



# Interim profit announcement 2004

# Presenters



## **The financial result**

Craig Langford  
Chief Financial Officer

## **Strategy and outlook**

Rob Hunt  
Managing Director

# The financial result



Craig Langford  
Chief Financial Officer

# Building a sustainable performance



Profit increased by 36% to \$34.6 million

Earnings per share increased by  
6.5 cents to 26.8 cents

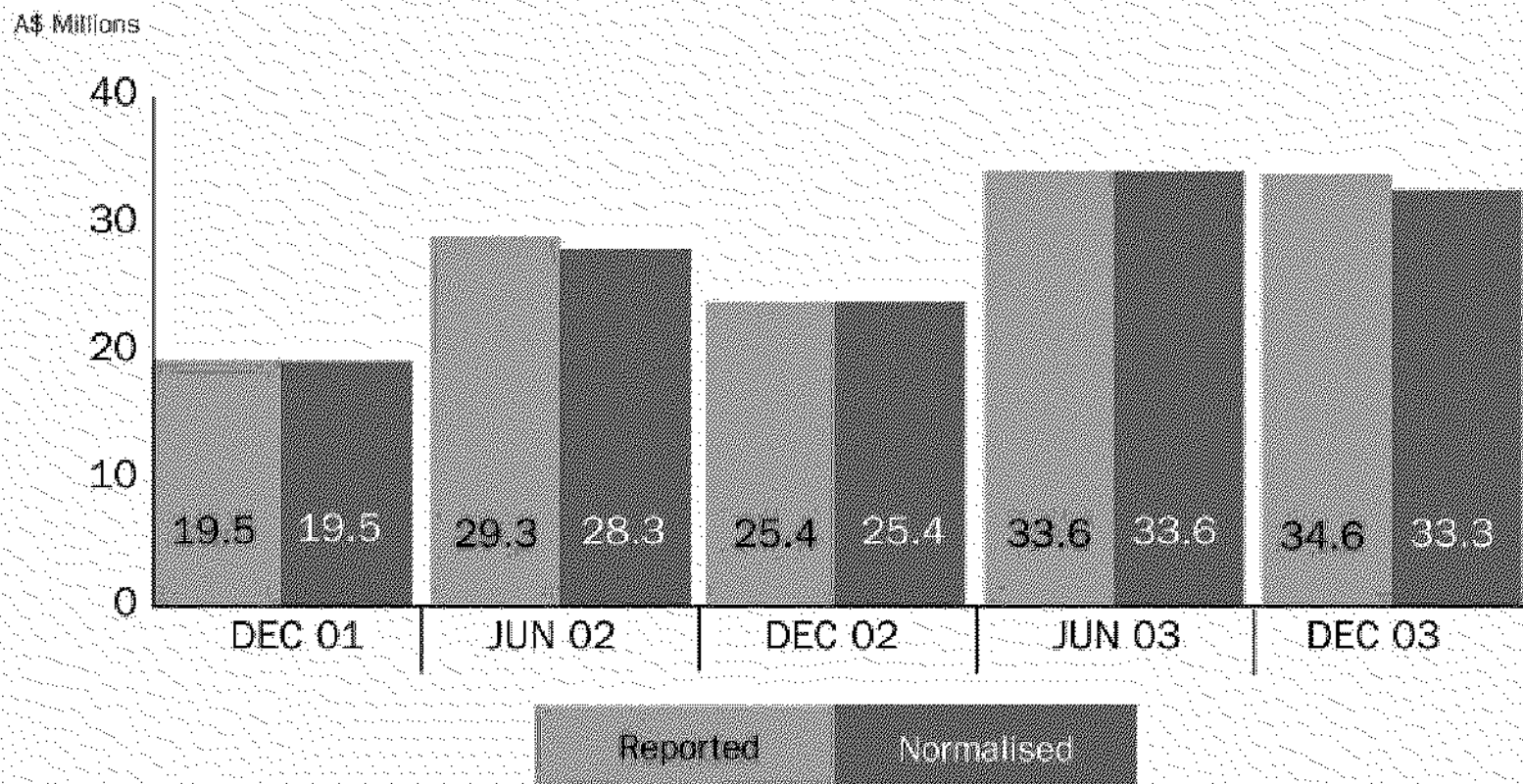
Interim dividend up 3.5 cents to 17.0 cents

# Performance summary

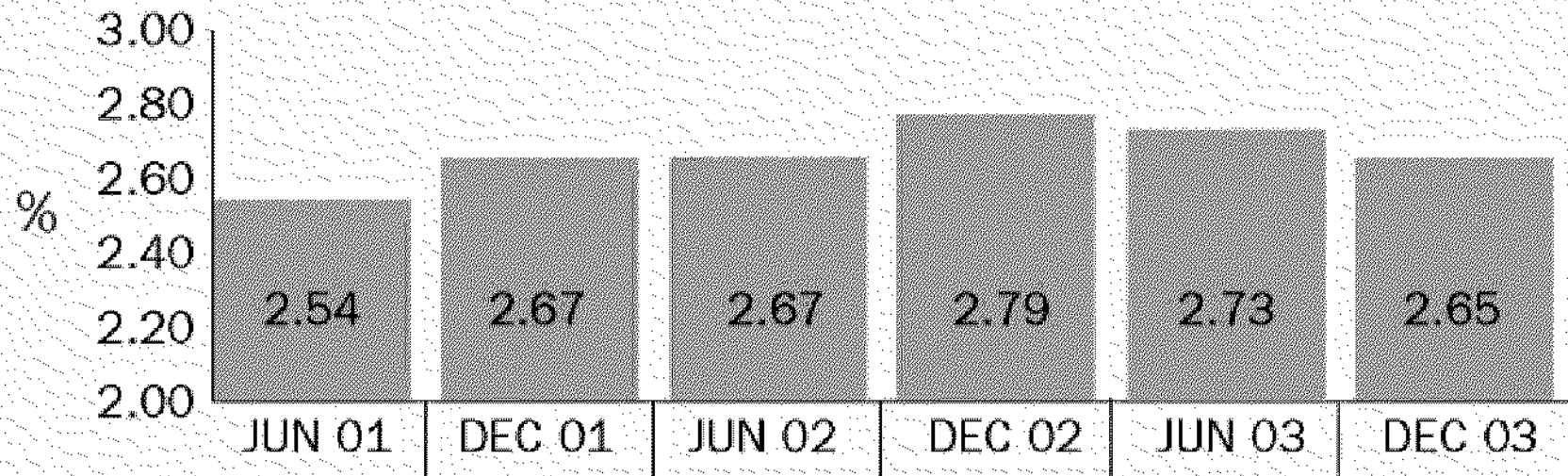


| <b>\$Millions</b>                           | <b>Dec-01</b> | <b>Dec-02</b> | <b>Dec-03</b> |
|---------------------------------------------|---------------|---------------|---------------|
| <b>Net Profit after Income Tax</b>          | <b>19.5</b>   | <b>25.4</b>   | <b>34.6</b>   |
| <b>Return on Average Assets</b>             | <b>0.54%</b>  | <b>0.62%</b>  | <b>0.71%</b>  |
| <b>Return on Average Equity</b>             | <b>8.80%</b>  | <b>9.70%</b>  | <b>11.90%</b> |
| <b>Earnings per Share - cents</b>           | <b>16.8</b>   | <b>20.3</b>   | <b>26.8</b>   |
| <b>Expense to Income Ratio</b>              | <b>73.50%</b> | <b>73.20%</b> | <b>70.80%</b> |
| <b>1/2Year end Assets</b>                   | <b>7,521</b>  | <b>8,316</b>  | <b>10,210</b> |
| <b>1/2 Year end Capital</b>                 | <b>465</b>    | <b>529</b>    | <b>608</b>    |
| <b>General Provision for doubtful debts</b> | <b>0.79%</b>  | <b>0.79%</b>  | <b>0.79%</b>  |

# Operating profit after tax



# Net interest margin

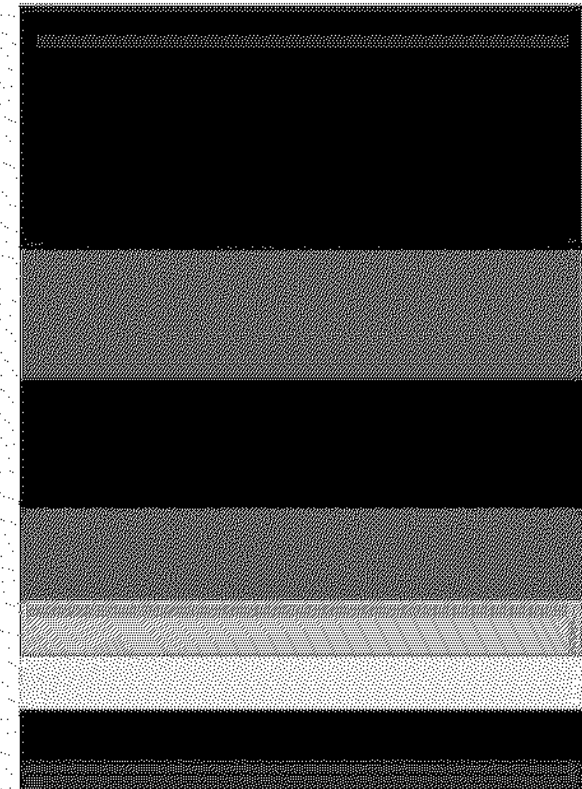


# Non-interest income - \$73.3m

(At 31 Dec 2003)



|                                                                                     |     |                                             |
|-------------------------------------------------------------------------------------|-----|---------------------------------------------|
|    | 33% | Deposit A/C & transaction fees \$24.2m      |
|    | 16% | Loan fees \$12.0m                           |
|    | 16% | Commissions (primarily Wealth Man.) \$12.0m |
|    | 11% | JV contributions \$7.9m                     |
|    | 7%  | Other \$5.0m                                |
|    | 7%  | Securitisation \$4.9m                       |
|   | 7%  | Trustee & service fees \$4.8m               |
|  | 3%  | Insurance Commissions \$2.5m                |

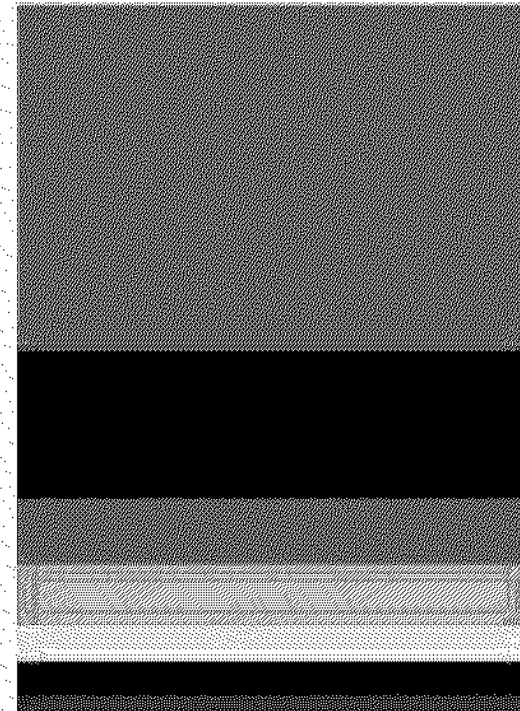


# Operating expenses - \$139m

(At 31 Dec 2003)



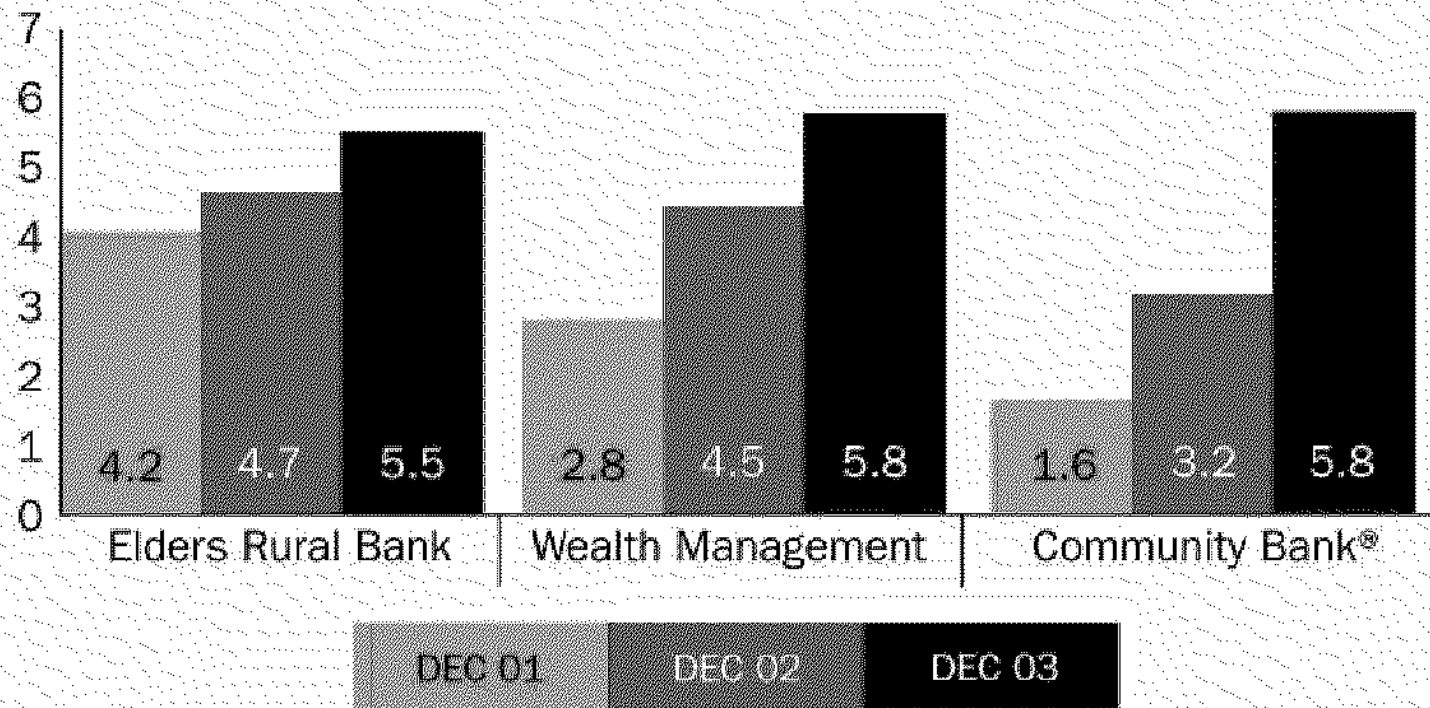
|                                                                                     |     |                                          |
|-------------------------------------------------------------------------------------|-----|------------------------------------------|
|    | 49% | Staff & related costs \$68.4m            |
|    | 22% | Administration & other expenses \$31.1m  |
|    | 9%  | Information technology costs \$12.2m     |
|    | 8%  | Occupancy costs \$11.2m                  |
|    | 5%  | Fees & commissions \$6.9m                |
|  | 5%  | Property, plant & equipment costs \$7.1m |
|  | 2%  | Amortisation of goodwill \$2.1m          |



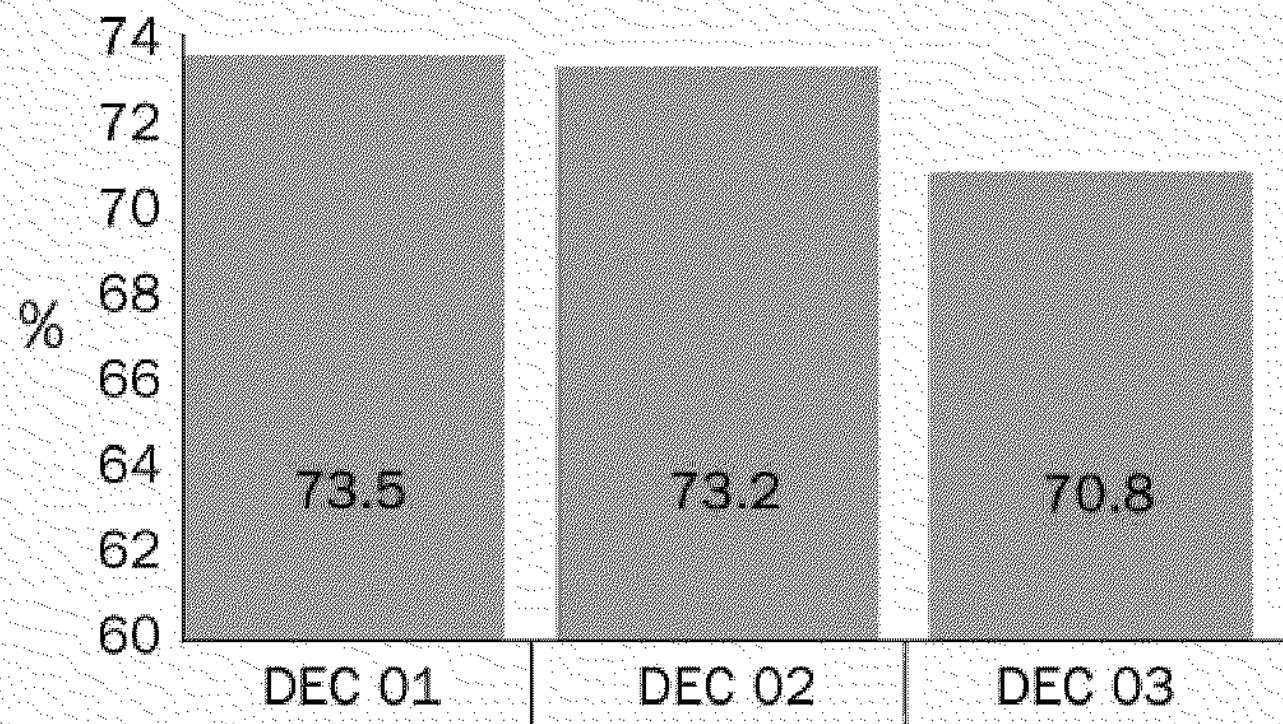
# Contributions – Community Bank, ERB, Wealth Management



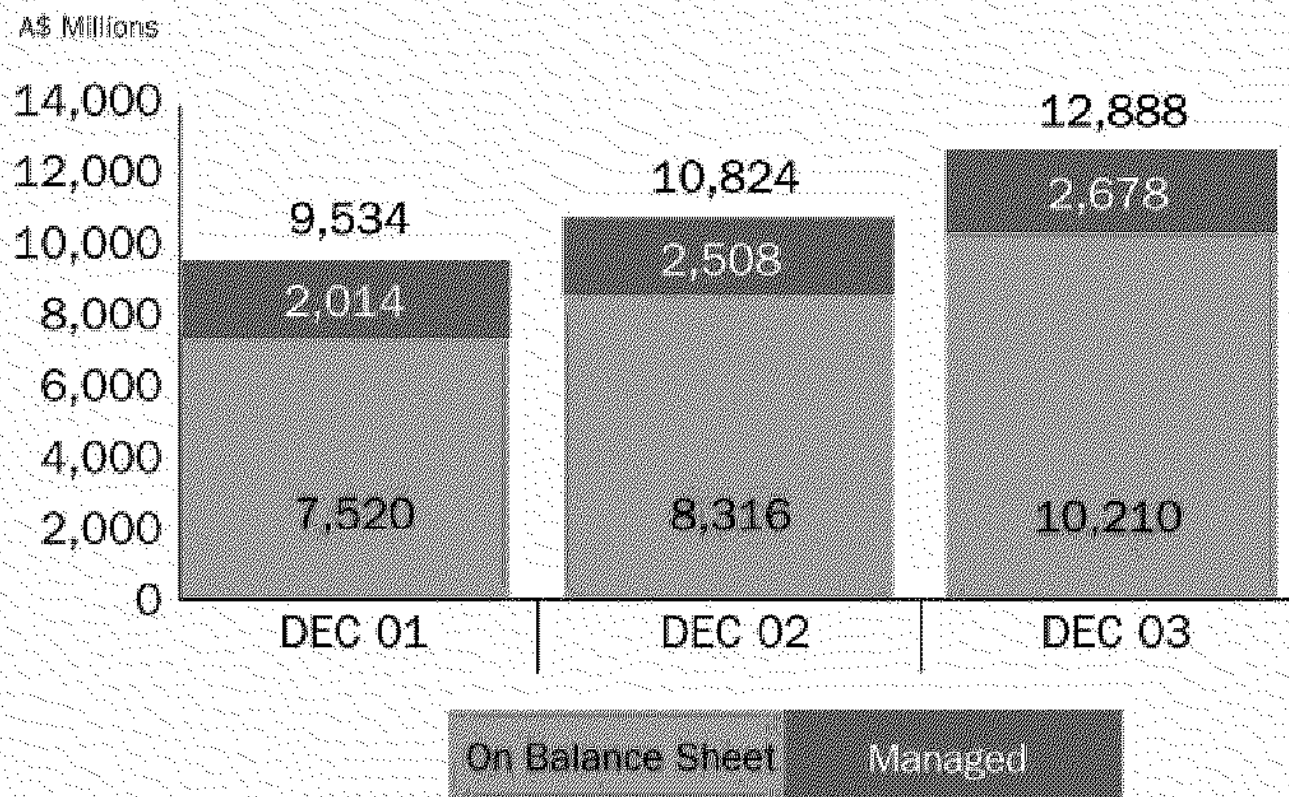
A\$ Millions



# Efficiency ratio: Operating expenses/income



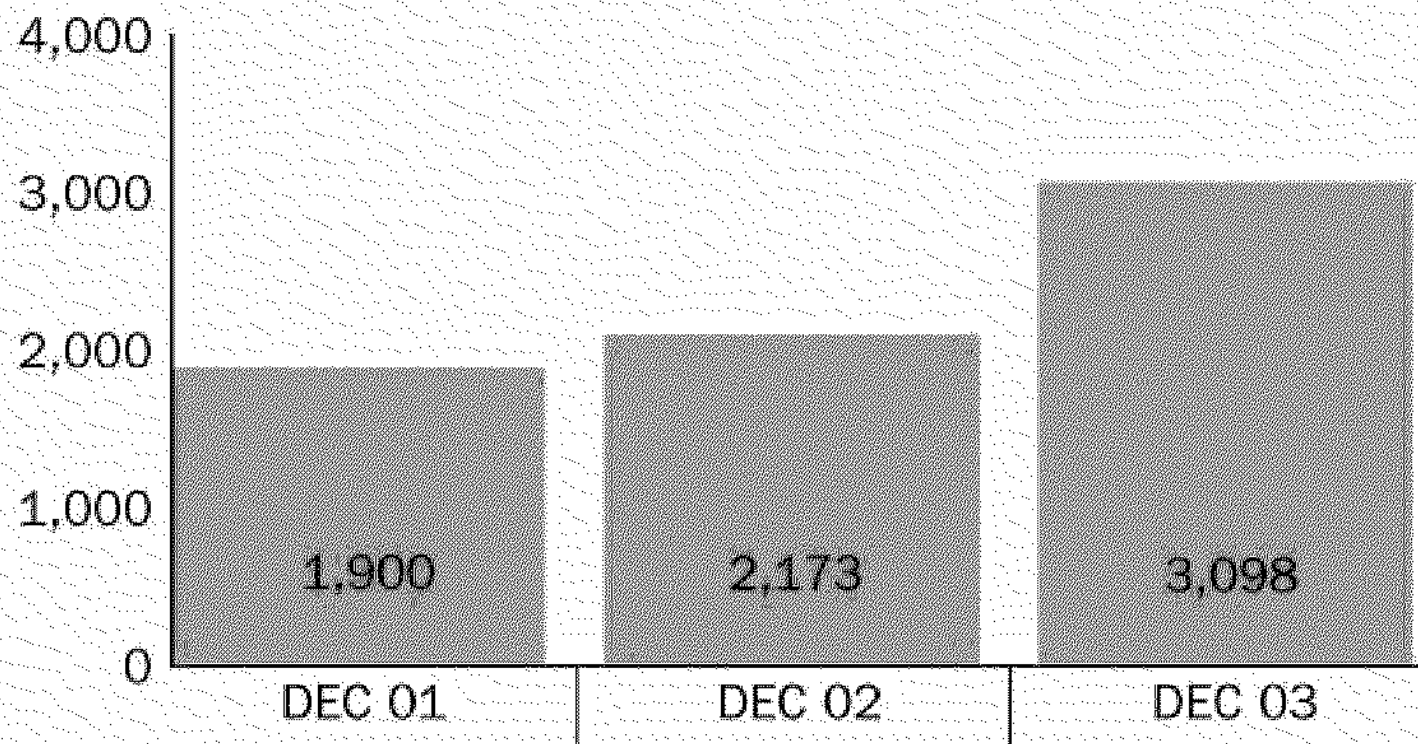
# Total assets



# Lending approvals



A\$ Millions



# Retail deposits

A\$ Millions

10,000

8,000

6,000

4,000

2,000

0

DEC 01

DEC 02

DEC 03

6,074

6,998

8,396



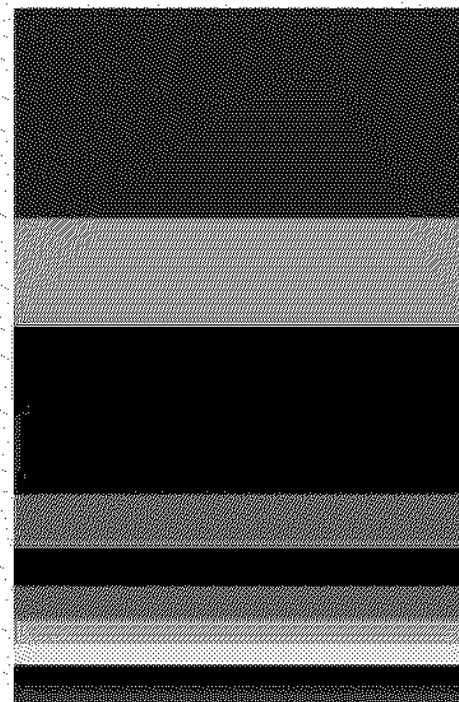
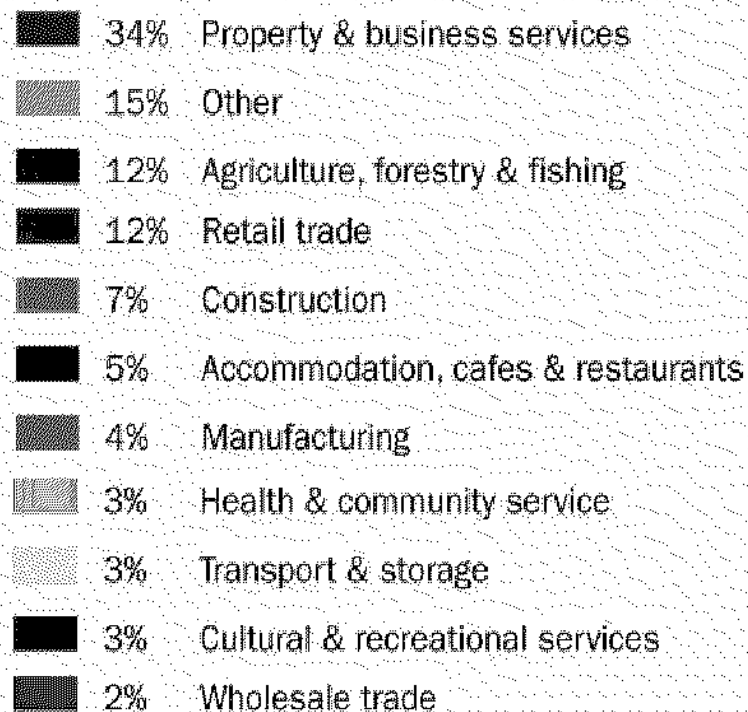
# Funds under management



| <b>\$Millions</b>               | <b>Dec-01</b>  | <b>Dec-02</b>  | <b>Dec-03</b>  |
|---------------------------------|----------------|----------------|----------------|
| Sandhurst mortgage & cash funds | 913.2          | 1,104.1        | 1,313.7        |
| Sandhurst Industrial Share Fund | 72.0           | 223.5          | 346.4          |
| Bendigo Superannuation Plan     | 90.0           | 130.2          | 166.0          |
| General Retirement Plan         | 51.5           | 50.2           | 54.6           |
| Diversified funds               | 6.8            | 8.2            | 3.0            |
| Premier Global Select Fund      | 4.5            | 10.7           | 22.2           |
| Bendigo managed funds           | 0              | 28.7           | 73.5           |
| <b>Total</b>                    | <b>1,138.0</b> | <b>1,555.6</b> | <b>1,979.4</b> |

# Commercial loans

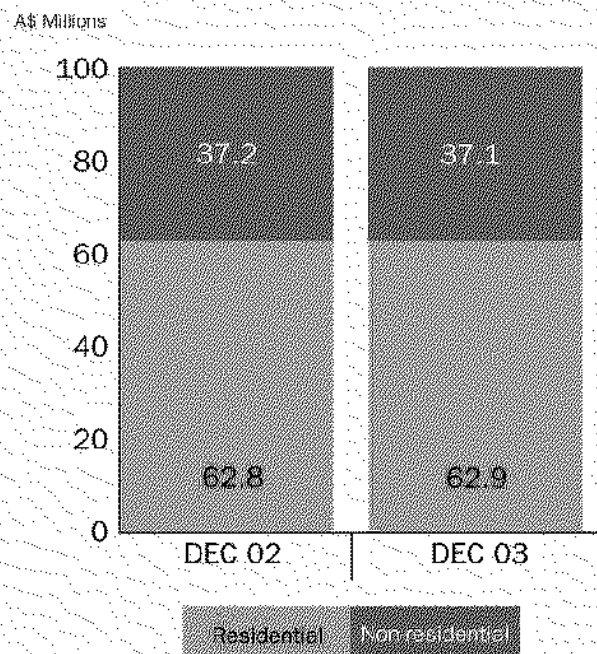
(At 31 Dec 2003)



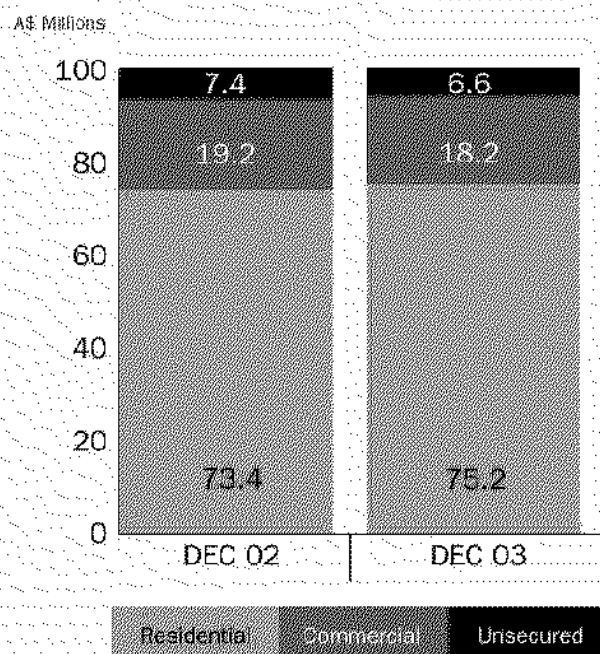
# Loan portfolio



## By purpose



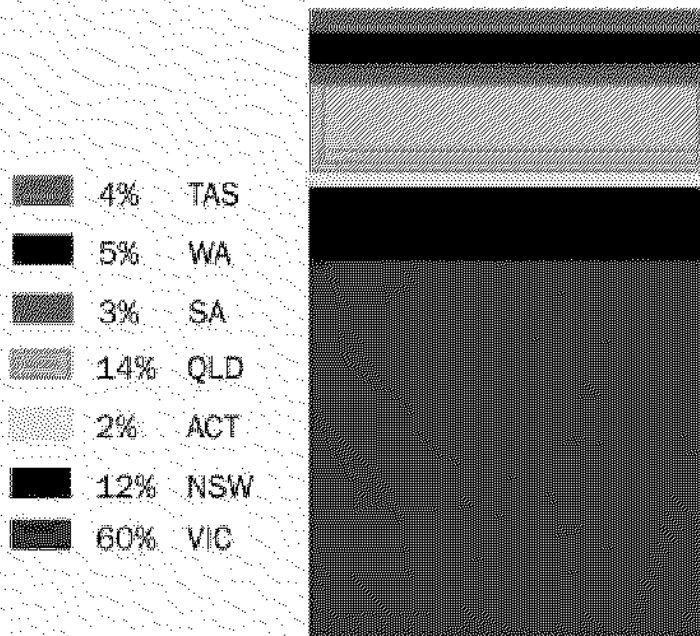
## By security



# Geographic spread



## Loans



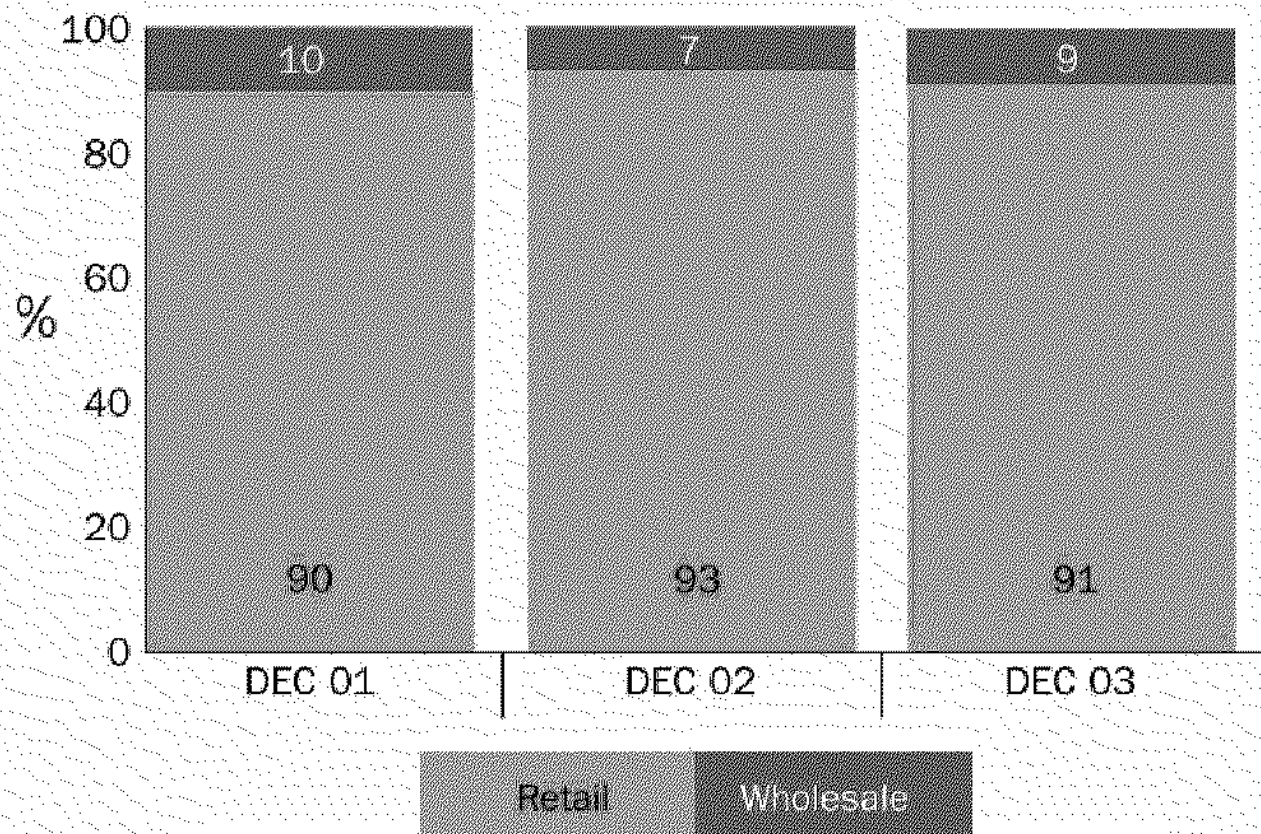
DEC 03

## Deposits

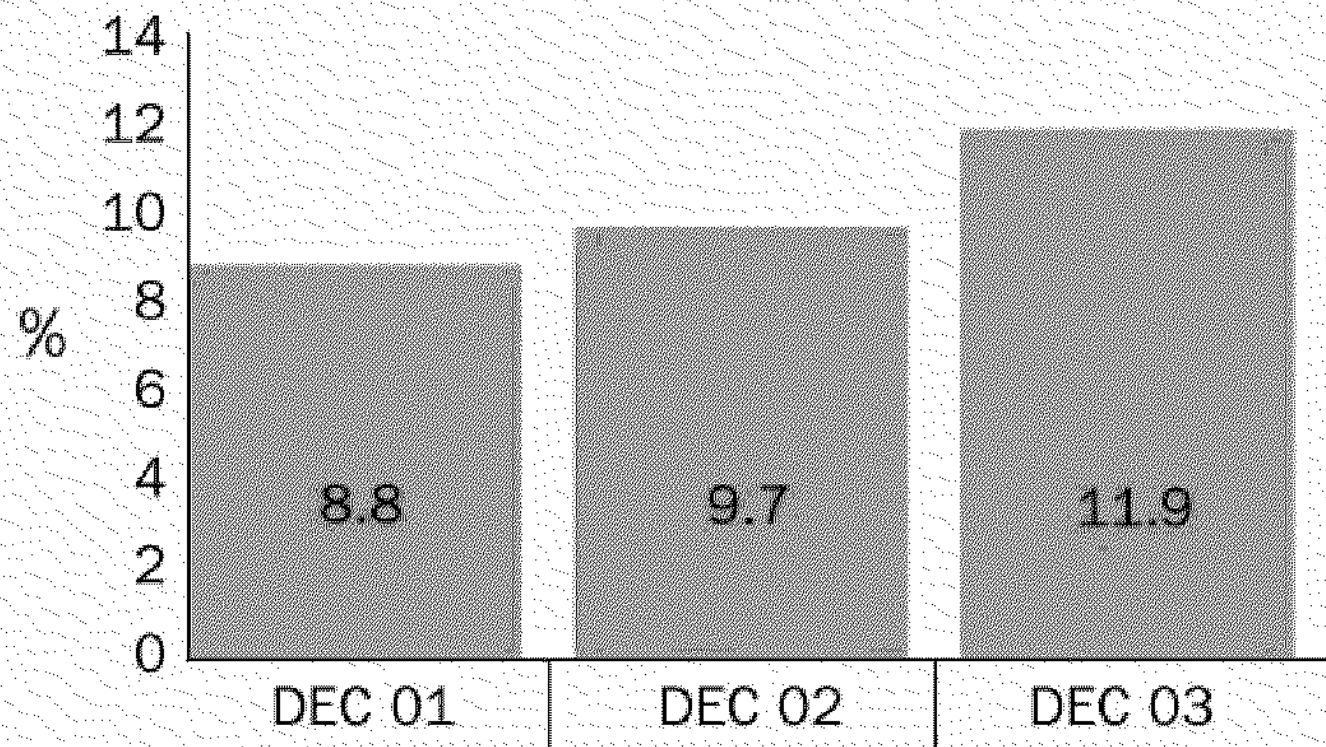


DEC 03

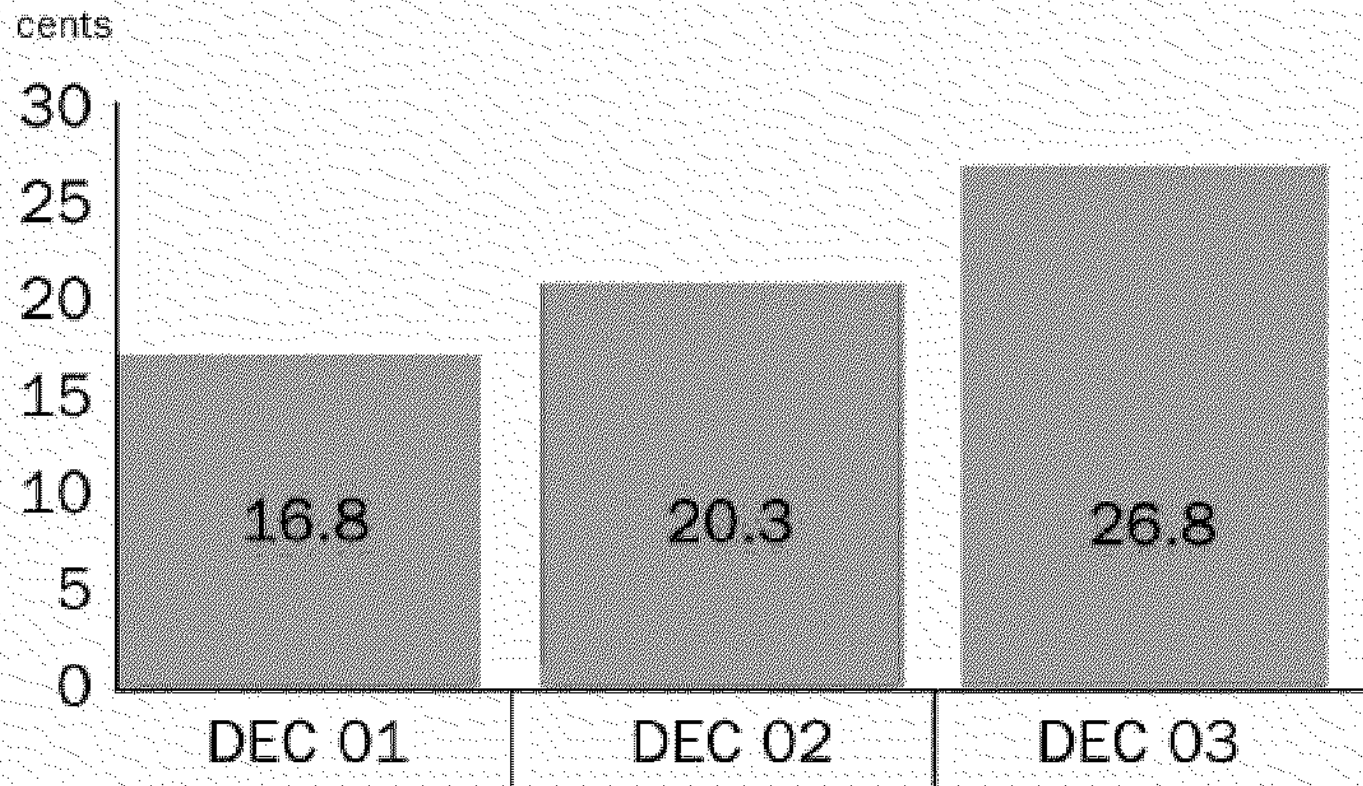
# Core retail deposit base: Funding mix



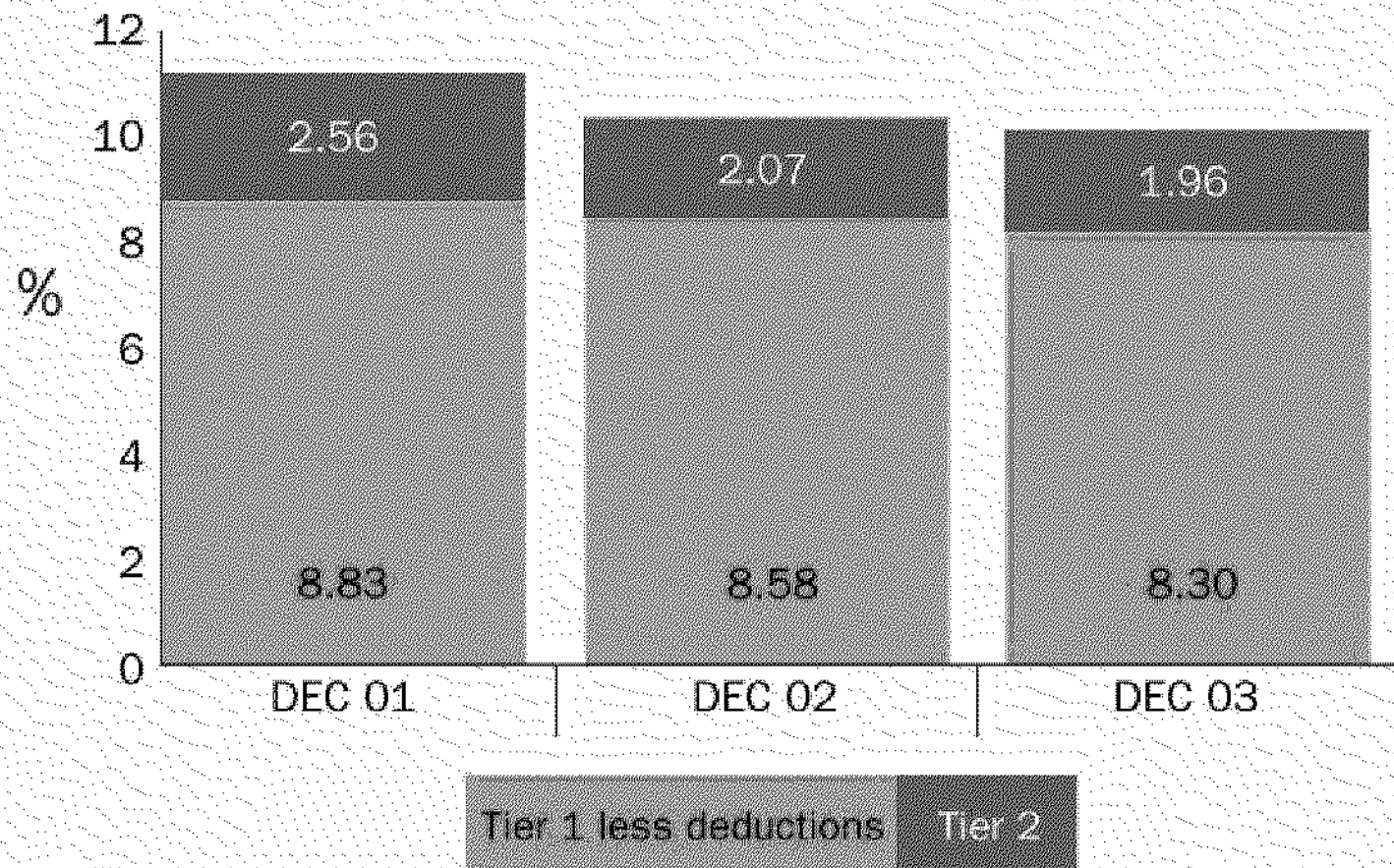
# Return on equity



# Earnings per share



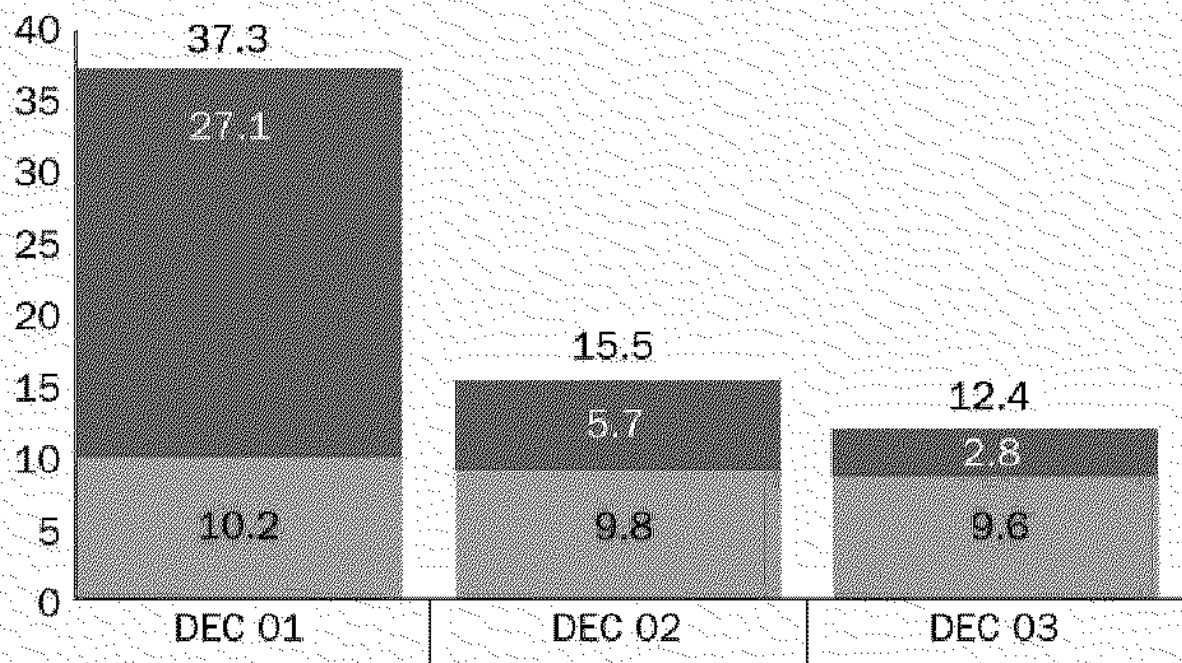
# Capital adequacy



# Non-accrual loans



A\$ Millions



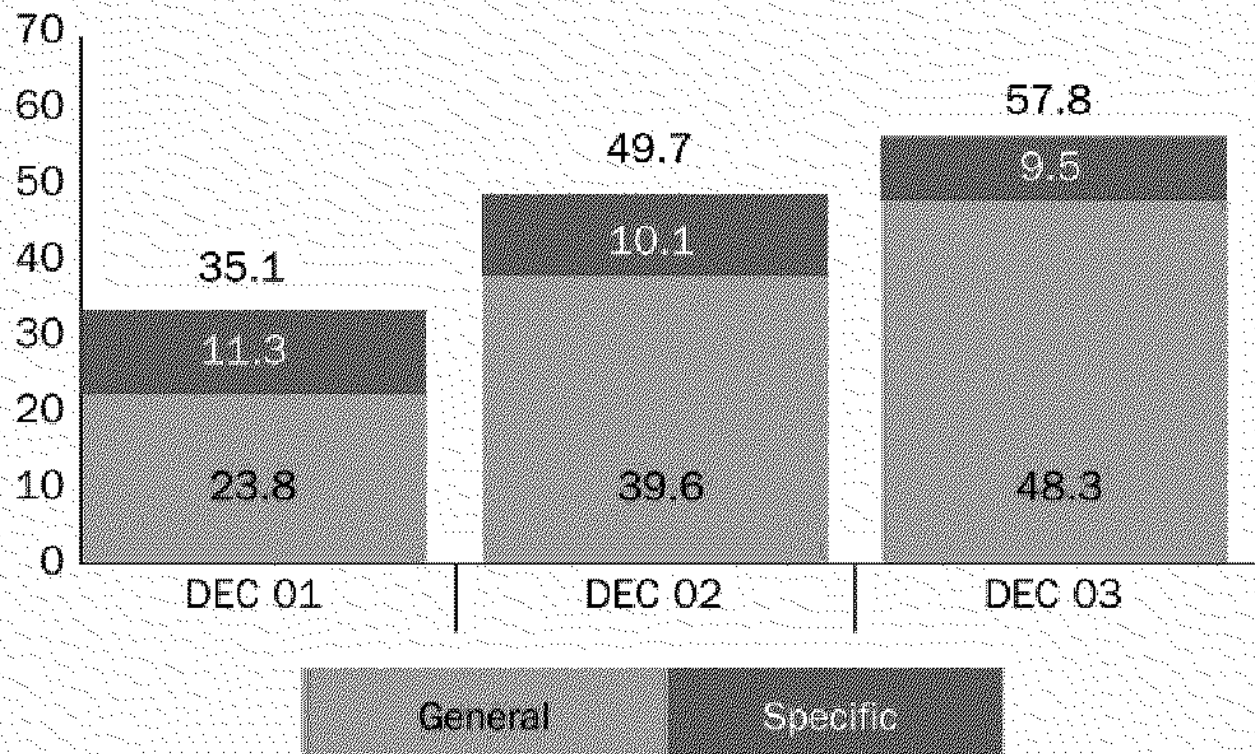
Specific provision

Net Non accrual

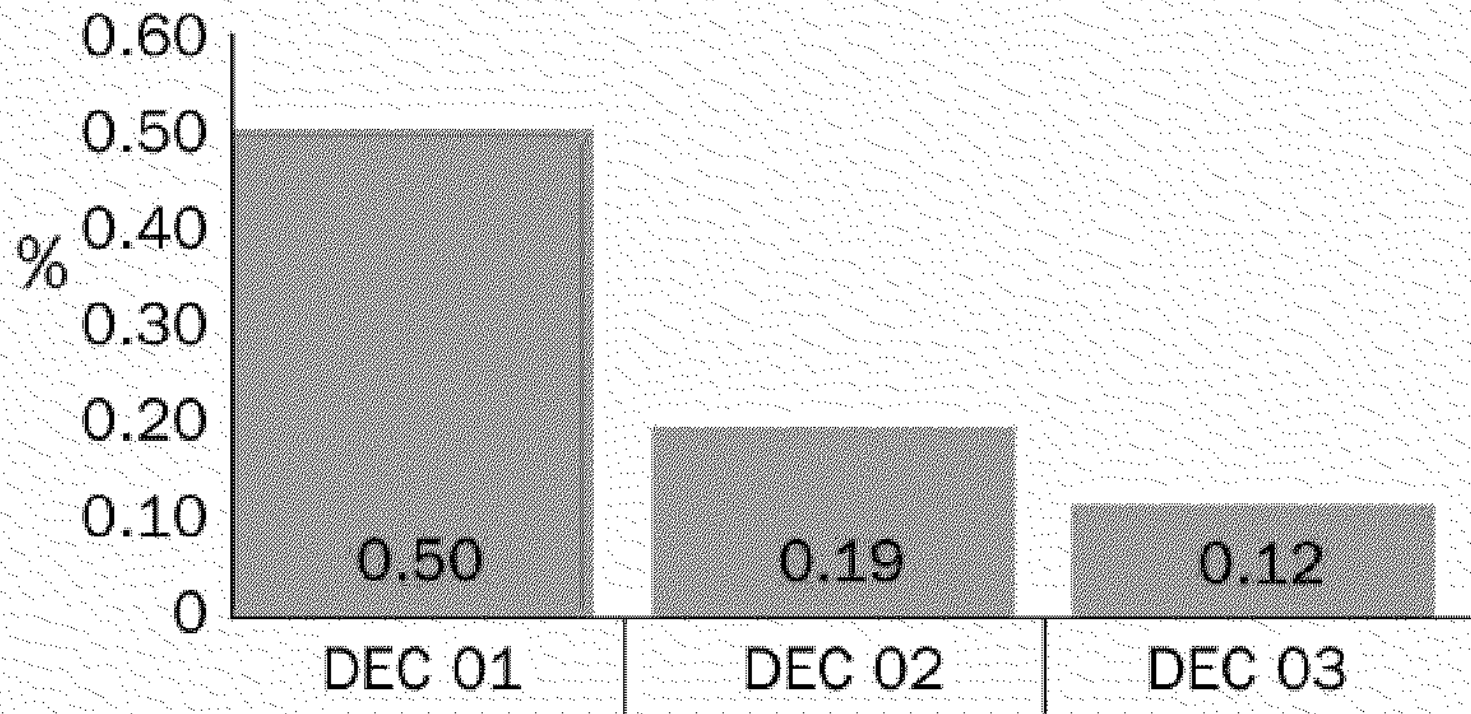
# Provision for doubtful debts



A\$ Millions



# Asset quality: Impaired loans / total assets



# Strategy and outlook

Rob Hunt

Managing Director



# Consistent strategy - brand



Align strategy with culture and skills

Create a unique style and value proposition

Grow community capacity and therefore our relevance

Expand our market share and coverage

*This is building the capacity of our markets and their inclination to buy from us.*

# Consistent strategy - growth



Revenue growth strategy

Expand distribution network and options

Forge alliances to secure new markets/skills

Broaden product range (eg. expand Wealth Management)

Improve our skills & capabilities

Demonstrate consistent above-system growth

*In the past four years we have doubled branches and customer numbers and built strong alliances.*

# Consistent strategy - markets



Focus on quality customer service

Community Bank, alliances, joint ventures (c-commerce)

Enhancing capacity of buyers

Increasing the relevance of the bank in each market

Growing a sustainable revenue base

*Securing future markets – 64 of 118 Community Bank branches are making sustainable surpluses.*

# Consistent strategy – balance sheet



Built a strong, clean balance sheet

Most developments have been expensed

Strong provisioning and credit performance

Proven ability to raise capital

Strong capacity to fund growth opportunities

*The Company has never been in better shape.*

# Improving performance



Large increases in net profit for six consecutive reporting periods

|                    |         |            |
|--------------------|---------|------------|
| Return on equity   | Dec.'00 | 7.3%       |
|                    | Dec.'03 | 11.9%      |
| Earnings per share | Dec.'00 | 16.2 cents |
|                    | Dec.'03 | 26.8 cents |

*28<sup>th</sup> best Australian company for sustainable shareholder returns over five years (Bulletin, Dec. 2003).*

# First-half highlights – financial



Improved profit performance by 36%

Increased EPS by 32% and dividend by 26%

Strong growth in retail deposits, loans outstanding and managed funds

Excellent margin reflects brand strength

Strong asset quality performance

*Reaffirms a strong and consistent upward trend.*

# First-half highlights - developments



Became card acquirer and expanded card base

Opened 18 new branches

Bendigo Managed Funds topped \$100 mil.

\$2 billion in funds under management and advice

Continued strong growth in Elders Rural Bank and all alliance initiatives

*Recent investments are making strong contributions.*

# Looking ahead – investments



Continue investment in revenue generation:

- Branches
- Cards
- Business developers
- Wealth Management business

Community enhancement initiatives

- Community Bank and Community Telco
- e-commerce
- Lead On

*Strong demand for the Bendigo brand across Australia.*

# Looking ahead – investments



30 new Community Bank branches in 2004

Investment in new company owned branches

e-banking enhancements continue

Continued development of JVs and alliances

Continued expansion of Wealth Management business

*Revenue growth continues to outstrip expenses.*

# Looking ahead – markets



Economy remains strong

Strengthening rural economies is an added plus

Segments of the home loan market will slow, but we expect little adverse effect on Bendigo in second half

Our dependence on residential home loans has reduced

Community demand for Bendigo expected to remain strong

*Recent investments are making strong contributions.*

# Looking ahead – performance



Customer numbers will continue to grow strongly

Above-system growth in balance sheet expected

Newer branches will continue to fuel growth in volumes and revenues

Anticipate continued improvement in key performance ratios

*We expect our full-year profit to increase by around 25%.*

# Looking ahead – performance



Brand identity continues to drive strong demand

Continued growth in national distribution network

Revenues to grow as recent investments mature

Strong growth in e-banking and Wealth Management revenues

Continuing improvement in performance

Balance sheet approach enhances Bendigo's ability to continue performance improvements



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