

Results Presentation

For the half year ended
31 December 2018



**Bendigo and
Adelaide Bank**

Environment and overview
Financial performance
Summary
Appendices



Marnie Baker
Managing Director

Travis Crouch
Chief Financial Officer

Marnie Baker
Managing
Director

**Australia's
bank of
choice**



Challenging environment



Importance of trust



Subdued banking sector



Advancements in technology



Uncertainty and disruption



Changing customer preferences



Australia's Bank of Choice

OUR PURPOSE

To feed into the prosperity of our customers and communities, not off it

OUR STRATEGY

REDUCE COMPLEXITY

INVEST IN CAPABILITY

TELL OUR STORY

Aligned to risk appetite
& true to our values



KEY STAKEHOLDERS

CUSTOMERS

STAFF · PARTNERS · INVESTORS



Our strategy in action

REDUCE COMPLEXITY



Simplify the business (structure, systems, brands)



Improve efficiency through process automation

INVEST IN CAPABILITY



Enhance and personalise customer experience



Training and development of our people



Continue digital transformation and technology roadmap



Ongoing partner expansion

TELL OUR STORY



Increase market awareness



Focused marketing campaigns

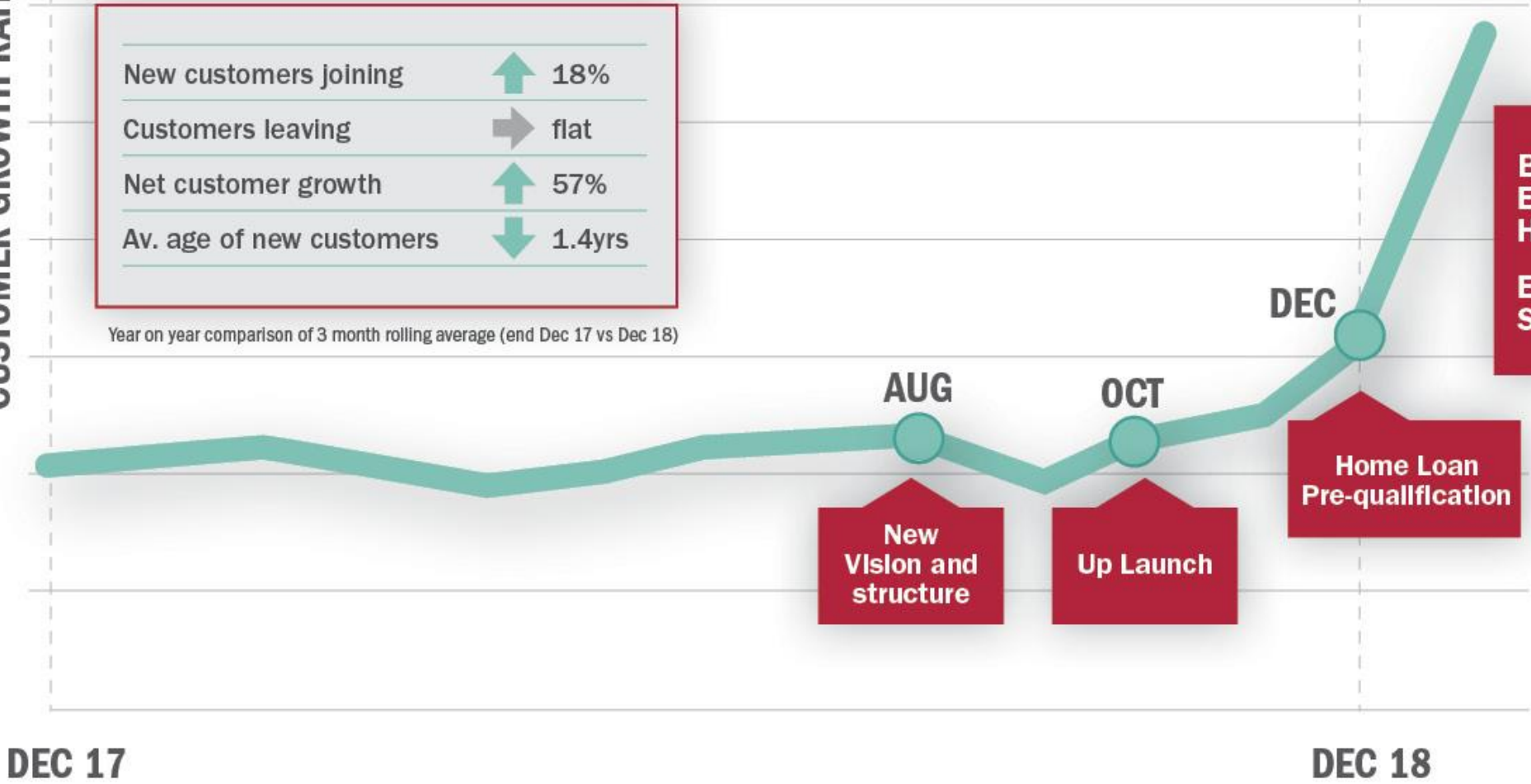
Building for the future

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CUSTOMER GROWTH RATE

New customers joining	↑	18%
Customers leaving	→	flat
Net customer growth	↑	57%
Av. age of new customers	↓	1.4yrs

Year on year comparison of 3 month rolling average (end Dec 17 vs Dec 18)



Bendigo Express Home Loan

Easy Switching

We are well placed



9th most trusted brand in Australia¹

Roy Morgan Net Trust Score

KPMG 2018 Customer



Proven business model



Leading satisfaction, reputation, advocacy and trust



Award-winning products and services



Recognition for technology and innovation



Strength in strategic partnering



Solid financial result



Canstar Outstanding Value Award for Leveraged



Bendigo Bank is consistently ranked in the top two banks for customer satisfaction.



Forrester's Australian Customer Experience Index

Bendigo Bank is one of Australia's most trusted brands.

Mozo Peoples choice²



Bendigo Bank Ranks Highest in Credit Card Satisfaction in Australia

J.D. Power 2018 Australia Credit Card Satisfaction Study

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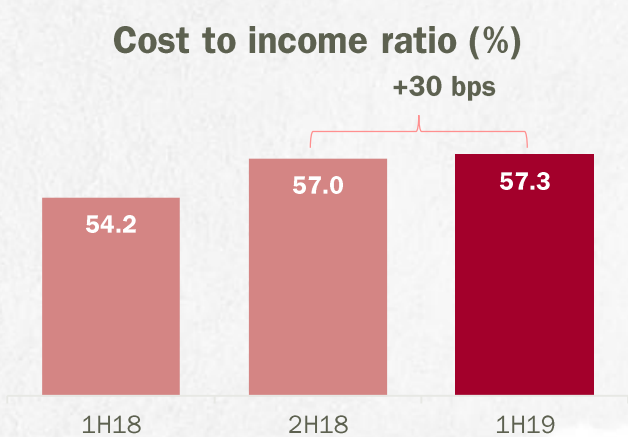
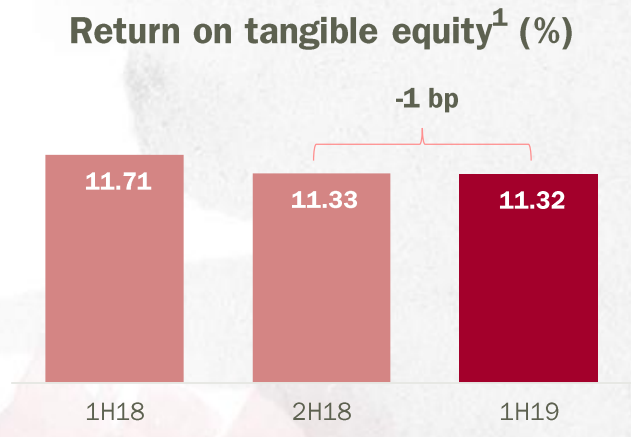
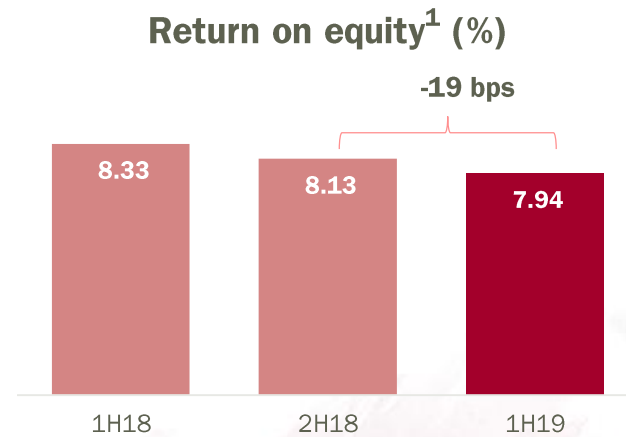
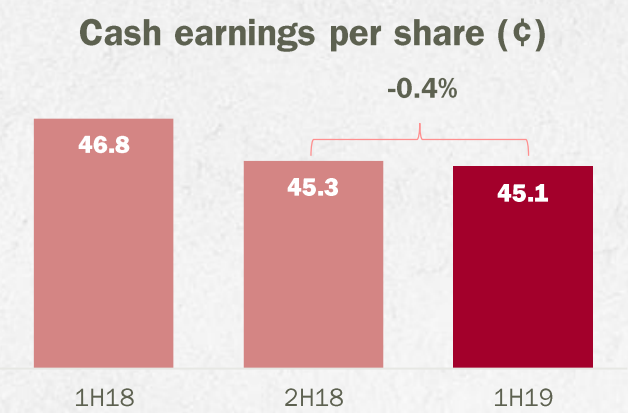
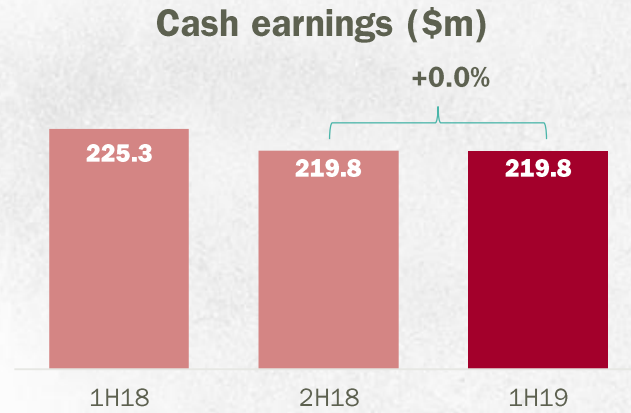
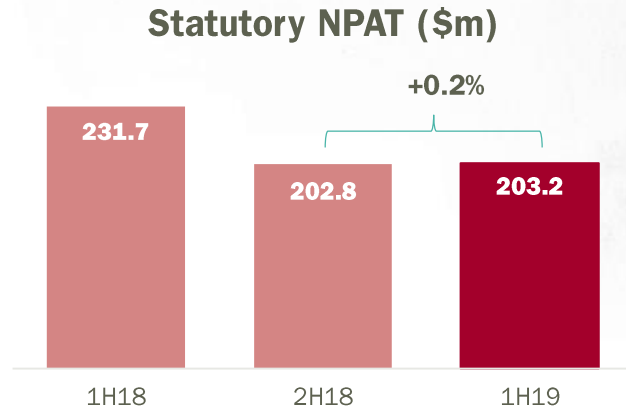
Travis Crouch
Chief Financial
Officer

**Australia's
bank of choice**



Financial performance

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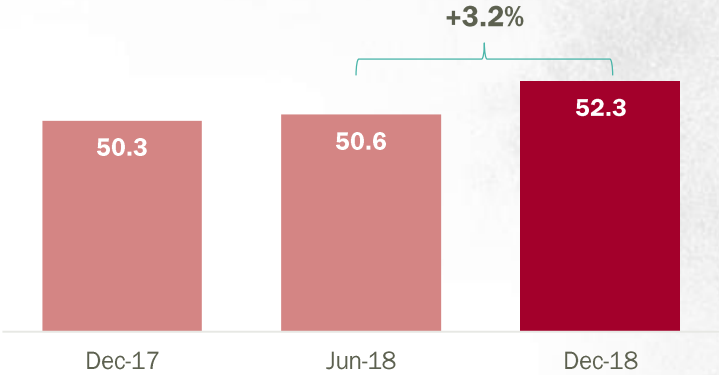


1. Cash earnings basis

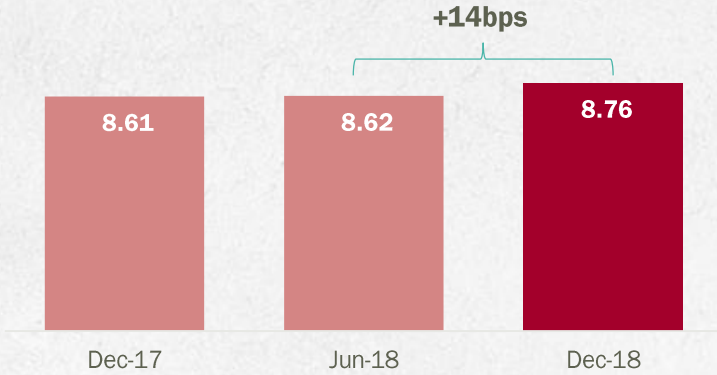
Balance sheet and capital

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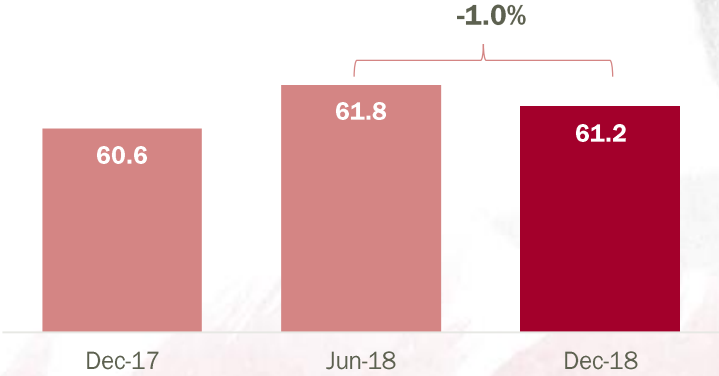
Retail deposits (\$b)



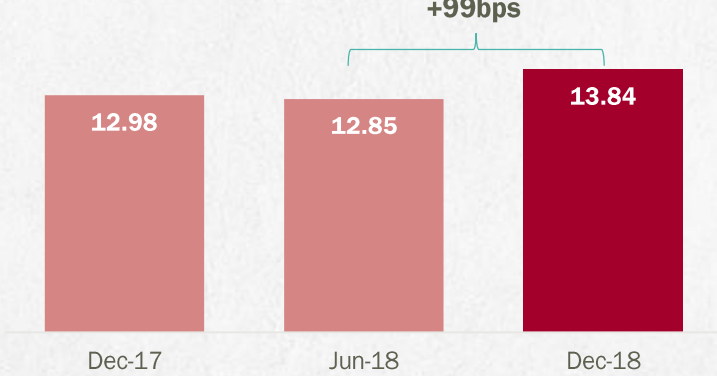
Common Equity Tier 1 (%)



Total gross loans (\$b)

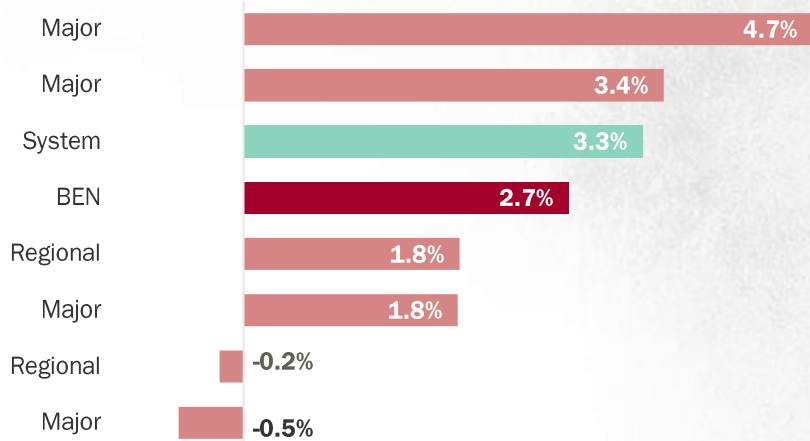


Total capital (%)

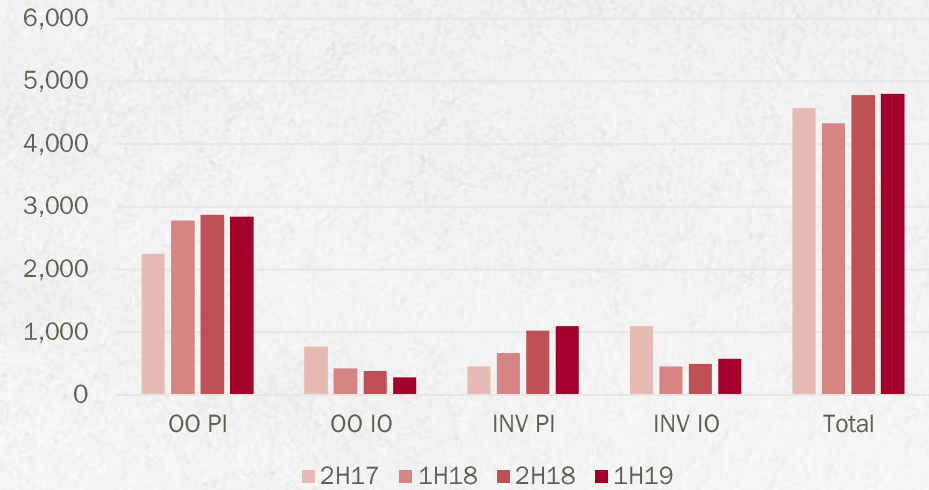


Residential mortgage growth

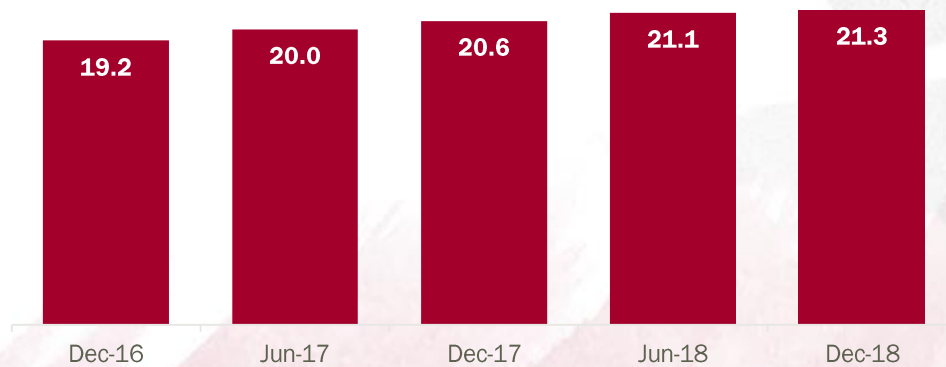
Housing loan growth¹



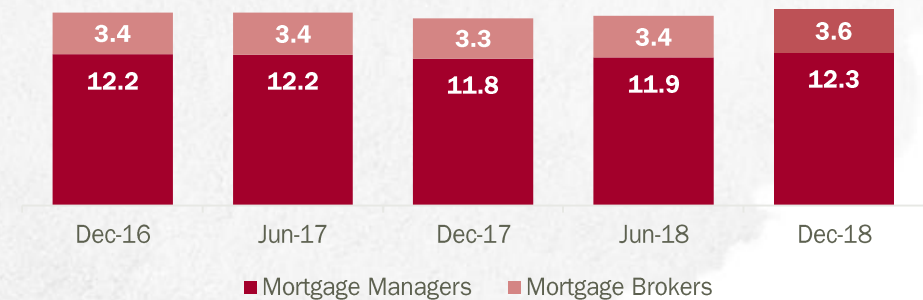
Consumer - settlements breakdown (\$m)²



Bendigo Bank – portfolio (\$b)³



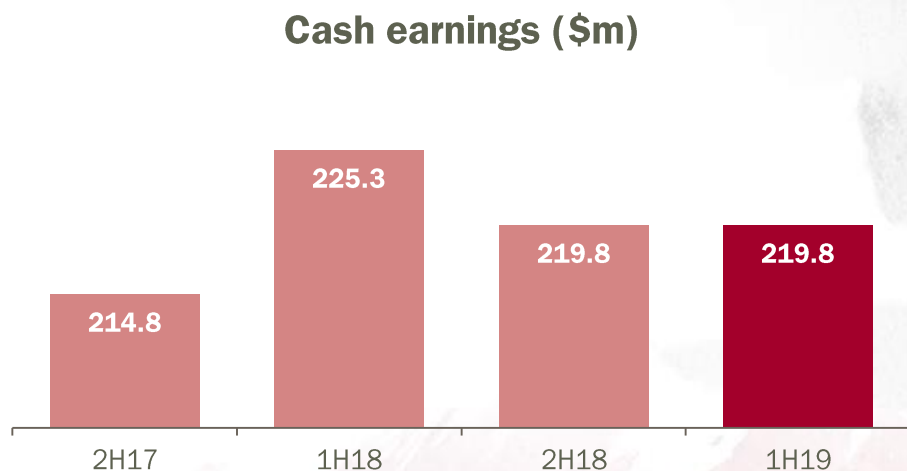
Third Party Banking - portfolio (\$b)³



1. Source: APRA Monthly Banking Statistics December 2018. Data is an annualised growth rate based on a 6 month period (30/06/18 – 31/12/18) for BEN and Rural Bank
 2. Loan settlements exclude Delphi Bank, Alliance Bank and line of credits
 3. Source: Company data, APRA statistics December 2018 Based on loans to households : owner occupied & investment and housing loans securitised)

Cash earnings

- Cash earnings flat half-on-half
- Continue to manage margin and volume
- Improved Other income contribution
- Operating expenses well managed
- 1H19 credit costs remained subdued



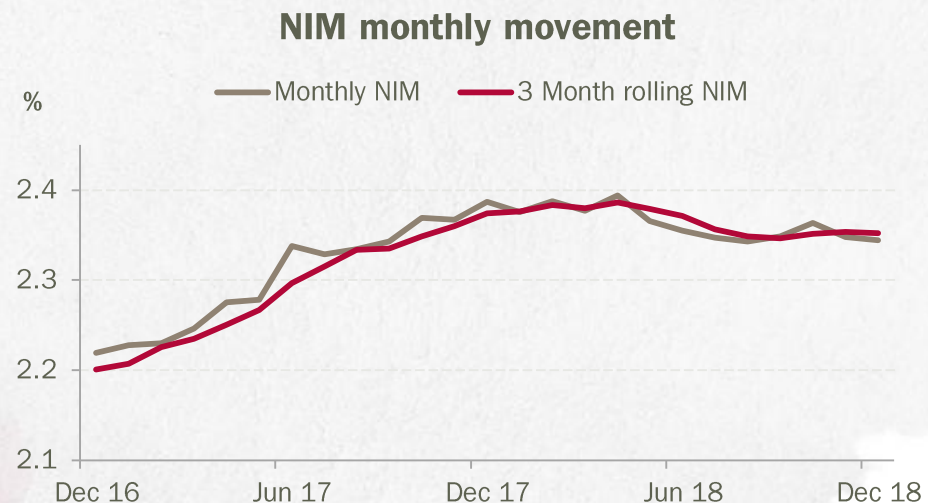
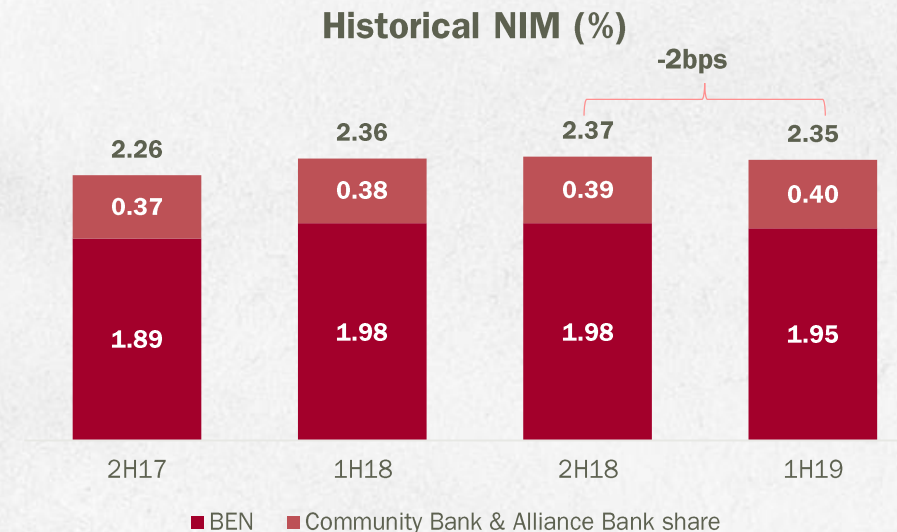
1. Homesafe net realised income before tax

	1H19 (\$m)	2H18 (\$m)	1H18 (\$m)	1H19 v 2H18	1H19 v 1H18
Net interest income	\$656.5	\$655.6	\$668.0	+0.1%	(1.7%)
Other income	\$146.6	\$136.7	\$144.5	+7.2%	+1.5%
Homesafe ¹	\$7.2	\$7.2	\$9.0	0.0%	(20.0%)
Operating expenses	\$464.2	\$455.4	\$445.5	+1.9%	+4.2%
Credit	\$25.5	\$24.3	\$46.3	+4.9%	(44.9%)
Cash earnings (after tax)	\$219.8	\$219.8	\$225.3	0.0%	(2.4%)

Net interest margin

- Active management of margin / volume balance for both lending and deposits
- Mortgage repricing in August 2018 to offset higher funding costs
- December 2018 exit margin of 2.34%
- Front book lending discounts will continue to challenge margin in 2H19
- Retail deposits continue to provide valuable funding source

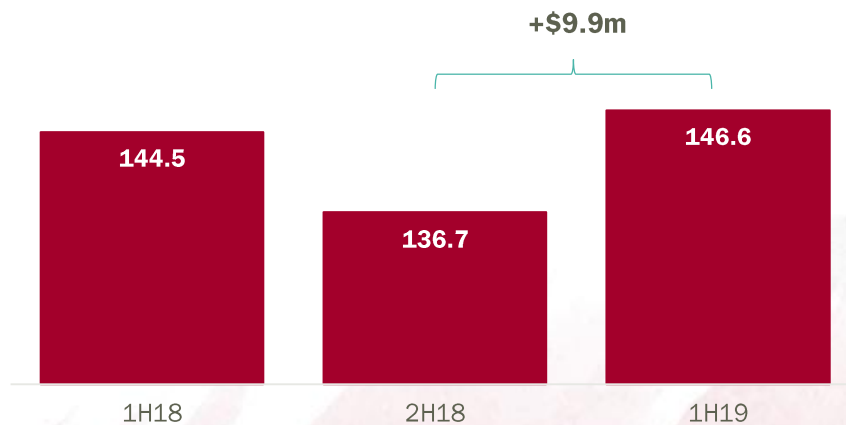
NIM impacts	1H19	2H18	1H18
Front book/back book repricing	(6bps)	(4bps)	(4bps)
Variable mortgage repricing	4bps	-	5bps
Hedging costs	1bp	1bp	2bps
Treasury liquids	2bps	1bp	-
Retail deposit repricing	(2bps)	7bps	4bps
Wholesale deposit repricing	(2bps)	(4bps)	1bp
Funding mix	1bp	1bp	1bp
Equity contribution	-	(1bp)	1bp
Total	(2bps)	1bp	10bps



Other income

- Improved fee income driven through increased card activity
- Commissions on managed funds improved, flows in Select Mortgage Fund up 9% in 1H19
- Continued growth in volume of FX transactions
- Trading book improvement from stabilisation in short-term funding costs
- Other income increase in line with 1H seasonality

Other income (\$m)

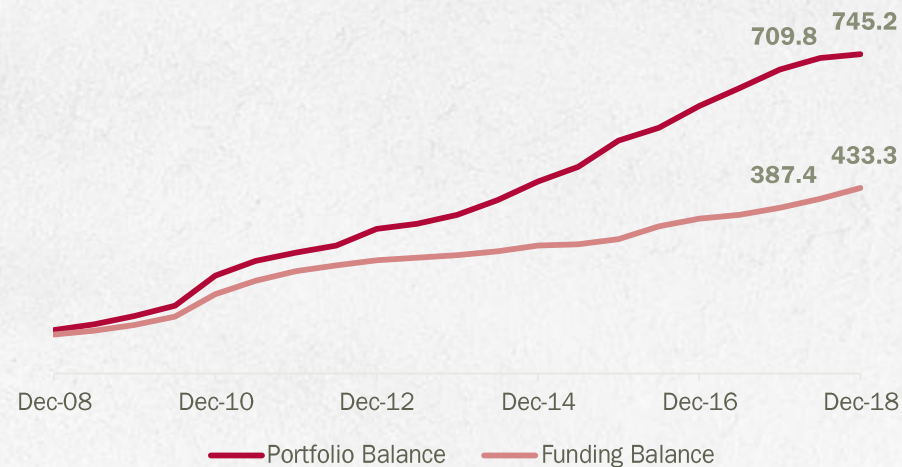


	1H19 (\$m)	2H18 (\$m)	1H18 (\$m)	1H19 v 2H18	1H19 v 1H18
Fee income	\$84.8	\$83.2	\$84.7	+1.9%	+0.1%
Commissions	\$37.3	\$36.5	\$35.2	+2.2%	+6.0%
Foreign exchange income	\$11.2	\$9.6	\$9.2	+16.7%	+21.7%
Trading book income	\$1.5	(\$2.4)	\$3.2	+162.5%	(53.1%)
Other	\$11.8	\$9.8	\$12.2	+20.4%	(3.3%)
Total other income	\$146.6	\$136.7	\$144.5	+7.2%	+1.5%

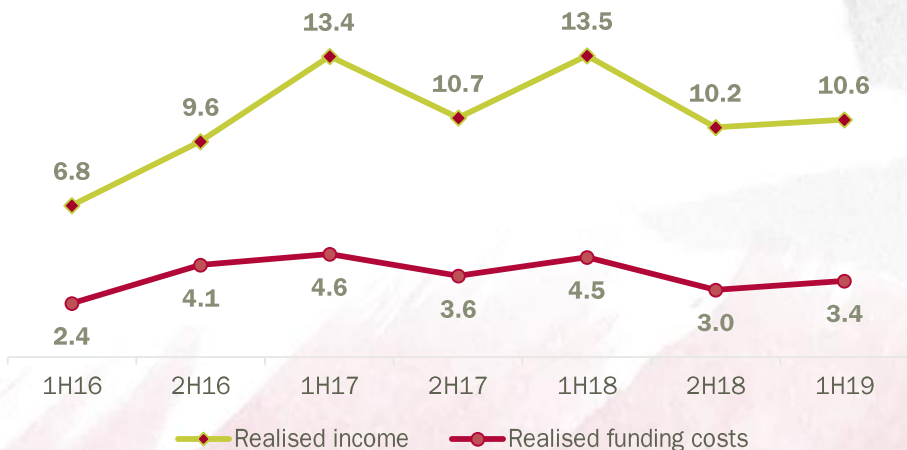
Homesafe investment property portfolio

- Proceeds on contracts completed during 1H19 exceeded carrying value by \$0.7m or 6.9% (-\$0.2m pre-overlay value)
- Average annual return on completed contracts since inception is 10.0%, pre funding costs
- Review of portfolio valuation methodology completed. Overlay removed, discount rate revised and lower growth outlook updated to - 0% year 1, 3% year 2 and 4% year 3+
- Impact of review changed post-overlay valuation by \$1.9m

Homesafe portfolio & funding balance (\$m)



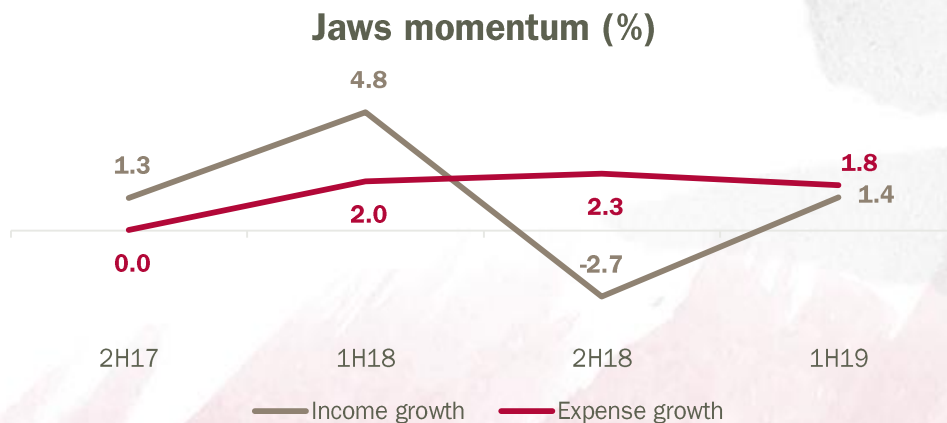
Realised - income vs funding costs (\$m)



	1H19 (\$m)	2H18 (\$m)	1H18 (\$m)
Profit/(loss) on completion	(\$0.2)	\$1.3	\$1.0
Discount	\$11.2	\$10.1	\$10.4
Property revaluations	(\$16.4)	\$4.4	\$28.2
Total statutory income contribution	(\$5.4)	\$15.8	\$39.6

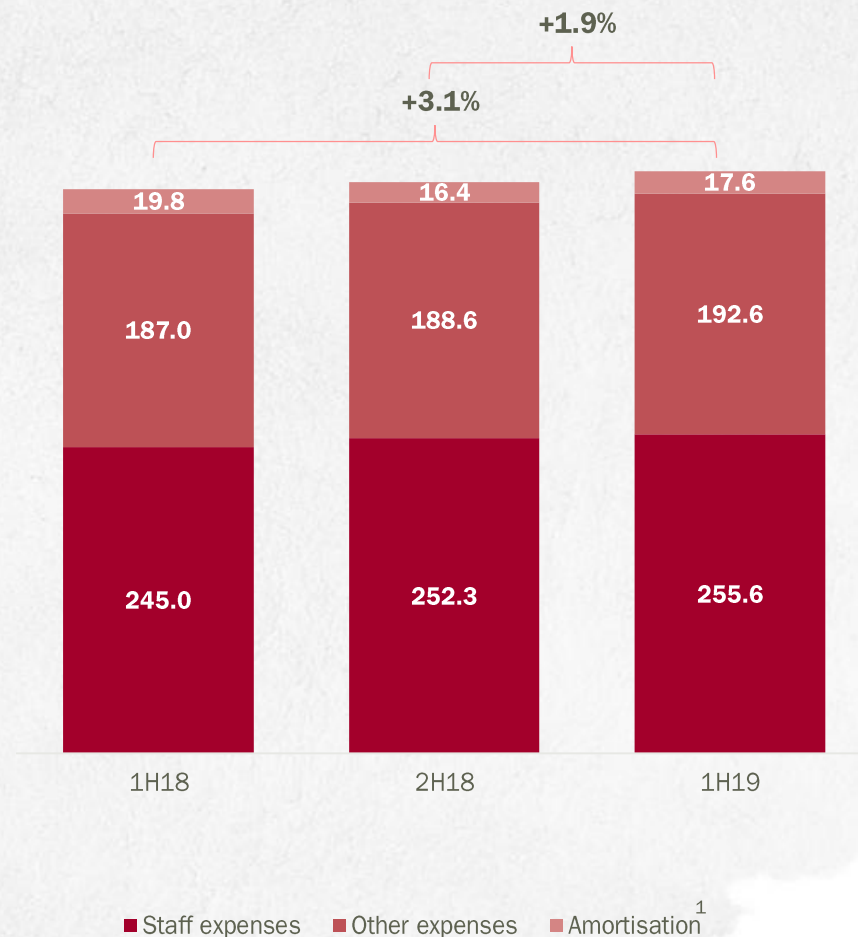
Operating expenses

- Challenging revenue environment saw a 30bp increase in cost to income ratio on 2H18 to 57.3%
- Staff costs up \$3.3m on prior half impacted by redundancies (\$1.7m) and a reduction in project capitalisation rates (\$1.1m)
- Other expenses up \$4m on prior half driven by higher legal (\$2.1m) and product delivery costs (\$2.0m)
- Continued commitment to investment in technology, including leveraging automation and modernisation
- Ongoing cost of compliance and regulation
- Ensure cost base reflects and supports our business strategy
- Continue to look to simplify business models, systems and processes



1. Amortisation expense represents both acquired and software intangibles.

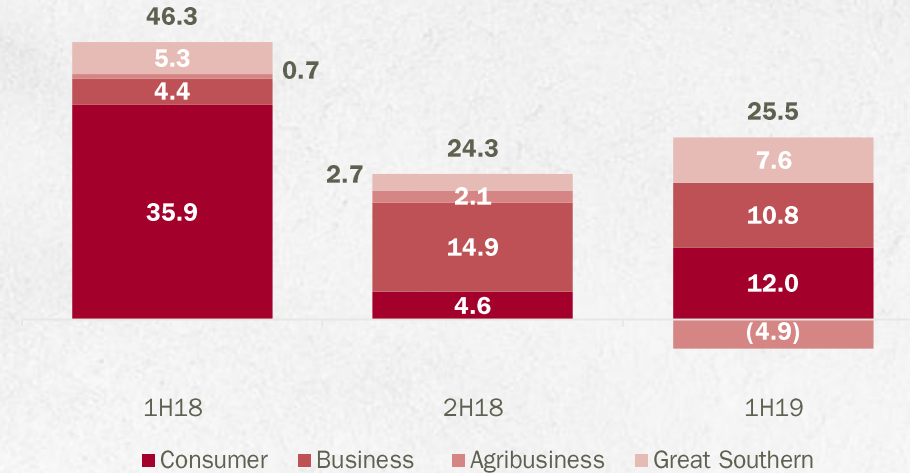
Operating expenses (\$m)



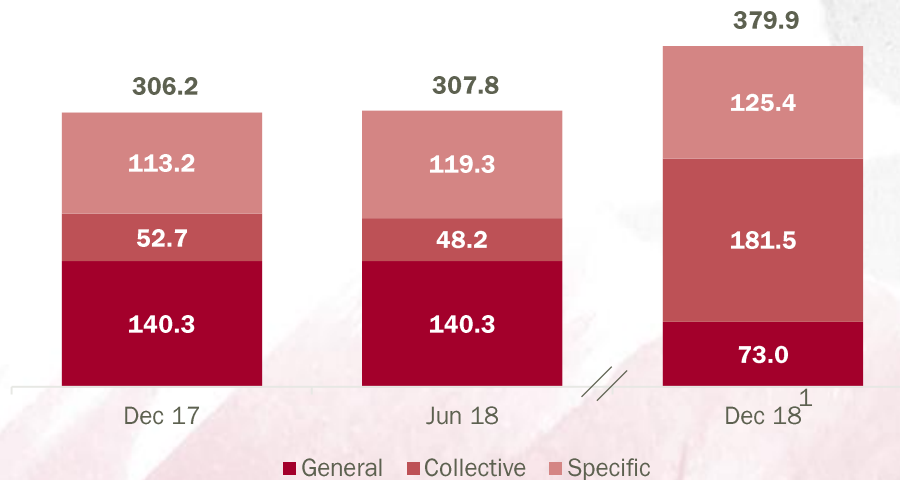
Bad and doubtful debts

- 1H19 BDD charge 8bps (annualised) of gross loans, below long term average
- New impaired loans in 1H19 are being actively managed and provisions are based on recent valuations
- Collective provision increased following adoption of AASB9
- Provision coverage of 109.8%
- Agribusiness BDD charge includes a release of collective provisions following movement to impaired loans
- All core portfolios remain well secured, with low LVRs

Bad and doubtful debts composition (\$m)

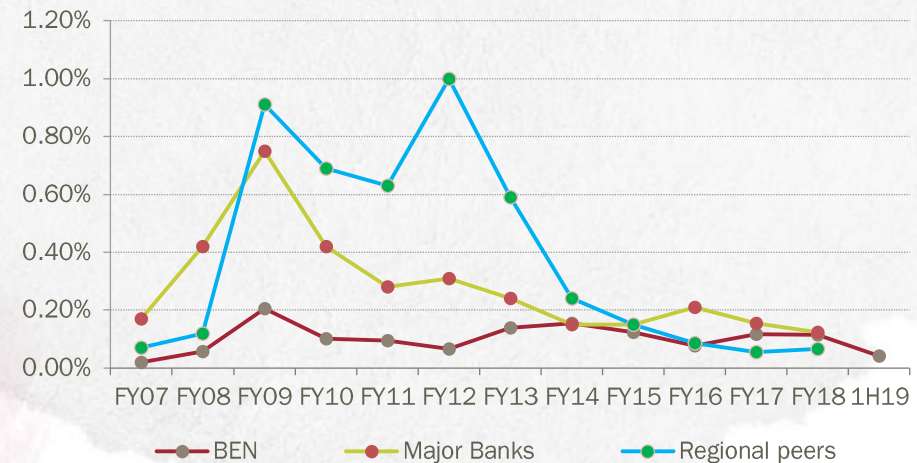


Provisions for doubtful debts (\$m)



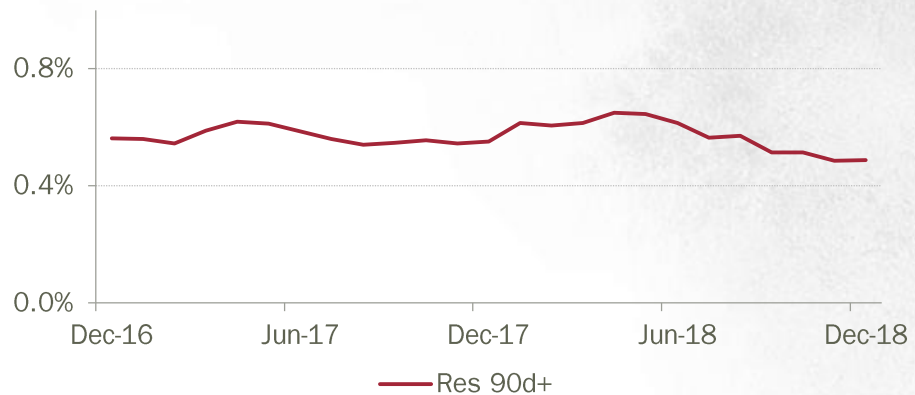
1. AASB9 was adopted from 1 July 2018 (prior periods are not required to be restated)

BDD / Loans

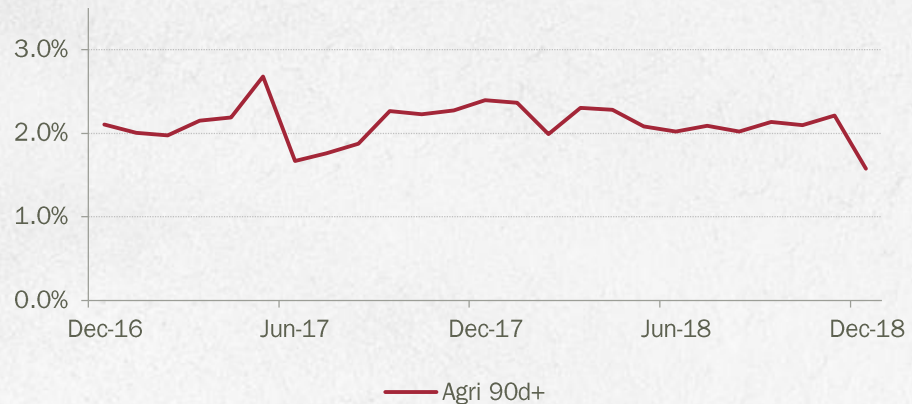


Arrears remain benign

Residential loan arrears



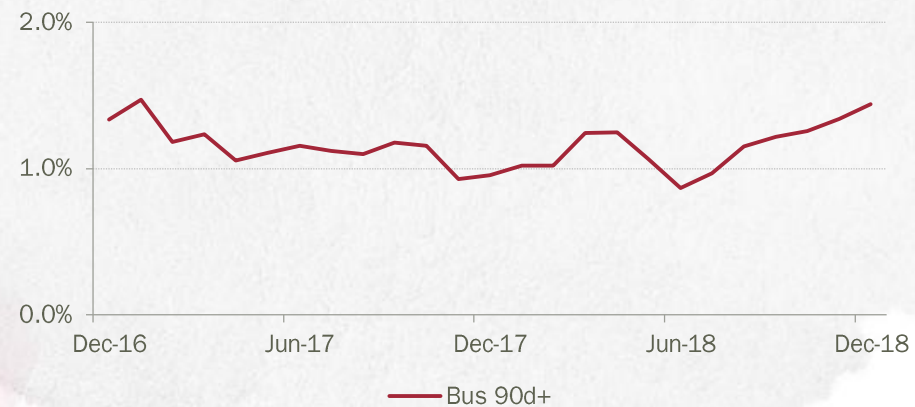
Agribusiness loan arrears



Consumer loan arrears



Business Loan Arrears



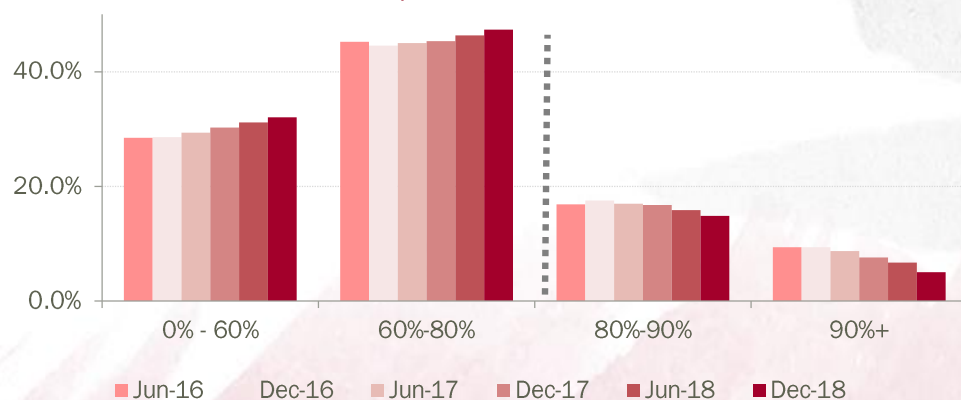
Note - Data excludes arrangement and impaired loans over 90d+

Consumer division

- Lending market remains highly competitive, 2.7% annualised growth in 1H19
- Stronger flows to Third Party channels
- Enhanced customer home loan online experience:
 - Pre-qualification assisted journey launched in December 2018
 - Bendigo Express powered by Tic:Toc launched in February 2019
- Increase in Operating expenses v PCP include \$18.3m increase in allocated expenses, increases in software amortisation (\$2.1m) and redundancies (\$1.7m)
- Continued reduction in higher LVR lending
- 1H19 Credit costs include collective provision increase of \$6.4m

Residential origination loan-to-value profile¹

79% of portfolio with LVR ≤ 80%



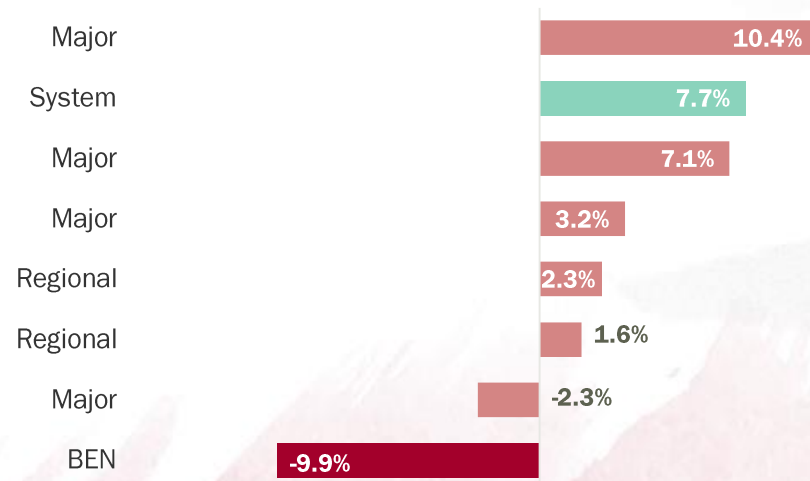
1. Breakdown of LVRs by residential mortgages at 31 December 2018 by origination
 2. Homesafe net realised income before tax

	1H19 (\$m)	2H18 (\$m)	1H18 (\$m)	1H19 v 2H18	1H19 v 1H18
Net interest income	\$410.0	\$404.9	\$413.8	+1.3%	(0.9%)
Other income	\$114.9	\$112.3	\$117.1	+2.3%	(1.9%)
Homesafe ²	\$7.2	\$7.2	\$9.0	0.0%	(20.0%)
Operating expenses	\$306.0	\$296.7	\$280.5	+3.1%	+9.1%
Credit	\$12.0	\$4.6	\$13.1	+160.9%	(8.4%)
Tax	\$65.0	\$67.4	\$75.5	(3.6%)	(13.9%)
Cash earnings (after tax)	\$146.9	\$153.5	\$168.1	(4.3%)	(12.6%)

Business division

- Transition to a more targeted segment focus under new Executive structure
- Increased investment in risk management ahead of growth expectations
- Customer Relationship Banking model established and aligned with targeted market segments
- Ongoing margin management within deposit portfolio
- Portfolio impacted by the rebalancing of exposure away from Commercial Property

Business lending growth¹



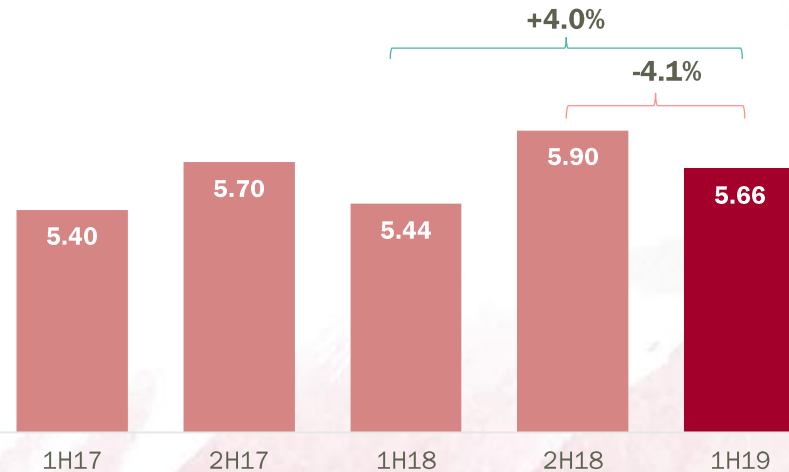
1. Source: APRA Monthly Banking Statistics December 2018. Data is an annualised growth rate based on a 6 month period (30/06/18 – 31/12/18). Represents total business lending growth excluding Rural Bank
 2. Includes Great Southern credit expenses

	1H19 (\$m)	2H18 (\$m)	1H18 (\$m)	1H19 v 2H18	1H19 v 1H18
Net interest income	\$164.7	\$170.1	\$170.1	(3.2%)	(3.2%)
Other income	\$19.4	\$18.3	\$17.8	+6.0%	+9.0%
Operating expenses	\$120.8	\$117.5	\$120.4	+2.8%	+0.3%
Credit ²	\$18.4	\$17.6	\$32.5	+4.5%	(43.4%)
Tax	\$14.2	\$16.7	\$10.9	(15.0%)	+30.3%
Cash earnings (after tax)	\$31.7	\$36.6	\$24.1	(16.2%)	+27.4%

Agribusiness division

- Ongoing price competition in agribusiness lending
- Strong financial performance, with impact of drought minimal
- Significant simplification in systems, process and new Elders distribution agreement
- Investment in knowledge and insights capability
- Continued growth in family corporate segment as proportion of Agribusiness customer base
- Assisting customers to better foresee and manage risks

Agribusiness Portfolio (\$b)

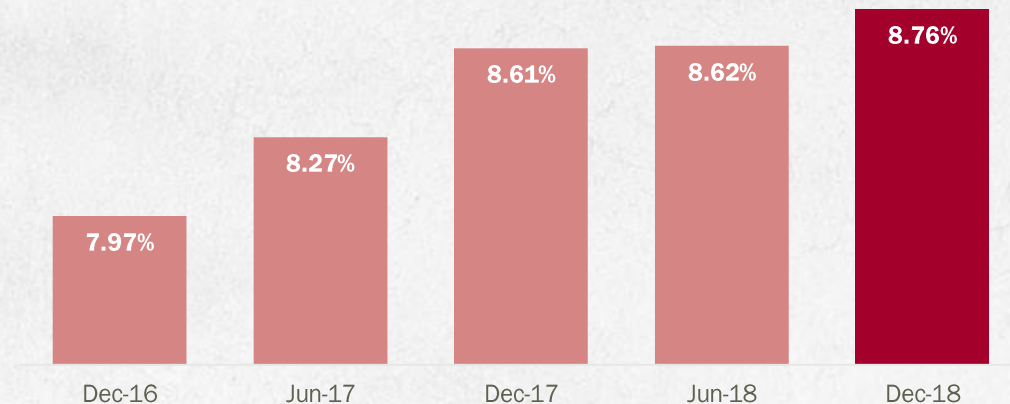


	1H19 (\$m)	2H18 (\$m)	1H18 (\$m)	1H19 v 2H18	1H19 v 1H18
Net interest income	\$81.8	\$80.6	\$84.1	+1.5%	(2.7%)
Other income	\$7.7	\$4.6	\$4.2	+67.4%	+83.3%
Operating expenses	\$38.6	\$36.3	\$33.8	+6.3%	+14.2%
Credit	(\$4.9)	\$2.1	\$0.7	(333.3%)	(800.0%)
Tax	\$17.6	\$14.8	\$16.9	+18.9%	+4.1%
Cash earnings (after tax)	\$38.2	\$32.0	\$36.9	+19.4%	+3.5%

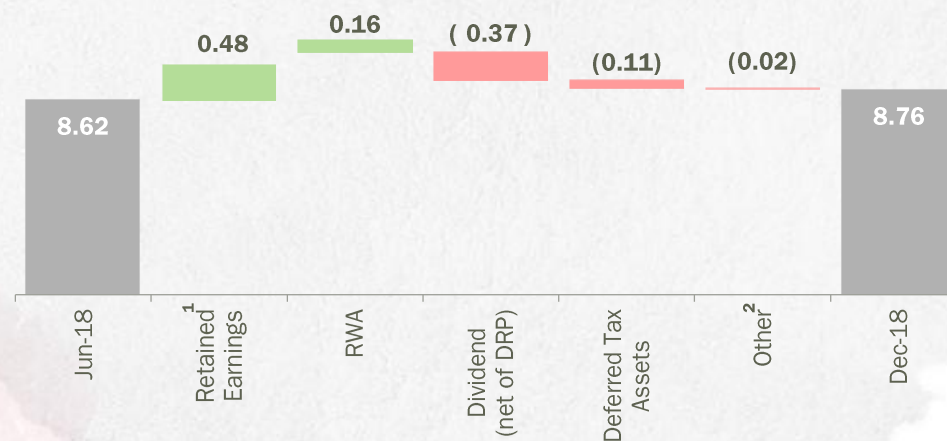
Strong CET1 position

- 14bps increase in CET1 since June 2018
- Organic capital generation reflects strong profitability, stable balance sheet and the continuing movement to lower risk exposures
- Increase in deferred tax asset driven by one off change in collective provision following adoption of AASB9
- Achieved Accreditation for Interest Rate Risk in the Banking Book in 1H19
- Progress towards Advanced Accreditation continues, greater clarity still anticipated following APRA's finalisation of the new credit risk weight standards

Historical CET1



CET1 movement - 6 months

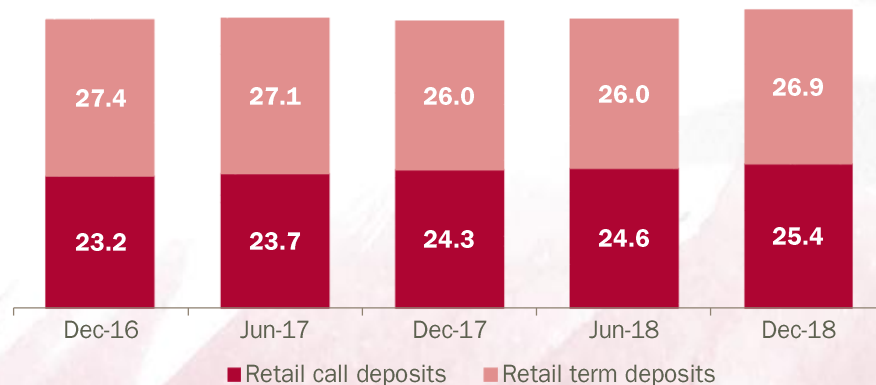


1. Unrealised Homesafe revaluation revenue excluded from increases in retained earnings was 4bps
 2. Other includes movement in capitalised expenses and intangibles

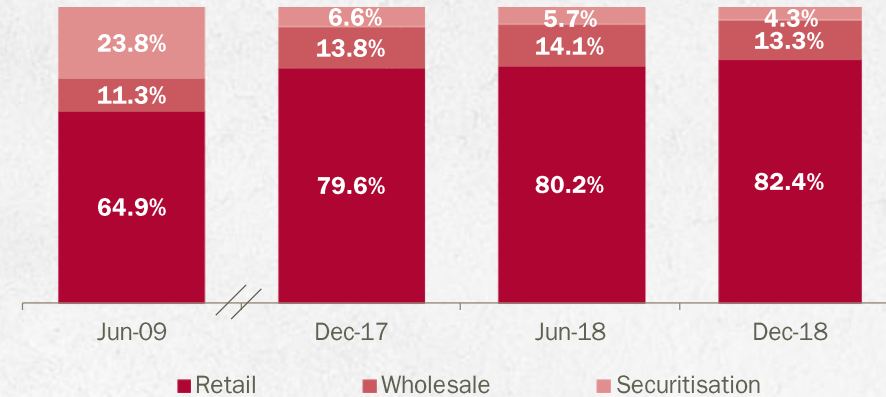
Industry leading funding position

- Funding mix continues to be a strength providing flexibility to fund asset growth and manage cost of funding
- Retail deposit balances increases in 1H19 to improve overall retail funding to 82.4%
- Term Deposit retention rate increased to 88.6% in December 2018
- Higher BBSW impacting cost of wholesale and securitisation funding
- LCR of 133% and NSFR ~113% at 31 December 2018
- \$500m 3.25 year senior unsecured deal completed in October 2018 at +101bps

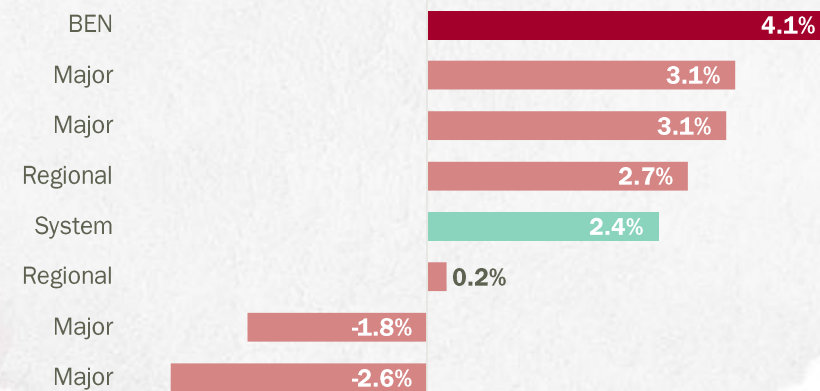
Retail deposit balances (\$b)



Historical funding mix



Total deposit growth¹



1. Source: APRA Monthly Banking Statistics December 2018. Data is an annualised growth rate based on a 6 month period (30/06/18 – 31/12/18) for BEN and Rural Bank

Marnie Baker
Managing
Director

**Australia's
bank of choice**



Uneven playing field

2014

“Although the Inquiry considers competition is generally adequate, the high concentration and increasing vertical integration in some parts of the Australian financial system has the potential to limit the benefits of competition in the future and should be proactively monitored over time.”

Australian Government Financial Systems Inquiry, 2014

“A lack of competition in Australia’s banking sector has significant adverse consequences for the Australian economy and consumers.”

Standing Committee on Economics, 2016

“But the larger financial institutions, particularly, but not only in banking, have the ability to exercise market power over their competitors and consumers”

Royal Commission Interim Report, Sep 2018

“ADIs incur significant fixed costs to meet APRA’s IRB accreditation requirements. This presents particular issues for ADIs that are smaller in scale”

Australian Competition & Consumer Commission, Nov 2018

“The lack of an advocate for competition when financial system regulatory interventions are being determined is a mistake.... that should now be corrected.”

Productivity Commission Inquiry Report, June 2018

“The major banks in Australia benefit from a ‘too big to fail’ status”

Productivity Commission Inquiry Report June 2018

“Larger financial institutions wield market power over competitors and consumers....”

Productivity Commission Inquiry Report, June 2018

2019

“A less competitive environment means poorer customer outcomes”

Marnie Baker, Managing Director, 2019

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OUR PURPOSE

“To feed into the prosperity of our customers and their communities, not off it.”

Marnie Baker, Managing Director

“The bank has returned more than \$200 million to local communities in 20 years, about \$17 million this year.”

Business Insider

“Bendigo Bank is the only bank brand to defy the fallout from the banking royal commission. It has managed to remain in the top-10 most trusted brands, despite high levels of distrust in the banking sector”

Sydney Morning Herald

“Bendigo Bank is one of those troublesome companies that was doing shared value long before we started talking about it”

Michael E Porter, Harvard Business Review

“Of the ten largest consumer banks, only ING (up 4.1% points) and Bendigo Bank (up 0.5% points) have shown increased satisfaction from prior to the commencement of the Royal Commission” - Roy Morgan, 31 January 2019

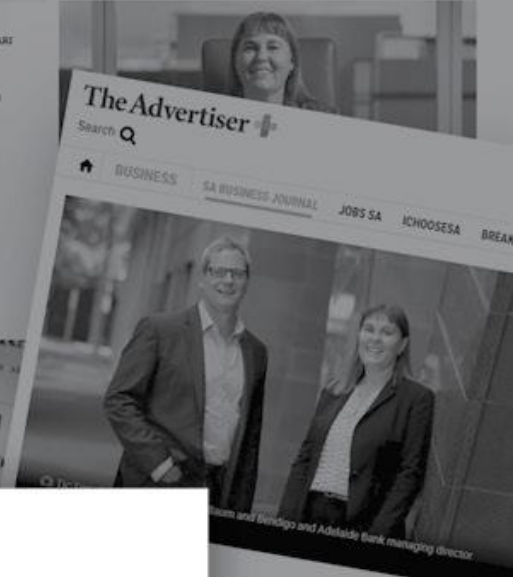
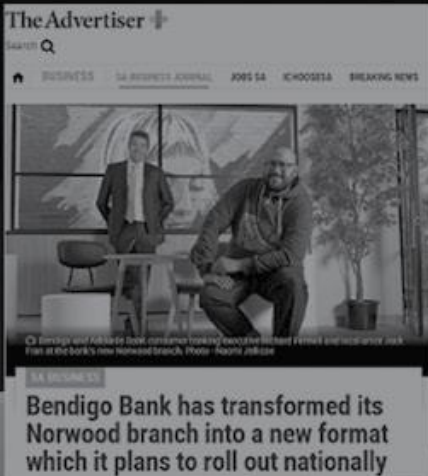
“The worm has certainly turned... Bendigo and Adelaide Bank in the past few ready days when the big four were the real pillars but not it has turned and having a genuine customer focus has played in the Bank's favour”

Ticky Fullerton, YourMoney

...which is operating under Bendigo and Adelaide Bank's... is acquiring 1000 new... each week to its... savings account, which... an introductory... interest rate of 2.75 per cent. About 22,000 accounts have been opened since its October launch.”

Australian Financial Review

...will offer automated... rovals using... eloped in Adelaide



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Questions

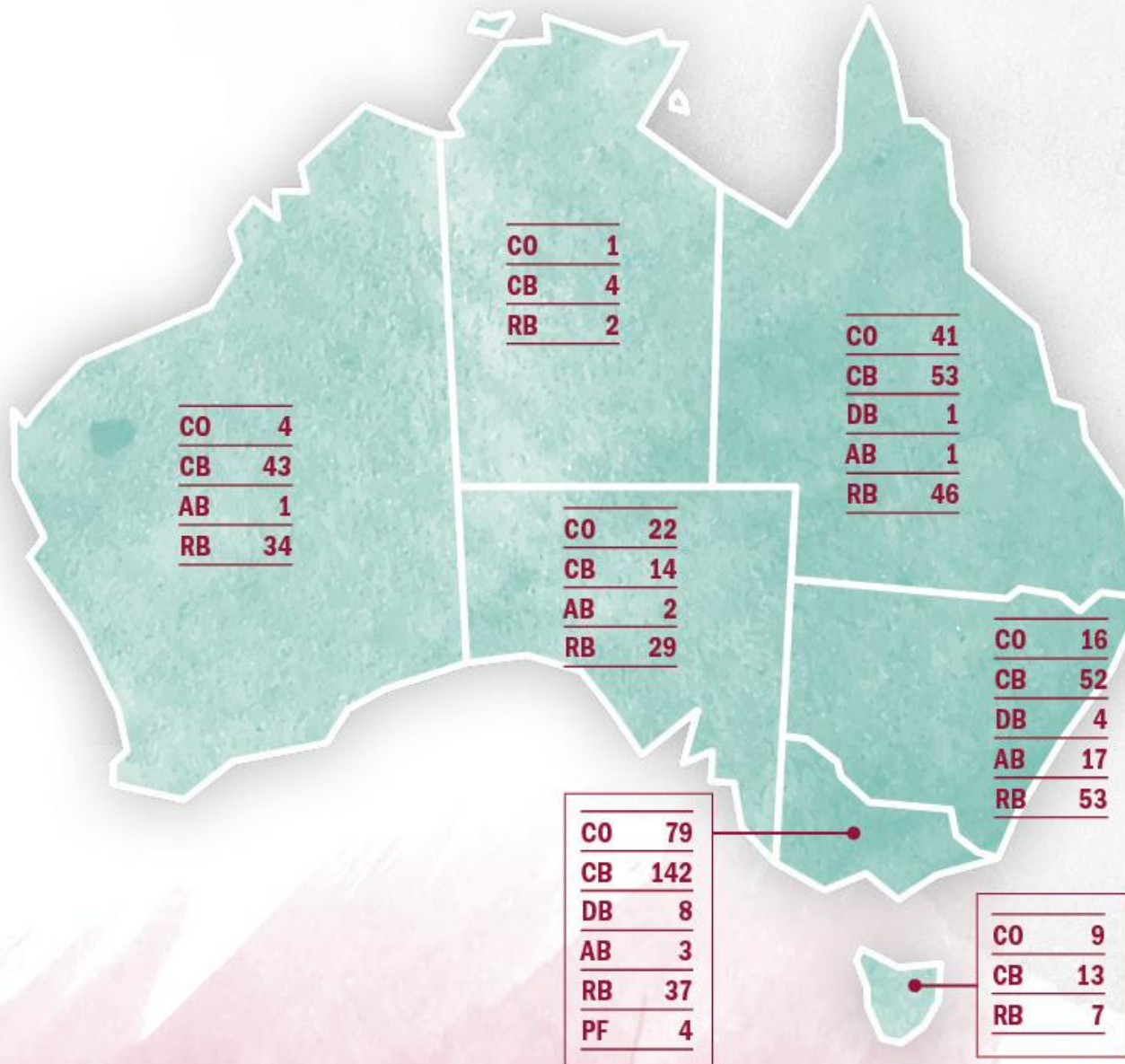
Australia's bank of choice



Appendices



Customer connected



POINTS OF PRESENCE		
	CO	Company-owned branch 172
	CB	Community Bank® branch 321
	DB	Delphi Bank 15
	RB	Rural Bank 217
	AB	Alliance Bank 22
	PF	Private Franchises 4
TOTAL		751

Ongoing investment in technology



Maintain strong information security program



Focus on embedding new technology to meet customer expectations



Continue to ensure safe and secure online presence



Continue to modernise legacy technology



Targeted technology investments and innovations



Digitisation and automation

Key outcomes:

- Bendigo mobile banking
- Up
- Bendigo Express home loan
- New digital experience platform
- Creation of pre-submit quality assurance process (Rural Bank)
- Retirement of classic online banking
- Enable customer access to Apple Pay, Samsung Pay, Google Pay, Fitbit Pay, Garmin Pay, OSKO and Pay ID
- Improved switching process
- Creation of pre-qualification for Bendigo Bank home loan
- Webchat
- Adelaide Bank mobile banking app
- Customer serviceability portal
- Enhanced credit decision engine
- Automation of broker accreditation process
- Bcause

Tic:Toc – The world’s first instant home loan™



A more responsible way to lend



Automated credit decisioning and exception based underwriting is not only more efficient, but more responsible

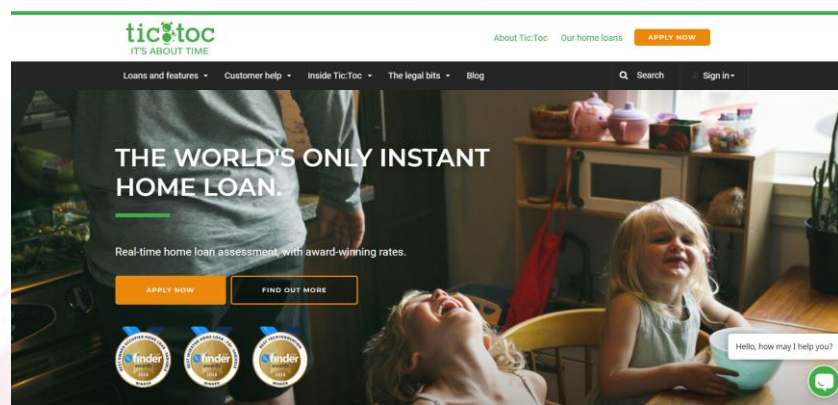


Digital validation ensures more accurate verification of financials

Key outcomes:

- \$2b value of submitted applications in 18 months with a growing pipeline
- Application started, assessed, approved, and customer documentation sent, within an hour
- Enterprise business launched in H2 2018 (BEN Express Home Loan)
- White Label platform opportunities for the Tic:Toc platform emerging

tictochohomeloans.com



Note: The Group held an interest of 28.6% in TicToc Online Pty Ltd as at 31 December 2018 and has accounted for this investment using the equity accounting method

Up – Super powered banking



Australia’s first fully licenced and all-in-app mobile banking platform



World class sign-up and on-boarding process (less than 3 min average digital account opening)



Industry-leading smart receipts and round-up savings functionality.



Backed by BEN’s banking systems, products and expertise

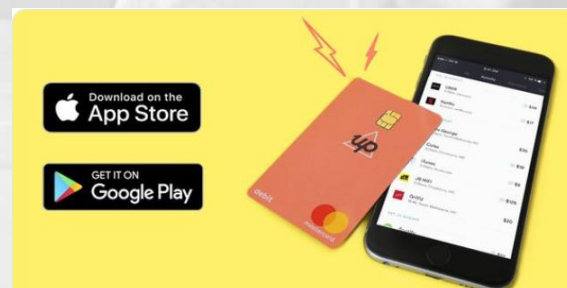


Built and run in partnership with Ferocia

Key outcomes:

- 30,000+ new customers in first 4 months, since public launch in October 2018.
- 90% new-to-bank customers with an average age of 28.55 years (and dropping).
- First partner – Afterpay – introduced, with more to come in 2019.

up.com.au



Bcause

Life. Easier. Together.



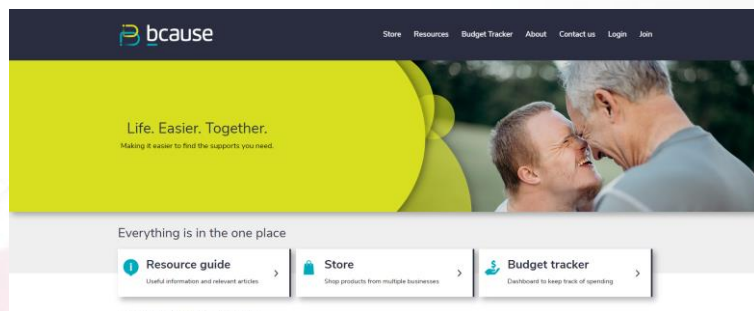
An ecommerce platform to enable greater independence for the consumer directed care market which consists of 4 million Australians supported by annual government funding, approx \$60bn



e-market platform connects consumers with relevant providers and has the potential to be utilised across a range of sectors and opportunities

Key outcomes:

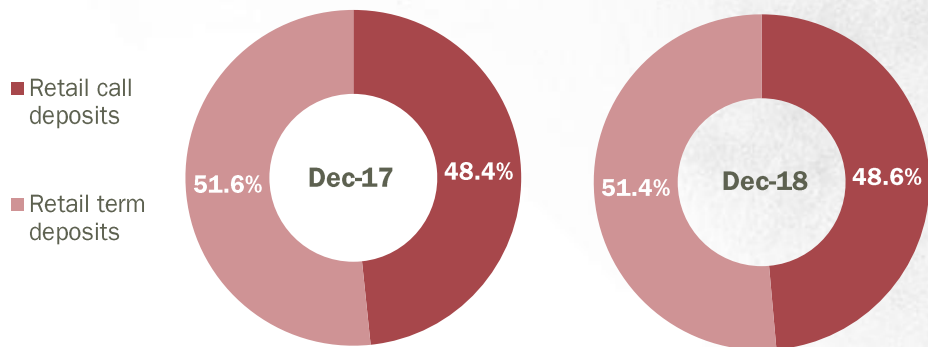
- Enables NDIS plan tracking and expense monitoring
- e-market has over 4,000 products with over 50 providers onboard or in pipeline
- Customers can view & purchase products on the platform with future development opportunities in plan management and integration with the National Disability Insurance Agency



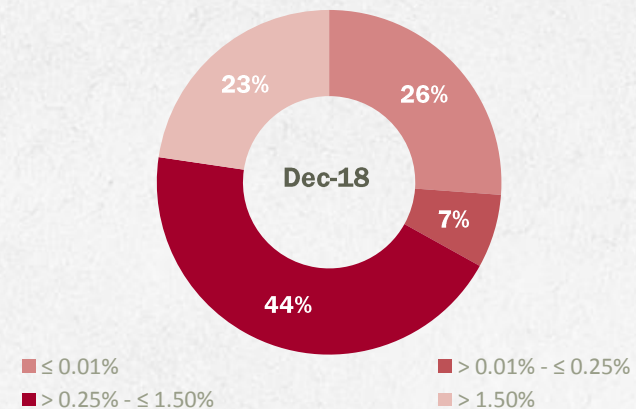
Bcause.com.au

Funding

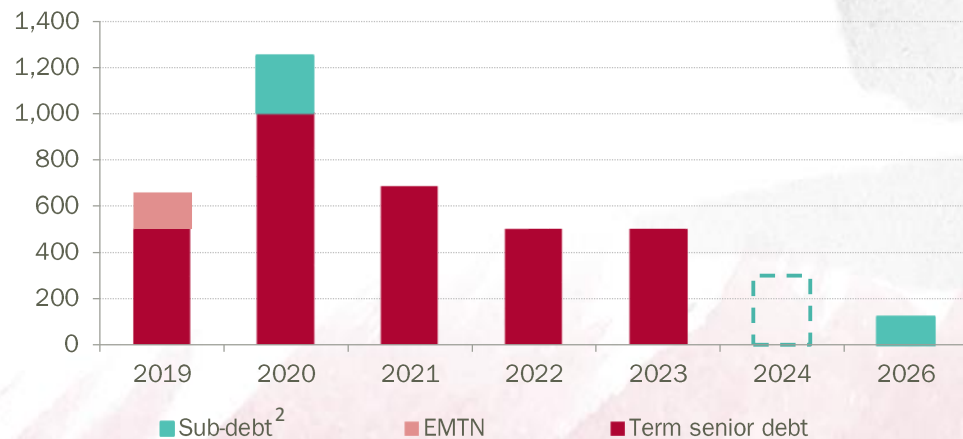
Retail deposit composition



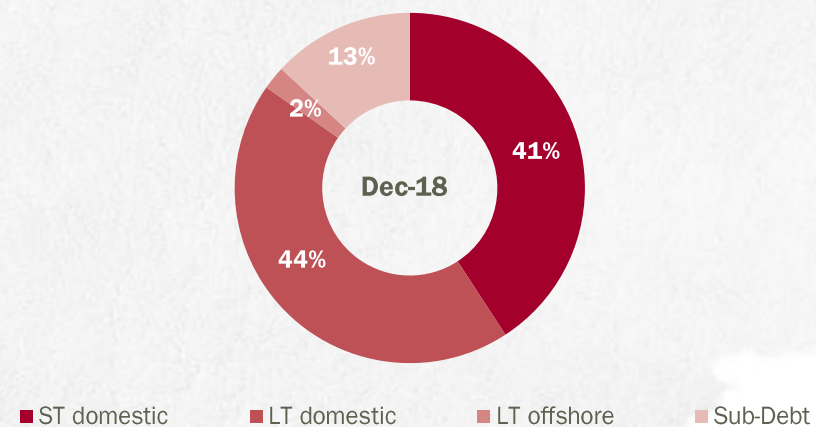
Retail call deposit funding costs



Term funding maturity profile (\$m)



Wholesale funding composition³

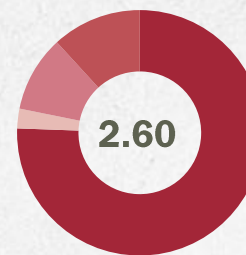


1. Company data
 2. 2024 subordinated debt maturity was redeemed on 29 January 2019. Subordinated debt maturity refers to legal final maturity date.
 3. Wholesale funding composition excludes financial markets NCDs

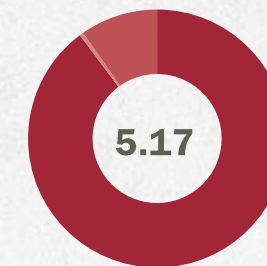
Key capital ratios

	2H17	1H18	2H18	1H19
Common Equity Tier 1	8.27%	8.61%	8.62%	8.76%
Additional Tier 1	2.22%	2.37%	2.34%	2.39%
Tier 1	10.49%	10.98%	10.96%	11.15%
Tier 2	1.97%	2.00%	1.89%	2.69%
Total capital	12.46%	12.98%	12.85%	13.84%
Total Risk weighted assets	\$38.1b	\$37.7b	\$38.3b	\$37.5b

Group economic capital¹ (\$b)

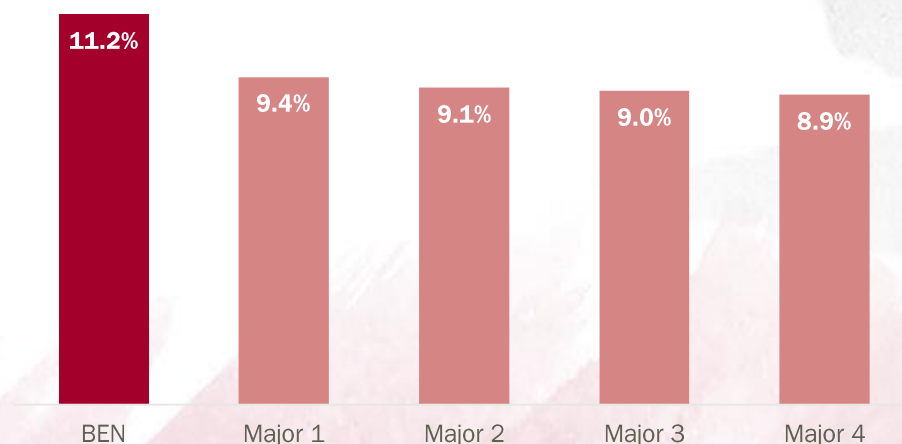


Group standardised regulatory capital (\$b)

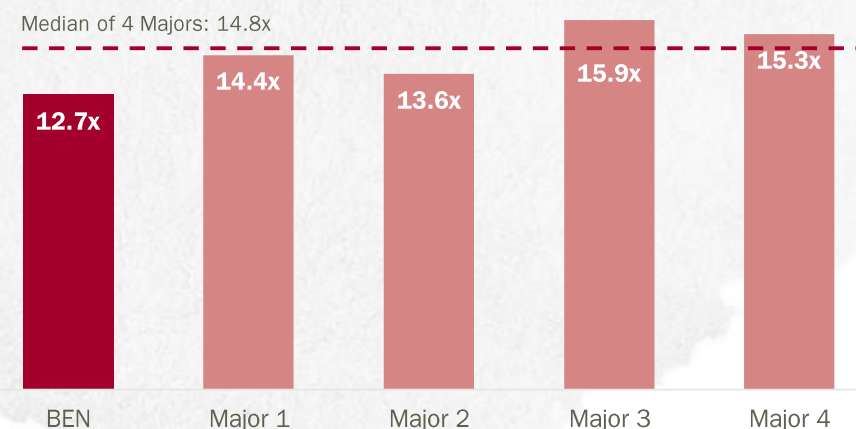


■ Credit Risk ■ Market Risk ■ Credit Risk ■ Market Risk ■ Op Risk
■ Op Risk ■ Business Risk

S&P Global RAC Ratio²



Comparison of leverage multiples³



1. Calculated using a combination of internal models and standardised measures
 2. S&P RAC ratio, Major 2, 3 & 4 as at 31 Mar 2018, Major 1 as at 31 Dec 2017 & BEN as at 30 Jun 2017
 3. Equity multipliers shown are calculated as total assets divided by total equity. Major 2, Major 3, Major 4 as of 30 Sep 2018; BEN, Major 1 as of 30 Jun 2018.

Stress testing

Stress testing scenarios

The Bank has a comprehensive stress testing framework in place which has been operational since 2010 and is managed by a dedicated stress testing team within Group Risk

Stress testing is undertaken annually at the Group level (across all risk types) and quarterly at the credit portfolio level

Impact of stress is assessed against capital, liquidity and other key ratios

In 2018/2019, the stress test focussed on a severe downturn in the residential property market resulting in significantly increased defaults and losses in the residential mortgage portfolio

Additional stresses were applied to certain cohorts within the residential mortgage portfolio (e.g. interest only loans)

Capital levels remained above PCR + CCB (capital conservation buffer) on an unmitigated basis

Targeted stress testing related to agricultural sector external drivers such as price and climate, has also been undertaken by Rural Bank to facilitate proactive customer engagement

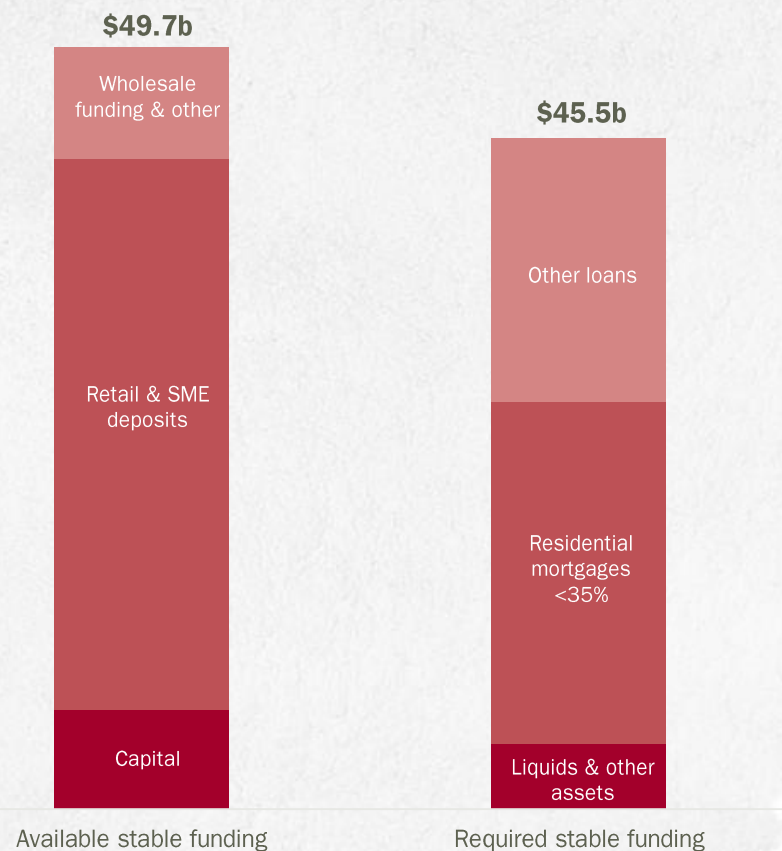
Liquidity

Liquidity coverage ratio – 3 month average (\$b)

	Mar-18	Jun-18	Sep-18	Dec-18
High quality liquid assets	4.15	3.62	3.92	4.44
Committed liquidity facility	3.48	3.48	3.48	3.48
Total LCR liquid assets	7.63	7.10	7.40	7.92
Customer deposits	3.59	3.64	3.66	3.74
Wholesale funding	0.80	0.77	0.89	0.85
Other flows	1.44	1.36	1.30	1.38
Net cash outflows	5.83	5.77	5.85	5.97
LCR	131%	123%	127%	133%

Net Stable Funding Ratio (NSFR)

113.5% as at 31 December 2018

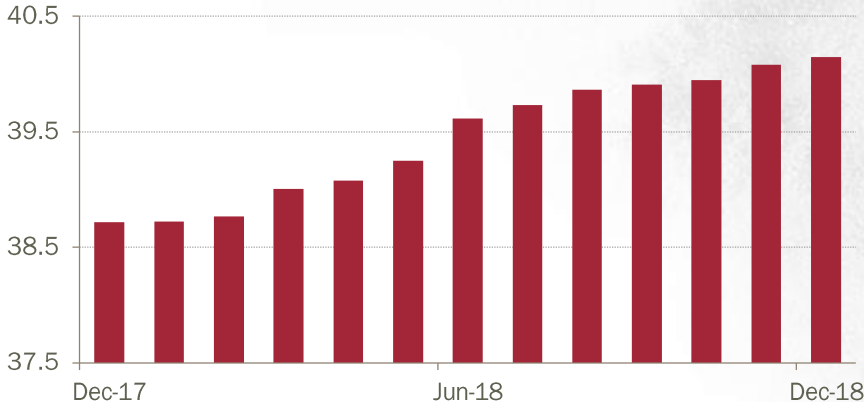


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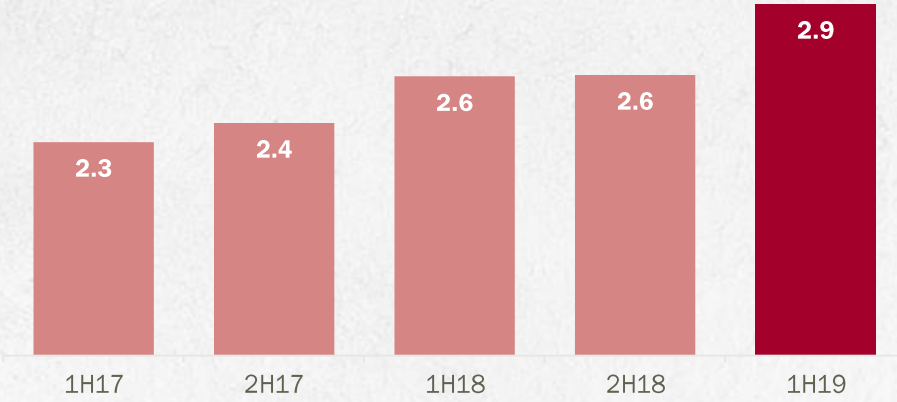
Residential lending

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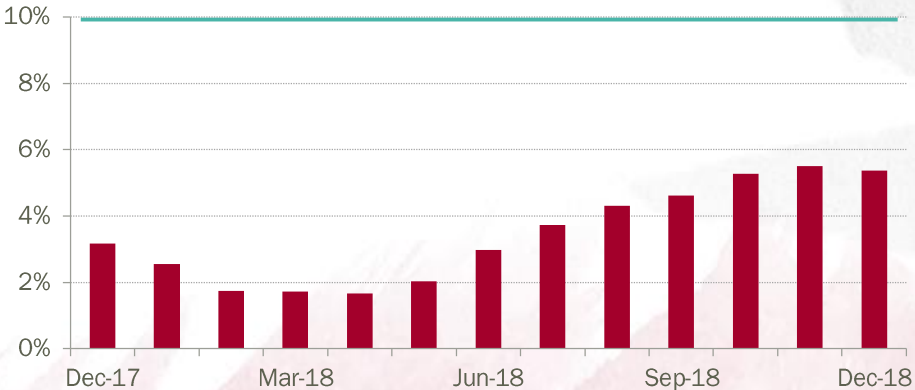
Residential portfolio balance³ (\$b)



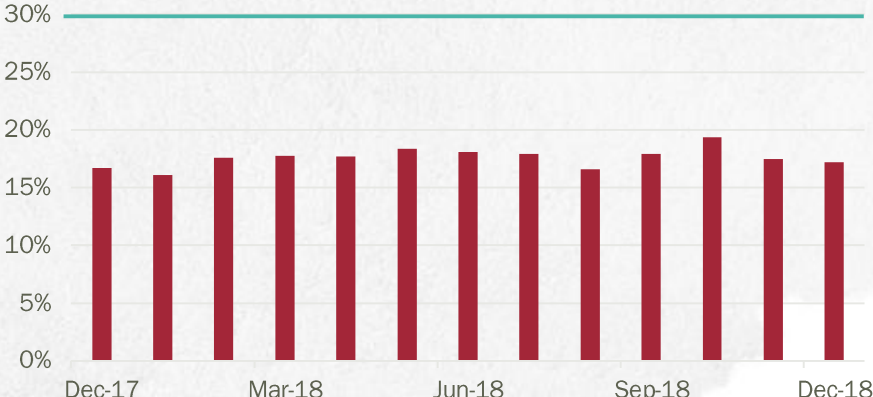
Offset account portfolio (\$b)



Investor credit growth



Interest only flows

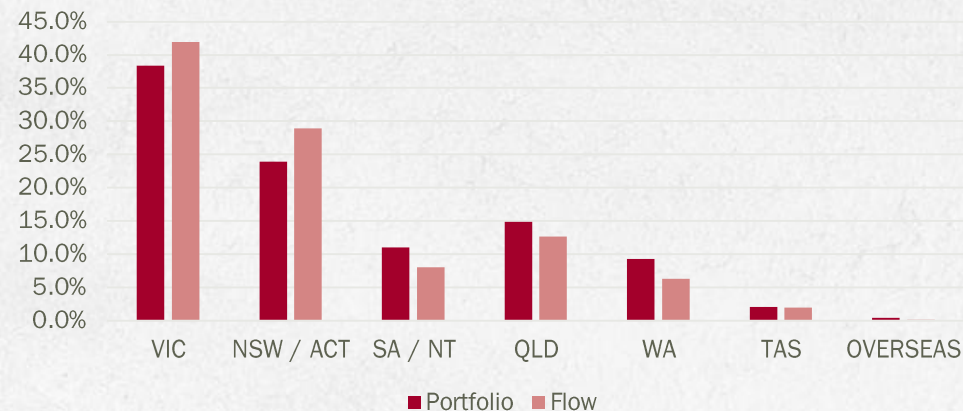


3. Source: Company data, APRA statistics December 2018 Based on loans to households : owner occupied & investment and housing loans securitised)

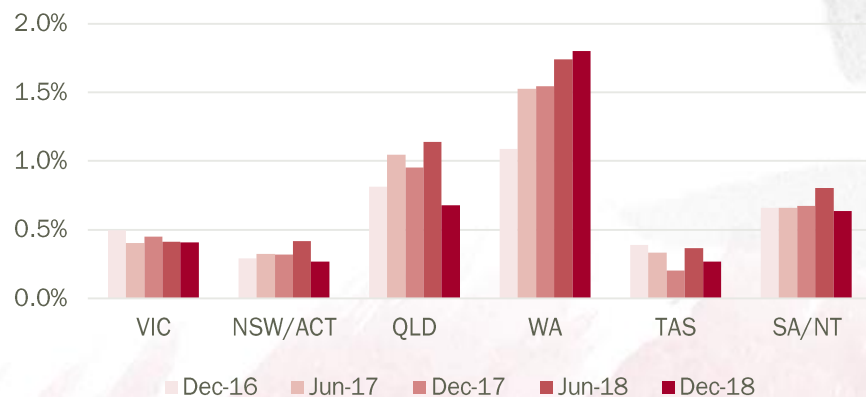
Residential lending portfolio

- Proportion of portfolio with LVR ≤ 80% is 79%, a 2% reduction since June 2018
- Average LVR has reduced 1% to 58% (based on property value at origination)
- Dynamic LVR reflects a lower portfolio average LVR

Residential lending - portfolio and flow

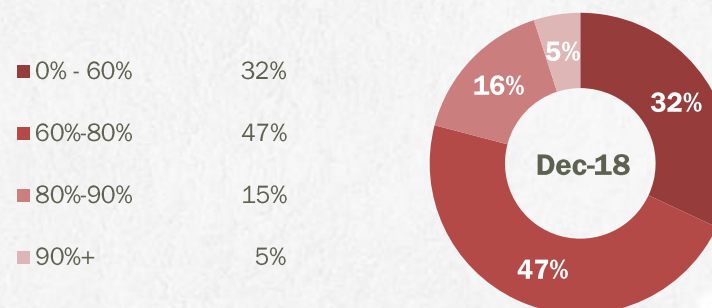


Residential lending 90+ days past due - by state¹



1. Keystart included from Jun-17

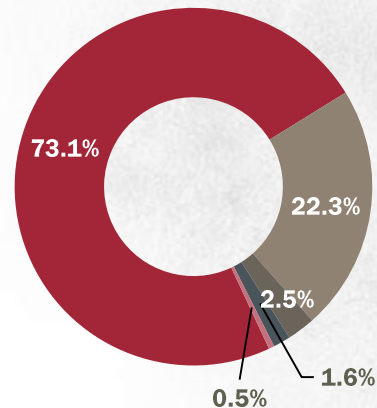
Residential loan-to-value breakdown



Secure and low risk loan portfolios

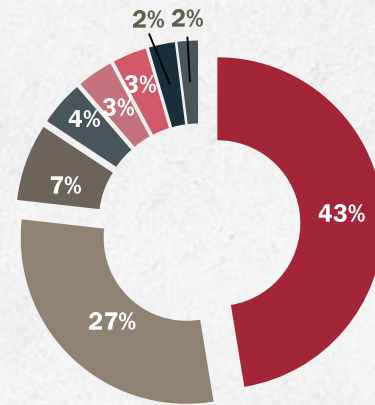
BEN loan composition¹

- Residential mortgages
- Commercial mortgages
- Listed securities & managed funds
- Unsecured
- Other



BEN Commercial breakdown²

- Agri, forestry & fishing
- Rental, hiring & real estate
- Construction
- Health Care & Social assist
- Finance & insurance
- Retail trade
- Accom & food services
- Manufacturing



- 98.4% secured
- 97.9% secured by mortgages and listed securities
- Residential mortgages
 - Average LVR 58%
 - 63% owner occupied
- Margin Lending
 - 79% of portfolios hold \geq 4 stocks
 - Average LVR 43%

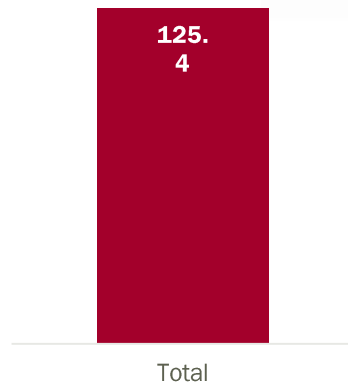
Residential Mortgages ²	Dec-18	Jun-18
Retail mortgages	58%	59%
Third Party mortgages	42%	41%
Lo Doc	2%	2%
Owner occupied	63%	63%
Owner occupied P&I	84%	82%
Owner occupied I/O	16%	18%
Investment	37%	37%
Investment P&I	46%	42%
Investment I/O	53%	58%

Residential Mortgages ²	Dec-18	Jun-18
Mortgages with LMI	22%	23%
Average LVR	58%	59%
Average loan balance	\$235k	\$231k
90+ days past due - exc arrangements	0.5%	0.6%
Impaired loans	0.09%	0.11%
Specific provisions	0.02%	0.03%
Loss rate	0.01%	0.02%
Variable	73%	74%
Fixed	27%	26%

1. Loan data represented by security as per page 18 in the 4D
 2. Loan data represented by purpose. Includes Business and Agribusiness divisions. Excludes Delphi Bank & Keystart data. Data excludes commercial arrangement and impaired loans over 90d+

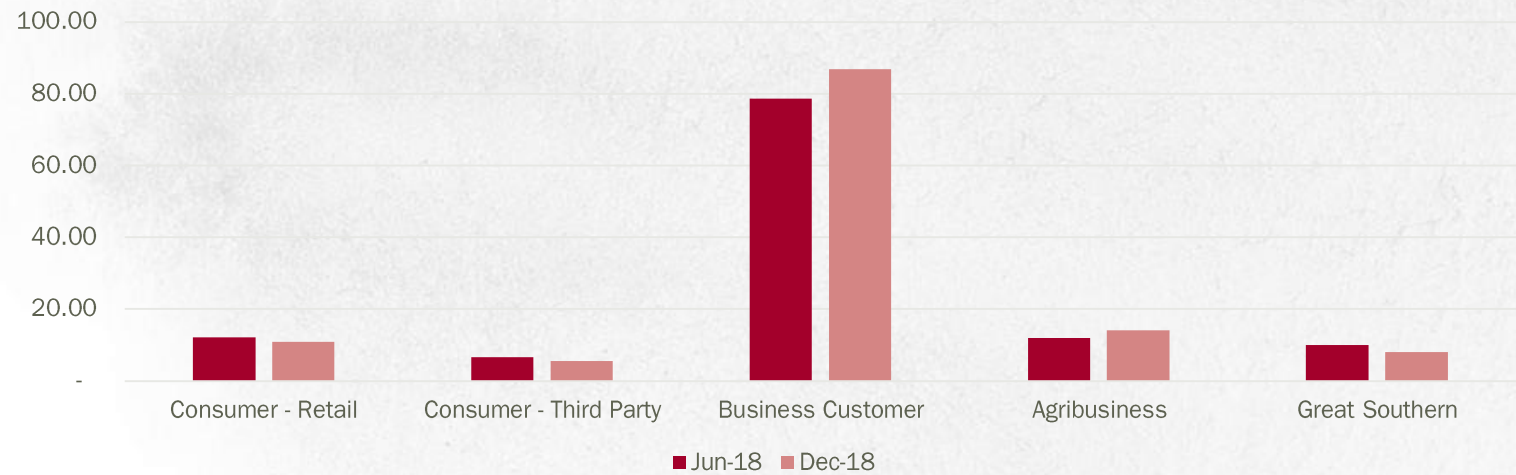
Specific provisions

Specific provision balance (\$m)



Represented by
→

Specific provisions breakdown (\$m)



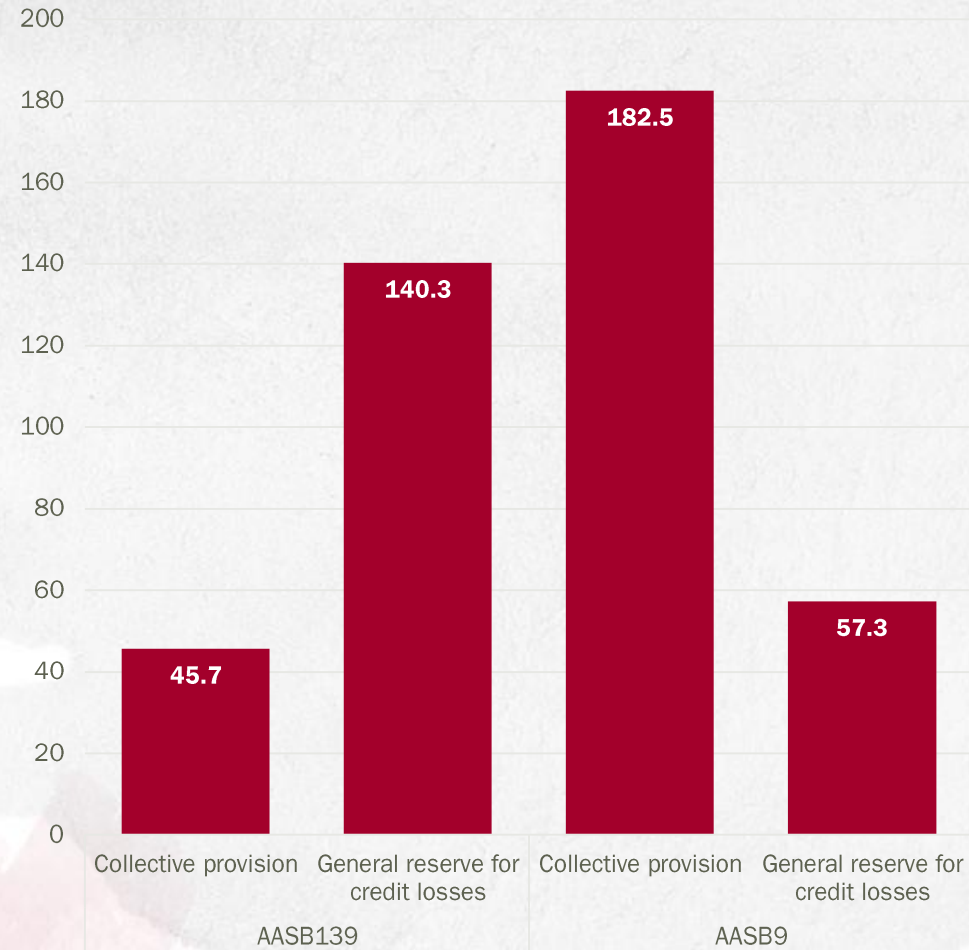
Provision as % of each portfolio's gross loans	Consumer – Retail	Consumer – Third Party	Business Customer	Agribusiness	Great Southern	BEN total
December 2018	0.04%	0.03%	0.91%	0.25%	11.22%	0.21%
June 2018	0.04%	0.04%	0.77%	0.20%	11.62%	0.19%
Portfolio as % of total gross loans	47.1%	27.3%	16.0%	9.5%	0.1%	100%

AASB 9

- \$134.3m increase in collective provision due to expected loss model rather than incurred loss model
- Increase taken through retained earnings as at 1 July 2018
- Individually assessed specific provisions process is unchanged
- Underlying portfolio credit quality unchanged
- CET1 ratio decreased by 13bps

	AASB139	AASB9
Provision coverage ¹	0.14%	0.53%

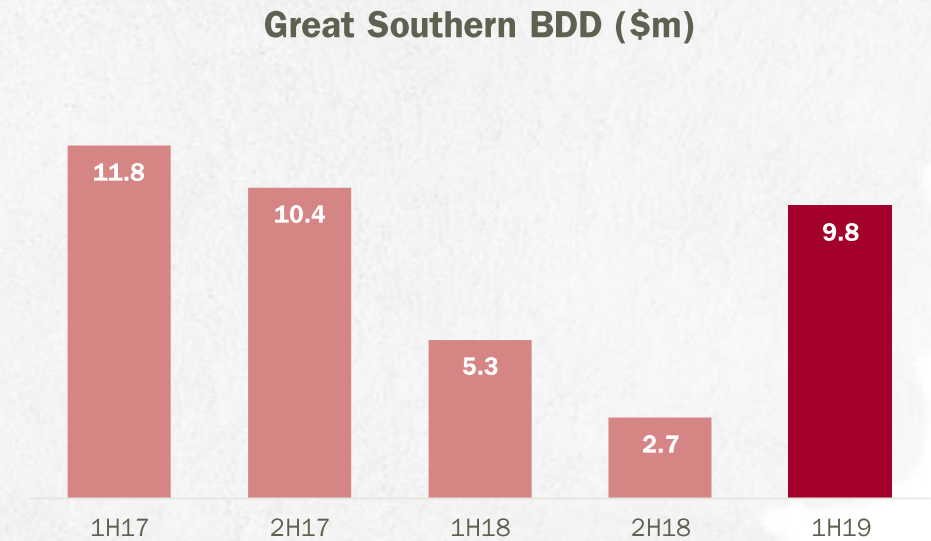
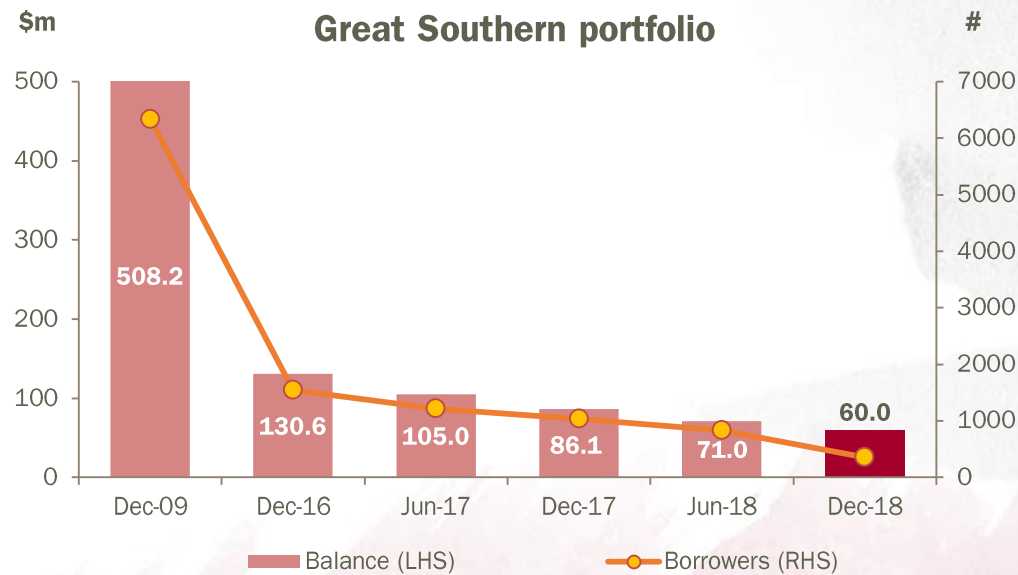
AASB 9 impact on collective provision and general reserve for credit losses (\$m)



1. Provision coverage is collective provision divided by credit risk weighted assets

Great Southern

- Great Southern portfolio has paid down significantly and is adequately provisioned
- Past due 90 days of \$41.4m¹, down 18.7% from 30 June 2018
- Specific provision of \$8.0m¹, down 19% from 30 June 2018
- Collective provision of \$35m¹ increased due to AASB9 accounting standards



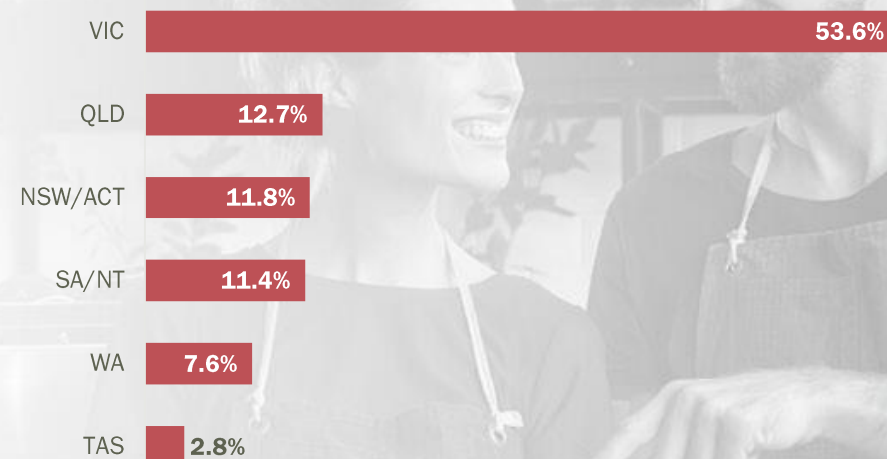
1 - Data as at 31 December 2018

Business

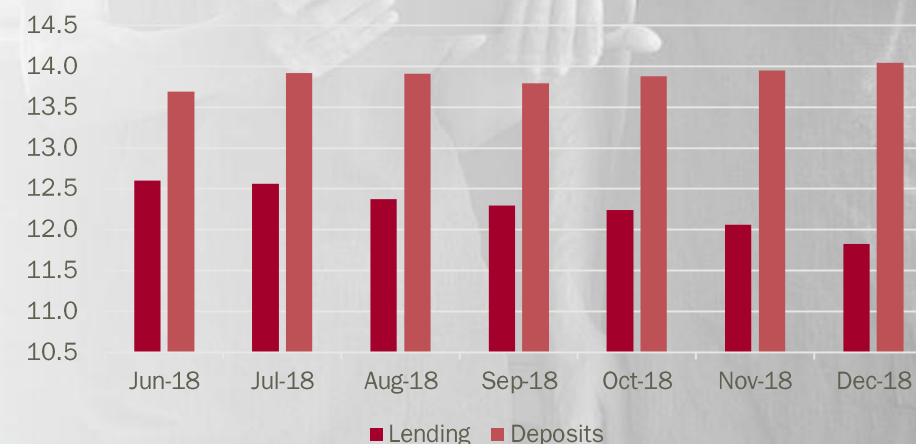
Business portfolio by industry

	Dec-18	Jun-18	Dec-17
Rental, hiring and real estate services	45.6%	44.9%	46.0%
Construction	11.7%	12.9%	12.7%
Health care and social assistance	6.8%	6.1%	5.8%
Financial and insurance services	5.4%	5.0%	4.7%
Retail trade	5.1%	5.0%	4.9%
Accommodation and food services	3.9%	4.0%	3.9%
Agriculture, forestry and fishing	3.8%	3.8%	4.0%
Manufacturing	3.1%	3.1%	3.2%
Professional, scientific and technical services	2.8%	2.7%	2.7%
Other	11.6%	12.5%	12.2%

Business exposure by state



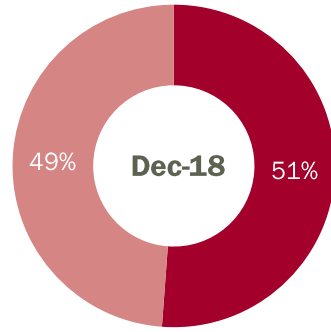
Business division - lending/deposits (\$b)



Agribusiness

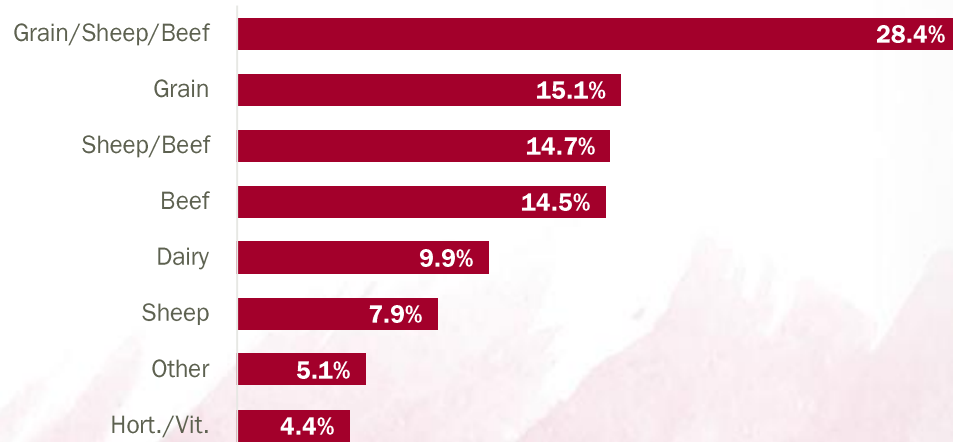
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Lending customer management



■ Elders ■ Rural Bank

Agri exposure by industry

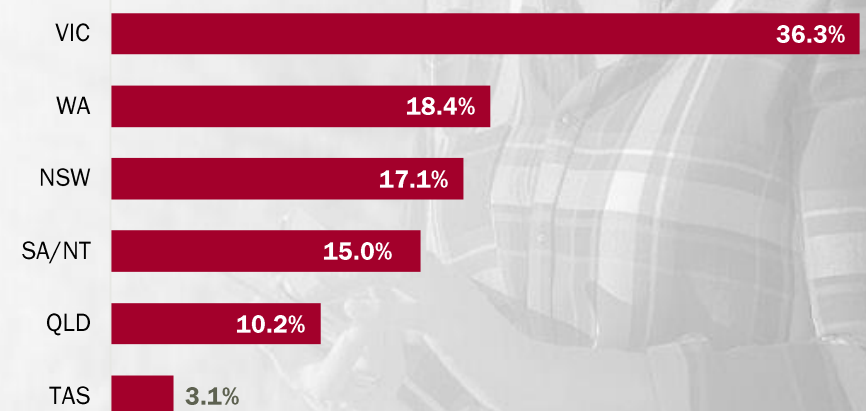


1. Excludes BEN agribusiness loans

Agribusiness exposure¹

	Dec-18	Jun-18	Dec-17
Exposure TAE (\$m)	6,980.95	6,905.58	6,653.14
% of Group TAE	9.57%	9.40%	9.18%
% of portfolio 90d+ arrears	1.37%	1.82%	1.99%
% of portfolio impaired	1.70%	1.25%	1.03%

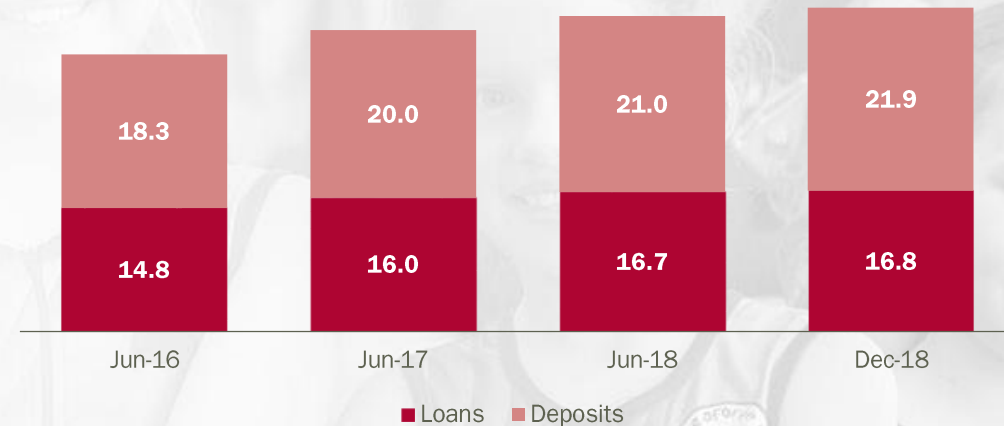
Agri exposure by state



The Community Bank[®] model

- **Over \$200m in community contributions¹ since inception** – enabling tangible economic and social benefits for the communities and our business
- Significant matched funding leveraged by community partners for major local infrastructure initiatives
- 321 **Community Bank[®]** branches, of which over 20% are the last financial institution in the town or suburb
- Proven, reliable and cost effective distribution strategy
- Rolling out new governance training to 1950+ volunteer directors'

Community Bank[®] footings (\$bn)²

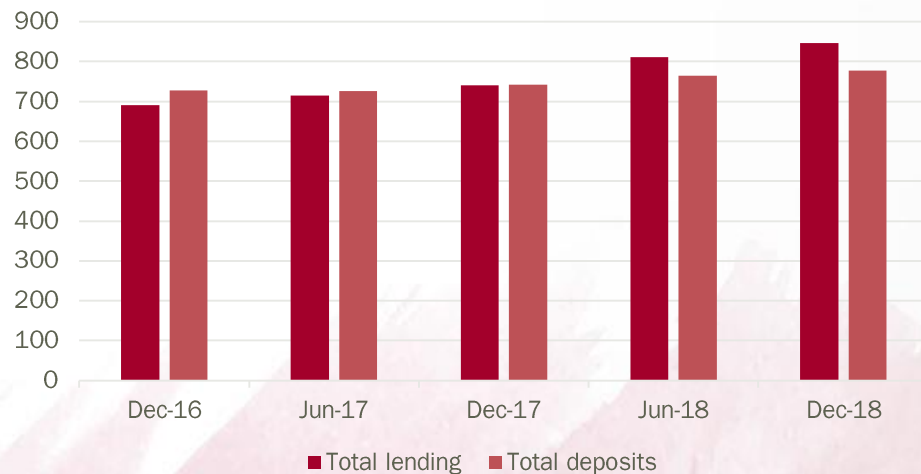


1. Includes total sponsorships, donations and grants
 2. Community Bank footing includes Private Franchises (4 branches in total)

Alliance Bank®

- Annualised lending growth of 8.44% achieved for 6 months to 31/12/18
- New Payments Platform delivered to 5 Alliance Bank partners
- Do Good Fund has committed \$4.5m to community projects

Alliance Bank portfolio balance (\$m)



Alliance Bank®

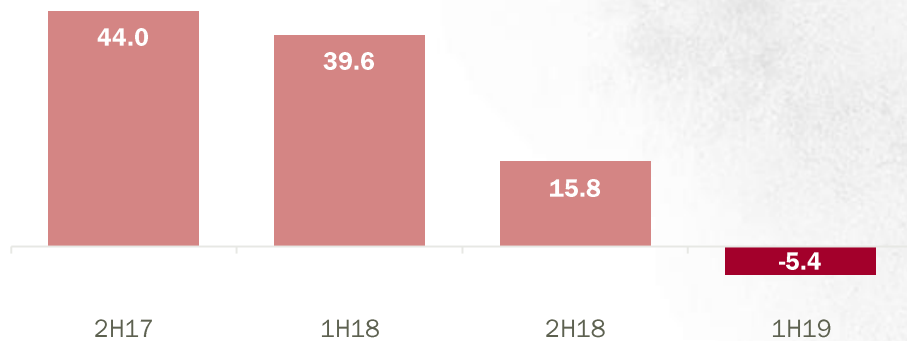
DO GOOD BANKING™

Investing in **positive social change**

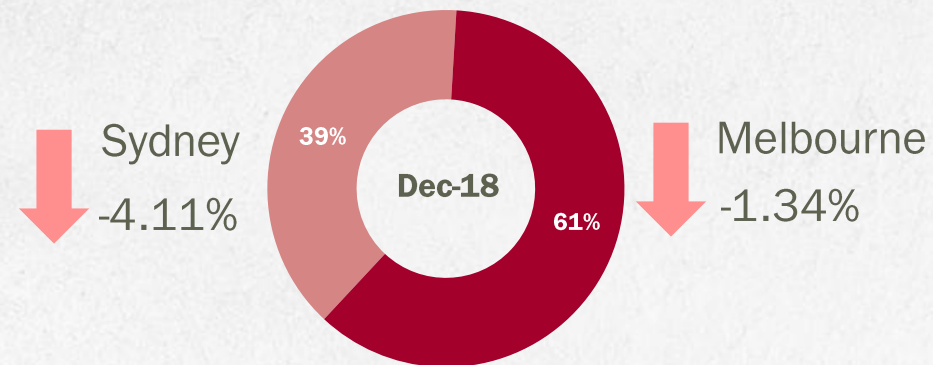
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Homesafe investment property portfolio (statutory earnings)

Homesafe statutory income contribution (\$m)



Homesafe portfolio distribution¹



	Dec-18 (%)	Jun-18 (%)
Discount rate (pa)	5.75%	7.75%
Property appreciation rates (pa)	First year 0% Second year 3% Long-term growth 4%	First year 0% Second year 4.5% Long-term growth 6%

1. 6 month movement reflects Residex movement between 1 June 2018 and 30 November 2018

Homesafe accounting treatment – illustrative example

	Start of Year 1	End of Year 1	Year 2	Year 3	Year 4	Total
Day 1 funding	100,000					
Property value		110,000	130,000	120,000		
Homesafe Income		10,000	20,000	(10,000)	5,000	
Unrealised funding costs		(5,000)	(5,000)	(5,000)	(5,000)	
Property sold					125,000	
Realised profit					25,000	
Realised funding costs					(20,000)	
Profit and Loss						
Unrealised funding costs (NIL)		(5,000)	(5,000)	(5,000)	(5,000)	(20,000)
Homesafe revaluation income		10,000	20,000	(10,000)	5,000	25,000
Total statutory earnings before tax		5,000	15,000	(15,000)	0	5,000
Cash earnings adjustments						
Unrealised funding costs		5,000	5,000	5,000	5,000	20,000
Homesafe revaluation income		(10,000)	(20,000)	10,000	(5,000)	(25,000)
Realised income		0	0	0	25,000	25,000
Realised funding costs		0	0	0	(20,000)	(20,000)
Total before tax		(5,000)	(15,000)	15,000	5,000	0
Net cash earnings before tax		0	0	0	5,000	5,000

Note – for illustrative purposes only

Statutory earnings to cash earnings - reconciliation

	1H19 (\$m)	2H18 (\$m)
Statutory Profit after tax	\$203.2	\$202.8
Fair value adjustments	\$0.2	\$0.3
Homesafe unrealised adjustments	\$10.2	(\$5.8)
Hedging/income (costs)	(\$1.3)	(\$0.4)
(Profit)/Loss on sale of business	-	\$1.2
Integration costs	-	\$1.6
Operating expenses, includes legal, litigation and compensation costs	\$1.4	\$13.8
Amortisation of intangibles	\$1.1	\$1.3
Cash earnings after tax (sub total)¹	\$214.8	\$214.8
Homesafe net realised income after tax	\$5.0	\$5.0
Cash earnings after tax	\$219.8	\$219.8

1. Cash earnings subtotal is equal to cash earnings before Homesafe realised income

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Non-IFRS Financial Information: The discussion and analysis discloses the net profit after tax on both a 'statutory basis' and a 'cash basis'. The statutory basis is prepared in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS). The cash basis is used by management to present a clear view of the Group's underlying operating results, excluding a number of items that are deemed to be outside of our core activities and such items are not considered to be representative of the Group's ongoing financial performance. Refer to the Appendix 4D for reconciliation to statutory profit.

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