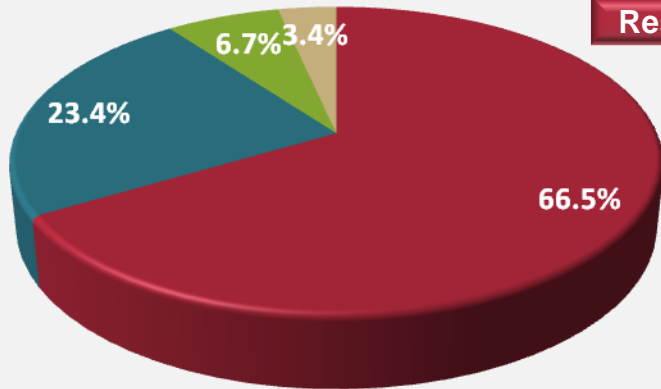
## Secure and low risk loan portfolios

- 98.3% secured
- 97.8% secured by mortgages and listed securities
- Residential lending
  - average LVR 62.4%
- Margin lending
  - average LVR 29.1%
  - 77% of portfolios held  $\geq 4$  stocks



## Group exposure – total \$53.1b

### Loan portfolio by purpose



Residential Detail

■ Residential ■ Commercial ■ Consumer ■ Margin lending

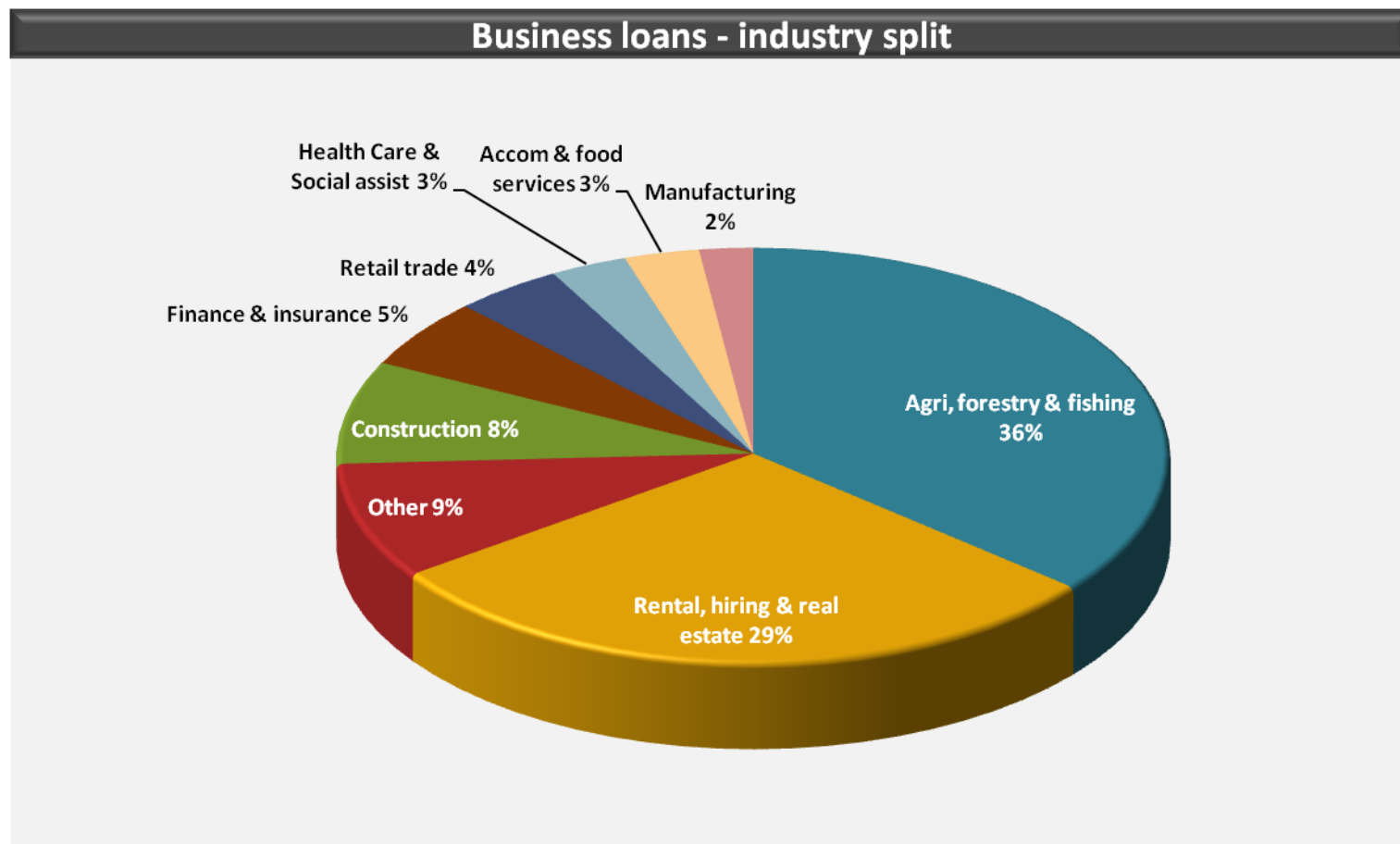
Residential Mortgages <sup>1</sup>	Jun-14	Dec-13	Jun-13
Owner occupied	65.10%	64.95%	64.41%
Investment	34.90%	35.05%	35.59%
Lo Doc	3.92%	4.48%	5.18%
Retail mortgages	51.96%	53.75%	53.23%
Third Party mortgages	48.04%	46.25%	46.77%
Mortgages with LMI	37.88%	39.83%	40.32%
Average LVR	62.43%	62.36%	62.49%
Average loan balance	\$198k	\$189k	\$187k
90+ days past due - exc arrangements	0.62%	0.56%	0.72%
Impaired loans	0.12%	0.09%	0.12%
Specific provisions	0.03%	0.03%	0.03%
Loss rate	0.01%	0.01%	0.02%
Variable	70%	75%	79%
Fixed	30%	25%	21%
First home owners % portfolio	7.09%	8.33%	8.29%
First home owners Average LVR %	71.65%	71.44%	71.96%

Note: All loan data above represented by loan purpose.

<sup>1</sup>Data excludes Delphi Bank



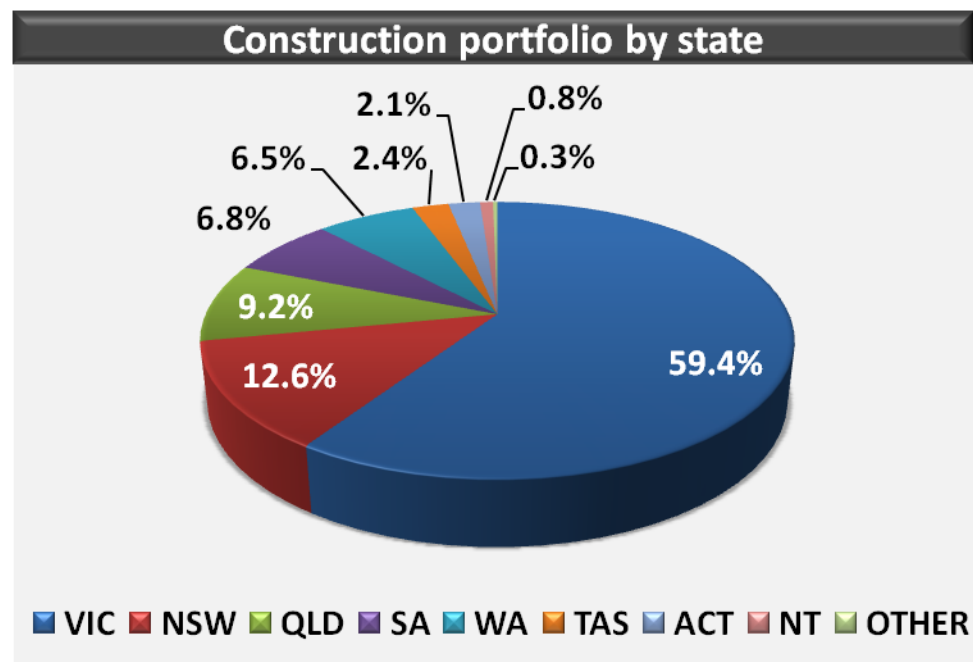
## Business – industry split



Note: All loan data above represented by security as per page 22 in the 4E.

## Construction portfolio

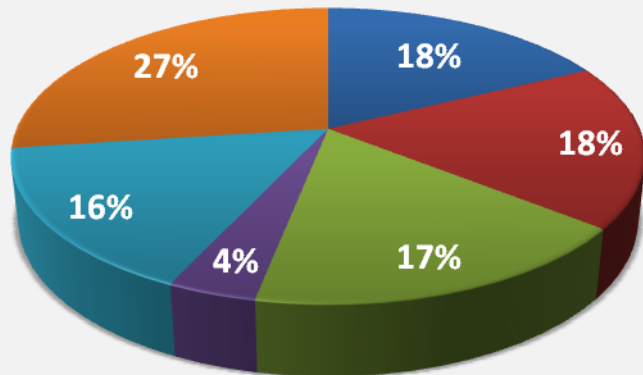
- \$1.2b of loans
- 2.2% of total loans
- \$245k average loan size
- \$16.2m largest loan size
- Geographic spread
- \$10.1m impaired loans (0.9%)
- \$15.4m in arrears (1.1% 90 days+)



Note: Excludes Rural Bank

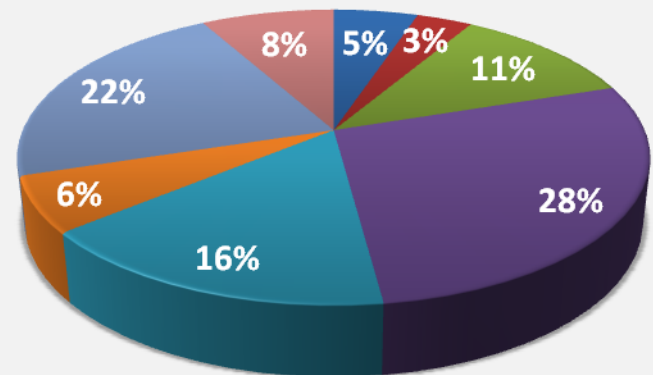
# Rural Bank – loan portfolio

### Rural Bank - Loan portfolio geographic split



■ NSW ■ SA/NT ■ QLD ■ TAS ■ VIC ■ WA

### Rural Bank - loan portfolio industry split



■ Dairy ■ Hort & Vit ■ Grain  
■ Grain, Sheep & Beef ■ Sheep & Beef ■ Sheep  
■ Beef ■ Other

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