

ASX Announcement

2024 Interim Financial Results

For the Half year ended 31 December 2023

19 February 2024



1H24 result reflects prudent management of shareholder funds with a strong capital, funding and liquidity position

Statutory net profit after tax \$282.3 million 2H23 \$248.0 million Up 13.8%	Cash earnings after tax \$268.2 million 2H23 \$282.2 million Down 5.0%	Net Interest Margin 1.83% 2H23 1.98% Down 15 basis points	Residential lending \$58.5 billion 2H23 \$58.6 billion Down 0.1%
1H24 dividend per share 30 cents per share 1H23 29 cents per share Up 3.4%	Cash return on equity 7.82% 2H23 8.45% Down 63 basis points	Common Equity Tier 1 11.23% 2H23 11.25% Down 2 basis points	Customer deposits \$68.4 billion 2H23 \$66.1 billion Up 3.5%

Bendigo and Adelaide Bank Limited (**ASX:BEN**) today reported cash earnings for the half of \$268.2 million and statutory net profit after tax of \$282.3 million. The Group's statutory net profit after tax was up 13.8% benefiting from Homesafe revaluations net of restructuring costs of \$47.8 million.

Marnie Baker, CEO and Managing Director, said, "Today we announce a result that reflects our prudent management of shareholder capital and the unique opportunities it has created for our Bank. Over the past six months we have continued to manage the business for long-term value whilst adjusting for short-term headwinds."

"We have been deliberate in our decision to pre-fund the repayment of the Term Funding Facility, protected our margins where competitive tensions were irrational, kept expense growth below inflation by executing on productivity initiatives and stayed the course with our investment plans, ensuring efficient use of shareholder funds for the long-term benefit of our customers," Ms Baker said.

The Bank's balance sheet is well positioned for the current economic environment. Over the half, credit expenses of \$10.8 million are down 61% and the Bank's Common Equity Tier 1 ratio of 11.23% is 2 basis points lower, or 98 basis points above the mid-range of the Board's target.

Customer deposits grew 3.5% over the half, demonstrating the strength of the Bank's deposit franchise, with deposits from our Community Banks growing 5%. The higher level of liquidity has ensured the Bank's Liquidity Coverage Ratio (LCR) is well positioned at 151.4% and we are on track to repay the Term Funding Facility by June 2024," Ms Baker said

Total lending was down 0.7%, with competitive market pressures weighing on residential lending volumes, down 0.1%. The Bank remains committed to managing volume and margin, and prioritising growth in digital mortgages. Business lending was up 0.2% and Agribusiness was down 3.9% due to seasonal run-off in the Agribusiness book.

Net Interest Margin was down 15 basis points on the half to 1.83%, impacted by price competition in both lending and deposits and a higher level of liquid assets.

"The revenue challenges we faced in the last half have sharpened our focus on accelerating investment in channels that drive profitable growth. Digital mortgage settlements accounted for 16.3% of all residential lending settlements for the half. For deposits, the launch of online functionality for term deposits and savings accounts for new and existing Bendigo Bank customers has seen a 28% increase in digital deposits. The introduction of the Bank's new digital lending platform will provide greater optionality for scalable and sustainable growth."

"Customer growth remains strong, with a year-on-year increase of 8.3% to 2.47 million and the Bank's Net Promoter Score is 27.8 points above the industry. Contributing to the customer growth is our market leading digital bank Up, which continues to develop unique and engaging customer propositions that improve advocacy and ultimately reduce acquisition costs," Ms Baker said.

Business summary

"Cash earnings for our Consumer division decreased 9.9% to \$250.8 million due to intensity in competition on both sides of the balance sheet. The challenges outlined in our full year results remain. We have seen heightened competition across the mortgage portfolio and consequently slowing growth relative to system. Digital mortgages, which now account for 7% of our residential mortgage portfolio, continue to provide growth opportunities both directly and

through our white label partnerships with Qantas Money Home Loans and NRMA Insurance. On the liability side, our household deposit to loan ratio of 73% is well above system, the average of the major banks, and our regional bank peers," Ms Baker said.

"Cash earnings for our Business and Agribusiness division increased 16.7% to \$208.7 million reflecting solid growth in deposits, reduced operating expenses and lower credit expenses. The Business and Agribusiness transformation is progressing well. Over the half, the division has identified the processes that require improvement and is embedding a stronger performance culture. Strategic decisions are always a balancing act and we recognised some time ago the need for our Business and Agribusiness to be refreshed. Early signs from the newly formed Commercial and Agribusiness broker channels are encouraging with the division growing 25% half-on-half."

Credit quality remains sound, with a 17.7% reduction in net impaired assets to \$55.7 million during the half. In Business and Agribusiness, a reversal in credit expenses of \$6.8 million contributed to the reduction in credit expenses. In Residential lending, 90-day plus arrears have increased by 6 basis points but remain at historically low levels.

"Total operating expenses rose by 1.4% for the half year. Business-as-usual costs remained well below inflation. Productivity benefits of \$22 million were driven by operational efficiencies in Consumer division and in the operations teams which includes lower FTE. Expensed investment spend remained stable throughout the half. We are seeing the benefit of our investment in scams and fraud response and detection. Scams and fraud costs are down by \$8 million over the half and customer related fraud losses are lower," Ms Baker said.

"Our cost to income ratio was challenged during the half, increasing by 230 basis points impacted by the lower income environment. We continue to work on our medium-term objective of a cost to income ratio towards 50%."

The Board has declared a fully franked interim dividend of 30 cents per share, an increase of 1c or 3.4% on the prior corresponding half. This decision reflects our desire to maintain a strong capital position given the uncertain business outlook, while balancing our commitment to support our shareholders with a reasonable return on their investment.

Transformation agenda

The transformation agenda continues to move at pace. Over the past six months the Bank prioritised the following areas:

Reduce complexity

Continued to reduce complexity through the exiting of non-strategic arrangements, including:

- Exiting of relationship agreement with Elders
- Divesting the Bank's shareholding in Homesafe Solutions
- Progressing the sale of Bendigo Super
- Transitioning Alliance Banks to our Community Bank model

Invested in capability

- Grew digital mortgages across direct channels in BEN Express and third-party channels such as Qantas Money Home Loans, Timely and the newly formed partnership with NRMA Insurance.
- Up's unique customer proposition has seen customer growth of 11.8%, deposits growing at 16% and the settlement of \$155 million digital mortgages, an increase of \$92 million over the half.
- Restructured Business and Agri division with new leadership, simplified processes and a reinvigorated team to be enabled by new technology. Investments in a new origination and customer relationship management platform to be completed by December 2024.
- Delivered pilot of new Digital Lending Platform which will provide a streamlined process for home lending, automated credit decisioning and will enable deeper relationships with customers. The first phase is open to over 3000 brokers, has processed over 200 applications and is already showing positive signs with time to unconditional approval on par with industry best practice.

Sustainability

- Launched the Bank's second climate strategy, the Climate & Nature Action Plan alongside enterprise-wide climate training for all BEN team members.
- Continued implementation of our refreshed diversity and inclusion strategy 'Belonging at BEN' and launch of our second Accessibility and Inclusion Plan.
- Launched Banking Safely Online, a face-to-face digital literacy program for BEN customers and their communities. Over 100 sessions have been held across Australia with 100 more sessions scheduled in the second half.

Outlook

“The Bank expects the official cash rate to remain at current levels for most of 2024 following the recent pause from the Reserve Bank. Inflationary pressures remain persistent but are moderating. The Australian economy is likely to outperform its peers over time, although we expect unemployment levels to rise in the short-term. Economic growth is likely to be very modest in financial year 2024 before showing improvement in financial year 2025,” Ms Baker said.

“Cost of living pressures will continue to present a challenge to Australian households. The Bank is ready to support borrowers who experience financial difficulties and has team members from our Mortgage Help Centre standing by.”

Asset quality remains intact, and marginal increases in 90 day arrears in the Bank’s residential lending portfolio represent increased cost of living pressures experienced in some areas of the community. We expect bad debts to trend upwards and move towards longer-term averages over time. “Our home loan customers remain well ahead of their repayments with 41% one year ahead of repayments. Pleasingly, more than 85% maintain a financial buffer.” Ms Baker said.

“The investment in our digital capabilities will continue in 2024. We have been mindful that creating strategic long-term value is always the priority. We see the investment in our Digital Lending Platform, Up, digital deposits and mortgages, and the transformation of our Business and Agribusiness division as key to unlocking value over the medium-term.”

“These investments will pave the way for a seamless and consistent experience for our customers and will be a key enabler for growth in the next year. We are focused on improving returns in our business by ensuring the momentum in our productivity efficiencies offsets inflationary pressures in our business-as-usual expenses”

“Our unique Community Bank model remains one of the most tangible expressions of our purpose to feed into the prosperity of our customers and their communities. Since inception in 1998, our Community Bank model has returned over \$320 million in profit back into the community in the form of sponsorships and grants. We held our first Community Bank National Conference since 2018 in Bendigo over the half, which was attended by over 600 Community Bank directors and injected an estimated \$2 million into the local economy.”

“We are proud to be a regional bank and are different from our peers with our household deposit to loan ratio at 73%, strong balance sheet, high levels of staff engagement and proven track record in innovation. We are Australia’s most trusted bank.”

The thoughtful and informed decisions we have made ensure our balance sheet is positioned for the uncertain environment. We have the capability to allocate capital to higher returning businesses and continue delivering on our purpose by supporting our customers and communities when they need it.”

“We have been, and will continue to be, responsible with shareholder funds. We have been patient with our choices, have confidence in our execution and are optimistic about our future.” Ms Baker concluded.

ENDS

2024 interim results webcast

The results presentation webcast will be held today, Monday 19 February 2024 at 10.00am (AEDT). A replay of the webcast will be made available at the Bendigo and Adelaide website www.bendigoadelaide.com.au from 2.00 pm (AEDT).

Approved for release by the Bendigo and Adelaide Board of Directors.

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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.

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