

# **BENDIGO BANK LIMITED**

**ABN 11 068 049 178**

## **HALF-YEAR FINANCIAL REPORT**

**31 DECEMBER 2003**

# Directors' Report

Your Directors submit their report for the half-year ended 31 December 2003.

## 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 as below. Directors were in office for the entire period unless otherwise stated.

Richard A Guy OAM (Chairman)	B.Appl.Sc, M.Sc.(London)
Robert N Johanson (Deputy Chairman)	B.A., LL.M., M.B.A.(Harvard)
Robert G Hunt AM (Managing Director)	FAICD
Neal J Axelby	ACIS, Dip. CM, FAICD, AIMM, AIFS
Jennifer L Dawson	B.Bus.(Acc), C.A., MAICD
Donald J Erskine	
Terence J O'Dwyer	B. Com, Dip. Adv. Acc., FCA, FAICD
Kevin E Roache	LL.B, B.Com., A.S.C.P.A.

## Review of Operations

The Group recorded strong growth in revenues and profits during the half year with all major divisions improving their overall contribution to the result.

Profit after tax increased by 36% to \$34.6 million when compared to the half-year ended 31 December 2002.

Profit before tax increased by 35% to \$51.0 million.

Group assets increased 10%, or \$1.0 billion in the half-year. Group assets at 31 December 2003 were \$10.2 billion.

Total capital decreased during the half from 10.58% to 10.26% and remains comfortably above the required level. Tier one capital increased during the half year from 8.12% to 8.30% with Tier two capital declining from 2.46% to 1.96%.

A final dividend of 20.0 cents per share, fully franked at 30%, was paid on 31 October 2003 in respect of the year ended 30 June 2003.

An interim dividend of 17.0 cents per share (up from 13.5 cents - Interim 2003), fully franked at 30%, will be payable on 31 March 2004.

## 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 1,995,919 capital notes were converted to ordinary shares, increasing share capital by \$8.18 million.
- In October 2003, 1,040,442 shares were allotted at an issue price of \$8.66 to those shareholders participating in the Dividend Reinvestment Plan, increasing share capital by \$9.01 million.
- The October 2003 Dividend Reinvestment Plan was underwritten, resulting in the issue of 1,770,605 shares at a price of \$8.66, increasing share capital by \$15.33 million.
- Two issues of shares were made under the Employee Share Ownership Plan during the period. A total of 1,317,476 were issued at a price of \$8.94 to staff in August 2003, and, following approval at the Annual General Meeting in October 2003, 100,000 shares at a price of \$8.83 were issued to the Managing Director. These issues increased share capital by a total of \$12.66 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 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 to the nearest \$'000, under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the Board of Directors

**J L Dawson**, Director

Bendigo

Dated this 16th day of February, 2004

# CONDENSED STATEMENT OF FINANCIAL PERFORMANCE

for the half-year ended 31 December 2003

	Consolidated	
	2003	2002
	\$'000	\$'000
<b>Revenue from ordinary activities</b>		
<b>Net interest revenue</b>		
Interest income	284,559	243,970
Interest expense	161,714	135,953
Net interest income	122,845	108,017
<b>Other revenue from ordinary activities</b>		
Fees		
- asset products	12,011	9,835
- liability products and electronic delivery	24,231	20,666
Commissions		
- insurance	2,457	2,108
- other	12,011	10,020
Property revenue	527	591
Trustee, management & other services	9,676	9,533
Dividend income	226	81
Other operating revenue	4,318	1,075
Total other revenue from ordinary activities	65,457	53,909
<b>Share of associates' net profits (losses) accounted for using the equity method</b>	7,943	6,391
Total revenue after interest expense	196,245	168,317
<b>Expenses from ordinary activities</b>		
<b>Bad and doubtful debts</b>	6,246	7,194
<b>Other expenses from ordinary activities</b>		
Borrowing costs	277	251
Staff and related costs	68,398	59,352
Occupancy costs	11,216	11,186
Information technology costs	12,215	10,856
Amortisation of goodwill	2,127	2,127
Property, plant and equipment costs	7,129	4,211
Fees and commissions	6,863	5,565
Administration expenses	30,632	29,411
Other operating expenses	156	332
Total expenses from other ordinary activities	139,013	123,291
<b>Profit from ordinary activities before income tax expense</b>	50,986	37,832
Income tax expense relating to ordinary activities	(16,463)	(12,475)
<b>Net profit</b>	34,523	25,357
Net loss attributable to outside equity interest	47	26
<b>Net profit attributable to members of Bendigo Bank Limited</b>	34,570	25,383
Transfer (to)/from reserves	-	278
Total revenues, expenses and valuation adjustments attributable to members of Bendigo Bank Limited and recognised directly in equity	-	278
<b>Total changes in Equity other than those resulting from transactions with owners as owners attributable to members of Bendigo Bank Limited</b>	34,570	25,661
Basic earnings per share (cents per share)	26.8¢	20.3¢
Diluted earnings per share (cents per share)	26.8¢	20.3¢
Franked dividends per share (cents per share)	17.0¢	13.5¢

# CONDENSED STATEMENT OF FINANCIAL POSITION

for the half-year ended 31 December 2003

	Consolidated		
	As at	As at	As at
	31-Dec-03	30-Jun-03	31-Dec-02
	\$'000	\$'000	\$'000
<b>Assets</b>			
Cash and liquid assets	193,284	107,221	107,923
Due from other financial institutions	56,752	181,228	55,545
Investment securities	1,280,897	1,130,002	998,714
Loans and other receivables	8,300,826	7,504,016	6,813,661
Shares - other	28,071	23,307	23,087
Investments accounted for using the equity method	95,245	88,707	78,373
Property, plant & equipment	56,083	53,519	51,189
Deferred tax assets	28,295	27,172	24,490
Intangibles	65,800	67,927	70,054
Other assets	105,135	73,527	92,629
<b>Total Assets</b>	<b>10,210,388</b>	<b>9,256,626</b>	<b>8,315,665</b>
<b>Liabilities</b>			
Due to other financial institutions	55,739	129,095	52,595
Deposits	9,259,421	8,239,000	7,500,910
Payables	64,603	93,416	45,878
Current tax liabilities	4,798	8,508	3,372
Provision - dividend	80	73	69
Other provisions	25,227	23,448	20,817
Subordinated debt	186,274	204,665	159,343
Deferred tax liabilities	6,164	5,711	4,085
<b>Total Liabilities</b>	<b>9,602,306</b>	<b>8,703,916</b>	<b>7,787,069</b>
<b>Net Assets</b>	<b>608,082</b>	<b>552,710</b>	<b>528,596</b>
<b>Equity</b>			
Parent entity interest			
Contributed capital	508,769	463,580	457,008
Reserves	3,318	3,318	17,755
Retained profits	95,843	85,614	53,936
Total parent entity interest in equity	607,930	552,512	528,699
Total outside equity interest	152	198	(103)
<b>Total Equity</b>	<b>608,082</b>	<b>552,710</b>	<b>528,596</b>

# CONDENSED STATEMENT OF CASH FLOWS

for the half-year ended 31 December 2003

	Consolidated	
	2003	2002
	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest and other items of a similar nature received	285,810	245,096
Borrowing costs paid	(163,177)	(135,999)
Receipts from customers (excluding interest)	63,399	53,024
Payments to suppliers	(187,816)	(130,342)
Dividends received	5,023	3,658
Income taxes paid	(18,434)	(13,523)
Net cash flows from operating activities	<u>(15,195)</u>	<u>21,914</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash flows for purchases of property, plant and equipment	(10,875)	(7,896)
Cash proceeds from sale of property, plant and equipment	2,400	509
Cash paid for purchases of equity investments	(10,573)	(21,097)
Net increase in balance of loans outstanding	(786,208)	(607,192)
Net increase of investment securities	(150,895)	86,547
Net cash flows used in investing activities	<u>(956,151)</u>	<u>(549,129)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash paid for buy back of shares	-	-
Proceeds from shares issued	15,333	-
Net increase in balance of retail deposits	1,013,921	621,439
Net increase/(decrease) in balance of wholesale deposits	2,966	(113,160)
Net increase in balance of subordinated debt	(10,607)	177
Dividends paid	(15,324)	(13,020)
Net cash flows from financing activities	<u>1,006,289</u>	<u>495,436</u>
Net increase/(decrease) in cash held	<u>34,943</u>	<u>(31,779)</u>
Cash at the beginning of the financial year	159,354	142,651
Less cash at the end of the half year	<u>194,297</u>	<u>110,872</u>
	<u>34,943</u>	<u>(31,779)</u>

## NOTES TO THE CONDENSED 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 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:

Cash and liquid assets	193,284	107,923
Due from other financial institutions	56,752	55,545
Due to other financial institutions	(55,739)	(52,595)
Other (rounding)	-	(1)
	<u>194,297</u>	<u>110,872</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.

# Notes to and Forming Part of the Financial Statements

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### a Basis of preparation of the interim financial report

The half-year financial report is a general purpose financial report which has been prepared in accordance with the Banking Act, applicable Accounting Standards including AASB 1029 "Interim Financial Reporting", other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), Corporations Act 2001 and the requirements of law so far as they are applicable to Australian banking corporations.

The half-year financial report has been prepared in accordance with the historical cost convention, except for freehold land and buildings on freehold land, which are measured at their fair value.

The half-year financial report does not include notes of the type normally included in an annual financial report and therefore cannot to be expected to provide as full an understanding of the financial performance, financial position and finance and investing activities of the consolidated entity as would a full financial report.

It is recommended that the half-year report is read in conjunction with the Annual Financial Report of Bendigo Bank Limited as at 30 June 2003 together with any public announcements made by Bendigo Bank Limited and its controlled entities during the half-year ended 31 December 2003 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

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 financial year ended 30 June 2003.

## 2 ADOPTION OF AASB EQUIVALENTS TO IASB ACCOUNTING STANDARDS

The Australian Accounting Standards Board (AASB) is implementing the Financial Reporting Council's policy of adopting the Standards of the International Accounting Standards Board (IASB), which will apply to the group's reporting periods from 1 July 2005.

Adoption of IASB Standards in 2005 is expected to have significant impacts on the accounting policies of Australian reporting entities and their reported financial position and financial performance.

Bendigo Bank commenced a project in December 2002 to assess the implications of the adoption of IASB Standards for accounting policies, reported performance and position of the group. As part of this project, Bendigo Bank has formed an IAS Conversion Team (ICT) to undertake assessment of impacts, implementation of necessary changes to accounting policies, modifications to accounting systems and communication to stakeholders.

Key areas of the bank's reported performance and position that are likely to be affected by the adoption of IASB Standards are:

Goodwill – introduction of new impairment testing methodology and cessation of amortisation;

Provisions for doubtful debts – use of discounting techniques for impairment testing. Possible change to recognition method for increases/decreases in general provision;

Financial assets and liabilities – changes to classification of financial assets and liabilities to determine measurement methodology and disclosure requirements;

Securitised and sold assets - potential on-balance sheet recognition of previously sold or securitised assets;

however, as many AASB equivalent standards are yet to be finalised and released it is not possible to quantify the final impact of these changes on the group at this time.

Bendigo Bank will continue to place a high priority on this project and will include reference to the impacts in future reporting.

## Notes continued

	Consolidated	
	2003	2002
<b>3 RETAINED PROFITS</b>	<b>\$'000</b>	<b>\$'000</b>
Profit from ordinary activities after income tax expense attributable to members of Bendigo Bank Limited	34,570	25,383
Retained profits at beginning of the financial year	85,613	28,295
Total available for appropriation	<u>120,183</u>	<u>53,678</u>
Dividend paid - Final 2003 (2002: adjustment to provision)	(24,340)	(20)
Aggregate of amounts transferred (to)/from reserves	-	278
Retained profits at the end of the half year	<u>95,843</u>	<u>53,936</u>

## 4 DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

Dividends paid during the half-year:		
Final dividend 2003 - 20.0 cents (Final dividend 2002 - 17.0 cents)	<u>24,340</u>	<u>20,004</u>
Dividends proposed since the reporting date, but not recognised as a liability:		
Interim dividend 2004 - 17.0 cents (Interim dividend 2003 - 13.5 cents)	<u>21,518</u>	<u>16,103</u>

## 5 AVERAGE BALANCE SHEET AND RELATED INTEREST

### For the 6 month period ended 31 December 2003

	Note	Average Balance \$'000	Interest 6 mths \$'000	Average rate %
<b>Average balances and rates</b>	1			
<b>Interest earning assets</b>				
Cash and liquid assets		123,444	434	0.70
Investment securities		1,181,069	30,186	5.11
Loans and other receivables		7,978,514	253,939	6.37
		<u>9,283,027</u>	284,559	6.13
<b>Non interest earning assets</b>				
Property, plant & equipment		54,886		
Provisions for doubtful debts		(56,556)		
Other assets		282,165		
		<u>280,495</u>		
Total assets (average balance)		<u>9,563,522</u>		
<b>Interest bearing liabilities and equity</b>				
Deposits				
Retail		7,948,221	136,692	3.44
Wholesale - domestic		350,421	8,679	4.95
Wholesale - offshore		359,018	9,850	5.49
Other borrowings				
Subordinated debt		197,972	6,493	6.56
		<u>8,855,632</u>	161,714	3.65
<b>Non interest bearing liabilities and equity</b>				
Other liabilities		134,239		
Equity		573,651		
		<u>707,890</u>		
Total liabilities and equity		<u>9,563,522</u>		
<b>Interest margin and interest spread</b>				
Interest earning assets		9,283,027	284,559	6.13
Interest bearing liabilities		(8,855,632)	(161,714)	(3.65)
Net interest income and interest spread	2		122,845	2.48
Net interest margin	3			2.65

1 Average balance is based on monthly closing balances from 30 June 2003 through 31 December 2003 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.

## Notes continued

### 5 AVERAGE BALANCE SHEET AND RELATED INTEREST (continued)

For the 6 month period ended 30 June 2003

		Average Balance \$'000	Interest 6 mths \$'000	Average rate %
<b>Average balances and rates</b>	<b>Note</b>			
<b>Interest earning assets</b>	1			
Cash and liquid assets		109,922	544	0.99
Investment securities		1,052,083	26,566	5.05
Loans and other receivables		7,211,572	229,554	6.37
		<u>8,373,577</u>	<u>256,664</u>	<u>6.13</u>
<b>Non interest earning assets</b>				
Property, plant & equipment		51,341		
Provisions for doubtful debts		(52,369)		
Other assets		256,126		
		<u>255,098</u>		
Total assets (average balance)		<u>8,628,675</u>		
<b>Interest bearing liabilities and equity</b>				
Deposits				
Retail		7,241,209	120,945	3.34
Wholesale - domestic		244,938	6,426	5.25
Wholesale - offshore		360,367	9,476	5.26
Other borrowings				
Subordinated debt		173,121	5,545	6.41
		<u>8,019,635</u>	<u>142,392</u>	<u>3.55</u>
<b>Non interest bearing liabilities and equity</b>				
Other liabilities		83,989		
Equity		525,051		
		<u>609,040</u>		
Total liabilities and equity		<u>8,628,675</u>		
<b>Interest margin and interest spread</b>				
Interest earning assets		8,373,577	256,664	6.13
Interest bearing liabilities		(8,019,635)	(142,392)	(3.55)
Net interest income and interest spread	2		114,272	2.58
Net interest margin	3			2.73

1 Average balance is based on monthly closing balances from 31 December 2002 through 30 June 2003 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.



## Notes continued

### 5 AVERAGE BALANCE SHEET AND RELATED INTEREST (continued)

For the six months ended 31 December 2002

		Average Balance \$'000	Interest 6 mths \$'000	Average rate %
<b>Average balances and rates</b>	<b>Note</b>			
	1			
<b>Interest earning assets</b>				
Cash and liquid assets		121,872	619	1.02
Investment securities		1,060,485	27,695	5.22
Loans and other receivables		6,566,982	215,656	6.57
		<u>7,749,339</u>	<u>243,970</u>	<u>6.30</u>
<b>Non interest earning assets</b>				
Property, plant & equipment		50,793		
Provisions for doubtful debts		(47,858)		
Other assets		265,373		
		<u>268,308</u>		
Total assets (average balance)		<u>8,017,647</u>		
<b>Interest bearing liabilities and equity</b>				
Deposits				
Retail		6,698,471	115,997	3.46
Wholesale - domestic		196,099	4,480	4.57
Wholesale - offshore		347,945	10,223	5.88
Other borrowings				
Subordinated debt		156,294	5,253	6.72
		<u>7,398,809</u>	<u>135,953</u>	<u>3.68</u>
<b>Non interest bearing liabilities and equity</b>				
Other liabilities		108,635		
Equity		510,203		
		<u>618,838</u>		
Total liabilities and equity		<u>8,017,647</u>		
<b>Interest margin and interest spread</b>				
Interest earning assets		7,749,339	243,970	6.30
Interest bearing liabilities		(7,398,809)	(135,953)	(3.68)
Net interest income and interest spread	2		108,017	2.62
Net interest margin	3			2.79

1 Average balance is based on monthly closing balances from 30 June 2002 through 31 December 2002 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.

## Notes continued

### 6 SEGMENT REPORTING

#### (a) Business segments

	2003 \$'000	2003 \$'000	2003 \$'000	2002 \$'000	2002 \$'000	2002 \$'000
	External	Intersegment	Total	External	Intersegment	Total
<b>Revenue</b>						
Interest revenue						
Banking	276,260	75	276,335	241,062	507	241,569
Trustee company	154	-	154	146	-	146
Financial services	8,145	115	8,260	2,762	8	2,770
Eliminations	-	(190)	(190)	-	(515)	(515)
	284,559	-	284,559	243,970	-	243,970
Other revenue						
Banking	44,220	5,713	49,933	36,558	3,106	39,664
Trustee company	11,983	629	12,612	8,881	1,062	9,943
Financial services	9,254	1,343	10,597	8,470	1,626	10,096
Eliminations	-	(7,685)	(7,685)	-	(5,794)	(5,794)
	65,457	-	65,457	53,909	-	53,909
Share of net profit of equity accounted investments						
Banking	7,943	-	7,943	6,391	-	6,391
Trustee company	-	-	-	-	-	-
Financial services	-	-	-	-	-	-
Eliminations	-	-	-	-	-	-
	7,943	-	7,943	6,391	-	6,391
Total segment revenue						
Banking	328,423	5,788	334,211	284,011	3,613	287,624
Trustee company	12,137	629	12,766	9,027	1,062	10,089
Financial services	17,399	1,458	18,857	11,232	1,634	12,866
Eliminations	-	(7,875)	(7,875)	-	(6,309)	(6,309)
Total consolidated revenue	357,959	-	357,959	304,270	-	304,270
<b>Results</b>						
Segment result						
Banking			48,276			36,150
Trustee company			6,886			3,662
Financial services			1,123			756
Eliminations			(5,299)			(2,736)
Consolidated entity profit from ordinary activities before income tax expense			50,986			37,832
Income tax expense			(16,463)			(12,475)
Consolidated entity profit from ordinary activities after income tax expense			34,523			25,357
<b>Assets</b>						
Segment assets						
Banking			10,071,658			8,239,830
Trustee company			22,984			23,420
Financial services			307,977			253,457
Eliminations			(192,231)			(201,042)
Total assets			10,210,388			8,315,665
<b>Liabilities</b>						
Segment liabilities						
Banking			9,522,600			7,742,455
Trustee company			4,552			5,405
Financial services			88,627			64,513
Eliminations			(13,473)			(25,304)
Total liabilities			9,602,306			7,787,069

## Notes continued

### 6 SEGMENT REPORTING (continued)

#### (a) Business segments

##### Other segment information:

	2003 \$'000	2002 \$'000
Equity method investments included in segment assets	<b>Total</b>	<b>Total</b>
Banking	93,867	76,935
Trustee company	-	-
Financial services	1,378	1,438
Eliminations	-	-
	<b>95,245</b>	<b>78,373</b>
Acquisition of property, plant and equipment, intangible assets and other non-current assets		
Banking	23,013	27,942
Trustee company	58	44
Financial services	777	1,007
Eliminations	-	-
	<b>23,848</b>	<b>28,993</b>
Depreciation		
Banking	5,848	4,920
Trustee company	65	75
Financial services	661	320
Eliminations	-	-
	<b>6,574</b>	<b>5,315</b>
Amortisation		
Banking	1,924	1,924
Trustee company	154	154
Financial services	49	49
Eliminations	-	-
	<b>2,127</b>	<b>2,127</b>
Non-cash expenses other than depreciation & amortisation		
Banking	6,817	8,317
Trustee company	1,370	1,688
Financial services	1,262	1,214
Eliminations	(4,295)	(4,919)
	<b>5,154</b>	<b>6,300</b>

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.

## Notes continued

	Consolidated	
	2003	2002
	\$'000	\$'000
<b>7 CONTINGENT LIABILITIES</b>		
<b>Guarantees</b>		
The economic entity has issued guarantees on behalf of clients	48,927	48,454
<b>Other</b>		
Documentary letters of credit	-	1,024

## 8 SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the half-year to the date of this financial 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.

## 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 half-year financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position as at 31 December 2003 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; 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

**J L Dawson**, Director  
Bendigo

Dated this 16th day of February 2004

# Independent review report to members of Bendigo Bank Limited

## **Matters relating to the Electronic Presentation of the Reviewed Financial Report**

This review report relates to the financial report of Bendigo Bank Limited and Controlled Entities for the half-year ended 31 December 2003 included on Bendigo Bank Limited and Controlled Entities web site. The company's directors are responsible for the integrity of the Bendigo Bank Limited and Controlled Entities web site. We have not been engaged to report on the integrity of the Bendigo Bank Limited and Controlled Entities web site. The review report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

## **Scope**

### *The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Bendigo Bank Limited ("the company") and the consolidated entities, for the period ended 31 December 2003. The consolidated entity comprises both the company and the entities it controlled during the period.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

### *Review approach*

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, 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 the *Corporations Act 2001*, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia, so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

## **Independence**

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. In addition to our review of the financial report, we were engaged to undertake other non-audit services. The provision of these services has not impaired our independence.

## Independent review report to members of Bendigo Bank Limited (continued)

### Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Bendigo Bank Limited is not in accordance with:

(a) the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the financial position of Bendigo Bank Limited and the consolidated entity as at 31 December 2003 of their performance for the period ended on that date; and
- (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

**I H Miller**

Partner

Bendigo

Dated this 16th day of February 2004

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