

Bendigo and Adelaide Bank

2013 half year results

February 18, 2013



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 half year results filed with the Australian Securities Exchange on 18 February 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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Disclaimer



- Overview
- Financial performance
- Outlook
- Questions
- Appendices

Mike Hirst

Group Managing Director

Overview



Our result

Financial performance - statutory profit after tax

- Statutory profit after tax \$189.4m
- Statutory profit after tax before specific items \$162.8m
- Statutory earnings per share 45.9¢
- Half year dividend of 30.0¢¹, fully franked

Financial performance - cash basis earnings

- Cash earnings of \$169.7m
- Cash earnings per share 41.9¢
- Cash basis earnings return on average tangible equity 13.4%

Our result

Balance sheet management

Funding

- 10 basis point NIM improvement half-on-half
- Strategic approach to funding taking into account price, diversity and tenor
- Issued our first senior unsecured wholesale issue since the GFC
- Issued post balance-date RMBS at tightest margins since the GFC
- Strength of our retail network continues to be reflected in retail funding growth and retention

Capital

- Improvement in Tier 1 capital ratio from 8.39% to 9.31% over the reporting period
- Basel III pro-forma Core Tier 1 of 8.02%
- Maintain industry-leading S&P risk adjusted capital (RAC) ratio

Efficiency

- Cost growth of 1.7% half-on-half
- Cost growth ex acquisitions 1.2% - despite impost of major projects
- Staff numbers remain steady

Well placed in a low credit growth environment...

1. Solid and established platform

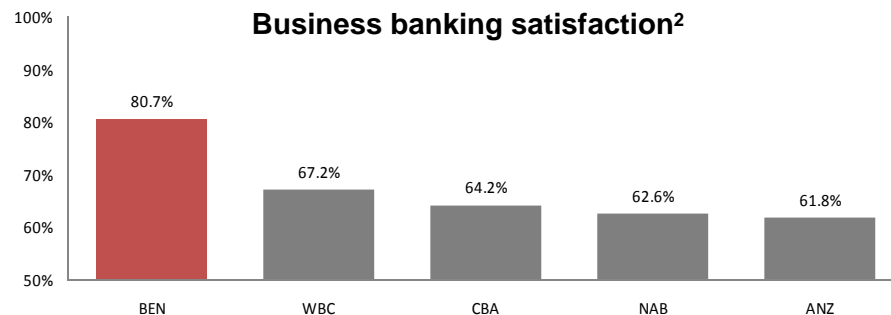
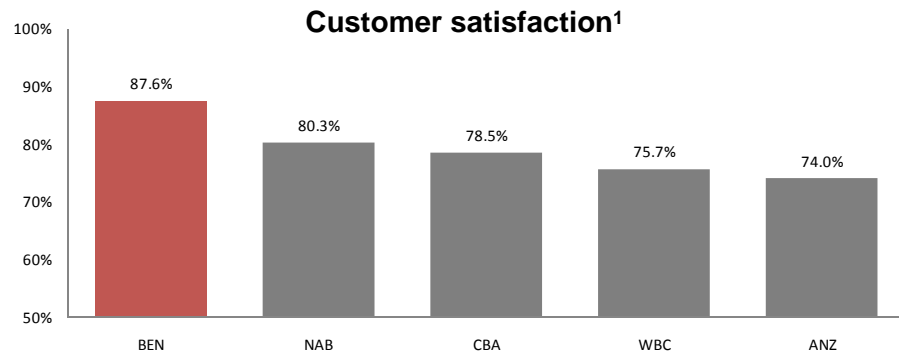
- Improving efficiency, scale, and stable cost structure
- Balance sheet strength, and positive ratings momentum
- Increased wealth distribution capability
- Bolt-on and opportunistic M&A
- Robust core banking platform

2. Strategic investments

- Community Bank® network
- Delphi Bank (formerly Bank of Cyprus Australia)
- Southern Finance
- Advanced accreditation - Basel
- Customer led connections
- Community Telco

... supported by a differentiated customer value proposition

- Continued maturation of **Community Bank®** and retail network
- Brand and customer advocacy
 - Voted Australia's favourite bank³
 - Voted best day to day banking³
 - Current Business bank of the year⁴



Overview



1. Roy Morgan Research consumer banking in Australia customer satisfaction report September 2012—main financial institution satisfaction

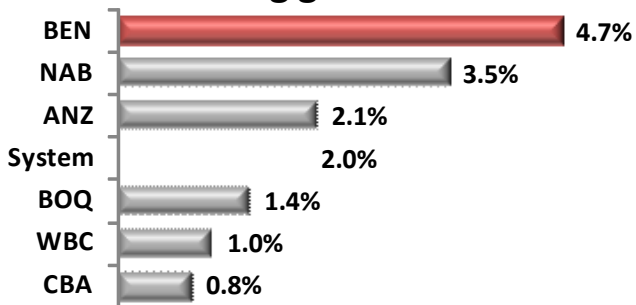
2. Roy Morgan Research business banking satisfaction report September 2012 – main financial institution satisfaction

3. Financial Review smartinvestor magazine – Smart Investor League of Exceptional Service survey

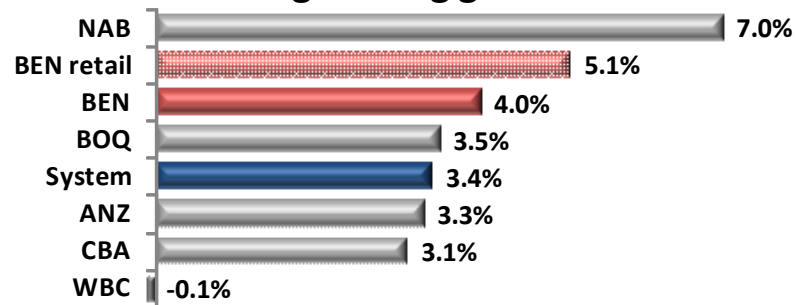
4. Roy Morgan business bank of the year 2011 award

... leads to market outperformance

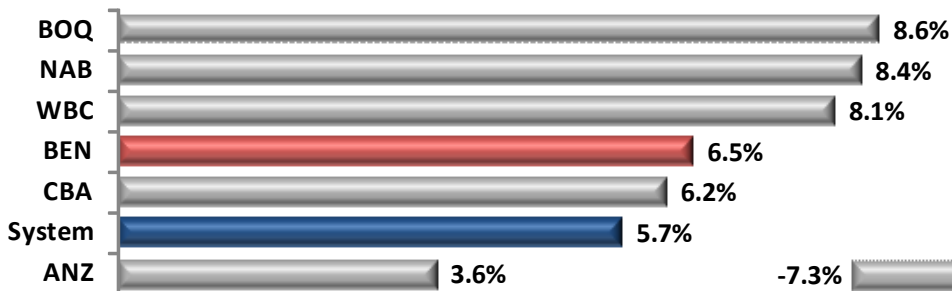
Total lending growth - 6 months¹



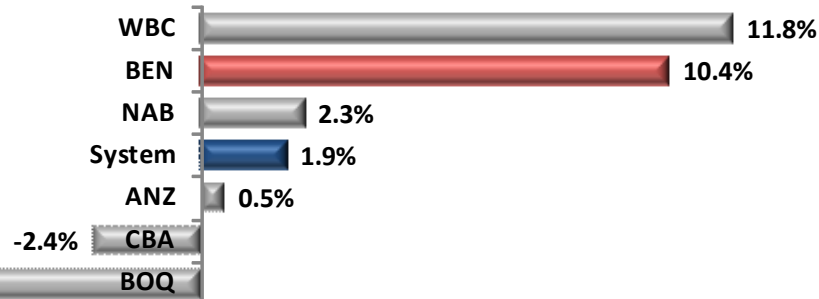
Housing lending growth - 6 months^{1,2}



Total deposit growth - 6 months¹



Business lending growth - 6 months¹



Overview



1. Source: APRA statistics December 2012, Nomura research. 6-month growth rates annualised

2. BEN housing growth of 5.1% is for retail origination channel only

Richard Fennell

Chief Financial Officer

Financial performance



	1H13	2H12	1H12	PCP change
Net profit after tax (\$m)	189.4m	137.1m	57.9m	227.1%
Cash earnings (\$m)	169.7m	160.4m	162.6m	4.4%
Cash EPS	41.9¢	40.5¢	43.9¢	2c
Dividend per share ¹	30.0¢	30.0¢	30.0¢	--
Cost to income (%)	57.8	59.8	58.2	(40 bps)
Cost to average assets (%)	1.30	1.31	1.28	2 bps
Tax rate on cash earnings (%)	29.2	29.5	30.4	120 bps
Net interest margin (%)	2.18	2.08	2.13	5 bps
Cash basis return on tangible equity (%)	13.37	13.36	14.81	(144 bps)
Cash basis return on equity (%)	8.38	8.21	8.52	(14 bps)

Balance Sheet	1H13	PCP change
Total assets (\$bn)	58.5b	4.5%
Total liabilities (\$bn)	54.1b	4.4%
RWA's (\$bn)	29.4b	10.5%

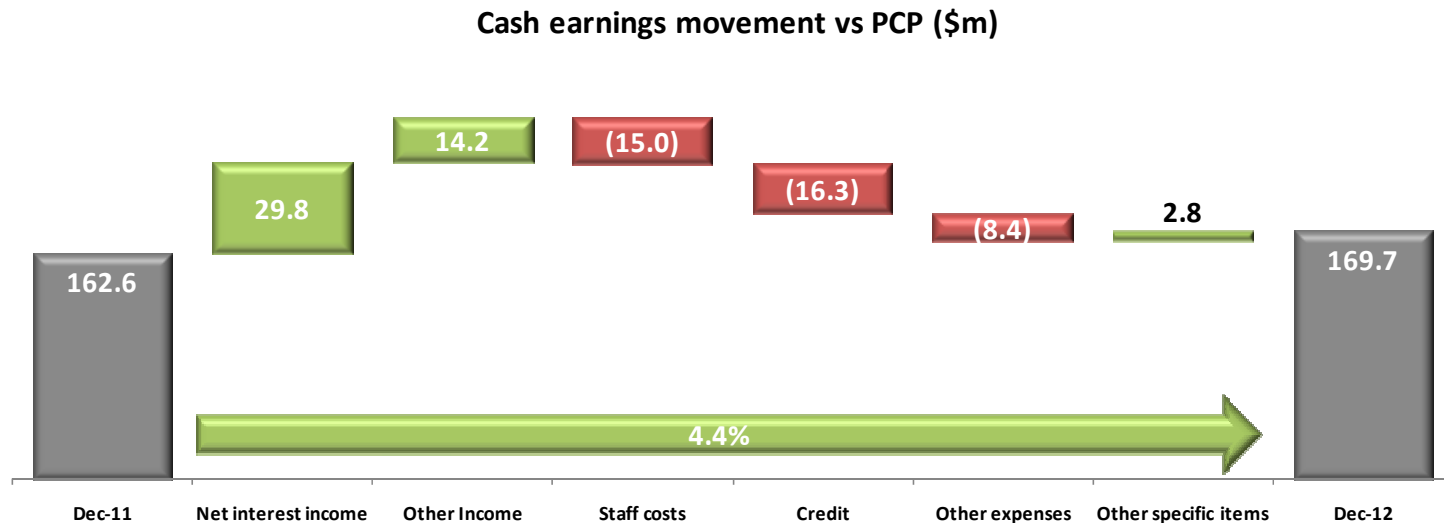
Capital and funding	1H13	Change (2H12)
Tier 1 capital (%)	9.31	92 bps
Total capital (%)	11.07	66 bps
Deposit funding ¹ (%)	80.0	--

Financial performance



Improvement in cash earnings

- Strong NII performance
- Costs contained
- Credit impacted by Queensland rural property prices

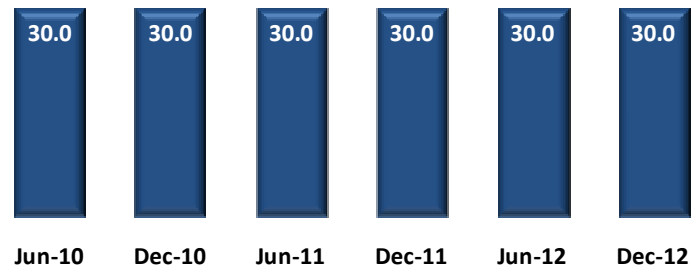


Financial performance

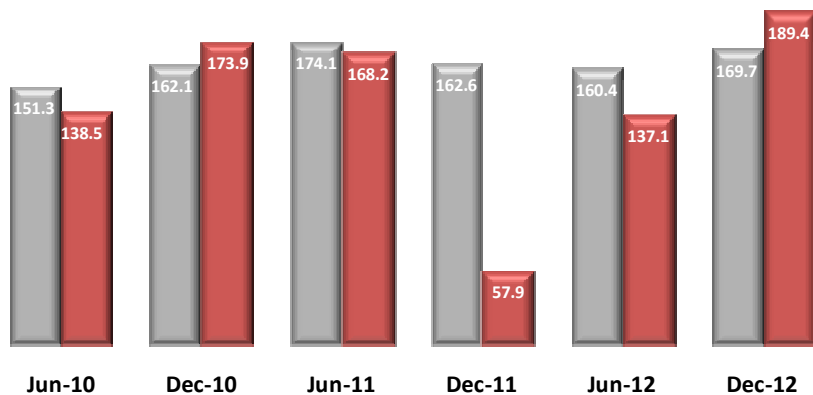
Group performance

- Dividend maintained at 30 cents
- Improving cash basis earnings
- Capital aligned to Basel III

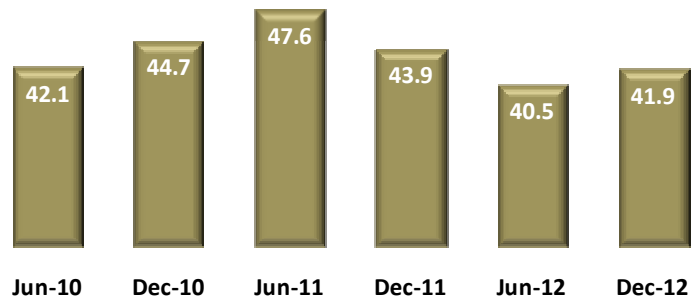
■ Dividends (cents)



■ Cash basis earnings (\$m) ■ Statutory profit (\$m)



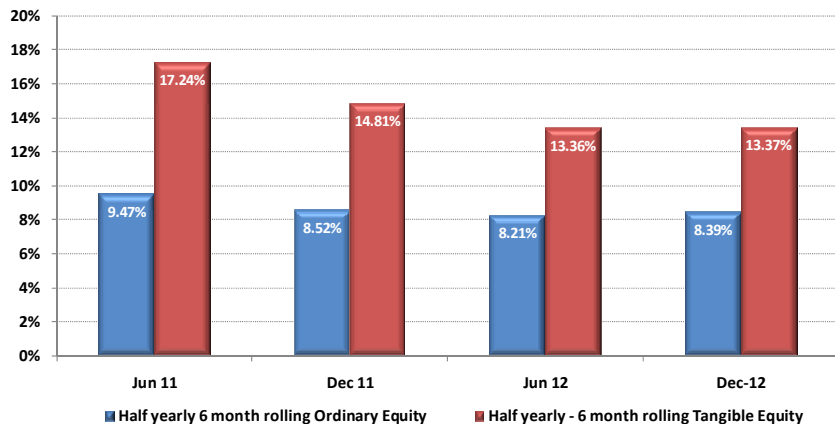
■ Cash earnings per share (cents)



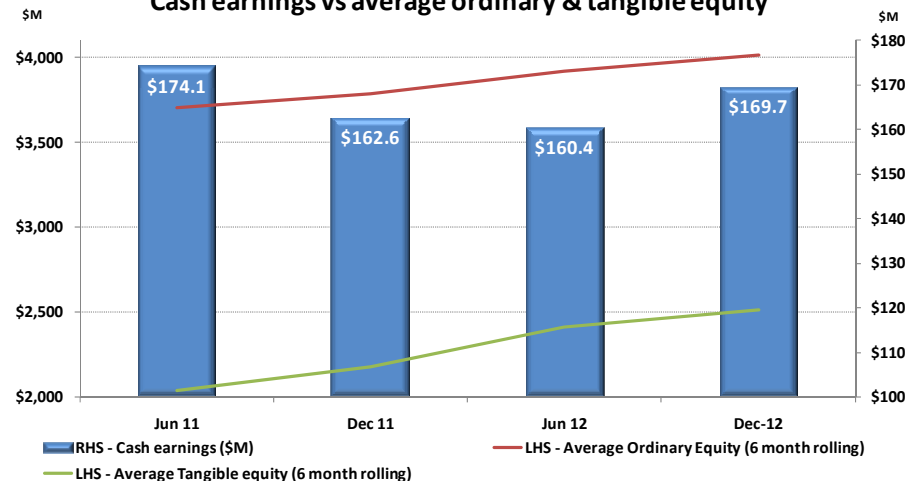
Financial performance

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

ROE & ROTE



Cash earnings vs average ordinary & tangible equity

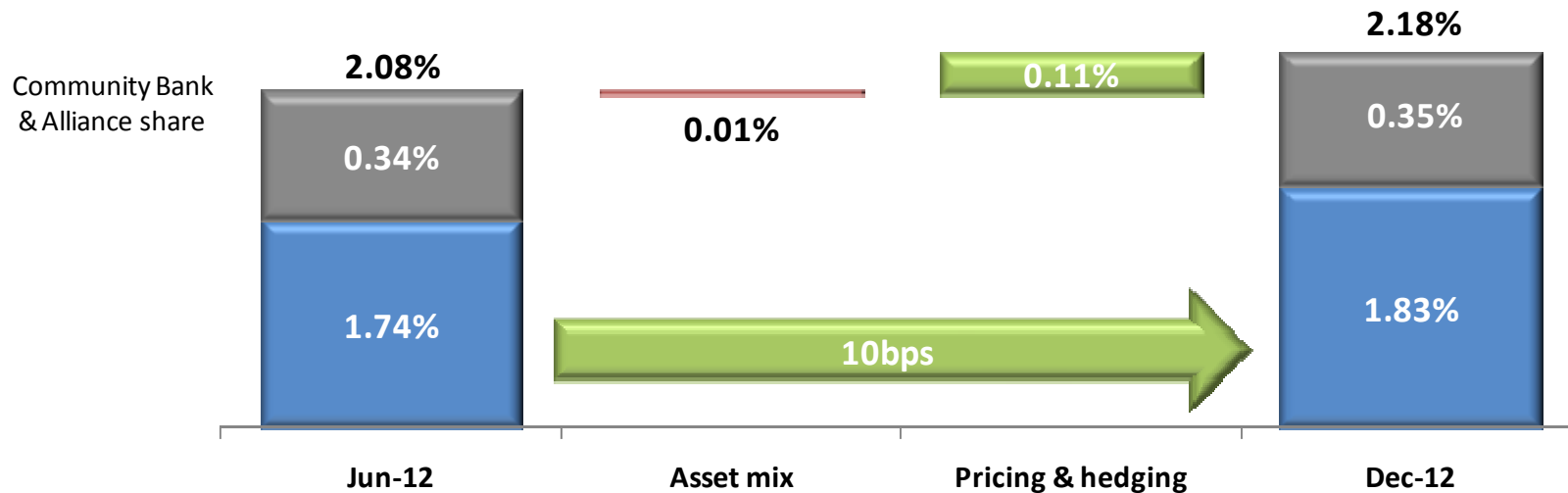


Financial performance



•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

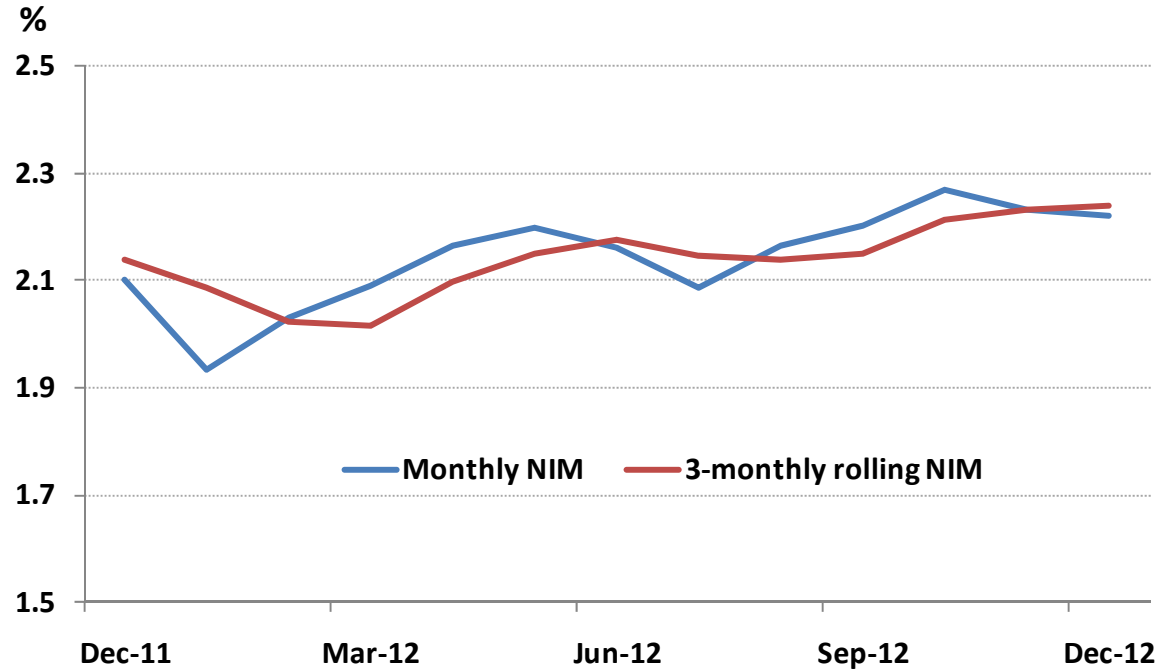
Net interest margin (%)



Financial performance

Net interest margin (%)

- Continued pricing discipline through asset and liability channels
- Prior headwind of declining margin lending portfolio abating
- Wholesale funding alternatives will be accessed on a strategic basis – taking into account price, tenor and diversity

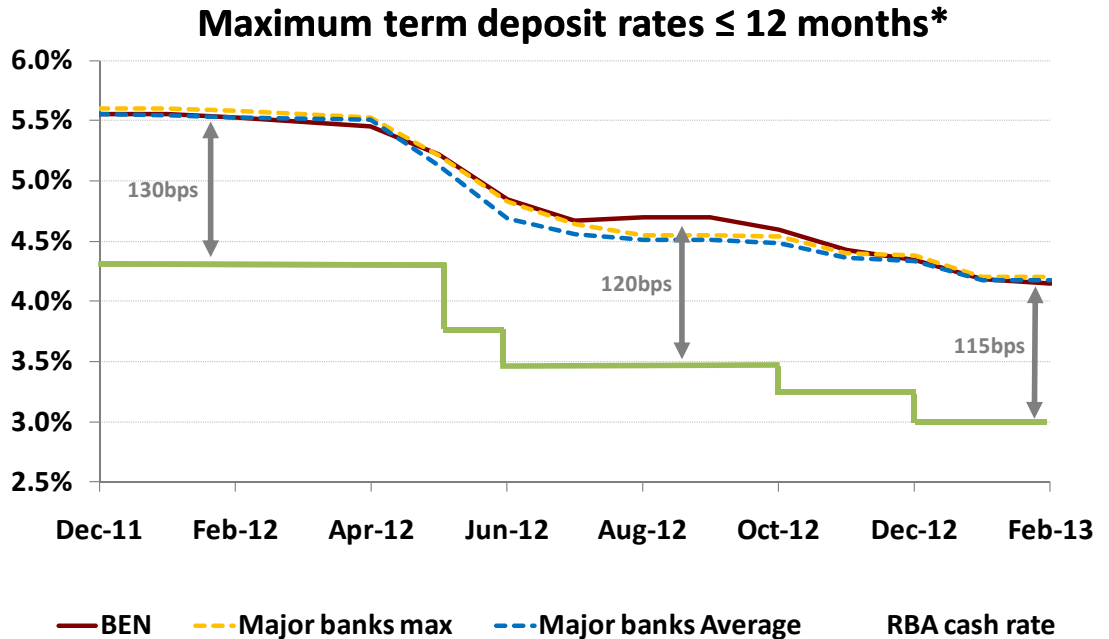


Financial performance



Marginal retail funding

- Competition for retail deposits has remained very high
- BEN maintains strategy of growth at profitable prices



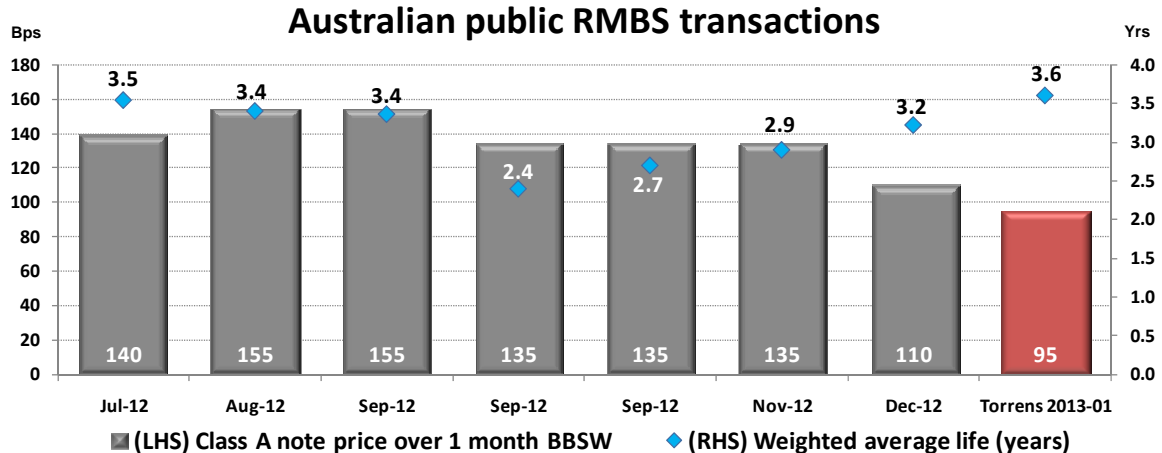
Financial performance



*Source: Company data. Major bank average does not include subsidiary or challenger brands

Non-deposit funding opportunities

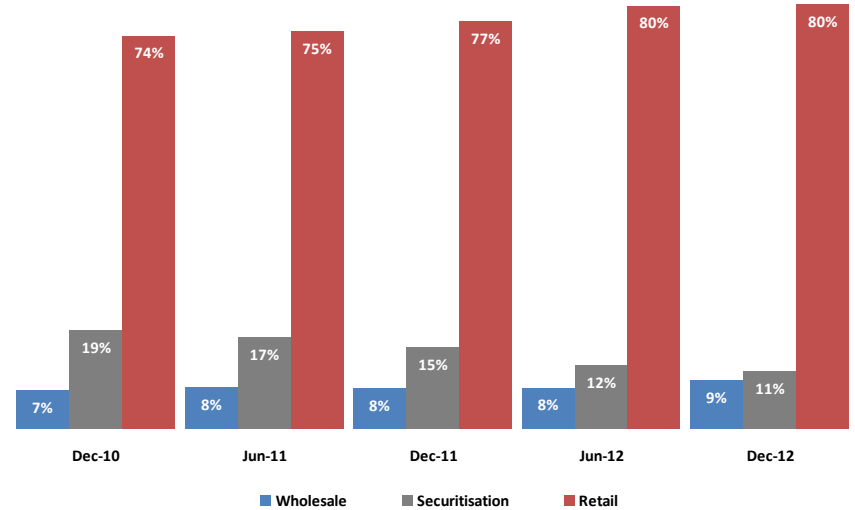
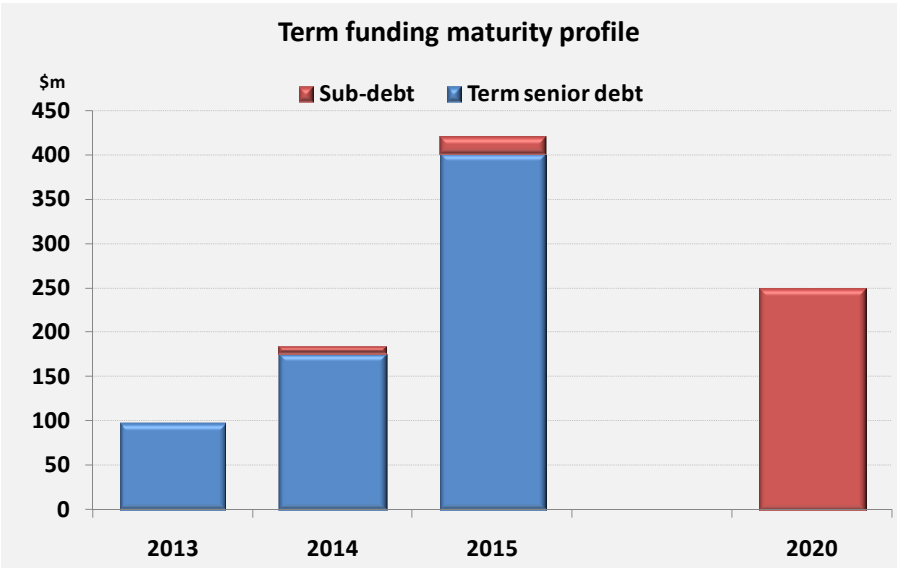
- Recent ratings upgrades and general market improvement have provided wholesale funding opportunities
- BEN has issued term senior unsecured for the first time since the GFC – with the offer trading well on secondary markets
- TORRENS 2013-01 securitisation offer (February 2013) priced at the best levels since the GFC – and was capital effective



Financial performance



Funding remains a strength



Financial performance

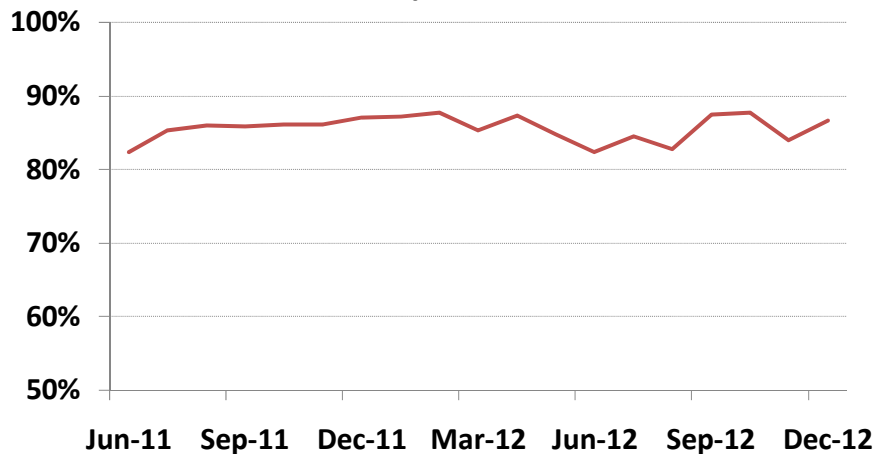


Note : Term funding maturity profile as at 31 Jan 2013

Retail deposits

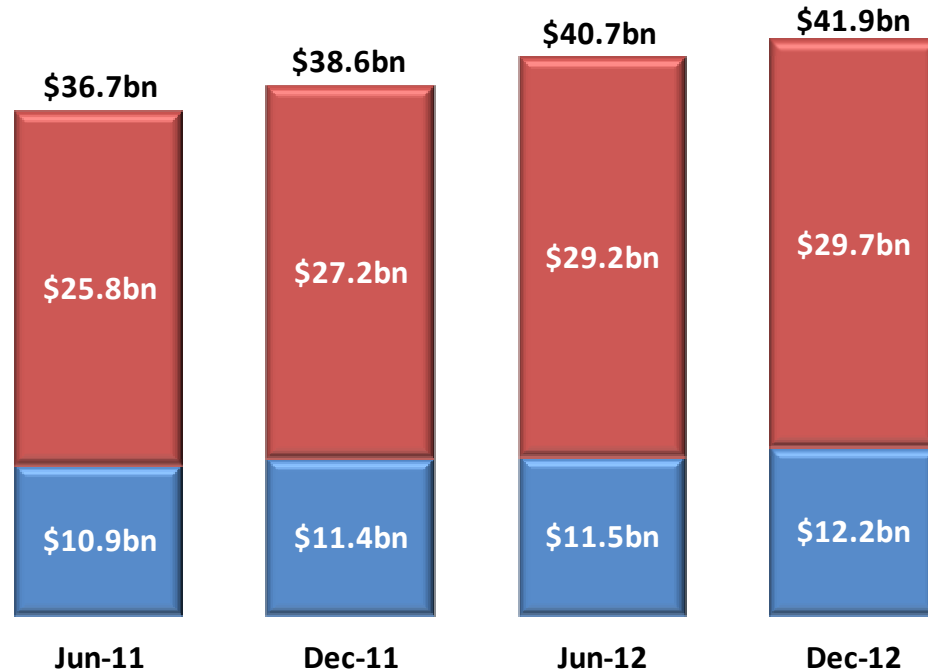
- Term deposits priced to manage liquidity
- Not a price leader – value proposition driven
- Term deposit retention rate consistently above 80%

Retail term deposit retention rate*



■ Retail call deposits

■ Retail term deposits



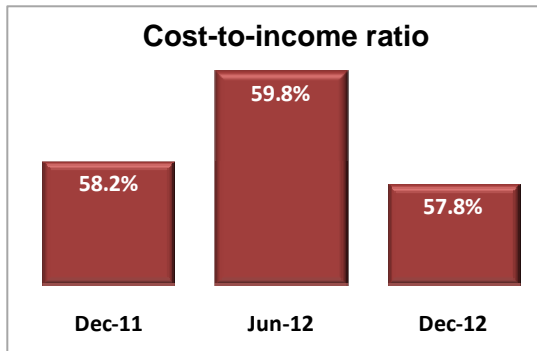
Financial performance



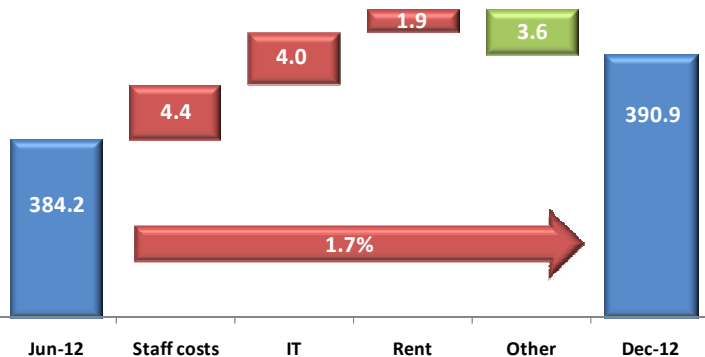
*Source: Company data

Efficiency focus remains

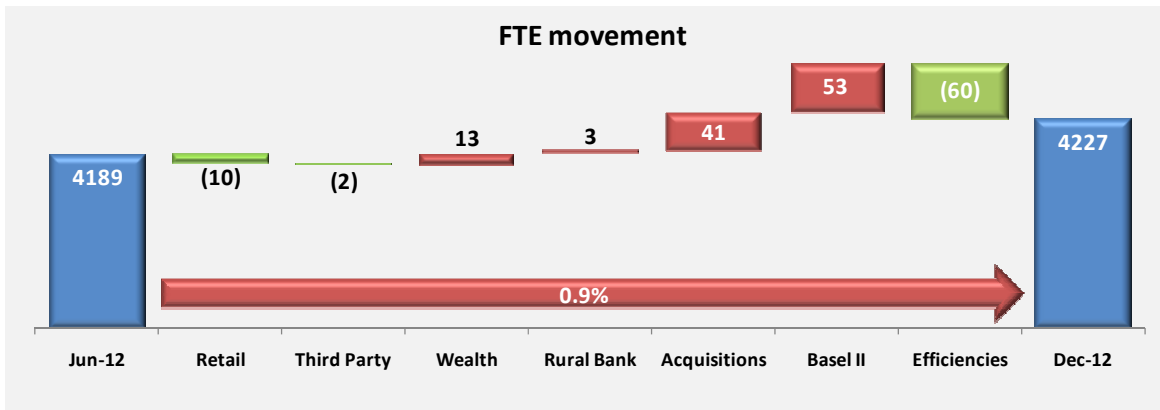
- Cost growth of 1.7% half on half and 6.4% versus pcp – including impact of acquisition of Delphi Bank and Southern Finance portfolio
- Software amortisation costs to remain low relative to peers



Operating expenses



FTE movement



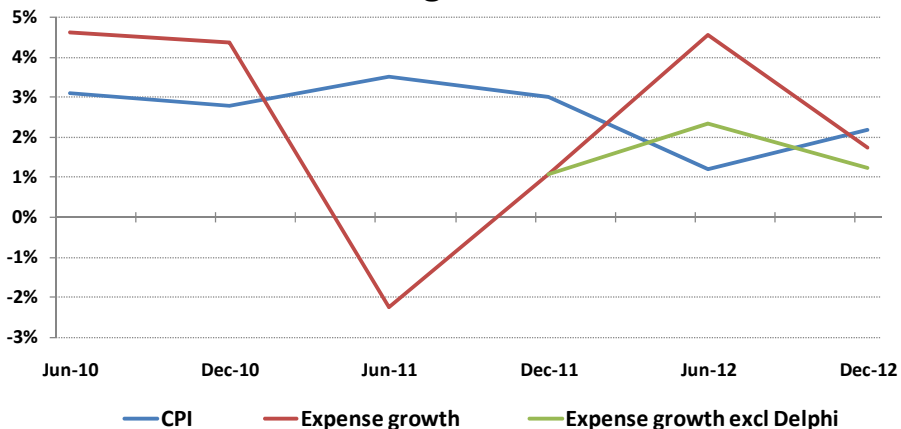
Financial performance



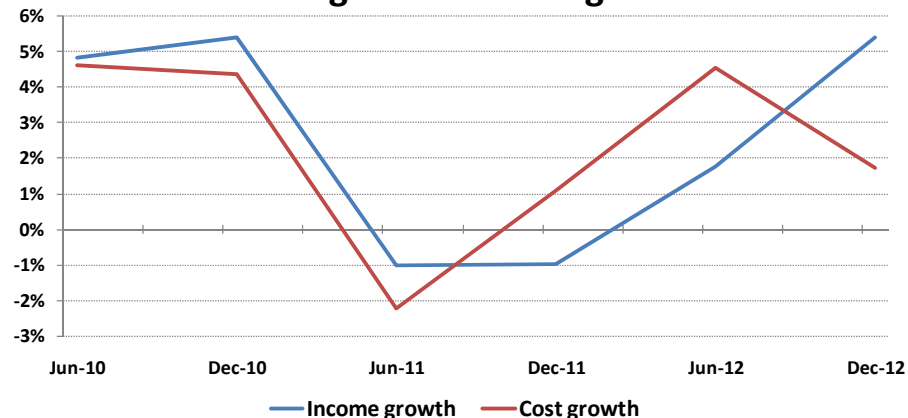
Results reflect management focus

- Maintaining positive 'JAWS' will remain a focus of management
- Costs to remain under pressure from award pay increases, rent and IT
- Investment projects for strategic initiatives to continue

Cost growth



Income growth vs Cost growth



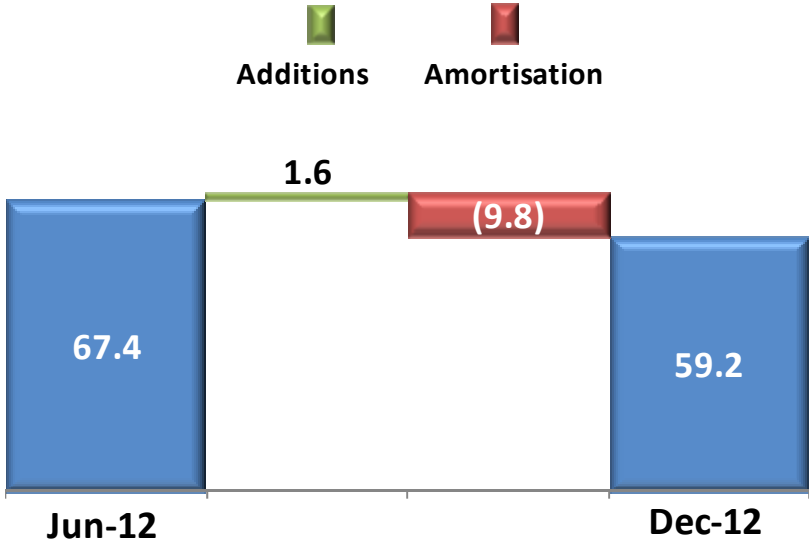
Financial performance



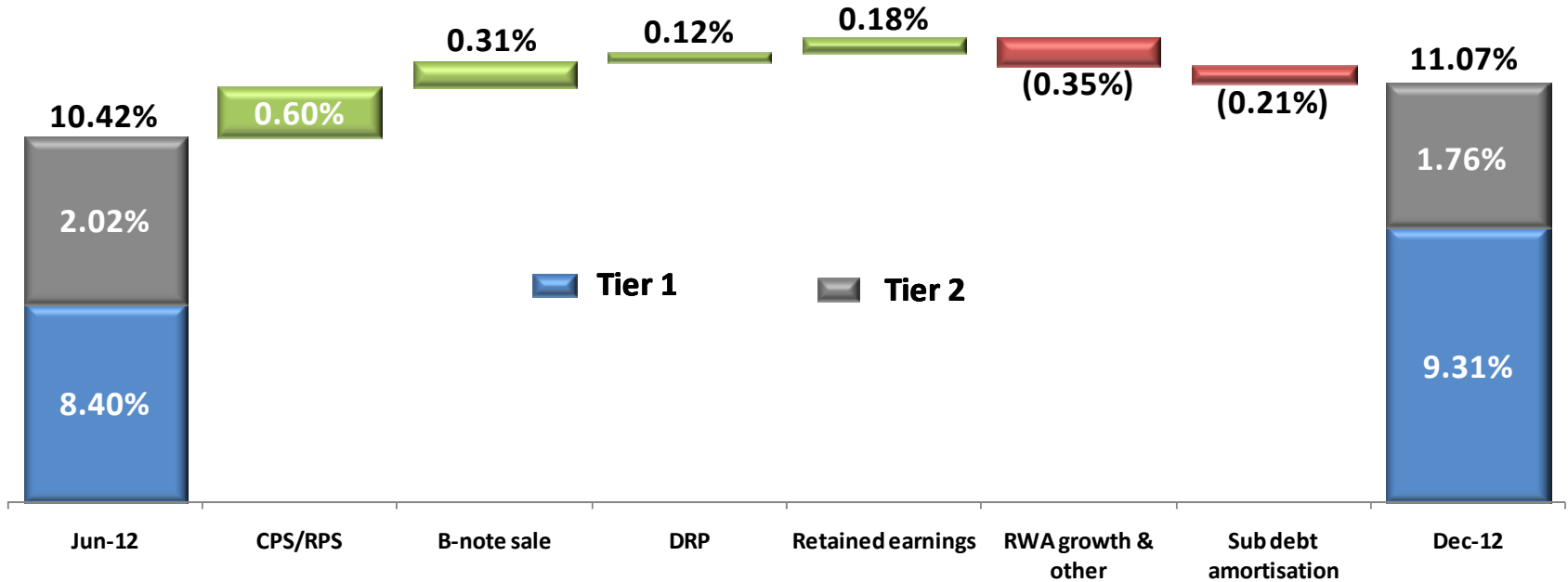
Capitalised software

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

Capitalised software (\$m)



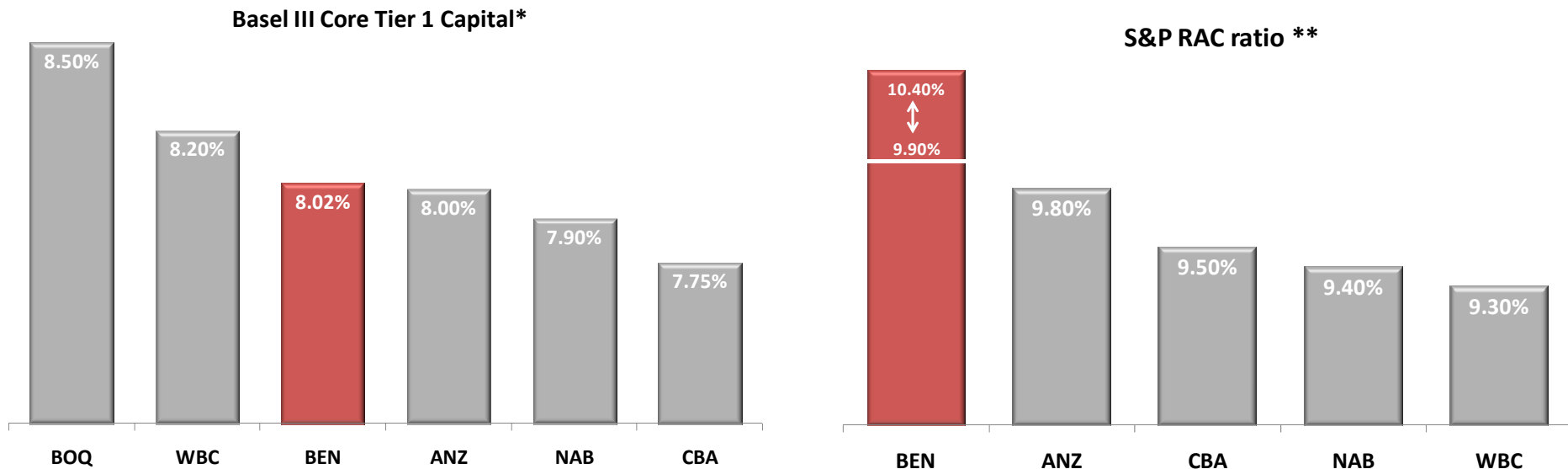
Managing capital for a Basel III world



Financial performance



Capital materially stronger under S&P methodology



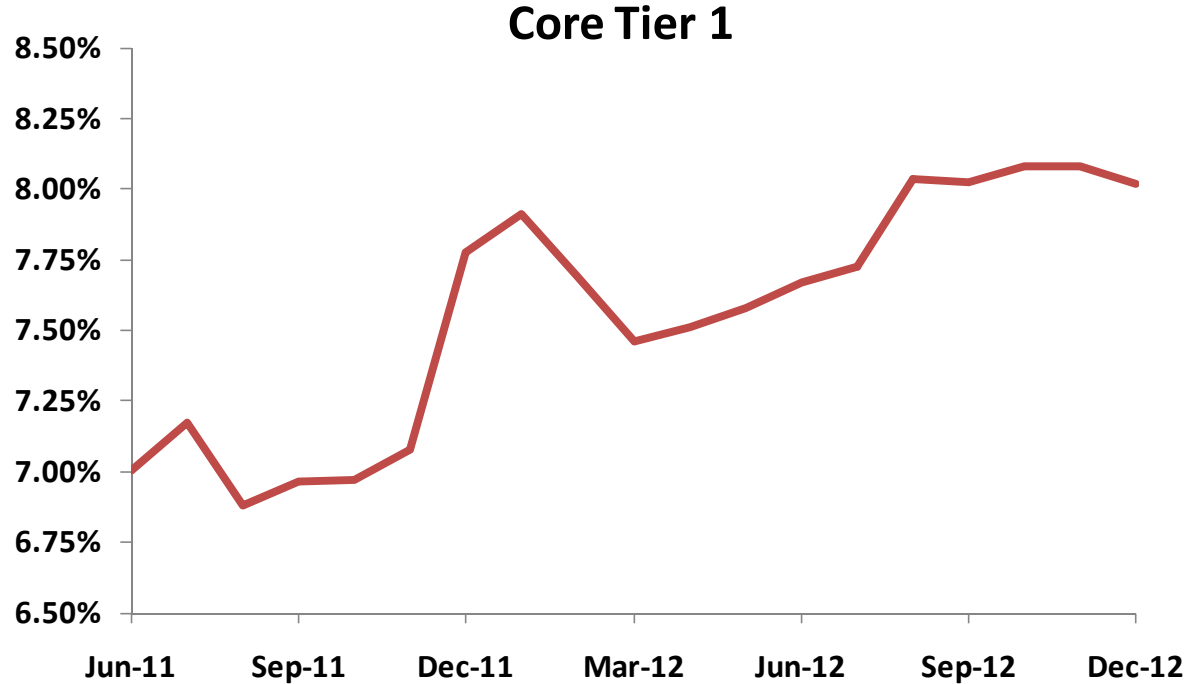
Financial performance



*Source: Company Information, CBA equities research
**Source: S&P published reports for major banks (December 3-4, 2012). BEN's ratio's came from S&P's 24 July 2012 note, where BEN's RAC ratio was forecast to be between 9.90% and 10.40% once its hybrid capital raising had occurred in 1H2013.

Core Tier 1 materially higher

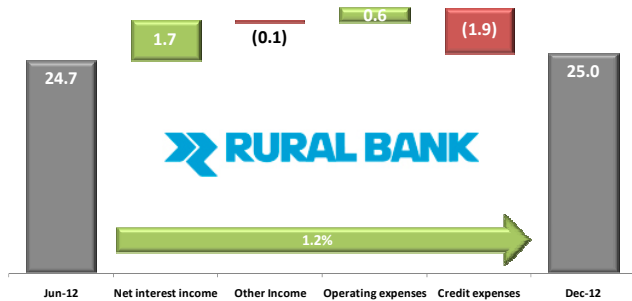
- Capital levels are materially higher than 18-months ago
- This has had a dilutionary effect
- Opportunity remains for capital efficiency through T2



Financial performance



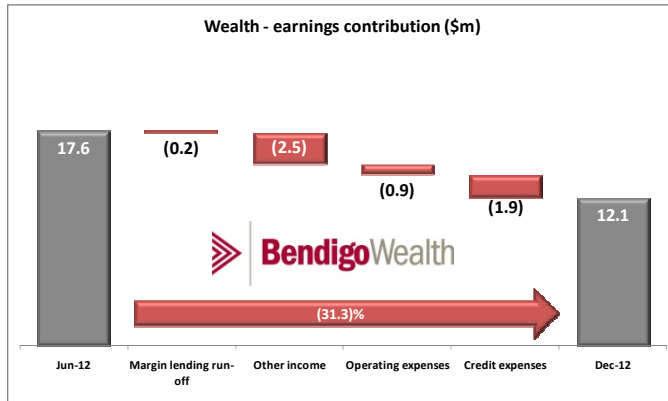
Rural Bank - earnings contribution (\$m)



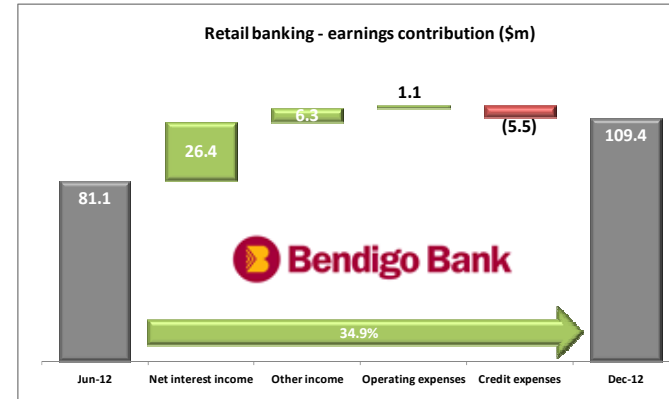
Third Party banking - earnings contribution (\$m)



Wealth - earnings contribution (\$m)



Retail banking - earnings contribution (\$m)



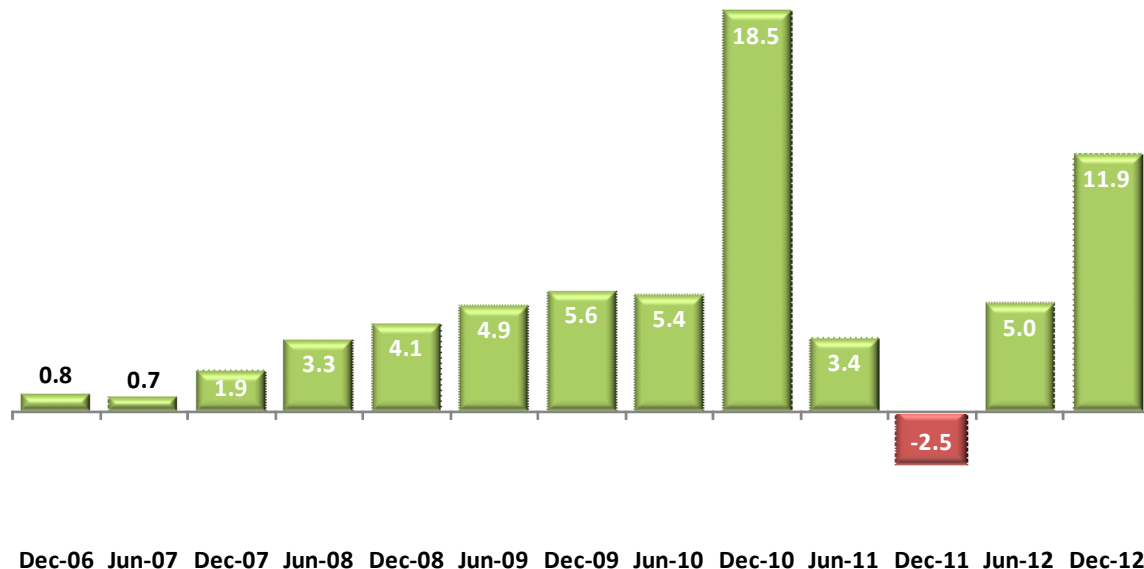
Financial performance – business segments



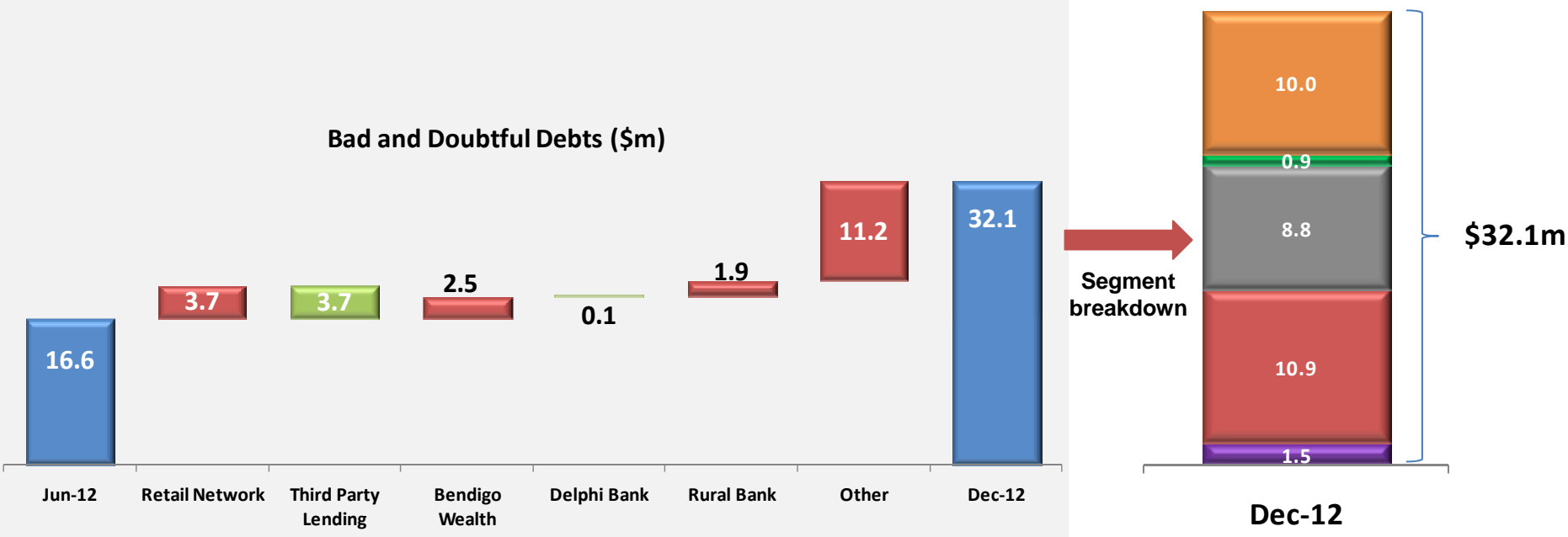
Strong contribution

- \$3.3m of Homesafe contribution related to annual property reviews
- Portfolio outperforming the index during downturn
- YTD index changes
 - Melbourne +1.6%
 - Sydney +2.3%
- Portfolio has grown to circa \$280m

Homesafe revaluation income contribution (\$m)



Bad and doubtful debts (\$m)

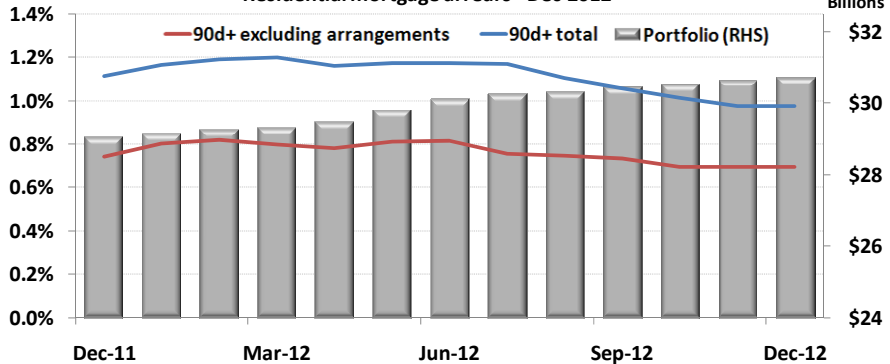


Financial performance

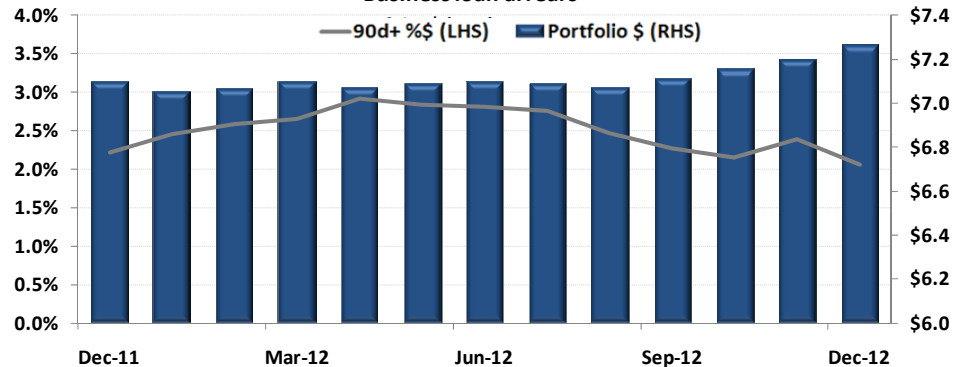


Note – Other includes Great Southern and asset management

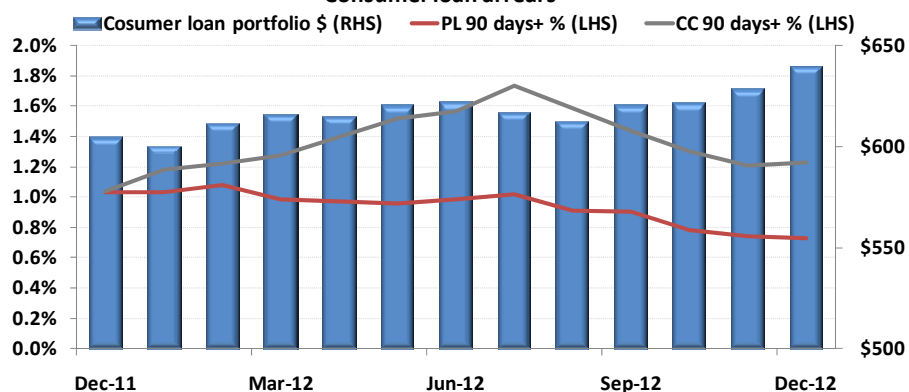
Residential mortgage arrears - Dec 2012



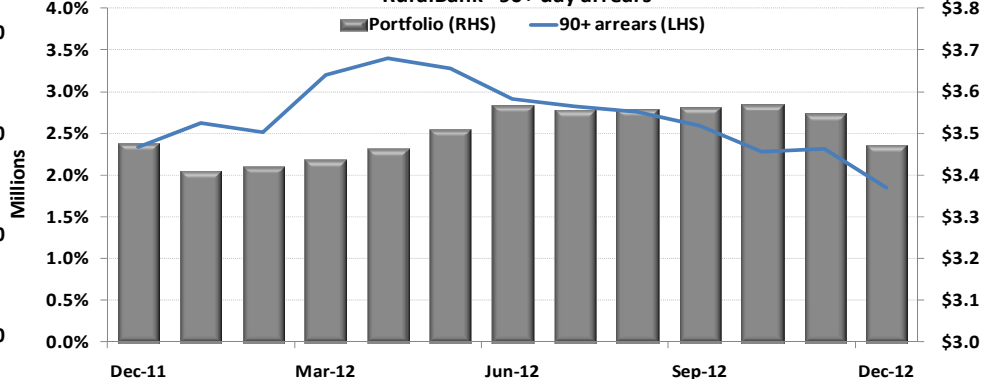
Business loan arrears



Consumer loan arrears



RuralBank - 90+ day arrears

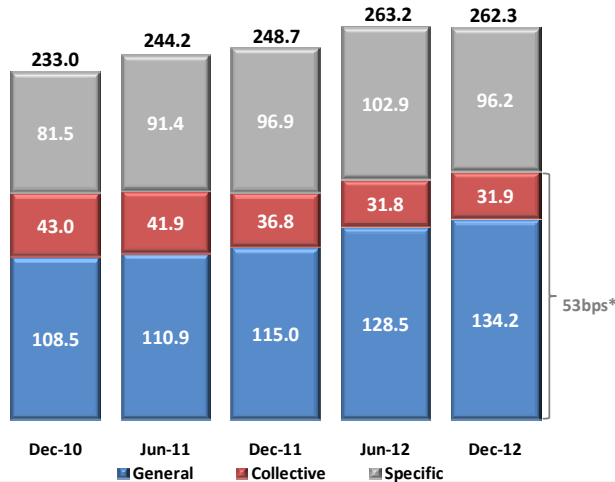


Financial performance

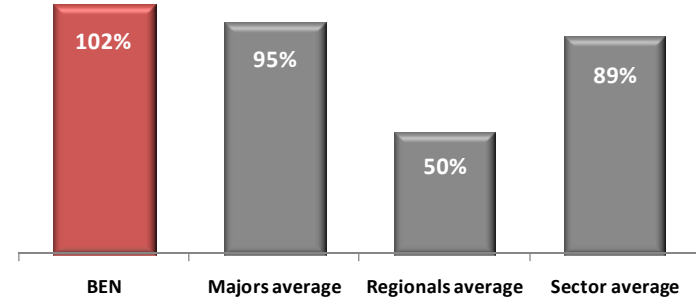


Bad and doubtful debts (\$m)

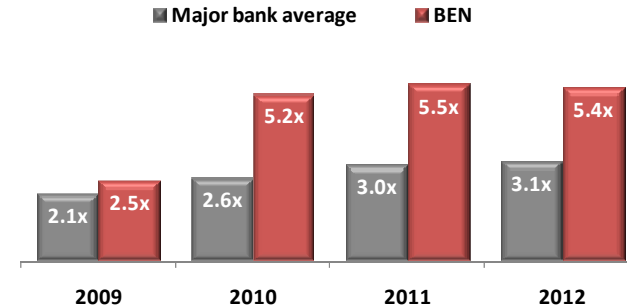
- Provisioning remains conservative, and well in excess of historical loss experience
- Portfolio remains well secured, with low LVR's



Total provision cover of impaired assets¹



Provisions cover of bad debt expense (x times)²



Financial performance



1 – Source – Pillar 3 disclosure (Sept 2012), UBS research

2 – Source – Company disclosure

Mike Hirst

Group Managing Director

Outlook



In summary.....

Challenges

- Low credit growth environment
- Strong competition for deposits
- Expense of advanced accreditation project
- Regulatory change
- Rural property prices

Opportunities




- Continued network maturity and growth
- Funding diversity and tenor
- Further efficiency gains
- Banking / telco convergence
- Equity market turnaround?
- Leveraging customer and staff engagement

Questions



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
	Consumer and SME banking	<ul style="list-style-type: none">• #1 banking brand for customer and business satisfaction, and advocacy• Unique business model – positioned for growth through business cycle• Liability-led strategy continues to perform• Retail residential mortgages growing above system
	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

 **Bendigo** Wealth

Margin lending, wealth management, superannuation

- Independent provider of choice in select products
- Increased investment in IT and distribution capability
- Margin lending at inflection point

 **RURAL BANK**

Agri-business banking

- Growing brand and distribution
- Long-term prospects for agricultural services strong

 **Delphi** Bank

Consumer and SME banking for Hellenic communities

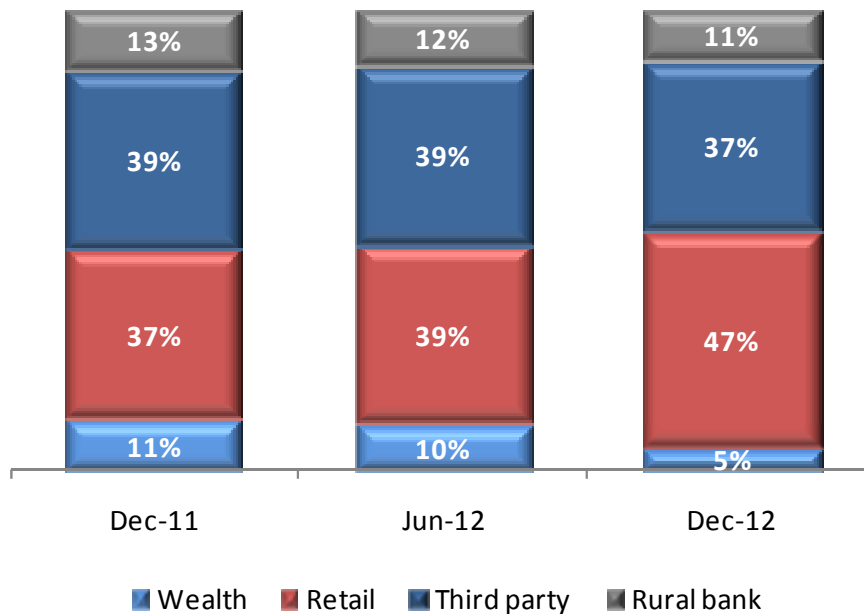
- Diversified loan book
- Strong strategic fit with BEN business model
- Track record of organic loan growth and deposit retention

Brand overview

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

Half-on-half performance

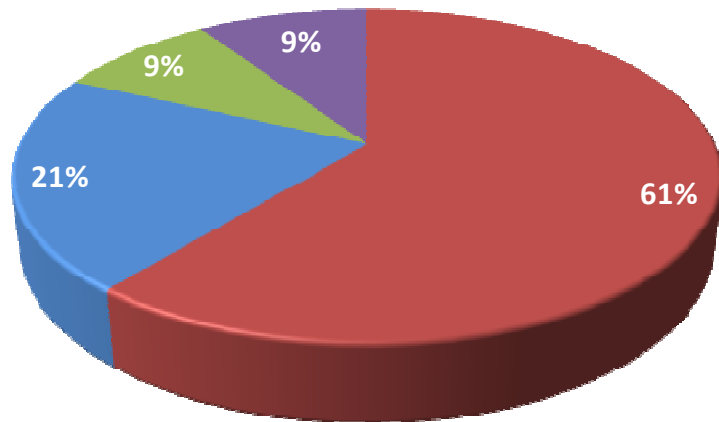
Business segment contribution to profit



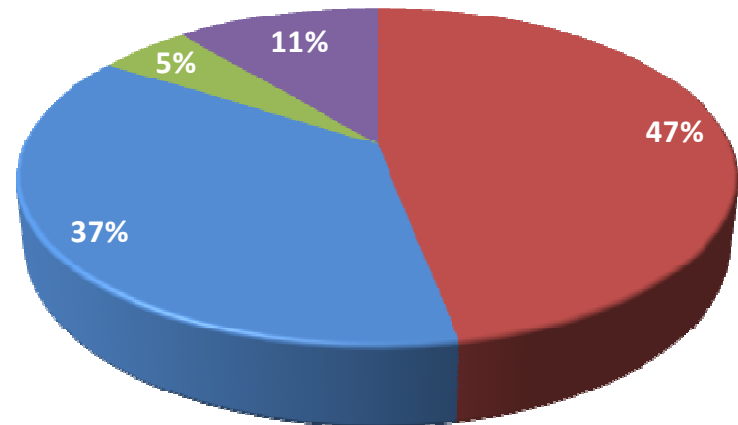
Segment performance

A diversified business

Contribution by revenue



Contribution by profit



Bendigo Bank



Adelaide Bank



Bendigo Wealth

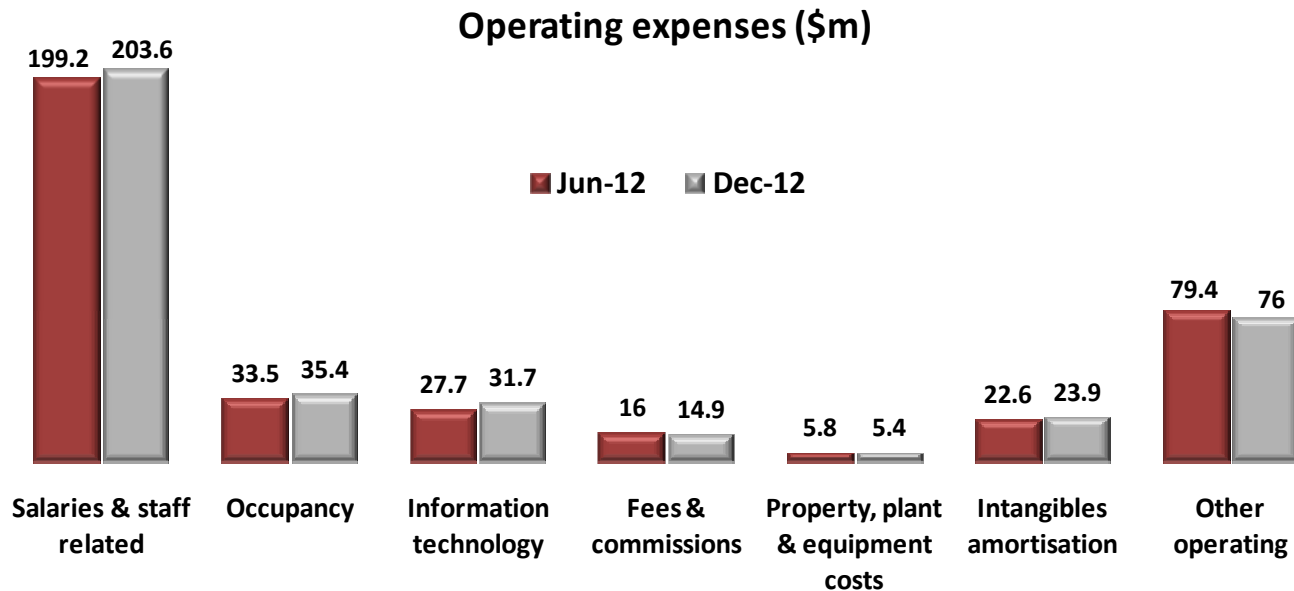


Rural Bank

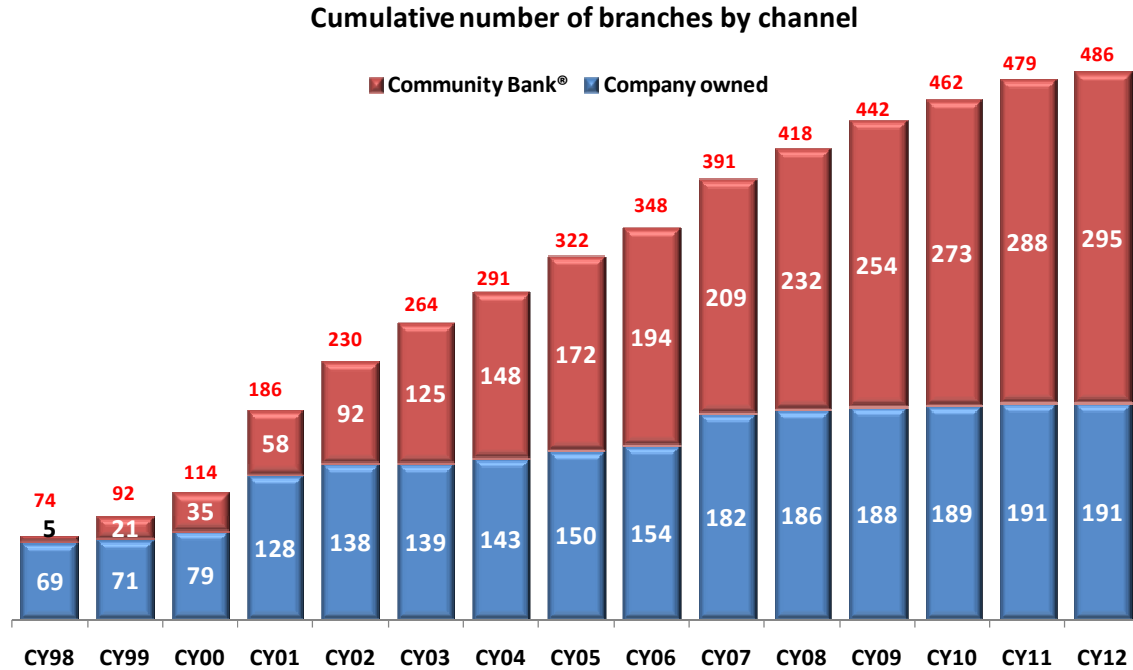
Brand overview - financials



Operating expenses



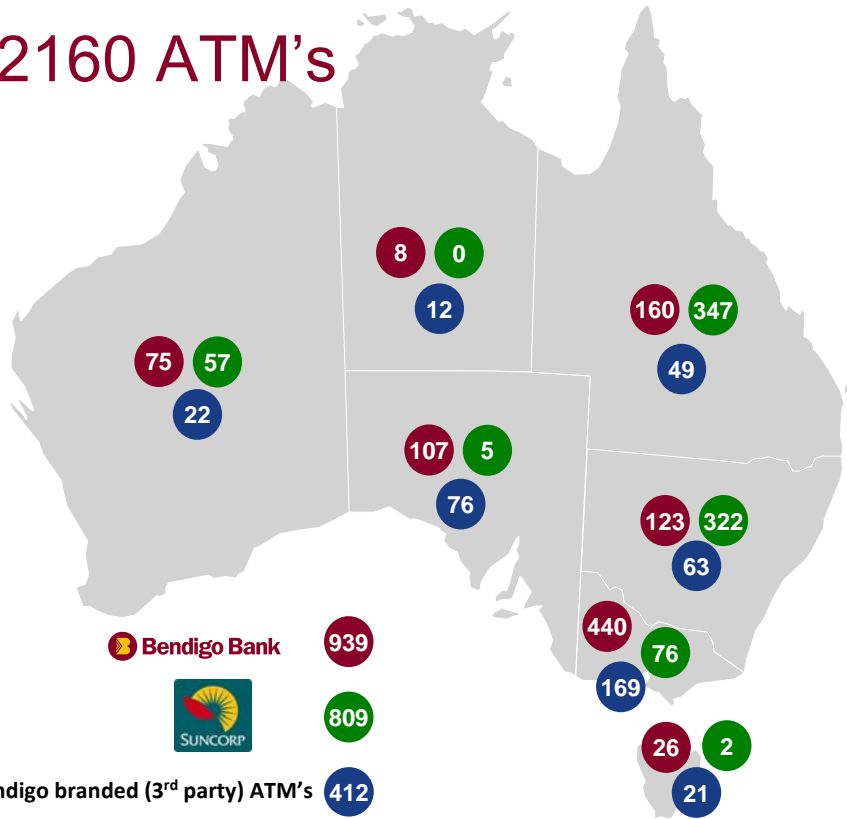
Growth – retail banking



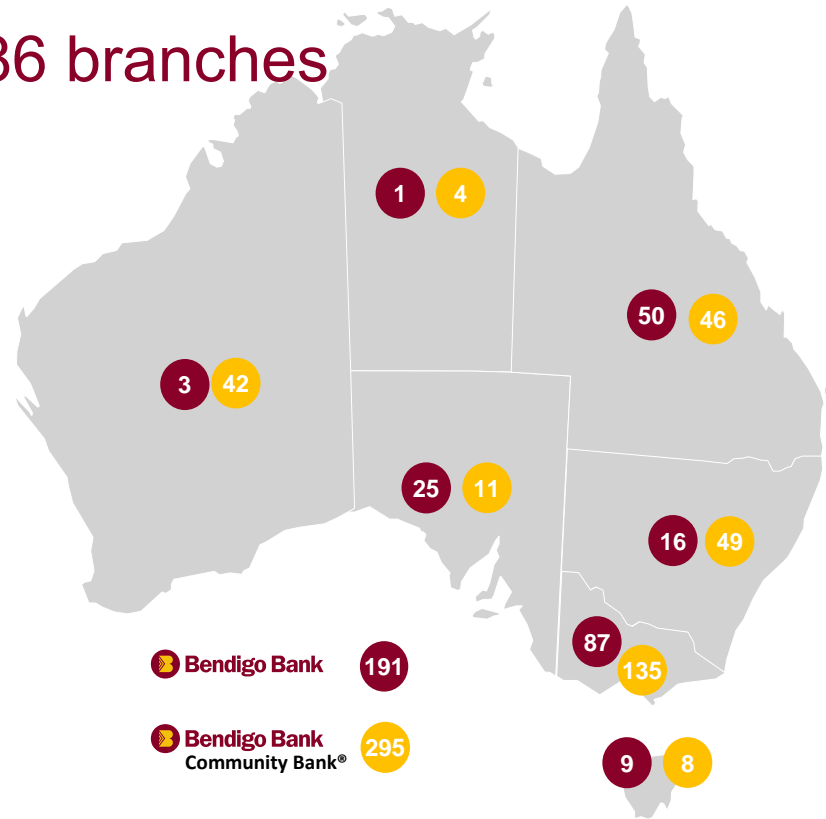
Retail banking



2160 ATM's



486 branches

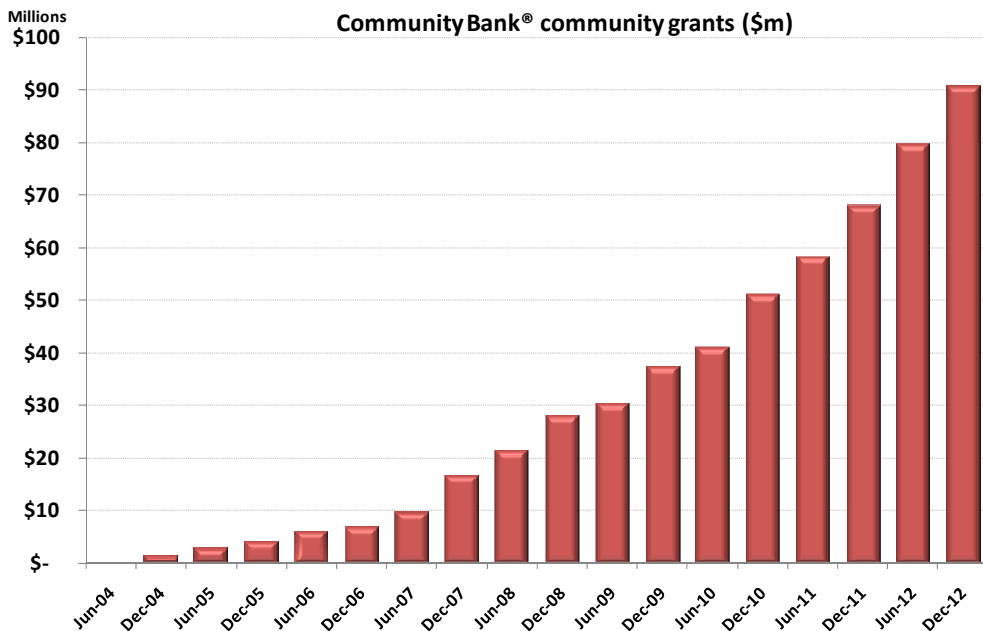


Geographic spread



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 295 **Community Bank**[®] branches in 12 years (more than 60 in the last three years)
- More than \$90m in community grants over 12 years (more than \$53m 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



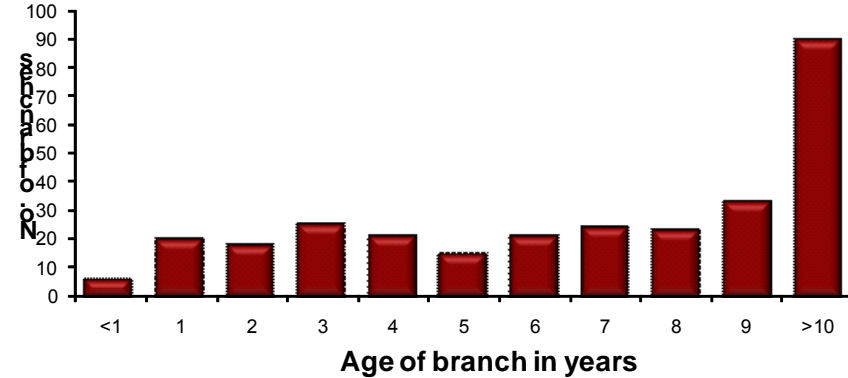
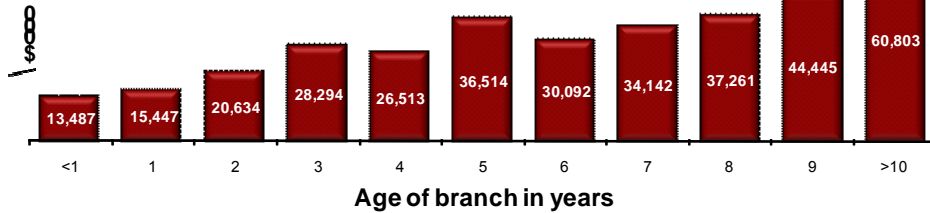
Community Bank[®]



Systematic growth in retail

Deposits per Community Bank® branch

CAGR 16.4%

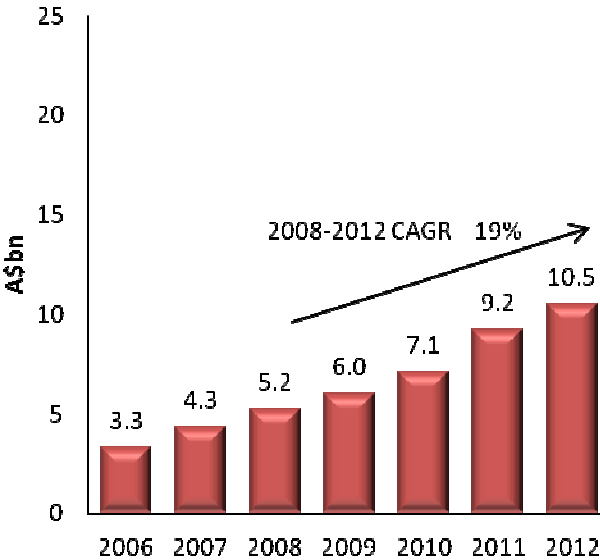


Community Bank®

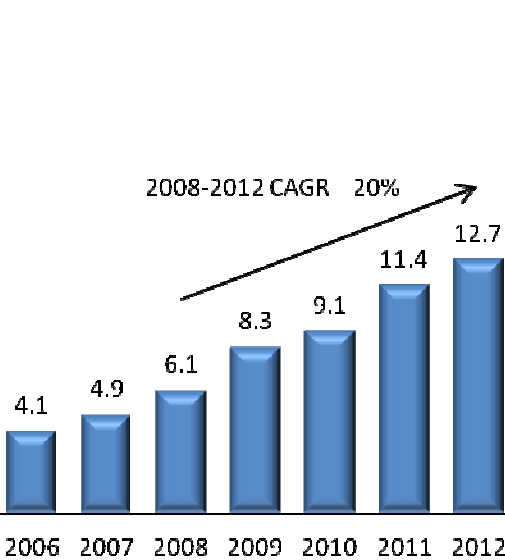
 Bendigo and Adelaide Bank

Community Bank® footings growth

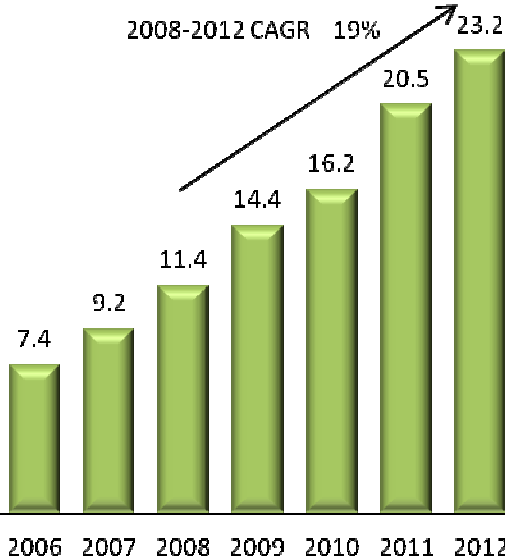
Community Bank® loans



Community Bank® deposits

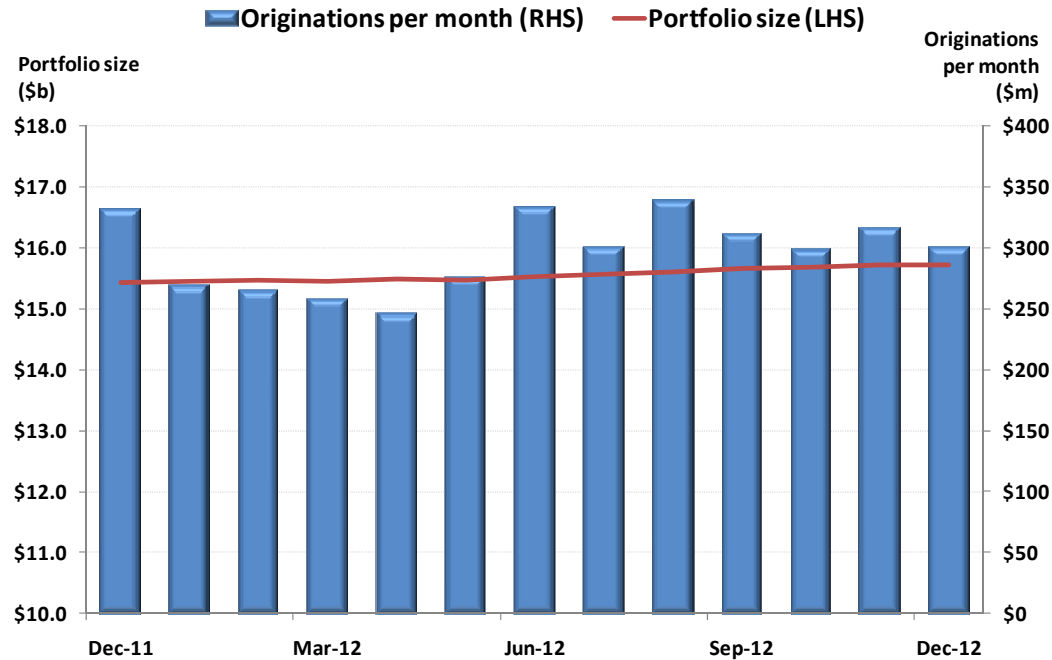


Community Bank® footings



Note – Graphs shown are in financial years

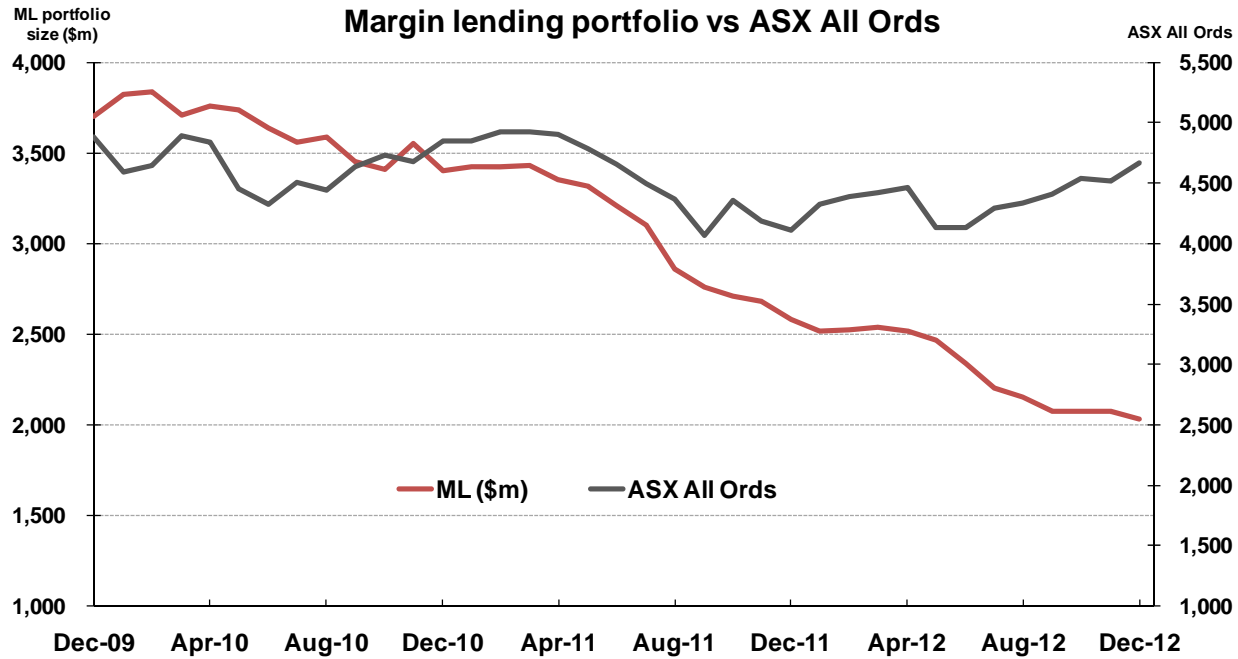
Third-Party Banking



Third-Party mortgage business



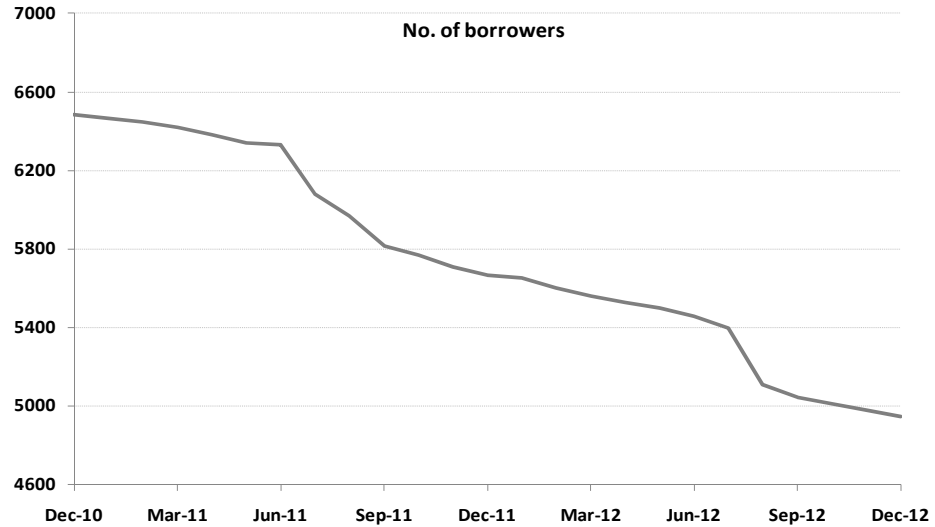
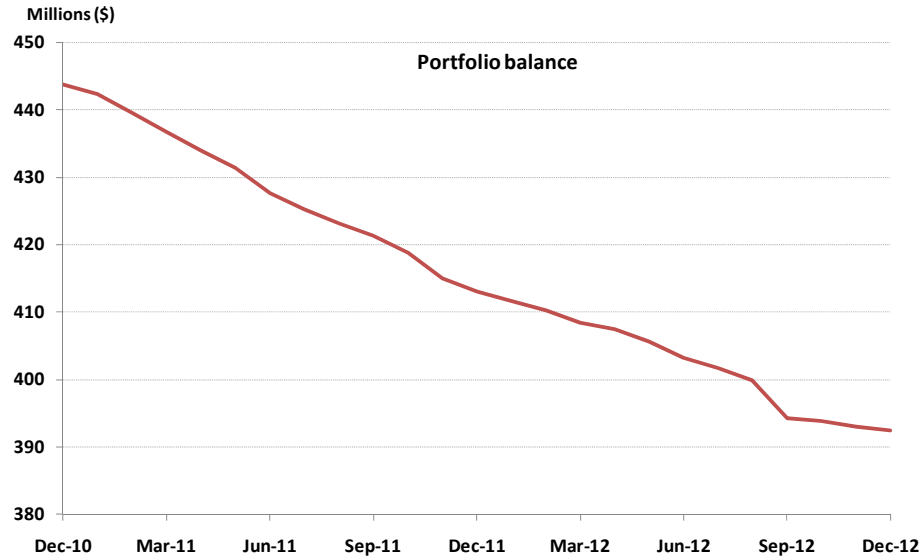
Margin Lending



Margin Lending



Great Southern - looking forward to a resolution



Great Southern

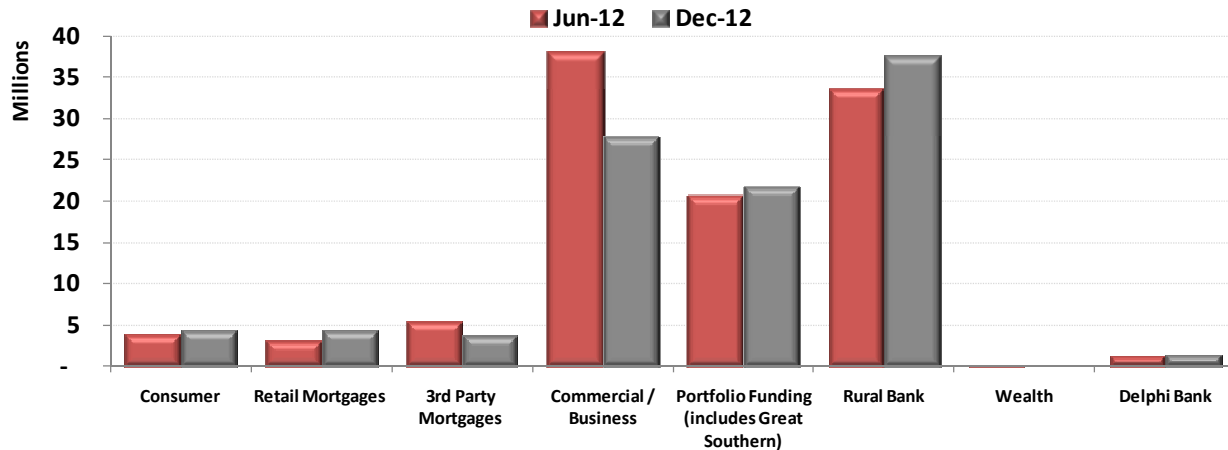


Specific provisions

\$96.2m

December 2012

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
Jun 2012	0.15%	0.03%	0.04%	0.54%	2.18%	0.96%	0.00%	0.21%
Dec 2012	0.17%	0.03%	0.03%	0.38%	2.46%	1.06%	0.00%	0.19%
Portfolio as % of gross loans	5.2%	36.5%	30.1%	14.9%	1.8%	7.3%	4.2%	100%

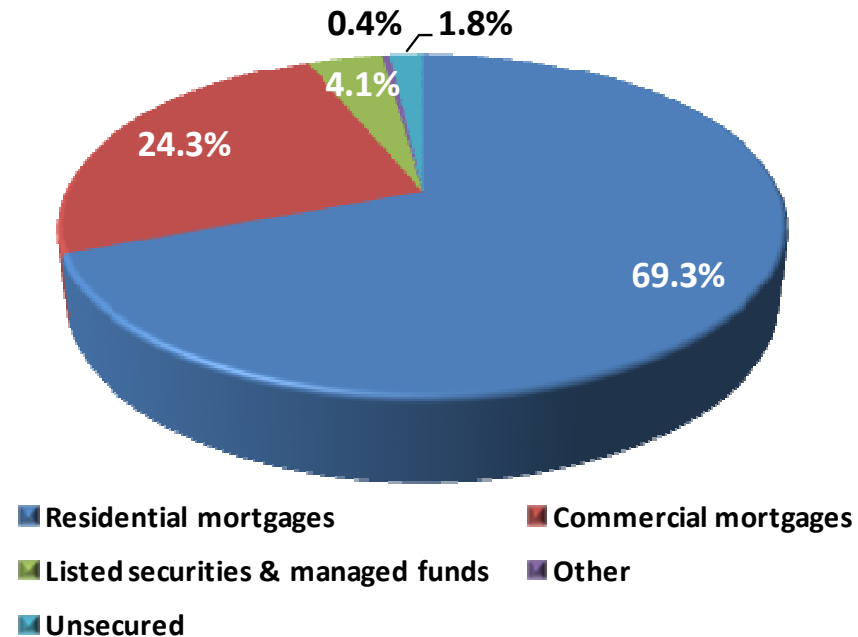
Specific Provisions



Secure and low risk loan portfolios

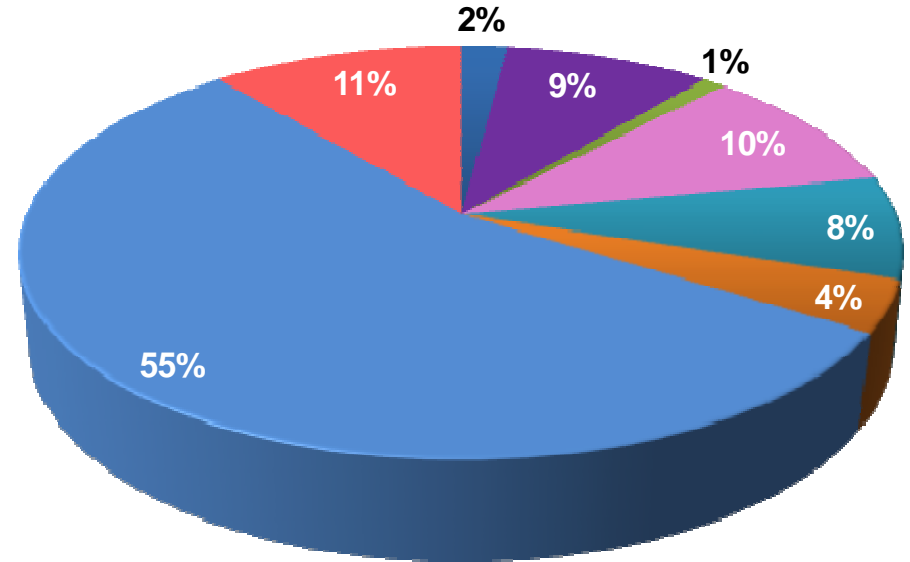
- 98.2% secured
- 97.8% secured by mortgages and listed securities
- Residential lending
 - arrears have improved in 1HY13
 - average LVR 62.2%²
- Margin lending
 - average LVR 39%
 - 87% of portfolios held ≥ 4 stocks
 - negligible arrears

Loan portfolio by security¹

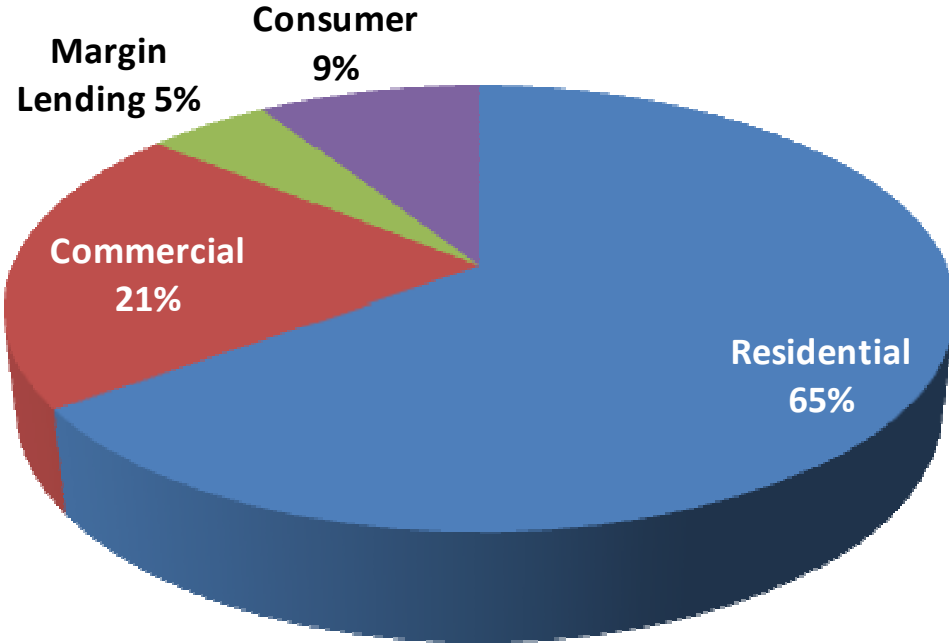


Construction portfolio

- \$726m of loans (0.3% decrease since Jun-12)
- 1.5% of total loans
- \$122k average loan size
- \$25m largest loan size
- Geographic spread
- \$29m impaired loans
- \$9.7m in arrears (1.3% 90 days+)



Group exposures – total \$49.4bn



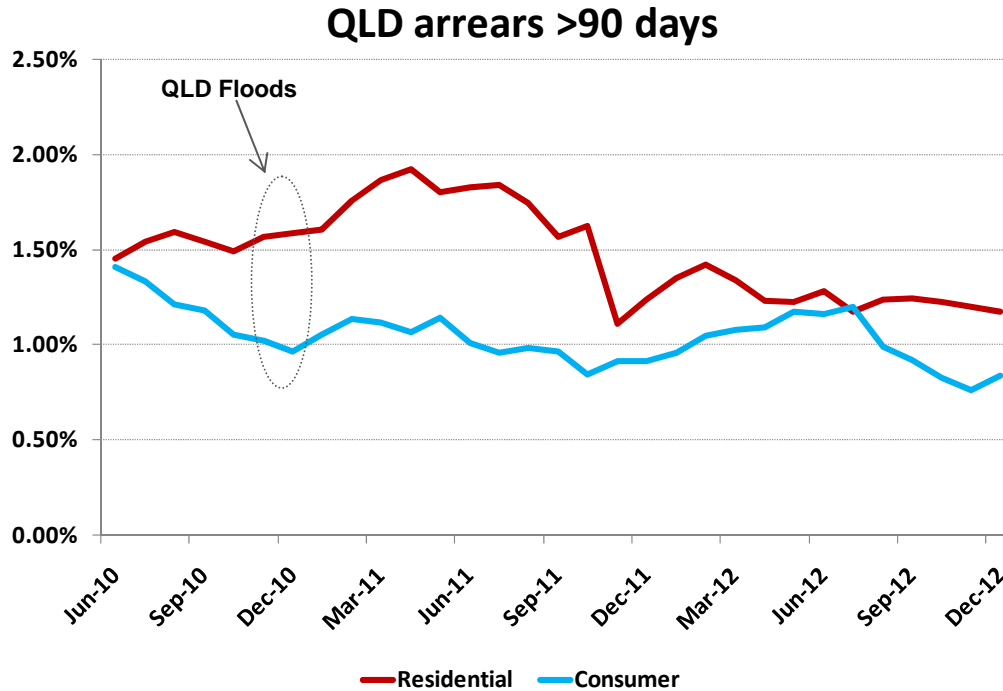
Residential Mortgages	Dec-12	Jun-12	Dec-11
Owner occupied	63.6%	63.2%	63.0%
Investment	36.5%	37.0%	37.0%
Lo Doc	5.9%	6.5%	7.0%
Retail mortgages	52.3%	51.7%	50.2%
Third Party mortgages	47.7%	48.3%	49.8%
Mortgages with LMI	39.5%	42.5%	42.7%
Average LVR	62.2%	61.8%	61.8%
Average loan balance	\$185k	\$183k	\$180k
90+ arrears inc arrangements	0.97%	1.2%	1.1%
90+ arrears excl arrangements	0.70%	0.82%	0.74%
Impaired loans	0.09%	0.09%	0.09%
Specific provisions	0.03%	0.03%	0.03%
Loss rate	0.02%	0.03%	0.01%
Variable/Fixed	80%/20%	79%/21%	79%/21%
First home owners % portfolio	8.5%	8.5%	8.6%
First home owners average LVR	70.0%	71.2%	70.4%

Credit



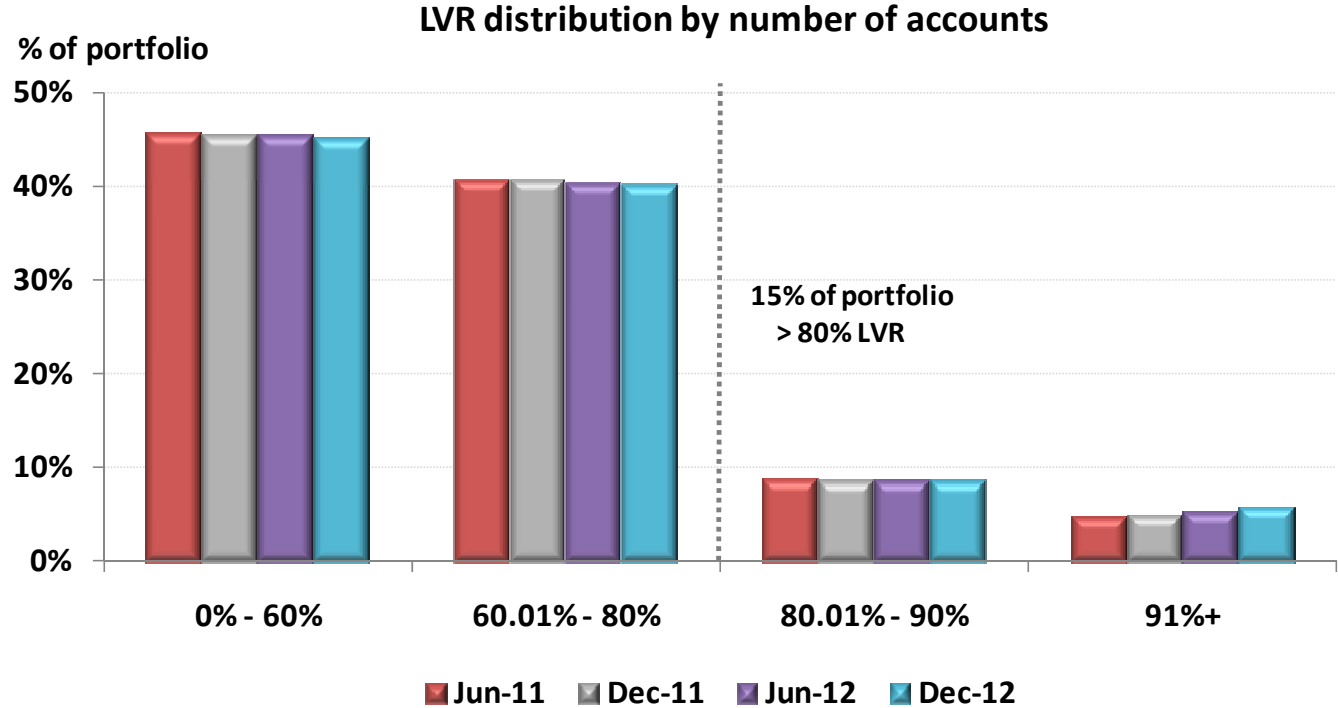
Note: All mortgage data above represented by loan purpose

Queensland

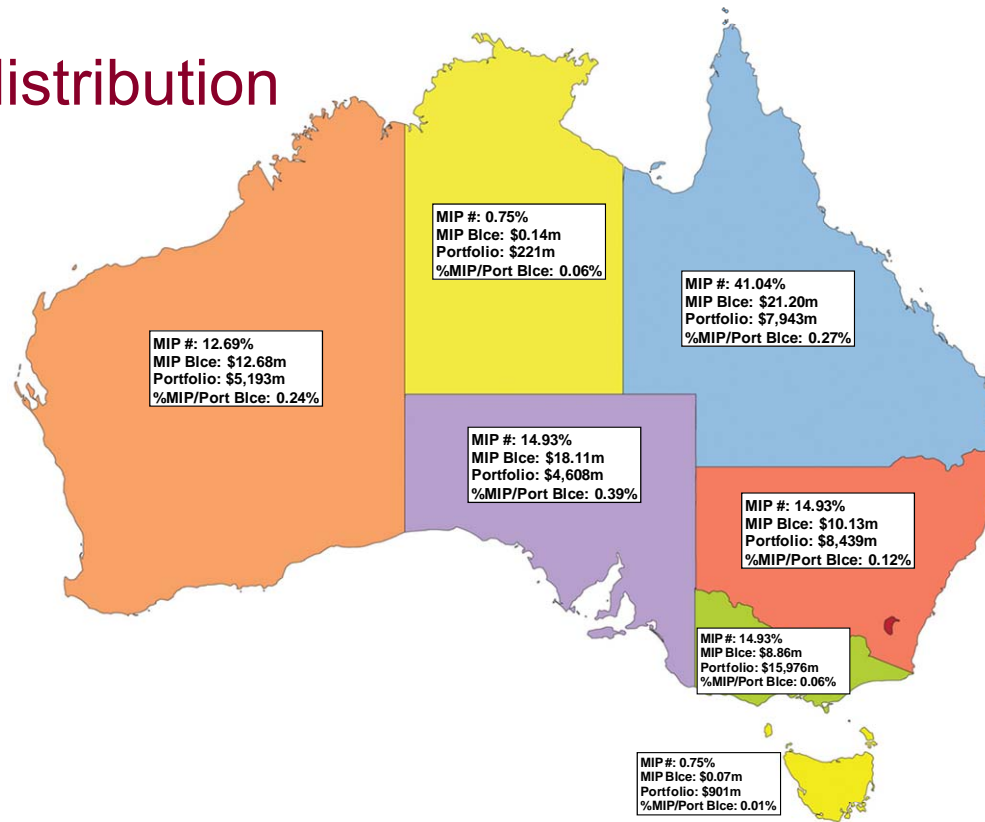


LVR trends

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



MIP geographic distribution

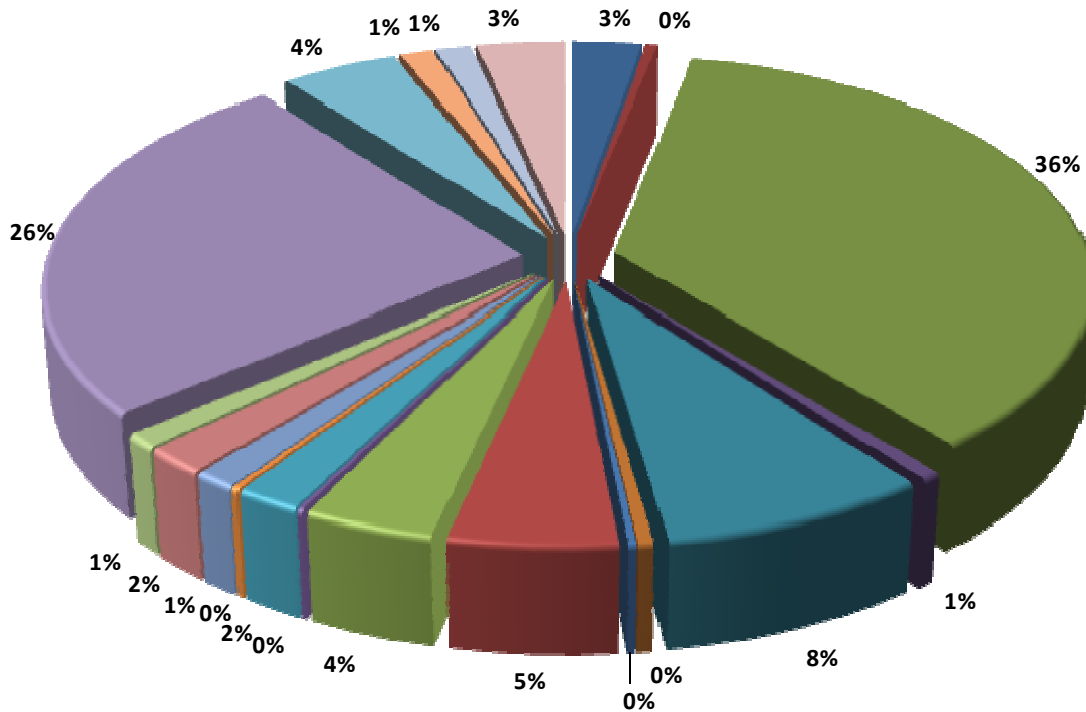


Credit



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

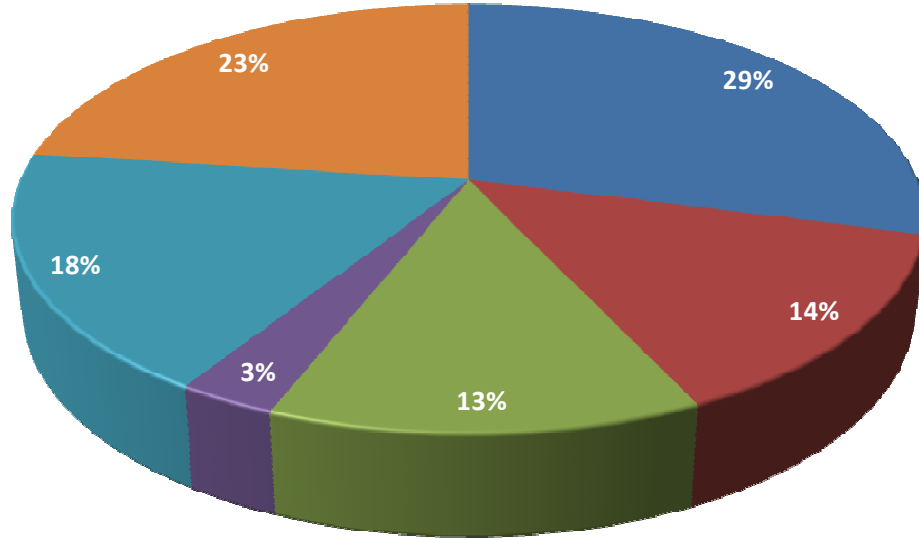
Commercial – industry split



- Accom & food services
- Admin & support services
- Agri, forestry & fishing
- Arts & Rec services
- Construction
- Elec, gas, water & waste
- 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

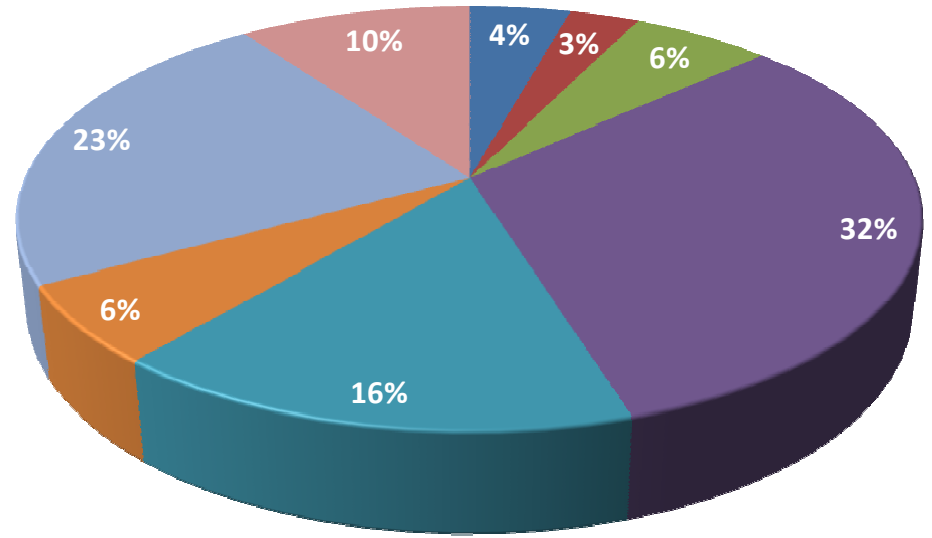
Loans under management

Geographic split



■ NSW ■ SA/NT ■ QLD ■ TAS ■ VIC ■ WA

Loan sectors



■ Dairy ■ Hort & vit ■ Grain ■ Grain, sheep & beef
■ Sheep & beef ■ Sheep ■ Beef ■ Other

Rural Bank – loan diversity



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