Regulatory matters and a summary of unaudited FY26 results

Tuesday, 18 August 2026

Bendigo and Adelaide Bank Limited (ASX:BEN) acknowledges the announcement from the Australian Prudential Regulation Authority (APRA) imposing licence conditions on the Bank in relation to its management of non-financial risk (NFR) and the required program to uplift NFR capability. In response, BEN is today announcing the establishment of a multiyear program of work to address deficiencies identified in its current non-financial risk frameworks and capabilities and to meet the licence conditions imposed.

The key requirements of the licence conditions include:

1. Preparation of a comprehensive rectification plan in line with APRA's directions;
2. Appointment of an Independent Reviewer; and
3. Implementation of the rectification plan.

Licence Conditions regarding non-financial risk

APRA Media Release

The licence conditions stem from a NFR review and root cause analysis requested by APRA in December 2025 to understand the extent of NFR issues at the Bank. This followed the findings of a BEN initiated AML/CTF review completed in November 2025.

The NFR review has now been completed. It identified significant weaknesses in our management of non-financial risk. As a result, BEN has been working on the development of a plan to address the findings of the report.

Chief Executive Officer and Managing Director, Richard Fennell, said "Our current non-financial risk management capabilities are clearly not where they need to be, and our risk rectification plan will be designed to drive a fundamental shift in our management of non-financial risk."

"The rectification plan will strengthen our approach to risk management, including governance and compliance management. It will reinforce accountability and address our risk capability and culture deficiencies. We will continue to work collaboratively with our regulators to ensure we meet their expectations and importantly our own," he said.

The program is a significant undertaking and expected to take approximately three years at an initial estimated cost of $70 million, which has been included in the 2026 financial year results.

"We take our obligations very seriously. This is a key priority for the Board and Executive Team, and the rectification plan will be sponsored directly by me as CEO. Elevating our risk maturity is fundamentally about better serving our customers and the community. It is critical we get this right so we can continue delivering for all our stakeholders" Mr Fennell said.

Chair of Bendigo Bank Vicki Carter said she acknowledged the Bank's shortcomings and is very disappointed. "The Bank understands that we have significant work ahead of us to uplift our risk management. The Board is fully committed to ensuring the Bank has the necessary capability and capacity to do so. We understand the important role we need to play to ensure we emerge as a stronger Bank and one that can continue to deliver on our purpose of feeding into the prosperity of our customers and communities," Ms Carter said.

The existing capital charge of $50 million, which came into effect on 1 January 2026, remains in place. A summary of the unaudited FY26 financial results, including the provision for the rectification plan is provided below, with the full audited results announced to the market on 24 August 2026.

FY26 unaudited financial results[1]

The key features of the unaudited FY26 results are:

- Balance sheet remains strong with a CET1 ratio of 11.34% and Liquidity Coverage Ratio of 140.2% for the quarter ending 30 June 2026.
- Preliminary cash earnings after tax of $530.2 million for FY26, and $273.8 million for 2H26.
- Unaudited statutory net profit after tax of $375.1 million for FY26 which includes:
    - $49.0 million ($70.0 million before tax) relating to the rectification plan estimate;
    - $24.8 million (after tax) mostly reflecting revaluation from the impacts in the Homesafe portfolio, with housing price growth in Sydney and Melbourne in 1H26 offset by house price reductions in 2H26; and
    - $9.8 million ($10.6 million before tax) for the proposed $8 million legal penalty and associated legal costs of $2.6 million announced on 10 August 2026. A high-level summary of unaudited FY26 key financial performance measures is on page 3.
- FY26 NIM of 1.95%, up 7bps on FY25, and 2H26 NIM of 1.98% up 6bps on 1H26. 2H26 NIM reflects improvements in deposit mix and benefits of term deposit repricing, and higher replicating portfolio earnings.
- Lending growth improved over the half, up 3.5%, with momentum building in residential lending (+1.9%), strong seasonal growth in Agribusiness (+10.6%) and strong growth in Portfolio Funding (+16.8%).
- Operating expenses were down 2.1% over the half, with improvements in BAU expenses (down 1.1% over the half) reflecting the benefit of our ongoing productivity program, and three fewer working days.
- Credit expenses of $15.7 million (before tax) were incurred during the half, mostly driven by an increase in the Bank's collective provision reflecting the macro environment and ongoing geopolitical tensions. We remain committed to supporting our customers through this period of uncertainty.

[1] The financial information contained in this announcement is preliminary and unaudited. Statutory profit represents management's current estimate of the Group's financial results prepared in accordance with Australian Accounting Standards, while cash earnings is a non-statutory financial measure used by management to assess underlying business performance. Both measures remain subject to completion of the year-end financial reporting process and external audit. Final reported results may differ from the amounts presented in this announcement

Table 1 - Financial Summary (preliminary cash earnings, unaudited statutory NPAT and key metrics)

	FY26 ($m)	2H26 ($m)	FY26 v FY25 %	2H26 v 1H26 %
Net Interest Income	1,756.0	884.9	4.6	1.6
Other Income	289.9	151.1	8.3	8.9
Total income	**2,045.9**	**1,036.0**	**5.1**	**2.6**
Operating Expenses	(1,142.0)	(563.4)	4.9	(2.6)
Investment Spend	(117.6)	(59.7)	(2.8)	3.1
Total Expenses	**(1,259.6)**	**(623.1)**	**(4.2)**	**2.1**
Operating performance	**786.3**	**412.9**	**6.7**	**10.6**
Credit expenses	(13.3)	(15.7)	Large	Large
Cash earnings (after tax)	**530.2**	**273.8**	**3.0**	**6.8**
Non-cash items (after tax)	(155.1)	(129.3)	74.6	Large
Statutory earnings (after tax)	**375.1**	**144.5**	**Large**	**(37.3)**
NIM	1.95%	1.98%	7bps	6bps
Return on Equity	8.01%	8.26%	67bps	50bps

Table 2 - Loans and Deposits

	FY26 ($m)	1H26 ($m)	FY26 v FY25 %	2H26 v 1H26 %
Total lending	87,136	84,217	1.5	3.5
Residential lending	66,352	65,141	(0.4)	1.9
Customer deposits	74,134	73,350	2.2	1.1

Table 3 – Preliminary cash earnings vs unaudited Statutory earnings

	FY26 ($m)	2H26 ($m)	1H26 ($m)
Cash earnings (after tax)	**530.2**	**273.8**	**256.4**
Non-cash items (after tax):			
- Risk program and Regulatory matters	(58.8)	(58.8)	-
▪ *Risk rectification plan*	*(49.0)*	*(49.0)*	-
▪ *Proposed Banking Act penalty*[2]	*(9.8)*	*(9.8)*	-
- Restructure costs	(50.6)	(18.7)	(31.9)
▪ *Strategic Partnerships*[3] *& Other*	*(26.9)*	*(16.9)*	*(10.0)*
▪ *Adelaide and Rural Bank migration*	*(23.7)*	*(1.8)*	*(21.9)*
- RACQ implementation	(6.1)	(6.1)	-
- Homesafe (net)	(24.8)	(45.3)	20.5
- Other items	(14.8)	(0.4)	(14.4)
Statutory earnings (after tax)	**375.1**	**144.5**	**230.6**

Changes to financial reporting for FY27

For the FY27 financial year, the Bank will revise the basis for financial reporting disclosure, bringing its reporting into line with other banks. The Bank will present disclosures on a cash basis including and excluding notable items. Programs of work that were previously considered non-cash in FY26 will be included as notable items in FY27.

These include:

- **Strategic Partnerships** – on 9 April, announced partnerships and estimated costs of $85-95 million pretax. Costs of $28.9 million ($20.2 million post tax) were incurred in FY26 with the remaining $56-66 million pretax to be incurred in FY27.
- **RACQ Bank** deposit and loan book acquisition – on 4 December 2025 announced acquisition and estimated customer migration costs of $25-30 million after tax (or, $36-43 million pretax). Costs of $9 million pretax were incurred in 2H26, with the remaining $27-34 million pretax to be incurred in FY27.
- **Employee Bonus Equity Plan** a one-off change of around $16-23 million pretax due to timing adjustment to be incurred in FY27.[4]

The total expected cost of these programs in FY27 is $100-123 million pretax.

2 Includes legal fees.

3 Strategic Partnering costs in FY26 are $20.2 million after tax

4 Adjustment to move from the current 100% bonus equity plan to a new 50/50 split between cash and shares from FY27

Conference call

The Bank will hold a conference call with the Chief Executive Officer and Managing Director, Richard Fennell and Chief Financial Officer, Andrew Morgan today, Tuesday 18 August at **9.00am (AEST) via the following link – BEN conference call on regulatory matters**.

A transcript of this call will be made available at the Bendigo Bank website www.bendigobank.com.au/about-us/investor-centre.

ENDS

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