



**Bendigo and  
Adelaide Bank**

**Milestones**  
annualreview08



# Contents

2	Financial Calendar 2008/2009
3	Our Year
4	Report by Chairman and Managing Director
6	Our Milestones
8	Our New Bank
10	Our Future
12	Our Communities
14	Our Retail Business
16	Our Wholesale Businesses
18	Our Wealth Businesses
19	Our Technology
20	Our Partners
22	5 Year Comparison
24	Our Directors
26	Remuneration
27	Shareholder Information

# Financial Calendar 2008/2009

## 2008

27 August	Ex-dividend date
2 September	Final dividend record date
15 September	Bendigo Preference Share dividend
30 September	Distribution of final dividend
10 October	Bendigo Step Up Preference Share dividend
27 October	Annual General Meeting
3 November	Bendigo Reset Preference Share dividend
15 December	Bendigo Preference Share dividend

## Proposed 2009

12 January	Bendigo Step Up Preference Share dividend
16 February	Interim results & interim dividend announcement
26 February	Ex-dividend date
4 March	Interim dividend record date
16 March	Bendigo Preference Share dividend
31 March	Distribution of interim dividend
10 April	Bendigo Step Up Preference Share dividend
1 May	Bendigo Reset Preference Share dividend
15 June	Bendigo Preference Share dividend
10 July	Bendigo Step Up Preference Share dividend
10 August	Final results & final dividend announcement
27 August	Ex-dividend date
2 September	Final dividend date
15 September	Bendigo Preference Share dividend
30 September	Distribution of final dividend
12 October	Bendigo Step Up Preference Share dividend
27 October	Annual General Meeting
2 November	Bendigo Reset Preference Share dividend
15 December	Bendigo Preference Share dividend



Bendigo and Adelaide Bank's strategy is to create a unique, differentiated banking group in the Australian market.

Our focus is to provide relevant and effective financial solutions which build sustainable relationships and add value for our customers, communities and partners across Australia.

We have some unique strategic advantages, not the least of which are our people and the reputation built by the two companies over the years – by Bendigo Bank for more than 150 years and Adelaide Bank for more than 108 years.

Our approach differs markedly from the sales-based market share strategies. Our customers are much more likely to buy from us and stay with us if we are strongly connected with them and their communities.

This leads to stronger customer satisfaction, growing advocacy and therefore sustainable reliable earnings for the Group. Our sales are achieved through the connection, the trust and the relevance created with our customer base. They are driven by customers' needs, their aspirations and their success.

# "Happy Birthday. I wish you many more."

*"At the local and regional level, meanwhile, there is an ongoing role for the provision of financial services. Bendigo Bank's community banking model, which seems to be a very successful one to date, is an innovative response to the demands of local communities for such services. The major banks tended to scale back their regional presence, in response to the cost pressures on them after the events of the early 1990s, and the changing economics of branch banking which became apparent as financial liberalisation proceeded. This withdrawal left an opportunity, but to take it, someone had to devise a business model that could cover costs at a price which the community could accept. The Bendigo model seems to meet this test."*



**Reserve Bank of Australia Governor Glenn Stevens** speaking at Bendigo Bank's 150th anniversary celebration



## milestones



# Report by the Chairman and Managing Director

The past financial year has been a difficult year for the world's banks but at Bendigo and Adelaide Bank we increased our cash earnings per share by 13 per cent. We continue to grow our business across Australia steadily by being disciplined in the business we write.

We expect to grow shareholder value again this year, even if there is no improvement in the difficult market conditions facing the banking and financial sectors. We are confident in the capacity of the merged bank to perform through different business cycles and through the varied challenges that emerge from time to time (and have done so throughout our history).

With confidence levels in worldwide financial markets seriously challenged, like all banks, we found wholesale funding (previously flowing to fund domestic activities) was more difficult to obtain and more expensive. We have been able to adequately fund all profitable activities and businesses in our group and have not needed to make large provisions against doubtful loans.

The fact that Australia has strong employment levels and a quite resilient economy, coupled with our adherence to prudent underwriting standards, has kept our credit performance in good shape. However, we do remain watchful for any impact on Australian households and businesses, from changes in performance of the Australian economy given the pressures of higher interest rates, fuel and energy costs, food, etc. And we will be working proactively with our customers through any such difficulties, should the domestic environment deteriorate.

Given the change in market conditions during the year, we quickly adjusted our priorities to focus on growing retail deposits and reshaping our asset and liability bases to better reflect the new environment. By taking this disciplined and focussed approach, we have delivered revenue growth and profitability in line with the market guidance we provided prior to the market dislocation which, as stated, followed the global credit crisis. In our view, this provides evidence of the strength of our now enlarged and merged entity.

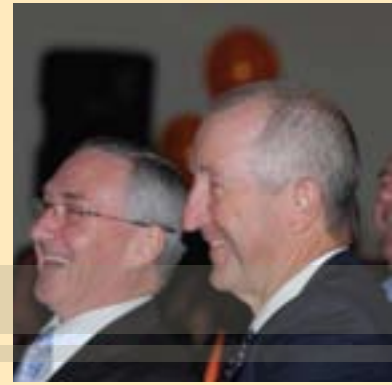
For years now we have said we focus on producing growth at profitable prices; on writing business that is prudent, profitable and promotes strong relationships that will endure and deliver reliable, quality earnings into the future. We have steadfastly refused to take risks onto the balance sheet or into our business just in pursuit of growth or market share. This has helped us build a resilient balance sheet, a good reputation, and an excellent customer and partner franchise.

We have so far enjoyed 16 years of uninterrupted economic growth in our domestic market. Conditions have become more difficult this year, particularly in the international credit markets, but this only reminds us that we have survived – and thrived – for so long because successive boards, executive teams and our staff have learned the lessons of hard times endured en route to this year's 150th anniversary celebrations. We are utilising the same disciplined approach of our forebears – who managed depressions, credit squeezes, wars, droughts and other challenges. We are applying our limited resources to writing business that is sound and profitable. It is not rocket science but, as Reserve Bank Governor Glenn Stevens reminded guests at our anniversary dinner, it is a lesson forgotten by managers of many large and seemingly powerful banks around the globe.

The challenges we face are considerable and we must not be complacent about the task confronting us. Financial markets remain uneasy, economic growth has slowed, confidence levels have deteriorated, and our businesses previously benefiting from the funds emanating from wholesale markets (in particular) still face further challenges. However, we believe we are the best partner business in financial services and, therefore, the best placed to work with our partners to reshape these customer channels to be more sustainable in the future.

We remain confident in the future of our now enlarged and more robust merged bank and its capacity to handle changed circumstances. Just as our retail bank is flourishing from the current flow of capital back to the banking system, so we believe our partner advised businesses can be reshaped to deliver certainty, quality earnings (to ourselves and our partners), and high quality services to customers who choose these channels.

Our merger, while far from complete, is on target. Our new leadership team has been in place since early 2008, and most business units have been restructured to capitalise on the opportunities that will emerge over the next decade. Approximately one-third of the forecast merger synergies had been delivered by 30 June 2008 – with a \$20 million reduction in the cost base run rate, due to implementation of the early expected merger synergies. We are well advanced in reshaping the Adelaide Bank retail network to become part of the national Bendigo Bank retail network (embracing our community banking style). We will ensure we pay respect to the Adelaide brand – chosen by more than 180,000 South Australians – but we see a great opportunity for Bendigo to become a meaningful competitor in Adelaide Bank's home state.



While we keep our eye on future possibilities, we believe it is important to celebrate, reflect and learn from our past and our milestones:

- > The merger between Bendigo and Adelaide on 30 November 2007 created Australia's sixth largest bank.
- > The oldest strand of our company, Bendigo Bank, turned 150 on 9 July 2008.
- > Sandhurst Trustees celebrated its 120th anniversary.
- > More than 600 delegates from across Australia congregated in Bendigo to share their experiences, to learn new skills, and to celebrate the 10th anniversary of our first **Community Bank®** branches.
- > Our joint venture with Futuris Corporation was signed in 1998. The result of this partnership was the launch of Elders Rural Bank in 2000.
- > Our headline profit topped \$200 million for the first time.
- > And another milestone looms: our new headquarters in Bendigo will be officially opened in December 2008.

This report celebrates these milestones in the simplest and most appropriate way – with 'snapshots' of people celebrating. We think these photographs best reflect the qualities that differentiate us from our competitors. Ours is a business built by people with the welfare of people in mind. Whether it was helping miners to build their own homes in 1858, helping struggling borrowers to

remain in their homes during the 1930s, providing communities the wherewithal to overcome adversity in the 1990s, or giving our partner advised channels hope in these uncertain times, our belief has predominated. Successful customers, successful communities and partners, help us create a successful bank – in that order.

We believe Bendigo and Adelaide Bank can be Australia's leading customer-connected banking group, whether those connections are established directly or through our community and business partners. In whatever way our customers choose to deal with us, it will be because we have developed banking models and a style of banking that aspires to be relevant, connected and valued by our customer base (for having focussed on their aspirations and needs).

Australia has one of the best banking systems in the world – and vibrant local economies and strong support for small business are two of the key drivers for a highly effective national economy. The global credit crisis has served to remind us that banks (such as ours) remain the most efficient way to deliver capital – from wherever that funding is sourced – to local markets and economies. Just as we developed the **Community Bank®** model to connect us with those communities, so we will continue to shape all of our businesses to fulfil the vital role played by banks in all local economies – feeding into prosperity.

- From left to right*
- > Chief General Manager Brand Development & Positioning Greg Gillett (left), Director Jenny Dawson and The Right Reverend Bishop Ron Stone at the Bank's 150th anniversary dinner.
  - > A re-enactment of the historic meeting held at Abbott's Hotel on 9 July 1858 votes to form the Bendigo Land and Building Society that 150 years later is the Bendigo and Adelaide Bank.
  - > Managing Director Rob Hunt and Chairman Robert Johanson enjoy the anniversary festivities.



170.5mil

2007/08 net profit, a rise of 40 per cent including seven month's contribution from Adelaide Bank

Today in more than 400 Australian communities the connection with our bank (through our company and **Community Bank®** branches) is proving invaluable to the future success of their towns, suburbs, and local economies. A bank which is strongly connected and contributes to the wellbeing of its customers and local markets is generally afforded greater customer support and strong advocacy. And this approach is also helping us to secure our own ongoing and sustainable future – and therefore more reliable growth in shareholder value.



13.0%

Rise in cash earnings per share to 93.7 cents

**Robert Johanson**  
Chairman

**Rob Hunt**  
Managing Director

0.09%

Proportion of gross impaired loans to total assets – this figure fell in 2007/08 even as interest rates increased



# Our Milestones

## Bendigo Bank's 150th anniversary 9 July 2008

On this day 150 years ago, 100 locals gathered at Abbott's Hotel on Pall Mall to establish a building society.

Calling the meeting to order, Chairman James Sullivan said the "paramount object of the institution" would be to encourage people to settle permanently in Bendigo. "Surely every man of right feeling would rather see men living in comfortable houses than in tents," he stated.

After much discussion, the following resolution was carried unanimously:

*'That it is considered expedient to establish a society to be called The Bendigo Land and Building Society for the purpose of enabling shareholders of*

*such a society to become possessed of freehold and leasehold property, and other benefits.'*

More than 150 men and women subscribed for the initial share issue. They had come from across the world and now they pooled their savings to finance housing for each other and to build a community.

Today that company is Bendigo and Adelaide Bank. We are a national financial organisation with our head office in Bendigo. We have more than 400 retail branches in every State and Territory. We remain committed to our founders' original philosophy. If we help to create successful, sustainable communities, our own success will follow.

## Happy birthday Sandhurst Trustees Ltd 18 January 2008

Sandhurst Trustees Ltd which celebrated 120 years since its incorporation.

Sandhurst Trustees has provided Australian families with estate management and financial services since 1888. It has been a wholly owned subsidiary of Bendigo Bank since 1991.

This special occasion was marked with a morning tea for Sandhurst staff in recognition of their contribution to the Company. Thanks also to our customers and retail network staff who have helped to build a portfolio of \$3.5 billion in funds under management.

## Elders Rural Bank 10 years June 2008

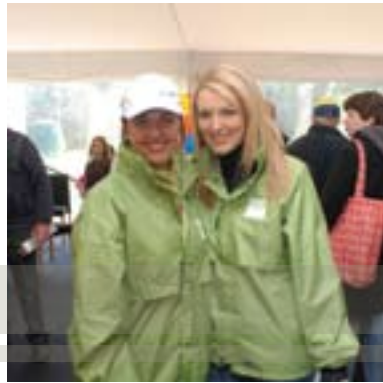
Although the banking licence for Elders Rural Bank was issued in 2000, it was in 1998 that our joint venture with Futuris Corporation, parent company of Elders, was formalised. In June of that year, Bendigo and Futuris agreed to the 50/50 joint venture. Elders Rural Bank applied for, and was granted a banking licence and established a banking service that catered specifically for agribusiness customers.



**Sandhurst Trustees**  
SUBSIDIARY OF BENDIGO BANK



**Elders** Elders Rural Bank



**Community Bank® network**  
**10 years young**  
**26 June 2008**

Just over 11 years ago Rob Hunt outlined what was, given that it coincided with branch closures and perceived industry focus on profits rather than community, a very clear vision of our business direction.

That vision encompassed an unprecedented mix of community, localism, vision, use of rapidly developing technology, corporate expertise and perhaps most of all, belief.

Today we see the outcomes of that vision in our community and alliance banking models, and indeed, every one of our bank's decisions and actions. It may not always be visible or readily tangible, but it is there.

And what a way to do business. More than 55 per cent of our branches are run by our partners. The **Community Bank®** network alone accounts for 217 branches in our total network of more than 400 branches.

In June, Rupanyup's David Matthews, Minyip's Stewart Petering and Bendigo Bank celebrated their remarkable effort to open the first two **Community Bank®** branches. It is just as special to think we have repeated that process 215 more times in the ensuing years. We share a truly special partnership with these communities.

Happy 10th birthday to the **Community Bank®** network and to all who have participated in, and continue to participate in, this journey.

**Bendigo Bank and Adelaide Bank merger**  
**November 2007**

Bendigo is no stranger to mergers and the latest merger, with South Australia's Adelaide Bank, is the most significant, and certainly the largest, in the company's 150 year history.

The merger creates a bank better positioned to achieve our strategic aspirations.

Announced on Thursday 9 August 2007, the merger was implemented on Friday 30 November. The first day we traded as a merged company was on Monday 3 December 2007.

*From left to right*

- > The City of Greater Bendigo granted us special permission to use the heritage registered Rosalind Park as a venue for anniversary celebrations.
- > Marketing Liaison Officer Michele Schepers (left) and Public Relations Officer Lauren Treacy at the Community Day celebrating the anniversary.
- > Business Analyst Kelly Stevens (left), National Human Resources Manager Jy Pertzel (middle) and Community Development Support Officer Fiona Keating (right) at the dinner.

**3000**

Number of people who participated in anniversary celebrations in July

**5**

Days of celebration in July starting with the National **Community Bank®** Conference marking 10 years since the first **Community Bank®** branches opened, followed by a formal dinner toasting Bendigo Bank's 150 years and ending with events for staff and the community

**1.3 million**

Bendigo and Adelaide Bank customers





## Our New Bank

Bendigo and Adelaide Bank was able to deliver an improvement in shareholder value in 2007/08 despite difficult market conditions.

The bank has prospered through past market cycles. Prudent financial management that is a feature of our operational style, has held the bank in good stead through good times and bad during 150 years.

The merger enacted in 2007/08 to create Bendigo and Adelaide Bank makes us still more resilient.

### Market overview

Bendigo and Adelaide Bank's share price during the year reflected the funding pressures that constrained all Australian banks.

As we finished the year, the Australian economy was showing signs of slowing and expectations are for weaker economic conditions to remain through the rest of 2008.

Conversely, the start of 2007/08 was dominated by the strong consumer demand and record levels of employment we have enjoyed for several years but with signs of rising inflation. In a bid to stem this latter trend the RBA moved rates in August 2007.

Three more increases followed, aimed at reducing demand and slowing price and wages pressure.

The rise in wholesale funding costs as a result of credit issues in the US sub-prime market meant that competition increased among Australian banks for retail deposits. Bendigo and Adelaide Bank, which funds more than 70 per cent of on balance sheet loans through retail deposits, was particularly well positioned to take advantage of these circumstances through its strong retail network.

The expectation for 2008/09 is that intense competition will continue among banks for retail deposits. Attention is also expected to focus on capital management requirements rather than traditional asset growth.

Bendigo and Adelaide Bank worked last year to ensure we were allocating available resources to the businesses which would offer the most profitable returns. In the current environment, that is in the retail business. While we are not expecting to significantly grow our balance sheet in the short term, we are expecting revenues to continue to grow through a disciplined approach to writing profitable business. We have also taken a targeted approach to cost management.

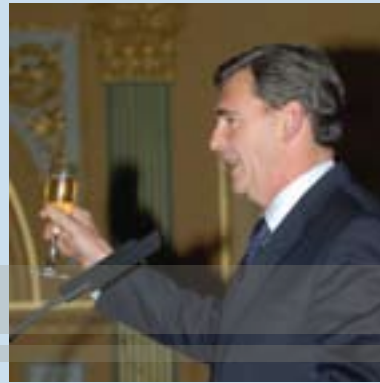
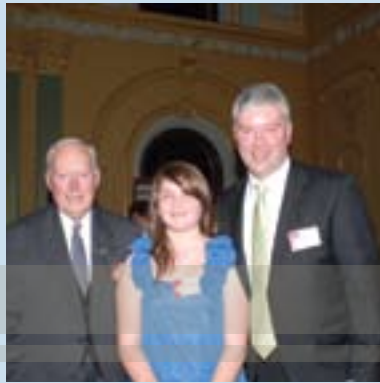


From top to bottom

> The Bendigo Town Hall was the setting of our 150th anniversary dinner.

> Customer Help Centre team members Jo-Anne Denbrok (left) and Mary Headon (right) and Receptionist Michele Van den Berg (middle) at the staff event.





## Merger Integration

Our focus last year was to build a solid foundation on which to construct a fully integrated bank.

The priorities are to support staff through the process, improve business performance and realise revenue and cost synergies.

This is all critical groundwork towards creating a strong but pliant organisation.

In addition, we have had a strong focus on building the awareness of the community philosophies that our business is built on. The response of the Adelaide Bank team has been overwhelmingly positive, and there is a genuine desire to be involved in community engagement.

A key step in the integration process involves the transfer of Adelaide Bank's banking business to Bendigo and Adelaide Bank.

Adelaide Bank and Bendigo and Adelaide Bank have applied to the Australian Prudential Regulation Authority under the Financial Sector (Business Transfer and Group Restructure) Act 1999 (Cth) (the Transfer Act) to carry out the transfer. If approved by APRA, the process will occur in two stages, with the initial transfer involving Adelaide Bank's remaining listed securities and the transfer of the balance of the business scheduled to be complete by the end of calendar year 2008.

The merits of the merger, as spelt out at the time of the proposal, remain the same. Bendigo and Adelaide Bank recognises that the merger is one of two distinctive but complementary businesses, combining partnering, wholesale manufacturing and processing with a community focussed retail banking business. The merged bank boasts superior customer service and community standing, established brands, minimal overlap in businesses and cultural compatibility.

It enhances the value proposition for customers, partners, communities and staff by supplying more products, more branches and more ATMs for retail customers, by preserving and continuing to invest in the **Community Bank®** and wholesale partnership models, and by creating greater career opportunities for staff through a larger, more diversified company.

We are financially stronger and better positioned to grow and innovate.

From left to right

> The Balsillie family represents three generations of Bendigo Bank shareholders. John (left), Alexandra and Neil (right) have held shares in the Bank originally accumulated by John's grandfather Andrew Balsillie. Andrew worked for the building society for 50 years from the turn of the 20th century and as manager played a role in forging its strong ethical reputation. The family were guests at the dinner celebrating Bendigo Bank's 150th anniversary.

> Victorian Premier, the Hon. John Brumby, proposes a toast at the anniversary dinner.

> Rob Hunt responds to the toast.



# 12.1%

Rise in full year dividend to 65 cents

# 69.4%

Payout ratio on a cash earnings per share basis

# 87,000

Bendigo and Adelaide Bank shareholders

## Our Future

It may seem unusual for a bank to play an active role in the conservation of the environment. But the concept of sustainability has always been at the heart of what we do. It's what led to our introduction of the **Community Bank**<sup>®</sup> model and all of our community engagement activities.

So we have taken a lead on caring for our future by creating the means by which people and communities can look after theirs. And we have followed the example by building headquarters in Bendigo that meet a 5-Green Star rating, the first of its kind in regional Australia.

### Generation Green<sup>™</sup>

Generation Green<sup>™</sup> is an exciting range of solutions that make it easy for everybody to help the environment. Generation Green<sup>™</sup> provides a range of green loans, carbon offsets and other services that encourage 'green' behaviour and make looking after the environment simply a part of everyday life.

Some of the ways Generation Green<sup>™</sup> is helping us live a greener life is by providing tips online through the sustainability guide and the Green range's three stage program that helps save money and the environment at the same time.

And at a community level, Generation Green<sup>™</sup> has developed a suite of community engagement programs that help our **Community Bank**<sup>®</sup> network prepare their local community for the effects of climate change.

Last financial year we implemented Ban the Bulb campaigns through eight **Community Bank**<sup>®</sup> branches which have exchanged approximately 60,000 incandescent light bulbs for new energy efficient ones. The exchange programs have involved more than 600 volunteers who raised approximately \$160,000 in funds for their local community groups while reducing greenhouse gas emissions by around 60,000 tonnes. That's equivalent to taking 14,000 cars off the road for a whole year.

More than just a range of products and services, Generation Green<sup>™</sup> is a way of thinking. We encourage you and your community to be part of Generation Green<sup>™</sup> - a generation that will act to make a difference. And by being a part of Generation Green<sup>™</sup> you'll be helping to ensure that future generations can enjoy a beautiful, sustainable environment.

### The environment

Bendigo and Adelaide Bank is committed to minimising the emissions created in everyday business. Our staff spend a significant amount of time on the road and in the air as part of their job. We intend to offset the effects of our corporate fleet and our business air travel for 2007/08.

The Victorian farming communities of Lockington, Elmore, Rupanyup and Minyip are working in partnership with Bendigo and Adelaide Bank, Victor Smorgon Group and Atlas Fuels to establish a fuel distribution business.

The fuel project will work under the same principles as our **Community Bank**<sup>®</sup> concept.

Under the proposed model, the community will own the local storage facility and be able to capture some of the profits associated with fuel purchases. This initiative will bring huge benefits to the region, creating another income stream for the community and securing a supply of all liquid fuels, including access to Bio-Fuels.





## The Bendigo Centre

Our new headquarters in the centre of Bendigo will open in December, three years after the first sod was turned.

The building is distinct for more than its modern design. It has earned 5–Green Star status for its range of environmental features including:

- > External sun shading.
- > Double glazed windows.
- > Automatic light dimming.
- > Solar hot water.
- > Underfloor air conditioning, allowing individual user control.
- > Rainwater collection.
- > Grey and black water recycling.
- > Recycled water used in toilets and mixed with rain water for irrigation.

As well as creating a world class building for environmental performance, we have also delivered a world class working environment. The complex will ultimately house more than 1000 workers, bringing together people who have been working in various buildings throughout Bendigo's central business district.

On 1 September 2006 we signed a sale and leaseback agreement to sell the building and lease it back for a minimum of 18 years. That agreement was settled on 1 September 2008. We have now sold the land and building for \$100 million and leased it back until at least 2026.

## Adelaide building plans

In February, Bendigo and Adelaide Bank announced it was looking for new office accommodation in Adelaide. At the time, the project team issued a general request to the property market that it was looking for A grade accommodation in Adelaide's central business district, between 13,000 to 17,000 square metres in size, which could support a 5–Green Star rating.

The Board later reaffirmed its commitment to the plan, in the process acknowledging that a new office development would benefit Adelaide-based staff and the broader South Australian community.

By the end of the financial year, an executive sub-committee had been established to evaluate options. A Board sub-committee has also been formed, and will assist in evaluating the final recommendation.

The project team has reduced 25 different proposals to a shortlist of three preferred options and will present a final recommendation to the Executive and Board in 2008/09.

*From left to right*

> Our new building, which opens in December, uses ecologically sustainable principles in design and construction.

> One of our young customers enjoys being a butterfly at the Community Day.

> The virtual Green family lists on our website the cost and benefits of creating a more environmentally friendly home.

# 60,000

Number of energy efficient light bulbs installed in the Ban the Bulb exchange program sponsored and organised by Bendigo Bank through **Community Bank®** branches

# 31

Number of **Community Bank®** branches which bought carbon credits through the bank's carbon offset program, and offset their own emissions for the year. They bought a total of 744 tonnes

## Our Communities

The diverse ways we can directly contribute to communities, and the increasing number that accept our contribution, are key measures of our success.

Bendigo and Adelaide Bank is proud to be able to assist Australian communities to enhance their security, wellbeing and connection. We believe it starts with finding a way to retain capital within communities. From that foundation, residents can be the architects of their own future.

*"It is a worthwhile dream, and operating a **Community Bank**<sup>®</sup> branch has proven that it can be a catalyst for positive change."*  
– David Matthews, Australia's first **Community Bank**<sup>®</sup> company Chairman.

### Community Bank<sup>®</sup> Network

The pioneers of the **Community Bank**<sup>®</sup> network had the opportunity to celebrate the 10th anniversary of their work at the annual **Community Bank**<sup>®</sup> National Conference in Bendigo in July.

The conference attracted 600 delegates from branches throughout Australia, including representatives from our newest **Community Bank**<sup>®</sup> branch openings - from Queensland's Mission Beach, Nowra in New South Wales and the regional Victorian town of Balnarring.

As at 30 June 2008, there were 217 **Community Bank**<sup>®</sup> branches throughout Australia.

After 10 years, Bendigo Bank has paid \$444 million to local boards as their share of banking revenues. This has helped to create more than 1000 new jobs, with beneficial flow-on effects from wages and expenditure on local services. Last year, **Community Bank**<sup>®</sup> branches spent \$59 million in their communities on wages, rent, accounting and cleaning services, buildings, staff amenities and other expenses.

During the past decade, **Community Bank**<sup>®</sup> boards have contributed \$21.7 million to local projects and groups and \$12 million in shareholder dividends.

Our **Community Bank**<sup>®</sup> branch network services more than 664,000 accounts and has \$11.9 billion in total banking.

### Community Partnerships

Our **Community Bank**<sup>®</sup> program is the best known, but is only one of the many partnerships we have with communities. We partner with communities in banking, but also in the more holistic sense of working with towns, regional cities and suburbs to improve their prospects.

For example, in a three-way partnership, Bendigo and Adelaide Bank, Delfin Lend Lease and Queensland's Varsity Lakes residents will begin banking in their locally owned **Community Bank**<sup>®</sup> branch within the next 12 months. In the case of Varsity Lakes, talks centred on the type of specialised services required for this community and a plan was developed. The community plans to use profits generated from their branch to develop, and sustain facilities for young people, for health and safety programs and to enhance existing community activities and events.

In several communities we have helped establish locally-owned companies with the objective of generating revenue streams to fund local projects. Customers can now pledge their new banking business to the company which generates ongoing

commission payments from Bendigo and Adelaide Bank. We continue to work with, and towards, our communities' aspirations to develop solutions to enhance their future prospects.

### Community Telco

Community Telco Australia (CTA) is a supplier of telecommunications services to telco franchises of Bendigo and Adelaide Bank's wholly owned subsidiary Community Developments Australia. Under this supply agreement, CTA uses the aggregated buying power of these franchise communities to form strategic alliances with large telco providers. Communities, particularly those in regional Australia, can then be certain of accessing telephone, data and internet solutions that city customers take for granted.

This access improves the capacity of rural and regional communities to compete globally. Access to the operational efficiencies that can be delivered to communities by telecommunication solutions is no longer a luxury but essential for long term sustainability.

Since the initial pilots in Bendigo in 2000 and Ipswich in 2001, six more communities have signed franchise agreements including the Sunshine Coast, Ballarat, Tasmania, Oxley (Dubbo, Orange, Bathurst), Geelong and Newcastle.





## Community Enterprise™ Foundation

Launched in early 2005 as the philanthropic arm of Bendigo and Adelaide Bank, Community Enterprise™ Foundation provides grant making support.

As of June 2008 the Foundation had raised more than \$13.6 million, and distributed \$7.9 million.

The two components of the Community Enterprise™ Foundation, its Charitable Fund and Tax-Deductible Fund, provide a wide range of funding capacity for communities. Both can receive bequests, corporate donations, individual donations, shares, property and stock.

In an exciting year ahead we will see the Adelaide Bank Charitable Foundation merge into Bendigo's Foundation structure.

The Adelaide Bank Charitable Foundation was established in 1981. The concept was considered visionary for its time and required the passing of an Act of Parliament that year for it to become a reality.

The Foundation's contribution to South Australia has been significant over its history. Hundreds of worthy causes have been assisted through funding of more than \$7 million.

## Sponsorships

Each year, Bendigo and Adelaide Bank Group contributes more than one per cent of its after tax profits to community sponsorships.

This is in addition to the sponsorships made by the boards of **Community Bank®** branches which are committed to returning a percentage of profits to community groups and projects. Millions of dollars are being returned to communities across Australia. This will only continue to increase as new community branches open and the business of existing branches grows.

## Lead On™

Successful communities value and understand the importance of their young people as the next generation of leaders and community custodians. They actively encourage the participation of young people and value the contribution they can make to the community's prosperity.

Lead On is a community-building model that helps communities become successful by engaging, supporting and connecting young people.

Nine years into the Lead On journey, almost 7000 young people have been actively involved in 1100 community and business sponsored projects nationally.

From left to right

> Lang Lang **Community Bank®** Branch Chairman Max Papley (left) receives an award marking the branch's entry into the **Community Bank®** Hall of Fame from Chief General Manager Retail Customers Russell Jenkins.

> Delegates at the annual **Community Bank®** National Conference celebrate 10 years of the **Community Bank®** concept.

> More than 600 delegates from around Australia attended the conference.

# \$21.7 million

The amount returned as at 30 June 2008 to Australian communities by **Community Bank®** branches in 10 years of operation

# \$109 million

Total capital raised in Australian communities to start **Community Bank®** branches

## Our Retail Business

The starting point for our business is listening to and focussing on customers and their communities. The result in the past financial year is that, for the tenth consecutive year, we were the Australian bank with the most satisfied customers.

This outcome can be attributed to the service and value we offer customers, whether it be through our partners, our **Community Bank®** branches, joint venture partners or our own branches and agencies. The financial outcome resulted in retail banking contributing a 28.1 per cent rise in pre-tax profit to the Group.

Last year we placed even greater priority on customers as we went about merging Bendigo Bank and Adelaide Bank. This focus has seen the bank benefit from market conditions that favoured liability growth.

The Bank enjoyed a record inflow of retail deposits in June 2008 in a hypercompetitive market, a trend that continued into the first quarter of 2008/09.

For the year, deposits increased by 15.8 per cent, helped in part by the addition of 250,000 new customers – 180,000 of which are Adelaide Bank customers. This growth is a continuation of an increase of 70,000 customers per year since 2003.

How our retail customers benefit from the merger is simple. As we continue to grow, so does our accessibility and the retail banking options we offer.

There are now more than 400 Bendigo and Adelaide Bank branches, including 217 **Community Bank®** branches. Add on 100 Bendigo Bank agencies and 700 ATMs and there will soon be 1200-plus service points wherever our customers travel in Australia.

Having developed a national network, our objective now is to deliver greater value to our community and customers. We are doing that by evolving our branch design and structure, with the latest 'branch of the future' in North Adelaide opening in July. The branch is a response to the reduction by 29 per cent in branch-based transactions and features more space to talk and meet with customers, greater use of technology and areas available for community interaction.

As we integrate the businesses, we are striving to ensure all customers can take full advantage of an expanding banking service and product range as quickly as possible. What we achieved during the past financial year was an integration of ATM services with customers able to utilise any Adelaide Bank or Bendigo Bank-branded ATM



From top to bottom

> Chief Manager Strategic Solutions Graeme Harvey (left), Western Australia State Manager Vicki Pearce and shareholder John Balsillie (right) at the formal dinner.

> City of Greater Bendigo Mayor David Jones (left), Bendigo and Adelaide Bank Head of Retail Delivery & Design Georgina Pickett and Victorian Premier John Brumby.





free of any 'other bank' fees. Adelaide Bank customers have also started to see some Bendigo Bank products introduced into the 25 South Australian-based Adelaide Bank branches.

Customers can look forward to the following completion of steps leading up to the realisation of a full interbank branch service:

- > By early 2009, we expect customers from Adelaide Bank will be able to transact on their Adelaide Bank accounts in Bendigo Bank branches, and Bendigo customers in Adelaide Bank branches.
- > Full integration – where products of both banks will be available in all branches – will take longer, around late 2009.

As outlined when the merger was announced, the longer term objective is that the national retail brand will be Bendigo, while the national wholesale brand will be Adelaide. The transition of the retail brand from Adelaide to Bendigo in South Australia will be a gradual one, with a key focus recognising the heritage of Adelaide's customer base.

Underpinning all of our retail banking objectives are the broader themes of our community engagement strategy. This has created our major point of difference and we won't lose sight of the community focus that underpins our success.

We are terribly proud of what we have achieved within the communities in which we operate.

We see these results reinforced in the feedback from our customers and ongoing market research.

Our agencies provide us with great flexibility in responding to community demands for the Bendigo Bank service. They are often used as stepping stones for those communities wishing to join our branch network. Last year, five agency sites were upgraded to full sites – four as **Community Bank**® branches and one company owned branch. **Community Bank**® campaigns are currently underway in several communities where there is a Bendigo Bank agency operating.

The agency network last year averaged about 70,000 transactions per month. With the introduction of the low cost Agent Delivery System, two thirds of our agency network now provides a real time transactional banking service.

*From left to right*

- > Managing Director Rob Hunt, Chairman Robert Johanson and Reserve Bank of Australia Governor Glenn Stevens at the anniversary dinner.
- > Chief General Manager Solutions/Product Marnie Baker thanks the Reserve Bank Governor Glenn Stevens for his speech and attendance at the formal dinner.
- > Guests at the dinner included Bendigo and Adelaide Bank Manager Business Analysis Will Conlan (left), Deputy Chairman Kevin Osborn (centre), Bendigo Health Chief Executive Officer John Mulder (right) and partner Anne Hepner.



15.8%

Rise in the value of deposits through branches

\$193.1 million

Before tax profit contributed to the Group by retail banking, a rise of 28.1 per cent over the year

48

Number of branches added to the network in 2007/08, including 25 Adelaide Bank branches

## Our Wholesale Businesses

The Wholesale business unit includes Partner Advised and Business Partners (portfolio funding and specialised lending).

This area of the business contributed a pre-tax profit of \$56.1 million to Bendigo and Adelaide Bank.

### Partner Advised business

The Partner Advised business unit manufactures and processes residential home loans, which are distributed through mortgage brokers and mortgage managers. The business is a product developer and a highly efficient home loan processor. Ratings agency Standard & Poors recently reaffirmed Adelaide Bank's servicer rating as strong (outlook – stable), the highest ranking available, which confirmed the strength of our processing capability.

Market conditions have been very difficult for this business in the past 12 months. The cost of funds from the international capital markets became unacceptably expensive. The business responded by minimising costs and focussing on only writing soundly priced residential home loans.

Commissions to distribution partners were adjusted to reflect the ongoing cost pressures in a move that will build stronger and more sustainable relationships with mortgage brokers and mortgage managers. Growth in business was actively managed to fit the prevailing trading conditions.

Pricing changes as well as slowing demand in the Australian housing market due to rising interest rates saw the unit's asset portfolio fall 4.2 per cent to \$16.7 billion. This is consistent with our aim of preparing the business to increase lending volumes when appropriately costed funding becomes available.

We do believe the business is reshaping and we will continue to be a part of it in the future. Almost 40 per cent of Australian customers use third parties to choose their mortgage products and we will continue to service them.

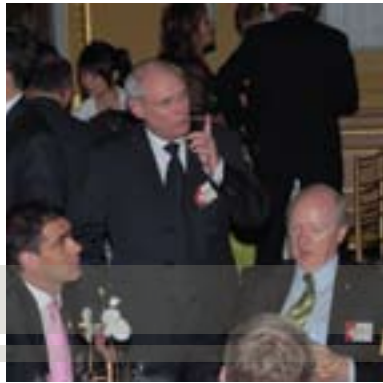
In the early stages of merger integration we reviewed the structure of the division and in the process introduced a team dedicated to analysing where our business fits in the market. The Products & Solutions team will ensure our products and services remain in a preferred competitive position, manage and launch product and service innovations and refresh our operating environment to ensure that we remain a low cost provider. This division will also identify future business trends.



From top to bottom

> Staff members Janelle Taig, Anthea Mawby and Stacey Blake attend a staff celebration for Bendigo-based employees.

> Bendigo and Adelaide Bank National Community Enterprise Manager Chris DeAraugo (right) talks to The Advertiser editor Peter Kennedy.



## Business Partners

Portfolio Funding is focussed on providing funding solutions using our securitisation expertise to finance companies.

The business was constrained by increased funding costs but the credit quality of the portfolio is sound. There were no write-offs for any program with subordination structures. Write-offs and arrears were below forecasts for on-balance sheet portfolios.

Specialised Lending focusses predominately on lending to the aged care and retirement village sectors.

Strong synergies exist between this unit and the bank's retail network. Combined with ongoing strong industry demand, we believe this unit has strong growth potential.

The Wholesale business division has a strong focus on customers and partners rather than on products. This allows us to execute our business strategy in line with the organisation's overall focus on its customers, partners and communities. This is in line with the industry trend of converging third party distribution through the various channels – in our case through stockbrokers, financial planners, mortgage managers, mortgage brokers, accountants and fixed income brokers.

From left to right

- > Chief Executive Wholesale Bank Jamie McPhee (left), Director Terry O'Dwyer (middle) and Australian Prudential Regulation Authority Chairman John Laker (right) at the dinner.
- > Fun at the anniversary Community Day.
- > Henty **Community Bank**® Branch Company Chairman Milton Taylor (left), Bendigo and Adelaide Bank Chief Risk Officer Tim Piper (middle) and Customer Relationship Officer Lachlan Pinner (right).

# 69%

Proportion of mortgages in the total asset portfolio

# \$56.1 million

Before tax profit contributed to the Group by wholesale banking



## Our Wealth Businesses

The Wealth businesses of Bendigo and Adelaide Bank deliver proportionally greater and more diverse earnings to the Group as a result of the merger.

These businesses include funds management, margin lending, our finance company and financial planning.

The combining of our two wealth businesses has provided our retail customers with access to a broader range of wealth products while at the same time expanding the range of products and services offered by the organisation to independently advised customers.

The Wealth division includes the Cannex 5-Star rated Leveraged Equities margin lending business and the funds management arms currently operated through Sandhurst Trustees Limited and Adelaide Managed Funds Limited.

A process to amalgamate the Funds Management activities is underway.

In retail, Bendigo Financial Planning and Victorian Securities Corporation Limited are also aimed at the wealth market.

In 2007/08, the Wealth Solutions division contributed \$42.3 million to the Bank's pre-tax profit, an increase of 54 per cent (taking into account seven months contribution from Adelaide Bank).

The division's performance was pleasing given the backdrop of the weakening global economic environment and investment markets in particular.

### Managed funds

Total funds and assets under management increased by 97 per cent to \$6.7 billion, reflecting the inclusion of Adelaide Bank's business.

Despite the negative sentiment that accompanied falling equity markets for most of 2007/08, demand in the sector will continue to grow as Australia's population ages. We regard the managed funds arm as one that will benefit exponentially from the merger through increased opportunity for product innovation and business growth as well as being able to leverage an increased retail customer base and greater connections.

### Margin Lending

Our margin lending business remains a key growth opportunity for us.

The merger allows greater distribution to a larger retail customer base.

Having traversed difficult equity markets which reduced the value of the portfolio to \$3.8 billion at 30 June 2008, the business continues to enjoy a strong market share and increasing customer numbers.

### Victorian Securities Corporation Limited

As the only debenture-issuer for the Group, our Ballarat-based finance company operated during the year according to its successful philosophy of providing a simple competitive product consistent with the market expectations of investors.

As a specialist commercial and development lender, VSCL offers a variety of lending products tailored specifically to meet the needs of borrowers.

### Bendigo Financial Planning

Funds under advice declined by about six per cent for the year, the main influence being fluctuating market conditions.

However, strong demand continues for our financial planning offering featuring transparent fee disclosure. In 2006, we moved toward more transparent disclosure of payment for financial advice by adopting a Fee for Service business model.

Since then many of our competitors have changed their models to the same approach, a move which we strongly support. The main difference between a Fee for Service business model and a commission structure is that, in the first scenario, the customer pays a fee for the service the financial planner provides similar to a

fee paid to an accountant or solicitor. The fee, therefore, is independent from the amount of money invested and bias to an investment provider.

Bendigo Financial Planning provides advice on investments, superannuation, retirement planning, life insurance and estate planning. Financial planners are salaried employees of the Bank and are not remunerated by commissions.

Bendigo Financial Planning also provides the Associate Planner Program, a training program for Bendigo and Adelaide Bank employees who are interested in becoming financial planners. The program allows the Bank to draw on talent within the organisation and to establish a professional team committed to doing business according to our customer focussed approach. There is no minimum education requirement to enter the program, however associates are required to complete the Diploma of Financial Services (Financial Planning) or its equivalent.

## Our Technology

We continue to invest in technology to support the expansion of our business and to deliver new capabilities to our staff, partners and customers.

A new system which will provide a single view of our customers' relationship with the Bank will be implemented during the next few months, and will be rolled out progressively across our branch network and call centres. It will also underpin our compliance under the new Anti Money Laundering legislation. An extensive branch training program will be undertaken to ensure that staff and partners harness the full capabilities of the new system.

A new data warehouse is also being progressively built - the first achievement being our compliance with the recently introduced Basel II accord. The warehouse will be expanded to provide a consolidated repository of all corporate data, and to provide information to better serve our customers, staff and partners.

Planning is well advanced to consolidate our technology platforms for the merged Group. Networks are in place and our program to consolidate data centres is well advanced. A full program is underway to implement common processes and systems to meet the business goals of the merged bank.

Investments in technology are a key to supporting our growth to meeting regulatory compliance and to implementing new products and services.



*From left to right*

> Sack races in the Gala Marquee at the Community Day.

> From left to right, Chief Executive Retail Bank Mike Hirst, Chief General Manager Wealth & Partner Advised Anthony Baum, Chief Executive Wholesale Bank Jamie McPhee and Chief Risk Officer Tim Piper.

# \$42.3 million

Pre-tax profit contributed to the Group by the Wealth division, a rise of 53.8 per cent

# \$6.7 billion

Total funds under management

## Our Partners

Through our partners, we are able to offer specialist services to discrete customer groups. Our partners are as important as our customers.

In 2007/08, our joint ventures and alliances contributed before tax earnings of \$26.4 million.

**Elders Rural Bank Ltd** is a joint venture between Bendigo and Adelaide Bank Limited and Futuris Corporation which provides specialist banking services to Australia's farming sector. Elders Rural Bank (ERB) products are available through 240 Elders Limited branches Australia-wide and selected co-branded agribusiness products are available from Bendigo Bank branches.

ERB, of which we own 50 per cent, reported a net profit (after tax) of \$41 million for the year ended 30 June 2008. This was despite the ongoing challenges experienced by rural communities.

The result can be attributed to continued customer confidence in ERB. Retail deposit growth was 19 per cent in 2007/08.

ERB's funding is more than 90 per cent retail deposits.

It also reported strong credit quality. The ratio of net non-performing loans to gross loans under management improved to 0.33 per cent from 0.36 per cent the year before.

**Community Sector Enterprises Pty Ltd** is a joint venture between the Bendigo and Adelaide Bank and Community 21 Ltd (which is owned by 20 not-for-profit sector organisations). Based on the **Community Bank®** model, it delivers banking services to the not-for-profit sector in return for a share of the margin and fee income. This improves the return on capital for the sector, enhancing its ability to deliver services to the community.

Banking business totals \$352.7 million, representing a 39 per cent rise during the year.

**Tasmanian Banking Services Ltd** is a joint venture between Bendigo and Adelaide Bank and Tasmanian Perpetual Trustees Limited, a provider of banking services in Tasmania. The company operates nine branches across Tasmania.

Banking business now totals \$721.6 million, representing an 18.7 per cent increase over the previous year.

**Strategic Payments Services Pty Ltd** was established in May 2006 and is a joint venture between Bendigo and Adelaide Bank, Customers Limited and MasterCard International. The company is building an independent payment business that will handle the processing and management of all Bendigo Bank's and Customers' ATM and Eftpos transactions. To date, all Bendigo Bank ATMs and more than 90 per cent of Eftpos terminals have been transferred to this new system.

**Homesafe Solutions Pty Ltd** is a joint venture between Bendigo and Adelaide Bank Limited and Athy Pty Ltd which specialises in dealing with equity release products available to over 60's homeowners.

Homesafe is widely regarded as a 'safe' option for seniors to tap into the value of their home without having to sell it or move out. It's an innovative way to release a cash lump sum from homeowners' single biggest asset to improve the quality of their life in retirement.

Interest in the product remains strong with eligible enquiries increasing in 2007/08 by 13 per cent.

The offering is currently limited to nominated postcodes in Melbourne and Sydney.



From top to bottom

> Chief General Manager Brand Development & Positioning Greg Gillett and Senior Manager Customer Help Centre Leonie Higgs.

> Marketing Services Officer Sue Elmer hugs Piggy watched by Retail Business Support Officer Monique Bonney (left) and Project Officer Allison Hanger (right).





Ours is a great partnership business, and we have a great history in making partnerships work. We continue to look to the partnership model to see how it can enhance our business in the future.

The merger has only highlighted how effectively the model has worked. That is because both banks have focussed on building partnerships. In the case of Bendigo Bank, the relationships it has developed over the years – with Elders Rural Bank, Tasmanian Banking Services, Community Sector Enterprises and Strategic Payment Services Pty Ltd – are starting to meaningfully benefit us. We have also focussed on retail partnering, most significantly through the partner businesses in communities which have helped us establish **Community Bank®** branches.

Adelaide Bank has focussed on wholesale partnering to form an extensive distribution network through which to deliver the lending products it manufactures and processes.

It is interesting to note that both banks have come from building society backgrounds and have needed, in order to be competitive, to be innovative and adaptable. They have done this by building partnerships.

Importantly, the merger does not in any way threaten the partnerships each bank has created, nor the customer channels each has invested in. This gives the merged entity the opportunity to continue with the partnerships that work so well.

And in this regard, the merger rationale has been vindicated.

*From left to right*

- > *The Bendigo Centre Concierge John Pitto anchors the tug-of-war at the Community Day.*
- > *The popular sausage sizzle – cooked by the Rotary Club of Bendigo Sandhurst.*
- > *Bendigo Chinese Association lions entertain at the anniversary dinner.*

# \$26.4 million

Pre-tax profit contributed to the Group through joint ventures and alliances, an increase of 20.5 per cent

# \$20.8 million

Bendigo and Adelaide Bank's share of profit in joint venture partner Elders Rural Bank. In 2007/08 ERB grew net earnings by 14 per cent despite challenging seasonal conditions

# \$67.3 million

Revenue contributed by associates to Bendigo and Adelaide Bank

# 5 Year Comparison

	Disclosure prepared under AIFRS				Comparatives prepared under previous AGAAP
	08 <sup>1</sup> \$m	07 \$m	06 \$m	05 \$m	04 <sup>2</sup> \$m
Net interest income	514.3	357.1	315.0	286.1	253.6
Other income	300.7	205.1	201.8	172.9	157.5
Bad & doubtful debts expense (net of bad debts recovered)	23.1	8.2	7.0	13.6	13.8
Other expenses	545.3	376.1	344.1	309.9	282.0
Profit before income tax expense	246.6	177.9	165.7	135.5	115.3
Income tax expense	(75.4)	(56.2)	(49.0)	(41.2)	(35.8)
Profit after income tax expense	170.5	121.8	116.7	94.7	79.8
Net (profit)/loss attributable to minority interest	(0.7)	0.1	-	0.4	0.3
Adjustments	31.5	(3.3)	(14.2)	(3.0)	(6.6)
Cash basis earnings	201.9	118.5	102.5	91.7	73.2
<b>Financial Position at 30 June</b>					
Total assets	48,022.9	17,001.6	15,196.1	13,858.6	11,284.5
Equity	3,270.0	1,015.0	899.5	720.7	676.4
Deposits	42,781.2	15,231.0	13,599.8	12,572.2	10,148.9
<b>Share Information</b>					
Cash basis earnings per ordinary share - cents	93.7	82.9	73.2	65.5	58.5
Total - cents	65.0	58.0	52.0	45.0	40.0
<b>Ratios</b>					
After tax and significant items return on average assets	0.58%	0.80%	0.75%	0.73%	0.71%
Return on average assets	0.48%	0.76%	0.80%	0.75%	0.78%
Cash basis return on average ordinary equity	10.82%	15.38%	14.51%	13.54%	11.91%
Return on average ordinary equity	8.65%	15.18%	16.16%	13.98%	12.99%

<sup>1</sup> Figures for 2008 include the merger with Adelaide Bank effective 30 November 2007.

<sup>2</sup> Comparatives for financial year 2004 are not prepared under AIFRS.

The main adjustments that would make the figures comply with AIFRS are:

#### Profit

- > goodwill and trustee licence are not amortised under AIFRS.
- > movements in general provision for doubtful debts (general reserve for credit losses) reflect as appropriations of profit under AIFRS rather than expense under AGAAP
- > loan application fees and loan origination fees are recognised on an effective interest rate basis (deferred and amortised) and are disclosed as net interest income under AIFRS.

#### Balance sheet

- > general provision for doubtful debts now disclosed as general reserve for credit losses in equity.
- > establishment of new collective provision for doubtful debts under AIFRS. This provision is treated as a general provision for prudential purposes
- > specific provisions for doubtful debts are assessed on the basis of discounted estimated future cash flows under AIFRS. Future cash flows were not discounted under AGAAP
- > loans to employees in relation to employee share ownership plan disclosed as reduction of equity under AIFRS.
- > assets and liabilities of securitisation trusts are consolidated under AIFRS.
- > share investments are carried at fair value under AIFRS.
- > derivative financial instruments are carried at fair value under AIFRS.
- > computer software assets have been reclassified from property, plant & equipment to intangible assets under AIFRS.
- > deferred tax assets and liabilities have been recognised in relation to asset revaluation reserves under AIFRS.

		Disclosure prepared under AIFRS				Comparatives prepared under previous AGAAP
		08 \$m	07 \$m	06 \$m	05 \$m	04 \$m
<b>Key Trading Indicators</b>						
Retail deposits - branch sourced	(\$m)	14,986.8	11,641.3	10,771.4	9,259.8	8,293.3
Number of depositors' accounts - branch sourced		1,638,443	1,418,088	1,309,957	1,201,627	1,094,884
Total loans approved	(\$m)	8,845.2	7,018.0	6,189.6	5,872.6	6,077.8
Number of loans approved		81,853	73,236	66,227	65,498	72,063
Liquid assets and cash equivalents	(\$m)	5,256.4	2,578.1	2,334.1	2,057.7	1,535.3
Total assets	(\$m)	48,022.9	17,001.6	15,196.1	13,858.6	11,284.5
Liquid assets & cash equivalents as proportion of total assets	(%)	10.95	15.16	15.36	14.85	13.61
Number of branches <sup>1</sup>		404	357	335	302	276
Average deposit holdings per branch	(\$m)	37.1	32.6	32.2	30.7	30.0
Number of staff (excluding <b>Community Bank</b> <sup>®</sup> branches)	(FTE)	3,478 <sup>2</sup>	2,428	2,343	2,214 <sup>3</sup>	2,063
Assets per staff member <sup>4</sup>	(\$m)	13.808	7.002	6.486	5.990	5.470
Staff per million dollars of assets <sup>4</sup>		0.07	0.14	0.15	0.17	0.18

#### Asset Quality

Loan write-offs as % of average total assets		0.03	0.04	0.04	0.06	0.07
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<sup>1</sup> Includes **Community Bank**<sup>®</sup> branches.

<sup>2</sup> Includes staff increases from the merger with Adelaide Bank.

<sup>3</sup> Includes staff increases from the acquisition of Oxford Funding Pty Ltd.

<sup>4</sup> These ratios do not take into account off-balance sheet assets under management, which totalled \$2.5 billion at 30 June 2008 (2007: \$2.3 billion).

<sup>5</sup> For the purposes of this dissection, overdrafts and personal loans secured by residential and commercial property mortgages are included in residential and commercial loan categories respectively.

#### Please note that only Key Trading Indicators based on asset values are impacted by AIFRS.

Comparatives for financial year 2004 are not prepared under AIFRS. The main adjustments that would make the figures comply with AIFRS are:

##### Profit

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- > derivative financial instruments are carried at fair value under AIFRS.
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- > deferred tax assets and liabilities have been recognised in relation to asset revaluation reserves under AIFRS.



## Our Directors

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### Robert Johanson

#### Chairman (57 years)

BA, LL.M (Melb), MBA (Harvard), Independent Director  
Director for 21 years and appointed as Chairman in 2006. Previously Deputy Chairman for five years.

Mr Johanson has expertise in corporate strategy, capital and risk management. He has provided independent corporate advice in respect to capital market transactions to a wide range of public and private companies. Mr Johanson is a member of the Council of the University of Melbourne, a member of its Finance Committee and Chairman of the Investment Committee. He is a Director of the Robert Salzer Foundation Ltd and a member of the Takeovers Panel.

Mr Johanson is a Director of Grant Samuel Group Pty Ltd (and subsidiaries). Grant Samuel provides professional advisory services to the Group on normal commercial terms and conditions. During the 2008 financial year, services were provided to the Group in relation to corporate matters including alliance and joint venture activities, strategic developments and the merger with Adelaide Bank.

A protocol, approved by the Board, has been established for the engagement of Grant Samuel by the Bank which includes arrangements for dealing with conflicts of interest.

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### Rob Hunt AM

#### Managing Director (57 years)

FAICD Doctor of University (honoris causa) La Trobe University, 1999  
Executive Director and Chief Executive Officer Employee since 1973 and appointed CEO in 1988. Appointed to Board in 1990.

Based in Bendigo, Mr Hunt has led the Bank's development from a provincial building society to a nationally represented, uniquely positioned and diverse banking and financial services group.

Mr Hunt is the architect of the Bank's **Community Bank**<sup>®</sup> model and other alliance arrangements. He is also Chairman of Bendigo Community Telco Ltd and a member of the **Community Bank**<sup>®</sup> Strategic Advisory Board.

He is a Councillor of the ABA, a member of the BCA and a former member of the Prime Minister's Community Business Partnership and the Victorian Government's Innovation Economy Advisory Board (both of which ceased during the year).

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### Kevin Abrahamson (63 years)

BSc (Hons), MA, MBA, FAICD, FFin, FAIM, Independent Director  
Appointed to Board in November 2007 Appointed to Adelaide Bank Board in 2000  
\*Seeking election at 2008 AGM

A Sydney-based Director, Mr Abrahamson is an Australian finance sector specialist and consultant who has been on the Adelaide Bank Board since 2000. As a specialist in the area of corporate strategy and information technology, he has worked as a consultant to the financial sector since 1997 as the head of KD Abrahamson Consultants. From 1988 to 1997, Kevin held the position of General Manager, Group Services with Advance Bank and St George Bank. Mr Abrahamson was also a Director of Fiducian Portfolio Services Limited between 2000 and 2004.

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### Jenny Dawson (43 years)

B Bus (Acc), FCA, MAICD, Independent Director  
Director for nine years.

A Bendigo-based Director, Ms Dawson spent 10 years with Arthur Andersen in the audit and IT controls division. Ms Dawson has experience in the areas of financial reporting and audit, IT internal control reviews, internal audit and risk management. Ms Dawson is a Director of Coliban Region Water Corporation and a member of the Victorian Regional Development Advisory Committee.

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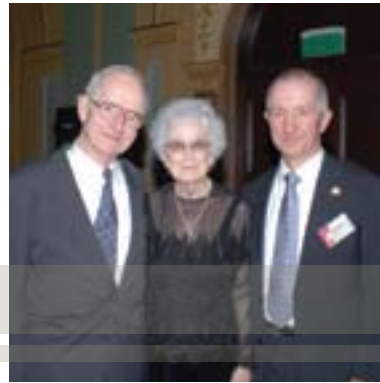
### Jamie McPhee (43 years)

BEng (Hons) MBA FAICD, SF Fin Executive Director  
Appointed to Board in November 2007, Appointed to Adelaide Bank Board in 2006  
\*Seeking election at 2008 AGM

Mr McPhee joined Adelaide Bank in 1988 within the Treasury function, and was appointed Group Managing Director of Adelaide Bank in December 2006. Mr McPhee began his financial services career in the dealing room of merchant bank Wallace Smith Trust Company based in London. He returned to Adelaide in 1988 and joined The Co-operative Building Society of South Australia Limited (which later became Adelaide Bank). He was appointed Chief Manager of Treasury at the time of the merger between The Co-operative Building Society of South Australia Limited and the Hindmarsh Building Society in January 1992. In 1993 he was promoted to the organisation's executive committee.

Mr McPhee was Treasurer of The Co-operative Building Society of South Australia Limited during its conversion to Adelaide Bank on 1 January 1994.

In the following years, Mr McPhee held various positions within the organisation including General Manager of Lending and Chief General Manager of Retail Banking. In 2003, he was appointed Chief General Manager of Operations and in 2005 was appointed Chief Operating Officer, responsible for all bank operations in the Adelaide Bank Group.



**Terry O'Dwyer (58 years)**

*B Com, Dip Adv Acc, FCA, FAICD, Independent Director Director for eight years.*

A Queensland-based Director, Mr O'Dwyer is the former Chairman and Managing Partner of BDO Kendalls (Chartered Accountants). He was a Partner in the firm for 28 years and headed its corporate finance division prior to being appointed its independent Chairman.

Mr O'Dwyer is Chairman of Metal Storm Ltd, Roamfree Ltd and a Director of Queensland Theatre Company Ltd, Backwell Lombard Capital Pty Ltd and Retravision Southern Ltd.

He has previously chaired MFS Limited and Brumby's Bakeries Holdings Ltd and has had service on other public company boards and government business enterprises.

Mr O'Dwyer was a Director of First Australian Building Society Limited which was acquired by Bendigo and Adelaide Bank in 2000.

**Kevin Osborn Deputy Chairman (57 years)**

*FAICD, FPNA, Independent Director, Appointed to Board in November 2007, Appointed to Adelaide Bank Board in 2003 \*Seeking election at 2008 AGM*

An Adelaide-based Director, Mr Osborn was appointed to the Adelaide Bank Board in 2003. He was formerly the Chief Executive of Bank One in Australia (now part of JPMorgan Chase). Mr Osborn is a Director of the Economic Development Board of South Australia, and was formerly a Director of the American Chamber of Commerce in Australia.

He is a Director of ABB Grain Limited, the SA Government Projects Co-ordination Board, the Leadership Institute of South Australia and chairs the Adelaide Desalination Project Committee. Mr Osborn is a Fellow of the National Institute of Accountants and a Foundation Fellow of the Australian Institute of Company Directors. The Board has approved a protocol that sets out arrangements for dealing with potential conflicts of interest connected with the financial services activities of ABB Grain Limited.

**Deborah Radford (52 years)**

*B.Ec, G. Dip Finance & Investment, John Kennedy School of Government (Harvard), Independent Director Director for three years.*

A Melbourne-based Director, Ms Radford is an economics graduate with experience in both the public and private sector.

Ms Radford has 15 years experience in the banking industry with both international and local banks. Ms Radford is a Director of Forestry Tasmania and City West Water.

**Kevin Roache (68 years)**

*LLB, B Com, ASCPA., FAICD, Barrister & Solicitor of the Supreme Court of Victoria, Independent Director Director for 17 years*

A Geelong-based Director, Mr Roache has extensive experience in advising clients on business and taxation issues. Mr Roache is a Director of Geelong Community Enterprise Ltd, a former President of the Geelong Business Club, member of the Finance Committee of

Geelong Chamber of Commerce, member of Committee for Geelong, a former Chairman of Barwon Health Geelong and has been a board member of many community and charitable organisations.

Mr Roache was Chairman of Capital Building Society, which was integrated into Bendigo and Adelaide Bank in 1992. Mr Roache is the Chairman of partners in Coulter Roache Lawyers which provides legal services to the Group on normal commercial terms and conditions.

**Tony Robinson (50 years)**

*B Com (Melb), ASA, MBA (Melb) Independent Director Director for three years*

A Melbourne-based Director, Mr Robinson commenced employment in 2007 as an Executive Director and Chief Executive Officer of IOOF Holdings Ltd. Mr Robinson was previously the Managing Director and Chief Executive Officer of OAMPS Limited. He was previously a Director of VECCI. Mr Robinson's other previous management positions include joint Managing Director of Falkiners Stockbroking, Managing Director of WealthPoint, Chief Financial Officer of Link Telecommunications and General Manager Corporate Services at Mayne Nickless.

Mr Robinson is a Director of IOOF Investment Management Limited ("IOOF") and Perennial Investment Partners Limited ("Perennial"), which are subsidiaries of IOOF Holdings Ltd. These companies provide investment management services to managed

*From left to right*

*> Dja Dja Wrung Elder Uncle Brien Nelson gives the Welcome to Country at the anniversary dinner.*

*> Two generations of Board involvement: former Bendigo Building Society director Warwick Johanson (left), Yvonne Johanson and current Bendigo and Adelaide Bank Chairman Robert Johanson.*

*> Chief General Manager People & Corporate Services Craig Langford (left), Group Secretariat's Sharyn McKitterick and Assistant Company Secretary June Wilde (right) at the staff event celebrating our anniversary.*

investment schemes for which Sandhurst Trustees Ltd is the responsible entity. The fees paid by Sandhurst Trustees for these services are on normal commercial terms and conditions. Bendigo Financial Planning Ltd, a subsidiary of Bendigo and Adelaide Bank, is the sponsor and markets and promotes Bendigo Financial Solutions Personal Superannuation ("BFSPS").

BFSPS is a superannuation product offered by IOOF Investment Management Services Ltd. The fees paid by IOOF to BFP are based on normal commercial terms and conditions. The Board has approved a protocol that sets out arrangements for dealing with potential conflicts of interest connected with the financial services activities of IOOF Holdings Limited and its subsidiaries.

# Remuneration



From left to right  
 > Director Tony Robinson  
 > Members of the public tour our new building in Bendigo.

Table 1 - Senior Executive remuneration snapshot

Issue	Summary
<b>Key changes for 2008</b>	The new senior management structure for the Group was announced on 30 November 2007 to coincide with the implementation of the merger of Adelaide Bank. The terms and conditions for each senior manager role were formalised in new employment agreements following the merger. The Company's remuneration structure was otherwise unchanged for the year.
<b>Remuneration Strategy</b>	To attract, retain and motivate Senior Executives to manage and lead the business successfully including driving organisational growth and performance in line with the Company's strategy and business objectives.
<b>i. Fixed Remuneration</b>	Fixed remuneration is set taking into account market relativities and having regard to the Senior Executive's direct accountability and responsibility for operational management, strategic direction, decision making and their demonstrated leadership.
<b>ii. Short-term incentive</b>	Senior Executive remuneration arrangements include an annual (cash) incentive component. Payment of the annual at-risk component is dependent on (in the first instance) the achievement of targeted financial performance and then (at the discretion of the Board and Managing Director) the achievement of position objectives set at the start of the year and the level of performance achieved by the Senior Executive in discharging their role.
<b>iii. Long-term incentive</b>	Senior Executive remuneration arrangements include participation in the Executive Incentive Plan ("Plan") established in 2006. The Plan gives Senior Executives the opportunity to participate in grants of Performance Rights and Options to acquire shares in the Company subject to the achievement of performance conditions set by the Board over a 3 year performance period.
<b>Service Agreements</b>	The remuneration and other terms of employment for Senior Executives are formalised in employment agreements. The employment agreements also deal with Senior Executive duties, conflicts of interest, confidentiality, termination rights, notice periods and entitlements upon termination.
<b>Remuneration paid</b>	Details of Senior Executive remuneration for the 2008 financial year are presented in the Full Financial Report available on our website, <a href="http://www.bendigobank.com.au">www.bendigobank.com.au</a> .
<b>Linking remuneration and company performance</b>	The remuneration structure for Senior Executives is designed to provide the desired flexibility and reward structure to support the Company's short term performance targets and continued investment in its strategy and business objectives that have a medium to longer term maturity profile.

Table 2 - Non-Executive Director remuneration snapshot

Issue	Summary
<b>Remuneration strategy</b>	To attract and retain appropriately qualified and experienced directors.
<b>Base Fee</b>	Following the Board's annual Non-Executive Director fee review process in July 2008, the annual base fee increased effective from 1 July 2008. The Chairman receives twice the annual base fee in recognition of the additional time commitment. The base fee is reviewed annually, taking into account changes to director responsibilities, time commitments and with reference to survey data and peer analysis.  Non-Executive Directors do not receive additional fees for committee memberships. The Board may determine additional fees for subsidiary and joint venture appointments.
<b>Not at risk</b>	The focus of the Board is to build sustainable shareholder value by taking a longer term strategic perspective. Non-Executive Director fees are not linked to the short term results of the Company. Non-Executive Director remuneration comprises a fixed annual fee plus superannuation contributions.  Non-Executive Directors do not receive bonuses or incentive payments or participate in the Company's employee equity plans.
<b>Alignment with shareholders interests</b>	A Non-Executive Director may enter into a salary sacrifice arrangement under which the director may acquire shares rather than receiving cash. The Company will seek shareholder approval at the 2008 Annual General Meeting for a Non-Executive Director Fee Sacrifice Plan.
<b>Remuneration paid</b>	Details of Non-Executive Director remuneration for the 2008 financial year are presented in the Full Financial Report available on our website, <a href="http://www.bendigobank.com.au">www.bendigobank.com.au</a> .



# Shareholder Information

## Online Shareholder Services

[www.bendigobank.com.au/shareholders](http://www.bendigobank.com.au/shareholders)

Bendigo and Adelaide Bank shareholders can check share prices of the Bank's listed shares as well as their shareholder privileges and details of their holding (including balance, dividend payments and dividend payment instructions) on the Online Share Registry.

Forms including Change of Address, Dividend Nomination Advice and Off Market Transfer are all available to download. The online service aims to provide shareholders with useful information 24 hours a day, seven days a week.

### e-Shareholders

Shareholders are encouraged to record their email address so that reports can be received online.

To register simply log on to [www.bendigobank.com.au/e-shareholder](http://www.bendigobank.com.au/e-shareholder) and enter your details.

Share Registry - Manager Karyn Flynn and staff can provide assistance with matters relating to all the Company's listed securities by:

Mail: Share Registry  
Bendigo and Adelaide Bank Ltd  
PO Box 480,  
BENDIGO VIC 3552

Telephone: (03) 5485 6392 or  
1800 646 042

Fax: (03) 5485 7645

Email: [share.register@bendigobank.com.au](mailto:share.register@bendigobank.com.au)



**Sandhurst Trustees**  
SUBSIDIARY OF BENDIGO BANK

Adelaide Managed Funds

**Victorian Securities**  
SUBSIDIARY OF BENDIGO BANK

Leveraged Equities

**National Mortgage Market Corporation**  
SUBSIDIARY OF BENDIGO BANK

**Elders** Elders Rural Bank

**OXFORD FUNDING**  
INNOVATIVE SOLUTIONS

**Bendigo Financial Planning**

**COMMUNITY SECTOR BANKING**

**Tasmanian Banking Services**  **Bendigo Bank**  
A JOINT VENTURE BETWEEN TASMANIAN PERPETUAL TRUSTEES AND BENDIGO BANK

Community Enterprise<sup>™</sup>  
**Foundation**

**Adelaide Bank**  
*Charitable Foundation*

Bendigo and Adelaide Bank Limited  
ABN 11 068 049 178

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The Bendigo Centre  
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Telephone: 03 5485 6444  
Facsimile: 03 5485 7668  
Email: [share.register@bendigobank.com.au](mailto:share.register@bendigobank.com.au)

In this report, the expression “the Bank”, “the Company” or “the Group” refers to Bendigo and Adelaide Bank Limited and its controlled entities.

**Customer/Shareholder Inquiries**

Customer Help Centre  
(Head Office inquiries)  
1300 361 911 (local call)  
Mondays to Fridays  
8.30am – 6.30pm  
Australian Eastern Standard Time/  
Australian Eastern Daylight Time (AEST/AEDT)

Bendigo OnCall  
(Bendigo Bank customer inquiries)  
1300 366 666 (local call)  
8.00am – 8.00pm weekdays  
9.00am – 4.00pm Saturdays  
10.00am – 4.00pm Sundays  
(AEST/AEDT)

Adelaide Bank customers  
13 22 20 (within SA) or  
1300 65 22 20 (outside SA)  
8.00am – 8.00pm weekdays  
9.00am – 6.00pm Saturdays  
10.00am – 6.00pm Sundays  
Australian Central Standard Time/  
Australian Central Daylight Time (ACST/ACDT)

**24-hour Phone Bank**

Bendigo Bank customers -1300 366 666 (local call)

Adelaide Bank customers - 08 8300 7000  
or 1300 300 893 (outside metropolitan SA)

**24-hour e-banking**

[www.bendigobank.com.au](http://www.bendigobank.com.au)  
[www.adelaidebank.com.au](http://www.adelaidebank.com.au)

**Website**

[www.bendigobank.com.au](http://www.bendigobank.com.au)  
[www.adelaidebank.com.au](http://www.adelaidebank.com.au)

Securities Registry: 1800 646 042

