



2016

Business Strategy Update

14 April 2016



Bendigo and
Adelaide Bank

Today's agenda

Business Strategy Update

Mike Hirst, Managing Director and CEO

Marnie Baker, Chief Customer Officer

Alexandra Tullio, Executive Local Connection

Bruce Speirs, Executive Partner Connection

Alexandra Gartmann, Managing Director and CEO, Rural Bank

Q&A

Trading Update

Richard Fennell, CFO and Executive Corporate

Q&A

Lunch on the Terrace

Our Executive

Mike Hirst
Managing
Director

**Marnie
Baker**
Chief Customer
Officer

**Richard
Fennell**
Chief Financial
Officer and
Executive,
Corporate

**Alexandra
Gartmann**
Managing
Director and
Chief Executive
Officer,
Rural Bank

**Robert
Musgrove**
Executive,
Engagement
Innovation

Tim Piper
Chief Risk
Officer

**Bruce
Speirs**
Executive,
Partner
Connection

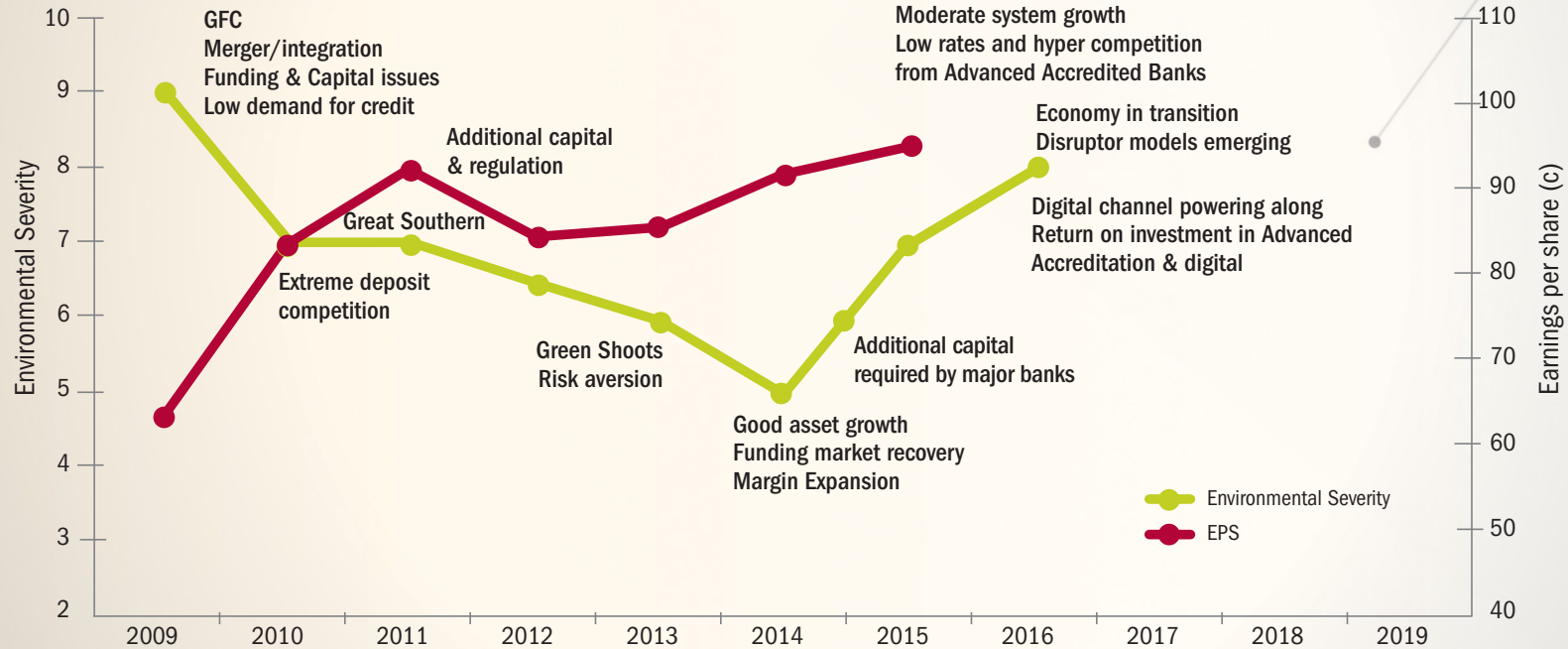
**Stella
Thredgold**
Executive,
Business
Enablement

**Alexandra
Tullio**
Executive,
Local
Connection

**Andrew
Watts**
Executive,
Customer
Service
Improvement

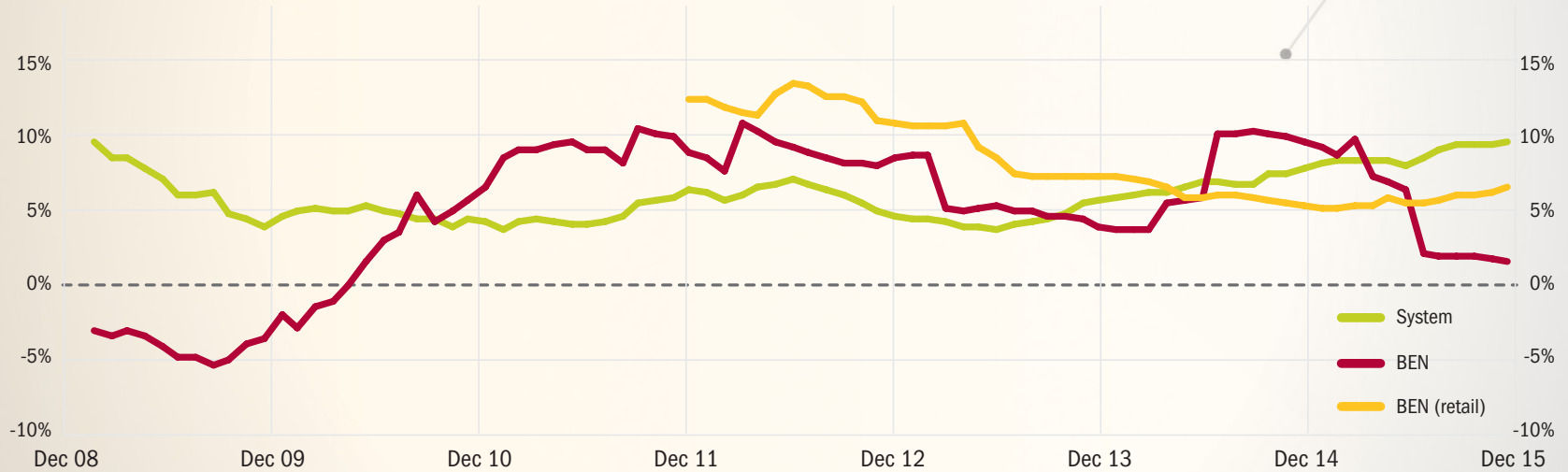


Operating Environment



System growth

Total lending growth



Note: Rolling 12 months growth rate

Macro trends in Australian Banking

Outside our Control

Macro economic conditions

Regulation

Some Control

Customer in charge

Disruption

Within our Control

Digitalisation

Trust & security

Customer Engagement

Vision, Strategy & Purpose

Strategic Assets

Banking
Licences

People

Culture

Partnerships

Customer
Knowledge

Brand
Advocacy

Products

Distribution
Networks

Omni Channel

Digital Platform

Customer Experiences

Operational Efficiencies

Core Banking Systems

Staff Engagement

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





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

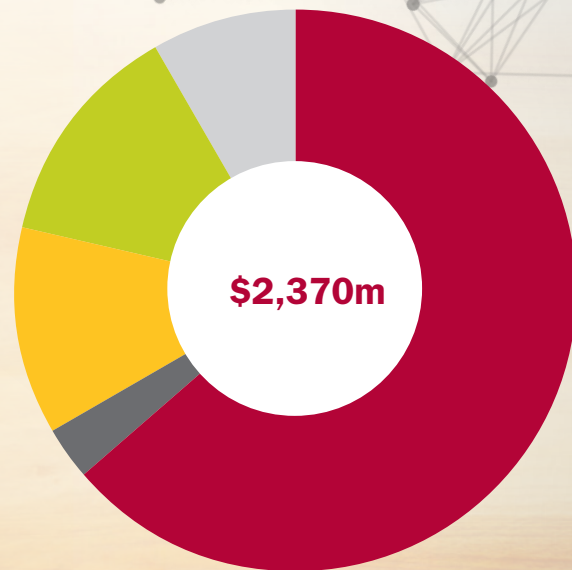
- Cash EPS
- ROTE
- ROA
- RAROC

Business unit RAROC

Our risk adjusted business unit performance provides a sound financial base

Segment	RAROC	ROTE
Group	19.2%	13.1%
Retail	17.5%	11.6%
Third Party	25.3%	12.7%
Leveraged & Wealth	14.3%	31.0%
Rural	14.4%	13.7%

Note: YTD as at February 2016



Group Economic Capital

Legend:
Credit Risk (dark red), Op Risk (yellow), Other (Homesafe) (light blue), Business Risk (green), Market Risk (grey)

Current regulatory capital \$4,307m



CHIEF CUSTOMER OFFICER Update

Marnie Baker



Bendigo and
Adelaide Bank

CHIEF CUSTOMER OFFICER

Customer experience



VOICE

feedback

insights

research

marketing



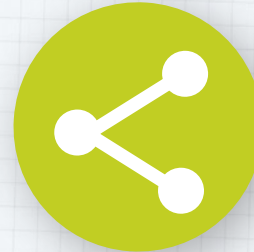
CAPABILITY

payments

digital

mobile

products



CONNECTION

face to face

partner

phone

online

OUR CUSTOMER STRATEGY

We understand where and with who we already resonate and are doubling our efforts to leverage these opportunities



Based on our value proposition, we are identifying who we align more closely with and building on these opportunities



RETAIN GROW EXPLORE

**Where we
already
resonate**

Existing Customers

Baby Boomers

Socially Conscious

Small to Medium Enterprises

Farming Community

Millennials

Educated and Affluent

**Where we
can more
closely
align**

THE CUSTOMER LANDSCAPE HAS CHANGED

Customers are:

In more control of their choices and experience

More socially and environmentally aware

Fast adopters of new technologies

More informed, higher levels of formal education

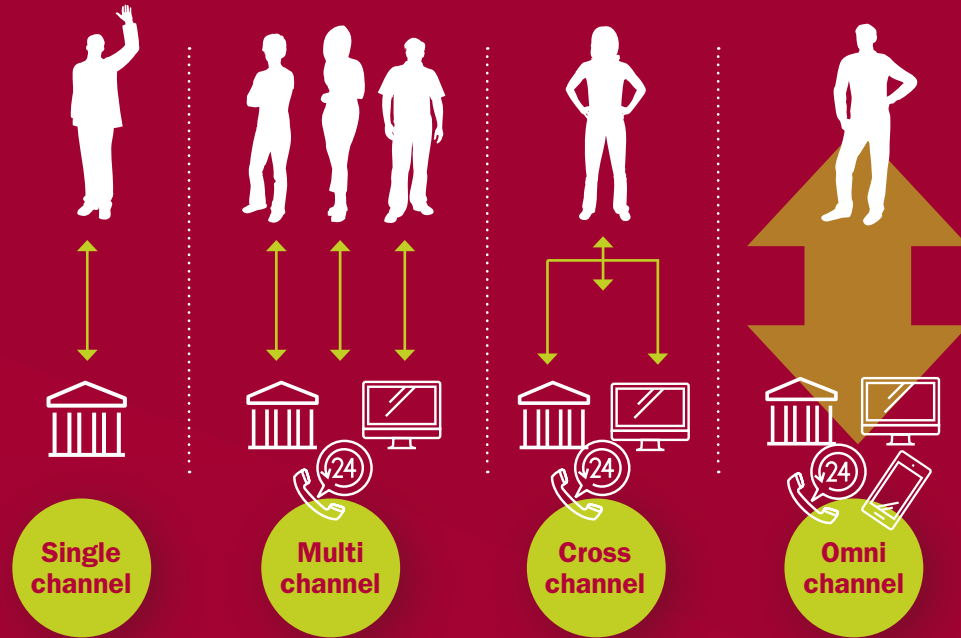
Hyper connected and more mobile

Expecting real time availability and accessibility

Expecting ease, personalisation and seamlessness

Increasingly valuing experience over product

SO HAS THE CUSTOMER EXPERIENCE



ONLINE ENVIRONMENT LEVELS THE PLAYING FIELD

An environment where reach and customer access is not limited by bricks and mortar

And plays to our strengths

- Trust and reputation
- Authentic customer centric culture
- Clear value proposition
- Purpose based ethos displaying tangible outcomes
- Customers control their own experience
- One view of the customer (their view)

ONGOING INVESTMENT

Investment has been focussed on our customer value proposition and digital assets to ensure we deliver on the omni channel customer experience and take advantage of current and future opportunities.

Omni Channel

delivering on our customer value proposition

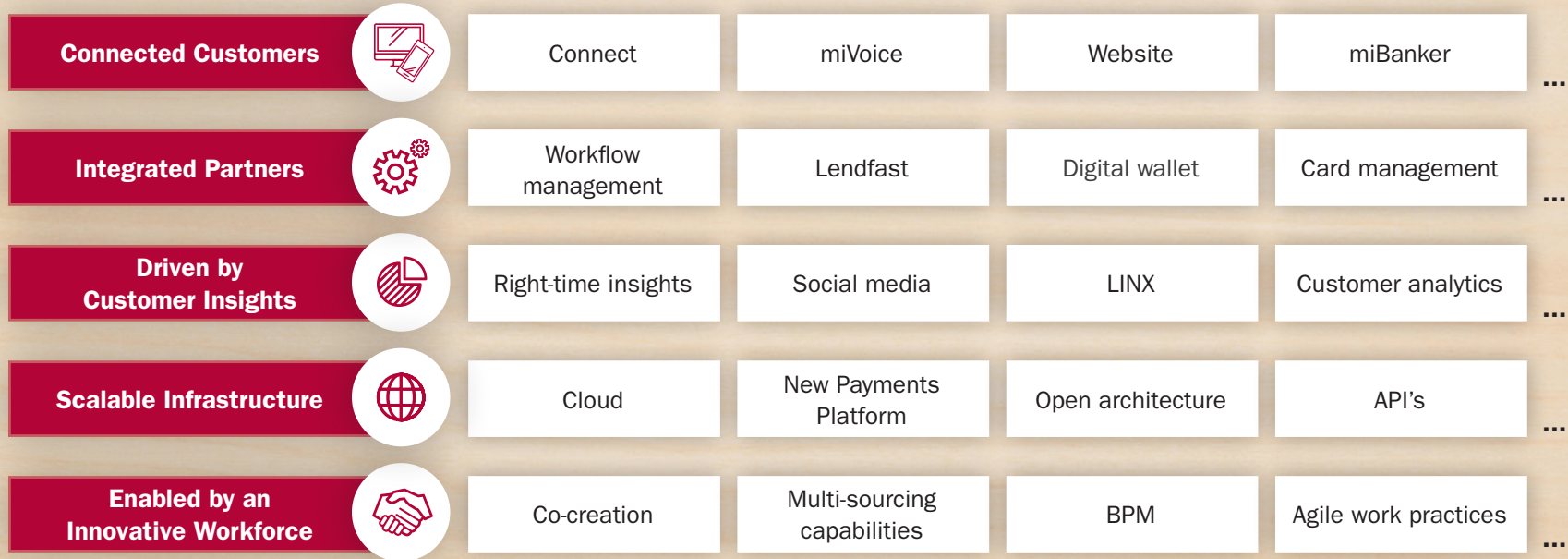
Digital Platform

developing responsive and agile capabilities

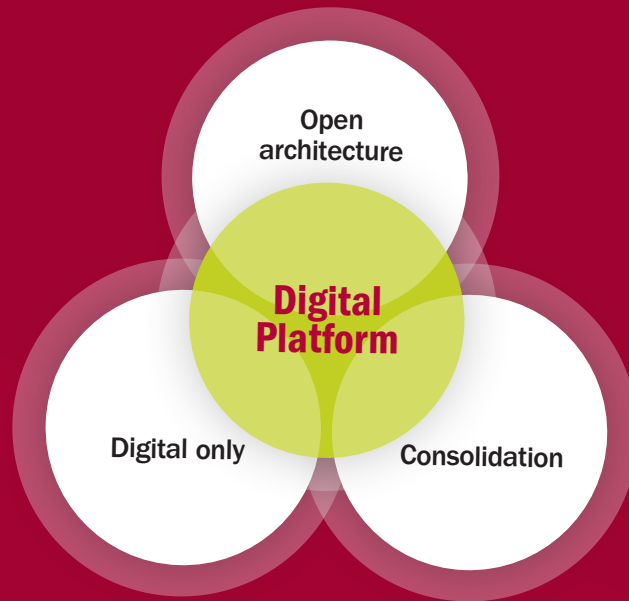
Core Banking Systems

recording and reconciling transactions

OUR DIGITAL PLATFORM



FLEXIBILITY TO LEVERAGE DIGITAL INVESTMENT





LOCAL CONNECTION Business Strategy

Alexandra Tullio



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Adelaide Bank

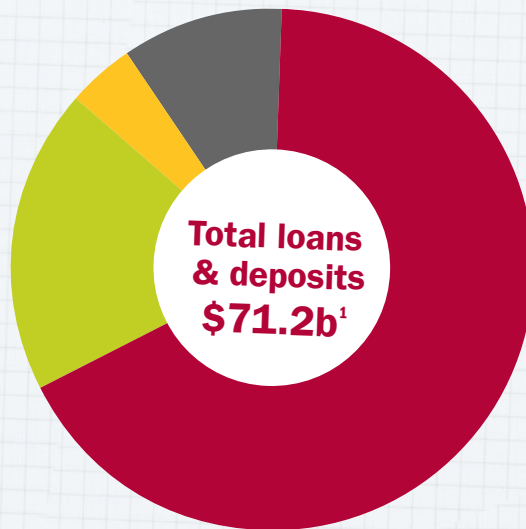
LOCAL CONNECTION: WHO ARE WE?

+1.5 million customers

514 branches

Full range of consumer and business banking products and solutions

¹ As at 31 March 2016



— Bendigo Consumer Banking — Delphi
— Bendigo Business Banking — Financial Markets

OUR POINT OF DIFFERENCE

- Envable reputation
- Passion for customer and community
- Customer service excellence
- Customer led distribution
- Our team

**COMMUNITY
+ BANK**
A clear and
compelling point
of difference

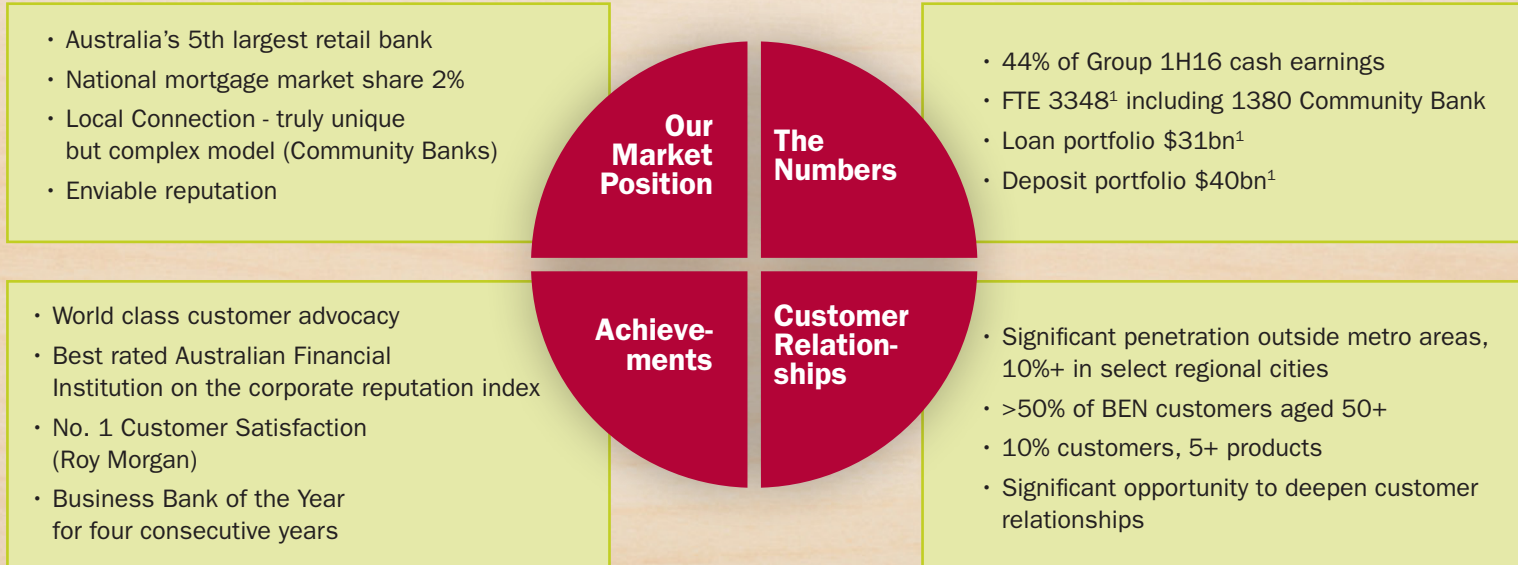
Passionate and
engaged staff

1,900+ Community
Bank® directors

73,000 Community
Bank® shareholders

Our People + Point of Difference + Competitive Products & Solutions = Our Success

CURRENT STATE



Our success was built on identifying opportunity, courage and innovation

¹As at 31 March 2016

KEY FOCUS AREAS:

1 Broaden mobile face-to-face distribution

2 Deepen penetration into small business communities

3 Build sustainable & mutually profitable partnerships

4 Accelerate investment in Melbourne & Sydney

5 Invest in our people, attract and retain talent





PARTNER CONNECTION Business Strategy

Bruce Speirs



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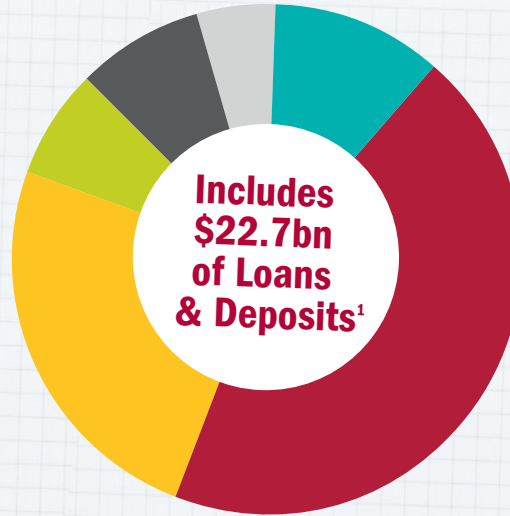
PARTNER CONNECTION: WHO ARE WE?

+323k Customers

+730 Partners

Banking, wealth and protection
solutions

¹ As at 31 March 2016



— Mortgage Managers — Bendigo
— Financial Planners — Other
— Stockbrokers — Mortgage Brokers

OUR POINT OF DIFFERENCE

Our purpose is to enable customer choice through partnership

CUSTOMER

- Choice
- Partner Best of Breed
- Trusted Institution

PARTNER

- Trusted Partner
- Nimble
- Holistic & Tailored solutions

PARTNER CENTRIC

Customer chooses



Partner chooses



BEN

CURRENT STATE



¹ As at 31 March 2016

KEY FOCUS AREAS:

1 Leverage new system and performance measurement capabilities

2 Execute on Portfolio Funding opportunities

3 Wealth cost to income improvement

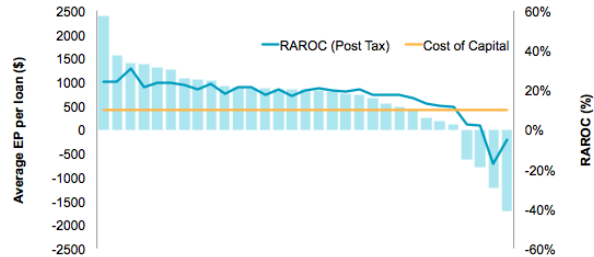
4 Local Connection alignment

5 Expand partner relationships



NEW CAPABILITIES

Risk Adjusted Performance Measures (RAPM)



- The Right Partners
- The Right Return
- The Right Exposures

RAPM METHODOLOGY SUPPORTS
THE RIGHT PARTNERS

Lendfast Processing Platform



- Material improvement in FTE processing times
- Increased capacity to manage variability in volumes
- Improved Partner experience

LENDFAST POWERS OUR SCALE
TO DELIVER



RURAL Business Strategy

Alexandra Gartmann



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Adelaide Bank

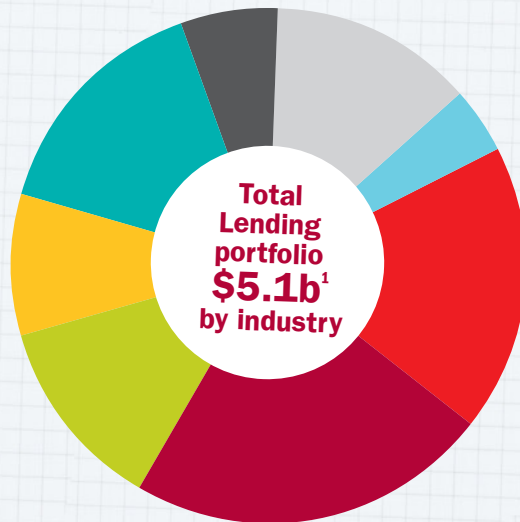
THE RURAL BUSINESS: WHO ARE WE?

+8k customers

+120 Specialist
Relationship Managers

Solutions for agricultural farm businesses

¹ As at 31 March 2016



Mixed Farming Other
Mixed Livestock Dairy
Sheep Hort./Vit.
Beef Cropping

WHO IS OUR CUSTOMER?

FARM TURNOVER

\$750k to \$5m

INTERGENERATIONAL

ownership, clearly defined family
corporate structure

SOPHISTICATED

production and marketing

High per capita users of

TECHNOLOGY



OUR POINT OF DIFFERENCE

THE ONLY AUSTRALIAN OWNED AGRI SPECIALIST BANK

The future for agriculture is bright

We offer our customers:

- **Specialist** agri lenders
- **Industry insights** to make informed business decisions
- Opportunity to support the **development of regional communities**

We develop partnerships

Provide exceptional financial services, knowledge and leadership for Australian farmers to grow

CURRENT STATE

- 8% market share
- Very strong brands
- Deep expertise in cropping, beef, sheep and dairy
- Strong portfolio in Victoria and WA

Our Market Position

The Numbers

- 15% of Group 1H16 cash earnings
- FTE 276¹
 - Loan portfolio \$5.1bn¹
 - Deposit portfolio \$3.4bn¹

Achievements

Customer Relationships

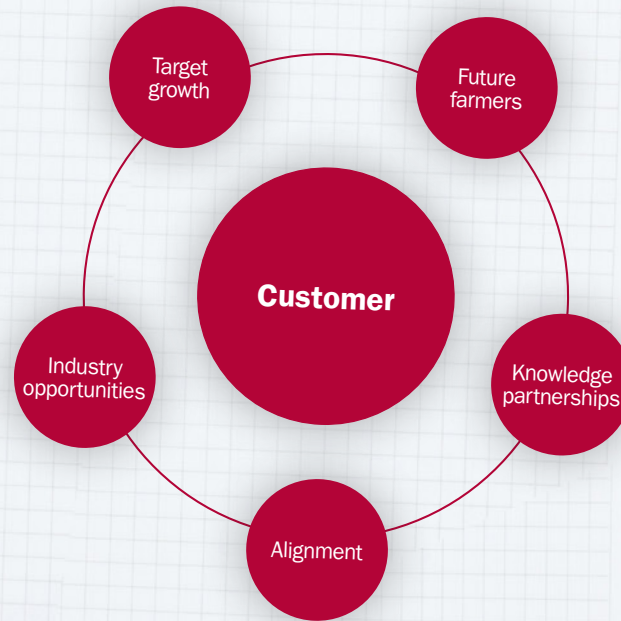
- Award winning products
- Acquisition and integration of Rural Finance
- Young Farmer Finance Scheme
- 25 years of Rural Finance scholarship program
- National Centre for Farmer Health partnership
- Ag Answers insights

- Our value proposition resonates strongly with farmers
- More than 120 specialist relationship managers across rural and regional Australia
- 8,145 rural lending customers
- Average of 1.7 loan products per customer

¹As at 31 March 2016

KEY FOCUS AREAS:

- 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





WRAP UP

2016 Business Strategy Update



Bendigo and
Adelaide Bank

The customer is in charge

How they want to interact with us is changing – mobile platforms are increasingly in demand

We have opened up our organisation to partnering and to doing things differently

The challenge for most businesses today is the transformation to digital - we have been strategically investing in that capability

Investment to level the playing field is largely complete

Our business segments support a diversity of earnings, providing stability through the cycle

Our vision, strategy and purpose does and will continue to resonate strongly in the digital and non digital world



Q&A

Business Strategies



Bendigo and
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TRADING UPDATE

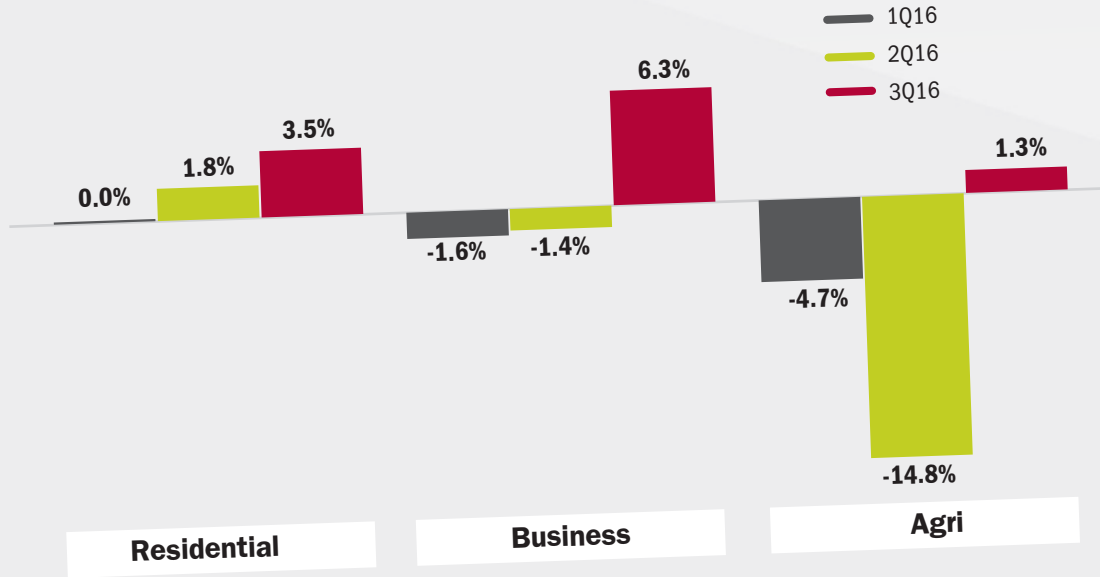
Richard Fennell

Chief Financial Officer and Executive Corporate



Bendigo and
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Lending growth

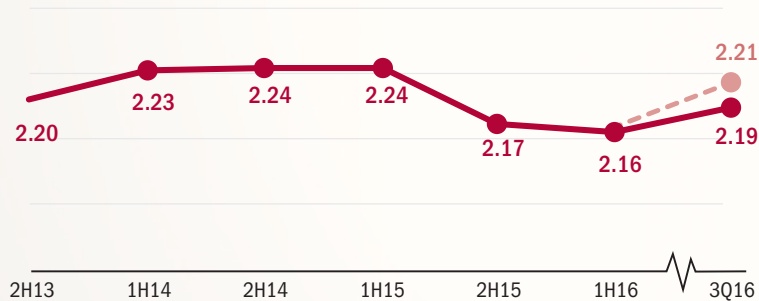


Note: Annualised 3 months - 1Q16 (July – September 2015), 2Q16 (October – December 2015), 3Q16 (January – March 2016)

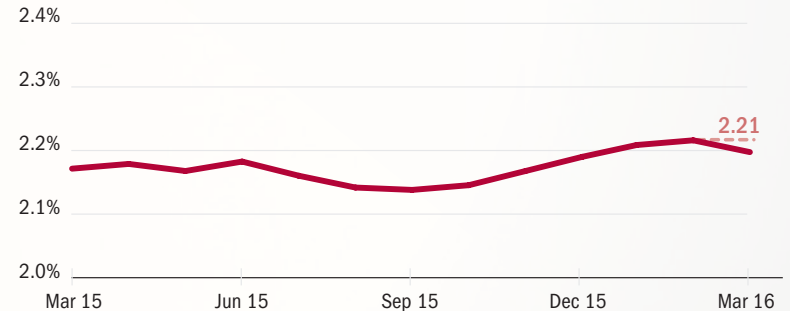
Net interest margin

- 3Q16 NIM includes 2bps negative impact from reclassification of certain loan products
- Business lending and retirement deposit account repricing recently undertaken

Net interest margin (%)



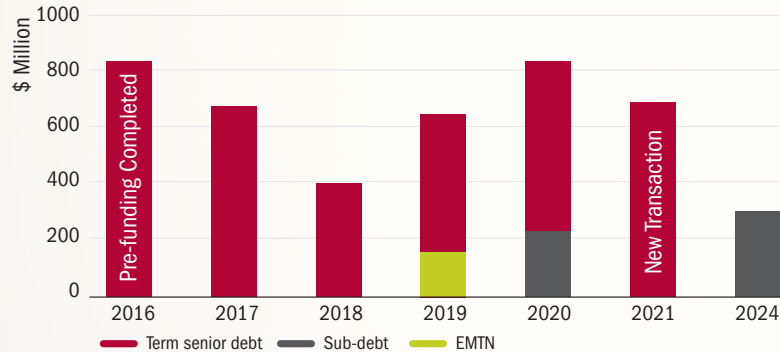
3 monthly rolling NIM



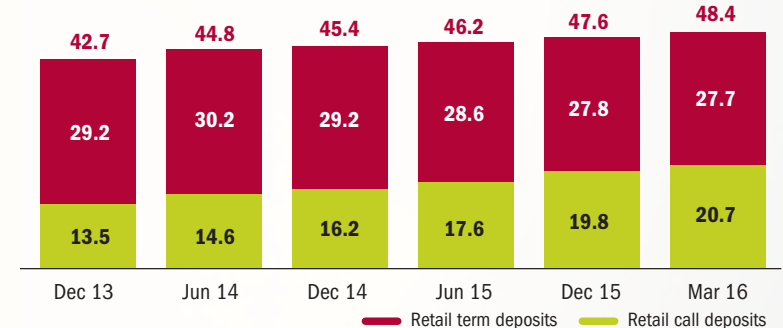
Funding

- Wholesale funding - 5 year issue completed, \$650m at +146bps
- NSFR discussion paper - BEN's ratio expected to comfortably exceed 100%

Term funding maturity profile

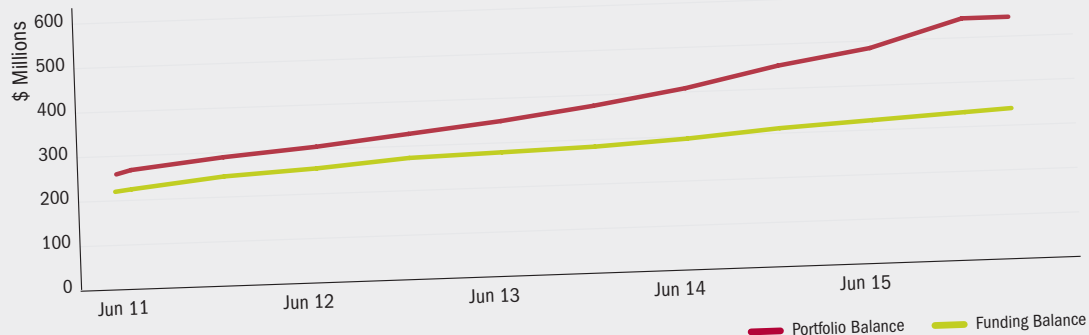


Retail deposit balances (\$bn)



Homesafe investment property portfolio

- 3Q16 Homesafe contribution **-\$1.64m pre-tax**
- Change in property prices – Residex index movement for 3 months¹;
 - Melbourne **-0.4%** (60% of portfolio)
 - Sydney **-2.0%** (40% of portfolio)
- Existing overlay to be reviewed at 30 June 2016



¹ 3 months December 2015 – February 2016

Efficiency focus

Total expenses will reduce half on half

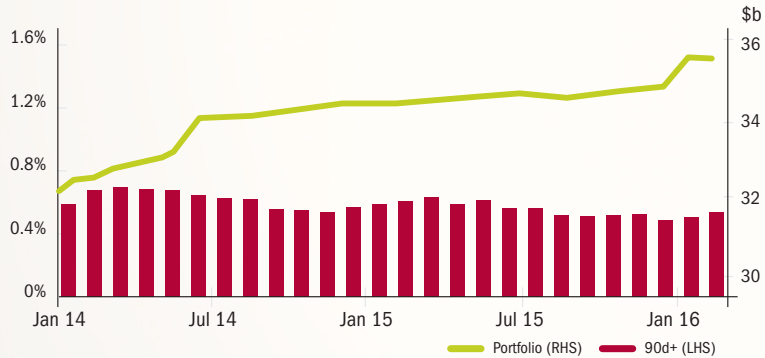
Focus remains on resource alignment with business demand

Project Reset benefits beginning to flow

Cost reductions partially offset by restructuring charges and supplier repricing

Residential lending

Residential Loan Arrears

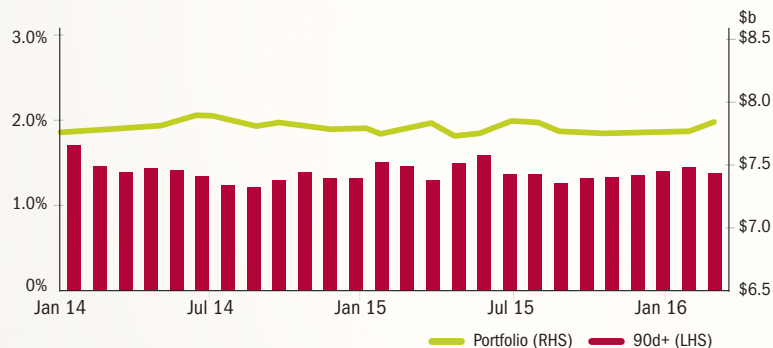


Residential Mortgages and Unemployment by State

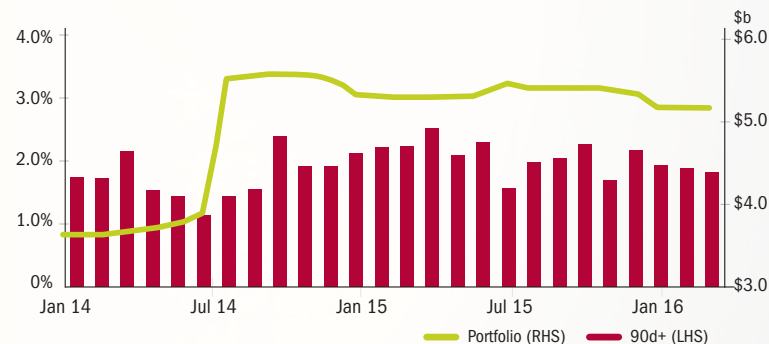


Business and Rural lending

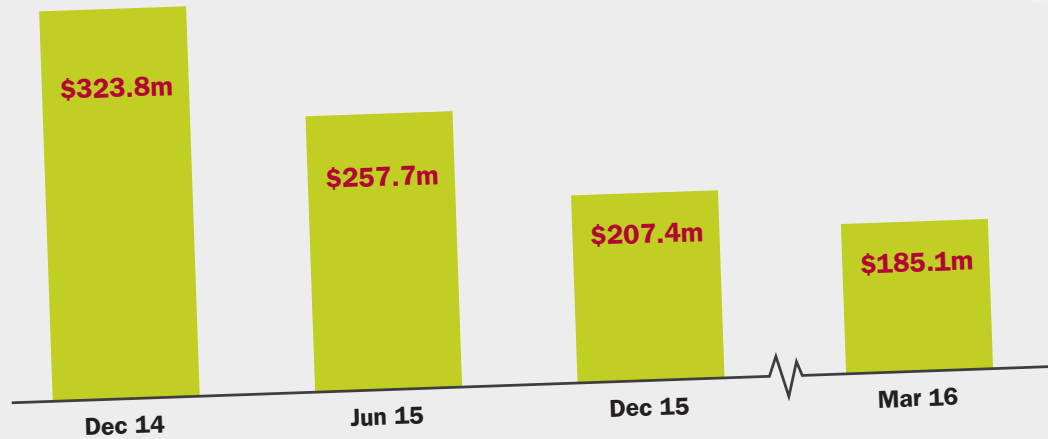
Business Loan Arrears



Rural Loan Arrears



Great Southern loan portfolio





Q&A

Trading update



Bendigo and
Adelaide Bank

Contact details

Analysts/Investors

Travis Crouch

Head of Investor Relations

Tel:+61 3 5485 6261

Mob:+61 418 552 922

Email: travis.crouch@bendigoadelaide.com.au

James Officer

Senior Manager Investor Relations

Tel:+61 8 8300 6056

Mob:+61 403 112 796

Email: james.officer@bendigoadelaide.com.au

Media

Silvana Arena

Head of Public Relations

Tel:+61 8 8220 7784

Mob:+61 402 110 445

Email: silvana.arena@bendigoadelaide.com.au
