

18 December 2021

Secretariat  
Regional Banking Taskforce  
Financial System Division  
The Treasury  
Langton Crescent  
Parkes ACT 2600

(Sent via email: [regionalbanking@treasury.gov.au](mailto:regionalbanking@treasury.gov.au))

Dear Secretariat

**Re: Bendigo and Adelaide Bank's response to the Regional Banking Taskforce Issues Paper**

Bendigo and Adelaide Bank Limited (BEN) welcomes the opportunity to provide a submission to the Regional Banking Taskforce public consultation. Our response to the Taskforce's Issues Paper is enclosed.

BEN's vision is to be Australia's bank of choice, and we believe our success as one of Australia's biggest banks is driven by our purpose—to feed into the prosperity of our customers and communities, not off it. Our story began more than 160 years ago on the goldfields of Bendigo. Today, our more than 7,000 employees support over 2 million customers around Australia to achieve their financial goals. BEN has assets under management of more than \$90 billion and market capitalisation of around \$5.7 billion.

Our unique and award-winning Community Bank model has seen more than \$272 million in profits returned to local communities right across Australia since 1998. Core to this shared value model is the belief that through partnering with our Bank, local communities are empowered to generate funds that can be used to support the services and infrastructure that best meet their communities' individual needs and circumstances.

As a regionally headquartered institution, we share a natural affinity with rural and regional communities and see firsthand the role banking plays in supporting communities to be vibrant, healthy, and dynamic places to live and work. We also see the differences between regional and metro centres change as technology and accessibility evolves, and with it the preferences of our customers and stakeholders.

We are pleased to contribute to the ongoing national conversation about how banking can be delivered in a way that responds to the needs of customers and communities now and into the future.

**Our recommendations to the federal government**

1. Work with Australia Post to promote Bank@Post services more widely, particularly for small businesses and community organisations, and investigate opportunities for Australia Post to better support small business and community organisations through their transactional banking services.
2. Subsidise regional Australia Post cash delivery services where costs can be higher.
3. Partner with the private sector, not-for-profits, industry associations and local government to improve digital literacy and inclusion for all Australians, but especially among small business and community organisations.

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4. Investigate the feasibility of co-locating community and government services together with bank branches.
5. Review Australia's corporate tax settings with a view to acknowledging the social enterprise nature of Community Banks, and to level the playing field between these community enterprises and larger corporates.
6. Improve the access, speed and reliability of telecommunications networks in regional Australia.
7. Invest in regional Australia and entice internal migration through affordable housing, secure and well-paid employment, access to quality education, training and healthcare and vibrant regional cultures.

We welcome further discussion on this important issue and invite you to contact us should you have any further questions.

Yours sincerely

**Marnie Baker**  
**Managing Director**

## General comments

Our branch network is a critical part of our strategy and provides a significant base for customer and community connection. We continue to invest in branches where our customer interactions indicate a need for physical presence. We also continue to adapt to customers' changing needs and banking preferences by making changes to the locations, the size and the look and feel of our branches across Australia, along with how we interact with customers when they are in one of our branches. Today, we operate more branches per customer than any of the publicly listed banks.

In our experience, branch closures have not been a solely regional issue. Of the relatively small number of our branches closed in FY21, the majority were in metro areas. Since FY15, we have opened 25 new branches and Community Banks, 15 of which were located in regional and remote areas.

When making changes to our branch network, our decision is informed first and foremost by our customers' preferences and needs and also by the needs of our community partners. Each change to our branch network is assessed on a case-by-case basis. Considerations include:

1. Proximity to other Bendigo Bank branches
2. Access to other transactional banking services such as Australia Post and merchants
3. Whether Bendigo Bank is the last bank operating in a community
4. Commercial viability of the branch

A reported spike in branch closures across the banking sector during COVID-19 has been attributed by some to be a cost-saving measure on the part of banks. However, in our experience, COVID-19 has simply accelerated the rate at which customers are taking up digital, mobile and self-service forms of banking. This has not come at the expense of our customers' experience banking with us. During COVID-19, we were named the [highest rated bank](#) for supporting business customers. Nor has COVID-19 or digital acceptance changed the importance of our branch network to our strategy. In line with our customers' preferences, we continue to offer world class digital banking services and human connection when it matters. In this sense, the dichotomy between digital and face-to-face banking is a false one and is more a reflection of the evolution of banking itself. New entrants to the sector recognise this. Overwhelmingly, customers seek fast, accessible and tailored digital and self-service solutions to complete their basic transactional banking, but still want the ability to talk to a real person when embarking on more complex financial interactions.

It is with this in mind that Bendigo Bank successfully piloted its first customer experience concept branch in Norwood, (South Australia) in 2018, later expanding to branches in Leichardt (Sydney), Bendigo, Coffs Harbour, Carlton (Melbourne), Noosa, Torquay and Drysdale on Victoria's Bellarine Peninsula. These branches are an evolution of an old model that revolved around cash transactions towards one that acknowledges the importance of human relationships, while also providing retail space for local vendors and artists, and places for community groups to meet.

We acknowledge that as customers' behaviour and preferences continue to evolve, banks must adapt. This is true of all businesses. This reality can challenge the commercial viability of bank branches if they too do not evolve. We also acknowledge that for a variety of reasons not everyone can or wants to transition to digital or self-service banking. Accordingly, we support stronger investment in technology infrastructure such as high-speed internet and universal 5G to build digital inclusion across the country. We also support initiatives that provide reliable, secure and convenient access to transactional banking such as the Bank@Post service at Australia Post. By partnering with Australia Post, our customers can access their cash at over 3,500 Australia Post outlets nationwide, including 1,900 located in rural and regional communities.

The reasons for branch closures are complex, but largely driven by large-scale changes in the way Australians like to do their banking. As an essential service, we have a duty (both moral and fiduciary) to respond to their preferences

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while ensuring access is not denied to more vulnerable groups. We see government, through its ability to regulate, subsidise and incentivise, as key to this endeavour.

## Changes in customer behaviour

### Decline of branch usage

Bendigo and Adelaide Bank's distribution strategy is commercially driven by our customers' needs and preferences and those of local communities through our community partners. We pride ourselves on our personalised approach to providing banking services to our consumer customers. Similarly, our unique relationship model of delivery means we work closely with our business and agri customers to understand these needs and are well placed to respond accordingly. Our customers are telling us that they want a world class digital experience with human connection when it matters. Over time, we have seen a significant reduction in the number of customers visiting our branches to conduct their banking. Between November 2015 and November 2021, we saw a 42 percent reduction in customers visiting regional branches and a 55 percent reduction in metro branches. This decline in face-to-face transactions has also been seen across our agencies. Three in four of our customers' accounts are now linked to e-banking and the use of digital wallets has increased 500 percent in three years. Prior to COVID-19, just eight percent of our customers were using a branch each month. During COVID-19, a third of our active passbook users opened a statement account with a card attached and branch visits fell further.

While COVID-19 certainly accelerated the trend away from relying on branches for cash and transfer transactions, the decline was substantial prior to COVID-19 and continues today. It has been driven by two forces. Firstly, our customers like the privacy, speed and convenience of digital and self-service banking. Customers can do their banking at any time and almost any place, arguably improving access to banking across the country, especially in remote locations. Secondly, improvements to Australia's digital infrastructure including the roll out of 4G, 5G and the National Broadband Network, along with growing access to (and comfort with) smartphone technology have made digital and self-service banking a superior experience for many. Nationally, [nine out of ten](#) Australians now own a smartphone. Growing usage has been supported by faster download speeds and the decreasing costs of mobile phone plans. These advancements have been so successful that Australia's digital banking offerings are now world leading, and new entrants to the market are now able to offer banking services to anyone across the country without the need for a physical branch network.

Today, we connect with our customers through a variety of channels outside our branch, agency and partner network:

#### **Bank @ Post**

- Available at 3,500 locations
- Deposits, withdrawals, balance enquiries

#### **ATMS**

- 468 ATMs nationally

#### **Internet Banking**

- 74.7 percent of accounts are registered for internet banking
- Available 24/7

#### **Customer Call Centre**

- Phone service seven days a week

#### **Online account opening**

- Available 24/7

#### **Webchat online support**

- Support available seven days a week

#### **Mobile Lenders**

- 120+ mobile lenders across Australia
- 89 in metro locations, 31 in regional locations

#### **Agribusiness Bankers**

- 100+ relationship managers available in regional locations

#### **Business Bankers**

- 75+ bankers available in metro and regional locations

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## **Banking in regional Australia**

As a national bank that was established and remains headquartered in regional Australia, Bendigo and Adelaide Bank is uniquely positioned to understand the needs of both regional and metro customers. Fifty-nine percent of our branches are in regional or remote areas and seventy-nine percent of our employees are based outside a capital city. Like their metro counterparts, our regional customers overwhelmingly prefer to conduct their banking online. When comparing customer behaviours in metro and regional areas, there is little difference in their needs and banking preferences. The obvious exception are our agribusiness customers who are more concentrated in rural and regional areas. Our specialist agribusiness arm, Rural Bank, services these customers through our branch network and Elders outlets, but more importantly employs a network of mobile relationship managers who meet with customers on-farm. Our customers appreciate the convenience of not needing to travel into town for their banking and the local knowledge our bankers bring.

## **Other banking models**

### **Our Community Bank model**

Our Community Bank model was developed in the late 1990s in response to branch closures during that decade. While the drivers and impacts of those closures are very different to those today, the model has shown resilience and utility over its 23 years of operation. Since the first Community Bank branch opened in 1998, the network has grown to 317 Community Bank branches operating across Australia with around half located in regional areas.

Community Banks are owned and operated by local community enterprises, made up of locally based shareholders. Each Community Bank is governed by a board of directors (typically drawn from the local community) and employs specialist banking staff. They work in a franchise partnership with the Bendigo and Adelaide Bank and provide full banking services to the community.

To form a Community Bank, communities campaign locally to build a network of supporters, shareholders and future customers to raise the capital and support required to ensure the enterprise's ongoing viability. Once the necessary thresholds are met, Bendigo and Adelaide Bank partners with the enterprise to deliver banking services to that community. Revenue is then shared between Bendigo and Adelaide Bank and the community enterprise. Since its inception, the Community Bank network has returned more than \$272 million of their profits back to Australian communities.

Today, Community Banks face the same commercial challenges all banks do. As a result, they are already adjusting the way they connect with and service their customers and communities. These challenges and recommendations are outlined in a separate submission from the Community Bank Network to the Taskforce, and include a recommendation to address the taxation arrangements for Community Banks, which operate much like a not-for-profit or social enterprise.

## **A company partnering for regional Australia**

Bendigo Bank worked with the Australian Government in the late 1990s to establish Elders Rural Bank as a joint venture between Bendigo Bank and Futuris. It was granted a banking license by the federal government when regional branch closures began to accelerate. Concerns were held for agribusinesses across the country about whether they had appropriate access to dedicated specialists in relevant geographies. This is one tangible proof point of our commitment to ensuring regional Australians have access to fit for purpose banking services.

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## **Impacts of bank branch closures**

We acknowledge that not everyone can, or wants to, do their banking online. However, we also acknowledge that the economy's migration to digital delivery extends beyond banking. Government services, healthcare, shopping (including essentials like groceries), bill management and even real estate are incorporating more and more digital platforms and experiences into their service delivery. Digital literacy and capability are increasingly becoming prerequisites to participating fully in society, and we believe each of us has a responsibility to build this capability. This is why when a decision is made to close one of our points of presence (either a branch, Community Bank or agency), we identify and work closely with affected customers to build their digital confidence in the lead up to closure.

Bendigo and Adelaide Bank's branch network remains an important part of our strategy. Over time, we assess our network to ensure it is responding to customers' needs and wants along with those of our community partners. Sometimes this can mean changes to our branch footprint to better respond to our customers' changing preferences. A decision to close a branch is not made lightly and we will consider various factors such as customer needs, a branch's proximity to other branches, the ability to attract and retain qualified staff, whether that branch is the only banking services available in a specific location, and whether customers will be able to access cash in the absence of a branch (through for example Bank@Post, an ATM or a merchant facility). Of the branches we closed between FY15 and FY21, 61 percent were within five kilometres of another branch and 82 percent were within 10 kilometres.

Our Bank also actively engages the local community and investigates alternatives such as downsizing, reduced operating hours, mobile relationship managers and branch consolidations prior to making a decision to close. In some circumstances, closing a branch in one area where custom is low can allow us to invest in another location where demand for a branch's services is high, or by employing mobile relationship managers that can cover a larger area and can meet customers in locations and at times that are more convenient for them. Our Mobile Banking team has grown to 132 people in five years, and now makes up 18 percent of our lending workforce.

Since 2015, we have invested in 227 branch projects, including new sites, cosmetic upgrades, relocations and refurbishments (excluding agencies). Of these, 116 (were completed in regional areas with an investment of \$25.5 million. Twenty-five of the 227 projects were new sites of which seventeen were located regionally. Additionally, we have invested in 88 new ATMs since 2015, 62 of which were in regional locations.

## **Small business and community organisations**

While Australians' use of cash has been [steadily falling](#) over the past decade, some sections of the community rely more heavily on cash services than others. Small businesses for example need access to cash services for floats and to deposit end of day cash takings. Community organisations often require similar services to manage cash donations and fundraising activity. We believe this raises an important point about how these two vital sectors will be included in the economy-wide transition to digital. Given the importance of both sectors to the economy and society, we believe there is a role for government (in partnership with the private sector and local government) in fostering digital inclusion and supporting digital transition.

As these sectors transition, Australia Post, with its presence in communities across Australia, could service the cash needs of these organisations, regardless of who they bank with. We encourage government to work with Australia Post to ensure access is not too complex and to promote these services more widely.



## Supporting customers transition to alternative banking services

### **Our Digital Coaching Program**

Bendigo's Digital Coaching program is focused on providing both our staff with the digital skills they will need into the future in order to support our customers' changing preferences, and the capability of our customers to fully utilise the digital platforms available to them.

The program was launched in October 2019 and focused on upskilling our branch staff on how to use some of the Bank's digital offerings including mobile wallets and wearables, e-banking, and eConnect. Our more than 450 digital coaches attended monthly virtual sessions and were provided with material to run training sessions on these digital offerings with the rest of their branch teams.

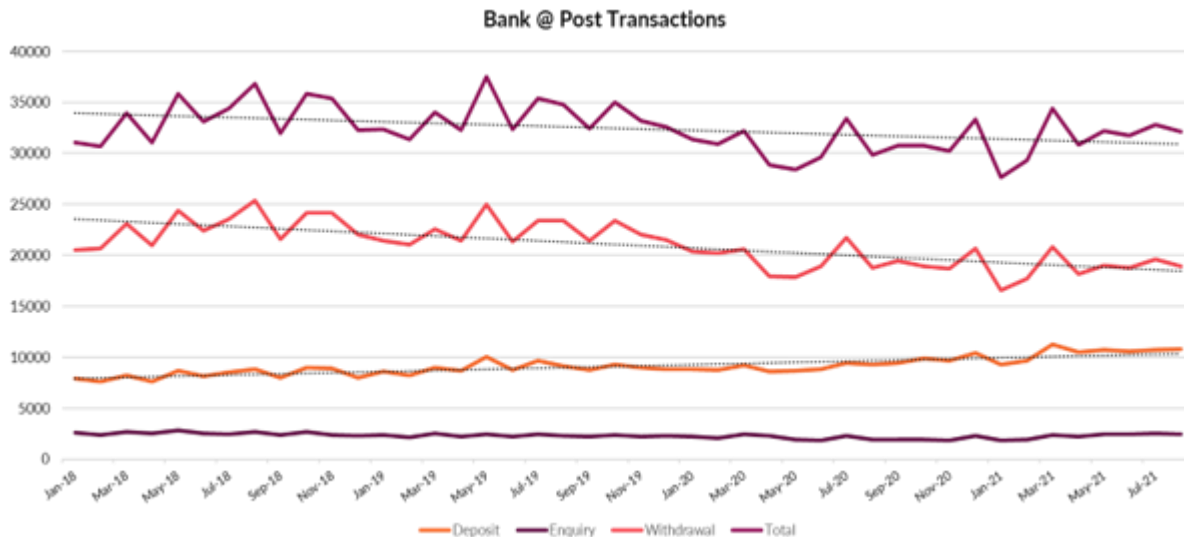
The second phase of the Digital Coaching Program commenced in 2020 focusing on educating staff and customers about staying safe online, transitioning customers to alternative ways of banking and updates on new key digital features to support customers to access their banking anywhere, anytime.

These skills don't just support our customers to access banking in new ways; they provide skills and knowledge that can build our customers' digital confidence in other aspects of their lives. As a result of the program, 91.2 percent of customers using e-banking are now also using the Pay Anyone feature, compared to 32.6 percent 12 months prior to the program and 93 percent of staff digital coaches felt comfortable running meetings with their teams on digital content.

Investing in similar programs at the local government level could vastly improve digital literacy in regional areas and help build digital inclusion.

### **Bank@Post**

Our Bank has provided access to banking services through Australia Post for more than 20 years. The service is used by our customers across our consumer, business, agribusiness and Alliance Bank portfolios. Ninety seven percent of our branch network is located within one kilometre of a post office. Sixty percent of Bank@Post transactions performed by Bendigo Bank customers are withdrawals, but this has been shifting. Bendigo Bank customers are now doing eighteen percent more deposit transactions at Australia Post compared to 2019.



Despite Bank@Post’s popularity among our customers, we believe more can be done to promote the transactional banking services Australia Post provides, especially to small and medium sized business and community organisations in regional areas. We also believe there is scope for Australia Post to expand some of the transactional banking services it offers, such as to verify identification for bank applications and forms.

**Improving access to banking services**

In terms of expanding access to banking services, digital and self-service banking has revolutionised the way Australians do their banking. Customers no longer need to travel to a physical branch during opening hours and can instead access their banking 24/7 at any location that is convenient for them. Regional customers who often had to travel longer distances for banking are benefitting most. New market entrants are responding to customers’ affinity with digital banking by developing digital-only banking experiences without the need for shop fronts.

However, while the NBN provides an important service in regional and rural Australia, there is still both [speed](#) [variability](#), and people who, for various reasons, have not taken up the opportunity to regularly use the internet to access banking services. Addressing both issues will improve access to banking services for all Australians.

For customers seeking face-to-face banking, there have also been innovations. Where these services were once only available through a physical bank branch, customers can now access banking through mobile relationship managers and lenders who are based in the local area and bring deep local knowledge to their work. These specialists can meet customers at their home or business at a time that is convenient for them, again reducing the need to travel and making banking more convenient. Customers can also complete their transactional banking at thousands of Australia Post outlets and access cash through ATMs and a range of businesses (such as supermarkets) via merchant facilities.

**Australia compared to the world**

Australia is one of the [most urbanised](#) countries in the world with around 90 percent of residents living in a city. This is compared to 82 percent in the US and 56 percent in China. This provides significant challenges for the private sector to



invest in regional areas. This is not restricted to banking. Due to Australia's enormous land size and diversity of terrains, transport, health, education, telecommunications and logistics also face challenges.

Branch closures (noting, of course, that most closures are driven by changing customer behaviour) should be considered in the context of a wider and ongoing need to invest in regional Australia to entice internal migration through affordable housing, secure and well-paid employment, access to quality education, training and healthcare and vibrant regional cultures. Investing in regional Australia and encouraging regionalisation would provide the support needed for regional businesses (including bank branches) to flourish.

### **Conclusion**

The way Australians access goods and services is changing, and banking is no different. Like all businesses, banks must respond to the needs and preferences of their customers, but we do not want to leave people behind. We are committed to supporting our customers through the transition to new ways of banking. Our branch network is an important part of our strategy and we will continue to offer products and services in line with our customers' needs. We support the role Australia Post plays in providing transactional banking services to the community and believe more can be done to improve digital literacy and inclusion across Australia. We await with interest the Regional Banking Taskforce's recommendations.