

UBS Financial Services Conference

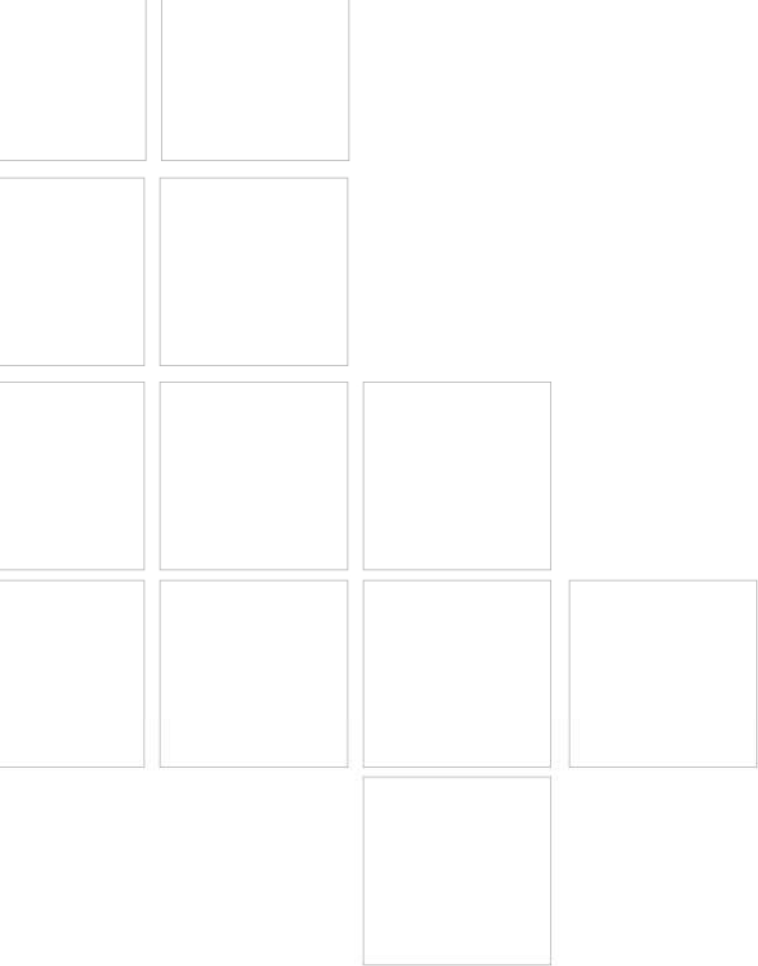
Volatility – friend or foe?

Jamie McPhee
Chief Executive – Wholesale Bank
Bendigo and Adelaide Bank Ltd

June 2008

Agenda

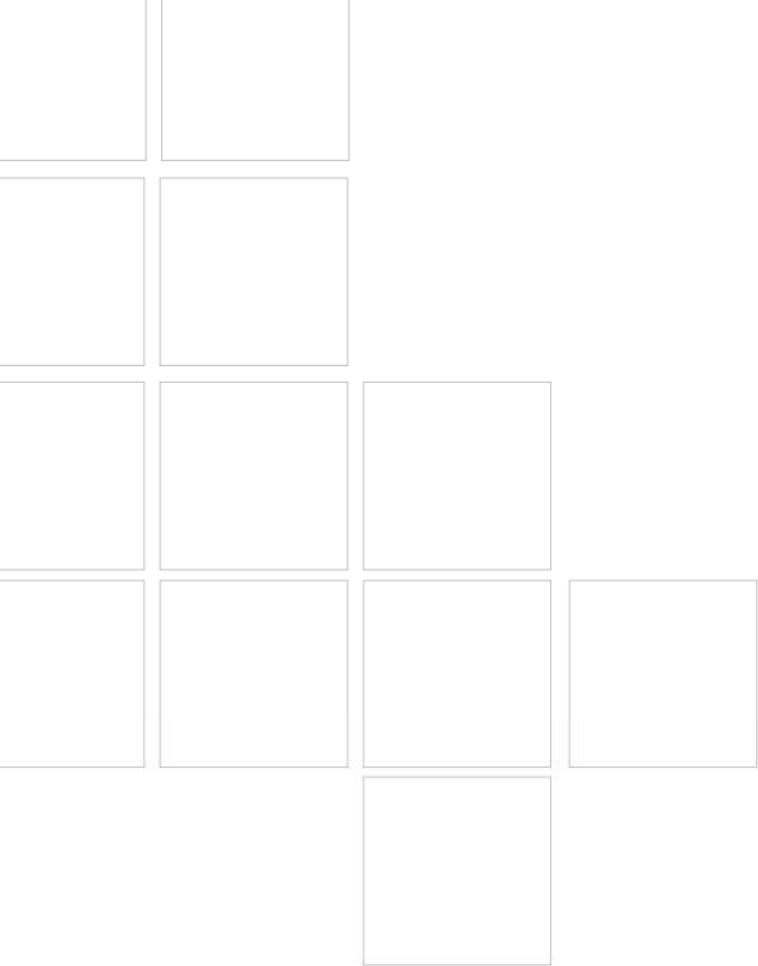
1. Overview
2. Group context
3. Retail
4. Margin Lending
5. Wholesale Mortgages
6. Portfolio Funding
7. Merger
8. Summary



1. Overview

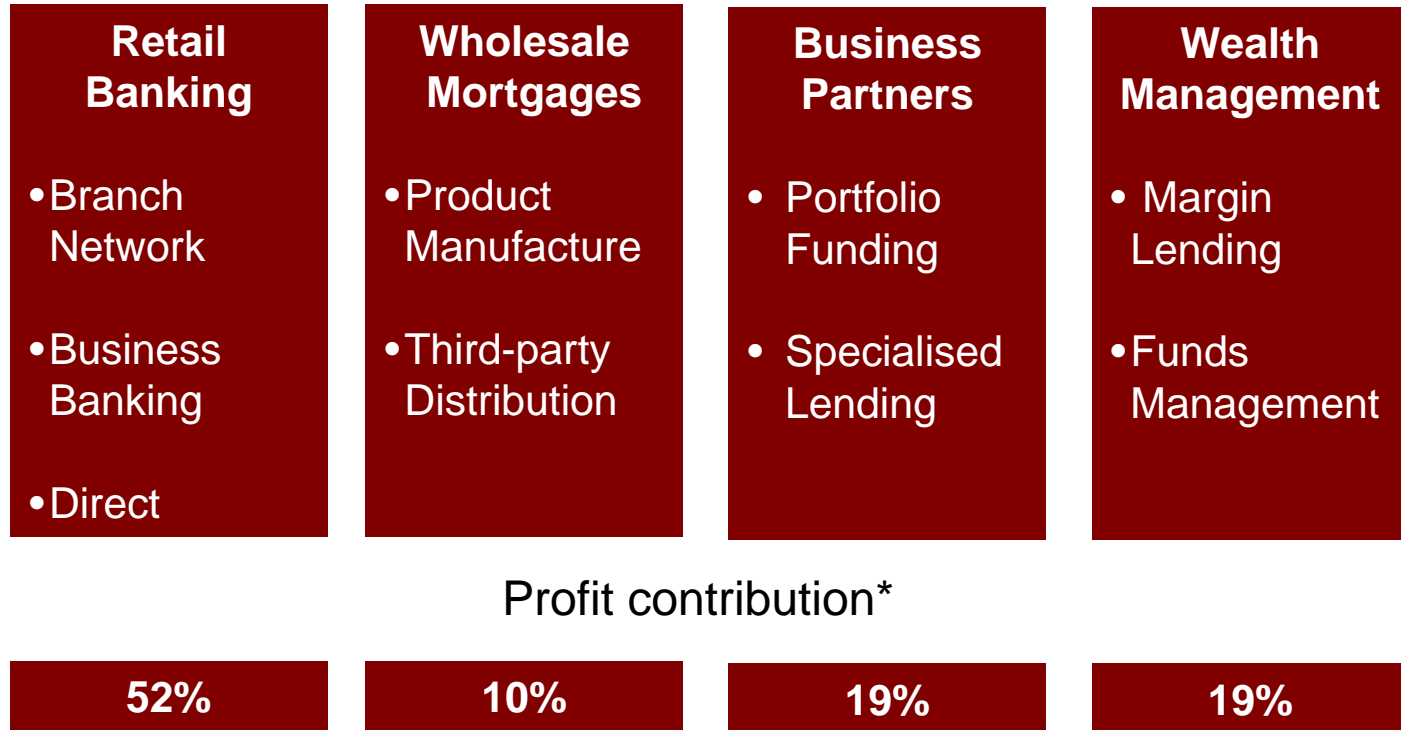
Overview

- Domestic economy continues to remain strong
- Credit growth is slowing, but remains at a reasonable level
- Planning for global funding markets to remain difficult throughout 2008
 - Non-retail funding – reduced availability and higher costs
 - Securitisation – assumption that this market remains effectively closed



2. Group context

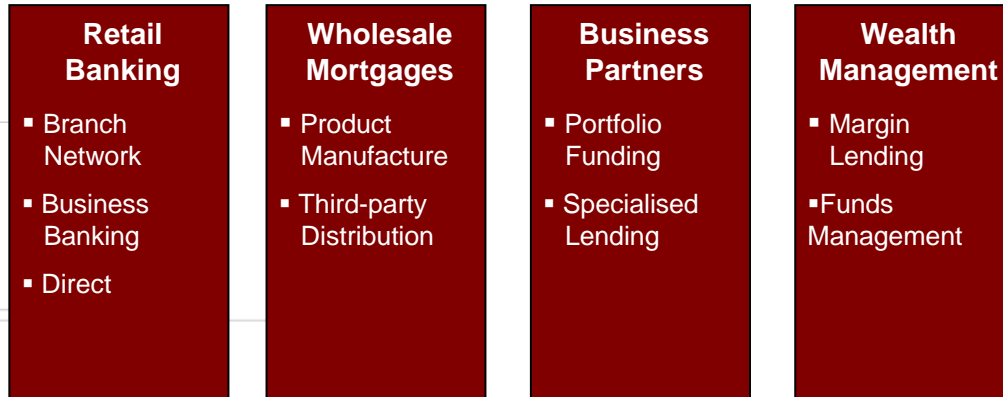
Organisational design



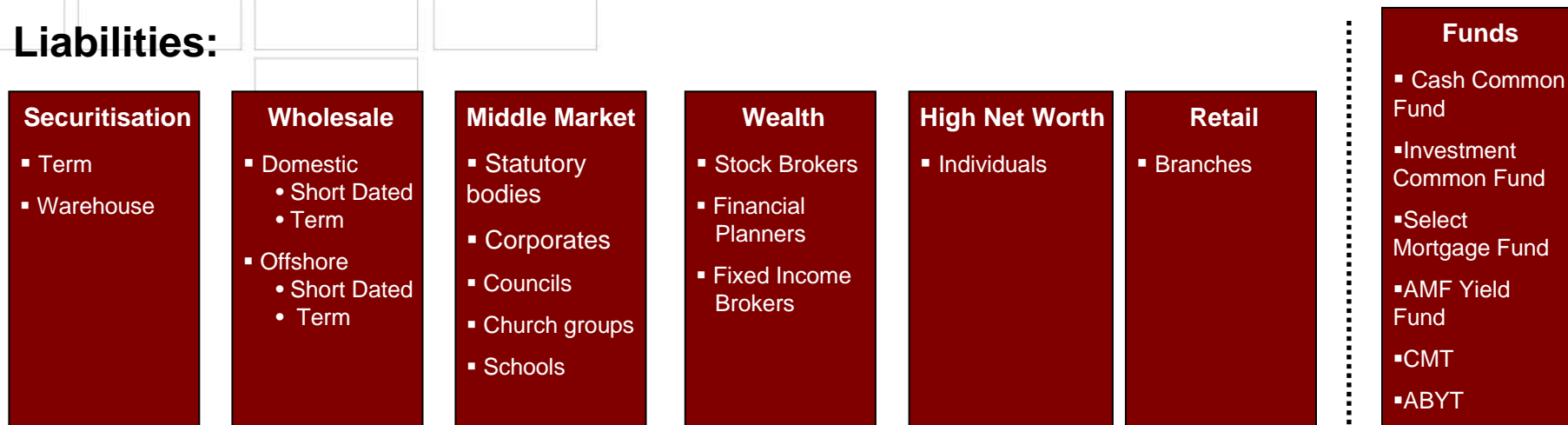
*Pro Forma profit before tax as at 30 June 2007.

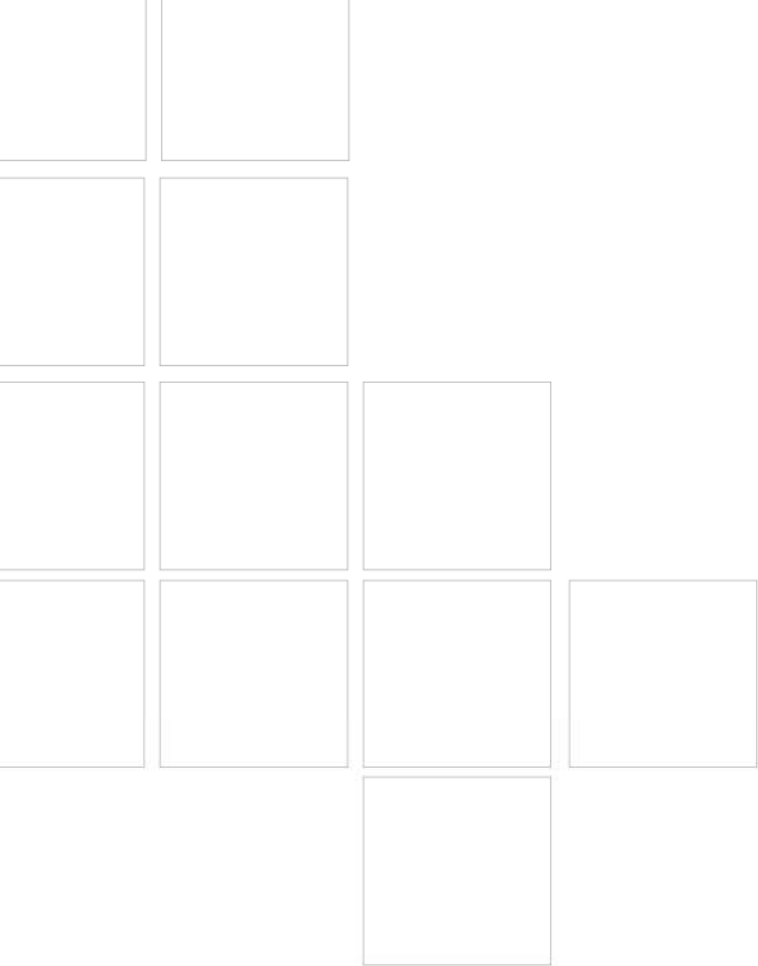
Source of flows

Assets:



Liabilities:



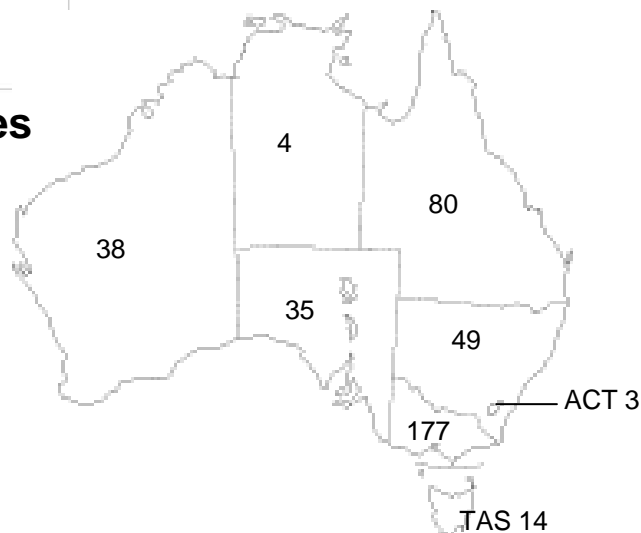


3. Retail

Overview

	Growth
Assets	9.8% annualised year to date
Liabilities	14.8% annualised year to date
Branches	31 per year ¹
Customer numbers	75,000 per year ²

400 branches



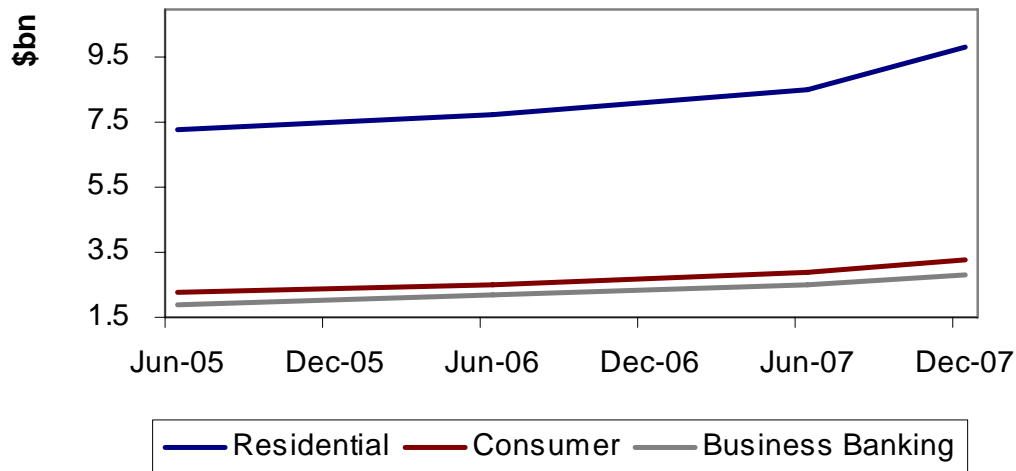
1. New branches per year since 2003

2. New customers per year since 2005, excluding additional 180,000 Adelaide Bank customers from merger

Assets

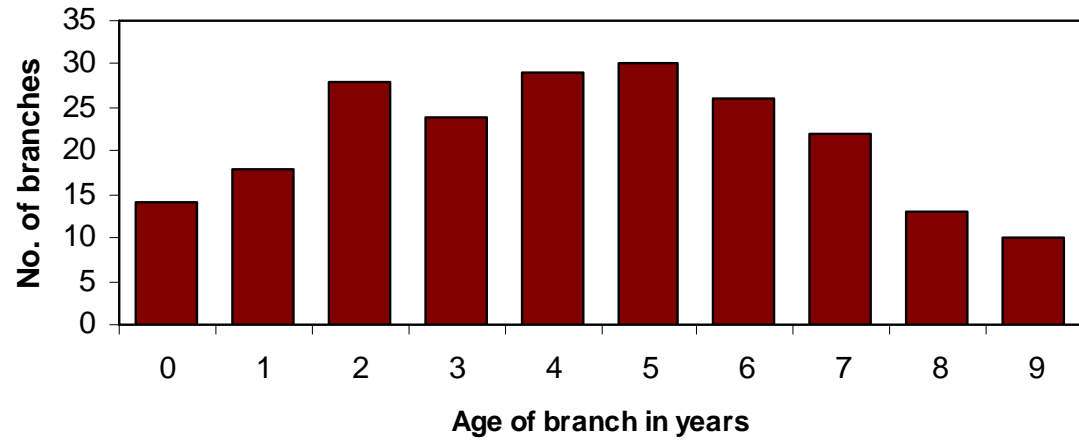
Total Retail Assets	\$bn (31 Dec 07)
Mortgages	\$9.8
Consumer	\$3.3
Business Banking	\$2.8
TOTAL	\$15.9

Retail Assets

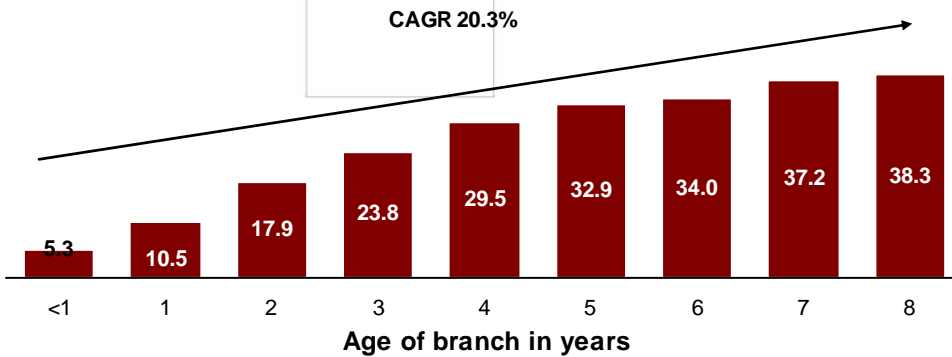


Branch profile

Branches by Age#



Deposits per **Community Bank[®]** branch*

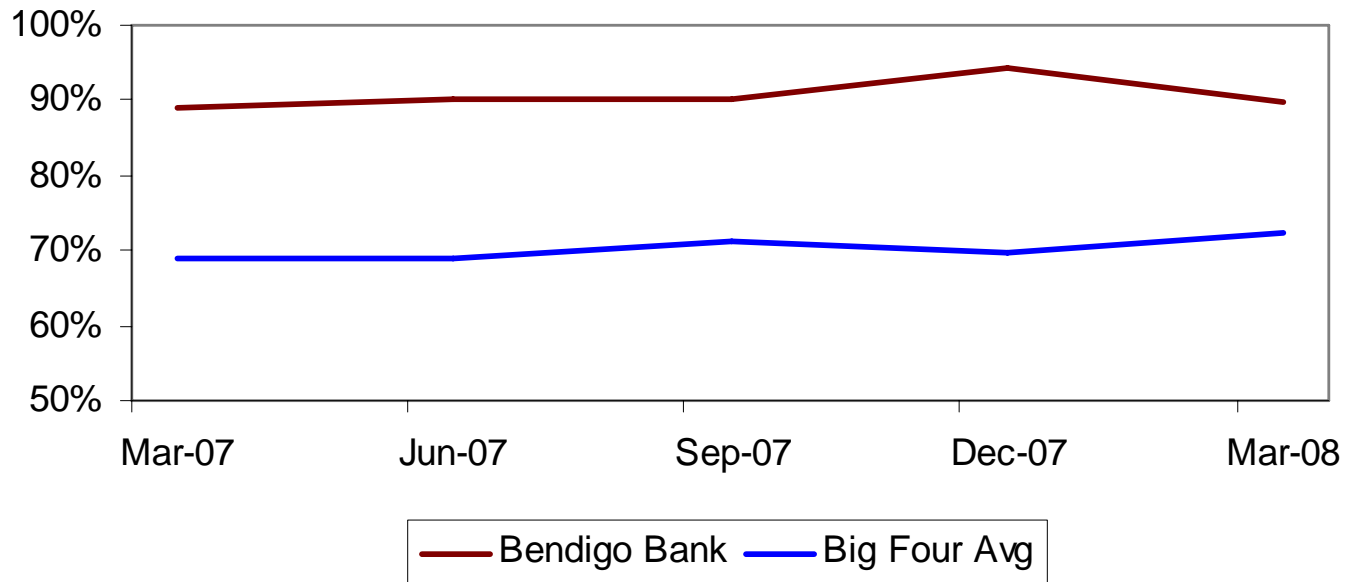


*As at 31 Dec 2007
#As at 20 June 2008

Customer satisfaction

- Our retail customers want to do business with us

Customer Satisfaction*

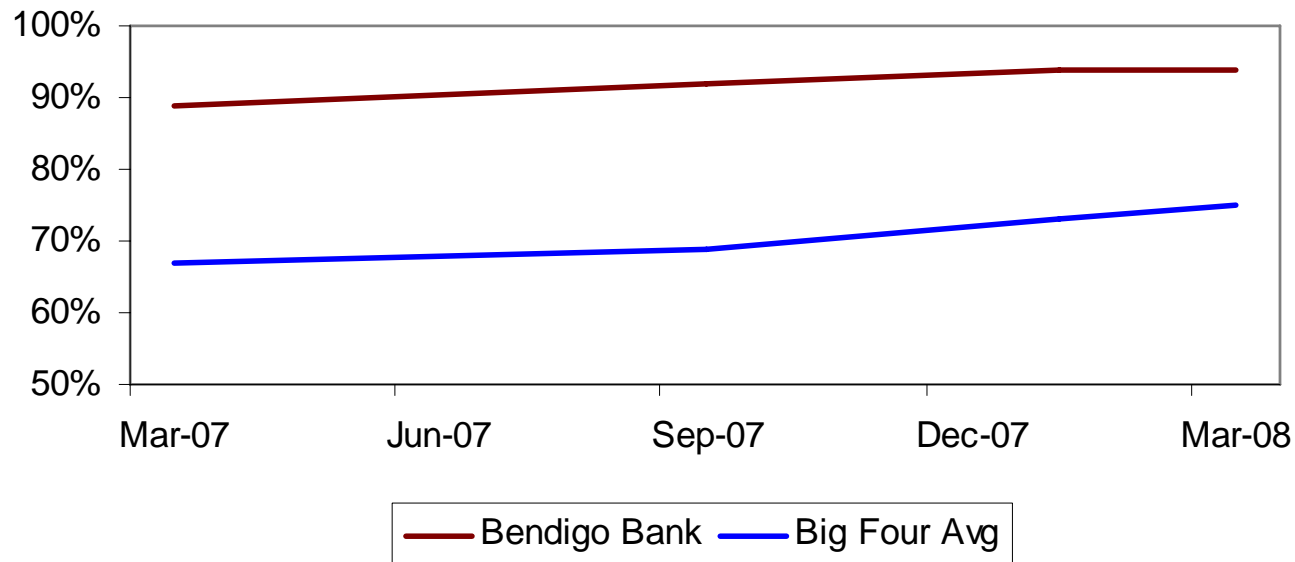


*Roy Morgan Research

Customer satisfaction

- Our business customers want to do business with us

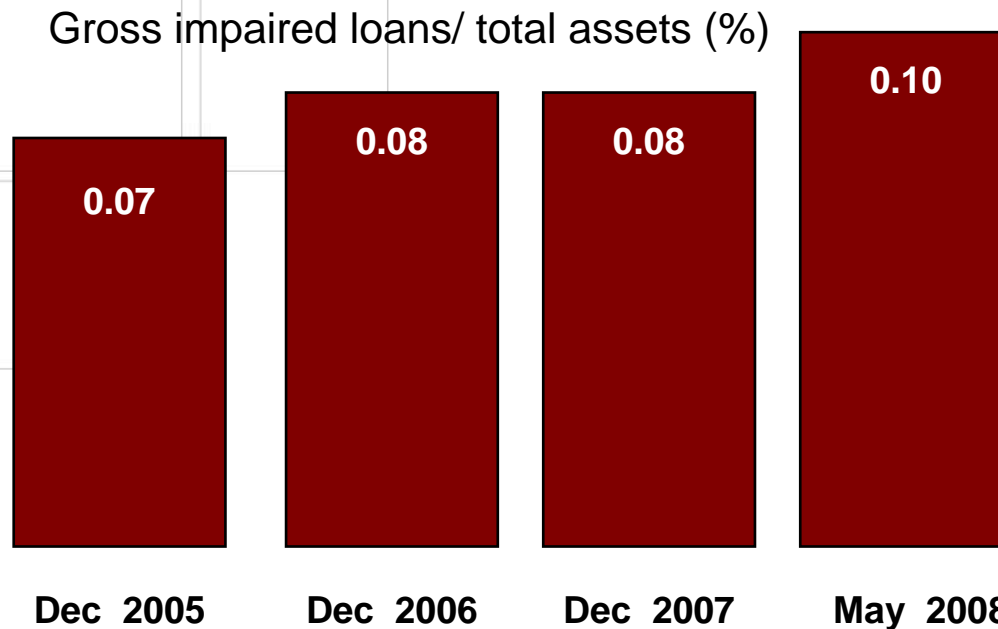
Business Banking Customer Satisfaction*

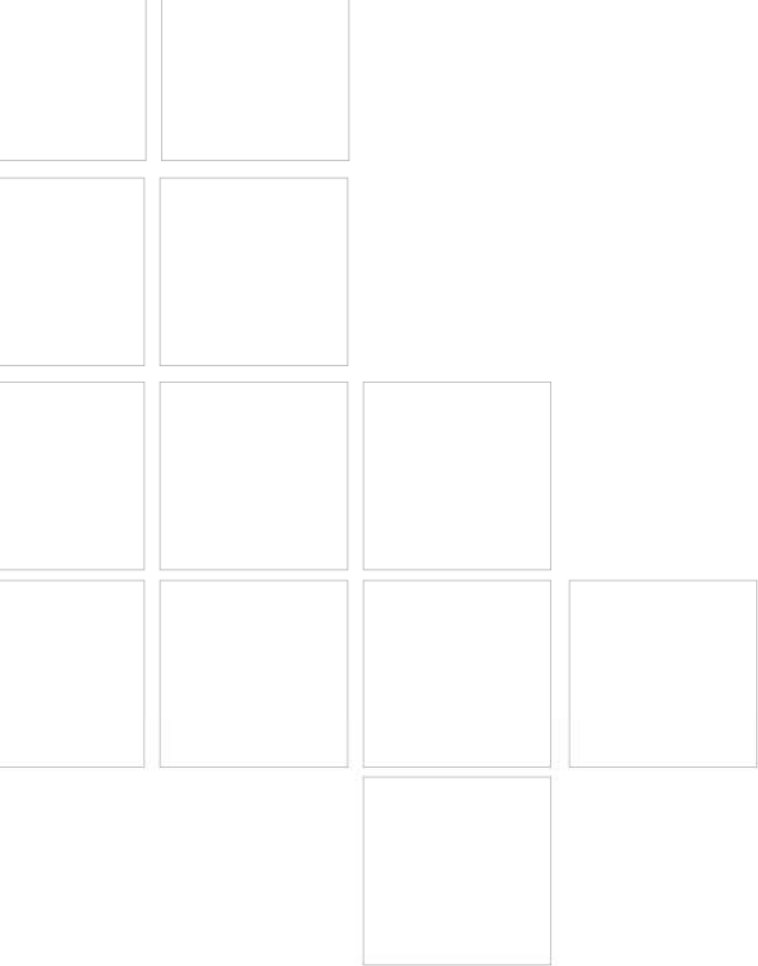


*TNS Market Research Banking satisfaction report BFN Jan 2008

Credit quality

- Performing well
- No 'bad boy' exposures
- More challenging environment into the future





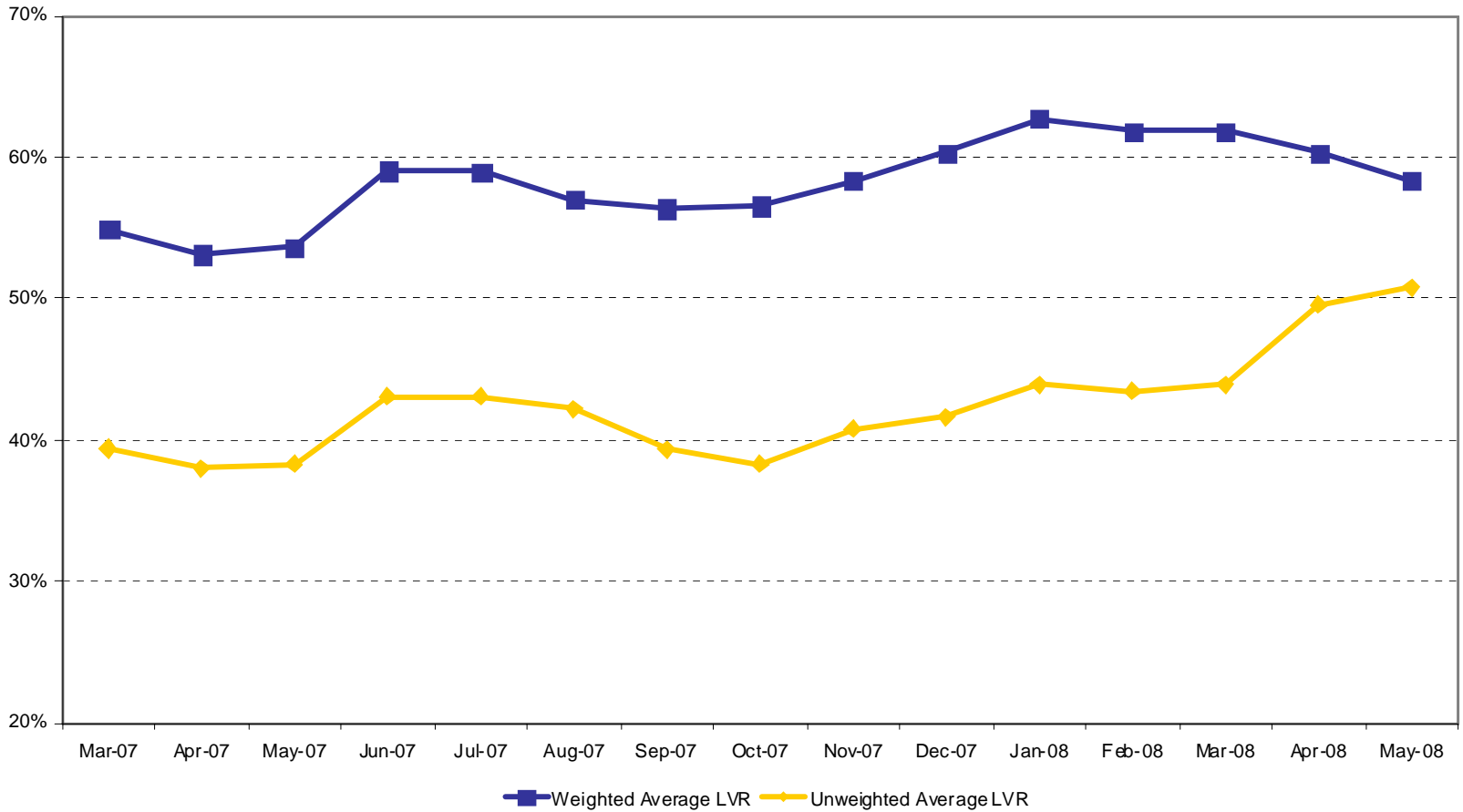
4. Margin Lending

Margin Lending

- 12 consecutive down days (most since 1982)
- 18% cumulative decline
- 12th day – down 7.26% (1989 – fell 8.09%)
- Significant volatility (highest since 1987)
- Single large stock falls - Allco, MFS, ABC, Centro
- All margin calls made, all settlements met
- No exposure to the stock lending sector
- Integrity of business model tested and proven

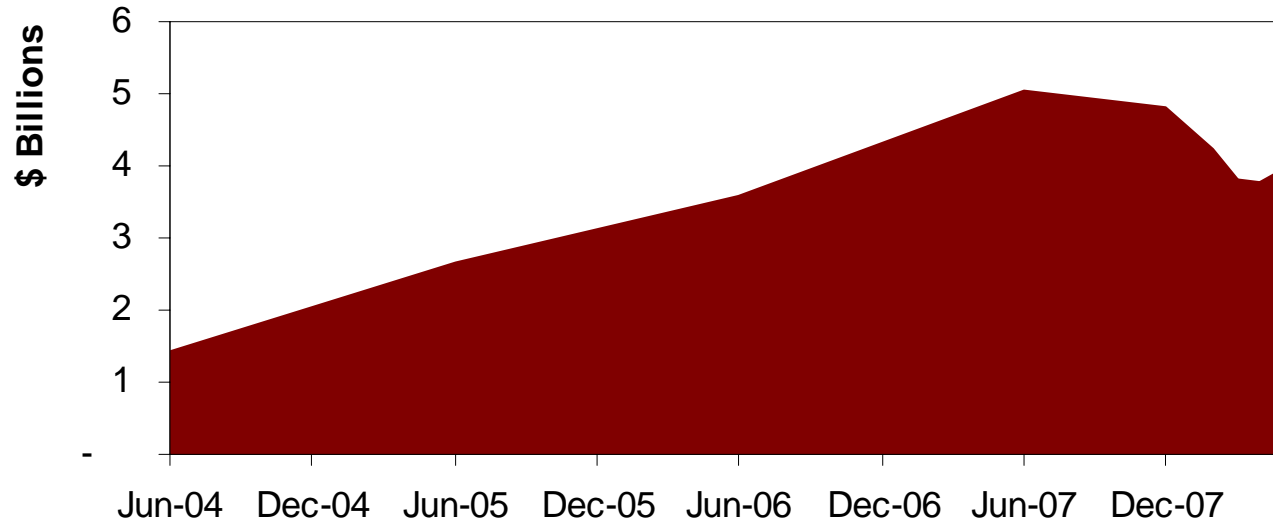
Margin Lending

Weighted & Unweighted Average LVR's



Margin Lending

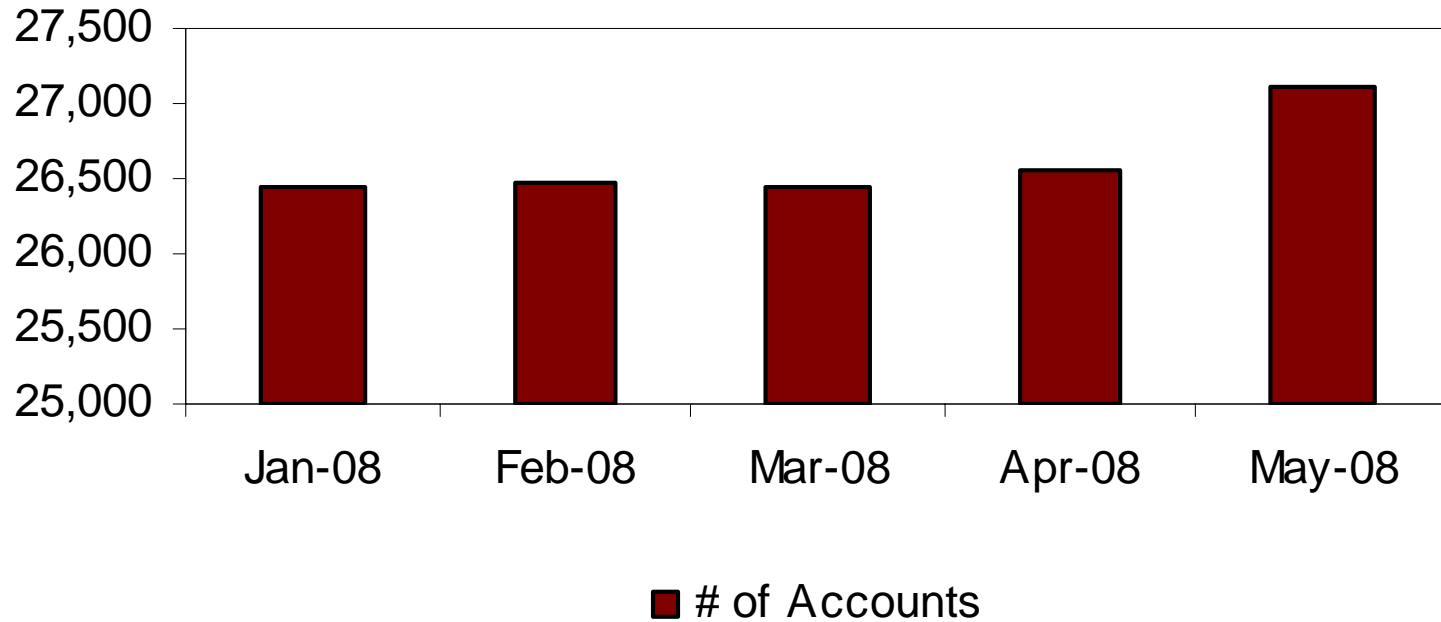
Margin Lending Portfolio



- Growth of 25-35%pa was always unsustainable
- Decline has been in line with equity market falls
- Portfolio beginning to grow again

Margin Lending

Customer Accounts

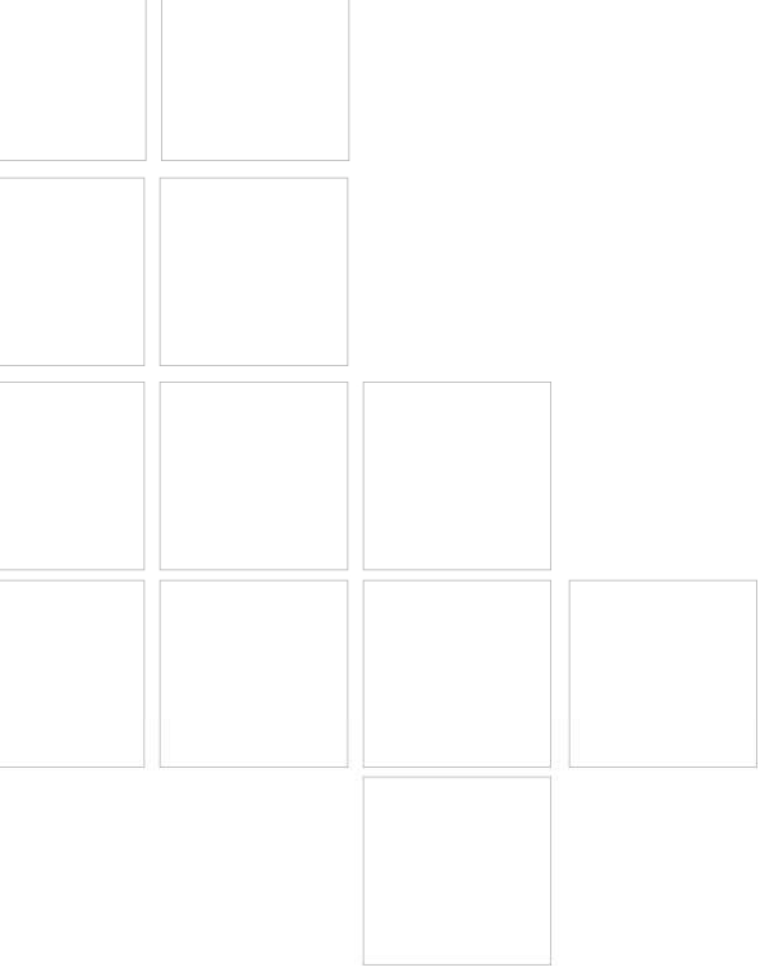


Margin Lending

- Attractive market
 - Improved equity market sentiment
 - Further opportunities in financial planning sector
 - Access to larger retail customer base

Credit

- Credit quality remains sound
- Despite equity market volatility...
 - Only 2 uncovered & non-paying positions
 - Accounts total \$4.8m
 - Provisions of \$2.7m



5. Wholesale Mortgages

Securitisation

- Costs have increased

October 2006	October 2007	May 2008
0.20%*	0.43%*	1.45% Citi*
\$1.5 billion	\$505 million	\$500 million

- Continue to focus on profitable business *(AGM 2006)*

*based on AAA portion of issue

Portfolio re-pricing*

- Existing portfolio

Date	Lo-Doc (% increase)	Full-Doc (% increase)
Sept 07	0.30% (0.55%)	(0.25%)
Dec 07	0.25% (0.50%)	0.25% (0.50%)
Mar 08	0.15% (0.40%)	0.15% (0.40%)
May 08	0.10% (0.35%)	0.10% (0.35%)

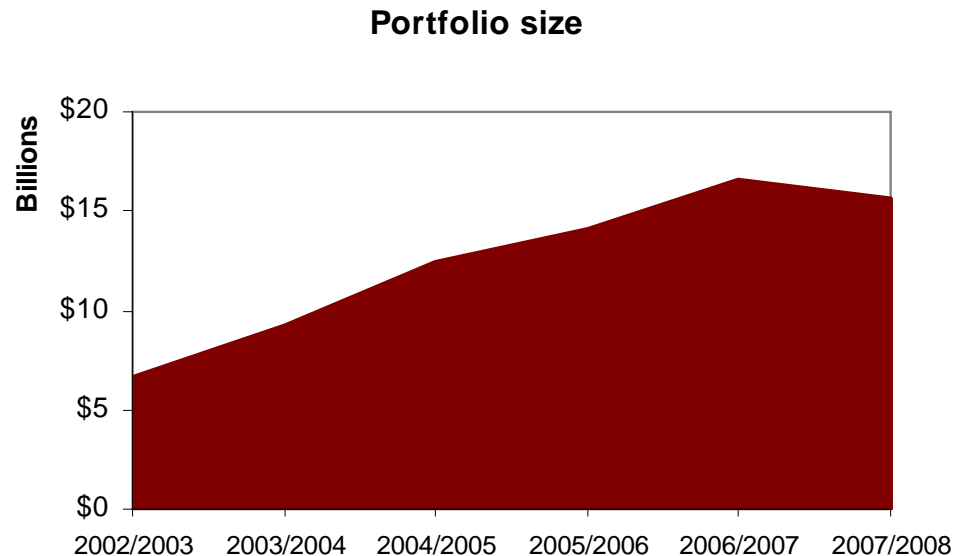
- New loans

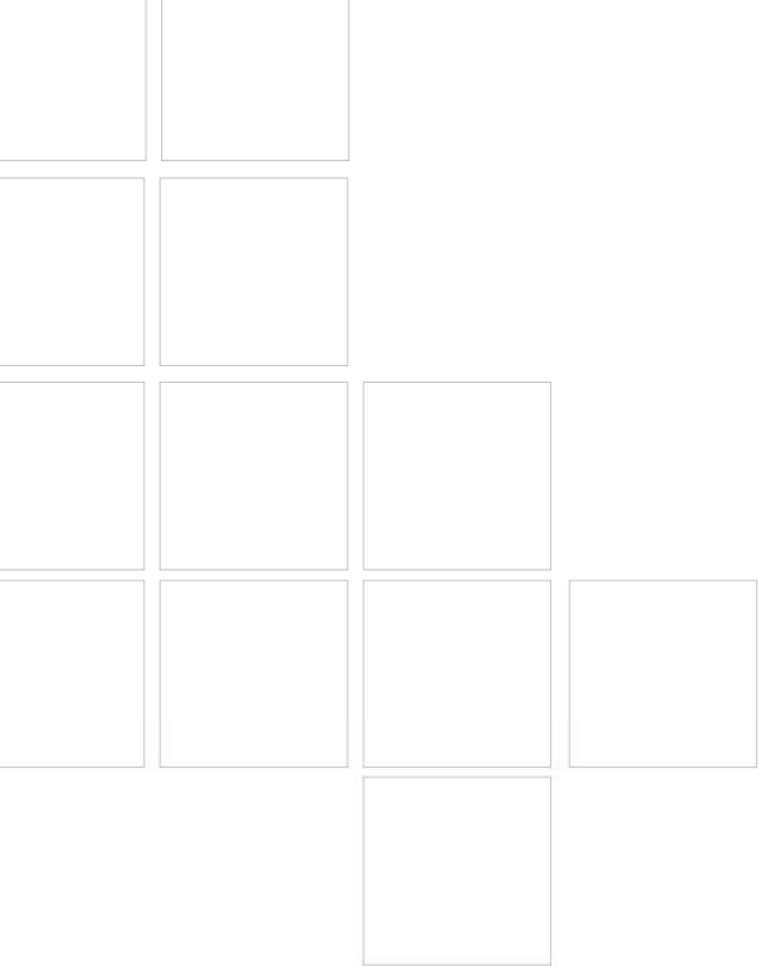
Date	Lo-Doc (% increase)	Full-Doc (% increase)
Sept 07	0.50% (0.75%)	0.10% (0.35%)
Dec 07	0.25% (0.50%)	0.13% (0.38%)
Feb 08	0.10% (0.35%)	0.10% (0.35%)
Mar 08	0.25% (0.50%)	0.25% (0.50%)

*refers to Mortgage Managers pricing only
 Red figures include RBA increases of 0.25%

Managing for the new world

- Variable cost base
- Commissions being adjusted
- Focus on achieving an appropriate economic return





6. Portfolio Funding

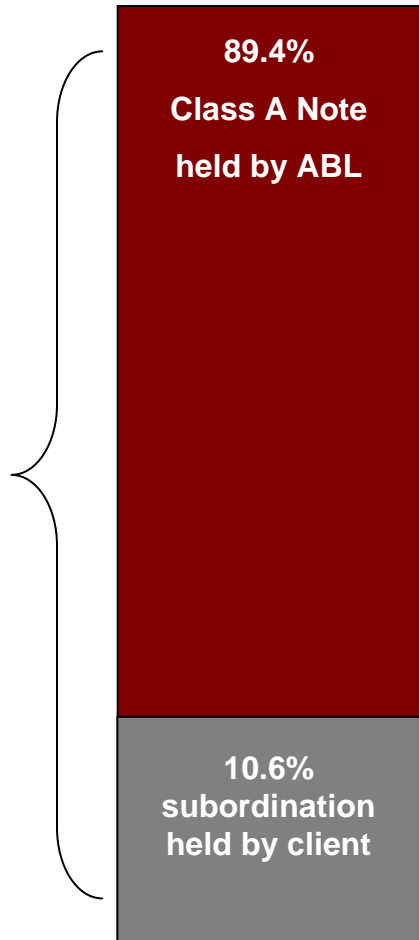
Portfolio Funding

- Funds portfolios originated by third parties
- Granular portfolios with high quality assets
- 22 partners with AUM \$2.19bn
- Margins have been adjusted to reflect increased funding costs
- Reduced competition

Portfolio Funding

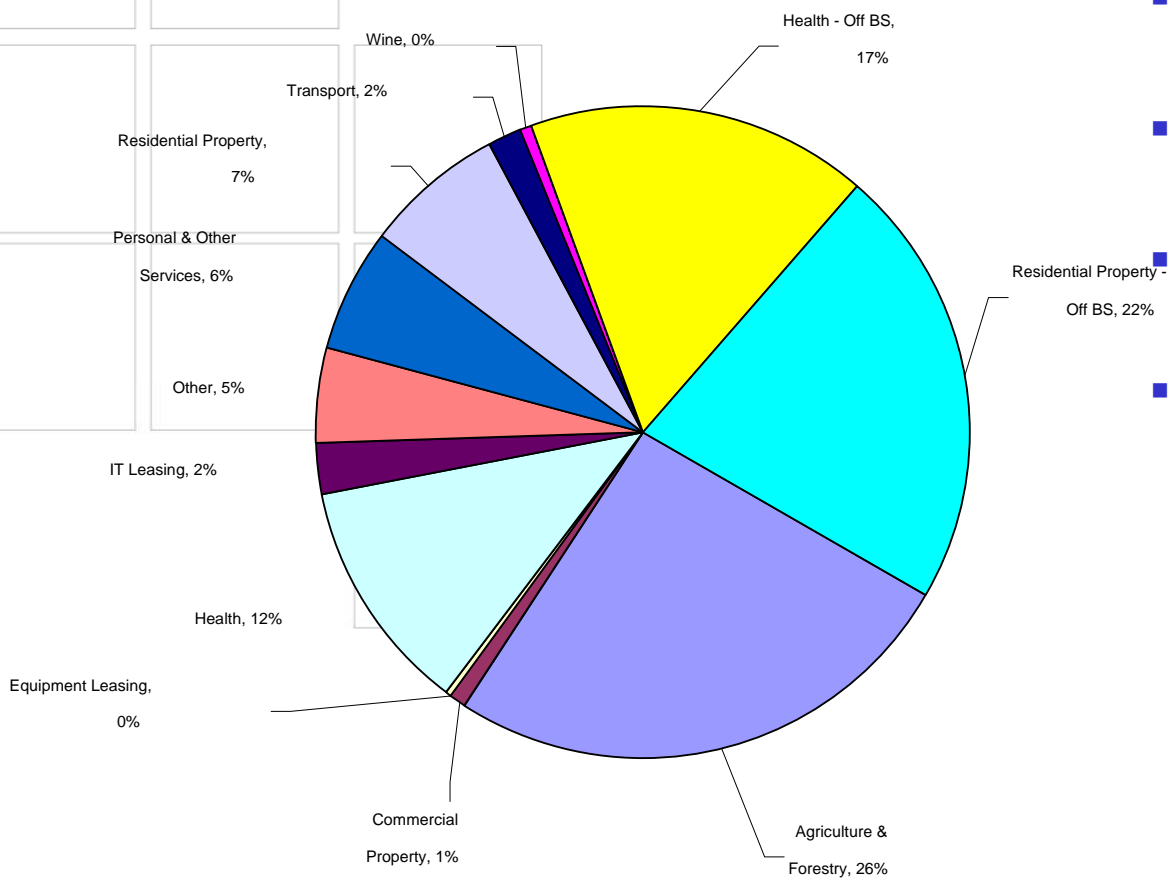
Case Study

- Client in the business of P.O.S. IT leasing
- Currently \$54m portfolio
- Granular portfolio (> 21,000 loans)
- Average size \$2,500 per loan
- Subordination > 10% of portfolio
- Current arrears (60-90 days) are < 2.20%
- Current face value losses < 2.85%
- Margin of 3.00% (based off BBSY-bid)
- All loans must meet certain bank agreed eligibility criteria
- Bank approved credit policy



Portfolio Funding

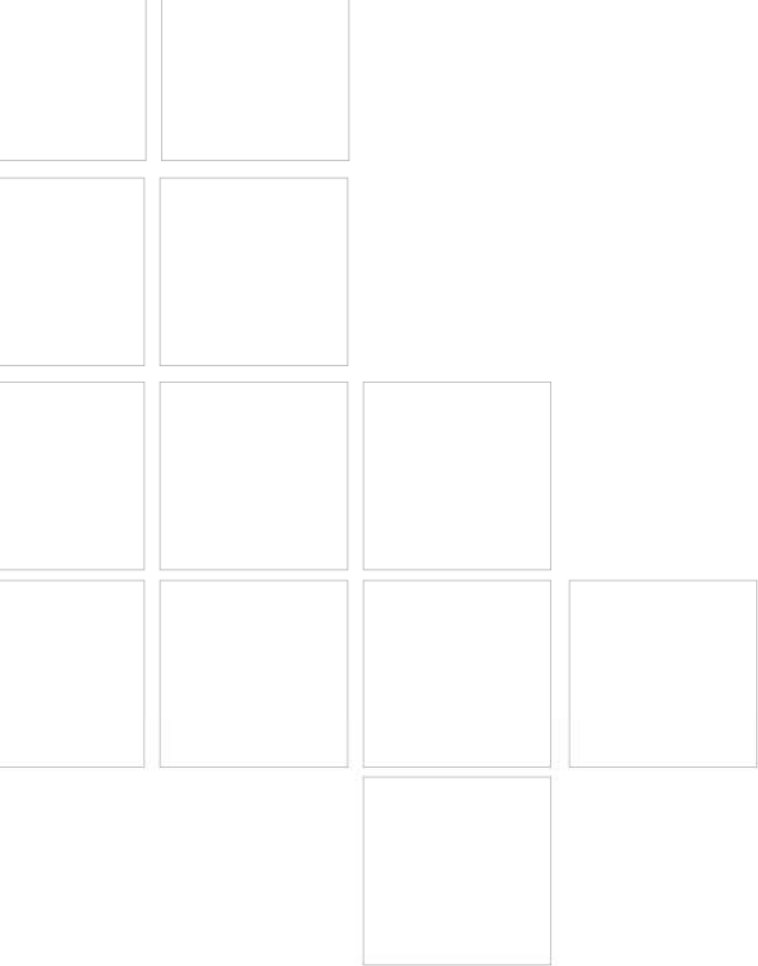
Industry Exposure April 2008



- **Agriculture & Forestry**
 - > 15,501 loans
- **Residential Property (off-B/S)**
 - > 2,384 loans
- **Health (off-B/S)**
 - > 6,734 loans
- **Health**
 - > 2,461 loans

Portfolio Funding - Credit

- Strong credit quality
- Bank approves all partners lending policies
- Granular portfolios enables spread of risk
- Subordination provides additional credit protection
- Of the 22 portfolios, no credit losses in the history of the business



7. Merger

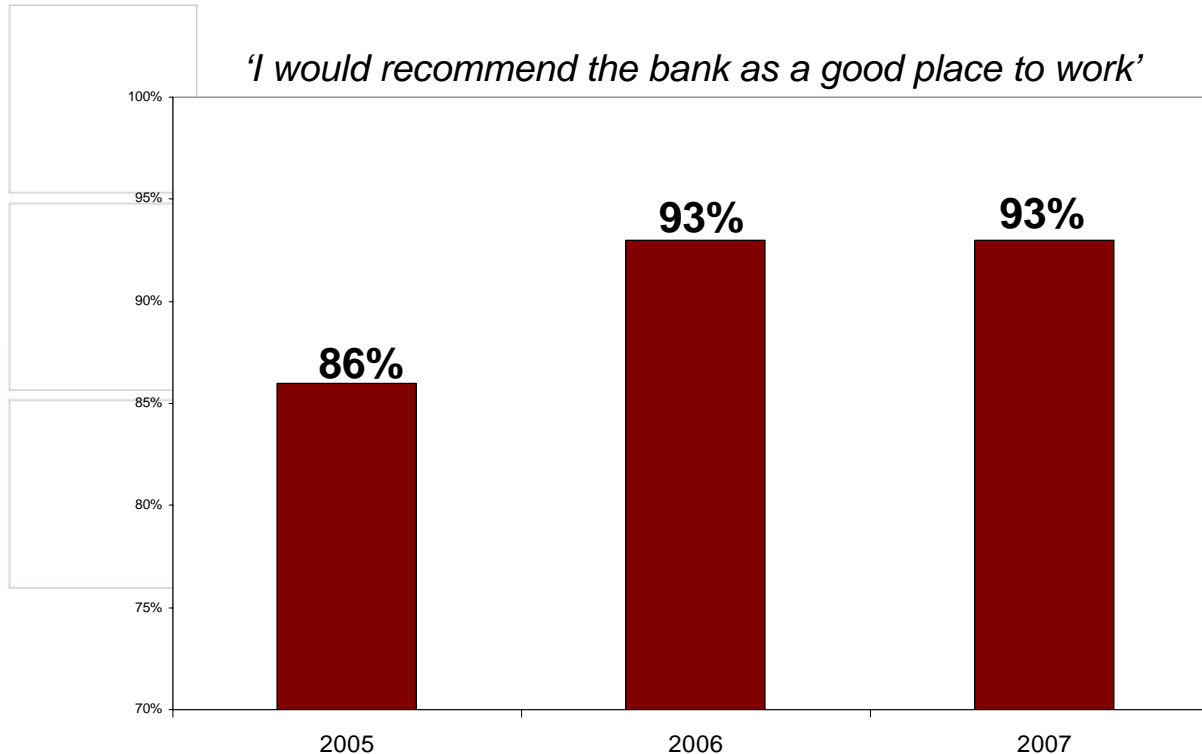


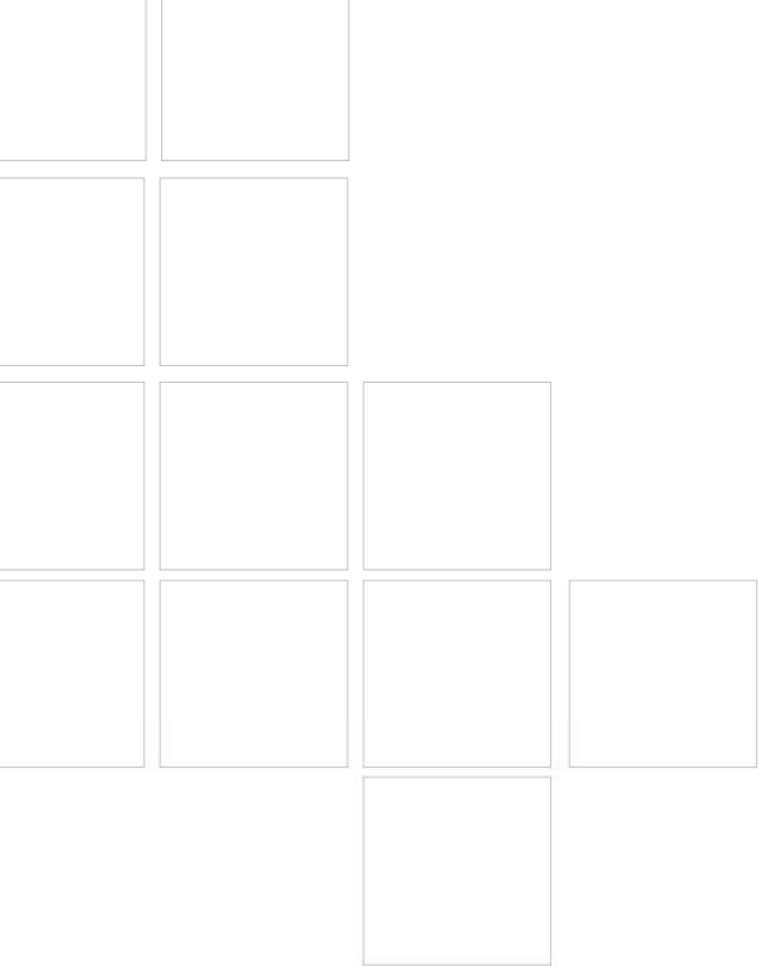
Merger

- Customer facing business units - minimal distraction from merger process
- Merger Integration Office
 - 16 workstreams identified
 - Synergies on track
 - Integration of back-office functions

Merger

- Staff satisfaction remains very high

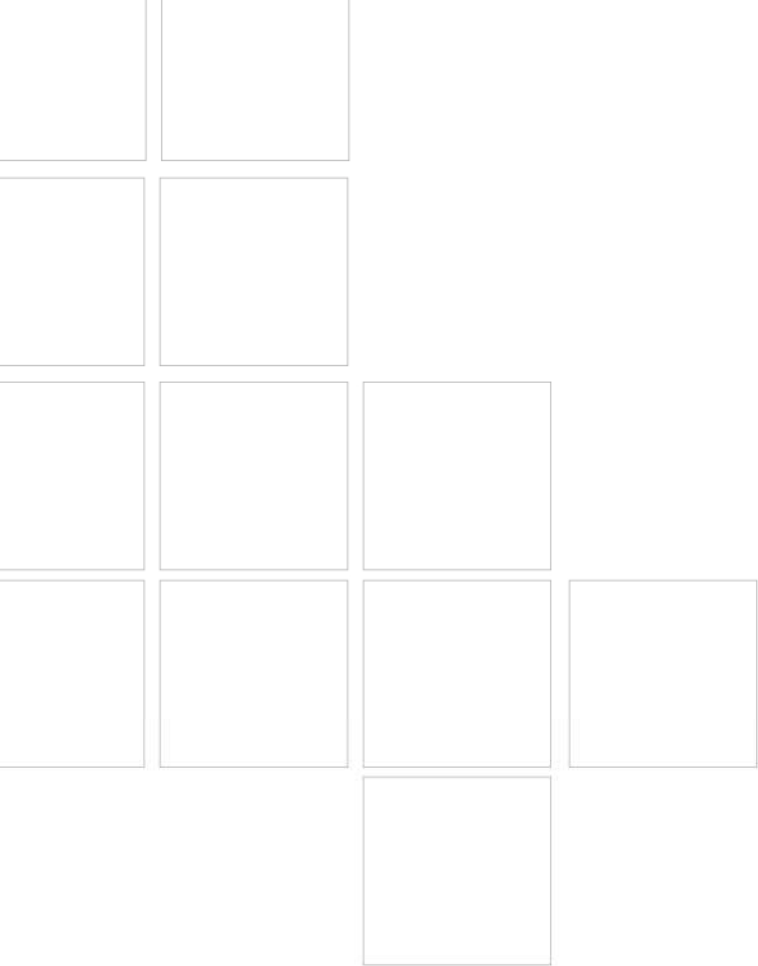




8. Summary

Summary

- Merger on track
- Cost of funds has increased
- Disciplined approach to writing profitable business
- Customer numbers and satisfaction continues to remain high
- Credit quality remains sound



Questions
