



## A REWARDING FOCUS

THE BENDIGO SHAREHOLDER MARCH 2004

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# INTERIM PROFIT ANNOUNCEMENT 2004

## REPORT TO SHAREHOLDERS

BY CHAIRMAN RICHARD GUY AND GROUP MANAGING DIRECTOR ROB HUNT

We are pleased to announce a 2003/04 interim operating profit after income tax of \$34.6 million, a 36 per cent increase on the corresponding period for the previous year.

Key performance ratios also showed solid improvement. Earnings per share grew by 6.5 cents, or 32 per cent, to 26.8 cents, while return on equity increased to 11.9 per cent.

Directors declared an interim dividend of 17.0 cents per share, fully franked at 30 per cent, an increase of 3.5 cents on the previous interim dividend. The payout ratio was 62 per cent. The dividend is payable on 31 March on shares registered by 17 March.

This is an excellent result in line with the growth and expansion of our business. It reaffirms a strong and consistent upward trend in your Company's profitability and performance. The interim after-tax profit is triple that of just four years ago.

Each reporting period since then has seen a substantial improvement in profitability. This illustrates that we are beginning to reap the rewards for a decade of a consistent strategy and commitment to build new collaborative commerce structures and progressively expand our distribution capacity.

These investments are focused on improving outcomes for our customers, on broadening the number of communities we service, and on enhancing our capacity to help improve the prospects of many communities across the nation.

That approach is now paying dividends for all stakeholders. Our communities are gaining renewed confidence and self-belief, they are rewarding our commitment to them by bringing their business to us, and the resulting strong growth in customer and business numbers is creating improved outcomes for Bendigo Bank shareholders.

We see clear opportunities ahead to continue this progress so long as we maintain our focus. The new branches and businesses – including our joint ventures and alliances – we have established in recent years are maturing and increasing their contribution to the Group's performance, and the demand for the Bendigo style of banking remains strong across Australia.

We will continue to make the investments needed to expand our distribution network and product capacity and we expect this will continue to fuel our growth and progress into the future.

Retail deposits and lending were significant contributors to growth, both recording solid increases over the same period last year. We are yet to see any concrete evidence of a slowdown in our lending growth, and although we anticipate

there will be some contraction in the housing market during 2004 we foresee a solid second half performance.

We have placed the Bendigo brand on 140 new branches in the past three years and they are making an ever stronger contribution to lending growth as they mature. Also, we are less dependent on straight-out home loans, with 37 per cent of our loan balances now drawn for other purposes – mainly small business.

Lending quality remains excellent, with net impaired assets halving to \$2.8 million, just 0.03 per cent of gross loan balances. The expense for bad and doubtful debts reduced by almost \$1 million, to \$6.4 million. We have no immediate concerns about a deterioration in this position and we continue to build our general provision in line with the bank's growth.

Total Group deposits increased by \$1 billion, or 12 per cent, during the half, to \$9.3 billion. Retail funding continues to be a strong attribute of Bendigo, with retail deposits increasing by \$774 million, or 10 per cent, to \$8.4 billion. This comprised 90.7 per cent of total Group deposits.

While the Bank continues to invest in expansion, products and new businesses, it is growing income at a significantly faster rate than expenses. Ours is an income generation strategy and we are growing income rapidly. I am confident we are on track to reach our target of a 65 per cent cost-to-income ratio by the 30 June 2005 balance date.

The Company is in a strong position. As well as our core banking business, we are beginning to see good volumes and margin from our funds management and advice businesses, which we built from within. We are also pleased with the performance of our joint venture bank, Elders Rural Bank, which continues to improve its contribution.

Our balance sheet is extremely strong and puts us in a sound position to capitalise on growth opportunities that might come our way. The many major investments we have made in recent years have already been expensed, which means we can continue to invest in positioning Bendigo as the partner of choice for communities which are looking for a banking provider which can offer much, much more than simply product or banking access.

We continue to build a raft of interlocking solutions in finance, capital management, telecommunications, energy and e-commerce which we believe can provide our communities with competitive advantages in the new economy. As we do, the underlying performance prospects of the Bank itself continue to improve markedly. At this point we are on track to achieve our aim of a 25 per cent increase in our full-year profit for 2003/04.

## RESULT AT A GLANCE

*Locals celebrate the opening of Elmore Community Bank branch in Victoria. The Company expects to open more than 30 branches in 2004.*

|  | Dec.03<br>(\$million unless stated) | Dec.02 | % change |
|--|-------------------------------------|--------|----------|
| Net interest income  | 122.8                               | 108.0  | 13.7     |
| Other income   | 73.4                                | 60.3   | 21.7     |
| Total net operating income   | 196.2                               | 168.3  | 16.6     |
| Total operating expenses   | 145.2                               | 130.5  | 11.3     |
| Profit before tax and abnormal items                                       | 51.0                                | 37.8   | 34.8     |
| Income tax expense   | (16.4)                              | (12.5) | 32.0     |
| Profit after tax   | 34.6                                | 25.4   | 36.2     |
| Earnings per share (cents)   | 26.8                                | 20.3   | 27.1     |
| Dividend (cents per share)   | 17.0                                | 13.5   | 26.0     |
| Assets   | 10,210                              | 8,315  | 22.8     |
| Total Group managed assets   | 12,888                              | 10,824 | 19.1     |
| New lending approvals  | 3,098                               | 2,174  | 42.5     |
| General provision for doubtful debts to risk-weighted assets (net of FITB) | 0.79%                               | 0.79%  | -        |
| Group deposits   | 9,259                               | 7,501  | 23.4     |



## DIVIDEND PAYMENT BROUGHT FORWARD

The Company will bring the payment of its interim and final dividends forward by one month following a review of our dividend policy. The following dates will apply to the payment of dividends due in 2004:

| Interim dividend |                     | Final dividend   |                         |
|------------------|---------------------|------------------|-------------------------|
| Paid             | Wednesday 31 March. | Paid             | Thursday 30 September.  |
| Record date      | Wednesday 17 March. | Record date      | Wednesday 15 September. |
| Ex-dividend date | Thursday 11 March   | Ex-dividend date | Thursday 9 September.   |

## FINAL CHANCE TO CONVERT CAPITAL NOTES

Holders of Bendigo Bank Capital Notes have one more chance to convert to ordinary shares prior to the Notes being repaid at the issue price of \$4.10.

Capital Notes were issued in 1997 and were intended to continue in perpetuity with a six-monthly option to convert into shares on a one-for-one basis until 2007.

However, changes in the taxation treatment of the notes mean that any still on issue at 30 June 2004 will be repaid to the holder at a face value of \$4.10.

This is compared with a trading price on the Australian Stock Exchange of \$9.10 at the time of publication of this newsletter. If you wish to check the current market value of Bendigo Bank shares the ASX code is BEN.

We will write to all holders of these notes early in May reminding them of the chance to convert. If holders choose not to convert, then the notes will be repaid at \$4.10, not the current market price.

Interest due on the notes will be paid on 31 May whether or not they are converted.

## MD TO PURCHASE SHARES

Shareholders at October's AGM approved an allocation of 100,000 shares to Managing Director Rob Hunt under the terms of the Bendigo Employee Share Purchase Plan, which also provides Mr Hunt with an interest-free loan to purchase the shares.

Subsequently, Mr Hunt accepted the offer at an issue price of \$8.83 per share, which was the average closing price on the Australian Stock Exchange in the five trading days prior to the AGM.

## CREDIT RATING UPGRADE

International credit rating agency Fitch Ratings has upgraded Bendigo's long-term rating to BBB+ from BBB. Our short-term rating was reaffirmed at F2. Fitch noted: "Bendigo's strong commitment to relationship banking provides it with a solid platform for growth."

# COMPANY HISTORY COMMISSIONED

Bendigo Bank has commissioned a company history to be published in the lead-up to the Company's sesquicentenary in 2008.

To be written by Prof. Alan Mayne, from the University of Melbourne, the book will trace the Company's development back to its origins as a terminating building society on the Bendigo goldfields in 1858.

It will also look at the wider social context which spawned Bendigo Building Society (and a host of like-minded community financial institutions), to see if there are any lessons for Bendigo Bank's continued development as a community focused organisation. Many of the challenges which faced communities in those days are mirrored today, and we wish to learn more about the capacity of our forebears to create solutions from within.

The history will be published in the style pioneered by Prof. Geoffrey Blainey – rigorous scholarship written engagingly for general readers.

The three-year project will also incorporate archiving the Company's historical records and artefacts, an oral history involving former employees, and a community outreach program including regional history seminars.

The project will be administered by the Department of History in the University of Melbourne, and will be undertaken in collaboration with the City of Greater Bendigo, State Government heritage agencies, and local schools.

"This is important work for the continued development of the Bank's business strategy," said Managing Director Rob Hunt.

"As we have said many times, helping to create successful communities creates an environment in which our business can improve its success.

"In its early days, our Company focused on re-investing some of the wealth created here in Bendigo back into a community infrastructure – our homes, small businesses, churches, public amenities, and so on. A city was born.

"We believe some of these simple elements are also required in today's environment. Special skills need to be developed within each community, town and suburb, to enable people to understand the impact of capital movement and the importance and opportunity of better managing our capital resources. This study will give us a better understanding of those links."

## ONLINE INVESTOR CENTRE LAUNCHED

### Online Investor Centre

Bendigo Bank has launched a new online Investor Centre containing information of interest to shareholders and investors. It features:

- > Up-to-date share price (20-minute delay) and share price history graphed over two months.
- > Dividend history back to 1988. (Essential for completion of your tax return should you realise capital gains on the sale of any of your Bendigo Bank shares.)
- > Answers to frequently asked investor questions.
- > A calendar of corporate events, including dividend record and payment dates.
- > Archived copies of our financials, Concise Annual Reports, company presentations, news releases and ASX announcements.

- > Corporate governance information, including company disclosure policies.

Bendigo Bank is committed to keeping shareholders and investors fully informed about its results and activities. We welcome any feedback or suggestions you have about our Investor Centre.

### Become an e-shareholder

We continue to encourage shareholders to register to receive information and documents by e-mail. This service will be further developed as increasing registrations make improvements economical.

To register, visit [www.bendigobank.com.au/shareholders](http://www.bendigobank.com.au/shareholders) and follow the prompts.



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