





Interim Review | 2013



A message from the Managing Director

In February, the Bank announced its interim result with an after tax statutory profit of \$189.4 million for the six months ending 31 December 2012. Cash earnings had increased by 4.4 per cent on the prior corresponding period to \$169.7 million.

Business conditions have continued to be characterised by lacklustre demand for credit and heightened competition for retail deposits, and like all Australian banks we have had to adapt to these conditions.

Interim results snapshot

- > Cash earnings: \$169.7 million
- > Profit after tax: \$189.4 million
- Cash earnings per share:41.9 cents
- > Interim dividend: **30 cents** per share fully franked
- Interim dividend distribution date: Thursday 28 March 2013 (fully franked)

Disciplined pricing of both assets and liabilities led to a 10 basis point improvement in net interest margin, to 2.18 per cent, over the reporting period. The Bank's term deposit retention rates have remained consistently higher than 80 per cent, despite the Bank continuing to adopt a less aggressive pricing structure than many of its competitors.

While retail deposits continue to make up approximately 80 per cent of the Bank's total funding, there has been a material improvement in the cost and availability of wholesale funding options. Because we experienced this mostly in the last months of the half-year, we expect the impacts to be more pronounced in the second half of the financial year.

Cost containment and efficiency has been a major focus of management, with operating expenses growing by just 1.7 per cent over the period. Staff numbers increased by less than one per cent, as head office efficiencies allowed the business to continue to invest in new branches and in key strategic initiatives like the group's Basel II Advanced Accreditation project. This efficiency focus was reflected in an improved cost-to-income ratio of 57.8 per cent, versus 59.8 per cent in the six months to June 30, 2012. The group maintains its long-term 55 per cent cost-to-income target.

The group's Tier 1 capital ratio has increased 92 basis points over the six-month reporting period, with the benefits of the sale of the Bank's stake in IOOF, the sale of subordinated notes relating to past Torrens securitisation issues, and the issue of convertible preference shares all having a positive impact.

Our strategy of focussing on customer engagement and efficiency has held us in good stead and we have reported an improvement in performance across the board. Despite the very low absolute rates of credit growth across the economy, the Bank has gained market share by growing faster than system. In addition, there has been a marked improvement in both our net interest margin and cost to income ratio.

These factors helped to improve profit for the group, and lay solid foundations for the remainder of the financial year. While conditions and sentiment had improved in the second quarter there was still a high level of uncertainty and volatility in the market.

We are yet to see more recent rallies in debt and equity markets translate into a material increase in demand for credit. In this environment our industry-leading retail and business customer satisfaction levels and the maintenance of an efficient business model becomes even more important.

The Bank is well-placed to continue to leverage these strengths and take advantage of the significant opportunities that exist for our business.

I would like to thank you for your ongoing support.

Mike Hirst

Managing Director, Bendigo and Adelaide Bank.



Ratings agencies affirm Bank's A rating

Ratings agency Fitch affirmed Bendigo and Adelaide Bank and Rural Bank's credit rating at A- in December last year, following a similar affirmation by Standard & Poor's in July 2011.

Managing Director Mike Hirst said the continued vote of confidence is a testament to the way the Bank has managed and continues to respond to the challenges currently faced by the banking industry.

"The Bank continues to perform well, seek out new efficiencies and implement new initiatives and these efforts have been rewarded once again," Mr Hirst said.

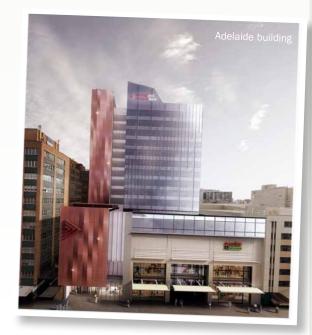
Bendigo and Adelaide Bank is one of few banks globally to receive an upgrade since the onset of the Global Financial Crisis.

The Bank continues to be rated A by all three ratings agencies (S&P, Moody's and Fitch).

New Adelaide headquarters ready to go in 2013

In December, more than 1000 staff from four locations across Adelaide will move to the Bank's new Adelaide office at the Harris Scarfe site at 80 Grenfell Street.

The decision to occupy the building's 11 storey office tower was based on delivering the right solution for employees, shareholders



and customers, while also showing a commitment to the South Australian community, said Executive Corporate Resources, Stella Thredgold.

"The Bank's new Adelaide office will have prominence across the cityscape, and boasts a 5 star greenstar environmental rating," she said.

"The proposed innovative design will create a work environment for our people that encourages greater productivity and enhances a one-team environment."

Ms Thredgold said the Bank's Adelaide office in Pirie Street had served the Bank, its people and customers well over the last 25 years.

"Our Pirie Street building is an iconic landmark in the Hindmarsh Square precinct and has been an ideal location for us."

"Our decision to seek new premises was driven by a need to have all our corporate staff in one location, provide greater collaboration and teamwork and ultimately better outcomes for our customers," she said.



Victorians switch to make a big saving

In June 2012 the Bank launched a new energy saving program through its Generation Green™ program called Switch to Save, to help Victorians to lower their energy bills and reduce their impact on the environment.

More than 13,500 customers and members of the community visited a Bendigo Bank branch in Victoria to sign up to have Standby Power Controllers, called Embertec SmartSwitches™ installed in their homes for free.

Almost 30,000 SmartSwitches[™] were installed, saving an estimated \$27 million in energy costs over the next 10 years and 135,000 tonnes in greenhouse gas emissions.

In addition to saving money and the environment, Bendigo Bank branches distributed \$17 for every participating household to help support a neighbouring school undertake sustainable projects. This has seen \$229,755 distributed to 224 schools across the state.

The funds distributed to Victorian schools have not only encouraged community participation in the Switch to Save program, but have helped to educate young people about the benefits of thinking green.

MyPhoto MyCard



Launched in October 2012, the Personalise My Card service allows all Bendigo Bank

credit, debit and EasyMoney cardholders to upload a personalised design for their card.

Whether it be their own image or one selected from an online gallery, the MyPhotoMyCard offers customers the choice to make their card uniquely their own.

Students share \$750,000 in Bank's scholarship program

Bendigo and Adelaide Bank and its partners will support 125 students from across metropolitan and regional Australia in their university studies in 2013.

The Bendigo and Adelaide Bank Scholarship program began in 2007 with just one scholarship, but is now one of Australia's largest privately funded scholarship programs, worth more than \$750,000.

Bendigo and Adelaide Bank Chairman, Robert Johanson, said there is a strong need to assist students to live out their academic ambitions.

"The scholarship program assists students who are academically gifted but face difficult circumstances such as family breakdowns, illness, drought and natural disasters which may impede them from continuing their education," Mr Johanson said.

"There are many outstanding high school students across our nation whose financial circumstances mean attending university is very difficult or even impossible, and accommodation and study costs can place considerable pressure on any family, especially if the student has to leave home to go to university.

"Local communities greatly benefit from a young person's ability to further their education, and our scholarship program means young people will have the chance to pursue their dreams.

"The successful students are very deserving of support and I wish them all the best of luck as they begin an exciting journey toward achieving their goals," he said.





Long-term support for the world's poorest recognised

A 12-year partnership with Oxfam Australia which was recognised in November 2012, has seen more than \$9 million returned to support the world's poorest.

Oxfam Australia CEO Andrew Hewett presented Bendigo and Adelaide Bank Managing Director Mike Hirst with the award in recognition of the Bendigo Oxfam Community Investment account, which allows customers to nominate a percentage of interest to support the work of Oxfam Australia.

In a separate show of support, staff have also raised more than \$100,000 by taking part in the Oxfam Trailwalker since 2009, a 100km walking event that tests the endurance of participants as they navigate challenging terrain.

Bank helped to hit \$100,000 for Bendigo's homeless youth

A year-long campaign to raise money to support Bendigo's homeless youth had a welcomed, but unexpected ending.

Staff across Bendigo rattled tins, sold CDs and cooked sausages, all in the name of supporting Bendigo for Homeless Youth, a nonfor-profit organisation for the homeless and disadvantaged.



The fundraising tally had almost reached its goal when an anonymous donor provided the funding needed to tip the campaign target over the \$100,000 mark.

This funding will go a long way to achieving some positive outcomes for a number of homeless youth in Greater Bendigo, said Bendigo for Homeless Youth charity founder, Luke Owens.

Be Seen On Our Social Pages









Have you seen Bendigo Bank on social media yet?

See what we're up to on Facebook, Twitter, YouTube and our online community, PlanBig.

This is your chance to share your stories and ideas and take a look at some of ours.

Ask us a question, tell us what you think and get the latest bank news and information.

We'd love to hear from you!

Like us at www.facebook.com/bendigobank

Follow us at www.twitter.com/bendigobank

Watch us at www.youtube.com/user/bendigobankcommunity

Get involved on www.planbig.com.au

Smart Investor names Bendigo Bank as Australia's favourite

The Australian Financial Review's Smart Investor magazine released the results of its latest SMILES Survey in November 2012, voting Bendigo Bank as Australia's favourite banking provider for 2012.

The SMILES (Smart Investor League of Exceptional Service) Survey rates organisations on value for money, quality of customer service, fees, charges and products, including best overall service provider.

Bendigo and Adelaide Bank Executive, Customer and Community, Russell Jenkins said this award recognised the

Bank's focus on the success of customers, people, partners and communities across Australia.

"We are firmly committed to deliver products and services that help everyone to achieve their goals and this award demonstrates how strongly the efforts of our staff are valued by the public," Mr Jenkins said.

"These results also show the continuing strength of the **Community Bank**® model, helping local people to secure an alternative source of income to fund activities or initiatives which make their town or suburb a better place to live," he said.

Cross country ride supports search for cancer cure

On New Year's Day, Bendigo Bank and Tasmanian Fire Services partnered in the inaugural Headin' South for a Cure Charity Bike Ride, so far raising more than \$40,000 for cancer research.



The brainchild of Hobart firefighters, Tim McKay and Emma Weitnauer, the ride saw ten firefighters pedal from Brisbane to Hobart in an epic 11-day journey.

Teaming up with the Australian Cancer Research Foundation – and with no rest days – cyclists rode an average of 160km per day to fund research into a disease that affects one in three Australians.

Bank of Cyrus launches its new name... Say hi to Delphi Bank

Bank of Cyprus Australia (BOCA) and Bendigo and Adelaide Bank announce a new brand for Bank of Cyprus Australia in November.

The new-look brand will continue to build on the company's strong connection to the Hellenic community and is a valuable addition to the Bank's overall brand offering, said Managing Director, Mike Hirst.



"Delphi Bank has a unique value proposition for the Hellenic community and works to strengthen the cultural group's position, which is why many of their customers choose to bank with them and will continue to do so," he said.

"The Delphi Bank brand - and indeed their business and value proposition – is completely in line with our **Community Bank**® model, as many customers choose to bank with us due to our understanding and engagement with the local community and our commitment to our customers."

Privileges open to all shareholders

We are pleased to offer Shareholder Privileges to all shareholders. The program is our way of recognising the special role you and other shareholders play in the success of our Bank. Discounts and special offers are now available on a variety of products and services and are redeemable at any Bendigo Bank branch.

Result announcement

The Full Year Result Announcement will be held at 10am on Monday 19 August. A full list of key corporate dates and events can be found at www.bendigoadelaide.com.au

One giant cheque, a million possibilities

In October 2012 the Bank donated \$205,000 to the Australian Red Cross to support its disaster recovery work across Australia.

Thanks to the generosity of Australians, the Bank's total contribution to the Red Cross since 2009 has almost totalled \$1 million.



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