

Annual Results

11 August 2008



Agenda



Rob Hunt

Managing Director

Overview
Merger Integration

David Hughes

Chief Financial Officer

Financial result

Jamie McPhee

Chief Executive – Wholesale Bank

Group risk

Mike Hirst

Chief Executive – Retail Bank

Funding and capital

Mike Hirst

Chief Executive – Retail Bank

Retail Bank update

Jamie McPhee

Chief Executive – Wholesale Bank

Wholesale Bank update

Rob Hunt

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Conclusion

Speaker



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- results at a glance



Cash earnings	\$201.9m	↑ Up 70.4%
Cash earnings per share	93.7c	↑ Up 13.0%
Profit after tax	\$170.5m	↑ Up 40.0%
Full-year dividend	\$0.65	↑ Up 12.1%

Overview

- current market conditions



- Confidence levels in the financial system have been severely impacted
- Non-retail funding – harder to access and costs more
- Available funding will be applied:
 - To the most profitable business opportunities
 - To enhance relationships and prospects
 - To leverage capabilities and investments

Overview

- growth at profitable prices



- As always, growth targets are subordinate to profitability targets
- Demonstrated commitment to pricing for risk
- Leveraging our retail investment:
 - Strong retail deposit growth
 - Maturing and growing branch network
 - Conservative retail funding mix
- Growth has been aligned to our funding capability
- Strong merger rationale will continue to be demonstrated
 - Diversity of revenue and business relationships

Overview

- group milestones



- Celebrating 150 years of Bendigo Bank
- Celebrating 10 years of **Community Bank**[®]
- Successful merger between Bendigo Bank and Adelaide Bank
 - Two complementary business strategies (wholesale and retail), both using partners to improve effectiveness
 - Adaptable and innovative – both have invested in distribution, product, technology and balance sheet businesses
 - Merger rationale has been vindicated
- Continue to grow customer numbers
- Biggest ever marketing campaign – Olympics launch

Merger integration

- progress and opportunity



- Integration program on track
- Expect to be operating under one ADI by end of calendar year
- Cost synergy run-rate on target
- Increased scale and diversity
- Improved talent pool
- Early opportunities for retail banking in SA
- Expanded margin lending customer base
- Retain, build and/or restructure our business partner businesses

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Financial results

- consistent, reliable earnings growth*



	2006	2007	2008
Cash earnings (\$m)	102.5	118.5	201.9
Cash earnings per share	73.2	82.9	93.7
Profit after tax (\$m)	116.7	121.8	170.5
Full-year dividend	52.0	58.0	65.0

*2008 figures represent 12-months contribution from Bendigo Bank and 7-months contribution from Adelaide Bank

Financial results

- further detail

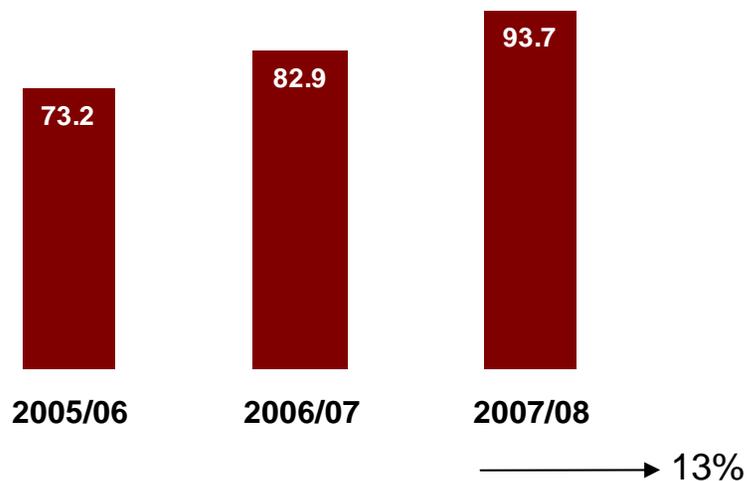


- Significant items – \$35.1 after tax
 - Visa IPO proceeds (\$17.6m)
 - Cash flow hedge reserve \$19.8m
 - Equity investments impairment \$21.1m
 - Integration costs \$6.6m
 - Other \$5.2m
- Merger synergies
 - \$20m run-rate reduction achieved
 - On track for \$60-\$65m cost synergy target by end of third year of operation

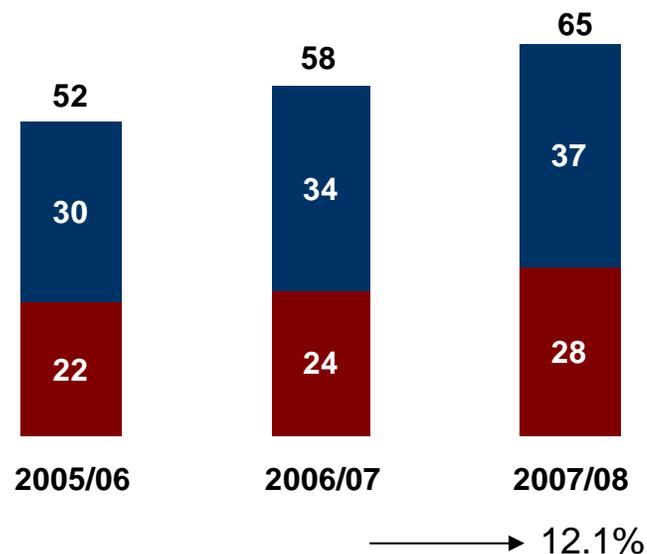
Financial results

- growing shareholder returns

Cash earnings per share (cents)*



Group dividends (cents)*

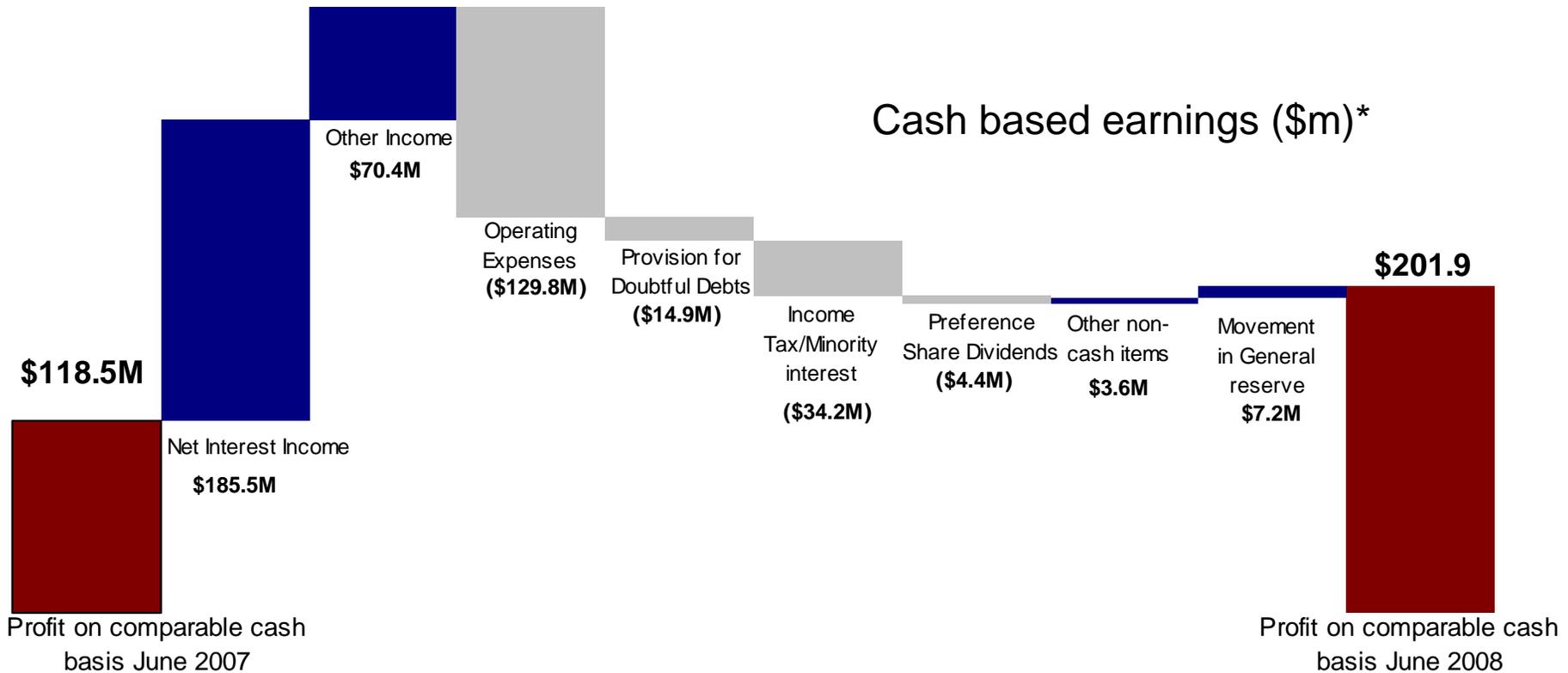


Interim

Final

*2007/08 figures represent 12-months contribution from Bendigo Bank and 7-months contribution from Adelaide Bank

Financial results – quality earnings

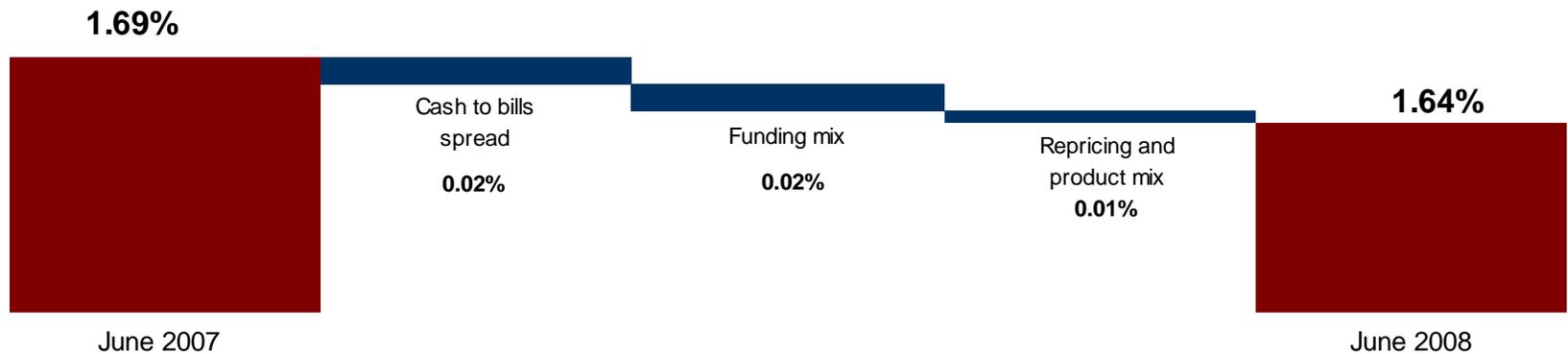


*Figures represent 12-months contribution from Bendigo Bank and 7-months contribution from Adelaide Bank

Financial results

- growth at profitable prices

Analysis of net interest margin (%)*



*Normalised margin assuming 12-months contribution from Adelaide Bank and comparatives re-stated

Financial results

- growth at profitable prices

- We take a disciplined approach to the allocation of available funding

Assets	30-6-2007* (\$m)	30-6-2008 (\$m)	Variance	
			(\$m)	%
Retail Mortgages	8,077	9,364	1,286	15.9%
Wholesale Mortgages	17,475	16,738	(737)	(4.2%)
Business Lending	3,980	4,190	210	5.3%
Margin Lending	5,097	3,831	(1,266)	(24.8%)

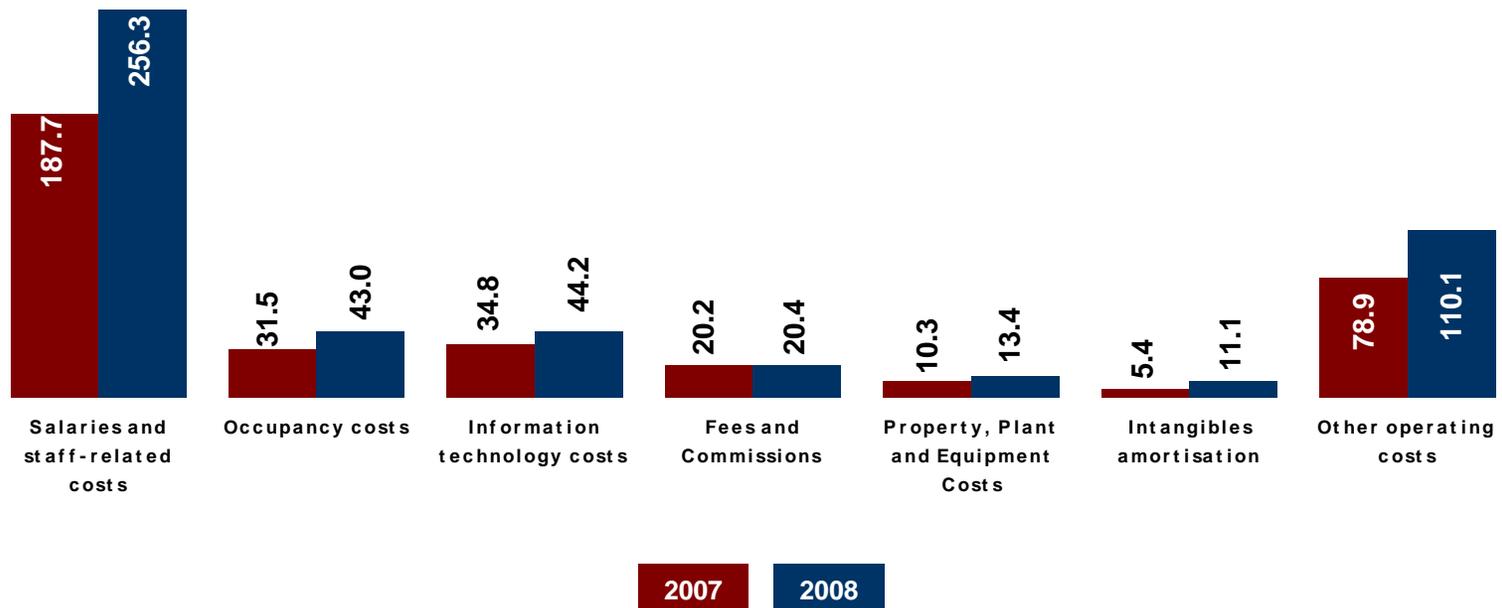
Liabilities	30-6-2007* (\$m)	30-6-2008 (\$m)	Variance	
			(\$m)	%
Wealth/HNW/Middle Market	8,540	7,950	(590)	(6.9%)
Branch deposits	13,783	15,966	2,183	15.8%
Wholesale	8,388	8,208	(180)	(2.2%)
Securitisation & clean sales	15,370	12,670	(2,700)	(17.57%)

*Pro-forma figures assuming Bendigo Bank and Adelaide Bank had merged

Financial results

- continuing to invest in the business

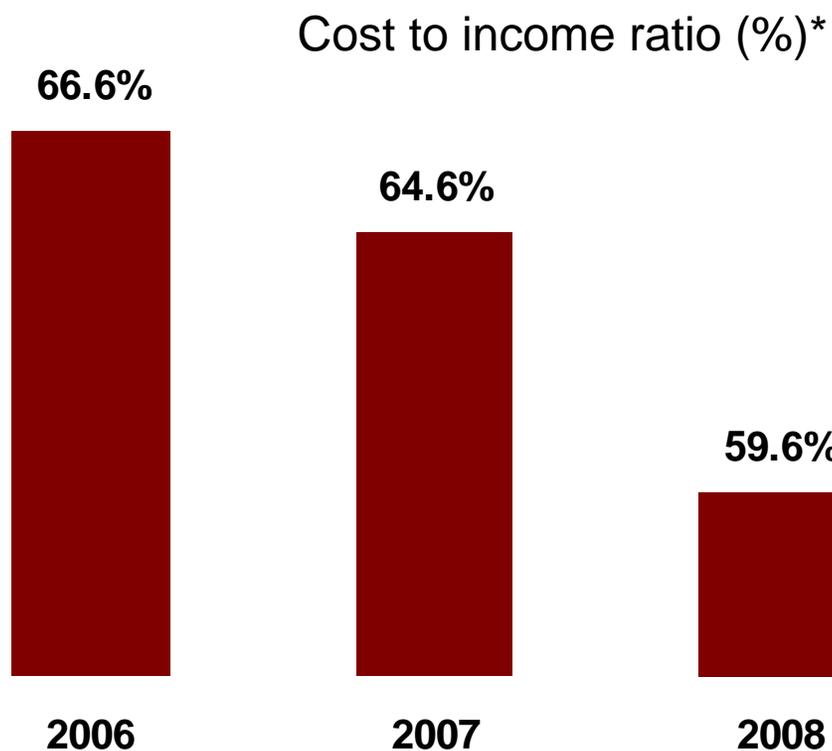
Operating expenses (\$m)*



*Figures represent 12-months contribution from Bendigo Bank and 7-months contribution from Adelaide Bank

Financial results

- continuing to invest in the business



*2008 figures represent 12-months contribution from Bendigo Bank and 7-months contribution from Adelaide Bank

Group credit

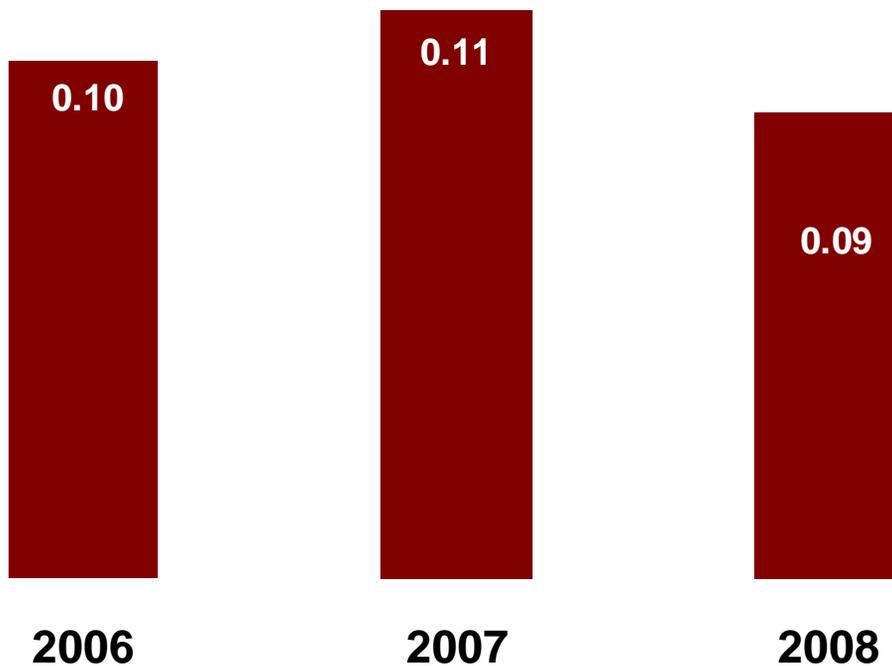
- remaining vigilant



- Credit quality remains sound across the group
- Some deterioration in isolated sectors
- Strong industry diversity
- Strong geographical diversity
- Both heritage banks had low risk appetites (and have not increased risk appetite as a result of the merger)
- Conservative provisioning
- Proactive and responsible asset management

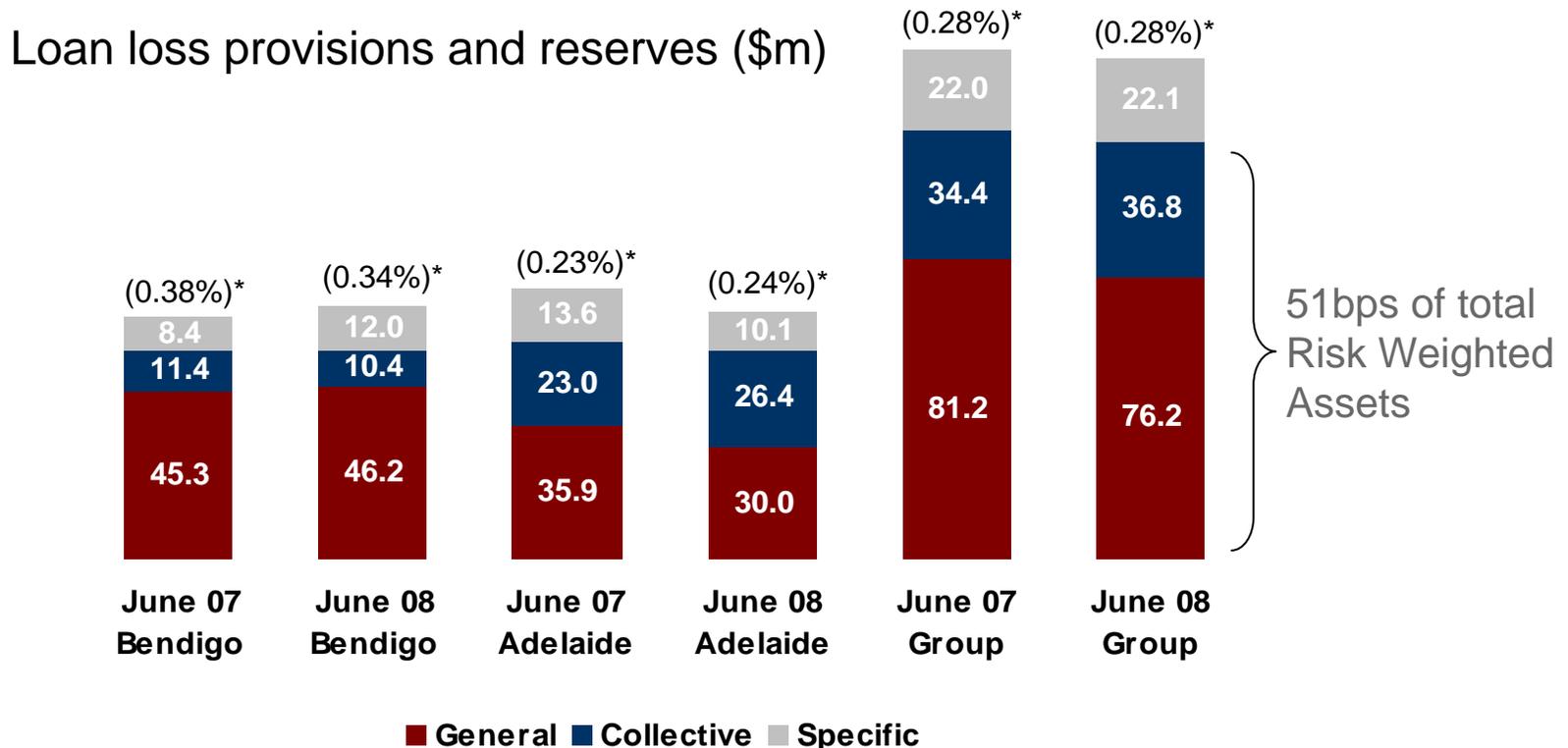
Group credit - maintaining quality

Gross impaired loans/total assets (%)



Group credit - conservative provisioning

- Total group provisions of \$135m as at June 2008



*Percentage of total assets

Group credit

- general and specific provisions

- Ongoing conservative approach to provisioning
- General and collective provisions (combined) steady at 51bps of group Risk Weighted Assets
- No underlying systematic or product failure in specific provisions

Composition of specific provisions

	Value (\$m)	% of portfolio
Commercial & Business Banking	\$6.5m	0.08%
Wealth Financing	\$4.4m	0.12%
Consumer Portfolio (including mortgages)	\$11.2m	0.04%

Group credit

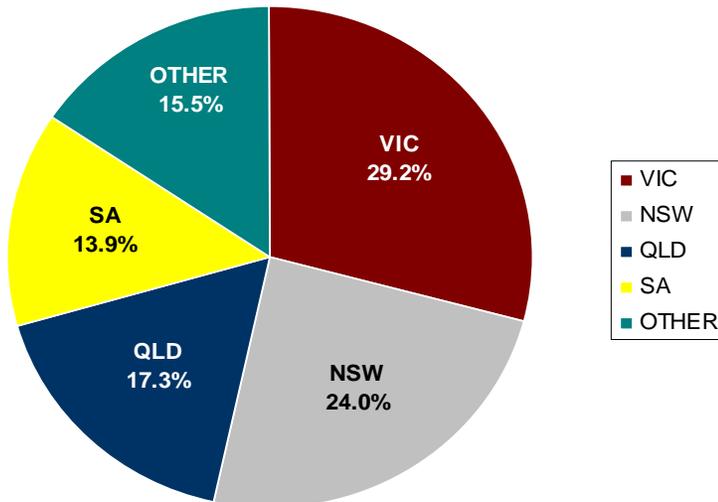
- conservative lending exposure



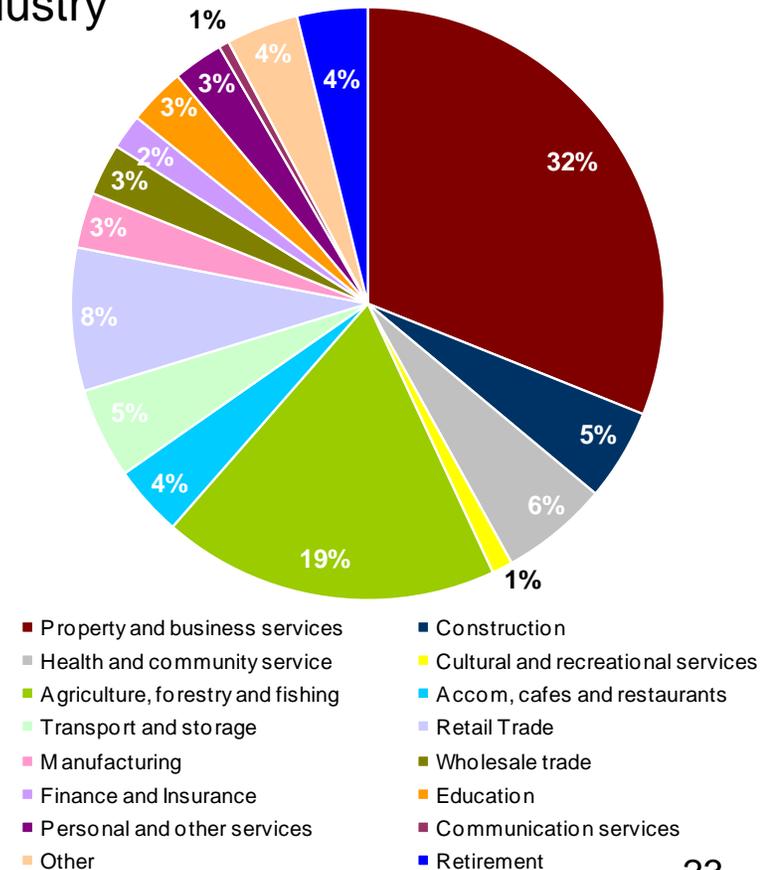
- Top 30 exposures = \$876.8m (1.77% of total assets)
- Only 6 loans greater than \$30m
- All top exposures performing well
- Diversity by geography and industry

Group credit - diversity of portfolio

Group lending
by geography



Business lending
by industry



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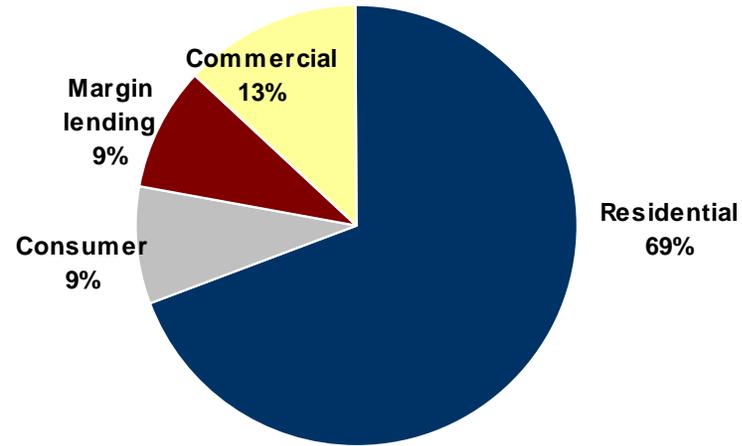
Managing Director

Conclusion

Group risk

- a challenging environment

Group loans by purpose



- Mortgages form the majority of loans by purpose and security
- Unsecured consumer lending a minor part of the portfolio
- Key areas of focus for credit risk
 - Renewed focus on *Mortgage Help*, financial hardship provisions and asset management
 - Processing improvements through merger
 - Current business conditions highlight valid business models and product integrity

Group risk: mortgages

- maintaining a vigilant approach



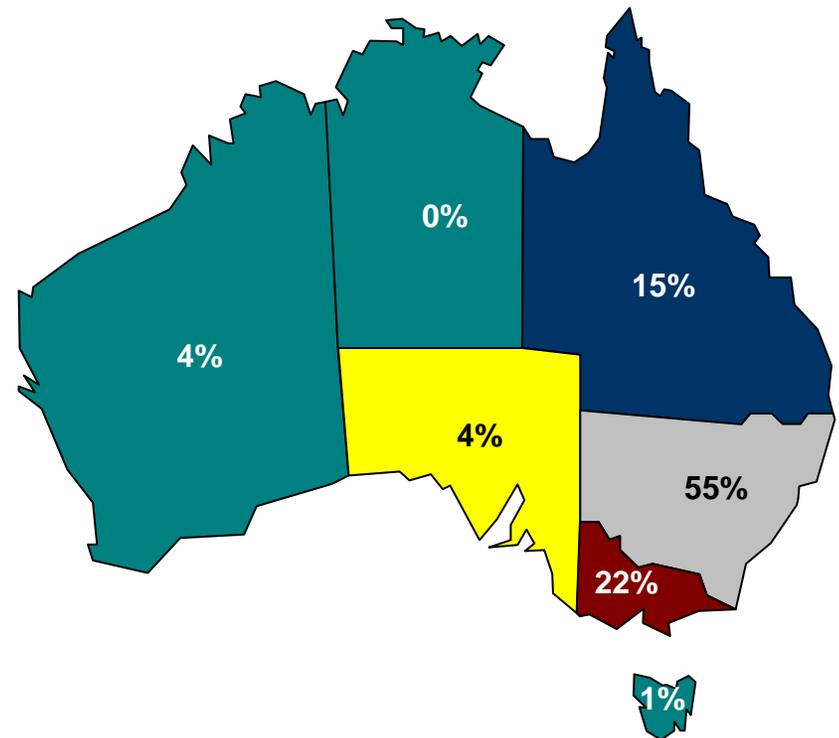
- 90+ day arrears levels are increasing – from a very low base
- Of those in 90+ day arrears:
 - Average historical LVR is 60.95%
 - 66.7% are fully verified
 - 33.2% are lo-doc
- LMI insurance covers more than 60% of all MIP loans

Group risk

- diversity by geography

Group Mortgagee in Possession loans

State	Number	\$ value (m)
NSW	74	\$39.4
Victoria	30	\$6.0
Queensland	20	\$11.0
South Australia	5	\$1.1
Other	6	\$3.4

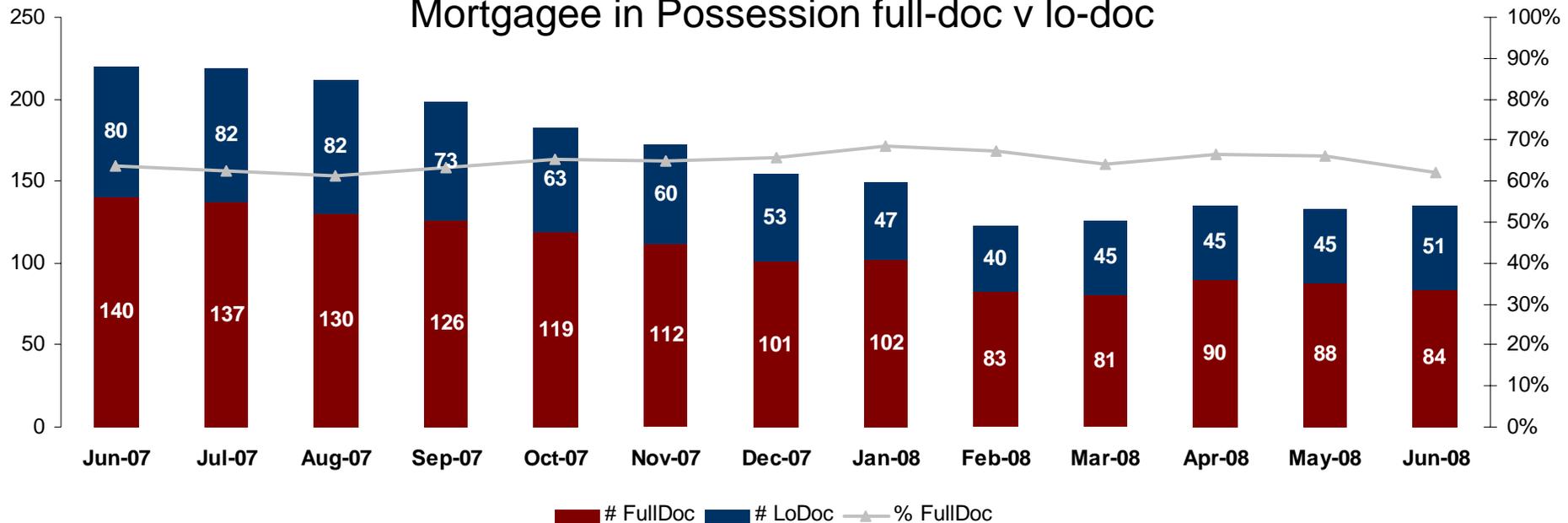


Group risk: mortgages

- lo-doc loans MIP

- Lo-doc loans represent 13.1% of group loans
- Lo-doc loans represent 37.7% of all loans MIP

Mortgage in Possession full-doc v lo-doc



Group risk: mortgages

- product design provides additional security

- High levels of LMI in lo-doc portfolio (all loans more than 60% LVR)
- Full valuations for all lo-doc loans – regardless of LMI status
- While 90+ day arrears trends higher, actual losses remain low

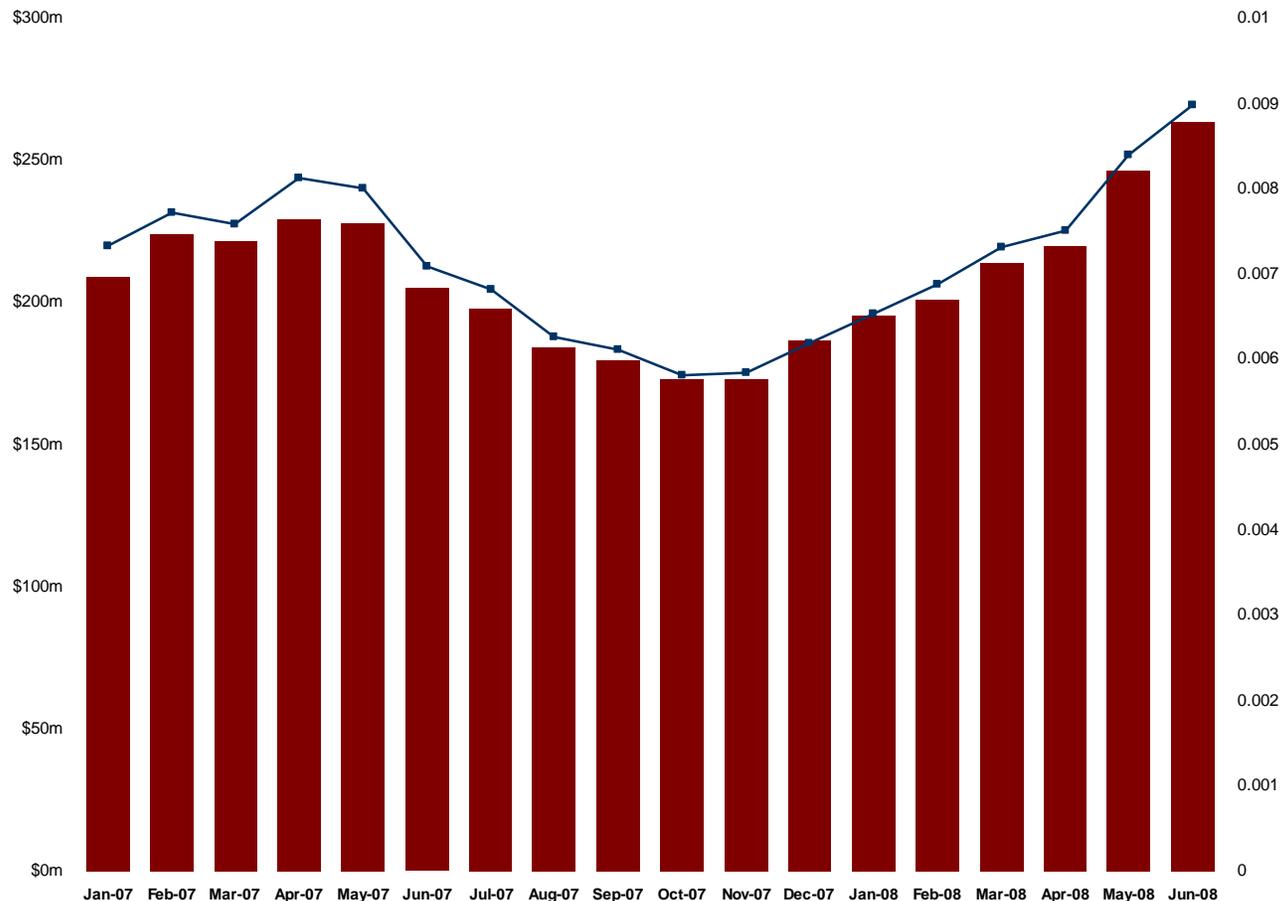
All lo-doc loans 90+ day arrears

	June 90+ day arrears (\$m)	12-month trend, 90+ day to loss (\$ value of portfolio)	Potential \$-loss at current 90+ day levels
All lo-doc	\$85.07m	1.2%	\$1.01m

Group risk: mortgages

- 90+ day arrears remain at historically low levels

All loans under management – 90+ day balances



Group risk: Margin Lending

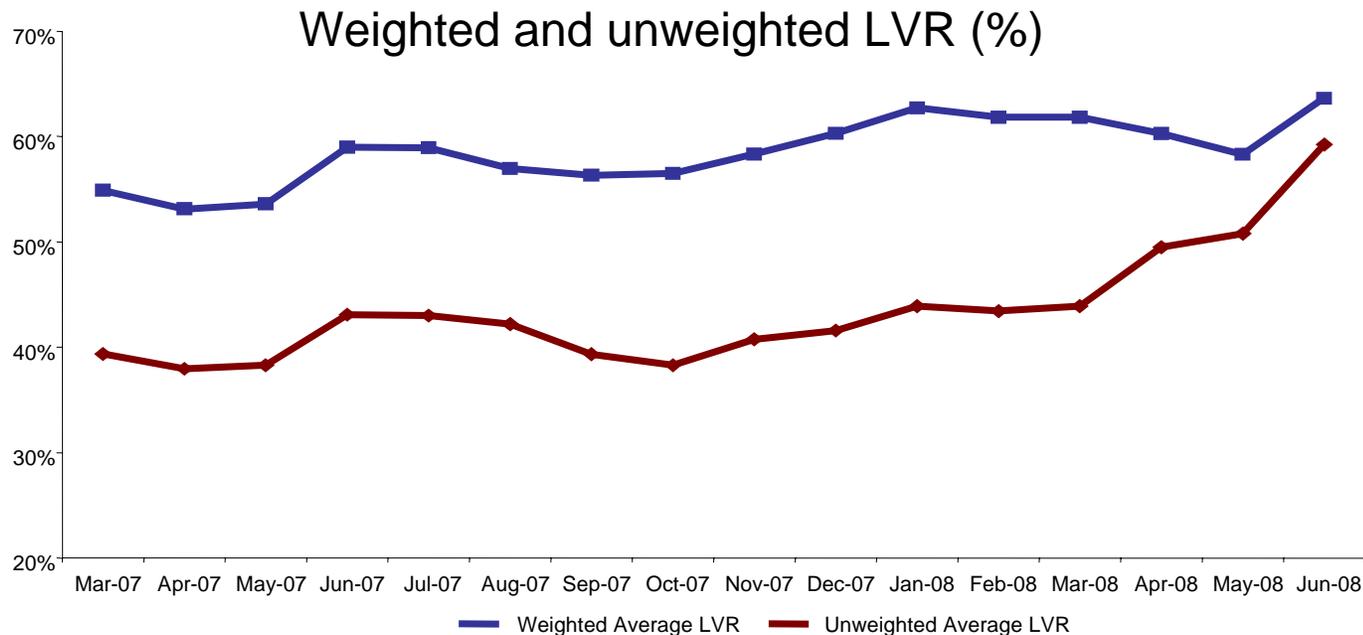
- business model tested and proven



- 12 consecutive down days (most since 1982)
- 18% cumulative decline
- 12th day – down 7.26% (1989 – fell 8.09%)
- Significant volatility (highest since 1987)
- Large falls in single stocks - Allco, MFS, ABC, Centro
- All margin calls made, all settlements met
- No exposure to the stock lending sector
- Total provisioning of \$4.4m, leaving no further uncovered exposures

Group risk: Margin Lending - self-calibrating portfolio

- Margin calls effectively re-calibrate portfolio LVR
- Unweighted LVR increasing due to more granular portfolio with fewer single stock loans



Group risk: other initiatives

- fraud prevention



- Implementation/refinement of automated fraud detection systems
 - Internet Banking
 - Cheque
 - Staff and Credit Applications
- Dedicated Phishing Takedown service
- Increased resources in Financial Crimes team
- Greater analytics capability and knowledge (internal and partners)

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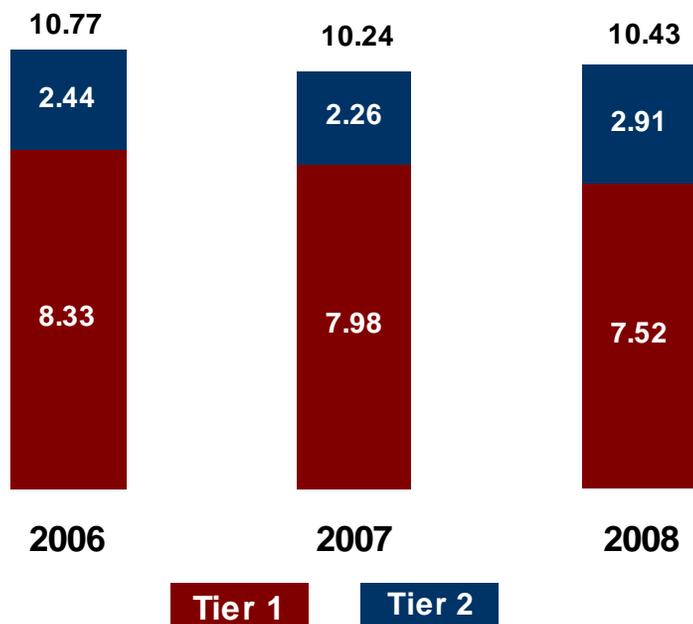
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The future

Capital adequacy

- maintaining conservative approach

Total group capital (%)



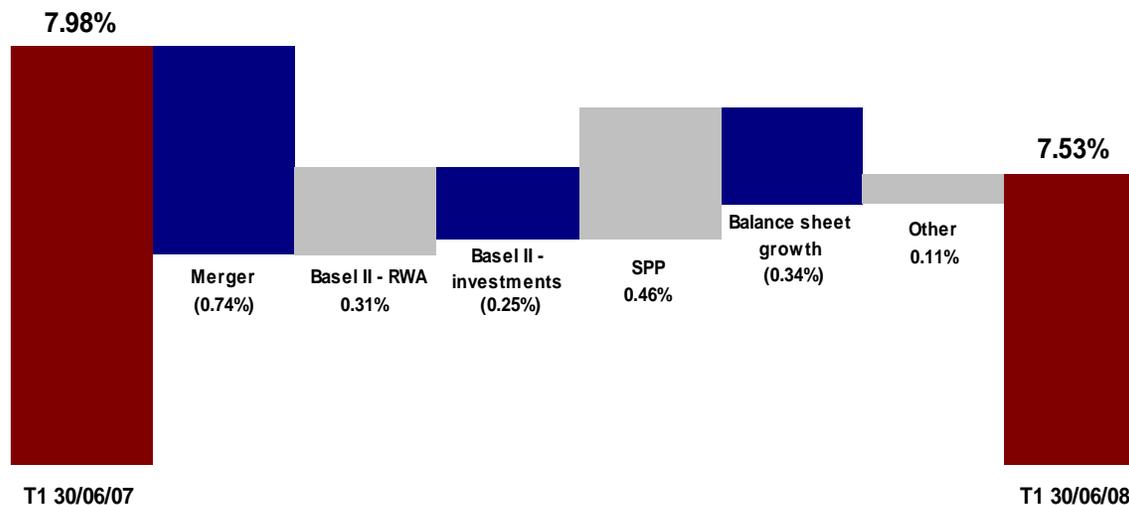
- Capital refinancing task for FY09 - \$80 million of sub debt maturities

- Range of capital raising options available, including non-innovative T1 instrument

Capital adequacy

- maintaining conservative approach

- \$89 million of ordinary share capital raised in May 2008 under Share Purchase Plan
- Basel II and Adelaide Bank merger impacts



Funding structure

- adapting to market conditions

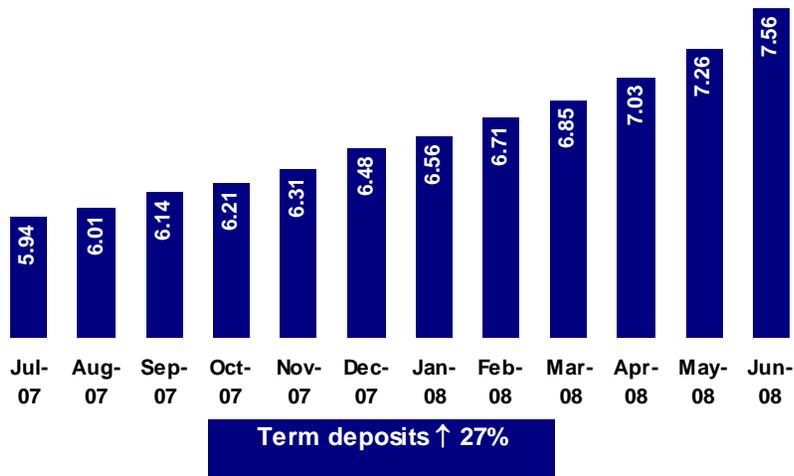


\$millions	Balance at 30/06/07	Balance as at 30/6/08	Balance at 31/07/08	Change (13- months - %)
Wealth/HNW/Corporate	8,540.0	7,950.4	8,168.6	(4.4)
Branches	13,378.3	15,966.1	16,346.5	22.2
Total Retail	22,323.5	23,916.5	24,515.1	9.8
Short term domestic	3,724.2	5,525.4	5,573.8	49.7
ECP	2,497.1	953.0	1,090.8	(56.4)
Domestic MTN	1,337.2	1,224.7	1,224.7	(8.4)
Euro MTN	830.1	505.0	505.1	(39.2)
Total Wholesale	8,388.7	8,208.1	8,394.3	0.8
TOTAL ON BALANCE SHEET	30,712.2	32,124.6	32,909.4	7.2

Securitisation & clean sales	15,370.6	12,670.4	12,148.1	(20.9)
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Funding mix

- growth in retail deposits

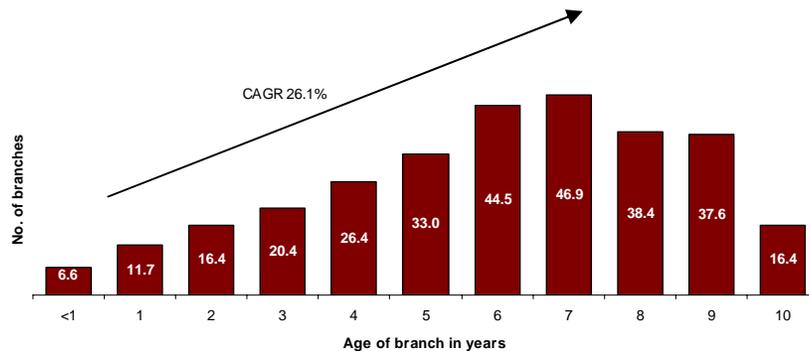


Funding trends

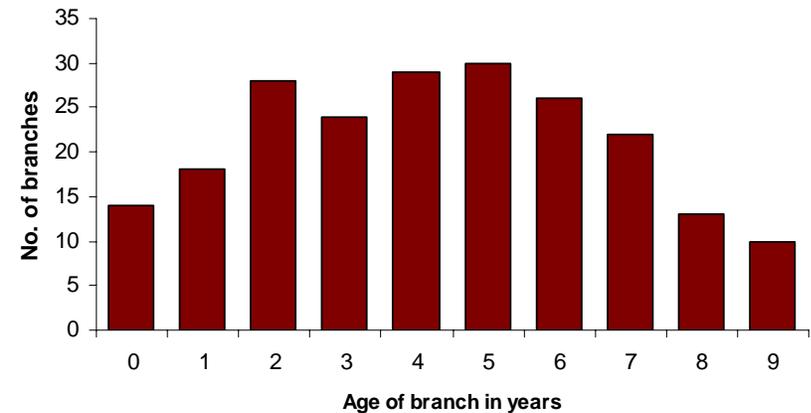
- branch performance

- Community Bank[®] network remains relatively immature
- Liability growth strongest in first seven years of branch life

Deposits per Community Bank[®] branch



Community Bank[®] branches by age



Securitisation

- market fundamentals have changed

- Costs have increased for all industry participants
- Not reliant on future securitisation issuance
- Will remain open to opportunistic deals (e.g.: July Torrens)

October 2006	October 2007	May 2008	July 2008
0.20% ABL*	0.43% ABL*	1.45% Citi*	1.10% ABL*
\$1.5 billion	\$505 million	\$500 million	\$450 million

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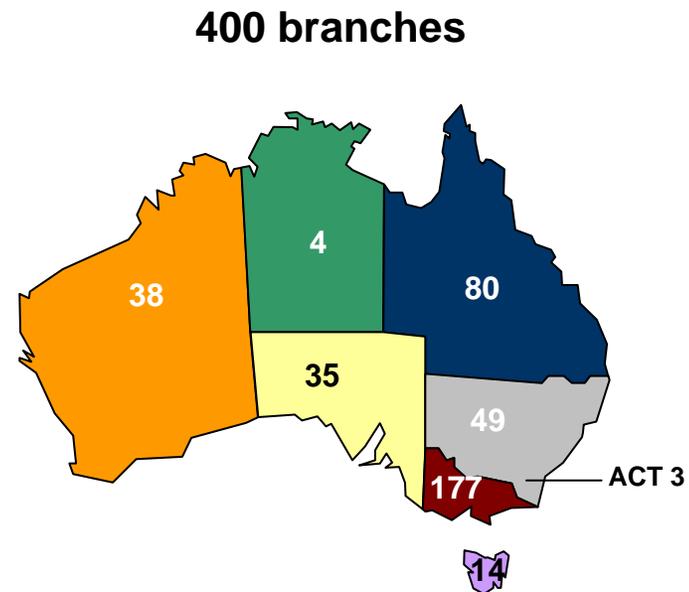
Managing Director

Conclusion

Retail overview

- strong performance

	Annual Growth
Assets	10.1%
Liabilities	15.8%
Branches	31 per year ¹
Customer numbers	75,000 per year ²



1. New branches per year since 2003

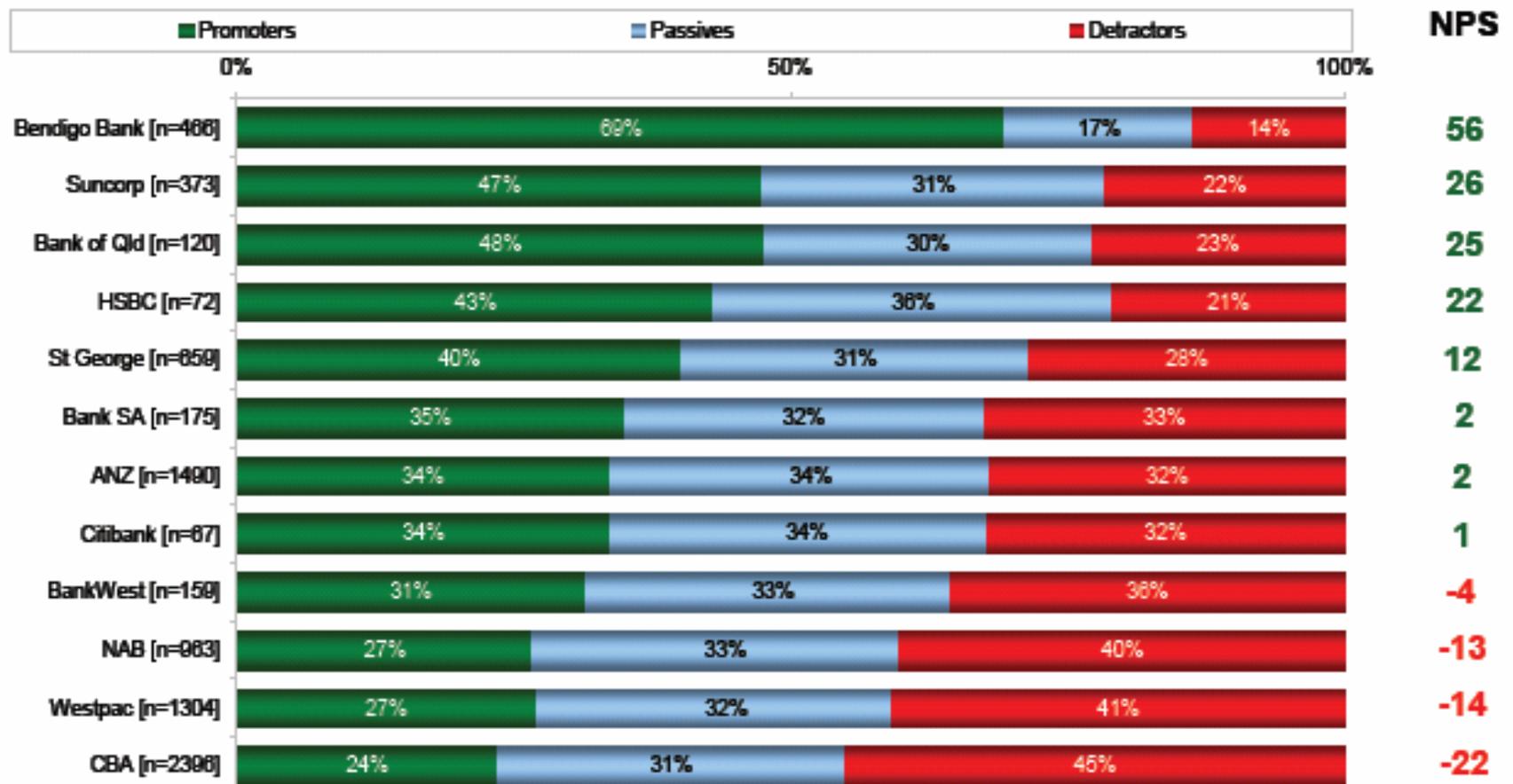
2. New customers per year since 2005, excluding additional 180,000 Adelaide Bank customers from merger

Retail overview

- our customers like us

Net Promoter Scores (NPS)

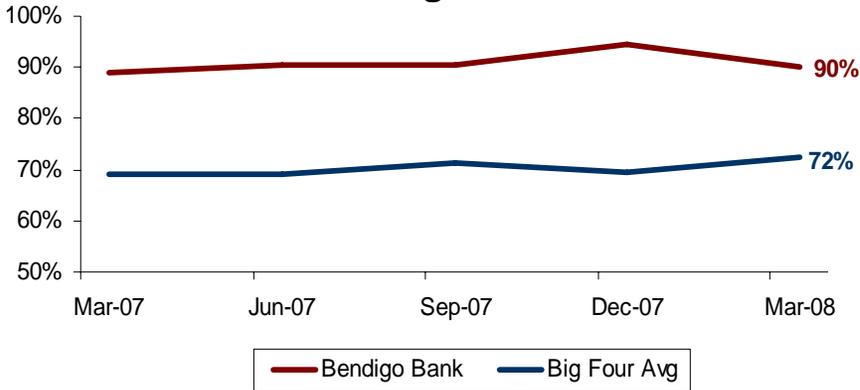
Based on 'main bank' account holders



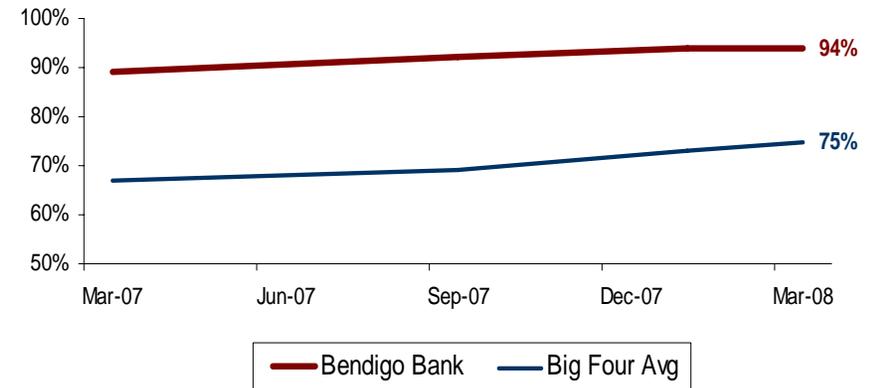
Retail overview

- our customers want to do business with us

Retail Banking Customer Satisfaction



Business Banking Customer Satisfaction



Retail overview

– full year highlights



- 400 branches spread across diverse markets
- Added 48 branches (23 Bendigo Bank, and 25 Adelaide Bank)
- Integrated ADB network into retail management
- Continue to move staff from transactional to relationship positions
- Associate planner program ongoing
- Maintained leadership position in customer service and customer advocacy
- Grew customer numbers by 250,000 – to 1.38 million*

*Includes 180,000 customers acquired through the merger with Adelaide Bank

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Wholesale Bank

- a diverse portfolio of businesses



- Wholesale Mortgages
- Margin Lending
- Business Partners
- Funds Management

Wholesale Mortgages

- a challenging environment

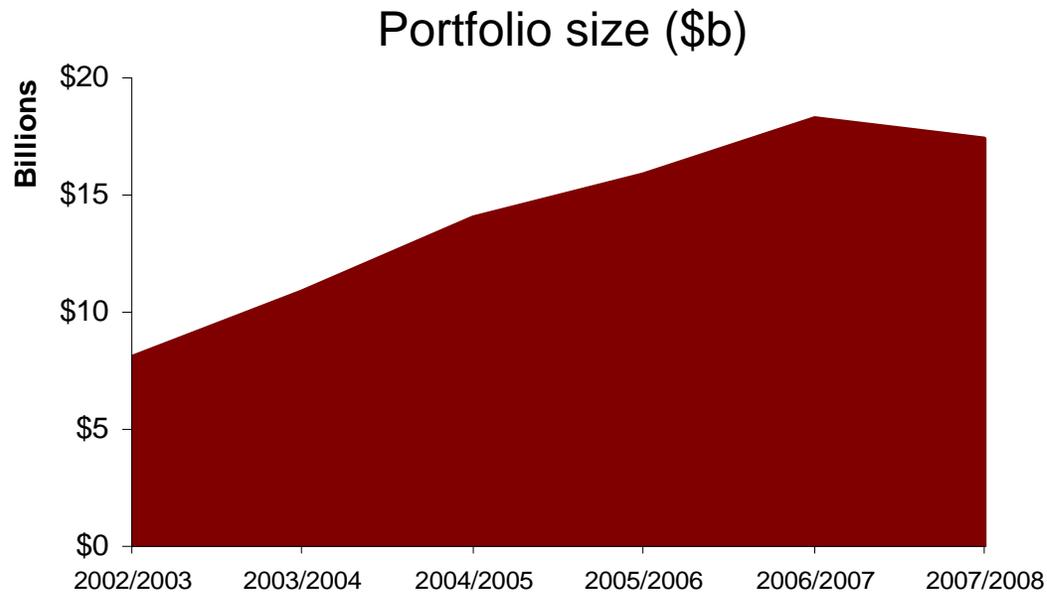


- A commitment to write business with an appropriate economic return
 - Variable cost base
 - Asset growth is being actively managed
- Repriced portfolio
 - 110bps above RBA for Lo-Doc (existing portfolio)
 - 70bps above RBA for standard variable (existing portfolio)
- The industry recognises the need to re-shape
 - We are building stronger and more sustainable relationships
 - Re-shaping risk/reward matrix

Wholesale Mortgages

- managing for the new world

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



Margin Lending

- remains a growth opportunity

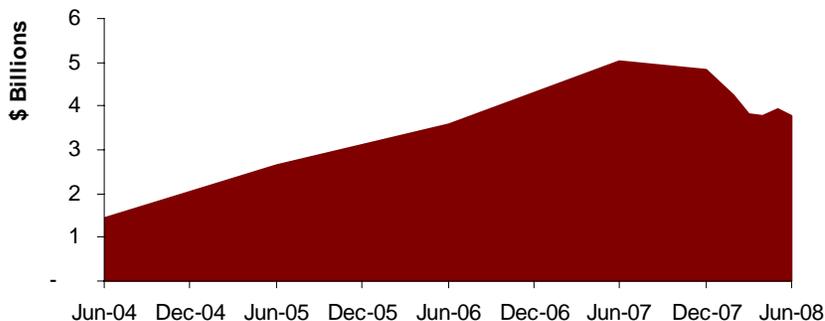
- Portfolio adjusted to current equity values
- Integrity of business model tested and proven
- All margin calls made, all settlements met
- Anticipate future portfolio growth through:
 - Improved equity market sentiment
 - Further opportunities in financial planning sector (white label agreement with Aviva, February 2008)
 - Access to larger retail customer base
- Headline rate increased 0.20%, February 2008
- Credit quality remains sound

Margin Lending

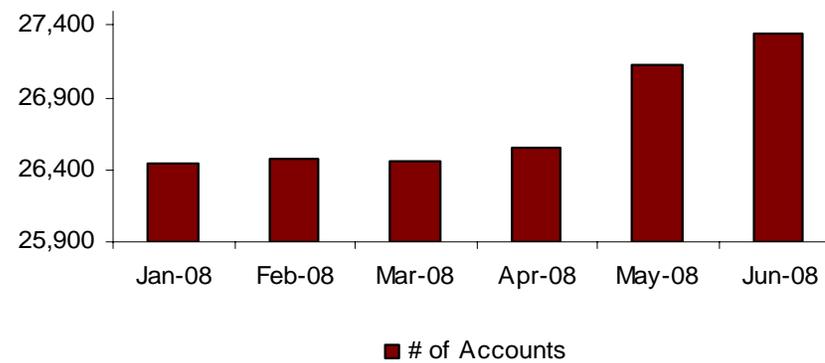
- future growth prospects

- Historical growth of 25-35%pa was always unsustainable
- Decline has been in line with equity market falls
- Portfolio showing signs of growth – in line with market sentiment

Margin lending portfolio (\$b)



Customer account numbers



Business Partners



- portfolio funding and specialised lending

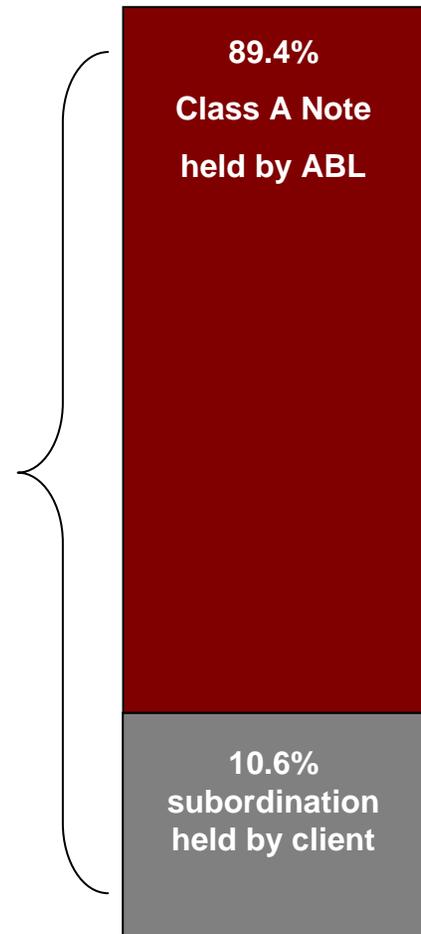
- Specialised lending opportunities in growth sectors
 - Health
 - Aged care
- Portfolio Funding
 - Funds portfolios originated by third parties
 - Granular portfolios with high quality assets
 - 22 partners
 - Margins have been adjusted to reflect increased funding costs
 - Reduced competition
- Strong credit quality
 - No write-offs for any program with subordination structures
 - Write-offs and arrears below forecasts for on-balance sheet portfolios

Business Partners

- portfolio funding

Case Study

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



Funds Management - opportunities



- Funds continue to perform well
- Growth sector
- Opportunity for product innovation and business growth
- Opportunity to leverage:
 - Increased retail customer base
 - Increased business and partner relationships
 - Customer and community connections

Sandhurst Trustees

Select Mortgage Fund

Cash Common Fund

Adelaide Managed Funds

CMT

AMF Yield Fund

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Conclusion

- **The 2008 result**
 - Strong performance
 - Clear management focus and strategy
 - Illustrating diversity and strength of the business
 - Outstanding retail performance
- **The future role for banks**
 - Australian banks are in good shape
 - Good strategies will succeed throughout the business cycle
 - Our investments will provide long-term shareholder value
- **The future for Bendigo and Adelaide Bank**
 - Committed to growing shareholder returns
 - Committed to our strategy and approach
 - We will remain Australia's leading customer connected banking group

Questions

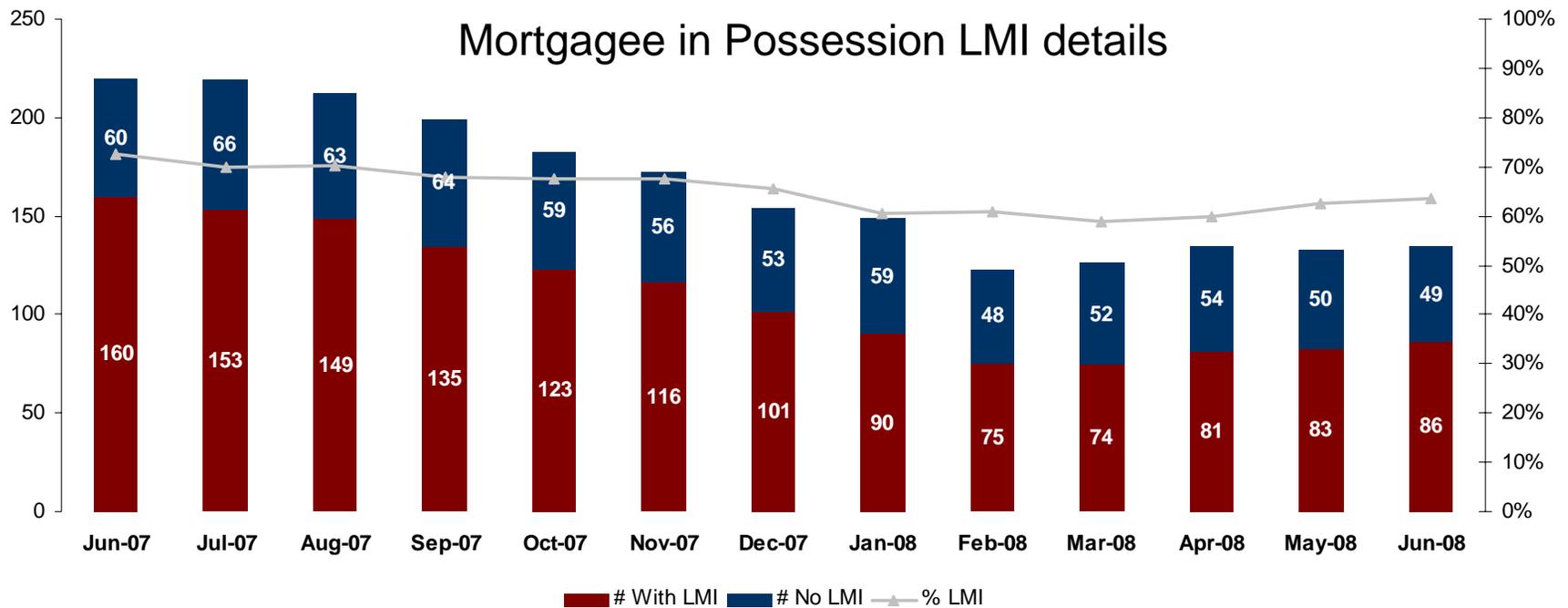


Appendix



Group risk: mortgages in possession - high levels of LMI insurance

- LMI insurance covers more than 60% of all MIP loans



Group risk: mortgages in possession - non LMI loans managed closely

Group MIP loans



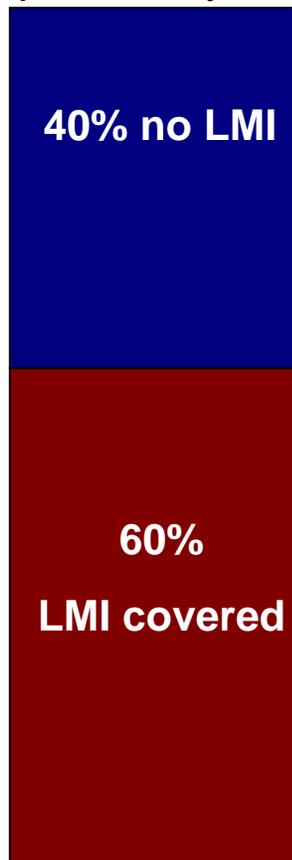
June 2008

- 49 properties with no LMI coverage
- Total group exposure \$24.7m
- Average current LVR of 74%
- Only 11 properties with a LVR greater than 90%

- 86 loans with LMI insurance

Group risk: mortgages 90+ day arrears - non LMI loans managed closely

Group 90+ day arrears



June 2008

- 354 loans 90+ day arrears with no LMI
 - 264 of these have an LVR less than 80%
 - 75 of these have an LVR between 80% and 90%
 - 15 of these have an LVR of 90%+, with a total exposure of \$6.25m (includes non-LMI loans in MIP)

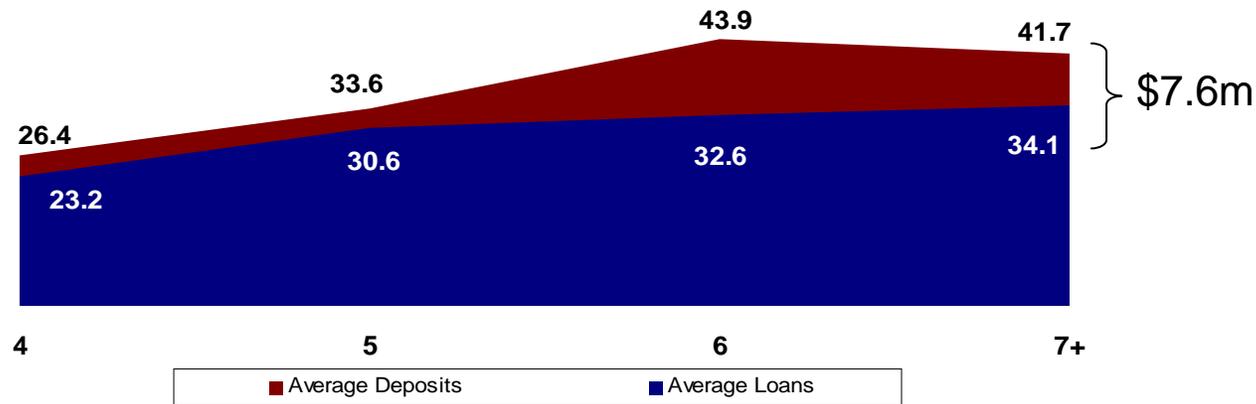
- Circa \$150m of all 90+ day arrears loans covered by LMI insurance

Funding trends

- liabilities exceed assets

- Liability growth outstrips asset growth by \$7.6m after 7-years of operation

Average deposit and loan balance per **Community Bank**[®] branch (\$m)



Wholesale Mortgages - portfolio re-pricing

Existing portfolio

Date	Lo-Doc (% increase)	Full-Doc (% increase)
Sept 07	0.30% (0.55%)	(0.25%)
Dec 07	0.25% (0.50%)	0.25% (0.50%)
Mar 08	0.15% (0.40%)	0.15% (0.40%)
May 08	0.10% (0.35%)	0.10% (0.35%)
July 08	0.30% (0.30%)	0.20% (0.20%)

New loans

Date	Lo-Doc (% increase)	Full-Doc (% increase)
Sept 07	0.50% (0.75%)	0.10% (0.35%)
Dec 07	0.25% (0.50%)	0.13% (0.38%)
Feb 08	0.10% (0.35%)	0.10% (0.35%)
Mar 08	0.25% (0.50%)	0.25% (0.50%)
July 08	0.50% (0.50%)	0.30% (0.30%)

*refers to Mortgage
Managers pricing only

Red figures include
RBA increases of
0.25%