

# Media Release



## 2005 profit announcement

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**Bendigo, Monday 15 August 2005:** Bendigo Bank today announced its 2005 profit after tax and before specific items had 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.

Terms and conditions for the Company'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.

### **A branded retail strategy**

Managing Director Rob 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<sup>®</sup> 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."

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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 F2006.
- 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."

### **Result highlights**

|                       |                                                                                                                                                                                                                          |
|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Profit</b>         | Profit after tax and before specific items was \$87.4m, up 19.4% from \$73.2m.<br>Earnings per share 65.6 cents, compared with 58.5 cents (12.1% increase).                                                              |
| <b>Lending</b>        | Gross loan balances grew by \$1.6 billion (14% increase).                                                                                                                                                                |
| <b>Deposits</b>       | Total Group deposits grew by 19% to \$14.7 billion, with retail deposits exceeding \$10 billion for the first time.                                                                                                      |
| <b>Managed funds</b>  | Superannuation and managed funds offered by Sandhurst Trustees increased by \$0.6 billion, to \$2.7 billion.<br>Wealth Solutions' profit contribution increased by 33.3%, to \$18.8 million.                             |
| <b>Assets/capital</b> | Group managed assets total \$15.6 billion, a 15 per cent increase.<br>Total risk-weighted capital adequacy ratio at June 2005 was 10.39%.<br>Shareholder equity increased by 11% to \$749 million.                       |
| <b>Dividends</b>      | Final dividend of 26.0 cents per share, fully franked at 30 per cent (an increase of 3.0 cents over the 2004/2005 final dividend).                                                                                       |
| <b>Bad debts</b>      | Net impaired assets were \$8.1 million, representing only 0.07% of gross loans (June 2004 = 0.05%).<br>General provisions were increased by \$6.9 million to \$60.3 million, representing 0.79% of risk-weighted assets. |