

A woman with short brown hair, wearing a black and white striped shirt and a dark brown apron, is pouring milk from a silver pitcher into a white coffee cup. She is standing behind a counter in a cafe or kitchen. In the background, there are shelves with various glassware and coffee-making equipment. The image is partially obscured by a dark red diagonal overlay on the left side.

Results Presentation

For the half year ended
31 December 2016

Mike Hirst
Managing Director

Richard Fennell
Chief Financial Officer

 **Bendigo and
AdelaideBank**



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 no representation or warranty is made as to the accuracy, completeness or reliability of the information. It is to be read in conjunction with the Bank's half year results filed with the Australian Securities Exchange on 13 February 2017. 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 4D for reconciliation to statutory profit.

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Overview

Financial performance

Summary and outlook

Appendices



Mike Hirst
Group Managing Director

Our 1H17 result

Financial performance

- Statutory profit after tax \$209.0m
- Cash earnings of \$224.7m
- Cash earnings per share 48.0¢
- Interim dividend of 34¢, fully franked¹
- DRP discount of 2.5%
- Net interest margin down 6bps to 2.10%^{2,3}
- Cost to income down to 54.3%
- Total operating expenses down 0.4%²
- Return on average tangible equity 12.63%⁴
- Return on average ordinary equity 8.77%⁴

Balance sheet management & capital

- Liquidity coverage ratio of 117%
- Retail deposit funding mix increased to 80.2%
- Indicative NSFR approximately 113% at December 2016
- Total capital of 12.20%
- Basel III CET1 ratio of 7.97%

Credit

- BDD charge of \$39.8m
- Residential, Business and Rural arrears remain low
- Payback of Great Southern portfolio continuing

1. Ex-dividend date for interim dividend is 2 March 2017, record date is 3 March 2017, and dividend payment date is 31 March 2017.

2. Movements on prior comparative period

3. Movements on prior half

4. Cash basis

Results drivers

8.9%
deposit
growth



Investments delivering
efficiencies

↓ **FTE down 165**

Ave Margin

2.10%

Exit Margin

2.14%

**Non-staff cash
operating
expenses**

**Down
\$4.6m**

**'Most recommended'
bank by its customers**



Housing loan growth

2.1x system growth

Organic housing loan growth

1.0x system growth



Cost To Income 54.3%
down 140bps

Credit environment remained benign

Most customer connected bank



#2

Mobile banking satisfaction¹

#1 Branch banking satisfaction¹



Awarded best fixed interest property investment loan³



Top rated Australian financial institution on the Corporate Reputation index⁴

#1 in Forrester's Australian Customer Experience Index⁵



Highest rated margin lender²



#2 Bank for mortgage satisfaction⁶



Bendigo SmartStart Super® awarded 5 star rating for outstanding value since 2013⁹



1. Roy Morgan Research, Satisfaction with mobile banking vs branch banking – 10 largest consumer banks, 6 months to Nov 2016
2. Investment Trends 2016 Margin Lending Broker report. 3. Financial Review Smart Investor Blue Ribbon Awards 2016 4. AMR Research Consultancy, (2015-2016)
5. Forrester's Customer Experience Index Online Survey, Australia consumers, 2015 6. Roy Morgan Research, Satisfaction of Mortgage Customer – 10 largest consumer banks, 6 months to Nov 2016
7. Money magazine's Best of the Best awards, 2016 8. Mozo Experts Choice award 2016 9. Canstar Star Ratings report (Superannuation 2013-2016; Transaction and Savings accounts 2016)

Macro trends in Australian Banking

Outside our Control

Economic growth
Employment
Interest rates

Macro
economic
conditions

Regulation

Parliamentary inquiry
Basel IV
Better Banking initiative

Some Control

Advocacy
Hyper connected, real time
Experience over product

Customer
in charge

Disruption

NPP
Adjacent markets


Within our Control

Processing efficiencies
Customer experience

Digitalisation

Trust &
security

Industry leading
Grow the business



Richard Fennell
Chief Financial Officer

Financial performance - at a glance

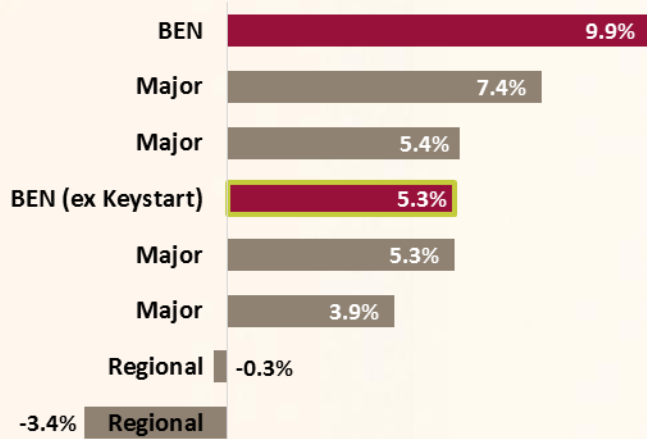
	1H17	2H16	1H16	Change 1H17 – 2H16	Change 1H17 - 1H16
Cash earnings	\$224.7m	\$215.6m	\$223.7m	4.2%	0.4%
Statutory NPAT	\$209.0m	\$206.9m	\$208.7m	1.0%	0.1%
Cash EPS	48.0¢	46.7¢	48.9¢	1.3¢	-0.9¢
Net interest margin	2.10%	2.16%	2.16%	(6 bps)	(6 bps)
Expense to income ratio	54.3%	56.4%	55.7%	(210 bps)	(140 bps)
Expense to average assets	1.24%	1.30%	1.32%	(6 bps)	(8 bps)
Return on tangible equity ¹	12.63%	12.71%	13.15%	(8 bps)	(52 bps)
Return on equity ¹	8.77%	8.75%	9.10%	2 bps	(33 bps)
Dividend per share	34.0¢	34.0¢	34.0¢	-	-

Capital and funding	Dec-16	Change Dec16 – Jun16	Change Dec16 – Dec15	Balance sheet	Dec-16	Change Dec16 – Jun16	Change Dec16 – Dec15
CET1 capital	7.97%	(12 bps)	(27 bps)	Total assets	\$70.9b	3.5%	8.1%
Total capital	12.20%	(1 bps)	(46 bps)	Total liabilities	\$65.6b	3.5%	8.3%
Deposit funding	80.2%	60 bps	180 bps	RWA's	\$38.3b	5.0%	10.9%

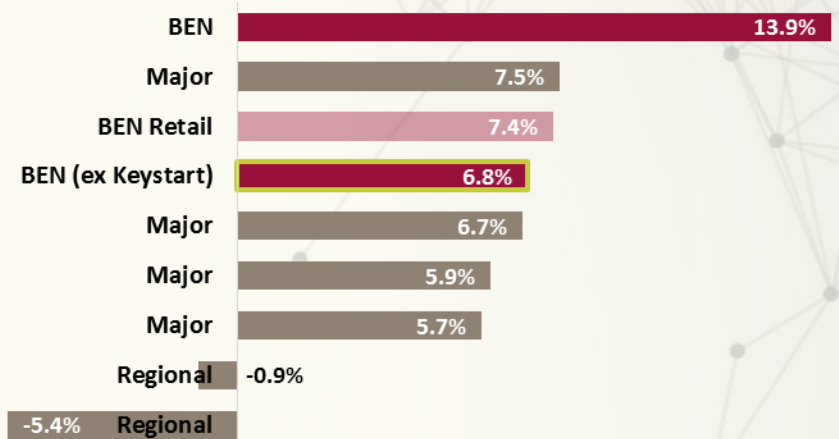
1. Cash earnings basis

1H17 growth outcome

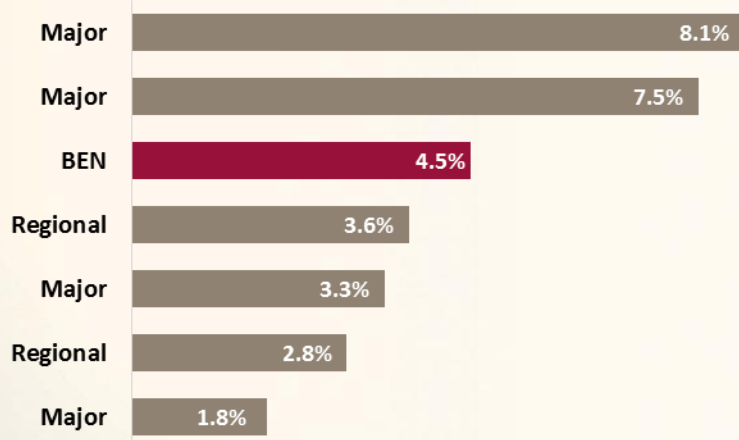
Total lending growth



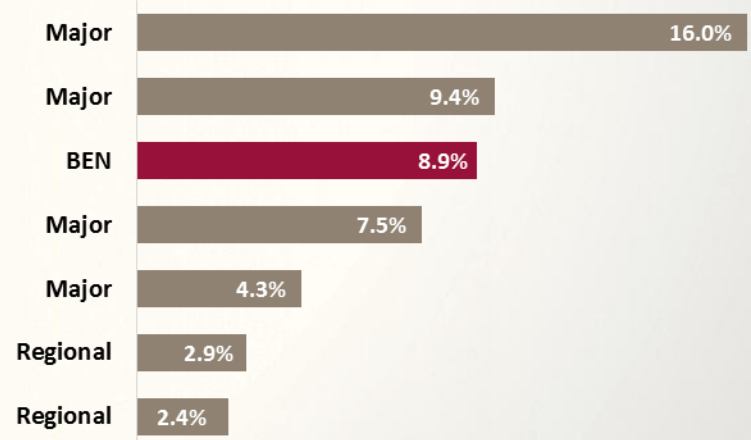
Housing loan growth



Business lending growth



Total deposit growth



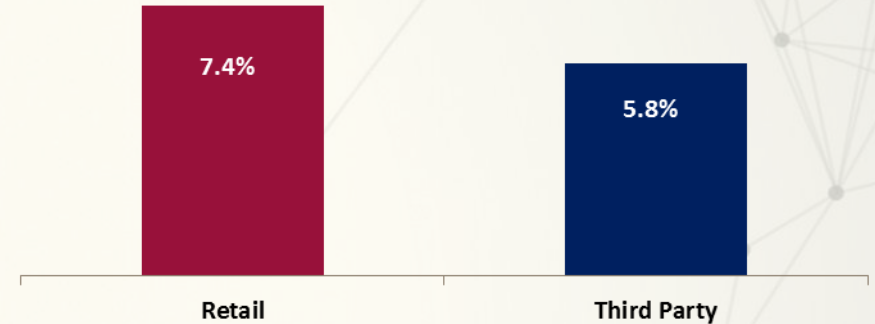
Source: APRA statistics December 2016

Note - Data is based on 6 month growth (annualised) and BEN includes Rural Bank

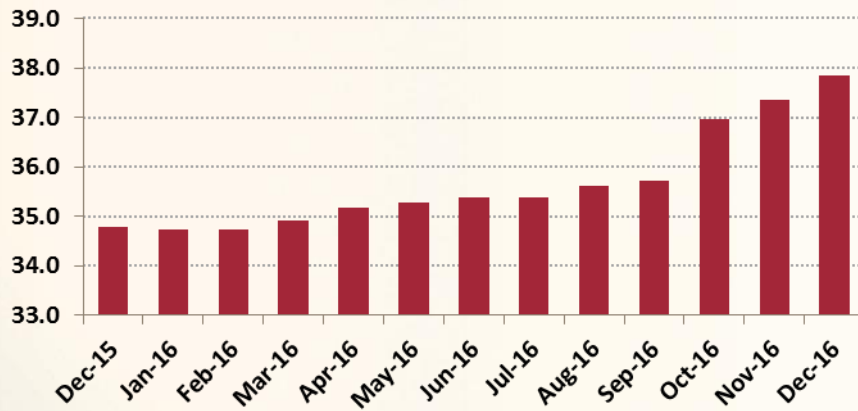
Housing lending growth

- Strong growth across Retail and Broker channels
- Front book competition remains intense
- Bendigo “Connect Package” continuing to resonate
- Net growth in Mortgage Manager business

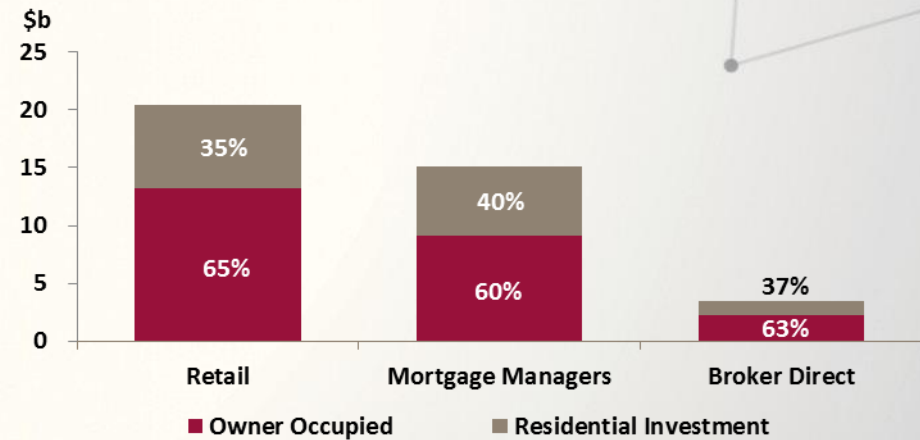
Housing lending growth (6 months)¹



Residential portfolio balance² (\$b)



Residential portfolio by distribution channel



Source: Company data, APRA statistics December 2016

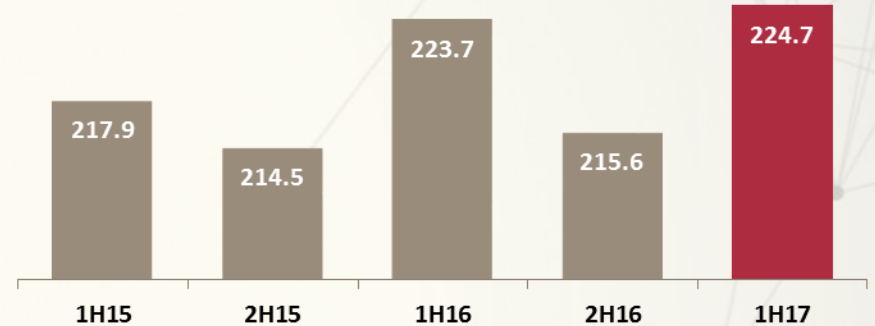
1. Growth is shown using 6 month annualised figures (Jun-16 to Dec-16), excludes Keystart

2. Based on APRA statistics (loans to households : owner occupied & investment and housing loans securitised)

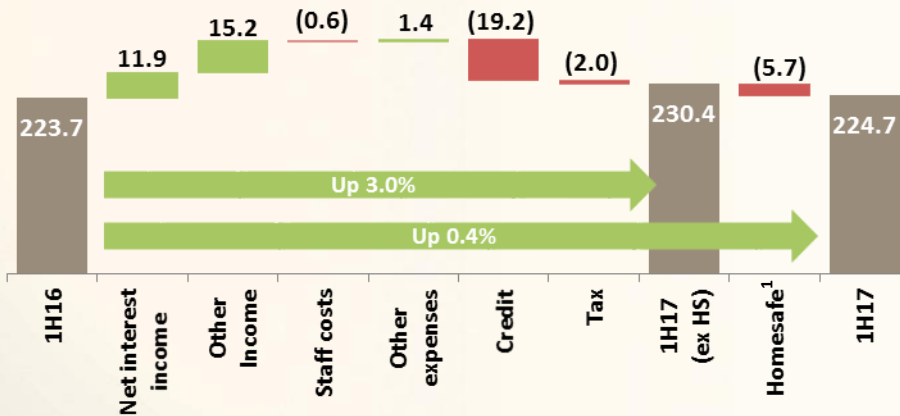
Cash earnings growth

- Strong lending growth in 1H17
- Margin pressure following cash rate reductions
- Efficiency focus delivering flat costs
- Increased credit costs from Great Southern and Business Banking
- Continued strong contribution from trading book

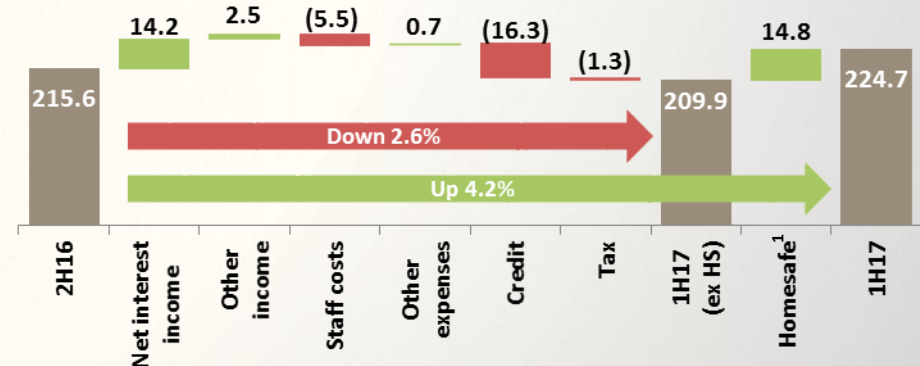
Cash earnings (\$m)



Cash earnings 1H16 - 1H17 (\$m)



Cash earnings 2H16 - 1H17 (\$m)

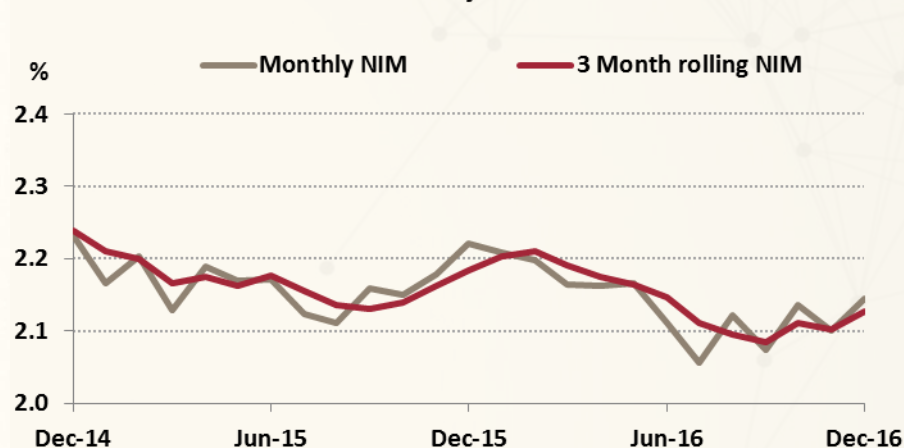


1. After tax

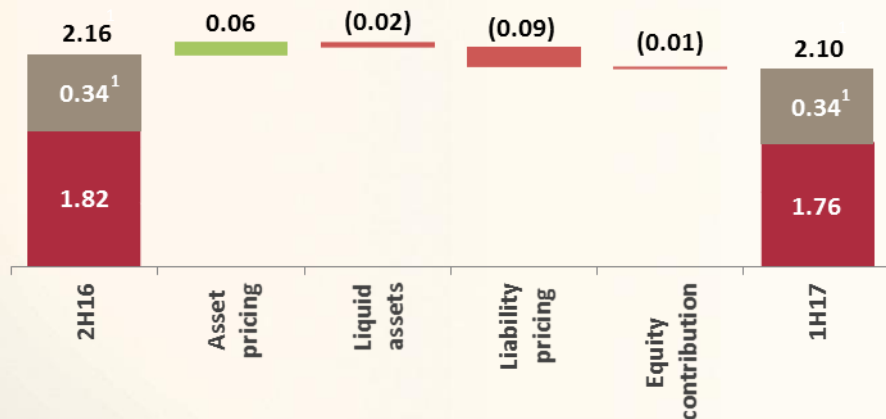
Net interest margin

- NIM pressure in 1Q17 reflected full impact of May and August cash rate decrease and additional liquidity for Keystart portfolio acquisition
- Asset pricing favourable following market repricing in August and December
- Limited ability to reprice deposits following cash rate reductions
- Stronger exit margin

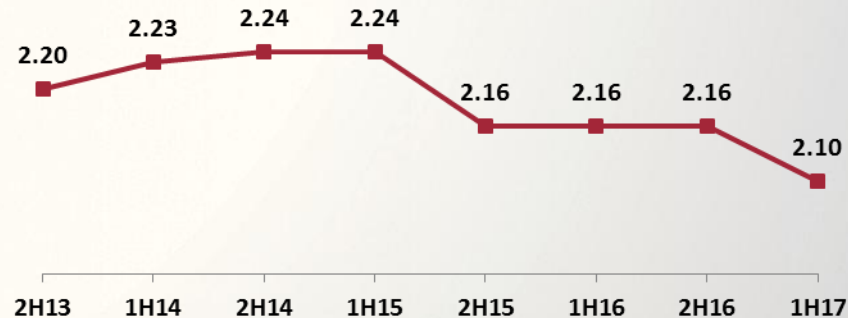
NIM monthly movement



Net interest margin movement (%)



Net interest margin (%)

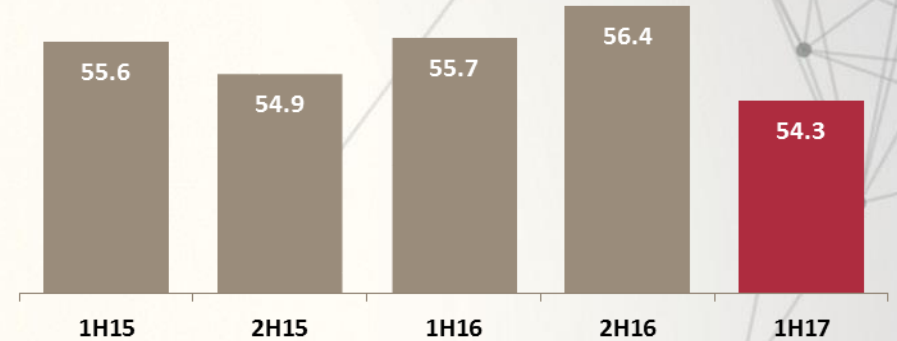


1. Community Bank & Alliance share

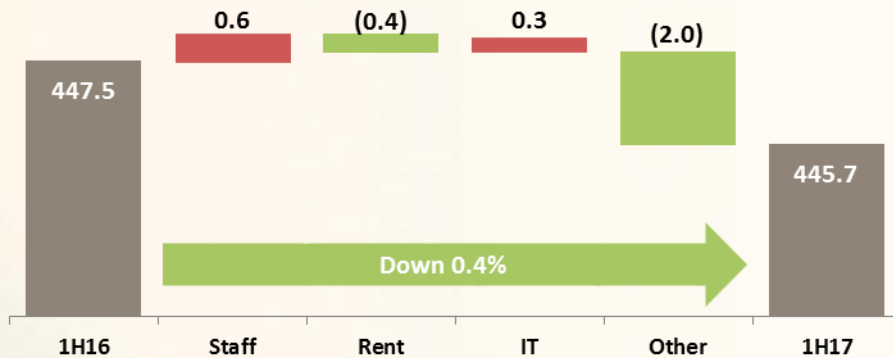
Focus on efficiency

- 107 FTE lower in 1H17 , 165 FTE lower PCP
- Staff costs include redundancy costs of \$3.0m (up \$1.2m on PCP)
- Project Reset material contribution to efficiency gains

Expense to income ratio (%)



Operating expenses (\$m)



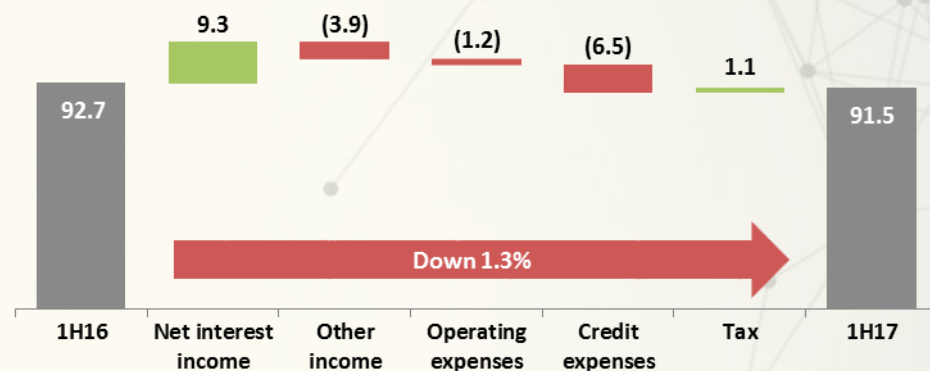
Jaws momentum (%)



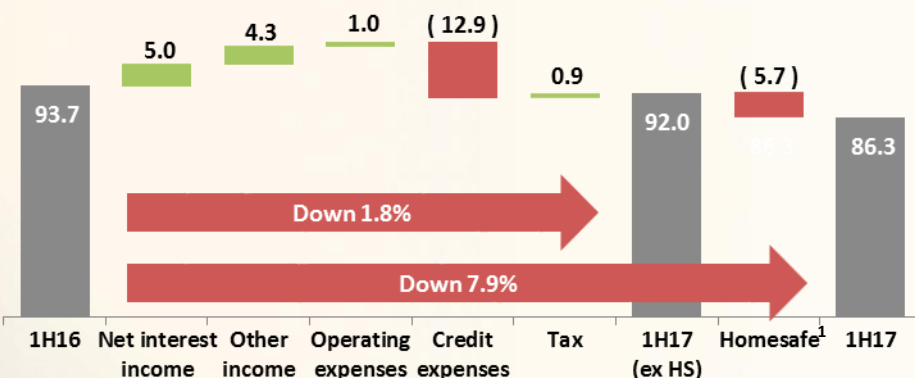
Business segment performance (cash earnings)

- Solid growth in business and housing lending
- Community Bank balance sheet growth 9%²
- Alliance Bank growth of 13%²
- Banking fee income reducing
- Managed funds up 13%²
- Increased credit expense but remained historically low
- Strong cost control in all business lines
- Agribusiness market highly competitive

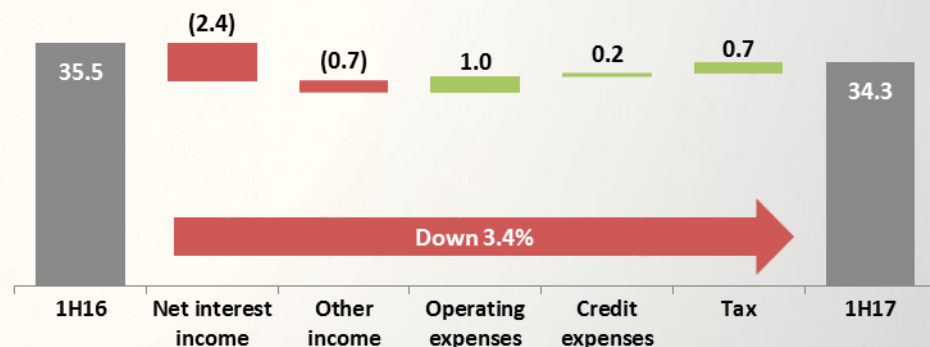
Local connection (\$m)



Partner connection (\$m)



Agribusiness (\$m)



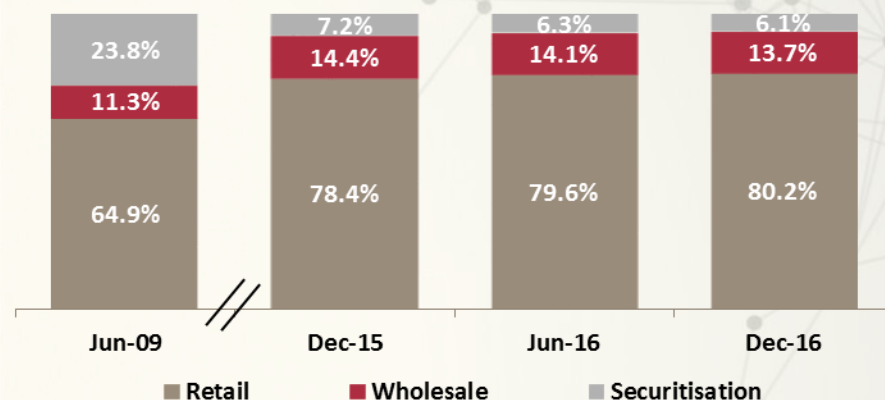
1. After tax

2. Growth is shown using 6 month annualised figures (Jun-16 to Dec-16)

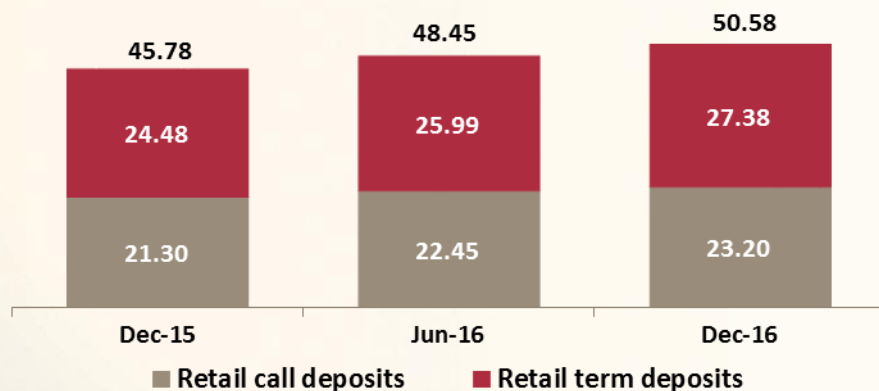
Industry leading funding position

- Funding strength provides flexibility for organic and inorganic asset growth
- Solid growth in both call and term deposits
- LCR of 117%
- Indicative NSFR 113%

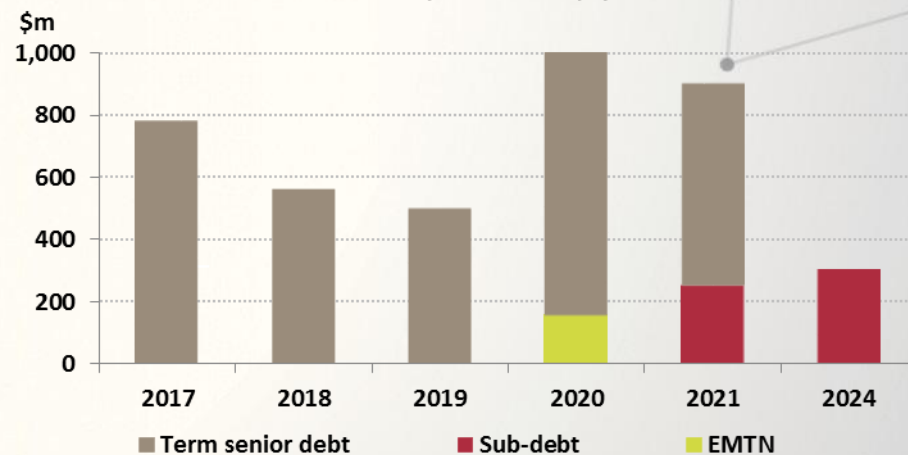
Historical funding mix



Retail deposit balances (\$bn)



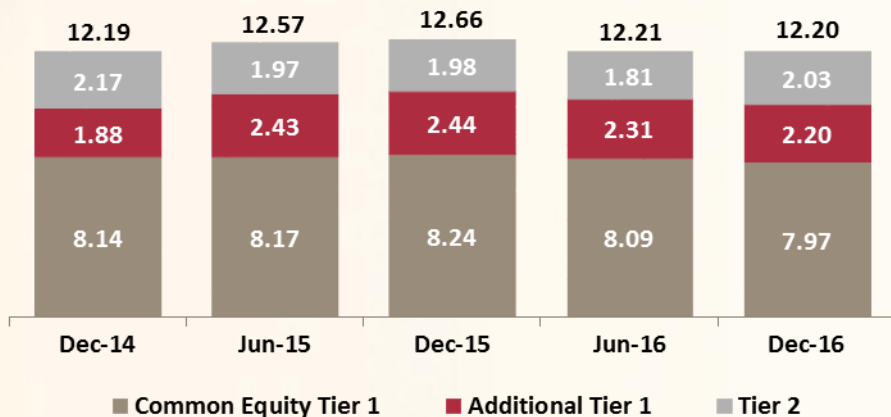
Term funding maturity profile



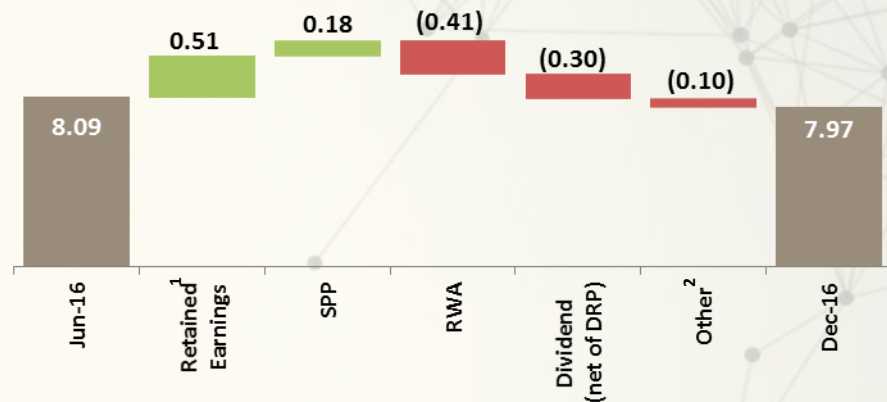
Note - Reclassification of some middle market deposits from Retail to Wholesale has reduced the retail deposit ratios: Dec-16 by 2.7%, June-16 by 2.4% and Dec-15 by 3.0%

Lower capital position following strong growth in lending assets

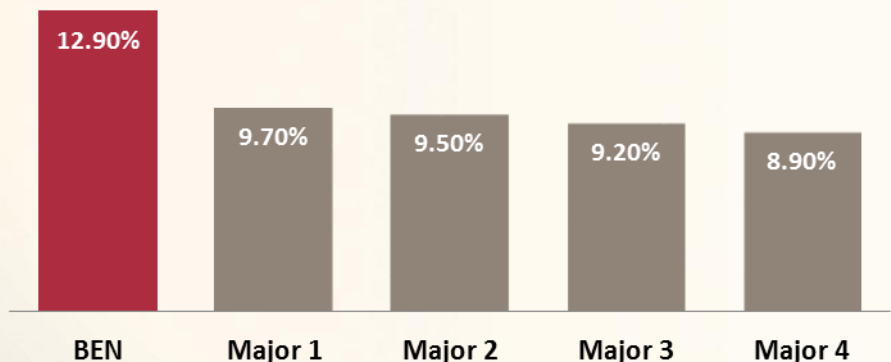
Total capital (%)



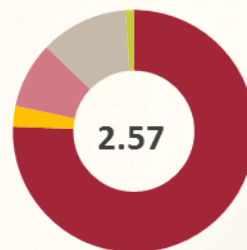
CET1 movement



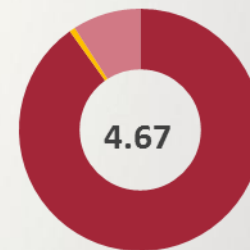
S&P RAC ratio³



Group Economic Capital⁴ (\$b)



Group Regulatory Capital (\$b)



1. Unrealised Homesafe revaluation revenue excluded from increases in retained earnings was 6bps

2. Other includes movement in capitalised expenses, deferred tax assets and reserves

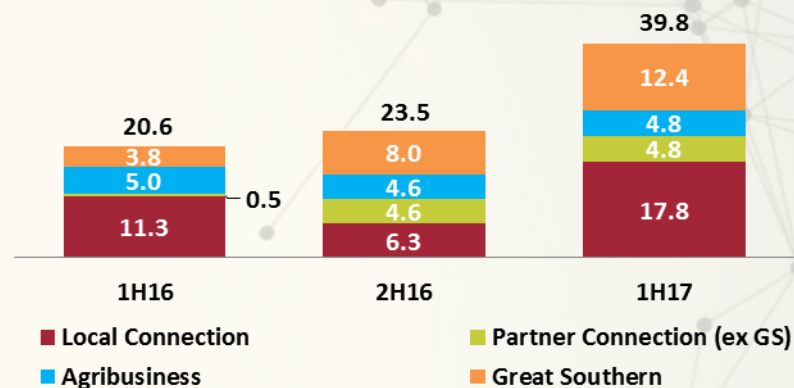
3. S&P RAC ratio, Major 1, 2, & 4 as at 30 Sept 2016, BEN & Major 3 as at 30 Jun 2016

4. Calculated using a combination of internal models and standardised measures

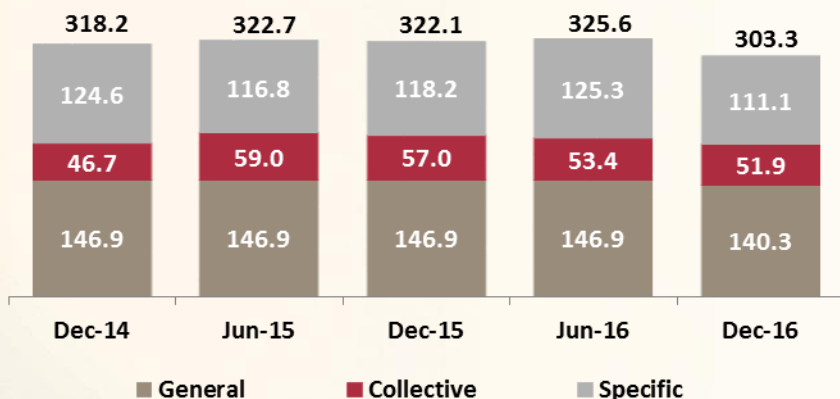
Bad and doubtful debts

- Impaired assets reduced by 14%²
- Increasing Great Southern write offs as collection process continues
- Specific provision lower following settlement of Agri and Great Southern exposures
- Reduction in collective provision due to reduced Great Southern overlay
- General reserve and collective provision at 50bps of risk weighted assets
- Portfolio remains well secured, with low LVRs

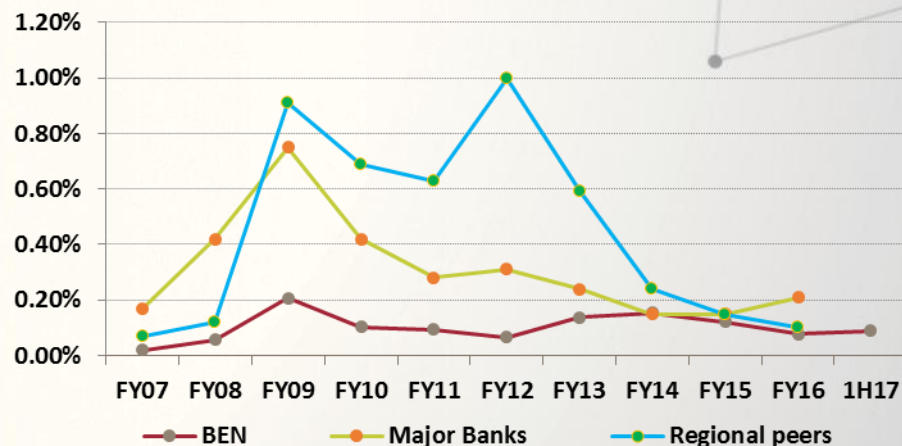
Bad and doubtful debts composition (\$m)



Provisions for doubtful debts (\$m)



BDD / Loans¹

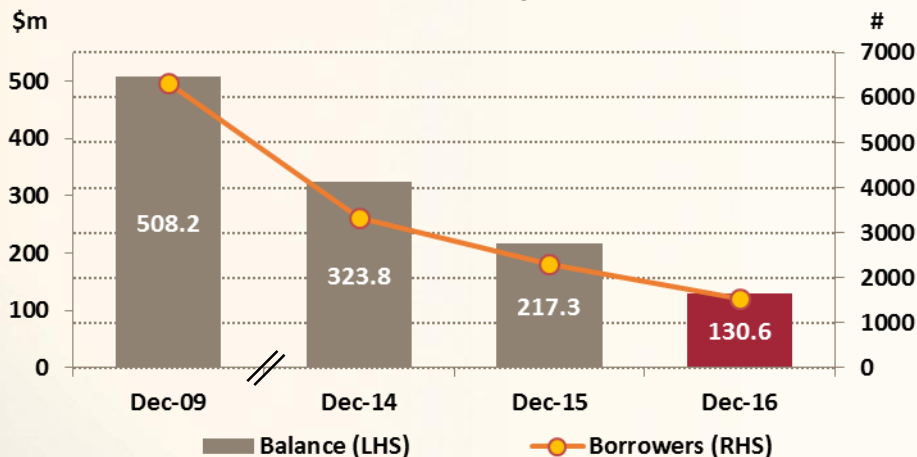


1. Company data
2. Movement based on prior half

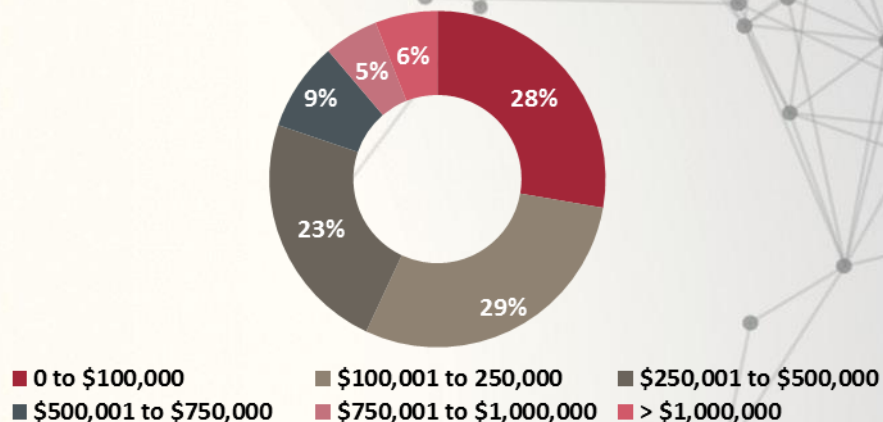
Great Southern paying down as expected

- Total loans net of specific provisions has reduced by 60%, since 31 December 2014
- Loans in dispute or 90 days arrears \$100.4m at December 2016
- Specific and collective provisions at December 2016 were \$13.9m and \$16.5m respectively
- Collective provision overlay tested and reduced by \$2.6m following portfolio reduction
- Total borrowers:
 - 3,321 at December 2014
 - 1,542 at December 2016

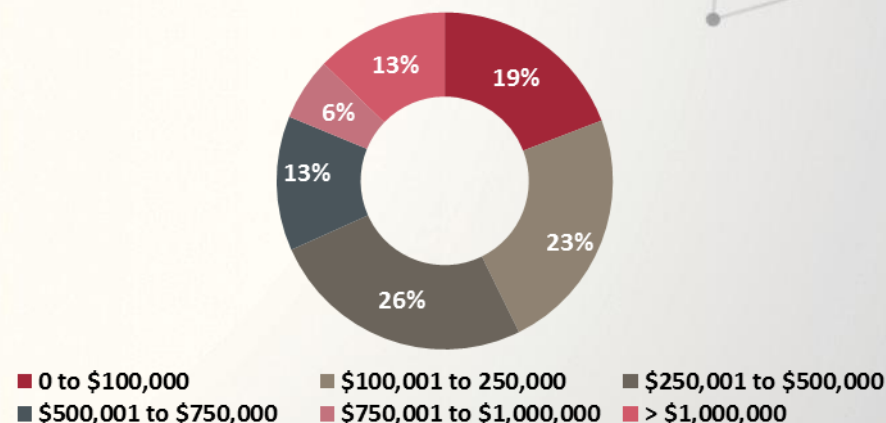
Great Southern portfolio



Loan size distribution¹



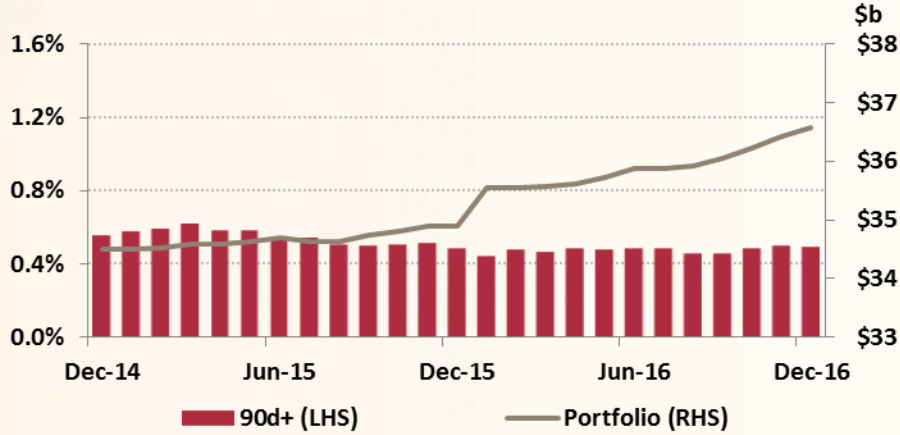
Obligor exposure¹



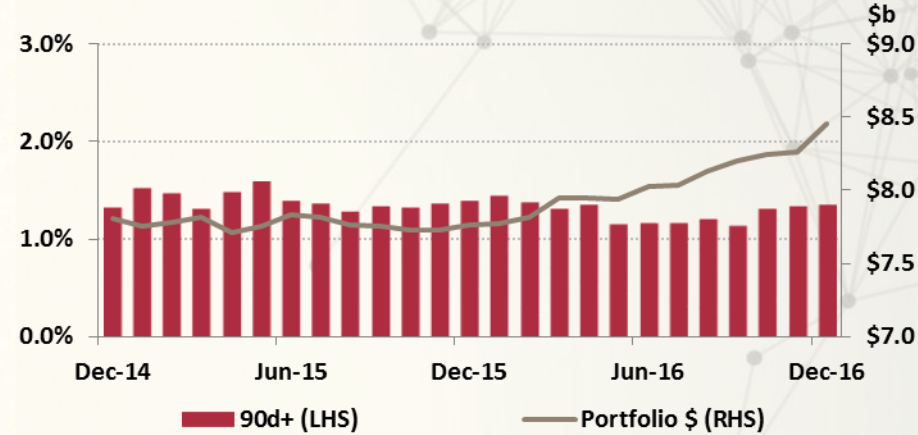
1 - Data as at 31 December 2016

Arrears remain benign

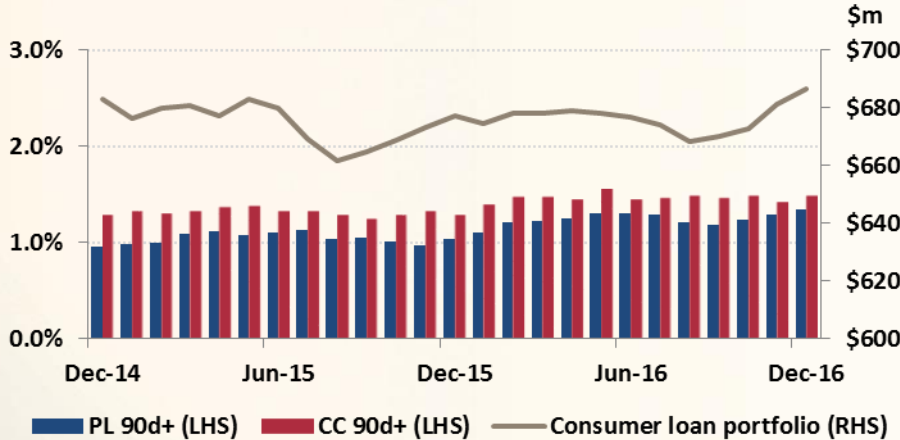
Residential Loan Arrears



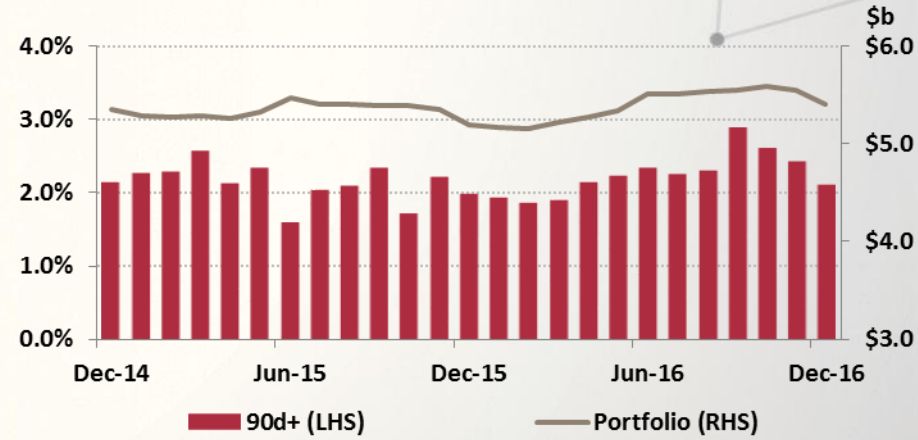
Business Loan Arrears



Consumer Loan Arrears



Rural Loan Arrears

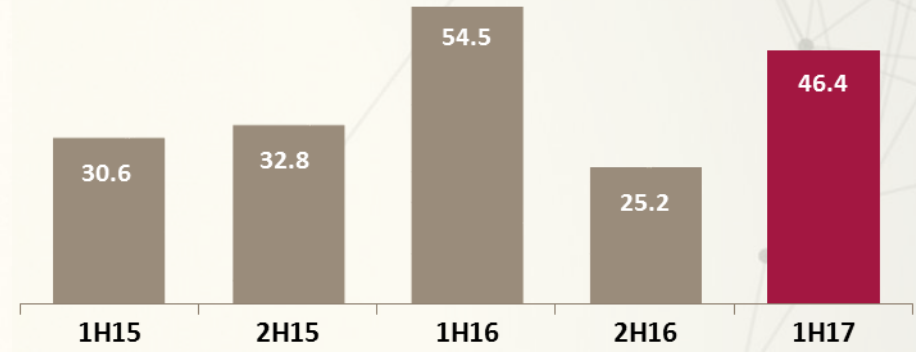


Note - Data excludes commercial arrangement loans

Homesafe investment property portfolio

- Average annual return on completed contracts since inception 9.5%, pre funding costs
- \$2.5m of overlay was added in 1H17, increasing the total overlay on the value of the portfolio to \$26.1m
- Proceeds on completed contracts exceeded post overlay values in excess of 5% in 1H17
- This total overlay reflects an assumed 3% increase in property prices for the next 18 months before returning to a long term growth rate of 6%
- Total funding provided \$360.9m at 31 December 2016

Homesafe income contribution (\$m)



Residex index movement for 6 months¹

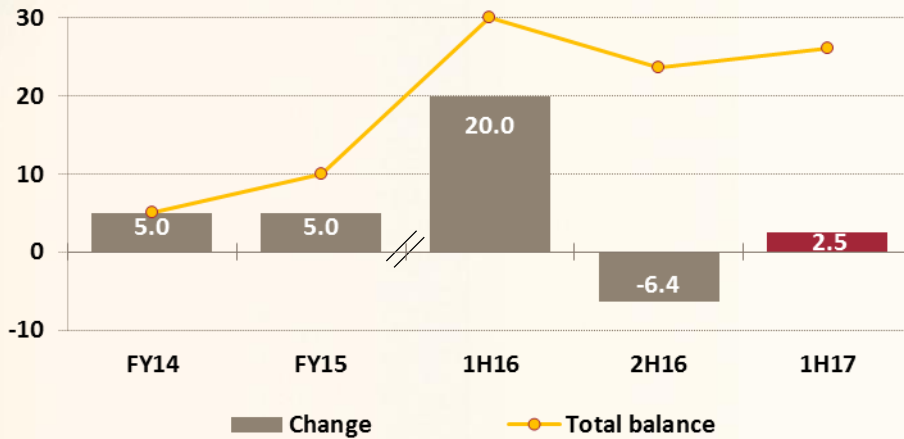


	FY14 (\$m)	FY15 (\$m)	FY16 (\$m)	1H17 (\$m)
Profit on sale	\$0.5	\$1.0	-\$0.1	\$1.4
Discount	\$12.6	\$15.6	\$16.7	\$9.0
Property valuations	\$42.2	\$51.8	\$76.7	\$38.5
Portfolio overlay	-\$5.0	-\$5.0	-\$13.6	-\$2.5
Total income contribution	\$50.3	\$63.4	\$79.7	\$46.4
<i>Implied funding costs</i>	\$16.3	\$14.6	\$14.1	\$7.3

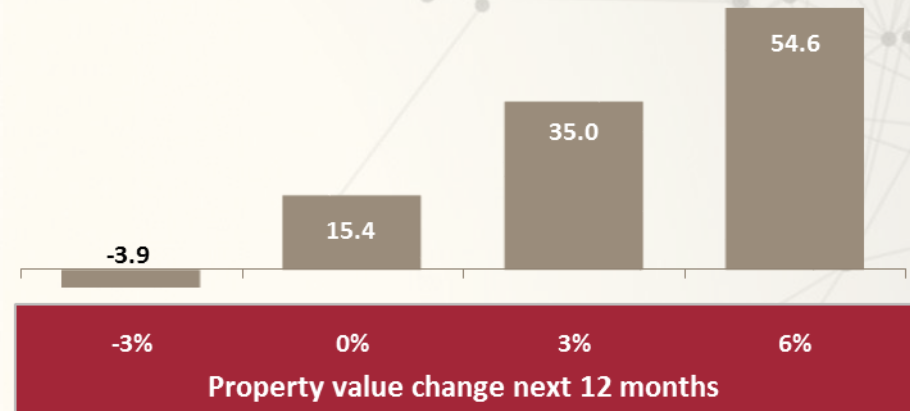
1. 6 months 31 May 2016 – 30 November 2016

Homesafe investment property portfolio

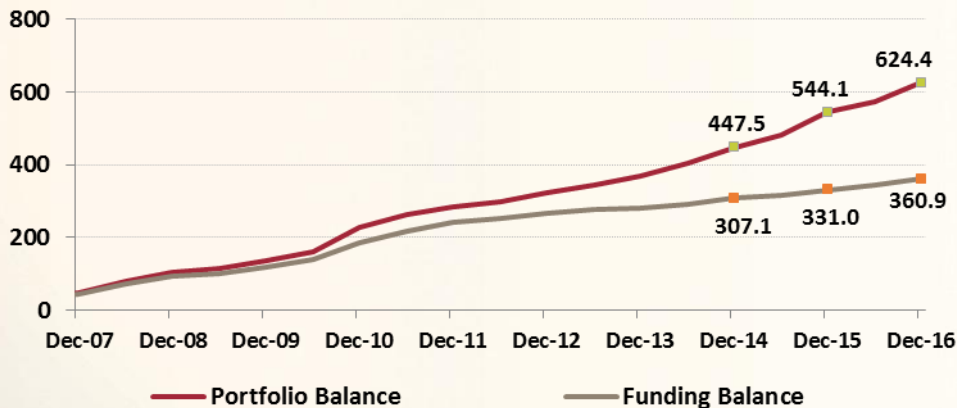
Portfolio overlay (\$m)



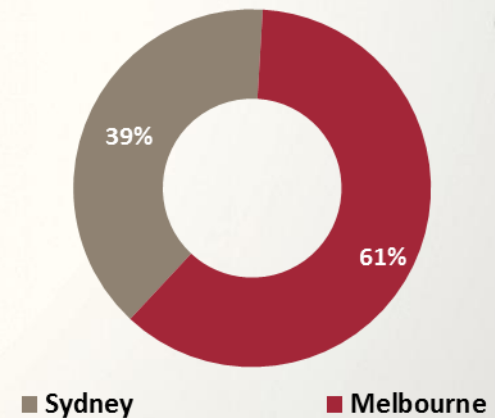
Homesafe income sensitivity for 12 months¹ (\$m)




Homesafe portfolio & funding balance (\$m)



Homesafe portfolio distribution



1. Income contribution sensitivities based on portfolio balance as at 31 Dec 16 with no new or completed contracts over the 12 months



Mike Hirst
Group Managing Director

Delivering on strategy



LOCAL

1. Broaden mobile face-to-face distribution
2. Deepen penetration into small business communities
3. Build sustainable and mutually profitable partnerships
4. Leverage investment in Melbourne & Sydney
5. Invest in our people, attract and retain talent



PARTNER

1. Leverage new system and performance measurement capabilities
2. Execute on Portfolio Funding opportunities
3. Wealth cost to income improvement
4. Local connection alignment
5. Expand partner relationships



AGRIBUSINESS

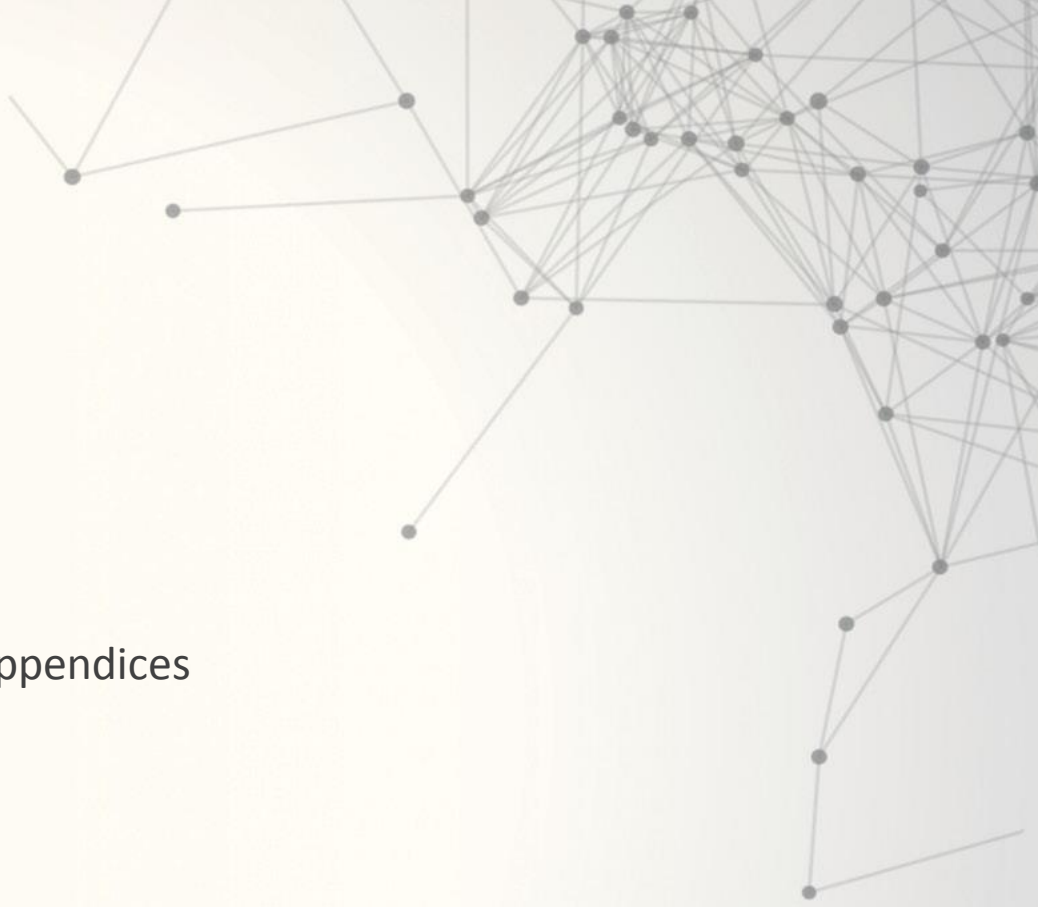
1. Targeting growth markets aligned with our specialisation and experience
2. Enabling future farmers
3. Innovation and knowledge partnerships
4. Aligned systems, processes, people and partners
5. Exploring the agriculture industry to identify market opportunities

Summary and outlook

- 1 Clear evidence of delivering on strategy
- 2 Maintaining our premium position with customers
- 3 Strong funding providing platform for growth
- 4 Efficiency gains being realised
- 5 Strong balance sheet position
- 6 Advanced Accreditation progressing
- 7 Outlook for competition uncertain



Questions

A network diagram of Australia, where nodes represent major cities and lines represent connections between them. The network is dense in the eastern and southern regions and sparser in the west and north.

Appendices

Our vision, strategy and purpose

Our vision
is to be
Australia's
most
customer
connected
bank

Our strategy
is to focus on
the success
of our
customers,
people,
partners and
communities

We do this by:

- Taking a 100 year view
- Listening and responding
- Respecting every customer's choice, needs and objectives
- Partnering for shared success
- Empowering collaboration and inclusion
- Having a clear purpose that is supported by our values

AS A BANK WE ARE GOOD WITH **money**
BUT IT'S BIGGER THAN THAT. WE ARE MORE INTERESTED IN THE GOOD THAT MONEY CAN DO.

WE CARE ABOUT PEOPLE AND WHAT THEY CARE ABOUT.
PEOPLE SHOULD BE TREATED FAIRLY AND DECENTLY NO MATTER THEIR CIRCUMSTANCES.

WE KNOW PEOPLE WITH A PURPOSE MAKE GREAT THINGS HAPPEN

COMMUNITY IS AS IMPORTANT TO US AS IT IS TO ITS MEMBERS.

SHARE VALUE
WE STRIVE TO GROW AND SHARE WITH EVERYONE CONNECTED WITH OUR BUSINESS.

FUTURE
WE WEIGH ALL OF OUR DECISIONS BECAUSE THEY AFFECT THE FUTURE WE HELP TO CREATE.

OUR ACTIONS
DEFINE US MORE THAN OUR WORDS WILL.

Strategy & Purpose



How do we measure success?

Customer

- New to lost customers
- Average products per customer
- Customer advocacy

People

- Diversity
- Staff engagement
- Productivity

Partner

- Partner advocacy
- Partner performance

Risk

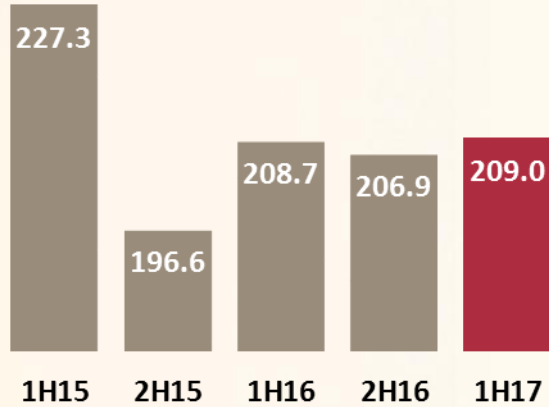
- Credit loss % risk weighted assets
- Liquidity & Funding

Financial

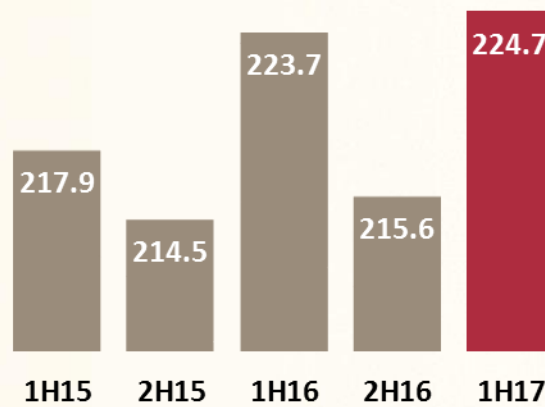
- Cash EPS
- ROTE
- ROA
- RAROC

Positive earnings progression

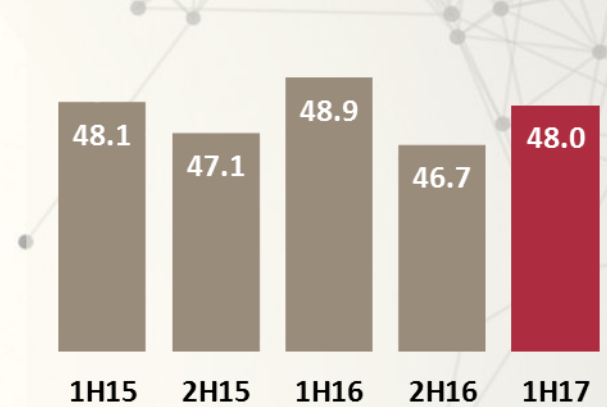
Statutory profit (\$m)



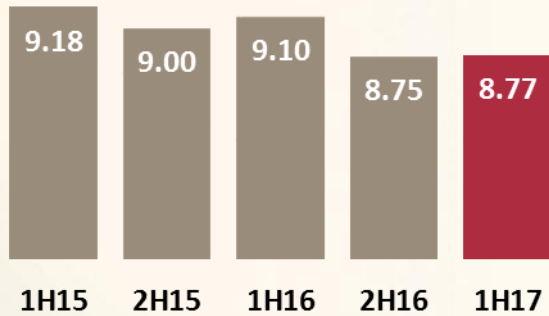
Cash earnings (\$m)



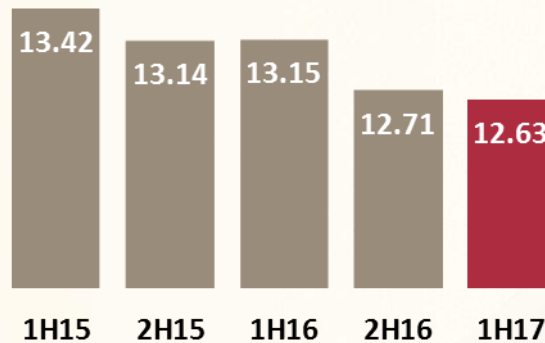
Cash earnings per share (cents)



Return on equity (%)

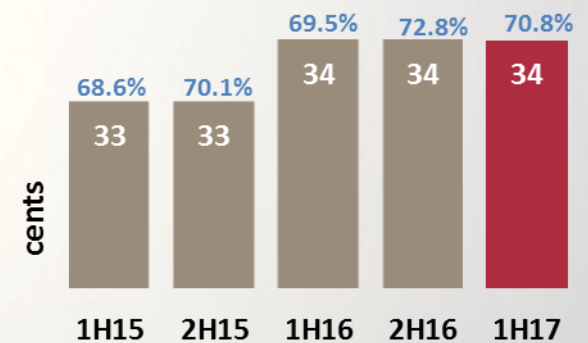


Return on tangible equity (%)










Dividend per share (cents)

Payout ratio (cash)

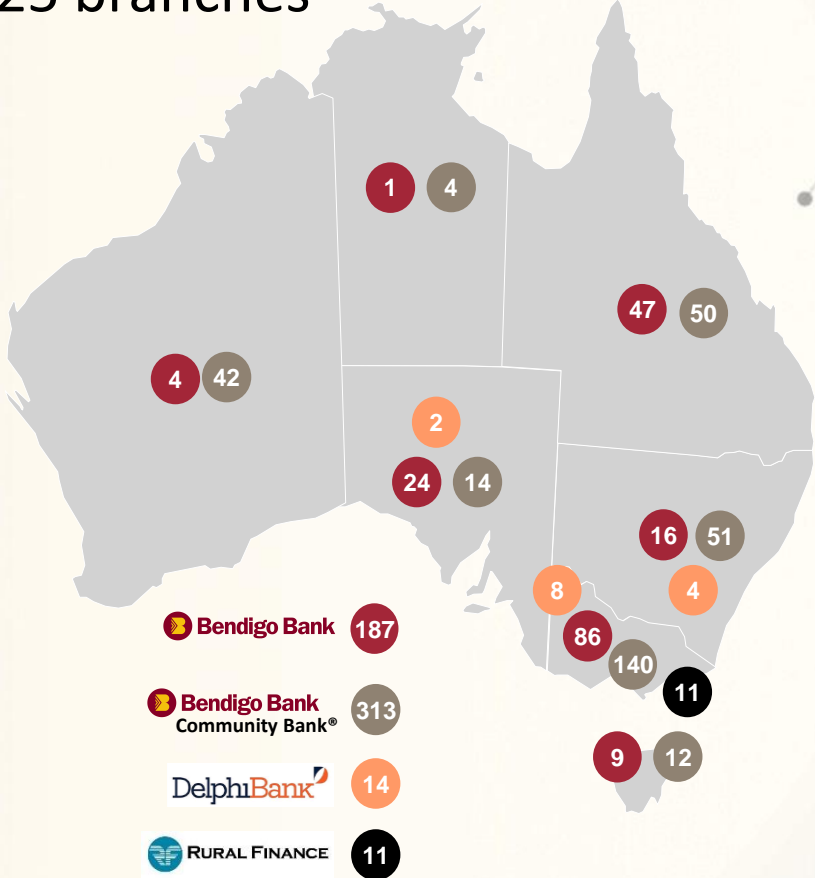


A complete portfolio of businesses

Brand	Segment	Business
 Bendigo Bank  DelphiBank	Local Connection	Provides a full range of consumer and business banking products and solutions
 AdelaideBank  BendigoWealth  Leveraged <small>The professional's choice</small>	Partner Connection	Third party banking, wealth and protection solutions
 RURAL BANK  RURAL FINANCE	Agribusiness	Solutions for agricultural farm businesses

Diverse geographic footprint

525 branches

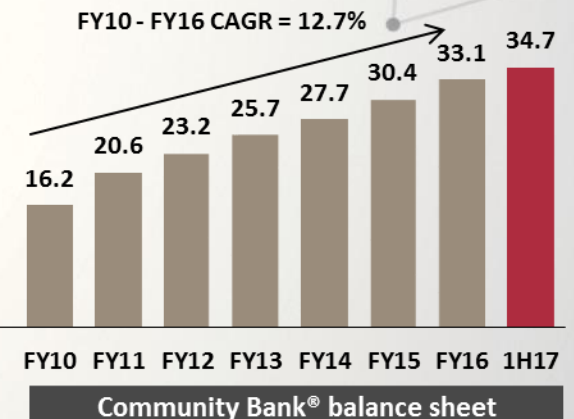
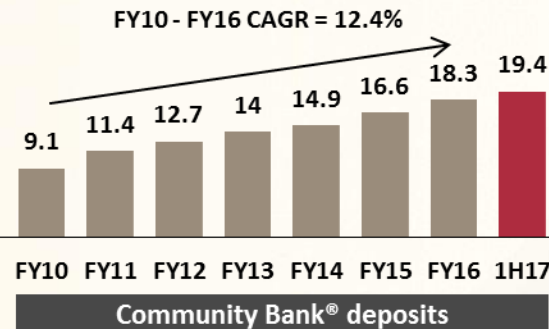
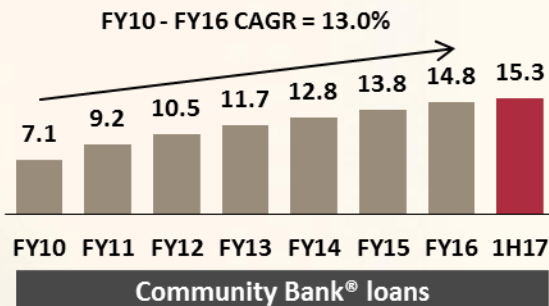


The Community Bank® model 19 years old

- Over \$165m in community grants¹ since inception – delivering tangible benefits for these communities and our business
- 313 Community Bank branches with more than 90 in communities where there is no alternative provider
- Proven, reliable and cost effective distribution strategy



Community Bank® growth (\$bn)



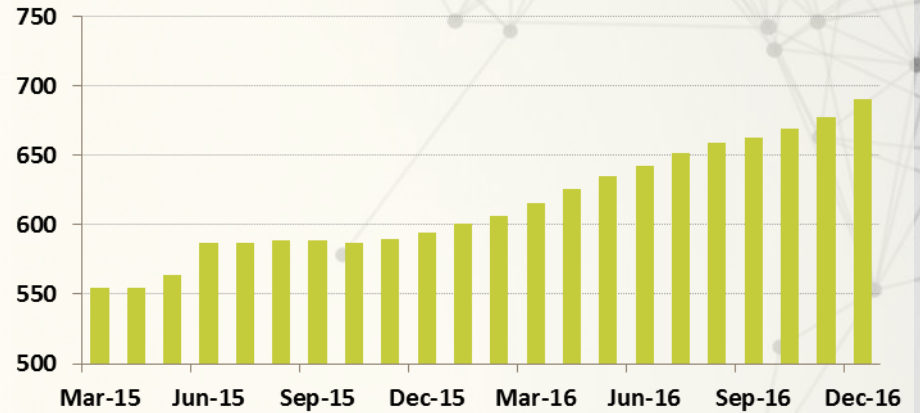
1. Includes total sponsorships, donations and contributions

Alliance Bank loan & deposit growth

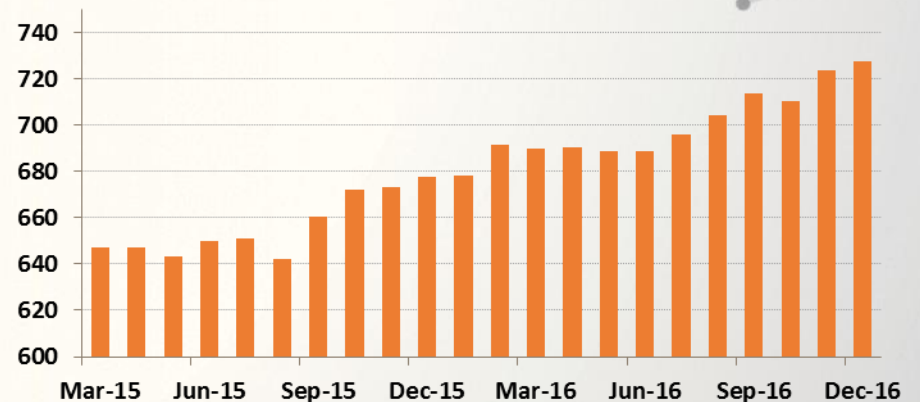
- 25% growth in loan portfolio and 13% growth in deposit portfolio since March 2015
- 1 new entrant due for completion in FY17
- Confidentiality agreements signed with four other credit unions
- 160 employees
- 40,000 customers
- Innovative social impact loan program



Alliance loan portfolio balance (\$m)



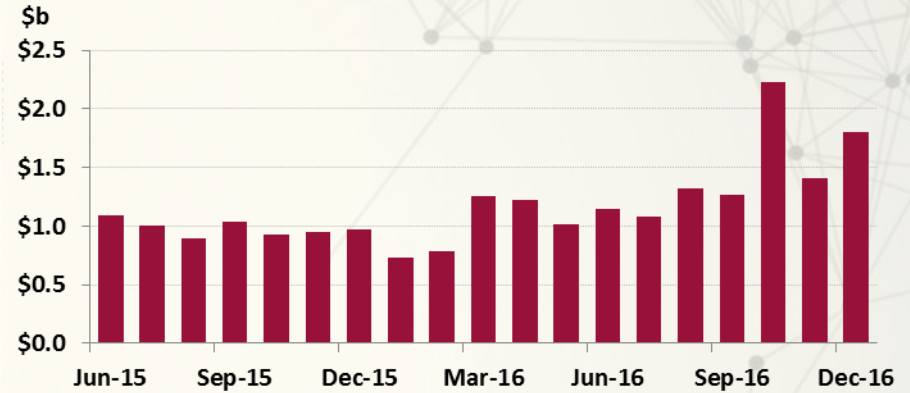
Alliance deposit portfolio balance (\$m)



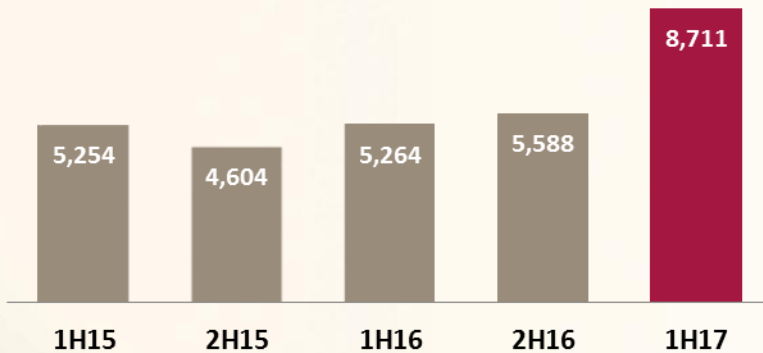
Growth in residential loan approvals

- 9% growth in Offset portfolio since December 2015
- 45% of home loan customers are ahead of minimum repayments, with 29% of customers 3 or more repayments ahead¹

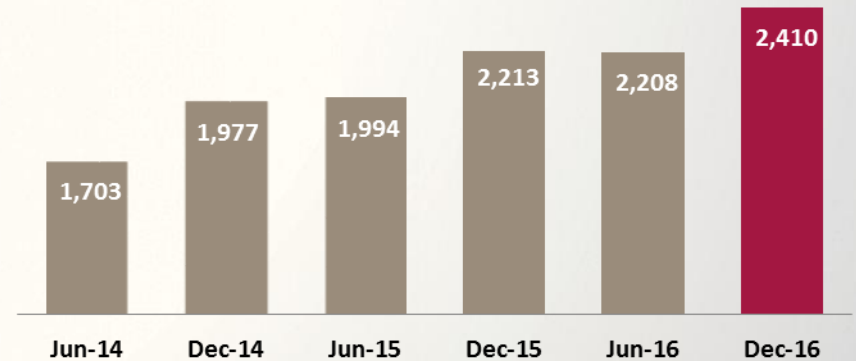
Settlements²



Total residential loan approval (\$m)



Offset account portfolio (\$m)



1. Excludes amounts held in Offset facilities

2. Data excludes Rural Bank, Rural Finance & Delphi

Specific provisions

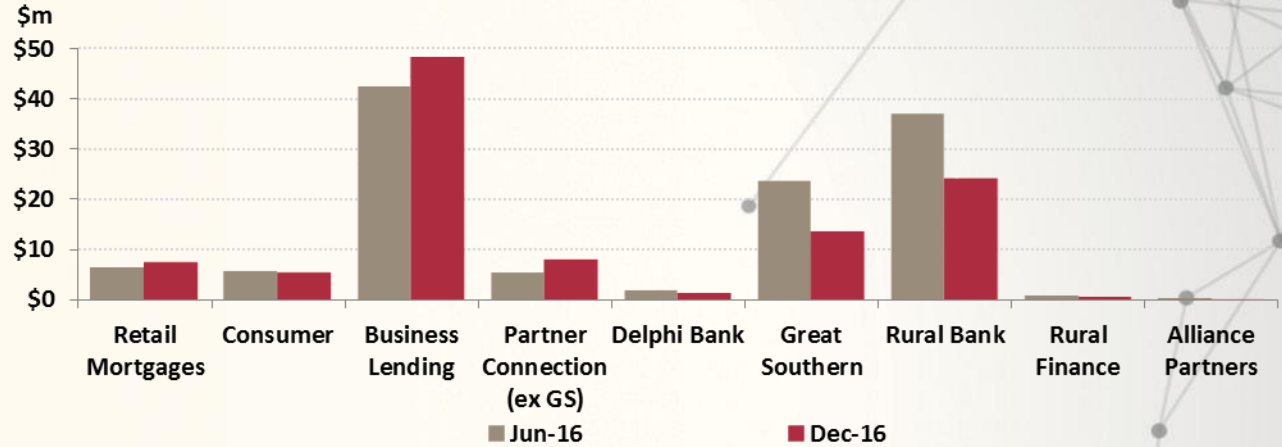
Specific provision balance (\$m)



As at Dec 2016

Represented by →

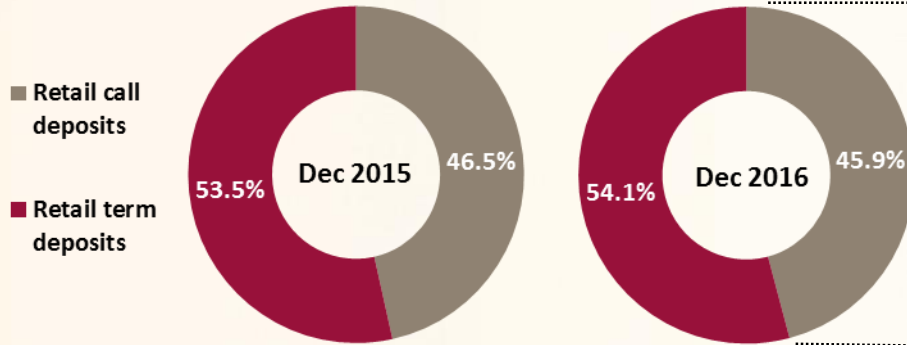
Specific provisions breakdown



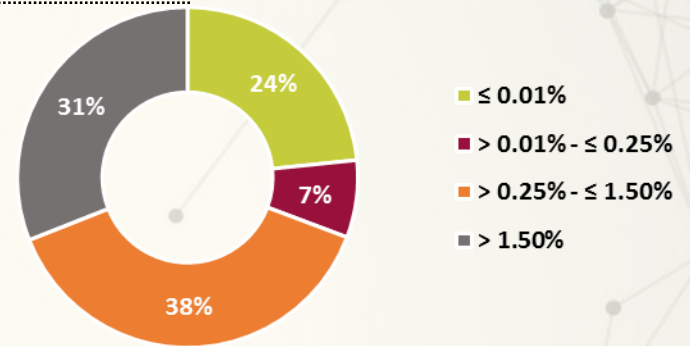
Provision as % of each portfolio's gross loans	Retail Mortgages	Consumer	Business Lending	Partner Connection (ex GS)	Delphi Bank	Great Southern	Rural Bank	Rural Finance	Alliance Partners	BEN total
Dec 2016	0.03%	0.52%	0.63%	0.04%	0.09%	9.22%	0.65%	0.05%	0.02%	0.18%
June 2016	0.03%	0.54%	0.58%	0.03%	0.11%	11.48%	0.97%	0.07%	0.03%	0.22%
Portfolio as % of gross loans	37.9%	1.9%	12.7%	33.9%	3.2%	0.3%	6.2%	2.8%	1.1%	100%

Funding

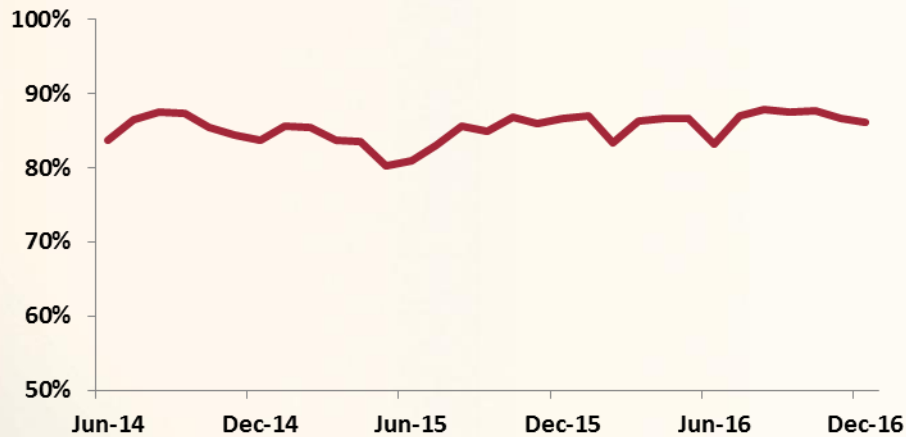
Retail deposit composition



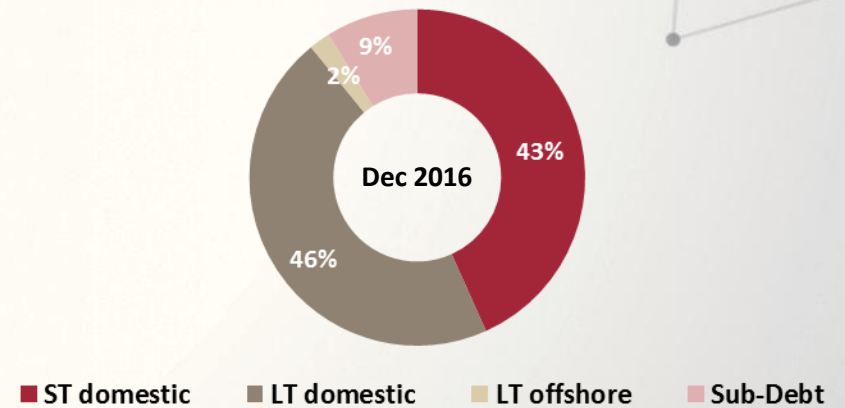
Retail call deposit funding costs



Retail term deposit retention rate¹



Wholesale funding composition

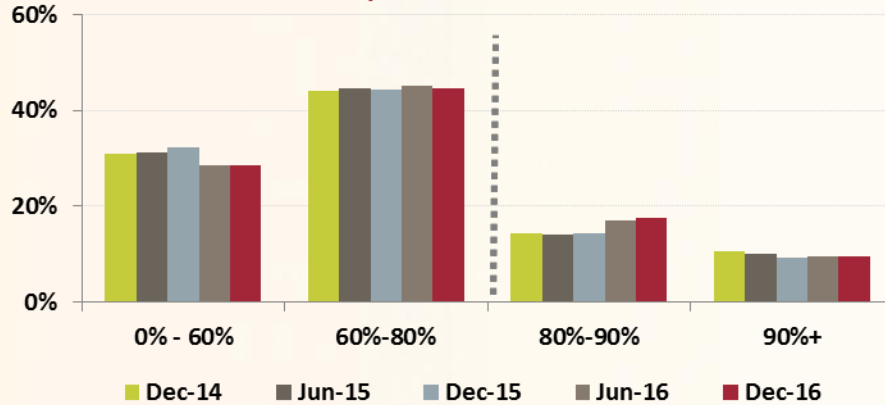


1. Company data

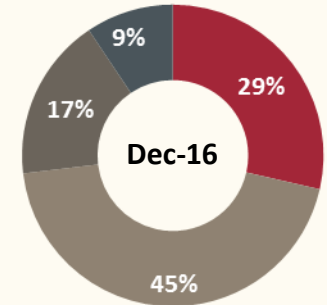
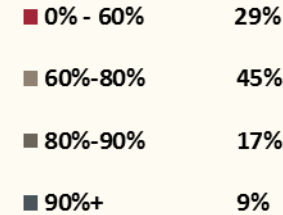
Key capital ratios & LVR breakdown

Residential loan-to-value profile

73% of portfolio with LVR ≤ 80%



Residential LVR breakdown



Key capital ratios (%)

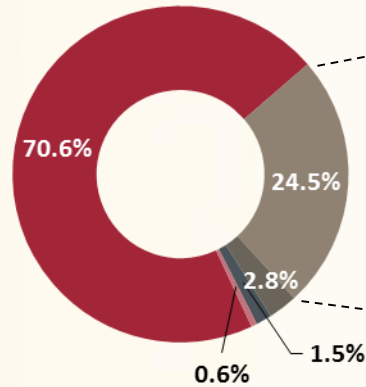
	2H15	1H16	2H16	1H17
Common equity tier 1	8.17	8.24	8.09	7.97
Additional tier 1	2.43	2.44	2.31	2.20
Tier 1 Capital	10.60	10.68	10.40	10.17
Tier 2	1.97	1.98	1.81	2.03
Total regulatory capital	12.57	12.66	12.21	12.20
Risk weighted assets (RWA) (\$bn)	34.7	34.5	36.5	38.3

Note - Breakdown of LVRs for by residential mortgages at 31 December 2016 by origination

Secure and low risk loan portfolios

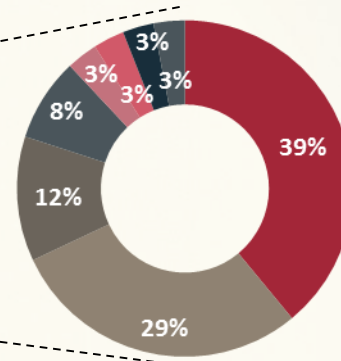
BEN loan composition¹

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



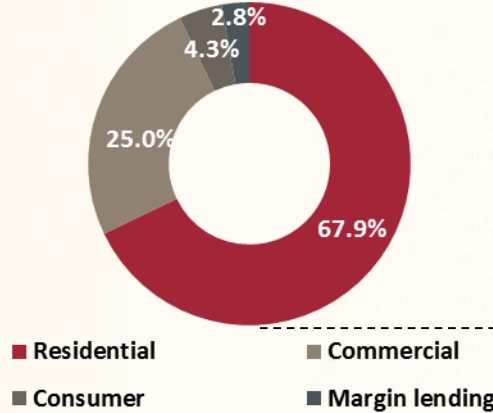
Commercial breakdown

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



BEN loan composition²

- 98.4% secured
- 97.8% secured by mortgages and listed securities
- Residential mortgages
 - average LVR 58%
 - 62% owner occupied
- Margin Lending
 - 80% of portfolios hold ≥ 4 stocks
 - Average LVR 37%



Residential Mortgages ³	Dec-16	Jun-16	Dec-15
Owner occupied	62%	62%	65%
Investment	38%	38%	35%
Lo Doc	2%	2%	3%
Retail mortgages	56%	55%	55%
Third Party mortgages	44%	45%	45%
Mortgages with LMI	28%	30%	33%
Average LVR	58%	58%	58%
Average loan balance	\$217k	\$212k	\$205k
90+ days past due	0.49%	0.48%	0.49%
Impaired loans	0.11%	0.08%	0.09%
Specific provisions	0.04%	0.03%	0.03%
Loss rate	0.01%	0.01%	0.01%
Variable	70%	67%	66%
Fixed	30%	33%	34%

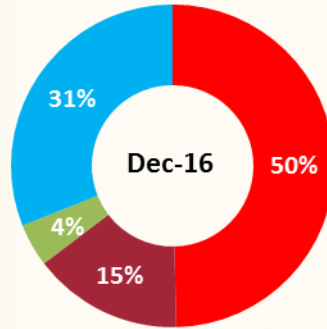
1. Loan data represented by security as per page 13 in the 4D.

2. Loan data represented by purpose

3. Excludes Delphi Bank & Keystart data

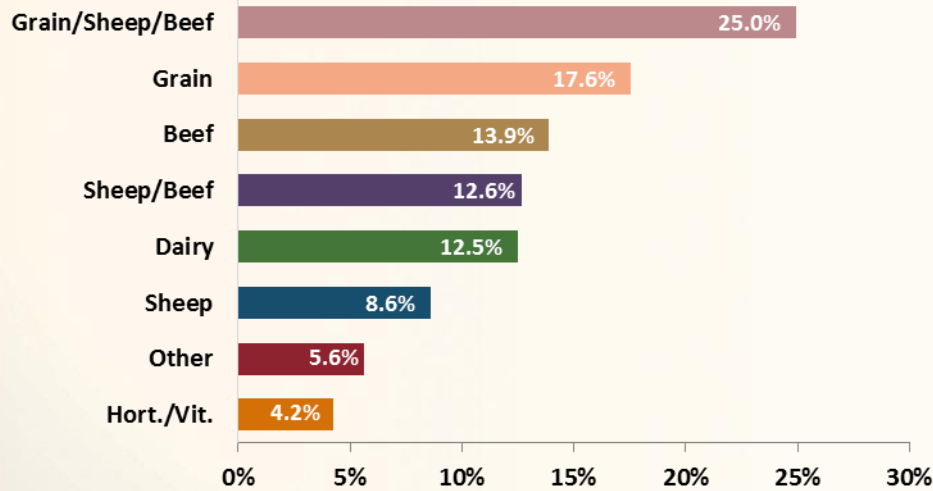
Agri-business diversification

Channel distribution

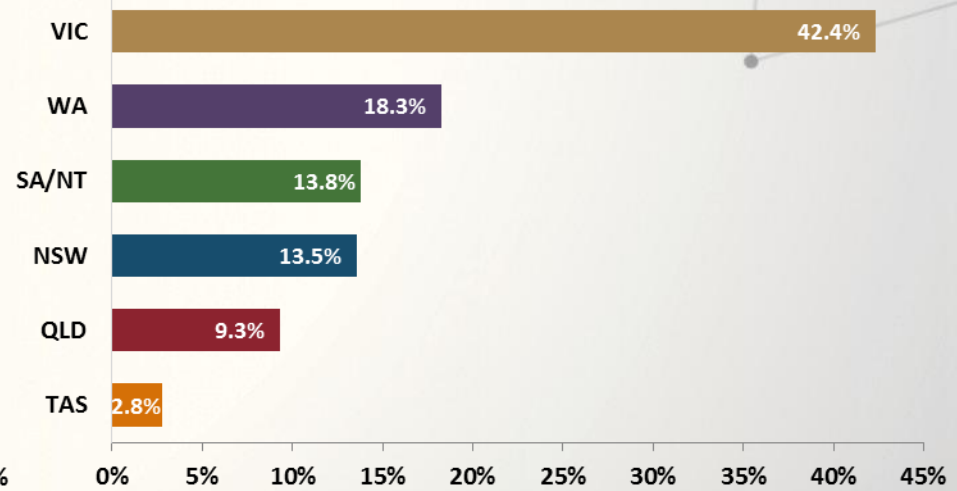


■ Elders ■ Bendigo Bank ■ Rural Bank ■ Rural Finance

Agri exposure by industry



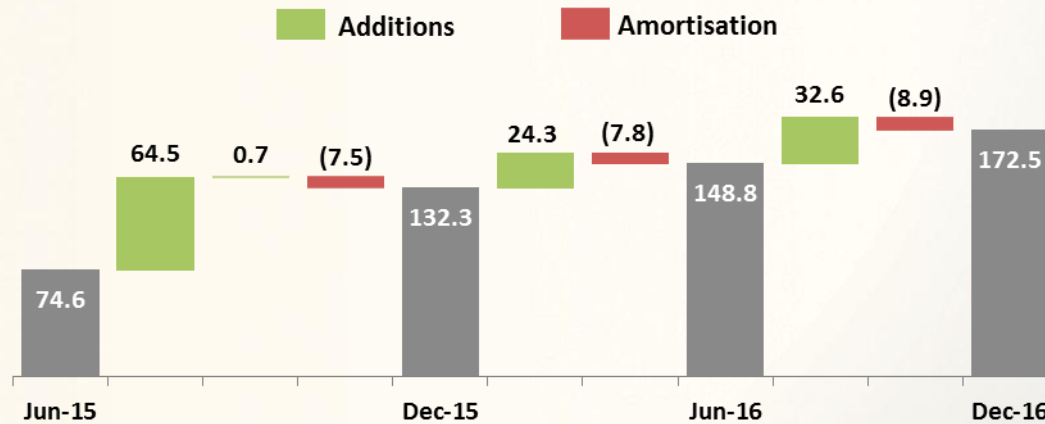
Agri exposure by state



Technology investment

- 1H17 additions:
 - Integrated General Ledger and HR platform
 - Phase 1 of new lending platform

Capitalised software (\$m)



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