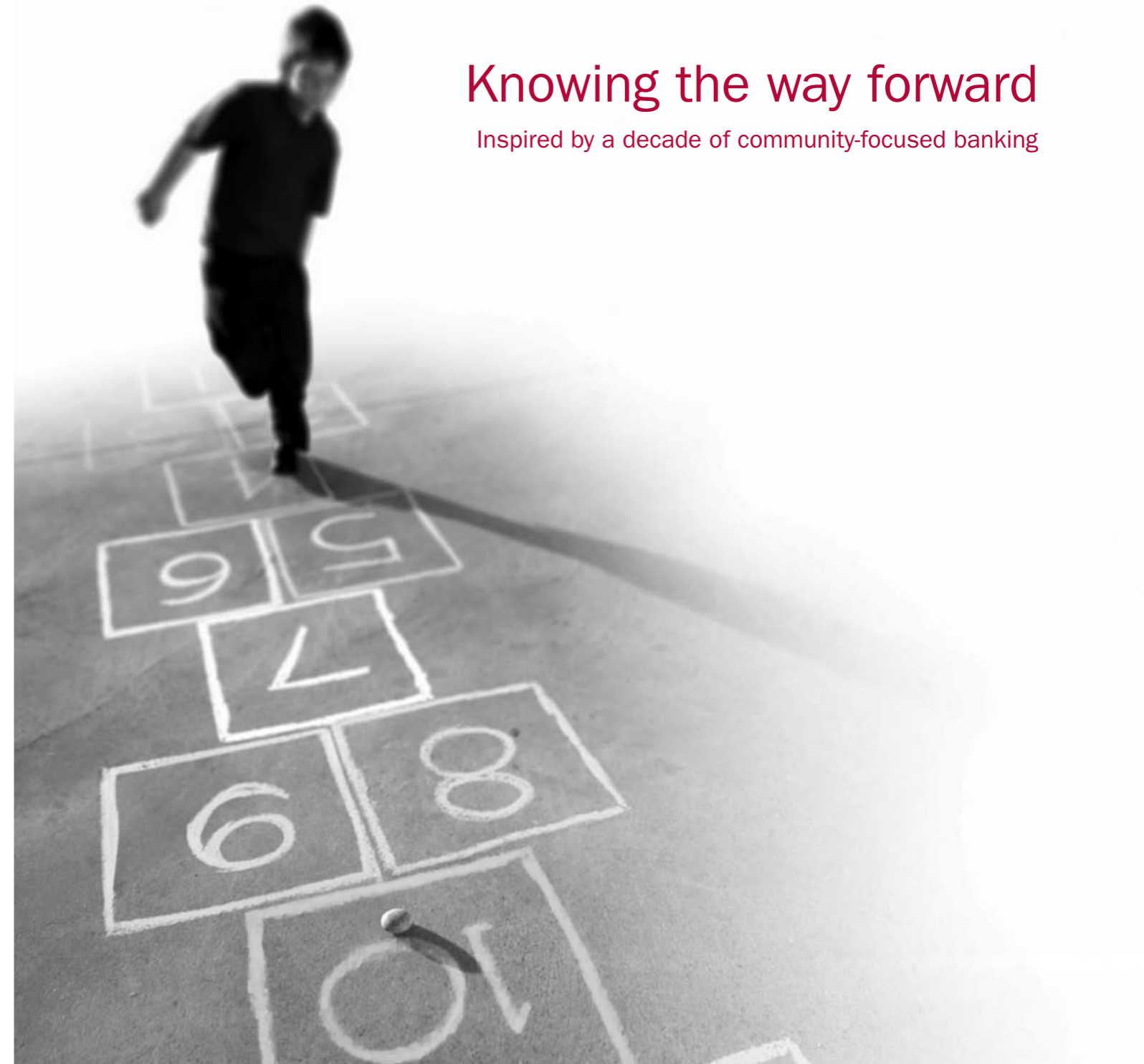


Knowing the way forward

Inspired by a decade of community-focused banking



Head office development on track

Meanwhile, construction at the Bendigo's new head office continues, with the first stage due to be complete by mid-2007.

The appearance of the site is now changing almost daily with formwork, reinforcement and post-tensioning installation and concrete work evident each day.

With level three of the structure now completed, formwork to level four is now underway.

The level five concrete structures will commence in the latter part of August with structural steel installation to the roof to follow.

You can enjoy a birds' eye view of the construction work on line via "Bank Cam" at www.bendigobank.com.au

New \$10 million data centre

Bendigo Bank will invest almost \$10 million to build a state-of-the-art IT data centre in Bendigo.

Construction on the new site began in June.

The new data centre will provide the information technology needs for the Bendigo Bank's entire national network, including its 337 branches as well as state offices and the new head office in Bendigo.

Construction of the new data centre was prompted by the construction of the Bendigo's new head office, and the need to move the current data centre from our current head office.

The Bank will use the opportunity to substantially upgrade its information technology capabilities and infrastructure.

This new centre will ensure we have an even more robust, secure and resilient computer centre to support the growing demand for 24-hour-a-day, seven-days-a-week access to Bendigo Bank services.

The new centre has been designed in line with the appropriate Australian Standards and we anticipate it will cover our IT needs for the next 15 to 20 years.

It is anticipated the new data centre will be operational by March 2007.

Shareholder news

AGM and Concise Annual Report

The Bank's annual general meeting will be held at Bendigo's Capital Theatre at 11.00am on Monday, 30 October 2006. Copies of the Bank's Concise Annual Report and Notice of Meeting will be mailed you in September 2006.

Become an e-shareholder

By registering to become a Bendigo Bank e-shareholder, you will receive most of your documents on-line, including your Concise Annual Report and shareholder newsletters.

To register, simply log on to www.bendigobank.com.au/shareholders and enter your details.

Changing address?

Please ensure you advise of any change of address. Broker-sponsored shareholders should advise their broker, not our Share Registry (which is unable to process your request).

Issuer-sponsored shareholders should advise our Share Registry in writing to

Bendigo Bank Share Registry,
PO Box 480,
Bendigo,
Victoria 3552.

Have you received multiple newsletters?

If your household has received multiple copies of this newsletter and you would only like to receive one, please advise our Share Registry on 1800 646 042.

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THE BENDIGO SHAREHOLDER
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Profit tops \$100 million for the first time

(Fifth consecutive year of strong earnings growth)

Chairman Robert Johanson and Managing Director Rob Hunt report on the Company's 2005/06 profit result

We are delighted to report that Bendigo Bank's after-tax profit topped \$100 million for the first time.

More importantly, we recorded another strong rise in shareholder earnings. Cash earnings per share increased by 11.8 per cent, the fifth consecutive year of double-digit growth. This enabled your Directors to increase total dividends by 15.6 per cent, to 52 cents per share. Again, this is the fifth year in a row of plus 10 per cent increases.

Our 2006 profit result was the first compiled under new international accounting standards. We have done our best to make comparisons with last year's result as clear as possible. The Company's after-tax profit increased by 23.2 per cent, to \$116.7 million.

To obtain the profit available for distribution to ordinary shareholders, we then must deduct:

- > Interest payments to holders of Bendigo Bank Preference Shares, totalling \$2.5 million, and
- > Transfers to the General Reserve for Credit Losses (formerly loan provisions).

This meant our profit available for distribution to ordinary shareholders totalled \$109.2 million, a rise of 15.3 per cent on 2005.

Reported return on equity increased to 15.1 per cent. We are comfortable with our progress on this important performance measure.

Increase in dividends

Cash earnings per share increased by 11.8 per cent, to 73.2 cents, exceeding the bank's targeted 10 per cent improvement. Earnings this year benefited from one-off significant items totalling \$8.4 million after-tax. The largest item was an after-tax profit of \$10.9 million booked as the result of a merger between Select Managed Funds – of which we owned five per cent – and Australian Wealth Management. Although we retained our shares in the new entity, it was deemed that we had disposed of our SMF shares, resulting in a profit to our Company.

Total earnings per share therefore rose to 78.0 cents. A final dividend of 30 cents per share will take the total dividend to 52 cents (fully franked). This is a 15.6 per cent increase on 2005 and is double the total dividend of five years ago (excluding 2001's special dividend).

Branded retail strategy continues to grow business

The result continues Bendigo's steady progression in profitability and earnings in line with the growth in our business.

This is in fact what has been happening over the past five years. Our balance sheet is growing; we continue to open new branches, sign new customers and deepen our relationships with existing customers and communities across Australia. And our earnings are improving as we leverage that balance sheet growth against investments in expanding our network and product range over the past few years.

Earnings progression has been achieved while further enhancing Bendigo's reputation and its commitment to quality customer service.

We are near our all-time highs for customer satisfaction and continue to lead industry comparisons.

That says to us we are getting the balance right. Customers are receiving good quality service, our communities are benefiting from our presence and as a result of those two things, our shareholders are seeing improved returns on their investment.

Growth at profitable prices

Lending and retail deposits continued to grow strongly, with loans under management up 9.5 per cent to \$14.1 billion and retail deposits increasing by 13 per cent to \$11.3 billion. Retail deposits comprised 83 per cent of total deposits.

We are raising both deposits and loans in every state and 53 per cent of our branches are now interstate. This is confirmation that our brand, positioning and retail strategy is cutting through. While pricing competition was fierce, we resisted chasing growth for growth's sake. Instead, we concentrated on writing quality business at profitable prices, and where we believe there is a good prospect of developing a strong relationship with the customer. The result was that we achieved reasonable volumes of new business on both sides of the balance sheet – and at a slightly increased margin.

This is a testament to the strength of our branded retail strategy and the broad mix of banking and financial business being provided to customers.

Return on equity on a cash basis rose to 14.2 per cent, which was another healthy rise and continues a long-term upward trend.

Credit quality remains excellent and income growth continues to outstrip the investments we make in distribution, product and people. While this allows only modest improvement in cost ratios, we will continue to invest while demand for the Bendigo style of banking remains strong.

Network restructure supports branch growth

There were pleasing signs of improved business performance flowing from decisions made during the year.

We restructured our largest arm, retail banking, in recognition that our growing branch network was better supported at a state and regional level rather than through the old head office structure.

Thirteen regions became 27 and our **Community Bank**® branches were brought in under our regional managers, who now have total responsibility for staff, sales and service for the Bank's complete suite of products.

The result has been a sharpened focus on driving the business and on the growing number of community engagement activities we are undertaking.

It means we are having more conversations about adding value for our one million customers and we are becoming even more closely aligned to the aspirations of the communities we serve.

And we reshaped Bendigo Financial Planning and the remuneration framework for planners to improve the prospects of success within the Bendigo network and its customer base. Both changes are critical, as we will secure our long-term sustainability as a company and as a unique style of banking only if we are relevant to our customers and communities.

In the current year, Bendigo's branch expansion will continue.

We continue to work with some 60 new communities around Australia and expect to open approximately 30 branches again this financial year. Last year we opened 28 **Community Bank**® branches and five company branches.

We remain cautiously optimistic about trading conditions, with the economy having shown signs it could absorb reasonable increases in interest rates.

We believe the economy will continue to grow and we are confident we will win a healthy share of this new business with our unique style of banking.

Also, our own experience tells us there is solid latent growth potential within our current branches – a third of which are four-years-old or less. We are also concentrating on deepening the relationships with our current customers right across the national network.

Our joint ventures and subsidiaries are all increasing their contribution to our bottom line performance, with the largest of these joint ventures (Elders Rural Bank) improving after-tax profit performance by 10 per cent over the year.

The Group is again targeting cash earnings per share growth of 10 per cent in the current financial year.

Results at a glance

	June 06 \$m	June 05 \$m	% Increase (Decrease)
Headline result			
Interest income	907.5	815.0	11.3
Interest expense	592.4	528.9	12.0
Net interest income	315.1	286.1	10.1
Other operating income	201.8	172.9	16.7
Total net operating income	516.9	459.0	12.6
Total operating expenses	344.2	309.9	11.1
Bad and doubtful debts expense	7.0	13.6	(48.5)
Profit before tax	165.7	135.5	22.3
Income tax expense	48.9	41.2	18.7
Outside equity interest (share of loss)	-	0.4	-
Profit after tax	116.8	94.7	23.3
Earnings per ordinary share - cents	78.0 cents	67.5 cents	15.6
Return on average ordinary equity	15.1%	14.0%	8.3
Dividends per share	52.0 cents	45.0 cents	15.6
Other key data			
Total equity	899.5	720.7	24.8
Gross loans under management	14,057	12,839	9.5
Deposits & funds under management	16.6 bill	15.3 bill	8.4

Your dividend

Bendigo Bank shareholders will receive a final dividend of 30.0 cents per share, payable on 29 September 2006 and fully franked. Dividends for the financial year totalled 52 cents per share, an increase of 15.6 per cent on the previous year.

Unbiased advice from Bendigo's new-look financial planning arm

Financial planning customers will be sure of receiving unbiased advice under new arrangements we recently announced.

Customer choice and fee transparency will be the focus of our new-look planning arm, Bendigo Financial Planning.

In the most far-reaching change, Bendigo's planners will not be eligible for payments based on sales.

It means customers will be in control of their fees and the level of advice and service they require from us.

They can choose up-front advice only, or advice plus ongoing service.

And they can elect how they wish to pay – either direct fees or through a commission paid to the bank by the product provider.

Either way, customers know exactly how much they pay and their fees will be capped at pre-agreed levels.

Removing sales-based incentives for planners deals with the biggest complaint the industry has faced – that people haven't been certain the planning advice they receive is unbiased.

Our customers will know that's the case because their planner does not stand to benefit from the recommendation he or she makes.

We believe this sets new standards of openness and transparency. It is the level of trust that customers would expect from the Bendigo Bank brand.

Bendigo Financial Planning's planners and associate planners will be paid a salary without commission.

They will be eligible to participate in the same staff bonus scheme that applies to all other Bendigo Bank staff.

This will give customers confidence and will better align our planning arm with the banking business from which they receive many of their referrals.

When customers come to Bendigo Bank, they will receive the right attention from the right person at the right time. Often this will relate only to their banking, but when appropriate we will recommend they speak with a planner.

Customers may choose to receive and pay for just initial advice, or they can select from one of three ongoing service agreements with tiered fees.

Ours is a value-for-money proposition where the customer is in charge.

Bendigo Financial Planning is a wholly owned subsidiary of Bendigo Bank and replaces the former Bendigo Investment Services.

Bendigo Financial Planning has 52 planner positions and currently supports 11 associate planners.

To make an appointment with a Bendigo financial planner, talk to staff at your local Bendigo Bank branch, or phone Bendigo Oncall on 1300 366 666, seven days a week.