

# Bendigo and Adelaide Bank

## 2010 full year results

August 9, 2010



incorporating



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Disclaimer



- Overview
- Financial performance
- Outlook

Mike Hirst

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Group Managing Director

Overview



## Our result

<b>Financial performance</b>	<ul style="list-style-type: none"><li>•Cash earnings \$291.0m</li><li>•Cash EPS 83.3¢</li><li>•Net profit after tax \$242.6m</li></ul>
<b>Growth</b>	<ul style="list-style-type: none"><li>•Retail deposits up by 18.1%</li><li>•Loans increased by 12.3%</li><li>•Total branches increased by 22</li></ul>
<b>Funding and liquidity</b>	<ul style="list-style-type: none"><li>•Issued \$3.6bn in RMBS since Dec-09</li><li>•88% retail funded, on balance sheet as at June-10</li><li>•11.23% liquids and 99% HQLA as at 30 June 2010</li></ul>
<b>Capital and dividends</b>	<ul style="list-style-type: none"><li>•Tier 1 ratio of 8.57%</li><li>•Full year dividends of 58.0¢</li></ul>

# A strongly diversified business

Business	Segment	Value proposition
 <b>Bendigo Bank</b>	Consumer and SME banking	<ul style="list-style-type: none"><li>•#1 customer advocacy with consistently high customer satisfaction</li><li>•Strong demand for <b>Community Bank®</b> business model</li><li>•Building momentum in asset and liability growth</li></ul>
 <b>Adelaide Bank</b>	Specialist mortgage provider	<ul style="list-style-type: none"><li>•Market values our offering</li><li>•Commissions restructured</li><li>•Reinvigorated by demand for RMBS</li></ul>
 <b>Leveraged Equities</b>	Margin lending	<ul style="list-style-type: none"><li>•Preferred independent margin lending partner</li><li>•Growing market share</li></ul>
 <b>RURAL BANK</b>	Agri-business banking	<ul style="list-style-type: none"><li>•Specialist lender with unparalleled local relationships</li><li>•Diversifying distribution and opportunity for growth</li></ul>
 <b>Sandhurst Trustees</b>	Wealth management, superannuation	<ul style="list-style-type: none"><li>•Potential benefits from regulatory and legislative changes</li><li>•Identifying opportunities to expand involvement in sector</li></ul>

# Our platform for growth

## Business

## Opportunity



- Scale, scope and reach in a relatively immature network
- Customer satisfaction and advocacy – people want to do business with us
- Significant investment in business banking and customer relationship systems



- Restructured commissions
- Genuine desire for non-major funding alternative
- Significant platform and processing investment underway



- Growing market share
- Opportunities tied to equity market sentiment and volatility



- Seasonal conditions improving
- Global food and fibre shortage underpinning profitability of sector
- Opportunity to broaden distribution network



- Industry continues to evolve and develop
- New equity stake in independent investment platform

# The future...

- Focus on growth, funding and efficiency
- Investments driving revenue generation
  - Retail customer relationship system
  - Business banking expansion
  - Third Party banking platform
  - Developing strategy in wealth
- Opportunistic approach to M&A

Richard Fennell

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Chief Financial Officer

Financial performance



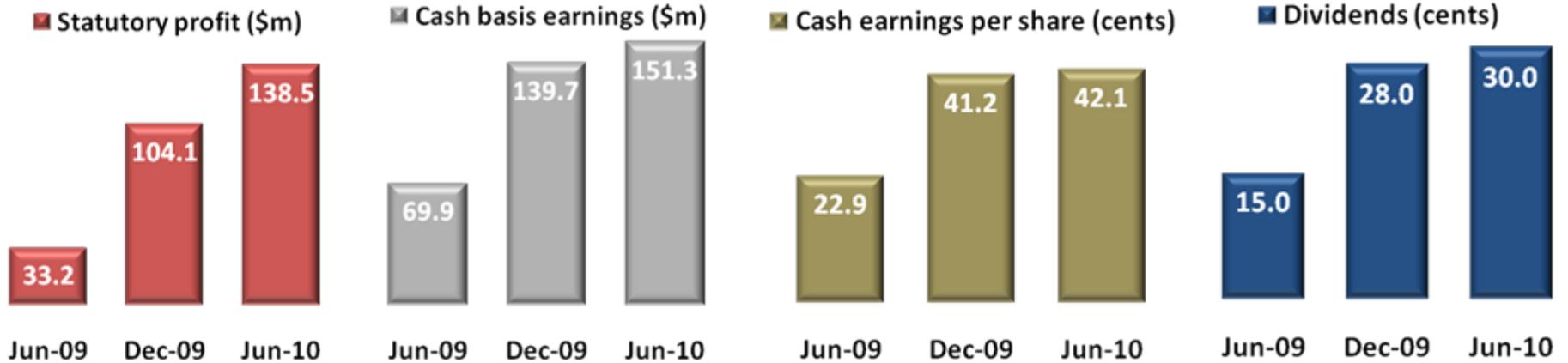
\$m	FY June 2009	FY June 2010	% change (pcp)
Cash EPS	62.9¢	83.3¢	32.4%
Cash earnings	182.2	291.0	59.7%
Net profit after tax	83.8	242.6	189.5%
Dividend per share*	43.0¢	58.0¢	34.9%

## Financial performance



\*includes 28 cents per share dividend in 1<sup>st</sup> half for FY10

# Group performance



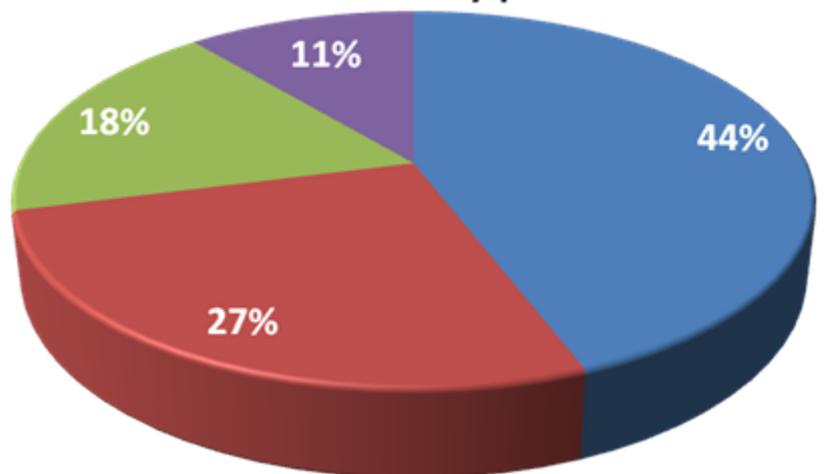
## Financial performance



# Contribution by business units

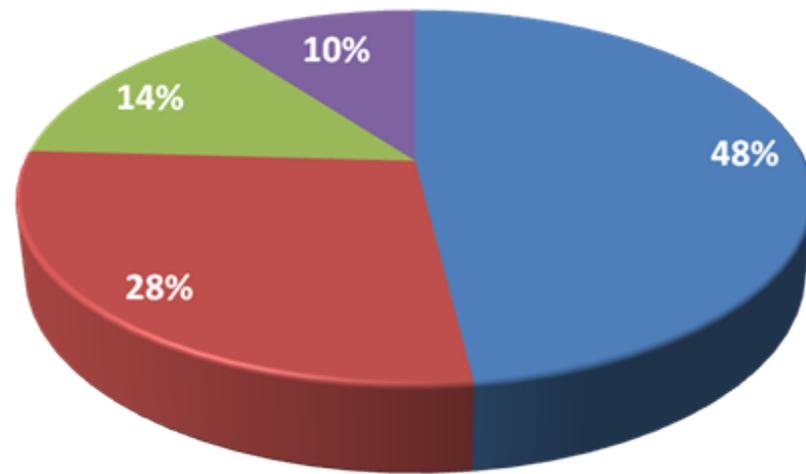
- Merger complete
- Merger rationale proven during GFC
- Profit contribution well diversified

### Contribution by profit



■ Retail ■ 3rd party ■ Wealth ■ Rural Bank

### Contribution by revenue

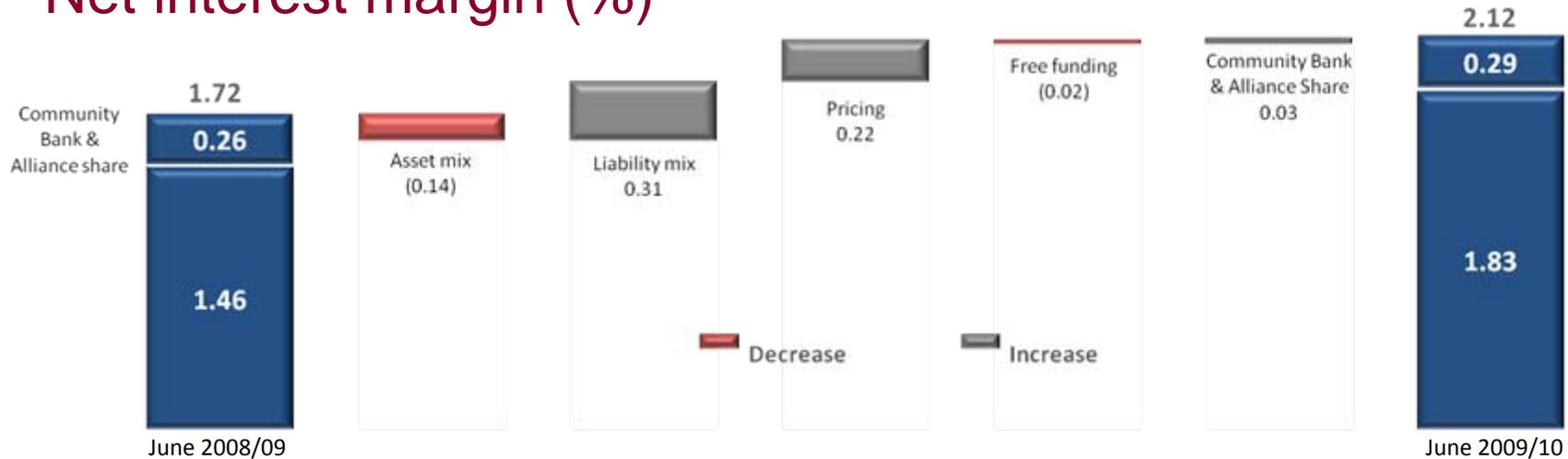


■ Retail ■ 3rd party ■ Wealth ■ Rural Bank

Financial performance



# Net interest margin (%)



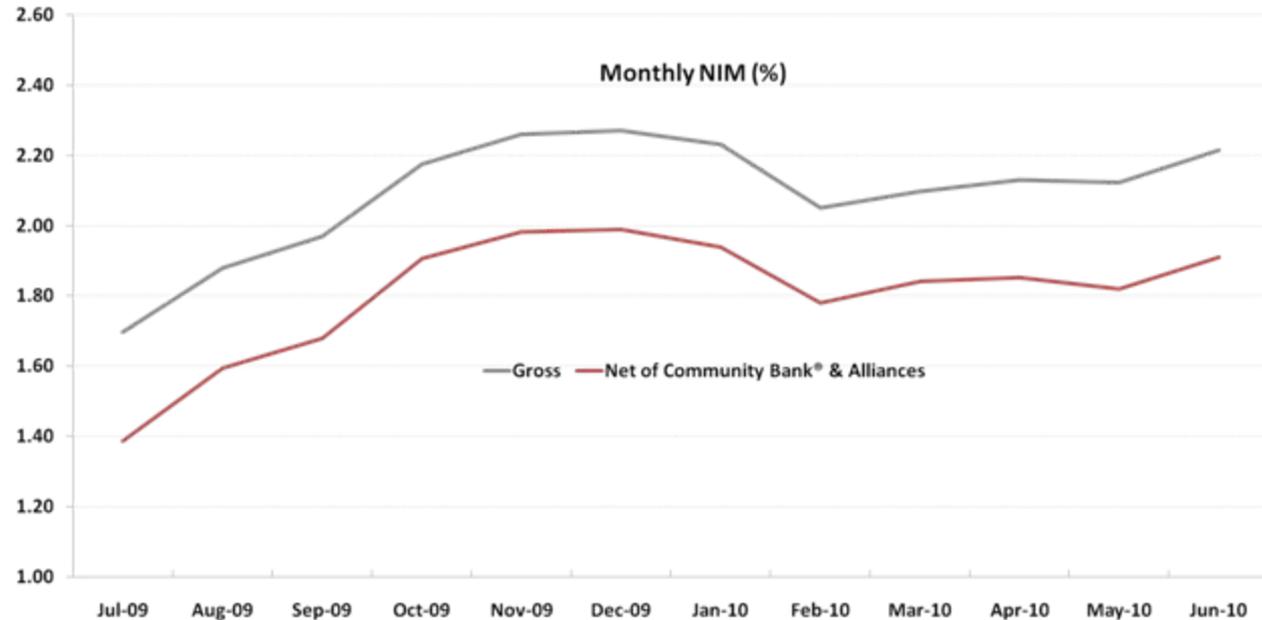
Key segments	Drivers of change
Asset mix	Faster growth in mortgages
Liability mix	Continued growth in core and term deposits, while securitisation and warehouse portfolios amortise
Pricing	Expensive term deposits have matured at better margins

## Financial performance



# Net interest margin

- Delivered predicted improvement in NIM
- Diligent and prudent pricing – particularly in TD market
- Current NIM run-rate of 2.21 per cent gross, and 1.91 per cent net of **Community Bank<sup>®</sup>** and Alliances

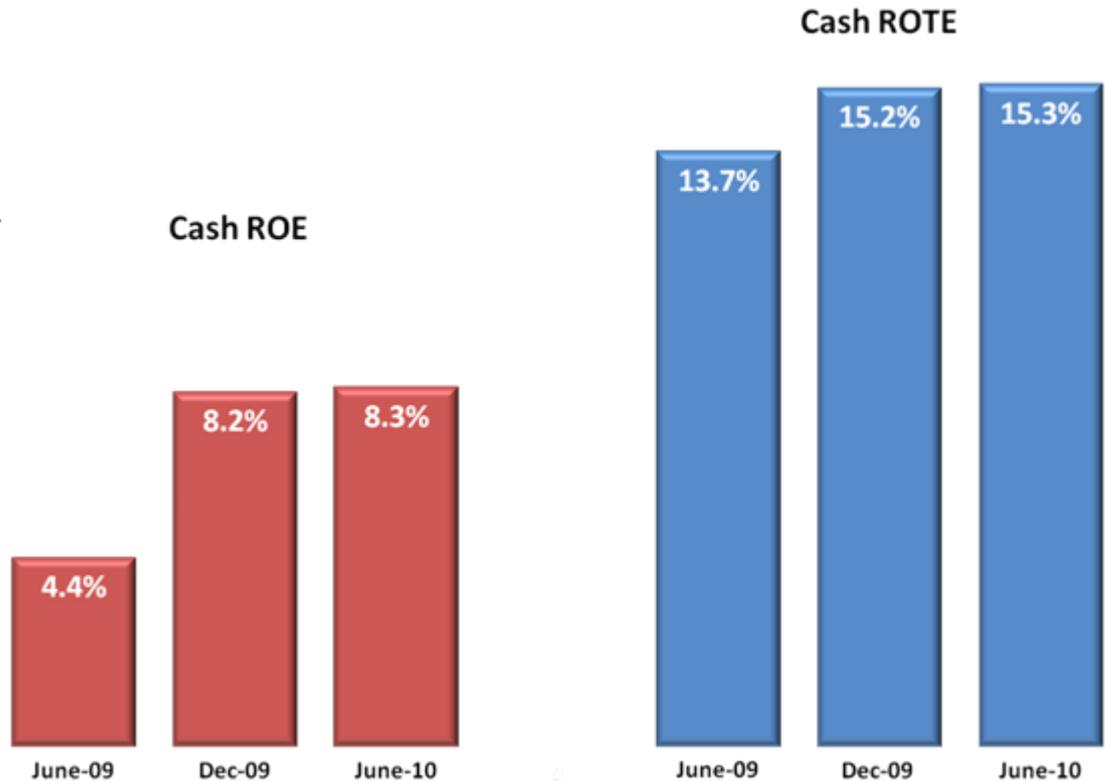


Financial performance



# Return on equity

- Significant ROE improvement over prior corresponding period
- Forward looking ROE improvement target of circa 1 per cent p.a.
- Goodwill tested – no impairment



## Financial performance

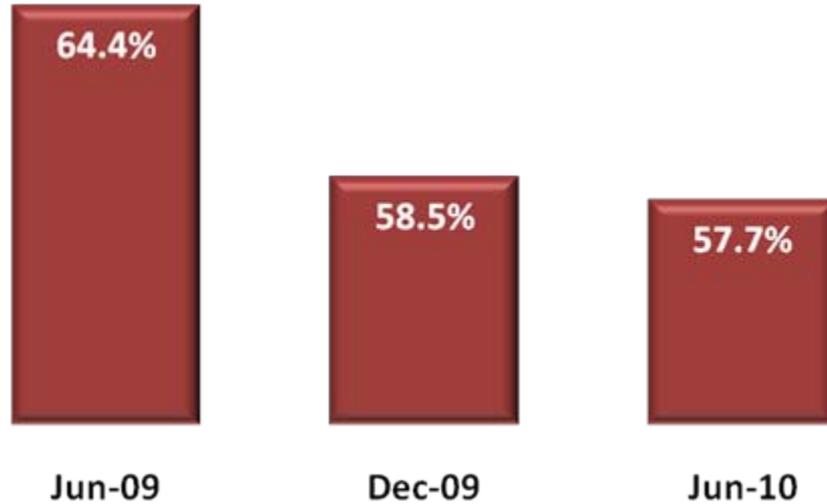


Figures are for six-monthly reporting periods

Return on Equity (ROE) is the net income returned as a percentage of shareholders equity

Return on tangible equity (ROTE) is the net income returned as a percentage of shareholders equity excluding intangible assets such as goodwill

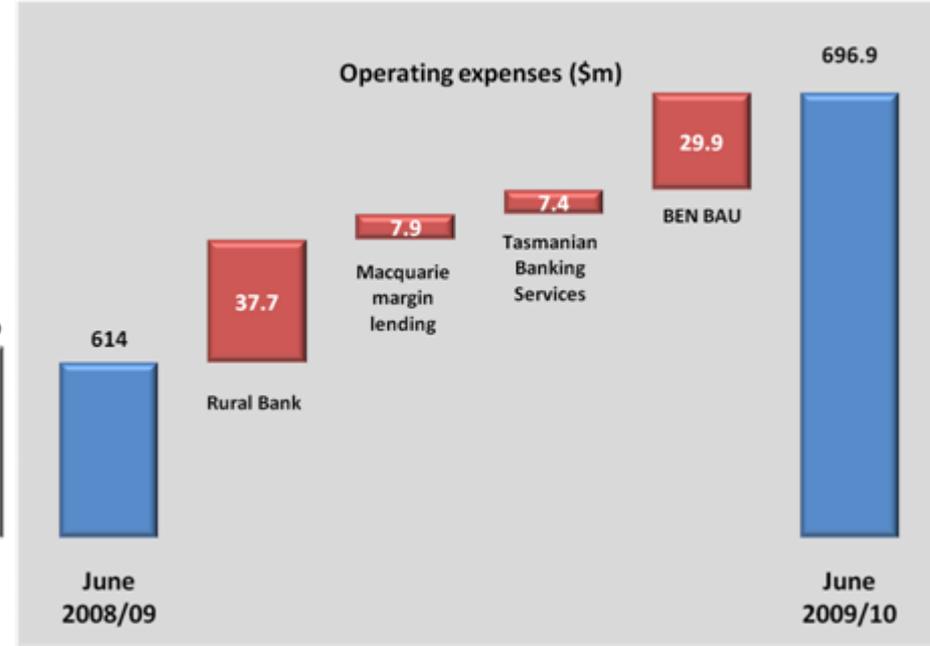
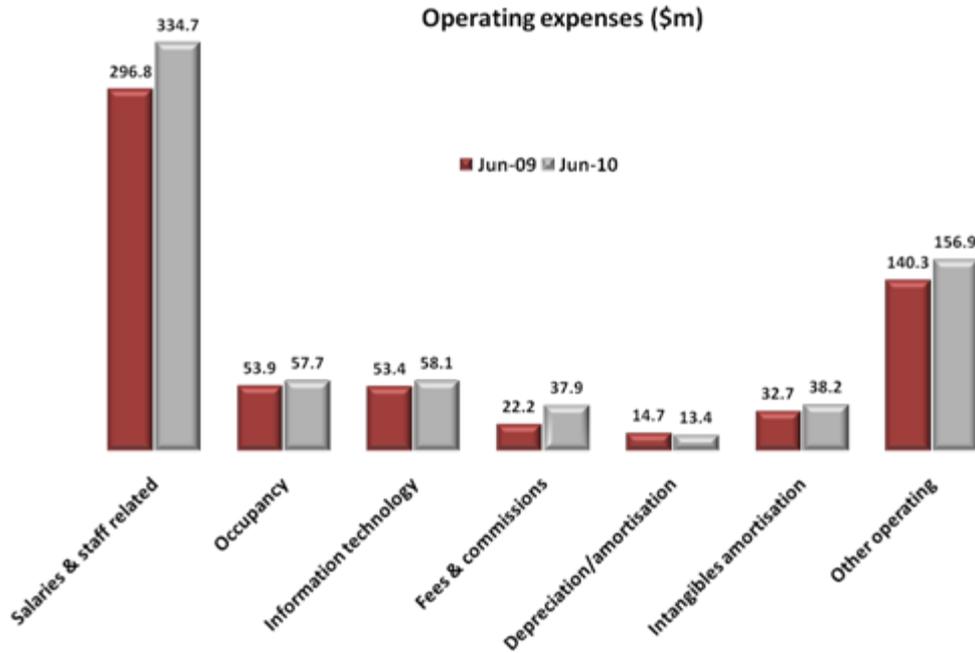
# Cost to income



- Revenue driving ratio improvement
- Capacity retained within the network
- Technology value review during FY11
- Improvement in second half offset by:
  - Award staff pay increase in Dec-09
  - Margin lending portfolio
  - Change in collective provision calculation

Financial performance

# Operating expenses

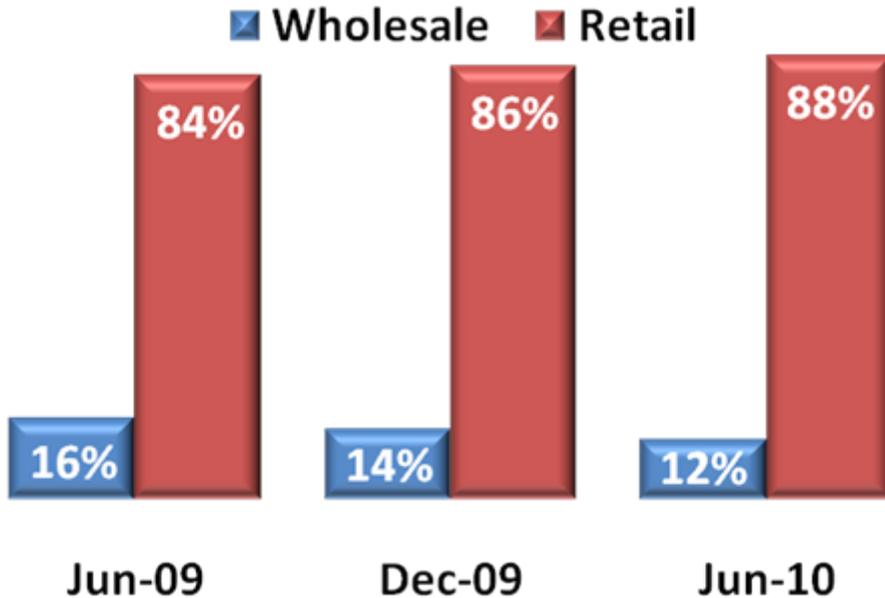


- BEN BAU (business as usual) predominately staff pay rise and bonus accrual

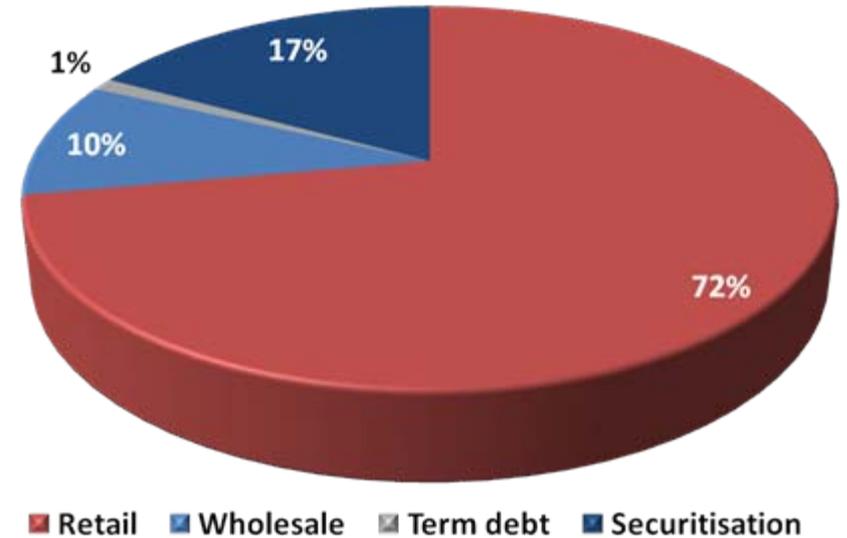
## Financial performance



## On balance sheet funding



## Total funding

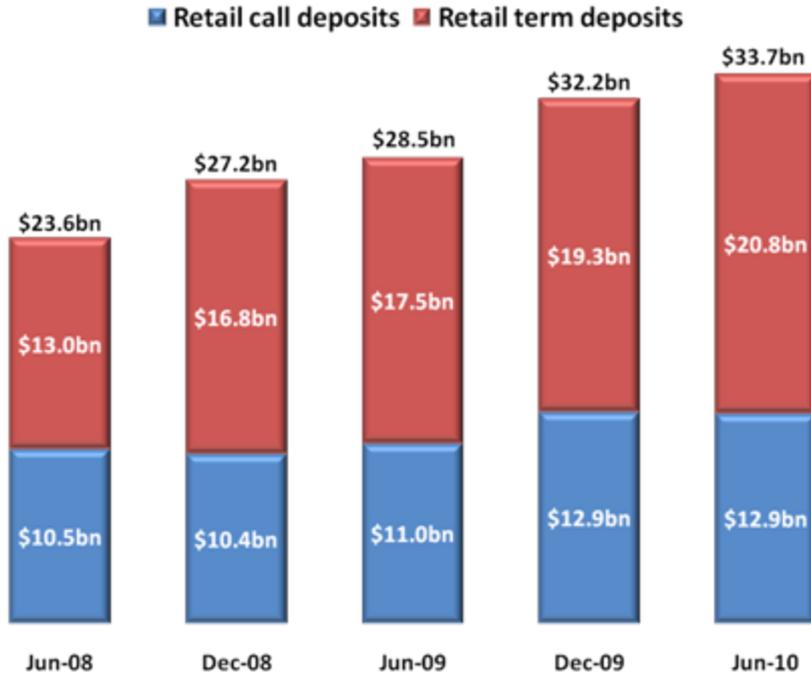


- Low-risk funding base
- Cost and volume of securitisation funding improving
- Net stable funding ratio exceeds minimum

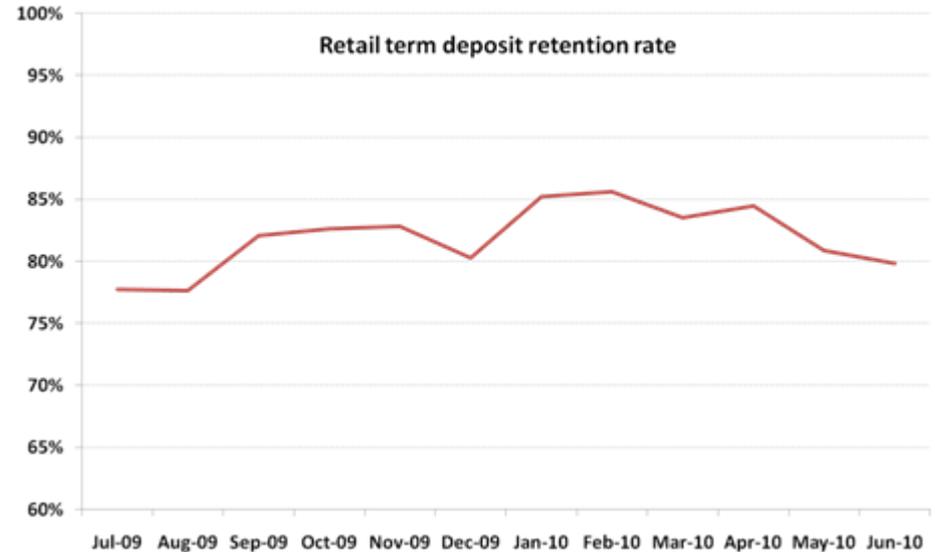
Financial performance



# Retail deposits



- Term deposits priced to manage liquidity
- Successful growth and retention strategies in place
- Not a price leader – leveraging brand and customer satisfaction metrics



Financial performance



# Capital

	June 09	Dec 09	June 10	June 10 pro forma*
Tier 1	7.43%	8.95%	8.57%	10.44%
Tier 2	3.48%	3.02%	2.60%	3.16%
Total Capital	10.91%	11.97%	11.17%	13.60%

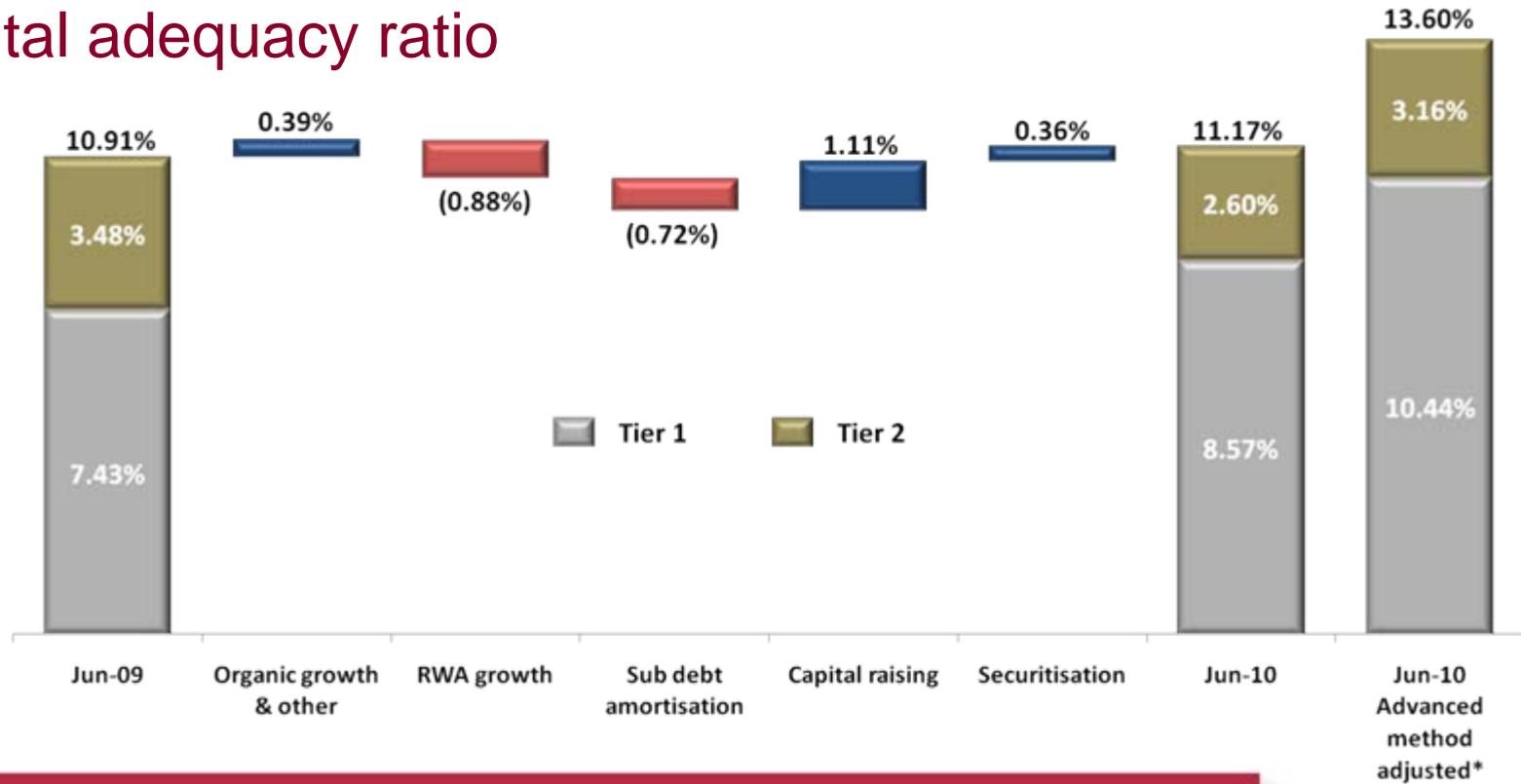
- Conservative capital levels provide substantial flexibility
- Total capital increased from 10.91 per cent to 11.17 per cent
- Tier 1 capital 8.57 per cent
- Substantial Tier 2 headroom and opportunity for improved capital efficiency

## Financial performance



\*Illustrates the potential impact of Bendigo and Adelaide Bank using the advanced approach under Basel II. This would result in an assumed reduction in risk weightings for residential mortgages to 20 per cent from 40 per cent under standardised approach

# Capital adequacy ratio

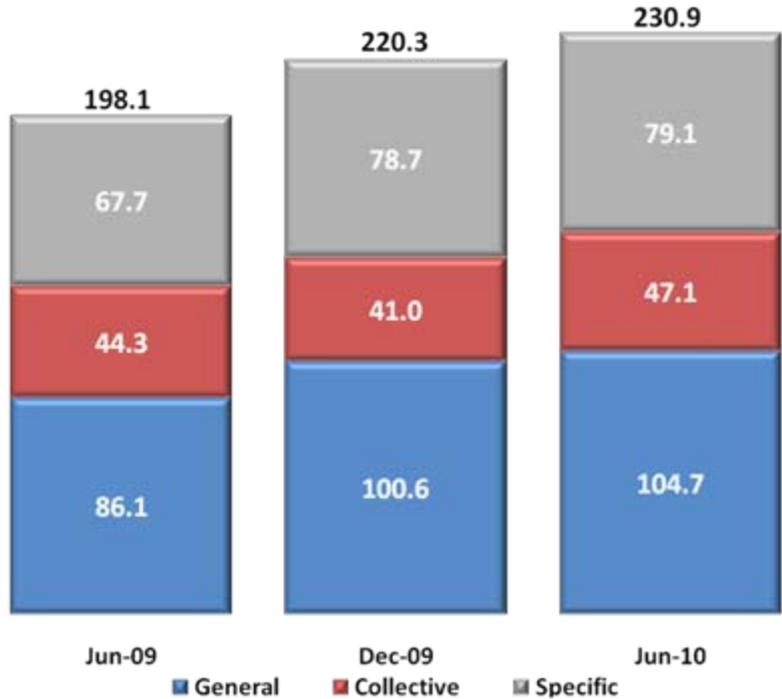


## Financial performance



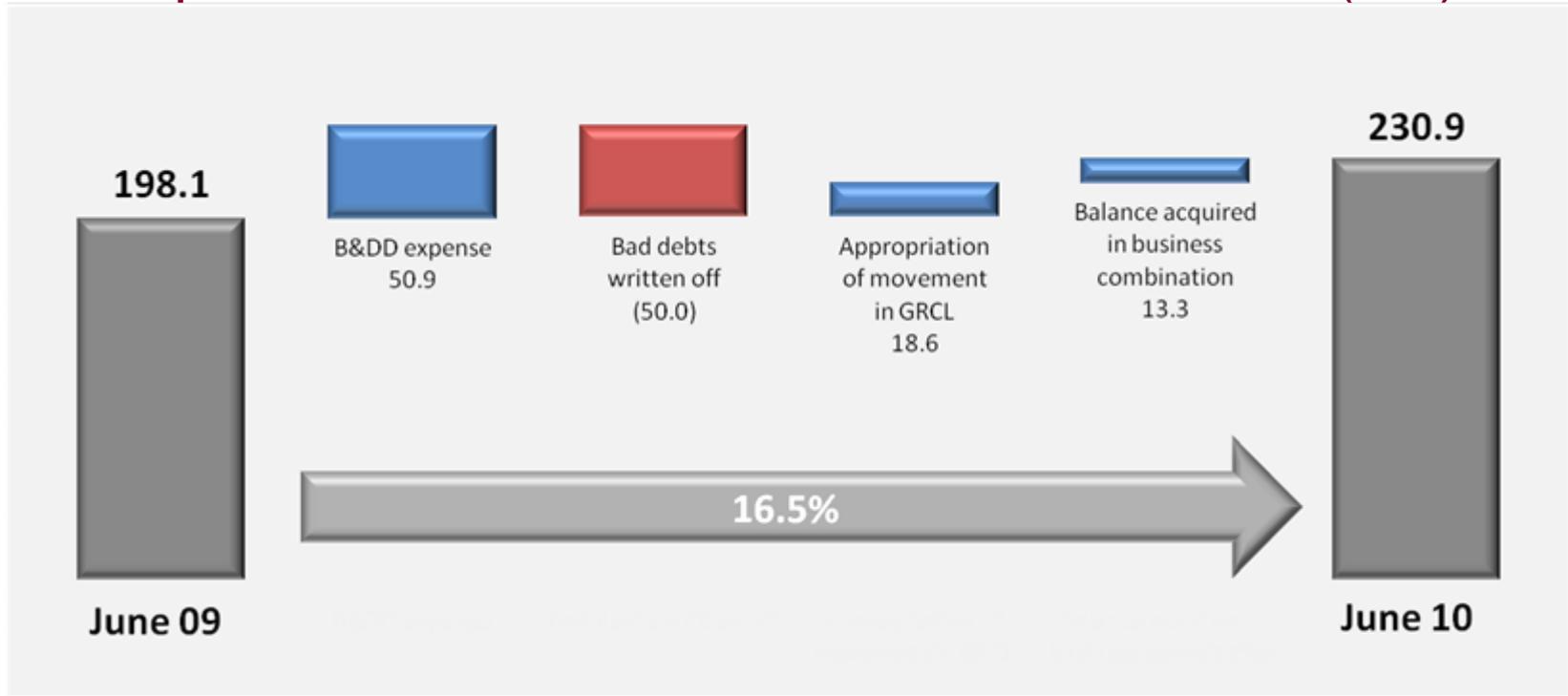
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# Total provisions and reserves for doubtful debts (\$m)



- Total provisions increased \$14.2 million over the past 12 months
- \$13.3m of these provisions were acquired through the business combination with Rural Bank
- Increase from June-09 largely reflects loan growth
- Great Southern represents \$25.4m of total provisions (\$13.1m collective, \$12.3m specific)

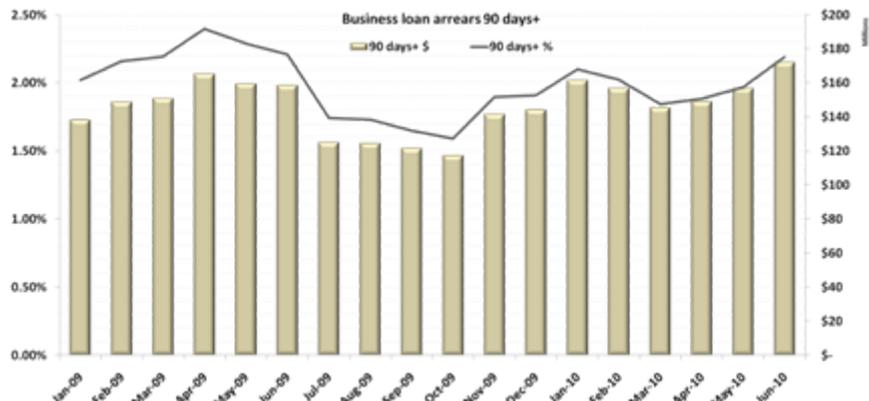
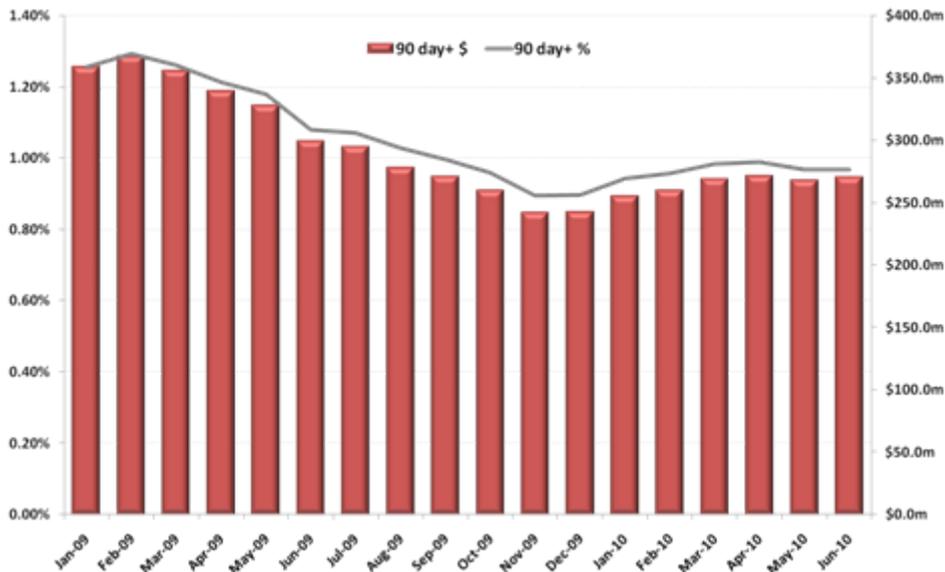
# Total provisions and reserves for doubtful debts (\$m)



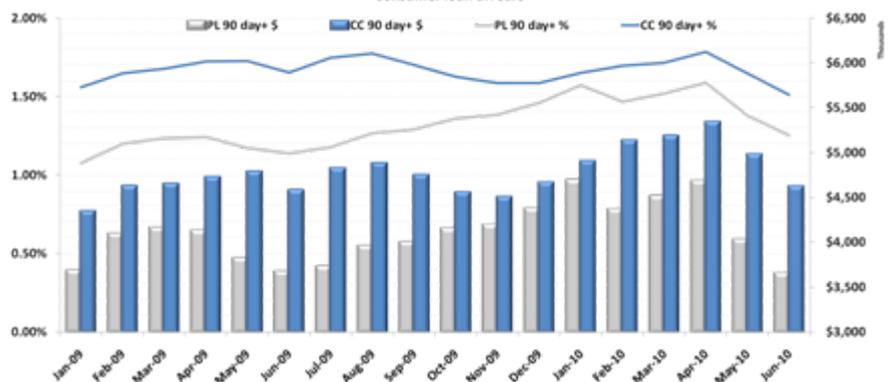
Financial performance - credit

# Arrears performance

Residential loans - 90 days+ arrears



Consumer loan arrears



## Financial performance - credit



Mike Hirst

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Group Managing Director

Outlook



# Our point of difference

Attribute	Measure
Customer advocacy	World class Net Promoter Score of +37 (April 2010) <sup>1</sup> , Highest customer advocacy of any Australian bank 31% open advocates of Bank <sup>2</sup> #1 for everyday accounts, loans and credit cards <sup>9</sup>
Customer satisfaction	Leading Australian bank in customer satisfaction <sup>3</sup>
Trust	#1 Australian bank <sup>4</sup>
Brand	Top 20 brand in Australia <sup>5</sup>
Corporate responsibility	#1 of Australian listed companies <sup>6</sup>
Sustainability	World's Top 10 sustainable listed companies <sup>7</sup>
Unprompted awareness	34% nationally <sup>2</sup>
Business customer satisfaction	Leading Australian bank with 84.5% satisfaction <sup>8</sup>

- Our group and business unit brands are strongly differentiated
- The group enjoys high levels of customer, shareholder and community trust and advocacy

## Outlook



# A better banking experience

Rank	Personal loan 4U
1	Bendigo and Adelaide
2	Suncorp
3	ANZ
4	NAB

Rank	Cards 4U
1	Bendigo and Adelaide
2	Bankwest
3	NAB
4	Citbank

Rank	Transaction 4U
1	Bendigo and Adelaide
2	Bankwest
3	Suncorp
4	ANZ

Rank	Mortgage 4U
1	ME Bank
2	Bendigo and Adelaide
3	ING Direct
4	Suncorp

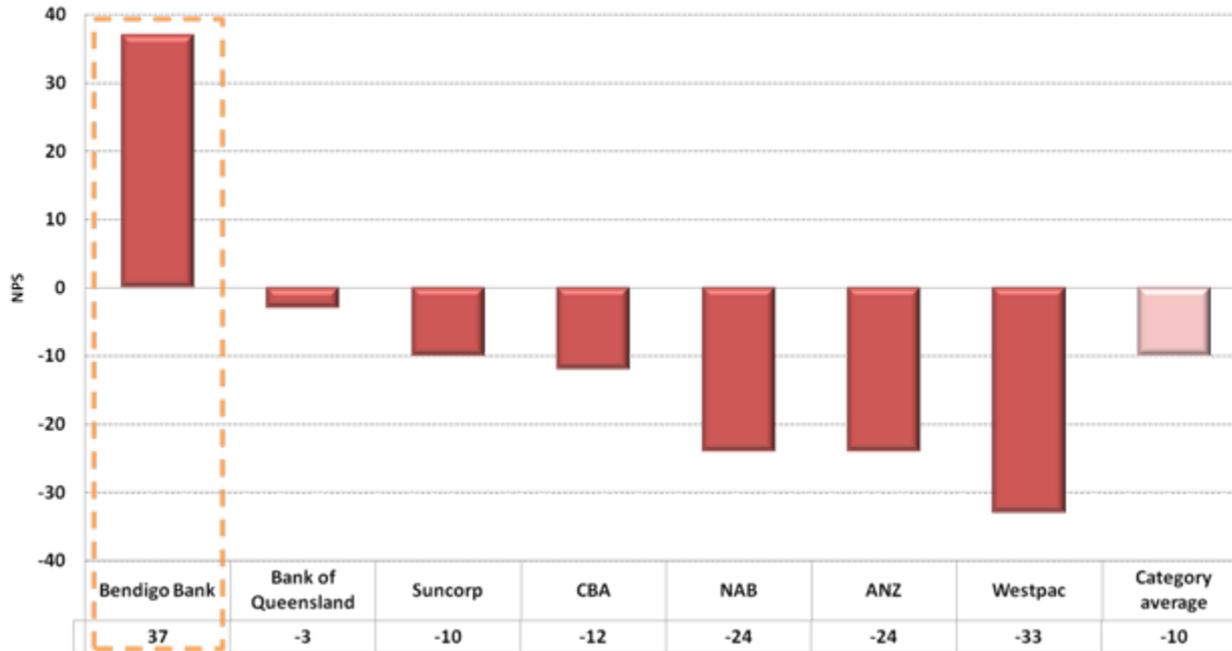
Rank	Savings 4U
1	ING Direct
2	UBank
3	Bendigo and Adelaide
4	NAB

## Outlook



# Our point of difference

Net Promoter Scores® for Australian Banks



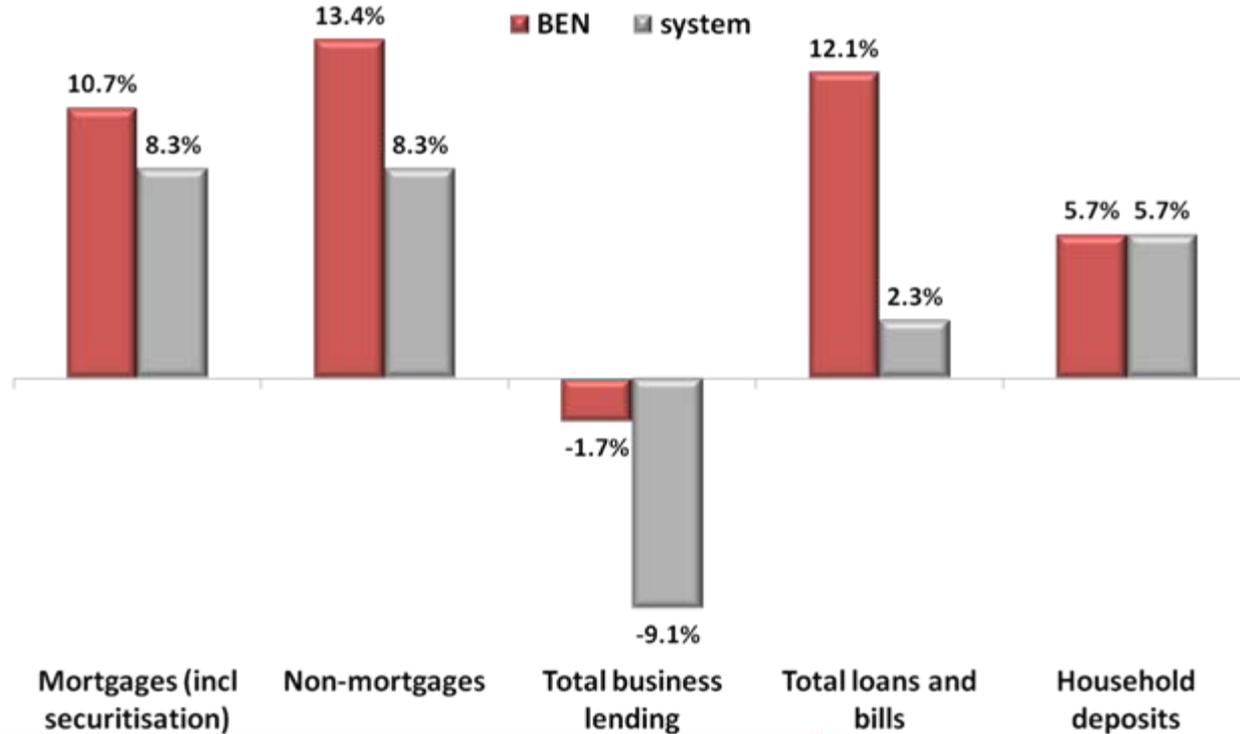
- Materially better NPS than peers
- This provides tangible benefits, pricing, scale, retention and attraction of customers

## Outlook



# Strong momentum in the business

- Leveraging conservative funding and capital platform
- Customer demand for service and brand appreciation is strong



## Outlook

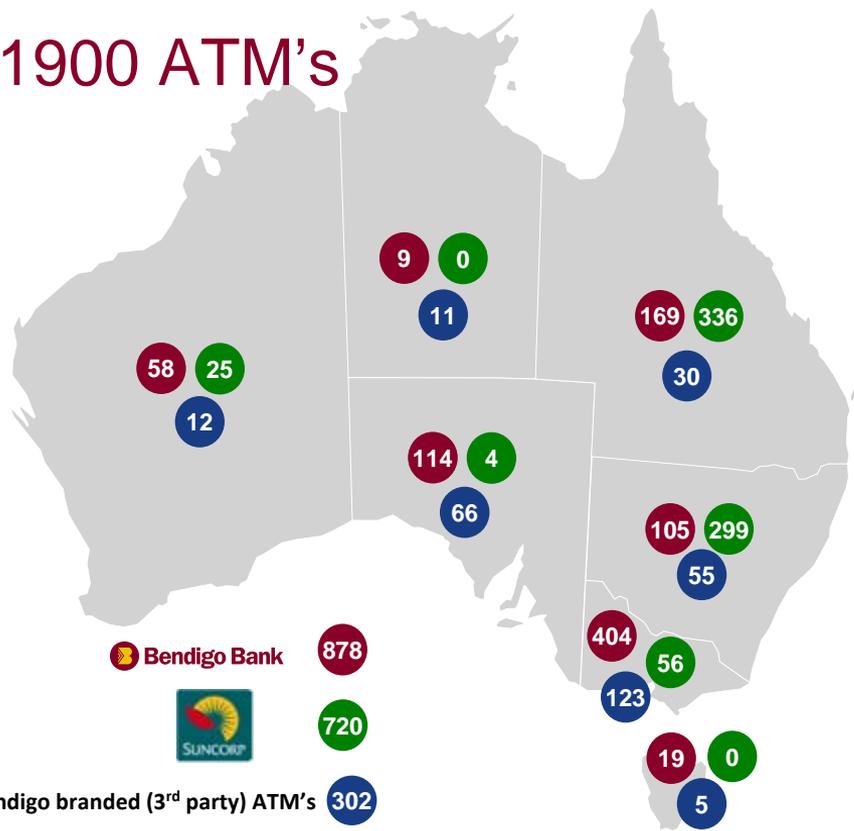


## A final word....

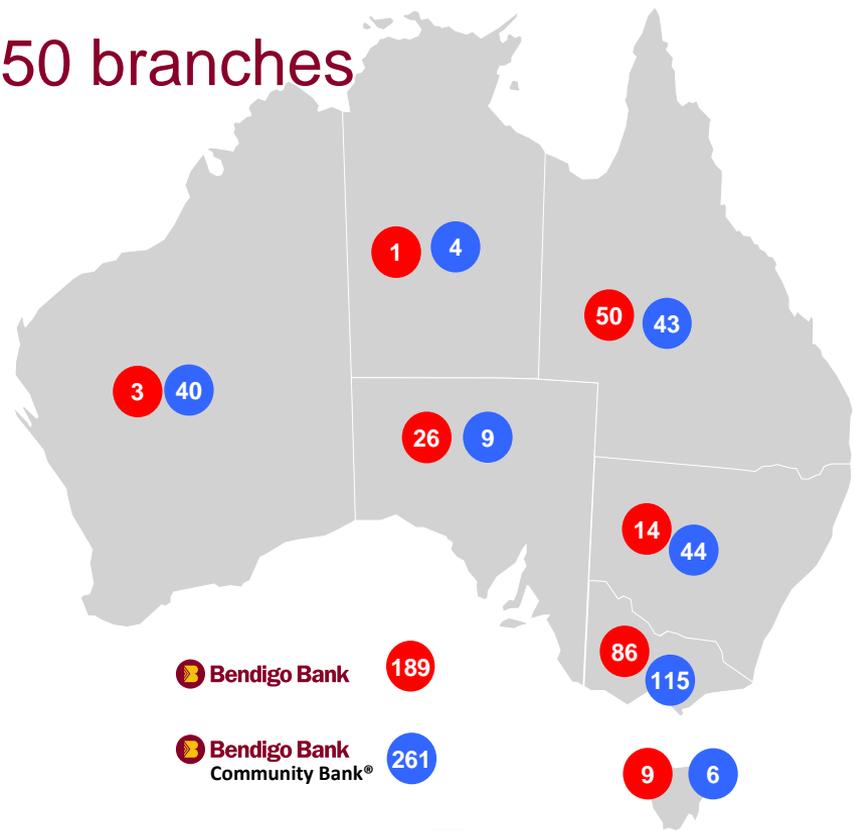
- Significant organic growth opportunity
- Proven M&A capability
- Capital flexibility
- Volatility and uncertainty expected to continue
- Funding, pricing and equity markets the key swing factors

# Appendices

# 1900 ATM's



# 450 branches



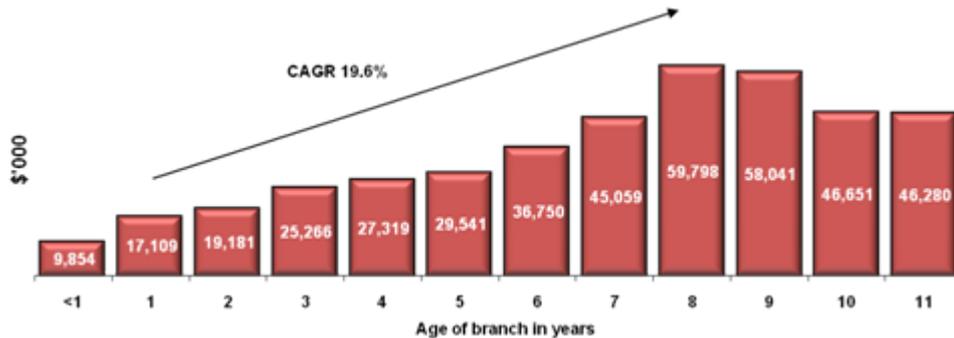
## Geographic spread



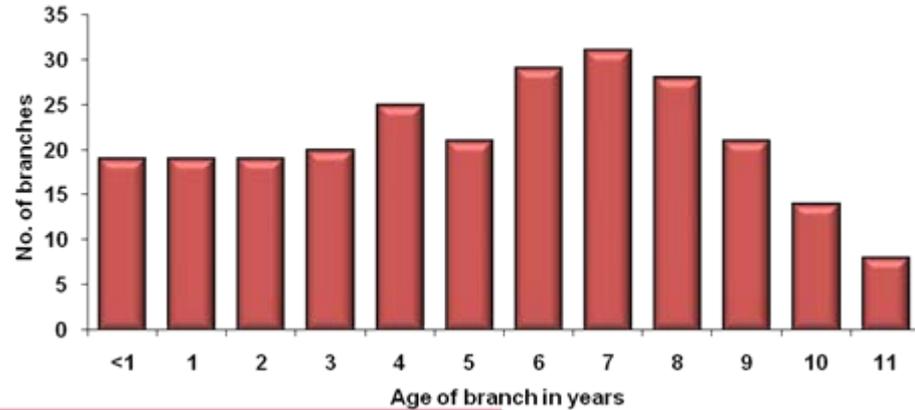
# Systematic growth in retail

- 22 branches opened in FY2010
- 20+ branches to be opened in FY2011
- Relatively immature network

Deposits per Community Bank® branches



Community Bank® branches by age

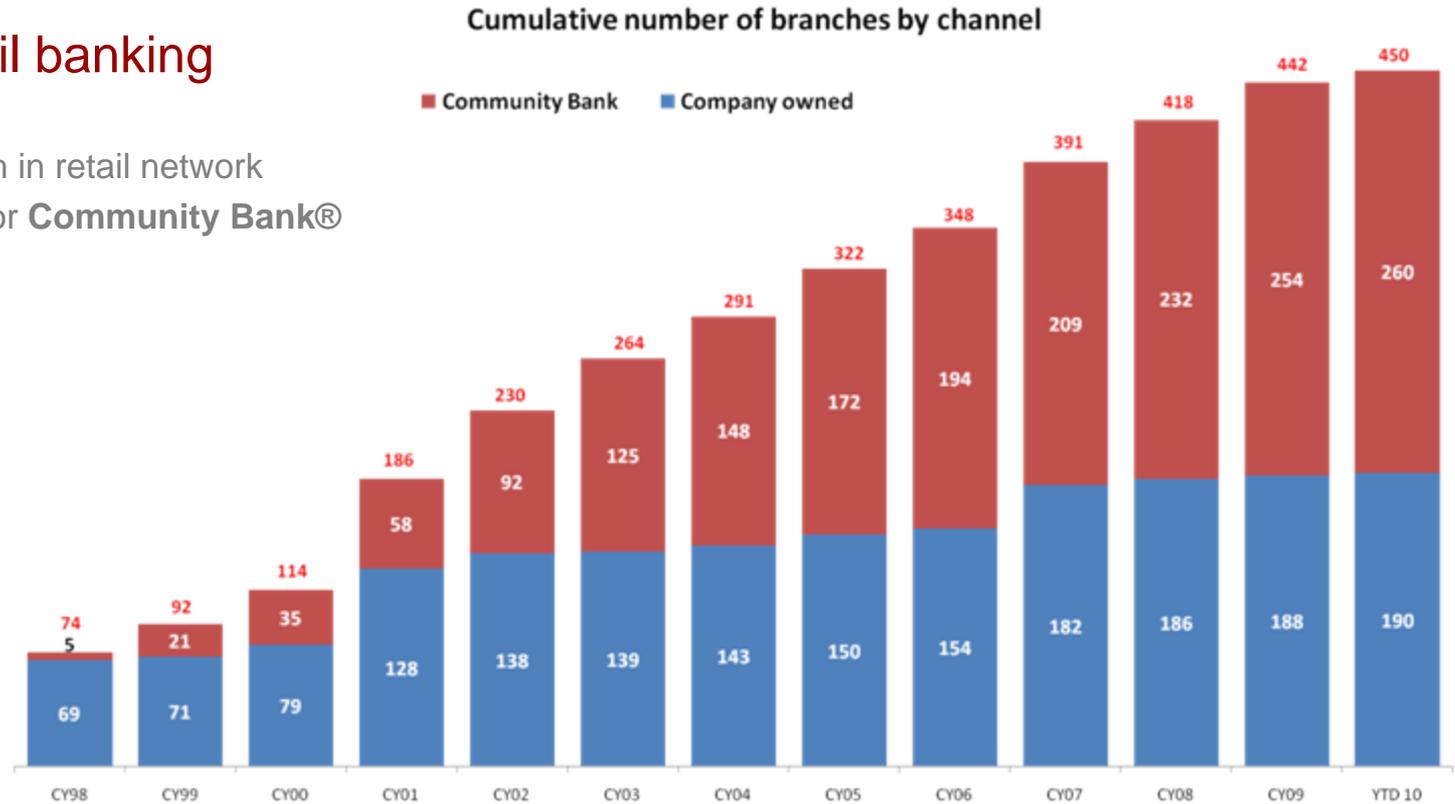


## Community Bank® and retail



# Growth – retail banking

- Continued growth in retail network
- Strong pipeline for **Community Bank®** branches.

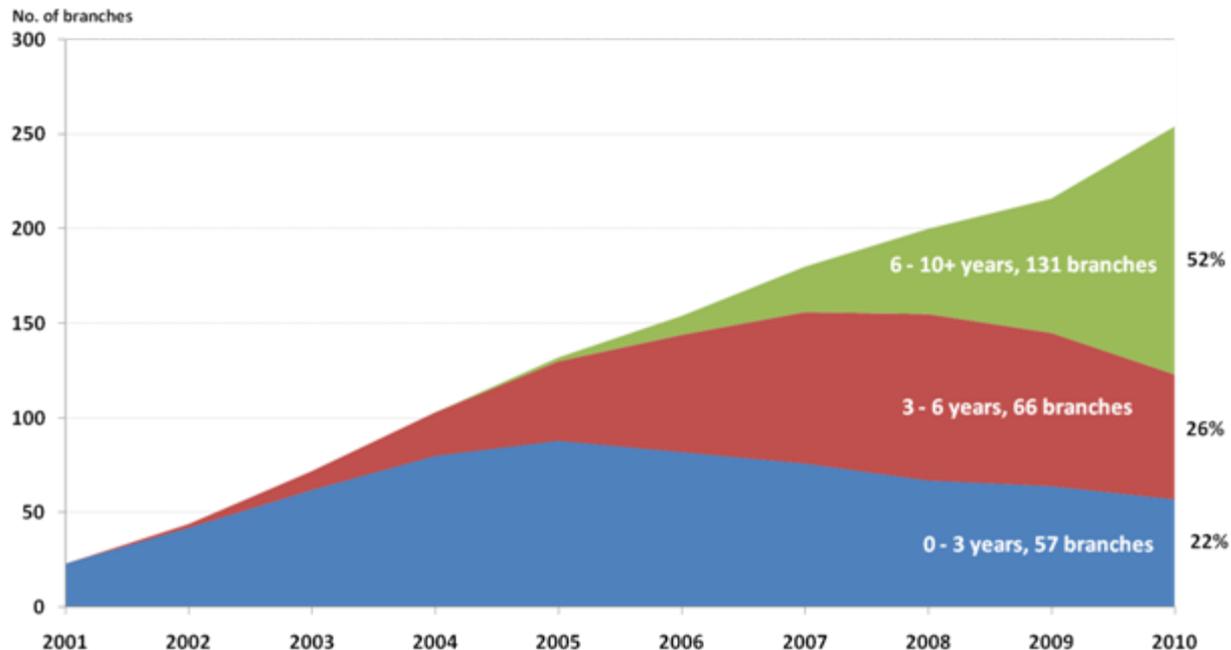


Retail banking



## Growth – retail banking

- Still a relatively immature branch network
- Growth expected in both liabilities and assets
- Plan to grow by 20+ branches in the coming financial year
- **Community Bank®** model proven through the GFC
- Footings maturity achieved post six years

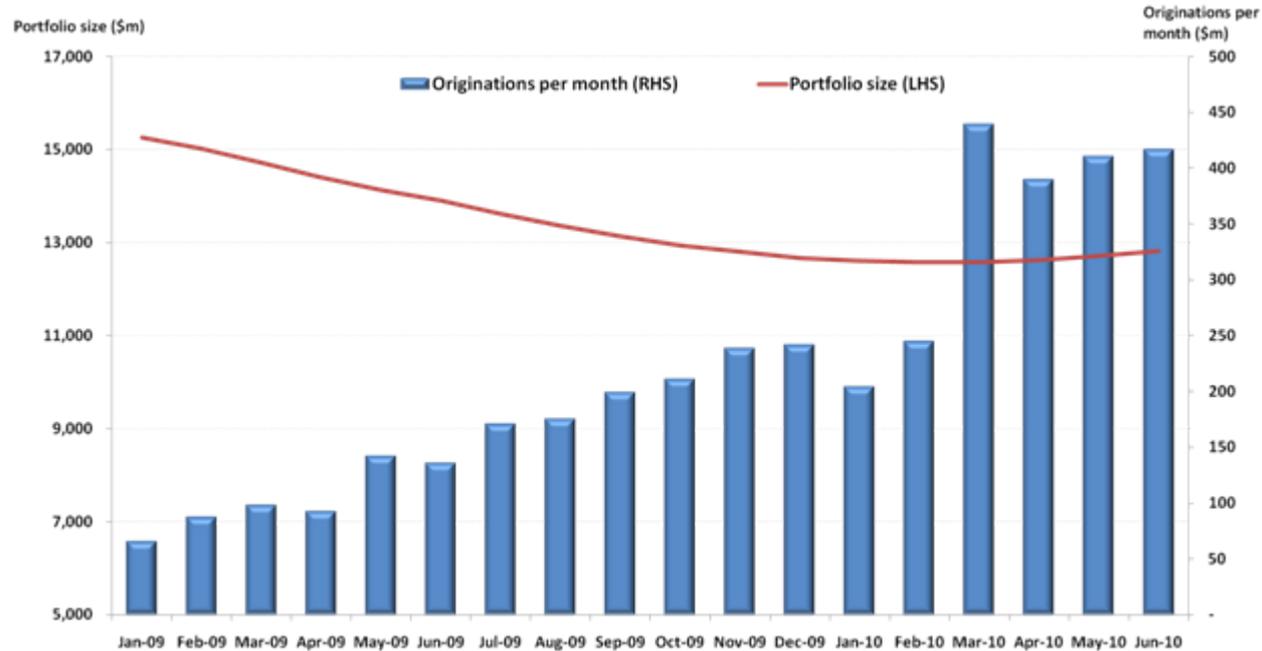


Retail network maturity



# Opportunities in Third-Party Banking

- Partners welcome a genuine funding alternative
- Variable cost base
- Commissions have been adjusted

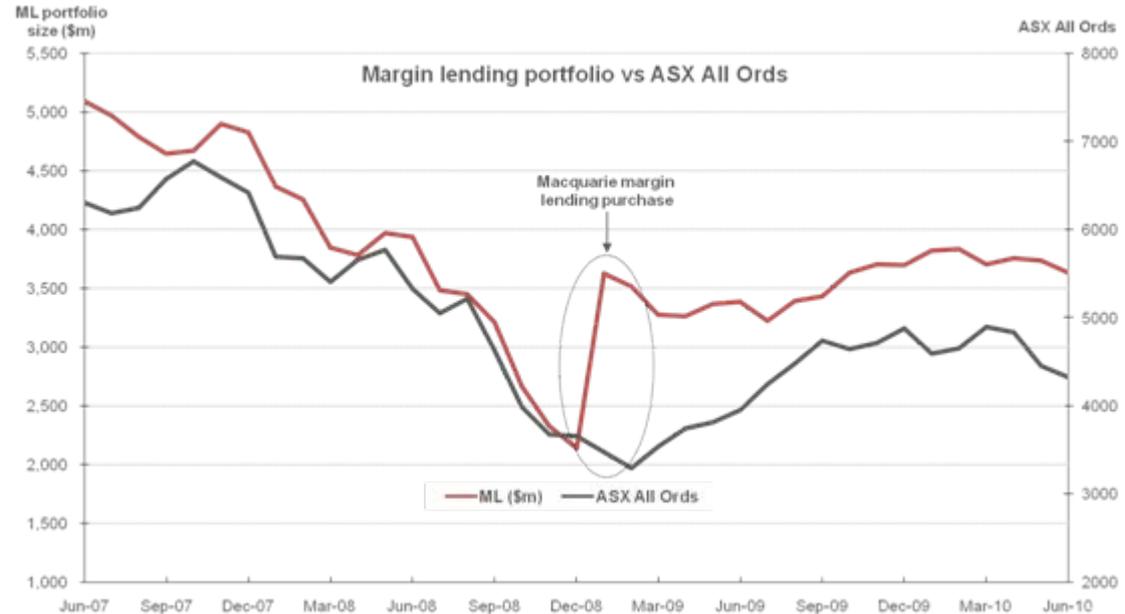


Growth



# 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
- Market share increased to 19.3%\*

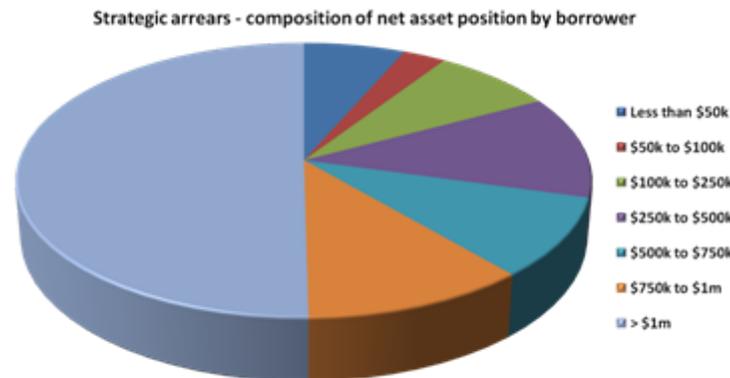
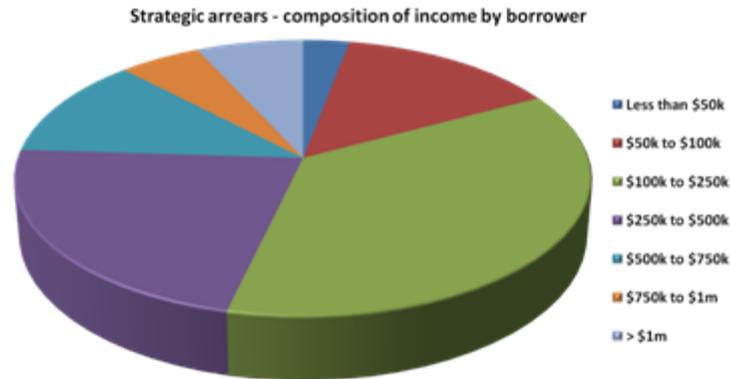
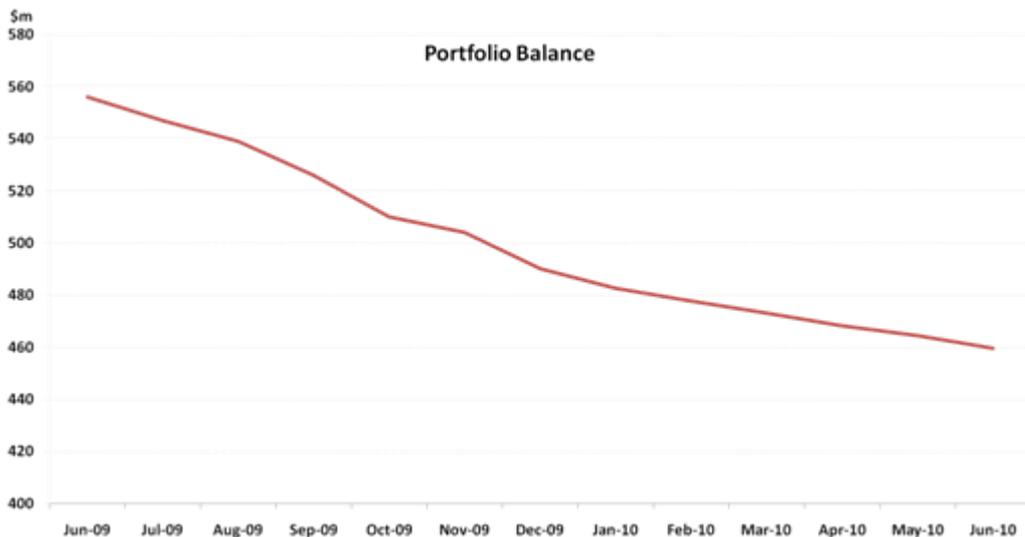


Growth



# Towards a resolution

- Class action launched and welcomed
- Nine test cases launched against defaulting borrowers, more to come

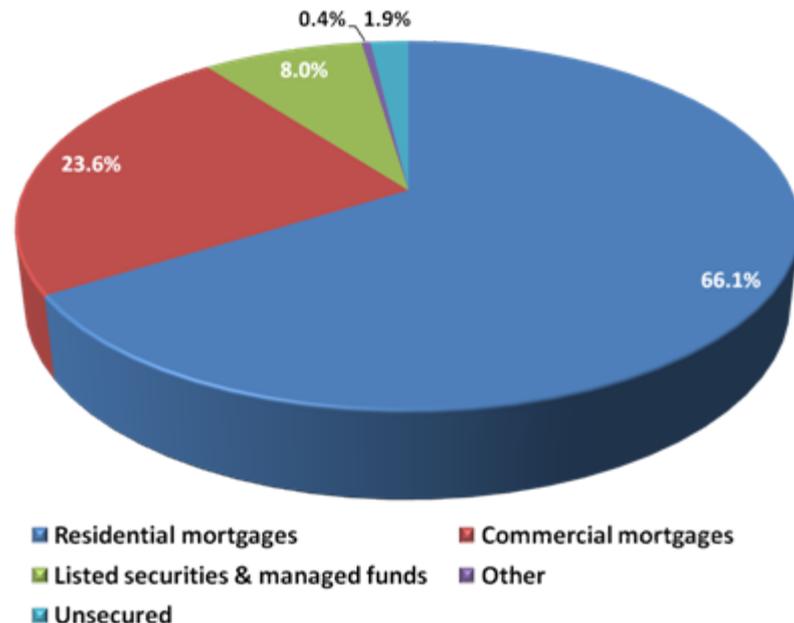


Great Southern

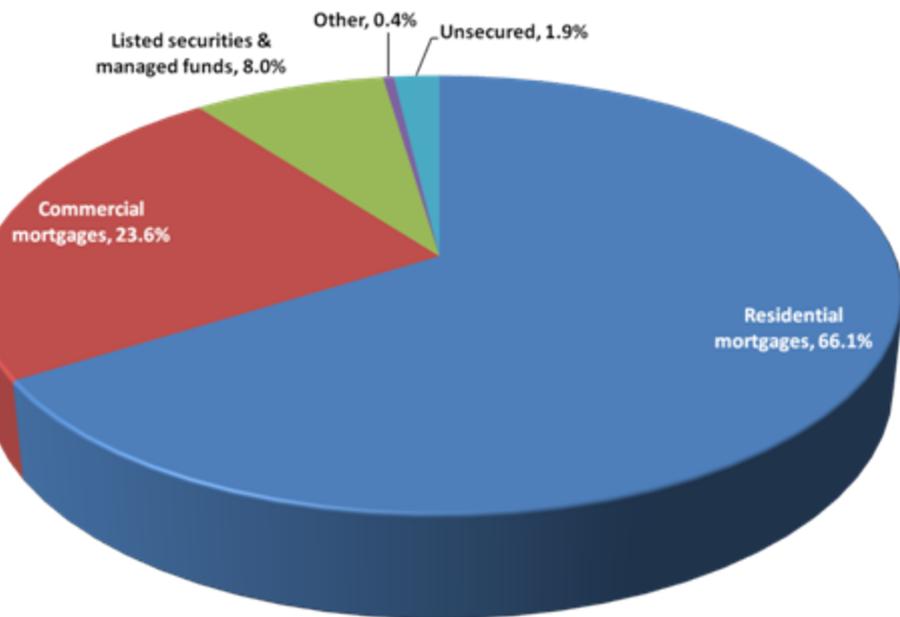


# Secure and low risk group loan portfolio

- 99.6% secured
- 89.7% secured by residential mortgages and listed securities
- Commercial mortgage increase over prior corresponding period due to Rural Bank
- Residential lending
  - improvement in arrears observed in FY09 continued
  - average LVR 62%\*
- Margin lending
  - average LVR 44%
  - 84% of portfolios held  $\geq 4$  stocks
  - negligible arrears



# Group exposures – total \$43.7bn

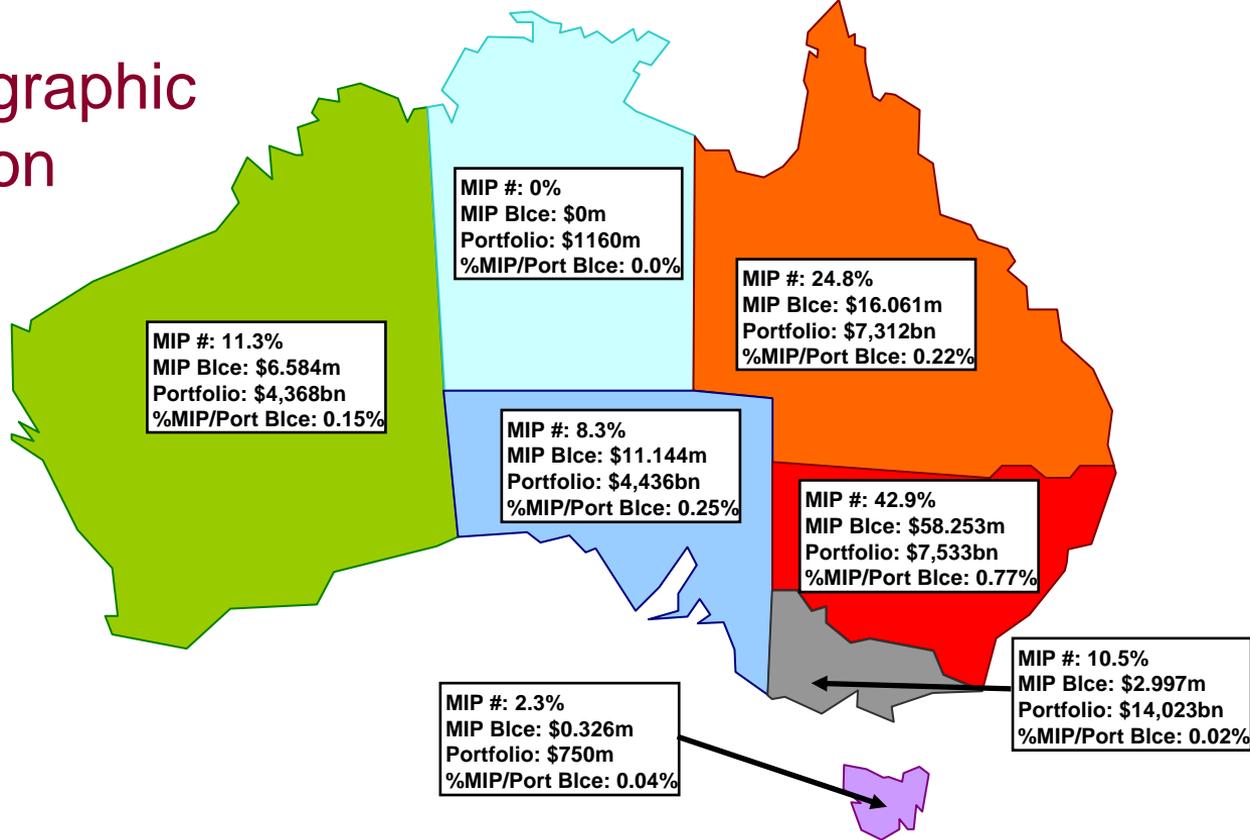


Mortgages	Jun-10	Dec 09
Owner occupied	69.4%	64.1%
Investment	30.6%	35.9%
Lo Doc	6.0%	7.8%
Retail mortgages	52.9%	53.2%
Third Party mortgages	47.1%	46.8%
Mortgages with LMI	40.5%	39.0%
Mortgages without LMI	59.5%	61.0%
Average loan balance	\$157k	\$143k
90+ days past due	0.8%	0.9%
Impaired loans	0.1%	0.1%
Specific provisions	0.03%	0.03%
Loss rate	0.01%	0.02%

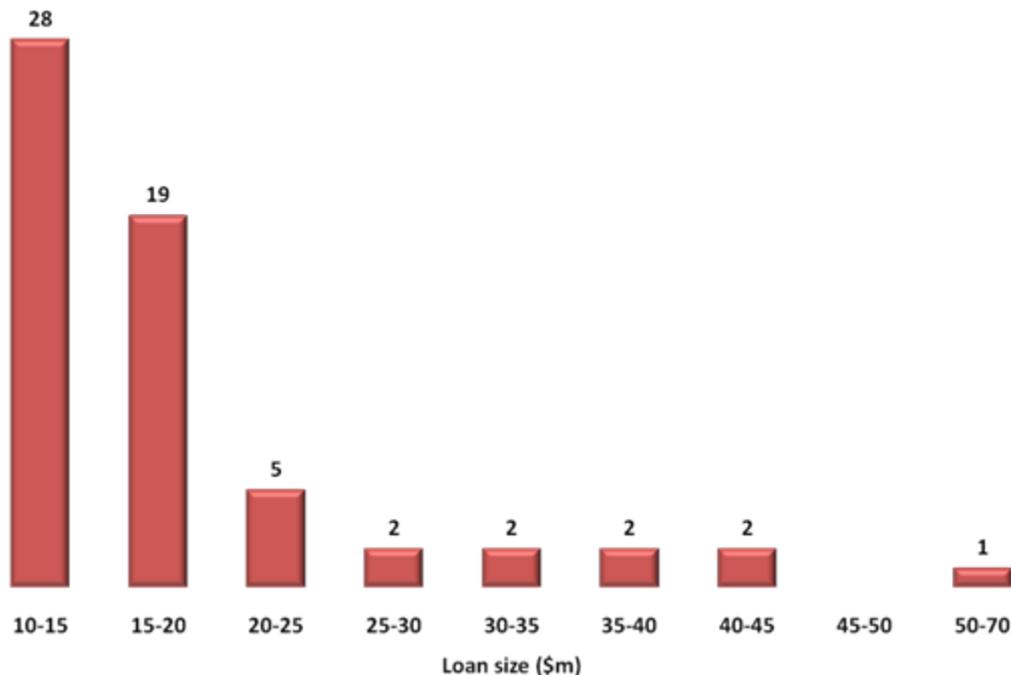
Credit



# MIP geographic distribution

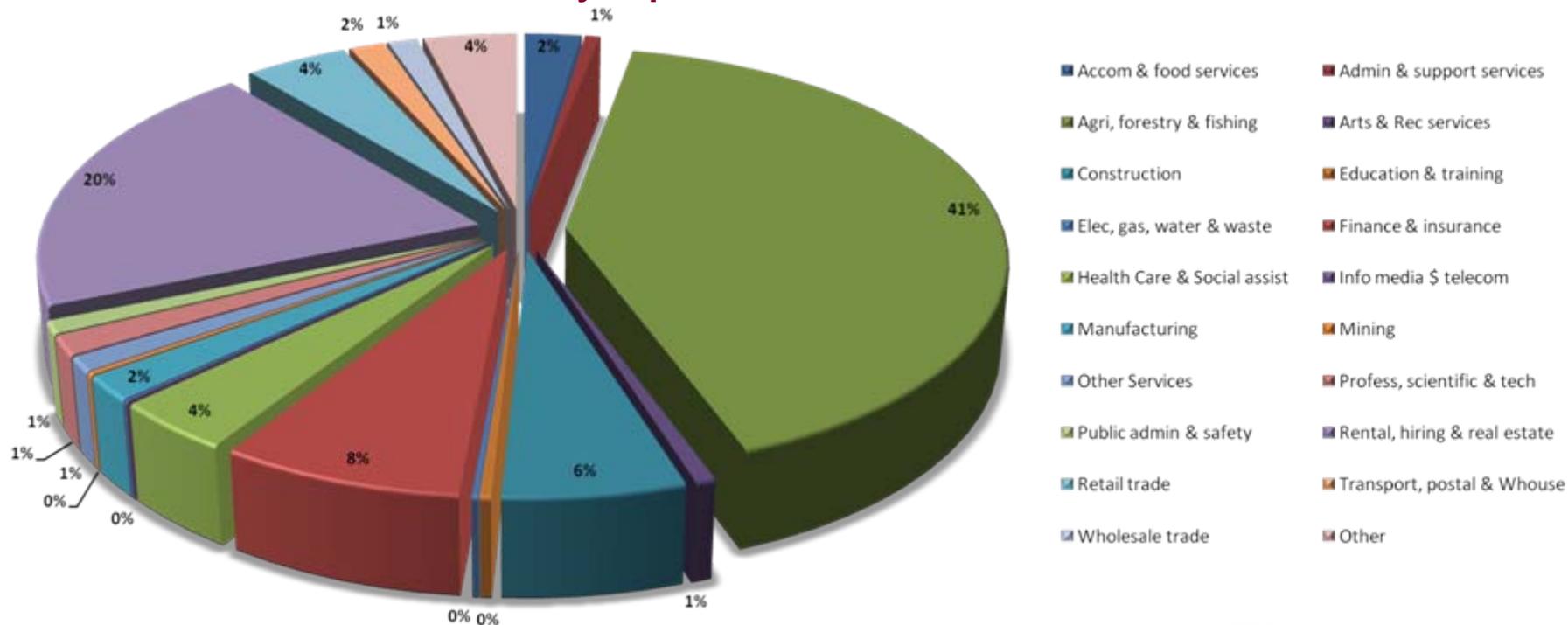


# Commercial loans typically small



- Predominantly SME
- Average loan size \$201k
- 62 loans >\$10m totalling \$1,171m (2.7% of BEN loans)
- Diversity by geography and industry

# Commercial – industry split



Credit



## **Analysts**

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