



# Results Presentation

For the full year ended  
30 June 2020



**Bendigo and  
Adelaide Bank**

# Agenda

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**Overview**

Marnie Baker

**FY20 financials**

Travis Crouch

**COVID-19 impacts**

Taso Corolis

**Summary**

Marnie Baker

**Questions**

Marnie Baker, Travis Crouch & Taso Corolis

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# Overview

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**Marnie Baker**  
Managing Director

# FY20 results - overview



## Strong financial position

- Strong deposit funding and liquidity profile
- Reinforced balance sheet: CET1 of 9.25%
- Well secured lending portfolio
- Resilient business performance



## Purpose in action

- Supporting our customers and partners
- Assisting communities
- Protecting our employees



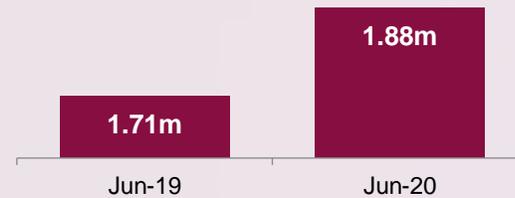
## Strategic execution

- Acceleration of digital engagement
- Above system growth
- Building new capability
- Cost reduction program in place

# Key measures

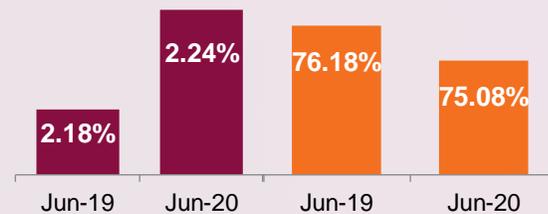
## Strong growth with heightened focus on costs

### Customer numbers



### Market share<sup>1</sup>

■ BEN ■ Major banks

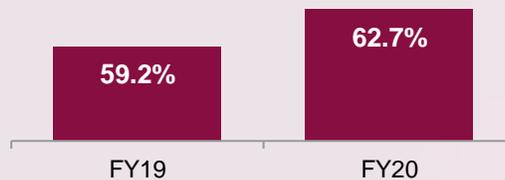


### System lending growth<sup>2</sup>

■ BEN ■ Major banks



### Cost to income



### Net promoter score<sup>3</sup>

■ BEN ■ Industry

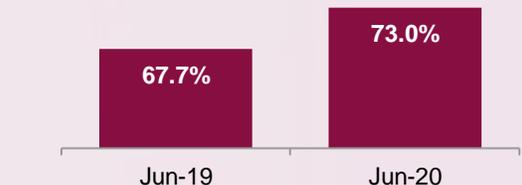


### MFI business NPS<sup>4</sup>

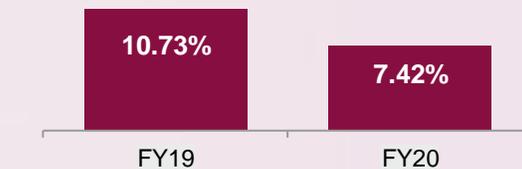
■ BEN ■ Major banks



### Employee NPS



### Return on tangible equity (cash)



<sup>1</sup> APRA Monthly Banking Statistics June 2020, APRA Monthly Banking Statistics June 2019. Market share change calculated on total lending over corresponding 12-month period

<sup>2</sup> APRA Monthly Banking Statistics June 2020. BEN total lending growth rate and major bank average against system

<sup>3</sup> Roy Morgan Net Promoter Score – 6 month rolling averages. 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.

<sup>4</sup> DBM Atlas (Business) MFI NPS – Total Business with <\$40m turnover. Figures based on 12 month rolling data

# FY20 financial result

Pre-COVID-19 impacts earnings broadly stable

	FY20 (\$m)	FY19 (\$m)	FY20 vs FY19
<b>Statutory net profit</b>	\$192.8	\$376.8	(48.8%)
<b>Cash earnings</b>	\$307.1	\$415.7	(27.4%)
<b>Cash earnings (ex COVID-19 impacts)<sup>2</sup></b>	\$403.9	\$415.7	(2.8%)
Total income	\$1,614.2	\$1,599.5	0.9%
Cost to income	62.7%	59.2%	+350bps
Return on tangible equity	7.42%	10.73%	(331bps)
CET1	9.25%	8.92%	+33bps
Net interest margin	2.33%	2.36%	(3bps)
Cash earnings per share	59.7c	85.0c	(29.8%)
Dividends per share <sup>3</sup>	31c	70c	(55.7%)

FY20 net profit impacted by<sup>1</sup>

- COVID-19 collective provision overlay of \$127.7m
- Software impairments of \$121.9m
- Accelerated amortisation of \$19.0m
- Restructuring and other specific expense items \$14.2m

<sup>1</sup> Pre-tax

<sup>2</sup> Cash earnings (ex COVID-19 impact) reflects cash earnings after tax and removes the notable impacts from COVID-19 (after tax impact of \$102.2m). Refer to slide 23 for additional information

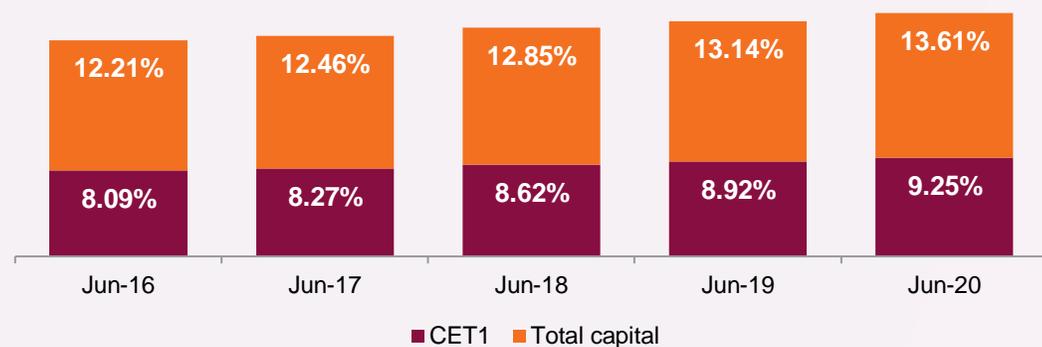
<sup>3</sup> FY20 final dividend decision has been deferred

# Dividends

## Balance sheet well positioned

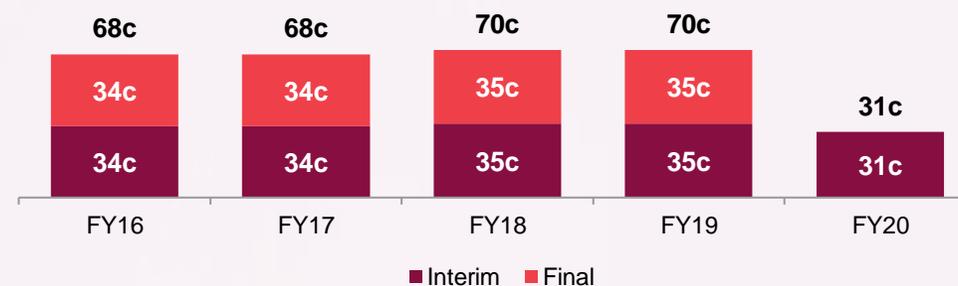
### Balance sheet

- Strong customer deposit funding at 75.2% backed by wholesale funding programs
- Liquidity profile remains strong with positive call deposit flows
- Conservative COVID-19 provision with a 0.54% coverage ratio<sup>1</sup>
- CET1 ratio of 9.25% above APRA's unquestionably strong benchmark target for standardised banks



### Dividends

- Whilst economic uncertainty remains and the impact of COVID-19 is still evolving, the Board has acted prudently to defer a final dividend decision
- Ongoing stress testing supports the strong balance sheet and capital position
- We continue to adhere to APRA's industry guidance on capital management
- 1H20 interim dividend of 31c declared in February 2020



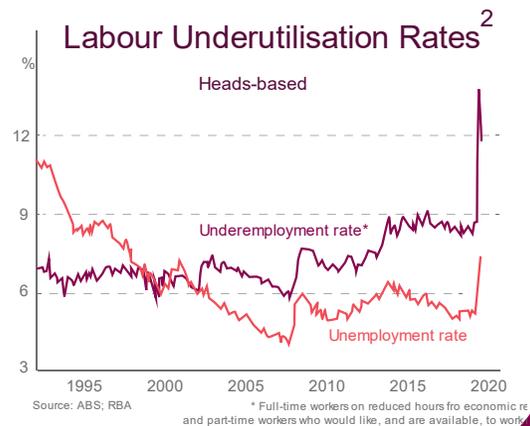
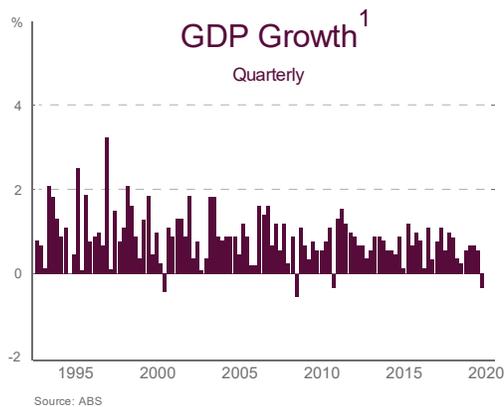
<sup>1</sup> as % of GLA – 30 June 2020

# Operating in a COVID-19 environment

Unprecedented economic disruption, requiring decisive and collaborative action

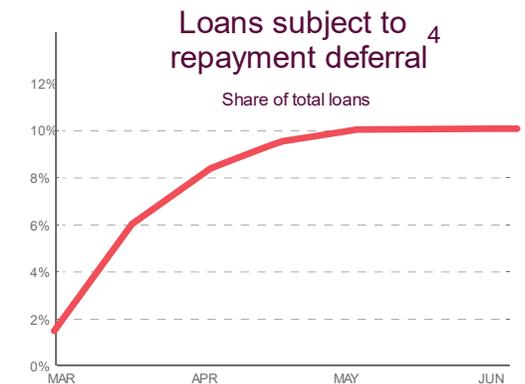
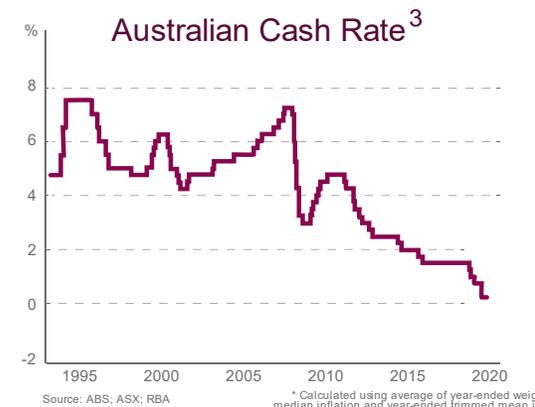
## Economy has severely contracted

- First recession in 30 years and largest contraction since 1930
- Forecast reduction in growth with slow recovery from March '21
- Pre-pandemic growth levels not expected to return until at least 2022
- Unemployment expected to peak at 10%



## Support measures put in place

- Government and banks work together to support Australians
- Largest economic stimulus package in history by Government
- RBA cut official cash rate to 0.25% and introduced QE measures
- Banks providing support to ~10% of their customers



**Strong position leading into COVID-19**  
**Committed to supporting our customers, communities and employees**

<sup>1</sup> Australian Bureau of Statistics

<sup>2</sup> Australian Bureau of Statistics, Reserve Bank of Australia

<sup>3</sup> Australian Bureau of Statistics, ASX & Reserve Bank of Australia

<sup>4</sup> APRA banking industry data - loan deferrals, June 2020

# Purposeful in our response to COVID-19

Supporting our customers and employees

## Our customers

- As at 31 July, a total of **24,365** customer accounts have received 3 - 6 month payment deferrals with **4,041** accounts having recommenced payment
- **20,324** customer accounts remain active in deferrals representing:
  - **\$4.6bn** of residential and consumer loans ~9% of the portfolio
  - **\$2.0bn** of commercial loans representing ~12% of the portfolio
- Over **99%** of branch network remained open
- **100%** ATM availability
- **4,666** merchants had terminal fees waived
- Re-positioned the roles of over **200** staff to meet customer demands
- Business customers all received proactive calls from relationship managers
- Extended 24/7 Employee Assistance Program to customers
- Increased resources in our Mortgage Help Team to provide timely support to our impacted customers
- Added more resources to our Financial Assist Support Team (FAST) to support vulnerable customers

## Our employees

- Granted all permanent employees an additional **10** days of personal (sick/carer's) leave
- Protective screens provided in branches
- Over **90%** of our corporate office employees working from home
- Supported our employees to establish working from home protocols
- Expanded our wellbeing program to include a range of webinars, in addition to our 24/7 Employee Assistance Program, available to all employees and their families
- Reimbursements for seasonal flu vaccines made available to all employees
- Kept our people critically informed and connected virtually through technology upgrades to support productivity and effective remote working, learning and collaboration

# Purposeful in our response

## Community at our core

### Community Bank

Over 220 Community Banks have provided direct financial support in response to COVID-19 as well as engaging in their local communities with the broader community response.

#### Harden Murrumbeena Community Bank Branch

*Granted \$20,000 towards a stimulus package for local businesses to apply for assistance due to COVID-19.*

### Community Contributions

Over \$245m in community contributions<sup>1</sup> since inception, enabling tangible economic and social benefits for their communities and our business.

#### Mt Evelyn & Districts Community Bank

*"We created a \$50,000 stimulus program to support local organisations recover and start up after the COVID 19 lockdown."*

#### Macedon Ranges

*"We have Director representation on the MRSC Pandemic Working Group to ensure a collaborative approach to critical community requirements."*

#### Caulfield Park Community Bank

*Grants totalling \$104,000 awarded to 25 local community organisations providing emergency relief and assistance to people impacted by Covid-19.*

### National Bushfire Appeal

Our National Bushfire Disaster Appeal has raised over \$46 million from over 140,000 generous donors to support those in bushfire affected areas. Many businesses and communities have been hit twice as hard with COVID-19 severely impacting their recovery.

#### Alice Springs Community Bank

*'We helped set up a group called Mutual Aid Alice Springs. It is a group for sharing local information and updates around COVID19. It is a network of volunteers from a range of services with the purpose of ensuring support to the wider community.'*

#### Canterbury Surrey Hills Community Bank

*"The Company opened specific Covid-19 grants for up to \$5,000 which we approved within the week for those in the community in need of support for PPE etc, or other financial assistance. Some examples are; supporting food purchases for a local organisation providing for those in need in the community as the avenues for collection of food had disappeared with Covid-19. Supporting aged care providers with iPads for the clients to contact loved ones during this time."*

#### Yarra RangesShire

*5 of our Community Banks are working together in collaboration with the LGA to facilitate the local councils grant program.*

<sup>1</sup> Includes total sponsorships, donations and grants

# Strategy

Multi-year transformation and growth strategy in action

## VISION

**Australia's bank of choice**

## PURPOSE

To feed into the prosperity of our customers and communities, not off it

## STRATEGY

-  Reduce complexity
-  Invest in capability
-  Tell our story

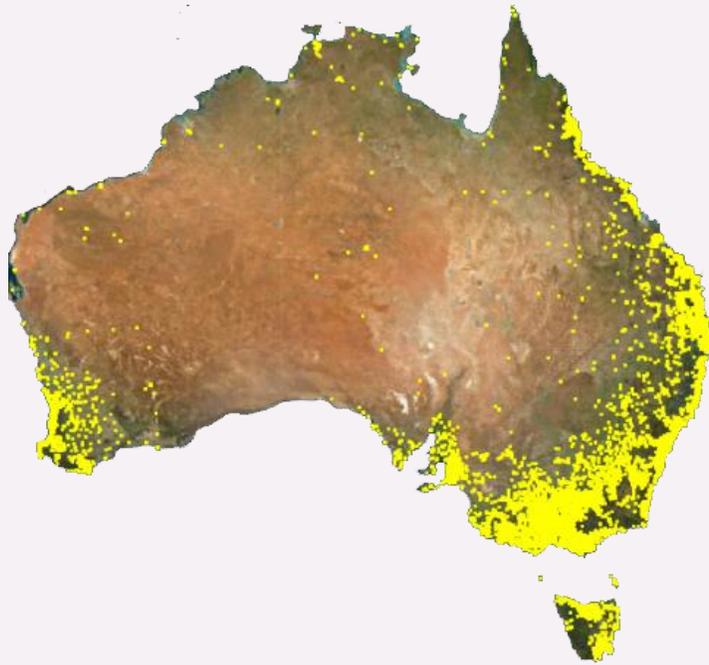
## OUTCOMES

- Seamless customer experience
- Medium-term reduction in cost base
- Sustainable growth

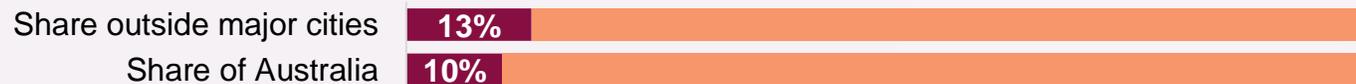
# A national bank with distinctive and compelling strengths

Focused on key growth markets

## New customers in FY20



**977 face-to-face points of presence<sup>1</sup>**



## Key priority markets



Millennials



Couples, Families,  
Professionals, Savers



Small Business,  
Middle-Market

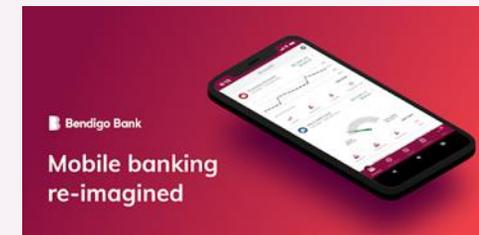


Agribusiness

## Our competitive strengths and advantages

- Trusted brand
- Service and relationship
- Grounded in purpose
- Embedded in community
- Strong growth prospects
- Partnering capability
- Track record of innovation

## 860k e-banking users



Bendigo Bank

Mobile banking  
re-imagined



<sup>1</sup> APRA ADI Points of Presence Database; includes Branches and other face-to-face points of presence Index; September 2019

# Executing on our growth and transformation strategy

1



Early action to remove complexity and cost

2



Investing in capacity for growth in existing and new markets

3



Reducing operational complexity and moving on productivity opportunities

4



Prioritising growth and transformation opportunities in line with changing customer needs and operating environment

# Executing on our growth and transformation strategy

Early action taken

1



Early action to remove complexity and cost

- Reduction in businesses and brands
- Geography/locations consolidation
- Product and applications rationalisation
- Restructuring of functions and removal of layers
- Redundancies

## FY20 actions

- Acquired remaining 50% of Community Sector Banking joint venture and commenced optimisation of the operating model
- Net reduction of 17 branches
- Introduction of new loan product “Bendigo Complete Home Loan” which has removed 95 products from our system
- 12% reduction in technology applications
- Restructures of Marketing and Technology divisions

# Executing on our growth and transformation strategy

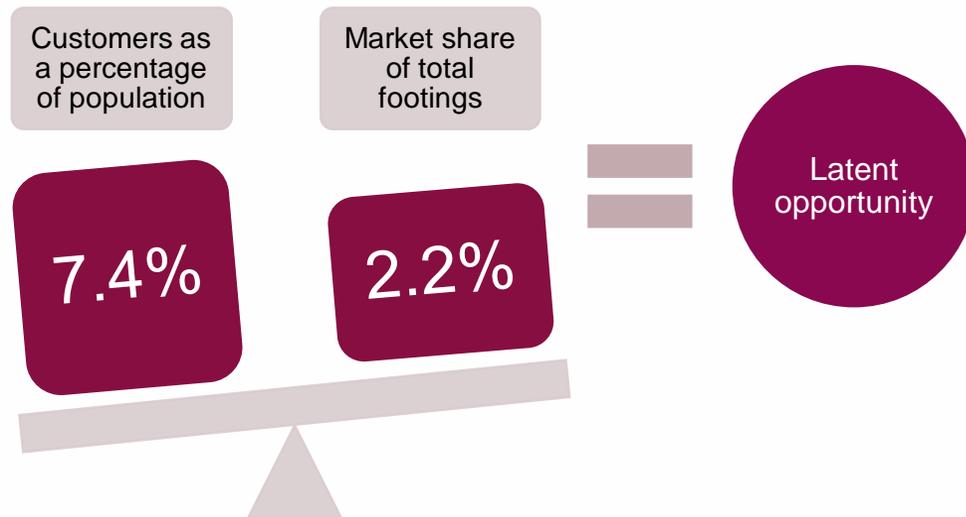
Investing in growth

2



Investing in capacity for growth in existing and new markets

## Existing customers



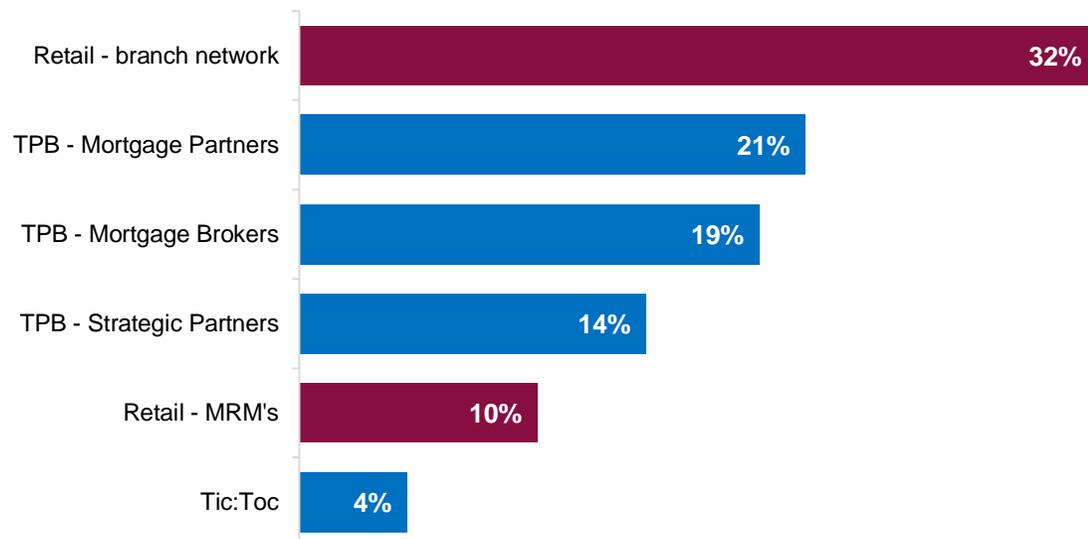
## Key growth markets



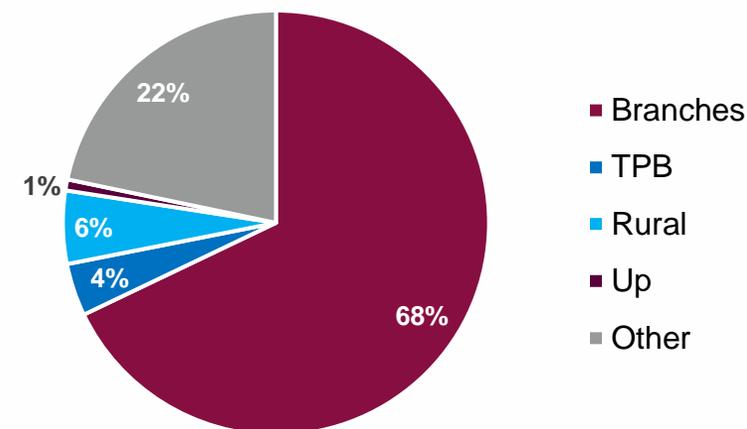
# Executing on our growth and transformation strategy

## Growth in core consumer origination channels

### FY20 residential lending settlements - by channel



### Customer deposit portfolio by channel – June 2020



### Investing for growth:

- Established and deepened partnerships in Third Party Banking
- Increased digital engagement
- Additional mobile lenders and relationship managers and improved lending processing capabilities
- Continued modernisation and optimisation of branch network, including concept branches and network tiering

# Executing on our growth and transformation strategy

## Structural and sustainable change

3



### Reducing operational complexity and moving on productivity opportunities

- Established a cost transformation program to:
  - Pursue significant cost reductions focusing on permanent, structural and sustainable reductions in multi-year annual cost savings that become part of how we operate
  - Pursue cost base reductions that improve the value proposition and experience for our customers and drive growth
- Currently mobilising around three early areas of opportunity:
  - Productivity
  - Organisational simplification
  - Procurement
- Appointed Boston Consulting Group to support us in achieving our medium term cost to income objective

#### Examples:

- Optimise front-line productivity through enhanced scheduling
- Continue to match positioning of our branch footprint with customer and community demand
- Simplify our organisation structure to drive economies of scale in repeatable processes and like functions
- Continue to divest non-core businesses
- Optimise procurement spend through demand management and select vendor renegotiation
- Drive digitisation of core value streams e.g. lending

# Delivering on our growth and transformation strategy

Reset operating model for the new world

4



Prioritising growth and transformation opportunities in line with changing customer needs and operating environment

- Simplified business and operating model with ability to scale
- Ability to anticipate and adapt with speed to changing customer behaviour
- Acceleration of digital engagement and adoption
- Flexible, agile and resilient workforce
- Community and social connection based on trust
- Embracing environmental and social challenges
- Human relationships, automated processes
- Robust risk management systems and frameworks powered by data analytics and insights

# Delivering on our transformation strategy

To support growth, increase operational leverage and maintain a leading customer experience



## Customer experience

- Introduced ability to sign documents digitally and identify customers via video
- Collection of digital capability initiatives and products delivered to enable enhanced customer experience through COVID-19 pandemic and beyond
- Enhancements in commercial lending to allow faster processing with reduced human input



## Digital

- Digital logons increased 20% year on year
- Connect and Up Apps features continued to be enhanced and both apps are rated in the Top 4 banking apps in Australia
- Continued investment made in capabilities of Up, including streamlined payments between Up users, improved payment identifications and COVID-19 related budgeting assistance which helped to drive an increase in Up customer numbers of 140%
- Implemented new data streaming and integration capabilities to deliver real-time data and transition to Cloud



## Simplification

- Reduced the number of technology applications from 684 to 601 (12% reduction) in order to remove duplication, cost and reduce risk
- Migrated multiple systems from aged, unsupported infrastructure enabling greater efficiency with significantly less risk
- Launch of 'Complete' Home Loan under the Bendigo brand – removed 95 products from our system



## Automation

- Digital signature capability implemented to allow for greater automation of document signatures, improving time to lend for customers and frontline staff
- Significant number of workflows automated to enhance customer experience
- Automation of the scheduled review process for business customers



## Regulatory change

- First deliverable under the Open Banking regime (Providing Product Reference Data in the cloud) was delivered ahead of schedule. Focus now moves to the delivery of compliance with the obligations under the Consumer Data Right in 2021
- Continued to enhance data capabilities to mitigate risk

# Delivering on our transformation strategy

## FY21 transformation roadmap

- Simplify and then digitise key customer journeys prioritising joining the bank, home, business and agribusiness lending
- Simplify our operating structures and continue to expand our capability around operating in an increasingly digital environment
- Deliver Open Banking in line with industry timelines and leverage new capability into new customer offerings
- Extend Cloud and API capability and further leverage cloud based applications, services and platforms
- Continue to reduce the number of products and technology applications we operate to simplify our business
- Leverage our partners capability to accelerate the build out of our key digital channels and offers
- Further consolidation of business models, brands and banking platforms
- Deliver an enhanced Wellbeing solution with the tools, programs and services to support the physical, emotional and mental health and safety of our people
- Launch BEN U, our corporate university that supports the modern learner and our philosophy of 'learning through programs, through people and through practice'

## Outcomes

- Reduced time to decision
- Reduced cost to serve
- Increased ease to join
- Increased number of and depth of customer relationships
- Reduced number of products and applications
- Increased use of Cloud and cloud based applications
- Increased employee advocacy
- Increased employee engagement
- Increased productivity

# FY20 financials

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**Travis Crouch**  
Chief Financial Officer

# Financial performance

	FY20 (\$m)	FY19 (\$m)	FY20 v FY19	2H20 v 2H19
Net interest income	\$1,346.4	\$1,308.0	2.9%	3.2%
Other income	\$267.8	\$291.5	(8.1%)	(11.8%)
Homesafe <sup>1</sup>	\$15.7	\$14.1	11.3%	24.6%
Operating expenses	\$1,021.5	\$954.5	7.0%	8.9%
Credit	\$168.5	\$50.3	235.0%	485.9%
<b>Cash earnings (after tax)</b>	<b>\$301.7</b>	<b>\$415.7</b>	<b>(27.4%)</b>	<b>(56.1%)</b>
<b>Cash earnings (ex COVID-19 impact)<sup>2</sup></b>	<b>\$403.9</b>	<b>\$415.7</b>	<b>(2.8%)</b>	<b>(3.9%)</b>
<b>Statutory net profit (after tax)</b>	<b>\$192.8</b>	<b>\$376.8</b>	<b>(48.8%)</b>	<b>(72.9%)</b>
<b>Cash EPS</b>	<b>59.7c</b>	<b>85.0c</b>	<b>(29.8%)</b>	<b>(58.5%)</b>

Note: NII, other income and operating expenses all cash basis before tax

<sup>1</sup> Homesafe net realised income before tax

<sup>2</sup> Cash earnings (ex COVID-19 impact) reflects cash earnings after tax and removes the notable impacts from COVID-19 (after tax impact of \$102.2m)

# COVID-19 impacts

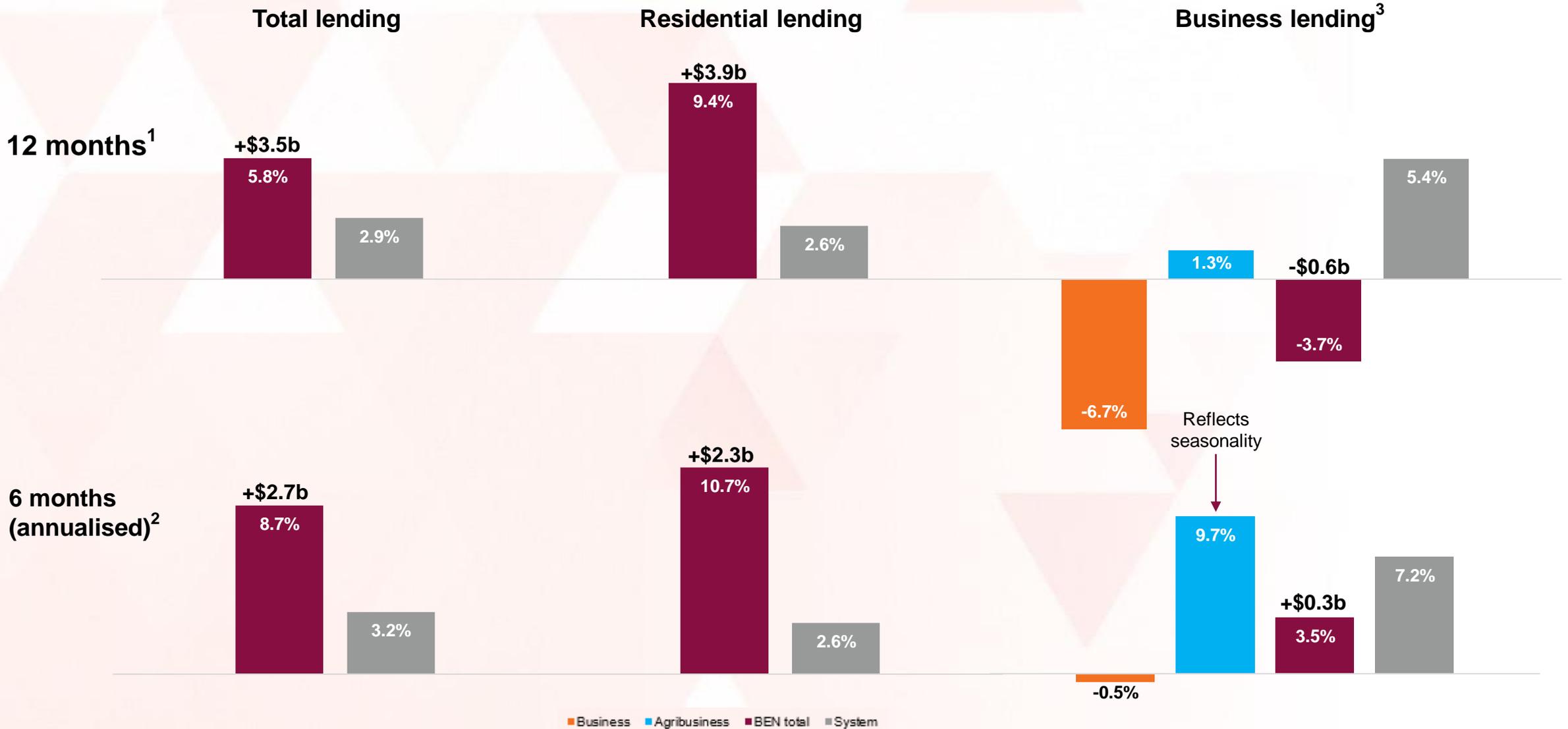
Notable COVID-19 impacts on FY20 financials:

- Other income reductions associated with customer activity
- Direct costs associated with staff safety and welfare
- Higher leave provisions as our staff responded to changing work environment and higher customer demand
- Staff levels maintained and reallocated to assist in our response to supporting customers
- Collective Provision overlay in accordance with AASB9 Financial Instruments accounting standard

	FY20 (\$m)
<b>Other income</b>	<b>\$8.8</b>
Fee, Commission and FX income	
<b>Operating expenses</b>	<b>\$1.9</b>
Staff safety and welfare costs	
Staff costs & higher leave provisions	<b>\$7.6</b>
<b>Credit costs</b>	<b>\$127.7</b>
AASB 9 Collective Provision overlay	
<b>Total COVID-19 impact (pre-tax)<sup>1</sup></b>	<b>\$146.0</b>
<b>Total COVID-19 impact (after-tax)<sup>1</sup></b>	<b>\$102.2</b>

<sup>1</sup> Table is indicative of notable items related to COVID-19 and does not capture all impacts

# Lending growth profile



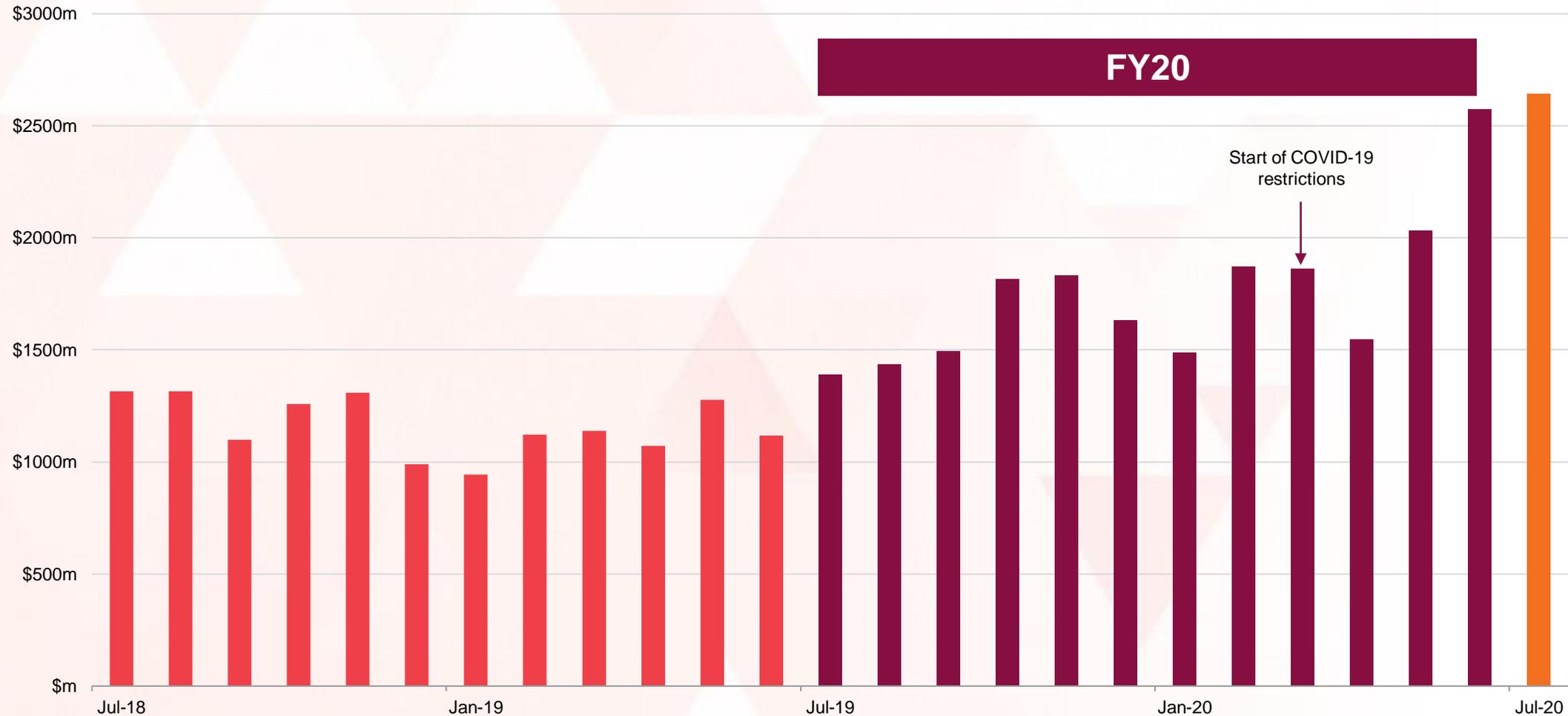
<sup>1</sup> APRA Monthly Banking Statistics June 2020. Growth rate based on a 12-month period (30/06/19 – 30/06/20)

<sup>2</sup> APRA Monthly Banking Statistics June 2020. Data is an annualised growth rate based on a 6-month period (31/12/19 – 30/06/20)

<sup>3</sup> Business lending reflects growth rates in non-financial corporations as defined by APRA

# Executing on strategy

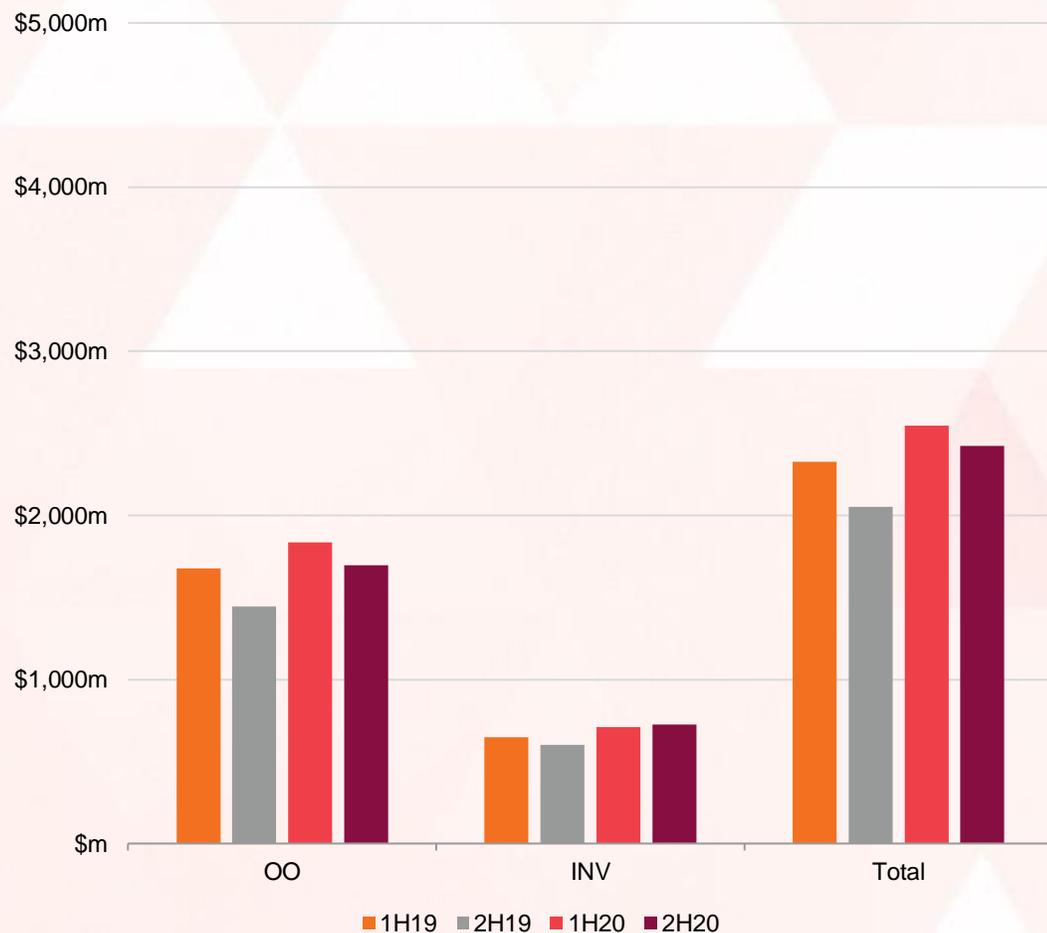
## Residential lending applications – by month



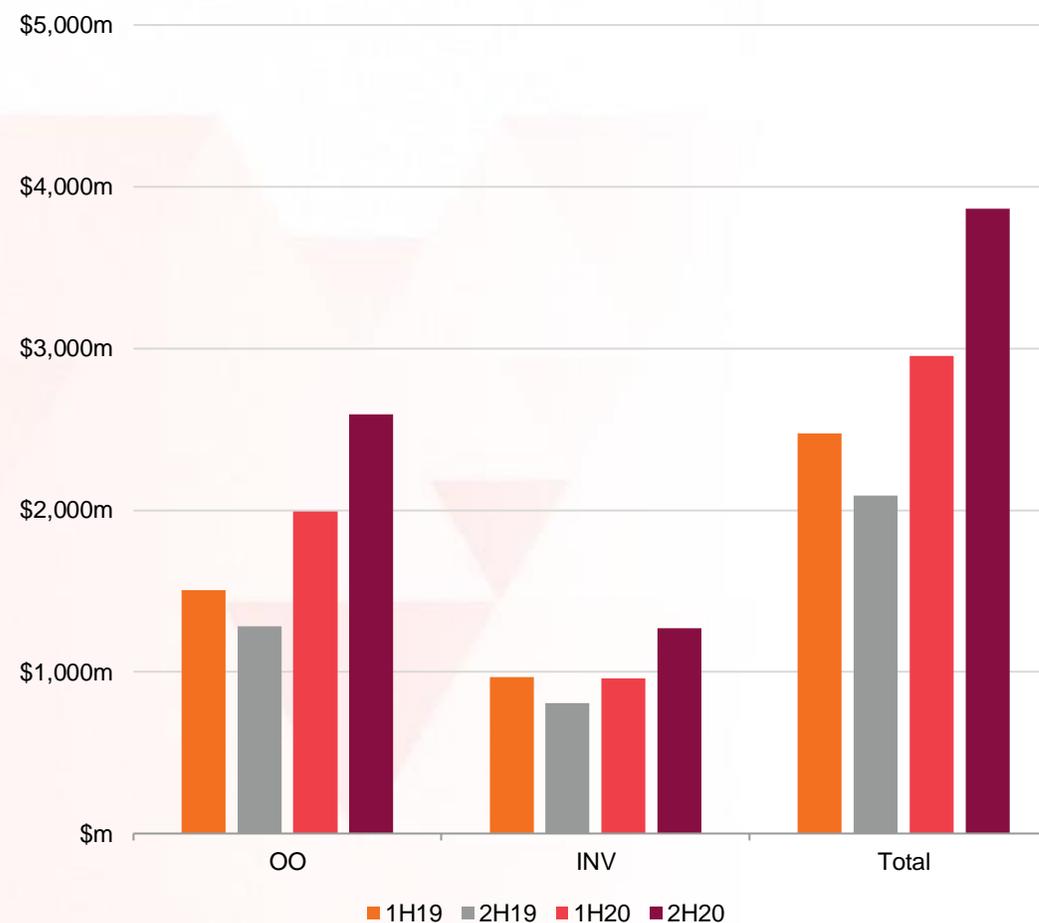
<sup>1</sup> Loan applications represent total retail and third party banking mortgages. Excludes Delphi Bank, Alliance Bank and line of credit products

# Residential lending activity

## Retail - settlements breakdown (\$m)<sup>1</sup>



## Third Party Banking – settlements breakdown (\$m)<sup>1</sup>



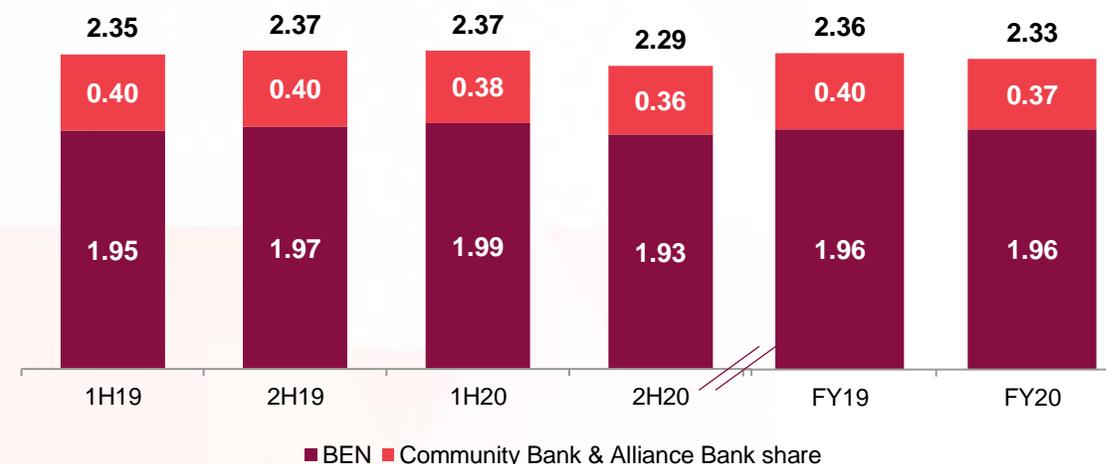
<sup>1</sup> Excludes Delphi Bank, Alliance Bank and line of credit products

# Net interest margin

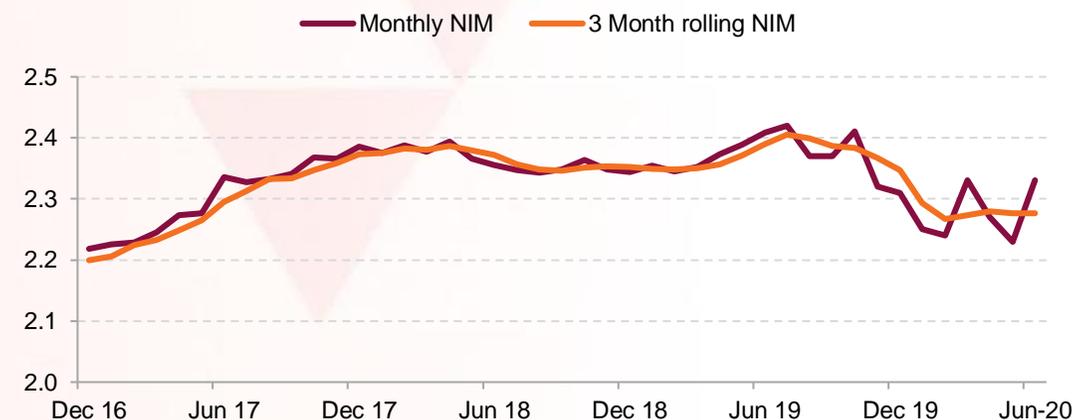
- FY20 NIM contracted by 3bps to 2.33%
- Ongoing active management of price/volume balance – lending and term deposits
- Lending portfolio rate continues to drive lower due to mix of growth and competitive new business rates
- Customer deposit repricing following RBA rate cuts in 2H20 impacted NIM, offset by variable loan repricing
- June 2020 exit NIM of 2.33%

NIM impacts	2H20	1H20	2H19
Front book/back book repricing	(7bps)	(6bps)	(6bps)
Variable loan repricing	10bps	10bps	-
BBSW priced commercial lending	-	-	(1bp)
Hedging	(3bps)	6bps	3bps
Treasury liquids	(1bps)	(2bps)	(1bps)
Customer deposit repricing	(8bps)	(7bps)	3bps
Wholesale deposits repricing	-	1bp	2bps
Funding mix	3bps	2bps	1bp
Equity contribution	(2bps)	(3bps)	1bp
Impact on adoption of AASB 16 <sup>1</sup>	-	(1bp)	-
<b>Total</b>	<b>(8bps)</b>	<b>-</b>	<b>2bps</b>

## Historical NIM (%)



## NIM monthly movement



<sup>1</sup> On 1 July 2019 the Group applied AASB 16 Leases which has resulted in interest expense associated with the Group's leases being recorded through NII

# Income

- Strong loan growth in 2H20 offset by margin compression
- COVID-19 pandemic reducing 2H20 income
  - Fee income – reduction of \$5.9m
  - Commissions – reduction of \$0.7M
  - FX income – reduction of \$2.2M
- Commission income lower following the sale of Bendigo Financial Planning in June 2019, impacting FY20 by \$11.1m
- Foreign Exchange income growth driven by new Consumer product and increased engagement with Business customers, however impacted in 2H20 due to significant reduction in overseas travel
- Government Services income continues to contribute to growth in Other income
- Other income fell in 2H20 vs 1H20 due to timing of franchise and training fees associated with the Community Bank model

	FY20 (\$m)	FY19 (\$m)	FY20 vs FY19	2H20 vs 1H20	2H20 vs 2H19
<b>Net interest income</b>	<b>\$1,346.4</b>	<b>\$1,308.0</b>	<b>2.9%</b>	<b>(0.9%)</b>	<b>3.2%</b>
Fee income	\$155.5	\$163.8	(5.1%)	(3.9%)	(3.5%)
Commissions	\$56.6	\$73.5	(23.0%)	(6.2%)	(24.3%)
FX income	\$22.6	\$22.4	0.9%	(17.7%)	(8.9%)
Trading book income	\$11.2	\$12.2	(8.2%)	33.3%	(40.2%)
Other	\$21.9	\$19.6	11.7%	(26.2%)	(5.1%)
<b>Other income</b>	<b>\$267.8</b>	<b>\$291.5</b>	<b>(8.1%)</b>	<b>(6.4%)</b>	<b>(11.8%)</b>
Homesafe <sup>1</sup>	\$15.7	\$14.1	11.3%	21.1%	24.6%
<b>Total Income (ex specific items)</b>	<b>\$1,629.9</b>	<b>\$1,613.6</b>	<b>1.0%</b>	<b>(1.7%)</b>	<b>0.6%</b>

Note: Other income breakdown is prepared on a cash basis and excludes Homesafe revaluation (\$36.0m) and revaluation gains on economic hedges (-\$3.2m). Bendigo Financial Planning contributed \$11.6m to commission in FY19 (1H19 = \$6.2m, 2H19 = \$5.4m), \$0.5m in FY20 (1H20 = \$0.48m, 2H20 = \$0.03m)

<sup>1</sup> Homesafe net realised income before tax

# Operating expenses

- Excluding accelerated investment in technology spend, operating expenses were up 1.5% for FY20
- Increase in staff costs has enabled execution of strategy
- Higher costs due to COVID-19
  - Direct cost impacts \$1.9m
  - Higher staff costs and leave provisions \$7.6m
- Accelerated investment in technology of \$52.4m in FY20 drove increase in operating expenses, one-third relating to regulatory projects
- Other expenses includes remediation totalling \$7.4m relating to products not operating in accordance with terms and conditions and compliance with the Code of Banking Practice 2013

Cost to income - YoY



	FY20 (\$m)	FY19 (\$m)	FY20 vs FY19	2H20 vs 1H20	2H20 vs 2H19
Staff costs	\$567.1	\$518.5	9.4%	7.3%	11.7%
Occupancy, property, plant and equipment	\$100.7	\$101.9	(1.2%)	(0.2%)	(0.2%)
IT costs	\$70.9	\$74.9	(5.3%)	12.9%	(4.1%)
Amortisation of software intangibles	\$31.1	\$33.8	(8.0%)	(10.4%)	(17.4%)
Fees and commissions	\$20.3	\$31.1	(34.7%)	(2.9%)	(27.5%)
Communications, advertising and promotion	\$67.4	\$66.7	1.0%	3.6%	1.8%
Other	\$164.0	\$127.6	28.5%	33.0%	29.1%
<b>Total OPEX</b>	<b>\$1,021.5</b>	<b>\$954.5</b>	<b>7.0%</b>	<b>9.6%</b>	<b>8.9%</b>

Note: In FY19, Bendigo Financial Planning contributed to staff costs (\$12.9m), IT costs (\$0.8m), fees and commissions (\$1.3m) and other (\$11.5m, \$7.9m of which is remediation). Cost related to fund ongoing wealth concierge function through FY20 is \$0.7m

# Staff costs – investment

- Investment in staff to support execution of growth strategy and support organisational priorities:
  - Residential lending growth - business development managers and processing staff to deliver above systems growth
  - Risk and Compliance - ensuring risk capabilities continue to support future needs, including greater investment in Financial Crime capabilities
  - People and Culture - increased investment in organisational recruitment, change management and capability
  - Technology and transformation - expanded leadership team to lead organisational change initiatives
  - Agribusiness - supporting growth in income from Government Services and full year impact of onboarding of Elders staff in FY19
- Increased personal leave provisions and reduced leave taken impacts staff costs
- Other includes additional business days in FY20 and impact of Community Sector Banking acquisition



# Consumer division

- Strong growth in residential mortgages of \$3.1bn, following investment in Third Party distribution and processing capacity
- Post initial COVID-19 shock, strong volume recovery in both residential lending and deposits
- \$3.9bn growth in call deposits, allowing active management of more expensive term deposit funding
- Net interest income increase, despite margin compression
- Other income continued to decline reflecting changing customer behaviour, competitive dynamics, COVID-19 impact and sale of Bendigo Financial Planning
- Decline in operating expenses through active cost management and the sale of Bendigo Financial Planning
- Net branch network reduction of 17 branches however continued investment in experience stores and mobile relationship managers
- Release of collective provision from lower credit risk profile of mortgage lending (COVID-19 overlay is held centrally)

	FY20 (\$m)	FY19 (\$m)	FY20 v FY19	2H20 vs 1H20	2H20 vs 2H19
Net interest income	\$868.8	\$844.3	2.9%	(0.2%)	3.1%
Other income	\$188.8	\$212.8	(11.3%)	(12.0%)	(14.4%)
Operating expenses	\$477.5	\$489.2	(2.4%)	4.3%	(5.3%)
Credit expenses	(\$3.9)	\$18.7	(120.9%)	775.0%	(126.9)
Tax	\$190.2	\$174.4	9.1%	1.9%	17.8%
<b>Cash earnings before Homesafe</b>	<b>\$393.8</b>	<b>\$374.8</b>	<b>5.1%</b>	<b>(10.4%)</b>	<b>7.9%</b>
Homesafe net realised income <sup>1</sup>	\$11.0	\$9.9	11.1%	20.0%	25.0%
<b>Cash earnings</b>	<b>\$404.8</b>	<b>\$384.7</b>	<b>5.2%</b>	<b>(9.7%)</b>	<b>8.3%</b>

Note: P&L prepared on cash basis, excludes allocated costs. Bendigo Financial Planning contributed \$11.6m to commission in FY19 (1H19 = \$6.2m, 2H19 = \$5.4m), \$0.5m in FY20 (1H20 = \$0.48m, 2H20 = \$0.03m)

<sup>1</sup> Homesafe net realised income after tax

# Business division

- Lower NII reflects a contraction in lending portfolio through 1H20, a modest reduction in asset margins and lower contribution from business deposit channels
- Business division asset portfolios grew in 2H20, representing the first half of positive growth since FY17. This included a positive contribution from the commercial property lending portfolio following the rebalancing of this portfolio to within targeted risk appetite settings
- Other income was impacted by COVID-19, which materially impacted activity levels. Most significantly this resulted in lower foreign exchange activity through reduced international travel
- Higher operating expenses reflects staff costs associated with investment in risk and support roles, plus the consolidation of the Community Sector Banking business
- Credit expenses increased due mainly to the write-off of long-dated impaired assets.

	FY20 (\$m)	FY19 (\$m)	FY20 v FY19	2H20 vs 1H20	2H20 vs 2H19
Net interest income	\$288.1	\$295.8	(2.6%)	(3.2%)	(2.4%)
Other income	\$42.9	\$45.3	(5.3%)	(9.3%)	(7.7%)
Operating expenses	\$94.6	\$88.7	6.7%	6.1%	15.4%
Credit expenses <sup>1</sup>	\$35.0	\$32.5	7.7%	(2.3%)	26.3%
Tax	\$65.1	\$69.8	(6.7%)	(2.4%)	(9.6%)
<b>Cash earnings</b>	<b>\$136.3</b>	<b>\$150.1</b>	<b>(9.2%)</b>	<b>(11.6%)</b>	<b>(15.7%)</b>

Note: P&L prepared on cash basis, excludes allocated expenses

<sup>1</sup> Credit expenses included Great Southern

# Agribusiness division

- Growth in loan book combined with strong margin management contributed to improvement in net interest income
- Other income increase mainly due to higher revenue from Government Services division
- Lower operating expenses reflect the full year benefits of new distribution agreement with Elders, and business simplification following the hand back of Rural Bank's stand-alone ADI
- Increased credit expenses reflect return to long-term average after one-off collective provision benefits in FY19, and include moderate increase in specific provisions related to drought

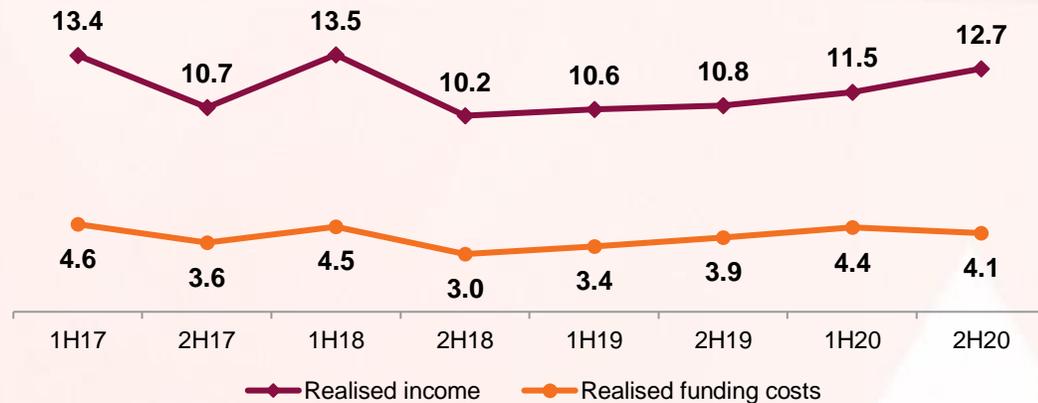
	FY20 (\$m)	FY19 (\$m)	FY20 v FY19	2H20 vs 1H20	2H20 vs 2H19
Net interest income	\$155.4	\$136.3	14.0%	(0.3%)	13.5%
Other income	\$18.3	\$15.2	20.4%	28.8%	39.2%
Operating expenses	\$62.9	\$65.5	(4.0%)	6.2%	(3.6%)
Credit expenses	\$6.1	(\$2.5)	344.0%	(15.2%)	47.4%
Tax	\$34.1	\$28.1	21.4%	9.2%	38.0%
<b>Cash earnings</b>	<b>\$70.6</b>	<b>\$60.4</b>	<b>16.9%</b>	<b>(2.2%)</b>	<b>27.4%</b>

Note: P&L prepared on cash basis, excludes allocated expenses

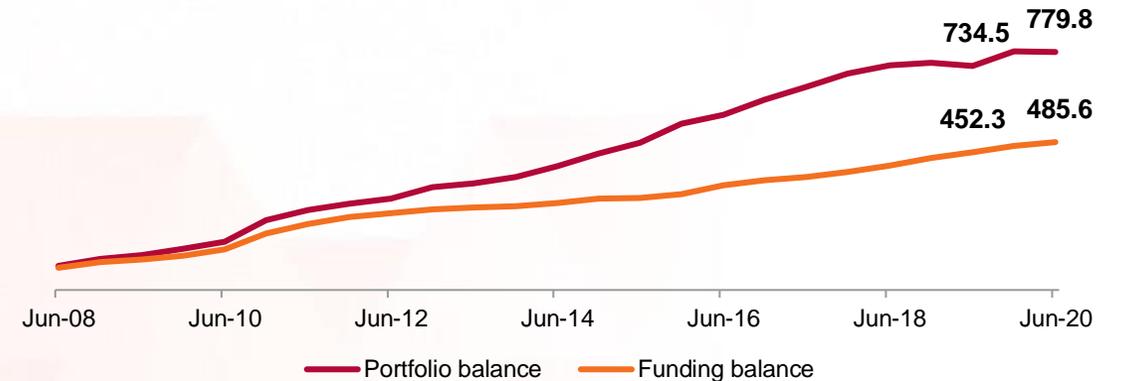
# Homesafe investment property portfolio

- Proceeds on contracts completed during 2H20 exceeded carrying value by \$1.9m
- Average annual return on completed contracts since inception is 9.8% p.a, pre funding costs
- Following strong property appreciation in 1H20, 2H20 was impacted by lower growth in the Residex index and a change to the growth outlook as a result of COVID-19
- Portfolio valuation reviewed and growth outlook changed to -4% year 1, +3% year 2 and +4% year 3+
- Portfolio distributed between Melbourne (61%) and Sydney (39%)
- Property values would need to fall by a further 38% before any impact on regulatory capital

Realised - income vs funding costs (\$m)



Homesafe portfolio & funding balance (\$m)



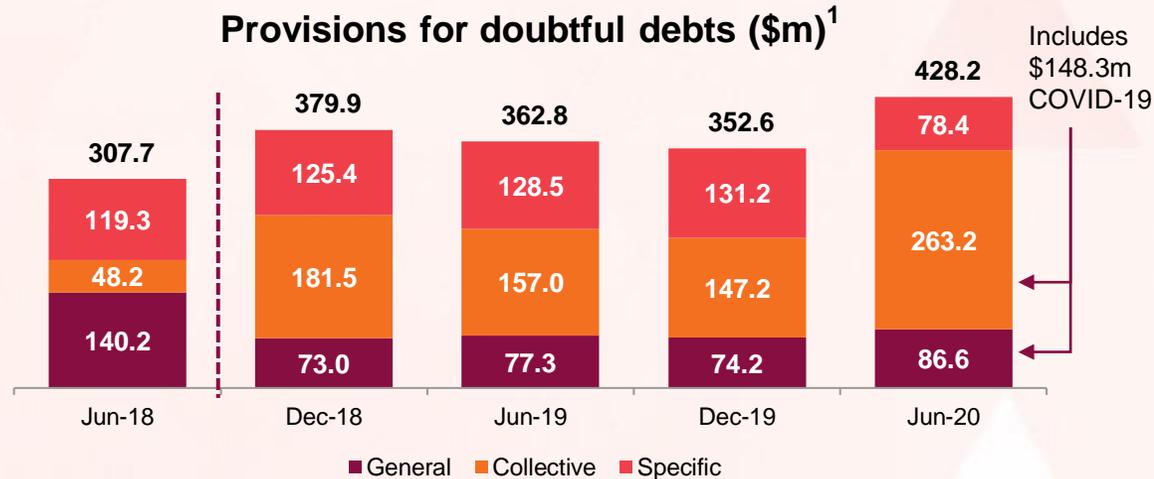
	2H20 (\$m)	1H20 (\$m)	Total FY20 (\$m)	Total FY19 (\$m)
Discount unwind	\$11.7	\$11.4	\$23.1	\$22.4
Profit/(loss) on sale	\$1.9	\$1.3	\$3.2	\$0.5
Property revaluations	(\$16.4)	\$26.1	\$9.7	(\$47.0)
<b>Total</b>	<b>(\$2.8)</b>	<b>\$38.8</b>	<b>\$36.0</b>	<b>(\$24.1)</b>

# Bad and doubtful debts

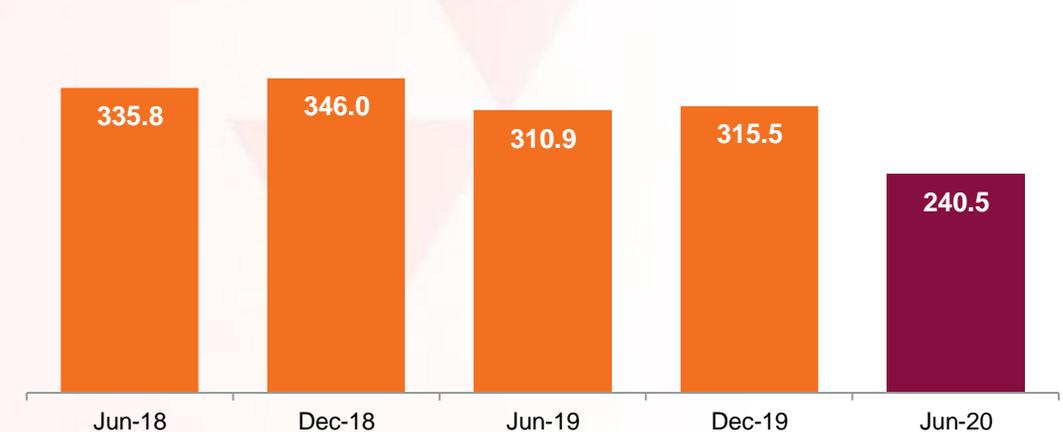
- FY20 BDD charge excluding COVID-19 overlay was 8bps of gross loans, with COVID-19 collective provision overlay contributing a further 18bps (total 26bps of GLA)
- COVID-19 collective provision overlay reviewed at 30 June 2020, but total provision unchanged from 28 May 2020 ASX release
- A number of large loans were resolved during 2H20 reducing specific provisions and total impaired assets

	2H20 (\$m)	1H20 (\$m)	2H19 (\$m)	1H19 (\$m)
Consumer division	(\$3.5)	(\$0.4)	\$13.0	\$5.7
Business division	\$16.3	\$17.8	\$10.4	\$9.1
Agribusiness division	\$2.8	\$3.3	\$1.9	(\$4.4)
Great Southern	\$1.0	(\$0.1)	\$3.3	\$9.8
Corporate (includes COVID-19 overlay)	\$128.7	\$2.6	(\$3.8)	\$5.3
<b>Total</b>	<b>\$145.3</b>	<b>\$23.2</b>	<b>\$24.8</b>	<b>\$25.5</b>

Provisions for doubtful debts (\$m)<sup>1</sup>



Total impaired assets (\$m)

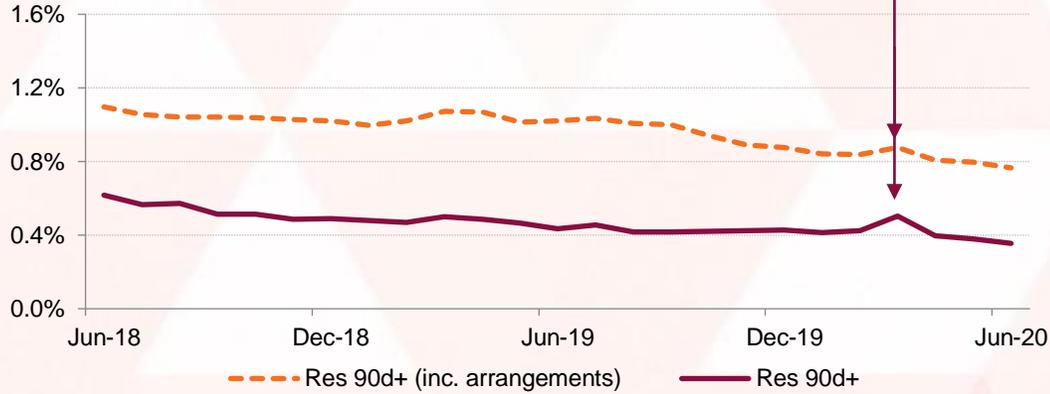


<sup>1</sup> AASB9 was adopted from 1 July 2018 (prior periods are not required to be restated)

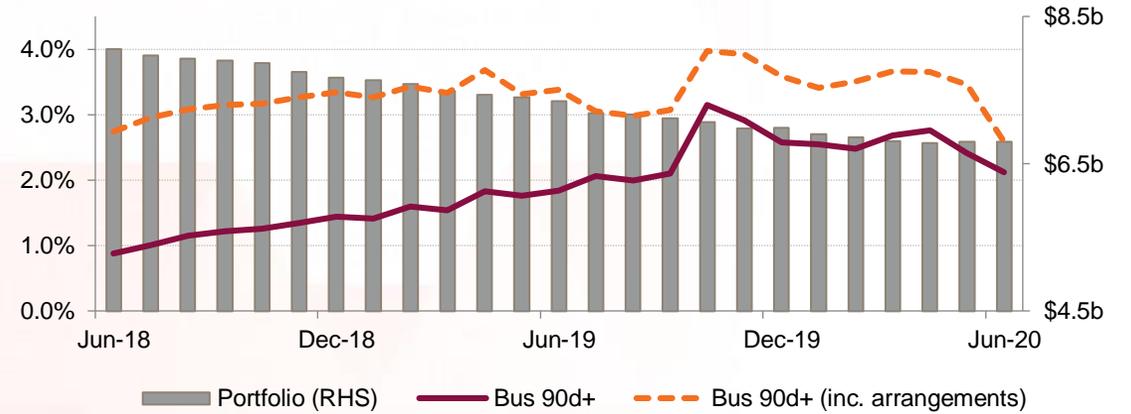
# Arrears

## Residential loan arrears

Arrears collection activities temporarily suspended with resources redirected to assist customers

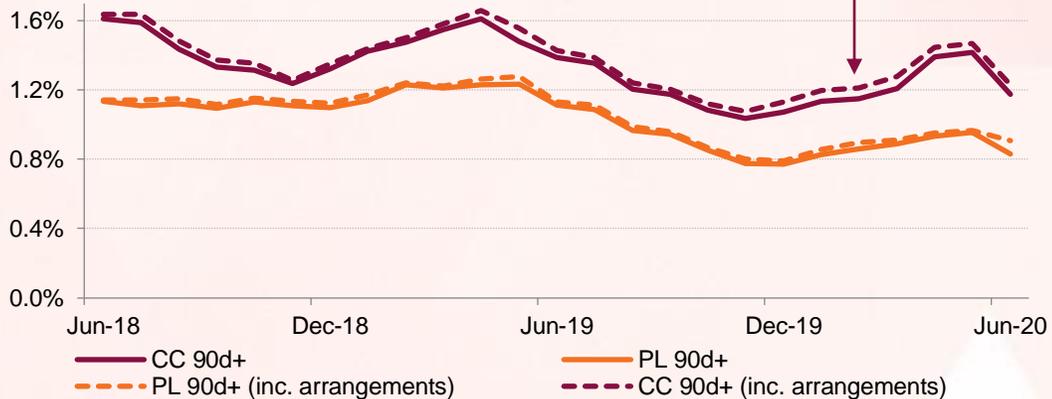


## Commercial loan arrears<sup>1</sup>

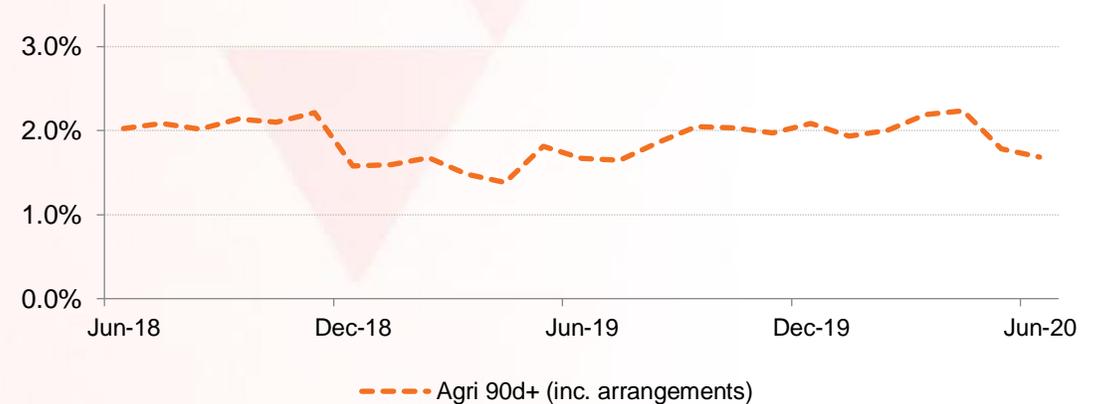


## Consumer loan arrears<sup>2</sup>

Rise in arrears reflects seasonality



## Agribusiness loan arrears



Note: Solid line in graphs reflects arrears including impaired over 90d+ and excludes arrangements while the dotted line reflects arrears including impaired assets and all arrangements

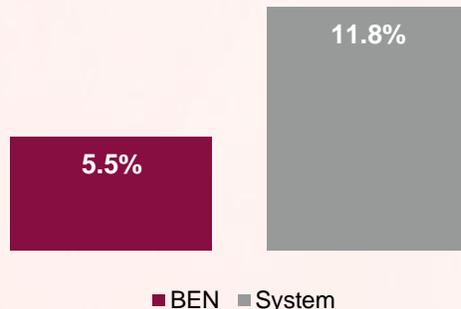
<sup>1</sup> October 19 includes correction in arrears reporting

<sup>2</sup> Consumer loan arrears reflects credit card portfolio and personal loan portfolio

# Funding mix

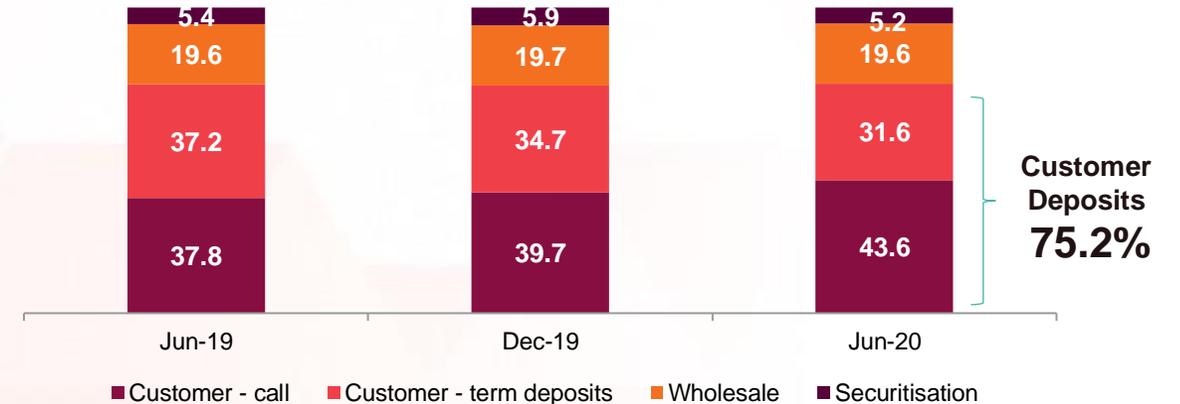
- Funding mix continues to be a strength, allowing flexibility to fund asset growth and manage margin
- Despite RBA cash rate reductions, group call deposit portfolio has increased ~\$3.0b during 2H20, replacing higher cost term deposits
- Retail term deposit average retention rate of ~90% through FY20 reflecting continued strength in volatile environment
- Wholesale domestic issuance continues to provide a reliable source of funding, and will be used in the future to differentiate and lengthen BEN's maturity profile
- Average LCR through 2H20 of ~139%
- Average NSFR through 2H20 of ~116%

## Total deposits – 12 month growth<sup>1</sup>

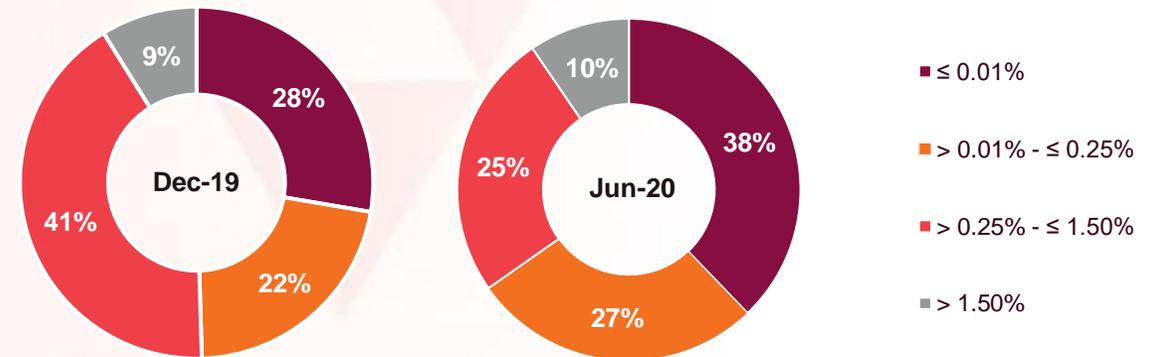


<sup>1</sup> APRA Monthly Banking Statistics June 2020. Growth rate based on a 12-month period (30/06/19 – 30/06/20)

## Funding profile (%)



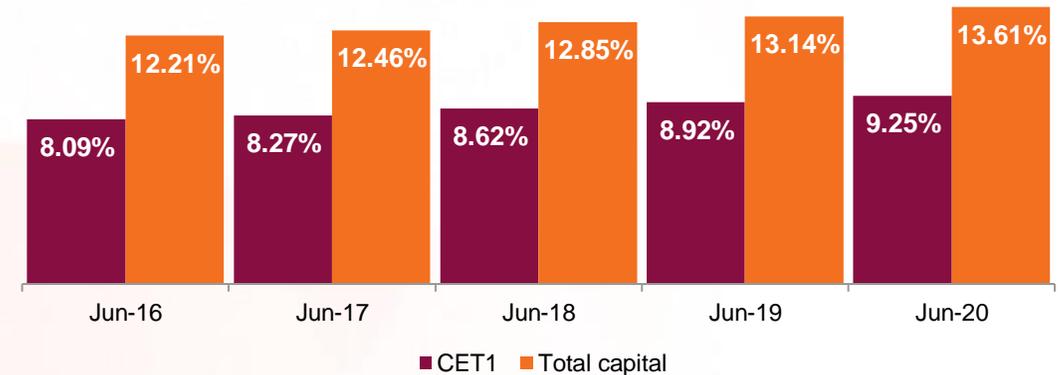
## Customer call deposit funding costs



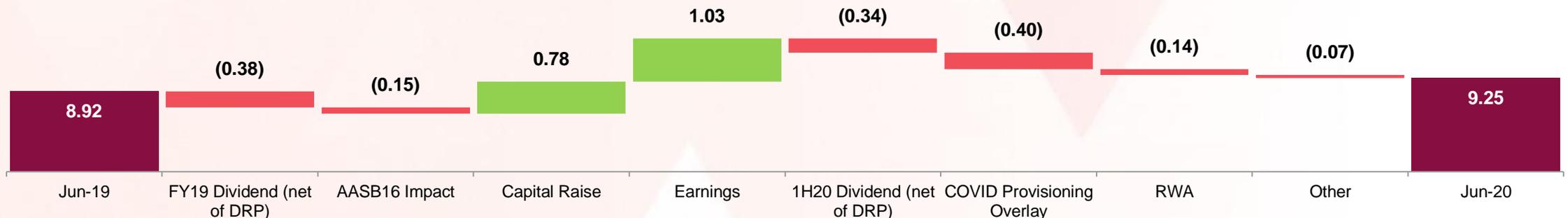
# Capital

- Balance Sheet Strength
  - 33bps increase in CET1 since June 2019 to 9.25%
  - Target CET1 range of 9.0% – 9.5% remains and will be reviewed after APRA finalises its review of the capital adequacy framework
- Successfully completed a \$250m institutional placement in February 2020 and \$44.8m in a Share Purchase Plan in March 2020
- Internal stress testing completed sees capital ratios maintained above APRA's unquestionably strong minimums
- BEN is considering offering a new ASX listed Additional Tier 1 capital security in 1H21 alongside the potential repayment of its Convertible Preference Shares 2 (CPS2) subject to market conditions<sup>1</sup>

Total capital & CET1 - historical (%)



CET1 movement - 12 months (%)<sup>2</sup>



<sup>1</sup> Any offer or repayment remains subject to market conditions and all relevant approvals being obtained. Any offer of ASX-listed Additional Tier 1 capital securities by BEN will be made under a prospectus. If an offer is made, eligible applicants wishing to apply will need to do so in accordance with the instructions set out in the prospectus

<sup>2</sup> Unrealised Homesafe revaluation revenue has been excluded from increases in retained earnings

# COVID-19 impacts

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**Taso Corolis**  
**Chief Risk Officer**

# Action taken to support our customers and end of deferral arrangements

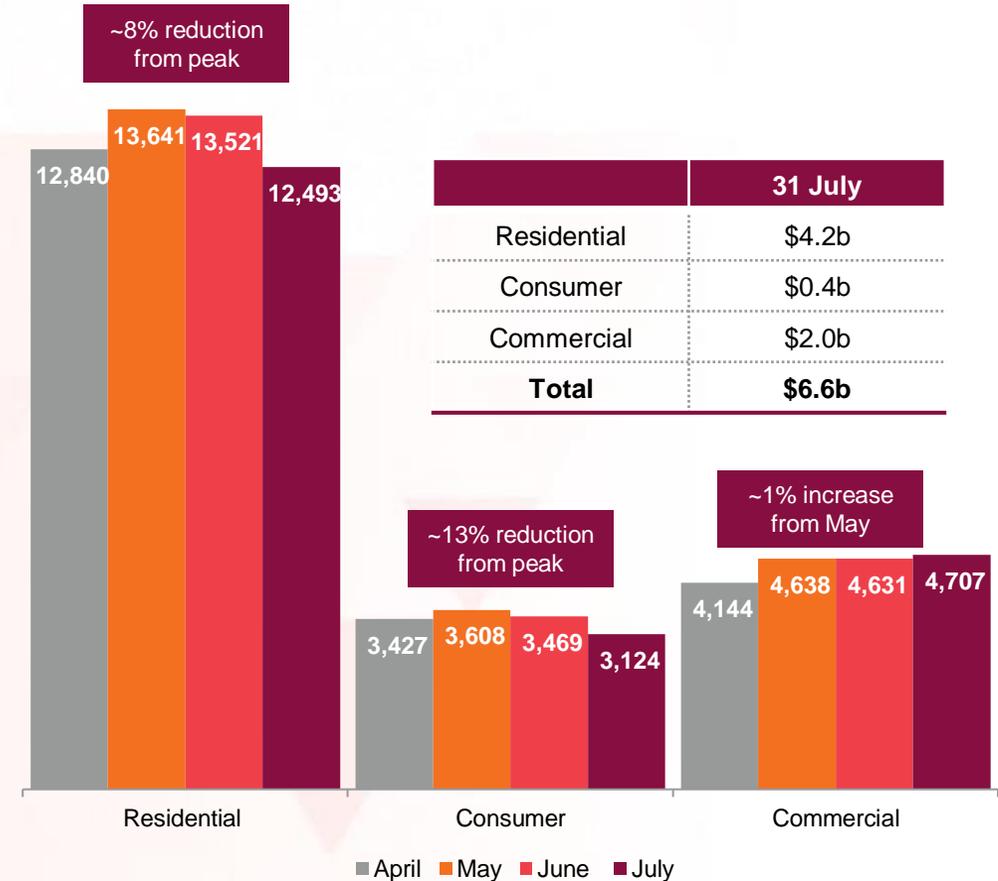
In response to customer needs we:

- Doubled our staff numbers providing assistance to our consumer customers
- Substantially increased the mobility and portability of staff through targeted training
- Built self-help tools for our customers
- Deployed alternative contact methods for customer contact
- Contacted all our relationship managed business customers to provide assistance<sup>1</sup>

Currently, and in preparation for the end of the deferral period, we are:

- Proactively contacting consumer customers via a combination of contact approaches (digital, web-based, calls)
- Undertaking further direct contact with business customers
- Increasing resourcing and building capacity to enable us to scale up further if required

## Repayment deferrals through COVID-19



<sup>1</sup> Excluding our agribusiness customers as the impact has been relatively small with <110 customers on deferral as at 31 July 2020

# Supporting our customers through COVID-19 (as at 30 June)

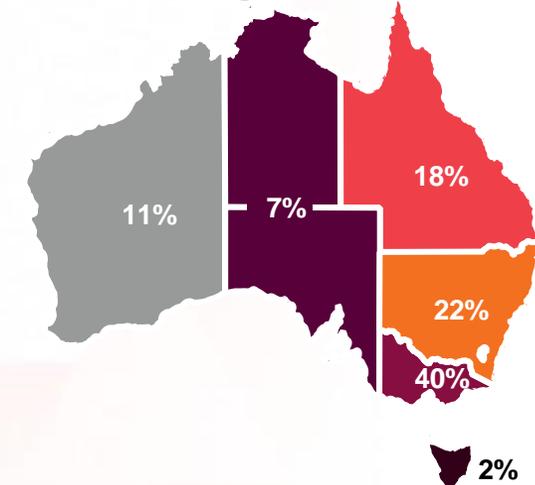
Total accounts assisted	23,534
Total balance assisted	\$7.4b
Accounts active	21,621
Balance active	\$6.9b

Residential & consumer support packages (active)		Commercial support packages (active) <sup>1</sup>	
Accounts	16,990	Accounts	4,631
Loan value	\$4.9b	Loan value	\$2.0b
% of total portfolio (#)	~5%	% of total portfolio (#)	~8%
% of total portfolio (\$)	~10%	% of total portfolio (\$)	~12%
% of consumer loans (\$) <sup>2</sup>	~8%		

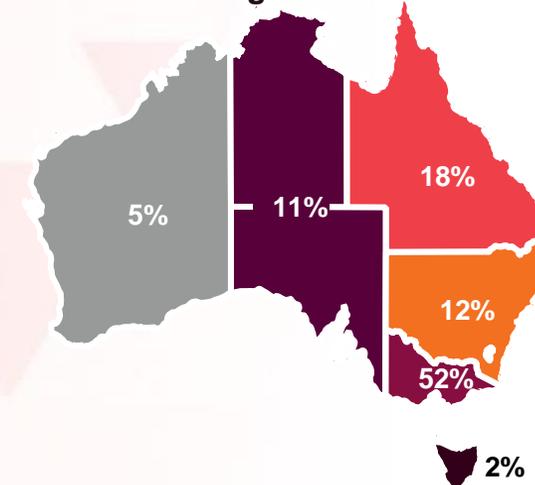
## Residential support packages – product and payment split



Residential lending % of total deferrals - by state



Commercial lending % of total deferrals - by state<sup>1</sup>



<sup>1</sup> Commercial lending includes Agribusiness loans

<sup>2</sup> Includes personal loans and credit cards

# COVID-19 in Victoria – detail (as at 30 June)

Accounts active	9,020
Balance active	\$3.0b

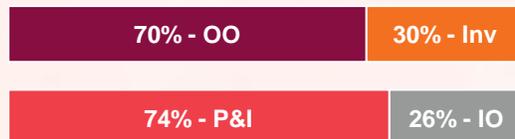
## Metropolitan Victoria

Residential & consumer support packages (active)		Commercial support packages (active) <sup>1</sup>	
Accounts	3,552	Accounts	887
Loan value	\$1.3b	Loan value	\$0.6b
% of Victoria portfolio (#)	~2%	% of Victoria portfolio (#)	~7%
% of Victoria portfolio (\$)	~7%	% of Victoria portfolio (\$)	~3%
% of consumer loans (\$) <sup>3</sup>	~7%		

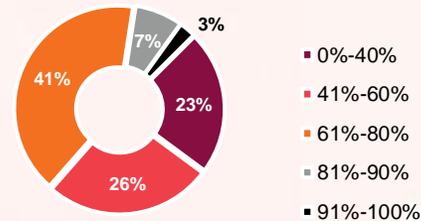
## Regional Victoria

Residential & consumer support packages (active)		Commercial support packages (active) <sup>1</sup>	
Accounts	3,000	Accounts	1,581
Loan value	\$0.7b	Loan value	\$0.4b
% of Victoria portfolio (#)	~2%	% of Victoria portfolio (#)	~5%
% of Victoria portfolio (\$)	~4%	% of Victoria portfolio (\$)	~5%
% of consumer loans (\$) <sup>3</sup>	~8%		

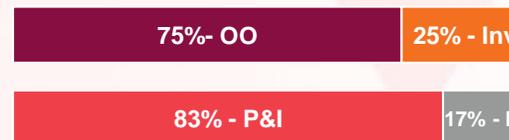
Residential support packages - product and payment split



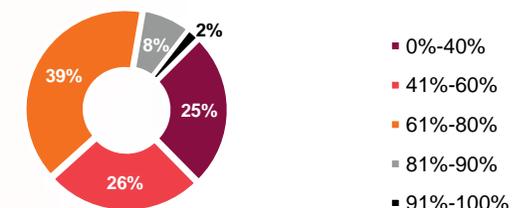
Residential support packages - by LVR<sup>2</sup>



Residential support packages - product and payment split



Residential support packages - by LVR<sup>2</sup>



Note: Geographies based on the ABS Australian Statistical Geography Standard (ASGS 2016)

<sup>1</sup> Commercial lending includes Agribusiness loans

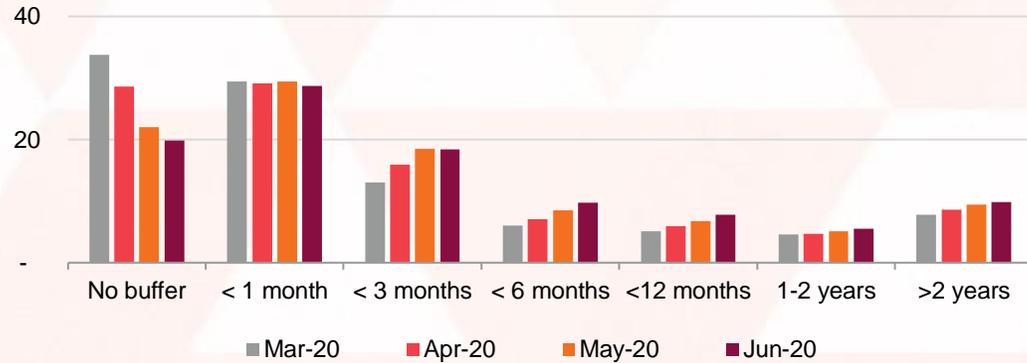
<sup>2</sup> LVR reflects current balance divided by valuation at date of origination

<sup>3</sup> Includes personal loans and credit cards

# Residential lending - COVID-19<sup>1</sup>

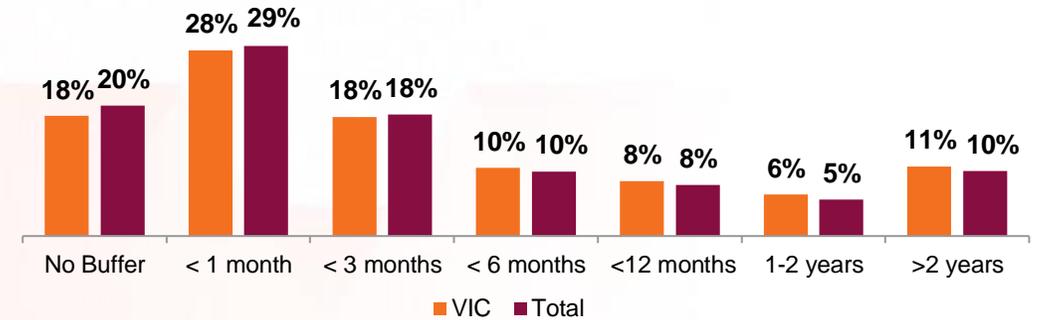
## % exposures by payments in advance (including offset balances)<sup>2</sup>

Prepayment buffers have strengthened 33% >3 months



## % exposures by payments in advance (including offset balances) Victoria<sup>2</sup>

Prepayment buffers in Victoria 35% >3 months



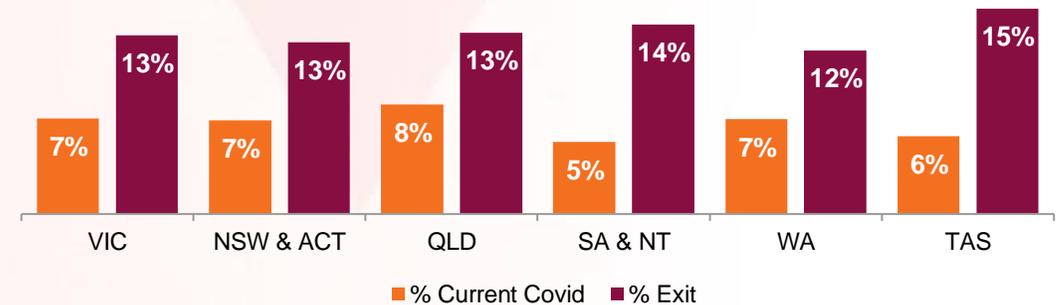
## % exposures exited deferral by payments in advance (including offset balances)<sup>2</sup>

Customers exited deferrals have been greatest in <3 month prepayment segment



## Residential lending by security state COVID-19 (% EAD) vs exit (% COVID-19 EAD)

Geographic distribution of customers exiting deferrals is relatively even

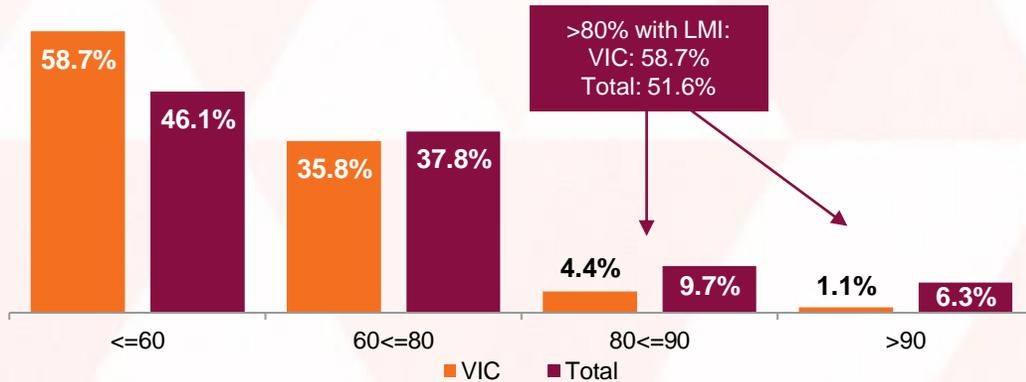


<sup>1</sup> COVID-19 data updated to 27th July 2020 for Bendigo and Adelaide data (other source system remain on 30th June 2020). Residential Mortgages COVID-19 EAD is \$4,318m or 12,565 exposures

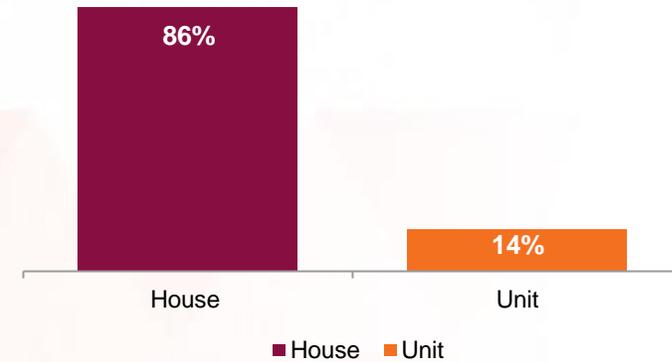
<sup>2</sup> Number of monthly payments ahead of minimum monthly payment (based on pre-arrangement); includes offset facilities and excludes HELOC products. Available for Retail, Third Party Banking and Alliance Bank Partners (94% of exposures)

# Residential lending - COVID-19<sup>1</sup>

**% exposure dynamic LVR Band - Victoria vs total<sup>2</sup>**

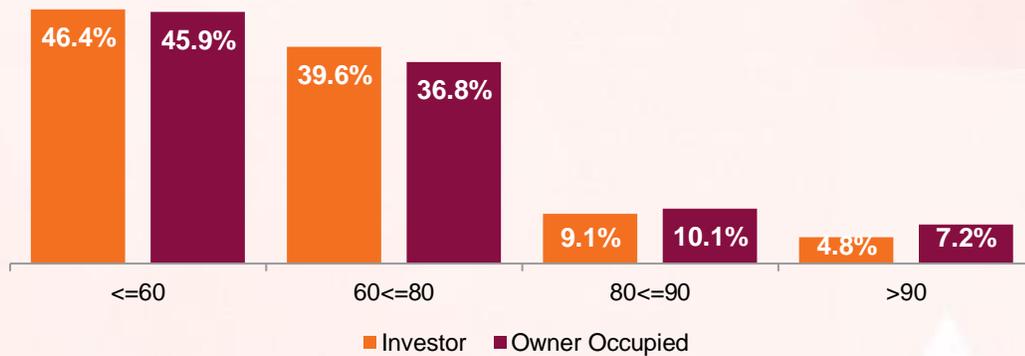


**% exposures residential security type**



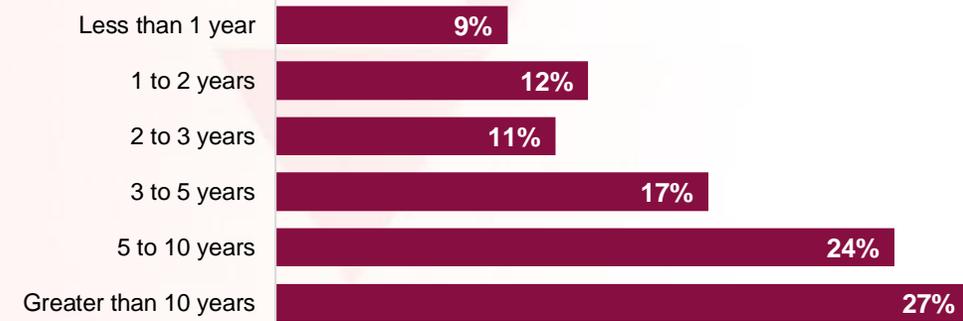
**% exposures dynamic LVR investor vs owner occupier<sup>2</sup>**

*Cohort is well secured by LVR security type and purpose*



**Length of customer relationship COVID-19 (% EAD)**

*Cohort is well seasoned with significant weight to existing customers*

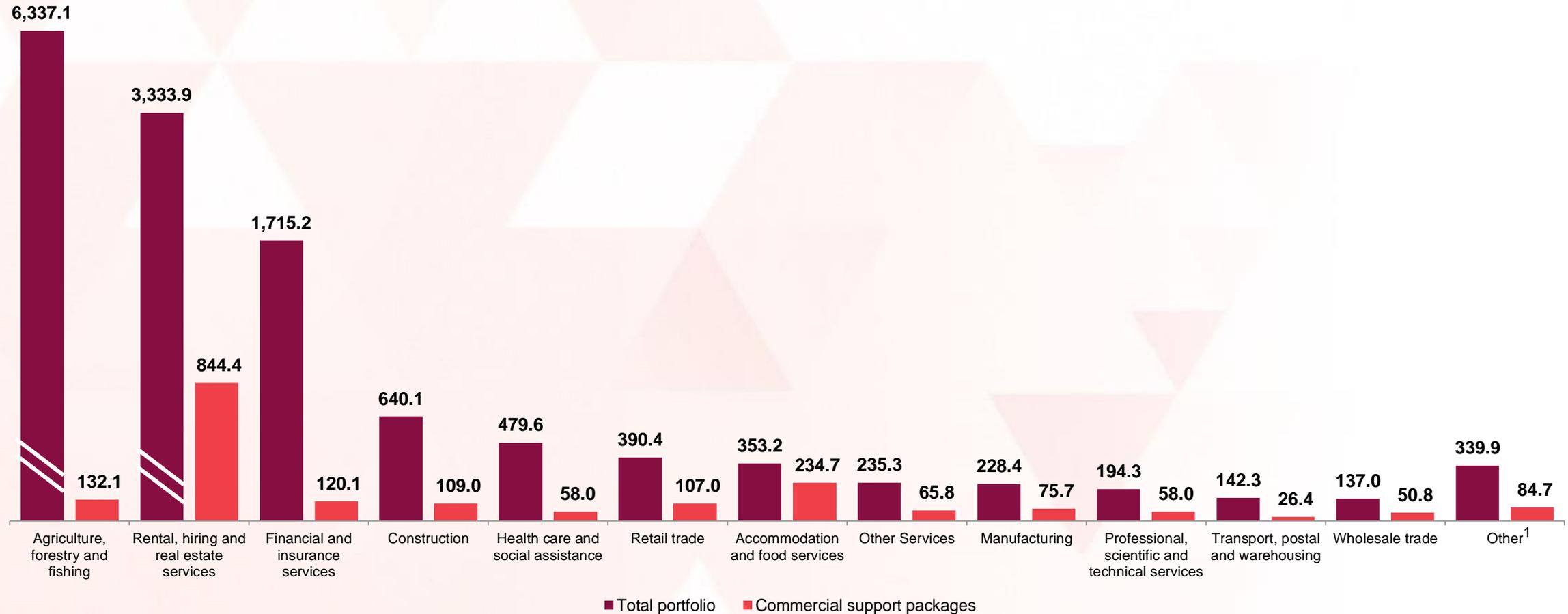


<sup>1</sup> COVID-19 data updated to 27th July 2020 for Bendigo and Adelaide data (other source system remain on 30th June 2020). Residential Mortgages COVID-19 EAD is \$4,318m or 12,565 exposures

<sup>2</sup> Dynamic LVR is defined as current balance/current valuation (calculated for Residential Security only and excludes Delphi and Portfolio Funding exposures (2.1% of total EAD))

# Supporting our customers through COVID-19 (as at 30 June)

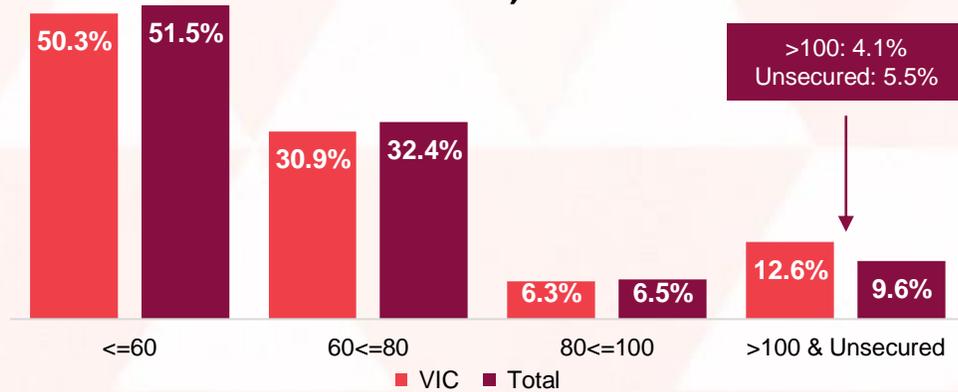
Total commercial portfolio vs commercial support packages - by industry (\$m)



<sup>1</sup> Other includes eight categories: public administration and safety; administrative and support services; electricity, gas, water and waste services; mining; arts and recreation services; education and training; information, media and telecommunications; other

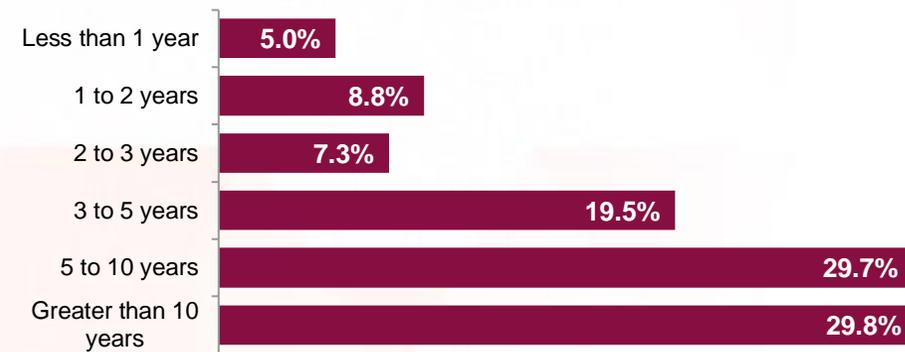
# Commercial lending - COVID-19<sup>1</sup>

### Current LVR band Victoria vs total COVID-19 (% EAD)



### Length of customer relationship COVID-19 (% EAD)<sup>2</sup>

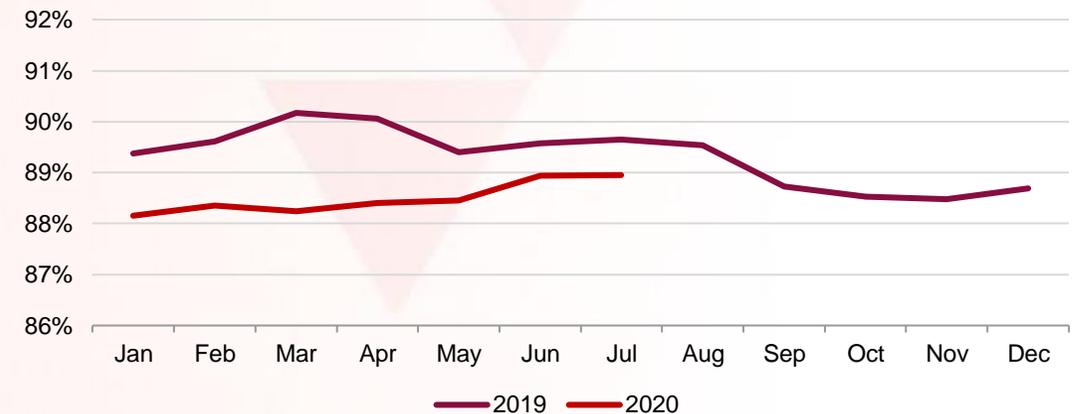
Significant weight to long term customer relationships



### Growth in total COVID-19 customer deposit balances - since Jan 2020<sup>3</sup>



### Total business term loans utilisation



<sup>1</sup> COVID-19 data updated to 27th July 2020 for Bendigo and Adelaide data (other source system remain on 30th June 2020). Commercial COVID-19 EAD is \$2,260m or 5,027 exposures.

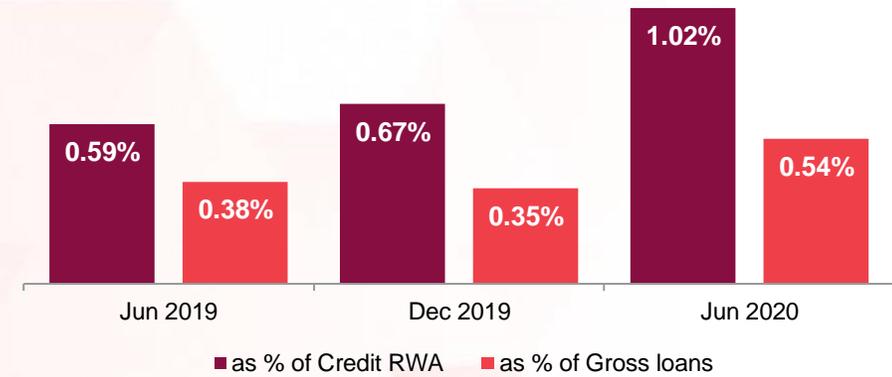
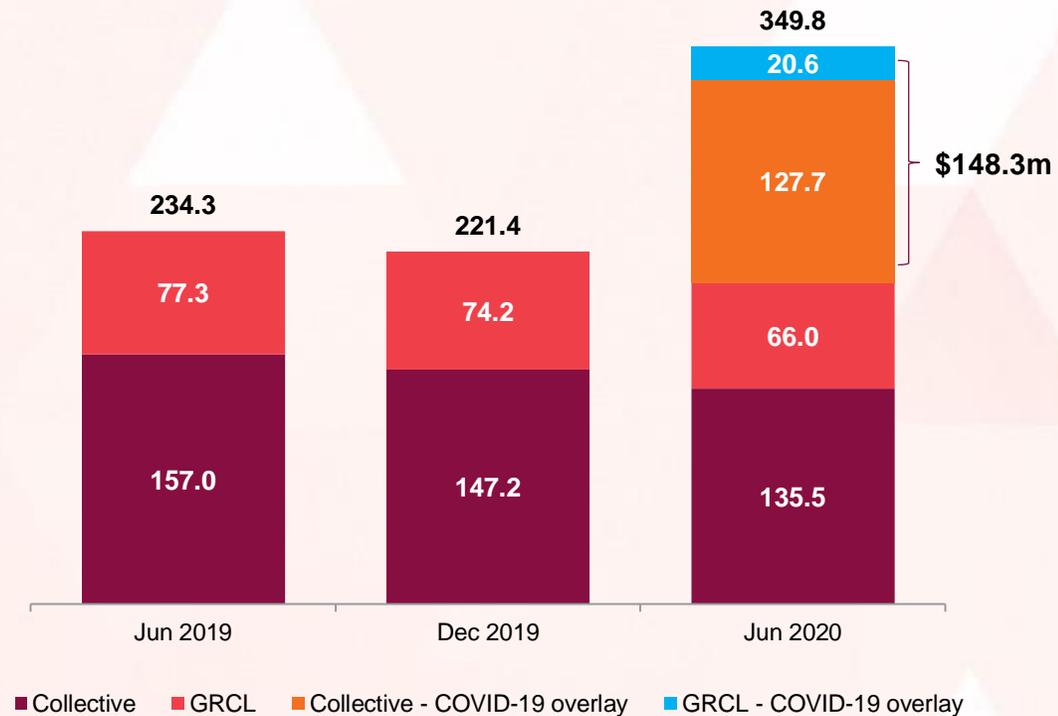
<sup>2</sup> Includes Retail and Third Party Banking, excludes Delphi, Alliance Banks and Rural Bank

<sup>3</sup> Customer Deposits for Bendigo and Adelaide Bank customers only

# COVID-19 collective provision and GRCL adjustments

Total collective provisions and GRCL (\$m)

Total provision coverage ratio (Collective and GRCL)



As at 30 June 2020	Lending Balances	Total Credit Provisions	Coverage Ratio
Residential lending	\$46,943.9	\$149.5	0.32%
Commercial lending <sup>1</sup>	\$15,043.0	\$154.4	1.03%
Consumer lending	\$3,334.8	\$45.9	1.38%
<b>Total</b>	<b>\$65,321.7</b>	<b>\$349.8</b>	<b>0.54%</b>

<sup>1</sup> Commercial lending includes Agribusiness loans

# Summary

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**Marnie Baker**  
Managing Director

# Closing comments

- Expect market conditions to remain challenging
- Commitment to growth and transformation strategy remains
- Increased intensity on cost reduction program
- Flexibility around accelerated investment program spend to align with revenue growth
- Continue to target a sustainable cost to income ratio towards 50% in the medium term starting with a return to positive JAWS in FY21
- Adapt to the environment while staying true to our purpose
- Remain committed to supporting our customers, communities & employees throughout COVID-19
- Play our part in the economic recovery through provision of credit to the system
- Strong and resilient balance sheet remains a key priority

# Questions

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# Appendix

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# Appendix index

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# Climate Change strategy

Strategy and three-year Climate Change Action Plan commenced June 2020

*“Bendigo and Adelaide Bank recognises climate change has far-reaching risks for the environment, the economy, society, our customers and their communities. We support the Paris Agreement objectives and the required transition to a low carbon economy. We are committed to playing our part in this transition. We will work to build climate mitigation and adaptation into our business and work to assist our customers and their communities to build climate resilience into their futures.”*

Building on our 2010 Statement of Commitment to the Environment, this policy statement and action plan will be reviewed annually as we continue to evolve our approach and as science, technology and policy develop further.

## Our Climate Action Focus Areas

**Reduce our footprint:** We will reduce the carbon and environmental footprint of our own operations.

**Support our customers:** We will support our customers and communities by taking actions required to mitigate, adapt and respond to climate change.

**Understand and manage the risks:** We will optimise our climate change risk governance and risk management framework.

**Be transparent:** We will disclose our climate-related performance.

Our Climate Change Action Strategy will progress the actions we have already taken. For more than a decade, we have instigated initiatives to reduce the Bank’s footprint and developed solutions that support our customers’ ambitions. This has produced results we’re proud of, including:

- Reducing our own carbon emissions by a third in the past five years.
- More than 113,500 trees have been planted with our partner Greenfleet to offset our travel emissions.
- Supporting our customers to reduce their own emissions from our first Green Home Loan in 2002 through to our award winning Green Personal Loan today.
- Supporting our communities by financing of community renewable projects such as [Hepburn Wind](#) which featured on ABC’s [Fight for Planet A](#) in August 2020 and [Warburton Hydro](#).

# Executive team



**Marnle Baker**

MANAGING DIRECTOR  
BBUS (ACC), ASA, MAICD,  
SF FIN



**Ryan Brosnahan**

CHIEF TRANSFORMATION  
OFFICER  
BCOM, MSC(FIN), CA, MAICD



**Taso Corolls**

CHIEF RISK OFFICER  
BEC, BCOM, GRAD DIP APP  
FIN & INVEST



**Travis Crouch**

CHIEF FINANCIAL OFFICER  
BBUS (ACC), CA



**Richard Fennell**

EXECUTIVE, CONSUMER  
BANKING  
BEC, CA, MAICD



**Alexandra Gartmann**

CEO RURAL BANK & EXECUTIVE,  
CUSTOMER AND PARTNER  
ENGAGEMENT  
BSC (REM), MAICD



**Bruce Speirs**

EXECUTIVE, BUSINESS BANKING  
BCOM, CA, MBA, GAICD



**Louise Tebbutt**

CHIEF PEOPLE OFFICER  
BBUS

# We are well placed



**B**  
**9th most trusted brand in Australia<sup>1</sup>**  
Roy Morgan Net Trust Score

**#2** Consumer Banking Satisfaction<sup>3</sup>

for Home Loan customers

**Up winner of Fintech Australia awards for Best Partnership of the Year**

**Excellence in Industry Collaborations & Partnerships**

**Bendigo and Adelaide Bank and Ferocia**



**Australian Banking Brand and Trust review: 1st in Trust<sup>4</sup>**

Australia 2019 RepTrak® Results

**Canstar 5-Star Rated**

**Adelaide Bank**

Home Lender

Home Lender Fixed

Investment Home Lender

**Leveraged**

Direct investment loan

**Canstar 4-Star Rated**

**Credit cards – low fee category**

Bendigo Bank low rate Mastercard

Bendigo Bank low rate first Mastercard

**Savings and transaction accounts**

Bendigo Bank Everyday Account

Bendigo Bank Student Account



**Mozo's Experts Choice Award Winner 2020**

1st Excellent Banking App BEN  
4th excellent banking app – Up

**#2** Forrester's Australian Customer Experience Index

**KPMG Customer Experience Excellence 2020**

#2 – local customer experience brands



**Mozo People's Choice Award Winner 2020<sup>2</sup>**

- Customer satisfaction – bank accounts
- Customer satisfaction – credit cards
- Excellent customer service
- Highly trusted
- Most recommended
- Outstanding customer satisfaction

**2019 DBM Australian Financial Awards Winner of 5 business banking awards**

Best Business Customer Service

Best Business Relationship Managers

Best Digital Business Bank

Most Competitive Business Bank

Most Recommended Business Bank

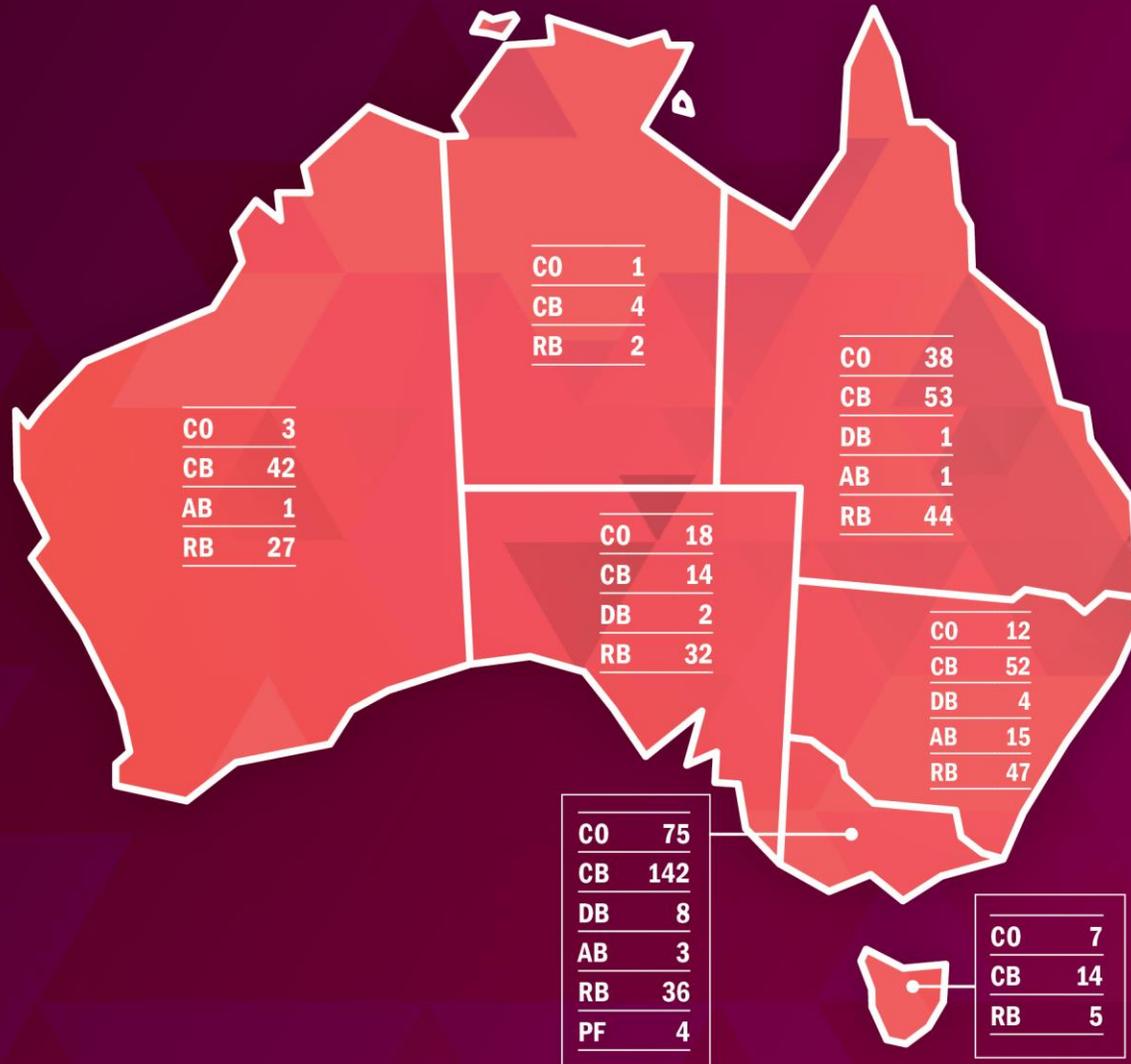
1. Roy Morgan Risk Monitor, May 2020

2. Mozo People's Choice Awards, May 2020

3. Roy Morgan 'Customer Satisfaction report consumer banking in Australia, June 2020

4. Glow Australian Banking Brand and Trust Index Q3 2020

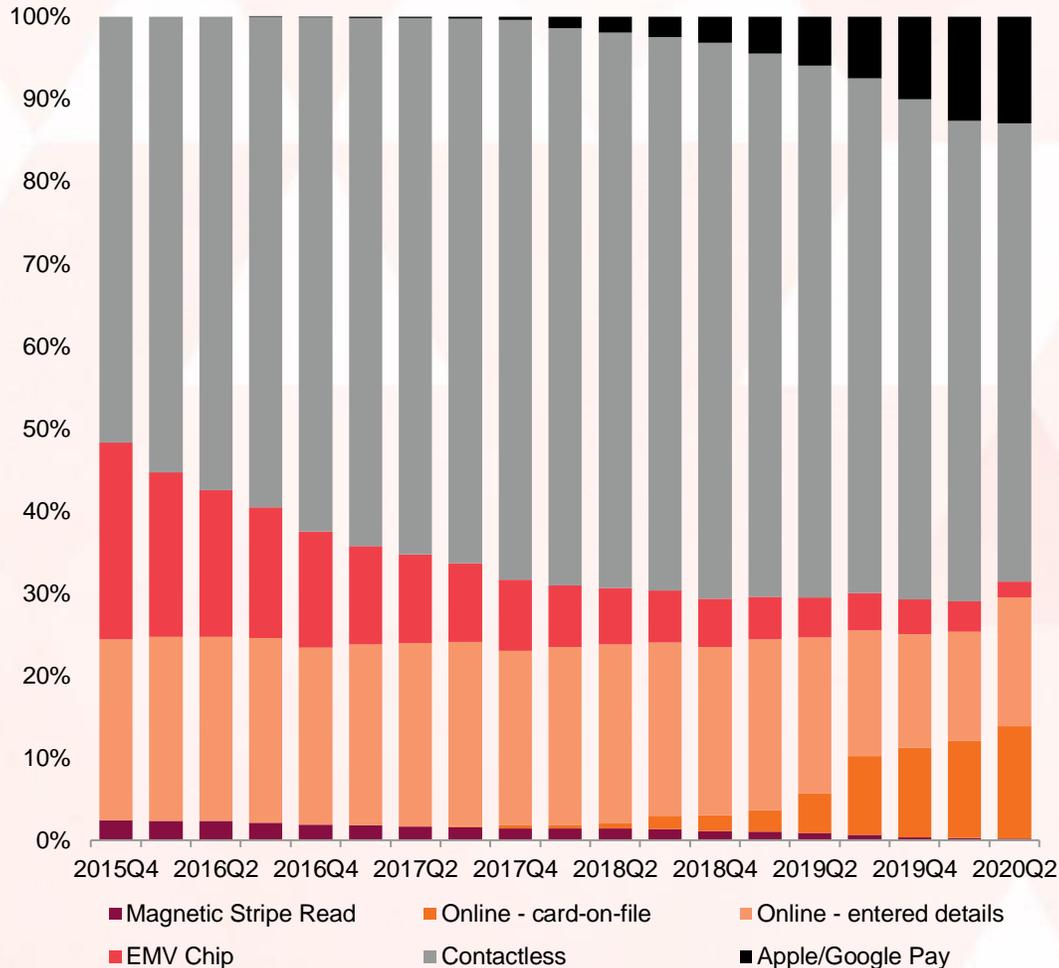
# Physical locations



PHYSICAL LOCATIONS		
	<b>CO</b>	Company-owned branch <b>154</b>
	<b>CB</b>	Community Bank® branch <b>321</b>
	<b>DB</b>	Delphi Bank <b>15</b>
	<b>RB</b>	Rural Bank <b>193</b>
	<b>AB</b>	Alliance Bank <b>20</b>
	<b>PF</b>	Private Franchises <b>4</b>
<b>TOTAL</b>		<b>707</b>

# Changing customer preferences

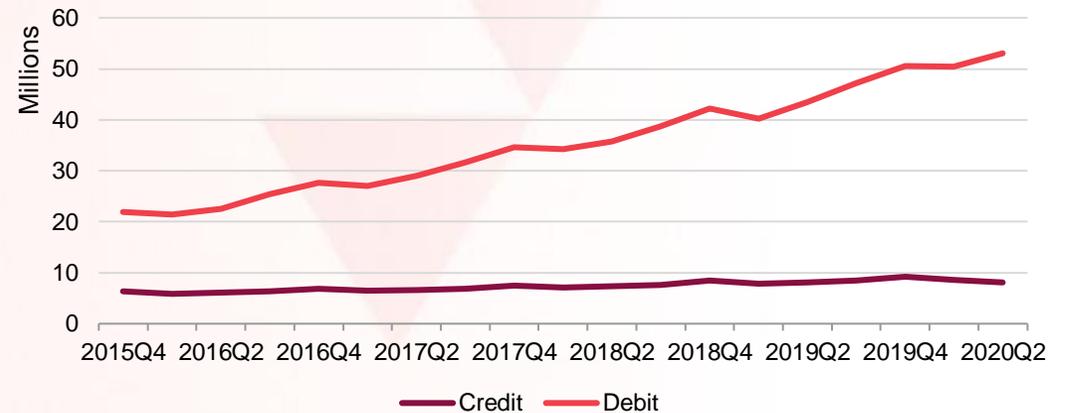
## Customer preferred card usage



E-banking platform usage

**Up 9.1% through FY20**  
with **18.7% more logons**

## Historic transactions trends

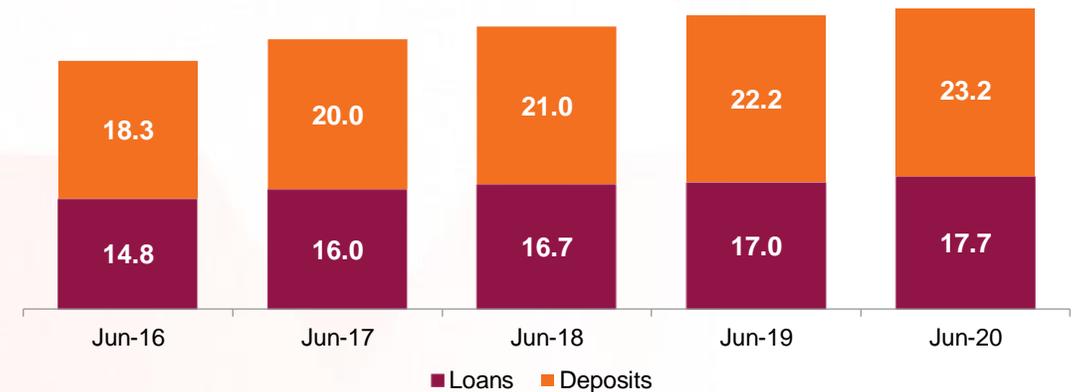


<sup>1</sup> Change in person card usage against 2020Q1 reflects partial impact of COVID-19 pandemic on methods of transactions

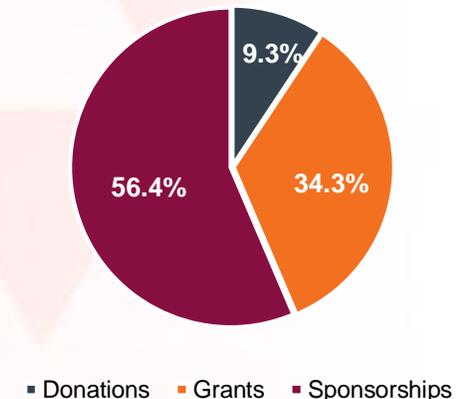
# The Community Bank model

- Community banking is based on a ‘profit with purpose’ model, which means profits are returned directly to the community which has generated them
- Over \$245m in community contributions<sup>1</sup> since inception, enabling tangible economic and social benefits for the communities and our business
- Significant matched funding leveraged by community partners for major local infrastructure initiatives
- 321 Community Bank branches, of which over 20% are the last financial institution in the town or suburb
- Proven, reliable and cost effective distribution strategy
- Community Bank branches are a significant source of stable customer deposits for the broader Group
- Compelling and significant engagement across communities with 75,000+ Community Bank shareholders and 1,950+ directors
- One of the largest social enterprise movements globally

Community Bank footings (\$bn)



Total investment by theme



<sup>1</sup> Includes total sponsorships, donations and grants

<sup>2</sup> Community Bank footing includes Private Franchises (4 branches in total)



# Australia's first and largest mobile-only digital bank

designed and delivered in partnership with Ferocia

Through a design and technology-led banking approach, Up reconnects people with their finances, taking them from a place where money is a cause of stress and anxiety to a happier place where they feel empowered and in control of their money.

## Leading the neobank movement

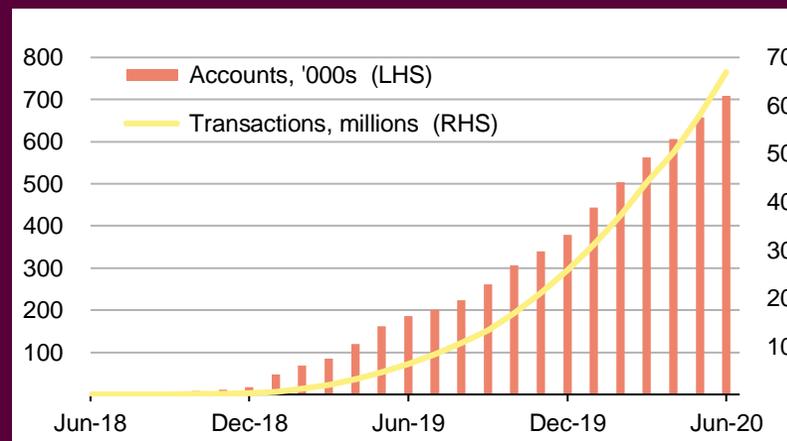
**4.9** Highest rated banking app in Australia  
App Store and Google Play, Jun-2020

**#1 Neobank (DBM)**  
+ Everyday & Savings Bank of the Year (Mozo)  
+ Best Everyday & Savings Account (Rate City)

**Fast growing, now 250,000+ customers**  
+140% year-on-year growth, over 90% new-to-bank

**Relentless pace of innovation**  
Many unique features released during 1H CY20

## Engaged customers driving growth



**Over 45% of active customers deposit \$1k+ per month**  
over consecutive months

**Active customers averaged 26 purchases (in Jun-20)**

**40%+ of growth from Hook-Up-A-Mate**  
Up's in-app customer referral program

## Financial literacy for the next generation

**50% of customers aged 16 to 25**

**Over \$500m in current deposits**  
+245% year on year growth

**Customers have over 330,000 savings goals**

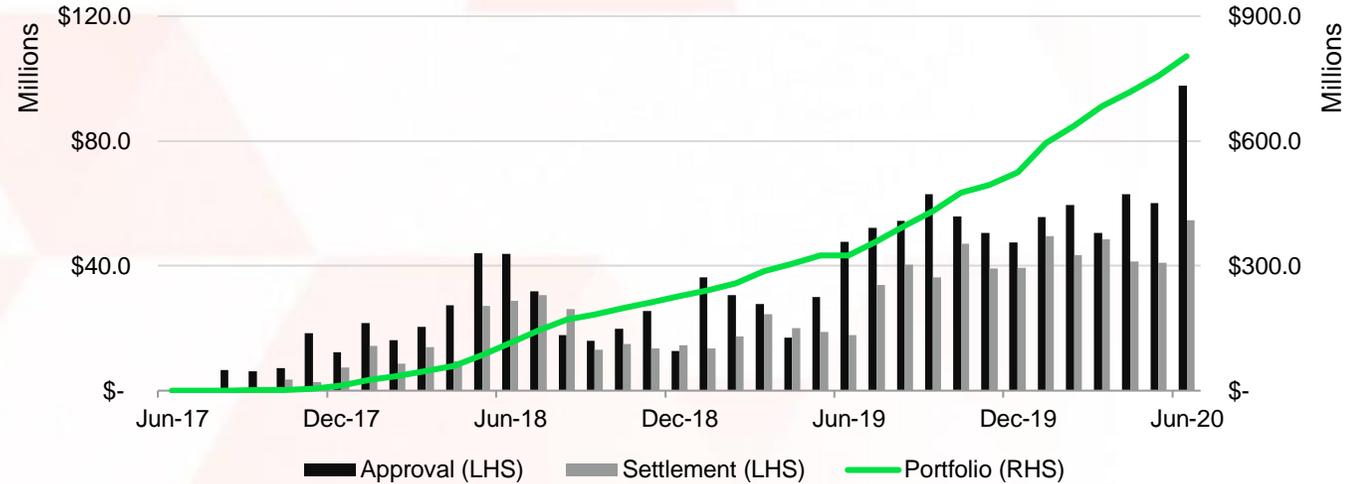
**Planned payments for 85k+ upcoming bills**  
with over 130,000 merchants identified by Up

## Tic:Toc – approvals & settlements v portfolio

### Tic:Toc Home Loans

Strong portfolio growth, reflecting product, experience and acquisition optimisation and the shift in customer behaviour to digital.

- More than \$1.22bn in approved value (125% increase YOY)
- ~\$850m in settled value (128% increase YOY), with an awaiting settlement pipeline of over \$110m



### Enterprise solutions solving for:

#### Tic:Toc Enterprise

Driving shareholder value through market penetration of technology, and capitalising on the Open Banking opportunity.

- Tic:Toc's first SaaS product, XAI Validate, launched
- million reseller agreement signed
- 1st SaaS customers, signed
- 2nd Major PaaS signed

#### Customer experience

- Home loan contract delivered within 58 mins from customer starting application
- 66% customers choose digital financial validation
- 4.7 star rating (TrustPilot)

#### Cost out

- Managed a ~\$40m uplift in approval volume in June 20 to ~\$100m with no change in operational staff (15)
- Automation levels enable loan fulfillment with as little as <15 mins of human effort

#### Credit quality & process assurance

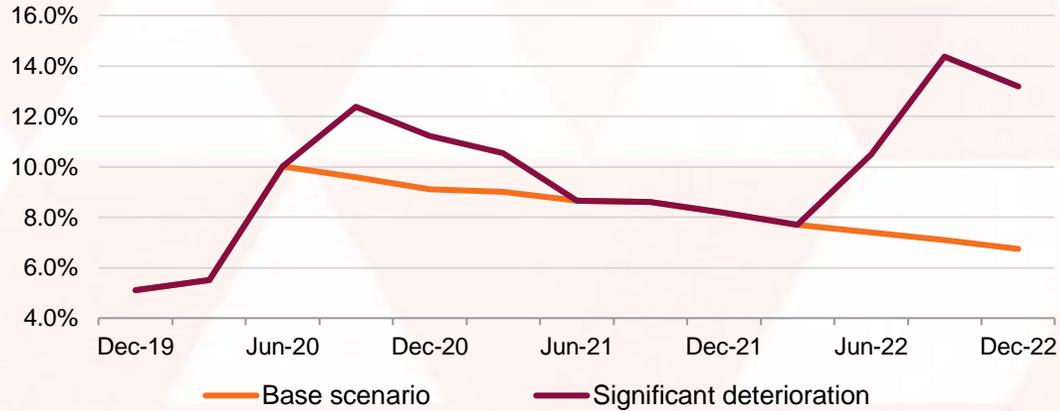
- ASIC Commissioner Hughes mentions Tic:Toc as an example of how technology can enable better adherence to RG209

#### Leading technologies

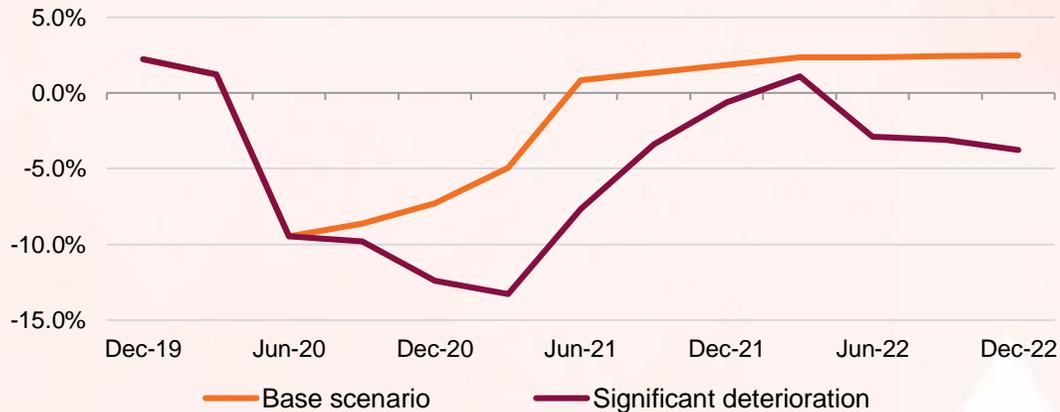
- PaaS, SaaS & API
- Enabling for Open Banking and OCR
- Data provider agnostic
- Enabling for CCR, KYC and AML

# COVID-19 economic outlook

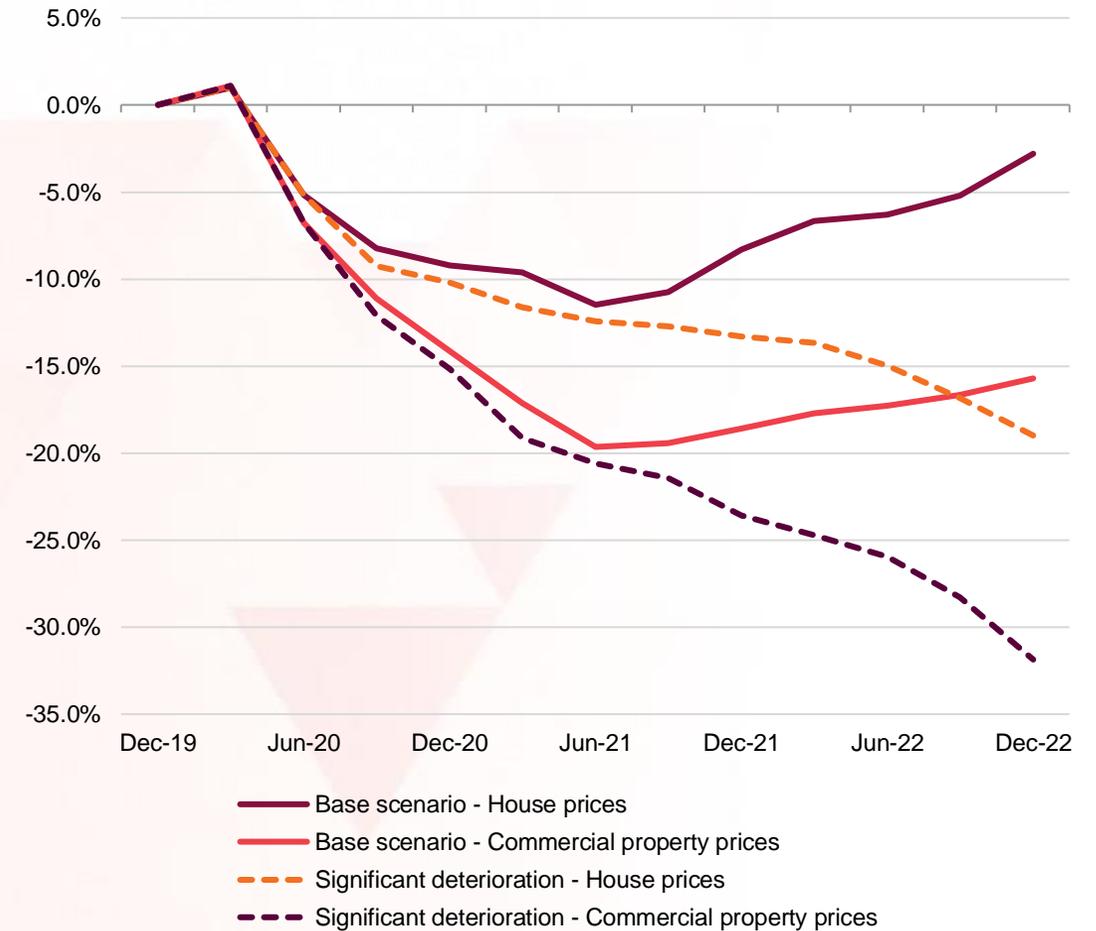
## Unemployment (%)



## Gross Domestic Product (%)



## House prices and commercial property prices (%)<sup>1</sup>

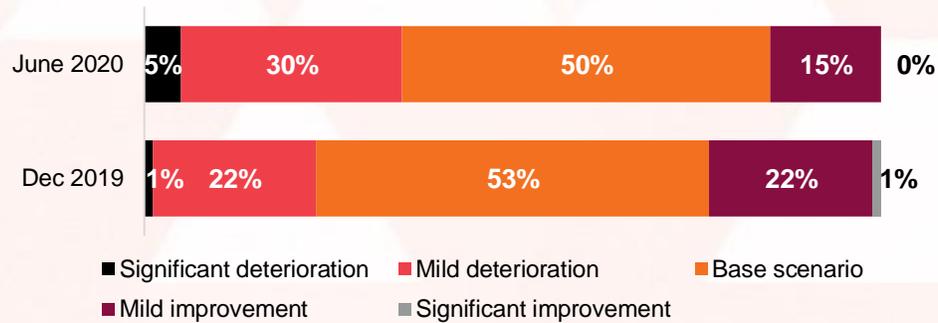


<sup>1</sup>House prices and commercial property prices are cumulative from Dec-19

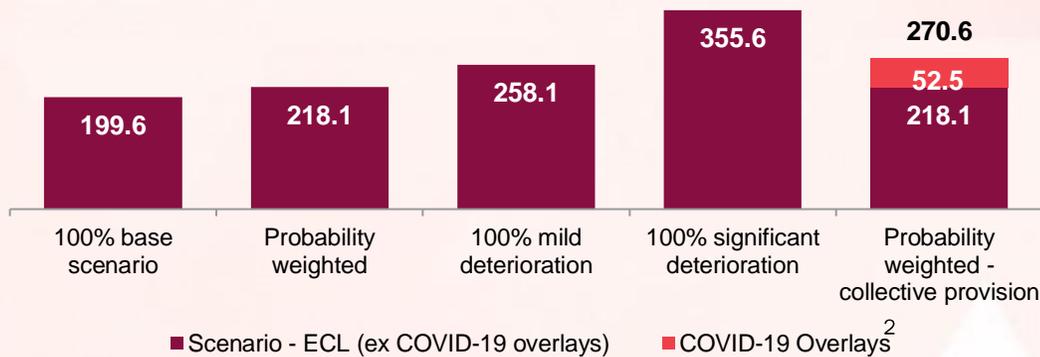
# COVID-19 scenario weightings & sector overlays

Economic outlook - scenario weights \$75.2m  
Business and consumer portfolio overlays \$52.5m

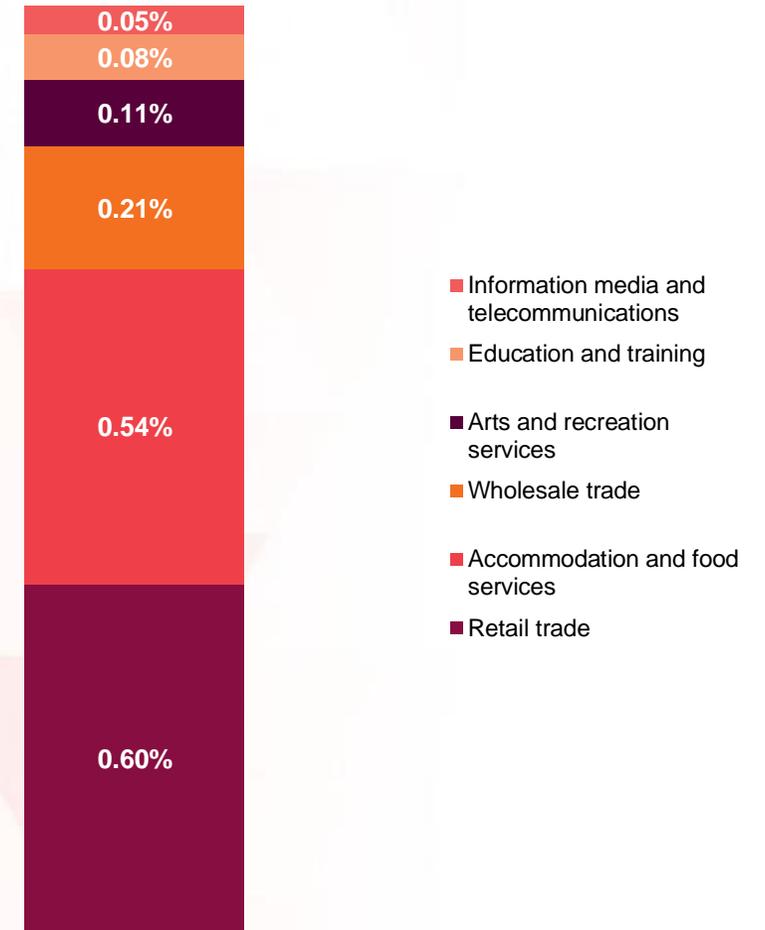
## Scenario weightings



## Collective provision - scenarios outcomes (\$m)<sup>1</sup>



## More exposed industries - % of GLA<sup>3</sup>



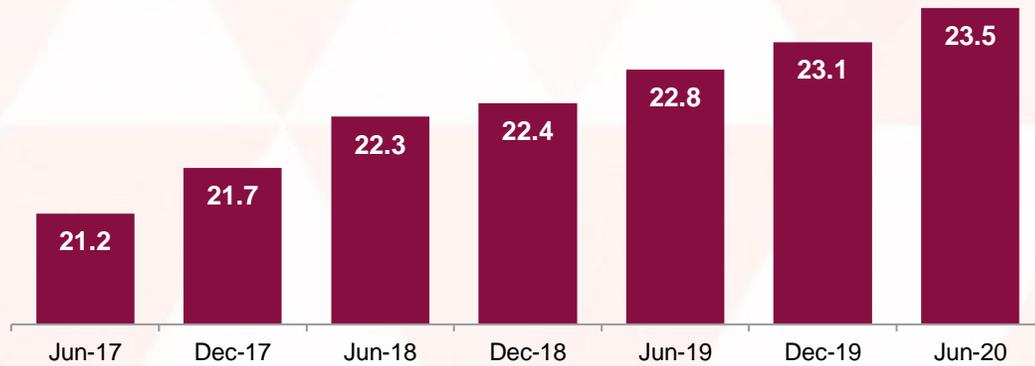
<sup>1</sup> Excludes GRCL

<sup>2</sup> Includes business and consumer portfolio overlays

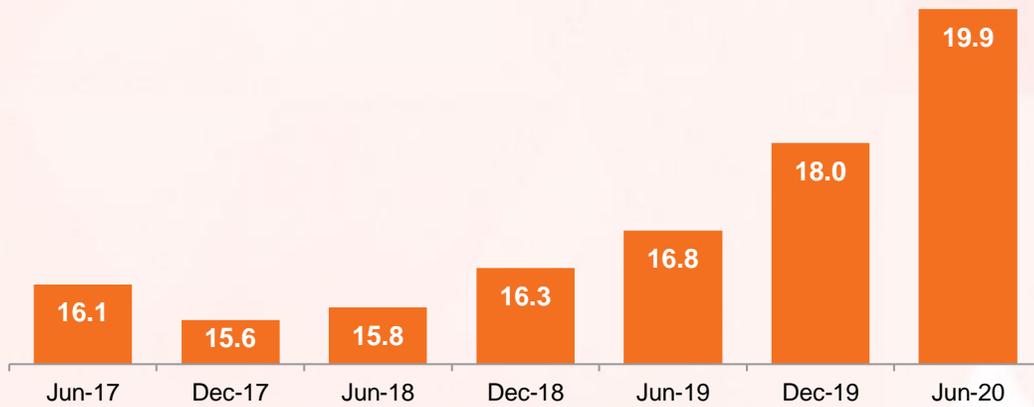
<sup>3</sup> Informed by external industry data

# Residential lending portfolio

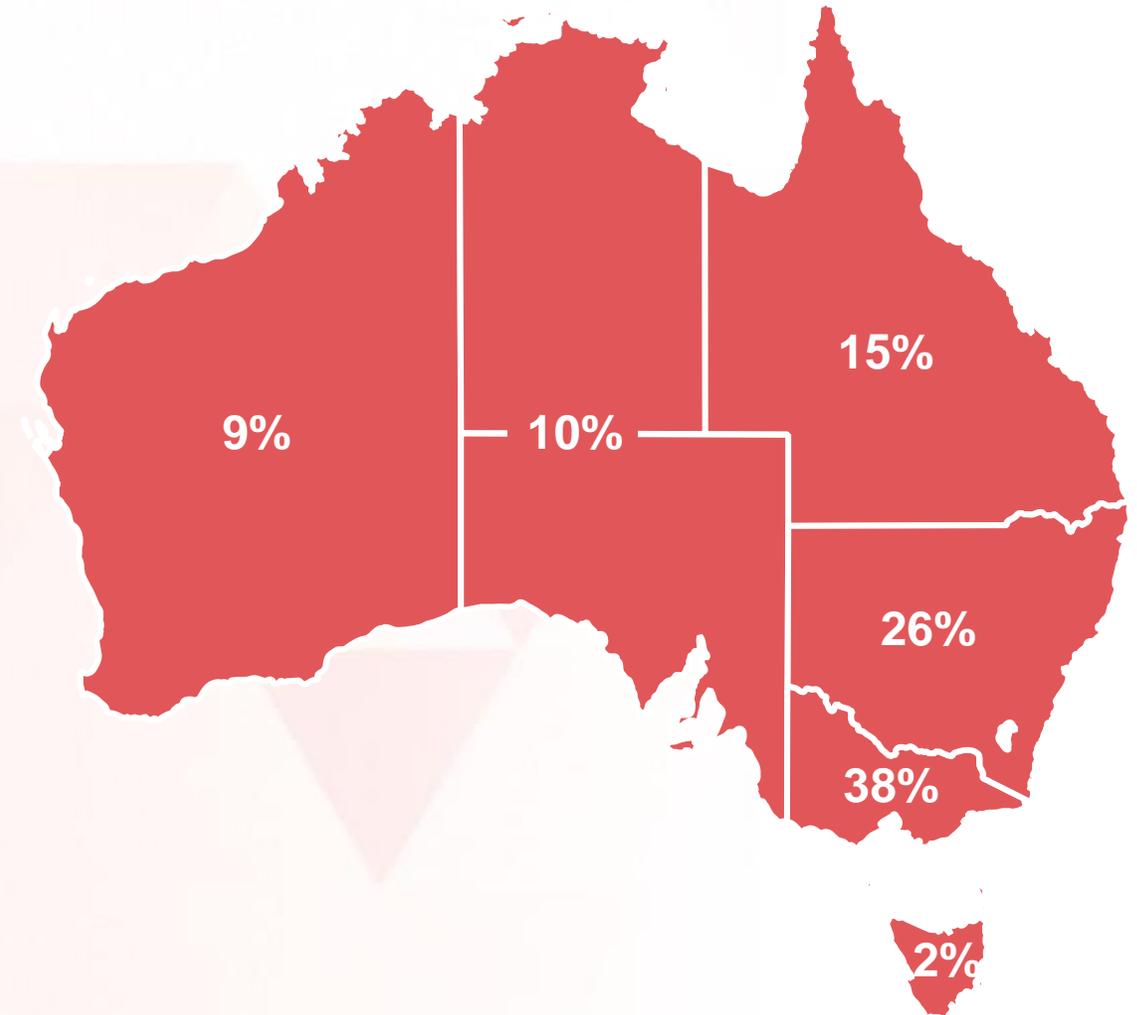
## Retail - portfolio (\$b)<sup>1</sup>



## TPB - portfolio (\$b)<sup>1</sup>



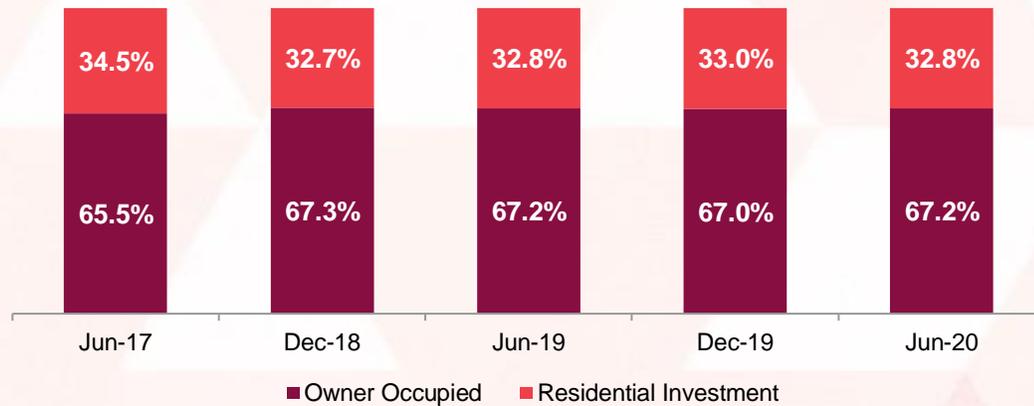
## Exposure by state



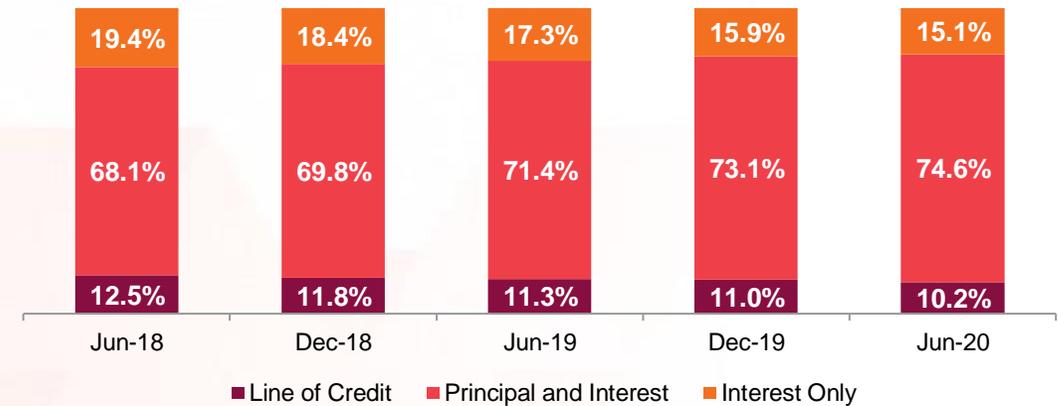
<sup>1</sup> Loan portfolio constructed from internal data and includes line of credit products. Excludes Delphi, Alliance Bank and Portfolio Funding

# Residential lending portfolio – total exposure

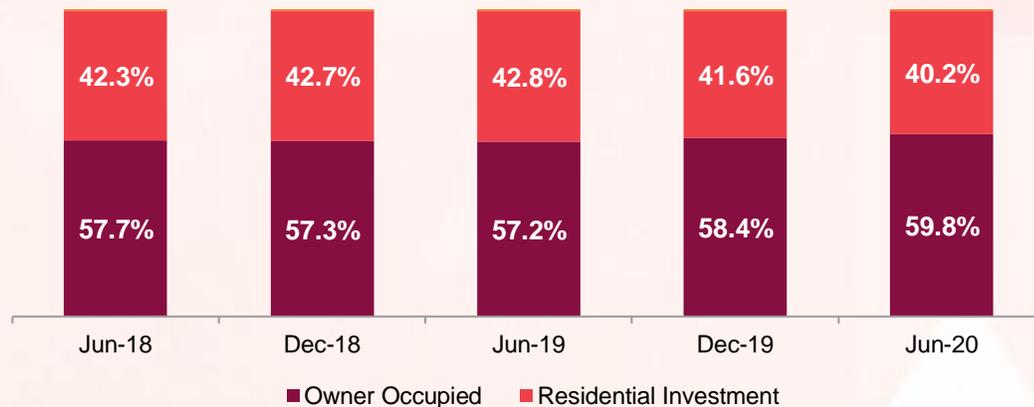
## Retail lending - purpose (%)



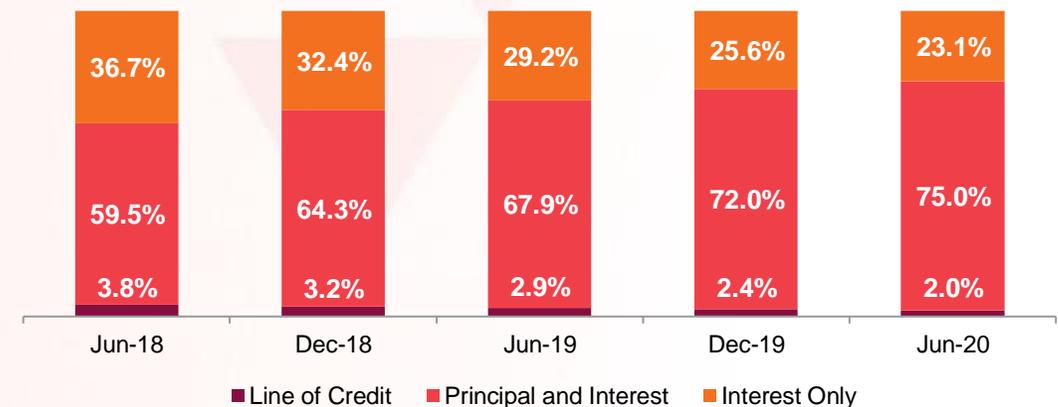
## Retail lending - payment type (%)



## TPB lending - purpose (%)



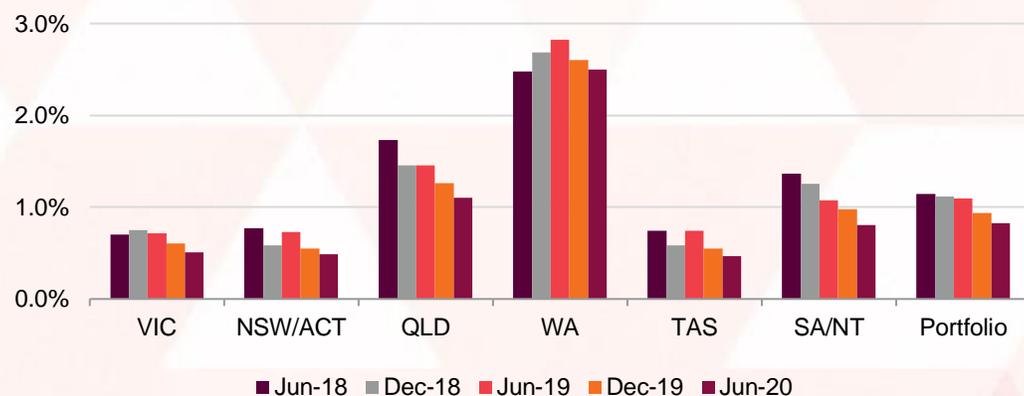
## TPB lending - payment type (%)



Note: Excludes Delphi, Alliance Bank and Portfolio Funding

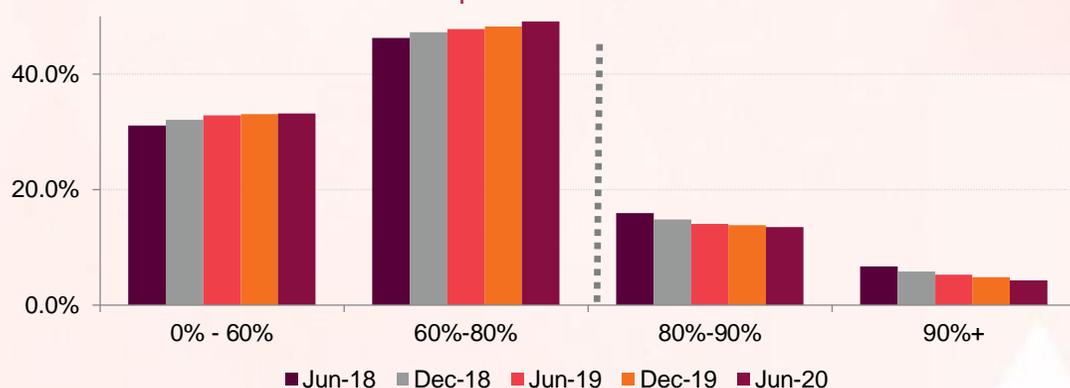
# Residential lending portfolio key metrics

## Home Loans 90+ days past due - by state<sup>1</sup>



## Residential loan-to-value profile<sup>2</sup>

82% of portfolio with LVR ≤ 80%



## Residential portfolio and settlement metrics<sup>3</sup>

	Jun-20	Dec-19
Retail mortgages	54%	56%
Third Party mortgages	46%	44%
Lo Doc	1%	1%
Owner occupied	64%	63%
Owner occupied P&I	90%	89%
Owner occupied I/O	10%	11%
Investment	36%	37%
Investment P&I	54%	52%
Investment I/O	46%	48%
Mortgages with LMI	19%	20%
Average LVR (at origination)	57%	57%
Average loan balance	\$250k	\$243k
90+ days past due - exc arrangements	0.4%	0.4%
Impaired loans	0.10%	0.11%
Specific provisions	0.03%	0.03%
Loss rate	0.01%	0.01%
Variable	74%	77%
Fixed	26%	23%

<sup>1</sup> Keystart included from Jun-17, excludes Delphi Bank. Arrears includes impaired over 90d+ and excludes arrangements

<sup>2</sup> Breakdown of LVRs by residential mortgages by origination

<sup>3</sup> Loan data represented by purpose. Includes Business and Agribusiness divisions. Excludes Delphi Bank & Keystart data. Arrears includes impaired over 90d+ and excludes arrangements

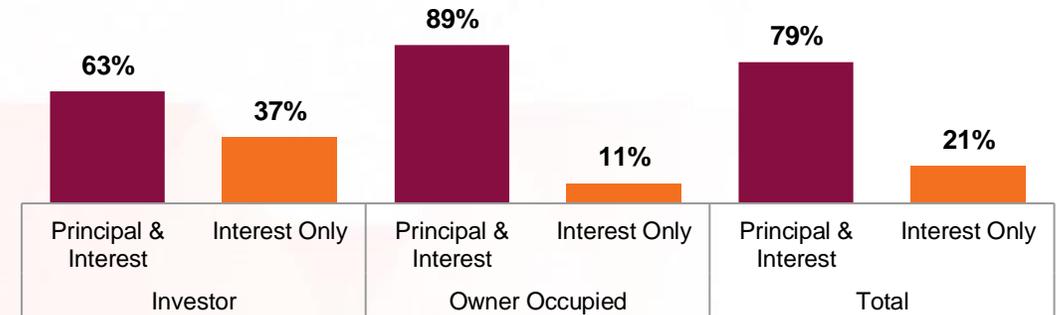
# Residential lending – COVID-19<sup>1</sup>

## First home owners – COVID-19 (% EAD)<sup>2</sup>



## Loan type by principal & interest and interest only- COVID-19 (% exposures)

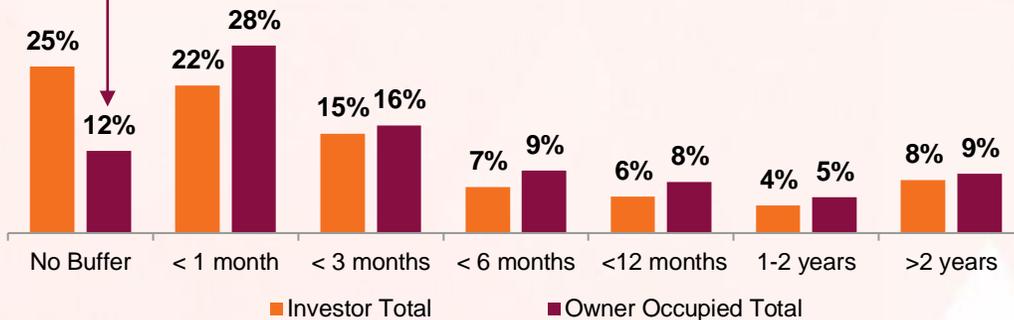
*Payment profile heavily skewed towards P&I providing additional flexibility for customers to consider IO payment*



## Payments in advance (incl. Offset Balances) by loan type - COVID-19 (% EAD)<sup>3</sup>

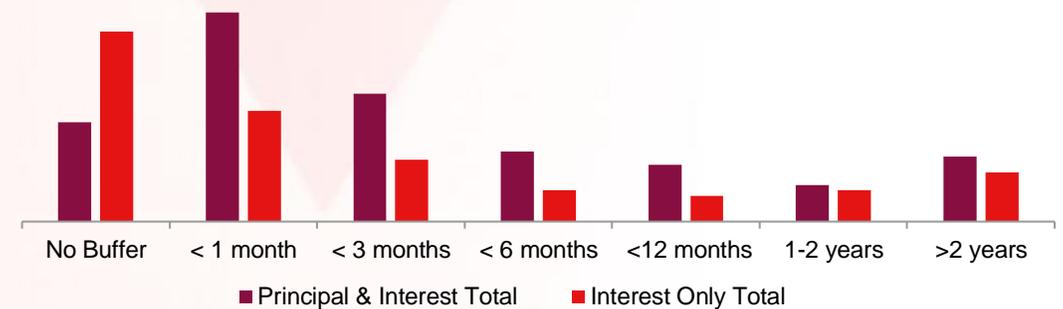
*No prepayments dominated by investor*

17% <12 months with additional 14% fixed rate



## Payments in advance (incl. Offset Balances) by loan repayment type - COVID-19<sup>3</sup>

*No prepayments higher for interest only*



<sup>1</sup> COVID-19 data updated to 27th July 2020 for Bendigo and Adelaide data (other source system remain on 30th June 2020). Residential Mortgages COVID-19 EAD is \$4,318m or 12,565 exposures.

<sup>2</sup> First Home Owners detail available for Bendigo and Adelaide (97% of COVID-19 exposures, excludes \$147m EAD).

<sup>3</sup> Number of monthly payments ahead of minimum monthly payment (based on pre-arrangement); includes offset facilities and excludes HELOC products. Available for Retail, Third Party Banking and Alliance Bank Partners (94% of exposures)

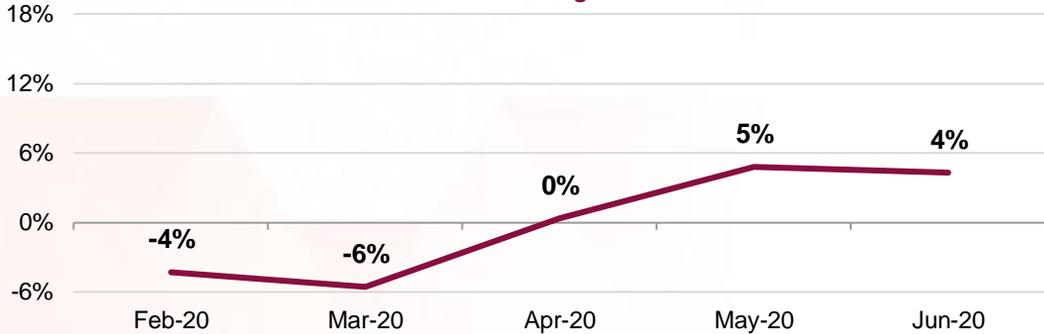
# Deposit profile<sup>1</sup> and credit card utilisation

**Growth in total COVID-19 customer deposit balances since Jan 2020<sup>2</sup>**  
*Existing reserves are building*



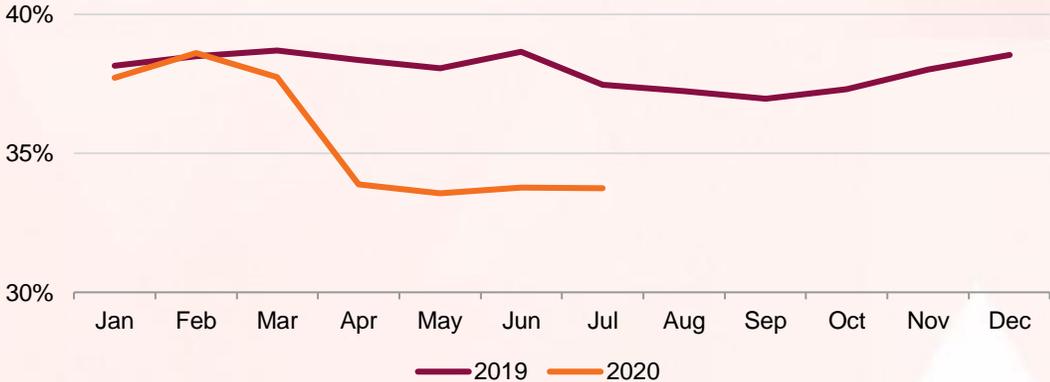
**Growth in total COVID-19 customer deposit balances since Jan 2020 - no buffer and <1 month payments in advance<sup>2</sup>**

*Even with current low or no buffers, total customer deposit balances are increasing*

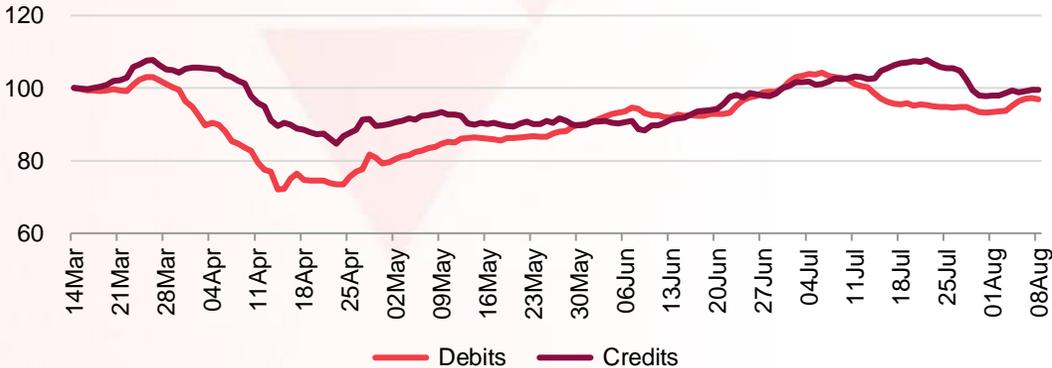


**Total consumer credit cards utilisation**

*Utilisation driven lower as credits onto accounts exceed fall in debits*



**Consumer credit cards total - debits & credits (index, 14 day rolling average)**

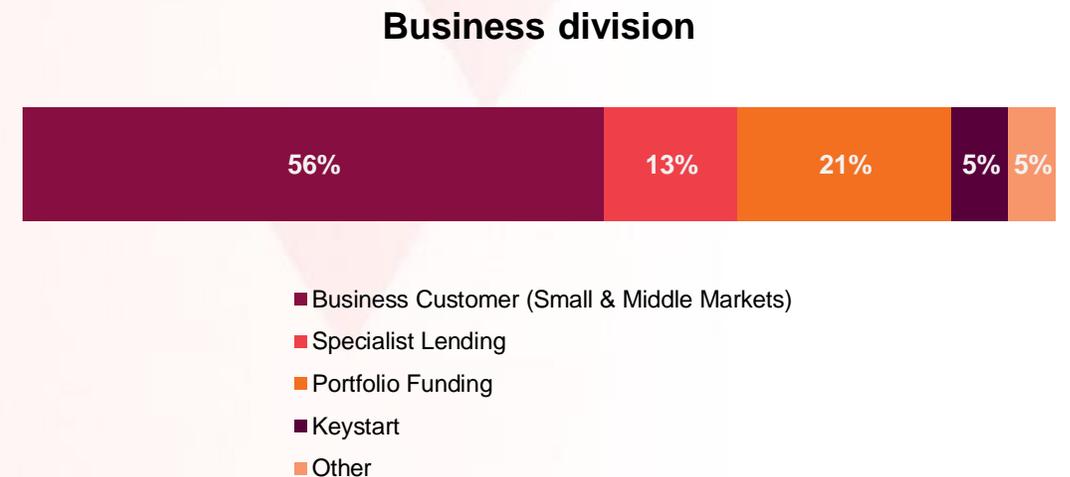
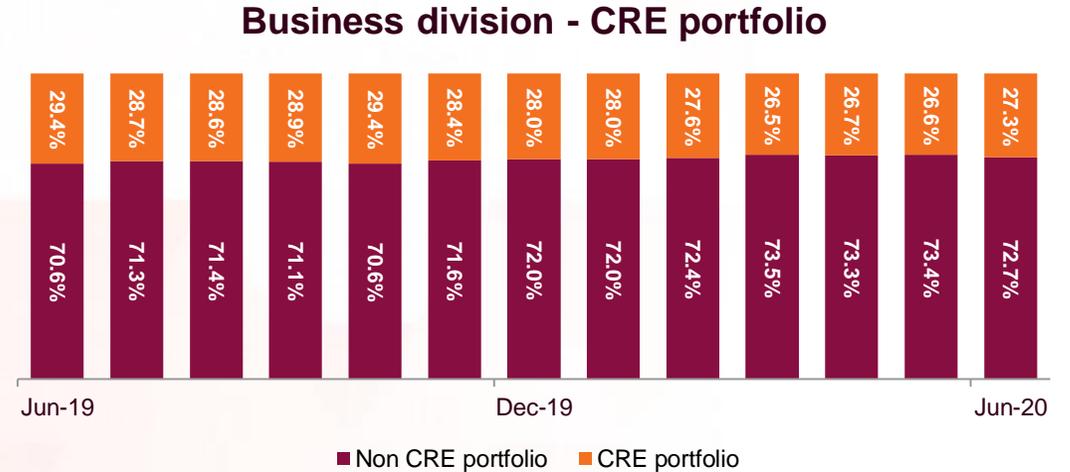
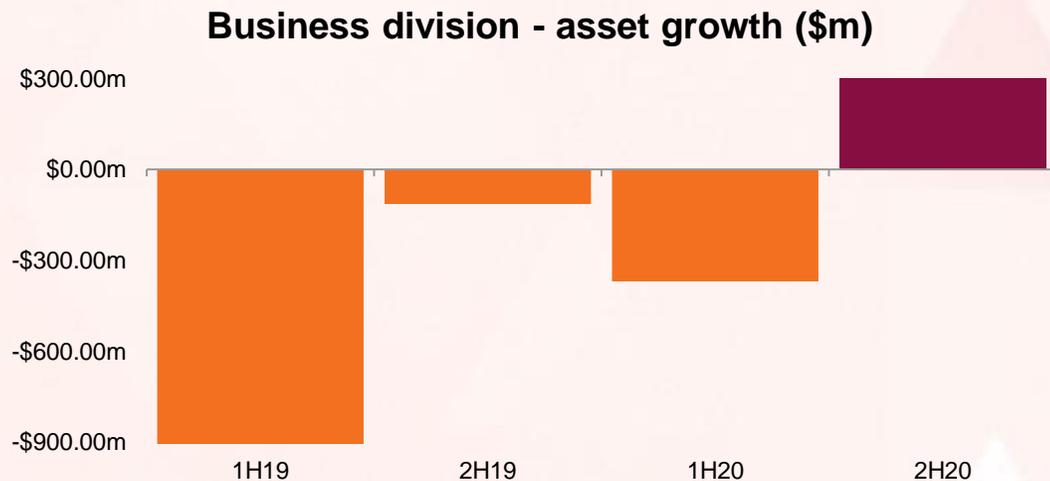


<sup>1</sup> COVID-19 data updated to 27th July 2020 for Bendigo and Adelaide data (other source system remain on 30th June 2020). Residential Mortgages COVID-19 EAD is \$4,318m or 12,565 exposures.

<sup>2</sup> Customer Deposits for Bendigo and Adelaide Bank Residential Mortgage customers only

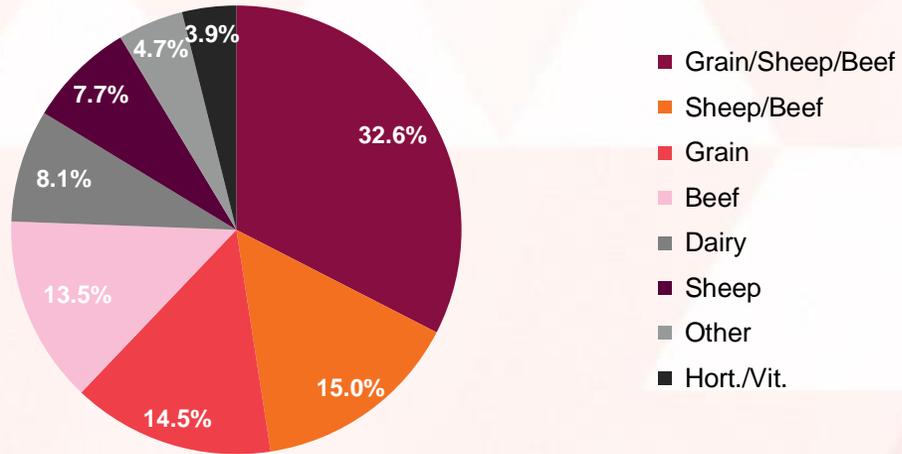
# Business division segments

- Small Business proposition continues to build on prior period momentum, as a clear differentiator within the market, achieving growth over the year
- Commercial property lending portfolio grew during the June 2020 quarter
- Arrears rates in business portfolio continue to trend lower

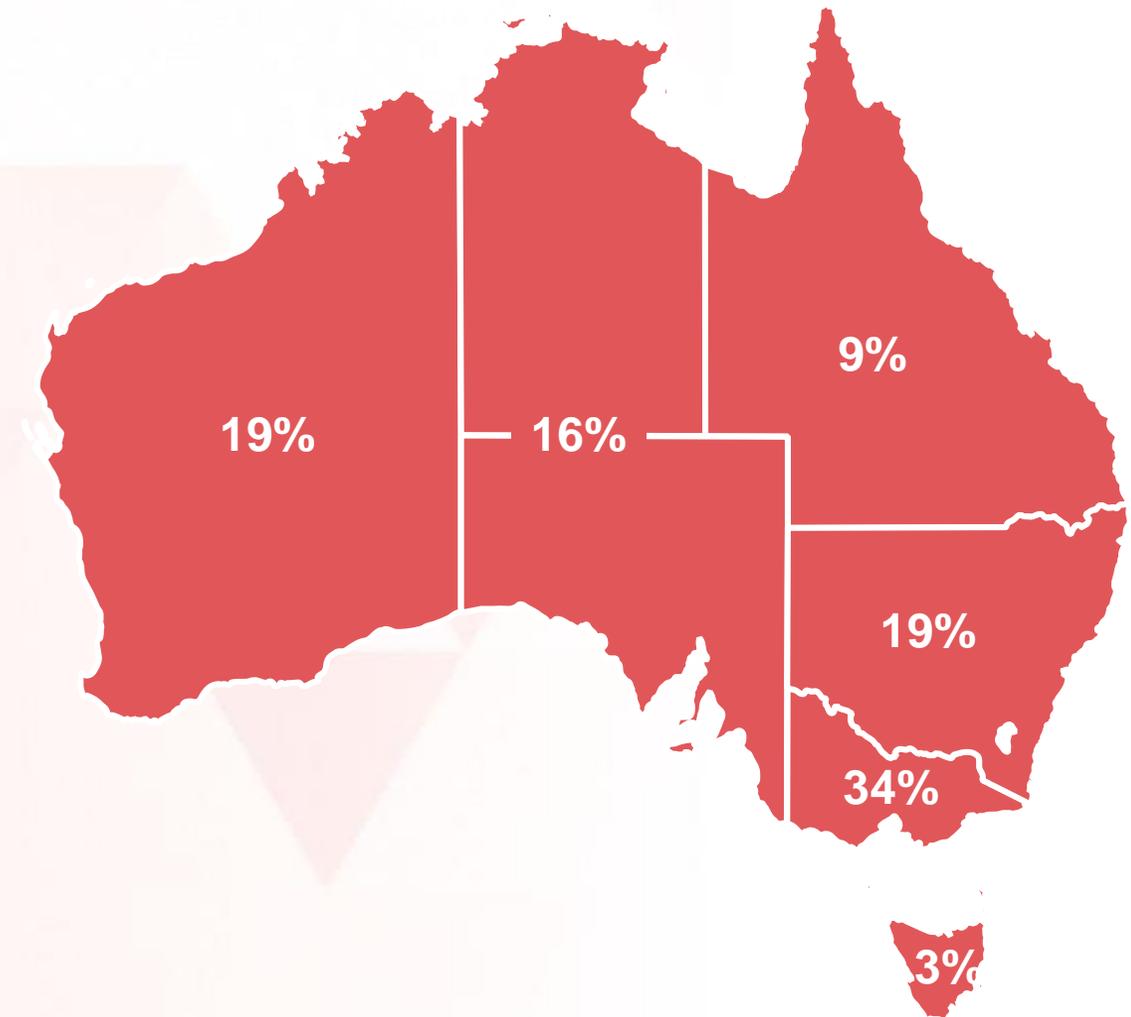


# Agribusiness portfolio

## Agri exposure by industry



## Exposure by state

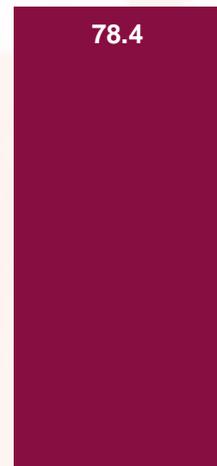


## Agribusiness portfolio (\$)



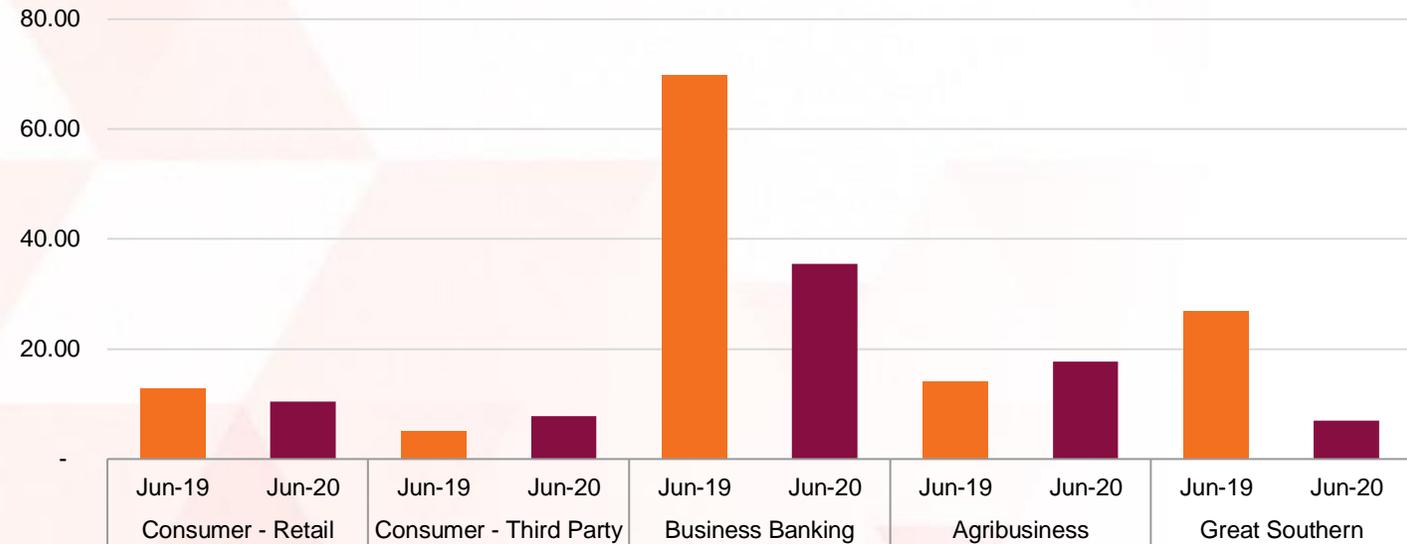
# Provision coverage

Specific provision balance (\$m)



Represented by  
→

Specific provisions breakdown (\$m)



Provision as % of each portfolio's gross loans

Consumer – Retail

Consumer – Third Party

Business Banking

Agribusiness

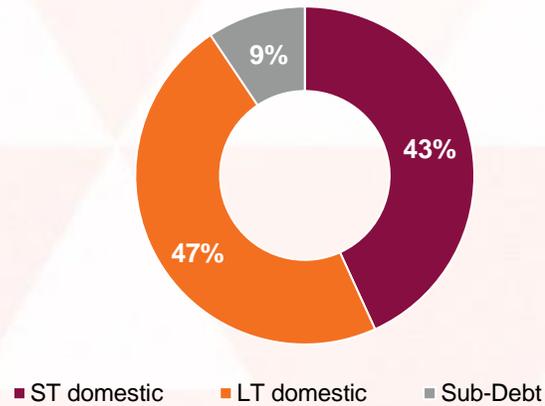
Great Southern

BEN total

	Consumer – Retail	Consumer – Third Party	Business Banking	Agribusiness	Great Southern	BEN total
<b>June 2020</b>	0.04%	0.04%	0.32%	0.30%	24.55%	<b>0.12%</b>
<b>June 2019</b>	0.05%	0.03%	0.63%	0.23%	46.98%	<b>0.21%</b>

# Funding and liquidity

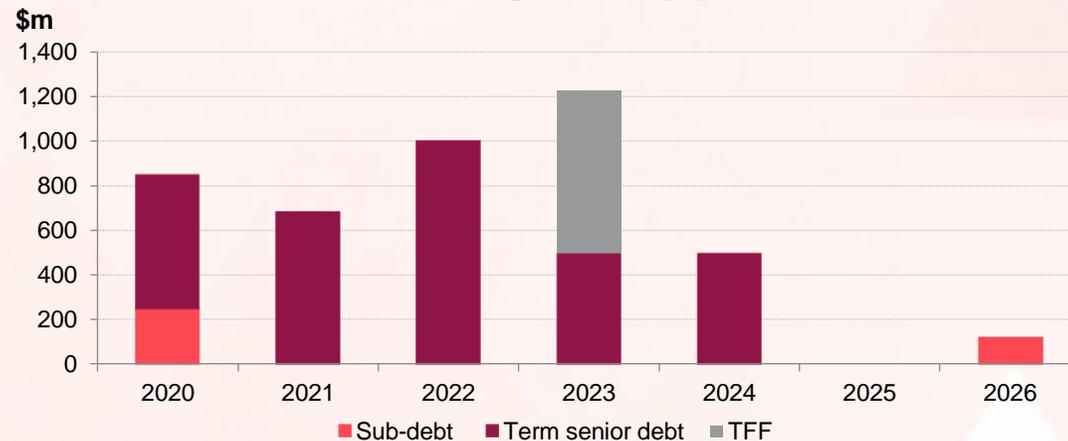
## Wholesale funding composition



## Liquidity Coverage Ratio – 3 month average<sup>2,3</sup>

	Jun-20 (\$b)	Mar-20 (\$b)	Dec-19 (\$b)	Sep-19 (\$b)
High quality liquid assets	5.62	6.58	5.70	5.25
CLF / TFF	4.76	2.92	3.00	3.00
<b>Total LCR liquid assets</b>	<b>10.38</b>	<b>9.50</b>	<b>8.70</b>	<b>8.25</b>
Customer deposits	3.80	3.69	3.55	3.23
Wholesale funding	1.63	1.68	1.44	1.62
Other flows	1.78	1.73	1.71	1.59
<b>Net cash outflows</b>	<b>7.21</b>	<b>7.10</b>	<b>6.70</b>	<b>6.44</b>
<b>LCR</b>	<b>144%</b>	<b>134%</b>	<b>130%</b>	<b>128%</b>

## Term funding maturity profile



## Net Stable Funding Ratio (NSFR)

118.4% as at 30 June 2020



Note: TFF refers to Term Funding Facility provided by the Australian Government and reflects the limit granted, and drawn amounts at 30 June 2020

<sup>1</sup> Subordinated debt maturity refers to legal final maturity date.

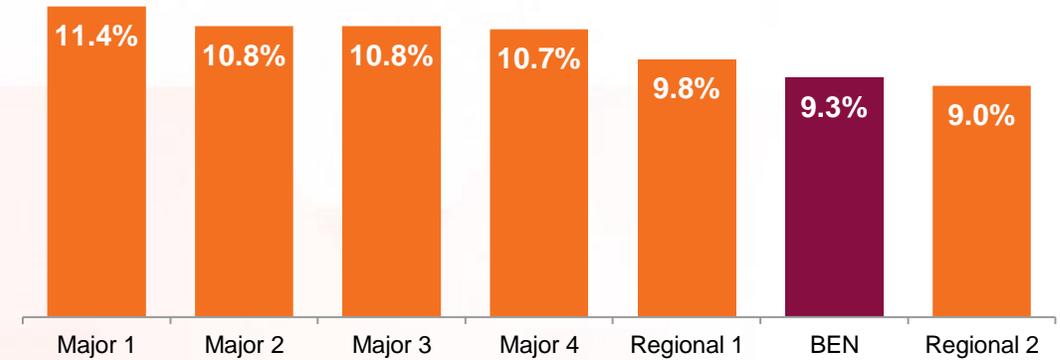
<sup>2</sup> BEN's LCR for the quarters ending 30 June 2020, 31 March 2020, 31 December 2019 and 30 September 2019 are based on a simple average of LCR outcomes observed during each period (i.e. 91 data points for the quarter ended 30 June 2020, 91 data points for the quarter ended 31 March 2020, 92 data points for the quarter ended 31 December 2019 and 92 data points for the quarter ended 30 September 2019) whereas LCR averages provided in 4E are based on semi-annual averages (i.e. 182 data points for the 6 months to 30 June 2020).

<sup>3</sup> Customer deposits and Wholesale funding inputs have been restated to reflect the change in customer deposit methodology from 1H20.

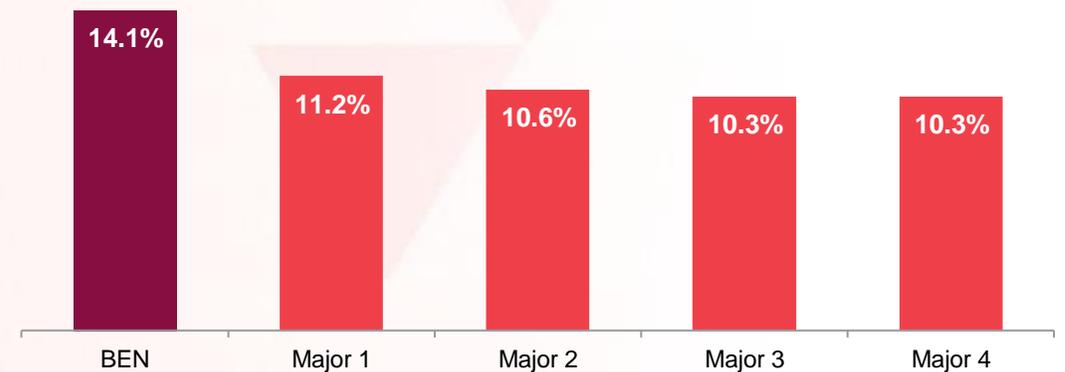
# Capital

	2H20 (%)	1H20 (%)	2H19 (%)	1H19 (%)
<b>Common Equity Tier 1</b>	9.25%	9.00%	8.92%	8.76%
<b>Additional Tier 1</b>	2.40%	2.40%	2.39%	2.39%
<b>Tier 1</b>	11.59%	11.40%	11.31%	11.15%
<b>Tier 2</b>	2.02%	1.81%	1.83%	2.69%
<b>Total capital</b>	13.61%	13.21%	13.14%	13.84%
<b>Total risk weighted assets</b>	\$38.2b	\$37.3b	\$37.5b	\$37.5b

**CET1 peer comparison<sup>1</sup>**



**S&P RAC Ratio<sup>2</sup>**

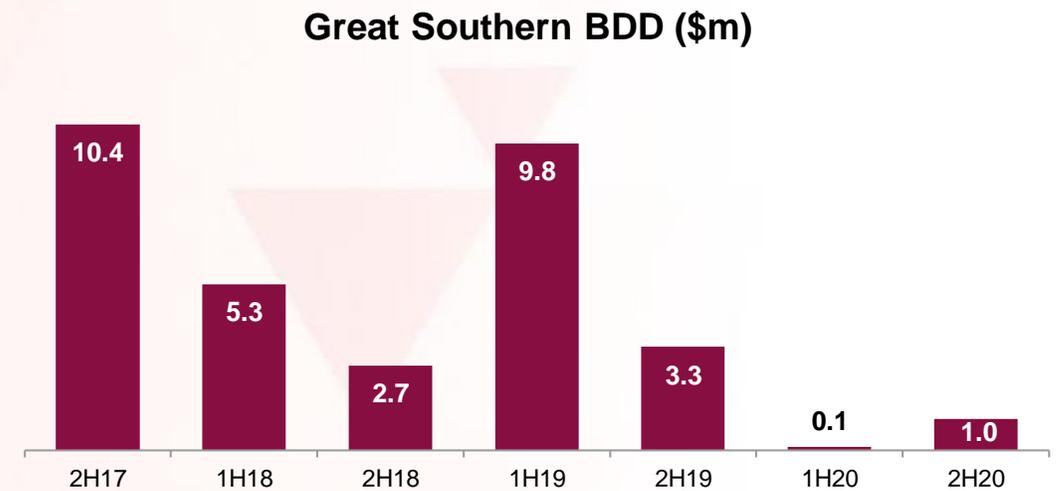
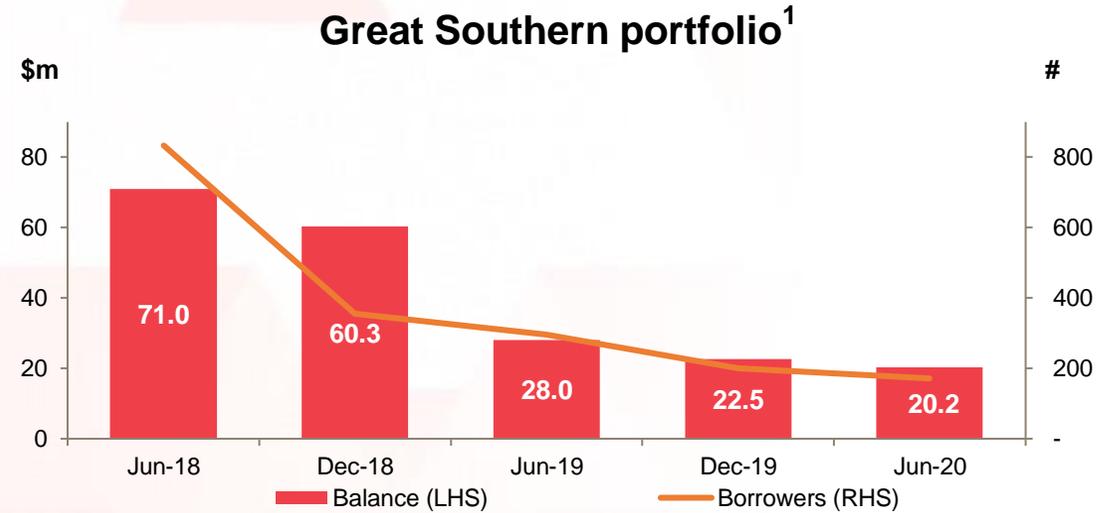


<sup>1</sup> Last reported CET1 as at 30 July

<sup>2</sup> Standard & Poors RAC Ratio, Major 1 as at 30 Jun 2019, Major 2 & 3 as at 31 Mar 2019, Major 4 as at 31 March 2019 & BEN as at 30 Jun 2019. BEN & Major 2 do not reflect recent capital raisings.

# Great Southern

- Great Southern portfolio continues to contract and is adequately provisioned
- Portfolio now represents less than 0.1% of total group loans



	FY20 (\$m)	FY19 (\$m)	FY20 v FY19 (%)
Collective provision	\$8.2	\$8.8	(6.8%)
Specific provision	\$7.0	\$26.8	(73.9%)
<b>Total</b>	<b>\$15.2</b>	<b>\$35.6</b>	<b>(57.3%)</b>

<sup>1</sup> Balance of loans less specific provisions

# Reconciliation

	FY20 (\$m)	FY19 (\$m)
<b>Statutory Profit after tax</b>	<b>\$192.8</b>	<b>\$376.8</b>
Fair value adjustments	\$0.1	\$0.3
Homesafe unrealised adjustments	(\$16.4)	\$29.5
Hedging revaluation	\$2.2	(\$7.4)
Loss on sale of business	-	\$1.6
Impairment charge	\$2.8	-
Software impairment	\$85.5	\$0.5
Operating expenses <sup>2</sup>	\$21.5	\$1.9
Amortisation of intangibles	\$2.2	\$2.6
<b>Cash earnings after tax (sub total)<sup>1</sup></b>	<b>\$290.7</b>	<b>\$405.8</b>
Homesafe net realised income after tax	\$11.0	\$9.9
<b>Cash earnings after tax</b>	<b>\$301.7</b>	<b>\$415.7</b>

<sup>1</sup> Cash earnings after tax (subtotal) is equal to cash earnings before Homesafe realised income

<sup>2</sup> FY20 Operating expenses included accelerated amortisation charge, restructuring and legal costs

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