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we're bigger

» Bendigo and
Adelaide Bank

Interim Review | 2016



A message from the Managing Director

The Bank's half year result and our outlook remain very positive because of our strong capital, funding and credit position.

It's pleasing to see how these results reflect our disciplined management approach.

Interim results snapshot

- > Cash earnings: **\$223.7 million**, increase of 2.7 percent on the prior corresponding period.
- > Profit after tax: **\$208.7 million**
- > Interim dividend: **34 cents** per share fully franked
- > Interim dividend distribution date: **Tuesday 31 March 2016**

This last half saw extreme price competition for mortgages, with several competitors seeking to increase their balance sheet exposure to Australian home loans through irrational pricing in the lead up to changes in regulation aimed at levelling the playing field for all banks.

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

The low interest rate environment continued to impact growth as many customers chose to reduce debt. About 43 per cent of our customers are ahead in their loan repayments, while mortgage offset accounts grew by 12 per cent over the period.

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

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

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

We're very pleased to see a more level playing field in practice, which ultimately means our Bank can be a large part of the increasing choice Australians have when deciding who to trust their banking with. And we're well placed to accept that choice as the highest ranked bank among Australia's financial institutions and seventh out of the top 60 companies (by revenue) operating

in Australia in the AMR and Reputation Institute's 2015 Corporate Reputation Index. This is a great testament to the outstanding service our people provide to our customers.

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

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

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

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

I would like to thank you for your ongoing support.

Mike Hirst
Managing Director,
Bendigo and Adelaide Bank.



Bank continues million dollar investment in future talent

This year, 89 new tertiary students received financial support under the Bank's successful Scholarship Program.

They join more than 110 second and third year students awarded continuing scholarships, sharing in \$1.25 million in funding to help meet tertiary study costs.

Bendigo and Adelaide Bank Chairman, Robert Johanson, said the Bank received more than 1000 applications for the 2016 scholarship program, an indication of an ever-growing need for financial support.

"What really stood out was the determination and courage shown by these young people to pursue their career goals, often under difficult circumstances, not to mention their academic achievements."

Partners supporting the 2016 program included **Community Bank**[®] companies, Rural Bank, Community Sector Banking, La Trobe University, University of Melbourne and Haven Home Safe.

The program has now supported 450 students, with \$5.2 million in funding since its inception in 2007.

In February, the Bank also officially welcomed 10 graduates to its Graduate Program, joining 13 inducted into the 2015 program.

The program provides university graduates the experience of working in the financial services sector, gaining skills across a range of divisions that complement their field of study.

Nick Hodder, in Adelaide, was attracted to the Bank's strong values and found the graduate program a perfect fit.

"With a young family, moving away was not really an option for me, so to be able to pursue a great career pathway right here in my home city is just a once in a lifetime opportunity," he said.

Image: Some of the newest members of the Bank's Graduate Program have now started in Adelaide.

New partners help Bank make meaningful connections

Two significant partnerships are helping the Bank reach out to new communities.

In October, the Bank became the major sponsor of the Australian Baseball League and Baseball Australia, and naming rights partner of the Australian Little League Championships for the next three years.

In South Australia, a new partnership with St John SA is also helping promote our community connection, and complement our shared value strategy.

In February, the partnership launched a major fundraising campaign, Volunteer for a Volunteer, which encourages individuals, media personalities and Bendigo Bank staff to volunteer to raise funds for St John volunteers.

All funds raised during the campaign will remain in South Australian communities, supporting St John volunteers to continue their vital work.



Image: Piggy met some of St John's hardworking volunteers to celebrate our new partnership.

Innovation taps into customer voice

In our mission to be Australia's most customer connected bank, we're always looking for innovative ways we can engage with our customers.

The Bank's new online community miVoice helps our customers share their views, opinions and ideas to help us improve their overall banking experience.

Launched in August last year, miVoice will play an important part in understanding customer attitudes, ensuring we're focussing on the things that really matter to them.

Right now 1,330 customers are signed up with miVoice, taking part in polls and surveys on targeted topics, providing valuable insights into ATM accessibility, community engagement and telco products.

There are also plans to trial new products with this audience, including website and app developments.

Awards cap off year of top achievements

The Bank scooped a number of industry and customer-ranked awards in 2015, reflecting our premium product offering, quality customer service and unique innovation.

Bendigo Bank was named Business Bank of the Year 2015, our fourth consecutive year on top in Roy Morgan Research's Customer Satisfaction Awards, with three out of four business customers saying they would recommend the Bank.

Our business banking relationship management app, miBanker, won the 2015 Victoria iAwards for Financial Services, an award by the Australian Information Industry Association (AIIA) honouring companies at the cutting edge of innovation.

Other accolades received in 2015 include:

- CANSTAR'S Superannuation Star Ratings Report awarded Bendigo Bank's SmartStart Super® a 5 star rating for the third year.
- 2015 Mozo People's Choice Awards named the Bank Best Credit Card and Term Deposit provider, and one of Australia's Top Five Banks (2nd place).
- The inaugural J.D. Power Asia Pacific 2015 Australia Credit Card Satisfaction Study, ranked the Bank's credit card highest, with customers most happy with their customer interaction experience.
- Money Magazine's 2016 Best of the Best Awards for Best-Value Mobile Plan – Average Usage, was won by Bendigo Bank Telco, for its 4G Lite plan.
- The Investment Trends 2015 Margin Lending Investor Report revealed that Leveraged was the highest rated margin lender in the industry for the Overall Client Satisfaction and number one for Net Promoter Score.

We constantly strive to improve our offering, seeking bigger and better ways of doing business, and these awards are recognition of this effort for staff, customers and shareholders.

Appeals support bushfire affected communities

The Christmas and New Year period was a challenging time for many of our communities, with towns in South Australia, the Surf Coast, South West WA and Scotsburn all experiencing devastating bushfires.

To pledge our support in the rebuilding of these communities, our Bank has partnered with its **Community Bank**® network and other local charitable organisations to deliver a number of bushfire appeals.

The South Australia, Surf Coast, South West WA Region and Scotsburn bushfire appeals all aim to raise funds for renewal projects led by their local communities.

So far these appeals have raised almost \$300,000, including donations of \$60,000 from local **Community Bank**® branches.

Our communities are important to us and we continue to act in ways that support them when they need it most.

*Image: Port Lincoln and Virginia **Community Bank**® branches donated bales of hay to farmers affected by the South Australian bushfires.
Picture – Lisa Redpath, Plains Producer*



New appointments to Executive

In October, Alexandra Gartmann started as Managing Director of the Bank's agribusiness subsidiary Rural Bank, joining the Group's Executive team.

Alexandra Gartmann has been a Director of Rural Bank since 2014 and was a previous Director of Rural Finance Corporation.

She is passionate about agricultural and rural communities, and made a valuable contribution to rural Australia in her previous roles as CEO of the Foundation for Rural & Regional Renewal (FRRR) and CEO of the Birchip Cropping Group.

Also joining the Executive team is Bruce Speirs who now heads up our new Partner Connection division, bringing together our Wealth, Leveraged and Third Party Banking businesses.

Bruce has worked across the Group since 2005 with roles in finance, Rural Bank and Wealth. His appointment will ensure the critical role all these businesses play is represented at the Executive level.

Finally, Executive Alex Tullio has been appointed to lead the newly created Local Connection team, covering retail and business banking networks.

Alex has previously worked with our margin lending business, Leveraged, and brings a huge amount of financial services knowledge to the role.

Jan Harris joins the Board

In February, Bendigo and Adelaide Bank appointed Jan Harris as a non-executive director.

Jan has had senior roles in the Department of the Treasury and the Department of Prime Minister and Cabinet, including most recently as Deputy Secretary at the Treasury.

Until her recent retirement from the public service, Jan was a member of the Council of Financial Regulators, the Centre for International Finance and Regulation, the Financial Sector Advisory Committee and the board of the Australian Reinsurance Pool Corporation.



Green initiatives grow sustainable outcomes

More than 2,680 Victorians participated in our Switch to Save initiative in 2015 signing up to replace their energy-thirsty halogen down lights with energy-efficient LED down lights for free.

This project has saved them an estimated \$1.3 million in energy costs per year and 47,000 tonnes in greenhouse gas emissions, or the equivalent of taking more than 9,900 cars off the road for a year.

Our branches in Victoria also distributed \$1 for every halogen down light replaced to help support local schools undertake sustainable projects. This has seen \$65,000 distributed to local schools.

This year the Bank is also partnering with Earth Hour, who with its 2016 lights out event aims to bring awareness to the effects of climate change on Australia's natural icons.

By encouraging Australians to celebrate the "Places We Love", Earth Hour hopes to inspire national action to protect our country's most valuable assets – our beaches, rivers, reefs, snow-capped mountains, farmland and national parks.

The Bank is proud to lead projects such as these, knowing our actions are creating a more sustainable future for our customers and their communities.

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