



**Annual
Review
2018**



**Bendigo and
Adelaide Bank**



Annual Review 2018

About this report

This year's Annual Review recognises that our stakeholders are interested not only in the financial performance of our business, but also in our non-financial performance, and that this gives a truer reflection of the contribution we make to the communities in which we operate and serve.

The strength and success of our business is something we are extremely proud of. This strength comes from working collaboratively with all stakeholders to create value that is shared between stakeholders. We see a strong connection between our financial and non-financial performance which aligns with our vision and purpose statement.

We are on a journey towards more comprehensive disclosure to better tell the Bank's story of shared value creation. This report is a first step. We intend to engage with our key stakeholders to better respond to their interests and expectations in future reporting.

This report covers the performance of all brands of the Bendigo and Adelaide Bank group (see p. 7) for the period 1 July 2017 to 30 June 2018.

If you would like any further information about our Annual Review, or to access our Annual Financial Report and Corporate Governance Statement, visit bendigoadelaide.com.au.

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Front cover

This year, we celebrate 160 years in business.

It was 160 years ago in Bendigo that upwards of 100 people attended a meeting to establish the first local building society. Fast forward to today, and we are now the result of many different companies and building societies joining together to form one successful business.

The images used on the front cover are an illustration of the original building society in Bendigo, and a photograph of the current office building, located just down the road from the original site. It is a celebration of our past, our present, and our future.

For all of us at the Bank, we share pride in our organisation, the communities in which we operate, and our confidence in its future as we celebrate 160 years of Bendigo and Adelaide Bank.

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Our business performance

This year we announced an after tax statutory profit of \$434.5 million for the 12 months ending 30 June 2018.

Underlying cash earnings were \$445.1 million, a 6.4 percent increase on the prior financial year. Cash earnings per share were 92.1 cents, a 4.1 per cent increase on the 2017 financial year. The Bank has increased its final fully franked dividend by 1 cent to 35 cents per share when compared to the June 2017 final dividend. While all lending markets remained highly competitive, particularly in residential lending to owner occupiers, we achieved solid growth in the second half of the year with the loan portfolio growing \$1.2 billion.

Margin performance for the year was strong, up 14 basis points to 2.36 percent, with an exit margin of 2.35 percent. This was driven by a number of factors:

- a disciplined approach to asset and liability pricing,
- holding lower average liquid assets than the prior year, and
- continued strong growth in at call deposits.

Our current capital position continues to be strong, with Common Equity Tier 1 Capital growing 35 basis points since June 2017. We have already met APRA's 'unquestionably strong' capital benchmarks, well ahead of the 2020 requirement. Our organic capital growth reflects strong profitability, a stable balance sheet and a move to lower risk exposures.

We are building on our strong customer advocacy, and are well positioned to continue business growth and success.



\$71.4 billion
Total assets



11.61%
Cash basis return on tangible equity



\$445.1 million
Cash earnings after tax



12.85%
Total capital ratio



80.2%
Retail deposit funding



\$277 million
Total tax paid

Cash earnings (\$m)

FY18	445.1
FY17	418.3
FY16	401.4
FY15	402.8
FY14	359.5

Net profit after tax (\$m)

FY18	434.5
FY17	429.6
FY16	415.6
FY15	423.9
FY14	372.3

Cost to income (%)

FY18	55.6
FY17	56.1
FY16	58.1
FY15	56.8
FY14	56.9

Cash earnings per share (c)

FY18	92.1
FY17	88.5
FY16	87.3
FY15	88.6
FY14	86.0

Dividend per share (c)

FY18	70
FY17	68
FY16	68
FY15	66
FY14	64

Cash basis return on tangible equity (%)

FY18	11.52
FY17	11.61
FY16	11.83
FY15	12.37
FY14	12.55

Message from the Chairman

This year we announced a solid full year result. Total cash earnings were \$445.1 million, up 6.4%, cash earnings per share were 92 cents per share, up by 4.1%, and dividends totalled 70 cents, up by 2 cents. In a very difficult year for the banking industry, it was a strong performance by your Bank.

There have been a number of significant milestones celebrated this year.

On 9 July, we celebrated the 160th anniversary of the founding of the first Bendigo Building Society. In a year when the Royal Commission into misconduct in the financial services industry has revealed some appalling behaviours, it has been useful to remind ourselves why the business was founded and what is its purpose. Bendigo and Adelaide Bank exists to help our customers and their communities prosper. And if they prosper, so will we.

The Royal Commission has been a very demanding and rigorous process and a timely reminder of the need always to act with integrity and fairness and in the interests of our customers.

The report by the Productivity Commission into competition in financial services has not attracted the same headlines as the Royal Commission, but its analysis of the harm to the Australian economy as a result of the competitive disadvantage suffered by non-major banks and service providers is, we think, very important. If trust in banking is to be restored, it is crucial that organisations with different objectives and standards are able to compete on a level playing field and customers can choose accordingly.

Another milestone we celebrated was the 20th anniversary of the opening of the first **Community Bank**[®]. Rupanyup and Minyip, small towns in the farming area of the Wimmera in Victoria, had lost their banks and their economies suffered. We partnered with those communities to restore banking there. Now more than 320 communities from all over Australia have joined forces with us. \$200 million in surpluses has been reinvested in supporting community activities and infrastructure which has in turn, generated other investment and activities and so supported their economic prosperity. That is, after all, our purpose.

We appointed a new Managing Director in the year. Marnie Baker took over on 2 July. She is a life time employee with deep experience in most parts of the organisation. Her task is to build on the great strengths and values of the company and to equip it to thrive amidst the deep changes that new digital technologies are bringing and that customers are demanding.

If trust in banking is to be restored, it is crucial that organisations with different objectives and standards are able to compete on a level playing field and customers can choose accordingly.

Robert Johanson
Chairman



We farewelled Mike Hirst after 9 years as Managing Director and 17 years with the group. Mike took over amidst the depths of the Global Financial Crisis when the financial world was in turmoil, and soon after the merger with Adelaide Bank, when parts of the business were under stress. He was an outstanding chief executive and made a great contribution to the industry through his involvement with the ABA and other advisory bodies. The Bank is now stronger and more capable, and everyone thanks him for his great service.

Deb Radford will be standing down as a non-executive director at the annual general meeting after 12 years. She has made a huge contribution in that time, in particular as chair of the Credit Committee, and we will miss her counsel and support.

We are delighted to welcome Vicki Carter to the Board. She has deep experience in banking and communications, which will be valuable as we work towards our vision of becoming Australia's bank of choice.

There has been a huge amount of change in our industry and in our bank over the past 10 years, but I think there will be more change over the next 10 years than ever before. Customers now expect to be able to transact with us instantly, from wherever in the world they are, with trust and confidence. We need to invest in our capacity and provide fair and growing returns to all our stakeholders.

Thank you to all our shareholders, employees, partners and customers for your work and support, and for your commitment for the future. There is a lot to do.

Message from the Managing Director

The business has performed well over the year in a very competitive and challenging environment.

Margin performance was strong, up 14 basis points for the financial year, with a margin of 2.36%, driven in part by a disciplined approach to asset and liability pricing.

We continue to consistently lead the industry with a strong funding position which provides flexibility to fund organic and inorganic asset growth. With 80.2% of funding sourced from retail customers, this further indicates the strength of our business in an environment where volatility and disruption will continue.

Our current capital position, with Common Equity Tier 1 Capital growing 35 basis points since June 2017, has us well placed to meet APRA's unquestionably strong capital benchmarks. Our organic capital growth reflects strong profitability, stable balance sheet and a move to lower risk exposures.

Although the second half was influenced by negative income growth, our continued focus on prudent cost management has seen our cost to income ratio continue to decrease to 55.6% for the financial year. Looking forward, we don't anticipate a material change in our cost to income ratio, as we focus on accelerating revenue growth.

So although there is no doubt Australian banks are faced with a challenging environment, it's in this environment that we find ourselves well positioned.

Strategic partnering is a strength of ours, allowing us the capability to increase distribution, product manufacturing and technology. The success of many partnerships to date has given us access to new markets and financial innovation. Partnerships with fintech companies on initiatives such as Up, our new digital bank, TIC:TOC, the world's first instant home loan, and Bcause, a digital platform supporting participants of the NDIS, are setting us up for long term success.

We have made some recent changes to our Executive structure, welcoming Travis Crouch and Louise Tebbutt to the team. The new structure is organised around our three customer groups who present significant opportunity for growth: consumer, business and agribusiness. These divisions are underpinned by business support areas designed to optimise performance, reduce complexity, and deliver on our shared customer focus.

So although there is no doubt Australian banks are faced with a challenging environment, it's in this environment that we find ourselves well positioned.

Marnie Baker
Managing Director



The future is an exciting time for an organisation like ours. Our proven business model is resonating with our customers and this is strongly reflected in the awards and recognition we receive not only for our products and services, but for how we conduct ourselves and for our unique style of banking.

For 160 years, we have focused on feeding into the prosperity of our customers and their communities, not off it – and it is this focus that will help us succeed in our future. Our business is ready to take advantage of the opportunities ahead, and our customer focus, high trust ratings, and customer advocacy provides the perfect platform for business growth.

This year's results are a testament to the hard work and dedication of our staff, and the commitment and support of our customers, partners, communities and shareholders. For this, I thank you all.

The time for us is now – Australia's bank of choice.

Vision, purpose and key focus

Our vision is to be Australia's bank of choice.

Our **Purpose** is what brings it all together, the written expression of our company's long-held philosophy. It articulates why we're here, what we believe in, and why we do and say the things we do.

We believe this sets Bendigo and Adelaide Bank apart from other financial institutions.

The environment is right for us to succeed, and our business is poised to take advantage of the opportunities ahead. We have created a great platform for business growth and it is our time to be Australia's bank of choice.



Purpose

To feed into the prosperity of our customers and their communities, not off it.

...the same today as the day we were founded.



KEY STAKEHOLDERS • CUSTOMERS • PEOPLE • PARTNERS • SHAREHOLDERS • COMMUNITIES

A proven business model



Customer focused culture



Most trusted



Leading customer experience and advocacy



Strength in retail funding



History of, and continued commitment to innovation



Partnering a key strength

Our brands

The brands that make up our diverse business are grouped into operating brands, product issuer brands, joint ventures, subsidiaries and other brands that support our 1.6 million customers. These brands share a common purpose; help customers, partners and communities succeed.

- **Operating brands** range from full service retail banking to providers of third party mortgages and wealth deposits, dedicated agribusiness banking and the banking requirements of the Hellenic community.

bendigobank.com.au

adelaidebank.com.au

ruralbank.com.au

delphibank.com.au

- **Product issuer brands** provide services to help invest and grow wealth, including products and services such as investments, funds management and superannuation.

leveraged.com.au

sandhursttrustees.com.au

- **Joint ventures, subsidiaries and other brands** provide specialist services such as banking for not-for-profit organisations, wealth release products for senior Australians and a network of mutual financial institutions to release capital and serve members. The Bank's philanthropic arm also is grouped in this area.

communityenterprisefoundation.com.au

homesafe.com.au

communitysectorbanking.com.au

alliancebankgroup.com.au

bcause.com.au

up.com.au



Stakeholder engagement

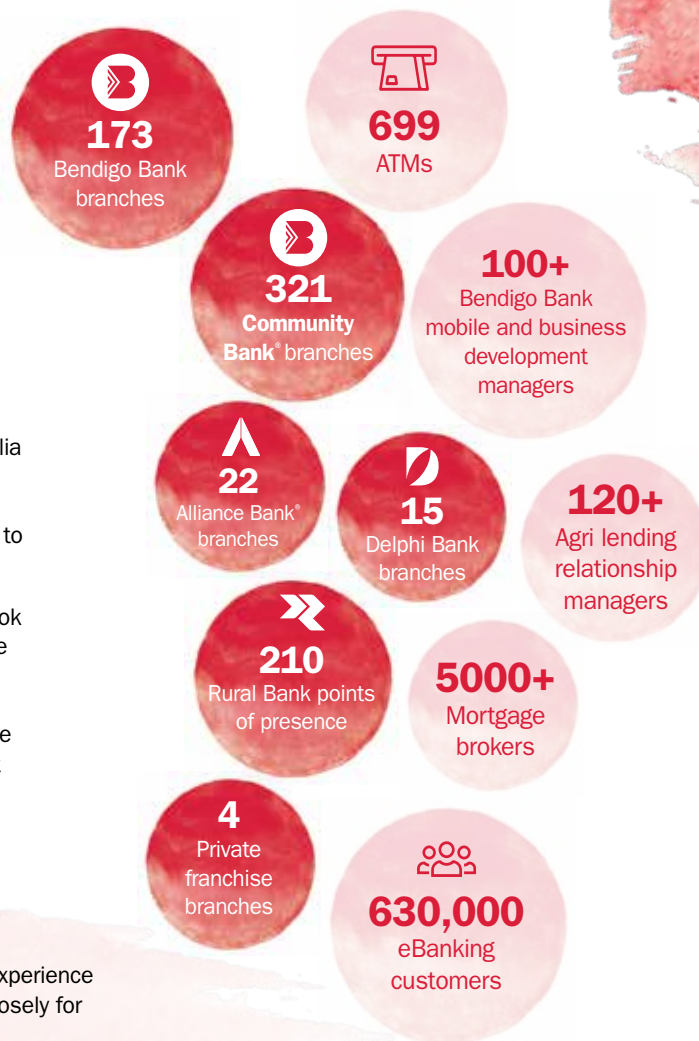
Supporting customers

Our vision is to be Australia's bank of choice.

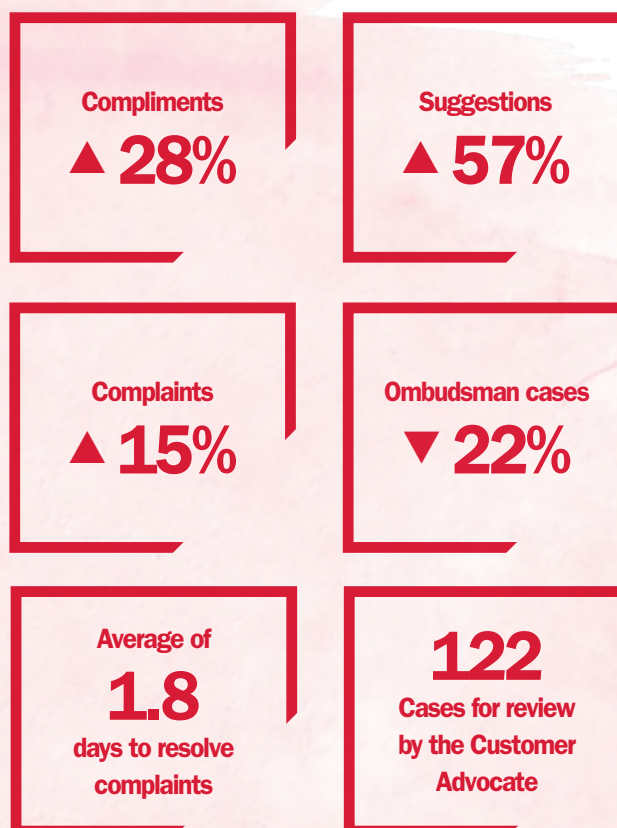
We provide a full banking service to 1.6 million customers Australia wide. Whether online, in branch, on farm, in business, face to face, or over the phone, we provide personalised, immediate and convenient services to customers regardless of how they choose to do business with us.

While some customers choose a bank solely on price, others look for a customer focus, accessibility of service centres, knowledge and expertise, and a focus on shared value. We listen to our customers' needs and fulfil them with products, services, and community outcomes. Our customer focus is validated as we are consistently lead for customer satisfaction¹, and are rated most trusted bank² in Australia by Roy Morgan.

Our Customer Advocate Office exists to improve the customer experience when things don't go well. All customer feedback is looked at closely for trends and opportunities to improve the customer experience.



Customers can provide their feedback in a number of ways:



1. Roy Morgan, Consumer Banking Customer Satisfaction Report, 6 month averages, June 2009-June 2018 (excludes mutual and foreign banks), Roy Morgan, High Advocate Main Financial Institution Customers, 6 months to June 2018 (excludes mutual and foreign banks)

2. Roy Morgan All Brand Net Trust Score Survey, April 2018

Supporting our people

Our people are capable of great things.

We invest in our people in a holistic way. We focus not just on work skills but on skills and resources that assist with all the stressors in life. We believe this will enable us to not only meet the challenges before us, but to prosper from them.

We measure employee advocacy using the Employee Net Promoter Score (ENPS) as an indicator of employee engagement and a key people measure.

A quarterly employee pulse survey is conducted with all employees provided the opportunity to respond to two questions that combine to calculate the overall ENPS.

Questions	2017 Q4	2018 Q1	2018 Q2	2018 Q3	Trend
I would recommend the organisation to my friends and colleagues as a great place to work	57.0	60.6	61.5	63.3	▲
I speak highly of the organisation's products and services	63.0	69.0	70.3	71.2	▲
Overall Employee Net Promoter Score	60.0	64.8	65.9	67.3	▲

Supporting shareholders

We are committed to giving our shareholders appropriate information to ensure they are able to exercise their rights and make sound investment decisions.

Some of the ways we do this include:

- Announcements to ASX
- Annual General Meeting and profit announcements
- Shareholder centre on our website
- Share registry team



112,000
Shareholders



70c
Dividend
per share



331.1 million
Total dividends
paid

Supporting partners

Partnering has been a key pillar of our business strategy for a number of years. We know that strategic relationships and partnering is vital to being able to extend our reach and capability, and there are many examples where we partner for distribution and growth, and others to improve our capability.

Some of our partnerships have been at the fore in developing cutting edge customer applications in payments; cards and mobile banking; in building new digital platforms; and to expand our reach into new communities through our different banking models such as **Community Bank®**, Alliance Bank®, Rural Bank, and our University Bank offering.

By strategically partnering with others to extend our reach into new markets, build on our capability and improve productivity and the customer experience, we can accelerate our vision to be Australia's bank of choice.

Supporting communities

We consider ways to be relevant to our customers and look beyond banking to how we can help communities meet their needs, solve problems and generate new opportunities. Our successful Community Bank® model is an example of how this shared value approach works in everyone's favour.

We have long held the belief that successful customers combined with thriving local communities create a successful Bank. Our purpose statement articulates that we feed into the prosperity of our customers and their communities, not off it, which is the same today as the day we were founded.

Investment for the long term

We are making investments into technology and infrastructure to secure our long term future.

We constantly balance the need to operate a local personalised service, while investing and developing a safe, secure and technically advanced online presence. All our customers are demanding and needing new ways of dealing with us and conducting their banking. To attract and retain new customers, we need to invest in and evolve through partnerships, projects and technology to meet that demand.

Digital innovation

Tic:Toc



Tic:Toc launched the world's first instant home loan to market in July 2017, offering customers a complete digital home loan experience with the ability to provide unconditional approval in as little as 22 minutes.

In its first year of operation, Tic:Toc has amassed a loan portfolio of more than \$170 million and received over \$1.2 billion in value of submitted home loan applications.

While currently the sole lending funder, our equity investment into Tic:Toc also provides us with access to the intellectual property which underpins the lending platform.

Tic:Toc is now supported by a number of leading financial service corporates, who have participated in its recently completed Series B capital raising, providing both additional capital and partner capabilities to support its future growth.

tictochomeloans.com

Up - a bank with superpowers



To bring Australia's first fully licensed and all-in-app digital bank to market we've extended our partnership with Ferocia, an Australian financial technology ('fintech') firm we've been working with for over 6 years to re-imagine and deliver our award-winning mobile e-banking platform. Ferocia are leading, designing, building, delivering and supporting the new digital bank, which is powered by Bendigo Bank.

Australia's first cloud hosted mobile banking platform began internal testing in October 2017, and the public beta program went live for a select group of customers in August 2018, including some early adopters, passionate digital banking advocates, and some students from our Deakin **Community Bank**® partnership.

Up brings a more human focused technology solution to market, as a mobile first banking platform helping digital natives gain financial independence and enrich their financial life. Public launch is scheduled for the last quarter of 2018.

up.com.au

Bcause



The recently introduced National Disability Insurance Scheme (NDIS) is intended to give people with disability more choice and control over their care and support. We saw an opportunity to support this mission by designing a digital platform that enables NDIS participants to search, enquire, transact, reconcile and acquit their expenditures across multiple service providers in one convenient online location.

To meet this need, we partnered with MultiService Technology Solutions, and established a wholly owned subsidiary, Bcause Pty Ltd.

Bcause will license and customise the platform to the needs of the consumer-directed care industry in Australia. As well as disability, the platform is suitable for aged care and veterans affairs. The government currently provides more than \$57b in annual recurring paid support to around two million Australians across these sectors.

bcause.com.au

Payments

In 2018 Bendigo Bank proudly joined a number of Australian banks to enable customers of participating financial institutions to make and receive "Osko" payments between bank accounts in real time.

A simple, fast and secure way to make payments, the New Payments Platform uses world leading technology to help consumers to make payments immediately, and in a secure banking environment.

We also launched Samsung Pay, Apple Pay, Fitbit Pay and Garmin Pay. We now support all the major mobile and wearable/smartwatch mobile payments and are well placed as customers increasingly prefer these secure payment methods.



Payments made easy with wearable devices.

Technology investment

Over the last year we have implemented a new agile way of working for the information technology team. This change is designed to bring value to customers faster through short, adaptable and progressive increments.

Not only does this focus on efficiency but also avoids waste through over-committing to an idea that doesn't meet our customers' needs.

To support agile, our agenda is focused on simplification, refresh and innovation. We already have a significant investment in cloud computing, and continue to broaden that investment to leverage better and more meaningful ways to partner, reach and service our customers.

In the last 12 months we introduced a second private cloud instance in Melbourne to complement the one we currently operate in Sydney. Significant effort has gone into workload portability to position us for competitive choice for major platform providers.

Information security

Across the industry the global cyber threat landscape continues to raise the importance of cyber risk, with cyber risk becoming one of the highest profile, borderless and evolving risks.

We maintain a strong information security program to ensure security capabilities continue to evolve with business needs, risk and societal expectations.

Our investment in privacy and cyber security ensures customer information is safe. We are committed to having robust and effective information security policies, processes and practices in place. As part of our commitment to continuous improvement, we assess our information security capabilities through internal review and periodic audits to enhance our information security program to manage our risk profile.



Foster trust with customers, partners and shareholders.



Protect brand and reputation.



Enable innovation, digital transformation and accelerating technology change.



Secure business with partners and third party service providers.



Reliable and resilient operations.



Enhance user experience and productivity.

Training for staff

It is important that our staff are equipped to complete their role effectively. We provide mandatory training on a range of topics including in relation to:

- our approach to information security and staff responsibilities in protecting our data and systems; and
- our privacy policy and the requirements under the Privacy Act relating to the collection, use and disclosure of personal information and the process that needs to be followed if a privacy breach occurs (in particular notifiable data breaches).

The content included in these mandatory modules is reviewed on a biennial basis or more frequently if required. These modules are completed by all new staff within 90 days of commencement and then for all staff on an annual basis for information security, and a biennial basis for privacy.

Financial inclusion

Financial inclusion allows people, during some of the most vulnerable times of their lives, access to products and services to meet their needs.

People should be treated fairly and decently no matter what their circumstances. This is why we have a number of programs available to support financial inclusion.

Homesafe

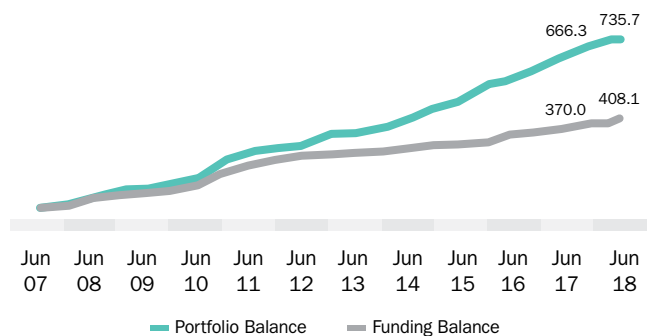
The Homesafe Wealth Release® product is a great example of a successful shared value business model, providing solid returns and social outcomes.

Homesafe is a debt-free equity release product for older Australians to access the wealth tied up in their homes without the need to downsize. The equity release product ensures the right of the homeowner to live in the family home is fully protected. The product allows homeowners to access the capital in their home to supplement living standards during retirement, which helps to address the challenge of funding retirement for an ageing population.

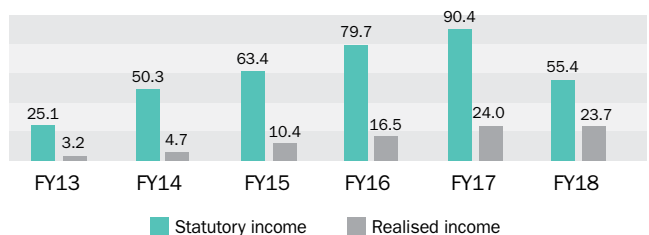
Since 2005 the portfolio has continued to grow, and by June 2018 the fair value of the portfolio was \$735.7m.

homesafe.com.au

Homesafe portfolio and funding balance (\$m)



Homesafe income (\$m)



Statutory income of the Group, along with the realised income on completed contracts.



Staff from the Northern River Community Legal Centre (Lismore) who received a Social Investment Grant to support victims of financial abuse.

Project Purple

This program supports people affected by domestic violence by offering two reduced interest rate products - the Purple Personal Loan and the Purple Credit Card, with a maximum limit of \$5,000 each.

We engage with domestic violence support agencies and financial counsellors as referral partners. This program is intended to assist successful applicants to remain independent of an unsafe home environment.

Unpack for Good pilot

This year Community Sector Banking launched the Unpack for Good pilot with Haven; Home, Safe (VIC) and Housing Plus (NSW). Unpack for Good helps residents of community housing purchase their own home with the help of their housing provider using a shared equity model.

The program helps address intergenerational poverty and increase the supply of social and affordable housing.

havenhomesafe.org.au

HomesVic

HomesVic is a State Government initiative to support up to 400 Victorians to purchase their first home, by providing up to 25% of the purchase price as an equity stake. Bendigo Bank was chosen as one of two finance partners for the program, which was launched in March 2018.

In excess of 880 expressions of interest for the scheme have been received, with 160 of these meeting the strict Government and finance criteria to be pre-approved for finance. Not only has this totalled more than \$48 million in new lending to the bank, but it has allowed many Victorians to own their first home that would otherwise have not been possible without this support.



Responsible banking

It is important for us to provide all of our customers the right products and services to enable them to achieve their objectives and financial success.

In order to achieve this, we have policies and procedures in place to ensure our staff provide a customer with the right products and services based on their current situation.

Lending responsibly

We believe it is very important to act in a fair and responsible way when it comes to lending to customers.

Our approach to lending involves us making enquiries about a customer's financial situation to ensure they are able to meet their obligations under the loan contract including, and importantly, the ability to meet the required loan repayments.

We have in place:

1. Prudent lending criteria which includes assessing serviceability under different interest rate conditions.
2. Policies and procedures which support compliance with our obligations under relevant legislation, and the Banking Code of Conduct.
3. A responsible lending user guide for lending officers.
4. Management reporting on responsible lending compliance.
5. A program of regular updates to the lender training manuals.
6. Ongoing training and awareness initiatives for lending officers to reinforce responsible lending requirements.

For complex loan applications, especially those that carry greater credit risk, we ensure approval is sought from appropriately experienced banking officers.



Financial difficulty

We understand there may be times when a borrower's circumstances change, whether from, for example, a loss of income, injury or illness, or due to external factors such as natural disaster.

If, as a result, borrowers cannot afford the required repayments on their business or personal loans, we recommend they contact us immediately to discuss their circumstances. In many instances a temporary arrangement can be made quickly and efficiently over the phone.

Alternatively, there may be a need to conduct a more detailed assessment of a borrower's financial circumstances to enable the Bank to better assist the customer in a more tailored way, and we have a dedicated team of trained staff who manage this process.

Responsible investment

An example of our responsible investment considerations is that we do not lend to projects in the coal and coal seam gas sectors, and we have taken a pragmatic approach that says it makes no sense to broaden our footprint by starting to do so.

Supporting farmers and farming communities

Rural Bank is a specialist agricultural lender that has an in-depth knowledge and understanding of the extremes facing family farmers.

We know that natural disaster, unfavourable climatic conditions, unfavourable commodity markets and distorted trade conditions can lead to financial hardship and stress.

Rural Bank is proud of its track record of working with farmers, taking a long-term perspective of their business, and assisting them through volatile business cycles.

Rural Bank has a range of measures designed to assist farmers and we were the first bank in Australia to offer a Farm Management Deposit Offset product which assists farmers to reduce their loan interest repayments and manage cash flows through a production cycle.

Socially responsible growth fund

We also offer a socially responsible growth fund product issued through Sandhurst Trustees. Certified by the Responsible Investment Association of Australasia, this product invests in companies that choose to conduct their business in a socially responsible way, while striving for strong, long term returns.

The community gathering at the
Gingin **Community Bank**[®] Branch.



Bringing banking to communities

At a time when the focus on community standards in banking has never been more important, we are proud to continue our pledge to bring banking back to communities.

Our diverse footprint means that we are able to provide financial services to all Australians, no matter their location, either face to face or through our digital platforms. In fact, there are 137 communities where we are the only financial provider in that town/suburb.

Community Bank[®] model

On Tuesday 26 June 2018, we acknowledged the 20th anniversary of our Community Bank[®] model, celebrating in the rural towns of Rupanyup and Minyip where we opened the first Community Bank[®] 20 years earlier.

The **Community Bank[®]** model requires partnerships with local people and community enterprises to provide financial services, employment, a local investment opportunity and a source of revenue for projects determined by local people.

Bendigo and Adelaide Bank provides the banking infrastructure and licensing requirements, while the community runs the branch and generates valuable funds to invest into their community. Together, Bendigo and Adelaide Bank and **Community Bank[®]** companies share the revenue, with surpluses invested into the community via grants, sponsorships and dividends to local shareholders.

The model, which has long bucked a trend of banks pulling their services out of regional Australia, has sparked a community-led movement nationally, and now has reached the milestone of \$200 million going back to local communities, generating jobs and local economic growth these past 20 years.

The **Community Bank[®]** network last year served more than 785,000 local customers; employed over 1,500 people, with \$100 million in wages and services spent locally; and more than \$5.5 million in shareholder dividends.

While it seems other banks are going through another cycle of branch closures like we saw 20 years ago, six new **Community Bank[®]** sites have opened across Tasmania, Queensland, Victoria and New South Wales.

Rural Bank

Our specialist agricultural bank, Rural Bank, provides farm finance solutions to approximately 1 in every 10 Australian farmers. It has a market share of approximately 9.6pc of the national agricultural debt market.

In conjunction with the Bendigo Bank **Community Bank**[®] network, and our distribution partner in Elders, Rural Bank provides a tailored and specialist service through more than 120 specialist agricultural relationship managers, and with banking services provided at more than 200 Elders branches across Australia.

Rural Bank was the first bank in Australia to offer a Farm Management Deposit Offset product, which assists farmers to reduce their loan interest repayments and manage cash flows through the production cycle.

Rural Bank has also invested in a knowledge and insights capability to help our customers and the broader industry make informed business decisions.

The frequent publications relating to agri commodities, farmland values, weather and other topical matters are received well by customers, farmers, industry and media; with engagement increasing year on year.

ruralbank.com.au/about-us/publications

Alliance Bank[®]

Alliance Bank[®] has seen growth of 34% since commencing in March 2015. In May, Nova Credit Union became the fifth mutual company to join Alliance Bank[®] adding \$71m of business and 1500 new members to Alliance Bank[®].

The Alliance Bank[®] model was established because of increasing regulation and technology demand on smaller financial institutions.

The Bank and four Australian mutual companies created the model, enabling partner credit unions to release themselves from prudential regulation by offering the Bank's suite of products and services, while maintaining their independence and individual identities.

Member capital which has been previously held for prudential requirements, is released for reinvestment to do good things for members and their communities. One such example is the Do Good Fund. It's a fund of social impact loans which have financial and social returns, committing more than \$2.5 million so far.



Bendigo Bank's mascot Piggy celebrates with local students the 20th anniversary since opening the first **Community Bank**[®] branches in Rupanyup and Minyip.

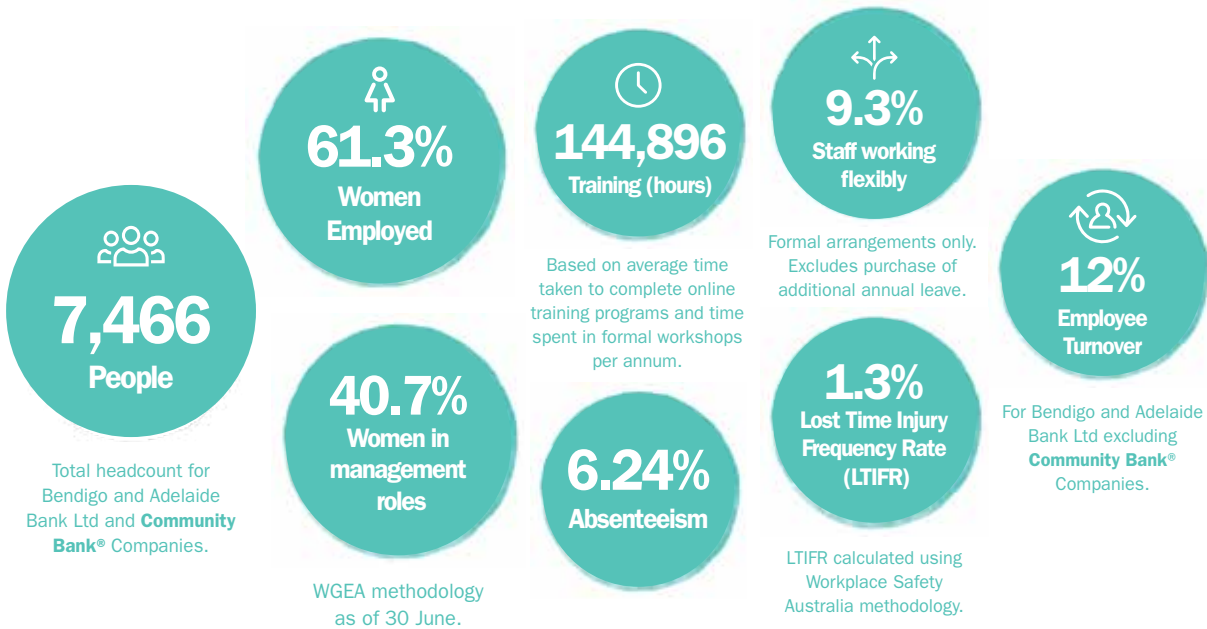


Our people

We encourage people from a range of different backgrounds, with a variety of skills and personalities to work with us, because we want our organisation to reflect the diversity of the communities in which we operate.

We work hard at attracting and recognising employees who share our values, are passionate about helping our customers and partners succeed, and who go about their job in a way that creates value for all of our stakeholders.

We believe that individual, positive actions create a workforce that's pleased to come to work, is proud of our company, understand the needs of our customers, and genuinely care about making a difference in the community.



Diversity and Inclusion

Having a diverse and inclusive workforce is a reflection of our values and the type of culture our people, customers and stakeholders expect. We focus on embedding an inclusive culture where everyone is treated with respect and has the opportunity to grow through inclusive recruitment practices and flexible initiatives.

Through valuing workplace diversity and inclusion, we have seen multiple benefits including higher employee engagement, stronger performance, greater innovation, improved problem solving, retention of talent and improved employee wellbeing.

D&I focus areas	Organisational objectives 2015-2018
Increase diversity - our workforce	Sustain a diverse team who reflect a diverse customer base, the partners we work with and the communities in which we operate.
Inclusive culture - life stage and flexibility	Flexible work practices that support each employee's life stage.
Inclusive culture - inclusive recruitment	Attraction, recruitment and selection practice at all levels are structured so that a diverse range of candidates are considered, free of bias.
Gender balance - women in leadership	Increase the proportion of women in leadership roles across the organisation.



Bendigo Bank and Community Sector Banking staff members.

Accessibility

In 2017 we joined the Australian Network on Disability as gold members to partner in developing our 2018-21 Accessibility Action Plan. As part of our commitment to building an accessibility confident organisation we were one of 28 Australian businesses who participated in the 2017-18 Access and Inclusion Index. The index has allowed us to build understanding, check progress and set priorities to ensure we are improving accessibility and inclusion for our people, our customers and our community.

We are also working with other member banks through the Australian Bankers' Association, the Human Rights and Equal Opportunities Commission and various community groups to develop and implement industry-wide Accessibility Principles for Banking Services.

Women in leadership

Women represent 61% of our staff, and are well represented at all levels of the Bank. In 2018, 40% of all our leaders are women and we also have a 42% representation of women in our graduate program.

Since 2015 leadership programs that assist women to progress to senior leadership positions, and become more confident in public speaking and influencing, have already helped to drive greater gender balance.



Flexibility

A range of flexible working practices aimed at all life-stages are available to our people. We have 24.9% of our staff working part time in comparison to the industry average of 16.7%, and 9.3% utilise our flexible work arrangements. All head offices are equipped with parenting rooms and after school rooms. Updates to our processes and online access for employees who take parental leave has enabled them to stay in touch and enhanced their experience in transitioning back to work.

LGBTI network

We formed an LGBTI network called Kaleidoscope in 2017, with the objective to create a safe, inclusive and empowering environment for LGBTI employees, customers, partners and communities. The network has more than doubled in size in the last 12 months. The next focus for the group is consideration of awareness training for our staff.

Australian Business and Community Network (ABCN)

We have actively supported ABCN in South Australia, Queensland and Victoria since 2013 through various mentoring programs for students from high-need schools. Programs focus on delivering a range of critical skills, employability and leadership. Our involvement in the program specifically looked to provide young women with the essential skills needed to engage in a successful, meaningful career.

Talent attraction and retention

Graduate programs

Our graduate program was established in 2012 to engage highly talented university graduates from a range of disciplines and provide them with experience working across many aspects of our business to accelerate their learning and ready them to land challenging and fulfilling roles in a function that suits their strengths and aspirations. The program includes a national AgAchievers graduate program focused on Agribusiness in Victoria, South Australia and Queensland, expanding into Western Australia next year. Since inception in 2013, the AgAchievers graduate program has achieved a retention rate of 90%.

Employee wellbeing

Equip resilience skills program

Building the emotional fitness and resilience of our workforce enabling them to respond more productively to the stress, adversity or change has been the focus of a bank wide cultural change program.

We continue to focus on embedding the resilience skills into the way we work. More than 90% of staff have completed the first three modules of Equip. with the fourth module to be completed by the end of this year.

The benefits for our people and organisation include increased wellbeing, performance, collaboration and innovation. Utilising the Equip resilience skills on a regular basis will see our people grow and thrive in an environment of accelerated change.

Mental health first aid training

In 2016 we accredited our own trainers in a Mental Health First Aid training program developed by not-for-profit group Mental Health First Aid Australia. More than 500 of our leaders have participated in the two-day program, which helps them to better understand common mental health issues and have the confidence to talk openly with people who may be experiencing difficulty. The aim is to provide the program across the majority of our sites to reach around 150 leaders each year.

Employee Assistance Program (EAP)

The Employee Assistance Program (EAP) is a confidential counselling service available to all employees and their direct family members to assist with both work related and personal difficulties that come up and can affect general wellbeing and work performance.

Aggregated usage is monitored and confidentially reported to the Executive and Board as part of reporting on overall health, safety and wellbeing. During 2018, 30% of access to the service was for work related matters and 70% for personal matters which is consistent with previous years.

Raising Concerns

We are committed to promoting a culture of ethical behaviour and compliance, where all our decisions, actions and behaviours reflect our code of conduct and our corporate values.

Supported by internal networks, Speaking Up allows people to be respectfully heard on matters including:

- Unethical, unacceptable behaviour or serious and wilful misconduct
- Workplace bullying and harassment
- Fraud and financial crimes
- Drug and alcohol misuse
- Work health and safety
- Grievances or equal employment opportunity concerns

Remuneration

Our approach to remuneration has always been consistent with building the conduct and culture that customers and independent authorities expect from the banking industry.

Our remuneration philosophy is based on the following principles:

- Simplicity
- Transparency and procedural fairness
- Alignment with values
- Appropriate risk behaviour
- Supports good customer outcomes

You can also download our Corporate Governance Statement, which outlines further our remuneration approach.

bendigoadelaide.com.au



Bendigo and Adelaide Bank staff member, Fenny Bolitho.

Investing in our communities

Beyond providing quality financial services, we understand the importance of investing in our community.

Working with communities to identify their needs, and develop a solution and sustainable outcome has seen us deliver a number of significant projects nationally. Backing projects important to Australian communities is critical to our success, as successful communities create a successful business.

Bendigo Bank House

We were proud to partner with Bendigo Health, Exemplar, Community Sector Banking, Spotless and Gouge to open Bendigo Bank House in 2018. Bendigo Bank and 15 branches from regional Victoria contributed more than \$200,000 to this accommodation facility for patients and families at Bendigo Hospital.

Bendigo Bank House offers low-cost, one, two and three bedroom apartment-style accommodation onsite at Bendigo Health. The apartments provide a private, homely sanctuary, while common kitchen, lounge, laundry and library facilities give guests the opportunity to socialise.

Easy access to the hospital ensures patients receive the treatment they need, and families remain together at a time when their support is needed most.

Cloverleaf housing project

Cloverleaf housing project was established after years of advocacy and fundraising by ageing parents of children with intellectual disabilities to secure the future of their adult children.

Capital funding from Federal and State Governments, fundraising from parents, and a total of \$250,000 over five years from Rye District & Dromana **Community Bank®** branches has enabled construction of this facility to commence.

Cloverleaf will provide a practical solution for people with an intellectual disability to live independently of their parents, while allowing their parents to know their children are in a safe and secure environment.

CQ driver education centre

Calliope Community Bank® provided \$200,000 towards the CQ driver education centre in an effort to reduce the number of road fatalities in the community.

Located in Benaraby, Queensland, the centre is an initiative of the CQ Motorsports Group, and will target drivers who seek beginner to advanced 'real-life situation' courses, off-road courses and industry specific courses, providing an unparalleled driver training centre to the region.

Jawun

Jawun is a not-for-profit organisation that places skilled people from Australian companies and government agencies into Indigenous organisations. Eighteen of our staff have participated in six-week secondments since our partnership began.

Participants report a powerful experience that has opened their eyes to the rich and complex Indigenous culture – challenging their views, pushing them out of their comfort zones and accelerating their growth.

The Jawun alumni meet regularly to discuss how to raise the profile of the program, improve awareness of the challenges Aboriginal and Torres Strait Islander people face, and to ultimately begin work on developing a group-wide Reconciliation Action Plan (RAP), which will support the RAP introduced by Community Sector Banking in 2017.

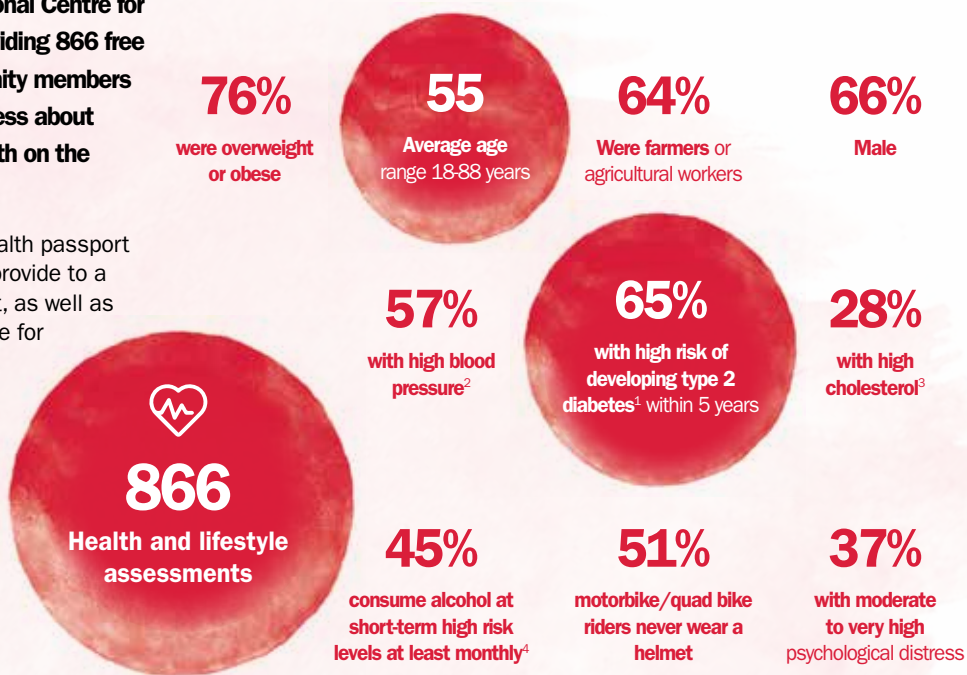


National Centre for Farmer Health

Rural Bank's partnership with the National Centre for Farmer Health continued this year, providing 866 free health checks for farmers and community members at field days nationally to raise awareness about the impact of physical and mental health on the farming community.

Health check participants are given a health passport containing their health check results to provide to a medical practitioner for further treatment, as well as information on where to go for assistance for other identified health issues.

1. Source: The Australian Type 2 Diabetes Risk Assessment Tool
2. Source: Heart Foundation, Guideline for the diagnosis and management of hypertension in adults 2016, Hypertensive risk range (>=140/90)
3. Source: <https://www.csiro.au/en/Research/Health/Healthier-foods/Cholesterol-facts>
4. Source: National Health and Medical Research Council 2001, Australian alcohol guidelines: health risks and benefits, Commonwealth of Australia, Canberra



Chairman Robert Johanson with some Bendigo and Adelaide Bank scholarship recipients at the University of Melbourne.



Scholarships

Another significant milestone this year was the 10th anniversary of the Bank's University scholarship program. It started with a request to help a young woman from the country, from a family with few resources, who was going to refuse a place at the University of Melbourne because they could not afford it. She'd travelled for hours each day in secondary school and worked hard for years to get to university, but the extra expenses of a shift to the city was too much.

So we helped her, and then we set up a scheme to help other young men and women from the regions get to University. Ten years later, we and our partners including **Community Bank**[®] companies, Rural Bank, Community Sector Banking, University of Melbourne, Haven Home Safe and La Trobe University, have supported almost 700 students get to University, and from this year, also TAFE.

Like a lot of good projects, in 2008 in the difficult and tightened financial circumstances of the GFC, the scholarship scheme was threatened. But the members of the Board of the Bank, at the same time as employees were taking leave without pay to avoid retrenchments, reduced their pay to continue to fund the scholarships.

So now we have one of the largest, most extensive study support projects in the country. This year, 133 new university and TAFE students join the 90 second and third year students at different universities and colleges across Australia.

Message from Robert Johanson



Sponsorships

Our network is involved with hundreds of sponsorships which is why you'll see our name on sporting fields, community buses, surf lifesaving clubs, education providers, farmer groups and research bodies, specialist farm health organisations, and at field days, festivals and events right across Australia.

Deakin University Community Bank®

At their first birthday in September 2017, Deakin University Community Bank® announced \$50,000 which has funded a range of clubs, societies and community projects. This next year will include scholarship funding for students commencing studies in 2019. It continues to be an outstanding success, on track to gift significantly to the Deakin community again this financial year.

We also introduced the Deakin student directorship program, where eight students have been inducted onto **Community Bank®** boards across Melbourne. The initiative aims to:

- Provide university students an opportunity to gain critical employability skills and help develop themselves for their first career position.
- Help Boards to diversify their members and approach, with a specific view towards facilitating their business to attract and retain younger customers.

The successful candidates have since been involved in an induction workshop, and will have a mentor, bi-annual workshops, and coaching – ensuring these young directors are set up for success.



Social investment grants

Domestic and family violence is the single largest driver of homelessness for women, a common factor in child protection notifications, and results in a police call-out on average once every two minutes. In response to this, Community Sector Banking's 2017 Social Investment Grants Program focussed on building resilience and capability in people experiencing homelessness or domestic and family violence.

Six not-for-profits shared in \$200,000 of grants for programs that provided preventative, educational and support programs for people experiencing homelessness or violence. Due to the overwhelming interest in 2017's program, the theme will continue in 2018, with a total of \$300,000 of grant money available.

Melbourne Homeless Collective – recipient of a 2017 Social Investment Grant from Community Sector Banking.

Governance

We are committed to high standards of corporate governance. Our ethical corporate dealings in the conduct of our business has been an important element of our success.

This commitment applies to our relationship with our shareholders, customers, employees, suppliers, regulators and the communities in which we operate. It is also reflected in our corporate values.

The Bendigo and Adelaide Bank website contains the most up-to-date information on our governance framework, Board committees, policies and charters, and our Board and Executive teams. You can also download our Corporate Governance Statement, which outlines our significant commitment to good corporate governance.

bendigoadelaide.com.au

Our direct impacts (environmental and business decisions)

Wherever possible, we support long-term strategies that reduce our environmental impact.

We work to reduce and offset our impact, help our customers reduce their impact, and look for more efficiency in our everyday business decisions that will have a positive impact on the environment.

Our environmental statement

In 2010 our Executive team committed to the following statement.

- Actively identify opportunities to reduce the Bank's environmental footprint
- Assist our staff, customers, partners, shareholders and communities to identify opportunities to reduce their environmental footprints
- Consider the environment in all relevant business decisions
- Commit to measure and report progress in acting to achieve these goals
- Work together to make a difference

Carbon Disclosure Project (CDP)

Since 2011 we have voluntarily reported on our carbon emissions to the Carbon Disclosure Project (CDP).

This year our total CO₂-e emissions were 32.57 compared to 35.23 from the previous year.

FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
37.19kt	37.28kt	37.77kt	36.79kt	35.23kt	32.57kt



Flew
8,569,771
Kilometres



An increase of 1,351,010 kilometres compared to FY16-17, based on an overall increase in staff travel.



Introduced a
centralised bins system
in our Bendigo Office



Already in place in our Adelaide office, the system will reduce general waste and cleaning hours.



Reduced electricity consumption by
~1,621
Mega Watt Hours (MwH)



Compared to FY16-17.



Bendigo Head Office building which was awarded a five star green star rating.

Energy initiatives

Our energy procurement practice and consumption has been a focus this year. Several initiatives began to reduce energy usage and associated costs.

One initiative was the use of solar panels on our branches. The first install occurred at the Eaglehawk branch in June, with reports confirming an immediate drop in energy costs.

Further installations at other branches, and our data centre in Epsom, are planned for the near future.

We have also committed to undertaking an analysis on whether use of on-site generators at corporate sites may curtail grid power consumption if used during peak demand times. The next step will be to progress with a feasibility study.

Printing and sending our reporting publications

The paper used in this years Annual Review and Annual Financial Report has been sourced from responsibly managed forests and made under the ISO 14001 Environmental Management System accreditation.

The paper used for the text pages is proudly manufactured in Australia.

Mail recipients of the Annual Financial Review received this wrapped in fully biodegradable plastic.



ISO 14001
EMS Certified



Paper use

We consumed 72,740 reams or 203.15 tonnes of photocopying paper, a decrease of 8,520 reams or 21.3 tonnes compared to FY16/17. Reduced paper consumption is largely attributable to an increased use of digital legal documentation, business forms and marketing collateral.

eStatements offers customers choice in how they receive banking information while reducing paper consumption. Since it launched in June 2015, 563,411 Bendigo Bank Accounts have now opted out of paper, resulting in 3,026,875 fewer statements printed in the last financial year. You can register for eStatements via e-banking.

We encourage shareholders to register for electronic communications, with more than 33,000 choosing this option. To register as an eShareholder, visit bendigodelaide.com.au/shareholders.

Board



Robert Johanson
Independent Chair
BA, LL.M, MBA



Marnie Baker
Managing Director
BBus (Acc), ASA, MAICD, SF Fin



Jan Harris
Independent
BEC (Hons)



Jim Hazel
Independent
BEC, SF Fin, FAICD



Jacqueline Hey
Independent
BCom, Graduate Certificate in
Management, GAICD



Robert Hubbard
Independent
BA (Hons), Accy, FCA, MAICD



David Matthews
Independent
Dip BIT, GAICD



Deb Radford
Independent
BEC, Graduate Diploma
Finance & Investment



Tony Robinson
Independent
BCom, ASA, MBA



Vicki Carter
Independent
BA (Science), Dip Mgt, Certificate
in Executive Coaching, GAICD
Appointed 4 September

Executive



Marnie Baker
Managing Director
BBus (Acc), ASA, MAICD, SF Fin



Taso Corolis
Chief Risk Officer
BEc, BCom, Grad Dip App Fin & Invest



Travis Crouch
Chief Financial Officer
BBus (Acc), CA



Richard Fennell
Executive, Consumer Banking
BEc, CA, MAICD



Alexandra Gartmann
Executive, Agribusiness
and Managing Director, Rural Bank
BSc (REM), MAICD



Robert Musgrove
Executive, Corporate and Public Affairs
Grad Cert App Fin



Bruce Speirs
Executive, Business Banking
BCom, CA, MBA, GAICD



Louise Tebbutt
Chief People Officer
BBus
Commences October 2018



Stella Thredgold
Executive, Business Enablement
BBus (Accountancy), CPA, GAICD



Andrew Twaits
Executive, Customer
and Partner Engagement
BComm, LLB, LLM, MBA, GAICD

