

Bendigo and Adelaide Bank

Issuer View • 17 June 2024

Authors: Dr Frederik Kunze // Lukas Kühne // Alexander Grenner

Ratings

Bendigo and Adelaide Bank		
	Rating	Outlook
Fitch	A-	Stable
Moody's	Baa1	Stable
S&P	A-	Stable

Homepage

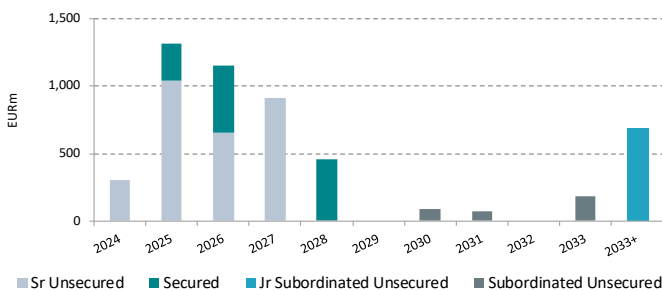
www.bendigoadelaide.com.au

Bendigo and Adelaide Bank Ltd (BENAU) is an Australian regional bank based in the state of Victoria and part of the Bendigo and Adelaide Bank Group. This consists of over 80 organisations and is listed on the Australian Stock Exchange as one of the top 100 companies. Together with its subsidiaries, BENAU offers its 2.5 million customers a range of services including retail and commercial banking. The bank has a market share of around 2% for loans and deposits in Australia. BENAU reports its cash earnings based on the segments "Consumer" (H1/2024: 54.6%) and "Business & Agribusiness" (45.4%). 75% (H1/2024) of the loan portfolio is attributable to the "Residential" segment, 13% to "Business" and 8% to "Agribusiness". Geographically, over 50% of the portfolio in all segments is located in the federal states of Victoria and New South Wales. The bank's funding is dominated by customer deposits (FY/2023: 75%). Wholesale funding (25%) is largely made up of the "RBA Term Funding Facility" (11% of total funding), "Wholesale Deposits" (9%), "Wholesale Borrowings" (3%) and "Loan Capital" (2%). The financial year ends on 30 June of each year. In April 2023, the acquisition of the "ANZ Investment Lending Portfolio" was completed, with a portfolio totalling AUD 558 million. With the BENZero project, the bank plans to reduce CO2 emissions generated from business and financing by 95% by 2040.

Balance Sheet

(EURm)	2021Y	2022Y	2023Y
Net Loans to Customers	45,477	51,152	47,874
Total Securities	2,703	6,967	4,761
Total Deposits	41,871	49,157	47,133
Tier 1 Common Capital	2,449	2,691	2,600
Total Assets	54,745	62,771	60,038
Total Risk-weighted Assets	25,590	27,812	23,106

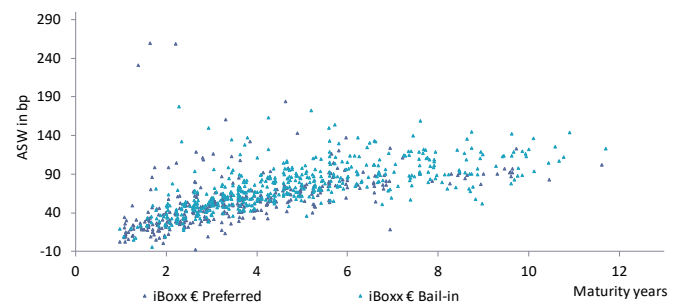
Redemption Profile



Income Statement

(EURm)	2021Y	2022Y	2023Y
Net Interest Income	891	910	1,056
Net Fee & Commission Inc.	120	107	109
Net Trading Income	13	15	-
Operating Expense	635	644	732
Credit Commit. Impairment	11	-18	22
Pre-tax Profit	472	452	466

Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2021Y	2022Y	2023Y	2021Y	2022Y	2023Y
Net Interest Margin	1.95	1.74	1.92	Liquidity Coverage Ratio	-	-
ROAE	8.62	7.47	7.33	IFRS Tier 1 Leverage Ratio	4.56	4.37
Cost-to-Income	56.77	59.70	60.01	NPL/ Loans at Amortised Cost	0.21	-
Core Tier 1 Ratio	9.57	9.68	11.25	Reserves/Loans at Amort. Cost	0.47	0.36

As at: 17.06.2024; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Floor Research

Strengths / Opportunities

- Funding
- Capitalisation
- Asset quality

Risks / Weaknesses

- Position in the Australian retail market
- Uncertain economic outlook
- Profitability due to intense competition

Covered Bonds

Authors: Dr Frederik Kunze // Lukas Kühne // Alexander Grenner

Mortgage cover pool with a volume of EUR 2.7 billion

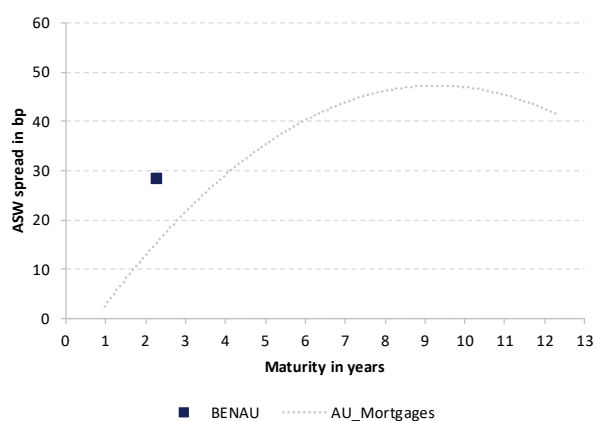
The exclusively mortgage-backed cover pool of Bendigo and Adelaide Bank had cover assets with a total volume of AUD 4.4 billion (equivalent to around EUR 2.7 billion) as at the reporting date of 31 March 2024. This is offset by covered bonds issued in the amount of AUD 2.0 billion (approx. EUR 1.2 billion), which results in an arithmetical overcollateralisation ratio of 117.9%. The contractual OC is stated by the issuer at 11.1%, while the statutory minimum requirement in Australia is 3%. The institution is represented in the current composition of the iBoxx EUR Covered (June 2024) with an outstanding covered bond with a volume of EUR 500 million. At the same time, covered bonds are also outstanding in the domestic currency AUD.

Programme data

31 March 2024	Mortgage
Covered bonds outstanding	AUD 2.0bn (EUR 1.2bn)
Cover pool volume	AUD 4.4bn (EUR 2.7bn)
Current OC (nominal / legal)	117.9% / 3.0%
Type	100% Residential
Main country	100% Australia
Main region	54.9% Victoria
Number of loans / exposures	15,398
Share of 10 largest exposures	0.4%
Fixed interest (Cover Pool / CBs)	22.8% / 67.9%
WAL (Cover Pool / CBs)	23.2y / 2.9y
NPL	0.0%
CB Rating (Fitch / Moody's / S&P)	AAA / Aaa / -

Source: Issuer, rating agencies, Bloomberg, NORD/LB Floor Research

Spread overview (BMK) – Australia



Primary cover to be located exclusively in Australia

The mortgage cover pool of Bendigo and Adelaide Bank consists exclusively of primary cover, all of which is located in Australia. 77.2% of the properties are owner-occupied for residential purposes, while the remainder are rented out. As at 31 March 2024, the cover pool comprised a total of 15,398 loans, with the ten largest exposures accounting for 0.4%. The dominant share of loans is in the "Victoria" region (54.9%), followed by "New South Wales" (13%) and "Queensland" (12.5%). The average LTV is given as 55.7% for the non-indexed case. The indexed LTV, which includes price changes on the property market, is 55.4%. The average duration of the loans in the cover pool (WAL) is 23.2 years and non-performing loans (NPLs) are not included in the cover pool.

Rating and regulation

The rating agencies Fitch and Moody's both give Bendigo and Adelaide Bank's covered bonds top ratings (AAA and Aaa respectively). The Moody's Collateral Score, which is regularly used to assess the quality of the cover assets, is 4%, which is also low by international standards and indicates a high credit quality. A risk weight of 20% in accordance with the CRR is also relevant for the covered bonds due to the rating characteristics. In the context of LCR management, we believe that the issuer's EUR benchmarks are suitable as Level 2A assets.

Appendix

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