

# **BENDIGO BANK**

## **GROUP PROFIT AND DIVIDEND ANNOUNCEMENT**

**for the HALF YEAR ended DECEMBER 31, 2001**

### **SUMMARY**

#### **Profit**

- \* Operating profit after income tax was \$19.5 million, up 25% from \$15.6 million profit after tax for the corresponding period in 2000.
- \* Profit before income tax was \$30.7 million, up 19% from a \$25.9 million profit before tax for the corresponding period in 2000.
- \* Earnings per share for the half-year was 16.8 cents, increasing by 0.6 cents over EPS for the corresponding period in 2000 (16.2 cents).

#### **Lending**

- \* Total Bank lending approvals were \$1.9 billion, a 76% increase over the same period last year.
- \* Lending approvals secured by mortgage over residential property were \$1.5 billion, 80% of total approvals.

#### **Deposits**

- \* Total Group deposits increased \$0.5 billion, or 8%, to \$6.8 billion during the half year (the calendar year increase was \$0.6 billion, or 9%).
- \* Retail deposits increased \$570 million, or 10% during the half year, taking the ratio of retail deposits to total deposits to 90% (the calendar year increase was \$901 million, or 17%).
- \* Funds managed by Sandhurst Trustees grew \$108 million to \$1,075 million in the half year (the calendar year increase was \$270 million, or 34%).

# **BENDIGO BANK**

## **GROUP PROFIT AND DIVIDEND ANNOUNCEMENT**

for the HALF YEAR ended DECEMBER 31, 2001

### **SUMMARY**

#### **Assets and Capital**

- \* Group Assets grew by \$0.54 billion in the half year to \$7.5 billion, an increase of 8% (the calendar year increase was \$0.6 billion, or 9%).
- \* The Bank sold loans totalling \$238 million on a commercial basis during the 6 month period ended December 31, 2001 and securitised \$418 million of loans in the preceding 6 month period ended June 30, 2001. These factors decreased the balance sheet growth figures for the half-year and calendar year.
- \* Total risk weighted capital adequacy ratio at December 2001 is 11.39%.
- \* Equity increased 10% in the half year to \$465 million (the calendar year increase was \$36 million, or 8%).
- \* Number of new shares issued during the half year was 7,635,259 and 1,000,000 were cancelled, taking the number of shares on issue to 121,796,608.

#### **Dividends**

- \* 2001/02 interim dividend declared of 12.0 cents per fully paid share (an increase of 0.5 cent over the 2000/2001 interim dividend), fully franked at 30%.
- \* Dividend is payable on April 30, 2002 to registered shareholders at the close of trading on the Record Date, April 12, 2002.
- \* The total interim dividend provided for is \$13.8 million.

# **BENDIGO BANK**

## **GROUP PROFIT AND DIVIDEND ANNOUNCEMENT**

**for the HALF YEAR ended DECEMBER 31, 2001**

### **SUMMARY**

#### **Bad and Doubtful Debts**

- \* Bad debts written off against operating profit for the half year were \$0.9 million. Bad debts written off from provisions were \$1.6 million. The charge against profit for provision for doubtful debts was \$5.5 million.
- \* Bad and doubtful debts expense for the half year was \$6.4 million, which was \$0.74 million greater than the 2000 half year.
- \* Provisions for doubtful debts at December 2001 totalled \$35.2 million, which represents 0.58% of Gross loan balances (0.55% - June 2001; 0.52% - December 2000).
- \* General provisions have been maintained at 0.55% of risk-weighted assets. General provisions have been increased by \$2.1 million in the half year and now total \$23.8 million.

# BENDIGO BANK

## CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE (Unaudited) - \$'000 for the HALF YEAR ended DECEMBER 31, 2001

	<i>Note</i>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Increase/ (Decrease) %</b>
Interest income		225,444	218,397	3.2
Interest expense		131,955	142,095	(7.1)
<b>Net interest income</b>		<b>93,489</b>	<b>76,302</b>	<b>22.5</b>
<b>ADD Other income</b>				
Fees - Asset products		8,894	5,517	61.2
- Liability products & electronic delivery		9,410	7,514	25.2
- Other		4,146	2,907	42.6
Commissions - Insurance		1,247	1,167	6.9
-Other		5,576	5,519	1.0
Property revenue		545	426	27.9
Trustee, management & other services		8,629	4,815	79.2
Dividend income		75	53	41.5
Share of associates' net profit/(loss)		5,955	3,280	81.6
Other		1,809	180	905.0
Total Other income		46,286	31,378	47.5
<b>Total Net operating income</b>		<b>139,775</b>	<b>107,680</b>	<b>29.8</b>
<b>LESS Operating expenses</b>				
<i>Bad and doubtful debts</i>				
Bad debts written off	<i>1</i>	907	929	(2.4)
Transfer to provision for doubtful debts	<i>1</i>	5,476	4,715	16.1
Bad debts recovered		(119)	(66)	80.3
Total Bad and doubtful debts		6,264	5,578	12.3
<i>Other operating expenses</i>				
Salaries & staff related costs		47,295	35,673	32.6
Occupancy		8,271	6,747	22.6
Information technology costs		8,984	6,839	31.4
Management fees & expenses		4,854	3,404	42.6
Depreciation/amortisation		4,851	3,437	41.1
Goodwill amortisation		2,224	1,581	40.7
Other operating expenses		26,305	18,488	42.3
Total Other Operating Expenses		102,784	76,169	34.9
<b>Total Operating expenses</b>		<b>109,048</b>	<b>81,747</b>	<b>33.4</b>
<b>Profit before tax</b>		<b>30,727</b>	<b>25,933</b>	<b>18.5</b>
Less: Income tax expense	<i>2</i>	11,244	10,345	8.7
<b>Profit after tax</b>		<b>19,483</b>	<b>15,588</b>	<b>25.0</b>
Retained profits at beginning of year		13,276	29,118	(54.4)
Total available for appropriation		32,759	44,706	(26.7)
Transfer to general reserve		(61)	-	-
Final dividend (adj prev year)		(34)	3,726	(100.9)
Interim dividend		13,806	12,393	11.4
<b>Retained profits at December 31</b>		<b>19,048</b>	<b>28,587</b>	<b>(33.4)</b>

# BENDIGO BANK

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited) - \$'000

as at DECEMBER 31, 2001

			Increase/ (Decrease)		Increase/ (Decrease)	
	Note	Dec-01	Jun-01 (Audited)	%	Dec-00	%
<b>ASSETS</b>						
Cash and liquid assets		97,345	187,727	(48.1)	152,028	(36.0)
Due from other financial institutions		52,927	141,677	(62.6)	45,050	17.5
Investment securities		1,047,195	796,271	31.5	892,449	17.3
Current tax asset		2,740	4,685	(41.5)	2,399	14.2
Loans and other receivables		6,039,373	5,592,146	8.0	5,552,830	8.8
Share investments		7,162	5,608	27.7	4,457	60.7
Investments accounted for using the equity method		65,681	61,252	7.2	54,273	21.0
Other investments		-	143	(100.0)	2,293	(100.0)
Property, plant and equipment		46,436	42,399	9.5	42,367	9.6
Deferred tax assets		11,702	13,546	(13.6)	12,955	(9.7)
Intangibles		73,825	75,551	(2.3)	78,987	(6.5)
Other assets		76,432	60,512	26.3	48,637	57.1
<b>TOTAL ASSETS</b>		<b>7,520,818</b>	<b>6,981,517</b>	<b>7.7</b>	<b>6,888,725</b>	<b>9.2</b>
<b>LIABILITIES</b>						
Due to other financial institutions		54,639	106,210	(48.6)	33,041	65.4
Deposits		6,751,928	6,229,172	8.4	6,197,697	8.9
Payables		54,797	46,161	18.7	54,102	1.3
Current tax liabilities		-	-	-	6	-
Provision for dividend	3	13,862	15,742	(11.9)	12,427	11.5
Other provisions		14,310	21,456	(33.3)	23,931	(40.2)
Subordinated debt		162,133	135,394	19.7	134,091	20.9
Deferred tax liabilities		4,292	4,585	(6.4)	4,639	(7.5)
<b>TOTAL LIABILITIES</b>		<b>7,055,961</b>	<b>6,558,720</b>	<b>7.6</b>	<b>6,459,934</b>	<b>9.2</b>
<b>NET ASSETS</b>		<b>464,857</b>	<b>422,797</b>	<b>9.9</b>	<b>428,791</b>	<b>8.4</b>
<b>EQUITY</b>						
Contributed capital		428,857	392,507	9.3	383,269	11.9
Reserves		16,952	17,014	(0.4)	16,935	0.1
Retained profits (accumulated losses)		19,048	13,276	43.5	28,587	(33.4)
<b>TOTAL EQUITY</b>		<b>464,857</b>	<b>422,797</b>	<b>9.9</b>	<b>428,791</b>	<b>8.4</b>

# BENDIGO BANK

## KEY FINANCIAL INFORMATION - \$'000

for the HALF YEAR ended DECEMBER 31, 2001

	Note	Dec-01	Dec-00	Increase/(Decrease)		Jun-01	Increase/(Decrease)	
				Value	%		Value	%
<b>Profit</b>								
Profit before tax		30,727	25,933	4,794	18.5	29,069	1,658	5.7
Profit after tax		19,483	15,588	3,895	25.0	17,690	1,793	10.1
<b>Profitability</b>								
Earnings per ordinary share								
(weighted average)-cents		16.8	16.2	0.6	3.7	15.4	1.4	9.1
Diluted earnings per share								
(weighted average)-cents		16.8	16.2	0.6	3.7	15.4	1.4	9.1
After tax return on average equity	4	8.8%	8.7%	0.1%	1.1	8.3%	0.5%	6.0
After tax return on equity at period end	4	8.4%	7.3%	1.1%	15.1	8.4%	0.0%	0.0
After tax return on average assets	4	0.54%	0.53%	0.01%	1.9	0.51%	0.03%	5.9
<b>Income</b>								
Net interest margin		93,489	76,302	17,187	22.5	84,386	9,103	10.8
Other income		46,286	31,378	14,908	47.5	42,921	3,365	7.8
Net operating income		139,775	107,680	32,095	29.8	127,307	12,468	9.8
<b>Lending</b>								
<b>Total Approvals</b> - by security		1,880,547	1,067,988	812,559	76.1	1,426,621	453,926	31.8
Residential		1,508,336	712,420	795,916	111.7	1,059,920	448,416	42.3
Commercial		234,203	224,351	9,852	4.4	234,621	(418)	(0.2)
Other		138,008	131,217	6,791	5.2	132,080	5,928	4.5
<b>Gross Loan balance</b> - by security		6,098,129	5,581,209	516,920	9.3	5,647,424	450,705	8.0
Residential		4,541,278	4,177,396	363,882	8.7	4,188,433	352,845	8.4
Commercial		1,144,564	1,097,898	46,666	4.3	1,041,388	103,176	9.9
Other		412,287	305,915	106,372	34.8	417,603	(5,316)	(1.3)
<b>Gross Loan balance</b> - by purpose		6,098,129	5,581,209	516,920	9.3	5,647,424	450,705	8.0
Residential		4,047,806	3,951,313	96,493	2.4	3,850,037	197,769	5.1
Non-residential		2,050,323	1,629,896	420,427	25.8	1,797,387	252,936	14.1
<b>Deposits</b>								
Deposits	5	6,751,928	6,197,697	554,231	8.9	6,229,172	522,756	8.4
Common funds-Trustee Company		913,209	727,260	185,949	25.6	863,127	50,082	5.8
Total Group deposits & funds mgd		7,665,137	6,924,957	740,180	10.7	7,092,299	572,838	8.1

# BENDIGO BANK

## KEY FINANCIAL INFORMATION - \$'000 for the HALF YEAR ended DECEMBER 31, 2001

	Note	Dec-01	Dec-00	Increase/(Decrease)		Jun-01	Increase/(Decrease)	
				Value	%		Value	%
<b>Productivity</b>								
Net operating expenses	6	102,784	76,169	26,615	34.9	93,688	9,096	9.7
Net operating expenses to								
Net operating income		73.5%	70.7%	2.8%	4.0	73.6%	(0.1%)	(0.1)
Underlying op expenses to	6							
Net operating income		71.9%	69.3%	2.6%	3.8	72.0%	(0.1%)	(0.1)
Net operating expenses to								
Average assets	4	2.8%	2.6%	0.2%	7.7	2.7%	0.1%	3.7
Avg assets-incl Common funds	4	2.5%	2.3%	0.2%	8.7	2.4%	0.1%	4.2
Number of staff (Full-time equiv)		1,562	1,423	139	9.8	1,533	29.0	1.9
Personnel costs to Net	6							
operating income		33.6%	32.9%	0.7%	2.1	29.8%	3.8%	12.8
<b>Bad and Doubtful Debts</b>								
Bad debts expense	1	907	929	(22)	(2.4)	894	13	1.5
Prov'n doubtful debts expense		5,476	4,715	761	16.1	3,722	1,754	47.1
Provision d debts - specific		11,346	7,944	3,402	42.8	9,545	1,801	18.9
Provision d debts - general		23,845	21,073	2,772	13.2	21,789	2,056	9.4
Provision d debts - total		35,191	29,017	6,174	21.3	31,334	3,857	12.3
Provision d debts to Gross Loans		0.58%	0.52%	0.06%	11.5	0.55%	0.03%	5.5
General provision for doubtful debts								
to Risk-weighted assets		0.55%	0.55%	0.00%	0.0	0.55%	0.00%	0.0
<b>Asset Quality</b>								
Non-accrual accounts-	7							
Full-performing		3,632	-	3,632	-	-	3,632	-
Part-performing		9,736	10,940	(1,204)	(11.0)	14,991	(5,255)	(35.1)
Non-performing		23,913	11,534	12,379	107.3	13,283	10,630	80.0
<b>Total non-accrual assets</b>		<b>37,281</b>	<b>22,474</b>	<b>14,807</b>	<b>65.9</b>	<b>28,274</b>	<b>9,007</b>	<b>31.9</b>
Assets acquired through enforcement		-	-	-	-	-	-	-
Restructured loans		-	3,365	(3,365)	-	-	-	-
<b>Total Impaired assets</b>		<b>37,281</b>	<b>25,839</b>	<b>11,442</b>	<b>44.3</b>	<b>28,274</b>	<b>9,007</b>	<b>31.9</b>
Less: Specific provisions		(10,178)	(6,482)	(3,696)	57.0	(8,374)	(1,804)	21.5
<b>Net Impaired assets</b>		<b>27,103</b>	<b>19,357</b>	<b>7,746</b>	<b>40.0</b>	<b>19,900</b>	<b>7,203</b>	<b>36.2</b>
Gross non-accrual to Gross Loans		0.61%	0.40%	0.21%	52.5	0.50%	0.11%	22.0
Gross impaired to Gross Loans		0.61%	0.46%	0.15%	32.6	0.50%	0.11%	22.0
Net Impaired to Gross Loans		0.44%	0.35%	0.09%	25.7	0.35%	0.09%	25.7
<b>Past due 90 days</b>								
Well secured - balance		20,173	14,604	5,569	38.1	27,395	(7,222)	(26.4)
Portfolio facilities - balance		1,751	1,062	689	64.9	1,765	(14)	(0.8)

# BENDIGO BANK

## KEY FINANCIAL INFORMATION - \$'000

for the HALF YEAR ended DECEMBER 31, 2001

<i>Note</i>	Dec-01	Dec-00	Increase/(Decrease)		Jun-01	Increase/(Decrease)		
			Value	%		Value	%	
<b>Assets and Capital</b>								
Group assets	7,520,818	6,888,725	632,093	9.2	6,981,517	539,301	7.7	
Capital adequacy								
Risk-weighted assets	4,346,115	3,866,415	479,700	12.4	3,949,521	396,594	10.0	
Risk-weighted capital adequacy	11.39%	11.36%	0.03%	0.3	10.71%	0.68%	6.3	
- Tier 1	8.83%	8.88%	(0.05%)	(0.6)	8.61%	0.22%	2.6	
- Tier 2	2.56%	2.48%	0.08%	3.2	2.10%	0.46%	21.9	
Net tangible assets per F/P share	\$3.21	\$3.09	\$0.12	3.9	\$3.02	\$0.19	6.3	
Equity	464,857	428,791	36,066	8.4	422,797	42,060	9.9	
<b>Dividends</b>								
Dividend per share - cents	12.0	11.5	0.5	4.3	14.5	(2.5)	(17.2)	
Dividend paid/payable	3 13,806	12,393	1,413	11.4	15,663	(1,857)	(11.9)	



# BENDIGO BANK

## KEY FINANCIAL INFORMATION - \$'000

for the HALF YEAR ended DECEMBER 31, 2001

Notes: 1 The balances of the components of **provision for doubtful debts** are:

	<b>Dec-01</b>	<b>Jun-01</b>	<b>Movement</b>
Specific provisions	11,346	9,545	1,801
General provision	23,845	21,789	2,056
Total balance in provisions for doubtful debts	<u>35,191</u>	<u>31,334</u>	<u>3,857</u>

The movement in provisions comprise:

	<b>Specific</b>	<b>General</b>	<b>Total</b>
Balance at June	9,545	21,789	31,334
Bad and doubtful debts expense to profit and loss	4,327	2,056	6,383
Bad debts written off	(2,526)	-	(2,526)
Balance at December	<u>11,346</u>	<u>23,845</u>	<u>35,191</u>

Total bad debts written off for the period, as shown above, comprises:

Bad debts previously provided for	1,619
Other Bad debts	907
	<u>2,526</u>

2 **Income tax expense** for December 2001 includes abnormal charges of \$0.7 million, which relate to prior years.

3 The **provision for dividend** excludes those shareholders who have elected to take bonus shares in lieu of dividends.

4 Half-year results are annualised by multiplying numerator by 2.  
June profit and loss figures and ratios are for the June half-year, balance sheet items are as at end of June.

**Equity** for use in these ratios is Net assets (Total equity).

5 **Deposits** are as follows:

	<b>Dec-01</b>	<b>%</b>	<b>Jun-01</b>	<b>%</b>	<b>Movement</b>
Retail	6,074,157	90.0	5,504,639	88.4	569,518
Wholesale - domestic	404,127	6.0	450,931	7.2	(46,804)
Wholesale - offshore	273,644	4.0	273,602	4.4	42
Total deposits	<u>6,751,928</u>	<u>100.0</u>	<u>6,229,172</u>	<u>100.0</u>	<u>522,756</u>

6 **Net Operating expenses** are Operating expenses less bad debts written off, net of bad debts recovered and transfer to provision for doubtful debts.

**Underlying Operating expenses** are Net Operating expenses less goodwill amortisation.

**Personnel costs** are Salaries & staff related costs less redundancy costs.

7 **Impaired assets dissection:**

	<b>Dec-01</b>	<b>Jun-01</b>	<b>Movement</b>
Loans acquired through mergers/acquisitions	3,009	3,062	(53)
Bendigo Bank sourced/purchased loans	34,272	25,212	9,060
Total Impaired Assets (gross balance)	<u>37,281</u>	<u>28,274</u>	<u>9,007</u>

**BENDIGO BANK**  
**AVERAGE BALANCE SHEET AND RELATED INTEREST**  
**for the half-year ended December 31, 2001**

	Average Balance \$'000	Interest 6 mths \$'000	Average rate %
<b>Average balances and rates</b> <sup>(1)</sup>			
<b>Interest earning assets</b>			
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>
<b>Non interest earning assets</b>			
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>		
<b>Interest bearing liabilities and equity</b>			
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>
<b>Non interest bearing liabilities and equity</b>			
Other liabilities	69,061		
Shareholders' equity	439,190		
	<u>508,251</u>		
Total liabilities and shareholders' equity	<u>7,227,545</u>		
<b>Interest margin and interest spread</b>			
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 <sup>(2)</sup>		93,489	2.51
Net interest margin <sup>(3)</sup>			2.67

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.

**AVERAGE BALANCE SHEET AND RELATED INTEREST  
for the 6 month period ended 30 June 2001**

	Average Balance \$'000	Interest 6 mths \$'000	Average rate %
<b>Average balances and rates</b> <sup>(1)</sup>			
<b>Interest earning assets</b>			
Cash and liquid assets	156,837	1,466	1.87
Investment securities	936,492	26,912	5.75
Loans and other receivables	5,551,316	207,590	7.48
	<u>6,644,645</u>	<u>235,968</u>	<u>7.10</u>
<b>Non interest earning assets</b>			
Property, plant & equipment	41,702		
Provisions for doubtful debts	(30,684)		
Other assets	<u>204,016</u>		
	<u>215,034</u>		
Total assets (average balance)	<u>6,859,679</u>		
<b>Interest bearing liabilities and equity</b>			
Deposits			
Retail	5,388,658	121,357	4.50
Wholesale - domestic	502,276	15,298	6.09
Wholesale - offshore	326,405	10,147	6.22
Other borrowings			
Subordinated debt	137,071	4,780	6.97
	<u>6,354,410</u>	<u>151,582</u>	<u>4.77</u>
<b>Non interest bearing liabilities and equity</b>			
Other liabilities	73,970		
Shareholders' equity	431,299		
	<u>505,269</u>		
Total liabilities and shareholders' equity	<u>6,859,679</u>		
<b>Interest margin and interest spread</b>			
Interest earning assets	6,644,645	235,968	7.10
Interest bearing liabilities	(6,354,410)	(151,582)	(4.77)
Net interest income and interest spread <sup>(2)</sup>		<u>84,386</u>	<u>2.33</u>
Net interest margin <sup>(3)</sup>			2.54

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

**BENDIGO BANK**  
**AVERAGE BALANCE SHEET AND RELATED INTEREST**  
**for the half-year ended December 31, 2000**

	Average Balance \$'000	Interest 6 mths \$'000	Average rate %
<b>Average balances and rates</b> <sup>(1)</sup>			
<b>Interest earning assets</b>			
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>
<b>Non interest earning assets</b>			
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>		
<b>Interest bearing liabilities and equity</b>			
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>
<b>Non interest bearing liabilities and equity</b>			
Other liabilities	68,132		
Shareholders' equity	352,772		
	<u>420,904</u>		
Total liabilities and shareholders' equity	<u>5,711,198</u>		
<b>Interest margin and interest spread</b>			
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 <sup>(2)</sup>		<u>76,302</u>	2.52
Net interest margin <sup>(3)</sup>			2.76

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 liabilities.

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