

Bendigo and Adelaide Bank

2011 half year results

February 14, 2011



incorporating



Adelaide Bank



Leveraged Equities



Sandhurst Trustees



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Disclaimer



- Overview
- Business performance
 - Financials
 - Capital
 - Credit
- Outlook

Mike Hirst

Group Managing Director

Overview



Our result

Financial performance	<ul style="list-style-type: none">•Cash earnings \$162.1m•Cash EPS 44.7¢•Net profit after tax \$173.9m
Growth	<ul style="list-style-type: none">•Retail deposits up by 10.3%¹•Loans increased by 5.2%¹•Total branches increased by 20
Funding and liquidity	<ul style="list-style-type: none">•Issued \$2.5bn in RMBS since June 2010•91% retail funded² as at December 2010•13.05% liquidity ratio as at 31 December 2010
Capital and dividends	<ul style="list-style-type: none">•Tier 1 ratio of 8.06%•Half year dividend of 30.0¢, fully franked

Overview



1. Comparisons are with prior corresponding period unless otherwise stated
2. On balance sheet

A strongly diversified business

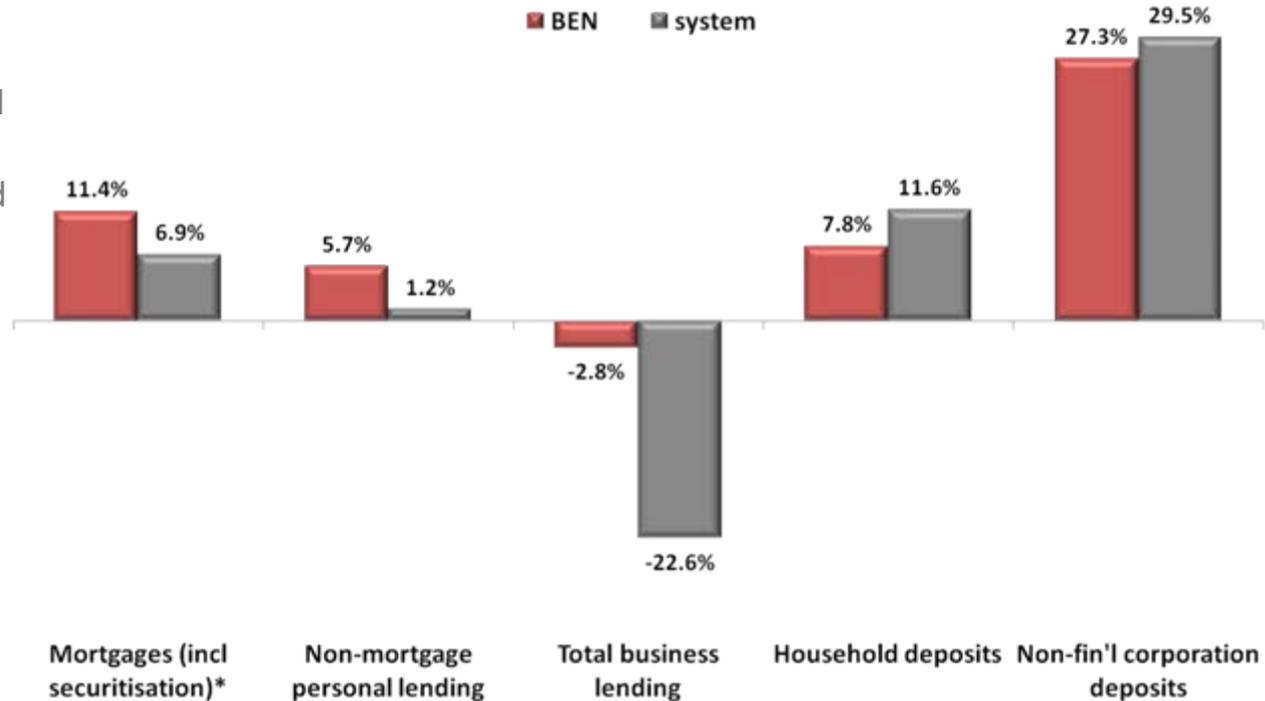
Business	Segment	Business conditions
	Domestic bank operating five distinct brands	<ul style="list-style-type: none">•Continued earnings momentum•Unique community and customer positioning•Relatively low political risk
	Consumer and SME banking	<ul style="list-style-type: none">•#1 banking brand for customer satisfaction and advocacy•Unique business model – positioned for growth through business cycle•Liability-led strategy
	Specialist mortgage provider	<ul style="list-style-type: none">•Strong independent brand•Margins improving•Return to system growth

A strongly diversified business

Business	Segment	Business conditions
 Leveraged Equities	Margin lending	<ul style="list-style-type: none">•High margin, low risk business•Leveraged to improvement in equity markets, market share growing•Independent provider of choice
 RURAL BANK	Agri-business banking	<ul style="list-style-type: none">•Strong brand and distribution•Commodity prices at near-record highs•Long-term prospects for agricultural services strong as Australia emerges from a long drought
 Sandhurst Trustees	Wealth management, superannuation	<ul style="list-style-type: none">•Increased investment to provide long-term benefits•Continued providing access to funds throughout GFC•Strong distribution through retail channels

Strong momentum in the business

- Capacity and capability preserved within the network
- Customer demand for service and brand appreciation is strong



Overview



The future...

- Market conditions remain challenging
 - Subdued demand for credit
 - Competitive pressures
 - Regulatory burden
- Maintain discipline in both asset and liability generation
 - Price for risk
 - Profitability vs market share
 - Conservative risk appetite
- Positive outlook
 - Domestic economy resilient
 - Growth through retail and third-party channels
 - Margin stabilisation
 - Retail systems enhanced

Richard Fennell

Chief Financial Officer

Business performance



\$m	HY Dec 2009	HY June 2010	HY Dec 2010	% change (pcp)
Cash EPS	41.2¢	42.1¢	44.7¢	8.5
Cash earnings (\$m)	139.7m	151.3m	162.1m	16.0
Net profit after tax (\$m)	104.1m	138.5m	173.9m	67.1
Dividend per share	28.0¢	30.0¢	30.0¢	7.1
Cost to income	58.5%	57.7%	57.7%	↓1.4
NIM	2.04	2.14	2.15	5.4

Balance sheet

Total assets (\$bn)	53.5	+5%
Total liabilities (\$bn)	49.7	+5%
RWA's (\$bn)	25.1	+5%

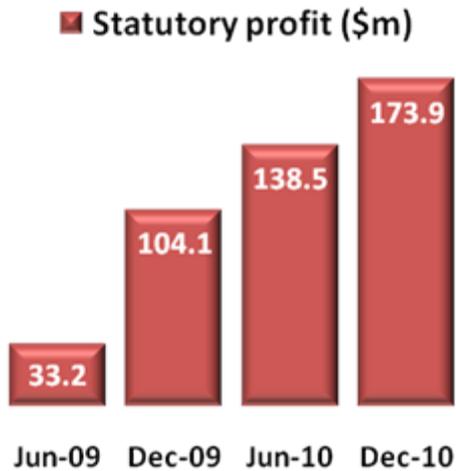
Capital and funding

Tier 1 capital (%)	8.06	(49 bpts)
Total capital (%)	11.07	(8 bpts)
Deposit funding* (%)	91	+3%

Business performance - financials



Group performance

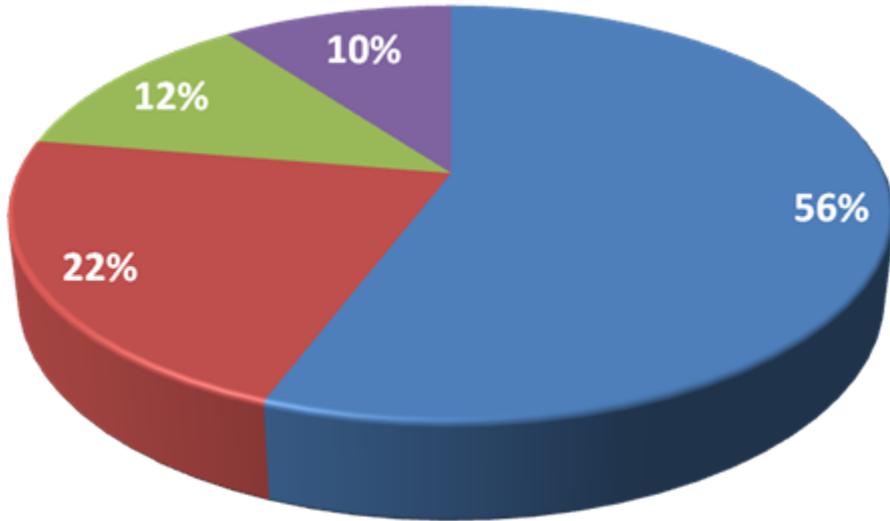


Business performance - financials



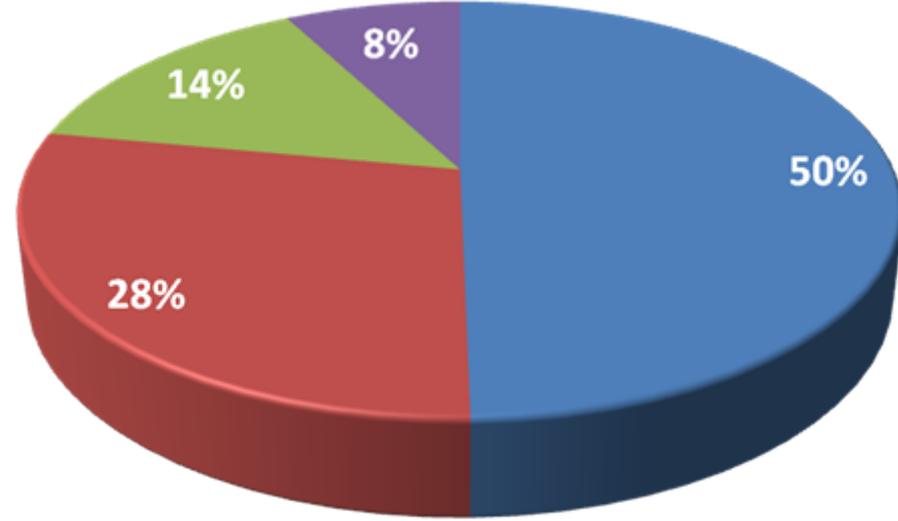
A diversified business

Contribution by revenue



■ Retail ■ 3rd party ■ Wealth ■ Rural Bank

Contribution by profit



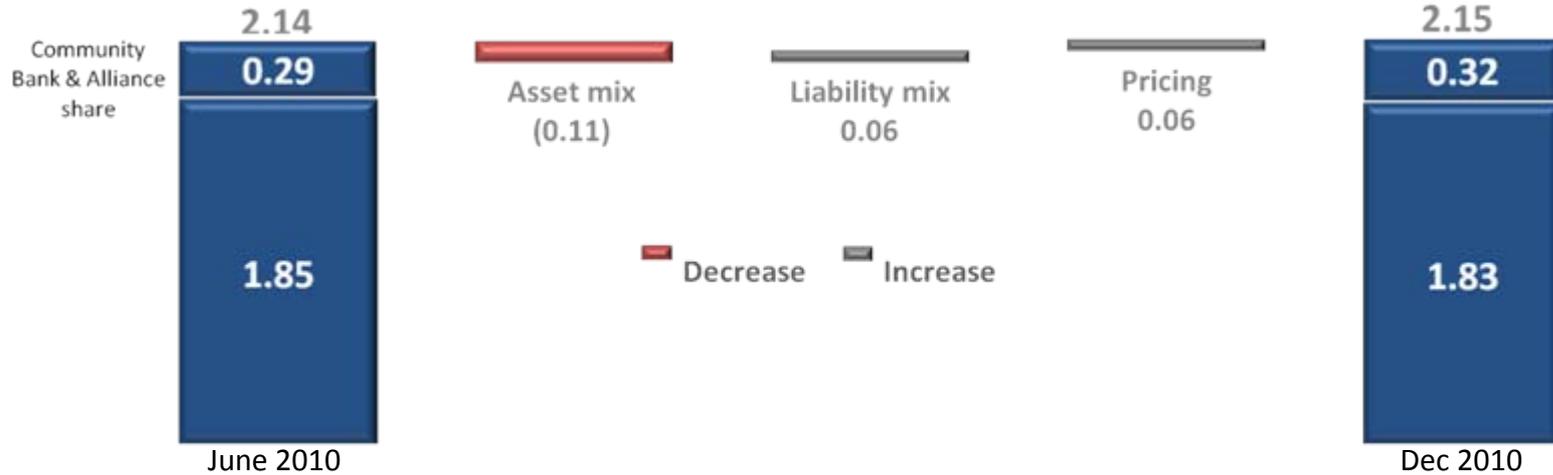
■ Retail ■ 3rd party ■ Wealth ■ Rural Bank

Business performance - financials



Figures exclude central functions

Net interest margin (%)

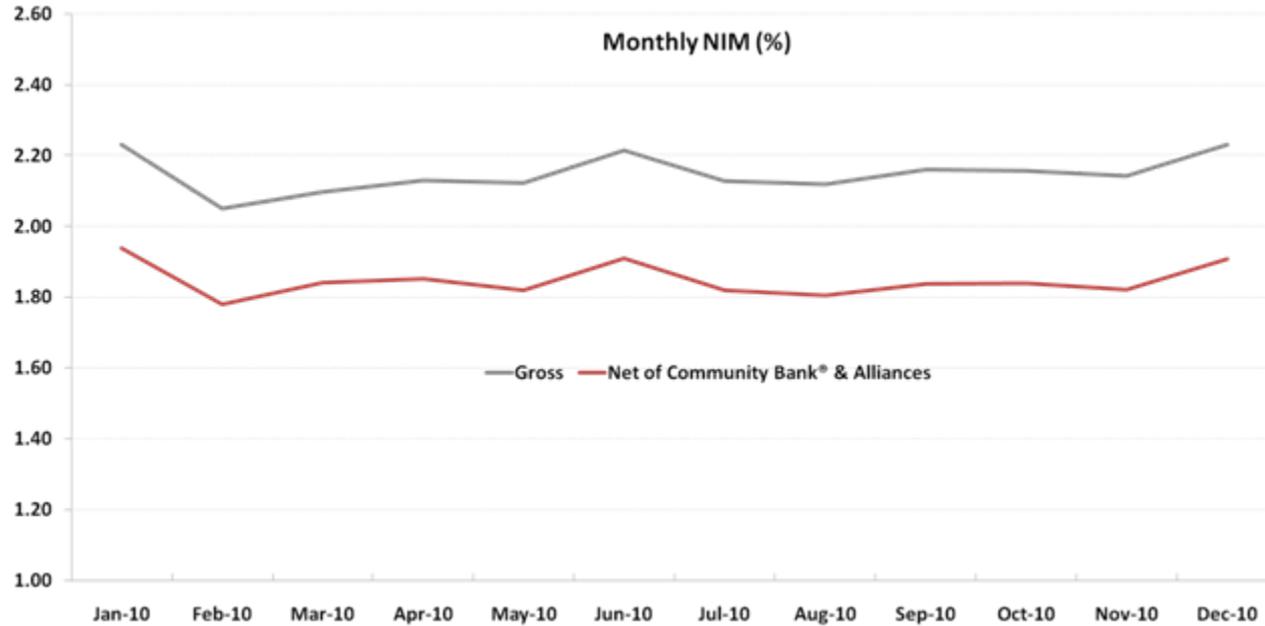


- Margin maintained
- No Government Guaranteed rollover risk
- Potential upside from asset mix

Business performance - financials

Net interest margin

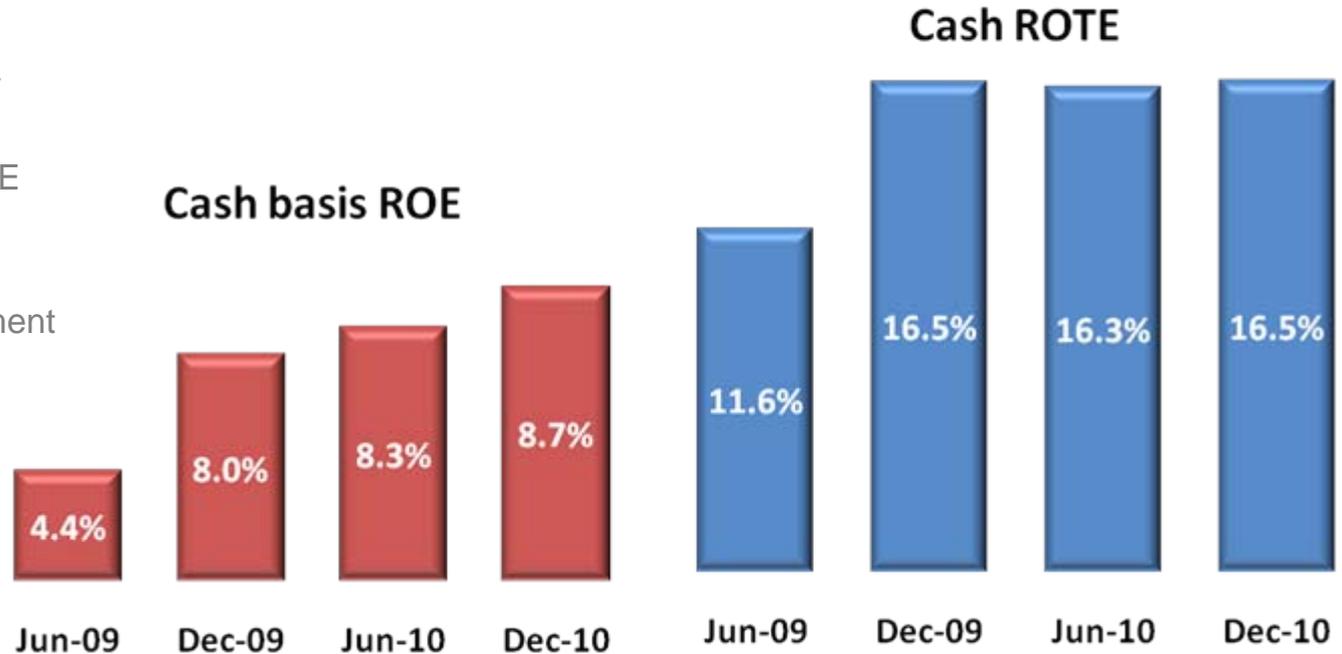
- Diligent and prudent pricing – particularly in TD market
- Current NIM run-rate of 2.23 per cent gross



Business performance - financials

Return on equity

- ROE improvement over prior corresponding period
- Maintain forward looking ROE improvement
- Marginal ROE above 15%
- Goodwill tested – no impairment



Business performance - financials

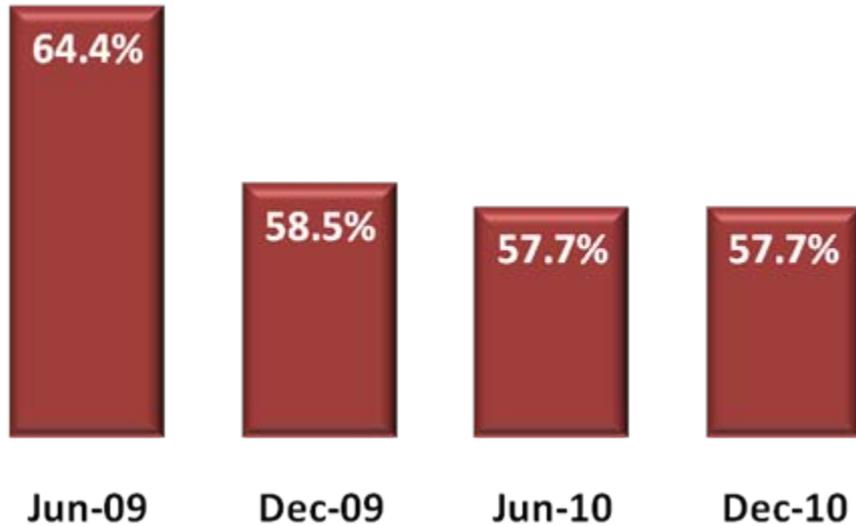


Figures are for six-monthly reporting periods

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

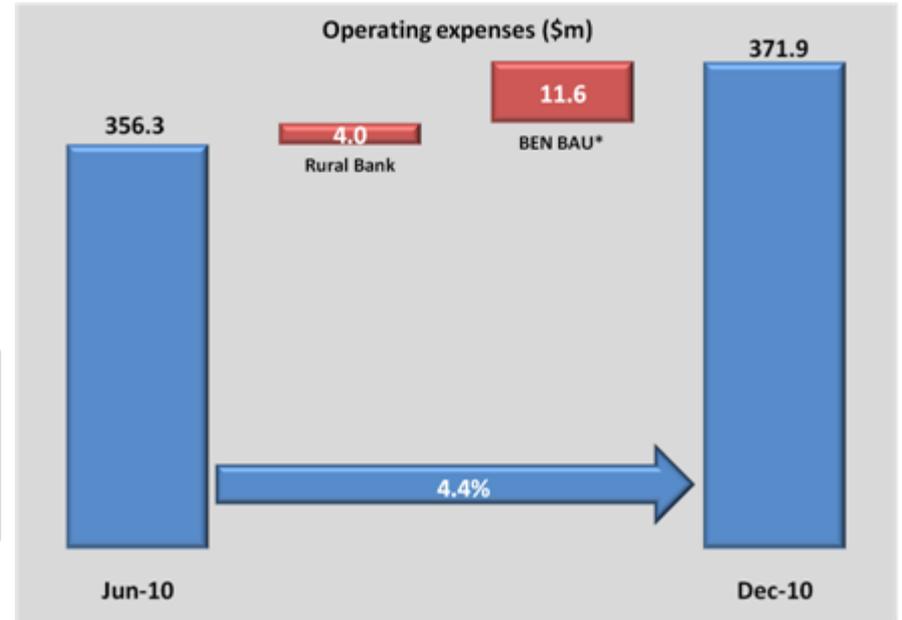
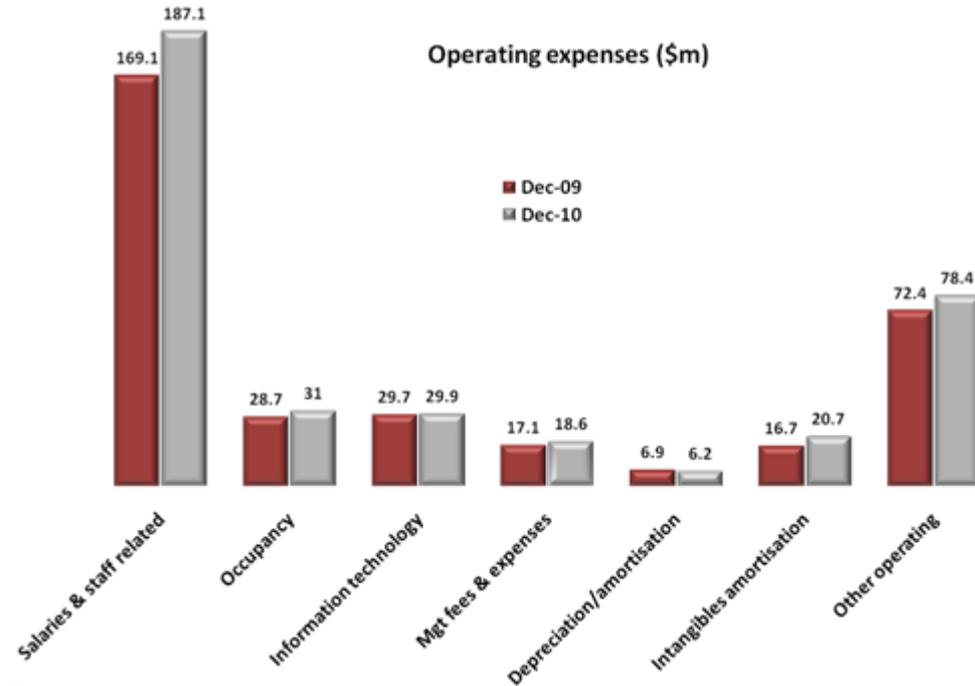
Return on tangible equity (ROTE) is the net income returned as a percentage of shareholders equity excluding intangible assets such as goodwill

Cost-to-income



- Trend of improving cost-to-income continues
- Staff related costs impact
- Long-term target of 55 per cent remains

Operating expenses



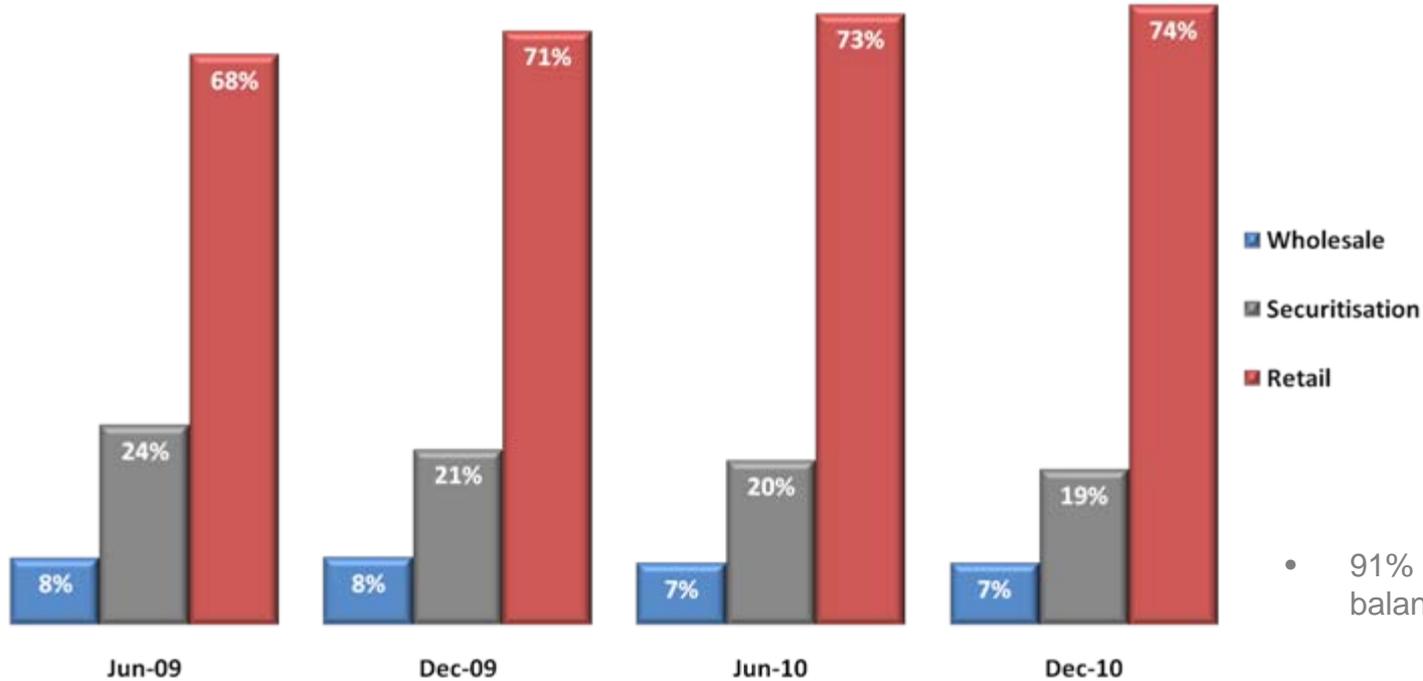
- BEN BAU predominately staff related

Business performance - financials



*BEN BAU = BEN business as usual

Funding mix



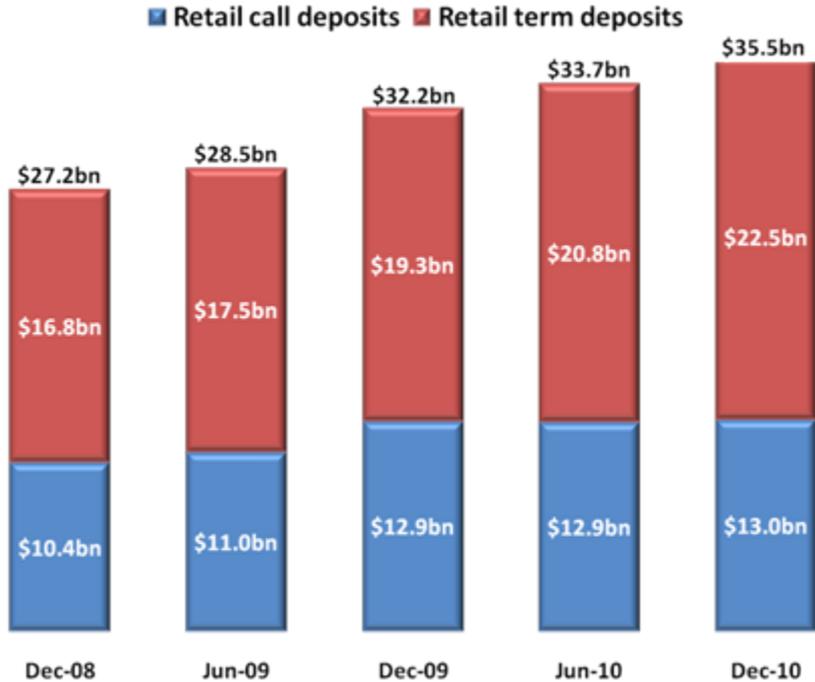
- 91% retail funded on balance sheet

Business performance - financials



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

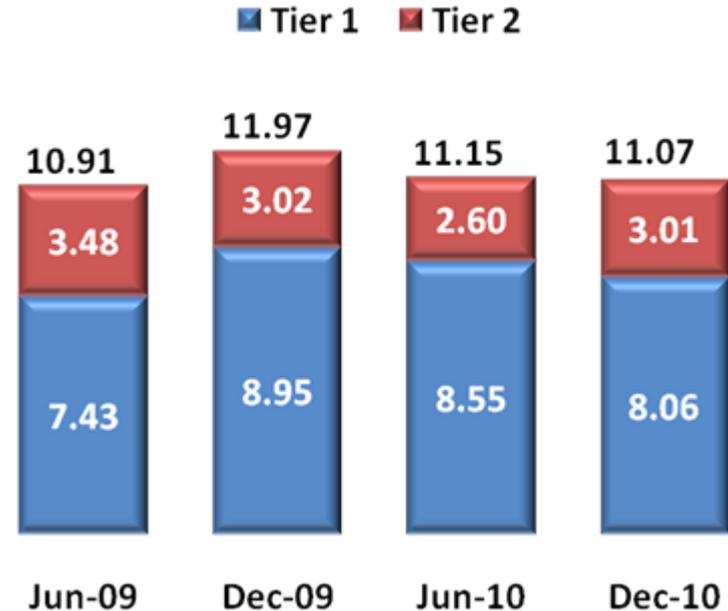


Business performance - financials



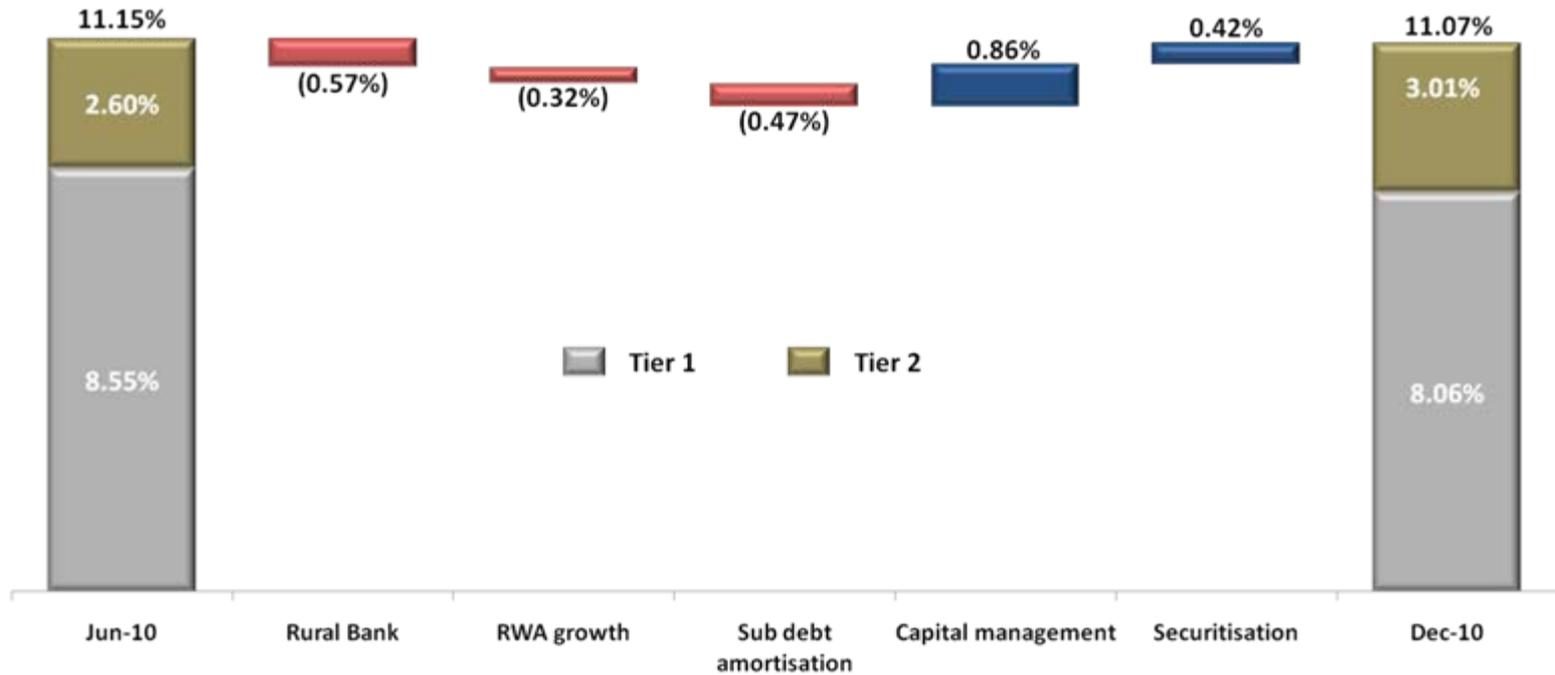
Capital

- Conservative capital levels provide substantial flexibility
- Tier 1 capital 8.06 per cent
- Rural Bank acquisition resulted in 0.57% Tier 1 reduction
- Improved capital efficiency through \$250m sub-debt issuance in 1HY11



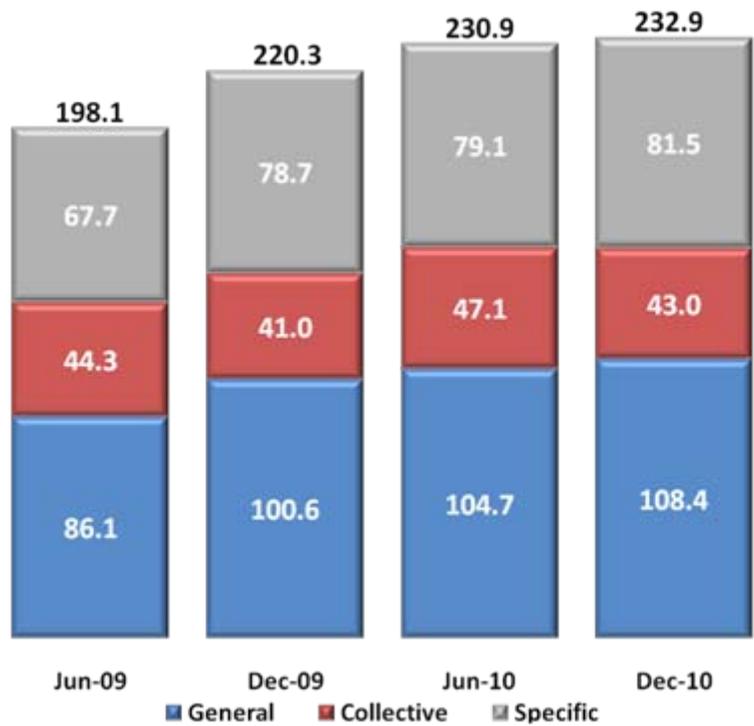
Business performance - capital

Capital adequacy ratio



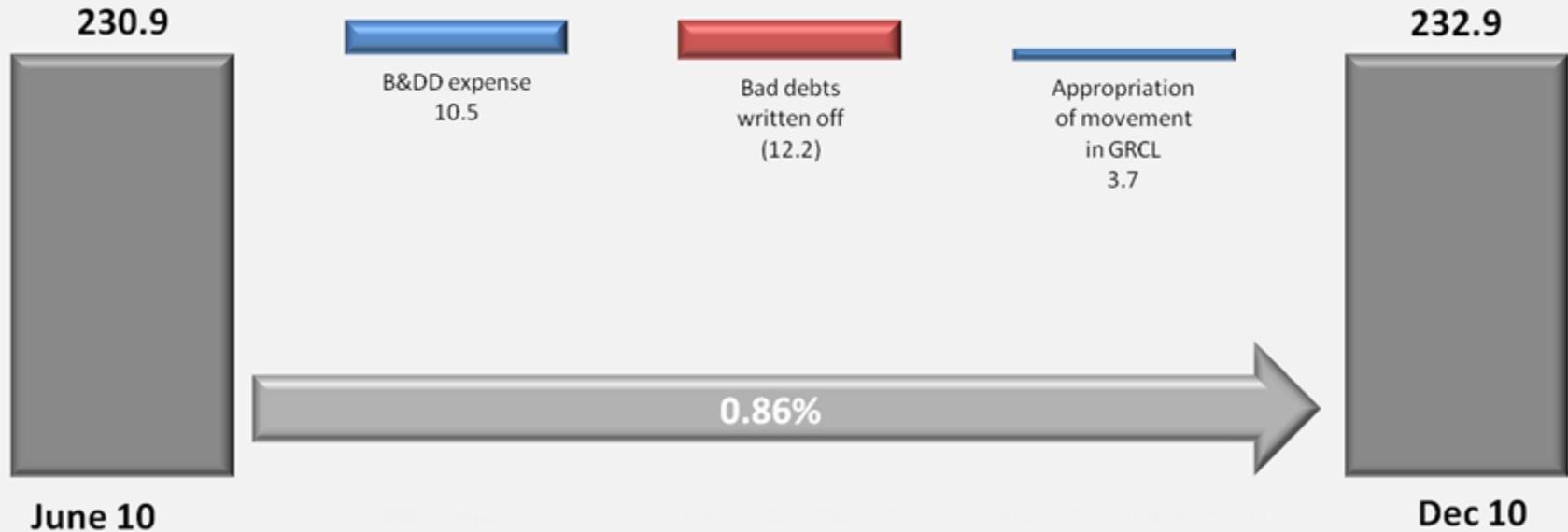
Business performance - capital

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



- Total provisions increased \$2 million over the past six months
- Increase from June-09 largely reflects Rural Bank consolidation
- Rural Bank provisioning has increased from \$14.3m (June-10) to \$21.4m (Dec-10)
- Great Southern represents \$23.6m of total provisions (\$13.2m collective, \$10.4m specific)

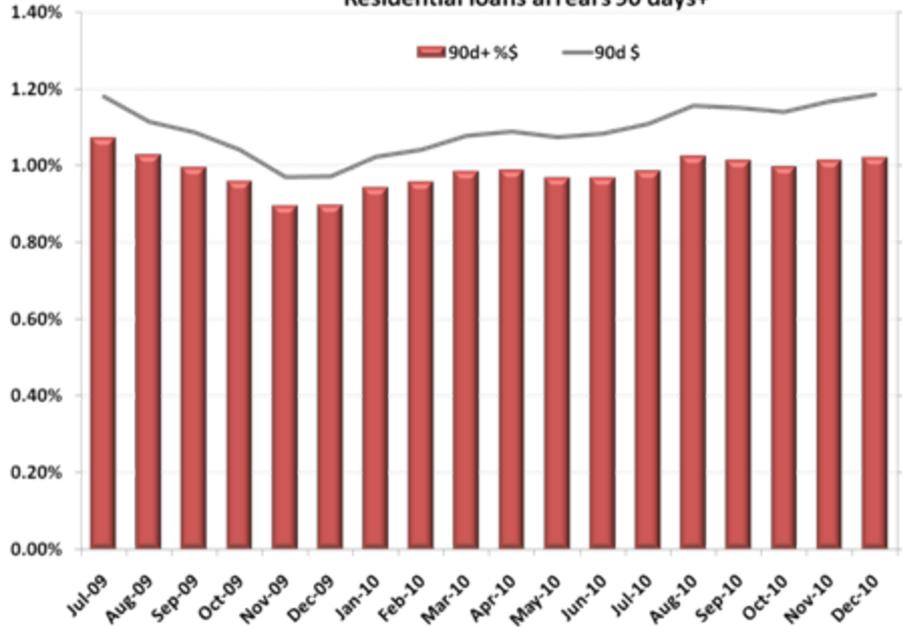
Total provisions and reserves for doubtful debts (\$m)



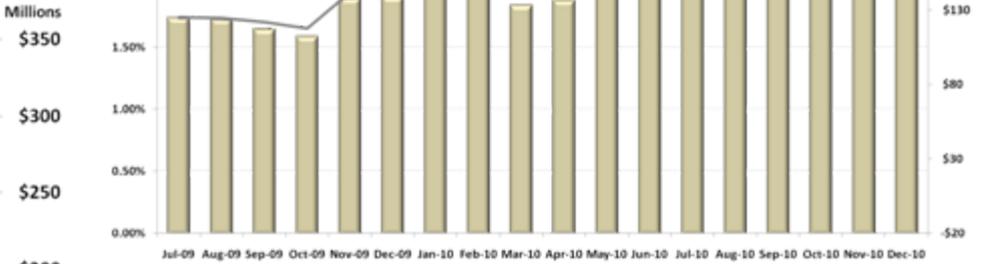
Business performance - credit

Arrears performance

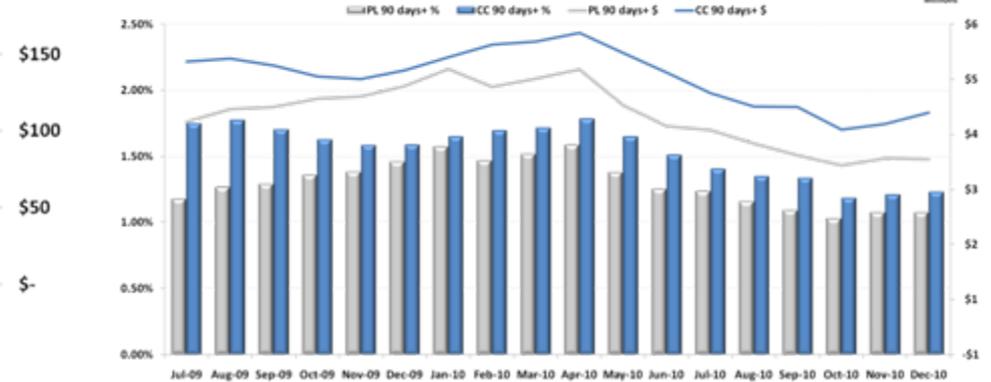
Residential loans arrears 90 days+



Business loan arrears 90 days+



Consumer loan arrears



Business performance - credit



Figures exclude Rural Bank

Natural disasters

- Exact impacts of recent natural disasters still to be determined
- No material credit deterioration expected
- Some short term cash flow issues may emerge – particularly in Rural Bank portfolio
- However, long-term prospects for agriculture remain sound
 - Expectation of gradual improvement in property prices
 - Robust agricultural commodity prices
- More than \$2.25m donated by BEN, its staff, partners and customers for victims of recent natural disasters (through Community Enterprise Foundation®)

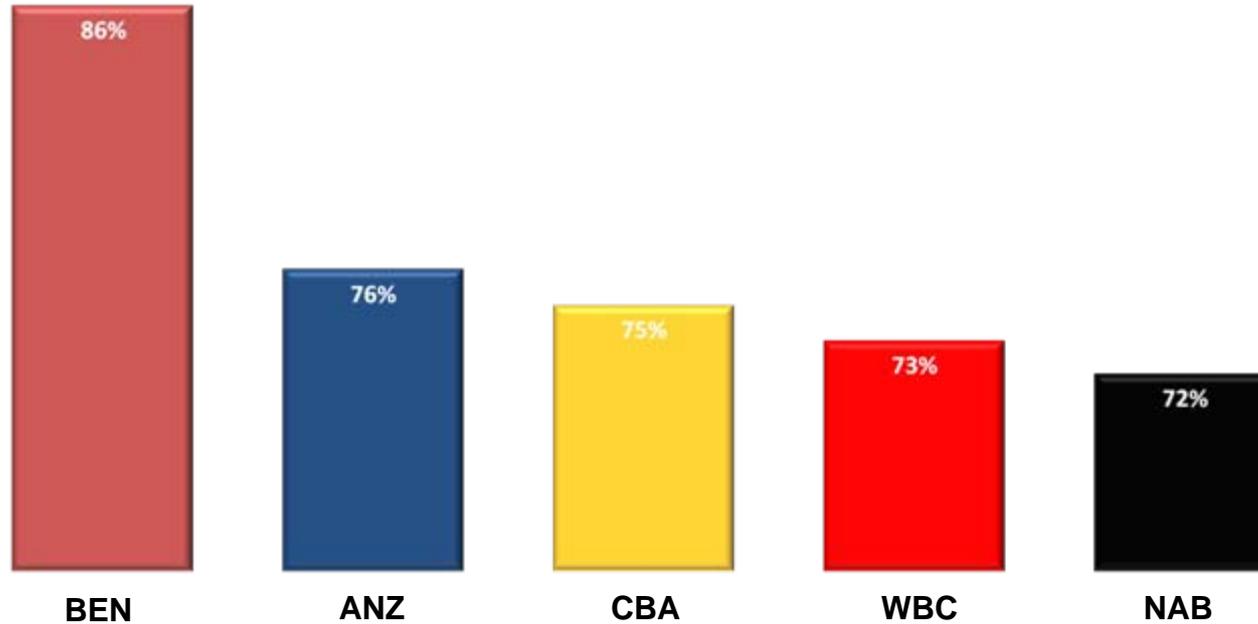
Mike Hirst

Group Managing Director

Outlook



Still #1 for customer satisfaction...



Outlook



In summary....

- Leading brand advocacy
- Significant organic growth opportunity
- Strong credit quality
- Funding, pricing and equity markets the key swing factors
- Strong balance sheet
- Proven implementation capabilities
 - Rural Bank
 - Macquarie margin lending
 - LINX
 - Trintiy^{3*}

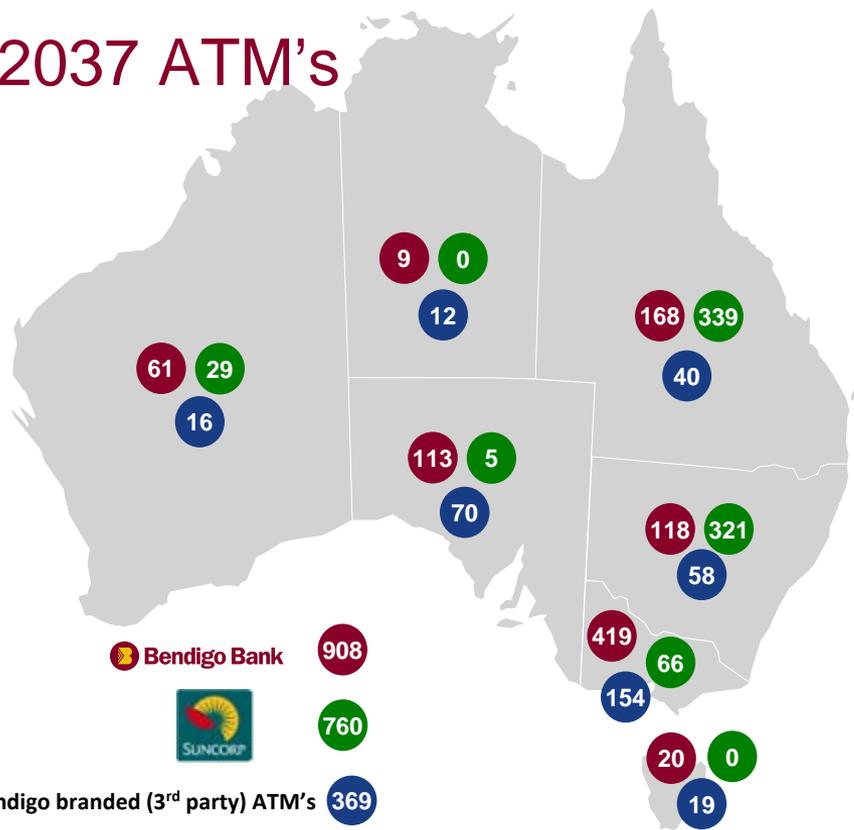
Outlook



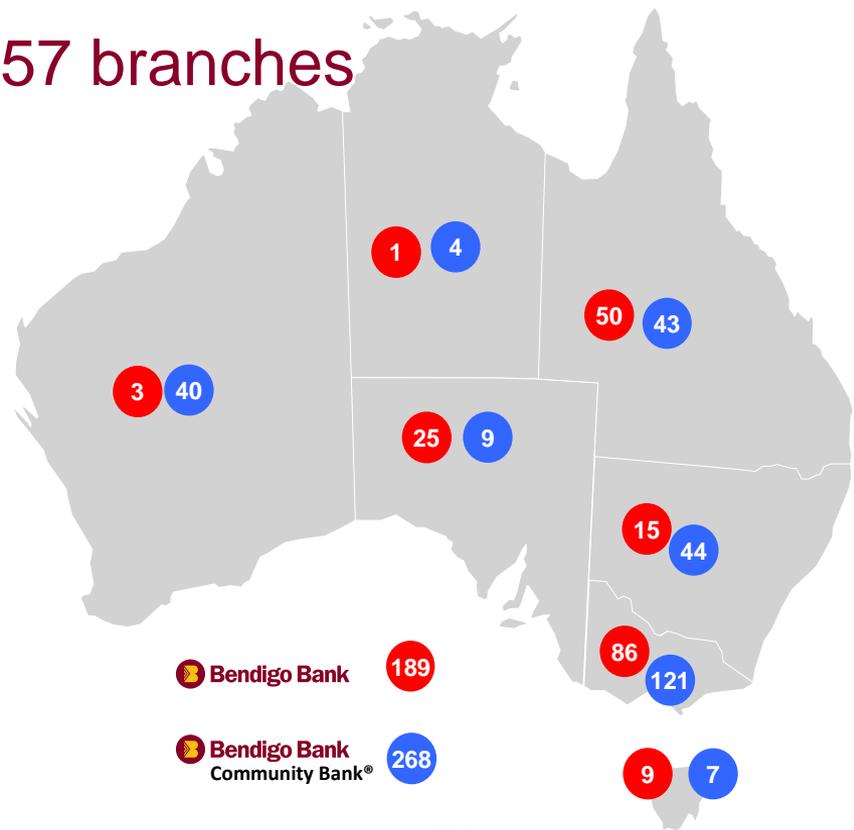
*Trintiy³ is an Investments Administration Platform that has been created to provide Financial Advisers with simple tools, flexible reporting and the administrative support required to service their customer.

Appendices

2037 ATM's



457 branches



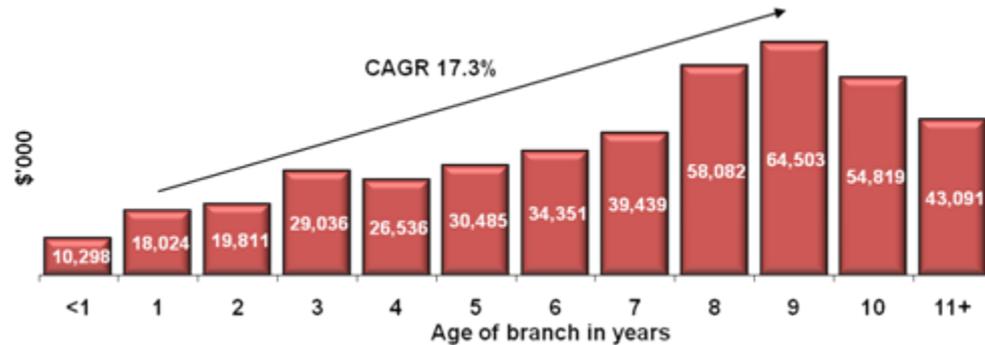
Geographic spread



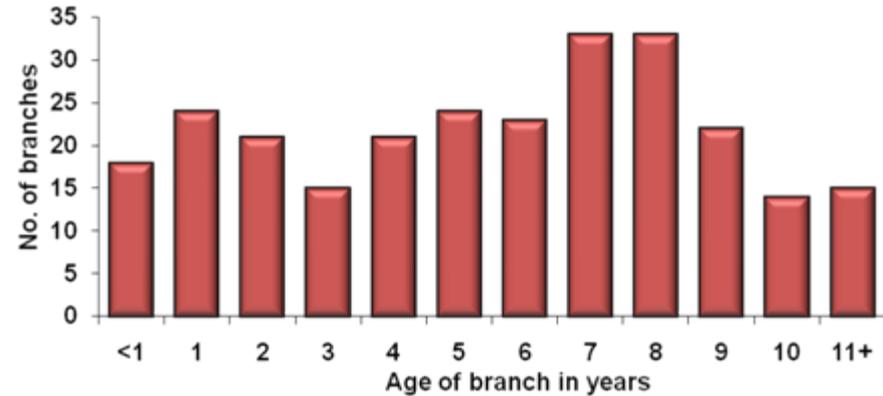
Systematic growth in retail

- 20 branches opened in CY2010
- 20+ branches to be opened in FY2011
- Relatively immature network

Deposits per Community Bank® branches



Community Bank® branches by age

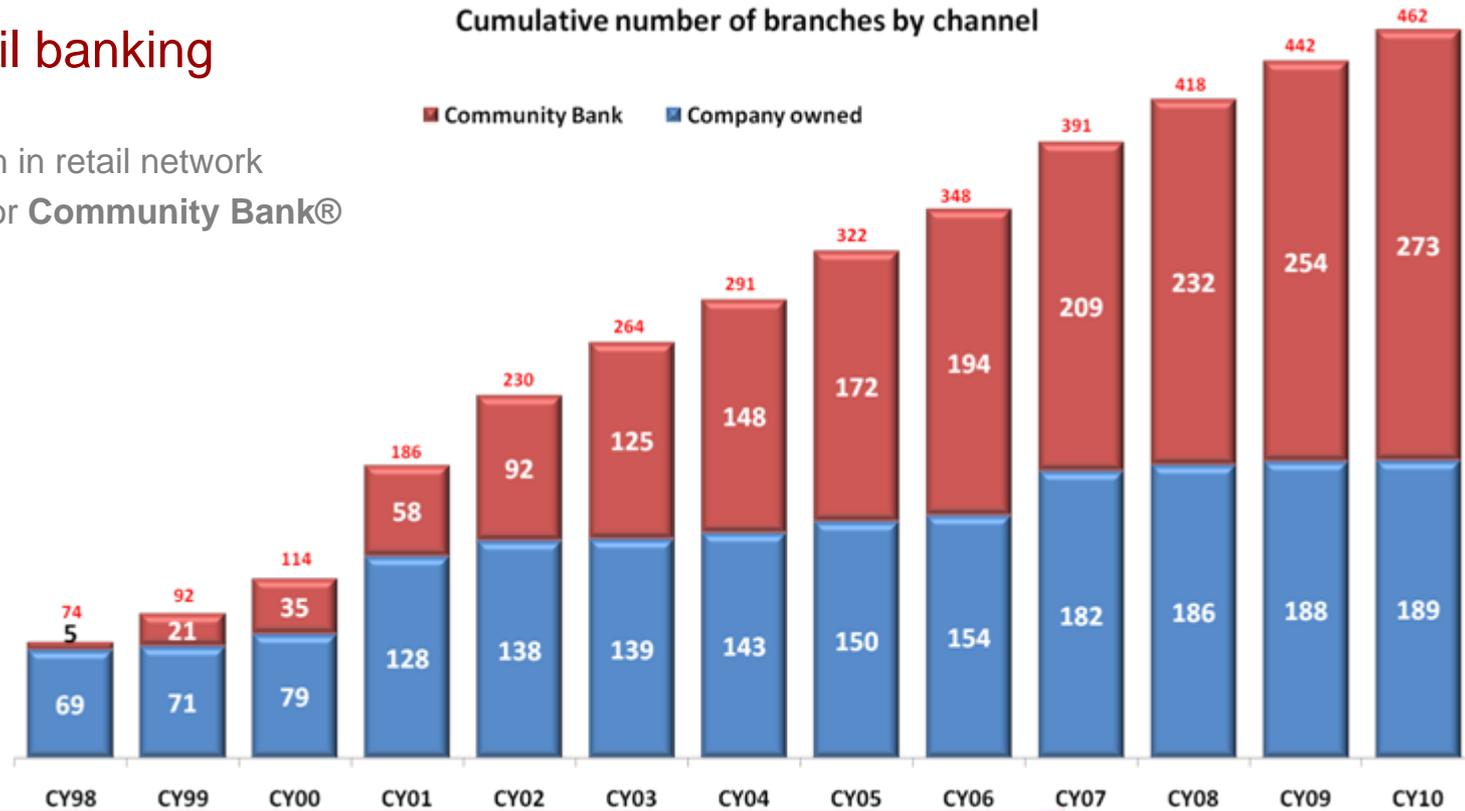


Community Bank® and retail



Growth – retail banking

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

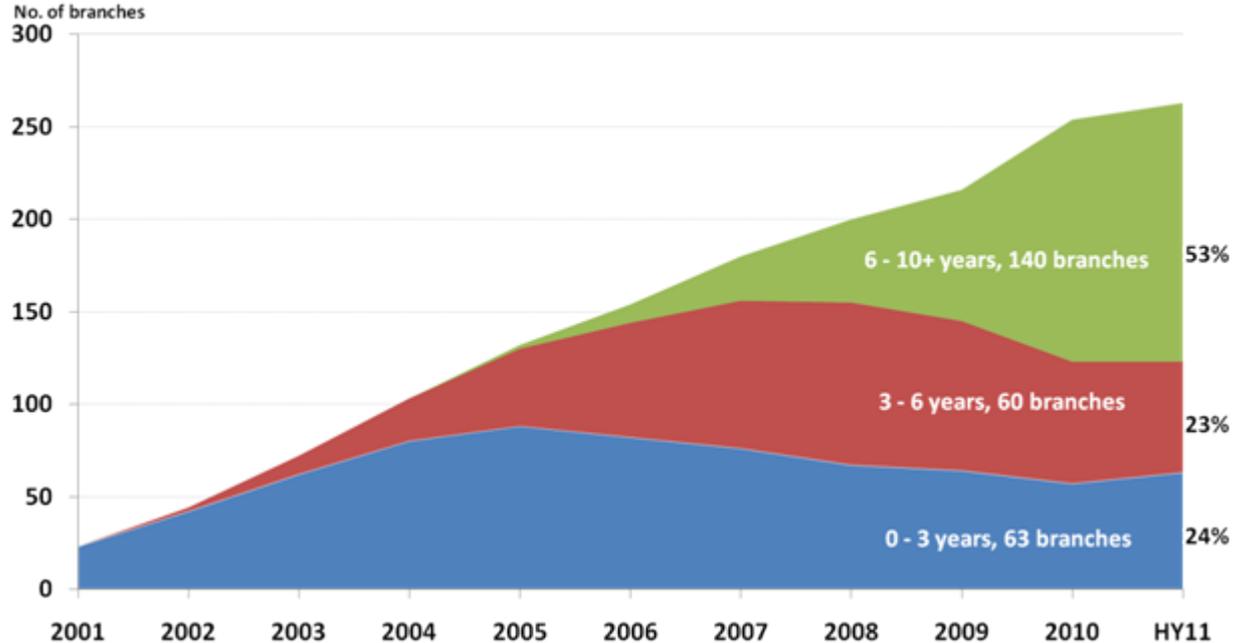


Retail banking



Growth – retail banking

- Still a relatively young 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

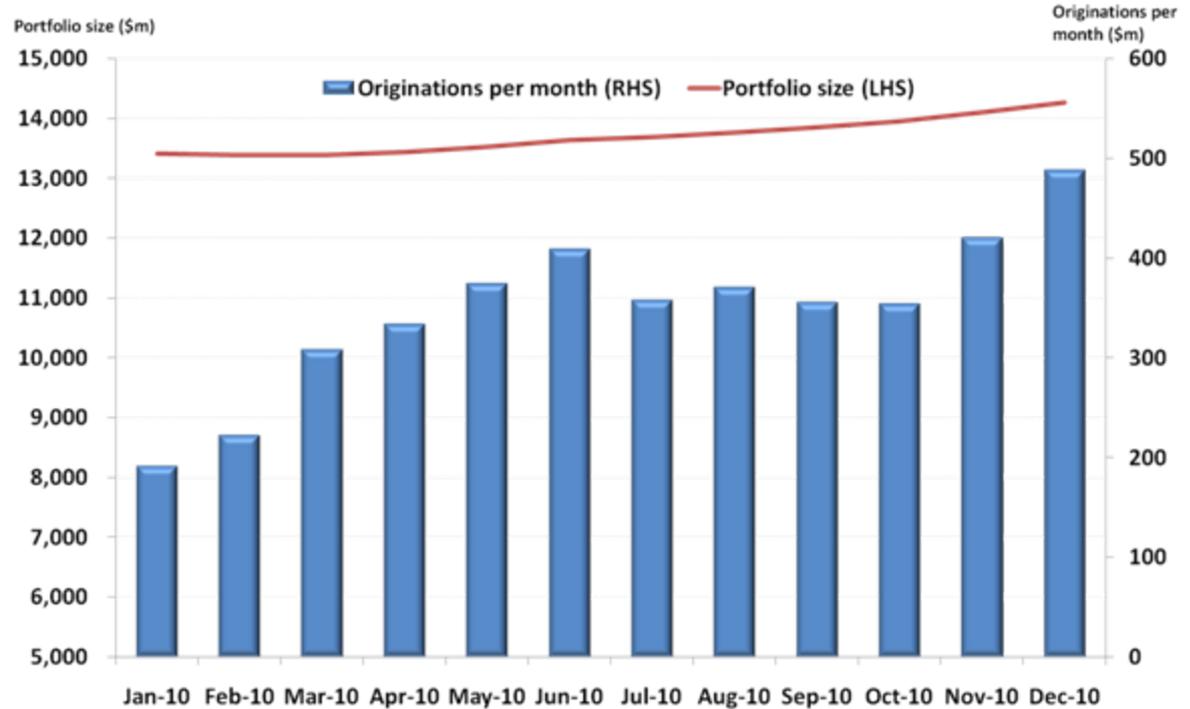


Retail network maturity



Opportunities in Third-Party Banking

- Margins improving
- Variable cost base
- Fewer competitors in the market

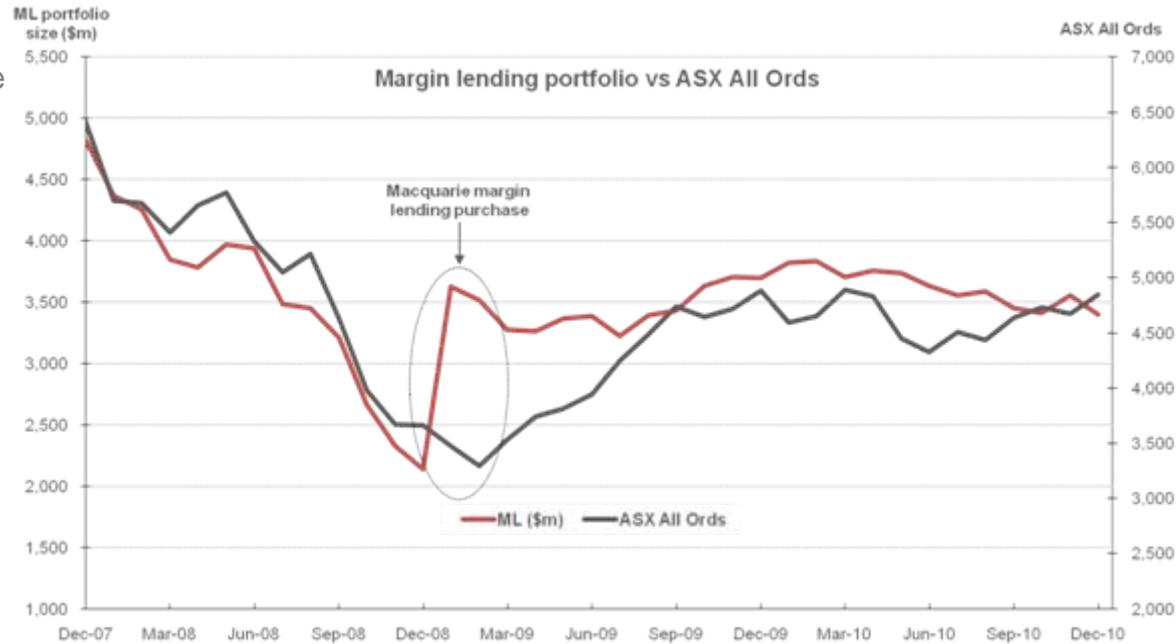


Growth



Fundamentals remain attractive for Margin Lending

- 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 19.4%*

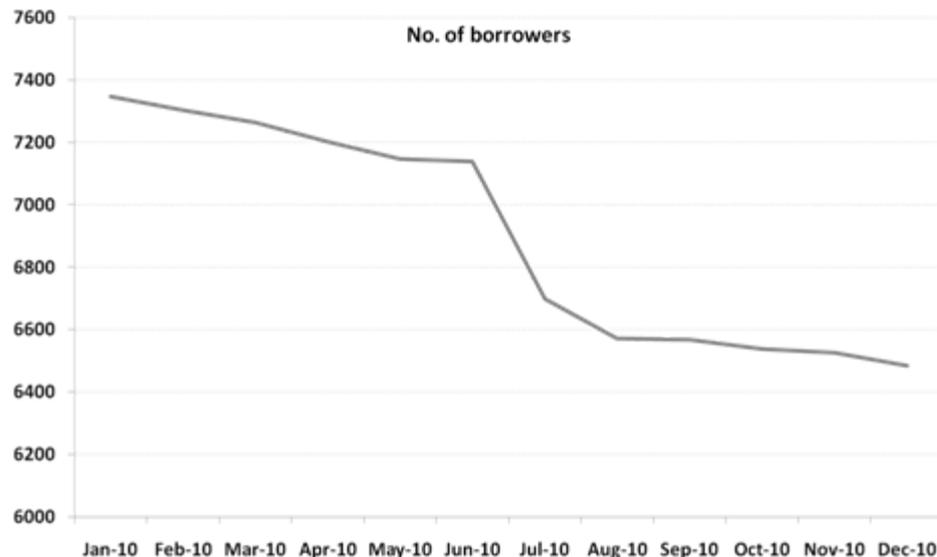
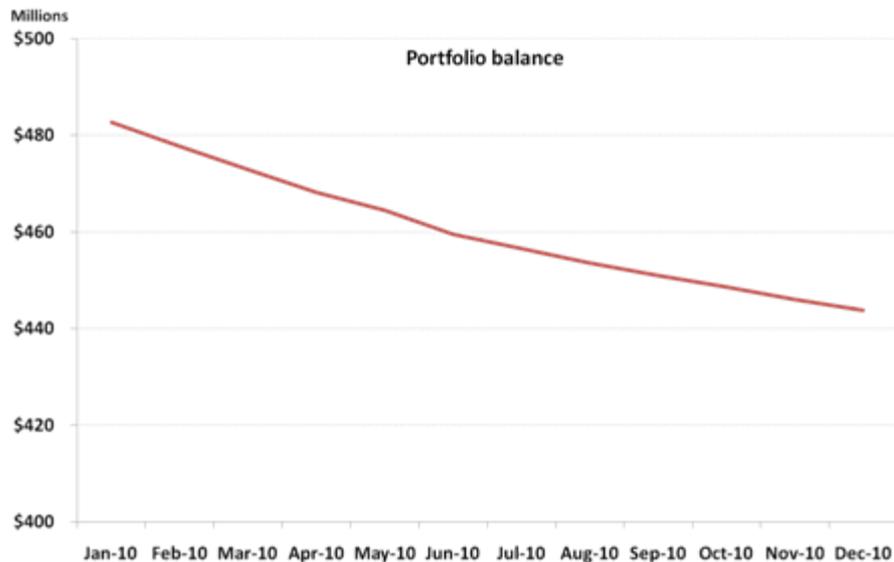


Growth



Towards a resolution

- Reducing portfolio and borrowers

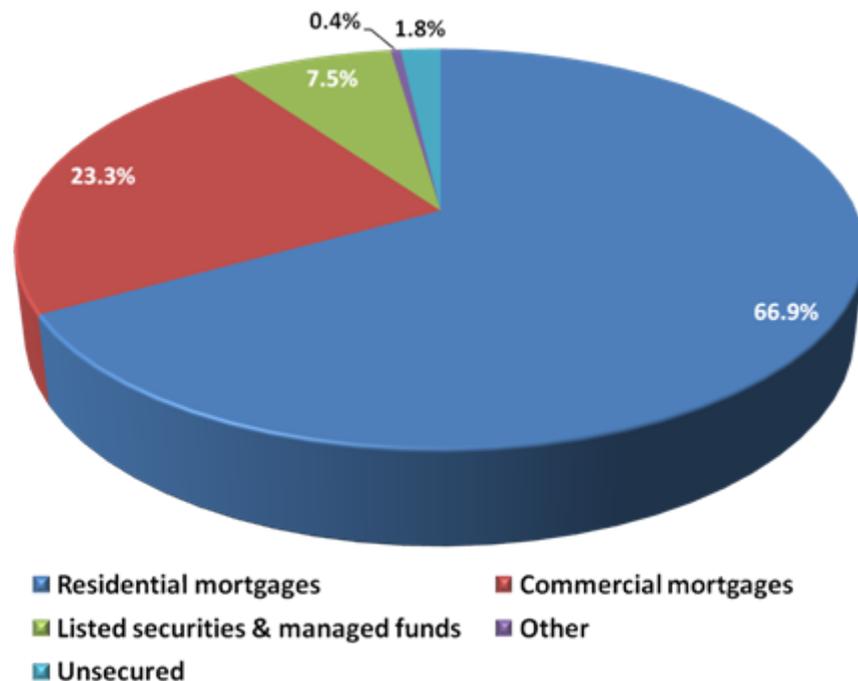


Great Southern



Secure and low risk group loan portfolio

- 98.2% secured
- 97.8% secured by mortgages and listed securities
- Residential lending
 - improvement in arrears observed in FY10 continued
 - average LVR 59%*
- Margin lending
 - average LVR 40%
 - 88% of portfolios held ≥ 4 stocks
 - negligible arrears

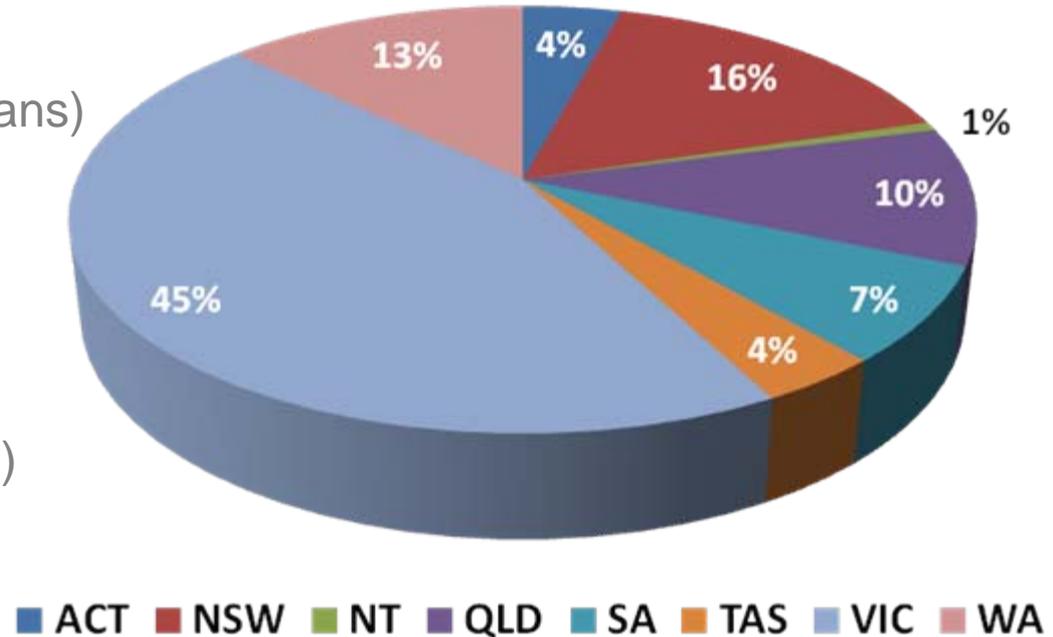


Credit

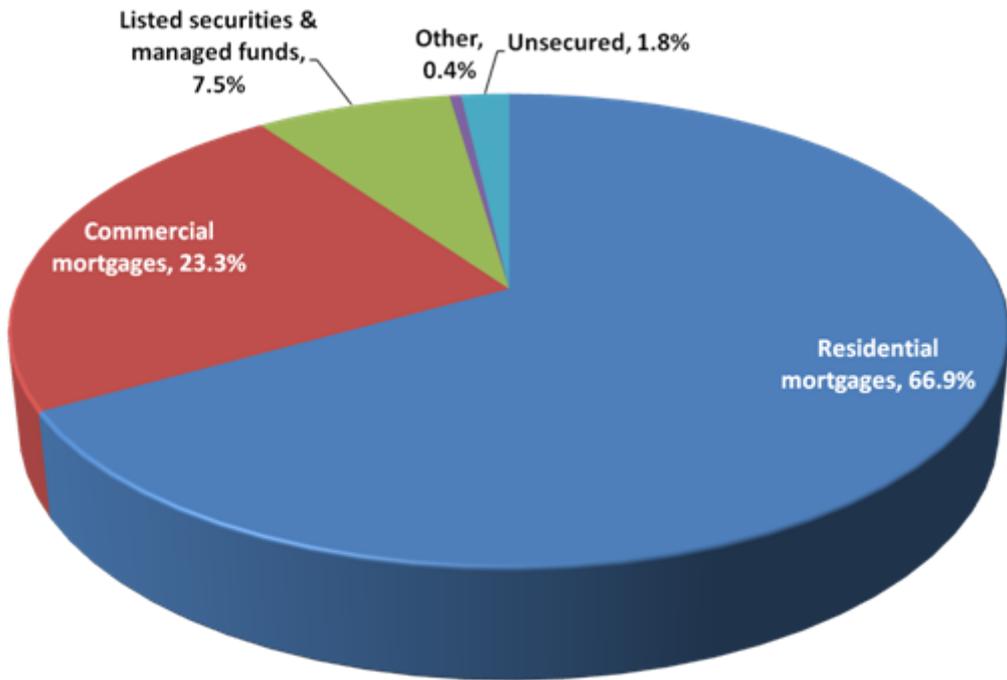


Construction portfolio

- \$647m of loans (1.4% of total loans)
- \$169k average loan size
- \$35m largest loan size
- Geographic spread
- \$47m impaired loans
- \$74m in arrears (3.8% 90 days+)



Group exposures – total \$44.8bn

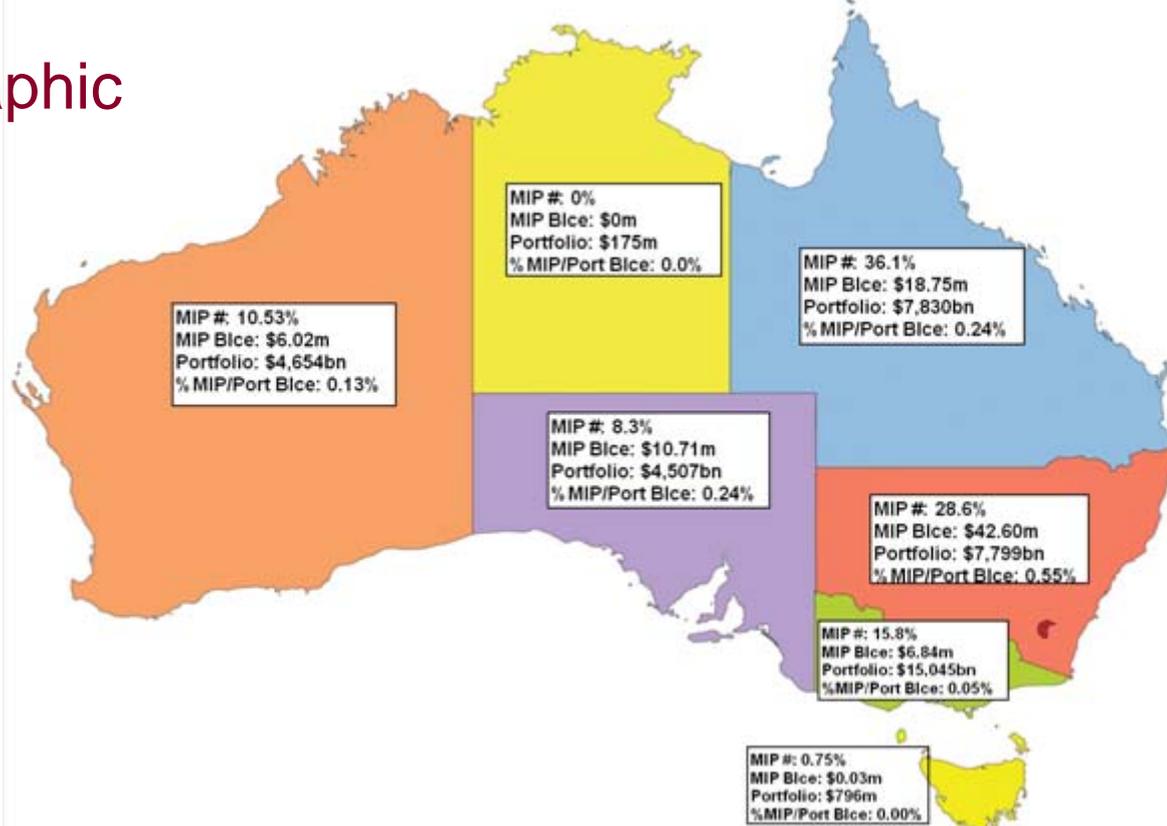


Mortgages	Dec-10	Jun-10
Owner occupied	68.3%	69.4%
Investment	31.7%	30.6%
Lo Doc	7.1%	6.0%
Retail mortgages	54.0%	52.9%
Third Party mortgages	46.0%	47.1%
Mortgages with LMI	44.5%	40.5%
Average loan balance	\$160k	\$157k
90+ days past due	0.9%	0.8%
Impaired loans	0.09%	0.10%
Specific provisions	0.02%	0.03%
Loss rate	0.01%	0.01%

Credit



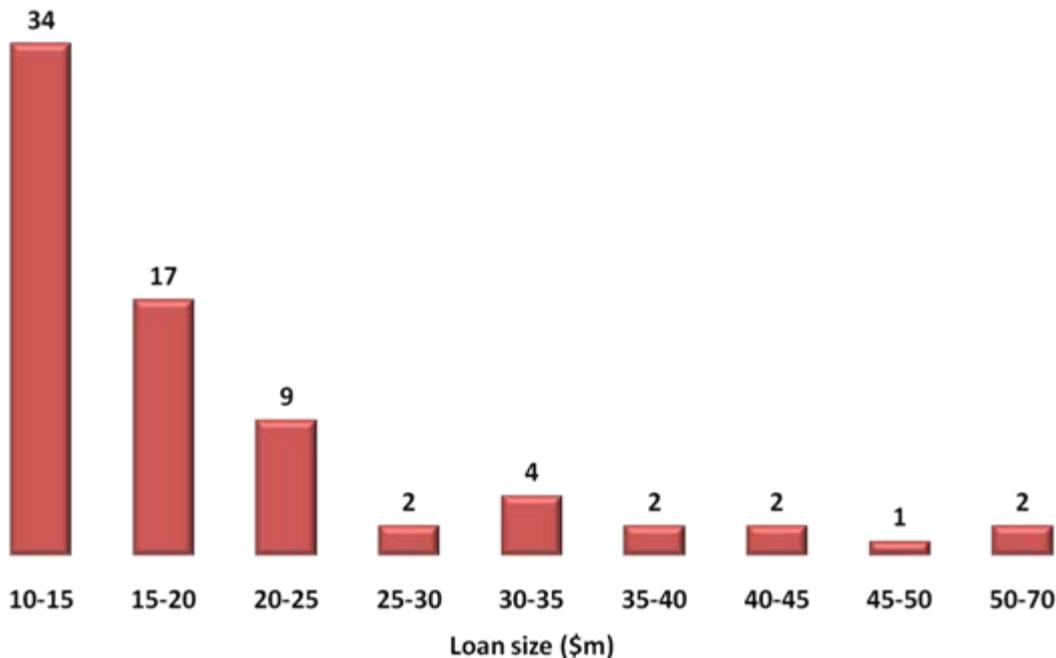
MIP geographic distribution



Credit

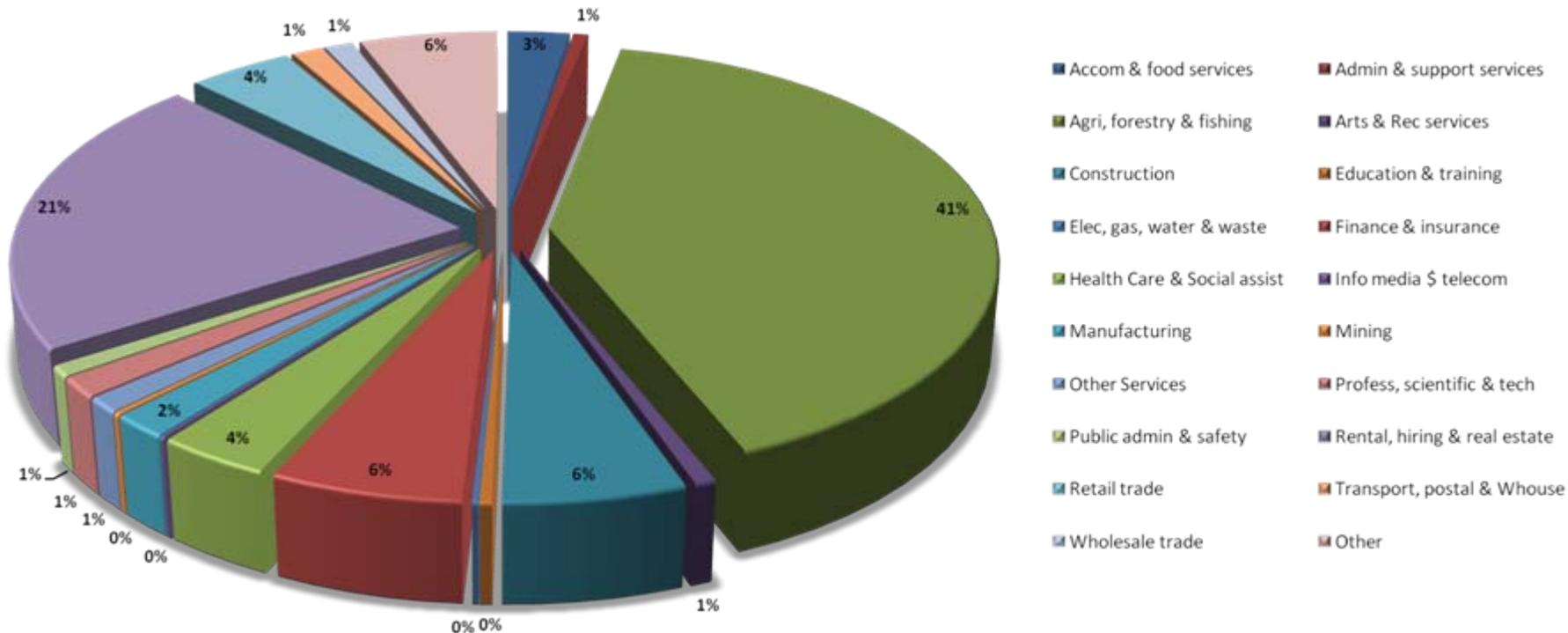


Commercial loans typically small



- Predominantly SME
- Average loan size \$207k
- 73 loans >\$10m totalling \$1,429m (3.2% of BEN loans)
- Diversity by geography and industry

Commercial – industry split



Credit



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