

Directors' Report

Your Directors submit their report for the half-year ended December 31, 2001.

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 (1)	
Jennifer L Dawson	B.Bus.(Acc), C.A., C.I.S.A.
Donald J Erskine	
William R Lanyon	
Terence J O'Dwyer	B. Com, Dip. Adv. Acc., FCA, FAIM, FAICD
Kevin E Roache	LL.B, B.Com., A.S.C.P.A.

(1) Mr W R Beischer retired from the board of Bendigo Bank on October 22, 2001.

Review of Operations

The group recorded strong growth in revenues and profits during the half year with all major divisions improving their overall contribution to the result.

Profit after tax increased by 25% to \$19.5 million when compared to the half-year ended December 31, 2000.

Profit before tax increased by 18.5% to \$30.7 million.

Group assets increased 7.7%, or \$539.3 million in the half-year. Group assets at December 31, 2001 were \$7.5 billion.

Tier one capital declined marginally during the half year from 8.88% to 8.83%.

Tier two capital increased from 2.48% to 2.56%.

A final dividend of 14.5 cents per share, fully franked at 30%, was paid on October 31, 2001 in respect of the year ended June 30, 2001.

A interim dividend of 12.0 cents per share (up from 11.5 cents - Interim 2000/01), fully franked at 30%, will be payable on April 30, 2002.

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 499,338 capital notes were converted to ordinary shares, increasing share capital by \$2.05 million.
- In July 2001 1,000,000 shares were bought back at \$6.53 per share as part of an on-market buy-back of shares. This reduced share capital by \$6.53 million.
- In December 2001 5,974,646 shares were allotted to 21,320 shareholders at an issue price of \$5.89 as part of a share purchase plan. This issue increased share capital by \$35.19 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.

Rounding of Amounts

The amounts contained in this report have been rounded off 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 15th day of February, 2002

CONDENSED STATEMENT OF FINANCIAL PERFORMANCE

for the half-year ended December 31, 2001

Note

	Consolidated	
	2001	2000
	\$'000	\$'000
Revenue from ordinary activities		
Net interest revenue		
Interest income	225,444	218,397
Interest expense	131,955	142,095
Net interest income	93,489	76,302
Other revenue from ordinary activities		
Share of associates' net profits (losses) accounted for using the equity method	5,955	3,280
Dividends	75	53
Fees	31,223	21,107
Commissions	6,993	6,704
Other operating revenue	2,040	234
Total revenue from ordinary activities	139,775	107,680
Expenses from ordinary activities		
Bad and doubtful debts	6,264	5,578
Other expenses from ordinary activities		
Borrowing costs	484	518
Staff and related costs	47,295	35,673
Occupancy costs	6,351	4,906
Amortisation of goodwill	2,224	1,581
Property, plant and equipment costs	3,868	3,028
Fees and commissions	5,153	3,788
Administration expenses	36,084	25,570
Other operating expenses	1,325	1,105
Total expenses from other ordinary activities	102,784	76,169
Profit from ordinary activities before income tax expense	30,727	25,933
Income tax expense relating to ordinary activities	11,244	10,345
Profit from ordinary activities after income tax expense attributable to members of Bendigo Bank Limited	19,483	15,588
Basic earnings per share (cents per share)	16.8¢	16.2¢
Diluted earnings per share (cents per share)	16.8¢	16.2¢
Franked dividends per share (cents per share)	12.0¢	11.5¢

CONDENSED STATEMENT OF FINANCIAL POSITION

as at December 31, 2001

	<i>Note</i>	Consolidated		
		Dec-01 \$'000	Jun-01 \$'000	Dec-00 \$'000
Assets				
Cash and liquid assets		97,345	187,727	152,028
Due from other financial institutions		52,927	141,677	45,050
Investment securities		1,047,195	796,271	892,449
Current tax assets	2	2,740	4,685	2,399
Loans and other receivables		6,039,373	5,592,146	5,552,830
Shares - other		7,162	5,608	4,457
Investments accounted for using the equity method		65,681	61,252	54,273
Other investments		-	143	2,293
Property, plant & equipment		46,436	42,399	42,367
Deferred tax assets		11,702	13,546	12,955
Intangibles		73,825	75,551	78,987
Other assets		76,432	60,512	48,637
Total Assets		<u>7,520,818</u>	<u>6,981,517</u>	<u>6,888,725</u>
Liabilities				
Due to other financial institutions		54,639	106,210	33,041
Deposits		6,751,928	6,229,172	6,197,697
Payables		54,797	46,161	54,102
Current tax liabilities		-	-	6
Provision - dividend		13,862	15,742	12,427
Other provisions		14,310	21,456	23,931
Subordinated debt		162,133	135,394	134,091
Deferred tax liabilities		4,292	4,585	4,639
Total Liabilities		<u>7,055,961</u>	<u>6,558,720</u>	<u>6,459,934</u>
Net Assets		<u>464,857</u>	<u>422,797</u>	<u>428,791</u>
Equity				
Contributed capital		428,857	392,507	383,269
Reserves		16,952	17,014	16,935
Retained profits	3	19,048	13,276	28,587
Total Equity		<u>464,857</u>	<u>422,797</u>	<u>428,791</u>

CONDENSED STATEMENT OF CASH FLOWS

for the half-year ended December 31, 2001

Note

	Consolidated	
	2001	2000
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and other items of a similar nature received	223,545	214,525
Borrowing costs paid	(143,634)	(136,374)
Receipts from customers (excluding interest)	39,443	28,129
Payments to suppliers	(112,286)	(52,238)
Dividends received	3,040	53
Income taxes paid	(5,611)	(17,805)
Net cash flows from operating activities	<u>4,497</u>	<u>36,290</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash flows for purchases of property, plant and equipment	(9,086)	(6,092)
Cash proceeds from sale of property, plant and equipment	272	888
Cash paid for (purchases)/proceeds of equity investments	(5,127)	2,092
Net (increase)/decrease in balance of loans outstanding	(444,381)	(277,620)
Net (increase)/decrease of investment securities	(250,925)	(106,973)
Net cash (paid)/received on acquisition of subsidiary	-	29,341
Net cash used in investing activities	<u>(709,247)</u>	<u>(358,364)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash paid for buy back of shares	(6,528)	-
Proceeds from shares issued	35,102	-
Net increase/(decrease) in balance of retail deposits	575,900	340,574
Net increase/(decrease) in balance of wholesale deposits	(46,763)	11,384
Net increase/(decrease) in balance of subordinated debt	30,523	31,982
Dividends paid	(11,046)	(13,109)
Net cash flows from financing activities	<u>577,188</u>	<u>370,831</u>
Net increase/(decrease) in cash held	<u>(127,562)</u>	<u>48,757</u>
Cash at the beginning of the financial year	223,194	115,280
Less cash at the end of the half year	<u>95,632</u>	<u>164,037</u>
	<u>(127,562)</u>	<u>48,757</u>

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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 half-year financial report is a general purpose financial report which has been 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 Act 2001 and the requirements of law so far as they are applicable to Australian banking corporations.

The half-year financial report has been prepared in accordance with the historical cost convention, except for freehold land and buildings on freehold land, which are measured at their fair value.

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

It is recommended that the half-year report is read in conjunction with the Annual Financial Report of Bendigo Bank Limited as at June 30, 2001 together with any public announcements made by Bendigo Bank Limited and its controlled entities during the half-year ended December 31, 2001 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

For the purposes of preparing the half-year 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.

2 PROVISION FOR INCOME TAX

As at December 31, 2001 Bendigo Bank was entitled to a refund of tax arising from an overpayment in a prior period.

3 RETAINED PROFITS

Profit from ordinary activities after income tax expense attributable

to members of Bendigo Bank Limited

Retained profits at beginning of the financial year

Total available for appropriation

Dividends - Final 2001 (adjustment to provision)

- Interim 2002

Aggregate of amounts transferred (to)/from reserves

Retained profits at the end of the half year

	Consolidated	
	2001	2000
	\$'000	\$'000
Profit from ordinary activities after income tax expense attributable to members of Bendigo Bank Limited	19,483	15,588
Retained profits at beginning of the financial year	13,276	29,118
Total available for appropriation	32,759	44,706
Dividends - Final 2001 (adjustment to provision)	(34)	3,726
- Interim 2002	13,806	12,393
Aggregate of amounts transferred (to)/from reserves	(61)	-
Retained profits at the end of the half year	19,048	28,587

4 DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

(a) Dividends proposed and recognised as a liability

Interim dividend (12.0 cents per share) (2000: 11.5 cents per share)

13,806 12,393

(b) Dividends paid during the half-year

Final dividend (14.5 cents per share) (2000: 13.5 cents per share)

15,663 14,158

29,469 26,551

Notes continued

	Average Balance \$'000	Interest 6 mths \$'000	Average rate %
5 AVERAGE BALANCE SHEET AND RELATED INTEREST			
Average balances and rates ⁽¹⁾			
Interest earning assets			
Cash and liquid assets	150,856	852	1.13
Investment securities	950,368	24,028	5.06
Loans and other receivables	5,904,845	200,564	6.79
	<u>7,006,069</u>	<u>225,444</u>	<u>6.44</u>
Non interest earning assets			
Property, plant & equipment	44,685		
Provisions for doubtful debts	(33,176)		
Other assets	209,967		
	<u>221,476</u>		
Total assets (average balance)	<u>7,227,545</u>		
Interest bearing liabilities and equity			
Deposits			
Retail	5,833,584	108,799	3.73
Wholesale - domestic	475,714	11,685	4.91
Wholesale - offshore	274,833	7,282	5.30
Other borrowings			
Subordinated debt	135,163	4,189	6.20
	<u>6,719,294</u>	<u>131,955</u>	<u>3.93</u>
Non interest bearing liabilities and equity			
Other liabilities	69,061		
Equity	439,190		
	<u>508,251</u>		
Total liabilities and equity	<u>7,227,545</u>		
Interest margin and interest spread			
Interest earning assets	7,006,069	225,444	6.44
Interest bearing liabilities	(6,719,294)	(131,955)	(3.93)
Net interest income and interest spread ⁽²⁾		<u>93,489</u>	<u>2.51</u>
Net interest margin ⁽³⁾			<u>2.67</u>

1 Average balance is based on monthly closing balances from June 30, 2001 through December 31, 2001 inclusive

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

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

	Consolidated	
	2001 \$'000	2000 \$'000
6 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 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	97,345	152,028
Due from other financial institutions	52,927	45,050
Due to other financial institutions	(54,639)	(33,041)
Other (rounding)	(1)	-
	<u>95,632</u>	<u>164,037</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

7 SEGMENT REPORTING

(a) Business segments

Revenue

Interest revenue

Banking	222,003	4,263	226,266	214,953	2,746	217,699
Trustee company	239	-	239	321	-	321
Financial services	3,202	15	3,217	3,123	(86)	3,037
Eliminations	-	(4,278)	(4,278)	-	(2,660)	(2,660)
	225,444	-	225,444	218,397	-	218,397

Other revenue

Banking	26,877	2,354	29,231	16,812	2,933	19,745
Trustee company	7,158	707	7,865	5,893	517	6,410
Financial services	6,527	1,290	7,817	6,126	886	7,012
Eliminations	-	(4,351)	(4,351)	-	(4,336)	(4,336)
	40,562	-	40,562	28,831	-	28,831

Share of net profit of equity accounted investments

Banking	5,657	-	5,657	3,181	-	3,181
Trustee company	-	-	-	-	-	-
Financial services	298	-	298	99	-	99
Eliminations	-	-	-	-	-	-
	5,955	-	5,955	3,280	-	3,280

Total segment revenue

Banking	254,537	6,617	261,154	234,946	5,679	240,625
Trustee company	7,397	707	8,104	6,214	517	6,731
Financial services	10,027	1,305	11,332	9,348	800	10,148
Eliminations	-	(8,629)	(8,629)	-	(6,996)	(6,996)
	271,961	-	271,961	250,508	-	250,508

Total consolidated revenue

Results

Segment result

Banking			27,015			23,911
Trustee company			2,328			2,085
Financial services			3,643			2,268
Eliminations			(2,259)			(2,331)

Consolidated entity profit from ordinary activities before income tax expense

Income tax expense

Consolidated entity profit from ordinary activities after income tax expense

Assets

Segment assets

Banking			7,465,407			7,063,535
Trustee company			24,522			23,109
Financial services			258,572			217,564
Eliminations			(227,683)			(415,483)

Total assets

Liabilities

Segment liabilities

Banking			7,027,549			6,640,128
Trustee company			7,183			6,874
Financial services			76,329			60,392
Eliminations			(55,100)			(247,460)

Total liabilities

7 SEGMENT REPORTING (continued)

(a) Business segments

Other segment information:

Equity method investments included in segment assets

Banking
Trustee company
Financial services
Eliminations

2001
\$'000

2000
\$'000

	Total	Total
	64,902	54,273
	-	-
	779	-
	-	-
	65,681	54,273
Acquisition of property, plant and equipment, intangible assets and other non-current assets		
Banking	13,933	3,914
Trustee company	43	10
Financial services	237	76
Eliminations	-	-
	14,213	4,000
Depreciation		
Banking	3,767	2,741
Trustee company	54	87
Financial services	244	218
Eliminations	-	-
	4,065	3,046
Amortisation		
Banking	1,859	860
Trustee company	154	154
Financial services	57	67
Eliminations	154	500
	2,224	1,581
Non-cash expenses other than depreciation & amortis'n		
Banking	5,228	4,776
Trustee company	-	-
Financial services	334	29
Eliminations	(86)	(90)
	5,476	4,715

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, 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, we state that:

In the opinion of the directors:

- (a) the half-year financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position as at December 31, 2001 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying 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 15th day of February 2002

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, 2001 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 half-year financial report of Bendigo Bank Limited for the half-year ended December 31, 2001, as set out on pages 2 to 9, including the Directors' Declaration. The half-year 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 half-year financial report.

We have conducted an independent review of the half-year 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 half-year 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 financial report of Bendigo Bank Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at December 31, 2001 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 15th day of February 2002

Dated this 15th day of February 2002