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**THE BENDIGO SHAREHOLDER
FEBRUARY 2005**

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INSIDE THIS ISSUE

- p.2 2005 interim profit result
- p.3 Profit at a glance
- p.3 New capital initiatives
- p.4 Shareholder Privileges 2005

Interim profit 2005

EDITED VERSION OF THE ANNOUNCEMENT
TO THE AUSTRALIAN STOCK EXCHANGE ON
14 FEBRUARY 2005

Bendigo Bank has announced a 2004/05 interim operating profit after tax of \$42.8 million, a 24 per cent increase on the previous corresponding period.

Operating profit after income tax and before specific items – principally the sale of shares in IOOF Holdings – was \$38.9 million, an increase of 17 per cent.

Directors declared a two-cents-per-share increase in the interim dividend, to 19.0 cents fully franked. The dividend is payable on 31 March to shareholders registered at the close of trading on 16 March.

The bank also announced it was seeking APRA approval for capital management initiatives including the issue of Bendigo Preference Shares to raise around \$100 million in Tier 1 capital and an on-market buyback of up to five million shares (3.5 per cent of issued capital).

Chairman Richard Guy said the capital initiatives were aimed at improving shareholder returns in line with the substantial growth in the bank's bottom line.

"The interim result we announce today confirms that Bendigo Bank's retail banking expansion continues to produce excellent growth and profit improvement," Mr Guy said.

"We view the result as a solid achievement, reflecting the growing maturity of our branch and alliance network.

"The Bendigo brand has been welcomed across Australia, as reflected in our ability to raise deposits in every market in which we operate.

"Two-thirds of our branches are less than five-years-old and the biggest proportion of those are in States which were unfamiliar with Bendigo, so our growth is testament to the strength of our brand and our community engagement activities.

"We also continue to see growing contributions from our alliances such as Elders Rural Bank (ERB), Tasmanian Banking Services and Community Sector Bank. Again, their strength is their close connection with the discrete communities they serve.

"Whilst ERB provided only moderate improvement over the half, due to competitive pressure on interest margins, its business growth remains satisfactory and there are excellent prospects for increased contribution from ERB in years to come.

"Our funds management business is benefiting from our growing distribution network and is rapidly increasing its scale and contribution to profit.

"So what you are seeing is continued strong growth in revenues from right across our business.

"Our focus is on improving shareholder returns and we are today announcing capital initiatives that will further improve earnings per share and therefore shareholder returns."

Mr Guy announced a range of measures to be implemented immediately, subject to APRA approval:

- > The issue of hybrid Tier 1 Preference Shares to raise around \$100 million in capital to support business growth. Shareholders will receive a priority offer and enclosed with your newsletter is a registration card inviting you to request a prospectus. Details of the Preference Share will be contained in the prospectus which is expected to be lodged with ASIC in March. Customers may also be entitled to a preferential allocation depending on shareholder takeover. Inquiries should be directed to 1300 656 793.
- > An on-market buyback of up to five million shares.
- > A reduction from 8.0 per cent to 7.5 per cent in the bank's Tier 1 capital ratio target.
- > The immediate suspension of the 2.5 per cent discount on the issue of shares under the bank's Dividend Reinvestment and Bonus Share plans in order that those plans can continue to be offered.

Managing director Rob Hunt said the interim profit result affirmed that the bank's strategy was on track to deliver sustainable growth in shareholder returns.

"Lending and deposits continue to grow strongly as our relatively new branch and alliance networks gain traction. Those networks will continue to be expanded and we will maintain a considered investment program to capitalise on the strong demand for our style of banking."

Mr Hunt said the past six months produced some challenges relating to the cost of deposits given the bank's high concentration of retail deposits and rapid growth in assets.

"Our loan balances grew by 23 per cent over the calendar year and that growth had to be funded in a more competitive market for retail deposits. We never expected it would be possible to retain a 90 per cent retail funded position in that environment.

"The rebalancing of our funding mix saw our margins come under pressure and this meant that our strong growth was not reflected in equivalent improvement in shareholder returns. However, we are pleased with the overall performance given the environment in which we found ourselves.

"While margins have been under some pressure, our gross margin remains healthy. This is evidence that our strategy remains on track – to build relationships with our customers and their communities to secure more sustainable revenues, and to seek pricing that reflects the quality of our service and products. We have not achieved our growth rates by discounting and while we need to compete, we attract and retain customers with a particular service offer and retail focus.

"We are focused on continuing the progress of the business itself. We acknowledge that interest margins and our capital structure have impacted on shareholder returns and they are receiving additional management attention going forward."

Financial results

These results compare the six months to 31 December 2004 with the corresponding period in 2003.

	Dec.04 (\$million unless stated)	Dec.03	% change
Net interest income	137.8	122.9	12.1
Other operating income	88.7	73.4	20.8
Total net operating income	226.5	196.3	15.4
Total operating expenses	166.0	145.3	14.2
Profit before tax	60.5	51.0	18.6
Income tax expense`	(17.9)	(16.5)	8.5
Profit after tax	42.8	34.6	23.7
Earnings per share (cents)	30.5	26.9	13.4
Dividend (cents per share)	19.0	17.0	11.8
Total assets	12,399	10,210	21.4
Total Group managed assets	14,767	12,461	18.5
New lending approvals	2,987	3,098	(3.6)
General provision for doubtful debts to risk-weighted assets (net of FITB)	0.79%	0.79%	–
Group deposits	11,290	9,259	21.9



Chairman
Richard A. Guy OAM



Group Managing Director
Rob Hunt AM

Where our profit comes from

One of the key strengths of our business is its growing diversity.

The Bendigo Bank Group profit now incorporates contributions from our Retail Bank, our Community Bank network, our rapidly growing Wealth Solutions division, and our joint venture companies and alliances.

The following table shows how these businesses are all increasing their contribution to our profit.

	Dec.04 \$ mil.	Dec.03 \$ mil.	% increase
Retail Bank	23.2	21.6	7.4
Elders Rural Bank	5.6	5.5	1.8
Wealth Solutions	7.7	5.5	40.0
Community Bank	3.8	1.8	111.0

New-style share features in our capital plans

Bendigo Bank has reviewed its capital management and advised the Australian Stock Exchange of initiatives, subject to APRA approval, designed to improve shareholder returns.

Bendigo Preference Shares

The Company plans to issue a new type of security, called a Bendigo Bank Perpetual Step-Up Preference Share ("Bendigo Preference Share"). The issue aims to raise around \$100 million in capital to support business growth. Shareholders will receive a priority offer and the enclosed letter invites you to register to receive a prospectus that will contain full information about these new securities. Please note that this offer is not

available to shareholders residing outside Australia. The prospectus is expected to be lodged with ASIC in March. Customers may also be entitled to a preferential allocation depending on shareholder take-up.

> Share buyback

The Company has reduced its targeted minimum Tier 1 capital ratio from 8.0 per cent to 7.5 per cent. To help achieve this, it will undertake an on-market buyback of up to five million shares (3.5 per cent of shares on issue).

> A reduction from 8.0 per cent to 7.5 per cent in the bank's Tier 1 capital ratio target.

> Suspension of discount on share plans

The Bank wishes to continue to offer shareholders the chance to reinvest their dividends through its Dividend Reinvestment and Bonus Share plans. In order to do so, we have suspended the 2.5 per cent discount on the issue of shares under these plans.

Effective with the interim dividend payable on 31 March 2005, shares under the plans will be issued at the average closing price of Bendigo Bank shares traded on the ASX over the five trading days up to and including the Record Date. If you wish to change the form in which your dividend is paid, please contact our Share Registry on 1800 646 042 during Eastern States business hours.

The combination of these three initiatives gives you as a Shareholder maximum flexibility to tailor your investment in the Company to suit your circumstances.

From the Company's viewpoint, the initiatives enable us to modify our capital mix to ensure our continued growth feeds through to higher Earnings Per Share returns – and therefore improved shareholder dividends.

Welcome to the Bendigo Bank Shareholder Privileges for 2005

We are pleased to offer eligible Bendigo Bank Shareholders a variety of benefits on various Bendigo Bank Group products and services for 2005.

These Shareholder Privileges are available to personal customers holding 500 or more fully paid BBL shares, or companies holding 1500 or more fully paid BBL shares.

Your new card (which must be presented to redeem Privileges)

Please sign your enclosed Shareholder Privileges card immediately. You must present your card each time you redeem a privilege.

All of the following offers are valid from 1 January 2005 until 31 December 2005.

Terms and conditions for these offers are set out at the end of the following list of Shareholder Privileges.



Why no February e-newsletter?

This edition of The Bendigo Shareholder was posted out to all shareholders, including e-shareholders, so we could enclose the Shareholder Privileges card for eligible shareholders and ensure all shareholders had an opportunity to register to receive a Bendigo Preference Share prospectus.

PRIVILEGE 1

Shareholder Account

Offering eligible shareholders a convenient transaction account with great benefits.

You have the choice of a Bendigo Shareholder Passbook Account, a Bendigo Shareholder Everyday Account, or a Bendigo Shareholder Cheque Account. All accounts offer an attractive rate of interest on a daily basis, convenient access 24 hours a day 7 days a week and a transaction account rebate of \$10.00 per month.

Limited to one "Shareholder Account" per shareholder. The account must be in the name of a listed shareholder, except in the case of a company shareholding, in which case an account must be opened in a director's name.

PRIVILEGE 2

Special Term Deposit

> A 12 month term deposit which will earn higher interest at 0.25%p.a. above the Bank's 12 month Term Deposit rate with interest paid on maturity.

Minimum deposit \$5,000. Term Deposit rate applicable on date of redemption of this offer. The rate applicable is subject to change.

PRIVILEGE 3

Lending Products

> \$0 Loan Application Fees for:

Home Loans	Investment Loans
Commercial Loans	Personal Loans

Maximum value of loan application fee waiver is \$1000 per application.

> 0.25%p.a. discount on the standard variable and fixed interest rates for Margin Lending.

PRIVILEGE 4

Insurance

- > 10% discount on premium for House & Contents Insurance
- > 20% discount on premium for Travel Insurance
- > 5% discount on premium for Car Insurance
- > 10% discount on premium for Landlords Insurance

PRIVILEGE 5

Bendigo Bank Credit Card & Bendigo Rewards

- > 5% discount off the normal standard rate for the Bendigo Red Up to 44 Days Interest Free credit cards. Choices include building your holding through reinvesting dividends or selling some shares on the stock exchange to participate in the Bendigo Preference Share issue.¹
- > Plus 5000 Bonus Reward Points. If you successfully apply for a Bendigo Bank "Interest Free Days" Red credit card we'll kick start your points tally with a bonus 5000 points.

Annual fee of \$35 applies to the Bendigo Red Up to 44 Days Interest Free credit cards.

PRIVILEGE 6

Financial Services

- > Free initial Financial Consultation & Financial Plan prepared by a Bendigo Investment Services (BIS) Financial Adviser.
- > 10% rebate on your insurance premiums for the first year on all Life, Trauma, Income Protection, Business Overheads and Key Person Insurance policies arranged by a BIS Financial Adviser.*
- > 30% rebate on upfront commission payable to BIS where a Managed Investment Product(s) is purchased**. Eg:
 - a) Any retail managed Investment Product on the BIS approved products list
 - b) All Master Trusts where an initial fee is payable and selected by the shareholder

Please notify the BIS Financial Adviser of your shareholder status at time of booking the appointment in order to receive the above offers.

*Only applicable for face to face meeting with a BIS Financial Adviser.

**The discount is not applicable to cash/mortgage trust funds placed in the purchase of direct shares via the BIS service. Only applicable for face to face meeting with a BIS Financial Adviser.

Financial Planning services are provided by Bendigo Investment Services ABN 81 087 585 073, AFSL No. 237898, a subsidiary of Bendigo Bank, operating throughout Bendigo Bank branches in VIC, SA, QLD, NSW & WA.

PRIVILEGE 7

Travellers Cheques

- Travellers Cheques FREE of commission charges. A safe way of carrying funds overseas or within Australia. Available in the following currencies:

AUS | CAD | EUR | NZD | USA | UK

PRIVILEGE 8

Bank Draft & Telegraphic Transfers

- > 50% discount on Foreign Bank Draft and Telegraphic Transfers.

This discount applies only to the fee component charged by Bendigo Bank for issuing Bank Drafts & Telegraphic Transfers.

PRIVILEGE 9

Sandhurst Trustees

- > Sandhurst Trustees, a wholly owned subsidiary of Bendigo Bank would like to offer all shareholders:

10% off preparation cost of wills.

This Offer is restricted to VIC and NSW only and is provided by Sandhurst Trustees Wills & Estates Administration Service, Sandhurst Trustees, ABN 16 004 030 737, AFSL Number 237906, 18 View St, Bendigo, VIC 3550.

Terms & Conditions

The Shareholder Privileges package is available to:

- Personal customers holding 500 or more fully paid Bendigo Bank Limited shares
- Companies holding 1500 or more fully paid Bendigo Bank Limited shares

The listed privileges can be redeemed at most Bendigo Bank branches throughout Australia.

All of the offers listed in this brochure are valid until 31 December 2005.

If you would like further information please contact Customer Help on 1300 361 911.

The information in this booklet is provided by Bendigo Bank Limited ABN 11 068 049 178, Fountain Court, Bendigo Vic 3550. As the information in this booklet has been prepared without taking into account your objectives, financial situation or needs, before acting on the information, you should consider how appropriate it is having regard to your objectives, financial situation and needs.

You should obtain a copy of the relevant Product Disclosure Statement (PDS) and consider it before making a decision whether to acquire or continue to hold any of these products or use any of these services.

The Bendigo Shareholder Passbook Account, Bendigo Shareholder Everyday Account, Bendigo Shareholder Cheque Account, telegraphic transfers, travellers cheques and Bendigo Term Deposit accounts are issued by Bendigo Bank Limited, ABN 11 068 049 178, of Fountain Court, Bendigo Vic 3550. A PDS for each of these products and services is available from your nearest Bendigo Bank branch or online at www.bendigobank.com.au

BBL Insurance is a registered business name of Bendigo Bank Limited. House and Contents Insurance, Travel Insurance and Car Insurance are issued by CGU Insurance Limited ABN 27 004 478 371, of 485 Latrobe Street, Melbourne Vic 3000, an IAG Company. You can get a Product Disclosure Statement (PDS) for these products from any BBL Insurance office or CGU. Bendigo Bank Limited is authorised by CGU Insurance Limited to distribute its products. Bendigo Bank Limited receives a commission based on a proportion of your insurance premium. This is included in the amount that you pay for the product. More detailed information can be found in the Bendigo Bank Limited Financial Services Guide.

Financial planning services are provided by Bendigo Investment Services Limited, ABN 81 087 585 073 of 5th Floor, 410 Collins Street, Melbourne, Vic 3000, a subsidiary of Bendigo Bank Limited. The insurance products offered by Bendigo Investment Services are issued and underwritten by MLC, ABN 90 000 000 402 of 105-153 Miller Street, North Sydney, NSW 2060. AXA, ABN 72 004 020 437 of 447 Collins Street, Melbourne, Vic 3000, and AC&L, ABN 72 004 020 437, of Level 9, 383 Kent Street, Sydney, NSW 2000. A PDS for each of these products is available from each respective company or through a Bendigo Investment Services Financial Adviser. Bendigo Bank Limited is authorised by these companies to distribute their products and receives a commission based on a proportion of your insurance premium. This is included in the amount that you pay for the product. More detailed information can be found in the Bendigo Bank Limited Financial Services Guide.



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