BENDIGO BANK LIMITED

ABN 11 068 049 178

FULL FINANCIAL REPORT

30 JUNE 2005

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FIVE YEAR HISTORY

The Bendigo Group

Financial Performance year ended 30 June	2005 [1] $m	2004 $m	2003 $m	2002 $m	2001 [2] $m
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
Financial Position at 30 June					
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
Share Information					
Net tangible assets per ordinary share	$4.50	$4.40	$3.80	$3.38	$3.02
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
Ratios					
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 [1]
Key Trading Indicators						
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 [2]		309	276	246	215	179
Average deposit holdings per branch	($m)	30.0	34.8	27.6	26.2	26.6
Number of staff (excludes Community Banks)	(FTE)	2,214 [3]	2,063	1,904	1,754 [4]	1,533 [5]
Assets per staff member [6]	($m)	5.990	5.470	4.862	4.543	4.554
Staff per million dollars of assets [6]		0.17	0.18	0.21	0.22	0.22
Dissection of Loans by Security ($m) [7]						
Residential loans		8,144.2	7,110.9	5,602.5	4,583.2	4,188.2
Commercial loans		2,218.7	1,774.1	1,446.5	1,239.5	1,041.4
Unsecured loans		490.6	492.9	463.5	403.4	337.1
Other		195.2	92.0	71.4	52.7	81.2
Gross loans		11,048.7	9,469.9	7,583.9	6,278.8	5,647.9
Dissection of Loans by Security (%) [7]						
Residential loans		73.71	75.09	73.87	72.99	74.15
Commercial loans		20.08	18.73	19.07	19.74	18.44
Unsecured loans		4.44	5.20	6.11	6.42	5.97
Other		1.77	0.98	0.95	0.85	1.44
Total		100.00	100.00	100.00	100.00	100.00
Asset Quality						
Non-accruing loans	($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 and details of the company's directors in office during the financial year and until the date of this report are as follows.
Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities.

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

Name and age, qualifications & independence status	**Term of office**	**Special responsibilities - Committees**	**Skills, experience and expertise**	**Other relationships and group and joint venture company directorships**
Richard Guy OAM (Chairman) (60 years) B Appl Sc, M Sc (London) Independent director	Director for 24 years and chairman for 19 years.	Governance (Chair) Audit Property (Chair)	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 Ltd, a company listed on the Australian Stock Exchange and member of various community and charitable organisations.	**Group and joint venture company directorships** Elders Rural Bank Ltd
Robert Johanson (Deputy Chairman) (54 years) BA, LLM (Melb) MBA (Harvard) Independent director	Director for 18 years and deputy chairman for 5 years. * Seeking re-election at 2005 AGM.	Risk (Chair) IT Strategy	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 & Investment Committees, University of Melbourne and Robert Salzer Foundation Ltd.	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. **Group and joint venture company directorships** Community Telco Australia Pty Ltd Elders Rural Bank Ltd Homesafe Solutions Pty Ltd (Chair) National Assets Securitisation Corporation Pty Ltd (Chair)
Rob Hunt (Managing Director) (54 years) FAICD Executive director	Employee since 1973 and appointed CEO in 1988. Appointed to Board in 1990.	Governance Risk Property IT Strategy	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 Community Banking and other alliance arrangements. He is also chair of Bendigo Community Telco Ltd, a company listed on the Bendigo Stock Exchange. 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.	Executive director and chief executive officer. **Group and joint venture company directorships** Community Telco Australia Pty Ltd (Chair) Community Sector Enterprises Ltd Elders Rural Bank Ltd Sunstate Lenders Mortgage Insurance Pty Ltd Sandhurst Trustees Limited Tasmanian Banking Services Ltd Mr Hunt is also chair of a number of subsidiary companies involved in community enterprise activities.
Neal Axelby (55 years) Dip CM ACIS, FAICD, AIMM, AIFS Independent director	Director for 5 years. * Seeking re-election at 2005 AGM.	Credit Governance Risk	A Queensland-based director, Mr Axelby has had 16 year combined years of experience as an employee and director in the finance industry before joining the board. He also has 21 years experience in senior management positions in the private sector. Mr Axelby is a director of Ipswich & West Morton United Friendly Society Dispensary Ltd and several private companies.	Mr Axelby became a director of a predecessor to First Australian Building Society Limited (FABS) in 1985, was appointed chairman in 1993. Mr Axelby continued as a director of various merged entities that were predecessors to FABS and was chairman of FABS when acquired by Bendigo Bank in 2000. FABS is now a non-operating wholly-owned subsidiary of Bendigo Bank. **Group and joint venture company directorships** Sunstate Lenders Mortgage Insurance Pty Ltd

Information on Directors (continued)

Name and age, qualifications & independence status	Term of office	Special responsibil-ities - Committees	Skills, experience and expertise	Other relationships and group and joint venture company directorships
Jennifer Dawson (40 years) B Bus (Acc) FCA, MAICD Independent director	Director for 6 years.	Audit (Chair) Property Credit	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.	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. **Group and joint venture company directorships** Community Sector Enterprises Ltd Community Sector Banking Pty Ltd
Donald Erskine (59 years) Independent director	Director for 6 years.	Credit Property IT Strategy	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. He is also a director of Bendigo Community Telco Ltd, a company listed on the Bendigo Stock Exchange.	**Group and joint venture company directorships** Community Telco Australia Pty Ltd
Terence O'Dwyer (55 years) B Com, Dip Adv Acc FCA, FAIDC Independent director	Director for 5 years. * Seeking re-election at 2005 AGM.	Audit Risk IT Strategy (Chair)	A Queensland-based director, Mr O'Dwyer chairs BDO Kendalls (Chartered Accountants). He was a partner in the firm for 27 years and previously headed its corporate finance division. Mr O'Dwyer is chairman of Metal Storm Ltd, MFS Ltd and Brumby's Bakeries Holdings Ltd.	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. **Group and joint venture company directorships** Sunstate Lenders Mortgage Insurance Pty Ltd
Kevin Roache (65 years) LLB, B Com ASCPA, FAICD Barrister & Solictor of the Supreme Court of Victoria Independent director	Director for 14 years.	Credit (Chair) Risk Governance	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.	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 and leases office premises from the Group, in each case on normal commercial terms and conditions.

Share Issues

The following share classes were issued during the financial year :

Description	No. of Shares
Ordinary shares	
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 ordinary shares issued	**2,578,314**
Preference Shares	
Preference Shares issued	900,000
Total preference shares issued	**900,000**

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.

Ordinary Share Dividends Paid or Recommended

Dividends paid:

Final dividend 2004 of 23.0¢ per share, paid September 2004	\$30.3 million
Interim dividend 2005 of 19.0¢ per share, paid March 2005	\$25.3 million

Dividend recommended:

Final dividend 2005 of 26.0¢ per share, declared by the Directors on 15 August 2005, payable 30 September 2005	\$34.3 million

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.

Operating and Financial Review

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).

Review of Operations and Operating Results

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 contained in 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 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. Issue expenses of \$2.0 million were incurred, reducing the net increase in contributed preference share equity to \$43.0 million.

Significant 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 included in disclosures 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.

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 enclosed with this Full Financial Report.

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 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 website.

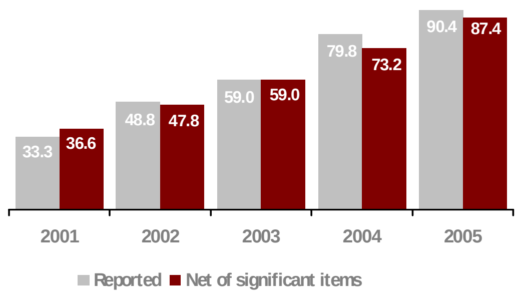
Group Performance

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.

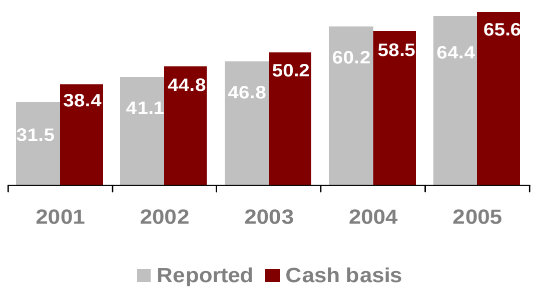
The Bank recently celebrated its 10th anniversary of Bank conversion. The Bank is a vastly different organisation to when it was granted a Banking Authority in 1995. The Bank has grown to become a nationally represented, diversified financial services enterprise which is in the top 150 companies listed 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 years, to illustrate the consequences of the Company's performance on shareholder value and returns.

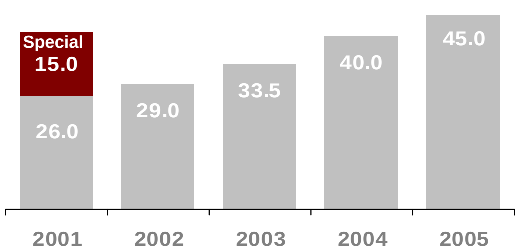
Net Profit After Tax - $m



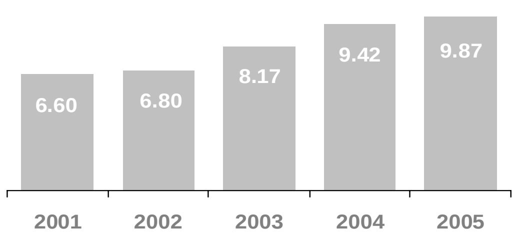
Earnings per Ordinary Share - cents



Dividends - cents per ordinary share



Share price - $



Group Performance (continued)

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 earnings per ordinary share 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 per share for 2005).

The Company announced a final dividend of 26 cents per share on 15 August 2005, payable on 30 September 2005. This results in total dividends 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 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 earnings per ordinary share (EPS).

The 2005 full financial report includes a specific disclosure in respect to the major terms and estimated financial impact of the Employee Share Ownership Plan on shareholder returns. The disclosure is presented at Note 27.

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. 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 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 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 reponsibilities in relation to remuneration arrangements, are set out on page **(xx)** 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 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 sevice 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, responsibilties 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 executivess, 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 that 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 and 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.

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 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.

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.

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 for 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.

Managing Director:

The Managing Director's annual incentive component for the year ended 30 June 2005, to be paid during the 2006 financial year, is 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 qualitative and quantitative 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 the 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.

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 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 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.

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 of 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 Note 27.

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 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.

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 temination, 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 specific 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.

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 teminate 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.

R A Guy OAM	Chairman (non executive)	J L Dawson	Director (non executive)
R N Johanson	Deputy Chairman (non executive)	D J Erskine	Director (non executive)
R G Hunt AM	Managing Director	T J O'Dwyer	Director (non executive)
N J Axelby	Director (non executive)	K E Roache	Director (non executive)

All amounts are in A$ unless otherwise stated.

Non-executive Directors		**Primary**			**Post employment**		**Other** (6)	**Total**
		Directors' fees	Committee fees (2)	Non monetary (3)	Superannuation (4)	Retirement Benefits (5)	Options/shares and Bonuses	
Richard A Guy OAM (1)	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
Total Remuneration	2005	569,130	23,145	3,814	54,102	68,889	-	719,080
	2004	509,395	22,608	25,117	50,603	144,972	-	752,695

Managing Director		**Primary**			**Post employment**	**Equity**	**Other**	**Total**
		Fixed Salary (7)	Fixed Non Cash (8)	Cash Short Term Incentive (9) (10)	Superannuation (4)	Shares (11)	Intererst-free loan benefit (12)	
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, home loan allowance and motor vehicle components (inclusive of applicable fringe benefits tax).*

4 *Represents superannuation contributions made on behalf of directors in acordance 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 arrangements: 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 ended 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 fuly 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 *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. 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 were 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 arrnagement is disclosed in the remuneration table in "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 directors fee of $57,000 plus Superannuation Guarantee Charge by Elders Rural Bank Limited in connection with their directorship.

Directors' and other Officers' Emoluments (continued)

Group Executive Officers

Details of the remuneration paid to 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.

Name		**Primary**			**Post employment**	**Equity**	**Other**	**Total**
		Fixed Salary (1)	Fixed Non Cash (2)	Cash Short Term Incentive (3) (4)	Superannuation (5)	Shares (6)	Interest-free loan benefit (7)	
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
Total remuneration	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 executives. The executive performance assessment process, and determination of executive annual incentive payments, for the 2005 financial year was completed by the 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 Financial 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.*

Meetings of Directors

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

	Board of Directors Meetings		**Meetings of Committees**											
			Audit		Credit		Risk		Property		I.T. Strategy		Board Governance	
Numbers 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 (1)	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

1 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.

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-rata 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 confirmed that the independence requirements have been met. 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) Non Corporations Act Assurance Services:

In its capacity as the Group's external auditor, Ernst & Young are periodically engaged to provide assurance services to the Group in accordance with Australian Auditing Standards. 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	Bendigo Bank Limited
Australian Financial Services Licences	36,750	*Note 1*
Annual Certification Report - Euro Medium Term Note Program	2,500	Bendigo Bank Limited
Trust Deed Report - Victorian Securities Corporation Limited	7,000	Victorian Securities Corporation Ltd
APRA Prudential Standard GPS 220 Report	15,000	Sunstate Lenders Mortgage Insurance Pty Ltd
Final Trustee Report - Convertible Capital Notes	15,000	Bendigo Bank Limited
Due Diligence Report - Bendigo Preference Shares	30,000	Bendigo Bank Limited
Total	**156,250**	

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

(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	Bendigo Bank Limited
Taxation opinion - Bendigo Preference Share Prospectus	20,000	Bendigo Bank Limited
Tax advice - property leasing and Community Bank franchise	34,630	Bendigo Bank Limited
Implementation advice - Australian Equivalents to International Financial Reporting Standards	12,820	Bendigo Bank Limited
Other tax advice	2,760	Sandhurst Trustees Limited
Sub Total	**167,895**	
Total non-audit services	**$ 324,145**	

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.

Auditor's Independence Declaration

The directors have received a declaration from the auditor of Bendigo Bank Limited as set out on page 18.

Signed in accordance with a resolution of the Board of Directors

R.A. Guy OAM, Chairman

R.G. Hunt AM, Managing Director

Dated this 13th day of September 2005

ERNST & YOUNG

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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
13 September 2005

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2005

	Note	Consolidated		Bendigo Bank	
		2005	2004	2005	2004
Revenue from ordinary activities		$m	$m	$m	$m
Net interest revenue					
Interest revenue	**2**	767.4	615.5	736.3	589.3
Interest expense	**2**	486.6	361.9	464.2	344.3
Net interest revenue		280.8	253.6	272.1	245.0
Other revenue from ordinary activities					
Dividends	**2**	1.6	0.4	26.4	29.0
Fees - asset products	**2**	26.0	23.5	24.5	22.1
- liability products and electronic delivery	**2**	53.5	41.5	53.2	41.0
- trustee, management & other services	**2**	9.3	9.1	1.6	1.3
- securitisation	**2**	5.0	7.9	4.9	7.6
- other	**2**	9.4	8.3	9.2	8.3
Commissions - insurance	**2**	6.8	5.7	4.6	4.0
- wealth solutions	**2**	30.8	25.2	2.2	1.2
Other operating revenue	**2**	8.4	3.2	12.2	12.2
Specific income items	**3**	19.0	17.0	17.4	11.0
Total other revenue from ordinary activities		169.8	141.8	156.2	137.7
Share of associates' net profits accounted for using the equity method	**2**	20.5	15.7	-	-
Total revenue after interest expense		471.1	411.1	428.3	382.7
Expenses from ordinary activities					
Bad and doubtful debts					
Bad and doubtful debts	**2**	14.1	14.1	14.0	13.9
Bad debts recovered	**2**	(0.5)	(0.3)	(0.5)	(0.3)
Total bad and doubtful debts	**2**	13.6	13.8	13.5	13.6
Other expenses from ordinary activities					
Borrowing costs	**2**	0.4	0.5	0.4	0.5
Staff and related costs	**2**	154.8	134.9	140.0	121.7
Occupancy costs	**2**	26.0	23.0	31.4	27.8
Amortisation of goodwill & intangibles	**2**	4.7	4.3	0.6	0.6
Property, plant & equipment costs	**2**	13.7	11.5	11.8	9.6
Fees and commissions	**2**	16.6	14.2	14.3	12.7
Administration expenses	**2**	94.4	85.3	89.5	82.1
Specific expense items	**3**	15.5	8.3	15.2	2.6
Total other expenses from ordinary activities		326.1	282.0	303.2	257.6
Profit from ordinary activities before income tax expense		131.4	115.3	111.6	111.5
Income tax expense relating to ordinary activities	**5**	(40.8)	(33.7)	(25.4)	(22.9)
Specific items income tax expense	**3**	(0.5)	(2.1)	(0.4)	(2.6)
Net profit		90.1	79.5	85.8	86.0
Net loss attributable to outside equity interest	**23**	0.3	0.3	-	-
Net profit attributable to members of Bendigo Bank Limited		90.4	79.8	85.8	86.0
Net increase in asset revaluation reserve	**22**	-	2.1	-	0.9
Share issue costs	**21**	(2.0)	(0.5)	(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	(2.0)	0.4
Total changes in Equity other than those resulting from transactions with owners as owners attributable to members of Bendigo Bank Limited		88.4	81.4	83.8	86.4
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 share (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		Bendigo Bank	
		2005	2004	2005	2004
		$m	$m	$m	$m
Assets					
Cash and liquid assets	**8**	135.2	157.5	115.9	142.6
Due from other financial institutions	**8**	188.9	157.6	182.6	157.5
Investment securities	**9**	1,541.7	1,220.2	1,505.9	1,174.3
Loans and other receivables	**10**	10,938.2	9,372.6	10,762.6	9,197.7
Amounts receivable from controlled entities		-	-	41.0	-
Shares - controlled entities		-	-	145.6	238.8
Shares - other	**12**	42.5	27.3	157.9	130.0
Investments accounted for using the equity method	**13**	118.2	101.1	-	-
Property, plant & equipment	**14**	58.0	56.6	36.2	34.3
Deferred tax assets	**5**	35.4	32.8	35.4	32.8
Intangibles	**15**	79.0	63.7	1.6	2.2
Other assets	**16**	125.0	95.1	97.0	67.9
Total Assets		13,262.1	11,284.5	13,081.7	11,178.1
Liabilities					
Due to other financial institutions	**8**	143.3	128.9	143.3	128.9
Deposits	**17**	11,958.2	10,148.9	11,800.3	9,988.6
Payables	**18**	106.2	88.7	86.2	73.4
Amounts payable to controlled entities		-	-	-	67.9
Current tax liabilities	**5**	8.3	6.8	8.3	6.8
Other provisions	**19**	32.0	27.2	31.1	25.8
Subordinated debt	**20**	262.1	199.3	262.1	199.3
Deferred tax liabilities	**5**	2.9	8.3	3.0	8.3
Total Liabilities		12,513.0	10,608.1	12,334.3	10,499.0
Net Assets		749.1	676.4	747.4	679.1
Equity					
Parent entity interest					
Contributed equity	**21**	589.3	551.6	589.3	551.6
Reserves	**22**	3.1	5.4	0.3	2.0
Retained profits	**22**	157.1	119.6	157.8	125.5
Total parent entity interest in equity		749.5	676.6	747.4	679.1
Total outside equity interest	**23**	(0.4)	(0.2)	-	-
Total Equity		749.1	676.4	747.4	679.1

STATEMENT OF CASH FLOWS

for the year ended 30 June 2005

	Note	Consolidated		Bendigo Bank	
		2005	2004	2005	2004
		$m	$m	$m	$m
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest and other items of a similar nature received		762.8	617.2	731.9	591.3
Borrowing costs paid		(483.3)	(358.8)	(461.1)	(340.9)
Receipts from customers (excluding interest)		146.0	124.7	106.3	92.5
Payments to suppliers and employees		(331.2)	(272.0)	(288.0)	(251.2)
Dividends received		12.6	10.6	26.2	23.5
Income taxes paid		(41.6)	(36.3)	(37.0)	(30.9)
Net cash flows from operating activities	**29**	65.3	85.4	78.3	84.3
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash flows for purchases of property, plant and equipment		(23.4)	(20.9)	(20.7)	(12.5)
Cash proceeds from sale of property, plant and equipment		9.4	8.3	7.3	1.4
Cash paid for purchases of equity investments		(34.4)	(23.6)	(16.0)	(23.7)
Cash proceeds from sale of equity investments		13.9	8.8	12.3	8.8
Cash received from capital reduction		-	-	95.2	-
Net increase in balance of loans outstanding		(1,554.2)	(1,863.1)	(1,683.3)	(1,845.8)
Net increase of investment securities		(322.5)	(90.2)	(331.6)	(135.9)
Net cash paid on acquisition of a subsidiary	**29**	(7.2)	-	(7.4)	-
Net cash flows used in investing activities		(1,918.4)	(1,980.7)	(1,944.2)	(2,007.7)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash paid for buyback of shares		(27.0)	-	(27.0)	-
Proceeds from shares issued		45.0	43.6	45.0	43.6
Payment of share issue costs		(2.0)	(0.5)	(2.0)	(0.5)
Net increase in balance of retail deposits		987.2	1,418.2	989.4	1,446.0
Net increase in balance of wholesale deposits		818.4	479.7	818.4	479.7
Proceeds from issue of subordinated debt		85.0	30.0	85.0	30.0
Repayment of subordinated debt		(22.4)	(20.2)	(22.4)	(20.2)
Dividends paid		(36.5)	(28.7)	(36.5)	(28.7)
Net cash flows from financing activities		1,847.7	1,922.1	1,849.9	1,949.9
Net increase/(decrease) in cash held		(5.4)	26.8	(16.0)	26.5
Add cash at the beginning of the financial year		186.2	159.4	171.2	144.7
Cash at end of financial year	**8**	180.8	186.2	155.2	171.2

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Preparation of the Financial Accounts

Bendigo Bank Limited (the Bank) is a 'prescribed corporation' in terms of the Corporations Act 2001. Financial reports prepared in compliance with the Banking Act are deemed to comply with the provisions of the Corporations Act 2001.

The financial report of the Bank and the consolidated financial report of the economic entity, is a general purpose financial report prepared in accordance with the Banking Act, applicable Accounting Standards, Urgent Issues Group Consensus Views, Corporations Act 2001 and the requirements of law so far as they are applicable to Australian banking corporations. The accounting policies have been consistently applied, unless otherwise stated.

1.2 Historical Cost

The financial report of the Bank and the consolidated financial report of the economic entity have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-monetary assets.

1.3 Principles of Consolidation

The consolidated financial statements comprise the financial statements of Bendigo Bank Limited and all of its controlled entities.

A controlled entity is any entity controlled by Bendigo Bank Limited. Control exists where Bendigo Bank Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Bendigo Bank Limited to achieve the objectives of Bendigo Bank Limited. A list of operating controlled entities is contained in Note 34 to the financial statements.

Controlled entities prepare financial reports for consolidation in conformity with Group accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions between entities in the economic entity have been eliminated on consolidation.

Where a controlled entity has been sold or acquired during the year its operating results have been included to the date control ceased or from the date control was obtained.

1.4 Changes in Accounting Policies

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

1.5 Foreign Currency Transactions and Balances

All amounts are expressed in Australian currency and all references to "$" are to Australian dollars unless otherwise stated.
Foreign currency transactions during the period are converted to Australian currency at the rates of exchange applicable at the dates of the transactions.
Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.
Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change.

1.6 Cash and Cash Equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.
For the purposes of the statement of cash flows, cash includes cash on hand and in banks, short-term money market investments readily convertible into cash within 2 working days, net of outstanding overdrafts.
Bank overdrafts are carried at the principle amount. Interest is charged as an expense as it accrues.

1.7 Investments

Investment securities are maintained at cost, adjusted for accrued interest and premium or discount amortisation or net realisable value. Premiums and discounts are amortised from the date of purchase so that the securities will be recorded at face value on maturity and the appropriately proportioned premiums and discounts allowed are brought to account each month.
As they are purchased primarily with the intent of holding until maturity, no specific provision is considered necessary to account for the difference between book and market values or potential capital gains tax.

Trading securities, if any, are purchased for current resale in day to day trading operations and are recorded at market value. Gains and losses realised from the sale of trading securities and unrealised market value adjustments are brought to account each month.

Share investment securities listed on a stock exchange and unlisted investment securities are recorded at lower of cost or net recoverable amount.

Dividends are brought to account when received except for dividends from controlled entities which are brought to account when they are proposed by the controlled entity.

Investments in associates are carried at the lower of the equity-accounted amount and recoverable amount in the consolidated financial report.

All other non-current investments are carried at the lower of cost and recoverable amount.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.8 Intangibles

Trustee Licence

The useful life of the trustee licence has been estimated to be 50 years. The licence is amortised on a straight line basis over this period.

Customer List

As part of the acquistion of Oxford Funding Pty Ltd (Oxford) an intangible asset has been recognised in relation to the Oxford customer list. The customer list is amortised over the 5 year period in which the economic benefits are expected to arise. The amortisation will be recognised in a patten consistent with the expected flow of economic benefits.

The balances of intangibles are carried at fair value and are reviewed annually to ensure the carrying value does not exceed recoverable amount.

Goodwill

Goodwill and goodwill on consolidation are recorded initially at the amount by which the purchase price for the business or for the ownership interest in a controlled entity exceeds the fair value attributed to its net identifiable assets at date of acquisition. Both purchased goodwill and goodwill on consolidation are amortised on a straight line basis over a period not exceeding 20 years. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off. Amortisation periods for goodwill are as follows:

	2005	2004
Entity acquired	**Years**	**Years**
Sandhurst Trustees Limited	20	20
Compass Building Society	18	18
Cass Comm Limited	10	10
Worley Securities Pty Ltd	20	20
Benhold Pty Ltd	20	20
Victorian Securities Corporation Limited	20	20
First Australian Building Society Limited	20	20
Oxford Funding Pty Ltd	20	n/a

1.9 Property Plant and Equipment

Cost and valuation

Land and buildings are measured on a fair value basis. At each reporting date, the value of each asset in this class is reviewed to ensure that it does not differ materially from the asset's fair value at that date. Where necessary, the asset is revalued to reflect its fair value.
Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount.

All other classes of property, plant and equipment are measured at cost.

Depreciation and Amortisation

The depreciable amount of all fixed assets including buildings, but excluding freehold land, is depreciated using the straight line method, commencing from the time the asset is held for use. Properties held for investment purposes are not subject to a depreciation charge.
Major depreciation periods are:

	2005	2004
Asset category	**Years**	**Years**
Freehold buildings	40	40
Leasehold improvements	3 - 10	3
Office furniture & equipment	5	5
Computer hardware	3	3
Computer software	2.5	2.5
Core banking systems	7	7
Motor vehicles	5	5

1.10 Acquisition of Assets

The cost method is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition.
A liability for restructuring costs is recognised as at the date of acquisition of an entity when there is a demonstrable commitment to a restructuring of the acquired entity, the existence of a formal restructure plan and a reliable estimate of the amount of the liability can be made.
Goodwill is brought to account on the basis described in note 1.8.

1.11 Gain or Loss on Disposal

The gain or loss on disposal of property plant and equipment, shares and other investments, is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal and is included in operating profit before income tax of the economic entity in the year of disposal. Any realised revaluation increment relating to the disposed asset which is included in the asset revaluation reserve is transferred to the asset realisation reserve at the time of disposal.

1.12 Deferred Expenditure

Significant expenditure which gives rise to benefits in more than one accounting period is amortised over the estimated lives of those benefits, generally over periods not exceeding 5 years. Major information technology projects may be amortised over periods up to 7 years. The balance is reviewed annually to determine the amount, if any, that should no longer be carried forward.

1.13 Reserve Funds

The Trustee Companies Act 1984 requires that a reserve fund be maintained to provide for the event of the appointment of a liquidator, a receiver and manager or an administrator of a trustee company. In such an event, the moneys in the reserve fund are available to be utilised in accordance with Section 39 (3) of the Trustees Companies Act 1984.
Sandhurst Trustees Limited complies with the Act by setting aside the value of at call investments and freehold property to the Reserve Fund.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.14 Employee Benefits

Wages and Salaries, Annual leave, Sick leave and Directors' Retirement Provision

Liabilities for wages and salaries have been recognised and measured as the amount which the economic entity has a present obligation to pay, at balance date, in respect of employees' service up to that date. Liabilities have been calculated at nominal amounts based on wage and salary rates current at balance date and include related on-costs. Annual leave liabilities are accrued on the basis of full pro rata entitlement at their nominal amounts, being the amounts estimated to apply when the leave is paid. Sick leave liabilities have been calculated at balance date, after consideration of the economic entitys' experience of employee departures. Directors' retirement provision is accrued on the basis of full pro rata entitlement as determined by the board, in accordance with the Corporations Act 2001.

Long Service Leave

Long service leave has been assessed at full pro rata entitlement in respect of all employees with more than five years service. The amount provided currently meets the requirement of Accounting Standard AASB 1028.

Superannuation

Contributions are made to an employee accumulation superannuation fund and are charged to expenses when incurred. Superannuation commitments are disclosed in Note 28.

1.15 Asset Quality

All loans are subject to continuous management review. The economic entity has adopted definitions of non-accruing and restructured loans consistent with Australian Prudential Regulation Authority's Prudential Standard 'APS 220 - Credit Quality' and Guidance Note 'AGN - 220.1 - Impaired Asset Definitions'.

Non-accruing Loans

Loans are classified as non-accruing where:

(a) there is reasonable doubt about the ultimate collectability of principal and interest;

(b) contractual payments are 90 or more days past due (90 days past due is defined as 90 or more calender days have elapsed since the due date of contractual payment has not been met in full and 90 days worth of contractual payments in arrears) and the fair market value of the security is insufficient to cover payment of principal and interest; and

(c) in the case of overdrafts, they have remained outside approved limits for 90 or more consecutive days and the fair market value of the security is insufficient to cover payment of principal and interest.

Interest ceases to be taken to profit when a loan is classified as non-accruing.

Restructured Loans

Loans are classified as restructured where:

(a) the terms and conditions of the loans have been concessionally modified, via a formal agreement, due to the financial difficulties of borrowers; and

(b) the rate of return from interest or other income is lower than the current market return, but is in excess of the economic entity's cost of funds at balance date.

Bad and Doubtful Debts

A specific provision is made for all identified doubtful debts and is recognised when there is reasonable doubt over the collectability of principal and interest in accordance with the loan agreement. All bad debts are written off against the specific provision in the period in which they are classified as irrecoverable.

The provision is determined by specific identification and by estimation of expected losses in relation to loan portfolios where specific identification is impractical. These portfolios include unsecured credit cards, overdrawn accounts and personal loans, unsecured mortgage loans (property realisation shortfalls) where provisions are calculated as follows:

(a) accounts in default past due 90 to 180 days - 10% of account balance is provided; and

(b) accounts in default past due over 180 days - 100% of account balance is provided.

In addition, a general provision is maintained to cover doubtful debts which are not yet identified. The level of the general provision is determined having regard to asset growth, economic conditions, the level of risk weighted assets and other general risk factors, however it is the Bank's intention to maintain the general provision at or above 0.71% of Risk Weighted Assets.

1.16 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest, Fees and Commissions

Control of a right to receive consideration for the provision of, or investment in, assets has been attained. Interest, fee and commission revenue is brought to account on an accrual basis.

Premium Recognition (SunstateLenders Mortgage Insurance Pty Ltd)

Premiums have been brought to account as income from the date of attachment of risk. Direct premiums comprise amounts charged to the policy holder, excluding stamp duties collected on behalf of the statutory authorities. The earned portion of premiums received and receivable is recognised as revenue.

Premium income written is earned over a ten (10) year period in accordance with independent actuarial advice, which uses historical claims payment patterns to base premium recognition on, so that income approximates the pattern of risks underwritten.

Premium revenue includes an adjustment for the premium liability prudential adjustment.

Dividends

Control of a right to receive consideration for the investment in assets is attained, evidenced by the declaration of dividends by the investee.

1.17 Unearned Income

Unearned income on the economic entity's personal lending and leasing is brought to account over the life of the contracts on an actuarial basis.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.18 Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

1.19 Income Tax

The economic entity adopts the liability method of tax effect accounting, whereby the income tax expense is based on the pre-tax accounting profit, after allowing for permanent differences. Income tax on timing differences between the recognition of revenue and expense in the determination of pre-tax accounting profit and the calculation of taxable income are set aside to either provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. The amount of benefits brought to account or which may be realised in the future will only be obtained if the economic entity:

(a) derives future assessable income of a nature and of an amount sufficient to enable the benefits from the deductions for the losses to be realised;

(b) continues to comply with the conditions for deductibility imposed by the law; and

(c) is not adversely affected by changes in tax legislation which may prohibit the realisation of the benefit from the deductions for the losses.

The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless it is probable that the benefit will be realised.

1.20 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

1.21 Derivative Financial Instruments

Derivative financial instruments are used to hedge interest rate and foreign exchange risk and, in limited circumstances, for trading purposes.

Gains and losses on derivative financial instruments that are used as hedges and are effective as hedges are accounted for on the same basis as the underlying physical exposures they are hedging. Accordingly, hedge gains and losses are brought to account when the gains and losses arising on the related physical exposures are brought to account.

Gains and losses related to qualifying hedges of firm commitments or anticipated transactions are deferred and recognised in income or as adjustments of carrying amounts when the hedged transaction occurs.

1.22 Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. The economic entity has no leases deemed to be finance leases where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities within the economic entity.

1.23 Trustee and Funds Management Activities

Controlled entities of the Bank act as Trustee and/or Manager for a number of funds. The assets and liabilities of these funds are not included in the consolidated financial statements. The parent entity does not have direct or indirect control of the funds as defined by Accounting Standard AASB 1024 " Consolidated Accounts". Commissions and fees generated by funds management activities are brought to account when earned.

1.24 Loan Securitisation

The Group, through its loan securitisation program, packages and sells mortgage loans as securities to investors. In such transactions the Group receives fees for various services provided to the program on an arm's length basis, including service fees, management fees and trustee fees. These fees are recognised over the period in which the relevant income is earned.

1.25 Recoverable Amount

The carrying amounts of all properties, shares, trustees licence and other investments are reviewed at least annually to determine whether they are in excess of their recoverable amounts. If the carrying amount exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts for these assets, the expected net cash flows have not been discounted to their present values unless otherwise stated.

1.26 Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividend is not recognised as a liability unless the dividend is declared, determined or publicly recommended on or before the reporting date.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.27 Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of shares are recognised directly in equity as a reduction of the share proceeds received.

1.28 Earnings per ordinary share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude cost of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Cash basis EPS is calculated as net profit attributable to members, adjusted for:

- after tax goodwill and intangibles amortisation;
- after tax specific income and expense items; and
- costs of servicing equity (other than dividends) and preference share dividends;

divided by the weighted average number of ordinary shares, adjusted for any bonus element.

1.29 Comparative Figures

Where necessary comparatives have been restated to conform with current years presentation.

	Note	Consolidated 2005 $m	Consolidated 2004 $m	Bendigo Bank 2005 $m	Bendigo Bank 2004 $m
2 PROFIT FROM ORDINARY ACTIVITIES					
Profit from ordinary activities before income tax expense has been determined as follows:					
(a) Revenues:					
Interest revenue					
Controlled entities					
Investment securities		-	-		0.1
Other persons/entities					
Cash and liquid assets		1.2	1.0	1.0	0.9
Investment securities		83.9	67.7	80.7	63.7
Loans and other receivables		682.3	546.8	654.6	524.6
Total interest revenue		767.4	615.5	736.3	589.3
Interest expense					
Controlled entities					
Wholesale - domestic		-	-	-	0.4
Other persons/entities					
Deposits					
Retail		376.2	301.7	367.0	293.1
Wholesale - domestic		46.8	22.9	33.6	13.5
Wholesale - offshore		46.5	23.4	46.5	23.4
Other borrowings					
Subordinated debt		17.1	13.9	17.1	13.9
Total interest expense		486.6	361.9	464.2	344.3
Net interest revenue		280.8	253.6	272.1	245.0
Other revenue from ordinary activities					
Dividends					
Controlled entities		-	-	13.7	13.1
Associates		-	-	11.2	15.7
Other		1.5	0.2	1.5	0.2
Distribution from unit trusts		0.1	0.2	-	-
		1.6	0.4	26.4	29.0
Fees					
Assets		26.0	23.5	24.5	22.1
Liabilities & electronic delivery		53.5	41.5	53.2	41.0
Trustee, management & other services		9.3	9.1	1.6	1.3
Securitisation		5.0	7.9	4.9	7.6
Other		9.4	8.3	9.2	8.3
		103.2	90.3	93.4	80.3
Commissions					
Insurance		6.8	5.7	4.6	4.0
Wealth solutions		30.8	25.2	2.2	1.2
		37.6	30.9	6.8	5.2
Other revenue					
Income from property		0.8	1.1	5.7	6.0
Proceeds from disposal of property, plant & equipment		1.7	0.9	1.4	0.6
Proceeds from sale of other investments		2.4	-	0.7	-
Net foreign exchange gain/(loss)		3.9	3.3	3.9	3.3
Other		(0.4)	(2.1)	0.5	2.3
		8.4	3.2	12.2	12.2
Specific income items	**3(a)**	19.0	17.0	17.4	11.0
Total other revenue from ordinary activities		169.8	141.8	156.2	137.7
Share of associates' net profits accounted for using the equity method		20.5	15.7	-	-
Total revenue after interest expense		471.1	411.1	428.3	382.7

	Note	Consolidated 2005 $m	Consolidated 2004 $m	Bendigo Bank 2005 $m	Bendigo Bank 2004 $m
2 PROFIT FROM ORDINARY ACTIVITIES (continued)					
(b) Expenses					
Expenses from ordinary activities					
Bad and doubtful debts					
Specific provisions		7.3	3.8	7.5	3.8
General provisions		6.7	9.6	6.5	9.4
Bad debts written off		0.1	0.7	-	0.7
Bad debts recovered		(0.5)	(0.3)	(0.5)	(0.3)
Total bad and doubtful debts		13.6	13.8	13.5	13.6
Borrowing costs		0.4	0.5	0.4	0.5
Other expenses from ordinary activities					
Staff and related costs					
Salaries and wages		121.8	106.6	108.9	95.8
Superannuation contributions		11.7	10.1	10.6	9.1
Provision for annual leave		1.9	1.1	2.3	0.9
Provision for long service leave		1.4	0.9	1.4	1.0
Other provisions		1.0	0.5	1.0	0.5
Payroll tax		7.2	6.1	6.5	5.5
Fringe benefits tax		1.8	1.2	1.6	0.9
Other		8.0	8.4	7.7	8.0
		154.8	134.9	140.0	121.7
Occupancy costs					
Operating lease rentals		12.5	10.9	19.2	17.0
Depreciation of buildings		0.4	0.4	0.1	0.1
Amortisation of leasehold improvements		2.0	2.0	2.0	1.9
Property rates		0.4	0.5	0.3	0.4
Land tax		0.1	0.2	0.1	0.2
Repairs and maintenance		3.4	3.1	3.1	2.8
Other		7.2	5.9	6.6	5.4
		26.0	23.0	31.4	27.8
Amortisation of goodwill & intangibles		4.7	4.3	0.6	0.6
Property, plant & equipment costs					
Depreciation of property, plant & equipment		12.2	10.8	10.5	9.1
Value of property, plant & equipment sold		1.5	0.7	1.3	0.5
		13.7	11.5	11.8	9.6
Fees and commissions		16.6	14.2	14.3	12.7
Administration expenses					
Communications, postage and stationery		19.8	19.5	18.9	18.6
Computer systems and software costs		23.9	22.1	22.8	20.9
Advertising & promotion		9.2	8.8	8.4	8.5
Other product & services delivery costs		16.0	13.6	15.9	13.7
General administration expenses		23.3	21.2	22.1	19.3
Decrements arising from the revaluation of investments		0.3	-	0.3	-
Value of other investments sold		1.3	-	0.2	-
Provision for directors' retirement allowance		0.1	0.1	0.1	0.1
Other		0.5	-	0.8	1.0
		94.4	85.3	89.5	82.1
Specific expense items	**3(a)**	15.5	8.3	15.2	2.6
Total expenses from ordinary activities		339.7	295.8	316.7	271.2
Profit from ordinary activities before income tax expense		131.4	115.3	111.6	111.5
(c) Gains/(losses)					
Profit/(loss) from disposal of property, plant & equipment		0.2	0.2	0.1	0.1
Profit/(loss) from sale of other investments		1.1	-	0.5	-

	Consolidated		Bendigo Bank	
	2005	2004	2005	2004
	$m	$m	$m	$m
3 SPECIFIC ITEMS				
(a) Specific income and expense 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	-	1.5
Proceeds on sale of Cashcard shares	1.0	8.8	1.0	8.8
Proceeds on sale of properties	7.8	7.4	5.8	0.7
Proceeds on sale of IOOF Holdings Pty Ltd shares	7.8	-	7.8	-
Proceeds on sale of BSX Group Holdings Ltd shares	2.8	-	2.8	-
Share of loss - BSX Group Holdings Ltd (equity accounted investment)	(0.4)	(0.7)	-	-
	19.0	17.0	17.4	11.0
Specific expense items				
Book value of Cashcard shares sold	-	1.2	-	1.2
Book value of properties sold	6.3	6.1	4.9	0.4
Write-down value of share investment - Inch Corporation Limited	-	1.1	-	1.1
Bank accounts debits tax	4.9	-	4.9	-
Book value of IOOF Holdings Pty Ltd shares sold	2.8	-	2.8	-
Book value of BSX shares sold	1.5	-	2.6	-
Goodwill expense and reversal of investment write-down - BSX Group Holdings Ltd	-	(0.1)	-	(0.1)
	15.5	8.3	15.2	2.6
Net specific items before income tax	3.5	8.7	2.2	8.4
Income tax applicable to specific items	(0.5)	(2.1)	(0.4)	(2.6)
Specific items after income tax	3.0	6.6	1.8	5.8
(b) Specific items - gains/(losses)				
Profit/(loss) from disposal of property	1.5	1.3	0.9	0.3
Profit/(loss) from sale of other investments	7.3	7.6	6.2	7.6
4 UNDERLYING PROFIT				
Underlying profit shows the growth in the core business of the economic entity				
Underlying profit	146.5	125.0	123.5	117.3
Less,				
Amortisation of goodwill/intangibles	4.7	4.3	0.6	0.6
Bad and doubtful debts expense (net of bad debts recovered)	13.6	13.8	13.5	13.6
Specific items (Note 3)	(3.5)	(8.7)	(2.2)	(8.4)
Income tax expense (Note 5)	40.8	33.7	25.4	22.9
Specific item - income tax expense (Notes 3 & 5)	0.5	2.1	0.4	2.6
Profit from ordinary activities after income tax expense	90.4	79.8	85.8	86.0

	Consolidated		Bendigo Bank	
	2005	2004	2005	2004
	$m	$m	$m	$m
5 INCOME TAX EXPENSE				
The prima facie tax on profit from ordinary activities is reconciled to the income tax provided in the accounts as follows:				
Tax payable on profit from ordinary activities before income tax expense at 30% (2004 - 30%)	39.4	34.6	33.5	33.4
Permanent differences:				
amortisation	1.4	1.3	0.2	0.2
under/(over) provision for tax in prior years	0.4	(0.3)	0.1	-
rebateable dividends received	(0.4)	(0.1)	(3.8)	(4.7)
leasehold improvements	-	(1.7)	-	-
Tax losses transferred from controlled entities	-	-	-	-
Other items	0.5	2.0	(4.2)	(3.4)
	1.9	1.2	(7.7)	(7.9)
Income tax expense attributable to:				
Profit from ordinary activities before income tax	40.8	33.7	25.4	22.9
Specific income and expense items before income tax	0.5	2.1	0.4	2.6
	41.3	35.8	25.8	25.5
The income tax expense comprises amounts set aside as:				
Provision attributable to current year, being				
income tax payable on profit from ordinary activities	37.5	34.9	28.6	29.3
income tax payable by associates	6.3	4.3	-	-
under (over) provision in prior years	5.1	(0.3)	4.8	-
Provision attributable to future years, being				
future income tax benefit	(2.4)	(5.7)	(2.6)	(5.9)
provision for deferred tax	(5.2)	2.6	(5.0)	2.1
	41.3	35.8	25.8	25.5
Deferred tax assets and liabilities				
Current tax payable	8.3	6.8	8.3	6.8
Provision for deferred income tax	2.9	8.3	3.0	8.3
Future income tax benefit	35.4	32.8	35.4	32.8

No part of the future income tax benefit is attributable to tax losses.
This future income tax benefit will only be obtained if:

a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
c) no changes in tax legislation adversely affect the consolidated entity realising the benefit.

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 entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata 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. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is Bendigo Bank Limited.
There has not been any material effect on tax assets or liabilities as a result of any revised tax legislation. Bendigo Bank Limited formally notified the Australian Tax Office of its adoption of the tax consolidation regime upon the lodgement of its 2003 income tax return.

	Consolidated		Bendigo Bank	
	2005	2004	2005	2004
6 DIVIDENDS	$m	$m	$m	$m
Dividends paid or proposed on ordinary shares				
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	34.3	30.3
Dividends paid during the year				
current year				
Interim dividend (19.0 cents per share) (2004 - 17.0 cents per share)	25.3	21.5	25.3	21.5
previous year				
Final dividend (23.0 cents per share) (2004 - 20.0 cents per share)	29.8	24.3	29.8	24.3
	55.1	45.8	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	64.0	51.0

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	36.5	28.7
Satisfied by issue of shares	18.6	17.1	18.6	17.1
	55.1	45.8	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 was 2 September 2005.

7 EARNINGS PER ORDINARY SHARE

Share ratios			
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
Income			
Net profit	$m	90.1	79.5
Net loss attributable to outside equity interest	$m	0.3	0.3
Earnings used in calculating basic earnings per ordinary share	$m	90.4	79.8
Earnings effect of dilutive securities		-	-
Earnings used in calculating diluted earnings per ordinary share	$m	90.4	79.8
Earnings used in calculating basic and diluted earnings per ordinary share before specific items	$m	87.4	73.2
Earnings used in calculating normal and diluted cash basis earnings per ordinary share	$m	92.1	77.5
Number of Shares			
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 ordinary 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 $m	Consolidated 2004 $m	Bendigo Bank 2005 $m	Bendigo Bank 2004 $m
8 CASH AND LIQUID ASSETS				
Notes, coin and cash at bank	125.9	154.7	108.2	141.3
Investments at call	9.3	2.8	7.7	1.3
	135.2	157.5	115.9	142.6
Reconciliation of cash				
For the purposes of the statement of cash flows, cash includes:				
Cash and liquid assets	135.2	157.5	115.9	142.6
Due from other financial institutions	188.9	157.6	182.6	157.5
Due to other financial institutions	(143.3)	(128.9)	(143.3)	(128.9)
	180.8	186.2	155.2	171.2

Cash and liquid assets are items readily convertible into cash and generally repayable on demand. Amounts due to and from other financial institutions relate to inter-bank settlement processes and are generally repaid within 2 working days.

	Consolidated 2005 $m	Consolidated 2004 $m	Bendigo Bank 2005 $m	Bendigo Bank 2004 $m
9 INVESTMENT SECURITIES				
Negotiable securities				
Bank accepted bills of exchange	44.9	40.9	24.8	19.9
Negotiable certificates of deposit	368.9	312.3	356.0	293.4
Government securities	715.0	380.1	715.0	380.1
Other	409.9	480.5	409.9	480.5
	1,538.7	1,213.8	1,505.7	1,173.9
Non negotiable securities				
Deposits - banks	-	2.0	-	-
Deposits - other	2.8	4.0	-	-
Other	0.2	0.4	0.2	0.4
	3.0	6.4	0.2	0.4
	1,541.7	1,220.2	1,505.9	1,174.3
Maturity analysis				
Not longer than 3 months	1,102.8	673.2	1,067.0	669.2
Longer than 3 and not longer than 12 months	120.6	189.4	120.6	147.5
Longer than 1 and not longer than 5 years	317.8	357.2	317.8	357.2
Over 5 years	0.5	0.4	0.5	0.4
	1,541.7	1,220.2	1,505.9	1,174.3
10 LOANS AND OTHER RECEIVABLES				
Overdrafts	2,311.8	1,766.7	2,353.7	1,766.7
Credit cards	92.8	77.0	92.8	77.0
Term loans	8,224.9	7,293.4	8,080.4	7,152.0
Lease receivables	296.1	258.1	294.3	256.9
Factoring receivables	40.7	-	-	-
Other	30.0	31.4	-	-
Accrued interest	52.4	43.3	49.8	40.7
Gross loans and other receivables	11,048.7	9,469.9	10,871.0	9,293.3
less:				
Specific provision for impairment (Note 11)	(8.6)	(8.1)	(8.6)	(8.1)
Unearned income	(41.6)	(35.8)	(41.4)	(35.6)
	10,998.5	9,426.0	10,821.0	9,249.6
less:				
General provision for impairment (Note 11)	(60.3)	(53.4)	(58.4)	(51.9)
Net loans and other receivables	10,938.2	9,372.6	10,762.6	9,197.7
Impaired loans				
Non-accruing loans - without provisions	0.8	1.6	0.8	1.6
- with provisions	15.8	11.4	15.8	11.4
less specific provisions	(8.6)	(8.0)	(8.6)	(8.0)
Net impaired loans	8.0	5.0	8.0	5.0
Net impaired loans % of loans and other receivables	0.07%	0.05%	0.07%	0.05%
Portfolios Facilities - past due 90 days, not well secured	1.5	1.9	1.5	1.9
less provisions	(0.1)	(0.2)	(0.1)	(0.2)
Net Portfolio Facilities	1.4	1.7	1.4	1.7
Loans past due 90 days				
Accruing loans past due 90 days, with adequate security balance	55.2	57.1	55.2	57.1
Amount in arrears	4.8	6.7	4.8	6.7

Accruing loans past due 90 days balance includes $11.8 million (2004: $13.9 milllion) of loans due to their review date expirying more than 90 days ago, but which are not in payment default.

10 LOANS AND OTHER RECEIVABLES (continued)

	Consolidated		Bendigo Bank	
	2005	2004	2005	2004
	$m	$m	$m	$m
Interest income recognised and forgone				
Interest income recognised in respect of impaired loans	0.2	0.3	0.2	0.3
Interest income forgone in respect of impaired loans	1.0	1.1	1.0	1.1

Interest income recognised is the interest income actually received subsequent to these balances becoming non-accrual or restructured.

Interest income forgone is the gross interest income that would have been recorded during the financial year had the interest on such loans been included in income.

	Consolidated 2005 $m	Consolidated 2004 $m	Bendigo Bank 2005 $m	Bendigo Bank 2004 $m
Loans by geographic location (1) (2)				
Victoria	6,392.8	5,625.5	6,232.2	5,472.8
New South Wales	1,427.7	1,171.0	1,425.5	1,164.1
Australian Capital Territory	223.6	214.3	223.5	214.1
Queensland	1,636.7	1,346.2	1,625.1	1,331.6
South Australia / Northern Territory	282.8	232.9	282.0	232.5
Western Australia	621.6	490.2	620.2	488.9
Tasmania	430.3	351.8	429.4	351.4
Overseas/Other	33.2	38.0	33.1	37.9
	11,048.7	9,469.9	10,871.0	9,293.3

1 *Geographic location determined from the customer postcode/address.*

	Consolidated 2005 $m	Consolidated 2004 $m	Bendigo Bank 2005 $m	Bendigo Bank 2004 $m
Maturity analysis (2)				
At call / overdrafts	2,488.2	1,886.8	2,453.2	1,853.5
Not longer than 3 months	1,185.0	960.2	1,177.8	951.8
Longer than 3 and not longer than 12 months	644.1	925.1	643.7	922.5
Longer than 1 and not longer than 5 years	2,878.1	2,386.8	2,872.8	2,385.2
Longer than 5 years	3,853.3	3,311.0	3,723.5	3,180.3
	11,048.7	9,469.9	10,871.0	9,293.3

2 *Balances exclude specific and general provisions for doubtful debts and unearned revenue.*

11 IMPAIRMENT OF LOANS AND ADVANCES

	Consolidated 2005 $m	Consolidated 2004 $m	Bendigo Bank 2005 $m	Bendigo Bank 2004 $m
Specific provisions for impairment				
Opening balance	8.1	10.8	8.1	10.6
Charged to statement of financial performance	7.5	4.5	7.5	4.5
Bad debts written-off applied to specific provision	(7.0)	(7.2)	(7.0)	(7.0)
Closing balance	8.6	8.1	8.6	8.1
General provision for impairment				
Opening balance	53.4	43.8	51.9	42.5
Provision acquired	0.3	-	-	-
Charged to statement of financial performance	6.6	9.6	6.5	9.4
Closing balance	60.3	53.4	58.4	51.9
Bad and doubtful debts expense				
Specific provisions for impairment	0.5	(2.7)	0.5	(2.5)
General provision for impairment	6.6	9.6	6.5	9.4
Bad debts written off	7.0	7.2	7.0	7.0
	14.1	14.1	14.0	13.9
Ratios				
Specific provision as % of gross loans less unearned income	0.08%	0.09%		
General provision as % of risk weighted assets	0.79%	0.79%		
General provision net of future income tax benefit as % of risk weighted assets	0.55%	0.55%		

12 SHARES OTHER

	Consolidated 2005 $m	Consolidated 2004 $m	Bendigo Bank 2005 $m	Bendigo Bank 2004 $m
Shares in associates	-	-	115.5	102.7
Listed and unlisted shares	39.0	23.5	38.9	23.5
Units in trusts	3.5	3.8	3.5	3.8
	42.5	27.3	157.9	130.0

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name	Ownership interest held by consolidated entity 2005 %	Ownership interest held by consolidated entity 2004 %	Balance date
Elders Rural Bank Ltd	50.0	50.0	30 June
Tasmanian Banking Services Ltd	50.0	50.0	30 June
Community Sector Enterprises Pty Ltd	50.0	50.0	30 June
Homesafe Solutions Pty Ltd	50.0	-	30 June
Caroline Springs Financial Services Pty Ltd	50.0	-	30 June
Silver Body Corp Fin Services Pty Ltd	50.0	-	30 June
BSX Group Holdings Ltd	-	49.8	30 June

(i) Principle activities of associated companies
Elders Rural Bank Ltd - bank
Tasmanian Banking Services Ltd - financial services
Community Sector Enterprises Pty Ltd - financial services
Homesafe Solutions Pty Ltd - financial services
Caroline Springs Financial Services Pty Ltd - financial services
Silver Body Corporate Financial Services Pty Ltd - financial services
BSX Group Holdings Ltd - financial services

	Total 2005 $m	Total 2004 $m
(ii) Share of associates' profits		
Share of associates':		
- operating profits before income tax	20.2	15.1
- income tax expense attributable to operating profits	6.3	4.4
- operating profits after income tax	13.9	10.7
Share of associates' operating profits/(losses) after income tax:		
Elders Rural Bank Ltd	13.7	10.9
Tasmanian Banking Services Ltd	0.7	0.6
Community Sector Enterprises Pty Ltd	0.2	(0.1)
Homesafe Solutions Pty Ltd	(0.3)	-
Caroline Springs Financial Services Pty Ltd	-	-
Silver Body Corp Financial Services Pty Ltd	-	-
BSX Group Holdings Ltd	(0.4)	(0.7)
	13.9	10.7

The consolidated entity's share in the retained profits and reserves of associated companies is not available for payment of dividends to shareholders of Bendigo Bank Limited until such time as those profits and reserves are distributed by the associated companies.

	Total 2005 $m	Total 2004 $m
(iii) Carrying amount of investments in associates		
Balance at the beginning of financial year	101.1	88.7
- carrying amount of investment in associate acquired during the year	14.8	17.5
- carrying amount of investment in associate sold during the year (BSX)	(0.4)	-
- dividends received from associates	(11.2)	(15.7)
- share of associates' net profits (losses) for the financial year	13.9	10.7
- amortisation of goodwill	-	(0.1)
Carrying amount of investments in associates at the end of the financial year	118.2	101.1
Represented by:		
Investments at equity accounted amount:		
- Elders Rural Bank Ltd	115.2	98.5
- Tasmanian Banking Services Ltd	1.7	1.9
- Community Sector Enterprises Pty Ltd	0.1	-
- Homesafe Solutions Pty Ltd	0.7	-
- Caroline Springs Financial Services Pty Ltd	0.3	-
- Silver Body Corporate Financial Services Pty Ltd	0.2	-
- BSX Group Holdings Limited	-	0.7
	118.2	101.1

	Total 2005 $m	Total 2004 $m	Elders Rural Bank Limited 2005 $m	Elders Rural Bank Limited 2004 $m
(iv) The consolidated entity's share of the assets and liabilities of associates in aggregate				
Assets	1,313.4	1,044.2	1,309.6	1,041.4
Liabilities	1,217.5	966.5	1,216.8	965.2
Net Assets	95.9	77.7	92.8	76.2
(v) Amount of retained profits of the consolidated entity attributable to associates	52.9	39.0		

Subsequent events affecting an associate's profits/losses for the ensuing year (if any) are disclosed in note 42.

The consolidated entity's share of associates' commitments and contingent liabilities (if any) are disclosed in notes 31 and 32 respectively.

	Consolidated		Bendigo Bank	
	2005	2004	2005	2004
	$m	$m	$m	$m
14 PROPERTY, PLANT AND EQUIPMENT				
(a) Carrying Value				
Property				
Freehold land [(1)]	6.5	9.1	0.2	2.5
	6.5	9.1	0.2	2.5
Freehold buildings [(1)]	11.2	13.3	1.7	3.3
Accumulated depreciation	(0.3)	-	-	-
	10.9	13.3	1.7	3.3
Leasehold improvements - at cost	13.4	8.5	13.2	8.4
Accumulated depreciation	(8.4)	(6.3)	(8.3)	(6.2)
	5.0	2.2	4.9	2.2
	22.4	24.6	6.8	8.0
Other				
Plant, furniture, fittings, office equipment & vehicles - at cost	100.5	85.6	81.8	69.2
Accumulated depreciation	(64.9)	(53.6)	(52.4)	(42.9)
	35.6	32.0	29.4	26.3
	58.0	56.6	36.2	34.3
	-	-	-	-
(b) Reconciliations				
Freehold land [(1)]				
Carrying amount at beginning	9.1	6.7	2.5	1.7
Additions	-	1.2	-	-
Revaluation adjustment	-	3.0	-	0.9
Transfer to Trustee Company Reserve Fund [(2)]	-	0.1	-	-
Disposals	(2.6)	(1.9)	(2.3)	(0.1)
	6.5	9.1	0.2	2.5
Freehold buildings [(1)]				
Carrying amount at beginning	13.3	15.5	3.3	3.7
Additions	2.3	2.9	1.6	-
Revaluation adjustment	-	(1.1)	-	-
Transfer to Trustee Company Reserve Fund [(2)]	-	0.5	-	-
Disposals	(4.3)	(4.1)	(3.1)	(0.3)
Depreciation expense	(0.4)	(0.4)	(0.1)	(0.1)
	10.9	13.3	1.7	3.3
Leasehold improvements - at cost				
Carrying amount at beginning	2.2	3.5	2.2	3.5
Acquisitions	0.1	-	-	-
Additions	4.9	0.8	4.9	0.8
Disposals	(0.2)	(0.1)	(0.2)	(0.2)
Depreciation expense	(2.0)	(2.0)	(2.0)	(1.9)
	5.0	2.2	4.9	2.2
Plant, furniture, fittings, office equipment & vehicles				
Carrying amount at beginning	32.0	27.8	26.3	24.1
Acquisitions	0.3	-	-	-
Additions	16.5	15.3	14.4	11.8
Disposals	(1.0)	(0.3)	(0.8)	(0.5)
Depreciation expense	(12.2)	(10.8)	(10.5)	(9.1)
	35.6	32.0	29.4	26.3

1 The fair values of freehold land and buildings on freehold land have been determined by reference to director valuations, based upon independent valuations previously obtained. The independent valuations are performed on an open market basis, being the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date.

2 Transfer of freehold land and buildings to the Sandhurst Trustees Ltd Reserve Fund in accordance with the Trustee Companies Act 1984 (see Note 1.13).

15 INTANGIBLES				
Trustee licence	9.5	9.5	-	-
Accumulated amortisation	(1.3)	(1.1)	-	-
	8.2	8.4	-	-
Purchased goodwill	7.3	7.3	7.3	7.3
Accumulated amortisation	(5.7)	(5.1)	(5.7)	(5.1)
	1.6	2.2	1.6	2.2
Goodwill on consolidation	84.6	69.1	-	-
Accumulated amortisation	(19.7)	(16.0)	-	-
	64.9	53.1	-	-
Intangible Asset - Customer List	4.5	-	-	-
Accumulated amortisation	(0.2)	-	-	-
	4.3	-	-	-
	79.0	63.7	1.6	2.2

	Consolidated		Bendigo Bank	
	2005	2004	2005	2004
	$m	$m	$m	$m
16 OTHER ASSETS				
Accrued income	22.9	20.7	19.3	18.4
Reserve fund	9.5	7.5	-	-
Prepayments	4.7	18.1	4.6	13.9
Sundry debtors	87.9	48.8	73.1	35.6
	125.0	95.1	97.0	67.9
17 DEPOSITS				
Retail				
Branch network	9,259.8	8,293.3	9,092.4	8,126.4
Treasury sourced	783.2	758.8	792.7	765.4
	10,043.0	9,052.1	9,885.1	8,891.8
Wholesale				
Domestic	772.4	599.1	772.4	599.1
Offshore				
- EMTN and ECP	1,067.0	454.2	1,067.0	454.2
- Cross currency swap	75.8	43.5	75.8	43.5
	1,915.2	1,096.8	1,915.2	1,096.8
	11,958.2	10,148.9	11,800.3	9,988.6
Deposits by geographic location				
Victoria	7,026.3	5,963.8	6,910.0	5,840.0
New South Wales	1,347.2	1,190.2	1,335.0	1,178.8
Australian Capital Territory	101.2	57.3	101.0	57.1
Queensland	1,605.5	1,563.4	1,578.4	1,540.9
South Australia/Northern Territory	166.9	165.6	166.0	164.8
Western Australia	633.5	479.1	633.2	478.7
Tasmania	210.9	177.7	210.6	177.2
Overseas/other	866.7	551.8	866.1	551.1
	11,958.2	10,148.9	11,800.3	9,988.6
Maturity analysis				
At call	4,646.8	3,991.6	4,651.0	3,990.5
Not longer than 3 months	4,332.0	3,852.5	4,254.8	3,781.0
Longer than 3 and not longer than 12 months	1,882.0	1,735.0	1,805.7	1,652.2
Longer than 1 and not longer than 5 years	1,097.0	569.8	1,088.4	564.9
Longer than 5 years	0.4	-	0.4	-
	11,958.2	10,148.9	11,800.3	9,988.6
18 PAYABLES				
Sundry creditors	47.3	25.5	33.5	12.9
Accrued expenses and outstanding claims	58.9	63.2	52.7	60.5
	106.2	88.7	86.2	73.4

	Consolidated 2005 $m	Consolidated 2004 $m	Bendigo Bank 2005 $m	Bendigo Bank 2004 $m
19 OTHER PROVISIONS				
(a) Balances				
Employee benefits (Note 27)	28.6	24.8	27.8	23.4
Other loss events	1.1	0.7	1.1	0.7
Rewards program	2.2	1.6	2.1	1.6
Dividends	0.1	0.1	0.1	0.1
	32.0	27.2	31.1	25.8

Provision for other loss events is in relation to possible losses associated with outstanding legal issues.

Provision for rewards program is to recognise the liablility to customers in relation to points earned by them under the Bendigo Bank Rewards Program and is measured on the basis of full value of points outstanding at balance date.

	Consolidated 2005 $m	Consolidated 2004 $m	Bendigo Bank 2005 $m	Bendigo Bank 2004 $m
(b) Movements				
Employee benefits				
Opening balance	24.8	21.7	23.4	20.4
Additional provisions recognised	21.5	10.4	20.9	9.7
Amounts utilised during the year	(17.7)	(7.3)	(16.5)	(6.7)
Closing balance	28.6	24.8	27.8	23.4
Other loss events				
Opening balance	0.7	0.7	0.7	0.7
Additional provisions recognised	6.8	0.3	6.8	0.3
Amounts utilised during the year	(6.4)	(0.3)	(6.4)	(0.3)
Closing balance	1.1	0.7	1.1	0.7
Rewards program				
Opening balance	1.6	1.0	1.6	1.0
Additional provisions recognised	2.4	1.5	2.3	1.5
Amounts utilised during the year	(1.8)	(0.9)	(1.8)	(0.9)
Closing balance	2.2	1.6	2.1	1.6
Dividends				
Opening balance	0.1	0.1	0.1	0.1
Additional provisions recognised	55.1	45.8	55.1	45.8
Amounts utilised during the year	(55.1)	(45.8)	(55.1)	(45.8)
Closing balance	0.1	0.1	0.1	0.1
20 SUBORDINATED DEBT				
Subordinated capital notes	249.0	186.2	249.0	186.2
Rollover Notes - Series 1	13.1	13.1	13.1	13.1
	262.1	199.3	262.1	199.3
Maturity analysis				
Longer than 5 years	262.1	199.3	262.1	199.3
	262.1	199.3	262.1	199.3
21 CONTRIBUTED EQUITY				
Issued and paid up capital				
139,106,669 Ordinary shares fully paid (2004: 139,378,355)	546.3	551.6	546.3	551.6
900,000 Preference shares partly paid to $50 (2004: Nil)	43.0	-	43.0	-
	589.3	551.6	589.3	551.6
Statement of changes - Ordinary share capital				
Opening balance	551.6	463.6		
Shares issued under:				
Bonus share scheme - 229,806 @ $9.74; 148,221 @ $9.89; (2004: 165,434 @ $8.66; 130,581 @ $9.87)	-	-		
Dividend reinvestment plan - 1,107,312 @ $9.74; 792,975 @ $9.89; (2004: 1,040,442 @ $8.66; 821,279 @ $9.87)	18.7	17.1		
Employee share plan - 300,000 @ $9.99, (2004: 1,317,476 @ $8.94; 100,000 @ $8.83)	3.0	12.7		
Capital notes converted - Nil; (2004: 3,687,347 @ $4.10)	-	15.1		
Share Purchase Plan - Nil, (2004: 2,861,567 @ $9.87)	-	28.3		
DRP underwriting issue - Nil, (2004: 1,770,605 @ $8.66)	-	15.3		
Share Buy Back Program - 2,850,000 @ $9.46 average price, (2004: Nil)	(27.0)	-		
New share issue/buy back expenses	-	(0.5)		
Closing balance	546.3	551.6		
Statement of changes - Preference share capital				
Opening balance	-	-		
Shares issued	45.0	-		
New share issue expenses	(2.0)	-		
Closing balance	43.0	-		

	Consolidated		Bendigo Bank	
	2005	2004	2005	2004
	$m	$m	$m	$m

22 RESERVES AND RETAINED PROFITS

Asset Revaluation Reserve

(a) Nature and purpose

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets. The reserve can only be used to pay dividends in limited circumstances.

(b) Movenents

	Consolidated 2005 $m	Consolidated 2004 $m	Bendigo Bank 2005 $m	Bendigo Bank 2004 $m
Opening Balance	5.4	3.3	2.0	1.1
Net revaluation increment/(decrement)	-	2.1	-	0.9
Aggregate of amounts transferred (to)/from reserves	(2.3)	-	(1.7)	-
Closing Balance	3.1	5.4	0.3	2.0

Retained Profits

	Consolidated 2005 $m	Consolidated 2004 $m	Bendigo Bank 2005 $m	Bendigo Bank 2004 $m
Opening Balance	119.6	85.6	125.5	85.3
Net profit attributable to members of Bendigo Bank Limited	90.4	79.8	85.8	86.0
Total available for appropriation	210.0	165.4	211.3	171.3
Dividends - Final 2004	(29.8)	(24.3)	(29.8)	(24.3)
- Interim 2005	(25.3)	(21.5)	(25.3)	(21.5)
Aggregate of amounts transferred from asset revaluation reserve	2.3	-	1.7	-
Rounding Adjustment	(0.1)	-	(0.1)	-
Retained profits at the end of the financial year	157.1	119.6	157.8	125.5

23 OUTSIDE EQUITY INTEREST

Reconciliation of outside equity interest in controlled entities:

	Consolidated 2005 $m	Consolidated 2004 $m	Bendigo Bank 2005 $m	Bendigo Bank 2004 $m
Opening balance	(0.2)	0.2	-	-
Add share of operating loss	(0.3)	(0.4)	-	-
Share of contributed equity	-	-	-	-
Less dividends	-	-	-	-
Rounding Adjustment	0.1	-	-	-
Closing balance	(0.4)	(0.2)	-	-

24 NET TANGIBLE ASSETS PER ORDINARY SHARE

	Consolidated 2005 $m	Consolidated 2004 $m
Net assets	749.1	676.4
Less:		
Goodwill and intangibles	79.0	63.7
Outside equity interests	(0.4)	(0.2)
Preference share capital (paid up value)	45.0	-
Total net tangible assets	625.5	612.9
Number of ordinary shares at end of period	139.1	139.4
Net tangible assets per ordinary share	$4.50	$4.40

25 AVERAGE BALANCE SHEET AND RELATED INTEREST

	Average Balance $m	Interest $m	Average Rate %
Average balances and rates [1]			
Interest earning assets			
Cash and liquid assets	125.0	1.2	0.96
Investment securities	1,482.1	83.9	5.66
Loans and other receivables [2]	10,273.9	682.3	6.64
	11,881.0	767.4	6.46
Non interest earning assets			
Property, plant & equipment	61.0		
Provisions for doubtful debts	(66.7)		
Other assets	324.2		
	318.5		
Total assets (average balance)	12,199.5		
Interest bearing liabilities and equity			
Deposits			
Retail	9,452.3	376.2	3.98
Wholesale - domestic	821.5	46.8	5.70
Wholesale - offshore	779.7	46.5	5.96
Other borrowings			
Subordinated debt	247.3	17.1	6.91
	11,300.8	486.6	4.31
Non interest bearing liabilities and equity			
Other liabilities	198.8		
Equity	699.9		
	898.7		
Total liabilities and equity	12,199.5		
Interest margin and interest spread			
Interest earning assets	11,881.0	767.4	6.46
Interest bearing liabilities	(11,300.8)	(486.6)	(4.31)
Net interest income and interest spread [3]		280.8	2.15
Net interest margin [4]			2.36
Impact of community bank/alliance profit share arrangements			
Net interest margin before community bank/alliances share of net interest income			2.78
Less impact of community bank/alliances share of net interest income			0.42
Net interest margin			2.36

1 Average balance is based on monthly closing balances from 30 June 2004 through 30 June 2005 inclusive, with the exception of Wholesale domestic, which is based on a daily closing balance.
2 Interest includes an adjustment for share of margin paid to Community Banks and other alliance partners.
3 Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.
4 Interest margin is the net interest income as a percentage of average interest earning assets.

26 CAPITAL ADEQUACY AND ACE RATIO

	Consolidated 2005 $m	Consolidated 2004 $m

a. Capital adequacy

The Australian Prudential Regulation Authority (APRA) guidelines require capital to be allocated against credit and market risk. Banks must maintain a ratio of qualifying capital (comprising Tier 1 and Tier 2 capital), to risk weighted assets, and off-balance sheet exposures determined on a risk weighted basis, of which at least half must be Tier 1 capital. The Bank adopted the 'standard model' approach prescribed by APRA to measure market risk. The resultant capital after applying a numeric conversion factor, forms part of risk-weighted assets.

	2005 $m	2004 $m
Risk weighted capital ratios		
Tier 1	8.01%	8.38%
Tier 2	2.38%	1.97%
Total capital ratio	**10.39%**	**10.35%**
Qualifying Capital		
Tier 1		
Contributed capital	589.3	551.6
Retained profits & reserves	128.1	97.9
Less,		
Intangible assets	79.0	63.7
Net future income tax benefit	14.2	8.4
Other adjustments as per APRA advice	11.4	7.7
Total Tier 1 capital	612.8	569.7
Tier 2		
General provision for doubtful debts	42.2	37.4
Subordinated debt	262.1	199.3
Asset revaluation reserves	3.0	4.9
	307.3	241.6
Less,		
Subsidiary investment residual	9.2	8.9
Total Tier 2 capital	298.1	232.7
Less,		
Investments in non-consolidated subsidiaries or associates and other bank's capital instruments	115.7	99.1
Total qualifying capital	795.2	703.3
Total risk weighted assets	**7,655.1**	**6,797.2**

b. Adjusted Common Equity ("ACE")

Adjusted Common Equity is one measure considered by Standard & Poor's in evaluating the Bank's credit rating. The ACE ratio has been calculated in accordance with the Standard & Poor's methodology.

	2005 $m	2004 $m
Adjusted Common Equity		
Tier 1 capital	612.8	569.7
Deduct:		
Preference share capital	43.0	-
Subsidiary investment residual	9.2	8.9
Investments in non-consolidated subsidiaries or associates and other banks' capital instruments	115.7	99.1
Total Adjusted Common Equity	444.9	461.7
Adjusted Common Equity ratio to risk weighted assets	**5.81%**	**6.79%**

	Consolidated		Bendigo Bank	
	2005	2004	2005	2004
27 EMPLOYEE BENEFITS	$m	$m	$m	$m
Employee benefits liability				
Provision for annual leave	10.6	8.7	10.1	7.8
Provision for other employee payments	3.6	4.0	3.6	4.0
Provision for long service leave	8.6	7.2	8.3	6.9
Provision for sick leave bonus	1.5	1.3	1.5	1.2
Provision for employee on costs	3.2	2.5	3.2	2.4
Directors' retirement allowance	1.1	1.1	1.1	1.1
Aggregate employee benefits liability	28.6	24.8	27.8	23.4

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 the balance date there is 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.

		Consolidated	
		2005	2004
		$m	$m
Employee Share and Loan Values			
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
Indicative cost of funding employee loans			
Average balance of total 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.

28 SUPERANNUATION COMMITMENTS

The economic entity participated in an employer sponsored superannuation plan, being a defined contribution plan which provides benefits to employees of the entities in the economic entity on retirement, death or disability.

The benefits under the plan are based on accumulated contributions and earnings for each employee. Employees contribute various percentages of their gross income and the company also contributes at least the minimum as required under the superannuation guarantee legislation.

The bank pays an annual insurance premium to provide death, total permanent disability and salary continuence cover for members of the superannuation plan.

29 CASH FLOW INFORMATION

	Consolidated		Bendigo Bank	
	2005	2004	2005	2004
	$m	$m	$m	$m
Reconciliation of cash flow from operations with operating profit after income tax				
Profit from ordinary activities after tax	90.1	79.5	85.8	86.0
Non-cash items				
Doubtful debts expense	14.0	13.5	14.0	13.2
Amortisation	4.7	4.3	0.6	0.6
Depreciation	14.6	13.2	12.7	11.1
Revaluation (increments)/decrements	0.7	1.0	0.3	1.0
Share of associates' net (profits)	(20.5)	(15.0)	-	-
Dividends received/accrued from associates	11.0	10.3	(0.3)	(5.4)
Profits on sale of investment securities	(8.3)	(7.6)	(6.7)	(7.6)
Profits on sale of property, plant & equipment	(1.6)	(1.6)	(1.2)	(0.4)
Changes in assets and liabilities				
Increase/(decrease) in tax provision	7.5	2.7	(3.7)	(1.6)
Increase/(decrease) in deferred income tax liability	(7.9)	(3.1)	(7.5)	(3.8)
(Increase)/decrease in accrued interest	(1.3)	4.8	(1.3)	5.4
Increase in accrued employees entitlements	3.8	3.1	4.4	3.0
Increase/(decrease) in other accruals, receivables and provisions	(41.5)	(19.7)	(18.8)	(17.2)
Net cash flows from/(used in) operating activities	65.3	85.4	78.3	84.3

Cash flows presented on a net basis

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

Investment securities, Retail deposits, Wholesale deposits and Subordinated debt.

Acquisition of business

Effective 1 May 2005, Bendigo Bank Limited acquired 100% of the voting share capital of Oxford Funding Pty Limited (2004: Nil).

The components of the acquisition cost were:

	Consolidated 2005 $m	Consolidated 2004 $m	Bendigo Bank 2005 $m	Bendigo Bank 2004 $m
Fair value of identifiable net assets acquired				
Cash and liquid assets at call	0.2	-	-	-
Property, plant & equipment	0.4	-	-	-
Factoring Receivables	35.7	-	-	-
Other assets	0.5	-	-	-
Borrowings	(10.0)	-	-	-
Payables	(26.8)	-	-	-
Other provisions	(0.2)	-	-	-
Net assets acquired	(0.2)	-	-	-
Intangible asset - customer list	4.5			
Goodwill arising on acquisition	15.5	-	-	-
Amount paid for acquisition	19.8	-	-	-
Consideration paid				
Cash consideration	(7.4)	-	-	-
Deferred acquisition payments	(12.4)	-	-	-
Total consideration	(19.8)	-	-	-
Net cash consideration				
Cash consideration	(7.4)	-	(7.4)	-
Net cash balance acquired	0.2	-	-	-
Net cash paid on purchase of controlled entity	(7.2)	-	(7.4)	-

	Consolidated 2005	Consolidated 2004	Bendigo Bank 2005	Bendigo Bank 2004
30 AUDITOR'S REMUNERATION	$	$	$	$
Chief entity auditors				
Amounts received, or due and receivable by the auditors for:				
-auditing the financial statements of the chief entity and any other entity in the economic entity	523,977	592,120	468,332	574,944
-taxation services in relation to the chief entity and any other entity in the economic entity	138,128	66,207	138,128	66,207
-other services in relation to the chief entity and any other entity in the economic entity	215,297	76,052	195,211	2,200
	877,402	734,379	801,671	643,351
Amounts received, or due and receivable by auditors other than the chief entity auditors for:				
-auditing and review of the financial report of subsidiary entities	16,747	-	-	-
	894,149	734,379	801,671	643,351

	$m	$m	$m	$m
31 EXPENDITURE COMMITMENTS				
Outstanding expenditure and credit related commitments as at 30 June 2005. Except where specified, all commitments are payable within one year.				
Operating lease commitments				
Not later than 1 year	27.0	18.1	26.7	18.0
Later than 1 year but not later than 5 years	51.2	28.9	50.8	28.9
Later than 5 years	19.2	2.1	19.2	2.1
	97.4	49.1	96.7	49.0
Capital expenditure commitments				
Capital expenditure commitments not provided for in the financial statements, payable not later than one year	45.6	3.8	45.6	3.8
Later than 1 year but not later than 5 years	45.3	-	45.3	-
	90.9	3.8	90.9	3.8
Other expenditure commitments				
Sponsorship commitments not paid as at balance date, payable not later than one year	1.4	0.4	1.3	0.3
Credit related commitments				
Gross loans approved, but not advanced to borrowers, payable not later than one year	375.0	509.5	330.7	509.5
Credit limits granted to clients for overdrafts and credit cards				
Total amount of facilities provided	3,651.5	2,830.9	3,651.5	2,830.9
Amount undrawn at balance date	1,246.9	987.2	1,205.0	987.2
Normal commercial restrictions apply as to use and withdrawal of the facilities				
32 CONTINGENT LIABILITIES AND CONTINGENT ASSETS				
(a) Contingent Liabilities				
Guarantees				
The economic entity has issued guarantees on behalf of clients	77.6	70.5	77.6	70.5
Other				
Documentary letters of credit & performance related obligations	14.7	10.8	14.7	10.8

(b) Contingent Assets

As at 30th June 2005 the economic entity has no contingent assets.

33 SEGMENT REPORTING

30 June 2005

(a) Business segments	Retail Banking	Community Banking	Wealth Solutions	J/Ventures, Alliances & Corp Supp't	Eliminations	Total
Revenue	$m	$m	$m	$m	$m	$m
Net interest revenue						
External interest revenue	539.9	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 investments	-	(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
Results						
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	34.4	(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
Assets						
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
Liabilities						
Segment liabilities	6,183.0	3,102.2	167.3	3,060.5	-	12,513.0
Other segment information:						
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.

33 SEGMENT REPORTING (Continued)

30 June 2004

(a) Business segments

	Retail Banking	Community Banking	Wealth Solutions	J/Ventures, Alliances & Corp Supp't	Eliminations	Total
Revenue	$m	$m	$m	$m	$m	$m
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
Results						
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
Assets						
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
Liabilities						
Segment liabilities	5,724.3	2,553.8	165.7	2,164.3	-	10,608.1
Other segment information:						
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.

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 mortage 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.

34 PARTICULARS IN RELATION TO CONTROLLED ENTITIES [1] [2]

Name	Extent of Interest If not 100%	Principal Activities
Chief entity		
Bendigo Bank Limited		Banking
Directly Controlled Operating Entities		
BBL Caroline Springs Pty Ltd		Investment company
BBL (SSKB) Financial Services Pty Ltd		Investment company
BBS Nominees Pty Ltd		Administration company
Bendigo Finance Pty Ltd		Leasing finance
Bendigo Investment Services Ltd		Financial advisory services
Bendigo Superannuation Ltd		Superannuation trustee
Bensand Services Pty Ltd		Investment company
Cass Comm Limited [3]		Financial services
Community Developments Australia Pty Ltd		Community initiatives
Community Energy Australia Pty Ltd		Community initiatives
Community Solutions Australia Pty Ltd		Community initiatives
Community Telco Australia Pty Ltd [4]	94%	Community initiatives
Community Exchanges Australia Pty Ltd	55%	Community initiatives
First Australian Building Society Ltd		Holding company
Sunstate Lenders Mortgage Insurance Pty Ltd		Mortgage insurance
Fountain Plaza Pty Ltd		Property owner
National Mortgage Market Corporation Pty Ltd		Mortgage origination & m'ment
National Assets Securitisation Corporation Pty Ltd		Securitisation manager
Asia Pacific Receivables Corporation Pty Ltd		Securitisation
Oxford Funding Pty Ltd		Invoice discounting
Sandhurst Trustees Ltd		Trustee company
Sandhurst Nominees (Victoria) Ltd		Nominee company
Sandhurst Custodians Ltd		Custodian company
Sandhurst Nominees (Canberra) Ltd		Nominee company
Bendigo Asset Management Limited		Investment manager
Mornington H.T. Pty Ltd		Custodian company
Mornington S.T. Pty Ltd		Custodian company
Victorian Securities Corporation Ltd		Financial services
Worley Securities Pty Ltd		Financial advisory services

1 Non-Operating controlled entities are excluded from the above list.
2 All entities are 100% owned and incorporated in Australia, unless otherwise specified.
3 Formerly Cassa Commerciale Australia Ltd.
4 Effective 18 August 2005, transactions were undertaken which reduced the Bank's interest in Community Telco Australia Pty Ltd from 94% to 50%. From that date CTA ceased to be a subsidiary of the Bank. CTA has been de-consolidated from that date and accounted for using the equity method.

The following non-operating controlled entities were liquidated during the year.

- CBS Management Pty Ltd
- NBS Holdings (Building Society) Ltd
- FP Holdings (Building Society) Ltd
- Bendigo Capital Markets Pty Ltd
- BBL (MR) Pty Ltd
- B.B.S. Financial Planners Pty Ltd
- Avail Superannuation Pty Ltd

35 RELATED PARTY DISCLOSURES

Ultimate Parent Entity

Bendigo Bank Limited is the ultimate parent entity.

Wholly owned group transactions

Bendigo Bank Limited is the parent entity of all entities listed in Note 34 - Particulars in relation to controlled entities. Transactions undertaken during the financial year with those entities are eliminated in the consolidated financial report.
The transactions principally arise from the provision of administrative, distribution, corporate and the general banking services.
Additionally, Bendigo Bank pays operating costs on behalf of certain controlled entities which are financed via unsecured interest free intercompany loans. The loans have no fixed repayment date. Amounts due from and due to controlled entities at balance date are shown in the Statement of Financial Position. Interest received or receivable from and paid or payable to controlled entities and dividends received and receivable from controlled entities is disclosed in Note 2 - Profit from ordinary activities.
Bendigo Bank provides standby funding lines, on normal commercial terms and conditions, to Sandhurst Trustees Limited and Victorian Securities Corporation Limited in connection with their liquidity management requirements. The lines were not drawn on during the year and no amounts were outstanding at year end.

Other related party transactions

Securitised and sold loans
The bank securitised or sold loans totalling $304 million during the financial year. Of this total, $297.5 million were sold to the Common Funds managed by Sandhurst Trustee Limited and $6.5 million were substitutions into securitisation programs.

Associated Entities
Bendigo Bank Limited has investments in associated entities as disclosed in Note 13 - Investments accounted for using the equity method. The group has transactions with the associated entities, principally relating to commissions received and paid, services and supplies procured from associates and fees charged in relation to the provision of banking, administrative and corporate services. These revenue and expense items are included in the relevant values disclosed in Note 2 - Profit from ordinary activities. The transactions are conducted on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with the associated entities at arm's length in the same circumstances.
During the financial year, Bendigo Bank paid to Elders Rural Bank commissions of $0.8 million and received payments for supplies and services provided of $2.7 million.

Dividends received and receivable from associated entities are disclosed in Note 2 - Profit from ordinary activities.

Bendigo Bank Limited provides loans, guarantees and/or overdraft facilities to associated companies in connection with cash flow management, and the payment of administration costs on behalf of the associated companies. The loans have agreed repayment terms which vary according to the nature of the facility.
Any balances outstanding at balance date are included in the relevant classification of the Statement of Financial Position.

36 DIRECTOR AND EXECUTIVE DISCLOSURES

Remuneration of Specified Directors and Specified Executives

The company has elected to apply the allowance provided by Corporations Amendment Regulations 2005 (No. 4), whereby disclosures as required by AASB 1046 "Director and Executive Disclosures by Disclosing Entities" in relation to remuneration have been transferred to the Directors' Report under the heading "Remuneration Report".

Shareholdings of Specified Directors and Specified Executives including personally related entities

Shares held in Bendigo Bank Ltd	**Balance 1 July 2004**		**Net Change**			**Balance 30 June 2005**		
	Ordinary Shares	**Employee Shares**	**Ordinary Shares**	**Employee Shares**	**Preference Shares**	**Ordinary Shares**	**Employee Shares**	**Preference Shares**
Specified Directors								
Richard A Guy OAM	703,653	-	20,835	-	200	724,488	-	200
Robert N Johanson	262,269	-	5,124	-	1,000	267,393	-	1,000
Robert G Hunt AM	80,329	440,000	873	300,000	-	81,202	740,000	-
Neal J Axelby	27,958	-	6,794	-	100	34,752	-	100
Jennifer L Dawson	15,334	-	664	-	150	15,998	-	150
Donald J Erskine	246,948	-	(4,827)	-	-	242,121	-	-
Terence J O'Dwyer	50,300	-	-	-	-	50,300	-	-
Kevin E Roache	46,686	-	(4,108)	-	200	42,578	-	200
Specified Executives								
G D Gillett	2,217	139,410	96	-	-	2,313	139,410	-
R H J Hasseldine	11,214	45,000	(11,064)	-	-	150	45,000	-
M J Hirst	150	50,000	-	-	-	150	50,000	-
V M Kelly	2,622	129,000	-	-	-	2,622	129,000	-
K C Langford	450	123,367	-	-	-	450	123,367	-
Total	1,450,130	926,777	14,387	300,000	1,650	1,464,517	1,226,777	1,650

All equity transactions with specified directors and specified executives have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length other than shares issued under the Employee Share Ownership Plan. Issues of shares under the Employee Share Ownership Plan are made under conditions disclosed in Note 27.

Loans to specified directors and specified executives including personally related entities

Australian Banks and their controlled entities have been exempted under ASIC Class Order 98/110 (as amended by Class Order 04/665) from providing details of certain loans and financial instrument transactions made by the bank to related parties (other than directors of the company) in the ordinary course of business and either on an arm's length basis or with the approval of the shareholders of the relevant entity and its ultimate parent entity. The exemption does not apply if such loans or transactions would, if not disclosed, have the potential to adversely affect the decisions made by users of the financial statements about the allocation of scarce resources. The Class Order requires that a statutory declaration, signed by two directors, confirm the existence of internal controls and procedures which would ensure or provide a reasonable degree of assurance that a material financial instrument transaction requiring disclosure, would be drawn to the attention of directors so that it may be disclosed in the financial statements. This declaration, as specified, will accompany the financial reports for the year ended 30 June 2005, for lodgement with the Australian Securities and Investments Commission.

(i) Details of aggregates of loans to specified directors and specified executives including personally related entities are as follows:

		Balance at beginning of period $'000	**Interest charged $'000**	**Interest not charged $'000**	**Write-off $'000**	**Balance at end of period $'000**	**Number in group 30 June**
Specified directors							
	2005	20,080	1,552	163	-	30,952	7
	2004	18,257	1,126	75	-	20,080	7
Specified executives (1)							
	2005	3,738	79	115	-	3,482	5
	2004	3,882	67	108	-	3,738	5
Total specified directors and specified executives							
	2005	23,818	1,631	278	-	34,434	12
	2004	22,139	1,193	183	-	23,818	12

1 Balances include loans provided to specified director and specified executives in connection with share issues under the Employee Share Ownership Plan.

Specified directors and personally related entities having loans outstanding at 30 June 2005:

R A Guy OAM	R G Hunt AM	R N Johanson
N J Axelby	J L Dawson	D J Erskine
K E Roache		

Specified executives and personally related entities having loans outstanding at 30 June 2005:

G D Gillett	R H J Hasseldine	M J Hirst
V M Kelly	K C Langford	

36 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(e) Loans to specified directors and specified executives (continued)

(ii) Details of individuals (including their personally related entities) with loans above $100,000 in the reporting period are as follows:

	Balance at beginning of period $'000	Interest charged $'000	Interest not charged $'000	Write-off $'000	Balance at end of period $'000	Highest owing in period $'000
Specified directors						
R A Guy OAM	10	1	-	-	10	14
Personally related entity loans	302	16	-	-	201	302
N J Axelby	235	18	-	-	293	302
Personally related entity loans	80	-	-	-	-	80
J L Dawson	228	13	-	-	-	228
Personally related entity loans	754	55	-	-	689	782
D J Erskine	-	-	-	-	-	-
Personally related entity loans (1)	13,922	1,227	-	-	21,159	23,109
R N Johanson	698	58	-	-	698	699
Personally related entity loans	17	4	-	-	113	149
K E Roache	510	48	-	-	766	786
Personally related entity loans	363	51	-	-	697	963
R G Hunt AM	709	62	5 (2)	-	1,253	1,312
R G Hunt AM - Staff Share loan	2,253	-	158	-	5,073	5,176
Specified executives						
G D Gillett						
Staff Share loan	709	-	30	-	666	709
Loans	273	21	-	-	286	286
R H J Hasseldine						
Staff Share loan	328	-	14	-	314	328
M J Hirst						
Staff Share loan	371	-	16	-	355	371
V M Kelly						
Staff Share loan	664	-	28	-	625	664
Loans	740	47	-	-	436	740
K C Langford						
Staff Share loan	653	-	27	-	615	653
Loans	-	11	-	-	185	214

Terms and conditions of loans

(1) Loans totalling $21,158,851 were made to associated companies of Mr Erskine. The loans were provided in connection with property development and commercial property investment arrangements in which Mr Erskine is associated. The loans were made in accordance with the Bank's prevailing lending terms and conditions. The loans were approved either under Board approved management delegations or by the Board Credit Committee. Where a loan required Board Credit Committee approval, Mr Erskine did not participate in the discussion of the loan application nor did he vote in respect to the approval of the loan.

(2) Amount relates to deferred payment terms associated with the sale of shares in Bendigo Community Telco Ltd to Mr Hunt as disclosed below.

Staff Share Loans provided to Mr R G Hunt and Specified Executives are under the terms of the Bank's Employee Share Ownership Plan ("Plan").
Details of the Plan's terms and conditions are provided at Note 27 to the financial statements.

(f) Other transactions of directors and director related entities

Financial instrument transactions (other than in respect of loans and shares disclosed) with the specified Directors and specified executives of the Bank occur in the ordinary course of business of the Bank on an arm's length basis, and are considered to be trivial or domestic transactions as they are in the nature of normal personal banking and deposit transactions.

During the year, the Board approved the sale of a percentage of the Bank's ownership in Bendigo Community Telco Ltd ("BCT") to the Bank's Managing Director Mr R G Hunt. The Managing Director was not present during, and did not participate in, the discussions and decisions regarding the transaction.
A summary of the transaction terms follows.

The offer (which was accepted) related to 195,501 ordinary shares in BCT at a purchase price of $1.90 per share. The offer price was in accordance with an independent valuation performed by Deloitte Corporate Finance Pty Ltd as at 30 June 2004. Based upon the above purchase price, the purchase consideration amounted to $371,452.

The terms of the offer provide that the purchase consideration must be paid as follows:

* payment of $1.00 per share at the time of acceptance of the offer; and
* payment of the balance of the purchase price at any time, including the time of acceptance of the offer, but by no later than 30 June 2007.

The terms of the agreement also include particular provisions in relation to:

* dealing in, or encumbering, any of the shares;
* payment of the balance of the purchase price, or transfer of the shares to the Bank, prior to final payment date;
* cessation of the employment of the Managing Director prior to final payment date; and
* determination, and treatment of, the amount arising if the offer shares are transferred to, or sold by, the Bank under the agreement.

The deferred payment arrangement was taken into account as part of the Managing Director's remumeration arrangements. Details in respect to the benefit arising from the deferred payment arrangement have been disclosed in the Remuneration Report, which forms part of the Director's Report.

(f) Other transactions of directors and director related entities (continued)

K E Roache as partner of the legal firm Coulter Roache has provided legal services to Bendigo Bank Ltd. by way of mortgage document preparation based on normal commercial terms and conditions. Amount paid or payable during the year totalled $46,600 (2004: $58,700). The firm also leased its office premises from Bendigo Bank under a formal lease arrangement which ceased in June 2005. The lease arrangement was determined on the basis of prevailing market terms and conditions. The transactions are approved by relevant group management under Board approved expenditure authorisations.

R N Johanson is a director of the Grant Samuel Group, which provided consulting services to Bendigo Bank Ltd. based on normal commercial terms and conditions. The services are provided in accordance with scheduled fee rates, which were discussed and appoved by the full Board, in the absence of Mr Johanson. The amount paid or payable during the year totalled $462,528 (2004: $471,530).

During the year, a related entity of J L Dawson provided relocation services to Bendigo Bank Ltd., on normal terms and conditions. Amount paid or payable during the year totalled $26,852 (2004: $14,234). The transactions are approved by relevant group management under Board approved expenditure authorisations.

37 RISK MANAGEMENT

The management of risk is a critical function of the bank and an essential element of the bank's strategy. Risks are inherent in a bank's day to day operations with the success of a bank being reliant upon its ability to manage risk. The bank has a structured risk management framework linking its business strategies and operations to its risk management objectives. Further details in respect to the Group's risk management framework are available from the bank's website.

The board is ultimately responsible for the management of risks associated with the Group's activities. The board is assisted in fulfilling its responsibilties through the support of board and management committees. Specifically, the Board Risk, Board Credit and Board Audit Committees together with the Executive Committee, Credit Risk Committee and Asset Liability Management Committee are part of the support systems that provide information on risk management and practices to the board. Each of the Board committees have formal charters including roles and responsibilities and have delegated authority to determine risk management strategies appropriate to the bank's operation, which take into account the group's business strategies, risk appetite and management expertise. An approved risk framework together with policies and delegations govern the bank's operations and decision making.

The bank's risk strategy is executed by dedicated risk management functions with responsibilities for all aspects of risk, most notably credit risk and operational risk including regulatory compliance as well as interest rate, liquidity and currency risk. The risk management function monitors and guides the business through the provision of policies and procedures and reports on risk management to both the business and board.

Credit Risk

Credit risk is the risk of financial loss due to a customer or counterparty failing to meet their contractual obligations, primarily from lending activities.
The bank's Group Risk division and Credit Risk and Board Credit Committees are responsible for monitoring the bank's business unit adherence to credit policies, processes and procedures which include the risk concentration of assets on an industry and geographic basis.
In accordance with the bank's credit policy framework the board has delegated levels of approval authorities to enable acceptance of risk within the bank's risk appetite.
A standard risk grading methodology is applied to assess, measure and report the quality of lending assets.
The maximum credit risk exposure at balance date is the outstanding value of those assets and does not include the value of any security held.

Operational Risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes business disruption, fraud, legal and regulatory compliance risk.
Group Risk through the Operational Risk Unit is responsible for establishing, overseeing and supporting the bank's operational risk management framework.
The unit assists the business in implementing the operational risk and regulatory compliance frameworks, monitors operational risk management processes and loss events. Reports on operational risk issues, business continuity and developments are provided to the Executive and to the Board Risk Committee.
Each of the banks' business units remain responsible for managing risk in their areas on a day to day basis.

Liquidity Risk

Liquidity risk is the inability to access funds, both anticipated and unforeseen, which may lead to the bank being unable to meet its obligations in an orderly manner as they arise or forgoing investment opportunities.
Group Strategic Finance is responsible for implementing liquidity risk management strategies in accordance with approved policies and adherence is monitored by the Asset Liability Management Committee and Board Risk Committee. Liquidity scenarios are calculated under stressed and normal operating conditions to assist in anticipating cash flow needs and providing adequate reserves.
This includes maintaining prudent levels of liquid reserves and a diverse range of funding options to meet daily, short-term and long-term liquidity requirements.

Interest Rate Risk

Interest rate risk is the risk of loss of earnings to the bank due to adverse movements in interest rates. As part of the bank's activities we strive to meet customers demands for products with various interest rate structures and maturities. This arises in mismatches in the repricing dates, cash flows and other characteristics of assets and liabilities which become sensitive to interest rate movements. Interest rate risk is managed through the bank's Balance Sheet Management unit using gap analysis and simulation modelling techniques. The objective is to enhance earnings performance of the bank by minimising the fluctuations in net interest income and market value that may occur over time as a result of adverse changes in interest rates. Managing interest rate risk may involve specific actions to vary the physical term or structure of the various portfolios, or the use of derivative financial instruments, including rate swaps, futures and options. Monitoring of adherence to policies, limits and procedures is controlled through the Asset Liability Management Committee and the Board Risk Committee.

Currency Risk

Currency risk is the risk of loss of earnings to the bank due to adverse movements in exchange rates.
Currency risk of the bank arises from foreign currency wholesale funding activities and customer related foreign exchange transactions. It is the policy of the bank to hedge foreign currency wholesale funding and to manage its exposure in relation to customer related foreign exchange transactions within approved limits and policy requirements. Group Strategic Finance is responsible for managing currency risk under the supervision of the Asset Liability Management Committee and Board Risk Committee.

Concentrations of Risk

There are no significant concentrations of risk other than those disclosed in this financial report.

38 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are principally entered into for the purpose of managing interest rate and foreign exchange risk. This may include hedging exposures arising from anticipated future transactions. Derivative financial instruments may be entered into for trading purposes in limited circumstances. Contracts entered into for this purpose are clearly identified as such and reported separately from transactions entered into for hedging purposes.

As at the end of the year the derivative financial instruments existing were interest rate swaps, cross currency swaps, interest rate options and foreign exchange contracts. The notional amounts of derivatives represent the contract or face values of these derivatives. The notional amounts do not represent the amounts exchanged by the parties (except in the case of foreign currency transactions). The amounts to be exchanged will be calculated with reference to the notional amounts and the other terms of the derivatives, which relate to interest rates, exchange rates or other financial indicies.
Credit exposures represent the extent of credit-related losses that the bank may be subject to on these amounts to be exchanged under the derivative financial instruments, and hence the notional amounts are not a measure of this exposure.

The remaining terms and notional principal amounts of the economic entity's outstanding interest rate, foreign exchange contracts and currency swaps at 30 June were:	2005 $m	2004 $m
not later than one year	918.5	638.6
later than one year but not later than five years	2,549.2	2,168.7
later than five years	6.1	20.2
	3,473.8	2,827.5

The credit equivalent amount records the estimated potential cost to the bank of replacing the cash flow under a contract in the event of counterparty default. The credit equivalent amount is calculated in accordance with the risk weighted capital adequacy guidelines of the Australian Prudential Regulation Authority. The fair value of the derivative financial instruments represents the positive or negative cash flows which would have occurred if the rights and obligations arising from the contracts were terminated in an orderly manner at the reporting date. The fair value at the reporting date gives no indication of the fair value at any future point in time. Fair values were determined from quoted market prices. Note that all derivative financial instruments were entered into to hedge either interest rate or foreign exchange exposures.

	Notional Amount		Credit Equivalent Amount		Fair Value	
	2005 $m	2004 $m	2005 $m	2004 $m	2005 $m	2004 $m
Interest rate swaps	2,715.7	2,320.0	12.2	12.9	(11.4)	(0.9)
Options/Floors	-	-	-	-	-	-
Cross currency swaps	717.2	464.4	27.3	20.7	(75.8)	(43.5)
Foreign exchange contracts	40.9	43.1	0.7	0.7	0.2	0.1
	3,473.8	2,827.5	40.2	34.3	(87.0)	(44.3)

The fair value of foreign exchange contracts and cross currency swaps is recognised in the accounts of the economic entity. Interest rate swaps are carried in the accounts at the net interest obligation or receipt accrued on the portfolio. Realised or unrealised gains or losses on these derivative instruments are recognised as described in Note 1.21.

39 FINANCIAL INSTRUMENTS

a. Terms, conditions and accounting policies

The economic entity's accounting policies, including terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Recognised Financial Instruments	**Statement of Financial Position Notes**	**Accounting Policies**	**Terms and Conditions**
Financial assets			
Notes, coin and cash at bank	8	Notes, coin and cash at bank are stated at cost and any interest is taken up as income on an accrual basis	These items are cash or are readily convertible to cash.
Due from other financial institutions	8	Amounts due from other financial institutions are stated at cost.	These amounts relate to inter-bank settlement processes and are generally paid within 2 working days. No interest accrues to these amounts.
Bank accepted bills of exchange	9	Bank accepted bills of exchange are stated at cost adjusted for accrued interest and premium or discount amortisation. Premiums and discounts are amortised from the date of purchase so that the securities will be recorded at face value on maturity and the appropriately proportioned premiums and discounts are allowed for each month in profit.	Bills of exchange and promissory notes held have an average maturity of 33 days with an effective interest rate of 5.65%.
Negotiable certificates of deposit	9	Negotiable certificates of deposit are stated at cost adjusted for accrued interest and premium or discount amortisation. Premiums and discounts are amortised from the date of purchase so that the securities will be recorded at face value on maturity and the appropriately proportioned premiums and discounts are allowed for each month in profit.	Negotiable certificates of deposit held have an average maturity of 43 days with effective interest rates of 5.61% to 6.00%.
Government securities	9	Government securities are stated at cost adjusted for accrued interest and premium or discount amortisation. Premiums and discounts are amortised from the date of purchase so that the securities will be recorded at face value on maturity and the appropriately proportioned premiums and discounts are allowed for each month in profit.	Government securities held have an average maturity of 21 days with effective interest rates of 5.36% to 5.69%
Investment Securities - all other	9	Deposits with banks and other parties are stated at cost. Interest is recognised in profit on an accrual basis.	Deposits made have an average maturity of 792 days with effective interest rates of 5.58% to 6.13%.
Overdrafts	10	Overdrafts are stated at cost. Interest is recognised in profit on an accrual basis.	Overdraft facilities are made available to customers on a secured or unsecured basis and are withdrawable by the bank. Effective interest rates range from 6.95% to 12.90% and interest is charged on a monthly basis. Casual overdrafts incur an additional 6.00% overlimit rate.

39 FINANCIAL INSTRUMENTS (continued)

a. Terms, conditions and accounting policies (continued)

Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
Financial assets			
Credit cards	10	Credit card outstandings are stated at cost. Interest is recognised in profit on an accrual basis.	Credit card facilities are made available to customers on an unsecured basis. Customers can choose between various products, offering the option of "interest-free" days, no "interest free" days and various interest rates. Interest is charged on a monthly basis with effective interest rates ranging from 13.65% to 16.65%.
Term loans	10	Mortgage and personal loans are stated at cost. Interest is recognised in profit on an accrual basis for mortgage loans and on an interest earned basis for personal loans.	Mortgage loans are offered to customers as a variety of products, all being secured by mortgage security. Products offer variable or fixed interest rates, short and long-term payment periods, with or without monthly fees. Interest is charged on a monthly basis with effective interest rates ranging from the bank's cost of funds to 8.55%. Personal loans are offered on a secured or unsecured basis with terms ranging from 1 to 7 years. Interest is fixed and charged on a monthly in arrears basis ranging from 10.50% to 11.95%.
Equipment Finance	10	The lease asset is accounted for in accordance with AASB 1008	As at balance date, the economic entity has equipment finance transactions with terms of 1 to 5 years. The average earning rate implicit in the transactions is 7.56%. All transactions are secured by the asset that is subject to the transaction.
Factoring Receivables	10	Factoring receivables outstandings are stated at cost. Fee income is recognised in profit on an accruals basis. Interest is recognised on an interest earned basis on funds employed.	Factoring Receivables are offered to customers as a variety of products by assignment of book debts. Products offered are full service, partnership and confidential debtor finance. Some of these are combinations of fixed fees and daily interest on funds employed, others are fees per day based on a set fee. On average these are revolving facilities with debt term on average between 30 and 50 days.
Other loans	10	Other loans are stated at cost. Interest is recognised on an accrual basis.	These loans are generally short-term and are normally settled within 30 days.
Accrued interest	10	Accrued interest is stated at cost. Interest is accrued on a daily basis.	Accrued interest on loans is normally charged to the loan accounts in the month following accrual.
Other Share investments	12	Listed and unlisted shares are carried at deemed cost. Dividend income is recognised when dividends are declared by the investee.	All shares held are ordinary shares attracting dividends as declared by the investee company.
Units in trusts	12	Units in trusts are carried at deemed cost. Distribution income is recognised when distributions are declared by the investee.	All units held attract dividends as declared by the investee trust.
Accrued income	16	Accrued income is stated at cost. Income is accrued as earned.	Accrued income is normally received or charged to customer accounts in the month following accrual.
Reserve fund	16	The Reserve fund comprises at call investments and managed fund investments which are carried at cost and land and buildings at Directors valuation. Interest on at call investments is recognised in the statement of financial performance on an accrual basis. Income on managed fund investments is recognised on a cash basis.	The Reserve fund is required to be maintained under the Trustee Companies Act 1984 for Sandhurst Trustees Limited, to provide for the event of the appointment of a liquidator, a receiver and manager or an administrator of a trustee company. The at call investments attract interest at an effective average rate of 5.51%. Managed fund investments attract an effective yield of 3.77%. Land and buildings are based on an independent valuation as at 30 June 2004.
Sundry debtors	16	Sundry debtors are carried at cost.	These loans are generally short-term and are normally settled within 30 days.

39 FINANCIAL INSTRUMENTS (continued)

a. Terms, conditions and accounting policies (continued)

Recognised Financial Instruments	**Statement of Financial Position Notes**	**Accounting Policies**	**Terms and Conditions**
Financial liabilities			
Due to other financial institutions	8	Amounts due to other financial institutions are stated at cost.	These amounts relate to inter-bank settlement processes and are generally paid within 2 working days. No interest accrues to these amounts.
Deposits-retail Branch network	17	Retail deposits - branch network are carried at the principal amount plus accrued interest. Interest is charged to profit on an accrual basis.	Retail deposits - branch network consist of a variety of investor products on an at call or term deposit basis. Interest is payable monthly, quarterly, half-yearly or at maturity of the deposit, depending on the product features. Certain transactions attract fees, which are generally charged on a monthly basis - these fees can be reduced, or eliminated, depending on the number and value of "relationships" the customer has with the economic entity. Carded interest rates range from 0% to 5.70%.
Deposits-retail Treasury sourced-Certificates of deposit	17	Certificates of deposit are stated at cost adjusted for discount amortisation. Discounts are amortised from the date of issue so that the securities will be recorded at face value on maturity and the appropriately proportioned discounts are allowed for each month in profit.	Certificates of deposit issued have an average maturity of 48 days with effective interest rates of 5.00% to 6.18%.
Deposits-retail Treasury sourced-Other	17	Treasury sourced-other deposits include term deposits, fixed and floating rate notes and 11am call deposits and are stated at the principal amount plus accrued interest. Interest is charged to profit on an accrual basis.	Treasury sourced-other deposits for fixed terms have an average maturity of 387 days. 11am call monies are available at call. Interest rates on these deposits range from 4.06% to 7.29%
Deposits-wholesale Domestic-Certificates of deposit	17	Certificates of deposit are stated at cost adjusted for discount amortisation. Discounts are amortised from the date of issue so that the securities will be recorded at face value on maturity and the appropriately proportioned discounts are allowed for each month in profit.	Certificates of deposit have an average maturity of 78 days with effective interest rates of 5.55% to 5.98%.
Deposits-wholesale Domestic-Other	17	Wholesale domestic-other deposits include term deposits, floating rate notes, bills payable and 11am call deposits and are stated at the principal amount plus accrued interest. Interest is charged to profit on an accrual basis.	Wholesale domestic-other deposits for fixed terms have an average maturity of 326 days. 11am call monies are available at call. Interest rates on these deposits range from 5.25% to 6.60%
Deposits-wholesale Offshore	17	Wholesale offshore deposits comprise a Euro medium term note program (EMTN) and a Euro commercial paper program (ECP). The EMTN and ECP are stated at the AUD value inherent in relevant cross currency swaps, adjusted for accrued interest. Interest is charged to profit on an accrual basis. The ECP's are stated at the AUD cost adjusted for discount amortisation. Discounts are amortised from the date of issue so that the securities will be recorded at fair value on maturity and the appropriately proportioned discounts are allowed for each month of profit.	At balance date, the principal of borrowings under the EMTN program was AUD 717.162 million, taking account of the conversion inherent in the cross currency swaps. The average interest rate is BBSW +.4480% and rates are reset on a quarterly basis. The notes on issue mature 2 August 2005, 26 March 2007, 10 September 2007 and 1 April 2008. ECP's on issue have an average maturity of 136 days with an effective interest rates of 5.51% to 5.89%.

39 FINANCIAL INSTRUMENTS (continued)

a. Terms, conditions and accounting policies (continued)

Recognised Financial Instruments	**Statement of Financial Position Notes**	**Accounting Policies**	**Terms and Conditions**
Financial liabilities			
Subordinated capital notes	20	Subordinated capital notes are carried at issue price, which represents the principal amount. Interest is charged as an expense on an accrual basis.	Subordinated capital notes have an average maturity of 8 years with effective interest rates of 6.43% to 7.75%.
Rollover Notes - Series 1	20	Rollover Notes are carried at issue price, which represents the principal amount. Interest is charged as an expense on an accrual basis.	Rollover Notes-Series 1 were issued on 19 October 2001. The maturity date is 19 October 2011 and interest is either floating, at the 180 bank bill rate plus a margin of 1.50% p.a., or fixed and floating. The fixed rate of 7.00% p.a. applies until 19 October 2006, when these notes revert to the floating rate as previously described.
Sundry creditors	18	Liabilities are recognised for amounts to be paid in the future for goods and services received.	Trade creditors are normally settled on 30 day terms, or in accordance with agreement with individual creditors.
Accrued expenses and outstanding claims	18	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity.	Trade creditors are normally settled on 30 day terms, or in accordance with agreement with individual creditors, once billed.
Provision for Dividend	6	Dividends payable are recognised when the dividend is declared, determined or publicly recommended.	Dividends payable represents the residue balances carried forward relating to participants in the dividend reinvestment plan. The extent to which dividends are franked, details of the franking account balance at balance date and franking credits available for the subsequent financial year are disclosed in Note 6.
Equity			
Ordinary shares	21	Ordinary share capital is recognised at the fair value of the consideration received by the company.	Details of shares issued are set out in Note 21.
Preference shares	21	Preference share capital is recognised at the value of the consideration received by the company less costs of issue.	Details of shares issued are set out in Note 21.
Unrecognised Financial Instruments			
Derivatives			
Interest rate swaps	38	Interest rate swaps are used to convert variable interest rates to fixed interest rates, or vice versa. The swaps are entered into with the objective of reducing the risk of interest rate fluctuations relating to the statement of financial position. It is the company's policy not to recognise interest rate swaps in the financial statements. Net receipts and payments are recognised on an accrual basis as an adjustment to interest income.	At balance date, the economic entity had a number of interest rate swap agreements in place for varying maturity dates, generally on 90 day repricing arrangements. Details of swaps in place are disclosed in Note 38.

39 FINANCIAL INSTRUMENTS (continued)

a. Terms, conditions and accounting policies (continued)

Unrecognised Financial Instruments	**Statement of Financial Position Notes**	**Accounting Policies**	**Terms and Conditions**
Derivatives			
Options	38	Options are utilised in the management of balance sheet risk. The options are entered into with the objective of reducing the impact of interest rate fluctuations. It is the company's policy not to recognise options in the financial statements. Any net receipts or payments are recognised on an accrual basis as an adjustment to interest income. Premiums are amortised over the term of the instrument.	At balance date the economic entity had no options contracts in place.
Cross currency swaps	38	Cross currency swaps are used to convert funding sourced in foreign currencies to Australian dollars, which removes the exposure to foreign exchange risk. Additionally, these swaps also convert the benchmark rates for funding costs from the foreign country benchmark to the Australian benchmark, being BBSW.	At balance date, the economic entity had entered into cross currency swap agreements to hedge the US$490 million issue under the Euro medium term note program which matures on 2 August 2005, 26 March 2007,10 September 2007 and 1 April 2008; generally on 90 day repricing agreements. Details of swaps in place are disclosed in Note 38.
Foreign exchange contracts	38	Spot and forward foreign exchange contracts are used to fix an exchange rate for a range of future foreign currency transactions. These contracts are generally used to remove the exposure to foreign exchange risk in relation to future transactions in foreign currencies.	At balance date, the economic entity had a number of foreign exchange contracts in place for varying maturity dates, the majority of which mature within 184 days. Details of foreign exchange contracts are disclosed in Note 38.
Futures contracts	38	Occasionally, Bond and Bill futures are used to hedge interest rate exposures on various securities. Initial margins, mark-to-market adjustments and realised profits are recognised on an accrual basis.	At balance date, the economic entity had no futures contracts.

39 FINANCIAL INSTRUMENTS (continued)

b. Interest rate risk

The economic entity's exposure to interest rate risks of financial assets and liabilities, both recognised and unrecognised at the balance date are disclosed in the following table.

Sensitivity to interest rates arises from mismatches in the period to repricing of assets and liabilities. These mismatches are managed as part of the overall asset and liability management process.

AS AT 30 JUNE 2005	Floating interest rate	Fixed interest rate repricing : Less than 3 months	Between 3 months & 6 months	Between 6 months & 12 months	Between 1 year & 5 years	After 5 years	Non-interest bearing	Total carrying value per Statement of financial position	Weighted average effective interest rate
	$m	$m	$m	$m	$m	$m	$m	$m	%
Assets									
Cash and liquid assets	43.6	-	-	-	-	-	91.6	135.2	1.88
Due from other financial institutions	-	-	-	-	-	-	188.9	188.9	-
Investment securities	3.5	1,191.0	318.2	29.0	-	-	-	1,541.7	5.65
Loans and other receivables	6,640.1	1,199.2	386.4	409.0	2,291.6	11.9	-	10,938.2	7.35
Other assets	-	-	-	-	-	-	458.1	458.1	-
Total assets	6,687.2	2,390.2	704.6	438.0	2,291.6	11.9	738.6	13,262.1	-
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	143.3	143.3	-
Deposits	4,682.5	3,293.4	2,790.7	1,038.2	54.8	-	98.6	11,958.2	4.40
Other liabilities	-	-	-	-	-	-	149.4	149.4	-
Subordinated debt	-	152.3	99.0	-	10.8	-	-	262.1	6.91
Total liabilities	4,682.5	3,445.7	2,889.7	1,038.2	65.6	-	391.3	12,513.0	-
Equity							749.1	749.1	-
Off-balance sheet items affecting interest rate sensitivity	-	1,259.8	537.1	(177.2)	(1,616.1)	(3.6)	-	-	-
INTEREST SENSITIVITY GAP									
- NET	2,004.7	204.3	(1,648.0)	(777.4)	609.9	8.3	(401.8)	0.0	-
- CUMULATIVE	2,004.7	2,209.0	561.0	(216.4)	393.5	401.8	(0.0)	0.0	-

AS AT 30 JUNE 2004	Floating interest rate	Fixed interest rate repricing : Less than 3 months	Between 3 months & 6 months	Between 6 months & 12 months	Between 1 year & 5 years	After 5 years	Non-interest bearing	Total carrying value per Statement of financial position	Weighted average effective interest rate
	$m	$m	$m	$m	$m	$m	$m	$m	%
Assets									
Cash and liquid assets	61.3	-	-	-	-	-	96.2	157.5	1.95
Due from other financial institutions	-	-	-	-	-	-	157.6	157.6	-
Investment securities	6.5	877.5	266.5	69.7	-	-	-	1,220.2	5.55
Loans and other receivables	5,466.6	1,020.8	454.6	620.1	1,828.3	36.2	(54.0)	9,372.6	7.17
Other assets	-	-	-	-	-	-	376.6	376.6	-
Total assets	5,534.4	1,898.3	721.1	689.8	1,828.3	36.2	576.4	11,284.5	-
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	128.9	128.9	-
Deposits	4,044.1	3,104.0	2,041.4	824.4	80.3	0.1	54.6	10,148.9	4.17
Other liabilities	-	-	-	-	-	-	131.0	131.0	-
Subordinated debt	-	81.0	91.0	-	27.3	-	-	199.3	7.03
Total liabilities	4,044.1	3,185.0	2,132.4	824.4	107.6	0.1	314.5	10,608.1	-
Equity							676.4	676.4	-
Off-balance sheet items affecting interest rate sensitivity	-	1,593.1	532.4	(195.6)	(1,915.5)	(14.4)	-	-	-
INTEREST SENSITIVITY GAP									
- NET	1,490.3	306.4	(878.9)	(330.2)	(194.8)	21.7	(414.5)	0.0	-
- CUMULATIVE	1,490.3	1,796.7	917.8	587.6	392.8	414.5	0.0	0.0	-

40 NET FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosed below is the estimated net fair value of the economic entity's financial instruments presented in accordance with the requirements of AASB 1033 "Presentation and Disclosure of Financial Instruments".

A financial instrument is defined by AASB 1033 as any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. A financial liability is a contractual obligation either to deliver cash or another financial asset to another entity, or, to exchange financial instruments with another entity under conditions that are potentially unfavourable.

Although management has employed its best judgement in the estimation of fair values, there is inevitably an element of subjectivity involved in the calculations. This is particularly so in the case of those financial instruments which are non-performing or which, like the majority of the economic entity's financial assets and liabilities, have a thin or non-existent market. Similarly, the fair values ascribed take no account of intangible, franchise and relationship benefits which are integral to a full assessment of the economic entity's financial position and the value of its net assets. Therefore, the fair value estimates presented below are not necessarily indicative of the amount the economic entity could have realised in a sales transaction at balance date.

Methodologies

The methodologies and assumptions used depend on the terms and risk characteristics of the various instruments and include the following:

On-balance sheet

Cash and short-term liquid assets, due to and from other financial institutions

The carrying values of certain on-balance sheet financial instruments approximate fair values. These include cash and short-term liquid assets, due to and from other financial institutions and accrued interest receivable or payable. These instruments are short-term in nature and the related amounts approximate fair value and are receivable or payable on demand.

Investment and trading securities

The fair value of investment securities, including bills of exchange, negotiable certificates of deposit, government securities and bank and other deposits, which are predominantly short-term, is measured at amortised book value. The fair value of trading securities is based on quoted market prices at balance date.

Loans and other receivables

The carrying value of loans and other receivables is net of general and specific provisions for doubtful debts.

For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of fair value. The net fair value for fixed loans was calculated by utilizing discounted cash flow models (ie the net present value of the portfolio future principal and interest cash flows), based on the maturity of the loans. The discount rates applied were based on the current benchmark rate offered for the average remaining term of the portfolio plus an add-on of the average credit margin of the existing portfolio, where appropriate.

The net fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

Other Share Investments

The fair value of other share investments was based on market value for listed share investments and carrying values for unlisted share investments.

Other assets

This category includes items such as sundry debtors, which are short-term by nature and the carrying amount is therefore a reasonable estimate of fair value.

Deposits

The fair value of call, variable rate and fixed rate deposits repricing within six months is the carrying value at balance date. The fair value of other term deposits was calculated using discounted cash flow models, based on the deposit type and its related maturity.

Subordinated debt and other debt

The fair value of subordinated debt was calculated based on quoted market prices, where applicable. For those debt issues where quoted market prices were not available, a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instrument was used.

Other liabilities

This category includes items such as sundry creditors which are short-term by nature and the carrying amount is therefore a reasonable estimate of fair value.

Off-balance sheet

Exchange rate and interest-rate contracts

The fair value of exchange-rate and interest-rate contracts, used for hedging purposes, is the estimated amount the Group would receive or pay to terminate the contracts at reporting date. The fair value of these instruments are disclosed in Note 38.

40 NET FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Summary

The following table provides comparison of carrying and net fair values for each item discussed above, where applicable:

	Carrying value		Net fair value	
	2005	2004	2005	2004
	$m	$m	$m	$m
Financial Assets				
Cash and liquid assets	135.2	157.5	135.2	157.5
Due from other financial institutions	188.9	157.6	188.9	157.6
Investment securities	1,541.7	1,220.2	1,541.7	1,174.3
Loans and other receivables	10,938.2	9,372.6	11,225.2	9,644.8
Shares-IOOF Holdings Ltd.	15.8	12.0	35.5	12.0
Shares-Select Managed Funds Ltd	14.9	-	16.4	-
Shares-other	11.8	15.3	16.2	15.8
Investments accounted for using the equity method	118.2	101.1	118.2	101.1
Other assets	160.4	127.9	160.4	127.9
Financial Liabilities				
Deposits	11,958.2	10,148.9	11,753.3	10,167.0
Due to other financial institutions	143.3	128.9	143.3	128.9
Subordinated debt	262.1	199.3	253.4	190.6
Payables	106.2	88.7	106.2	88.7

41 FIDUCIARY ACTIVITIES

The economic entity conducts investment management and other fiduciary activities as trustee, custodian or manager for a number of funds and trusts, including superannuation and approved deposit funds, unit trusts and mortgage pools. The amounts of the funds concerned, which are not included in the economic entity's statement of financial position are as follows:

	Consolidated	
	2005	2004
	$m	$m
Funds under trusteeship	3,289.7	2,923.1
Assets under management	2,356.7	2,249.8
Funds under management	977.8	769.7

As an obligation arises under each type of duty the amount of funds has been included where that duty arises. This may lead to the same funds being shown more than once where the economic entity acts in more than one capacity in relation to those funds eg manager and trustee. Where controlled entities, as trustees, incur liabilities in respect of these activities, a right of indemnity exists against the assets of the applicable trusts. As these assets are sufficient to cover liabilities, and it is therefore not probable that the Group companies will be required to settle them, the liabilities are not included in the financial statements. Bendigo Bank does not guarantee the performance or obligations of its subsidiaries.

42 EVENTS SUBSEQUENT TO BALANCE DATE

On 15 August 2005 the Bank declared a final dividend, details of which are disclosed in Note 6.

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 included in disclosures at Note 31.

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.

43 ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Bendigo Bank Limited is in the process of transitioning accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006.

The company and the economic entity are required to prepare financial statements using 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 Instuments: 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.

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

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.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact of changes.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) onging work being carried out on the AIFRS project; (b) potential amendments to AIFRSs and Interpretations being issued by the standard-setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

Key areas of the bank's accounting policies, and therefore reported performance and position that are likely to be affected by the adoption of AIFRS are:

Goodwill
Initial impact on retained earnings at 1 July 2004
Lower expenses
Volatility in results in the event of impairment

There will no longer be a requirement to amortise goodwill arising in a business combination.
Goodwill is instead subject to impairment testing at least annually, using new methodology. This change may result in increased volatility of future earnings where impairment losses may occur.
The new testing methodology will result in assessment of impairment for some existing goodwill and require initial write down against retained earnings on transition to AIFRS for amounts that do not meet the recognition criteria under the standard.

Impact on profit and loss:
Cessation of amortisation of goodwill will reduce future expense and therefore increase pre-tax profit by approximately $4 million.

Impact on balance sheet:
Transition adjustments against retained earnings for impairment write-downs are estimated at $2 million.

Financial instruments
Volatility in future earnings or equity for those instruments that are to be measured at fair value

Financial instruments will be required to be classified into five categories, which will determine the accounting treatment of the item. This will result in a change to the current accounting policy that does not classify financial instruments into these categories. Some instruments currently carried at amortised cost will in future be carried at fair value, with fair value changes either charged to profit and loss or taken to equity, depending on their classification.
These changes do not require comparatives for the 2004/05 financial year.

Impact on profit and loss:
It is not possible to accurately estimate the future impact of these changes on results, but we believe they are not likely to be material.

Impact on balance sheet:
Approximately $300 million of our investment portfolio will be designated as available-for-sale under AIFRS and measured at fair value, with movements in fair value reflected in equity. This porfolio will contain predominantly short-dated investments, thereby minimising the fair value adjustments.

Derivatives
Potential volatility in future earnings
Volatility in equity

All derivative contracts will be recorded in the financial statements of the economic entity and will be recorded at fair value. When derivatives meet the new criteria for recognition as a hedge, movements in fair value will be taken to equity. Derivatives not meeting the criteria will have such movements taken to profit and loss. Also, all hedges will require effectiveness testing, with any ineffectiveness taken to profit and loss. It is expected that the majority of our derivatives will meet the criteria for effective hedging.
The group predominantly uses cash flow hedges in respect of its interest rate risk hedging.
These changes do not require comparatives for the 2004/05 financial year.

Impact on profit and loss:
Hedge ineffectiveness will be recognised in the profit and loss, but it is not possible to accurately estimate the impact. Due to the nature of hedging activities undertaken by the group and the types of derivatives currently in the portfolio we anticipate that impacts will not be material.

Impact on balance sheet:
Recognition of our interest rate swap portfolio on balance sheet will increase assets by approximately $2 million, our liabilities by approximately $13 million and decrease equity by approximately $11 million. The revaluation of the underlying hedged instruments is expected to substantially offset this adjustment to equity.

43 ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Credit loss (loan) provisioning
Initial impact on retained earnings at 1 July 2005
Volatility in future earnings
Lower general provision

Specific provisioning

AIFRS adopts an approach known as "incurred losses" for credit loss provisioning and provides guidance on measurement of incurred losses. Provisions are raised for losses that have already been incurred for exposures that are known to be impaired. The estimated losses on these impaired exposures are then discounted to their present value. As this discount unwinds, there is a resulting recognition of interest in the statement of financial performance during the period between recognition of impairment and recovery of the written down amount.
Smaller loans, such as consumer lending products, will not be individually assessed but impairment tested in portfolios based upon similar risk profiles using objective evidence, on the basis of historical loss experience.
Currently, the bank does not discount the cash flows associated with impaired loans when assessing potential losses, so it is anticipated that the level of provisioning will increase, thereby reducing reported profits.
These changes do not require comparatives for the 2004/05 financial year.

Impact on profit and loss:
Charges to profit for increases in specific provisions are likely to increase, due to the discounting of future cash flows. However, this is not likely to be a material impact.

Impact on balance sheet:
The transition adjustment to the balance of the specific provisions at 1 July 2005 will be approximately $0.5 million. This will be adjusted against retained earnings.

General provisions

Movements in general provisions created to comply with "local circumstances or legislation" are to be recognised as appropriations of retained earnings. This will have the effect of removing the impact on the profit and loss of the movements in general provision. The general provision will be re-categorised as a General Reserve for Credit Losses (GRCL) under AIFRS. These changes do not require comparatives for the 2004/05 financial year.

Impact on profit and loss:
Profit will increase as movements in the GRCL will be recognised as appropriations. This would have increased pre-tax profit by approximately $7 million in 2004/05. No allowance has been made for the possible impact of a collective impairment provision on the GRCL, as guidance on collective provisions is still being developed and relevant data is being collected and analysed.

Impact on balance sheet:
Re-categorisation of general provision to general reserve for credit losses.

Securitisation
New assets/liabilities recognised
Reclassification of income

Securitisations undertaken have been reviewed to ensure they meet the de-recognition requirements of AIFRS. Although the securitised loans meet de-recognition, we are required to consolidate the special purpose vehicles (SPVs) utilised for these programs. This will impact the disclosure of income from securitisation, but will not materially alter the profit included in group results. The assets and liabilities of the SPVs will be included in the consolidated balance sheet of our group.

Impact on profit and loss:
Income will be recognised predominantly as interest margin, other income and expenses, rather than as securitisation management fee income. No material change to results.

Impact on balance sheet:
Consolidation of the assets and liabilities of the SPVs will increase assets and liabilities by approximately $700 milllion at transition date 1 July 2004.

Intangible assets
Reclassification of software development

AIFRS requires any software type intangible asset to be assessed to determine if it is integral to a larger asset, and treated as property, plant and equipment, or whether it is a separate asset in its own right, and accounted for as an intangible asset.

Impact on profit and loss:
No profit and loss impact.

Impact on balance sheet:
Software capitalised as an asset of approximately $5 million is being reviewed to determine its appropriate classification.

Equity (share) investments
Possible volatility in equity

Equity (share) investments will change from being carried at deemed cost to fair value, with movements in fair value recognised in asset revaluation reserve.

Impact on profit and loss:
No impact on profit and loss.

Impact on balance sheet:
On transition 1 July 2005, the fair value adjustment will increase the carrying value of share investments and asset revaluation reserves by approximately $26 million.

43 ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Taxation New assets/liabilities recognised	A "balance sheet" approach will be adopted, replacing the "statement of financial performance" approach currently used in Australia. This method recognises deferred tax balances when there is a difference between the carrying value of an asset or liability, and its tax base. This will require the group to carry higher levels of deferred tax assets and liabilities, including a deferred tax liability in relation to the asset revaluation reserves. *Impact on profit and loss:* No material impact on results is anticipated from this change. *Impact on balance sheet:* Deferred tax liability in relation to asset revaluation reserves of approximately $8 million.
Revenue and expense recognition Reclassification of revenue and expense items	Under AIFRS, the group will change the way it currently recognises certain revenue and expense items. Any fee income integral to the yield of an originated financial instrument, net of any direct incremental costs, must be capitalised and deferred over the expected life of the instrument. This is similar to current treatment and is not expected to have a material impact on reported profit, but some re-classifications of revenue between fee income and interest income will occur. *Impact on profit and loss:* Loan origination fees amortisation to be reclassified from expense to interest margin. 2004/05 amortisation was $0.7 million, so reclassification will have minimal impact on interest rate margins. *Impact on balance sheet:* No impact on balance sheet.
Capital implications	The full implications for the group's capital adequacy are dependent on rules currently being developed by APRA, which have yet to be publicly released for industry consultation. APRA has stated that it will not make any IFRS-related changes to the existing prudential framework until it has completed relevant consultations and not before 1 July 2006 at the earliest. Existing prudential rules apply in the interim.

DIRECTORS' DECLARATION

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

1. In the opinion of the directors:

   (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and

      (ii) complying with Accounting Standards and Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

2. 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

Matters relating to the electronic presentation of the Audited Financial Report

This audit report relates to the financial report of Bendigo Bank Limited and Controlled Entities for the year ended 30 June 2005, included on Bendigo Bank Limited and Controlled Entities web site. The company's directors are responsible for the integrity of the Bendigo Bank Limited and Controlled Entities web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risk arising from electronic data communications they are advised to refer to the hardcopy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Scope

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Bendigo Bank Limited ("the Company") and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the Company and the entities it controlled during that year.

The Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Accounting Standard AASB 1046 "Director and Executives Disclosures by Disclosing Entities", under the heading "Remuneration Report" in pages 8 to 15 of the Directors' Report,as permitted by the Corporations Regulations 2001.

The directors of the Company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the Company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the Directors' Report.

Audit approach

We conducted an independent audit of the 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 financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 1046 "Director an Executive Disclosures by Disclosing Entities" 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 financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 1046 "Director and Executive Disclosures by Disclosing Entities" and the Corporations Regulations 2001.

We formed our audit opinion on the basis of these procedures, which included:

* examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and remuneration disclosures; and
* assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report and the remuneration disclosures. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the Company.

Independence

We are independent of the Company and the consolidated entity 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 a copy of which is included in the Directors' Report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

INDEPENDENT AUDIT REPORT (continued)

Audit Opinion

In our opinion:

1. the financial report of Bendigo Bank Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of Bendigo Bank Limited and the consolidated entity as at 30 June 2005 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

2. the remuneration disclosures that are contained in pages 8 to 15 of the Directors' Report comply with Accounting Standard AASB 1046 "Director and Executive Disclosures by Disclosing Entities" and the Corporations Regulations 2001.

Ernst & Young

Brett Kallio
Partner
Melbourne
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
Number of Holders	47,749	3,565	1,663
Securities on Issue	133,919,980	900,000	5,186,689

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	Percentage held of Listed Ordinary Capital
1	Westpac Custodian Nominees Limited	3,503,889	2.62%
2	J P Morgan Nominees Australia Limited	2,967,061	2.22%
3	Milton Corporation Limited	2,954,743	2.21%
4	Citicorp Nominees Pty Limited	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 Limited	1,235,954	0.92%
8	Cogent Nominees Pty Limited	1,158,733	0.87%
9	Choiseul Investments Limited	681,095	0.51%
10	Argo Investments Limited	591,940	0.44%
11	HSBC Custody Nominees (Australia) Limited - GSCO ECSA	488,079	0.36%
12	AMP Life Limited	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 Ltd (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%
		20,938,577	15.64%

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.

ADDITIONAL INFORMATION (continued)

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. Oataway.

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