



Shareholder Review
Information for shareholders
of Bendigo Bank Limited

Share Purchase Plan and DRP/Bonus Share discount
Details page 5

Welcome to the third edition of Shareholder Review, your shareholder news update. Four editions will be published each year: February (interim profit), August (full-year profit) and November (report on Annual General Meeting). In September, we will publish the Annual Review.

Solid increase in profit and dividend

Edited version of the announcement made to the Australian Stock Exchange on 18 February 2008.

Result highlights*

- > Cash earning per share up 10.3% to 43c
- > Net profit after tax up 34% to \$72.8m
- > Full-year target of 12% cash EPS growth reaffirmed
- > Interim dividend up 16.7% to 28 cents per share (fully franked)
- > Excellent credit quality
- > First result since merger with Adelaide Bank
- > Share Purchase Plan and DRP discount announced

Bendigo Bank (BEN) has announced a \$72.8m profit after tax for the half-year ended 31 December 2007. The result – which is the first since the 30 November 2007 merger with Adelaide Bank – is a 34.1 per cent improvement on the prior corresponding period. The result includes six months of Bendigo Bank accounts and one month of Adelaide Bank.

Cash earnings per share increased by 10.3 per cent, while the interim dividend was increased by four cents (16.7 per cent), to 28 cents per share (fully franked).

Group Managing Director Rob Hunt said the result demonstrated the Bank's ability to achieve solid growth at profitable prices despite current market conditions.

"The global financial services sector is experiencing a period of significant volatility and reduced confidence, with funding more difficult and more expensive to obtain," Rob Hunt said.

"In that environment, we have demonstrated a commitment to write quality credit in reasonable volumes and at profitable prices – and that remains the focus of the merged Group.

"We have a proven retail banking capacity, strong liquidity and adequate funding which we are directing towards business that improves profitability, enhances customer relationships and improves our long-term prospects.

"So our strategy has not changed, just the market conditions in which we find ourselves."

Chairman Robert Johanson said Bendigo had delivered a solid result "just as we said we would".

"Despite the credit market turmoil, and despite the effort we put into the merger, we did just what we said we would do. Profit is up, the dividend is up and there were no bad-debt surprises. These are difficult markets and our business will be affected, but the way we do business will stay the same."

Dividend

The Bendigo Bank Board has announced an interim fully franked dividend of 28 cents per share, which is an increase of 16.7 per cent on the prior corresponding period, and reflects the Board's long-held strategy of producing sustainable increases in shareholder value. The payout ratio was 65 per cent of the combined earnings for the six-month period.

Group performance*

As a merged group Bendigo Bank has shown a continued commitment to its retail and **Community Bank**[®] business model, which has continued to produce strong deposit growth.

Cash earnings per share were up 10.3 per cent for the reporting period, reflecting a disciplined approach to new business and cost management across the Group.

*All results reflect six months of Bendigo Bank results and one month of Adelaide Bank. Balance sheet figures are for the consolidated group.

Credit quality remains in excellent shape across the business, with gross impaired loans as a percentage of total assets steady at just 0.08 per cent. Credit performance across the residential mortgage and margin lending businesses in particular remains excellent.

While the result incorporates just one month of contribution from Adelaide Bank, the rationale and strategic intent behind the merger remains sound.

Costs continue to fall as a percentage of operating income, despite continued investment in the business and staff. The cost to income ratio fell 2.8 per cent to 63.7 per cent. This is expected to further improve in the second half as Adelaide Bank's wholesale business is fully integrated.

Funding and Treasury

The bank has experienced an increase in the cost of funds – particularly for wholesale funds – through the reporting period. This has been offset by the re-pricing of some assets, particularly the residential home loan portfolio and margin lending books.

“While this cost of funding has increased, it has served to illustrate the strength and deposit-generating ability of our retail branch network,” Mr Hunt said.

“Notwithstanding this, we have a disciplined strategy of only writing business that remains profitable and secure in the current funding environment.”

Net interest margin fell moderately over the reporting period, but has been actively managed through current market conditions. Pro-forma results prepared on the basis that the two banks had merged for the entire reporting period indicate a 0.12 per cent fall in NIM for the six-months to 31 December 2007.

“Ongoing management of NIM will continue to benefit from our commitment to writing and maintaining profitable business,” Mr Hunt said.

Retail Bank

Mr Hunt said the strength of Bendigo's retail franchise was an asset in a tight funding market. Retail deposits rose by 19.3 per cent on an annualised basis and continue to grow strongly in a competitive market.

While customer satisfaction continued to lead the industry, Bendigo Bank has recently completed a nationwide training program to reinforce key aspects of the Bendigo style of retail banking.

“As non-branch transaction volumes increase, we are well advanced on our plans to transition the branch network from a transaction focus to providing customers with higher levels of advice and support in achieving their financial goals,” Mr Hunt said.

Demand for **Community Bank**[®] continued to be strong.

Wholesale Bank

Adelaide Bank brings significant scale and diversity of wholesale operations to the merged Group. The merged business, which incorporates Wholesale Mortgages, Margin Lending, Business Partners and Funds Management, continues to operate in competitive sectors that have been affected by the increased cost of funding since August 2007.

Growth in the Wholesale Mortgages business is being actively managed in response to these funding challenges. The underlying profitability of the portfolio has been managed through a 0.55 per cent increase in Lo-Doc interest rates (rate rises above movements in the official RBA cash rate), and a 0.25 per cent increase in the delivered cost of funds for variable rate loans.

Significant volatility in equity markets has tested and proven the integrity of the margin lending business model. The credit quality and underlying performance of the business remains sound. Operational risks have been successfully managed throughout the recent market turmoil, with all margin calls being made, and all settlements met despite record levels of margin call activity. This business has solid growth opportunities as investor confidence and value

returns to equity markets; as margin lending becomes a more mainstream offering; and as Bendigo Bank's 1.3 million retail customers gain greater access to these products.

The portfolio funding business continues to perform strongly, with a solid pipeline of active discussions and approved mandates ensuring the longer-term fundamentals of the business remain sound. The current environment has facilitated a margin increase on a number of the portfolios funded through the business.

Merger integration

The significant task of merging Adelaide Bank and Bendigo Bank continues, with a dedicated Merger Integration Committee formed and operational. Sixteen individual work streams have been identified and work teams have been formed to implement the merger process.

The Group is on track to deliver initial forecasts for \$60 million to \$65 million in merger synergies (with 80 per cent delivered by the second full year of operation).

"All the work we have completed to date gives us confidence in achieving these synergies without affecting the growth and investment in our business that is needed in the coming years," Mr Hunt said.

"Our cultures and staff are working well together to ensure this merger delivers real value for our shareholders, and we are pleased with the progress we have made and the senior management team that is in place," he said.

Outlook

Mr Hunt said the outlook for the merged bank was sound and the Group was focused on further improving shareholder returns.

"As our retail bank continues to expand and mature, and as partnering with our communities, business partners and customers continues to produce tangible benefits, we will continue to produce sustainable and consistent results," Mr Hunt said.

"The merger, and the way in which the two banks have already been able to work together, augurs

well for the continued success of this business," he said.

Bendigo Bank reaffirmed its full-year target for cash Earnings Per Share growth of 12 per cent.

Managing the credit crisis

By Chairman Robert Johanson

The worldwide credit crisis emerged in August 2007, soon after we announced our intention to merge the two banks.

It was triggered by growing default rates among so-called sub-prime borrowers in the US – people with poor credit histories and little or no equity. Banks exposed to these loans and the securities derived from them have been forced to write off some very significant losses. This caused a loss of confidence in wholesale money markets, with banks refusing to deal in the market and lenders pricing money higher to compensate for risk.

All banks require some wholesale money to fund their loans. At Bendigo and Adelaide Bank, more than 70 per cent of on balance sheet funding comes from retail deposits; the rest is wholesale. This places us at the conservative end of Australian banks. Nevertheless, we are not immune from the effects of tightened credit markets. The cost of wholesale funding has increased and the securitisation markets, where in the past we have sold parcels of mortgages, are frozen.

The credit squeeze has reduced confidence levels in debt and equity markets around the world, with fears that the US might enter recession. Australia's share market has fallen by about one-sixth from its November 2007 highs. Bank stocks, Bendigo included, have fallen further amid fears of rising bad debts.

Naturally, investors are anxious about the ability of companies to weather the storm and continue to produce long-term sustainable growth. We make the following observations.

- > The Australian economy is strong. Unemployment levels are low, business investment is healthy, credit growth remains strong and consumer spending is holding up.

Share Purchase Plan and DRP discount

Shareholders will be able to buy up to 300 Bendigo and Adelaide Bank ordinary shares under a Share Purchase Plan announced by the Board. Details will be sent to shareholders with the dividend payments at the end of March.

Directors also announced a 2.5 per cent discount would be applied to shares issued under the Dividend Reinvestment and Bonus Share plans applying to the 2007/08 interim dividend.

Chairman Robert Johanson said the Company aimed to raise \$80 million in new capital through the Share Purchase Plan.

"We will need some new capital to support our strong business growth and this is the best way to raise it," Mr Johanson said.

"It is an opportunity for shareholders to increase their investment in the Company without paying brokerage costs.

"We also hope many shareholders will take advantage of the chance to purchase a parcel of shares they can then ascribe to their children or grandchildren. Many of our shareholders have a long history of share ownership in the Company and this strong sense of ownership and participation is something we wish to encourage."

Mr Johanson said past Share Purchase Plans had been well supported and the Board was confident this one would be, too.

How do I participate?

- > Details of the Share Purchase Plan will be mailed with the notice of your interim dividend, payable on 31 March 2008.
- > If you already participate in the DRP, a 2.5 per cent bonus will be automatically applied to shares allocated in the interim dividend.

If you do not currently participate in the DRP but wish to do so, you must notify us in writing before 29 February, which is the record date for payment of the interim dividend.

To change your dividend instruction, please contact our Share Registry in writing, stating your SRN or HIN number before 29 February. A Dividend Nomination Advice Form may be downloaded from www.bendigobank.com.au

Fax: (03) 5485 7645

email: share.registry@bendigobank.com.au

Post: PO Box 480, Bendigo, Vic. 3552

Branch: Call into your nearest Bendigo Bank or Adelaide Bank branch on or before 28 February.

From page 4

- > This credit squeeze is nothing new – our Board and management team have seen it all before, most recently in the early 1990s.
 - > We manage our business according to the market conditions in which we find ourselves. Our business strategy remains the same, only the market conditions in which we find ourselves have changed.
 - > Bendigo Bank and Adelaide Bank developed different but successful business models that have proven to be resilient to changing markets.
 - > The merged Group has ample liquidity.
 - > Our credit quality is excellent – bad debts are just 0.08 per cent of assets – and at this stage there is no sign of deterioration.
 - > We are directing funding to write quality credit that improves profitability, enhances customer relationships and prospects, and makes best use of the capital employed in our various business units.
 - > Some pricing has been increased to reflect the higher cost of our wholesale borrowings and to achieve acceptable returns on capital. This is entirely consistent with our long-term strategy to achieve growth at profitable prices.
- We are not blasé about these difficult volatile market conditions. We are actively managing our position and we are confident about our future and expect to deliver continued improvement in shareholder value over the long term.

Shareholders vote in favour of name change

Your Company will be called Bendigo and Adelaide Bank Limited from 31 March 2008. It will continue to trade on the ASX as BEN.

This follows an overwhelming vote of Bendigo Bank shareholders at an Extraordinary General Meeting held on 29 January.

The name change will have no impact on the existing Bendigo Bank and Adelaide Bank branch networks.

Bendigo Bank's existing 366 branches, including **Community Bank®** branches, will retain their current branding. Similarly, Adelaide Bank's 25 branches, all located in South Australia, will retain Adelaide Bank branding.

Shareholders also voted to adopt all resolutions on the meeting agenda, including:

- > Adoption of a new Company Constitution
- > The issuing of performance rights to Executive Director, and former Adelaide Bank CEO, Jamie McPhee under Bendigo's Executive Incentive Plan.
- > Increasing the aggregate pool from which Non-Executive Director fees are paid from \$1.2 million to \$1.7 million per annum.

Full details of all proposals adopted are available in the Investor Information section of the Bendigo Bank website, www.bendigobank.com.au



Former Bendigo Bank executive Malcolm Bishop (left) and former director Warwick Johanson (right) with current Geelong-based director Kevin Roache.



Shareholders Betty and Eric Webb with Alan and Eunice Collins.



Shareholders Lisa McNicholl-Cooke and Lynnette Hammette following the meeting with director Jenny Dawson (right).

Meet your directors

Our Board of Directors comprises former Bendigo Bank and Adelaide Bank directors, including Managing Director Rob Hunt and Chief Executive (Wholesale Bank) Jamie McPhee. Monthly board meetings throughout the year will be held in various locations including Bendigo, Adelaide, Melbourne and Sydney.



Robert Johanson
Chairman
Based in Melbourne



Kevin G Osborn
Deputy Chairman
Based in Adelaide



Rob Hunt
Managing Director
Based in Bendigo



Jamie McPhee
Executive Director
Based in Adelaide



Kevin Abrahamson
Based in Sydney



Jenny Dawson
Based in Bendigo



Dr Adele Lloyd
Based in Adelaide



Terry O'Dwyer
Based in Brisbane



Deb Radford
Based in Melbourne



Kevin Roache
Based in Geelong



Tony Robinson
Based in Melbourne

Merger Progress

Work is continuing on the integration of the Adelaide and Bendigo businesses.

A steering committee overseeing the project comprises Managing Director Rob Hunt, Chief Executive Wholesale Jamie McPhee, Chief Executive Retail Mike Hirst and Chief General Manager Strategy Richard Fennell.

Mr Hunt appointed an Executive team of 13, incorporating seven former Bendigo Bank leaders and six from Adelaide Bank. A broader leadership group was also appointed.

Sixteen working parties are restructuring the major business units with a focus on achieving cost synergies, retaining skilled people and positioning for growth.

Integration of retail networks

Customers of Bendigo Bank and Adelaide Bank have been immediate winners from the merger.

Within the first two weeks of the official merger date, the two ATM networks were integrated. This enables customers to use either bank's ATMs without incurring an "other bank" transaction fee.

This has the potential for customers to reduce their ATM transaction fees with access to Bendigo Bank's 550 ATMs throughout Australia and more than 90 Adelaide Bank ATMs across South Australia.

The 25 Adelaide Bank branches in SA have been integrated into Bendigo's retail operations but retain their branding. Several Bendigo Group products have been made available to Adelaide Bank's customers through manual administration processes.

Work is continuing on bringing Bendigo's 1.2 million customers and Adelaide's 180,000 retail customers together on one banking system. This is a key focus but a major task, which we expect to be completed by the end of 2008.

Our new Executive team

Rob Hunt
Managing Director

Jamie McPhee
Chief Executive Officer – Wholesale Bank

Mike Hirst
Chief Executive Officer – Retail Bank

Russell Jenkins
Chief General Manager – Retail Customers

Marnie Baker
Chief General Manager – Retail Solutions/
Products

Tim Piper
Chief General Manager – Wholesale Mortgages

Philip Riquier
Chief General Manager – Portfolio & Business
Partners

Anthony Baum
Chief General Manager – Wealth Financing
& Product

Craig Langford
Chief General Manager – People & Corporate
Services

David Hughes
Chief Financial Officer

Greg Gillett
Chief General Manager – Brand Development
& Positioning

Andrew Watts
Chief Information Officer – Information
Technology

Richard Fennell
Chief General Manager – Strategy

Rollover relief for former ADB shareholders

Former Adelaide Bank shareholders who obtained Bendigo Bank shares when the companies merged are eligible for scrip-for-scrip capital gains tax rollover relief.

Shareholders have asked us to nominate a value for the cost base of shares for taxation purposes.

We cannot provide a monetary value, as it will vary for each shareholder. The original cost of the shareholder's former Adelaide Bank shares is now the cost base of their Bendigo Bank shares. We suggest you seek advice from your accountant or financial adviser if you are unsure of the cost base for your old Adelaide Bank shares.

Changing address?

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

Issuer-sponsored shareholders should obtain a Change of Address Form and complete and return it to Bendigo Bank Share Registry, PO Box 480, Bendigo, Victoria 3552.

Forms can be downloaded from our Online Share Registry, or obtained from Share Registry on 1800 646 042.

Have you received multiple reviews?

If your household has received multiple copies of this review and you would like to receive just one, please advise us in writing to Bendigo Bank Share Registry, PO Box 480, Bendigo, Victoria 3552.

Do you have multiple shareholdings?

If you have multiple issuer sponsored shareholdings of the same name that you wish to consolidate into a single shareholding, please advise the Share Registry in writing. If your shareholdings are broker sponsored, please contact your sponsoring broker.

Become an e-shareholder

By registering to become a Bendigo Bank e-shareholder, you will receive most of your documents online, including your Annual Report and shareholder reviews.

To register, simply enter your details at www.bendigobank.com.au/e-shareholder



Chief General Manager People & Corporate Services Craig Langford and Chief Financial Officer David Hughes with Adelaide-based director Dr Adele Lloyd at the EGM on 29 January.



A year of milestones

Bendigo Bank celebrates a number of milestones this year. These include the 150th anniversary of the founding of the first Bendigo Building Society, our oldest antecedent company, and the 10th anniversary of the first **Community Bank®** branch.

These milestones are important and will be celebrated. Today's merged Company is the product of its history. Our business model, location, ethics and culture are all informed and shaped by our past.

An old saying holds that those who fail to learn from history are doomed to repeat it. Our case is a little different. Yes, there have been some mistakes throughout 150 years, but there are many more positive lessons from which we continue to learn.

Our forebears built a business based on excellent customer service and close community connections. They recognised from the outset that investing time, money and effort in the communities in which they operated would increase their customers' prosperity, and in turn that of their company. They were rewarded for being innovative. They showed how looking after customers experiencing tough times bred loyalty to their business. And they demonstrated that customers appreciate honesty.

All of these attributes are built into our current businesses – but we must constantly remind ourselves of what produces our success.

As part of this year's celebrations, we have commissioned Professor Alan Mayne of the University of South Australia to write a new history of the Company. To be launched later this year, the book brings a trained historian's eye to our past, placing in context the many events and decisions that shaped our growth.

Late June and early July will be the focus of our celebrations.

On 26 June 1998 we will commemorate the 10th anniversary of the opening of the first **Community Bank®** in Minyip and Rupanyup. Then in July, **Community Bank®** representatives from across Australia will join us in Bendigo for their national conference.

On 9 July, invited guests will gather in Bendigo on 9 July for a dinner to celebrate our 150th. It was on that evening in 1858 that a group of prominent Bendigonians gathered to found a building society for the betterment of the Bendigo community. Reserve Bank Governor Glenn Stevens has accepted our invitation to deliver the keynote address.

The year will end with the official opening of our landmark \$100 million headquarters, The Bendigo Centre. We aim to involve as many of the community as we can in the celebration, which will include musical performances and tours of the building.

The Bendigo Centre takes shape



Tell us your shareholder story

One of the Company's great strengths is its shareholder base, now 82,000-strong.

Many families – particularly in the Bendigo region – have long and storied associations with the Company. Shares have been passed down through generations; parcels have been acquired and given as gifts to children or grandchildren. There will be similar stories from other antecedent companies – including Adelaide Bank, which itself is more than 100 years old.

We wish to collect and share some of these stories, so the search is on for Bendigo Bank shareholder memorabilia and stories.

Do you have an original Bendigo company share certificate in your family? How many generations of your family have held shares in our company? How many family members are on our register? Perhaps you have very old passbooks or dividend advices?

We are planning a commemorative edition of the Shareholder Review to be published in early September and will include some of our shareholder stories.

We plan to invite a broad sample of shareholders to the 150th dinner. If you and your family have any connection with the company from those very early days, we would love to hear from you.

Please contact the Share Registry on 1800 646 042, write to us at Public Relations, Bendigo Bank, PO Box 480, Bendigo, Victoria 3552, or email us at publicrelations@bendigobank.com.au

The milestones

18 January 2008

Sandhurst Trustees Ltd celebrated its 120th birthday – the anniversary of the incorporation of the company. A wholly owned subsidiary of Bendigo Bank, Sandhurst Trustees has provided Australian families with estate management and financial services since 1888.

25 June 2008

On this day 10 years ago, the national media spotlight turned on the Victorian Wimmera towns of Rupanyup and Minyip for the opening of the first **Community Bank**[®] branches of Bendigo Bank. Today, there are 206 **Community Bank**[®] branches in every State and Territory of Australia.

9 July 2008

On the 9th July 1858, a group of community leaders met in Abbott's Hotel to vote on the formation of the The Bendigo Land and Building Society. Today, 150 years later, Bendigo Bank and Adelaide Bank has 1.4 million customers, assets under management of \$43 billion, 5000-plus staff and market capitalisation of about \$3 billion.

December 2008

The official opening of The Bendigo Centre, the Bank's new \$100 million headquarters in Bendigo.

