

# Results Presentation

For the half year ended  
31 December 2022

Bendigo and Adelaide Bank Limited ABN 11 068 049 178



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# Overview

**Marnie Baker**

Managing Director

# Overview

Strong result underpinned by disciplined execution

- Carefully balancing volumes and margin trade-offs
- Strong balance sheet and credit quality
- Continued improvement in CTI ratio
- Transformation program delivering on key milestones
- Delivering on returns, execution and business sustainability
- Creating positive outcomes for our customers, communities and investors

# Shaping the future of banking

Our strategy

VISION:

**Australia's bank of choice**

PURPOSE:

**To feed into prosperity, not off it**

IMPERATIVES:



Reduce complexity



Invest in capability



Tell our story



**Customer Centric Operating Model**

Digital by design, human when it matters



**Customer Value Proposition**

Based on trust, authenticity, knowledge, expertise, connection and personalised relationships



**Growth & Transformation Strategy**

Propelled by human, digital and community connections



**ESG Framework**

Strengthen our ESG outcomes in line with our purpose

**For our customers, our people, partners, communities and shareholders**

# Financial and operating performance

## Key highlights

Cash earnings  
**up 22.9%**  
to \$294.7m

Net Interest Margin  
**up 19bps**  
to 1.88%

Interim dividend  
**up 9.4% to 29c**  
fully franked

Customer numbers  
**increased**  
**5.0%**  
Since June 2022

NPS of **23.8**  
**+28.2** above  
industry<sup>1</sup>

CTI improved  
**500bps** to  
**54.6%**

1. Roy Morgan Net Promoter Score – Roy Morgan Research, 6 month rolling averages, comparing BEN to the industry average. Industry includes: ANZ, BOM, BOQ, Bank SA, Bankwest, CBA, ING, NAB, St. George, Suncorp & WBC. 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.

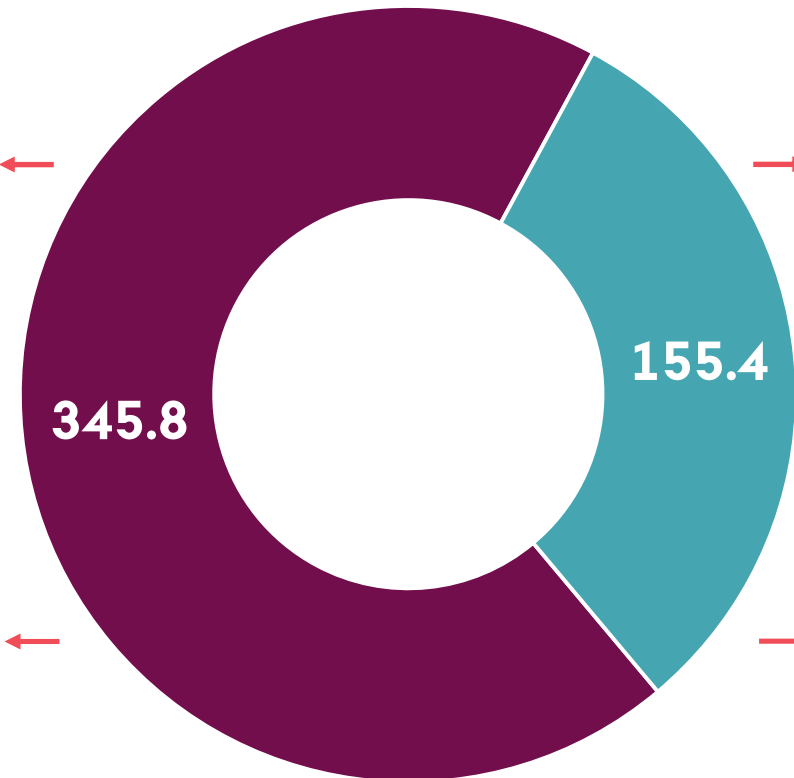
# 1H23 divisional results

Key segments delivering for customers in highly competitive environment

## Consumer

- 44.8% increase in cash earnings driven by NIM increase of 75bps to 2.91%<sup>1</sup>
- 2.5% FTE reduction in 1H23
- Expanded digital home loan offering, providing more channels for customers
- Positive contribution from government first home owner schemes

## Cash earnings (\$m)



## Business & Agribusiness

- 12.5% increase in cash earnings driven by NIM increase of 34bps to 3.05%<sup>1</sup>
- 9.3% FTE reduction in 1H23
- Established new channels to deliver greater customer choice
- Continued alignment of Business Bank and Rural Bank including centralising in-business functions

<sup>1</sup> NIM on a pre-revenue share basis

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# Transforming our business

Continuing focus delivering results

**1. Returns**

**2. Execution**

**3. Business Sustainability**

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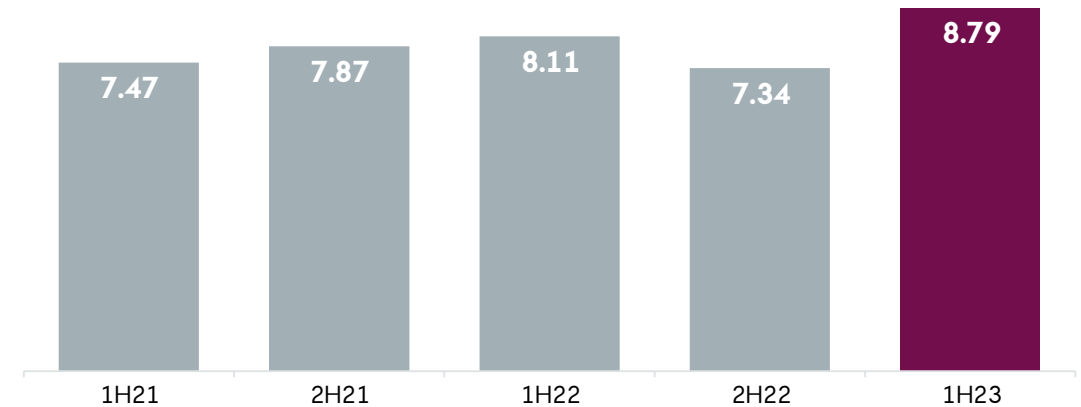


# Transforming our business

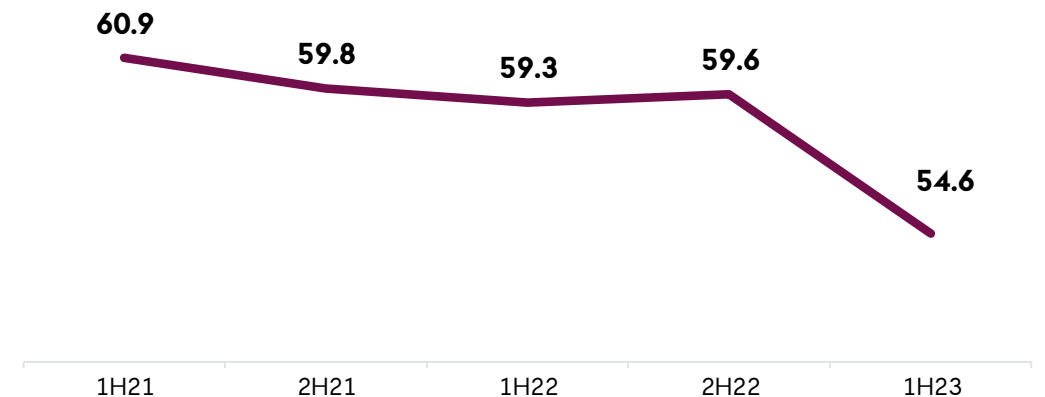
## 1. Returns

- Selectively participated in lending and deposit markets through disciplined volume and margin management
- Greater focus on capital usage supported by new Profit After Capital Charge metric
- Revised product and division-level ROE incorporated into reporting and pricing calculators
- Strengthened investment case process and benefits realisation

Return on equity (%)



Cost to income (%)



# Transforming our business

## 2. Execution

### 1H23 deliverables:

- Full integration of Delphi Bank
- Material progress of next tranche of core banking integrations
- Technology modernisation well advanced; cloud journey, and deployment of product and pricing platform, and collateral management system
- Delivery of PayTo to market
- Improved customer analytics capability using Google analytics AI platform

	FY19	FY22	1H23	FY24
# brands <sup>1</sup>	13	10	10	3
# core banking systems	8	7	7	1
# IT applications	650	491	467	325
% applications in the Cloud <sup>2</sup>	1%	19.9%	29%	50%
% of API re-use	0%	26%	30%	40%
Median time to decision (home loans) <sup>3</sup>	22 days	13 days	11 days	≤1 day
% automated credit decisioning (home loans) <sup>4</sup>	0%	~10%	~10%	70-90%
% active eBanking customers <sup>5</sup>	58.3%	68.0%	70.1%	90%
% sales by digital channels <sup>6</sup>	19.2%	23.9%	23.7%	60%

1. Brand is defined as "A commercial entity with a visual identity (unique logo and/ or lock up with the Bendigo Bank logo), trade-marked and communicated to customers or other key stakeholders as part of our products and services"

2. The proxy measure for 'Velocity of change' is defined as the % of applications in the Cloud, enabling faster change cycle times and code from idea into production'

3. Median time to decision (home loan) relates to Third Party Banking channel. Median time to decision (unconditional) includes pending and withdrawn loans. The actual average time to "initial" (conditional) decision as published in BrokerPulse December 2021 excludes pending and withdrawn loans and Adelaide Broker average time to initial decision is currently 6 days (#3 in the market)

4. '% automated credit decision (home loans)' target relates to the proportion of the home lending from the Third Party and digital channels where credit decisioning is automated

5. 'Active eBanking users' covers approx. 92% of the Group customer base including Bendigo Bank and Up customers. Active eBanking customers defined as customer >12yo and used eBanking in last 3 months (Bendigo Bank) and last 1 month (Up)

6. '% sales by digital channels' includes Bendigo Bank and Up consumer core banking sales (Everyday Accounts, Term Deposits, Home Loans and Personal Loans). A change to the reporting methodology in January 2022 resulted in a data cleanse and restating the 1H22 result from 24.7% to 22.2%

# Transforming our business

## 2. Execution

**8.9%**

of home loan settlements coming through digital channels<sup>1</sup>

Currently accounting for ~25% of digital mortgages in Australia<sup>2</sup>



- Most Trusted Bank<sup>3</sup> and #1 rated banking app<sup>4</sup> with NPS of 63<sup>5</sup>
- 613,000+ Upsiders - ~2.5% MoM growth last 18 months
- \$1.3bn+ deposits at below-peer interest cost
- Up Home portfolio of \$38m from beta launch in July 2022



- Strengthened Bendigo Express market position in 1H23
- Provides seamless experience with approvals in under 60 minutes
- Portfolio over \$100m, up 52% in 1H23
- ~80% of customers new to bank



- BEN Express, UP Home and Qantas Money Home Loans powered by Tic:Toc's platform
- Over \$4 billion settled home loans through Tic:Toc's platform, including in excess of \$180 million of settled BEN digital home loans since inception
- Tic:Toc lending portfolio at \$2.9b as at 31 December 2022



- The home loan that comes with a holiday every year, 100,000 Qantas Points every year for the life of the loan
- Launched in February 2023 with competitive interest rates in market
- Powerhouse combination of two leading brands

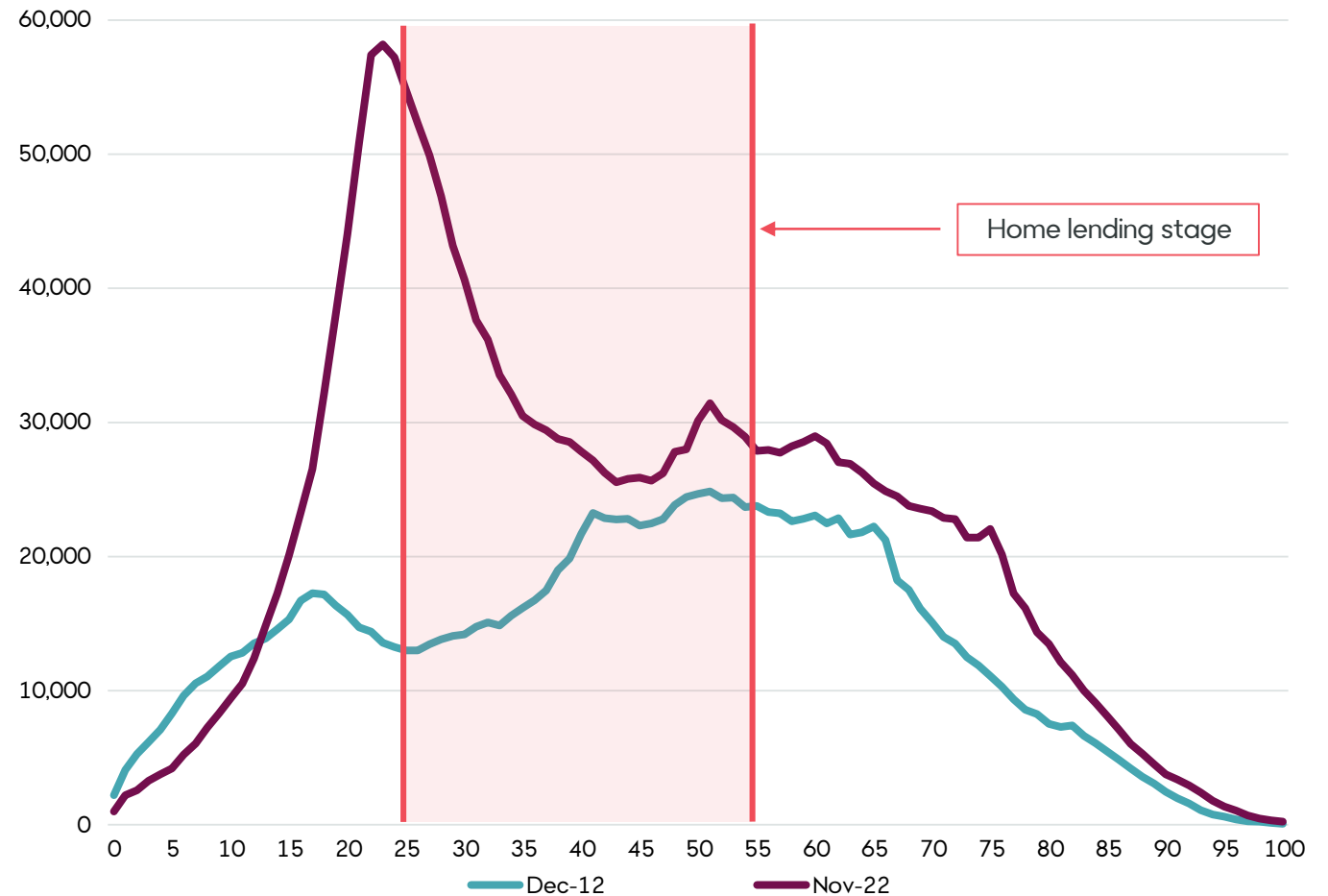
1. Settlements in digital channels consists of loans originated through BENExpress, Up and loans originated under the Tic:Toc label  
2. Based on credit enquiry numbers, sourced from Equifax Creditshare, and Tic:Toc  
3. DBM Australian Financial Awards 2022 - 16 May 2022  
4. Up is rated the #1 banking app on the App Store (4.9) and Google Play (4.3) as at 31 Dec 2022  
5. Roy Morgan Net Promoter Score - Roy Morgan Research, 6 month rolling average as at Nov 22

# Transforming our business

## 2. Execution

- Our strategy to acquire and retain younger customers is delivering
- Average BEN customer age has fallen from 46 to 43 in a decade
- Shift is driven primarily by Up and is also evident across the Bendigo Bank brand
- Delivers attractive pipeline of customers with home lending needs

**Bendigo and Adelaide Bank – # of customers by age**  
Dec 2012 v Nov 2022



# Transforming our business

## 3. Business Sustainability

### Long-term focus for all stakeholders

#### Customers:

- Multi-channel experience continues to broaden, offering greater customer choice
- Proactive focus on contacting customers with fixed rate expiries approaching

#### Communities:

- Launched Bendigo Bank Flood Appeal to provide aid to NSW and Victorian communities affected by recent floods
- Strong commitment to our 302 Community Bank branches who drive impactful change within their individual communities

#### Shareholders:

- Sharper focus on capital usage and cost across organisation
- Strengthened investment case process and benefits realisation

#### Employees:

- Introduction of broadened performance based remuneration for Senior Leadership Group
- Continued investment in building capability through our BENU learning network
- Organisational capability has been strengthened with new structure, new recruits and internal development programs

### Recent outcomes

- ✓ NPS increase of 1.9 vs industry
- ✓ Stable level in retention of fixed rate maturities

- ✓ 5,728 community projects funded in FY22
- ✓ \$1.2m of natural disaster funds distributed to bushfire and flood affected communities

- ✓ 145bp increase in ROE
- ✓ 9.4% increase in dividend on FY22 final dividend

- ✓ Retained high employee engagement scores across BEN at 77%
- ✓ 92% of workforce have used BENU platform

# Progression in ESG

Building our business sustainability

## Key deliverables

### Environment



- Launch of BENZero – our pathway to net zero by 2040, inclusive of all operational and financed emissions

### Social



- Provisional endorsement of BEN's Reflect Reconciliation Action Plan received from Reconciliation Australia

### Governance



- Continued to enhance governance structures by including ESG responsibilities into Board charters
- Reviewed and continued to enhance cyber controls and processes

## 2H23 priorities

- Continuing to support our customers in challenging times
- Development of our new Climate & Nature Action Plan to be launched in FY24
- Launch of BEN Reflect Reconciliation Action Plan
- Review and embed Access and Inclusion Plan
- Stand up enterprise-wide Sustainability Council, a forum to effectively govern ESG and Sustainability at BEN

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# 1H23 financials

**Andrew Morgan**

Chief Financial Officer

# A strong result, delivering on focus areas

Strong performance across all line items

## Focus areas

Managing volumes and margins

Heightened focus on cost efficiency

Improving returns on investment cases

## What we have delivered

- Selectively competed in key markets – home lending, business lending and deposits
- Broadened funding base with inaugural covered bonds issuance in 1H23
- Targeted cost program underway
- New productivity team and leadership established
- Profit after capital metric introduced
- Divisional return on equity methodology enhanced

## Results achieved

Strong revenue growth

Improved cost to income ratio

Improved return on equity

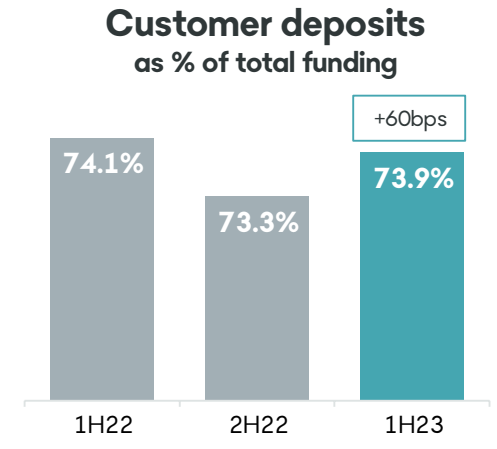
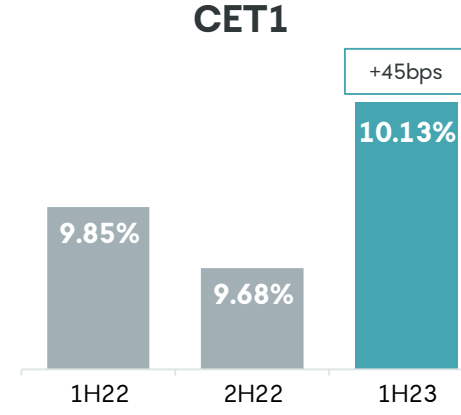
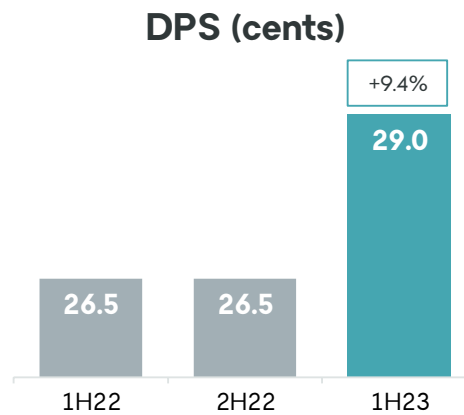
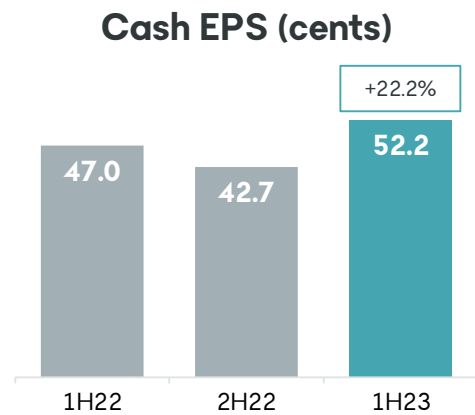
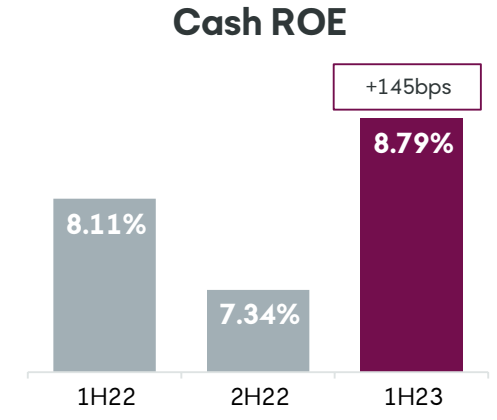
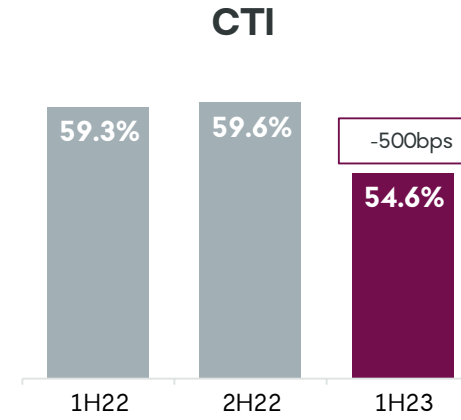
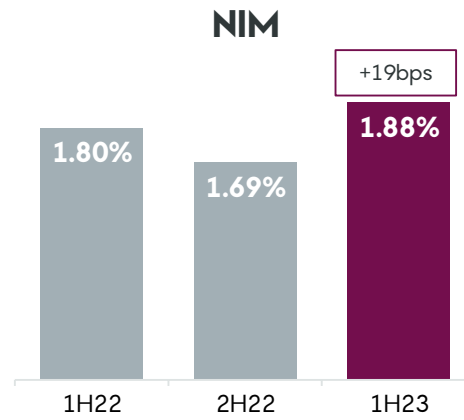
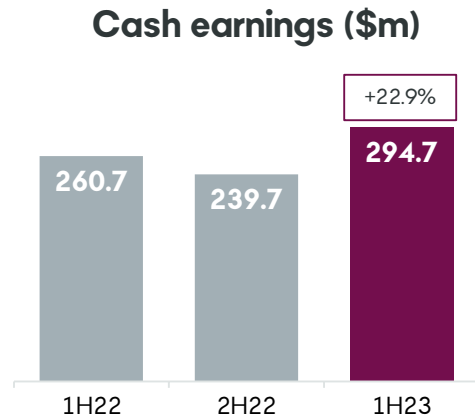
Improved CET1 ratio

Strong funding and liquidity position



# 1H23 result

Improvement across all key metrics



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# Financial and operating performance

Strong performance across all line items

	1H23 (\$m)	1H23 v 2H22	1H23 v 1H22
Total income	958.2	14.5%	9.7%
Operating expenses	523.2	4.9%	1.1%
<b>Underlying profit</b>	<b>435.0</b>	<b>28.7%</b>	<b>22.3%</b>
Credit expenses	5.6	Large	Large
<b>Cash earnings (after tax)</b>	<b>294.7</b>	<b>22.9%</b>	<b>13.0%</b>
<b>Statutory net profit (after tax)</b>	<b>249.0</b>	<b>49.3%</b>	<b>(22.5%)</b>

## Key points

- Strong income result underpinned by disciplined volume and margin management
- Expenses well managed in high inflation environment
- Credit expenses remain low; outlook uncertain

Note: Total income includes Net Interest Income, Other Income & Homesafe net realised income before tax

# Cash earnings vs Statutory NPAT

1H23 adjustments

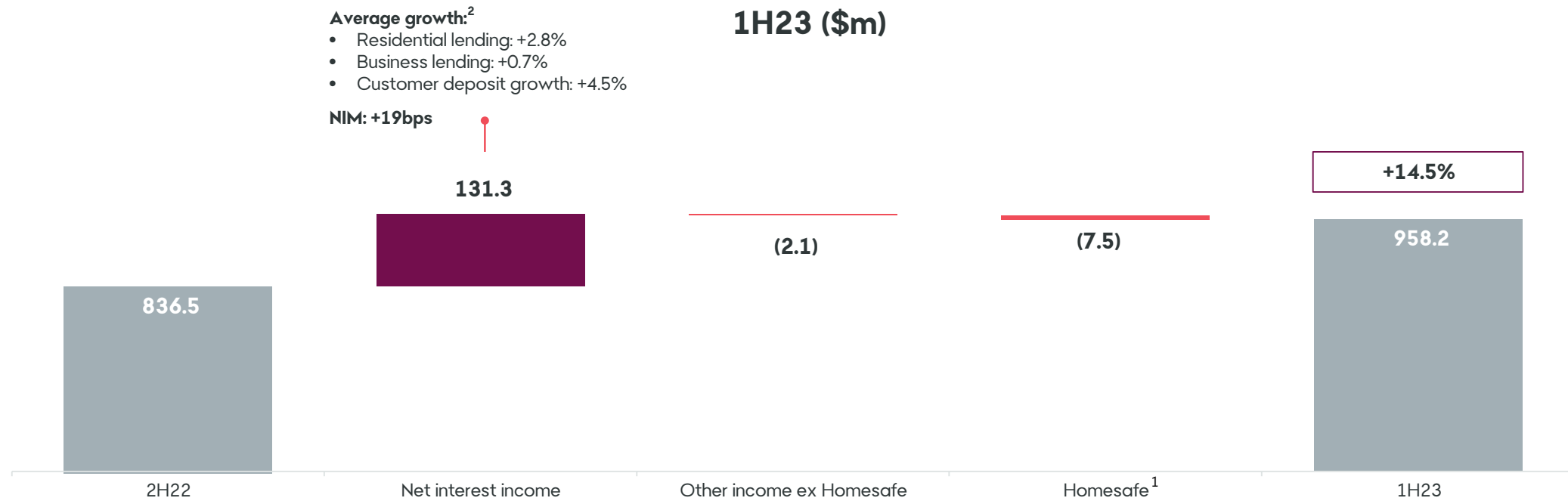
	1H23 (\$m)	1H23 v 2H22	1H23 v 1H22
<b>Cash earnings after tax</b>	<b>294.7</b>	<b>22.9%</b>	<b>13.0%</b>
Non-cash items:			
- Homesafe (net)	(35.7)		
- Other items	(10.0)		
<b>Statutory NPAT</b>	<b>249.0</b>	<b>49.3%</b>	<b>(22.5%)</b>

— Reflects downwards revaluation of property portfolio during half

— Restructuring costs and amortisation of acquired intangibles

# Total income

Benefit of strong NIM growth in rising rate environment



## Key income callouts:

- Net interest income driven by strong margin outcome in funding and deposits
- Other income impacted by lower settlement volumes
- Reduced Homesafe income reflects lower level of completed contracts

Note: Other income breakdown is prepared on a cash basis

1. Homesafe realised income before tax. Realised funding costs recognised in net interest income

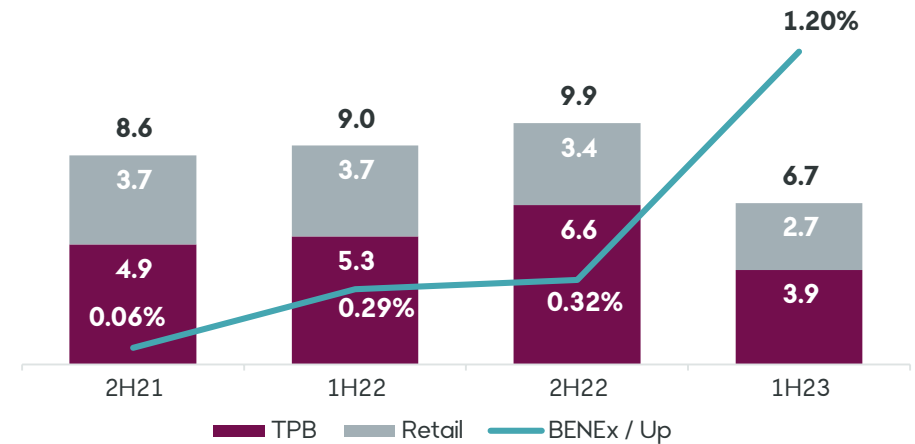
2. Half on half average balances vs prior half. Business lending includes business lending and agribusiness lending

# Residential lending

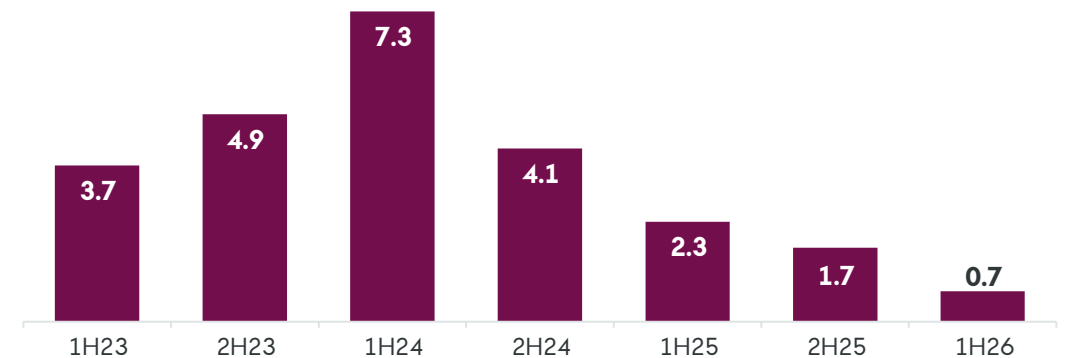
Disciplined growth, balancing volume and margin

- **Growing at 1.0x system on rolling 12 month basis**
- **Momentum has slowed in 1H23:**
  - Refi market remains competitive, and increasing use of cashbacks by competitors
  - Selectively competing where economic returns are attractive
- **Opportunity in periods ahead:**
  - Capitalising on our strong NPS
  - Ramping up in new channels (e.g. Up, BENExpress, Qantas)
  - Heightened focus on retention

Settlements by channel (\$b) vs BENExpress & Up (% of total settlements)

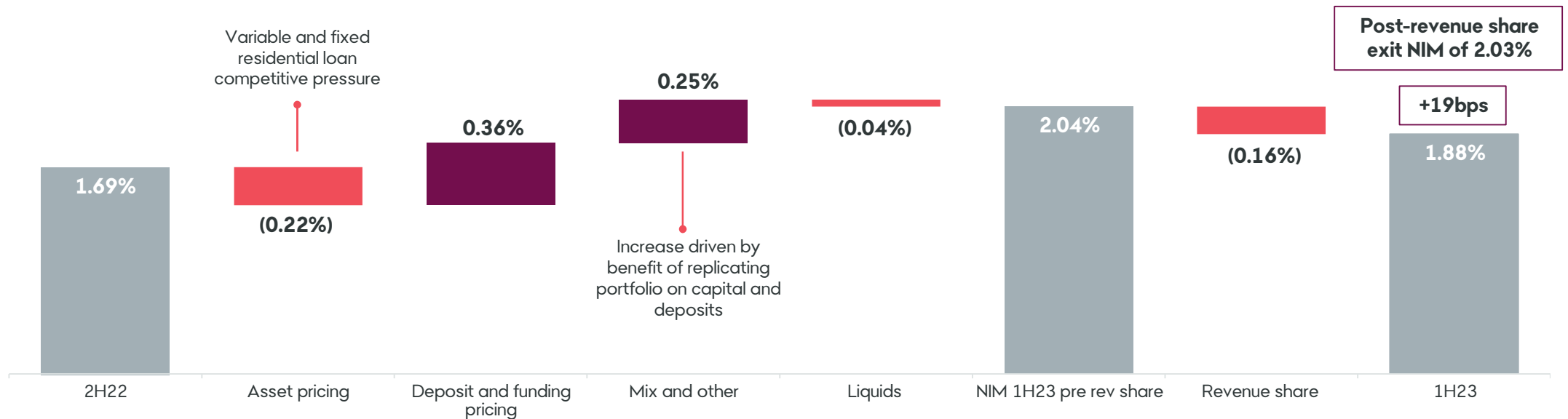


Residential lending portfolio - fixed rate maturities (\$b)



# Net interest margin

Strong result reflecting disciplined approach to volume / margin trade offs



## Key considerations for 2H23:

### Tailwinds

- Expect terminal cash rate to rise to ~4.00%
- Repricing of fixed to variable home lending book
- Ongoing benefit from replicating portfolio

### Headwinds

- Intense competition in lending and deposits
- Mix shift to term deposits likely to continue
- Higher funding costs – TFF replacement; increased revenue share

# Operating expenses

Well managed in inflationary environment



## Key considerations for FY23 and medium term:

### FY23

- Full year expected to increase modestly on FY22 levels
- Reflects combination of inflationary pressures, higher non-lending losses and expensing of investment spend
- Some early benefits from cost and productivity actions

### Medium term

- Costs expected to be broadly flat on FY22
- Ongoing commitment of 'towards 50%' cost to income ratio

1. Ferocia includes \$6.2m of investment spend in 1H23, (2H22: \$0.0m)

# Credit quality

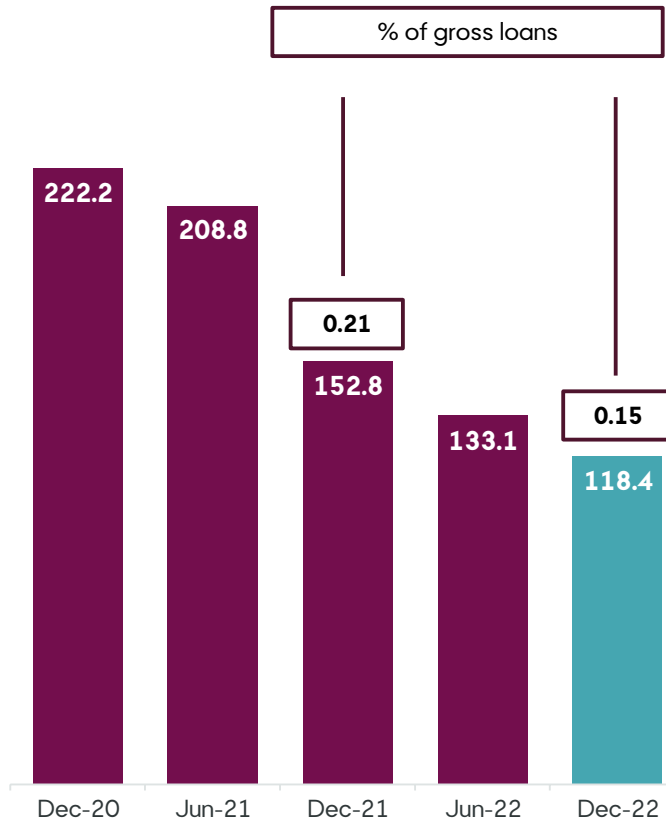
Continued improvement in credit metrics

## Credit expense (\$m)

- Specific impairment
- Collective impairment
- Bad debts written off
- Recoveries

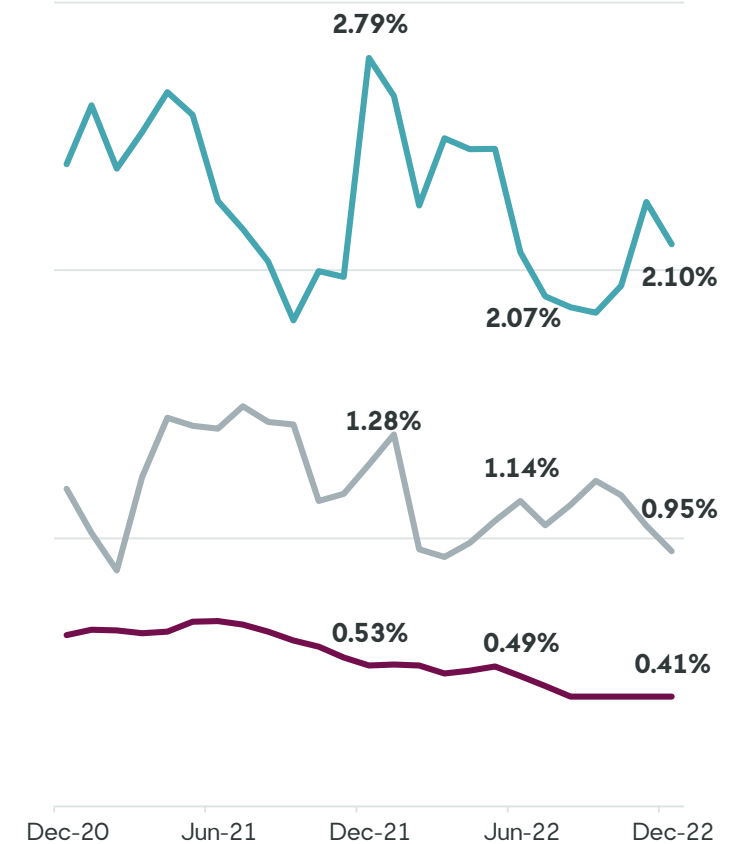


## Gross impaired loans (\$m)



## Loan arrears

- Residential 90d+
- Business 90d+
- Agribusiness 90d+



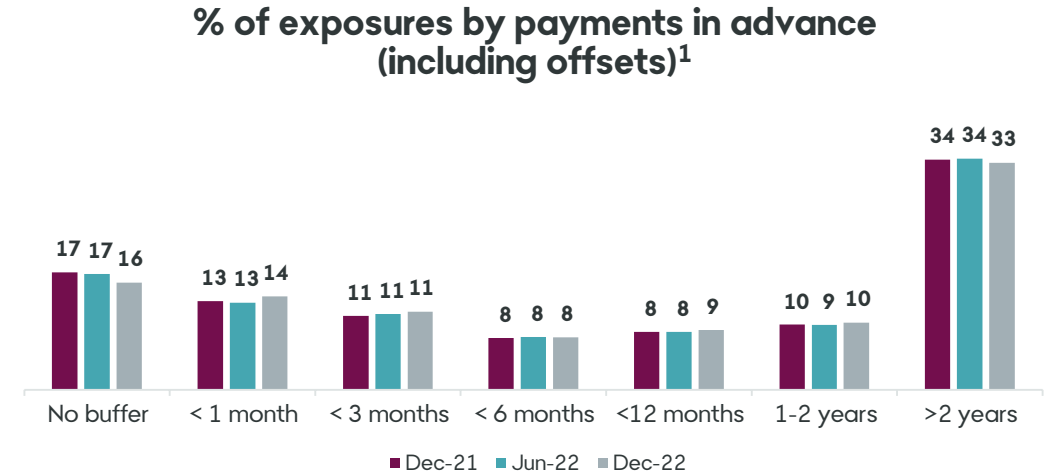
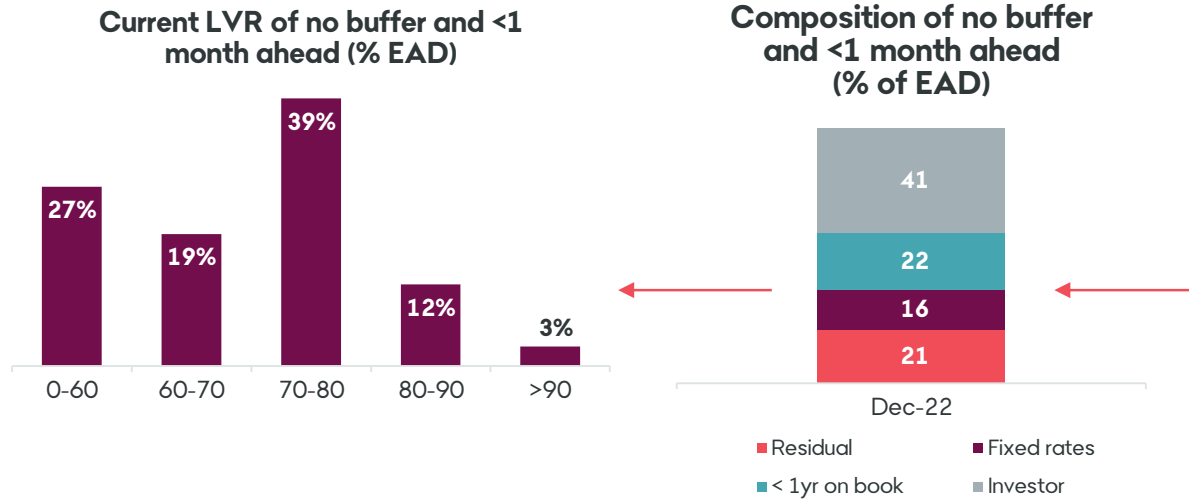
Note: Arrears include impaired assets and all arrangements

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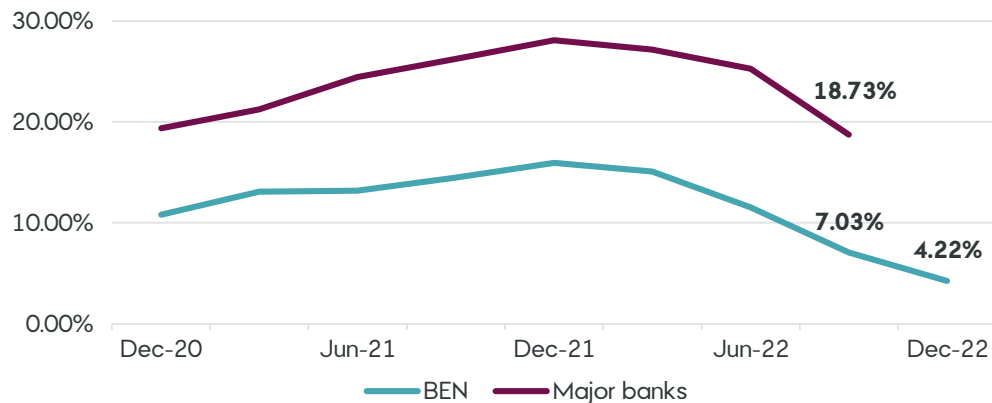


# Credit quality

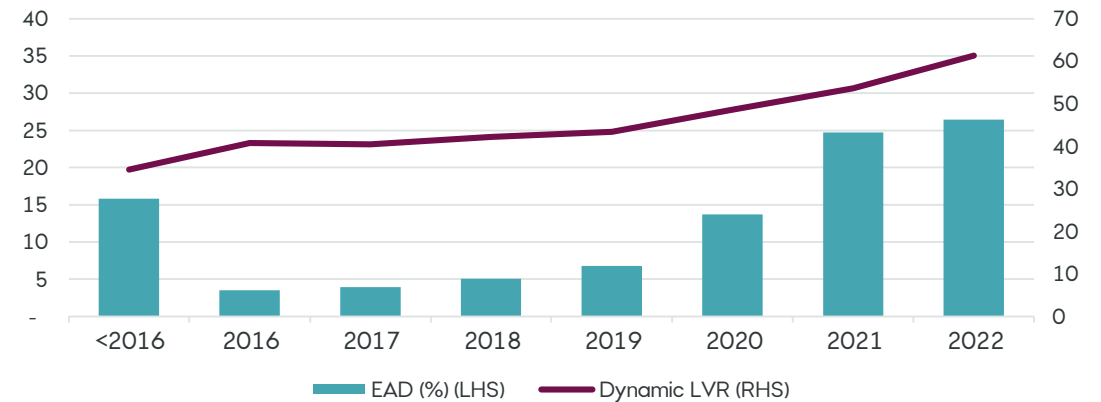
## Home loan portfolio remains resilient



### BEN v major banks new originations DTI >6 times<sup>2</sup>



### Residential lending at Dec 2022 by vintage – % EAD vs dynamic LVR (%)<sup>3</sup>



1. Number of monthly payments ahead of minimum monthly payment (based on pre-arrangement); includes offset facilities and excludes HELOC products. Available for Retail, Third Party Banking and Alliance Bank Partners (94% of exposures)

2. APRA Quarterly authorised deposit-taking institution property exposure statistics – Dec 2020 to Sep 2022 and the Bank's statistics

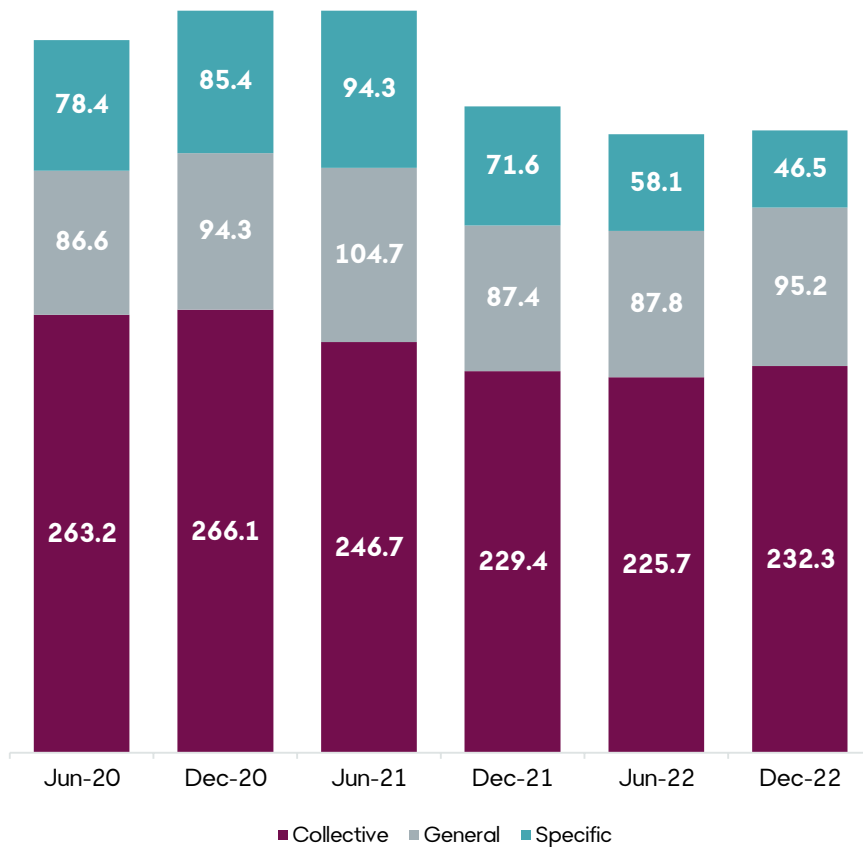
3. Dynamic LVR is defined as current balance/current valuation and is not audited (calculated for Residential Security only and excludes Delphi and Portfolio Funding exposures (2.1% of total EAD))

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# Provisioning

Small top up in collective provisions appropriate for the environment

**Total provisions (\$m)**

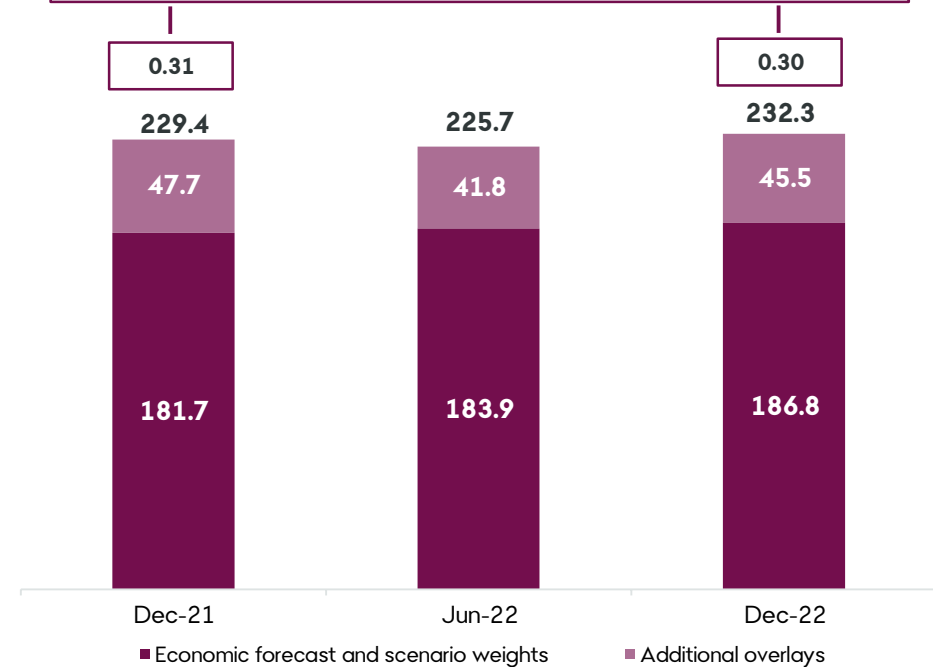


**Collective provisions (\$m)**

Sector overlays reflect the risks associated with:

- Potential residential mortgage stress resulting from fixed to variable conversions
- Significant appreciation in farmland values
- Potential deterioration in business conditions and challenges in the construction industry

as % of gross loans



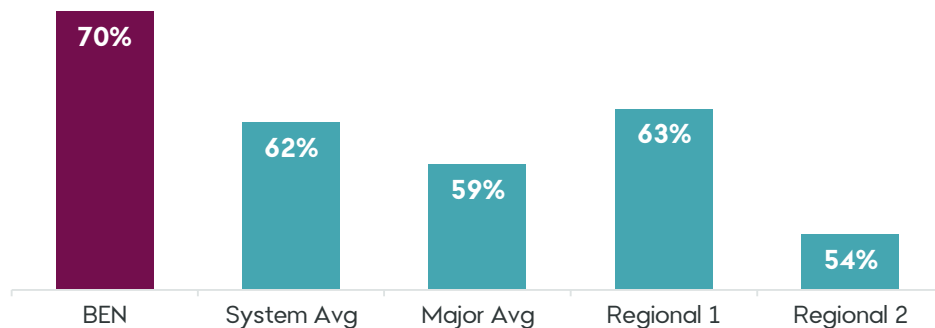
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# Funding and liquidity

## Strong and well diversified funding sources

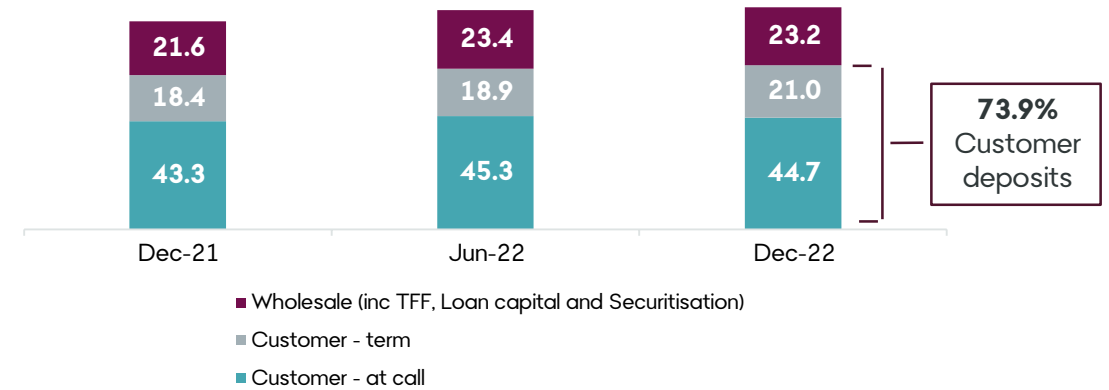
- Household deposit / loan ratio remains well above industry levels
- Net \$10bn funding contributed from Community Bank partners
- Inaugural Covered Bond issued during the half provides attractive option for wholesale diversification
- Funding and liquidity ratios well positioned; LCR 138% and NSFR 130%
- Phased reduction in CLF and TFF managed through combination of customer deposits and wholesale funding

### Household deposit / loan ratio<sup>1</sup>

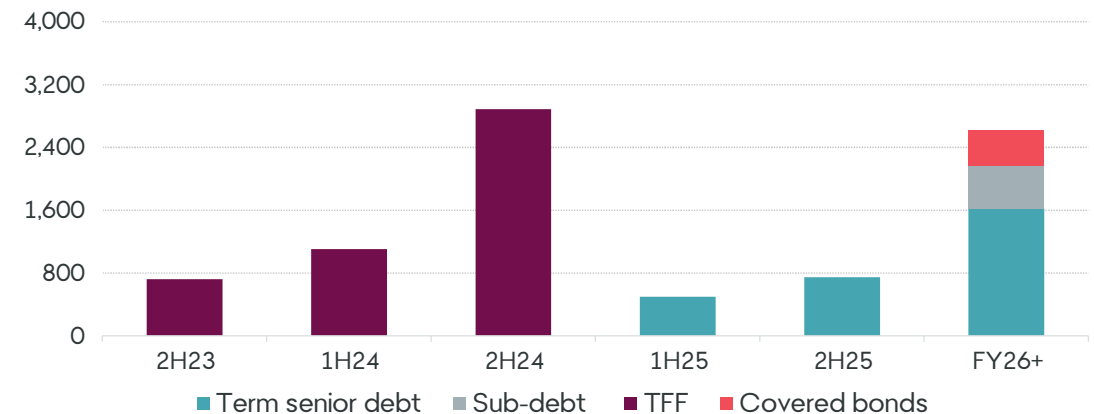


1. Source APRA Monthly authorized deposit-taking institution statistics December 2022. Ratio calculated by deposits by households divided by loans to households columns (owner-occupied, investment, credit cards and other)  
 2. Includes treasury issued products only  
 3. Subordinated debt maturity refers to legal final maturity date  
 4. 2H23 excludes \$500m term senior debt maturity which matured January 2023  
 5. FY26+ includes \$750m 2H27 Term senior debt maturity settled on 27 Jan 2023

### Funding profile (\$b)

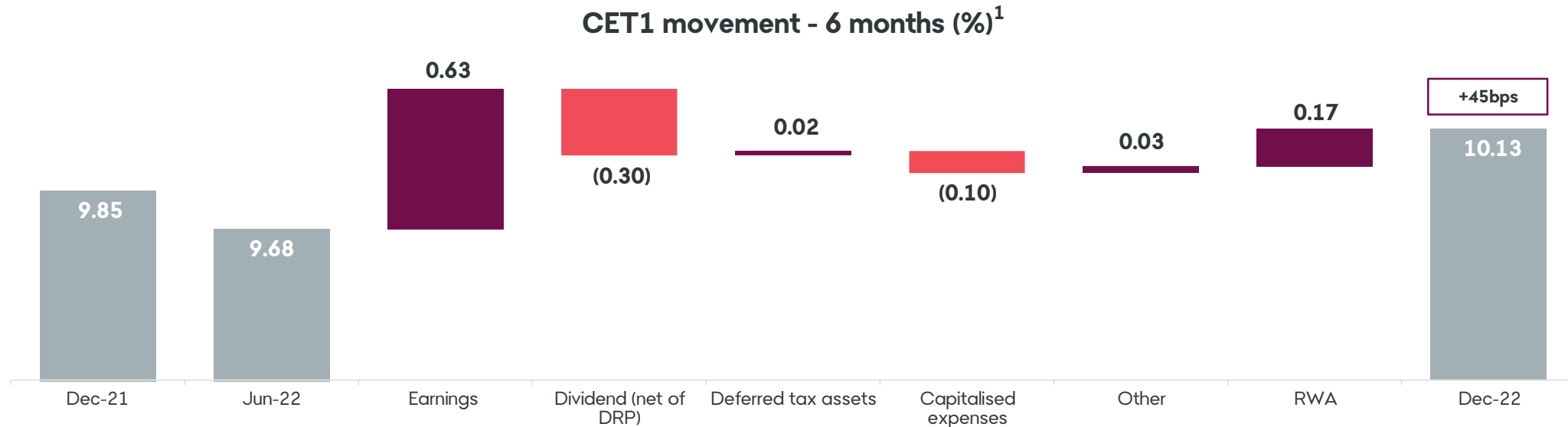


### Term funding maturity profile (\$m)<sup>2,3,4,5</sup>



# Capital and dividends

Capital position strengthened; dividend increased



- Result reflects heightened focus on writing new business at or above cost of capital and managing volume and margins
- Likely impact of new capital standards (effective 1 January 2023) will boost CET1 by 60-70bps
- Increase in CET1 target range from 1 January 2023 to between 10.0% and 10.5%
- Fully franked Interim dividend of 29.0c, up 9.4% on prior half; DRP to be neutralised with dividend payout ratio to be managed across the year

<sup>1</sup> CET1 capital excludes unrealised Homesafe revaluation revenue from retained earnings, along with earnings from certain other subsidiaries that do not form part of the regulated level 2 banking group

# Summary

**Marnie Baker**

Managing Director

# 2H23 deliverables

## 1. Returns

- Grow at or better than system whilst generating appropriate returns on equity
- Disciplined utilisation of capital through selectively competing in lending markets
- Continued focus on prudent cost management
- Diligent execution in funding early maturities of Term Funding Facility to preserve NIM

## 2. Execution

- Further growth of digital mortgages
- Integrate ANZ margin lending business
- Commence in app Bendigo Bank product sales
- Reduction of core banking systems from 7 to 4 by 30 June 2023 (Alliance Bank migration)

## 3. Business Sustainability

- Continued focus on market-leading customer service
- Further embed digital channels to enable greater multi-channel offering for customers
- Launch of BEN Reflect Reconciliation Plan
- Variable reward expansion to staff group

# Outlook

Well positioned for the future

- Leading levels of customer advocacy and trust
- Continuing to support customers through uncertainty
- Multi-channel strategy supports our profitable growth path
- High quality lending portfolio well positioned for rising rates
- Strong capital and funding position
- Ongoing focus on returns, execution and sustainability

# Q&A

**Marnie Baker**

Managing Director

**Andrew Morgan**

Chief Financial Officer



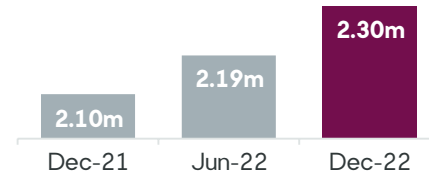
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# Additional Information

# Key performance indicators

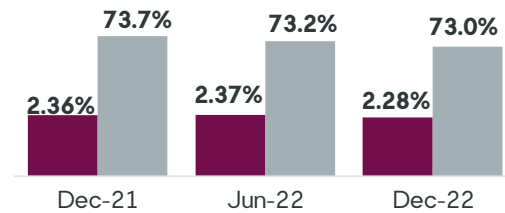
## Consistent performance

### Customer numbers



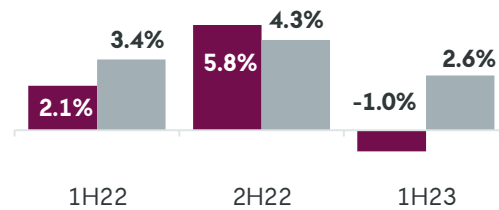
### Market share<sup>1</sup>

■ BEN ■ Major banks

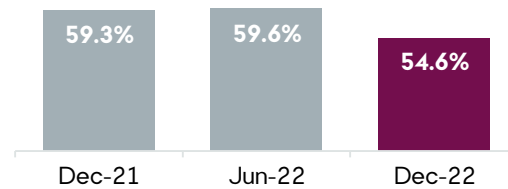


### Total lending growth<sup>2</sup>

■ BEN ■ Major banks

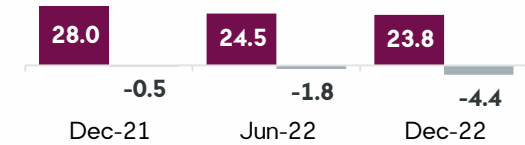


### Cost to income



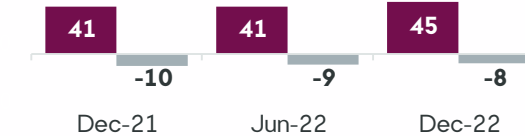
### Net promoter score<sup>3</sup>

■ BEN ■ Industry

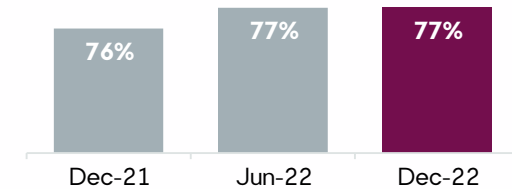


### MFI business NPS<sup>4</sup>

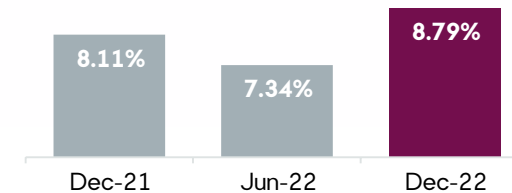
■ BEN ■ Major banks



### Employee Engagement Index<sup>5</sup>



### Return on Equity (cash)



1. APRA Monthly Banking Statistics December 2022

2. APRA Monthly Banking Statistics December 2022. Growth rate calculated on 6 monthly basis using BEN total lending and major bank average from June 2021 to December 2022

3. Roy Morgan Net Promoter Score – Roy Morgan Research, 6 month rolling averages, comparing BEN to the industry average. Industry includes: ANZ, BOM, BOQ, Bank SA, Bankwest, CBA, ING, NAB, St. George, Suncorp & WBC. 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.

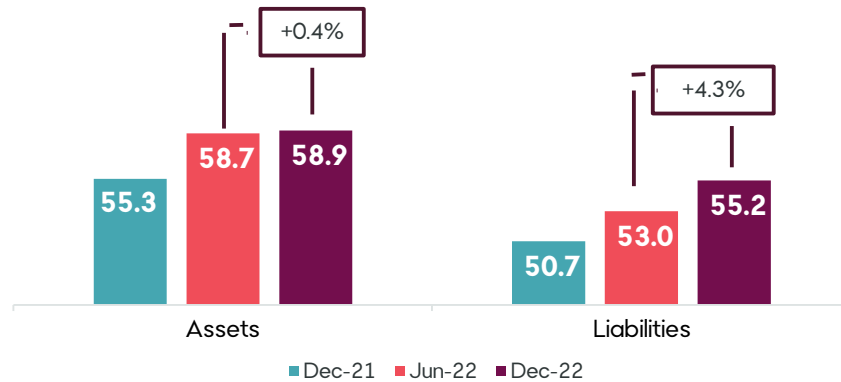
4. DBM Atlas (Business) MFI NPS – Total Business with <\$40m turnover. Figures based on 12 month rolling data

5. Internal measure of employee motivation, commitment, discretionary effort and pride

# Consumer Banking

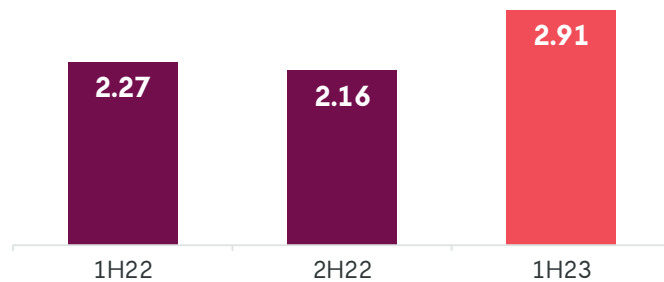
Multi-channel strategy delivering benefits

Volume growth (\$m)<sup>1</sup>

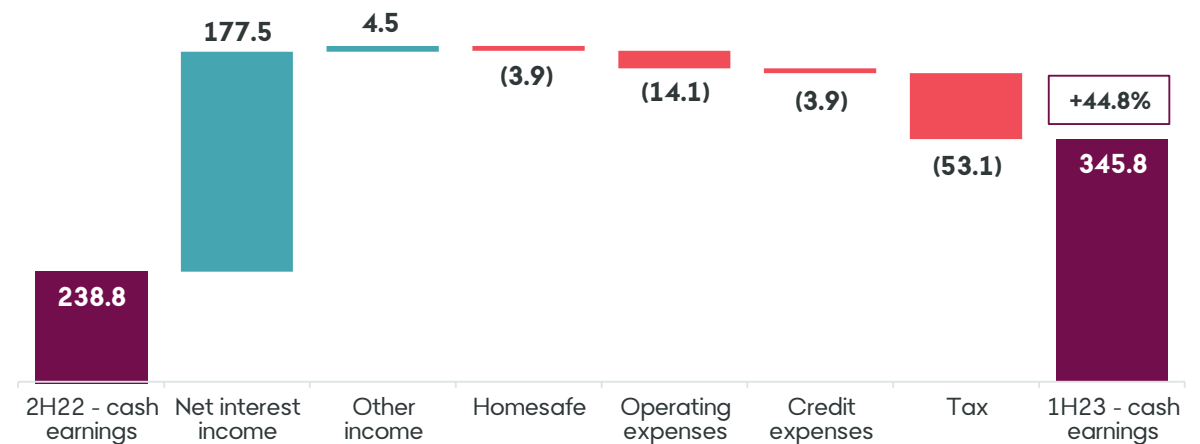


- Net interest income increase driven by strong NIM outcome
- Increase in operating expenses driven by higher depreciation & amortisation, staff costs, fee & commissions, occupancy and other operating costs
- Credit expense increased \$3.9m, driven by an increase in collective provisions partially offset by a specific provision release

Divisional NIM (%)



Profit drivers (\$m)<sup>2</sup>

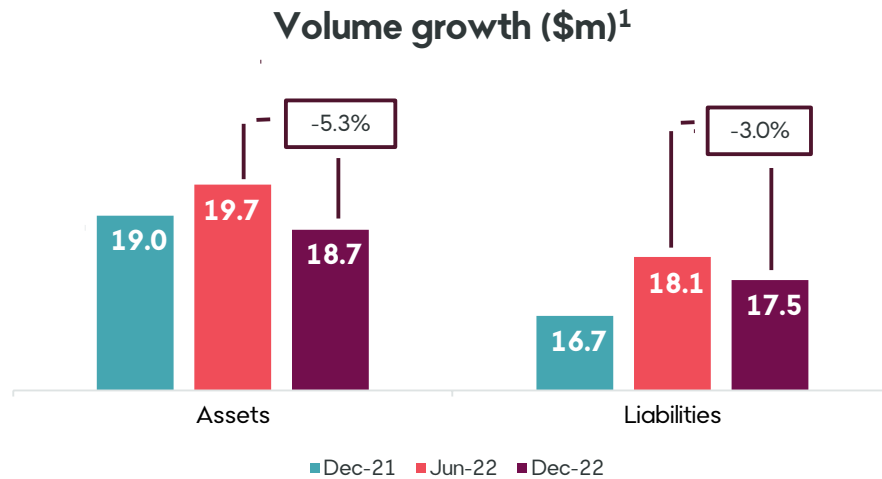


<sup>1</sup> Volume growth is based on assets and liabilities that are managed within the Consumer division as per the Appendix 4D segments. Includes investments  
<sup>2</sup> Homesafe net realised income after tax

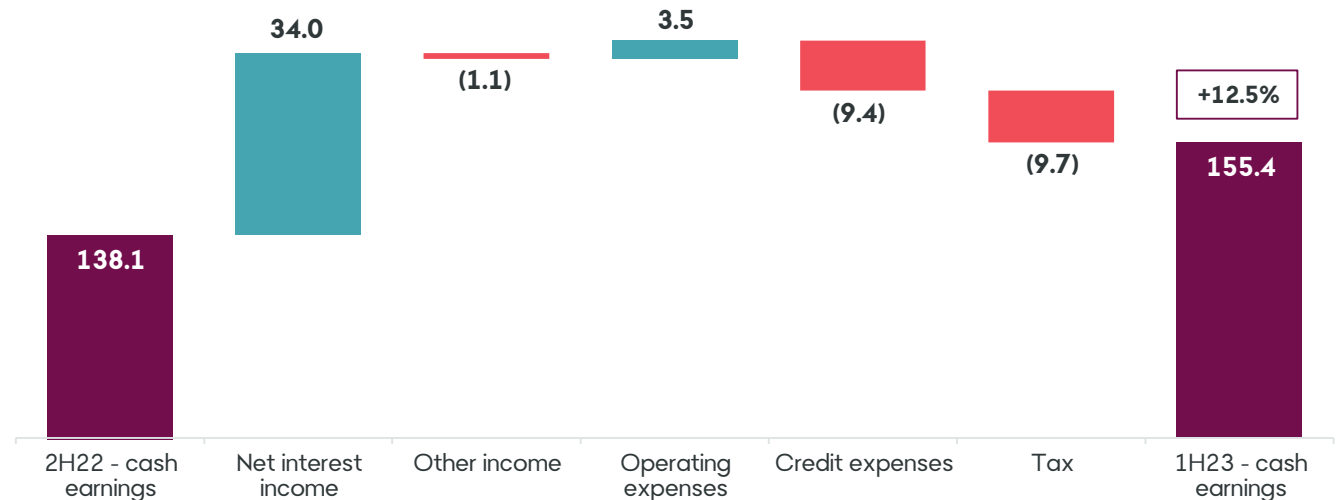
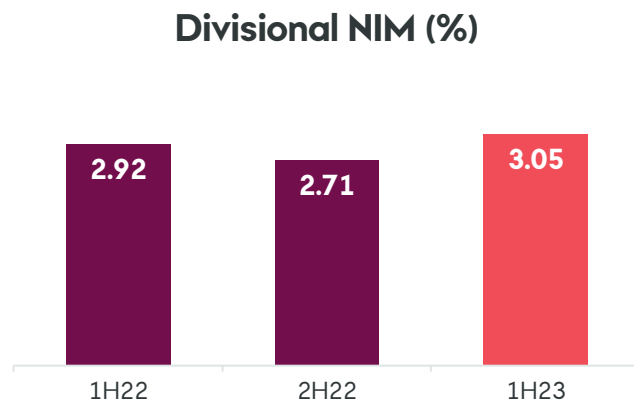
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# Business and Agribusiness Banking

Positioned for growth



- Net interest income increase driven by higher NIM, despite declining asset balances
- Other income decrease driven by lower fees and commissions from lower settlements occurring and lower management fees
- Operating expenses decreased \$3.5m, driven by a reduction in staff costs and reduced marketing and legal fees
- Credit expense increased \$9.4m due to a higher collective provision and specific provisions assessed through the half



1. Volume growth is based on assets and liabilities that are managed within the Business and Agribusiness division as per the Appendix 4D segments. Includes investments

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## Happy Upsider

“ I absolutely loved the 1000 savings challenge. It has made me a better saver, and I'm excited to save even more money.

## Last 6 months

- Up Home beta launched (refinance only), early validation of offering
- Continued innovation of core offering including: Maybuy, Locked Savers, Enhanced Insights, and our beloved Up Year
- Ferocia intact — only 1 attrition from team acquired

Best Mobile Banking App <sup>1</sup>

63 NPS <sup>2</sup>

#1 Rated <sup>3</sup>

New Customers

75% word of mouth <sup>4</sup>

< \$50 CPA <sup>5</sup>

Customer Growth

2.5% avg. mth <sub>6</sub> on month

613,000+ Customers

Cash Deposits

\$ 1.3 B+ at below-peer interest cost

Home Deposits

\$ 308 M identified home savings <sup>7</sup>

Home Loans

\$ 38 M from beta launch

Low-cost funnel for Up Home

Refinance only, no extra marketing

## Next 6 months

- Up Home pre-approval, ahead of launch
- Top-secret project

## Happy Upsider

“ I've been waiting for Up to do home loans forever!

BANKING UPGRADED



1 RFIGlobal Australian Banking and Finance Awards, Dec 2022  
 2 Roy Morgan NPS Research, 6-mth rolling avg. Nov-22  
 3 #1 in App Store (4.9) and Google Play (4.3) as at 31-Dec-22

4 Internal new customer survey data  
 5 Based on total marketing costs  
 6 Average MoM growth over prev 18 months  
 7 Home Saver feature, incl. external savings

## Tic:Toc continues to create value for BEN

### Platform drives significant and high-quality home loan volumes

- BEN's digital offering, BEN Express and UP Home, powered by Tic:Toc
- 143% increase (1H23 vs 2H22) in BEN digital home loan settlements
- 336% increase (1H23 vs 2H22) in BEN digital home loan approvals
- Over \$4 billion settled home loans through Tic:Toc's platform
- 90d+ arrears rate of 0.00% across Tic:Toc's platform (1H23)
- <1% Tic:Toc platform volume has DTI >= 6X compared to 17% across ADIs<sup>1</sup>

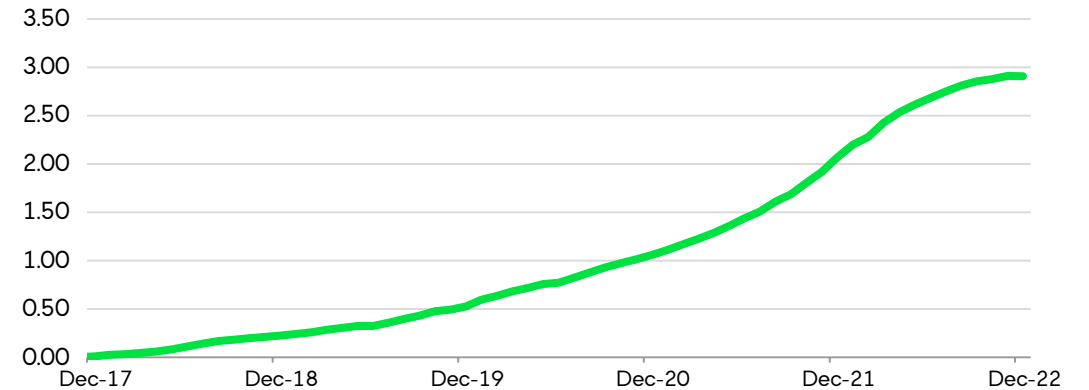
### Tic:Toc adds capability and know-how

- Lower cost of origination for BEN via Tic:Toc Home Loans, BEN Express, UP Home, and Qantas Money Home Loans
- Proprietary lending platform enables 60-70% of the Australian digital home loan market, with ~1.5% of total market enquires touching Tic:Toc's platform<sup>2</sup>
- Machine guided decisioning enables Tic:Toc assessors to be >8x more efficient
- Platform automation enables loan fulfillment with as little as 6 minutes of human effort
- Tic:Toc's platform utilised by two of Australia's largest five banks, Qantas Money Home Loans, and 17 SaaS customers

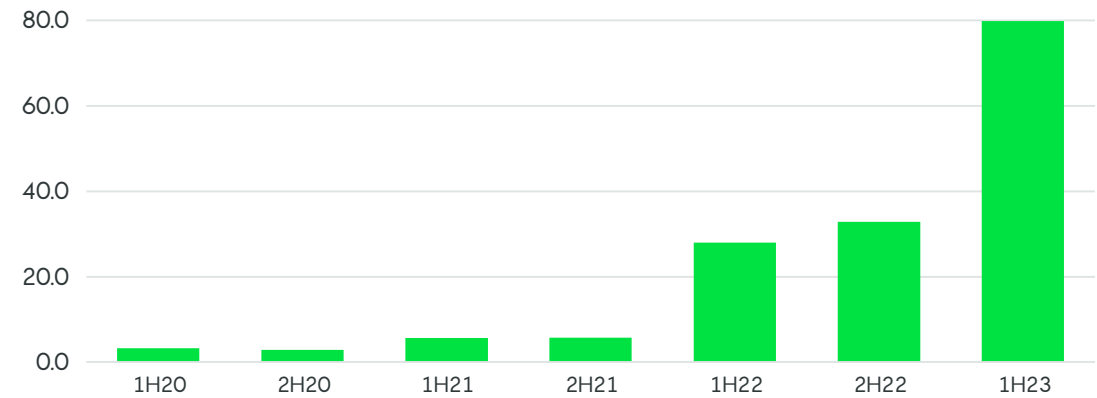
### Bendigo and Adelaide Bank has a ~27% shareholding<sup>3</sup>

- Well capitalized following a \$52 million Series-D capital raise in CY22

Portfolio balance (\$b)



BEN Express & UP Home Settlements (\$m)  
(Powered by Tic:Toc)



1. APRA Monthly Banking Statistics September 2022

2. Equifax Creditshare, Tic:Toc

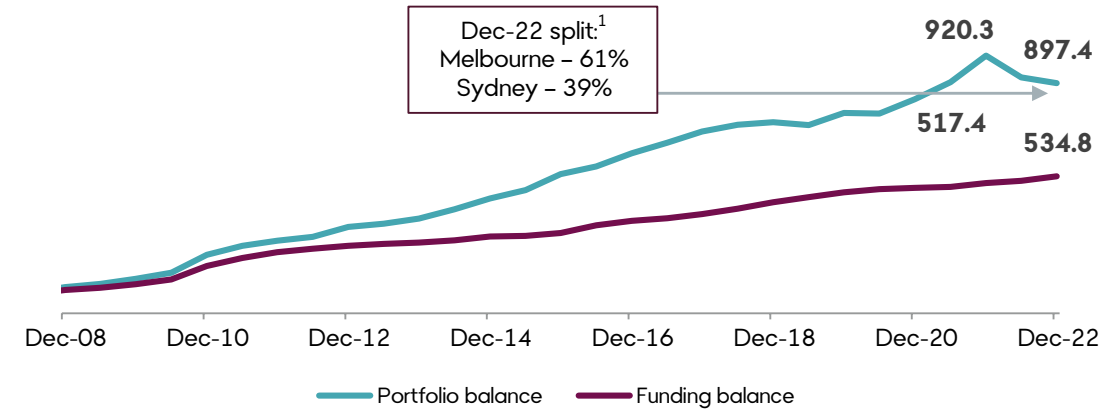
3. Shareholding as at 31 December 2022

# Homesafe

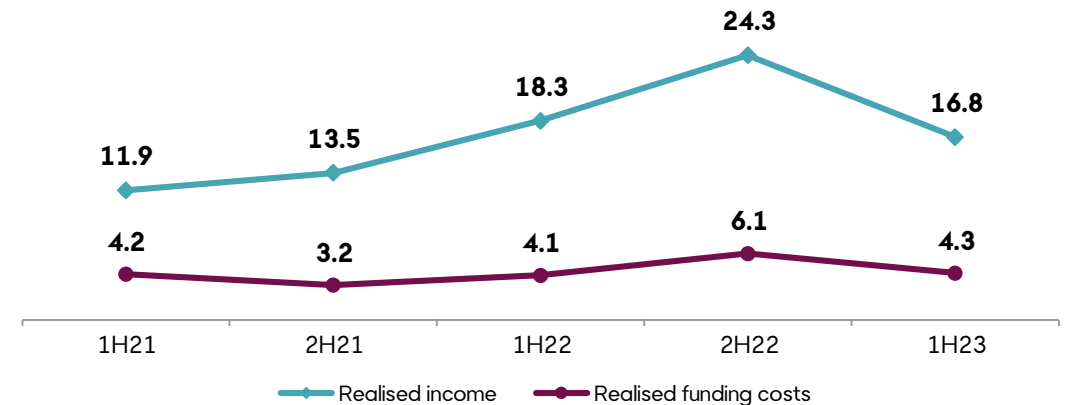
## Homesafe wealth release

- Reduced Homesafe income reflects lower level of completed contracts
- Proceeds on contracts completed during 1H23 exceeded carrying value by \$3.6m
- Average annual return on completed contracts since inception is 9.8% p.a, pre funding costs
- Property valuation growth assumptions amended -3% year 1, +1% year 2 and +5% year 3+
- Property values would need to fall by 40% before any impact on regulatory capital

### Homesafe portfolio & funding balance (\$m)



### Realised - income vs funding costs (\$m)



	1H23 (\$m)	2H22 (\$m)	1H22 (\$m)
Discount unwind	14.3	13.7	13.1
Profit on sale	3.6	3.0	4.9
Property revaluations	(41.1)	(83.8)	87.6
<b>Total</b>	<b>(23.2)</b>	<b>(67.1)</b>	<b>105.6</b>

1. % split of portfolio calculated on total portfolio balance

# Residential lending

## Residential metrics<sup>1,2,3</sup>

	Flow		Portfolio		
	1H23	2H22	Dec-22	Jun-22	Dec-21
Flow / Portfolio amount	\$6.7b	\$9.9b	\$56.1b	\$56.1b	\$52.5b
Retail lending	41%	36%	47%	48%	50%
Third Party Banking lending	59%	64%	53%	52%	50%
Lo Doc	0.03%	0.01%	0.4%	0.4%	0.5%
Owner occupied	76%	77%	70%	69%	67%
Owner occupied P&I	96%	95%	96%	95%	94%
Owner occupied I/O	4%	5%	4%	5%	6%
Investment	24%	23%	30%	31%	33%
Investment P&I	67%	69%	67%	65%	63%
Investment I/O	33%	31%	33%	35%	37%
Variable	92%	76%	61%	57%	53%
Fixed	8%	24%	39%	43%	47%
First home buyer %	17%	19%	14%	13%	12%
Mortgages with LMI	5%	5%	12%	13%	15%
Negative equity			0.13%	0.12%	0.25%
Average LVR	64%	66%	54%	55%	56%
Dynamic LVR			52%	52%	55%
Average loan balance	\$441k	\$469k	\$294k	\$290k	\$278k
90+ days past due			0.41%	0.49%	0.53%
Impaired loans			0.04%	0.06%	0.08%
Specific provisions			0.01%	0.02%	0.03%
Loss rate			0.003%	0.003%	0.002%

1. Loan data represented by purpose. Excludes Alliance Bank and Keystart data. Arrears includes impaired loans and all arrangements

2. Average LVR based on unweighted accounts. Flow metric is based on origination LVR, portfolio is based on current LVR (current balance against security value on file)

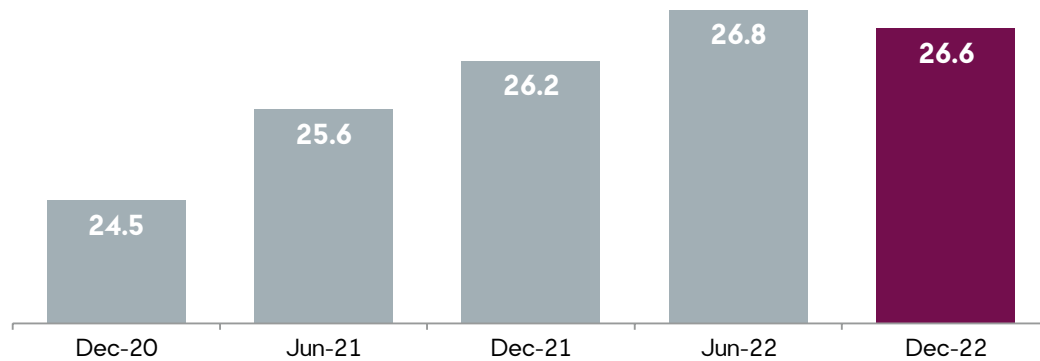
3. Dynamic LVR is defined as current balance/current valuation and is not audited (calculated for Residential Security only and excludes Delphi and Portfolio Funding exposures (2.1% of total EAD))



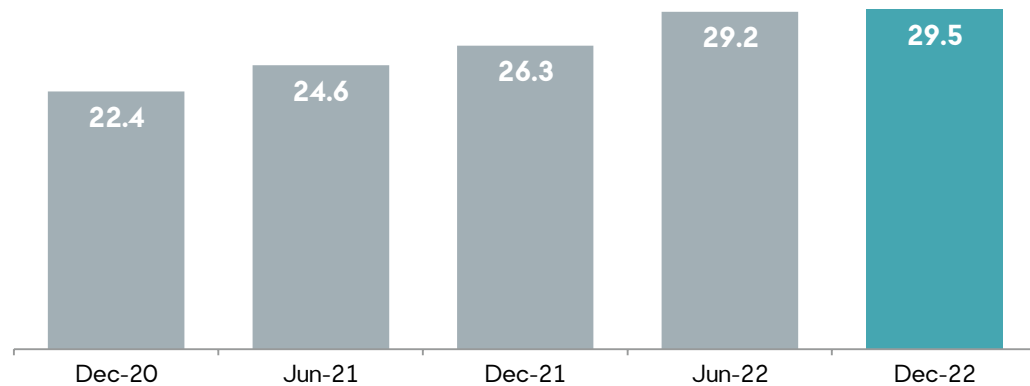
# Residential lending

Retail and Third Party Banking portfolios

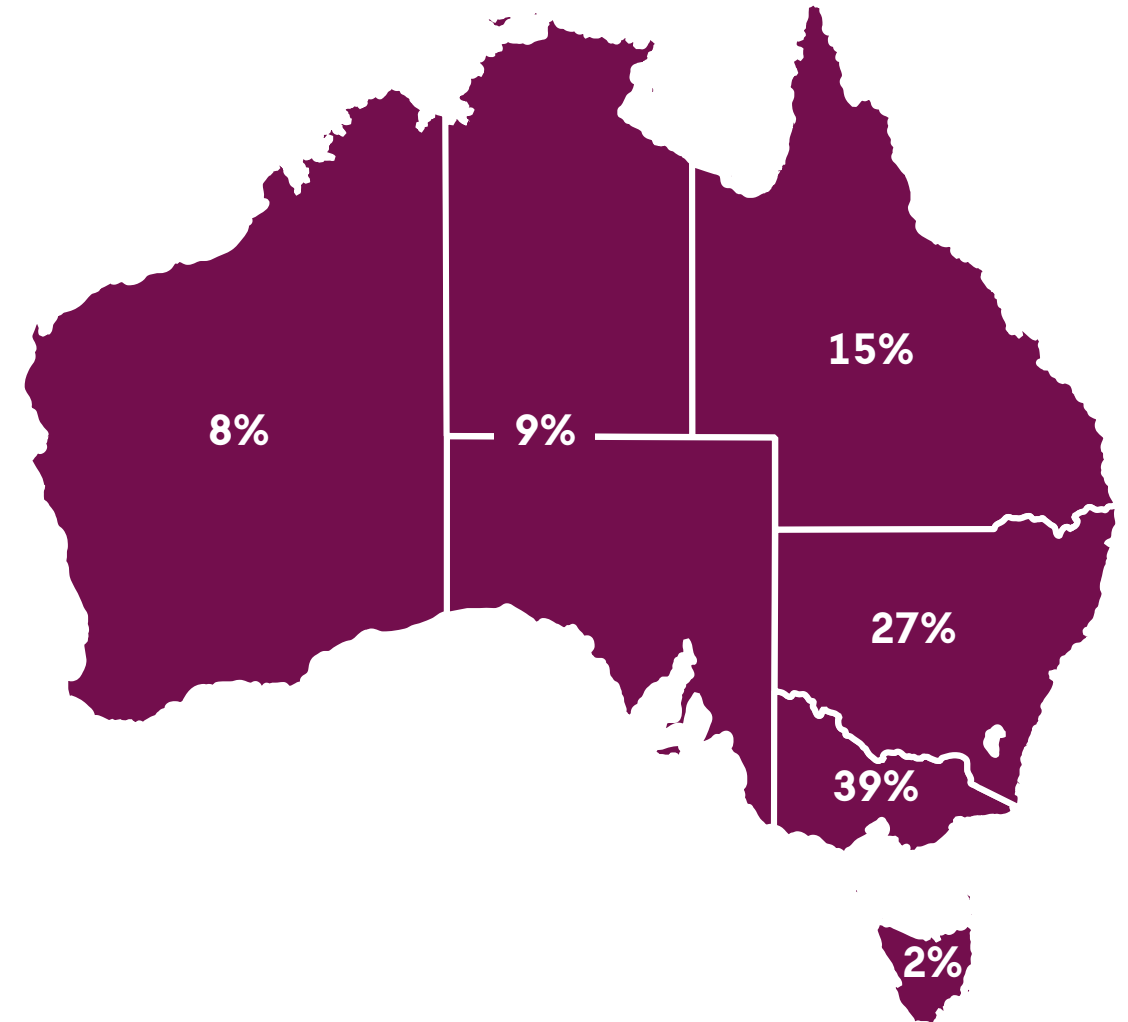
Retail - portfolio (\$b)<sup>1</sup>



Third Party Banking - portfolio (\$b)<sup>1</sup>



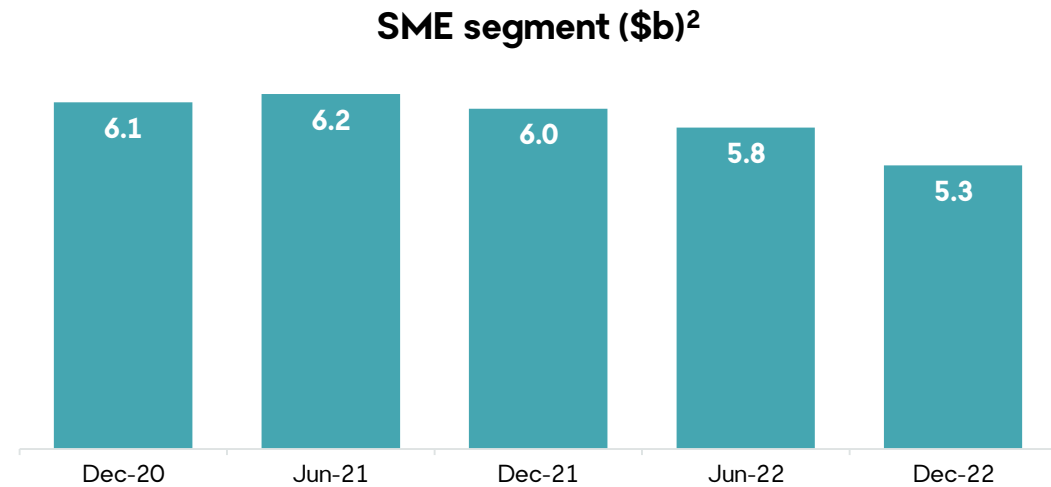
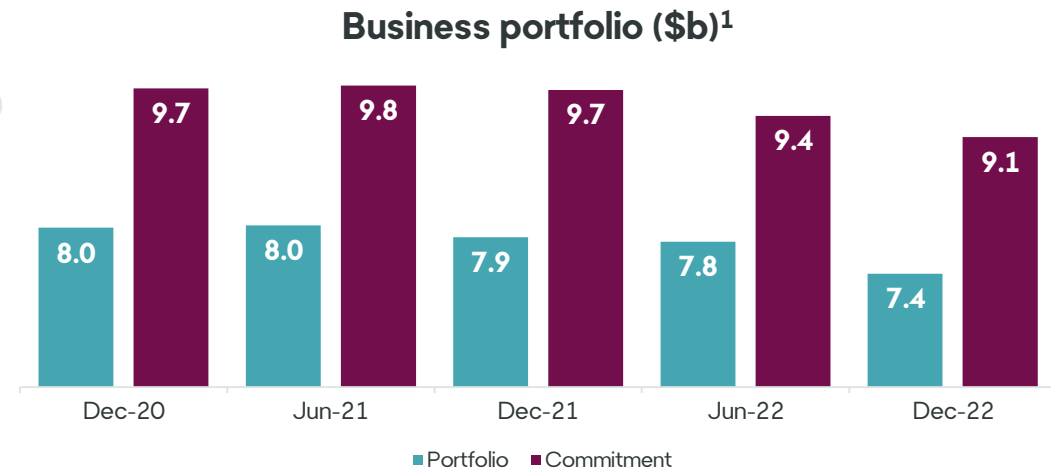
Residential balance by state



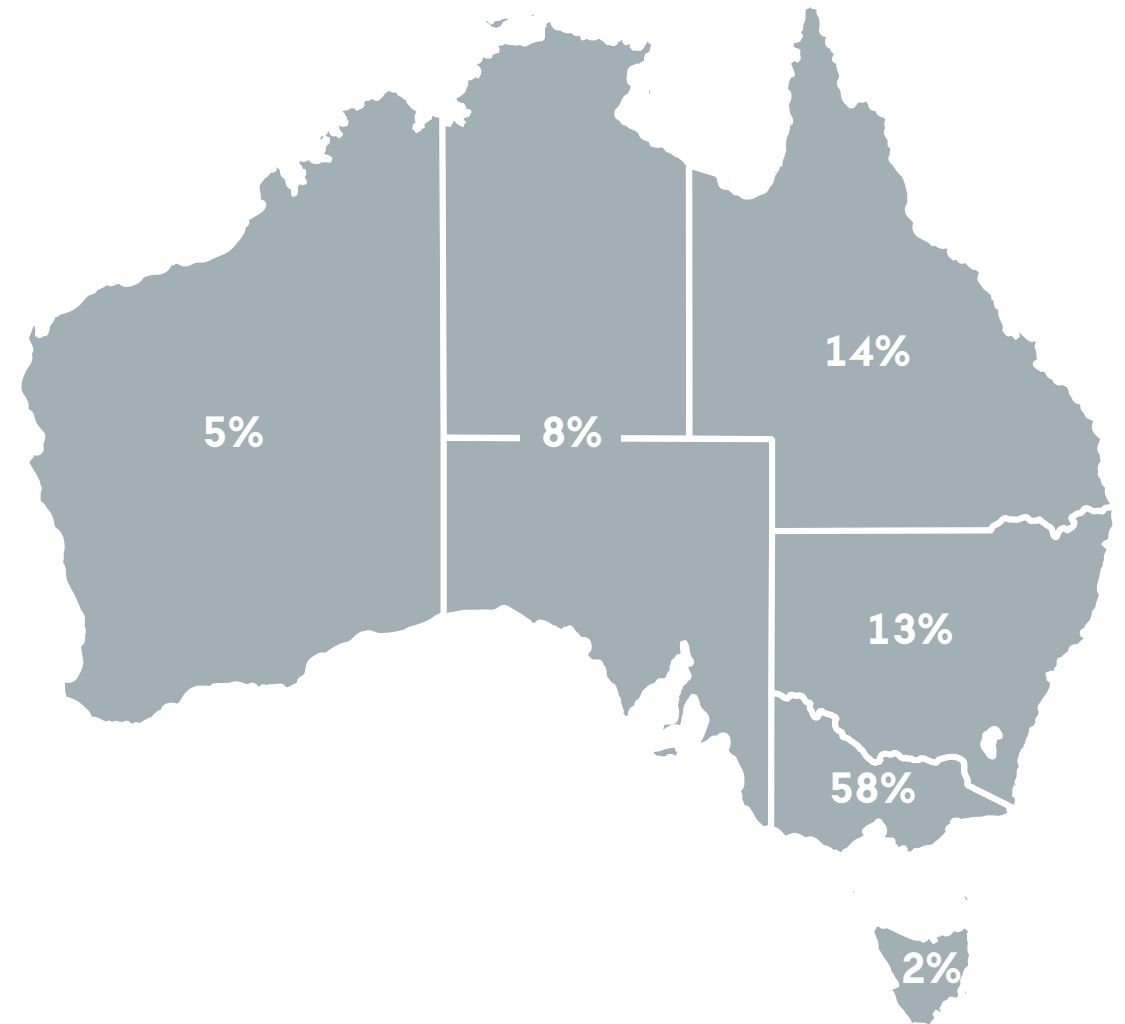
1. Loan portfolio balances are represented by purpose, constructed from internal data and includes line of credit products. Retail includes Delphi, excludes Alliance Bank and Portfolio Funding

# Business lending

## Portfolio and state splits



### Business balance by state



1. Business portfolio balances are represented by purpose, constructed from internal data and includes line of credit products. Excludes Portfolio Funding

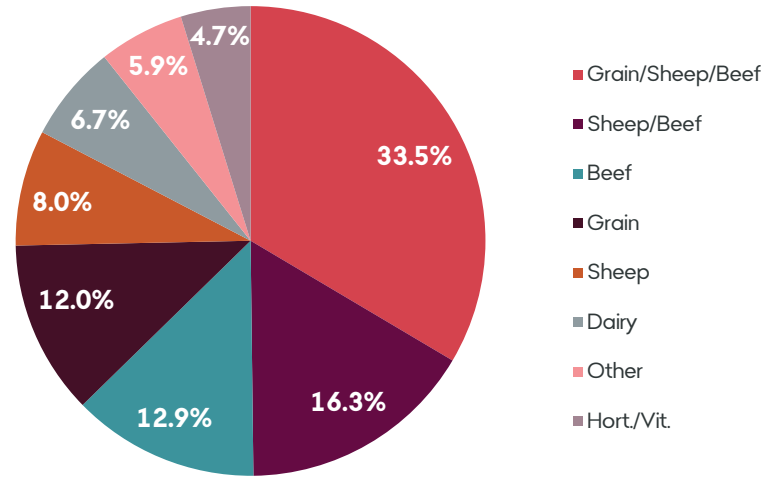
2. SME is an internal definition using Small Business, Middle Markets, Equipment Finance, and Adelaide Bank Commercial Broking.

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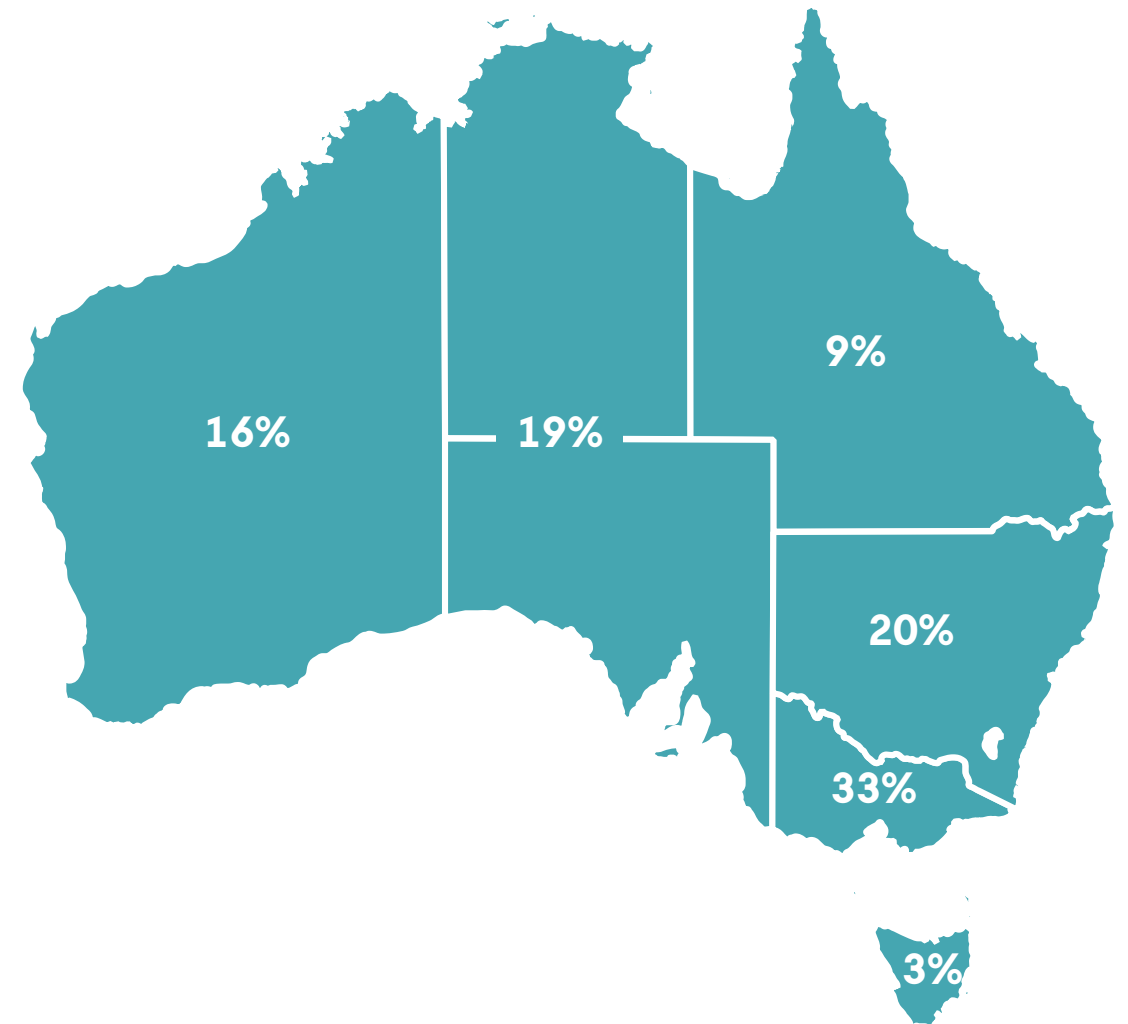
# Agribusiness lending

## Portfolio splits

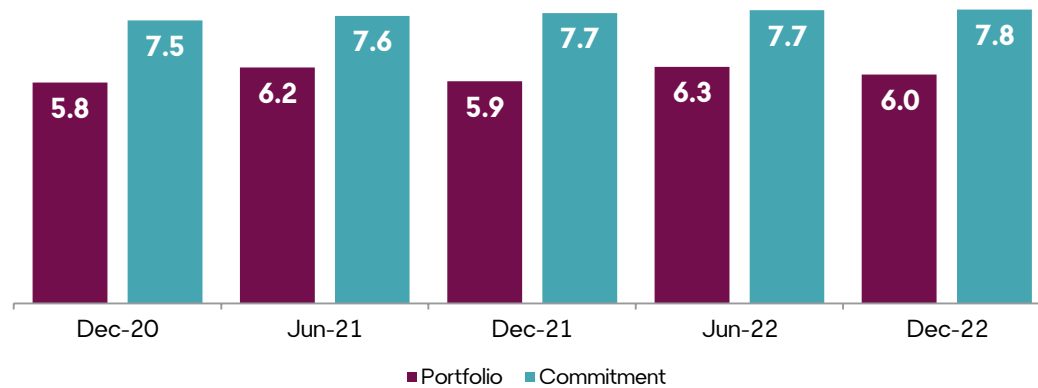
### Agri exposure by industry



### Agribusiness balance by state



### Agribusiness portfolio (\$)



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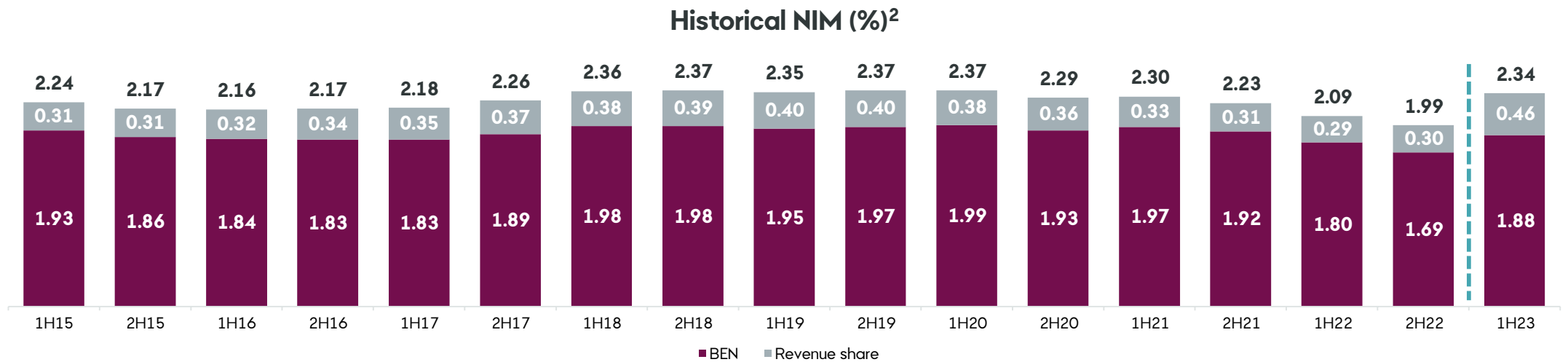
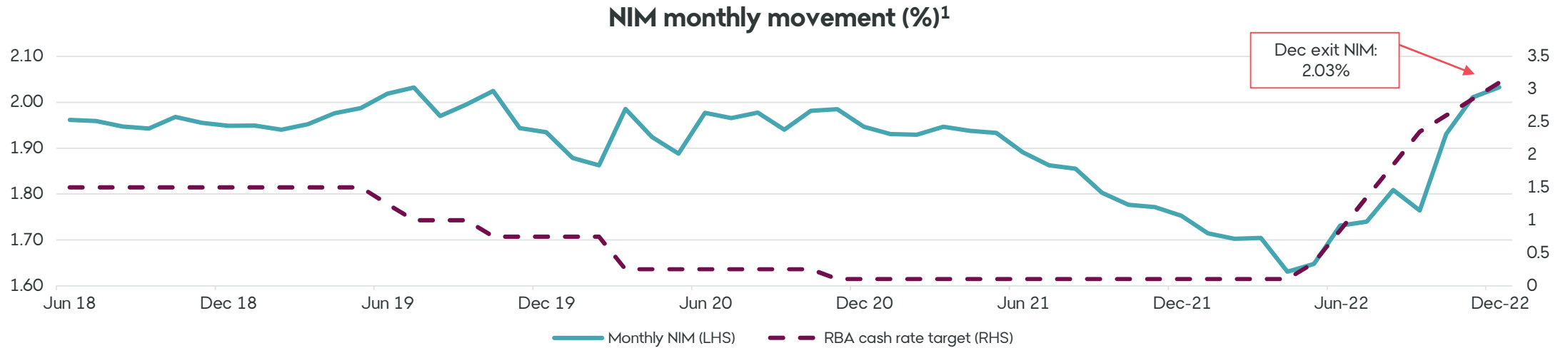
# Gross loans balance

## By security

	Dec-22	Jun-22	Change		Dec-21	Change	
	\$m	\$m	\$m	%	\$m	\$m	%
<b>Residential</b>	<b>61,223.1</b>	<b>61,446.5</b>	<b>(223.4)</b>	<b>(0.4)</b>	<b>57,860.4</b>	<b>3,362.7</b>	<b>5.8</b>
<b>Business</b>							
Accommodation and food services	175.4	210.8	(35.4)	(16.8)	252.8	(77.4)	(30.6)
Administrative and support services	23.5	28.4	(4.9)	(17.3)	30.4	(6.9)	(22.7)
Agriculture, forestry and fishing	6,030.3	6,304.9	(274.6)	(4.4)	5,938.1	92.2	1.6
Arts and recreation services	32.3	34.4	(2.1)	(6.1)	38.4	(6.1)	(15.9)
Construction	410.6	455.6	(45.0)	(9.9)	464.8	(54.2)	(11.7)
Education and training	85.7	79.3	6.4	8.1	80.4	5.3	6.6
Electricity, gas, water and waste services	9.2	12.8	(3.6)	(28.1)	14.1	(4.9)	(34.8)
Financial and insurance services	2,288.7	2,265.6	23.1	1.0	1,802.0	486.7	27.0
Health care and social assistance	325.5	316.9	8.6	2.7	384.7	(59.2)	(15.4)
Information media and telecommunications	12.8	16.2	(3.4)	(21)	17.8	(5.0)	(28.0)
Manufacturing	170.6	215.2	(44.6)	(20.7)	152.1	18.5	12.2
Mining	37.4	11.8	25.6	216.9	42.1	(4.7)	(11.2)
Other Services	226.1	224.9	1.2	0.5	245.1	(19.0)	(7.8)
Professional, scientific and technical services	119.7	120.0	(0.3)	(0.2)	105.7	14.0	13.2
Public administration and safety	10.0	10.5	(0.5)	(4.8)	12.3	(2.3)	(18.7)
Rental, hiring and real estate services	3,173.3	3,335	(161.7)	(4.8)	3,266.1	(92.8)	(2.8)
Retail trade	224.9	261.8	(36.9)	(14.1)	267.0	(42.1)	(15.8)
Transport, postal and warehousing	110.1	112.8	(2.7)	(2.4)	123.8	(13.7)	(11.1)
Wholesale trade	75.3	74.0	1.3	1.8	105.3	(30.0)	(28.5)
Other	13.2	21.2	(8.0)	(37.7)	27.3	(14.1)	(51.6)
<b>Total business</b>	<b>13,554.6</b>	<b>14,112.1</b>	<b>(557.5)</b>	<b>(4.0)</b>	<b>13,370.3</b>	<b>184.3</b>	<b>1.4</b>
Margin lending	1,379.7	1,433.2	(53.5)	(3.7)	1,522.4	(142.7)	(9.4)
Unsecured	592.3	593.6	(1.3)	(0.2)	746.0	(153.7)	(20.6)
Other	231.6	235.9	(4.3)	(1.8)	253.7	(22.1)	(8.7)
<b>Total gross loan balance</b>	<b>76,981.3</b>	<b>77,821.3</b>	<b>(840)</b>	<b>(1.1)</b>	<b>73,752.8</b>	<b>3,228.5</b>	<b>4.4</b>

# Net interest margin

## Historical trends



1. Monthly NIM on a post revenue share basis  
 2. Revenue share arrangements includes Community Bank and Alliance Bank. RBA cash rate data as at end of period

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# Net interest margin

## Sensitivity to rising rate environment – capital and deposit hedges

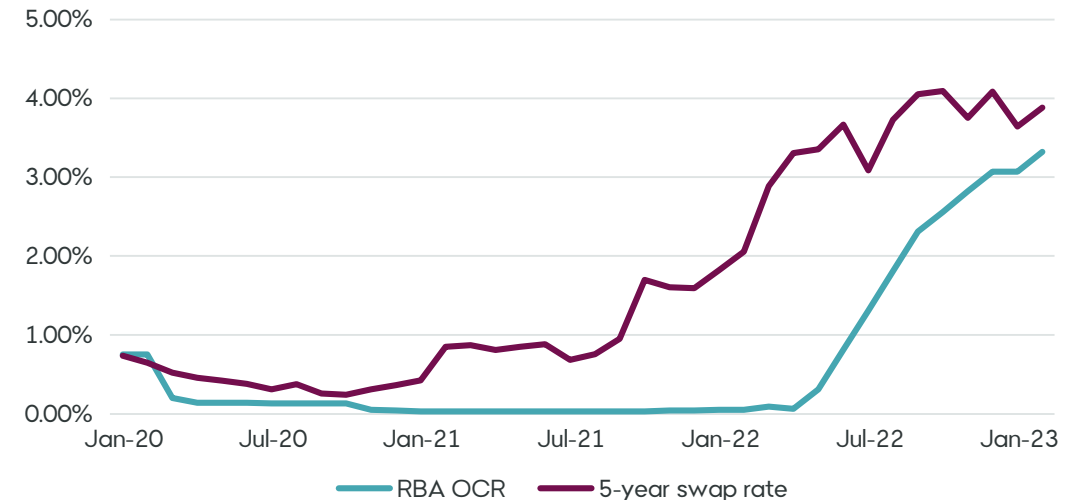
- **48bps** Group NIM benefit expected over medium term from impact of higher interest rates on capital and deposit replicating yields<sup>1,2</sup>
- Actual outcomes will be determined by a range of factors including, but not limited to: competition, future interest rates, capital and low rate sensitivity deposit volumes, AIEA volumes and investment strategy

### Average hedged yield on capital and deposit replicating portfolio

FY21 avg	1H22 avg	2H22 avg	FY22 avg	1H23 avg
0.43%	0.25%	0.83%	0.54%	1.94%

	Portfolio volume (\$b)	Hedged proportion	Hedge term (Years)	Hedged yield (%)	
				1H23 avg	1H23 exit
Capital	4	100%	2.5	1.16	1.52
Deposits	13	80%	5.0	2.26	2.41
<b>Total</b>	<b>17</b>	<b>N/A</b>	<b>2.5 – 5.0</b>	<b>1.94</b>	<b>2.15</b>

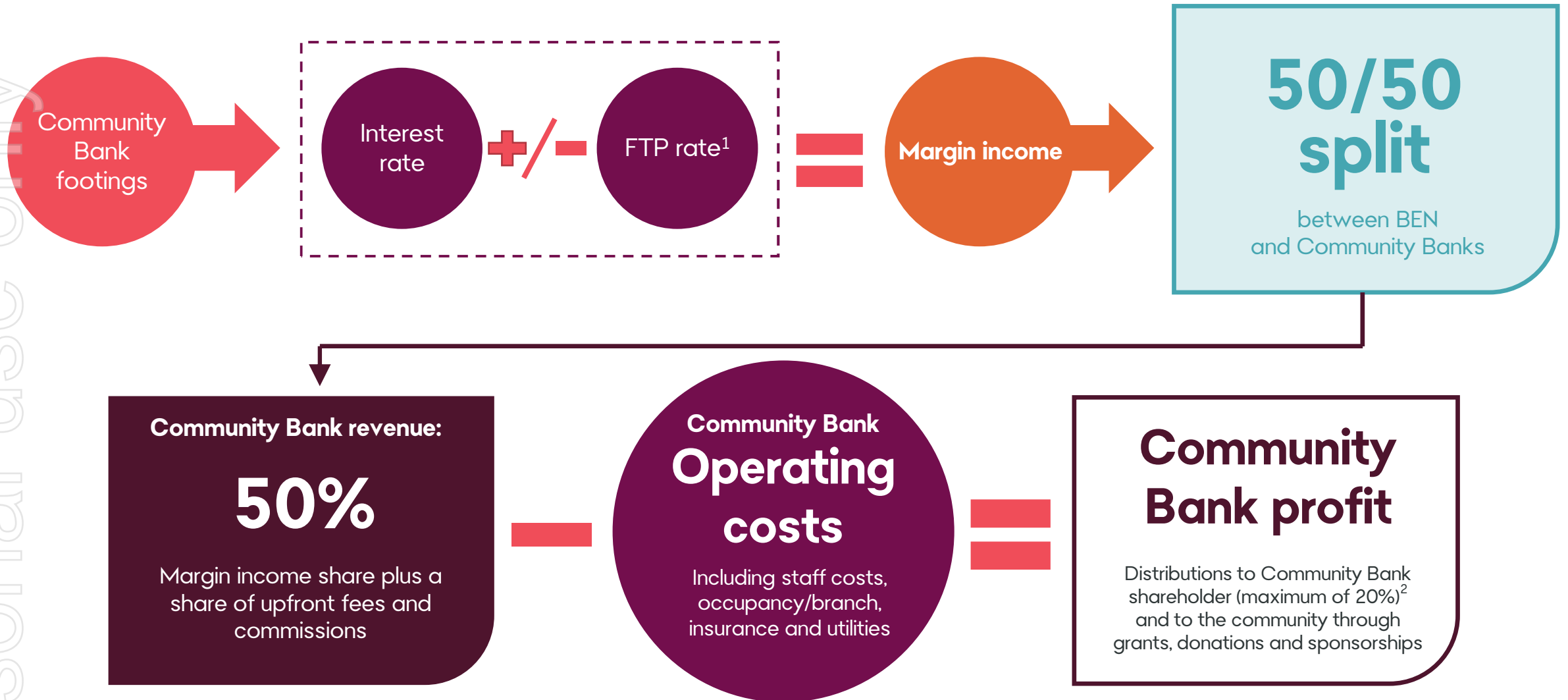
### RBA Overnight Cash Rate v 5-Year Swap Rate



1. Based on market-implied forward rates as at 31 Jan 23; and portfolio volumes and AIEA as at 31 Dec 22 (volumes assumed to be held constant). Proportion hedged will vary over time  
 2. Based on comparison between FY22 average yield and FY25 average yield. Includes hedged and unhedged components. After taking into account Product NIM paid away to Community Bank's for low rate sensitivity deposits that form part of the replicating portfolio

# Community Bank

How the revenue share works



Note: Community Bank footings include home loans, business loans, credit cards, margin loans, at call accounts, term deposits. FTP is not used across all products

1. FTP = Fund Transfer Pricing. FTP methodology is independently audited

2. Dividend calculation is subject to terms and conditions

# Community Bank

'Profit with purpose' model

## Purpose lead vision:

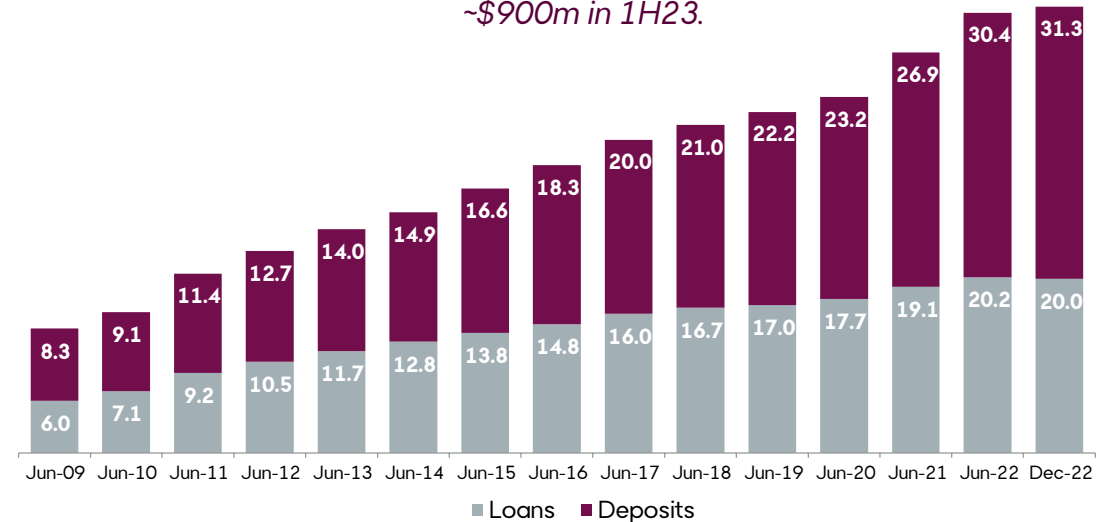
- Over **\$292m** in community contributions<sup>1</sup>
- **302** Community Bank branches across Australia
- **924,000+** local customers and organisations'
- **70,000+** Community Bank shareholders and 1,600+ directors

## Providing benefits to BEN:

- Community Banks provide **net benefit of ~\$10b of additional funds**, which reduces need for more expensive wholesale funding
- Net funding benefit equates to **10 to 15 basis points of NIM**

## Community Bank footings (\$b)<sup>2</sup>

Community Bank branches are a significant source of customer deposits for the broader Group, increasing ~\$900m in 1H23.



**Investments have supported critical local sporting, education, health, arts and cultural initiatives**

<sup>1</sup> Includes total sponsorships, donations and grants – data as at 31 December 2022

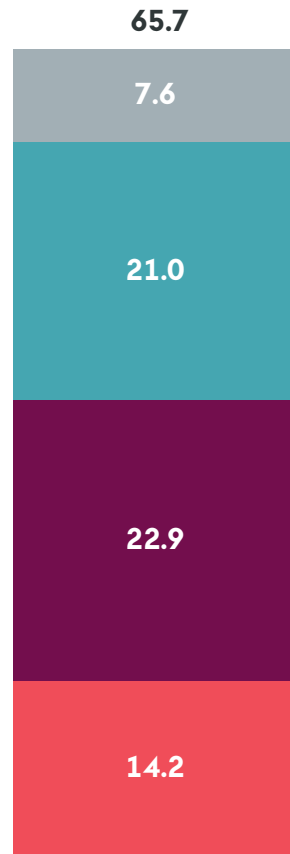
<sup>2</sup> Community Bank footings include Private Franchises (4 branches in total). Loans and deposits includes total lending and deposits in Community Banks from both personal and business customers. Some products don't use FTP and utilise a fee or commission structure



# Customer deposits

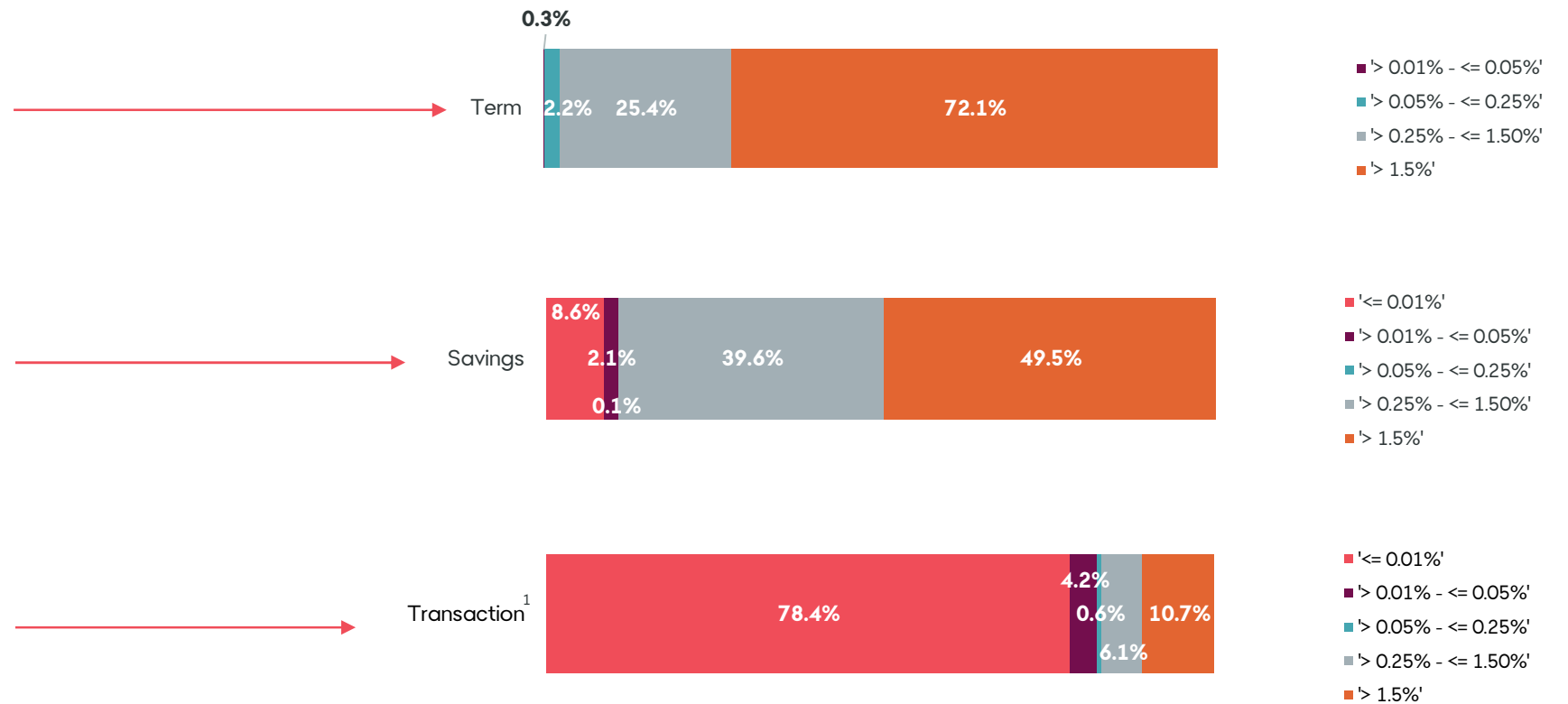
## Split and funding costs

Customer deposits - split (\$b)



Transaction Savings Term Offset

Customer deposit – funding costs



<sup>1</sup> 10.7% interest rate band in transaction accounts mainly relates to State Government regulated trust accounts

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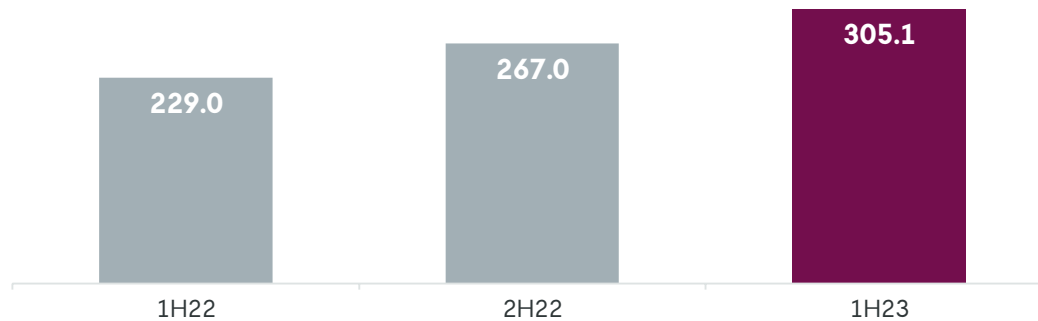
# Investment spend

Continuing to invest for long-term simplification benefits

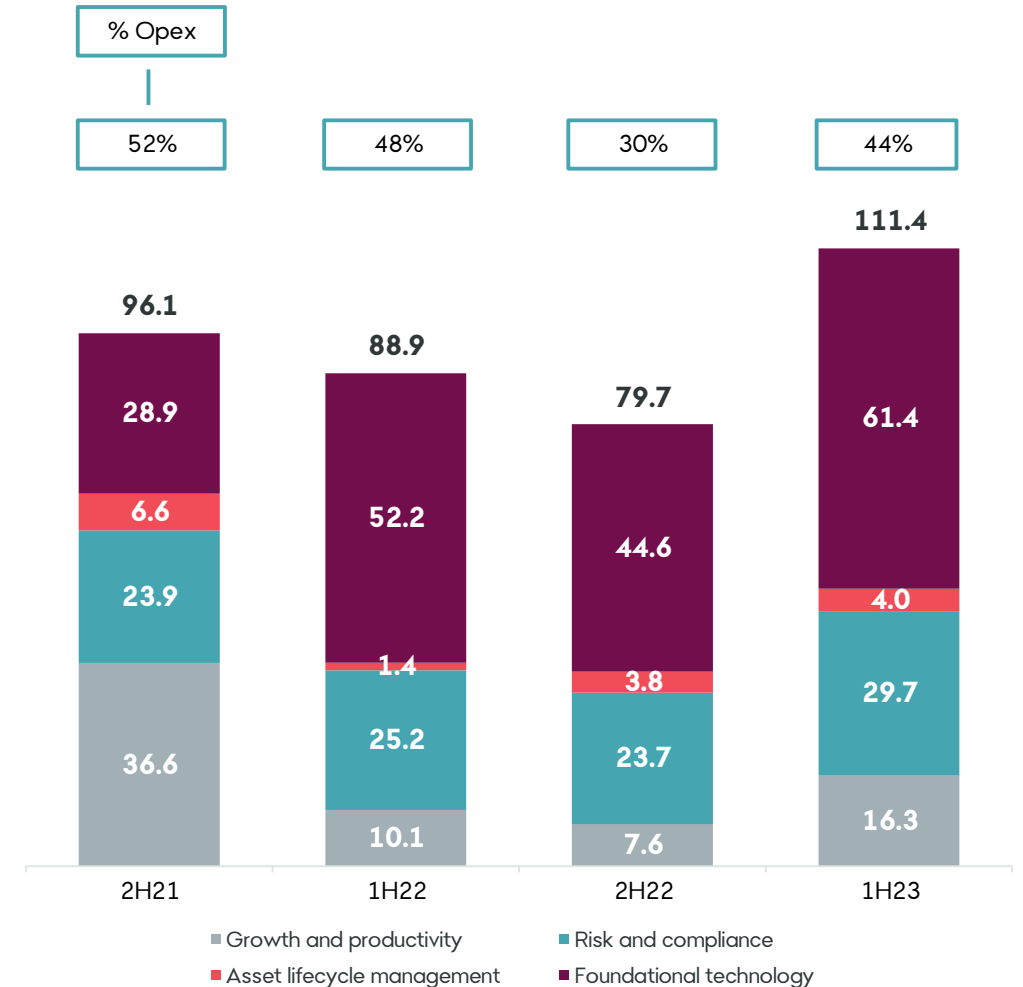
## Top 5 projects by spend:

- Up Digital Bank
- Foundational Lending (Foundational Technology)
- Core Banking – Product & Pricing (Foundational Technology)
- Core banking consolidation (Foundational Technology)
- Open Banking (Risk & Compliance)

Capitalised software balance (\$m)<sup>2</sup>



Investment spend (\$m)<sup>1</sup>



1. Expense portion includes business consolidation and restructure costs treated as a non-cash adjustment (1H22: \$0.9m, 2H22: \$2.2m, 1H23: \$7.0m) & Up opex (1H23: \$6.2m). Minor reclassification of spend between investment and opex for previous halves

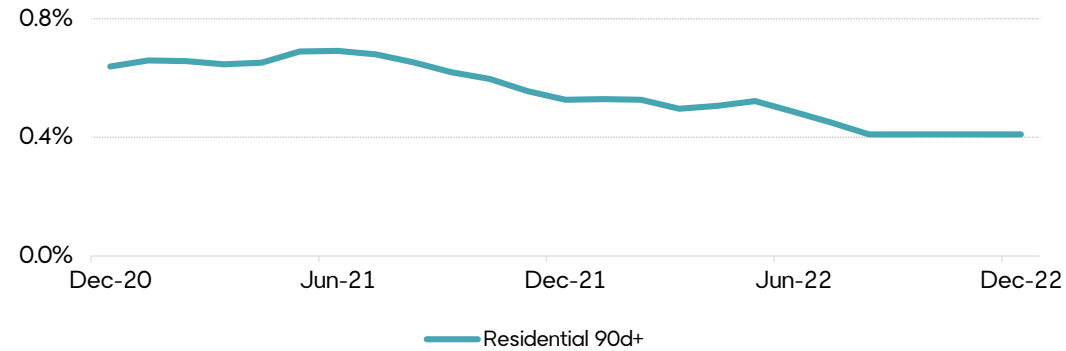
2. Capitalised software balance includes software under development

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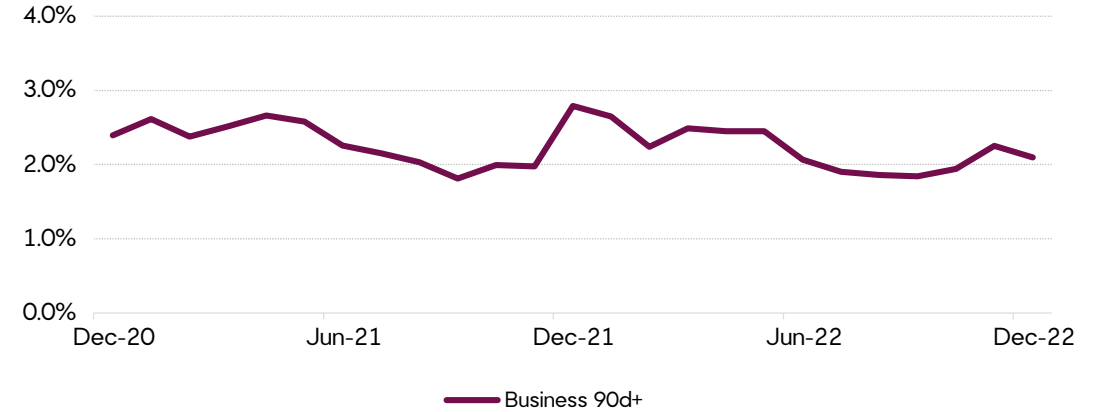
# Arrears

Remain benign

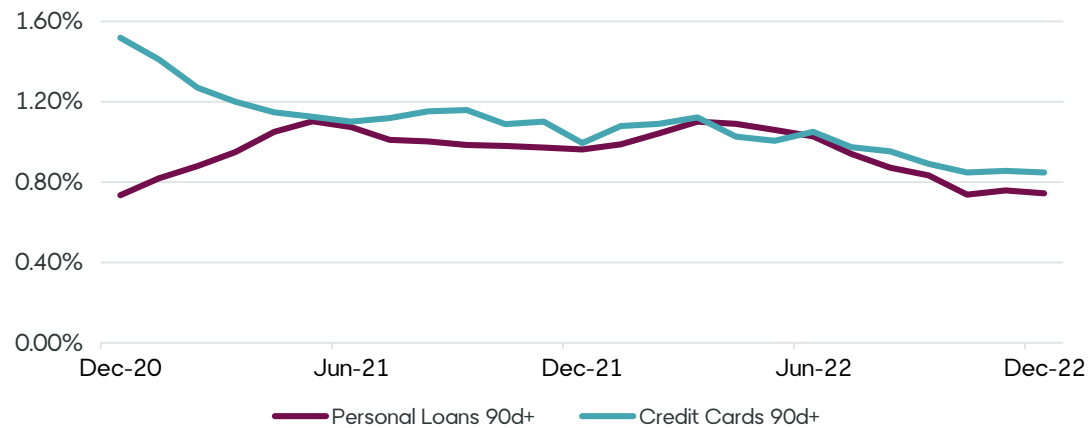
### Residential loan arrears



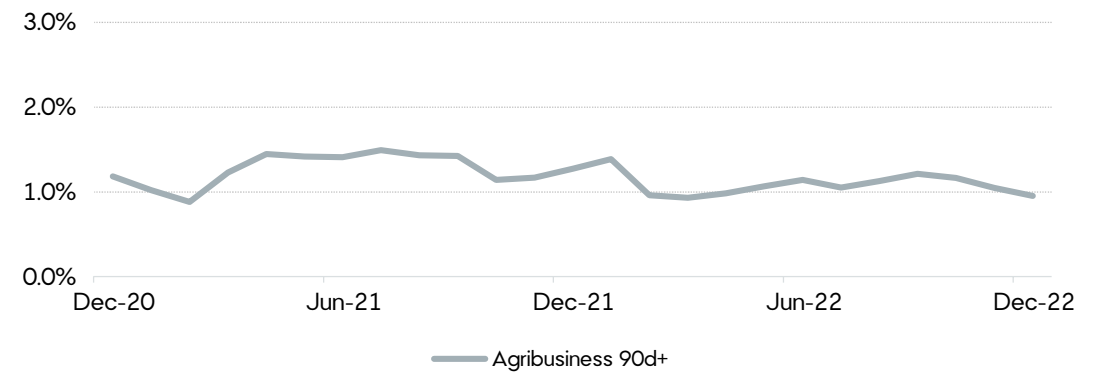
### Business loan arrears



### Consumer loan arrears



### Agribusiness loan arrears



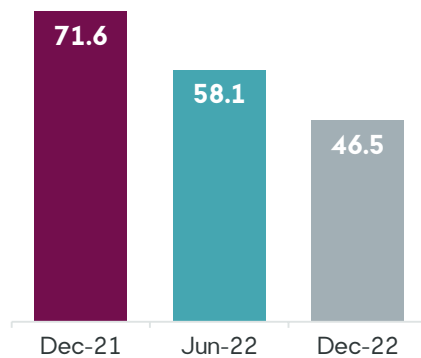
Note: Arrears include impaired assets and all arrangements

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# Specific provisions and impaired assets

Downward trend has continued

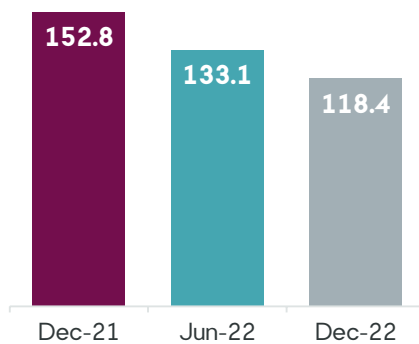
**Specific provision balance (\$m)**



Represented by



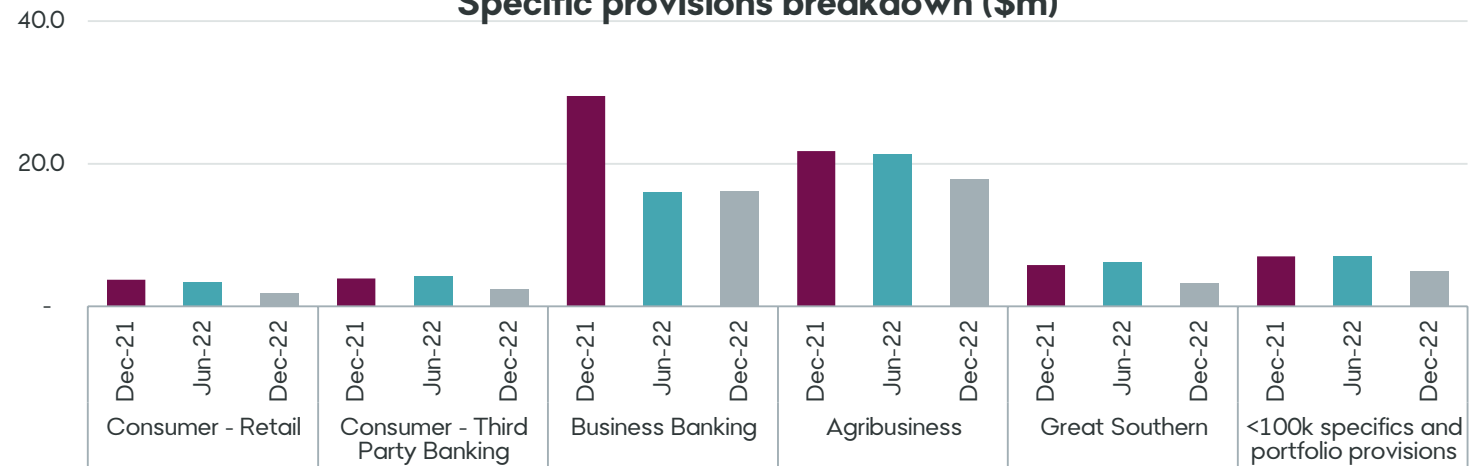
**Total impaired balance (\$m)**



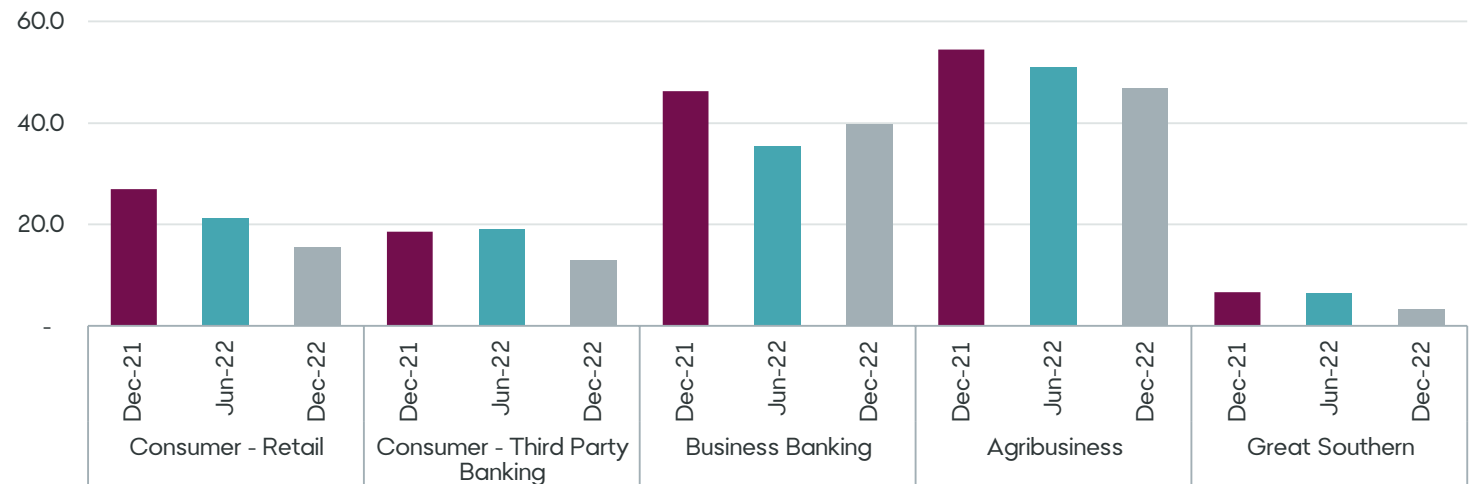
Represented by



**Specific provisions breakdown (\$m)**



**Total impaired breakdown (\$m)**

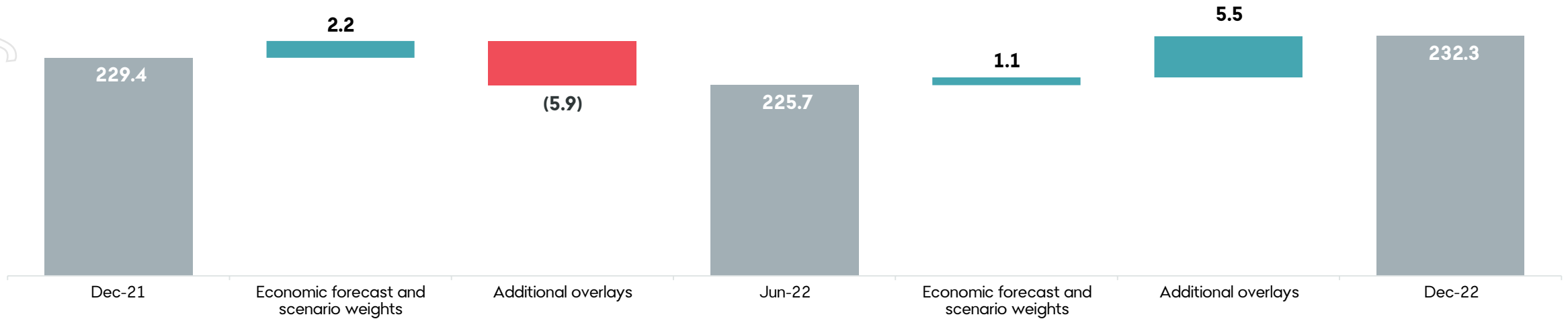


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# Collective provisions and scenario outcomes

Remain cautious of credit environment

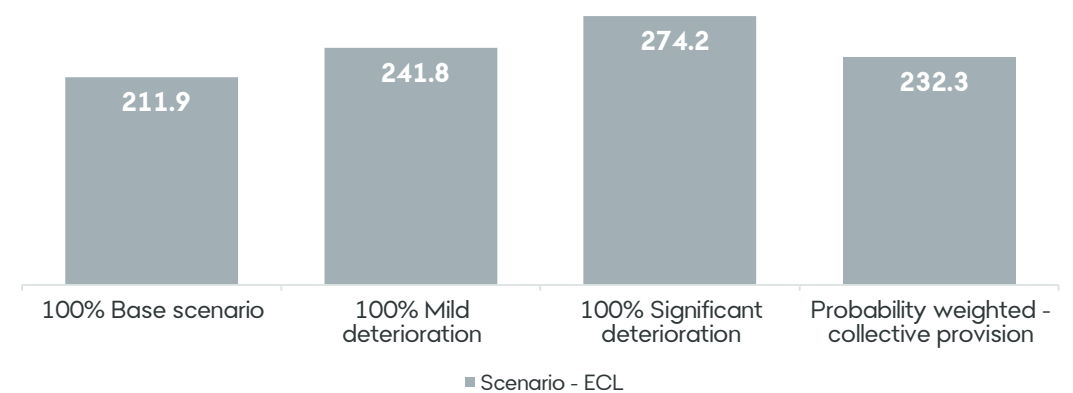
Total collective provision movements (\$m)



Scenario weightings continue to reflect the level of uncertainty



Collective provision - scenario outcomes (\$m)<sup>1,2</sup>

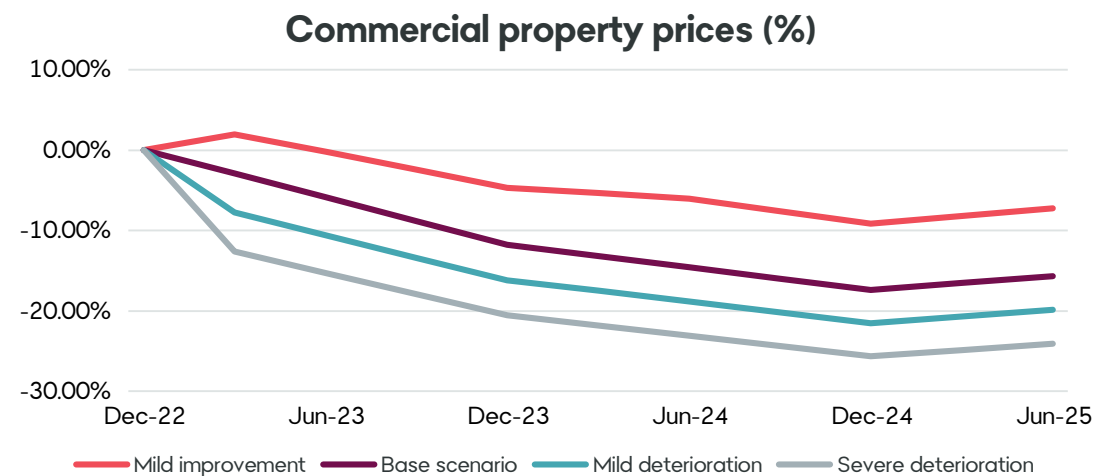
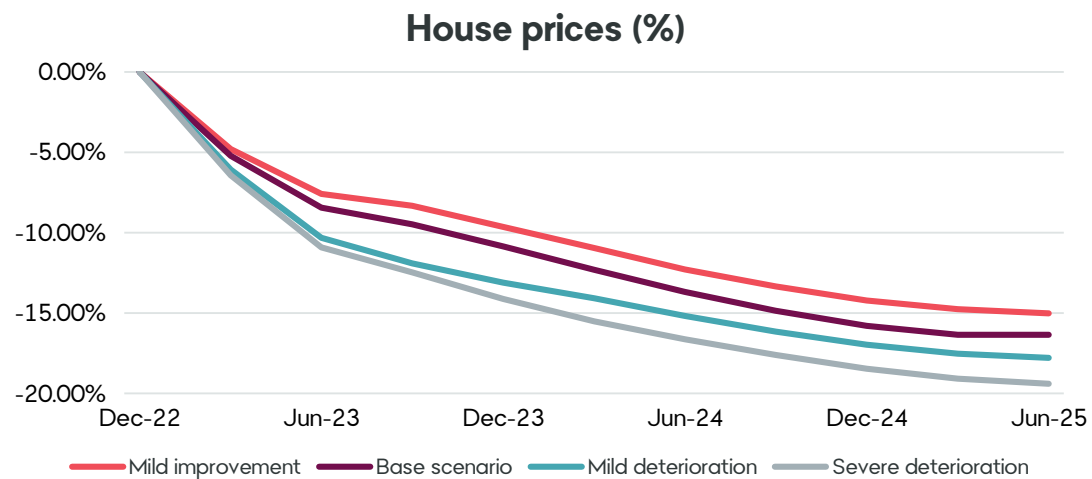
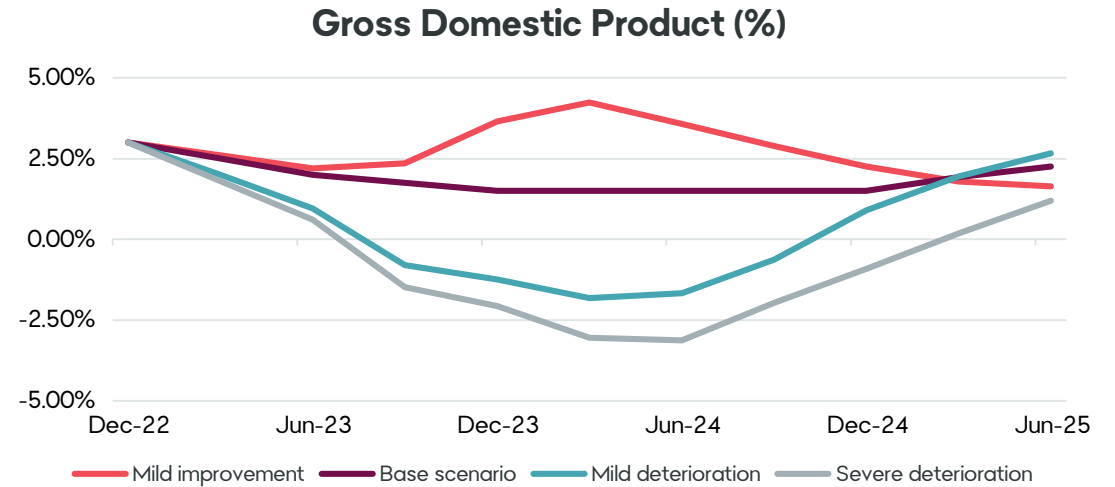
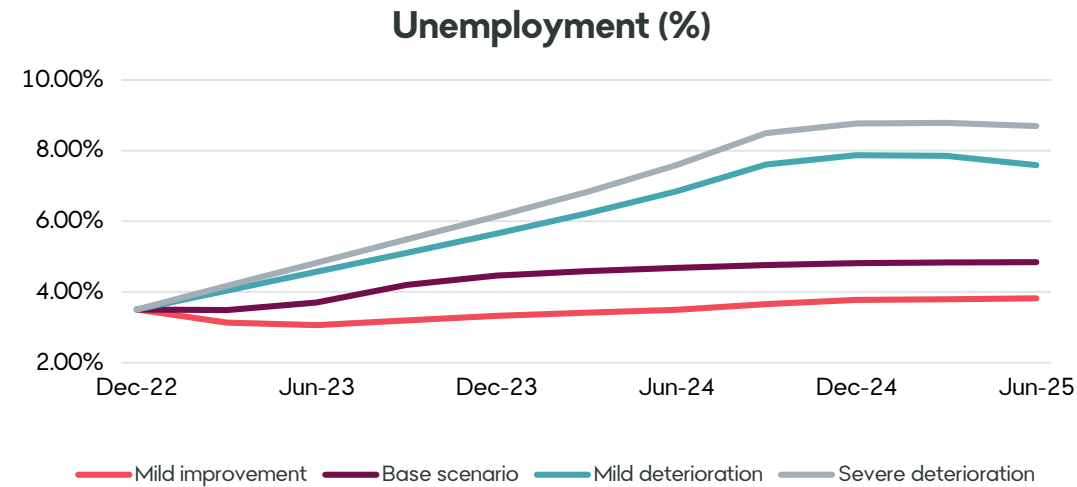


1. Excludes GRCL  
2. Scenario - ECL includes economic outlooks scenario weights and related overlays

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# Collective provisions and scenario outcomes

## Model inputs

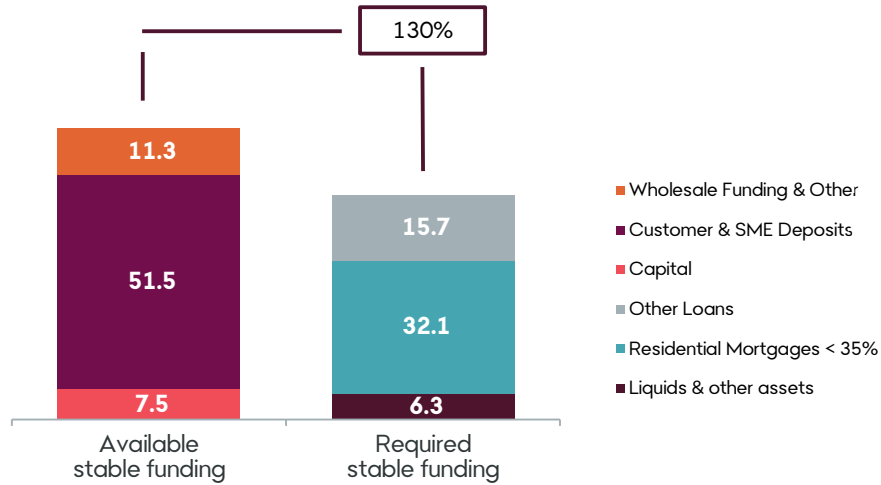


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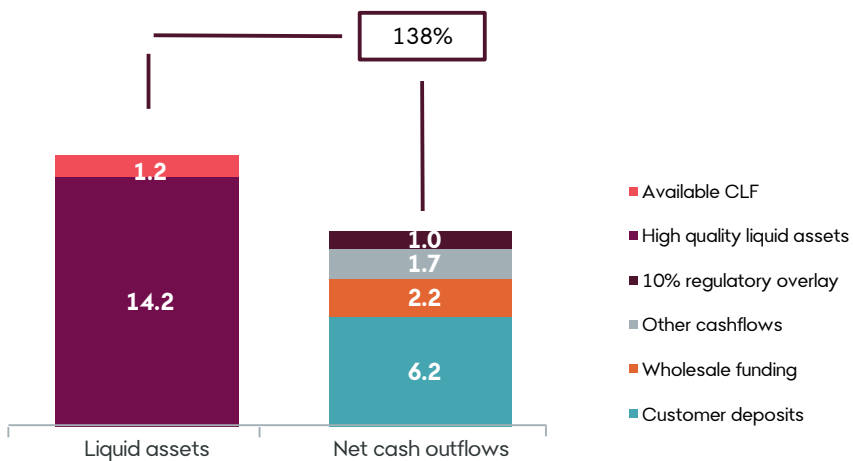
# LCR and NSFR

Improvement in ratio's through 1H23

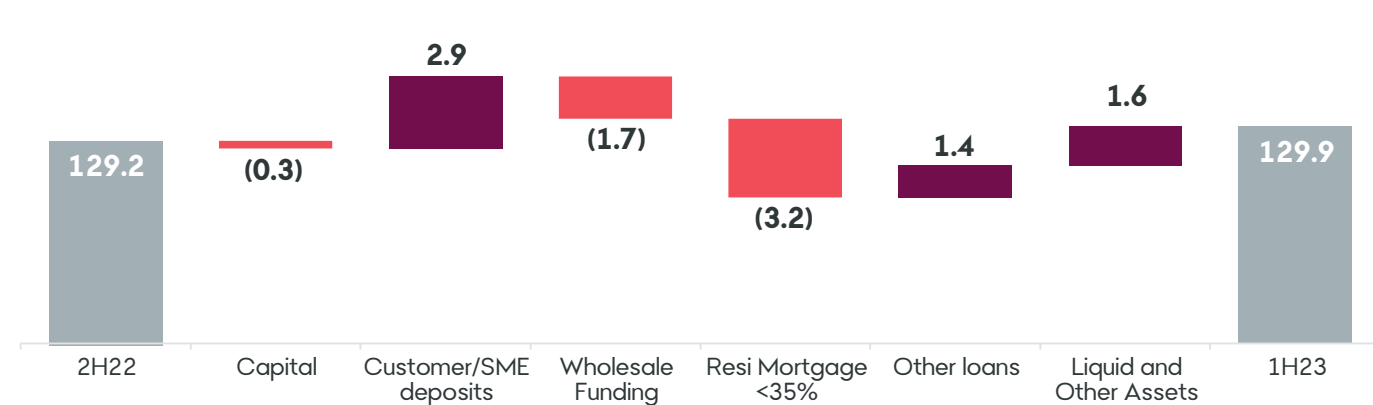
### Net Stable Funding Ratio (\$b)



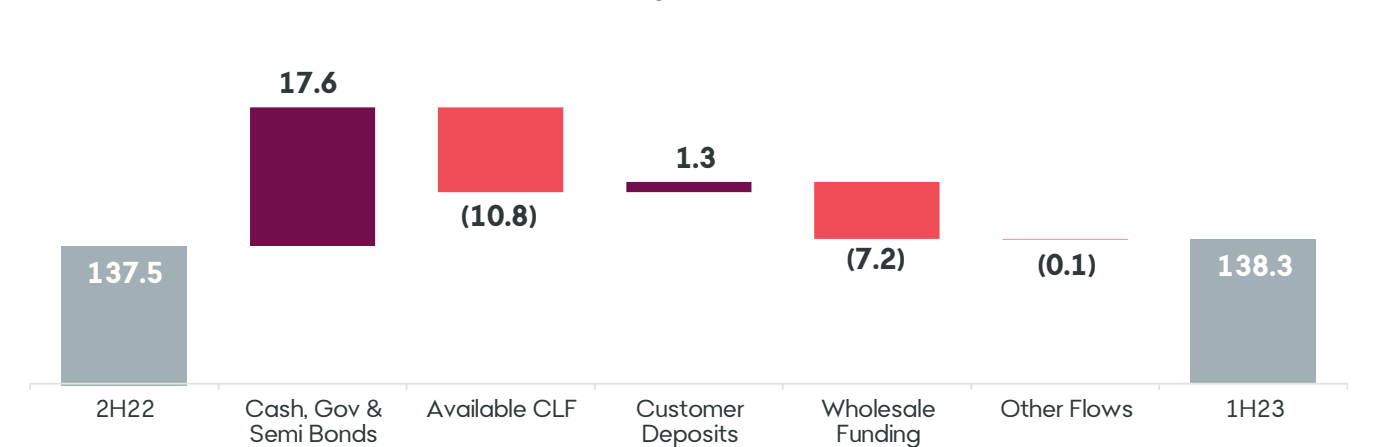
### Liquidity coverage ratio LCR (\$b)<sup>1,2</sup>



### NSFR half year (%)



### LCR half year (%)<sup>2</sup>



1. The total net cash outflows are inclusive of a 10 per cent regulatory overlay, which was effective from 2 November 2020.  
 2. The LCRs quoted represent the average daily LCRs over the respective 6-month period.

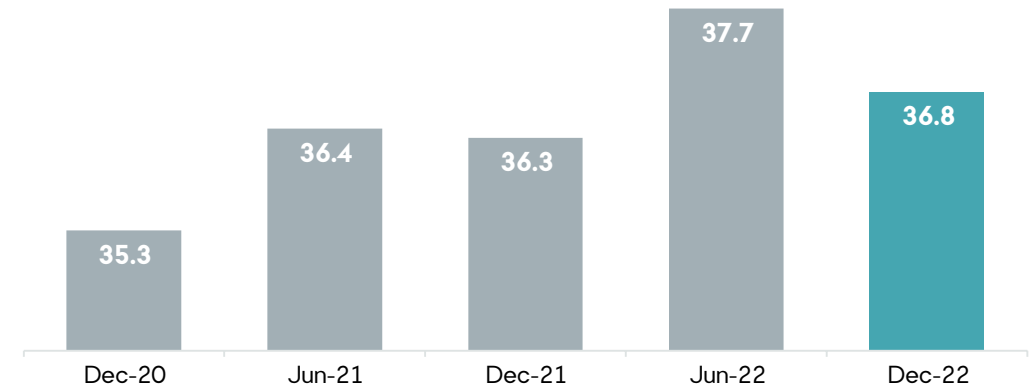
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# Capital

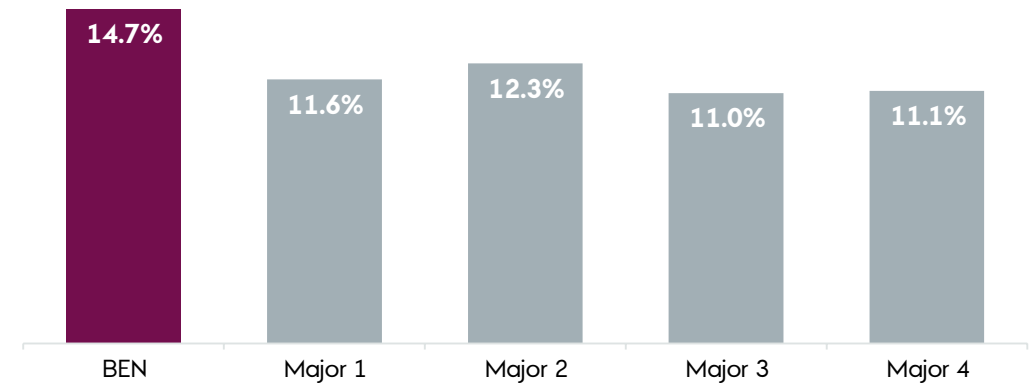
In summary

	Dec-22 (%)	Jun-22 (%)	Dec-21 (%)	Jun-21 (%)
<b>Common Equity Tier 1</b>	10.13%	9.68%	9.85%	9.57%
<b>Additional Tier 1</b>	1.99%	1.95%	2.04%	2.04%
<b>Total Tier 1</b>	12.12%	11.63%	11.89%	11.61%
<b>Tier 2</b>	2.01%	1.97%	2.09%	2.20%
<b>Total capital</b>	14.13%	13.60%	13.98%	13.81%
<b>Total risk weighted assets</b>	\$41.5b	\$42.2b	\$40.5b	\$40.5b

Credit risk weighted assets (\$b)



S&P RAC Ratio<sup>1</sup>

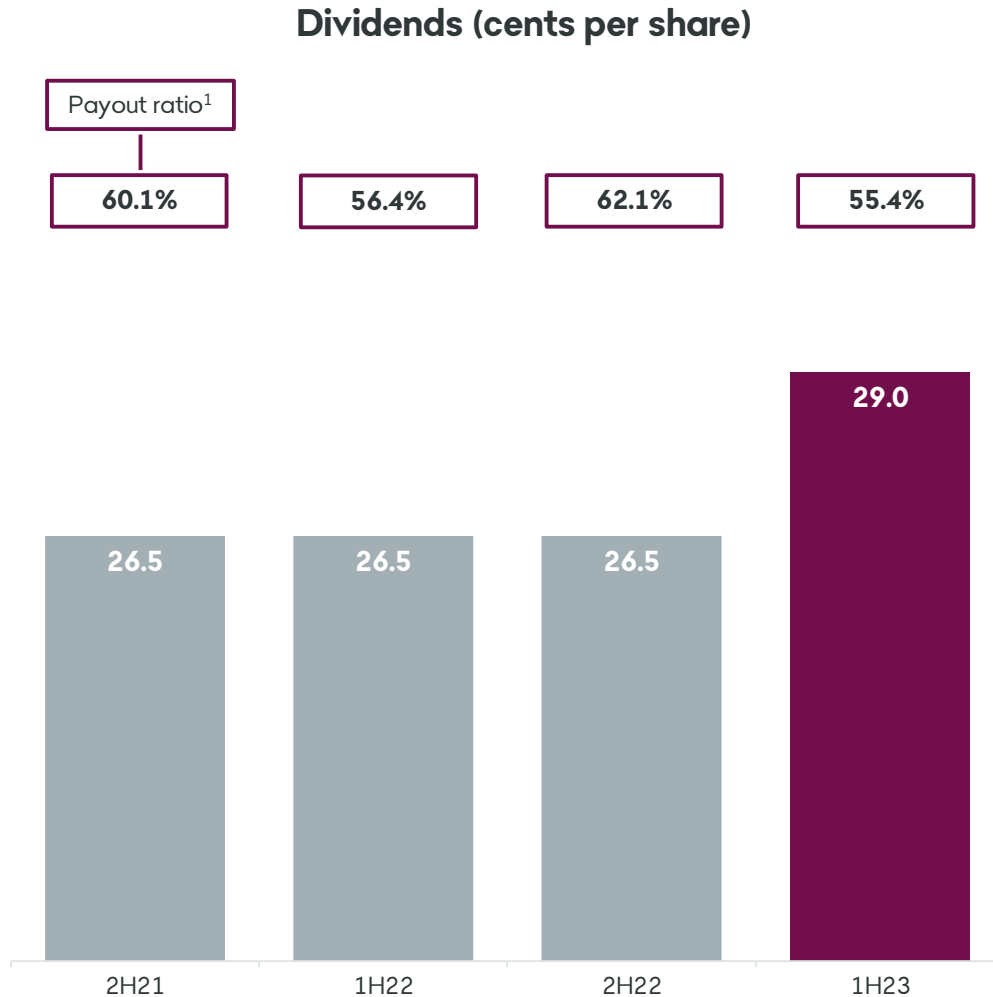


1. Standard & Poor's RAC Ratio, Major 1 as at 31 Dec 2021, Major 2, 3 & 4 as at 31 Mar 2022 & BEN as at 30 Jun 2022



# Dividend

Stable dividend returns for shareholders



- FY23 interim dividend up 9.4% on last three halves
- Dividend levels continue to be managed across the year, not the half

1. Dividend payout ratio calculated on a cash basis

# Progression in ESG

In detail

## Key deliverables

### Environment



- Launch of BENZero – our pathway to net zero by 2040, inclusive of all operational and financed emissions
- On track to meet FY23 operational emissions reduction targets and uptake of renewables

### Social



- Inclusive practices embedded in BEN's Annual General Meeting as a standard practice
- Provisional endorsement of BEN's Reflect Reconciliation Action Plan received from Reconciliation Australia

### Governance



- Published second Sustainability Report and Modern Slavery Statement for FY22
- Became a member of Australian Sustainable Finance Institute
- Continued to enhance governance structures by including ESG responsibilities into Board charters
- Reviewed and continued to enhance cyber controls and processes

## 2H23 priorities

- Continuing to support our customers in challenging times
- Continued implementation of the final year of our Climate Change Action Plan
- Development of our new Climate & Nature Action Plan to be launched in FY24
- Launch of BEN Reflect Reconciliation Action Plan
- Review and embed Access and Inclusion Plan
- Stand up enterprise-wide Sustainability Council, a forum to effectively govern ESG and Sustainability at BEN

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This document is a presentation of general background information about the Group's activities current at the date of the presentation. It is information in a summary form and no representation or warranty is made as to the accuracy, completeness or reliability of the information. It is to be read in conjunction with the Bank's interim results filed with the Australian Securities Exchange on 20 February 2023 and the Bank's other periodic and continuous disclosure announcements. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

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