

Five Year History

The Bendigo Group

	2000 ⁽¹⁾	1999 ⁽²⁾	1998	1997 ⁽³⁾	1996
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Performance year ended 30 June					
Interest revenue	296,762	230,224	195,052	181,269	171,414
Interest expense	179,877	137,002	117,008	110,755	102,025
Net interest margin	116,885	93,222	78,044	70,514	69,389
Other revenue	57,945	43,761	32,606	25,425	20,855
Bad & doubtful debts expense (net of bad debts recovered)	7,613	6,452	5,123	2,223	1,777
Other operating expenses	119,363	100,953	83,461	75,903	66,455
Operating profit before abnormal items and income tax	47,854	29,578	22,066	17,813	22,012
Abnormal items	(10,500)	6,483	-	(3,011)	-
Income tax expense	16,042	16,359	7,873	3,760	8,427
Operating profit after income tax	21,312	19,702	14,193	11,042	13,585
Financial Position at 30 June					
Total assets	4,913,356	4,204,239	3,170,923	2,629,357	1,941,094
Loans	3,939,894	3,298,802	2,493,406	2,152,303	1,603,869
Liquid assets and cash	801,859	713,997	566,971	351,402	229,954
Other assets	171,603	191,440	110,546	125,652	107,271
Shareholders' equity	288,357	243,089	149,690	139,054	114,502
Deposits	4,394,669	3,775,873	2,832,121	2,349,867	1,730,604
Subordinated debt	78,121	82,959	106,636	71,658	45,334
Other liabilities	152,209	102,318	82,476	68,778	50,654
Share Information					
Net tangible assets per share	\$3.00	\$2.85	\$2.61	\$2.40	\$2.38
Earnings per share - cents	27.5	32.6	29.1	24.9	33.9
Earnings per share before abnormal items- cents	36.5	30.7	29.1	20.3	33.9
Dividends per share:					
Interim - cents	10.5	10.5	10.0	12.0	11.0
Final - cents	13.5	12.5	11.5	9.0	12.0
Total - cents	24.0	23.0	21.5	21.0	23.0
Ratios					
Operating profit after tax to average assets	0.47%	0.53%	0.49%	0.48%	0.75%
Operating profit after tax to average equity	8.02%	10.03%	9.83%	8.71%	12.84%

¹ Figures for 2000 include the acquisition of Victorian Securities Corporation Limited effective September 1, 1999.

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

³ Figures for 1997 include the acquisition of Cassa Commerciale Australia Limited effective February 10, 1997.

Five Year Comparison

The Bendigo Group

		2000	1999 ⁽¹⁾	1998	1997 ⁽²⁾	1996
Key Trading Indicators						
Retail deposits - branch sourced	(\$'000)	2,953,813	2,530,347	1,771,062	1,588,915	1,395,095
Number of depositors' accounts		481,153 ⁽³⁾	439,034 ⁽⁴⁾	374,285	339,026	332,745
Average balance per account holder	(\$)	6,139	5,763 ⁽⁶⁾	4,732	4,687	4,193
Total loans approved	(\$'000)	1,854,284 ⁽⁵⁾	1,613,490	1,052,889	959,218	581,244
Number of loans approved		32,243	27,751	21,155	19,830	12,807
Liquid assets and cash	(\$'000)	801,859	713,997	566,971	351,402	229,954
Total assets	(\$'000)	4,913,356	4,204,239	3,170,923	2,629,357	1,941,094
Liquid assets & cash as proportion of total assets	(%)	16.32	16.98	17.88	13.36	11.85
Number of branches		107	91	78	68	69
Average deposit holdings per branch	(\$'000)	27,606	27,788	22,706	23,366	20,219
Number of staff (FTE)		1,011	847	785	801 ⁽⁷⁾	709
Assets per staff member	(\$'mill)	4.860 ⁽⁸⁾	4.964	4.039	3.283	2.738
Staff per million dollars of assets		0.21 ⁽⁸⁾	0.20	0.25	0.30	0.37
Dissection of Loans by Security ⁽⁹⁾						
	(\$'000)					
Residential loans		2,744,183	2,416,793	1,785,182	1,613,318	1,417,059
Commercial loans		996,379	740,454	637,122	488,891	147,609
Personal loans		149,026	117,919	75,444	53,344	25,195
Credit cards		28,205	24,627	17,191	14,966	13,023
Other		72,118	30,001	17,199	13,993	8,918
Gross loans		<u>3,989,911</u>	<u>3,329,794</u>	<u>2,532,138</u>	<u>2,184,512</u>	<u>1,611,804</u>
Dissection of Loans by Security ⁽⁹⁾						
	(%)					
Residential loans		68.78	72.58	70.50	73.85	87.92
Commercial loans		24.97	22.24	25.16	22.38	9.16
Personal loans		3.74	3.54	2.98	2.44	1.56
Credit cards		0.71	0.74	0.68	0.69	0.81
Overdrafts		1.80	0.90	0.68	0.64	0.55
Total		<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

2 Figures for 1997 include the acquisition of Cassa Commerciale Australia Limited effective February 10, 1997.

3 Includes twenty five community bank branches

4 Includes eleven community bank branches

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

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

7 Includes staff increases from the acquisition of Cassa Commerciale Australia Limited.

8 These ratios do not take into account off-balance sheet activities, which totalled \$1.5 billion at June 30, 2000

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.

Statutory Directors' Report

Your Board of Directors has pleasure in presenting the 135th Financial Report of the Bendigo Bank Limited and its controlled entities for the year ended June 30, 2000.

Directors

The members of the Board at the date of this report are:

Richard A Guy OAM	- Chairman
Robert N Johanson	- Deputy Chairman
Robert G Hunt	- Managing Director
William R Beischer	
Jennifer L Dawson	
Donald J Erskine	
William R Lanyon	
Kevin E Roache	

Mr E. Brian Thomas retired from the Board on 25 October, 1999.

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 operating profit of the economic entity, after providing for income tax, amounted to \$21.312 mill. (1999 - \$19.702 mill.).

Dividends Paid or Recommended

Dividends paid:

Final dividend 1999 of 12.5¢ per share, paid October 1999	\$8.479 mill
Interim dividend 2000 of 10.5¢ per share, paid April 2000	\$7.809 mill
Final dividend 1999 of VSCL, paid April 2000	\$0.295 mill

Dividends recommended:

Final dividend 2000 of 13.5¢ per share, declared by the Directors, payable October 31, 2000	\$10.432 mill
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All dividends were fully franked.

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

October 1999	519,099
April 2000	582,758

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

October 1999	133,378
April 2000	138,433

Review of Operations

A review of operations and the results of those operations for the financial year are set out in the Chairman's and Managing Director's Report.

Significant Changes in the State of Affairs

Shareholders' equity increased from \$243.1 million to \$288.4 million, an increase of \$45.3 million. Share issues accounted for \$42.4 million of the increase. The remaining increase is primarily represented by retained operating profits.

After Balance Date Events

Except as referred to in the Report by Chairman and Managing Director, or dealt with elsewhere in the consolidated financial statements, 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

The Bank will continue to grow by building on its reputation as a provider of quality banking services to discrete communities.

The successful Community Bank program will be expanded, enabling the Bank to assist communities where retail banking services have been reduced or withdrawn. Customer access to our services will be further enhanced by ongoing developments in our Phone and Internet banking facilities. We anticipate continued growth and development in our joint venture, Elders Rural Bank Limited, which provides products and services that are tailored to the needs of primary producers. Additionally, the alliance with the IOOF Group has seen the formation of a joint venture company, Bendigo Investment Services, which provides funds management and financial advisory services to our customers. During the year, the Bank entered a joint venture arrangement with Tasmanian Trustees as a result Tasmanian Banking Services Limited was formed. The joint venture company will offer banking services to customers in Tasmania.

The Bank's financial projections for 2000/2001 include increased contributions from these joint venture companies, together with a growth in profit from the core banking and other services delivered by the bank's divisions and subsidiaries.

Bendigo Bank and First Australian Building Society have announced a proposal to merge, details of which are set out in the "Events Subsequent to Balance Date" note to the financial statements.

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 (55 years)

B.Apl.Sc.Melbourne
M.Sc.London
Elected to Board 1982
Elected Chairman 1986

Current appointment:

Managing Director, Crystal Industries

Other directorships:

Crystal Industries Group
Girton Grammar School Ltd.
Elders Rural Bank Limited

Special Responsibilities:

Chairman of Directors
Chairman, Staff Committee
Chairman, Corporate Governance Committee
Audit Committee

Robert N Johanson (49 years)

B.A. Melbourne
LL.B. Melbourne
M.B.A. Harvard
Elected to Board 1988

Current appointment:

Director, Grant Samuel & Associates Pty Ltd.

Other directorships:

ekorp.com Inc
Elders Rural Bank Limited
Beaconsfield Gold NL.
Stadium Operations Ltd.
Bendigo Community Telco Limited

Special Responsibilities:

Deputy Chairman of Directors
Chairman, Due Diligence Committee
Chairman, Risk Committee

Robert G Hunt (49 years)

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

Current appointment:

Managing Director, Bendigo Bank Group

Other directorships:

BSX Group Holdings Pty Ltd.
Bendigo Investment Services Limited
Elders Rural Bank Limited
Sandhurst Trustees Ltd.
St. Lukes Anglicare
Councillor of Australian Bankers' Association
Bendigo Community Telco Limited
Tasmanian Trustees Limited
Victorian Securities Corporation Limited
Tasmanian Banking Services Limited

Special Responsibilities:

Managing Director
Ex-officio member on all Committees

William R Beischer (71 years)

Elected to Board 1995

Previous appointment:

Director and Group General Manager, Pacific Dunlop Ltd.

Other directorships:

Chairman, Futuris Corporation Ltd.
Chairman, Vision Systems Ltd.
Elders Australia Ltd.
Executive Board Member, Tennis Australia

Special Responsibilities:

Due Diligence Committee
Staff Committee
Chairman, Bendigo Superannuation Ltd
(Trustee of Staff Superannuation Fund)

Jennifer L Dawson (35 years)

Bachelor of Business (Accounting) Bendigo
Chartered Accountant
Certified Information Systems Auditor
Appointed to Board August 1999

Previous appointments:

Manager, Special Projects-Managing Directors' Office -
(Bendigo Bank)
Senior Manager-Group Internal Audit (Bendigo Bank)
Senior Manager-Audit & Business Advisory Division -
(Arthur Andersen)

Other directorships:

Councillor of Loddon Mallee Women's Health

Special Responsibilities:

Audit Committee
Due Diligence Committee
Credit Committee

Donald J Erskine (54 years)

Appointed to Board August, 1999

Previous appointments:

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

Current appointments:

Managing Director, Industrial Conveying (Aust) Pty Ltd
Managing Director, Bendigo Brick Pty Ltd
Chairman, Fortunes (Bendigo) Pty Ltd -
"All Seasons International"

Other directorships:

Bendigo Community Telco Limited

Special Responsibilities:

Credit Committee
Risk Committee

Information on Directors (continued)

William R Lanyon (62 years)

Media executive

Elected to Board 1987

Previous appointment:

Director, Sunraysia Building Society

Current appointment:

Managing Director, Elliott Newspaper Group

Other directorships:

Elliott Newspaper Group

Vicpress Ltd

Special Responsibilities:

Corporate Governance Committee

Chairman, Audit Committee

Staff Committee

Marketing Consultative Committee

Kevin E Roache (60 years)

LL.B, B.Com. - Melbourne

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:

Senior Partner, Gargan & Roache

(Solicitors Geelong).

Deputy Chairman, Barwon Health

Special Responsibilities:

Chairman, Credit Committee

Corporate Governance Committee

Risk Committee

Directors' and other Officers' Emoluments

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

Emoluments of Directors of Bendigo Bank Limited

	Annual Emoluments			Long Term Emoluments	
	Base Fee	Subsidiary Fees	Chairman's Allowance	Super-annuation	Total
	\$	\$	\$	\$	\$
<i>Non Executive Directors:</i>					
R A Guy OAM	51,922	-	51,922	7,269	111,113
E B Thomas (1)	31,197	36,346	15,577	-	83,120
R N Johanson	51,922	-	-	3,635	55,557
W R Beischer	51,922	-	-	3,635	55,557
J L Dawson (2)	42,307	-	-	2,960	45,267
D J Erskine (2)	42,307	-	-	2,960	45,267
W R Lanyon	51,922	-	-	3,635	55,557
K E Roache	51,922	-	-	3,635	55,557
<i>Executive Director:</i>					
R G Hunt	319,070	100,000	65,930	48,500	533,500

(1) Mr E B Thomas retired from the Board on 25 October 1999. The above annual emoluments exclude benefits paid to Mr Thomas in connection with his retirement from the Bendigo Bank Board totalling \$125,000.

(2) Ms J L Dawson and Mr D J Erskine were appointed to the Board in August 1999.

(3) "Other" comprises salary sacrifice superannuation and motor vehicle components.

Emoluments of the five most highly paid executive officers of the company(a)

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 (b)	Super-annuation	Total
	\$	\$	\$	\$	\$
I.G. Mansbridge	209,000	66,000	11,000	20,020	306,020
G.D. Gillett	155,360	50,000	34,640	16,800	256,800
J. Goddard	173,030	45,000	36,970	17,850	272,850
V.M. Kelly	136,760	50,000	53,240	16,800	256,800
K.C. Langford	157,110	50,000	32,890	16,800	256,800

(a) During the year, Mr I.G. Mansbridge was a member of the executive committee of the Bank. Mr Mansbridge was seconded to the "Elders" joint venture project announced during August 1998 and appointed as Managing Director of Elders Rural Bank Ltd (the joint venture entity) during September 1998.

The annual and long term emoluments paid by Bendigo Bank during the year in respect to Mr Mansbridge were fully reimbursed by Elders Rural Bank.

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

Meetings of Directors

The number of meetings of the Bank's directors (including meetings of committees of directors) held during the year ended June 30, 2000, and the numbers of meetings attended by each director were:

Board of Directors Meetings	Meetings of Committees													
	Audit		Credit		Risk		Staff		Due Diligence		Corporate Governance			
Numbers of meetings held:	15		8		14		8		5		4		1	
Attended by:	Eligible to attend	No. attended	Eligible to attend	No. attended	Eligible to attend	No. attended	Eligible to attend	No. attended	Eligible to attend	No. attended	Eligible to attend	No. attended	Eligible to attend	No. attended
R A Guy OAM	15	15	8	8					5	5			1	1
R N Johanson	15	11					8	6			4	3		
E B Thomas (1)	5	5	3	2	6	6								
R G Hunt	15	14	8	5	14	6	8	7	5	4	4	4	1	1
W R Beischer	15	15							5	5	4	4		
J L Dawson	12	12	6	6	11	10					4	4		
D J Erskine	12	12			10	9	6	6						
W R Lanyon	15	13	8	8					5	4			1	1
K E Roache	15	14			14	11	8	5					1	0

¹ Mr E B Thomas retired from the Board on 25 October 1999.

Indemnification and insurance of Officers and Auditors

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 auditor of the company or a related body corporate.

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 Law, at the date of this report is as follows:

Director	Ordinary Shares	Capital Notes
R A Guy OAM	216,799	14,793
R N Johanson	134,976	10,056
R G Hunt ⁽¹⁾	70,931	-
W R Beischer	83,107	-
J L Dawson	6,479	-
D J Erskine	4,531	-
W R Lanyon	21,556	1,624
K E Roache	34,096	658

¹ R G Hunt also holds 140,000 fully paid employee shares.

The above holding relates wholly to Bendigo Bank, as all controlled entities are ultimately 100% owned by Bendigo Bank Limited

Share Issues ⁽¹⁾

The following share classes were issued during the financial year :

Description	No. of Shares
Ordinary shares issued under the Dividend Reinvestment Plan	1,101,857
Bonus shares issued in lieu of dividends under the Bonus Share Scheme	271,811
Other issues of ordinary shares,	
Adjustment to partly paid shares issued under terms of prospectus dated 27 October '98	10,000
Issued in connection with purchase of Victorian Securities Corporation Limited in 7 September '99	1,000,000
Notes converted	2,923,560
Employee shares issued under Bendigo Employee Share Ownership Plan	27,390
Total shares issued	5,334,618

During the year 211,260 employee shares paid to 5c converted to ordinary shares paid in full.

In addition, during the year 124,558 fully paid employee shares were converted to ordinary shares.

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, Managing Director

Dated this 4th day of September 2000

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended June 30, 2000

	Note	Consolidated		Bendigo Bank	
		2000	1999	2000	1999
		\$'000	\$'000	\$'000	\$'000
Net interest revenue					
Interest revenue	2	296,762	230,224	281,225	216,459
Interest expense	2	179,877	137,002	174,168	132,349
Net interest revenue		116,885	93,222	107,057	84,110
Other operating revenue					
Share of associates' net profits (losses)	2	7,564	3,100	7,564	3,100
Dividends	2	60	230	9,777	5,692
Fees	2	34,781	26,610	24,592	17,533
Commissions	2	12,704	10,875	2,044	1,849
Other operating revenue	2	2,836	2,946	1,968	2,252
Total operating revenue		174,830	136,983	153,002	114,536
Operating expenses					
Bad and doubtful debts	2	7,613	6,452	7,171	19,934
Other operating expenses					
Borrowing costs	2	526	568	411	568
Staff and related costs	2	52,611	44,999	47,651	39,381
Occupancy costs	2	6,866	6,089	6,706	5,374
Amortisation of goodwill	2	2,128	1,266	592	592
Property, plant & equipment costs	2	4,217	4,110	3,701	3,584
Fees and commissions	2	6,239	5,172	4,316	4,069
Administration expenses	2	45,618	36,763	41,614	32,312
Other operating expenses	2	1,158	1,986	(860)	(844)
Total other operating expenses		119,363	100,953	104,131	85,036
Operating profit before abnormal items and income tax		47,854	29,578	41,700	9,566
Abnormal items before income tax	3	(10,500)	6,483	(10,500)	6,033
Operating profit before income tax		37,354	36,061	31,200	15,599
Income tax attributable to operating profit	7	16,042	16,359	8,939	11,113
Operating profit after income tax		21,312	19,702	22,261	4,486
Retained profits at beginning of the financial year	4	26,179	20,688	24,301	34,026
Total available for appropriation		47,491	40,390	46,562	38,512
Dividends - Final 1999 (adjustment to provision)		132	9	132	9
- Interim 2000	11	7,809	5,855	7,809	5,855
- Final 2000	11	10,432	8,347	10,432	8,347
Retained profits at the end of the financial year		29,118	26,179	28,189	24,301
Basic earnings per share	12	27.5¢	32.6¢		
Diluted earnings per share	12	27.4¢	31.4¢		
Dividends per share		24.0¢	23.0¢		

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

as at June 30, 2000

	Note	Consolidated		Bendigo Bank	
		2000	1999	2000	1999
		\$'000	\$'000	\$'000	\$'000
Assets					
Cash and liquid assets	14	91,251	98,503	90,818	108,135
Due from other financial institutions		119,501	85,777	118,051	85,317
Investment securities	15	591,107	529,717	571,333	513,753
Loans and other receivables	17	3,939,894	3,298,802	3,838,442	2,906,733
Deposit with the Reserve Bank of Australia	16	-	33,049	-	33,049
Amounts receivable from controlled entities		-	-	22,542	81,371
Shares - controlled entities	19	-	-	82,302	72,723
Shares - other	20	55,154	46,622	54,949	46,267
Other investments	22	2,499	4,653	-	-
Property, plant & equipment	23	31,992	28,529	19,367	15,061
Intangibles	24	37,285	35,810	4,584	5,177
Other assets	25	44,673	42,777	34,655	31,418
Total Assets		4,913,356	4,204,239	4,837,043	3,899,004
Liabilities					
Due to other financial institutions		95,472	62,191	95,472	62,191
Deposits	26	4,394,669	3,775,873	4,323,970	3,479,060
Provision - dividend		10,457	8,370	10,457	8,370
Provision - income tax		8,685	4,806	7,766	2,597
Other provisions	27	12,870	11,512	11,542	10,237
Subordinated debt	28	78,121	82,959	78,121	82,959
Other liabilities	29	24,725	15,439	23,656	13,788
Total Liabilities		4,624,999	3,961,150	4,550,984	3,659,202
Net Assets		288,357	243,089	286,059	239,802
Shareholders' Equity					
Share capital	30	242,362	199,979	242,362	199,979
Reserves	31	16,877	16,931	15,508	15,522
Retained profits		29,118	26,179	28,189	24,301
Total Shareholders' Equity		288,357	243,089	286,059	239,802

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

for the year ended June 30, 2000

	Note	Consolidated		Bendigo Bank	
		2000	1999	2000	1999
		\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest and other items of a similar nature received		299,372	227,524	281,443	215,179
Borrowing costs paid		(182,126)	(139,737)	(175,549)	(130,958)
Receipts from customers (excluding interest)		48,942	40,014	27,584	21,381
Payments to suppliers		(102,583)	(128,835)	(88,341)	(109,935)
Dividends received		59	230	9,776	5,692
Income taxes paid		(10,457)	(5,449)	(3,298)	(878)
Net cash flows from/(used in) operating activities	13	<u>53,207</u>	<u>(6,253)</u>	<u>51,615</u>	<u>481</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash flows for purchases of property, plant and equipment		(9,779)	(5,530)	(8,630)	(4,217)
Cash proceeds from sale of property, plant and equipment		4,972	8,602	268	6,237
Cash paid for purchases of equity investments		(4,907)	(28,458)	(5,078)	(28,414)
Net increase in balance of loans outstanding		(590,397)	(471,064)	(886,887)	(515,523)
Net (increase)/decrease in balance of Reserve Bank of Australia deposit		33,049	(6,539)	33,049	(6,539)
Net increase of investment securities		(37,599)	(45,623)	(57,580)	(51,370)
Net cash paid on acquisition of subsidiary	13	(4,327)	14,405	(4,617)	(30,966)
Net cash flows used in investing activities		<u>(608,988)</u>	<u>(534,207)</u>	<u>(929,475)</u>	<u>(630,792)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from shares issued		19,826	20,341	19,826	20,341
Net increase in balance of retail deposits		578,766	549,170	890,249	587,890
Net increase/(decrease) in balance of wholesale deposits		(45,233)	45,416	(46,001)	73,904
Net increase in balance of subordinated debt		6,458	-	6,472	-
Dividends paid		(10,845)	(7,039)	(10,550)	(7,039)
Net cash flows from financing activities		<u>548,972</u>	<u>607,888</u>	<u>859,996</u>	<u>675,096</u>
Net increase/(decrease) in cash held		<u>(6,809)</u>	<u>67,428</u>	<u>(17,864)</u>	<u>44,785</u>
Cash at the beginning of the financial year		122,089	54,661	131,261	86,476
Less cash at the end of the financial year	14	<u>115,280</u>	<u>122,089</u>	<u>113,397</u>	<u>131,261</u>
		<u>(6,809)</u>	<u>67,428</u>	<u>(17,864)</u>	<u>44,785</u>

The accompanying notes form part of these financial statements

Notes to and Forming Part of the Financial Statements

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a Basis of Preparation of the Accounts

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

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 Law 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.

Bendigo Bank has elected to apply three new/revised Accounting Standards early, in accordance with subsection 334(5) of the Corporations Law. The new Accounting Standards adopted and included in the preparation of this financial report are:

AASB 1018 "Statement of Financial Performance"

AASB 1034 "Financial Report Presentation and Disclosures"

AASB 1040 "Statement of Financial Position".

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 accounts comprise the accounts 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 19 to the accounts.

Controlled entities prepare financial reports for consolidation in conformity with Group accounting policies.

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.

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 profit and loss account in the financial year in which the exchange rates change.

f Cash

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.

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 for each month in the profit and loss account. 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 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 reflected in the profit and loss account.

Share investment securities listed on a stock exchange are brought to account at the market value of the investments quoted on the official stock market of the stock exchange at the close of trading at the end of the financial year. Revaluations do not take into account potential capital gains tax.

Unlisted investment securities are brought to account at directors' valuation assessed at the shares' current market value or the value of underlying net assets in the particular entities. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. Revaluations do not take into account potential capital gains tax.

Dividends are brought to account in the profit and loss 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>
Fountain Plaza Pty Ltd	10
Sandhurst Trustees Limited	20
Compass Building Society	18
Cassa Commerciale Australia Limited	10
Worley Securities Pty Ltd	20
IOOF BS Holdings Pty Ltd	20
Victorian Securities Corporation Limited	20

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, 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 Fund

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 to the Reserve Fund.

m Land Developments

Land held for development and resale is valued at the lower of cost and net realisable value in accordance with the valuation policy as outlined in Note 1(i). Cost includes the acquisition, development, interest on funds borrowed for the development and holding costs until completion. Net realisable value is determined from estimated future cash flows associated with each development, expressed as a present value by use of an appropriate discount rate. Profits, together with any tax expense, are brought to account on settlement of a sale.

n 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 Law.

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 36.

o 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 Statement 'L1 - Asset Quality'.

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 a minimum level of 0.5% of Risk Weighted Assets (net of Future Income Tax Benefit).

p 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.

q 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.

r Income Tax

The economic entity adopts the liability method of tax effect accounting, whereby the income tax expense in the profit and loss account 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.

s 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 included in the profit and loss account when the gains and losses arising on the related physical exposures are recognised in the profit and loss 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.

t 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.

u 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 the fund management are included in the economic entity profit and loss account.

v 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 arms 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.

w 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.

x Comparative Figures

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

y 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	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
2 OPERATING PROFIT				
Operating profit before abnormal items and income tax has been determined as follows:				
Interest revenue				
Controlled entities				
Investment securities	-	-	1,460	2,000
Loans and other receivables	-	-	-	9,500
Other persons/entities				
Cash and liquid assets	705	1,337	1,561	2,060
Investment securities	34,336	26,324	29,276	22,773
Loans and other receivables	261,721	202,563	248,928	180,126
Total interest revenue	296,762	230,224	281,225	216,459
Interest expense				
Controlled entities				
Retail deposits	-	-	352	30
Wholesale - domestic	-	-	1,195	-
Other persons/entities				
Deposits				
Retail	136,084	97,546	131,083	93,618
Wholesale - domestic	27,943	22,811	25,688	22,734
Wholesale - offshore	9,723	9,360	9,723	8,682
Other borrowings				
Subordinated debt	6,127	7,285	6,127	7,285
Total interest expense	179,877	137,002	174,168	132,349
Net interest revenue	116,885	93,222	107,057	84,110
Share of associates' net profits (losses)	7,564	3,100	7,564	3,100
Other operating revenue				
Dividends				
Controlled entities	-	-	9,726	5,502
Other	50	221	41	181
Distribution from unit trusts	10	9	10	9
	60	230	9,777	5,692
Fees				
Loans	4,289	2,763	3,936	2,560
Other	30,492	23,847	20,656	14,973
	34,781	26,610	24,592	17,533
Commissions				
Insurance	1,629	1,402	1,591	1,344
Other	11,075	9,473	453	505
	12,704	10,875	2,044	1,849
Other revenue				
Income from property	729	724	181	206
Profits arising from sale of property, plant & equipment	268	531	57	536
Profits on sale of other investments	108	149	-	-
Net foreign exchange gain/(loss)	1,559	1,212	1,558	1,181
Other	172	330	172	329
	2,836	2,946	1,968	2,252
Total other operating revenue	57,945	43,761	45,945	30,426
Total operating revenue	174,830	136,983	153,002	114,536

	Consolidated		Bendigo Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
2 OPERATING PROFIT (continued)				
Operating expenses				
Bad and doubtful debts				
Specific provisions	2,737	2,875	2,735	16,295
General provisions	3,924	2,654	3,524	2,714
Bad debts written off	1,036	975	1,036	967
Bad debts recovered	(84)	(52)	(124)	(42)
Total bad and doubtful debts	7,613	6,452	7,171	19,934
Borrowing costs	526	568	411	568
Other operating expenses				
Staff and related costs				
Salaries and wages	40,706	34,338	36,479	29,762
Superannuation contributions	3,945	3,390	3,575	2,969
Provision for annual leave	540	509	546	528
Provision for long service leave	439	334	488	230
Other provisions	187	49	169	55
Payroll tax	2,504	2,451	2,261	2,141
Fringe benefits tax	1,002	792	934	674
Other	3,288	3,136	3,199	3,022
Occupancy costs	52,611	44,999	47,651	39,381
Operating lease rentals	4,838	4,354	5,369	4,260
Depreciation of buildings	307	316	105	124
Amortisation of leasehold improvements	311	374	307	349
Property rates	324	256	244	168
Land tax	304	326	98	129
Repairs and maintenance	458	205	273	147
Other	324	258	310	197
Amortisation of goodwill	6,866	6,089	6,706	5,374
Property, plant & equipment costs	2,128	1,266	592	592
Depreciation of property, plant & equipment	4,168	3,810	3,701	3,284
Loss on sale of property, plant & equipment	49	300	-	300
Fees and commissions	4,217	4,110	3,701	3,584
Administration expenses	6,239	5,172	4,316	4,069
Communications, postage and stationery	7,918	6,023	7,268	5,370
Computer systems and software costs	8,693	8,091	8,193	7,210
General administration expenses	29,007	22,649	26,153	19,732
Other expenses	45,618	36,763	41,614	32,312
Decrements arising from the revaluation of investments	-	3	541	332
Provision for directors' retirement allowance	103	358	23	213
Other	1,055	1,625	(1,424)	(1,389)
Total operating expenses	1,158	1,986	(860)	(844)
Total operating expenses	126,976	107,405	111,302	104,970
Operating profit before abnormal items and income tax	47,854	29,578	41,700	9,566

	Consolidated		Bendigo Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
2 OPERATING PROFIT (continued)				
Operating revenue				
Interest revenue	296,762	230,224	281,225	216,459
Dividends received	60	230	9,777	5,692
Proceeds from sale of property, plant and equipment	281	6,255	268	6,237
Proceeds from sale of other investments	4,691	2,347	-	-
Other sources of revenue				
Share of associates' net profits (losses)	7,564	3,100	7,564	3,100
Other	50,053	39,900	28,547	21,098
	<u>359,411</u>	<u>282,056</u>	<u>327,381</u>	<u>252,586</u>
<i>Revaluation increments taken to profit and loss are limited to the amount of decrements previously charged.</i>				
<i>All directly controlled entities are 100% owned</i>				
3 ABNORMAL ITEMS				
Increase in specific provisions	(10,500)	-	(10,500)	-
Sale of Shares in Data Advantage Limited	-	1,165	-	1,165
Decrease in general provision for doubtful debts	-	5,318	-	4,868
Abnormal items before income tax	<u>(10,500)</u>	<u>6,483</u>	<u>(10,500)</u>	<u>6,033</u>
Income tax benefit applicable				
Increase in specific provisions	3,570	-	3,570	-
Sale of Shares in Data Advantage Limited	-	(47)	-	(47)
Reverse Income tax expense relating to General provision for doubtful debts	-	(5,318)	-	(4,868)
Abnormal items after income tax	<u>(6,930)</u>	<u>1,118</u>	<u>(6,930)</u>	<u>1,118</u>
4 RETAINED PROFITS AT THE BEGINNING OF THE FINANCIAL YEAR				
Retained profits at the beginning of the financial year	26,179	20,688	24,301	16,413
Retained profits acquired through share buy-back transaction with controlled entity - Cass Comm Australia Limited (formerly Cassa Commerciale Australia Limited)	-	-	-	17,613
Adjusted retained profits at the beginning of the financial year	<u>26,179</u>	<u>20,688</u>	<u>24,301</u>	<u>34,026</u>
5 UNDERLYING PROFIT				
<i>Underlying profit shows the growth in the core business of the economic entity</i>				
Underlying profit	57,595	37,296	49,463	30,092
Less,				
Amortisation of goodwill	2,128	1,266	592	592
Bad and doubtful debts expense (net of bad debts recovered)	7,613	6,452	7,171	19,934
Abnormal items (Note 3)	10,500	(6,483)	10,500	(6,033)
Income tax expense (Note 7)	16,042	16,359	8,939	11,113
Operating profit after income tax	<u>21,312</u>	<u>19,702</u>	<u>22,261</u>	<u>4,486</u>

	Average Balance \$'000	Interest 2000 \$'000	Average rate %
6 AVERAGE BALANCE SHEET AND RELATED INTEREST			
Average balances and rates ⁽¹⁾			
Interest earning assets			
Cash and liquid assets	71,075	705	0.99
Investment securities	594,547	34,336	5.78
Loans and other receivables	3,602,217	261,721	7.27
	<u>4,267,839</u>	<u>296,762</u>	<u>6.95</u>
Non interest earning assets			
Property, plant & equipment	29,951		
Provisions for doubtful debts	(20,935)		
Other assets	140,156		
	<u>149,172</u>		
Total assets (average balance)	<u>4,417,011</u>		
Interest bearing liabilities and equity			
Deposits			
Retail	3,342,850	136,084	4.07
Wholesale - domestic	506,245	27,943	5.52
Wholesale - offshore	161,872	9,723	6.01
Other borrowings			
Subordinated debt	80,932	6,127	7.57
	<u>4,091,899</u>	<u>179,877</u>	<u>4.40</u>
Non interest bearing liabilities and equity			
Other liabilities	55,369		
Shareholders' equity	269,743		
	<u>325,112</u>		
Total liabilities and shareholders' equity	<u>4,417,011</u>		
Interest margin and interest spread			
Interest earning assets	4,267,839	296,762	6.95
Interest bearing liabilities	(4,091,899)	(179,877)	(4.40)
Net interest income and interest spread		<u>116,885</u>	<u>2.55</u>
Net interest margin			<u>2.74</u>

1 Average balance is based on monthly closing balances from June 30, 1999 through June 30, 2000 inclusive

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

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

	Consolidated		Bendigo Bank	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
7 INCOME TAX EXPENSE				
The prima facie tax on operating profit is reconciled to the income tax provided in the accounts as follows:				
Tax payable on operating profit and extraordinary items before income tax at 36¢ (1999 - 36¢)	13,447	12,981	11,232	5,615
Permanent differences:				
Add tax effect of,				
depreciation of buildings	111	114	38	45
amortisation of goodwill	766	456	213	213
amortisation of leasehold improvements	112	135	111	126
write down of investment	-	1	195	120
increase in general provision	1,389	5,318	1,269	4,868
capital losses not allowable	-	107	-	107
non-allowable capital costs	2	179	-	178
change of tax rate on future tax provisions	977	-	703	-
Other items	6,043	3,550	5,974	2,720
	9,400	9,860	8,503	8,377
Less tax effect of,				
rebateable dividends received	18	79	3,516	2,046
capital gains not subject to tax	54	178	-	178
abnormal capital profits not subject to tax	-	373	-	373
write down of general provision not assessable	-	1,914	-	1,753
capital cost write-off of a building	86	89	30	33
Tax losses transferred from controlled entities	-	-	738	697
Other items	6,647	3,849	6,512	(2,201)
	6,805	6,482	10,796	2,879
Income tax expense attributable to:				
Operating profit before income tax	16,042	16,359	8,939	11,113
The income tax expense comprises amounts set aside as:				
Provision attributable to current year, being income tax payable on operating profit	18,146	9,009	12,253	3,993
Provision attributable to future years, being				
future income tax benefit	2,105	(7,208)	193	(6,817)
provision for deferred tax	1	142	(131)	303
	16,042	16,359	8,939	11,113
Income Tax losses not brought to account				
No part of the future income tax benefit (note 25) is attributable to tax losses, but tax benefit from acquired provisions for doubtful debts included in purchase of Cassa Commerciale Australia Limited are included.	-	-	-	-

Consolidated	
2000	1999
\$'000	\$'000

8 CAPITAL ADEQUACY

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

Risk weighted capital ratios

Tier 1	8.77%	8.74%
Tier 2	1.26%	1.61%
Total capital ratio	<u>10.03%</u>	<u>10.35%</u>

Qualifying Capital

Tier 1

Share capital	242,362	199,979
General reserve	13,300	13,300
Retained profits	32,787	29,082
Asset realisation reserve	993	993
Capital profits reserve	231	231
	<u>289,673</u>	<u>243,585</u>
Less		
Intangible assets	37,285	35,810
Net future income tax benefit	8,964	6,238
Other	269	1,371
Total Tier 1 capital	<u>243,155</u>	<u>200,166</u>

Tier 2

General provision for doubtful debts	13,826	9,454
Unsecured subordinated perpetual convertible capital notes	26,674	30,524
Convertible notes (amortised)	-	1,494
Subordinated capital notes	51,447	44,965
Asset revaluation reserve		
Property	1,543	1,600
Shares	364	363
	<u>93,854</u>	<u>88,400</u>
Less		
Subsidiary investment residual	58,950	51,584
Total Tier 2 capital	<u>34,904</u>	<u>36,816</u>
Total qualifying capital	<u>278,059</u>	<u>236,982</u>

	Gross	Risk	Risk Weighted	
	Assets	Weight	2000	1999
	\$'000	%	\$'000	\$'000
8 CAPITAL ADEQUACY (continued)				
Risk Weighted Assets				
<i>On-balance sheet assets</i>				
Notes & coin/Claims on Government	165,549	-	-	-
Loans secured by cash	3,064	-	-	-
Claims on local governments	19,081	20	3,816	2,811
Claims on banks	635,420	20	127,084	104,953
Qualifying mortgages (housing loans)	2,742,835	50	1,371,418	1,275,234
Other loans	1,194,826	100	1,194,826	748,905
Other assets	57,432	100	57,432	82,981
Total on-balance sheet assets	4,818,207		2,754,576	2,214,884

Total on-balance sheet assets as shown above does not agree with total assets as stated in the consolidated balance sheet. 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	2000	1999
	\$'000	Amount	%	\$'000	\$'000
<i>Off-balance sheet exposures</i>					
Direct credit substitutes					
Secured by cash	926	926	0	-	-
Secured by residential mortgages	1,868	1,868	50	934	938
Unsecured guarantees	510	510	100	510	834
Trade and performance related items					
Documentary letters of credit	4,717	943	20	189	122
Performance related contingencies	10,462	5,231	100	5,231	1,216
Loans approved not advanced					
Qualifying mortgages	17,658	17,658	50	8,829	51,740
Other loans(LVR > 80%)	1,126	1,126	100	1,126	18,343
Forward foreign exchange contracts					
Maturity 14 days < 1 year	18,117	181	20	36	42
Interest rate swaps (current exposure method)					
Exposure to loss	2,714	2,714	20	543	449
Under one year to maturity	139,970	-	20	-	-
Over one year	361,128	1,806	20	361	373
Cross currency swaps (current exposure method)					
Under one year to maturity	160,701	1,607	20	321	-
Over one year	-	-	20	-	160
Total off-balance sheet exposure				18,080	74,217

	Capital	Conversion	Risk Weighted	
	Allocation	Factor	2000	1999
	\$'000	%	\$'000	\$'000
Capital for market risk	0.18	10	0	0
Total risk weighted assets			2,772,656	2,289,101

	Consolidated		Bendigo Bank	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000

9 REMUNERATION OF DIRECTORS AND EXECUTIVES

Directors' remuneration (1)

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

1,262	869	-	-
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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

-	-	1,089	747
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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.
40,000	- 49,999	2	3
50,000	- 59,999	3	1
70,000	- 79,999	1	-
80,000	- 89,999	1	-
90,000	- 99,999	-	2
120,000	- 129,999	1	-
360,000	- 369,999	-	1
480,000	- 489,999	1	-

Executive officers' remuneration (1) (2)

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

3,754	2,880	-	-
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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

-	-	3,604	2,637
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Number of executive officers whose income fell within the following bands:

\$	\$	No.	No.	No.	No.
100,000	- 109,999	3	2	3	2
110,000	- 119,999	6	5	6	5
120,000	- 129,999	6	5	6	3
130,000	- 139,999	-	1	-	1
140,000	- 149,999	2	-	1	-
150,000	- 159,999	-	1	-	1
190,000	- 199,999	-	2	-	2
200,000	- 209,999	-	1	-	1
210,000	- 219,999	-	1	-	1
220,000	- 229,999	-	1	-	1
240,000	- 249,999	3	-	3	-
250,000	- 259,999	1	-	1	-
280,000	- 289,999	1	-	1	-
360,000	- 369,999	-	1	-	1
480,000	- 489,999	1	-	1	-

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

(1) Excludes company superannuation contributions, as disclosed in the following note

(2) Includes aggregate emoluments paid to I G Mansbridge. The emoluments paid to I G Mansbridge were fully reimbursed by Elders Rural Bank Limited.

Superannuation contributions

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

Managing director	49	32	49	32
Non-executive directors	36	36	28	29
	<u>85</u>	<u>68</u>	<u>77</u>	<u>61</u>

	Consolidated		Bendigo Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
10 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	424	298	361	237
-other services in relation to the chief entity and any other entity in the economic entity	85	204	77	204
Other auditors				
Amounts received, or due and receivable by other auditors other than the auditors of Bendigo Bank Limited for:				
-auditing the financial statements of subsidiary entities	-	-	-	-
-other services in relation to the chief entity	10	-	10	-

11 DIVIDENDS

Dividends paid or proposed

Dividends proposed				
Final dividend	10,432	8,347	10,432	8,347
Dividends paid				
Interim dividend	7,809	5,855	7,809	5,855
Final dividend prior year	8,774	5,161	8,479	5,161
	<u>27,015</u>	<u>19,363</u>	<u>26,720</u>	<u>19,363</u>

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 June 30, 2000.

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 statements, and after deducting franking credits to be used in payment of the above dividends.

	29,808	16,730	19,447	3,045
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The tax rate at which dividends have been franked is 36% (1999: 36%)

On July 1, 2000 the balance of franking accounts are required to be converted to 34%. Dividends paid in 2000/01 will therefore be franked at 34%.

Dividend paid

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

Paid in cash	10,845	7,039	10,550	7,039
Satisfied by issue of shares	5,738	3,977	5,738	3,977
	<u>16,583</u>	<u>11,016</u>	<u>16,288</u>	<u>11,016</u>

12 EARNINGS PER SHARE

Share ratios

Basic earnings per share	27.5¢	32.6¢
Diluted earnings per share	27.4¢	31.4¢

Number of Shares

Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	77,468,734	60,450,559
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Classification of Securities

7,444,891 Capital Convertible Notes issued November 19, 1997 are considered potential ordinary shares.

The weighted balance of notes outstanding during the year has therefore been included in the determination of diluted earnings per share. The conversion basis is one note to one ordinary share.

Method of Calculation

Basic earnings per share and diluted earnings per share have been calculated in accordance with AASB 1027: Earnings per Share.

	Consolidated		Bendigo Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
13 CASH FLOW INFORMATION				
Reconciliation of cash flow from operations with operating profit after income tax				
Operating profit after income tax	21,312	19,702	22,261	4,486
Non-cash flows in operating profit				
Doubtful debts expense	17,162	212	16,759	14,141
Amortisation	2,128	1,266	592	592
Depreciation	4,836	4,800	4,113	4,057
Revaluation decrements	(8,839)	(4,059)	(8,298)	(3,696)
Profits on disposal of property, plant and equipment	(376)	(677)	(57)	(536)
Increase in income taxes payable	7,831	9,210	9,111	8,153
Increase in deferred taxes payable	(2,246)	1,700	(3,471)	2,082
Decrease in accrued interest	366	(5,430)	(1,158)	115
Increase in accrued employees entitlements	1,032	1,249	1,098	749
Decrease in other accrued expenses and provisions	10,001	(34,226)	10,665	(29,662)
Net cash flows from/(used in) operating activities	53,207	(6,253)	51,615	481
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 loans to other entities				
- Net (increase) decrease of Reserve Bank of Australia deposit				
- 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				
During the year, Victorian Securities Corporation Ltd. was acquired by the chief entity. (1999, IOOF BS Holdings Pty Limited and IOOF Building Society Ltd) During the previous year, a partial merger occurred between a controlled entity, Cassa Commerciale Australia Limited and the chief entity, Bendigo Bank Limited.				
Details of these transactions are as follows:				
Fair value of identifiable net assets acquired				
Cash and liquid assets at call	290	29,269	-	(16,102)
Other liquid investments	23,792	10,849	-	-
Loans and other receivables	66,879	329,440	-	151,022
Amounts receivable from controlled entities	-	(5,136)	-	55,071
Shares - controlled entities	-	-	-	(43,308)
Shares - other entities	-	129	-	-
Property, plant & equipment	1,018	1,441	-	1,423
Other assets	-	381	-	(447)
Deposits	(83,407)	(345,556)	-	(135,741)
Provision - dividend	(295)	-	-	-
Provision - income tax	(346)	126	-	(439)
Other provisions	(1,393)	(3,455)	-	(744)
Other liabilities	(21)	(2,443)	-	(1,968)
	6,517	15,045	-	8,767
Adjustment to post acquisition retained profits	-	-	-	19,610
	6,517	15,045	-	(10,843)
Goodwill arising on acquisition	3,600	18,317	-	10,843
Amount paid on acquisition	10,117	33,362	-	-
Consideration paid				
1,000,000 Bendigo Bank Limited ordinary shares at \$5.50 ea.	(5,500)	-	-	-
Cash consideration	(4,617)	(14,864)	(4,617)	(14,864)
Total consideration	(10,117)	(14,864)	(4,617)	(14,864)
Net cash consideration				
Cash consideration	(4,617)	(14,864)	(4,617)	(14,864)
Net cash balance acquired	290	29,269	-	(16,102)
Net cash (paid) received on purchase of controlled entity	(4,327)	14,405	(4,617)	(30,966)

	Consolidated		Bendigo Bank	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
14 CASH AND LIQUID ASSETS				
Notes, coin and cash at bank	90,803	96,834	89,153	108,135
Investments at call	448	1,669	1,665	-
	<u>91,251</u>	<u>98,503</u>	<u>90,818</u>	<u>108,135</u>
Reconciliation of cash				
For the purposes of the statement of cash flows, cash includes:				
Cash and liquid assets	91,251	98,503	90,818	108,135
Due from other financial institutions	119,501	85,777	118,051	85,317
Due to other financial institutions	(95,472)	(62,191)	(95,472)	(62,191)
	<u>115,280</u>	<u>122,089</u>	<u>113,397</u>	<u>131,261</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.

15 INVESTMENT SECURITIES

Negotiable securities

Bank accepted bills of exchange	80,858	142,108	73,158	137,938
Negotiable certificates of deposit	203,543	183,281	203,543	178,292
Government securities	119,819	120,372	119,747	120,300
Other	174,135	77,338	174,135	77,223
	<u>578,355</u>	<u>523,099</u>	<u>570,583</u>	<u>513,753</u>

Non negotiable securities

Deposits - banks	6,680	767	750	-
Deposits - other	6,072	5,851	-	-
	<u>12,752</u>	<u>6,618</u>	<u>750</u>	<u>-</u>
	<u>591,107</u>	<u>529,717</u>	<u>571,333</u>	<u>513,753</u>

Maturity analysis

Not longer than 3 months	153,604	317,207	150,096	301,243
Longer than 3 and not longer than 12 months	254,967	152,244	238,701	152,244
Longer than 1 and not longer than 5 years	182,536	60,266	182,536	60,266
	<u>591,107</u>	<u>529,717</u>	<u>571,333</u>	<u>513,753</u>

16 DEPOSIT WITH THE RESERVE BANK OF AUSTRALIA

Non-callable deposits with the Reserve Bank	-	33,049	-	33,049
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Non-callable deposits were required to be maintained at a level equivalent to 1% of the liabilities of the Bank in Australia until July 1, 1999.

	Consolidated		Bendigo Bank	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
17 LOANS AND OTHER RECEIVABLES				
Overdrafts	252,114	154,992	245,284	130,338
Credit cards	28,205	24,627	28,205	22,169
Term loans	3,563,051	3,045,692	3,469,043	2,681,172
Lease receivables	127,383	88,117	126,986	87,426
Other	-	-	-	-
Accrued interest	19,158	16,366	17,411	14,659
Gross loans and other receivables	3,989,911	3,329,794	3,886,929	2,935,764
less:				
Specific provision for impairment (Note 18)	(15,523)	(6,616)	(14,759)	(5,533)
Unearned income	(20,668)	(14,922)	(20,419)	(14,844)
	3,953,720	3,308,256	3,851,751	2,915,387
less:				
General provision for impairment	(13,826)	(9,454)	(13,309)	(8,654)
Net loans and other receivables	3,939,894	3,298,802	3,838,442	2,906,733
Impaired loans				
Non-accruing loans - without provisions	747	58	747	58
- with provisions	26,447	12,962	26,447	12,617
less specific provisions	(14,505)	(5,960)	(14,505)	(5,868)
	12,689	7,060	12,689	6,807
Restructured loans	3,285	3,374	3,285	3,374
Assets acquired through security enforcement	30	266	30	-
Net impaired loans	16,004	10,700	16,004	10,181
Net impaired loans % of loans and other receivables	0.41%	0.32%	0.42%	0.35%
Portfolios Facilities - Balance	952	-	952	-
less provisions	(237)	-	(237)	-
Net Portfolio Facilities	715	-	715	-
Loans past due 90 days				
Accruing loans past due 90 days, with adequate security cover	12,539	10,744	12,439	8,884
Amount in arrears	1,277	1,064	1,272	926
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.				
Net fair value acquired through the enforcement of security				
Assets acquired	5,045	3,593	5,045	3,593
Assets acquired comprise land and improvements.				
Interest income recognised and foregone				
Interest income recognised in respect of impaired loans	394	636	394	636
Interest income recognised in respect of assets acquired through enforcement	174	94	174	94
Interest income foregone in respect of impaired loans	1,830	216	1,830	214

Interest income recognised is the interest income actually received subsequent to these balances becoming non-accrual or restructured.

Interest income foregone is the gross interest income that would have been recorded during the financial year had the interest on such loans been included in income.

17 LOANS AND OTHER RECEIVABLES (continued)	Consolidated		Bendigo Bank	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Loans by geographic location (1)				
Victoria	2,852,462	2,492,660	2,774,228	2,178,536
New South Wales	501,444	362,894	497,191	347,948
Australian Capital Territory	164,256	137,561	164,193	135,684
Queensland	120,637	83,605	100,499	52,949
South Australia / Northern Territory	105,697	60,839	105,635	29,183
Western Australia	188,159	158,980	188,047	158,717
Tasmania	29,881	25,634	29,866	25,562
Overseas/Other	27,375	7,621	27,270	7,185
	<u>3,989,911</u>	<u>3,329,794</u>	<u>3,886,929</u>	<u>2,935,764</u>
Maturity analysis (2)				
At call	74,472	-	-	-
Overdrafts	251,006	154,992	244,158	130,338
Not longer than 3 months	298,203	249,926	296,667	214,910
Longer than 3 and not longer than 12 months	401,574	330,180	399,260	288,498
Longer than 1 and not longer than 5 years	1,772,012	1,271,213	1,761,964	1,116,206
Longer than 5 years	1,156,453	1,301,945	1,149,702	1,165,435
	<u>3,953,720</u>	<u>3,308,256</u>	<u>3,851,751</u>	<u>2,915,387</u>

Geographic location determined from the customer postcode/address.

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

(2) *Balances exclude general provision for doubtful debts.*

	Consolidated		Bendigo Bank	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
18 IMPAIRMENT OF LOANS AND ADVANCES				
Specific provisions for impairment				
Opening balance	6,616	19,061	5,533	4,474
Balance transferred on acquisition	552	371	224	-
Charged to profit and loss	3,773	3,850	3,771	17,262
Bad debts written-off applied to specific provision	(5,918)	(16,666)	(5,269)	(16,203)
Abnormal adjustment to specific provision	10,500	-	10,500	-
Closing balance	<u>15,523</u>	<u>6,616</u>	<u>14,759</u>	<u>5,533</u>
General provision for impairment				
Opening balance	9,454	10,698	8,654	8,930
Balance transferred on acquisition	448	1,420	1,131	1,878
Charged to profit and loss	3,924	2,654	3,524	2,714
Abnormal adjustment to general provision	-	(5,318)	-	(4,868)
Closing balance	<u>13,826</u>	<u>9,454</u>	<u>13,309</u>	<u>8,654</u>
Bad and doubtful debts expense				
Specific provisions for impairment	(2,145)	(12,816)	(1,498)	1,059
General provision for impairment	3,924	2,654	3,524	2,714
Bad debts written off -loans acquired through enforcement of security	3,887	1,498	3,887	1,498
Bad debts written off -other loans	<u>2,031</u>	<u>15,168</u>	<u>1,382</u>	<u>14,705</u>
	<u>7,697</u>	<u>6,504</u>	<u>7,295</u>	<u>19,976</u>
Ratios				
Specific provision as % of gross loans less unearned income	0.39%	0.20%		
General provision net of future income tax benefit as % of risk weighted assets	0.50%	0.41%		

19 PARTICULARS IN RELATION TO CONTROLLED ENTITIES

Name	Place of Incorporation	Principal Activities	Value of Chief Entity's Investment	
			2000	1999
			\$'000	\$'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 Superannuation Ltd	Vic	Superannuation services	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	909	1,077
Fountain Plaza Pty Ltd	Vic	Property owner	10,733	10,733
Funds Transfer Services Pty Ltd	Vic	Funds transfer services	40	40
Benhold Pty Ltd	Vic	Building Society holding coy	33,602	33,592
Montenegro Pty Ltd	ACT	Research and development	-	373
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 ⁽³⁾	Vic	Financial services	10,110	-
Worley Securities Pty Ltd	Vic	Financial advisory services	4,039	4,039
			<u>82,302</u>	<u>72,723</u>

¹ All directly controlled entities are 100% owned

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

³ All controlled entities were owned for full year except for V.S.C.L. which was acquired on 7th of September 1999

⁴ Formerly Cassa Commerciale Australia Ltd.

	Consolidated		Bendigo Bank	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
20 OTHER SHARE INVESTMENTS				
Market Value				
Shares quoted on a stock exchange	467	474	405	411
Book value				
Unquoted shares	54,570	46,031	54,427	45,739
Units in trusts	117	117	117	117
	<u>55,154</u>	<u>46,622</u>	<u>54,949</u>	<u>46,267</u>

21 INVESTMENTS IN ASSOCIATES

Name	Ownership interest held by consolidated entity		Balance date
	2000	1999	
	%	%	

Elders Rural Bank Ltd	50	50	30 June
Bendigo Investment Services Ltd	50	0	30 June

(i) Principal activities of associated companies

Elders Rural Bank Limited - financial services

Bendigo Investment Services Limited - financial planning services

(ii) Share of associates' profits (losses)

Share of associates':

- operating profits (losses) before Income Tax	7,564	3,100	7,564	3,100
- income tax expense (benefit) attributable to operating profits (losses)	2,783	1,159	2,783	1,159
- operating profits (losses) after income tax	<u>4,781</u>	<u>1,941</u>	<u>4,781</u>	<u>1,941</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	44,441	-	44,441	-
- carrying amount of investment in associate acquired during the year	7,150	42,500	7,150	42,500
- dividends received from associates	(4,750)	-	(4,750)	-
- share of associates' net profits (losses) for the financial year	4,781	1,941	4,781	1,941
Carrying amount of investments in associates at the end of the financial year	<u>51,622</u>	<u>44,441</u>	<u>51,622</u>	<u>44,441</u>

Represented by:

Investments at equity accounted amount:

- Elders Rural Bank Limited	51,308	44,441	51,308	44,441
- Bendigo Investment Services Limited	314	-	314	-

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

Assets	372,049	202,406		
Liabilities	339,034	174,906		
Net Assets	<u>33,015</u>	<u>27,500</u>		

(v) Amount of retained profits of the consolidated entity attributable to associates	6,722	1,941		
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Subsequent events affecting an associate's profits/losses for the ensuing year are disclosed in note 43.

The consolidated entity's share of associates' commitments and contingent liabilities are disclosed in notes 33 and 34 respectively.

22 OTHER INVESTMENTS

Land held for resale

Cost of acquisition (at cost)	615	1,945	-	-
Development costs (at cost)	1,884	2,618	-	-
Interest and holding costs capitalised (at cost)	-	90	-	-
	<u>2,499</u>	<u>4,653</u>	<u>-</u>	<u>-</u>

Holding costs as disclosed in this note include rates, taxes and other land related expenses that have been capitalised.

23 PROPERTY, PLANT AND EQUIPMENT

Property

Freehold land - at directors' valuation 30th June 1999	5,050	5,175	1,600	1,600
	<u>5,050</u>	<u>5,175</u>	<u>1,600</u>	<u>1,600</u>
Freehold buildings - at directors' valuation 30th June 1999	12,480	13,341	4,195	4,195
Accumulated depreciation	(323)	(4)	(105)	-
	<u>12,157</u>	<u>13,337</u>	<u>4,090</u>	<u>4,195</u>
Freehold Buildings - at cost	173	358	-	-
Accumulated depreciation	-	(348)	-	-
	<u>173</u>	<u>10</u>	<u>-</u>	<u>-</u>
Leasehold improvements - at cost	2,554	4,067	2,554	1,793
Accumulated depreciation	(1,589)	(3,554)	(1,589)	(1,280)
	<u>965</u>	<u>513</u>	<u>965</u>	<u>513</u>
	<u>18,345</u>	<u>19,035</u>	<u>6,655</u>	<u>6,308</u>
Other				
Plant, furniture, fittings, office equipment & vehicles - at cost	38,669	31,999	33,303	26,290
Accumulated depreciation	(25,022)	(22,505)	(20,591)	(17,537)
	<u>13,647</u>	<u>9,494</u>	<u>12,712</u>	<u>8,753</u>
	<u>31,992</u>	<u>28,529</u>	<u>19,367</u>	<u>15,061</u>

24 INTANGIBLES

Trustee licence - at cost	9,530	9,530	-	-
Accumulated amortisation	(381)	(191)	-	-
	<u>9,149</u>	<u>9,339</u>	<u>-</u>	<u>-</u>
Purchased goodwill	7,320	7,320	7,320	7,320
Accumulated amortisation	(2,736)	(2,143)	(2,736)	(2,143)
	<u>4,584</u>	<u>5,177</u>	<u>4,584</u>	<u>5,177</u>
Goodwill on consolidation	26,663	23,060	-	-
Accumulated amortisation	(3,111)	(1,766)	-	-
	<u>23,552</u>	<u>21,294</u>	<u>-</u>	<u>-</u>
	<u>37,285</u>	<u>35,810</u>	<u>4,584</u>	<u>5,177</u>

	Consolidated		Bendigo Bank	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
25 OTHER ASSETS				
Future income tax benefit	11,563	9,288	9,722	6,362
Accrued income	7,026	2,670	6,878	2,218
Reserve fund	4,000	4,000	-	-
Prepayments	10,422	14,945	9,837	14,696
Sundry debtors	11,662	11,874	8,218	8,142
	44,673	42,777	34,655	31,418
26 DEPOSITS				
Retail				
Branch network	2,953,813	2,530,347	2,863,491	2,230,178
Treasury sourced-certificates of deposit	370,692	276,527	370,692	276,527
- other	347,586	201,189	366,663	203,231
	3,672,091	3,008,063	3,600,846	2,709,936
Wholesale				
Domestic-certificates of deposit	272,218	269,768	272,218	269,768
-other	287,922	337,779	288,468	339,093
Offshore	162,438	160,263	162,438	160,263
	722,578	767,810	723,124	769,124
	4,394,669	3,775,873	4,323,970	3,479,060
Deposits by geographic location				
Victoria	3,410,365	2,967,783	3,337,388	2,702,123
New South Wales	461,602	474,737	461,602	461,724
Australian Capital Territory	10,711	11,211	10,711	10,450
Queensland	104,426	53,382	104,426	51,467
South Australia/Northern Territory	104,771	64,355	104,771	49,952
Western Australia	75,287	18,796	75,287	18,436
Tasmania	25,947	20,773	25,947	20,512
Off-shore/other	201,560	164,836	203,838	164,396
	4,394,669	3,775,873	4,323,970	3,479,060
Maturity analysis				
At call	1,384,093	1,150,917	1,377,589	1,035,104
Not longer than 3 months	1,501,054	1,663,629	1,509,980	1,554,436
Longer than 3 and not longer than 12 months	1,255,792	737,570	1,190,372	686,996
Longer than 1 and not longer than 5 years	238,440	222,569	230,739	202,524
Longer than 5 years	15,290	1,188	15,290	-
	4,394,669	3,775,873	4,323,970	3,479,060
27 OTHER PROVISIONS				
Employee entitlements (Note 32)	8,927	7,837	7,886	6,789
Deferred income tax provision	3,149	3,149	2,910	3,020
Uninsured Losses	734	434	732	382
Surplus leased space	14	46	14	46
Unearned corpus commission	46	46	-	-
	12,870	11,512	11,542	10,237

	Consolidated		Bendigo Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
28 SUBORDINATED DEBT				
Subordinated capital notes ⁽¹⁾	51,447	44,965	51,447	44,965
Convertible notes ⁽²⁾	-	7,470	-	7,470
Unsecured subordinated perpetual convertible capital notes ⁽³⁾	26,674	30,524	26,674	30,524
	<u>78,121</u>	<u>82,959</u>	<u>78,121</u>	<u>82,959</u>
Maturity analysis				
Longer than 1 and not longer than 5 years	-	-	-	-
Longer than 5 years	78,121	82,959	78,121	82,959
	<u>78,121</u>	<u>82,959</u>	<u>78,121</u>	<u>82,959</u>

1 An issue of \$15 million subordinated capital notes were placed in December, 1996 and mature December 30, 2006. Further issues of \$5 million in January 1997, maturing December 30, 2006, \$10 million in June 1997, maturing June 30, 2007 and \$21.45 million in June 2000, maturing June 30, 2010, were placed.

2 Convertible notes were issued on February 2, 1993 and matured on May 31, 2000. On maturity the notes were repaid, or optionally converted to ordinary capital at a conversion factor of 1 note to 1 ordinary share.

3 Unsecured subordinated perpetual convertible capital notes were issued in October 1997. The notes are tradeable on the Australian Stock Exchange and are convertible to fully paid shares. 8.5 million capital notes were issued to existing shareholders, convertible note holders and other investors. These notes rank as Tier 2 capital.

29 OTHER LIABILITIES

Sundry creditors	11,709	5,376	11,343	4,763
Accrued expenses and outstanding claims	13,016	10,063	12,313	9,025
	<u>24,725</u>	<u>15,439</u>	<u>23,656</u>	<u>13,788</u>

30 SHARE CAPITAL

Issued and paid up capital

83,616,824 Ordinary shares fully paid (1999: 66,674,018)	244,862	179,678	244,862	179,678
Ordinary shares paid to \$2 with \$1.75 unpaid (1999: 11,396,928)	-	22,794	-	22,794
Ordinary shares paid to 5 cents with 95 cents unpaid (1999: 211,260)	-	10	-	10
New capital issue expenses	(2,500)	(2,503)	(2,500)	(2,503)
	<u>242,362</u>	<u>199,979</u>	<u>242,362</u>	<u>199,979</u>

Statement of changes - Ordinary share capital

Opening balance	199,979	50,163		
Transfer of Share Premium Account	-	63,892		
<i>Shares issued under:</i>				
Bonus share scheme - 133,378 @ \$5.65; 138,433 @ \$4.81; (1999: 139,808 @ \$4.38; 100,224 @ \$5.82)	-	-		
Dividend reinvestment plan - 519,099 @ \$5.65; 582,758 @ \$4.81; (1999: 409,144 @ \$4.38; 374,045 @ \$5.82)	5,736	3,969		
Share purchase plan - Nil; (1999: Nil)	-	-		
Employee share plan - 18,290 @ \$6.13; 9,100 @ \$5.04; (1999: 100,000 @ \$4.89; 325 @ \$4.60; 851,889 @ \$4.60)	158	4,409		
Convertible notes converted - 1,984,572 @ \$3.35; (1999: 5,704,965 @ \$3.35)	6,648	19,112		
Capital notes converted - 938,988 @ \$4.10; (1999: 1,120,437)	3,850	4,594		
Ordinary staff shares paid to 5 cents converted to fully paid - 211,260 shares (1999: 21,920 shares)	505	49		
Rights issue - payment of second instalment 11,396,928 @ \$1.75; 10,000 @ \$3.75; (1999: 11,396,928 ordinary shares @ \$3.75, paid to \$2.00)	19,983	22,794		
Share issue - VSCL acquisition - 1,000,000 @ \$5.50 (1999: ERSL joint venture - 4 million shares @ \$3.75)	5,500	15,000		
Share issue - Nil; (1999: IOOF acquisition - 3.7 million shares @ \$5.00)	-	18,500		
New capital issue expenses	3	(2,503)		
Closing balance	<u>242,362</u>	<u>199,979</u>		

Ordinary shares paid to 5c are shares issued under the Staff Share Incentive Plan. As at June 30, 2000 there were no calls in arrears. Uncalled capital relating to Staff Share Incentive Plan shares may only be called under the terms of the Trust Deed governing the plan.

	Consolidated		Bendigo Bank	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
31 RESERVES				
General Reserve	13,300	13,300	13,300	13,300
Asset Realisation Reserve	993	993	993	993
Capital Profits Reserve	231	231	231	231
Asset Revaluation Reserve				
Opening Balance	2,407	424	998	152
Net revaluation increment (decrement)	(54)	1,983	(14)	846
Closing Balance	<u>2,353</u>	<u>2,407</u>	<u>984</u>	<u>998</u>
Share Premium Reserve				
Opening Balance	-	63,892	-	63,892
Transfer of balance to the Share Capital Account	-	(63,892)	-	(63,892)
Closing Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total reserves	<u>16,877</u>	<u>16,931</u>	<u>15,508</u>	<u>15,522</u>
32 EMPLOYEE ENTITLEMENTS				
Employee entitlement liability				
Provision for annual leave	3,766	3,225	3,418	2,873
Provision for long service leave	3,200	2,760	2,896	2,408
Provision for sick leave bonus	329	214	293	190
Provision for employee on costs	422	352	389	323
Provision for restructure	-	50	-	-
Directors' retirement allowance	1,210	1,236	890	995
Aggregate employee entitlements liability	<u>8,927</u>	<u>7,837</u>	<u>7,886</u>	<u>6,789</u>

Bendigo Employee Share Ownership Plan

The ownership based remuneration scheme is offered to all employees of the economic entity. Issues are made fully paid at market price and are funded by individual interest-free loans from BBS Nominees Pty Ltd to employees. Dividends paid on shares issued under the scheme are applied primarily to repay the loan. When a staff member ceases their employment, they are required to repay their loan within 3 months, unless they retire, then they have twelve months to repay. Issues under the scheme must be approved by the board of Bendigo Bank Limited. The scheme is administered by BBS Nominees Pty Ltd in accordance with the deed.

The shares issued under the scheme are not listed on the Australian Stock Exchange.

Further issue of shares was made under the terms of the Bendigo Employee Share Ownership Plan: In August 1999; 18,290 ordinary shares were allotted at \$6.13 per share and in January 2000; 9,100 ordinary shares at \$5.04. These shares were paid in full and were allotted to those employees accepting the offer. The share issues resulted in an increase of \$157,981.70 in the share capital account. There were no further issues of shares up to June 30, 2000. Further shares under the scheme will not become available until a subsequent offer is made. All shares are issued at market price.

	Consolidated		Bendigo Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
33 COMMITMENTS				
Outstanding expenditure and credit related commitments as at June 30, 2000. Except where specified, all commitments are payable within one year.				
Operating lease commitments				
Not later than one year	8,864	9,503	8,647	9,400
Longer than one year but not longer than two years	5,984	6,028	5,767	6,028
Longer than two years but not longer than five years	8,243	4,866	7,781	4,866
Longer than five years	533	144	524	144
	<u>23,624</u>	<u>20,541</u>	<u>22,719</u>	<u>20,438</u>
Capital expenditure commitments				
Capital expenditure commitments not provided for in the accounts, payable not later than one year	506	213	467	213
	<u>506</u>	<u>213</u>	<u>467</u>	<u>213</u>
Other expenditure commitments				
Sponsorship commitments not paid as at balance date, payable not later than one year	293	190	243	180
Credit related commitments				
Loans approved, but not advanced to borrowers, payable not later than one year	18,784	121,822	18,784	121,822
Credit limits granted to clients for overdrafts and credit cards				
Total amount of facilities provided	517,261	359,320	510,431	359,320
Amount undrawn at balance date	<u>236,942</u>	<u>179,701</u>	<u>236,942</u>	<u>206,813</u>
Normal commercial restrictions apply as to use and withdrawal of the facilities				
34 CONTINGENT LIABILITIES				
Guarantees				
The economic entity has issued guarantees on behalf of clients	3,304	4,019	3,304	4,019
Other				
Documentary letters of credit	4,717	3,043	4,717	3,043

35 SEGMENT REPORTING

(a) Industry segments

	2000	2000	2000	1999	1999	1999
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	External	Intersegment	Total	External	Intersegment	Total
Interest revenue						
Banking	279,340	1,195	280,535	219,032	3,488	222,520
Trustee company	562	-	562	528	-	528
Financial services	16,860	86	16,946	10,664	-	10,664
Eliminations	-	(1,281)	(1,281)	-	(3,488)	(3,488)
	296,762	-	296,762	230,224	-	230,224
Other revenue						
Banking	36,047	12,197	48,244	30,723	8,426	39,149
Trustee company	13,306	-	13,306	12,133	619	12,752
Financial services	13,296	1,377	14,673	8,976	1,606	10,582
Eliminations	-	(13,574)	(13,574)	-	(10,651)	(10,651)
	62,649	-	62,649	51,832	-	51,832
Total revenue						
Banking	315,387	13,392	328,779	249,755	11,914	261,669
Trustee company	13,868	-	13,868	12,661	619	13,280
Financial services	30,155	1,463	31,618	19,640	1,606	21,246
Eliminations	-	(14,855)	(14,855)	-	(14,139)	(14,139)
	359,411	-	359,411	282,056	-	282,056
Operating profit before tax						
Banking			38,109			33,418
Trustee company			6,028			6,031
Financial services			2,762			1,342
Eliminations			(9,545)			(4,730)
			37,354			36,061
Operating profit after tax						
Banking			26,416			20,611
Trustee company			3,740			3,784
Financial services			1,192			368
Eliminations			(10,036)			(5,061)
			21,312			19,702
Total Assets						
Banking			5,064,852			4,331,137
Trustee company			24,168			23,272
Financial services			21,365			44,363
Eliminations			(197,029)			(194,533)
			4,913,356			4,204,239

The basis of intersegment funding pricing is 90 day bank bill (BBSW) rate plus a margin of 20 basis points.

(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 from the management of common funds and trusteeships.

Financial Services

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

36 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.

37 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	W R Lanyon
R N Johanson	E B Thomas
W R Beischer	K E Roache
J L Dawson	

Remuneration of directors

Directors' remuneration is disclosed in Note 9.

Loans to directors and director-related entities

Australian Banks and their controlled entities have been exempted under ASIC Class Order (98/0110) 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 arms 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 June 30, 2000, requiring lodgement with the ASIC pursuant to section 319 of the Corporations Law.

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 are under normal terms and conditions applicable to staff.

R N Johanson	R G Hunt
J L Dawson	W R Lanyon
D J Erskine	K E Roache

	Consolidated		Bendigo Bank	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Loans to directors of the Bank and their director-related entities comprise:				
Amounts outstanding as at the end of the financial year				
Secured	12,717	1,302	12,139	698
Unsecured (1)	6	100	6	100
	<u>12,723</u>	<u>1,402</u>	<u>12,145</u>	<u>798</u>
Repayments received during the year	960	69	945	55
Loans made during the year				
Normal terms and conditions	200	250	200	250
Employee terms and conditions	-	489	-	489

Shareholdings of directors and all 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.			2000	1999
ordinary shares			No.	No.
partly paid ordinary shares			'000	'000
employee shares (paid in full)				
employee shares (paid to 5 cents)				
capital notes				
			1,140	1,004
			-	168
			140	140
			-	20
			37	45

During the course of the year, directors and their related entities acquired 206,957 ordinary shares in Bendigo Bank Ltd. The majority of shares purchased were under the Dividend Reinvestment Plan and Bonus Share Scheme. All transactions during the course of the year were made under normal commercial terms and conditions.

(1) As at 30 June 2000, Bendigo Bank Ltd had issued guarantees totalling \$154,447 on behalf of directors or their director related entities in favour of parties not associated with the group.

37 RELATED PARTY DISCLOSURES (continued)

Other transactions of directors and director related entities

K E Roache as partner of the legal firm Gargan and 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, \$5,250 (year ended June 30, 1999, \$7,750).

R N Johanson is a director in the firm of Grant Samuel & Associates Pty Ltd. which has provided consulting services to Bendigo Bank Ltd. based on normal commercial terms and conditions. Amount paid or payable during the year, \$187,080 (year ended June 30, 1999, \$145,325).

W R Beischer, a Director of Bendigo Bank Limited and G D Henderson, a Director of Sandhurst Trustees Limited provided consulting services, on normal terms and conditions, to the Bank through their participation on the business development committee of Cassa Commerciale. The amount paid or payable for the year to Mr Henderson totalled \$40,000 (1999:\$28,500) and to Mr Beischer totalled \$30,000 (1999: \$22,500)

During the year, related entities of J L Dawson provided consultancy and freight services to Bendigo Bank Ltd., on normal terms and conditions. Amount paid or payable during the year totalled \$13,432 (1999: Nil).

Transactions with other related parties

<u>Associated Entities</u>	Consolidated		Bendigo Bank	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Commission Revenue received	98	-	98	-
Administration and Service fees received	1,697	-	1,697	-

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.

Ultimate Parent Entity

Bendigo Bank Limited is the ultimate parent entity.

38 RISK MANAGEMENT

The recognition and management of risk is a critical function of the bank. 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 strategy and operations to its risk management objectives. The framework incorporates the Board of Directors as the body ultimately responsible; the Risk, Credit and Audit Board Committees; the Executive Committee appointed to manage the business; the Asset Liability Management Committee and various support and control functions.

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.

Interest Rate Risk

Interest rate risk is the risk of loss of earnings to the bank due to adverse movements in interest rates.

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 that may occur over time as a result of 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 swaps, futures and options.

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, Management Credit Committee 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 loans management unit exists to provide specialist management of larger impaired loans.

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 balance sheet.

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 foregoing investment opportunities.

Treasury is responsible for implementing liquidity risk management strategies determined by the Asset Liability Management Committee. 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.

Operational Risk

Operational risk is the risk that the bank will suffer financial loss due to inherent risks in day to day business operations such as mismanagement, error, fraud or unauthorised use of systems, techniques or financial products.

The Audit Committee and Executive Committee are responsible for the overview of the policies and processes involved in minimising operational risk. The Audit Committee draws upon other Committees, and support and control structures within the bank to ensure the effectiveness of these policies.

39 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 and foreign exchange contracts. The notional amounts of derivatives represent the contract or face values of these derivatives. The notional amounts do not represent the amounts exchanged by the parties (except in the case of foreign currency transactions). The amounts to be exchanged will be calculated with reference to the notional amounts and the other terms of the derivatives, which relate to interest rates, exchange rates or other financial indicies.

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

The remaining terms and notional principal amounts of the economic entity's outstanding interest rate, foreign exchange contracts and currency swaps at June 30 were:

	2000	1999
	\$'000	\$'000
not later than one year	321,502	151,166
later than one year but not later than five years	361,128	532,915
	<u>682,630</u>	<u>684,081</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	
	2000	1999	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interest rate swaps	503,812	502,965	4,520	4,112	2,714	(935)
Options/Floors	-	800,000	-	42	-	42
Cross currency swaps	160,701	160,000	1,607	8,000	(5,832)	(8,623)
Foreign exchange contracts	18,117	21,116	181	211	1,180	979
	<u>682,630</u>	<u>1,484,081</u>	<u>6,308</u>	<u>12,365</u>	<u>(1,938)</u>	<u>(8,537)</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 1s.

40 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	Balance Sheet Notes	Accounting Policies	Terms and Conditions
<i>Financial assets</i>			
Notes, coin and cash at bank	14	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		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	15	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 the profit and loss account	Bills of exchange and promissory notes have an average maturity of 69 days with effective interest rates of 5.50% to 6.52%.
Negotiable certificates of deposit	15	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 the profit and loss.	Negotiable certificates of deposit have an average maturity of 109 days with effective interest rates of 6.16% to 6.76%.
Government securities	15	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 the profit and loss.	Government securities have an average maturity of 267 days with effective interest rates of 4.68% to 7.02%.
Investment Securities	15	Deposits with banks and other parties are stated at cost. Interest is recognised in the profit and loss on an accrual basis.	Deposits have an average maturity of 565 days with effective interest rates of 5.13% to 7.33%.
Overdrafts	17	Overdrafts are stated at cost. Interest is recognised in the profit and loss 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 8.05% without risk margin to 9.00% with risk margin and interest is charged on a monthly basis. Casual overdrafts incur an additional 6.00% overlimit rate.

40 FINANCIAL INSTRUMENTS (continued)

a. Terms, conditions and accounting policies (continued)

Recognised Financial Instruments	Balance Sheet Notes	Accounting Policies	Terms and Conditions
<i>Financial assets</i>			
Credit cards	17	Credit card outstandings are stated at cost. Interest is recognised in the profit and loss on an accrual basis.	Credit card facilities are made available to customers on an unsecured basis. Customers can optionally 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 11.90% to 17.15%.
Term loans	17	Mortgage and personal loans are stated at cost. Interest is recognised in the profit and loss 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 in arrears basis with effective interest rates ranging from the bank's cost of funds to 9.00% plus risk margin. Personal loans are offered on a secured or unsecured basis with terms ranging from 1 to 10 years. Interest is charged on a monthly in arrears basis ranging from 9.95% to 13.50%.
Lease receivables	17	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 2 to 5 years. The average earning rate implicit in the leases is 7.86%. All leases are secured by the asset that is subject of the lease.
Other	17	Other loans are stated at cost. Interest is recognised on a accrual basis.	These loans are generally short-term and are normally settled within 30 days.
Accrued interest	17	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.
Share investments -quoted on a stock exchange	20	Listed shares are carried at market value on balance date. 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.
Share investments -unquoted shares	20	Unlisted shares are carried at directors' valuation assessed at the shares' current market value or value of underlying net assets of the investee company. 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	20	Units in trusts are carried at directors' valuation assessed at the units' current market value or value of underlying net assets of the investee trust. Dividend income is recognised when dividends are declared by the investee.	All units held attract dividends as declared by the investee trust.
Accrued income	25	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	25	The Reserve fund comprises at call investments which are carried at cost. Interest is recognised in the profit and loss 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 6.10%.
Sundry debtors	25	Sundry debtors are carried at cost.	These loans are generally short-term and are normally settled within 30 days.

40 FINANCIAL INSTRUMENTS (continued)

a. Terms, conditions and accounting policies (continued)

Recognised Financial Instruments	Balance Sheet Notes	Accounting Policies	Terms and Conditions
<i>Financial liabilities</i>			
Due to other financial institutions		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	26	Retail deposits - branch network are carried at the principal amount plus accrued interest. Interest is charged to the profit and loss 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. Interest is at effective interest rates ranging from 0% to 6.55%.
Deposits-retail Treasury sourced- Certificates of deposit	26	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 the profit and loss.	Certificates of deposit have an average maturity of 101 days with effective interest rates of 5.56% to 7.0%.
Deposits-retail Treasury sourced- Other	26	Treasury sourced-other deposits include term deposits, floating rate notes and 11am call deposits and are stated at the principal amount plus accrued interest. Interest is charged to the profit and loss on an accrual basis.	Treasury sourced-other deposits for fixed terms have an average maturity of 572 days. 11am call monies are available at call. The interest rate of these deposits is 4.75% to 7.55%
Deposits-wholesale Domestic- Certificates of deposit	26	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 the profit and loss.	Certificates of deposit have an average maturity of 103 days with effective interest rates of 6.02% to 6.90%.
Deposits-wholesale Domestic- Other	26	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 the profit and loss on an accrual basis.	Wholesale domestic-other deposits for fixed terms have an average maturity of 713 days. 11am call monies are available at call. The interest rate of these deposits is 5.65% to 7.59%
Deposits-wholesale Offshore	26	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 the profit and loss on an accrual basis.	At balance date, the principal of borrowings under this program was AUD 160.7 million, taking account of the conversion inherent in the cross currency swaps. The interest rate is BBSW +.430% and rates are reset on a quarterly basis. The notes on issue mature June 11, 2001.

40 FINANCIAL INSTRUMENTS (continued)

a. Terms, conditions and accounting policies (continued)

Recognised Financial Instruments	Balance Sheet Notes	Accounting Policies	Terms and Conditions
Financial liabilities			
Subordinated capital notes	28	Subordinated capital notes are carried at issue price, which represents the principal amount. Interest is charged as an expense on an accrual basis.	\$15 m maturing June 30, 2005 was repurchased in June 2000. \$15 m was placed in December 1996, maturing December 30, 2006. \$5 m was placed in January 1997, maturing December 30, 2006. \$10 m was placed in June 1997, maturing June 30, 2007. \$21.45 m was placed in June 2000, maturing June 30, 2010. Effective interest is at rates of 6.77% to 8.17%
Unsecured subordinated perpetual convertible capital notes	28	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%.
Sundry creditors	29	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	29	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		Dividends payable are recognised when declared by the company.	Dividends payable represent a final dividend of 13.5 cents per ordinary share for the financial year ended June 30, 2000. 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 11.
Equity			
Ordinary shares	30	Ordinary share capital is recognised at the fair value of the consideration received by company.	Details of shares issued are set out in Note 30.
Unrecognised Financial Instruments			
Derivatives			
Interest rate swaps	39	Interest rate swaps are used to convert variable interest rates to fixed interest rates. The swaps are entered into with the objective of reducing the risk of interest rate fluctuations relating to the variable rate funding of fixed interest lending products. 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 39.

40 FINANCIAL INSTRUMENTS (continued)

a. Terms, conditions and accounting policies (continued)

Recognised Financial Instruments	Balance Sheet Notes	Accounting Policies	Terms and Conditions
Options	39	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 did not have any option contracts in place.
<i>Derivatives</i>			
Cross currency swaps	39	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\$100 million issue under the Euro medium term note program which matures on June 11, 2001, generally on 90 day repricing arrangements. Details of swaps in place are disclosed in Note 39.
Foreign exchange contracts	39	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 39.
Futures contracts	39	Occasionally, Bond and Bill futures are used to hedge interest rate exposures on various securities. Intitial margins, mark-to-market adjustments and realised profits are recognised on an accrual basis.	At balance date, the economic entity had no futures contracts.

40 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 amount as per the balance sheet.		Weighted average effective interest rate	
			1 year or less		Over 1 year to 5 years		More than 5 years							
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000	2000 %	1999 %
Financial Assets														
Notes, coin and cash at bank	91,251	98,503									91,251	98,503	0.00	0.00
Due from other financial institutions									119,501	85,777	119,501	85,777	N/A	N/A
Bank accepted bills of exchange			80,858	142,108							80,858	142,108	6.17	5.05
Negotiable certificates of deposit			203,543	183,281							203,543	183,281	6.40	4.98
Government securities			86,104	75,487	33,715	44,885					119,819	120,372	5.96	4.82
Deposits - banks & other	12,022	5,851	50,394	62,724	124,471	15,381					186,887	83,956	6.59	5.01
Deposit with Reserve Bank of Australia			0	33,049							0	33,049	N/A	0.00
Overdrafts	252,114	154,992									252,114	154,992	8.74	7.12
Credit cards	28,205	24,627									28,205	24,627	14.22	12.16
Term loans	2,230,587	2,249,023	903,926	541,284	355,332	231,380	73,206	24,005			3,563,051	3,045,692	7.82	6.90
Leases			5,561	3,800	95,913	61,728	25,909	22,589			127,383	88,117	7.86	6.49
Accrued interest									19,158	16,366	19,158	16,366	N/A	N/A
Share investments -quoted on a stock exchange									467	474	467	474	N/A	N/A
Share investments -unquoted shares									54,570	46,031	54,570	46,031	N/A	N/A

40 FINANCIAL INSTRUMENTS (continued)

b. Interest rate risk (continued)

Financial Instruments	Floating Interest Rate		Fixed interest rate maturing in:						Non-interest bearing		Total carrying amount as per the balance sheet.		Weighted average effective interest rate		
			1 year or less		Over 1 year to 5 years		More than 5 years								
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%	%
Financial Assets (continued)															
Units in trusts									117	117	117	117	N/A	N/A	
Accrued income									7,026	2,670	7,026	2,670	N/A	N/A	
Reserve fund	4,000	4,000									4,000	4,000	6.10	5.22	
Sundry debtors									11,662	11,874	11,662	11,874	N/A	N/A	
Total Financial Assets	2,618,179	2,536,996	1,330,386	1,041,733	609,431	353,374	99,115	46,594	212,501	163,309	4,869,612	4,142,006	-	-	
Financial liabilities															
Due to other financial institutions									95,472	62,191	95,472	62,191	N/A	N/A	
Deposits-retail															
Branch network	1,351,118	1,097,791	1,561,669	1,279,673	39,636	152,883	1,390				2,953,813	2,530,347	4.24	3.55	
Deposits-retail Treasury sourced-Certificates of deposit			370,692	276,527							370,692	276,527	6.25	5.05	
Deposits-retail Treasury sourced-Other	29,322	9,693	236,758	130,649	76,257	59,659	5,249	1,188			347,586	201,189	6.24	5.37	
Deposits-wholesale Domestic-Certificates of deposit			272,218	269,768							272,218	269,768	6.39	5.25	
Deposits-wholesale Domestic-Other	64,110	43,433	206,116	284,319	17,696	10,027					287,922	337,779	6.54	5.15	
Deposits-wholesale Offshore			162,438	160,263							162,438	160,263	6.79	5.36	
Subordinated capital notes			51,447	44,965							51,447	44,965	7.37	6.23	
Convertible notes			0	7,470							0	7,470		10.50	
Unsecured subordinated perpetual															
Sundry creditors									11,709	5,376	11,709	5,376	N/A	N/A	
Accrued expenses and outstanding claims									13,016	10,063	13,016	10,063	N/A	N/A	
Provision for Dividend									10,432	8,347	10,432	8,347	N/A	N/A	
Total Financial Liabilities	1,444,550	1,150,917	2,861,338	2,453,634	133,589	222,569	33,313	31,712	130,629	85,977	4,603,419	3,944,809	-	-	
Equity															
Share Capital									242,362	199,979	242,362	199,979	N/A	N/A	
Derivatives															
Interest rate swaps			225,532	307,912	(235,600)	(241,570)	10,068	(66,342)			0	0	N/A	N/A	
Cross Currency Swaps			160,701	160,000							160,701	160,000	N/A	N/A	
Options			0	800,000							0	800,000	N/A	N/A	
Foreign exchange contracts			18,117	21,116							18,117	21,116	N/A	N/A	
Total Derivatives	-	-	404,350	1,289,028	(235,600)	(241,570)	10,068	(66,342)	0	0	178,818	981,116	-	-	

41 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.

41 NET FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Methodologies (Continued)

Other Share Investments

The fair value of shares-other and other investments was based on quoted market prices where available. Where quoted market prices did not exist, the fair values used are carrying values, which represents either 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

Commitments to extend credit, letters of credit and guarantees

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risk and attract fees in line with market prices for similar instruments. These are not presently sold or traded. The items generally do not involve cash payments other than in the event of default. The net fair value may be represented by the present value of fees expected to be received, less associated costs. The overall level of fees involved is not material.

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 39.

Summary

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

	Carrying value		Net fair value	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and liquid assets	91,251	98,503	91,251	98,503
Due from other financial institutions	119,501	85,777	119,501	85,777
Investment securities	591,107	529,717	591,107	529,717
Loans and other receivables	3,939,894	3,298,802	3,997,672	3,280,982
Deposit with Reserve Bank of Australia	-	33,049	-	33,049
Shares-other	55,154	46,622	55,154	46,622
Other investments	2,499	4,653	2,499	4,653
Other assets	44,673	42,777	44,673	42,777
Financial Liabilities				
Deposits	4,394,669	3,775,873	4,377,007	3,777,998
Due to other financial institutions	95,472	62,191	95,472	62,191
Subordinated debt	78,121	82,959	82,350	104,101
Other liabilities	24,725	15,439	24,725	15,439

42 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 balance sheet are as follows:

	2000	1999
	\$'000	\$'000
Funds under trusteeship	921,960	787,371
Funds under management	765,339	375,146

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.

43 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, except that on June 5, 2000 Bendigo Bank Limited and First Australian Building Society announced a proposal to merge by way of schemes of arrangement under the Corporations Law. On the 15th of August 2000, the Supreme Court of Queensland issued orders approving the issuing of the schemes documentation and Notices of Meetings to convene shareholder and member meetings to consider the schemes of arrangement. Subject to approval by the respective shareholders and members (and final court approval), the targeted implementation date of the schemes is October 9, 2000 subject to obtaining relevant regulatory approval.

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 Law, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2000 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

R A Guy OAM, Chairman

R G Hunt, Managing Director

Dated this 4th day of September 2000

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 June 30, 2000 included on Bendigo Bank Limited and Controlled Entities web site. The company's directors are responsible for the integrity of the Bendigo Bank Limited and Controlled Entities web site. 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 risks arising from electronic data communications they are advised to refer to the hard copy 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 June 30, 2000 as set out on pages 9 to 51, including the Directors' Declaration. The financial report includes the accounts of Bendigo Bank Limited, and the consolidated accounts of the economic entity comprising the company and the entities it controlled at the 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 this 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, other mandatory professional reporting requirements and statutory requirements, 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 Law including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at June 30, 2000 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

ERNST & YOUNG

RICHMOND SINNOTT & DELAHUNTY

Ian Miller
Partner

Warren Sinnott
Partner

Signed at Bendigo this 4th day of September 2000

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 August 7, 2000.

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 this Annual Report.

4 SUBSTANTIAL SHAREHOLDERS

As at August 18, 2000 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 August 18, 2000 in the following categories:

	Fully paid Ordinary Shares	Fully Paid Employee Shares	Capital Notes
1 - 1,000	11,350	384	1,869
1,001 - 5,000	9,906	315	701
5,001 - 10,000	1,754	40	105
10,001 - 100,000	1,015	18	63
100,001 and over	53	1	6
Number of Holders	<u>24,078</u>	<u>758</u>	<u>2,744</u>
Securities on Issue	81,881,282	1,742,442	6,505,903

6 MARKETABLE PARCEL

The number of holders with less than a marketable parcel of the Company's main class of securities (Ordinary Shares) based on the closing price of \$5.30 on August 18, 2000 is 1,206.

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 BUY-BACK SCHEME

Bendigo Bank Ltd. does not have a current on-market buy-back scheme.

9 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 August 18, 2000 are:

FULLY PAID ORDINARY SHARES		Number of Ordinary Fully Paid Shares	Percentage held of Issued Ordinary Capital
Rank	Name		
1	IIOF Of Victoria Friendly Society Ltd.	3,700,000	4.52%
2	Westpac Custodian Nominees Limited.	3,639,297	4.44%
3	Milton Group	2,222,803	2.72%
4	Leesville Equity Pty Ltd.	1,340,027	1.64%
5	Chase Manhattan Nominees Limited	530,152	0.65%
6	Commonwealth Custodial Services Limited	425,441	0.52%
7	Choiseul Investments Limited	425,000	0.52%
8	Australian Foundation Investment Company Limited	379,887	0.46%
9	Commonwealth Custodial Services Limited	324,644	0.40%
10	Argo Investments Limited	295,747	0.36%
11	Mansbridge I. G.	245,385	0.30%
12	National Nominees Limited	243,737	0.30%
13	Tryjac Holdings Pty Ltd.	230,100	0.28%
14	Stoddarts (1985) Pty Ltd.	211,339	0.26%
15	Permanent Trustee Company Limited	204,779	0.25%
16	Tower Trust Limited	203,265	0.25%
17	Queensland Investment Corporation	197,718	0.24%
18	Acacia Properties Pty Ltd.	191,360	0.23%
19	Decisive Holdings Pty Ltd.	190,700	0.23%
20	Tobin M.A.L. Dec'd	189,009	0.23%
		<u>15,390,390</u>	<u>18.80%</u>

Additional Information (continued)

10 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. Holders of partly paid employee shares may direct the trustee of the Staff Share Incentive Plan to vote on their behalf in the proportion that the paid up value of their shares bears to the total issue price of those shares. The holding of Convertible Notes and Capital Notes does not give voting rights.

11 COMPANY SECRETARY

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

12 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

13 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 9471