

Strong funding provides Bendigo's platform for growth

Monday 13 February 2017: Bendigo and Adelaide Bank, Australia's fifth largest bank, today announced an after tax statutory profit of \$209.0 million for the six months ending 31 December 2016.

Underlying cash earnings were \$224.7 million, a 0.4 percent increase on the prior corresponding period¹.

Cash earnings per share were 48 cents, a 0.9 cent decrease on the prior corresponding period.

The final fully franked dividend of 34 cents² per share is flat on the prior half year period. A 2.5 percent discount for shares issued under both the Dividend Reinvestment Plan and Bonus Share Scheme has been announced.

Managing Director Mike Hirst said these results reflected the Bank's focus on customer outcomes.

"Our desire to provide our customers with the best overall experience in financial services led to strong lending growth across Retail and Partner channels, which has resulted in the Bank delivering growth above system, despite competition remaining intense," Mr Hirst said.

"Pressure on net interest margin, following the May and August cash rate reductions and holding additional liquidity for the Keystart portfolio acquisition, resulted in a six basis point contraction over the half. However, as the market repriced loans in August and December in response to increased funding costs, our margin recovered, resulting in an exit margin of 2.14 percent.

"Our industry leading funding position continues to be a particular strength for our Bank, providing flexibility for executing on organic and inorganic growth opportunities. Our retail distribution network is fantastic at deposit gathering. Solid growth in at call and term deposits sees 80.2 percent of funding provided by retail customers. This is a real strength for the Bank and a testament to the advocacy of customers for our style of banking.

"Our focus on making it easier for customers to do business with us has driven efficiency gains over the half. Our cost to income ratio moved down to 54.3 percent, and the investment we've made in Project Reset and new technology will continue to provide a material contribution to efficiency gains.

"We are well capitalised for the risk we write, with total capital at 12.20 percent. This is validated by S&P's risk adjusted capital ratio analysis which shows the Bank has a comparatively strong capital position in the industry. To ensure this remains the case and to help support growth in the second half, we've increased the discount on the Dividend Reinvestment Plan.

"Our progress towards Advanced Accreditation continues, and this significant investment has already improved our risk management capability and how we serve our customers. The frameworks and models we have developed are in use in our business, providing us with greater insights into our customers and business risks.

“We know this important step will mean our Bank can operate on a level playing field with major banks, something we haven’t been able to do for some time. While the timing for this remains in the future, we look forward to the increased choice Australians will have as a result of levelling the field for ourselves and others going through the process.”

Mr Hirst said today’s results show the Bank’s unique and valued proposition for customers and communities, driven by a clear vision of being Australia’s most customer connected bank, is valued by Australian consumers and businesses.

“We provide a premium value proposition that resonates well, and we have the highest advocacy in the industry. We’re number one in Forrester’s Australian Customer Experience Index across all industries and, out of all banks’ customers, our customers are most likely to recommend their Bank according to Roy Morgan research,” he said.

“Our **Community Bank**[®] model continues to deliver tangible benefits for many communities and our business, with 9 percent balance sheet growth in this half. With about \$165 million in funding returned to Australian communities since 1998 – and about \$16.5 million returned in the last financial year – the economic impact of these dollars will support the sustainability of communities for the long-term.”

“Our Bank has a great opportunity. Our customer focus is being repaid with customer advocacy and, importantly, growing levels of business. This has resulted in a strong funding and balance sheet position with profitability at good levels.

“I’d like to take this opportunity to thank our customers, staff and other stakeholders for their contribution to our business,” he said.

Interim result webcast:

The interim results presentation will be held today at 10:00am AEST.

Click here to watch the live [2017 Interim Results Announcement](#).

Or view the archived webcast from Tuesday 14 February at www.bendigoadelaide.com.au

1 All results relate to the half year ended 31 December 2016, with all comparisons against "prior corresponding period". The term "prior corresponding period" refers to the half year ended 31 December 2015.

2 Ex-dividend date for interim dividend of 34¢ is 2 March 2017, record date is 3 March 2017, and dividend payment date is 31 March 2017.

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