

BENDIGO BANK

GROUP PROFIT AND DIVIDEND ANNOUNCEMENT

for the YEAR ENDED JUNE 30, 1999

SUMMARY

Profit

- * Operating profit after income tax, before abnormal items \$18.6 million. Up 31% from a \$14.2 million operating profit after tax for 1998.
- * Operating profit after income tax \$19.7 million. Up 39% from a \$14.2 million operating profit after tax for 1998.
- * Operating profit before tax and abnormal items was \$29.6 million compared to \$22.1 million for 1998. This represents an increase of 34%.

Lending

- * Total Bank lending approvals were \$1.61 billion, a 53% increase over last year.
- * Lending approvals secured by mortgage over residential property were \$965.6 million, 60% of total approvals.
- * Total Group lending approvals (including Sandhurst Trustees) were \$1.74 billion (1998 - \$1.16 billion).

Deposits

- * Total Bank deposits increased 33% to \$3.78 billion during the year.
- * Sandhurst Trustees Common Funds grew \$175 million to \$656 million in the year, an increase of 37%.
- * Total Group deposits and funds under management increased \$1.12 billion, or 34%, in the year to a total of \$4.43 billion.

BENDIGO BANK

GROUP PROFIT AND DIVIDEND ANNOUNCEMENT

SUMMARY

Assets and Capital

- * Group Assets grew by \$1.03 billion in the year to \$4.20 billion. This is an increase of 33%.
- * Total Risk weighted capital adequacy ratio at June 1999 is 10.36%.
- * Shareholders' equity increased 62% in the year to \$243 million.
- * Number of shares issued during the year was 27,907,765, taking the number of shares on issue to 78,292,206. The number of ordinary shareholders grew from 16,743 at 30 June 1998 to 21,334 at 30 June 1999.

Dividends

- * 1998/99 final dividend declared of 12.5 cents per fully paid share, fully franked at 36%. Dividend is payable on 29 October 1999 to shareholders registered on the books of the Bank at 5.00 p.m. on 15 October 1999.
- * The total final dividend provided for is \$8.3 million.
- * Dividends for 1998/99 total 23.0 cents (up from 21.5 cents), which represents a payout ratio of 72% (before abnormal items, 76%) (up from 67% in 1998). Earnings per share before abnormal items was 30.7 cents (after abnormal items - 32.6 cents) (1998 - 29.1 cents).

Bad and Doubtful Debts

- * Bad and doubtful debts expense for the year was \$6.5 million, which was \$1.0 million more than the previous year. The expense includes a charge against profit for provision for doubtful debts of \$5.5 million (\$4.6 mill - 1998), \$2.7 million (\$2.8 mill - 1998) of which relates to an increase in general provisions. This increase in general provisions is to further progress toward APRA preferred levels. General provisions now total \$9.45 million, 0.41% of risk-weighted assets.
- * Total provisions for doubtful debts at June 1999 totalled \$16.1 million, which represents 0.48% of Gross loan balances (1.18% - June 1998).

BENDIGO BANK

CONSOLIDATED PROFIT AND LOSS REPORT (Unaudited) - \$'000

for the YEAR ENDED JUNE 30, 1999

	Note	Jun-99	Jun-98 (Audited)	Increase/ (Decrease) %
Net interest income				
Interest income		230,225	195,052	18.0
Interest expense		137,002	117,008	17.1
Net interest income		93,223	78,044	19.4
ADD Other income				
Fees - Asset products		5,378	3,358	60.2
- Liability products		3,807	2,699	41.1
- Other		7,674	5,333	43.9
Commissions - Insurance		1,376	1,164	18.2
- Other		9,672	8,576	12.8
Property Revenue		748	1,191	(37.2)
Trustee, management & other services		8,430	8,356	0.9
Dividend income		230	46	400.0
Share of associates' net profit/(losses)		3,100	-	-
Other		3,346	1,883	77.7
Total Other income		43,761	32,606	34.2
Total Net operating income		136,984	110,650	23.8
LESS Operating expenses				
Bad and doubtful debts				
Bad debts written off	5	975	940	3.7
Transfer to provision for doubtful debts	5	5,529	4,596	20.3
Bad debts recovered		(52)	(413)	87.4
Total Bad and doubtful debts		6,452	5,123	25.9
Other operating expenses				
Salaries & staff related costs		45,000	40,422	11.3
Occupancy		7,571	6,904	9.7
Information technology costs		9,811	4,720	107.9
Management fees & commissions		4,847	2,842	70.5
Directors' fees & expenses		801	564	42.0
Depreciation/amortisation		5,090	6,323	(19.5)
Goodwill amortisation	9	1,266	169	649.1
Other Operating Expenses		26,568	21,517	23.5
Total Other Operating Expenses		100,954	83,461	21.0
Total Operating expenses		107,406	88,584	21.2
Profit before tax and abnormal items		29,578	22,066	34.0
Abnormal items	4	6,483	-	-
Profit before tax		36,061	22,066	63.4
Less: Income tax expense	3	16,359	7,873	107.8
Profit after tax		19,702	14,193	38.8
Retained profits at beginning of year		20,688	16,031	29.0
Total Available for appropriation		40,390	30,224	33.6
Final dividend (adj prev year)		9	22	59.1
Interim dividend		5,855	4,362	34.2
Final dividend		8,347	5,152	62.0
Retained profits at June 30		26,179	20,688	26.5

BENDIGO BANK

CONSOLIDATED BALANCE SHEET (Unaudited) - \$'000

as at JUNE 30, 1999

	<i>Note</i>	Jun-99	Jun-98	Increase/ Decrease %	Dec-98	Increase/ Decrease %
ASSETS						
Cash and short-term liquid assets		98,504	36,697	168.4	77,723	26.7
Due from other financial institutions		85,777	57,031	50.4	34,275	150.3
Investment securities		529,717	473,243	11.9	480,980	10.1
Loans and other receivables		3,298,802	2,493,406	32.3	2,740,852	20.4
Deposit with Reserve Bank		33,049	26,510	24.7	30,780	7.4
Share investments		46,622	748	6132.9	740	6,200.3
Other investments		4,653	5,849	(20.4)	5,220	(10.9)
Property, plant and equipment		28,529	31,679	(9.9)	25,147	13.4
Intangibles		35,810	18,531	93.2	18,109	97.7
Other assets		42,776	27,229	57.1	51,665	(17.2)
TOTAL ASSETS		4,204,239	3,170,923	32.6	3,465,491	21.3
LIABILITIES						
Due to other financial institutions		62,191	39,068	59.2	42,155	47.5
Deposits		3,775,873	2,832,121	33.3	3,097,328	21.9
Provision for dividend	8	8,370	5,166	62.0	5,862	42.8
Provision for income tax		4,806	2,531	89.9	6,572	(26.9)
Other provisions		11,512	9,623	19.6	10,691	7.7
Subordinated debt		82,959	106,636	(22.2)	88,171	(5.9)
Other liabilities		15,439	26,088	(40.8)	17,071	(9.6)
TOTAL LIABILITIES		3,961,150	3,021,233	31.1	3,267,850	21.2
NET ASSETS		243,089	149,690	62.4	197,641	23.0
SHAREHOLDERS' EQUITY						
Share capital		199,979	50,163	298.7	159,406	25.5
Reserves		16,931	78,839	(78.5)	14,948	13.3
Retained profits (accumulated losses)		26,179	20,688	26.5	23,287	12.4
TOTAL SHAREHOLDERS' EQUITY		243,089	149,690	62.4	197,641	23.0

BENDIGO BANK

KEY FINANCIAL INFORMATION - \$'000

for the YEAR ENDED JUNE 30, 1999

	Note	Jun-99	Jun-98	Increase/Decrease		Dec-98	Increase/Decrease	
				Value	%		Value	%
Profit								
Profit before Tax and abnormals		29,578	22,066	7,512	34.0	-	-	-
Profit after Tax, before abnormals		18,584	14,193	4,391	30.9	-	-	-
Profit after Tax		19,702	14,193	5,509	38.8	-	-	-
Profitability								
Earnings per Ordinary Share								
(weighted average)-cents		32.6	29.1	3.5	12.1	-	-	-
Pre-abnormal Earnings per								
Ord Share (weight ave)-cents		30.7	29.1	1.7	5.7			
Diluted Earnings per Share								
(weighted average)-cents		29.6	28.1	1.5	5.3	-	-	-
After Tax Return on Average								
Equity	1	10.0%	9.8%	0.2%	2.0	9.7%	0.3%	3.1
After Tax Return on Equity								
At Period End	1	8.1%	9.5%	(1.4%)	(14.7)	8.6%	(0.5%)	(5.8)
After Tax Return on Average								
Assets	1	0.53%	0.49%	0.04%	8.2	0.51%	0.02%	3.9
Income								
Gross Margin		93,223	78,044	15,179	19.4	-	-	-
Other Income		43,761	32,606	11,155	34.2	-	-	-
Gross Margin and Other Income		136,984	110,650	26,334	23.8	-	-	-
Lending								
Total Approvals - by security		1,613,490	1,052,889	560,601	53.2	-	-	-
Residential		965,605	649,268	316,337	48.7	-	-	-
Commercial		497,881	259,062	238,819	92.2	-	-	-
Other		150,004	144,559	5,445	3.8	-	-	-
Gross Loan balance - by security		3,313,427	2,532,138	781,289	30.9	2,770,984	542,443	19.6
Residential		2,400,426	1,785,182	615,244	34.5	1,914,275	486,151	25.4
Commercial		740,454	637,122	103,332	16.2	741,403	-949	(0.1)
Other		172,547	109,834	62,713	57.1	115,306	57,241	49.6
Gross Loan balance - by purpose		3,313,427	2,532,138	781,289	30.9	2,770,984	542,443	19.6
Residential		2,289,759	1,590,113	699,646	44.0	1,774,031	515,728	29.1
Non-residential		1,023,668	942,025	81,643	8.7	996,953	26,715	2.7
Deposits								
Deposits	7	3,775,873	2,832,121	943,752	33.3	3,097,328	678,545	21.9
Common funds-Trustee Company		655,949	480,631	175,318	36.5	607,185	48,764	8.0
Total Group deposits & funds mged		4,431,822	3,312,752	1,119,070	33.8	3,704,513	727,309	19.6

	Note	Jun-99	Jun-98	Increase/Decrease		Dec-98	Increase/Decrease	
				Value	%		Value	%
Productivity								
Net Operating Expenses	2	100,954	83,461	17,493	21.0	-	-	-
Net Operating Expenses to								
Gross Margin and Other Income		73.7%	75.4%	(1.7%)	(2.3)	76.9%	(3.2%)	(4.2)

Underlying Op Expenses to	2							
Gross Margin and Other Income		72.8%	75.3%	(2.5%)	(3.3)	76.3%	(3.5%)	(4.6)
Net Operating Expenses to	2							
Average Assets	1	2.7%	2.9%	(0.2%)	(6.9)	2.9%	(0.2%)	(6.9)
Avge Assets-incl Common Fun	1	2.4%	2.5%	(0.1%)	(4.0)	2.5%	(0.1%)	(4.0)
Number of Staff (Full-Time Equiv)		878	785	93.0	11.8	836	42.0	5.0
Staff & related costs to Gross								
Margin and Other Income		32.9%	36.5%	(3.6%)	(9.9)	35.6%	(2.7%)	(7.6)

Bad and Doubtful Debts

Bad Debts Expense	5	975	940	35	3.7	-	-	-
Prov'n Doubtful Debts Expense		5,529	4,596	933	20.3	-	-	-
Provision d debts - specific		6,616	19,061	-12,445	(65.3)	20,006	-13,390	(66.9)
Provision d debts - general		9,454	10,698	-1,244	(11.6)	12,274	-2,820	(23.0)
Provision d debts - total		16,070	29,759	-13,689	(46.0)	32,280	-16,210	(50.2)
Total Prov d debts to Gross Loans		0.48%	1.18%	(0.70%)	(59.3)	1.16%	(0.68%)	(58.6)
General provision for doubtful debts								
(net of FITB)to Risk-weighted asset		0.41%	0.37%	0.04%	10.8	0.41%	0.00%	0.0

Asset Quality

Non-accrual accounts-	6							
Full-performing		-	-	-	-	-	-	-
Part-performing		1,967	6,227	-4,260	(68.4)	7,159	-5,192	(72.5)
Non-performing		11,053	21,618	-10,565	(48.9)	19,736	-8,683	(44.0)
Total non-accrual assets		13,020	27,845	-14,825	(53.2)	26,895	-13,875	(51.6)
Assets acquired through enforcement		266	-	266	-	-	266	-
Restructured loans		3,374	3,360	14	-	3,378	-4	(0.1)
Total Impaired assets		16,660	31,205	-14,545	(46.6)	30,273	-13,613	(45.0)
Less: Specific provisions		(5,960)	(19,061)	13,101	(68.7)	(19,822)	13,862	(69.9)
Net Impaired assets		10,700	12,144	-1,444	(11.9)	10,451	249	2.4
Gross non-accrual to Gross Loans		0.39%	1.10%	(0.71%)	(64.5)	0.97%	(0.58%)	(59.8)
Gross impaired to Gross Loans		0.50%	1.23%	(0.73%)	(59.3)	1.09%	(0.59%)	(54.1)
Net Impaired to Gross Loans		0.32%	0.48%	(0.16%)	(33.3)	0.38%	(0.06%)	(15.8)

Past due 90 days

Well secured - balance		10,744	8,548	2,196	25.7	13,978	(3,234)	(23.1)
Portfolio facilities - balance		639	848	(209)	(24.6)	569	70	12.3

Note	Jun-99	Jun-98	Increase/Decrease Value	%	Dec-98	Increase/Decrease Value	%
Assets and Capital							
Group Assets	4,204,239	3,170,923	1,033,316	32.6	3,465,491	738,748	21.3
Capital Adequacy							
Risk Weighted Assets	2,287,845	1,995,800	292,045	14.6	1,911,225	376,620	19.7
Risk Weighted Capital Adequacy	10.36%	10.66%	(0.30%)	(2.8)	13.35%	(2.99%)	(22.4)
- Tier 1	8.75%	6.08%	2.67%	43.9	8.92%	(0.17%)	(1.9)
- Tier 2	1.61%	4.58%	(2.97%)	(64.8)	4.43%	(2.82%)	(63.7)
Net Tangible Assets per F/P Share	\$2.85	\$2.61	\$0.24	9.2	\$2.83	\$0.02	0.7
Shareholders' Equity	243,089	149,690	93,399	62.4	197,641	45,448	23.0

Dividends

Dividend per Share - cents		12.5	11.5	1.0	8.7	10.5	2.0	19.0
Dividend Payable	8	8,347	5,161	3,186	61.7	5,855	2,492	42.6

Notes: 1 Half-year results are annualised by multiplying numerator by 2.

Equity for use in calculating these ratios is Net assets (Shareholders' Equity).

2 **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.

3 **Income tax expense** in 1999 is impacted by the abnormal adjustment relating to the change in tax accounting method adopted in relation to general provision for doubtful debts - see notes 4 and 5 below.

4 Abnormal items 1999 comprise:	Before tax	Related tax	After tax
Sale of shares-Data Advantage	1,165	47	1,118
Change in tax accounting treatment of General provn for d debts and reduction in General provn	5,318	5,318	0
	<u>6,483</u>	<u>5,365</u>	<u>1,118</u>

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

	Jun-99	Jun-98	Movement
Specific provisions	6,616	19,061	(12,445)
General provision	9,454	10,698	(1,244)
Total balance in provisions for doubtful debts	<u>16,070</u>	<u>29,759</u>	<u>(13,689)</u>

The movement in provisions comprise:	Specific	General	Total
Balance at June 1998	19,061	10,698	29,759
Balances acquired - IOOF Building Society	371	1,420	1,791
Bad and doubtful debts expense to profit and loss	3,850	2,654	6,504
Abnormal adjustment to general provision	-	(5,318)	(5,318)
Bad debts written off	(16,666)	-	(16,666)
Balance at June 1999	<u>6,616</u>	<u>9,454</u>	<u>16,070</u>

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

Bad debts previously provided for	15,691
Other Bad debts	975
	<u>16,666</u>

The abnormal adjustment to General Provision is a reduction to reflect the change in tax accounting, whereby movements in the general provision will be treated as a permanent difference, rather than a timing difference. Following this change, there is no longer an FITB in relation to general provisions and the actual balance can be less and still achieve the APRA preferred level of 0.50% of RWA (net of FITB). Bendigo Bank is committed to progress toward a general provision of 0.50% of RWA.

6 Impaired assets dissection:	Jun-99	Jun-98	Movement
Loans acquired through mergers/acquisitions	4,828	4,334	494
Cassa	6,719	21,765	-15,046
Other	5,113	5,106	7
Total Impaired Assets (gross balance)	<u>16,660</u>	<u>31,205</u>	<u>-14,545</u>

Notes: 7 **Deposits** are as follows:

	Jun-99	Jun-98	Movement
Retail	3,008,063	2,124,723	883,340
Wholesale - domestic	607,547	463,427	144,120

Wholesale - offshore	160,263	243,971	-83,708
Total deposits	<u>3,775,873</u>	<u>2,832,121</u>	<u>943,752</u>

- 8 The **provision for dividend** excludes those shareholders who have elected to take bonus shares in lieu of dividends.
- 9 **1998** goodwill amortisation was reduced due to the effect of compliance with UIG 9 and a change in the amortisation period from 5 to 10 years in relation to the acquisition of CCAL.
1999 goodwill amortisation includes amortisation of goodwill relating to the acquisition of IOOF Building Society (\$232k) and the amortisation of the STL Trustee licence (\$191k).

BENDIGO BANK

Year ended June 30, 1999

	Average Balance \$'000	Interest 1999 \$'000	Average rate %
AVERAGE BALANCE SHEET AND RELATED INTEREST			
Average balances and rates ⁽¹⁾			
Interest earning assets			
Cash and liquid assets	47,483	1,337	2.82
Investment securities	485,036	26,322	5.43
Loans and other receivables	2,840,277	202,563	7.13
Deposit with Reserve Bank of Australia	29,986	3	0.01
	<u>3,402,781</u>	<u>230,225</u>	<u>6.77</u>
Non interest earning assets			
Property, plant & equipment	27,010		
Provisions for doubtful debts	(29,896)		
Other assets	96,447		
	<u>93,560</u>		
Total assets (average balance)	<u>3,496,341</u>		
Interest bearing liabilities and equity			
Deposits			
Retail	2,539,210	97,546	3.84
Wholesale - domestic	462,561	22,811	4.93
Wholesale - offshore	170,253	9,360	5.50
Other borrowings			
Subordinated debt	94,603	7,285	7.70
	<u>3,266,628</u>	<u>137,002</u>	<u>4.19</u>
Non interest bearing liabilities and equity			
Other liabilities	36,420		
Shareholders' equity	193,294		
	<u>229,714</u>		
Total liabilities and shareholders' equity	<u>3,496,341</u>		
Interest margin and interest spread			
Interest earning assets	3,402,781	230,225	6.77
Interest bearing liabilities	(3,266,628)	(137,002)	(4.19)
Net interest income and interest spread		<u>93,223</u>	<u>2.57</u>
Net interest margin ⁽³⁾			2.74

Average balance is based on monthly closing balances from June 30, 1998 through June 30, 1999 inclusive

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

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

BENDIGO BANK
Year ended June 30, 1998

	Average Balance \$'000	Interest 1998 \$'000	Average rate %
AVERAGE BALANCE SHEET AND RELATED INTEREST			
Average balances and rates ⁽¹⁾			
Interest earning assets			
Cash and liquid assets	41,064	2,250	5.48
Investment securities	334,630	19,214	5.74
Loans and other receivables	2,366,283	173,576	7.34
Deposit with Reserve Bank of Australia	24,069	12	0.05
	<u>2,766,047</u>	<u>195,052</u>	<u>7.05</u>
Non interest earning assets			
Property, plant & equipment	33,964		
Provisions for doubtful debts	(27,835)		
Other assets	76,055		
	<u>82,184</u>		
Total assets (average balance)	<u>2,848,230</u>		
Interest bearing liabilities and equity			
Deposits			
Retail	1,957,421	76,365	3.90
Wholesale - domestic	505,652	27,169	5.37
Wholesale - offshore	117,877	6,213	5.27
Other borrowings			
Subordinated debt	93,447	7,261	7.77
	<u>2,674,396</u>	<u>117,008</u>	<u>4.38</u>
Non interest bearing liabilities and equity			
Other liabilities	29,024		
Shareholders' equity	144,810		
	<u>173,834</u>		
Total liabilities and shareholders' equity	<u>2,848,230</u>		
Interest margin and interest spread			
Interest earning assets	2,766,047	195,052	7.05
Interest bearing liabilities	(2,674,396)	(117,008)	(4.38)
Net interest income and interest spread		<u>78,044</u>	<u>2.68</u>
Net interest margin			2.82

Average balance is based on monthly closing balances from June 30, 1997 through June 30, 1998 inclusive

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

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