

Branching out.



Reflecting on our first five years as a bank:
a period of growth and diversification.

Concise Annual Report 2000



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Bendigo, Victoria, 3550
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In this report, the expressions
“the Bendigo” and “the Bank” refer to
Bendigo Bank Limited; the expression
“the Group” refers to Bendigo Bank
Limited and its controlled entities.

Customer/Shareholder inquiries

Customer Help Centre
1300 361 911 (local call)
8.30am - 5.00pm Mon. - Fri.

Bendigo Bank OnCall
1300 366 666 (local call)
8.00am - 8.00pm weekdays,
10.00am - 4.00pm weekends

24-hour Phone Bank
1300 366 666 (local call)

24-hour Internet Bank
www.bendigobank.com.au

Website: www.bendigobank.com.au

Securities Registry: 1800 646 042



Branching out.

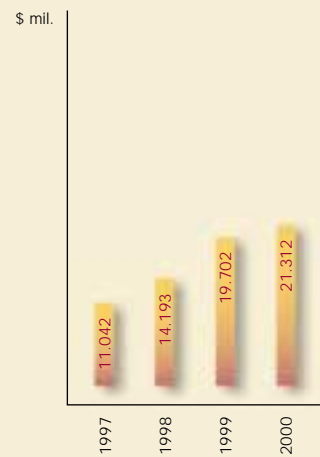
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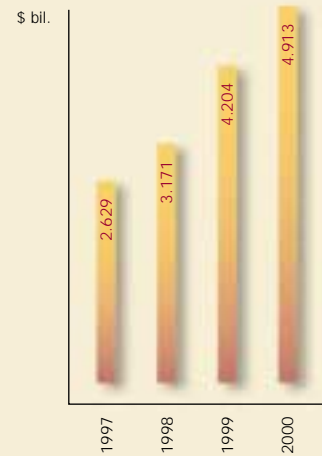
Bendigo Bank is helping
Customers achieve their goals.



Profit After Tax & Abnormals



Total Assets



Highlights

Financial

- > Profit after tax and abnormal item up by 8.2 per cent to \$21.3 million
- > Profit before tax and abnormal item up by 61.8 per cent to \$47.9 million
- > Assets increased by \$709 million, to \$4.9 billion (up by 17 per cent)
- > Lending approvals of \$1.85 billion were up by 15 per cent
- > Retail deposits grew by 22.1 per cent to \$3.7 billion (83.6 per cent of total deposits)
- > General provisions reached 0.5 per cent of risk weighted assets (\$13.8 million)
- > Shareholder dividend was increased from 23.0 cents per share to 24.0 cents. All dividends were fully franked

Service

- > Three new Bendigo Bank branches opened
- > 13 new Community Bank branches opened
- > In-house financial planning firm Bendigo Investment Services launched (joint venture with IOOF)
- > 'Pay Anyone' Internet Bank service enables third party payments
- > Sandhurst Australian Industrial Share Fund launched
- > Ethical Investment Fund launched (Australia's first ethical bank deposit)
- > Successful transition to Year 2000 confirms security of funds and records

Corporate

- > Announcement of friendly merger bid for First Australian Building Society (Queensland)
- > Tasmanian Banking Services formed (joint venture with Tasmanian Trustees)
- > Alliance formed with Pharmacy Guild of Australia to launch Guild Banking
- > Share register swells by a further 4000 Shareholders (successful merger with First Australian will add a further 9000)
- > Launch of Regional Development Fund No.1 by Sandhurst Trustees to provide capital for successful regional enterprises

Financial calendar 2000 - 2001

2000

9 October	Ex-dividend date
13 October	Final dividend record date
23 October	Annual General Meeting, 11am
31 October	Distribution of final dividend
30 November	Interest paid on 8% Capital Notes Opportunity for Noteholders to convert to ordinary shares
31 December	Half-year end

Proposed dates 2001

February	Announcement of interim results and interim dividend
12 April	Interim dividend record date
30 April	Distribution of interim dividend
31 May	Interest paid on 8% Capital Notes Opportunity to convert 8% Capital Notes to ordinary shares
August	Announcement of final results and final dividend
31 October	Distribution of final dividend



Chairman
Richard A. Guy OAM



Group Managing Director
Rob Hunt



Bendigo Bank is
a unique style of banking.

Report by Chairman and Managing Director

Bendigo Bank is going places - through geographic expansion and in terms of underlying performance.

During a period of rapid change in financial markets, our focus on the success of our customers and their communities is producing unprecedented growth and expansion opportunities. We believe this will result in excellent earnings and dividend growth for Shareholders in years to come.

Three years ago, Bendigo Bank was Victorian-based, with the Albury branch our only interstate presence. Today, we are represented in all states, by company-owned branches, our growing network of Community Bank branches and our commercial division, Cassa Commerciale Australia. We have just commenced a retail banking operation in Tasmania, and we are in the final stages of a friendly bid to merge the Queensland-based First Australian Building Society into our Group. Meanwhile, our joint venture company with Elders has secured its own banking licence. Elders Rural Bank is gradually introducing enhanced rural banking products through some 240 Elders branches across Australia and will in future equip our own branches with new farm banking products and capacities. We also announced this year an alliance with Pharmacy Guild of Australia to deliver purpose-built product for pharmacists. Over time, consideration will be given to providing retail banking services through selected pharmacies across Australia when other banking services are not available in those communities.

In three years, Bendigo has transformed itself from a regional company primarily servicing Victoria into a bank with growing national presence.

This growth and expansion is a result of our strategic focus and positioning. We are clearly different from our peers. We are Australia's only regionally-based bank. We have a firm commitment to the success of our customers and their communities which extends beyond basic banking. We are providing innovative solutions to attract and build niche markets. Our desire to build wealth for our Shareholders acknowledges the need to protect the interests of all stakeholders in our Company. And, finally, we seek to build into all our delivery channels - even electronic - the option for Customers to speak with our staff whenever they require assistance with their banking. In short, we enjoy a unique position which is fuelling growth opportunities.

At the same time, we have also been developing the capacity to service this demand. Since converting to bank status five years ago, we have been investing in the distribution networks, systems, products and skills required of a modern financial services provider. Essential products are now in place and integrated in such a way that individual, business and farm Customers can choose from the wide range available from the Bank, its subsidiary companies and joint venture activities. We now have the flexibility to deliver these products

by the means most suited to each individual community - Bendigo Bank branches, Community Bank branches, online agencies, in-store agencies, giroPost, electronically via Internet and Phone banking and, ultimately, through Elders branches or selected pharmacies.

A lot has been achieved in a short time. We have invested a lot of money, intellectual capital and energy in these developments, but now our strategy is starting to pay off in improved underlying performance.

Our cost-to-income ratio fell below 70 per cent (68.3) for the first time as Group operating income rose by 27.6 per cent to \$174.8 million. New lending approvals of \$1.85 billion were up by 15 per cent. Profit before tax and abnormal items, too, jumped dramatically, up by 61.8 per cent to \$47.9 million.

Our profit, however, was reduced by a large (\$10.5 million) abnormal item relating to provisioning for a single loan exposure in Asia. This year we have provided for the amount assessed as unrecoverable, a decision which confines the impact on profit to 1999/2000. We have inspected the Group's entire commercial portfolio and we are satisfied there are no similar exposures.



Bendigo Bank is helping Customers

Otherwise, profit performance was strong. Underlying profit growth was robust and we are satisfied further improvement is likely. The Board determined to increase the full-year dividend for the third consecutive year. The dividend of 24.0 cents per share, up from 23.0 cents last year, resulted in a higher payout ratio (86 per cent) than usual, but we believe this was justified given the prospects for continued improvement in profitability and growth across all key facets of our operation.

Excluding the abnormal charge, our earnings per share (EPS) would have increased from 30.7 cents in 1999 to 36.5 cents. We are confident that key performance indicators EPS and return on equity will grow during the current year. Criticism that our key performance indicators lag those of the major banks ignores the structural differences impacting on regionals such as Bendigo. Firstly, we are required by our regulator to carry a higher proportion of capital than the big banks, an obvious impediment to EPS growth since we have extra capital to service. Secondly, our regulatory costs are disproportionately higher. Whereas we expect to pay more than \$500,000 to the regulator, banks with vastly bigger balance sheets are capped at one million dollars. And thirdly, major banks, because of their size and resultant higher credit ratings, access wholesale funding at significantly cheaper rates than we

can. These issues do impact on performance ratios, profitability and, ultimately, Shareholder value.

We have consistently grown faster than both the Australian economy and the banking system and we believe this "above system" growth will continue as long as we remain focused on adding value for Customers and their communities. Our Tasmanian and Queensland ventures, in particular, have been well-received by community and business leaders and we see no shortage of opportunities for new Community Banks.

We also continue to build our "core" bank presence through the opening of new Bendigo Bank branches and the relocation and/or refurbishment of existing branches to cater for additional growth.

By the end of calendar year 2000, assuming the First Australian merger proceeds, our branches - including Community Banks - will number about 160, a far cry from the 74 we operated on day one as a bank in July 1995. And that network will stretch from Perth in the west to East Gosford and Bairnsdale in the east, and from Port Douglas in northern Queensland to Hobart in Tasmania. It will encompass communities such as Goomalling (WA), Virginia (SA), Innisfail (Qld) and Coleambally (NSW), whose residents would likely not have heard of Bendigo Bank two years ago.

Through these branches, Customers will be able to access a comprehensive list of financial services. More to the point, though, the services we provide will enable our Customers to build their homes, to educate their children, save for their retirement, buy a car, fund a new business, send money overseas or maybe just pay for a restaurant meal with a Visa card. In other words, this year we will help more than 500,000 Australians to realise an ambition, however simple or grand. Successful Customers create a successful bank.

And every time those Customers come in touch with Bendigo Bank we aim to leave them with an impression not only of how well we performed a technical function, but of whether or not we acted in their best interest. Our challenge is to get the motive right each time and to ensure we are equipping our Customers and their communities with the means to succeed and prosper. If we can do this well, and maintain the position of trust and respect we enjoy today, then our future, too, will be secure.

to do the things that matter.

Acknowledgements

Mr E. Brian Thomas retired from the Bank's principal Board following the 1999 Annual General Meeting. At that meeting, Shareholders ratified a 12-month extension of his tenure as Chairman of Sandhurst Trustees. This term ends this September, closing a 22-year association with the Bendigo, including 17 as a Director.

Mr Thomas joined the Bendigo as general manager in 1978 upon our first-ever acquisition, of Bendigo and Eaglehawk Star Building Society. His arrival sparked an unprecedented period of growth which continues unabated today. His contribution as a director was equally valuable and we wish him a happy retirement.

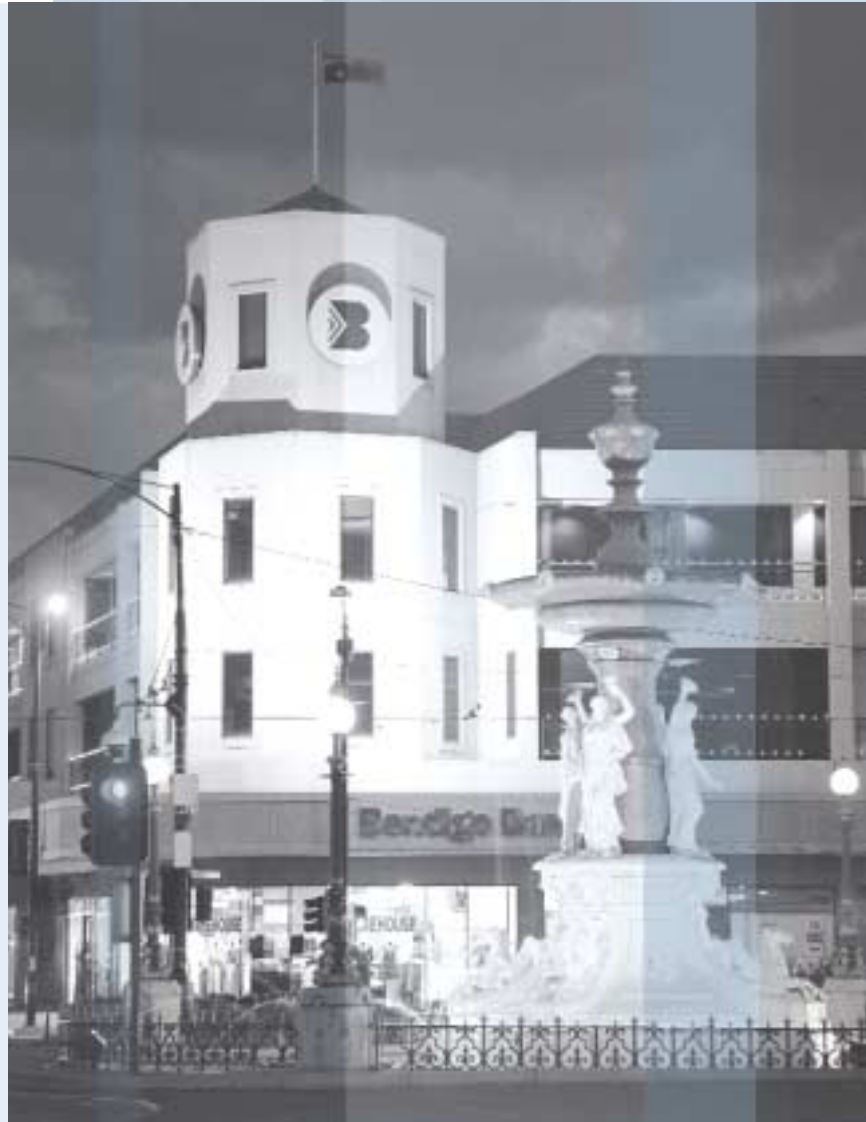
Finally, we acknowledge with gratitude the work of the people throughout our organisation who achieved so much in the past year by contributing to our strong performance, expanding our network and positioning us to deliver our unique Bendigo style of banking.



Richard A. Guy OAM
Chairman



Rob Hunt
Group Managing Director





Performance review

Profit and dividend

Rapidly growing revenues boosted Bendigo Bank's profit after tax and abnormals by 8.2 per cent to \$21.3 million.

This result was achieved after providing \$10.5 million against a one-off credit exposure to Asia. Profit before tax and the abnormal item jumped by 61.8 per cent, to \$47.9 million.

The abnormal item resulted in a reduction in earnings per share, from 32.6 cents last year to 27.5 cents. Shareholders will receive a one-cent increase in the full-year dividend, to 24.0 cents per share, fully franked.

Our profit performance was built on rapidly growing revenues (up by 27.6 per cent) as we began to see the results of our investments in distribution, systems and skills in recent years.

Lending and deposits

Performances in lending and deposit-raising were strong, given the highly competitive market. New loan approvals increased by 15 per cent, to \$1.85 billion, while a strong performance from our company-owned and Community Bank branches underpinned a 22.1 per cent increase in retail deposits, to \$3.7 billion.

Total Customer deposits and funds under management increased by \$621 million, or 14 per cent, to \$5.1 billion. This figure includes Sandhurst Trustees common funds of \$658 million.

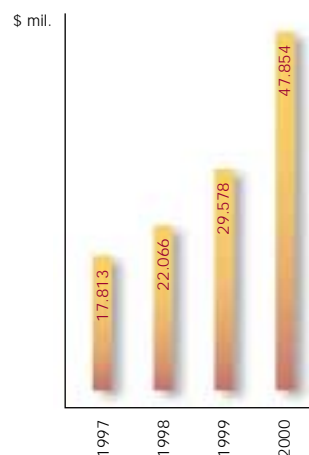
Group assets grew by \$709 million, or 17 per cent, to \$4.9 billion.

Asset quality and provisions

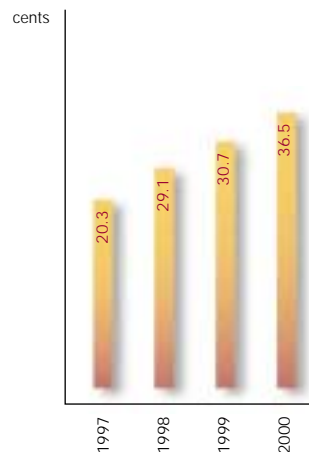
Notwithstanding the abnormal provision, asset quality remains sound and we saw no evidence of deterioration in the wake of the four increases in official interest rates, totalling 1.25 per cent, announced during the year. Total provisions for doubtful debts at June 2000 totalled \$29.3 million (including the abnormal item), which represented 0.74 per cent of gross loan balances (0.48 per cent at June 1999).

The Bank increased its general provision by a further \$3.9 million to reach \$13.8 million at 30 June 2000. The general provision is established to assist with any difficulties which might arise in the loan portfolio. We have now achieved our preferred level of 0.5 per cent of risk weighted assets and will continue to "top up" in line with growth. Attaining this preferred level will assist profitability, as provisions are effectively a charge against our bottom line profit.

Profit Before Tax & Abnormals



Earnings Per Share before Abnormals



Bendigo Bank is committed to its Shareholders' success.

Costs

Increasing revenues and cost containment continued the steady improvement in cost ratios, with our cost-to-income ratio pushing below 70 per cent (68.3) for the first time. We were able to increase total operating income by 27.6 per cent while total operating expenses rose by just 18.2 per cent.

Looking ahead, the proposed merger of First Australian into the Group will be a large investment, but our aim is to continue the underlying downward trend in cost ratios.

Capital

Tier 1 capital (8.77 per cent) is strong and total capital adequacy (10.03 per cent) is at the level required by APRA. Since 30 June, we have increased our capital base through raising more tier 2 capital (subordinated debt).

The issue of one Bendigo share for every two First Australian shares will result in the issue of approximately 27 million new Bendigo shares. We expect the First Australian merger to be neutral in terms of earnings per share in the first year and to be positive for earnings thereafter.

Result at a glance

Consolidated financial performance

	June 00 \$'000	June 99 \$'000	% increase/ (decrease)
Interest income	296,762	230,224	28.9
Interest expense	179,877	137,002	31.3
Net interest income	116,885	93,222	25.4
Other operating income	57,945	43,761	32.4
Total operating income	174,830	136,983	27.6
Operating expenses	126,976	107,405	18.2
Profit before tax & abnormal	47,854	29,578	61.8
Abnormal	(10,500)	6,483	-
Profit before tax	37,354	36,061	3.6
Income tax	16,042	16,359	(1.9)
Profit after tax	21,312	19,702	8.2

Key measures

	June 00 \$'000	June 99 \$'000	% increase/ (decrease)
Shareholders' equity	288,357	243,089	18.6
Total assets	4,913,356	4,204,239	16.9
Loans & other receivables	3,939,894	3,298,802	19.4
Lending approvals	1,854,284	1,613,490	14.9
Total deposits	4,394,669	3,775,873	16.4
Cost to income (%)	68.3	73.7	(7.3)
Earnings per share (cents, post abnormal)	27.5	32.6	(15.6)
Earnings per share (cents, pre abnormal)	36.5	30.7	18.9
Dividend per share (cents)	24.0	23.0	4.3

Impaired Loans



\$ mil.

Strategic Developments

Bendigo Bank operates at the “value” end of the banking spectrum, where there is clearly a growing market for our relationship style of banking.

While many companies cut costs and chase volume at lower prices, we continue to enhance our service levels, open new branches, boost our community involvement, invest in leading edge technology, and, most importantly, put faith in our staff to interact with Customers whenever and however they require our help. A common thread runs through all our initiatives: we are attracted to discrete communities - whether bound by geography, occupation, ethnicity or purpose - to which we can add value and so build Customer relationships and a strong franchise.

The results have been strong financial growth, an expanded Customer franchise and a position in banking which is unique and which, during the year in review, provided significant opportunities to service new communities attracted to our “value proposition”.

First Australian Building Society

On 5 June 2000, the Boards of Bendigo Bank and Queensland's Ipswich-based First Australian Building Society (FABS) announced plans to merge. Under the scheme of arrangement proposed, Bendigo agreed to issue one of its shares for every two FABS shares (54 million on issue). FABS shareholders accepting the offer would also be eligible for Bendigo's final 1999/2000 dividend (13.5 cents per share) payable in October. Upon acceptance, Bendigo would acquire First Australian's \$1.6 billion in assets and 47 branches. In line with this increase in our earning capacity,

the approximately 9000 former FABS shareholders would own about 25 per cent of Bendigo's increased capital base.

The merged Group's assets under management would exceed \$7 billion. The Group would be owned by more than 30,000 predominantly individual shareholders and have well in excess of 500,000 Customers. FABS' 47 branches stretch from the Gold Coast to the Cairns district and would increase our branch numbers to about 160, almost double that of five years ago. This represents our first significant interstate expansion, building on successes we have achieved with Community Bank (ten interstate branches at August 2000).

We anticipate strong organic growth as we introduce a wide range of new products to help FABS customers achieve their financial goals. We will broaden FABS' current support for communities by introducing business banking facilities for small to medium enterprise. And finally, we will base a Community Bank development team in Ipswich to work with the more than 60 Queensland communities who have expressed interest in operating their own locally-owned Bendigo Bank branch.

The merger also provides us with the opportunity to evaluate how best we service our rapidly growing national business interests. One area in which the Group seeks new efficiencies - both in terms of Customer service and our own costs - is lending. New loan approvals have increased more than four-fold in five years and to

cater for continued growth we have decided to build a Group-wide loan processing centre incorporating new technologies and the capacity to service all the technical and legal requirements of loan documentation. This centre will be housed at FABS' current headquarters in Ipswich. We will build a major technology hub in Ipswich and will gradually transfer Group loan servicing responsibilities to the centre over the next 12 to 18 months.

Tasmanian Banking Services

The sale of the formerly Tasmanian-owned Trust Bank created a void in Tasmania, which was suddenly left without a substantially locally-owned retail banking operation. With Tasmanian Trustees, we determined to expand our presence in the form of a new joint venture company, Tasmanian Banking Services Limited (TBS). The new company will focus on distribution and Customer service through a number of branch outlets and will support the development of a network of Community Bank branches in other communities. To start the new company, Tasmanian Trustees will place up to ten per cent of its issued capital with Bendigo and has already invited our Group Managing Director, Rob Hunt, on to its Board.

We believe 50 per cent Tasmanian ownership will ensure the company remains relevant to Tasmanians, thereby maximising its appeal to customers. We expect TBS to quickly establish a foothold in the market and to be earnings positive early in its development.

Bendigo Bank is at the 'value' end of the banking spectrum.

Victorian Securities Corporation Limited

In September 1999, we further expanded our commitment to Victoria's western district when Ballarat-based investment company Victorian Securities Corporation Limited (VSCL) joined our Group. With \$90 million in assets and a record of sound lending, VSCL adds further flexibility and strong regional links to the Group. It made a strong contribution to our 1999/2000 profit. VSCL is playing the role of Group finance company and we will further boost our commitment to Ballarat by developing this business in its home city. We will shortly introduce VSCL clients to a range of Bendigo Bank products when we convert the company's business to Bendigo's systems.

Elders Rural Bank

Our joint venture with Elders was granted an authority to conduct a banking business on 27 June 2000, commencing operations as Elders Rural Bank Limited (ERBL) on 1 July.

Australia's first 21st century bank marries Elders' Australia-wide distribution network with Bendigo's banking skills and systems to create a bank focused on agribusiness. The partners are developing specialist farm banking products for gradual introduction through Elders' 240 branches. Over the long term, ERBL might become an alternative

provider of retail banking services to those rural communities for which other Bendigo solutions (eg. Community Bank or in-store agencies) are not appropriate.

The business continues to grow strongly, with its loan book reaching \$810 million in 1999/2000, the first full year of operation. Full after-tax profit in the joint venture was \$9.7 million. We anticipate further strong growth in the current financial year, with ERBL's loan book expected to top one billion dollars.

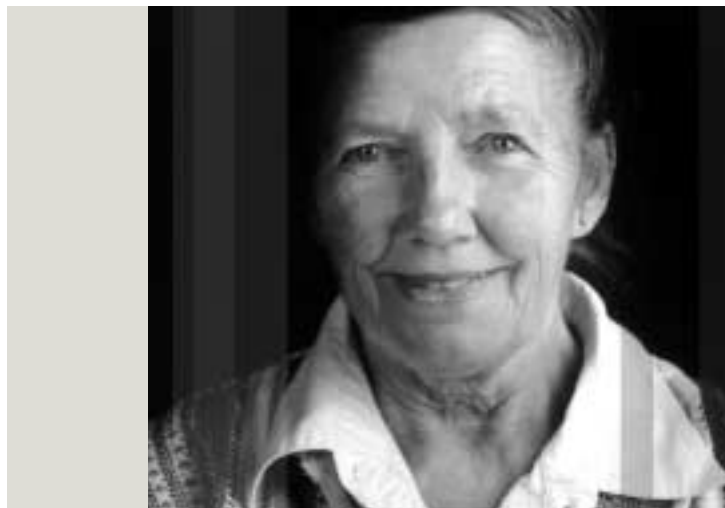
Guild Banking

In April 2000, Bendigo and Guild Commercial Limited - the commercial arm of the 5000-member Pharmacy Guild of Australia - announced agreement to form a strategic alliance. This alliance will be

developed in stages, with a short-term aim of servicing the direct financial needs of pharmacy businesses through Guild Banking and a long-term goal of providing, through selected pharmacies, retail banking to those communities not serviced by a bank, agency or Community Bank.

Bendigo Investment Services

August 1999 saw the launch of Bendigo Investment Services (BIS), our joint venture with IOOF to place financial advisers in Bendigo branches, thereby providing Customers with readily available, independent financial advice. By June this year some 18 financial advisers were operating and funds under advice reached \$320 million.



Retail Bank

Despite the growing diversity of our business, retail banking continues to be at the core of both our financial performance and our Customer relationships. These days, telephone, electronic and online banking account for an overwhelming - and still growing - proportion of day-to-day business, but whichever way Customers choose to interact with us, we aim to ensure our focus is on helping them to achieve their goals.



Service

We now provide more banking options than ever before. Our branch network, including Community Bank, grew by 16 branches during the year; we also opened four online agencies. We installed 15 new ATMs and we implemented agreements that enable our Customers to use their Visa and Cashcards in virtually all ATMs across Australia. Some 250,000 Eftpos terminals and 2700 Australia Post giroPost outlets Australia-wide accept Bendigo cards. Usage of our 24-hour Phone and Internet banking systems grows rapidly. Overseas travellers find their Bendigo cards accepted worldwide.

Customers find us more convenient than ever. Around eight-in-ten of our transactions are now performed outside our branch network. We believe our Customers should be able to choose when, how and where they bank with us, a belief reflected in our pricing, our commitment to continue developing our branch network, and our efforts to ensure there is always a Bendigo staff member available to help Customers, however they have accessed our services.

Community Bank

Community Banking has been an outstanding success, both for our Company and for those communities who have sought to strengthen themselves by operating their own Bendigo Bank franchise.

By August 2000, there were 26 Community Bank branches across four states (Vic. 16, WA 5, NSW 4 and SA 1). A further 12 branches are confirmed to proceed, while our development team continues to work with a large number of communities. Such has been the success of this program that the Board has committed to accelerate its development, with the aim of having more than 50 branches operating by December 2001.

Community Bank contributed to our net profit in 1999/2000 and we anticipate increasing returns as branch numbers grow and individual branches "mature". It is also contributing sustainable monthly operating surpluses to a growing number of the earlier communities to join our program. Some communities are generating monthly surpluses of more than \$10,000 and are moving to the stage where they can begin paying dividends to their shareholders and funding community development projects.

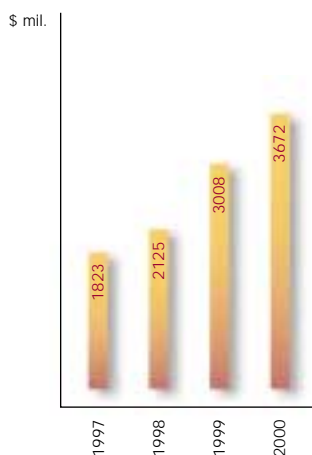
Bendigo Bank is increasing Customer choice.

Bendigo Bank OnCall

Over the year, Internet Bank Customer numbers and usage increased by more than 300 per cent and Phone Bank usage by 102 per cent, albeit from small bases. Internet banking was provided to customers of Elders Rural Bank, spreading our costs and generating fee income. We also introduced "Pay Anyone", which enables Customers to transfer money online between our Bank and other Australian financial institutions.

Many Customers comment on the "user friendliness" of our integrated Phone and Internet banking systems and we continue to enhance services. We will pilot a new e-commerce payment gateway to provide businesses operating websites with the capacity for their customers to make online purchases. Our aim this year is to leverage our investment in OnCall technology by more widely promoting the electronic banking choices available to Customers.

Retail Deposits



Insurance

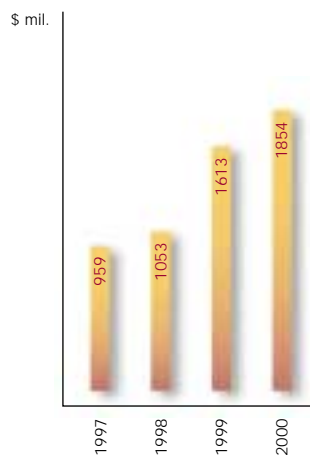
Our insurance division increased its income and profit by 14 per cent on the previous year, with profit exceeding \$750,000 for the first time. Insurance products were introduced to Customers of our Community Bank branches for the first time and Customer service was further enhanced through using the Bank's internet to enable branch staff to provide on-the-spot quotations.

Products

New products launched included two major firsts. Our Ethical Investment Fund is Australia's first ethical bank deposit account. Launched in conjunction with the Ethical Investment Trust, it contributes a commission to the Trust - which in turn distributes all its surpluses to the work of Community Aid Abroad.

We also launched our Regional Development Fund No.1 to attract superannuation monies to regional investments. Administered by

New Lending Approvals



Sandhurst Trustees, which will source and evaluate potential investments, the fund provides a mechanism by which superannuation contributions can be invested in regional enterprises. It is a wholesale fund, although Customers of Bendigo Superannuation Plan may elect to place up to 25 per cent of their investments with the fund.

Other major product developments included the Sandhurst Australian Industrial Share Fund and a GST Management Account to assist business Customers with daily cash flow.

New Branches

During the year we opened a number of new Company-owned and Community Bank branches:-

Company-owned

- > Adelaide
- > Horsham
- > Hamilton

Community Bank

Victoria

- > Bellarine Peninsula
- > Carrum Downs
- > East Malvern
- > Laverton & Altona Meadows (July 2000)
- > Nathalia
- > Neerim Districts
- > Parkdale
- > Warburton

Western Australia

- > Cranbrook
- > Goomalling
- > Kulin
- > Tambellup

New South Wales

- > East Gosford (August 2000)

Bendigo Bank provides more banking options than ever before.

Divisions, Subsidiaries

Sandhurst Trustees Limited

Superannuation and share ownership is assuming growing importance for Australians seeking to create wealth and plan for their retirement. Our trustee company this year undertook key initiatives to provide Customers with increased choice and flexibility in their investments.

Our Customers can now access the share market through the Bendigo Group, either through our recently launched managed fund, the Sandhurst Australian Industrial Share Fund, or by purchasing shares as part of their superannuation through the Bendigo Superannuation Plan. With the likely introduction of member choice in superannuation,

the Plan was overhauled during the year to provide Customers with more choice and greater flexibility in apportioning their investment. Through master trusts within our fund, Customers can now choose to invest with many of Australia's leading fund managers.

During the current financial year our Corporate Trusts division will lose work following changes to the Corporations Law which took effect from 1 July 2000. This change had been anticipated and alternative sources of income developed, including funds management, our new share fund, custodian work, compliance duties and a move into wholesaling our share fund, our Sandhurst Select mortgage fund and our cash common fund.

Cassa Commerciale Australia

Cassa Commerciale continues to broaden both its markets and product range. It provides a range of business-related services across our Group, including an increasingly popular foreign exchange service to our import/export clients. Cassa operates branches in all Australian mainland capital cities.

National Mortgage Market Corporation

National Mortgage Market Corporation originates securitisable housing mortgages and provides securitisation and mortgage administration services to the Group. NMMC continues to manage the securitised mortgages held by our Banksia Series 1 and 2 Trusts and in August 1999 won another substantial mortgage management contract.

Worley Securities Pty Ltd

A niche financial planning and advisory service, Worley Securities Pty Ltd made a solid contribution to Group profit and assisted Sandhurst Trustees in developing and establishing the Sandhurst Australian Industrial Share Fund.



Operational Issues

Funding

A strong retail funding base continues to be one of the Bank's strengths. Total Bank deposits increased by \$619 million, or 16.4 per cent, to \$4.39 billion. In a highly competitive market, the percentage of retail deposits increased from 79.7 per cent to 83.6 per cent of total deposits. This was the second year in succession in which this proportion grew, further containing the Bank's cost of funds.

We retain the ability to raise further wholesale funding by further issuance under our US\$500 million Euro medium term note program, which has US\$100 million of bonds on issue.

Total Group deposits and funds under management increased by \$621 million, or 14 per cent, to \$5.1 billion. Sandhurst Trustees' common funds total \$658 million.

Ratings

Bendigo Bank is currently rated by Standard & Poor's and Fitch IBCA. Both agencies reviewed and confirmed their ratings following our announcement about the proposed merger with FABS.

Standard & Poor's
> Ratings affirmed 5/6/00
> Long-term: BBB-
> Short-term: A3
> Outlook: Stable

Fitch IBCA
> Ratings affirmed 5/6/00
> Long-term: BBB
> Short-term: F2
> Outlook: Stable

Capital Management

A strong share capital base was required to sustain balance sheet growth and the acquisition of Victorian Securities Corporation Limited (VSCL) in September 1999. One million ordinary shares were issued to effect this acquisition.

At 30 June 2000, our tier 1 risk weighted capital adequacy ratio was 8.77 per cent, reducing the likelihood that we will need to go back to shareholders in the medium term. The Bank will continue to raise further tier 2 capital through the use of subordinated debt instruments to assist in supporting our future balance sheet growth.

A further issue under our Banksia Series Trust resulted in \$189 million in assets being securitised prior to 30 June 2000. Loans securitised under the two Banksia issues to date total \$307 million. Securitisation issues are now a regular part of the Bank's capital management.

Y2K

The Group was well prepared for the change in date from 1999 to 2000 and suffered no adverse consequences. All systems functioned smoothly and Customer and Shareholder services were maintained. The Group's Year 2000 plan has been used as the basis of an updated business continuity and crisis communications plan.

Taxation

The Group conducted a major project to prepare our business units for the implementation on 1 July 2000 of a Goods and Services Tax as part of the Government's New Tax System. GST was incorporated without incident. Bendigo Bank is rated as "input taxed" for GST, meaning we pay the tax on our business inputs but cannot recoup it on many services we provide.

The New Tax System also reduces the company tax rate, from 36 per cent to 34 per cent from 1 July 2000, and again to 30 per cent on 1 July 2001. Following advice from the Australian Taxation Office, the Company's final 1999/2000 dividend will be fully franked at 34 per cent.

The Group's income tax expense exceeded the normal Company Tax rate in 1999/2000. This was mainly due to the following key permanent differences, which increase the income tax expense:

- > Increase in provision for doubtful debts was non tax-deductible and increased income tax expense by \$1.4 million.
- > Adjustment to future tax provisions to reflect future decreases in Company Tax rates to 34 per cent, then 30 per cent. This increased income tax expense by \$1 million.
- > Amortisation of goodwill is non-deductible and increased income tax expense by \$0.8 million.

Community Development

Our success is dependent upon the success of our Customers and the communities we serve. If our Customers achieve their goals, and the communities we serve prosper, then our Company automatically benefits. Our primary focus is, and remains, the provision of financial services and advice, but we are also committed to community development projects outside mainstream banking but from which we stand to derive lasting benefit.

Community Bank

Community Bank delivers basic banking services to a wide range of communities committed to changing their financial circumstances. But it promises to be more than that, too. It is creating jobs - around 200 already. It is a mechanism enabling communities to manage, and derive a higher return from, the capital that flows in and out of their district. It is helping educate and equip communities to participate in the new economy and to bid for capital to develop local enterprise.

In most instances, Community Bank is the first time people have experienced the creation of a publicly-owned local enterprise. We are helping educate these communities about how to structure a company, write a prospectus, raise capital, run a publicly-owned company, operate a Board, distribute profits and look at generating further enterprise.

One brief story illustrates what has been made possible in less than two years by Community Bank and by one town's tenacity. Lang Lang, in southern Gippsland (Vic.) suffered a sudden and dramatic demise during the 1990s as a freeway bypassed it, the railway closed and public sector services, professionals and businesses withdrew, taking many jobs with them. The town opened its

Community Bank in November 1998. By mid-2000, its branch was returning up to \$10,000 a month in operating surpluses, and this is still growing. Confidence and several businesses returned, and the Community Bank board now plans to fund a new professional centre to attract medical, accountancy and legal practitioners back to Lang Lang. At the same time, the Community Bank board was able to extend support to nearby communities, opening an agency in Kooweerup and sponsoring Pearcedale to open its own Community Bank outlet.

Community Telco

Access to adequate telecommunications facilities will be vital to the development of all communities in the so-called "new economy", but there is a risk that many regional communities will be left behind as suppliers concentrate on more lucrative urban markets.

Bendigo Bank is a major partner in a new community-based initiative to secure telecommunications services into the future. Based on similar principles to Community Bank, Community Telco Australia will aggregate local demand for telecommunications and channel it through a locally-owned company which will then ask suppliers to tender for the business. This secures certainty for the winning supplier and

enables the community to actively participate in service enhancement. The first company launched under this banner was Bendigo Community Telco, in August 2000. More communities will follow once the model is proved.

Regional Enterprise

Regional enterprise has been stifled through lack of ready access to capital. There simply has been no mechanism to enable investors - including superannuation funds - to channel investment to regional companies.

Two initiatives with which we are associated - the Bendigo Stock Exchange (BSX - www.bsx.com.au) and our own Regional Development Fund No.1 - aim to begin reversing that trend, BSX through providing an online conduit between investors and investor-ready companies and our own fund by directly investing superannuation monies into regional companies.

Bendigo Bank is helping our communities to reach their full potential.

Lead On

Bendigo Bank remains a leading supporter of the northern Victorian-based Lead On project, which, with the financial support of the Victorian Government, aims to engage young people in programs and projects designed to hone their skills while gaining insights into the workings of various organisations in their community. In this way, Lead On is building close bonds between community leaders of today and tomorrow. The Bank provides Lead On with significant financial support, mentoring opportunities and suitable projects for youth participation.

Sponsorship

Sponsorship is one way in which we return the support of communities that support our Bank. Although the number of requests we receive outweighs our capacity to respond, we nonetheless contribute more than 500 monetary sponsorships each year, as well as providing in-kind support or promotional giveaways for many more events. In line with our desire to engage young people in community life, we have begun a Youth Development Fund to assist some of the many outstanding individuals who ask us for financial support.



Shareholder Information

Just as our business is branching out across Australia, so too is our Shareholder base.

Five years ago 55 per cent of our Shareholders lived in non-metropolitan Victoria; today that figure is 40 per cent and soon we hope 25 per cent of Shareholders will hail from Queensland after our merger with First Australian. This correlation between our Customers and Shareholders is a key strength of the Company because it ensures we remain relevant to both groups.

Securities

At 18 August 2000, Bendigo Bank (BEN in the ASX code) had on issue 81,881,282 listed ordinary shares, 1,742,442 unlisted employee shares and 6,505,903 convertible capital notes (BENGA). These notes are convertible fixed interest securities paying 8% p.a. on their issue price of \$4.10. They may be converted to ordinary shares on a one-for-one basis at any of the six-monthly interest dates until 31 May 2007. During the year, the last of

our 1,982,358 10.5% Convertible Notes were converted into ordinary shares or were repaid to the registered holders. Final payment was received on all 11.4 million shares issued in the 1998 rights issue, meaning these shares have assumed ordinary share status.

Dividend Payment Options

The Bank offers a Dividend Reinvestment Plan to enable shareholders to reinvest their dividend into new shares. The new shares are currently offered free of brokerage and stamp duty and at a discount to the market price (currently 5 per cent).

Shareholders may also elect to credit their dividends directly to their account with Bendigo Bank or any other financial institution. Shareholders should contact the registry for a Dividend Nomination Form to record any changes to their chosen method of receiving dividends.

Shareholder Privileges

Holders of 500 or more Bendigo Bank securities are entitled to a range of benefits under our Shareholder Privileges package. Details are available on our website, www.bendigobank.com.au, or by contacting the Securities Registry.

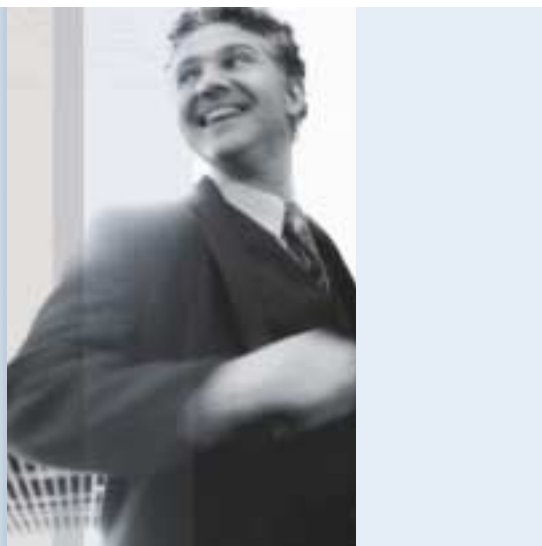
Manager Allan Thomas and his staff can provide assistance with matters relating to all the Company's listed securities by:

Mail:
Securities Registry
Bendigo Bank
PO Box 480
BENDIGO, Vic. 3550

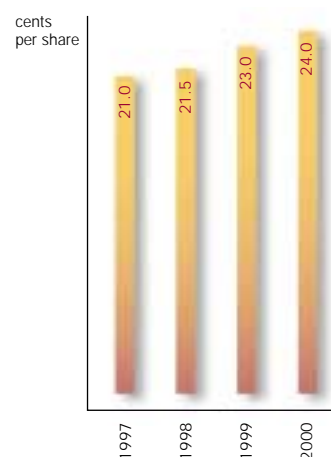
Telephone:
(03) 5433 9549
or 1800 646 042

Fax:
(03) 5433 9471

E-mail:
share.register@bendigobank.com.au



Dividend



Corporate Governance

Bendigo Bank Limited Statement of Corporate Governance Practices

The Board of Directors

The Directors and staff strive to achieve the highest standards of professional corporate ethics in the conduct of the Company's operations. This statement outlines the main corporate governance practices that were in place throughout the financial year.

The Board of Directors governs the Bank within a framework of established principles, policies and procedures which ensure the Bank meets its statutory and moral obligations to its Shareholders, Customers, employees, suppliers, regulators and the community.

These principles are detailed in Bendigo's Corporate Governance Manual, which covers areas such as the membership and role of the Board, Directors' duties and obligations, disclosure requirements, Directors' obligations for trading in the Bank's securities, ethics, risk management, internal controls, compliance and obtaining of independent professional advice by Directors.

Role of the Board

The Board provides direction to the Bank by establishing clear objectives and strategy. Directors review and monitor the management and the business outcomes to ensure they are consistent with the agreed strategy.

Composition of the Board

The Board currently consists of seven non-executive Directors and the Managing Director. Details of the Directors in office at the date of this statement including information regarding their qualifications, experience and special responsibilities are set out in the Statutory Directors' Report for the year ended 30 June 2000.

The composition of the Board is determined using the following principles:

- > Directors feel it is desirable that the Board comprises six or seven non-executive directors and one or two executive directors.
- > The Chairman of the Board shall be a non-executive director.

- > The Board should comprise directors with good general business skills and experience and represent a broad range of backgrounds and professions.
- > It is desirable that both genders be represented and that members come from a range of age groups, thereby bringing a blend of youth and experience to the Board.

The appointment and re-election of directors is governed by the Bank's Constitution which provides that the number of Directors shall not be fewer than 3 or more than 10, that one third of the directors, excluding the Managing Director, must retire each year, and that any director reaching the age of 72 must retire at the conclusion of the following annual general meeting. Directors appointed after 1995 would not generally be expected to seek re-appointment after serving 15 years on the Board.

New directors are invited to join the Board by decision of the full Board, on recommendation of the Corporate Governance Committee. Any new appointments to the Board must be approved by the full Board and by the Shareholders at the following Annual General Meeting.

Bendigo Bank is striving
to achieve the highest standards.

Bendigo Bank is a relationship style of banking.

Chairman and Chief Executive Officer

In recognition of the important role that non-executive Directors play in supervising executive management, the Bank provides that there is clear separation between the roles of the Managing Director and Chairman of the Board.

The Managing Director is responsible for developing strategy and implementation plans for input from, and endorsement by, the Board. The Board oversees and monitors the subsequent implementation of these plans by management and reviews management performance. The duties and responsibilities of the Managing Director are clearly defined by the Board and are reviewed annually.

The Chairman and Deputy Chairman must be elected from amongst the non-executive Directors. The majority of the Board must consist of non-executive Directors.

Performance evaluation

The Board of Directors meets annually to review its own performance. The performance of individual Board members is also reviewed annually by the Chairman and the Chairman by the Directors. The non-executive directors also consider, annually, the relationship between the Board and management. The meeting will deal with matters including the evaluation of the performance of the Managing Director, succession planning and a self-evaluation of the functioning and effectiveness of the Board in supervising and guiding management.

Remuneration

Remuneration arrangements for non-executive Board members, the Managing Director and other senior executives are determined by the full Board based upon recommendations from the Corporate Governance and Staff Committees. The committees survey the range of current remuneration levels in the banking and finance industry and take into

account the remuneration which would reasonably be expected in order to attract directors and executives with the knowledge and experience required by the Bank.

The total aggregate amount of non-executive Directors' fees for the Bank and its subsidiaries was approved by the shareholders of the Company at its annual general meeting held in October 1998 as not to exceed \$600,000 per annum. Details of Directors' and executives' remuneration is disclosed in the statutory Directors' Report.

Dealings in Bank's securities

Directors are not permitted to deal in the Bank's securities without first notifying the Chairman. Following any dealing, the full Board is required to be advised. In addition, Directors are prohibited from dealing in the Bank's securities for specific periods during the year such as the period ten weeks prior to announcement of the Bank's results and also prior to any other important announcements which are likely to affect the price of the Bank's securities.



Independent professional advice

In the execution of their duties, Board members are entitled to seek professional advice which is independent from the Bank's management and at the Bank's expense provided that:

- > prior approval is received from the Chairman
- > the advice sought is relevant to the Bank's affairs
- > a copy of the instructions and advice obtained is made available to all members of the Board.

The Board is not aware of any circumstances having arisen to date in which a Director has requested external advice.

Committees of the Board

To help it discharge specific aspects of its responsibility, the Board has appointed a number of committees: Audit, Corporate Governance, Credit, Due Diligence, Risk and Staff Committees. The Board recognises that the committees do not reduce individual Directors' responsibilities but make the Board more effective. Members are appointed annually by the Board and each committee is

governed by a formal charter that identifies its objectives and principal accountabilities. The minutes of all Board Committee meetings are tabled and discussed at the next meeting of the full Board where recommendations are considered. Each committee comprises both non-executive directors and the Managing Director. The Chairman of each committee will be a non-executive director.

Director	Board membership	Committee membership
R A Guy OAM	Non-executive	Corporate Governance (chairman) Audit Staff (chairman)
R N Johanson	Non-executive	Risk (chairman) Due Diligence (chairman)
R G Hunt	Managing Director	Ex officio all committees
W R Beischer	Non-executive	Staff Due Diligence
J L Dawson	Non-executive	Audit Credit Due Diligence
D J Erskine	Non-executive	Credit Risk
W R Lanyon	Non-executive	Audit (chairman) Corporate Governance Staff
K E Roache	Non-executive	Corporate Governance Credit (chairman) Risk



Corporate Governance Committee

Meets:

- > annually or more often as required.

Responsibilities:

- > review and recommend policy to the Board in relation to the nomination, qualifications and membership of the Board.
- > determining the terms and conditions relating to the appointment and retirement of non-executive Directors
- > compensation arrangements for non-executive Board members and the Managing Director
- > procedures by which Directors can obtain independent professional advice
- > establishment and maintenance of ethical standards
- > monitoring compliance with continuous disclosure requirements

Audit Committee

Meets:

- > bi-monthly and creates a forum for communication between External Audit, Internal Audit, the Board and management. The external auditors, the Senior Manager Group Internal Audit and appropriate senior staff are invited to attend meetings at the discretion of the committee.

Responsibilities:

- > recommend to the Board on the appointment and remuneration of the External Auditor, reviewing the terms of the engagement and scope and quality of the audit;
- > reviewing and evaluating risk management policies and procedures;
- > determining and evaluating the internal audit function;
- > reviewing the effectiveness of the internal control environment established by management;
- > monitoring compliance with Australian Accounting Standards and statutory reporting requirements;
- > review and report to the Board on the financial statements and the annual report prior to publication

Both the internal and external auditors have clear lines of communication with the Chairman of the Audit Committee.

Credit Committee

Meets:

- > monthly or as often as required.

Responsibilities:

- > The Board Credit Committee is responsible for the quality, maintenance and performance of credit exposures across the Group and the approval of credits above the limits delegated by the Board to the Management Credit Committee and line management.
- > establishing, monitoring and reviewing all aspects of lending policy.
- > overseeing credit practices, approval of authority levels, delegation of credit limits, large exposures and reporting of portfolio management.

Bendigo Bank is built on trust and respect.

Risk Committee

Meets:

- > bi-monthly or more often as required. Members of the Asset & Liability Management Committee are invited as attendees to meetings of the Risk Committee as required.

Responsibilities:

- > oversee issues relating to the Group's risk-taking activities, to review the portfolio of risk exposures and risk management strategies across the Group and to determine the risk parameters or exposures that are acceptable to the Board.
- > specifying maximum risk tolerance levels for the Group.
- > Approving and monitoring strategies employed to manage the Bank's liquidity and the strategies and positions taken to manage the Bank's interest rate risk and the Bank's balance sheet.
- > ensuring all off and on balance sheet activities are aligned with Group strategies.

The Board Risk Committee receives regular management information and recommendations from both the Asset & Liability Management Committee and Capital Planning and Risk Unit concerning business and risk strategies.

Risk management

The recognition and management of risk is an essential element of the Group's strategy. The Board, being ultimately responsible for the management of risks associated with the Group's activities, has established an integrated framework of committee structures, policies and controls to manage risk. The risk management strategy is underpinned by a system of delegations, passing from the Board, through board sub-committees, management committees and executive committee to the various support and business units of the Group

The various sub-committees, governed by formal charters, have delegated authority to determine the risk management strategies of the Group, taking into account the Group's risk tolerance, business strategies and management expertise. An outline of the risk management responsibilities has been provided in the above sub-committee profiles.

Ethical standards and performance

The Bank's "Corporate Values and Behaviours" state our corporate ethics and philosophy so that those with whom the Bank may have a relationship will be informed of the values and standards of behaviour to which the Bank adheres.

Our Corporate Values and Behaviours form the basis of the Bendigo Bank Code of Conduct which has been endorsed by the Board and applies to everyone within the Bank. The maintenance and updating of the Code of Conduct is undertaken by the Corporate Governance Committee.

The Code outlines Bendigo's responsibilities to its Shareholders, Customers, suppliers, employees and to the community. It also provides guidelines for personal conduct in relation to the use of privileged information, dealing in the company's securities, use of company assets and resources and possible conflicts of interest. In addition, the Bank complies with the relevant industry codes of conduct relating to banking practice.

Bendigo Bank is community-focused.

Staff long service milestones

45 years

Keith Watson

25 years

James Nicholls, Dennis McCormick, Cheryl Jackman, Graeme Harvey, Heather Jane

20 years

Tony Harrington, Dot Bennallack, Patrick Murnane, Pamela Koningen

15 years

Lisa Dewhurst, Ian Martin, Sue Haughton, Kerry Cranage, Kerrie Hewitson, Diane Watkins, Debra Bannan, Michael Kinsman, Shirley Ingles, Chris Bone, Martin Banfield, Sue Hartland, Mary-Ann Elliott, Judith Robinson, Wayne Berry, Kenneth Lester, Denis Moylan, Mark Nolan, Neil Athorn, Leesa Ellis

10 years

Cathy Rowe, Judy Nicholls, Melissa Hartley, Lyndell Willcocks, Tammy White, Georgina Morrison, Andrew Price, Janet Holland, Gary Fraser, Chris Windus, Julie Bruce, Gary Tucker, Cheryl Johnstone, Tania Balnaves, Kerrie Beckett, Melanie Nikitenko, Brett Pattison, Ross Evans, Pina Rosaia, Natalie Gibson, Valerie Martin, Georgina Psarologos, Carolyn Dicker, Robert Herbert, Kerrie Sutton, Vanessa Kiely, Jeanette Jennings, Maree Cushing, Jacinta Lock, Suzanne Sparks, Keith MacCubbin, Leanne Martin, Jonathan Pedler, Yvonne D'Helin, Colleen Shelley, Jenine Chamberlain, Sheryl Musgrove, Merrill Dargue,



Troy Foot, Samantha Goodwin, Robert Francis, Irene Hart, Amanda Groux, Stephen Ferry, Salva Minniti, Margaret Annand, Judith Golland, Jacqueline Davis, John Lowther, Darleen Skopakow-Dejong, Gloria Morrison, Ann Clifton, Fiona Merrilees, Lynette Chipperfield, Lorraine Scott, Fiona Kerr, Mechthild Bennett, Melissa Zysvelt, Clara Pizzoli, Loraine Smith, Ken Wright

At 30 June 2000, Bendigo Bank had 16 staff members with more than 25 years service to the Company.

BANK EXECUTIVE

- > Rob Hunt
Group Managing Director
- > Greg Gillett
General Manager Retail Bank
- > John Goddard
General Manager
Commercial Bank
- > Vicky Kelly
General Manager Operations
- > Craig Langford
Chief Financial Officer

