



**Bendigo**and  
**Adelaide**Bank

# 2013 full year results presentation



19 August 2013

**Mike Hirst**  
Managing Director

**Richard Fennell**  
Chief Financial Officer

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 19 August 2013. 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.

This presentation may contain certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. You are cautioned not to place undue reliance on forward-looking statements. Such forward-looking statements only speak as of the date of this presentation and the Group assumes no obligation to update such information.

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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 4E for reconciliation to statutory profit.

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- Overview
- Financial performance
- Outlook
- Appendices

Mike Hirst

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Group Managing Director

## Our result

Financial performance - statutory profit after tax	Financial performance - cash basis earnings
<ul style="list-style-type: none"><li>• Statutory profit after tax \$352.3m</li><li>• Full year dividend of 61.0¢, fully franked<sup>1</sup></li></ul>	<ul style="list-style-type: none"><li>• Cash earnings of \$348.0m</li><li>• Cash earnings per share 85.4¢</li><li>• Return on average tangible equity 13.5%</li><li>• Return on average ordinary equity 8.6%</li></ul>
Balance sheet management - funding	Balance sheet management - capital
<ul style="list-style-type: none"><li>• 10 basis point NIM improvement year-on-year</li><li>• Strategic approach to funding taking into account price, diversity and tenor</li><li>• Issued two senior unsecured wholesale debt issues – first since the GFC</li><li>• Two RMBS issues, both pricing at the tightest margins since the GFC, and fully capital effective</li><li>• Strength of our retail network continues to be reflected in retail funding growth and retention</li></ul>	<ul style="list-style-type: none"><li>• Improvement in Tier 1 capital ratio from 8.39% to 9.25% over the full year</li><li>• Basel III Core Tier 1 ratio of 7.82%</li><li>• S&amp;P risk adjusted capital (RAC) ratio of 11.5% - more than 25% above each of the four major banks</li></ul>

1.Ex-dividend date is 23 August 2013, record date is 29 August 2013, and payment date is 30 September 2013.  
The 2.5pc discount for participants in the dividend reinvestment plan will also be removed

## 2009-13 – a story of evolution and consolidation

2010

- BEN takes 100pc ownership of Rural Bank
- Balance sheet restructure continues through strong retail deposit growth
- Fitch upgrades credit rating outlook to 'positive'
- BEN raises \$250m in T2 subordinated debt

2011

- Fitch upgrades credit rating to "A-"
- S&P upgrades credit rating to "A-"
- BEN buys Australian arm of Bank of Cyprus – later naming it Delphi Bank
- Approx \$200m raised through equity placement and SPP

2012

- BEN divests minority interest in IOOF, and sale of B-notes held in TORRENS transactions
- Raises \$269m in Basel III compliant T1 hybrid capital
- BEN buys Southern Finance portfolio
- Basel II Advanced Accreditation project starts

2013

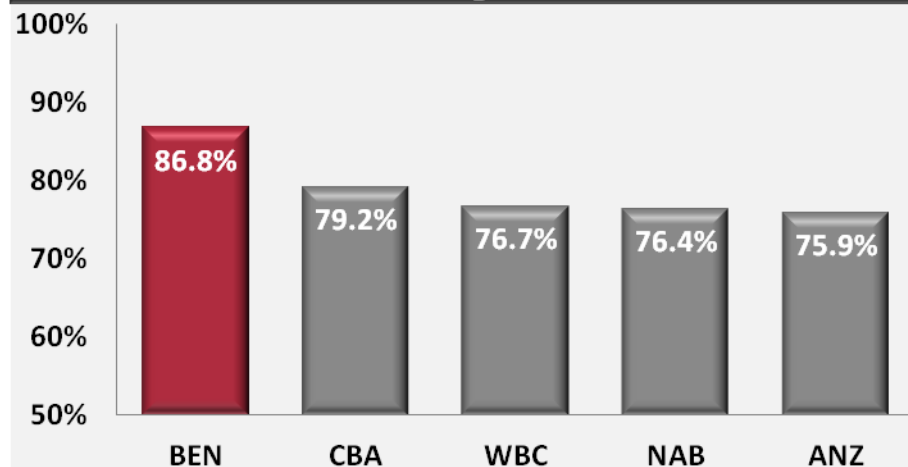
- BEN's TORRENS securitisation program sets new benchmark for post-GFC pricing
- BEN launches first senior unsecured wholesale funding issue as a merged bank
- Buys loan portfolio of HD&C Securities

Note – Based on calendar years

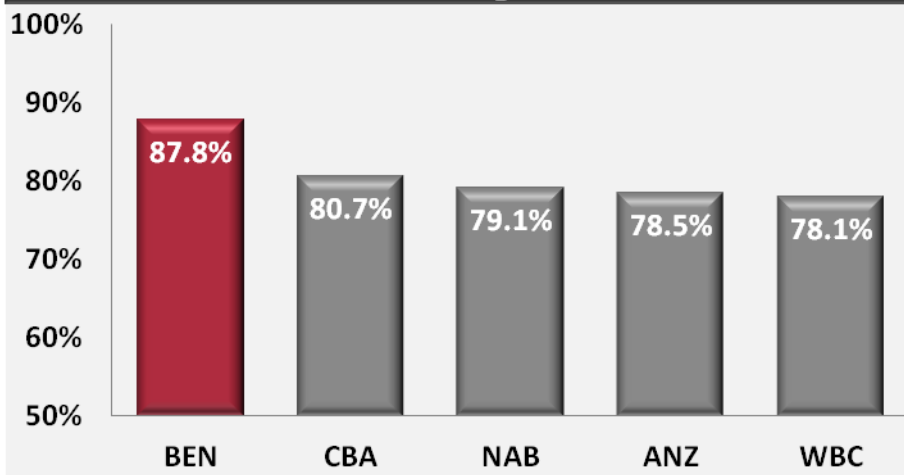
## A unique and differentiated customer proposition

- Continued maturation of **Community Bank®** and retail network
- Brand and customer advocacy
  - ★ Voted Australia's favorite bank<sup>2</sup>
  - ★ Voted best day to day banking<sup>2</sup>
  - ★ Business bank of the year<sup>3</sup> for 2 consecutive years (2011 and 2012)

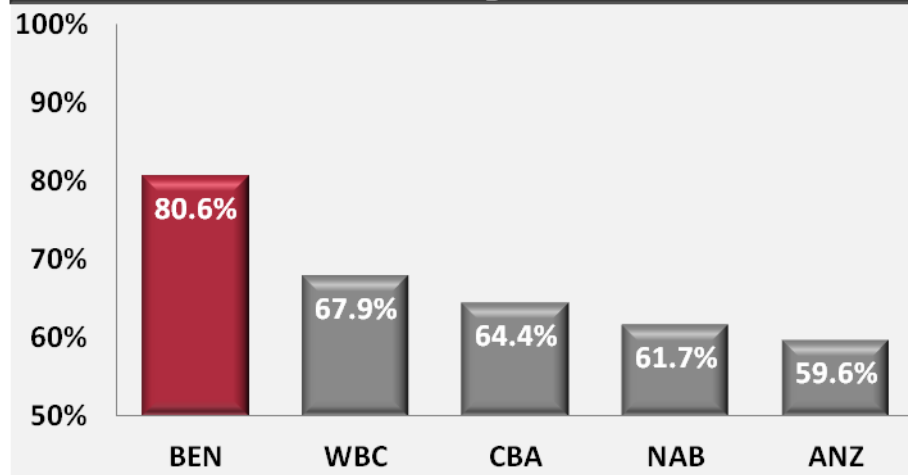
### Overall Banking Satisfaction<sup>1</sup>



### Consumer Banking Satisfaction<sup>1</sup>



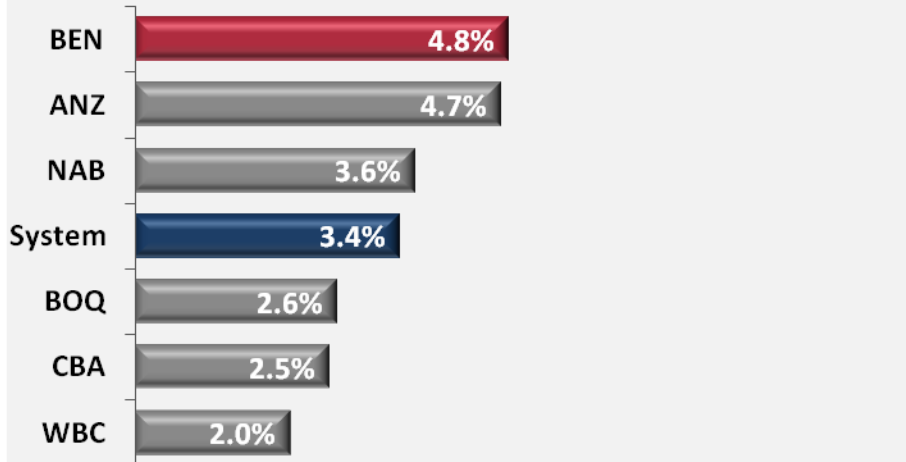
### Business Banking Satisfaction<sup>1</sup>



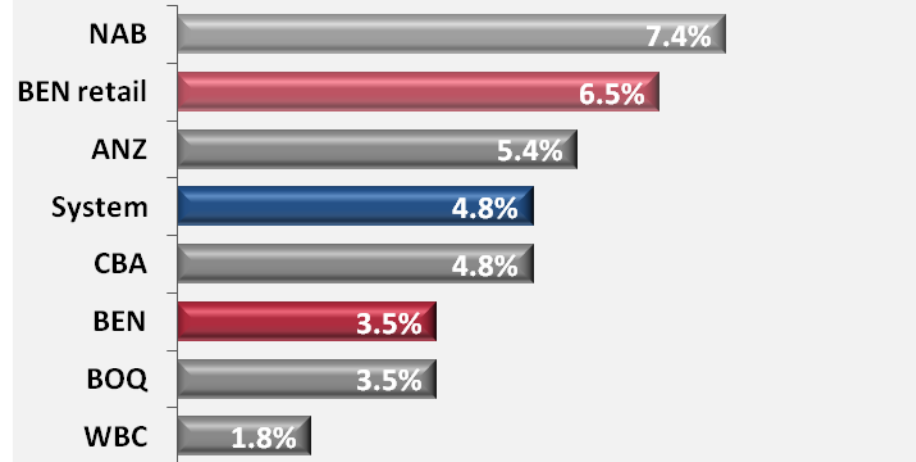
1. Roy Morgan Research – 6 month average to June 2013  
 2. Financial Review smartinvestor magazine – Smart Investor League of Exceptional Service survey 2012  
 3. Roy Morgan - Business bank of the year award for 2012

# Continued outperformance against system

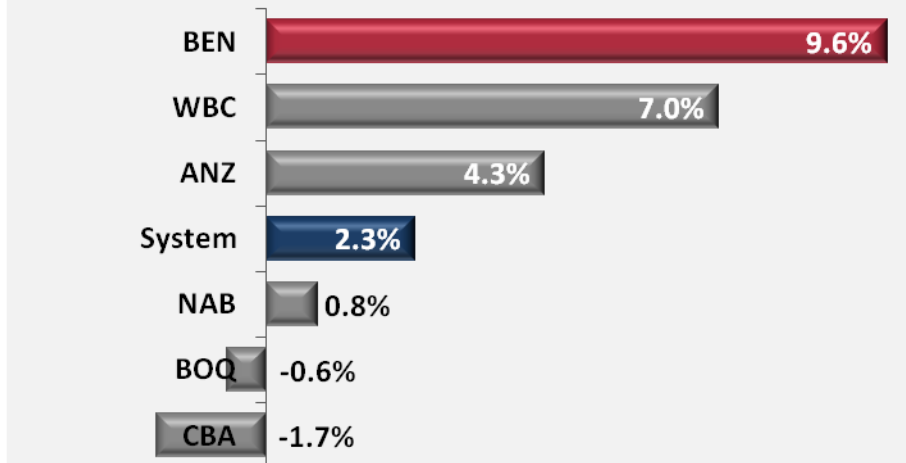
## Total lending growth - FY13<sup>1</sup>



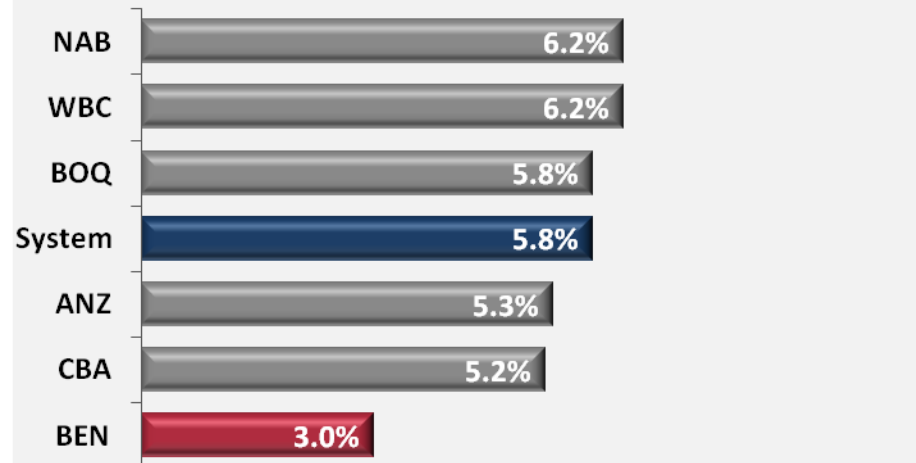
## Housing lending growth - FY13<sup>1,2</sup>



## Business lending growth - FY13<sup>1</sup>



## Total deposit growth - FY13<sup>1</sup>



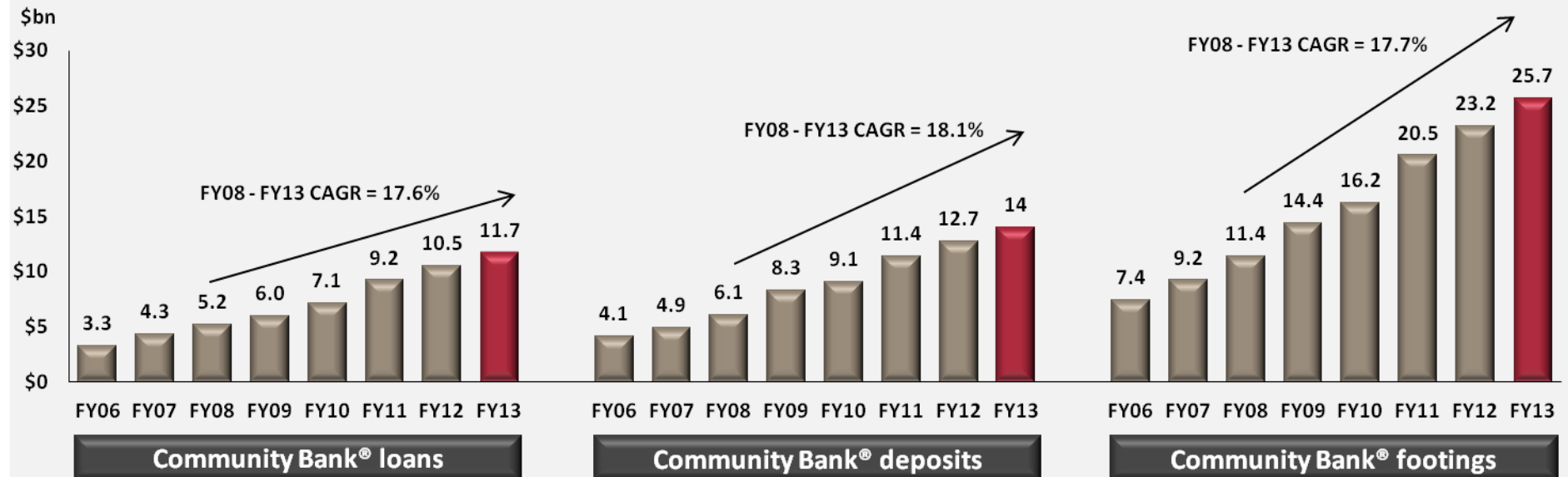
1. Source: APRA statistics June 2013, Nomura research.

2. BEN retail growth of 6.5% is for retail origination channel only



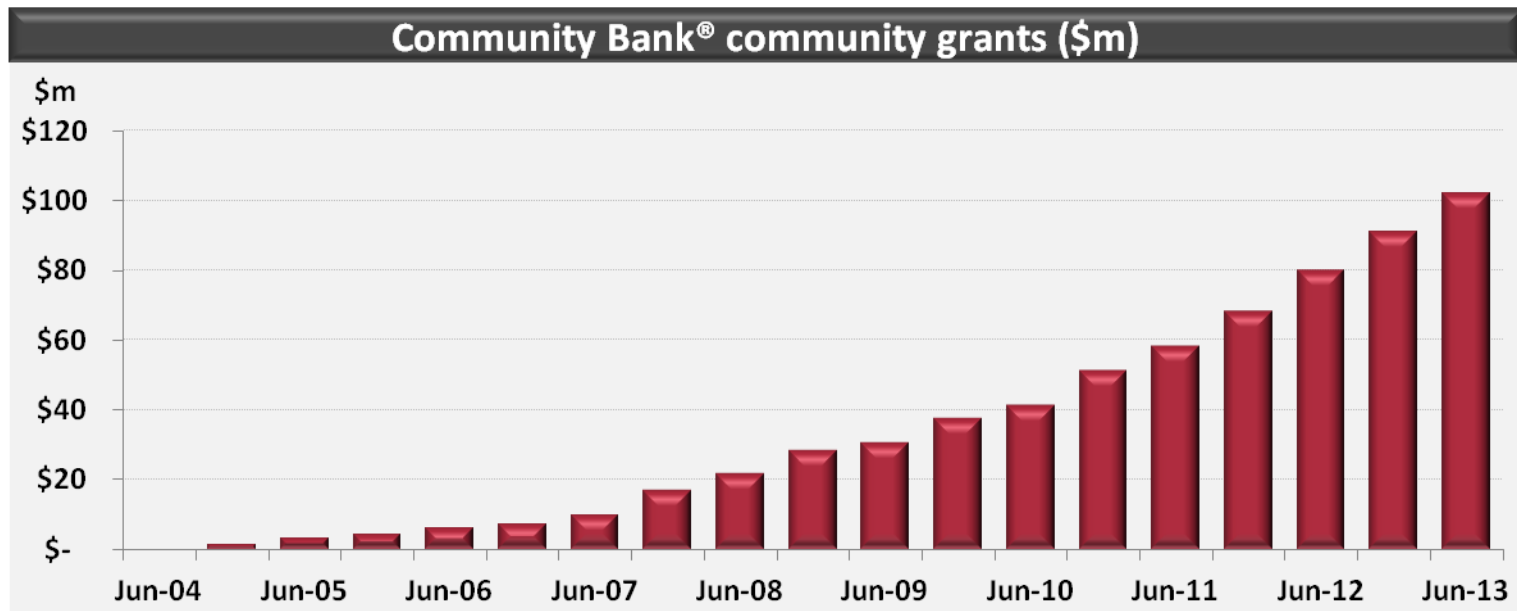
# Community Bank® footings growth

## Community Bank® footings growth



## The Community Bank® model has proven to be robust and sustainable

- More than \$100m in community grants since inception – delivering tangible benefits for these communities and our business
- 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



Note: Includes total sponsorships, donations and contributions

Richard Fennell

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Chief Financial Officer

## At a glance

	FY13	FY12	Change FY12 – FY13	Change 1H13 – 2H13
<b>Cash earnings</b>	<b>\$348.0m</b>	<b>\$323.0m</b>	<b>7.7%</b>	<b>5.1%</b>
Statutory NPAT	\$352.3m	\$195.0m	80.7%	(14.0%)
Cash EPS	85.4¢	84.2¢	1.2¢	1.6¢
Net interest margin	2.21%	2.11%	10 bps	-
Expense to income ratio	57.0%	59.1%	(210 bps)	(160 bps)
Expense to average assets	1.29%	1.29%	-	(2 bps)
Return on tangible equity <sup>1</sup>	13.48%	14.05%	(57 bps)	22 bps
Return on equity <sup>1</sup>	8.58%	8.36%	22 bps	38 bps
Dividend per share	61.0¢	60.0¢	1.0¢	1.0¢

Balance Sheet	FY13	Change FY12 – FY13	Change 1H13 – 2H13	Capital and funding	FY13	Change FY12 – FY13	Change 1H13 – 2H13
Total assets	\$60.3b	5.3%	3.1%	Tier 1 capital	9.25%	86 bps	(6 bps)
Total liabilities	\$55.8b	5.3%	3.1%	Total capital	10.71%	30 bps	(36 bps)
RWA's	\$30.5b	7.8%	2.7%	Deposit funding <sup>2</sup>	78.5%	(150 bps)	(150 bps)

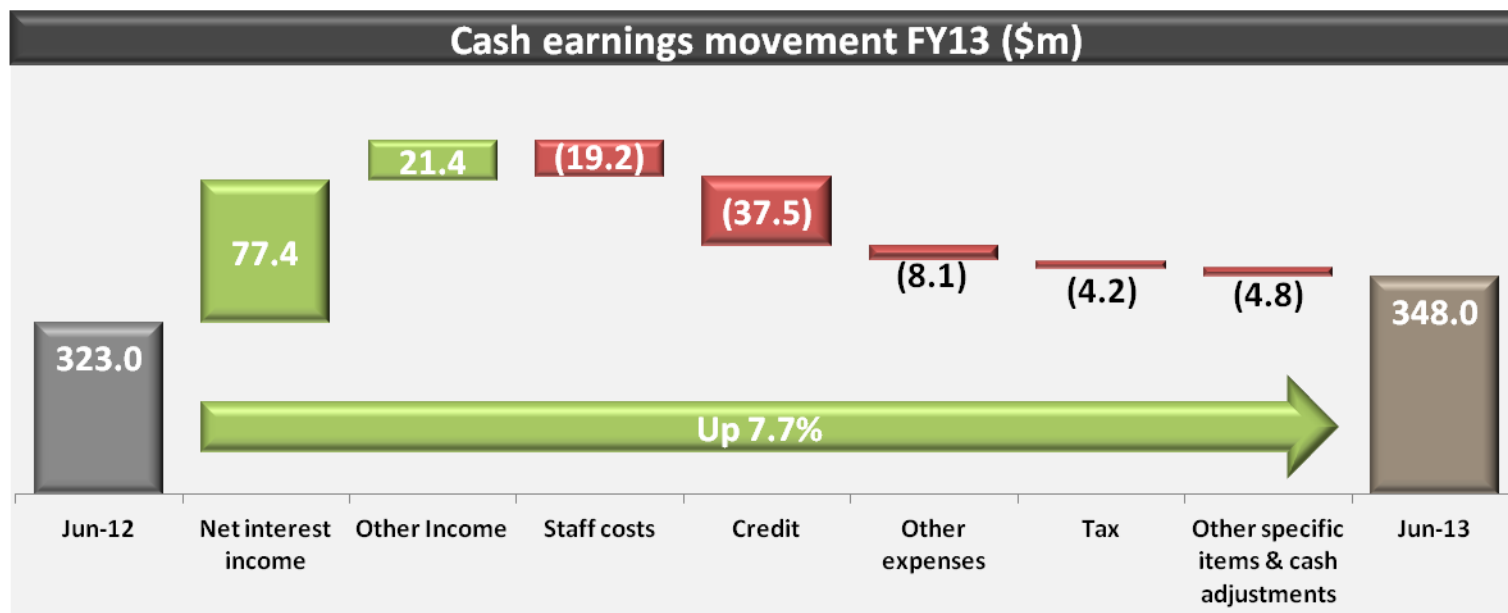
1: Cash earnings basis

2: Total funding position

## Financial performance

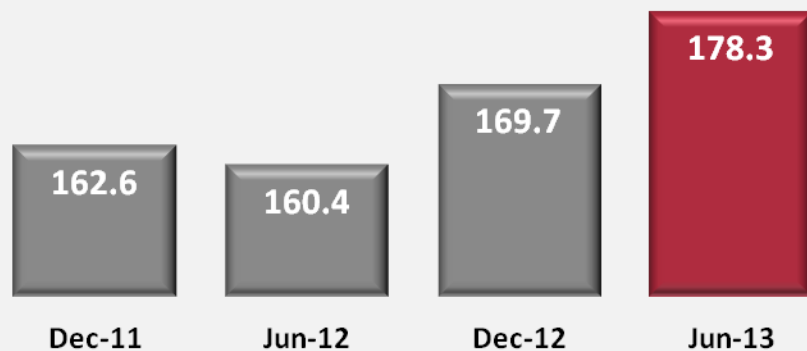
## Cash earnings continues to grow

- Strong cost discipline while investing in the business
- Balance sheet strength and margin management a highlight
- North Queensland cattle property exposures and Great Southern MIS portfolio impact credit outcome
- Leading indicators remain sound

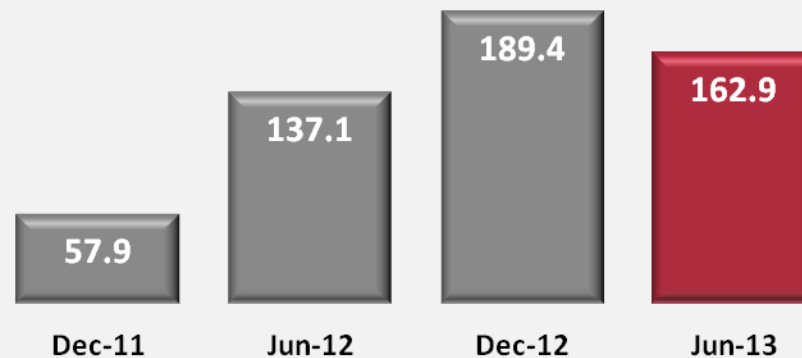


## Consistent earnings performance

### Cash basis profit (\$m)



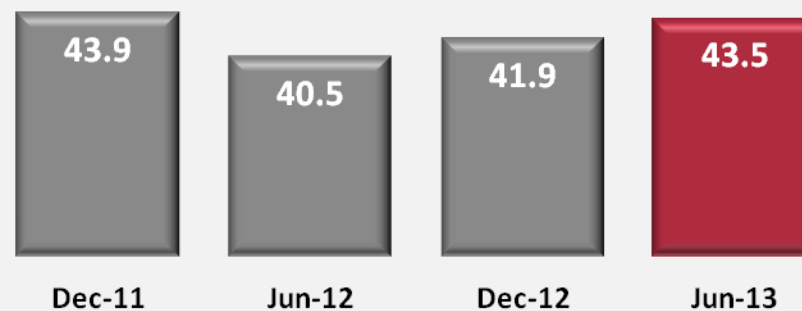
### Statutory profit (\$m)



### Dividends (cents)

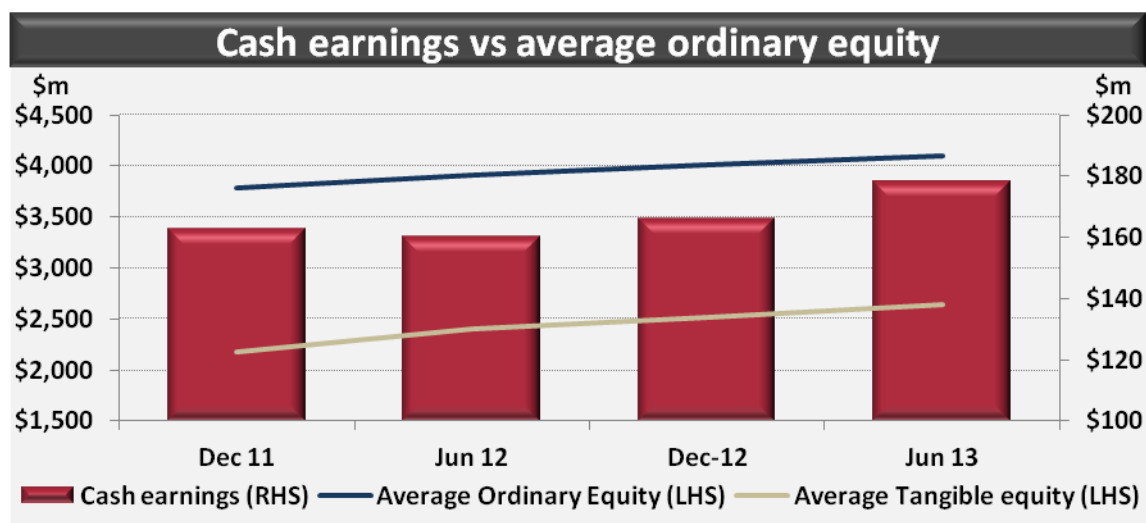
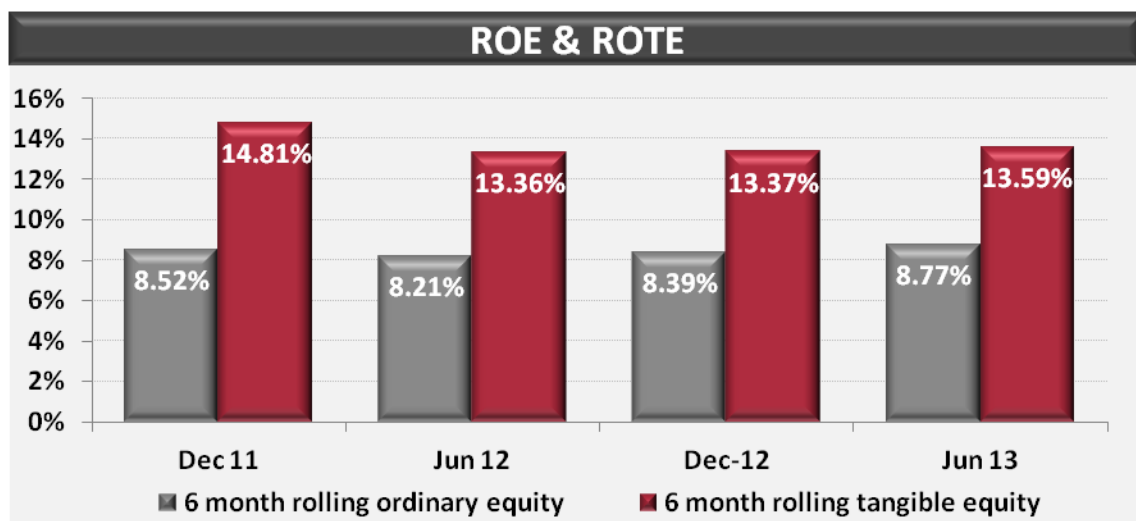


### Cash earnings per share (cents)



## Profitability improving

- BEN continues to invest in the business and on key strategic initiatives
- Basel II advanced accreditation project spend approx \$12.5m (pre capitalisation) in FY13

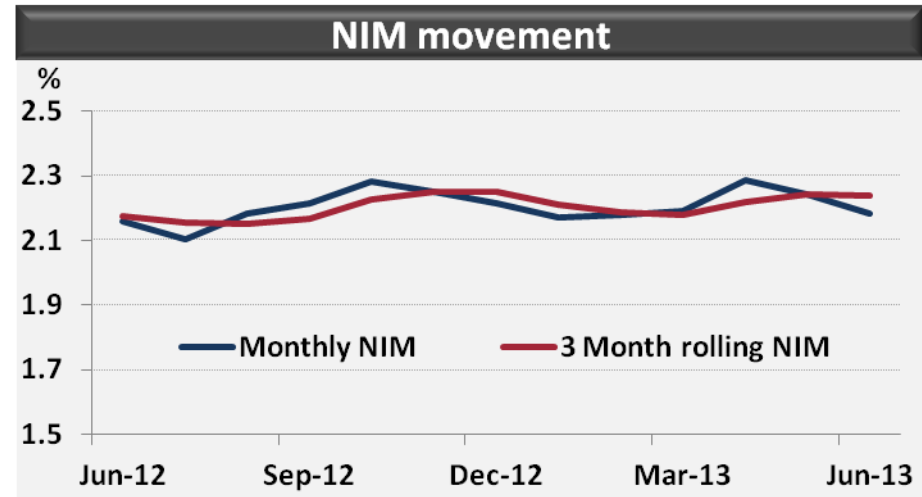
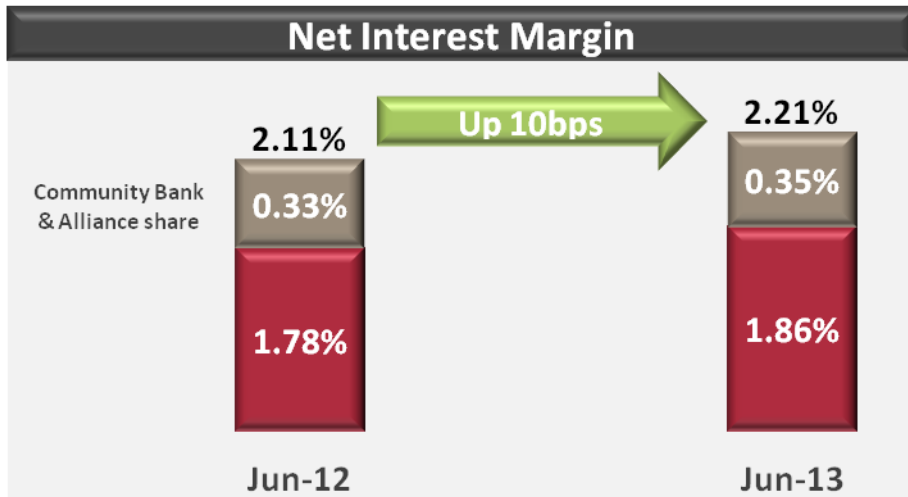


•Return on Equity (ROE) is the net income returned as a percentage of shareholders equity

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

# Net interest margin

- Disciplined approach to pricing continues to deliver results
- Customer proposition and brand positioning provide tangible funding benefits
- Ratings upgrades reflected in improved diversity, tenor and price of funding alternatives

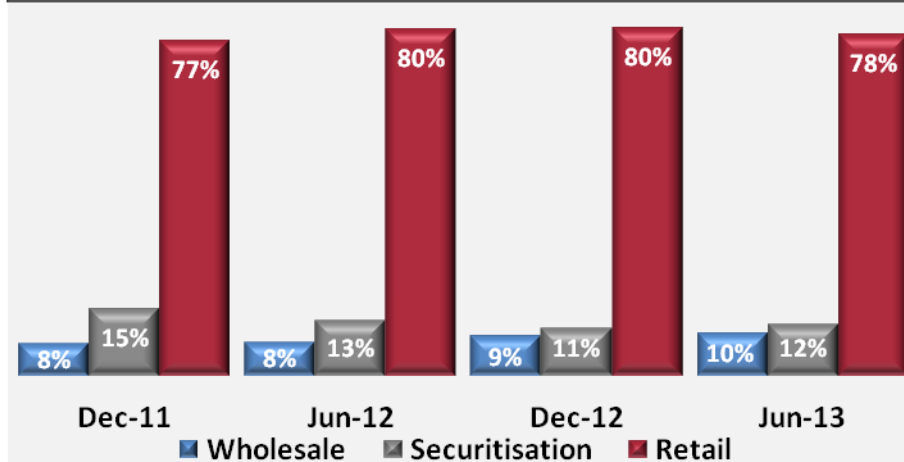




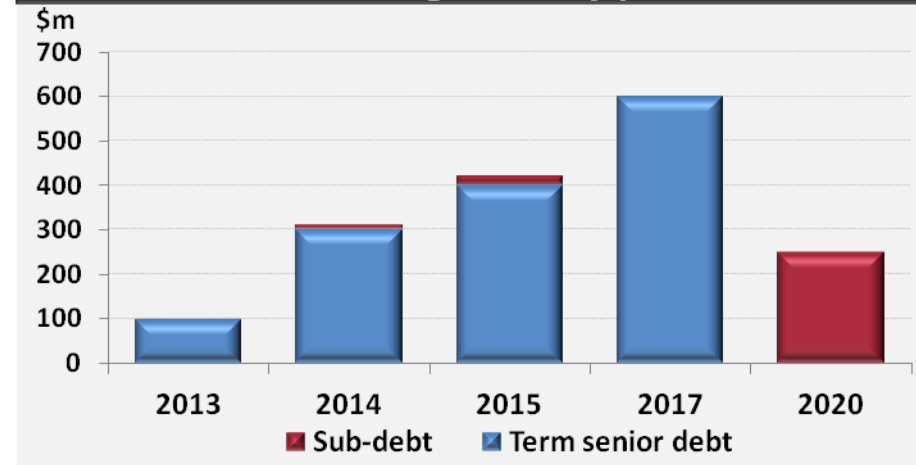
## Funding remains a strength

- Recent wholesale issuance provides diversity, tenor and pricing benefits
- Leveraging core strengths of the retail business and improved ratings and market conditions
- BEN maintains a conservative approach to rollover risk

### Historical funding mix



### Term funding maturity profile

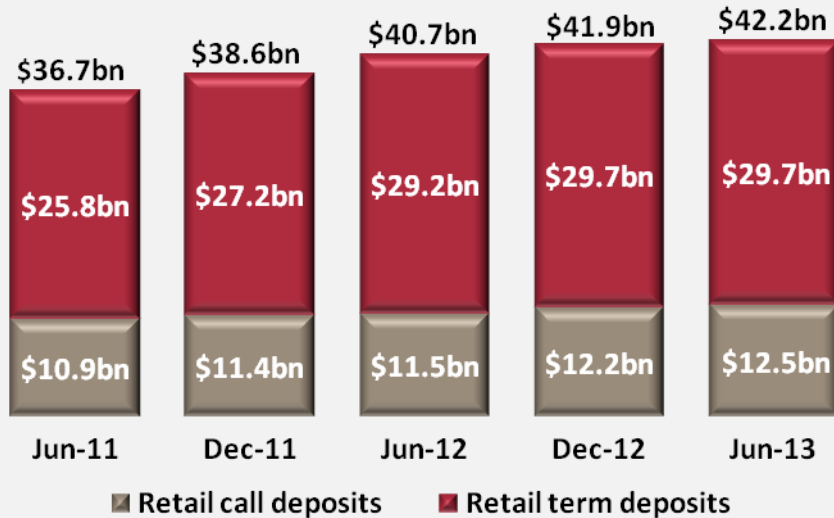


Note : Term funding maturity profile as at 30 June 2013

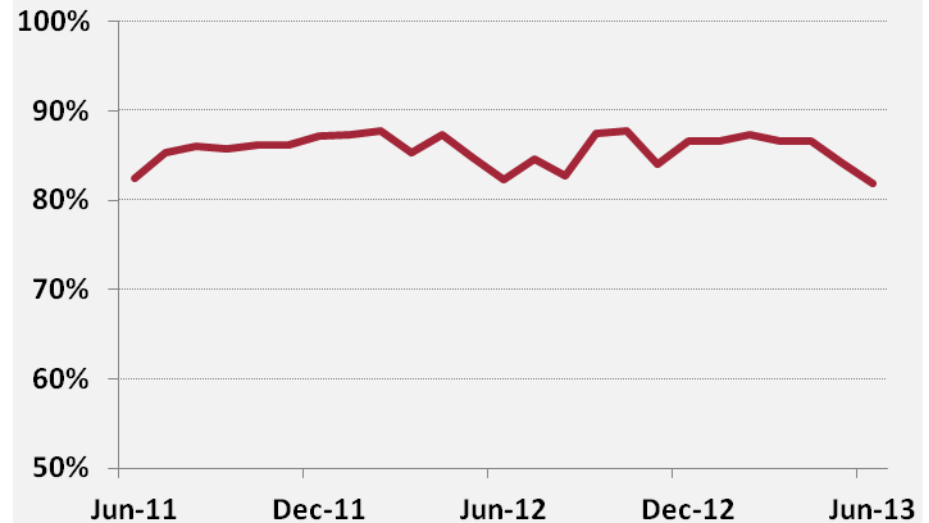
## Retail deposits

- Management target of 75-80% retail funding remains
- Term deposit retention rate consistently above 80%

### Retail deposit portfolio balances



### Retail term deposit retention rate<sup>1</sup>

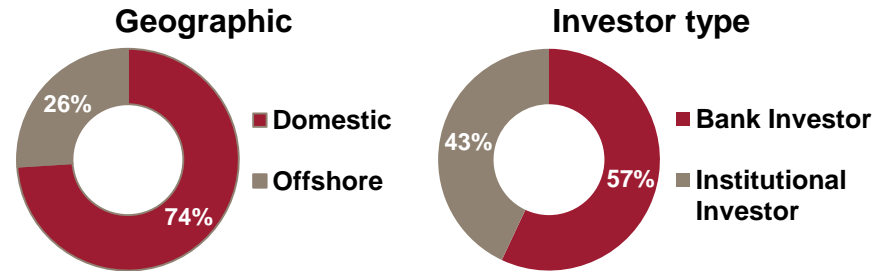


<sup>1</sup>Source: Company data

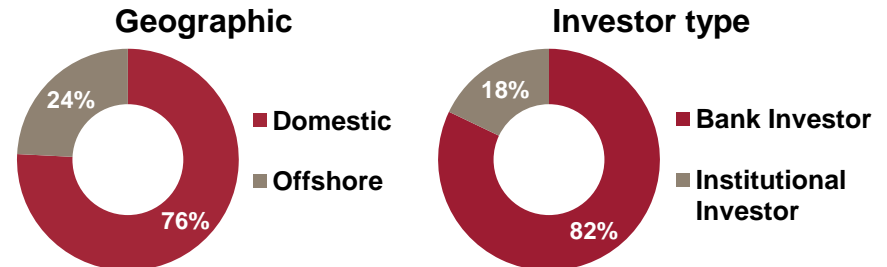
# Successful repeat issuer of RMBS

- Two TORRENS RMBS transactions in 2013 have set a new benchmark for BEN pricing
- Attracted a broad range of investors – both domestic and offshore – with no participation from the AOFM
- Entire capital structure sold providing additional capital efficiency benefits
- 2013-02 was BEN's 28<sup>th</sup> TORRENS transaction since 1996, bringing total TORRENS issued to A\$21 billion

Distribution (TORRENS Series 2013-1) \$850m

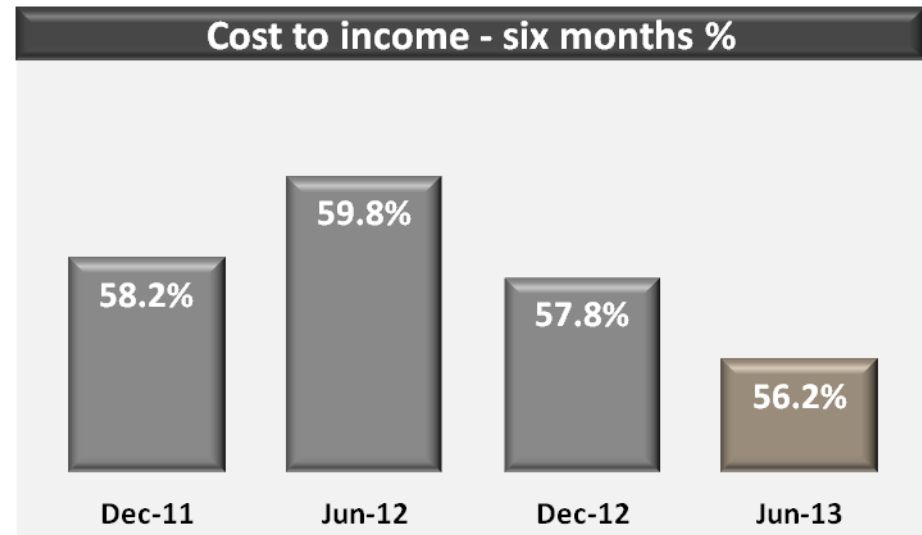
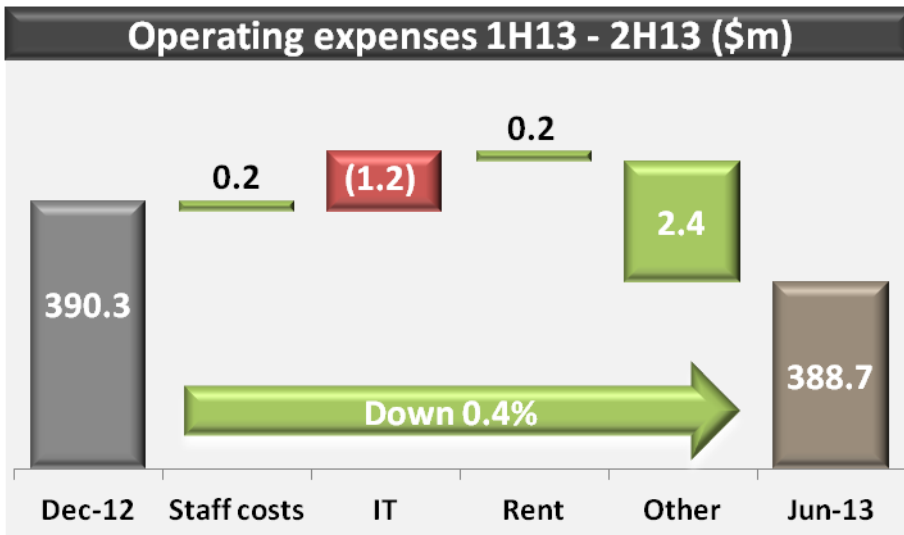
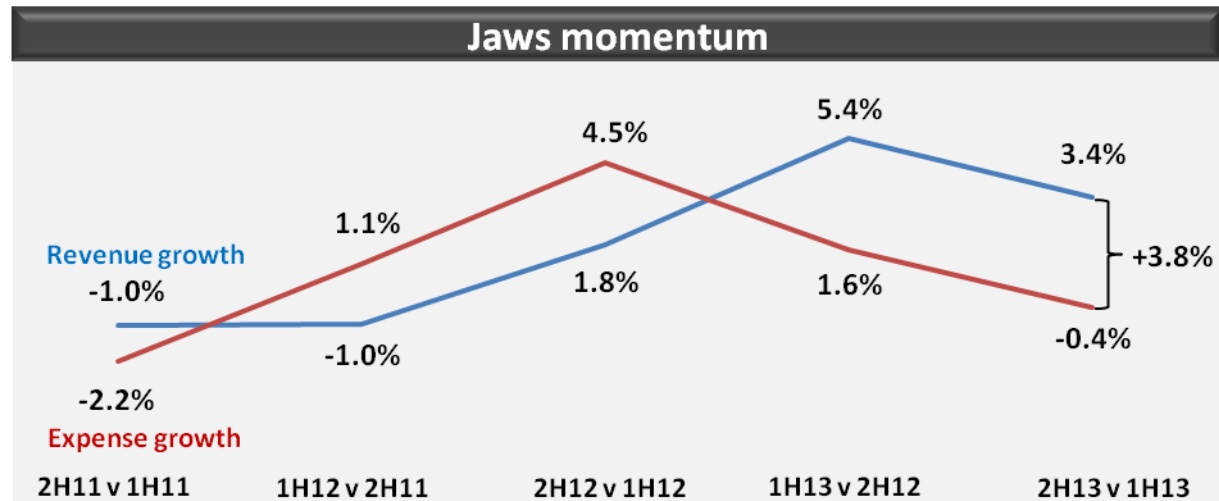


Distribution (TORRENS Series 2013-2) \$500m



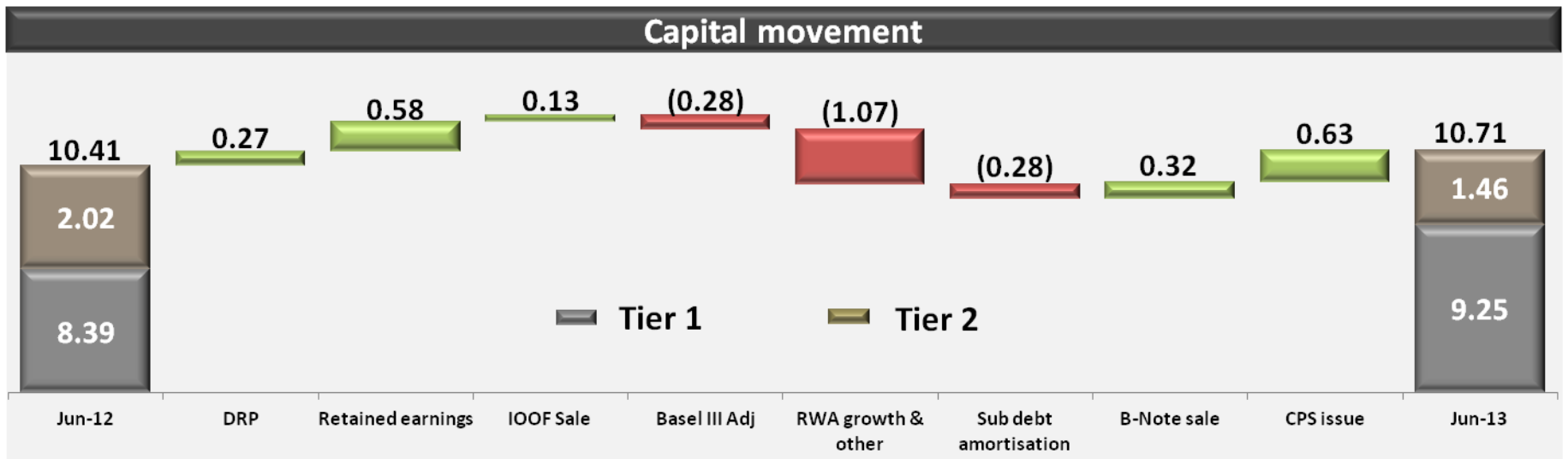
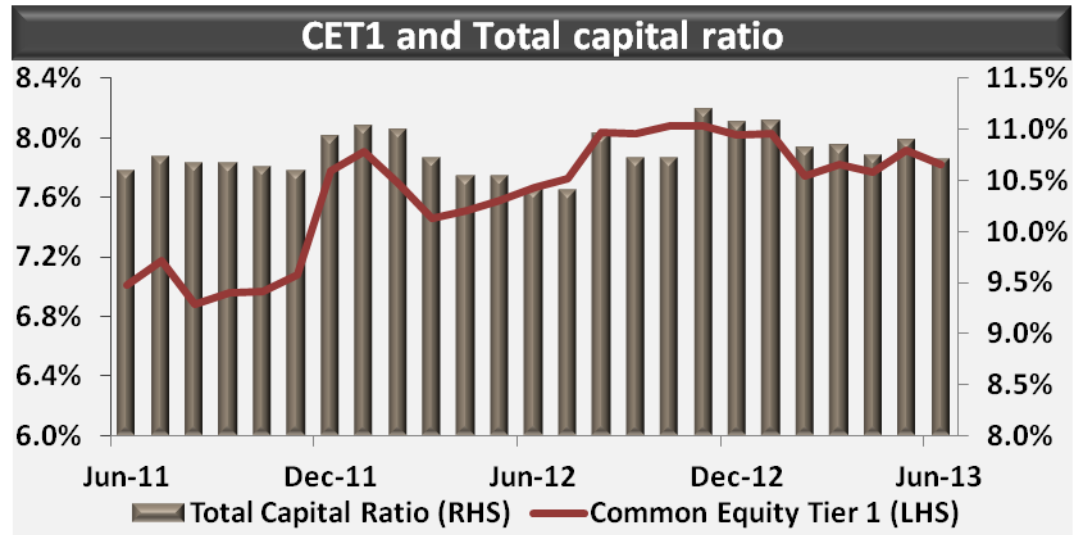
## Efficiency focus remains

- Maintaining positive 'JAWS' will remain a focus of management
- Cost headwinds expected in FY14 include new Adelaide head office and Basel II Advanced Accreditation project



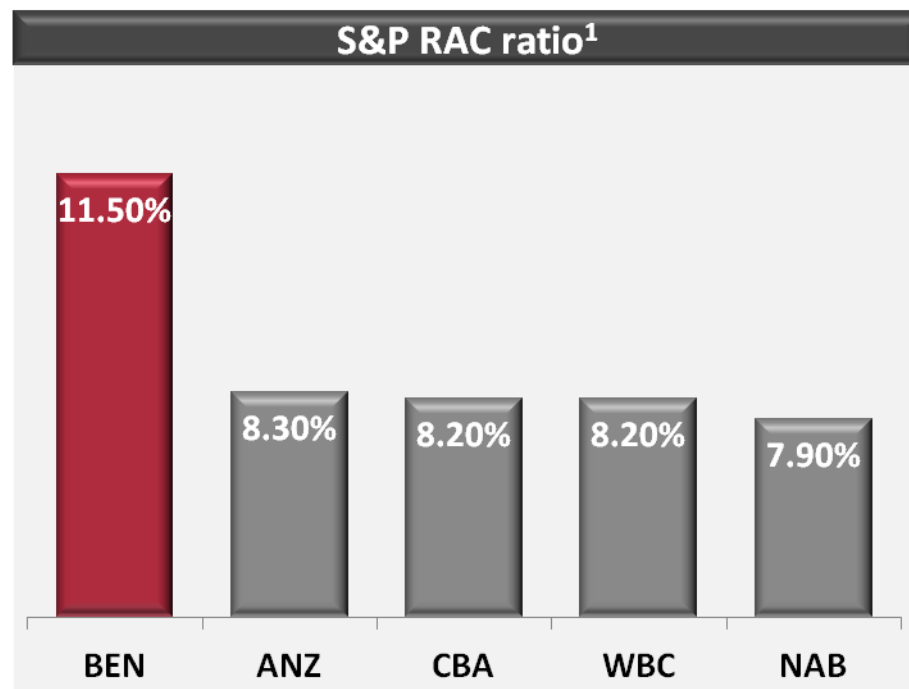
## Improvement in Tier 1 capital

- Proactive capital management has led to an 86bp improvement in Tier 1 capital levels
- Common equity Tier 1 capital showed moderate improvement to 7.82%
- Significant headroom for further efficiency – primarily through Tier 2 subordinated debt, and Tier 1 hybrid capital



## Capital materially stronger under S&P methodology

- BEN maintains a conservative capital management program based on the low risk and highly secured nature of its loan portfolio
- S&P's risk adjusted capital ratio (RAC) provides an accurate comparison of Australian bank capital ratios on a like-for-like basis
- Under S&P's methodology BEN's capital ratio is 11.5%, more than 25% higher than the closest major Australian bank
- On an internationally harmonised basis, BEN's CET1 is estimated to be higher than 10%<sup>2</sup>

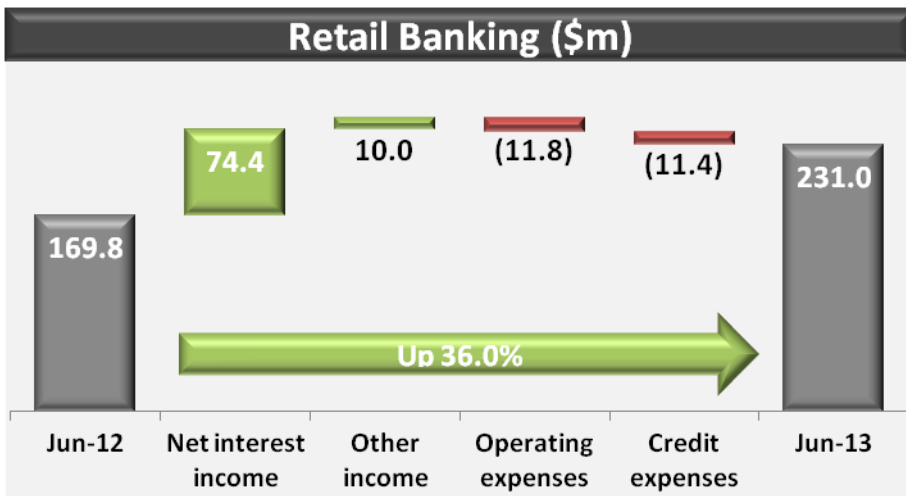


<sup>1</sup>Source: S&P last reported RAC ratio (before adjustments) for major banks, BEN as at December 31, 2012.

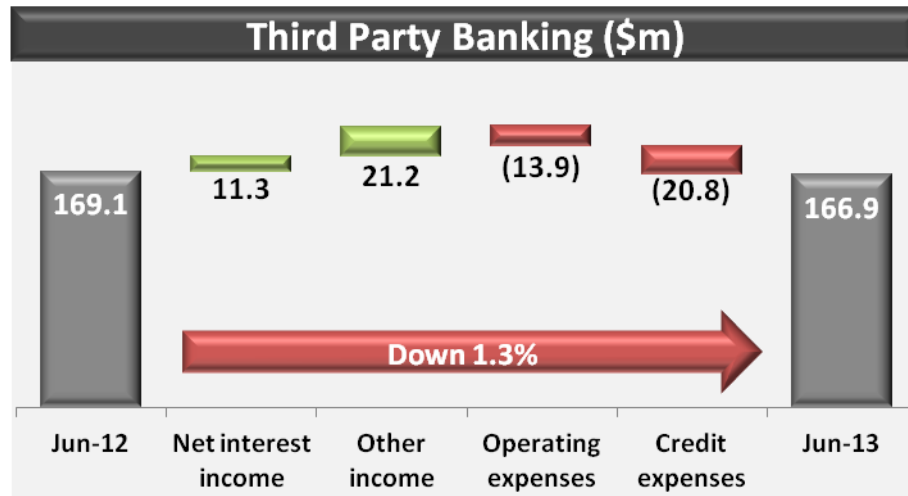
<sup>2</sup> BEN estimates based on major bank comparisons

## Business segment performance

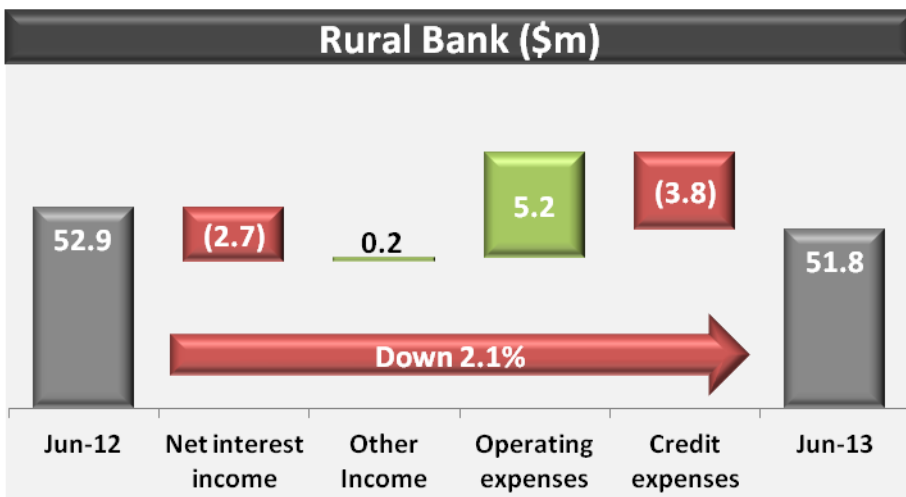
### Retail Banking (\$m)



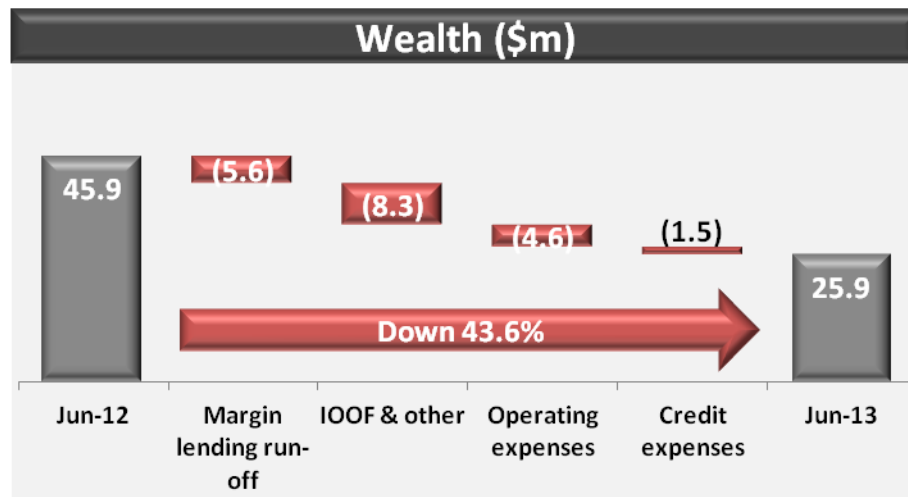
### Third Party Banking (\$m)



### Rural Bank (\$m)



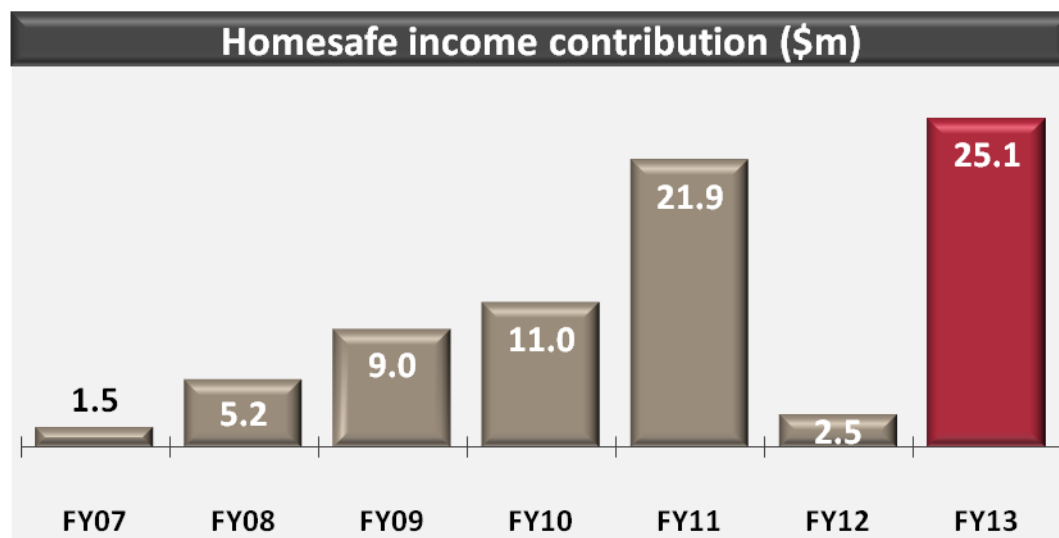
### Wealth (\$m)



Note – Graphs refer to segment performance on p23 in 4E, excludes central functions.

## Homesafe contribution

- YTD index changes
  - Melbourne +3.7%
  - Sydney +3.9%
- Portfolio has grown to circa \$300m

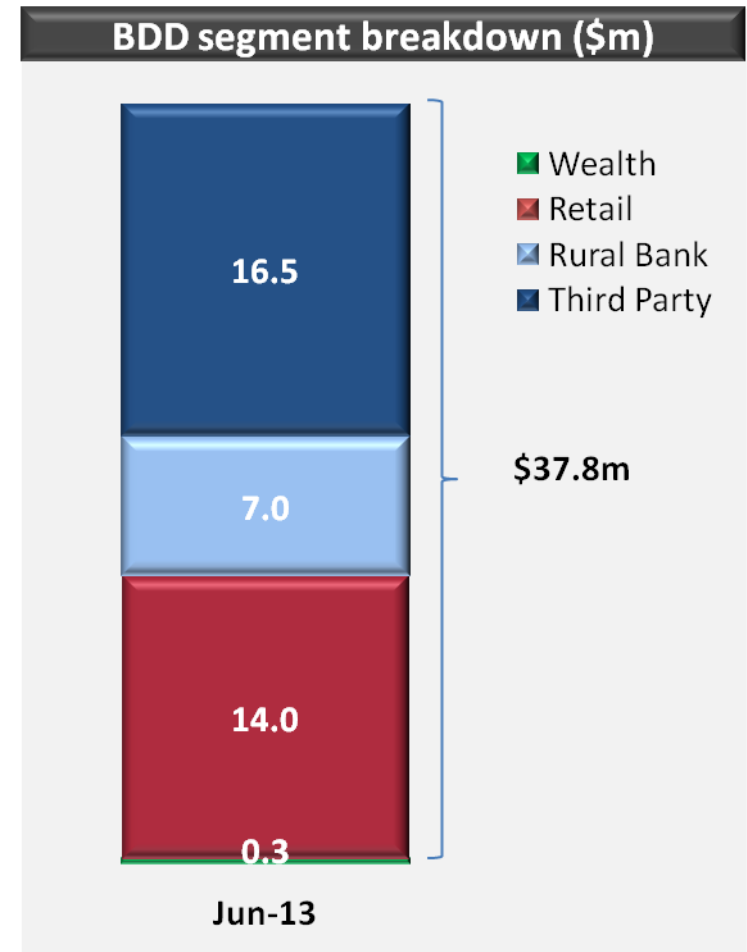
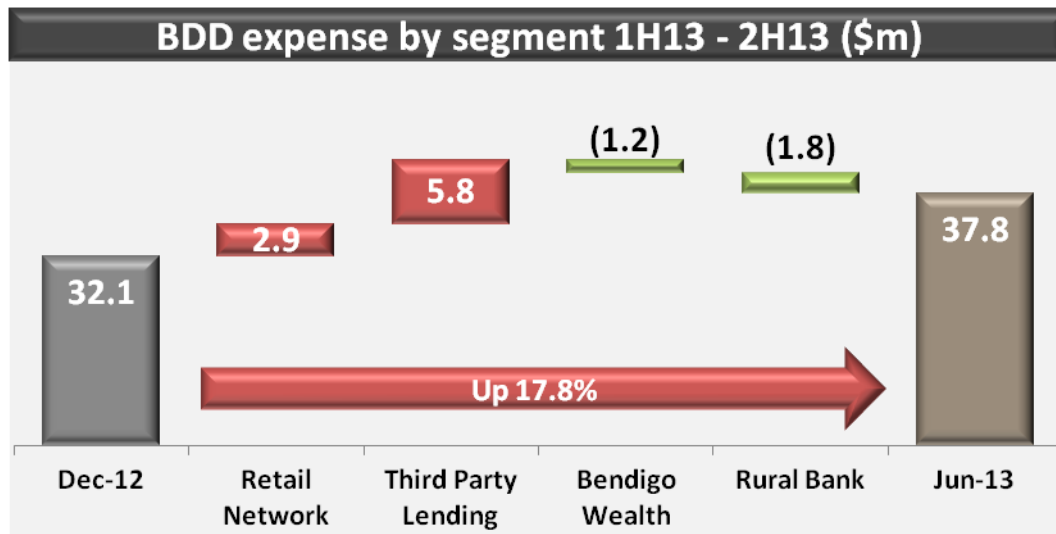


<sup>1</sup> Based on calendar years



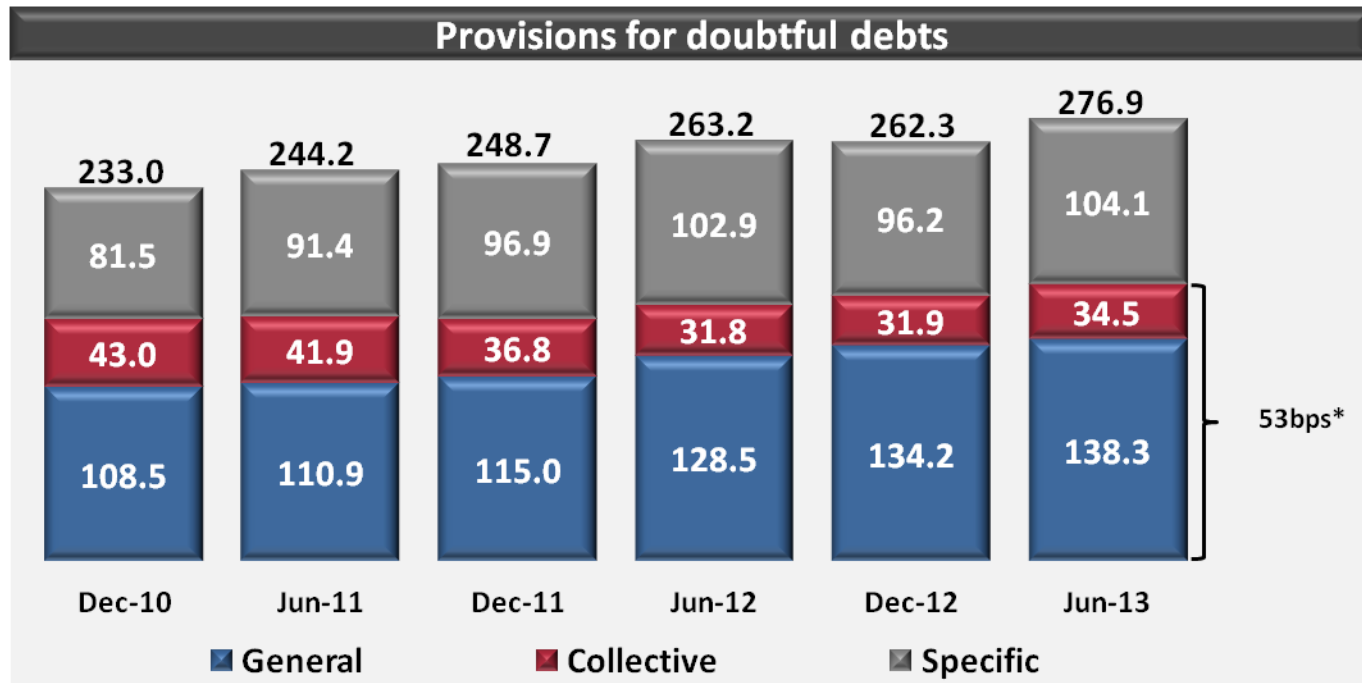
## Bad and doubtful debts

- Credit costs remain at relatively low levels, despite deterioration in FY13
- Existing credit issues from Rural Bank and Great Southern MIS investors continue to dominate



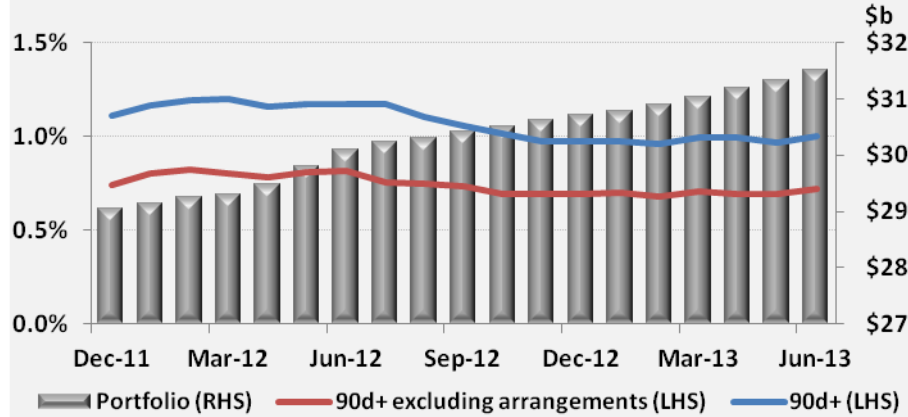
## Bad and doubtful debts cont

- Provisioning remains well in excess of historical loss experience
- Portfolio remains well secured, with low LVR's

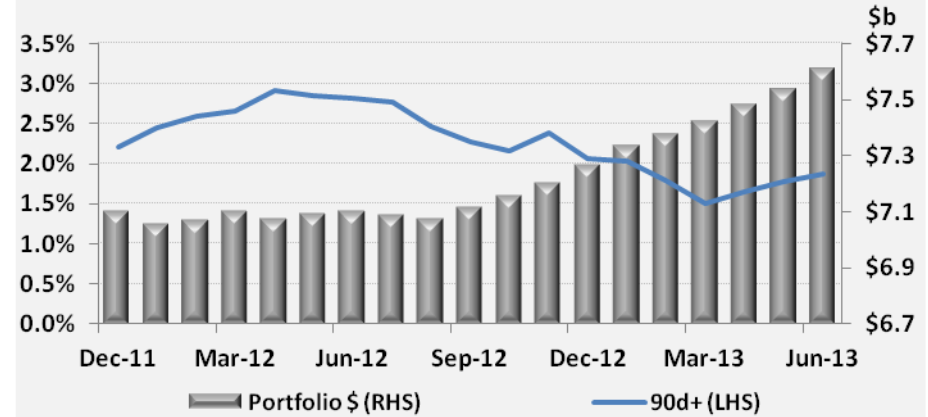


# Arrears – 90 days+

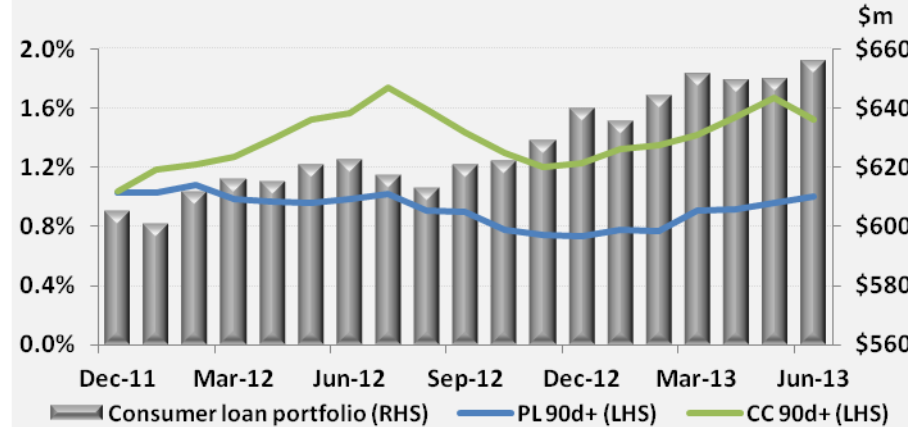
## Residential loan arrears



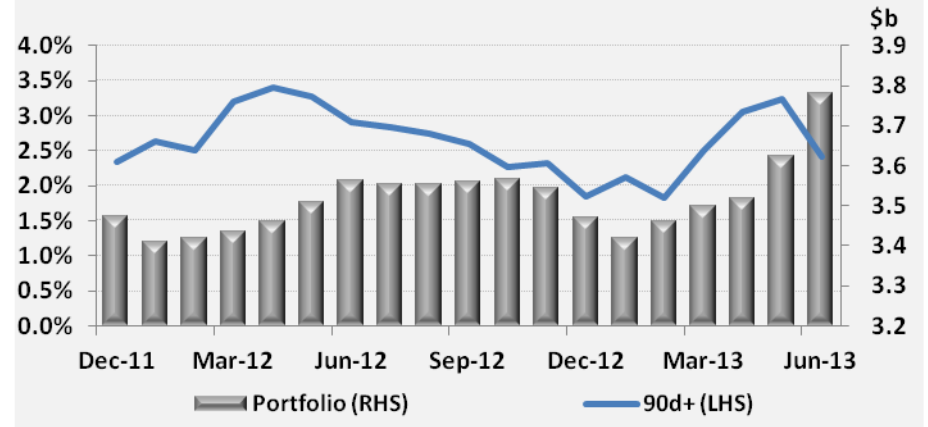
## Business loan arrears



## Consumer loan arrears



## Rural Bank loan arrears



Mike Hirst

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Group Managing Director

## In summary....

### Certain

- More regulation
- Greater competition
- Technology disruption
- Constrained growth
- More opportunities
- Customer activism (social media)
- The smallest challenged







### Uncertain

- Economy
- Credit outcomes
- Funding cost and options
- Who are our competitors?
- Basis of competition (new models)
- Customer loyalty
- Security

# Questions



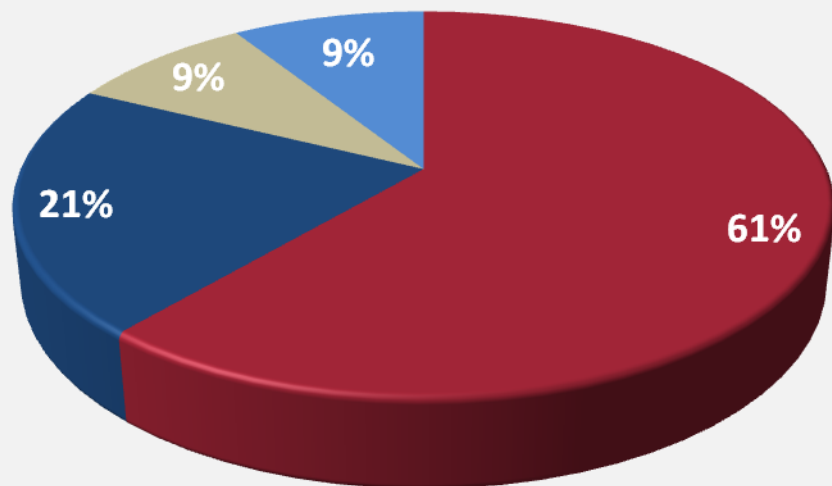
## A portfolio of diverse businesses

Business	Segment	Business conditions
	Domestic bank operating five distinct brands	<ul style="list-style-type: none"> <li>• Difficult and uncertain market conditions remain</li> <li>• Unique community, customer, and partner proposition</li> </ul>
	Consumer and SME banking	<ul style="list-style-type: none"> <li>• #1 banking brand for customer and business satisfaction, and advocacy</li> <li>• Unique business model – positioned for growth through business cycle</li> <li>• Retail residential mortgages growing above system</li> </ul>
	Third party channel	<ul style="list-style-type: none"> <li>• Strong independent brand</li> <li>• Upgrading key systems</li> <li>• Origination channel of choice for many consumers</li> </ul>
	Margin lending, wealth management, superannuation	<ul style="list-style-type: none"> <li>• Independent provider of choice in select products</li> <li>• Increased investment in IT and distribution capability</li> <li>• Margin lending at inflection point</li> </ul>
	Agri-business banking	<ul style="list-style-type: none"> <li>• Growing brand and distribution</li> <li>• Long-term prospects for agricultural services strong</li> </ul>
	Consumer and SME banking for Hellenic communities	<ul style="list-style-type: none"> <li>• Strong strategic fit with BEN business model</li> <li>• Track record of organic loan growth and deposit retention</li> </ul>

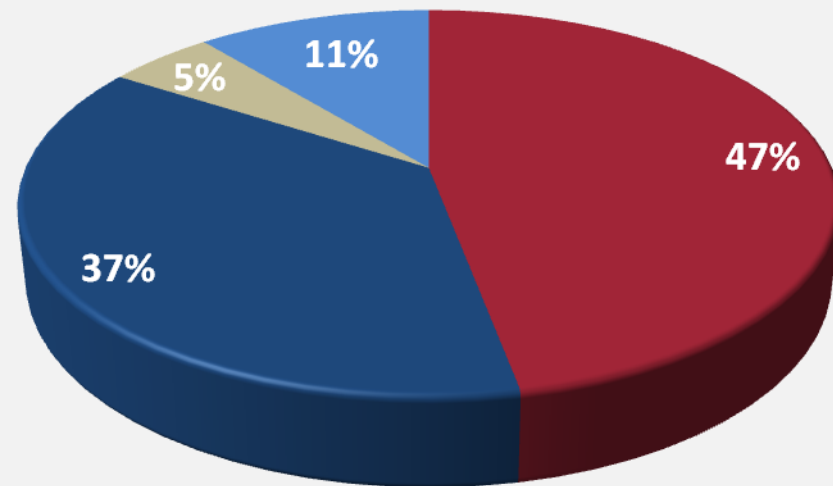


## Diversity of revenue and profit contribution

Contribution by revenue



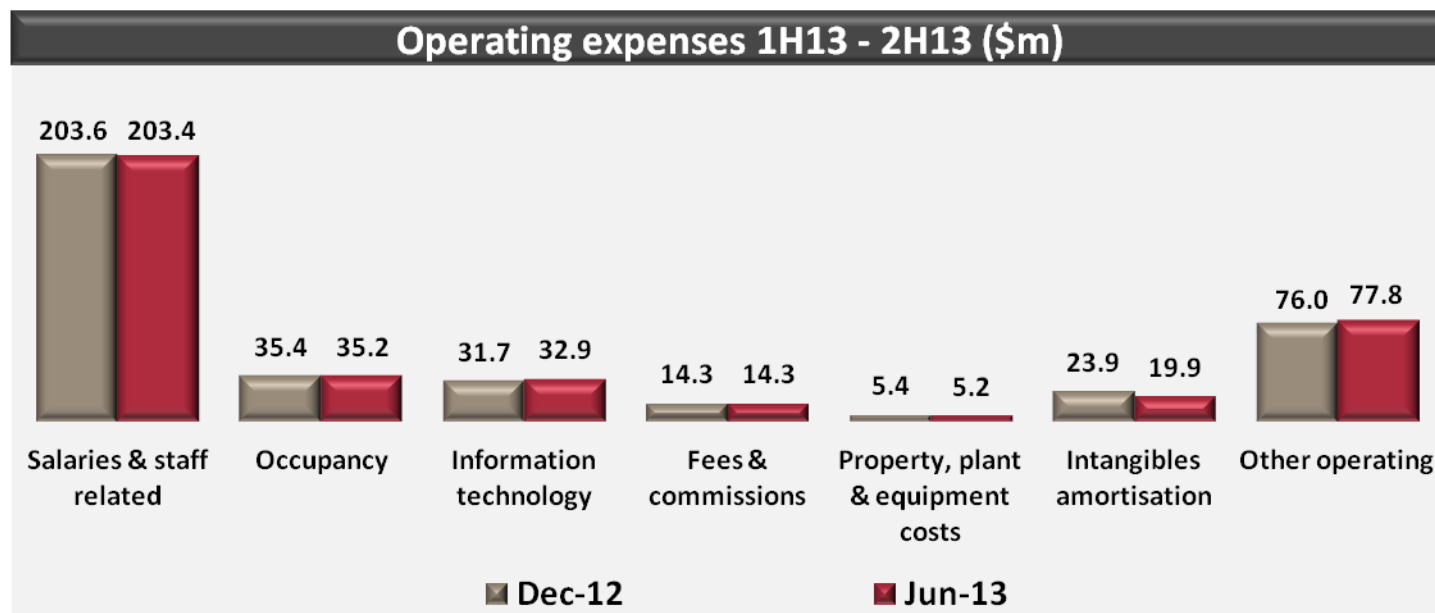
Contribution by profit



■ Retail   ■ Third party lending   ■ Wealth   ■ Rural Bank

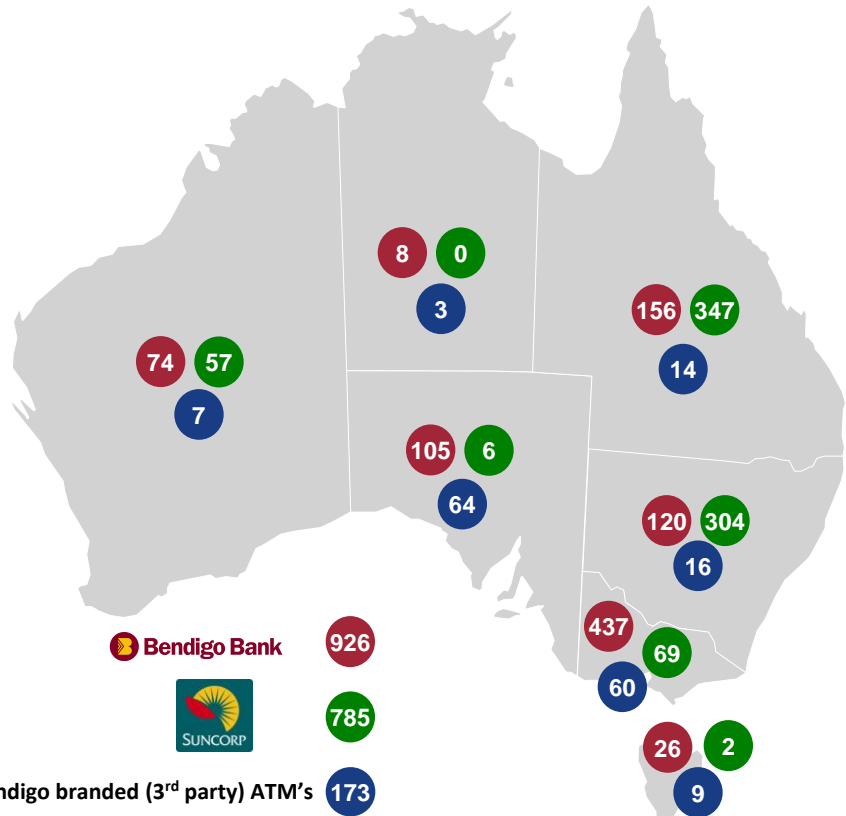
Note: Figures exclude central functions

## Operating expenses

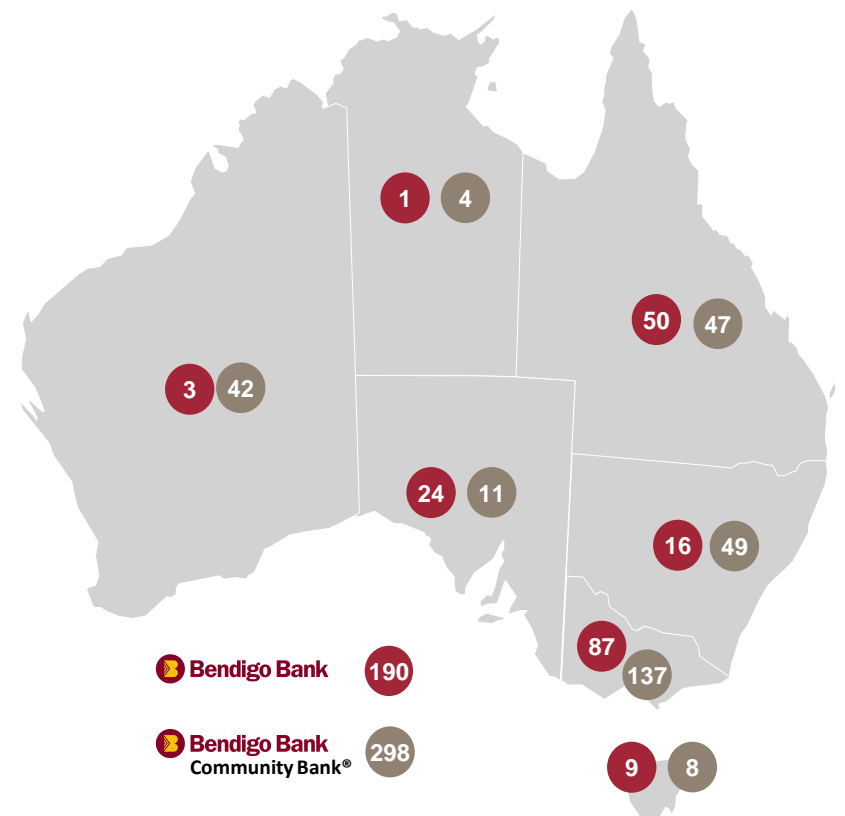


# Diverse geographic footprint

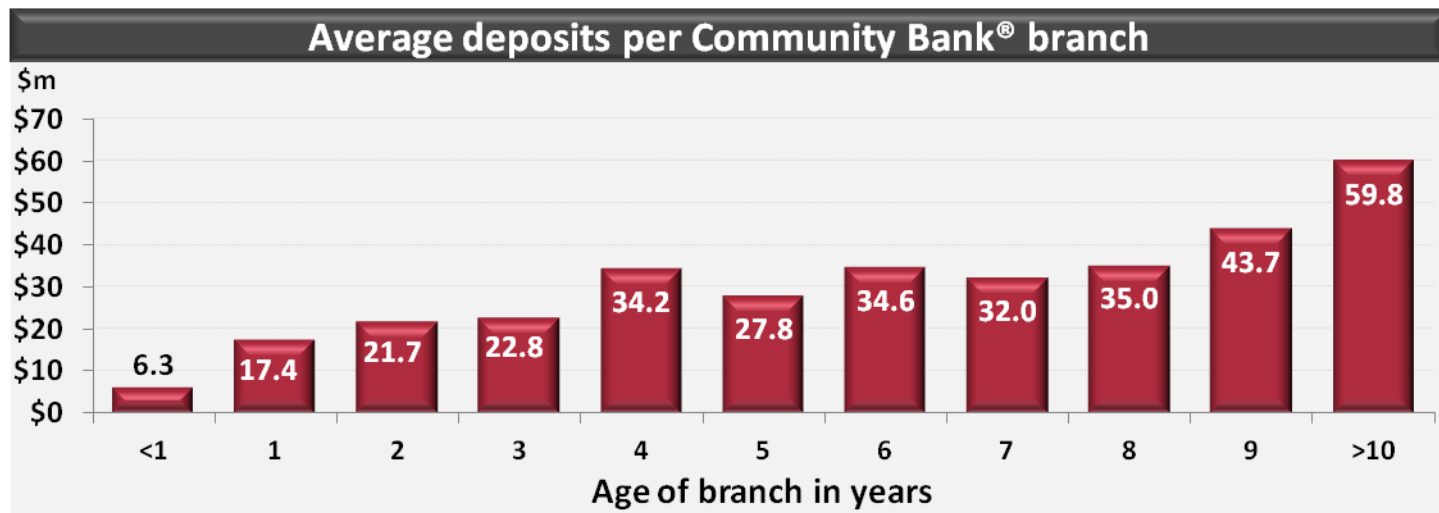
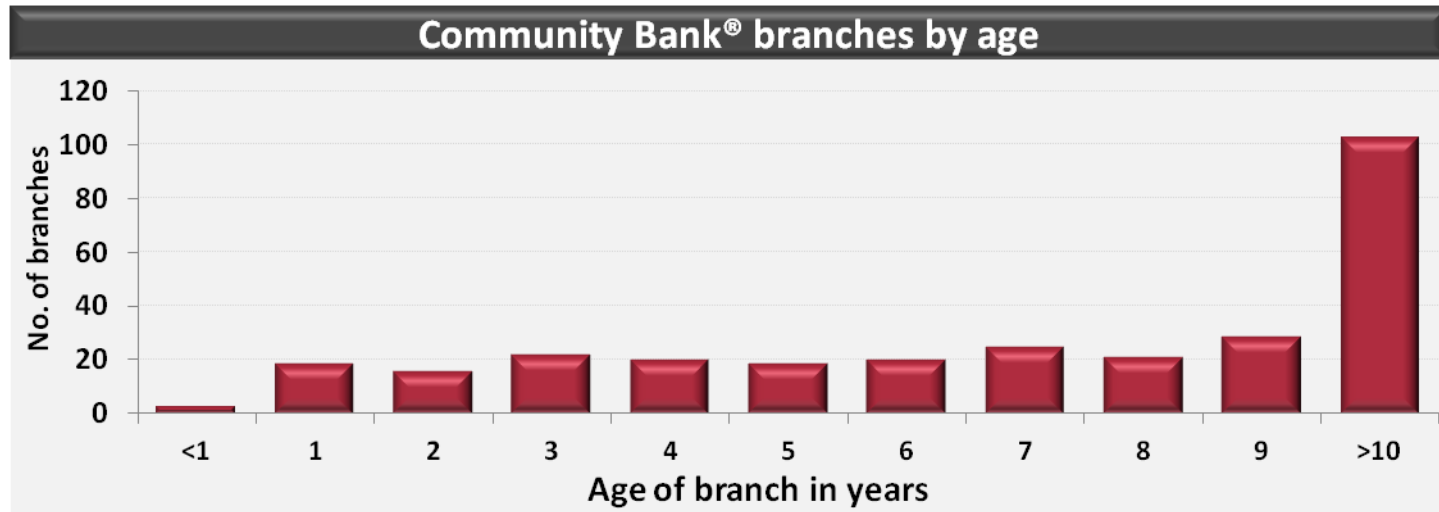
## 1884 ATM's



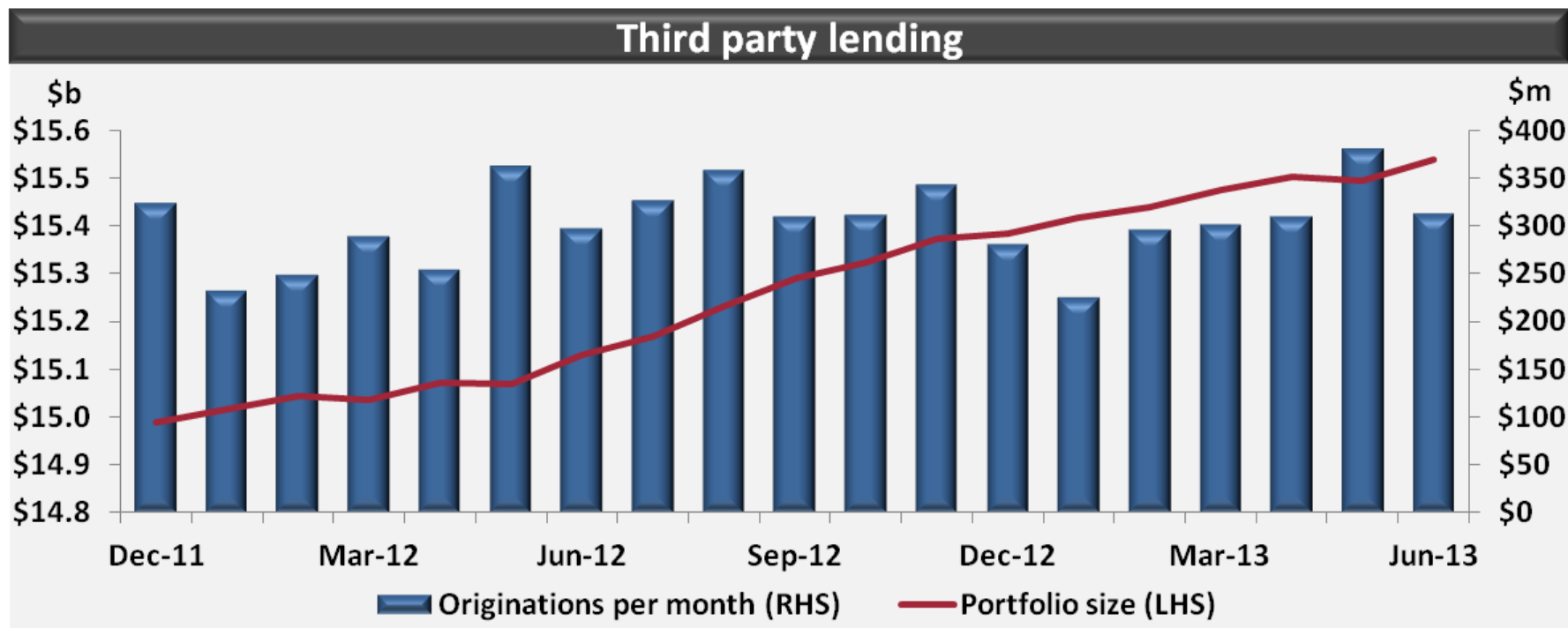
## 488 branches



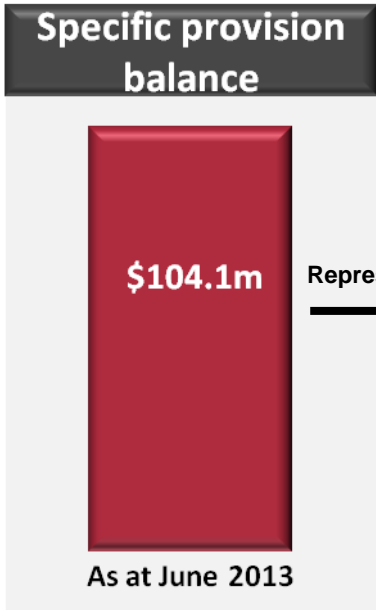
## Systemic growth in retail



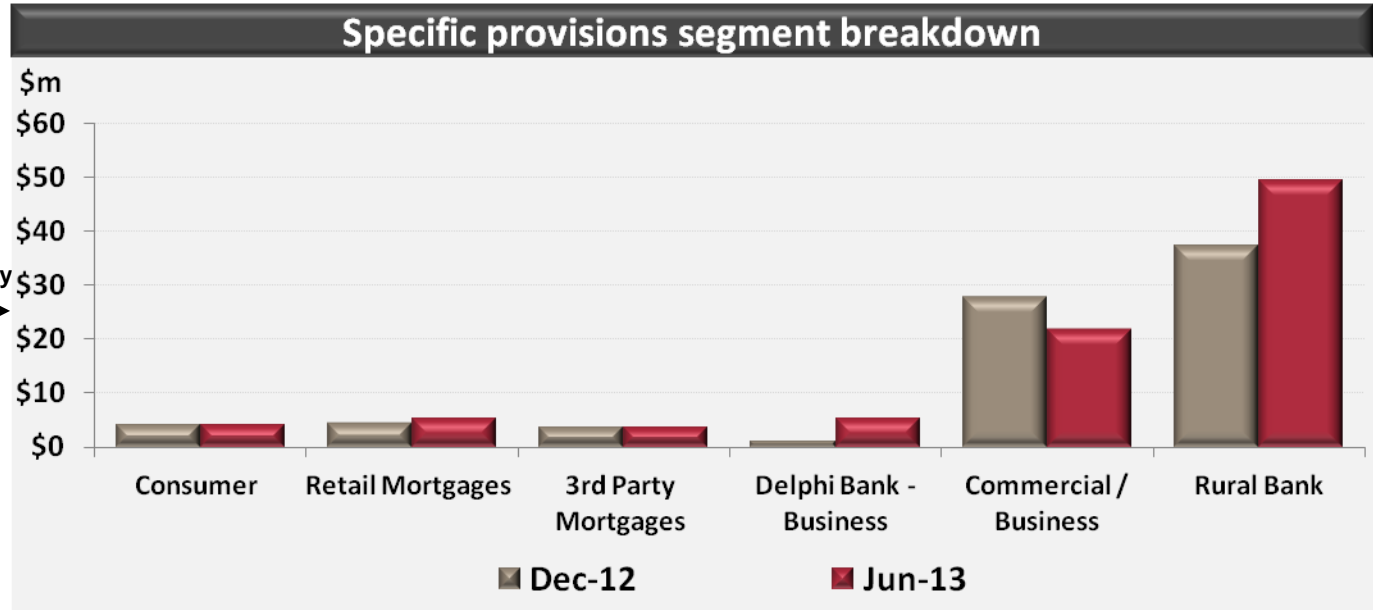
## Third party banking



# Specific provisions



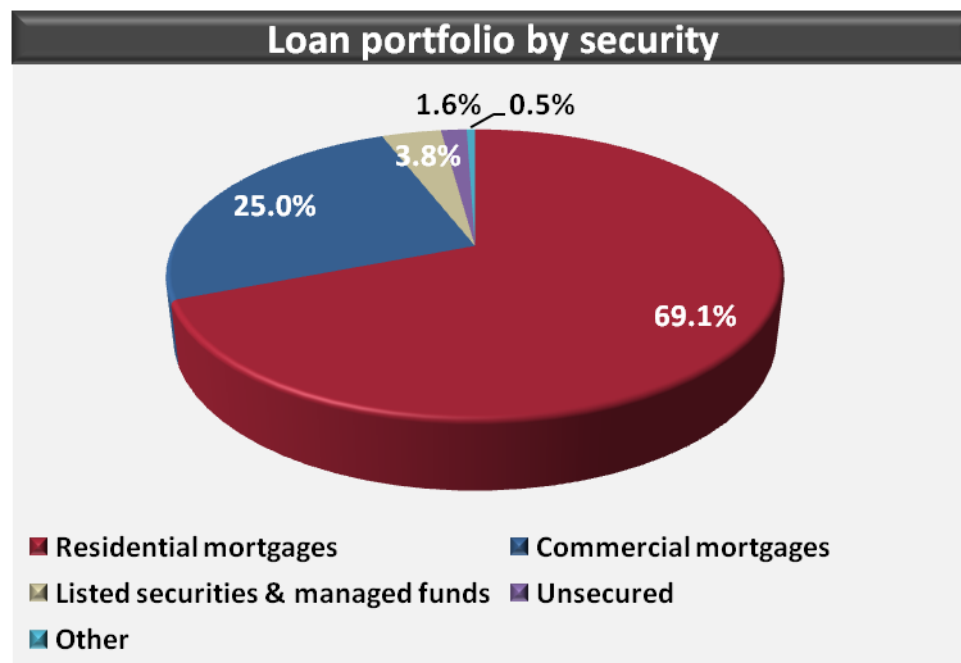
Represented by →



Provision as % of portfolio	Consumer	Retail Mortgages	3 <sup>rd</sup> Party Mortgages	Commercial/ Business	Rural Bank	Delphi Bank - Business	BEN total
Dec 2012	0.17%	0.03%	0.03%	0.38%	1.06%	0.16%	0.21%
June 2013	0.17%	0.03%	0.03%	0.29%	1.31%	0.07%	0.23%
Portfolio as % of gross loans	5.2%	33.6%	29.5%	15.2%	7.6%	1.85%	100%

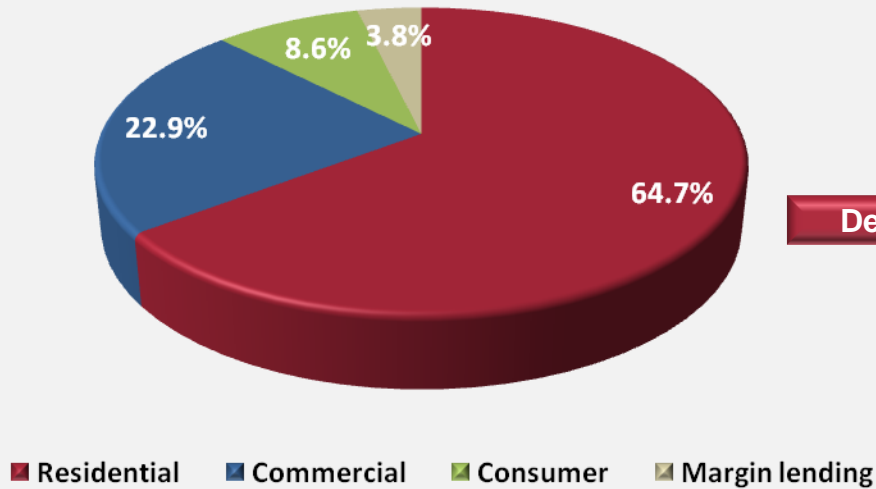
## Secure and low risk loan portfolios

- 98.4% secured
- 97.9% secured by mortgages and listed securities
- Residential lending
  - average LVR 62.5%
- Margin lending
  - average LVR 39%
  - 79% of portfolios held  $\geq 4$  stocks



## Group exposure – total \$50.7b

Loan portfolio by purpose



Detail

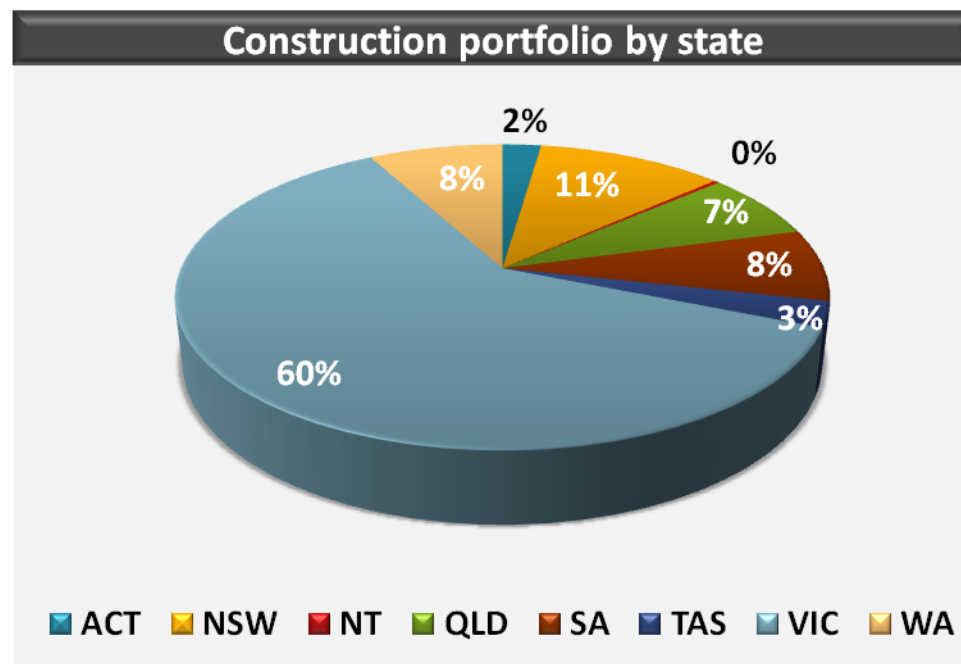
Residential Mortgages	Jun-13	Dec-12	Jun-12
Owner occupied	64.4%	63.6%	63.2%
Investment	35.6%	36.5%	37.0%
Lo Doc	5.2%	5.9%	6.5%
Retail mortgages	53.2%	52.3%	51.7%
Third Party mortgages	46.8%	47.7%	48.3%
Mortgages with LMI	40.3%	39.5%	42.5%
Average LVR	62.5%	62.2%	61.8%
Average loan balance	\$187k	\$185k	\$183k
90+ arrears inc arrangements	1.00%	0.97%	1.2%
90+ arrears excl arrangements	0.72%	0.70%	0.82%
Impaired loans	0.12%	0.09%	0.09%
Specific provisions	0.03%	0.03%	0.03%
Loss rate	0.02%	0.02%	0.03%
Variable/Fixed	79%/21%	80%/20%	79%/21%
First home owners % portfolio	8.3%	8.5%	8.5%
First home owners average LVR	72.0%	70.0%	71.2%

Note: All mortgage data above represented by loan purpose. Data excludes Rural Bank



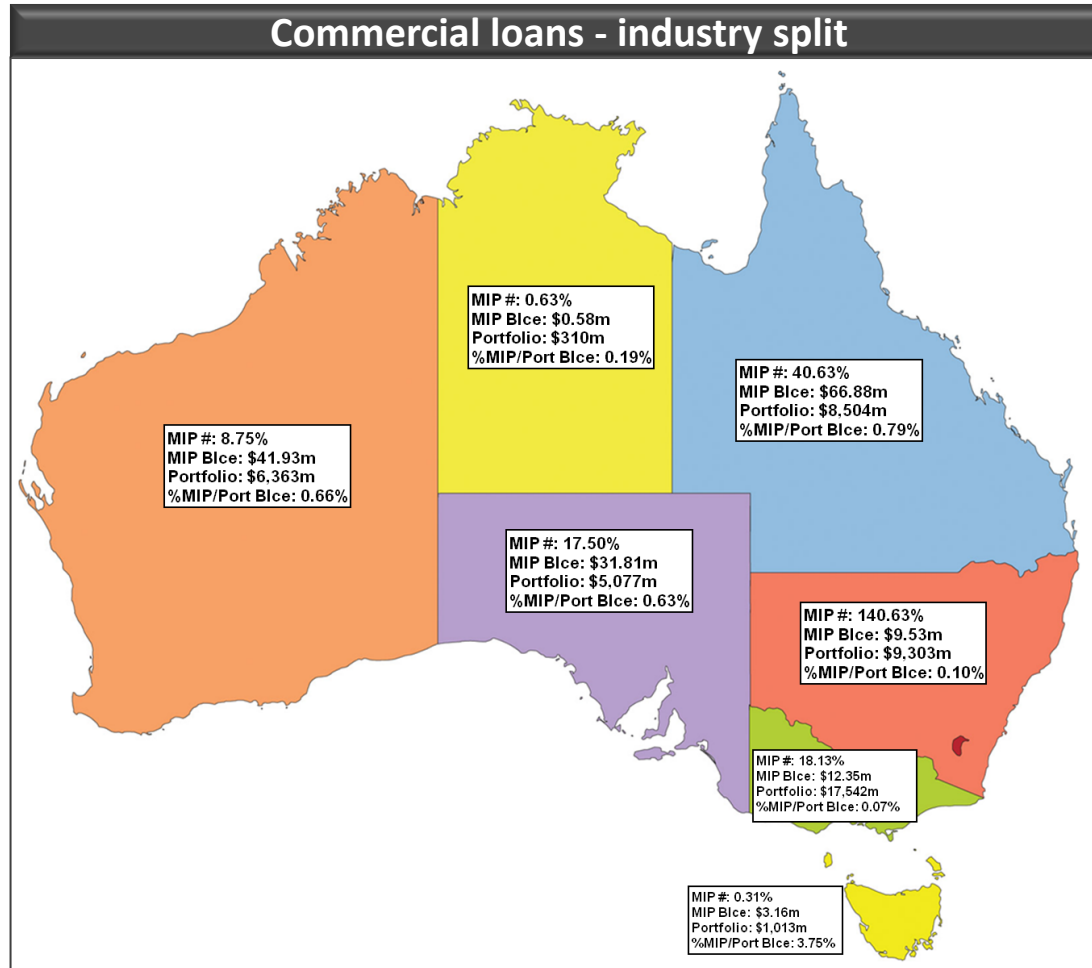
## Construction portfolio

- \$1.0b of loans
- 2.1% of total loans
- \$162k average loan size
- \$50.5m largest loan size
- Geographic spread
- \$21m impaired loans (down 27% from Dec-12)
- \$21.4m in arrears (2.1% 90 days+)



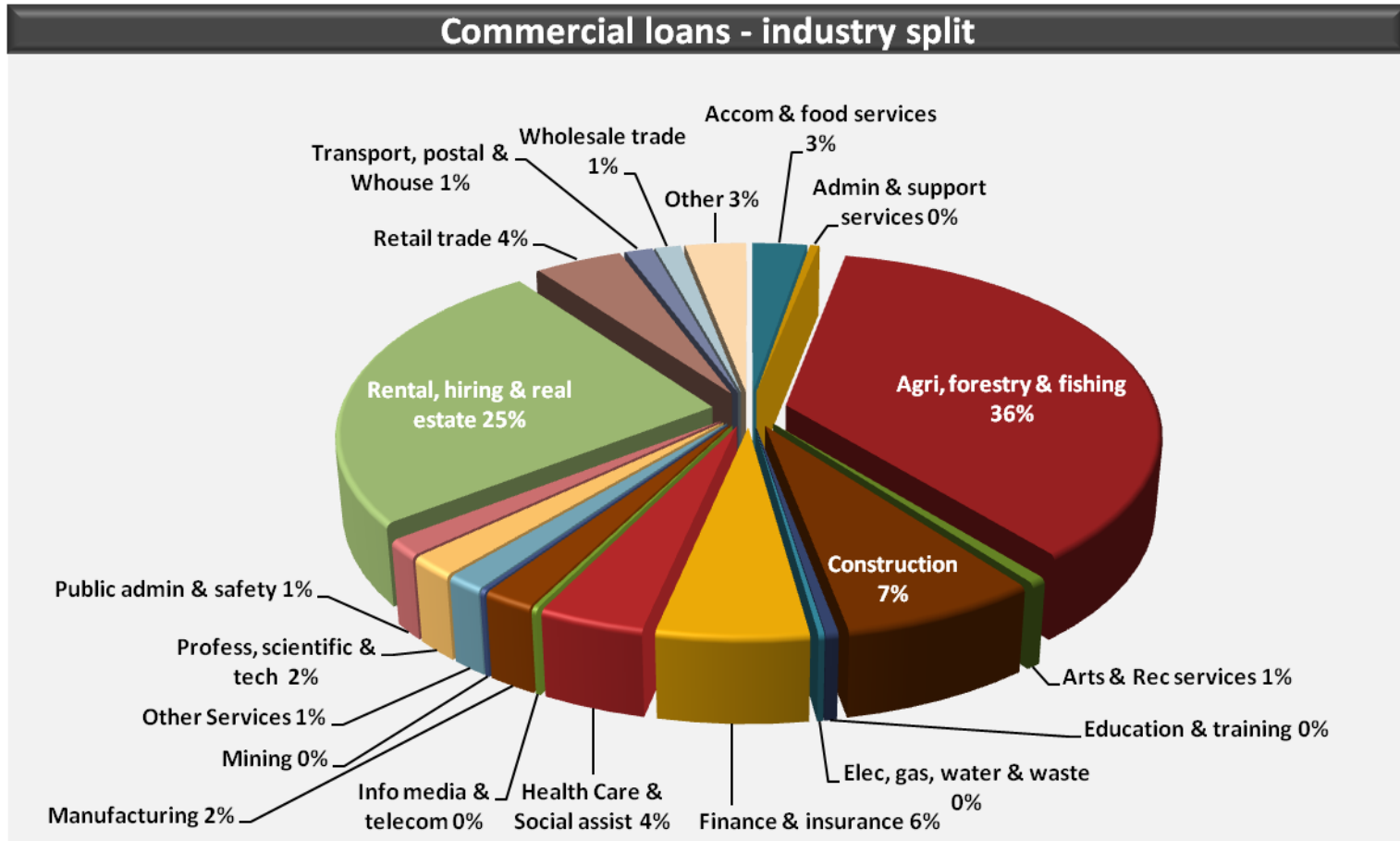
Note: Excludes Rural Bank

# MIP geographic distribution



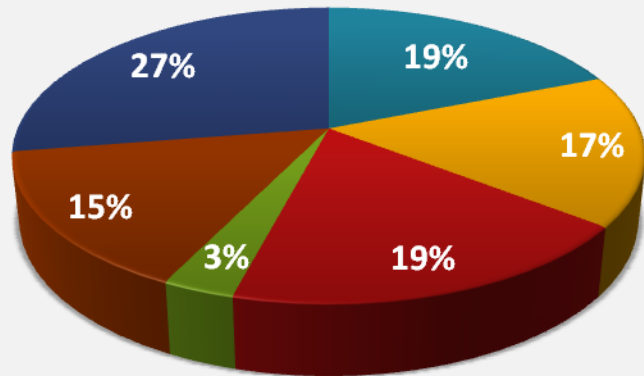
Note: Includes Commercial property MIP and Business Banking portfolio. MIP# represents the percentage of MIP by the number of loans.

# Commercial – industry split



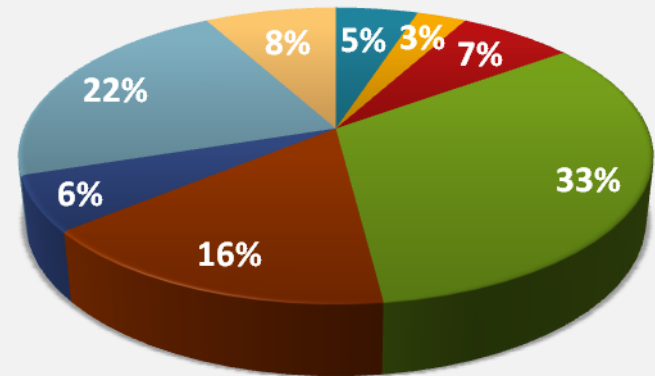
# Rural Bank – loans under management

Rural Bank - Loan portfolio geographic split



■ NSW ■ SA/NT ■ QLD ■ TAS ■ VIC ■ WA

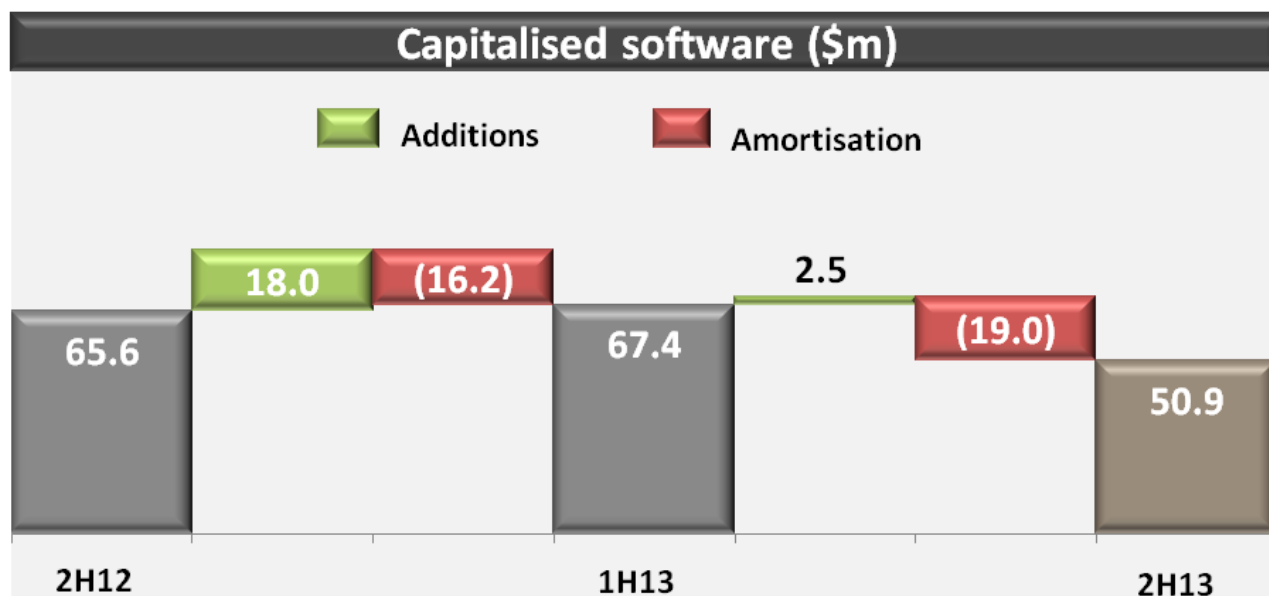
Rural Bank - loan portfolio industry split



■ Dairy ■ Hort & Vit ■ Grain  
 ■ Grain, Sheep & Beef ■ Sheep & Beef ■ Sheep  
 ■ Beef ■ Other

## Capitalised software

- Low levels of capitalised software
- Levels will increase as strategic initiatives continue (primarily Basel II Advanced Accreditation)



## **Analysts**

Will Rayner  
Head of Capital and Investor Relations  
Bendigo and Adelaide Bank Limited  
Tel: +61 8 8220 7764  
Mob: +61 437 794 366  
Email: [will.rayner@bendigoadelaide.com.au](mailto:will.rayner@bendigoadelaide.com.au)

James Officer  
Manager Investor Relations  
Bendigo and Adelaide Bank Limited  
Tel: +61 8 8300 6056  
Mob: +61 403 112 796  
Email: [james.officer@bendigoadelaide.com.au](mailto:james.officer@bendigoadelaide.com.au)

## **Media**

Silvana Donato  
Media and Communications Manager  
Bendigo and Adelaide Bank Limited  
Tel: +61 8 8220 7784  
Mob: +61 402 110 445  
Email: [silvana.donato@bendigoadelaide.com.au](mailto:silvana.donato@bendigoadelaide.com.au)