



2002

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# 2001/2002 Profit Announcement

## PROFIT INCREASES BY 47 PER CENT

Bendigo Bank has announced a 2001/2002 operating profit after tax of \$48.8 million, an increase of 47 per cent on the previous year.

Shareholders will receive a final dividend of 17.0 cents per share, payable on 31 October and fully franked to 30 per cent. Dividends for the financial year totalled 29 cents per share, an increase of three cents (excluding 2001's special dividend of 15.0 cents). The payout ratio of 69 per cent is within our preferred range.

Chairman Richard Guy said the bank had improved its key performance ratios, achieving its forecast of a one per cent increase in return on equity, which was up from 9.4 per cent to 10.6 per cent. Earnings per share increased by 9.6 cents, to 41.1 cents, a rise of 31 per cent.

"The result is a significant one for Bendigo Bank because it is clear evidence that our community-focused strategy, and the investments we have made in the past five years, are beginning to return sustainable earnings improvements.

"We said when embarking on this strategy that our success would be dependent on creating a banking environment which helped our customers and their communities to improve their prospects.

"This has required a heavy investment program, which has constrained our short-term performance in order to establish the footings for long-term growth.

"We have built systems and upskilled our staff, as well as investing in an array of both traditional and innovative delivery structures which enable us to serve a range of discrete communities.

"Community Bank, Elders Rural Bank and Tasmanian Banking Services are all just four years old or less. Half of our 216 branches have been in the network for less than two years.

"In recent years we have expensed the costs of most of those developments, from which we are now starting to generate significant revenue streams.

"This result contains increased profit contributions from each sector of our business and we expect this trend to continue. We are aiming to improve ROE by a further one per cent next year.

"Our aim is to achieve a position where we are generating fair and sustainable returns for our shareholders through delivering on our commitment to help improve the prospects of our customers and communities. This will strengthen our base of buyers and their commitment to us."

Detailing the result, which is subject to audit, Managing Director Rob Hunt said operating profit before tax and significant items was \$74.8 million, compared with \$60.0 million for 2001. This is a 25 per cent increase.

Mr Hunt said total Group deposits grew by 12 per cent to \$7.0 billion. Retail deposits increased by \$868 million, or 16 per cent, and now represent 91 per cent of the bank's funding. Funds managed by subsidiary Sandhurst Trustees grew by \$244 million, to \$1.21 billion.

Total bank lending approvals were \$3.64 billion, a 46 per cent increase, while \$708 million in loans were securitised or sold.

"This sale constrained growth in on-balance sheet assets to a billion dollars, taking total assets to just under \$8 billion," Mr Hunt said.

"Managing our balance sheet in this way helps improve our performance ratios and puts us in a very healthy capital position. Risk-weighted capital adequacy of 11.69 per cent includes Tier 1 of 9.28 per cent, providing flexibility going forward.

"Total Group-managed assets increased by \$1.42 billion, or 16 per cent, to \$10.37 billion."

Mr Hunt said Bendigo's margin had been maintained despite intense competition for lending and reductions in official interest rates.

"Net interest margin rose by two basis points, to 2.68 per cent, which reflects the strength of our strategy to ensure we are relevant to our customers and communities rather than just another price/volume trader."

Mr Hunt said the Bank's asset quality remained sound. Impaired loans net of specific provisions had been reduced by 40 per cent, to \$11.9 million, representing just 0.19 per cent of gross loans.

Looking forward, Mr Hunt said Bendigo had now established a unique style of banking and position in the market place.

"Next year we expect to further increase the profit performance and improve key ratios such as return on equity, cost to income and earnings per share.



CHAIRMAN  
**RICHARD A. GUY OAM**



GROUP MANAGING DIRECTOR  
**ROB HUNT**

"We expect to maintain or improve our margin revenue performance, given our strong retail base.

"Community Bank will continue to expand quickly and by June 2003 will approach 100 branches. Our alliances Elders Rural Bank and Tasmanian Banking Services are expected to improve their contributions, and we will continue a reasonable level of new developments to secure continued growth of revenues.

"We are in a strong position to maintain our growth rates in both revenues and profitability, while developing a strong and loyal customer franchise."

Mr Hunt said key initiatives would include:

Thirty-plus new company and Community Bank branches, including four key hub branches in Sydney to support Community Bank branches.

The further development and marketing of Wealth Management products and expansion of Bendigo's advisory network to service its growing retail base.

A continuation of community enhancement activities to reinforce Bendigo's relevance to its markets.

Development of the recently-launched Community Sector Banking initiative.

"We will also see the further maturing of a number of initiatives undertaken over the past few years."

## RECOVERY OF FUNDS

This year's profit included recovery of \$2 million in an out-of-court settlement of an appeal lodged against a Federal Court judgement for which we had provided \$5 million in 2000/2001.

The Bank incurred \$500,000 in legal expenses associated with the appeal. We will continue to pursue a claim against the liquidator of HIH, which was our indemnity insurer in the original case.

## PROFIT AT A GLANCE

(Unaudited) \$'000 unless stated

	June 02	June 01	% Increase/ (Decrease)
Total net operating income	292,646	237,503	23.2
Total operating expenses	228,247	182,501	25.1
Profit before tax	64,399	55,002	17.1
Income tax expense	26,144	21,724	20.3
Profit after tax	48,784	33,278	46.6
Total assets	7,967,725	6,981,517	14.1
Deposits	6,988,485	6,229,172	12.2
Lending approvals	3,637,170	2,494,609	45.8
Earnings per share	41.1 cents	31.5 cents	30.5
Return on average Equity	10.6%	9.4%	12.8

Note: Full financial results are available at [www.bendigobank.com.au](http://www.bendigobank.com.au)

# Shareholder Issues

## Annual General Meeting

The Bank's Annual General Meeting will be held at the Capital Theatre in Bendigo at 11.00am on Monday 28 October 2002.

A Notice of Meeting is due to be mailed to you on September 25. A Concise Annual Report will also be mailed to those shareholders electing to receive one.

For the first time, we will be webcasting the AGM. Shareholders will be able to follow the meeting by following the link from the home page of our website, [www.bendigobank.com.au](http://www.bendigobank.com.au)

A test link will be established a week beforehand.

The Bank will continue its regular and open communication with shareholders.

## Offer to IOOF shareholders

Bendigo Bank has offered to buy up to ten per cent of the newly-issued shares in IOOF Holdings Ltd.

We have written to IOOF's shareholders offering to buy their shares for a cash payment of \$2.70 per share. The offer is within the independent valuation provided to IOOF members before they voted to end the company's 156-year mutual structure from 30 June 2002.

The Bank views the offer as a way to support its important alliance partner and to provide certainty of value to any IOOF shareholders looking to realise the value of their holding prior to IOOF's shares listing.

IOOF Group provides funds management administration and investment management services to many of Bendigo's wealth management customers.

Bendigo's offer is for up to ten per cent of IOOF's issued shares, the maximum number of shares that may be acquired by any person pursuant to IOOF's constitution.

## Fair value for your Bendigo shares

Unlike IOOF's shares, your Bendigo Bank shares are listed on the Australian Stock Exchange, where open trading determines their price.

If you are thinking of selling listed shares, you should always do so through a licensed broker or online trader to ensure you obtain fair value.

# Bendigo wins credit upgrade

International credit rating agency Standard & Poor's (S&P) has upgraded Bendigo Bank's credit ratings.

Our long-term rating was upgraded from BBB- to BBB and our short-term rating from A-3 to A-2.

S&P said: "The upgrade reflects the bank's defensible business franchise

as well as its improved financial profile and operational diversity since it was first rated in 1996.

"Bendigo Bank's Community Bank focus, which is unique in the domestic context, has been a key driver of robust growth in its core lending markets, and has contributed to the increase in its low-risk deposit base during a period of heightened competition."

Bendigo's Managing Director Rob Hunt welcomed the credit upgrade, saying it would improve the Bank's capacity to borrow wholesale funds, should reduce the cost of those funds, and potentially improves profitability.

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