



**SHAREHOLDER QUESTIONS OF GENERAL INTEREST
ANNUAL GENERAL MEETING
HELD ON 30 OCTOBER 2006**

Question: Accounts and Reports

The Bank had paid out about two-thirds of its earnings per share in dividends, and this has left about \$95 million in the franking account. Imputation credits are of no value to the Bank, but represent significant value in the hands of shareholders.

Please advise shareholders whether the Bank will consider a special dividend that would allow distribution of these surplus franking credits?

Answer:

The surplus franking credits are a result of mergers undertaken by the Bank, the fully franked dividends paid on equity investments and the Bank's dividend policy. The Bank has typically paid out approximately two thirds of the after-tax profit as dividends with the balance retained and invested in other opportunities.

Dividend payments on Bendigo Preference Shares are utilising some of the excess franking credits. The Bank is conscious of the franking account balance and monitors options to return franking credits to shareholders in a capital effective manner. At this time the Bank is not considering the payment of a special dividend. The Bank must consider the impact of any special dividend on the capital requirements set by the Australian Prudential Regulation Authority.

Question: Executive Incentive Plan

We accept that the new Executive Incentive Plan is considerably better than the superseded plan.

However, we are concerned that the hurdle for vesting of performance rights is inadequate and not sufficiently challenging. These rights will vest when the cash EPS for the bank exceeds growth of 10% compound for the three year vesting period. If achievement is less than 10% compound cash EPS, no performance rights will vest, but if the 10% factor is achieved all performance rights immediately vest.

We note that over the past five years the bank has achieved in excess of the 10% compound growth in cash EPS, so the hurdles are not challenging. We would appreciate your comments.

Answer:

We believe the Executive Incentive Plan needs to be considered in the context of the plan design as a whole, the overall strategy of the business and the objectives of the plan in creating shareholder value and retaining key executives who create that value. As you be well aware, Bendigo Bank has created strong shareholder value during the past decade. During this period executives participated in a loan based limited recourse share plan.

We have now changed our approach to executive equity based incentives as a result of changing investor expectations and prevailing market standards.

A target of 10% compound growth in Cash EPS over the vesting period is in line with guidance given to the market on EPS growth based on the Company's view of the sustainable rate of return for the business having regard to market conditions and its long term business strategy. While the banking sector has enjoyed buoyant market conditions over the past 5 years it is expected that market conditions will be tougher going forward and that achievement of a 10% compound growth rate sustained from year to year will be a significant challenge taking into account the current stage of the credit cycle and intense level of competition across the sector. If the Company advises the market in future years that a higher level of EPS growth is appropriate then the target level for the Executive Incentive Plan will be changed accordingly.

It should also be noted that a cliff level of vesting has been selected which means that if the target is not achieved and sustained over the total performance period, none of the performance rights granted under the plan will vest. This contrasts to a number of other plans which use an EPS hurdle and have progressive vesting potential starting at 8%.

The Executive Incentive Plan has been design to provide a balance between share price growth and sustained earnings in tougher market conditions. Performance Rights tied to a compound growth rate in cash EPS is only 50% of the total grant. The other 50% is in the form of Performance Options (which are subject to an exercise established on the grant date) and tied to a relative TSR hurdle requiring a 3rd quartile performance or better.

The Executive Incentive Plan has also been designed to achieve both superior value creation for shareholders and the retention of the critical skills and experience which are needed to create that value. This objective needs to be placed in the context of conservative remuneration levels compared with peer group companies. Based on the estimates provided by our external remuneration consultant, the average value of the LTI grants proposed compared with peer group values are:

	Est. Fair Value of Grants \$,000	Peer Group Fair Value \$,000
CEO	552	973
Other Executives [KMP's]	130	231

Base salaries and Short Term Incentive levels are also conservative when compared to peer group companies.

When all these factors are considered as a whole and in their appropriate context the Board is of the view that the performance hurdles set are reasonable and appropriate and reflect our particular business proposition.

We do not believe that Executive Incentive Plans should be identical because of the inherently different strategies, cultures and life cycle phases that apply across a wide range of operating environments.

Questions: 2006 Remuneration Report

Shareholders forwarded a range of questions concerning the Bank's remuneration framework presented in the 2006 Remuneration Report, in particular the new executive incentive plan. The general sentiment of the questions is reflected in the following questions:

"I do not believe extra remuneration is necessary when executives are earning substantial wages. Staff should only receive extra shares etc if their performance warrants it." and "Will the board reject the big four banks' obsession with continuous escalation of directors' and senior managements' remuneration packages (including share issues) and instead focus on customer service and ongoing support for local communities? Executives and directors get paid quite generous salaries to do a good job. If they need / want further rewards, maybe they should join the big four. I left the big banks to join Bendigo. If Bendigo becomes as greedy as the others, I'll switch to a credit union".

Answer:

Our staff are ultimately the only non replicable source of competitive advantage. This is particularly relevant for Bendigo Bank in terms of its unique business strategy as the creation of successful customer and successful communities can only be attained through successful staff that are capable, committed and motivated to deliver the business strategy.

To continue to provide sustained returns in an ever changing social, political and economic environment means the Company must retain the skills and experience which built the Bendigo Bank performance we have today and attract new skills and experience to ensure we sustain and further improve that performance in the future. This will be in the context of reported skills shortage for executive talent and most specialist areas. Analyst forecasts also indicate that market conditions will be tighter and more challenging in the next five years than they have been in the past.

To attract and retain skilled and committed staff who can drive our unique business strategy forward requires a framework of total reward which focuses not only on pay but the creation of a compelling employee value proposition which:

- Recognises high levels of skill and competence
- Supports excellence in performance and contribution
- Provides opportunities for growth and development
- Respects the individual and their needs, circumstances and aspirations
- Provides a range of benefits and services which supports staff in representing and serving the Company.

The framework needs to reinforce not only the high levels of skill and competence expected from all staff in performing their roles but provide a focus on the achievement of both short and long term objectives creating value for shareholders and providing staff with a stake in the business and its success.

The Company's pay positioning compared to its peer group is conservative reinforcing the need to have an employee value proposition, and short and long term incentives which engage and align our high performing and committed staff.

The Companies short term incentive programs provide an annual focus on the achievement of organisation wide outcomes set by the Board and the assessment of individual performance.

The long term incentive plans balance the creation of value for shareholders with the need to attract and retain the high quality staff required to create that value.

Looking in more detail at the Long Term Incentive Plans:

The Executive Incentive Plan applies to the Managing Director and the 11 senior executives responsible for the business strategy design and execution. The plan focuses on the creation of superior shareholder returns relative to an ASX200 peer group; the achievement of sustained earnings and the retention of critical executive talent and expertise.

This is achieved through; a balance of instruments (Performance Options and Performance Rights) ; challenging hurdles in the context of the market going forward to be achieved over a sustained period; and restrictions on the disposal of shares after vesting. The Board believes that this is a responsible and appropriate plan that furthers our objectives to create sustained value and performance.

The Employee Share Plan has been a successful feature of the total reward framework of the Company for many years. This years plan had a take up rate of 95% of the shares offered showing that the plan is highly valued by employees. It makes every employee a part owner of the business giving them an equal stake with other shareholders in furthering the success of the business.

The plan is by and large self- funded from both a shareholder and participant perspective with the loan provided to acquire the shares repaid through dividends and the application of any sale of the shares to the outstanding loan balance. The Company's contribution is the recognition of the accounting expense and a potential loss in rare circumstances where a staff member leaves the Company and the sale price is less than the outstanding value of the loan (although provision has been made to be able to hold the shares and apply them to other needs for employee shares).

The Board is of the view that this plan is an integral part of Bendigo Bank's Reward Framework and a key ingredient in the Bendigo Bank success story.

Question: Executive Remuneration

"I note that there has been a larger (42%) increase in the total remuneration paid to listed senior executives for this year. Would you please explain why the CEO was paid two increases in total salary of 35% last year followed by 30% this year. Would you also explain why it is necessary to add 2 additional senior executives to a list of 5 thus increasing the cost of the combined total of salaries of executives (other than the CEO) by nearly 50%."

Answer:

The managing directors total remuneration increased by 31% for 2005 and 30% for 2006.

The 2005 increase related to an increase in the managing director's annual at-risk component and the notional value (8 months) of the interest free loan associated with the share grant approved at the 2004 AGM. The increase in at-risk component was to align the managing director's short term incentive with market practice and peer organization relativities.

The 2006 increase related to the managing director's fixed pay component and a full year of the notional value of the interest free loan associated with the share grant approved at the 2004 AGM.

A comparison of the managing director's remuneration arrangements against the external market data for similar roles showed that the managing director's remuneration settings are very conservative.

During the year there were a number of increases to existing senior executive responsibilities including the Chief Operating Officer, Chief General Manager Retail & Distribution and Chief General Manager Solution.

The remuneration details of the CGM Retail & Distribution and CGM Solutions were, as a result of the changes in responsibilities, required to be included in the Annual Report disclosures for the first time. Consequently, a significant percentage of the increase in aggregate executive remuneration reported in the 2006 concise annual report relates to the above executive positions (which were not new appointments).

Question: Sending Jobs Off-Shore

A number of shareholders expressed concern on the recent media regarding the outsourcing of jobs to off shore agencies. The sentiment is typified by the following questions – “What is the Bank’s policy on the subject of moving jobs off shore.” and “Do you intend to make staff redundant and send jobs overseas like many other companies.”

Answer:

Bendigo Bank has no plans or intentions to shift jobs or functions off-shore. Bendigo Bank and its Community Bank partners have created more than 2000 jobs for Australians since Bank conversion in 1995.

Question: Drought

A number of shareholders questioned the impact of the drought on the Bank’s future performance and what arrangements the Bank was taking to assist impacted customers.

A representative question was “Please describe any predictive research undertaken by the board or management to ascertain the scope of anticipated negative impact on the company’s revenues due to a continuation or worsening of the drought in the areas of the Bank’s operations – addressing such factors as probable downturn in new housing constructions in towns with diminishing water supplies and diminishing agricultural production.”

Answer:

The Bank does not have a significant direct exposure to the farming sector. We are however very mindful of the broader implications of the drought on the economies of the local communities which we support.

At this time we do not envisage the drought having a major financial impact on the overall credit quality and future performance of the Bank. This is supported by our conservative lending policies to the agribusiness sector. We are in the process of undertaking additional research, overseen by the board credit committee, to further assess the customer and local economic impacts of the drought.

A key focus of the Bank is to support our customer base that may be directly impacted by the drought. The Bank is progressing a number of initiatives to assist impacted customers through this difficult time including a direct contact program to actively encouraging customers to talk to us if they have cash flow issues related to the drought.

Question: Community Bank

“The community bank concept is an excellent example of a regional bank working with the local community. How many community banks have now been opened? Have there been any such Banks (community bank branches of Bendigo Bank) which have actually not been successful?”

In excess of 180 community bank branches have been established to date. Prior to the establishment of a community bank branch, a rigorous feasibility and due diligence process is completed by the local community in conjunction with Bendigo Bank.

The Bank is fully committed to the progress and performance of the community bank network and has operated, since the launch of community bank, a dedicated unit which assists and supports our community bank network through the establishment phase and on a day-to-day basis when the branch commences operating.

There have been instances where the progress of a community bank branch may not have initially achieved expectations, however, in these instances we have worked closely with the local community bank board and branch manager to identify strategies to lift the branch’s performance.

With the number of Community Bank Branches now in operation we now have a significant collective of experience working with, and supporting communities of varying situations and circumstances. This experience becomes invaluable in providing new communities (and those facing adversity) with the necessary guidance they need.

Bendigo Bank’s support mechanism also includes a “mentor program” which comprises key Community Bank Chair-people (from experienced and stable sites) going out and working closely with their “sister sites”.

We now have a range of alternative distribution models available to communities, including Sub-Branches, Customer Service Centres, and advanced agencies. These are often utilized by communities as a cautious first step into the market, where the Bank and the community believe a full branch is not yet warranted.

The Bank would explore, in consultation with the local community bank board, all possible options (including alternate distribution models), to assist the community in retaining their local branch service before considering a community bank closure.

Question: Independence

Shareholders have again noted media speculation regarding the continued independence of the Bank and measures to prevent a takeover – The following typifies the questions received: “I am concerned to hear reports of the Bank’s possible takeover. Have steps been taken to avoid a takeover.”

Answer:

As with all listed public companies, there is always the potential of a takeover which must be undertaken in accordance with the requirements of the Corporations Act. In our view there are three main factors which will determine our continued independence:

1. Performance: notwithstanding our heavy investment program our performance has been improving steadily for a number of years;
2. Relevance: our core strategy is to build a franchise of committed buyers by being relevant to them as customers and to their communities;
3. Prospects: which we believe are excellent given the continued demand for the Bendigo style of banking.

We are not protected from takeover by Rules contained in our Constitution. Any takeover offer would however be subject to approval of the various regulatory authorities including APRA and the ACCC.

Questions: Homesafe Debt Free Equity Release Product

“Why has the “equity unlock” loan package not been universally introduced to Bendigo Bank customers and shareholders?”

Answer:

The “Homesafe” product was released as a pilot in specific postcodes of Melbourne and Sydney. The product was piloted in order to test market positioning, customer demand and to determine investor interest to secure future funding.

The Homesafe product is still a relatively new product on the market and we are still in the pilot phase. It is not a ‘reverse mortgage’ product and is not a product issued by Bendigo Bank. The Homesafe product is issued by the Homesafe Trust that is administered by Homesafe Solutions Pty Ltd, a joint venture company between Bendigo Bank and an external party.

As reported in the 2006 annual report, acceptance of this new-style product has been encouraging, with 118 sales to August 2006. Whilst there is a strong level of inquiry for the product, expansion of the product market will remain limited to Sydney and Melbourne until external funding to support its growth has been secured by the Homesafe Trust.

Once the product becomes established in the market and attracted the necessary investor interest, we hope to expand the market more widely.

Question: Share Top Up

“Will there be an offer to shareholders to top-up with a discounted price soon please similar to the offer a few years ago?”

Answer:

The last Share Purchase Plan was undertaken during March to June 2004. The Bank monitors its capital requirements on an ongoing basis as part of its capital management program. At this time the Bank is not planning a share purchase plan or other capital raising transaction (such as a bonus or rights issue) other than shares issued under the Bank’s Dividend Reinvestment Plan and Bonus Share Scheme.

The Bank must comply with the capital adequacy requirements set by the Australian Prudential Regulation Authority. We anticipate that the capital required to support projected growth will be satisfied through the Dividend Reinvestment Plan and Bonus Share Scheme.

We received many other questions from shareholder relating to our branch network, products and services and general aspects of the Bank’s operations. These questions will be responded to by the company secretary or relevant business unit management. We thank shareholders for taking the time to forward their questions and we trust that shareholders find this summary of interest.