

# Growing together

Supporting communities, sharing success

*Georgie 7 years*



## THE BENDIGO SHAREHOLDER AUGUST 2005

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### INSIDE THIS ISSUE

- p.2 2005 Profit result
- p.3 Financial highlights
- p.3 Online share details
- p.4 Branch No. 300

# Profit increase to \$90.4 million (Fifth consecutive year of strong growth)

**BENDIGO BANK'S 2005 PROFIT AFTER TAX AND BEFORE SPECIFIC ITEMS INCREASED BY 19.4 PER CENT TO \$87.4 MILLION, COMPARED WITH \$73.2 MILLION IN 2004.**

"This is yet another strong result reflecting the ongoing growth in our business and customer numbers across the Group," Managing Director Rob Hunt said.

"It is the fifth year running we have grown profit by around 20 per cent or more and this is testimony to the strength of our strategy."

## **Increase in dividends**

Profit attributable to shareholders – after tax and specific items – was \$90.4 million.

Directors declared a fully franked final dividend of 26.0 cents per share, payable on 30 September. Total dividends were 45.0 cents, a five-cent (12.5 per cent) increase on the previous year.

## Your dividend

Bendigo Bank shareholders will receive a final dividend of 26.0 cents, payable on 30 September 2005 and fully franked. Dividends for the financial year totalled 45.0 cents per share, an increase of five cents, or 12.5 per cent, on the previous year.

## Changes to share plans

Terms and conditions for Bendigo Bank's Dividend Reinvestment Plan and Bonus Share Scheme have been revised. The new record date is 2 September 2005, with shares trading ex-dividend on 29 August.

The dividend reinvestment price will now be calculated as the volume weighted average share price of the shares over the 10 trading days following the record date. (Formerly this was calculated as the weighted average of the closing price of Bendigo Bank Limited shares on each of the five trading days up to and including the Record Date.)

## A branded retail strategy

Mr Hunt said the result demonstrated that Bendigo's style of banking continued to deliver steady improvement in shareholder returns.

"Value is being produced by a branded retail strategy focused on good outcomes for customers and communities.

"We have created a brand that is trusted, is relevant to customers and seeks to add value for communities beyond just the banking function. As a result, the Bendigo brand is highly regarded across Australia and we continue to broaden our distribution network and product range to create opportunities for customers to engage with us.

"A million customers have been attracted to our brand and this, in turn, is creating new opportunities for us. We will be devoting more time and resources to strengthen those existing customer relationships, while continuing to roll out new branches and initiatives to capture more of the demand for our brand."

A decade of achievement. Mr Hunt said the Bendigo had just completed its first decade as a bank.

"We have achieved a lot in that time to position and raise awareness of the Bendigo brand, as well as equipping our business to fully service the consumer and business sectors.

"Our branch network has quadrupled to more than 300. We have also leveraged our core competency in collaborative commerce to further broaden distribution capacity through joint ventures, alliances and our Community Bank® branches.

"We have built product capability from the ground up – including Wealth Solutions, business banking and e-banking – and fully

integrated those divisions into our retail distribution network.

"And we have invested in a range of community engagement initiatives to ensure we are well connected with, and relevant to our customer base.

"Virtually all that development has been expensed and our balance sheet carries forward few of the costs of our expansion program, thereby reducing its impact on future earnings. As we leverage these investments, shareholders are being rewarded with improved, and sustainable, earnings growth."

## **Mr Hunt said Bendigo's key strengths going forward were:**

A highly differentiated and trusted brand.

A strategy that focused on forming strong connections between the bank and its customers and communities, promoting customer loyalty.

The relative immaturity of the Bendigo branch network. "Two-thirds of branches are less than five years old, and experience shows they will continue to generate strong growth."

Growing diversity of revenue. "Almost 40 per cent of our revenue now comes from non-interest income and this proportion is rising. This is reducing our dependence on our traditional source of income."

## **Mr Hunt said Bendigo was focused on converting the continued improvement in profitability into higher earnings for shareholders. Measures to achieve this will include:**

An accelerated branch opening campaign, with 35 planned for 2005/06.

Expected further improvement in profit contributions from Community Bank, Wealth Solutions, alliances and the Elders Rural Bank, Tasmanian Banking Services and Community Sector Banking joint ventures.

A concentration on expanding relationships with existing customers, almost 400,000 of whom have joined Bendigo in the past four years.

Improving EPS through active capital management.

A brand advertising campaign to capitalise on strong demand for the Bendigo style of banking.

"Given reasonable market conditions, we are targeting an increase in cash earnings per ordinary share in the order of ten per cent this year."

## Results at a glance

	June 05 \$m	June 04 \$m	% Increase/ (Decrease)
<b>Headline result</b>			
Interest income	767.4	615.5	24.7
Interest expense	486.6	361.9	34.5
Net interest income	280.8	253.6	10.7
Other operating income	190.3	157.5	20.8
Total net operating income	471.1	411.1	14.6
Total operating expenses	339.7	295.8	14.8
Profit before tax	131.4	115.3	14.0
Income tax expense	41.3	35.8	15.4
Outside equity interest (share of loss)	0.3	0.3	0.0
Profit after tax	90.4	79.8	13.3
Earnings per ordinary share	64.4 cents	60.2 cents	7.0
Return on average ordinary equity	13.1%	13.0%	0.7
Dividends per share	45.0 cents	40.0 cents	12.5
<b>Result before specific items</b>			
Profit after tax	87.4	73.2	19.4
Expense to income	67.7%	68.4%	(1.0)
Cash basis earnings per ordinary share	65.6 cents	58.5 cents	12.1
Return on average ordinary equity	12.6%	11.9%	5.9
<b>Other key data</b>			
Total equity	749.1	676.4	10.7
Gross loans under management	12,866	11,256	14.3
Group managed assets	15.6 bil	13.5 bil.	15.5
Deposits & funds under management	14.7 bil.	12.3 bil.	19.5

## Check your share details online....(coming soon)

Bendigo Bank shareholders will soon be able to check details of their holding online at [www.bendigobank.com.au](http://www.bendigobank.com.au)

We are currently finalising the launch of a new system that will provide you with a range of useful information to keep track of your Bendigo shareholding, including:

**Check Balance**

**Check the number of shares you hold.**

**See if your Tax File Number is on our files.**

**Check your payment instructions.**

**Payment Inquiries**

Check dividends paid to you for the past two years.  
(Very helpful in completing your tax return.)

**Reinvestment Plans**

Check the payment date and number of shares issued to you under the Dividend Reinvestment Plan or Bonus Share Scheme.

**Stock Quote**

Plot Bendigo Bank's share price for up to the past five years.

Compare Bendigo Bank's share price against a range of stock indices.

Watch for this new service launching soon at  
[www.bendigobank.com.au](http://www.bendigobank.com.au)

# Branch Network tops 300

ON 10 JUNE, BENDIGO BANK NOTCHED TWIN MILESTONES WITH THE OPENING OF THE NORTH RYDE COMMUNITY BANK® BRANCH IN SYDNEY.

North Ryde was our 300th branch, a four-fold expansion in just 10 years. We have since opened a further nine branches, taking our total to 309.

North Ryde was Community Bank® branch number 150, meaning that locally owned and operated community branches now comprise half of Bendigo Bank's network.

"These are significant numbers in anyone's terms," said Managing Director Rob Hunt.

"Three hundred full-service branches means we now complement our reputation for customer-focussed service with a significant branch presence.

"Our ATM network, too, now exceeds 300 and we have an excellent, customer friendly internet and phone banking system, so Bendigo is becoming increasingly competitive and attractive to customers on all fronts. In the coming months we will sign up our millionth customer.

"These numbers signal that we have the potential to become a meaningful force in retail banking."

Mr Hunt said expanding Bendigo's distribution network had been a key aim when the company converted from a building society to bank in 1995.

"Our research then showed that customers felt the current banking system was focussed on its own objectives rather than those of customers or individual communities.

"Certainly we knew that our success was inextricably linked to the success of our customers and communities, so if we could assist the development and success of each community we would secure our own future success.

"We set out to establish a clear point of difference and unique value proposition for customers and communities around Australia and that is reflected in our growth.



*North Ryde chairman Graham McMaster with our Managing Director Rob Hunt at the official opening.*

"At bank conversion we had 74 branches, and all but two of them in Victoria. Today, half our branches are interstate and this trend is continuing.

"And to have half the network owned by local communities demonstrates the strength of the demand for Bendigo's customer and community focused approach to banking.

"New communities continue to be attracted to our style of banking and we expect our network to continue to grow by around 30 branches per year for the foreseeable future."

Mr Hunt said two-thirds of Bendigo's branches were less than five years old, signalling the company's strong prospects for continued performance improvement.

"Most of those branches are growing very strongly and will continue to increase their contribution as their businesses mature.

"The prospects for our business are excellent as long as we continue to focus on producing good outcomes for our customers and communities."



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