

# 2005 profit announcement

# Agenda

**Craig Langford** Chief Financial Officer

**Mike Hirst** Chief General Manager Solutions & Strategy

**Greg Gillett** Chief General Manager Retail

**Rob Hunt** Managing Director

**The result**

**The strategy**

**The progress**

**The prospects**

# The result

**Craig Langford** Chief Financial Officer

# Performance summary

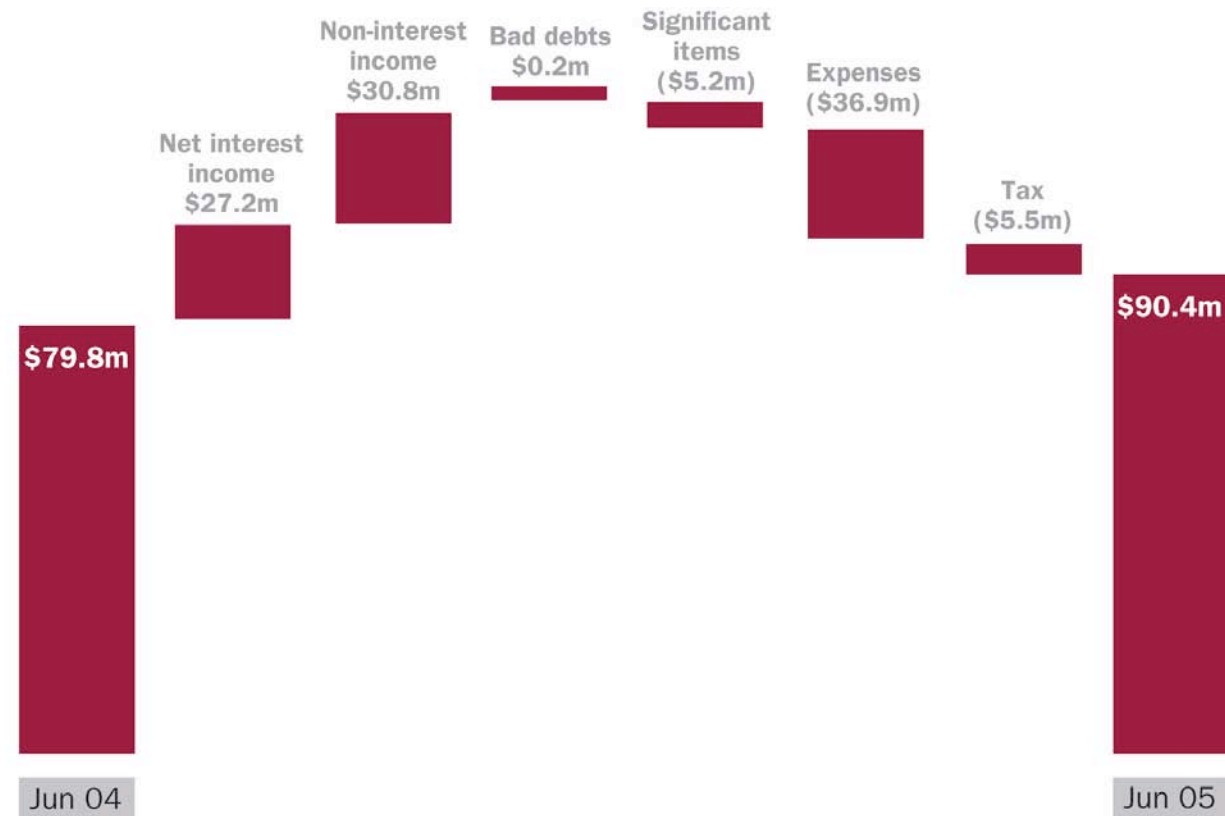
	Jun 04	Jun 05	Change
Underlying Earnings	\$125.0m	\$146.4m	17.1%
Profit before significant items	\$73.2m	\$87.4m	19.4%
Profit after significant items	\$79.8m	\$90.4m	13.3%
Loans under management	\$11,255m	\$12,866m	14.3%
Cash earnings per share	58.5 cents	65.6 cents	12.1%
Dividends – total	40.0 cents	45.0 cents	12.5%
Dividend – final	23.0 cents	26.0 cents	13.0%

# Significant items

	A\$ Millions
Sale of IOOF shares (16% of holding)	3.5
Additional payments relating to 2004 sale of Cashcard shares	0.7
Sale of BSX shares + cessation of equity accounting	0.9
Bank account debits tax (correction of underpayment)	(3.4)
Profit on sale of properties	1.3
Total	3.0

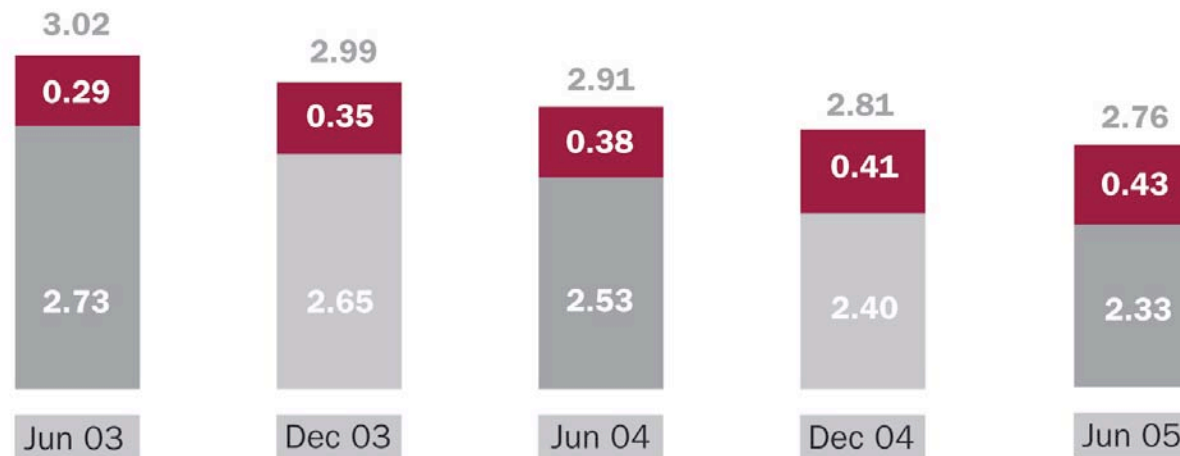
# Profit performance

A\$ Millions



# Interest margin

%

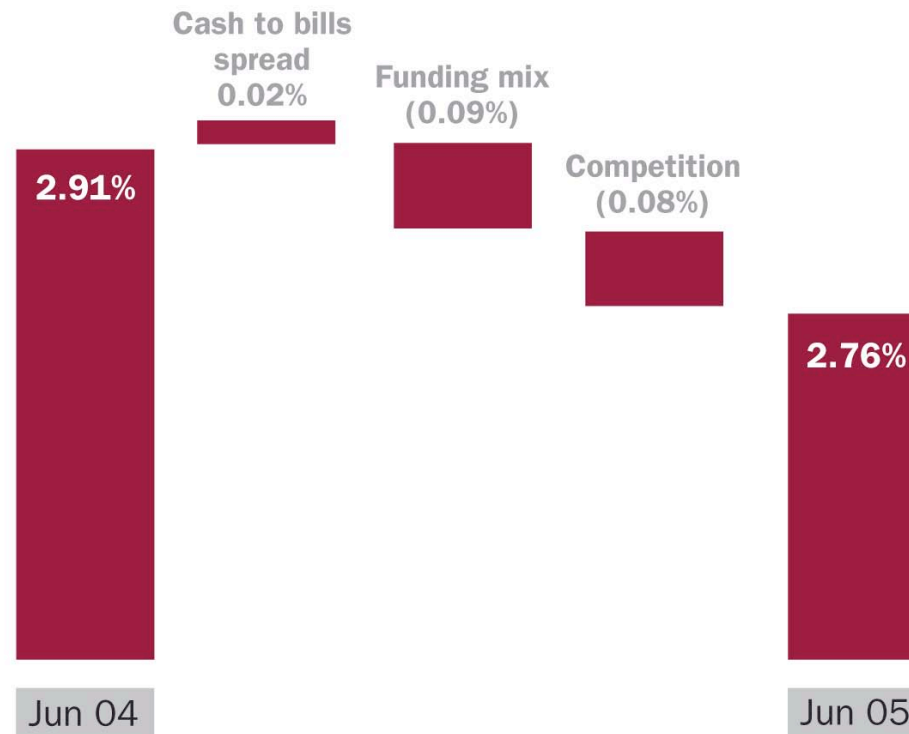


Net interest margin

Community Bank & Alliances

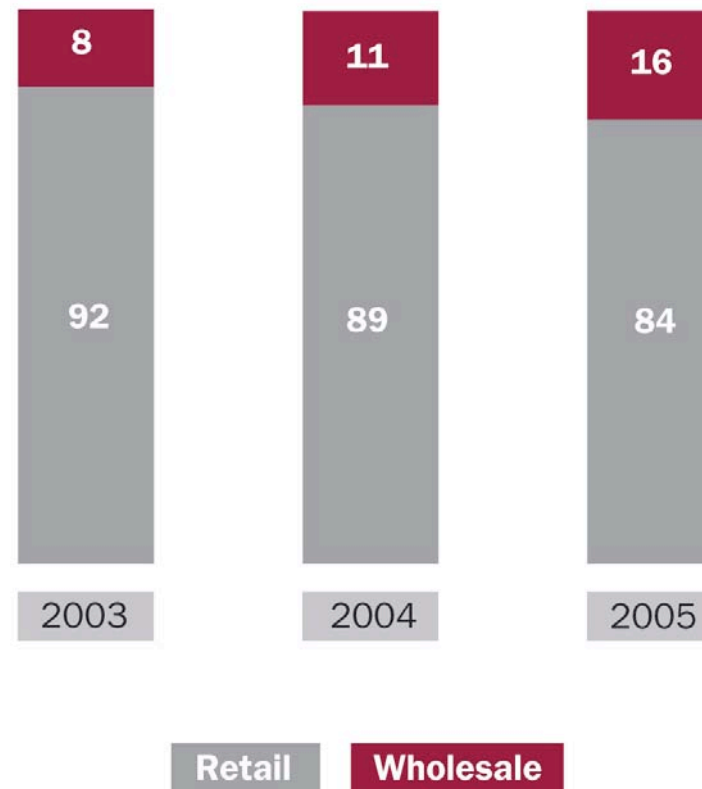
# Analysis of interest margin

%



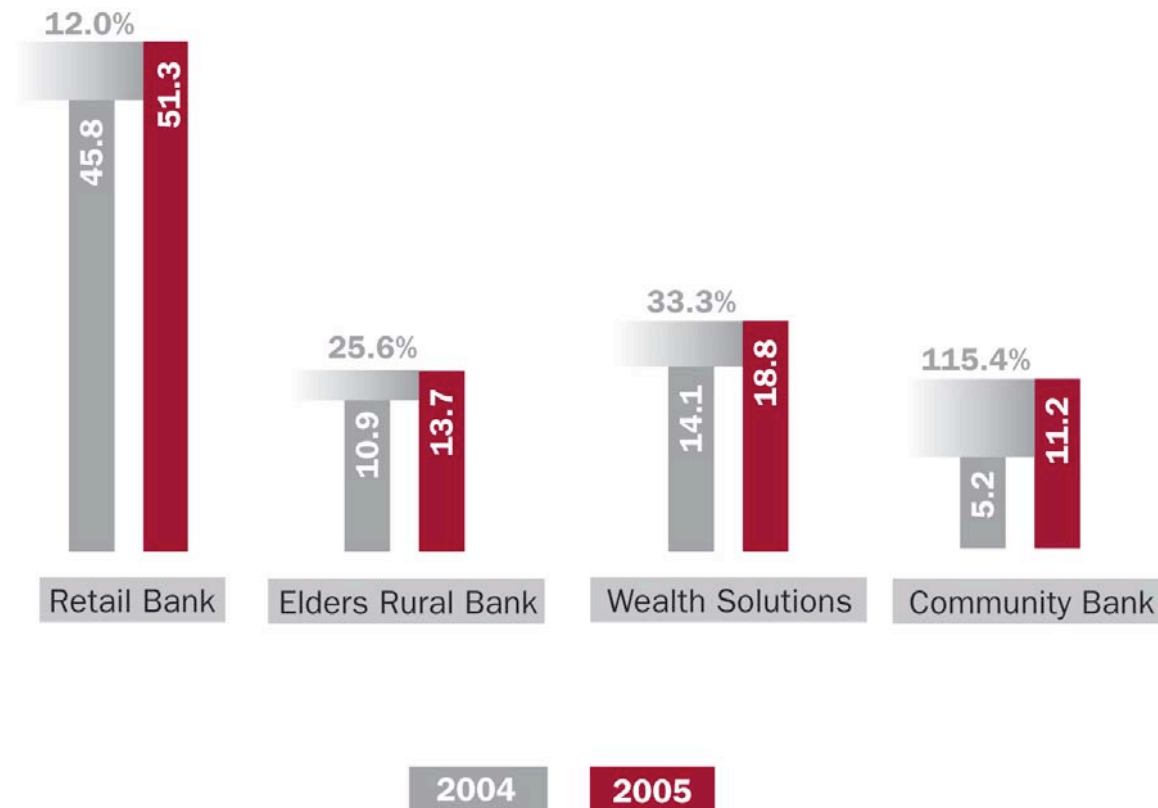
# Bank deposit base

%

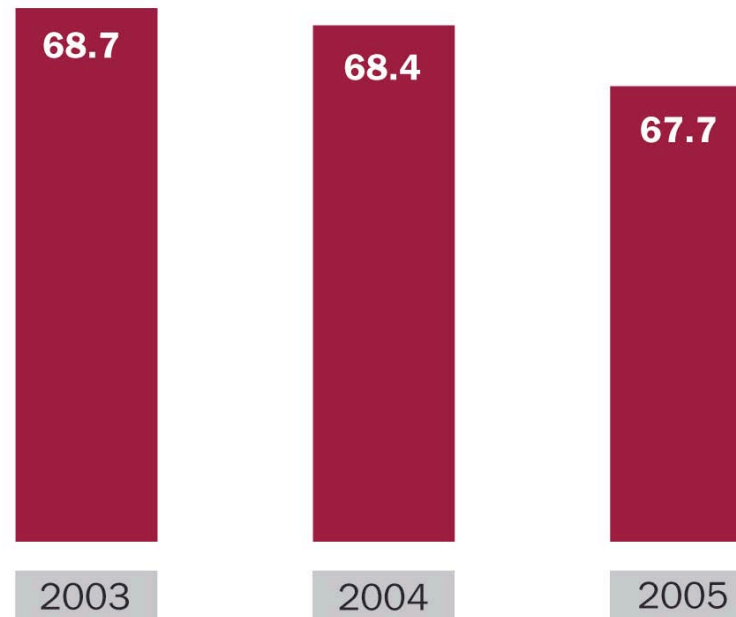


# Profit contributions

A\$ Millions

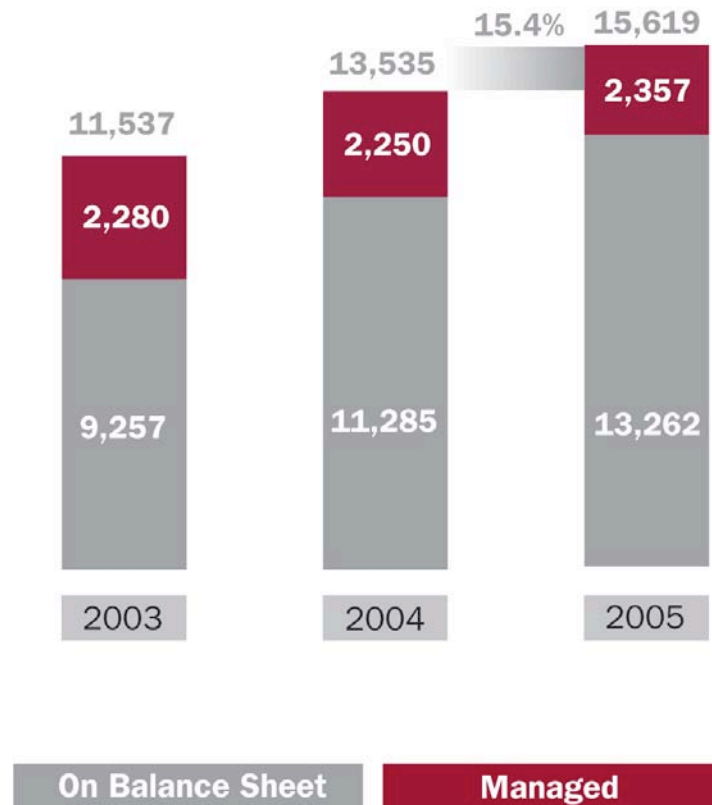


# Efficiency ratio: Operating expense/income %



# Total Group-managed assets

A\$ Millions

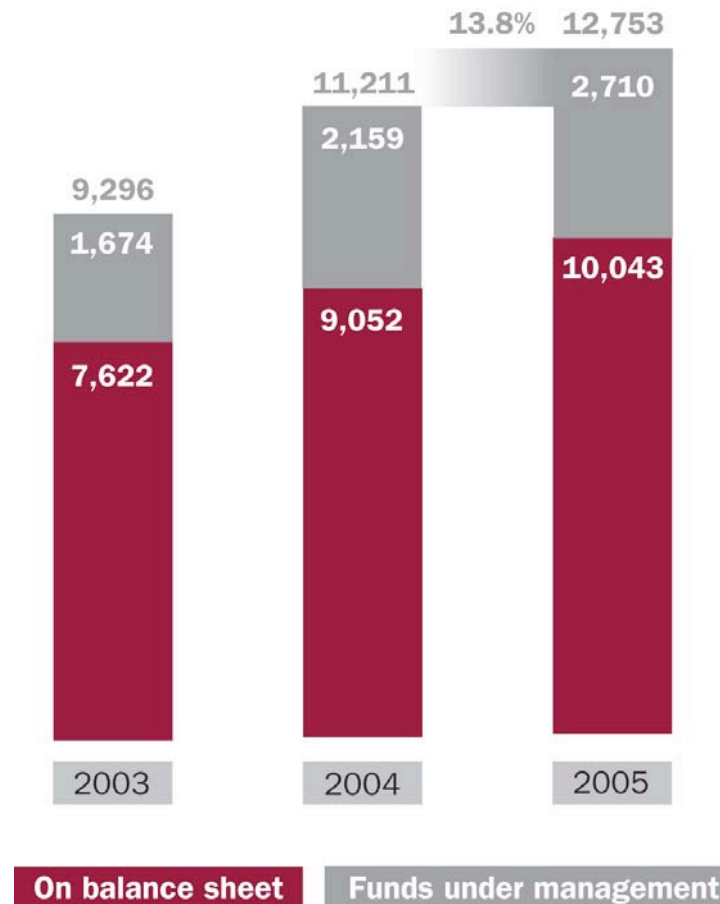


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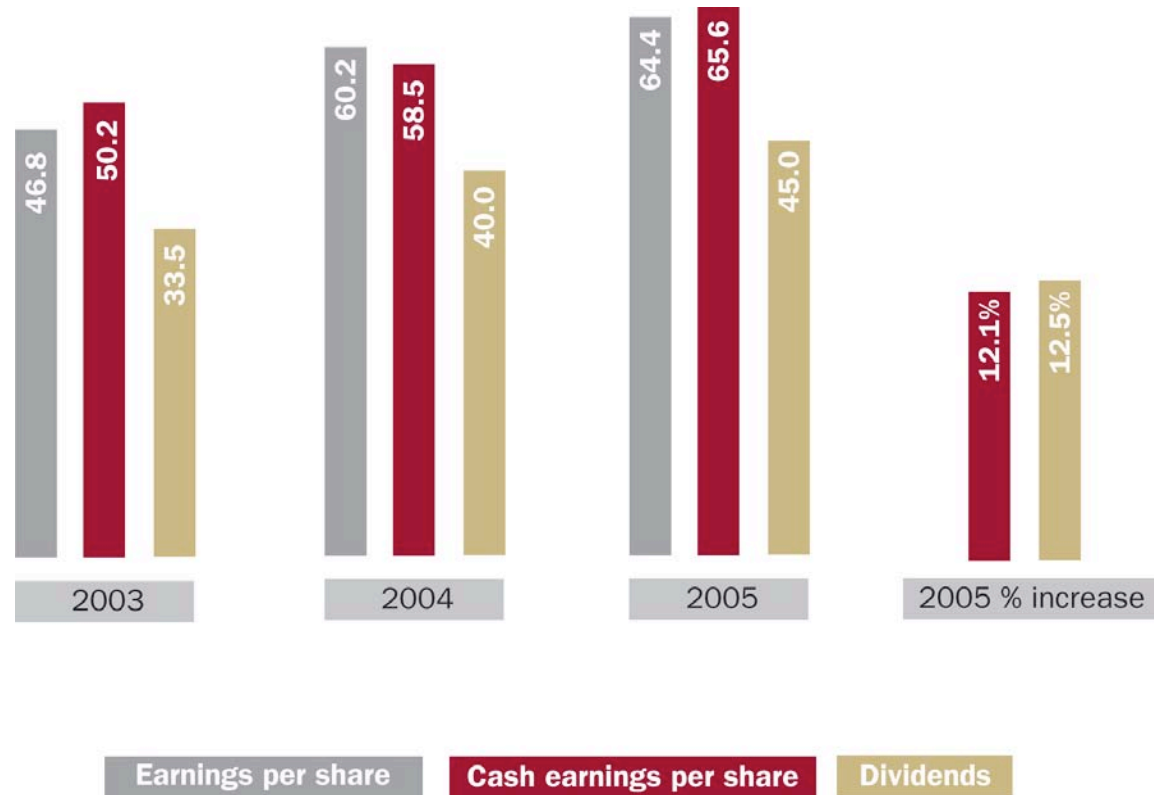
# Retail funds

A\$ Millions



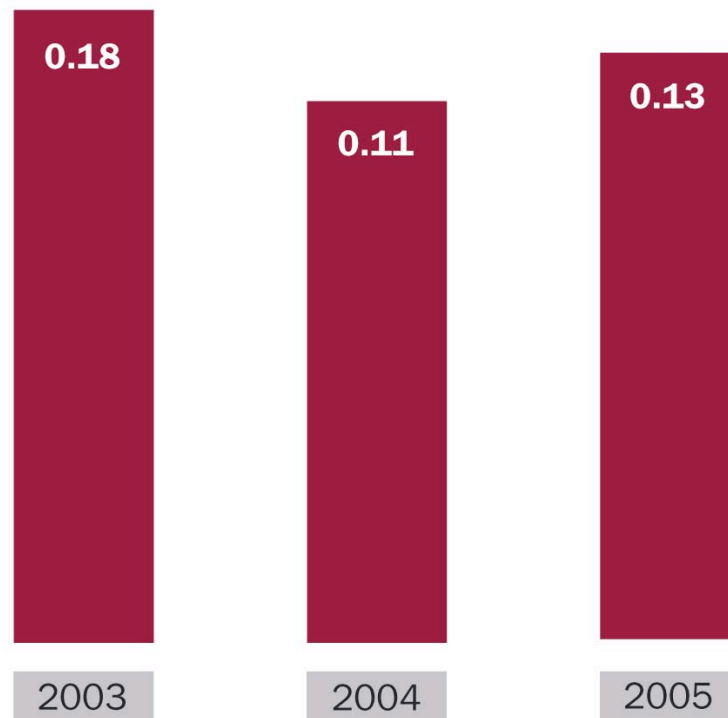
# Shareholder returns

Cents



# Asset quality: impaired loans/total assets

%



General provisions maintained at 0.79% of risk-weighted assets

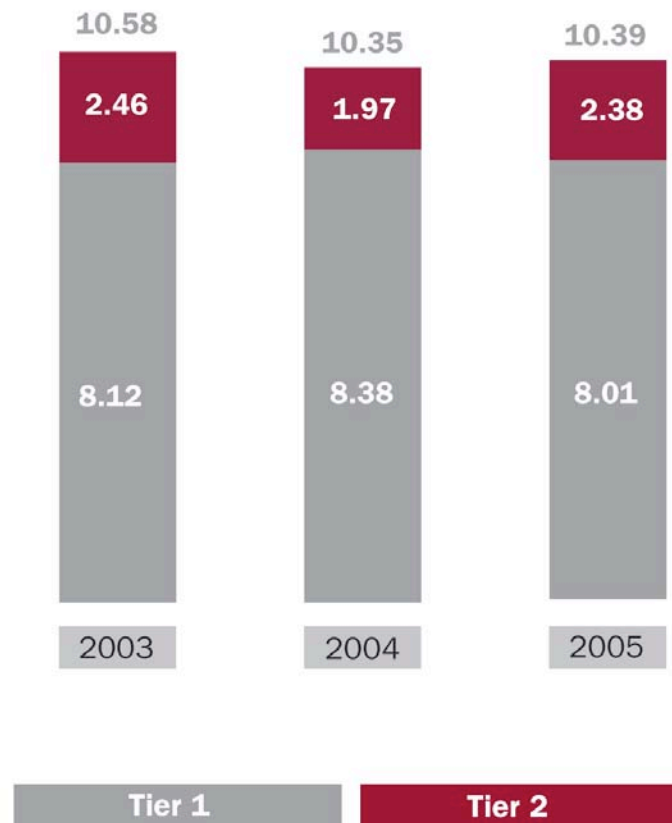
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# Capital adequacy

%



# IFRS

No material changes to cashflows or ability to pay dividends

Goodwill no longer amortised, but subject to annual impairment testing

Securitisation SPVs to be consolidated

Equity investments currently carried at cost will be carried at fair value

Detailed analysis available from the website

# The strategy

**Mike Hirst** Chief General Manager Solutions & Strategy

# Bendigo's strategy

A financial solutions distribution business:

- offering a premium service
- providing a high value proposition; not price led
- building relationships with consumers, SME's and partners
- engaging with communities to enhance their prospects

# Bendigo's strategy

The past four years have seen continual investment in:

- Physical and online networks
- Product capability
- Brand and positioning

The above has generated a significant opportunity given growth in customers, footprint and product offering.

# Bendigo's strategy

Focus over the medium term on:

- Continuing to diversify the Bank's earnings base
- Converting our brand strength into business with potential customers
- Maximising balance sheet efficiency
- Developing the prospects of our customers and their communities

A branded retail strategy

# The progress

**Greg Gillett** Chief General Manager Retail

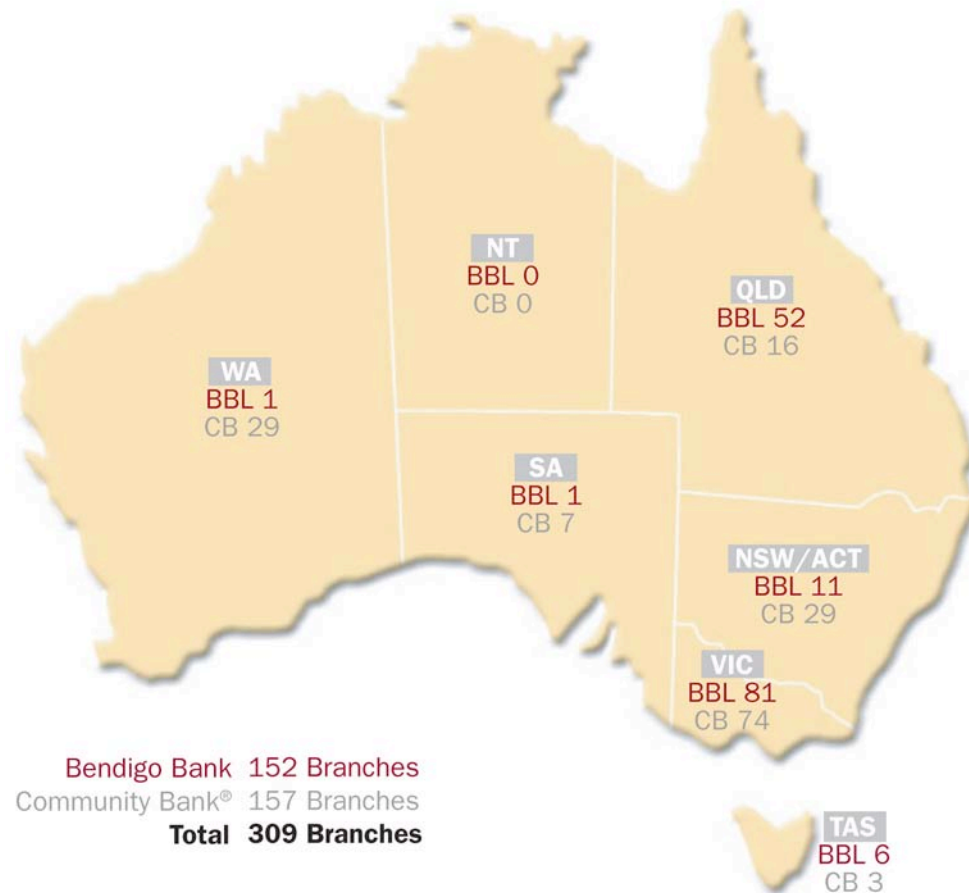
# Our branch network has grown considerably since 1998

In 1998 we operated 74 company owned branches – 50 in regional Victoria and southern New South Wales, and 21 in metropolitan Melbourne.

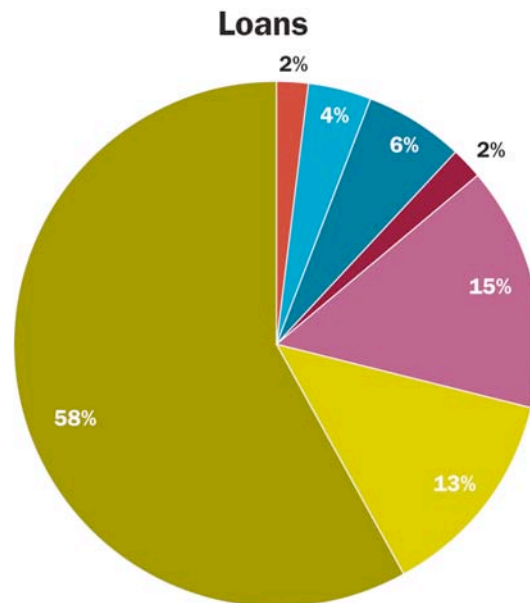
The first Community Bank<sup>®</sup> branches were opened in the Victorian Wimmera townships of Rupanyup and Minyip.

# We have a growing presence in all States

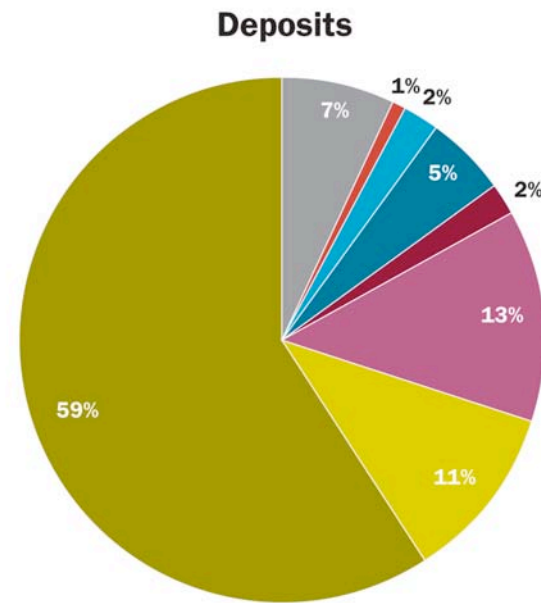
The Bendigo network in 2005



# Balanced growth in new markets

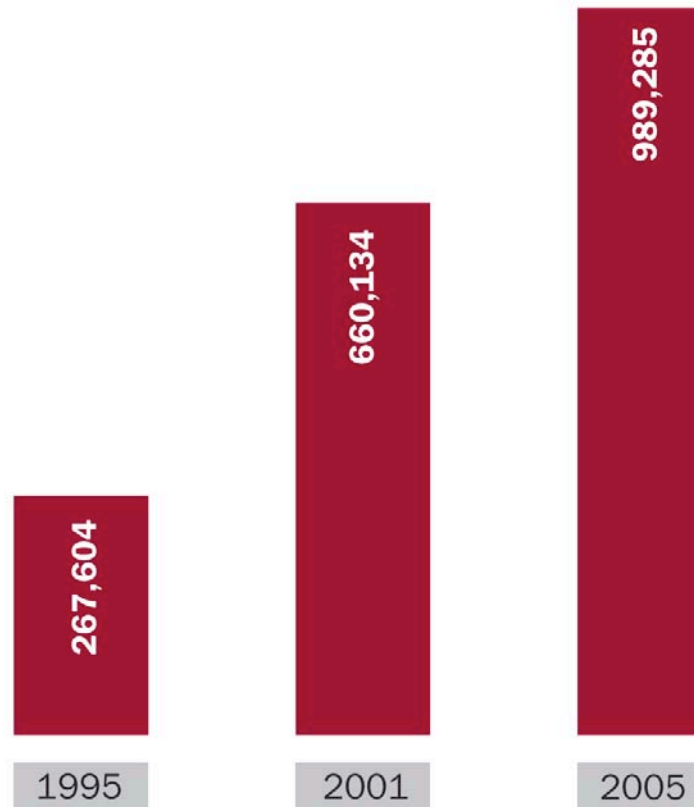


VIC  
NSW  
QLD  
SA  
WA  
TAS  
ACT



VIC  
NSW  
QLD  
SA  
WA  
TAS  
ACT  
Off-shore

# Bendigo has grown its customer base



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# Growth will continue

- 30 new Community Banks®
- 5 new company owned branches
- 35% of all branches are < 3 years old
- 70% of the 35 new branches opening in 2006 will be outside Victoria

# With willing, engaged partners

- 1,148 Community Bank<sup>®</sup> Directors
- 43,961 Community Bank<sup>®</sup> shareholders
- 777 Community Bank<sup>®</sup> staff
- \$3 million paid to Community Bank<sup>®</sup> shareholders
- \$3 million community sponsorship, donations and investments made from local Community Bank<sup>®</sup> profits

These are our partners, helping to run our business



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# Customer satisfaction continues to grow

Bendigo Bank topped the Nielsen "customer recommendation" ratings for the March 2005 quarter, with 92% of our satisfied customers happy to recommend us to others.

Quantum Research Customer Satisfaction Survey – July 2005.

- 48% advocacy rating
- average satisfaction rating 8.2 out of 10 (up from 8.0 in 2002)
- 43% likely to take up other accounts in the next 12 months
- 93% welcome relevant product offers

Major advertising and communications program.

# The prospects

*Our 'bank' journey,  
performance and the future*

**Rob Hunt** Group Managing Director

# Journey since bank conversion 1995

Strategy has been consistent

Major elements of business

- distribution
- product range - manufactured & imported
- technology
- balance sheet and risk

Set out to improve each element of the business

Primary concentration on

- distribution (74 to 309 branches)
- customer acquisition
- expansion of product range
- expansion of skill base

# Journey since bank conversion 1995

We considered

- history and perception of banks  
(opportunity to create a unique style of banking)
- our strengths (had to be strategy we could successfully implement)
- organisational structure required to improve retailing success

We have

- improved connection with customer
- produced solid growth rate (50% in past 3 years)
- expensed development and expansion cost

# Strategy and business

## *‘Branded retail strategy’*

Value strategy – not a price/volume strategy

Reduced dependence on “sector” or product performance

Maintained prudent approach and strong risk management

Made substantial investment in:

- wealth management services
- business banking expansion
- financial advisory services across the network
- community activities to ensure ongoing relevance

# Strategy and business

A strategy that is:

Committed to customer and communities

- it produces greater commitment to buy and stay
- it confirms our ongoing relevance

Committed to branches

- increases revenues per customer
- facilitates effective distribution of Wealth Management
- confirms customer/community focus
- reinforces brand and positioning (important to our retail strategy)

# Strategy and business

The business is:

Producing solid customer satisfaction outcomes

Strengthening connection with customers

Broadening distribution through alliances and joint ventures

*In retail distribution – brand, reputation and customer relationships matter.*

*We are producing reliable growth in revenues.*

# The result

Good progression in underlying result

Solid improvement in NPAT (before significant items)

Strong contribution from all divisions  
(especially growth in contribution from newer initiatives)

- Community Bank®
- Wealth Solutions (incorporating Sandhurst Trustees)
- Elders Rural Bank JV
- Tasmanian Banking Services JV

# The result

Interest margin reflects value of brand (2.76%)

Growth in profit

- in line with growth in customers and business volumes

Committed to strategy

- it will produce sustainable growth in shareholder value

*Growth is the outcome of strategy – not the strategy.*

# Our ongoing progress

Diversity in revenue

Increased distribution capability

Grown assets and liabilities in all interstate markets

Approaching one million customers

BBL Revenue Diversification  
Net interest margin & non interest income  
(excluding significant items)



Net interest margin

Other income\*

\*includes Wealth Management Division & share of associates' eg ERB, TBS, CSB net profits (losses)

# Future and prospects

Strong demand for Bendigo brand

Continue distribution network expansion (35 branches in 2006)

Improve relationships with existing and new customers (plus grow customer base)

Grow wealth management and business banking contributions

Improve JV and alliance contributions

Improve operating efficiency while continuing to expense expansion costs

Expect Community Bank® contribution to continue strong growth

Successful implementation of strategy produces natural triple bottom line outcomes

Expect continued improvement in shareholder value

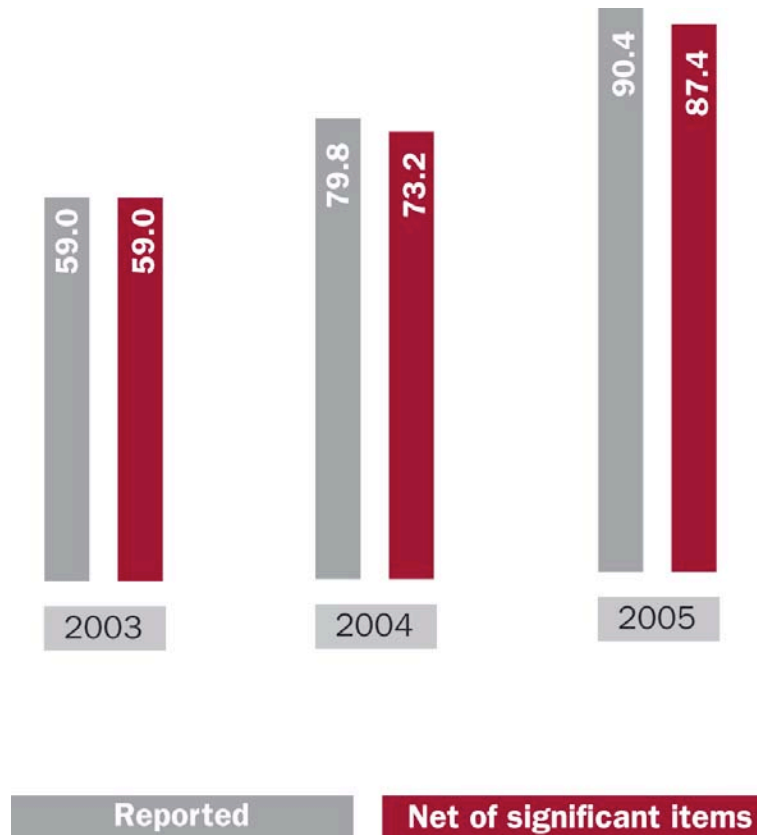
*Earnings guidance.*

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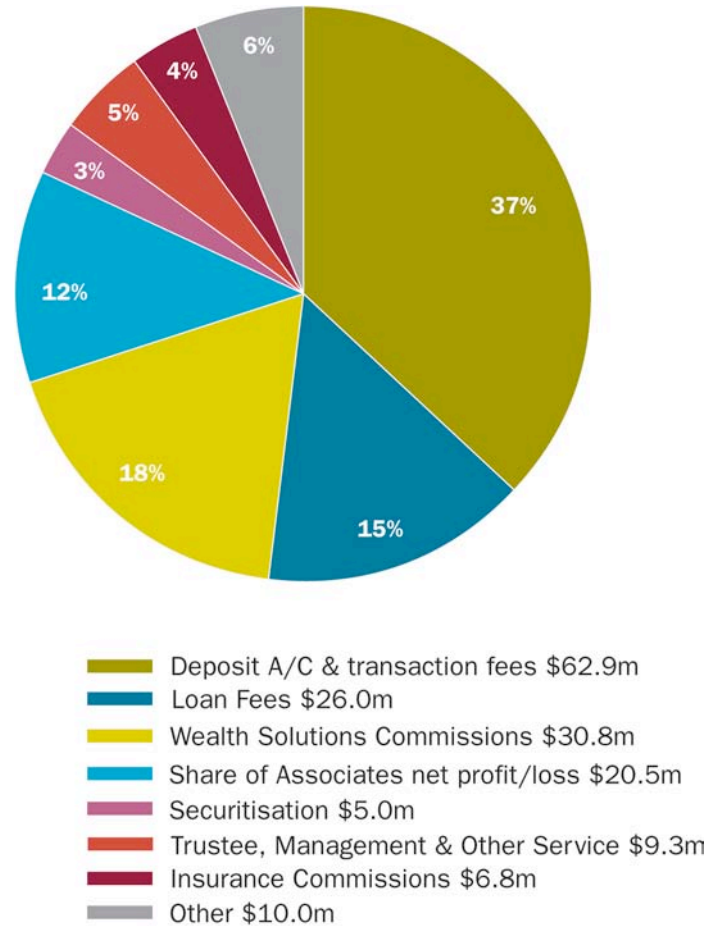
# Additional information

# Operating profit after tax

A\$ Millions

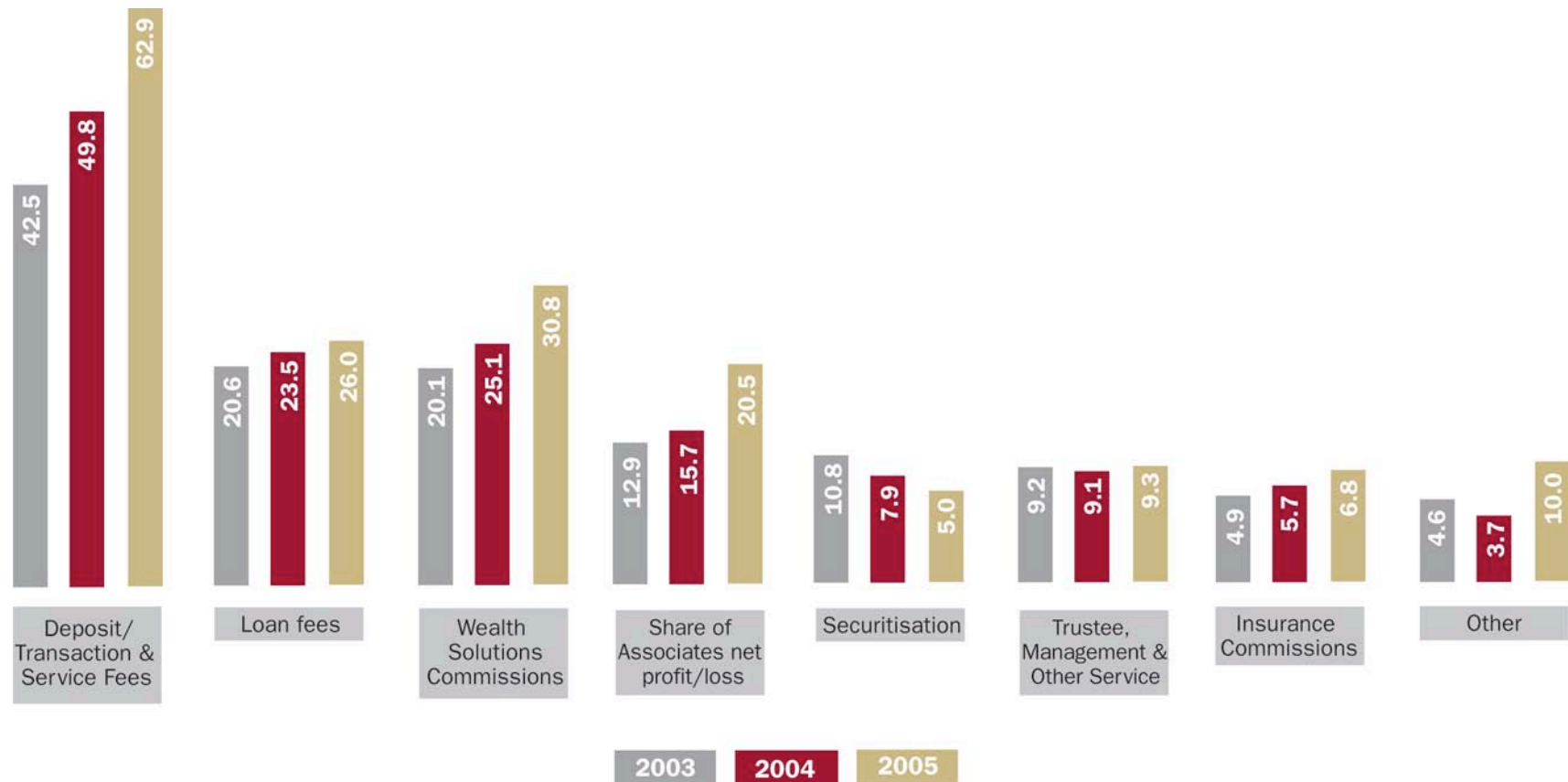


# Non interest income

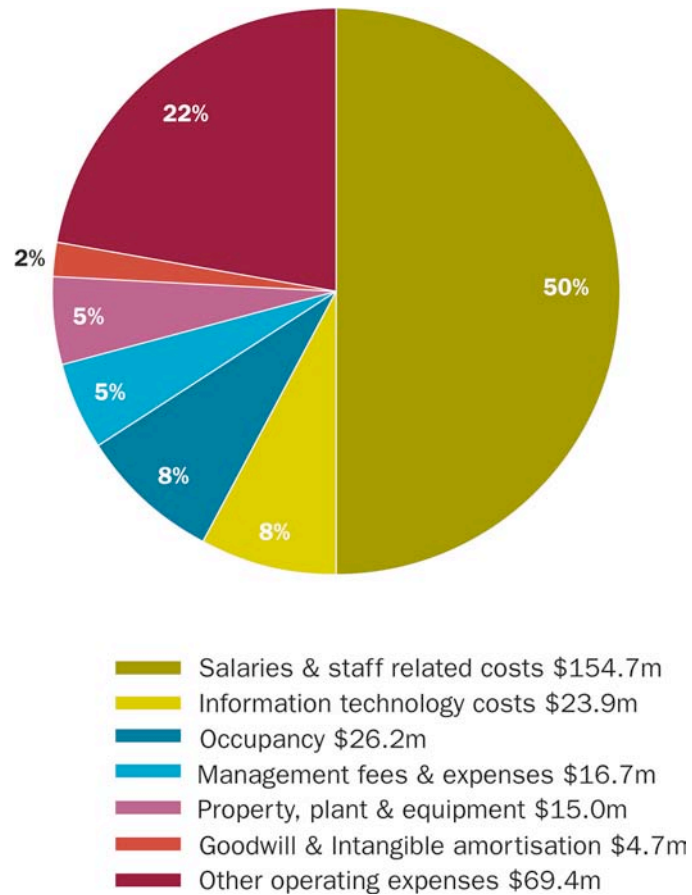


# Non interest income

A\$ Millions

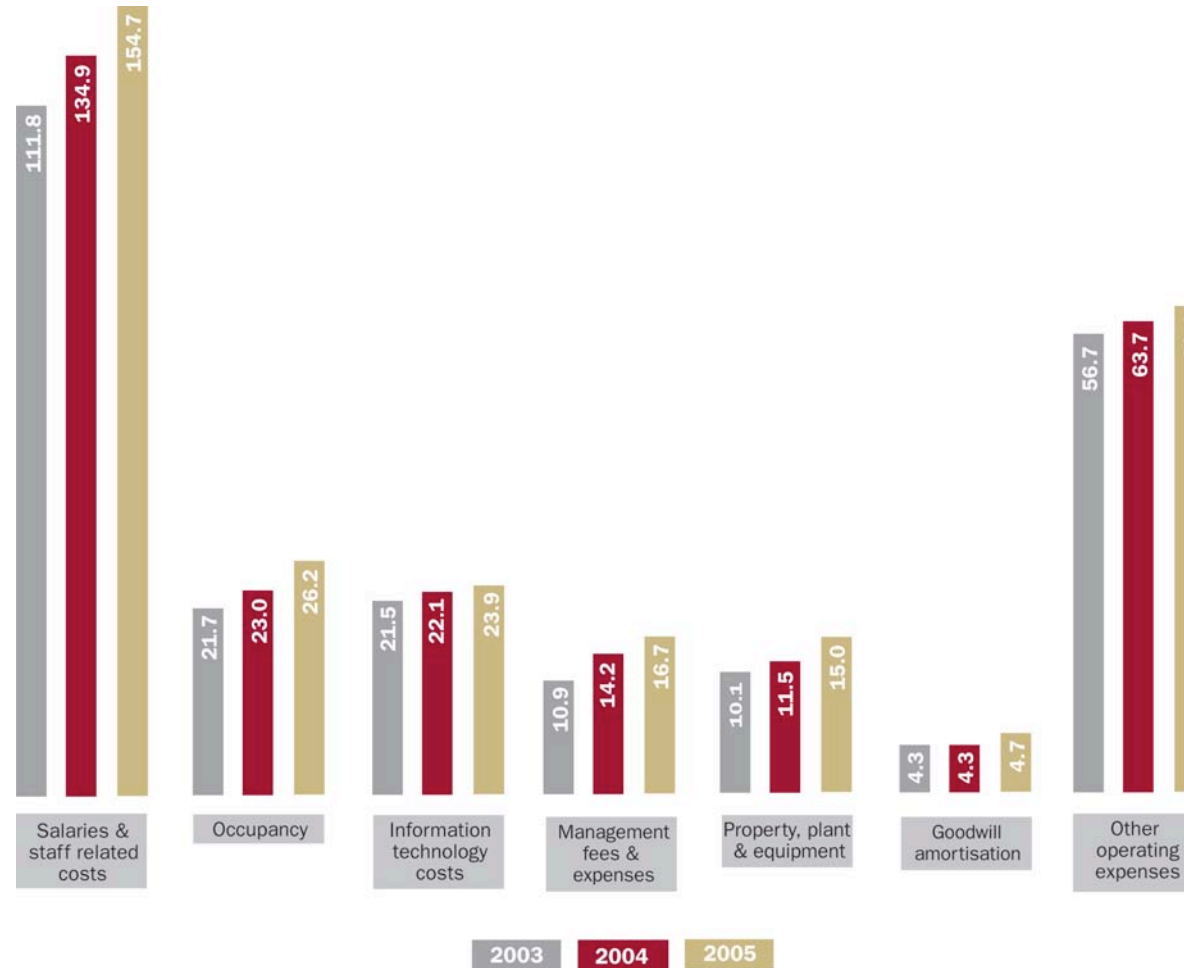


# Operating expenses



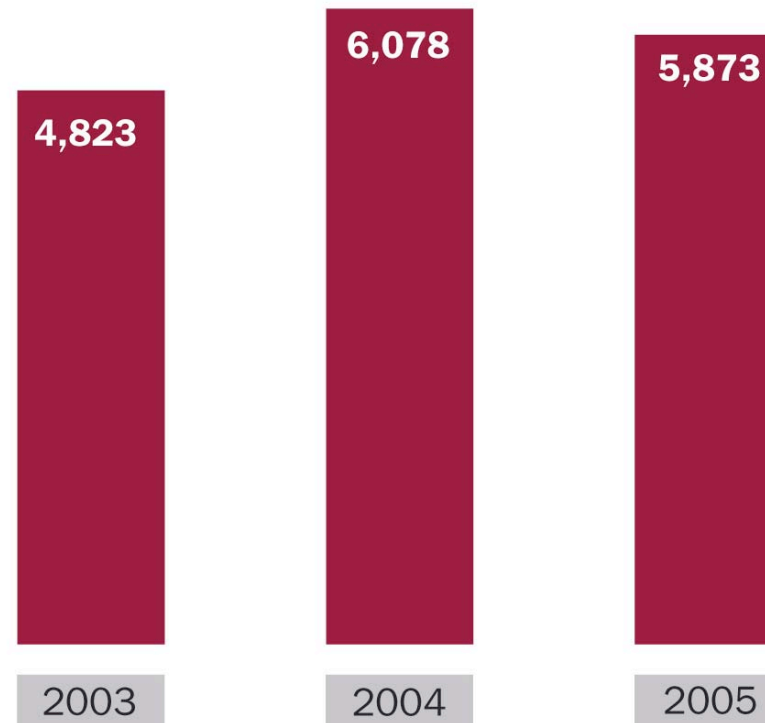
# Operating expenses

A\$ Millions



# Lending approvals

A\$ Millions



Group loans under management increased by \$1,610 to \$12,866.

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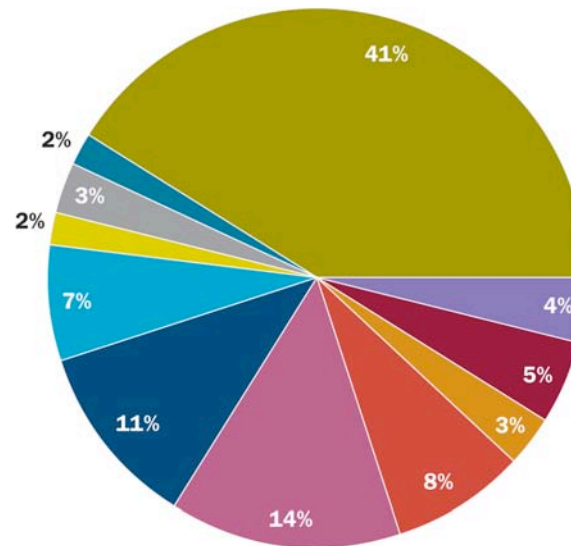


# Funds under management

A\$ Millions	2003	2004	2005
Sandhurst mortgage & cash funds	1,195.2	1,389.2	1,731.9
Sandhurst Industrial Share Fund	272.5	404.1	495.1
Bendigo Superannuation Plan	146.8	185.2	220.4
General Retirement Plan	52.9	60.2	68.2
Bendigo Managed Funds	48.4	94.6	123.7
Other	17.6	25.6	70.4
<b>Total</b>	<b>1,733.4</b>	<b>2,158.9</b>	<b>2,709.7</b>

# Commercial loans

Total A\$2,218.7m



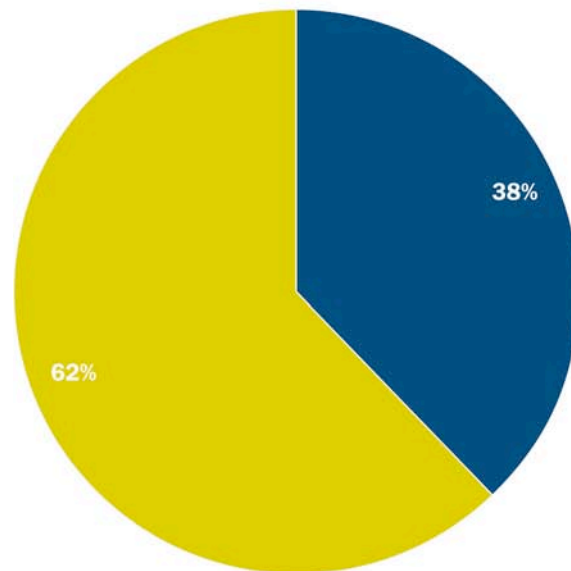
Jun 2005

- Property & business services
- Other
- Wholesale trade
- Manufacturing
- Retail trade
- Transport & storage
- Accom, cafés & restaurants
- Agriculture, forestry & fishing
- Cultural & recreational services
- Health & community service
- Construction

# Loan portfolio

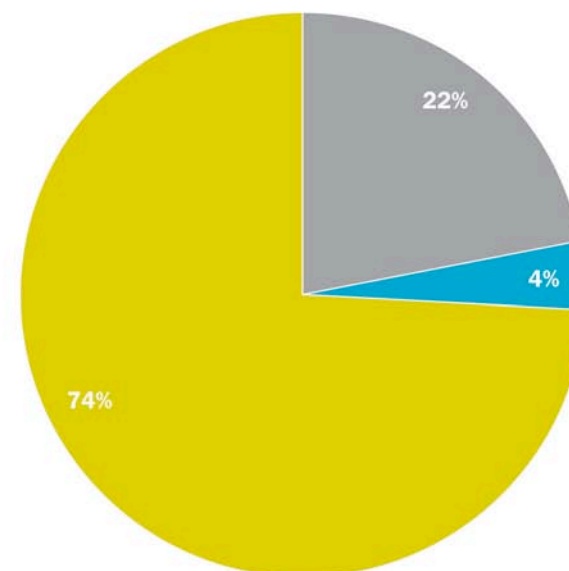
%

**By purpose**



Residential  
Non-residential

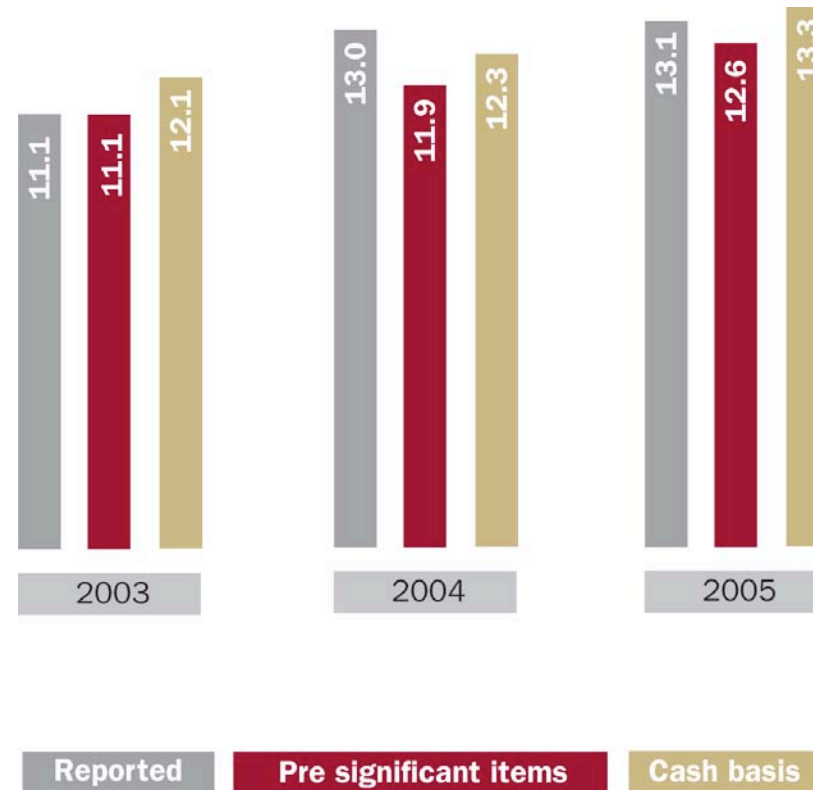
**By security**



Residential  
Commercial  
Unsecured

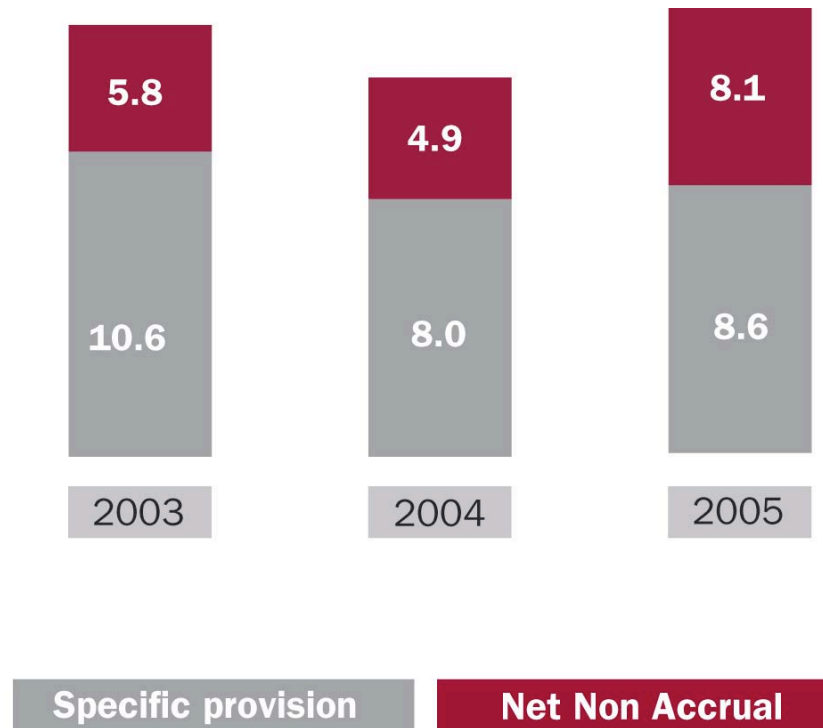
# Return on ordinary equity

%



# Non-accrual loans

A\$ Millions



# Provision for doubtful debts

A\$ Millions

