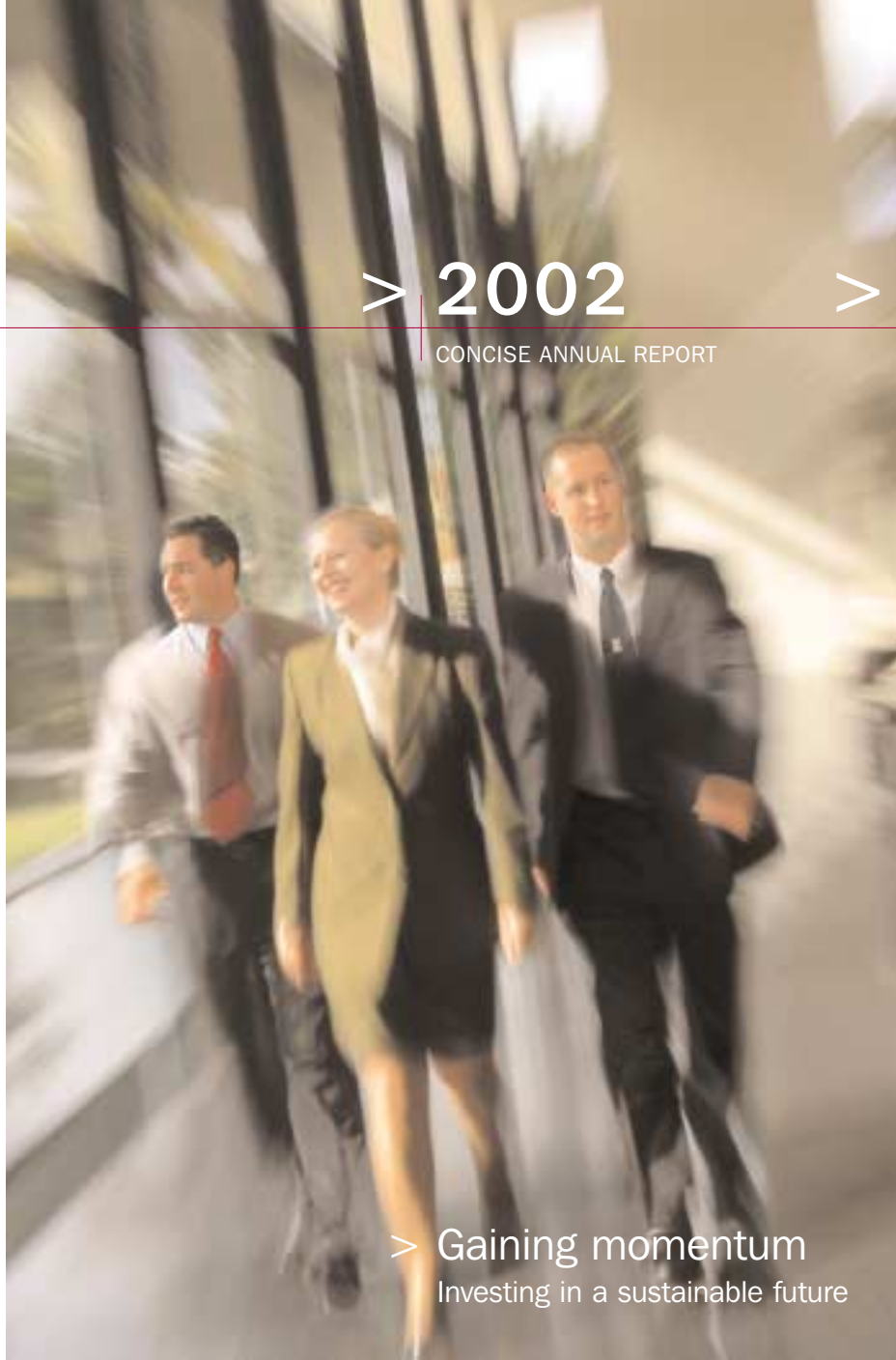


2001

> 2002

CONCISE ANNUAL REPORT



> Gaining momentum  
Investing in a sustainable future

# Bendigo - banking in motion.

2002



**Bendigo Bank Limited**  
ABN 11 068 049 178  
Registered Head Office  
Level 2, Fountain Court  
Bendigo, Victoria 3550  
Telephone: (03) 5433 9339  
Facsimile: (03) 5433 9690  
Email: [share.register@bendigobank.com.au](mailto:share.register@bendigobank.com.au)

In this report, the expressions “the Bank”, “the Bendigo”, “Bendigo” and “the Company” 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 Mondays to Fridays

##### Bendigo Bank OnCall

1300 366 666 (local call)  
8.00am - 8.00pm weekdays,  
9.00am - 4.00pm Saturdays,  
10.00am - 4.00pm Sundays

##### 24-hour Phone Banking

1300 366 666 (local call)

##### 24-hour e-banking

[www.bendigobank.com.au](http://www.bendigobank.com.au)

Website: [www.bendigobank.com.au](http://www.bendigobank.com.au)

Securities Registry: 1800 646 042

#### Subsidiary companies

Bendigo Investment Services Limited  
National Mortgage Market Corporation Pty Ltd  
Sandhurst Trustees Limited  
Sunstate Lenders Mortgage Insurance Pty Ltd  
Victorian Securities Corporation Limited  
Worley Securities Pty Ltd

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**Cover Picture:** Bendigo Bank is gaining momentum through a new generation of business ideas and the enthusiasm of staff members like Dallas Hall, Simone Baker and Jy Pertzell.

7.27am >

We're moving with our customers. An expanding ATM network increases access and convenience.

Bendigo is banking every moment. And with every moment, we are gaining momentum. With increasing impetus, the strength of our investments drives us towards a sustainable future.

The Bendigo Bank Concise Annual Report 2002 chronicles the many significant 'moments' that have contributed to the life of the Bank this year.



8.38am >

Early morning and already things are in full swing at Jimmy Possum Country Furniture, where owner Alan Spalding and business banker Dominic Brennan discuss the progress of this thriving community-based business.

## FINANCIAL CALENDAR 2002 – 2003

### 2002

7 October	Ex-dividend date
11 October	Final dividends record date
28 October	Annual General Meeting, 11 am
31 October	Distribution of final dividend
29 November	Interest paid on 8% Capital Notes Opportunity to convert Capital Notes into Ordinary Shares
31 December	Half year end

### Proposed Dates 2003

February	Announcement of interim results and interim dividend
7 April	Ex-dividend date
11 April	Interim dividend record date
30 April	Distribution of interim dividend
30 May	Interest paid on 8% Capital Notes Opportunity to convert Capital Notes into Ordinary Shares
August	Announcement of final results and final dividend
31 October	Distribution of final dividend

# Bendigo is building business.

2002

## HIGHLIGHTS

### Financial

- > Profit after tax up by 47 per cent to \$48.8 million
- > Earnings per share increased by 31 per cent, to 41.1 cents
- > Lending approvals \$3.64 billion, up by 46 per cent
- > Total Group deposits grew by 12 per cent to \$7 billion (Retail deposits comprised 91 per cent of total deposits)
- > Total Group-managed assets increased by \$1.42 billion, or 16 per cent, to total \$10.37 billion
- > Net impaired loans reduced by 40 per cent, to \$11.9 million, just 0.19 per cent of gross loan balances
- > Shareholder dividend was 29 cents per share, up from 26 cents (excluding 2001's 15 cent special dividend)

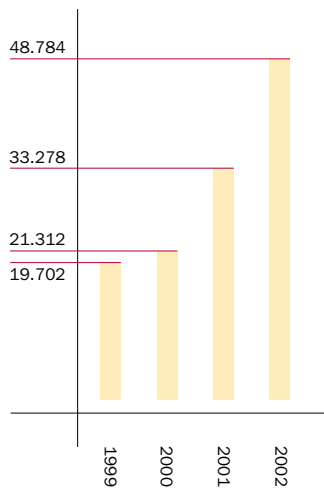
### Service

- > Five new company-owned branches opened
- > 29 new Community Bank branches opened
- > Two more Tasmanian Banking Services branches opened
- > 34 new ATMs installed
- > Online share trading and financial services portal launched
- > Bendigo Managed Funds launched

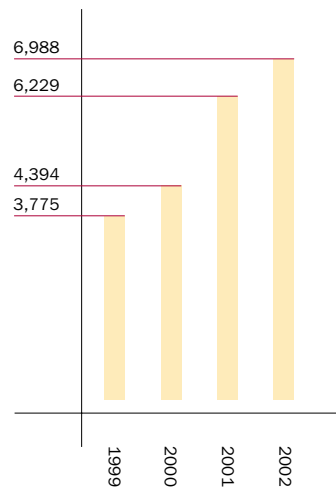
### Corporate

- > Standard & Poor's long-term credit rating boosted from BBB- to BBB and short-term from A-3 to A-2
- > Wealth Management division established
- > Retail bank split into business and consumer divisions
- > First Australian Building Society (FABS) fully integrated

Profit after tax (\$ mil.)



Total bank deposits (\$ mil.)



# Bendigo Bank is gaining leverage from the integrity of its investment strategy.

2002

## REPORT BY CHAIRMAN AND MANAGING DIRECTOR

Bendigo Bank's strategy to generate sustainable value for all stakeholders is gaining momentum.

We have clear goals and a tightly focused strategy to achieve them. Our distribution channels are rapidly expanding across Australia. Our specialised product and service options are broader than ever and are backed by skilled people and clever technology to help our customers achieve their financial aims. We are rapidly building capacity to enhance the prospects of those communities we serve. And we are generating strong earnings momentum in line with the growth in our business.

Bendigo Bank's after-tax profit for 2001/2002 was \$48.8 million, a 47 per cent increase on the previous year. Earnings per share increased by 9.6 cents, to 41.1 cents, a rise of 31 per cent. The dividend to shareholders was 29 cents per share, up from 26 cents (excluding the 15 cent special dividend paid last financial year).

We wish to improve performance in a balanced way, rewarding shareholders for their investment and support while continuing to provide good customer service and to contribute to the prospects of our communities. In answer to a shareholder question at one of last year's information evenings, we said we aimed to increase the key return on equity (ROE) measure by one per cent per annum for each of the next few years. This was achieved for 2001/2002, when ROE grew from 9.4 per cent to 10.6 per cent, and is again our broad financial objective this year.

Our profit increase was strong in comparison with our industry. Why were we able to achieve this "above system" growth? and why are we confident that we will again this year record double-digit growth in our business and profit?

The answer lies in the consistency of both our strategy and the investment program we have conducted since converting to a bank in 1995. We said then our intention was to invest in people, skills, systems and structures in order to build a unique bank which was prepared to look beyond financial services to other ways of improving the prospects of its customers and communities. By doing so, we would establish a brand and positioning which would create a logical franchise built on our relevance to our customer base and supported by our commitment to quality service. That meant identifying markets in which we believed we could excel and then finding the best ways to present the Bendigo proposition to those communities.

We committed large amounts of capital to technology such as our Windows-based branch delivery system, our online loans processing system and our Internet and Phone banking services. Since 1995 we have merged six new companies into our Group, doubling our company owned branches, to 140. Community Bank was devised, trialled and implemented, with 72 branches opened in just four years. Elders Rural Bank and Tasmanian Banking Services were new ventures with our alliance partners. Business banking and wealth management divisions were created and scores of new products developed and launched. Existing staff were upskilled and new staff and skills recruited, with staff numbers growing from 701 (FTE) at conversion to 1754 today.

This investment program continues to build capacity not only to fully service our current business but to accommodate new businesses which will produce economies of scale.

We continue to invest in building businesses which will generate future revenue streams. We have committed capital to enter Australia's largest banking market, Sydney, through a network of branches strategically placed to support growth in Community Bank and online banking. Development of our wealth management division and advisory network continues. Our strategic markets division, which has been responsible for initiatives such as Community Telco and Guild Banking, continues to work on new business prospects. These include the newly-launched Community Sector Banking, a joint venture company based on our successful Community Bank model. This is in effect a virtual Community Banking structure which will build and support purpose-built product for Australia's not-for-profit sector.

Investments like these take time to build momentum and generate healthy revenues. However, their potential to further add to earnings becomes obvious when it is considered that at 30 June 2002 half our branches had carried the Bendigo brand for less than two years, Tasmanian Banking Services was just two-years-old, Elders Rural Bank three and Community Bank four. Significant revenue increases, and therefore return on our investments, can be expected as those businesses generate momentum and approach maturity.



## CHAIRMAN

RICHARD A. GUY OAM

## GROUP MANAGING DIRECTOR

ROB HUNT AM

In the meantime, growth in shareholder dividends, while steady, has been tempered by the need to continue to invest in businesses and community enhancement initiatives which will generate long-term, sustainable growth in revenue, profitability and, of course, shareholder value.

We are confident this performance progression can be achieved by enhancing our unique style of banking with our community and business enhancement programs. These increase our relevance to our markets, thereby generating a buying base which regards us as its logical banker.

This strategy is quite different to our competitors, but we are convinced it uses our core strengths and unique skills to best long-term effect for our customers and our business. Others agree. This year we were honored when named Ethical Investor magazine's inaugural Sustainable Business of the Year. We appreciated this recognition, but were also humbled because we know we can continue to improve our financial, social and corporate governance performance.

We will strive to do so not because we are obliged to do so, but because we know that improving our contribution in these areas enables us to generate strong demand for our services. If we can help our customers achieve their personal financial goals, enhance the prospects of the communities in which they live and work, and do so in a way which promotes environmental sustainability, then

we will have helped create a more prosperous buying base for our business. Furthermore, because we will be a relevant participant in those communities, we will be rewarded with a good share of their business. As we have consistently said: Successful customers and successful communities create a successful bank - in that order.

We hope in this report to illustrate the strengths of this strategy and to show how it is generating momentum which is now beginning to flow through into improving shareholder returns. The report outlines how Community Bank is improving the prospects of communities while contributing to our profitability; how we are moving beyond banking to establish community enhancement initiatives which are co-operatively spirited but commercially based, and how we are promoting environmental sustainability.

There is evidence that our balanced approach is likely to produce sustainable returns for our shareholders. New customers continue to join us at a rapid rate, regularly more than 10,000 in a month. Demand for Bendigo branches continues to be strong, with the likelihood we will open 30 to 40 more this year across all states of Australia. Our interest margins continue to hold up even in a highly competitive environment, suggesting our appeal to customers is based on more than rate alone.

Finally, the international rating agency Standard & Poor's recently lifted the Company's short and long-term credit ratings, citing the "bank's defensible business franchise, as well as its improved financial profile and operational diversity". This credit upgrade improves our capacity to borrow wholesale funds, should reduce the cost of those funds and potentially improves our profitability.

This "cost of funds" issue is one of those hidden costs of doing banking which adversely impacts on smaller banks like Bendigo. In recent years we have been struck by a wave of new regulatory requirements - such as the Code of Banking Practice, the Electronic Code of Banking Practice, the Privacy Act and, most recently, the Financial Services Reform Act - which together have imposed heavy compliance costs. While these requirements reflect our long-held commitment to quality customer service, compliance places us at a competitive disadvantage to larger banks as there is a fixed percentage of those costs which is the same for all banks. This disadvantage is further exacerbated by supervisory costs and capital requirements. Again this year we will pay a much higher proportion of annual revenues to our supervisor, APRA, than will much larger competitors. Bendigo is also required to maintain higher capital adequacy ratios than larger competitors. We continue to make representations on these issues.

# Bendigo provides a banking continuum for the lifestyle needs of its customers.

## Looking ahead

Bendigo's willingness to partner others in solving communities' banking needs continues to provide us with new opportunities. The newest of these is a Community Sector Banking joint venture we have formed with Australia's not-for-profit community sector. We will work with participants to aggregate their banking demand and improve products and service delivery. Our participation will inject competition into the sector, improving the return on its cashflow and thereby enabling members to increase services for their clients. Again, this is good community support and ultimately, we believe, good business for us as we assist the sector to improve its prospects.

Community Bank will continue to provide strong growth for some time yet. There is no evidence of a diminution in the demand for locally-owned and operated Bendigo franchises and we fully anticipate opening our 100th Community Bank branch during 2003. Just as many of our communities are reaping the rewards of their investments as they grow their local banking business, so we are improving our returns as we build branch and customer numbers and so improve our own economies of scale. Banking levels in many communities will, of course, reach a natural plateau and we are already working on ways in which communities can leverage their company structures to develop a range of commercial opportunities beyond banking. These initiatives will add to their economic capacity and so further improve our return on investment.

We have also budgeted for strong growth in our own corporate-owned network, in which we will invest further with new branches in Sydney - a new market for us - and a number of key regional centres. A reduction in transaction prices for our Internet and Phone banking customers is also expected to drive further strong growth in this burgeoning area of our business. Analysis shows we are building strong loyalty among customers who choose to access our e-bank, which is now a key element of the package we offer and will be further upgraded this financial year.

Following the launch of the first Bendigo Managed Funds in May 2002, our wealth management division is expected to continue the rapid growth in our off-balance sheet funds under management and advice. Already well-established in Victoria, our advisory network will be further expanded interstate.

Our Queensland business is responding well under the Bendigo Bank brand, with promising growth in lending and deposits as customers familiarise themselves with the Bendigo way of banking. We will continue opening new branches, Community Banks and agencies in the State, as well as involving ourselves in community enhancement activities capable of improving our markets.

Active capital management is ensuring capital is applied effectively across the business. Shareholders, who over the past 18 months have seen both a share buyback and a top-up issue, can anticipate further initiatives in future as we balance our capital requirements. We are also using securitisation and sale of

selected loan portfolios as a means of shifting assets off our balance sheet (\$708 million in 2001/2002), thereby effectively using our valuable capital base. All these measures aim to improve earnings per share and, hence, shareholder dividends.

Profitability can be further improved if our own operation can be made more efficient. One of the consequences of our rapid growth has been organisational structures and work practices which have sometimes been introduced to meet an urgent need. Our Executive team is currently examining our whole business to identify and implement improvements in technology use, organisational structure and work practices. This review will shape our business for further rapid growth anticipated over the next five years while improving our efficiencies. One of its main aims is to ensure we can continue to deliver "the Bendigo way" of banking which emphasises the availability of personal service no matter how customers choose to access our services.

Finally, we wish to reaffirm our commitment to the strategy which is now generating business and earnings momentum and has positioned Bendigo Bank for sustainable long-term success. As economies become more global, there is a growing niche for companies such as ours which are prepared to focus on whole-of-community solutions to help sustain their buying bases. All of our communities can play an important role in the new economy; our role is to use our skills to help them identify and achieve their potential. If they can do so, and we are their chosen banker, then our success is assured.



2002

9.52am >

#### Acknowledgement

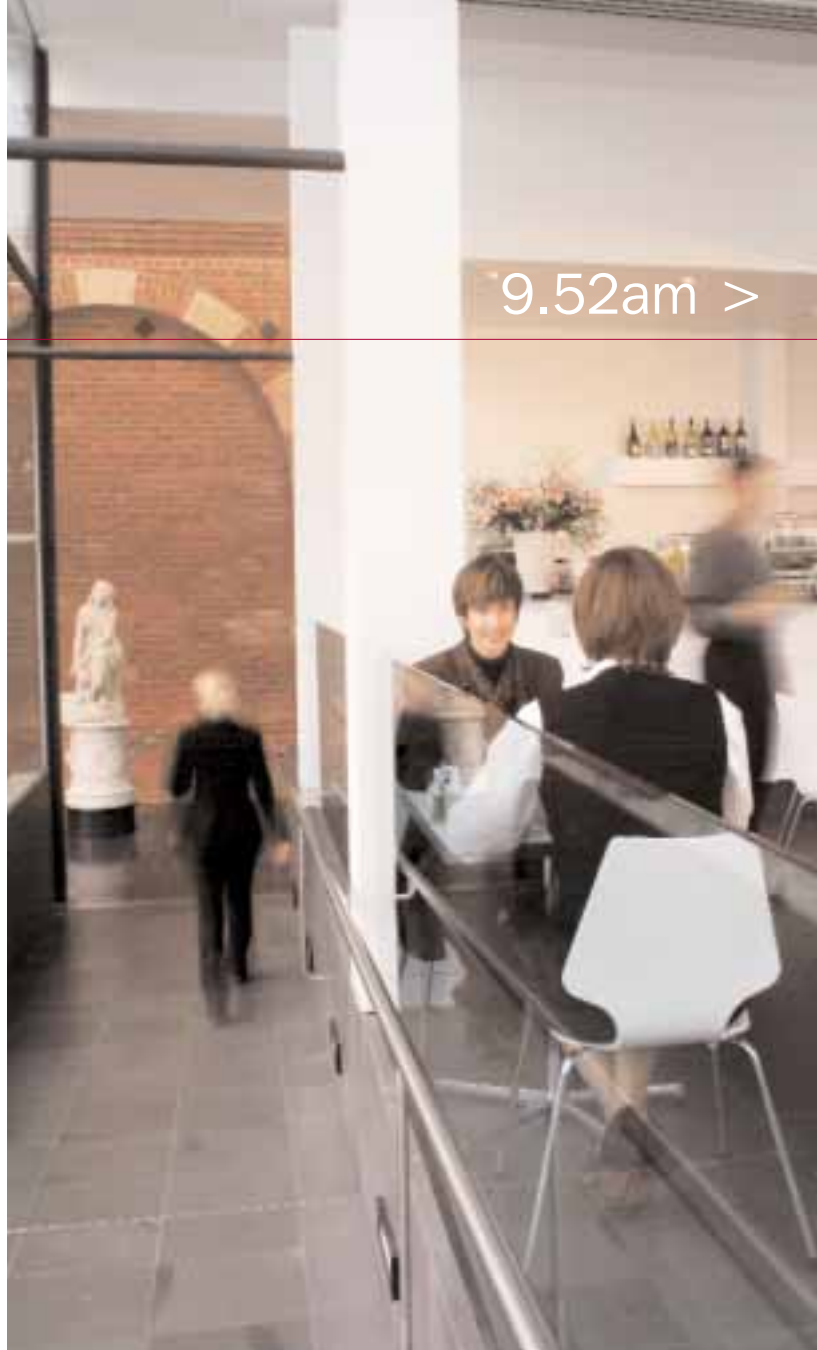
We wish to thank our fellow Directors, management and staff for their contribution to this year's result and continued commitment to the Group's strategy and the Bendigo way of banking.

#### Vale

Sadly, we record the death of former Chairman Eric Cohen, who died in August 2001 aged 85. Mr Cohen joined the Board of Sandhurst Building Society in Bendigo in 1950 before moving to the Board of our antecedent Bendigo Building Society in 1963. Assuming the chairmanship in 1970, Mr Cohen oversaw the merger with the Eaglehawk Star Permanent B.S. which became a catalyst for the society's rapid expansion in the last quarter of the century. Mr Cohen's former society, Sandhurst, became part of the Bendigo Group in 1983 before he handed over the chairmanship because of ill health in 1986. Eric Cohen retired from the Bendigo Board in 1988, ending 38 years of service in community financial services. He is survived by his wife Margaret and children Hugh and Jane, to whom we pass the Company's condolences.

Richard A. Guy OAM  
Chairman

Rob Hunt AM  
Group Managing Director



We are providing opportunities for our small business customers like Gallery Café owner Debbie Guiney, enhancing their prospects in a competitive business environment. Their business success accelerates our own.



11.18am >

Cause for celebration ... even for the next generation of customers like Kiera Palma. The opening of a new Community Bank heralds a brighter outlook for communities. Community Bank is not just about banking. It has also become a vehicle for wider economic and social change.

## FINANCIAL RESULT

Bendigo Bank's operating profit after tax increased by 47 per cent, to \$48.8 million.

The profit increase translated into a significant improvement in key performance ratios. Last year we outlined our aim to grow return on equity (ROE) by one per cent per annum for several years. This was achieved in 2001/2002, with ROE increasing from 9.4 per cent to 10.6 per cent. We aim for a further one per cent increase this year.

Earnings per share increased by 30.5 per cent, from 31.5 cents to 41.1 cents. The full-year dividend was 29 cents per share, fully franked at 30 per cent. The dividend payout ratio of 69 per cent was within our preferred range. The dividend is payable on 31 October 2002 to shareholders registered on the record date of 11 October 2002.

Revenues grew strongly across the board. Net interest income increased by 19.9 per cent, buoyed by the stability of our margin despite competitive pressures. Net margin increased by two basis points, to 2.68 per cent, attributable in large part to our strategy of declining to offer discounted introductory rates on home loans. The strength of the Bendigo Bank brand appeal is reflected in a 46 per cent increase in lending approvals, to \$3.64 billion, despite not providing this inducement for borrowers.

Asset quality remains sound, with net impaired loans falling by 40 per cent to \$11.9 million, which represents just 0.19 per cent of gross loans. General provisions increased by \$13.9 million - which included a one-off increase of \$10.4 million to reflect a change in accounting policy - and now total \$35.7 million, which is 0.79 per cent of risk-weighted assets.

# Bendigo is helping communities to develop resources for the future.

2002

On-balance sheet assets increased by 14 per cent, to \$7.97 billion. Asset growth was constrained by securitisation and sales of loans totalling \$708 million in line with our policy of active capital management. However total Group-managed assets, which includes managed funds and managed loans, increased by \$1.42 billion to total \$10.37 billion.

Total Group deposits increased by 12 per cent, to \$7 billion. Retail deposits increased by \$868 million, or 16 per cent, taking the ratio of retail deposits to total deposits to 91 per cent. This is a core strength of our balance sheet and helped us maintain our margin in a competitive environment.

The Company has attracted some criticism for not curtailing cost growth. In our view, though, this fails to acknowledge that our business is growing rapidly and has been doing so for some years. Much of our "cost growth" is attributable to investments in expanding our distribution network and building our capacity to generate strong and sustainable revenue growth. Our cost ratio is expected to fall as revenues grow and there is evidence of this in the current result, with our cost-to-income ratio falling to 70.5 per cent from 72.6 per cent. We expect further improvement over the next few years as current businesses mature and produce

income streams which more than offset investments. Benefits can also be expected from a Group-wide efficiency review currently underway.

We are strongly capitalised to take advantage of new growth opportunities, with our total risk-weighted capital adequacy ratio at 30 June 2002 at 11.69 per cent (Tier 1 was 9.28 per cent). During the year, 10.7 million new shares were issued and one million were cancelled as part of the Bank's share buyback program, taking the number of shares on issue to 124.8 million.

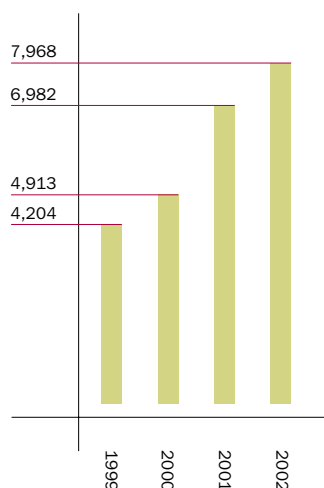
## Result at a glance

	June 02 \$'000	June 01 \$'000	% Increase/ (Decrease)
Interest income	446,954	454,365	(1.6)
Interest expense	254,361	293,677	(13.4)
Net interest income	192,593	160,688	19.9
Other operating income	100,053	76,815	30.3
Total net operating income	292,646	237,503	23.2
Total operating expenses	228,247	182,501	25.1
Profit before tax	64,399	55,002	17.1
Income tax expense	26,144	21,724	20.3
Significant item (Income tax expense)	(10,444)	-	-
Profit after tax	48,784	33,278	46.6

## Key measures

	June 02 \$'000	June 01 \$'000	% Increase/ (Decrease)
Total equity	494,427	422,797	16.9
Loans & other receivables	6,209,513	5,592,146	11.0
Total assets	7,967,725	6,981,517	14.1
Deposits	6,988,485	6,229,172	12.2
Lending approvals	3,637,170	2,494,609	45.8
Earnings per share	41.1 cents	31.5 cents	30.5
Return on average equity	10.6%	9.4%	12.8
Dividend per share - ordinary	29 cents	26 cents	11.5
Dividend per share - special	-	15 cents	-

## Total Assets (\$ mil.)



# The Bendigo way. Our banking dynamic shifts the focus - on to people.

2002

## RETAIL BANK

Our core business, the retail bank, faces the enviable challenge of meeting strong demand for the Bendigo style of banking. With one-in-ten Victorians holding an account with us in our home State, the potential to grow our interstate business is obvious.

During 2001/2002 we opened 36 new branches, five of them company-owned, 29 Community Bank franchises and 2 Tasmanian Banking Services branches. This was a 19 per cent increase in branch numbers - impressive growth but falling short of fulfilling demand for our services. At any one time we are working with around 80 communities on their Community Bank campaigns. We have also identified a substantial number of regional and metropolitan communities across Australia which we are confident will embrace our brand.

The past year saw us enter the major markets of Canberra and Sydney. By June 2003, we expect to operate seven company branches and at least five Community Bank outlets in the Sydney metropolitan region. Our first ACT branch, in Civic, will be joined by others as business volumes and funding allows. Community Banking has been embraced in Western Australia, where there are 20 locally-operated branches, and in July 2002 we opened our first WA company-owned retail bank branch, in Perth. New Queensland branches were established in Ingham, Bundaberg and Toowoomba as we expand the network inherited in our October 2000 merger with First Australian Building Society (FABS).

The Toowoomba branch was our 200th. The fact that we had just 74 branches when converting to a bank only seven years earlier provides stark evidence of the Company's rapid growth. This expansion is likely to continue into the foreseeable future.

Customer numbers, too, continue to grow quickly - net growth of 97,600 for the year - and more than 740,000 Australians now hold a banking relationship with us. Our challenge is to win a greater share of their banking business and so improve our return on the investment we have made in attracting customers to us. We are tackling this challenge in several ways.

Our product range continues to be expanded so we can provide our personal and business customers with a comprehensive menu of banking and related financial services. Wealth management insurance and leasing are examples of businesses which enhance our capacity to help customers achieve their financial aims while making increasing contributions to Group profitability.

Improving staff skills is an ongoing recruitment and training process. Many branches now have dedicated Customer Relationship Officers who are available to those customers requiring more detailed personal attention. We want our staff to be able to spend more time with customers requiring advice and we continually refine procedures and software to speed transactions and account-opening.

We are also conscious of the need to present a comfortable and welcoming banking environment and we are expanding and refurbishing busy

branches as funding permits. This is a sound investment, with 75 of our branches now \$75 million businesses in their own right. Branches play a critical role in forming relationships with our customers and our commitment to branch banking is paying off.

Finally, we are seeking to better reward those customers who commit most of their financial business to Bendigo. From 1 August 2002, we introduced a new fee structure, featuring Transaction Account Rebates which provide clear incentives for customers committing to Bendigo as their primary bank. Home and Home Equity loan customers enjoy rebates of fees paid on most transaction types; Personal Loan, Credit Card and Term Deposit account-holders receive additional fee rebates to acknowledge their support of our business.

At the same time, we remain determined to provide an affordable banking service to all customers and our fee structure continues to adhere to our long-standing principles of fairness and user-pays. We offer accounts free of account-keeping fees and all personal banking customers retain access to some free banking. The special needs of retirees, children, schools, clubs and charities are met through higher rebates. While these measures place Bendigo at a significant financial disadvantage to many competitors, we believe Australians of all means require access to affordable banking.

Transaction fees on everyday accounts contribute less than three per cent of our revenue, but this income is essential to maintaining our service levels and continuing our branch expansion program.



12.02pm >

We are committed to providing our customers with the option of face-to-face service from staff members like Kim Schepers. Personal service conveys commitment and strengthens our relationships for the long term.

**Agencies**

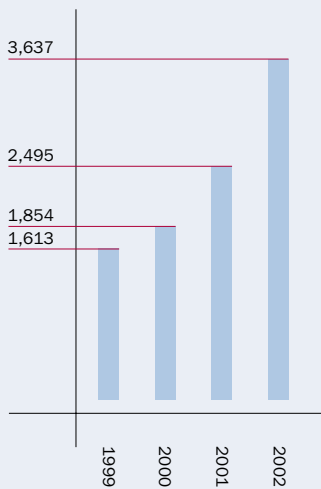
Agencies enable us to support a greater number of communities. We have 112 public agents, with nine new agents accredited during the year. Five of these were introduced by Community Banks looking to provide banking facilities to smaller communities either lacking the capacity to support a full branch or seeking to gauge the level of support before proceeding with a full branch. We also have 307 referral agents.

**Business banking**

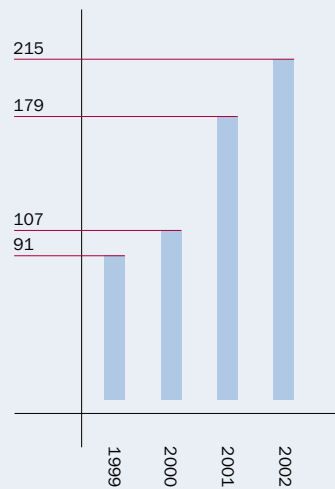
Supporting small to medium enterprises (SMEs) is essential to achieve our aim of improving the prospects of communities we serve. We have steadily built our business banking capacity since converting to a bank and have now reached the point where we can provide to our markets a comprehensive service which includes a full range of finance and trading options.

Our business banking has traditionally centred on small businesses with simple needs - a loan secured by a private dwelling and a simple trading account. As we have developed our capabilities, though, larger and more complex businesses have been attracted to us. Recognising their different needs, we have, from 1 July 2002, split our Retail Bank into two distinct divisions - consumer banking and business banking. Concurrently,

**Lending approvals (\$ mil.)**



**No. of Branches**



we restructured our business banking division to ensure we can service customers based on their common financial needs, rather than simply where they happen to be located.

Business people requiring simple financial solutions retain a relationship with their local branch manager who can help them manage their personal and business finances. Businesses with more complex needs (eg. international trade) are managed by specialist business bankers with the skills to work with them to enhance their growth prospects, and therefore ours.

Our investment in business banking is helping us to further diversify the assets on our balance sheet and so reduce our historic dependence on home lending. Lending for commercial purposes now comprises 26 per cent of our loan portfolio and we expect growth to increase this to more than 30 per cent in the next few years. Achieving this aim will help make our balance sheet more resilient to margin pressures and to cyclical housing market downturns.



1.12pm >

We accommodate the specific needs of customers like Kevin de Vries through niche banking programs such as Guild Banking, a profitable initiative which provides specialised banking services to pharmacists.

#### Community Bank (See also Community Development, p.16)

Community Banking, in which local communities own and operate a Bendigo franchise, is now in its fifth year and is succeeding for its communities and our Company. Its after-tax contribution in 2001/2002 was \$5.4 million from total business now approaching \$2 billion.

The first 30 Community Bank branches are now returning sustainable monthly surpluses to their local owners. A growing number of community companies are paying their shareholders dividends as well as ploughing surpluses back into community initiatives. More information can be found at [www.communitybank.com.au](http://www.communitybank.com.au)

Community Banking business is accelerating rapidly. The first billion dollars in business took three years; the second will be achieved in a little over a year as established branches

mature and new branches come on line. Community Banking has clearly been embraced by customers, and the most successful branches have attained \$40 million in business in their first year despite sometimes aggressive price competition. This affirms our view that there is a strong and viable market for a bank which is prepared to commit to improving the prospects of communities.

We do not confine our view of “community” to geography alone. For example, while our new Community Bank branch at Strathfield, in Sydney, services the entire community, its establishment was largely driven by the local Korean community which regards the venture as an opportunity to enhance the prospects of its members. While not Community Banks, private franchises operating in Melbourne operate on a similar financial model. Housing Loans

Group opened its second franchise branch, in Boronia, in December 2001, and February 2002 saw the launch of a city-based Private Banking Services franchise which services the needs of professionals who seek a dedicated personal banking service. We are also talking with other groups sharing discrete communities of interest to see how we might service their banking needs.

Expansion of services continues. The anticipated opening of branches at Geeveston and Dover in Tasmania this year means Community Bank will be represented in all States. We expect to open our 100th Community Bank branch in late 2003 and new inquiries continue to be received, adding to the more than 2000 we have received since the program’s inception.

#### e-banking

Having established a strong e-banking presence in recent years, 2001/2002 saw significant advancements in the functionality of our system, enabling payments to be authorised from multi-signatory accounts and downloads of account information into accounting software packages. Online share trading was launched, with broking services provided through the Australian arm of TD Waterhouse, one of the world’s leading discount brokers. In May 2002, we launched an online financial services “super store” providing customers with access to a wide range of financial services from the Bank and other product

# Bendigo leads the way by understanding, not prescribing.

2002

providers. The site was established through a licensing agreement with financial portal operator Inch Corp, in which we own a 30 per cent stake. It provides advice and products covering the full range of lifestyle needs - from first job and car, through marriage and mortgage, to superannuation, retirement and estate planning. We plan further significant enhancements to customer services this year.

e-banking usage continues to boom, with usage growing by 133 per cent and BillPay transactions up by 128 per cent.

## New products

The Group continues to develop new products aimed at helping customers achieve their financial goals. Online services were expanded by the addition of a share trading platform, a financial services portal and functional enhancements for business customers. Our Green Personal Loan was launched as the first in a series of specially-priced loans to encourage environmentally sustainable development. Our Margin Lending facility provides investors with fixed term or variable rate loans to invest in an approved list of more than 100 listed companies and managed funds. The first Bendigo Managed Funds were also released.

## Phone Bank

While the popularity of Phone Banking has been usurped by e-banking, it nevertheless continues to grow rapidly, with 58 per cent more calls than the previous year.

## Queensland

Our expansion into Australia's third most populous, and fastest-growing State represented a multi-million dollar investment and a significant challenge. As a new entrant to the Queensland market, Bendigo Bank was an unknown quantity. We needed to establish not just awareness of our brand but also an understanding of what it stands for. Already, though, just a year after the conversion of First Australian Building Society to Bendigo Bank, business volumes indicate that the Bendigo style of banking is being embraced. Customer numbers are increasing and monthly growth in deposits and loans exceeded our targets in the latter part of the financial year. Company representations to Government, civic and business leaders have been well received and there is an understanding of our desire to contribute to the success of those communities in which we operate. We are confident this will win us a good share of business in Queensland.

As indicated to the Queensland Government when we first began talks with First Australian, we are increasing job numbers and expanding banking services. Six branches were upgraded to Bendigo's contemporary style, with ten more planned this year. New branches at Ingham, Bundaberg and Toowoomba will be followed by more this year and we have commenced talks with some inland communities which are keen to have Bendigo in their towns. We opened our first Community Bank branches and more will follow. Business banking operations are being expanded and we continue to build the skill levels of branches.

## New branches (2001-2002)

### Company-owned

- > Bannockburn, Vic
- > Bundaberg, Qld
- > Canberra, ACT
- > Clifford Gardens, Qld
- > Parramatta, NSW

### Community-owned

- > Beaufort, Vic
- > Biggiera Waters, Qld
- > Boronia, Vic
- > Brendale, Qld
- > Brookton, WA
- > Clovelly, NSW
- > Collie, WA
- > Dingley Village, Vic
- > Drouin, Vic
- > East Keilor, Vic
- > Galston, NSW
- > Gosnells, WA
- > Halls Head, WA
- > Harbord, NSW
- > Homebush, NSW
- > Kew East, Vic
- > Mooroolbark, Vic
- > Mount Gambier, SA
- > Mt Barker, WA
- > Mt Evelyn, Vic
- > Mukinbudin, WA
- > Mundaring, WA
- > Paradise Point, Qld
- > Pingelly, WA
- > Pinjarra, WA
- > Private Banking Services, Vic
- > Strathfield, NSW
- > Strathmore, Vic
- > Wandin Seville, Vic

### Tasmanian Banking Services

- > Hobart
- > Devonport

# Bendigo continues to muster support for rural enterprise.

2002

## SUBSIDIARIES AND JOINT VENTURES

### Community Sector Banking (CSB)

CSB provides specialist and general banking services to Australia's not-for-profit sector. Based on our Community Bank model and launched in July 2002, it is a joint venture between the Bank and Community 21, a company representing 19 sector organisations. Profits will be shared, providing incentives for sector members to bank through CSB and generating a committed buying group for Bendigo. CSB will increase banking competition in the sector, which will also benefit through improving the return it generates from its cashflow. CSB is based in Wollongong, with mobile bankers in other cities. Services are provided online, with customer organisations also able to use our branches when required.

### Elders Rural Bank (ERB)

ERB's second year as a stand-alone bank produced a strong result, with after-tax profit increasing by 56 per cent, to \$16 million. Gross loans under management increased by 25 per cent, and retail deposits by 28 per cent, to \$1.2 billion, meaning the Bank remained 100 per cent funded by retail deposits. This excellent result was attributable to several factors: heightened awareness of ERB's status as a banker committed to agribusiness, a broader product range and enhanced service delivery, strong commodity prices, and favorable seasonal conditions and exchange rates for many primary producers.

ERB is nearing the completion of a two-year investment in technology to broaden its product range, improve services to customers, and to achieve efficiencies in lending. Online banking is now available through more than 400 Elders, Bendigo Bank and Community Bank outlets throughout Australia.

### National Mortgage Market Corporation (NMMC)

NMMC sources securitisable housing mortgages from third parties and provides securitisation and mortgage administration services to the Group. NMMC Loan Administration has continued to establish its position as a third party service provider and manager of loan portfolios. In addition to management and service roles for the Bank's Banksia Securitised Trusts, it fully services two loan portfolios and is the back-up service provider of five portfolios in both government and private sectors. NMMC's loan administration and origination arms worked closely together during the year on growth strategies and on raising the Company's profile across Australia. Our sponsorship of the Mortgage Industry Association of Australasia annual conference in May 2002 resulted in strong business leads and the likelihood of further contract work.

### Sunstate Lenders Mortgage Insurance Pty Ltd (Sunstate)

As a result of our merger with FABS, we acquired Sunstate, a Queensland-based mortgage insurer with which FABS had two-thirds of its loans insured. Sunstate is reinsured with Centre Re. Based in Dublin, Centre Re is a wholly owned subsidiary of Zurich Financial Service Group and is rated AA for Insurer Financial Strength by Standard and Poor's. Sunstate LMI is an authorised mortgage insurer and is regulated by the Australian Prudential Regulatory Authority. The Bank insures all loans with an LVR above 80 per cent and will channel a substantial amount of this business through Sunstate, thereby generating revenue streams from services which would otherwise be contracted through third parties.

### Tasmanian Banking Services (TBS)

A joint venture between Bendigo Bank and Tasmanian Trustees, TBS returns a level of ownership to the Tasmanian banking market.

The year saw completion of the initial rollout of TBS branches, with new premises in Hobart central and Devonport complementing branches in Burnie, Launceston and Rosny Park. The business is rapidly increasing its awareness with customers and is now well positioned to capitalise on the growing demand for responsive local banking services. The merger between Tasmanian-based trustee companies Tasmanian Trustees and Perpetual Trustees has formed a substantial institution, further strengthening the company's capacity to provide competition in the local finance market.





1.58pm >

Farmer Kevin Gallagher knows there is no fence-sitting when it comes to a commitment to regional Australia. Elders Rural Bank is yielding excellent results as awareness of its commitment to agribusiness grows.

#### Wealth Management

Our wealth management division is now established, with Sandhurst Trustees, Victorian Securities Limited, Worley Securities and Bendigo Investment Services forming the major part of the business.

To optimise our effort in this area we purchased IOOF's half-share in Bendigo Investment Services and expanded its advisory network into South Australia. In addition, a milestone was achieved in June 2002 with the launch of our first Bendigo Managed Funds prospectus, which provides customers with a choice of five managed investment products and the Group with a source of fee-based income which will be increasingly important as customers balance their investment portfolios between bank deposits and share and property-based exposures.

Sandhurst Trustees Limited plays a pivotal role within the wealth management division. As well as

its traditional trust management and wills & estates functions, Sandhurst is the cash and mortgage manager of the Group's managed investment funds. Separately, Sandhurst has a role in managing and monitoring the performance of external investment managers. Sandhurst's ability in these roles was recognised at an industry level with it being named runner-up in the mortgage category of the 2001/2002 Money Management/Assirt Funds Management Awards, and the Sandhurst Australian Industrial Share Fund (managed by Investors Mutual Limited) winning Australian Share Fund of the Year in Personal Investor magazine's Awards for Excellence in Financial Services.

Sandhurst's contribution to 2001/2002 Group profit increased by 55 per cent. Assets and funds managed by Sandhurst grew by \$244 million, to \$1.21 billion, and fee income rose sharply.

The Ballarat-based investment company Victorian Securities Corporation Limited (VSCL), merged into our Group three years ago, significantly increased its contribution to Group profit. Record loan growth saw loan balances grow by 38 per cent to top \$100 million. Asset quality remained sound. Strongly committed to the western Victorian region, VSCL is gradually expanding its operations into other regional areas and a number of niche markets in Melbourne. It is also piloting distribution of its prospectus through the Bank's branches.

Bendigo Investment Services and Worley Securities, the Group's financial planning businesses, continue to be successful in assisting increasing numbers of our customers achieve their desired financial outcomes.



3.14pm >

EFTPOS continues to facilitate the lives of customers like Paulette Jobe. Instant access to funds at point of sale makes it easier to carry out everyday tasks.

## COMMUNITY DEVELOPMENT

Investing in community enhancement is at the core of our business strategy. This requires us to invest time and effort in engaging with communities to work on solutions to the various challenges facing them. The return on our investment, though, is a more prosperous and committed community which regards Bendigo Bank as being a valuable contributor to its well-being and thus worthy of support. We believe this approach will make us more relevant to our markets, resulting in sustainable long-term growth for our Company. Our community enhancement initiatives include:

**Community Bank**  
(See also Retail Banking and [www.communitybank.com.au](http://www.communitybank.com.au))

Ostensibly a solution to the need for local retail banking services, Community Bank provides communities with a publicly-owned vehicle through which they can effect wider economic and social change. LaTrobe University Bendigo's Centre for Sustainable Regional Communities studied the first five communities to open branches and concluded that "the Community Banking initiative has positive social and economic effects in all communities". The report continues: "In economic terms, the benefit of a local bank branch is between 3% and 7% with the effect on the retail sector being much larger. This increase in economic activity translates into significant financial benefits to communities." A number of communities have channelled operating surpluses into various projects aimed at building

# Bendigo is keeping up with the pace of customers' lives.

2002

economic capacity and improving community facilities. These activities will increase as surpluses grow.

Bendigo is also working on Community Bank Stage 2 developments to enable communities to spend more effectively and therefore become more self-sufficient and sustainable. We are helping local businesses develop strategies to retain a higher proportion of retail expenditure while also delivering improved pricing and services to their customers. Achieving this will strengthen their economies and therefore our business.

A number of Community Bank boards have undertaken initiatives to expand their operations to neighboring communities, either through sponsoring their own branches or through agency arrangements which provide revenue streams back to that community. These initiatives further enhance local districts by improving services and retaining a higher proportion of local capital.

We do not underestimate Community Bank's effect on local morale. It has inspired a "can do" attitude which has prompted community leaders to explore how else they can channel their co-operative spirit into commercially based ventures which improve their district's prospects.

## Community Telco

Many rural and regional communities face significant disadvantages due to inadequate telecommunications services, with poor bandwidth inhibiting data transmission, slow internet connectivity and no real competition between carriers. Community Telco Australia (CTA) has piloted a commercial model which enables communities to channel their demand for telecommunications services through a local publicly-owned company and so create a

more attractive market for suppliers. Through its relationship with a preferred supplier, this company can provide enhanced services that generate a more competitive business environment while also providing the supplier with the certainty of a return on its infrastructure investment.

Bendigo Bank is the majority shareholder of CTA. The CTA project concept was piloted first in September 2000 in Bendigo, where Bendigo Community Telco is growing quickly, servicing more than 450 businesses and expanding into the household market. A second company, iTEL Community Telco, was launched in Ipswich (Qld) in April 2002 and services the greater Ipswich region. Sunshine Coast in Qld and Gosnells WA are presently working through the project model and CTA is working with a further six communities.

## Environment

Sustainable growth requires good environmental practices. The Bank is introducing incentives for customers to reduce their impact on the environment. This year saw the launch of our Green Personal Loan to encourage householders to install energy and water-efficient products. Further Green Loans are planned. Our Corporate Delivery team is improving the Bank's own resource usage, which can also improve our financial performance. A review of current practices has identified that energy reduction savings can be achieved by simple methods such as switching off equipment when not in use. We are currently working with consultants on tools to manage the total demand for energy across our network. This includes looking at ways to build smart technologies into our buildings to better control lighting and air conditioning systems.

## Lead On

Today's youngsters will be tomorrow's community and business leaders and the community-driven Lead On program engages them in civic and business life, promoting their development and inculcating in them a sense of community and an appreciation of the contribution they can make. Bendigo Bank is a strong supporter and sponsor of Lead On. Started in Bendigo in 1999, Lead On expanded into Mildura and Echuca (both in Victoria) and last year opened centres in Swan Hill (Vic.) and Ipswich (Queensland). Last year more than 650 young people participated, working with more than 100 businesses or organisations. Lead On is also compiling and editing a book written by young people about the experiences of 24 of the communities that have opened a Community Bank branch.

## Regional development

We continue to develop initiatives aimed at boosting regional investment. Our Regional Development Fund's investment in the Lismore-based company Aspect North has helped it win national and international contracts and create 100 jobs. Bendigo Stock Exchange continues to expand its services, winning a contract to provide a market for Victorian tax licences and announcing plans to trial a trading platform for Community Bank shares.

## Sponsorships

We continue to sponsor the arts, sport, education, cultural activities and charities throughout the regions we serve.

# The next generation of success will be the legacy of Bendigo's investments.

2002

## SHAREHOLDER INFORMATION

As at 31 July 2002, Bendigo Bank (ASX Code BEN) had on issue 119,996,488 listed ordinary shares, 4,835,507 unlisted employee shares and 4,395,893 listed convertible capital notes.

During the past 12 months, holders of 817,162 capital notes elected to convert their notes into shares. These notes are perpetual, convertible, fixed-interest securities paying 8.00% on their issue price of \$4.10. They may be converted into ordinary shares on a one-for-one basis, at any of the six-monthly interest dates until 31 May 2007.

During the past year, the Board allotted 2,129,760 unlisted employee shares to staff of the Bendigo Bank Group under the terms of the Bendigo Employee Share Ownership Plan as approved by Shareholders.

### Dividend options

The Bank offers a Dividend Reinvestment Plan and a Bonus Share Scheme to enable shareholders to reinvest their dividends into new shares. The new shares issued under these Plans are currently free of brokerage and issued at a five per cent discount to the weighted average market price over the five trading days prior to issue. Shareholders may alternatively elect to credit their dividends directly to their account with Bendigo Bank or any other financial institution. To amend the way in which Shareholders have their dividends paid, they should contact the registry for a Dividend Nomination Form (see below for contact details).

### Shareholder Privileges

Individuals who hold 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](http://www.bendigobank.com.au), or by contacting a Branch or Bendigo OnCall (1300 366 666)

### Securities Registry

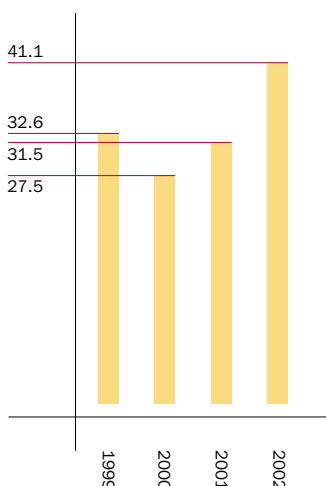
Manager, Allan Thomas and his staff, Karyn Flynn and Cindy Morris, can provide assistance with matters relating to all the Company's listed securities by:

Mail:  
Securities Registry  
Bendigo Bank  
PO Box 480  
BENDIGO VIC 3552

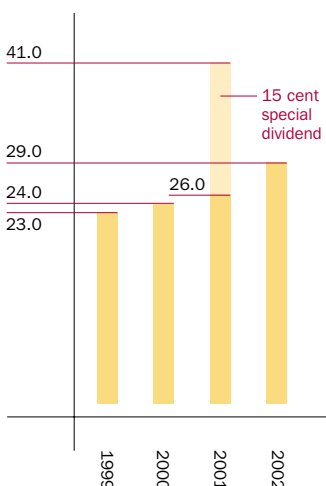
Telephone:  
(03) 5433 9549  
or 1800 646 042

Fax:  
(03) 5433 9029  
E-Mail:  
[share.register@bendigobank.com.au](mailto:share.register@bendigobank.com.au)

Earnings per share (cents)



Dividend per share (cents)





4.37pm >

Max Wilson's investment in his local Community Bank will help secure a committed banking partner for grand-daughter Gabrielle Barlow's generation.



7.43pm >

Head office staff like Jodie Giles are available to answer customer inquiries seven-days-a-week.



**CHAIRMAN**  
RICHARD GUY OAM



**DEPUTY CHAIRMAN**  
ROBERT JOHANSON



**GROUP MANAGING DIRECTOR**  
ROB HUNT AM



NEAL AXELBY



JENNY DAWSON



DON ERSKINE



BILL LANYON



TERRY O'DWYER



KEVIN ROACHE

The Directors and staff of Bendigo Bank 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.

#### Board of Directors

The Board governs the Bank within a framework of established principles, policies and procedures which ensure that 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' and senior officers' 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.

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

The Board currently consists of eight non-executive Directors and the Managing Director. Details of the Directors, their qualifications, experience, special responsibilities, remuneration and attendance at meetings are set out in the Statutory Directors' Report on page 28.

# Bendigo is on-call to meet customers' needs.

2002

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The composition of the Board is determined on the basis of 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 and Deputy Chairman of the Board shall be non-executive Directors.
- > The Board should comprise Directors with good general business skills and experience and representing 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. The number of Directors must not be fewer than five nor more than ten. The Constitution further provides 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. New appointments to the Board must be approved by the full Board and by the shareholders at the following Annual General Meeting.

### Chairperson 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 business

strategy and supervising the management of the Bank in accordance with the major strategic goals, objectives and business plans set by the Board. The duties, responsibilities and key performance objectives of the Managing Director are clearly defined by the Board and are reviewed annually.

### Performance evaluation

The Board annually reviews its own performance. The performance and contribution of each Director (including the Chairman) is formally reviewed by the other Directors. Individual reviews are conducted by the Chairman and the Board reviews its collective performance. The non-executive Directors also consider the relationship between the Board and management.

### Remuneration

Remuneration arrangements for non-executive Directors and the Managing Director are determined by the full Board based upon recommendations from the Board's Governance Committee. The Committee surveys the range of comparable remuneration levels, in particular within the banking and finance industry, and takes into account the remuneration which would reasonably be expected in order to attract Directors with the knowledge and experience required by the Bank.

Committee recommendations are based on a number of factors including size, complexity and longer term performance of the group, comparisons with remuneration levels of other corporations of a similar size and nature, Director responsibilities and demands placed on Directors in performing their role.

As the focus of the Board is on the long-term strategic direction and performance of the Company, there is no direct link between non-executive Director remuneration and the short-term results of the Bank.

Non-executive Directors receive a benefit in the event of their retirement from the Board. This benefit is equal to the aggregate of the remuneration paid to the Director during the three-year period prior to retirement. Any payment must not exceed the retirement benefit limit under the Corporations Act.

Additional fees are also paid to the members of the credit committee in recognition of the time and contribution associated with the committee's responsibilities.

The total aggregate amount of non-executive Directors' fees was approved by the shareholders at the Annual General Meeting held in October 2000 as not to exceed \$900,000 per annum.

### Dealing in Bank's securities

Directors are not permitted to deal in the Bank's securities without first notifying the Chairman and following any dealing, the full Board is required to be advised. Directors are prohibited from trading for specific periods during the year, such as the ten-week period prior to announcement of the Bank's annual and half year results and also prior to any other important announcements which are likely to affect the price of the Bank's securities. A similar restriction also applies to senior officers of the Group.

# Bendigo is making the right moves at the right time - 24/7 home banking.

2002

## Independent Professional Advice

In the execution of their duties, Board members are entitled to seek independent 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 ever having arisen in which a Director has requested external advice.

## Conflict of interest

Directors are required to disclose any interests in any contract, agreement or property which may affect their position as a Director of the Bank. In the event that a conflict of interest arises, they must withdraw from voting on the matter and, if required by the meeting, also withdraw from discussion.

## Shareholder relations

The Managing Director and Chairman are responsible for ensuring that shareholders are appropriately informed about the Bank's activities and performance. This is achieved by the provision of information to shareholders in accordance with:

- > Compliance with all reporting obligations prescribed by the Corporations Act 2001
- > Compliance with the continuous disclosure and periodic reporting requirements established by the Australian Stock Exchange Listing Rules
- > Distribution of information via quarterly shareholder newsletters

- > Placement of company information on the Bank's website including results announcements, annual reports and financial statements, market announcements and other releases which may be of interest to shareholders
- > Webcasting of the Bank's results announcements and Annual General Meetings.

## Committees of the Board

To help it discharge specific aspects of its responsibility, the Board has appointed a number of committees, namely Audit, Governance, Credit, and Risk Committees. The Board recognises that the committees do not reduce individual Director responsibilities but make the Board more effective. 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 non-executive Directors and the Managing Director. Committee membership is set out in the Statutory Directors' Report.

## Governance Committee

It is the committee's responsibility to review and recommend to the Board in relation to the size, composition, and criteria for Board membership. In addition the committee is responsible for:

- > determining the terms and conditions relating to the appointment and retirement of non-executive Directors;
- > overseeing the process to assess the performance of Directors and the Board as a whole and making arrangements for Directors and the Board to assess their own performance;

- > selecting and nominating candidates for Board membership, including appointments to fill casual vacancies;
- > monitoring and recommending to the full Board in respect to the remuneration arrangements for Directors and the major remuneration policy practices for the Bank generally.

## Audit committee

The committee's main objective is to assist the Board to monitor and review the effectiveness of the Group's financial reporting and audit arrangements. The committee's main responsibilities are to:

- > 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;
- > Monitor compliance with the Bank's audit independence policy;
- > review and evaluate risk management policies and procedures;
- > determine and evaluate the internal audit function;
- > review the effectiveness of the internal control environment established by management;
- > monitor compliance with Australian accounting standards and statutory reporting requirements;
- > review and report to the Board on the financial statements and the concise annual report prior to publication;
- > oversee due diligence arrangements in respect to statutory reporting and major transactions of the Group.





10.27pm >

#### Credit committee

The 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 management. In addition the role of the credit committee includes responsibility for:

- > establishing, monitoring and reviewing all aspects of lending policy;
- > overseeing credit practices, approval authority levels, delegation of credit limits, large exposures and reporting of portfolio management.

#### Risk committee

The Board has appointed a risk committee to review and monitor policies and standards for all balance sheet and off balance sheet activities which expose the organisation to risk of loss (other than credit risk), taking into account the Bank's risk tolerance, overall business strategy and management expertise.

The role of the committee includes responsibility for:

- > Reviewing the financial strategy for the Group, monitoring the development of the Group's balance sheet and off balance sheet activities and reviewing controls to limit exposures to within prudent limits;
- > Monitoring changes in the Group's balance sheet, funding and risk profile to ensure consistency with the financial strategy;
- > Monitoring of risk management policies and strategies in respect to interest rate risk, funding and liquidity risk and operational risk.

Bendigo customers like Gary Crouch can access their accounts at any time - with 24 hour e-banking. This year we launched our online financial services 'super store'.

### 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 Board recently approved a formal Operational Risk Management Framework which defines the processes and tolerance limits for managing operational risk across the Group's business operations. The new framework is being progressively implemented in all business divisions over the next 12 months.

### Ethical standards and performance

The Bank has built a set of "Corporate Values and Behaviors" which were developed by a representative group of staff drawn from all areas of the organisation. They state the corporate ethics and philosophy of the Bank so that those with whom the Bank may have a relationship will be informed of the values and standards of behavior to which the Bank adheres. They outline Bendigo's responsibilities to its shareholders, customers, suppliers, employees and to the community. They provide 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.

### Audit independence

During the year the Board, on recommendation of the audit committee, adopted a policy statement formalising a number of audit independence safeguards and protocols. The policy provides for a comprehensive six-monthly reporting framework, through the audit committee, covering potential circumstances or events which may adversely impact the independence of the audit function.

### Continuous disclosure

The Board recognises the importance of ensuring that our shareholders, and the broader investment market, are continuously informed of all major business events and transactions that effect the Bank. The Bank has established policies and practices to ensure that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure and reporting requirements of the Corporations Act and ASX Listing Rules.

Our policy provides that the Bank will release to the market all price sensitive information, including interim and annual profit announcements and statutory reports, promptly following lodgement of the information with the ASX.

Our Board meeting agenda includes continuous disclosure as a standing item. The Managing Director, Chairman and executive officers are responsible for identifying matters or transactions arising between Board meetings which require disclosure in accordance with the ASX Listing Rules. The agenda of the Bank's fortnightly management executive committee meetings are monitored by the Managing Director and Company Secretary for compliance with continuous disclosure requirements.

All market announcements must be approved by the Managing Director and/or the Chairman. Release is coordinated through the Bank's Public Relations Manager and Company Secretary, who is responsible for coordinating communications with the ASX and for ensuring that such information is not released to external parties until confirmation of lodgement is received from the Exchange.

The Bank's communications policy provides clear authorities and protocols for all external communications, in particular the ASX, regulatory authorities, media and brokers.

The bank is a registered member of "ASX Online", which service is used to efficiently and securely lodge all communications with the Exchange. Company announcements and shareholder communications are placed on the Bank's website following release to the ASX.

# Concise Financial Report

> 2002

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Bendigo Bank Limited  
ABN 11 068 049 178

## IMPORTANT INFORMATION FOR MEMBERS

The Directors' Report, Concise Financial Report and Auditors' Report contained within this document represent a Concise Report. The Full Financial Report of Bendigo Bank Limited for the financial year ended 30 June 2002 and the Auditors' Report thereon will be sent, free of charge, to members upon request.

**Members wishing to receive the Full Financial Report and Auditors' Report may arrange to obtain a copy by either:**

- (i) **visiting our website at [www.bendigobank.com.au](http://www.bendigobank.com.au), or,**
- (ii) **contacting the Bank's Share Registry on (03) 5433 9549.**

The Concise Financial Report contained within this document has been derived from the Full Financial Report of Bendigo Bank Limited for the financial year ended 30 June 2002 and cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the economic entity as the Full Financial Report.

## FIVE YEAR HISTORY

### The Bendigo Group

2002

	2002 \$'000	2001 <sup>1</sup> \$'000	2000 <sup>2</sup> \$'000	1999 <sup>3</sup> \$'000	1998 \$'000
<b>Financial Performance year ended 30 June</b>					
Interest revenue	446,954	454,365	296,762	230,224	195,052
Interest expense	254,361	293,677	179,877	137,002	117,008
Net interest margin	192,593	160,688	116,885	93,222	78,044
Significant income items	-	-	-	1,165	-
Other revenue	100,053	76,815	57,945	43,761	32,606
Significant bad & doubtful debts expense	10,444	-	10,500	(5,318)	-
Bad & doubtful debts expense (net of bad debts recovered)	11,603	10,130	7,613	6,452	5,123
Significant expense items	-	5,000	-	-	-
Other operating expenses	206,200	167,371	119,363	100,953	83,461
Profit from ordinary activities before income tax expense	64,399	55,002	37,354	36,061	22,066
Income tax expense	15,700	21,724	16,042	16,359	7,873
Net loss attributable to outside equity interest	85	-	-	-	-
Profit from ordinary activities after income tax expense	48,784	33,278	21,312	19,702	14,193

#### Financial Position at 30 June

Total assets	7,967,725	6,981,517	4,913,417	4,204,239	3,170,923
Loans	6,209,513	5,592,146	3,939,894	3,298,802	2,493,406
Liquid assets and cash	1,439,866	1,125,675	801,859	713,997	566,971
Other assets	318,346	263,696	171,664	191,440	110,546
Equity	494,427	422,797	288,357	243,089	149,690
Deposits	6,988,485	6,229,172	4,394,669	3,775,873	2,832,121
Subordinated debt	161,379	135,394	78,121	82,959	106,636
Other liabilities	323,434	194,154	152,270	102,318	82,476

#### Share Information

Net tangible assets per share	\$3.38	\$3.02	\$3.00	\$2.85	\$2.61
Earnings per share - cents	41.1	31.5	27.5	32.6	29.1
Earnings per share before significant items - cents	41.1	34.8	36.5	30.7	29.1
Dividends per share:					
Interim - cents	12.0	11.5	10.5	10.5	10.0
Special - cents	-	15.0	-	-	-
Final - cents	17.0	14.5	13.5	12.5	11.5
Total - cents	29.0	41.0	24.0	23.0	21.5

#### Ratios

Profit from ordinary activities after tax to average assets	0.65%	0.56%	0.47%	0.53%	0.49%
Profit from ordinary activities after tax to average equity	10.64%	9.36%	8.02%	10.03%	9.83%

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

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

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

## FIVE YEAR COMPARISON

### The Bendigo Group

		2002	2001 <sup>1</sup>	2000	1999 <sup>2</sup>	1998
<b>Key Trading Indicators</b>						
Retail deposits - branch sourced	(\$'000)	5,637,887	4,756,755	2,953,813	2,530,347	1,771,062
Number of depositors' accounts		850,979	720,709	481,153	439,034	374,285
Average balance per account holder	(\$)	6,625	6,600	6,139	5,763	4,732
Total loans approved	(\$'000)	3,637,170	2,494,609	1,854,284	1,613,490	1,052,889
Number of loans approved		47,325	40,614	32,243	27,751	21,155
Liquid assets and cash	(\$'000)	1,439,866	1,125,675	801,859	713,997	566,971
Total assets	(\$'000)	7,967,725	6,981,517	4,913,417	4,204,239	3,170,923
Liquid assets & cash as proportion of total assets (%)		18.07	16.12	16.32	16.98	17.88
Number of branches <sup>3</sup>		215	179	107	91	78
Average deposit holdings per branch	(\$'000)	26,223	26,574	27,606	27,806	22,706
Number of staff (FTE)		1,754 <sup>4</sup>	1,533 <sup>5</sup>	1,011 <sup>6</sup>	847 <sup>7</sup>	785
Assets per staff member <sup>8</sup>	(\$'mill)	4.543	4.554	4.860	4.964	4.039
Staff per million dollars of assets <sup>8</sup>		0.22	0.22	0.21	0.20	0.25

<b>Dissection of Loans by Security<sup>9</sup></b>	<b>(\$'000)</b>					
Residential loans		4,583,210	4,188,134	2,774,278	2,416,793	1,785,182
Commercial loans		1,239,538	1,041,388	893,760	740,454	637,122
Unsecured loans		403,396	337,130	293,210	142,546	92,635
Other		52,692	81,239	28,663	30,001	17,199
<b>Gross loans</b>		<b>6,278,836</b>	<b>5,647,891</b>	<b>3,989,911</b>	<b>3,329,794</b>	<b>2,532,138</b>

<b>Dissection of Loans by Security</b>	<b>(%)</b>					
Residential loans		72.99	74.15	69.53	72.58	70.50
Commercial loans		19.74	18.44	22.40	22.24	25.16
Unsecured loans		6.42	5.97	7.35	4.28	3.66
Other		0.85	1.44	0.72	0.90	0.68
<b>Total</b>		<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

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

<sup>2</sup> Figures for 1999 include the acquisition of IOOF Building Society effective 1 April 1999.

<sup>3</sup> Includes Community Bank branches.

<sup>4</sup> Includes staff increases from the acquisition of Bendigo Investment Services.

<sup>5</sup> Includes staff increases from the acquisition of First Australian Building Society.

<sup>6</sup> Includes staff increases from the acquisition of Victorian Securities Corporation Limited.

<sup>7</sup> Includes staff increases from the acquisition of IOOF Building Society.

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

<sup>9</sup> 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.

2002

Your Board of Directors has pleasure in presenting the 137th Financial Report of the Bendigo Bank Limited and its controlled entities for the year ended 30 June 2002.

**Directors**

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

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

<sup>1</sup> Mr W R Beischer retired from the board on 25 October 2001.

**Principal Activities**

The principal activities of the Company and its controlled entities during the financial year were the provision of a range of banking and other financial services, including retail banking, business banking and commercial finance, funds management, treasury and foreign exchange services (including trade finance), superannuation and trustee services.

There was no significant change in the nature of the activities of the economic entity during the year.

**Consolidated Result**

The consolidated profit from ordinary activities of the economic entity, after providing for income tax, amounted to \$48.784 million (2001 - \$33.278 million).

**Dividends Paid or Recommended**

**Dividends paid:**

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

**Dividend recommended:**

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

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

- > October 2001 792,882
- > April 2002 656,218

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

- > October 2001 168,393
- > April 2002 131,585

**Review of Operations**

A review of operations and the results of those operations for the financial year are set out in the Report by Chairman and Managing Director which forms part of the 2002 Concise Annual Report.

**Significant Changes in the State of Affairs**

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

**After Balance Date Events**

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

**Likely Developments and Results**

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

## Information on Directors

The particulars of the qualifications, experience, special responsibilities and age of each Director as at the date of this report are as follows:

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### Richard A Guy OAM (57 years)

B.Appl.Sc. (Melbourne)

M.Sc. (London)

Elected to Board 1982

Elected Chairman 1986

#### Current appointment:

Managing Director, Crystal Industries

#### Other directorships and appointments:

Crystal Industries Group

Girton Grammar School Ltd

Elders Rural Bank Ltd

Chairman, Otis Foundation

Patron of Salvation Army Bendigo

Red Shield Appeal

Patron of Bendigo & Central Victorian

Community Foundation

Chairman, Advisory Board Salvation Army

Northern Division

#### Special Responsibilities:

Chairman of Directors

Chairman, Board Governance Committee

Audit Committee

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### Robert G Hunt AM (51 years)

Employee since 1973

Appointed Chief Executive Officer 1988

Appointed to Board 1990

#### Current appointment:

Managing Director, Bendigo Bank Group

#### Other directorships and appointments:

BSX Group Holdings Pty Ltd

Bendigo Investment Services Ltd

Elders Rural Bank Ltd

Sandhurst Trustees Ltd

Lead On Australia Ltd

Bendigo Community Telco Ltd

Tasmanian Perpetual Trustees Ltd

Victorian Securities Corporation Ltd

Tasmanian Banking Services Ltd

Community Telco Australia Ltd

Community Sector Enterprises Ltd

Community Sector Financial Services Pty Ltd

Councillor of Australian Bankers'

Association

#### Special Responsibilities:

Managing Director

Ex-officio member on all Committees

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### Robert N Johanson (51 years)

B.A., LL.M. (Melbourne)

M.B.A. (Harvard)

Elected to Board 1988

#### Current appointment:

Director, Grant Samuel Group

#### Other directorships and appointments:

Elders Rural Bank Ltd

Sunstate Lenders Mortgage Insurance

Pty Ltd

Community Telco Australia Ltd

#### Special Responsibilities:

Deputy Chairman of Directors

Chairman, Risk Committee

Board Governance Committee

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### Neal J Axelby (52 years)

A.C.I.S.

Dip. CM

F.A.I.C.D.

A.I.M.M.

A.I.F.S.

Appointed to Board 2000

#### Previous appointment:

Chairman, First Australian Building Society Ltd

#### Other directorships and appointments:

Sunstate Lenders Mortgage

Insurance Pty Ltd

Ipswich and West Morton United Friendly

Society Dispensary Ltd

Ayr Friendly Society Pharmacy Ltd

Pharmacy Management Australia Pty Ltd

ChemOz Pty Ltd

#### Special Responsibilities:

Credit Committee

Board Governance Committee

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### Donald J Erskine (56 years)

Elected to Board 1999

#### Previous appointments:

Director, North West Country

Credit Union Co-op Ltd

Director, Bendigo Economic

Development Committee

#### Current appointments:

Managing Director, Industrial Conveying (Aust) Pty Ltd

Managing Director, Bendigo Brick Pty Ltd

Chairman, Fortunes (Bendigo) Pty Ltd

#### Other directorships:

Bendigo Community Telco Ltd

Community Telco Australia Ltd

#### Special Responsibilities:

Credit Committee

Risk Committee

**Information on Directors (continued)****Jennifer L Dawson (37 years)**

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

**Previous appointments:**

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

**Other directorships and appointments:**

Community Sector Enterprises Ltd  
Community Sector Financial  
Services Pty Ltd  
Coliban Region Water Authority  
Consumer Utilities Advocacy Centre Ltd  
Chair, Loddon Mallee Women's Health

**Special Responsibilities:**

Audit Committee  
Credit Committee

**William R Lanyon (64 years)**

Media executive  
Elected to Board 1987

**Previous appointment:**

Director, Sunraysia Building Society

**Current appointment:**

Managing Director,  
Elliott Newspaper Group

**Other directorships and appointments:**

Vicpress Ltd

**Special Responsibilities:**

Chairman, Audit Committee  
Board Governance Committee  
Marketing Consultative Committee

**Kevin E Roache (62 years)**

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

**Previous appointments:**

Chairman, Capital Building Society

**Current appointments:**

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

**Special Responsibilities:**

Chairman, Credit Committee  
Risk Committee

**Terence J O'Dwyer (52 years)**

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

**Previous appointments:**

Director, First Australian Building  
Society Ltd

**Current appointments:**

Chairman, BDO Kendalls,  
(Chartered Accountants)

**Other directorships and appointments:**

CS Energy Ltd  
Metal Storm Ltd  
BDO Kendalls Securities Ltd  
Breakfree Ltd  
Chairman, Queensland Regional  
Council Institute of Chartered  
Accountants in Australia

**Special Responsibilities:**

Audit Committee  
Risk Committee

**Directors' and other Officers' Emoluments**

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



## Directors' Emoluments

	Base Emolument \$	Committee Fees <sup>3</sup> \$	Bonus (at risk) \$	Other <sup>4</sup> \$	Superannuation <sup>5</sup> \$	Total Compensation \$
<b>Non Executive Directors:</b>						
R A Guy OAM <sup>1</sup>	110,000	-	-	-	8,800	118,800
R N Johanson	55,000	-	-	-	4,400	59,400
N J Axelby	55,000	2,500	-	-	4,600	62,100
W R Beischer <sup>2</sup>	16,923	-	-	-	1,354	18,277
J L Dawson	55,000	2,500	-	-	4,554	62,054
D J Erskine	55,000	2,500	-	-	4,600	62,100
W R Lanyon	55,000	-	-	-	4,400	59,400
T J O'Dwyer	55,000	-	-	-	4,400	59,400
K E Roache	55,000	3,500	-	-	4,680	63,180

### Executive Director:

R G Hunt AM (Managing Director)	388,367	-	75,000	63,066	50,895	577,328
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1 Base emolument includes Chairman's allowance of \$55,000.

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

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

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

5 Represents Company contributions to superannuation.

## Emoluments of the five most highly-paid executive officers of the Company

The terms 'Director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure. The elements of emoluments have been determined on the basis of the cost to the Company and the consolidated entity. Executives are those directly accountable and responsible for the operational management and strategic direction of the Company and the consolidated entity.

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

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

2 Represents company contributions to superannuation.

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

### Meetings of Directors

The number of meetings of the Bank's Directors (including meetings of committees of Directors) held during the year ended 30 June 2002 and the numbers of meetings attended by each Director were:

#### Meetings of Committees

No. of Meetings Held:	Board of Directors Meetings		Audit		Credit		Risk		Staff <sup>1</sup>		Due Diligence <sup>1</sup>		Corporate Governance	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Attended by:														
R A Guy OAM	15	14	8	7					2	2			1	1
R N Johanson	15	13					6	6			2	2	1	1
R G Hunt AM <sup>2</sup>	15	15	8	8	12	12	6	6	2	2	2	2	1	1
N J Axelby	15	14			12	10			2	2			1	-
W R Beischer <sup>3</sup>	5	4							2	2	1	1		
J L Dawson	15	15	8	8	12	12					2	2		
D J Erskine	15	15			12	12	6	6						
W R Lanyon	15	13	8	8					2	2			1	1
T J O'Dwyer	15	15	8	7			6	6						
K E Roache	15	15			12	11	6	6						

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

**A** eligible to attend  
**B** attended

<sup>2</sup> Where Mr R G Hunt was unable to attend a Board committee meeting, he was represented by his appointed alternate.

<sup>3</sup> Mr W R Beischer retired from the board on 25 October 2001.

### Insurance of Directors and Officers

During or since the financial year end, the Company has paid premiums to insure certain officers of the company and related bodies corporate. The officers of the Company covered by the insurance policy include the Directors listed above, the secretary and Directors or secretaries of controlled entities who are not also Directors and secretaries of Bendigo Bank Limited, and general managers of each of the divisions of the economic entity.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an independent auditor of the Company or a related body corporate.

### Indemnification of Officers

The constitution stipulates that the Company is to indemnify, to the extent permitted by law, each officer or employee of the Company against liabilities (including costs, damages and expenses incurred in defending any proceedings or appearing before any court, tribunal, government authority or other body) incurred by an officer or employee in or arising out of the conduct of the business of the Company or arising out of the discharge of the officer's or employee's duties.

As provided under the Company's constitution, the Company has entered into deeds providing for indemnity, insurance and access to documents for each Director who held office during the

year. The deed requires the Company to indemnify, to the extent permitted by law, the Director against all liabilities (including costs, damages and expenses incurred in defending any proceedings or appearing before any court, tribunal, government authority or other body) incurred by the Director in, or arising out of conduct of the business of the Company, an associated entity of the Company or in the discharge of their duties as a Director of the Company, a subsidiary or associated company.

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### Directors' Interests in Equity

The relevant interest of each Director in the share capital of the entities within the economic entity, as notified by the Directors to the securities exchange in accordance with Section 205G(1) of the Corporations Act 2001, at the date of this report is as follows:

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

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

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### Share Issues

The following share classes were issued during the financial year:

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

<sup>1</sup> Details of shares issued under the Employee Share Plan are disclosed in Note 10.

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### 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.

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### 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.

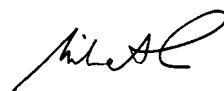
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### Rounding of Amounts

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



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R.A. Guy OAM, Chairman



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R.G. Hunt AM, Managing Director

Dated this 3rd day of September 2002

2002

### Statement of Financial Performance

The Group achieved a profit from ordinary activities after income tax expense of \$48.8 million. This represents a 47 per cent increase from the \$33.3 million profit from ordinary activities after income tax expense for 2001. Profit from ordinary activities before tax expense was \$64.4 million compared with \$55 million for 2001. This represents an increase of 17 per cent.

The significant items, bad and doubtful debts expense and income tax expense are due to a change in accounting policy with respect to the tax treatment of the general provision for doubtful debts. There is no effect on after-tax profit (see Note 2 - Change in accounting policies and estimates).

The significant expense item in 2001 of \$5 million was a provision to cover a Federal Court ruling against the Company in a matter involving fraudulent use of trust accounts. Two million dollars of this was recovered during 2002. The Bank incurred \$0.5 million in legal expenses associated with the appeal and will continue to pursue a claim against the liquidator of HIH.

Net interest income increased by 20 per cent, or \$31.9 million, driven by a 14 per cent increase in assets during the financial year. Average net interest margin was maintained when compared to the previous financial year and averaged 2.68 per cent for the year.

Other income from ordinary activities increased by \$23.2 million, or 30 per cent, driven by an increase in fee income (from loan products, other products and electronic delivery fees) and increased commissions from insurance, Sandhurst Trustees commissions and fees, mortgage management and securitisation income.

Bad and doubtful debts expense increased by \$1.5 million (excluding the 2002 significant item), or 15 per cent due to an increase in the amount allocated to the general provision.

An amount of \$3.5 million (\$1.8 million - 2001) was charged against profit (excluding the significant item) to increase the general provision. The general provision was also increased by the significant item, following a change in tax accounting treatment, to increase the ratio of the general provision to risk-weighted assets to 0.79 per cent.

Other expenses relating to ordinary activities increased by \$33.8 million, or 20 per cent from the previous financial year. The major expense category increases were:

- > Staff and related costs, which increased by 29.4 per cent due to increased staff numbers required to support the expanding branch network, expansion of electronic banking channels and business growth.
- > Occupancy, property, plant and equipment costs, fees and commissions and information technology all increased in excess of 20 per cent, which reflects the growth and expansion of the Group, including interstate expansion, increased product range and business volumes.

The operating expense to income ratio decreased in the period from 72.6 per cent to 70.5 per cent.

The Directors have declared a fully franked (at 30 per cent) final dividend of 17 cents per share, which is payable on 31 October 2002. This, combined with the interim dividend of 12 cents, represents a dividend payout ratio of 69 per cent, compared with 84 per cent (excluding the special dividend) for 2001.

### Statement of Financial Position

Group assets increased by \$1 billion, or 14 per cent during the financial year. Loans totalling \$708 million were securitised, or sold, during the year, decreasing asset growth by 10 per cent. The predominant asset category increase was lending products, which increased by \$631 million, or 11 per cent. This growth

was constrained by the effect of securitisation and sales of loans.

Loans and other receivables grew due to record loan approvals, which increased by 46 per cent to \$3.6 billion. The balance of residential loans increased by \$395 million and now represents 73 per cent of outstandings. The commercial loan portfolio increased by \$198 million and now represents 20 per cent of outstandings by security.

The increase in loans was principally funded through an increase in deposits of \$759 million, or 12 per cent. Retail deposits grew by \$875 million and now account for 91 per cent (2001 - 88 per cent) of total deposits. Wholesale funding decreased by \$116 million and represents only 9 per cent of total deposits at 30 June 2002.

Contributed capital increased by \$56 million, or 14 per cent. The major contributors to this growth included shares issued under the share purchase plan (\$35.2 million), conversion of capital notes (\$3.4 million), shares issued under the dividend reinvestment plan (\$9 million) and shares issued under the employee share plan (\$14.8 million). Shares cancelled under the buy-back scheme reduced contributed capital by \$6.5 million.

### Statement of Cash Flows

The Statement of Cash Flows largely reflects the Statement of Financial Position movements previously discussed. Cash flows from financing activities increased, reflecting the growth in retail deposits and the decrease in wholesale funding.

Operating activities provided \$33 million for the year, whilst investing cash flows reflected the growth in loans and investment securities for the period.

The Bank does not use this Statement of Cash Flows in the internal management of its liquidity position.

## STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2002

	Note	Consolidated	
		2002 \$'000	2001 \$'000
<b>Revenue from Ordinary Activities</b>			
<b>Net interest revenue</b>			
> Interest revenue		446,954	454,365
> Interest expense		254,361	293,677
Net interest revenue		192,593	160,688
<b>Other revenue from ordinary activities</b>			
> Share of associates' net profits (losses) accounted for using the equity method		11,076	7,693
> Dividends		134	126
> Fees		67,437	53,485
> Commissions		16,405	11,720
> Other operating revenue		5,001	3,791
Total revenue from ordinary activities after interest expense		292,646	237,503
<b>Expenses from ordinary activities</b>			
Bad and doubtful debts		11,603	10,130
Significant items bad and doubtful debts	3	10,444	-
Total bad and doubtful debts		22,047	10,130
<b>Other expenses from ordinary activities</b>			
> Borrowing costs		505	592
> Staff and related costs		95,345	73,709
> Occupancy costs		13,490	10,372
> Amortisation of goodwill		4,428	3,662
> Property, plant & equipment costs		8,498	6,760
> Fees and commissions		11,446	9,311
> Administration expenses		69,448	58,625
> Significant items	3	-	5,000
> Other operating expenses		3,040	4,340
Total expenses from other ordinary activities		206,200	172,371
Profit from ordinary activities before income tax expense		64,399	55,002
Income tax expense relating to ordinary activities		26,144	23,224
Significant item income tax expense	3	(10,444)	(1,500)
Net profit		48,699	33,278
Net loss attributable to outside equity interest		85	-
Net profit attributable to members of Bendigo Bank Limited		48,784	33,278
Net increase/(decrease) in asset revaluation reserve		934	12
Total changes in Equity other than those resulting from transactions with owners as owners		49,718	33,290
Basic earnings per share (cents per share)	6	41.1¢	31.5¢
Diluted earnings per share (cents per share)	6	41.1¢	31.5¢
Franked dividends per share (cents per share)	5	29.0¢	41.0¢

## STATEMENT OF FINANCIAL POSITION

as at 30 June 2002

2002

	Note	Consolidated	
		2002 \$'000	2001 \$'000
<b>Assets</b>			
Cash and liquid assets		147,236	187,727
Due from other financial institutions		207,369	141,677
Investment securities		1,085,261	796,271
Current tax assets		-	4,685
Loans and other receivables		6,209,513	5,592,146
Shares - other		7,568	5,608
Investments accounted for using the equity method		71,945	61,252
Other investments		-	143
Property, plant & equipment		49,007	42,399
Deferred tax assets		22,626	13,546
Intangibles		72,182	75,551
Other assets		95,018	60,512
<b>Total Assets</b>		<b>7,967,725</b>	<b>6,981,517</b>
<b>Liabilities</b>			
Due to other financial institutions		211,954	106,210
Deposits		6,988,485	6,229,172
Payables		64,198	46,161
Current tax liabilities		4,560	-
Provision - dividend		20,043	15,742
Other provisions		18,532	21,456
Subordinated debt		161,379	135,394
Deferred tax liabilities		4,147	4,585
<b>Total Liabilities</b>		<b>7,473,298</b>	<b>6,558,720</b>
<b>Net Assets</b>		<b>494,427</b>	<b>422,797</b>
<b>Equity</b>			
Parent entity interest			
Contributed equity		448,170	392,507
Reserves		18,039	17,014
Retained profits	4	28,295	13,276
Total parent entity interest in equity		494,504	422,797
Total outside equity interest		(77)	-
<b>Total Equity</b>		<b>494,427</b>	<b>422,797</b>

## STATEMENT OF CASH FLOWS

for the year ended 30 June 2002

	Note	Consolidated	
		2002 \$'000	2001 \$'000
<b>Cash Flows from Operating Activities</b>			
> Interest and other items of a similar nature received		452,170	454,922
> Borrowing costs paid		(276,154)	(288,164)
> Receipts from customers (excluding interest)		86,269	71,073
> Payments to suppliers		(223,823)	(168,327)
> Dividends received		7,531	4,294
> Income taxes paid		(12,958)	(30,276)
Net cash flows from operating activities		33,035	43,522
<b>Cash Flows from Investing Activities</b>			
> Cash flows for purchases of property, plant and equipment		(16,749)	(9,831)
> Cash proceeds from sale of property, plant and equipment		687	2,315
> Cash paid for purchases of equity investments		(12,854)	(7,551)
> Net increase in balance of loans outstanding		(605,133)	(330,745)
> Cash proceeds from sale of equity investments		500	-
> Net increase of investment securities		(288,990)	(10,795)
> Net cash (paid)/acquired on acquisition of subsidiary		900	30,696
Net cash flows used in investing activities		(921,639)	(325,911)
<b>Cash Flows from Financing Activities</b>			
> Payment for share buy-back		(6,528)	(5,702)
> Proceeds from shares issued		35,075	16,405
> Net increase in balance of retail deposits		877,604	671,378
> Net increase/(decrease) in balance of wholesale deposits		(108,869)	(288,454)
> Net increase in balance of subordinated debt		31,622	35,808
> Dividends paid		(20,843)	(39,132)
Net cash flows from financing activities		808,061	390,303
Net increase/(decrease) in cash held		(80,543)	107,914
Cash at the beginning of the financial year		223,194	115,280
Less cash at the end of the financial year	9	142,651	223,194
		(80,543)	107,914

2002

**1 Basis of Preparation of the Concise Financial Report**

The concise financial report has been prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 1039 "Concise Financial Reports". The information contained within this concise financial report has been derived from the full financial report of the company and the consolidated entity. The full financial report is prepared in accordance with the requirements of the Banking Act, Corporations Act 2001 and Australian Accounting Standards and Urgent Issues Group Consensus Views. Where changes have been made to presentation policies, comparative figures have been adjusted to reflect those changes.

**2 Changes in accounting policies and estimates**

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

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

**Consolidated**

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>3 Significant items</b>		
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
Increase in general provision relating to accounting policy change	10,444	-
Significant items before income tax	10,444	5,000
Income tax benefit applicable to significant items	10,444	1,500
Significant items after income tax	-	3,500

**4 Retained Profits**

Opening Balance	13,276	29,118
Net profit attributable to members of Bendigo Bank Limited	48,784	33,278
Total available for appropriation	62,060	62,396
Dividends		
> Final 2001 (adjustment to provision)	(33)	3,726
> Interim 2002	13,751	12,387
> Special	-	17,184
> Final 2002	19,982	15,697
Aggregate of amounts transferred to/(from) reserves	65	126
Retained profits at the end of the financial year	28,295	13,276



	<b>Consolidated</b>	
	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>5 Dividends</b>		
<b>Dividends paid or provided for on ordinary shares</b>		
Dividends proposed		
> Final dividend (17 cents per share) (2001 - 14.5 cents per share)	19,982	15,697
Dividends paid during the year		
<i>current year</i>		
> Interim dividend (12 cents per share) (2001 - 11.5 cents per share)	13,751	12,387
> Special dividend (Nil cents per share) (2001 - 15 cents per share)	-	17,184
> Dividend - Bendigo Investment Services Ltd	428	-
	<u>34,161</u>	<u>45,268</u>
<i>previous year</i>		
> Final dividend (14.5 cents per share)	15,664	14,158
> Dividend - Nil (2001 - First Australian Building Society, paid Oct 2000) <sup>1</sup>	-	2,799

<sup>1</sup> Being dividend of 5.0¢ per share provided by First Australian Building Society prior to acquisition.

All dividends paid were fully franked. Proposed dividends will be fully franked out of existing franking credits or out of franking credits arising from payment of income tax provided for in the financial statements for the year ended 30 June 2002.

#### **Dividend franking account**

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

27,815	11,078
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The tax rate at which dividends have been franked is 30 per cent (2001 - 34 per cent)

#### **Dividend paid**

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

Paid in cash	20,843	39,132
Satisfied by issue of shares	8,984	7,376
Increase in residuals carried forward	16	20
	<u>29,843</u>	<u>46,528</u>

#### **6 Earnings per share**

##### **Share ratios**

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

##### **Income**

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

##### **Number of Shares**

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

#### **Conversions, calls, subscription or issues after 30 June 2002**

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

#### **7 Contingent Liabilities**

##### **Guarantees**

The economic entity has issued guarantees on behalf of clients	32,135	3,946
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##### **Other**

Documentary letters of credit	3,994	2,968
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## 8 Segment Reporting

## (a) Business segments

	2002 \$'000	2002 \$'000	2002 \$'000	2001 \$'000	2001 \$'000	2001 \$'000
	External	Intersegment	Total	External	Intersegment	Total
<b>Revenue</b>						
Interest revenue						
> Banking	440,358	4,910	445,268	447,496	7,497	454,993
> Trustee company	447	-	447	599	-	599
> Financial services	6,149	29	6,178	6,270	(78)	6,192
> Eliminations	-	(4,939)	(4,939)	-	(7,419)	(7,419)
	446,954	-	446,954	454,365	-	454,365
Other revenue						
> Banking	60,315	19,871	80,186	44,337	17,081	61,418
> Trustee company	15,081	1,531	16,612	11,847	1,122	12,969
> Financial services	13,581	2,374	15,955	12,938	1,983	14,921
> Eliminations	-	(23,776)	(23,776)	-	(20,186)	(20,186)
	88,977	-	88,977	69,122	-	69,122
Share of net profit of equity accounted investments						
> Banking	10,573	-	10,573	7,366	-	7,366
> Trustee company	-	-	-	-	-	-
> Financial services	503	-	503	327	-	327
> Eliminations	-	-	-	-	-	-
	11,076	-	11,076	7,693	-	7,693
Total segment revenue						
> Banking	511,246	24,781	536,027	499,199	24,578	523,777
> Trustee company	15,528	1,531	17,059	12,446	1,122	13,568
> Financial services	20,233	2,403	22,636	19,535	1,905	21,440
> Eliminations	-	(28,715)	(28,715)	-	(27,605)	(27,605)
Total consolidated revenue	547,007	-	547,007	531,180	-	531,180
<b>Results</b>						
Segment result						
> Banking			65,788			57,926
> Trustee company			5,242			3,366
> Financial services			5,783			5,716
> Eliminations			(12,414)			(12,006)
Consolidated entity profit from ordinary activities before income tax expense			64,399			55,002
Income tax expense			(15,700)			(21,724)
Consolidated entity profit from ordinary activities after income tax expense			48,699			33,278
<b>Assets</b>						
Segment assets						
> Banking			7,875,606			7,080,694
> Trustee company			24,282			22,706
> Financial services			261,859			240,835
> Eliminations			(194,022)			(362,718)
Total assets			7,967,725			6,981,517
<b>Liabilities</b>						
Segment liabilities						
> Banking			7,408,097			6,673,155
> Trustee company			7,787			6,135
> Financial services			81,800			70,933
> Eliminations			(24,386)			(191,503)
Total liabilities			7,473,298			6,558,720

## 8 Segment Reporting (continued)

### (a) Business segments

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>Total</b>	<b>Total</b>
<b>Other segment information</b>		
Equity method investments included in segment assets		
> Banking	71,945	60,660
> Trustee company	-	-
> Financial services	-	592
> Eliminations	-	-
	<u>71,945</u>	<u>61,252</u>
Acquisition of property, plant and equipment, intangible assets and other non-current assets		
> Banking	27,913	17,101
> Trustee company	187	66
> Financial services	503	215
> Eliminations	-	-
	<u>28,603</u>	<u>17,382</u>
Depreciation		
> Banking	8,866	6,555
> Trustee company	123	140
> Financial services	563	444
> Eliminations	-	(39)
	<u>9,552</u>	<u>7,100</u>
Amortisation		
> Banking	1,411	1,720
> Trustee company	308	308
> Financial services	98	134
> Eliminations	2,611	1,500
	<u>4,428</u>	<u>3,662</u>
Non-cash expenses other than depreciation and amortisation		
> Banking	10,224	8,403
> Trustee company	144	-
> Financial services	588	87
> Eliminations	(723)	(137)
	<u>10,233</u>	<u>8,353</u>

Applicable commercial rates are used as the basis for pricing intersegment funding.

### (b) Geographical segments

Bendigo Bank Limited and controlled entities operate predominantly in the geographic areas of all Australian states and the Australian Capital Territory providing banking and financial services.

#### Descriptions of derived revenue by segment

##### Banking

> Interest, predominantly derived from the provision of first mortgage housing finance; and fee revenue derived from the provision of banking services.

##### Trustee Company

> Commission received as Responsible Entity for managed investment schemes and for corporate trusteeships and other trustee and custodial services.

##### Financial Services

> Fees, commissions and interest from the provision of financial services, including leasing, financial planning, property management / development and mortgage management services.

## 9 Reconciliation of cash

	<b>Consolidated</b>	
	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
For the purpose of the statement of cash flows, cash includes:		
> Cash and liquid assets	147,236	187,727
> Due from other financial institutions	207,369	141,677
> Due to other financial institutions	(211,954)	(106,210)
	<u>142,651</u>	<u>223,194</u>

### 10 Bendigo Employment Share Ownership Plan

Company shareholders renewed their approval for the Bendigo Employee Share Ownership Plan at the Annual General Meeting on 22 October 2001. Offers under the plan are made periodically to all employees of the economic entity and must be approved by the Board of Bendigo Bank Limited. The plan is administered by BBS Nominees Pty Ltd in accordance with the deed.

Shares are issued at market prices and are funded by interest free loans from BBS Nominees Pty Ltd to individual employees. Dividends paid on shares issued under the plan are applied primarily to repay the loans. When a staff member ceases their employment, they are required to repay their loan within three months, unless they retire, then they have 12 months to repay. The plan allows these staff to request the Company to sell their employee shares to repay their loan. In the event that the proceeds of the sale of the shares is insufficient to fully repay the loan, under the plan the Company has agreed to meet the shortfall. Shares remain unlisted securities until loans are fully repaid.

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

	<b>Consolidated</b>	
	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Employee Share and Loan Values</b>		
Value of unlisted employee shares on issue at 30 June 2002 - 4,835,507 shares @ \$6.80 (2001 - 3,014,675 shares @ \$6.60)	32,881	19,897
Value of outstanding employee loans at beginning of year relating to employee shares	13,353	6,830
Value of new loans relating to employee shares issued during year	14,782	8,162
Value of repayments of loans during year	(2,008)	(1,639)
Value of outstanding employee loans at end of year relating to employee shares	26,127	13,353
Number of employees with outstanding loan balances	1,908	1,548
<b>Indicative cost of funding employee loans</b>		
Average balance of loans outstanding	14,055	10,011
Interest margin forgone	2.68%	2.66%
After tax indicative cost of funding employee loans	264	176
Earnings per share - actual - cents	41.1	31.5
Earnings per share - adjusted for interest margin forgone - cents	41.3	31.7
The cost of employee interest-free loans is calculated by applying the bank's average interest margin for the financial year to the average outstanding balance of employee loans for the financial year. This cost is then tax-effected at the company tax rate of 30% (2001: 34%).		

### 11 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.

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

In the opinion of the Directors, the concise financial report of the consolidated entity, comprising Bendigo Bank Limited and its controlled entities, for the year ended 30 June 2002:

- (a) has been derived from, or is consistent with, the full financial report for the financial year; and
- (b) complies with Accounting Standard AASB 1039 "Concise Financial Reports".

On behalf of the Board



R.A. Guy OAM, Chairman



R.G. Hunt AM, Managing Director

Dated this 3rd day of September 2002

To the Members of Bendigo Bank Limited

**Scope**

We have audited the concise financial report of Bendigo Bank Limited for the financial year ended 30 June 2002 as set out on pages 35 to 43, in order to express an opinion on it to the members of the Company. The Company's Directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of Bendigo Bank Limited for the year ended 30 June 2002. Our audit report on the full financial report was signed on 3 September 2002 and was not subject to any qualification.

Our procedures in respect of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 "Concise Financial Reports" applicable in Australia.

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

**Audit Opinion**

In our opinion, the concise financial report of Bendigo Bank Limited complies with Accounting Standard AASB 1039 "Concise Financial Reports".



Ian Miller, Partner  
Ernst & Young



Warren Sinnott, Partner  
Richmond Sinnott & Delahunty

Signed at Bendigo this 3rd day of September 2002

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

2002

### 1 Material Differences

There are no material differences between the information supplied in this report and the information in the preliminary final report supplied by Bendigo Bank Ltd. to the Australian Stock Exchange on 12 August 2002.

### 2 Audit Committee

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

### 3 Corporate Governance Practices

The corporate governance practices adopted by Bendigo Bank Ltd are detailed in the Corporate section of the Group's Concise Annual Report for 2002.

### 4 Substantial Shareholders

As at 19 August 2002 there were no substantial shareholders in Bendigo Bank Ltd. as defined by the Listing Rules of the Australian Stock Exchange Ltd.

### 5 Distribution of Shareholders

Range of Securities as at 19 August 2002 in the following categories:

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

### 6 Marketable Parcel

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

### 7 Unquoted Securities

The number of unquoted equity securities that are on issue and the number of holders of those securities are shown in the above table under the heading of Fully Paid Employee shares.

### 8 Major Shareholders

Names of the 20 largest holders of Ordinary Fully Paid shares, including the number of shares each holds and the percentage of capital that number represents as at 19 August 2002 are:

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

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#### 9 Voting Rights

The holders of ordinary shares are entitled to vote at meetings of shareholders in the first instance by a show of hands of the shareholders present and entitled to vote. If a poll is called, each shareholder has one vote for each fully paid share held.

Holders of partly paid shares have a vote which carries the same proportionate value as the proportion that the amount paid up on the total issue price bears to the total issue price of the share.

In the case of an equality of votes the Chairman has, on both a show of hands and at a poll, a casting vote in addition to the vote to which the Chairman may be entitled as a shareholder, proxy, attorney or duly appointed representative of a shareholder.

The holding of 8% Capital Notes does not give voting rights.

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#### 10 Company Secretary

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

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#### 11 Registered Office

The address and telephone number of Bendigo Bank's registered office in Australia and its principal administrative office is:

**Bendigo Bank Limited  
Second Floor  
Fountain Court  
Bendigo Victoria 3550**

**Telephone (03) 5433 9339  
Fax (03) 5433 9690**

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#### 12 Securities Register

The address and telephone number of Bendigo Bank's securities register is:

**Securities Registry  
Bendigo Bank Ltd  
Second Floor  
Fountain Court  
Bendigo Victoria 3550**

**Telephone (03) 5433 9549  
Fax (03) 5433 9029**

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