

Five Year History

The Bendigo Group

Financial Performance year ended 30 June	2002	2001 ⁽¹⁾	2000 ⁽²⁾	1999 ⁽³⁾	1998
	\$'000	\$'000	\$'000	\$'000	\$'000
Interest revenue	446,954	454,365	296,762	230,224	195,052
Interest expense	254,361	293,677	179,877	137,002	117,008
Net interest margin	192,593	160,688	116,885	93,222	78,044
Significant income items	-	-	-	1,165	-
Other revenue	100,053	76,815	57,945	43,761	32,606
Significant bad & doubtful debts expense	10,444	-	10,500	(5,318)	-
Bad & doubtful debts expense (net of bad debts recovered)	11,603	10,130	7,613	6,452	5,123
Significant expense items	-	5,000	-	-	-
Other operating expenses	206,200	167,371	119,363	100,953	83,461
Profit from ordinary activities before income tax expense	64,399	55,002	37,354	36,061	22,066
Income tax expense	15,700	21,724	16,042	16,359	7,873
Net loss attributable to outside equity interest	85	-	-	-	-
Profit from ordinary activities after income tax expense	48,784	33,278	21,312	19,702	14,193
Financial Position at 30 June					
Total assets	7,967,725	6,981,517	4,913,417	4,204,239	3,170,923
Loans	6,209,513	5,592,146	3,939,894	3,298,802	2,493,406
Liquid assets and cash	1,439,866	1,125,675	801,859	713,997	566,971
Other assets	318,346	263,696	171,664	191,440	110,546
Equity	494,427	422,797	288,357	243,089	149,690
Deposits	6,988,485	6,229,172	4,394,669	3,775,873	2,832,121
Subordinated debt	161,379	135,394	78,121	82,959	106,636
Other liabilities	323,434	194,154	152,270	102,318	82,476
Share Information					
Net tangible assets per share	\$3.38	\$3.02	\$3.00	\$2.85	\$2.61
Earnings per share - cents	41.1	31.5	27.5	32.6	29.1
Earnings per share before significant items - cents	41.1	34.8	36.5	30.7	29.1
Dividends per share:					
Interim - cents	12.0	11.5	10.5	10.5	10.0
Special - cents	-	15.0	-	-	-
Final - cents	17.0	14.5	13.5	12.5	11.5
Total - cents	29.0	41.0	24.0	23.0	21.5
Ratios					
Profit from ordinary activities after tax to average assets	0.65%	0.56%	0.47%	0.53%	0.49%
Profit from ordinary activities after tax to average equity	10.64%	9.36%	8.02%	10.03%	9.83%

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.

Five Year Comparison

The Bendigo Group

		2002	2001 ⁽¹⁾	2000	1999 ⁽²⁾	1998
Key Trading Indicators						
Retail deposits - branch sourced	(\$'000)	5,637,887	4,756,755	2,953,813	2,530,347	1,771,062
Number of depositors' accounts		850,979	720,709	481,153	439,034	374,285
Average balance per account holder	(\$)	6,625	6,600	6,139	5,763	4,732
Total loans approved	(\$'000)	3,637,170	2,494,609	1,854,284	1,613,490	1,052,889
Number of loans approved		47,325	40,614	32,243	27,751	21,155
Liquid assets and cash	(\$'000)	1,439,866	1,125,675	801,859	713,997	566,971
Total assets	(\$'000)	7,967,725	6,981,517	4,913,417	4,204,239	3,170,923
Liquid assets & cash as proportion of total assets	(%)	18.07	16.12	16.32	16.98	17.88
Number of branches ⁽³⁾		215	179	107	91	78
Average deposit holdings per branch	(\$'000)	26,223	26,574	27,606	27,806	22,706
Number of staff (FTE)		1,754 ⁽⁴⁾	1,533 ⁽⁵⁾	1,011 ⁽⁶⁾	847 ⁽⁷⁾	785
Assets per staff member ⁽⁸⁾	(\$'mill)	4.543	4.554	4.860	4.964	4.039
Staff per million dollars of assets ⁽⁸⁾		0.22	0.22	0.21	0.20	0.25
Dissection of Loans by Security ⁽⁹⁾						
	(\$'000)					
Residential loans		4,583,210	4,188,134	2,774,278	2,416,793	1,785,182
Commercial loans		1,239,538	1,041,388	893,760	740,454	637,122
Unsecured loans		403,396	337,130	293,210	142,546	92,635
Other		52,692	81,239	28,663	30,001	17,199
Gross loans		<u>6,278,836</u>	<u>5,647,891</u>	<u>3,989,911</u>	<u>3,329,794</u>	<u>2,532,138</u>
Dissection of Loans by Security (%)						
Residential loans		72.99	74.15	69.53	72.58	70.50
Commercial loans		19.74	18.44	22.40	22.24	25.16
Unsecured loans		6.42	5.97	7.35	4.28	3.66
Other		0.85	1.44	0.72	0.90	0.68
Total		<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

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

3 Includes Community Bank branches.

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

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

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

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

8 These ratios do not take into account off-Statement of Financial Position assets and funds under management, which totalled \$2.4 billion at 30 June 2002. (\$2.0 billion; 2001)

9 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 137th Financial Report of Bendigo Bank Limited and its controlled entities for the year ended 30 June 2002.

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	
William R Beischer ⁽¹⁾	
Jennifer L Dawson	
Donald J Erskine	
William R Lanyon	
Terence J O'Dwyer	
Kevin E Roache	

¹ Mr W.R. Beischer retired from the board on 25 October 2001.

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 \$48.784 million (2001 - \$33.278 million).

Dividends Paid or Recommended

Dividends paid:

Final dividend 2001 of 14.5¢ per share, paid October 2001	\$15.664 million
Interim dividend 2002 of 12.0¢ per share, paid April 2002	\$13.751 million

Dividend recommended:

Final dividend 2002 of 17.0¢ per share, declared by the Directors, payable 31 October 2002	\$19.982 million
All dividends were fully franked.	

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

October 2001	792,882
April 2002	656,218

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

October 2001	168,393
April 2002	131,585

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 \$422.8 million to \$494.4 million, an increase of \$71.6 million or 17 per cent. Contributed capital increased by \$55.7 million, essentially due to \$35.2 million of shares issued under the share purchase plan in December 2001 and \$14.8 million of shares issued under staff share ownership plan.

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.

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:

Richard A Guy OAM (57 years)

B.Appl.Sc. (Melbourne)
M.Sc. (London)
Elected to Board 1982
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

Robert G Hunt AM (51 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
Bendigo Investment Services Ltd
Elders Rural Bank Ltd
Sandhurst Trustees Ltd
Lead On Australia Ltd
Bendigo Community Telco Ltd
Tasmanian Perpetual Trustees Ltd
Victorian Securities Corporation Ltd
Tasmanian Banking Services Ltd
Community Telco Australia Ltd
Community Sector Enterprises Ltd
Community Sector Financial Services Pty Ltd
Councillor of Australian Bankers' Association

Special Responsibilities:

Managing Director
Ex-officio member on all Committees

Jennifer L Dawson (37 years)

B.Bus
Chartered Accountant
Certified Information Systems Auditor
MAICD
Elected to Board 1999

Previous appointments:

Manager, Special Projects-Managing Director's Office
(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 Financial Services Pty Ltd
Coliban Region Water Authority
Consumer Utilities Advocacy Centre Ltd
Chair, Loddon Mallee Women's Health

Special Responsibilities:

Audit Committee
Credit Committee

Robert N Johanson (51 years)

B.A., LL.M. (Melbourne)
M.B.A. (Harvard)
Elected to Board 1988

Current appointment:

Director, Grant Samuel Group

Other directorships and appointments:

Elders Rural Bank Ltd
Sunstate Lenders Mortgage Insurance Pty Ltd
Community Telco Australia Ltd

Special Responsibilities:

Deputy Chairman of Directors
Chairman, Risk Committee
Board Governance Committee

Neal J Axelby (52 years)

A.C.I.S.
Dip. CM
F.A.I.C.D.
A.I.M.M.
A.I.F.S.

Appointed to Board 2000

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

Special Responsibilities:

Credit Committee
Board Governance Committee

Donald J Erskine (56 years)

Elected to Board 1999

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
Risk Committee

William R Lanyon (64 years)

Media executive
Elected to Board 1987

Previous appointment:

Director, Sunraysia Building Society

Current appointment:

Managing Director, Elliott Newspaper Group

Other directorships and appointments:

Vicpress Ltd

Special Responsibilities:

Chairman, Audit Committee
Board Governance Committee
Marketing Consultative Committee

Information on Directors (continued)

Kevin E Roache (62 years)

LL.B, B.Com.
A.S.C.P.A.
Barrister and Solicitor
of the Supreme Court of Victoria
Elected to Board 1992

Previous appointments:

Chairman, Capital Building Society

Current appointments:

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

Special Responsibilities:

Chairman, Credit Committee
Risk Committee

Terence J O'Dwyer (52 years)

B.Com (Queensland)
Dip.Adv.Acc
F.C.A.
F.A.I.M.
F.A.I.C.D.
Appointed to Board 2000

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
Breakfree Ltd
Chairman, Queensland Regional Council Institute of
Chartered Accountants in Australia

Special Responsibilities:

Audit Committee
Risk Committee

Directors' and other Officers' Emoluments

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

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.

Executive officers' performance is assessed against the achievement of individual performance objectives and Group performance for the year.

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

Non Executive Directors:

R A Guy OAM (1)
R N Johanson
N J Axelby
W R Beischer (2)
J L Dawson
D J Erskine
W R Lanyon
T J O'Dwyer
K E Roache

Base Emolument \$	Committee Fees (3) \$	Bonus (at risk) \$	Other (4) \$	Superannuation Contributions (5) \$	Total Compensation \$
110,000	-	-	-	8,800	118,800
55,000	-	-	-	4,400	59,400
55,000	2,500	-	-	4,600	62,100
16,923	-	-	-	1,354	18,277
55,000	2,500	-	-	4,554	62,054
55,000	2,500	-	-	4,600	62,100
55,000	-	-	-	4,400	59,400
55,000	-	-	-	4,400	59,400
55,000	3,500	-	-	4,680	63,180

Executive Director:

R.G. Hunt AM (Managing Director)

Base Salary	Committee Fees (3)	Bonus (at risk)	Other (4)	Superannuation (5)	Total
388,367	-	75,000	63,066	50,895	577,328

(1) Base emolument includes Chairman's allowance of \$55,000.

(2) Mr W.R. Beischer retired from the Board on 25 October 2001. Mr Beischer received a retirement benefit totalling \$142,466 .
The payment was made in accordance with the terms of the Company's retirement benefit policy.

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

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

(5) Represents Company contributions to superannuation.

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 of the Company and the consolidated entity.

	Annual Emoluments			Long Term Emoluments	
	Base Salary	Bonus (at risk)	Other (1)	Super-annuation (2)	Total
	\$	\$	\$	\$	\$
I G Mansbridge (3)	213,132	42,560	22,462	18,112	296,266
G D Gillett	218,031	45,000	31,969	23,533	318,533
J Goddard	191,112	20,000	36,965	20,061	268,138
V M Kelly	182,455	40,000	49,042	22,034	293,531
K C Langford	209,221	43,000	35,779	22,963	310,963

(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.

(3) For the half-year ended 31 December 2001, Mr I G Mansbridge was seconded to the Elders joint venture project, announced during August 1998, as Managing Director of Elders Rural Bank Limited (the joint venture entity). The annual and long term emoluments paid by Bendigo Bank for the 6 months in respect to Mr Mansbridge were fully reimbursed by Elders Rural Bank Limited.

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 2002 and the numbers of meetings attended by each Director were:

Board of Directors Meetings	Meetings of Committees													
	Audit		Credit		Risk		Staff (1)		Due Diligence (1)		Board Governance			
	A	B	A	B	A	B	A	B	A	B	A	B		
Numbers of meetings held:	15		8		12		6		2		2		1	
Attended by:														
R A Guy OAM	15	14	8	7					2	2			1	1
R N Johanson	15	13			6	6			2	2	1	1	1	1
R G Hunt AM (2)	15	15	8	8	12	12	6	6	2	2	2	2	1	1
N J Axelby	15	14			12	10			2	2			1	-
W R Beischer (3)	5	4							2	2	1	1		
J L Dawson	15	15	8	8	12	12					2	2		
D J Erskine	15	15			12	12	6	6						
W R Lanyon	15	13	8	8					2	2			1	1
T J O'Dwyer	15	15	8	7			6	6						
K E Roache	15	15			12	11	6	6						

(1) During the year, the Board restructured its committee responsibilities. This involved termination of the Due Diligence and Staff committees. Relevant responsibilities were incorporated into the charters of other Board committees.

A eligible to attend

B attended

(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. Beischer retired from the board on 25 October 2001.

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	Capital Notes
R A Guy OAM	250,681	-
R N Johanson	154,114	13,873
R G Hunt AM (1)	408,101	-
N J Axelby	26,245	-
J L Dawson	10,723	-
D J Erskine	76,740	-
W R Lanyon	29,988	1,624
T J O'Dwyer	37,800	-
K E Roache	30,762	658

¹ Includes 340,000 shares issued to Mr R G Hunt under the Bendigo Employee Share Plan. During the year Mr R G Hunt AM was issued 200,000 shares at \$5.61 under the terms of the Bendigo Employee Share Plan as approved by shareholders at the 2001 Annual General Meeting.

Share Issues

The following share classes were issued during the financial year :

Description	No. of Shares
Ordinary shares issued under the Dividend Reinvestment Plan	1,449,100
Bonus shares issued in lieu of dividends under the Bonus Share Scheme	299,978
Other issues of ordinary shares,	
Notes converted	817,162
Share Purchase Plan	5,974,646
Employee shares issued under Bendigo Employee Share Ownership Plan (1)	2,129,760
Total shares issued	<u>10,670,646</u>

¹ Details of shares issued under the Employee Share Ownership Plan are disclosed in Note 31.

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.

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 3rd day of September 2002

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2002

	Note	Consolidated		Bendigo Bank	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
Revenue from ordinary activities					
Net interest revenue					
Interest revenue	2	446,954	454,365	424,315	367,434
Interest expense	2	254,361	293,677	243,530	242,205
Net interest revenue		192,593	160,688	180,785	125,229
Other revenue from ordinary activities					
Share of associates' net profits (losses) accounted for using the equity method	2	11,076	7,693	-	-
Dividends	2	134	126	28,096	17,652
Fees	2	67,437	53,485	51,146	29,710
Commissions	2	16,405	11,720	3,461	2,315
Other operating revenue	2	5,001	3,791	8,511	10,239
Total revenue from ordinary activities after interest expense		292,646	237,503	271,999	185,145
Expenses from ordinary activities					
Bad and doubtful debts	2	11,603	10,130	10,910	9,264
Significant items bad and doubtful debts	3	10,444	-	17,239	-
Total bad and doubtful debts	2	22,047	10,130	28,149	9,264
Other expenses from ordinary activities					
Borrowing costs	2	505	592	479	565
Staff and related costs	2	95,345	73,709	84,530	55,424
Occupancy costs	2	13,490	10,372	12,969	7,337
Amortisation of goodwill	2	4,428	3,662	592	592
Property, plant & equipment costs	2	8,498	6,760	6,643	5,341
Fees and commissions	2	11,446	9,311	9,212	6,111
Administration expenses	2	69,448	58,625	63,871	45,729
Significant items	3	-	5,000	-	5,000
Other operating expenses	2	3,040	4,340	5,115	3,993
Total expenses from other ordinary activities		206,200	172,371	183,411	130,092
Profit from ordinary activities before income tax expense		64,399	55,002	60,439	45,789
Income tax expense relating to ordinary activities	6	26,144	23,224	19,930	14,800
Significant items income tax expense	3	(10,444)	(1,500)	(12,483)	(1,500)
Net profit		48,699	33,278	52,992	32,489
Net loss attributable to outside equity interest	30	85	-	-	-
Net profit attributable to members of Bendigo Bank Limited		48,784	33,278	52,992	32,489
Net increase/(decrease) in asset revaluation reserve	29	934	12	158	-
Total changes in Equity other than those resulting from transactions with owners as owners		49,718	33,290	53,150	32,489
Basic earnings per share (cents per share)					
Basic earnings per share (cents per share)	11	41.1¢	31.5¢		
Diluted earnings per share (cents per share)					
Diluted earnings per share (cents per share)	11	41.1¢	31.5¢		
Franked dividends per share (cents per share)					
Franked dividends per share (cents per share)	10	29.0¢	41.0¢		

STATEMENT OF FINANCIAL POSITION

as at 30 June 2002

	Note	Consolidated		Bendigo Bank	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
Assets					
Cash and liquid assets	13	147,236	187,727	136,361	281,020
Due from other financial institutions	13	207,369	141,677	206,361	141,437
Investment securities	14	1,085,261	796,271	1,066,291	640,809
Current tax assets	6	-	4,685	-	4,605
Loans and other receivables	15	6,209,513	5,592,146	6,045,003	4,400,602
Amounts receivable from controlled entities		-	-	-	16,027
Shares - controlled entities	17	-	-	237,761	237,176
Shares - other	18	7,568	5,608	78,583	65,931
Investments accounted for using the equity method	19	71,945	61,252	-	-
Other investments	20	-	143	-	-
Property, plant & equipment	21	49,007	42,399	27,623	23,282
Deferred tax assets	6	22,626	13,546	23,579	9,399
Intangibles	22	72,182	75,551	3,399	3,992
Other assets	23	95,018	60,512	74,259	40,906
Total Assets		7,967,725	6,981,517	7,899,220	5,865,186
Liabilities					
Due to other financial institutions	13	211,954	106,210	211,954	106,210
Deposits	24	6,988,485	6,229,172	6,869,492	5,151,254
Payables	25	64,198	46,161	55,686	37,232
Amounts payable to controlled entities		-	-	58,628	-
Current tax liabilities	6	4,560	-	6,251	-
Provision - dividend		20,043	15,742	20,043	15,742
Other provisions	26	18,532	21,456	17,110	14,782
Subordinated debt	27	161,379	135,394	161,379	115,223
Deferred tax liabilities	6	4,147	4,585	3,865	5,044
Total Liabilities		7,473,298	6,558,720	7,404,408	5,445,487
Net Assets		494,427	422,797	494,812	419,699
Equity					
Parent entity interest					
Contributed equity	28	448,170	392,507	448,170	392,507
Reserves	29	18,039	17,014	15,666	15,508
Retained profits	29	28,295	13,276	30,976	11,684
Total parent entity interest in equity		494,504	422,797	494,812	419,699
Total outside equity interest	30	(77)	-	-	-
Total Equity		494,427	422,797	494,812	419,699

STATEMENT OF CASH FLOWS

for the year ended 30 June 2002

	Note	Consolidated		Bendigo Bank	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest and other items of a similar nature received		452,170	454,922	431,169	366,685
Borrowing costs paid		(276,154)	(288,164)	(252,192)	(239,189)
Receipts from customers (excluding interest)		86,269	71,073	56,339	37,176
Payments to suppliers		(223,823)	(168,327)	(201,637)	(117,539)
Dividends received		7,531	4,294	24,417	14,126
Income taxes paid		(12,958)	(30,276)	(8,611)	(20,249)
Net cash flows from operating activities	12	33,035	43,522	49,485	41,010
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash flows for purchases of property, plant and equipment		(16,749)	(9,831)	(12,070)	(9,986)
Cash proceeds from sale of property, plant and equipment		687	2,315	298	505
Cash paid for purchases of equity investments		(12,854)	(7,551)	(12,620)	(30,295)
Cash proceeds from sale of equity investments		500	-	-	-
Net increase in balance of loans outstanding		(605,133)	(330,745)	(1,558,468)	(560,523)
Net increase of investment securities		(288,990)	(10,795)	(425,482)	(69,476)
Net cash (paid)/acquired on acquisition of subsidiary	12	900	30,696	(1,000)	(210)
Net cash flows used in investing activities		(921,639)	(325,911)	(2,009,342)	(669,985)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment for share buy-back		(6,528)	(5,702)	(6,528)	(5,702)
Proceeds from shares issued		35,075	16,405	35,075	8,241
Net increase in balance of retail deposits		877,604	671,378	1,809,838	835,101
Net increase/(decrease) in balance of wholesale deposits		(108,869)	(288,454)	(95,385)	(10,531)
Net increase in balance of subordinated debt		31,622	35,808	51,793	41,050
Dividends paid		(20,843)	(39,132)	(20,415)	(36,333)
Net cash flows from financing activities		808,061	390,303	1,774,378	831,826
Net increase/(decrease) in cash held		(80,543)	107,914	(185,479)	202,851
Cash at the beginning of the financial year		223,194	115,280	316,247	113,396
Less cash at the end of the financial year	13	142,651	223,194	130,768	316,247
		(80,543)	107,914	(185,479)	202,851

Notes to and Forming Part of the Financial Statements

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a 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.

b 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.

c 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.

d Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year, except for the policy with respect to the tax treatment of general provision for doubtful debts.

Previously, any movement in the general provision for doubtful debts was treated as a permanent difference in the income tax entries and was adjusted against income tax expense. From the current year, any movement in the general provision will be treated as a timing difference in the income tax entries and therefore result in the creation of a future income tax benefit. This change in accounting policy is being made to adopt generally accepted banking industry practice. A one off adjustment has been made in the current financial year to reflect this change in accounting policy and increase the general provision for doubtful debts by an equal amount. The adjustments have the effect of reducing pre-tax profit and reducing income tax expense by \$10,443,537. There is no effect on after-tax profit. The adjustments for the current period are disclosed in the Statement of Financial Performance significant items.

e 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.

f 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.

g Securities

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.

h 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 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:

<i>Entity acquired</i>	<i>Years</i>
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

Patents and Licences

Patents and licences are carried at cost and amortised on a straight line basis over their useful lives.

i Property Plant and Equipment

Cost and Valuations

Property, plant and equipment are brought to account at cost or at directors' valuation, 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. All other items of property, plant and equipment are 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:

<i>Asset category</i>	<i>Years</i>
Freehold buildings	40
Leasehold improvements	3
Office furniture & equipment	5
Computer hardware	3
Computer software	2.5
Motor vehicles	5

j 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.

k 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. The balance is reviewed annually to determine the amount, if any, that should no longer be carried forward.

l 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.

m 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. 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 35.

n 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 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, where provisions are calculated as follows:

- (a) accounts in default without payment for 90 to 180 days - 25% of account balance is provided
- (b) accounts in default without payment for 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 0.5% of Risk Weighted Assets.

o 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.

p 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.

q 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.

r 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.

s 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.

t 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.

u 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. In addition the Group is entitled to residual income from the program, comprising mortgage loan interest less interest due to investors and other expenses of the securitisation program. The timing and amount of these residual income receipts cannot be reliably measured because of the significant uncertainties inherent in estimating future movements in the repayment rates on the underlying mortgage loans and the interest margins. Consequently, the residual income receivable is not recognised as an asset and no gain is recognised on the transfer of the loans. The residual income is therefore being recognised when receivable.

v 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.

w Comparative Figures

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

x 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 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(h).

	Consolidated		Bendigo Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
2 PROFIT FROM ORDINARY ACTIVITIES				
Profit from ordinary activities before income tax expense has been determined as follows:				
Interest revenue				
Controlled entities				
Cash and liquid assets	-	-	3,360	6,372
Investment securities	-	-	1,400	1,125
Other persons/entities				
Cash and liquid assets	1,360	2,028	1,330	1,556
Investment securities	47,821	54,138	43,500	43,365
Loans and other receivables	397,773	398,199	374,725	315,016
Total interest revenue	446,954	454,365	424,315	367,434
Interest expense				
Controlled entities				
Retail deposits	-	-	1,579	1,047
Wholesale - domestic	-	-	3,360	6,372
Other persons/entities				
Deposits				
Retail	209,644	230,328	196,499	183,493
Wholesale - domestic	21,193	34,336	18,789	23,648
Wholesale - offshore	14,095	19,498	14,095	19,498
Other borrowings				
Subordinated debt	9,429	9,515	9,208	8,147
Total interest expense	254,361	293,677	243,530	242,205
Net interest revenue	192,593	160,688	180,785	125,229
Share of associates' net profits (losses) accounted for using the equity method	11,076	7,693	-	-
Other revenue from ordinary activities				
Dividends				
Controlled entities	-	-	16,896	9,847
Associates	-	-	11,076	7,693
Other	127	121	117	107
Distribution from unit trusts	7	5	7	5
	134	126	28,096	17,652
Fees				
Assets	6,888	5,688	5,902	4,079
Liabilities	13,375	9,905	12,575	7,085
Trustee, management & other services	19,555	13,768	7,535	1,012
Other	27,619	24,124	25,134	17,534
	67,437	53,485	51,146	29,710
Commissions				
Insurance	3,434	2,690	2,952	1,817
Other	12,971	9,030	509	498
	16,405	11,720	3,461	2,315
Other revenue				
Income from property	1,049	921	608	142
Proceeds from disposal of property, plant & equipment	541	609	298	391
Proceeds from sale of other investments	146	1,430	-	-
Net foreign exchange gain/(loss)	2,712	1,029	2,712	1,002
Increments arising from the revaluation of investments	-	84	-	-
Other	553	(282)	4,893	8,704
	5,001	3,791	8,511	10,239
Total other revenue from ordinary activities	100,053	76,815	91,214	59,916
Total revenue from ordinary activities after interest expense	292,646	237,503	271,999	185,145

	Consolidated		Bendigo Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
2 PROFIT FROM ORDINARY ACTIVITIES (continued)				
Expenses from ordinary activities				
Bad and doubtful debts				
Specific provisions	6,633	6,684	6,563	6,700
General provisions	3,455	1,753	2,940	1,068
Bad debts written off	1,697	1,823	1,585	1,569
Bad debts recovered	(182)	(130)	(178)	(73)
Significant bad and doubtful debts	10,444	-	17,239	-
Total bad and doubtful debts	22,047	10,130	28,149	9,264
Borrowing costs	505	592	479	565
Other expenses from ordinary activities				
Staff and related costs				
Salaries and wages	75,212	55,321	64,797	43,650
Superannuation contributions	8,165	6,004	7,215	4,757
Provision for annual leave	369	1,856	1,300	(192)
Provision for long service leave	855	1,073	1,532	331
Other provisions	1,439	202	1,397	164
Payroll tax	2,929	3,668	2,524	2,849
Fringe benefits tax	1,570	1,589	1,340	1,090
Other	4,806	3,996	4,425	2,775
	95,345	73,709	84,530	55,424
Occupancy costs				
Operating lease rentals	9,766	7,928	9,850	5,715
Depreciation of buildings	370	311	108	108
Amortisation of leasehold improvements	1,143	509	1,136	508
Property rates	505	373	385	167
Land tax	212	296	117	93
Repairs and maintenance	695	613	587	415
Other	799	342	786	331
	13,490	10,372	12,969	7,337
Amortisation of goodwill	4,428	3,662	592	592
Property, plant & equipment costs				
Depreciation of property, plant & equipment	8,039	6,280	6,363	5,004
Value of property, plant & equipment sold	454	435	280	334
Loss on sale of property, plant & equipment	5	45	-	3
	8,498	6,760	6,643	5,341
Fees and commissions	11,446	9,311	9,212	6,111
Administration expenses				
Communications, postage and stationery	16,758	11,698	15,414	9,497
Computer systems and software costs	17,123	12,964	16,256	11,478
Advertising & promotion	6,908	6,763	6,360	4,930
Other product & services delivery costs	9,605	8,994	9,499	6,188
General administration expenses	19,054	18,206	16,342	13,636
	69,448	58,625	63,871	45,729
Significant items - provision for legal claims	-	5,000	-	5,000
Other expenses				
Decrements arising from the revaluation of investments	144	-	723	137
Value of other investments sold	143	1,996	-	-
Provision for directors' retirement allowance	187	135	129	79
Other	2,566	2,209	4,263	3,777
	3,040	4,340	5,115	3,993
Total expenses from ordinary activities	228,247	182,501	211,560	139,356
Profit from ordinary activities before income tax expense	64,399	55,002	60,439	45,789

3 SIGNIFICANT 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:

Provision for legal claims where recovery of professional indemnity insurance from insurers is doubtful	-	5,000	-	5,000
Increase in general provision relating to accounting policy changes and provision for inter-company loans write-down (bank only)	10,444	-	17,239	-
Significant items before income tax	10,444	5,000	17,239	5,000
Income tax benefit applicable to significant items	10,444	1,500	12,483	1,500
Significant items after income tax	-	3,500	4,756	3,500

	Consolidated		Bendigo Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
4 UNDERLYING PROFIT				
<i>Underlying profit shows the growth in the core business of the economic entity</i>				
Underlying profit	90,959	73,794	89,180	60,645
Less,				
Amortisation of goodwill	4,428	3,662	592	592
Bad and doubtful debts expense (net of bad debts recovered)	11,603	10,130	10,910	9,264
Significant items (Note 3)	10,444	5,000	17,239	5,000
Income tax expense (Note 6)	26,144	23,224	19,930	14,800
Significant item - income tax expense (Note 3)	(10,444)	(1,500)	(12,483)	(1,500)
Profit from ordinary activities after income tax expense	48,784	33,278	52,992	32,489

	Average	Interest	Average
	Balance	2002	Rate
	\$'000	\$'000	%

5 AVERAGE BALANCE SHEET AND RELATED INTEREST

Average balances and rates ⁽¹⁾

Interest earning assets

Cash and liquid assets	151,760	1,360	0.90
Investment securities	969,277	47,821	4.93
Loans and other receivables	6,063,897	397,773	6.56
	7,184,934	446,954	6.22

Non interest earning assets

Property, plant & equipment	45,457		
Provisions for doubtful debts	(35,068)		
Other assets	209,843		
	220,232		

Total assets (average balance)

7,405,166

Interest bearing liabilities and equity

Deposits

Retail	5,997,764	209,644	3.50
Wholesale - domestic	453,387	21,193	4.67
Wholesale - offshore	275,288	14,095	5.12

Other borrowings

Subordinated debt	147,570	9,429	6.39
	6,874,009	254,361	3.70

Non interest bearing liabilities and equity

Other liabilities	73,391		
Equity	457,766		
	531,157		

Total liabilities and equity

7,405,166

Interest margin and interest spread

Interest earning assets	7,184,934	446,954	6.22
Interest bearing liabilities	(6,874,009)	(254,361)	(3.70)
Net interest income and interest spread ⁽²⁾		192,593	2.52
Net interest margin ⁽³⁾			2.68

¹ Average balance is based on monthly closing balances from 30 June 2001 through 30 June 2002 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	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'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¢ (2001 - 34¢)	19,319	18,700	18,131	15,568
Permanent differences:				
Add tax effect of,				
depreciation of buildings	111	106	33	37
amortisation of goodwill	1,328	1,245	178	201
amortisation of leasehold improvements	343	173	341	173
write down of investment	43	(46)	217	47
increase in general provision	4,015	363	4,015	363
under provision for tax in prior years	145	574	-	-
tax losses carried forward	92	-	-	-
change of tax rate on future tax provisions	-	(777)	-	(503)
Other items	1,127	1,647	349	1,362
	<u>7,204</u>	<u>3,285</u>	<u>5,133</u>	<u>1,680</u>
Less tax effect of,				
rebateable dividends received	22	41	5,104	3,384
capital gains not subject to tax	2	31	2	-
FITB on general provision - change in treatment	10,444	-	10,444	-
capital cost write-off of a building	112	81	29	28
over provision of tax in prior years	28	62	10	54
Tax losses transferred from controlled entities	-	-	228	482
Other items	215	46	-	-
	<u>10,823</u>	<u>261</u>	<u>15,817</u>	<u>3,948</u>
Income tax expense attributable to:				
Profit from ordinary activities before income tax	15,700	21,724	7,447	13,300
The income tax expense comprises amounts set aside as:				
Provision attributable to current year, being				
income tax payable on profit from ordinary activities	22,310	12,711	22,817	10,896
income tax payable by associates	3,522	2,676	-	-
under (over) provision in prior years	117	516	(10)	(53)
tax losses carried forward	(92)	-	-	-
Provision attributable to future years, being				
future income tax benefit	9,771	(4,712)	14,181	(323)
provision for deferred tax	(570)	1,109	(1,179)	2,134
	<u>15,700</u>	<u>21,724</u>	<u>7,447</u>	<u>13,300</u>
Deferred tax assets and liabilities				
Current tax payable	4,560	-	6,251	-
Current tax refundable	-	4,685	-	4,605
Provision for deferred income tax	4,147	4,585	3,865	5,044
Future income tax benefit	22,626	13,546	23,579	9,399

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

Consolidated	
2002	2001
\$'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	9.28%	8.61%
Tier 2	2.41%	2.10%
Total capital ratio	<u>11.69%</u>	<u>10.71%</u>

Qualifying Capital

Tier 1

Contributed capital	448,170	392,507
General reserve	13,292	13,425
Retained profits	32,797	17,761
Asset realisation reserve	993	993
Capital profits reserve	212	231
	<u>495,464</u>	<u>424,917</u>
Less,		
Intangible assets	63,414	75,551
Net future income tax benefit	8,330	8,961
Other	4,188	302
Total Tier 1 capital	<u>419,532</u>	<u>340,103</u>

Tier 2

General provision for doubtful debts	24,982	21,789
Unsecured subordinated perpetual convertible capital notes	18,023	21,374
Subordinated capital notes	143,356	104,021
Asset revaluation reserve		
Property	2,489	1,555
Shares	309	364
	<u>189,159</u>	<u>149,103</u>
Less,		
Subsidiary investment residual	8,256	7,851
Total Tier 2 capital	<u>180,903</u>	<u>141,252</u>
Less,		
Holdings of other banks' capital instruments	<u>72,225</u>	<u>58,441</u>
Total qualifying capital	<u>528,210</u>	<u>422,914</u>

	Gross	Risk	Risk Weighted	
	Assets	Weight	2002	2001
	\$'000	%	\$'000	\$'000
7 CAPITAL ADEQUACY (continued)				
Risk Weighted Assets				
<i>On-statement of financial position assets</i>				
Notes & coin/claims on government	363,969	0	-	-
Loans secured by cash	6,992	0	-	-
Claims on local governments	7,557	20	1,511	206
Claims on banks	1,050,283	20	210,057	166,609
Qualifying mortgages (housing loans)	4,383,466	50	2,191,733	2,039,408
Other loans	1,847,098	100	1,847,098	1,526,502
Other assets	120,450	100	120,450	93,506
Total on-statement of financial position assets	7,779,815		4,370,849	3,826,231

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	2002	2001
	\$'000	Amount	%	\$'000	\$'000
<i>Off-statement of financial position exposures</i>					
Direct credit substitutes					
Secured by cash	7,712	7,712	0	-	-
Secured by residential mortgages	19,281	19,281	50	9,641	1,158
Unsecured guarantees	5,142	5,142	100	5,142	618
Trade and performance related items					
Documentary letters of credit	3,994	799	20	160	119
Performance related contingencies	10,136	5,068	100	5,068	14,016
Loans approved not advanced					
Qualifying mortgages	107,057	107,057	50	53,529	56,292
Other loans(LVR > 80%)	70,009	70,009	100	70,009	46,399
Forward foreign exchange contracts					
Maturity 14 days < 1 year	142,730	4,826	20	965	17
Interest rate swaps (current exposure method)					
Exposure to loss	-	-	20	-	940
Under one year to maturity	486,296	124	20	25	-
Over one year	1,751,526	12,070	20	2,414	991
Interest rate options purchased (current exposure method)					
Exposure to loss	-	-	20	-	5
Under one year to maturity	500,000	-	20	-	-
Over one year	-	-	20	-	-
Cross currency swaps (current exposure method)					
Under one year to maturity	177,380	1,778	20	356	-
Over one year	88,690	4,435	20	887	2,734
Total off-statement of financial position exposure				148,196	123,289

	Capital	Conversion	Risk Weighted	
	Allocation	Factor	2002	2001
	\$'000	%	\$'000	\$'000
Capital for market risk	2	10	-	-
Total risk weighted assets			4,519,045	3,949,520

	Consolidated		Bendigo Bank	
	2002	2001	2002	2001
	\$	\$	\$	\$

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

1,508,539	1,232,015	-	-
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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

-	-	1,284,505	1,080,382
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Number of chief entity directors whose income from the chief entity and any related parties fell within the following bands:

\$	\$	No.	No.
30,000 - 39,999		-	2
50,000 - 59,999		3	5
60,000 - 69,999		4	-
100,000 - 109,999		-	1
110,000 - 119,999		1	-
150,000 - 159,999		-	1
160,000 - 169,999		1	-
480,000 - 489,999		-	1
570,000 - 579,999		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

7,406,401	4,772,288	-	-
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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

-	-	7,168,215	4,114,473
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Number of executive officers whose income fell within the following bands:

\$	\$	No.	No.	No.	No.
100,000 - 109,999		5	6	5	5
110,000 - 119,999		7	6	7	5
120,000 - 129,999		5	7	5	7
130,000 - 139,999		4	1	4	1
140,000 - 149,999		4	2	4	2
150,000 - 159,999		-	1	-	-
160,000 - 169,999		3	1	3	1
170,000 - 179,999		3	-	3	-
180,000 - 189,999		2	-	2	-
190,000 - 199,999		1	-	1	-
200,000 - 209,999		1	-	1	-
230,000 - 239,999		2	-	1	-
260,000 - 269,999		1	1	1	1
270,000 - 279,999		-	3	-	3
280,000 - 289,999		-	1	-	1
290,000 - 299,999		2	-	2	-
310,000 - 319,999		2	-	2	-
480,000 - 489,999		-	1	-	1
570,000 - 579,999		1	-	1	-

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

Superannuation contributions

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

Managing director

50,895	48,500	50,895	48,500
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Non-executive directors

58,198	51,394	41,788	39,630
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<u>109,093</u>	<u>99,894</u>	<u>92,683</u>	<u>88,130</u>
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	Consolidated		Bendigo Bank	
	2002	2001	2002	2001
	\$	\$	\$	\$
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	501,000	550,000	455,000	412,000
-taxation services in relation to the chief entity and any other entity in the economic entity	247,353	488,495	202,220	474,287
-other services in relation to the chief entity and any other entity in the economic entity	211,835	1,470,892	73,450	1,468,220

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	20,226	-	5,578	-
-other services in relation to the chief entity and any other entity in the economic entity	72,978	-	39,383	-

\$'000 \$'000 \$'000 \$'000

10 DIVIDENDS

Dividends paid or provided for on ordinary shares

Dividends proposed

Final dividend (17.0 cents per share) (2001: 14.5 cents per share)	19,982	15,697	19,982	15,697
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Dividends paid during the year

current year

Interim dividend (12.0 cents per share) (2001: 11.5 cents per share)	13,751	12,387	13,751	12,387
Special dividend (Nil) (2001: 15.0 cents per share)	-	17,184	-	17,184
Dividend - Bendigo Investment Services Ltd	428	-	-	-

previous year

Final dividend (14.5 cents per share)	15,664	14,158	15,664	14,158
Dividend - Nil (2001 - First Australian Building Society, paid October 2000) (1)	-	2,799	-	-

(1) Being dividend of 5.0¢ per share provided by First Australian Building Society prior to acquisition.

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 2002.

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.

27,815	11,078	24,394	(8,741)
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The tax rate at which dividends have been franked is 30% (2001: 34%)

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	20,843	39,132	20,415	36,333
Satisfied by issue of shares	8,984	7,376	8,984	7,376
Increase in residuals carried forward	16	20	16	20

29,843	46,528	29,415	43,729
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11 EARNINGS PER SHARE

Share ratios

Basic earnings per share	41.1¢	31.5¢
Diluted earnings per share	41.1¢	31.5¢

Income

Net profit	48,699	33,278
Net loss attributable to outside equity interest	85	-
Earnings used in calculating basic earnings per share	48,784	33,278
Earnings effect of dilutive securities	-	-
Earnings used in calculating diluted earnings per share	48,784	33,278

Number of Shares

Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	118,705,807	105,536,570
Effect of dilutive securities	-	-
Adjusted weighted average number of ordinary shares used in calculation of diluted earnings per share	118,705,807	105,536,570

Conversions, calls, subscription or issues after 30 June 2002

There have been no conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

	Consolidated		Bendigo Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
12 CASH FLOW INFORMATION				
Reconciliation of cash flow from operations with operating profit after income tax				
Profit from ordinary activities after tax	48,699	33,278	52,992	32,489
Non-cash items				
Doubtful debts expense	10,089	8,437	9,503	7,768
Amortisation	4,406	3,662	592	592
Depreciation	9,556	7,144	7,607	5,623
Revaluation (increments)	(2,020)	(760)	(1,339)	(488)
Share of associates' net (profits)/Dividends receivable	(11,074)	(7,693)	(11,074)	(7,693)
Dividends received from associates	7,397	4,168	7,397	4,168
Profits on sale of investment securities	-	1	-	-
Profits on disposal of property, plant and equipment	(11)	442	(18)	(57)
Changes in assets and liabilities				
Increase/(decrease) in tax provision	12,328	(12,156)	14,195	(9,406)
Increase/(decrease) in deferred income tax liability	(9,586)	3,604	(15,359)	2,457
Increase/(decrease) in accrued interest	(16,543)	6,079	(1,796)	2,276
Increase in accrued employees entitlements	4,426	984	6,716	1,283
Increase/(decrease) in other accruals and provisions	(24,632)	(3,668)	(19,931)	1,998
Net cash flows from/(used in) operating activities	33,035	43,522	49,485	41,010
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 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			
Acquisition of business				
On 1 April 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 (BIS). (2001: First Australian Building Society Limited (FABS))				
The components of the acquisition cost were:				
Fair value of identifiable net assets acquired				
Cash and liquid assets at call	1,900	30,905		
Due from other banks	-	1		
Other liquid investments	-	194,369		
Loans and other receivables	-	1,329,861		
Amounts receivable from controlled entities	-	6,650		
Shares - controlled entities	-	2,604		
Shares - other entities	-	858		
Other investments	-	1,247		
Property, plant & equipment	45	7,063		
Other assets	505	11,182		
Deposits	-	(1,435,318)		
Payables	(517)	(5,172)		
Provision - dividend	(428)	(2,799)		
Current tax liabilities	(346)	(1,924)		
Other provisions	(159)	(20,969)		
Subordinated debt	-	(25,242)		
	1,000	93,316		
Goodwill arising on acquisition	-	41,823		
Amount paid on acquisition	1,000	135,139		
Consideration paid				
2001: 27,993,533 Bendigo Bank Limited ordinary shares at \$4.82 each	-	(134,929)	-	-
Cash consideration	(1,000)	(210)	(1,000)	(210)
Total consideration	(1,000)	(135,139)	(1,000)	(210)
Net cash consideration				
Cash consideration	(1,000)	(210)	(1,000)	(210)
Net cash balance acquired	1,900	30,906	-	-
Net cash (paid) received on purchase of controlled entity	900	30,696	(1,000)	(210)

	Consolidated		Bendigo Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
13 CASH AND LIQUID ASSETS				
Notes, coin and cash at bank	143,340	180,554	134,235	134,316
Investments at call	3,896	7,173	2,126	146,704
	<u>147,236</u>	<u>187,727</u>	<u>136,361</u>	<u>281,020</u>
Reconciliation of cash				
For the purposes of the statement of cash flows, cash includes:				
Cash and liquid assets	147,236	187,727	136,361	281,020
Due from other financial institutions	207,369	141,677	206,361	141,437
Due to other financial institutions	(211,954)	(106,210)	(211,954)	(106,210)
	<u>142,651</u>	<u>223,194</u>	<u>130,768</u>	<u>316,247</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.

14 INVESTMENT SECURITIES

Negotiable securities

Bank accepted bills of exchange	150,690	143,688	140,691	111,997
Negotiable certificates of deposit	387,757	221,319	387,757	171,424
Government securities	256,545	135,890	256,457	102,025
Other	281,386	151,079	281,386	147,065
	<u>1,076,378</u>	<u>651,976</u>	<u>1,066,291</u>	<u>532,511</u>

Non negotiable securities

Deposits - banks	3,798	139,489	-	108,298
Deposits - other	5,085	4,806	-	-
	<u>8,883</u>	<u>144,295</u>	<u>-</u>	<u>108,298</u>
	<u>1,085,261</u>	<u>796,271</u>	<u>1,066,291</u>	<u>640,809</u>

Maturity analysis

Not longer than 3 months	258,114	576,054	255,369	476,563
Longer than 3 and not longer than 12 months	456,930	139,609	448,132	108,834
Longer than 1 and not longer than 5 years	370,217	80,608	362,790	55,412
	<u>1,085,261</u>	<u>796,271</u>	<u>1,066,291</u>	<u>640,809</u>

	Consolidated		Bendigo Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
15 LOANS AND OTHER RECEIVABLES				
Overdrafts	772,829	466,910	772,824	408,029
Credit cards	53,283	42,438	53,282	33,839
Term loans	5,225,697	4,818,490	5,088,018	3,700,087
Lease receivables	172,296	158,961	172,252	158,797
Other	26,120	139,965	-	126,612
Accrued interest	28,611	21,127	26,301	20,359
Gross loans and other receivables	6,278,836	5,647,891	6,112,677	4,447,723
less:				
Specific provision for impairment (Note 16)	(9,824)	(9,545)	(9,096)	(8,626)
Unearned income	(23,811)	(24,411)	(23,766)	(24,118)
	6,245,201	5,613,935	6,079,815	4,414,979
less:				
General provision for impairment (Note 16)	(35,688)	(21,789)	(34,812)	(14,377)
Net loans and other receivables	6,209,513	5,592,146	6,045,003	4,400,602
Impaired loans				
Non-accruing loans - without provisions	2,740	2,354	2,740	2,354
- with provisions	17,872	25,920	17,872	25,518
less specific provisions	(8,674)	(8,374)	(8,674)	(8,213)
Net impaired loans	11,938	19,900	11,938	19,659
Net impaired loans % of loans and other receivables	0.19%	0.36%	0.20%	0.45%
Portfolios Facilities - Balance	1,686	1,765	1,686	1,648
less provisions	(421)	(441)	(421)	(412)
Net Portfolio Facilities	1,265	1,324	1,265	1,236
Loans past due 90 days				
Accruing loans past due 90 days, with adequate security balance	13,822	27,395	13,822	19,288
Amount in arrears	2,135	2,823	2,135	2,371
Loans past due 90 days includes any loan in arrears by any amount for 90 days or more, when no payment has been received during that period in partial satisfaction of the amount outstanding.				
Interest income recognised and forgone				
Interest income recognised in respect of impaired loans	996	1,607	996	1,045
Interest income forgone in respect of impaired loans	1,732	1,483	1,732	1,474

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.

15 LOANS AND OTHER RECEIVABLES (continued)	Consolidated		Bendigo Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Loans by geographic location ⁽¹⁾				
Victoria	3,860,690	3,348,833	3,721,559	3,259,739
New South Wales	727,449	557,069	722,283	553,412
Australian Capital Territory	181,017	151,582	180,814	151,467
Queensland	906,569	1,224,736	885,749	117,690
South Australia / Northern Territory	181,912	90,455	181,618	90,396
Western Australia	249,462	182,752	249,192	182,649
Tasmania	162,616	82,178	162,393	82,089
Overseas/Other	9,121	10,286	9,069	10,281
	6,278,836	5,647,891	6,112,677	4,447,723
Maturity analysis ⁽¹⁾				
At call / overdrafts	870,316	488,894	844,189	466,278
Not longer than 3 months	162,032	182,058	160,608	171,511
Longer than 3 and not longer than 12 months	171,557	106,767	171,534	79,499
Longer than 1 and not longer than 5 years	1,043,308	799,275	1,040,491	677,583
Longer than 5 years	4,031,623	4,070,897	3,895,855	3,052,852
	6,278,836	5,647,891	6,112,677	4,447,723
<i>Geographic location determined from the customer postcode/address.</i>				
<i>(1) Balances exclude specific and general provisions for doubtful debts and unearned revenue.</i>				
16 IMPAIRMENT OF LOANS AND ADVANCES				
Specific provisions for impairment				
Opening balance	9,545	15,523	8,626	14,759
Balance transferred on acquisition	-	206	261	-
Charged to statement of financial performance	8,330	8,507	8,148	8,269
Bad debts written-off applied to specific provision	(8,051)	(14,691)	(7,939)	(14,402)
Closing balance	9,824	9,545	9,096	8,626
General provision for impairment				
Opening balance	21,789	13,826	14,377	13,309
Balance transferred on acquisition	-	6,210	7,051	-
Charged to statement of financial performance (1)	13,899	1,753	13,384	1,068
Closing balance	35,688	21,789	34,812	14,377
Bad and doubtful debts expense				
Specific provisions for impairment	279	(6,184)	209	(6,133)
Specific provisions in relation to inter-company loans	-	-	6,795	-
General provision for impairment (1)	13,899	1,753	13,384	1,068
Bad debts written off	8,051	14,691	7,939	14,402
	22,229	10,260	28,327	9,337
<i>(1) Includes effect of significant item relating to accounting policy change as disclosed in note 3.</i>				
Ratios				
Specific provision as % of gross loans less unearned income	0.16%	0.17%		
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	
			2002 \$'000	2001 \$'000
Chief entity				
Bendigo Bank Limited	Vic	Banking	-	-
Directly Controlled Entities ⁽¹⁾				
BBS Financial Planners Pty Ltd	Vic	Financial advisory services	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 ⁽³⁾	Vic	Financial services	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	Insurance services	1	1
Cleansun Pty Ltd	ACT	Research and development	-	724
Community Telco Australia Ltd ⁽¹⁾	Vic	Telecommunications	-	-
First Australian Building Society Ltd	Qld	Building Society	136,958	136,955
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 and funds manager	4,687	4,687
Sandhurst Trustees Ltd	Vic	Trustee company	18,039	18,039
Victorian Securities Corporation Ltd	Vic	Financial services	10,110	10,110
Worley Securities Pty Ltd	Vic	Financial advisory services	4,345	4,039
			<u>237,761</u>	<u>237,176</u>

1 All directly controlled entities are 100% owned, except for Community Telco Australia Ltd, which is 70% owned.

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

3 All controlled entities were owned for full year except for Bendigo Investment Services Ltd, which became a wholly-owned subsidiary on 1 April 2002.

4 Formerly Cassa Commerciale Australia Ltd.

Consolidated		Bendigo Bank	
2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000

18 OTHER SHARE INVESTMENTS

Book value - cost

Shares in equity accounted entities	-	-	71,945	61,252
Listed and unlisted shares	7,450	5,491	6,521	4,562
Units in trusts	118	117	117	117
	<u>7,568</u>	<u>5,608</u>	<u>78,583</u>	<u>65,931</u>

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name	Ownership		Balance date
	interest held by consolidated entity		
	2002 %	2001 %	
Elders Rural Bank Ltd	50	50	30 June
Bendigo Investment Services Ltd	100	50	30 June
Tasmanian Banking Services Ltd	50	50	30 June

(i) Principal activities of associated companies

Elders Rural Bank Limited - financial services
Bendigo Investment Services Limited - financial planning services
Tasmanian Banking Services Limited - banking services

(ii) Share of associates' profits

Share of associates':

- operating profits before income tax	11,076	7,755
- income tax expense attributable to operating profits	3,522	2,676
- operating profits after income tax	<u>7,554</u>	<u>5,079</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	61,252	51,622
- carrying amount of investment in associate acquired during the year	11,464	8,719
- dividends received from associates	(7,397)	(4,168)
- share of associates' net profits (losses) for the financial year	7,554	5,079
- conversion of investment in associate to subsidiary (1)	(928)	-
Carrying amount of investments in associates at the end of the financial year	<u>71,945</u>	<u>61,252</u>

	Consolidated		Bendigo Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD				
(continued)				
Represented by:				
Investments at equity accounted amount:				
- Elders Rural Bank Limited	70,406	58,441		
- Bendigo Investment Services Limited	-	592		
- Tasmanian Banking Services Limited	1,539	2,219		
(iv) The consolidated entity's share of the assets and liabilities of associates in aggregate				
Assets	657,720	524,918		
Liabilities	608,690	483,651		
Net Assets	<u>49,030</u>	<u>41,267</u>		
(v) Amount of retained profits of the consolidated entity attributable to associates	19,355	11,801		

(1) On 1 April 2002, Bendigo Bank Limited purchased the remaining 50% issued share capital of Bendigo Investment Services Limited. From that date BIS is 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 are disclosed in note 42.

The consolidated entity's share of associates' commitments and contingent liabilities (if any) are disclosed in notes 32 and 33 respectively.

20 OTHER INVESTMENTS

Land held for resale

Cost of acquisition (at cost)	-	55		
Development costs (at cost)	-	88		
	<u>-</u>	<u>143</u>		

21 PROPERTY, PLANT AND EQUIPMENT

(a) Carrying Value

Property

Freehold land - at directors' valuation 30 June 2002	<u>7,150</u>	<u>8,649</u>	<u>1,770</u>	<u>1,578</u>
	<u>7,150</u>	<u>8,649</u>	<u>1,770</u>	<u>1,578</u>
Freehold buildings - at directors' valuation 30 June 2002	16,756	17,490	4,023	4,335
Accumulated depreciation	-	(5,243)	-	(209)
	<u>16,756</u>	<u>12,247</u>	<u>4,023</u>	<u>4,126</u>
Leasehold improvements - at cost	6,344	3,173	6,296	3,156
Accumulated depreciation	(2,854)	(2,096)	(2,830)	(2,095)
	<u>3,490</u>	<u>1,077</u>	<u>3,466</u>	<u>1,061</u>
	<u>27,396</u>	<u>21,973</u>	<u>9,259</u>	<u>6,765</u>
Other				
Plant, furniture, fittings, office equipment & vehicles - at cost	58,024	51,237	46,391	40,125
Accumulated depreciation	(36,413)	(30,811)	(28,027)	(23,608)
	<u>21,611</u>	<u>20,426</u>	<u>18,364</u>	<u>16,517</u>
	<u>49,007</u>	<u>42,399</u>	<u>27,623</u>	<u>23,282</u>

	Consolidated		Bendigo Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
21 PROPERTY, PLANT AND EQUIPMENT (continued)				
(b) Reconciliations				
Freehold land				
Carrying amount at beginning	8,649	5,090	1,578	1,600
Additions	295	88	-	88
Additions through acquisition of entities	-	3,701	-	-
Revaluation adjustment 30 June 2002	(1,309)	-	192	-
Transfer to Trustee Company Reserve Fund (1)	(425)	-	-	-
Disposals	(60)	(230)	-	(110)
	<u>7,150</u>	<u>8,649</u>	<u>1,770</u>	<u>1,578</u>
Freehold buildings - at directors' valuation				
Carrying amount at beginning	12,247	12,098	4,126	4,090
Additions	1,171	229	6	220
Additions through acquisition of entities	-	494	-	-
Revaluation adjustment 30 June 2002	4,210	-	2	-
Transfer to Trustee Company Reserve Fund (1)	(413)	-	-	-
Disposals	(87)	(172)	-	(76)
Depreciation expense	(372)	(402)	(111)	(108)
	<u>16,756</u>	<u>12,247</u>	<u>4,023</u>	<u>4,126</u>
Leasehold improvements - at cost				
Carrying amount at beginning	1,077	965	1,061	965
Additions	3,634	621	3,634	604
Additions through acquisition of entities	13	-	-	-
Disposals	(88)	-	(88)	-
Depreciation expense	(1,146)	(509)	(1,141)	(508)
	<u>3,490</u>	<u>1,077</u>	<u>3,466</u>	<u>1,061</u>
Plant, furniture, fittings, office equipment & vehicles				
Carrying amount at beginning	20,426	13,508	16,517	12,711
Additions	9,634	10,496	8,598	8,983
Additions through acquisition of entities	45	3,021	-	-
Disposals	(523)	(368)	(364)	(148)
Depreciation expense	(7,971)	(6,231)	(6,387)	(5,029)
	<u>21,611</u>	<u>20,426</u>	<u>18,364</u>	<u>16,517</u>

(1) Transfer of freehold land and buildings to the Sandhurst Trustees Ltd Reserve Fund in accordance with the Trustee Companies Act 1984 (see Note 1(l)).

22 INTANGIBLES

Trustee licence - at directors' valuation	9,530	9,530	-	-
Accumulated amortisation	(762)	(572)	-	-
	<u>8,768</u>	<u>8,958</u>	-	-
Purchased goodwill	7,320	7,320	7,320	7,320
Accumulated amortisation	(3,921)	(3,328)	(3,921)	(3,328)
	<u>3,399</u>	<u>3,992</u>	<u>3,399</u>	<u>3,992</u>
Goodwill on consolidation	69,649	68,591	-	-
Accumulated amortisation	(9,634)	(5,990)	-	-
	<u>60,015</u>	<u>62,601</u>	-	-
	<u>72,182</u>	<u>75,551</u>	<u>3,399</u>	<u>3,992</u>

	Consolidated		Bendigo Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
23 OTHER ASSETS				
Accrued income	10,431	5,391	7,616	3,447
Reserve fund	5,500	5,000	-	-
Prepayments	22,728	18,223	16,165	11,619
Sundry debtors	56,359	31,898	50,478	25,840
	<u>95,018</u>	<u>60,512</u>	<u>74,259</u>	<u>40,906</u>
24 DEPOSITS				
Retail				
Branch network	5,637,887	4,756,323	5,502,838	3,654,184
Treasury sourced-certificates of deposit	467,761	430,011	467,761	430,011
- other	274,111	318,155	288,622	354,466
	<u>6,379,759</u>	<u>5,504,489</u>	<u>6,259,221</u>	<u>4,438,661</u>
Wholesale				
Domestic-certificates of deposit	90,601	134,695	90,602	134,695
-other	244,449	316,386	245,993	304,296
Offshore	273,676	273,602	273,676	273,602
	<u>608,726</u>	<u>724,683</u>	<u>610,271</u>	<u>712,593</u>
	<u>6,988,485</u>	<u>6,229,172</u>	<u>6,869,492</u>	<u>5,151,254</u>
Deposits by geographic location				
Victoria	4,608,811	3,989,069	4,500,847	3,901,808
New South Wales	608,446	494,945	603,104	486,680
Australian Capital Territory	20,751	14,742	20,430	14,507
Queensland	1,071,966	1,151,225	1,068,521	170,248
South Australia/Northern Territory	107,497	67,116	106,936	66,711
Western Australia	193,609	106,548	193,206	106,418
Tasmania	83,753	68,172	83,006	67,814
Off-shore/other	293,652	337,355	293,442	337,068
	<u>6,988,485</u>	<u>6,229,172</u>	<u>6,869,492</u>	<u>5,151,254</u>
Maturity analysis				
At call	2,823,381	2,142,918	2,820,578	1,830,537
Not longer than 3 months	2,584,629	1,992,413	2,553,148	1,538,943
Longer than 3 and not longer than 12 months	1,320,590	1,460,998	1,242,424	1,172,116
Longer than 1 and not longer than 5 years	259,637	632,795	253,094	609,658
Longer than 5 years	248	48	248	-
	<u>6,988,485</u>	<u>6,229,172</u>	<u>6,869,492</u>	<u>5,151,254</u>
25 PAYABLES				
Sundry creditors	22,033	13,668	14,594	9,564
Accrued expenses and outstanding claims	42,165	32,493	41,092	27,668
	<u>64,198</u>	<u>46,161</u>	<u>55,686</u>	<u>37,232</u>
26 OTHER PROVISIONS				
Employee entitlements (Note 31)	17,263	12,655	15,887	9,171
Uninsured losses	656	5,453	656	5,450
Integration	61	3,141	61	-
Rewards program	506	161	506	161
Unearned corpus commission	46	46	-	-
	<u>18,532</u>	<u>21,456</u>	<u>17,110</u>	<u>14,782</u>

	Consolidated		Bendigo Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
27 SUBORDINATED DEBT				
Subordinated capital notes	130,438	114,020	130,438	93,849
Unsecured subordinated perpetual convertible capital notes	18,023	21,374	18,023	21,374
Rollover Notes - Series 1	12,918	-	12,918	-
	<u>161,379</u>	<u>135,394</u>	<u>161,379</u>	<u>115,223</u>
Maturity analysis				
Not longer than 3 months	114,119	-	114,119	-
Longer than 3 and not longer than 12 months	-	97,704	-	77,533
Longer than 1 and not longer than 5 years	34,342	-	34,342	-
Longer than 5 years	12,918	37,690	12,918	37,690
	<u>161,379</u>	<u>135,394</u>	<u>161,379</u>	<u>115,223</u>
28 CONTRIBUTED CAPITAL				
Issued and paid up capital				
124,831,995 Ordinary shares fully paid (2001: 115,161,349)	448,170	392,507	448,170	392,507
Statement of changes - Ordinary share capital				
Opening balance	392,507	242,362		
<i>Shares issued under:</i>				
Bonus share scheme - 168,393 @ \$5.81; 131,585 @ \$6.67; (2001: 186,187 @ \$4.92; 137,224 @ \$5.79)	-	-		
Dividend reinvestment plan - 792,882 @ \$5.81; 656,218 @ \$6.67; (2001: 780,249 @ \$4.92; 610,889 @ \$5.79)	8,984	7,376		
Employee share plan - 200,000 @ \$5.61; 30,000 @ \$6.99; 1,899,760 @ \$7.08; (2001: 1,455,000 @ \$5.61)	14,782	8,162		
Capital notes converted - 817,162 @ \$4.10; (2001: 1,292,848 @ \$4.10)	3,350	5,301		
Share issue - Nil (2001: FABS acquisition - 27,993,533 shares @ \$4.82)	-	134,929		
Share Purchase Plan - 5,974,646 @ \$5.89; (2001: Nil)	35,191	-		
Share issue - Nil; (2001: 6,900 @ \$3.35)	-	23		
Share Buy Back scheme - 1,000,000 @ average price of \$6.528 (2001: 918,305 @ average price of \$6.12)	(6,528)	(5,622)		
New share issue/buy back expenses	(116)	(24)		
Closing balance	<u>448,170</u>	<u>392,507</u>		

	Consolidated		Bendigo Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
29 RESERVES AND RETAINED PROFITS				
General Reserve	13,516	13,425	13,300	13,300
Asset Realisation Reserve	993	993	993	993
Capital Profits Reserve	231	231	231	231
Asset Revaluation Reserve				
Opening Balance	2,365	2,353	984	984
Net revaluation increment	934	12	158	-
Closing Balance	3,299	2,365	1,142	984
Total reserves	18,039	17,014	15,666	15,508
Retained Profits				
Opening Balance	13,276	29,118	11,684	28,189
Net profit attributable to members of Bendigo Bank Limited	48,784	33,278	52,992	32,489
Total available for appropriation	62,060	62,396	64,676	60,678
Dividends				
- Final 2001 (adjustment to provision)	(33)	3,726	(33)	3,726
- Interim 2002	13,751	12,387	13,751	12,387
- Special	-	17,184	-	17,184
- Final 2002	19,982	15,697	19,982	15,697
Aggregate of amounts transferred to/(from) reserves	65	126	-	-
Retained profits at the end of the financial year	28,295	13,276	30,976	11,684

30 OUTSIDE EQUITY INTEREST

Reconciliation of outside equity interest in controlled entities:

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

	Consolidated		Bendigo Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
31 EMPLOYEE ENTITLEMENTS				
Employee entitlement liability				
Provision for annual leave	5,991	5,621	5,430	4,131
Provision for other employee payments	2,500	600	2,500	-
Provision for long service leave	5,128	4,272	4,760	3,227
Provision for sick leave bonus	666	489	617	422
Provision for employee on costs	1,727	466	1,626	424
Directors' retirement allowance	1,251	1,207	954	967
Aggregate employee entitlements liability	17,263	12,655	15,887	9,171

Bendigo Employee Share Ownership Plan

Company shareholders renewed their approval for the Bendigo Employee Share Ownership Plan at the Annual General Meeting on 22 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 BBS Nominees Pty Ltd in accordance with the 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. Shares remain unlisted securities until loans are fully repaid.

Issues made under the terms of the Bendigo Employee Share Ownership Plan during the year: in December 2001, 200,000 ordinary shares were allotted at \$5.61 per share; in March 2002, 30,000 ordinary shares were allotted at \$6.99 per share; and in June 2002, 1,899,760 ordinary shares were allotted at \$7.08 per share. These shares were paid in full and were allotted to those employees accepting the offer. The shares issued resulted in an increase of \$14,782,001 in the share capital account. Further shares under the scheme will not become available until a subsequent offer is made.

	Consolidated	
	2002 \$'000	2001 \$'000
31 EMPLOYEE ENTITLEMENTS (continued)		
Employee Share and Loan Values		
Value of unlisted employee shares on issue at 30 June 2002 - 4,835,507 shares @ \$6.80 (2001 - 3,014,675 shares @ \$6.60)	32,881	19,897
Value of outstanding employee loans at beginning of year relating to employee shares	13,353	6,830
Value of new loans relating to employee shares issued during year	14,782	8,162
Value of repayments of loans during year	(2,008)	(1,639)
Value of outstanding employee loans at end of year relating to employee shares	26,127	13,353
Number of employees with outstanding loan balances	1,908	1,548
Indicative cost of funding employee loans		
Average balance of loans outstanding	14,055	10,011
Interest margin foregone	2.68%	2.66%
After tax indicative cost of funding employee loans	264	176
Earnings per share - actual	41.1	31.5
Earnings per share - adjusted for interest margin foregone	41.3	31.7

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% (2001: 34%).

	Consolidated		Bendigo Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
32 EXPENDITURE COMMITMENTS				
Outstanding expenditure and credit related commitments as at 30 June 2002. Except where specified, all commitments are payable within one year.				
Operating lease commitments				
Not later than 1 year	12,742	9,797	12,594	9,718
Later than 1 year but not later than 5 years	23,357	18,206	23,120	18,168
Later than 5 years	901	546	901	546
	37,000	28,549	36,615	28,432
Capital expenditure commitments				
Capital expenditure commitments not provided for in the financial statements, payable not later than one year	80	1,187	44	237
	80	1,187	44	237
Other expenditure commitments				
Sponsorship commitments not paid as at balance date, payable not later than one year	374	200	332	107
Credit related commitments				
Gross loans approved, but not advanced to borrowers, payable not later than one year	177,066	158,983	177,066	98,950
Credit limits granted to clients for overdrafts and credit cards				
Total amount of facilities provided	1,347,496	928,286	1,347,496	836,849
Amount undrawn at balance date	481,403	418,938	481,403	394,981
Normal commercial restrictions apply as to use and withdrawal of the facilities				
33 CONTINGENT LIABILITIES				
Guarantees				
The economic entity has issued guarantees on behalf of clients	32,135	3,946	32,135	3,946
Other				
Documentary letters of credit	3,994	2,968	3,994	2,968

34 SEGMENT REPORTING
(a) Business segments
Revenue

Interest revenue

	2002 \$'000	2002 \$'000	2002 \$'000	2001 \$'000	2001 \$'000	2001 \$'000
	External	Intersegment	Total	External	Intersegment	Total
Banking	440,358	4,910	445,268	447,496	7,497	454,993
Trustee company	447	-	447	599	-	599
Financial services	6,149	29	6,178	6,270	(78)	6,192
Eliminations	-	(4,939)	(4,939)	-	(7,419)	(7,419)
	446,954	-	446,954	454,365	-	454,365

Other revenue

Banking	60,315	19,871	80,186	44,337	17,081	61,418
Trustee company	15,081	1,531	16,612	11,847	1,122	12,969
Financial services	13,581	2,374	15,955	12,938	1,983	14,921
Eliminations	-	(23,776)	(23,776)	-	(20,186)	(20,186)
	88,977	-	88,977	69,122	-	69,122

 Share of net profit of equity
accounted investments

Banking	10,573	-	10,573	7,366	-	7,366
Trustee company	-	-	-	-	-	-
Financial services	503	-	503	327	-	327
Eliminations	-	-	-	-	-	-
	11,076	-	11,076	7,693	-	7,693

Total segment revenue

Banking	511,246	24,781	536,027	499,199	24,578	523,777
Trustee company	15,528	1,531	17,059	12,446	1,122	13,568
Financial services	20,233	2,403	22,636	19,535	1,905	21,440
Eliminations	-	(28,715)	(28,715)	-	(27,605)	(27,605)
	547,007	-	547,007	531,180	-	531,180

Total consolidated revenue

Results

Segment result

Banking			65,788			57,926
Trustee company			5,242			3,366
Financial services			5,783			5,716
Eliminations			(12,414)			(12,006)

Consolidated entity profit from ordinary activities

before income tax expense

Income tax expense

Consolidated entity profit from ordinary activities

after income tax expense

			64,399			55,002
			(15,700)			(21,724)
			48,699			33,278

Assets

Segment assets

Banking			7,875,606			7,080,694
Trustee company			24,282			22,706
Financial services			261,859			240,835
Eliminations			(194,022)			(362,718)

Total assets

			7,967,725			6,981,517
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Liabilities

Segment liabilities

Banking			7,408,097			6,673,155
Trustee company			7,787			6,135
Financial services			81,800			70,933
Eliminations			(24,386)			(191,503)

Total liabilities

			7,473,298			6,558,720
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34 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

	2002 \$'000	2001 \$'000
	Total	Total
	71,945	60,660
	-	-
	-	592
	-	-
	71,945	61,252
	27,913	17,101
	187	66
	503	215
	-	-
	28,603	17,382
	8,866	6,555
	123	140
	563	444
	-	(39)
	9,552	7,100
	1,411	1,720
	308	308
	98	134
	2,611	1,500
	4,428	3,662
	10,224	8,403
	144	-
	588	87
	(723)	(137)
	10,233	8,353

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.

35 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.

36 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
R N Johanson	K E Roache
W R Beischer ⁽¹⁾	T J O'Dwyer
J L Dawson	
N J Axelby	

(1) Mr W. Beischer retired from the Board on 25th October 2001 having attained the age of 72 years.

Remuneration of directors

Directors' remuneration is disclosed in Note 8.

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 2002, 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	W R Lanyon
J L Dawson	K E Roache
D J Erskine	

	Consolidated		Bendigo Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Loans to directors of the Bank and their director-related entities comprise:				
Amounts outstanding as at the end of the financial year				
Secured	16,782	13,363	15,230	12,828
Unsecured	192	90	192	90
	<u>16,974</u>	<u>13,453</u>	<u>15,422</u>	<u>12,918</u>
Repayments received during the year	1,559	1,437	1,499	1,393
Loans made during the year				
Normal terms and conditions	2,794	790	2,794	790
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.

ordinary shares	1,168	1,297
employee shares (paid in full)	340	140
capital notes	17	22

During the course of the year, directors and their related entities acquired 72,707 ordinary shares and disposed of 12,731 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.

36 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, \$6,985 (2001: \$4,950). 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 in the firm of Grant Samuel Corporate Finance Pty Ltd. which provided consulting services to Bendigo Bank Ltd. based on normal commercial terms and conditions. Amount paid or payable during the year, \$63,648 (2001: \$555,592).

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 \$63,580 (2001: \$103,140).

Wholly owned group transactions

During the year Bendigo Bank charged its wholly owned subsidiary companies an inter-company cross charge in respect to the provision of administrative, distribution and corporate services. The aggregate charge for the year was \$4,544,829. These transactions are in the normal course of business and are on normal commercial terms and conditions.

Bendigo Bank paid operating costs on behalf of certain subsidiary companies which were financed via unsecured interest free intercompany loans. The aggregate net amount payable to subsidiaries as at year end totalled \$58,628,162. The loans have no fixed repayment date.

Bendigo Bank provided unsecured stand-by funding facilities to Sandhurst Trustees Ltd and Victorian Securities Corporation Ltd in connection with liquidity management policies. The aggregate exposure of these facilities is \$30 million. The facilities were not drawn on during the year and no funds were outstanding as at year end.

Bendigo Bank received dividends from its subsidiary companies for the financial year totalling \$16,896,497. The dividends paid are applied to the balance of the respective subsidiary company's inter-company loan.

On 1 April 2002, the bank's joint venture company, Bendigo Investment Services Ltd became a wholly owned subsidiary of Bendigo Bank following the acquisition of 500,000 shares in Bendigo Investment Services Ltd at a cost of \$500,000.

Other related party transactions

<u>Associated Entities</u>	<u>Consolidated</u>		<u>Bendigo Bank</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Dividends Received	7,826	4,168	7,826	4,168
Commission Revenue Received	359	220	359	220
Administration and Service fees received	3,200	3,609	3,200	3,609
Commission and Fee Expense Paid	589	591	589	591
Reimbursement of Assets under Construction	323	1,017	323	1,017

The above transactions were 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.

Bendigo Bank Ltd has provided loans to associated companies, totalling \$382,270 as at balance date, arising from the payment of administration costs on behalf of the associated companies. The loans have agreed repayment terms of one month.

During the financial year the Bank 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.

37 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 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 and operational risk.

37 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 Capital Planning and Risk 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 Credit Bureau 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 exposures to credit risk at balance date in relation to each class of recognised financial assets, 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 Treasury 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 Treasury 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 or unauthorised use of systems techniques 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.

38 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 indices.

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:	2002	2001
	\$'000	\$'000
not later than one year	1,306,406	1,752,473
later than one year but not later than five years	1,840,216	991,459
	<u>3,146,622</u>	<u>2,743,932</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	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Interest rate swaps	2,237,822	2,031,759	12,194	9,656	(4,626)	4,698
Options/Floors	500,000	430,000	-	25	(70)	25
Cross currency swaps	266,070	273,394	6,213	13,670	(251)	(87)
Foreign exchange contracts	142,730	8,779	4,826	87	517	(179)
	<u>3,146,622</u>	<u>2,743,932</u>	<u>23,233</u>	<u>23,438</u>	<u>(4,430)</u>	<u>4,457</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(r).

39 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 73 days with effective interest rates of 4.39% to 5.18%.
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 58 days with effective interest rates of 4.36% to 5.19%.
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 410 days with effective interest rates of 4.35% to 5.66%
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 434 days with effective interest rates of 4.61% to 6.42%.
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 6.40% without risk margin to 8.70% plus risk margin and interest is charged on a monthly basis. Casual overdrafts incur an additional 6.00% overlimit rate.

39 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 7.90% to 15.65%.
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 7.75% 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	Lease receivables are stated at cost. Interest is recognised on an interest earned basis.	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 7.81%. All leases are secured by the asset that is subject of the lease.
Other	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	23	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	23	The Reserve fund comprises at call 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.	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 4.42%. Land and buildings are based on an independent valuation as at 30 June 2002.
Sundry debtors	23	Sundry debtors are carried at cost.	These loans are generally short-term and are normally settled within 30 days.

39 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	24	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 4.75%.
Deposits-retail Treasury sourced- Certificates of deposit	24	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 57 days with effective interest rates of 4.20% to 6.98%.
Deposits-retail Treasury sourced- Other	24	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 361 days. 11am call monies are available at call. Interest rates on these deposits range from 3.83% to 7.55%
Deposits-wholesale Domestic- Certificates of deposit	24	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 69 days with effective interest rates of 4.39% to 5.39%.
Deposits-wholesale Domestic- Other	24	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 292 days. 11am call monies are available at call. Interest rates on these deposits range from 4.70% to 7.50%
Deposits-wholesale Offshore	24	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 273.4 million, taking account of the conversion inherent in the cross currency swaps. The average interest rate is BBSW +.507% and rates are reset on a quarterly basis. The notes on issue mature 27 September 2002 and 8 June 2004.

39 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	27	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 7.9 years with effective interest rates of 5.34% to 7.12%.
Unsecured subordinated perpetual convertible capital notes	27	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	27	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	25	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	25	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 declared by the company.	Dividends payable represent a final dividend of 17.0 cents per ordinary share for the financial year ended 30 June 2002. The extent to which the dividend is 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	28	Ordinary share capital is recognised at the fair value of the consideration received by company.	Details of shares issued are set out in Note 28.
Unrecognised Financial Instruments			
Derivatives			
Interest rate swaps	38	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 38.

39 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	38	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 floor contracts in place totaling \$500 million, with a maturity date of 21 November 2002.
Cross currency swaps	38	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\$150 million issue under the Euro medium term note program which matures on 27 September 2002 and 8 June 2004; generally on 90 day repricing arrangements. Details of swaps in place are disclosed in Note 38.
Foreign exchange contracts	38	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 38.
Futures contracts	38	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.

39 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 maturing 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							
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 %	2001 %
Financial Assets														
Notes, coin and cash at bank	147,236	187,727									147,236	187,727	0.00	0.00
Due from other financial institutions									207,369	141,677	207,369	141,677	N/A	N/A
Bank accepted bills of exchange			150,690	143,688							150,690	143,688	4.73	4.99
Negotiable certificates of deposit			387,757	221,319							387,757	221,319	4.94	5.07
Government securities			134,186	124,794	122,359	11,096					256,545	135,890	4.95	5.09
Deposits - banks & other	9,413	8,512	183,063	257,510	97,793	29,352					290,269	295,374	5.03	4.83
Overdrafts	772,829	466,910									772,829	466,910	6.71	7.47
Credit cards	53,283	42,438									53,283	42,438	9.57	10.23
Term loans	3,156,829	2,824,287	1,107,537	1,020,607	935,059	874,502	26,272	99,094			5,225,697	4,818,490	7.00	7.37
Leases			95,305	39,520	76,991	107,597		11,844			172,296	158,961	7.89	8.06
Other loans	0	104,937	0	2,030	0	19,645			26,120	13,353	26,120	139,965	0.00	6.72
Accrued interest									28,611	21,127	28,611	21,127	N/A	N/A
Other Share investments									7,450	5,491	7,450	5,491	N/A	N/A
Units in trusts									118	117	118	117	N/A	N/A
Accrued income									10,431	5,391	10,431	5,391	N/A	N/A
Reserve fund	5,500	5,000									5,500	5,000	4.42	5.88
Sundry debtors									56,359	31,898	56,359	31,898	N/A	N/A
Total Financial Assets	4,145,090	3,639,811	2,058,538	1,809,468	1,232,202	1,042,192	26,272	110,938	336,458	219,054	7,798,560	6,821,463	-	-

39 FINANCIAL INSTRUMENTS (continued)

b. Interest rate risk (continued)

Financial Instruments	Floating Interest Rate		Fixed interest rate maturing 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								
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 %	2001 %	
Financial liabilities															
Due to other financial institutions										211,954	106,210	211,954	106,210	N/A	N/A
Deposits-retail Branch network	2,778,119	2,108,284	2,799,071	2,590,546	60,452	56,786	245	707			5,637,887	4,756,323	3.17	3.87	
Deposits-retail Treasury sourced-Certificates of deposit			466,746	429,502	1,015	509					467,761	430,011	4.91	5.05	
Deposits-retail Treasury sourced-Other	74,934	27,919	148,943	230,246	50,234	58,582		1,408			274,111	318,155	5.39	5.62	
Deposits-wholesale Domestic-Certificates of deposit			90,601	134,695							90,601	134,695	5.05	5.09	
Deposits-wholesale Domestic-Other	49	358	240,413	304,883	3,987	11,145					244,449	316,386	5.15	5.50	
Deposits-wholesale Offshore			273,676	273,602							273,676	273,602	5.57	5.47	
Subordinated capital notes			114,119	97,704	16,319			16,316			130,438	114,020	6.64	6.47	
Unsecured subordinated perpetual convertible capital notes					18,023			21,374			18,023	21,374	8.00	8.00	
Rollover notes	2,122							10,796			12,918	0	6.89	N/A	
Sundry creditors									22,033	13,668	22,033	13,668	N/A	N/A	
Accrued expenses and outstanding claims									42,165	32,493	42,165	32,493	N/A	N/A	
Provision for Dividend									20,043	15,742	20,043	15,742	N/A	N/A	
Total Financial Liabilities	2,855,224	2,136,561	4,133,569	4,061,178	150,030	127,022	11,041	39,805	296,195	168,113	7,446,059	6,532,679	-	-	
Equity															
Contributed Capital									448,170	392,507	448,170	392,507	N/A	N/A	
Derivatives															
Interest rate swaps			777,103	740,503	(672,250)	(748,107)	(104,853)	7,604			0	0	N/A	N/A	
Cross Currency Swaps			266,070	273,394							266,070	273,394	N/A	N/A	
Options			500,000	430,000							500,000	430,000	N/A	N/A	
Foreign exchange contracts			142,730	8,779							142,730	8,779	N/A	N/A	
Total Derivatives	-	-	1,685,903	1,452,676	(672,250)	(748,107)	(104,853)	7,604	0	0	908,800	712,173	-	-	

40 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 values of trading and investment negotiable securities, which include bills of exchange, negotiable certificates of deposit, government securities and bank and other deposits, are 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 38.

40 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	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and liquid assets	147,236	187,727	147,236	187,727
Due from other financial institutions	207,369	141,677	207,369	141,677
Investment securities	1,085,261	796,271	1,085,261	796,271
Loans and other receivables	6,209,513	5,592,146	7,927,656	5,512,697
Shares-other	7,568	5,608	7,568	5,608
Investments accounted for using the equity method	71,945	61,252	71,945	61,252
Other investments	-	143	-	143
Other assets	117,644	74,058	117,644	74,058
Financial Liabilities				
Deposits	6,988,485	6,229,172	6,874,948	6,137,699
Due to other financial institutions	211,954	106,210	211,954	106,210
Subordinated debt	161,379	135,394	172,339	144,464
Payables	64,198	46,161	64,198	46,161

41 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	
	2002	2001
	\$'000	\$'000
Funds under trusteeship	2,085,832	1,459,197
Assets under management	2,399,880	1,961,980
Funds under management	258,900	103,900

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.

42 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.

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 2002 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 3rd day of September 2002

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 2002, 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

We have audited the financial report of Bendigo Bank Limited for the financial year ended 30 June 2002, as set out on pages 8 to 49, including the Directors' Declaration. The financial report includes the financial statements of Bendigo Bank Limited, and the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia, so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

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 company's and consolidated entity's financial position as at 30 June 2002 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Ernst & Young

Richmond Sinnott & Delahunty

Ian Miller
Partner

Warren Sinnott
Partner

Signed at Bendigo this 3rd day of September 2002

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 12 August 2002.

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 2002.

4 SUBSTANTIAL SHAREHOLDERS

As at 19 August 2002 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 2002 in the following categories:

	Fully paid Ordinary Shares	Fully Paid Employee Shares	Capital Notes
1 - 1,000	21,008	616	1,279
1,001 - 5,000	18,367	1,142	515
5,001 - 10,000	2,683	93	70
10,001 - 100,000	1,500	38	38
100,001 and over	58	4	6
Number of Holders	43,616	1,893	1,908
Securities on Issue	120,018,070	4,813,925	4,395,893

6 MARKETABLE PARCEL

Based on the closing price of \$7.55 on 16 August 2002, the number of holders with less than a marketable parcel of the Company's main class of securities (Ordinary Shares) as at 19 August 2002, was 1,568.

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 2002 are:

Rank	Name	Number of Ordinary Fully Paid Shares	Percentage held of Issued Ordinary Capital
1	Milton Group	2,833,653	2.36%
2	I O O F Ltd	1,556,566	1.30%
3	JP Morgan Nominees Australia Limited	1,465,546	1.22%
4	Leesville Equity Pty. Ltd.	1,340,327	1.12%
5	Queensland Investment Corporation	1,143,639	0.95%
6	National Nominees Limited	1,129,143	0.94%
7	Westpac Custodian Nominees Limited	876,359	0.73%
8	Commonwealth Custodial Services Limited	734,085	0.61%
9	Choiseul Investments Limited	646,095	0.54%
10	Sandhurst Trustees Ltd (Australian Ethical Investments Ltd a/cs)	378,158	0.32%
11	Argo Investments Limited	295,747	0.25%
12	RBC Global Services Australia Nominees Pty Limited (CGU a/c)	274,998	0.23%
13	Mansbridge I G	268,592	0.22%
14	RBC Global Services Australia Nominees Pty Limited	240,000	0.20%
15	Tower Trust Limited	219,736	0.18%
16	Stoddarts (1985) Pty. Ltd	211,339	0.18%
17	Tobin Est M A L	201,892	0.17%
18	Guy M	197,495	0.16%
19	Sandhurst Trustees Ltd (SISF a/c)	195,000	0.16%
20	Citicorp Nominees Pty Limited	192,845	0.16%
		14,401,215	12.00%

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