
Merger of Adelaide Bank & Bendigo Bank

Asia Roadshow – September 2007



Contents

- 1. Adelaide Bank overview**
- 2. Bendigo Bank overview**
- 3. Merged group**
- 4. Transaction update**
- 5. Summary**
- 6. Appendix**

1. Adelaide Bank

- Overview
- Structure
- Financial performance
- Asset quality
- Funding

Adelaide Bank overview

Adelaide Bank

Listed on the ASX	<ul style="list-style-type: none">■ 108 million shares■ A\$1.7bn market cap¹
History	<ul style="list-style-type: none">■ 107-year old company■ Co-op building society origins■ Granted banking authority in 1994
Business units	<ul style="list-style-type: none">■ Retail Banking■ Wholesale Mortgages■ Business Lending■ Wealth Management
Income diversity	<ul style="list-style-type: none">■ 23-26% income from each business unit■ Diversified asset base, both geographically and by business type
Geography	<ul style="list-style-type: none">■ Head office in Adelaide, South Australia■ Major offices in Sydney and Melbourne
Staff	<ul style="list-style-type: none">■ More than 1150 FTE



1. Based on shares outstanding and share price of \$15.70 for Adelaide Bank as at 14 September 2007



Adelaide Bank structure

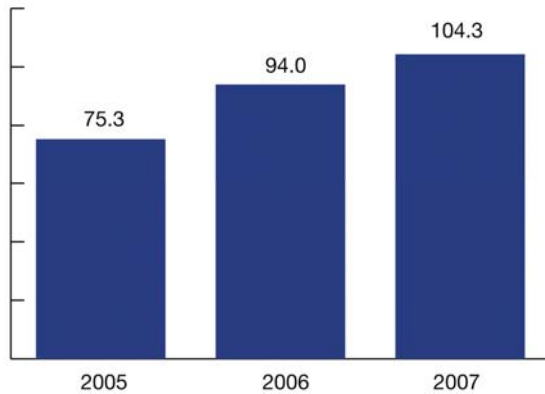
Adelaide Bank



Adelaide Bank financial performance

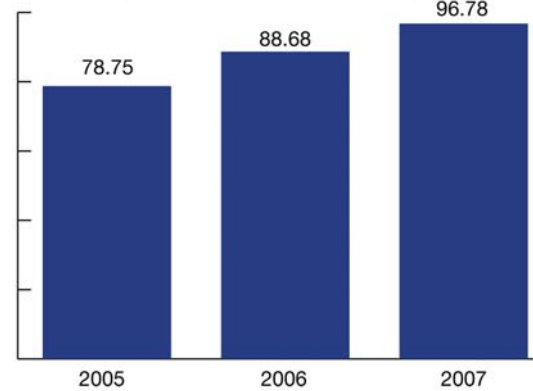
Annual profit

Cash basis earnings (A\$m)



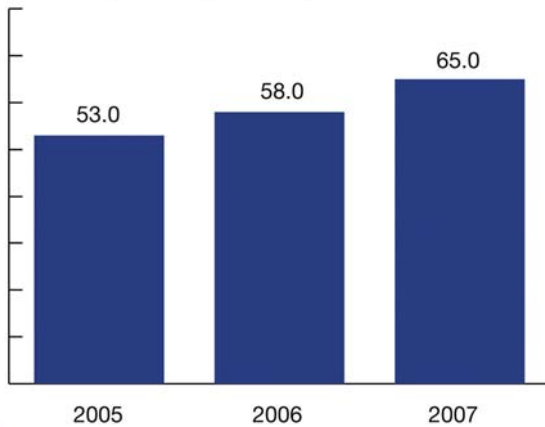
EPS

Cash earnings per share (A\$ cents excluding significant items)



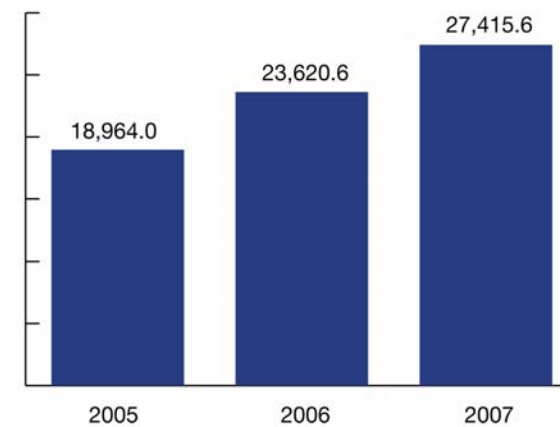
Dividend

Dividends (A\$ cents per share)



Asset growth

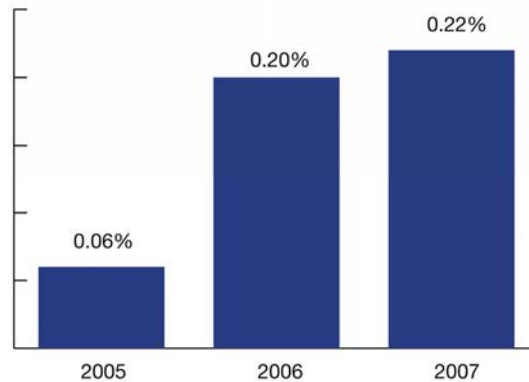
Balance sheet loans (A\$m)



Adelaide Bank asset quality

Impaired loans

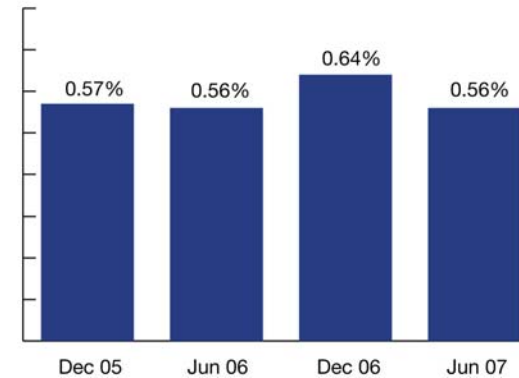
Gross impaired loans/total non-securitised assets



- Remain at predominantly low levels
- Lift in impairment isolated to residential mortgages
- Primary causes are valuation fraud and identity theft
- Hindsight review of loans under new three-tiered fraud detection program

Loans in arrears

Total non-securitised portfolio past due 90 days and over



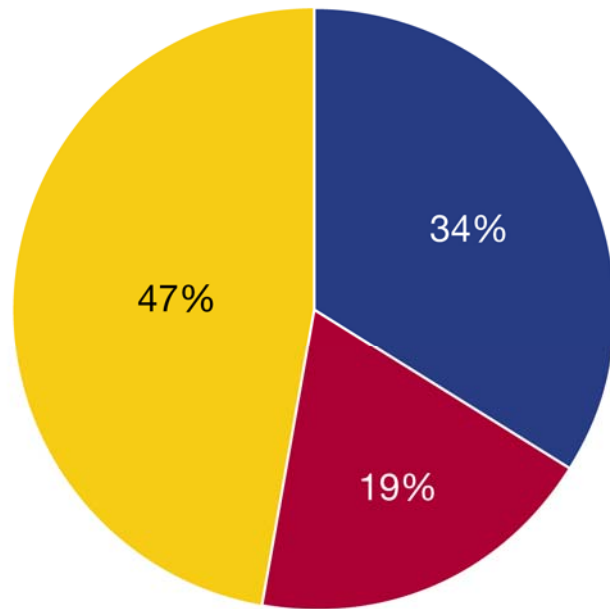
- Loans in arrears at lowest level since Dec 05
- Arrears continue to decline
- No credit losses in the history of the margin lending business¹

1. Excludes one isolated product-related loss disclosed in 2006-07 financial year

Adelaide Bank funding

Diversified funding mix

2007 Funding



- Retail deposits
- Non-retail deposits
- Wholesale/securitisation

- Commitment from securitisation partners
- Post-merger commitments from funding partners
- Continued strong liquidity position

Adelaide Bank credit & liquidity

Credit quality

1. Housing loans in arrears at lowest levels since December 2005 – and continuing to fall
2. High proportion of quality Australian residential and margin loan assets
3. Minimal exposure to unsecured consumer credit
4. No US sub-prime exposure

Liquidity and funding

1. Operating with substantial surplus liquidity
2. Liquidity levels currently circa 2x statutory requirements¹
3. On 'positive outlook' with ratings agencies
4. Securitisation warehouse facilities in place with ongoing post-merger commitments

2. Bendigo Bank

- Overview
- Structure
- Financial performance
- Asset quality
- Funding

Bendigo Bank overview

Bendigo Bank

Listed on the ASX

- 144 million shares
- Market cap \$2.1 billion¹

History

- 149-year-old company
- Building society origins
- Obtained banking authority in 1995

Business units

- Retail Bank (incorporating Community Bank[®])
- Wealth Solutions (incorporating Sandhurst Trustees)
- Joint Ventures (including ERB – agribusiness)

Income diversity

- Retail Bank 61%
- Wealth Solutions 13%
- ERB and joint ventures 13%
- Community Bank[®] 13%

Geography

- 357 branches in each State & Territory
- Head office in Bendigo, Victoria
- Major office in Melbourne

Staff

- 2428 FTE



1. Based on shares outstanding and share price of \$14.67 for Bendigo Bank as at 14 September 2007

Bendigo Bank structure

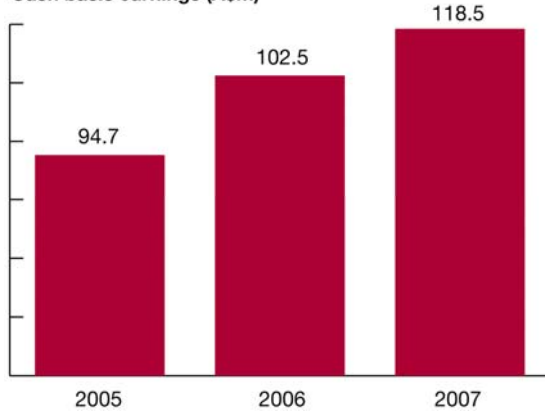
Bendigo Bank



Bendigo Bank financial performance

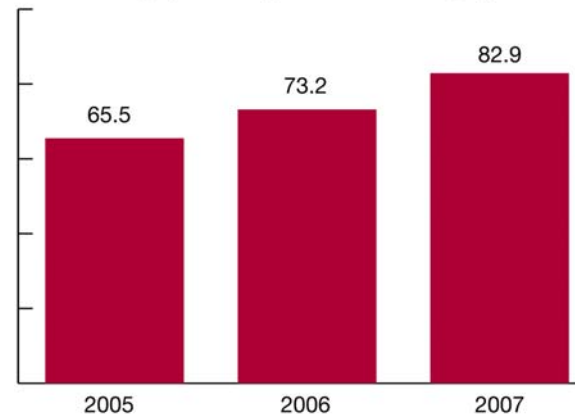
Annual profit

Cash basis earnings (A\$m)



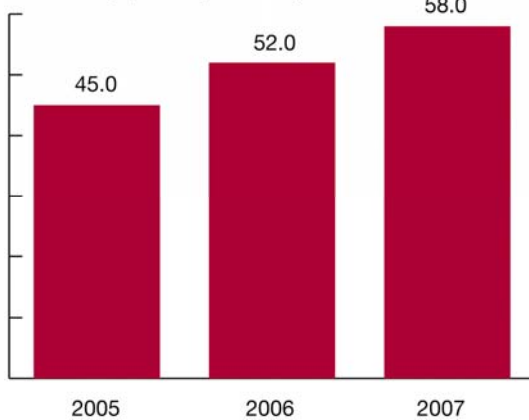
EPS

Cash earnings per share (A\$ cents excluding significant items)



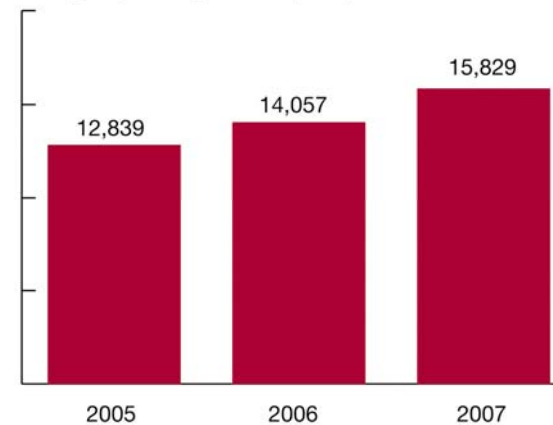
Dividend

Dividends (A\$ cents per share)



Asset growth

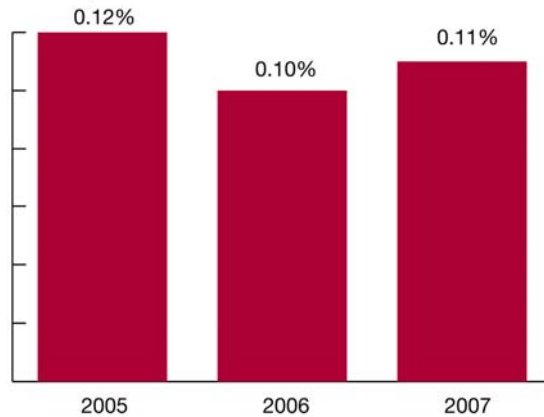
Total group-managed loans (A\$m)



Bendigo Bank asset quality

Impaired loans

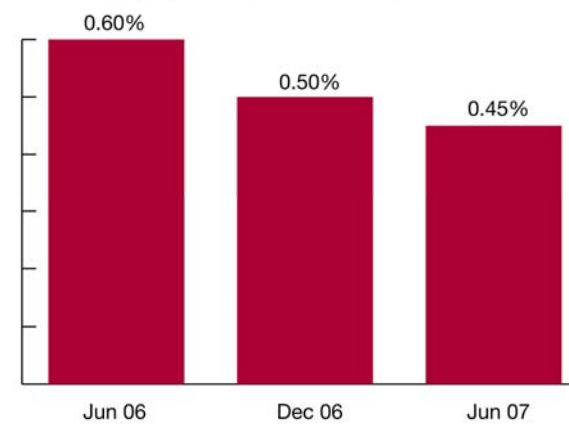
Gross impaired loans/total assets



- Exceptional and stable credit quality throughout the portfolio
- Strong fraud detection and prevention capabilities

Loans in arrears

Total mortgages portfolio past due 90 days and over

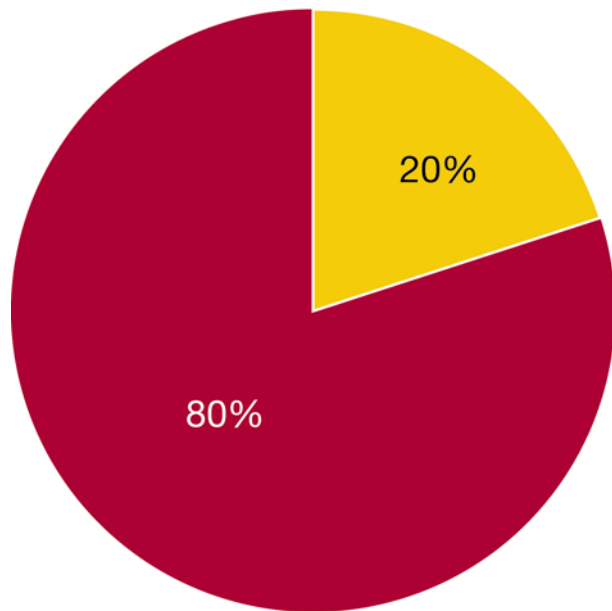


- Loans in arrears continue to decline as a percentage of portfolio

Bendigo Bank funding

Funding mix

2007 Funding



■ Retail ■ Wholesale

- Exceptional retail deposit base
- Immature branch network, and network expansion will provide further deposit growth
- Wholesale funding includes securitisation

3. Merged group

- Details of merger
- Strategic rationale
- Financial rationale
- Business structure
- Integration and synergies

Details of merger

Both Boards unanimously recommend the merger

Proposal	<ul style="list-style-type: none">■ Merger of Adelaide Bank Ltd (Adelaide) and Bendigo Bank Ltd (Bendigo)■ Scrip for scrip merger via Adelaide scheme of arrangement - subject to Adelaide shareholder approval
Exchange Ratio	<ul style="list-style-type: none">■ 1.075 Bendigo shares per Adelaide shares■ Bendigo shareholders will own approximately 55% and Adelaide 45% of the merged group
Name	<ul style="list-style-type: none">■ Bendigo and Adelaide Bank Ltd■ Name change will be proposed at an EGM of the merged group following the merger
Governance	<ul style="list-style-type: none">■ Robert Johanson (Chairman)■ Kevin G Osborn (Deputy Chairman)■ Rob Hunt (Managing Director)■ Jamie McPhee (Executive Director)■ Merged Group Board to consist of twelve directors¹, including two executive directors, six non-executive directors from Bendigo and four non-executive directors from Adelaide Bank
Conditions	<ul style="list-style-type: none">■ Regulatory approvals required (including Treasurer and APRA. ACCC approval has been granted)■ Adelaide shareholder approval■ Court approval■ No 'prescribed occurrences'■ No material adverse changes■ Mutual break fee of \$15m



Strategic rationale

1 Bendigo and Adelaide are the right partners

- ▶ Merger combines two successful companies to create a unique customer and partner focused financial services organisation
 - ▶ Strong cultural alignment
-

2 Combination of two distinctive but complementary businesses

- ▶ Adelaide excels in partnering with a range of distribution partners as a specialist wholesale finance provider, while Bendigo is Australia's pre-eminent service-focused retail bank with a proven track record of partnering in communities and joint ventures
 - ▶ Retaining both brands to support multi-channel distribution strategy
-

3 Enhances value proposition for customers, partners, communities and staff

- ▶ Customers gain access to more products, branches and ATMs
- ▶ Preserving and continuing to invest in Community Bank® and wholesale partnership models
- ▶ Greater career opportunities for staff through a larger and more diversified company
- ▶ Head office functions split between existing locations

Strategic rationale

4 Merged group is financially stronger and better positioned to grow and innovate

- ▶ Expanded national presence in every State and Territory in Australia
 - ▶ Improved scale/operating efficiency
 - ▶ Enlarged balance sheet
 - ▶ Diversified business mix
 - ▶ Increased funding flexibility
 - ▶ Reduced licensing and compliance costs
-

5 Creates significant value for Bendigo and Adelaide shareholders

- ▶ Cost synergies estimated at approximately \$60m - \$65m annually pre-tax¹
- ▶ Potential for substantial revenue synergies through product cross-sell to enlarged retail customer base
- ▶ Confidence in integration due to cultural alignment
- ▶ Cash EPS accretive¹ to both sets of shareholders in the first full financial year following completion of the merger
- ▶ Scrip-for-scrip capital gains tax rollover relief expected to be available to Adelaide shareholders



1. Excluding one-off and merger integration costs.



Financial rationale

	Bendigo	Adelaide	Merged Group
Market Cap (\$bn) before synergies¹	2.1	1.7	3.8
ASX 200 position (#)²	94	102	Top 70
Shareholders (#)	53,500	28,500	82,000
Customers (#)	1,126,000	180,000 plus customers of wholesale partners	1,306,000 - plus
Branches (#)	357	25	382
2007 Cash NPAT (\$m) before synergies	119	104	223
Estimated synergies pre tax (\$m)³	-	-	60 – 65
Loans Under Mgmt (\$bn)⁴	15.8	27.4	43.2
Funds Under Mgmt (\$bn)⁴	3.4	3.5	6.9
Credit Rating	BBB+	BBB+	Potential for upgrade

1. Based on shares outstanding and share prices of \$14.67 for Bendigo and \$15.70 for Adelaide as at 14 September 2007.

2. Source: S&P, September 14, 2007.

3. Excluding one-off merger and integration costs.

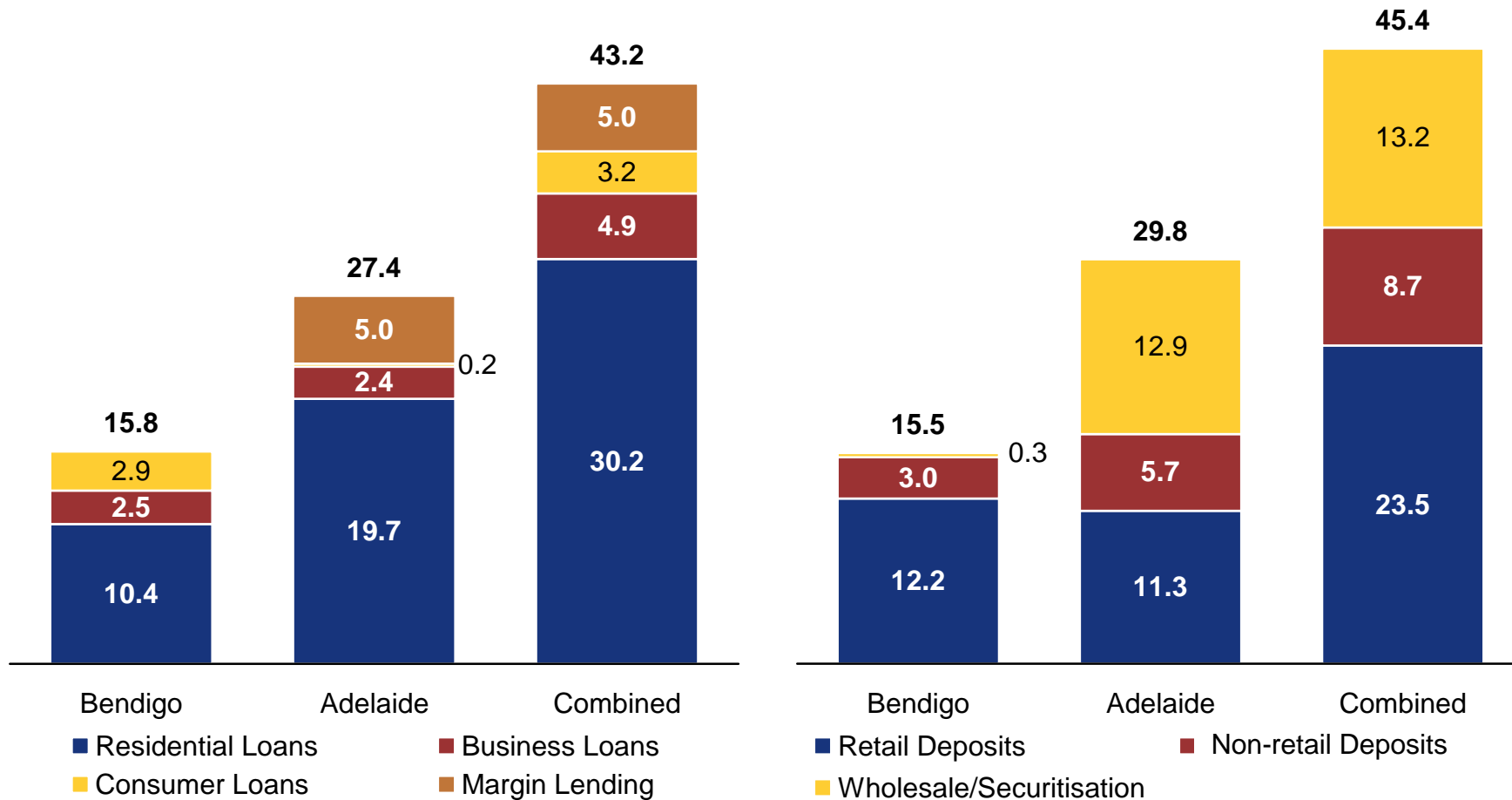
4. As at 30 June 2007.



Financial rationale – enlarged balance sheet

Loan Mix (\$bn)

Funding Mix (\$bn)



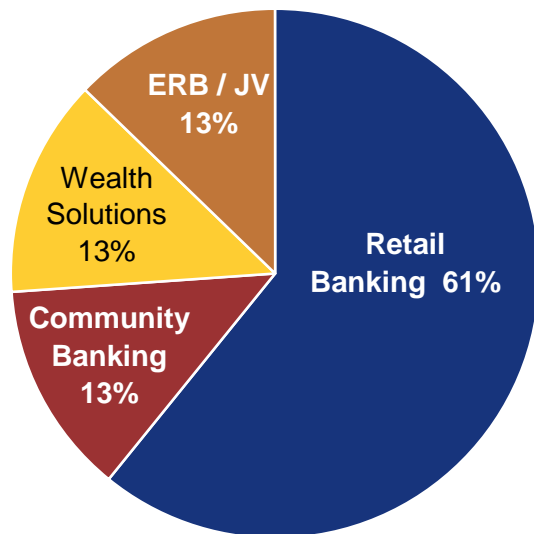
Source: 30 June 2007 Results



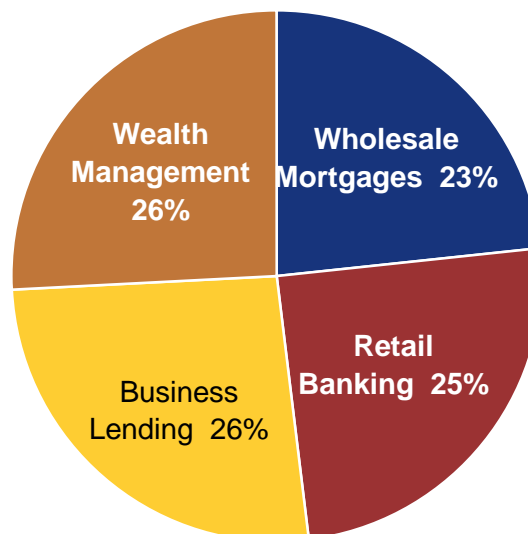
Financial rationale – diversified business mix



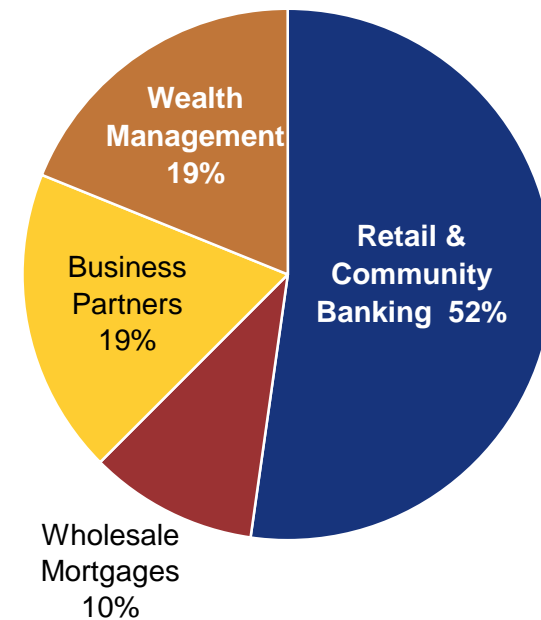
Bendigo (PBT)¹



Adelaide (PBT)¹



**Merged group
(Pro Forma PBT)**



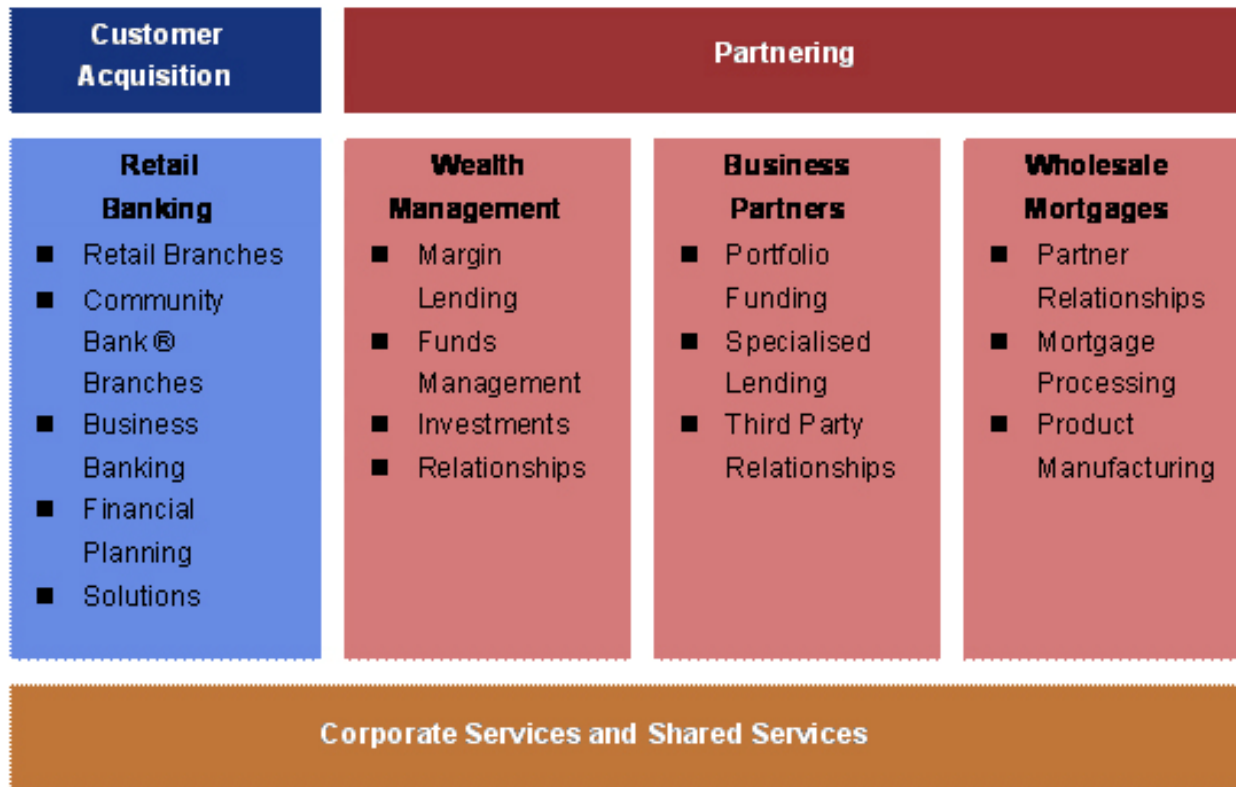
1. Profit contribution before tax and unallocated corporate support costs and significant items.

Source: 30 June 2007 Results



Business structure

Focused business units to drive growth



1 Customer acquisition

- ▶ Through retail branches and partners

2 Partnering

- ▶ Third party relationships
- ▶ Innovative product solutions
- ▶ Efficient processing and manufacturing

3 Support

- ▶ Lean corporate structure and support functions

Integration and synergies

Potential pre-tax cost synergies of approximately \$60m - \$65m

Type	Description
Cost Synergies	<ul style="list-style-type: none">■ Functional overlap<ul style="list-style-type: none">▶ Focus on back office overlap▶ Leveraging staff across business lines▶ Based on merit■ IT savings<ul style="list-style-type: none">▶ Both run on same core banking systems▶ Low IT integration risk■ Funding benefits<ul style="list-style-type: none">▶ Improved access to wholesale funds due to scale■ Consolidation of corporate costs<ul style="list-style-type: none">▶ Listing costs, regulatory fees▶ Board▶ Shared consulting services■ Approximately \$60m - \$65m annual (pre-tax¹) cost synergies■ 80% expected to be realised by second full year of operation
Revenue Synergies	<ul style="list-style-type: none">■ Potential for revenue synergies<ul style="list-style-type: none">▶ Increased product and service offering to enlarged customer base■ Revenue synergies not factored into merger economics



1. Excluding one-off and merger integration costs.

4. Transaction update

- Integration planning
- Expected timing

Transaction update

Integration

- Confidence of successful integration
- Intention to form Integration Committee
- Headed by Rob Hunt, Jamie McPhee and Mike Hirst
- Guiding principles for merger under development
- Main areas of focus:
 - ▶ People (HR)
 - ▶ Organisational design
 - ▶ Information technology
 - ▶ Customer and partner retention
 - ▶ Growth and revenue
 - ▶ Communications

Transaction update

Expected timing

- *Merger Implementation Agreement signed* 9-Aug-2007
- *Due diligence finalised* 4-Sep 2007
- *ACCC approval gained* 10-Sept 2007

- Scheme Booklet sent to Adelaide shareholders Oct-2007
- Adelaide shareholder vote Nov-2007
- Implementation date Nov-2007

Note: This timetable is subject to change and could be influenced by many factors outside the control of Bendigo and Adelaide.



4. Summary

Summary

Merged group will have high quality earnings and growth profile

	Adelaide Shareholders	Bendigo Shareholders
Product and channel diversification	✓	✓
Geographic diversification	✓	✓
Increased scale and efficiency	✓	✓
Funding flexibility	✓	✓
Platform for expansion/acquisitions	✓	✓
Synergies	✓	✓
Value creation	✓	✓

6. Appendix

- Adelaide Bank financial performance
- Bendigo Bank financial performance
- Detailed strategic rationale
- Business unit structures
- Merged capital position

Adelaide Bank financial performance

Results summary

	2007	2006	Change
Reported NPAT (\$m)	105.6	94.4	11.9%
Cash Earnings (\$m)	104.3	94.0	10.9%
Cost to Income Ratio	48.3%	50.7%	2.4 pts
Cash EPS (cents)	96.8	88.7	9.1%
Dividend Per Share (cents)	65.0	58.0	12.1%

Drivers

- Strong business growth and diversified earnings
- Sound and improving asset quality

Bendigo Bank financial performance

Results Summary

	2007	2006	Change
Reported NPAT (\$m)	121.8	116.7	4.4%
Cash Earnings (\$m)	118.5	102.5	15.6%
Cost to Income Ratio	64.6%	66.6%	2.0 pts
Cash EPS (cents)	82.9	73.2	13.3%
Dividend Per Share (cents)	58.0	52.0	11.5%

Drivers

- Continued progress reflects consistent focus and investment
- Exceeded cash EPS guidance
- Strong margin reflects brand strength
- Strong business growth
- Excellent credit quality

Detailed strategic rationale

Leveraging the strengths of both companies

	Bendigo Capabilities	Adelaide Capabilities		Competitive Advantages of Merged Group
Service	<ul style="list-style-type: none"> ■ Strong customer service culture – high customer advocacy ■ Trusted brand 	<ul style="list-style-type: none"> ■ Leading partner service and processing capabilities ■ Strong specialist brands 	▶	<ul style="list-style-type: none"> ■ Leading customer service proposition across retail and wholesale
Distribution	<ul style="list-style-type: none"> ■ 357 retail branches ■ 1.1 million retail customers ■ 24/7 ebank and payment systems ■ 500 ATMs 	<ul style="list-style-type: none"> ■ Expansive third party distribution network ■ 25 retail branches (SA) ■ 180,000 retail customers ■ 46 wholesale partners 	▶	<ul style="list-style-type: none"> ■ Multi-channel distribution platform <ul style="list-style-type: none"> ▶ 1.3 million retail customers ▶ 382 branches ▶ 46 wholesale partners ▶ Expanded, national footprint
Product	<ul style="list-style-type: none"> ■ Retail product suite ■ Wealth management offering 	<ul style="list-style-type: none"> ■ Wholesale product suite ■ Strong history of product innovation ■ Leader in margin lending 	▶	<ul style="list-style-type: none"> ■ Full retail and wholesale product offering <ul style="list-style-type: none"> ▶ Supported by product innovation / specialist knowledge
Administration / Back Office	<ul style="list-style-type: none"> ■ Scale advantages 	<ul style="list-style-type: none"> ■ Lean manufacturing and servicing ■ Best in class efficiency ■ Low cost:income 	▶	<ul style="list-style-type: none"> ■ Back office excellence <ul style="list-style-type: none"> ▶ Scale and improved cost efficiency
Culture	<ul style="list-style-type: none"> ■ Community and partner based 	<ul style="list-style-type: none"> ■ Partnership approach 	▶	<ul style="list-style-type: none"> ■ Community and partnership driven culture

Detailed strategic rationale

	Proposition	Commitment
Customers & Community	<ul style="list-style-type: none"> ■ Superior customer service supported by an improved product and service offering ■ Access to more products, branches and ATMs through expanded national network 	<ul style="list-style-type: none"> ■ Preserve and continue to invest in the Community Bank® model and retail branch network ■ Retain and grow both Bendigo and Adelaide brands
Partners	<ul style="list-style-type: none"> ■ Greater variety of product, improved services and customised financial solutions ■ Backed by the greater scale and scope of the merged group 	<ul style="list-style-type: none"> ■ Preserve partnership model and relationships ■ Maintain channel independence
Shareholders	<ul style="list-style-type: none"> ■ Ownership of a unique company with an enhanced financial profile ■ Significant value and cash EPS accretion¹ to both sets of shareholders in the first full financial year ■ Pre-tax cost synergies estimated at approximately \$60m - \$65m annually¹ ■ Potential for revenue synergies 	<ul style="list-style-type: none"> ■ Continue track record of both organisations in creating sustainable shareholder value
Staff	<ul style="list-style-type: none"> ■ Enhanced career opportunities through a larger and more diversified company ■ Improved training and career development ■ Greater ability to attract and retain top talent ■ Combined entity will have more than 4,000 staff across every state and territory of Australia 	<ul style="list-style-type: none"> ■ Head office functions will be split between existing locations



1. Excluding one-off and merger integration costs.



Business structure – Retail Banking

- Creating a national retail distribution network, comprising:
 - ▶ 357 Bendigo Community Bank® and corporate branches
 - ▶ 25 Adelaide retail branches
 - ▶ Financial planning
 - ▶ 1.3 million retail customers
 - ▶ Access to additional customers through wholesale partners
- Continued growth in the branch network
 - ▶ Further investment in the South Australian branch network
 - ▶ Continued focus on Community Bank® model
 - ▶ Plan to open a further 25 branches in 2007/08
- Product suite drawn from capabilities of whole organisation
- Enhanced funding flexibility – retail deposits, securitisation, wholesale funding, mortgage fund
- Leverage Bendigo's payment systems

Business structure – Wealth Management

- Combining Adelaide's Margin Lending and Managed Funds business with Bendigo's Sandhurst Trustees, equity portfolio investments and alliances
 - ▶ Approximately \$7bn funds under management
- Improved customer access through expanded distribution network, including Bendigo's financial planner network and Adelaide's partner relationships
- Broader positioning in wealth management value chain with manufacturing and distribution capability
- Focus on product development/innovation and penetration
 - ▶ Provision of margin lending product to Bendigo customer base
- End to end linkage between structured products, asset sourcing and funding expertise

Business structure – Business Partners

- Combining Adelaide's Portfolio Funding and Specialised Lending, with Bendigo's Elders Rural Bank Joint Venture and SME offerings (including Oxford Funding)
 - ▶ \$5.8bn¹ loans under management
- Product portfolio enhanced for corporate customers
- Increased exposure to attractive SME segment given wider customer base and enhanced offering



1. Excludes ERB loans under management of \$3.2bn.



Business structure – Wholesale Mortgages

- Combining Adelaide's wholesale mortgage business and Bendigo's NMMC operation
- Focus on process efficiency and margin management to drive synergies for combined group
- Partnership model for mortgage managers and brokers is key and will remain intact
 - ▶ \$16.9bn loans under management
 - ▶ Potential for product portfolio enhancement for SME commercial lending
- Track record of continual product innovation provides competitive advantage

Merged capital position

Standalone position (as at 30 June 2007)

	Bendigo	Adelaide
ACE	5.42%	5.50%
Tier 1	7.98%	6.26%
Total	10.24%	10.88%

Capital management plan

- Intention to maintain dividend payout of 70% of cash earnings
- Ongoing dividend reinvestment plan
- Active capital management plan for merged group
- The Adelaide Step-Up Preference Shares will be subject to a separate Scheme. New Bendigo Step-Up Preference shares will be issued 1:1, on similar terms to the current arrangement if the scheme is approved.
- The Adelaide Reset Preference Shares will be subject to a separate Scheme. New Bendigo Reset Preference Shares will be issued 1:1, on similar terms to the current arrangement if the scheme is approved.



Source: 30 June 2007 Results