

Bendigo and Adelaide Bank

2011 full year results

August 8, 2011



incorporating



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Disclaimer



- Overview
- Business performance
- Outlook

Mike Hirst

Group Managing Director

Overview



Our result

Financial performance	<ul style="list-style-type: none">• Net profit after tax \$342.1m• Cash earnings \$336.2m• Cash EPS 92.3¢
Growth	<ul style="list-style-type: none">• Retail deposits up by 12%¹• Loans increased by 8%¹• Total branches increased by 20
Funding and liquidity	<ul style="list-style-type: none">• Issued \$3.5bn in RMBS since July 2010• 75% retail funded² as at June 2011• Current liquidity more than 13%
Capital and dividends	<ul style="list-style-type: none">• Tier 1 ratio of 7.96% as at July 2011• Total capital ratio of 10.59%• Full year dividend of 60.0¢³, fully franked

Overview



1. Based on June 2011 APRA statistics
3. Half-year dividend of 30.0 cents, fully franked paid on 31 March 2011

2. Total funding including securitisation

A strongly diversified business

Business	Segment	Business conditions
	Domestic bank operating four distinct brands	<ul style="list-style-type: none">• Continued earnings and profitability momentum• Unique community, customer, and partner proposition• Ratings agency momentum
	Consumer and SME banking	<ul style="list-style-type: none">• #1 banking brand for customer satisfaction and advocacy• Unique business model – positioned for growth through business cycle• Liability-led strategy continues to perform
	Third party channel	<ul style="list-style-type: none">• Strong independent brand• Above system growth• Benefits from continued improvement in securitisation markets• Origination channel of choice for many consumers

A strongly diversified business

Business

Segment

Business conditions



Margin lending, wealth management, superannuation

- Potential for strong growth
- Independent provider of choice in select products
- Increased investment in IT and distribution capability



Agri-business banking

- Growing brand and distribution
- Commodity prices at near-record highs
- Long-term prospects for agricultural services strong
- New distribution agreement with Australia Post

Overview



Rural Bank and Australia Post distribution agreement

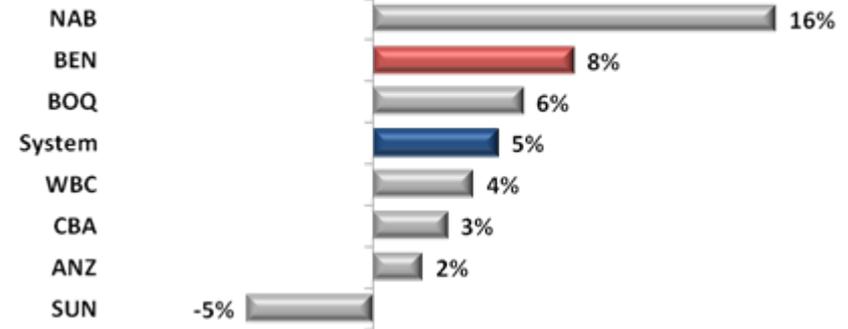
- Agreement with Australia Post for distribution of Rural Bank services
- Rural Bank deposit products to be available at 1400 post offices around Australia progressively from November 2011
- 130 Australia Post offices to offer Rural Bank agricultural loans, with the support of new Rural Bank business development managers
- Complements existing strong distribution of Elders, and provides additional points of presence for their customers
- Adds to the niche agribusinesses of Bendigo Bank and Ray White Rural



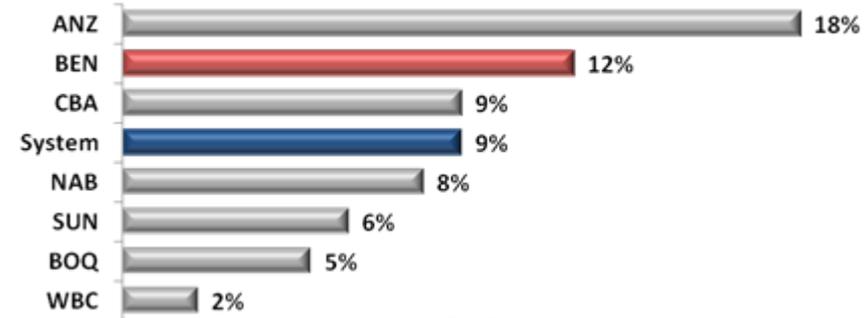
Strong momentum across the group

- Assets
 - Above system growth
- Liabilities
 - Growth in non-household and retail deposits at profitable prices
 - Term deposits used as a tool to manage liquidity
- Ratings
 - Fitch upgrade to A-
 - S&P outlook upgraded to positive
- Systems and IT
 - LINX investment ongoing
 - Third party mortgage program

Lending growth - 12 months



Deposit growth - 12 months



The future...

- Market conditions remain challenging
 - Subdued demand for credit – record consumer savings
 - Competitive pressures – major banks, not 'regional' brands
 - Regulatory framework – APS 120, Basel III, advanced Basel II status
- Maintain discipline in both asset and liability generation
 - Price for risk
 - Profitability vs market share
 - Conservative risk appetite
- Uncertain economic outlook
 - Domestic economy challenged but resilient, with international pressures building
 - Growth expected as businesses mature
 - Stable margin
 - Continuing investment in the business

Richard Fennell

Chief Financial Officer

Business performance



\$m	FY June 2009	FY June 2010	FY June 2011	change (pcp)
Cash EPS	62.9¢	83.3¢	92.3¢	10.8%
Cash earnings (\$m)	182.2m	291.0m	336.2m	15.5%
Net profit after tax (\$m)	83.8m	242.6m	342.1m	41.0%
Dividend per share ¹	43.0¢	58.0¢	60.0¢	3.4%
Cost to income	62.5%	58.1%	57.4%	↓1.2%
Net interest margin	1.72	2.12 ²	2.17	2.4%
Cash basis return on equity	5.8%	8.2%	9.1%	11.0%
Cash basis return on tangible equity	13.4%	16.4%	16.9%	3.1%

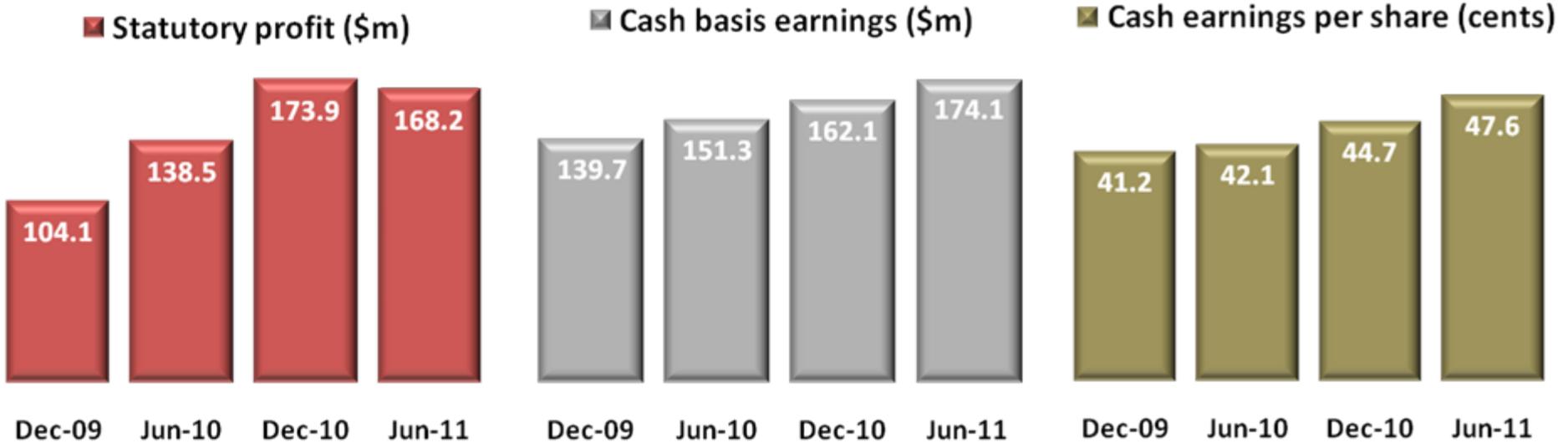
Balance sheet	FY June 2011	% change pcp
Total assets (\$bn)	54.9	+5%
Total liabilities (\$bn)	51.0	+5%
RWA's (\$bn)	26.0	+3%

Capital and funding	FY June 2011	change
Tier 1 capital (%)	7.85	(70 bpts)
Total capital (%)	10.59	(56 bpts)
Deposit funding ³ (%)	75	+3%

Business performance - financials



Group performance

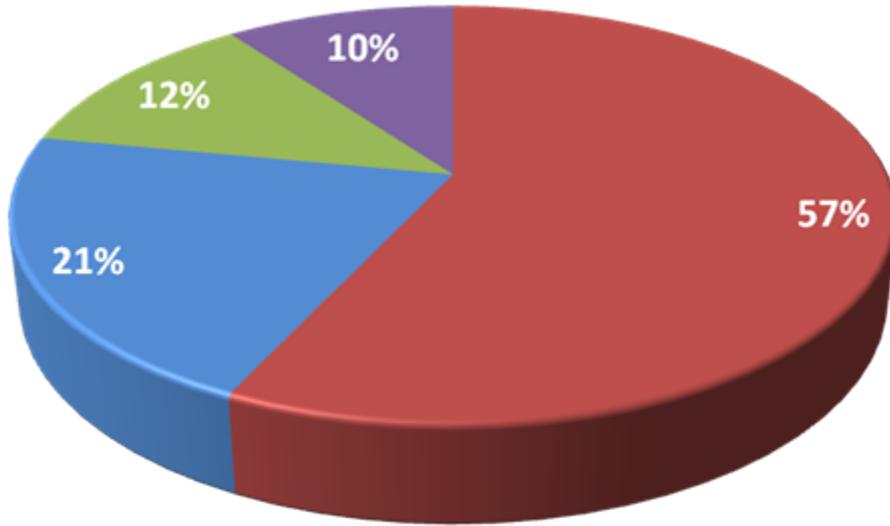


Business performance - financials



A diversified business

Contribution by revenue



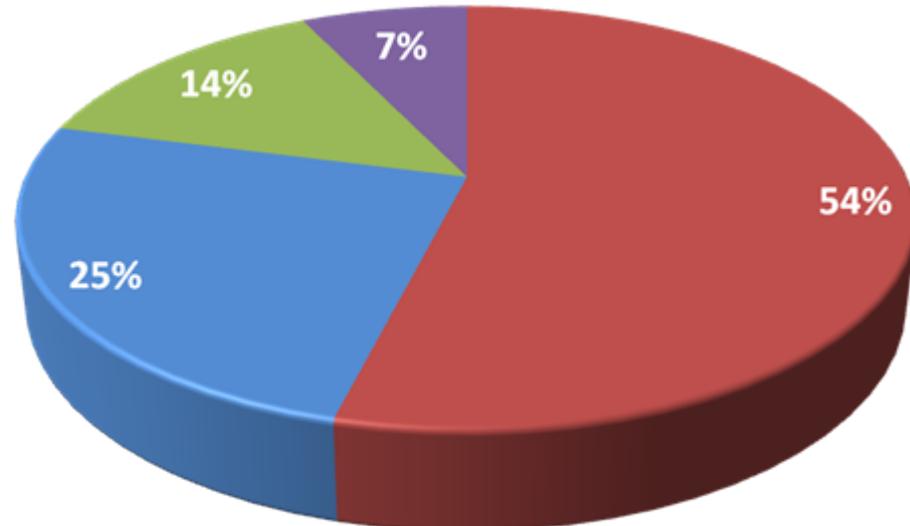
 Bendigo Bank

 Adelaide Bank

 Bendigo Wealth

 Rural Bank

Contribution by profit



Business performance - financials



Net interest margin (%)



- Continued margin improvement
- Expect competition for deposits to continue

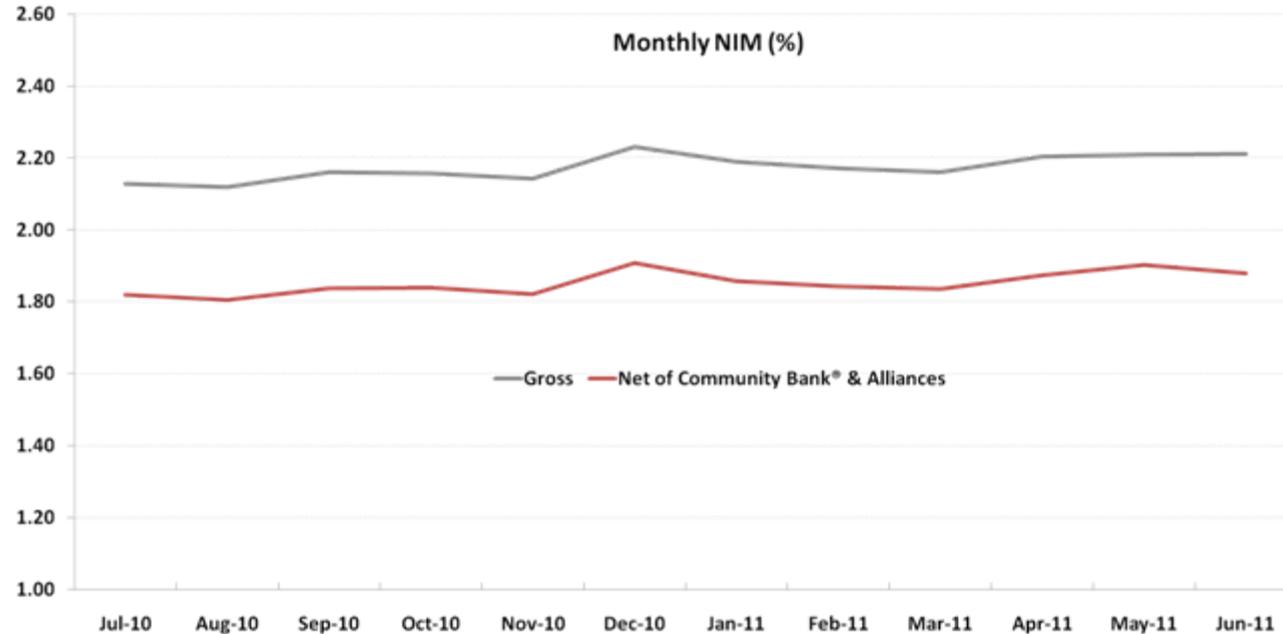
Business performance - financials



1. Normalised NIM for FY2010 to include 12 month contribution of Rural Bank. Actual FY2010 NIM was 2.09%

Net interest margin

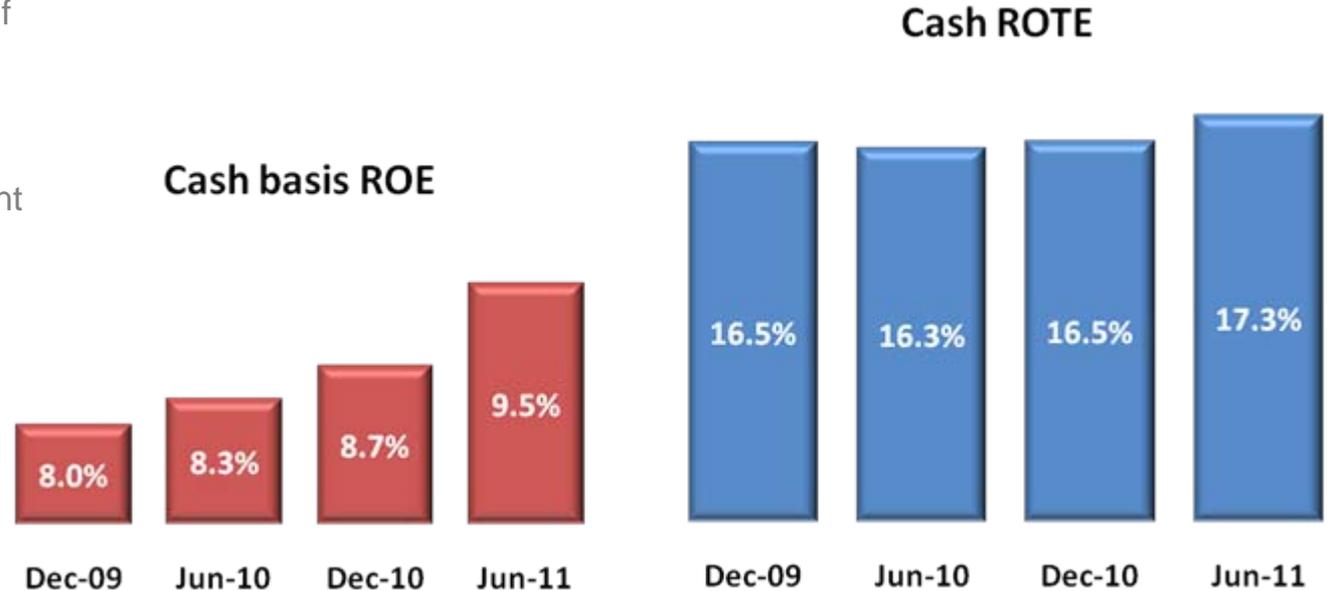
- Diligent and prudent pricing – particularly in TD market
- June NIM run-rate of 2.21 per cent
- Successful completion of ‘Restoring the balance’ project with the Community Bank® network



Business performance - financials

Return on equity (ROE) and return on tangible equity (ROTE)

- ROE improvement of 120bps over prior corresponding half year period
- Maintain ROE discipline on investments and initiatives
- Continued ROE improvement driven by strong ROTE performance



Business performance - financials

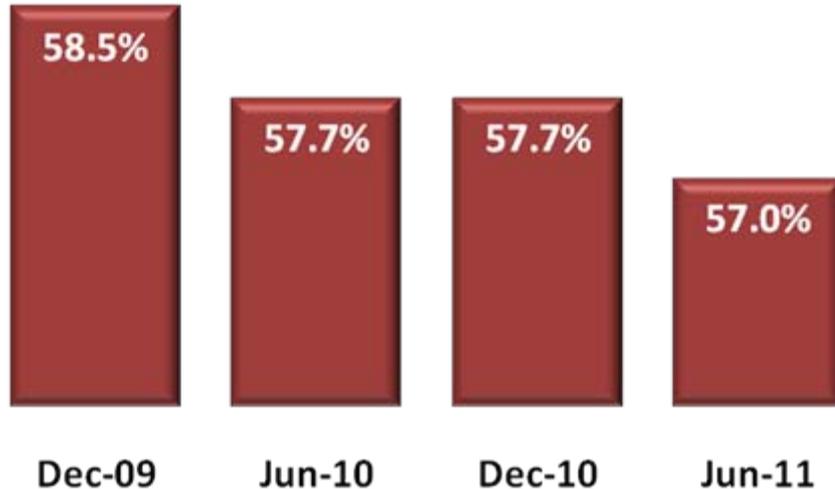


Note: Figures are for six-monthly reporting periods

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

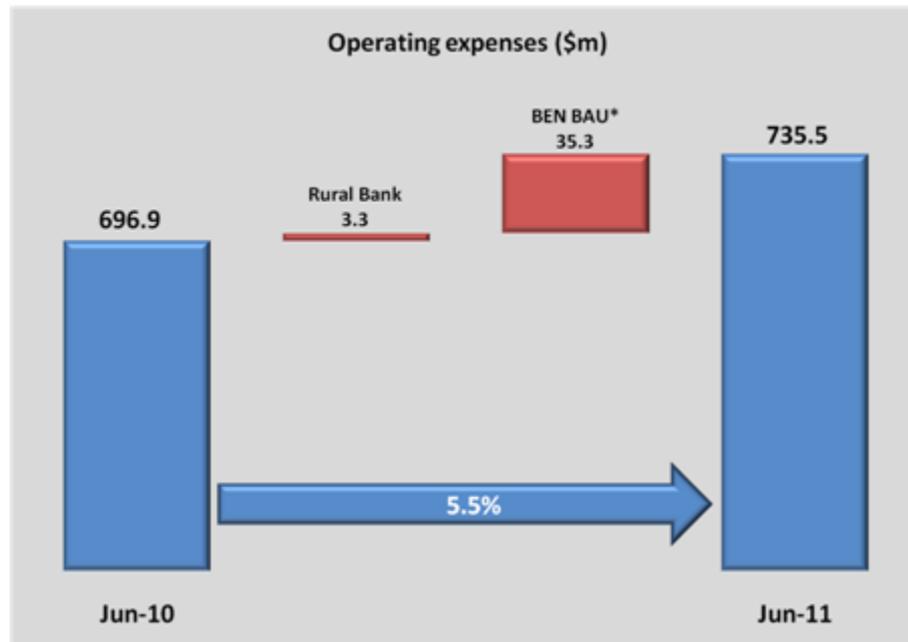
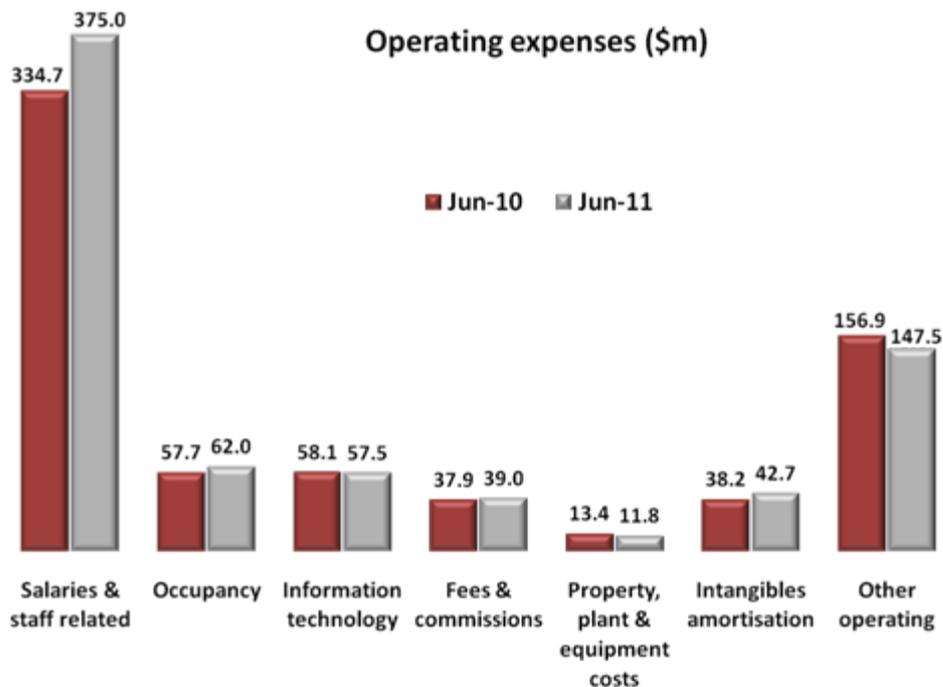
Cost-to-income



- Full year cost-to-income at 57.4% (FY10 at 58.1%)
- Trend of improving cost-to-income continues
- Long-term target of 55 per cent remains

Business performance - financials

Operating expenses

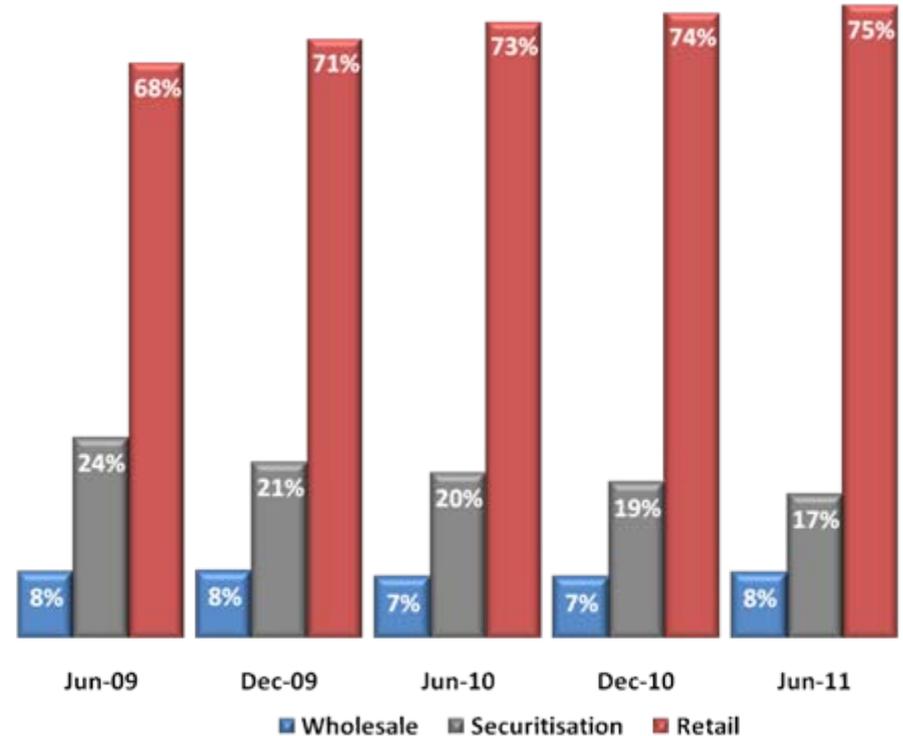
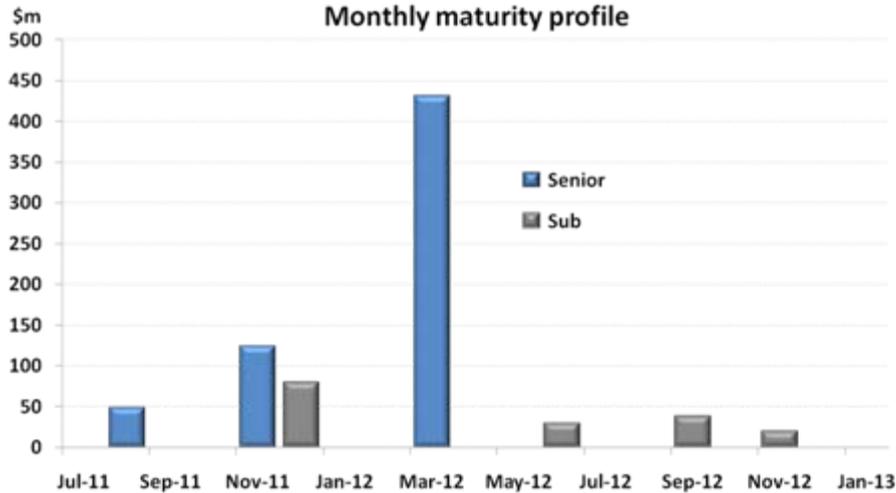


- BEN BAU predominately staff cost related

Business performance - financials



Funding mix



- 91% retail funded on balance sheet
- No Government Guaranteed wholesale funding rollover risk

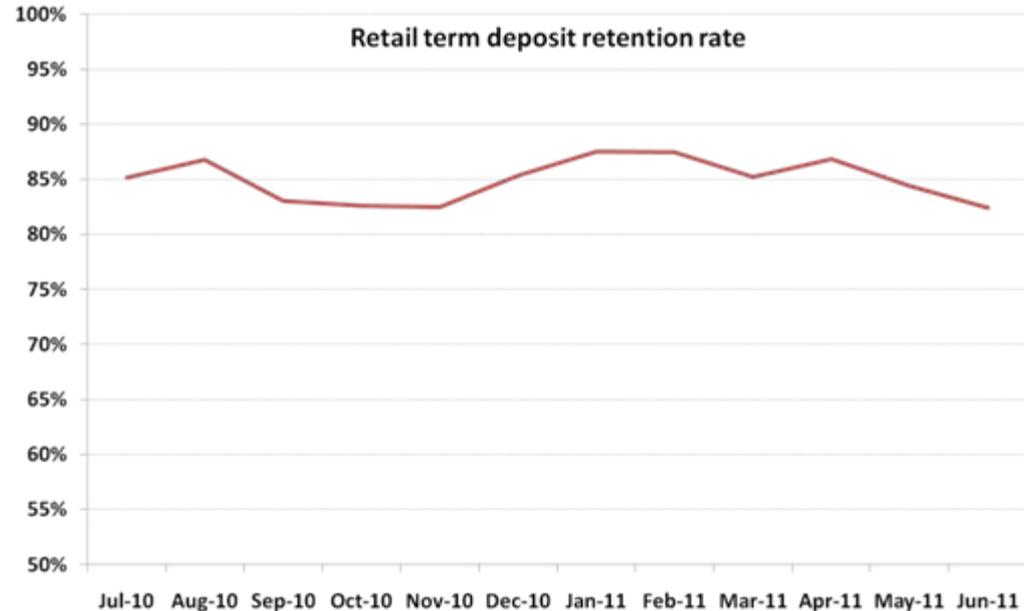
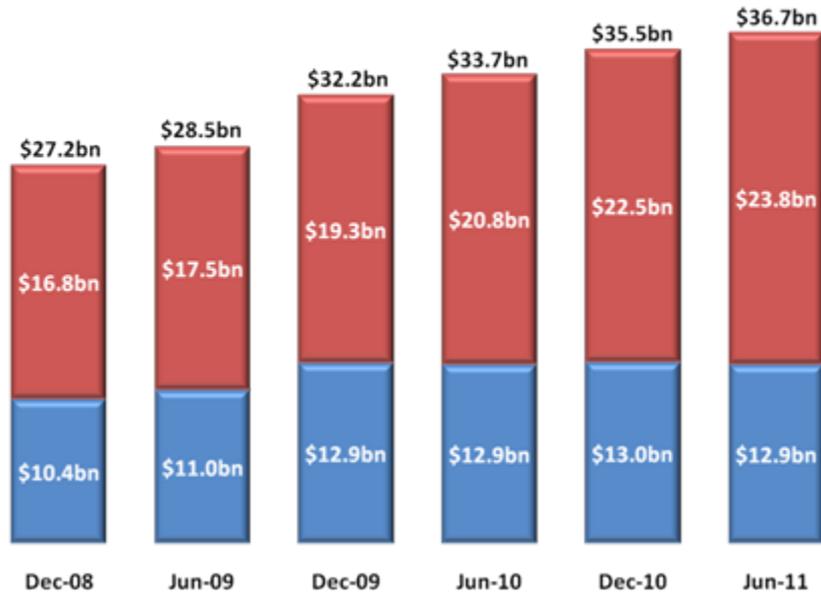
Business performance - financials



Retail deposits

- Term deposits priced to manage liquidity
- Successful growth and retention strategies in place
- Not a price leader – value proposition driven

■ Retail call deposits ■ Retail term deposits

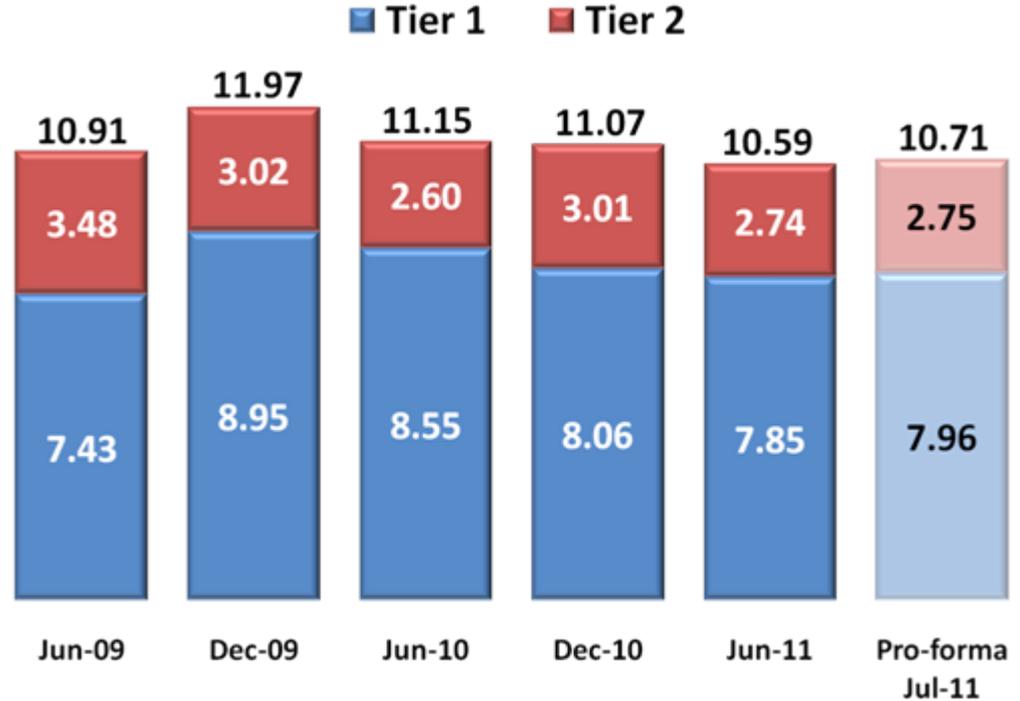


Business performance - financials



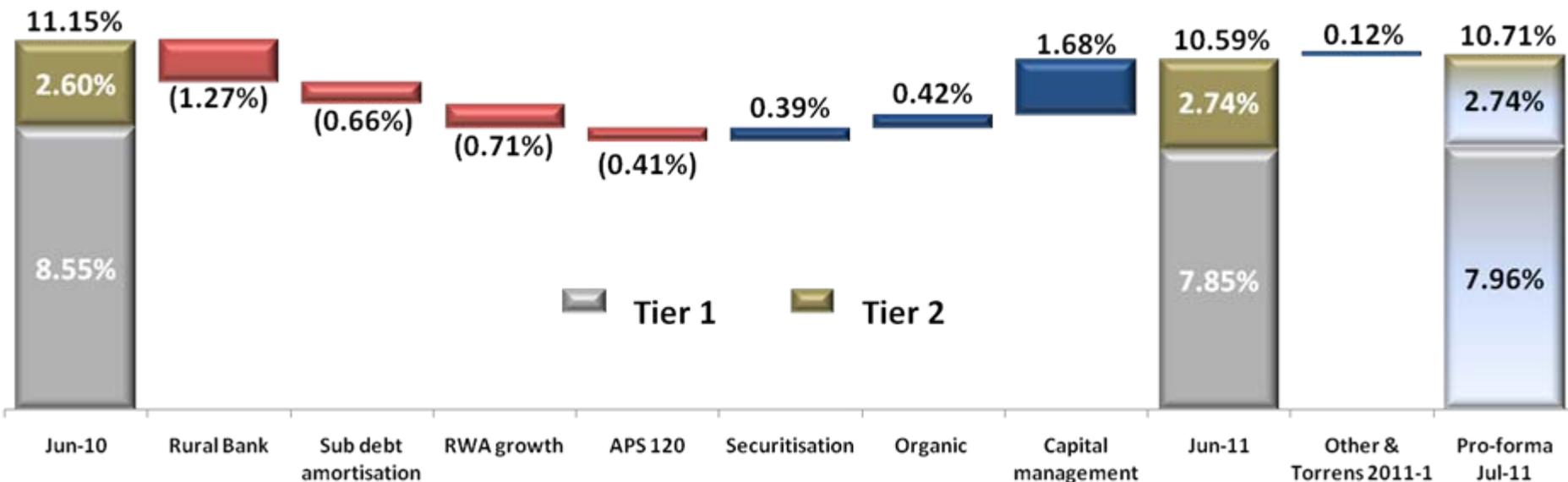
Capital

- Capital levels provide substantial flexibility
- Post-balance initiatives include TORRENS 2011-1 – capital effective
- 31 July 2011, Tier 1 approx 7.96% and Core Tier 1 approx 6.84%



Business performance - capital

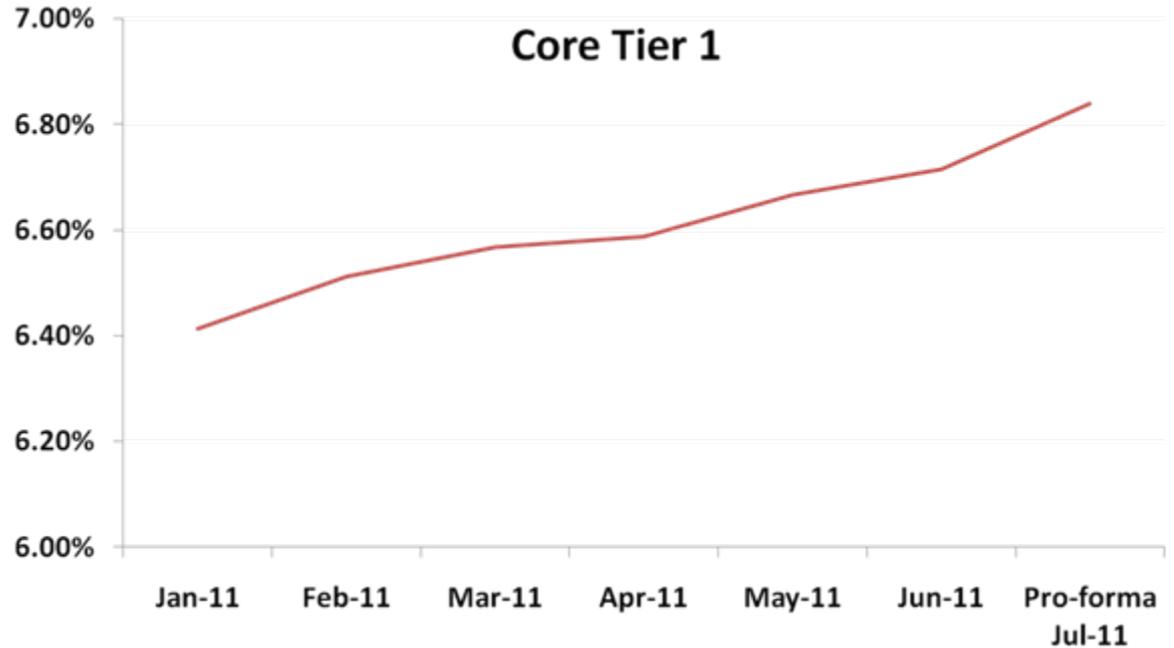
Capital adequacy ratio



Business performance - capital

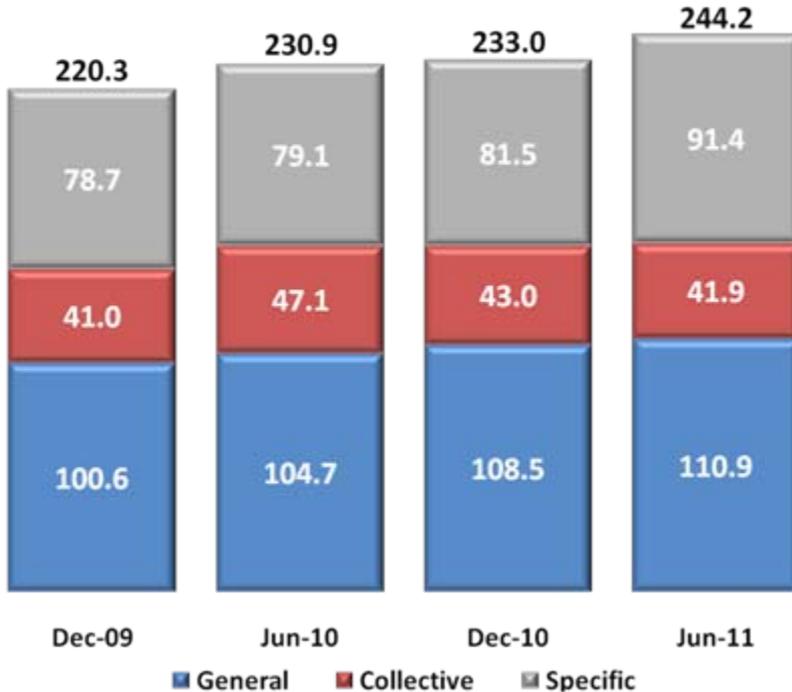
Core Tier 1 improving

- Continuing improvement in Core Tier 1 levels
- Potential sale of subordinated securitisation notes to provide further benefit



Business performance - capital

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



- Total provisions increased \$11.2 million over the past six months
- Rural Bank provisioning has increased from \$21.3m (Dec-10) to \$33.8m (Jun-11)
- Great Southern represents \$22.9m of total provisions

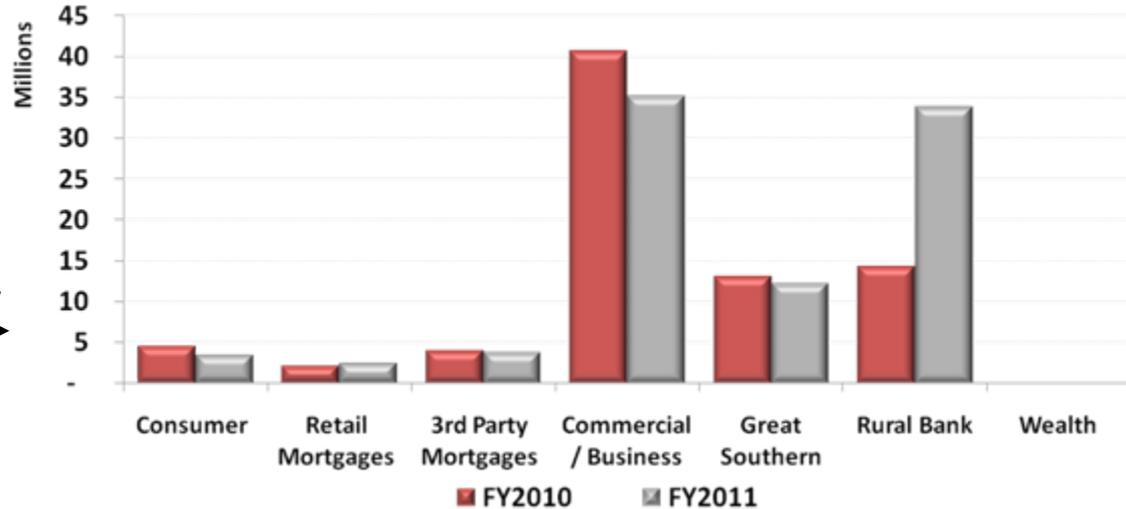
Business performance - credit

Specific provisions



June 2011

Represented by
→



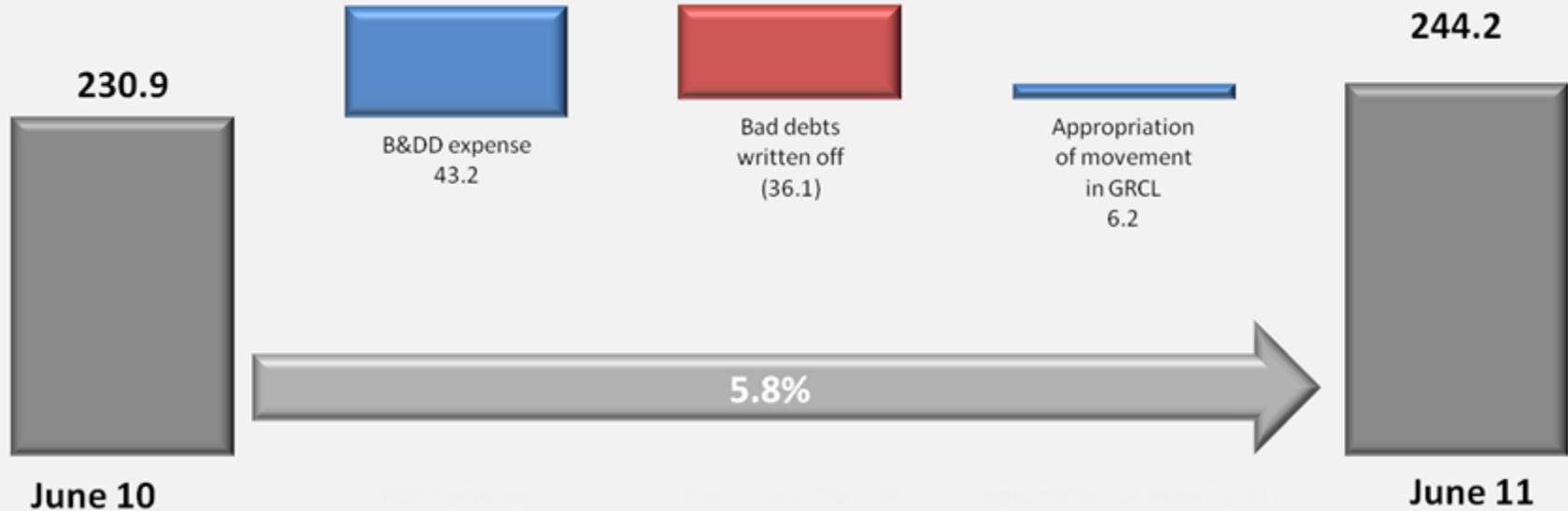
Provision as % of portfolio	Consumer	Retail Mortgages	3 rd Party Mortgages	Commercial / Business	Great Southern	Rural Bank	Wealth	BEN total
FY2010	0.17%	0.02%	0.03%	0.62%	2.82%	0.40%	0.00%	0.18%
FY2011	0.13%	0.02%	0.03%	0.48%	2.85%	0.97%	0.00%	0.20%
Portfolio as % of gross loans ¹	6.03%	29.98%	30.77%	15.70%	0.93%	7.59%	6.93%	

Business performance - credit



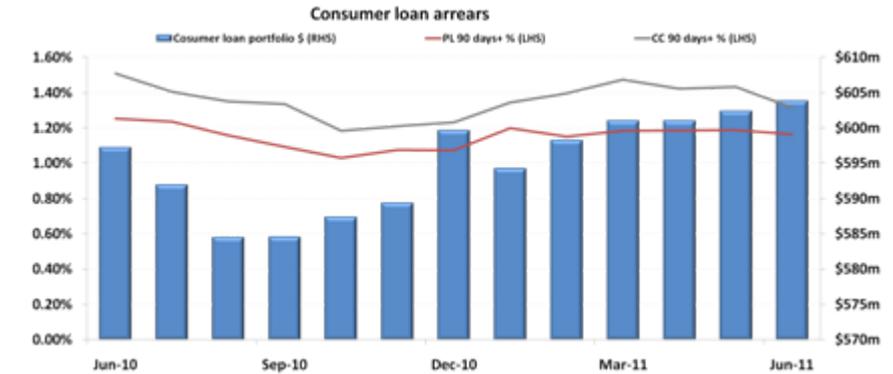
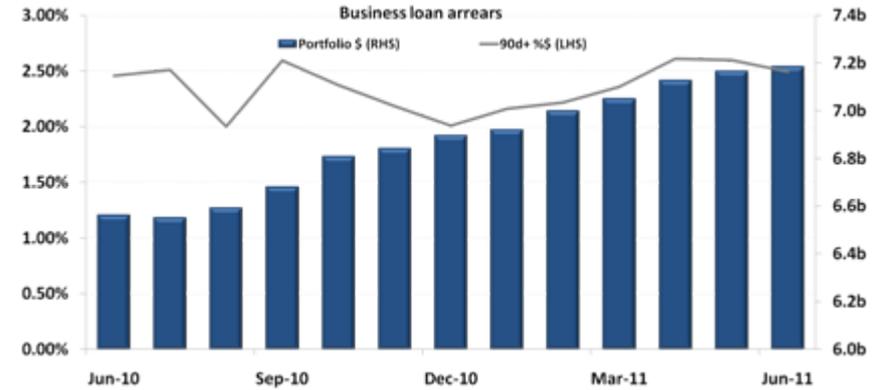
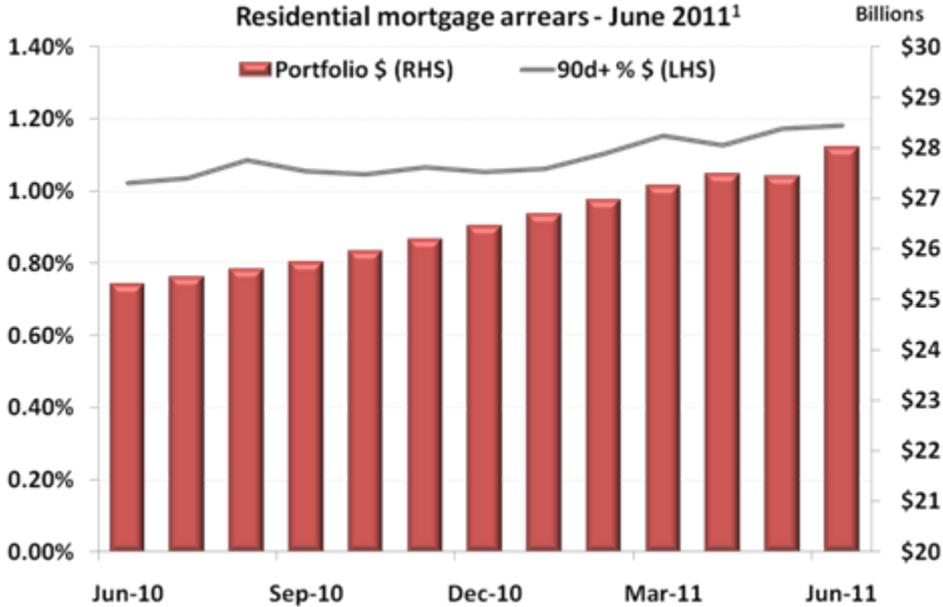
1. Residual 2.07% represents Portfolio Funding and other lending

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



Business performance - credit

Arrears performance



Business performance - credit



Note: Figures exclude Rural Bank

1. Includes mortgage loans currently under payment arrangements restructured on commercial terms

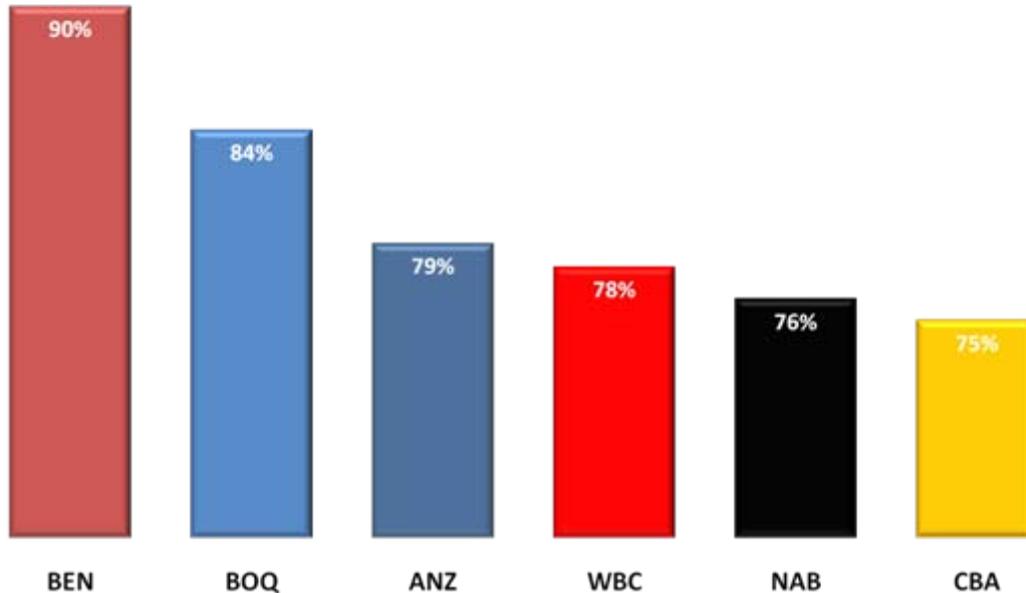
Mike Hirst

Group Managing Director

Outlook



Still #1 for customer satisfaction...



Source: Roy Morgan Research consumer banking in Australia report June 2011- main financial institution satisfaction

- Voted Most Trusted Bank¹
- Awarded for Corporate Social Responsibility program²
- Most loyal customers³
- Winner of People's Choice Award for credit cards, personal loans and term deposits⁴
- Community Enterprise Foundation™ administered more than \$50m in contributions
- Community Bank® sponsorship and grants in excess of \$58m

Outlook



1. By Reader's Digest Australia – Australia's Most Trusted Brands 2011

2. Asian Banking & Finance Retail Banking Awards 2011

3. Engaged Marketing's Customer Loyalty Benchmarking study

4. Mozo People's Choice Award

In summary....

- Leading brand advocacy
- Credit ratings momentum
 - Reflects sound credit quality
 - Recognises appropriate and improving capital position
 - Indicative of our low risk funding profile
- Well placed to navigate current market uncertainty
- Proven implementation capabilities
 - Rural Bank acquisition and distribution arrangements
 - LINX
 - Trinity³

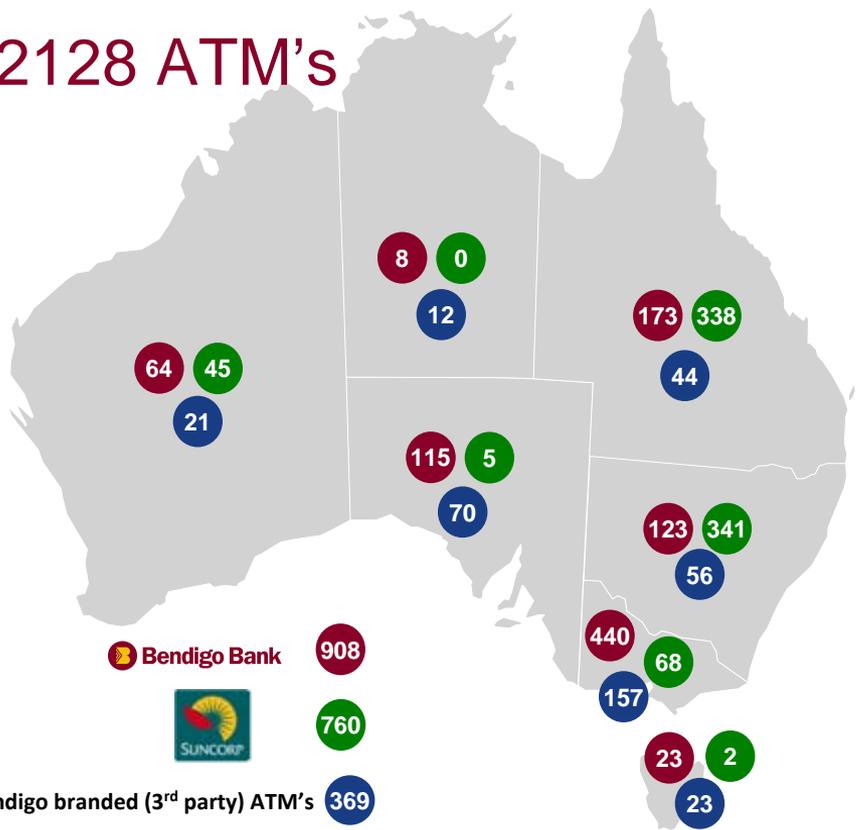
Outlook



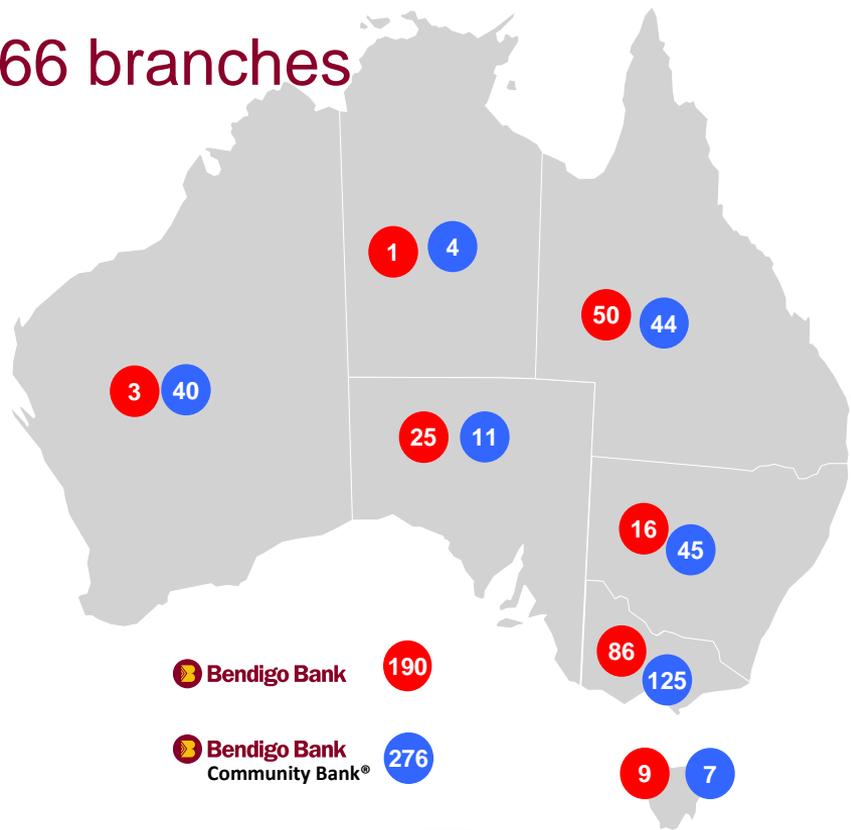
Note Trinity³ is an Investments Administration Platform that has been created to provide Financial Advisers with simple tools, flexible reporting and the administrative support required to service their customer.

Appendices

2128 ATM's



466 branches



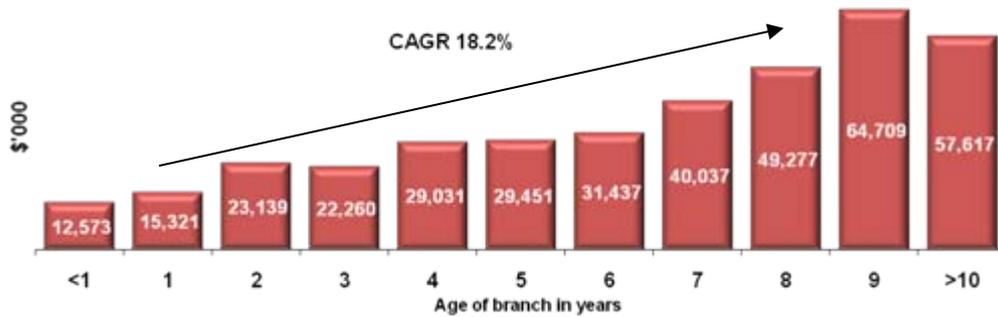
Geographic spread



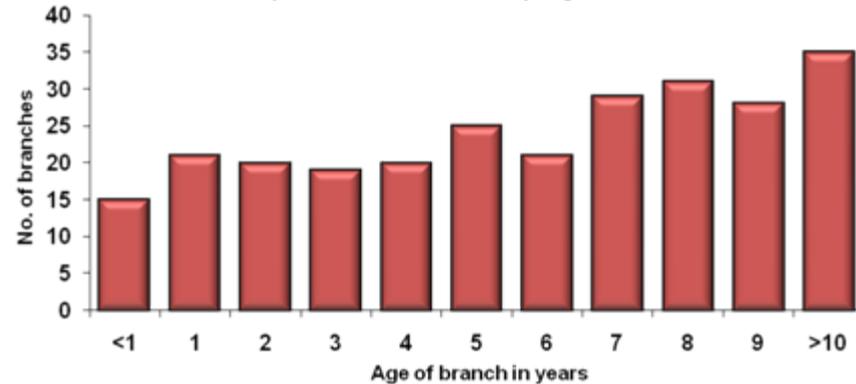
Systematic growth in retail

- 18 Community Bank® branches opened in FY2011
- 15-20 branches to be opened in FY2012
- Relatively immature network

Deposits per Community Bank® branch



Community Bank® branches by age

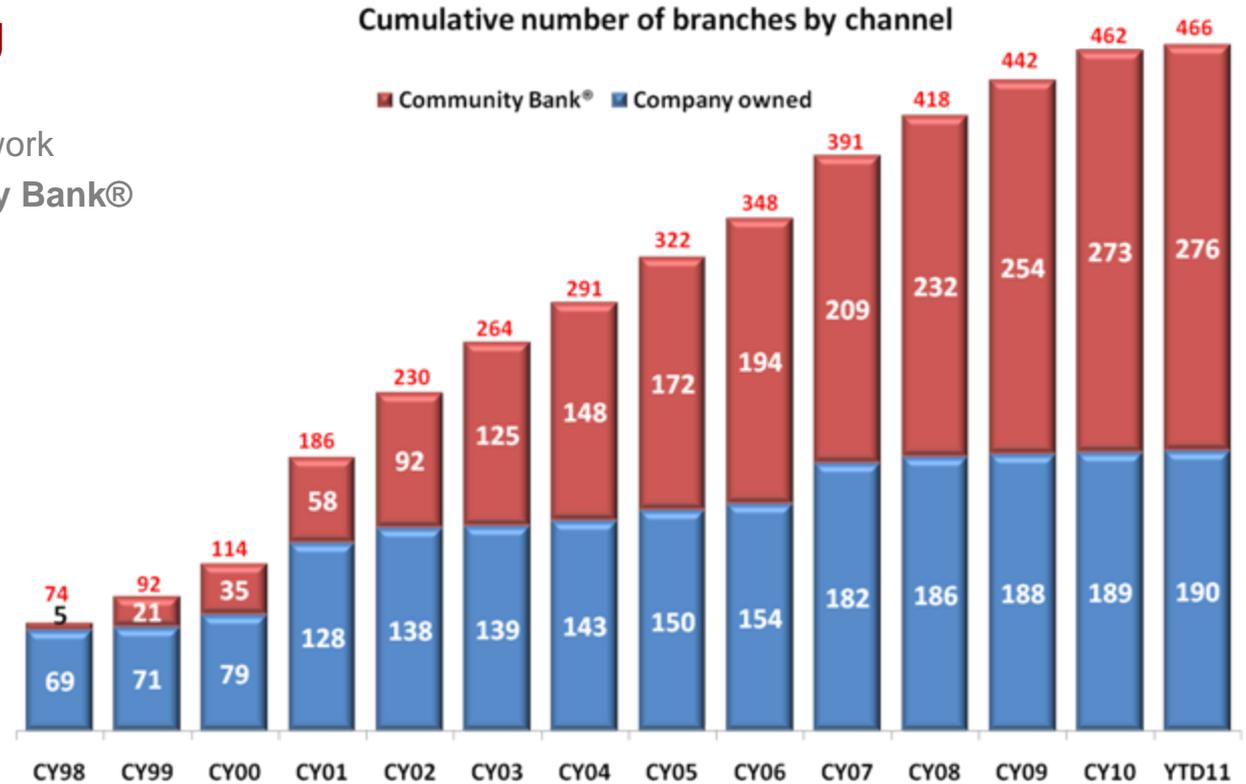


Community Bank® and retail



Growth – retail banking

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

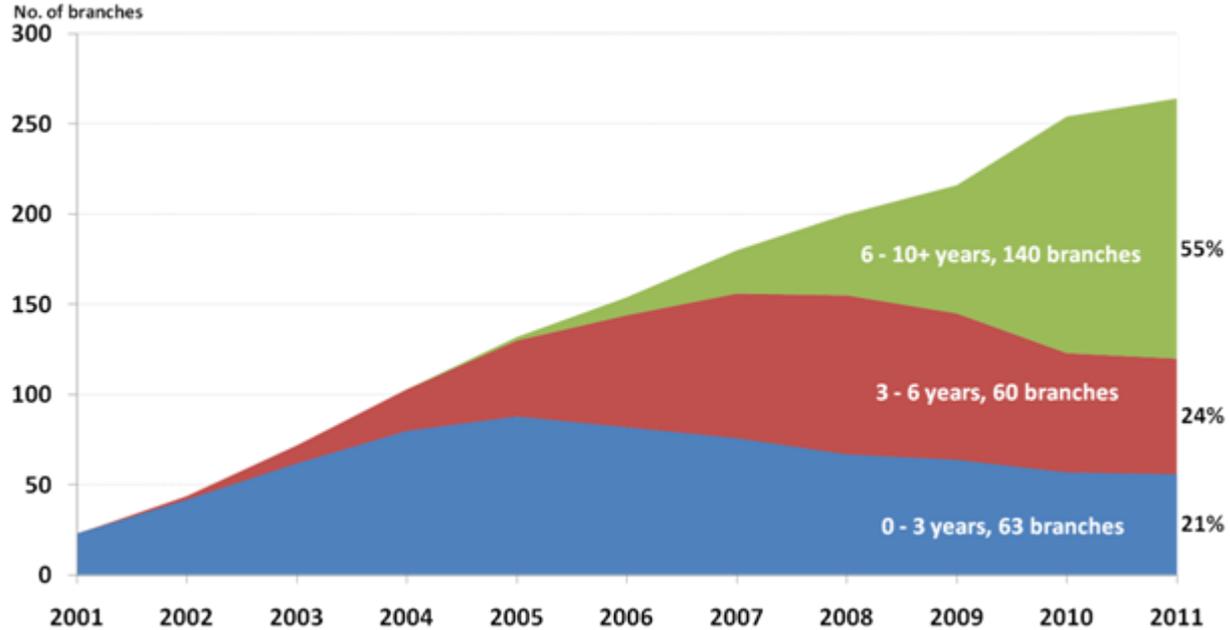


Retail banking



Growth – retail banking

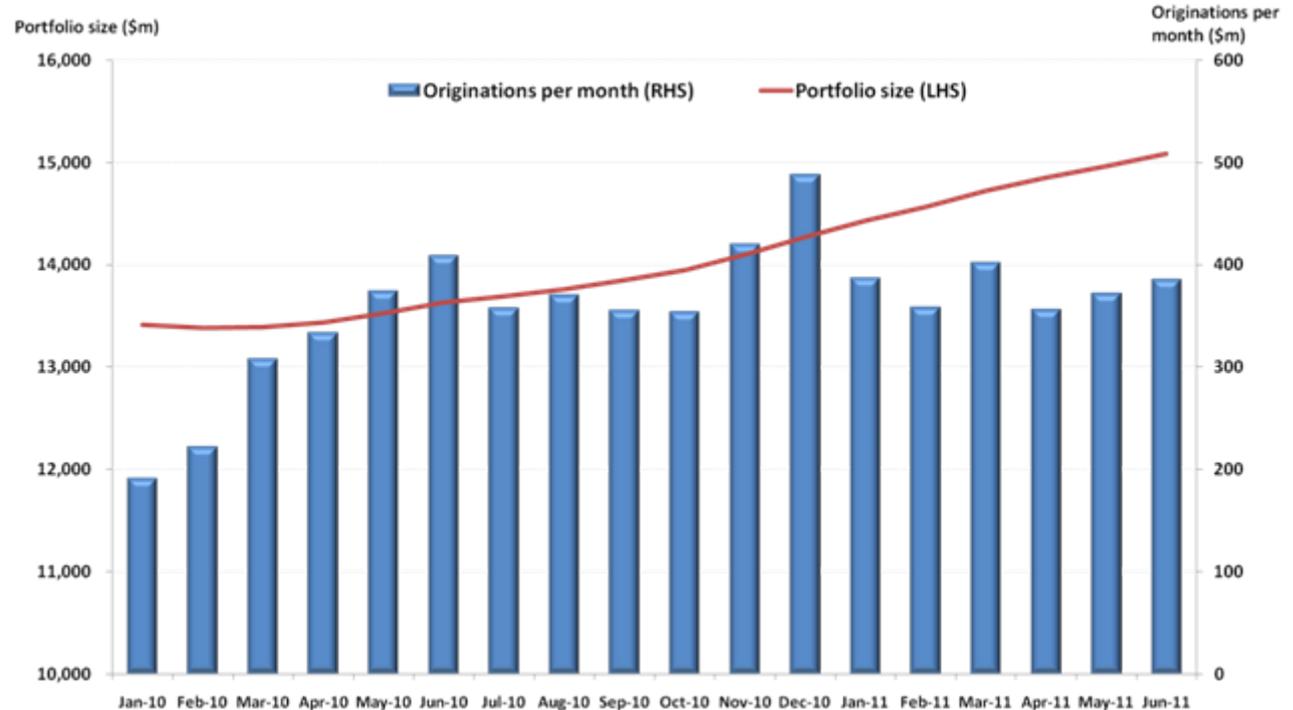
- Still a relatively young branch network
- Growth expected in both liabilities and assets
- Plan to grow by 15-20 branches in the coming financial year
- **Community Bank**[®] model proven through the GFC
- Footings maturity achieved post six years



Retail network maturity

Opportunities in Third-Party Banking

- Above system growth
- Fewer competitors in the market
- Stable margin



Growth



Margin Lending dependent on equity market sentiment

- 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

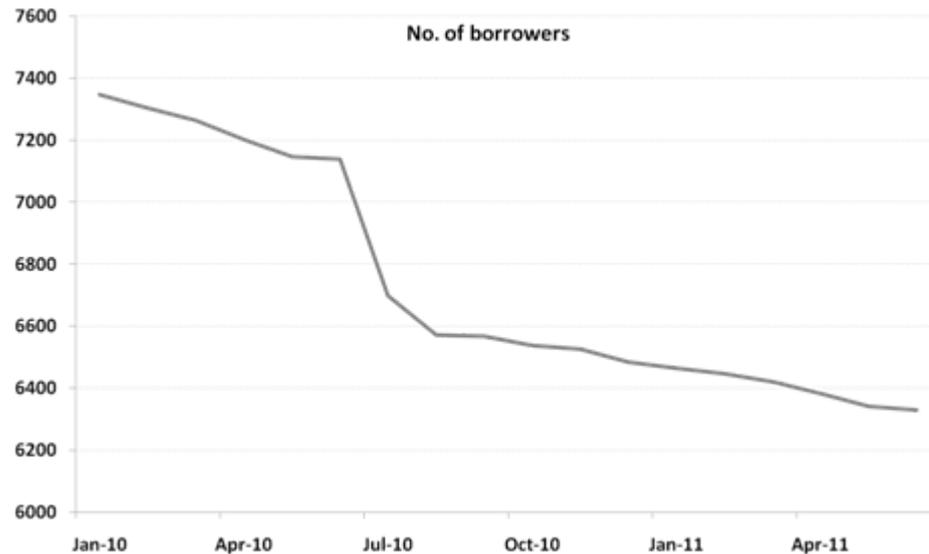
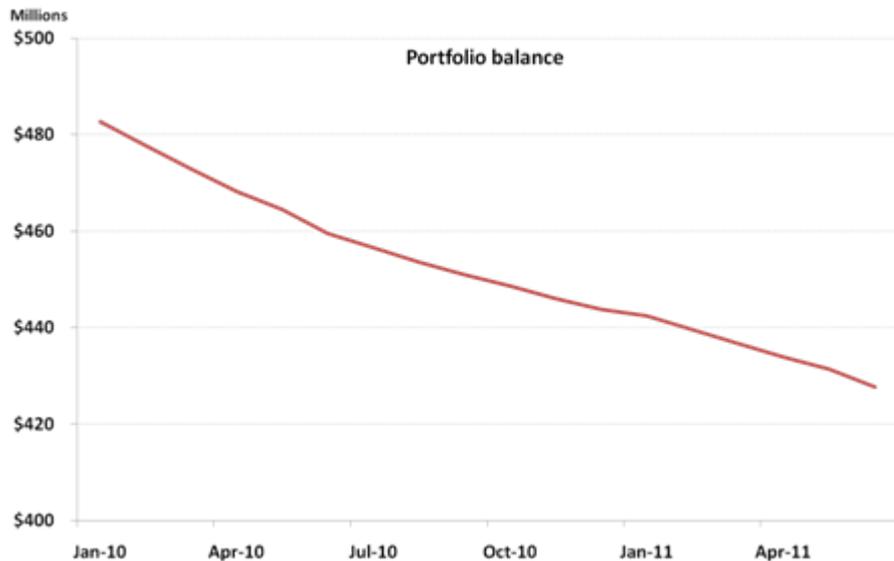


Growth



Towards a resolution

- Reducing portfolio and borrowers
- Court date now set for M+K class action – August 2012

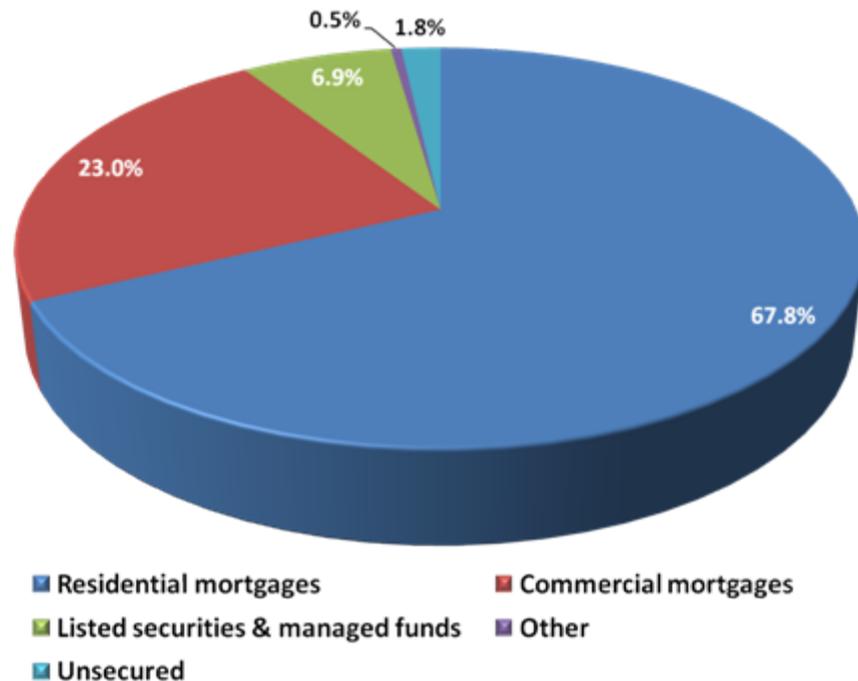


Great Southern



Secure and low risk loan portfolios

- 98.2% secured
- 97.7% secured by mortgages and listed securities
- Residential lending
 - arrears have been steady in FY11
 - average LVR 61%¹
- Margin lending
 - average LVR 43%
 - 88% of portfolios held ≥ 4 stocks
 - negligible arrears

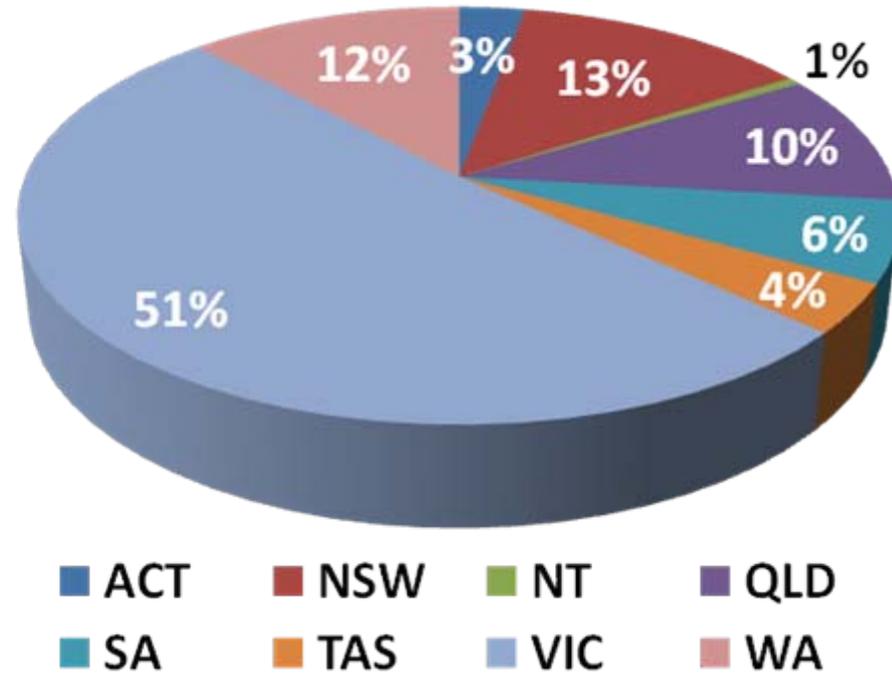


Credit

 **Bendigo** and
Adelaide Bank

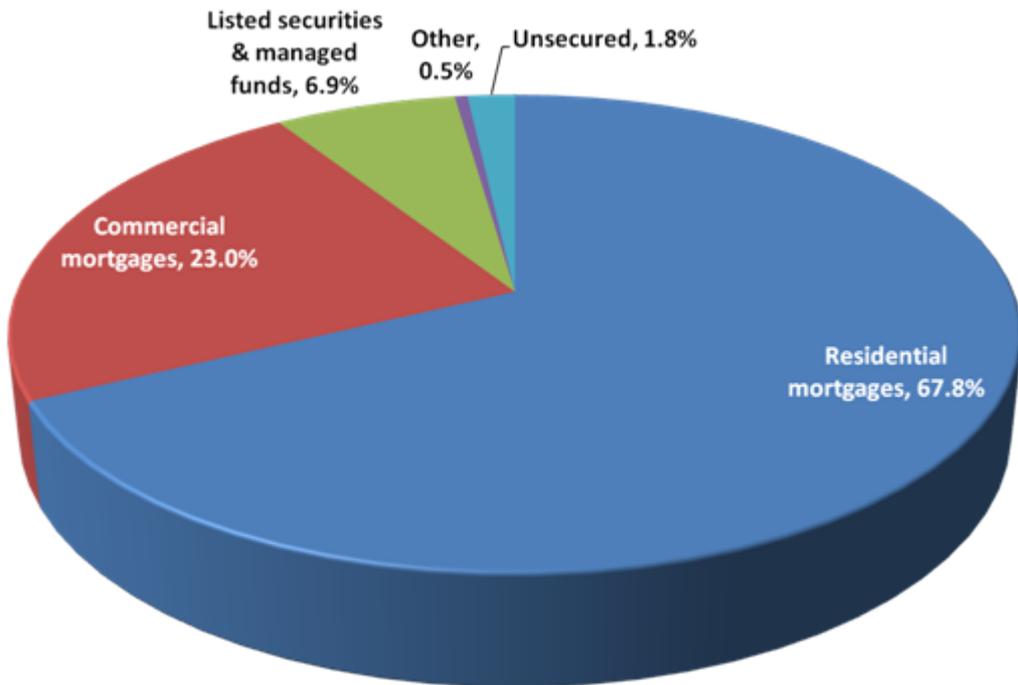
Construction portfolio

- \$757m of loans (2.6% increase since HY11)
- 1.6% of total loans
- \$137k average loan size
- \$54m largest loan size
- Geographic spread
- \$41m impaired loans
- \$49m in arrears (6.4% 90 days+)



■ ACT ■ NSW ■ NT ■ QLD
■ SA ■ TAS ■ VIC ■ WA

Group exposures – total \$46.5bn



Mortgages	Jun-11	Dec-10
Owner occupied	62.7%	62.6%
Investment	37.3%	37.4%
Lo Doc	7.5%	7.9%
Retail mortgages	49.4%	49.4%
Third Party mortgages	50.6%	50.6%
Mortgages with LMI	44.6%	47.8%
Average loan balance	\$170k	\$171k
90+ arrears	1.2%	1.1%
Impaired loans	0.10%	0.09%
Specific provisions	0.02%	0.02%
Loss rate	0.06%	0.01%
Variable/Fixed	78%/22%	74%/26%
First home owners % portfolio	8.9%	9.1%

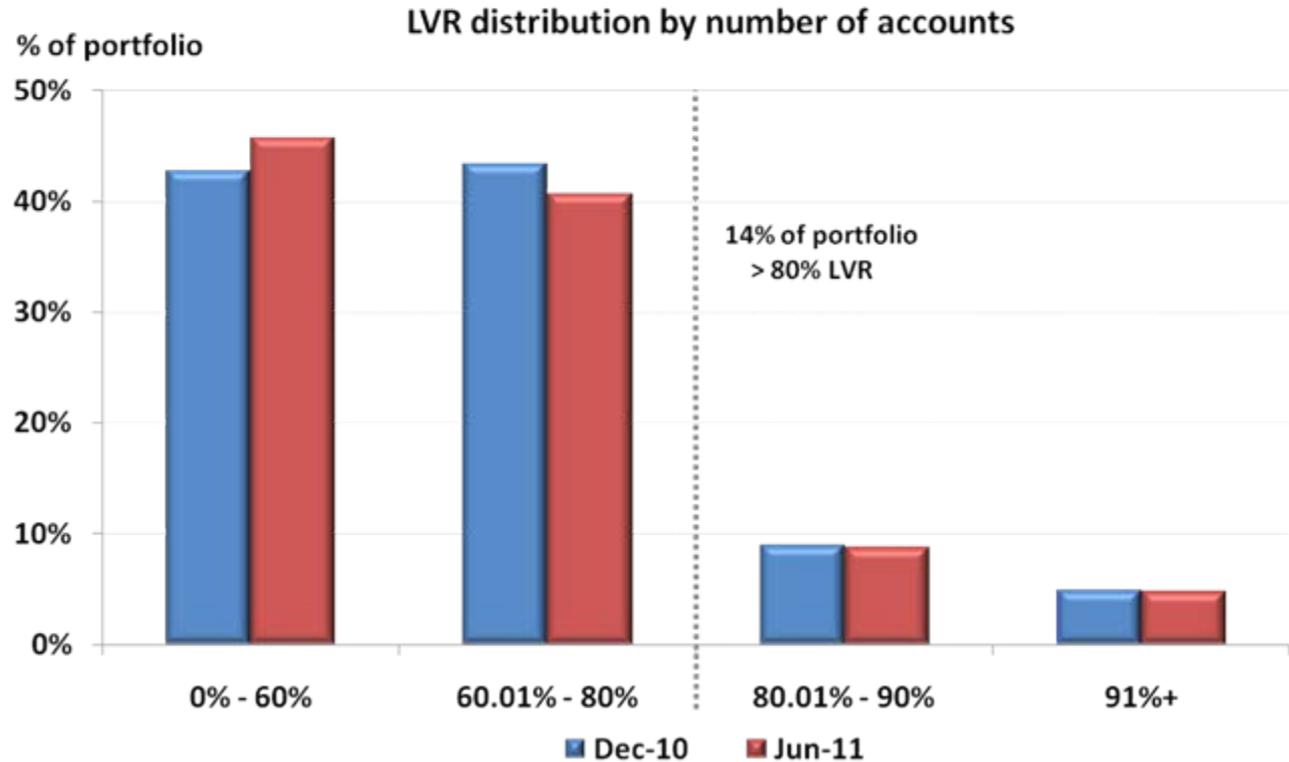
Credit



Note: All mortgage data above represented by loan purpose

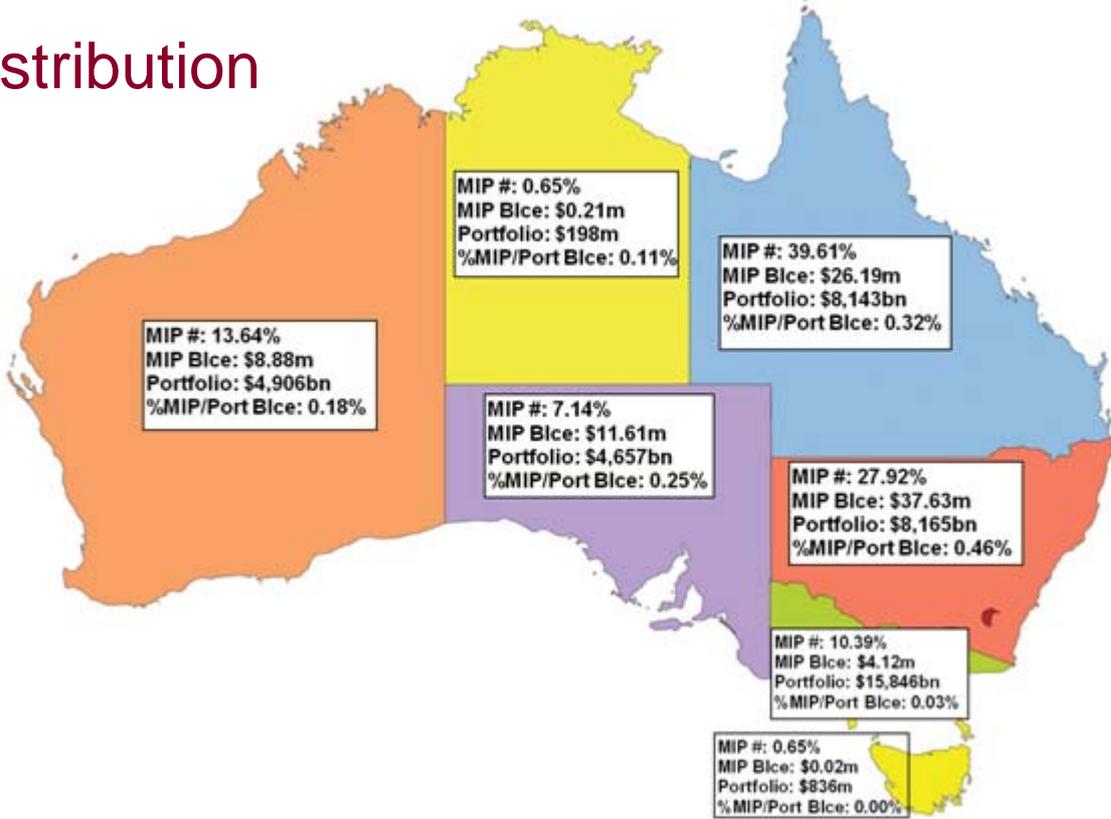
LVR trends

- No material change in LVR trends of new business written
- LMI required for high LVR loans



Credit

MIP geographic distribution

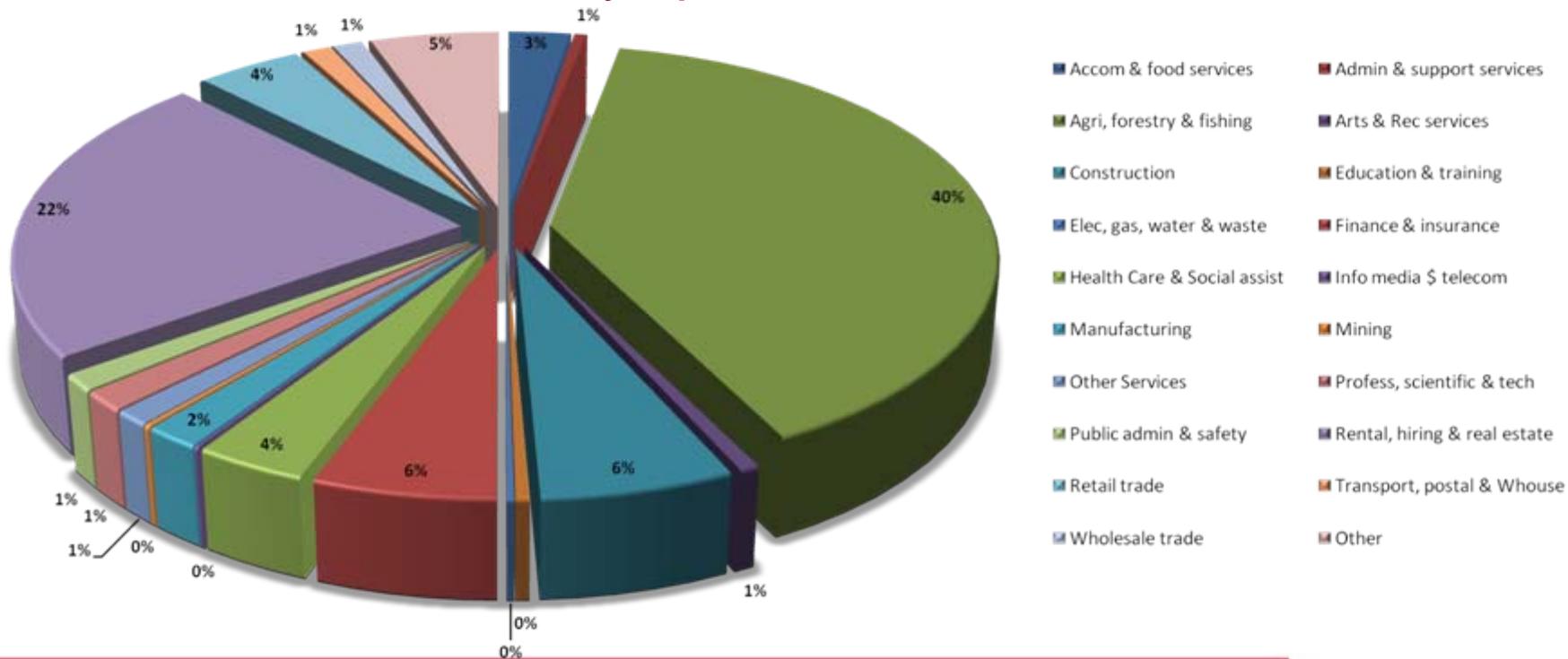


Credit



Note: Includes Commercial property MIP and Business Banking portfolio. MIP# represents the percentage of MIP by the number of loans.

Commercial – industry split



Credit



How the **Community Bank[®]** model works

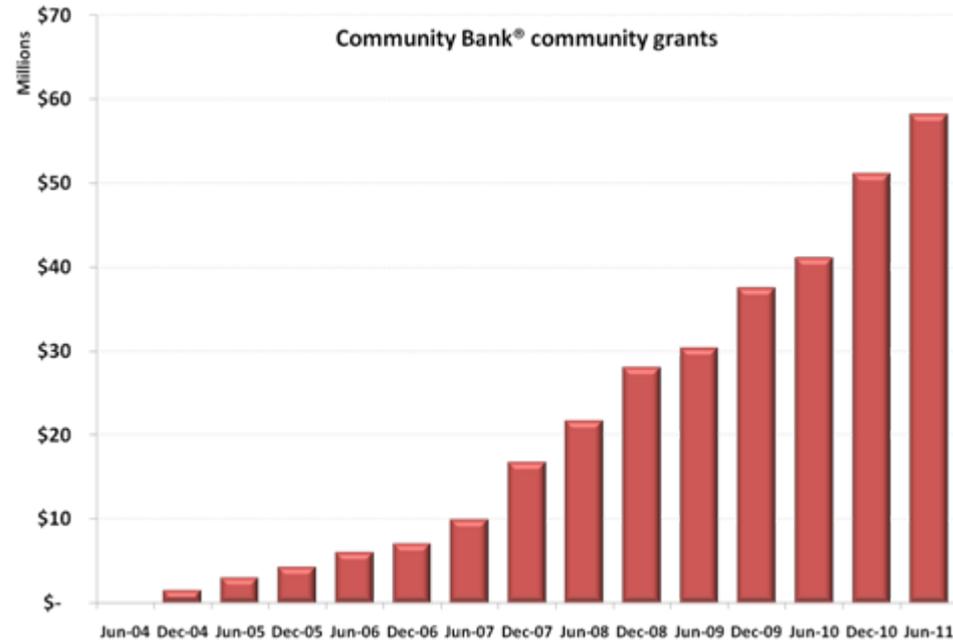
- Reverse enquiry franchise model with local communities
- Broad-based local ownership for each community company
- BEN provides capital for balance sheet, banking infrastructure and credit
- Community capital is solely for initial working capital, staff and branch
- Feasibility study and business on books before branch opens
- Revenue sharing – rather than commission based remuneration structure

The **Community Bank[®]** model – how it works



The **Community Bank**[®] model has proven to be robust and sustainable

- Communities have proven to be great partners in banking, and together we have opened more than 270 branches in 12 years (more than 65 in the last three years)
- More than \$58m in Community grants over 12 years (more than \$36m in the last three years)
- Provides banking services to 90 communities where there is no alternative provider
- Proven, reliable and cost effective source of deposits
- Continued strong demand and new branch pipeline

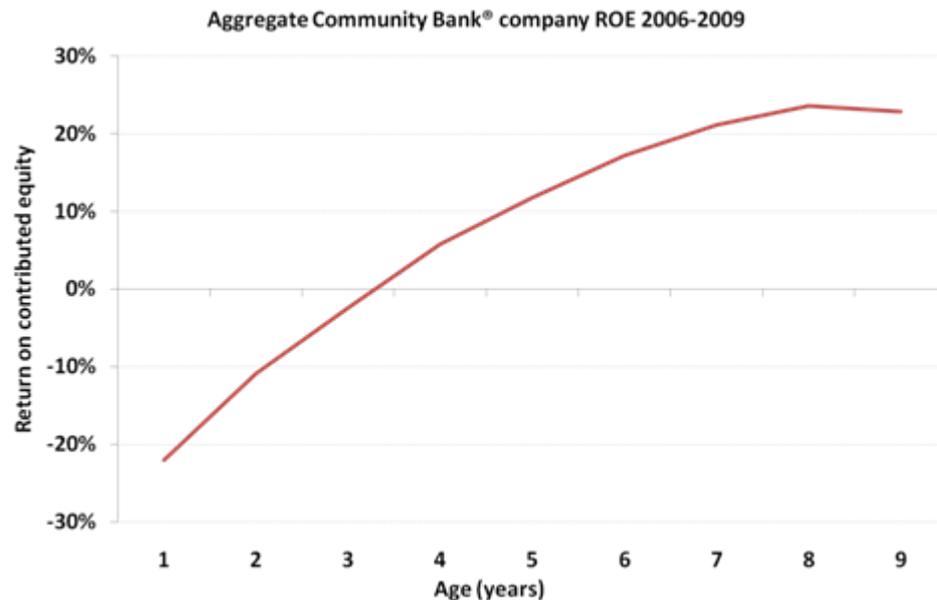


The **Community Bank**[®] model – how it works



Dividends for the community

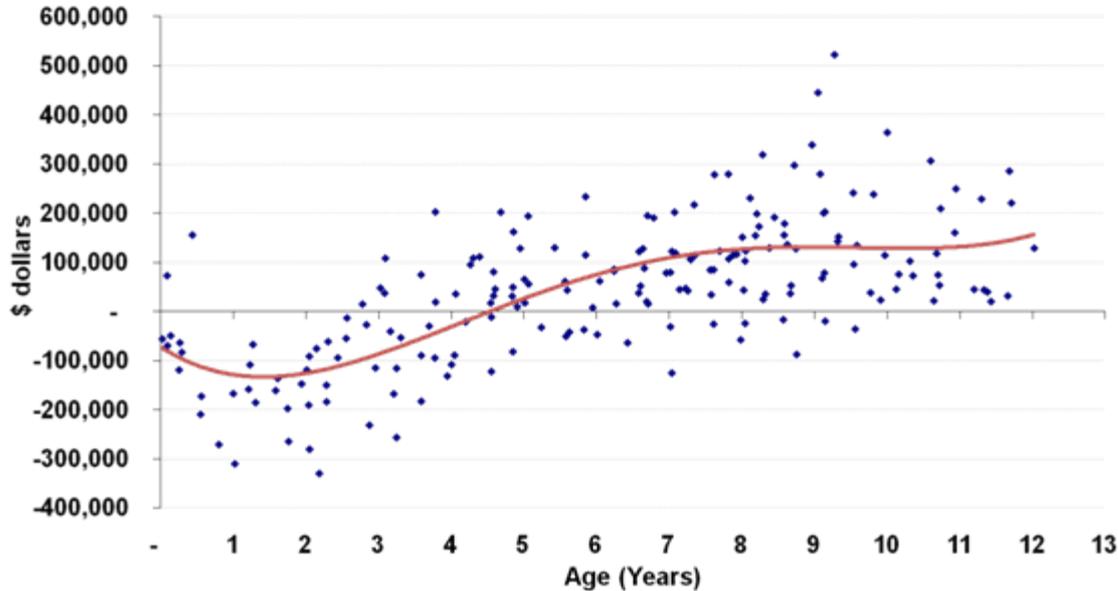
1. Create or retain banking infrastructure in the community
2. Strengthening local business and commerce
3. Building the community balance sheet
4. Shareholder dividends



The **Community Bank**® model – how it works



Community Bank Company NPAT for FY 30 June 2010
(Not Cumulative Profit) (each point represents a Community Company)

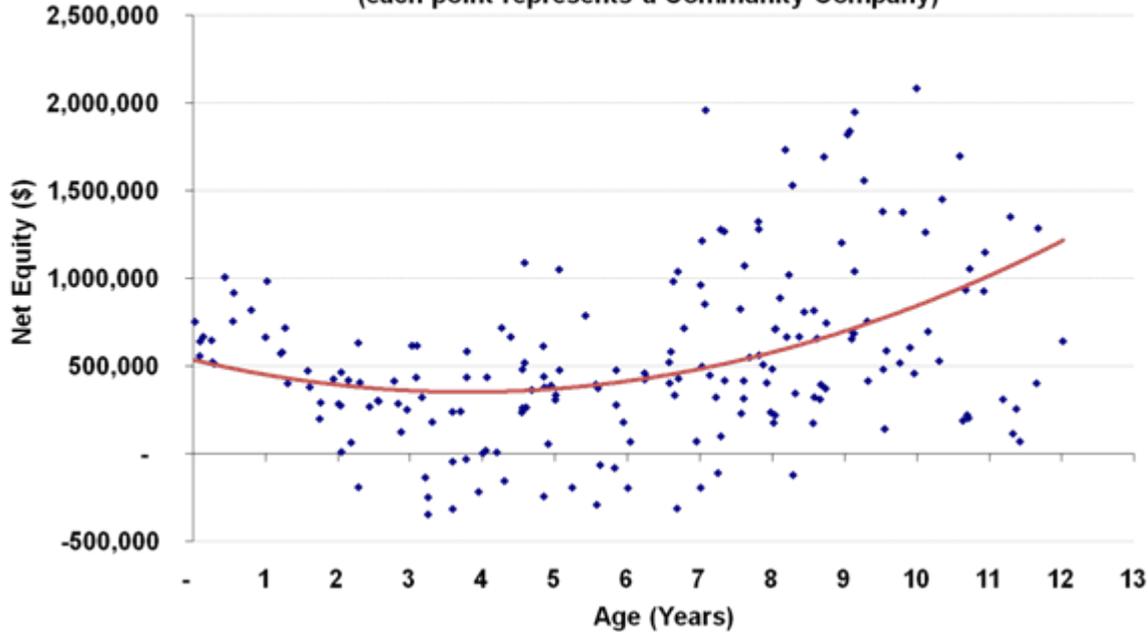


- 66% of companies posted a profit for FY10
- Profit correlates with maturity
- 9% had losses as a result of branch expansion or significant community grants
- Of the remaining 25% that declared a loss:
 - 70% were < 3 years of age and budgeted to make a loss,
 - 28% were drought effected

The Community Bank[®] model - performance



Community Bank Net Equity¹ - All Sites as at End of 30 June 2010 FY
(each point represents a Community Company)



- 90% of companies either still drawing down capital or in capital generation phase
- Of the 10% that have negative net equity, 50% are sites recently or currently affected by drought
- 4 companies with negative net equity made profits in 2010
- Those companies with low or negative net equity are actively supported to grow their business

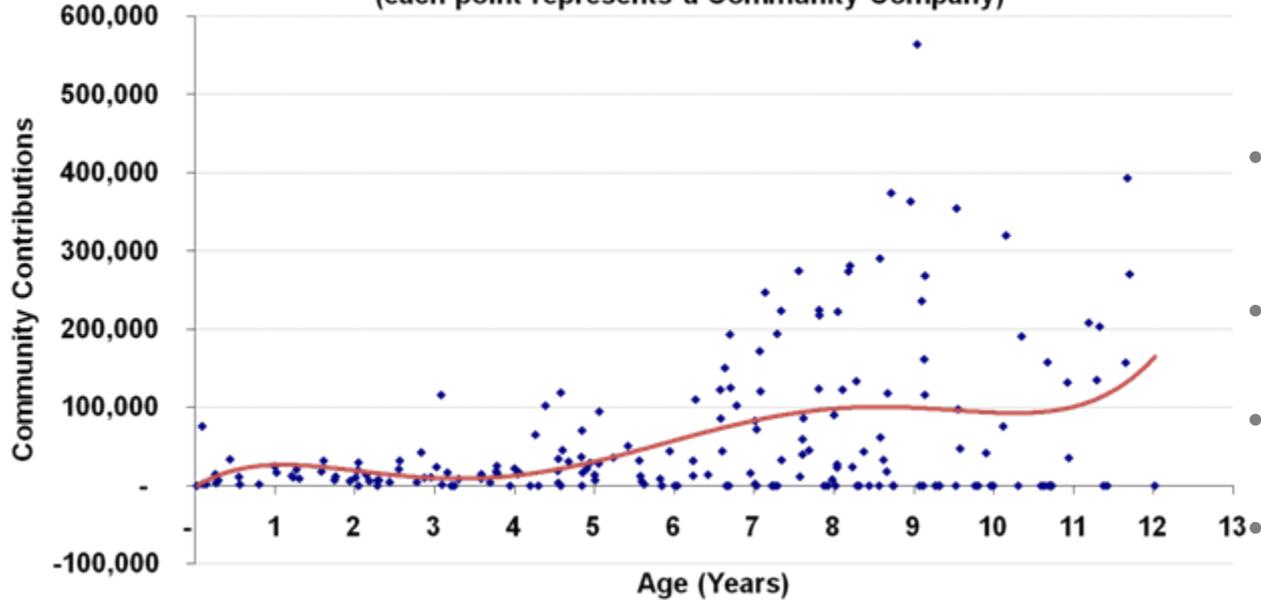
The Community Bank[®] model - performance



Source: Company data, Community Bank[®] annual reports

1. Net Equity = Contributed Equity + Retained P&L + Reserves

Community Bank - Community Contributions - Grants, sponsorships etc -
 FY 30 June 2010
 (each point represents a Community Company)



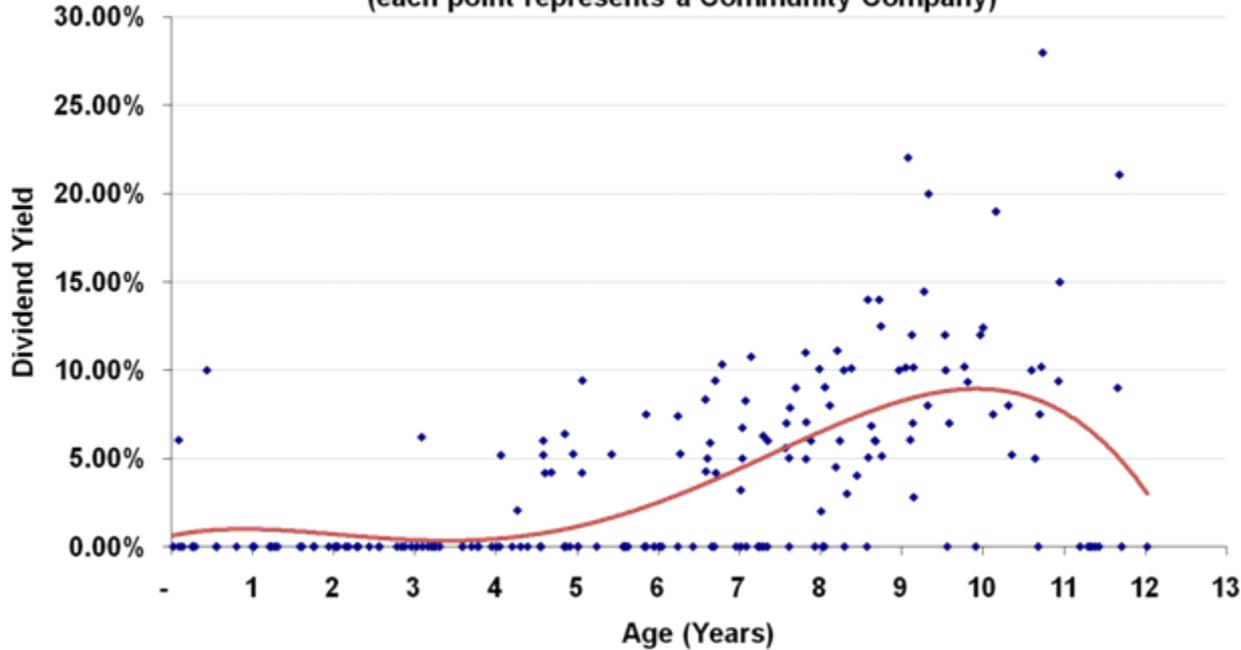
- 144 companies declared contributions to local community purposes totalling \$11.7m in FY10
- Average contribution for sites >3 yrs of age = \$102k
- 39% made contributions >\$50k
- 30% made contributions >\$100k
- 14% made contributions >\$200k

The Community Bank[®] model - performance



Source: Company data, Community Bank[®] annual reports

Community Bank Dividend Yield - All Dividend Paying Sites FY 30 June 2010
 (each point represents a Community Company)



- 48% of companies paid shareholder dividends
- 58% of sites >3 yr of age paid shareholder dividends
- Average shareholder dividend yield is 8.4%
- Yield increases strongly with age

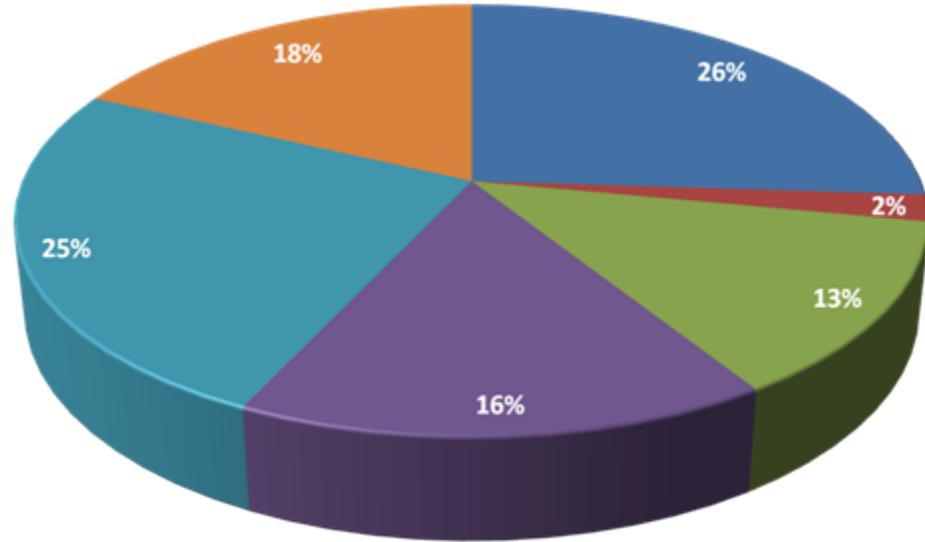
The Community Bank[®] model - performance



Source: Company data, Community Bank[®] annual reports

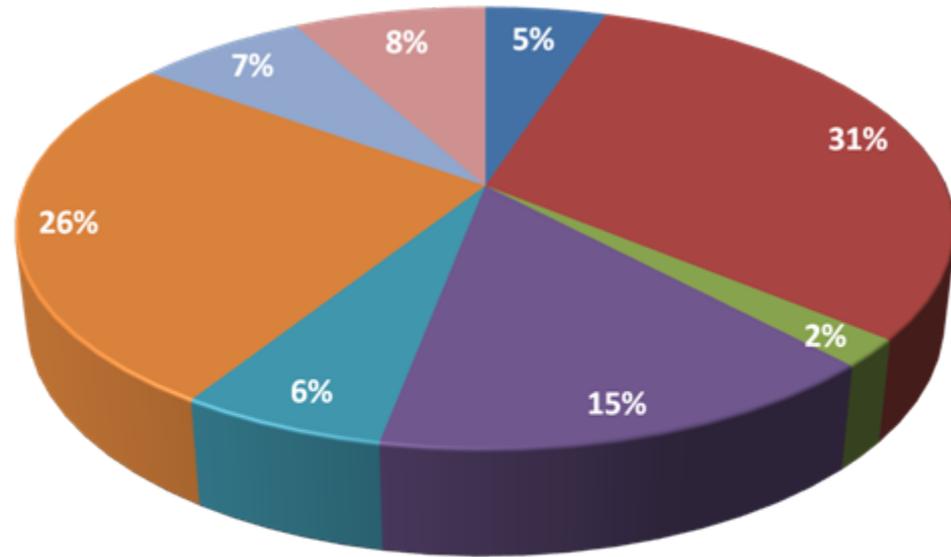
Loans under management

Geographic split



WA TAS NSW VIC QLD SA/NT

Loan sectors



Dairy Grain, sheep & beef Hort & vit Sheep & beef
Sheep Beef Grain Other

Rural Bank – loan diversity



Analysts

Will Rayner

Head of Capital and Investor Relations

Bendigo and Adelaide Bank Limited

Tel: +61 8 8220 7764

Mob: +61 437 794 366

Email: will.rayner@bendigoadelaide.com.au

Terry Fountas

Senior Manager Investor Relations

Bendigo and Adelaide Bank Limited

Tel: +61 8 8220 7730

Mob: +61 437 650 913

Email: terry.fountas@bendigoadelaide.com.au

Media

Lauren Treacy

Head of Media and Communications

Bendigo and Adelaide Bank Limited

Tel: +61 3 5485 7109

Mob: +61 407 340 283

Email: lauren.treacy@bendigoadelaide.com.au

Contact

