

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2002.

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, M.Sc.(London)
Robert N Johanson (Deputy Chairman)	B.A., LL.M., M.B.A.(Harvard)
Robert G Hunt AM (Managing Director)	
Neal J Axelby	ACIS, Dip. CM, FAICD, AIMM, AIFS
Jennifer L Dawson	B.Bus.(Acc), C.A., C.I.S.A., MAICD
Donald J Erskine	
William R Lanyon (1)	
Terence J O'Dwyer	B. Com, Dip. Adv. Acc., FCA, FAIM, FAICD
Kevin E Roache	LL.B, B.Com., A.S.C.P.A.

(1) Mr W R Lanyon retired from the Board on 28 October 2002.

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 30% to \$25.4 million when compared to the half-year ended 31 December 2001.

Profit before tax increased by 23% to \$37.8 million.

Group assets increased 4%, or \$348 million in the half-year. Group assets at 31 December 2002 were \$8.3 billion.

Tier one capital declined marginally during the half year from 8.83% to 8.58%.

Tier two capital declined from 2.56% to 2.07%.

A final dividend of 17.0 cents per share, fully franked at 30%, was paid on 31 October 2002 in respect of the year ended 30 June 2002.

An interim dividend of 13.5 cents per share (up from 12.0 cents - Interim 2002), fully franked at 30%, will be payable on 30 April 2003.

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:

- (a) During the period 454,518 capital notes were converted to ordinary shares, increasing share capital by \$1.9 million.
- (b) In October 2002, 938,571 shares were allotted at an issue price of \$7.43 to those shareholders participating in the Dividend reinvestment plan, increasing share capital by \$7.0 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 to the nearest \$'000, due to the size of account balances.

Signed in accordance with a resolution of the Board of Directors

R A Guy OAM, Chairman

Bendigo

Dated this 14th day of February, 2003

CONDENSED STATEMENT OF FINANCIAL PERFORMANCE

for the half-year ended 31 December 2002

Note

	Consolidated	
	2002	2001
	\$'000	\$'000
Revenue from ordinary activities		
Net interest revenue		
Interest income	243,970	225,444
Interest expense	135,953	131,955
Net interest income	108,017	93,489
Other revenue from ordinary activities		
Share of associates' net profits (losses) accounted for using the equity method	6,391	5,955
Dividends	81	75
Fees	39,542	30,657
Commissions	12,128	6,984
Other operating revenue	2,157	2,477
Total revenue from ordinary activities	168,316	139,637
Expenses from ordinary activities		
Bad and doubtful debts	7,194	6,264
Other expenses from ordinary activities		
Borrowing costs	251	224
Staff and related costs	59,353	47,295
Occupancy costs	11,186	8,870
Amortisation of goodwill	2,127	2,224
Property, plant and equipment costs	4,226	3,868
Fees and commissions	5,565	5,113
Administration expenses	40,267	34,842
Other operating expenses	315	210
Total expenses from other ordinary activities	123,290	102,646
Profit from ordinary activities before income tax expense	37,832	30,727
Income tax expense relating to ordinary activities	12,475	11,244
Net profit	25,357	19,483
Net loss attributable to outside equity interest	26	-
Net profit attributable to members of Bendigo Bank Limited	25,383	19,483
Total changes in Equity other than those resulting from transactions with owners as owners	25,383	19,483
Basic earnings per share (cents per share)	20.3¢	16.8¢
Diluted earnings per share (cents per share)	20.3¢	16.8¢
Franked dividends per share (cents per share)	13.5¢	12.0¢

CONDENSED STATEMENT OF FINANCIAL POSITION

as at 31 December 2002

	<i>Note</i>	Consolidated		
		Dec-02	Jun-02	Dec-01
		\$'000	\$'000	\$'000
Assets				
Cash and liquid assets		107,923	147,236	97,345
Due from other financial institutions		55,545	207,369	52,927
Investment securities		998,714	1,085,261	1,047,195
Current tax assets	2	-	-	2,740
Loans and other receivables		6,813,661	6,209,513	6,039,373
Shares - other		23,087	7,568	7,162
Investments accounted for using the equity method		78,373	71,945	65,681
Property, plant & equipment		51,189	49,007	46,436
Deferred tax assets		24,490	22,626	11,702
Intangibles		70,054	72,182	73,825
Other assets		92,629	95,018	76,432
Total Assets		8,315,665	7,967,725	7,520,818
Liabilities				
Due to other financial institutions		52,595	211,954	54,639
Deposits		7,500,910	6,988,485	6,751,928
Payables		45,878	64,198	54,797
Current tax liabilities		3,372	4,560	-
Provision - dividend	1(b)	69	20,043	13,862
Other provisions		20,817	18,532	14,310
Subordinated debt		159,343	161,379	162,133
Deferred tax liabilities		4,085	4,147	4,292
Total Liabilities		7,787,069	7,473,298	7,055,961
Net Assets		528,596	494,427	464,857
Equity				
Parent entity interest				
Contributed capital		457,008	448,170	428,857
Reserves		17,755	18,039	16,952
Retained profits	3	53,936	28,295	19,048
Total parent entity interest in equity		528,699	494,504	464,857
Total outside equity interest		(103)	(77)	-
Total Equity		528,596	494,427	464,857

CONDENSED STATEMENT OF CASH FLOWS

for the half-year ended 31 December 2002

Note

	Consolidated	
	2002	2001
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and other items of a similar nature received	245,096	223,545
Borrowing costs paid	(135,999)	(143,634)
Receipts from customers (excluding interest)	53,024	39,443
Payments to suppliers	(130,342)	(112,286)
Dividends received	3,658	3,040
Income taxes paid	(13,523)	(5,611)
Net cash flows from operating activities	21,914	4,497
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash flows for purchases of property, plant and equipment	(7,896)	(9,086)
Cash proceeds from sale of property, plant and equipment	509	272
Cash paid for (purchases)/proceeds of equity investments	(21,097)	(5,127)
Net (increase)/decrease in balance of loans outstanding	(607,192)	(444,381)
Net (increase)/decrease of investment securities	86,547	(250,925)
Net cash used in investing activities	(549,129)	(709,247)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash paid for buy back of shares	-	(6,528)
Proceeds from shares issued	-	35,102
Net increase in balance of retail deposits	621,439	575,900
Net increase/(decrease) in balance of wholesale deposits	(113,160)	(46,763)
Net increase/(decrease) in balance of subordinated debt	177	30,523
Dividends paid	(13,020)	(11,046)
Net cash flows from financing activities	495,436	577,188
Net increase/(decrease) in cash held	(31,779)	(127,562)
Cash at the beginning of the financial year	142,651	223,194
Less cash at the end of the half year	110,872	95,632
	(31,779)	(127,562)

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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.

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 2002 together with any public announcements made by Bendigo Bank Limited and its controlled entities during the half-year ended 31 December 2002 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 year, except that in accordance with Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" a provision for dividend is not recognised as a liability unless the dividend is declared, determined or publicly recommended on or before the reporting date. This change has the effect that no liability has been recognised in the interim financial statements for the interim 2003 dividend. This has the financial effect of reducing liabilities and increasing retained profits by \$16.078 million at reporting date, when compared to the previous accounting policy for dividends.

2 PROVISION FOR INCOME TAX

As at 31 December 2001 Bendigo Bank was entitled to a refund of tax arising from an overpayment in a prior period.

3 RETAINED PROFITS

Profit from ordinary activities after income tax expense attributable to members of Bendigo Bank Limited
Retained profits at beginning of the financial year
Total available for appropriation
Dividends - Final 2002 (adjustment to provision)
 - Interim (1)
Aggregate of amounts transferred to/(from) reserves
Retained profits at the end of the half year

Consolidated	
2002	2001
\$'000	\$'000
25,383	19,483
28,295	13,276
53,678	32,759
20	(34)
-	13,806
(278)	(61)
53,936	19,048

(1) A provision for the interim 2003 dividend has not been recognised as it was not declared, determined or publicly recommended on or before the reporting date.

4 DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

(a) Dividends proposed and recognised as a liability

Interim dividend (Nil) (2001: 12.0 cents per share) (1) - 13,806

(b) Dividends paid during the half-year

Final dividend (17.0 cents per share) (2001: 14.5 cents per share) 20,002 15,663
20,002 29,469

(1) A provision for the interim 2003 dividend has not been recognised as it was not declared, determined or publicly recommended on or before the reporting date.

Dividends proposed since the reporting date, but not recognised as a liability
Interim dividend (13.5 cents per share) (2001: Nil)

16,078	-
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Notes continued

5 AVERAGE BALANCE SHEET AND RELATED INTEREST

Average balances and rates ⁽¹⁾

Interest earning assets

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>

Non interest earning assets

Property, plant & equipment	50,793		
Provisions for doubtful debts	(47,858)		
Other assets	<u>265,373</u>		
	<u>268,308</u>		
Total assets (average balance)	<u>8,017,647</u>		

Interest bearing liabilities and equity

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	<u>156,294</u>	<u>5,253</u>	<u>6.72</u>
	<u>7,398,809</u>	<u>135,953</u>	<u>3.68</u>

Non interest bearing liabilities and equity

Other liabilities	108,635		
Equity	<u>510,203</u>		
	<u>618,838</u>		
Total liabilities and equity	<u>8,017,647</u>		

Interest margin and interest spread

Interest earning assets	7,749,339	243,970	6.30
Interest bearing liabilities	<u>(7,398,809)</u>	<u>(135,953)</u>	<u>(3.68)</u>
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 liabilities.

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

6 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 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	107,923	97,345
Due from other financial institutions	55,545	52,927
Due to other financial institutions	<u>(52,595)</u>	<u>(54,639)</u>
Other (rounding)	<u>(1)</u>	<u>(1)</u>
	<u>110,872</u>	<u>95,632</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.

Consolidated	
2002	2001
\$'000	\$'000

Notes continued

7 SEGMENT REPORTING

(a) Business segments

Revenue

Interest revenue

Banking

Trustee company

Financial services

Eliminations

Other revenue

Banking

Trustee company

Financial services

Eliminations

Share of net profit of equity accounted investments

Banking

Trustee company

Financial services

Eliminations

Total segment revenue

Banking

Trustee company

Financial services

Eliminations

Total consolidated revenue

Results

Segment result

Banking

Trustee company

Financial services

Eliminations

Consolidated entity profit from ordinary activities before income tax expense

Income tax expense

Consolidated entity profit from ordinary activities after income tax expense

Assets

Segment assets

Banking

Trustee company

Financial services

Eliminations

Total assets

Liabilities

Segment liabilities

Banking

Trustee company

Financial services

Eliminations

Total liabilities

	2002 \$'000	2002 \$'000	2002 \$'000	2001 \$'000	2001 \$'000	2001 \$'000
	External	Intersegment	Total	External	Intersegment	Total
Interest revenue						
Banking	241,062	507	241,569	222,003	4,263	226,266
Trustee company	146	-	146	239	-	239
Financial services	2,762	8	2,770	3,202	15	3,217
Eliminations	-	(515)	(515)	-	(4,278)	(4,278)
	243,970	-	243,970	225,444	-	225,444
Other revenue						
Banking	36,557	3,106	39,663	26,508	2,354	28,862
Trustee company	8,881	1,062	9,943	7,158	707	7,865
Financial services	8,470	1,626	10,096	6,527	1,290	7,817
Eliminations	-	(5,794)	(5,794)	-	(4,351)	(4,351)
	53,908	-	53,908	40,193	-	40,193
Share of net profit of equity accounted investments						
Banking	6,391	-	6,391	5,657	-	5,657
Trustee company	-	-	-	-	-	-
Financial services	-	-	-	298	-	298
Eliminations	-	-	-	-	-	-
	6,391	-	6,391	5,955	-	5,955
Total segment revenue						
Banking	284,010	3,613	287,623	254,168	6,617	260,785
Trustee company	9,027	1,062	10,089	7,397	707	8,104
Financial services	11,232	1,634	12,866	10,027	1,305	11,332
Eliminations	-	(6,309)	(6,309)	-	(8,629)	(8,629)
Total consolidated revenue	304,269	-	304,269	271,592	-	271,592
Results						
Segment result						
Banking			36,150			27,015
Trustee company			3,662			2,328
Financial services			756			3,643
Eliminations			(2,736)			(2,259)
Consolidated entity profit from ordinary activities before income tax expense			37,832			30,727
Income tax expense			(12,475)			(11,244)
Consolidated entity profit from ordinary activities after income tax expense			25,357			19,483
Assets						
Segment assets						
Banking			8,239,830			7,465,407
Trustee company			23,420			24,522
Financial services			253,457			258,572
Eliminations			(201,042)			(227,683)
Total assets			8,315,665			7,520,818
Liabilities						
Segment liabilities						
Banking			7,742,455			7,027,549
Trustee company			5,405			7,183
Financial services			64,513			76,329
Eliminations			(25,304)			(55,100)
Total liabilities			7,787,069			7,055,961

7 SEGMENT REPORTING (continued)

(a) Business segments

Other segment information:

Equity method investments included in segment assets

Banking

Trustee company

Financial services

Eliminations

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

Banking

Trustee company

Financial services

Eliminations

Depreciation

Banking

Trustee company

Financial services

Eliminations

Amortisation

Banking

Trustee company

Financial services

Eliminations

Non-cash expenses other than depreciation & amortisation

Banking

Trustee company

Financial services

Eliminations

2002

\$'000

Total

78,373

-

-

-

78,373

27,942

44

1,007

-

28,993

4,921

75

320

-

5,316

1,924

154

49

-

2,127

8,317

1,688

1,214

(4,919)

6,300

2001

\$'000

Total

64,902

-

779

-

65,681

13,933

43

237

-

14,213

3,767

54

244

-

4,065

1,859

154

57

154

2,224

6,936

1,430

995

(4,296)

5,065

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, including the bank's share of profit from the associate company, Elders Rural Bank Limited.

Trustee Company

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

Financial Services

Fees, interest and other income, derived from financial services including mortgage management, leasing and financial planning.

Consolidated

2002

2001

\$'000

\$'000

8 CONTINGENT LIABILITIES

Guarantees

The economic entity has issued guarantees on behalf of clients

48,454

37,838

Other

Documentary letters of credit

1,024

2,968

Directors' Declaration

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

In the opinion of the directors:

- (a) the 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 2002 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; 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 14th day of February 2003

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 31 December 2002, set out on pages 2 to 9, 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 "Interim Financial Reporting" 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 Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2002 and its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations;
- (b) other mandatory professional reporting requirements in Australia.

Ernst & Young

Richmond Sinnott and Delahunty

Ian Miller
Partner

Warren Sinnott
Partner

Bendigo
Dated this 14th day of February 2003

Bendigo
Dated this 14th day of February 2003

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