



investor



## Interim Review | 2011



# Bendigo and Adelaide Bank

On 14 February 2011, Bendigo and Adelaide Bank announced its interim result, which continued the positive trend of successive increases in cash earnings and profit since the effects of the Global Financial Crisis peaked in the June 2009 half-year.

We've built a sound and profitable banking business, based on the principle of engaging our customers, partners and communities. This is providing our shareholders with a sustainable business committed to growing through providing value and putting our customers and partners first. The business manages its risk and risk appetite appropriately and is well positioned for the future.

Our balance sheet benefits from the strong support of our retail customers. These customers – through a network of more than 460 branches across Australia, including 270 **Community Bank**<sup>®</sup> branches – now provide in excess of 90 per cent of our total on balance sheet funding. During the reporting period we were also able to complete two separate RMBS transactions with a value of \$2.5 billion.

Our businesses continue to rank among the highest for customer satisfaction, brand advocacy and trust – not just

among banks, but across all business sectors in Australia. This places us in an ideal position to benefit from the continued political, legislative and regulatory changes that the industry now faces.

During the reporting period we were able to complete the purchase of the remaining 40 per cent of Rural Bank. This provides greater earnings diversity for our group, and valuable exposure to an industry which expects strong growth and high agricultural commodity prices to continue in the medium term.

While the human costs of the recent natural disasters across Australia have been extraordinary, the effect on credit quality in both our rural and residential mortgage portfolios is expected to be relatively minor and short-lived, as markets reopen and the significant rebuilding and investment program begins.

At this time I would like to thank our staff, partners and customers for their efforts in helping their fellow Australian's through these recent disasters. Together with Bendigo and Adelaide Bank's philanthropic arm, Community Enterprise Foundation<sup>™</sup>, they have raised more than \$2.25 million for victims of Australia's recent natural disasters – including the Queensland and Victorian floods, Cyclone Yasi, and bushfires in Western Australia.

The outlook for the Australian economy remains sound, but there are still significant headwinds and uncertainty for Australian banks. We expect there will be some volatility in trading conditions for the coming six months, particularly as wholesale funding markets remain challenging and the longer term effects of the recent natural disasters begin to be felt.

Notwithstanding this, shareholders in Bendigo and Adelaide Bank have reason to be positive for the future. There is a sustainable bank with a simple and low-risk business model that will continue to focus on meeting the needs of the customers, partners and communities that it serves.

**Mike Hirst**  
Managing Director



Bendigo and Adelaide Bank  
Managing Director, Mike Hirst.

## \$162.1m

Cash earnings

## \$173.9m

Profit after tax

## NIM 2.15%

Increased from 2.14%

## 44.7 cents

Cash earnings per share

## 30 cents

Interim dividend (fully franked)

## 31 March 2011

Interim dividend distribution date

## Strength of **Community Bank**<sup>®</sup> model reaffirmed

In late February, Bendigo and Adelaide Bank completed a review of its **Community Bank**<sup>®</sup> financial model, which reaffirmed the success, strength and potential of the banking initiative.

The review examined how the model has performed since its inception in 1998 and assessed how relevant the mechanics of the model are, given all the structural change that has occurred over time, including the impact of the Global Financial Crisis.

The internal review, conducted with the oversight of a representative board of Australia's 270 **Community Bank**<sup>®</sup> branches concluded:

- > The model, in which communities own and operate franchised Bendigo Bank branches, had assisted communities achieve the broad range of outcomes they sought to achieve by partnering with the bank. These range from simply returning banking services to the community, through to actively building the community's balance sheet by aggregating the banking business within a community.
- > The fundamental principles on which the **Community Bank**<sup>®</sup> model was established were sound and relevant – including equal responsibility and equal income share for the bank and each of its partners.
- > There are impacts on the revenue mechanisms as a result of structural changes in the industry but, in the main, the model has stood up well to the stresses imposed by the GFC.

Managing Director Mike Hirst noted, while the GFC had no impact on the responsibilities of each of the partners in the **Community Bank**<sup>®</sup> network, it did result in a lasting change to margins on some core banking products.

"This has resulted in the income share being tilted in favour of our community partners and following discussions with the **Community Bank**<sup>®</sup> Strategic Advisory Board, and an independent review of the income sharing arrangements, we are moving to restore the income share back to the 50/50 principle which has always underpinned the model."

Mr Hirst said some commission payments to **Community Bank**<sup>®</sup> companies would be reduced to rebalance the income over the next two years.

"In late February, we held talks with more than 500 **Community Bank**<sup>®</sup> directors to explain the change and how it will be implemented, and we believe the changes will continue to see the model well-positioned to enhance the prospects of local communities."

Mr Hirst said addressing the imbalance places both the bank, and **Community Bank**<sup>®</sup> companies alike, in the best possible position to maintain growth.

For more information on the **Community Bank**<sup>®</sup> model or to view success stories from communities with a **Community Bank**<sup>®</sup> branch, go to [www.bendigobank.com.au](http://www.bendigobank.com.au) and click on the Community web pages.

## \$50 million returned to local communities

The **Community Bank**<sup>®</sup> network celebrated a significant milestone at the end of 2010, returning \$51.2 million in profits to support local communities.

The **Community Bank**<sup>®</sup> initiative was initially created in 1998 to return banking services to communities at a time when Australia's major banks were closing branches to reduce costs. However the **Community Bank**<sup>®</sup> initiative now represents much more.

The **Community Bank**<sup>®</sup> model has empowered communities, giving them a revenue stream to support local initiatives and organisations, and this has driven significant growth with the network expanding to 270 branches.

On average more than 20 new **Community Bank**<sup>®</sup> branches open every year, and this growth has largely driven the expansion of the Bendigo Bank branch network, which has accounted for just over 20 percent of all new branch openings in Australia between 2005 and 2010<sup>1</sup>.

In addition to this, the network has created more than 1340 jobs and generated a recurrent expenditure each year in excess of \$30 million to boost local economies.

1 ADI Points of Presence, Australian Prudential Regulation Authority, June 2005 and June 2010.



The Dunkeld community celebrates the opening of its local branch on 8 February. The Dunkeld **Community Bank**<sup>®</sup> Branch is the 267th branch to open since the network's inception in 1998.



## Save lives every time you go shopping

In October 2005, Bendigo Bank formed a partnership with the RSPCA to help save the lives of homeless animals through the national Adoptapet program. By simply shopping with an RSPCA Rescue Visa Card our customers have raised more than \$830,000 and saved the lives of almost 130,000 animals.

Each time a Rescue Visa is used, Bendigo Bank makes a payment to the RSPCA based on a percentage of the total spend, and each customer agrees to make a tax-deductible \$3 per month donation to the program.

To sign up for a Rescue Visa Card visit any Bendigo Bank Branch, or for more information go to [www.adoptapet.com.au](http://www.adoptapet.com.au) or to make a donation to the RSPCA, please visit [www.rspca.org.au](http://www.rspca.org.au)

## Responding to natural disasters

In the past four months, Australia has experienced a spate of natural disasters, including severe flooding, cyclones and bushfires. These disasters have resulted in widespread damage to homes, businesses and community facilities in communities across the country.

In response, Bendigo and Adelaide Bank's philanthropic arm, Community Enterprise Foundation™, launched a number of appeals to help fund relief, recovery and reconstruction projects in affected communities.

- Queensland Flood Appeal – **\$1,566,482**
- North Burnet Flood Appeal – **\$5,895**
- Ipswich Flood appeal – **\$38,333**
- Victorian Flood Appeal – **\$352,314**
- Charlton Flood Appeal – **\$55,926**
- Rochester Flood Appeal – **\$32,104**
- Cyclone Yasi Appeal – **\$20,556**
- Roleystone Kelmscott Bushfire Appeal – **\$30,529**
- Carnarvon Mid-West Flood Appeal – **\$49,588**
- Waroona Lake Clifton Bushfire Appeal – **\$86,714**
- Elders Rural Flood Appeal – **\$291,196**

Donations can still be made at any Bendigo Bank branch or online at [www.bendigobank.com.au/foundation](http://www.bendigobank.com.au/foundation). Donations of \$2 or more are tax deductible.



## New Sydney office opens

Bendigo and Adelaide Bank continues to grow its presence in Sydney, consolidating 200 staff from three locations into one main office in Pitt Street. The new Sydney hub called for a design that supported teamwork and enhanced collaboration. Watermark Architecture created an open plan layout with a strong focus on natural light and a staircase – illuminated by a light blade wall that changes colour to create a vibrant centrepiece.



## PlanBig celebrates birthday with a win

In just one year, PlanBig – an online resource aimed at connecting like-minded individuals to bring ideas and plans into reality – has seen some incredible successes stories generated through the web site.

PlanBig is an initiative of the bank and is our 21st Century iteration of community engagement. Some of the many plans include three boys and a chicken that are raising a million dollars for charity and a group of drama students from a disadvantaged community who have been able to visit the theatre for the first time.

The success of PlanBig was recently recognised with the Financial Insights Innovation Award (FIIA) for Excellence in Banking 2.0. For more information go to [www.planbig.com.au](http://www.planbig.com.au).



## Supporting the next generation

Twenty-eight students from regional Australia (pictured with Chairman, Robert Johanson) have been awarded a Bendigo and Adelaide Bank Scholarship this year, almost double 2010 scholarship recipient numbers.

The scholarship awards academically outstanding yet financially disadvantaged rural and regional students who have been offered a full-time place at an Australian university or college campus.

Bendigo and Adelaide Bank Chairman, Robert Johanson, said 15 new students were awarded this year, with 13 previous recipients awarded the scholarship in 2011.

“We want to make a difference to disadvantaged regional students who would not be able to continue their education due to the huge accommodation and study costs of living away from home, or whose families would find it very difficult to support their tertiary studies,” Mr Johanson said.

For a full listing of all students receiving a Bendigo and Adelaide bank scholarship in 2011, please visit [www.bendigoadelaide.com.au](http://www.bendigoadelaide.com.au).



## Do you have a question of the Board?

Shareholders are invited to ask questions about the Company and the Board by visiting [www.bendigoadelaide.com.au/public/shareholders](http://www.bendigoadelaide.com.au/public/shareholders) and filling in the online form.

## Student account launched

Bendigo Bank has launched its new Student Account to help students take charge of their financial future and save on bank fees. The new account offers students easy to understand and affordable banking with services that fit into their busy lifestyle

The student account is available to full-time students aged 12 years and older and features:

- > A full transaction account rebate – which means students pay nothing to deposit or withdraw cash at a Bendigo Bank branch or ATM or to use EFTPOS and internet banking.
- > A Bendigo EasyMoney card – which provides students aged 12 to 18 with easy access to their funds when and where they need it.
- > A Bendigo Blue Visa Debit Card – that enables students over the age of 18 to shop and pay bills online, over the phone or in person.
- > Internet and mobile banking – to make banking easier for busy students over the age of 16.
- > Regular statements – that help students keep track of their money.
- > A competitive interest rate – that increases the more the student saves.

For further information about the Bendigo Bank Student Account, visit your local Bendigo Bank branch.



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**Bendigo and  
Adelaide Bank**