



12 February 2007  
interim profit announcement

# Agenda

**Craig Langford** Chief Financial Officer

**The result**

**Mike Hirst** Chief Operating Officer

**The next growth phase**

**Rob Hunt** Managing Director

**Brand strategy is  
delivering**

# The result

**Craig Langford** Chief Financial Officer

# Consistent, reliable earnings growth

Profit

A\$ Millions

	Dec 2005	Dec 2006	Change
Underlying earnings	76.8	90.9	18.4%
Dividend (interim) – cents	22.0	24.0	9.1%
<b>Cash basis profit</b>	<b>48.4</b>	<b>55.4</b>	<b>14.5%</b>
<b>Cash earnings per share – cents</b>	<b>34.7</b>	<b>39.0</b>	<b>12.4%</b>

4

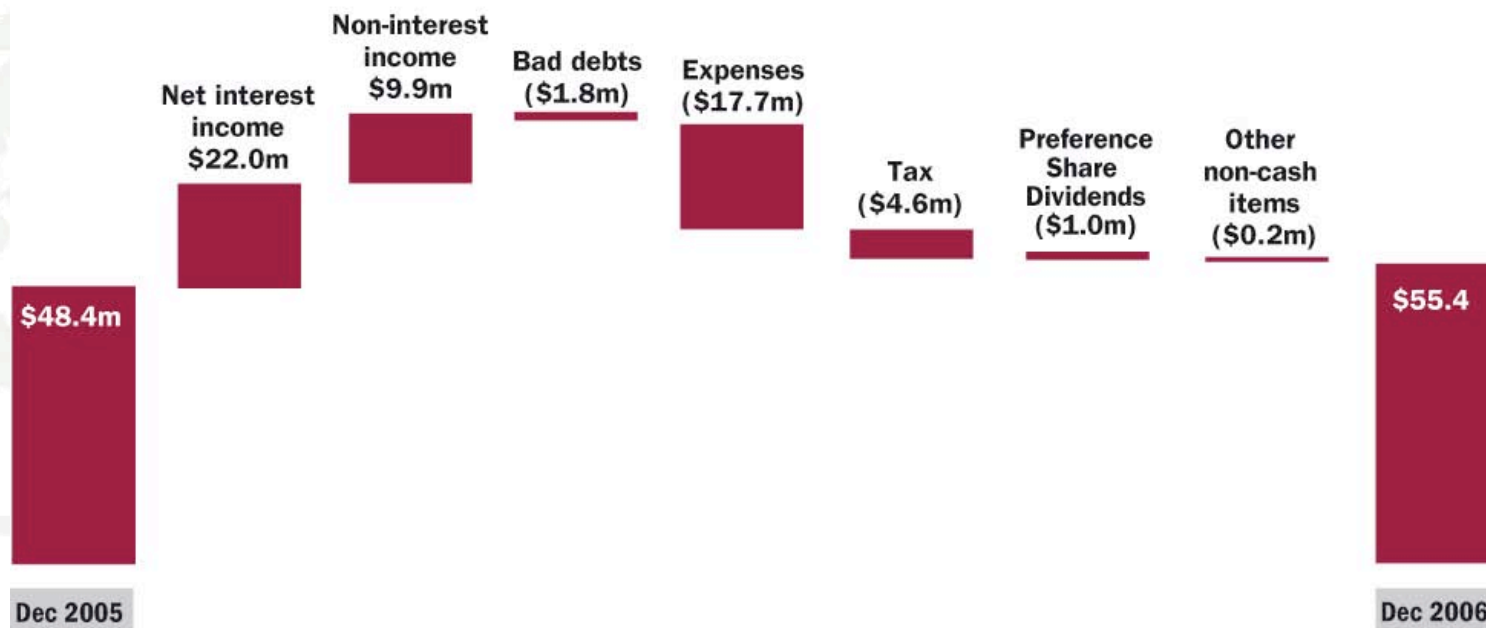
**2007** interim profit announcement



# Profit analysis

Cash basis earnings

A\$ Millions



# Quality earnings - growth at profitable prices

Interest margin

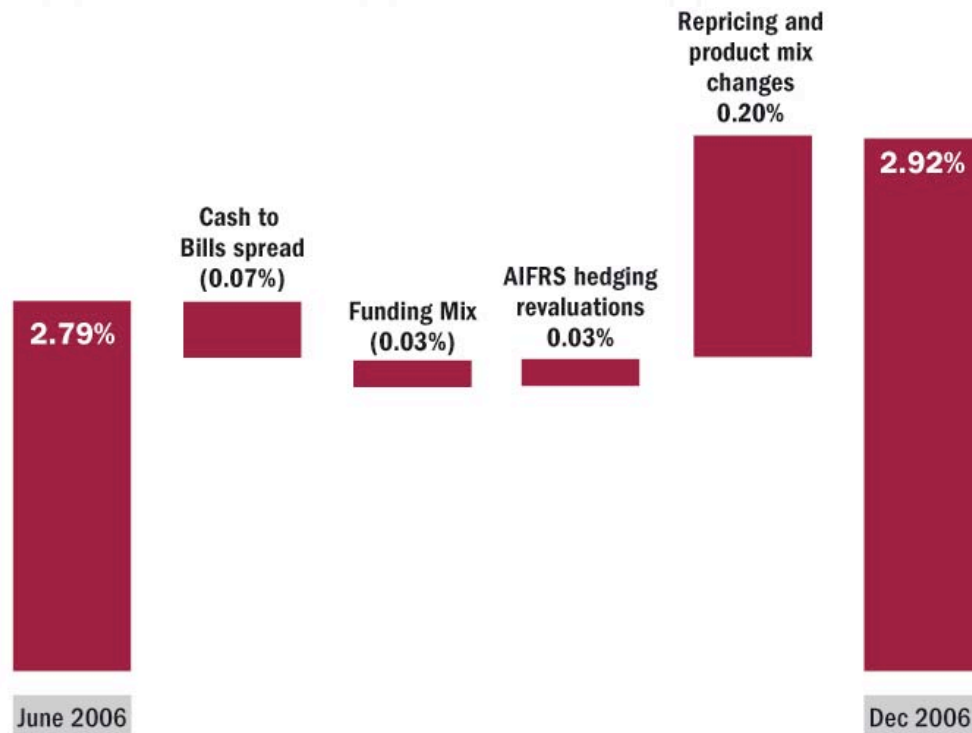
%



# Quality earnings - growth at profitable prices

Analysis of net interest margin

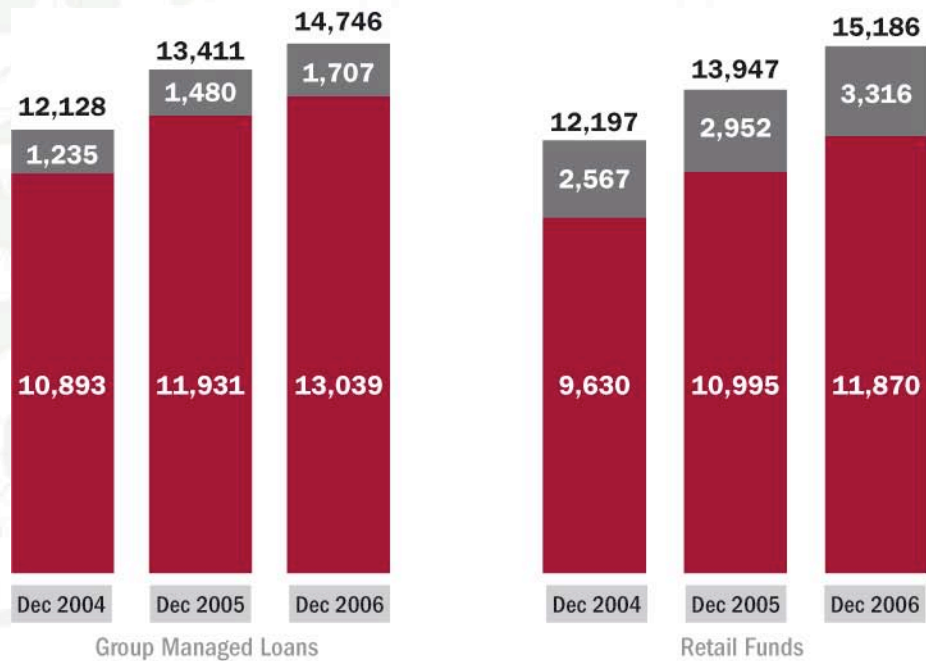
%



# Consistent, measured growth

Group managed loans / retail funds

A\$ Millions



**On balance sheet**   **Managed**

Retail funding mix

%



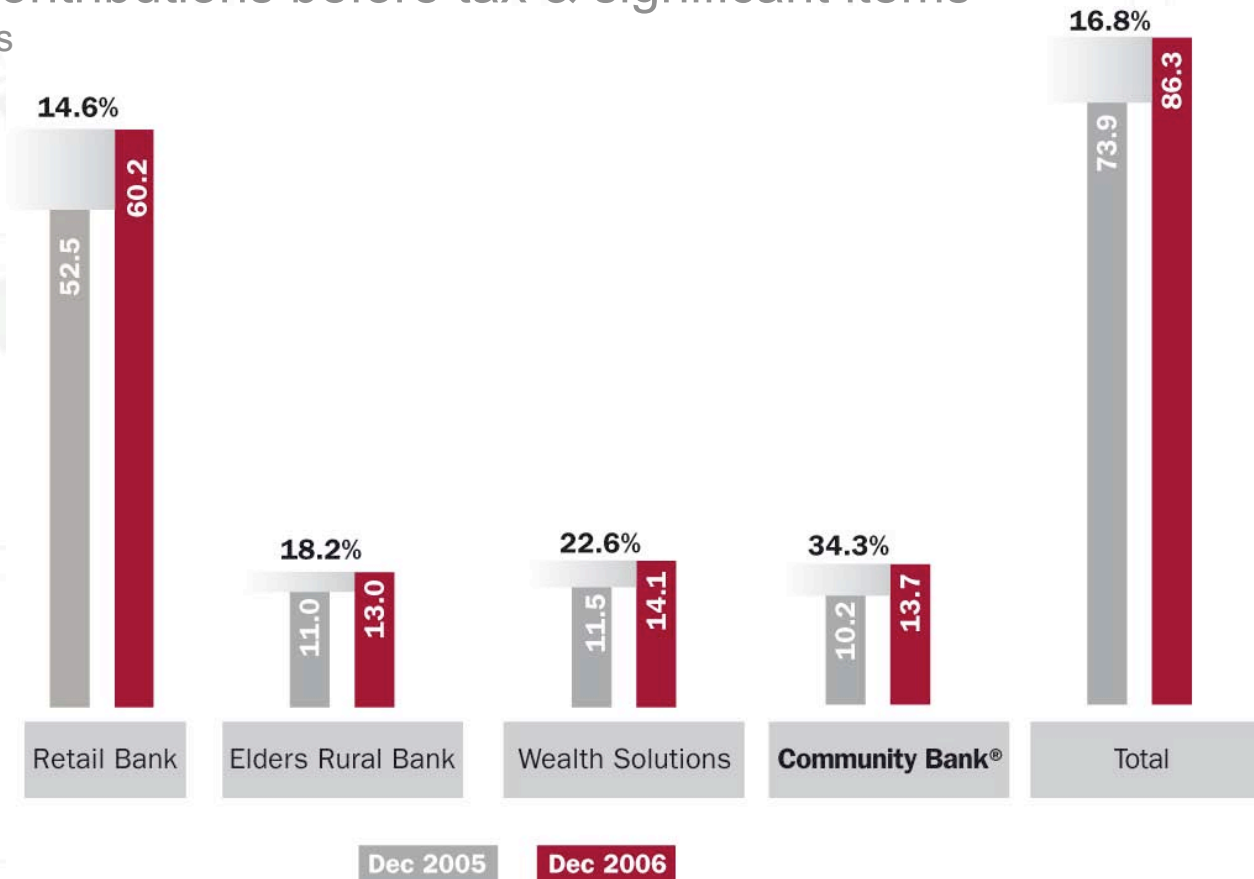
**Retail**   **Wholesale**



# Diversification of revenue

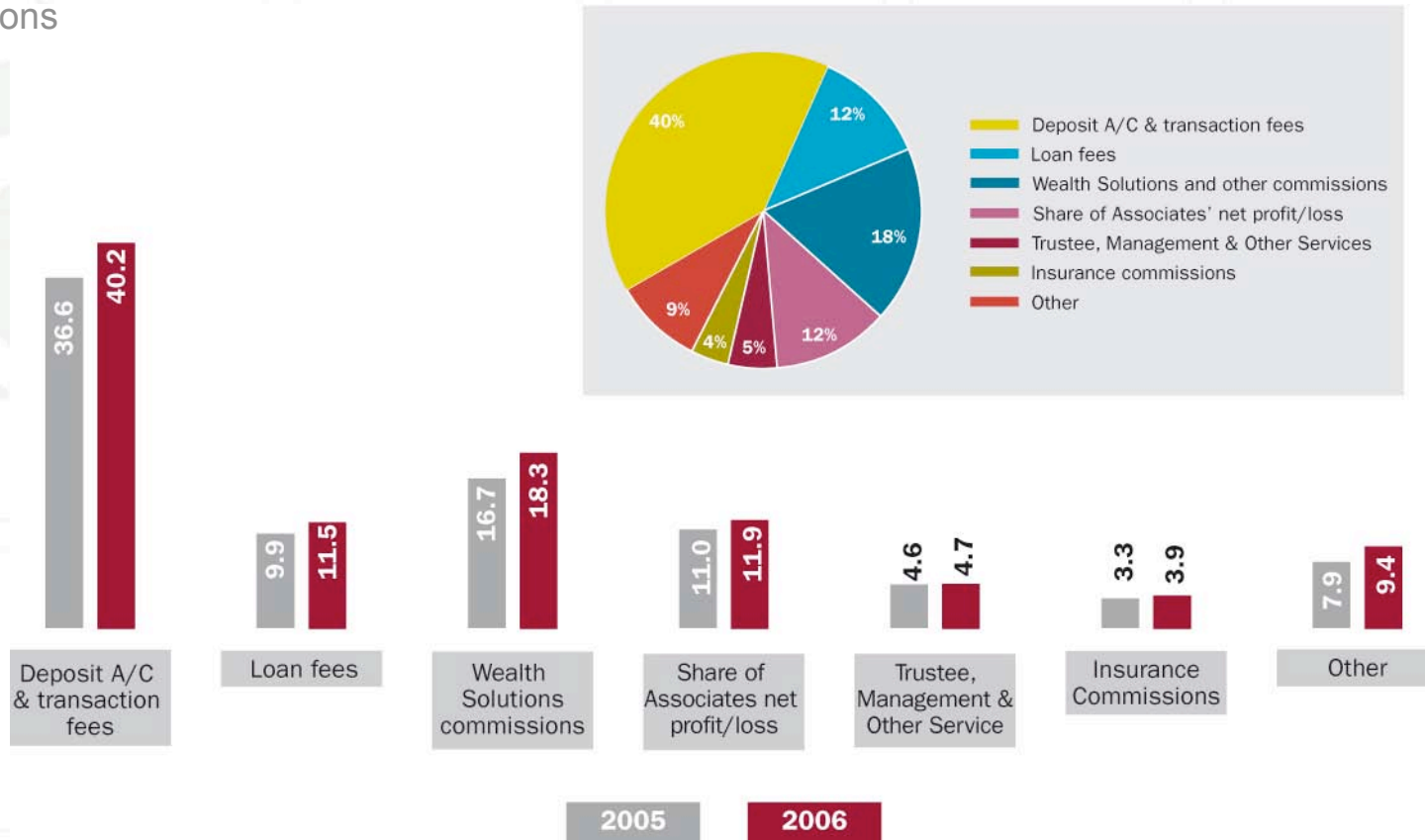
Profit contributions before tax & significant items

A\$ Millions



# Diversification of revenue

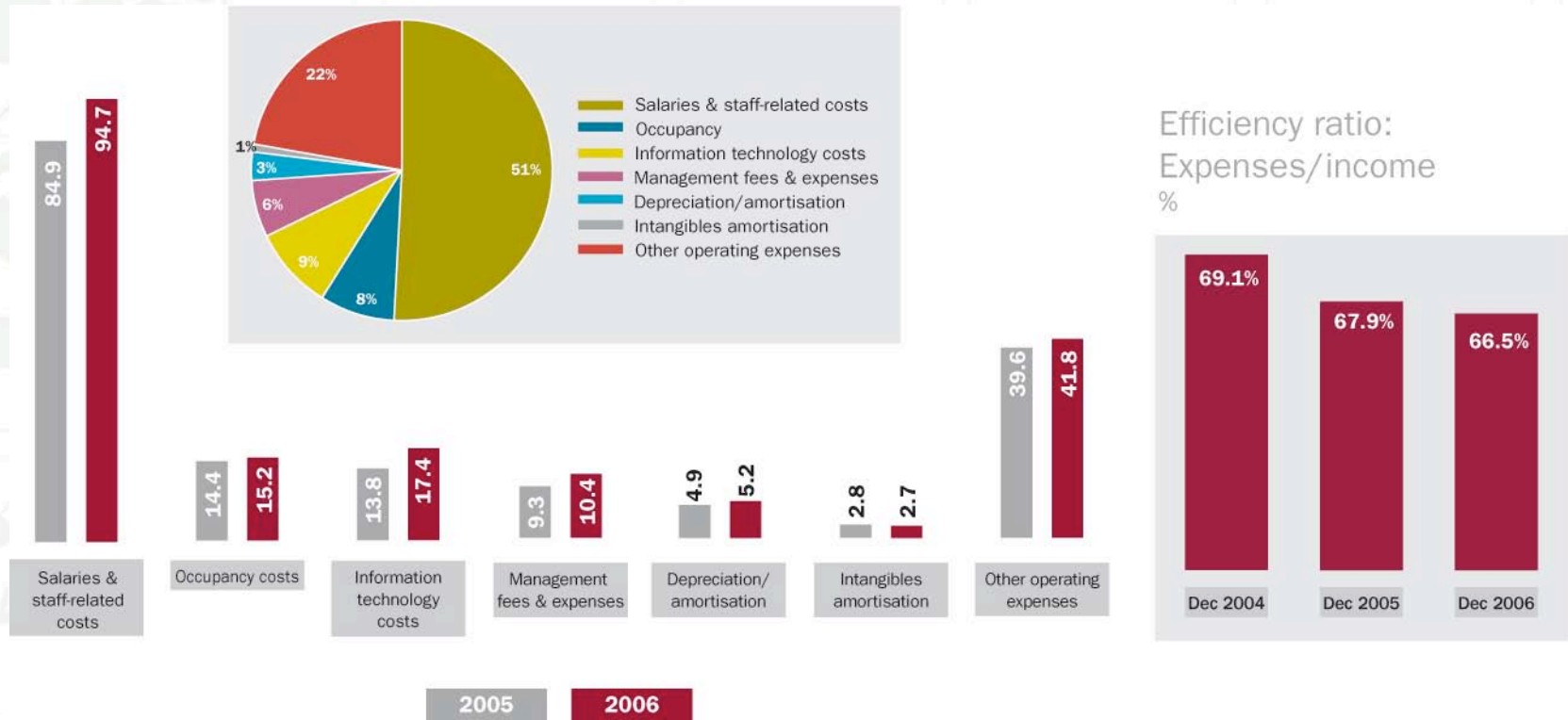
Non-interest income  
\$ Millions



# Revenue growth based on judicious investment

## Operating expenses

A\$ Millions

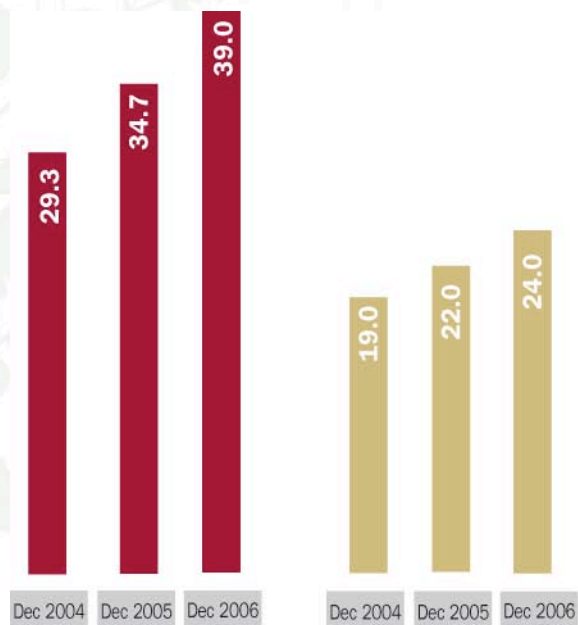


2007 interim profit announcement



# Growing shareholder returns

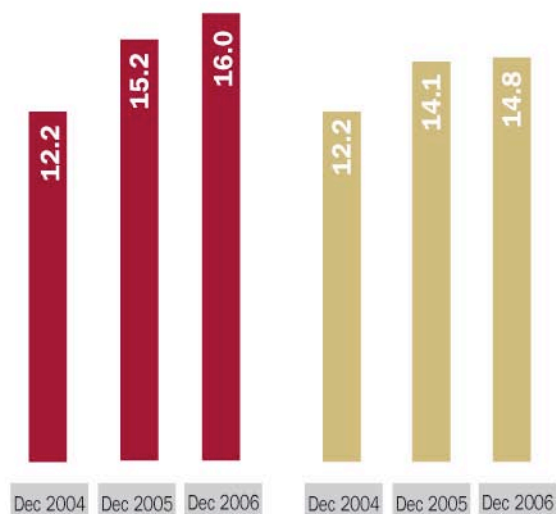
Earnings and dividends  
cents per share



Cash earnings  
per share

Dividend

Return on equity  
%



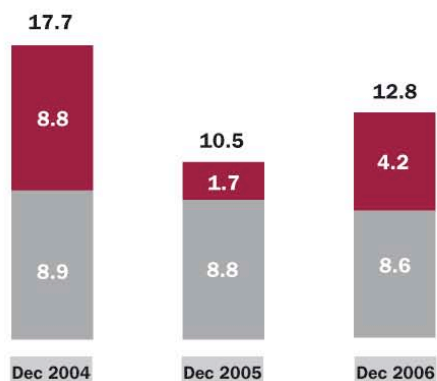
Pre significant  
items

Cash basis

# Excellent credit quality

## Non-accrual loans

A\$ Millions

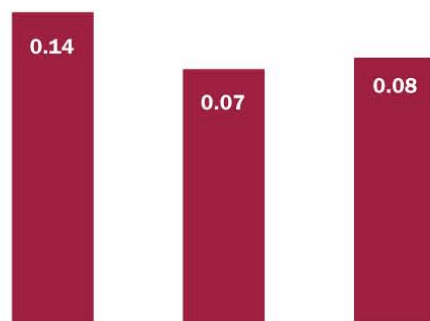


Specific provision

Net Non Accrual

## Gross impaired loans/total assets

%



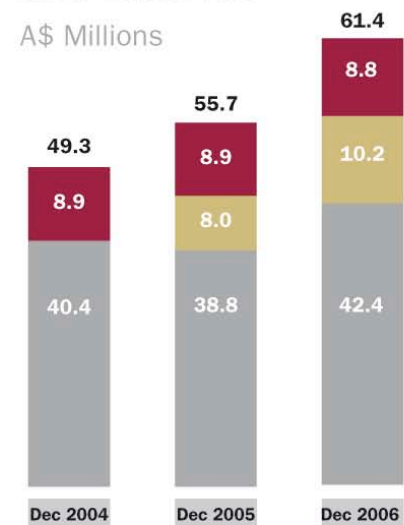
Dec 2004

Dec 2005

Dec 2006

## Loan loss provisions and reserves

A\$ Millions



Dec 2004

Dec 2005

Dec 2006

General

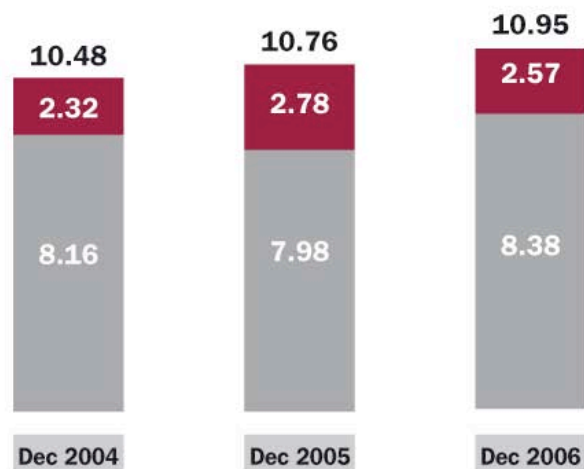
Specific

Collective

Note: General provision for 2004 has been displayed as post-tax values to provide comparability with GRCL in 2005 & 2006

# Strong capital position

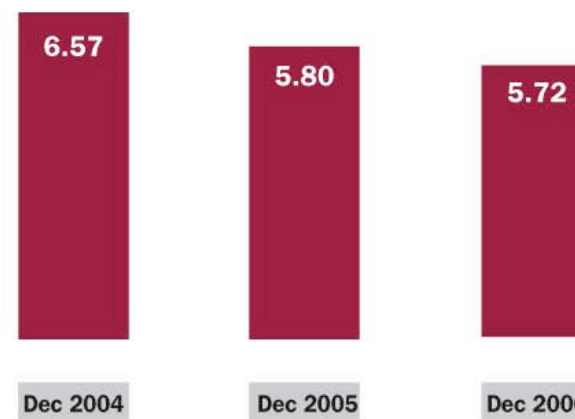
Capital adequacy  
%



Tier 1

Tier 2

Adjusted common  
equity ratio  
%



ACE ratio

# The next growth phase

**Mike Hirst** Chief Operating Officer

# Our proposition

Bendigo Bank is a financial solutions distribution organisation:

- Offering a premium service
- Providing a high value proposition; not price led
- Building relationships with consumers, SMEs and partners
- Engaging with communities to enhance their prospects



# Our progress

- Bendigo has:
  - a brand well regarded in the marketplace
  - highest customer advocacy\*
  - customer satisfaction above 95%#
  - grown customer acquisition (MFI) by 30% over the past 2 years#
  - become the preferred bank for 19% of consumers looking to change their main financial institution#
- Profitable growth driven by customer acquisition and sustained margin
- A national presence driven by consumer and community demand
- Increasing contribution from **Community Bank**<sup>®</sup> branches to balance sheet growth

\*Net Promoter Scores Australia 2006. Independent research conducted by Associate Professor Mark Ritson, Melbourne Business School

#Nielsen Media Research Panorama Financial Institution Customer Monitor September 2006

# Driving our network growth

- Structure focused on relationship sales and service
- Our unique branch staff training program “Being the Bendigo” continues to roll out
- Even contribution to growth across all states
- Business banking performing strongly
- Customer acquisition remains very strong
- Electronic network is also growing rapidly, in line with customer demand

# Wealth Management is growing

- The Wealth Solutions division (\$3.3bn FUM) contributed \$28m in revenue and \$14m before tax six months to December 2006
- Based on median P/E of listed wealth management companies (19 x '07F), Bendigo's wealth business is worth around \$360m
- Exposure to sector is strong, circa \$100m, through the above and listed investments (IOOF & Australian Wealth Management)
- On this basis the wealth management business comprises approximately 24% of Bendigo's market capitalisation

# New businesses and innovative product remain a focus

- Homesafe Solutions
- Strategic Payment Services
- Generation Green and Carbon Offsets
- Elders Rural Bank
- Tasmanian Banking Services
- Community Enterprise partnerships:
  - Banking
  - Telco
  - Foundation
  - Biodiesel

# What about the future?

- One view of the industry short term :
  - market share driven
  - a return to customer centric values
  - branches are back
  - further commoditisation and margin contraction
- In the medium term:
  - networks no longer primarily transaction based
  - trusted brand and advice is actively sought out
  - highly skilled network staff
  - best of breed product
  - bank balance sheets disintermediated

# Implications?

- Economics of physical networks driven by customer acquisition, retention and depth of relationship
- Differentiated and valued brand vital to enable higher margins
- Customer satisfaction and trust will be important in driving customer advocacy
- Ensuring staff are engaged and culturally aligned to the strategy will require an ongoing, significant training effort
- Access to different balance sheets will enhance capital management
- Best of breed products (widely sourced) to fulfil value proposition

# In conclusion, the Bendigo...

- Has diversified the revenue base
  - strongly growing network revenues
  - relevant business banking capability
  - significant wealth management investment
  - investments in new and innovative businesses
  - business is progressively maturing
- Is strategically strongly positioned
  - strong brand
  - high levels of customer advocacy
  - national (but still immature) branch network
  - relevant and growing product offering with value pricing
  - engaged customers, communities and staff

# Brand strategy is delivering

**Rob Hunt** Managing Director



# Journey

- Bendigo's consistent approach
- Branded retail strategy
- Expanded branch network and distribution options
- Expanded the product range
- Expanded the skill base (to support the larger product range)
- Sustainably growing profitability and shareholder value
- Building prospects and flexibility for the future

“Growing Profitably”

# Strategy – Focus has been on the major business elements

- Distribution
- Product
- Technology (including payments systems)
- Balance Sheet & Risk

“All Businesses and Alliances contribute to one or more of these Group businesses”

# Strategy – We set out to...

- Build a brand and reputation
- Build customer demand and commitment
- Increase coverage and diversity of markets serviced
- Build customer base – relationships
- Progressively bring network to maturity
- Grow profit and EPS outcomes sustainably

“A different bank with a diversified and growing revenue base, together with a strong connection to that buying base, will produce more sustainable results”.

# Delivering on promised performance

- Demonstrated on any 5 or 10-year comparisons
- Consistently achieved Guidance
- Growing profitability from strong revenue growth
- Continued to invest:
  - wealth management
  - business banking
  - distribution
  - expanding payment system participation – Customers Ltd
    - Strategic Payments Services
  - joint ventures
  - alliances
- Maturing branches, maturing business and growing skill base.

“Growing profitability and prospects together”

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# Half-yearly performance highlights.

## The Result

- NPAT before significant item \$59.9m (15.2% increase)
- Cash EPS 39.0cents (12.4% increase)
- ROE (cash basis) 14.8% (14.1% Dec 2005)
- High quality of earnings

# Future – Prospects

Doing more with existing customers

Focus on quality service and customer relationships – community connection

Further expand distribution capability

Progressively add to the product range

Expand the Wealth Solutions business and contribution

Build business banking participation

Maintain profit improvement / creation of shareholder value

Reliably producing Triple Bottom Line Outcomes

# Guidance

On track to achieve our guidance of at least 10% improvement on  
EPS for FY07

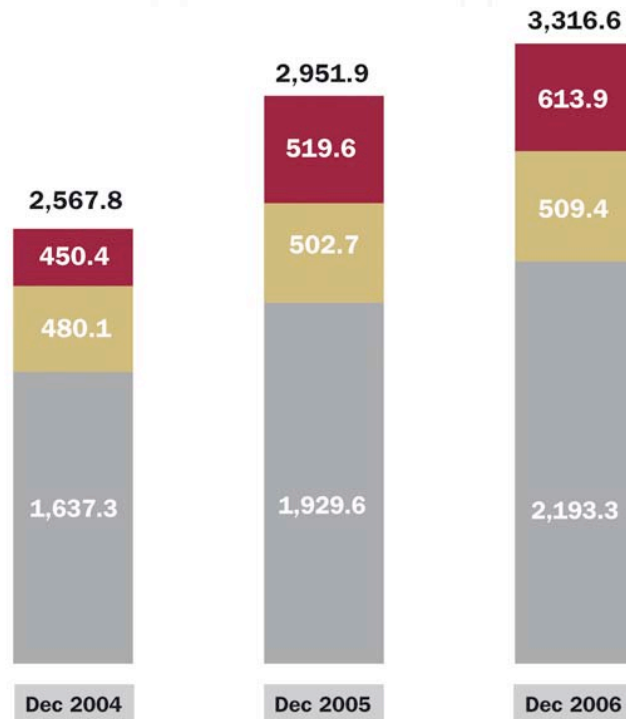
“Happy with progress as a retail business”

# Additional information



# Funds under management

A\$ Millions



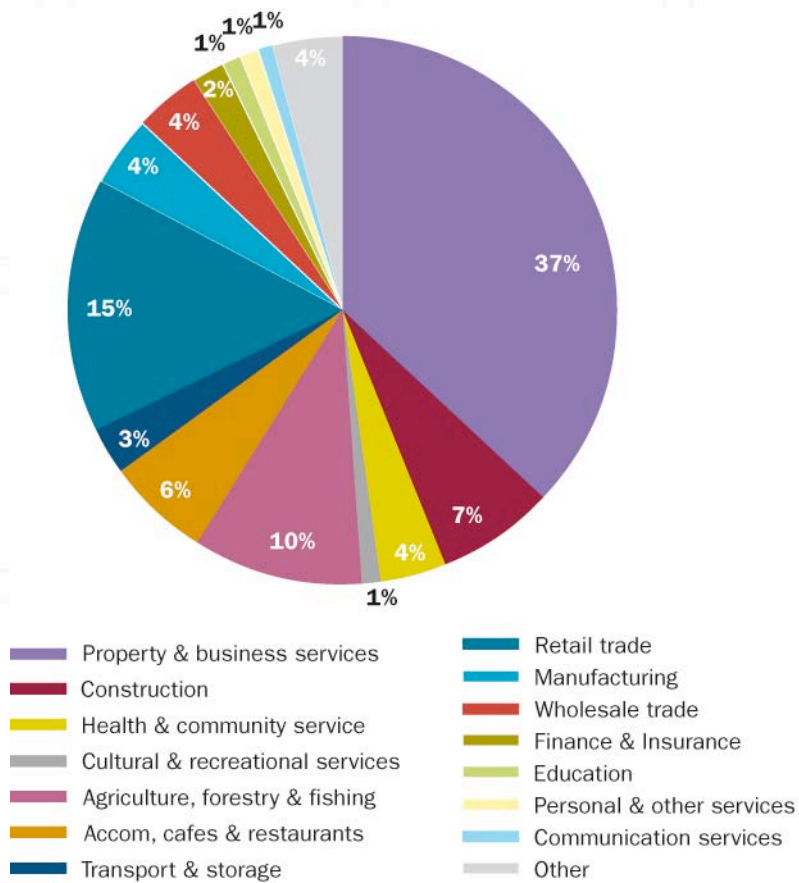
Sandhurst Mortgage & Cash Funds

Sandhurst Industrial Share Fund

Other

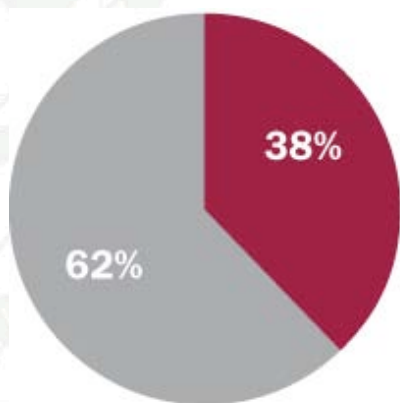
# Commercial loans

%

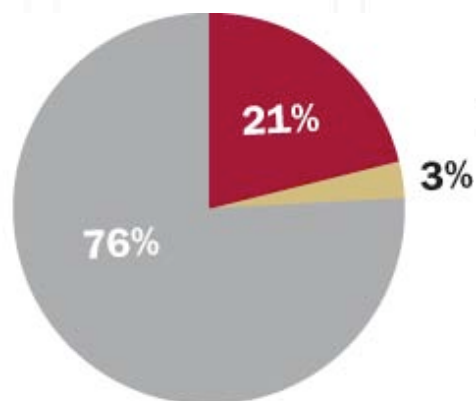


# Loan portfolio

By purpose  
%

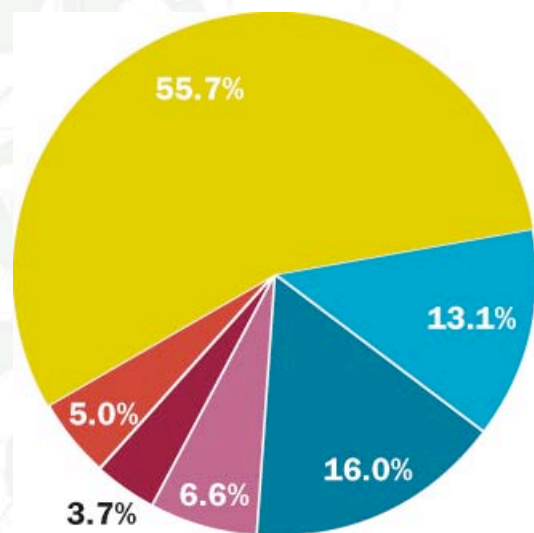


By security



# Balanced growth in new markets

Loans  
%



Deposits

