

# **BENDIGO BANK**

## **GROUP PROFIT AND DIVIDEND ANNOUNCEMENT**

**for the YEAR ENDED JUNE 30, 2001**

### **SUMMARY**

#### **Profit**

- \* Operating profit after income tax \$33.3 million. Up 56% from a \$21.3 million operating profit after tax for 2000.
- \* Operating profit before tax was \$55.0 million compared to \$37.4 million for 2000. This represents an increase of 47%.
- \* Earnings per share was 31.5 cents, increasing by 4.0 cents over EPS for 2000.

#### **Lending**

- \* Total Bank lending approvals were \$2.49 billion, a 35% increase over last year.
- \* Lending approvals secured by mortgage over residential property were \$1.77 billion, 71% of total approvals.

#### **Deposits**

- \* Total Group deposits increased 42% to \$6.2 billion during the year (including \$1.2 billion from the acquisition of First Australian Building Society (FABS) in October 2000).
- \* Sandhurst Trustees Common Funds grew \$205 million to \$863 million in the year, an increase of 31%.

#### **Assets and Capital**

- \* Group Assets grew by \$2.1 billion in the year to \$7.0 billion, including \$1.6 billion from the acquisition of FABS in October 2000. This is an increase of 42%.
- \* The Bank securitised \$393 million of loans during March 2001 through the Banksia Trust Series 2001-1
- \* Total Risk weighted capital adequacy ratio at June 2001 is 10.71%.
- \* Equity increased 47% in the year to \$423 million.

## **GROUP PROFIT AND DIVIDEND ANNOUNCEMENT**

for the YEAR ENDED JUNE 30, 2001

### **SUMMARY**

#### **Assets and Capital (continued)**

- \* Number of shares issued during the year was 32,462,830 (including 27,933,533 shares issued in connection with the First Australian Building Society acquisition) and there were 918,305 shares cancelled. The number of shares on issue at 30 June 2001 was 115,161,349. The number of ordinary shareholders grew from 23,792 at 30 June 2000 to 37,995 at 30 June 2001, a 60% increase.

#### **Dividends**

- \* 2000/2001 final dividend declared of 14.5 cents per fully paid share (an increase of 1.0 cent over the 1999/2000 final dividend), fully franked at 30%.
- \* Dividend is payable on 31 October 2001 to shareholders registered on the Record Date of 12 October 2001.
- \* The total final dividend provided for is \$15.7 million.
- \* Dividends for 2000/2001 total 41.0 cents, including a 15 cent special dividend (up from 24.0 cents), which represents a payout ratio of 136%, or 84% excluding the special dividend (2000 - 86%).

#### **Bad and Doubtful Debts**

- \* Bad and doubtful debts expense for the year was \$10.3 million, which was \$7.9 million less than the previous year.
- \* Bad debts written off against operating profit were \$1.8 million. Bad debts written off against provisions were \$12.9 million. The charge against profit for provision for doubtful debts was \$8.4 million (\$17.2 million - 2000).
- \* Total provisions for doubtful debts at June 2001 totalled \$31.3 million, which represents 0.55% of Gross loan balances (0.74% - June 2000).
- \* General provisions have been increased by \$8.0 million, including \$6.2 million from the acquisition of FABS in October 2000. General provisions now total \$21.8 million, or 0.55% of risk-weighted assets (0.50% - June 2000).

# BENDIGO BANK

## CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE (Unaudited) - \$'000 for the YEAR ENDED JUNE 30, 2001

	Note	Jun-01	Jun-00 (Audited)	Increase/ (Decrease) %
<b>Net interest income</b>				
Interest income		454,365	296,762	53.1
Interest expense		293,677	179,877	63.3
<b>Net interest income</b>		<b>160,688</b>	<b>116,885</b>	<b>37.5</b>
<b>ADD Other income</b>				
Fees - Asset products		14,677	8,168	79.7
- Liability products		9,905	5,161	91.9
- Other		17,794	11,785	51.0
Commissions - Insurance		2,663	1,570	69.6
- Other		9,030	11,066	(18.4)
Property Revenue		933	746	25.1
Trustee, management & other services		12,335	9,227	33.7
Dividend income		126	60	110.0
Share of associates' net profit/(losses)		7,693	7,564	1.7
Other		3,916	2,598	50.7
Total Other income		79,072	57,945	36.5
<b>Total Net operating income</b>		<b>239,760</b>	<b>174,830</b>	<b>37.1</b>
<b>LESS Operating expenses</b>				
<b>Bad and doubtful debts</b>				
Bad debts written off	1	1,823	1,036	76.0
Transfer to provision for doubtful debts	1	8,437	6,661	26.7
Significant item - prov for doubtful debts	2	-	10,500	-
Bad debts recovered		(130)	(84)	(54.8)
Total Bad and doubtful debts		10,130	18,113	(44.1)
<b>Other operating expenses</b>				
Salaries & staff related costs		73,709	52,611	40.1
Occupancy		13,793	8,969	53.8
Information technology costs		14,981	11,624	28.9
Management fees & commissions		7,566	5,873	28.8
Directors' fees & expenses		762	682	11.7
Depreciation/amortisation		7,120	5,095	39.7
Goodwill amortisation	4	3,662	2,129	72.0
Significant item - HIH claim	3	5,000	-	-
Other Operating Expenses		48,035	32,380	48.3
Total Other Operating Expenses		174,628	119,363	46.3
<b>Total Operating expenses</b>		<b>184,758</b>	<b>137,476</b>	<b>34.4</b>
<b>Profit before tax</b>		<b>55,002</b>	<b>37,354</b>	<b>47.2</b>
Less: Income tax expense	5	21,724	16,042	35.4
<b>Profit after tax</b>		<b>33,278</b>	<b>21,312</b>	<b>56.1</b>
Retained profits at beginning of year		29,118	26,179	11.2
Total Available for appropriation		62,396	47,491	31.4
Transfer to general reserve		126	-	-
Final dividend (adj prev year)	6	3,726	132	(2722.7)
Interim dividend		12,387	7,809	58.6
Special dividend		17,184	-	-
Final dividend	6	15,697	10,432	50.5
<b>Retained profits at June 30</b>		<b>13,276</b>	<b>29,118</b>	<b>(54.4)</b>

# BENDIGO BANK

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited) - \$'000

as at JUNE 30, 2001

	<i>Note</i>	<b>Jun-01</b>	<b>Jun-00</b>	<b>Increase/ Decrease</b>	<b>Dec-00</b>	<b>Increase/ Decrease</b>
			<b>(Audited)</b>	<b>%</b>		<b>%</b>
<b>ASSETS</b>						
Cash and liquid assets		187,727	91,251	105.7	152,028	23.5
Due from other financial institutions		141,677	119,501	18.6	45,050	214.5
Investment securities		796,271	591,107	34.7	892,449	(10.8)
Current tax assets		4,685	-	-	2,399	95.3
Loans and other receivables		5,592,146	3,939,894	41.9	5,552,830	0.7
Share investments		5,608	3,532	58.8	4,457	144.6
Investments accounted for using the equity method		61,252	51,622	18.7	54,273	44.6
Other investments		143	2,499	(94.3)	2,293	(99.7)
Property, plant and equipment		42,399	31,992	32.5	42,367	(46.3)
Deferred tax assets		13,546	11,563	17.1	12,955	(72.1)
Intangibles		75,551	37,285	102.6	78,987	55.3
Other assets		60,512	33,171	82.4	48,637	(99.1)
<b>TOTAL ASSETS</b>		<b>6,981,517</b>	<b>4,913,417</b>	<b>42.1</b>	<b>6,888,725</b>	<b>1.3</b>
<b>LIABILITIES</b>						
Due to other financial institutions		106,210	95,472	11.2	33,041	221.4
Deposits		6,229,172	4,394,669	41.7	6,197,697	0.5
Payables		46,161	24,786	86.2	54,102	(14.7)
Current tax liabilities		-	8,685	(100.0)	6	-
Provision for dividend	6	15,742	10,457	50.5	12,427	26.7
Other provisions		21,456	9,721	120.7	23,931	(10.3)
Subordinated debt		135,394	78,121	73.3	134,091	1.0
Deferred tax liabilities		4,585	3,149	45.6	4,639	(1.2)
<b>TOTAL LIABILITIES</b>		<b>6,558,720</b>	<b>4,625,060</b>	<b>41.8</b>	<b>6,459,934</b>	<b>1.5</b>
<b>NET ASSETS</b>		<b>422,797</b>	<b>288,357</b>	<b>46.6</b>	<b>428,791</b>	<b>(1.4)</b>
<b>EQUITY</b>						
Contributed equity		392,507	242,362	62.0	383,269	2.4
Reserves		17,014	16,877	0.8	16,935	0.5
Retained profits (accumulated losses)		13,276	29,118	(54.4)	28,587	(53.6)
<b>TOTAL EQUITY</b>		<b>422,797</b>	<b>288,357</b>	<b>46.6</b>	<b>428,791</b>	<b>(1.4)</b>

# BENDIGO BANK

## KEY FINANCIAL INFORMATION - \$'000

for the YEAR ENDED JUNE 30, 2001

	Note	Jun-01	Jun-00	Increase/Decrease		Dec-00	Increase/Decrease	
				Value	%		Value	%
<b>Profit</b>								
Profit before Tax		55,002	37,354	17,648	47.2	-	-	-
Profit after Tax		33,278	21,312	11,966	56.1	-	-	-
<b>Profitability</b>								
Earnings per Ordinary Share								
(weighted average)-cents		31.5	27.5	4.0	14.7	-	-	-
Diluted Earnings per Share								
(weighted average)-cents		31.5	27.4	4.1	15.0	-	-	-
After Tax Return on Average								
Equity	7	9.4%	8.0%	1.4%	17.5	8.7%	0.7%	8.0
After Tax Return on Equity								
At Period End	7	7.9%	7.4%	0.5%	6.8	7.3%	0.6%	8.2
After Tax Return on Average								
Assets	7	0.56%	0.47%	0.09%	19.1	0.53%	0.03%	5.7
<b>Income</b>								
Gross Margin		160,688	116,885	43,803	37.5	-	-	-
Other Income		79,072	57,945	21,127	36.5	-	-	-
Gross Margin and Other Income		239,760	174,830	64,930	37.1	-	-	-
<b>Lending</b>								
<b>Total Approvals</b> - by security		2,494,609	1,854,284	640,325	34.5	-	-	-
Residential		1,772,340	1,263,072	509,268	40.3	-	-	-
Commercial		458,972	363,437	95,535	26.3	-	-	-
Other		263,297	227,775	35,522	15.6	-	-	-
<b>Gross Loan balance</b> - by security		5,647,424	3,989,910	1,657,514	41.5	5,604,246	43,178	0.8
Residential		4,188,433	2,774,402	1,414,031	51.0	4,248,518	(60,085)	(1.4)
Commercial		1,041,388	893,760	147,628	16.5	984,718	56,670	5.8
Other		417,603	321,748	95,855	29.8	371,010	46,593	12.6
<b>Gross Loan balance</b> - by purpose		5,647,424	3,989,910	1,657,514	41.5	5,604,246	43,178	0.8
Residential		3,850,037	2,571,291	1,278,746	49.7	4,024,434	(174,397)	(4.3)
Non-residential		1,797,387	1,418,619	378,768	26.7	1,579,812	217,575	13.8

# BENDIGO BANK

## KEY FINANCIAL INFORMATION - \$'000

for the YEAR ENDED JUNE 30, 2001

	Note	Jun-01	Jun-00	Increase/Decrease		Dec-00	Increase/Decrease	
				Value	%		Value	%
<b>Deposits</b>								
Deposits	8	6,229,172	4,394,669	1,834,503	41.7	6,197,697	31,475	0.5
Common funds-Trustee Company		863,127	658,060	205,067	31.2	727,260	135,867	18.7
Total Group deposits & funds mge		7,092,299	5,052,729	2,039,570	40.4	6,924,957	167,342	2.4
<b>Productivity</b>								
Net Operating Expenses	9	174,628	119,363	55,265	46.3	-	-	-
Net Operating Expenses to								
Gross Margin and Other Income		72.8%	68.3%	4.5%	6.6	71.2%	1.6%	2.2
Underlying Op Expenses to	9							
Gross Margin and Other Income		71.3%	67.1%	4.2%	6.3	69.8%	1.5%	2.1
Net Operating Expenses to	9							
Average Assets	7	2.9%	2.6%	0.3%	11.5	2.6%	0.3%	11.5
Avge Assets-incl Common Fi	7	2.6%	2.3%	0.3%	13.0	2.4%	0.2%	8.3
Number of Staff (Full-Time Equiv)		1,533	1,011	522	51.6	1,423	110	7.7
Staff & related costs to Gross								
Margin and Other Income		30.7%	30.1%	0.6%	2.0	32.6%	(1.9%)	(5.8)
<b>Bad and Doubtful Debts</b>								
Bad Debts Expense	1	1,823	1,036	787	76.0	-	-	-
Prov'n Doubtful Debts Expense		8,437	6,661	1,776	26.7	-	-	-
Provision d debts - specific		9,545	15,523	(5,978)	(38.5)	7,944	1,601	20.2
Provision d debts - general		21,789	13,826	7,963	57.6	21,073	716	3.4
Provision d debts - total		31,334	29,349	1,985	6.8	29,017	2,317	8.0
Total Prov d debts to Gross Loans		0.55%	0.74%	(0.19%)	(25.7)	0.52%	0.03%	5.8
General provision for doubtful debts								
to Risk-weighted assets		0.55%	0.50%	0.05%	10.0	0.55%	0.00%	0.0
<b>Asset Quality</b>								
Non-accrual accounts-	10							
Part-performing		14,991	4,956	10,035	202.5	10,940	4,051	37.0
Non-performing		13,283	22,238	(8,955)	(40.3)	11,534	1,749	15.2
<b>Total non-accrual assets</b>		28,274	27,194	1,080	4.0	22,474	5,800	25.8
Assets acquired through enforce		-	30	(30)	-	-	-	-
Restructured loans		-	3,285	(3,285)	-	3,365	(3,365)	(100.0)
<b>Total Impaired assets</b>		28,274	30,509	(2,235)	(7.3)	25,839	2,435	9.4
Less: Specific provisions		(8,374)	(14,505)	6,131	(42.3)	(6,482)	(1,892)	29.2
<b>Net Impaired assets</b>		19,900	16,004	3,896	24.3	19,357	543	2.8
Gross non-accrual to Gross Loans		0.50%	0.68%	(0.18%)	(26.5)	0.40%	0.10%	25.0
Gross impaired to Gross Loans		0.50%	0.76%	(0.26%)	(34.2)	0.46%	0.04%	8.7
Net Impaired to Gross Loans		0.35%	0.40%	(0.05%)	(12.5)	0.35%	0.00%	0.0
<b>Past due 90 days</b>								
Well secured - balance		27,395	12,539	14,856	118.5	14,604	12,791	87.6
Portfolio facilities - balance		1,765	952	813	85.4	1,062	703	66.2

# BENDIGO BANK

## KEY FINANCIAL INFORMATION - \$'000

for the YEAR ENDED JUNE 30, 2001

	Note	Jun-01	Jun-00	Increase/Decrease		Dec-00	Increase/Decrease	
				Value	%		Value	%
<b>Assets and Capital</b>								
Group Assets		6,981,517	4,913,417	2,068,100	42.1	6,888,725	92,792	1.3
Capital Adequacy								
Risk Weighted Assets		3,949,521	2,772,656	1,176,865	42.4	3,866,415	83,106	2.1
Risk Weighted Capital Adequacy		10.71%	10.03%	0.68%	6.8	11.36%	(0.65%)	(5.7)
- Tier 1		8.61%	8.77%	(0.16%)	(1.8)	8.88%	(0.27%)	(3.0)
- Tier 2		2.10%	1.26%	0.84%	66.7	2.48%	(0.38%)	(15.3)
Net Tangible Assets per F/P Share		\$3.02	\$3.00	\$0.02	0.7	\$3.09	(\$0.07)	(2.3)
Equity		422,797	288,357	134,440	46.6	428,791	(5,994)	(1.4)
<b>Dividends</b>								
Dividend per Share - cents		14.5	13.5	1.0	7.4	11.5	-	-
Dividend Payable	6	15,697	10,432	5,265	50.5	12,387	-	-

# BENDIGO BANK

## KEY FINANCIAL INFORMATION - \$'000

for the YEAR ENDED JUNE 30, 2001

Notes: 1 The balances of the components of **provision for doubtful debts** are:

	Jun-01	Jun-00	Movement
Specific provisions	9,545	15,523	(5,978)
General provision	21,789	13,826	7,963
Total balance in provisions for doubtful debts	31,334	29,349	1,985

The movement in provisions comprise:	Specific	General	Total
Balance at June 2000	15,523	13,826	29,349
Balances acquired - FABS	206	6,210	6,416
Bad and doubtful debts expense to profit and loss	8,507	1,753	10,260
Bad debts written off	(14,691)	-	(14,691)
Balance at June 2001	9,545	21,789	31,334

Total bad debts written off for the period, as shown above comprises:

Bad debts previously provided for	12,868
Other Bad debts	1,823
	14,691

- 2 The **Significant Item - provision for doubtful debts** in 2000 related to a provision created for a single Asian exposure.
- 3 The **significant expense item** of \$5.0 million relates to the reasons for judgement delivered by Mr Justice Gray in the Federal Court of Australia on 17 July 2001 regarding the Tab Fried proceedings. Bendigo Bank was covered in this matter by indemnity insurance through HIH. The Bank intends to appeal the judgement following analysis and strong legal advice on the likely success of an appeal and will pursue a claim against the provisional liquidator of HIH as a creditor of the company.
- 4 2001 **goodwill amortisation** includes amortisation of goodwill relating to the acquisition of First Australi Building Society for 9 months.
- 5 **Income tax expense** in 2000 was reduced by the tax effect of a significant provision for doubtful debts (see Note 2 above).
- 6 The **provision for dividend** excludes those shareholders who have elected to take bonus shares in lieu of dividends. The appropriation item relating to the **prior year dividend adjustment** is due to the participation in the final 2000 dividend of the new shareholders on the register following the FABS acquisition in October 2000. This amount was not provided at June 2000.
- 7 Half-year results are annualised by multiplying numerator by 2.

**Equity** for use in calculating these ratios is Net assets.

8 <b>Deposits</b> are as follows:	Jun-01	%	Jun-00	%	Movement
Retail	5,504,639	88.4	3,672,091	83.6	1,832,548
Wholesale - domestic	450,931	7.2	560,140	12.7	(109,209)
Wholesale - offshore	273,602	4.4	162,438	3.7	111,164
Total deposits	6,229,172	100.0	4,394,669	100.0	1,834,503



# BENDIGO BANK

## KEY FINANCIAL INFORMATION - \$'000

for the YEAR ENDED JUNE 30, 2001

*Notes:* 9 **Net operating expenses** are operating expenses less bad debts written off, net of bad debts recovered and transfer to provision for doubtful debts.

**Underlying operating expenses** are Net operating expenses less goodwill amortisation.

10 <b>Impaired assets</b> dissection:	<b>Jun-01</b>	<b>Jun-00</b>	<b>Movement</b>
FABS	402	-	402
Cassa	16,477	23,410	(6,933)
Other loans acquired through mergers and acquisitions	2,660	2,951	(291)
Sub-total-loans acquired through mergers/acquisitions	19,539	26,361	(6,822)
Bendigo Bank sourced/purchased loans	8,735	4,148	4,587
Total Impaired Assets (gross balance)	28,274	30,509	(2,235)

# BENDIGO BANK

Year ended June 30, 2001

	Average Balance \$'000	Interest 2001 \$'000	Average rate %
<b>AVERAGE BALANCE SHEET AND RELATED INTEREST</b>			
<b>Average balances and rates</b> <sup>(1)</sup>			
<b>Interest earning assets</b>			
Cash and liquid assets	117,646	2,028	1.72
Investment securities	870,434	54,138	6.22
Loans and other receivables	5,060,761	398,199	7.87
	<u>6,048,841</u>	<u>454,365</u>	<u>7.51</u>
<b>Non interest earning assets</b>			
Property, plant & equipment	38,567		
Provisions for doubtful debts	(29,875)		
Other assets	183,841		
	<u>192,533</u>		
Total assets (average balance)	<u>6,241,374</u>		
<b>Interest bearing liabilities and equity</b>			
<b>Deposits</b>			
Retail	4,825,579	230,328	4.77
Wholesale - domestic	537,974	34,336	6.38
Wholesale - offshore	292,265	19,498	6.67
Other borrowings			
Subordinated debt	125,606	9,515	7.58
	<u>5,781,424</u>	<u>293,677</u>	<u>5.08</u>
<b>Non interest bearing liabilities and equity</b>			
Other liabilities	70,976		
Shareholders' equity	388,974		
	<u>459,950</u>		
Total liabilities and shareholders' equity	<u>6,241,374</u>		
<b>Interest margin and interest spread</b>			
Interest earning assets	6,048,841	454,365	7.51
Interest bearing liabilities	(5,781,424)	(293,677)	(5.08)
Net interest income and interest spread <sup>(2)</sup>		<u>160,688</u>	<u>2.43</u>
Net interest margin <sup>(3)</sup>			2.66

1 Average balance is based on monthly closing balances from June 30, 2000 through June 30, 2001 inclusive

2 Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.

3 Interest margin is the net interest income as a percentage of average interest earning assets.

# BENDIGO BANK

Year ended June 30, 2000

	Average Balance \$'000	Interest 2000 \$'000	Average rate %
<b>AVERAGE BALANCE SHEET AND RELATED INTEREST</b>			
<b>Average balances and rates</b> <sup>(1)</sup>			
<b>Interest earning assets</b>			
Cash and liquid assets	71,075	705	0.99
Investment securities	594,547	34,336	5.78
Loans and other receivables	3,602,217	261,721	7.27
	<u>4,267,839</u>	<u>296,762</u>	<u>6.95</u>
<b>Non interest earning assets</b>			
Property, plant & equipment	29,951		
Provisions for doubtful debts	(20,935)		
Other assets	140,156		
	<u>149,172</u>		
Total assets (average balance)	<u>4,417,011</u>		
<b>Interest bearing liabilities and equity</b>			
<b>Deposits</b>			
Retail	3,342,850	136,084	4.07
Wholesale - domestic	506,245	27,943	5.52
Wholesale - offshore	161,872	9,723	6.01
<b>Other borrowings</b>			
Subordinated debt	80,932	6,127	7.57
	<u>4,091,899</u>	<u>179,877</u>	<u>4.40</u>
<b>Non interest bearing liabilities and equity</b>			
Other liabilities	55,369		
Shareholders' equity	269,743		
	<u>325,112</u>		
Total liabilities and shareholders' equity	<u>4,417,011</u>		
<b>Interest margin and interest spread</b>			
Interest earning assets	4,267,839	296,762	6.95
Interest bearing liabilities	(4,091,899)	(179,877)	(4.40)
Net interest income and interest spread		<u>116,885</u>	<u>2.55</u>
Net interest margin <sup>(3)</sup>			2.74

1 *Average balance is based on monthly closing balances from June 30, 1999 through June 30, 2000 inclusive*

2 *Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.*

3 *Interest margin is the net interest income as a percentage of average interest earning assets.*