

The Bendigo Shareholder | August 2001

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2000/2001 Profit Announcement



Managing Director
Rob Hunt

Bendigo Bank has announced a 2000/2001 operating profit after tax of \$33.3 million.

Chairman Richard Guy said this represented a 56 per cent increase on last year. Growth in earnings per share was restricted to 14.7 per cent due to factors including the receipt of just nine months profit contribution by First Australian Building Society to offset the capital issued to its former shareholders as part of last October's merger.

"This result represents a solid progression in our long-term strategy to leverage our position as a regional and community bank," Mr Guy said.

He said that in recent years Bendigo had managed consistently strong growth while at the same time establishing the footings required to expand its business beyond its traditional boundaries.

"Today, we are accessible to more Australians, thanks to our growing branch and Community Bank network, our electronic banking capabilities and our joint venture activities such as Elders Rural Bank and Tasmanian Banking Services.

"Much of the structural change within the Bank has also been achieved. We have fully integrated our commercial banking arm Cassa Commerciale into the retail bank, centralised the Group's treasury operations, completed rollout of our branch delivery and loan application processing systems, and on 31 August 2001 will complete the integration of First Australian customers into the Bank.

"We are therefore well-equipped to handle the rapid growth in customer numbers and new business we are experiencing both in the Bank and in our joint venture and alliance activities.

"During the current calendar year we have consistently attracted between 10,000 and 15,000 new customers per month and we expect this growth to continue for some time yet.

"Retail deposit and lending volumes continue to grow strongly and we anticipate a continuation of the profit progression we have seen in recent years."

Mr Guy said directors had declared a final dividend of 14.5 cents per share. This is an increase of 1.0 cent on last year's final dividend. The dividend is fully franked at 30 per cent and payable on 31 October 2001 to Shareholders registered on the record date of 12 October. Dividends for the financial year totalled 41.0 cents per share (up from 24.0 cents), including the 15 cent special cash dividend which was paid in February 2001. Excluding the special dividend, the payout ratio was 84 per cent.

Detailing the result, which is subject to audit, managing director Rob Hunt said operating profit before tax was \$55 million, a 47 per cent increase on the \$37.4 million for 2000.

"Even without the nine-month contribution from First Australian (\$6.3 million after-tax), profit growth was still in excess of 20 per cent," Mr Hunt said.

Mr Hunt said total bank lending approvals were \$2.49 billion, a 34.5 per cent increase, while total Group deposits grew by 41.7 per cent to \$6.2 billion.

He said the lending environment had "not been easy" given uncertainty with the introduction of the new tax system but the Bank had continued to experience record demand.

"Looking ahead, we have invested in upskilling our lending capacity in Queensland and while that is a highly competitive market, we anticipate good growth there."

Mr Hunt said that while interest margins had come under pressure due to the rapid reduction in official rates early this year, "in the final analysis our margin reduced by just eight basis points and has recovered well".

"Deposit growth was extremely strong and retail deposits comprise 88.4% of total deposits."

This deposit franchise is one of Bendigo's greatest strengths and provides us with an enviable funding base to support future growth and margins."

Mr Hunt said the Bank continued to build its non-interest income and during the current financial year would roll out a new wealth creation business strategy to bring its current funds management and advice businesses under the one umbrella.

"We will bring these together to create a 'one stop' wealth creation/wealth management structure to enhance the ability of our customers to plan and manage their retirement and estate planning. Our aim is to substantially grow our off-balance sheet funds, facilitate the accumulation of customer wealth and in the process deliver a fee-based income stream not susceptible to the fluctuations of interest margins."

Profit at a Glance

(Unaudited) \$'000
unless stated

	June 01	June 00	% Increase/(Decrease)
Total net operating income	239,760	174,830	37.1
Total operating expenses	184,758	137,476	34.4
Profit before tax	55,002	37,354	47.2
Income tax expense	21,724	16,042	35.4
Profit after tax	33,278	21,312	56.1
Total assets	6,981,517	4,913,417	42.1
Deposits	6,229,172	4,394,669	41.7
Lending approvals	2,494,609	1,854,284	34.5
Earnings per share	31.5 cents	27.5 cents	14.7
Return on average Equity	9.4%	8.0%	17.5

* Full financial results
are available at
www.bendigobank.com.au

Mr Hunt said the Company remained conscious that its performance ratios required further improvement, with First Australian integration costs pushing the cost-to-income ratio back above 70 per cent (72.8) – “which we anticipated would be a short-term consequence of that investment” – and return on equity at 9.4 per cent.

“Having positioned and equipped the Company to grow, we are very focused on delivering shareholder value by improving those measures through growing income streams, controlling costs and managing our capital base.”

Mr Hunt said the Bank had repurchased two million shares in its on-market buyback, while total off-balance sheet securitisation programs undertaken to date amount to \$851 million. “Securitisation programs remain an integral part of the Bank’s capital management and funding strategies.”

“This year we had some interruptions to our performance progression, including the decisions to prudently provision against a court ruling made against us (\$3.5 million after tax) and also provisioning several commercial loans in recognition of where we are in the economic cycle.

“Income growth, though, is strong, with fee and margin income both growing by 37 per cent last year, and we anticipate increasing contributions from all divisions of our business plus our alliance activities Elders Rural Bank, Tasmanian Banking Services and Bendigo Investment Services.

“The Company is well placed to deliver earnings improvements.”

Shareholder Issues

AGM and information sessions

The Bank’s annual general meeting will be held at Bendigo’s Capital Theatre at 11am on Monday 22 October 2001. A Notice of Meeting will be mailed to you in September.

In order to provide Shareholders unable to attend the AGM with an opportunity to question Directors, information sessions will be held in the following locations:

- > 23 October 2001 at 6.00pm, Holiday Inn, Cnr St Kilda Rd and Park St, Melbourne, Vic.
- > 24 October 2001 at 6.00pm, Ipswich Club, 14 Gray Street, Ipswich, Qld.

More information will be provided with your Notice of Meeting to be posted to you in September.

Bank to appeal Federal Court Judgement

Shareholders may be aware from media reports of a judgement delivered by Mr Justice Gray in the Federal Court on 17 July 2001 in the case of Tab Fried & Others v. National Bank & Others. Judgement will be entered against Bendigo Bank for \$4.3 million plus interest after submissions on costs of the case have been made to the Court on 29 August 2001.

In response, the Bank issued the following statement:

HIH was the Bank’s indemnity insurer in this matter and conducted the case. The Bank intends to:

- a. Eliminate uncertainty by reducing the financial year 2001 profit statement by way of a \$5 million provision;
- b. Pursue a claim against the Provisional Liquidator of HIH as a creditor of the company;
- c. Appeal the judgment following analysis and strong legal advice on the likely success of an appeal.

The 2000/2001 profit result was announced on 6 August 2001. Any recoveries achieved from the above actions will be brought to account in future trading years.

Share Buyback

The Bank’s share buyback resulted in the repurchase of two million shares. Having reviewed its capital requirements, the Bank has now cancelled the buyback program.

Share Issue Prices

As a Shareholder, you need to keep records of your share acquisitions in order that you can meet complex Capital Gains Tax requirements. The table below, listing prices for shares issued under the Bendigo's Dividend Reinvestment Plan and Bonus Share Scheme, should help bring your records up to date. Also included are prices of rights issues and shares allotted under the Share Purchase Plan.

File this information with your share records and continue to record your own share transactions in the future.

- > 24 August 1984 – all shareholders' certificates were consolidated and a new certificate issued (pre Capital Gains Tax)
- > 30 June 1987 – a bonus Issue of 3 shares for every 19 shares held.
- > 30 November 1998 – 1:6 rights issue @ \$3.75, with \$2.00 paid 30 November 1998 and final payment of \$1.75 paid 30 November 1999. Shares converted to Fully Paid December 1999.

Issue Date	Dividend Reinvestment Plan	Bonus Share Scheme	Share Purchase Plan	Rights Issue
31.08.88	\$2.75			
17.03.89				1 for 5 @ \$2.00
02.07.89	\$2.475	\$2.20		
23.10.89	\$2.475	\$2.20		
30.04.90	\$2.28	\$2.02		
31.10.90	\$2.14	\$1.90		
30.04.91	\$2.12	\$2.12		
31.10.91	\$2.28	\$2.28		
16.12.91				1 for 5 @ \$2.00
30.04.92	\$2.87	\$2.87		
30.10.92	\$2.80	\$2.80		
30.04.93	\$3.05	\$3.05		
29.10.93	\$3.01	\$3.01		
29.04.94	\$3.27	\$3.27		
06.06.94			\$3.27	
31.10.94	\$2.71	\$2.71		
30.11.94			\$2.71	
28.04.95	\$2.89	\$2.89		
31.05.95			\$2.89	
31.10.95	\$3.40	\$3.40		
30.11.95			\$3.40	
30.04.96	\$3.54	\$3.54		
31.05.96			\$3.54	
31.10.96	\$3.75	\$3.75		
29.11.96			\$3.75	
31.01.97			\$3.86	
30.04.97	\$4.41	\$4.41		
30.05.97			\$4.41	
31.10.97	\$3.77	\$3.77		
30.04.98	\$3.67	\$3.67		
31.05.98			\$3.67	
30.10.98	\$4.38	\$4.38		
30.11.98				1 for 6 @ \$3.75*
30.04.99	\$5.82	\$5.82		
29.10.99	\$5.65	\$5.65		
30.04.00	\$4.81	\$4.81		
31.10.00	\$4.92	\$4.92		
30.04.01	\$5.79	\$5.79		

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