

# Knowing the way forward

Inspired by a decade of community-focused banking

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

#### **Customer/Shareholder inquiries**

**Customer Help Centre**  
1300 361 911 (local call)  
8.30am - 6.30pm AEST 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 Bank**  
1300 366 666 (local call)

**24-hour e-Bank**  
[www.bendigobank.com.au](http://www.bendigobank.com.au)

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

**Securities Registry:** 1800 646 042

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## Our people for tomorrow

*We are extremely proud of the 3000-plus people throughout Australia representing the Bendigo Bank brand. Customer Relationship Officer Helen Temelkowska and her colleagues have opened accounts for more than one million Bendigo Bank customers Australia-wide.*

# Bendigo - a bank worth getting to know

## FINANCIAL CALENDAR 2005 - 2006

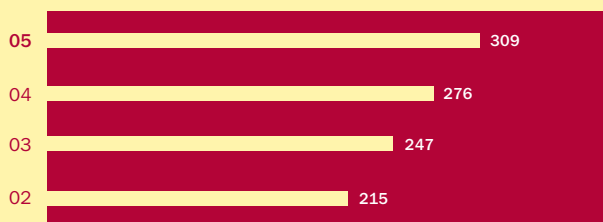
### 2005

29 August	Ex-dividend date
2 September	Final dividends record date
15 September	Bendigo Preference Share dividend
30 September	Distribution of final dividend
31 October	AGM
15 December	Bendigo Preference Share dividend
31 December	Half year end

### Proposed Dates 2006

February	Announcement of interim results and interim dividend
27 February	Ex-dividend date
3 March	Interim dividend record date
15 March	Bendigo Preference Share dividend
31 March	Distribution of interim dividend
15 June	Bendigo Preference Share dividend
August	Announcement of final results and final dividend
15 September	Bendigo Preference Share dividend
29 September	Distribution of final dividend
15 December	Bendigo Preference Share dividend

### Number of branches



## HIGHLIGHTS AT A GLANCE

### Financial

- > Achieved pre-tax profit before specific items of \$127.9 million
- > Increased profit after-tax before specific items by 19 per cent to \$87.4 million
- > Grew cash earnings per share by 12 per cent, to 65.6 cents
- > Dividends increased from 40.0 cents per share to 45.0 cents per share (12.5 per cent increase)
- > Improved cash ROE from 12.3 per cent to 13.3 per cent
- > Achieved \$2.7 billion funds under management (increase of \$550 million)
- > Increased loans under management by 14 per cent to \$12.9 billion

### Service

- > Opened our 300th branch and 150th Community Bank® branch
- > Installed 56 new ATMs taking our coverage to more than 300 ATMs
- > In September 2005 we welcomed our millionth customer
- > Transaction volumes exceeded more than 100 million for the first time
- > A 20 per cent increase in the number of e-banking customers

### Strategic

- > Celebrated the 10th anniversary of conversion from a building society to a bank
- > Focus on our branded retail strategy – building a brand that is relevant to our customers and their communities
- > Customer satisfaction remains high. Bendigo Bank ranked in the top 10 brands in the AMR reputation survey and achieved the highest ranking of any bank in the Nielsen survey of customer advocacy



## Leadership for tomorrow

*The chance to sit on a YMCA Youth Advisory Board was great incentive for branch supervisor Aaron Connaughton to contribute to his community. The Lead On initiative, Community Door, is providing a pathway for young people to make a valuable contribution to company and community board rooms.*

# Knowing we are on solid ground



Chairman  
**Richard A. Guy OAM**



Group Managing Director  
**Rob Hunt AM**

## REPORT BY THE CHAIRMAN AND MANAGING DIRECTOR

On 1 July 2005, we celebrated our tenth anniversary as an authorised Australian bank (and our 147th successful year as a provider of customer and community focused retail banking).

Our Group marked the date by recording our 2004/05 profit after-tax and before specific items of \$87.4 million, a 19.4 per cent increase on the previous year.

Strategically, we paused to reflect on the achievements of our first banking decade and took stock of our prospects for the next.

These prospects are buoyant, for we are so much better placed to continue our growth now than we were 10 years ago at the start of a decade in which we quadrupled our branch network, profit and customer numbers (albeit in a buoyant economy).

That rapid growth was produced by a branded retail strategy – a considered, long-term, high-investment strategy to attract customers through building a brand that was relevant to them and their communities. If one achievement defines our past 10 years – beyond growth in branch and customer numbers, profit and share price – it is that the Bendigo Bank brand today is now well-known, highly respected and widely sought after across Australia. This is an excellent foundation on which to base our next decade.

Ours is not a brand that has been built on product, feature or price, because both are easily replicated by larger competitors. Instead, we have built brand awareness and respect through our willingness to place the interests of our customers and communities first – in the knowledge that promoting success for them will see us rewarded by their loyalty and increased custom. Increased connection with our buying base will secure more sustainable growth in revenues, and therefore improved shareholder value.

It is a brand strategy that has drawn on our considerable strengths as well as those of a range of partners which add specialist skills that complement ours.

It has been a consistent strategy for a decade – one built on simple principles, clear goals and a strong value system.

We started in 1995 with a reputation for service that was then – and remains now – unmatched in banking.

We lacked distribution capacity. That has been built as 74 branches have expanded past 300.

We started with a limited product range, but have steadily and surely built an armory encompassing consumer and business banking, wealth solutions and advice, insurance and trustee services.

We needed skilled people to add specialist skills to our renowned customer service ethic. Through training many of our own people, and recruiting others where necessary, we have formed an effective, focused team which we believe is the best team in finance to deliver our strategy.

We lacked the scale required of a bank that aims to be a sustainable force over the long term. That has grown rapidly, with assets under management now ten-fold those of 1995 and our millionth customer joining us very recently.

This is massive change that has required heavy and sustained investment – virtually all of which has been paid for as we have done it. There is little amortised cost residing in our balance sheet, thus eliminating the potential drag on future earnings. As we leverage our investment, shareholders are being rewarded with improved, and sustainable, earnings growth.

We believe the changes we have undertaken have been skilfully implemented. Growth has been solid over a long period now, so much so that it might be said some commentators have become blasé about our achievements... yet we have grown by half again in just the past three years.

This growth has resulted as a natural outcome of our strategy – we have not chased growth for its own sake. There is no better measure of this than our interest margin, which at 2.78 per cent remains around the highest of any Australian bank. That says we are not chasing ‘price and volume’ growth; that customers are happy to seek out our brand and then pay a fair price for the service and customer focus we deliver.

The Bendigo Bank of today is vastly different to the fledgling bank launched in 1995 on the back of public trust engendered by our reputation as a community based building society. At bank conversion, we serviced 150 communities through our branches and agencies; today our proprietary and Community Bank® branches, agencies, joint ventures and alliances service 650 towns and suburbs with Bendigo Bank products.

In 1995 our product range was limited and our revenue overwhelmingly dependent on home lending funded by retail deposits; today we fully service domestic and business customers with banking, wealth solutions, insurance and trustee services that deliver broad and diverse revenues. And our initiatives to promote better and more prosperous communities are now gathering momentum, thus further confirming that our strategy presents us with the opportunity to be more valuable than just the banking products we provide.

We have a great story to tell, and we intend to tell it more fully than we have to date. Given their focus on growth and market share, financial markets are cautious of our different strategy and focus and might not fully understand the inherent value of a brand that has developed close connections with its customers and communities. While there is a solid base of support for our stock, the share price did not increase in line with the banking index during the year. We are therefore focused on converting the continued improvement in profitability into higher earnings for shareholders, and on promoting a better understanding of just what Bendigo offers investors, communities and customers. We want people to get to “know the Bendigo” better.

We begin this theme at home, with management undertaking a national tour to engage with as many staff as possible across Australia – to ensure they understand their own company. “You need to know the Bendigo” is also the focus of our new national advertising campaign which aims to raise brand awareness and consumer understanding of the breadth of our product range and the reach of our distribution network. It will also demonstrate the extent of the benefits being delivered to communities across Australia.

We also want our current customers to get to know us better. Three hundred thousand new customers have joined us in just the past three years, many of them initially bringing just one account to try our service. Customer research tells us they are receptive to relevant product offers and we will seek to increase their knowledge of their new bank. Deepening customer relationships will help us to leverage the substantial investment we have made in branches and other service channels. It might surprise shareholders to know that in the latest ‘points of presence’ survey undertaken by our regulator, APRA, Bendigo Bank was credited with 390 customer service outlets, compared with ANZ’s 730 and 787 of NAB, both major banks 20 to 30 times larger than Bendigo. The latent potential in our branch network is obvious, and we continue to open around 30 branches each year as our investment program continues. As these branches mature, our revenues are likely to grow.

# Using knowledge to create better banking solutions

## Customer service for tomorrow

*Our Customer Help Centre is just that, a “help centre” for our staff and importantly, for our customers. Jacinta Bath and her staff focus on ensuring that when you deal with our Customer Help Centre, it is always a positive experience.*

Bendigo Bank



Investment, of course, remains a cornerstone of our branded retail strategy – investment in infrastructure, products, people, partners and ideas. A cursory glance at the past decade reveals the breadth of our investment program and the legacy of opportunity it provides. Excluding the massive development of our own proprietary banking operation, it is worth recapping briefly on some of the other initiatives we have launched:

- > Community Bank® – 157 branches, \$6 billion in business, 340,000 customers and an extra \$11.2 million contribution to our 2005 profit. The number of these locally owned and operated branches now exceeds our 150 proprietary branches.
- > Elders Rural Bank (joint venture with Futuris) – a stand-alone agribusiness bank with \$2.5 billion in assets and a 2005 profit contribution to Bendigo of \$13.7 million.
- > Our homegrown Wealth Solutions business – producing a 2005 profit contribution of \$18.8 million.
- > We have built a strong business banking unit which last year recorded a solid increase in outstanding loans and continues to be a key component of the banking support we provide to our communities.
- > Tasmanian Banking Services (a joint venture with Tasmanian Perpetual Trustees) – six retail bank branches, \$500 million in business, a \$0.7 million contribution to Bendigo's profit, and unique market positioning as Tasmania's only banking operation with local ownership.
- > Community Sector Banking – a joint venture with Australia's not-for-profit sector.
- > Bendigo's Community Enterprise brand with its range of fledgling business initiatives (including Community Telco, Generation Green energy products and Community Exchange e-commerce solutions).

These businesses were all initiated within the past decade. The businesses themselves all have prospects of being valuable in their own right – many already are. We repeat that virtually all development costs were expensed as the expansion investments were made, so as not to impede the Company's progression.

In summary, these businesses – these investments – are already generating value that is accruing to shareholders. Our belief is that there is much more latent value waiting to be unlocked.

Banks need a strong capital base and our business has been 'capital hungry' in line with the growth in our business. This has dampened our earnings per share improvement, but we are now focused on improving shareholder returns in line with our growing profit. Over the past year, we have moved to refine our capital management in order to better align profit growth with earnings per share growth. During 2004/05 we issued

\$90 million in Preference Shares (partly paid to \$50); bought back and cancelled 2.5 million of our own shares; and sold \$304 million in loans, removing them from our balance sheet to which capital must be applied. These measures will curb the growth in the number of ordinary shares eligible for dividends.

Our distribution network will continue to expand. Having opened 92 branches in the past three years, we plan to open 35 during 2005/06. Around 70 per cent of these will be outside Victoria, where the strength of the Bendigo brand is evidenced by the almost uniform growth in lending and deposits in interstate markets. It is usual to be able to grow lending when expanding interstate, but attracting deposits is much more difficult unless one's brand is trusted and is sufficiently differentiated to attract customers in new markets.

Our brand health is regularly evidenced in surveys of customer satisfaction and reputation. Bendigo Bank for the second year running ranked in the top 10 brands in the AMR reputation survey and achieved the highest rating of any bank (92 per cent) in the Nielsen survey of customer advocacy (satisfied customers who would recommend their bank to others). These ratings are, of course, a testament to staff who so ably represent our brand values to the public.

All public companies are rightly coming under increased pressure to demonstrate their corporate social responsibility (CSR): that is, not only their ability to generate profits for shareholders, but also their ability and willingness to contribute to sound environmental and community outcomes – the so-called triple bottom line. Some companies now regularly produce a CSR report highlighting their policies, initiatives and results. Although our Concise Annual Report has always touched on these issues, Bendigo Bank this year intends to produce a separate report for the first time. It will attempt to give an honest account of the Company's contribution to Australian society and the environment. We believe our business strategy produces 'natural' triple bottom line outcomes by focusing on the success of our customers and communities. This is likely to increase their commitment to buy from us and stay with us, thereby strengthening our revenue growth and demonstrating the value of balancing our responsibilities to all stakeholders. Our first CSR report will enable shareholders to pass judgment on their Company's conduct and achievements – and our prospects of building a more sustainable business.

## Looking ahead

Our strategy remains unchanged. We know it is working. We know the way forward is to continue to pursue the same broad goals we set 10 years ago.

As stated, we will continue to expand our distribution network and expect to open a further 35 company and Community Bank® branches in 2005/06. Customers will see further new products and we will introduce further initiatives aimed at increasing the prosperity of our customers and their communities.

But having built considerable capacity, and attracted many new customers, we will also refine our approach to grow our business from within. We will look to improve and deepen our relationships with existing customers. Revenues will be further diversified as our alliances and joint ventures begin to mature and increase their contribution to profit. After seven years of establishment and consolidation, Community Bank® last year more than doubled its profit contribution and while that growth rate would be difficult to sustain, a further solid increase is anticipated. Our Wealth Solutions and business banking arms are a similar story. Now integrated into our distribution network, they, too, will continue to lift their contributions.

Finally, we aim to convert a higher proportion of business and profit growth into shareholder value through enhanced and focused management of our capital base.

This will be achieved despite a more difficult external environment. Competition in banking is fierce – more so than we have ever seen before – and yet the strength of our brand continues to attract customers and grow our market coverage.

We have been saying much these same things for most of the past decade, and we continue to deliver solid improvement year on year. We know we are on the right track ... it is a path well worn since 1995.




Richard A. Guy OAM  
Chairman



Rob Hunt AM  
Managing Director

## Result at a glance

	June 05 \$m	June 04 \$m	%Increase/ (Decrease)
<b>Headline result</b>			
Interest income	767.4	615.5	24.7
Interest expense	486.6	361.9	34.4
Net interest income	280.8	253.6	10.7
Other operating income	190.3	157.5	20.8
Total net operating income	471.1	411.1	14.6
Total operating expenses	339.7	295.8	14.8
Profit before tax	131.4	115.3	14.0
Income tax expense	(41.3)	(35.8)	15.4
Profit after tax	90.4	79.8	13.3
Earnings per ord. share (cents)	64.4	60.2	7.0
Return on average equity	13.08%	12.99%	0.7
Dividends per share (cents)	45.0	40.0	12.5
<b>Pre-specific items</b>			
Profit after tax	87.4	73.2	19.4
Expense to income	67.7%	68.6%	(1.0)
Earnings per share (cents)	65.6	58.5	12.1
Return on average equity	12.64%	11.91%	6.1
<b>Other key data</b>			
Total equity	749.0	676.4	11.0
Gross loans under management	12.8 bil.	11.2 bil.	14.3
Total Group managed assets	15.6 bil.	13.5 bil.	15.0
Deposits			
& funds under management	14.7 bil.	12.3 bil.	19.0
Lending approvals	5.9 bil.	6.1 bil.	(3.3)



## Community banking for tomorrow

*In October 1998, the town of Lang Lang opened Australia's fourth Community Bank® branch. Today, Chairman Max Papley is working with communities throughout Australia in their bid to join our Community Bank® network.*

# The know-how to consistently deliver results

## FINANCIAL RESULT

Bendigo Bank recorded a 2004/05 operating profit after tax and before specific items of \$87.4 million, a 19.4 per cent increase on the previous year.

The net effect of specific items was to increase after-tax profit by a further \$3 million, meaning that \$90.4 million was the total after-tax profit attributable to shareholders.

Earnings per share was 65.6 cents, a 12 per cent increase. Directors declared a final dividend of 26.0 cents per share, fully franked. Dividends for the year totalled 45.0 cents per share, a 12 per cent increase on the 40.0 cents declared for the previous year.

Profit increased strongly for the fifth year in succession. In that time, after-tax profit has increased from \$21 million in 2000 to \$90 million this year.

All areas of our business reported strong profit increases – Retail Bank up 12 per cent to \$51.3 million, Wealth Solutions up 33 per cent to \$18.8 million and Community Bank® up 115 per cent to \$11.2 million. Our joint venture bank Elders Rural Bank increased its profit contribution by 26 per cent, to \$13.7 million.

Profit growth reflects strong increases in revenue. Five years ago our total net operating income was \$175 million; this year it was \$471 million. We have built revenue through a variety of ways: opening new branches, broadening our product range, and forming alliances to provide new distribution capacity or product.

These measures have also helped to diversify our revenue, with non-interest income as a percentage of total income rising from 34 per cent in 2002 to 38 per cent this year. Continuing to diversify revenue will help to cushion any squeeze on interest margins brought about by competitive or other

pressures.

At 2.78 per cent our interest margin remains one of the highest in the banking sector, although it did decline by 15 basis points because we needed to increase wholesale borrowings and because of increased competition for retail bank deposits. While we increased retail deposits by 11 per cent, to top \$10 billion for the first time, our proportion of retail funding fell from 89 per cent to 84 per cent as customers directed an increased proportion of their savings towards a booming share market. Our Wealth Solutions division benefited from this, with Sandhurst Trustees' managed funds growing by 26 per cent, to \$2.7 billion.

Lending was again strong, with bank loans growing by 16 per cent, to \$11 billion, after selling a further \$304 million in loans to off-balance sheet funds managed by the Group. Total lending approvals were \$5.9 billion, marginally lower than the previous year as the housing boom began to slow. Lending quality remains excellent, with net impaired assets representing just 0.07 per cent of gross loans. We increased general provisions by \$6.9 million, to \$60.3 million, or 0.79 per cent of risk-weighted assets.

Group assets under management grew by 15 per cent, to \$15.6 billion.

The Bank strengthened its capital position, with equity increasing by 11 per cent, to \$74.9 million. Total risk-weighted capital adequacy at 30 June 2005 was 10.39 per cent, which was within our target range. As part of our capital management initiatives, 2.85 million ordinary shares were cancelled following an on-market buyback conducted from March to May 2005. In May, we issued 900,000 (\$100) preference shares partly paid to \$50 per share, helping to diversify our capital base. The issue added \$43 million (net) to the Bank's Tier 1 capital. The balance is due, subject to board discretion, in June 2006.

The Bank's credit ratings are:

- > Standard & Poor's: BBB+/A2
- > Fitch & IBCA: BBB+/F-2



## Giving for tomorrow

*A Bendigo Bank initiative, Club Geelong is a community diary which lists local events and organisations. Proceeds are donated to not for profit groups throughout the city. Tina Rettke takes centre stage for the Geelong Performing Arts Centre, one of 420 recipients of this innovative community concept.*

# Relevance built on knowing our strengths

## Enterprise for tomorrow

*Our Business Banking team works closely with the Scotchman's Hill team, including winemaker Cate Looney, who is pivotal to the success of the Scotchman's Hill brand, at a local, national and international level.*

## RETAIL BANK

For 147 years we have been a provider of financial products and services, however on 1 July 1995 we entered a new era in banking. Our conversion to a branded retail bank, Bendigo Bank, signaled the beginning of a new and accelerated phase in the growth of our distribution network. We set out to establish a clear point of difference and unique value proposition for customers and communities around Australia and this is reflected in our growth. We have been building a sought-after brand, an ever-growing distribution network and product suite, and strong relationships with community and alliance partners who bring unique strengths to us. This strategy is developing strong connections with our customers, who are more inclined to buy and stay with us.

This focus remains unchanged, although it is obviously now on a much larger scale.

	1 July 1995	1 July 2005
Branches	74	304
Customers	243,726	989,285
Staff	701 FTE	2,249 FTE
* Excluding Community Bank® branches		
Shareholders	8,357	47,979
ATMs	Fewer than 50	333
Profit (after tax)	\$10.01 million	\$90.4 million

### 2004/2005 achievements

- > Opened four new proprietary branches, in Coffs Harbour and Port Macquarie (NSW), Springfield (QLD) and Caroline Springs (VIC)
- > Opened our 300th branch, a four-fold expansion in just 10 years
- > Opened our 150th Community Bank® branch
- > Installed 56 new ATMs
- > Improved our Internet banking service
- > In September 2005 we welcomed our millionth customer
- > Increased transaction volumes by 16 per cent, to more than 100 million.

These milestones are significant and signify that we now complement our reputation for customer-focused service with significant distribution capability. We are renowned for our face-to-face service, and yet nine-times-in-ten our customers choose to 'self-serve' when making transactions. Our ATM network now exceeds 300 and we have an excellent customer-friendly internet and phone banking system, so Bendigo is becoming increasingly competitive and attractive to customers on all fronts.

In September 2005 we welcomed our millionth customer who opened an account in a suburban Sydney branch. All of these numbers indicate that we have the potential to increase our share of the retail banking market.

It is important to remember that two-thirds of our branches are less than five years old and have excellent growth prospects. For example, branches opened three years ago produced 30 per cent of their three-year growth in the third year.

Bendigo Investment Services' financial advisers have been integrated into our branch network, resulting in our branches becoming a one-stop shop for customers seeking banking and funds management advice. This move has also helped to diversify our revenue base, making our business less reliant on housing finance.

Looking forward, we will continue to focus on improving access and providing quality service. This financial year we aim to partner 30 communities to open new Community Bank® branches while opening company-owned branches in Griffith (NSW), Belconnen (ACT), Joondalup (WA), and Docklands and Ballarat West (Victoria). We will also continue with our ATM expansion program.

The opportunities in front of us are three-fold:

- > We have a brand position that continues to resonate with both our customers and non-customers and which is leading to strong customer growth.
- > Our branch network is relatively immature and there is significant scope for further value creation.
- > We will continue to build on our comprehensive range of product and services to further complement the network and customer growth.

Despite our development into a national organisation, our motive remains unchanged. Our relevance as a bank enables our customers and their communities to be successful, ensuring our success as a company.

# Improving access so customers know they are valued

## Agencies

Our agencies provide us with great flexibility in responding to community demands for the Bendigo Bank service. They are increasingly used as stepping stones for those communities wishing to join our branch network. Last year five agency sites were upgraded, four to full branches and one to a sub-branch. Community Bank® campaigns are currently underway in several communities where there is already a Bendigo Bank agency operating.

Our agencies now hold more than \$1 billion in deposits and last year averaged more than 80,000 transactions a month.

We are currently developing a new low cost on-line delivery system which will replace the existing manual system.

## Bendigo OnCall (1300 366 666)

The strength of the Bendigo brand is perhaps nowhere better evidenced than in the increasing business brought to us by customers choosing to deal through our call centres in Bendigo and Ipswich. In 2004/2005, our call centre staff had contact with 874,000 customers by telephone and responded to more than 20,000 customer emails.

Demand for phone banking continues to grow, with active customers of phone banking increasing by 7 per cent. In the 12-month period there were 32,172 new phone banking registrations. Phone and e-banking now account for 16.9 per cent of total transactions.

Operating until 8pm AEST, and on weekends, Bendigo OnCall extends banking options for our customers.

## Business Banking

The small to medium enterprise business sector is a highly competitive market in which we continue to gain ground. The past year has been one of consolidating our business banking team, increasing our product range, and improving the customer experience and the manner in which we do business.

Our 2004/2005 results indicate that the Bendigo style of business banking is making inroads in the business banking market:

- > Customer numbers grew by 23 per cent.
- > We settled new loans totaling \$1.2 billion, and recorded a \$552 million (20 per cent) net increase in loan balances outstanding as at 30 June 2005.
- > Community Bank® originated business lending represented 38 per cent of total business banking growth.

Our suite of business banking products has also been expanded to include a business investment facility and agribusiness solutions developed by our joint venture partner Elders Rural Bank but branded Bendigo Bank. The relationship with our customers continues to be managed by Bendigo, with agribusiness banking managers employed during the year to provide specialist support to our rural customers and our branch network.





## Sponsorships for tomorrow

*Nathan Herbert and his team mates at the SEABL Geelong Supercats represent the wide range of sponsorships we are involved in. And it's not only in the sporting arena but in the arts, education and general community activities which declare that they are 'proudly supported by Bendigo Bank'.*

# Knowing how to share positive results with our communities

## Cards

The card business has undergone steady organic growth during the previous 12 months, consolidating Bendigo as a solid competitor in the card market with more than 700,000 cards on issue.

Spending on general purpose payment cards, MasterCard and Visa, reached \$1.36 billion and credit card receivables grew to \$93 million.

We launched several new initiatives including a MasterCard Business credit card for the SME market; Gold Visa credit cards designed to meet the needs of professionals in the medical services industry and a co-branded Visa card in partnership with the V8 Supercar Series.

Reserve Bank reforms to the card payment system resulted in reductions in a key revenue line for general-purpose payment cards. As a result, we were forced to alter the value of points accrued by customers in our Rewards program. This was achieved with minimal impact to our customers and without the need to increase the price of the credit card product linked to our Rewards program.

All financial institutions faced a number of concerted electronic fraud attacks during the year. Although this resulted in slightly higher than forecast fraud loss, the installation of a sophisticated fraud tracking technology in the previous year resulted in these attacks being effectively contained.

In our second (full) year of providing merchant acquiring facilities, we have entrenched ourselves as a serious competitor for this business.

Net growth in new merchant numbers for the year was 50 per cent above forecasts. This result was gratifying because it was achieved in an environment where larger banks were aggressively competing for business in the SME sector. It became obvious as the year unfolded that the underlying value of a relationship with Bendigo Bank was winning us business.

Our merchant business has also grown during the year. We are now reporting more than \$70 million a month in turnover from this sector and expect ongoing healthy growth.

## Community Bank®

Today, 150-plus communities throughout Australia are running their own Community Bank® branches under franchise from Bendigo Bank. When we launched this banking model, we always said that it was going to be about more than simply banking. Seven years on and this is becoming more apparent as communities, and Bendigo Bank, share in the rewards from this collaborative commercial enterprise.

- > Communities have received \$159 million in revenue paid to them by Bendigo Bank, \$61 million in the past 12 months.
- > More than 11,000 community shareholders have received dividends totalling almost \$3 million.
- > Local boards have paid out more than \$3 million in sponsorships, donations and contributions.
- > In 2004/2005 communities spent \$27.3 million in their communities on wages, rent, accounting, cleaning and so on. Given a multiplier effect of three, this means branches inject nearly \$82 million into their communities every year.
- > Community Bank® contributed \$11.2 million to our profit, an increase of 115 per cent on the previous year.

There are no signs that demand for our Community Bank® is slowing, with 27 new branches opening in the past 12 months. This included our 150th Community Bank® branch opening in the Sydney suburb of North Ryde. Forecasts indicate a further 30 branches will open this financial year with the possibility of expanding our reach into the Northern Territory, with several campaigns underway in the Territory.

It is clear that communities and Bendigo Bank are sharing in the rewards of this unique banking model. Not only are these 150-plus communities proudly banking in their Community Bank® branch, they are helping to shape the future of their towns and suburbs as they improve their skills and generate growing, sustainable incomes with which to fund their development for generations to come (See Page 22).

### e-banking

An increasing number of customers are today logging on to do their banking. During the year there was a 20 per cent increase in the number of e-banking customers and in June 2005, there were 25 per cent more logons than the previous June.

In 2004/2005 we introduced a second factor of authentication for security for Internet banking in the form of a keytag-sized token that generates a unique PIN for each logon, providing customers with enhanced protection for their accounts and privacy.

### Equipment Finance

Our Equipment Finance division supports our business customers with a range of leasing and hire purchase solutions. In 2004/2005, receivables increased by 15 per cent.

### Insurance

Ensuring our customers are adequately protected against risk is essential to helping them achieve their financial goals. Our Insurance Division continues to grow strongly, with increases of 13 per cent in income and 15 per cent in profit. There has also been an increase in Loan Protection Insurance policies, with our borrowers conscious of the need to be in a position to meet their loan repayments in the event of accident, illness or death.

CGU Insurance is now not only our main product supplier but joined our sponsorship of the Lead On youth development program by becoming the major sponsor of the new program in Ballarat (Vic).

### Wealth Solutions

Our Wealth Solutions division is important in two respects: it gives our customers wider investment choice, and it helps to diversify the Group's revenue. Just as customers can spread their risk between bank deposits and managed equity and property funds, so the Group spreads the risk of a downturn in income from either source.

Built from within on the back of our own Sandhurst Trustees, our Wealth Solutions division performed strongly, increasing its contribution to the Group's result by one-third, to \$18.8 million. This growth reflects increased customer awareness of our funds management and financial planning offerings as Wealth Solutions was incorporated into our retail network, with Bendigo Investment Services (BIS) advisers now available at our branches.

Another significant development was the appointment of associate advisers to provide succession planning and a career path within Wealth Solutions. Pleasingly, the majority of the appointments to these new roles were existing staff members. These initiatives, together with the increased distribution capacity of the Bank network, resulted in funds under advice within our financial planning subsidiaries, BIS and Worley Securities, increasing by \$200 million (21 per cent) during the year to \$1.3 billion at 30 June 2005.

Sandhurst Trustees continued with its successful philosophy of maintaining a simple yet relevant managed funds product range during the year to complement its traditional trustee activities. Funds under management grew by \$600 million (26 per cent) to \$2.7 billion at 30 June 2005. In particular, the Select Mortgage Fund continued its prominence in the mortgage fund sector increasing by \$300 million (29 per cent) to \$1.4 billion, placing it as one of the top 50 managed funds in Australia. The Sandhurst Industrial Share Fund also experienced strong fund inflows and the benefit of favorable market conditions during the year, increasing by \$100 million (23 per cent) to \$0.5 billion.

# Diversifying services to show we genuinely know what customers want

## Capabilities for tomorrow

*Our major projects and lending capacity has moved into a new league following our involvement with the completion of a multi-million dollar stadium development at Skilled Stadium. Regional Manager Pat Murnane and his team continue to build on our capabilities, ensuring we are providing competitive facilities, both on and off the field.*

## SUBSIDIARIES/JOINT VENTURES AND OTHER INTERESTS

### **Elders Rural Bank (ERB)**

(joint venture with Futuris Corporation Ltd)

Elders Rural Bank, has continued to grow, with an after-tax profit for the year ended 30 June 2005 of \$27.4 million, a 26 per cent increase.

ERB lifted the value of its loans under management by 26 per cent and its deposit book by 26 per cent. Most importantly, ERB has achieved this growth while taking lending quality to its best levels yet.

In October 2004, ERB was accorded an investment grade credit rating by Standard & Poor's, enabling it to diversify its funding base. The bank recently completed the fifth anniversary of its formation.

### **Tasmanian Banking Services (TBS)**

(joint venture with Tasmanian Perpetual Trustees)

TBS provides local ownership participation in the Tasmanian banking market. Launched with one branch (Burnie) in November 2000, TBS now operates six branches.

In 2004/2005, it reached the \$500 million milestone of combined deposit and loan business. The business continues to perform strongly, growing its banking business by \$110 million during the year and making a \$0.7 million contribution to Bendigo Bank's after-tax profit.

### **Community Sector Banking (CSB)**

(joint venture with Community 21 Ltd)

Community Sector Banking (CSB) is designed to enhance the capacity of the sector and provides specialist and general banking services to Australia's not-for-profit sector.

Based on our Community Bank® model, CSB is a joint venture between the Bank and Community 21 Ltd, a company representing 20 community sector organisations who share in banking revenues. After three years, CSB has approximately 4000 deposit and loan accounts with an inaugural full-year after-tax profit of \$450,000 declared.

A "micro finance" solution launched in partnership with the Brotherhood of St Laurence has helped low income earners purchase household goods and establish themselves a credit rating. The program is being expanded to include other agencies.

CSB has issued more than 3000 Salary Benefits Cards, providing organisations with assistance to manage their Fringe Benefits Tax obligations.

### **National Mortgage Market Corporation (NMMC)**

(fully owned subsidiary)

National Mortgage Market Corporation (NMMC) is the face of third party origination within the Bendigo Bank Group. The year 2004/2005 was one of review for our origination business and much has been accomplished to ensure an improved service to the third party market. Changes have included re-branding our origination business under the HomeLend banner.

### **Victorian Securities Corporation Limited (VSCL)**

(fully owned subsidiary)

Our Ballarat-based finance company continues to grow strongly, with a 12 per cent increase in its pre-tax profit contribution. VSCL has appointed six new employees to its Melbourne-based Business Development Unit. This investment provides the base for a considerable increase in growth in the 2005/2006 period.

VSCL recently completed an expansion of its premises to accommodate this growth. The expanded Chancery Lane premises has also enabled the relocation of the Bank's North West Regional Office from Bendigo to Ballarat.

### **Guild Banking**

(alliance with Guild Insurance & Financial Services)

A provider of specialised banking services to pharmacists, GuildBanking is an alliance with Guild Insurance & Financial Services, a subsidiary of the Pharmacy Guild of Australia. Formed just five years ago, GuildBanking is growing rapidly, with a 24 per cent increase in banking business last year and a pre-tax profit contribution of \$2.6 million. We anticipate similar increases in both measures in 2005/06.

The Australian Veterinary Association, Chiropractors Association of Australia, Australia Physiotherapy Association and Australian Podiatry Council, in conjunction with GuildBanking, have developed the Health Professionals Package (HPP) for their members.

# Entering relationships to benefit from shared knowledge and expertise

## **Bendigo Stock Exchange (BSX)**

Bendigo and Newcastle stock exchanges merged during the year with the aim of creating a single national alternative market for small to medium enterprises. NSX Limited (NSX) listed on the ASX early in 2005 after raising \$12 million at an issue price of 50 cents per share through an initial public offering. NSX acquired all of the issued capital in BSX for \$5 million by issuing 10 million shares in NSX at 50 cents per share. Bendigo Bank retains an 11.8 per cent interest in the capital of NSX.

The decision to merge BSX and Newcastle stock exchanges has not affected our Community Bank® companies listed with BSX. There are currently 25 Community Bank® companies listed, with further applications from Community Bank® companies in the process of listing.

## **Community Developments Australia (CDA)**

### **Community Solutions Australia (CSA)**

(fully owned subsidiaries)

Bendigo Bank's strategy has been consistent in its belief that "good community" and good business are not mutually exclusive – that doing the right thing by customers and their communities results in strong community support, and in return shareholder value. We have therefore invested significantly to build a raft of community enhancement initiatives under a separate wholly owned subsidiary – Community Developments Australia (CDA).

These include:

- > Telco solutions
- > Exchange solutions (eMarketplace and supply chain)
- > Energy solutions

Each of these programs have been developed to minimise the loss of capital from local communities (people, intellectual and monetary), to help communities reach their potential, and clearly demonstrate that Bendigo is more valuable to communities than just a banking provider.

Community Solutions Australia (CSA), a wholly-owned subsidiary of CDA, was developed as the primary distribution vehicle to deliver these solutions to smaller communities (and communities-of-interest groups) that do not have the population and/or the aggregated demand to pursue a major franchise in their own right. Some early community starters include the rural Victorian towns of Tongala, Toora, Heyfield and Maldon and Queensland's City of Logan.

## **Retirement Income Streams**

Australia's rapidly ageing population was the trigger for Bendigo Bank, through a joint venture company Homesafe Solutions Pty Ltd, to pilot a program aimed at helping elderly customers access equity in their homes. Since its inception in the trial markets of Melbourne and Sydney, Bendigo Homesafe Equity Release has generated significant interest because Homesafe is not a loan, it is a deferred sale of an agreed percentage of the home. It provides customers with the peace of mind that they will always retain their percentage of the value of their home, no matter what happens to property prices, interest rates or personal circumstances.

Homesafe has the support of both the Victorian and NSW State governments, which have provided stamp duty exemption for the initial transaction needed to release equity in the home.

## **Oxford Funding**

In April 2005 the Bank acquired 100 per cent of the national specialist cashflow financing company, Oxford Funding Pty Ltd. Oxford Funding is an important addition to our Group, supporting our strategy of broadening the range of financial product and service solutions relevant to our customer base. The acquisition enables us to offer our business customers a range of flexible invoice-based working capital facilities to complement our traditional overdraft facility, without the reliance on "bricks and mortar" security.

## Learning for tomorrow

*When students from Glen Devon Primary School approached our Werribee branch for funding to develop a school garden, branch manager Bradley Peel happily wrote out a cheque. Not only did the branch pay for the materials, staff donated a Sunday morning to help with work at the school. Now that's community engagement.*



# Knowing how to engage with our community

## BENDIGO BANK IN THE COMMUNITY

### Community engagement initiatives

Our point of difference is not our products. It is not even our Community Bank® model. It is our capability to engage and collaborate, and our commitment to build stronger communities, which of course does include our Community Bank® model.

We are helping to build stronger, more capable communities and believe they will commit to us a greater proportion of business. Our community engagement capability is our point of difference.

### Community Bank®

Who better to decide how to allocate a Community Bank® branch's profits than the local community?

That is exactly what is happening throughout Australia.

As Community Bank® branches grow their business, so too do they share a greater slice of their profits with the community.

In the past seven years, Community Bank® boards have paid out more than \$3 million in sponsorships, donations and contributions to community projects. These projects are benefiting a range of different sectors within our communities.

In the regional Victorian town of Drouin, the Community Bank® board has committed \$100,000 to the Lyrebird Retirement Village.

In South Australia, Virginia's multi-purpose sporting centre has received a \$75,000 boost from its Community Bank®.

In the NSW town of Wentworth, 40 local groups have this year shared in \$171,368. In three years, this community of 1500 people has received more than \$380,000 in local Community Bank® grants.

The Victorian suburb of Upwey has thrown its support behind Fernlea Hospice with a \$45,000 grant.

And it's not only in financial grants where these companies are making a difference. In many instances, our Community Bank® staff and boards are being recognised for their deeds rather than financial sponsorships and grants. In the Western Australian suburb of Gosnells, staff at the branch organised a "community working bee" to transform 88-year-old George's run-down house into a home deserving of the elderly resident. When staff from Gosnells Community Bank® branch saw the state of George's house, they hit the phones and generated an estimated \$25,000 worth of new goods and labour. They also spent countless hours after work helping to clean up George's house and garden, a remarkable example of going the extra mile to help someone in need.

This sense of community has also extended beyond the geographic boundaries of individual communities. Community Bank® companies allocated \$138,000 to the Community Enterprise Foundation's Tsunami Appeal and raised a further \$28,000 for South Australia's Eyre Peninsula Bushfire Appeal. Fifteen Community Bank® companies have opened management accounts with the Foundation and more than \$1.0 million in community company profits have flowed through these accounts and back into communities.

This past year, more than ever, has reinforced our belief that the Community Bank® model is about more than simply banking as communities share in the local revenue generated by their Community Bank® branch.

### Community Telco

Community Telco Australia (CTA) enables communities to aggregate their telecommunications services based on community collaboration and co-operation within a commercial and sustainable framework.

Australia's first locally-owned telecommunications company, Bendigo Community Telco (BCT), is already doing this. Launched in 2000, BCT is now moving to its next phase of growth and broadening its local ownership base. BCT has undertaken a capital raising via prospectus, listing on the Bendigo Stock Exchange (BSX). The expanded shareholding will further strengthen BCT's relationship with its customer base.



Since its inception, there have been changes in Bendigo's telecommunications landscape. Today, Bendigo has a competitive edge that most regional cities in Australia would covet.

A LaTrobe University Bendigo study shows that BCT has produced significant benefits for Bendigo:

- > The direct creation of 25 new jobs.
- > An economic flow-on equivalent to \$35 million per year and 211 jobs.
- > The certainty of competition, which has forced down telco costs across the Bendigo business community and would continue to exert influence in the long term.
- > The ability of the community to set service priorities, to date including optic fibre cabling of the central business district.
- > The building of a state-of-the-art business continuity centre.

Following Bendigo's success and the continuing progress of Ipswich, Qld, CTA is working with the communities of Sunshine Coast, Ballarat and Launceston in operating their own telecommunications company.

#### **Community Enterprise Foundation**

In early 2005 we launched our Community Enterprise Foundation, the charitable arm of the Bank. The Foundation creates a pool of money which is put to work to build stronger Australian communities through funding programs for families, youth, health, education, environment, arts and countless other worthwhile projects. The Foundation enables a tax-effective and strategic approach to community grant making. Bendigo Bank and the Foundation's own trustee, Sandhurst Trustees, are two companies which have committed to providing ongoing support. The Foundation boasts a unique structure which enables individual communities to establish a named 'management account' of the Foundation and make recommendations to the trustee on local projects worthy of support.

We had been working on the model for 12 months and were in the final throes of fine-tuning when Asia was hit by the Boxing Day Tsunami. Our Tsunami Appeal raised \$1.3 million and is still distributing funds raised, with the majority supporting registered international aid agencies. Since January 2005, more than \$4.1 million has been raised via the Foundation to support community projects and charitable organisations.

The devastating bushfires on the Eyre Peninsula in January resulted in \$140,000 being raised to support the Eyre Peninsula in South Australia.

Our Foundation has created considerable interest. It is not only a good thing to do for the community but, for our company, it makes perfect business sense.

#### **Environment**

In 2005 we signed an historic agreement with Greenhouse Balanced, a Central Victorian company, to offset the total greenhouse gas emissions of our national vehicle fleet.

The agreement provides 1700 tonnes of carbon dioxide emission offset in a newly established native vegetation plantation, with carbon sequestered by the plantation to offset the emissions from the Bank's 296-strong fleet of company vehicles in 2003/04. Our work with Greenhouse Balanced will deliver benefits from not only reductions in greenhouse gases, but also from improved water quality and Biodiversity.

This scheme will give us a model that will then help others to achieve similar results and be transportable into many of our partner communities.

Following the public announcement of this initiative, several Bendigo Bank shareholders and customers have offered land to be used in future schemes and a register has been developed. We are also in the process of calculating emissions from the company's airline travel so that it too, can be offset.

Soon we will be offering a green car loan that offsets the emissions of the vehicle for the life of the loan and we plan to extend the ability to reduce emission through this scheme to our staff, customers and shareholders.

# Knowing our customers, knowing our community, knowing what really matters

## Lead On

Lead On is a unique program that provides real-life opportunities and experiences for young people from many different backgrounds. It exposes these young people to what is possible by engaging them in projects and opportunities with business and organisations in their own community.

Bendigo Bank has been Lead On Australia's major sponsor since its inception in 1999 and we have continued to support Lead On by providing it with a solid funding platform on which to build new sites and programs while working towards self-sufficiency.

While financial support is one thing, a key contribution comes from Bendigo Bank staff being actively involved in projects. This involvement includes mentoring and providing project support at existing sites or by working with communities to establish new Lead On operations.

Lead On is currently operating in 12 cities and towns on the eastern seaboard. More than 2800 young people have participated in more than 400 projects, including the writing, editing and production of "The Loop" liftouts in local newspapers (500-plus editions to date).

Recent Lead On projects include Bendigo Bank staff participating in community-based projects such as exploring ways to improve driver education in the Bendigo region and a Community Door program that helps place young people on local community and business boards or committees.

## Sponsorships

Sponsorships are an important way of Bendigo Bank acknowledging the support that we receive from communities right across Australia. Sponsorship gives us the chance to participate in a wide range of activities and organisations in all sectors, from sporting to cultural pursuits and everything in between.

Each year we commit to direct sponsorships an amount equal to more than one per cent of our after-tax profits. We try to spread the money as widely as possible across our network and across different facets of the community. All sponsorships are formally evaluated against criteria including the benefit to the community and the Bank.

Sponsorships range from our 20-plus years association with the Australian Pops Orchestra and Bendigo Easter Fair, to 2005 first-time sponsorships like the St Kilda Centre for Contemporary Arts and Alfred Deakin Lecture Series. Just as important is ensuring that Ipswich City Soccer Club's under-eights had water bottles for the 2005 season and cyclists in Willoughby North's "Bussies to Bikes" fundraiser were protected from the sun with Bendigo Bank caps. Regardless of the level of sponsorships, this support continues to be an important means of contributing to the public awareness of the role we play in our communities.

## Customer Service

This year Bendigo Bank adopted, in full, the revised 2004 Code of Banking Practice for personal and small business customers of the bank. The Code incorporates many of the ethics and practices we have practised during our 147-year history and which are reflected in the bank's own Code of Conduct.

Our adoption of the new Code formalises the way in which we conduct relationships with our customers and bring us under the independent monitoring regime incorporated in the Code.

The Revised Code builds on the earlier edition with initiatives including the inclusion of small business, providing prospective guarantors with information before they commit to guaranteeing someone else's bank debt, providing important information on credit card charge backs and helping customers wishing to cancel direct debit authorities. It also makes customers aware of their rights to dispute transactions if they believe something is not right. Bendigo Bank is very supportive of the Code, which is all about ensuring customers are totally comfortable in their dealings with the bank.



## Planning for tomorrow

*Our team of Financial Advisers will be boosted by the development of Associate Financial Planners like Elizabeth Foley. This is an "apprenticeship" for Elizabeth, who is being mentored by Senior Financial Advisers, gaining the necessary skills and knowledge to assist our customers in meeting their short, and long-term financial goals.*

# Knowing our achievements build a sustainable future



## Business for tomorrow

*Business Banking Manager Jeremy Foenander is one of a 150-strong team working with small to medium sized businesses throughout Australia. The business sector is a highly competitive sector and one in which we are continuing to gain ground.*

## SHAREHOLDER INFORMATION

At 18 August 2005, Bendigo Bank (ASX Code BEN) had on issue 133,919,980 listed ordinary shares and 5,186,689 unlisted employee shares.

### Bendigo Preference Shares

In accordance with the Prospectus dated 16 March 2005 for the offer by Bendigo Bank Limited (Bendigo Bank) of Bendigo Preference Shares (BPS), 900,000 BPS were allotted to successful applicants on Friday 6 May 2005. This will raise \$90 million in two tranches to increase the size and diversity of our Tier 1 capital base to fund future asset growth. BPS commenced trading on a deferred settlement basis on 9 May 2005. Allocations were made to 3506 holders, 41 of whom hold more than 1000 BPS. Bendigo Bank has set the Initial Margin on the BPS at 1.50 per cent.

### Online Share Trading

Bendigo Bank shareholders will soon be able to check details of their holding online at [www.bendigobank.com.au](http://www.bendigobank.com.au). We are planning the late-2005 launch of a new system aimed at providing shareholders with a range of useful information to keep track of their Bendigo shareholdings. Features will include enabling shareholders to check the number of shares they hold, ensure their tax file number is on our Share Registry files and check payment instructions.

### Shareholder Privileges

Individuals who hold a specific number of 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 Karyn Flynn and staff can provide assistance with matters relating to all the Company's listed securities by:

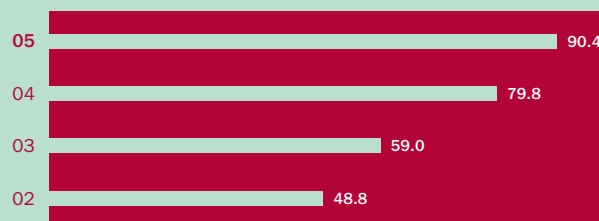
Mail: Securities Registry  
Bendigo Bank  
PO Box 480, BENDIGO VIC 3552

Telephone: (03) 5433 9549 or 1800 646 042

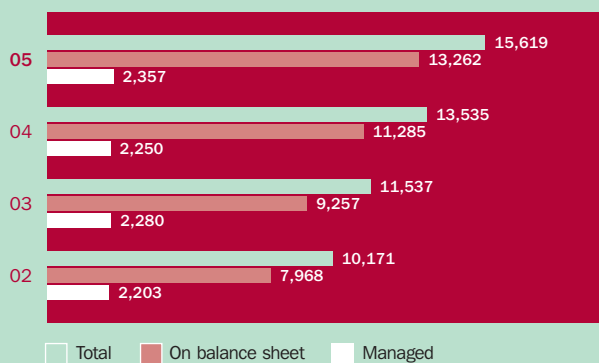
Fax: (03) 5433 9029

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

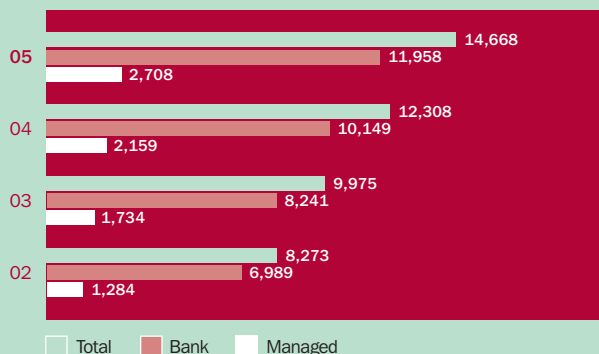
### Profit after tax (\$ mil.)



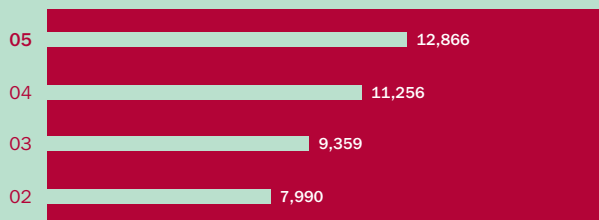
### Total assets (\$ mil.)



### Deposits (\$ mil.)



### Loans under management (\$ mil.)



## CORPORATE ISSUES

### Information Technology (IT)

We continue to implement our Business IT strategy with a focus on driving business value from the IT investment. We have completed work on our core Retail Finance System (RFS), which has extended our capacity. This has resulted in a move to a relational database which will facilitate further improvements in supporting the needs of our customers. We have rebuilt our IT framework and will be utilising this new facility to implement applications for BPay and Foreign Currency transactions in 2005/2006. This new framework will facilitate the linking of disparate systems, both internal to the Company and to third party partners, to provide comprehensive solutions to customers and communities.

Work is continuing on the implementation of a document management system. The enterprise-wide document management solution will bring significant improvements to business processes across the Group and provide greater control over document production and delivery. This will improve our staff's ability to do their work effectively, bringing with it increased job satisfaction and productivity improvements that enable cost effective growth and importantly, improving our customer's experience in dealing with us.

In 2005 all printers and photocopiers through our branch network, regional and State offices and Head Office will be updated. The new system will consolidate the facility to improve maintenance services, reduce operating costs and save paper.

The company's computer stock is also being updated to the current Windows XP software. This will enable us to support new business software initiatives and deliver improved service and reliability to our distribution networks.

### Our people

We are immensely proud of the 3000-plus people throughout Australia who represent the Bendigo Bank brand. Our people continue to go out of their way to provide great service and help our customers achieve their financial goals. Management continues to focus on ensuring that our staff are working in an environment in which they can go the extra mile for their customers.

Bendigo has continued to rate well in several customer satisfaction surveys, including a 2005 Nielson survey which stated that 92 per cent of our satisfied customers surveyed were prepared to recommend Bendigo Bank to others. Survey wins such as this indicate the value of our brand, and the value of our people.

Of course, we are all human and occasionally we do get things wrong. It is our staff's intention to try to get it right every time and when we do make a mistake, to remedy the situation. That is what continues to stand us apart.

In terms of staffing levels, our full-time positions increased by approximately 150 during the past 12 months.

There has also been a focus on training with our staff completing 2,959 days of face-to-face training at 329 workshops and a further 2,620 workbook training exercises. A further 30,418 on-line training modules were completed in a 12-month period, adding to the skills base of our staff.

We have always acknowledged that it is the people who make this organisation special and we will continue to develop our unique customer and community focus.

### Properties

This financial year will be one of re-building in terms of office accommodation for Bendigo-based staff. With staff spread across six buildings throughout Bendigo, the construction of the \$75 million Head Office development is timely.

The first sod was turned on the site in September 2005, signaling an exciting era in the architectural landscape of Bendigo. Not only will this be the biggest development of its kind seen in Bendigo for many years, it will also set new environmental standards for regional Australian office accommodation.

The development has caused much interest with issues such as the disruption and loss of car parking creating debate within the community. Our focus continues to be on developing a state-of-the-art working environment for staff and, at the same time, opening up the area to provide a lively public precinct for the people of Bendigo to enjoy. A public square will mark the entrance to the building and include an interpretative display which will outline the history of the precinct.

The Fountain Court and Bath Lane precinct has a rich history. Research has thrown up some great stories and memories which will be incorporated into the interpretative display, for the whole community to share in. An archaeological dig provided an insight into the history of the area and artefacts uncovered will be incorporated in the precinct development.

Today, our 200-plus Melbourne-based staff, once spread across seven different buildings, are working from new Docklands premises to be officially opened in October 2005 by Victorian Premier Steve Bracks. The consolidation of our Melbourne staff at Docklands, and the provision of facilities for staff visiting from throughout Australia, will foster that sense of spirit which is so important to our organisation.

# Using our knowledge to give investors positive returns

## Opportunity for tomorrow

*The country Victorian town of Stawell is far removed from Melbourne's Collins Street. But it is Collins Street where Stawell local and Bendigo Bank CSO Matthew Evans is located. Matthew and his branch colleagues are piloting a new program "Finding Your Feet" to help young country kids moving to Melbourne to adjust to city life.*

## CORPORATE GOVERNANCE

Bendigo Bank is committed to high standards of corporate governance. The Board believes that Bendigo Bank's commitment to ethical corporate dealings in the conduct of its business has been an important element of its success during its 147-year history. This commitment applies to the dealings by Bendigo Bank with its shareholders, customers, employees, suppliers, regulators and the community. It is also reflected in Bendigo Bank's corporate values.

The following is a guide to the discussion in this report about how Bendigo Bank practices meet the ASX Corporate Governance Council Principles of Good Governance and Best Practice Recommendations. The documents referred to below are available from the Bendigo Bank website ([www.bendigobank.com.au](http://www.bendigobank.com.au)) in the corporate governance section of "About us".

PRINCIPLE	RECOMMENDATION	BENDIGO BANK PRACTICE
<b>1. Lay solid foundations for management and oversight</b>	<b>1.1</b> Formalise and disclose the functions reserved to the board and those delegated to management.	<i>Status:</i> Adopted <i>Annual report:</i> Section 1.a <i>Documents on website:</i> Constitution, Board charter
<b>2. Structure the board to add value</b>	<b>2.1</b> A majority of the board should be independent directors.	<i>Status:</i> Adopted <i>Annual report:</i> Section 1.b
	<b>2.2</b> The chairperson should be an independent director.	<i>Status:</i> Adopted <i>Annual report:</i> Section 1.b
	<b>2.3</b> The roles of chairperson and chief executive officer should not be exercised by the same individual.	<i>Status:</i> Adopted <i>Annual report:</i> Section 1.b
	<b>2.4</b> The board should establish a nomination committee.	<i>Status:</i> Adopted <i>Annual report:</i> Section 2.a
	<b>2.5</b> Provide the information indicated in Guide to reporting on Principle 2.	<i>Status:</i> Adopted <i>Annual report:</i> Section 1.b, 1.f, 2.a, and see Directors' Report p.54 for director attendances at Committee meetings <i>Documents on website:</i> Constitution, Board charter, Governance Committee charter, Committee procedural rules, Appointment of non-executive directors
<b>3. Promote ethical and responsible decision-making</b>	<b>3.1</b> Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:	<i>Status:</i> Adopted <i>Annual report:</i> Section 6.a
	<b>3.1.1</b> the practices necessary to maintain confidence in the company's integrity	
	<b>3.1.2</b> the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	
	<b>3.2</b> Disclose the policy concerning trading in company securities by directors, officers and employees.	<i>Status:</i> Adopted <i>Annual report:</i> Section 6.c
<b>3.3</b> Provide the information indicated in Guide to reporting on Principle 3.	<i>Status:</i> Adopted <i>Annual report:</i> Section 6 <i>Documents on website:</i> Code of conduct, Staff trading policy	



PRINCIPLE	RECOMMENDATION	BENDIGO BANK PRACTICE
<p><b>4. Safeguard integrity in financial reporting</b></p>	<p><b>4.1</b> Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.</p> <p><b>4.2</b> The board should establish an audit committee.</p> <p><b>4.3</b> Structure the audit committee so that it consists of:</p> <ul style="list-style-type: none"> <li>&gt; only non-executive directors</li> <li>&gt; a majority of independent directors</li> <li>&gt; an independent chairperson, who is not chairperson of the board</li> <li>&gt; at least three members.</li> </ul> <p><b>4.4</b> The audit committee should have a formal charter.</p> <p><b>4.5</b> Provide the information indicated in Guide to reporting on Principle 4.</p>	<p><i>Status:</i> Adopted <i>Annual report:</i> Section 3</p> <hr/> <p><i>Status:</i> Adopted <i>Annual report:</i> Section 2.a</p> <hr/> <p><i>Status:</i> Adopted <i>Annual report:</i> Section 2.a</p> <hr/> <p><i>Status:</i> Adopted <i>Annual report:</i> Section 2</p> <hr/> <p><i>Status:</i> Adopted <i>Annual report:</i> Section 1.b, 2.a and see Directors' Report p.54 for director attendances at Committee meetings <i>Documents on website:</i> Audit Committee charter, Committee procedural rules, Selection and appointment of external auditor engagement partners; rotation of external audit partners, Risk management system description</p>
<p><b>5. Make timely and balanced disclosure</b></p>	<p><b>5.1</b> Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.</p> <p><b>5.2</b> Provide the information indicated in Guide to reporting on Principle 5.</p>	<p><i>Status:</i> Adopted <i>Annual report:</i> Section 5</p> <hr/> <p><i>Status:</i> Adopted <i>Annual report:</i> Section 5 <i>Documents on website:</i> Continuous disclosure policy, Communications policy</p>
<p><b>6. Respect the rights of shareholders</b></p>	<p><b>6.1</b> Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.</p> <p><b>6.2</b> Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.</p>	<p><i>Status:</i> Adopted <i>Annual report:</i> Section 5 <i>Documents on website:</i> Communications policy</p> <hr/> <p><i>Status:</i> Adopted <i>Annual report:</i> Section 4</p>

PRINCIPLE	RECOMMENDATION	BENDIGO BANK PRACTICE
<b>7. Recognise and manage risk</b>	<b>7.1</b> The board or appropriate board committee should establish policies on risk oversight and management.	Status: Adopted Annual report: Section 3
	<b>7.2</b> The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that:	Status: Adopted Annual report: Section 3
	<b>7.2.1</b> the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board	
	<b>7.2.2</b> the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	
	<b>7.3</b> Provide the information indicated in Guide to reporting on Principle 7.	Status: Adopted Annual report: Section 3 Documents on website: Summary of Risk Committee and Credit Committee charters, Risk management system description
<b>8. Encourage enhanced performance</b>	<b>8.1</b> Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.	Status: Adopted Annual report: Section 1.d, 7.a and Directors' Report p.50
<b>9. Remunerate fairly and responsibly</b>	<b>9.1</b> Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	Status: Adopted Annual report: Section 1.e and Directors' Report under the heading "Remuneration Report"
	<b>9.2</b> The board should establish a remuneration committee.	Status: Adopted Annual report: Section 2.a
	<b>9.3</b> Clearly distinguish the structure of non-executive directors remuneration from that of executives.	Status: Adopted Annual report: Section 1.e, and Directors' Report under the heading "Remuneration Report"
	<b>9.4</b> Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	Status: Adopted Annual report: Directors' Report under the heading "Remuneration Report"
	<b>9.5</b> Provide the information indicated in Guide to reporting on Principle 9.	Status: Adopted Annual report: Section 1.e and 2.a, and see Directors' Report p.54 for committee attendance p.47 and p.48 for remuneration policies. Documents on website: Governance Committee charter, Remuneration policy – executives and non-executive directors; Employee Share Ownership Plan
<b>10. Recognise the legitimate interests of stakeholders</b>	<b>10.1</b> Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	Status: Adopted Annual report: Section 6.a Documents on website: Code of Conduct website: Code of Conduct

## 1. The Board

### 1.a Role

The Board provides direction to the Bank by approving and monitoring the Bank's strategy and financial objectives. Available from our website, the Board charter sets out the Board's detailed responsibilities, including its responsibilities in relation to committees, nomination, remuneration, governance, audit, risk and credit matters. Except in relation to any matters reserved to the Board under the charter, the day-to-day management of Bendigo Bank and its operations is delegated to management.

### 1.b Composition

The constitution provides that the number of directors is to be decided by the Board, being not fewer than three and not more than ten. The Board currently consists of seven non-executive directors and the Managing Director. The roles of the Chairman and Managing Director are separated. Information on each of the directors is set out on pages 34-35.

The Board believes that the exercise of independent judgment by directors is an important feature of corporate governance.

The Board has decided that the majority of directors are to be independent. For the purpose of assessing the independence of non-executive directors, the Board regards an independent director as a non-executive director whom the Board considers to be independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere materially with, the exercise of unfettered and independent judgement. In deciding materiality, the Board takes into account the quantitative materiality thresholds in Accounting Standard AASB 1013, as well as qualitative materiality factors.

Directors must disclose any material personal interest in accordance with the Corporations Act. Directors must also comply with the constraints on their participation and voting in relation to matters in which they may have an interest in accordance with the Corporations Act.

Each director may from time to time have personal dealings with Bendigo Bank. Each director may be involved in other companies or professional firms which may from time to time have dealings with Bendigo Bank. Full details of related party dealings are set out in notes to the Bendigo Bank financial statements as required by law.

The Board has assessed each non-executive director as independent. In making that assessment, the Board has taken into account the relationships set out on pages 34-35 and the following.

- > No director is, or is associated directly with, a substantial shareholder of Bendigo Bank.
- > No director, except as previously disclosed, has ever been employed by the Bendigo Bank or any of its subsidiaries.
- > No director is, or is associated directly with, a professional adviser, consultant, supplier, customer or other contractor of Bendigo Bank that is a material adviser, consultant, supplier, customer or other contractor under accounting standards.
- > No related party dealing referable to any director is material under accounting standards.

The Board does not consider that the term of service on the Board should be considered as a factor affecting a director's ability to exercise unfettered and independent judgement.

### 1.c Appointment

The policy of Bendigo Bank is to appoint directors with appropriate skills, knowledge and experience to contribute to the effectiveness of the Board and to provide leadership and contribute to the success of Bendigo Bank. The policy and procedure for the selection and appointment of new directors is available from the website.

### 1.d Performance

The Board charter provides for an annual evaluation of the Board, individual directors and Board Committees. An evaluation took place in the reporting period. The evaluation of individual directors and the Board was conducted by the Chairman. The Board (in the absence of the Chairman) undertook an evaluation of the Chairman. The Chairman of each Board Committee conducted a performance evaluation of the Committee and the results were discussed in a Board meeting. Information on the performance evaluation procedure is available from the website.

### 1.e Remuneration

The Remuneration report in the Directors' Report includes a discussion of non-executive directors' remuneration.

### 1.f Procedures

The Board charter (available from the website) sets out relevant Board procedural matters. This includes procedures in relation to a conflict of interest and also provision for access to independent professional advice at the expense of Bendigo Bank.

THE BOARD	NAME, AGE, QUALIFICATIONS AND INDEPENDENCE STATUS	TERM OF OFFICE	SPECIAL RESPONSIBILITIES
	<p><b>Richard Guy OAM Chairman</b> (60 years) B Appl Sc M Sc (London) Independent director</p>	<p>Director for 24 years and chairman for 19 years.</p>	<p><b>Committees</b> Governance (Chair) Audit Property (Chair)</p> <p><b>Group and joint venture company directorships</b> Elders Rural Bank Ltd</p>
	<p><b>Robert Johanson Deputy Chairman</b> (54 years) BA, LL.M (Melb) MBA (Harvard) Independent director</p>	<p>Director for 18 years and deputy chairman for 5 years.  *Seeking re-election at 2005 AGM</p>	<p><b>Committees</b> Risk (Chair) IT Strategy</p> <p><b>Group and joint venture company directorships</b> Community Telco Australia Pty Ltd Elders Rural Bank Pty Ltd Homesafe Solutions Pty Ltd (Chair) National Assets Securitisation Corporation Pty Ltd (Chair)</p>
	<p><b>Rob Hunt AM Managing Director</b> (54 years) FAICD Executive director</p>	<p>Employee since 1973 and appointed CEO in 1988.  Appointed to Board in 1990.</p>	<p><b>Committees</b> Governance Risk Property IT Strategy</p> <p><b>Group and joint venture company directorships</b> Community Telco Australia Pty Ltd (Chair) Community Sector Enterprises Pty Ltd Elders Rural Bank Ltd Sunstate Lenders Mortgage Insurance Pty Ltd Sandhurst Trustees Limited Tasmanian Banking Services Ltd</p> <p>Mr Hunt is also chair of a number of subsidiary companies involved in community enterprise activities.</p>
	<p><b>Neal Axelby</b> (55 years) Dip CM ACIS, FAICD, AIMM, AIFS Independent director</p>	<p>Director for 5 years.  * Seeking re-election at 2005 AGM</p>	<p><b>Committees</b> Credit Governance Risk</p> <p><b>Group and joint venture company directorships</b> Sunstate Lenders Mortgage Insurance Pty Ltd</p>
	<p><b>Jennifer Dawson</b> (40 years) B Bus (Acc) FCA, MAICD Independent director</p>	<p>Director for 6 years.</p>	<p><b>Committees</b> Audit (Chair) Property Credit</p> <p><b>Group and joint venture company directorships</b> Community Sector Banking Pty Ltd Community Sector Enterprises Pty Ltd</p>
	<p><b>Donald Erskine</b> (59 years) Independent director</p>	<p>Director for 6 years.</p>	<p><b>Committees</b> Credit Property IT Strategy</p> <p><b>Group and joint venture company directorships</b> Community Telco Australia Pty Ltd (Mr Erskine resigned as a director of the subsidiary from the company on 18 August 2005)</p>
	<p><b>Terence O'Dwyer</b> (55 years) B Com, Dip Adv Acc FCA, FAICD Independent director</p>	<p>Director for 5 years.  *Seeking re-election at 2005 AGM</p>	<p><b>Committees</b> Audit Risk IT Strategy (Chair)</p> <p><b>Group and joint venture company directorships</b> Sunstate Lenders Mortgage Insurance Pty Ltd</p>
	<p><b>Kevin Roache</b> (65 years) LLB, B Com, ASCPA, FAICD Barrister &amp; Solicitor of the Supreme Court of Victoria Independent director</p>	<p>Director for 14 years.</p>	<p><b>Committees</b> Credit (Chair) Risk Governance</p>

SKILLS, EXPERIENCE AND EXPERTISE	OTHER RELATIONSHIPS
<p>A Bendigo-based director, Mr Guy is an engineer by trade and is chairman of Crystal Industries Group. Mr Guy has chaired the Bank through a period of rapid growth and development including the conversion to Bank status in 1995, a number of mergers, joint ventures and the introduction of Community Bank®. Mr Guy is a director of Bendigo Mining Limited, a company listed on the Australian Stock Exchange, and member of various community and charitable organisations</p>	
<p>A Melbourne-based director, Mr Johanson has expertise in corporate strategy, capital and risk management. He has provided independent corporate advice in respect to capital market transactions to a wide range of public and private companies. Mr Johanson is a member of the Finance &amp; Investment Committees, University of Melbourne and Robert Salzer Foundation Ltd.</p>	<p>Mr Johanson is a director of Grant Samuel Group Pty Ltd (and subsidiaries). Grant Samuel provides professional advisory services to the Group on normal commercial terms and conditions. The services provided during the 2005 financial year related to the Group property review, subsidiary, alliance and joint venture activities and initiatives, and strategic developments.</p>
<p>Based in Bendigo, Mr Hunt has led the Bank's development from a provincial building society to a nationally represented, uniquely positioned and diverse banking and financial services group. Mr Hunt is the architect of the Bank's Community Banking™ and other alliance arrangements. He is also Chairman of Bendigo Community Telco Ltd. He is a Councillor of the ABA, a member of the BCA, the Prime Minister's Community Business Partnership and the Victorian Government's Innovation Economy Advisory Board.</p>	<p>Executive director and chief executive officer.</p>
<p>A Queensland-based director, Mr Axelby has had 15 years combined years of experience as an employee and director in the finance industry before joining the board. He also has 21 years of experience in senior management positions in the private sector. Mr Axelby is a director of Ipswich &amp; West Morton United Friendly Society Dispensary Ltd and several private companies.</p>	<p>Mr Axelby became a director of a predecessor to First Australian Building Society Limited (FABS) in 1985, and was appointed chairman of a predecessor of FABS in 1993. He continued as a director of various merged entities that were predecessors to FABS and was chairman of FABS when it was acquired by Bendigo Bank in 2000. FABS is now a non-operating wholly owned subsidiary of Bendigo Bank.</p>
<p>A Bendigo-based director, Ms Dawson spent 10 years with Arthur Anderson in the audit and IT controls division. Ms Dawson has experience in the areas of financial reporting and audit, IT internal control reviews, internal audit and risk management. Ms Dawson is a director of Coliban Region Water Authority, the Consumer Utility Advocacy Centre and the Victorian Regional Development Advisory Committee.</p>	<p>Ms Dawson was engaged by Bendigo Bank during the period 1995 to 1999, initially as a contractor (1995 - 1998) and then as an employee (1998 - 1999). During that time Ms Dawson's work included project management and internal audit management. Ms Dawson is a shareholder of Central Victorian Removals Pty Ltd. Central Victorian Removals provides relocation services to Bendigo Bank on normal commercial terms and conditions.</p>
<p>A Bendigo-based director, Mr Erskine is a mechanical engineer and chairman of several private companies. Mr Erskine has an extensive background in manufacturing and property development and experience in international trade. Mr Erskine is the chairman of Bendigo Plus. He is also a director of Bendigo Community Telco Ltd.</p>	
<p>A Queensland-based director, Mr O'Dwyer chairs BDO Kendalls (Chartered Accountants). He was a partner in the firm for 27 years and headed its corporate finance division. Mr O'Dwyer is chairman of Metal Storm Ltd, MFS Ltd and Brumby's Bakeries Holdings Ltd.</p>	<p>Mr O'Dwyer became a director of a predecessor entity to First Australian Building Society Limited (FABS) in 1990 and continued as a director of various merged entities that were predecessors to FABS. FABS was acquired by Bendigo Bank in 2000. FABS is a non-operating wholly owned subsidiary of Bendigo Bank.</p>
<p>A Geelong-based director, Mr Roache has extensive experience in advising clients on business and taxation issues. Mr Roache is the past President of the Geelong Business Club, member of the Finance Committee of Geelong Chamber of Commerce, member of Committee for Geelong, a former Chairman of Barwon Health Geelong and has been a board member of many community and charitable organisations.</p>	<p>Mr Roache became a director of Capital Building Society in 1987 and chairman in 1991. The business of Capital Building Society was integrated into Bendigo Bank under the provisions of Part 6 of the Building Societies Act 1986 in 1992. Mr Roache is a partner in Coulter Roache which provides legal services to the Group on normal commercial terms and conditions.</p>

# Knowing the infrastructure that supports responsible banking practice

## Goodwill for tomorrow

*Hope the Labrador puppy is a recipient of funding from Community Enterprise Foundation. The Foundation grant helped get the Righteous Pups broken down Puppy Bus back on the road. Hope is in training to be a service dog and at the end of her training, will be placed with 23-year-old Jye Yates or another person in need of her assistance. The Foundation's support will ensure that Hope will gain the experience she needs to graduate from Puppy School*

## 2. Board committees

### 2.a Composition and responsibilities

To help it discharge specific aspects of its responsibility, the Board has established the following Committees.

COMMITTEE	COMPOSITION - REQUIREMENTS	MEMBERS	RESPONSIBILITIES
<b>Audit</b>	At least 3 members. All independent directors. An independent chair, who is not chairman of the Board.	Ms Dawson (Chair) Mr Guy Mr O'Dwyer	The role of the Committee is to provide assistance to the Board in relation to the following. > External audit function (including prudential audit requirements). > Internal audit function. > Statutory financial reporting. > Internal control framework.
<b>Governance</b> (also performs nomination and remuneration functions)	At least 3 members. A majority of independent directors. An independent chair.	Mr Guy (Chair) Mr Hunt Mr Axelby Mr Roache	The role of the Committee is to provide assistance to the Board in relation to the following. > Board composition and succession planning. > Board performance and Board and executive remuneration policy. > Corporate governance matters generally.
<b>Risk</b>	At least 3 members. A majority of independent directors. An independent chair.	Mr Johanson (Chair) Mr Roache Mr O'Dwyer Mr Hunt Mr Axelby	The role of the Committee is to provide assistance to the Board in relation to oversight of the establishment, implementation, review and monitoring of risk management systems and policies for the following. > Balance sheet and off-balance sheet risk. > Operational risk, including regulatory compliance, business continuity and fraud risk.
<b>Credit</b>	At least 3 members. A majority of independent directors. An independent chair.	Mr Roache (Chair) Mr Axelby Ms Dawson Mr Erskine	The role of the Committee is to provide assistance to the Board in relation to oversight of the establishment, implementation, review and monitoring of credit risk management systems and policies, taking into account the risk tolerance of the Bank, the overall business strategy and management expertise.
<b>Property</b>	At least 3 members. A majority of independent directors. An independent chair.	Mr Guy (Chair) Ms Dawson Mr Hunt Mr Erskine	The role of the Committee is to provide assistance to the Board in relation to the development of the Bank's property strategy including oversight of the planning, design, establishment, implementation and review of the Group's principal properties.
<b>IT Strategy</b>	At least 3 members. A majority of independent directors. An independent chair.	Mr O'Dwyer (Chair) Mr Johanson Mr Erskine Mr Hunt	The role of the Committee is to provide oversight of IT strategic planning and to make sure frameworks are in place for the efficient and effective management of the IT investment and the continuing alignment with business strategy and plans.

## 2b. Procedures

Membership of all Committees is reviewed annually. Each Committee is governed by a charter which identifies the Committee's role and responsibilities. A Committee may consult a professional adviser or expert, at the cost of the Bank, if the Committee considers it necessary to carry out its duties and responsibilities. A Committee may meet with employees and third parties without the presence of management. The minutes of each Committee meeting are tabled and discussed at the next meeting of the Board.

## 3. Risk management

The recognition and management of risk is an essential element of the Group's strategy. The risk management strategy is based on risk principles approved by the Board.

The Board is responsible for overseeing the establishment, implementation, review and monitoring of risk management systems and policies. It has established an integrated framework of committee, policies and controls to identify, assess, monitor and manage risk. Executive management is responsible for implementing the policies and controls.

The key risks and responsibilities for the Group are:

- > *Credit risk*: The risk of financial loss due to the unwillingness or inability of a counterparty to fully meet their contractual debts and obligations. Credit risk is primarily monitored by the Credit Committee and the framework, policies, analysis and reporting are managed by the Group Risk business unit (which includes the Group's credit bureau and credit inspection unit).
- > *Interest rate risk*: The risk of loss of earnings due to adverse movements in interest rates. Interest rate risk is primarily monitored through the Risk Committee and the Asset Liability Management Committee and managed through the Strategic Finance business unit.
- > *Liquidity risk*: The risk of the inability to access funds which may lead to an inability to meet obligations in an orderly manner as they arise or forgone investment opportunities. Liquidity risk is primarily monitored by the Risk Committee and the Asset Liability Management Committee and managed through the Group Strategic Finance business unit.
- > *Currency risk*: The risk of loss of earnings due to adverse movements in exchange rates. Currency risk is primarily monitored by the Risk Committee and the Asset Liability Management Committee and managed through the Group Strategic Finance business unit.
- > *Operational risk*: The risk resulting from inadequate or failed internal processes, people and systems or from external events that are not covered by credit and market risk. Operational Risk is primarily monitored by the Risk Committee and the Executive Committee and managed through the Operational Risk business unit incorporating operational risk, regulatory compliance, fraud prevention and detection and business continuity.

In addition, the Bank has an independent internal audit function that oversees all activities across the Group. The head of Group Audit has dual reporting lines to the Audit Committee and management, with direct access to the Managing Director, the Chair of the Audit Committee and the Chairman of the Board. Group Audit also has direct access to any member of staff and access to any information relevant to its work. Group Audit assists in monitoring the effectiveness of the Group's risk management and internal compliance and control system including implementation. Reports on the outcome of internal audit programs are provided to the Audit Committee. The strategic plan for the internal audit function is approved and monitored by the Audit Committee.

The audit function is also independent of the external auditor. The external auditor periodically reviews and report to the Audit Committee and the Board on the integrity, effectiveness and independence of the risk management functions and assess compliance with risk policies and procedures.

The Managing Director and Chief Financial Officer provide an annual signoff to the Board on the matters summarised below for the Bank and the consolidated entity for the reporting period. The statements are made on the basis that they provide a reasonable, but not absolute, level of assurance and do not imply a guarantee against adverse events or circumstances that may arise in future periods. Some internal control deficiencies were identified during the year, in all cases treatment plans were developed and implemented and the deficiencies have either been remedied or do not result in any material residual risk.

- > Whether the financial reports present a true and fair view, in all material respects, of the Group's financial position and performance and are in accordance with the Corporations Act and relevant accounting standards.
- > Whether there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they become due and payable.
- > Whether the financial records of the Group are maintained in accordance with the Corporations Act.
- > Whether the financial reports are founded on a sound system of risk management and internal compliance and control systems which, in all material respects, implement the policies adopted by the Board.
- > Whether the risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

To support this sign off the Bank has implemented due diligence, verification and certification processes throughout the business to provide assurance to the Managing Director, Chief Financial Officer and the Board, both in respect to the financial statements and the systems of risk management and internal compliance and control.



# Knowing how to communicate and account for performance

## 4. External auditor

The Audit Committee is responsible for recommending to the Board a policy in relation to auditor independence, rotation and the provision of non-audit services by the external auditor, and for monitoring compliance with the policy.

The policy on audit independence sets out the factors regarded as compromising auditor independence. It includes a requirement for the engagement of the auditor for any non-audit services to be approved by the Audit Committee before the engagement, so that the Audit Committee can consider any impact on the independence of the auditor. The policy also provides for the Audit Committee to receive the annual and half-year independence declaration from the auditor. As required by the Corporations Act, the Audit Committee provides an annual statement to the Board as to whether the Audit Committee is satisfied that the provision of non-audit services is compatible with the independence of the auditor and the reasons for being so satisfied. The Directors' Report includes a statement about whether the directors are satisfied that the provision of non-audit services is compatible with the independence of the auditor and the reasons for being so satisfied. In addition, while not required by the Corporations Act, the policy requires the Audit Committee to provide the same statement for the half-year and for the directors to consider it with the auditor's half-year independence declaration.

The policy provides that a person who plays a significant role in the audit must rotate if they have acted in that role for five successive years or, if they were to act, they would have played a significant role for more than five out of seven successive financial years, with a two-year cooling-off period.

The Corporations Act provides for members to submit written questions to Bank for the auditor about the content of the auditor's report to be considered at the annual general meeting, or the conduct of the audit of the annual financial report to be considered at the annual general meeting, no later than the fifth business day before the day on which the annual general meeting is held.

The external audit engagement partner from Ernst & Young is required to make sure that a suitably qualified representative attends the annual general meeting. The Chairman of the meeting is required to provide an opportunity for the members

as a whole at the meeting to ask the auditor's representative questions relevant to the conduct of the audit, the preparation and conduct of the auditor's report, the accounting policies adopted by the Bank in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit. The Chairman is also required to allow a reasonable opportunity for the representative of the auditor to answer written questions submitted before the meeting.

## 5. Continuous disclosure and communications

The Bendigo Bank Board recognises the importance of making sure that the Bank's shareholders, and the broader investment market, are kept informed about the Bank's activities and that the Bank meets its continuous disclosure obligations.

### 5.a Continuous disclosure

The Bank has a continuous disclosure policy to make sure that all price sensitive information is disclosed to Australian Stock Exchange ("ASX") under the continuous disclosure requirements of ASX Listing Rules and the Corporations Act.

The Board meeting agenda includes continuous disclosure as a standing item for Board consideration. 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.

All announcements to be lodged with ASX must first be approved by an authorised officer, generally the Managing Director, before release.

The company secretary is responsible for coordinating communications with ASX and for having systems in place to ensure that information is not released to external parties until confirmation of lodgement is received from ASX.

## 5.b Communications

The Bank has also established a communications policy which provides clear authorities and protocols for all communications with parties external to the Bank, in particular, ASX, regulatory authorities, media and brokers.

Bendigo Bank communicates with its shareholders by the following means.

- > ASX announcements
- > Quarterly shareholder newsletters (in the newsletter after the AGM, this includes the Chairman's address and responses to commonly asked shareholder questions)
- > Annual reporting
- > Annual general meetings
- > Shareholder question sheet included with annual general meetings notice

The following material is made available on the Bendigo Bank website.

- > Quarterly shareholder newsletters
- > Concise annual report and full financial statements (for past three years)
- > Media releases (for past three years)
- > Notices of meeting (for past three years)
- > Webcasting of results presentation (following preliminary final announcement)
- > Webcasting of annual general meeting
- > Any material provided in briefings with analysts, stockbrokers and institutional investors (following its release to the market).

In addition, there is a link from the Bendigo Bank website to the ASX website for access to announcements that Bendigo Bank has made to ASX.

## 6. Corporate conduct

### 6a. Code of Conduct

Bendigo Bank's corporate values provide a framework to guide interactions within the Group, with customers, shareholders, suppliers and the community. The values are achievement, excellence, equality, integrity, loyalty, respect and trust.

These values have been incorporated in a Code of Conduct that has been endorsed by the Bank Executive Committee and adopted by the Board. The Code of Conduct sets out the Group's mission statement, being to focus on building and improving the prospects of customers, communities and partnerships in order to develop sustainable earnings and growth for the business, and thus provide increasing wealth for shareholders. Engagement with communities is central to the Group's strategy and stands Bendigo Bank apart.

The Code of Conduct provides guidelines for directors and staff, so that there is a common understanding of the values and expected standards of behaviour, including in relation to conflicts of interest, staff trading and confidentiality.

The Code of Conduct also includes procedures for reporting concerns about any breach of the Code, and explains the protection provided for employees who raise concerns in good faith.

### 6.b Regulatory compliance

Bendigo Bank has always placed importance on being law-abiding, and has a long history of dealing fairly and ethically with its customers. The Code of Conduct requires all employees and directors to comply with laws and policies, and requires directors and officers to promote compliance. In addition, a regulatory compliance framework is in place that applies across the Group, setting out specific responsibilities in relation to compliance with regulatory obligations. The Board is responsible for overseeing regulatory compliance and is assisted by the Risk Committee.

### 6.c Share trading policy

The staff trading policy imposes restrictions on trading by directors, members of the Executive Committee and other designated employees (who may have access to price sensitive information). A black-out period is imposed for the 10 weeks leading up to each of the half-year and full-year announcements to ASX. The policy also imposes obligations on these employees and officers in relation to notifying the Bank before and after trading. The notifications are reported to the Board. In addition, all employees and directors are prohibited from trading if in possession of price sensitive information.

## 7. Executives

### 7.a Performance

The Remuneration Report in the Directors' Report includes a discussion of the annual performance assessment arrangements for executive management, including the managing director.

### 7.b Remuneration, contracts with executives

The Remuneration Report in the Directors' Report includes a discussion of executive (including Managing Director) remuneration and contracts.



# Concise Financial Report

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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 2005 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) contact 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 2005 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

	2005 <sup>1</sup> \$m	2004 \$m	2003 \$m	2002 \$m	2001 <sup>2</sup> \$m
<b>Financial Performance year ended 30 June</b>					
Interest revenue	767.4	615.5	500.6	447.0	454.4
Interest expense	486.6	361.9	278.3	254.4	293.7
Net interest margin	280.8	253.6	222.3	192.6	160.7
Specific income items	19.0	17.0	-	-	-
Other revenue	171.3	140.5	125.6	99.6	76.8
Specific bad & doubtful debts expense	-	-	-	10.4	-
Bad & doubtful debts expense (net of bad debts recovered)	13.6	13.8	15.3	11.6	10.1
Specific expense items	15.5	8.3	-	-	5.0
Other operating expenses	310.6	273.7	243.3	205.8	167.4
Profit from ordinary activities before income tax expense	131.4	115.3	89.3	64.4	55.0
Income tax expense	40.8	33.7	30.2	15.7	21.7
Specific items income tax expense	0.5	2.1	-	-	-
Net (profit)/loss attributable to outside equity interest	0.3	0.3	(0.1)	0.1	-
Profit from ordinary activities after income tax expense	90.4	79.8	59.0	48.8	33.3
<b>Financial Position at 30 June</b>					
Total assets	13,262.1	11,284.5	9,256.6	7,967.7	6,981.5
Loans	10,938.2	9,372.6	7,504.0	6,209.5	5,592.1
Liquid assets and cash	1,865.8	1,535.3	1,418.5	1,439.9	1,125.7
Other assets	458.1	376.6	334.2	318.3	263.7
Equity	749.1	676.4	552.7	494.4	422.8
Deposits	11,958.2	10,148.9	8,241.2	6,988.5	6,229.2
Subordinated debt	262.1	199.3	204.7	161.4	135.4
Other liabilities	292.7	259.9	258.1	323.4	194.2
<b>Share Information</b>					
Net tangible assets per ordinary share	\$4.50	\$4.40	\$3.80	\$3.38	\$3.01
Earnings per ordinary share - cents	64.4	60.2	46.8	41.1	31.5
Cash basis earnings per ordinary share - cents	65.6	58.5	50.2	44.8	38.4
Dividends per ordinary share:					
Interim - cents	19.0	17.0	13.5	12.0	11.5
Special - cents	-	-	-	-	15.0
Final - cents	26.0	23.0	20.0	17.0	14.5
Total - cents	45.0	40.0	33.5	29.0	41.0
<b>Ratios</b>					
Profit from ordinary activities after tax to average assets	0.74%	0.78%	0.69%	0.65%	0.56%
Profit from ordinary activities after tax to average ordinary equity	13.08%	12.99%	11.06%	10.24%	9.03%

1 Figures for 2005 include the acquisition of Oxford Funding Pty Ltd effective 1 May 2005.

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

## FIVE YEAR COMPARISON

### The Bendigo Group

		2005	2004	2003	2002	2001 <sup>1</sup>
<b>Key Trading Indicators</b>						
Retail deposits - branch sourced	(\$m)	9,259.8	9,596.8	6,823.4	5,637.9	4,756.8
Number of depositors' accounts		1,201,627	1,094,884	974,788	850,979	720,709
Total loans approved	(\$m)	5,872.5	6,077.8	4,822.8	3,637.2	2,494.6
Number of loans approved		65,498	72,063	70,175	47,325	40,614
Liquid assets and cash	(\$m)	1,865.8	1,535.3	1,418.5	1,439.9	1,125.7
Total assets	(\$m)	13,262.1	11,284.5	9,256.6	7,967.7	6,981.5
Liquid assets & cash as proportion of total assets	(%)	14.07	13.61	15.32	18.07	16.12
Number of branches <sup>2</sup>		309	276	246	215	179
Average deposit holdings per branch	(\$m)	30.0	34.8	27.6	26.2	26.6
Number of staff (excludes Community Bank®)	(FTE)	2,214 <sup>3</sup>	2,063	1,904	1,754 <sup>4</sup>	1,533 <sup>5</sup>
Assets per staff member <sup>6</sup>	(\$m)	5.990	5.470	4.862	4.543	4.554
Staff per million dollars of assets <sup>6</sup>		0.17	0.18	0.21	0.22	0.22
<b>Dissection of Loans by Security (\$m) <sup>7</sup></b>						
Residential loans		8,144.2	7,110.9	5,602.5	4,583.2	4,188.2
Commercial loans		2,218.7	1,774.1	1,446.5	1,239.5	1,041.4
Unsecured loans		490.6	492.9	463.5	403.4	337.1
Other		195.2	92.0	71.4	52.7	81.2
Gross loans		11,048.7	9,469.9	7,583.9	6,278.8	5,647.9
<b>Dissection of Loans by Security (%) <sup>7</sup></b>						
Residential loans		73.71	75.09	73.87	72.99	74.15
Commercial loans		20.08	18.73	19.07	19.74	18.44
Unsecured loans		4.44	5.20	6.11	6.42	5.97
Other		1.77	0.98	0.95	0.85	1.44
Total		100.00	100.00	100.00	100.00	100.00
<b>Asset Quality</b>						
Non-accruing loans	(\$m)	16.7	12.9	16.4	20.6	28.3
Specific provisions	(\$m)	(8.6)	(8.0)	(10.6)	(8.7)	(8.4)
Net impaired loans	(\$m)	8.1	4.9	5.8	11.9	19.9
Net impaired loans % of gross loans	(%)	0.07	0.05	0.08	0.19	0.35
Specific provision for impairment	(\$m)	8.6	8.1	10.7	9.8	9.5
Specific provision % of gross loans less unearned income	(%)	0.08	0.09	0.14	0.16	0.17
General provision for impairment	(\$m)	60.3	53.4	43.8	35.7	21.8
General provision as % of risk weighted assets	(%)	0.79	0.79	0.79	0.79	0.79
Loan write-offs as % of average total assets	(%)	0.06	0.07	0.08	0.11	0.25

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

2 Includes Community Bank branches.

3 Includes staff increases from the acquisition of Oxford Funding Pty Ltd.

4 Includes staff increases from the acquisition of Bendigo Investment Services.

5 Includes staff increases from the acquisition of First Australian Building Society.

6 These ratios do not take into account off-Statement of Financial Position assets under management, which totalled \$2.36 billion at 30 June 2005 (2004: \$2.25 billion).

7 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.

## DIRECTORS' REPORT

Your Board of Directors has pleasure in presenting the 140th Financial Report of Bendigo Bank Limited and its controlled entities for the year ended 30 June 2005.

### 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  
Jennifer L Dawson  
Donald J Erskine  
Terence J O'Dwyer  
Kevin E Roache

Particulars of the skills, experience, expertise and responsibilities of the Directors at the date of this report are set out in the Corporate Governance section of this Concise Report.

### 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 \$90.4 million (2004 - \$79.8 million).

### Ordinary Share Dividends Paid or Recommended

Dividends paid:

- > Final dividend 2004 of 23.0 cents per share, paid September 2004 (\$30.3m)
- > Interim dividend 2005 of 19.0 cents per share, paid March 2005 (\$25.3m)

Dividends recommended:

- > Final dividend 2005 of 26.0 cents per share, payable 30 September 2005 (\$34.3m)

All dividends were fully franked.

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

- > September 2004 1,107,312
- > March 2005 792,975

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

- > September 2004 229,806
- > March 2005 148,221

### Preference Share Dividends Paid or Recommended

As notified to the Australian Stock Exchange on 19 August 2005, the Bank will pay a fully franked dividend for Bendigo Preference Shares (BENPA) of 90.80 cents per share for the period 6 May 2005 to 14 September 2005. The dividend will be paid on 15 September 2005.

### Review of Operations

An operational and financial review, including information on the operations, financial position and business strategies and prospects of the economic entity is set out in the Report by Chairman and Managing Director on pages 4 to 8 of the Concise Annual Report. Certain information in respect to business strategies and prospects has not been disclosed where the disclosure is likely to result in unreasonable prejudice to the Company or its controlled entities.

### Significant Changes in the State of Affairs

Total equity increased from \$676.4 million to \$749.1 million, an increase of \$72.7 million or 10.7 per cent.

Contributed ordinary equity decreased by \$5.3 million, predominantly due to the cancellation of 2,850,000 shares, the result of an on-market share buy back. The buy back reduced contributed ordinary equity by \$27.0 million. New shares issued during the period included \$18.7 million issued under the dividend reinvestment plan and \$3.0 million of shares issued under the employee share plan.

Contributed preference share equity was established through the issue of 900,000 preference shares of \$100 face value (partly paid to \$50) in May 2005. The issue had a paid-up value of \$45.0 million at 30 June 2005. Expenses of \$2.0 million were incurred, reducing the net increase in contributed equity to \$43.0 million.

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#### After Balance Date Events

On 15 August, 2005 the Bank declared a final dividend, details of which are shown above.

On 9 August, 2005 the Bank signed a construction contract for the development of new Bendigo Bank head office premises in Bendigo, Victoria. The financial commitment associated with the contract is disclosed at Note 31 of the full financial report.

On 18 August 2005 the Bank announced that AAPT has partnered the Bank as joint owner of Community Telco Australia (CTA). CTA was formerly a majority owned subsidiary of Bendigo Bank, but is now half-owned by AAPT under the agreement. This has required an accounting change to de-recognise CTA as a subsidiary and commence equity accounting for the investment in CTA. This accounting treatment is expected to be consistent with the requirements under AIFRS.

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.

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#### 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 on pages 4 to 8 of the Concise Annual Report.

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#### Share Issues

The following share classes were issued during the financial year:

Description	No. of Shares
<b>Ordinary shares</b>	
Ordinary shares issued under the Dividend Reinvestment Plan	1,900,287
Bonus shares issued in lieu of dividends under the Bonus Share Scheme	378,027
Ordinary shares issued under the Employee Share Ownership Plan	300,000
Total shares issued	2,578,314
<b>Preference shares</b>	
Preference shares issued	900,000
Total preference shares issued	900,000

## REMUNERATION REPORT

The Directors of the Company present this Remuneration Report for the Company and for the consolidated entity for the year ended 30 June 2005. This Remuneration Report is prepared in accordance with Section 300A of the Corporations Act and Accounting Standard AASB 1046 "Director and Executive Disclosures by Disclosing Entities" and forms part of the Directors' Report.

*The Group's policy in respect to non-executive and executive remuneration is available from the Bank's web site.*

### Group Performance

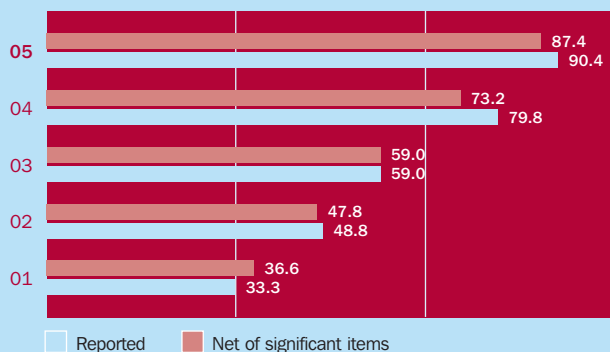
The following overview of the Company's development and performance is provided as background information to assist shareholders in their consideration of the Remuneration Report and to explain the link between Group performance and executive remuneration.

The Bank recently celebrated its 10th anniversary of Bank conversion. The Bank is a vastly different organisation to when it was granted a Banking Authority in 1995. The Bank has grown to become a nationally represented, diversified financial services enterprise which is in the top 150 companies listed on the Australian Stock Exchange. The Bank has maintained a consistent branded retail strategy, focussed on the interests and prospects of our customers and communities. This is supported

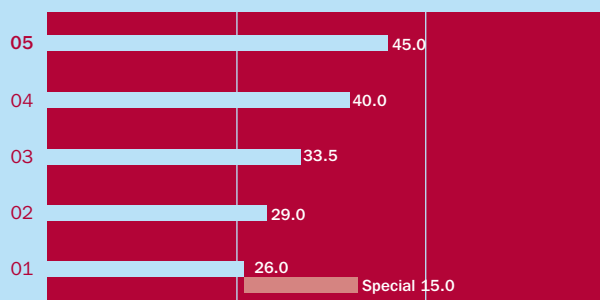
by a strategically focussed investment program and commitment to our corporate and social responsibilities and has built a brand that is well recognised, respected and sought after. Through continued commitment to the strategy, the maturity of investments to date and further investment, the Bank expects to deliver to shareholders improved, and sustainable, growth in shareholder value.

The following charts set out the Company's key financial performance measures for the financial year ended 30 June 2005, and the four previous financial years, to illustrate the consequences of the Company's performance on shareholder value and returns.

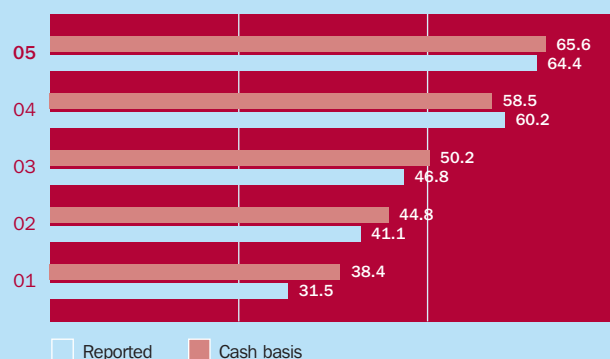
Net Profit after tax (\$ mil.)



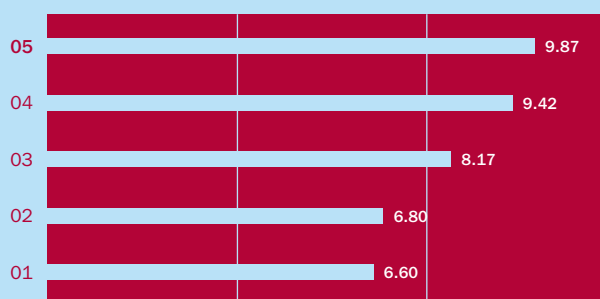
Dividends (cents per ordinary share)



Earnings per Ordinary Share (cents)



Share Price (\$)





The Company has experienced consistent growth in after-tax earnings of approximately 34.5% per year since 30 June 2000, resulting in:

- > An increase in the Company's share price of \$4.95 [\$0.45 for 2005];
- > Growth in EPS of approximately 134% [7% for 2005]; and
- > An increase in dividend of 21 cents per share, excluding the special dividend paid in 2001 [5 cents for 2005].

The Company has announced a final dividend of 26 cents per share on 15 August 2005, payable 30 September 2005. This results in a total dividend payable by the Bank for the 2005 financial year of 45 cents per share (fully franked) which represents a 12.5% increase on the previous year.

As at 30 June 2005 the Company's share price has increased by \$0.45 against the Company's share price as at 30 June 2004, which represents an increase of 5%. During the period 16 August 2005 to 31 August 2005, following the year-end result announcement, the Bank's shares have traded at an average daily closing price of \$10.78. This represents a 14.4% increase on the Bank's share price as at 30 June 2004.

The Company conducted an on-market share buy-back of 2.85 million shares during the year. This has reduced the number of ordinary shares on issue and has had a positive impact on EPS.

The 2005 Concise Annual Report includes a specific disclosure in respect to the key major terms and estimated financial impact of the Employee Share Ownership Plan on shareholder returns. The disclosure is presented at Note 11.

During the 5 year period ended 30 June 2005, the total shareholder return, calculated on the basis of the gain in the Bank's share price and notional reinvestment of dividends paid during the same 5 year period, equates to 154%.

## Non-Executive Director Fees

### *Objectives and Structure*

A distinction is made between the structure of non-executive directors' fees and the remuneration of executives. The Board has adopted a policy in respect to non-executive director fees with the objectives:

- > To attract and retain appropriately qualified and experienced directors.
- > To remunerate directors fairly having regard to their responsibilities, including providing leadership and guidance to management.
- > To build sustainable shareholder value by encouraging a longer-term strategic perspective, by not linking fees to the results of Bendigo Bank.

As the focus of the Board is to build sustainable shareholder value by taking a longer-term strategic perspective, there is no direct link between non-executive directors' fees and the results of the Bank. In accordance with the Board policy, non-executive director remuneration comprises the following elements:

- > Base fee.
- > Committee fee. This only applies to directors who are members of the credit committee having regard to the additional meeting commitments of that committee.
- > Superannuation Guarantee Charge ("SGC") payments – currently at 9%.

Non-executive director fees, including committee fees and SGC payments, are determined by the Board within the aggregate limit approved by shareholders. The current aggregate director fee limit which was approved by shareholders at the 2000 Annual General Meeting is \$900,000 per annum. The Board has recently resolved, on recommendation of the governance committee, to seek shareholder approval to increase the aggregate limit to \$1,200,000. Shareholder approval at the 2005 AGM will be sought to increase this aggregate limit.

The Chairman receives twice the base fee paid to other directors to recognise and compensate for the Chairman's additional time commitment.

Non-executive directors do not receive bonuses or incentive payments nor participate in the Employee Share Ownership Plan. Non-executive directors are entitled, under the Company's constitution, to be reimbursed for business related expenses.

Non-executive director fees are reviewed annually by the Board to ensure that the structure and amount are appropriate for the circumstances of the Bank. Fees for non-executive directors are decided by the Board based on the recommendation of the Governance Committee. The Board has determined that annual non-executive director fee payments may be increased annually by the CPI index should the Governance Committee not recommend a general fee payment increase.

The Committee takes into account survey data and peer analysis to determine the level of director fees paid in the market by companies of a relatively comparable size and complexity, particularly in the banking and finance sector, and to ensure that fees and payments reflect the demands and the scope of responsibilities of directors. The assessment takes into account the remuneration policies of the Bank, changes in the nature and operations of the Group including industry developments which impact the responsibilities and risks associated with the role of director.

Details of the membership of the Governance Committee, and its responsibilities in relation to remuneration arrangements, are set out on page 37 of the Concise Annual Report. The charter is also available from the Bank's website. The fees of non-executive directors for the year is detailed in the table that accompanies this report.

#### Non-Executive Director Retirement Benefits

A retirement benefit scheme has been in place for non-executive directors for many years prior to Bank conversion.

Directors in office as at December 2003 are entitled to receive a retirement benefit equal to the aggregate of the remuneration paid to the director during the three-year period before retirement (including superannuation contributions by the Company), provided the director has served at least nine years.

The aggregate amount the director is entitled to receive from superannuation contributions by the Bank and earnings on those contributions is deducted from the cash payment on retirement. If the term of service is less than nine years, the benefit is calculated pro-rata based on the director's years of service.

The Board had previously decided to grandfather the existing non-executive director retirement benefit arrangement. Non-executive directors appointed prior to December 2003 will retain their contractual entitlement to a retirement benefit calculated in accordance with the above methodology. Under these arrangements, non-executive directors appointed after December 2003 would not be entitled to a retirement benefit (other than the Superannuation Guarantee Charge payment), but would be entitled to higher directors' fees.

Following a further review of the options available and market practices the Board has now decided to wind-up the current arrangements with non-executive director retirement benefit entitlements to be crystallised as at 31 August 2005. No further entitlements will accrue to the current non-executive directors notwithstanding that four of the seven non-executive directors are still to complete the nine year pro-rata service period.

Each director will have a period of up to 4 years to inform the Bank as to the manner in which their respective entitlements are to be paid, provided the cost to the Bank is the same. The Bank will continue to pay statutory superannuation guarantee charge payments to current and any new non-executive directors.

The retirement benefit expense accruals and individual director entitlements applicable to the 2005 financial year are disclosed in the non-executive director remuneration table that accompanies this report.

#### Executive Remuneration

##### Objectives and Structure

The Board has adopted a policy in respect to executive remuneration with the objectives:

- > To motivate executive management to manage and lead the business successfully and to drive strong long-term organisational growth in line with the strategy and business objectives.
- > To drive successful organisational performance by incorporating an annual performance incentive and establish longer-term performance objectives.
- > To further drive longer-term organisational performance through an equity-based reward structure.
- > To make sure that there is transparency and fairness in executive remuneration policy and practices.
- > To deliver a balanced solution addressing all elements of total pay – base pay, incentive pay (cash and shares), and benefits including loans.
- > To make sure appropriate superannuation arrangements are in place for executives.
- > To contribute to appropriate attraction and retention strategies for executives.

The Group has pursued a long term "branded retail banking strategy" which has required a significantly different focus and direction to that typically taken by other organisations in the sector. The Board and Managing Director have sought to maintain a remuneration framework that provides the desired flexibility and reward structure to support this strategy whilst recognising the need to provide remuneration arrangements which are aligned with shareholder interests and commensurate with executive roles, responsibilities and market relativities.

The strategy has involved a significant investment program by the Group which has included acquisitions, expansion of the Group's product range and the distribution network, through joint ventures, Community Bank® and alliance activities, and investments into community enhancement initiatives. These investments have a medium to longer term maturity profile and are structured to generate sustainable improvement in shareholder value.

This has been reflected in the Company's remuneration policy regarding variable pay for senior executives, which has been designed with sufficient flexibility to allow for rewards to be tailored to recognise the development of business opportunities that present themselves during a year or programs that stretch across more than one reporting period.

To achieve the above objectives, executive remuneration arrangements have been structured to comprise:

- > Fixed remuneration ("Base Salary")
- > Incentive arrangements
- > Superannuation guarantee charge payments (currently 9% for executives other than the Managing Director). The Bank pays company superannuation contributions of 15% in respect to the Managing Director.

It is the objective of the Board, and Managing Director, to achieve a balance between fixed remuneration and incentive components that takes into account market relativities and aligns executive remuneration with shareholder interests.

The incentive based component of the total remuneration package for the Managing Director is up to 40% and for the five named executives, including the annual interest benefit, ranges between 20% and 30% of their total remuneration package.

The incentive arrangements comprise the following components:

- > an annual (cash) incentive; and
- > participation in the employee share ownership plan.

The incentive arrangements are designed to reward annual financial goals, the achievement of Group and individual performance criteria, and longer term strategic performance and to drive continued improvement in sustainable shareholder value.

The remuneration arrangements apply to the Managing Director and executive management committee of Bendigo Bank, which is responsible for business activities of Bendigo Bank and the consolidated entity.

The Board decides the remuneration arrangements for the Managing Director, including the proportions of fixed remuneration and incentive arrangements, and considers whether any change to the nature or amount should be made to the arrangements on an annual basis. The Managing Director, also on an annual basis, reviews and determines the nature and amount of remuneration for executives, including the proportions of fixed remuneration and incentive arrangements.

#### *Fixed Remuneration:*

The terms of employment for executives, including the Managing Director, provide for a base salary component. It is intended that executive base salaries take into account market relativities having regard to the need for Bendigo Bank to attract, motivate and retain the appropriate executive management. The base salary is a specified dollar amount that the executive may receive in a form agreed by the Company. The base salary component is not performance based and is set by reference to appropriate benchmark information relevant to the executive's responsibilities, experience

and expertise. The Bank has conducted a comparison of the base salary components paid to the managing director and five named executives against current listed public company remuneration survey data. The review demonstrated that the remuneration arrangements for the managing director and five named executives range between the 25th to 50th percentile.

Executives are given the opportunity to receive their base salary in a variety of forms including cash and non-cash (salary sacrifice) benefits such as motor vehicle, superannuation contributions and expense payment arrangements. Executives are able to structure their salary sacrifice arrangements so that the payments are optimal for the recipient, provided they are made available at the same economic cost (including applicable fringe benefits tax) to the Bank.

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#### **Managing Director**

In setting the fixed remuneration arrangements for the Managing Director, the Board surveys the range of comparable remuneration arrangements in the market, particularly in the banking and finance sector, to ensure that the remuneration arrangements take into account the market relativities and also take into account the particular experience, expertise and strategic direction that the Managing Director brings to the role. The Board's assessment has regard to changes in the size, nature and complexity of the Group's business activities and relevant industry developments which impact the Managing Director's role and responsibilities.

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#### **Other executives**

In setting the fixed remuneration arrangements for other executives, the Managing Director takes into account general market and peer information, relative to the particular role and responsibilities of the executive.

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#### **Incentive Arrangements**

As discussed above, executive remuneration packages include an incentive component which reward both annual financial goals and longer term performance. Payment of any part of the

incentive component is at the discretion of the Board in respect of the Managing Director and at the discretion of the Managing Director for executives.

The amount of the annual incentive component paid to executives, including the Managing Director, is contingent primarily upon the Group achieving budgeted profit performance and in addition, subject to the discretion of the Board and Managing Director, the technical competence, leadership, operational management performance and achievement of agreed business outcomes.

The objective of the incentive component is to link the achievement of Group, business unit and individual performance with the remuneration received by the executive. The total potential annual cash incentive is set for each executive with operational responsibilities at a level which provides an appropriate incentive to achieve the business and financial targets ("operational targets") and at a cost that is reasonable to the Company in its circumstances.

The Board, and Managing Director consider that the performance arrangements established in respect to annual incentive arrangements to be appropriate for the Group's circumstances as they take into account the Group's strategic direction, the Group's financial performance and continued development of the Group's business initiatives.

#### *Change to timing of assessment process and determination of incentive amounts*

The remuneration table which accompanies this report details the annual incentive payments for the Managing Director and five named executive officers of the Group (being the executives who have the greatest authority for managing the consolidated entity, who are also the five most highly paid executives) in respect to the 2005 financial year. The executive performance assessment process, and determination of executive annual incentive payments, is completed by the Board and Managing Director shortly following the year-end profit result announcement.

For previous financial years, the assessment process and determination of incentive payments, was not completed within a timeframe that enabled disclosure in the annual report. As a result, the amounts disclosed in the 2004 annual report in respect to annual incentive payments related to the previous financial year's performance and assessment process. The amounts for the 2004 incentive payments are set out in the accompanying table.

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#### Managing Director

The Managing Director's annual incentive component for the year ended 30 June 2005 was based upon a mix of quantitative and qualitative performance measures.

The qualitative performance measures focussed on the continued progress of the Group strategy and reinforcement of the Bank's positioning, the achievement of major business priorities as confirmed by the Board, and:

- > Continued progress of the Bank to enable an increase in the Bank's credit rating;
- > Continued progress of the rationalisation of the Group's property and premises requirements;
- > Continued development of the Group's wealth creation business;
- > Succession planning and development of management; and
- > Continued enhancement of the Group reporting framework.

The quantitative element focussed on the achievement of EPS growth calculated at the rate of \$50,000 for every one cent per share increase, based upon normalised profit, in the Bank's reported EPS ratio above the normalised EPS ratio achieved for the 2004 financial year, with a maximum of \$500,000 payable.

The above performance measures were selected by the Board to reflect a balance between measures which provide an annual profit-based incentive and measures which provide incentive to generate further sustainable shareholder value during the short to medium term. The Board selected the EPS measure as

it represents a publicly available performance measure that appropriately reflects the short-term interests of shareholders. The Board considers that the use of the Bank's EPS ratio ensures that an appropriate focus is placed upon both profit performance and effective application of shareholder capital, given the Bank must adhere at all times to the minimum capital requirements set by Australian Prudential Regulation Authority. Details of the Bank's EPS performance is set out in the Group Performance section of this report.

The performance of the Managing Director is reviewed by the Board on an annual basis in two stages. The Chairman and Deputy Chairman conduct an assessment of the Managing Director's performance as part of the annual Board and director performance process conducted prior to year-end. The outcomes of the assessment are presented to the non-executive directors by the Chairman.

The non-executive directors complete the second stage of the assessment process, after the Group's year-end profit result announcement, at which time the Board determines the amount of the incentive payment based upon the achievement of the agreed performance measures.

The Board also determines at the same time the following year's fixed remuneration and incentive arrangements including performance criteria.

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#### Other Executives

The annual incentive component for other executives is primarily determined on the basis of the Group's overall after-tax profit performance. Details of the Bank's after-tax profit performance is set out in the Group Performance section of this report. At the discretion of the Managing Director, payment of the annual incentive component may also take into account the executive's technical competence, leadership, operational management performance and achievement of business outcomes for the year.

Generally the amount of the annual incentive paid to other executives is contingent upon the achievement of targeted profit performance, aligned with

the market guidance issued by the Bank, and the achievement of the Board approved budget performance, representing a "stretch-target". The Managing Director will also take into account the individual performance achievements of the executive member. The actual incentive paid to executives is based upon an assessment of the Group's financial performance and the extent to which the executive has achieved their individual performance objectives.

Executives may also participate in the bonus pool that is allocated amongst Group employees. Executives will generally only participate in the bonus pool if Company performance exceeds the Board approved budget performance. The amount of any payment from the bonus pool to executives is determined by the Managing Director. No amounts were paid from the bonus pool allocation to other executives for the 2005 financial year.

The Managing Director has determined that for the 2006, and subsequent, financial years the quantitative performance measure applicable to annual incentive payments for other executives will be aligned with the Earnings Per Share measure set by the Board in respect to the Managing Director's incentive payment (refer above). The Managing Director will also continue to retain a discretion to take into account individual performance objectives and other achievements for executives in determining annual incentive payments.

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#### Equity Arrangements

The Bank has established an Employee Share Ownership Plan ("Plan"), with issues under the plan approved by shareholders every three years, which is open to all employees in the Group, including the Managing Director and executives. The Managing Director's employment contract provides that there will be regular issues of shares to him under the Plan, at least every two years during his term of employment. Details of the major terms and conditions of the Plan are set out in the 2005 Concise Annual Report at page 69.

In summary, shares are issued at the prevailing market value, and not at a discount or nil cost. The shares must be paid for by the staff member, including the Managing Director and executives. The Board believes that it is important that the Managing Director and executives participate in the same equity arrangement, and on the same terms and conditions, as made available to other employees of the Group. The key objective of the Plan is to establish a financial interest in the Bank that aligns executive and staff interests with the strategic objectives and longer-term performance and prosperity of the Bank through exposing part of their remuneration to the Company's share price and entitling them to benefit from the rights attaching to share ownership, including dividends paid on the shares.

The Plan provides executives with a non-recourse interest free loan for the sole purpose of acquiring Plan shares. Net cash dividends after personal income tax obligations are applied to reduce the loan balance. Staff, including executives, cannot deal in the shares until the loan has been repaid.

The primary benefit under the terms of the Plan is the financial benefit of the interest-free loan. The loan benefit is taken into account by the Board and Managing Director in the context of the respective remuneration arrangements of the Managing Director and executives.

There is no formal performance hurdle to receive a grant of shares under the Plan as in order for the Managing Director and other executives to derive any significant benefit from the share allocation, the share price would need to increase above the original issue price. The Plan structure provides a longer-term incentive to increase Group profit performance, to increase dividend payments (which are applied to repay the interest-free loan) and to increase the market value of the Bank's shares. The Board and Managing Director, when considering grants of shares under the Plan, take into account the financial performance of the Bank and the individual performance of the respective executive.

The Board and Managing Director believe that the Plan's structure provides the appropriate incentive to improve Group performance in line with longer-term shareholder objectives.

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#### Executive Employment Contracts

It is the Group's policy that executive employment contracts will not be for fixed terms and are not to include a provision for payment on early termination, without Board approval. To date executive members, other than the Managing Director, are employed under the prevailing employment terms and conditions of the Group as set out in the standard employment letter signed by the executive. The respective remuneration arrangements are determined in accordance with Group employment practices.

The employment letter signed by executives does not contain a separate provision in respect to early termination other than in the case of the Chief Financial Officer which provides for a 6 month termination notice period, except in the case of non-performance. The notice period applicable to other executives ranges between three to four weeks, depending on the executive's length of service.

At the date of this report the only contract the Board has approved which contains a particular provision for payment on early termination is the employment contract entered into between the Bank and the Managing Director. Details of the contract terms are set out below.

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#### Employment Contract – Managing Director

Bendigo Bank has entered into an employment agreement with the Group's Managing Director which commenced on 1 July 2001 and expires on 30 June 2007. A summary of the key elements of the employment agreement follows.

The agreement provides for termination payments to be made in certain circumstances and the payment varies depending on the circumstances as explained below. In each case, it includes payment in lieu of statutory leave entitlements.

Bendigo Bank may terminate the agreement without cause by giving 24 months' notice or, at its option, payment of pro-rata gross salary in lieu of the required notice. Bendigo Bank may also terminate the agreement for serious misconduct or serious breach of the agreement provided that Mr Hunt is given the opportunity to defend himself before termination. In that case, Mr Hunt is entitled to payment of his pro rata gross salary and benefits to the date of termination.

Mr Hunt may terminate the agreement by giving Bendigo Bank not less than three months' written notice. Mr Hunt is entitled to the pro rata gross salary and benefits for the duration of the three-month notice period. Bendigo Bank may at its sole election make a payment in lieu of the notice period. Mr Hunt may also treat the agreement as terminated if without cause Bendigo Bank acts or proposes to act to diminish the job content, status, responsibility or authority of Mr Hunt or reduce his gross salary. In that case, Bendigo Bank is required to pay Mr Hunt the greater of an amount equivalent to three times the gross salary or an amount equal to the gross salary which would have been payable during the unexpired term of the agreement.

Mr Hunt is also entitled to payment in lieu of statutory leave entitlements which, but for termination, would have accrued during the 36 months following termination or during the unexpired term of the agreement, whichever is the greater.

The agreement provides for discussions to take place before the commencement of the last year of the term to determine whether to extend the agreement.

Directors' and  
Executive Officers' Remuneration

Details of Directors' remuneration for the financial year ended 30 June 2005 are set out in the following table. All amounts are in A\$ unless otherwise stated.

<b>Richard Guy OAM</b>	Chairman (non-executive)	<b>Jennifer L Dawson</b>	Director (non-executive)
<b>Robert N Johanson</b>	Deputy Chairman (non executive)	<b>Donald J Erskine</b>	Director (non-executive)
<b>Robert G Hunt AM</b>	Managing Director	<b>Terence J O'Dwyer</b>	Director (non-executive)
<b>Neal J Axelby</b>	Director (non-executive)	<b>Kevin E Roache</b>	Director (non-executive)

Non-executive Directors	Year	Primary Directors' fees	Committee fees <sup>2</sup>	Non monetary <sup>3</sup>	Post Employment Superannuation <sup>4</sup>	Retirement Benefits <sup>5</sup>	Other <sup>6</sup> Options/Shares and Bonuses	Total
Richard A Guy OAM <sup>1</sup>	2005	143,236	-	-	12,891	(14,114)	-	142,013
	2004	133,628	-	-	12,026	24,192	-	169,846
Robert N Johanson	2005	71,618	-	-	6,446	(7,735)	-	70,329
	2004	45,285	-	21,529	6,013	12,095	-	84,922
Neal J Axelby	2005	71,618	5,265	-	6,919	18,728	-	102,530
	2004	66,814	5,138	-	6,476	23,027	-	101,455
Jennifer L Dawson	2005	67,804	5,265	3,814	7,374	25,553	-	109,810
	2004	63,226	5,138	3,588	6,938	25,268	-	104,158
Donald J Erskine	2005	71,618	5,265	-	6,919	25,067	-	108,869
	2004	66,814	5,138	-	6,476	25,268	-	103,696
Terence J O'Dwyer	2005	71,618	-	-	6,446	12,271	-	90,335
	2004	66,814	-	-	6,013	23,027	-	95,854
Kevin E Roache	2005	71,618	7,350	-	7,107	9,119	-	95,194
	2004	66,814	7,194	-	6,661	12,095	-	92,764
<b>Total</b>	2005	569,130	23,145	3,814	54,102	68,889	-	719,080
<b>Remuneration</b>	2004	509,395	22,608	25,117	50,603	144,972	-	752,695

Managing Director	Year	Fixed Salary <sup>7</sup>	Primary Fixed Non Cash <sup>8</sup>	Cash Short Term Incentive <sup>9,10</sup>	Post employment Superannuation <sup>4</sup>	Equity Shares <sup>11</sup>	Other Interest-free loan benefit <sup>12</sup>	Total
Robert G Hunt AM	2005	600,753	30,625	450,000	130,102	-	162,882	1,374,362
	2004	604,414	28,086	250,000	92,874	-	74,769	1,050,143

1 Directors' fees includes Chairman's allowance of \$71,618.

2 Fees payable to members of the credit committee.

3 "Non monetary" represents the value of non-cash benefits provided and comprises salary sacrifice superannuation contributions, motor vehicle costs and home loan allowance (inclusive of applicable fringe benefits tax).

4 Represents superannuation contributions made on behalf of non-executive directors in accordance with the Superannuation Guarantee Charge legislation.

5 Amounts provided for by the company during the financial year in relation to the contractual retirement benefit payment to which the non-executive director will be entitled upon retirement from office. As at 30 June 2005 the following benefits have been provided for under the non-executive director retirement benefit arrangement: RA Guy \$346,744; RN Johanson \$172,694; NJ Axelby \$92,657; JL Dawson \$122,715; DJ Erskine \$122,229; TJ O'Dwyer \$86,200; KE Roache \$189,548. The retirement benefit accruals for the year end 30 June 2005 have been adjusted for Superannuation Guarantee Charge contributions and estimated earnings.

6 There were no equity and other remuneration components paid to non-executive directors in accordance with the non-executive director remuneration policy.

7 Includes allowances (other than payments or reimbursements of business expenses).

8 "Fixed Non Cash" relates to the salary sacrifice components of primary remuneration.

9 The percentage of the incentive payment for the financial year approved by the Board for payment to the Managing Director is 90% (10% forfeited).

10 The Bank has altered the timing of the annual performance assessment process and approval of incentive payments for the Managing Director. The Managing Director's performance assessment process, and determination of the annual incentive payment for the 2005 financial year was completed by the Board shortly following the year-end profit result announcement. The incentive amount disclosed in respect to the 2005 financial year will be paid during the 2006 financial year. In respect to previous financial years, the assessment process, and determination of incentive payments, was not completed within a timeframe that enabled disclosure in the annual report. As a result the incentive amounts disclosed in the 2004 Concise Financial Report represented annual incentive payments that relate to the financial year prior to the year in which payment was made.

- 11 During the year 300,000 ordinary shares were issued to the Group Managing Director under the terms of the Employee Share Ownership Plan, as approved by shareholders at the 2004 Annual General Meeting. The shares were issued fully paid at market value and accordingly have no remuneration value. The benefit of the interest-free loan is disclosed in the remuneration table in the "Other – interest free loan benefit" column.
- 12 The benefit relates to the interest free loan provided under the Employee Share Ownership Plan. The benefit is calculated using the average outstanding loan balance and the bank's average cost of funds. Details in respect to loans provided to the executive under the Employee Share Ownership Plan are disclosed in the full financial statements at Note 35. Also during the year, the Board approved the sale of a percentage of the Bank's ownership in Bendigo Community Telco Limited to the Managing

Director, the details of which are disclosed in the related party note to the full financial statements. As part of the Managing Director's remuneration arrangements, the Board approved a benefit of a deferred payment arrangement for the Managing Director to finance the purchase of the shares. The benefit of the deferred payment arrangement is disclosed in the remuneration table under "Other – interest free loan benefit" column.

- 13 Associate company directorships:  
Mr R A Guy and Mr R N Johanson are non-executive directors of Elders Rural Bank Limited, an associate entity of Bendigo Bank. Mr Guy and Mr Johanson were each paid an annual director fee of \$57,000 plus Superannuation Guarantee Charge by Elders Rural Bank Limited in connection with their directorship.

### Group Executive Officers

Details of the remuneration paid to each of the five specified executives of the consolidated entity with the highest remuneration, and who in the opinion of the Board had the greatest authority for the strategic direction and management of the consolidated entity, during the financial year are set out in the following table.

**G D Gillett** Chief General Manager, Retail  
**R H J Hasseldine** Chief General Manager, Group Delivery  
**M J Hirst** Chief General Manager, Strategy & Solutions  
**V M Kelly** Chief Information Officer  
**K C Langford** Chief Financial Officer.

All amounts are in A\$ unless otherwise stated.

Specified executive	Year	Primary			Post employment Superannuation <sup>5</sup>	Equity Shares <sup>6</sup>	Other Interest-free loan benefit <sup>7</sup>	Total
		Fixed Salary <sup>1</sup>	Fixed Non Cash <sup>2</sup>	Cash Short Term Incentive <sup>3,4</sup>				
G D Gillett	2005	304,907	43,472	160,000	42,296	-	29,650	580,325
	2004	290,260	39,629	120,000	39,244	-	28,468	517,601
R H J Hasseldine	2005	165,512	95,570	100,000	31,867	-	13,816	406,765
	2004	229,540	33,937	80,000	29,637	-	12,878	385,992
M J Hirst	2005	264,939	77,441	160,000	39,981	-	15,651	558,012
	2004	267,884	44,424	100,000	37,108	-	14,577	463,993
V M Kelly	2005	311,519	29,364	100,000	33,875	-	27,778	502,536
	2004	270,042	39,062	70,000	31,894	-	26,324	437,322
K C Langford	2005	281,519	60,346	150,000	39,981	-	27,328	559,174
	2004	261,528	49,817	100,000	37,021	-	25,858	474,224
<b>Total Remuneration</b>	2005	1,328,396	306,193	670,000	188,000	-	114,223	2,606,812
	2004	1,319,254	206,869	470,000	174,904	-	108,105	2,279,132

- 1 Includes allowances (other than payments or reimbursements of business expenses).
- 2 "Non Cash" relates to the salary sacrifice components of primary remuneration.
- 3 The percentage of the incentive payments for the financial year approved by the Managing Director for payment to the five specified executives is 100%.
- 4 The Bank has altered the timing of the annual performance assessment process and approval of incentive payments for the managing director and executives. The executive performance assessment process, and determination of executive annual incentive payments, for the 2005 financial year was completed by the Board and Managing Director shortly following the year-end profit result announcement. The incentive amounts disclosed in respect to the 2005 financial year will be paid during the 2006 financial year.

In respect to previous financial years the assessment process, and determination of incentive payments, was not completed within a timeframe that enabled disclosure in the annual report. As a result the incentive amounts disclosed in the 2004 Concise Annual Report represented annual incentive payments that relate to the financial year prior to the year in which payment was made.

- 5 Represents Company contributions to superannuation.
- 6 Represents the number of shares issued during the year under the terms of the group's Employee Share Ownership Plan.
- 7 This benefit relates to the interest free loan provided under the Employee Share Ownership Plan. The benefit is calculated using the average outstanding loan balance and the Bank's average cost of funds. Details in respect to loans provided to the above executives under the Employee Share Ownership Plan are disclosed in the full financial statements at Note 36.

## Meeting of Directors

The number of meetings of the Bank's Directors (including meetings of committees of Directors) held during the year ended 30 June 2005 and the numbers of meetings attended by each Director were:

	Meetings of Committees													
	Board of Directors Meetings		Audit		Credit		Risk		Property		I.T. Strategy		Board Governance	
No. of Meetings Held:	15		7		11		6		9		5		2	
Attended by:	A	B	A	B	A	B	A	B	A	B	A	B	A	B
R A Guy OAM	15	14	7	6					9	7			2	2
R N Johanson	15	14					6	6			5	5		
R G Hunt AM (a)	15	15					6	5	9	7	5	5	2	2
N J Axelby	15	15			11	11	6	6					2	2
J L Dawson	15	15	7	7	11	11			9	8				
D J Erskine	15	15			11	10			9	9	5	5		
T J O'Dwyer	15	14	7	6			6	6			5	4		
K E Roache	15	15			11	11	6	6					2	2

(a) Mr. R. Hunt was an attendee at three meetings of the audit committee

A eligible to attend  
B attended

## 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.



### Directors' Interests in Equity

The relevant interest of each Director in shares of the company or a related body corporate at the date of this report is as follows:

Director	Ordinary Shares	Preference Shares
R A Guy OAM	313,529	200
R N Johanson	174,340	500
R G Hunt AM <sup>1</sup>	808,741	-
N J Axelby	26,441	50
J L Dawson	12,279	100
D J Erskine	222,121	-
T J O'Dwyer	50,300	-
K E Roache	32,564	200

<sup>1</sup> includes 740,000 shares issued to Mr. R G Hunt under the Bendigo Employee Share Plan.

### 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.

### 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.

### Tax Consolidation

Effective 1 July 2002, for the purposes of income taxation, Bendigo Bank Limited and its 100% owned subsidiaries formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rate basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

### 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.

### Company Secretary

#### David A Oataway B.Bus., CA

Mr Oataway has been the company secretary of Bendigo Bank Limited for seven years. Prior to this position he held roles within the Bank's internal audit and secretariat departments. Prior to joining the Bank he was employed by Melbourne and Bendigo based chartered accounting firms.

### Auditor Independence and Non-audit Services

The Company's audit committee has conducted an assessment of the independence of the external auditor for the year ended 30 June 2005. The assessment was conducted on the basis of the Company's audit independence policy and the requirements of the Corporations Act 2001. The assessment included a review of non-audit services provided by the auditor and an assessment of the independence declaration issued by the external auditor for the year ended 30 June 2005. The audit committee's assessment was accepted by the full Board. A copy of the auditor's independence declaration is provided at the end of this Directors' Report.

### Non-audit Services

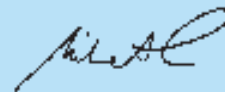
Details of all non-audit services for the year ended 30 June 2005:

(a) Corporations Act Assurance Services:

In its capacity of the Group external auditor, Ernst & Young are periodically engaged to provide assurance services to the Group. All assignments are subject to engagement letters in accordance with Australian Auditing Standards.

Service	Fees (excluding GST) \$	Entity
Report in accordance with APRA's Prudential Standard APS 310	50,000	BBL
Australian Financial Services Licences	36,750	Note 1
Annual Certification Report – Euro Medium term Note Program	2,500	BBL
Trust Deed Report – Victorian Securities Corporation Limited	7,000	VSCL
APRA Prudential Standard GPS 220 Report	15,000	SLMI P/L
Final Trustee Report - Convertible Capital Notes	15,000	BBL
Due Diligence Report - Bendigo Preference Shares	30,000	BBL
<b>Sub Total</b>	<b>156,250</b>	

Signed in accordance with a resolution of the Board of Directors



R.A. Guy OAM, Chairman



R.G. Hunt AM, Managing Director

**Note 1:** Amount attributable to Bendigo Bank and the following subsidiary companies: Sandhurst Trustees Limited, Victorian Securities Corporation Limited, Worley Securities Pty Ltd, Bendigo Investment Services Limited and National Assets Securitisation Corporation.

Dated this 13th day of September 2005

b) Other Non Audit Services

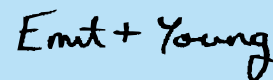
The following table is a summary of all current year non-audit service fees:

Service	Fees (excluding GST) \$	Entity
Tax compliance services	97,685	BBL
Tax opinion – Bendigo Preference		
Share Prospectus	20,000	BBL
Tax advice – property leasing and Community Bank franchise	34,630	BBL
Implementation advice – Australian equivalents to International Financial Reporting Standards	12,820	BBL
Other tax advice	2,760	STL
<b>Sub Total</b>	<b>167,895</b>	
<b>Total non-audit services</b>	<b>\$324,145</b>	



**Auditor's Independence Declaration to the Directors of Bendigo Bank Limited**

In relation to our audit of the financial report of Bendigo Bank Limited for the financial year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Brett Kallio, Partner

Dated this 13th September 2005

The Audit Committee has reviewed the nature and scope of the above non-audit services provided by the external auditor. In doing so, the Audit Committee has assessed that the provision of those services is compatible with the general standard of independence for auditors imposed by the Corporations Act. This assessment was made on the basis that the non-audit services performed did not represent the performance of management functions or the making of management decisions, nor were the dollar amounts of the non-audit fees considered sufficient to impair the external auditor's independence. As noted previously, this Audit Committee's assessment has been reviewed and accepted by the full Board.

## STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2005

	Note	Consolidated	
		2005 \$m	2004 \$m
<b>Revenue from ordinary activities</b>			
<b>Net interest revenue</b>			
> Interest revenue		767.4	615.5
> Interest expense		486.6	361.9
Net interest revenue		280.8	253.6
<b>Other revenue from ordinary activities</b>			
> Dividends		1.6	0.4
> Fees - asset products		26.0	23.5
- liability products and electronic delivery		53.5	41.5
- trustee, management & other services		9.3	9.1
- securitisation		5.0	7.9
- other		9.4	8.3
> Commissions - insurance		6.8	5.7
- wealth solutions		30.8	25.2
Other operating revenue		8.4	3.2
Specific income items	4	19.0	17.0
Total other revenue from ordinary activities		169.8	141.8
<b>Share of associates' net profits accounted for using the equity method</b>			
		20.5	15.7
Total revenue after interest expense		471.1	411.1
<b>Expenses from ordinary activities</b>			
<b>Bad and doubtful debts</b>			
> Bad and doubtful debts		14.1	14.1
> Bad debts recovered		(0.5)	(0.3)
Total bad and doubtful debts		13.6	13.8
<b>Other expenses from ordinary activities</b>			
> Borrowing costs		0.4	0.5
> Staff and related costs		154.8	134.9
> Occupancy costs		26.0	23.0
> Amortisation of goodwill & intangibles		4.7	4.3
> Property, plant & equipment costs		13.7	11.5
> Fees and commissions		16.6	14.2
> Administration expenses		94.4	85.3
> Specific expense items	4	15.5	8.3
Total other expenses from ordinary activities		326.1	282.0
<b>Profit from ordinary activities before income tax expense</b>		131.4	115.3
<b>Income tax expense relating to ordinary activities</b>		(40.8)	(33.7)
<b>Specific items income tax expense</b>	4	(0.5)	(2.1)
Net profit		90.1	79.5
Net loss attributable to outside equity interest		0.3	0.3
<b>Net profit attributable to members of Bendigo Bank Limited</b>		<b>90.4</b>	<b>79.8</b>
Net increase in asset revaluation reserve		-	2.1
Share issue costs		(2.0)	(0.5)
Total revenues, expenses and valuation adjustments attributable to members of Bendigo Bank Limited and recognised directly in equity		(2.0)	1.6
<b>Total changes in Equity other than those resulting from transactions with owners as owners attributable to members of Bendigo Bank Limited</b>			
		<b>88.4</b>	<b>81.4</b>
Basic earnings per ordinary share (cents per share)	7	64.4	60.2
Diluted earnings per ordinary share (cents per share)	7	64.4	60.2
Cash basis earnings per ordinary shares (cents per share)	7	65.6	58.5
Franked dividends per ordinary share (cents per share)	6	45.0	40.0

## STATEMENT OF FINANCIAL POSITION

as at 30 June 2005

	Note	Consolidated	
		2005 \$m	2004 \$m
<b>Assets</b>			
Cash and liquid assets		135.2	157.5
Due from other financial institutions		188.9	157.6
Investment securities		1,541.7	1,220.2
Loans and other receivables		10,938.2	9,372.6
Shares investments		42.5	27.3
Investments accounted for using the equity method		118.2	101.1
Property, plant & equipment		58.0	56.6
Deferred tax assets		35.4	32.8
Intangibles		79.0	63.7
Other assets		125.0	95.1
<b>Total Assets</b>		<b>13,262.1</b>	<b>11,284.5</b>
<b>Liabilities</b>			
Due to other financial institutions		143.3	128.9
Deposits		11,958.2	10,148.9
Payables		106.2	88.7
Current tax liabilities		8.3	6.8
Other provisions		32.0	27.2
Subordinated debt		262.1	199.3
Deferred tax liabilities		2.9	8.3
<b>Total Liabilities</b>		<b>12,513.0</b>	<b>10,608.1</b>
<b>Net Assets</b>		<b>749.1</b>	<b>676.4</b>
<b>Equity</b>			
Parent entity interest			
> Contributed equity		589.3	551.6
> Reserves		3.1	5.4
> Retained profits	5	157.1	119.6
Total parent entity interest in equity		749.5	676.6
Total outside equity interest		(0.4)	(0.2)
<b>Total Equity</b>		<b>749.1</b>	<b>676.4</b>

## STATEMENT OF CASH FLOWS

for the year ended 30 June 2005

	Note	Consolidated	
		2005 \$m	2004 \$m
<b>Cash Flows from Operating Activities</b>			
> Interest and other items of a similar nature received		762.8	617.2
> Borrowing costs paid		(483.3)	(358.8)
> Receipts from customers (excluding interest)		146.0	124.7
> Payments to suppliers and employees		(331.2)	(272.0)
> Dividends received		12.6	10.6
> Income taxes paid		(41.6)	(36.3)
Net cash flows from operating activities		65.3	85.4
<b>Cash Flows from Investing Activities</b>			
> Cash flows for purchases of property, plant and equipment		(23.4)	(20.9)
> Cash proceeds from sale of property, plant and equipment		9.4	8.3
> Cash paid for purchases of equity investments		(34.4)	(23.6)
> Cash proceeds from sale of equity investments		13.9	8.8
> Net increase in balance of loans outstanding		(1,554.2)	(1,863.1)
> Net increase of investment securities		(322.5)	(90.2)
> Net cash paid on acquisition of a subsidiary		(7.2)	-
Net cash flows used in investing activities		(1,918.4)	(1,980.7)
<b>Cash Flows from Financing Activities</b>			
> Cash paid for buyback of shares		(27.0)	-
> Proceeds from shares issued		45.0	43.6
> Payment of share issue costs		(2.0)	(0.5)
> Net increase in balance of retail deposits		987.2	1,418.2
> Net increase in balance of wholesale deposits		818.4	479.7
> Proceeds from issue subordinated debt		85.0	30.0
> Repayment of subordinated debt		(22.4)	(20.2)
> Dividends paid		(36.5)	(28.7)
Net cash flows from financing activities		1,847.7	1,922.1
Net increase/(decrease) in cash held		(5.4)	26.8
Add cash at the beginning of the financial year		186.2	159.4
Cash at end of financial year	10	180.8	186.2

## NOTES TO THE CONCISE FINANCIAL STATEMENTS

### 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.

### 3 Impact of adopting Australian equivalents to International Financial Reporting Standards

The company and the economic entity are required to prepare financial statements using Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005. The first AIFRS financial statements will be for the half-year ending 31 December 2005 and the financial year ending 30 June 2006.

The comparative figures included in the 2005/06 financial statements will be restated using the new accounting standards from 1 July 2004, with the exception of AASB 132 "Financial Instruments: Disclosure and Presentation", AASB 139 "Financial Instruments: Recognition and Measurement" and AASB 4 "Insurance Contracts". As permitted by the transition provisions of AIFRS, management has elected to defer the application of these standards to 1 July 2005. Comparative information for financial instruments and insurance contracts will be prepared on the basis of the economic entity's current accounting policies under Australian GAAP.

Adjustments required on transition to AIFRS will be made retrospectively, predominantly against retained earnings, at the respective dates of 1 July 2004 or 1 July 2005. Restated comparatives will not be reported in financial statements until 31 December 2005, being the first half-year reported under AIFRS.

AIFRS will not impact the underlying economics of the business or the risks being carried. It is also not expected to impact cash flows or the ability to pay dividends to shareholders.

A more detailed description and quantification of expected impacts of adopting AIFRS is included in Note 43 of the full financial report.

**Consolidated**  
**2005**                      **2004**  
**\$m**                              **\$m**

**4 Specific items**

Profit from ordinary activities before income tax expense includes the following income and expenses whose disclosure is relevant in explaining the financial performance of the entity:

*Specific income items*

GST refund in relation to electronic networks transactions	-	1.5
Proceeds on sale of Cashcard shares	1.0	8.8
Proceeds on sale of properties	7.8	7.4
Proceeds on sale of IOOF Holdings Pty Ltd shares	7.8	-
Proceeds on sale of BSX shares	2.8	-
Share of profit - BSX Group Holdings Ltd (equity accounted investment)	(0.4)	(0.7)
	19.0	17.0

*Specific expense items*

Book value of Cashcard shares sold	-	1.2
Book value of properties sold	6.3	6.1
Write-down value of share investment - Inch Corporation Limited	-	1.1
Bank accounts debits tax	4.9	-
Book value of IOOF Holdings Pty Ltd shares sold	2.8	-
Book value of BSX shares sold	1.5	-
Goowill expense and reversal of investment write-down - BSX Group Holdings Ltd	-	(0.1)
	15.5	8.3

Net specific items before income tax	3.5	8.7
Income tax applicable to specific items	(0.5)	(2.1)
Specific items after income tax	3.0	6.6

**Specific items - gains/(losses)**

> Profit/(loss) from disposal of property	1.5	1.3
> Profit/(loss) from sale of other investments	7.3	7.6

**5 Retained Profits**

Opening Balance	119.6	85.6
Net profit attributable to members of Bendigo Bank Limited	90.4	79.8
Total available for appropriation	210.0	165.4
Dividends - Final 2004	(29.8)	(24.3)
- Interim 2005	(25.3)	(21.5)
Aggregate of amounts transferred from asset revaluation reserve	2.3	-
Rounding Adjustment	(0.1)	-
Retained profits at the end of the financial year	157.1	119.6

	Consolidated	
	2005	2004
	\$m	\$m
<b>6 Dividends</b>		
<b>Dividends paid or proposed on ordinary shares</b>		
Dividends proposed since the reporting date, but not recognised as a liability		
> Final dividend (26.0 cents per share) (2004: 23.0 cents per share)	34.3	30.3
Dividends paid during the year		
<b>current year</b>		
> Interim dividend (19.0 cents per share) (2004 - 17.0 cents per share)	25.3	21.5
<b>previous year</b>		
> Final dividend (23.0 cents per share) (2004 - 20.0 cents per share)	29.8	24.3
	55.1	45.8

All dividends paid were fully franked. Proposed dividends in respect to ordinary shares and Bendigo Preference Shares 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 2005.

#### 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 final dividend.

64.0	51.0
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The tax rate at which dividends have been franked is 30% (2004: 30%). Dividends proposed will be franked at the rate of 30%.

#### Dividends 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	36.5	28.7
Satisfied by issue of shares	18.6	17.1
	55.1	45.8

#### Dividend Reinvestment Plan

The Dividend Reinvestment Plan provides shareholders with the opportunity of converting their entitlement to a dividend into new shares. The issue price of the shares is equal to the volume weighted average share price of Bendigo Bank shares traded on the Australian Stock Exchange over the ten trading days following the Record Date. Shares issued under this Plan rank equally with all other ordinary shares.

#### Bonus Share Scheme

The Bonus Share Scheme provides shareholders with the opportunity to elect to receive a number of bonus shares issued for no consideration instead of receiving a dividend. The issue price of the shares is equal to the volume weighted average share price of Bendigo Bank shares traded on the Australian Stock Exchange over the ten trading days following the Record Date. Shares issued under this scheme rank equally with all other ordinary shares.

The last date for the receipt of an election notice for participation in either the Dividend Reinvestment Plan or Bonus Share Scheme for the 2005 final dividend is 2 September 2005.

		Consolidated	
		2005	2004
<b>7 Earnings per share</b>			
<b>Share ratios</b>			
Basic earnings per ordinary share (cents)		64.4	60.2
Diluted earnings per ordinary share (cents)		64.4	60.2
Basic earnings per ordinary share before specific items (cents)		62.2	55.2
Diluted earnings per ordinary share before specific items (cents)		62.2	55.2
Cash basis earnings per ordinary share (cents)		65.6	58.5
Diluted cash basis earnings per ordinary share (cents)		65.6	58.5
<b>Income</b>			
Net profit	<b>\$m</b>	90.1	79.5
Net loss attributable to outside equity interest	<b>\$m</b>	0.3	0.3
Earnings used in calculating basic earnings per ordinary share	<b>\$m</b>	90.4	79.8
Earnings effect of dilutive securities		-	-
Earnings used in calculating diluted earnings per ordinary share	<b>\$m</b>	90.4	79.8
Earnings used in calculating basic and diluted earnings per ordinary share before specific items	<b>\$m</b>	87.4	73.2
Earnings used in calculating normal and diluted cash basis earnings per ordinary share	<b>\$m</b>	92.1	77.5
<b>Number of Shares</b>			
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per ordinary share		140,391,946	132,583,834
Effect of dilutive securities		-	-
Adjusted weighted average number of ordinary shares used in calculation of diluted earnings per share		140,391,946	132,583,834

#### Conversions, calls, subscription or issues after 30 June 2005

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.

		Consolidated	
		2005	2004
		\$m	\$m
<b>8 Contingent Liabilities and Contingent Assets</b>			
<b>(a) Contingent Liabilities</b>			
<b>Guarantees</b>			
The economic entity has issued guarantees on behalf of clients		77.6	70.5
<b>Other</b>			
Documentary letters of credit & performance related obligations		14.7	10.8
<b>(b) Contingent Assets</b>			
As at 30th June 2005 the economic entity has no contingent assets.			



	Retail Banking \$m	Community Banking \$m	Wealth Solutions \$m	J/Ventures, Alliances & Corp Supp't \$m	Eliminations \$m	Total \$m
<b>9 Segment Reporting 30 June 2005</b>						
<b>(a) Business segments</b>						
<b>Revenue</b>						
Net Interest revenue						
> External interest revenue	539.0	113.8	15.1	98.6	-	767.4
> External interest expense	(320.9)	(79.7)	(9.2)	(76.8)	-	(486.6)
> Net intersegment interest	-	-	-	-	-	-
Net Interest revenue	219.0	34.1	5.9	21.8	-	280.8
Other revenue						
> Other external revenue	98.6	25.2	39.6	6.4	-	169.8
> Other intersegment revenue	9.1	-	-	3.3	(12.4)	-
Total other revenue	107.7	25.2	39.6	9.7	(12.4)	169.8
Share of net profit of equity accounted investm'ts	-	(0.1)	-	20.6	-	20.5
Total segment revenue after interest expense						
> External revenue after interest expense	317.6	59.2	45.5	48.8	-	471.1
> Intersegment revenue after interest expense	9.1	-	-	3.3	(12.4)	-
Total revenue after interest expense	326.7	59.2	45.5	52.1	(12.4)	471.1
<b>Results</b>						
Segment result	121.2	29.5	29.4	(29.6)	(19.1)	131.4
Internal cost allocations	(47.9)	(13.5)	(2.6)	64.0	-	-
Consolidated entity profit from ordinary activities before income tax expense	73.3	16.0	26.8	34.3	(19.1)	131.4
Income tax expense	(22.0)	(4.8)	(8.0)	(6.5)	-	(41.3)
Outside equity interests	-	-	-	0.3	-	0.3
Consolidated entity profit from ordinary activities after income tax expense	51.3	11.2	18.8	28.2	(19.1)	90.4
<b>Assets</b>						
Segment assets	7,142.0	2,550.8	137.6	3,313.5	-	13,143.9
Equity accounted assets	-	-	-	118.2	-	118.2
Total assets	7,142.0	2,550.8	137.6	3,431.7	-	13,262.1
<b>Liabilities</b>						
Segment liabilities	6,183.0	3,102.2	167.3	3,060.5	-	12,513.0
<b>Other segment information:</b>						
Non-cash expenses						
> Depreciation	12.3	1.2	0.4	0.7	-	14.6
> Amortisation of goodwill & intangibles	3.2	-	0.3	1.2	-	4.7
> Non-cash expenses other than depreciation & amortisation	27.7	4.4	6.9	2.2	(12.0)	29.2
Acquisition of property, plant and equipment, intangible assets and other non-current assets	27.0	0.5	0.2	30.1	-	57.8

Applicable commercial rates are used as the basis for pricing intersegment funding. Internal cost allocations are undertaken on the basis of internal objective assessments.

	Retail Banking \$m	Community Banking \$m	Wealth Solutions \$m	J/Ventures, Alliances & Corp Supp't \$m	Eliminations \$m	Total \$m
<b>9 Segment Reporting (continued) 30 June 2004</b>						
<b>(a) Business segments</b>						
<b>Revenue</b>						
Net Interest revenue						
> External interest revenue	443.9	71.5	14.4	85.7	-	615.5
> External interest expense	(248.0)	(45.0)	(8.8)	(60.1)	-	(361.9)
> Net intersegment interest	-	-	-	-	-	-
Net Interest revenue	195.9	26.5	5.6	25.6	-	253.6
Other revenue						
> Other external revenue	89.7	19.1	34.8	(1.8)	-	141.8
> Other intersegment revenue	10.4	-	0.7	2.7	(13.8)	-
Total other revenue	100.1	19.1	35.5	0.9	(13.8)	141.8
Share of net profit of equity accounted investments	-	-	-	15.7	-	15.7
Total segment revenue after interest expense						
> External revenue after interest expense	285.6	45.6	40.4	39.5	-	411.1
> Intersegment revenue after interest expense	10.4	-	0.7	2.7	(13.8)	-
Total revenue after interest expense	296.0	45.6	41.1	42.2	(13.8)	411.1
<b>Results</b>						
Segment result	106.1	19.7	23.6	(21.0)	(13.1)	115.3
Internal cost allocations	(40.7)	(12.3)	(3.4)	56.4	-	-
Consolidated entity profit from ordinary activities before income tax expense	65.4	7.4	20.2	35.4	(13.1)	115.3
Income tax expense	(19.6)	(2.2)	(6.1)	(7.9)	-	(35.8)
Outside equity interests	-	-	-	0.3	-	0.3
Consolidated entity profit from ordinary activities after income tax expense	45.8	5.2	14.1	27.8	(13.1)	79.8
<b>Assets</b>						
Segment assets	6,471.8	1,877.5	132.2	2,701.9	-	11,183.4
Equity accounted assets	-	-	-	101.1	-	101.1
Total assets	6,471.8	1,877.5	132.2	2,803.0	-	11,284.5
<b>Liabilities</b>						
Segment liabilities	5,724.3	2,553.8	165.7	2,164.3	-	10,608.1
<b>Other segment information:</b>						
Non-cash expenses						
> Depreciation	10.6	1.3	0.6	0.7	-	13.2
> Amortisation of goodwill & intangibles	3.1	-	0.3	0.9	-	4.3
> Non-cash expenses other than depreciation & amortisation	27.5	3.8	6.7	3.3	(13.6)	27.7
Acquisition of property, plant and equipment, intangible assets and other non-current assets	26.2	0.4	0.3	17.6	-	44.5

Applicable commercial rates are used as the basis for pricing intersegment funding. Internal cost allocations are undertaken on the basis of internal objective assessments.

**(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.

## 9 SEGMENT REPORTING (continued)

### Descriptions of derived revenue by segment

#### Retail banking

- > Net interest revenue, predominantly derived from the provision of first mortgage housing finance less the interest paid to depositors; and fee revenue derived from the provision of banking services through the company-owned branch network.

#### Community banking

- > The group's share of interest predominantly derived from the provision of first mortgage housing finance less the interest paid to depositors; and fee revenue derived from the provision of banking services delivered through the community bank branch network.

#### Wealth solutions

- > Commission received as Responsible Entity for managed investment schemes and for corporate trusteeships and other trustee and custodial services. Fees, commissions and interest from the provision of financial planning services. This note includes only on-balance sheet assets relating to the Wealth solutions business segment.

#### Joint Ventures, Alliances and Corporate Support

- > Profit share from equity accounted investments in associates, revenue from alliances and minor subsidiaries and unallocated corporate support business units.

#### Eliminations

- > The elimination of intersegment transactions, so that the total column represents the consolidated group.

	Consolidated	
	2005	2004
	\$m	\$m
<b>10 Reconciliation of cash</b>		
For the purposes of the statement of cash flows, cash includes:		
> Cash and liquid assets	135.2	157.5
> Due from other financial institutions	188.9	157.6
> Due to other financial institutions	(143.3)	(128.9)
	180.8	186.2

## 11 Bendigo Employee Share Ownership Plan

Company shareholders renewed their approval for the Bendigo Employee Share Ownership Plan at the Annual General Meeting on 25 October 2004. Offers under the plan are made periodically to all employees of the economic entity (including executives) and must be approved by the Board of Bendigo Bank Limited. The plan is administered by the bank's subsidiary company, BBS Nominees Pty Ltd, in accordance with the plan's deed.

The Managing Director recommends aggregate allocations for approval by the Board. The individual allocations are then determined by the Managing Director based on remuneration packages on a pro rata basis. Executives receive additional allocations having regard to their responsibilities and time with the organisation (newly appointed executives may receive a higher allocation initially). The Board recommends any participation by the Managing Director for approval by shareholders.

The plan approved by shareholders contains a threshold, being the maximum percentage of the total number of shares on issue that can be issued under the plan (currently 5%), which protects against equity dilution. 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 sale of the shares is insufficient to fully repay the loan, under the plan the Company has agreed to meet the shortfall. A shortfall would only be incurred by the Company where the proceeds of the sale are lower than the original loan balance less all repayments. Shares remain unlisted securities until loans are fully repaid. The market value of the Company shares at the balance date was \$9.87. At this price there is currently no shortfall liability on any loan made under this plan.

On 29 October 2004 300,000 shares were issued to the Managing Director at \$9.99 per share as approved at the 2004 Annual General Meeting (2004: total issues to all staff 1,417,476). The issue price was determined by calculating the average closing price of Bendigo Bank shares, on the Australian Stock Exchange over the five trading days up to and including the allotment date.

## 11 Bendigo Employee Share Ownership Plan (continued)

	Consolidated	
	2005 \$m	2004 \$m
<b>Employee Share and Loan Values</b>		
Value of unlisted employee shares on issue at 30 June 2005 - 5,251,744 shares @ \$9.87 (2004 - 5,392,924 shares @ \$9.42)	51.8	50.8
Value of outstanding employee loans at beginning of year relating to employee shares	31.4	23.1
Value of new loans relating to employee shares issued during year	3.0	12.7
Value of repayments of loans during year	(4.4)	(4.4)
Value of outstanding employee loans at end of year relating to employee shares	30.0	31.4
Number of employees with outstanding loan balances	1,710	1,958
<b>Indicative cost of funding employee loans</b>		
Average balance of loans outstanding	31.0	31.7
Average cost of funds	4.31%	3.86%
After tax indicative cost of funding employee loans	0.9	0.9
Earnings per share - actual - cents	64.4	60.2
Earnings per share - adjusted for interest foregone - cents	65.0	60.9

The cost of employee interest-free loans is calculated by applying the bank's average cost of funds 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% (2004: 30%).

Earnings per share - adjusted is calculated by adding the after tax indicative cost of funding employee loans to net profit attributable to members of Bendigo Bank Limited. This adjusted earnings figure is divided by the weighted average number of ordinary shares.

## 12 Events subsequent to Balance Date

On 15 August 2005 the Bank declared a final dividend, details of which are disclosed in the Directors' Report and in Note 6 of this Concise Financial Report.

On 9 August 2005 the Bank signed a construction contract for the development of a new Bendigo Bank head office premises in Bendigo, Victoria. The financial commitment associated with the contract has been disclosed at Note 31 of the full financial report.

On 18 August 2005 the Bank announced that AAPT has partnered the Bank as the joint owner of Community Telco Australia (CTA). CTA was formerly a majority owned subsidiary of Bendigo Bank, but is now half-owned by AAPT under the agreement. This has required an accounting change to de-recognise CTA as a subsidiary and commence equity accounting for the investment in CTA. This accounting treatment is expected to be consistent with requirements under AIFRS.

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.

## DIRECTORS' DECLARATION

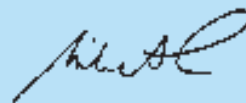
In accordance with a resolution of the directors of Bendigo Bank Limited, we state that:

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 2005:

- (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".

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2005.

On behalf of the Board



R.A. Guy OAM, Chairman



R.G. Hunt AM, Managing Director

Dated this 13th day of September 2005

## INDEPENDENT AUDIT REPORT

To the Members of Bendigo Bank Limited

### Scope

The concise financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both Bendigo Bank Limited (the "company") and the entities it controlled during the year. The Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Accounting Standard 1046 "Director and Executive Disclosures by Disclosing Entities", under the heading "Remuneration Report" in pages 46 to 53 of the directors' report, as permitted by the Corporations Regulations 2001.

The directors of the Company are responsible for preparing a concise financial report that complies with Accounting Standard 1039 "Concise Financial Reports", 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 concise financial report and the remuneration disclosures. The directors are also responsible for the remuneration disclosures contained in the Directors' Report.

### Audit Approach

We conducted an independent audit on the concise financial report in order to express an opinion on it to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standards AASB 1046 and the Corporations Regulations 2001. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than

conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. We performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 "Concise Financial Reports" and whether the remuneration disclosures comply with Accounting Standard AASB 1046 "Directors and Executives Disclosures by Disclosing Entities" and Corporations Regulations 2001. We formed our audit opinion on the basis of these procedures, which included:

- > testing that the information in the concise financial report is consistent with the full financial report, and
- > examining, on a test basis, information to provide evidence supporting the amounts and other disclosures in the concise financial report that were not directly derived from the full financial report.

We have also performed an independent audit of the full financial report of the Company for the year ended 30 June 2005. Our audit report on the full financial report was signed on 13 September 2005, and was not subject to any qualifications. For a better understanding of our approach to the audit of the full financial report, this report should be read in conjunction with our audit report on the full financial report.

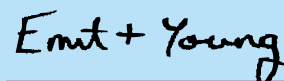
### Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the Company a written Auditor's Independence Declaration, signed on 13 September 2005 a copy of which is included in the Directors' Report. In addition to our audit of the full and concise financial reports, we were engaged to undertake the services disclosed in the directors' report and notes to the financial statements of the full financial report. The provision of these services has not impaired our independence.

### Audit Opinion

In our opinion:

1. the concise financial report of Bendigo Bank Limited complies with Accounting Standard AASB 1039 "Concise Financial Reports".
2. the remuneration disclosures that are contained in pages 46 to 53 of the Director's Report comply with the Accounting Standard AASB 1046 and the Corporations Regulations 2001.



Ernst & Young



Brett Kallio, Partner

13 September 2005

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

## ADDITIONAL INFORMATION

### 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 15 August 2005.

### 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 Governance section of the group's Concise Annual Report for 2005.

### 4 Substantial Shareholders

As at 18 August 2005 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 18 August 2005 in the following categories:

Category	Fully paid Ordinary Shares	BPS Preference Shares	Fully Paid Employee Shares
1 - 1,000	23,227	3,522	541
1,001 - 5,000	19,980	38	983
5,001 - 10,000	2,920	2	93
10,001 - 100,000	1,557	2	42
100,001 and over	65	1	4
<b>Number of Holders</b>	<b>47,749</b>	<b>3,565</b>	<b>1,663</b>
<b>Securities on Issue</b>	<b>133,919,980</b>	<b>900,000</b>	<b>5,186,689</b>

## 6 Marketable Parcel

Based on the closing price of \$10.70 on 18 August 2005, the number of holders with less than a marketable parcel of the Company's main class of securities (Ordinary Shares) as at 18 August 2005 was 1,192.

## 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 18 August 2005 are:

Fully paid ordinary shares Rank & Name	Number of Ordinary Fully Paid Shares	% held of Issued Ordinary Capital
1 Westpac Custodian Nominees Ltd	3,503,889	2.62%
2 J P Morgan Nominees Australia Ltd	2,967,061	2.22%
3 Milton Corporation Ltd	2,954,743	2.21%
4 Citicorp Nominees Pty Ltd	1,832,787	1.37%
5 RBC Global Services Australia Nominees Pty Ltd	1,449,319	1.08%
6 Leesville Equity Pty Ltd	1,340,477	1.00%
7 National Nominees Ltd	1,235,954	0.92%
8 Cogent Nominees Pty Ltd	1,158,733	0.87%
9 Choiseul Investments Ltd	681,095	0.51%
10 Argo Investments Ltd	591,940	0.44%
11 HSBC Custody Nominees (Australia) Ltd - GSCO ECSA	488,079	0.36%
12 AMP Life Ltd	382,164	0.29%
13 Brickworks Investment Company Limited	349,942	0.26%
14 Anthony Detata Nominees Pty Ltd	320,488	0.24%
15 Mansbridge Ian George	319,151	0.24%
16 Equity Trustees Limited (James Gardiner T1152D a/c)	300,036	0.22%
17 Queensland Investment Corporation	298,582	0.22%
18 Sandhurst Trustees Limited (SISF a/c)	293,136	0.22%
19 Medical Research Foundation for Women and Babies	242,528	0.18%
20 Sandhurst Trustees Ltd (Aust Ethical Equities a/c)	228,473	0.17%
	<b>20,938,577</b>	<b>15.64%</b>

BBS Nominees Pty Ltd, trustee for the Bendigo employee share ownership plan, held 5,186,689 unlisted shares as at the date of this report. These shares have not been included in the above table.

## 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.

## 10 Company Secretary

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

## 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**

## 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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*Photography by Mark Strachan Artist Photographer*

*Board members photography by Richard Gibbs*

*BEND 9479 September 2005*



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