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INSIDE THIS ISSUE

INTERIM RESULT	P.2
- MEDIA RELEASE	
- HIGHLIGHTS	
- RESULT AT A GLANCE	
SHAREHOLDER ISSUES	P.4
YOUR QUESTIONS ANSWERED	P.4

Interim Result

MEDIA RELEASE - 18 FEBRUARY 2002

Bendigo Bank today announced a 25 per cent increase in its interim net profit in line with the strong growth in its business.

Chairman Richard Guy said operating profit after income tax was \$19.5 million, compared with \$15.6 million for the corresponding period last year.

Mr Guy said the result had been achieved on the back of unprecedented demand for the "Bendigo style" of banking.

"During the half-year we welcomed 51,000 new customers - excluding our Queensland merger - and saw net growth of 80,000 accounts.

"Our lending approvals surged by 76 per cent, to \$1.9 billion, and retail deposit growth continued to be strong, resulting in the Bank being 90 per cent retail-funded.

"The growing number of communities we serve are responding very positively to the customer and community focus Bendigo brings to banking and we have observed no diminution in demand, whether from within our current markets or from potential new markets.

"In response, we have accelerated both our Queensland rollout and other development programs. While this has impact on performance ratios, we believe we are tracking in line with our original expectation to improve return on equity by the order of one per cent over the full year."

Mr Guy said shareholders registered at 12 April would on 30 April receive an interim dividend payment of 12.0 cents per share, fully franked (an increase of 0.5 cents per share on the 2000/01 interim dividend).

Detailing the result, Managing Director Rob Hunt said profit before tax was \$30.7 million, up by 19 per cent from \$25.9 million in the corresponding period last year.

This figure included a full six-month contribution from Queensland, compared with just three months in the corresponding period last year, and a doubling of Elders Rural Bank's contribution, to \$5.92 million before tax.

Banking revenues grew sharply, with total net operating income up by 29.8 per cent, to almost \$140 million. This increase was offset by a 33.4 per cent increase in operating expenses.

"It is important to place these numbers in perspective," Mr Hunt said.

"We have spent six years positioning this business as a customer and community-focused bank. Right across Australia, communities have responded to our style of banking and this is now producing unprecedented opportunities to grow our business.

"It is essential that we strike while the iron is hot and develop those propositions which help build success for customers and communities and therefore develop sustainable growth in value for our shareholders.

"The rollout of Community Bank branches has been accelerated.

In Queensland, we brought forward the completion of conversion to full banking capacity, including branding, systems, business banking and a complete overhaul of our ATM network.

"In the first half, we have also expensed all new initiatives currently under development. These include our new wealth management division, new computing capacity and other strategic initiatives.

"This accelerated development program has impacted heavily on costs during this first half.

"On the revenue front, Elders Rural Bank is now beginning to generate the expected returns on our investment, as is Community Bank.

"Lending growth has been tremendous and we note that a substantial proportion of loans approved during the first half are yet to settle and begin generating revenues.

"The quality of business we are writing is excellent and our margins are standing up well.

"It is also worth noting that more than half of our branches (101 of the 194) have been in the Bendigo network for less than two years and are expected to generate strong earnings growth as they mature as individual businesses.

"All of these factors augur well for future earnings and we expect to continue the strong profit progression we are now seeing in the business.

"In the short term, we expect further profit improvement in the second half."

HIGHLIGHTS (July-Dec. 2001 compared with July-Dec. 2000)**Profit**

- > Operating profit after income tax was \$19.5 million, up 25% from \$15.6 million
- > Profit before income tax was \$30.7 million, up 19% from \$25.9 million
- > Earnings per share 16.8 cents, compared with 16.2 cents (3.7% increase)

Lending

- > Total bank lending approvals were \$1.9 billion, a 76% increase

Deposits

- > Retail deposits grew by 10.3 per cent during the half, to \$6.07 billion, and comprise 90% of total bank deposits

Assets and capital

- > Group assets grew by \$539 million during the half to \$7.5 billion (8% increase)
- > A further \$238 million of loans were sold on a commercial basis during the half
- > Total risk-weighted capital adequacy ratio at 31 December 2001 was 11.39%
- > Shareholder equity increased by 10% to \$465 million

Dividends

- > Interim dividend is 12.0 cents per share, fully franked (up 4.3% from 11.5 cents interim 2001)

Bad and doubtful debts

- > Bad and doubtful debts expense for the half-year was \$6.4 million, an increase of \$0.74 million
- > Provision for doubtful debts at December 2001 totalled 0.58% of gross loan balances
- > General provisions were increased by \$2.1 million and now total \$23.8 million, or 0.55% of risk-weighted assets

RESULT AT A GLANCE**The interim result at a glance**

	Dec.01	Dec.00	% change
	(\$million unless stated)		
Net operating income	139.8	107.7	29.8
Total operating expenses	109.0	81.7	33.4
Profit before tax	30.7	25.9	18.5
Income tax expense	11.2	10.3	8.7
Profit after tax	19.5	15.6	25.0
Earnings per share (cents)	16.8	16.2	3.7
Dividend (cents per share)	12.0	11.5	4.3
Assets	7,521	6,889	9.2
New lending approvals	1,881	1,068	76.1
General provision for doubtful debts to risk-weighted assets (net of FITB)	0.55%	0.55%	-
Group deposits	6,752	6,198	8.9
Number of listed shares*	118,757	111,360	6.6

* Excludes employee shares

Shareholder Issues

Online share trading launched

Shareholders can now trade shares online through Bendigo Bank's website, www.bendigobank.com.au

The service is provided through TD Waterhouse Investor Services, the Australian arm of TD Waterhouse, one of the world's leading discount brokers. Services include:

- > Share trading – Australian and U.S. equities
- > Access to hundreds of retail and wholesale managed funds, representing trusted names like Colonial and Rothschild.
- > Options and Warrants trading
- > Fixed Income Securities

Share trades are available from \$14.70 and can be settled directly through your Bendigo Bank account.

Our website advises how to register and provides further information about services and pricing.

Protecting your Privacy

Bendigo Bank Group is committed to ensuring your privacy is protected and understands your concerns regarding the confidentiality and security of personal information you provide to us.

Bendigo Bank Limited is part of the Bendigo Bank Group ("the Group"). We collect your personal information to administer your shareholding with us. To do that, we may need to disclose your personal information to organisations that carry out functions on the Group's behalf ("service providers") such as mailing houses and share registry bureaux. If any

part of that information is not provided, we may not be able to administer your shareholding. We may also collect your personal information to comply with provisions of the Corporations Law and ASX Listing Rules.

We may also share your personal information with related companies in the Group and our joint venture partners so that you can be told about financial products and services offered or distributed by us or them. To do that, we may need to give your personal information to our service providers. If you do not want to receive this information, call our Share Registry on 1800 646 042 or fax to (03) 5433 9029. In most cases, you can gain access to your personal information.

Your Questions Answered

Some questions asked at October's AGM and subsequent shareholder information evenings were answered in the November 2001 issue. The following questions were also asked and answers have been updated to incorporate subsequent events.

Q: Will there be further Queensland expansion?

A: Yes. We have already opened one new branch (Ingham) and plan others in Bundaberg (4 March 2002) and Toowoomba. Our first Community Bank opened in Paradise Point in October and a second at Biggera Waters in November. We expect to continue opening new branches and Community Bank branches.

Q: Can the Bank broaden its ATM network to include machines away from its branches?

A: Currently we have 120 ATMs at branch locations and 38 machines "off-site", usually in shopping centres. Each machine costs around \$25,000 per year to run and we ensure we install them in locations which service a clear demand and where we are assured of a return on our investment. We installed 24 new machines in 2000/2001 and expect to install more than that in this financial year.

Q: Does e-banking contribute to profit? Or is it just a financial black hole?

A: This is very difficult to quantify, since we have to make a lot of guesses about customer behavior. For instance: how many customers would not be with us if we did not offer e-banking? Also, we noted

after introducing e-banking in December 1998 that many of those customers immediately took out further products with the Bank. Our e-banking customers have a higher average number of products than the rest of our customer base; also, they have larger average account balances. All banks are trying to increase both of these measures. Bendigo does charge transaction fees for online services, under our user-pays principle. Services such as Bpay are revenue generators and revenue is increasing. We believe e-banking will play a significant role in Bendigo's future.

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