

Five Year History

The Bendigo Group

	(1)	(2)	(3)	(4)	
	2001	2000	1999	1998	1997
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Performance year ended 30 June					
Interest revenue	454,365	296,762	230,224	195,052	181,269
Interest expense	293,677	179,877	137,002	117,008	110,755
Net interest margin	160,688	116,885	93,222	78,044	70,514
Significant income items	-	-	1,165	-	-
Other revenue	79,072	57,945	43,761	32,606	25,425
Significant bad & doubtful debts expense	-	10,500	(5,318)	-	-
Bad & doubtful debts expense (net of bad debts recovered)	10,130	7,613	6,452	5,123	2,223
Significant expense items	5,000	-	-	-	3,011
Other operating expenses	169,628	119,363	100,953	83,461	75,903
Profit from ordinary activities before income tax expense	55,002	37,354	29,578	22,066	14,802
Income tax expense	21,724	16,042	16,359	7,873	3,760
Profit from ordinary activities after income tax expense	33,278	21,312	19,702	14,193	11,042
Financial Position at 30 June					
Total assets	6,981,517	4,913,417	4,204,239	3,170,923	2,629,357
Loans	5,592,146	3,939,894	3,298,802	2,493,406	2,152,303
Liquid assets and cash	1,125,675	801,859	713,997	566,971	351,402
Other assets	263,696	171,664	191,440	110,546	125,652
Equity	422,797	288,357	243,089	149,690	139,054
Deposits	6,229,172	4,394,669	3,775,873	2,832,121	2,349,867
Subordinated debt	135,394	78,121	82,959	106,636	71,658
Other liabilities	194,154	152,270	102,318	82,476	68,778
Share Information					
Net tangible assets per share	\$3.02	\$3.00	\$2.85	\$2.61	\$2.40
Earnings per share - cents	31.5	27.5	32.6	29.1	24.9
Earnings per share before significant items- cents	34.8	36.5	30.7	29.1	20.3
Dividends per share:					
Interim - cents	11.5	10.5	10.5	10.0	12.0
Special - cents	15.0	-	-	-	-
Final - cents	14.5	13.5	12.5	11.5	9.0
Total - cents	41.0	24.0	23.0	21.5	21.0
Ratios					
Profit from ordinary activities after tax to average assets	0.56%	0.47%	0.53%	0.49%	0.48%
Profit from ordinary activities after tax to average equity	9.36%	8.02%	10.03%	9.83%	8.71%

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

2 Figures for 2000 include the acquisition of Victorian Securities Corporation Limited effective September 7, 1999.

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

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

Five Year Comparison

The Bendigo Group

		(1) 2001	2000	(2) 1999	1998	1997
Key Trading Indicators						
Retail deposits - branch sourced	(\$'000)	4,756,755	2,953,813	2,530,347	1,771,062	1,588,915
Number of depositors' accounts		966,812	481,153	439,034	374,285	339,026
Average balance per account holder	(\$)	4,920	6,139	5,763	4,732	4,687
Total loans approved	(\$'000)	2,494,609	1,854,284	1,613,490	1,052,889	959,218
Number of loans approved		40,614	32,243	27,751	21,155	19,830
Liquid assets and cash	(\$'000)	1,125,675	801,859	713,997	566,971	351,402
Total assets	(\$'000)	6,981,517	4,913,417	4,204,239	3,170,923	2,629,357
Liquid assets & cash as proportion of total assets	(%)	16.12 ⁽³⁾	16.32 ⁽⁴⁾	16.98	17.88	13.36
Number of branches		179	107	91	78	68
Average deposit holdings per branch	(\$'000)	26,574 ⁽⁵⁾	27,606 ⁽⁶⁾	27,788 ⁽⁷⁾	22,706	23,366
Number of staff (FTE)		1,533 ⁽⁸⁾	1,011	847	785	801
Assets per staff member	(\$'mill)	4.554 ⁽⁸⁾	4.860	4.964	4.039	3.283
Staff per million dollars of assets		0.22 ⁽⁸⁾	0.21	0.20	0.25	0.30
Dissection of Loans by Security (\$'000) ⁽⁹⁾						
Residential loans		4,188,134	2,774,278	2,416,793	1,785,182	1,613,318
Commercial loans		1,041,388	893,760	740,454	637,122	488,891
Unsecured loans		337,130	293,210	142,546	92,635	68,310
Other		81,239	28,663	30,001	17,199	13,993
Gross loans		5,647,891	3,989,911	3,329,794	2,532,138	2,184,512
Dissection of Loans by Security (%) ⁽⁹⁾						
Residential loans		74.15	69.53	72.58	70.50	73.85
Commercial loans		18.44	22.40	22.24	25.16	22.38
Unsecured loans		5.97	7.35	4.28	3.66	3.13
Other		1.44	0.72	0.90	0.68	0.64
Total		100.00	100.00	100.00	100.00	100.00

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

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

3 Includes 45 community bank branches.

4 Includes 25 community bank branches.

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

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

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

8 These ratios do not take into account off-statement of financial position activities, which totalled \$2.1 billion at June 30, 2001.

9 For the purposes of this dissection, overdrafts and personal loans secured by residential and commercial property mortgages are included in residential and commercial loan categories respectively.

Directors' Report

Your Board of Directors has pleasure in presenting the 136th Financial Report of the Bendigo Bank Limited and its controlled entities for the year ended June 30, 2001.

Directors

The names of the Bank's directors in office during the financial year and until the date of this report are as follows:

Richard A Guy OAM	- Chairman
Robert N Johanson	- Deputy Chairman
Robert G Hunt	- Managing Director
Neal J Axelby (1)	
William R Beischer	
Jennifer L Dawson	
Donald J Erskine	
William R Lanyon	
Terence J O'Dwyer (1)	
Kevin E Roache	

(1) Appointed to the Board during October 2000.

Principal Activities

The principal activities of the company and its controlled entities during the financial year were the provision of a range of banking and other financial services, including retail banking, business banking and commercial finance, funds management, treasury and foreign exchange services (including trade finance), superannuation and trustee services. There was no significant change in the nature of the activities of the economic entity during the year.

Consolidated Result

The consolidated profit from ordinary activities of the economic entity, after providing for income tax, amounted to \$33.278 mill. (2000 - \$21.312 mill.).

Dividends Paid or Recommended

Dividends paid:

Final dividend 2000 of 13.5¢ per share, paid October 2000	\$14.158 mill
Special dividend of 15.0¢ per share, paid February 2001	\$17.184 mill
Interim dividend 2001 of 11.5¢ per share, paid April 2001	\$12.387 mill
Dividend - First Australian Building Society, paid October 2000 (1)	\$2.799 mill

Dividends recommended:

Final dividend 2001 of 14.5¢ per share, declared by the Directors, payable October 31, 2001	\$15.697 mill
All dividends were fully franked.	

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

October 2000	780,249
April 2001	610,889

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

October 2000	186,187
April 2001	137,224

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

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

Total equity increased from \$288.4 million to \$422.8 million, an increase of \$134.4 million or 47%. Contributed capital increased by \$150.1 million, essentially due to the issue of shares in connection with the acquisition of First Australian Building Society in October 2000. Retained profits decreased by \$15.8 million, primarily due to the payment of a special 15 cents per share cash dividend in February 2001.

After Balance Date Events

Except as referred to in the Report by Chairman and Managing Director, or dealt with elsewhere in the consolidated financial report, there were no matters or circumstances which arose since the end of the financial year to the date of this report which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years.

Likely Developments and Results

Disclosure of information relating to major developments in the operations of the Group and the expected results of those operations in future financial years, which, in the opinion of the directors, will not unreasonably prejudice the interests of the Group, is contained in the Chairman's and Managing Director's Report.

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 (56 years)

B.Appl.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 (50 years)

B.A. Melbourne

LL.M. Melbourne

M.B.A. Harvard

Elected to Board 1988

Current appointment:

Director, Grant Samuel Group

Other directorships:

Elders Rural Bank Limited

Stadium Operations Ltd.

Community Telco Australia Limited

Special Responsibilities:

Deputy Chairman of Directors

Chairman, Due Diligence Committee

Chairman, Risk Committee

Robert G Hunt (50 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

Community Telco Australia Limited

Special Responsibilities:

Managing Director

Ex-officio member on all Committees

Neal J Axelby (51 years)

A.C.I.S.

Dip. CM

F.A.I.C.D.

A.I.M.M.

A.I.F.S.

Appointed to Board 2000

Previous appointment:

Director, First Australian Building Society Ltd

Current appointment:

Director, Ipswich and West Morton United Friendly Society Dispensary Limited.

Chairman, Sunstate Lenders Mortgage Insurance Limited.

Special Responsibilities:

Credit Committee

Staff Committee

William R Beischer (72 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

Chairman, Air International Ltd.

Special Responsibilities:

Due Diligence Committee

Staff Committee

Chairman, Bendigo Superannuation Ltd

(Trustee of Staff Superannuation Fund)

Jennifer L Dawson (36 years)

B.Bus (Acc)

Chartered Accountant

Certified Information Systems Auditor

Elected to Board 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

Information on Directors (continued)

Donald J Erskine (55 years)

Elected to Board 1999

Previous appointments:

Director, North West Country Credit Union Co-op Ltd

Director, Bendigo Economic Development Committee

Current appointments:

Managing Director, Industrial Conveying (Aust) Pty Ltd

Managing Director, Bendigo Brick Pty Ltd

Chairman, Fortunes (Bendigo) Pty Ltd -

"All Seasons International"

Other directorships:

Bendigo Community Telco Limited

Community Telco Australia Limited

Special Responsibilities:

Credit Committee

Risk Committee

William R Lanyon (63 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

Terence J O'Dwyer (51 years)

B.Com

Dip.Adv.Acc

F.C.A.

F.A.I.M.

F.A.I.C.D.

Appointed to Board 2000

Previous appointments:

Director, First Australian Building Society Limited

Current appointments:

Chairman, BDO Kendalls, (Chartered Accountants)

Other directorships:

CS Energy Ltd

Metal Storm Ltd

BDO Kendalls Securities Limited

Special Responsibilities:

Audit Committee

Risk Committee

Kevin E Roache (61 years)

LL.B, B.Com.

A.S.C.P.A.

Barrister and Solicitor

of the Supreme Court of Victoria

Elected to Board 1992

Previous appointments:

Chairman, Capital Building Society

Current appointments:

Senior Partner, Gargan & Roache

(Solicitors Geelong).

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 the Bank's performance management process, executive performance objectives are set at the start of each financial year, linking to the Group strategic plan, business and financial objectives.

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

Details of the nature and amount of each element of the emolument of each director of the company and each of the five executive officers of the company and the consolidated entity receiving the highest emolument for the financial year are as follows.

Emoluments of Directors of Bendigo Bank Limited

	Annual Emoluments		Long Term Emoluments	
	Base Fee	Chairman's Allowance	Super-annuation	Total
	\$	\$	\$	\$
<i>Non Executive Directors:</i>				
R A Guy OAM	53,461	53,462	8,554	115,477
R N Johanson	53,461	-	4,277	57,738
N J Axelby (1)	33,846	-	2,708	36,554
W R Beischer	53,461	-	4,277	57,738
J L Dawson	53,461	-	4,277	57,738
D J Erskine	53,461	-	4,277	57,738
W R Lanyon	53,461	-	4,277	57,738
T J O'Dwyer (1)	33,846	-	2,708	36,554
K E Roache	53,461	-	4,277	57,738

	Annual Emoluments		Long Term Emoluments		
	Base Salary	Bonus (at risk)	Other (2)	Super-annuation	Total
	\$	\$	\$	\$	\$
<i>Executive Director:</i>					
R G Hunt	319,306	100,000	65,694	48,500	533,500

(1) Messrs Axelby and O'Dwyer were appointed to the Board in October, 2000 following the acquisition of First Australian Building Society

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

Emoluments of the five most highly paid executive officers of the company

The terms 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure.

The elements of emoluments have been determined on the basis of the cost to the company and the consolidated entity.

Executives are those directly accountable and responsible for the operational management and strategic direction of the company and the consolidated entity.

	Annual Emoluments		Long Term Emoluments		
	Base Salary	Bonus (at risk)	Other (b)	Super-annuation	Total
	\$	\$	\$	\$	\$
I.G. Mansbridge (a)	209,000	66,000	11,000	22,880	308,880
G.D. Gillett	185,660	55,000	34,341	22,000	297,001
J. Goddard	183,035	50,000	36,965	21,600	291,600
V.M. Kelly	158,586	50,000	56,414	21,200	286,200
K.C. Langford	187,000	50,000	33,000	21,600	291,600

(a) During the year, Mr I.G.Mansbridge was seconded to the "Elders" joint venture project, announced during August 1998, as Managing Director of Elders Rural Bank Limited (the joint venture entity). The annual and long term emoluments paid by Bendigo Bank 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, 2001 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		12		8		5		4		1	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Attended by:														
R A Guy OAM	15	14	8	8					5	5			1	1
R N Johanson	15	14					8	7			4	3		
R G Hunt	15	14	8	6	12	9	8	8	5	4	4	4	1	1
N J Axelby (1)	10	10			7	7			4	3				
W R Beischer	15	14							5	4	4	3		
J L Dawson	15	14	8	8	12	11					4	4		
D J Erskine	15	15			12	12	8	8						
W R Lanyon	15	11	8	8					5	4			1	1
T J O'Dwyer (1)	10	9	4	3			4	4						
K E Roache	15	15			12	10	8	7					1	1

(1) Messrs Axelby and O'Dwyer were appointed to the Board in October, 2000 following the merger of First Australian Building Society

A eligible to attend
B attended

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 Act 2001, at the date of this report is as follows:

Director	Ordinary Shares	Capital Notes
R A Guy OAM	237,095	-
R N Johanson	148,722	10,056
R G Hunt (1)	67,973	-
N J Axelby	25,940	-
W R Beischer	87,084	-
J L Dawson	6,789	-
D J Erskine	47,410	-
W R Lanyon	22,587	1,624
T J O'Dwyer	37,500	-
K E Roache	35,727	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

The following share classes were issued during the financial year :

Description	No. of Shares
Ordinary shares issued under the Dividend Reinvestment Plan	1,391,138
Bonus shares issued in lieu of dividends under the Bonus Share Scheme	323,411
Other issues of ordinary shares,	
Adjustment to shares issued under terms of prospectus dated 14 December 1992	6,900
Issued in connection with purchase of First Australian Building Society Limited in October 2000	27,993,533
Notes converted	1,292,848
Employee shares issued under Bendigo Employee Share Ownership Plan	1,455,000
Total shares issued	32,462,830

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 2001

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended June 30, 2001

	Note	Consolidated		Bendigo Bank	
		2001	2000	2001	2000
		\$'000	\$'000	\$'000	\$'000
Revenue from ordinary activities					
Net interest revenue					
Interest revenue	2	454,365	296,762	367,434	281,225
Interest expense	2	293,677	179,877	242,205	174,168
Net interest revenue		160,688	116,885	125,229	107,057
Other revenue from ordinary activities					
Share of associates' net profits (losses) accounted for using the equity method	2	7,693	7,564	7,693	7,564
Dividends	2	126	60	9,959	9,777
Fees	2	58,173	34,781	34,396	24,592
Commissions	2	11,720	12,704	2,315	2,044
Other operating revenue	2	1,360	2,836	9,905	1,968
Total revenue from ordinary activities		239,760	174,830	189,497	153,002
Expenses from ordinary activities					
Bad and doubtful debts	2	10,130	7,613	9,264	7,171
Significant items bad and doubtful debts	3	-	10,500	-	10,500
Total bad and doubtful debts	2	10,130	18,113	9,264	17,671
Other expenses from ordinary activities					
Borrowing costs	2	1,431	526	567	411
Staff and related costs	2	73,709	52,611	55,424	47,651
Occupancy costs	2	10,372	6,866	7,337	6,706
Amortisation of goodwill	2	3,662	2,128	592	592
Property, plant & equipment costs	2	6,325	4,217	5,007	3,701
Fees and commissions	2	8,472	6,239	6,110	4,316
Administration expenses	2	63,312	43,992	50,413	39,988
Significant items	3	5,000	-	5,000	-
Other operating expenses	2	2,345	2,784	3,994	766
Total expenses from other ordinary activities		174,628	119,363	134,444	104,131
Profit from ordinary activities before income tax expense		55,002	37,354	45,789	31,200
Income tax expense relating to ordinary activities	6	21,724	16,042	13,300	8,939
Profit from ordinary activities after income tax expense attributable to members of Bendigo Bank Limited		33,278	21,312	32,489	22,261
Net increase/(decrease) in asset revaluation reserve	29	12	(54)	-	(14)
Total changes in Equity other than those resulting from transactions with owners as owners		33,290	21,258	32,489	22,247
Basic earnings per share (cents per share)	11	31.5¢	27.5¢		
Diluted earnings per share (cents per share)	11	31.4¢	27.4¢		
Franked dividends per share (cents per share)	10	41.0¢	24.0¢		

STATEMENT OF FINANCIAL POSITION

as at June 30, 2001

	Note	Consolidated		Bendigo Bank	
		2001	2000	2001	2000
		\$'000	\$'000	\$'000	\$'000
Assets					
Cash and liquid assets	13	187,727	91,251	281,020	90,818
Due from other financial institutions		141,677	119,501	141,437	118,051
Investment securities	14	796,271	591,107	640,809	571,333
Current tax assets	6	4,685	-	4,605	-
Loans and other receivables	15	5,592,146	3,939,894	4,400,602	3,838,442
Amounts receivable from controlled entities		-	-	16,027	22,542
Shares - controlled entities	17	-	-	237,176	82,302
Shares - other	18	5,608	3,532	4,679	3,327
Investments accounted for using the equity method	19	61,252	51,622	61,252	51,622
Other investments	20	143	2,499	-	-
Property, plant & equipment	21	42,399	31,992	23,282	19,367
Deferred tax assets	6	13,546	11,563	9,399	9,722
Intangibles	22	75,551	37,285	3,992	4,584
Other assets	23	60,512	33,171	40,906	24,994
Total Assets		6,981,517	4,913,417	5,865,186	4,837,104
Liabilities					
Due to other financial institutions		106,210	95,472	106,210	95,472
Deposits	24	6,229,172	4,394,669	5,151,254	4,323,970
Payables	25	46,161	24,786	37,233	23,716
Current tax liabilities	6	-	8,685	-	7,766
Provision - dividend		15,742	10,457	15,742	10,457
Other provisions	26	21,456	9,721	14,782	8,633
Subordinated debt	27	135,394	78,121	115,223	78,121
Deferred tax liabilities	6	4,585	3,149	5,044	2,910
Total Liabilities		6,558,720	4,625,060	5,445,488	4,551,045
Net Assets		422,797	288,357	419,698	286,059
Equity					
Contributed capital	28	392,507	242,362	392,507	242,362
Reserves	29	17,014	16,877	15,508	15,508
Retained profits	29	13,276	29,118	11,683	28,189
Total Equity		422,797	288,357	419,698	286,059

STATEMENT OF CASH FLOWS

for the year ended June 30, 2001

	<i>Note</i>	Consolidated		Bendigo Bank	
		2001	2000	2001	2000
		\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest and other items of a similar nature received		454,922	299,372	366,685	281,443
Borrowing costs paid		(288,164)	(182,126)	(239,189)	(175,549)
Receipts from customers (excluding interest)		71,073	48,942	37,176	27,584
Payments to suppliers		(168,327)	(102,583)	(117,539)	(88,341)
Dividends received		4,294	4,809	14,126	14,526
Income taxes paid		(30,276)	(10,457)	(20,249)	(3,298)
Net cash flows from operating activities	12	<u>43,522</u>	<u>57,957</u>	<u>41,010</u>	<u>56,365</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash flows for purchases of property, plant and equipment		(9,831)	(9,779)	(9,986)	(8,630)
Cash proceeds from sale of property, plant and equipment		2,315	4,972	505	268
Cash paid for purchases of equity investments		(7,551)	(9,657)	(30,295)	(9,828)
Net increase in balance of loans outstanding		(330,745)	(590,397)	(560,523)	(886,887)
Net (increase)/decrease in balance of Reserve Bank of Australia deposit		-	33,049	-	33,049
Net increase of investment securities		(10,795)	(37,599)	(69,476)	(57,580)
Net cash (paid)/acquired on acquisition of subsidiary	12	30,696	(4,327)	(210)	(4,617)
Net cash flows used in investing activities		<u>(325,911)</u>	<u>(613,738)</u>	<u>(669,985)</u>	<u>(934,225)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from shares issued		10,703	19,826	2,539	19,826
Net increase in balance of retail deposits		671,378	578,766	835,101	890,249
Net increase/(decrease) in balance of wholesale deposits		(288,454)	(45,233)	(10,531)	(46,001)
Net increase in balance of subordinated debt		35,808	6,458	41,050	6,472
Dividends paid		(39,132)	(10,845)	(36,333)	(10,550)
Net cash flows from financing activities		<u>390,303</u>	<u>548,972</u>	<u>831,826</u>	<u>859,996</u>
Net increase/(decrease) in cash held		<u>107,914</u>	<u>(6,809)</u>	<u>202,851</u>	<u>(17,864)</u>
Cash at the beginning of the financial year		115,280	122,089	113,396	131,261
Less cash at the end of the financial year	13	223,194	115,280	316,247	113,397
		<u>107,914</u>	<u>(6,809)</u>	<u>202,851</u>	<u>(17,864)</u>

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 Act 2001. Financial reports prepared in compliance with the Banking Act are deemed to comply with the provisions of the Corporations Act 2001.

The financial report of the Bank and the consolidated financial report of the economic entity, is a general purpose financial report prepared in accordance with the Banking Act, applicable Accounting Standards, Urgent Issues Group Consensus Views, Corporations Act 2001 and the requirements of law so far as they are applicable to Australian banking corporations. The accounting policies have been consistently applied, unless otherwise stated.

b Historical Cost

The financial report of the Bank and the consolidated financial report of the economic entity have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-monetary assets.

c Principles of Consolidation

The consolidated 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 17 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, unless otherwise stated.

The consolidated entity has adopted Accounting Standards AASB 1041 "Revaluation of Non-Current Assets" and AASB 1010 "Recoverable Amount of Non-Current Assets". Under the transitional provisions of these standards, the directors have made the following elections:

freehold land and buildings on freehold land will continue to be revalued on a three-yearly cycle.

listed and unlisted shares, which were previously measured at revalued amount, will be carried at their deemed cost, being the carrying value of these assets at the beginning of the period.

The consolidated entity has elected to apply the revised accounting standard AASB 1005 "Segment Reporting" early, in accordance with subsection 334(5) of the Corporations Act 2001. The Segment Reporting note in this financial report complies with the requirements of the revised standard.

e Foreign Currency Transactions and Balances

All amounts are expressed in Australian currency and all references to "\$" are to Australian dollars unless otherwise stated.

Foreign currency transactions during the period are converted to Australian currency at the rates of exchange applicable at the dates of the transactions.

Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change.

f Cash

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 are brought to account each month.

As they are purchased primarily with the intent of holding until maturity, no specific provision is considered necessary to account for the difference between book and market values or potential capital gains tax.

Trading securities are purchased for current resale in day to day trading operations and are recorded at market value. Gains and losses realised from the sale of trading securities and unrealised market value adjustments are brought to account each month.

Share investment securities listed on a stock exchange and unlisted investment securities are recorded at cost.

Dividends are brought to account when received except for dividends from controlled entities which are brought to account when they are proposed by the controlled entity.

h Intangibles

Trustee Licence

The useful life of the trustee licence has been estimated to be 50 years. The licence is amortised on a straight line basis over this period. The balance is reviewed annually to ensure the carrying value does not exceed recoverable amount.

Goodwill

Goodwill and goodwill on consolidation are recorded initially at the amount by which the purchase price for the business or for the ownership interest in a controlled entity exceeds the fair value attributed to its net identifiable assets at date of acquisition. Both purchased goodwill and goodwill on consolidation are amortised on a straight line basis over a period not exceeding 20 years. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off. Amortisation periods for goodwill are as follows:

<i>Entity acquired</i>	<i>Years</i>
Fountain Plaza Pty Ltd	10
Sandhurst Trustees Limited	20
Compass Building Society	18
Cass Comm Limited	10
Worley Securities Pty Ltd	20
Benhold Pty Ltd	20
Victorian Securities Corporation Limited	20
First Australian Building Society Limited	20

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 Funds

The Trustee Companies Act 1984 requires that a reserve fund be maintained to provide for the event of the appointment of a liquidator, a receiver and manager or an administrator of a trustee company. In such an event, the moneys in the reserve fund are available to be utilised in accordance with Section 39 (3) of the Trustees Companies Act 1984.

Sandhurst Trustees Limited complies with the Act by setting aside the value of at call investments to the Reserve Fund.

As part of the Bank's acquisition of First Australian Building Society, the Sunstate Reserve Fund was established in accordance with the provisions of the Sunstate Reserve Trust Deed dated 20 July, 2000.

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 Act 2001.

Long Service Leave

Long service leave has been assessed at full pro rata entitlement in respect of all employees with more than five years service. The amount provided currently meets the requirement of Accounting Standard AASB 1028.

Superannuation

Contributions are made to an employee accumulation superannuation fund and are charged to expenses when incurred.

Superannuation commitments are disclosed in Note 34.

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 Standard 'APS 220 - Credit Quality' and Guidance Note 'AGN - 220.1 - Impaired Asset Definitions'.

Non-accruing Loans

Loans are classified as non-accruing where:

- (a) there is reasonable doubt about the ultimate collectability of principal and interest;
- (b) contractual payments are 90 or more days in arrears and the fair market value of the security is insufficient to cover payment of principal and interest; and
- (c) in the case of overdrafts, they have remained outside approved limits for 90 or more consecutive days and the fair market value of the security is insufficient to cover payment of principal and interest.

Interest ceases to be taken to profit when a loan is classified as non-accruing.

Restructured Loans

Loans are classified as restructured where:

- (a) the terms and conditions of the loans have been concessionally modified, via a formal agreement, due to the financial difficulties of borrowers; and
- (b) the rate of return from interest or other income is lower than the current market return, but is in excess of the economic entity's cost of funds at balance date.

Bad and Doubtful Debts

A specific provision is made for all identified doubtful debts and is recognised when there is reasonable doubt over the collectability of principal and interest in accordance with the loan agreement. All bad debts are written off against the specific provision in the period in which they are classified as irrecoverable.

The provision is determined by specific identification and by estimation of expected losses in relation to loan portfolios where specific identification is impractical. These portfolios include unsecured credit cards, overdrawn accounts and personal loans, where provisions are calculated as follows:

- (a) accounts in default without payment for 90 to 180 days - 25% of account balance is provided
- (b) accounts in default without payment for over 180 days - 100% of account balance is provided.

In addition, a general provision is maintained to cover doubtful debts which are not yet identified. The level of the general provision is determined having regard to asset growth, economic conditions, the level of risk weighted assets and other general risk factors, however it is the Bank's intention to maintain the general provision at or above 0.5% of Risk Weighted Assets.

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 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 brought to account when the gains and losses arising on the related physical exposures are brought to account.

Gains and losses related to qualifying hedges of firm commitments or anticipated transactions are deferred and recognised in income or as adjustments of carrying amounts when the hedged transaction occurs.

Derivative financial instruments used for trading purposes are marked to market at balance date. Realised and unrealised changes in market value are recognised in net trading revenue in the period in which the change occurs.

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 fund management activities are brought to account when earned.

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 arm's length basis, including service fees, management fees and trustee fees. These fees are recognised over the period in which the relevant income is earned. In addition the Group is entitled to residual income from the program, comprising mortgage loan interest less interest due to investors and other expenses of the securitisation program. The timing and amount of these residual income receipts cannot be reliably measured because of the significant uncertainties inherent in estimating future movements in the repayment rates on the underlying mortgage loans and the interest margins. Consequently, the residual income receivable is not recognised as an asset and no gain is recognised on the transfer of the loans. The residual income is therefore being recognised when receivable.

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).

z Provision for Restructuring

In October 2000 Bendigo Bank acquired a 100% interest in the First Australian Building Society (FABS) Group of companies. This resulted in certain restructuring requirements within the group's business. The provision for restructuring covers the integration of the FABS operations into the existing Group, including rationalisation of existing processing and administrative functions. The principal costs associated with this programme are the areas of staff relocation and redundancy, supply contract renegotiation costs, balance sheet hedging and branch system conversion costs.

	Consolidated		Bendigo Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
2 PROFIT FROM ORDINARY ACTIVITIES				
Profit from ordinary activities before income tax expense has been determined as follows:				
Interest revenue				
Controlled entities				
Investment securities	-	-	7,497	1,460
Other persons/entities				
Cash and liquid assets	2,028	705	7,928	1,561
Investment securities	54,138	34,336	36,993	29,276
Loans and other receivables	398,199	261,721	315,016	248,928
Total interest revenue	454,365	296,762	367,434	281,225
Interest expense				
Controlled entities				
Retail deposits	-	-	1,047	352
Wholesale - domestic	-	-	6,372	1,195
Other persons/entities				
Deposits				
Retail	230,328	136,084	183,493	131,083
Wholesale - domestic	34,336	27,943	23,648	25,688
Wholesale - offshore	19,498	9,723	19,498	9,723
Other borrowings				
Subordinated debt	9,515	6,127	8,147	6,127
Total interest expense	293,677	179,877	242,205	174,168
Net interest revenue	160,688	116,885	125,229	107,057
Share of associates' net profits (losses) accounted for using the equity method	7,693	7,564	7,693	7,564
Other revenue from ordinary activities				
Dividends				
Controlled entities	-	-	9,847	9,726
Other	121	50	107	41
Distribution from unit trusts	5	10	5	10
	126	60	9,959	9,777
Fees				
Loans	5,688	4,289	4,079	3,936
Other	52,485	30,492	30,317	20,656
	58,173	34,781	34,396	24,592
Commissions				
Insurance	2,690	1,629	1,817	1,591
Other	9,030	11,075	498	453
	11,720	12,704	2,315	2,044
Other revenue				
Income from property	921	729	142	181
Profits arising from sale of property, plant & equipment	174	268	57	57
Profits on sale of other investments	(566)	108	-	-
Net foreign exchange gain/(loss)	1,029	1,559	1,002	1,558
Increments arising from the revaluation of investments	84	-	-	-
Other	(282)	172	8,704	172
	1,360	2,836	9,905	1,968
Total other revenue from ordinary activities	79,072	57,945	64,268	45,945
Total revenue from ordinary activities	239,760	174,830	189,497	153,002

	Consolidated		Bendigo Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
2 PROFIT FROM ORDINARY ACTIVITIES (continued)				
Expenses from ordinary activities				
Bad and doubtful debts				
Specific provisions	6,684	2,737	6,700	2,735
General provisions	1,753	3,924	1,068	3,524
Bad debts written off	1,823	1,036	1,569	1,036
Bad debts recovered	(130)	(84)	(73)	(124)
Significant bad and doubtful debts	-	10,500	-	10,500
Total bad and doubtful debts	10,130	18,113	9,264	17,671
Borrowing costs	1,431	526	567	411
Other expenses from ordinary activities				
Staff and related costs				
Salaries and wages	55,321	40,706	43,650	36,479
Superannuation contributions	6,004	3,945	4,757	3,575
Provision for annual leave	1,856	540	(192)	546
Provision for long service leave	1,073	439	331	488
Other provisions	202	187	164	169
Payroll tax	3,668	2,504	2,849	2,261
Fringe benefits tax	1,589	1,002	1,090	934
Other	3,996	3,288	2,775	3,199
	73,709	52,611	55,424	47,651
Occupancy costs				
Operating lease rentals	7,928	4,838	5,715	5,369
Depreciation of buildings	311	307	108	105
Amortisation of leasehold improvements	509	311	508	307
Property rates	373	324	167	244
Land tax	296	304	93	98
Repairs and maintenance	613	458	415	273
Other	342	324	331	310
	10,372	6,866	7,337	6,706
Amortisation of goodwill	3,662	2,128	592	592
Property, plant & equipment costs				
Depreciation of property, plant & equipment	6,280	4,168	5,004	3,701
Loss on sale of property, plant & equipment	45	49	3	-
	6,325	4,217	5,007	3,701
Fees and commissions	8,472	6,239	6,110	4,316
Administration expenses				
Communications, postage and stationery	11,698	7,918	9,497	7,268
Computer systems and software costs	12,281	8,693	10,824	8,193
General administration expenses	39,333	27,381	30,092	24,527
	63,312	43,992	50,413	39,988
Significant items	5,000	-	5,000	-
Other expenses				
Decrements arising from the revaluation of investments	-	-	137	541
Provision for directors' retirement allowance	135	103	79	23
Other	2,210	2,681	3,778	202
	2,345	2,784	3,994	766
Total expenses from ordinary activities	184,758	137,476	143,708	121,802
Profit from ordinary activities before income tax expense	55,002	37,354	45,789	31,200

	Consolidated		Bendigo Bank	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
2 PROFIT FROM ORDINARY ACTIVITIES (continued)				
Revenue from ordinary activities				
Interest revenue	454,365	296,762	367,434	281,225
Dividends received	126	60	9,959	9,777
Proceeds from sale of property, plant and equipment	609	281	391	268
Proceeds from sale of other investments	1,430	4,691	-	-
Other sources of revenue				
Share of associates' net profits (losses) - equity accounted	7,693	7,564	7,693	7,564
Other	71,079	50,053	46,559	28,547
	<u>535,302</u>	<u>359,411</u>	<u>432,036</u>	<u>327,381</u>
3 SIGNIFICANT ITEMS				
Profit from ordinary activities before income tax expense includes the following expenses whose disclosure is relevant in explaining the financial performance of the entity:				
Provision for legal claims where recovery of professional indemnity insurance from insurers is doubtful	5,000	-	5,000	-
Increase in specific provisions relating to a single exposure	-	10,500	-	10,500
Significant items before income tax	<u>5,000</u>	<u>10,500</u>	<u>5,000</u>	<u>10,500</u>
Income tax benefit applicable to significant items	1,500	3,570	1,500	3,570
Significant items after income tax	<u>3,500</u>	<u>6,930</u>	<u>3,500</u>	<u>6,930</u>
4 UNDERLYING PROFIT				
<i>Underlying profit shows the growth in the core business of the economic entity</i>				
Underlying profit	73,794	57,595	60,645	49,463
Less,				
Amortisation of goodwill	3,662	2,128	592	592
Bad and doubtful debts expense (net of bad debts recovered)	10,130	7,613	9,264	7,171
Significant items (Note 3)	5,000	10,500	5,000	10,500
Income tax expense (Note 6)	21,724	16,042	13,300	8,939
Profit from ordinary activities after income tax expense	<u>33,278</u>	<u>21,312</u>	<u>32,489</u>	<u>22,261</u>

	Average Balance \$'000	Interest 2001 \$'000	Average rate %
5 AVERAGE BALANCE SHEET AND RELATED INTEREST			
Average balances and rates ⁽¹⁾			
Interest earning assets			
Cash and liquid assets	117,646	2,028	1.72
Investment securities	870,434	54,138	6.22
Loans and other receivables	5,060,761	398,199	7.87
	<u>6,048,841</u>	<u>454,365</u>	<u>7.51</u>
Non interest earning assets			
Property, plant & equipment	38,567		
Provisions for doubtful debts	(29,875)		
Other assets	183,841		
	<u>192,533</u>		
Total assets (average balance)	<u>6,241,374</u>		
Interest bearing liabilities and equity			
Deposits			
Retail	4,825,579	230,328	4.77
Wholesale - domestic	537,974	34,336	6.38
Wholesale - offshore	292,265	19,498	6.67
Other borrowings			
Subordinated debt	125,606	9,515	7.58
	<u>5,781,424</u>	<u>293,677</u>	<u>5.08</u>
Non interest bearing liabilities and equity			
Other liabilities	70,976		
Equity	388,974		
	<u>459,950</u>		
Total liabilities and equity	<u>6,241,374</u>		
Interest margin and interest spread			
Interest earning assets	6,048,841	454,365	7.51
Interest bearing liabilities	(5,781,424)	(293,677)	(5.08)
Net interest income and interest spread ⁽²⁾		<u>160,688</u>	<u>2.43</u>
Net interest margin ⁽³⁾			2.66

¹ Average balance is based on monthly closing balances from June 30, 2000 through June 30, 2001 inclusive

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

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

	Consolidated		Bendigo Bank	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
6 INCOME TAX EXPENSE				
The prima facie tax on profit from ordinary activities is reconciled to the income tax provided in the accounts as follows:				
Tax payable on profit from ordinary activities before income tax expense at 34¢ (2000 - 36¢)	18,700	13,447	15,568	11,232
Permanent differences:				
Add tax effect of,				
depreciation of buildings	106	111	37	38
amortisation of goodwill	1,245	766	201	213
amortisation of leasehold improvements	173	112	173	111
write down of investment	(46)	-	47	195
increase in general provision	363	1,389	363	1,269
under provision for tax in prior years	574	-	-	-
non-allowable capital costs	-	2	-	-
change of tax rate on future tax provisions	(777)	977	(503)	703
Other items	1,647	6,043	1,362	5,974
	3,285	9,400	1,680	8,503
Less tax effect of,				
rebateable dividends received	41	18	3,384	3,516
capital gains not subject to tax	31	54	-	-
capital cost write-off of a building	81	86	28	30
over provision of tax in prior years	62	-	54	-
Tax losses transferred from controlled entities	-	-	482	738
Other items	46	6,647	-	6,512
	261	6,805	3,948	10,796
Income tax expense attributable to:				
Profit from ordinary activities before income tax	21,724	16,042	13,300	8,939
The income tax expense comprises amounts set aside as:				
Provision attributable to current year, being				
income tax payable on profit from ordinary activities	12,711	15,382	8,220	9,489
income tax payable by associates	2,676	2,764	2,676	2,764
under (over) provision in prior years	516	-	(53)	-
Provision attributable to future years, being				
future income tax benefit	4,712	(2,105)	323	(3,197)
provision for deferred tax	1,109	1	2,134	(117)
	21,724	16,042	13,300	8,939
Deferred tax assets and liabilities				
Current tax payable	-	8,685	-	7,766
Current tax refundable	4,685	-	4,605	-
Provision for deferred income tax	4,585	3,149	5,044	2,910
Future income tax benefit	13,546	11,563	9,399	9,722

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

Consolidated
2001 **2000**
\$'000 **\$'000**

7 CAPITAL ADEQUACY

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

Risk weighted capital ratios

Tier 1	8.61%	8.77%
Tier 2	2.10%	1.26%
Total capital ratio	10.71%	10.03%

Qualifying Capital

Tier 1

Contributed capital	392,507	242,362
General reserve	13,425	13,300
Retained profits	17,761	32,787
Asset realisation reserve	993	993
Capital profits reserve	231	231
	424,917	289,673
Less,		
Intangible assets	75,551	37,285
Net future income tax benefit	8,961	8,964
Other	302	269
Total Tier 1 capital	340,103	243,155

Tier 2

General provision for doubtful debts	21,789	13,826
Unsecured subordinated perpetual convertible capital notes	21,374	26,674
Subordinated capital notes	104,021	51,447
Asset revaluation reserve		
Property	1,555	1,543
Shares	364	364
	149,103	93,854
Less,		
Subsidiary investment residual	7,851	58,950
Total Tier 2 capital	141,252	34,904
Less,		
Holdings of other banks' capital instruments	58,441	-
Total qualifying capital	422,914	278,059

	Gross Assets \$'000	Risk Weight %	Risk Weighted	
			2001 \$'000	2000 \$'000
7 CAPITAL ADEQUACY (continued)				
Risk Weighted Assets				
<i>On-statement of financial position assets</i>				
Notes & coin/claims on government	287,281	-	-	-
Loans secured by cash	13,795	-	-	-
Claims on local governments	1,032	20	206	3,816
Claims on banks	833,047	20	166,609	127,084
Qualifying mortgages (housing loans)	4,078,815	50	2,039,408	1,371,418
Other loans	1,526,502	100	1,526,502	1,194,826
Other assets	93,506	100	93,506	57,432
Total on-statement of financial position assets	6,833,978		3,826,231	2,754,576

Total on-statement of financial position assets as shown above does not agree with total assets as stated in the consolidated statement of financial position. Intangible assets, future income tax benefit and assets in the trading book have been deducted in accordance with APRA capital adequacy guidelines.

	Face Value \$'000	Credit Equivalent Amount \$'000	Risk Weight %	Risk Weighted	
				2001 \$'000	2000 \$'000
<i>Off-statement of financial position exposures</i>					
Direct credit substitutes					
Secured by cash	1,012	1,012	0	-	-
Secured by residential mortgages	2,316	2,316	50	1,158	934
Unsecured guarantees	618	618	100	618	510
Trade and performance related items					
Documentary letters of credit	2,968	594	20	119	189
Performance related contingencies	28,032	14,016	100	14,016	5,231
Loans approved not advanced					
Qualifying mortgages	112,584	112,584	50	56,292	8,829
Other loans(LVR > 80%)	46,399	46,399	100	46,399	1,126
Forward foreign exchange contracts					
Maturity 14 days < 1 year	8,779	87	20	17	36
Interest rate swaps (current exposure method)					
Exposure to loss	4,698	4,698	20	940	543
Under one year to maturity	1,040,300	-	20	-	-
Over one year	991,459	4,957	20	991	361
Interest rate options purchased (current exposure method)					
Exposure to loss	25	25	20	5	543
Under one year to maturity	430,000	-	20	-	-
Over one year	-	-	20	-	361
Cross currency swaps (current exposure method)					
Under one year to maturity	-	-	20	-	321
Over one year	273,394	13,670	20	2,734	-
Total off-statement of financial position exposure				123,289	18,984

	Capital Allocation \$'000	Conversion Factor %	Risk Weighted	
			2001 \$'000	2000 \$'000
Capital for market risk	5	10	0	0
Total risk weighted assets			3,949,521	2,773,560

Consolidated		Bendigo Bank	
2001	2000	2001	2000
\$'000	\$'000	\$'000	\$'000

8 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

1,232	1,262	-	-
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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

-	-	1,080	1,089
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Number of chief entity directors whose income from the chief entity and any related parties fell within the following bands:

\$	\$	No.	No.
30,000 - 39,999		2	-
40,000 - 49,999		-	2
50,000 - 59,999		5	3
70,000 - 79,999		-	1
80,000 - 89,999		-	1
100,000 - 109,999		1	-
120,000 - 129,999		-	1
150,000 - 159,999		1	-
360,000 - 369,999		-	-
480,000 - 489,999		1	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

4,772	3,754	-	-
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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

-	-	4,114	3,604
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Number of executive officers whose income fell within the following bands:

\$	\$	No.	No.	No.	No.
100,000 - 109,999		6	3	5	3
110,000 - 119,999		6	6	5	6
120,000 - 129,999		7	6	7	6
130,000 - 139,999		1	-	1	-
140,000 - 149,999		2	2	2	1
150,000 - 159,999		1	-	-	-
160,000 - 169,999		1	-	1	-
240,000 - 249,999		-	3	-	3
250,000 - 259,999		-	1	-	1
260,000 - 269,999		1	-	1	-
270,000 - 279,999		3	-	3	-
280,000 - 289,999		1	1	1	1
480,000 - 489,999		1	1	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	49	49	49
Non-executive directors	51	36	40	28
	<u>100</u>	<u>85</u>	<u>89</u>	<u>77</u>

	Consolidated		Bendigo Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
9 AUDITORS' REMUNERATION				
Chief entity auditors				
Amounts received, or due and receivable by the auditors for:				
-auditing the financial statements of the chief entity and any other entity in the economic entity	703	424	564	361
-other services in relation to the chief entity and any other entity in the economic entity	1,806	85	1,790	77
Other auditors				
Amounts received, or due and receivable by auditors other than the auditors of Bendigo Bank Limited for:				
-auditing the financial statements of subsidiary entities	-	-	-	-
-other services in relation to the chief entity	-	10	-	10

10 DIVIDENDS

Dividends paid or provided for on ordinary shares

Dividends proposed

Final dividend (14.5 cents per share) (2000: 13.5 cents per share)	15,697	10,432	15,697	10,432
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Dividends paid during the year

current year

Interim dividend (11.5 cents per share) (2000: 10.5 cents per share)	12,387	7,809	12,387	7,809
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Special dividend (15.0 cents per share) (2000: Nil)	17,184	-	17,184	-
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	<u>45,268</u>	<u>18,241</u>	<u>45,268</u>	<u>18,241</u>
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previous year

Final dividend (13.5 cents per share)	14,158	8,479	14,158	8,479
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Dividend - First Australian Building Society, paid October 2000 (1)	2,799	295	-	-
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(2000: Dividend paid by Victorian Securities Corporation Limited)

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

All dividends paid were fully franked. Proposed dividends will be fully franked out of existing franking credits or out of franking credits arising from payment of income tax provided for in the financial statements for the year ended June 30, 2001.

Dividend franking account

Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial report, and after deducting franking credits to be used in payment of the above dividends.

	<u>11,078</u>	<u>29,808</u>	<u>(8,741)</u>	<u>19,447</u>
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The tax rate at which dividends have been franked is 34% (2000: 36%)

On July 1, 2001 the balance of franking account was converted to 30%. Dividends paid in 2001/02 will therefore be franked at 30%.

The balance of the franking account has been included in this note after conversion to 30%.

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	39,132	10,845	36,333	10,550
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Satisfied by issue of shares	7,376	5,736	7,376	5,736
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Increase in residuals carried forward	20	2	20	2
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	<u>46,528</u>	<u>16,583</u>	<u>43,729</u>	<u>16,288</u>
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11 EARNINGS PER SHARE

Share ratios

Basic earnings per share	31.5¢	27.5¢
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Diluted earnings per share	31.4¢	27.4¢
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Number of Shares

Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	105,536,570	77,468,734
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Classification of Securities

5,213,055 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	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
12 CASH FLOW INFORMATION				
Reconciliation of cash flow from operations with operating profit after income tax				
Profit from ordinary activities after tax	33,278	21,312	32,489	22,261
Non-cash items				
Doubtful debts expense	8,437	17,162	7,768	16,759
Amortisation	3,662	2,128	592	592
Depreciation	7,144	4,836	5,623	4,113
Revaluation (increments)	(760)	(1,275)	(488)	(734)
Share of associates' net (profits)	(7,693)	(7,564)	(7,693)	(7,564)
Dividends received from associates	4,168	4,750	4,168	4,750
Profits on sale of investment securities	1	-	-	-
Profits on disposal of property, plant and equipment	442	(376)	(57)	(57)
Changes in assets and liabilities				
Increase/(decrease) in tax provision	(12,156)	7,831	(9,406)	9,111
Increase/(decrease) in deferred income tax liability	3,604	(2,246)	2,457	(3,471)
Increase/(decrease) in accrued interest	6,079	366	2,276	(1,158)
Increase in accrued employees entitlements	984	1,032	1,283	1,098
Increase/(decrease) in other accruals and provisions	(3,668)	10,001	1,998	10,665
Net cash flows from/(used in) operating activities	43,522	57,957	41,010	56,365
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, First Australian Building Society Limited (FABS) was acquired by the chief entity. (2000: Victorian Securities Corporation Limited)				
Details of these transactions are as follows:				
Fair value of identifiable net assets acquired				
Cash and liquid assets at call	30,905	290	-	-
Due from other banks	1	-	-	-
Other liquid investments	194,369	23,792	-	-
Loans and other receivables	1,329,861	66,879	-	-
Amounts receivable from controlled entities	6,650	-	-	-
Shares - controlled entities	2,604	-	-	-
Shares - other entities	858	-	-	-
Other investments	1,247	-	-	-
Property, plant & equipment	7,063	1,018	-	-
Other assets	11,182	-	-	-
Deposits	(1,435,318)	(83,407)	-	-
Payables	(5,172)	(21)	-	-
Provision - dividend	(2,799)	(295)	-	-
Current tax liabilities	(1,924)	(346)	-	-
Other provisions	(20,969)	(1,393)	-	-
Subordinated debt	(25,242)	-	-	-
	93,316	6,517	-	-
Goodwill arising on acquisition	41,823	3,600	-	-
Amount paid on acquisition	135,139	10,117	-	-
Consideration paid				
27,993,533 Bendigo Bank Limited ordinary shares at \$4.82 ea. (2000: 1,000,000 Bendigo Bank Limited ordinary shares at \$5.50 ea.)	(134,929)	(5,500)	-	-
Cash consideration	(210)	(4,617)	(210)	(4,617)
Total consideration	(135,139)	(10,117)	(210)	(4,617)
Net cash consideration				
Cash consideration	(210)	(4,617)	(210)	(4,617)
Net cash balance acquired	30,906	290	-	-
Net cash (paid) received on purchase of controlled entity	30,696	(4,327)	(210)	(4,617)

12 CASH FLOW INFORMATION (continued)

Acquisition of business

The assets acquired and the liabilities assumed have been measured at their fair values at the date of acquisition, including adjustments to bring accounting policies onto a consistent basis. Provisions for restructuring covering integration and rationalisation of processing and administration functions have been booked as a pre-acquisition cost in FABS. The principal costs associated with this program are the areas of staff relocation and redundancy, supply contract renegotiation costs, balance sheet hedging and branch system conversion costs. The fair value adjustments principally relate to write-off of capitalised systems costs and additional general provisioning to bring FABS onto a consistent provisioning methodology.

	Consolidated		Bendigo Bank	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
13 CASH AND LIQUID ASSETS				
Notes, coin and cash at bank	180,554	90,803	134,316	89,153
Investments at call	7,173	448	146,704	1,665
	<u>187,727</u>	<u>91,251</u>	<u>281,020</u>	<u>90,818</u>
Reconciliation of cash				
For the purposes of the statement of cash flows, cash includes:				
Cash and liquid assets	187,727	91,251	281,020	90,818
Due from other financial institutions	141,677	119,501	141,437	118,051
Due to other financial institutions	(106,210)	(95,472)	(106,210)	(95,472)
	<u>223,194</u>	<u>115,280</u>	<u>316,247</u>	<u>113,397</u>
Cash and liquid assets are items readily convertible into cash and generally repayable on demand.				
Amounts due to and from other financial institutions relate to inter-bank settlement processes and are generally repaid within 2 working days.				
14 INVESTMENT SECURITIES				
Negotiable securities				
Bank accepted bills of exchange	143,688	80,858	111,997	73,158
Negotiable certificates of deposit	221,319	203,543	171,424	203,543
Government securities	135,890	119,819	102,025	119,747
Other	151,079	174,135	147,065	174,135
	<u>651,976</u>	<u>578,355</u>	<u>532,511</u>	<u>570,583</u>
Non negotiable securities				
Deposits - banks	139,489	6,680	108,298	750
Deposits - other	4,806	6,072	-	-
	<u>144,295</u>	<u>12,752</u>	<u>108,298</u>	<u>750</u>
	<u>796,271</u>	<u>591,107</u>	<u>640,809</u>	<u>571,333</u>
Maturity analysis				
Not longer than 3 months	576,054	153,604	476,563	150,096
Longer than 3 and not longer than 12 months	139,609	254,967	108,834	238,701
Longer than 1 and not longer than 5 years	80,608	182,536	55,412	182,536
	<u>796,271</u>	<u>591,107</u>	<u>640,809</u>	<u>571,333</u>

	Consolidated		Bendigo Bank	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
15 LOANS AND OTHER RECEIVABLES				
Overdrafts	466,910	252,114	408,029	245,284
Credit cards	42,438	28,205	33,839	28,205
Term loans	4,818,490	3,563,051	3,700,087	3,469,043
Lease receivables	158,961	127,383	158,797	126,986
Other	139,965	-	126,612	-
Accrued interest	21,127	19,158	20,359	17,411
Gross loans and other receivables	5,647,891	3,989,911	4,447,723	3,886,929
less:				
Specific provision for impairment (Note 16)	(9,545)	(15,523)	(8,626)	(14,759)
Unearned income	(24,411)	(20,668)	(24,118)	(20,419)
	5,613,935	3,953,720	4,414,979	3,851,751
less:				
General provision for impairment (Note 16)	(21,789)	(13,826)	(14,377)	(13,309)
Net loans and other receivables	5,592,146	3,939,894	4,400,602	3,838,442
Impaired loans				
Non-accruing loans - without provisions	2,354	747	2,354	747
- with provisions	25,920	26,447	25,518	26,447
less specific provisions	(8,374)	(14,505)	(8,213)	(14,505)
	19,900	12,689	19,659	12,689
Restructured loans	-	3,285	-	3,285
Assets acquired through security enforcement	-	30	-	30
Net impaired loans	19,900	16,004	19,659	16,004
Net impaired loans % of loans and other receivables	0.36%	0.41%	0.45%	0.42%
Portfolios Facilities - Balance	1,765	952	1,648	952
less provisions	(441)	(237)	(412)	(237)
Net Portfolio Facilities	1,324	715	1,236	715
Loans past due 90 days				
Accruing loans past due 90 days, with adequate security balance	27,395	12,539	19,288	12,439
Amount in arrears	2,823	1,277	2,371	1,272
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	15,866	5,045	3,720	5,045
Assets acquired comprise land and improvements.				
Interest income recognised and foregone				
Interest income recognised in respect of impaired loans	712	394	710	394
Interest income recognised in respect of assets acquired through enforcement	895	174	335	174
Interest income foregone in respect of impaired loans	1,483	1,830	1,474	1,830

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.

15 LOANS AND OTHER RECEIVABLES (continued)	Consolidated		Bendigo Bank	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Loans by geographic location ⁽¹⁾				
Victoria	3,348,833	2,852,462	3,259,739	2,774,228
New South Wales	557,069	501,444	553,412	497,191
Australian Capital Territory	151,582	164,256	151,467	164,193
Queensland	1,224,736	120,637	117,690	100,499
South Australia / Northern Territory	90,455	105,697	90,396	105,635
Western Australia	182,752	188,159	182,649	188,047
Tasmania	82,178	29,881	82,089	29,866
Overseas/Other	10,286	27,375	10,281	27,270
	<u>5,647,891</u>	<u>3,989,911</u>	<u>4,447,723</u>	<u>3,886,929</u>
Maturity analysis ⁽²⁾				
At call / overdrafts	488,894	325,478	466,278	244,158
Not longer than 3 months	182,058	298,203	171,511	296,667
Longer than 3 and not longer than 12 months	106,767	401,574	79,499	399,260
Longer than 1 and not longer than 5 years	799,275	1,772,012	677,583	1,761,964
Longer than 5 years	4,070,897	1,156,453	3,052,852	1,149,702
	<u>5,647,891</u>	<u>3,953,720</u>	<u>4,447,723</u>	<u>3,851,751</u>

Geographic location determined from the customer postcode/address.

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

(2) In 2001, balances exclude specific and general provisions for doubtful debts and unearned revenue. In 2000, balances exclude general provision for doubtful debts.

	Consolidated		Bendigo Bank	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
16 IMPAIRMENT OF LOANS AND ADVANCES				
Specific provisions for impairment				
Opening balance	15,523	6,616	14,759	5,533
Balance transferred on acquisition	206	552	-	224
Charged to statement of financial performance	8,507	3,773	8,269	3,771
Bad debts written-off applied to specific provision	(14,691)	(5,918)	(14,402)	(5,269)
Significant item - increase in specific provision	-	10,500	-	10,500
Closing balance	<u>9,545</u>	<u>15,523</u>	<u>8,626</u>	<u>14,759</u>
General provision for impairment				
Opening balance	13,826	9,454	13,309	8,654
Balance transferred on acquisition	6,210	448	-	1,131
Charged to statement of financial performance	1,753	3,924	1,068	3,524
Closing balance	<u>21,789</u>	<u>13,826</u>	<u>14,377</u>	<u>13,309</u>
Bad and doubtful debts expense				
Specific provisions for impairment	(6,184)	(2,145)	(6,133)	(1,498)
General provision for impairment	1,753	3,924	1,068	3,524
Bad debts written off -loans acquired through enforcement of security	589	3,887	589	3,887
-other loans	14,102	2,031	13,813	1,382
	<u>10,260</u>	<u>7,697</u>	<u>9,337</u>	<u>7,295</u>
Ratios				
Specific provision as % of gross loans less unearned income	0.17%	0.39%		
General provision net of future income tax benefit as % of risk weighted assets	0.55%	0.50%		

17 PARTICULARS IN RELATION TO CONTROLLED ENTITIES

Name	Place of Incorporation	Principal Activities	Value of Chief Entity's Investment	
			2001	2000
			\$'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 trustee	72	72
Bensand Services Pty Ltd ⁽²⁾	Vic	Investment company	-	-
Cass Comm Limited ^{(2) (4)}	NSW	Financial services	-	-
CBS Management Pty Ltd	Vic	Insurance services	1	1
Cleansun Pty Ltd	ACT	Research and development	724	909
First Australian Building Society Ltd ⁽³⁾	Qld	Building Society	136,955	-
Fountain Plaza Pty Ltd	Vic	Property owner	10,733	10,733
FP Holdings (Building Society) Ltd ⁽³⁾	Qld	Holding company	6,033	-
Funds Transfer Services Pty Ltd	Vic	Funds transfer services	40	40
Benhold Pty Ltd	Vic	Building Society holding coy	33,602	33,602
NBS Holdings (Building Society) Ltd ⁽³⁾	Qld	Holding company	12,071	-
National Mortgage Market Corp P/L	Vic	Mortgage and funds manager	4,687	4,687
Sandhurst Trustees Ltd	Vic	Trustee company	18,039	18,039
Victorian Securities Corporation Ltd	Vic	Financial services	10,110	10,110
Worley Securities Pty Ltd	Vic	Financial advisory services	4,039	4,039
			<u>237,176</u>	<u>82,302</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 First Australian Building Society Ltd, FP Holdings Ltd and NBS Holdings Ltd which were acquired in October 2000.

⁴ Formerly Cassa Commerciale Australia Ltd.

	Consolidated		Bendigo Bank	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
18 OTHER SHARE INVESTMENTS				
Book value - cost				
Listed and unlisted shares	5,491	3,415	4,562	3,210
Units in trusts	117	117	117	117
	<u>5,608</u>	<u>3,532</u>	<u>4,679</u>	<u>3,327</u>

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name	Ownership		Balance date
	interest held by		
	consolidated entity		
	2001	2000	
	%	%	
Elders Rural Bank Ltd	50	50	30 June
Bendigo Investment Services Ltd	50	50	30 June
Tasmanian Banking 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			
Tasmanian Banking Services Limited - banking services			
(ii) Share of associates' profits			
Share of associates':			
- operating profits before income tax	7,755	7,564	7,755 7,564
- income tax expense attributable to operating profits	2,676	2,783	2,676 2,783
- operating profits after income tax	<u>5,079</u>	<u>4,781</u>	<u>5,079 4,781</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	51,622	44,441	51,622 44,441
- carrying amount of investment in associate acquired during the year	8,719	7,150	8,719 7,150
- dividends received from associates	(4,168)	(4,750)	(4,168) (4,750)
- share of associates' net profits (losses) for the financial year	5,079	4,781	5,079 4,781
Carrying amount of investments in associates at the end of the financial year	<u>61,252</u>	<u>51,622</u>	<u>61,252 51,622</u>

	Consolidated		Bendigo Bank	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD				
(continued)				
Represented by:				
Investments at equity accounted amount:				
- Elders Rural Bank Limited	58,441	51,308	58,441	51,308
- Bendigo Investment Services Limited	592	314	592	314
- Tasmanian Banking Services Limited	2,219	0	2,219	0
(iv) The consolidated entity's share of the assets and liabilities of associates in aggregate				
Assets	524,918	372,049		
Liabilities	483,651	339,034		
Net Assets	<u>41,267</u>	<u>33,015</u>		
(v) Amount of retained profits of the consolidated entity attributable to associates	11,801	6,722		

Subsequent events affecting an associate's profits/losses for the ensuing year are disclosed in note 41.

The consolidated entity's share of associates' commitments and contingent liabilities are disclosed in notes 31 and 32 respectively.

20 OTHER INVESTMENTS

Land held for resale

Cost of acquisition (at cost)	55	615	-	-
Development costs (at cost)	88	1,884	-	-
Interest and holding costs capitalised (at cost)	-	-	-	-
	<u>143</u>	<u>2,499</u>	<u>-</u>	<u>-</u>

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

21 PROPERTY, PLANT AND EQUIPMENT

(a) Carrying Value

Property

Freehold land - at directors' valuation 30th June 1999 and 11 October 2000	8,649	5,050	1,578	1,600
	<u>8,649</u>	<u>5,050</u>	<u>1,578</u>	<u>1,600</u>
Freehold buildings - at directors' valuation 30th June 1999 and 11 October 2000	17,266	12,480	4,115	4,195
Accumulated depreciation	(5,240)	(323)	(206)	(105)
	<u>12,026</u>	<u>12,157</u>	<u>3,909</u>	<u>4,090</u>
Freehold Buildings - at cost	224	173	220	-
Accumulated depreciation	(3)	-	(3)	-
	<u>221</u>	<u>173</u>	<u>217</u>	<u>-</u>
Leasehold improvements - at cost	3,173	2,554	3,156	2,554
Accumulated depreciation	(2,096)	(1,589)	(2,095)	(1,589)
	<u>1,077</u>	<u>965</u>	<u>1,061</u>	<u>965</u>
	<u>21,973</u>	<u>18,345</u>	<u>6,765</u>	<u>6,655</u>
Other				
Plant, furniture, fittings, office equipment & vehicles - at cost	51,237	38,669	40,125	33,303
Accumulated depreciation	(30,811)	(25,022)	(23,608)	(20,591)
	<u>20,426</u>	<u>13,647</u>	<u>16,517</u>	<u>12,712</u>
	<u>42,399</u>	<u>31,992</u>	<u>23,282</u>	<u>19,367</u>

	Consolidated		Bendigo Bank	
	2001	2000	2001	2000
	\$'000		\$'000	
21 PROPERTY, PLANT AND EQUIPMENT (continued)				
(b) Reconciliations				
Freehold land				
Carrying amount at beginning	5,090		1,600	
Additions	88		88	
Additions through acquisition of entities	3,701		-	
Disposals	(230)		(110)	
	<u>8,649</u>		<u>1,578</u>	
Freehold buildings - at directors' valuation				
Carrying amount at beginning	12,098		4,090	
Additions	5		-	
Additions through acquisition of entities	494		-	
Disposals	(172)		(76)	
Depreciation expense	(399)		(105)	
	<u>12,026</u>		<u>3,909</u>	
Freehold buildings - at cost				
Carrying amount at beginning	-		-	
Additions	224		220	
Additions through acquisition of entities	-		-	
Depreciation expense	(3)		(3)	
	<u>221</u>		<u>217</u>	
Leasehold improvements - at cost				
Carrying amount at beginning	965		965	
Additions	621		604	
Additions through acquisition of entities	-		-	
Depreciation expense	(509)		(508)	
	<u>1,077</u>		<u>1,061</u>	
Plant, furniture, fittings, office equipment & vehicles				
Carrying amount at beginning	13,508		12,711	
Additions	10,496		8,983	
Additions through acquisition of entities	3,021		-	
Disposals	(368)		(148)	
Depreciation expense	(6,231)		(5,029)	
	<u>20,426</u>		<u>16,517</u>	

Comparative figures are not available for the Reconciliations note

	Consolidated		Bendigo Bank	
	2001	2000	2001	2000
	\$'000		\$'000	
22 INTANGIBLES				
Trustee licence - at cost	9,530	9,530	-	-
Accumulated amortisation	(572)	(381)	-	-
	<u>8,958</u>	<u>9,149</u>	<u>-</u>	<u>-</u>
Purchased goodwill	7,320	7,320	7,320	7,320
Accumulated amortisation	(3,328)	(2,736)	(3,328)	(2,736)
	<u>3,992</u>	<u>4,584</u>	<u>3,992</u>	<u>4,584</u>
Goodwill on consolidation	68,591	26,663	-	-
Accumulated amortisation	(5,990)	(3,111)	-	-
	<u>62,601</u>	<u>23,552</u>	<u>-</u>	<u>-</u>
	<u>75,551</u>	<u>37,285</u>	<u>3,992</u>	<u>4,584</u>

	Consolidated		Bendigo Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
23 OTHER ASSETS				
Accrued income	5,391	7,026	3,447	6,878
Reserve fund	5,000	4,000	-	-
Prepayments	18,223	10,422	11,619	9,837
Sundry debtors	31,898	11,723	25,840	8,279
	60,512	33,171	40,906	24,994
24 DEPOSITS				
Retail				
Branch network	4,756,323	2,953,813	3,654,184	2,863,491
Treasury sourced-certificates of deposit	430,011	370,692	430,011	370,692
- other	318,155	347,586	354,466	366,663
	5,504,489	3,672,091	4,438,661	3,600,846
Wholesale				
Domestic-certificates of deposit	134,695	272,218	134,695	272,218
-other	316,386	287,922	304,296	288,468
Offshore	273,602	162,438	273,602	162,438
	724,683	722,578	712,593	723,124
	6,229,172	4,394,669	5,151,254	4,323,970
Deposits by geographic location				
Victoria	3,989,069	3,410,365	3,901,808	3,337,388
New South Wales	494,945	461,602	486,680	461,602
Australian Capital Territory	14,742	10,711	14,507	10,711
Queensland	1,151,225	104,426	170,248	104,426
South Australia/Northern Territory	67,116	104,771	66,711	104,771
Western Australia	106,548	75,287	106,418	75,287
Tasmania	68,172	25,947	67,814	25,947
Off-shore/other	337,355	201,560	337,068	203,838
	6,229,172	4,394,669	5,151,254	4,323,970
Maturity analysis				
At call	2,142,918	1,384,093	1,830,537	1,377,589
Not longer than 3 months	1,992,413	1,501,054	1,538,943	1,509,980
Longer than 3 and not longer than 12 months	1,460,998	1,255,792	1,172,116	1,190,372
Longer than 1 and not longer than 5 years	632,795	238,440	609,658	230,739
Longer than 5 years	48	15,290	-	15,290
	6,229,172	4,394,669	5,151,254	4,323,970
25 PAYABLES				
Sundry creditors	13,668	11,709	9,564	11,343
Accrued expenses and outstanding claims	32,493	13,077	27,669	12,373
	46,161	24,786	37,233	23,716
26 OTHER PROVISIONS				
Employee entitlements (Note 30)	12,655	8,927	9,171	7,887
Uninsured losses	5,453	734	5,450	732
Surplus leased space	-	14	-	14
FABS integration	3,141	-	-	-
Rewards program	161	-	161	-
Unearned corpus commission	46	46	-	-
	21,456	9,721	14,782	8,633

	Consolidated		Bendigo Bank	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
27 SUBORDINATED DEBT				
Subordinated capital notes ⁽¹⁾	114,020	51,447	93,849	51,447
Unsecured subordinated perpetual convertible capital notes ⁽²⁾	21,374	26,674	21,374	26,674
	<u>135,394</u>	<u>78,121</u>	<u>115,223</u>	<u>78,121</u>
Maturity analysis				
Longer than 5 years	135,394	78,121	115,223	78,121
	<u>135,394</u>	<u>78,121</u>	<u>115,223</u>	<u>78,121</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 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.

28 CONTRIBUTED CAPITAL

Issued and paid up capital

115,161,349 Ordinary shares fully paid (2000: 83,616,824)	392,507	244,862	392,507	244,862
New capital issue expenses	-	(2,500)	-	(2,500)
	<u>392,507</u>	<u>242,362</u>	<u>392,507</u>	<u>242,362</u>

Statement of changes - Ordinary share capital

Opening balance	242,362	199,979		
<i>Shares issued under:</i>				
Bonus share scheme - 186,187 @ \$4.92; 137,224 @ \$5.79; (2000: 133,378 @ \$5.65; 138,433 @ \$4.81)	-	-		
Dividend reinvestment plan - 780,249 @ \$4.92; 610,889 @ \$5.79; (2000: 519,099 @ \$5.65; 582,758 @ \$4.81)	7,376	5,736		
Employee share plan - 1,455,000 @ \$5.61 (2000: 18,290 @ \$6.13; 9,100 @ \$5.04)	8,162	158		
Convertible notes converted - Nil; (2000: 1,984,572 @ \$3.35)	-	6,648		
Capital notes converted - 1,292,848 @ \$4.10; (2000: 938,988 @ \$4.10)	5,301	3,850		
Ordinary staff shares paid to 5 cents converted to fully paid - Nil (2000: 211,260 shares)	-	505		
Rights issue - Nil. (2000: 11,396,928 ordinary shares @ \$1.75; 10,000 @ \$3.75)	-	19,983		
Share issue - FABS acquisition - 27,993,533 @ \$4.82 (2000: VSCL acquisition - 1 million shares @ \$5.50)	134,929	5,500		
Share issue - 6,900 @ \$3.35; (2000: Nil)	23	-		
Share Buy Back scheme - 918,305 @ average price of \$6.12 (2000: Nil)	(5,622)	-		
New share issue/buy back expenses	(24)	3		
Closing balance	<u>392,507</u>	<u>242,362</u>		

	Consolidated		Bendigo Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
29 RESERVES AND RETAINED PROFITS				
General Reserve	13,425	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	2,353	2,407	984	998
Net revaluation increment (decrement)	12	(54)	-	(14)
Closing Balance	<u>2,365</u>	<u>2,353</u>	<u>984</u>	<u>984</u>
Total reserves	<u>17,014</u>	<u>16,877</u>	<u>15,508</u>	<u>15,508</u>
Retained Profits				
Opening Balance	29,118	26,179	28,189	24,301
Net profit attributable to members of Bendigo Bank Limited	<u>33,278</u>	<u>21,312</u>	<u>32,489</u>	<u>22,261</u>
Total available for appropriation	<u>62,396</u>	<u>47,491</u>	<u>60,678</u>	<u>46,562</u>
Dividends				
- Final 2000 (adjustment to provision)	3,726	132	3,726	132
- Interim 2001	12,387	7,809	12,388	7,809
- Special 2001	17,184	-	17,184	-
- Final 2001	15,697	10,432	15,697	10,432
Aggregate of amounts transferred (to)/from reserves	126	-	-	-
Retained profits at the end of the financial year	<u>13,276</u>	<u>29,118</u>	<u>11,683</u>	<u>28,189</u>

The adjustment to provision in relation to the Final 2000 dividend was due to the participation of the new shareholders in the final 2000 dividend, following the FABS acquisition in October 2000. This amount was not provided in June 2000.

30 EMPLOYEE ENTITLEMENTS

Employee entitlement liability

Provision for annual leave	5,621	3,766	4,131	3,419
Provision for other employee payments	600	-	-	-
Provision for long service leave	4,272	3,200	3,227	2,896
Provision for sick leave bonus	489	329	422	293
Provision for employee on costs	466	422	424	389
Directors' retirement allowance	1,207	1,210	967	890
Aggregate employee entitlements liability	<u>12,655</u>	<u>8,927</u>	<u>9,171</u>	<u>7,887</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.

A further issue of shares was made under the terms of the Bendigo Employee Share Ownership Plan: In January 2001; 1,455,000 ordinary shares were allotted at \$5.61 per share. These shares were paid in full and were allotted to those employees accepting the offer. The share issue resulted in an increase of \$8,162,550 in the share capital account. There were no further issues of shares up to June 30, 2001. 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	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
31 EXPENDITURE COMMITMENTS				
Outstanding expenditure and credit related commitments as at June 30, 2001. Except where specified, all commitments are payable within one year.				
Operating lease commitments				
Not later than 1 year	9,797	8,864	9,718	8,647
Later than 1 year but not later than 5 years	18,206	14,227	18,168	13,548
Later than 5 years	546	533	546	524
	<u>28,549</u>	<u>23,624</u>	<u>28,432</u>	<u>22,719</u>
Capital expenditure commitments				
Capital expenditure commitments not provided for in the accounts, payable not later than one year	1,187	506	237	467
	<u>1,187</u>	<u>506</u>	<u>237</u>	<u>467</u>
Other expenditure commitments				
Sponsorship commitments not paid as at balance date, payable not later than one year	200	293	107	243
Credit related commitments				
Gross loans approved, but not advanced to borrowers, payable not later than one year	158,983	166,052	98,950	166,052
Credit limits granted to clients for overdrafts and credit cards				
Total amount of facilities provided	928,286	517,261	836,849	510,431
Amount undrawn at balance date	418,938	236,942	394,981	236,942
Normal commercial restrictions apply as to use and withdrawal of the facilities				
32 CONTINGENT LIABILITIES				
Guarantees				
The economic entity has issued guarantees on behalf of clients	3,946	3,304	3,946	3,304
Other				
Documentary letters of credit	2,968	4,717	2,968	4,717

33 SEGMENT REPORTING

(a) Business segments

	2001 \$'000	2001 \$'000	2001 \$'000	2000 \$'000	2000 \$'000	2000 \$'000
	External	Intersegment	Total	External	Intersegment	Total
Revenue						
Interest revenue						
Banking	447,496	7,497	454,993	291,312	1,460	292,772
Trustee company	599	-	599	562	-	562
Financial services	6,270	(78)	6,192	4,888	86	4,974
Eliminations	-	(7,419)	(7,419)	-	(1,546)	(1,546)
	454,365	-	454,365	296,762	-	296,762
Other revenue						
Banking	48,459	17,081	65,540	30,349	12,197	42,546
Trustee company	11,847	1,122	12,969	12,328	978	13,306
Financial services	12,938	1,983	14,921	12,408	1,291	13,699
Eliminations	-	(20,186)	(20,186)	-	(14,466)	(14,466)
	73,244	-	73,244	55,085	-	55,085
Share of net profit of equity accounted investments						
Banking	7,366	-	7,366	7,846	-	7,846
Trustee company	-	-	-	-	-	-
Financial services	327	-	327	(282)	-	(282)
Eliminations	-	-	-	-	-	-
	7,693	-	7,693	7,564	-	7,564
Total segment revenue						
Banking	503,321	24,578	527,899	329,507	13,657	343,164
Trustee company	12,446	1,122	13,568	12,890	978	13,868
Financial services	19,535	1,905	21,440	17,014	1,377	18,391
Eliminations	-	(27,605)	(27,605)	-	(16,012)	(16,012)
Total consolidated revenue	535,302	-	535,302	359,411	-	359,411
Results						
Segment result						
Banking			57,926			38,414
Trustee company			3,366			6,028
Financial services			5,716			2,457
Eliminations			(12,006)			(9,545)
Consolidated entity profit from ordinary activities before income tax expense			55,002			37,354
Income tax expense			(21,724)			(16,042)
Consolidated entity profit from ordinary activities after income tax expense			33,278			21,312
Assets						
Segment assets						
Banking			7,080,694			4,780,882
Trustee company			22,706			24,168
Financial services			240,835			193,671
Eliminations			(362,718)			(85,304)
Total assets			6,981,517			4,913,417
Liabilities						
Segment liabilities						
Banking			6,673,155			4,576,396
Trustee company			6,135			7,782
Financial services			70,933			72,919
Eliminations			(191,503)			(32,037)
Total liabilities			6,558,720			4,625,060

33 SEGMENT REPORTING (continued)

(a) Business segments

Other segment information:

Equity method investments included in segment assets

Banking

Trustee company

Financial services

Eliminations

Acquisition of property, plant and equipment,
intangible assets and other non-current assets

Banking

Trustee company

Financial services

Eliminations

Depreciation

Banking

Trustee company

Financial services

Eliminations

Amortisation

Banking

Trustee company

Financial services

Eliminations

Non-cash expenses other than depreciation and amortisation

Banking

Trustee company

Financial services

Eliminations

	2001 \$'000	2000 \$'000
	Total	Total
Equity method investments included in segment assets		
Banking	60,660	51,622
Trustee company	-	-
Financial services	592	-
Eliminations	-	-
	61,252	51,622
Acquisition of property, plant and equipment, intangible assets and other non-current assets		
Banking	17,101	19,279
Trustee company	66	100
Financial services	215	57
Eliminations	-	-
	17,382	19,436
Depreciation		
Banking	6,047	3,865
Trustee company	139	186
Financial services	444	424
Eliminations	(39)	-
	6,591	4,475
Amortisation		
Banking	1,720	1,686
Trustee company	308	308
Financial services	134	134
Eliminations	1,500	-
	3,662	2,128
Non-cash expenses other than depreciation and amortisation		
Banking	8,403	6,798
Trustee company	-	-
Financial services	87	1
Eliminations	(137)	(541)
	8,353	6,258

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.

34 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.

35 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	K E Roache
W R Beischer	T J O'Dwyer
J L Dawson	
N J Axelby	

Remuneration of directors

Directors' remuneration is disclosed in Note 8.

Loans to directors and director-related entities

Australian Banks and their controlled entities have been exempted under ASIC Class Order (98/110) from providing details of certain loans and financial instrument transactions made by the bank to related parties (other than directors of the company) in the ordinary course of business and either on an arm's length basis or with the approval of the shareholders of the relevant entity and its ultimate parent entity. The exemption does not apply if such loans or transactions would, if not disclosed, have the potential to adversely affect the decisions made by users of the financial statements about the allocation of scarce resources. The Class Order requires that a statutory declaration, signed by two directors, confirm the existence of internal controls and procedures which would ensure or provide a reasonable degree of assurance that a material financial instrument transaction requiring disclosure, would be drawn to the attention of directors so that it may be disclosed in the financial statements. This declaration, as specified, will accompany the financial reports for the year ended June 30, 2001, for lodgement with the Australian Securities and Investments Commission.

Loans outstanding, guaranteed or secured by entities in the economic entity to the following directors are under normal terms and conditions, except Mr R G Hunt whose loans are under normal terms and conditions applicable to staff.

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

	Consolidated		Bendigo Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Loans to directors of the Bank and their director-related entities comprise:				
Amounts outstanding as at the end of the financial year				
Secured	13,363	12,717	12,828	12,139
Unsecured	90	6	90	6
	<u>13,453</u>	<u>12,723</u>	<u>12,918</u>	<u>12,145</u>
Repayments received during the year	1,437	960	1,393	945
Loans made during the year				
Normal terms and conditions	790	200	790	200
Employee terms and conditions	-	-	-	-

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:

	2001 No. '000	2000 No. '000
Bendigo Bank Ltd.		
ordinary shares	1,297	1,140
employee shares (paid in full)	140	140
capital notes	22	37

During the course of the year, directors and their related entities acquired 155,996 ordinary shares in Bendigo Bank Ltd. The majority of shares purchased were under the Dividend Reinvestment Plan, Bonus Share Scheme and in connection with the First Australian Building Society merger. All transactions during the course of the year were made under normal commercial terms and conditions.

35 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, \$4,950 (2000: \$5,250).

R N Johanson is a director in the firm of Grant Samuel Corporate Finance Pty Ltd. which provided consulting services to Bendigo Bank Ltd. based on normal commercial terms and conditions. Amount paid or payable during the year, \$555,592 (2000: \$187,080).

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 the Cassa Division. The amount paid or payable for the year to Mr Henderson totalled \$5,023 (2000: \$40,000) and to Mr Beischer totalled \$5,023 (2000: \$30,000)

During the year, a related entity of J L Dawson provided freight services to Bendigo Bank Ltd., on normal terms and conditions. Amount paid or payable during the year totalled \$103,140 (2000: \$13,432).

Transactions with other related parties

<u>Associated Entities</u>	Consolidated		Bendigo Bank	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Commission Revenue Received	220	98	220	98
Administration and Service fees received	3,609	1,697	3,609	1,697
Commission and Fee Expense Paid	591	-	591	-

The above transactions were conducted on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with the associated entities at arm's length in the same circumstances.

Bendigo Bank Ltd has provided a loan to an associated company, totalling \$1,571,000 as at balance date, arising from the payment of administration costs on behalf of the associated company. The loan has no fixed repayment date.

During the financial year the Bank entered into transactions involving the purchase and sale of loan receivables, pursuant to receivables purchase agreements, executed between the Bank, its associated entity Elders Rural Bank and Elders Australia Ltd. The transactions were conducted on terms and conditions no more favourable than if the Bank and the related party were dealing at arms-length. These transactions also satisfied the Australian Prudential Regulation Authority's "clean-sale" requirements prescribed by Prudential Standard AGN 120.

Ultimate Parent Entity

Bendigo Bank Limited is the ultimate parent entity.

36 RISK MANAGEMENT

The recognition and management of risk is a critical function of the bank and an essential element of the bank's strategy. Risks are inherent in a bank's day to day operations with the success of a bank being reliant upon its ability to manage risk.

The bank has a structured risk management framework linking its business strategies and operations to its risk management objectives.

The Board is ultimately responsible for the management of risks associated with the Group's activities. They are supported by an integrated framework of committee structures, policies and controls to manage risk. The Board Risk, Board Credit and Board Audit committees, the Executive Committee and Asset Liability Management Committee are part of this support system governed by formal charters, and have delegated authority to determined risk management strategies taking into account the Group's risk tolerance, business strategies and management expertise.

The bank's risk strategy is underpinned by an integrated framework of responsibilities and functions driven from Board level down to operational levels, covering all aspects of risk, most notably interest rate risk, credit risk, liquidity risk, currency risk and operational risk.

Interest Rate Risk

Interest rate risk is the risk of loss of earnings to the bank due to adverse movements in interest rates. As part of the bank's activities we strive to meet customers demands for products with various interest rate structures and maturities. This arises in mismatches in the repricing dates, cash flows and other characteristics of assets and liabilities which become sensitive to interest rate movements.

Interest rate risk is managed through the bank's Balance Sheet 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 adverse changes in interest rates. Managing interest rate risk may involve specific actions to vary the physical term or structure of the various portfolios, or the use of derivative financial instruments, including rate swaps, futures and options.

Monitoring of adherence to policies, limits and procedures is done through the Asset Liability Management Committee and the Board Risk Committee.

Credit Risk

Credit risk is the potential risk that the bank will suffer a financial loss due to the unwillingness or inability of a counterparty to meet their contractual obligations.

The bank's Group Credit Bureau and Board Credit Committee are responsible for monitoring adherence to credit policies, practices and procedures within the bank. The principal board has established levels of delegated lending authority to minimise the risk of default by any one counterparty or any group of related counterparties.

A 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 statement of financial position.

The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

Liquidity Risk

Liquidity risk is the inability to access funds, both anticipated and unforeseen, which may lead to the bank being unable to meet its obligations in an orderly manner as they arise or foregoing investment opportunities.

Treasury is responsible for implementing liquidity risk management strategies in accordance with approved policies and adherence is monitored by the Asset Liability Management Committee and Board Risk Committee.

This includes maintaining prudent levels of liquid reserves and a diverse range of funding options to meet daily, short-term and long-term liquidity requirements.

Currency Risk

Currency risk is the risk of loss of earnings to the bank due to adverse movements in exchange rates.

Currency risk of the bank arises from foreign currency wholesale funding activities and customer related foreign exchange transactions.

It is the policy of the bank to hedge foreign currency wholesale funding and to manage its exposure in relation to customer related foreign exchange transactions within approved limits and policy requirements. Treasury is responsible for managing currency risk under the supervision of the Asset Liability Management Committee and Board Risk Committee.

Operational Risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events that are not already covered by other regulatory capital charges (ie credit, market and banking book interest rate risks). Operational risk represents potential losses which the bank may incur as a result of operational failure or errors such as mismanagement, fraud or unauthorised use of systems techniques or financial products.

The Board Risk Committee and Executive Committee are responsible for overseeing the policies and processes implemented across the group to manage operational risks. The group's operational risk unit's role is to assist and support the Executive Committee to develop, implement and monitor the group's operational risk management framework.

37 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are principally entered into for the purpose of managing interest rate and foreign exchange risk. This may include hedging exposures arising from anticipated future transactions. Derivative financial instruments may be entered into for trading purposes in limited circumstances. Contracts entered into for this purpose are clearly identified as such and reported separately from transactions entered into for hedging purposes.

As at the end of the year the derivative financial instruments existing were interest rate swaps, cross currency swaps, interest rate options and foreign exchange contracts. The notional amounts of derivatives represent the contract or face values of these derivatives. The notional amounts do not represent the amounts exchanged by the parties (except in the case of foreign currency transactions). The amounts to be exchanged will be calculated with reference to the notional amounts and the other terms of the derivatives, which relate to interest rates, exchange rates or other financial indices.

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

The remaining terms and notional principal amounts of the economic entity's outstanding interest rate, foreign exchange contracts and currency swaps at June 30 were:	2001	2000
	\$'000	\$'000
not later than one year	1,752,473	321,502
later than one year but not later than five years	991,459	361,128
	<u>2,743,932</u>	<u>682,630</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	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Interest rate swaps	2,031,759	503,812	9,656	4,520	4,698	2,714
Options/Floors	430,000	-	25	-	25	-
Cross currency swaps	273,394	160,701	2,734	1,607	(87)	(5,832)
Foreign exchange contracts	8,779	18,117	87	181	(179)	1,180
	<u>2,743,932</u>	<u>682,630</u>	<u>12,502</u>	<u>6,308</u>	<u>4,457</u>	<u>(1,938)</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.

38 FINANCIAL INSTRUMENTS

a. Terms, conditions and accounting policies

The economic entity's accounting policies, including terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
<i>Financial assets</i>			
Notes, coin and cash at bank	13	Notes, coin and cash at bank are stated at cost and any interest is taken up as income on an accrual basis	These items are cash or are readily convertible to cash.
Due from other financial institutions	13	Amounts due from other financial institutions are stated at cost.	These amounts relate to inter-bank settlement processes and are generally paid within 2 working days. No interest accrues to these amounts.
Bank accepted bills of exchange	14	Bank accepted bills of exchange are stated at cost adjusted for accrued interest and premium or discount amortisation. Premiums and discounts are amortised from the date of purchase so that the securities will be recorded at face value on maturity and the appropriately proportioned premiums and discounts are allowed for each month in the profit and loss account	Bills of exchange and promissory notes have an average maturity of 25 days with effective interest rates of 4.82% to 5.09%.
Negotiable certificates of deposit	14	Negotiable certificates of deposit are stated at cost adjusted for accrued interest and premium or discount amortisation. Premiums and discounts are amortised from the date of purchase so that the securities will be recorded at face value on maturity and the appropriately proportioned premiums and discounts are allowed for each month in the profit and loss.	Negotiable certificates of deposit have an average maturity of 44 days with effective interest rates of 4.79% to 5.60%.
Government securities	14	Government securities are stated at cost adjusted for accrued interest and premium or discount amortisation. Premiums and discounts are amortised from the date of purchase so that the securities will be recorded at face value on maturity and the appropriately proportioned premiums and discounts are allowed for each month in the profit and loss.	Government securities have an average maturity of 133 days with effective interest rates of 4.92% to 7.02%.
Investment Securities	14	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 360 days with effective interest rates of 4.78% to 6.51%.
Overdrafts	15	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 6.90% without risk margin to 9.20% with risk margin and interest is charged on a monthly basis. Casual overdrafts incur an additional 6.00% overlimit rate.

38 FINANCIAL INSTRUMENTS (continued)

a. Terms, conditions and accounting policies (continued)

Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
<i>Financial assets</i>			
Credit cards	15	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 9.40% to 15.90%.
Term loans	15	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 basis with effective interest rates ranging from the bank's cost of funds to 8.25% 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 13.95%.
Lease receivables	15	Lease receivables are stated at cost. Interest is recognised on an interest earned basis.	As at balance date, the economic entity has finance leases with terms of 1 to 5 years. The average earning rate implicit in the leases is 7.93%. All leases are secured by the asset that is subject of the lease.
Other	15	Other loans are stated at cost. Interest is recognised on an accrual basis.	These loans are generally short-term and are normally settled within 30 days.
Accrued interest	15	Accrued interest is stated at cost. Interest is accrued on a daily basis.	Accrued interest on loans is normally charged to the loan accounts in the month following accrual.
Other Share investments	18	Listed and unlisted shares are carried at deemed cost. Dividend income is recognised when dividends are declared by the investee.	All shares held are ordinary shares attracting dividends as declared by the investee company.
Units in trusts	18	Units in trusts are carried at deemed cost. Dividend income is recognised when dividends are declared by the investee.	All units held attract dividends as declared by the investee trust.
Accrued income	23	Accrued income is stated at cost. Income is accrued as earned.	Accrued income is normally received or charged to customer accounts in the month following accrual.
Reserve fund	23	The Reserve fund comprises at call investments which are carried at cost. 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 5.88%.
Sundry debtors	23	Sundry debtors are carried at cost.	These loans are generally short-term and are normally settled within 30 days.

38 FINANCIAL INSTRUMENTS (continued)

a. Terms, conditions and accounting policies (continued)

Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
<i>Financial liabilities</i>			
Due to other financial institutions	13	Amounts due to other financial institutions are stated at cost.	These amounts relate to inter-bank settlement processes and are generally paid within 2 working days. No interest accrues to these amounts.
Deposits-retail Branch network	24	Retail deposits - branch network are carried at the principal amount plus accrued interest. Interest is charged to 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. Carded interest rates range from 0% to 4.70%.
Deposits-retail Treasury sourced- Certificates of deposit	24	Certificates of deposit are stated at cost adjusted for discount amortisation. Discounts are amortised from the date of issue so that the securities will be recorded at face value on maturity and the appropriately proportioned discounts are allowed for each month in the profit and loss.	Certificates of deposit have an average maturity of 47 days with effective interest rates of 4.50% to 7.04%.
Deposits-retail Treasury sourced- Other	24	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 279 days. 11am call monies are available at call. The interest rate of these deposits is 4.19% to 7.59%
Deposits-wholesale Domestic- Certificates of deposit	24	Certificates of deposit are stated at cost adjusted for discount amortisation. Discounts are amortised from the date of issue so that the securities will be recorded at face value on maturity and the appropriately proportioned discounts are allowed for each month in the profit and loss.	Certificates of deposit have an average maturity of 48 days with effective interest rates of 4.93% to 6.97%.
Deposits-wholesale Domestic- Other	24	Wholesale domestic-other deposits include term deposits, floating rate notes, bills payable and 11am call deposits and are stated at the principal amount plus accrued interest. Interest is charged to the profit and loss on an accrual basis.	Wholesale domestic-other deposits for fixed terms have an average maturity of 339 days. 11am call monies are available at call. The interest rate of these deposits is 5.00% to 7.59%
Deposits-wholesale Offshore	24	Wholesale offshore deposits comprise a Euro medium term note program, which is stated at the AUD value inherent in relevant cross currency swaps, adjusted for accrued interest. Interest is charged to the profit and loss on an accrual basis.	At balance date, the principal of borrowings under this program was AUD 273.4 million, taking account of the conversion inherent in the cross currency swaps. The interest rate is BBSW +.507% and rates are reset on a quarterly basis. The notes on issue mature June 11, 2001, September 27, 2002 and June 8, 2004.

38 FINANCIAL INSTRUMENTS (continued)

a. Terms, conditions and accounting policies (continued)

Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
Financial liabilities			
Subordinated capital notes	27	Subordinated capital notes are carried at issue price, which represents the principal amount. Interest is charged as an expense on an accrual basis.	Subordinated capital notes have an average maturity of 7.6 years with effective interest rates of 6.03% to 8.39%.
Unsecured subordinated perpetual convertible capital notes	27	Perpetual convertible notes are carried at issue price, which represents the principal amount. Interest is charged as an expense on an accrual basis.	Perpetual convertible notes were issued in October, 1997. The notes are tradeable on the Australian Stock Exchange and are convertible to fully paid shares. All notes attract interest at a rate of 8.0%.
Sundry creditors	25	Liabilities are recognised for amounts to be paid in the future for goods and services received.	Trade creditors are normally settled on 30 day terms, or in accordance with agreement with individual creditors.
Accrued expenses and outstanding claims	25	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity.	Trade creditors are normally settled on 30 day terms, or in accordance with agreement with individual creditors, once billed.
Provision for Dividend	10	Dividends payable are recognised when declared by the company.	Dividends payable represent a final dividend of 14.5 cents per ordinary share for the financial year ended June 30, 2001. The extent to which the dividend is franked, details of the franking account balance at balance date and franking credits available for the subsequent financial year are disclosed in Note 10.
Equity			
Ordinary shares	28	Ordinary share capital is recognised at the fair value of the consideration received by company.	Details of shares issued are set out in Note 28.
Unrecognised Financial Instruments			
Derivatives			
Interest rate swaps	37	Interest rate swaps are used to convert variable interest rates to fixed interest rates, or vice versa. The swaps are entered into with the objective of reducing the risk of interest rate fluctuations relating to the statement of financial position. It is the company's policy not to recognise interest rate swaps in the financial statements. Net receipts and payments are recognised on an accrual basis as an adjustment to interest income.	At balance date, the economic entity had a number of interest rate swap agreements in place for varying maturity dates, generally on 90 day repricing arrangements. Details of swaps in place are disclosed in Note 37.

38 FINANCIAL INSTRUMENTS (continued)

a. Terms, conditions and accounting policies (continued)

Unrecognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
Options	37	Options are utilised in the management of balance sheet risk. The options are entered into with the objective of reducing the impact of interest rate fluctuations. It is the company's policy not to recognise options in the financial statements. Any net receipts or payments are recognised on an accrual basis as an adjustment to interest income. Premiums are amortised over the term of the instrument.	At balance date the economic entity had floor contracts in place totalling \$430 million, with a maturity date of 2 April, 2002.
Derivatives			
Cross currency swaps	37	Cross currency swaps are used to convert funding sourced in foreign currencies to Australian dollars, which removes the exposure to foreign exchange risk. Additionally, these swaps also convert the benchmark rates for funding costs from the foreign country benchmark to the Australian benchmark, being BBSW.	At balance date, the economic entity had entered into cross currency swap agreements to hedge the US\$150 million issue under the Euro medium term note program which matures on September 27, 2002 and June 8, 2004; generally on 90 day repricing arrangements. Details of swaps in place are disclosed in Note 37.
Foreign exchange contracts	37	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 37.
Futures contracts	37	Occasionally, Bond and Bill futures are used to hedge interest rate exposures on various securities. Initial margins, mark-to-market adjustments and realised profits are recognised on an accrual basis.	At balance date, the economic entity had no futures contracts.

38 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 statement of financial position		Weighted avg effective interest rate	
			1 year or less		Over 1 year to 5 years		More than 5 years							
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 %	2000 %
Financial Assets														
Notes, coin and cash at bank	187,727	91,251									187,727	91,251	0.00	0.00
Due from other financial institutions									141,677	119,501	141,677	119,501	N/A	N/A
Bank accepted bills of exchange			143,688	80,858							143,688	80,858	4.99	6.17
Negotiable certificates of deposit			221,319	203,543							221,319	203,543	5.07	6.40
Government securities			124,794	86,104	11,096	33,715					135,890	119,819	5.09	5.96
Deposits - banks & other	8,512	12,022	257,510	50,394	29,352	124,471					295,374	186,887	4.83	6.59
Overdrafts	466,910	252,114									466,910	252,114	7.47	8.74
Credit cards	42,438	28,205									42,438	28,205	10.23	14.22
Term loans	2,824,287	2,230,587	1,020,607	903,926	874,502	355,332	99,094	73,206			4,818,490	3,563,051	7.37	7.82
Leases			39,520	5,561	107,597	95,913	11,844	25,909			158,961	127,383	8.06	7.86
Other loans	104,937		2,030		19,645				13,353		139,965	0	6.72	N/A
Accrued interest									21,127	19,158	21,127	19,158	N/A	N/A
Other Share investments									5,491	3,415	5,491	3,415	N/A	N/A
Units in trusts									117	117	117	117	N/A	N/A
Accrued income									5,391	7,026	5,391	7,026	N/A	N/A
Reserve fund	5,000	4,000									5,000	4,000	5.88	6.10
Sundry debtors									31,898	11,723	31,898	11,723	N/A	N/A
Total Financial Assets	3,639,811	2,618,179	1,809,468	1,330,386	1,042,192	609,431	110,938	99,115	219,054	160,940	6,821,463	4,818,051	-	-

38 FINANCIAL INSTRUMENTS (continued)

b. Interest rate risk (continued)

Financial Instruments	Floating Interest Rate		Fixed interest rate maturing in:						Non-interest bearing		Total carrying amnt as per statement of financial position		Weighted avg effective interest rate		
			1 year or less		Over 1 year to 5 years		More than 5 years								
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 %	2000 %	
Financial liabilities															
Due to other financial institutions										106,210	95,472	106,210	95,472	N/A	N/A
Deposits-retail															
Branch network	2,108,284	1,351,118	2,590,546	1,561,669	56,786	39,636	707	1,390				4,756,323	2,953,813	3.87	4.24
Deposits-retail Treasury sourced-Certificates of deposit			429,502	370,692	509							430,011	370,692	5.05	6.25
Deposits-retail Treasury sourced-Other	27,919	29,322	230,246	236,758	58,582	76,257	1,408	5,249				318,155	347,586	5.62	6.24
Deposits-wholesale Domestic-Certificates of deposit			134,695	272,218								134,695	272,218	5.09	6.39
Deposits-wholesale Domestic-Other	358	64,110	304,883	206,116	11,145	17,696						316,386	287,922	5.50	6.54
Deposits-wholesale Offshore			273,602	162,438								273,602	162,438	5.47	6.79
Subordinated capital notes			97,704	51,447				16,316				114,020	51,447	6.47	7.37
Unsecured subordinated perpetual convertible capital notes								21,374	26,674			21,374	26,674	8.00	8.00
Sundry creditors										13,668	11,709	13,668	11,709	N/A	N/A
Accrued expenses and outstanding claims										32,493	13,077	32,493	13,077	N/A	N/A
Provision for Dividend										15,742	10,457	15,742	10,457	N/A	N/A
Total Financial Liabilities	2,136,561	1,444,550	4,061,178	2,861,338	127,022	133,589	39,805	33,313	168,113	130,715	6,532,679	4,603,505	-	-	
Equity															
Contributed Capital										392,507	242,362	392,507	242,362	N/A	N/A
Derivatives															
Interest rate swaps			740,503	225,532	(748,107)	(235,600)	7,604	10,068			0	0	N/A	N/A	
Cross Currency Swaps			273,394	160,701							273,394	160,701	N/A	N/A	
Options			430,000								430,000	0	N/A	N/A	
Foreign exchange contracts			8,779	18,117							8,779	18,117	N/A	N/A	
Total Derivatives	-	-	1,452,676	404,350	(748,107)	(235,600)	7,604	10,068	0	0	712,173	178,818	-	-	

39 NET FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosed below is the estimated net fair value of the economic entity's financial instruments presented in accordance with the requirements of AASB 1033 "Presentation and Disclosure of Financial Instruments".

A financial instrument is defined by AASB 1033 as any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. A financial liability is a contractual obligation either to deliver cash or another financial asset to another entity, or, to exchange financial instruments with another entity under conditions that are potentially unfavourable.

Although management has employed its best judgement in the estimation of fair values, there is inevitably an element of subjectivity involved in the calculations. This is particularly so in the case of those financial instruments which are non-performing or which, like the majority of the economic entity's financial assets and liabilities, have a thin or non-existent market. Similarly, the fair values ascribed take no account of intangible, franchise and relationship benefits which are integral to a full assessment of the economic entity's financial position and the value of its net assets. Therefore, the fair value estimates presented below are not necessarily indicative of the amount the economic entity could have realised in a sales transaction at balance date.

Methodologies

The methodologies and assumptions used depend on the terms and risk characteristics of the various instruments and include the following:

On-balance sheet

Cash and short-term liquid assets, due to and from other financial institutions

The carrying values of certain on-balance sheet financial instruments approximate fair values. These include cash and short-term liquid assets, due to and from other financial institutions and accrued interest receivable or payable. These instruments are short-term in nature and the related amounts approximate fair value and are receivable or payable on demand.

Investment and trading securities

The fair values of trading and investment negotiable securities, which include bills of exchange, negotiable certificates of deposit, government securities and bank and other deposits, are based on quoted market prices at balance date.

Loans and other receivables

The carrying value of loans and other receivables is net of general and specific provisions for doubtful debts.

For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of fair value. The net fair value for fixed loans was calculated by utilizing discounted cash flow models (ie the net present value of the portfolio future principal and interest cash flows), based on the maturity of the loans. The discount rates applied were based on the current benchmark rate offered for the average remaining term of the portfolio plus an add-on of the average credit margin of the existing portfolio, where appropriate.

The net fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

Other Share Investments

The consolidated entity has adopted Accounting Standards AASB 1041 "Revaluation of Non-Current Assets" and AASB 1010 "Recoverable Amount of Non-Current Assets". Under the transitional provisions of these standards, the directors have elected to carry the value of listed and unlisted shares at their deemed cost, being the carrying value of these assets at the beginning of the period. The value of share investments is therefore recorded at cost.

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 37.

39 NET FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Summary

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

	Carrying value		Net fair value	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and liquid assets	187,727	91,251	187,727	91,251
Due from other financial institutions	141,677	119,501	141,677	119,501
Investment securities	796,271	591,107	796,271	591,107
Loans and other receivables	5,592,146	3,939,894	5,512,697	3,997,672
Shares-other	66,860	55,154	66,860	55,154
Other investments	143	2,499	143	2,499
Other assets	74,058	44,734	74,058	44,734
Financial Liabilities				
Deposits	6,229,172	4,394,669	6,137,699	4,377,007
Due to other financial institutions	106,210	95,472	106,210	95,472
Subordinated debt	135,394	78,121	144,464	82,350
Payables	46,161	24,786	46,161	24,786

40 FIDUCIARY ACTIVITIES

The economic entity conducts investment management and other fiduciary activities as trustee, custodian or manager for a number of funds and trusts, including superannuation and approved deposit funds, unit trusts and mortgage pools. The amounts of the funds concerned, which are not included in the economic entity's statement of financial position are as follows:

	2001	2000
	\$'000	\$'000
Funds under trusteeship	1,459,197	921,960
Funds under management	1,129,709	765,339

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.

41 EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years.

Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2001 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 2001

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, 2001 included on Bendigo Bank Limited and Controlled Entities web site. The company's directors are responsible for the integrity of the Bendigo Bank Limited and Controlled Entities web site. 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, 2001 as set out on pages 9 to 53, 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 Act 2001 including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at June 30, 2001 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 2001

Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW)

Additional Information

1 MATERIAL DIFFERENCES

There are no material differences between the information supplied in this report and the information in the preliminary final report supplied by Bendigo Bank Ltd. to the Australian Stock Exchange on August 6, 2001.

2 AUDIT COMMITTEE

As at the date of the directors' report the economic entity had an audit committee of the Board of Directors.

3 CORPORATE GOVERNANCE PRACTICES

The corporate governance practices adopted by Bendigo Bank Ltd. are detailed in the Corporate section of the group's Concise Annual Report for 2001.

4 SUBSTANTIAL SHAREHOLDERS

As at August 14, 2001 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 14, 2001 in the following categories:

	Fully paid Ordinary Shares	Fully Paid Employee Shares	Capital Notes
1 - 1,000	19,660	835	1,471
1,001 - 5,000	15,035	581	568
5,001 - 10,000	2,418	70	80
10,001 - 100,000	1,379	31	54
100,001 and over	60	1	5
Number of Holders	38,552	1,518	2,178
Securities on Issue	111,196,548	2,964,801	5,213,055

6 MARKETABLE PARCEL

Based on the closing price of \$6.69 on 13 August 2001, the number of holders with less than a marketable parcel of the Company's main class of securities (Ordinary Shares), as at 14 August 2001, was 1,742.

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 SHARE BUY-BACK

Bendigo Bank Ltd. operated an on-market buy-back which was cancelled by the Board on 27 August 2001. An Appendix 3F was lodged with the Australian Stock Exchange on 28 August 2001.

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 14 August, 2001 are:

Rank	Name	Number of Ordinary Fully Paid Shares	Percentage held of Issued Ordinary Capital
1	Elders Australia Limited	4,251,149	3.82%
2	Milton Group	2,597,803	2.34%
3	I O O F Ltd	2,556,566	2.30%
4	Leesville Equity Pty. Ltd.	1,340,027	1.21%
5	Futuris Investments Pty Ltd	710,834	0.64%
6	Choiseul Investments Limited	565,145	0.51%
7	National Nominees Limited	562,953	0.51%
8	Westpac Custodian Nominees Limited	528,135	0.47%
9	Tower Trust (NSW) Limited	504,008	0.45%
10	Chase Manhattan Nominees Limited	451,714	0.41%
11	Australian Foundation Investment Company Ltd	308,695	0.28%
12	Argo Investments Limited	295,747	0.27%
13	Mansbridge I.G	257,127	0.23%
14	Tower Trust Limited	231,649	0.21%
15	Queensland Investment Corporation	222,768	0.20%
16	Stoddarts (1985) Pty. Ltd	211,339	0.19%
17	Commonwealth Custodial Services Limited	198,258	0.18%
18	Tobin M.A.L. Dec'd	195,614	0.18%
19	Guy M	191,829	0.17%
20	Acacia Properties Pty. Ltd.	191,360	0.17%
		16,372,720	14.74%

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.

The holding of 8% 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