

# **BENDIGO BANK**

## **GROUP PROFIT AND DIVIDEND ANNOUNCEMENT**

**for the YEAR ENDED JUNE 30, 2002**

### **SUMMARY**

#### **Profit**

- \* Operating profit after income tax \$48.8 million. Up 47% from a \$33.3 million operating profit after tax for 2001.
- \* Earnings per share was 41.1 cents, increasing by 9.6 cents, or 31%, over EPS for 2001.
- \* Return on equity was up from 9.4 per cent to 10.6 per cent.

#### **Lending**

- \* Total Bank lending approvals were \$3.64 billion, a 46% increase over last year.
- \* Lending approvals secured by mortgage over residential property were \$2.87 billion, 79% of total approvals.

#### **Deposits**

- \* Total Group deposits increased 12% to \$7.0 billion during the year .
- \* Retail deposits increased \$868 million, or 16%, taking the ratio of retail deposits to total deposits to 91%.

# **BENDIGO BANK**

## **GROUP PROFIT AND DIVIDEND ANNOUNCEMENT**

for the YEAR ENDED JUNE 30, 2002

### **SUMMARY**

#### **Assets and Capital**

- \* Group Assets grew by \$1.0 billion in the year to \$8.0 billion, an increase of 14%.
- \* During 2002, the bank securitised or sold loans totalling \$708 million (\$192 million in the first half-year and \$516 million in the second half-year). These factors decreased the balance sheet growth figures for the year.
- \* Total Risk weighted capital adequacy ratio at June 2002 is 11.69%.
- \* Equity increased 17% in the year to \$494 million.
- \* The number of new shares issued during the year was 10,670,646 and 1,000,000 were cancelled as part of the bank's share buy-back program, taking the number of shares on issue to 124,831,995.
- \* Assets and funds managed by Sandhurst Trustees grew \$244 million to \$1.21 billion during the year.
- \* Total Group managed assets increased by \$1.42 billion, or 16% for the year to total \$10.37 billion.

#### **Dividends**

- \* 2001/2002 final dividend declared of 17.0 cents per fully paid share (an increase of 2.5 cents over the 2000/2001 final dividend), fully franked at 30%.
- \* Dividend is payable on 31 October 2002 to shareholders registered on the Record Date of 11 October 2002.
- \* The total final dividend provided for is \$20.0 million.
- \* Dividends for 2001/2002 total 29.0 cents (up from 26.0 cents, excluding the special 15.0 cent dividend in February 2001), which represents a payout ratio of 69% (2001 - 84%, excluding special dividend).

# **BENDIGO BANK**

## **GROUP PROFIT AND DIVIDEND ANNOUNCEMENT**

**for the YEAR ENDED JUNE 30, 2002**

### **SUMMARY**

#### **Bad and Doubtful Debts**

- \* Bad and doubtful debts expense for the year was \$11.8 million, which was \$1.5 million greater than the previous year.
- \* General provisions have been increased by \$13.9 million during the year (including a one-off increase of \$10.4 million to reflect a change in accounting policy) and now total \$35.7 million, which is 0.79% of risk-weighted assets (0.55% - 2001).
- \* Net impaired assets declined 40% to \$11.9 million, which represents 0.19% of gross loans.
- \* Provision coverage of impaired loans is now 221%.

# BENDIGO BANK

## CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE (Unaudited) - \$'000 for the YEAR ENDED JUNE 30, 2002

	<i>Note</i>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Increase/ (Decrease) %</b>
<b>Net interest income</b>			(Audited)	
Interest income		446,954	454,365	(1.6)
Interest expense		254,361	293,677	(13.4)
<b>Net interest income</b>		<b>192,593</b>	<b>160,688</b>	<b>19.9</b>
<b>ADD Other income</b>				
Fees - Loan products		16,706	13,244	26.1
- Other		30,153	23,012	31.0
Commissions - Insurance		3,371	2,663	26.6
- Other		12,970	9,030	43.6
Property Revenue		1,055	933	13.1
Trustee, management & other services		19,555	13,768	42.0
Dividend income		134	126	6.3
Share of associates' net profit/(losses)		11,076	7,693	44.0
Other		5,033	6,346	(20.7)
Total Other income		100,053	76,815	30.3
<b>Total Net operating income</b>		<b>292,646</b>	<b>237,503</b>	<b>23.2</b>
<b>LESS Operating expenses</b>				
<b>Bad and doubtful debts</b>				
Bad debts written off	1	1,697	1,823	(6.9)
Transfer to provision for doubtful debts	1	10,088	8,437	19.6
Significant item - prov for doubtful debts	2	10,444	-	-
Bad debts recovered		(182)	(130)	40.0
Total Bad and doubtful debts		22,047	10,130	117.6
<b>Other operating expenses</b>				
Salaries & staff related costs		95,345	73,709	29.4
Occupancy		17,078	13,793	23.8
Information technology costs		19,746	15,676	26.0
Management fees & commissions		10,903	8,405	29.7
Directors' fees & expenses		871	762	14.3
Depreciation/amortisation		10,440	7,120	46.6
Goodwill amortisation	4	4,428	3,662	20.9
Significant item - HIH claim	3	-	5,000	-
Other Operating Expenses		47,389	44,244	7.1
Total Other Operating Expenses		206,200	172,371	19.6
<b>Total Operating expenses</b>		<b>228,247</b>	<b>182,501</b>	<b>25.1</b>
<b>Profit before tax</b>		<b>64,399</b>	<b>55,002</b>	<b>17.1</b>
Less: Income tax expense		26,144	21,724	20.3
Significant item - income tax expense	2	(10,444)	-	-
Profit after tax		48,699	33,278	46.3
Net loss attributable to outside equity interest		85	-	-
<b>Net profit attributable to Bendigo Bank</b>		<b>48,784</b>	<b>33,278</b>	<b>46.6</b>
Retained profits at beginning of year		13,276	29,118	(54.4)
Total Available for appropriation		62,060	62,396	(0.5)
Transfer to general reserve		65	126	(48.4)
Final dividend (adj prev year)	5	(33)	3,726	(100.9)
Interim dividend		13,751	12,387	11.0
Special dividend		-	17,184	-
Final dividend	5	19,982	15,697	27.3
<b>Retained profits at June 30</b>		<b>28,295</b>	<b>13,276</b>	<b>113.1</b>

# BENDIGO BANK

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited) - \$'000

as at JUNE 30, 2002

	<i>Note</i>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Increase/ Decrease %</b>	<b>Dec-01</b>	<b>Increase/ Decrease %</b>
<b>ASSETS</b>			<b>(Audited)</b>			
Cash and liquid assets		147,236	187,727	(21.6)	97,345	51.3
Due from other financial institutions		207,369	141,677	46.4	52,927	291.8
Investment securities		1,085,261	796,271	36.3	1,047,195	3.6
Current tax assets		-	4,685	(100.0)	2,740	(100.0)
Loans and other receivables		6,209,513	5,592,146	11.0	6,039,373	2.8
Share investments		7,568	5,608	35.0	7,162	5.7
Investments accounted for using the equity method		71,945	61,252	17.5	65,681	9.5
Other investments		-	143	(100.0)	-	0.0
Property, plant and equipment		49,007	42,399	15.6	46,436	5.5
Deferred tax assets		22,626	13,546	67.0	11,702	93.4
Intangibles		72,182	75,551	(4.5)	73,825	(2.2)
Other assets		95,018	60,512	57.0	76,432	24.3
<b>TOTAL ASSETS</b>		<b>7,967,725</b>	<b>6,981,517</b>	<b>14.1</b>	<b>7,520,818</b>	<b>5.9</b>
<b>LIABILITIES</b>						
Due to other financial institutions		211,954	106,210	99.6	54,639	287.9
Deposits		6,988,485	6,229,172	12.2	6,751,928	3.5
Payables		64,198	46,161	39.1	54,797	17.2
Current tax liabilities		4,560	-	-	-	-
Provision for dividend	5	20,043	15,742	27.3	13,862	44.6
Other provisions		18,532	21,456	(13.6)	14,310	29.5
Subordinated debt		161,379	135,394	19.2	162,133	(0.5)
Deferred tax liabilities		4,147	4,585	(9.6)	4,292	(3.4)
<b>TOTAL LIABILITIES</b>		<b>7,473,298</b>	<b>6,558,720</b>	<b>13.9</b>	<b>7,055,961</b>	<b>5.9</b>
<b>NET ASSETS</b>		<b>494,427</b>	<b>422,797</b>	<b>16.9</b>	<b>464,857</b>	<b>6.4</b>
<b>EQUITY</b>						
Contributed equity		448,170	392,507	14.2	428,857	4.5
Reserves		18,039	17,014	6.0	16,952	6.4
Retained profits (accumulated losses)		28,295	13,276	113.1	19,048	48.5
Outside equity interest		(77)	-	-	-	-
<b>TOTAL EQUITY</b>		<b>494,427</b>	<b>422,797</b>	<b>16.9</b>	<b>464,857</b>	<b>6.4</b>

# BENDIGO BANK

## KEY FINANCIAL INFORMATION - \$'000

for the YEAR ENDED JUNE 30, 2002

	Note	Jun-02	Jun-01	Increase/Decrease		Dec-01	Increase/Decrease	
				Value	%		Value	%
<b>Profit</b>								
Profit before Tax		64,399	55,002	9,397	17.1	30,727	33,672	109.6
Profit b/f Tax and Significant Items		74,843	60,002	14,841	24.7	30,727	44,116	143.6
Profit after Tax		48,784	33,278	15,506	46.6	19,483	29,301	150.4
<b>Profitability</b>								
Earnings per Ordinary Share								
(weighted average)-cents		41.1	31.5	9.6	30.5	-	-	-
Diluted Earnings per Share								
(weighted average)-cents		41.1	31.5	9.6	30.5	-	-	-
After Tax Return on Average								
Equity	6	10.6%	9.4%	1.2%	12.8	8.8%	1.8%	20.5
After Tax Return on Equity								
At Period End	6	9.9%	7.9%	2.0%	25.3	8.4%	1.5%	17.9
After Tax Return on Average								
Assets	6	0.65%	0.56%	0.09%	16.1	0.54%	0.11%	20.4
<b>Income</b>								
Gross Margin		192,593	160,688	31,905	19.9	-	-	-
Other Income		100,053	76,815	23,238	30.3	-	-	-
Gross Margin and Other Income		292,646	237,503	55,143	23.2	-	-	-
<b>Lending</b>								
<b>Total Approvals - by security</b>								
Residential		2,870,905	1,772,340	1,098,565	62.0	1,508,336	1,362,569	90.3
Commercial		490,873	458,972	31,901	7.0	234,203	256,670	109.6
Other		275,392	263,297	12,095	4.6	138,008	137,384	99.5
<b>Gross Loan balance - by security</b>								
Residential		4,583,210	4,188,134	395,076	9.4	4,541,278	41,932	0.9
Commercial		1,239,538	1,041,388	198,150	19.0	1,144,564	94,974	8.3
Other		456,088	418,369	37,719	9.0	412,287	43,801	10.6
<b>Gross Loan balance - by purpose</b>								
Residential		4,007,778	3,850,167	157,611	4.1	4,047,806	(40,028)	(1.0)
Non-residential		2,271,058	1,797,724	473,334	26.3	2,050,323	220,735	10.8
<b>Deposits</b>								
Deposits	7	6,988,485	6,229,172	759,313	12.2	6,751,928	236,557	3.5
Managed funds-Trustee Coy		258,900	103,900	155,000	149.2	162,000	96,900	59.8

# BENDIGO BANK

## KEY FINANCIAL INFORMATION - \$'000

for the YEAR ENDED JUNE 30, 2002

	<i>Not</i>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Increase/Decrease</b>		<b>Dec-01</b>	<b>Increase/Decrease</b>	
				<b>Value</b>	<b>%</b>		<b>Value</b>	<b>%</b>
<b>Productivity</b>								
Net Operating Expenses	8	206,200	172,371	33,829	19.6	-	-	-
Net Operating Expenses to								
Gross Margin and Other Income		70.5%	72.6%	(2.1%)	(2.9)	73.5%	(3.0%)	(4.1)
Underlying Op Expenses to	8							
Gross Margin and Other Income		68.9%	71.0%	(2.1%)	(3.0)	71.9%	(3.0%)	(4.2)
Net Operating Expenses to	8							
Average Assets	6	2.8%	2.9%	(0.1%)	(3.4)	2.8%	0.0%	0.0
Ave Assets-incl Mged Funds	6	2.1%	2.1%	0.0%	0.0	2.2%	(0.1%)	(4.5)
Number of Staff (Full-Time Equiv)		1,753	1,533	220	14.4	1,562	191	12.2
Staff & related costs to Gross								
Margin and Other Income		32.4%	30.9%	1.5%	4.9	33.6%	(1.2%)	(3.6)
<b>Bad and Doubtful Debts</b>								
Bad Debts Expense		1,697	1,823	(126)	(6.9)	907	790	87.1
Prov'n Doubtful Debts Expense		10,088	8,437	1,651	19.6	5,476	4,612	84.2
Provision d debts - specific		9,824	9,545	279	2.9	11,346	(1,522)	(13.4)
Provision d debts - general		35,689	21,789	13,900	63.8	23,845	11,844	49.7
Provision d debts - total		45,513	31,334	14,179	45.3	35,191	10,322	29.3
Total Prov d debts to Gross Loans		0.72%	0.55%	0.17%	30.9	0.58%	0.14%	24.1
General provision for doubtful debts								
to Risk-weighted assets		0.79%	0.55%	0.24%	43.6	0.55%	0.24%	43.6
<b>Asset Quality</b>								
Non-accrual accounts-	9							
Full-performing		371	-	371	0.0	3,632	(3,261)	(89.8)
Part-performing		8,201	14,991	(6,790)	(45.3)	9,736	(1,535)	(15.8)
Non-performing		12,040	13,283	(1,243)	(9.4)	23,913	(11,873)	(49.7)
<b>Total non-accrual assets</b>		<b>20,612</b>	<b>28,274</b>	<b>(7,662)</b>	<b>(27.1)</b>	<b>37,281</b>	<b>(16,669)</b>	<b>(44.7)</b>
Restructured loans		-	-	-	-	-	-	-
<b>Total Impaired assets</b>		<b>20,612</b>	<b>28,274</b>	<b>(7,662)</b>	<b>(27.1)</b>	<b>37,281</b>	<b>(16,669)</b>	<b>(44.7)</b>
Less: Specific provisions		(8,674)	(8,374)	(300)	3.6	(10,178)	1,504	(14.8)
<b>Net Impaired assets</b>		<b>11,938</b>	<b>19,900</b>	<b>(7,962)</b>	<b>(40.0)</b>	<b>27,103</b>	<b>(15,165)</b>	<b>(56.0)</b>
Gross non-accrual to Gross Loans		0.33%	0.50%	(0.17%)	(34.0)	0.61%	(0.28%)	(45.9)
Gross impaired to Gross Loans		0.33%	0.50%	(0.17%)	(34.0)	0.61%	(0.28%)	(45.9)
Net Impaired to Gross Loans		0.19%	0.35%	(0.16%)	(45.7)	0.44%	(0.25%)	(56.8)
<b>Past due 90 days</b>								
Well secured - balance		11,889	27,395	(15,506)	(56.6)	20,173	(8,284)	(41.1)
Portfolio facilities - balance		1,686	1,765	(79)	(4.5)	1,751	(65)	(3.7)

# BENDIGO BANK

## KEY FINANCIAL INFORMATION - \$'000

for the YEAR ENDED JUNE 30, 2002

	Not	Jun-02	Jun-01	Increase/Decrease		Dec-01	Increase/Decrease	
				Value	%		Value	%
<b>Assets and Capital</b>								
Group Assets		7,967,725	6,981,517	986,208	14.1	7,520,818	446,907	5.9
Capital Adequacy								
Risk Weighted Assets		4,519,023	3,949,521	569,502	14.4	4,346,115	172,908	4.0
Risk Weighted Capital Adequacy		11.69%	10.71%	0.98%	9.2	11.39%	0.30%	2.6
- Tier 1		9.28%	8.61%	0.67%	7.8	8.83%	0.45%	5.1
- Tier 2		2.41%	2.10%	0.31%	14.8	2.56%	(0.15%)	(5.9)
Net Tangible Assets per F/P Share		\$3.38	\$3.02	\$0.36	11.9	\$3.21	\$0.17	5.3
Equity		494,427	422,797	71,630	16.9	464,857	29,570	6.4
Assets under management								
Off-balance sheet loans		1,447,896	1,098,853	349,043	31.8	1,101,195	346,701	31.5
Common funds-Trustee Company		951,984	863,127	88,857	10.3	913,209	38,775	4.2
Total Group assets under management		2,399,880	1,961,980	437,900	22.3	2,014,404	385,476	19.1
Total Group Managed Assets		10,367,605	8,943,497	1,424,108	15.9	9,535,222	832,383	8.7
<b>Dividends</b>								
Dividend per Share - cents		17.0	14.5	2.5	17.2	12.0	-	-
Dividend Payable	5	19,982	15,697	4,285	27.3	13,751	-	-

# BENDIGO BANK

## KEY FINANCIAL INFORMATION - \$'000

for the YEAR ENDED JUNE 30, 2002

Notes: 1 The balances of the components of **provision for doubtful debts** are:

	Jun-02	Jun-01	Movement
Specific provisions	9,824	9,545	279
General provision	35,689	21,789	13,900
Total balance in provisions for doubtful debts	45,513	31,334	14,179

The movement in provisions comprise:	Specific	General	Total
Balance at June 2001	9,545	21,789	31,334
Bad & doubtful debts expense to profit and loss	8,329	3,456	11,785
Significant item - prov d doubtful debts expense	-	10,444	10,444
Bad debts written off	(8,050)	-	(8,050)
Balance at June 2002	9,824	35,689	45,513

Total bad debts written off for the period, as shown above comprises:

Bad debts previously provided for	6,353
Other Bad debts	1,697
	8,050

- 2 The **significant item - provision for doubtful debts** and **significant item - income tax expense** are due to the change in accounting policy with respect to tax treatment of general provision for doubtful debts. Previously, any movement in the general provision was treated as a permanent difference in the income tax entries and adjusted against income tax expense. In future, any movement in the general provision will be treated as a timing difference in the income tax entries and therefore result in the creation of a future income tax benefit. A one-off adjustment has been made in the current financial year to reflect this change in accounting policy and increase the general provision by an equal amount. The adjustments have the effect of decreasing pre-tax profit and decreasing income tax expense by \$10,443,537. There is no effect on after-tax profit.
- 3 The significant expense item in 2001 of \$5.0 million was a provision to cover a Federal Court ruling against the company in a matter involving fraudulent use of trust accounts. \$2.0 million of this was recovered during 2002. The bank incurred \$0.5 million in legal expenses associated with the appeal and will continue to pursue a claim against the liquidator of HIH.
- 4 2001 goodwill amortisation includes amortisation of goodwill relating to the acquisition of First Australian Building Society for 9 months, 2002 includes amortisation for twelve months.
- 5 The **provision for dividend** excludes those shareholders who have elected to take bonus shares in lieu of dividends. The 2001 appropriation item relating to the prior year dividend adjustment is due to the participation in the final 2000 dividend of the new shareholders on the register following the FABS acquisition in October 2000. This amount was not provided at June 2000.
- 6 Half-year results are annualised by multiplying numerator by 2.

**Equity** for use in calculating these ratios is Net assets.

7 <b>Deposits</b> are as follows:	Jun-02	%	Jun-01	%	Movement
Retail	6,372,822	91.2	5,504,639	88.4	868,183
Wholesale - domestic	335,050	4.8	450,931	7.2	(115,881)
Wholesale - offshore	280,613	4.0	273,602	4.4	7,011
Total deposits	6,988,485	100.0	6,229,172	100.0	759,313

# BENDIGO BANK

## KEY FINANCIAL INFORMATION - \$'000

for the YEAR ENDED JUNE 30, 2002

*Notes:* 8 **Net operating expenses** are operating expenses less bad debts written off, net of bad debts recovered and transfer to provision for doubtful debts.

**Underlying operating expenses** are Net operating expenses less goodwill amortisation.

9 <b>Impaired assets</b> dissection:	<b>Jun-02</b>	<b>Jun-01</b>	<b>Movement</b>
Loans acquired through mergers/acquisitions	11,750	19,539	(7,789)
Bendigo Bank sourced/purchased loans	8,862	8,735	127
Total Impaired Assets (gross balance)	<u>20,612</u>	<u>28,274</u>	<u>(7,662)</u>

# BENDIGO BANK

Year ended June 30, 2002

	Average Balance \$'000	Interest 2002 \$'000	Average rate %
<b>AVERAGE BALANCE SHEET AND RELATED INTEREST</b>			
<b>Average balances and rates</b> <sup>(1)</sup>			
<b>Interest earning assets</b>			
Cash and liquid assets	151,760	1,360	0.90
Investment securities	969,277	47,821	4.93
Loans and other receivables	6,063,897	397,773	6.56
	<u>7,184,934</u>	<u>446,954</u>	<u>6.22</u>
<b>Non interest earning assets</b>			
Property, plant & equipment	45,457		
Provisions for doubtful debts	(35,068)		
Other assets	209,843		
	<u>220,232</u>		
Total assets (average balance)	<u>7,405,166</u>		
<b>Interest bearing liabilities and equity</b>			
<b>Deposits</b>			
Retail	5,997,764	209,644	3.50
Wholesale - domestic	453,387	21,193	4.67
Wholesale - offshore	275,288	14,095	5.12
<b>Other borrowings</b>			
Subordinated debt	147,570	9,429	6.39
	<u>6,874,009</u>	<u>254,361</u>	<u>3.70</u>
<b>Non interest bearing liabilities and equity</b>			
Other liabilities	73,391		
Equity	457,766		
	<u>531,157</u>		
Total liabilities and equity	<u>7,405,166</u>		
<b>Interest margin and interest spread</b>			
Interest earning assets	7,184,934	446,954	6.22
Interest bearing liabilities	(6,874,009)	(254,361)	(3.70)
Net interest income and interest spread <sup>(2)</sup>		<u>192,593</u>	<u>2.52</u>
Net interest margin <sup>(3)</sup>			<u>2.68</u>

1 Average balance is based on monthly closing balances from June 30, 2001 through June 30, 2002 inclusive

2 Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.

3 Interest margin is the net interest income as a percentage of average interest earning assets.

# BENDIGO BANK

Year ended June 30, 2001

	Average Balance \$'000	Interest 2001 \$'000	Average rate %
<b>AVERAGE BALANCE SHEET AND RELATED INTEREST</b>			
<b>Average balances and rates</b> <sup>(1)</sup>			
<b>Interest earning assets</b>			
Cash and liquid assets	117,646	2,028	1.72
Investment securities	870,434	54,138	6.22
Loans and other receivables	5,060,761	398,199	7.87
	<u>6,048,841</u>	<u>454,365</u>	<u>7.51</u>
<b>Non interest earning assets</b>			
Property, plant & equipment	38,567		
Provisions for doubtful debts	(29,875)		
Other assets	183,841		
	<u>192,533</u>		
Total assets (average balance)	<u>6,241,374</u>		
<b>Interest bearing liabilities and equity</b>			
<b>Deposits</b>			
Retail	4,825,579	230,328	4.77
Wholesale - domestic	537,974	34,336	6.38
Wholesale - offshore	292,265	19,498	6.67
Other borrowings			
Subordinated debt	125,606	9,515	7.58
	<u>5,781,424</u>	<u>293,677</u>	<u>5.08</u>
<b>Non interest bearing liabilities and equity</b>			
Other liabilities	70,976		
Equity	388,974		
	<u>459,950</u>		
Total liabilities and equity	<u>6,241,374</u>		
<b>Interest margin and interest spread</b>			
Interest earning assets	6,048,841	454,365	7.51
Interest bearing liabilities	(5,781,424)	(293,677)	(5.08)
Net interest income and interest spread <sup>(2)</sup>		<u>160,688</u>	<u>2.43</u>
Net interest margin <sup>(3)</sup>			2.66

1 Average balance is based on monthly closing balances from June 30, 2000 through June 30, 2001 inclusive

2 Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.

3 Interest margin is the net interest income as a percentage of average interest earning assets.