

Business update: Why Bendigo banks on the community

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incorporating



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1. Credit rating
2. Business update
3. The **Community Bank**[®] model
 - a. How it works
 - b. Performance

Fitch Ratings has upgraded BEN from BBB+ to A-

"BEN has strengthened its Australian retail banking franchise in a challenging operating environment for banks"

"The upgrade... reflects this strengthening, taking into account BEN's conservative approach to risk management and stable funding base, which consists mostly of deposits"

"BEN has a well-developed retail banking franchise, which underpins a good degree of customer loyalty and potential to extract further cost efficiencies from integrations"

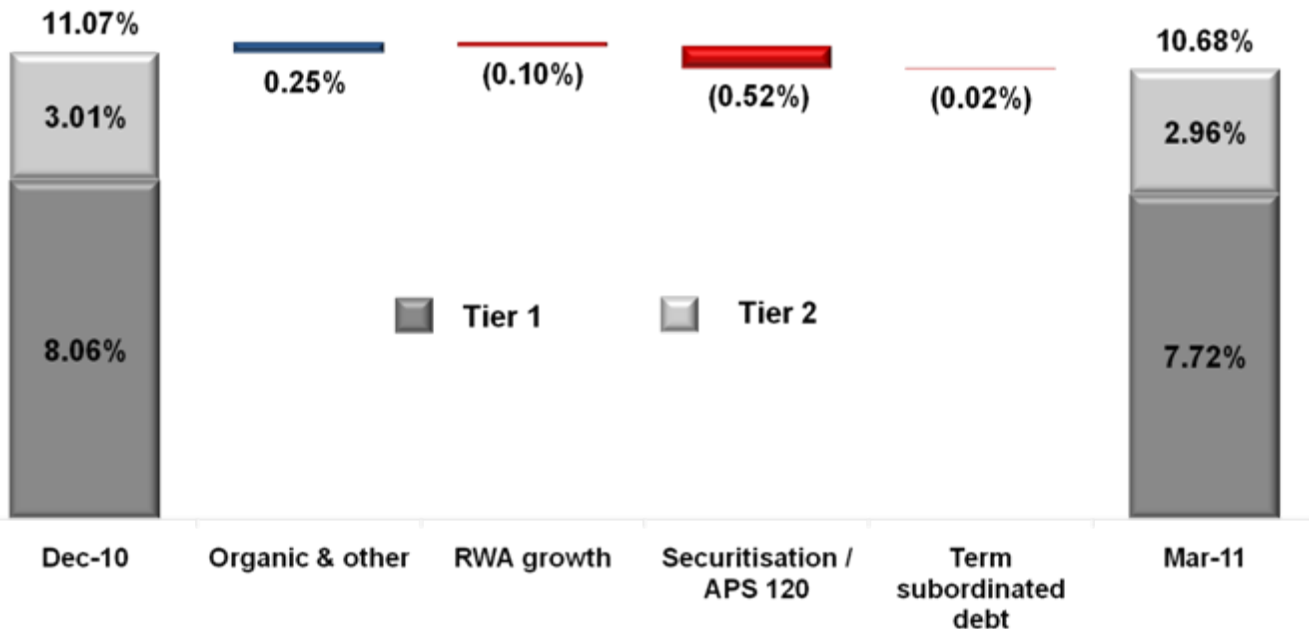
John Miles, Senior Director and Head of Fitch Australia's Financial Institutions Team

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Credit rating



Capital levels and opportunities support new rating



- APS 120 interpretation requires one-off capital adjustment
- Still a low-risk balance sheet with appropriate capital reserves

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Credit rating



Credit remains sound

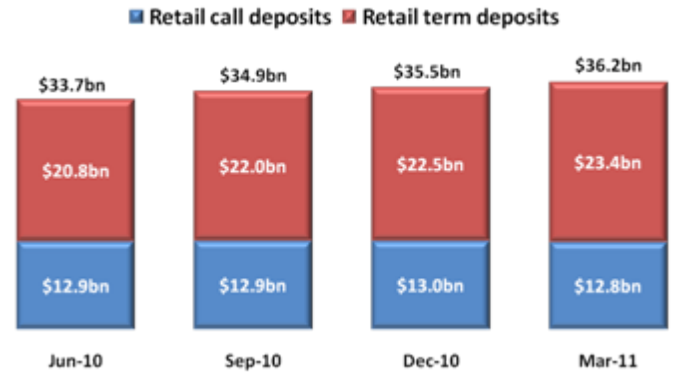
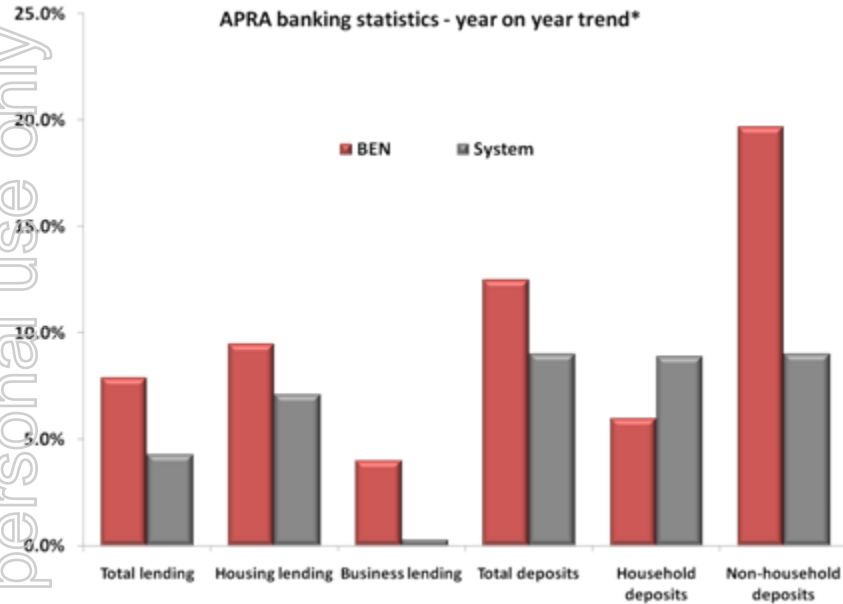
- We are adequately provisioned for Victorian and Queensland floods
- 551 residential mortgage customers, and 103 commercial loan customers affected by flooding – these customers have been provided with three month payment holidays, capitalised interest or other concessions.
- No requests have been received for extension of payment holidays
- Our analysis of a potential flood overlay results in an immaterial provision increase

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Business update



Above system growth – assets and liabilities



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Business update

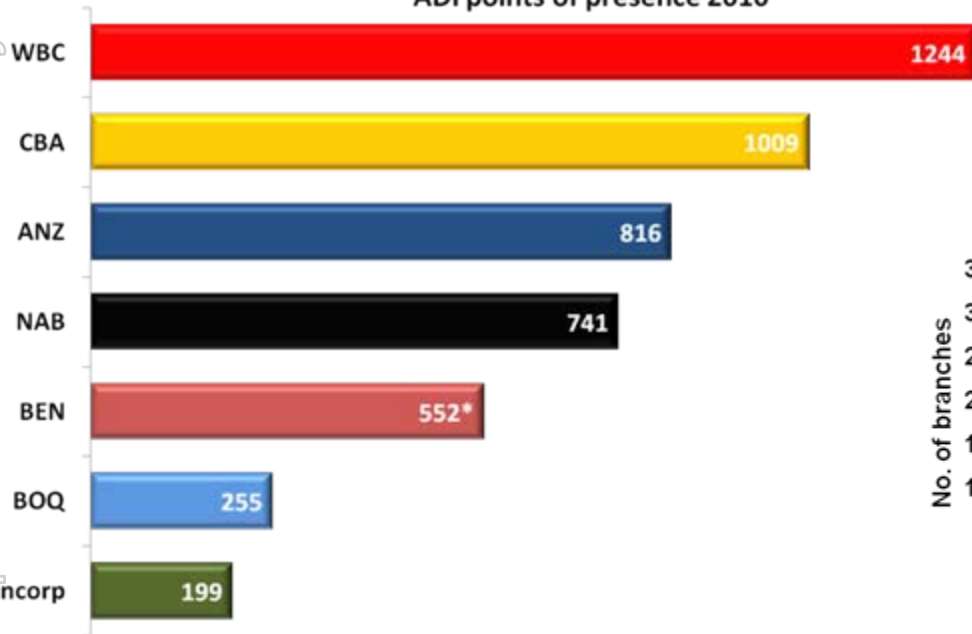


*APRA statistics – 12 months to March 2011, sourced from Credit Suisse 'Bank Market Shares' report dated 29 April 2011

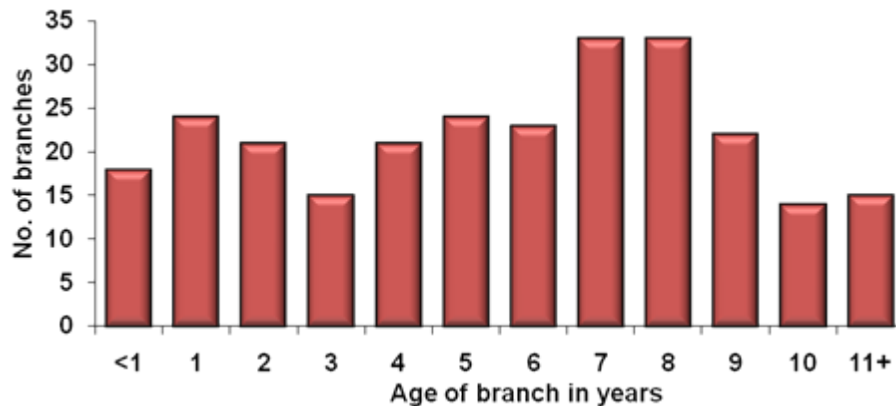
Economies of scale and future growth

- Strong demand for **Community Bank®** branches continues
- More than 50+ in pipeline

ADI points of presence 2010



Community Bank® branches by age



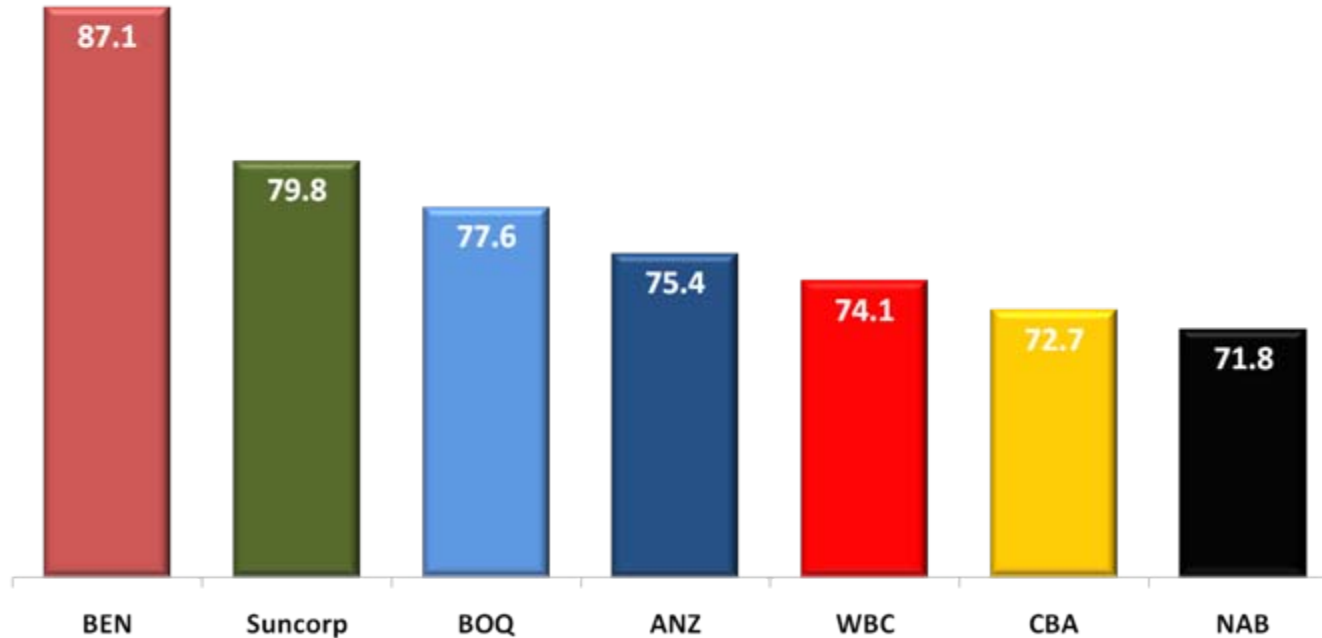
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Business update



*Includes 260 Community Banks®

We maintain industry leading customer satisfaction levels



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Business update



How the **Community Bank[®]** model works

- Reverse enquiry franchise model with local communities
- Broad-based local ownership for each community company
- BEN provides capital for balance sheet, banking infrastructure and credit
- Community capital is solely for initial working capital, staff and branch
- Feasibility study and business on books before branch opens
- Revenue sharing – rather than commission based remuneration structure

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The **Community Bank[®]** model – how it works



The **Community Bank**[®] model has proven to be robust and sustainable

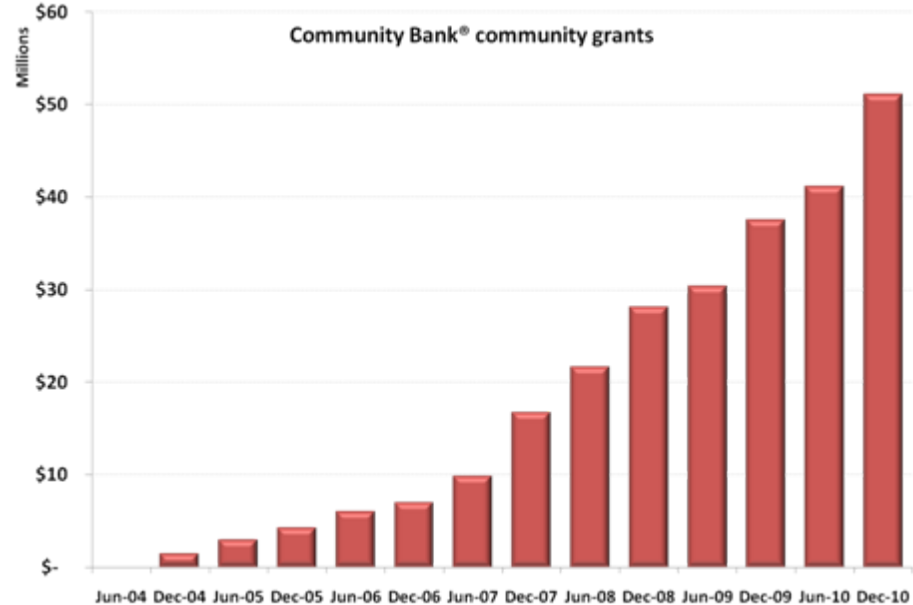
Communities have proven to be great partners in banking, and together we have opened more than 270 branches in 12 years (more than 65 in the last three years)

More than \$50m in Community grants over 12 years (more than \$34m in the last three years)

Provides banking services to 90 communities where there is no alternative provider

Proven, reliable and cost effective source of deposits

Continued strong demand and new branch pipeline



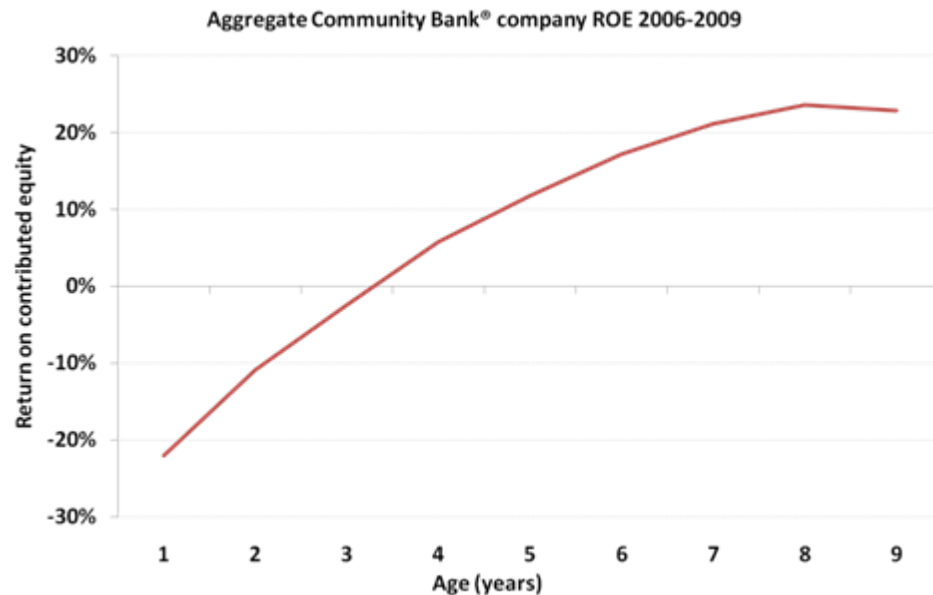
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The **Community Bank**[®] model – how it works



Dividends for the community

1. Create or retain banking infrastructure in the community
2. Strengthening local business and commerce
3. Building the community balance sheet
4. Shareholder dividends

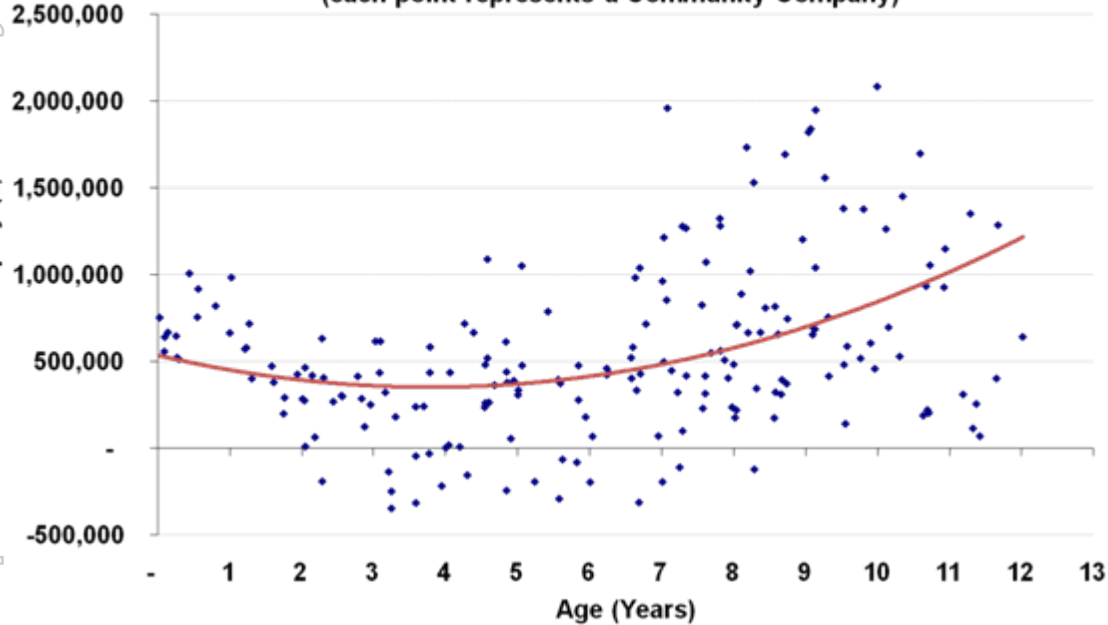


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The **Community Bank**® model – how it works



Community Bank Net Equity¹ - All Sites as at End of 30 June 2010 FY
(each point represents a Community Company)



- 90% of companies either still drawing down capital or in capital generation phase
- Of the 10% that have negative net equity, 50% are sites recently or currently affected by drought
- 4 companies with negative net equity made profits in 2010
- Those companies with low or negative net equity are actively supported to grow their business

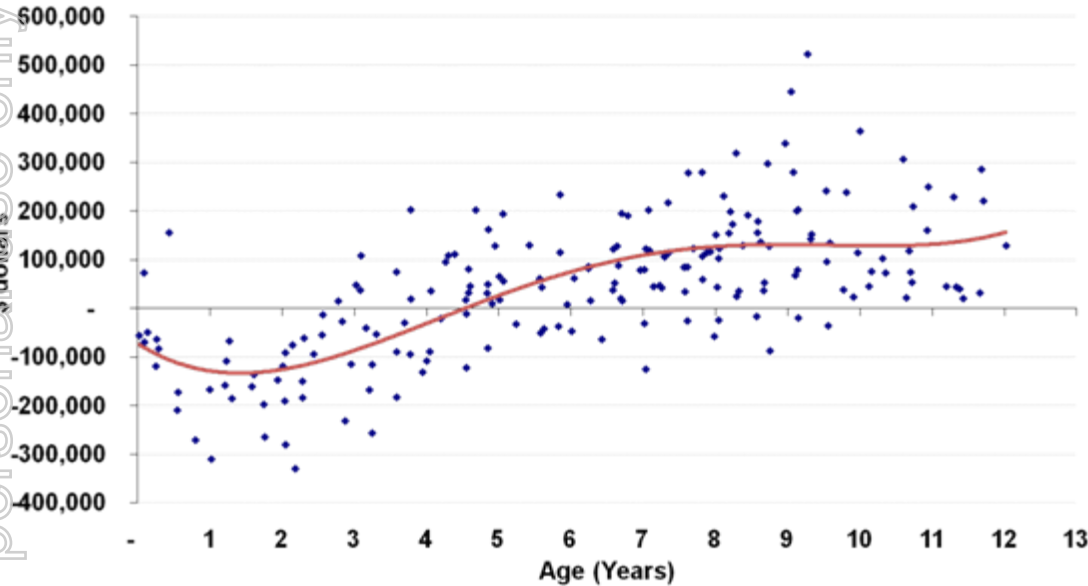
The Community Bank[®] model - performance



Source: Company data, Community Bank[®] annual reports

1. Net Equity = Contributed Equity + Retained P&L + Reserves

Community Bank Company NPAT for FY 30 June 2010
(Not Cumulative Profit) (each point represents a Community Company)



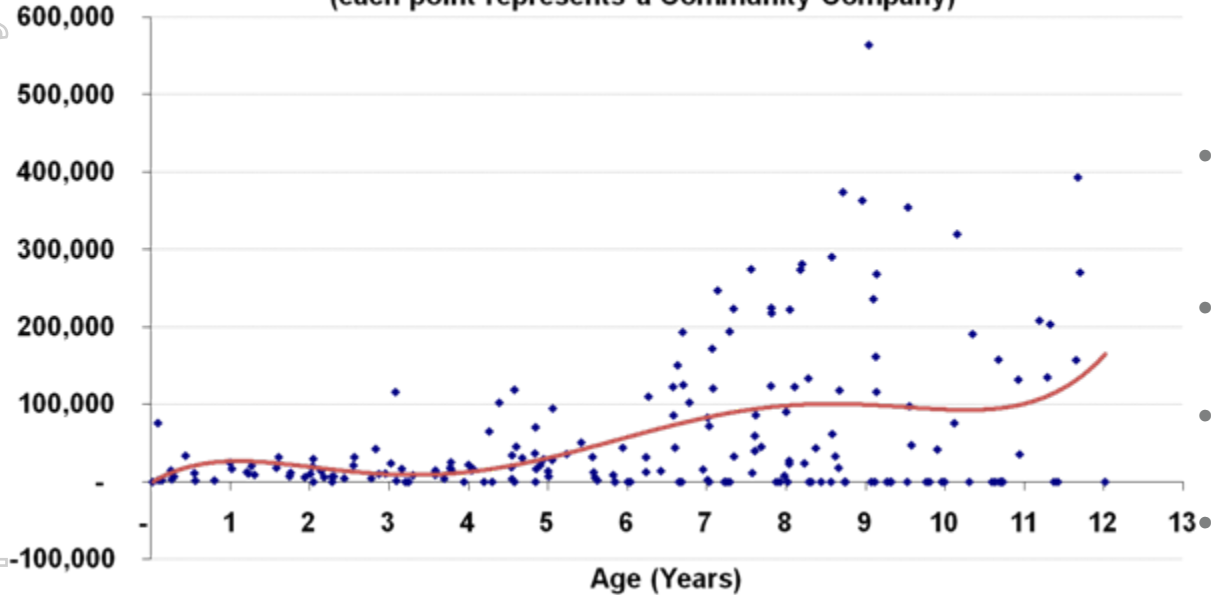
- 66% of companies posted a profit for FY10
- Profit correlates strongly with maturity as you would expect
- 9% had losses as a result of branch expansion or significant community grants
- Of the remaining 25% that declared a loss:
 - 70% were < 3 years of age and budgeted to make a loss,
 - 28% were drought effected

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The Community Bank[®] model - performance



Community Bank - Community Contributions - Grants, sponsorships etc -
FY 30 June 2010
(each point represents a Community Company)



- 144 companies declared contributions to local community purposes totalling \$11.7m in FY10
- Average contribution for sites >3 yrs of age = \$102k
- 39% made contributions >\$50k
- 30% made contributions >\$100k
- 14% made contributions >\$200k

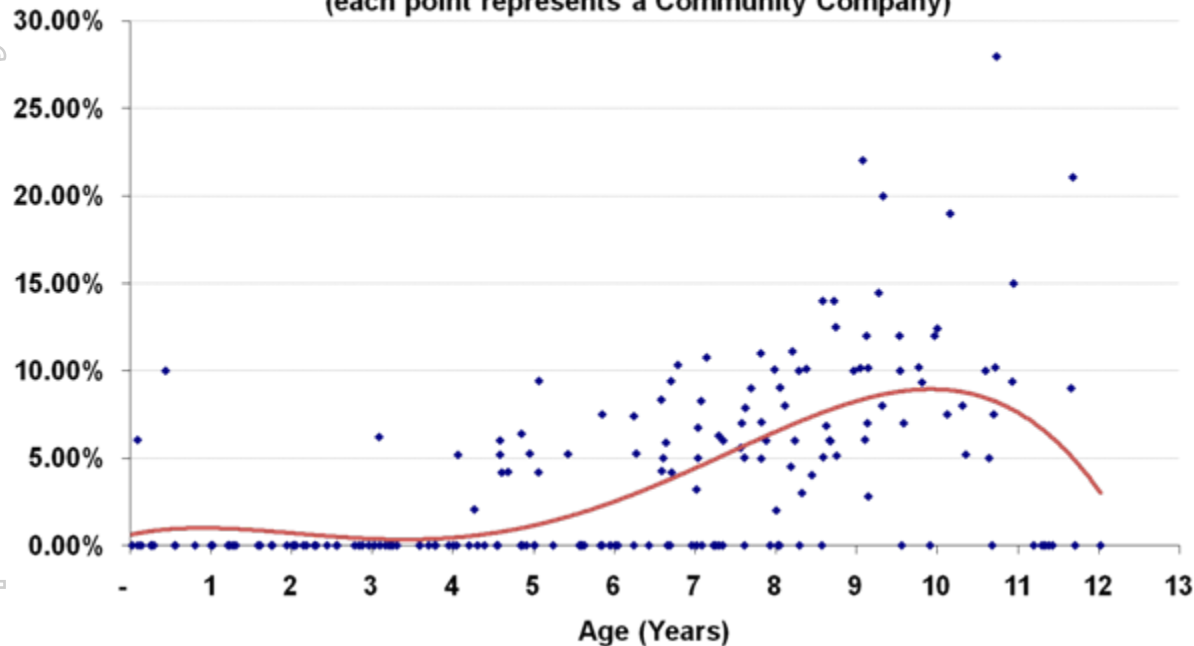
The Community Bank[®] model - performance



Source: Company data, Community Bank[®] annual reports

Community Bank Dividend Yield - All Dividend Paying Sites FY 30 June 2010

(each point represents a Community Company)



- 48% of companies paid shareholder dividends
- 58% of sites >3 yr of age paid shareholder dividends
- Average shareholder dividend yield is 8.4%
- Yield increases strongly with age

The Community Bank[®] model - performance



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Questions



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