

Bendigo and Adelaide Bank 2022 Interim Financial Results

14 February 2022: Bendigo and Adelaide Bank (ASX: BEN), Australia's fifth-largest retail bank, today announced its results for the half year ending 31 December 2021.

- » **Statutory net profit:** \$321.3 million, up 31.7 percent¹
- » **Cash earnings after tax:** \$260.7 million, up 18.7 percent¹
- » **Net interest margin:** 2.09 percent, down 14 basis points on 2H21
- » **Total income on a cash basis:** \$873.4 million, up 2.9 percent¹
- » **Credit expenses:** (\$17.8m write-back), down significantly¹
- » **CET1:** 9.85 percent, up 49 basis points¹
- » **Cash earnings per share:** 47c, up 13.5 percent¹
- » **Fully Franked Dividend:** 26.5 cents per share
- » **Dividend Reinvestment Plan** with a 1.5 percent discount²
- » **Total lending:** \$73.8 billion, up 2.1 percent on 2H21
- » **Residential lending:** 1.1x system up 8.4 percent³
- » **Total funding:** \$81.9 billion up 5.1 percent on 2H21, with customer deposits up 6.6 percent on 2H21

Marnie Baker, Managing Director and CEO said:

"This result marks the third consecutive half of positive jaws and our sixth consecutive half of above system growth in residential lending. We are delivering value for our more than 2.1 million customers and our vision to be Australia's bank of choice is a step closer."

"Cash earnings for the half were up 18.7 percent to \$260.7 million on the prior corresponding period with statutory net profit up 31.7 percent to \$321.3 million. Total income was up 2.9 percent to \$873.4 million as we continue to grow our earnings and deliver for investors."

"This strong result would not be possible without our strategy and our focus on execution. We are committed to removing complexity, keeping cost growth low and, above all, remaining a customer centric organisation."

"To this point, customer numbers continue to rise, up 3.4 percent over the half to 2.12 million. We maintain the highest NPS⁴ of any Australian listed bank at 29.7, more than 30 points above the industry average which remains in negative territory."

"Our customer base is growing because customers are attracted to our products, service levels and our purpose of feeding into the prosperity of our customers and communities, not off it."

"We have made significant progress over the half with the acquisition of financial technology company Ferocia and digital bank Up accelerating our strategy. Capital levels are again higher and support our strong balance sheet, and our return on equity is above 8 percent."

"The pace of our transformation agenda continues to accelerate. We have disposed of non-core assets and business lines. We are moving applications to the cloud, which improves our efficiency and technology resilience. We are reducing 'time to decision' for our customers seeking a loan and will launch our fully digital home loan offering Up Home in the months ahead."

"These milestones show that we are executing our strategy as we become a bigger, better and stronger Bank. But the outlook remains challenging, and we need to intensify our efforts to meet these challenges. And we will".

Key metrics

“For the sixth consecutive half we have delivered growth in residential lending above system.”

“The net interest margin declined 14 basis points on the previous half reflecting the increase in our liquidity position, fierce competition across most lending categories and the continued strong consumer preference for fixed rate loans.

“Given this competitive backdrop, we continue to work judiciously to balance the requirement for growth and return. We are confident that our approach, combined with better leverage to a rising cash rate will play out with improved returns over time.”

“Operating expenses were up 1.5 percent on the prior half and flat on the first half of 2021 in line with our expectations. Transformation spend was lower, staff costs ex-Ferocia and transformation were net flat while software amortisation and IT costs increased.”

“Our cost to income ratio has declined for the third consecutive half to 59.3 percent, in line with our goal of towards 50 percent in the medium term. We need to continue to improve our efficiency.”

“Credit expenses were a net positive as we delivered a \$17.8 million write-back supported by a rebound in confidence and benign underlying conditions.”

“Our Common Equity Tier 1 (CET1) has risen 28 basis points to 9.85 percent and our board has approved a new CET1 target range of between 9.5 percent and 10 percent.”

“These numbers demonstrate our strategy is working. We are Australia’s better big bank and customers increasingly recognise this.”

“Throughout the pandemic we acted fast and sensitively to be there for our customers, providing loan repayment deferrals, fee waivers and other measures of support including extensions. We helped around 25,000 customers with only 3.5 percent of those requiring ongoing support today.”

“Pleasingly, the onset of Omicron has only seen 25 new retail customers require some form of assistance, underscoring the resilience of our customers and their financial position.”

“Notwithstanding these achievements, we cannot afford to sit back and relax. Despite the continued above system growth in residential lending, overall lending growth has fallen behind system, driven by seasonal factors in agribusiness and a decline in our business lending book this half, with total lending growing at 4.3 percent compared with system growth of 8.3 percent.

To this extent, you will have seen our announcement on 1 February to bring our business banking and agribusiness divisions together with a clear focus on growth. The search for an experienced executive to lead this team has begun. Additionally, Bruce Speirs has been appointed Chief Operating Officer with a focus on reducing complexity, strengthening processes, and improving productivity across the bank.

Business highlights

“The strength of our retail customer franchise is evident in the performance of our consumer bank, delivering its sixth consecutive half of above system home loan growth rising 8.4 percent compared to 7.6 percent system growth. We continue to see strong flows in residential lending with settlements in the period up 4.3 percent on the prior half.”

“Third party channel flows also continue to be a strong contributor to above system home loan growth. Our partners are attracted to our strong and consistent service levels, ranking us amongst the best in the market for approval times.”

“While fixed rate lending has been a strong feature of the mortgage market for most players, including us, more recently there has been a shift to variable rate loans.”

“Our acquisition of technology company Ferocia and Australia’s largest mobile only digital bank Up is a significant milestone for the Bank. It boosts our digital capability and lays the groundwork for future growth as we continue to support communities across Australia through our community bank model.”

“Up has 460,000 customers – many of whom are logging onto the app several times a day. We can see that 45,000 of these customers are actively saving for a deposit on a home and we plan to service these savvy, younger customers with our fully digital offering Up Home later this financial year.”

“We are making progress on simplifying our business and reducing complexity by divesting non-core assets. We disposed of insurance broker Community Insurance Solutions over the half and more recently, our invoice financing business. We will make further announcements on divestments as they occur.”

“We are also getting on with the job of modernising our bank by removing complexity and creating additional capacity. Our ‘time to decision’ has fallen in both our proprietary and third-party channels with further improvements to come.”

“We have moved 13 percent of applications to the cloud. Automated decision-making technology is now being applied to third party home loan applications and will scale up over the next 12 months. Around 25 percent of sales are coming through digital channels and 66 percent of customers are active e-banking customers.”

“Our Community Bank network of 317 branches across Australia continues to be a significant point of difference for our customers and the communities we serve. Over \$272 million in community contributions have been distributed back into these communities since the model’s inception.”

“But just as importantly, they are also a part of our growth story. The Community Bank model and our strong connection to our customers continues to generate a stable source of funding with customer deposits as a whole rising another \$3.8 billion over the half.”

Dividend

“The Board has declared a dividend of 26.5 cents per share. A DRP (Dividend Reinvestment Plan) has been announced with a 1.5 percent discount applicable. This decision supports our strong capital position and our business outlook, including expectation of continued above system residential lending growth whilst balancing our commitment to support our shareholders.”

Outlook

“Bendigo and Adelaide Bank is well positioned with leading NPS and trust scores. Our growing customer numbers and the success of our community bank model prove there is a demand for our point of difference, and the investments we are making into digital capability are opening up new markets and bode well for future growth and returns.”

“We are executing as promised and our results show our strategy is working. Looking ahead, we expect residential loan growth to continue to exceed system growth and the seasonal return of agribusiness growth to drive better near-term lending growth.”

“Challenges in the form of margin compression and non-recurring other income are expected to drive revenue lower in the second half. Costs will need to decline for us to continue driving the cost-to-income ratio lower. Delivering positive jaws remains the intent of our executive team.”

We are committed to executing our transformation agenda and delivering for all stakeholders.

We are not fair-weather bankers that are here today and gone tomorrow. We are relationship bankers. We are here for our customers through the cycle and have been since 1858.

Interim result webcast

The results presentation webcast will be held today, Monday 14 February 2022 at 10:00am AEDT. [Click here](#) to watch the webcast live. A replay of the webcast will then be made available at the Bendigo and Adelaide Bank website from 2.00pm AEDT www.bendigoadelaide.com.au

Approved for release by: The Bendigo and Adelaide Bank Board

Media enquiries

James Frost, Head of Public Relations
m 0419 867 219
e james.frost@bendigoadelaide.com.au

Investor enquiries

Karen McRae, Head of Investor Relations
p 03 8414 7060 m 0417 186 500
e karen.mcrae@bendigoadelaide.com.au

About Bendigo and Adelaide Bank Limited

Bendigo and Adelaide Bank is Australia's better big bank, with more than 7,000 staff helping our over 2 million customers to achieve their financial goals. Bendigo and Adelaide Bank's vision is to be Australia's bank of choice, by feeding into the prosperity of customers and their communities.

¹ All results relate to the half year ended 31 December 2021, with all comparisons for the "prior corresponding period". The term "prior corresponding period" refers to the half year ended 31 December 2020.

² Ex-dividend date for the FY22 interim dividend of 26.5¢ is 7 March 2022, record date is 8 March 2022, and the dividend payment date is 31 March 2022.

³ APRA Monthly Banking Statistics 2021. Data is an annualised growth rate based on a 6-month period (30/06/21-31/12/21).

⁴ 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.