

BENDIGO BANK LIMITED

ABN 11 068 049 178

FULL FINANCIAL REPORT

30 JUNE 2003

Five Year History

The Bendigo Group

Financial Performance year ended 30 June	2003	2002	(1) 2001	(2) 2000	(3) 1999
	\$'000	\$'000	\$'000	\$'000	\$'000
Interest revenue	500,634	446,954	454,365	296,762	230,224
Interest expense	278,345	254,361	293,677	179,877	137,002
Net interest margin	222,289	192,593	160,688	116,885	93,222
Specific income items	-	-	-	-	1,165
Other revenue	125,603	99,645	76,815	57,945	43,761
Specific bad & doubtful debts expense	-	10,444	-	10,500	(5,318)
Bad & doubtful debts expense (net of bad debts recovered)	15,343	11,603	10,130	7,613	6,452
Specific expense items	-	-	5,000	-	-
Other operating expenses	243,266	205,792	167,371	119,363	100,953
Profit from ordinary activities before income tax expense	89,283	64,399	55,002	37,354	36,061
Income tax expense	30,246	15,700	21,724	16,042	16,359
Net (profit)/loss attributable to outside equity interest	(33)	85	-	-	-
Profit from ordinary activities after income tax expense	59,004	48,784	33,278	21,312	19,702
Financial Position at 30 June					
Total assets	9,256,626	7,967,725	6,981,517	4,913,417	4,204,239
Loans	7,504,016	6,209,513	5,592,146	3,939,894	3,298,802
Liquid assets and cash	1,418,451	1,439,866	1,125,675	801,859	713,997
Other assets	334,159	318,346	263,696	171,664	191,440
Equity	552,710	494,427	422,797	288,357	243,089
Deposits	8,241,154	6,988,485	6,229,172	4,394,669	3,775,873
Subordinated debt	204,665	161,379	135,394	78,121	82,959
Other liabilities	258,097	323,434	194,154	152,270	102,318
Share Information					
Net tangible assets per share	\$3.80	\$3.38	\$3.02	\$3.00	\$2.85
Earnings per share - cents	46.8	41.1	31.5	27.5	32.6
Earnings per share before specific items - cents	46.8	41.1	34.8	36.5	30.7
Dividends per share:					
Interim - cents	13.5	12.0	11.5	10.5	10.5
Special - cents	-	-	15.0	-	-
Final - cents (4)	20.0	17.0	14.5	13.5	12.5
Total - cents	33.5	29.0	41.0	24.0	23.0
Ratios					
Profit from ordinary activities after tax to average assets	0.69%	0.65%	0.56%	0.47%	0.53%
Profit from ordinary activities after tax to average equity	11.27%	10.64%	9.36%	8.02%	10.03%
Restated Profit from ordinary activities after tax to average equity (4)	11.06%	10.24%	9.03%	7.75%	9.70%

1 Figures for 2001 include the acquisition of First Australian Building Society effective 11 October 2000.

2 Figures for 2000 include the acquisition of Victorian Securities Corporation Limited effective 7 September 1999.

3 Figures for 1999 include the acquisition of IOOF Building Society effective 1 April 1999.

4 Restated return on average equity has been calculated using equity figures which exclude the provision for final dividend. Commencing 30 June 2003 the final dividend will not be provided for in the financial statements, in accordance with AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets." The restatements are made to facilitate comparison with current and future ratios.

Five Year Comparison

The Bendigo Group

		2003	2002	2001	2000	1999
Key Trading Indicators						
Retail deposits - branch sourced	(\$'000)	6,823,384	5,637,887	4,756,755	2,953,813	2,530,347
Number of depositors' accounts		974,788	850,979	720,709	481,153	439,034
Average balance per account holder	(\$)	7,000	6,625	6,600	6,139	5,763
Total loans approved	(\$'000)	4,822,762	3,637,170	2,494,609	1,854,284	1,613,490
Number of loans approved		70,175	47,325	40,614	32,243	27,751
Liquid assets and cash	(\$'000)	1,418,451	1,439,866	1,125,675	801,859	713,997
Total assets	(\$'000)	9,256,626	7,967,725	6,981,517	4,913,417	4,204,239
Liquid assets & cash as proportion of total assets	(%)	15.32	18.07	16.12	16.32	16.98
Number of branches	⁽⁴⁾	247	215	179	107	91
Average deposit holdings per branch	(\$'000)	27,625	26,223	26,574	27,606	27,806
Number of staff (FTE)		1,904	1,754	1,533	1,011	847
Assets per staff member	⁽⁹⁾ (\$'mill)	4.862	4.543	4.554	4.860	4.964
Staff per million dollars of assets	⁽⁹⁾	0.21	0.22	0.22	0.21	0.20
Dissection of Loans by Security ⁽¹⁰⁾ (\$'000)						
Residential loans		5,602,565	4,583,210	4,188,134	2,774,278	2,416,793
Commercial loans		1,446,473	1,239,538	1,041,388	893,760	740,454
Unsecured loans		463,470	403,396	337,130	293,210	142,546
Other		71,390	52,692	81,239	28,663	30,001
Gross loans		7,583,898	6,278,836	5,647,891	3,989,911	3,329,794
Dissection of Loans by Security ⁽¹⁰⁾ (%)						
Residential loans		73.87	72.99	74.15	69.53	72.58
Commercial loans		19.07	19.74	18.44	22.40	22.24
Unsecured loans		6.11	6.42	5.97	7.35	4.28
Other		0.95	0.85	1.44	0.72	0.90
Total		100.00	100.00	100.00	100.00	100.00
Asset Quality						
Non-accruing loans	(\$'000)	16,445	20,612	28,274	27,194	13,020
Specific provisions	(\$'000)	(10,647)	(8,674)	(8,374)	(14,505)	(5,960)
Restructured loans and assets acquired through security enforcement		-	-	-	3,315	3,640
Net impaired loans	(\$'000)	5,798	11,938	19,900	16,004	10,700
Net impaired loans % of gross loans	(%)	0.08	0.19	0.35	0.41	0.32
Specific provision for impairment	(\$'000)	10,763	9,824	9,545	15,523	6,616
Specific provision % of gross loans less unearned income	(%)	0.14	0.16	0.17	0.39	0.20
General provision for impairment	(\$'000)	43,762	35,688	21,789	13,826	9,454
General provision as % of risk weighted assets	(%)	0.79	0.79	0.79	0.71	0.65

1 Figures for 2001 include the acquisition of First Australian Building Society effective 11 October 2000.

2 Figures for 2000 include the acquisition of Victorian Securities Corporation Limited effective 7 September 1999.

3 Figures for 1999 include the acquisition of IOOF Building Society effective 1 April 1999.

4 Includes Community Bank branches.

5 Includes staff increases from the acquisition of Bendigo Investment Services.

6 Includes staff increases from the acquisition of First Australian Building Society.

7 Includes staff increases from the acquisition of Victorian Securities Corporation Limited.

8 Includes staff increases from the acquisition of IOOF Building Society.

9 These ratios do not take into account off-Statement of Financial Position assets under management, which totalled \$2.6 billion at 30 June 2003 (2002: \$2.4 billion).

10 For the purposes of this dissection, overdrafts and personal loans secured by residential and commercial property mortgages are included in residential and commercial loan categories respectively.

Directors' Report

Your Board of Directors has pleasure in presenting the 138th Financial Report of Bendigo Bank Limited and its controlled entities for the year ended 30 June 2003.

Directors

The names of the Bank's directors in office during the financial year and until the date of this report are as follows:

Richard A Guy OAM	- Chairman
Robert N Johanson	- Deputy Chairman
Robert G Hunt AM	- Managing Director
Neal J Axelby	
Jennifer L Dawson	
Donald J Erskine	
William R Lanyon ⁽¹⁾	
Terence J O'Dwyer	
Kevin E Roache	

¹ Mr William R Lanyon retired from the board on 28th October 2002.

Principal Activities

The principal activities of the Company and its controlled entities during the financial year were the provision of a range of banking and other financial services, including retail banking, business banking and commercial finance, funds management, treasury and foreign exchange services (including trade finance), superannuation and trustee services.

There was no significant change in the nature of the activities of the economic entity during the year.

Consolidated Result

The consolidated profit from ordinary activities of the economic entity, after providing for income tax, amounted to \$59.004 million (2002 - \$48.784 million).

Dividends Paid or Recommended

Dividends paid:

Final dividend 2002 of 17.0¢ per share, paid October 2002	\$20.004 million
Interim dividend 2003 of 13.5¢ per share, paid April 2003	\$16.103 million

Dividend recommended:

Final dividend 2003 of 20.0¢ per share, declared by the Directors on 11 August 2003, payable 31 October 2003	\$24.088 million
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All dividends were fully franked.

Shareholders electing to receive dividends in the form of shares received the following ordinary shares, paid in full:

October 2002	938,571
April 2003	766,314

In addition, shareholders electing to receive bonus shares in lieu of dividends received the following ordinary shares, paid in full:

October 2002	165,497
April 2003	129,140

Review of Operations

A review of operations and the results of those operations for the financial year are set out in the Report by Chairman and Managing Director which forms part of the Concise Annual Report.

Significant Changes in the State of Affairs

Total equity increased from \$494.4 million to \$552.7 million, an increase of \$58.3 million or 12 per cent. Contributed equity increased by \$15.4 million, due to \$12.7 million of shares issued under the dividend reinvestment plan and \$2.7 million of shares issued due to conversion of capital notes.

After Balance Date Events

Except as referred to in the Report by Chairman and Managing Director, or dealt with elsewhere in the consolidated financial report, there were no matters or circumstances which arose since the end of the financial year to the date of this report which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years. On 11 August 2003 the Bank declared a final dividend, details of which are shown above.

Likely Developments and Results

Disclosure of information relating to major developments in the operations of the Group and the expected results of those operations in future financial years, which, in the opinion of the Directors, will not unreasonably prejudice the interests of the Group, is contained in the Report by Chairman and Managing Director.

Information on Directors

The particulars of the qualifications, experience, special responsibilities and age of each Director as at the date of this report are as follows. For further information refer to the Corporate Governance section of the Concise Annual Report.

Richard A Guy OAM (58 years)

B.Appl.Sc. (Melbourne)
M.Sc. (London)
Elected to Board 1982
Current appointment expires: Oct 2005.
Elected Chairman 1986

Current appointment:

Managing Director, Crystal Industries

Other directorships and appointments:

Crystal Industries Group
Girton Grammar School Ltd
Elders Rural Bank Ltd
Chairman, Otis Foundation
Patron of Salvation Army Bendigo
Red Shield Appeal
Patron of Bendigo & Central Victorian
Community Foundation
Chairman, Advisory Board Salvation Army
Northern Division

Special Responsibilities:

Chairman of Directors
Chairman, Board Governance Committee
Audit Committee
Chairman, Property Committee

Robert G Hunt AM (52 years)

Employee since 1973
Appointed Chief Executive Officer 1988
Appointed to Board 1990

Current appointment:

Managing Director, Bendigo Bank Group

Other directorships and appointments:

BSX Group Holdings Pty Ltd
Sunstate Lenders Mortgage Insurance Pty Ltd
Elders Rural Bank Ltd
Sandhurst Trustees Ltd
Lead On Australia Ltd
Bendigo Community Telco Ltd
Tasmanian Perpetual Trustees Ltd
Tasmanian Banking Services Ltd
Community Telco Australia Ltd
Community Sector Enterprises Ltd
Community Sector Banking Pty Ltd
Councillor of Australian Bankers' Association

Special Responsibilities:

Managing Director
Ex-officio member on all Committees excluding
the Audit Committee

Jennifer L Dawson (38 years)

B.Bus (Bendigo)
F.C.A.
MAICD
Elected to Board 1999
Current appointment expires: Oct 2004.

Previous appointments:

Special Projects (Bendigo Bank)
Senior Manager - Group Internal Audit (Bendigo Bank)
Senior Manager - Audit & Business Advisory Division
(Arthur Andersen)

Other directorships and appointments:

Community Sector Enterprises Ltd
Community Sector Banking Pty Ltd
Coliban Region Water Authority
Consumer Utilities Advocacy Centre Ltd

Special Responsibilities:

Chairman, Audit Committee
Credit Committee
Property Committee

Robert N Johanson (52 years)

B.A., LL.M. (Melbourne)
M.B.A. (Harvard)
Elected to Board 1988
Current appointment expires: Oct 2005.

Current appointment:

Director, Grant Samuel Group

Other directorships and appointments:

Elders Rural Bank Ltd
Community Telco Australia Ltd
Chairman, National Assets Securitisation
Corporation Pty Ltd.
Member of Finance and Investment Committee,
University of Melbourne
Robert Salzer Foundation Ltd

Special Responsibilities:

Deputy Chairman of Directors
Chairman, Risk Committee
Board Governance Committee
I.T. Strategy Committee

Neal J Axelby (53 years)

A.C.I.S.
Dip. CM
F.A.I.C.D.
A.I.M.M.
A.I.F.S.
Appointed to Board 2000
Current appointment expires: Oct 2004.

Previous appointment:

Chairman, First Australian Building Society Ltd

Other directorships and appointments:

Sunstate Lenders Mortgage Insurance Pty Ltd
Ipswich and West Morton United Friendly
Society Dispensary Ltd
Ayr Friendly Society Pharmacy Ltd
Pharmacy Management Australia Pty Ltd
ChemOz Pty Ltd
Chairman, Ipswich & Regional Area
Consultative Committee Inc

Special Responsibilities:

Credit Committee
Board Governance Committee

Donald J Erskine (57 years)

Elected to Board 1999
Current appointment expires: Oct 2005.

Previous appointments:

Director, North West Country Credit Union Co-op Ltd
Director, Bendigo Economic Development Committee

Current appointments:

Managing Director, Industrial Conveying (Aust) Pty Ltd
Managing Director, Bendigo Brick Pty Ltd
Chairman, Fortunes (Bendigo) Pty Ltd

Other directorships:

Bendigo Community Telco Ltd
Community Telco Australia Ltd

Special Responsibilities:

Credit Committee
I.T. Strategy Committee

Information on Directors (continued)

Kevin E Roache (63 years)

LL.B, B.Com.
A.S.C.P.A.
Barrister and Solicitor
of the Supreme Court of Victoria
Elected to Board 1992
Current appointment expires: Oct 2004.

Previous appointments:

Chairman, Capital Building Society
Chairman, Barwon Health - Geelong

Current appointments:

Chairman of Partners, Coulter Roache
(Lawyers, Geelong)
Member of Committee For Geelong

Special Responsibilities:

Chairman, Credit Committee
Risk Committee

Terence J O'Dwyer (53 years)

B.Com (Queensland)
Dip.Adv.Acc
F.C.A.
F.A.I.C.D.
Appointed to Board 2000
Current appointment expires: Oct 2004.

Previous appointments:

Director, First Australian Building Society Ltd

Current appointments:

Chairman, BDO Kendalls (Chartered Accountants)

Other directorships and appointments:

CS Energy Ltd
Metal Storm Ltd
BDO Kendalls Securities Ltd
Chairman, Breakfree Ltd
Queensland Theatre Company Ltd
Queensland Regional Council Institute of
Chartered Accountants in Australia

Special Responsibilities:

Audit Committee
Risk Committee
Chairman, I.T. Strategy Committee

Directors' and other Officers' Emoluments

The method of determining Directors' Emoluments is outlined in the Corporate Governance section of the Concise Annual Report.

Details of the nature and amount of each element of the emolument of each director of the company and each of the five executive officers of the company and the consolidated entity receiving the highest emolument for the financial year are as follows.

Directors' emoluments

	Base Fees \$	Committee Fees (2) \$	At-Risk (3) \$	Other (4) \$	Superannuation (5) \$	Total Compensation \$
Non Executive Directors:						
R A Guy OAM (1)	130,192	-	-	-	11,717	141,909
R N Johanson	37,080	-	-	28,112	5,867	71,059
N J Axelby	65,192	5,000	-	-	6,317	76,509
J L Dawson	61,836	5,000	-	3,356	6,776	76,968
D J Erskine	65,192	5,000	-	-	6,317	76,509
W R Lanyon (7)	22,044	-	-	-	2,042	24,086
T J O'Dwyer	65,192	-	-	-	5,867	71,059
K E Roache	65,192	7,000	-	-	6,497	78,689
Executive Director:						
R.G. Hunt AM (Managing Director) (6)	484,979	-	195,000	70,021	87,460	837,460

(1) Base emolument includes Chairman's allowance of \$65,000.

(2) Represents fees in connection with attending Board Credit Committee meetings.

(3) The performance objectives for the Managing Director are determined by the Board on an annual basis. Payment of the Managing Director's at-risk component is subject to Board approval and assessed against the achievement of the agreed performance measures.

(4) "Other" represents the value of non-cash benefits provided and comprises salary sacrifice superannuation, home loan allowance and motor vehicle components.

(5) Represents Company contributions to superannuation.

(6) Mr R Hunt is a non-executive director of Tasmania Permanent Trustees Limited (TPTL). Director's fees in connection with Mr Hunt's membership on the board of TPTL are paid to Bendigo Bank Limited and recognised as a cost recovery. These fees are therefore excluded from Mr Hunt's remuneration.

(7) Mr W R Lanyon retired from the board on the 28th October 2002. Mr Lanyon was paid a retirement benefit of \$163,334. The payment was made in accordance with the terms of the Bank's retirement benefit policy.

Emoluments of the five most highly-paid executive officers of the Company

The terms 'Director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure.

The elements of emoluments have been determined on the basis of the cost to the Company and the consolidated entity.

Executives are those directly accountable and responsible for the operational management and strategic direction and decision making for the Company and the consolidated entity. Under the group's organisational structure, the positions of managing director, chief general manager and general manager are defined as the group's executive.

Remuneration packages of executive officers are aligned with market relativities of comparable positions to ensure that the organisation can attract, motivate and retain the positions' incumbents. Executive remuneration packages are structured in a manner which provides that a reasonable component is "at risk", with payment contingent upon the achievement of agreed performance objectives. In accordance with the Bank's performance management process, executive performance objectives are set at the start of each financial year, linking to the Group strategic plan, business and financial objectives.

	Annual Emoluments			Long Term Emoluments	
	Base Salary	At-Risk	Other ⁽¹⁾	Super-annuation ⁽²⁾	Total
	\$	\$	\$	\$	\$
G D Gillett	265,600	70,000	20,263	32,235	388,098
M J Hirst	239,608	60,000	28,854	29,769	358,231
K C Langford	229,673	55,000	39,557	29,354	353,584
R H J Hasseldine	247,393	60,000	-	27,952	335,345
V M Kelly	208,147	50,000	47,445	27,676	333,268

(1) "Other" represents the value of non-cash benefits provided and comprises salary sacrifice superannuation and motor vehicle components.

(2) Represents company contributions to superannuation.

Meetings of Directors

The number of meetings of the Bank's Directors (including meetings of committees of Directors) held during the year ended 30 June 2003 and the numbers of meetings attended by each Director were:

Board of Directors Meetings	Meetings of Committees													
			Audit		Credit		Risk		Property ⁽¹⁾		I.T. Strategy ⁽¹⁾		Board Governance	
	15		7		12		5		5		4		1	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Numbers of meetings held:														
Attended by:														
R A Guy OAM	15	15	7	7					5	5			1	1
R N Johanson	15	14					5	5			4	3	1	1
R G Hunt AM ⁽²⁾	15	14	7	3	12	1	5	4	5	5	4	4	1	1
N J Axelby	15	15			12	12							1	1
J L Dawson	15	15	7	7	12	12			5	5				
D J Erskine ⁽⁴⁾	15	14			12	12	2	2			4	4		
W R Lanyon ⁽³⁾	4	4	2	2							4	4		
T J O'Dwyer	15	15	7	7			5	5			4	4		
K E Roache	15	14			12	10	5	4						

(1) During the year, the Board established an I.T. Strategy Committee and Property Committee. The role and responsibilities of the Committees have been established under charters approved by the full board. An overview of the committee role and responsibilities are provided in the Corporate Governance Section of the Concise Annual Report.

(2) Where Mr R G Hunt was unable to attend a Board committee meeting, he was represented by his appointed alternate.

(3) Mr W R Lanyon retired from the board on the 28th October 2002.

(4) Mr D J Erskine ceased as a member of the Risk Committee following his appointment to the I.T. Strategy Committee.

A eligible to attend
B attended

Insurance of Directors and Officers

During or since the financial year end, the Company has paid premiums to insure certain officers of the company and related bodies corporate. The officers of the Company covered by the insurance policy include the Directors listed above, the secretary and Directors or secretaries of controlled entities who are not also Directors and secretaries of Bendigo Bank Limited, and general managers of each of the divisions of the economic entity.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an independent auditor of the Company or a related body corporate.

Indemnification of Officers.

The constitution stipulates that the Company is to indemnify, to the extent permitted by law, each officer or employee of the Company against liabilities (including costs, damages and expenses incurred in defending any proceedings or appearing before any court, tribunal, government authority or other body) incurred by an officer or employee in or arising out of the conduct of the business of the Company or arising out of the discharge of the officer's or employee's duties.

As provided under the Company's constitution, the Company has entered into deeds providing for indemnity, insurance and access to documents for each Director who held office during the year. The deed requires the Company to indemnify, to the extent permitted by law, the Director against all liabilities (including costs, damages and expenses incurred in defending any proceedings or appearing before any court, tribunal, government authority or other body) incurred by the Director in, or arising out of conduct of the business of the Company, a associated entity of the Company or in the discharge of their duties as a Director of the Company, a subsidiary or associated company.

Directors' Interests in Equity

The relevant interest of each Director in the share capital of the entities within the economic entity, as notified by the Directors to the securities exchange in accordance with Section 205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Ordinary Shares
R A Guy OAM	280,930
R N Johanson	161,296
R G Hunt AM ⁽¹⁾	408,228
N J Axelby	26,257
J L Dawson	11,166
D J Erskine	103,574
T J O'Dwyer	50,000
K E Roache	32,031

¹ Includes 340,000 shares issued to Mr R G Hunt under the Bendigo Employee Share Plan.

Share Issues

The following share classes were issued during the financial year :

Description	No. of Shares
Ordinary shares issued under the Dividend Reinvestment Plan	1,704,885
Bonus shares issued in lieu of dividends under the Bonus Share Scheme	294,637
Other issues of ordinary shares, Notes converted	652,107
Total shares issued	<u>2,651,629</u>

Environmental Regulation

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

Share Options

During the year, or since the end of the financial year, no entity within the economic entity has granted to any person an option to take up shares in the economic entity.

Tax Consolidation

Effective 1 July 2002, for the purposes of income taxation, Bendigo Bank Limited and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

Rounding of Amounts

The amounts contained in this report and in the financial statements have been rounded off under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies. The Class Order allows for rounding to the nearest \$'00,000, however, the amounts are rounded to the nearest \$'000, due to the size of account balances.

Signed in accordance with a resolution of the Board of Directors

R.A. Guy OAM, Chairman

R.G. Hunt AM, Managing Director

Dated this 2nd day of September 2003

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2003

	Note	Consolidated		Bendigo Bank	
		2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
Revenue from ordinary activities					
Net interest revenue					
Interest revenue	2	500,634	446,954	483,820	424,315
Interest expense	2	278,345	254,361	268,690	243,530
Net interest revenue		222,289	192,593	215,130	180,785
Other revenue from ordinary activities					
Dividends	2	292	134	11,309	28,096
Fees	2	83,107	66,642	72,720	50,597
Commissions	2	24,971	16,343	4,458	3,399
Other operating revenue	2	4,307	5,450	10,092	8,559
Total other revenue from ordinary activities		112,677	88,569	98,579	90,651
Share of associates' net profits (losses) accounted for using the equity method	2	12,926	11,076	-	-
Total revenue after interest expense		347,892	292,238	313,709	271,436
Expenses from ordinary activities					
Bad and doubtful debts					
Bad and doubtful debts	2	15,343	11,603	14,892	10,910
Specific items bad and doubtful debts	3	-	10,444	-	17,239
Total bad and doubtful debts	2	15,343	22,047	14,892	28,149
Other expenses from ordinary activities					
Borrowing costs	2	540	505	495	479
Staff and related costs	2	118,127	95,345	105,524	84,530
Occupancy costs	2	21,705	18,591	20,666	17,463
Amortisation of goodwill	2	4,255	4,428	592	592
Property, plant & equipment costs	2	10,116	8,498	8,136	6,643
Fees and commissions	2	10,911	10,903	10,650	8,790
Administration expenses	2	77,146	66,832	71,613	61,735
Other operating expenses	2	466	690	3,020	2,616
Total expenses from other ordinary activities		243,266	205,792	220,696	182,848
Profit from ordinary activities before income tax expense		89,283	64,399	78,121	60,439
Income tax expense relating to ordinary activities	6	(30,246)	(26,144)	(21,960)	(19,930)
Specific items income tax expense	3	-	10,444	-	12,483
Net profit		59,037	48,699	56,161	52,992
Net (profit)/loss attributable to outside equity interest	29	(33)	85	-	-
Net profit attributable to members of Bendigo Bank Limited		59,004	48,784	56,161	52,992
Net increase/(decrease) in asset revaluation reserve	28	-	934	-	158
Increase/(decrease) in retained profits on adoption of revised accounting standard:	28				
AASB 1028 "Employee Benefits"		(275)	-	(249)	-
Share issue costs	27	-	(116)	-	(116)
Total revenues, expenses and valuation adjustments attributable to members of Bendigo Bank Limited and recognised directly in equity		(275)	818	(249)	42
Total changes in Equity other than those resulting from transactions with owners as owners attributable to members of Bendigo Bank Limited		58,729	49,602	55,912	53,034
Basic earnings per share (cents per share)	11	46.8¢	41.1¢		
Diluted earnings per share (cents per share)	11	46.8¢	41.1¢		
Franked dividends per share (cents per share)	10	33.5¢	29.0¢		

STATEMENT OF FINANCIAL POSITION

as at 30 June 2003

	Note	Consolidated		Bendigo Bank	
		2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
Assets					
Cash and liquid assets	13	107,221	147,236	92,887	136,361
Due from other financial institutions	13	181,228	207,369	180,881	206,361
Investment securities	14	1,130,002	1,085,261	1,038,400	1,066,291
Loans and other receivables	15	7,504,016	6,209,513	7,349,658	6,045,003
Shares - controlled entities	17	-	-	238,761	237,761
Shares - other	18	23,307	7,568	108,556	78,583
Investments accounted for using the equity method	19	88,707	71,945	-	-
Property, plant & equipment	20	53,519	49,007	32,979	27,623
Deferred tax assets	6	27,172	22,626	27,515	23,579
Intangibles	21	67,927	72,182	2,807	3,399
Other assets	22	73,527	95,018	53,728	74,259
Total Assets		9,256,626	7,967,725	9,126,172	7,899,220
Liabilities					
Due to other financial institutions	13	129,095	211,954	129,095	211,954
Deposits	23	8,241,154	6,988,485	8,052,894	6,869,492
Payables	24	91,262	64,198	81,082	55,686
Amounts payable to controlled entities		-	-	73,688	58,628
Current tax liabilities	6	8,508	4,560	7,262	6,251
Provision - dividend		73	20,043	73	20,043
Other provisions	25	23,448	18,532	22,108	17,110
Subordinated debt	26	204,665	161,379	204,665	161,379
Deferred tax liabilities	6	5,711	4,147	5,294	3,865
Total Liabilities		8,703,916	7,473,298	8,576,161	7,404,408
Net Assets		552,710	494,427	550,011	494,812
Equity					
Parent entity interest					
Contributed equity	27	463,580	448,170	463,580	448,170
Reserves	28	3,318	18,039	1,141	15,666
Retained profits	28	85,614	28,295	85,290	30,976
Total parent entity interest in equity		552,512	494,504	550,011	494,812
Total outside equity interest	29	198	(77)	-	-
Total Equity		552,710	494,427	550,011	494,812

STATEMENT OF CASH FLOWS

for the year ended 30 June 2003

	Note	Consolidated		Bendigo Bank	
		2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest and other items of a similar nature received		503,141	452,170	486,207	431,169
Borrowing costs paid		(284,392)	(276,154)	(275,432)	(252,192)
Receipts from customers (excluding interest)		112,103	88,329	80,148	58,399
Payments to suppliers and employees		(174,670)	(223,823)	(154,501)	(201,637)
Dividends received		8,575	7,531	13,921	24,417
Income taxes paid		(25,341)	(12,958)	(23,454)	(8,611)
Net cash flows from operating activities	12	139,416	35,095	126,889	51,545
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash flows for purchases of property, plant and equipment		(16,913)	(16,749)	(15,435)	(12,070)
Cash proceeds from sale of property, plant and equipment		1,491	687	955	298
Cash paid for purchases of equity investments		(32,449)	(12,854)	(34,115)	(12,620)
Cash proceeds from sale of equity investments		272	500	135	-
Net increase in balance of loans outstanding		(1,301,006)	(605,133)	(1,294,081)	(1,558,468)
Net increase of investment securities		(44,595)	(288,990)	27,891	(425,482)
Net cash acquired on acquisition of subsidiary	12	-	900	-	(1,000)
Net cash flows used in investing activities		(1,393,200)	(921,639)	(1,314,650)	(2,009,342)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment for share buy-back		-	(6,528)	-	(6,528)
Proceeds from shares issued		250	35,075	-	35,075
Net increase in balance of retail deposits		1,406,057	875,544	1,339,031	1,807,778
Net increase/(decrease) in balance of wholesale deposits		(158,770)	(108,869)	(160,315)	(95,385)
Net increase in balance of subordinated debt		46,309	31,622	46,309	51,793
Dividends paid		(23,359)	(20,843)	(23,359)	(20,415)
Net cash flows from financing activities		1,270,487	806,001	1,201,666	1,772,318
Net increase/(decrease) in cash held		16,703	(80,543)	13,905	(185,479)
Cash at the beginning of the financial year		142,651	223,194	130,768	316,247
Less cash at the end of the financial year	13	159,354	142,651	144,673	130,768
		16,703	(80,543)	13,905	(185,479)

Notes to and Forming Part of the Financial Statements

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Preparation of the Financial Accounts

Bendigo Bank Limited (the Bank) is a 'prescribed corporation' in terms of the Corporations Act 2001. Financial reports prepared in compliance with the Banking Act are deemed to comply with the provisions of the Corporations Act 2001.

The financial report of the Bank and the consolidated financial report of the economic entity, is a general purpose financial report prepared in accordance with the Banking Act, applicable Accounting Standards, Urgent Issues Group Consensus Views, Corporations Act 2001 and the requirements of law so far as they are applicable to Australian banking corporations. The accounting policies have been consistently applied, unless otherwise stated.

1.2 Historical Cost

The financial report of the Bank and the consolidated financial report of the economic entity have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-monetary assets.

1.3 Principles of Consolidation

The consolidated financial statements comprise the financial statements of Bendigo Bank Limited and all of its controlled entities.

A controlled entity is any entity controlled by Bendigo Bank Limited. Control exists where Bendigo Bank Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Bendigo Bank Limited to achieve the objectives of Bendigo Bank Limited. A list of controlled entities is contained in Note 17 to the financial statements.

Controlled entities prepare financial reports for consolidation in conformity with Group accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions between entities in the economic entity have been eliminated on consolidation.

Where a controlled entity has been sold or acquired during the year its operating results have been included to the date control ceased or from the date control was obtained.

1.4 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year, except that in accordance with Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" a provision for dividend is not recognised as a liability unless the dividend is declared, determined or publicly recommended on or before the reporting date. This change has the effect that no liability has been recognised in the financial statements for the final 2003 dividend. This has the financial effect of reducing liabilities and increasing retained profits by \$24.088 million at reporting date, when compared to the previous accounting policy for dividends.

The consolidated entity has adopted the revised Accounting Standard AASB 1028 "Employee Benefits", which has resulted in a change in the accounting policy for the measurement of employee benefit liabilities in relation to annual leave. Previously, the consolidated entity measured these provisions based on remuneration rates at the date of recognition of the liability. In accordance with the requirements of the revised standard, the provisions are now measured based on the remuneration rates expected to be paid when the liability is settled. The effect of the revised policy has been to decrease consolidated retained profits and increase employee benefit liabilities at the beginning of the year by \$275,209. In addition, current year profits have decreased and provisions have increased by \$263,253 as a result of the change in accounting policy.

As a result of revisions to AASB 1012 "Foreign Currency Translations" any receivables or payables associated with foreign currency transactions outstanding at year end have been separately disclosed within the Statement of Financial Position. The effect of this change in policy has been to gross-up the total assets and total liabilities by \$1,869,044. There has been no impact on Net assets by this change.

1.5 Foreign Currency Transactions and Balances

All amounts are expressed in Australian currency and all references to "\$" are to Australian dollars unless otherwise stated.

Foreign currency transactions during the period are converted to Australian currency at the rates of exchange applicable at the dates of the transactions.

Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change.

1.6 Cash and Cash Equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, short-term money market investments readily convertible into cash within 2 working days, net of outstanding overdrafts.

Bank overdrafts are carried at the principle amount. Interest is charged as an expense as it accrues.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.7 Investments

Investment securities are maintained at cost, adjusted for accrued interest and premium or discount amortisation or net realisable value. Premiums and discounts are amortised from the date of purchase so that the securities will be recorded at face value on maturity and the appropriately proportioned premiums and discounts allowed are brought to account each month.

As they are purchased primarily with the intent of holding until maturity, no specific provision is considered necessary to account for the difference between book and market values or potential capital gains tax.

Trading securities, if any, are purchased for current resale in day to day trading operations and are recorded at market value. Gains and losses realised from the sale of trading securities and unrealised market value adjustments are brought to account each month.

Share investment securities listed on a stock exchange and unlisted investment securities are recorded at cost.

Dividends are brought to account when received except for dividends from controlled entities which are brought to account when they are proposed by the controlled entity.

Investments in associates are carried at the lower of the equity-accounted amount and recoverable amount in the consolidated financial report.

All other non-current investments are carried at the lower of cost and recoverable amount.

1.8 Intangibles

Trustee Licence

The useful life of the trustee licence has been estimated to be 50 years. The licence is amortised on a straight line basis over this period. The balance is carried at cost and is reviewed annually to ensure the carrying value does not exceed recoverable amount.

Goodwill

Goodwill and goodwill on consolidation are recorded initially at the amount by which the purchase price for the business or for the ownership interest in a controlled entity exceeds the fair value attributed to its net identifiable assets at date of acquisition. Both purchased goodwill and goodwill on consolidation are amortised on a straight line basis over a period not exceeding 20 years. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off. Amortisation periods for goodwill are as follows:

Entity acquired	Years
Sandhurst Trustees Limited	20
Compass Building Society	18
Cass Comm Limited	10
Worley Securities Pty Ltd	20
Benhold Pty Ltd	20
Victorian Securities Corporation Limited	20
First Australian Building Society Limited	20

1.9 Property Plant and Equipment

Cost and valuation

Property is carried at fair value, less, where applicable, any accumulated depreciation or amortisation. Land and buildings are independently valued at least every three years and, at the discretion of the directors, are included in the financial reports at no more than their recoverable amounts. Revaluations reflect independent assessments of the fair market value of land and buildings based on existing use and have not taken account of the potential capital gains tax on assets acquired after the introduction of capital gains tax. Plant and equipment is carried at the lower of cost less depreciation or recoverable amount.

Depreciation and Amortisation

The depreciable amount of all fixed assets including buildings, but excluding freehold land, is depreciated using the straight line method, commencing from the time the asset is held for use. Properties held for investment purposes are not subject to a depreciation charge.

Major depreciation periods are:

Asset category	Years
Freehold buildings	40
Leasehold improvements	3
Office furniture & equipment	5
Computer hardware	3
Computer software	2.5
Core banking systems	7
Motor vehicles	5

1.10 Acquisition of Assets

The cost method is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition.

A liability for restructuring costs is recognised as at the date of acquisition of an entity when there is a demonstrable commitment to a restructuring of the acquired entity, the existence of a formal restructure plan and a reliable estimate of the amount of the liability can be made.

Goodwill is brought to account on the basis described in note 1.8.

1.11 Gain or Loss on Disposal

The gain or loss on disposal of property plant and equipment, shares and other investments, is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal and is included in operating profit before income tax of the economic entity in the year of disposal. Any realised revaluation increment relating to the disposed asset which is included in the asset revaluation reserve is transferred to the asset realisation reserve at the time of disposal.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.12 Deferred Expenditure

Significant expenditure which gives rise to benefits in more than one accounting period is amortised over the estimated lives of those benefits, generally over periods not exceeding 5 years. Major information technology projects may be amortised over periods up to 7 years. The balance is reviewed annually to determine the amount, if any, that should no longer be carried forward.

1.13 Reserve Funds

The Trustee Companies Act 1984 requires that a reserve fund be maintained to provide for the event of the appointment of a liquidator, a receiver and manager or an administrator of a trustee company. In such an event, the moneys in the reserve fund are available to be utilised in accordance with Section 39 (3) of the Trustees Companies Act 1984.

Sandhurst Trustees Limited complies with the Act by setting aside the value of at call investments and freehold property to the Reserve Fund.

1.14 Employee Benefits

Wages and Salaries, Annual leave, Sick leave and Directors' Retirement Provision

Liabilities for wages and salaries have been recognised and measured as the amount which the economic entity has a present obligation to pay, at balance date, in respect of employees' service up to that date. Liabilities have been calculated at nominal amounts based on wage and salary rates current at balance date and include related on-costs. Annual leave liabilities are accrued on the basis of full pro rata entitlement at their nominal amounts, being the amounts estimated to apply when the leave is paid. Sick leave liabilities have been calculated at balance date, after consideration of the economic entity's experience of employee departures.

Directors' retirement provision is accrued on the basis of full pro rata entitlement as determined by the board, in accordance with the Corporations Act 2001.

Long Service Leave

Long service leave has been assessed at full pro rata entitlement in respect of all employees with more than five years service. The amount provided currently meets the requirement of Accounting Standard AASB 1028.

Superannuation

Contributions are made to an employee accumulation superannuation fund and are charged to expenses when incurred.

Superannuation commitments are disclosed in Note 34.

1.15 Asset Quality

All loans are subject to continuous management review. The economic entity has adopted definitions of non-accruing and restructured loans consistent with Australian Prudential Regulation Authority's Prudential Standard 'APS 220 - Credit Quality' and Guidance Note 'AGN - 220.1 - Impaired Asset Definitions'.

Non-accruing Loans

Loans are classified as non-accruing where:

- (a) there is reasonable doubt about the ultimate collectability of principal and interest;
- (b) contractual payments are 90 or more days past due (90 days past due is defined as 90 or more calendar days have elapsed since the due date of contractual payment has not been met in full and 90 days worth of contractual payments in arrears) and the fair market value of the security is insufficient to cover payment of principal and interest; and
- (c) in the case of overdrafts, they have remained outside approved limits for 90 or more consecutive days and the fair market value of the security is insufficient to cover payment of principal and interest.

Interest ceases to be taken to profit when a loan is classified as non-accruing.

Restructured Loans

Loans are classified as restructured where:

- (a) the terms and conditions of the loans have been concessionally modified, via a formal agreement, due to the financial difficulties of borrowers; and
- (b) the rate of return from interest or other income is lower than the current market return, but is in excess of the economic entity's cost of funds at balance date.

Bad and Doubtful Debts

A specific provision is made for all identified doubtful debts and is recognised when there is reasonable doubt over the collectability of principal and interest in accordance with the loan agreement. All bad debts are written off against the specific provision in the period in which they are classified as irrecoverable.

The provision is determined by specific identification and by estimation of expected losses in relation to loan portfolios where specific identification is impractical. These portfolios include unsecured credit cards, overdrawn accounts and personal loans, unsecured mortgage loans (property realisation shortfalls) where provisions are calculated as follows:

- (a) accounts in default past due 90 to 180 days - 5% of account balance is provided; and
- (b) accounts in default past due over 180 days - 100% of account balance is provided.

In addition, a general provision is maintained to cover doubtful debts which are not yet identified. The level of the general provision is determined having regard to asset growth, economic conditions, the level of risk weighted assets and other general risk factors, however it is the Bank's intention to maintain the general provision at or above 0.71% of Risk Weighted Assets.

1.16 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest, Fees and Commissions

Control of a right to receive consideration for the provision of, or investment in, assets has been attained. Interest, fee and commission revenue is brought to account on an accrual basis.

Dividends

Control of a right to receive consideration for the investment in assets is attained, evidenced by the declaration of dividends by the investee.

1.17 Unearned Income

Unearned income on the economic entity's personal lending and leasing is brought to account over the life of the contracts on an actuarial basis.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.18 Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

1.19 Income Tax

The economic entity adopts the liability method of tax effect accounting, whereby the income tax expense is based on the pre-tax accounting profit, after allowing for permanent differences. Income tax on timing differences between the recognition of revenue and expense in the determination of pre-tax accounting profit and the calculation of taxable income are set aside to either provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. The amount of benefits brought to account or which may be realised in the future will only be obtained if the economic entity:

- (a) derives future assessable income of a nature and of an amount sufficient to enable the benefits from the deductions for the losses to be realised;
- (b) continues to comply with the conditions for deductibility imposed by the law; and
- (c) is not adversely affected by changes in tax legislation which may prohibit the realisation of the benefit from the deductions for the losses.

The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless it is probable that the benefit will be realised.

1.20 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

1.21 Derivative Financial Instruments

Derivative financial instruments are used to hedge interest rate and foreign exchange risk and, in limited circumstances, for trading purposes.

Gains and losses on derivative financial instruments that are used as hedges and are effective as hedges are accounted for on the same basis as the underlying physical exposures they are hedging. Accordingly, hedge gains and losses are brought to account when the gains and losses arising on the related physical exposures are brought to account.

Gains and losses related to qualifying hedges of firm commitments or anticipated transactions are deferred and recognised in income or as adjustments of carrying amounts when the hedged transaction occurs.

Derivative financial instruments used for trading purposes are marked to market at balance date. Realised and unrealised changes in market value are recognised in net trading revenue in the period in which the change occurs.

1.22 Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. The economic entity has no leases deemed to be finance leases where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities within the economic entity.

1.23 Trustee and Funds Management Activities

Controlled entities of the Bank act as Trustee and/or Manager for a number of funds. The assets and liabilities of these funds are not included in the consolidated financial statements. The parent entity does not have direct or indirect control of the funds as defined by Accounting Standard AASB 1024 "Consolidated Accounts". Commissions and fees generated by funds management activities are brought to account when earned.

1.24 Loan Securitisation

The Group, through its loan securitisation program, packages and sells mortgage loans as securities to investors. In such transactions the Group receives fees for various services provided to the program on an arm's length basis, including service fees, management fees and trustee fees. These fees are recognised over the period in which the relevant income is earned.

1.25 Recoverable Amount

The carrying amounts of all properties, shares, trustees licence and other investments are reviewed at least annually to determine whether they are in excess of their recoverable amounts. If the carrying amount exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts for these assets, the expected net cash flows have not been discounted to their present values unless otherwise stated.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.26 Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividend is not recognised as a liability unless the dividend is declared, determined or publicly recommended on or before the reporting date.

1.27 Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

1.28 Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude cost of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

costs of servicing equity (other than dividends) and preference share dividends;

the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

1.29 Comparative Figures

Where required by accounting standards, new legislation or changes to presentation policies, comparative figures have been adjusted to reflect those changes.

	Consolidated		Bendigo Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
2 PROFIT FROM ORDINARY ACTIVITIES				
Profit from ordinary activities before income tax expense has been determined as follows:				
(a) Revenues:				
Interest revenue				
Controlled entities				
Cash and liquid assets	-	-	-	3,360
Investment securities	-	-	572	1,400
Other persons/entities				
Cash and liquid assets	1,163	1,360	1,080	1,330
Investment securities	54,261	47,821	49,412	43,500
Loans and other receivables	445,210	397,773	432,756	374,725
Total interest revenue	500,634	446,954	483,820	424,315
Interest expense				
Controlled entities				
Retail deposits	-	-	592	1,579
Wholesale - domestic	-	-	48	3,360
Other persons/entities				
Deposits				
Retail	236,942	209,644	227,606	196,499
Wholesale - domestic	10,906	21,193	9,947	18,789
Wholesale - offshore	19,699	14,095	19,699	14,095
Other borrowings				
Subordinated debt	10,798	9,429	10,798	9,208
Total interest expense	278,345	254,361	268,690	243,530
Net interest revenue	222,289	192,593	215,130	180,785
Other revenue from ordinary activities				
Dividends				
Controlled entities	-	-	5,500	16,896
Associates	-	-	5,671	11,076
Other	140	127	132	117
Distribution from unit trusts	152	7	6	7
	292	134	11,309	28,096
Fees				
Assets	20,584	15,921	19,297	13,697
Liabilities & electronic delivery	35,185	22,932	34,447	21,305
Trustee, management & other services	19,954	18,974	11,753	6,954
Other	7,384	8,815	7,223	8,641
	83,107	66,642	72,720	50,597
Commissions				
Insurance	4,889	3,372	3,600	2,890
Other	20,082	12,971	858	509
	24,971	16,343	4,458	3,399
Other revenue				
Income from property	1,276	1,055	1,092	614
Proceeds from disposal of property, plant & equipment	1,491	541	955	298
Proceeds from sale of other investments	135	146	135	-
Net foreign exchange gain/(loss)	2,699	2,060	2,699	2,060
Other	(1,294)	1,648	5,211	5,587
	4,307	5,450	10,092	8,559
Total other revenue from ordinary activities	112,677	88,569	98,579	90,651
Share of associates' net profits (losses) accounted for using the equity method	12,926	11,076	-	-
Total revenue after interest expense	347,892	292,238	313,709	271,436

	Consolidated		Bendigo Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
2 PROFIT FROM ORDINARY ACTIVITIES (continued)				
(b) Expenses				
Expenses from ordinary activities				
Bad and doubtful debts				
Specific provisions	6,823	6,633	6,702	6,563
General provisions	8,074	3,455	7,744	2,940
Bad debts written off	650	1,697	650	1,585
Bad debts recovered	(204)	(182)	(204)	(178)
Specific bad and doubtful debts expense	-	10,444	-	17,239
Total bad and doubtful debts	15,343	22,047	14,892	28,149
Borrowing costs	540	505	495	479
Other expenses from ordinary activities				
Staff and related costs				
Salaries and wages	90,079	73,939	79,961	63,595
Superannuation contributions	10,041	8,165	8,940	7,215
Provision for annual leave	1,627	369	1,532	1,300
Provision for long service leave	1,178	855	1,171	1,532
Other provisions	828	1,451	718	1,397
Payroll tax	5,477	4,190	4,827	3,726
Fringe benefits tax	1,654	1,570	1,494	1,340
Other	7,243	4,806	6,881	4,425
	118,127	95,345	105,524	84,530
Occupancy costs				
Operating lease rentals	10,816	9,766	11,055	9,850
Depreciation of buildings	425	370	97	108
Amortisation of leasehold improvements	1,859	1,143	1,846	1,136
Property rates	524	505	431	385
Land tax	199	212	128	117
Repairs and maintenance	2,581	2,217	2,209	1,950
Other	5,301	4,378	4,900	3,917
	21,705	18,591	20,666	17,463
Amortisation of goodwill	4,255	4,428	592	592
Property, plant & equipment costs				
Depreciation of property, plant & equipment	8,790	8,039	7,213	6,363
Value of property, plant & equipment sold	1,326	454	923	280
Loss on sale of property, plant & equipment	-	5	-	-
	10,116	8,498	8,136	6,643
Fees and commissions	10,911	10,903	10,650	8,790
Administration expenses				
Communications, postage and stationery	18,330	16,759	17,461	15,414
Computer systems and software costs	21,463	19,746	20,498	18,874
Advertising & promotion	7,816	6,908	7,253	6,359
Other product & services delivery costs	10,610	9,604	10,606	9,499
General administration expenses	18,927	13,815	15,795	11,589
	77,146	66,832	71,613	61,735
Other expenses				
Decrements arising from the revaluation of investments	495	144	530	723
Value of other investments sold	-	143	-	-
Provision for directors' retirement allowance	165	187	128	129
Other	(194)	216	2,362	1,764
	466	690	3,020	2,616
Total expenses from ordinary activities	258,609	227,839	235,588	210,997
Profit from ordinary activities before income tax expense	89,283	64,399	78,121	60,439
(c) Gains/(losses)				
Profit/(loss) from disposal of property, plant & equipment	165	82	32	18
Profit/(loss) from sale of other investments	135	3	135	-

	Consolidated		Bendigo Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000

3 SPECIFIC ITEMS

Profit from ordinary activities before income tax expense includes the following expenses whose disclosure is relevant in explaining the financial performance of the entity:

Increase in general provision relating to accounting policy changes and provision for inter-company loans write-down (bank only)	-	10,444	-	17,239
Specific items before income tax	-	10,444	-	17,239
Income tax benefit applicable to specific items	-	10,444	-	12,483
Specific items after income tax	-	-	-	4,756

4 UNDERLYING PROFIT

Underlying profit shows the growth in the core business of the economic entity

Underlying profit	108,848	90,959	93,605	89,180
Less,				
Amortisation of goodwill	4,255	4,428	592	592
Bad and doubtful debts expense (net of bad debts recovered)	15,343	11,603	14,892	10,910
Specific items (Note 3)	-	10,444	-	17,239
Income tax expense (Note 6)	30,246	26,144	21,960	19,930
Specific item - income tax expense (Note 3)	-	(10,444)	-	(12,483)
Profit from ordinary activities after income tax expense	59,004	48,784	56,161	52,992

Average Balance	Interest 2003	Average Rate
\$'000	\$'000	%

5 AVERAGE BALANCE SHEET AND RELATED INTEREST

Average balances and rates ⁽¹⁾

Interest earning assets

Cash and liquid assets	116,511	1,163	1.00
Investment securities	1,060,713	54,261	5.12
Loans and other receivables	6,889,476	445,210	6.46
	8,066,700	500,634	6.21

Non interest earning assets

Property, plant & equipment	51,058		
Provisions for doubtful debts	(50,144)		
Other assets	260,396		
	261,310		
Total assets (average balance)	8,328,010		

Interest bearing liabilities and equity

Deposits			
Retail	6,967,642	236,942	3.40
Wholesale - domestic	226,291	10,906	4.82
Wholesale - offshore	353,708	19,699	5.57
Other borrowings			
Subordinated debt	165,121	10,798	6.54
	7,712,762	278,345	3.61

Non interest bearing liabilities and equity

Other liabilities	92,553		
Equity	522,695		
	615,248		
Total liabilities and equity	8,328,010		

Interest margin and interest spread

Interest earning assets	8,066,700	500,634	6.21
Interest bearing liabilities	(7,712,762)	(278,345)	(3.61)
Net interest income and interest spread ⁽²⁾		222,289	2.60
Net interest margin ⁽³⁾			2.76

¹ Average balance is based on monthly closing balances from 30 June 2002 through 30 June 2003 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.

	Consolidated		Bendigo Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
6 INCOME TAX EXPENSE				
The prima facie tax on profit from ordinary activities is reconciled to the income tax provided in the accounts as follows:				
Tax payable on profit from ordinary activities before income tax expense at 30% (2002 - 30%)	26,784	19,319	23,436	18,131
Permanent differences:				
amortisation	1,276	1,328	178	178
increase in general provision	-	4,015	-	4,015
under/over provision for tax in prior years	1,199	117	1,180	(10)
rebateable dividends received	(40)	(22)	(1,688)	(5,104)
FITB on general provision - change in treatment	-	(10,444)	-	(10,444)
Tax losses transferred from controlled entities	-	-	(304)	(228)
Other items	1,027	1,387	(842)	909
	<u>3,462</u>	<u>(3,619)</u>	<u>(1,476)</u>	<u>(10,684)</u>
Income tax expense attributable to:				
Profit from ordinary activities before income tax	30,246	15,700	21,960	7,447
The income tax expense comprises amounts set aside as:				
Provision attributable to current year, being				
income tax payable on profit from ordinary activities	29,054	22,310	24,446	22,817
income tax payable by associates	4,116	3,522	-	-
under (over) provision in prior years	58	117	19	(10)
tax losses carried forward	-	92	-	-
Provision attributable to future years, being				
future income tax benefit	(4,546)	(9,771)	(3,935)	(14,181)
provision for deferred tax	1,564	(570)	1,430	(1,179)
	<u>30,246</u>	<u>15,700</u>	<u>21,960</u>	<u>7,447</u>
Deferred tax assets and liabilities				
Current tax payable	8,508	4,560	7,262	6,251
Current tax refundable	-	-	-	-
Provision for deferred income tax	5,711	4,147	5,294	3,865
Future income tax benefit	27,172	22,626	27,515	23,579

No part of the future income tax benefit is attributable to tax losses.

Tax Consolidation

Effective 1 July 2002, for the purposes of income taxation, Bendigo Bank Limited and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is Bendigo Bank Limited. There has not been any material effect on tax assets or liabilities as a result of the revised tax legislation. Bendigo Bank Limited will formally notify the Australian Tax Office of its adoption of the tax consolidation regime upon the lodgement of its 2003 income tax return.

Consolidated	
2003	2002
\$'000	\$'000

7 CAPITAL ADEQUACY

The Australian Prudential Regulation Authority (APRA) guidelines require capital to be allocated against credit and market risks. Banks must maintain a ratio of qualifying capital (comprising Tier 1 and Tier 2 capital), to risk weighted assets, and off-balance sheet exposures determined on a risk weighted basis, of which at least half must be Tier 1 capital. The Bank adopted the 'standard model' approach prescribed by APRA to measure market risk. The resultant capital after applying a numeric conversion factor, forms part of risk-weighted assets.

Risk weighted capital ratios

Tier 1	8.12%	9.28%
Tier 2	2.46%	2.41%
Total capital ratio	10.58%	11.69%

Qualifying Capital

Tier 1

Contributed capital	463,580	448,170
General reserve	-	13,292
Retained profits	69,271	32,797
Minority interests in core equity capital of subsidiaries	198	-
Asset realisation reserve	-	993
Capital profits reserve	-	212
	533,049	495,464
Less,		
Intangible assets	67,927	63,414
Net future income tax benefit	8,043	8,330
Other adjustments as per APRA advice	6,358	4,188
Total Tier 1 capital	450,721	419,532

Tier 2

General provision for doubtful debts	30,634	24,982
Unsecured subordinated perpetual convertible capital notes	15,350	18,023
Subordinated capital notes	189,315	143,356
Asset revaluation reserve		
Property	2,515	2,489
Shares	309	309
	238,123	189,159
Less,		
Subsidiary investment residual	8,564	8,256
Total Tier 2 capital	229,559	180,903
Less,		
Investments in non-consolidated subsidiaries or associates	5,248	1,819
Holdings of other banks' capital instruments	87,359	70,406
Total qualifying capital	587,673	528,210

	Gross	Risk	Risk Weighted	
	Assets	Weight	2003	2002
	\$'000	%	\$'000	\$'000
7 CAPITAL ADEQUACY (continued)				
Risk Weighted Assets				
<i>On-statement of financial position assets</i>				
Notes & coin/claims on governments	244,068	0	-	-
Loans secured by cash	20,963	0	-	-
Claims on local governments	7,026	20	1,405	1,511
Claims on banks	1,162,076	20	232,415	210,057
Qualifying mortgages (housing loans)	5,184,592	50	2,592,296	2,191,733
Other loans	2,316,649	100	2,316,649	1,847,098
Other assets	99,853	100	99,853	120,450
Total on-statement of financial position assets	9,035,227		5,242,618	4,370,849

Total on-statement of financial position assets as shown above does not agree with total assets as stated in the consolidated statement of financial position. Intangible assets, future income tax benefit and assets in the trading book have been deducted in accordance with APRA capital adequacy guidelines.

	Face	Credit	Risk	Risk Weighted	
	Value	Equivalent	Weight	2003	2002
	\$'000	\$'000	%	\$'000	\$'000
<i>Off-statement of financial position exposures</i>					
Direct credit substitutes					
Secured by cash	11,437	11,437	0	-	-
Secured by residential mortgages	28,591	28,591	50	14,295	9,641
Unsecured guarantees	7,624	7,624	100	7,624	5,142
Trade and performance related items					
Documentary letters of credit	938	188	20	38	160
Performance related contingencies	11,784	5,892	100	5,892	5,068
Loans approved not advanced					
Qualifying mortgages	249,900	249,900	50	124,950	53,529
Other loans(LVR > 80%)	154,020	154,020	100	154,020	70,009
Forward foreign exchange contracts	117,237	3,220	20	644	965
Interest rate contracts (current exposure method)	1,400,933	6,879	20	1,376	2,439
Cross currency swaps (current exposure method)	284,707	11,238	20	2,248	1,243
Total off-statement of financial position exposure				311,087	148,196

	Capital	Conversion	Risk Weighted	
	Allocation	Factor	2003	2002
	\$'000	%	\$'000	\$'000
Capital for market risk	20	10	2	-
Total risk weighted assets			5,553,707	4,519,045

Credit Equivalent Amount - all off-statement of financial position exposures which give rise to credit risk are converted into credit equivalent amounts in accordance with APRA capital adequacy guidelines.

	Consolidated		Bendigo Bank	
	2003	2002	2003	2002
	\$	\$	\$	\$

8 REMUNERATION OF DIRECTORS AND EXECUTIVES

Directors' remuneration

Income paid, payable or otherwise made available to all directors of each entity in the economic entity by the entities of which they are directors and any related parties in respect of the financial year

1,569,670	1,508,539	-	-
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Income paid, payable or otherwise made available to all directors of the chief entity by the chief entity and any related parties in respect of the financial year

-	-	1,454,248	1,284,505
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The above amounts do not include retirement benefits paid to non-executive directors of any group entity. During the year the Bank paid a retirement benefit to Mr W Lanyon totalling \$163,334 in accordance with the Group's retirement benefit policy. Sandhurst Trustees Limited also paid retirement benefits to former non-executive directors during the year totalling \$333,698.

Number of chief entity directors whose income from the chief entity and any related parties fell within the following bands:

\$	\$	No.	No.
20,000 - 29,999		1	-
50,000 - 59,999		-	3
60,000 - 69,999		-	4
70,000 - 79,999		6	-
110,000 - 119,999		-	1
140,000 - 149,999		1	-
160,000 - 169,999		-	1
570,000 - 579,999		-	1
830,000 - 839,999		1	-

Executive officers' remuneration

Income received or due and receivable by executive officers of the economic entity from all entities in the economic entity, and any related parties, whose income is \$100,000 or more

6,105,437	5,375,409	-	-
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Income received or due and receivable by executive officers of the chief entity, from the chief entity and any related parties, whose income is \$100,000 or more

-	-	6,105,437	4,890,101
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Number of executive officers whose income fell within the following bands:

\$	\$	No.	No.	No.	No.
100,000 - 109,999		2	2	2	2
110,000 - 119,999		-	2	-	1
120,000 - 129,999		2	4	2	4
130,000 - 139,999		2	2	2	1
140,000 - 149,999		2	4	2	4
150,000 - 159,999		1	-	1	-
160,000 - 169,999		5	3	5	3
170,000 - 179,999		-	2	-	2
180,000 - 189,999		1	2	1	2
190,000 - 199,999		2	1	2	1
200,000 - 209,999		2	1	2	1
220,000 - 229,999		1	-	1	-
230,000 - 239,999		-	2	-	1
280,000 - 289,999		1	-	1	-
290,000 - 299,999		-	1	-	1
310,000 - 319,999		-	2	-	2
330,000 - 339,999		2	-	2	-
350,000 - 359,999		2	-	2	-
380,000 - 389,999		1	-	1	-
570,000 - 579,999		-	1	-	1
830,000 - 839,999		1	-	1	-

Amounts are shown in summary as the directors believe the provision of full particulars would be unreasonable.

During the year, the group implemented a new management structure to further align the group's structure with its objectives and strategy. The presentation of executive remuneration information reflects the new management structure. The comparative figures in respect to executive officers' remuneration have been amended to disclose the key management positions as at 30 June 2002 which reflect similar group responsibilities.

Superannuation contributions

Amounts paid to prescribed superannuation funds for the provision of benefits in relation to,

Managing director	87,460	50,895	87,460	50,895
Non-executive directors	59,707	58,198	51,400	41,788
	147,167	109,093	138,860	92,683

	Consolidated		Bendigo Bank	
	2003	2002	2003	2002
	\$	\$	\$	\$
9 AUDITORS' REMUNERATION				
Chief entity auditors				
Amounts received, or due and receivable by the auditors for:				
-auditing the financial statements of the chief entity and any other entity in the economic entity	553,844	501,000	530,991	455,000
-taxation services in relation to the chief entity and any other entity in the economic entity	221,883	247,353	165,974	202,220
-other services in relation to the chief entity and any other entity in the economic entity	197,460	211,835	184,535	73,450
	<u>973,187</u>	<u>960,188</u>	<u>881,500</u>	<u>730,670</u>
Other auditors				
Amounts received, or due and receivable by auditors other than the auditors of Bendigo Bank Limited for:				
-auditing the financial statements of subsidiary entities	-	14,648	-	-
	<u>-</u>	<u>14,648</u>	<u>-</u>	<u>-</u>

	\$'000	\$'000	\$'000	\$'000
10 DIVIDENDS				
Dividends paid or provided for on ordinary shares				
Dividends proposed and recognised as a liability				
Final dividend (Nil) (2002: 17.0 cents per share) (1)	-	19,982	-	19,982
Dividends paid during the year				
current year				
Interim dividend (13.5 cents per share) (2002 - 12.0 cents per share)	16,103	13,751	16,103	13,751
Dividend - Bendigo Investment Services Ltd (2)	-	428	-	-
	<u>16,103</u>	<u>34,161</u>	<u>16,103</u>	<u>33,733</u>
previous year				
Final dividend (17.0 cents per share)	20,004	15,664	20,004	15,664

- (1) A provision for the Final 2003 dividend has not been recognised as it was not declared, determined or publicly recommended on or before the reporting date.
- (2) Being dividend provided by Bendigo Investment Services Ltd prior to acquisition, paid May 2002.

Dividends proposed since the reporting date, but not recognised as a liability				
Final dividend (20.0 cents per share) (2002: Nil)	24,088	-	24,088	-

All dividends paid were fully franked. Proposed dividends will be fully franked out of existing franking credits or out of franking credits arising from payment of income tax provided for in the financial statements for the year ended 30 June 2003.

Dividend franking account

Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial report, and after deducting franking credits to be used in payment of the above dividends.

	35,616	27,815	35,616	24,394
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The tax rate at which dividends have been franked is 30 per cent (2002: 30 per cent). Dividends proposed will be franked at the rate of 30%. As of 1 July 2002, the new imputation system requires a company's franking credits to be expressed on a tax-paid basis. The franking account surplus existing at 30 June 2002 has been restated at 1 July 2002 to a tax paid amount by multiplying the Class C franking surplus by 30/70.

Tax Consolidation

Effective 1 July 2002, for the purposes of income taxation, Bendigo Bank Limited and its 100% owned subsidiaries have formed a tax consolidated group. Under the provisions of tax consolidation, the franking account balances of the 100% owned subsidiaries have been transferred to the head company, Bendigo Bank Limited. All franking credits and debits arising within the tax consolidated group from 1 July 2002 are reflected in the head company franking account.

Dividend paid

Dividends paid by cash or satisfied by the issue of shares under the dividend reinvestment plan during the year were as follows:

Paid in cash	23,359	20,843	23,359	20,415
Satisfied by issue of shares	12,736	8,984	12,736	8,984
Increase in residuals carried forward	12	16	12	16
	<u>36,107</u>	<u>29,843</u>	<u>36,107</u>	<u>29,415</u>

Dividend Reinvestment Plan

The Dividend Reinvestment Plan provides shareholders with the opportunity of converting their entitlement to a dividend into new shares. The issue price of the shares is equal to the weighted average trading price of all Bendigo Bank shares traded on the Australian Stock Exchange over the five trading days up to and including the Record Date less a discount of 2.5%. Shares issued under this Plan rank equally with all other ordinary shares. The last date for the receipt of an election notice for participation in the dividend reinvestment plan for the final dividend is 17 October 2003.

10 DIVIDENDS (continued)

Bonus Share Scheme

The Bonus Share Scheme provides shareholders with the opportunity to elect to receive a number of bonus shares issued for no consideration instead of receiving a dividend. The issue price of the shares is equal to the weighted average trading price of all Bendigo Bank shares traded on the Australian Stock Exchange over the five trading days up to and including the Record Date less a discount of 2.5%. Shares issued under this scheme rank equally with all other ordinary shares.

		Consolidated	
		2003	2002
11 EARNINGS PER SHARE			
Share ratios			
Basic earnings per share		46.8¢	41.1¢
Diluted earnings per share		46.8¢	41.1¢
Income			
Net profit	\$'000	59,037	48,699
Net loss attributable to outside equity interest	\$'000	(33)	85
Earnings used in calculating basic earnings per share	\$'000	59,004	48,784
Earnings effect of dilutive securities		-	-
Earnings used in calculating diluted earnings per share	\$'000	59,004	48,784
Number of Shares			
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share		125,995,138	118,705,807
Effect of dilutive securities		-	-
Adjusted weighted average number of ordinary shares used in calculation of diluted earnings per share		125,995,138	118,705,807

The Unsecured subordinated perpetual convertible capital notes are not considered dilutive as they are perpetual notes.

Conversions, calls, subscription or issues after 30 June 2003

On 28 July 2003 the Board of Directors announced a new issue of shares under the Bendigo Employee Share Ownership Plan.

Details in respect to the issue are provided at Note 30.

		Consolidated		Bendigo Bank	
		2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
12 CASH FLOW INFORMATION					
Reconciliation of cash flow from operations with operating profit after income tax					
Profit from ordinary activities after tax		59,037	48,699	56,161	52,992
Non-cash items					
Doubtful debts expense		14,897	10,089	14,446	9,503
Amortisation		4,255	4,406	592	592
Depreciation		11,074	9,556	9,156	7,607
Revaluation (increments)		510	40	530	721
Share of associates' net (profits)		(12,926)	(11,074)	28,884	(11,074)
Dividends received from associates		8,283	7,397	(16,315)	7,397
Profits on sale of investment securities		(135)	-	(135)	-
Profits on disposal of property, plant and equipment		(164)	(11)	(32)	(18)
Changes in assets and liabilities					
Increase/(decrease) in tax provision		3,948	12,328	1,011	14,195
Increase/(decrease) in deferred income tax liability		1,564	(9,586)	1,429	(15,359)
(Increase)/decrease in accrued interest		(3,950)	(16,543)	(4,696)	(1,796)
Increase in accrued employees entitlements		4,424	4,426	4,505	6,716
Increase/(decrease) in other accruals, receivables and provisions		48,599	(24,632)	31,353	(19,931)
Net cash flows from/(used in) operating activities		139,416	35,095	126,889	51,545

Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the statement of cash flows:

Investment securities, Retail deposits, Wholesale deposits and Subordinated debt.

12 CASH FLOW INFORMATION (continued)	Consolidated		Bendigo Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Acquisition of business				
There were no acquisitions during the financial year ended 30 June 2003.				
In 2002, Bendigo Bank Limited acquired the remaining 50% to take it to ownership of 100% of the voting share capital of Bendigo Investment Services Ltd.				
The components of the acquisition cost were:				
Fair value of identifiable net assets acquired				
Cash and liquid assets at call	-	1,900		
Property, plant & equipment	-	45		
Other assets	-	505		
Payables	-	(517)		
Provision - dividend	-	(428)		
Current tax liabilities	-	(346)		
Other provisions	-	(159)		
	-	1,000		
Goodwill arising on acquisition	-	-		
Amount paid on acquisition	-	1,000		
Consideration paid				
Cash consideration	-	(1,000)	-	(1,000)
Total consideration	-	(1,000)	-	(1,000)
Net cash consideration				
Cash consideration	-	(1,000)	-	(1,000)
Net cash balance acquired	-	1,900	-	-
Net cash (paid) received on purchase of controlled entity	-	900	-	(1,000)
13 CASH AND LIQUID ASSETS				
Notes, coin and cash at bank	101,782	143,340	90,723	134,235
Investments at call	5,439	3,896	2,164	2,126
	107,221	147,236	92,887	136,361
Reconciliation of cash				
For the purposes of the statement of cash flows, cash includes:				
Cash and liquid assets	107,221	147,236	92,887	136,361
Due from other financial institutions	181,228	207,369	180,881	206,361
Due to other financial institutions	(129,095)	(211,954)	(129,095)	(211,954)
	159,354	142,651	144,673	130,768
Cash and liquid assets are items readily convertible into cash and generally repayable on demand.				
Amounts due to and from other financial institutions relate to inter-bank settlement processes and are generally repaid within 2 working days.				
14 INVESTMENT SECURITIES				
Negotiable securities				
Bank accepted bills of exchange	249,129	150,690	217,738	140,691
Negotiable certificates of deposit	461,945	387,757	405,055	387,757
Government securities	194,622	256,545	194,622	256,457
Other	220,986	281,386	220,985	281,386
	1,126,682	1,076,378	1,038,400	1,066,291
Non negotiable securities				
Deposits - banks	(1,856)	3,798	-	-
Deposits - other	5,176	5,085	-	-
	3,320	8,883	-	-
	1,130,002	1,085,261	1,038,400	1,066,291
Maturity analysis				
Not longer than 3 months	935,566	258,114	843,964	255,369
Longer than 3 and not longer than 12 months	85,379	456,930	85,379	448,132
Longer than 1 and not longer than 5 years	108,521	370,217	108,521	362,790
Over 5 years	536	-	536	-
	1,130,002	1,085,261	1,038,400	1,066,291

	Consolidated		Bendigo Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
15 LOANS AND OTHER RECEIVABLES				
Overdrafts	1,218,854	772,829	1,218,844	772,824
Credit cards	64,722	53,283	64,721	53,282
Term loans	6,073,155	5,225,697	5,919,927	5,088,018
Lease receivables	167,092	172,296	189,855	172,252
Other	23,069	26,120	-	-
Accrued interest	37,005	28,611	34,800	26,301
Gross loans and other receivables	7,583,897	6,278,836	7,428,147	6,112,677
less:				
Specific provision for impairment (Note 16)	(10,763)	(9,824)	(10,641)	(9,096)
Unearned income	(25,356)	(23,811)	(25,292)	(23,766)
	7,547,778	6,245,201	7,392,214	6,079,815
less:				
General provision for impairment (Note 16)	(43,762)	(35,688)	(42,556)	(34,812)
Net loans and other receivables	7,504,016	6,209,513	7,349,658	6,045,003
Impaired loans				
Non-accruing loans - without provisions	2,531	2,740	2,531	2,740
- with provisions	13,914	17,872	13,613	17,872
less specific provisions	(10,647)	(8,674)	(10,525)	(8,674)
Net impaired loans	5,798	11,938	5,619	11,938
Net impaired loans % of loans and other receivables	0.08%	0.19%	0.08%	0.20%
Portfolios Facilities - past due 90 days, not well secured	2,494	1,686	2,494	1,686
less provisions	(125)	(421)	(125)	(421)
Net Portfolio Facilities	2,369	1,265	2,369	1,265
Loans past due 90 days				
Accruing loans past due 90 days, with adequate security balance	47,231	13,822	46,186	13,822
Amount in arrears	5,407	2,135	5,363	2,135
Loans past due 90 days, well secured - balance has increased significantly since December 2002. This is due to APRA rule changes in March 2003, whereby the balances of accounts 90 days past due must be included in the figure unless payments are received to eliminate all arrears. Previously, any 90 days past due account that received a repayment was not included in the figures.				
This change has increased the figure by approximately \$30 million when compared to the previous method. Portfolio facilities, not well secured - balance has also increased due to the change in APRA rules.				
Interest income recognised and forgone				
Interest income recognised in respect of impaired loans	168	996	168	996
Interest income forgone in respect of impaired loans	1,616	1,732	1,616	1,732
Interest income recognised is the interest income actually received subsequent to these balances becoming non-accrual or restructured.				
Interest income forgone is the gross interest income that would have been recorded during the financial year had the interest on such loans been included in income.				
Loans by geographic location ⁽¹⁾				
Victoria	4,562,261	3,860,690	4,429,332	3,721,559
New South Wales	935,188	727,449	930,567	722,283
Australian Capital Territory	196,743	181,017	196,543	180,814
Queensland	1,060,027	906,569	1,042,825	885,749
South Australia / Northern Territory	208,933	181,912	208,678	181,618
Western Australia	355,735	249,462	355,433	249,192
Tasmania	251,376	162,616	251,190	162,393
Overseas/Other	13,634	9,121	13,579	9,069
	7,583,897	6,278,836	7,428,147	6,112,677
Geographic location determined from the customer postcode/address.				
Maturity analysis ⁽¹⁾				
At call / overdrafts	1,327,414	870,316	1,304,334	844,189
Not longer than 3 months	240,672	162,032	238,280	160,608
Longer than 3 and not longer than 12 months	243,406	171,557	241,360	171,534
Longer than 1 and not longer than 5 years	1,224,507	1,043,308	1,215,150	1,040,491
Longer than 5 years	4,547,898	4,031,623	4,429,023	3,895,855
	7,583,897	6,278,836	7,428,147	6,112,677

(1) Balances exclude specific and general provisions for doubtful debts and unearned revenue.

	Consolidated		Bendigo Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
16 IMPAIRMENT OF LOANS AND ADVANCES				
Specific provisions for impairment				
Opening balance	9,824	9,545	9,096	8,626
Balance transferred on acquisition	-	-	-	261
Charged to statement of financial performance	7,473	8,330	7,352	8,148
Bad debts written-off applied to specific provision	(6,534)	(8,051)	(5,807)	(7,939)
Closing balance	10,763	9,824	10,641	9,096
General provision for impairment				
Opening balance	35,688	21,789	34,812	14,377
Balance transferred on acquisition	-	-	-	7,051
Charged to statement of financial performance (1)	8,074	13,899	7,744	13,384
Closing balance	43,762	35,688	42,556	34,812
Bad and doubtful debts expense				
Specific provisions for impairment	939	279	1,545	209
Specific provisions in relation to inter-company loans	-	-	-	6,795
General provision for impairment (1)	8,074	13,899	7,744	13,384
Bad debts written off	6,534	8,051	5,807	7,939
	15,547	22,229	15,096	28,327

(1) 2002 - includes effect of specific item relating to accounting policy change as disclosed in note 3.

Ratios

Specific provision as % of gross loans less unearned income	0.14%	0.16%
General provision as % of risk weighted assets	0.79%	0.79%
General provision net of future income tax benefit as % of risk weighted assets	0.55%	0.55%

17 PARTICULARS IN RELATION TO CONTROLLED ENTITIES

Name	Place of Incorporation	Principal Activities	Value of Chief Entity's Investment	
			2003	2002
			\$'000	\$'000
Chief entity				
Bendigo Bank Limited	Vic	Banking	-	-
Directly Controlled Entities (1)				
BBS Financial Planners Pty Ltd	Vic	Non operating	70	70
BBS Nominees Pty Ltd (2)	Vic	Trustee company	-	-
Bendigo Finance Pty Ltd (2)	Vic	Leasing finance	-	-
Bendigo Franchising Pty Ltd (2)	Vic	Franchisor company	-	-
Bendigo Investment Services Ltd	Vic	Financial services	1,000	1,000
Bendigo Superannuation Ltd	Vic	Superannuation trustee	72	72
Bensand Services Pty Ltd (2)	Vic	Investment company	-	-
Cass Comm Limited (2) (4)	NSW	Financial services	-	-
CBS Management Pty Ltd	Vic	Non operating	1	1
Cleansun Pty Ltd (2) (5)	ACT	Research and development	-	-
Community Developments				
Australia Ltd (2) (3)	Vic	Community Initiatives	-	-
First Australian Building Society Ltd	Qld	Non operating	136,958	136,958
Fountain Plaza Pty Ltd	Vic	Property owner	10,733	10,733
FP Holdings (Building Society) Ltd	Qld	Holding company	6,033	6,033
Funds Transfer Services Pty Ltd	Vic	Funds transfer services	40	40
Benhold Pty Ltd	Vic	Building Society holding coy	33,602	33,602
NBS Holdings (Building Society) Ltd	Qld	Holding company	12,071	12,071
National Mortgage Market Corp P/L	Vic	Mortgage origination	4,687	4,687
Sandhurst Trustees Ltd	Vic	Trustee company	18,039	18,039
Victorian Securities Corporation Ltd	Vic	Financial services	11,110	10,110
Worley Securities Pty Ltd	Vic	Financial advisory services	4,345	4,345
			238,761	237,761

1 All directly controlled entities are 100% owned, except for Community Telco Australia Ltd, which is 90% owned.

2 The investment in these entities is less than \$500

3 All controlled entities were owned for full year except for Community Developments Australia Ltd, which became a wholly-owned subsidiary on 1 March 2003.

4 Formerly Cassa Commerciale Australia Ltd.

5 Investment in Cleansun Pty Ltd was sold on 29 October 2002.

	Consolidated		Bendigo Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
18 OTHER SHARE INVESTMENTS				
Book value - cost				
Shares in associates	-	-	85,391	71,945
Listed and unlisted shares	19,290	7,450	19,148	6,521
Units in trusts	4,017	118	4,017	117
	<u>23,307</u>	<u>7,568</u>	<u>108,556</u>	<u>78,583</u>

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name	Ownership		Balance date
	interest held by		
	consolidated entity		
	2003	2002	
	%	%	
Elders Rural Bank Ltd	50	50	30 June
Tasmanian Banking Services Ltd	50	50	30 June
Community Sector Enterprises Pty Ltd	50	50	30 June

(i) Principal activities of associated companies

Elders Rural Bank Ltd - bank

Tasmanian Banking Services Ltd - financial services

Community Sector Enterprises Pty Ltd - financial services

(ii) Share of associates' profits

Share of associates':

- operating profits before income tax	12,926	11,076
- income tax expense attributable to operating profits	3,939	3,522
- operating profits after income tax	<u>8,987</u>	<u>7,554</u>

Share of associates' operating profits after income tax:

Elders Rural Bank Ltd	9,503	7,899
Tasmanian Banking Services Ltd	(207)	(681)
Community Sector Enterprises Pty Ltd	(309)	-
Bendigo Investment Services Ltd	-	336
	<u>8,987</u>	<u>7,554</u>

The consolidated entity's share in the retained profits and reserves of associated companies is not available for payment of dividends to shareholders of Bendigo Bank Limited until such time as those profits and reserves are distributed by the associated companies.

(iii) Carrying amount of investments in associates

Balance at the beginning of financial year	71,945	61,252
- carrying amount of investment in associate acquired during the year	16,058	11,464
- dividends received from associates	(8,283)	(7,397)
- share of associates' net profits (losses) for the financial year	8,987	7,554
- conversion of investment in associate to subsidiary (1)	-	(928)
Carrying amount of investments in associates at the end of the financial year	<u>88,707</u>	<u>71,945</u>

Represented by:

Investments at equity accounted amount:

- Elders Rural Bank Ltd	87,359	70,406
- Tasmanian Banking Services Ltd	1,332	1,539
- Community Sector Enterprises Pty Ltd	16	-

(iv) The consolidated entity's share of the assets and liabilities of associates in aggregate

Assets	904,457	657,720
Liabilities	841,703	608,690
Net Assets	<u>62,754</u>	<u>49,030</u>

(v) Amount of retained profits of the consolidated entity attributable to associates	28,342	19,355
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- (1) On 1 April 2002 Bendigo Bank Limited purchased the remaining 50% issued share capital of Bendigo Investment Services Ltd. From that date BIS has been reported as a wholly-owned subsidiary and its financial results are included in the consolidated financial statements of Bendigo Bank Limited.

Subsequent events affecting an associate's profits/losses for the ensuing year (if any) are disclosed in note 41.

The consolidated entity's share of associates' commitments and contingent liabilities (if any) are disclosed in notes 31 and 32 respectively.

	Consolidated		Bendigo Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
20 PROPERTY, PLANT AND EQUIPMENT				
(a) Carrying Value				
Property				
Freehold land ⁽¹⁾	6,715	7,150	1,685	1,770
	<u>6,715</u>	<u>7,150</u>	<u>1,685</u>	<u>1,770</u>
Freehold buildings ⁽¹⁾	15,934	16,756	3,842	4,023
Accumulated depreciation	(405)	-	(96)	-
	<u>15,529</u>	<u>16,756</u>	<u>3,746</u>	<u>4,023</u>
Leasehold improvements - at cost	8,030	6,344	7,982	6,296
Accumulated depreciation	(4,565)	(2,854)	(4,529)	(2,830)
	<u>3,465</u>	<u>3,490</u>	<u>3,453</u>	<u>3,466</u>
	<u>25,709</u>	<u>27,396</u>	<u>8,884</u>	<u>9,259</u>
Other				
Plant, furniture, fittings, office equipment & vehicles - at cost	72,135	58,024	58,729	46,391
Accumulated depreciation	(44,325)	(36,413)	(34,634)	(28,027)
	<u>27,810</u>	<u>21,611</u>	<u>24,095</u>	<u>18,364</u>
	<u>53,519</u>	<u>49,007</u>	<u>32,979</u>	<u>27,623</u>
(b) Reconciliations				
Freehold land ⁽¹⁾				
Carrying amount at beginning	7,150	8,649	1,770	1,578
Additions	-	295	-	-
Additions through acquisition of entities	-	-	-	-
Revaluation adjustment 30 June 2002	-	(1,309)	-	192
Transfer to Trustee Company Reserve Fund ⁽²⁾	(300)	(425)	-	-
Disposals	(135)	(60)	(85)	-
	<u>6,715</u>	<u>7,150</u>	<u>1,685</u>	<u>1,770</u>
Freehold buildings ⁽¹⁾				
Carrying amount at beginning	16,756	12,247	4,023	4,126
Additions	-	1,171	-	6
Additions through acquisition of entities	-	-	-	-
Revaluation adjustment 30 June 2002	-	4,210	-	2
Transfer to Trustee Company Reserve Fund ⁽²⁾	(610)	(413)	-	-
Disposals	(192)	(87)	(180)	-
Depreciation expense	(425)	(372)	(97)	(111)
	<u>15,529</u>	<u>16,756</u>	<u>3,746</u>	<u>4,023</u>
Leasehold improvements - at cost				
Carrying amount at beginning	3,490	1,077	3,466	1,061
Additions	1,962	3,634	1,953	3,634
Additions through acquisition of entities	-	13	-	-
Disposals	(128)	(88)	(120)	(88)
Depreciation expense	(1,859)	(1,146)	(1,846)	(1,141)
	<u>3,465</u>	<u>3,490</u>	<u>3,453</u>	<u>3,466</u>
Plant, furniture, fittings, office equipment & vehicles				
Carrying amount at beginning	21,611	20,426	18,364	16,517
Additions	15,588	9,634	13,463	8,598
Additions through acquisition of entities	-	45	-	-
Disposals	(599)	(523)	(519)	(364)
Depreciation expense	(8,790)	(7,971)	(7,213)	(6,387)
	<u>27,810</u>	<u>21,611</u>	<u>24,095</u>	<u>18,364</u>
¹ The fair values of freehold land and buildings on freehold land have been determined by reference to director valuations, based upon independent valuations previously obtained. Such valuations are performed on an open market basis, being the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date.				
² Transfer of freehold land and buildings to the Sandhurst Trustees Ltd Reserve Fund in accordance with the Trustee Companies Act 1984 (see Note 1(1.13)).				
21 INTANGIBLES				
Trustee licence	9,530	9,530	-	-
Accumulated amortisation	(953)	(762)	-	-
	<u>8,577</u>	<u>8,768</u>	-	-
Purchased goodwill	7,320	7,320	7,320	7,320
Accumulated amortisation	(4,513)	(3,921)	(4,513)	(3,921)
	<u>2,807</u>	<u>3,399</u>	<u>2,807</u>	<u>3,399</u>
Goodwill on consolidation	69,140	69,649	-	-
Accumulated amortisation	(12,597)	(9,634)	-	-
	<u>56,543</u>	<u>60,015</u>	-	-
	<u>67,927</u>	<u>72,182</u>	<u>2,807</u>	<u>3,399</u>

	Consolidated		Bendigo Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
22 OTHER ASSETS				
Accrued income	14,381	10,431	12,312	7,616
Reserve fund	6,500	5,500	-	-
Prepayments	16,368	22,728	12,954	16,165
Sundry debtors	36,278	56,359	28,462	50,478
	<u>73,527</u>	<u>95,018</u>	<u>53,728</u>	<u>74,259</u>
23 DEPOSITS				
Retail				
Branch network	6,825,538	5,637,887	6,628,203	5,502,838
Treasury sourced-certificates of deposit	657,068	467,761	662,851	467,761
- other	139,346	274,111	142,638	288,622
	<u>7,621,952</u>	<u>6,379,759</u>	<u>7,433,692</u>	<u>6,259,221</u>
Wholesale				
Domestic-certificates of deposit	181,324	90,601	181,324	90,602
-other	79,516	244,449	79,516	245,993
Offshore	358,362	273,676	358,362	273,676
	<u>619,202</u>	<u>608,726</u>	<u>619,202</u>	<u>610,271</u>
	<u>8,241,154</u>	<u>6,988,485</u>	<u>8,052,894</u>	<u>6,869,492</u>
Deposits by geographic location				
Victoria	5,144,175	4,608,811	5,003,202	4,500,847
New South Wales	746,782	608,446	732,559	603,104
Australian Capital Territory	43,228	20,751	43,153	20,430
Queensland	1,252,973	1,071,966	1,222,570	1,068,521
South Australia/Northern Territory	162,074	107,497	161,200	106,936
Western Australia	355,601	193,609	355,099	193,206
Tasmania	124,156	83,753	123,566	83,006
Off-shore/other	412,165	293,652	411,545	293,442
	<u>8,241,154</u>	<u>6,988,485</u>	<u>8,052,894</u>	<u>6,869,492</u>
Maturity analysis				
At call	3,300,989	2,823,381	3,303,161	2,820,578
Not longer than 3 months	4,428,734	2,584,629	4,238,231	2,553,148
Longer than 3 and not longer than 12 months	175,241	1,320,590	175,266	1,242,424
Longer than 1 and not longer than 5 years	336,190	259,637	336,236	253,094
Longer than 5 years	-	248	-	248
	<u>8,241,154</u>	<u>6,988,485</u>	<u>8,052,894</u>	<u>6,869,492</u>
24 PAYABLES				
Sundry creditors	24,229	22,033	14,239	14,594
Accrued expenses and outstanding claims	67,033	42,165	66,843	41,092
	<u>91,262</u>	<u>64,198</u>	<u>81,082</u>	<u>55,686</u>
25 OTHER PROVISIONS				
(a) Balances				
Employee entitlements (Note 30)	21,686	17,263	20,392	15,887
Other loss events	693	656	693	656
Integration	-	61	-	61
Rewards program	1,023	506	1,023	506
Unearned corpus commission	46	46	-	-
	<u>23,448</u>	<u>18,532</u>	<u>22,108</u>	<u>17,110</u>

Provision for other loss events is in relation to possible losses associated with outstanding legal issues.

Provision for integration was in relation to the integration of the operations of the First Australian Building Society group, following the acquisition of the group in October 2000.

Provision for rewards program is to recognise the liability to customers in relation to points earned by them under the Bendigo Bank Rewards Program and is measured on the basis of full value of points outstanding at balance date.

Provision for unearned corpus commission is recognised to reflect the fact that certain commissions are deferred in relation to wills administered by Sandhurst Trustees Limited.

	Consolidated		Bendigo Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
25 OTHER PROVISIONS (continued)				
(b) Movements				
Employee entitlements				
Opening balance	17,263	12,655	15,887	9,171
Additional provisions recognised	12,807	10,194	11,935	11,311
Amounts utilised during the year	(8,384)	(5,586)	(7,430)	(4,595)
Closing balance	21,686	17,263	20,392	15,887
Other loss events				
Opening balance	656	5,453	656	5,450
Additional provisions recognised	612	203	612	206
Amounts utilised during the year	(575)	(5,000)	(575)	(5,000)
Closing balance	693	656	693	656
Integration				
Opening balance	61	3,141	61	-
Additional provisions recognised	-	61	-	61
Amounts utilised during the year	(61)	(3,141)	(61)	-
Closing balance	-	61	-	61
Rewards program				
Opening balance	506	161	506	161
Additional provisions recognised	721	403	721	403
Amounts utilised during the year	(204)	(58)	(204)	(58)
Closing balance	1,023	506	1,023	506
Unearned corpus commission				
Opening balance	46	46	-	-
Additional provisions recognised	-	-	-	-
Amounts utilised during the year	-	-	-	-
Closing balance	46	46	-	-
26 SUBORDINATED DEBT				
Subordinated capital notes	176,226	130,438	176,226	130,438
Unsecured subordinated perpetual convertible capital notes	15,350	18,023	15,350	18,023
Rollover Notes - Series 1	13,089	12,918	13,089	12,918
	204,665	161,379	204,665	161,379
Maturity analysis				
Longer than 5 years	204,665	161,379	204,665	161,379
	204,665	161,379	204,665	161,379
27 CONTRIBUTED EQUITY				
Issued and paid up capital				
127,483,624 Ordinary shares fully paid (2002: 124,831,995)	463,580	448,170	463,580	448,170
Statement of changes - Ordinary share capital				
Opening balance	448,170	392,507		
Shares issued under:				
Bonus share scheme - 165,497 @ \$7.43; 129,140 @ \$7.52; (2002: 168,393 @ \$5.81; 131,585 @ \$6.67)	-	-		
Dividend reinvestment plan - 938,571 @ \$7.43; 766,314 @ \$7.52; (2002: 792,882 @ \$5.81; 656,218 @ \$6.67)	12,736	8,984		
Employee share plan - Nil (2002: 200,000 @ \$5.61; 30,000 @ \$6.99; 1,899,760 @ \$7.08)	-	14,782		
Capital notes converted - 652,107 @ \$4.10; (2002: 817,162 @ \$4.10)	2,674	3,350		
Share Purchase Plan - Nil (2002: 5,974,646 @ \$5.89)	-	35,191		
Share Buy Back scheme - Nil (2002: 1,000,000 @ average price of \$6.528)	-	(6,528)		
New share issue/buy back expenses	-	(116)		
Closing balance	463,580	448,170		

Under the share buy-back scheme, shares were bought back in July 2001 as part of an on-market buy-back of shares. The buy-back was conducted as part of the bank's capital management process.

	Consolidated		Bendigo Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000

28 RESERVES AND RETAINED PROFITS

General Reserve

(a) Nature and purpose

The general reserve contains amounts of retained profits that have been set aside by directors. These reserves have been transferred to retained earnings at June 2003.

(b) Movements

Opening Balance	13,516	13,425	13,300	13,300
Transfer (to)/from retained earnings	(13,516)	91	(13,300)	-
Closing Balance	-	13,516	-	13,300

Asset Realisation Reserve

(a) Nature and purpose

The asset realisation reserve is used to accumulate realised capital profits on the sale of shares. These reserves have been transferred to retained earnings at June 2003.

(b) Movements

Opening Balance	993	993	993	993
Transfer (to)/from retained earnings	(993)	-	(993)	-
Closing Balance	-	993	-	993

Capital Profits Reserve

(a) Nature and purpose

The capital profits reserve is used to accumulate realised capital profits on the sale of properties. These reserves have been transferred to retained earnings at June 2003.

(b) Movements

Opening Balance	231	231	231	231
Transfer (to)/from retained earnings	(231)	-	(231)	-
Closing Balance	-	231	-	231

Asset Revaluation Reserve

(a) Nature and purpose

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets. The reserve can only be used to pay dividends in limited circumstances.

(b) Movements

Opening Balance	3,299	2,365	1,142	984
Net revaluation increment	19	934	(1)	158
Closing Balance	3,318	3,299	1,141	1,142

Total reserves	3,318	18,039	1,141	15,666
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Retained Profits

Opening Balance	28,295	13,276	30,976	11,684
Reversal of Provision for Final 2002 dividend on adoption of AABS 1044	19,982	-	19,982	-
Adjustment to Provision for Employee entitlements on adoption of revised AASB 1028	(275)	-	(249)	-
Adjusted Opening Balance	48,002	13,276	50,709	11,684
Net profit attributable to members of Bendigo Bank Limited	59,004	48,784	56,161	52,992
Total available for appropriation	107,006	62,060	106,870	64,676
Dividends				
- Final 2002 - dividend declared and paid	(20,004)	33	(20,004)	33
- Interim 2003	(16,103)	(13,751)	(16,103)	(13,751)
- Final 2003 ⁽¹⁾	-	(19,982)	-	(19,982)
Aggregate of amounts transferred (to)/from reserves	14,715	(65)	14,527	-
Retained profits at the end of the financial year	85,614	28,295	85,290	30,976

¹ A provision for the Final 2003 dividend has not been recognised as it was not declared, determined or publicly recommended on or before the reporting date.

29 OUTSIDE EQUITY INTEREST

Reconciliation of outside equity interest in controlled entities:

Opening balance	(77)	-	-	-
Add share of operating loss	33	(85)	-	-
Share of contributed equity	242	8	-	-
Less dividends	-	-	-	-
Closing balance	198	(77)	-	-

30 EMPLOYEE BENEFITS	Consolidated		Bendigo Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Employee benefits liability				
Provision for annual leave	7,617	5,991	6,962	5,430
Provision for other employee payments	3,587	2,500	3,587	2,500
Provision for long service leave	6,305	5,128	5,931	4,760
Provision for sick leave bonus	1,050	666	951	617
Provision for employee on costs	2,208	1,727	2,042	1,626
Directors' retirement allowance	919	1,251	919	954
Aggregate employee benefits liability	21,686	17,263	20,392	15,887

Bendigo Employee Share Ownership Plan

Company shareholders renewed their approval for the Bendigo Employee Share Ownership Plan at the Annual General Meeting on 28 October 2001. Offers under the plan are made periodically to all employees of the economic entity and must be approved by the Board of Bendigo Bank Limited. The plan is administered by the bank's subsidiary company, BBS Nominees Pty Ltd, in accordance with the plan's deed.

Shares are issued at market prices and are funded by interest free loans from BBS Nominees Pty Ltd to individual employees. Dividends paid on shares issued under the plan are applied primarily to repay the loans. When a staff member ceases their employment, they are required to repay their loan within three months, unless they retire, then they have 12 months to repay. The plan allows these staff to request the Company to sell their employee shares to repay their loan. In the event that the proceeds of sale of the shares is insufficient to fully repay the loan, under the plan the Company has agreed to meet the shortfall. A shortfall would only be incurred by the Company where the proceeds of the sale are lower than the original loan balance less all repayments. Shares remain unlisted securities until loans are fully repaid. The market value of the Company shares at the balance date was \$8.17. At this price there is currently no shortfall liability on any loan made under this plan.

Issues made under the terms of the Bendigo Employee Share Ownership Plan during the year: Nil (2002: 2,129,760).

On 28 July 2003 the Board of Directors announced a new issue of shares under the Bendigo Employee Share Ownership Plan.

On 25 August 2003 1,317,476 shares were allotted to employees at an issue price of \$8.94. The issue price was determined by calculating the weighted average price of all trades of Bendigo Bank shares, on the Australian Stock Exchange, over the five trading days immediately prior to allotment.

	Consolidated	
	2003 \$'000	2002 \$'000
Employee Share and Loan Values		
Value of unlisted employee shares on issue at 30 June 2003 - 4,451,181 shares @ \$8.17 (2002 - 4,835,507 shares @ \$6.80)	36,365	32,881
Value of outstanding employee loans at beginning of year relating to employee shares	26,127	13,353
Value of new loans relating to employee shares issued during year	-	14,782
Value of repayments of loans during year	(3,056)	(2,008)
Value of outstanding employee loans at end of year relating to employee shares	23,071	26,127
Number of employees with outstanding loan balances	1,670	1,908
Indicative cost of funding employee loans		
Average balance of loans outstanding	24,803	14,055
Interest margin foregone	2.76%	2.68%
After tax indicative cost of funding employee loans	479	264
Earnings per share - actual	- cents	46.8
Earnings per share - adjusted for interest margin foregone	- cents	47.2

The cost of employee interest-free loans is calculated by applying the bank's average interest margin for the financial year to the average outstanding balance of employee loans for the financial year. This cost is then tax-effected at the company tax rate of 30% (2002: 30%).

Earnings per share - adjusted is calculated by adding the after tax indicative cost of funding employee loans to net profit attributable to members of Bendigo Bank Limited. This adjusted earnings figure is divided by the weighted average number of ordinary shares.

	Consolidated		Bendigo Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
31 EXPENDITURE COMMITMENTS				
Outstanding expenditure and credit related commitments as at 30 June 2003. Except where specified, all commitments are payable within one year.				
Operating lease commitments				
Not later than 1 year	14,148	12,742	14,011	12,594
Later than 1 year but not later than 5 years	24,214	23,357	24,099	23,120
Later than 5 years	966	901	966	901
	<u>39,328</u>	<u>37,000</u>	<u>39,076</u>	<u>36,615</u>
Capital expenditure commitments				
Capital expenditure commitments not provided for in the financial statements, payable not later than one year	378	80	378	44
	<u>378</u>	<u>80</u>	<u>378</u>	<u>44</u>
Other expenditure commitments				
Sponsorship commitments not paid as at balance date, payable not later than one year	341	374	341	332
Credit related commitments				
Gross loans approved, but not advanced to borrowers, payable not later than one year	403,920	177,066	361,981	177,066
Credit limits granted to clients for overdrafts and credit cards				
Total amount of facilities provided	1,942,807	1,347,496	1,942,796	1,347,496
Amount undrawn at balance date	659,231	481,403	659,231	481,403
Normal commercial restrictions apply as to use and withdrawal of the facilities				
32 CONTINGENT LIABILITIES AND CONTINGENT ASSETS				
(a) Contingent Liabilities				
Guarantees				
The economic entity has issued guarantees on behalf of clients	59,436	32,135	59,436	32,135
Other				
Documentary letters of credit	4,405	3,994	4,405	3,994

The Bank is a party to a Shortfall Deed with Sunstate LMI Pty Ltd, a wholly-owned subsidiary, which provides a commitment that annual minimum premium obligations to reinsurers of Sunstate are met. As at the date of this report there are no outstanding obligations under this deed.

(b) Contingent asset

The company commenced discussions with the Australian Taxation Office ('ATO') in February 2003 in relation to a refund of Goods and Services Tax ('GST'). The directors are confident the discussions will result in a refund of GST. The total GST refund being claimed amounts to \$1.87 million (2002: Nil).

33 SEGMENT REPORTING
(a) Business segments
Revenue

Interest revenue

	2003 \$'000	2003 \$'000	2003 \$'000	2002 \$'000	2002 \$'000	2002 \$'000
	External	Intersegment	Total	External	Intersegment	Total
Banking	492,627	579	493,206	440,358	4,910	445,268
Trustee company	290	-	290	447	-	447
Financial services	7,717	61	7,778	6,149	29	6,178
Eliminations	-	(640)	(640)	-	(4,939)	(4,939)
	500,634	-	500,634	446,954	-	446,954

Other revenue

Banking	77,358	6,514	83,872	59,907	19,871	79,778
Trustee company	18,400	2,100	20,500	15,081	1,531	16,612
Financial services	16,919	3,139	20,058	13,581	2,374	15,955
Eliminations	-	(11,753)	(11,753)	-	(23,776)	(23,776)
	112,677	-	112,677	88,569	-	88,569

 Share of net profit of equity
accounted investments

Banking	13,442	-	13,442	11,109	-	11,109
Trustee company	-	-	-	-	-	-
Financial services	(516)	-	(516)	(33)	-	(33)
Eliminations	-	-	-	-	-	-
	12,926	-	12,926	11,076	-	11,076

Total segment revenue

Banking	583,427	7,093	590,520	511,374	24,781	536,155
Trustee company	18,690	2,100	20,790	15,528	1,531	17,059
Financial services	24,120	3,200	27,320	19,697	2,403	22,100
Eliminations	-	(12,393)	(12,393)	-	(28,715)	(28,715)
	626,237	-	626,237	546,599	-	546,599

Total consolidated revenue

Results

Segment result

Banking			86,903			66,324
Trustee company			9,042			5,242
Financial services			2,298			5,247
Eliminations			(8,960)			(12,414)

Consolidated entity profit from ordinary activities

before income tax expense

Income tax expense

Consolidated entity profit from ordinary activities

after income tax expense

			89,283			64,399
			(30,246)			(15,700)
			59,037			48,699

Assets

Segment assets

Banking			9,153,334			7,874,067
Trustee company			23,863			24,282
Financial services			276,173			263,398
Eliminations			(196,744)			(194,022)
			9,256,626			7,967,725

Total assets

Liabilities

Segment liabilities

Banking			8,645,366			7,408,097
Trustee company			6,660			7,787
Financial services			71,172			81,800
Eliminations			(19,282)			(24,386)
			8,703,916			7,473,298

Total liabilities

33 SEGMENT REPORTING (continued)

(a) Business segments

Other segment information:

Equity method investments included in segment assets

Banking

Trustee company

Financial services

Eliminations

Acquisition of property, plant and equipment,
intangible assets and other non-current assets

Banking

Trustee company

Financial services

Eliminations

Depreciation

Banking

Trustee company

Financial services

Eliminations

Amortisation

Banking

Trustee company

Financial services

Eliminations

Non-cash expenses other than depreciation and amortisation

Banking

Trustee company

Financial services

Eliminations

	2003 \$'000	2002 \$'000
	Total	Total
Equity method investments included in segment assets		
Banking	87,359	70,406
Trustee company	-	-
Financial services	1,348	1,539
Eliminations	-	-
	88,707	71,945
Acquisition of property, plant and equipment, intangible assets and other non-current assets		
Banking	39,002	28,913
Trustee company	136	187
Financial services	1,941	503
Eliminations	-	-
	41,079	29,603
Depreciation		
Banking	10,244	8,866
Trustee company	136	123
Financial services	706	563
Eliminations	(12)	-
	11,074	9,552
Amortisation		
Banking	3,849	1,411
Trustee company	308	308
Financial services	98	98
Eliminations	-	2,611
	4,255	4,428
Non-cash expenses other than depreciation and amortisation		
Banking	18,551	10,224
Trustee company	3,497	144
Financial services	2,169	588
Eliminations	(10,042)	(723)
	14,175	10,233

Applicable commercial rates are used as the basis for pricing intersegment funding.

(b) Geographical segments

Bendigo Bank Limited and controlled entities operate predominantly in the geographic areas of all Australian states and the Australian Capital Territory providing banking and financial services.

Descriptions of derived revenue by segment

Banking

Interest, predominantly derived from the provision of first mortgage housing finance; and fee revenue derived from the provision of banking services.

Trustee Company

Commission received as Responsible Entity for managed investment schemes and for corporate trusteeships and other trustee and custodial services.

Financial Services

Fees, commissions and interest from the provision of financial services, including leasing, financial planning, property management / development and mortgage management services.

34 SUPERANNUATION COMMITMENTS

The economic entity participated in an employer sponsored superannuation plan, being a defined contribution plan which provides benefits to employees of the entities in the economic entity on retirement, death or disability.

The benefits under the plan are based on accumulated contributions and earnings for each employee. Employees contribute various percentages of their gross income and the company also contributes at least the minimum as required under the superannuation guarantee legislation.

35 RELATED PARTY DISCLOSURES

Directors in office

Directors of Bendigo Bank Limited who have held office during the financial year are:

R A Guy OAM	D J Erskine
R G Hunt AM	W R Lanyon ⁽¹⁾
R N Johanson	K E Roache
J L Dawson	T J O'Dwyer
N J Axelby	

⁽¹⁾ Mr W R Lanyon retired from the board on the 28th October 2002.

Remuneration of directors

Directors' remuneration is disclosed in Note 8.

Associate company directorships

Mr R A Guy and Mr R N Johanson are non-executive directors of Elders Rural Bank Limited, as associate entity of Bendigo Bank. Mr Guy and Mr Johanson were each paid an annual director fee of \$50,000 by Elders Rural Bank in connection with their directorship.

Loans to directors and director-related entities

Australian Banks and their controlled entities have been exempted under ASIC Class Order (98/110) from providing details of certain loans and financial instrument transactions made by the bank to related parties (other than directors of the company) in the ordinary course of business and either on an arm's length basis or with the approval of the shareholders of the relevant entity and its ultimate parent entity. The exemption does not apply if such loans or transactions would, if not disclosed, have the potential to adversely affect the decisions made by users of the financial statements about the allocation of scarce resources. The Class Order requires that a statutory declaration, signed by two directors, confirm the existence of internal controls and procedures which would ensure or provide a reasonable degree of assurance that a material financial instrument transaction requiring disclosure, would be drawn to the attention of directors so that it may be disclosed in the financial statements. This declaration, as specified, will accompany the financial reports for the year ended 30 June 2003, for lodgement with the Australian Securities and Investments Commission.

Loans outstanding, guaranteed or secured by entities in the economic entity to the following directors are under normal terms and conditions, except Mr R G Hunt whose loans include advances made on terms and conditions applicable to staff and advances under the Bendigo Employee Share Ownership Plan.

R A Guy	R G Hunt
R N Johanson	N J Axelby
J L Dawson	K E Roache
D J Erskine	

	Consolidated		Bendigo Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Loans to directors of the Bank and their director-related entities comprise:				
Amounts outstanding as at the end of the financial year				
Secured	17,794	16,782	16,318	15,230
Unsecured	194	192	194	192
	<u>17,988</u>	<u>16,974</u>	<u>16,512</u>	<u>15,422</u>
Repayments received during the year	2,981	1,559	2,905	1,499
Loans made during the year				
Normal terms and conditions	4,874	2,794	4,874	2,794
Employee terms and conditions	-	1,122	-	-

Shareholdings of directors and director related entities

Directors and director related entities hold directly, indirectly or beneficially as at the reporting date the following equity interests in entities of the economic entity:

Bendigo Bank Ltd.			2003	2002
			No.	No.
ordinary shares			'000	'000
employee shares (paid in full)			1,220	1,168
capital notes			340	340
			12	17

During the course of the year, directors and their related entities acquired 96,894 ordinary shares and disposed of 18,084 shares in Bendigo Bank Ltd. The majority of shares purchased were under the Dividend Reinvestment Plan, Bonus Share Scheme and Share Purchase Plan. All transactions during the course of the year were made under normal commercial terms and conditions.

35 RELATED PARTY DISCLOSURES (continued)

Other transactions of directors and director related entities

K E Roache as partner of the legal firm Coulter Roache has provided legal services to Bendigo Bank Ltd. by way of mortgage document preparation based on normal commercial terms and conditions. Amount paid or payable during the year, \$27,799 (2002: \$6,985). The firm also leases its office premises from Bendigo Bank under a formal lease arrangement. The lease arrangement was determined on the basis of prevailing market terms and conditions.

R N Johanson is a director of the Grant Samuel Group, which provided consulting services to Bendigo Bank Ltd. based on normal commercial terms and conditions. Amount paid or payable during the year, \$215,494 (2002: \$63,648).

During the year, a related entity of J L Dawson provided relocation services to Bendigo Bank Ltd., on normal terms and conditions. Amount paid or payable during the year totalled \$39,628 (2002: \$63,580).

Wholly owned group transactions

Bendigo Bank Limited is the parent entity of all entities listed in Note 17 - Particulars in relation to controlled entities. Transactions undertaken during the financial year with those entities are eliminated in the consolidated financial report.

The transactions principally arise from the provision of administrative, distribution and corporate services and the provision of banking services.

Additionally, Bendigo Bank pays operating costs on behalf of certain controlled entities which are financed via unsecured interest free intercompany loans. The loans have no fixed repayment date. Amounts due from and due to controlled entities at balance date are shown in the Statement of Financial Position. Interest received or receivable from and paid or payable to controlled entities and dividends received and receivable from controlled entities is disclosed in Note 2 - Profit from ordinary activities.

Bendigo Bank provides standby funding lines, on normal commercial terms and conditions, to two of its subsidiaries in connection with their liquidity management requirements. The lines were not drawn on during the year and no amounts were outstanding at year end.

Other related party transactions

Associated Entities

Bendigo Bank Limited has investments in associated entities as disclosed in Note 19 - Investments accounted for using the equity method. The group has transactions with the associated entities, principally relating to commissions received and paid, services and supplies procured from associates and fees charged in relation to the provision of banking, administrative and corporate services. These revenue and expense items are included in the relevant values disclosed in Note 2 - Profit from ordinary activities. The transactions are conducted on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with the associated entities at arm's length in the same circumstances.

Dividends received and receivable from associated entities are disclosed in Note 2 - Profit from ordinary activities.

Bendigo Bank Limited provides loans, guarantees and/or overdraft facilities to associated companies in connection with cash flow management, and the payment of administration costs on behalf of the associated companies. The loans have agreed repayment terms which vary according to the nature of the facility. Any balances outstanding at balance date are included in the relevant classification of the Statement of Financial Position.

The Bank has entered into transactions involving the purchase of loan receivables, pursuant to a receivables purchase agreement, executed between the Bank and its associated entity Elders Rural Bank. The transaction was conducted on terms and conditions no more favourable than if the Bank and the related party were dealing at arms-length. These transactions also satisfied the Australian Prudential Regulation Authority's "clean-sale" requirements prescribed by Prudential Standard AGN 120.

Ultimate Parent Entity

Bendigo Bank Limited is the ultimate parent entity.

36 RISK MANAGEMENT

The recognition and management of risk is a critical function of the bank and an essential element of the bank's strategy. Risks are inherent in a bank's day to day operations with the success of a bank being reliant upon its ability to manage risk.

The bank has a structured risk management framework linking its business strategies and operations to its risk management objectives.

The Board is ultimately responsible for the management of risks associated with the Group's activities. They are supported by an integrated framework of committee structures, policies and controls to manage risk. The Board Risk, Board Credit and Board Audit committees, the Executive Committee, Credit Risk Committee and Asset Liability Management Committee are part of this support system governed by formal charters. These committees have delegated authority to determine risk management strategies taking into account the Group's risk tolerance, business strategies and management expertise.

The bank's risk strategy is underpinned by an integrated framework of responsibilities and functions driven from Board level down to operational levels, covering all aspects of risk, most notably interest rate risk, credit risk, liquidity risk, currency risk including regulatory compliance and operational risk.

36 RISK MANAGEMENT (continued)

Interest Rate Risk

Interest rate risk is the risk of loss of earnings to the bank due to adverse movements in interest rates. As part of the bank's activities we strive to meet customers demands for products with various interest rate structures and maturities. This arises in mismatches in the repricing dates, cash flows and other characteristics of assets and liabilities which become sensitive to interest rate movements. Interest rate risk is managed through the bank's Balance Sheet Management unit using gap analysis and simulation modelling techniques. The objective is to enhance earnings performance of the bank by minimising the fluctuations in net interest income and market value that may occur over time as a result of adverse changes in interest rates. Managing interest rate risk may involve specific actions to vary the physical term or structure of the various portfolios, or the use of derivative financial instruments, including rate swaps, futures and options. Monitoring of adherence to policies, limits and procedures is controlled through the Asset Liability Management Committee and the Board Risk Committee.

Credit Risk

Credit risk is the potential risk that the bank will suffer a financial loss due to the unwillingness or inability of a counterparty to meet their contractual obligations.

The bank's Group Risk Division and Board Credit Committee are responsible for monitoring adherence to credit policies, practices and procedures within the bank. The principal board has established levels of delegated lending authority to minimise the risk of default by any one counterparty or any group of related counterparties.

A standard risk grading methodology has been introduced throughout the economic entity to assess, measure and report quality of lending assets.

The consolidated entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset, other than derivatives, is the carrying amount of those assets as indicated in the statement of financial position.

The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

Liquidity Risk

Liquidity risk is the inability to access funds, both anticipated and unforeseen, which may lead to the bank being unable to meet its obligations in an orderly manner as they arise or forgoing investment opportunities.

Group Strategic Finance is responsible for implementing liquidity risk management strategies in accordance with approved policies and adherence is monitored by the Asset Liability Management Committee and Board Risk Committee. Liquidity scenarios are calculated under stressed and normal operating conditions to assist in anticipating cash flow needs and providing adequate reserves.

This includes maintaining prudent levels of liquid reserves and a diverse range of funding options to meet daily, short-term and long-term liquidity requirements.

Currency Risk

Currency risk is the risk of loss of earnings to the bank due to adverse movements in exchange rates.

Currency risk of the bank arises from foreign currency wholesale funding activities and customer related foreign exchange transactions.

It is the policy of the bank to hedge foreign currency wholesale funding and to manage its exposure in relation to customer related foreign exchange transactions within approved limits and policy requirements. Group Strategic Finance is responsible for managing currency risk under the supervision of the Asset Liability Management Committee and Board Risk Committee.

Operational Risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events that are not already covered by other regulatory capital charges (ie credit, market and banking book interest rate risks). Operational risk represents potential losses which the bank may incur as a result of operational failure or errors such as mismanagement, fraud, regulatory compliance failure or unauthorised use of systems or financial products.

The Board Risk Committee and Executive Committee are responsible for overseeing the policies and processes implemented across the group to manage operational risks. The group's operational risk unit's role is to assist and support the Executive Committee to develop, implement and monitor the group's operational risk management framework.

Concentrations of Risk

There are no significant concentrations of risk other than those disclosed in this financial report.

37 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are principally entered into for the purpose of managing interest rate and foreign exchange risk. This may include hedging exposures arising from anticipated future transactions. Derivative financial instruments may be entered into for trading purposes in limited circumstances. Contracts entered into for this purpose are clearly identified as such and reported separately from transactions entered into for hedging purposes.

As at the end of the year the derivative financial instruments existing were interest rate swaps, cross currency swaps, interest rate options and foreign exchange contracts. The notional amounts of derivatives represent the contract or face values of these derivatives. The notional amounts do not represent the amounts exchanged by the parties (except in the case of foreign currency transactions). The amounts to be exchanged will be calculated with reference to the notional amounts and the other terms of the derivatives, which relate to interest rates, exchange rates or other financial indicies.

Credit exposures represent the extent of credit-related losses that the bank may be subject to on these amounts to be exchanged under the derivative financial instruments, and hence the notional amounts are not a measure of this exposure.

The remaining terms and notional principal amounts of the economic entity's outstanding interest rate, foreign exchange contracts and currency swaps at 30 June were:	2003	2002
	\$'000	\$'000
not later than one year	677,869	1,306,406
later than one year but not later than five years	1,321,378	1,840,216
later than five years	31,351	-
	<u>2,030,598</u>	<u>3,146,622</u>

The credit equivalent amount records the estimated potential cost to the bank of replacing the cash flow under a contract in the event of counterparty default. The credit equivalent amount is calculated in accordance with the risk weighted capital adequacy guidelines of the Australian Prudential Regulation Authority.

The fair value of the derivative financial instruments represents the positive or negative cash flows which would have occurred if the rights and obligations arising from the contracts were terminated in an orderly manner at the reporting date. The fair value at the reporting date gives no indication of the fair value at any future point in time. Fair values were determined from quoted market prices. Note that all derivative financial instruments were entered into to hedge either interest rate or foreign exchange exposures.

	Notional Amount		Credit Equivalent Amount		Fair Value	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Interest rate swaps	1,555,133	2,237,822	6,588	12,194	(23,189)	(4,626)
Options/Floors	-	500,000	-	-	-	(70)
Cross currency swaps	358,228	266,070	11,238	6,213	(73,519)	(251)
Foreign exchange contracts	117,237	142,730	3,220	4,826	426	517
	<u>2,030,598</u>	<u>3,146,622</u>	<u>21,046</u>	<u>23,233</u>	<u>(96,282)</u>	<u>(4,430)</u>

The value of these derivative financial instruments is not recognised in the accounts of the economic entity and realised or unrealised gains or losses are recognised as described in Note 1.21.

38 FINANCIAL INSTRUMENTS

a. Terms, conditions and accounting policies

The economic entity's accounting policies, including terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
<i>Financial assets</i>			
Notes, coin and cash at bank	13	Notes, coin and cash at bank are stated at cost and any interest is taken up as income on an accrual basis	These items are cash or are readily convertible to cash.
Due from other financial institutions	13	Amounts due from other financial institutions are stated at cost.	These amounts relate to inter-bank settlement processes and are generally paid within 2 working days. No interest accrues to these amounts.
Bank accepted bills of exchange	14	Bank accepted bills of exchange are stated at cost adjusted for accrued interest and premium or discount amortisation. Premiums and discounts are amortised from the date of purchase so that the securities will be recorded at face value on maturity and the appropriately proportioned premiums and discounts are allowed for each month in profit.	Bills of exchange and promissory notes held have an average maturity of 10 days with effective interest rates of 4.72% to 4.83%.
Negotiable certificates of deposit	14	Negotiable certificates of deposit are stated at cost adjusted for accrued interest and premium or discount amortisation. Premiums and discounts are amortised from the date of purchase so that the securities will be recorded at face value on maturity and the appropriately proportioned premiums and discounts are allowed for each month in profit.	Negotiable certificates of deposit held have an average maturity of 20 days with effective interest rates of 4.70% to 4.89%.
Government securities	14	Government securities are stated at cost adjusted for accrued interest and premium or discount amortisation. Premiums and discounts are amortised from the date of purchase so that the securities will be recorded at face value on maturity and the appropriately proportioned premiums and discounts are allowed for each month in profit.	Government securities held have an average maturity of 23 days with effective interest rates of 4.56% to 4.81%
Investment Securities - all other	14	Deposits with banks and other parties are stated at cost. Interest is recognised in profit on an accrual basis.	Deposits made have an average maturity of 551 days with effective interest rates of 4.78% to 5.21%.
Overdrafts	15	Overdrafts are stated at cost. Interest is recognised in profit on an accrual basis.	Overdraft facilities are made available to customers on a secured or unsecured basis and are withdrawable by the bank. Effective base indicator interest rates range from 6.80% without risk margin to 8.95% plus risk margin and interest is charged on a monthly basis. Casual overdrafts incur an additional 6.00% overlimit rate.

38 FINANCIAL INSTRUMENTS (continued)

a. Terms, conditions and accounting policies (continued)

Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
Financial assets			
Credit cards	15	Credit card outstandings are stated at cost. Interest is recognised in profit on an accrual basis.	Credit card facilities are made available to customers on an unsecured basis. Customers can choose between various products, offering the option of "interest-free" days, no "interest free" days and various interest rates. Interest is charged on a monthly basis with effective interest rates ranging from 8.15% to 15.90%.
Term loans	15	Mortgage and personal loans are stated at cost. Interest is recognised in profit on an accrual basis for mortgage loans and on an interest earned basis for personal loans.	Mortgage loans are offered to customers as a variety of products, all being secured by mortgage security. Products offer variable or fixed interest rates, short and long-term payment periods, with or without monthly fees. Interest is charged on a monthly basis with effective interest rates ranging from the bank's cost of funds to 8.00% plus risk margin. Personal loans are offered on a secured or unsecured basis with terms ranging from 1 to 10 years. Interest is fixed and charged on a monthly in arrears basis ranging from 9.95% to 13.95%.
Lease receivables	15	The lease asset is accounted for in accordance with AASB 1008	As at balance date, the economic entity has finance leases with terms of 1 to 5 years. The average earning rate implicit in the leases is 7.51%. All leases are secured by the asset that is subject of the lease.
Other loans	15	Other loans are stated at cost. Interest is recognised on an accrual basis.	These loans are generally short-term and are normally settled within 30 days.
Accrued interest	15	Accrued interest is stated at cost. Interest is accrued on a daily basis.	Accrued interest on loans is normally charged to the loan accounts in the month following accrual.
Other Share investments	18	Listed and unlisted shares are carried at deemed cost. Dividend income is recognised when dividends are declared by the investee.	All shares held are ordinary shares attracting dividends as declared by the investee company.
Units in trusts	18	Units in trusts are carried at deemed cost. Dividend income is recognised when dividends are declared by the investee.	All units held attract dividends as declared by the investee trust.
Accrued income	22	Accrued income is stated at cost. Income is accrued as earned.	Accrued income is normally received or charged to customer accounts in the month following accrual.
Reserve fund	22	The Reserve fund comprises at call investments and managed fund investments which are carried at cost and land and buildings at Directors valuation. Interest on at call investments is recognised in the statement of financial performance on an accrual basis. Income on managed fund investments is recognised on a cash basis.	The Reserve fund is required to be maintained under the Trustee Companies Act 1984 for Sandhurst Trustees Limited, to provide for the event of the appointment of a liquidator, a receiver and manager or an administrator of a trustee company. The at call investments attract interest at an effective average rate of 4.775%. Managed fund investments attract an effective yield of 3.355%. Land and buildings are based on an independent valuation as at 30 June 2002.
Sundry debtors	22	Sundry debtors are carried at cost.	These loans are generally short-term and are normally settled within 30 days.

38 FINANCIAL INSTRUMENTS (continued)

a. Terms, conditions and accounting policies (continued)

Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
<i>Financial liabilities</i>			
Due to other financial institutions	13	Amounts due to other financial institutions are stated at cost.	These amounts relate to inter-bank settlement processes and are generally paid within 2 working days. No interest accrues to these amounts.
Deposits-retail Branch network	23	Retail deposits - branch network are carried at the principal amount plus accrued interest. Interest is charged to profit on an accrual basis.	Retail deposits - branch network consist of a variety of investor products on an at call or term deposit basis. Interest is payable monthly, quarterly, half-yearly or at maturity of the deposit, depending on the product features. Certain transactions attract fees, which are generally charged on a monthly basis - these fees can be reduced, or eliminated, depending on the number and value of "relationships" the customer has with the economic entity. Carded interest rates range from 0% to 4.65%.
Deposits-retail Treasury sourced- Certificates of deposit	23	Certificates of deposit are stated at cost adjusted for discount amortisation. Discounts are amortised from the date of issue so that the securities will be recorded at face value on maturity and the appropriately proportioned discounts are allowed for each month in profit.	Certificates of deposit issued have an average maturity of 41 days with effective interest rates of 4.26% to 6.98%.
Deposits-retail Treasury sourced- Other	23	Treasury sourced-other deposits include term deposits, fixed and floating rate notes and 11am call deposits and are stated at the principal amount plus accrued interest. Interest is charged to profit on an accrual basis.	Treasury sourced-other deposits for fixed terms have an average maturity of 383 days. 11am call monies are available at call. Interest rates on these deposits range from 3.84% to 7.53%
Deposits-wholesale Domestic- Certificates of deposit	23	Certificates of deposit are stated at cost adjusted for discount amortisation. Discounts are amortised from the date of issue so that the securities will be recorded at face value on maturity and the appropriately proportioned discounts are allowed for each month in profit.	Certificates of deposit have an average maturity of 30 days with effective interest rates of 4.76% to 4.90%.
Deposits-wholesale Domestic- Other	23	Wholesale domestic-other deposits include term deposits, floating rate notes, bills payable and 11am call deposits and are stated at the principal amount plus accrued interest. Interest is charged to profit on an accrual basis.	Wholesale domestic-other deposits for fixed terms have an average maturity of 419 days. 11am call monies are available at call. Interest rates on these deposits range from 5.14% to 6.09%
Deposits-wholesale Offshore	23	Wholesale offshore deposits comprise a Euro medium term note program, which is stated at the AUD value inherent in relevant cross currency swaps, adjusted for accrued interest. Interest is charged to profit on an accrual basis.	At balance date, the principal of borrowings under this program was AUD 358.228 million, taking account of the conversion inherent in the cross currency swaps. The average interest rate is BBSW +.5208% and rates are reset on a quarterly basis. The notes on issue mature 8 June 2004, 2 August 2005 and 10 September 2007.

38 FINANCIAL INSTRUMENTS (continued)

a. Terms, conditions and accounting policies (continued)

Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
Financial liabilities			
Subordinated capital notes	26	Subordinated capital notes are carried at issue price, which represents the principal amount. Interest is charged as an expense on an accrual basis.	Subordinated capital notes have an average maturity of 7.67 years with effective interest rates of 5.82% to 6.80%.
Unsecured subordinated perpetual convertible capital notes	26	Perpetual convertible notes are carried at issue price, which represents the principal amount. Interest is charged as an expense on an accrual basis.	Perpetual convertible notes were issued in October 1997. The notes are tradeable on the Australian Stock Exchange and are convertible to fully paid shares. All notes attract interest at a rate of 8.0%.
Rollover Notes - Series 1	26	Rollover Notes are carried at issue price, which represents the principal amount. Interest is charged as an expense on an accrual basis.	Rollover Notes-Series 1 were issued on 19 October 2001. The maturity date is 19 October 2011 and interest is either floating, at the 180 bank bill rate plus a margin of 1.50% p.a., or fixed and floating. The fixed rate of 7.00% p.a. applies until 19 October 2006, when these notes revert to the floating rate as previously described.
Sundry creditors	24	Liabilities are recognised for amounts to be paid in the future for goods and services received.	Trade creditors are normally settled on 30 day terms, or in accordance with agreement with individual creditors.
Accrued expenses and outstanding claims	24	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity.	Trade creditors are normally settled on 30 day terms, or in accordance with agreement with individual creditors, once billed.
Provision for Dividend	10	Dividends payable are recognised when the dividend is declared, determined or publicly recommended.	Dividends payable represents the residue balances carried forward relating to participants in the dividend reinvestment plan. The extent to which dividends are franked, details of the franking account balance at balance date and franking credits available for the subsequent financial year are disclosed in Note 10.
Equity			
Ordinary shares	27	Ordinary share capital is recognised at the fair value of the consideration received by company.	Details of shares issued are set out in Note 27.
Unrecognised Financial Instruments			
Derivatives			
Interest rate swaps	37	Interest rate swaps are used to convert variable interest rates to fixed interest rates, or vice versa. The swaps are entered into with the objective of reducing the risk of interest rate fluctuations relating to the statement of financial position. It is the company's policy not to recognise interest rate swaps in the financial statements. Net receipts and payments are recognised on an accrual basis as an adjustment to interest income.	At balance date, the economic entity had a number of interest rate swap agreements in place for varying maturity dates, generally on 90 day repricing arrangements. Details of swaps in place are disclosed in Note 37.

38 FINANCIAL INSTRUMENTS (continued)

a. Terms, conditions and accounting policies (continued)

Unrecognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
<i>Derivatives</i>			
Options	37	Options are utilised in the management of balance sheet risk. The options are entered into with the objective of reducing the impact of interest rate fluctuations. It is the company's policy not to recognise options in the financial statements. Any net receipts or payments are recognised on an accrual basis as an adjustment to interest income. Premiums are amortised over the term of the instrument.	At balance date the economic entity had no options contracts in place.
Cross currency swaps	37	Cross currency swaps are used to convert funding sourced in foreign currencies to Australian dollars, which removes the exposure to foreign exchange risk. Additionally, these swaps also convert the benchmark rates for funding costs from the foreign country benchmark to the Australian benchmark, being BBSW.	At balance date, the economic entity had entered into cross currency swap agreements to hedge the US\$190 million issue under the Euro medium term note program which matures on 8 June 2004, 2 August 2005 and 10 September 2007; generally on 90 day repricing agreements. Details of swaps in place are disclosed in Note 37.
Foreign exchange contracts	37	Spot and forward foreign exchange contracts are used to fix an exchange rate for a range of future foreign currency transactions. These contracts are generally used to remove the exposure to foreign exchange risk in relation to future transactions in foreign currencies.	At balance date, the economic entity had a number of foreign exchange contracts in place for varying maturity dates, the majority of which mature within 183 days. Details of foreign exchange contracts are disclosed in Note 37.
Futures contracts	37	Occasionally, Bond and Bill futures are used to hedge interest rate exposures on various securities. Initial margins, mark-to-market adjustments and realised profits are recognised on an accrual basis.	At balance date, the economic entity had no futures contracts.

38 FINANCIAL INSTRUMENTS (continued)

b. Interest rate risk

The economic entity's exposure to interest rate risks of financial assets and liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Floating Interest Rate		Fixed interest rate repricing in:						Non-interest bearing		Total carrying amt as per statement of financial position		Weighted avg effective interest rate		
			1 year or less		Over 1 year to 5 years		More than 5 years								
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 %	2002 %	
Financial Assets															
Notes, coin and cash at bank	107,221	147,236										107,221	147,236	0.00	0.00
Due from other financial institutions										181,228	207,369	181,228	207,369	N/A	N/A
Bank accepted bills of exchange			249,129	150,690								249,129	150,690	4.78	4.73
Negotiable certificates of deposit			461,945	387,757								461,945	387,757	4.79	4.94
Government securities			194,622	134,186		122,359						194,622	256,545	4.70	4.95
Deposits - banks & other	4,685	9,413	216,301	183,063		97,793						220,986	290,269	4.95	5.03
Overdrafts	1,218,854	772,829										1,218,854	772,829	6.82	6.71
Credit cards	64,722	53,283										64,722	53,283	9.63	9.57
Term loans	3,326,788	3,156,829	1,390,469	1,107,537	1,325,177	935,059	30,721	26,272				6,073,155	5,225,697	6.88	7.00
Leases			61,027	95,305	106,065	76,991						167,092	172,296	7.66	7.89
Other loans									23,069	26,120		23,069	26,120	0.00	0.00
Accrued interest									37,005	28,611		37,005	28,611	N/A	N/A
Other Share investments									19,290	7,450		19,290	7,450	N/A	N/A
Units in trusts									4,017	118		4,017	118	N/A	N/A
Accrued income									14,381	10,431		14,381	10,431	N/A	N/A
Reserve fund	6,500	5,500										6,500	5,500	3.36	4.25
Sundry debtors									36,278	56,359		36,278	56,359	N/A	N/A
Total Financial Assets	4,728,770	4,145,090	2,573,493	2,058,538	1,431,242	1,232,202	30,721	26,272	315,268	336,458	9,079,494	7,798,560	-	-	

38 FINANCIAL INSTRUMENTS (continued)

b. Interest rate risk (continued)

Financial Instruments	Floating Interest Rate		Fixed interest rate repricing in:						Non-interest bearing		Total carrying amt as per statement of financial position		Weighted avg effective interest rate		
			1 year or less		Over 1 year to 5 years		More than 5 years								
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 %	2002 %	
Financial liabilities															
Due to other financial institutions										129,095	211,954	129,095	211,954	N/A	N/A
Deposits-retail Branch network	3,301,488	2,778,119	3,439,026	2,799,071	85,024	60,452		245				6,825,538	5,637,887	3.27	3.17
Deposits-retail Treasury sourced-Certificates of deposit			655,989	466,746	1,079	1,015						657,068	467,761	4.84	4.91
Deposits-retail Treasury sourced-Other	24,961	74,934	70,446	148,943	43,939	50,234						139,346	274,111	5.12	5.39
Deposits-wholesale Domestic-Certificates of deposit			181,324	90,601								181,324	90,601	4.82	5.05
Deposits-wholesale Domestic-Other	30,012	49	48,484	240,413	1,020	3,987						79,516	244,449	5.27	5.15
Deposits-wholesale Offshore			358,362	273,676								358,362	273,676	5.25	5.57
Subordinated capital notes			159,910	114,119	16,316	16,319						176,226	130,438	6.38	6.64
Unsecured subordinated perpetual convertible capital notes					15,350	18,023						15,350	18,023	8.00	8.00
Rollover notes		2,122	2,148		10,941			10,796				13,089	12,918	6.79	6.89
Sundry creditors										24,229	22,033	24,229	22,033	N/A	N/A
Accrued expenses and outstanding claims										67,033	42,165	67,033	42,165	N/A	N/A
Provision for Dividend										73	20,043	73	20,043	N/A	N/A
Total Financial Liabilities	3,356,461	2,855,224	4,915,689	4,133,569	173,669	150,030	-	11,041	220,430	296,195	8,666,249	7,446,059	-	-	
Equity															
Contributed Capital										463,580	448,170	463,580	448,170	N/A	N/A
Derivatives											Total value				
Interest rate swaps			991,097	777,103	(972,136)	(672,250)	(18,961)	(104,853)			-	-	N/A	N/A	
Cross Currency Swaps			358,228	266,070							358,228	266,070	N/A	N/A	
Options				500,000								500,000	N/A	N/A	
Foreign exchange contracts			117,237	142,730							117,237	142,730	N/A	N/A	
Total Derivatives	-	-	1,466,562	1,685,903	(972,136)	(672,250)	(18,961)	(104,853)	-	-	475,465	908,800	-	-	

39 NET FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosed below is the estimated net fair value of the economic entity's financial instruments presented in accordance with the requirements of AASB 1033 "Presentation and Disclosure of Financial Instruments".

A financial instrument is defined by AASB 1033 as any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. A financial liability is a contractual obligation either to deliver cash or another financial asset to another entity, or, to exchange financial instruments with another entity under conditions that are potentially unfavourable.

Although management has employed its best judgement in the estimation of fair values, there is inevitably an element of subjectivity involved in the calculations. This is particularly so in the case of those financial instruments which are non-performing or which, like the majority of the economic entity's financial assets and liabilities, have a thin or non-existent market. Similarly, the fair values ascribed take no account of intangible, franchise and relationship benefits which are integral to a full assessment of the economic entity's financial position and the value of its net assets. Therefore, the fair value estimates presented below are not necessarily indicative of the amount the economic entity could have realised in a sales transaction at balance date.

Methodologies

The methodologies and assumptions used depend on the terms and risk characteristics of the various instruments and include the following:

On-balance sheet

Cash and short-term liquid assets, due to and from other financial institutions

The carrying values of certain on-balance sheet financial instruments approximate fair values. These include cash and short-term liquid assets, due to and from other financial institutions and accrued interest receivable or payable. These instruments are short-term in nature and the related amounts approximate fair value and are receivable or payable on demand.

Investment and trading securities

The fair value of investment securities, including bills of exchange, negotiable certificates of deposit, government securities and bank and other deposits, which are predominantly short-term, is measured at amortised book value. The fair value of trading securities is based on quoted market prices at balance date.

Loans and other receivables

The carrying value of loans and other receivables is net of general and specific provisions for doubtful debts.

For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of fair value. The net fair value for fixed loans was calculated by utilizing discounted cash flow models (ie the net present value of the portfolio future principal and interest cash flows), based on the maturity of the loans. The discount rates applied were based on the current benchmark rate offered for the average remaining term of the portfolio plus an add-on of the average credit margin of the existing portfolio, where appropriate.

The net fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

Other Share Investments

The fair value of other share investments was based on carrying values, which represents either deemed cost or written-down value.

Other assets

This category includes items such as sundry debtors, which are short-term by nature and the carrying amount is therefore a reasonable estimate of fair value.

Deposits

The fair value of call, variable rate and fixed rate deposits repricing within six months is the carrying value at balance date. The fair value of other term deposits was calculated using discounted cash flow models, based on the deposit type and its related maturity.

Subordinated debt and other debt

The fair value of subordinated debt was calculated based on quoted market prices, where applicable. For those debt issues where quoted market prices were not available, a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instrument was used.

Other liabilities

This category includes items such as sundry creditors which are short-term by nature and the carrying amount is therefore a reasonable estimate of fair value.

Off-balance sheet

Exchange rate and interest-rate contracts

The fair value of exchange-rate and interest-rate contracts, used for hedging purposes, is the estimated amount the Group would receive or pay to terminate the contracts at reporting date. The fair value of these instruments are disclosed in Note 37.

39 NET FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Summary

The following table provides comparison of carrying and net fair values for each item discussed above, where applicable:

	Carrying value		Net fair value	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and liquid assets	107,221	147,236	107,221	147,236
Due from other financial institutions	181,228	207,369	181,228	207,369
Investment securities	1,130,002	1,085,261	1,130,002	1,085,261
Loans and other receivables	7,504,016	6,209,513	7,700,526	6,384,462
Shares-other	23,307	7,568	23,307	7,568
Investments accounted for using the equity method	88,707	71,945	88,707	71,945
Other assets	100,699	117,644	100,699	117,644
Financial Liabilities				
Deposits	8,241,154	6,988,485	8,135,977	6,874,948
Due to other financial institutions	129,095	211,954	129,095	211,954
Subordinated debt	204,665	161,379	211,082	172,339
Payables	91,262	64,198	91,262	64,198

40 FIDUCIARY ACTIVITIES

The economic entity conducts investment management and other fiduciary activities as trustee, custodian or manager for a number of funds and trusts, including superannuation and approved deposit funds, unit trusts and mortgage pools. The amounts of the funds concerned, which are not included in the economic entity's statement of financial position are as follows:

	Consolidated	
	2003	2002
	\$'000	\$'000
Funds under trusteeship	2,646,663	2,259,132
Assets under management	2,628,370	2,399,880
Funds under management	538,195	331,900

As an obligation arises under each type of duty the amount of funds has been included where that duty arises. This may lead to the same funds being shown more than once where the economic entity acts in more than one capacity in relation to those funds eg manager and trustee. Where controlled entities, as trustees, incur liabilities in respect of these activities, a right of indemnity exists against the assets of the applicable trusts. As these assets are sufficient to cover liabilities, and it is therefore not probable that the Group companies will be required to settle them, the liabilities are not included in the financial statements. Bendigo Bank does not guarantee the performance or obligations of its subsidiaries.

41 EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years.

On 11 August 2003 the Bank declared a final dividend, details of which are disclosed in the directors' report and in note 10.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Bendigo Bank Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

R A Guy OAM, Chairman

R G Hunt AM, Managing Director

Dated this 2nd day of September 2003

INDEPENDENT AUDIT REPORT

To the members of Bendigo Bank Limited

Matters relating to the electronic presentation of the Audited Financial Report

This audit report relates to the financial report of Bendigo Bank Limited and Controlled Entities for the year ended 30 June 2003, included on Bendigo Bank Limited and Controlled Entities web site. The company's directors are responsible for the integrity of the Bendigo Bank Limited and Controlled Entities web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risk arising from electronic data communications they are advised to refer to the hardcopy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Scope

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Bendigo Bank Limited ("the Company") and the consolidated entity, for the year ended 30 June 2003. The consolidated entity comprises both the Company and the entities it controlled during that year.

The directors of the Company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the Company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- * examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- * assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the Company.

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit Opinion

In our opinion, the financial report of Bendigo Bank Limited is in accordance with:

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the financial position of Bendigo Bank Limited and the consolidated entity as at 30 June 2003 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Ernst & Young

Richmond Sinnott & Delahunty

Ian Miller
Partner
Melbourne
2 September 2003

Warren Sinnott
Partner
Bendigo
2 September 2003

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

ADDITIONAL INFORMATION

1 MATERIAL DIFFERENCES

There are no material differences between the information supplied in this report and the information in the preliminary final report supplied by Bendigo Bank Ltd to the Australian Stock Exchange on 11 August 2003.

2 AUDIT COMMITTEE

As at the date of the directors' report the economic entity had an audit committee of the Board of Directors.

3 CORPORATE GOVERNANCE PRACTICES

The corporate governance practices adopted by Bendigo Bank Ltd are detailed in the Corporate section of the group's Concise Annual Report for 2003.

4 SUBSTANTIAL SHAREHOLDERS

As at 19 August 2003 there were no substantial shareholders in Bendigo Bank Ltd as defined by the Listing Rules of the Australian Stock Exchange Ltd.

5 DISTRIBUTION OF SHAREHOLDERS

Range of Securities as at 19 August 2003 in the following categories:

	Fully paid Ordinary Shares	Fully Paid Employee Shares	Capital Notes
1 - 1,000	21,020	513	1,111
1,001 - 5,000	17,925	1,002	442
5,001 - 10,000	2,628	85	46
10,001 - 100,000	1,430	35	34
100,001 and over	60	4	5
Number of Holders	43,063	1,639	1,638
Securities on Issue	123,102,628	4,380,996	3,743,786

6 MARKETABLE PARCEL

Based on the closing price of \$8.98 on 19 August 2003, the number of holders with less than a marketable parcel of the Company's main class of securities (Ordinary Shares) as at 19 August 2003, was 1,319.

7 UNQUOTED SECURITIES

The number of unquoted equity securities that are on issue and the number of holders of those securities are shown in the above table under the heading of Fully Paid Employee shares.

8 MAJOR SHAREHOLDERS

Names of the 20 largest holders of Ordinary Fully Paid shares, including the number of shares each holds and the percentage of capital that number represents as at 19 August 2003 are:

Rank	Name	Number of Ordinary Fully Paid Shares	Percentage held of Issued Ordinary Capital
1	J P Morgan Nominees Australia Ltd	3,227,245	2.62%
2	Milton Corporation Ltd	2,939,443	2.39%
3	Westpac Custodians Ltd	2,231,476	1.81%
4	National Nominees Ltd	1,724,241	1.40%
5	Commonwealth Custodial Services Ltd	1,592,685	1.29%
6	IOOF Holdings Ltd	1,556,566	1.26%
7	Leesville Equity Pty Ltd	1,340,327	1.09%
8	Citicorp Nominees Ltd	697,491	0.57%
9	Choiseul Investments Ltd	646,095	0.52%
10	AMP Life Ltd	602,395	0.49%
11	RBC Global Services Nominees Ltd	370,000	0.30%
12	Argo Investments Ltd	295,747	0.24%
13	Mansbridge I G	279,671	0.23%
14	ANZ Nominees Ltd	266,761	0.22%
15	BNP Paribas	247,452	0.20%
16	Permanent Trustees Australia Ltd	244,143	0.20%
17	Citicorp Nominees Pty Ltd	233,629	0.19%
18	Cogent Nominees Pty Ltd	233,476	0.19%
19	PSS Board	233,144	0.19%
20	CSS Board	227,943	0.19%
		19,189,930	15.59%

BBS Nominees Pty Ltd, trustee for the Bendigo employee share ownership plan, held 4,380,996 unlisted shares as at the date of this report. These shares have not been included in the above table.

ADDITIONAL INFORMATION (continued)

9 VOTING RIGHTS

The holders of ordinary shares are entitled to vote at meetings of shareholders in the first instance by a show of hands of the shareholders present and entitled to vote. If a poll is called, each shareholder has one vote for each fully paid share held.

Holders of partly paid shares have a vote which carries the same proportionate value as the proportion that the amount paid up on the total issue price bears to the total issue price of the share.

In the case of an equality of votes the chairman has, on both a show of hands and at a poll, a casting vote in addition to the vote to which the chairman may be entitled as a shareholder, proxy, attorney or duly appointed representative of a shareholder.

The holding of 8% Capital Notes does not give voting rights.

10 COMPANY SECRETARY

The company secretary of Bendigo Bank Ltd is David A. Oataway.

11 REGISTERED OFFICE

The address and telephone number of Bendigo Bank's registered office in Australia and its principal administrative office is:

Bendigo Bank Limited
Second Floor
Fountain Court
Bendigo Victoria 3550
Telephone (03) 5433 9339 Fax (03) 5433 9690

12 SECURITIES REGISTER

The address and telephone number of Bendigo Bank's securities register is:

Securities Registry
Bendigo Bank Ltd.
Second Floor
Fountain Court
Bendigo Victoria 3550
Telephone (03) 5433 9549 Fax (03) 5433 9029