

Directors' Report

Your Directors submit their interim report for the half-year ended December 31, 2000.

Directors

The names of the directors of the Board of Bendigo Bank who have held office during the half year and up to the date of this report are:

Richard A Guy OAM (Chairman)	B.Appl.Sc, M.Sc.(London)
Robert N Johanson (Deputy Chairman)	B.A., LL.M., M.B.A.(Harvard)
Robert G Hunt (Managing Director)	
Neal J Axelby	ACIS, Dip. CM, FAICD, AIMM, AIFS
William R Beischer	
Jennifer L Dawson	B.Bus.(Acc), C.A., C.I.S.A.
Donald J Erskine	
William R Lanyon	
Terry J O'Dwyer	B. Com, Dip. Adv. Acc., FCA, FAIM, FAICD
Kevin E Roache	LL.B, B.Com., A.S.C.P.A.

Review of Operations

Strong growth in lending and retail deposits, together with the acquisition of First Australian Building Society (FABS) effective October 11, 2000, ensured increased profit for the period under review.

Profit after tax increased by 42% to \$15.6 million when compared to the half-year ended December 31, 1999.

Profit before tax increased by 36% to \$25.9 million.

Group assets increased 40%, or \$2.0 billion in the half-year, including \$1.6 billion from the FABS acquisition. Group assets at December 31, 2000 were \$6.9 billion.

Tier one capital increased during the half year from 8.77% to 8.88%. This was affected by the increased share capital from the purchase of FABS and the conversion of capital notes, whilst risk-weighted assets also increased, essentially due to the purchase of FABS.

Tier two capital increased from 1.26% to 2.48%. The tier two capital was impacted by the conversion of capital notes and the inclusion of the general provision for doubtful debts of FABS.

A final dividend of 13.5 cents per share, fully franked at 34%, was paid on October 31, 2000 in respect of the year ended June 30, 2000.

A interim dividend of 11.5 cents per share, fully franked at 34%, will be payable on April 30, 2001.

Significant Changes in the State of Affairs

The following significant change in the state of affairs of the chief entity occurred during the half-year:

- During the period, 521,913 capital notes were converted to permanent shares, increasing share capital by \$2.14 million.
- In October 2000, 27,993,533 shares were allotted at an issue price of \$4.82 as consideration for the purchase of First Australian Building Society. This issue increased share capital by \$134.9 million.

In the opinion of the directors, there were no other significant changes in the state of affairs of the economic entity that occurred during the half-year under review not otherwise disclosed in this report or the consolidated financial statements.

After Balance Date Events

No matters or circumstances have arisen since the end of the half-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 periods, other than the January 17, 2001 declaration of a special cash dividend. This special dividend of 15 cents per share, fully franked at 34%, will be paid on February 28, 2001 and will decrease tier one capital by \$16.9 million, or approximately 5%. The Bank's Board has approved an on-market share buy-back of up to 3 million ordinary shares as part of its capital management strategy. The buy-back is currently scheduled to commence mid-March, 2001.

Rounding of Amounts

The amounts contained in this report have been rounded off under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which this 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

Bendigo

Dated this 16th day of February, 2001

STATEMENT OF FINANCIAL PERFORMANCE

for the half-year ended December 31, 2000

Note

	Consolidated	
	2000	1999
	\$'000	\$'000
Net interest revenue		
Interest income	218,397	138,327
Interest expense	142,095	82,534
Net interest income	76,302	55,793
Other operating revenue		
Share of associates' net profits (losses)	3,280	4,465
Dividends	53	30
Fees	22,998	15,136
Commissions	6,704	5,967
Other operating revenue	234	1,295
Total operating revenue	109,571	82,686
Operating expenses		
Bad and doubtful debts	5,577	3,792
Other operating expenses		
Borrowing costs	518	257
Staff and related costs	35,674	25,733
Occupancy costs	4,906	3,586
Amortisation of goodwill	1,581	1,048
Property, plant and equipment costs	3,028	1,942
Fees and commissions	3,788	2,943
Administration expenses	27,461	22,720
Other operating expenses	1,105	1,649
Total other operating expenses	78,061	59,878
Operating profit before income tax	25,933	19,016
Income tax attributable to operating profit	10,345	8,006
Operating profit after income tax	15,588	11,010
Retained profits at beginning of the financial year	29,118	26,179
Total available for appropriation	44,706	37,189
Dividends - Final 2000 (adjustment to provision)	3,726	132
- Interim 2001	12,393	7,811
Retained profits at the end of the half year	28,587	29,246
Basic earnings per share	16.2¢	14.9¢
Diluted earnings per share	16.2¢	14.8¢

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

as at December 31, 2000

	<i>Note</i>	Consolidated		
		31-Dec-00	30-Jun-00	31-Dec-99
		\$'000	\$'000	\$'000
Assets				
Cash and liquid assets		152,028	91,251	119,948
Due from other financial institutions		45,017	119,501	31,601
Investment securities		892,449	591,107	645,583
Loans and other receivables		5,552,830	3,939,894	3,542,331
Shares - other		58,730	55,154	47,597
Other investments		2,293	2,499	5,757
Property, plant & equipment		42,367	31,992	29,725
Intangibles		78,987	37,285	38,362
Other assets		61,543	44,673	57,227
Total Assets		<u>6,886,244</u>	<u>4,913,356</u>	<u>4,518,131</u>
Liabilities				
Due to other financial institutions		33,007	95,472	30,012
Deposits		6,197,697	4,394,669	4,072,646
Provision - dividend		12,427	10,457	8,149
Provision - income tax	3	(2,393)	8,685	3,716
Other provisions		28,569	12,870	11,833
Subordinated debt		134,091	78,121	80,302
Other liabilities		54,055	24,725	34,246
Total Liabilities		<u>6,457,453</u>	<u>4,624,999</u>	<u>4,240,904</u>
Net Assets		<u>428,791</u>	<u>288,357</u>	<u>277,227</u>
Shareholders' Equity				
Share capital		383,269	242,362	231,054
Reserves		16,935	16,877	16,927
Retained profits		28,587	29,118	29,246
Total Shareholders' Equity		<u>428,791</u>	<u>288,357</u>	<u>277,227</u>

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

for the half-year ended December 31, 2000

Note

	Consolidated	
	2000	1999
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and other items of a similar nature received	214,525	140,460
Interest and other costs of finance paid	(136,374)	(83,683)
Receipts from customers (excluding interest)	30,021	21,628
Payments to suppliers	(54,130)	(53,848)
Dividends received	53	31
Income taxes paid	(17,805)	(5,625)
Net cash provided by/(used in) operating activities	36,290	18,963
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash flows for purchases of property, plant and equipment	(6,092)	(4,124)
Cash proceeds from sale of property, plant and equipment	888	835
Cash paid for purchases of equity investments	2,092	665
Net (increase)/decrease in balance of loans outstanding	(277,620)	(180,109)
Net (increase)/decrease in balance of Reserve Bank of Australia deposit	-	33,049
Net (increase)/decrease of investment securities	(106,973)	(92,074)
Net cash (paid)/received on acquisition of subsidiary	29,341	(4,327)
Net cash used in investing activities	(358,364)	(246,085)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from shares issued	-	19,959
Net increase/(decrease) in balance of retail deposits	340,574	241,971
Net increase/(decrease) in balance of wholesale deposits	11,384	(29,835)
Net increase/(decrease) in balance of subordinated debt	31,982	-
Dividends paid	(13,109)	(5,526)
Net cash flows from financing activities	370,831	226,569
Net increase/(decrease) in cash held	48,757	(553)
Cash at the beginning of the financial year	115,280	122,089
Less cash at the end of the half year	5 164,037	121,536
	48,757	(553)

The accompanying notes form part of these financial statements

Notes to and Forming Part of the Financial Statements

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a Basis of preparation of the interim financial report

The financial statements of the Bank and the consolidated financial statements of the economic entity, are a general purpose financial report prepared in accordance with the Banking Act, applicable Accounting Standards including AASB 1029 "Interim Financial Reporting", other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), Corporations Law and the requirements of law so far as they are applicable to Australian banking corporations.

The interim financial report does not include notes of the type normally included in an annual financial report.

It is recommended that the half-year interim report is read in conjunction with the Annual Financial Report of Bendigo Bank Limited as at June 30, 2000 together with any public announcements made by Bendigo Bank Limited and its controlled entities during the half-year ended December 31, 2000 in accordance with the continuous disclosure obligations arising under the Corporations Law.

For the purposes of preparing the half-year interim financial report, the half-year has been treated as a discrete reporting period.

b Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year.

	Consolidated	
	2000	1999
	\$'000	\$'000
2 DIVIDENDS PAID OR PROVIDED FOR		
Franked dividends paid during the half year	14,158	8,479
Franked dividends proposed during the half year	12,393	7,811

The adjustment to Final 2000 dividend also includes the appropriation of final dividend to new shares issued as consideration for the acquisition of FABS in October, 2000.

3 PROVISION FOR INCOME TAX

As at December 31, 2000 Bendigo Bank was entitled to a refund of tax arising from an overpayment in a prior period.

Notes continued

	Average Balance \$'000	Interest 6 mths \$'000	Average rate %
4 AVERAGE BALANCE SHEET AND RELATED INTEREST			
Average balances and rates ⁽¹⁾			
Interest earning assets			
Cash and liquid assets	84,054	562	1.34
Investment securities	813,813	27,226	6.69
Loans and other receivables	4,640,285	190,609	8.22
	<u>5,538,152</u>	<u>218,397</u>	<u>7.89</u>
Non interest earning assets			
Property, plant & equipment	35,880		
Provisions for doubtful debts	(29,182)		
Other assets	166,348		
	<u>173,046</u>		
Total assets (average balance)	<u>5,711,198</u>		
Interest bearing liabilities and equity			
Deposits			
Retail	4,342,940	108,971	5.02
Wholesale - domestic	568,572	19,038	6.70
Wholesale - offshore	263,002	9,351	7.11
Other borrowings			
Subordinated debt	115,780	4,735	8.18
	<u>5,290,294</u>	<u>142,095</u>	<u>5.37</u>
Non interest bearing liabilities and equity			
Other liabilities	68,132		
Shareholders' equity	352,772		
	<u>420,904</u>		
Total liabilities and shareholders' equity	<u>5,711,198</u>		
Interest margin and interest spread			
Interest earning assets	5,538,152	218,397	7.89
Interest bearing liabilities	(5,290,294)	(142,095)	(5.37)
Net interest income and interest spread ⁽²⁾		<u>76,302</u>	<u>2.52</u>
Net interest margin ⁽³⁾			<u>2.76</u>

1 Average balance is based on monthly closing balances from June 30, 2000 through December 31, 2000 inclusive

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

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

	Consolidated	
	2000	1999
	\$'000	\$'000

5 NOTES TO THE STATEMENT OF CASH FLOWS

(a) 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.

- Net (increase) decrease in balance of loans outstanding
- Net (increase) decrease in balance of Reserve Bank of Australia deposit
- Net decrease (increase) of investment securities
- Net increase (decrease) in balance of retail deposits
- Net increase (decrease) in balance of wholesale deposits
- Net increase (decrease) in balance of subordinated debt
- Proceeds from share issues is net of capital raising costs

(b) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes:

Cash and liquid assets	152,028	119,948
Due from other financial institutions	45,017	31,601
Due to other financial institutions	(33,007)	(30,012)
Other (rounding)	(1)	(1)
	<u>164,037</u>	<u>121,536</u>

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.

Notes continued

6 SEGMENT REPORTING

	2000 \$'000	2000 \$'000	2000 \$'000	1999 \$'000	1999 \$'000	1999 \$'000
Industry segments	External	Inter-segment	Total	External	Inter-segment	Total
Interest revenue						
Banking	214,953	2,746	217,699	135,786	1,195	136,981
Trustee company	321	-	321	268	-	268
Financial services	3,123	(86)	3,037	2,273	-	2,273
Eliminations	-	(2,660)	(2,660)	-	(1,195)	(1,195)
	218,397	-	218,397	138,327	-	138,327
Other revenue						
Banking	22,535	3,232	25,767	17,891	2,768	20,659
Trustee company	5,825	517	6,342	5,667	499	6,166
Financial services	4,909	720	5,629	3,335	637	3,972
Eliminations	-	(4,469)	(4,469)	-	(3,904)	(3,904)
	33,269	-	33,269	26,893	-	26,893
Total revenue						
Banking	237,488	5,978	243,466	153,677	3,963	157,640
Trustee company	6,146	517	6,663	5,935	499	6,434
Financial services	8,032	634	8,666	5,608	637	6,245
Eliminations	-	(7,129)	(7,129)	-	(5,099)	(5,099)
	251,666	-	251,666	165,220	-	165,220
Operating profit before tax						
Banking			23,963			17,397
Trustee company			2,085			2,725
Financial services			2,216			500
Eliminations			(2,331)			(1,606)
			25,933			19,016
Operating profit after tax						
Banking			15,485			11,317
Trustee company			1,322			1,665
Financial services			1,328			(54)
Eliminations			(2,547)			(1,918)
			15,588			11,010
Total Assets						
Banking			7,048,241			4,445,047
Trustee company			23,109			22,491
Financial services			217,564			123,701
Eliminations			(402,670)			(73,108)
			6,886,244			4,518,131

Geographical segments

Bendigo Bank Limited and its controlled entities operate in all Australian States and Territories 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, including the bank's share of profit from the associate company, Elders Rural Bank Limited.

Trustee Company

Commission received from the management of common funds and trusteeships.

Financial Services

Fees, interest and other income, derived from financial services including mortgage management, leasing and financial planning.

Directors' Declaration

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

In the opinion of the directors:

- (a) the interim financial statements and notes of the consolidated entity:
 - (i) give a true and fair view of the financial position as at December 31, 2000 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations; 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

Bendigo

Dated this 16th day of February 2001

Independent Review Report

To the Members of Bendigo Bank Limited

Matters relating to the Electronic Presentation of the Reviewed Financial Report

This review report relates to the financial report of Bendigo Bank Limited and Controlled Entities for the half-year ended December 31, 2000 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. We have not been engaged to report on the integrity of the Bendigo Bank Limited and Controlled Entities web site. The review 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 risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Scope

We have reviewed the interim financial report of Bendigo Bank Limited for the half-year ended December 31, 2000, as set out on pages 2 to 8, including the Directors' Declaration. The interim financial report includes the consolidated financial statements of the consolidated entity comprising Bendigo Bank Limited and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the interim financial report.

We have conducted an independent review of the interim financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements and statutory requirements, and in order for the company to lodge the interim financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. Our review was limited primarily to inquiries of the disclosing entity's personnel and analytical review procedures applied to financial data.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Review Statement

As a result of our review, we have not become aware of any matter that makes us believe that the half-year interim financial report of Bendigo Bank Limited is not in accordance with:

- (a) the Corporations Law, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at December 31, 2000 and its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations;
- (b) other mandatory professional reporting requirements.

ERNST & YOUNG

RICHMOND SINNOTT & DELAHUNTY

Ian Miller
Partner

Warren Sinnott
Partner

Bendigo
Dated this 16th day of February 2001

Dated this 16th day of February 2001