

Directors' Report

Your Directors submit their report for the half-year ended December 31, 1999.

Directors

The names of the directors of the Board of Bendigo Bank who have held office during the half year and up to the date of this report are:

Richard A Guy OAM (Chairman)	B.Appl.Sc.Melbourne, M.Sc.London
Robert N Johanson (Deputy Chairman)	B.A. Melbourne, LL.B.Melbourne, M.B.A.Harvard
Robert G Hunt (Managing Director)	
William R Beischer	
Jennifer L Dawson	Chartered Accountant, C.I.S.A.
Donald J Erskine	
William R Lanyon	
Kevin E Roache	LL.B, B.Com. - Melbourne, A.S.C.P.A.

Review of Operations

The Group continued to show strong growth in lending and retail deposits for the first half of 1999/2000, which assisted the increased profit result for the period.

Profit after tax increased by 30.3% to \$11.0 million compared to the six months ending December 31, 1998. This result includes an abnormal tax charge of \$0.6 million, which is the effect of restating the balances of FITB and PFDT to reflect the future changes in company tax rate from 36% to 34% and then to 30% (1998 included an abnormal profit from shares sales of \$1.1 million after tax).

Group assets achieved strong organic growth, with a 7.5% increase for the period, driven by record lending approvals.

Total assets of the economic entity as at December 31, 1999 were \$4.518 billion.

Tier one capital remained steady in the half-year, reducing slightly from 8.75% to 8.72%, primarily due to increased share capital and a proportional increase in risk-weighted assets.

Tier two capital declined in the period, mainly due to the conversion of convertible notes to permanent shares and the increase in risk-weighted assets.

A final dividend of 12.5 cents per share, fully franked was paid on October 29, 1999 in respect of the year ended June 30, 1999.

A proposed interim dividend of 10.5 cents per share, fully franked will be payable on April 28, 2000.

Significant Changes in the State of Affairs

The following significant change in the state of affairs of the chief entity occurred during the half-year:

- During the period, 247,362 convertible notes were converted to permanent shares, increasing share capital by \$0.8 million.
- During the period, 451,853 capital notes were converted to permanent shares, increasing share capital by \$1.9 million.
- During the period a final amount of \$1.75 per share was paid on the partly paid shares issued under a rights issue in December, 1998. These shares are now fully paid, with the additional payment increasing share capital by \$19.8 million.
- In September 1999, 1,000,000 shares were allotted at an issue price of \$5.50 as part consideration for the purchase of Victorian Securities Corporation Limited. This issue increased share capital by \$5.5 million.

In the opinion of the directors, there were no other significant changes in the state of affairs of the economic entity that occurred during the half-year under review not otherwise disclosed in this report or the consolidated financial statements.

After Balance Date Events

No matters or circumstances have arisen since the end of the half-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 periods.

Rounding of Amounts

The amounts contained in this report have been rounded off under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which this class order applies.

Signed in accordance with a resolution of the Board of Directors

R A Guy OAM, Chairman
Bendigo

Dated this 11th day of February, 2000

PROFIT & LOSS ACCOUNT
for the 6 months ended December 31, 1999

	<i>Note</i>	Consolidated	
		1999	1998
		\$'000	\$'000
Interest income		138,327	111,076
Interest expense		82,534	67,127
Net interest income		<u>55,793</u>	<u>43,949</u>
Other operating income		26,893	19,649
Total operating income		<u>82,686</u>	<u>63,598</u>
Bad and doubtful debts		3,792	3,107
Other operating expenses		59,878	48,945
Operating profit before abnormal items and income tax		<u>19,016</u>	<u>11,546</u>
Abnormal items before income tax	2	-	1,165
Operating profit before income tax		<u>19,016</u>	<u>12,711</u>
Income tax attributable to operating profit		8,006	4,259
Operating profit after income tax			
attributable to members of the chief entity		11,010	8,452
Retained profits at beginning of the financial year		26,179	20,688
Total available for appropriation		<u>37,189</u>	<u>29,140</u>
Dividends - Final 1999 (adjustment to provision)		132	9
- Interim 2000		7,811	5,844
Retained profits at the end of the half year		<u>29,246</u>	<u>23,287</u>
Basic earnings per share		14.9¢	16.4¢
Diluted earnings per share		14.8¢	15.8¢

The accompanying notes form part of these financial statements

BALANCE SHEET

as at December 31, 1999

	<i>Note</i>	31-Dec-99	Consolidated	31-Dec-98
		\$'000	30-Jun-99	\$'000
			\$'000	
Assets				
Cash and liquid assets	5	119,948	98,504	77,723
Due from other financial institutions		31,601	85,777	34,275
Investment securities		645,583	529,717	480,980
Loans and other receivables		3,542,331	3,298,802	2,740,852
Deposit with the Reserve Bank of Australia		-	33,049	30,780
Shares - other		47,597	46,622	740
Other investments		5,757	4,653	5,220
Property, plant & equipment		29,725	28,529	25,147
Intangibles		38,362	35,810	18,109
Other assets		57,227	42,776	51,665
Total Assets		4,518,131	4,204,239	3,465,491
Liabilities				
Due to other financial institutions		30,012	62,191	42,155
Deposits		4,072,646	3,775,873	3,097,328
Provision - dividend		8,149	8,370	5,862
Provision - income tax		3,716	4,806	6,572
Other provisions		11,833	11,512	10,691
Subordinated debt		80,302	82,959	88,171
Other liabilities		34,246	15,439	17,071
Total Liabilities		4,240,904	3,961,150	3,267,850
Net Assets		277,227	243,089	197,641
Shareholders' Equity				
Share capital		231,054	199,979	159,406
Reserves		16,927	16,931	14,948
Retained profits		29,246	26,179	23,287
Total Shareholders' Equity		277,227	243,089	197,641

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

for the 6 months ended December 31, 1999

	Note	Consolidated	
		1999	1998
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and other items of a similar nature received		140,460	110,573
Interest and other costs of finance paid		(83,683)	(66,651)
Receipts from customers (excluding interest)		21,628	18,537
Payments to suppliers		(53,848)	(78,269)
Dividends received		31	54
Income taxes paid		(5,625)	(664)
Net cash provided by operating activities		<u>18,963</u>	<u>(16,420)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash flows for purchases of property, plant and equipment		(4,124)	(2,975)
Cash proceeds from sale of property, plant and equipment		835	7,446
Cash paid for purchases of equity investments		665	500
Cash proceeds from sale of equity investments		-	1,165
Net (increase) decrease in balance of loans outstanding		(180,109)	(243,885)
Net (increase) decrease in balance of Reserve Bank of Australia deposit		33,049	(4,270)
Net (increase) decrease of investment securities		(92,074)	(7,737)
Net cash paid on acquisition of subsidiary		(4,327)	-
Net cash used in investing activities		<u>(246,085)</u>	<u>(249,756)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from shares issued		19,959	20,426
Net increase (decrease) in balance of retail deposits		241,971	361,138
Net increase (decrease) in balance of wholesale deposits		(29,835)	(96,841)
Net increase (decrease) in balance of subordinated debt		-	-
Dividends paid		(5,526)	(3,365)
Net cash provided by financing activities		<u>226,569</u>	<u>281,358</u>
Net increase (decrease) in cash held		<u>(553)</u>	<u>15,182</u>
Cash at the beginning of the financial year		122,089	54,661
Less cash at the end of the half year	5	<u>121,536</u>	<u>69,843</u>
		<u>(553)</u>	<u>15,182</u>

The accompanying notes form part of these financial statements

Notes to and Forming Part of the Financial Statements

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a Basis of preparation of the financial report

Bendigo Bank Limited (the Bank) is a 'prescribed corporation' in terms of Section 408A of the Corporations Law. Financial statements prepared in compliance with the Banking Act are deemed to comply with the provisions of the Corporations Law.

The financial statements of the Bank and the consolidated financial statements of the economic entity, are a general purpose financial report prepared in accordance with the Banking Act, applicable Accounting Standards including AASB 1029: Half-Year Accounts and Consolidated Accounts, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), Corporations Law and the requirements of law so far as they are applicable to Australian banking corporations. The accounting policies have been consistently applied, unless otherwise stated.

It is recommended that the half-year report is read in conjunction with the Annual Financial Statements of Bendigo Bank Limited as at June 30, 1999 together with any public announcements made by Bendigo Bank Limited and its controlled entities during the half-year ended December 31, 1999 in accordance with the continuous disclosure obligations arising under the Corporations Law.

For the purposes of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

b Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year.

2 ABNORMAL ITEMS

	Consolidated	
	1999	1998
	\$'000	\$'000
Profit on sale of shares	-	1,165
Abnormal items before income tax	-	1,165
Income tax applicable	-	47
Abnormal items after income tax	-	1,118

3 DIVIDENDS PAID OR PROVIDED FOR

Franked dividends paid during the half year	8,479	5,162
Franked dividends proposed during the half year	7,811	5,844

Notes continued

	Average Balance \$'000	Interest 6 mths \$'000	Average rate %
4 AVERAGE BALANCE SHEET AND RELATED INTEREST			
Average balances and rates ⁽¹⁾			
Interest earning assets			
Cash and liquid assets	85,593	586	1.37
Investment securities	565,882	15,170	5.36
Loans and other receivables	3,460,686	122,574	7.08
Deposit with Reserve Bank of Australia	4,721	(3)	(0.13)
	<u>4,116,882</u>	<u>138,327</u>	<u>6.72</u>
Non interest earning assets			
Property, plant & equipment	29,356		
Provisions for doubtful debts	(17,861)		
Other assets	<u>135,759</u>		
	<u>147,254</u>		
Total assets (average balance)	<u>4,264,136</u>		
Interest bearing liabilities and equity			
Deposits			
Retail	3,172,654	60,824	3.83
Wholesale - domestic	534,283	14,217	5.32
Wholesale - offshore	161,146	4,465	5.54
Other borrowings			
Subordinated debt	82,786	3,028	7.32
	<u>3,950,868</u>	<u>82,534</u>	<u>4.18</u>
Non interest bearing liabilities and equity			
Other liabilities	95,901		
Shareholders' equity	217,366		
	<u>313,267</u>		
Total liabilities and shareholders' equity	<u>4,264,136</u>		
Interest margin and interest spread			
Interest earning assets	4,116,882	138,327	6.72
Interest bearing liabilities	(3,950,868)	(82,534)	(4.18)
Net interest income and interest spread ⁽²⁾		55,793	2.54
Net interest margin ⁽³⁾			2.71

1 Average balance is based on monthly closing balances from June 30, 1999 through December 31, 1999 inclusive

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

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

5 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the statement of cash flows.

- Net (increase) decrease in balance of loans outstanding
- Net (increase) decrease in balance of Reserve Bank of Australia deposit
- Net decrease (increase) of investment securities
- Net increase (decrease) in balance of retail deposits
- Net increase (decrease) in balance of wholesale deposits
- Net increase (decrease) in balance of subordinated debt
- Proceeds from share issues is net of capital raising costs

(b) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes:

	Consolidated 1999 \$'000	1998 \$'000
Cash and liquid assets	119,948	77,723
Due from other financial institutions	31,601	34,275
Due to other financial institutions	(30,012)	(42,155)
Other (rounding)	(1)	-
	<u>121,536</u>	<u>69,843</u>

Cash and liquid assets are items readily convertible into cash and generally repayable on demand.

Amounts due to and from other financial institutions relate to inter-bank settlement processes and are generally repaid within 2 working days.

Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity:
 - (i) give a true and fair view of the financial position as at December 31, 1999 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 1029: Half-Year Accounts and Consolidated Accounts and the Corporations Regulations; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable

On behalf of the Board

R A Guy OAM, Chairman

Bendigo

Dated this 11th day of February 2000

Independent Review Report

To the Members of Bendigo Bank Limited

Scope

We have reviewed the financial report of Bendigo Bank Limited for the half-year ended December 31, 1998, as set out on pages 2 to 7, including the Directors' Declaration. The financial report includes the consolidated financial statements of the consolidated entity comprising Bendigo Bank Limited and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report.

We have conducted an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Half-Year Accounts and Consolidated Accounts and other mandatory professional reporting requirements and statutory requirements, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. Our review was limited primarily to inquiries of the disclosing entity's personnel and analytical review procedures applied to financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Review Statement

As a result of our review, we have not become aware of any matter that makes us believe that the half-year financial report of Bendigo Bank Limited is not in accordance with:

- (a) the Corporations Law, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at December 31, 1999 and its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029: Half-Year Accounts and Consolidated Accounts and the Corporations Regulations;
- (b) other mandatory professional reporting requirements.

ERNST & YOUNG
RICHMOND SINNOTT & DELAHUNTY

Ian Miller
Partner

Bendigo
Dated this 11th day of February 2000

Warren Sinnott
Partner

Dated this 11th day of February 2000