

Bendigo and Adelaide Bank

2012 half year results

February 20, 2012



incorporating



This document is a presentation of general background information about the Group's activities current at the date of the presentation. It is information in a summary form and does not purport to be complete. It is to be read in conjunction with the Bank's full year results filed with the Australian Securities Exchange on 20 February 2012. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

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Cash Profit: 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.

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Disclaimer



- Overview
- Business performance
- Outlook

Mike Hirst

Group Managing Director

Overview



Our result

Financial performance - Statutory earnings

- Net profit after tax \$57.9m
- Net profit after tax before specific items \$157.4m
- Statutory earnings affected by \$95.1m goodwill write-down in wealth cash generating unit (announced 16th December 2011)
- Half year dividend of 30.0¢, fully franked

Financial performance - Cash basis earnings

- Cash earnings of \$162.6m
- Cash earnings per share 43.9¢
- Cash basis earnings return on average ordinary equity 8.5%
- Cash basis earnings return on average tangible equity 14.8%

Our result

Business strength

- Above system mortgage growth¹
- Core Tier 1 ratio of 7.78% and Tier 1 ratio of 8.61% as at December 2011
- Total capital ratio of 10.93% as at December 2011
- 77% retail funded³ as at December 2011
- Current liquidity above 12.5%, and more than 25% including internal securitisation
- Business strength reflected in ratings upgrades

Outlook and opportunity

- Markets remain very challenging and outlook uncertain
- Low demand for credit
- Maintaining capacity for future growth
- 15bps mortgage repricing
- Opportunistic approach to non-organic investments
 - Bank of Cyprus Australia Limited (BOCAL) acquisition
 - NoQ strategic investment

Overview



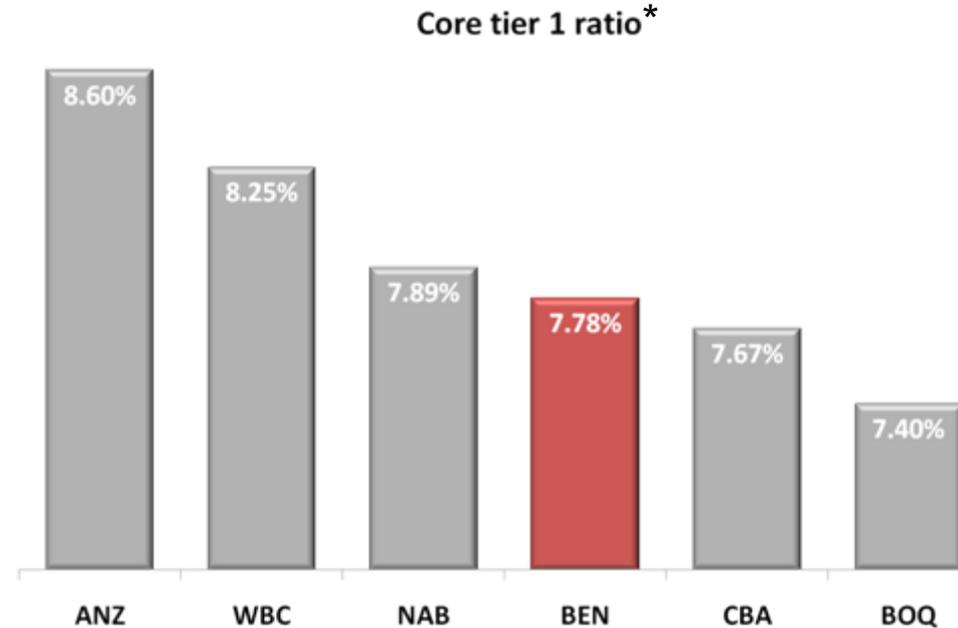
Balance sheet strength

Capital

- Significant increase in capital ratios
- Current Core Tier 1 in excess of expected Basel III requirements
- Details of SPP announced today

Funding

- More than 77% deposit funded
- No government guaranteed wholesale rollover task
- Opportunities presented by ratings upgrade
- Term deposit retention rates remain above 85%



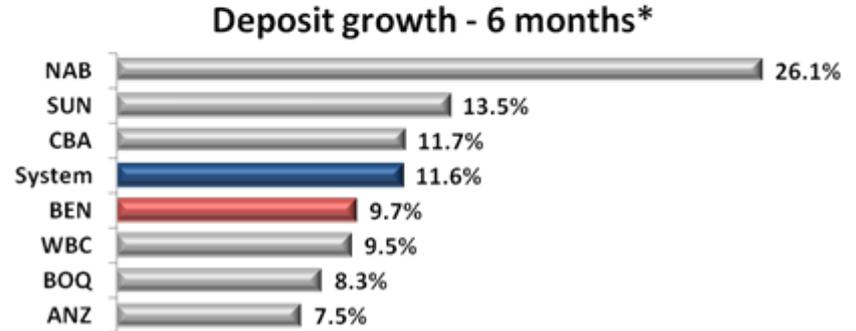
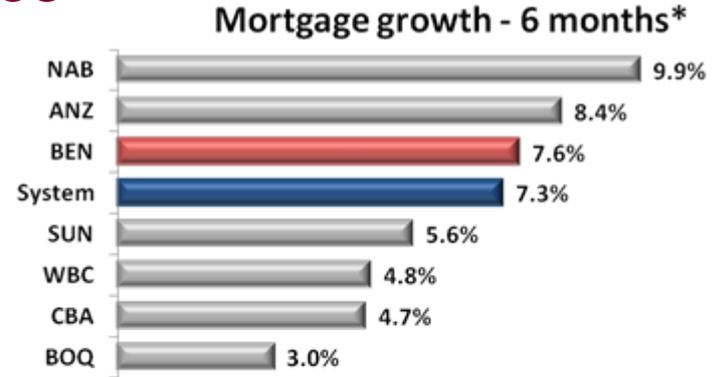
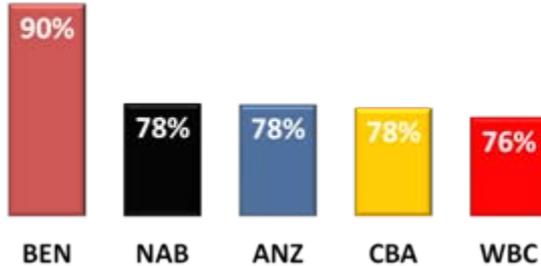
Overview



*Source: Recent company announcements and APS 330 disclosures

Robust foundations for volatile times

- Assets
 - Above system mortgage growth
- Liabilities
 - Growth in deposits continue to be strong
 - Term deposits used to balance liquidity
- Ratings
 - Two rating upgrades in the past 12 months
- Brand and customer advocacy
 - Still #1 for customer satisfaction**



Overview



*Source: APRA statistics December 2011

**Roy Morgan research consumer banking in Australia report December 2011 – main financial institution satisfaction

Bank of Cyprus – opportunistic and complementary acquisition

- Acquisition of 100 per cent of BOCAL announced in December 2011
- Settlement expected 29 February 2012
- Focus on Hellenic communities in Australia
- 14 branch network across NSW (4), VIC (8) and SA (2)
- Diversified loan book of A\$1.4bn
- Strong strategic fit with BEN business model
- Track record of organic loan growth and deposit retention



Continued strategic investment - NoQ

- Strategic investment in e-commerce
- “Hub IT” – a company developing on-line and smart-phone applications for the retail and food/beverage industries
- ‘NoQ’ (no queue) ordering system launched and operational



Strategic rationale - NoQ

- Leverages existing payments, processing and telecommunications resources within the bank
- Launched September 2011
 - 60+ vendors
 - 10,000+ app downloads from Apple iTunes since September 2011

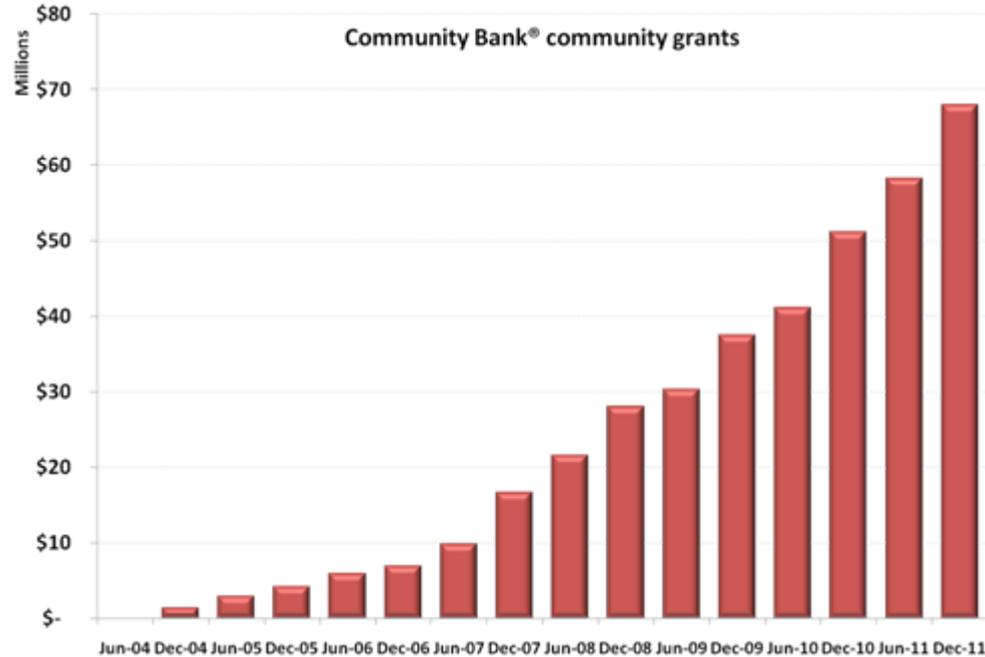


Overview



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 280 branches in 12 years (more than 60 in the last three years)
- More than \$68m in Community grants over 12 years (more than \$39m in the last three years)
- Provides banking services to more than 90 communities where there is no alternative provider
- Proven, reliable and cost effective distribution strategy
- Continued demand for new branches



Overview

Richard Fennell

Chief Financial Officer

Business performance



\$m	HY Dec 2010	HY June 2011	HY Dec 2011	change (pcp)
Net profit after tax (\$m)	173.9m	168.2m	57.9m	\$116.0m
Cash earnings (\$m)	162.1m	174.1m	162.6m	\$0.5m
Cash EPS	44.7 ¢	47.6¢	43.9 ¢	0.8 ¢
Dividend per share	30.0¢	30.0¢	30.0¢	—
Cost to income	57.7%	57.0%	58.2%	0.5%
Net interest margin	2.15%	2.19%	2.13%	2 bps
Cash basis return on equity	8.6%	9.5%	8.5%	0.1%
Cash basis return on tangible equity	16.5%	17.2%	14.8%	1.7%

Balance sheet	HY Dec 2011	% change pcp
Total assets (\$bn)	55.9	+4.4%
Total liabilities (\$bn)	51.8	+4.1%
RWA's (\$bn)	26.6	+2%

Capital and funding	HY Dec 2011	change pcp
Tier 1 capital (%)	8.61	76 bpts
Total capital (%)	10.93	34 bpts
Deposit funding ¹ (%)	77	+2.7%

Business performance - financials



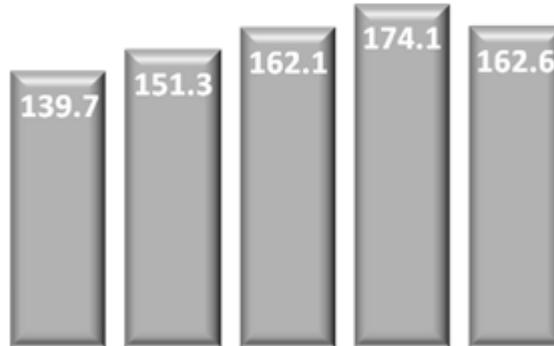
Group performance

■ Statutory profit (\$m)



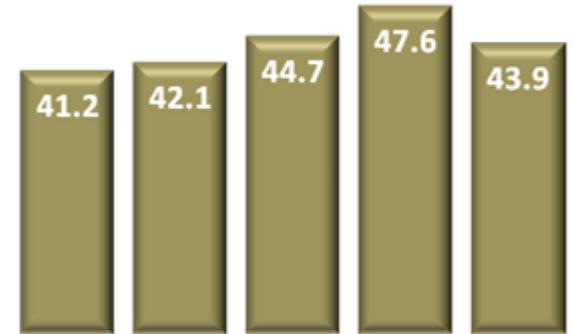
Dec-09 Jun-10 Dec-10 Jun-11 Dec-11

■ Cash basis earnings (\$m)



Dec-09 Jun-10 Dec-10 Jun-11 Dec-11

■ Cash earnings per share (cents)



Dec-09 Jun-10 Dec-10 Jun-11 Dec-11

Business performance - financials



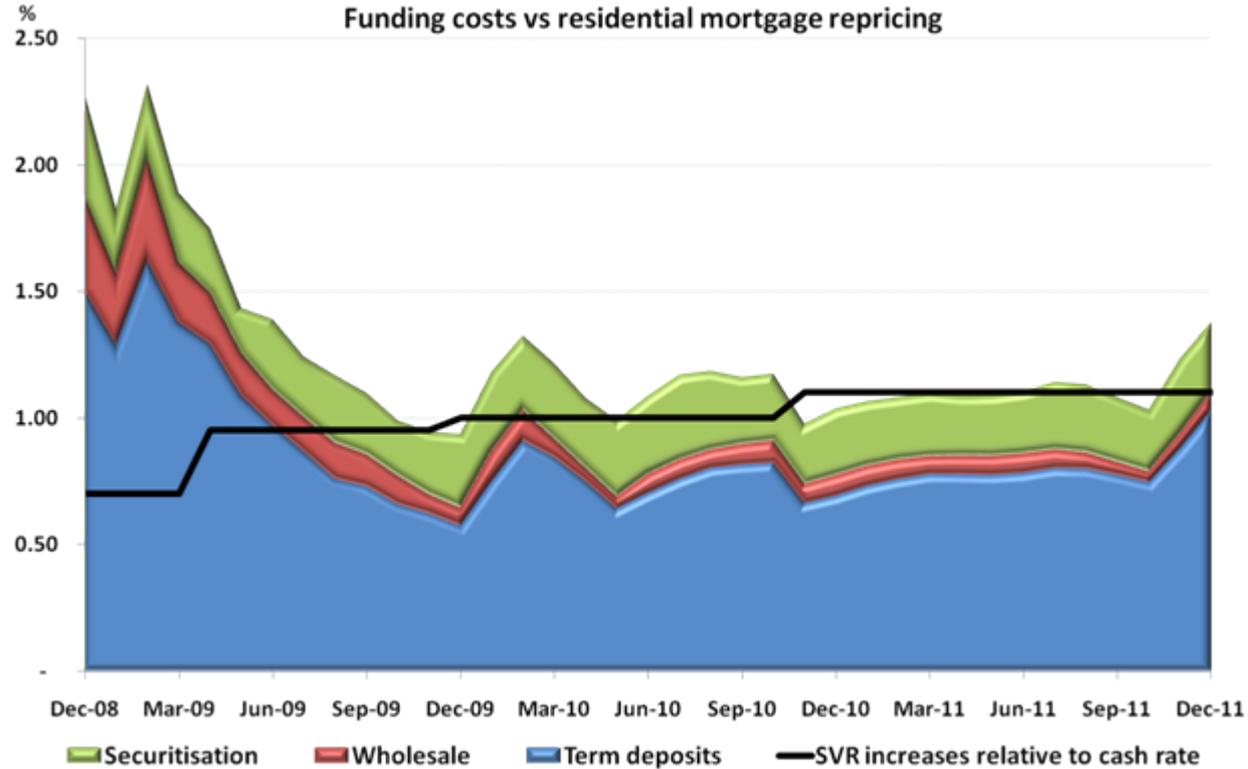
Net interest margin (%)



Business performance - financials

Funding costs

- Price increases across all funding sources
 - Retail deposits
 - Unsecured wholesale
 - Secured wholesale (RMBS and covered bonds)

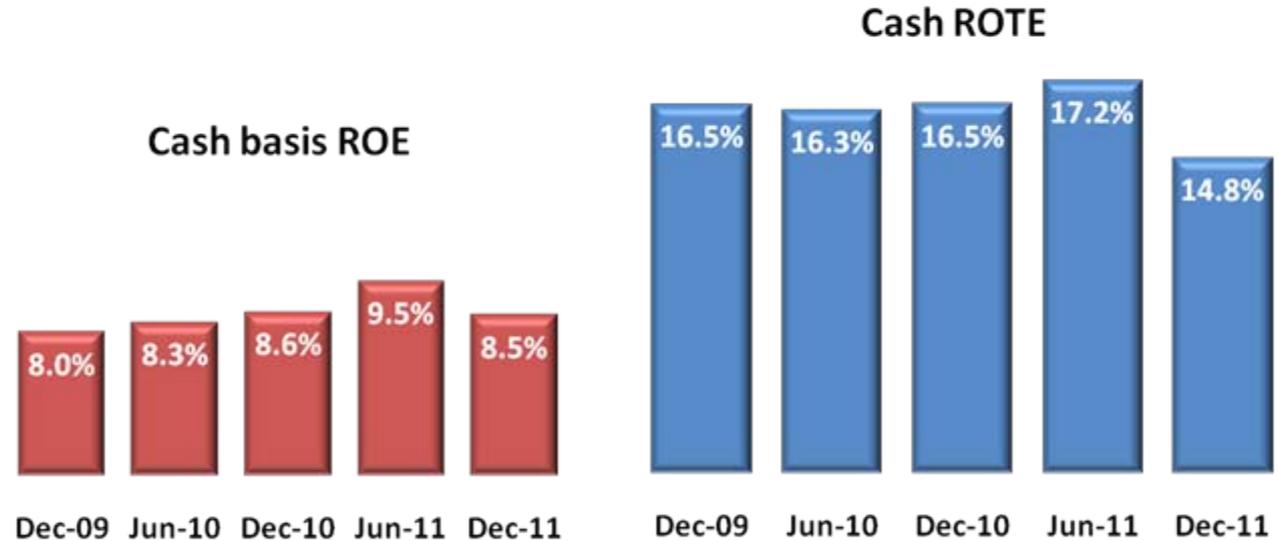


Business performance - financials



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

- ROE decrease of 10bps over prior corresponding half year period
- Maintain ROE discipline on investments and initiatives
- Medium-term returns to be driven by strong ROTE, and efficiency focus
- Basel II advanced initiative underway
- Share issues will impact 2H2012 results



Business performance - financials

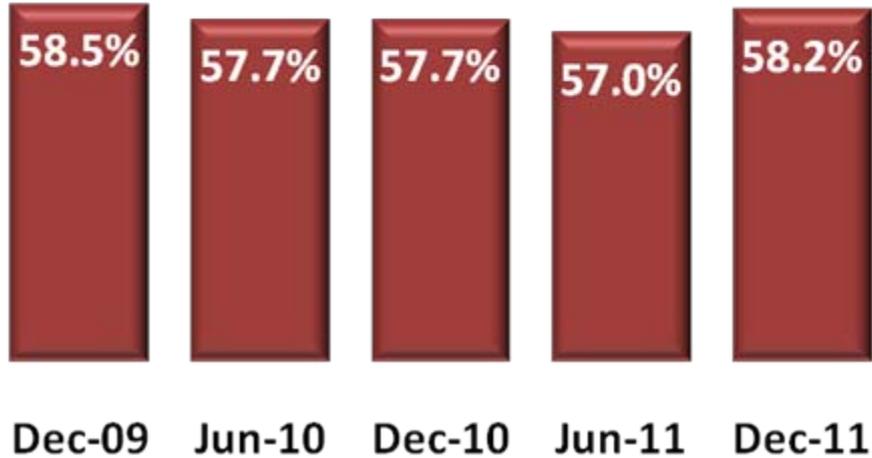


Note: Figures are for six-monthly reporting periods

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

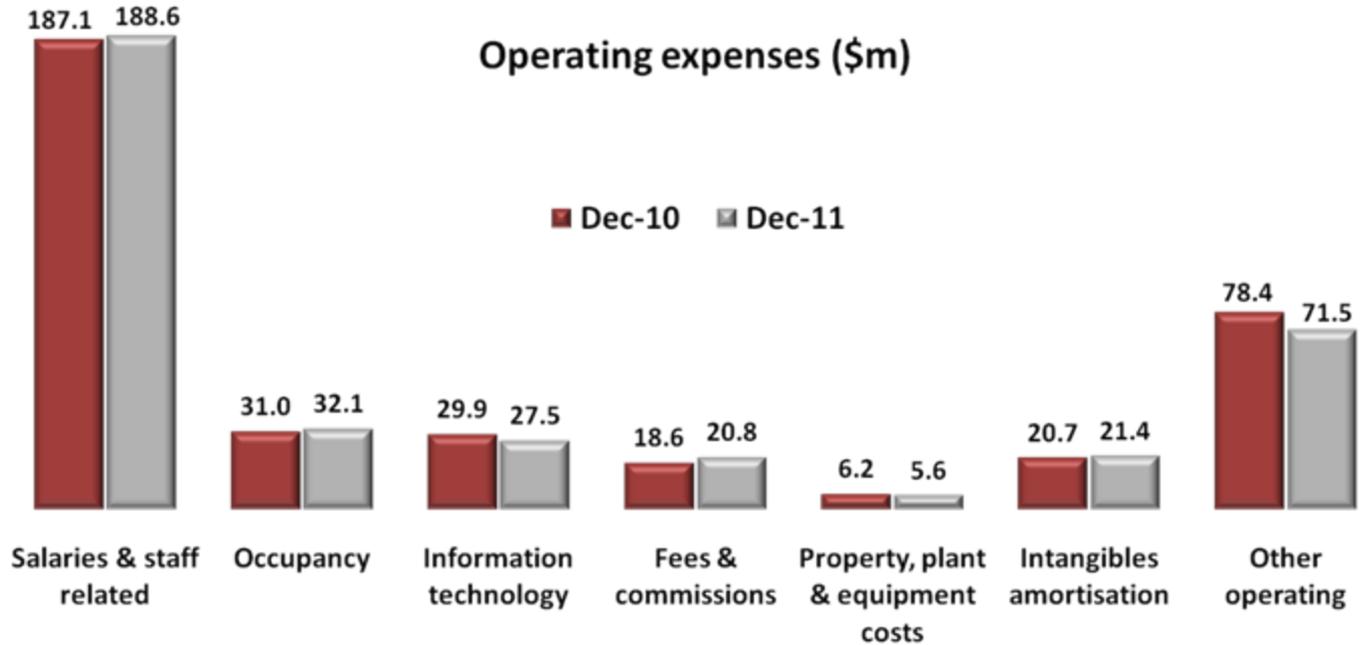
Cost-to-income



- Increase in cost-to-income is primarily a factor of lower income, as costs have remained steady over the period
- Long-term target of 55 per cent remains
- BEN remains determined to retain capacity within the network

Operating expenses

- Increase since June-11
\$3.9m (1.1%)

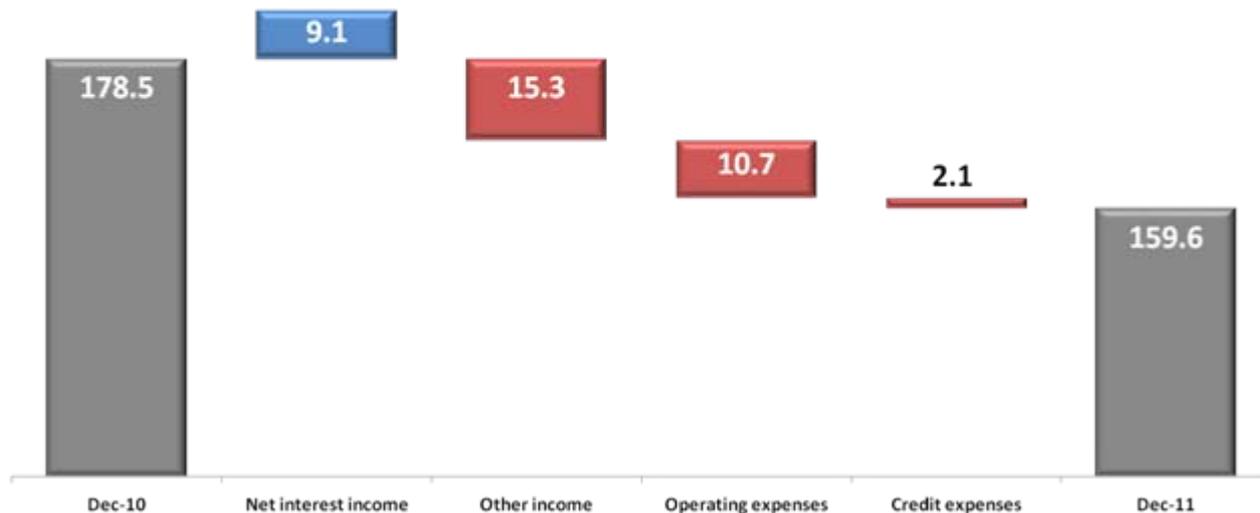


Business performance - financials



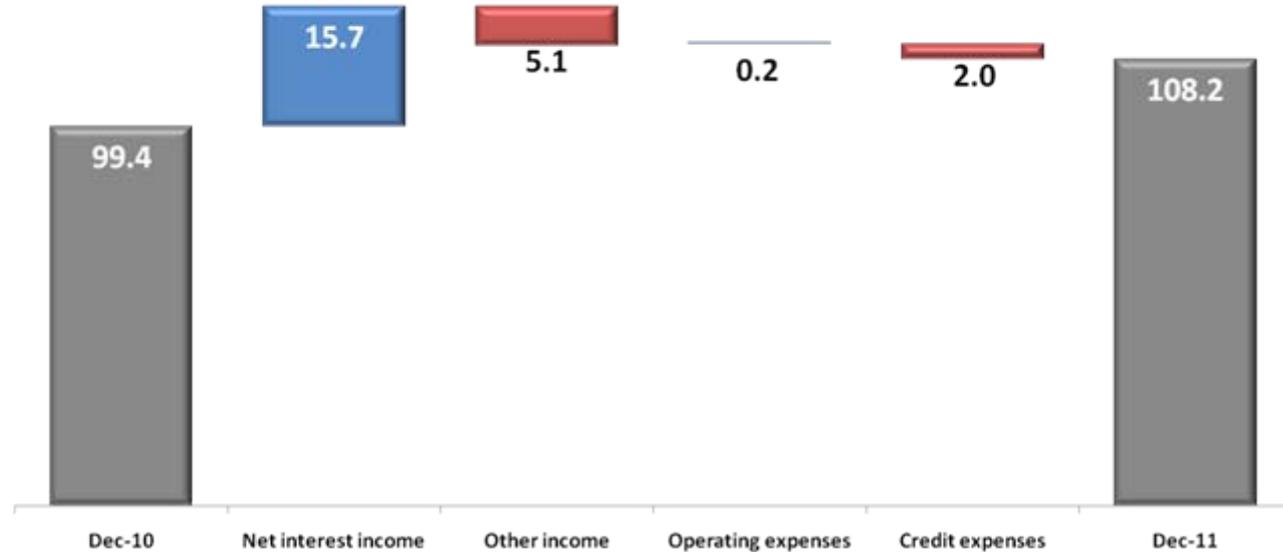
- Profit down 11% vs pcp
- Homesafe income reduction
- Increased allocation of central costs – amortisation of new CRM system
- Continued investment in branch distribution
- Interest income reflects volume off-setting price
- Credit quality remains sound

Retail banking - cash profit contribution (\$m)



Business performance – retail banking

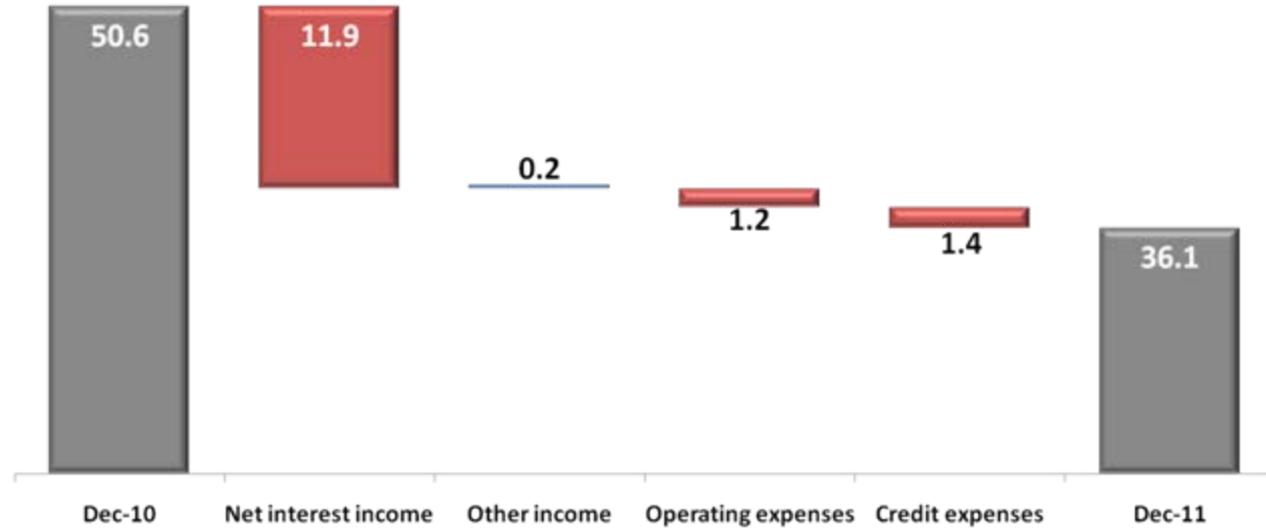
Third Party banking - cash profit contribution (\$m)



Business performance – Third Party banking

- Profit down 27.7% vs pcp
- Material fall in interest income due to circa \$800m reduction of margin lending portfolio
- Slight increase in operating costs and credit expenses
- Goodwill write-down of \$95.1m affects statutory earnings

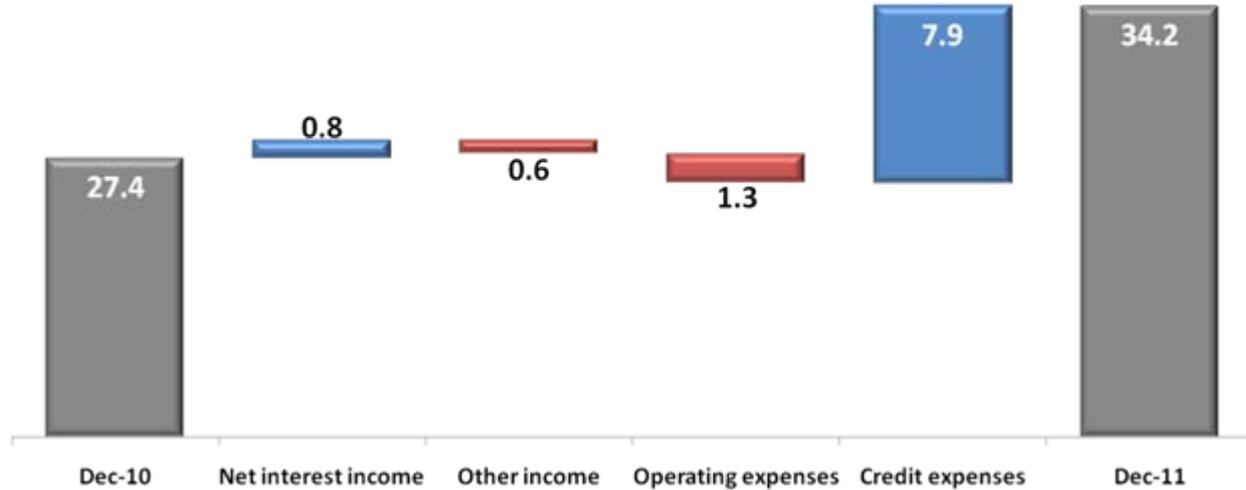
Wealth - cash profit contribution (\$m)



Business performance - Wealth

- Profit up 25.2% vs pcp
- Reduction in credit expenses to more normal levels
- Further growth potential through distribution alliances
- Roll-out of Australia Post distribution continues

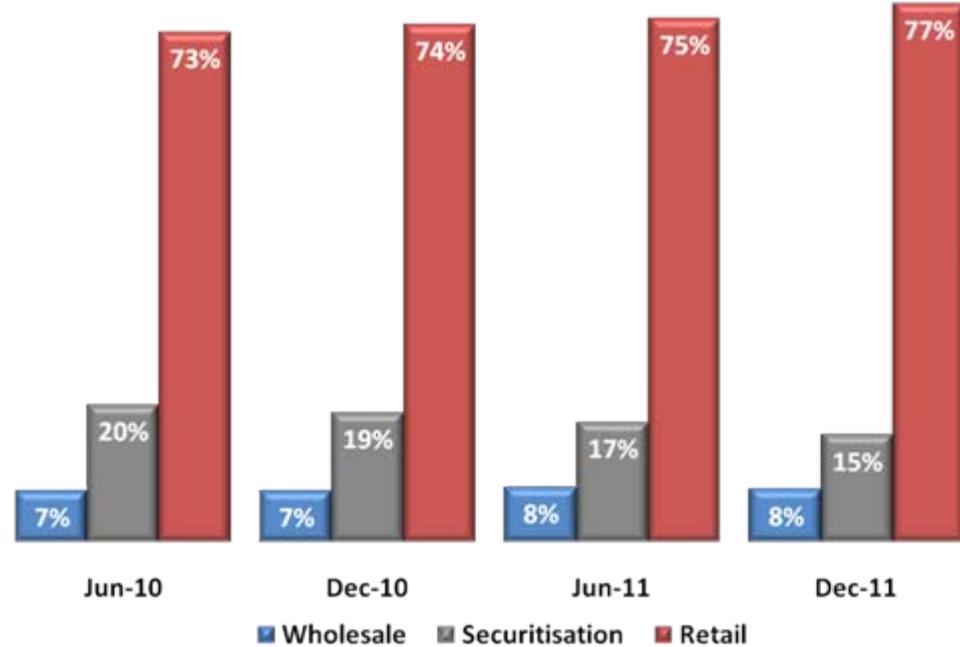
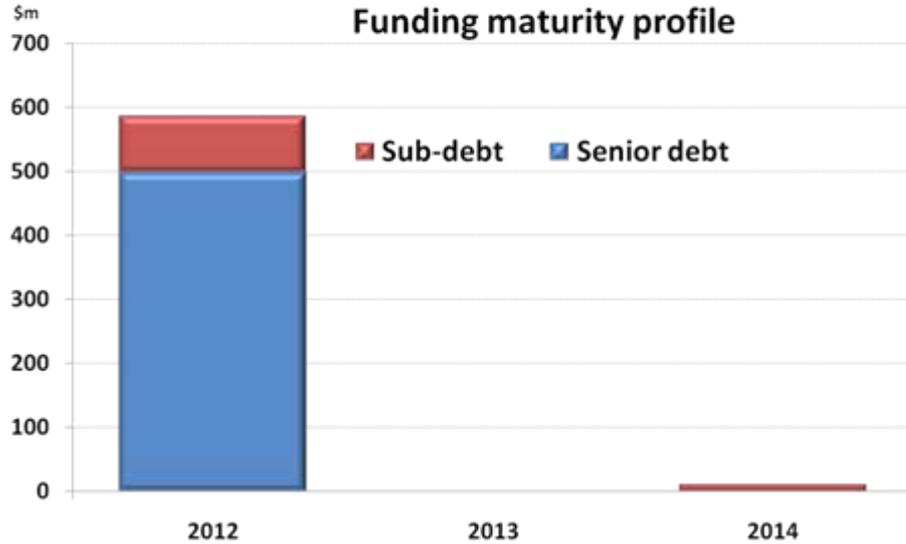
Rural Bank - cash profit contribution (\$m)



Business performance – Rural Bank

Funding mix

- No Government Guaranteed wholesale funding rollover risk

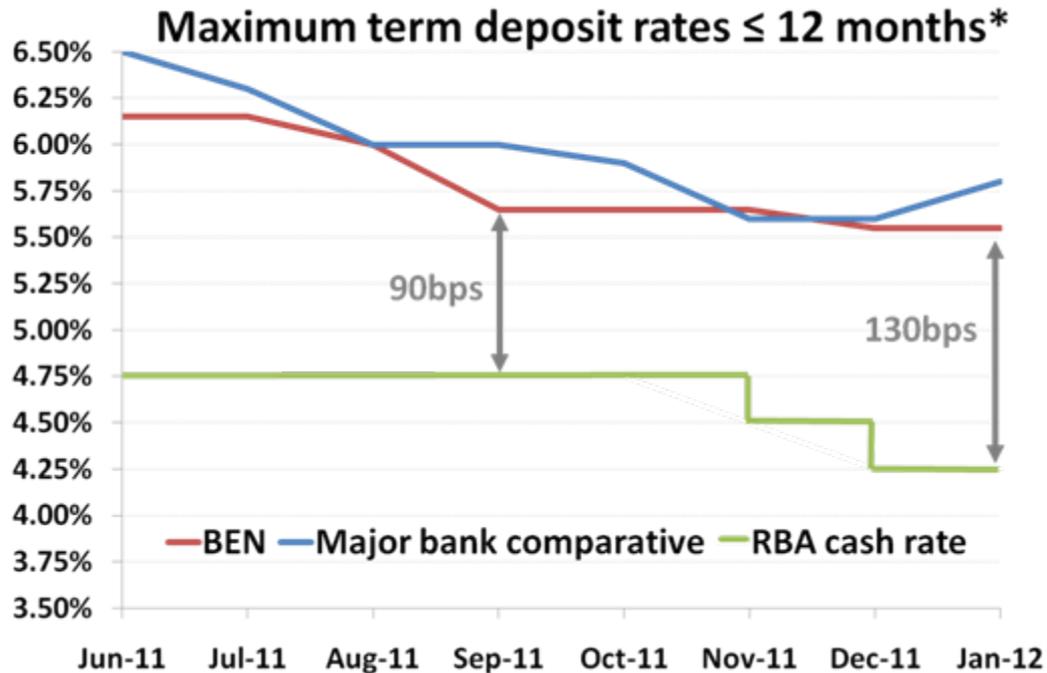
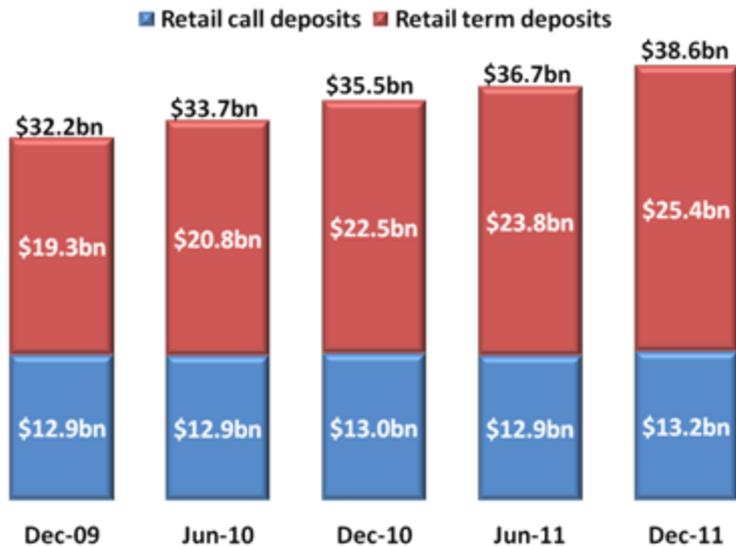


Business performance - financials



Retail deposits

- Term deposits priced to manage liquidity
- Successful growth and retention strategies in place
- Not a price leader – value proposition driven
- Term deposit retention rate consistently above 80%



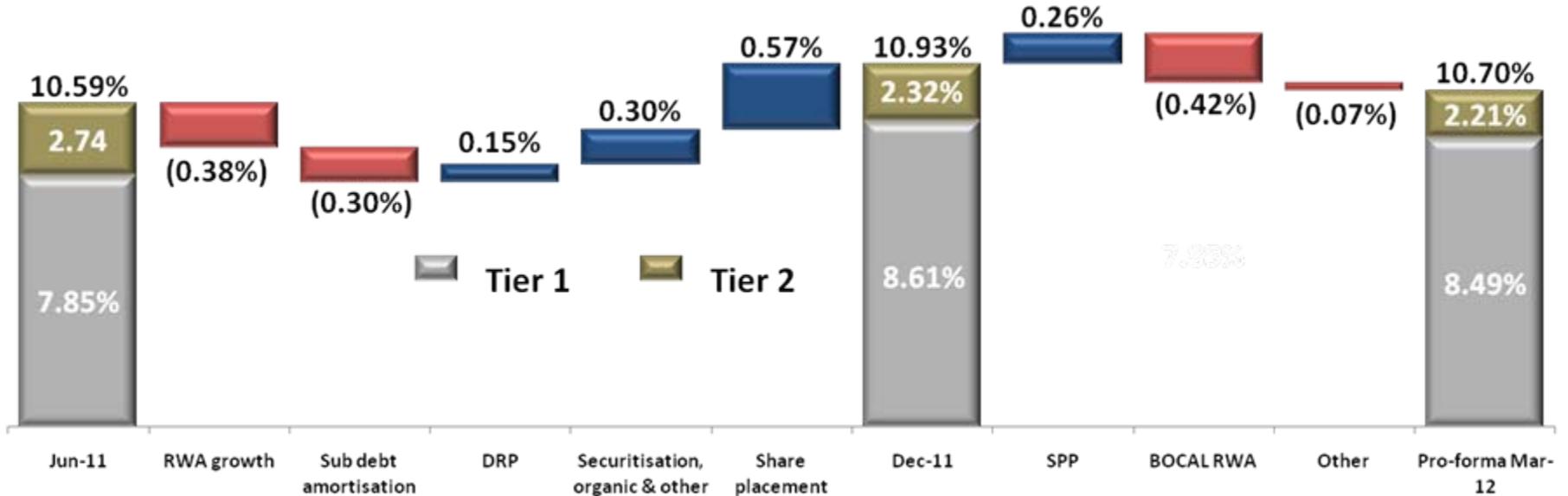
Business performance - financials



*Source: Company data

Capital

- Material improvement in capital ratios over the reporting period
- December 2011 Core Tier 1 approx 7.78%
- Pro-forma March 2012 Core Tier 1 approx 7.59%
- Significant hybrid capacity to improve capital efficiency (subject to market conditions)



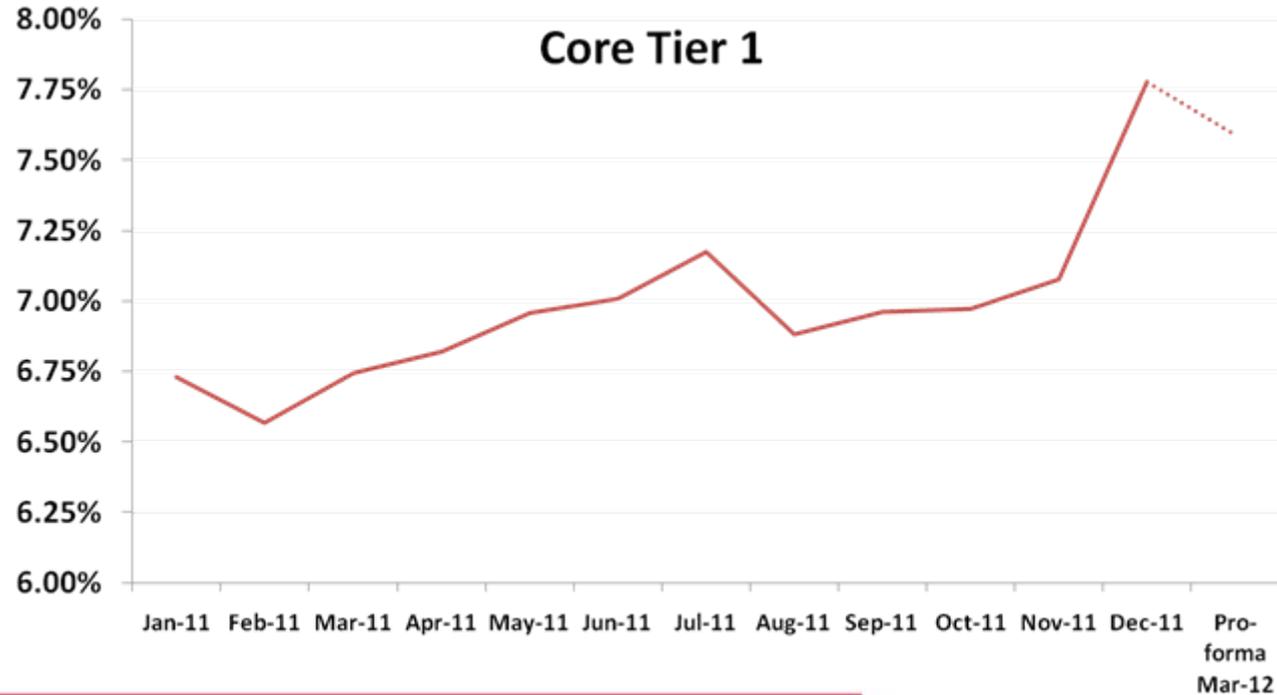
Business performance - capital



Note: Pro-forma March 2012 assumes A\$70m SPP.

Core Tier 1 materially higher

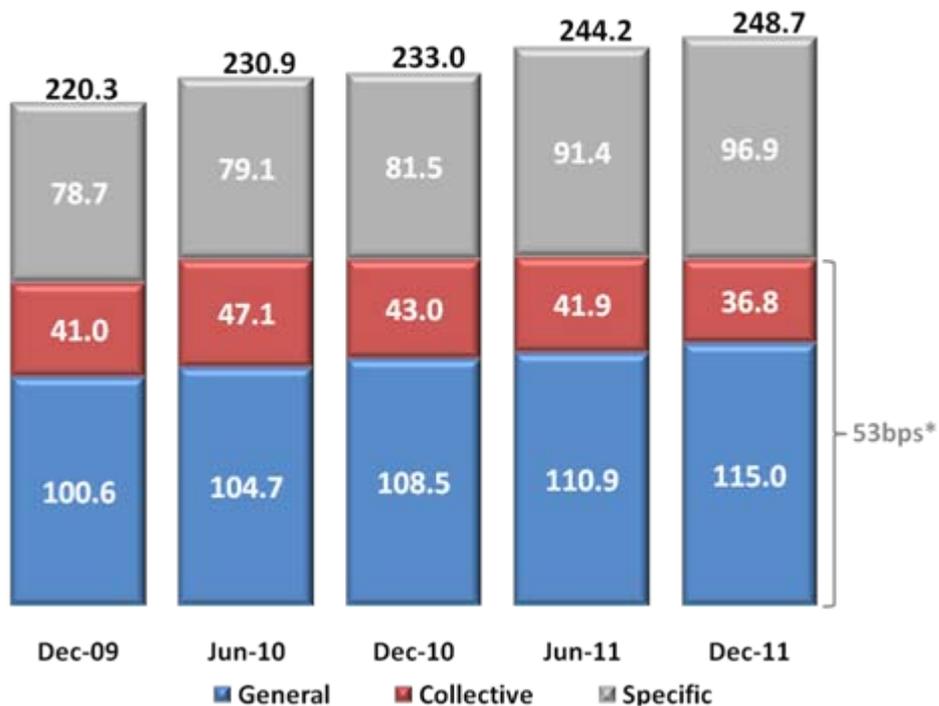
- Continuing improvement in Core Tier 1 levels
- Basel II advanced initiative underway



Business performance - capital



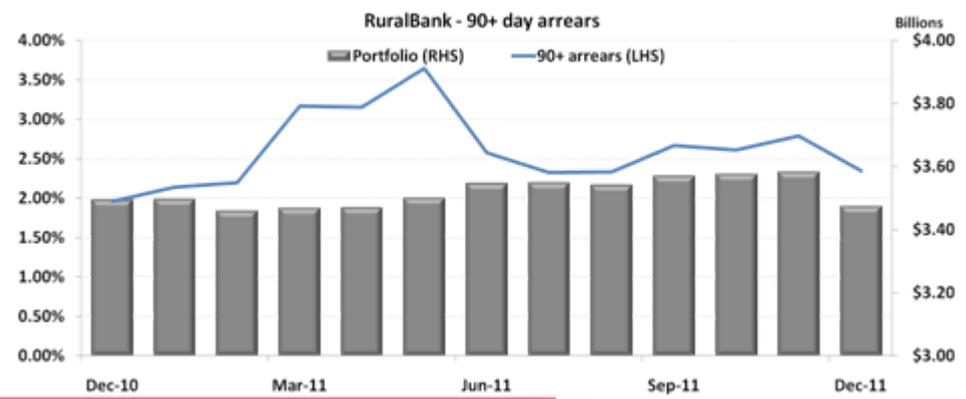
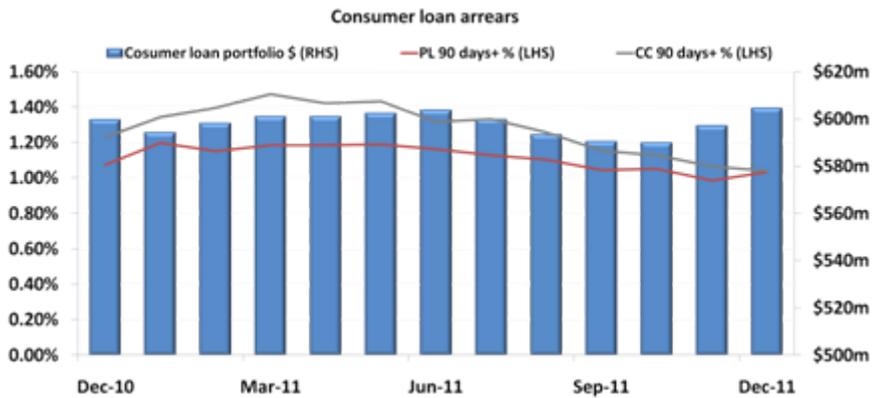
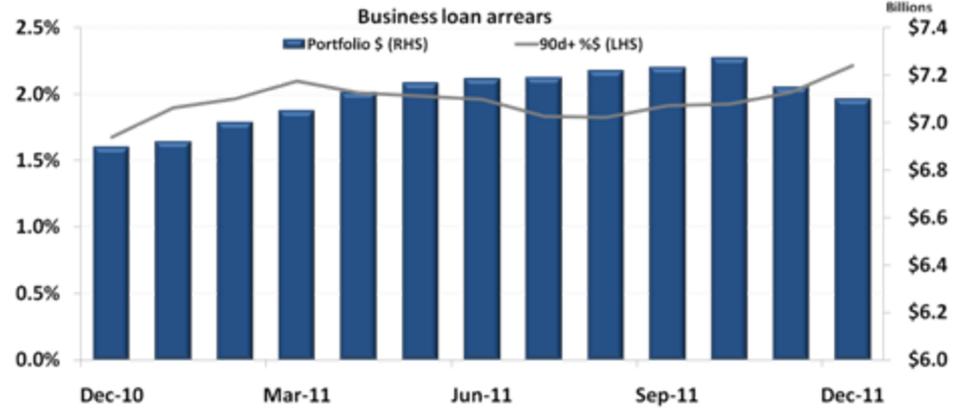
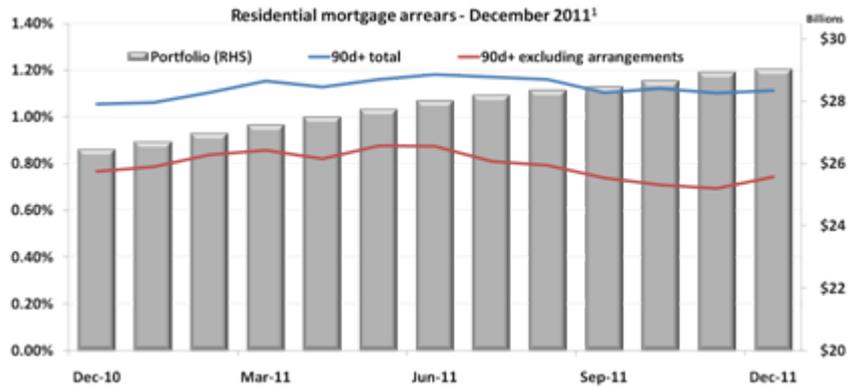
Total provisions and reserves for doubtful debts (\$m)



- Total provisions increased \$0.4 million over the past six months
- Rural Bank specific provisions have remained flat at \$33.7m (Dec-11) vs \$33.8m (Jun-11)
- Great Southern represents \$23.8m of total provisions
- Collective reduction due to improved performance of mortgage and personal lending portfolios and removal of flood overlay

Business performance - credit





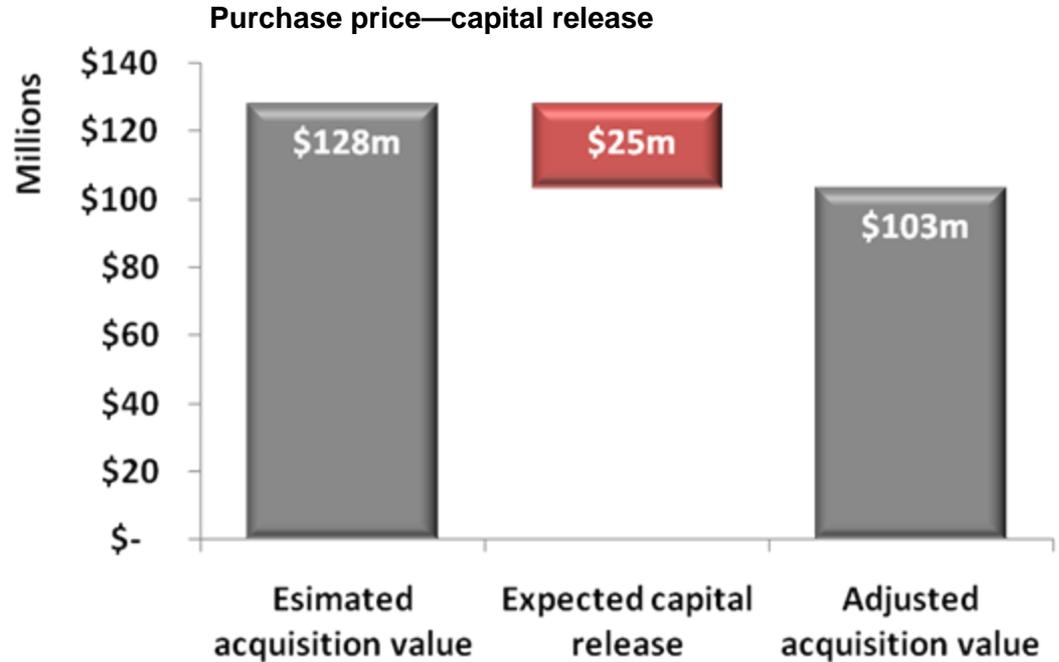
Business performance - arrears



1. '90d+ excluding arrangements' data only excludes those arrangements from October 2011 to December 2011 for retail originated residential mortgages

Bank of Cyprus Australia Limited

- Acquisition EPS accretive in year one
- Funding synergies of \$2.0m
- Pro-forma opex synergies of \$4.0m
- Expected to be in line with BEN's ROE target on a full-year run-rate basis



Business performance - BOCAL



Mike Hirst

Group Managing Director

Outlook



In summary....

- Strong capital and liquidity position
- Asset pricing adjusted due to higher funding costs
- No signs of deterioration in credit
- Ratings upgrades vindicates long term approach
- General market conditions remain difficult
- Continue to opportunistically invest

Appendices

A well diversified business

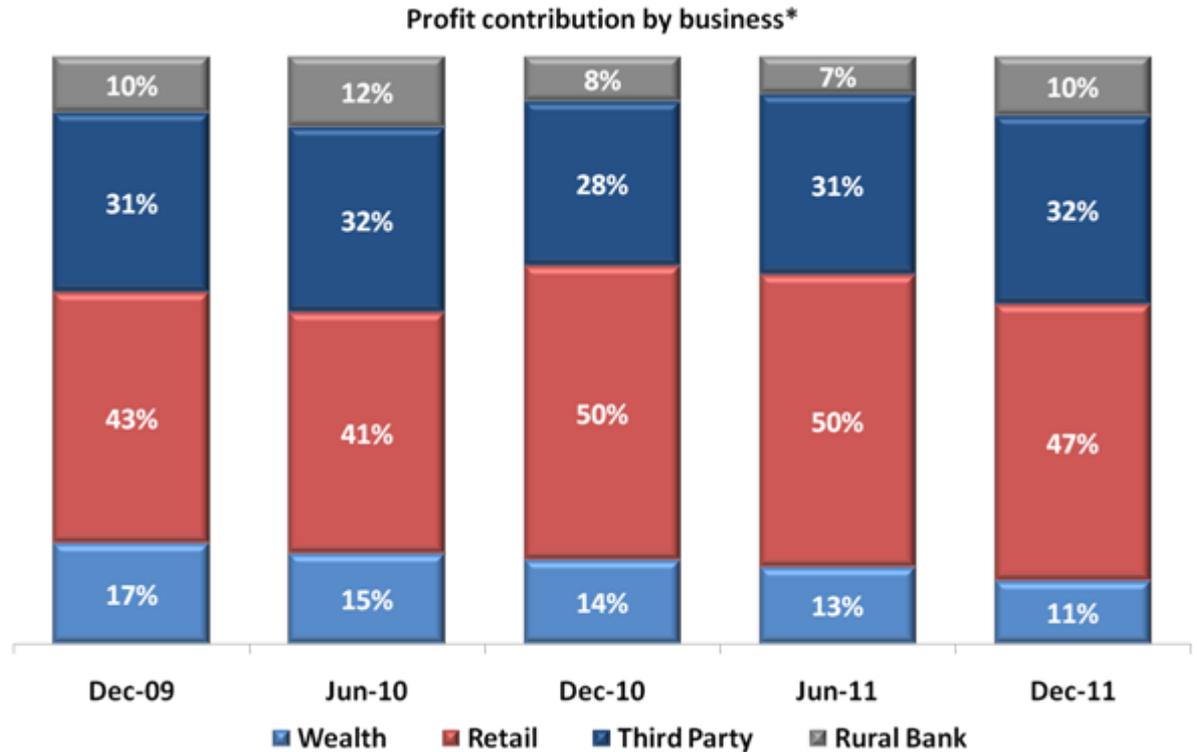
Business	Segment	Business conditions
	Domestic bank operating four distinct brands	<ul style="list-style-type: none">• Difficult and uncertain market conditions remain• Unique community, customer, and partner proposition• Ratings upgrade reflects sound credit quality and capital position
	Consumer and 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• Above system growth
	Third party channel	<ul style="list-style-type: none">• Strong independent brand• Upgrading key systems• Origination channel of choice for many consumers

A well diversified business

Business	Segment	Business conditions
	Margin lending, wealth management, superannuation	<ul style="list-style-type: none">• Launch of 'SmartStart Super'• Independent provider of choice in select products• Increased investment in IT and distribution capability
	Agri-business banking	<ul style="list-style-type: none">• Growing brand and distribution• Long-term prospects for agricultural services strong• New distribution agreement with Australia Post
	Consumer and SME banking for Hellenic communities	<ul style="list-style-type: none">• Settlement expected 29 February 2012• Diversified loan book• Strong strategic fit with BEN business model• Track record of organic loan growth and deposit retention

1H12 performance

- Retail, Third Party and Rural Bank continue to perform
- Wealth affected by loss of confidence in equity markets, resultant goodwill impairment of \$95.1m
- Margin pressure due to funding-hedging costs and asset mix

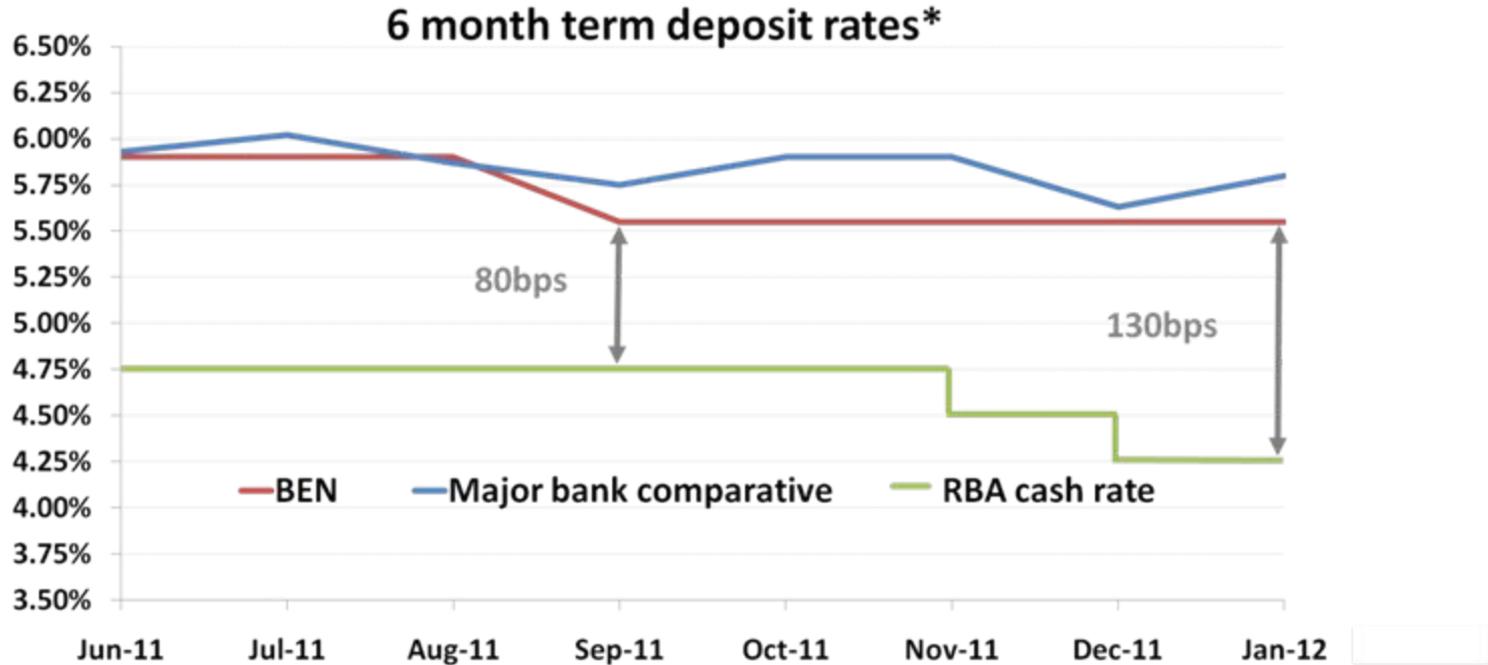


Overview



*Total segment result, excluding central functions.

Retail deposits



Business performance - financials



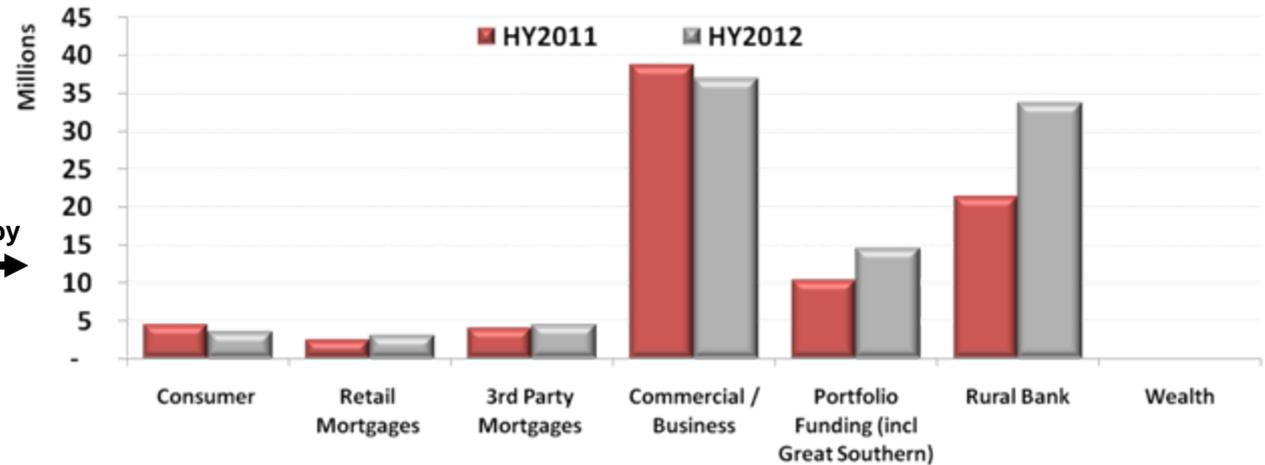
*Source: Company data

Specific provisions

\$96.9m

December 2011

Represented by
→

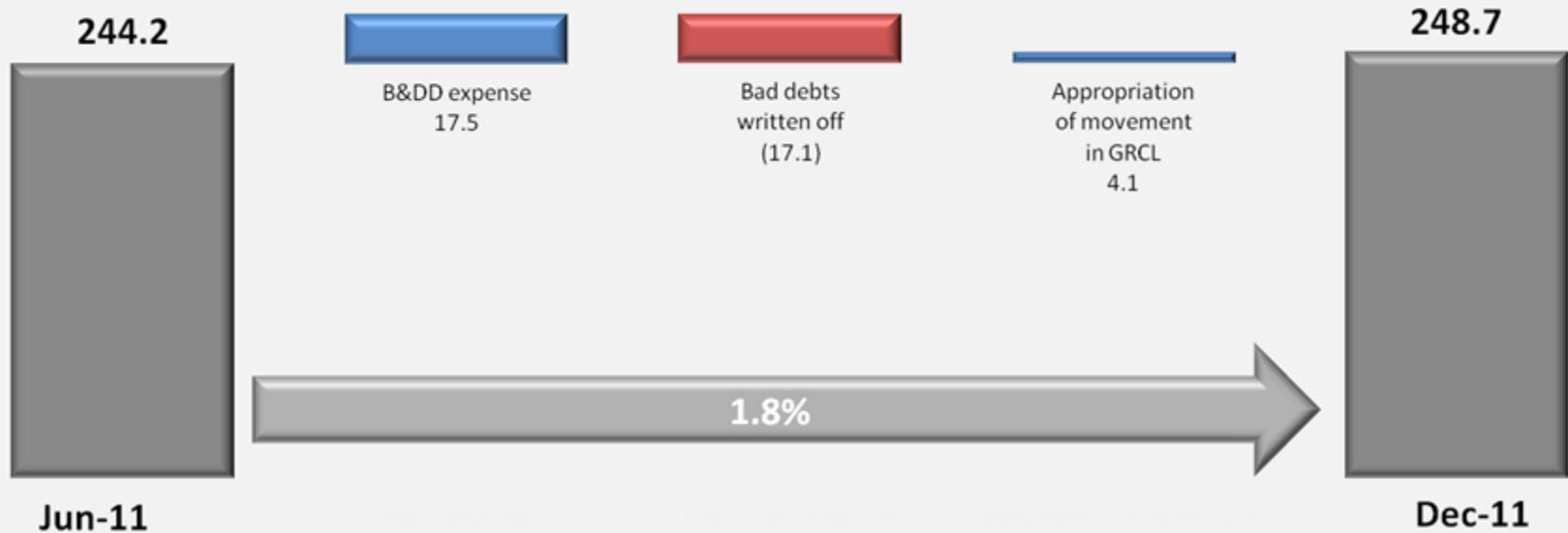


Provision as % of portfolio	Consumer	Retail Mortgages	3 rd Party Mortgages	Commercial / Business	Portfolio Funding (includes Great Southern)	Rural Bank	Wealth	BEN total
HY2011	0.17%	0.02%	0.03%	0.56%	1.00%	0.60%	0.00%	0.19%
HY2012	0.12%	0.02%	0.03%	0.52%	1.50%	0.95%	0.01%	0.21%
Portfolio as % of gross loans	6.11%	31.33%	31.03%	15.25%	3.11%	7.63%	5.54%	

Business performance - credit



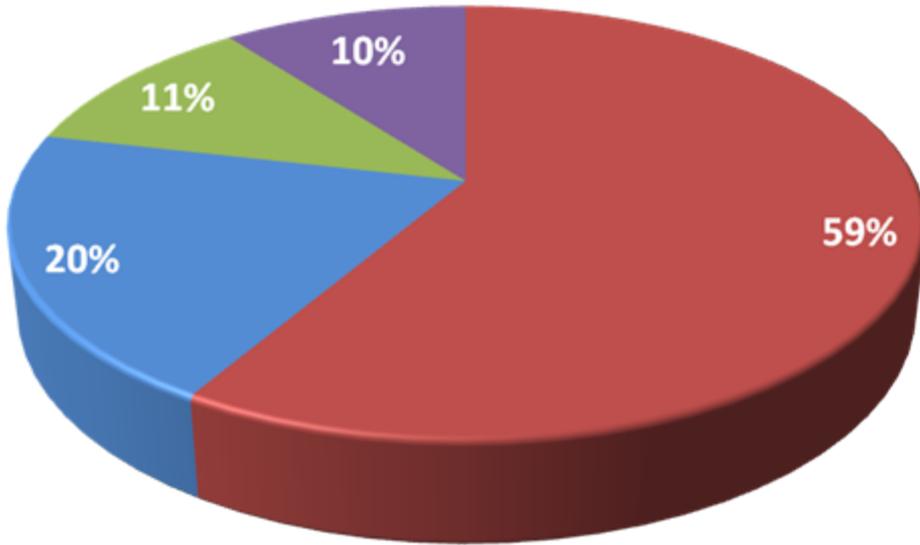
Total provisions and reserves for doubtful debts (\$m)



Business performance - credit

A diversified business

Contribution by revenue



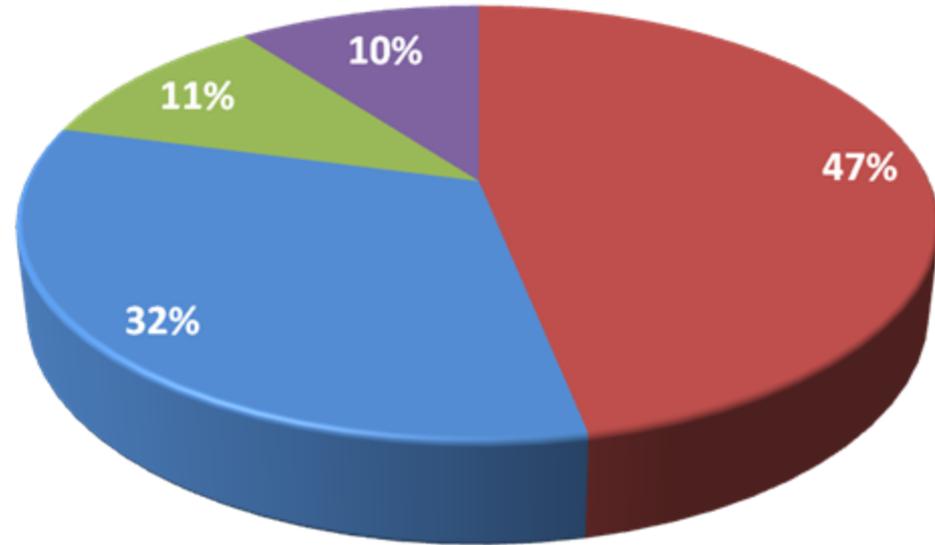
 Bendigo Bank

 Adelaide Bank

 Bendigo Wealth

 Rural Bank

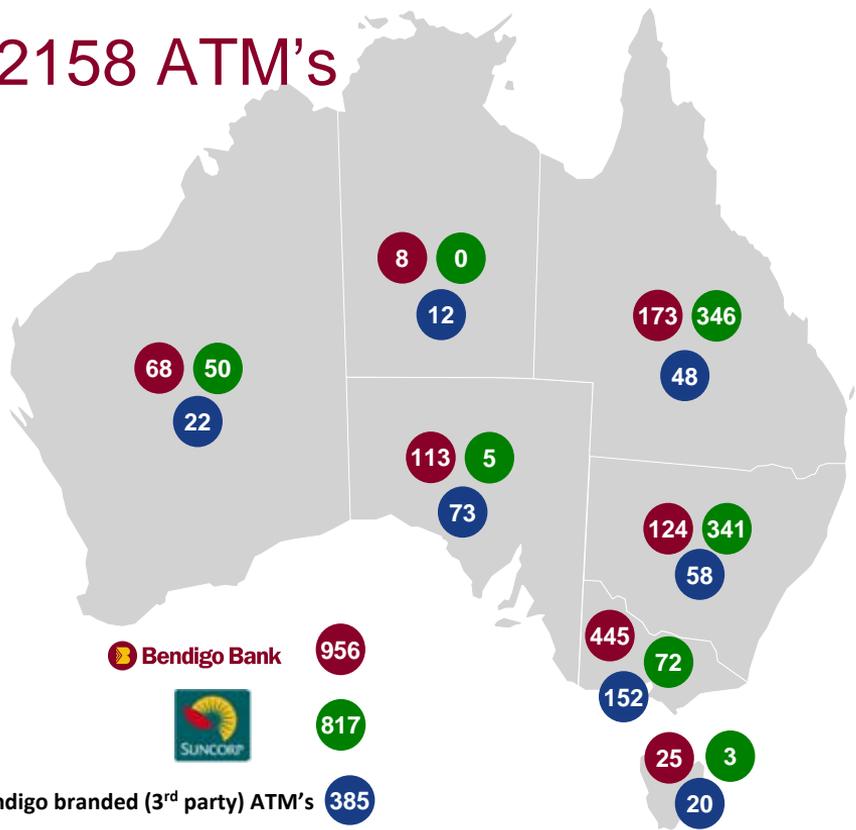
Contribution by profit



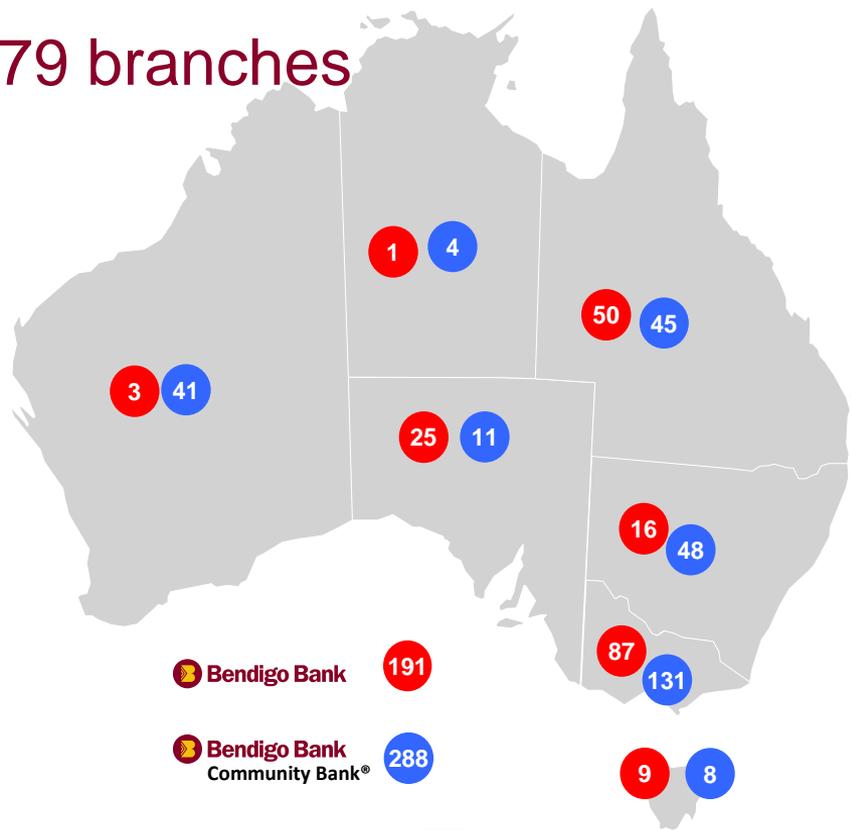
Business performance - financials



2158 ATM's



479 branches



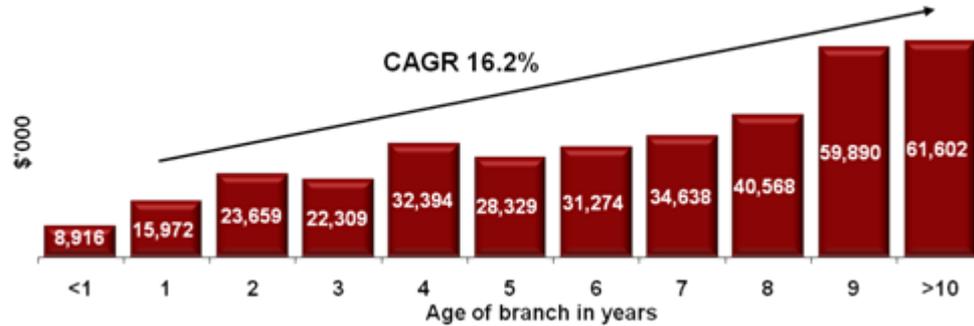
Geographic spread



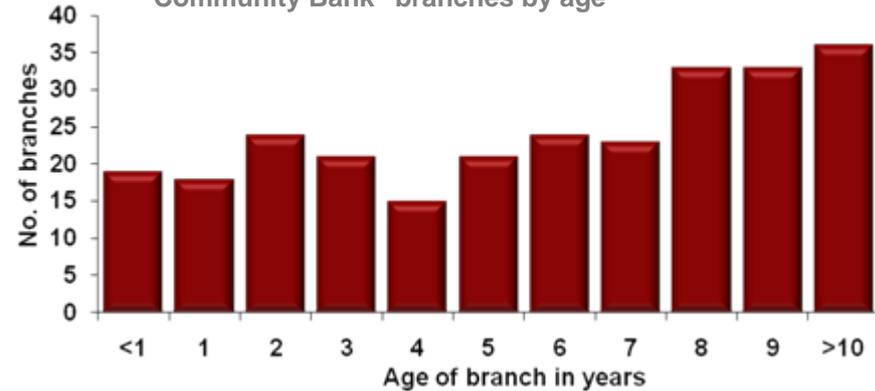
Systematic growth in retail

- 12 Community Bank® branches opened in HY2012
- 15-20 branches to be opened in FY2012
- Relatively immature network

Deposits per Community Bank® branch



Community Bank® branches by age

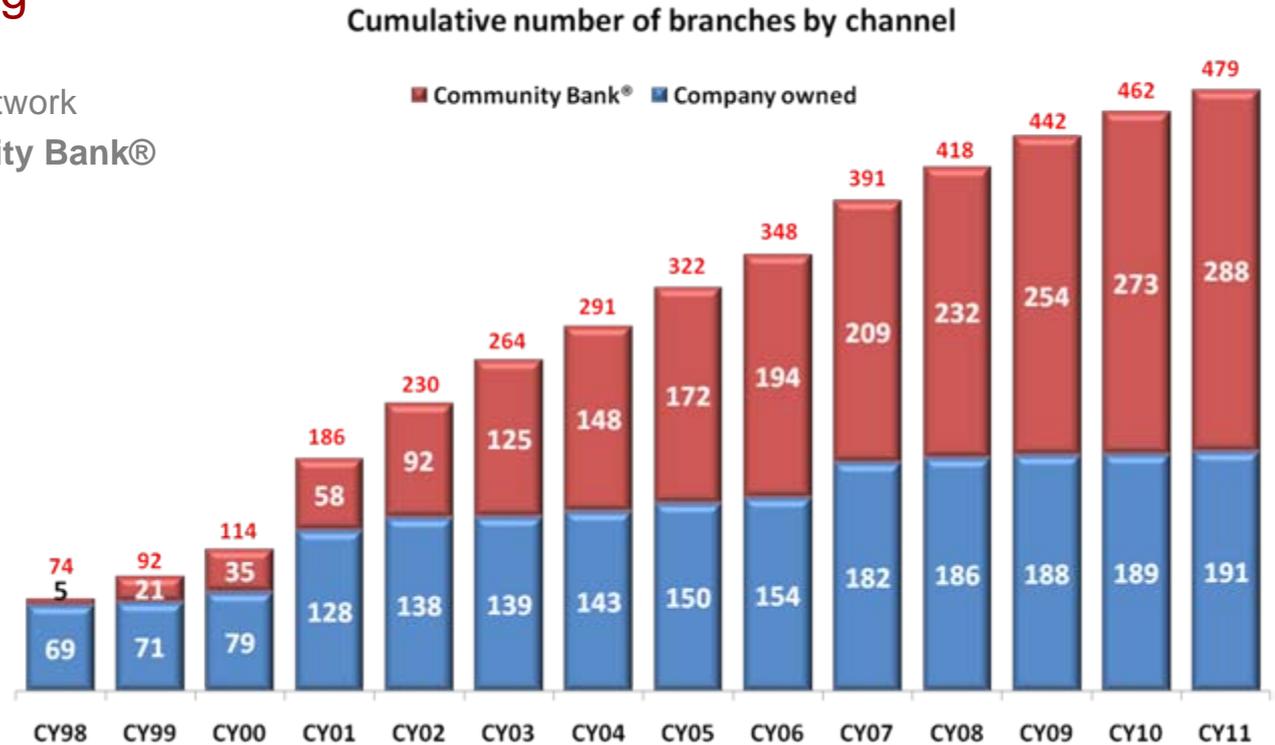


Community Bank® and retail



Growth – retail banking

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

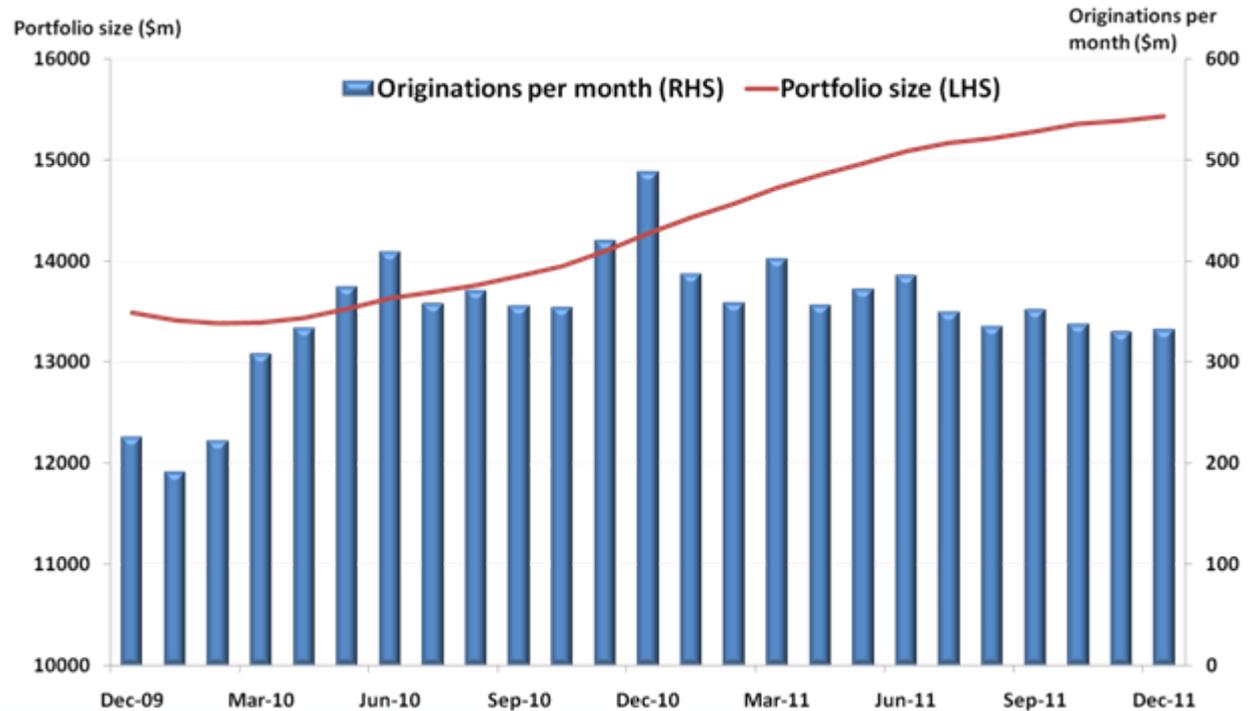


Retail banking



Opportunities in Third-Party Banking

- Fewer competitors in the market
- Variable cost base

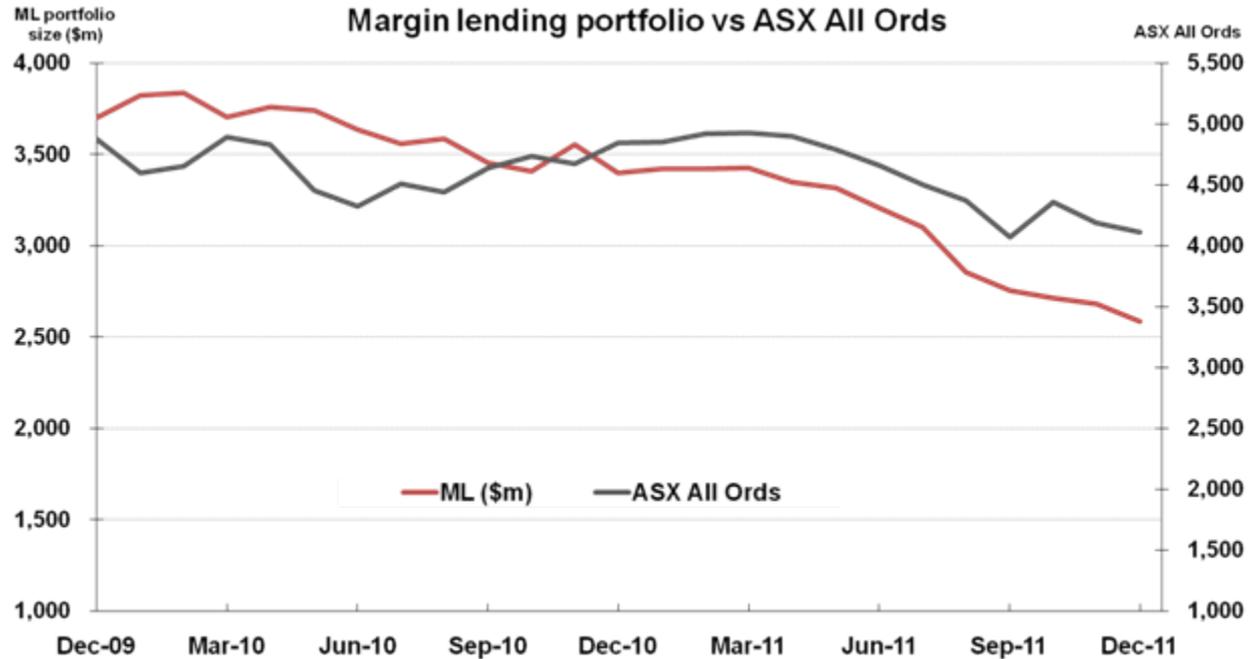


Third-Party mortgage business



Margin Lending dependent on equity market sentiment

- Wealth business affected by lack of confidence in markets
- Write-down in business of \$95.1m
- Strong long term relationships with many financial advisory firms
- Strong margins
- Continued excellent credit quality

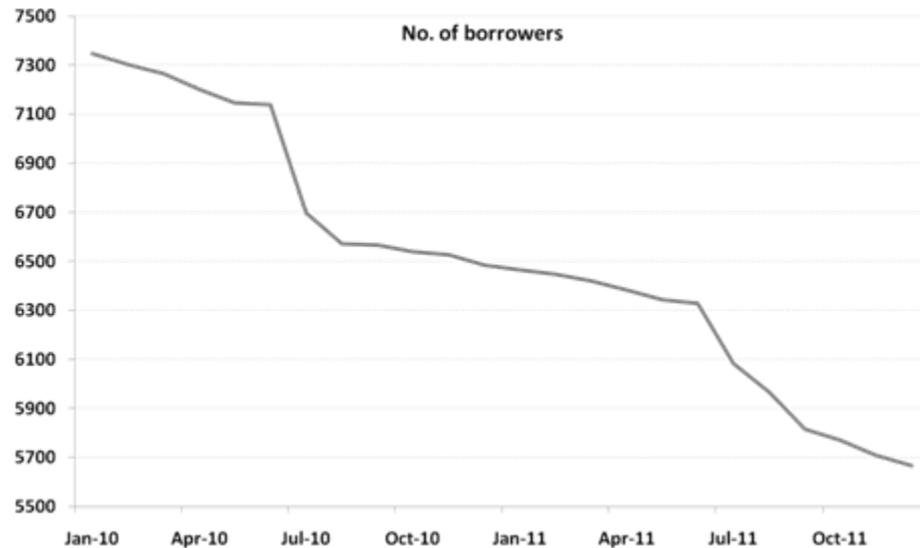
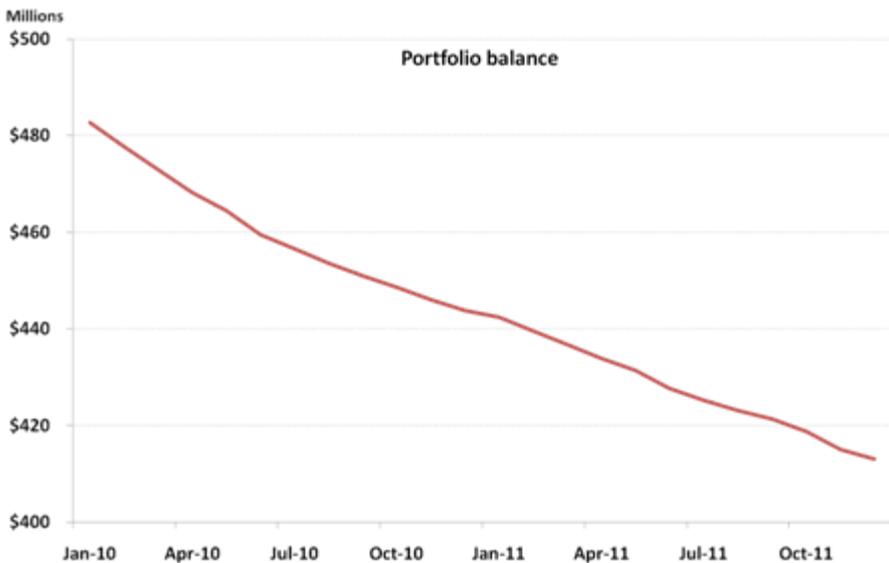


Business performance - wealth



Towards a resolution

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

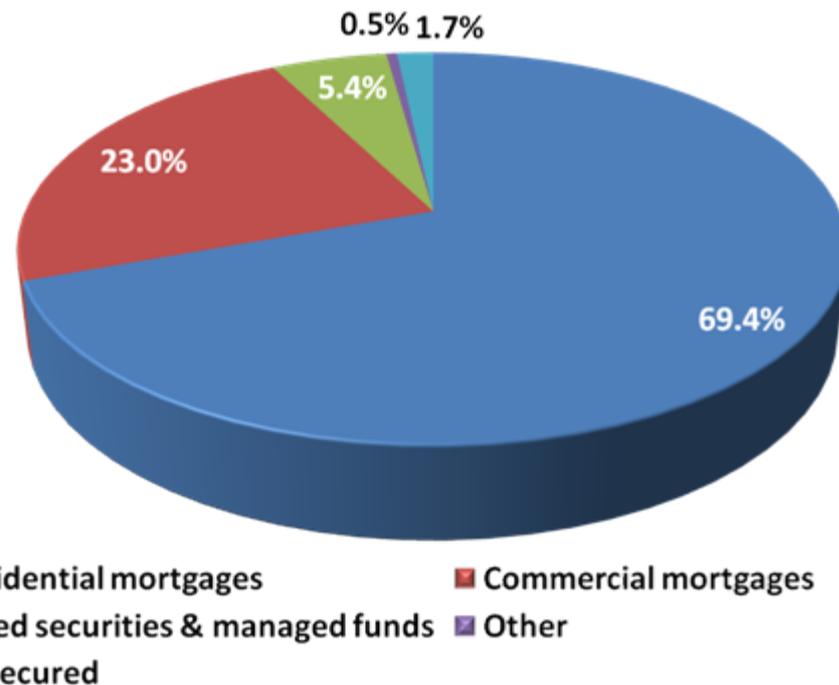


Great Southern



Secure and low risk loan portfolios

- 98.3% secured
- 97.8% secured by mortgages and listed securities
- Residential lending
 - arrears have improved in HY12
 - average LVR 61.8%¹
- Margin lending
 - average LVR 45%
 - 87% of portfolios held ≥ 4 stocks
 - negligible arrears

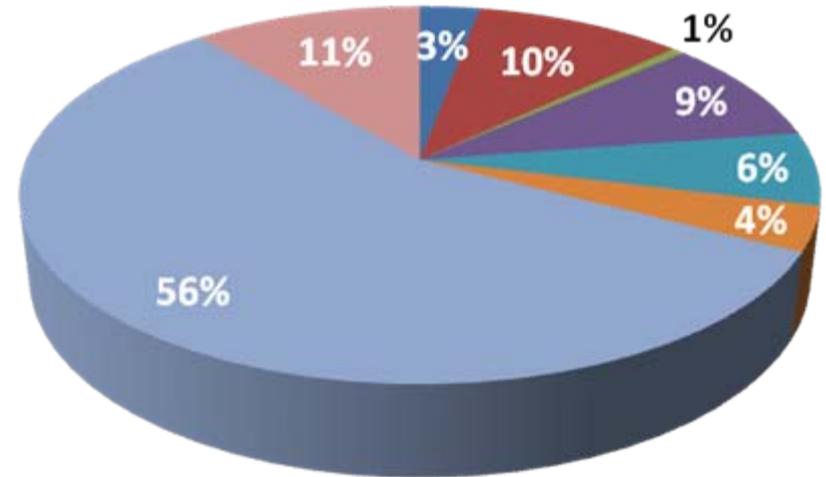


Credit

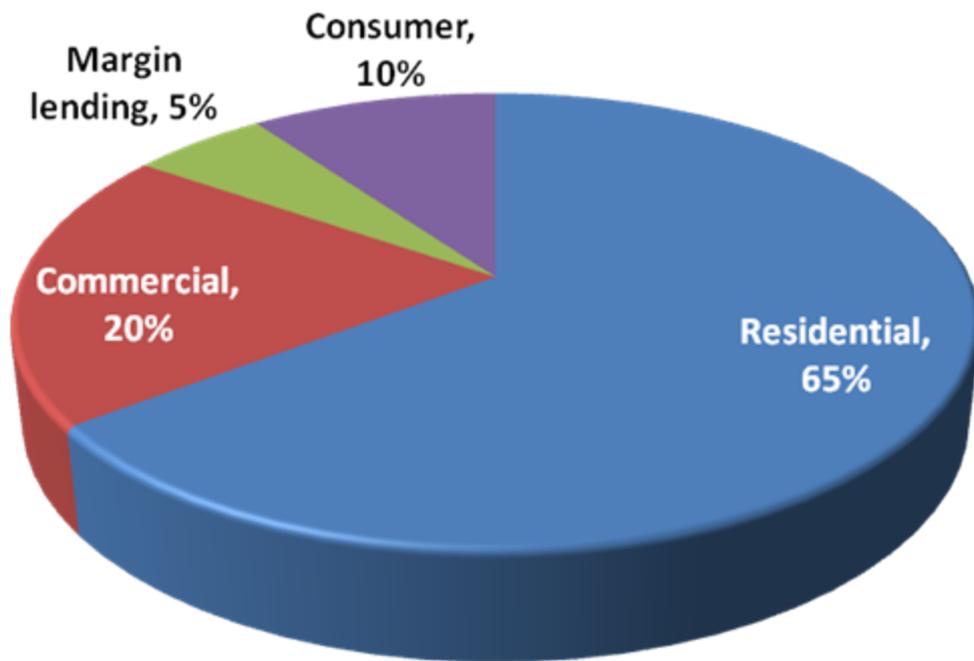


Construction portfolio

- \$752m of loans (0.8% decrease since June-11)
- 1.6% of total loans
- \$143k average loan size
- \$30m largest loan size
- Geographic spread
- \$39m impaired loans
- \$6m in arrears (0.8% 90 days+)



Group exposures – total \$46.8bn



Mortgages	Dec-11	Jun-11	Dec-10
Owner occupied	63.0%	62.7%	62.6%
Investment	37.0%	37.3%	37.4%
Lo Doc	7.0%	7.5%	7.9%
Retail mortgages	50.2%	49.4%	49.4%
Third Party mortgages	49.8%	50.6%	50.6%
Mortgages with LMI	42.7%	44.6%	47.8%
Average LVR	61.8%	61.8%	59.7%
Average loan balance	\$180k	\$170k	\$171k
90+ arrears inc arrangements	1.1%	1.2%	1.1%
90+ arrears excl arrangements	0.74%	0.87%	0.77%
Impaired loans	0.09%	0.10%	0.09%
Specific provisions	0.03%	0.02%	0.02%
Loss rate	0.01%	0.02%	0.01%
Variable/Fixed	79%/21%	78%/22%	74%/26%
First home owners % portfolio	8.6%	8.9%	9.1%
First home owners average LVR	70.4%	NA	NA

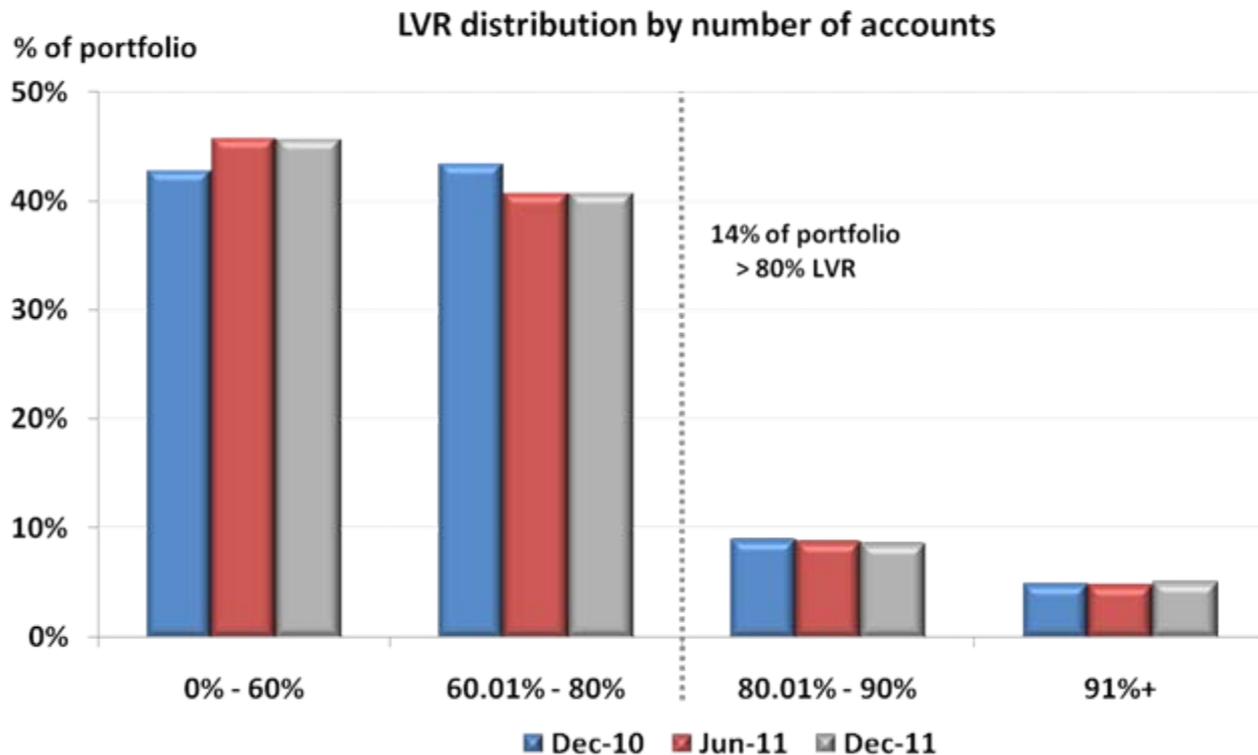
Credit



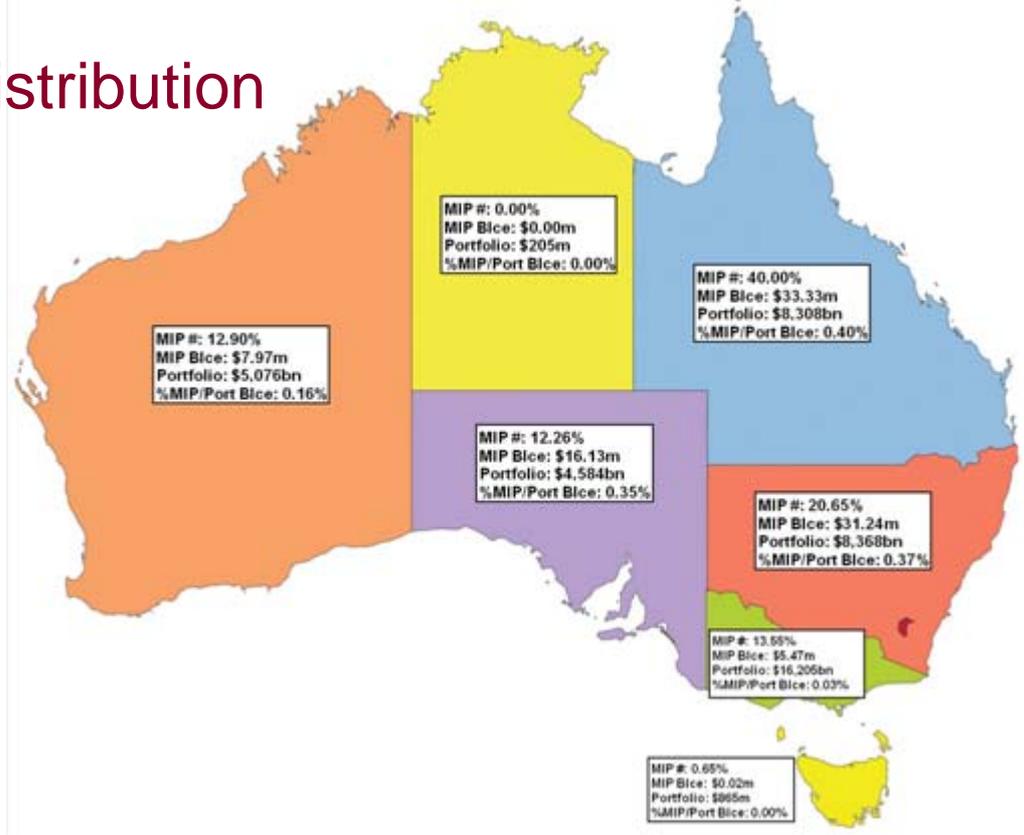
Note: All mortgage data above represented by loan purpose

LVR trends

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



MIP geographic distribution

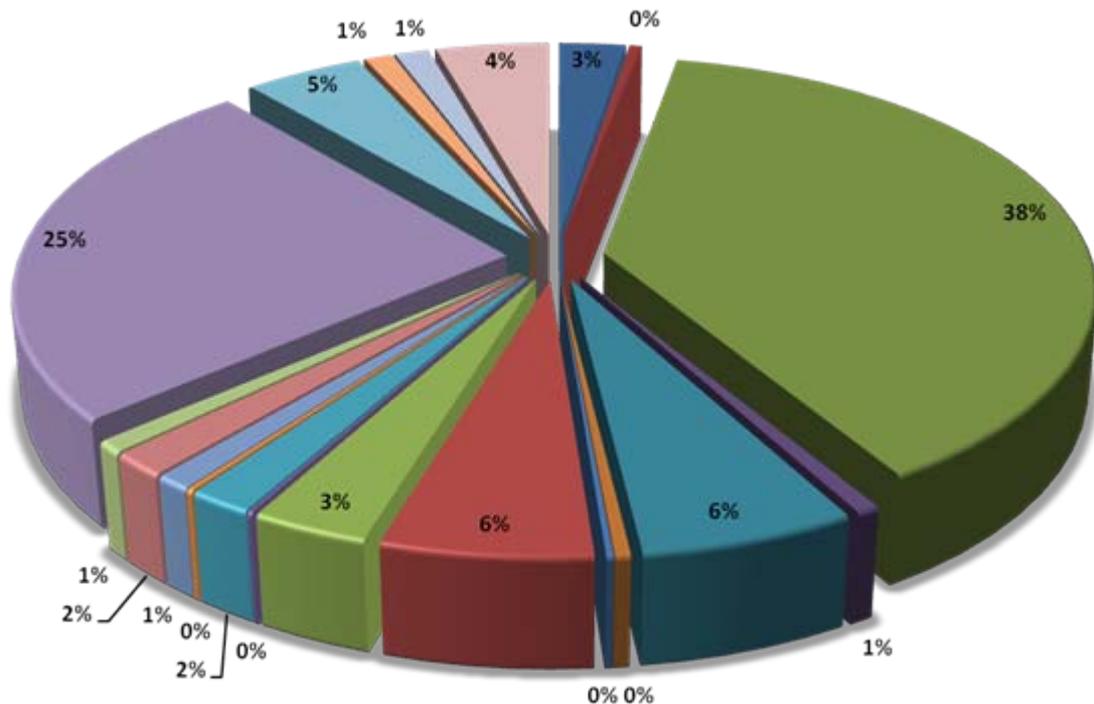


Credit



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

Commercial – industry split



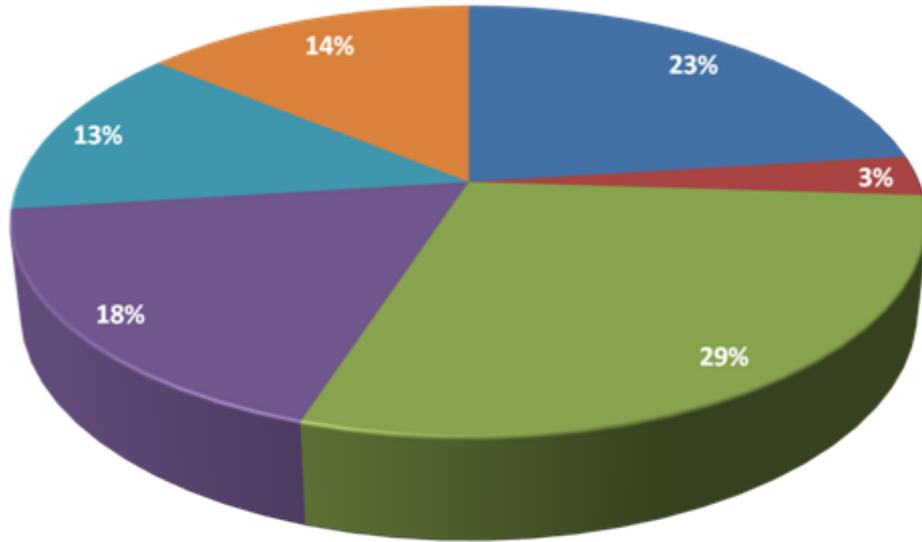
- Accom & food services
- Admin & support services
- Agri, forestry & fishing
- Arts & Rec services
- Construction
- Education & training
- Elec, gas, water & waste
- Finance & insurance
- Health Care & Social assist
- Info media & telecom
- Manufacturing
- Mining
- Other Services
- Profess, scientific & tech
- Public admin & safety
- Rental, hiring & real estate
- Retail trade
- Transport, postal & Whouse
- Wholesale trade
- Other

Credit



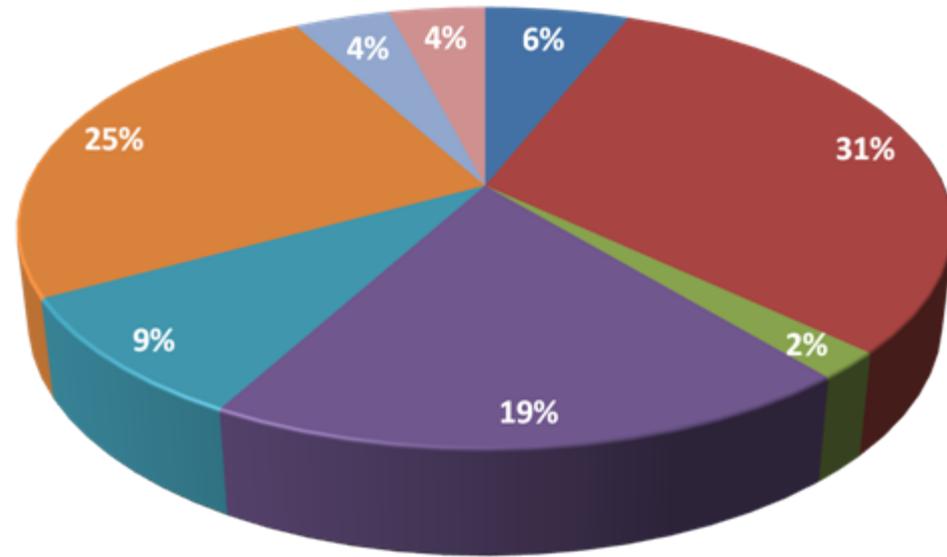
Loans under management

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



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