

Bendigo and Adelaide Bank

FY 2009 Results

August 10, 2009



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 does not purport to be complete. It is to be read in conjunction with the Banks Full Year results filed with the Australian Securities Exchange on 10 August, 2009. 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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The financial statements of the Group for the fiscal year ended 30 June 2009 have not been audited, have been prepared in abbreviated form and do not include all of the disclosures (including complete notes to the financial statements) required by Australian Accounting Standards as applicable to annual financial reports prepared in accordance with the Australian Corporations Act 2001 (Cth). The audit of such financial statements is not expected to be completed until after completion of the equity capital raising, and as a result the financial statements may be subject to change when the Group lodges its audited financial statements for the year ended 30 June 2009 with the Australian Securities Exchange ("**ASX**").

- Overview
- Financial performance
- Credit
- The future

Mike Hirst – Group Managing Director

Overview



The landscape has changed

- Market conditions deteriorated quickly and dramatically in late 2008
- Slowing domestic economy/global recession
- Increased competition for deposits
- Unprecedented drop in official cash rates
- Government's funding guarantees

Our response

- The first to restructure our balance sheet
 - Leverage retail network
 - Reduce funding risks
 - Short-term impact on NIM
- Capital flexibility
 - ~\$300m fully underwritten equity capital raising announced today
- Dealing with our risks and threats
 - Transparent credit position
 - Consolidating core strengths and strategic advantages
- Organisational structure
 - Aligned to strategy
 - Simplified business model

The future

- Well positioned to realise revenue growth opportunities
- Focus on growth
 - Flexible capital position
 - Strong retail demand
 - Partner, wealth and advised businesses
 - Considered, non-organic growth (eg: Elders Rural Bank, Macquarie margin lending)
- Improved NIM
 - Current run rate at 1.87%
- Driving efficiencies
 - ... but not destroying value in the business

Our result

Financial performance	<ul style="list-style-type: none">• Cash earnings \$182.2m• Cash EPS 62.9¢• Profit after tax before significant items \$173.2m
Risk management	<ul style="list-style-type: none">• Prudent provisioning• % total provisions of gross loans, 51bp
Capital	<ul style="list-style-type: none">• Tier 1 ratio of 7.43% post Elders Rural Bank consolidation (pre capital raise)• Final dividend of 15¢
Funding and liquidity	<ul style="list-style-type: none">• 90% retail funded, on balance sheet• 11.2% liquids, 99% HQLA

David Hughes - CFO

Financial performance

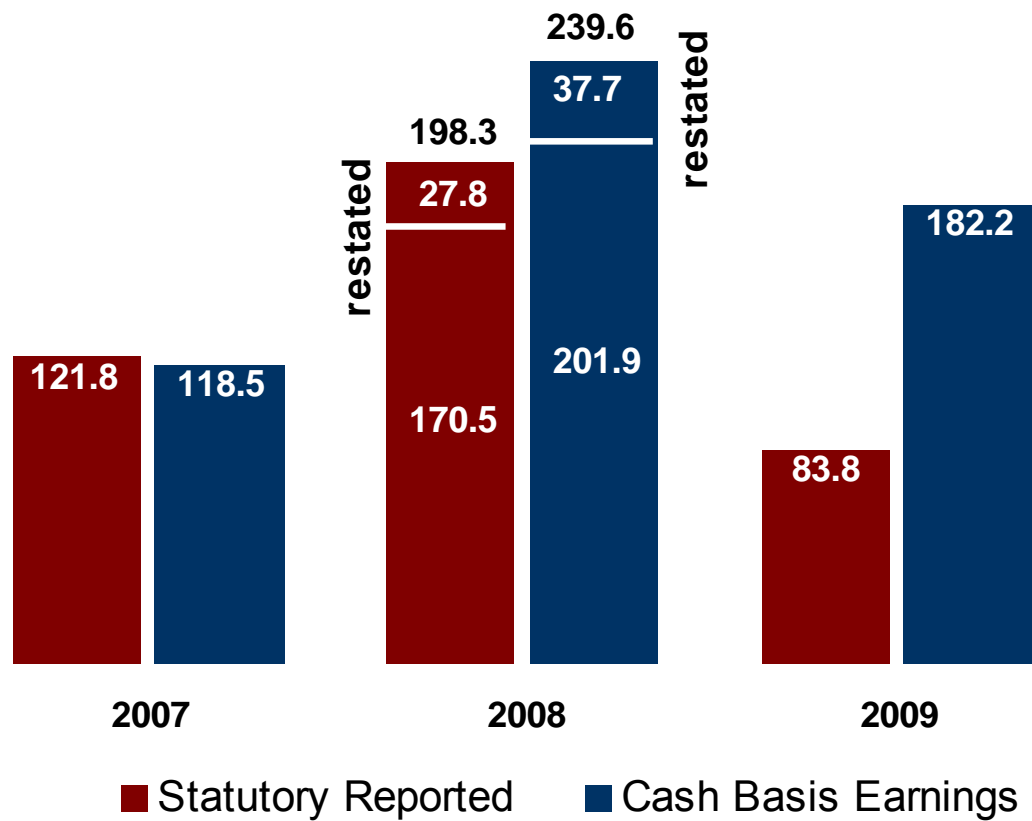


\$m	2008	2009
Cash earnings – reported	201.9	182.2
<i>Cash earnings – restated</i>	239.6	182.2
Profit after tax before significant items	233.4	173.2
Profit after tax – reported	170.5	83.8
<i>Profit after tax – restated</i>	198.3	83.8
Cash EPS - reported	93.7¢	62.9 ¢
<i>Cash EPS - restated</i>	111.1¢	62.9 ¢
Dividends per share	65.0 ¢	43.0 ¢

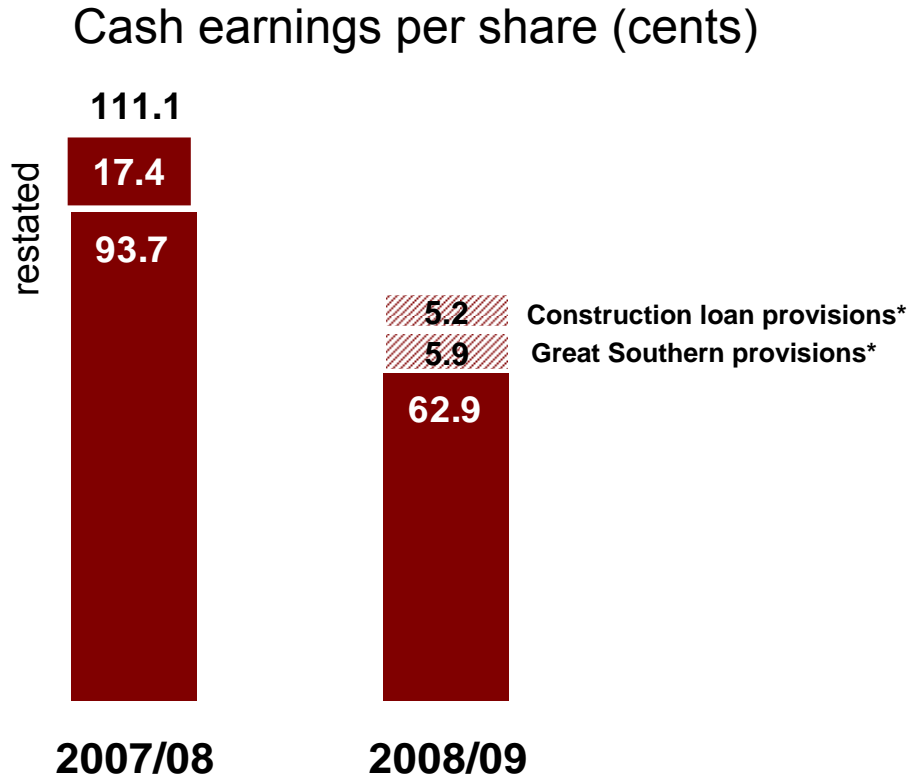
Financial performance



Profit after tax



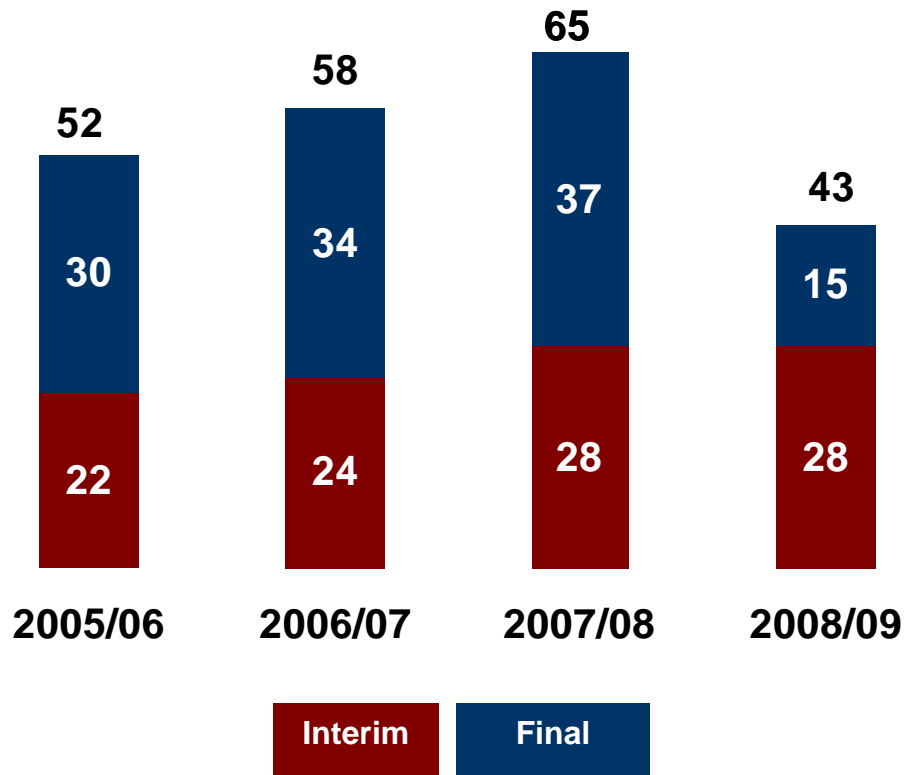
Cash earnings per share



Cash EPS affected by Great Southern provisions and commercial property loans

Dividend

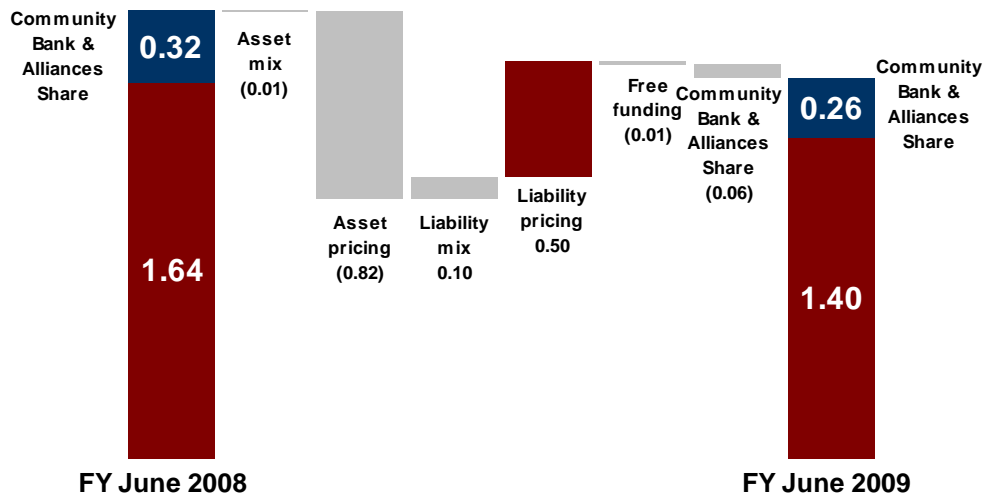
Group dividends (cents)



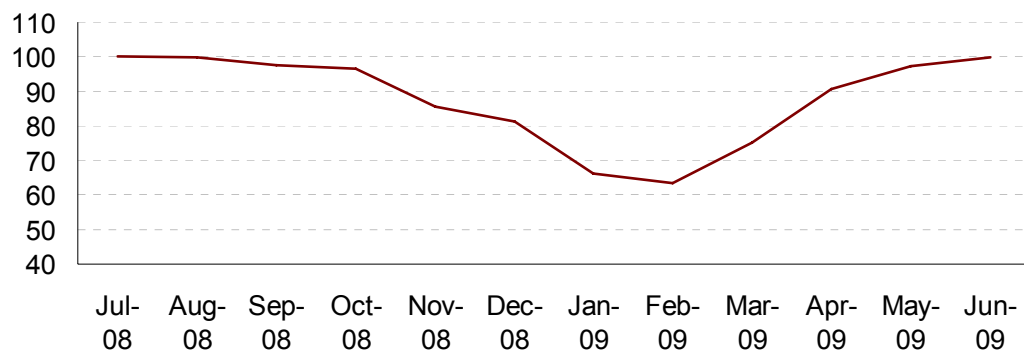
Goodwill

- Test conducted in accordance with accounting standards
- Prescribed calculation methodology
- No goodwill impairment FY09
- Impairment test is of designated Cash Generating Units (CGUs) – retail, wealth, business partners and third party mortgages
- CGUs are assessed on the combined businesses, not just the acquired business
- Assessment focused on expectations of future earnings
- Majority of goodwill was assigned to Retail and Wealth at time of merger
- Wealth now includes acquired Macquarie margin lending portfolio
- Calculation subjected to external verification

Net interest margin



Monthly NIM FY09



Net interest income impacted by

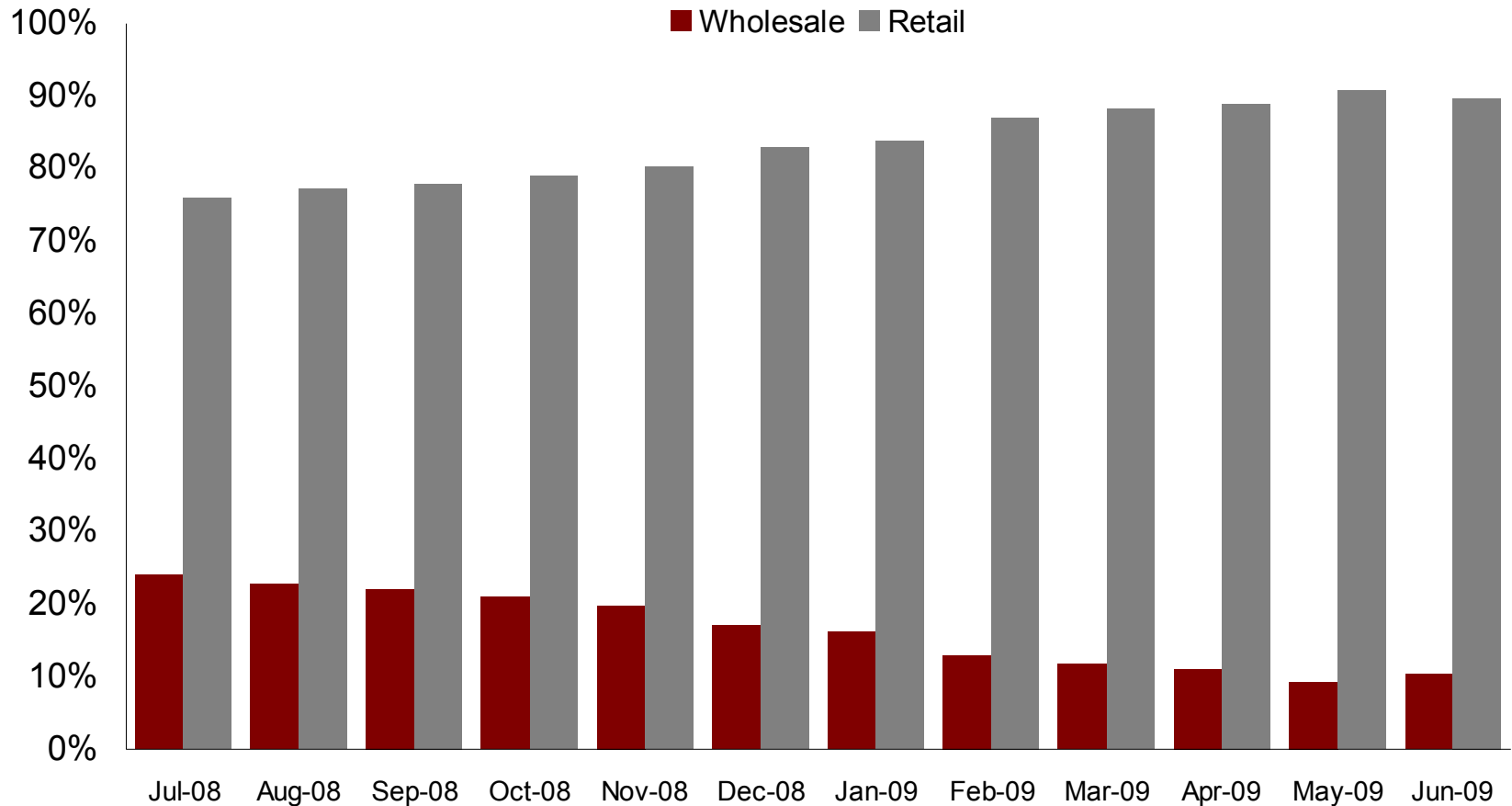
- Reduced demand for credit
- Decline in selected portfolios

Net interest margin impacted by

- Term deposit repricing lagging easing cash rate environment
- Increasing costs of deposits
- Increasing cost of securitisation

Current run rate of 1.87%

Balance sheet restructured

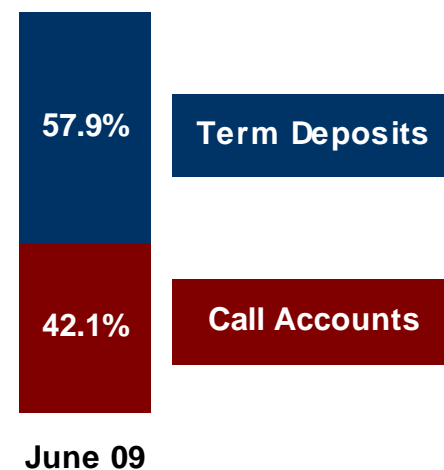
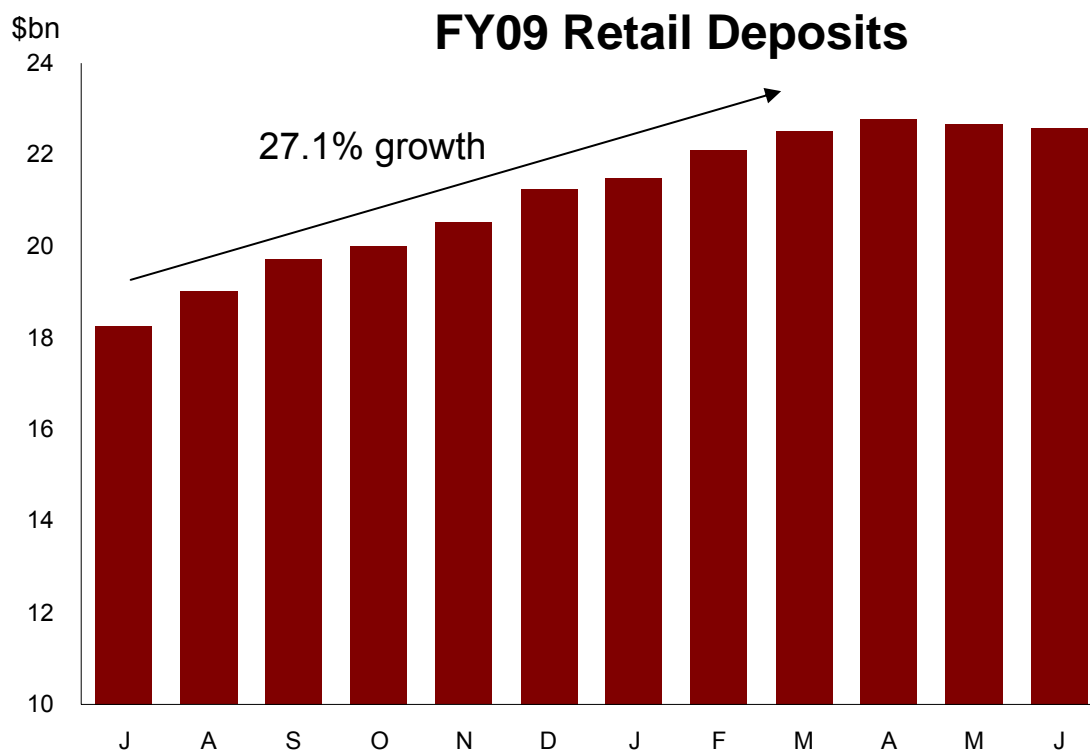


Funding mix



Leveraged franchise

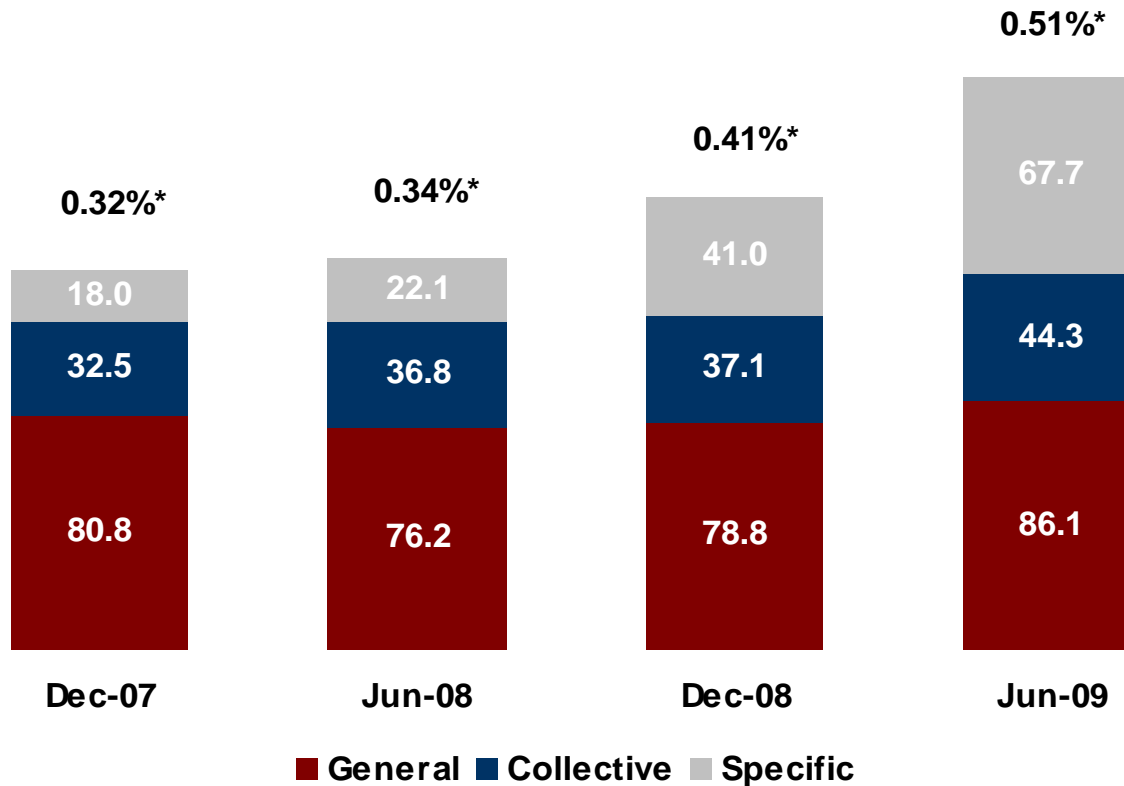
- Steady growth via branch network
- Deposits growth before government guarantee introduced



Growth in retail deposits

Provisions

Total group provisions of \$198.1m as at June 2009



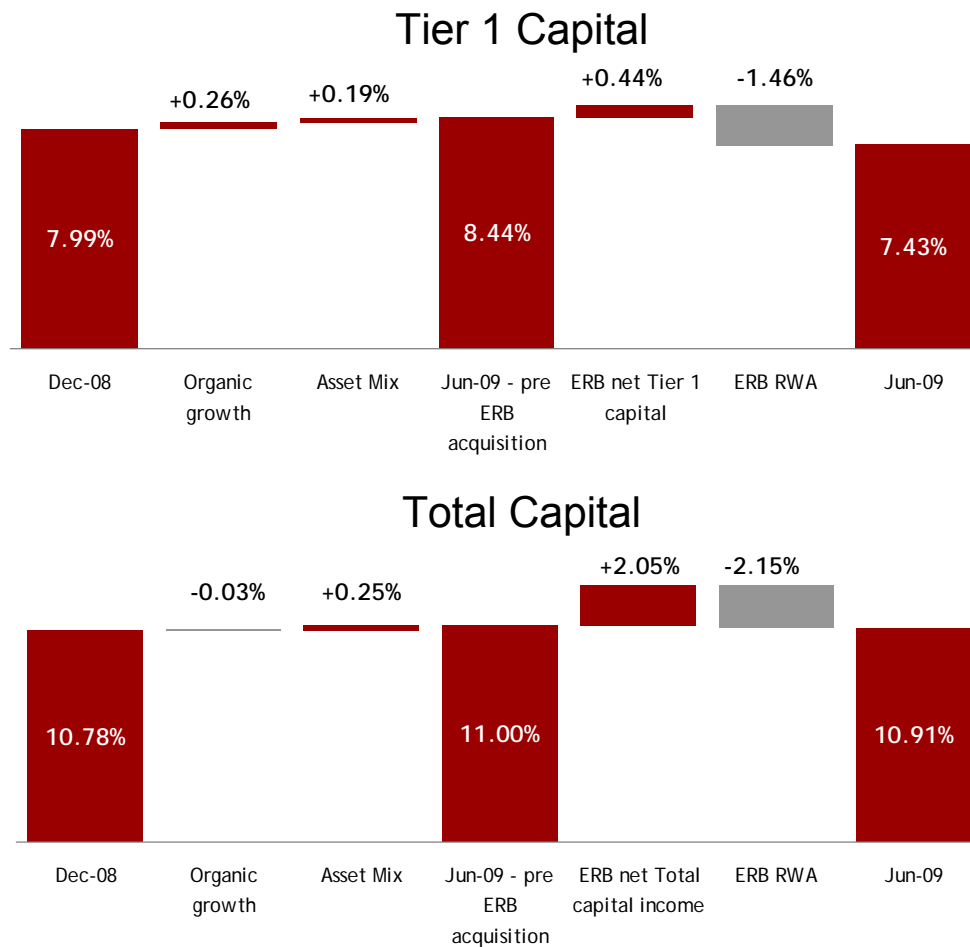
Financial performance



*Percentage of total gross loans

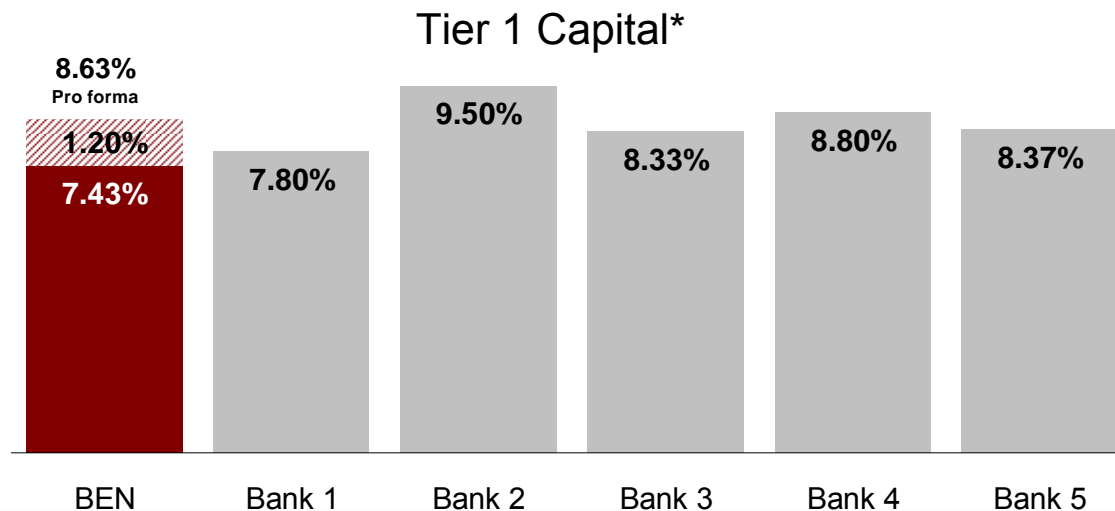
Capital (pre new capital)

- Capital position reflects the low risk nature of the loan book
- Total capital 10.91%
- Tier 1 capital 7.43%,
- Tier 1 capital position improved 45bp in 2H09 to 8.44% before impact of increased interest in Elders Rural Bank (ERB)
- Increased interest in ERB minimal change to “effective” exposure



Capital

- Internal modeling and stress testing validates capital available for growth
- Low risk loan book
 - 98% secured
 - No offshore exposure
 - No exotic securities
- Nonetheless, post the capital management initiatives, the Bank's capital position is expected to compare favourably with its competitors



Financial performance

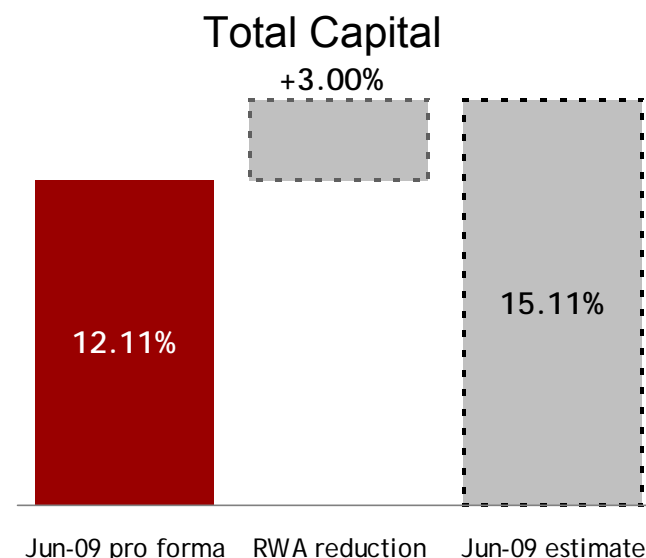
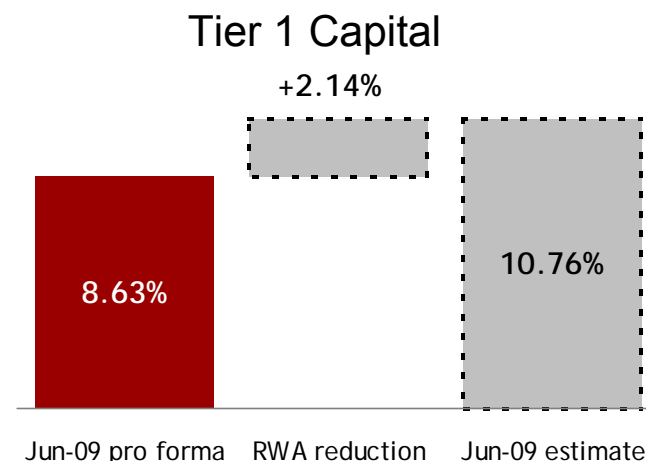


*Based on latest public disclosures.

Capital

- Strong underlining creditworthiness of residential mortgages in Australia
- BEN's residential loan book expected to behave consistently with asset class
- Significant reduction in the Bank's credit risk weighted assets should we adopt the advanced Basel II approach

Risk weighting of Australian residential mortgages*				
	ANZ	CBA	NAB	WBC
Credit risk exposure (\$m)	195,432	334,147	234,621	207,052
Risk weighted assets (\$m)	35,932	69,892	64,825	32,553
Risk weighting	18.39%	20.92%	27.63%**	15.72%



Financial performance



*Based on information released under the Australian Prudential Standard 330 at 31 March 2009.

**Includes UK assets subject to the Standardised approach.

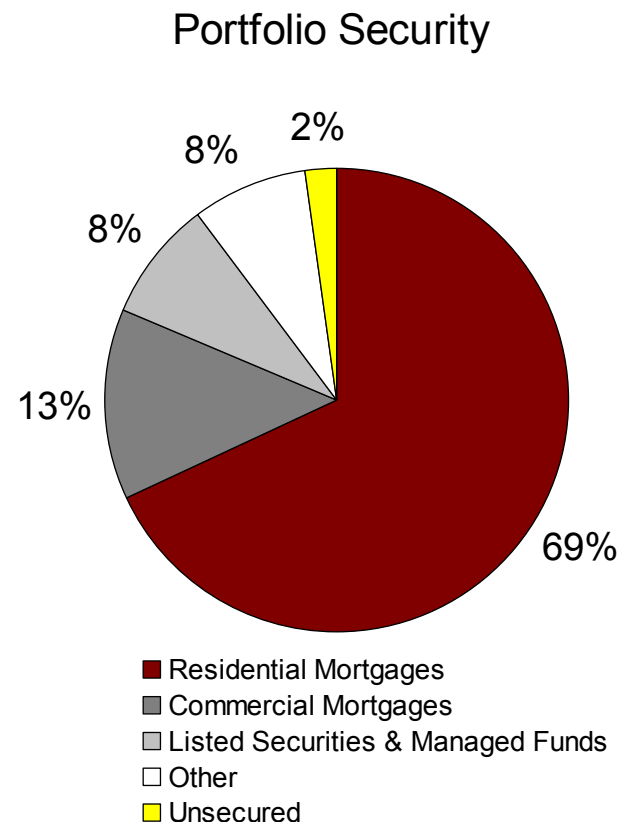
David Hughes - CFO

Credit



Secure and low risk loan portfolio

- 98% secured
- 77% secured by residential mortgages and listed securities
- Residential lending
 - recent improvement in arrears
 - in the main, home lenders remain ahead on repayments
 - average LVR 62%*
- Margin lending
 - average LVR 43%
 - 85% of portfolios held ≥ 4 stocks
 - negligible arrears

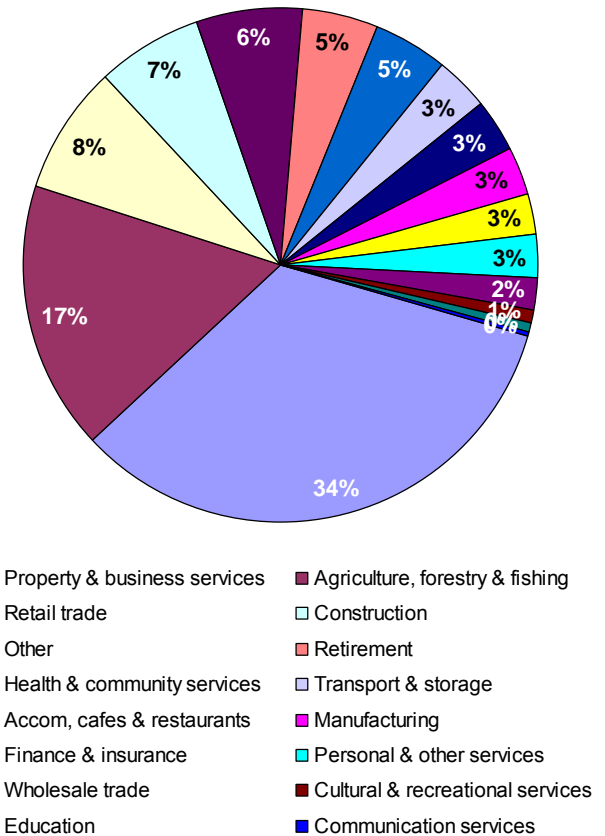
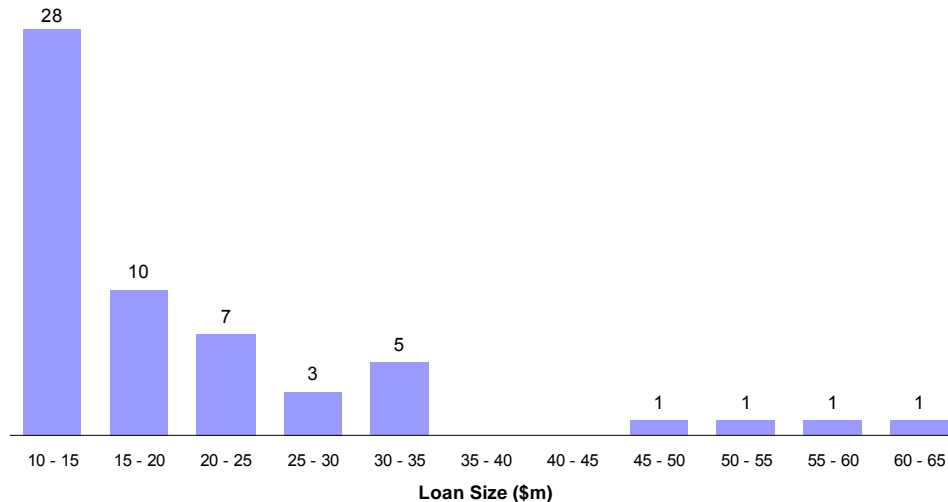


Solid portfolio

- Diversity by geography and industry
- Credit remains sound across the business
- Vast majority of exposure in residential mortgages where 90 day arrears are falling
- Adequately provisioned for our portfolios

Commercial loans typically small

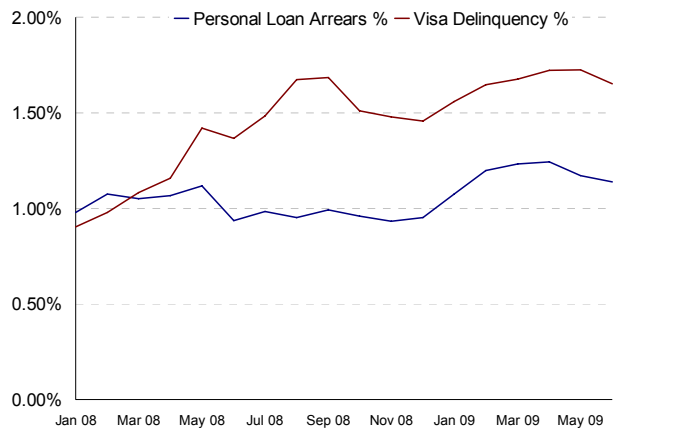
- \$6.1b business loans by security
- 16% of on-balance sheet loans
- Predominantly SME
- Average loan size \$180k
- 57 loans >\$10m totalling \$1,129m (2.8% of BEN loans)
- Diversity by geography and industry



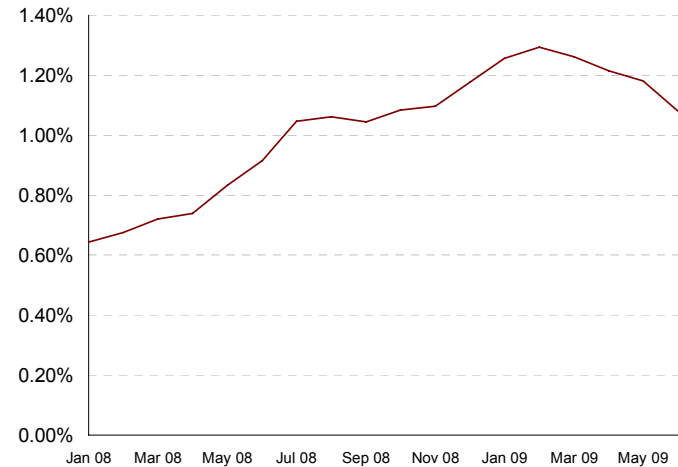
Signs of improvement

- Customers are managing economic conditions well
- 90+ day arrears improving across the vast majority of our asset base

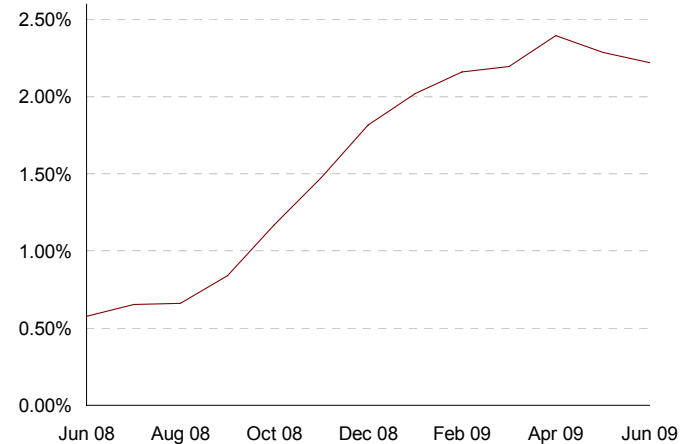
Consumer loans – arrears & delinquency



Residential loans – 90 days+ arrears



Commercial loans – 90 days+ arrears



Home loan stress testing results benign

- Harsh recession scenario based on experience of UK recession (1992) which saw:
 - Up to 6 fold increase in delinquency rates from peak to trough
 - Unemployment around 10%
 - Interest rates of 14%
 - Up to 30% fall in property values
- Forecasted probability of default (PD) for next 12 months estimated at 2.09x trough PD
- Expected loss for next 12 months estimated at \$8.8m for on balance sheet loans
- Expected loss under harsh recession scenario was \$41.5m
- Under most severe stressed conditions, expected loss totals \$58.3m for on balance sheet loans

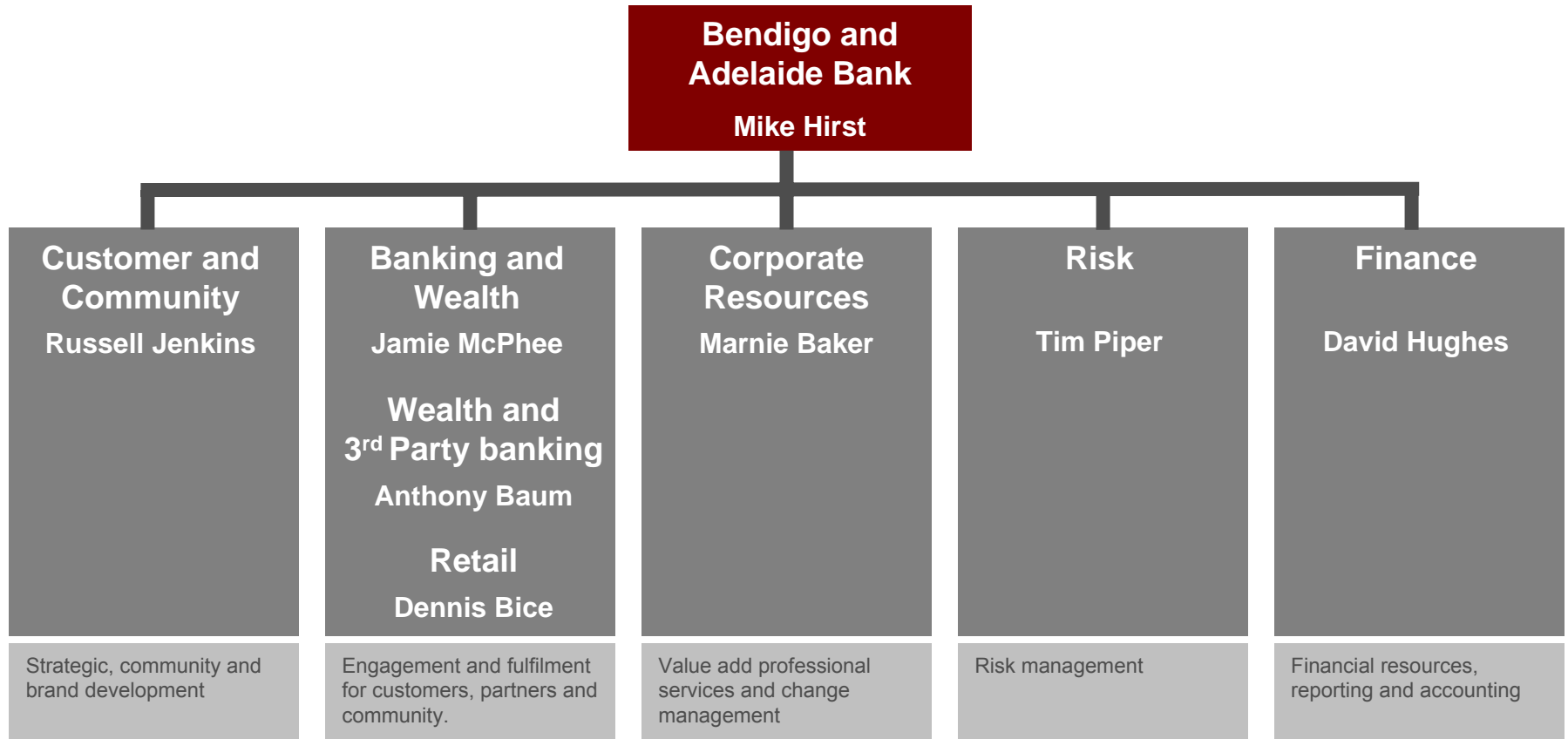
Expected Loss (\$m)	Trough PD stress factor			
	x2	x4	x6	x8
Property Value				
No decrease	8.3	20.8	31.2	44.0
10% decrease	9.1	22.6	33.8	47.6
20% decrease	10.0	24.9	37.2	52.4
30% decrease	11.1	27.7	41.5	58.3

Mike Hirst – Group Managing Director

The future

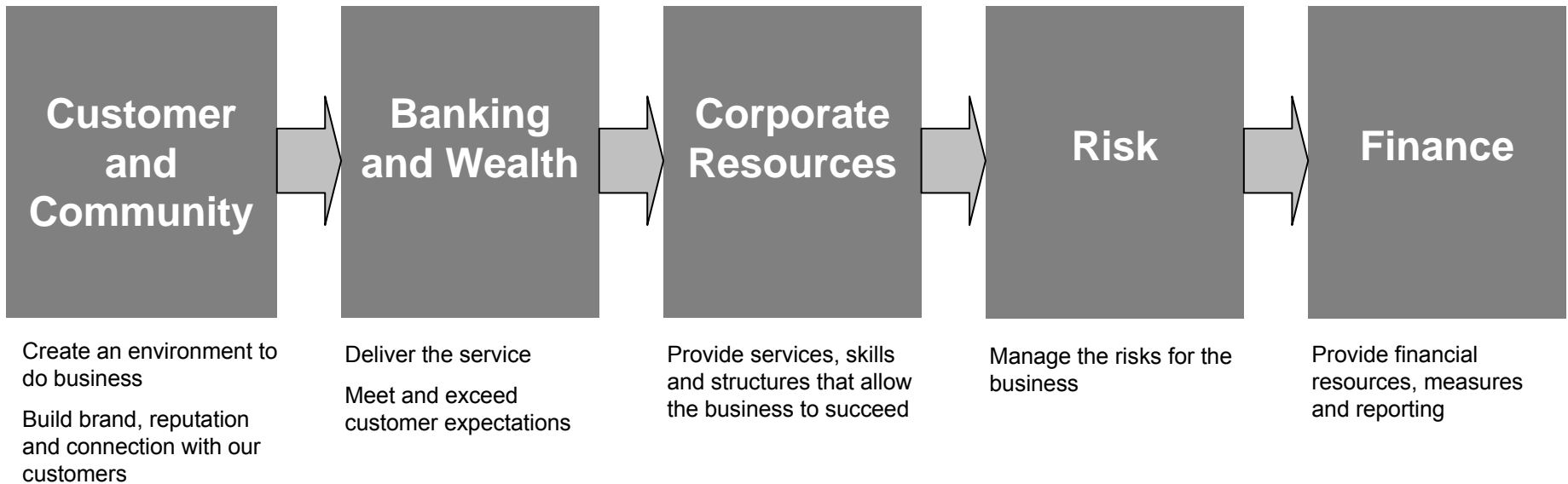


Organisation structure



The future

Our business



The future

Leading brands in specific markets

- Our key retail brand has a net promoter score of +33
 - World class score
 - Highest rating of any Australian bank*
- Group brands re-launched

 **Bendigo** and
Adelaide Bank

 **Bendigo Bank**

 **Adelaide** Bank

 **Sandhurst** Trustees

 **Leveraged** Equities

The future

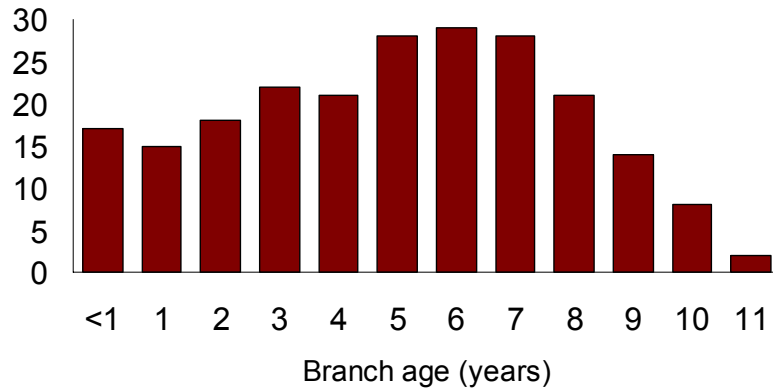
 **Bendigo** and
Adelaide Bank

Scale and diversity in retail network

- 1.4 million customers
 - 11,000 new customers per month (7,000 net)
- 1.9 products per person
- 428 branches
 - 191 Bank owned branches
 - 237 Community Bank® branches

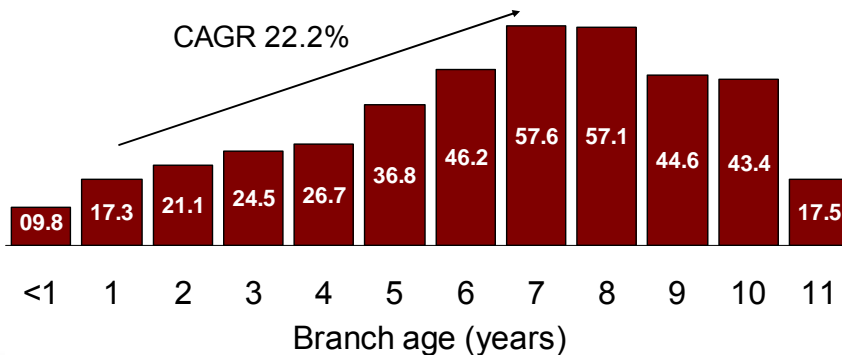
Community Bank® remains a growth engine

Community Bank® branches by age



- 20 branches opened in FY09
- 20 branches to be opened in FY10
- Community Bank® network remains relatively immature
- Liability growth strongest in first seven years of branch life
- Modeling suggests strong footings growth as network matures

Deposits per Community Bank® branch (\$m)



The future



Opportunities in Third-party mortgages

- Opportunity now to grow the business
- Partners desire maintaining a genuine 5th funding alternative
- Variable cost base
- Commissions have been adjusted
- Margins improving
- Focus shifting to growth

Fundamentals remain attractive for Margin Lending

- Customer appetite for risk and gearing is improving
- Independent margin loan provider of choice
- Strong long term relationships with many financial advisory firms
- Strong margins
- Low cost to income
- Capacity for significant growth
- Continued excellent credit quality

The future

Wealth management growth expected

- Value chain under pressure
- Strong industry drivers remain - ageing population, compulsory super
- Independence and trust to the fore - an opportunity for a trusted institution
- Advice structure changing to meet customer preference - Bank's salaried planner model in place for 3 years
- Low investment to date allows flexibility to adapt to pending change

Outlook

Planning for uncertain times to prevail

- Meaning greater focus on the fundamentals of our business
- Strength of franchise remains
- Genuine demand and appetite for a real banking alternative
- Capital to exploit growth opportunities

Potential upside

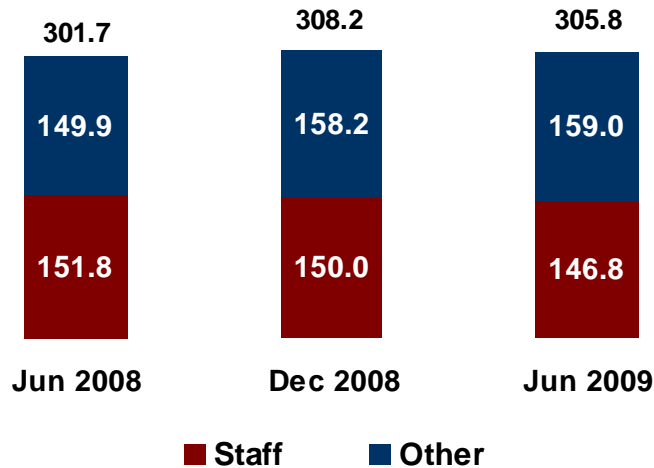
- Re-opening of securitisation market
- Normalised credit spreads in wholesale funding markets
- Margin expansion independent of interest rate changes
- Expansive share market growth

Questions



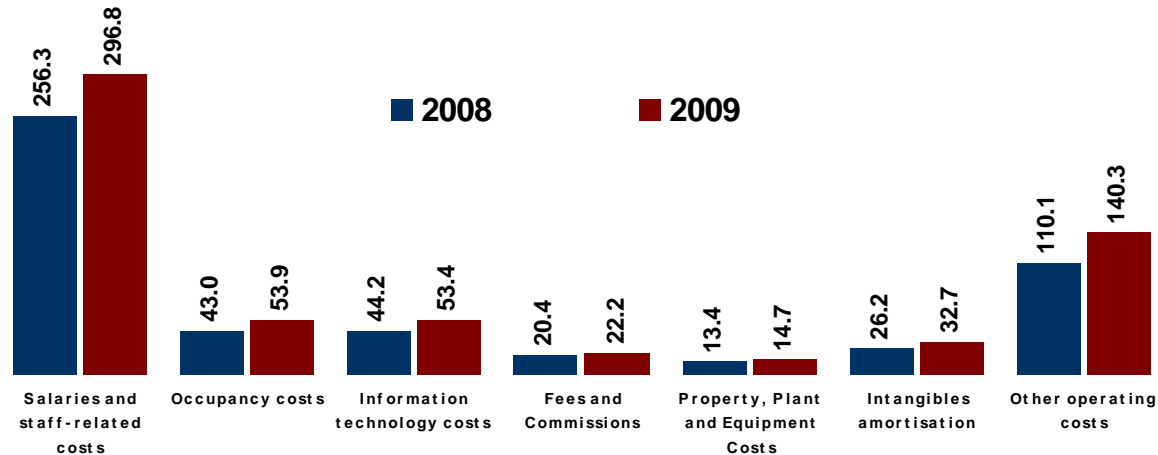
Appendixes

Operating Expenses – six months



- Operating expense growth flat 2H09
- Heightened focus on costs
- Actively reducing operating leverage

Operating expenses – full year

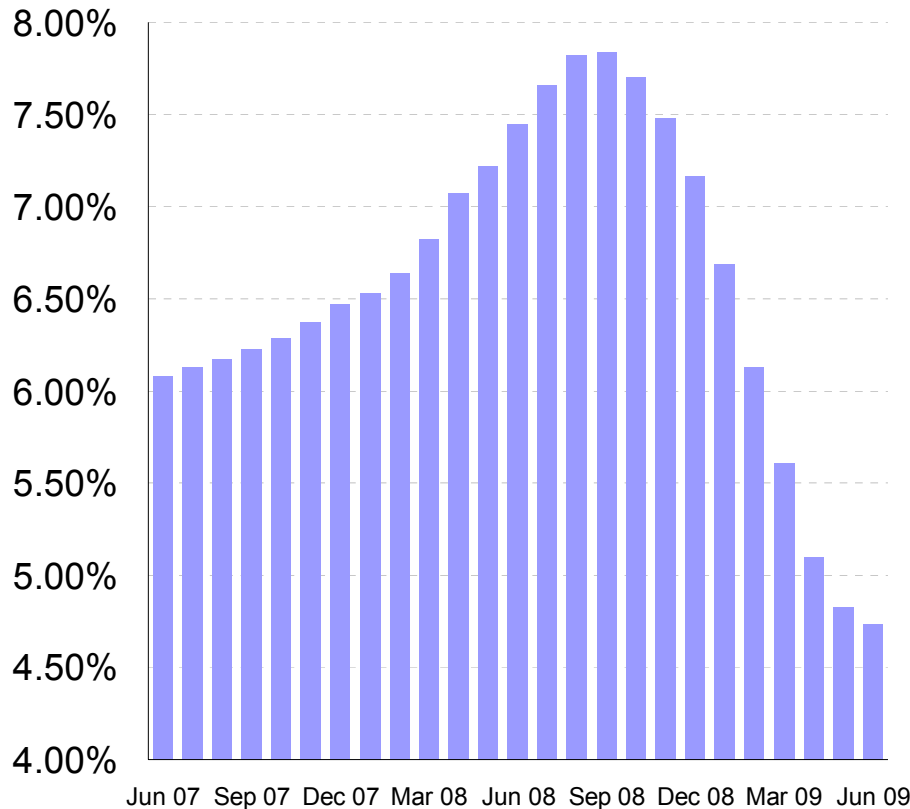


Note: 2008 comparatives only include 7 months trading of Adelaide Bank

Managing expenses

Interest income and margin

Average term deposit rate



- TD rates are falling, from high levels
- Volume continues to grow
- Successful in retaining more than 86% of TD's at maturity

Interest income

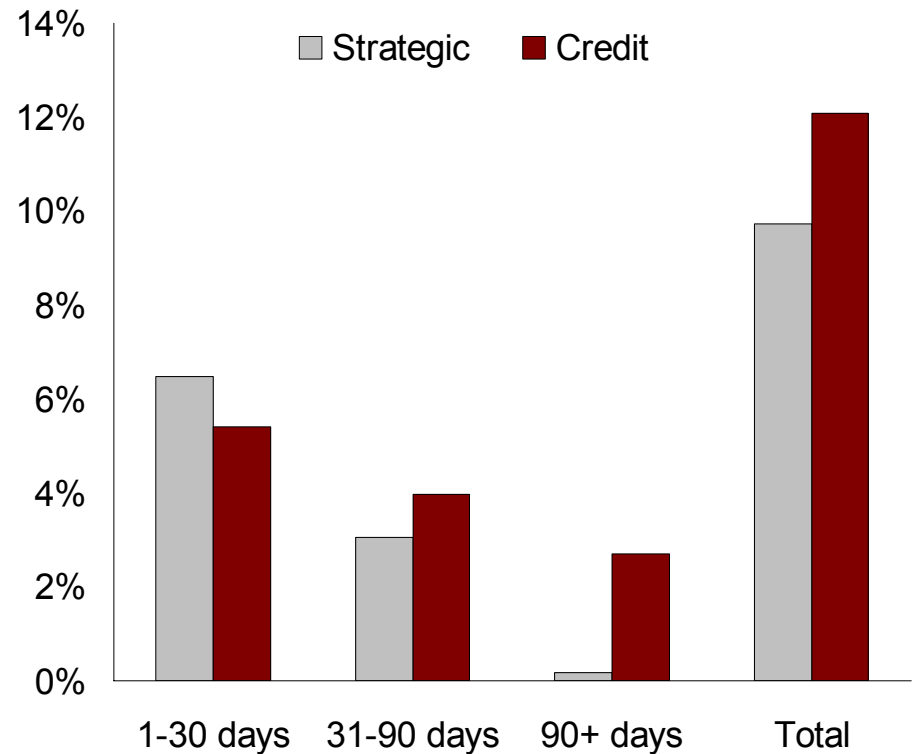


	Full-doc	Lo-doc	All
Value (\$m)	24,503	2,578	27,081
Number	162,366	13,129	174,465
Average LVR (at origination)	62.3%	58.0%	61.7%
Average seasoning (months)	49.9	41.5	44.4

Borrower characteristics

Borrower profile*	% of portfolio
Income > \$100k	82%
Net assets > \$500k	70%
Loan balances < \$250k	76%
Professional (by occupation)	60%

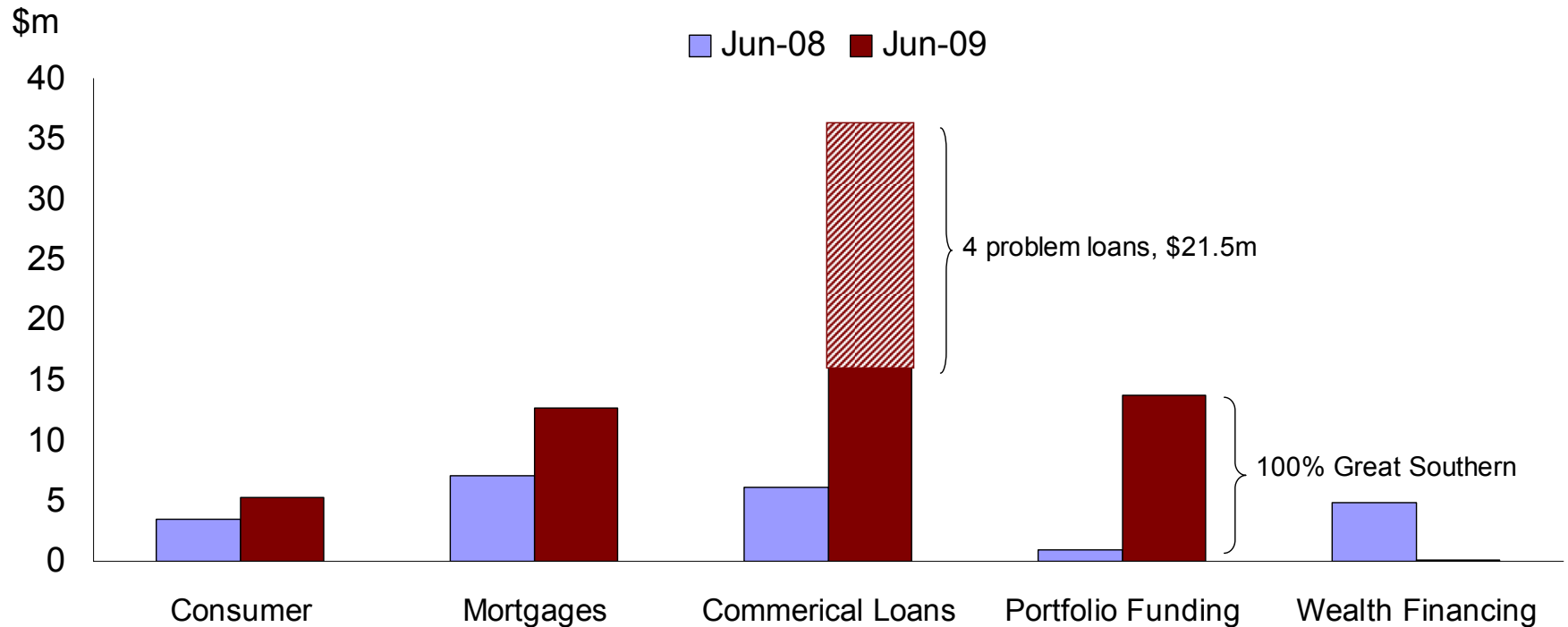
Strategic v credit arrears

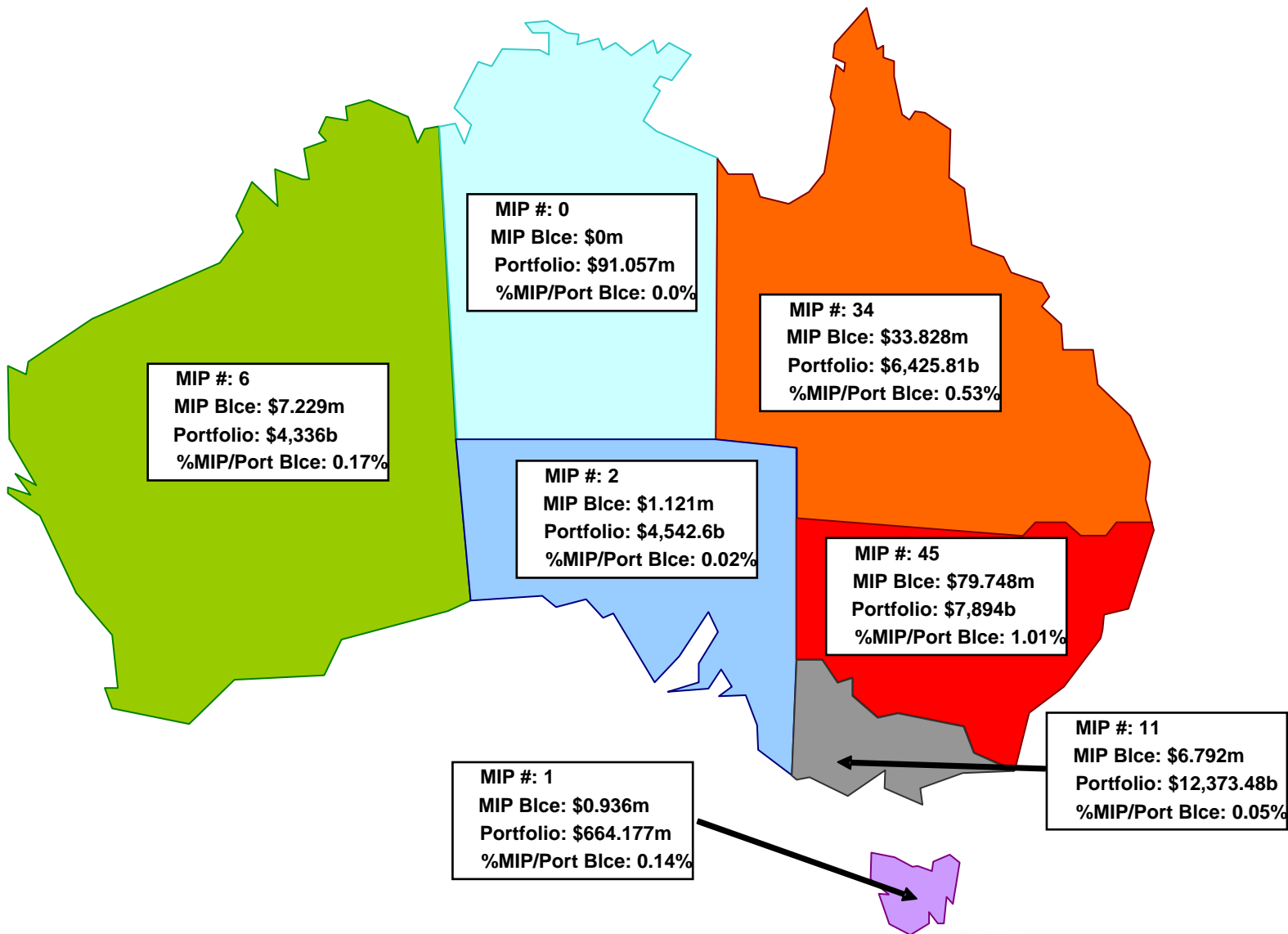


Great Southern



Specific provisions





MIP - Geographic distribution



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