Bendigo Bank

Annual Report 2007

www.bendigobank.com.au

Contents

Bendigo Bank Limited
ABN 11 068 049 178

Registered Head Office
The Bendigo Centre
PO Box 480
Bendigo, VIC
Australia, 3552

Telephone: (03) 5485 6444
Facsimile: (03) 5485 7668
Email: share.register@bendigobank.com.au

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

Customer/Shareholder inquiries

Customer Help Centre
(Head Office inquiries)
1300 361 911 (local call)
8.30am – 6.30pm
(Australian Eastern Standard Time/ Australian Eastern Daylight Time (AEST/AEDT))

Bendigo Bank OnCall
(Customer inquiries)
1300 366 666 (local call)
8.00am – 8.00pm weekdays
9.00am – 4.00pm Saturdays
10.00am – 4.00pm Sundays
(Australian Eastern Standard Time/ Australian Eastern Daylight Time (AEST/AEDT))

24-hour Phone Bank

1300 366 666 (local call)

24-hour e-banking

www.bendigobank.com.au

Website: www.bendigobank.com.au

Securities Registry: 1800 646 042

Financial Calendar

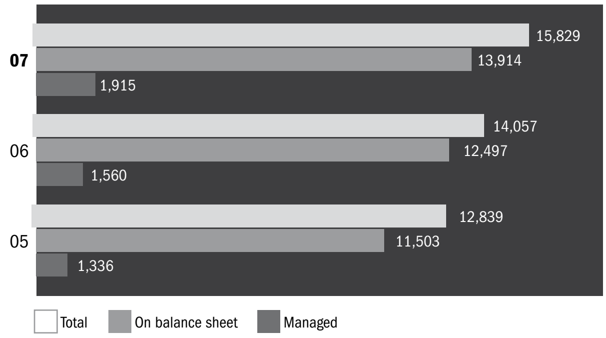
2007

27 August	Ex-dividend date
31 August	Final dividend record date
17 September	Bendigo Preference Share dividend
28 September	Distribution of final dividend
29 October	Annual General Meeting
17 December	Bendigo Preference Share dividend

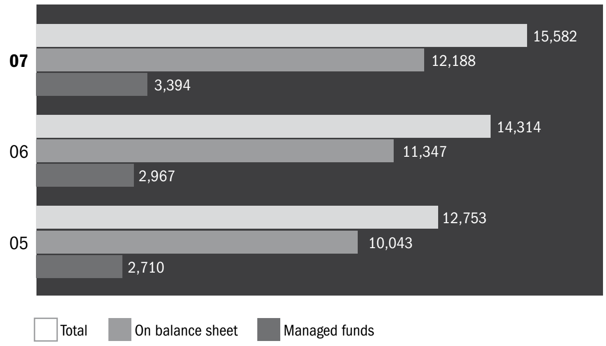
Proposed dates 2008

18 February	Announcement of interim results and interim dividend
25 February	Ex-dividend date
29 February	Interim dividend record date
17 March	Bendigo Preference Share dividend
31 March	Distribution of interim dividend
16 June	Bendigo Preference Share dividend
11 August	Announcement of final results and final dividend
27 August	Ex-dividend date
2 September	Final dividend record date
15 September	Bendigo Preference Share dividend
30 September	Distribution of final dividend
27 October	Annual General Meeting
15 December	Bendigo Preference Share dividend

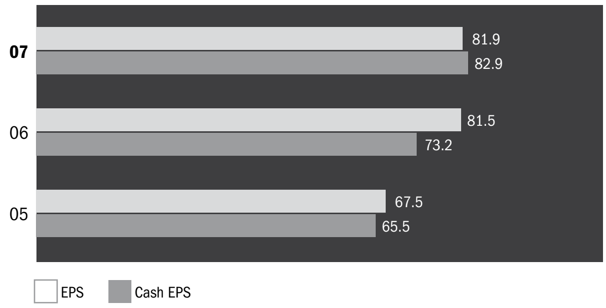
Group-managed loans ($mil)



Retail deposits and funds under management ($mil)

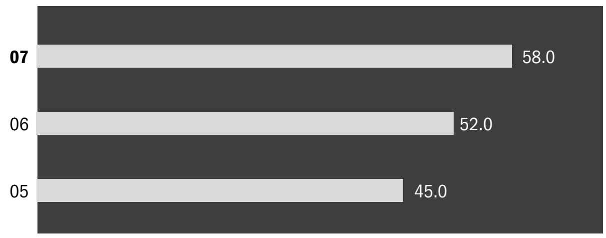


Earnings per share (EPS - cents)



Cash basis earnings ($mil)

Dividends (cents per share)



Report by Chairman and Managing Director

Bendigo Bank completed a successful 2007 financial year.

New customers and communities continue to join us. We opened 22 new branches, increased customer numbers by 77,000 and continued to lead the banking industry for customer satisfaction.

These factors contributed to an excellent financial performance.

A record profit and sixth consecutive year of double-digit earnings per share growth reaffirmed the earnings momentum generated by our customer and community focused strategy.

Cash earnings increased by 15.6 per cent, to $118.5 million, and we lifted total dividends to 58.0 cents per share (fully franked).

These results were achieved through a disciplined approach, focused on achieving growth at profitable prices. This produced quality revenues and therefore quality earnings.

We continued to broaden our distribution networks, enhance products and boost our technology capacity and balance sheet and risk management capabilities.

There were a number of significant achievements during the year.

> Dromana, in Victoria, opened our 200th **Community Bank®** branch.

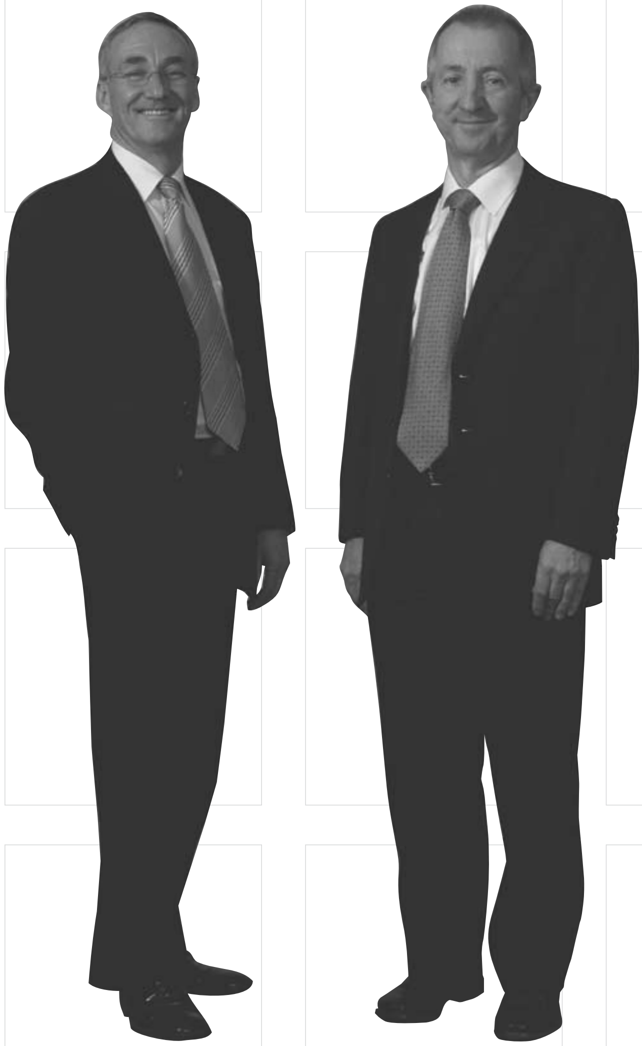
> Our first Northern Territory branch opened, meaning the Bendigo brand is now represented in each Australian State and Territory.

> Our computing capacity was significantly boosted by our new $10 million data centre in Bendigo.

> Staff began moving into our new $100 million head office in Bendigo.

> And with partners Mastercard and Customers, we formed Australia's newest financial transactions switching service, Strategic Payment Services.

We entered the new financial year buoyed by our prospects. Our positioning, and the success we have achieved, is generating many opportunities to grow and expand our business.



Rob Hunt
Managing Director

Robert Johanson
Chairman

The most significant is our proposed merger with Adelaide Bank, which we announced on 9 August 2007. This merger will better position us to continue our strong growth. It will give us capacity in wholesale banking and significantly expand our retail business into South Australia. The merger is the next logical step in our development. It will free up capital to invest in the many opportunities we have created. This will enable us to accelerate development of our customer and community focused strategy.

The past financial year was not without its challenges.

We rejected a proposal from the Bank of Queensland for the acquisition of Bendigo Bank. This proposal caused unease among our staff, customers, shareholders and community partners. But this did not affect our performance; our fourth quarter saw our strongest lending growth for the year, with record monthly volumes in June.

Of more serious concern is the credit issue now facing banks. This began in August 2007 when increasing defaults among US 'sub-prime' borrowers resulted in a tightening of credit and sharply increased pricing for wholesale funding across the globe.

Currently, around 80 per cent of Bendigo Bank loans are funded by retail deposits, so this reduces the direct impact on us of rising wholesale funding costs. There is, however, the potential for this issue to be felt more widely across financial sectors and economies. We are certainly confident of Bendigo's credit quality and the strong Australian economy and job market will help the nation absorb possible flow-on effects.

External issues such as these test our mettle as managers of our business.

Calendar year 2008 is our Company's 150th anniversary. Our first antecedent company was formed on 9 July 1858.

We aim to make our 150th birthday memorable. Celebrations will be held and we plan to end the year with the official opening of our new head office. We expect to further increase profitability and shareholder returns, and we aim to complete much of the work needed to merge Bendigo and Adelaide banks (assuming, of course, that Adelaide Bank shareholders support the proposal).

Mergers are not new to us. Bendigo Bank is the product of many mergers throughout its history. All have strengthened the company, as we are confident the merger with Adelaide Bank will do. While in 2008 we will spend a little time looking back on our past, our vision is very much for our future and the next 150 years of the Bendigo way of banking.

Robert Johanson

Robert N Johanson
Chairman

Rob Hunt AM
Managing Director

Results at a Glance

Cash earnings $118.5 million, an increase of 15.6% from 2005/06

Cash basis earnings per ordinary share increased from 73.2 cents to 82.9 cents/per share (fully franked), a 13.3% increase

Dividends for 2006/2007 total 58.0 cents, up from 52.0 cents in 2005/2006

> We grew our customer base by 77,000

> We plan to open further **Community Bank®** and company owned branches – which shows community demand for our model remains strong in the face of growing branch banking competition

> Customer satisfaction continued to lead the banking industry and tells us our service standards have kept pace with business growth

> Our **Community Bank®** partners are increasing the financial contributions they make to their communities

↑ 15.6%

Cash earnings

↑ 13.3%

Cash basis earnings per ordinary share

↑ 58.0 cents per share (fully franked)

Total dividends

↑ 6000

Customer base growth per month

Community Connection

Our strong connection with our customers and local communities remains at the core of our strategy. If our customers and local communities are successful, and we are relevant to them, our own success will follow.

We therefore continue to deepen our engagement with our communities. This is most readily apparent through our **Community Bank®** network, but is also being gradually extended to company owned branches.

As we approach our merger with Adelaide Bank, our Managing Director Rob Hunt has been charged with introducing methodologies to ensure the level of customer and partner advocacy developed by both organisations continues to grow.

Community Bank®

Through owning and operating their own **Community Bank®** branch of Bendigo Bank, communities can build their prosperity through generating sustainable income streams and building solid balance sheets.

Over the nine years of community banking, Bendigo Bank has paid $340 million to local boards as their share of banking revenues. This has helped to create almost 1000 new jobs, with beneficial flow-on effects from wages and expenditure on local services. **Community Bank®** branches spent $46.7 million in their communities during 2006/07 on wages, rent, accounting, cleaning, buildings, staff amenities and other employee expenses.

Community Bank® boards have contributed $10 million to local projects and $7 million in shareholder dividends since inception. These contributions are growing rapidly. This demonstration of the benefits of banking through a locally owned branch is creating a powerful incentive for people to bank with us.

Our **Community Bank®** network has more than 410,000 customers and almost $10 billion in total banking. More than 52,000 Australians are today shareholders of a **Community Bank®** company. The network last year contributed 14.4 per cent of Bendigo Bank's profit before tax and significant items, up from 13.6 per cent a year earlier.

On Friday 29 June 2007 we opened our 200th **Community Bank®** branch in the Victorian community of Dromana.

Community Partnerships

As we have stated, we will continue to invest in what we term 'community engagement' activities to broaden our commitment to our community partners. This investment is now being extended to our company owned branch network.

We are working with numerous communities on a broad range of local projects and initiatives of importance to them.

In several pilot sites, we helped communities to establish locally-owned companies with the objective of generating revenue streams to fund local projects. Customers can now pledge their banking business to the company which generates ongoing commission payments from Bendigo Bank. This investment has assisted the Victorian town of Strathfieldsaye to establish new sports facilities in partnership with local and state governments. The program has accelerated the growth of our local branch with more than $40 million in new banking business being achieved.

We will continue to work with and listen to our communities' aspirations to develop solutions that enhance their future prospects.

Community Telco

Through our joint ownership (with AAPT) of Community Telco Australia, Bendigo Bank is supporting eight communities with the delivery of locally-owned telecommunications services: Bendigo, Ipswich, Sunshine Coast, Ballarat, Launceston, Oxley (Dubbo, Orange & Bathurst), Geelong and Newcastle.

This program is not about getting better phone services, although that can be one benefit. It's about capturing the money local communities spend on essential services like telecommunications and putting it to work to enhance their economic prosperity.

Community Enterprise Foundation™

Launched in early 2005, Community Enterprise Foundation™ is the philanthropic arm of Bendigo Bank. Sandhurst Trustees Limited is the Foundation's trustee.

The Foundation was created to assist our community partners to support local charitable community groups and activities. By listening to and working with local community members we endeavour to apply our grant making activities and investment dollars to enhance their long-term prospects.

By 30 June 2007, the Foundation had administered funds totalling $16 million.

Indigenous communities

In the indigenous community of Yarrabah (Qld), with a population of 3000, Bendigo Bank opened an agency employing local staff in December 2006.

This is in addition to the Bank's facility in the Cape York community of Aurukun opened in late 2005. It was a return to face-to-face banking for this community after a 19-year hiatus.

Sponsorships

Each year, Bendigo Bank contributes more than one per cent of its after tax profits to community sponsorships.

We are the principal sponsor of Immigration Bridge Australia, a $30 million project to commemorate the contribution immigration has made to our nation through a pedestrian bridge spanning 400 metres across Canberra's Lake Burley Griffin. The bridge will be funded by sponsorship plus public subscription through the sale of 200,000 handrail pieces on which forebears' details will be inscribed. For information, go to www.immigrationbridge.com.au

In addition to Bendigo Bank sponsorships, Boards of **Community Bank®** branches contributed $3.9 million to their communities in 2006/2007 and this figure will increase substantially as new branches open and existing ones mature.

Lead On™

The past 18 months has seen significant growth in our Lead On™ youth and community development program throughout Australia.

Western Australia is now part of the Lead On™ network with a site opened in Bayswater and an 'outreach' centre launched in Kalamunda. Meanwhile, the sixth Lead On™ site in Queensland was opened – at Townsville.

More than 4500 young people from across Australia have now participated in Lead On™ projects in conjunction with local businesses.

Retail Banking

We are a customer and community focussed bank. Our retail bank services mainly households and small-to-medium businesses, but our diverse offerings also include farm banking, wealth management solutions, retirement income products, insurance and superannuation.

During the past financial year, business growth was driven by a robust retail banking performance, a growing diversity of revenues and a strong net interest margin which reflects the broad mix of business attracted by Bendigo's branded retail strategy. Lending volumes showed an increasing trend since November 2006. And while deposits slowed as customers channelled money into superannuation pre-30 June 2006, they rebounded in July and our brand is now attracting a good share of retail deposit money moving back into the banking system.

Customer satisfaction with Bendigo Bank continued to lead the industry and tells us our service standards have kept pace with business growth; the vast bulk of our **Community Bank®** partners are doing well and are increasing the financial contributions they make to their communities; and our own shareholders are clearly seeing how these factors are driving improved performance outcomes for Bendigo. We believe we have the balance about right.

The Bendigo style of banking continues to be in demand. Our customer base grew by 6000 per month and totalled 1.15million at year end. We aim to open further **Community Bank®** and company owned branches in 2007/2008 and our strategies to deepen customer relationships are beginning to take effect, as evidenced by the continued growth of our wealth management offering.

Banking options

Our customers can choose to call into one of our 357 branches throughout Australia, telephone Bendigo OnCall or Customer Help Centre, access funds via one of our 494 ATMs or use a range of internet or phone banking options.

Our 494 Bendigo Bank ATMs throughout Australia process more than two million transactions each month, with plans for another 70 machines to open in the current financial year.

Our internet banking service continues to gain in popularity, with 353,753 registered users in June 2007, up by almost 69,000 in the 12-month period.

Internet bank customer registrations are growing by average of 5600 per month. Phone banking users increased by 14 per cent to 264,260 in June 2007.

Agencies

Our Agency network provides us with great flexibility in responding to community demands for the Bendigo Bank service. They are increasingly used as stepping stones for those communities wishing to join our branch network. Last year, five agency sites were upgraded – two to full **Community Bank®** branches, one to a **Community Bank®** sub-branch, one to a **Community Bank®** Customer Service Centre and one to a company-owned branch. **Community Bank®** campaigns are currently underway in seven communities where there is already an established Bendigo Bank Agency.

Our Agency network now holds more than $1 billion in deposits and in the past 12 months the network averaged more than 75,000 transactions each month. A new low-cost, real-time banking system (Agent Delivery System – ADS) has been developed and is currently being rolled out, replacing the existing manual system. ADS provides Agency customers with a significantly better level of service as well as cost efficiencies for the Bank and our Agents.

'Help' centres

Our Customer Help Centre ensures all aspects of business - forms, policy, procedures and services are developed with customers' needs at the forefront. Customer Help staff monitor service standards and research customer needs and perceptions, hoping to further improve our service. In 2006/2007 staff responded to 170,000 calls.

Mortgage Help Centre aims to give borrowers every opportunity available to re-pay their loan, even under difficult circumstances. The efficacy of this approach is reflected in the Bank's excellent credit quality.

Bendigo OnCall

We have call centres in Bendigo and Ipswich. Between July 2006 and May 2007 the centres received more than one million calls.

Specialised Products

Cards

Credit card receivables grew by 26 per cent to $140 million and new credit card account acquisition numbers improved by 47 per cent on the previous year. Strong contributors to this result included the new "Basic Black" low interest rate card, continued success with the RSPCA Rescue co-branded card and improvements in the Bank's internal credit card approval process.

Insurance

During 2006/2007 the Insurance Division's income grew by 18 per cent. This growth was achieved across all income streams - general, consumer credit and health insurance. One of the strongest results was for our loan protection product Bendigo LoanSure, which increased by 28 per cent on the previous financial year. The automation of the LoanSure on-line application system in November 2006 significantly simplified the distribution process.

Equipment Leasing

Our Equipment Finance Division supports our business customers with a range of leasing and hire purchase solutions. In 2006/2007, equipment finance sales increased by 16 per cent and receivables increased by 12 per cent.

Web Partner™

Web Partner™ helps our customers to develop and maintain websites, and provides regular performance tracking reports.

Community Web Partner™ establishes local community sites.

A Community Web Partner™ website, sponsored by the local Bendigo Bank branch, is a popular online destination providing information on local events, community groups, businesses, clubs, sporting groups, local history, education, shopping, tourism, multi-media and more.

Incorporating a stand-alone domain name (eg. www.specificcommunity.com.au), the website enables the local Bendigo Bank branch to further strengthen its engagement with, and support of, its local community.

Invoice discounting (Oxford Funding)

In the past year the Bank's commitment to providing small to medium enterprises relevant solutions to their needs continued to grow. The acquisition of Oxford Funding Pty Ltd has enabled the bank to offer its own cashflow products via the business banking and branch network. Through Oxford Funding's membership of Factors Chain International (an association of world wide major banks and financial Institutions), we can now offer funding for international open account business-to-business trade. This has grown significantly and is well poised as the global move from letter of credit to open account continues.

Homesafe Debt Free Equity Release

Through a joint venture company, Homesafe Solutions, we make this equity release product available to elderly homeowners looking to access part of the cash value of their home. Owners make a deferred sale of an agreed proportion of their home to the company in return for an up-front cash payment. They continue to own and live in the home until they die or sell the home. Homesafe then receives its portion of the sale proceeds. Acceptance of this new-style product has been encouraging, with eligible inquiry numbers doubling from the prior year. The program is currently limited to nominated postcodes in Melbourne and Sydney.

NMMC

National Mortgage Market Corporation (NMMC) under its HomeLend™ brand continues to make solid progress and has recorded another record year of new business volumes. In a market that is growing in competition, NMMC has developed a service model which has underpinned the growth achieved during the year. Business Relationship Managers are now located in our key markets, Melbourne, Sydney and Brisbane and are making a difference in the performance of the business.

HomeLend™ has gained strong acceptance in the market and is sought after by those customers wanting the Bendigo connection who choose to do business through the third party channel. HomeLend™ has also initiated a program of introducing its customers to the Bank's retail branches when a customer is seeking additional banking services. This is gaining momentum and will ultimately build greater customer loyalty and business for the Group.

Wealth Solutions

Bendigo Wealth Solutions incorporates four key businesses – Sandhurst Trustees, Bendigo Financial Planning, Margin Lending and Victorian Securities Corporation Limited.

In 2006/2007, the Wealth Solutions division contributed $27.5 million to the Bank's pre-tax profit, up by 10 per cent.

Sandhurst Trustees Limited

A wholly-owned subsidiary of Bendigo Bank, Sandhurst Trustees aims to create wealth for investors by providing investment opportunities that are managed by professional investment managers, including Sandhurst itself.

During the 2006/2007 financial year, Sandhurst's funds under management (comprising the Common Funds, managed funds and superannuation) grew by 14 per cent to $3.4 billion.

This included a decrease of $130 million following Sandhurst Trustee's retirement as Trustee of the General Retirement Plan and Pooled Investment Fund on 1 April 2007.

Funds management growth, excluding General Retirement Plan and Pooled Investment Fund, was 20 per cent.

Bendigo Financial Planning

Funds under advice grew by 11 per cent to $1.3 billion during the year.

A national campaign was undertaken to assist customers understand and take advantage of the Federal Government's changes to superannuation. This included a successful series of 'Super' seminars which not only helped many existing Bendigo Bank customers, but also increased our profile within a number of communities and introduced new customers to our services.

Bendigo Financial Planning provides a range of financial planning advice and services including investment management, risk management, retirement planning and estate planning.

Margin Lending

A number of product enhancements were implemented to position Margin Lending for growth during the year.

These enhancements assisted the strong loan growth of 57 per cent during the year. Approved Margin Lending limits also increased by 73 per cent during the year.

Victorian Securities Corporation Limited (VSCL)

As the only debenture-issuer for the Group, VSCL, our Ballarat-based finance company, continued with its successful philosophy of providing a simple competitive product consistent with market expectations of investors. The company has been an important part of Ballarat since 1960, and since joining the Bendigo Group in 1999, has played an important role in our expansion in that community.

Joint Ventures

Community Sector Banking

Community Sector Banking (CSB) provides sector-specific financial services and solutions to Australia's not-for-profit sector.

CSB grew its client base to more than 11,300 accounts – an increase of 43.2 per cent during the current financial year. The total balance of funds under management grew by 26.5 per cent during that period.

Elders Rural Bank

Elders Rural Bank (ERB), a joint agribusiness banking venture between Bendigo Bank and Futuris Corporation enjoyed another year of strong performance.
ERB announced an after-tax profit for the year ended 30 June 2007 of $36.0 million, a 12 per cent increase over last year's result. Despite the challenging seasonal conditions for its client base, ERB grew loans under management by 14 per cent, to $3.2 billion and deposits rose by 12 per cent to $3.2 billion. Bendigo Bank customers can access a range of agribusiness products and services issued by ERB via our team of specialist Agribusiness Managers.

Tasmanian Banking Services

A joint venture with Tasmanian Perpetual Trustees, Tasmanian Banking Services (TBS) provides local ownership participation in the Tasmanian banking market. Launched with one branch (Burnie) in November 2000, TBS now operates nine branches. In 2006/2007, the joint venture reached total business holdings of $629 million. TBS continues to perform strongly, growing its banking business by $49.8 million and making a $4.7 million contribution to Bendigo Bank. Two more branches have opened in 2006/2007, Kingston in the south and Kings Meadows in the north of the State.

Silver Body Corporate Financial Services

This joint venture with Queensland-based body corporate management company Stewart Silver King & Burns provides banking arrangements for body corporate companies managed by SSKB. A Bendigo Bank branch in the Gold Coast offices of SSKB provides a full banking service to SSKB's body corporate clients and the Bundall community. In 2006/2007, the joint venture reached total business holdings of $68 million. The joint venture continues to perform strongly, growing its banking business by almost $28.9 million.

Technology

We continue to invest in technology infrastructure and capability. We are building upgraded data warehouse and customer information management systems in order to improve customer service and business intelligence. These major technology enhancements will also help us to comply with new international capital standards (Basel II Accord) and Australian anti-terrorism measures (Anti-Money Laundering Counter Terrorist Financing legislation).

> Opened our $10 million Data Centre in Bendigo.

> Our IT department has completed all of the technology requirements for our new headquarters, The Bendigo Centre.

Corporate Issues

The Bendigo Centre

More than 600 Bendigo Bank staff are already working from the Bank's new headquarters – The Bendigo Centre.

Providing staff with bright, new and modern conditions, and with a majority of staff under one roof, The Bendigo Centre is already achieving its aim of a positive and collaborative work environment.

During 2006/07, the new building achieved a 5-Star Green Star energy rating - a first for regional Australia.

It is expected to use just 50 per cent of the energy of a normal office building, and all wastewater is being recycled to become Class A water to be used for toilet flushing and irrigation.

It also includes:

> Underfloor air conditioning which saves energy and provides excellent indoor air quality
> External sun shading on the north and west facades
> Double glazed windows with high performance glass
> Automated internal blinds
> Extensive daylight to the centre of the building through two atriums
> T5 lighting that automatically dims if there is sufficient natural light
> Solar hot water heating
> Recycling of grey and black water for use in toilet flushing and irrigation
> Rainwater collection for irrigation

The final stage of the development, comprising the new entrance building, is expected to be opened in late 2008.

Our staff

Building a strategy based on the success of our customers and communities has required committed staff.

In return, Bendigo Bank aims to provide a range of flexible work options and benefits.

Bendigo Bank now has 2428 full-time equivalent staff members. Many staff work on a permanent part-time basis and a small number of staff work from home. Our brand is also represented by employees of local **Community Bank®** companies.

Our major short-term objectives in areas relating to our staff include:

> Flexible work options
> Technology developments to enable employee self service for personal matters and to create a database of useful information for improving our people management
> Review our appraisal process, its effectiveness and bonuses
> Capability profiling for major roles
> Job benchmarking and development of a Total Reward Framework

The environment

Bendigo Bank's strong commitment to the environment continues and this financial year has seen a number of initiatives introduced and further developed.

Through an agreement with revegetation specialists Greenhouse Balanced, we have offset the carbon emissions of our 300-strong car fleet for the past four years. We also offset emissions from air miles travelled by our staff for work purposes during 2006/2007.

In 2006/2007, our work in the Victorian Wimmera and in north central Victoria to develop bio-diesel enterprises has continued.

Generation Green™

In February 2007, we launched Generation Green™ – a program aimed at assisting customers and community partners to reduce their impact on the environment and to promote sustainable living.

Bendigo Carbon Offsets is the first product to be launched under this program which enables customers to offset emissions produced by their home, motor vehicle or lifestyle. It also encourages sustainable living by providing customers with discounted Green Home and Personal loans for incorporating energy efficient measures such as solar panels into their homes.

Shareholder Information

At 17 August 2007, Bendigo Bank (ASX Code BEN) had on issue 138,549,515 quoted ordinary shares and 5,638,375 unquoted employee shares.

Online share information - Bendigo Bank shareholders are now able to check details of their holding on the Online Share Registry at www.bendigobank.com.au/shareholders

The online service aims to provide shareholders with useful information 24 hours a day, seven days a week. Shareholders can access information including holding balance, payment instructions and dividend details. Change of Address and Dividend Nomination advice forms are also available to download.

e-Shareholders - Shareholders are encouraged to record their email address so that reports can be received online. To register simply log on to www.bendigobank.com.au/e-shareholder and enter your details.

Share Registry - Manager Karyn Flynn and staff can provide assistance with matters relating to all the Company's listed securities by:

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

Telephone: (03) 5485 6392 or 1800 646 042

Fax: (03) 5485 7645

Email: share.register@bendigobank.com.au

Full Financial Report

For the period ending 30 June 2007

ABN 11 068 049 178

TABLE OF CONTENTS

CORPORATE GOVERNANCE STATEMENT

Bendigo Bank is committed to high standards of corporate governance. The Board believes that Bendigo Bank's commitment to ethical corporate dealings in the conduct of its business has been an important element of its success during its 149-year history. This commitment applies to the dealings by Bendigo Bank with its shareholders, customers, employees, suppliers, regulators and the community. It is also reflected in Bendigo Bank's corporate values.

The following is a guide to the discussion in this report about how Bendigo Bank practices meet the ASX Corporate Governance Council *Principles of Good Governance and Best Practice Recommendations* (March 2003). The documents referred to below are available from the Bendigo Bank website (www.bendigobank.com.au) in the corporate governance section of "About us".

1. PRINCIPLE	RECOMMENDATION	BENDIGO BANK PRACTICE
1. Lay solid foundations for management and oversight	1.1 Formalise and disclose the functions reserved to the board and those delegated to management.	*Status:* Adopted *Annual report:* Section 1.a *Documents on website:* Constitution, Board charter
2. Structure the board to add value	2.1 A majority of the board should be independent directors.	*Status:* Adopted *Annual report:* Section 1.b
	2.2 The chairperson should be an independent director.	*Status:* Adopted *Annual report:* Section 1.b
	2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual.	*Status:* Adopted *Annual report:* Section 1.b
	2.4 The board should establish a nomination committee.	*Status:* Adopted *Annual report:* Section 2.a
	2.5 Provide the information indicated in Guide to reporting on Principle 2.	*Status:* Adopted *Annual report:* Section 1.b, 1.f, 2.a, and see Directors' Report p.50 for director attendances at Committee meetings *Documents on website:* Constitution, Board charter, Governance Committee charter, Committee procedural rules, Appointment of non-executive directors
3. Promote ethical and responsible decision-making	3.1 Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: 3.1.1 the practices necessary to maintain confidence in the company's integrity 3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	*Status:* Adopted *Annual report:* Section 6.a
	3.2 Disclose the policy concerning trading in company securities by directors, officers and employees.	*Status:* Adopted *Annual report:* Section 6.c
	3.3 Provide the information indicated in Guide to reporting on Principle 3.	*Status:* Adopted *Annual report:* Section 6 Documents on website: Code of conduct, Reporting of concerns, Staff trading policy

4. Safeguard integrity in financial reporting	4.1 Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.	*Status:* Adopted *Annual report:* Section 3
	4.2 The board should establish an audit committee.	*Status:* Adopted *Annual report:* Section 2.a
	4.3 Structure the audit committee so that it consists of: ➢ only non-executive directors ➢ a majority of independent directors ➢ an independent chairperson, who is not chairperson of the board ➢ at least three members.	*Status*: Adopted *Annual report*: Section 2.a
	4.4 The audit committee should have a formal charter.	*Status*: Adopted *Annual report*: Section 2
	4.5 Provide the information indicated in Guide to reporting on Principle 4.	*Status:* Adopted *Annual report:* Section 1.b, 2.a and see Directors' Report p.50 for director attendances at Committee meetings *Documents on website:* Audit Committee charter, Committee procedural rules, Selection and appointment of external auditor engagement partners; rotation of external audit partners, Risk management system description
5. Make timely and balanced disclosure	5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	*Status:* Adopted *Annual report:* Section 5
	5.2 Provide the information indicated in Guide to reporting on Principle 5.	*Status:* Adopted *Annual report:* Section 5 *Documents on website:* Continuous disclosure policy, Communications policy
6. Respect the rights of shareholders	6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	*Status:* Adopted *Annual report:* Section 5 *Documents on website:* Communications policy
	6.2 Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	*Status:* Adopted *Annual report:* Section 4

7. Recognise and manage risk	7.1 The board or appropriate board committee should establish policies on risk oversight and management.	*Status*: Adopted Annual report: Section 3
	7.2 The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that: 7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board 7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	*Status*: Adopted Annual report: Section 3
	7.3 Provide the information indicated in Guide to reporting on Principle 7.	*Status*: Adopted Annual report: Section 3 Documents on website: Risk Committee, Credit Committee, Property Committee, IT Committee Overview, Risk management system description
8. Encourage enhanced performance	8.1 Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.	*Status:* Adopted *Annual report:* Section 1.d, 7.a, and Directors' Report p.18.
9. Remunerate fairly and responsibly	9.1 Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	*Status:* Adopted *Annual report:* Section 1.e and Directors' Report under the heading "Remuneration Report"
	9.2 The board should establish a remuneration committee.	*Status:* Adopted *Annual report:* Section 2.a
	9.3 Clearly distinguish the structure of non-executive directors remuneration from that of executives.	*Status:* Adopted *Annual report:* Section 1.e, and Directors' Report under the heading "Remuneration Report"
	9.4 Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	*Status:* Adopted *Annual report:* Directors' report under the heading "Remuneration Report"
	9.5 Provide the information indicated in Guide to reporting on Principle 9.	*Status:* Adopted *Annual report:* Section 1.e and 2.a, and see Directors' Report p.50 for committee attendance p.33 and p.35 for remuneration policies *Documents on website:* Governance Committee charter, Remuneration policy – executives and non-executive directors; Employee Share Ownership Plan
10. Recognise the legitimate interests of stakeholders	10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	*Status: Adopted* *Annual report: Section 6.a* *Documents on website: Code of Conduct, Reporting of Concerns*

1. The Board

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

1.b Composition
The constitution provides that the number of directors is to be decided by the Board, being not fewer than three and not more than ten. The Board currently consists of eight non-executive directors and the Managing Director. The roles of the Chairman and Managing Director are separated. Information on each of the directors is set out on pages 19 to 22.

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

The Board has decided that the majority of directors are to be independent. For the purpose of assessing the independence of non-executive directors, the Board regards an independent director as a director whom the Board considers to be independent of management and free of any business or other relationship or association – including those arising out of a substantial shareholding, involvement in past management or as a supplier, customer or advisor - that could materially interfere with, or could reasonably be perceived to interfere materially with, the exercise of unfettered and independent judgement. In deciding materiality, the Board takes into account the quantitative materiality thresholds in Accounting Standard AASB 1031, as well as qualitative materiality factors.

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

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

The Board has assessed each non-executive director as independent. In making that assessment, the Board has taken into account the relationships set out on p.124 and the following.

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

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

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

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

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

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

NAME, AGE, QUALIFICATIONS AND INDEPENDENCE STATUS	**TERM OF OFFICE**	**SPECIAL RESPONSIBILITIES**	**SKILLS, EXPERIENCE, EXPERTISE, RELATIONSHIPS**
Robert Johanson **Chairman** (56 years) BA, LLM (Melb) MBA (Harvard) Independent director	Director for 20 years and appointed as chairman during 2006. Previously deputy chairman for 5 years. *Seeking re-election at 2007 AGM	***Committees*** Governance (Chair) Audit **Group and joint venture company directorships** Community Telco Australia Pty Ltd Elders Rural Bank Ltd Homesafe Solutions Pty Ltd (Chair)	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 Council of the University of Melbourne, a member of its Finance Committee and Chairman of the Investment Committee. He is a director of the Robert Salzer Foundation Ltd and a member of the Takeovers Panel. 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 2007 financial year included services in relation to the Group property review, alliance and joint venture activities, strategic developments and the proposed merger announced by the Bank of Queensland that did not proceed. Grant Samuel has also been engaged by Bendigo Bank to provide advisory services in connection with the proposed Adelaide Bank merger.
Rob Hunt AM **Managing Director** (56 years) FAICD Doctor of University (honoris causa) La Trobe University, 1999 Executive director and Chief Executive Officer	Employee since 1973 and appointed CEO in 1988. Appointed to Board in 1990.	***Committees*** Governance Risk Property IT Strategy **Group and joint venture company directorships** Community Telco Australia Pty Ltd (Chair) Community Sector Enterprises Pty Ltd Elders Rural Bank Ltd Tasmanian Banking Services Ltd Mr Hunt is also chair of a number of subsidiary companies involved in community engagement activities.	Based in Bendigo, Mr Hunt has led the Bank's development from a provincial building society to a nationally represented, uniquely positioned and diverse banking and financial services group. Mr Hunt is the architect of the Bank's Community Banking™ and other alliance arrangements. He is also Chairman of Bendigo Community Telco Ltd. He is a Councillor of the ABA, a member of the BCA, the Prime Minister's Community Business Partnership and the Victorian Government's Innovation Economy Advisory Board.

NAME, AGE, QUALIFICATIONS AND INDEPENDENCE STATUS	TERM OF OFFICE	SPECIAL RESPONSIBILITIES	SKILLS, EXPERIENCE, EXPERTISE, RELATIONSHIPS
Neal Axelby (57 years) Dip CM FAICD, AIMM, AIFS Independent director	Director for 7 years. * Seeking re-election at 2007 AGM	***Committees*** Credit Governance Risk **Group and joint venture company directorships** Sunstate Lenders Mortgage Insurance Pty Ltd	A Queensland-based director, Mr Axelby has had 15 years combined years of experience as an employee and director in the finance industry before joining the board. He also has 22 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 was a director of First Australian Building Society Limited which was acquired by Bendigo Bank in 2000.
Jennifer Dawson (42 years) B Bus (Acc) FCA, MAICD Independent director	Director for 8 years.	***Committees*** Audit (Chair) Property Credit **Group and joint venture company directorships** Community Sector Banking Pty Ltd Community Sector Enterprises Pty Ltd	A Bendigo-based director, Ms Dawson spent 10 years with Arthur Andersen 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 Corporation and a member of the Victorian Regional Development Advisory Committee.
Donald Erskine (61 years) Independent director	Director for 8 years.	***Committees*** Credit Property (Chair) IT Strategy **Group and joint venture company directorships** Nil	A Bendigo-based director, Mr Erskine is a mechanical engineer and chairman of several private companies. Mr Erskine has an extensive background in manufacturing and property development and experience in international trade. Mr Erskine is the chairman of Australian Technical College, Bendigo. He is also a director of Bendigo Community Telco Ltd.

NAME, AGE, QUALIFICATIONS AND INDEPENDENCE STATUS	TERM OF OFFICE	SPECIAL RESPONSIBILITIES	SKILLS, EXPERIENCE, EXPERTISE, RELATIONSHIPS
Terence O'Dwyer (57 years) B Com, Dip Adv Acc FCA, FAICD Independent director	Director for 7 years. *Seeking re-election at 2007 AGM	***Committees*** Audit Risk IT Strategy (Chair) **Group and joint venture company directorships** Sunstate Lenders Mortgage Insurance Pty Ltd	A Queensland-based director, Mr O'Dwyer is the former chairman and managing partner of BDO Kendalls (Chartered Accountants). He was a partner in the firm for 28 years and headed its corporate finance division prior to being appointed its independent chairman. Mr O'Dwyer is chairman of Metal Storm Ltd, Roamfree Ltd and a director of Queensland Theatre Company Ltd. He has previously chaired MFS Limited and Brumby's Bakeries Holdings Ltd and has had service on other public company board's and government business enterprises. Mr O'Dwyer was a director of First Australian Building Society Limited which was acquired by Bendigo Bank in 2000.
Deborah Radford (51 years) B.Ec G. Dip Finance & Investment John Kennedy School of Government (Harvard) Independent director	Director for 2 years.	***Committees*** Audit IT Strategy Credit **Group and joint venture company directorships** Nil	A Melbourne based director, Ms Radford is an economics graduate with experience in both the public and private sector. Ms Radford has 15 years experience in the banking industry with both international and local Banks. Ms Radford is a Director of Forestry Tasmania, City West Water and Deb Radford & Associates, a consultancy company advising on government business enterprises.
Kevin Roache (67 years) LLB, B Com, ASCPA, FAICD Barrister & Solicitor of the Supreme Court of Victoria Independent director	Director for 16 years.	***Committees*** Credit (Chair) Risk Governance **Group and joint venture company directorships** Nil	A Geelong-based director, Mr Roache has extensive experience in advising clients on business and taxation issues. Mr Roache is a director of Geelong Community Enterprise Ltd, a former 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 was the Chairman of Capital Building Society, the business of which was integrated into Bendigo Bank in 1992. Mr Roache is the chairman of partners in Coulter Roache Lawyers which provides legal services to the Group on normal commercial terms and conditions.

NAME, AGE, QUALIFICATIONS AND INDEPENDENCE STATUS	TERM OF OFFICE	SPECIAL RESPONSIBILITIES	SKILLS, EXPERIENCE, EXPERTISE, RELATIONSHIPS
Antony Robinson (49 years) B Com (Melb) ASA MBA (Melb) Independent director	Director for 2 years.	***Committees*** Risk (Chair) Governance **Group and joint venture company directorships** Nil	A Melbourne-based director, Mr Robinson commenced employment in April 2007 as an executive director and chief executive officer of the listed financial services company, IOOF Holdings Ltd. Mr Robinson was the managing director and chief executive officer of OAMPS Limited, before it was acquired by Wesfarmers Limited in November 2006. He was previously also a director of VECCI. Mr Robinson's previous management positions include joint managing director of Falkiners Stockbroking, managing director of WealthPoint, chief financial officer of Link Telecommunications and general manager corporate services at Mayne Nickless. Mr Robinson is also a director of IOOF Investment Management Limited ("IOOF") and Perennial Investment Partners Limited ("Perennial"), which are subsidiaries of IOOF Holdings Ltd. These companies provide investment management services to managed investment schemes for which Sandhurst Trustees Ltd is the responsible entity. The fees paid by Sandhurst Trustees for these services are on normal commercial terms and conditions. Bendigo Financial Planning Ltd, a subsidiary of Bendigo Bank, is the sponsor and markets and promotes Bendigo Financial Solutions Personal Superannuation ("BFSPS"). BFSPS is a superannuation product offered by IOOF Investment Management Services Ltd. The fees paid by IOOF to BFP are based on normal commercial terms and conditions.

2. Board committees

2.a Composition and responsibilities

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

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

2b. Committee procedures

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

3. Risk management

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

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

The key risks and responsibilities for the Group are:

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

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

The audit function is also independent of the external auditor. External audit considers risk management in order to assess and understand the Group's business and financial risks as well as the effectiveness of internal controls which may have a significant impact on the financial statements.

The Managing Director and Chief Financial Officer provide an annual signoff to the Board on the matters summarised below for the Bank and the consolidated entity for the reporting period. The statements are made on the basis that they provide a reasonable, but not absolute, level of assurance and do not imply a guarantee against adverse events or circumstances that may arise in future periods.

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

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

4. External auditor

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

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

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

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

The external audit engagement partner from Ernst & Young is required to make sure that a suitably qualified representative attends the annual general meeting. The Chairman of the meeting is required to provide an opportunity for the members as a whole at the meeting to ask the auditor's representative questions relevant to the conduct of the audit, the preparation and conduct of the auditor's report, the accounting policies adopted by the Bank in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit. The Chairman is also required to allow a reasonable opportunity for the representative of the auditor to answer written questions submitted before the meeting.

5. Continuous disclosure and communications

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

5.a Continuous disclosure

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

The Board meeting agenda includes continuous disclosure as a standing item for Board consideration. The Managing Director, Chairman and executive officers are responsible for identifying matters or transactions arising between Board meetings which require disclosure in accordance with the ASX Listing Rules.

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

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

5.b Communications

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

Bendigo Bank communicates with its shareholders by the following means.

- ASX announcements
- Shareholder updates
- Annual reporting (as well as the full financial statements, up until 2007 this included concise reports and, from 2007 it instead includes shareholder reviews)
- Annual general meetings
- Shareholder question sheet included with annual general meetings notice

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

- Shareholder updates
- Full financial statements (for past three years), shareholder reviews (commencing 2007), and concise reports (2004 – 2006)
- Media releases (for past three years)
- Notices of meeting (for past three years)
- Webcasting of results presentation (following preliminary final announcement)

- Webcasting of annual general meeting
- Any material provided in briefings with analysts, stockbrokers and institutional investors (following its release to the market).

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

6. Corporate conduct

6a. Code of Conduct and Reporting of Concerns policy

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

These values have been incorporated in a Code of Conduct that has been endorsed by the Bank Executive Committee and adopted by the Board.

The Code of Conduct sets out the Group's mission statement, being to focus on building and improving the prospects of customers, communities and partnerships in order to develop sustainable earnings and growth for the business, and thus provide increasing wealth for shareholders. Engagement with communities is central to the Group's strategy and stands Bendigo Bank apart.

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

The Group's Reporting of Concerns policy provides a reference point for reporting concerns, including on an anonymous basis. This includes a concern, a grievance, and report of a suspected breach of law or Group policy (including any breach of the Code of Conduct). The Reporting of Concerns policy also explains the protection provided for employees who raise concerns in good faith.

6.b Regulatory compliance

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

6.c Share trading policy

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

7. Executives

7.a Performance

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

7.b Remuneration, contracts with executives

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

FIVE YEAR HISTORY

The Bendigo Group

	Disclosures prepared under AIFRS			Comparatives prepared under previous AGAAP	
	2007	2006	2005 [1]	2004	2003
	$m	$m	$m	$m	$m
Interest income	1,058.6	907.5	815.0	615.5	500.6
Interest expense	701.5	592.4	528.9	361.9	278.3
Net interest income	357.1	315.1	286.1	253.6	222.3
Other income	205.1	201.8	172.9	157.5	125.6
Bad & doubtful debts expense (net of bad debts recovered)	8.2	7.0	13.6	13.8	15.3
Other expenses	376.1	344.2	309.9	282.0	243.3
Profit before income tax expense	177.9	165.7	135.5	115.3	89.3
Income tax expense	(56.2)	(49.0)	(41.2)	(35.8)	(30.2)
Net (profit)/loss attributable to minority interest	(0.1)	-	0.4	0.3	(0.1)
Profit after income tax expense	121.8	116.7	94.7	79.8	59.0
Adjustments	(3.3)	(14.2)	(3.0)	(6.6)	-
Cash basis earnings	118.5	102.5	91.7	73.2	59.0
Financial Position at 30 June					
Total assets	17,001.6	15,196.1	13,858.6	11,284.5	9,256.6
Loans and receivables	13,843.5	12,436.7	11,392.4	9,372.6	7,504.0
Cash and cash equivalents	329.1	479.8	442.0	315.1	288.5
Financial assets and derivatives	2,248.5	1,854.3	1,615.7	1,220.2	1,130.0
Other assets	580.5	425.3	408.5	376.6	334.2
Equity	1,015.0	899.5	720.7	676.4	552.7
Deposits	15,231.0	13,599.8	12,572.2	10,148.9	8,241.2
Subordinated debt	307.2	307.1	262.1	199.3	204.7
Other liabilities	448.4	389.7	303.6	259.9	258.1
Share Information					
Net tangible assets per ordinary share	$5.40	$4.78	$4.21	$4.40	$3.80
Earnings per ordinary share - cents	81.9	81.5	67.5	60.2	46.8
Cash basis earnings per ordinary share - cents	82.9	73.2	65.5	58.5	50.2
Dividends per ordinary share:					
Interim - cents	24.0	22.0	19.0	17.0	13.5
Final - cents	34.0	30.0	26.0	23.0	20.0
Total - cents	58.0	52.0	45.0	40.0	33.5
Ratios					
After tax before significant items return on average assets	0.80%	0.75%	0.73%	0.71%	0.69%
Return on average assets	0.76%	0.80%	0.75%	0.78%	0.69%
Cash basis return on average ordinary equity	15.38%	14.51%	13.54%	11.91%	11.06%
Return on average ordinary equity	15.18%	16.16%	13.98%	12.99%	11.06%

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

Comparatives for financial years 2004 and prior are not prepared under AIFRS. The main adjustments that would make the figures comply with AIFRS are:

Profit -
- goodwill and trustee licence are not amortised under AIFRS.
- movements in general provision for doubtful debts (general reserve for credit losses) reflect as appropriations of profit under AIFRS rather than expense under AGAAP.
- loan application fees and loan origination fees are recognised on an effective interest rate basis (deferred and amortised) and are disclosed as net interest income under AIFRS.

Balance sheet -
- general provision for doubtful debts now disclosed as general reserve for credit losses in equity.
- establishment of new collective provision for doubtful debts under AIFRS. This provision is treated as a general provision for prudential purposes.
- specific provisions for doubtful debts are assessed on the basis of discounted estimated future cash flows under AIFRS. Future cash flows were not discounted under AGAAP.
- loans to employees in relation to employee share ownership plan disclosed as reduction of equity under AIFRS.
- assets and liabilities of securitisation trusts are consolidated under AIFRS.
- share investments are carried at fair value under AIFRS.
- derivative financial instruments are carried at fair value under AIFRS.
- computer software assets have been reclassified from property, plant & equipment to intangible assets under AIFRS.
- deferred tax assets and liabilities have been recognised in relation to asset revaluation reserves under AIFRS.

FIVE YEAR COMPARISON

The Bendigo Group

		Disclosures prepared under AIFRS			Comparatives prepared under previous AGAAP	
		2007	2006	2005	2004	2003
Key Trading Indicators						
Retail deposits - branch sourced	($m)	11,641	10,771	9,260	8,293	6,823
Number of depositors' accounts - branch sourced		1,418,088	1,309,957	1,201,627	1,094,884	974,788
Total loans approved	($m)	7,018.0	6,189.6	5,872.6	6,077.8	4,822.8
Number of loans approved		73,236	66,227	65,498	72,063	70,175
Liquid assets and cash equivalents	($m)	2,577.6	2,334.1	2,057.7	1,535.3	1,418.5
Total assets	($m)	17,001.6	15,196.1	13,858.6	11,284.5	9,256.6
Liquid assets & cash equiv as proportion of total assets	(%)	15.16	15.36	14.85	13.61	15.32
Number of branches(1)		357	335	302	276	246
Average deposit holdings per branch	($m)	32.6	32.2	30.7	30.0	27.6
Number of staff (excluding Community Banks)	(FTE)	2,428	2,343	2,214 (2)	2,063	1,904
Assets per staff member(3)	($m)	7.002	6.486	5.990	5.470	4.862
Staff per million dollars of assets(3)		0.14	0.15	0.17	0.18	0.21
Dissection of Loans by Security(4) ($'000)						
Residential loans		10,253.8	9,278.1	8,629.2	7,110.9	5,602.5
Commercial loans		2,911.7	2,574.4	2,217.8	1,774.1	1,446.5
Unsecured loans		474.4	415.1	490.6	492.9	463.5
Other		274.4	229.7	165.2	92.0	71.4
Gross loans		13,914.3	12,497.3	11,502.8	9,469.9	7,583.9
Dissection of Loans by Security(4) (%)						
Residential loans		73.69	74.24	75.02	75.09	73.87
Commercial loans		20.93	20.60	19.28	18.73	19.07
Unsecured loans		3.41	3.31	4.26	5.20	6.11
Other		1.97	1.85	1.44	0.98	0.95
Total		100.00	100.00	100.00	100.00	100.00
Asset Quality						
Impaired loans	($m)	18.2	14.9	16.7	12.9	16.4
Specific provisions	($m)	(8.4)	(9.0)	(8.6)	(8.0)	(10.6)
Net impaired loans	($m)	9.8	5.9	8.1	4.9	5.8
Net impaired loans % of gross loans	(%)	0.07	0.05	0.07	0.05	0.08
Specific provision for impairment	($m)	8.4	9.1	8.6	8.1	10.7
Specific provision % of gross loans less unearned income	(%)	0.06	0.07	0.08	0.09	0.14
Collective provision	($m)	11.4	8.8	-	-	-
General reserve for credit losses (general provision)	($m)	45.3	40.6	60.3	53.4	43.8
Collective provision (net of tax effect) & GRCL (general provn) as a % of risk-weighted assets	(%)	0.55	0.55	0.55	0.55	0.55
Loan write-offs as % of average total assets	(%)	0.04	0.04	0.06	0.07	0.08

1 Includes Community Bank branches.
2 Includes staff increases from the acquisition of Oxford Funding Pty Ltd.
3 These ratios do not take into account off-balance sheet assets under management, which totalled $2.3 billion at 30 June 2007 (2006: $2.0 billion).
4 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.

Comparatives for financial years 2004 and prior are not prepared under AIFRS. The main adjustments that would make the figures comply with AIFRS are:

Profit -
goodwill and trustee licence are not amortised under AIFRS.
movements in general provision for doubtful debts (general reserve for credit losses) reflect as appropriations of profit under AIFRS rather than expense under AGAAP.
loan application fees and loan origination fees are recognised on an effective interest rate basis (deferred and amortised) and are disclosed as net interest income under AIFRS.

Balance sheet -
general provision for doubtful debts now disclosed as general reserve for credit losses in equity.
establishment of new collective provision for doubtful debts under AIFRS. This provision is treated as a general provision for prudential purposes.
specific provisions for doubtful debts are assessed on the basis of discounted estimated future cash flows under AIFRS. Future cash flows were not discounted under AGAAP.
loans to employees in relation to employee share ownership plan disclosed as reduction of equity under AIFRS.
assets and liabilities of securitisation trusts are consolidated under AIFRS.
share investments are carried at fair value under AIFRS.
derivative financial instruments are carried at fair value under AIFRS.
computer software assets have been reclassified from property, plant & equipment to intangible assets under AIFRS.
deferred tax assets and liabilities have been recognised in relation to asset revaluation reserves under AIFRS.

Please note that only Key Trading Indicators based on asset values are impacted by AIFRS.

DIRECTORS' REPORT

Your Board of Directors has pleasure in presenting the 142nd Financial Report of Bendigo Bank Limited and its controlled entities for the year ended 30 June 2007.

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.

Robert N Johanson – Chairman
Robert G Hunt AM – Managing Director
Neal J Axelby
Jennifer L Dawson
Donald J Erskine
Terence J O'Dwyer
Deborah L Radford
Kevin E Roache
Antony D Robinson

Mr Richard A Guy OAM retired from the board on 31 August 2006.

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

Share Issues

The following share classes were issued during the financial year:

	No. of shares
Ordinary shares	
Ordinary shares issued under the Dividend Reinvestment Plan	1,522,761
Ordinary shares issued in lieu of dividends under the Bonus Share Scheme	293,506
Ordinary shares issued under the Employee Share Plan	1,520,662
Total ordinary shares issued	**3,336,929**

Share Options and Rights

Unissued Shares:

As at the date of this report, there were 1,057,114 unissued ordinary shares under options (632,693,000 at the reporting date) and 178,769 rights to unissued ordinary shares (100,117 at the reporting date). Refer to note 36 and 38 of the financial statements for further details of the rights and options outstanding.

The Board may decide how to treat the Participant's Options or Performance Rights to make sure the Participant is neither advantaged nor disadvantaged as a result of any share issues or reconstructions.

Shares issued as a result of the exercise of options:

During the financial year no Options vested or were exercised and no Rights vested or were exercised.

Ordinary Share Dividends Paid or Recommended	
Dividends paid:	
Final dividend 2006 of 30.0¢ per share, paid September 2006	$40.1 million
Interim dividend 2007 of 24.0¢ per share, paid March 2007	$32.6 million
Dividend recommended:	
Final dividend 2007 of 34.0¢ per share, declared by the directors on 9 August 2007, payable 28 September 2007	$46.6 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 2006	818,654
March 2007	704,107
In addition, shareholders electing to receive bonus shares in lieu of dividends received the following ordinary shares, paid in full:	
September 2006	156,945
March 2007	136,561

Preference Share Dividends Paid or Recommended	
Dividends paid:	
131.68 cents per share, paid 15 September 2006	$1.2 million
134.64 cents per share, paid 15 December 2006	$1.2 million
136.36 cents per share, paid 15 March 2007	$1.2 million
138.89 cents per share, paid 15 June 2007	$1.2 million
Dividend announced:	
A dividend of 142.66¢ per security for the period 15 June 2007 to 16 September 2007 (inclusive), announced on 13 August 2007, payable 17 September 2007	$1.3 million
All dividends were fully franked	

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, financial advisory 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 after providing for income tax of the economic entity amounted to $121.7 million (2006 - $116.7 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. 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 $899.5 million to $1,015.0 million, an increase of $115.5 million or 12.8 per cent over the year. Contributed ordinary equity increased by $41.1 million, due to shares issued under the dividend reinvestment plan ($20.5 million) and shares issued under the Employee share plan ($20.6 million).

Contributed preference share equity increased by $0.2 million due to payment of the unpaid portion of existing shares.

Reserves increased by $51.2 million. The major contributor to this increase was the $30.9 million increase in the cash flow hedge reserve relating to unrealised gains/losses. The cash flow hedge reserve for associate companies also increased by $1.6 million. General reserve for credit losses (GRCL) increased by $4.7 million and the GRCL for associate companies increased by $1.8 million. The asset revaluation reserve increased by a net $5.7 million, predominantly due to net valuation increments relating to share investments.

Significant After Balance Date Events

On 9 August 2007 the Bank declared a final dividend for ordinary shares and on 13 August 2007 announced a dividend for preference shares, details of which are shown above.

On 9 August 2007 the Boards of Bendigo Bank and Adelaide Bank announced their intention to merge. The merger will be implemented by a Scheme of Arrangement in Adelaide which will require approval by Adelaide Bank Limited shareholders at a meeting expected to be held in November 2007, as well as the required regulatory approvals. On 4 September 2007, the Boards of Bendigo Bank and Adelaide Bank announced that their respective post announcement due diligence inquiries have been concluded satisfactorily.

Except as referred to in the Report by Chairman and Managing Director, above, 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 accompanying this Full Financial Report.

REMUNERATION REPORT

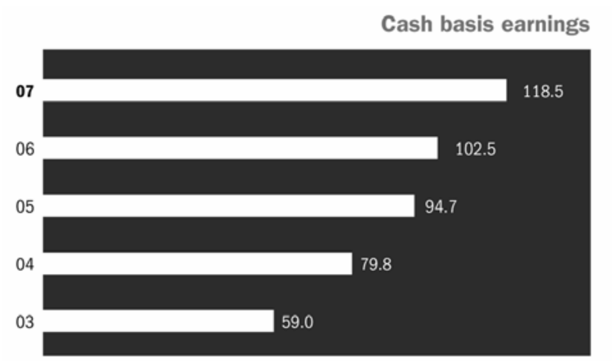
The Directors of the Company present this Remuneration Report for the Company and for the consolidated entity for the year ended 30 June 2007. This Remuneration Report is prepared in accordance with section 300A of the Corporations Act and Accounting Standard AASB 124 “Related Party Disclosures” and forms part of the Directors’ Report. The disclosures have been audited other than where indicated.

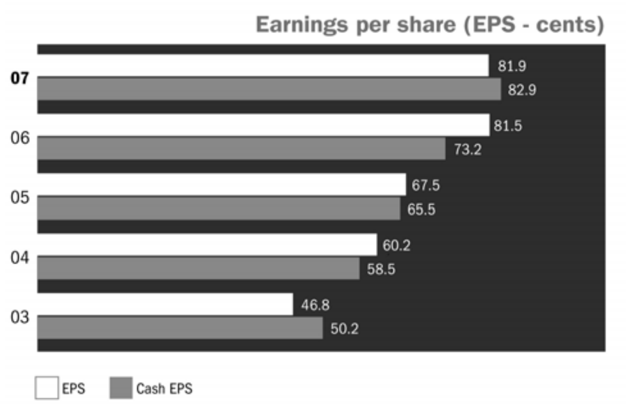
The Group’s policy in respect to non-executive and executive remuneration is available from the Company’s web site.

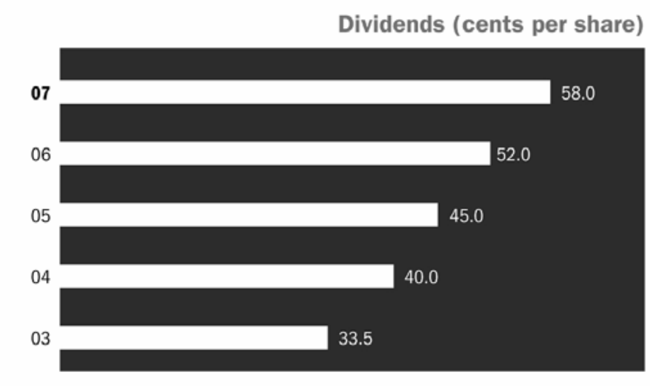
The following overview of the Company’s development and performance is provided as background information to assist shareholders in their consideration of the Remuneration Report and particularly to explain the link between Group performance and executive remuneration. Performance hurdles for the Company’s short and long term incentive programs are directly linked to the performance of the Company.

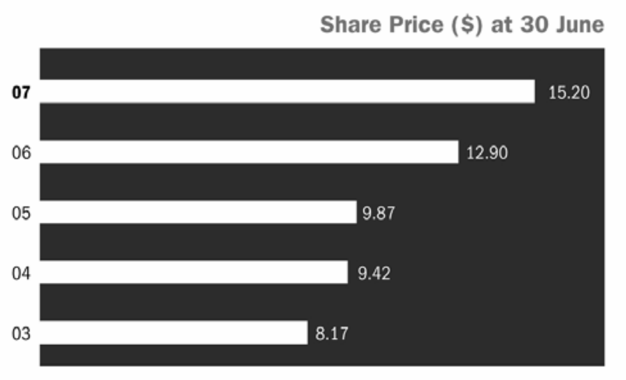
The Company is a nationally represented, diversified financial services enterprise which is in the top 120 companies listed on the Australian Securities Exchange. The Company has maintained a consistent branded retail strategy, focussed on the interests and prospects of our customers and communities. This is supported by a strategically focussed investment program and commitment to our corporate and social responsibilities. Through this strategy the Company 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 Company expects to continue to deliver to shareholders improved, and sustainable, growth in shareholder value.

The accompanying charts set out the Company’s key financial performance measures for the financial year ended 30 June 2007, and the four previous financial years, to illustrate the consequences of the Company’s performance on shareholder value and returns.









The Company has experienced consistent growth in after-tax earnings of approximately 20% per year since 2002 resulting in:

- An increase of $8.40 (124%) in the Company's share price from $6.80 at 30 June 2002 to $15.20 at 30 June 2007. The share price increased by $2.30 in 2007 (18%);
- Growth in cash EPS of 38.1 cents (85%) from 44.8 cents for 2002 to 82.9 cents for 2007. The cash EPS increased by 9.7 cents for 2007; and
- An increase in dividends of 29 cents per share (100%) from 29 cents per share for 2002 to 58 cents per share for 2007. The dividend increased by 6 cents per share for 2007.

The Company has announced a final dividend of 34 cents per share on 9 August 2007, payable on 28 September 2007. This results in a total dividend payable by the Company for the 2007 financial year of 58 cents per share (fully franked) which represents an 11.5% increase on the previous year.

As at 30 June 2007 the Company's share price has increased by $2.30 against the Company's share price as at 30 June 2006, which represents an increase of 18%.

This annual report includes a specific disclosure in respect of the key terms and estimated financial impact of the Company's equity plans on shareholder returns. The disclosure is presented at Note 36.

During the 5 year period ended 30 June 2007, the total shareholder return, calculated on the basis of the gain in the Company's share price and notional reinvestment of dividends paid during the same 5 year period, equates to 123%.

The benefits to the Company and its shareholders of the Board's policy on executive director and senior executive remuneration are shown by these results.

Non-Executive Director Fees

Objectives and Structure:

The Board has adopted a policy in respect of non-executive director fees with the following 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; and
- To build sustainable shareholder value by encouraging a longer-term strategic perspective without directly linking fees to the performance of the Company.

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 annual results of the Company. In accordance with the Board policy, non-executive director remuneration comprises the following elements:

- Base fee; and
- Superannuation Guarantee Charge ("SGC") payments - currently at 9% of directors' fees.

The Company does not pay additional fees in relation to committee memberships or subsidiary and joint venture directorships. Non-executive directors do not receive bonuses or incentive payments, nor participate in the Company's equity participation plans. Non-executive directors are entitled under the Company's constitution to be reimbursed for business related expenses.

Non-executive director 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 2005 Annual General Meeting is $1,200,000 per annum.

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

Non-executive director fees are reviewed annually by the Board to ensure that the structure and amount are appropriate for the circumstances of the Company. 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, including the banking and finance sector, and to ensure that fees and payments reflect the demands and the scope of responsibilities of directors. The assessment takes into account the remuneration policies of the Company, changes in the nature and operations of the Group including industry developments which impact the responsibilities and risks associated with the role of director.

At the date of this report, the base fee paid to each non-executive director is $93,600 per annum. The fee was effective from 1 November 2006 following an increase by the CPI index.

The Board has recently determined that the base fee paid to each non-executive director shall increase to $100,000 per annum.

Details of the membership of the Governance Committee, and its responsibilities in relation to remuneration arrangements, are set out on page 23 of the full Annual Report. The fees of non-executive directors for the year are detailed in the tables that accompany this report.

Non-Executive Directors' Retirement Benefits - No Longer Offered

A retirement benefit scheme was in place for non-executive directors since Company conversion on 1 July 1995. Directors in office as at December 2003 were 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 had served at least nine years.

The Board decided to wind-up the arrangement with non-executive director retirement benefit entitlements being crystallized as at 31 August 2005. The majority of the entitlements have now been paid to the directors. Details of retirement benefit entitlements and payments during the year are disclosed in the non-executive director remuneration tables and associated notes that accompany this report.

Executive Remuneration

Objectives and Structure:

The Board has adopted a policy in respect of executive remuneration with the following 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; and
- To contribute to appropriate attraction and retention strategies for executives.

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

The strategy has involved a significant investment program by the Group which has included acquisitions, expansion of the Group’s product range and the distribution network through joint ventures, **Community Bank®** and alliance activities, and investments into a range of community enhancement initiatives.

These investments have a medium to longer-term maturity profile with the objective of generating sustainable improvement in shareholder value. This has been reflected in the Company’s short and long term incentive remuneration arrangements for senior executives. The arrangements have been designed to balance the reward for annual performance and provide sufficient flexibility to allow for rewards to be tailored to recognise the development of business opportunities that present themselves during a year or programs that stretch across more than one reporting period.

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

- Fixed annual remuneration;
- Short and Long Term Incentive arrangements; and
- Superannuation guarantee charge payments (currently 15% for the Managing Director and 9% for other executives).

It is the objective of the Board, and Managing Director, to achieve a balance between fixed remuneration and incentive components that take into account market relativities and aligns executive remuneration with shareholder interests. The incentive based components of the total remuneration package for the Managing Director was 54% and for the executives, including executives who are key management personnel and executives identified in the executive remuneration table that accompanies this report (“Named Executives”), ranged between 31% and 39% of their total remuneration package.

The incentive arrangements in place during the 2007 year include the following components:

- an annual (cash) incentive; and
- participation in the Executive Incentive Plan.

The incentive arrangements in place during the year were designed to reward the achievement of annual financial goals, individual performance criteria and to drive continued improvement in sustainable shareholder value. The remuneration arrangements apply to the Managing Director, executives (including the Named Executives) and the Company Secretary of the Company.

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 Company Secretary), including the proportions of fixed remuneration and incentive arrangements.

Fixed annual 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 the Company 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 set by reference to appropriate benchmark information relevant to the executive's role, responsibilities, experience and expertise.

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 Company.

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.

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:

It is the Board's objective that the incentive arrangements for the Managing Director comprise short-term (annual) and long-term incentive components. The Board has set a targeted remuneration mix for the Managing Director of:

Fixed: 40%
STI: 30%
LTI: 30%

The Board and Managing Director have set a targeted allocation value of 30% of fixed annual reward for participation by other executives in the new Executive Incentive Plan. Details of the annual cash and long-term incentive arrangements for the 2007 year are set out below.

Annual Incentive Arrangements

As discussed above, the Managing Director's and executive remuneration packages for the 2007 year included an annual incentive component which rewards 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 maximum amount of the cash incentive is set by the Board for the Managing Director, taking into account market data. The Managing Director sets the maximum for other executives, taking into account the executive's particular role and responsibilities.

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 amounts are set following the year-end profit announcement.

The objective of the incentive component is to link the annual financial performance of the Group, and the achievement of individual business priorities which enhance the future prospects of the Company with the remuneration received by executives.

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 and at a cost that is reasonable to the Company in its circumstances.

Managing Director:

The Managing Director's annual cash incentive component for the year ended 30 June 2007 was based upon a mix of quantitative and qualitative performance measures and was set at a maximum of $660,000.

The quantitative element focused on the achievement of EPS growth calculated at the rate of $57,900 for every one cent per share increase in the Company's reported normalised EPS ratio above the normalised EPS ratio achieved for the 2006 financial year, with a maximum of $440,000 payable.

The Board selected the EPS measure as it represents a publicly available performance measure that appropriately reflects the short-term interests of shareholders. The Company's EPS ratio ensures that an appropriate focus is placed upon both profit performance and effective application of shareholder capital, given the minimum capital requirements set by the Australian Prudential Regulation Authority.

The Board has set qualitative performance measures in respect of the balance of the annual cash incentive, being $220,000, that focus on the continued progress of the Group strategic priorities confirmed by the Board:

- Deepening existing customer relationships;
- Raising awareness of the brand and creating relevance;
- Growth at profitable prices;
- Making it easier for customers to do business with us;
- Taking advantage of acquisition and expansion opportunities; and
- Continued progression of succession planning for all senior executive roles.

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 performance of the Managing Director is reviewed by the Board on an annual basis in two stages. The Chairman conducts an assessment of the Managing Director's performance as part of the annual Board and director performance process completed 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 cash EPS performance. Details of the Company's cash EPS performance are 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 relevant business outcomes for the year.

Generally the amount of the annual incentive paid to other executives is contingent upon the achievement of targeted cash EPS performance, aligned with the market guidance issued by the Company. The Managing Director will also take into account the individual performance achievements of the executive member. The incentive paid to executives is based upon an assessment of the Group's actual EPS performance and the extent to which the executive has discharged their position responsibilities and achieved 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. Amounts paid from the bonus pool allocation to executives are included in the accompanying remuneration tables**.**

Long term incentives

Executive Incentive Plan: Executives

The Company established an Executive Incentive Plan (the "Plan") in 2006. The Board considers it important that executives, including the Managing Director, have ongoing share ownership in the company. The Plan is designed to link executive reward with the key performance drivers which underpin sustainable growth in shareholder value – including both share price and returns to shareholders. Participation is offered to executives, including the Managing Director, as decided by the Board. Grants under the Plan are made on an annual basis.

Overview of the Executive Incentive Plan

The Plan provides for grants of options and performance rights ("Instruments") to key executives, including the Managing Director. Under the Plan, eligible executives are granted options and performance rights subject to performance conditions set by the Board. If the performance conditions are satisfied during the relevant performance period, the options and performance rights will vest.

The Company intends to make allocations under the Plan annually having regard to the Managing Director's and each executives fixed annual remuneration.

The performance conditions and performance periods for grants under the Plan are set out below.

Each option and performance right represents an entitlement to one ordinary share in the company. Accordingly, the maximum number of shares that may be acquired by the Managing Director and 11 executives is equal to the number of options and performance rights issued.

Options and performance rights are granted at no cost to the Managing Director and executives. The Plan Rules provide that the Board may determine that a price is payable upon exercise of an option or exercisable performance right. The exercise price for options will generally be the market price of the shares at the grant date, and no exercise price will apply to exercisable performance rights.

The number of options and performance rights granted to the Managing Director and key executives have been based on the value of each option and performance right, calculated using the recognised Black – Scholes-Merton valuation methodology. The assessed fair value of each option and each performance right granted under the Plan are set out in the tables which accompany this report.

Executives are entitled to vote and to receive any dividend, bonus issue, return of capital or other distribution made in respect of shares they are allocated on vesting and exercise of their performance rights and options, as applicable.

The grants are subject to a dealing restriction. Executives are not entitled to sell, transfer or otherwise deal with the shares allocated to them until 2 years after the end of the initial performance period. The Plan Rules also contain a restriction on removing the “at-risk” element of the instruments. Plan participants may not enter into any transaction designed to remove the “at-risk” element of an instrument before it vests.

Under the implementation policy for invitations under the Plan, executives may enter into a transaction to remove the “at-risk” element of an instrument after it vests. However, if an executive enters into such a transaction, the executive must tell the Company Secretary and provide the Company Secretary with any details requested. This information may be made public, eg in the Annual Report.

If an executive ends their employment with the Company before the performance conditions for the options or performance rights have been met, the options and performance rights that have not yet vested will lapse.

However, if the executive’s employment ends because of death, disability, redundancy, or if the Board consents, the Board may, in its discretion decide that a number of options and performance rights vest.

If there is a takeover or change of control of the Company, the Board may, in its discretion decide that unvested options or performance rights vest, having regard to the Company’s pro-rata performance against the relevant performance conditions.

If an executive were to act fraudulently, dishonestly or, in the Board’s opinion, in breach of his or her legal duties, any unvested options or performance rights will lapse.

Performance Conditions

The performance condition for options granted under the Plan is based on the Company’s total shareholder return (“TSR”). The performance condition for performance rights granted to the Managing Director and key executives is based on the Company’s compound growth in cash basis earnings per share (“EPS”), both measured over a 3 year initial performance period.

Total Shareholder Return (“TSR”)

TSR measures changes in the market value of the Company’s shares over the performance period and the value of dividends on the shares during that period (dividends are treated as if they were re-invested).

The use of a TSR based hurdle ensures an alignment between comparative shareholder return and reward for the executives and provides a relative, external market performance measure, having regard to the TSR performance of other companies in a comparator group. For the purpose of the grants under the Plan, the comparator group consists of ASX 200 companies (excluding property trusts and resources) (“**Peer Group**”).

Earnings Per Share (“EPS”)

Cash basis EPS will be calculated as the reportable earnings which reflect the underlying operating performance of the business, as approved by the Board. The EPS based hurdle is a fundamental indicator of financial performance, both internally and externally and links directly to the Company’s long-term objective of growing earnings.

For the purpose of the grants under the Plan, the EPS performance condition involves a comparison between the cash basis EPS for the last financial year of the performance period against the cash basis EPS for the first financial year of the three performance period.

The Board has maintained a three year 10% EPS performance hurdle for performance right grants. The performance hurdle is consistent with the Board’s view on the longer term sustainable EPS performance of the sector. Whilst the banking sector has enjoyed buoyant market conditions over a number of years it is expected that market conditions will become much tougher and even more competitive going forward. The consistent achievement of a 10% compounded growth rate in EPS will be a challenging hurdle taking into account the current stage of the credit cycle and intense level of competition across the sector.

Vesting Schedule – Performance Options

Options granted to date under the Plan will vest in accordance with the following table.

Company's TSR ranking against TSR of Peer Group	Percentage of options that vest
TSR below 50th percentile	Nil
TSR at the 50th percentile	50%
TSR between 51st and 74th percentile	An additional 2% of options will vest for every percentage increase.
TSR at or above 75th percentile	100%

Vesting Schedule – Performance Rights

Performance rights granted to date under the Plan will vest as set out below. At the end of the performance period, the growth in the Company's cash basis EPS must equal or exceed 10% per annum, calculated on a compound basis.

Company's compound growth in EPS	Percentage of performance rights that vest
EPS growth less than 10%	Nil
EPS growth at or above 10%	100%

The Board has discretion to increase or decrease by 20% the number of performance rights provided under the Plan based on an assessment of whether cash basis EPS growth was due to factors controllable by the Company or external factors.

Retesting

To the extent that the performance conditions attaching to options and performance rights granted under the Plan are not satisfied at the end of the initial performance period, the options and performance rights that do not vest, will be carried forward and retested as described below.

Options: will be retested after a further 6 months and, if still not satisfied, they may be retested one final time after another 6 months.

Performance rights: will be retested only once, after 12 months. Any options or performance rights that have not vested at the end of the additional 12 month period will lapse.

The Board believes that retesting in these limited circumstances is appropriate because it ensures that executives are not disadvantaged by one year of average performance over a longer-term period of strong performance.

Grants to Managing Director and Group Executives

Shareholders at the 2006 Annual General Meeting approved the grant of instruments in three tranches to the Managing Director. The first grant, Tranches 1 and 2, was made to the Managing Director shortly after the 2006 Annual General Meeting. Tranche 3 was granted to the Managing Director in July 2007.

The first offer to executive and committee members to participate in the Plan was also made shortly after the 2006 Annual General Meeting ("2007 grant"). The offer was made to all executive committee members at the time of the offer. A second offer to the same executives was made in July 2007 ("2008 grant"). Details of the instruments granted under the 2007 grant to the Named Executives are presented in the remuneration tables that accompany this report.

The performance conditions attaching to these grants are those noted above, which apply to the Managing Director and all executives participating in the Plan, except that the Tranche 1 grant to the Managing Director had an initial performance period of 2 years as disclosed in the 2006 Notice of Annual General Meeting.

Employee Share Plan: General Staff

Legacy Plan

The Company discontinued in 2006 the existing loan-based Employee Share Ownership Plan ("Plan") which was open to all employees in the Group, including the Managing Director and executives. The Plan will continue as a Legacy Plan until such time as the loans provided to fund share purchases under the Plan have been repaid. There have been no issues of shares under this Plan since November 2004.

The notional value of the interest-free loan provided to the Managing Director and relevant executives under this Legacy Plan is disclosed in the remuneration tables that accompany this report.

Current Plan

As announced on 23 May 2006, the Company has established a new loan-based limited recourse Employee Share Plan ("Plan"). The Plan is substantially the same as the Legacy Plan. However, it is only available to general staff. Executives (including the Managing Director) may not participate in it.

Under the terms of the Plan, shares will be issued at the prevailing market value. The shares must be paid for by the staff member. The Plan provides staff members with an 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 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 first issue to general staff under this plan was completed in September 2006. There have been no further issues under this Plan. The share issue in September 2006 was valued and expensed in accordance with applicable accounting requirements.

Executive Employment Contracts:

It is the Group's policy that executive employment contracts will not be for fixed terms and are not to include a provision for payment on early termination, without Board approval. The terms on which the Board has approved such payment are set out below. Otherwise executive members, except 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 following terms apply in relation to the termination for each executive member, excluding the Managing Director.

The Company may terminate an executive's employment *with cause* (such as illegal conduct, gross misconduct, bankruptcy, disqualification from managing companies) at any time provided that the executive is given a reasonable opportunity to defend themselves prior to termination of their employment. The executive is entitled only to payment of pro-rata gross salary and benefits to the date of termination and to payment in lieu of any accrued but unused statutory leave entitlements as at that date.

The Company may terminate an executive's employment *without cause* at any time by giving the executive twelve months' notice, or at its sole option, make payment of gross salary in lieu of the notice or any part of it. The executive is also entitled to payment in lieu of any accrued but unused statutory leave entitlements calculated to the end of the twelve month notice period.

The executive may terminate their employment at any time by giving the Company not less than six months' written notice. The Company may at its sole option make a payment in lieu of the notice period or any part of it. The executive is also entitled to payment in lieu of any accrued leave entitlements calculated to the end of the six month notice period.

If a fundamental change occurs to an executive's employment arrangements, including a change to their duties, status, authority, reporting line or work location, the executive may elect by written notice within three months of the fundamental change, to treat their employment as having been terminated by the Company. Upon receipt of such notice, the Company is to pay the executive an amount equivalent to twelve months' gross salary. The executive shall also be entitled to payment in lieu of any statutory leave entitlements that would have accrued during the twelve months following their termination.

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

Employment Contract – Managing Director:

The current employment agreement with the Group's Managing Director commenced on 1 July 2001 and is open-ended. As announced on 9 August 2007, Mr Hunt will retire on 1 July 2009. 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.

The Company may terminate the agreement without cause by giving 12 months' notice or, at its option, payment of pro-rata gross salary, in lieu of the required notice, together with any accrued but unused statutory leave entitlements including any that would have accrued in that period. The Company may also terminate the agreement for cause, including illegal conduct or gross misconduct (including serious neglect of duties, which in the reasonable opinion of the Board is injurious to the Company) 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 and payment in lieu of any accrued but unused statutory leave entitlements as at that date.

Mr Hunt may terminate the agreement by giving the Company not less than six months' written notice. Mr Hunt is entitled to the pro-rata gross salary and benefits for the duration of the six-month notice period. The Company 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 the Company 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, the Company is required to pay Mr Hunt an amount equivalent to 12 months' gross salary, together with any accrued but unused statutory leave entitlements including any that would have accrued in that period.

The agreement provides for participation in any equity participation plan, other than the general staff plan and for issues of equity instruments at least every two years during the term of the agreement.

Remuneration of directors and executives of the Group for the 2007 financial year (Audited).

(a) Details of key management personnel

The following tables set out the remuneration details for the directors and executives, including key management personnel (being the directors of the Bank and the executives who have the authority and responsibility for planning, directing and controlling the activities of the Group), and the five most highly remunerated executives of the Group for the 2007 financial year.

(i) Directors

Robert N Johanson	Chairman (non executive)
Robert G Hunt AM	Managing Director
Neal J Axelby	Director (non-executive)
Jennifer L Dawson	Director (non-executive)
Donald J Erskine	Director (non-executive)
Richard Guy OAM	Director (non-executive) - Retired 31 August 2006
Terence J O'Dwyer	Director (non-executive)
Deborah L Radford	Director (non-executive)
Kevin E Roache	Director (non-executive)
Antony (Tony) Robinson	Director (non-executive)

(ii) Executives:

M A Baker	Chief General Manager, Solutions
G D Gillett	Chief General Manager, Strategy and Human Resources
M J Hirst	Chief Operating Officer
R P Jenkins	Chief General Manager, Retail and Distribution
V M Kelly	Chief Information Officer
K C Langford	Chief Financial Officer
R H Hasseldine	Chief General Manager, Group Delivery

There were no changes in respect to the Group's key management personnel between the reporting date and the date the financial report was authorised for issue other than:

Mr A Watts was appointed to the role of Chief Information Officer in August 2007. Ms Kelly continues as a member of the group's executive committee and as Chief General Manager reporting to the Managing Director.

(b) Remuneration of Key Management Personnel

The remuneration details of directors and named executives for the financial year ended 30 June 2007 (consolidated) are set out in the following table.

All values presented in the following tables represent dollar ($) figure unless otherwise indicated.

Non-Executive Directors	Short-Term				Post Employment		Total	Long-Term	Share - Based Payment
	Fees	Cash Bonus (At-Risk) (2)	Non Monetary Benefits (3)	Other (4)	Superannuation (5)	Retirement Benefits (6)		Long Service Leave (7)	Options & Shares (8)
R N Johanson (10)	184,796	-	-	2,232	16,416	-	203,444	-	-
N J Axelby	92,398	-	-	1,042	8,315	-	101,755	-	-
J L Dawson	92,398	-	-	-	8,315	-	100,713	-	-
D J Erskine	92,398	-	-	-	8,315	-	100,713	-	-
R A Guy OAM (11)	15,000	-	-	-	1,350	-	16,350	-	-
T J O'Dwyer	92,398	-	-	-	8,315	-	100,713	-	-
D L Radford	92,398	-	-	3,004	8,315	-	103,717	-	-
K E Roache	92,398	-	-	6,296	8,315	-	107,009	-	-
A D Robinson	47,398	-	45,000	2,661	8,315	-	103,374	-	-
Total	801,582	-	45,000	15,235	75,971	-	937,788	-	-

Remuneration of Key Management Personnel (continued)

The remuneration details of directors and named executives for the financial year ended 30 June 2006 (consolidated) are set out in the following table.

Non-Executive Directors	Short-Term				Post Employment		Total	Long-Term	Share – Based Payment
	Fees (1)	Cash Bonus (At-Risk) (2)	Non Monetary Benefits (3)	Other (4)	Superannuation (5)	Retirement Benefits (6)		Long Service Leave (7)	Options & Shares (8)
R N Johanson (9)	107,500	-	-	2,317	9,675	(5,692)	113,800	-	-
N J Axelby	86,822	-	-	1,041	7,814	814	96,491	-	-
J L Dawson	88,534	-	-	-	7,964	3,611	100,109	-	-
D J Erskine	86,822	-	-	-	7,814	3,277	97,913	-	-
R A Guy OAM (10)	147,500	-	-	1,322	13,275	(5,682)	156,415	-	-
T J O'Dwyer	85,000	-	-	-	7,650	1,582	94,232	-	-
D L Radford	31,150	-	-	-	2,804	-	33,954	-	-
K E Roache	87,551	-	-	6,546	7,880	2,488	104,465	-	-
A D Robinson	17,300	-	-	-	1,557	-	18,857	-	-
Total	738,179	-	-	11,226	66,433	398	816,236	-	-

Remuneration of Key Management Personnel (continued)

The remuneration details of directors and named executives for the financial year ended 30 June 2006 (consolidated) are set out in the following table.

Executives	Short-Term				Post Employment		Total Short-Term & Post Employment	Long-Term		Share - Based Payment	Total Performance Related [12]
	Salary & Allowances (1)	Cash Bonus (At-Risk) (2)	Non Monetary Benefits (3)	Other	Superannuation (5)	Retirement Benefits (6)		Long Service Leave Accrual (7)	Notional Interest (9)	Options & Shares (8)	
R G Hunt AM	769,315	559,000	36,500	-	177,687	-	1,542,502	10,276	245,146	-	36%
M A Baker	261,797	95,000	13,799	-	30,202	-	400,798	22,019	15,165	-	23%
G D Gillett	328,940	170,000	53,905	-	48,702	-	601,547	12,812	30,741	-	28%
R H Hasseldine	138,144	115,000	132,698	-	35,294	-	421,136	6,318	14,641	-	27%
M J Hirst	377,150	195,000	54,483	-	53,169	-	679,802	14,272	16,601	-	29%
R P Jenkins	310,700	95,000	15,539	-	33,906	-	455,145	27,412	17,243	-	20%
V M Kelly	320,943	125,000	32,717	-	40,458	-	519,118	16,089	28,825	-	24%
K C Langford	344,546	170,000	66,029	-	50,452	-	631,027	16,753	28,415	-	27%
Total	2,851,535	1,524,000	405,670	-	469,870	-	5,251,075	125,951	396,777	-	

Notes:

1. Cash salary amounts include allowances paid and the net movement in annual leave accrual for the year;
2. The percentage of the incentive payment for the financial year approved by the Board for payment to the Managing Director is 100% with 0% forfeited (2006 - 93% with 7% forfeited). The percentage of the incentive payments for the financial year approved by the Managing Director for payment to the specified executives is 100% (2006 100%). A minimum level of performance must be achieved before any annual incentive is paid. Therefore, the minimum potential value of the annual incentive which was granted in respect of the 2007 financial year was nil. The maximum value of annual incentive grants made during the 2007 financial year is the amount specified in this table. The incentive payments will be paid during September 2007.
3. "Non monetary" relates to the sacrifice components of salary and fees, as applicable.
4. "Other" relates to the amount of allowances (business kilometre reimbursement) paid during the year.
5. Represents superannuation contributions made on behalf of key management personnel in accordance with the Superannuation Guarantee Charge legislation.
6. Represents provisions expensed 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 disclosed in the 2005 Concise Annual Report, the retirement benefit entitlements were crystalised as at 31 August 2005 with the following entitlements payable: RA Guy $341,052; RN Johanson $170,434; NJ Axelby $93,471; JL Dawson $126,326; DJ Erskine $125,506; TJ O'Dwyer $87,782; KE Roache $191,722. The respective entitlements have been paid-out by the Bank in accordance with each director's instructions since 31 August 2005. The final retirement benefit entitlements were adjusted for Superannuation Guarantee Charge contributions and associated earnings up to 31 August 2005.
7. The amounts disclosed relate solely to long service leave accruals.

8. Represents the fair value of grants under the Executive Incentive Plan established in 2006.The realisation of the value of the grants is subject to the achievement of the performance conditions as described in the Remuneration Report. No options or performance rights vested, lapsed or were forfeited during the year. Details of the fair value calculation are presented at Note 38 to the financial statements. For the reasons set out in this Report, no equity grants were made to the Managing Director or the Named Executives during the 2006 financial year. Accordingly, 0% of the remuneration for the Managing Director and Named Executives for the 2006 financial year consisted of options and rights. There were no equity and other remuneration components paid to non-executive directors in accordance with the non-executive director remuneration policy.
9. "Other" relates to the notional value of the interest free loan benefit provided under the legacy Employee Share Ownership Plan. A notional benefit is calculated using the average outstanding loan balance and the bank's average cost of funds. Details in respect to loans provided to the executive under the Employee Share Ownership Plan are disclosed in the full financial statements at Note 36. As part of the Managing Director's remuneration arrangements, the Board approved a benefit of a deferred payment arrangement to finance the purchase of shares in Bendigo Community Telco. The benefit of the deferred payment arrangement is also included as remuneration under "Short -Term - Other" column in respect to the managing director.
10. Fees include Chairman's allowance of $92,398 in respect to Mr R N Johanson.
11. Mr Guy retired from the Board on 31 August 2006.
12. Represents the value of cash bonus and share based payment calculated as percentage of aggregate reward. Shareholders at the 2006 Annual General Meeting approved the grant of two tranches under the Executive Incentive Plan to the managing director in 2007. For the reasons explained in the 2006 Notice of Annual General Meeting, the value of the first grant (tranche 1) has been excluded for the purposes of the Managing Director's calculation. The notional value of the interest-free loan has also been excluded for the purposes of the calculations.

(c) Performance Rights and Options granted as part of remuneration

During the financial year performance rights and performance options were granted as equity compensation under the Executive Incentive Plan ("Plan") to the key management personnel. Refer to Note 36 for details and assumptions used in calculations.

		Grant date	Grant Number	Value per right / option at grant date	Value of rights/options granted during the year	Value of rights vested/options exercised during year[1]	Value of rights/options lapsed during year[1]	Total value of rights/ options granted, exercised and lapsed during year[1]	% of Remuneration consisting of rights & options for the year[2]
R Hunt – tranche 1	Rights	3.11.06	19,043	$13.39	$254,986	-	-	$254,986	
	Options	3.11.06	120,349	$1.90	$228,834	-	-	$228,834	
– tranche 2	Rights	3.11.06	25,391	$12.91	$327,798	-	-	$327,798	
	Options	3.11.06	160,465	$2.07	$332,163	-	-	$332,163	27%
M Hirst	Rights	3.11.06	7,058	$12.91	$91,119	-	-	$91,119	
	Options	3.11.06	44,601	$2.07	$92,324	-	-	$92,324	18%
G Gillett	Rights	3.11.06	5,944	$12.91	$76,737	-	-	$76,737	
	Options	3.11.06	37,559	$2.07	$77,747	-	-	$77,747	16%
C Langford	Rights	3.11.06	6,501	$12.91	$83,928	-	-	$83,928	
	Options	3.11.06	41,080	$2.07	$85,036	-	-	$85,036	17%
V Kelly	Rights	3.11.06	4,829	$12.91	$62,342	-	-	$62,342	
	Options	3.11.06	30,516	$2.07	$63,168	-	-	$63,168	17%
M Baker	Rights	3.11.06	4,829	$12.91	$62,342	-	-	$62,342	
	Options	3.11.06	30,516	$2.07	$63,168	-	-	$63,168	18%
R Jenkins	Rights	3.11.06	5,386	$12.91	$69,533	-	-	$69,533	
	Options	3.11.06	34,038	$2.07	$70,459	-	-	$70,459	18%
R Hasseldine	Rights	3.11.06	3,752	$12.91	$48,438	-	-	$48,438	
	Options	3.11.06	23,709	$2.07	$49,078	-	-	$49,078	14%

(1) No options or performance rights vested, lapsed or were forfeited during the year. The first exercise date for the options and right grants is 30/6/09 (30/6/08 in relation to tranche 1 for Mr R Hunt). The last exercise date for the options, excluding tranche 1 above, is 31/7/11 and 30/6/10 for the rights. The last exercise date for the tranche 1 grants to Mr Hunt are: options - 31/7/10 and rights - 30/6/09.

The percentage of the long term incentive grant for the financial year to the Managing Director and named executives is 100 % with 0 % forfeited. A minimum level of performance must be achieved before any rights or options vest. Therefore, the minimum potential value of the grants made in the financial year was nil. The maximum value of the grants made during the 2007 financial year is the amount specified in this table.

(2) Shareholders at the 2006 Annual General Meeting approved the grant of two tranches under the Executive Incentive Plan to the managing director in 2007. For the reasons explained in the 2006 Notice of Annual General Meeting, the value of the first grant (tranche 1) has been excluded for the purposes of the Managing Director's calculation. The notional value of the interest-free loan has also been excluded for the purposes of the calculations.

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 2007 and the number attended by each director were:

	Board of directors Meetings		Meetings in Committees											
			Audit[4]		Credit		Risk		Property		Governance		IT Strategy	
Attended by:	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
R N Johanson[2]	23	23	8	6			4	4			5	5		
R G Hunt AM	23	23					6	5	2	1	5	5	5	5
N J Axelby	23	23			11	11	6	6			5	5		
J L Dawson	23	23	8	8	11	11			2	2				
D J Erskine	23	22			11	9			2	2			5	5
T J O'Dwyer	23	22	8	8			6	6					5	5
D L Radford[3]	23	23	6	6	11	10							5	5
K E Roache	23	21			11	9	6	5			5	5		
A D Robinson	23	23					6	6			5	4		
R A Guy[1] OAM	2	2	1	1					1	1	2	2		

A = Number eligible to attend
B = Number attended

[1] Mr RA Guy resigned from the board on 31 August 2006

[2] Mr RN Johanson resigned from the Risk Committee on 31 August 2006

[3] Ms DL Radford was appointed to the Audit Committee on 25 September 2006

[4] Mr RG Hunt attends audit committee meetings which consider the Group's half-year and full year result announcement and the statutory financial statements.

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 accordance with section 205G of the Corporations Act 2001) 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 N Johanson	183,496	500
R G Hunt AM(1)	809,107	-
N J Axelby	26,482	50
J L Dawson	13,280	100
D J Erskine	240,220	-
T J O'Dwyer	50,300	-
D L Radford	1,000	-
A D Robinson	2,500	-
K E Roache	45,156	200

(1) Includes 600,000 shares issued under the Bendigo Employee Share Ownership 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.

Company Secretary

David A Oataway B Bus, CA, ACIS

Mr Oataway has been the company secretary of Bendigo Bank Limited for nine 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 2007. 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 2007 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

Non-audit services are those services paid or payable to the Group's external auditor, Ernst & Young, which do not relate to Group statutory audit engagements.

Details of all non-audit services for the year ended 30 June 2007:

(a) Audit related fees:

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. They include audit services required for regulatory and prudential purposes and the amounts shown are GST exclusive.

Service Category	**Fees** (excluding GST) $	**Entity**
APRA Prudential Standard APS310 report	53,500	Bendigo Bank Limited
Australian Financial Services Licence Audits	42,000	*Note 1*
APRA Prudential Standard GPS220 report	16,400	Sunstate Lenders Mortgage Insurance
APRA Targeted Review – APS 310 report	45,000	Bendigo Bank Limited
Trust Deed Report	2,575	Bendigo Bank Limited
Report on VSCL debenture prospectus information	6,180	VSCL
APRA peer actuary review report – GPS 310	18,000	Sunstate Lenders Mortgage Insurance
Sub total – audit related fees	**$183,655**	

Note 1: Amount attributed to Bendigo Bank and subsidiary companies: Sandhurst Trustees Limited, Victorian Securities Corporation Ltd, Worley Securities Pty Ltd, Bendigo Financial Planning Limited and National Assets Securitisation Corporation

(b) Consulting fees:

Service	Fees (excluding GST) $	Entity
Tax compliance software and support service fee	20,000	Bendigo Bank Limited
Tax advice	52,853	Bendigo Bank Limited & Community Developments Australia
Professional Services	55,000	Bendigo Bank Limited
Sub total – Consulting fees	**$127,853**	
Total – non audit services	**$311,508**	

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.

ERNST & YOUNG

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000
Australia

GPO Box 67
Melbourne VIC 3001

Tel 61 3 9288 8000
Fax 61 3 8650 7777

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 year ended 30 June 2007, 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.

Brett Kallio

Ernst + Young

Brett Kallio

Partner

11 September 2007

Ernst & Young

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

Signed in accordance with a resolution of the Board of Directors

Robert Johanson

R N Johanson

Chairman

11 September 2007

R G Hunt AM

Managing Director

INCOME STATEMENT

for the year ended 30 June 2007

	Note	Consolidated		Bendigo Bank	
		2007	2006	2007	2006
Income		$m	$m	$m	$m
Net interest income					
Interest income	4	1,058.6	907.5	1,009.1	844.2
Interest expense	4	701.5	592.4	657.6	538.2
Net interest income		357.1	315.1	351.5	306.0
Other revenue					
Dividends	4	3.8	2.7	41.2	31.3
Fees	4	114.4	103.7	105.6	94.2
Commissions	4	48.1	41.6	10.0	8.0
Other revenue	4	10.9	13.5	16.8	15.3
Total other revenue		177.2	161.5	173.6	148.8
Income					
Profit on sale of SMF shares		-	15.5	-	15.5
Other income	4	6.0	2.6	4.1	0.6
Total income		6.0	18.1	4.1	16.1
Share of associates' and joint ventures net profit/losses		21.9	22.2	-	-
Total income after interest expense		562.2	516.9	529.2	470.9
Expenses					
Bad and doubtful debts on loans and receivables					
Bad and doubtful debts		8.8	7.3	7.9	6.6
Bad and doubtful debts recovered		(0.6)	(0.3)	(0.6)	(0.3)
Total bad and doubtful debts on loans and receivables	4	8.2	7.0	7.3	6.3
Other expenses					
Finance costs		0.4	0.3	0.4	0.3
Staff and related costs	4	187.7	170.8	171.6	154.2
Occupancy costs	4	31.5	29.3	42.6	38.6
Amortisation of intangibles	4	5.4	5.6	4.1	3.7
Property, plant & equipment costs	4	10.3	9.9	9.5	8.8
Fees and commissions		20.2	18.9	16.7	15.5
Other	4	120.6	109.4	127.8	105.0
Total other expenses		376.1	344.2	372.7	326.1
Profit before income tax expense		177.9	165.7	149.2	138.5
Income tax expense	6	(56.2)	(49.0)	(37.0)	(33.6)
Net profit for the period		121.7	116.7	112.2	104.9
Net profit for the period attributable to:					
Minority interest	34	(0.1)	-	-	-
Members of the Parent		121.8	116.7	112.2	104.9
Earnings per share for profit attibutable to the ordinary equity holders of the Company:					
Basic earnings per ordinary share (cents per share)	9	81.9	81.5		
Diluted earnings per ordinary share (cents per share)	9	81.1	80.6		
Franked dividends per ordinary share (cents per share)	10	58.0	52.0		

BALANCE SHEET

as at 30 June 2007

	Note	Consolidated		Bendigo Bank	
		2007	2006	2007	2006
		$m	$m	$m	$m
Assets					
Cash and cash equivalents	14	257.6	270.8	203.5	214.4
Due from other financial institutions	14	71.5	209.0	71.1	209.0
Derivatives	41	74.9	28.4	74.9	28.4
Financial assets available for sale - securities	15	428.8	360.9	428.8	360.9
Financial assets available for sale - share investments	16	130.4	94.4	127.9	94.2
Shares in controlled entities	20	-	-	134.8	151.2
Financial assets held to maturity	17	1,614.4	1,370.6	1,530.5	1,291.8
Loans and other receivables	18	13,843.5	12,436.7	13,483.7	11,948.0
Amounts receivable from controlled entities		-	-	101.0	40.1
Investments in associates and joint ventures accounted for using the equity method	21	156.3	143.5	-	-
Property, plant & equipment	22	61.5	81.1	53.6	40.9
Assets held for sale	23	93.4	-	-	-
Investment property	24	34.2	-	-	-
Intangible assets and goodwill	25	93.7	89.6	54.2	13.5
Deferred tax assets	6	32.6	27.4	31.5	26.9
Other assets	27	108.8	83.7	239.7	190.2
Total Assets		17,001.6	15,196.1	16,535.2	14,609.5
Liabilities					
Due to other financial institutions	14	184.0	166.3	184.0	166.3
Deposits	28	15,231.0	13,599.8	14,822.7	13,063.1
Derivatives	41	34.6	20.0	35.4	22.2
Other payables	29	151.3	140.0	125.4	110.8
Income tax payable		16.3	9.9	16.3	9.9
Provisions	30	40.4	37.4	39.9	36.4
Deferred tax liabilities	6	21.8	16.1	20.8	15.2
Subordinated debt - at amortised cost	31	307.2	307.1	307.2	307.1
Total Liabilities		15,986.6	14,296.6	15,551.7	13,731.0
Net Assets		1,015.0	899.5	983.5	878.5
Equity					
Equity attributable to equity holders of the parent					
Issued capital -ordinary	32	605.2	564.1	605.2	564.1
Perpetual non-cumulative redeemable convertible preference shares	32	88.5	88.3	88.5	88.3
ESOP shares		(40.4)	(25.6)	(40.4)	(25.6)
Reserves	33	130.0	78.8	117.6	69.0
Retained earnings		232.4	194.5	212.6	182.7
Total parent interests		1,015.7	900.1	983.5	878.5
Total minority interest	34	(0.7)	(0.6)	-	-
Total Equity		1,015.0	899.5	983.5	878.5

CASH FLOW STATEMENT

for the year ended 30 June 2007

	Note	Consolidated		Bendigo Bank	
		2007	2006	2007	2006
		$m	$m	$m	$m
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest and other items of a similar nature received		1,038.7	904.8	985.6	838.3
Interest and other costs of finance paid		(664.5)	(573.6)	(623.9)	(519.4)
Receipts from customers (excluding effective interest)		172.5	158.9	128.2	117.0
Payments to suppliers and employees		(420.7)	(288.4)	(407.6)	(267.6)
Dividends received		15.7	15.1	41.2	31.3
Income taxes paid		(43.9)	(45.6)	(33.4)	(40.1)
Net cash flows from operating activities	13	97.8	171.2	90.1	159.5
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash flows for purchases of property, plant and equipment		(117.8)	(44.6)	(28.6)	(17.0)
Cash proceeds from sale of property, plant and equipment		1.0	5.8	0.7	1.7
Cash paid for purchases of intangible software		(1.6)	(9.0)	(1.5)	(8.8)
Cash paid for purchases of equity investments		(35.3)	(28.7)	(59.2)	(28.7)
Cash proceeds from sale of equity investments		7.7	2.2	5.4	0.4
Net increase in balance of loans outstanding		(1,412.1)	(976.1)	(1,596.4)	(1,151.1)
Net increase in balance of investment securities		(278.1)	(161.5)	(275.7)	(146.8)
Total disposal consideration on derecognition of a subsidiary		-	0.7	-	-
Net cash flows used in investing activities		(1,836.2)	(1,211.2)	(1,955.3)	(1,350.3)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from preference share instalment		0.2	44.9	0.2	44.9
Net increase in balance of retail deposits		831.7	1,286.2	845.6	1,281.3
Net increase/(decrease) in balance of wholesale deposits		789.3	(277.5)	904.1	(34.7)
Proceeds from issue of subordinated debt		60.0	75.0	60.0	75.0
Repayment of subordinated debt		(60.0)	(30.1)	(60.0)	(30.1)
Dividends paid		(57.0)	(48.1)	(57.0)	(48.1)
Repayment of ESOP shares		5.8	4.4	5.8	4.4
Net cash flows from financing activities		1,570.0	1,054.8	1,698.7	1,292.7
Net increase/(decrease) in cash and cash equivalents		(168.4)	14.8	(166.5)	101.9
Cash and cash equivalents at the beginning of period		313.5	298.7	257.1	155.2
Cash and cash equivalents at the end of period	14	145.1	313.5	90.6	257.1

STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of Bendigo Bank Limited						Minority interest	Total equity
	Issued capital	ESOP shares	Perp non-cum redeem conv pref shares	Retained earnings	Other reserves	Total		
CONSOLIDATED	$m	$m	$m	$m	$m	$m	$m	$m
At 1 July 2005								
Opening balance b/fwd	546.3	(30.0)	43.0	148.4	64.1	771.8	(0.4)	771.4
Net gains on AFS fin assets	-	-	-	-	7.3	7.3	-	7.3
Gains/(losses) on c/flow hedges	-	-	-	-	2.7	2.7	-	2.7
Total income and expenses recognised directly in equity	-	-	-	-	10.0	10.0	-	10.0
Profit for the year	-	-	-	116.7	-	116.7	(0.2)	116.5
Total income/(expense) for the year	-	-	-	116.7	10.0	126.7	(0.2)	126.5
Issue of share capital	17.8	-	-	-	-	17.8	-	17.8
Pref share instalment (net)	-	-	45.3	-	-	45.3	-	45.3
Reduction in ESOP shares	-	4.4	-	-	-	4.4	-	4.4
Transfer from asset reval res	-	-	-	0.3	(0.3)	-	-	-
Movements in general reserve for credit losses	-	-	-	(5.0)	5.0	-	-	-
Equity dividends	-	-	-	(65.9)	-	(65.9)	-	(65.9)
At 30 June 2006	564.1	(25.6)	88.3	194.5	78.8	900.1	(0.6)	899.5
At 1 July 2006								
Opening balance b/fwd	564.1	(25.6)	88.3	194.5	78.8	900.1	(0.6)	899.5
Net gains on AFS fin assets	-	-	-	-	6.5	6.5	-	6.5
Gains/(losses) on c/flow hedges	-	-	-	-	30.9	30.9	-	30.9
Gains/(loss) on c/flow h-assoc	-	-	-	-	1.6	1.6	-	1.6
Increase in employee benef res	-	-	-	-	6.5	6.5	-	6.5
After tax incr in asset reval res	-	-	-	-	(0.7)	(0.7)	-	(0.7)
Total income and expenses recognised directly in equity	-	-	-	-	44.8	44.8	-	44.8
Profit for the year	-	-	-	121.8	-	121.8	(0.1)	121.7
Total income/(expense) for the year	-	-	-	121.8	44.8	166.6	(0.1)	166.5
Issue of share capital	41.1	(20.6)	-	-	-	20.5	-	20.5
Pref share instalment (net)	-	-	0.2	-	-	0.2	-	0.2
Reduction in ESOP shares	-	5.8	-	-	-	5.8	-	5.8
Transfer from asset reval res	-	-	-	0.1	(0.1)	-	-	-
Movements in general reserve for credit losses	-	-	-	(6.5)	6.5	-	-	-
Equity dividends	-	-	-	(77.5)	-	(77.5)	-	(77.5)
At 30 June 2007	605.2	(40.4)	88.5	232.4	130.0	1,015.7	(0.7)	1,015.0

STATEMENT OF CHANGES IN EQUITY (continued)

Attributable to equity holders of Bendigo Bank Limited

BENDIGO BANK	Issued capital $m	ESOP shares $m	Perp non-cum redeem conv pref shares $m	Retained earnings $m	Other reserves $m	Total Equity $m
At 1 July 2005						
Opening balance b/fwd	546.3	(30.0)	43.0	147.5	55.7	762.5
Net gains-AFS financial assets	-	-	-	-	7.1	7.1
Gains/(losses) on c/flow hedges	-	-	-	-	2.3	2.3
Total income and expense for the year recognised directly in equity	-	-	-	-	9.4	9.4
Profit for the year	-	-	-	104.9	-	104.9
Total income/(expense) for the year	-	-	-	104.9	9.4	114.3
Issue of share capital	17.8	-	-	-	-	17.8
Pref share instalment (net)	-	-	45.3	-	-	45.3
Reduction in ESOP shares	-	4.4	-	-	-	4.4
Transfer from asset reval res	-	-	-	-	-	-
Movements in general reserve for credit losses	-	-	-	(3.9)	3.9	-
Equity dividends	-	-	-	(65.9)	-	(65.9)
Other	-	-	-	0.1	-	0.1
At 30 June 2006	564.1	(25.6)	88.3	182.7	69.0	878.5
At 1 July 2006						
Opening balance b/fwd	564.1	(25.6)	88.3	182.7	69.0	878.5
Net gains-AFS financial assets	-	-	-	-	6.3	6.3
Increase-employee benefits res	-	-	-	-	6.6	6.6
Gains/(losses) on c/flow hedges	-	-	-	-	30.9	30.9
Total income and expense for the year recognised directly in equity	-	-	-	-	43.8	43.8
Profit for the year	-	-	-	112.2	-	112.2
Total income/(expense) for the year	-	-	-	112.2	43.8	156.0
Issue of share capital	41.1	(20.6)	-	-	-	20.5
Pref share instalment (net)	-	-	0.2	-	-	0.2
Reduction in ESOP shares	-	5.8	-	-	-	5.8
Transfer from asset reval res	-	-	-	-	-	-
Movements in general reserve for credit losses	-	-	-	(4.7)	4.7	-
Equity dividends	-	-	-	(77.5)	-	(77.5)
Other	-	-	-	(0.1)	0.1	-
At 30 June 2007	605.2	(40.4)	88.5	212.6	117.6	983.5

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of Bendigo Bank Limited (the Company) for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 11 September 2007.

Bendigo Bank Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange.

The domicile of Bendigo Bank Limited is Australia.

The Group's functional and presentation currency is AUD ($).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

Bendigo Bank Limited 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 accounts provisions of the Corporations Act 2001.

The financial report is a general purpose financial report which has been prepared in accordance with the Banking Act, Australian Accounting Standards, Corporations Act 2001 and the requirements of law so far as they are applicable to Australian banking corporations.

The financial report has been prepared in accordance with the historical cost or amortised cost for loans and receivables and financial liabilities, except for investment properties, land and buildings, derivative financial instruments and available-for-sale financial assets which are measured at their fair value.

The amounts contained 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.

2.2 Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

Recently issued or amended standards not yet effective.

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2007:

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2005-10	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 7 *Financial Instruments: Disclosures.*	1 January 2007	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Group's financial report.	1 July 2007

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2007-1	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	Amending standard issued as a consequence of AASB Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*.	1 March 2007	This is consistent with the Group's existing accounting policies for share-based payments, so the amendments are not expected to have any impact on the Group's financial report.	1 July 2007
AASB 2007-2	Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]	Amending standard issued as a consequence of AASB Interpretation 12 *Service Concession Arrangements*.	1 January 2008	The Group currently has no service concession arrangements or public-private-partnerships (PPP), so the amendments are not expected to have any impact on the Group's financial report.	1 July 2008
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 8 *Operating Segments*.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However the amendments may have an impact on the Group's segment disclosures as segment information included in internal management reports is more detailed than is currently reported under AASB 114 *Segment Reporting*.	1 July 2009
AASB 2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]	Amendments arising as a result of the AASB decision that, in principle, all options that currently exist under IFRSs should be included in the Australian equivalents to IFRSs and additional Australian disclosures should be eliminated, other than those now considered particularly relevant in the Australian reporting environment.	1 July 2007	These amendments are expected to reduce the extent of some disclosures in the Group's financial report.	1 July 2007
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111,	Amending standard issued as a consequence of revisions to AASB 123 *Borrowing Costs*.	1 January 2009	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not	1 July 2009

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
	AASB 116 & AASB 138 and Interpretations 1 & 12]			expected to have any impact on the Group's financial report.	
AASB 2007-7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	Amending standards for wording errors, discrepancies and inconsistencies.	1 July 2007	The amendments are minor and do not affect the recognition, measurement or disclosure requirements of the standards. Therefore the amendments are not expected to have any impact on the Group's financial report.	1 July 2007
AASB 7	*Financial Instruments: Disclosures*	New standard replacing disclosure requirements of AASB 130 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions* and AASB 132 *Financial Instruments: Disclosure and Presentation*.	1 January 2007	Refer to AASB 2005-10 above.	1 July 2007
AASB 8	*Operating Segments*	New standard replacing AASB 114 *Segment Reporting*, which adopts a management approach to segment reporting.	1 January 2009	Refer to AASB 2007-3 above.	1 July 2009
AASB 123 (amended)	*Borrowing Costs*	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset must be capitalised.	1 January 2009	Refer to AASB 2007-6 above.	1 July 2009
AASB Interpretation 10	*Interim Financial Reporting and Impairment*	Addresses an inconsistency between AASB 134 *Interim Financial Reporting* and the impairment requirements relating to goodwill in AASB 136 *Impairment of Assets* and equity instruments classified as available for sale in AASB 139 *Financial Instruments: Recognition and Measurement*.	1 November 2006	The prohibitions on reversing impairment losses in AASB 136 and AASB 139, which are to take precedence over the more general statement in AASB 134, are not expected to have any impact on the Group's financial report.	1 July 2007
AASB Interpretation 11	*AASB 2 – Group and Treasury Share Transactions*	Addresses whether certain types of share-based payment transactions with employees (or other suppliers of good and services) should be accounted for as	1 March 2007	Refer to AASB 2007-1 above.	1 July 2007

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
		equity-settled or as cash-settled transactions under AASB 2 *Share-based Payment*. It also specifies the accounting in a subsidiary's financial statements for share-based payment arrangements involving equity instruments of the parent.			
AASB Interpretation 12	*Service Concession Arrangements*	Clarifies how operators recognise the infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment.	1 January 2008	Refer to AASB 2007-2 above.	1 July 2008
IFRIC Interpretation 13	*Customer Loyalty Programmes*	Deals with the accounting for customer loyalty programmes, which are used by companies to provide incentives to their customers to buy their products or use their services.	1 July 2008	It is anticipated that this interpretation will not have any material impact on Group's financial report.	1 July 2008

2.3 Basis of consolidation

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

A controlled entity is any entity (including special purpose entities) over which Bendigo Bank Limited has the power to govern directly or indirectly decision-making in relation to financial and operating policies, so as to require that entity to conform with the objectives of Bendigo Bank Limited.

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. The financial statements of controlled entities are prepared for the same reporting period as the parent company.

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.

The acquisitions of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Minority interests represent the interests of Community Exchanges Australia Limited and Community Telco Australia Limited (until August 2005), not held by the group.

2.4 Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published price at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identifiable and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

2.5 Changes in accounting policies

The accounting policies are consistent with those applied in the previous financial year and corresponding interim period, except for the investment property held by Homesafe Trust.

The Group has adopted a fair value valuation method in relation to this asset, previously carried at cost. The change in carrying value better reflects the value of the asset and recognises this movement in valuation in each accounting period.

The financial impact of this change is to increase the carrying value of the asset as disclosed in the balance sheet as investment property and to increase income as disclosed in the income statement as other income.

The adjustment to the 2006/07 financial statements has increased the value of the above items by $1.5 million. It is impractical to estimate the increases that may be recognised in future years.

2.6 Significant accounting judgments, estimates and assumptions

(i) Significant accounting judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating Lease Commitments – Group as Lessor

The entity has entered into commercial property leases on its investment property portfolio. The entity has determined that it retains all the significant risks and rewards of ownership of these properties and has thus classified the leases as operating leases.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of goodwill and intangibles with indefinite useful lives.

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 26.

Impairment of financial assets and property, plant & equipment.

The group has to make a judgment as to whether an impairment trigger is evident at each balance date. If a trigger is evident the asset must be tested for impairment, which requires the estimation of future cash flows and the use of an appropriate discount rate.

Impairment of non-financial assets other than goodwill

The group assess impairment of all assets at each reporting date by evaluating conditions specific to the group and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

Employee benefits (leave provisions)

The carrying amount of leave liabilities is calculated based on assumptions and estimates of when employees will take leave and the prevailing wage rates at the time the leave will be taken. Long service leave liability also requires a prediction of the number of employees that will achieve entitlement to long service leave.

2.7 Securitisations

Securitised positions are held through a number of Special Purpose Entities ("SPEs"). As the Bank is exposed to the majority of the residual risk associated with these SPEs, their underlying assets, liabilities, revenues and expenses are reported in the Bank's consolidated balance sheet and income statement.

2.8 Trustee and funds management activities

Controlled entities of the Bank act as the 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 127 "Consolidated and Separate Financial Statements". Commissions and fees generated by the funds management activities are brought to account when earned.

2.9 Foreign currency transactions and balances

Both the functional and presentation currency of Bendigo Bank Limited and its subsidiaries is Australian dollars (AUD). Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling on the date of the transaction.

All amounts are expressed in Australian currency and all references to "$" are to Australian dollars unless otherwise stated. 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 income statement in the financial year in which the exchange rates change.

2.10 Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the cash flow statement, 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 amortised cost. Interest is charged as an expense as it accrues.

2.11 Classification of financial instruments

Financial instruments are classified into one of five categories, which determines the accounting treatment of the financial instrument.
The classifications are:

Loans & receivables -	measured at amortised cost
Held to maturity -	measured at amortised cost
Held for trading -	measured at fair value with changes in fair value charged to the income statement
Available for sale -	measured at fair value with changes in fair value taken to equity
Non-trading liabilities -	measured at amortised cost

All derivative contracts are recorded at fair value in the balance sheet.

2.12 Financial assets and financial liabilities

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement. The group currently does not have any investments held for trading.

All regular way purchases and sales of financial assets are recognised on the settlement date ie. the date the Group settles the purchase of the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

Gains or losses on available-for-sale investments are recognised as a separate component in equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Treasury financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity where the group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Investments that are intended to be held to maturity are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

Treasury financial liabilities

All treasury funding instruments are initially recognised at cost, being the fair value of the consideration given and including charges associated with the issue of the instrument. They are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For liabilities carried at amortised cost, gains and losses are recognised in income when the instruments are derecognised. Treasury funding instruments that are hedged are treated in accordance with the accounting policy for hedges.

Funding instruments that are issued in currencies other than AUD and are not part of an effective hedge relationship are accounted for at amortised cost. These transactions are restated to AUD equivalents each month with adjustments taken directly to income. The group does not currently have any such transactions, as all liabilities denominated in foreign currencies are hedged.

Financial assets - equity investments

Investment securities available for sale consist of securities that are not actively traded by the economic entity.

Fair value of quoted investments in active markets are based on current bid prices. If the relevant market is not considered active (or the securities are unlisted), the economic entity establishes fair value by using valuation techniques, including recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Purchases and sales of financial assets and liabilities that require delivery of assets/securities within the time frame, and generally established by regulation or convention in the market place are recognised on the settlement date ie. the date that the group receives or pays the principal sum.

2.13 Loans and receivables

Loans and receivables are carried at amortised cost, using the effective interest method. The effective interest rate calculation includes the contractual terms of loans together with all fees, transaction costs and other premiums or discounts.

All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired.

Impairment loss is measured as the difference between the loan's carrying amount and the value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate.

Impairment losses are recognised in the income statement.

Specific provision

A specific provision is recognised for all impaired loans 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 not recoverable.

The provision is determined by specific identification and by estimation of expected losses in relation to loan portfolios where specific identification is impractical, based on historical impairment experience for these portfolios. These portfolios include unsecured credit cards, overdrawn accounts and personal loans, unsecured mortgage loans (property realisation shortfalls) where provisions are calculated based on historical loss experience.

Collective provision

Where individual loans are found not to be impaired they are grouped together according to their risk characteristics and are then assessed for impairment. Based on historical loss data and current available information for assets with similar risk characteristics, the appropriate collective provision is raised. Adjustments to the collective provisions are recognised as an expense in the income statement.

General reserve for credit losses

In addition a general reserve for credit losses is maintained to cover risks inherent in the loan portfolios. Movements in the general reserve for credit losses are recognised as an appropriation of retained earnings.

Australian Prudential Regulation Authority (“APRA”) requires that banks maintain a general reserve for credit losses at a minimum level of 0.50% of risk weighted assets (net of tax). In certain circumstances the collective provision can be included in this assessment.

2.14 Investments in associates and joint ventures accounted for using the equity method

The group's investment in associates is accounted for under the equity method of accounting in the consolidated financial statements. These are entities in which the group has significant influence and which is neither a subsidiary nor a joint venture. The financial statements of associates are used by the group to apply the equity method. The reporting dates of the associates and the group are identical and both use consistent accounting policies.

The investments in the associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the group's share of the results of operations of the associates, less any impairment in value. The income statement reflects the share of the results of operations of the associates.

Where there have been changes recognised directly in the associates' equity, the group recognises its share of any changes and discloses this, when applicable in the consolidated statement of changes in equity.

2.15 Property, plant & equipment

Cost and valuation

Plant and equipment is measured at cost less accumulated depreciation and any impairment in value. Land is measured at fair value. Buildings are measured at fair value less accumulated depreciation.
Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Asset category	**2007**	**2006**
	Years	**Years**
Freehold buildings	40	40
Leasehold improvements	3 - 10	3 - 10
Office furniture & equipment	5	5
Computer hardware	3	3
Motor vehicles	5	5

Impairment

On transition to AIFRS, management identified cash generating units and applicable impairment indicators in accordance with AASB 136 "Impairment of Assets".

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised in the income statement, unless they relate to revalued assets. Impairment losses of revalued assets are recognised in the revaluation reserve.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market-based evidence, which is the amount which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.
Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus. In addition, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Upon disposal, any revaluation reserve relating to the particular asset being disposed is transferred to retained earnings.

The fair value of property, plant and equipment is assessed at each reporting date. Also, external valuations are performed every three years (or more often if circumstances require) ensuring that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

2.16 Assets held for sale

An asset where the carrying amount will be recovered principally through a sale transaction is classified as held for sale.

The asset must be available for immediate sale in its present condition and the sale must be highly probable for an asset to be classified as held for sale.

Held for sale assets are measured at the lower of carrying amount and fair value less costs to sell.

Adjustments in carrying value to write the asset down to fair value less costs to sell are recognised as an impairment loss.

Assets held for sale are not depreciated.

2.17 Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an investment property at the time the cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under ‘Property, plant and equipment’ up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying value is recognised in profit or loss. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

2.18 Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at date of acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

On transition to AIFRS, management identified cash generating units and applicable impairment indicators in accordance with AASB 136 "Impairment of Assets".

Goodwill with respect to business combinations completed prior to 1 July 2004 has been allocated to identified cash generating units expected to benefit from the synergies of the combination. Impairment testing was performed by management on transition to AIFRS, resulting in some impairment of goodwill not previously recognised under AGAAP. Goodwill was found to be impaired under AIFRS due to the new testing methodologies prescribed under AIFRS. Impairment losses on transition have been recognised in retained earnings at 1 July 2004.

For business combinations after 1 July 2004 any goodwill acquired is allocated to each of the cash generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates.

Where the recoverable amount of the cash generating unit is less than the carrying amount, which includes the allocated goodwill, an impairment loss is recognised in the income statement, with the goodwill being impaired first. Impairment losses of goodwill are not subsequently reversed.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash generating unit retained.

2.19 Intangibles assets

Acquired both separately and from a business combination

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition.

Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the income statement. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles, annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

The only intangible asset with an indefinite life currently carried by the group is the trustee licence relating to Sandhurst Trustees Limited.

Computer software

Computer software, other than software that is an integral part of the computer hardware, is capitalised as intangible software and amortised on a straight-line basis over the useful life of the asset.

Research and development costs

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is carried forward when it is probable the future economic benefits attributable to the asset will flow to the group.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Any expenditure carried forward is amortised over the period of expected future sales from the related project or expected useful life.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting period indicating that the carrying value may not be recoverable.

A summary of the policies applied to the group's intangible assets (excluding goodwill) is as follows:

	Trustee Licence	**Computer software/ Development costs**	**Acquired in business combination**
Useful lives	Indefinite	Finite	Finite
Method used	Not amortised or revalued	Usually not in excess of 5 years – straight line (major software systems – 7 years)	Amortised to reflect period and pattern of economic benefits
Internally generated/acquired	Acquired	Internally generated or acquired	Acquired
Impairment test/ recoverable amount testing	Annually and where an indicator of impairment exists	Annually and where an indicator of impairment exists	Annually and where an indicator of impairment exists

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement where the asset is derecognised.

2.20 Trade and other payables

Liabilities for trade creditors and other amounts are carried at amortised 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 amortised cost.

Interest, when charged by the lender, is recognised on an effective interest rate 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.

Interest, when charged on payables to related parties, is recognised as an expense on an accrual basis using the effective interest method.

2.21 Reserve fund

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 monies in the reserve fund are available to be utilised in accordance with Section 39 (3) of the Trustee Companies Act 1984.

Sandhurst Trustees Limited complies with the Act by setting aside the value of at call investments, freehold property and other financial assets to the reserve fund.

2.22 Deposits

All deposits and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

2.23 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, and it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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.

2.24 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. Wages and salaries liabilities are recognised in payables.

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 bonus liability has been calculated at balance date in accordance with the relevant group policy, which provides entitlement dependent on an individual employees' years of service and unused sick leave.

Directors' retirement provision is accrued in accordance with the board approved arrangement. The entitlement is calculated on the basis of pro rata years of service up to a maximum of nine years. Directors' retirement provision accruals have ceased with effect 31 August 2005, due to the crystallisation of entitlements at that date as disclosed in the Bendigo Bank Limited Financial Report 30 June 2005.

Long Service Leave

Long service leave has been assessed at full pro rata entitlement in respect of all employees with more than five year's service. The amount provided meets the requirement of Accounting Standard AASB 119 "Employee Benefits", which requires the assessment of the likely number of employees that will ultimately be entitled to long service leave, the estimated salary rates that will apply when the leave is paid, discounted to take account of the time value of money.

Annual leave, sick leave, Directors' retirement and long service leave liabilities are recognised in provisions.

Superannuation

Contributions are made to an employee accumulation superannuation fund and are charged to expenses when incurred.

2.25 Share based payments

The Group provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares.

There are currently two plans in place to provide these benefits:

- the Employee Share Plan ("ESP"), which provides benefits only to the general staff. Executives (including the Managing Director) may not participate in it.

Under the terms of the ESP, shares are issued at the prevailing market value at the time of the issues. The shares must be paid for by the staff member. The ESP provides staff members with an interest-free loan for the sole purpose of acquiring Bendigo Bank shares. Dividends paid on shares issued under the plan are applied primarily to repay the loans. Staff cannot deal in the shares until the loan has been repaid.

The unpaid portion of the issued shares, reflected in the outstanding balance of interest-free loans advanced to employees, is accounted for as ESP shares. The outstanding loan value of the ESP shares is deducted from equity in the balance sheet.

The cost of issues under the plan is measured by reference to the fair value of the equity instruments at the date at which they are granted. Shares granted under the ESP, vest immediately and are expensed to the Income Statement with the employee benefits reserve increasing by a corresponding amount.

- the Executive Incentive Plan ("EIP"), which provides for grants of options and performance rights to key executives, including the Managing Director.

Under the EIP, eligible executives are granted options and performance rights subject to performance conditions set by the Board. If the performance conditions are satisfied during the relevant performance period, the options and performance rights will vest.

The cost of these equity-settled transactions with executives is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised, together with a corresponding increase to employee benefits reserve, over the period in which the performance conditions are fulfilled (the vesting period), ending on the date on which the relevant executive becomes fully entitled to the award.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2.26 Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses over the period of the lease on a straight-line basis unless another systematic basis is more representative of the time pattern of the benefit.

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.

2.27 Financial guarantees

Bank guarantees have been issued by the bank on behalf of customers whereby the bank is required to make specified payments to reimburse the holders for a loss they may incur because the customer fails to make a payment.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach.

In order to estimate the fair value under this approach the following assumptions have been made:

- Probability of default (PD): This represents the likelihood of the guaranteed party defaulting in a 1 year period and is assessed on historical default rates.

- Loss given default (LGD): This represents the proportion of the exposure that is not expected to be recovered in the event of a default by the guaranteed party and is based on historical experience.

- Exposure to default (EAD): This represents the maximum loss that Bendigo Bank is exposed to if the guaranteed party were to default. The model assumes that the guaranteed loan/facility/contract is at maximum possible exposure at the time of default.

The value of the financial guarantee over each future year of the guarantees' life is then equal to PD x LGD x EAD, which is discounted over the contractual term of the guarantee, to reporting date to determine the fair value. The discount rate adopted is the five year Commonwealth government bond yield at 30 June. The contractual term of the guarantee matches the underlying obligations to which it relates.

As guarantees issued by the bank are fully secured and the bank has therefore never incurred a loss in relation to financial guarantees, the LGD (proportion of the exposure that is not expected to be recovered) is zero. This results in the fair value of financial guarantees to be zero.

Therefore, the fair value of financial guarantees has not been included in the balance sheet. The nominal value of financial guarantees is disclosed in the "Contingent liabilities" note of this financial report.

2.28 Revenue

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 accruals basis. Interest is accrued using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument.

Loan origination and loan application fees

Loan origination and application fees are amortised as a component of the calculation of the effective interest rate method in relation to originated loans. They therefore reduce the interest recognised in relation to this portfolio of loans.

The average life and interest recognition pattern of loans in the relevant loan portfolios is reviewed annually to ensure the amortisation methodology is appropriate.

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.

Dividends

Dividends are recognised when control of a right to receive consideration for the investment in assets is established.

2.29 Borrowing costs

Borrowing costs are recognised as an expense when incurred unless they are incurred in relation to qualifying assets.

Borrowing costs for qualifying assets are capitalised as part of the cost of that asset.

2.30 Income tax

The income tax for the period is the tax payable on the current period's taxable income based on the national income tax rate, adjusted for changes in deferred tax assets and liabilities and unused tax losses.

The group has adopted the balance sheet liability method of tax effect accounting, which focuses on the tax effects of transactions and other events that affect amounts recognised in either the balance sheet or a tax-based balance sheet.

Deferred tax assets and liabilities are recognised for temporary differences, except where the deferred tax asset/liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax balances are reviewed annually to determine whether they should be recognised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

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

2.32 Derecognition of financial instruments

The derecognition of a financial instrument takes place when the group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

2.33 Derivative financial instruments

The group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the income statement.

Any gain or loss attributable to the hedged risk on remeasurement of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the income statement such that it is fully amortised by maturity.

In relation to cash flow hedges, to hedge firm commitments which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

When the hedged firm commitment results in the recognition of an asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the year.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

2.34 Issued ordinary capital

Issued and paid up ordinary capital is recognised at the fair value of the consideration received by the company. Any transaction costs (net of any tax benefit) arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

2.35 Perpetual preference capital

Perpetual non-cumulative redeemable convertible preference capital is recognised at the fair value of the consideration received by the company. Any transaction costs (net of any tax benefit) arising on the issue of preference shares are recognised directly in equity as a reduction of the share proceeds received.

2.36 Earnings per ordinary share (EPS)

Basic EPS is calculated as net profit attributable to members, adjusted to exclude cost of servicing equity (other than dividends), preference share dividends and movements in general reserve for credit losses, 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), preference share dividends and movements in general reserve for credit losses; 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 intangibles amortisation (except intangible software amortisation); and
- after tax significant income and expense items
- costs of servicing equity (other than dividends), preference share dividends and movements in general reserve for credit losses

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

3. SEGMENT INFORMATION

The group's primary reporting format is business segments and its secondary format is geographical segments.

The operating businesses are organised and managed according to the nature of products and services provided and the key delivery channels, with each segment representing a strategic business unit that offers a different delivery method and/or different products and services.

Retail banking

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

Community banking

The group's share of interest predominantly derived from the provision of first mortgage finance less the interest paid to depositors; and fee income 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, commission and interest from the provision of financial planning services.

Joint ventures, Alliances and unallocated corporate support

Share of profit from equity accounted investments in associates, revenue from alliances and minor subsidiaries and unallocated corporate support business units.

a. Business segments

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2007 and 2006.

For the year ended 30 June 2007

	Retail Banking	Community Banking	Wealth Solutions	J/Ventures, Alliances & Corp Supp't	Total
Income	$m	$m	$m	$m	$m
Gross external interest income	807.9	230.4	20.3	-	1,058.6
Other income					
Other external income	100.3	27.0	46.7	9.2	183.2
Other intersegment income	0.2	-	0.1	(0.3)	-
Total other income	100.5	27.0	46.8	8.9	183.2
Share of net profit of equity accounted investments	-	-	-	21.9	21.9
Total segment income					
External income	908.2	257.4	67.0	31.1	1,263.7
Intersegment income	0.2	-	0.1	(0.3)	-
Total segment income	908.4	257.4	67.1	30.8	1,263.7
Results					
Segment result	163.0	60.1	29.6	(74.8)	177.9
Internal cost allocations	(38.9)	(33.5)	(2.1)	74.5	-
Consolidated entity profit before income tax expense	124.1	26.6	27.5	(0.3)	177.9
Income tax expense					(56.2)
Minority interests					0.1
Consolidated entity profit before income tax expense					121.8
Assets					
Segment assets	8,772.3	4,242.0	136.4	3,694.6	16,845.3
Equity accounted assets	-	-	-	156.3	156.3
Total on-balance sheet assets	8,772.3	4,242.0	136.4	3,850.9	17,001.6
Originated and managed assets	1,180.2	340.5	775.8	13.9	2,310.4
Total on and off-balance sheet assets	9,952.5	4,582.5	912.2	3,864.8	19,312.0
Liabilities					
Total on-balance sheet liabilities	6,900.6	4,788.2	164.6	4,133.2	15,986.6
Funds under management	1,568.5	572.0	1,248.7	5.0	3,394.2
Total on and off-balance sheet liabilities	8,469.1	5,360.2	1,413.3	4,138.2	19,380.8
Other segment information					
Non-cash expenses					
Depreciation	10.9	1.5	0.3	0.2	12.9
Amortisation of intangibles	4.1	1.2	0.1	-	5.4
Non-cash expenses other than depreciation & amortisation	20.2	6.0	13.5	(10.6)	29.1
Acquisition of property, plant and equipment, intangible assets and other non-current assets	34.1	0.1	1.0	128.0	163.2

Business segments (continued)

For the year ended 30 June 2006

Income	Retail Banking $m	Community Banking $m	Wealth Solutions $m	J/Ventures, Alliances & Corp Supp't $m	Total $m
Gross external interest income	718.7	170.1	18.7	-	907.5
Other income					
Other external income	103.0	25.1	41.3	10.2	179.6
Other intersegment income	0.5	-	2.3	(2.8)	-
Total other income	103.5	25.1	43.6	7.4	179.6
Share of net profit of equity accounted investments	-	-	-	22.2	22.2
Total segment income					
External income	821.7	195.2	60.0	32.4	1,109.3
Intersegment income	0.5	-	2.3	(2.8)	-
Total segment income	822.2	195.2	62.3	29.6	1,109.3
Results					
Segment result	145.8	43.2	26.6	(49.9)	165.7
Internal cost allocations	(37.2)	(22.2)	(1.6)	61.0	-
Consolidated entity profit before income tax expense	108.6	21.0	25.0	11.1	165.7
Income tax expense					(49.0)
Minority interests					-
Consolidated entity profit before income tax expense					116.7
Assets					
Segment assets	7,791.3	3,320.0	149.5	3,791.8	15,052.6
Equity accounted assets	-	-	-	143.5	143.5
Total on-balance sheet assets	7,791.3	3,320.0	149.5	3,935.3	15,196.1
Originated and managed assets	981.7	228.8	715.1	15.8	1,941.4
Total on and off-balance sheet assets	8,773.0	3,548.8	864.6	3,951.1	17,137.5
Liabilities					
Total on-balance sheet liabilities	6,611.9	4,007.3	179.3	3,498.1	14,296.6
Funds under management	1,368.9	416.2	1,181.0	0.8	2,966.9
Total on and off-balance sheet liabilities	7,980.8	4,423.5	1,360.3	3,498.9	17,263.5
Other segment information					
Non-cash expenses					
Depreciation	10.6	1.2	0.3	0.3	12.4
Amortisation of intangibles	4.7	0.6	0.2	0.1	5.6
Impairment losses recognised in profit & loss	-	-	-	5.5	5.5
Non-cash expenses other than depreciation & amortisation	18.6	3.7	10.0	(12.6)	19.7
Acquisition of property, plant and equipment, intangible assets and other non-current assets	8.0	0.2	0.8	100.3	109.3

b. Geographic segments

Bendigo Bank Limited and controlled entities operate predominantly in the geographic areas of all Australian states and territories providing banking and other financial services.

4. PROFIT

Profit before income tax expense has been determined as follows:

	Consolidated 2007 $m	Consolidated 2006 $m	Bendigo Bank 2007 $m	Bendigo Bank 2006 $m
(a) Income:				
Interest income				
Controlled entities				
Cash and cash equivalents	-	-	2.6	-
Financial assets (treasury) available for sale & held to maturity	-	-	-	0.1
Loans and other receivables	-	-	3.0	-
Other persons/entities				
Cash and cash equivalents	4.8	3.0	4.8	3.3
Financial assets (treasury) available for sale & held to maturity	128.2	97.0	124.8	91.7
Loans and other receivables	900.1	774.3	871.5	744.8
Securitisation interest earning assets	25.5	33.2	2.4	4.3
Total interest income	1,058.6	907.5	1,009.1	844.2
Interest expense				
Controlled entities				
Wholesale - domestic	-	-	0.8	0.4
Other persons/entities				
Deposits				
Retail	515.7	444.1	506.1	434.9
Wholesale - domestic	76.5	46.2	64.5	29.6
Wholesale - offshore	65.0	53.5	65.0	53.5
Other borrowings				
Subordinated debt	21.2	19.8	21.2	19.8
Securitisation interest bearing liabilities	23.1	28.8	-	-
Total interest expense	701.5	592.4	657.6	538.2
Other revenue				
Dividends				
Controlled entities	-	-	25.9	16.2
Associates	-	-	11.9	12.6
Other	3.4	2.5	3.4	2.5
Distribution from unit trusts	0.4	0.2	-	-
	3.8	2.7	41.2	31.3
Fees				
Assets	23.4	21.4	22.3	19.1
Liabilities & electronic delivery	69.8	62.6	69.7	62.3
Trustee, management & other services	9.5	9.0	2.2	2.5
Other	11.7	10.7	11.4	10.3
	114.4	103.7	105.6	94.2
Commissions				
Wealth solutions	35.2	31.9	0.4	0.4
Insurance	9.6	7.3	6.3	5.2
Other	3.3	2.4	3.3	2.4
	48.1	41.6	10.0	8.0
Other				
Income from property	0.9	0.5	11.6	9.3
Foreign exchange income	5.1	5.0	5.1	5.0
Other	4.9	8.0	0.1	1.0
	10.9	13.5	16.8	15.3
Other income				
Profit/(loss) on disposal of property, plant & equipment	-	(0.1)	0.1	(0.3)
Profit on sale of other investments	6.0	0.9	4.0	0.8
Other	-	1.8	-	0.1
	6.0	2.6	4.1	0.6

PROFIT (continued)

	Consolidated		Bendigo Bank	
	2007	2006	2007	2006
	$m	$m	$m	$m
(b) Expenses				
Bad and doubtful debts				
Specific provision	5.5	6.2	5.6	5.7
Collective provision	2.6	1.1	2.4	0.9
Bad debts written off	0.7	-	(0.1)	-
Bad debts recovered	(0.6)	(0.3)	(0.6)	(0.3)
	8.2	7.0	7.3	6.3
Staff and related costs				
Salaries and wages	148.1	133.9	134.4	120.6
Superannuation contributions	14.5	13.3	13.2	12.1
Provision for annual leave	(0.2)	1.4	0.1	1.3
Provision for long service leave	2.0	2.1	2.1	2.0
Other provisions	0.9	0.6	1.0	0.5
Payroll tax	9.0	8.2	8.2	7.4
Fringe benefits tax	2.5	2.6	2.2	2.2
Executive equity transactions expense	0.9	-	0.9	-
Other	10.0	8.7	9.5	8.1
	187.7	170.8	171.6	154.2
Occupancy costs				
Operating lease rentals	17.3	15.9	29.5	26.6
Depreciation of buildings	0.2	0.2	-	-
Amortisation of leasehold improvements	2.5	2.3	2.5	2.3
Property rates	0.3	0.3	0.2	0.2
Land tax	0.2	0.2	-	0.1
Repairs and maintenance	3.2	3.2	3.0	2.9
Other	7.8	7.2	7.4	6.5
	31.5	29.3	42.6	38.6
Amortisation of intangibles				
Amortisation of intangible assets	1.2	1.6	-	-
Amortisation of intangible software	4.2	3.9	4.1	3.7
Impairment losses on goodwill	-	0.1	-	-
	5.4	5.6	4.1	3.7
Property, plant & equipment costs				
Depreciation of property, plant & equipment	10.3	9.9	9.5	8.8
	10.3	9.9	9.5	8.8
Administration expenses				
Communications, postage and stationery	23.8	22.2	23.0	21.2
Computer systems and software costs	34.8	28.3	33.7	27.1
Advertising & promotion	10.9	11.7	10.3	11.3
Other product & services delivery costs	20.4	18.4	20.3	18.4
General administration expenses	23.6	22.2	21.3	19.8
Impairment loss on investments - wind-up of subsidiaries	-	-	9.9	-
Other	7.1	6.6	9.3	7.2
	120.6	109.4	127.8	105.0

5. UNDERLYING PROFIT

Underlying profit shows the growth in the core business of the economic entity

	Consolidated 2007 $m	Consolidated 2006 $m
Profit after income tax expense	121.8	116.7
Add,		
Bad and doubtful debts expense (net of bad debts recovered)	8.2	7.0
Amortisation of intangibles (except software amortisation)	1.2	1.7
Significant items before tax	7.3	(11.2)
Income tax expense - total (Note 6)	56.2	49.0
Underlying profit before income tax	194.7	163.2

6. INCOME TAX EXPENSE

Major components of income tax expense are:

Income statement				
Current income tax				
Current income tax charge	67.2	57.6	48.4	45.1
Adjustments in respect of current income tax of previous years	(1.1)	(1.9)	(1.1)	(1.9)
Deferred income tax				
Relating to origination and reversal of temporary differences	(3.2)	(3.3)	(3.6)	(3.2)
Imputation credits	(6.7)	(6.4)	(6.7)	(6.4)
Other items		3.0	-	-
Income tax expense reported in the income statement	56.2	49.0	37.0	33.6
Statement of changes in equity				
Deferred income tax related to items charged or credited directly in equity				
Net gain/(loss) on hedge	2.7	(10.9)	2.7	(10.8)
Net gain on revaluation of land and buildings	0.2	-	0.1	-
Tax effect of collective provisions	-	2.5	-	2.5
Income tax benefit reported in equity	2.9	(8.4)	2.8	(8.3)

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the group's applicable income tax rate is as follows:

Income tax expense attributable to:				
Accounting profit before income tax	177.9	165.7	149.2	138.5
The income tax expense comprises amounts set aside as:				
Provision attributable to current year at statutory rate, being				
prima facie tax on accounting profit before tax	53.4	49.7	44.8	41.6
under (over) provision in prior years	(1.1)	(1.9)	(1.1)	(1.9)
tax credits and adjustments	(6.7)	(6.4)	(6.7)	(6.4)
Land, buildings and improvements	0.5	0.5	0.5	0.5
Plant and equipment	0.3	0.2	0.3	0.1
Capital allowances	0.2	0.1	0.2	0.1
Expenditure not allowable for income tax purposes	16.1	2.3	5.7	2.3
Deferred tax movement	(3.2)	(3.3)	(3.6)	(3.2)
Other non assessable income	-	(4.7)	-	(4.7)
Tax effect attributable to associates	-	(2.0)	-	-
Post-employment benefits	0.5	1.1	0.6	1.0
Movement in loan provisions	0.6	2.8	0.6	2.6
Movement in provisions	0.4	0.5	0.4	0.6
Tax effect of franking credits	2.0	1.9	2.0	1.9
Other	(6.8)	8.2	(6.7)	(0.9)
Income tax expense reported in the consolidated income statement	56.2	49.0	37.0	33.6
Effective income tax rate	31.6%	29.6%	24.8%	24.3%

INCOME TAX EXPENSE (continued)

Deferred income tax

Deferred income tax at 30 June relates to the following:

	Balance sheet		Income statement	
	2007	2006	2007	2006
	$m	$m	$m	$m
Consolidated				
Deferred tax liabilities				
Land, buildings and improvements	(0.4)	(0.2)	-	-
Revaluations of available-for-sale financial assets to fair value	(16.3)	(13.4)	0.4	3.3
Deferred gains and losses on foreign exchange contracts	(0.1)	-	0.1	(0.1)
Deferred expenses	(3.6)	(2.4)	1.2	(0.4)
Other	(1.4)	(0.1)	(0.1)	0.1
Deferred tax liabilities	(21.8)	(16.1)		
Deferred tax assets				
Post-employment benefits	7.3	6.8	(0.5)	(1.1)
Deferred gains and losses of interest rate swaps	1.5	-	(1.1)	(0.6)
Expenses tax depreciable	0.9	0.6	(0.2)	-
Land, buildings and improvements	3.6	3.1	(0.5)	(0.5)
Plant and equipment	2.1	1.7	(0.3)	(0.2)
Adjustment to provisions	4.8	4.4	(0.4)	(0.5)
Prepaid income	1.7	1.2	(0.5)	0.1
Adjustment to loan provisions	5.9	5.3	(0.6)	(0.3)
Other	4.8	4.3	(0.7)	(3.1)
Deferred tax assets	32.6	27.4		
Deferred tax income/(expense)			(3.2)	(3.3)
Bendigo Bank				
Deferred tax liabilities				
Land, buildings and improvements	(0.1)	(0.1)	-	-
Revaluations of available-for-sale financial assets to fair value	(15.8)	(13.0)	-	3.1
Deferred expenses	(3.4)	(2.1)	1.4	(0.3)
Other	(1.5)	-	0.1	(0.1)
Deferred tax liabilities	(20.8)	(15.2)		
Deferred tax assets				
Post-employment benefits	7.2	6.5	(0.6)	(1.0)
Revaluations of interest rate swaps to fair value	1.8	0.6	(1.1)	(0.6)
Expenses tax depreciable	0.9	0.6	(0.2)	-
Land, buildings and improvements	3.2	2.7	(0.5)	(0.5)
Plant and equipment	1.8	1.5	(0.3)	(0.1)
Adjustment to provisions	4.7	4.3	(0.4)	(0.6)
Prepaid income	1.7	1.2	(0.5)	0.1
Adjustment to loan provisions	5.7	5.2	(0.6)	(0.1)
Other	4.5	4.3	(0.9)	(3.1)
Deferred tax assets	31.5	26.9		
Deferred tax income/(expense)			(3.6)	(3.2)

At 30 June 2007, there is no unrecognised deferred income tax liability (2006: Nil) for taxes that would be payable on the unremitted earnings of certain of the group's subsidiaries, associates or joint ventures, as the group has no liability for additional taxation should such amounts be remitted.

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 stand alone 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.

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group on a stand alone taxpayer basis, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principle of Accounting Standard AASB 112 “Income Taxes”. Allocations under the tax funding agreement are made at the end of each month.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries inter-company accounts with the tax consolidated group head company, Bendigo Bank Limited. Because under UIG 1052 Tax Consolidation Accounting the allocation of current taxes to tax consolidated group members on the basis of accounting profits is not an acceptable method of allocation given the group's circumstances, the difference between the current tax amount that is allocated under the tax funding agreement and the amount that is allocated under an acceptable method is recognised as a contribution/distribution of the subsidiaries' equity accounts.

In preparing the accounts of Bendigo Bank Limited for the current year, the following amounts have been recognised as tax-consolidation contribution adjustments:

	Bendigo Bank	
	2007	2006
	$m	$m
Total increase/(reduction) to tax expense of Bendigo Bank Limited	1.6	(0.1)
Total increase/(reduction) to inter-company assets of Bendigo Bank Limited	(1.6)	0.1

7. AVERAGE BALANCE SHEET AND RELATED INTEREST

For the twelve month period ended 30 June 2007

	Note	Average Balance $m	Interest 12 mths $m	Average Rate %
Average balances and rates	*1*			
Interest earning assets				
Cash and cash equivalents		235.8	4.8	2.04
Financial assets (treasury) available for sale & held to maturity		2,001.0	128.2	6.41
Loans and other receivables - company		8,644.7	671.5	7.77
Loans and other receivables - alliances		4,059.2	285.5	7.03
		14,940.7	1,090.0	7.30
Securitisation interest earning assets		329.2	25.5	7.75
Total interest earning assets	*2*	15,269.9	1,115.5	7.31
Non interest earning assets				
Property, plant & equipment		113.0		
Provisions for doubtful debts		(19.2)		
Other assets		607.1		
		700.9		
Total assets (average balance)		15,970.8		
Interest bearing liabilities				
Deposits				
Retail - company		6,911.6	300.2	4.34
Retail - alliances		4,824.4	272.4	5.65
Wholesale - domestic		1,338.6	76.5	5.71
Wholesale - offshore		1,015.7	65.0	6.40
Other borrowings				
Subordinated debt		295.9	21.2	7.16
		14,386.2	735.3	5.11
Securitisation interest bearing liabilities		314.5	23.1	7.34
Total interest bearing liabilities	*2*	14,700.7	758.4	5.16
Non interest bearing liabilities and equity				
Other liabilities		330.0		
Equity		940.1		
		1,270.1		
Total liabilities and equity		15,970.8		
Interest margin and interest spread				
Interest earning assets		15,269.9	1,115.5	7.31
Interest bearing liabilities		(14,700.7)	(758.4)	(5.16)
Net interest income and interest spread	*3*		357.1	2.15
Net interest margin	*4*			2.34

Impact of community bank/alliances profit share arrangements

Net interest margin before community bank/alliances share of net interest income	2.90
Less impact of community bank/alliances share of net interest income	0.56
Net interest margin	2.34

1 Average balance is based on monthly closing balances from 30 June 2006 through 30 June 2007 inclusive, with the exception of Wholesale domestic, which is based on a daily closing balance.
2 Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by $56.9m to reflect the gross amounts.
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.

AVERAGE BALANCE SHEET AND RELATED INTEREST (continued)

For the twelve month period ended 30 June 2006

	Note	Average Balance $m	Interest 12 mths $m	Average Rate %
Average balances and rates	*1*			
Interest earning assets				
Cash and cash equivalents		203.9	3.0	1.47
Financial assets (treasury) available for sale & held to maturity		1,697.0	97.0	5.72
Loans and other receivables - company		8,267.3	603.0	7.29
Loans and other receivables - alliances		3,190.3	211.6	6.63
		13,358.5	914.6	6.85
Securitisation interest earning assets		463.1	33.2	7.17
Total interest earning assets	*2*	13,821.6	947.8	6.86
Non interest earning assets				
Property, plant & equipment		63.6		
Provisions for doubtful debts		(21.6)		
Other assets		428.2		
		470.2		
Total assets (average balance)		14,291.8		
Interest bearing liabilities				
Deposits				
Retail - company		6,763.5	277.6	4.10
Retail - alliances		3,958.9	206.8	5.22
Wholesale - domestic		842.8	46.2	5.48
Wholesale - offshore		914.6	53.5	5.85
Other borrowings				
Subordinated debt		294.0	19.8	6.73
		12,773.8	603.9	4.73
Securitisation interest bearing liabilities		448.6	28.8	6.42
Total interest bearing liabilities	*2*	13,222.4	632.7	4.79
Non interest bearing liabilities and equity				
Other liabilities		265.5		
Equity		803.9		
		1,069.4		
Total liabilities and equity		14,291.8		
Interest margin and interest spread				
Interest earning assets		13,821.6	947.8	6.86
Interest bearing liabilities		(13,222.4)	(632.7)	(4.79)
Net interest income and interest spread	*3*		315.1	2.07
Net interest margin	*4*			2.28

Impact of community bank/alliances profit share arrangements

Net interest margin before community bank/alliances share of net interest income	2.76
Less impact of community bank/alliances share of net interest income	0.48
Net interest margin	2.28

1 Average balance is based on monthly closing balances from 30 June 2005 through 30 June 2006 inclusive, with the exception of Wholesale domestic, which is based on a daily closing balance.
2 Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by $40.3m to reflect the gross amounts.
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.

8. CAPITAL ADEQUACY AND ACE RATIO

a. Capital adequacy

The Australian Prudential Regulation Authority ("APRA") guidelines require capital to be allocated against credit and market risks. 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.

The group has reported under AIFRS for the financial year commencing 1 July 2005. APRA has amended its prudential regulations in response to the implementation of AIFRS and that these changes took effect 1 July 2006. Therefore, capital adequacy calculations were made under previous AGAAP for the 2005/06 financial year.

	Consolidated	
	As at June 2007 $m	As at June 2006 $m
Risk weighted capital ratios		
Tier 1	7.98%	8.33%
Tier 2	2.26%	2.44%
Total capital ratio	10.24%	10.77%
Qualifying capital		
Tier 1		
Contributed capital	693.7	652.4
Retained profits & reserves	234.8	166.7
Less,		
Intangible assets	104.9	77.2
Net deferred tax assets	4.9	17.9
Other adjustments as per APRA advice	40.6	10.5
Total tier 1 capital	778.1	713.5
Tier 2		
General reserve for credit losses/collective provision (net of tax effect)	53.2	46.7
Subordinated debt	307.1	307.1
Asset revaluation reserves	21.5	3.0
	381.8	356.8
Less,		
Subsidiary investment residual	9.0	9.0
Total tier 2 capital	372.8	347.8
Less,		
Investments in non-consolidated subsidiaries or associates and other bank's capital instruments	151.9	138.2
Total qualifying capital	999.0	923.1
Total risk weighted assets	**9,754.0**	**8,566.9**

CAPITAL ADEQUACY AND ACE RATIO (continued)

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.

	Consolidated	
	As at June 2007 $m	As at June 2006 $m
Adjusted common equity		
Tier 1 capital	778.1	713.5
Deduct:		
Preference share capital	88.5	88.3
Subsidiary investment residual	9.0	9.0
Investments in non-consolidated subsidiaries or associates and other banks' capital instruments	151.9	138.2
Total adjusted common equity	528.7	478.0
Adjusted Common Equity ratio to risk weighted assets	**5.42%**	**5.58%**

9. EARNINGS PER ORDINARY SHARE

	Consolidated	
	2007	2006
	Cents per share	Cents per share
Basic earnings per ordinary share	81.9	81.5
Diluted earnings per ordinary share	81.1	80.6
Cash basis earnings per ordinary share	82.9	73.2
	$m	$m
Reconciliation of earnings used in the calculation of basic earnings per ordinary share		
Profit after tax	121.7	116.7
(Profit)/loss attributable to minority interests	0.1	-
Dividends paid on preference shares	(4.8)	(2.5)
	117.0	114.2
Reconciliation of earnings used in the calculation of diluted earnings per ordinary share		
Earnings used in calculating basic earnings per ordinary share	117.0	114.2
Add back dividends on dilutive preference shares	4.8	2.5
	121.8	116.7
Reconciliation of earnings used in the calculation of cash basis earnings per ordinary share		
Earnings used in calculating basic earnings per ordinary share	117.0	114.2
After tax intangibles amortisation (excluding amortisation of intangible software)	1.2	1.7
After tax significant income and expense items (1)	6.8	(8.4)
Movement in general reserve for credit losses	(4.7)	(3.9)
Movement in general reserve for credit losses - associates	(1.8)	(1.1)
	118.5	102.5
	No. of shares	No. of shares
Weighted average number of ordinary shares used in basic and cash basis earnings per ordinary share	142,878,434	140,057,705
Effect of dilution - share options relating to executives	100,117	-
Effect of dilution - preference shares	7,155,635	4,766,881
Weighted average number of ordinary shares used in diluted earnings per ordinary share	150,134,186	144,824,586

(1) Significant income and expense items after tax comprise:	$m	$m
Income		
Profit on deemed disposal of Select Managed Funds Limited shares	-	(10.9)
Accounting gain on change in equity accounted investment in Community Telco Aust P/L	-	(1.8)
Expense		
Expense relating to an issue of shares to staff under the Employee Share Plan	5.6	-
Expense relating to Bank of Queensland proposed merger	1.2	-
Review of carrying value of equity investment portfolio	-	3.8
Relocation costs of Melbourne-based staff to a new building at Docklands	-	0.5
	6.8	(8.4)

Conversions, calls, subscription or issues after 30 June 2007

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.

Information on the classification of securities

Options

Options granted to the Managing Director and executives are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These options have not been included in the determination of basic earnings per share.

10. DIVIDENDS

	Consolidated		Bendigo Bank	
	2007	2006	2007	2006
	$m	$m	$m	$m
Dividends paid or proposed				
Ordinary shares				
Dividends paid during the year				
current year				
Interim dividend (24.0 cents per share) (2006 - 22.0 cents per share)	32.6	29.1	32.6	29.1
previous year				
Final dividend (30.0 cents per share) (2006 - 26.0 cents per share)	40.1	34.3	40.1	34.3
	72.7	63.4	72.7	63.4
Dividends proposed since the reporting date, but not recognised as a liability				
Final dividend (34.0 cents per share) (2006: 30.0 cents per share)	46.6	40.1	46.6	40.1

All dividends paid were fully franked. Proposed dividends 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 2007.

	Consolidated 2007 $m	Consolidated 2006 $m	Bendigo Bank 2007 $m	Bendigo Bank 2006 $m
Preference shares				
Dividends paid during the year				
131.68 cents per share paid on 15 September 2006 (2006: 90.80 cents)	1.2	0.8	1.2	0.8
134.64 cents per share paid on 15 December 2006 (2006: 62.19 cents)	1.2	0.6	1.2	0.6
136.36 cents per share paid on 15 March 2007 (2006: 61.62 cents)	1.2	0.5	1.2	0.5
138.89 cents per share paid on 15 June 2007 (2006: 62.68 cents)	1.2	0.6	1.2	0.6
	4.8	2.5	4.8	2.5
Dividend franking account				
Balance of franking account as at end of financial year			116.0	95.4
Franking credits that will arise from the payment of income tax provided for in the financial report			16.3	9.9
Impact of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution of equity holders during the period			(21.0)	(18.1)
			111.3	87.2

The tax rate at which dividends have been franked is 30% (2006: 30%).
Dividends proposed will be franked at the rate of 30% (2006: 30%).

Dividend paid

Dividends paid by cash or satisfied by the issue of shares under the dividend reinvestment plan during the year were as follows:

	Consolidated 2007 $m	Consolidated 2006 $m	Bendigo Bank 2007 $m	Bendigo Bank 2006 $m
Paid in cash	57.0	48.1	57.0	48.1
Satisfied by issue of shares	20.5	17.8	20.5	17.8
	77.5	65.9	77.5	65.9

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 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 2007 final dividend was 31 August 2007.

11. RETURN ON AVERAGE ORDINARY EQUITY

	Consolidated	
	2007	2006
	%	%
Return on average ordinary equity	15.18	16.16
Pre-significant items return on average ordinary equity	16.06	14.98
Cash basis return on average ordinary equity	15.38	14.51

	$m	$m
Reconciliation of earnings used in the calculation of return on average ordinary equity		
Net profit for the year	121.7	116.7
(Profit)/loss attributable to minority interests	0.1	-
Dividends paid on preference shares	(4.8)	(2.5)
Earnings used in calculation of return on average ordinary equity	117.0	114.2
After tax significant income and expense items	6.8	(8.4)
Earnings used in calculation of pre-significant items return on average ordinary equity	123.8	105.8
After tax intangibles amortisation (excluding amortisation of intangible software)	1.2	1.7
Movement in general reserve for credit losses	(4.7)	(3.9)
Movement in general reserve for credit losses - associates	(1.8)	(1.1)
Earnings used in calculation of cash basis return on average ordinary equity	118.5	102.5

Reconciliation of ordinary equity used in the calculation of return on average ordinary equity

Total equity	1,015.0	899.5
Preference share net capital	(88.5)	(88.3)
Asset revaluation reserve - shares	(32.7)	(26.3)
Unrealised gains/losses on cash flow hedge reserve	(35.2)	(2.7)
General reserve for credit losses	(45.3)	(40.6)
General reserve for credit losses - associates	(8.3)	(6.5)
Minority interest	0.7	0.6
Ordinary equity	805.7	735.7
Average ordinary equity	770.7	706.5

12. NET TANGIBLE ASSETS PER ORDINARY SHARE

	Consolidated 2007	Consolidated 2006
Net tangible assets per ordinary share	$ 5.40	$ 4.78

Reconciliation of net tangible assets used in calculation of net tangible assets per ordinary share

	$m	$m
Net assets	1,015.0	899.5
Intangibles	(93.7)	(89.6)
Preference shares - face value	(90.0)	(90.0)
General reserve for credit losses	(45.3)	(40.6)
General reserve for credit losses - associates	(8.3)	(6.5)
Minority interest	0.7	0.6
Net tangible assets	778.4	673.4
Number of ordinary shares on issue at reporting date	144,187,890	140,850,961

13. CASH FLOW STATEMENT RECONCILIATION

(a) Reconciliation net profit after tax to net cash flows from operations

	Consolidated		Bendigo Bank	
	2007	2006	2007	2006
	$m	$m	$m	$m
Profit after tax	121.7	116.7	112.2	104.9
Non-cash items				
Doubtful debts expense	8.8	7.3	7.9	6.6
Amortisation	5.4	5.6	4.1	3.7
Depreciation	12.9	12.4	12.0	11.1
Revaluation (increments)/decrements	(1.5)	5.4	(1.4)	7.2
Equity settled transactions	6.6	-	6.6	-
Share of associates' net (profits)	(21.9)	(22.2)	-	-
Dividends received/(accrued) from associates	11.9	12.5	-	-
Profits on sale of investment securities	(6.0)	(16.5)	(4.0)	(14.6)
Impairment loss on investments	-	-	9.9	-
(Profits)/losses on sale of property, plant & equipment	-	0.1	0.1	0.3
Changes in assets and liabilities				
Increase/(decrease) in tax provision	6.4	1.6	6.4	1.6
Increase/(decrease) in deferred tax assets & liabilities	0.5	5.3	1.0	4.4
(Increase)/decrease in accrued interest	15.1	14.2	13.9	15.4
Increase in accrued employees entitlements	2.7	3.7	3.1	3.5
Increase/(decrease) in other accruals, receivables and provisions	(64.8)	25.1	(81.7)	15.4
Net cash flows from/(used in) operating activities	97.8	171.2	90.1	159.5

Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the cash flow statement.
Loans and receivables, Investment securities, Retail deposits, Wholesale deposits and Subordinated debt.

14. CASH AND CASH EQUIVALENTS

	Consolidated		Bendigo Bank	
	2007	2006	2007	2006
	$m	$m	$m	$m
Notes, coin and cash at bank	200.7	252.6	146.6	197.9
Investments at call	56.9	18.2	56.9	16.5
	257.6	270.8	203.5	214.4
Reconciliation of cash and cash equivalents				
For the purposes of the cash flow statement, cash and cash equivalents includes:				
Cash and cash equivalents	257.6	270.8	203.5	214.4
Due from other financial institutions	71.5	209.0	71.1	209.0
Due to other financial institutions	(184.0)	(166.3)	(184.0)	(166.3)
	145.1	313.5	90.6	257.1

Cash and cash equivalents 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.

15. FINANCIAL ASSETS AVAILABLE FOR SALE - SECURITIES

Negotiable securities				
Negotiable certificates of deposit	19.9	205.1	19.9	205.1
Government securities	408.9	155.8	408.9	155.8
	428.8	360.9	428.8	360.9
Maturity analysis				
Not longer than 3 months	428.8	179.1	428.8	179.1
Longer than 3 and not longer than 12 months	-	181.8	-	181.8
	428.8	360.9	428.8	360.9

Negotiable certificates of deposit held have an average maturity of 10 days (2006: 45) with effective interest rates of 6.53% to 6.69% (2006: 5.66% to 5.90%). Government securities held have an average maturity of 11 days (2006: 152) with effective interest rates of 6.21% to 6.29% (2006: 5.80% to 5.97%).

16. FINANCIAL ASSETS AVAILABLE FOR SALE – SHARE INVESTMENTS

Share investments at fair value				
Listed share investments	124.5	91.7	123.8	91.5
Unlisted share investments	5.9	2.7	4.1	2.7
	130.4	94.4	127.9	94.2

Available for sale share investments consist of investments in ordinary shares and units in unit trusts, and therefore have no fixed maturity date or coupon rate.

Fair value of share investments is determined as follows:

Listed shares - quoted market price at balance date.

Unlisted shares - estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates. Management believes the estimated fair values resulting from the valuation techniques and recorded in the balance sheet and the related changes in fair values recorded in equity are reasonable and the most appropriate at the balance sheet date.

17. FINANCIAL ASSETS HELD TO MATURITY

	Consolidated		Bendigo Bank	
	2007	2006	2007	2006
	$m	$m	$m	$m
Negotiable securities				
Bank accepted bills of exchange	36.2	19.8	-	-
Negotiable certificates of deposit	299.5	252.3	262.8	207.8
Government securities	990.5	745.4	990.5	745.4
Other	277.0	338.4	277.0	338.4
	1,603.2	1,355.9	1,530.3	1,291.6
Non negotiable securities				
Deposits - banks	-	5.3	-	-
Deposits - other	11.0	3.1	-	-
Other	0.2	6.3	0.2	0.2
	11.2	14.7	0.2	0.2
	1,614.4	1,370.6	1,530.5	1,291.8
Maturity analysis				
Not longer than 3 months	882.7	605.0	798.8	548.7
Longer than 3 and not longer than 12 months	475.4	527.2	475.4	504.7
Longer than 1 and not longer than 5 years	256.3	238.1	256.3	238.1
Over 5 years	-	0.3	-	0.3
	1,614.4	1,370.6	1,530.5	1,291.8

Bills of exchange and promissory notes held have an average maturity of 45 days (2006: 49 days) with an effective interest rate of 6.33% to 6.44% (2006: 5.61% to 5.96%). Negotiable certificates of deposit held have an average maturity of 103 days (2006: 103 days) with effective interest rates of 6.35% to 6.91% (2006: 5.83% to 6.20%). Government securities held have an average maturity of 74 days (2006: 81 days) with effective interest rates of 6.24% to 6.52% (2006: 5.53% to 5.92%). Other securities includes deposits with banks and other parties made with an average maturity of 698 days (2006: 690 days) with effective interest rates of 6.20% to 6.67% (2006: 5.78% to 6.35%).

18. LOANS AND OTHER RECEIVABLES

	Consolidated		Bendigo Bank	
	2007	2006	2007	2006
	$m	$m	$m	$m
Overdrafts	3,063.5	2,736.9	3,102.9	2,779.2
Credit cards	139.8	111.4	139.8	111.4
Term loans	10,241.2	9,220.2	9,884.0	8,737.8
Lease receivables	359.4	321.3	356.7	319.2
Factoring receivables	40.3	46.8	4.5	3.6
Accrued interest	70.1	60.7	65.6	56.4
Gross loans and other receivables	13,914.3	12,497.3	13,553.5	12,007.6
less:				
Specific provision for impairment (Note 19)	(8.4)	(9.1)	(8.1)	(8.6)
Collective provision for impairment (Note 19)	(11.4)	(8.8)	(11.0)	(8.6)
Unearned income	(51.0)	(42.7)	(50.7)	(42.4)
Net loans and other receivables	13,843.5	12,436.7	13,483.7	11,948.0
Impaired loans				
Loans - without provisions	0.6	0.6	0.6	0.6
- with provisions	17.6	14.3	16.8	12.9
less specific impairment provisions	(8.4)	(9.0)	(8.1)	(8.5)
Net impaired loans	9.8	5.9	9.3	5.0
Net impaired loans % of loans and other receivables	0.07%	0.05%	0.07%	0.04%
Portfolios facilities - past due 90 days, not well secured	2.0	1.8	2.0	1.8
less impairment provisions	(0.3)	(0.2)	(0.3)	(0.2)
Net portfolio facilities	1.7	1.6	1.7	1.6
Loans past due 90 days				
Accruing loans past due 90 days, with adequate security balance	61.6	74.0	61.2	74.0
Amount in arrears	7.3	5.2	7.1	5.2

Accruing loans past due 90 days balance includes $6.5 million (2006: $13.9 milllion) of loans due to their review date expirying more than 90 days ago, but which are not in payment default.

Net fair value of properties acquired through the enforcement of security	15.3	16.0	15.3	16.0
Interest income recognised				
Interest income recognised in respect of impaired loans	0.1	0.1	0.1	0.1
Interest income recognised in respect of assets acquired through enforcement	0.6	0.8	0.6	0.8

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

Loans by geographic location (1) (2)				
Victoria	7,659.3	7,088.7	7,422.0	6,778.2
New South Wales	1,801.7	1,625.7	1,738.0	1,553.8
Australian Capital Territory	249.5	246.6	241.9	228.7
Queensland	2,262.7	1,935.7	2,228.9	1,874.2
South Australia / Northern Territory	382.1	324.9	371.9	310.1
Western Australia	998.2	770.2	993.6	762.9
Tasmania	507.9	462.5	505.5	461.4
Overseas/Other	52.9	43.0	51.7	38.3
	13,914.3	12,497.3	13,553.5	12,007.6

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

Maturity analysis (2)				
At call / overdrafts	3,262.5	2,909.7	3,251.9	2,900.0
Not longer than 3 months	1,094.4	1,149.5	1,091.9	1,144.5
Longer than 3 and not longer than 12 months	849.7	679.7	838.0	660.8
Longer than 1 and not longer than 5 years	5,503.9	3,822.3	5,463.2	3,776.5
Longer than 5 years	3,203.8	3,936.1	2,908.5	3,525.8
	13,914.3	12,497.3	13,553.5	12,007.6

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

LOANS AND OTHER RECEIVABLES (continued)

Overdraft facilities (including Consumer Home Equity Facilities) are made available to customers on a secured or unsecured basis and are withdrawable by the bank. Effective base interest rates range from 7.70% to 13.65% (20065: 6.95% to 13.40%) and interest is generally charged on a monthly basis. A credit risk margin is applicable to specific commercial overdraft products. Casual overdrafts incur an additional 6.00% (2006: 6.00%) interest rate margin.

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 9.95% to 17.40% (2006: 6.99% to 17.15%). A Business Credit Card is also offered on either an unsecured or secured basis with the effective interest rate of 14.40% (2006: 13.90%).

Term 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 base interest rates ranging from the bank's cost of funds to 9.30% (2006: 9.05%). A credit risk margin is applicable to specific commercial mortgage loan products. An unsecured business term loan is also offered with effective interest rates from 13.10% to 13.20% (2006: 12.70% to 13.20%).

Term loans (personal loans) are offered on a secured or unsecured basis with terms ranging from one to seven years. Interest is fixed and charged on a monthly in arrears basis ranging from 9.50% to 11.95% (2006: 10.50% to 11.95%).

Lease receivables are finance leases with terms of two to five years. Interest is fixed. Effective interest rates range from 8.15% to 12.0% (2006: average earning rate 7.50%). All leases are secured by the asset that is subject to the lease.

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 (2006: 30 and 50 days).

Other loans are generally short-term and are normally settled within 30 days.

Accrued interest on loans is normally charged to the loan accounts in the month following accrual.

19. IMPAIRMENT OF LOANS AND ADVANCES

	Consolidated		Bendigo Bank	
	2007	2006	2007	2006
	$m	$m	$m	$m
IMPAIRMENT OF LOANS AND ADVANCES				
Specific provision for impairment				
Opening balance	9.1	8.6	8.6	8.6
AIFRS transition adjustments - 1 July 2005	-	0.5	-	0.5
Charged to income statement	5.5	6.2	5.6	5.7
Impaired debts written-off applied to specific impairment provision	(6.2)	(6.2)	(6.1)	(6.2)
Closing balance	8.4	9.1	8.1	8.6
Collective provision for impairment				
Opening balance	8.8	-	8.6	-
AIFRS transition adjustments - 1 July 2005	-	7.7	-	7.7
Charged to income statement	2.6	1.1	2.4	0.9
Closing balance	11.4	8.8	11.0	8.6
General reserve for credit losses				
Opening balance	40.6	-	40.6	-
AIFRS transition adjustments - 1 July 2005 - create general reserve for credit losses	-	36.7	-	36.7
Charged to equity	4.7	3.9	4.7	3.9
Closing balance	45.3	40.6	45.3	40.6
Bad and doubtful debts expense				
Specific provisions for impairment	5.5	6.2	5.6	5.7
Collective provision	2.6	1.1	2.4	0.9
Bad debts written off	0.7	-	(0.1)	-
Bad debts recovered	(0.6)	(0.3)	(0.6)	(0.3)
	8.2	7.0	7.3	6.3
Ratios				
Specific provision as % of gross loans less unearned income	0.06%	0.07%		
Collective provision (net of tax) & General reserve for credit losses as a % of risk-weighted assets	0.55%	0.55%		

20. PARTICULARS IN RELATION TO CONTROLLED ENTITIES

Name	Extent of Interest If not 100%	Principal Activities
Chief entity		
Bendigo Bank Limited		Banking
Directly Controlled Operating Entities [1] [2]		
Banksia Series 2 Trust		Securitisation
Banksia Trust Series 2001-1		Securitisation
Banksia Trust Series 2001-2		Securitisation
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 Financial Planning Ltd [3]		Financial advisory services
Community Developments Australia Pty Ltd		Community initiatives
Community Energy Australia Pty Ltd		Community initiatives
Community Solutions Australia Pty Ltd		Community initiatives
Community Exchanges Australia Pty Ltd	55%	Community initiatives
Homesafe Trust		Financial services
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
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
Victorian Securities Corporation Ltd		Financial 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 In July 2006, Bendigo Investment Services Ltd changed its name to Bendigo Financial Planning Ltd.

21. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES USING THE EQUITY METHOD

(i) Name	Ownership interest held by consolidated entity		Balance date
	2007	2006	
	%	%	
Elders Rural Bank Ltd	50.0	50.0	30 June
Tasmanian Banking Services Ltd	50.0	50.0	30 June
Community Sector Enterprises Pty Ltc	50.0	50.0	30 June
Homesafe Solutions Pty Ltd	50.0	50.0	30 June
Caroline Springs Fin Serv Pty Ltd	50.0	50.0	30 June
Silver Body Corp Fin Serv Pty Ltd	50.0	50.0	30 June
Community Telco Australia Pty Ltd	50.0	50.0	30 June
Strategic Payment Services Pty Ltd	40.0	40.0	30 June

(i) Principal 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
Community Telco Australia Pty Ltd - telecommunication services
Strategic Payment Services Pty Ltd - payment processing services

All associate companies were incorporated in Australia.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES USING THE EQUITY METHOD (continued)

(ii) Share of associates' revenue and profits	2007 $m	2006 $m
Share of associates':		
- revenue	59.8	51.1
- expense	37.9	28.9
- profit before income tax	21.9	22.2
- income tax expense	8.1	6.7
- profit after income tax	13.8	15.5
Share of associates' operating profits after income tax:		
- Elders Rural Bank Ltd	18.0	16.1
- Tasmanian Banking Services Ltd	0.9	0.8
- Community Sector Enterprises Pty Ltd	(0.1)	-
- Homesafe Solutions Pty Ltd	(1.0)	(0.6)
- Caroline Springs Financial Services Pty Ltd	(0.1)	(0.1)
- Silver Body Corporate Financial Services Pty Ltd	0.1	(0.1)
- Community Telco Australia Pty Ltd	(1.4)	(0.5)
- Strategic Payment Services Pty Ltd	(2.6)	(0.1)
	13.8	15.5

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.

(iii) Carrying amount of investments in associates	2007	2006
Balance at the beginning of financial year	143.5	118.1
- carrying amount of investment in associate acquired during the year	9.4	18.4
- dividends received from associates	(12.0)	(12.5)
- share of associates' net profits (losses) for the financial year	13.8	15.5
- share of associates' movements in retained earnings for the financial year	-	3.6
- share of associates' movements in reserves for the financial year	1.6	0.4
Carrying amount of investments in associates at the end of the financial year	156.3	143.5
Represented by:		
Investments at equity accounted amount:		
- Elders Rural Bank Ltd	151.4	137.6
- Tasmanian Banking Services Ltd	2.2	1.9
- Community Sector Enterprises Pty Ltd	-	0.1
- Homesafe Solutions Pty Ltd	-	0.4
- Caroline Springs Financial Services Pty Ltd	0.1	0.2
- Silver Body Corporate Financial Services Pty Ltd	0.3	0.2
- Community Telco Australia Pty Ltd	0.8	2.2
- Strategic Payment Services Pty Ltd	1.5	0.9
	156.3	143.5

There are no impairment losses relating to investments in associates.

Unrecognised losses relating to associates	-	-

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES USING THE EQUITY METHOD (continued)

	Total		Elders Rural Bank Limited	
	2007	2006	2007	2006
(iv) The consolidated entity's share of the assets and liabilities of associates in aggregate				
Assets	1,895.1	1,640.8	1,885.4	1,631.7
Liabilities	1,760.7	1,519.3	1,756.2	1,516.3
Net Assets	134.4	121.5	129.2	115.4
(v) Amount of retained profits of the consolidated entity attributable to associates	70.2	68.4		

Subsequent events affecting an associate's profits/losses for the ensuing year (if any) are disclosed in the Events after Balance Sheet Day note.

The consolidated entity's share of associates' commitments and contingent liabilities (if any) are disclosed in the Commitments and Contingencies note.

22. PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Bendigo Bank	
	2007	2006	2007	2006
	$m	$m	$m	$m
(a) Carrying Value				
Property				
Freehold land - at fair value (1)	5.8	5.0	0.4	0.2
	5.8	5.0	0.4	0.2
Freehold buildings - at fair value (1)	1.2	8.0	0.3	0.2
Accumulated depreciation	-	(0.4)	-	-
	1.2	7.6	0.3	0.2
Leasehold improvements - at cost	37.2	24.7	37.2	24.7
Accumulated depreciation	(12.6)	(10.3)	(12.6)	(10.3)
	24.6	14.4	24.6	14.4
	31.6	27.0	25.3	14.8
Other				
Plant, furniture, fittings, office equipment & vehicles - at cost	91.2	111.1	84.6	73.9
Accumulated depreciation	(61.3)	(57.0)	(56.3)	(47.8)
	29.9	54.1	28.3	26.1
	61.5	81.1	53.6	40.9

PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Reconciliations

Freehold land [1]				
Carrying amount at beginning of financial year	5.0	6.5	0.2	0.2
Additions	0.5	-	-	-
Revaluations	0.3	-	0.2	-
Disposals	-	(1.5)	-	-
	5.8	5.0	0.4	0.2
Freehold buildings [1]				
Carrying amount at beginning of financial year	7.6	11.0	0.2	1.7
Additions	1.0	0.2	-	-
Revaluations	0.1	-	0.1	-
Disposals	(7.3)	(3.3)	-	(1.5)
Depreciation expense	(0.2)	(0.3)	-	-
	1.2	7.6	0.3	0.2
Leasehold improvements - at cost				
Carrying amount at beginning of financial year	14.4	5.0	14.4	4.9
Acquisitions	-	-	-	-
Additions	12.6	11.9	12.6	11.9
Disposals	(0.1)	(0.2)	(0.1)	(0.2)
Depreciation expense	(2.3)	(2.3)	(2.3)	(2.2)
	24.6	14.4	24.6	14.4
Plant, furniture, fittings, office equipment & vehicles				
Carrying amount at beginning of financial year	54.1	25.0	26.1	22.2
Acquisitions	-	-	-	-
Additions	82.0	39.9	13.9	13.2
Re-classification to assets held for sale	(93.4)	-	-	-
Disposals	(2.5)	(1.1)	(2.1)	(0.5)
Depreciation expense	(10.3)	(9.7)	(9.6)	(8.8)
	29.9	54.1	28.3	26.1

If land and buildings were measured using the cost model the carrying amounts would be as follows:

Land	2.4	2.7	0.1	0.1
Buildings	8.7	8.5	0.1	0.1
Accumulated depreciation and impairment	(4.1)	(3.8)	-	-
Net carrying amount	7.0	7.4	0.2	0.2

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. The effective date of the revaluation was 30 June 2007.*

23. ASSETS HELD FOR SALE

	Consolidated		Bendigo Bank	
	2007	2006	2007	2006
	$m	$m	$m	$m
Carrying amount at beginning of financial year	-	-	-	-
Additions	93.4	-	-	-
	93.4	-	-	-

In accordance with Accounting Standard AASB 5: “Non-current Assets Held for Sale and Discontinued Operations”, the carrying value of the new Head Office development in Bendigo, Victoria has been disclosed as Assets held for sale.

The development is the subject of a Sale and Leaseback contract which takes effect 29 August 2008. This asset is reported in the Segment Note under “Joint Ventures, Alliances and Corporate Support”.

At 30 June 2006 the carrying value of this asset was $25.8 million and was included in plant & equipment.

24. INVESTMENT PROPERTY

	Consolidated		Bendigo Bank	
	2007	2006	2007	2006
	$m	$m	$m	$m
Carrying amount at beginning of financial year	-	-	-	-
Additions	32.7	-	-	-
Net gain from fair value adjustments	1.5	-	-	-
	34.2	-	-	-

Investment properties are carried at fair value, which has been determined in accordance with directors' valuations.

The fair value represents the amounts at which the assets could be exchanged between a knowledgeable willing seller at arm's length transaction at the date of valuation in accordance with Australian Valuation Standards.

25. INTANGIBLE ASSETS AND GOODWILL

	Consolidated		Bendigo Bank	
	2007	2006	2007	2006
	$m	$m	$m	$m
(a) Carrying value				
Intangible assets				
Customer list - at cost	4.6	4.6	-	-
Accumulated amortisation	(3.2)	(2.0)	-	-
	1.4	2.6	-	-
Computer software - at cost	29.7	19.5	28.8	18.7
Accumulated amortisation	(10.0)	(5.9)	(9.2)	(5.2)
	19.7	13.6	19.6	13.5
Trustee licence - at cost	8.4	8.4	-	-
Accumulated impairment	-	-	-	-
	8.4	8.4	-	-
Goodwill				
Purchased goodwill	34.6	2.2	34.6	2.2
Accumulated impairment	-	(2.2)	-	(2.2)
	34.6	-	34.6	-
Goodwill on consolidation - at cost	29.6	66.3	-	-
Accumulated impairment	-	(1.3)	-	-
	29.6	65.0	-	-
	93.7	89.6	54.2	13.5
(b) Reconciliations				
Intangible assets				
Customer list				
Carrying amount at beginning of financial year	2.6	4.3	-	-
Additions/fair value adjustment	-	(0.1)	-	-
Amortisation charge	(1.2)	(1.6)	-	-
	1.4	2.6	-	-
Computer software				
Carrying amount at beginning of financial year	13.6	10.4	13.5	7.2
AIFRS transition reclassification from property, plant & equipment	-	-	-	-
Additions	10.3	10.1	10.2	10.0
Disposals	-	(3.1)	-	-
Amortisation charge	(4.2)	(3.8)	(4.1)	(3.7)
	19.7	13.6	19.6	13.5
Trustee licence				
Carrying amount at beginning of financial year	8.4	8.4	-	-
	8.4	8.4	-	-
Goodwill				
Purchased goodwill				
Carrying amount at beginning of financial year	-	-	-	-
Additions/transfer from goodwill on consolidation	34.6	-	34.6	-
	34.6	-	34.6	-
Goodwill on consolidation				
Carrying amount at beginning of financial year	65.0	67.3	-	-
Additions/(purchase price adjustment)	(0.8)	(2.2)	-	-
Transfer to purchased goodwill	(34.6)			
Impairment	-	(0.1)	-	-
	29.6	65.0	-	-
	93.7	89.6	54.2	13.5

Intangible assets

Finite useful life

The customer list was acquired through a business combination (Oxford Funding Pty Ltd) and has been capitalised at fair value. The customer list has been assessed as having a finite life and is amortised using a method that reflects the pattern of the economic benefits of the asset over a period of 5 years.

Computer software includes internally developed software and software that is not an integral part of the related hardware. Intangible software is capitalised at cost and is amortised over the assessed useful life of the asset on a straight line basis. This is generally a period of between 2.5 years and 7 years (major software items).

Indefinite useful life

The trustee licence represents an intangible asset purchased through the effect of a business combination (Sandhurst Trustees Limited). The useful life of this asset has been estimated as indefinite and the cost method utilised for measurement. The asset is assessed as having an indefinite life as the authorisation for Sandhurst Trustees Limited to trade as a trustee company has no end period. Revocation of the authority is unlikely and would occur only in the event of non-compliance with conditions under which authorisation is granted. Sandhurst Trustees Limited has specific compliance procedures in place to ensure these conditions are met.

Goodwill

The goodwill items represent intangible assets purchased through the effect of business combinations.

26. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES

Goodwill acquired through business combinations has been allocated to cash generating units, or groups of cash generating units, which are reportable segments for internal reporting, for impairment testing as follows:

Sandhurst Trustees Limited

Goodwill has been allocated to the cash generating unit (CGU) of Sandhurst Trustees Limited (STL).
The recoverable amount of the STL CGU has been determined based on a fair value calculation using the projected cash flows for 2006/07 and applying a multiple of 12 (2006:12). Management believe this multiple is appropriate for this business. For impairment testing purposes, the fair value has been allocated on the basis of 80% of the fair value relates to the trustee licence and 20% of the fair value relates to the goodwill.

The multiple would have to decline to 1 (2006: 1.1) before impairment would be evident.

Benhold Pty Ltd (IOOF Building Society)

Goodwill for IOOF has been allocated to the group of cash generating units comprising branches in the state of Victoria, Australia.

The recoverable amount of the IOOF group of branches has been determined based on a value in use calculation using the projected after-tax cash flows for 2006/07 of the group of units and applying a multiple of 12 (2006:12). Management believes this multiple is appropriate for the group of branches.

The multiple would have to decline to 4 (2006:4.5) before impairment would be evident.

Victorian Securities Corporation Limited

Goodwill has been allocated to the cash generating unit of Victorian Securities Corporation Limited (VSCL). The recoverable amount of the VSCL CGU has been determined based on a fair value calculation using the projected 2006/07 VSCL after-tax profit and a multiple of 12 (2006:12). Management believes this multiple is appropriate for a business of this nature.

The multiple would have to decline to 8.5 (2006:7.5) before impairment would be evident.

First Australian Building Society Limited

Goodwill for First Australian Building Society Limited (FABS) has been allocated to the group of cash generating units comprising the branches located in the state of Queensland, Australia. The recoverable amount of the FABS group of units has been determined based on a fair value calculation using the projected 2006/07 after-tax profit for the group of units and a multiple of 12 (2006:12). Management believes this multiple is appropriate for this group of cash generating units.

The multiple would have to decline to 9.7 (2006:12) before impairment would be evident.

Oxford Funding Pty Ltd

Goodwill has been allocated to the cash generating unit of Oxford Funding Pty Ltd (Oxford).
The recoverable amount of the Oxford CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets and projections approved by senior management covering a five-year period.

The pre-tax discount rate applied to cash flow projections is 16.2% (2006:16.5%). The terminal value of the unit has been calculated using a multiple of 10 (2006: 10), which is considered by management to be appropriate for a company of this nature in the factoring industry.

The multiple would have to decline to 5.7 (2006: 6.2) before impairment would be evident.

The following describes each key assumption on which management has based its cash flow projections when determining the value in use of the cash generating units or groups of cash generating units:

Oxford Funding Pty Ltd

Income and expense projections have been based on historical trends, together with expectations of senior management with regard to business growth and expense increases. The 2006/07 cash flows are based on year-to-date March 2007 actual performance plus forecasts to June 2007. The four years after 2006/2007 are based on a cash flow growth of 10% per annum (2006: 10%), which is believed by management to be appropriate for this cash generating unit. The company was purchased by Bendigo Bank in April 2005 and now has access to the business banking distribution network of the bank, which should assist the company to achieve its projections.

Intangible assets with indefinite lives

Sandhurst Trustees Limited trustee licence

The recoverable amount of the STL cash generating unit has been determined based on a fair value calculation using the projected cash flows for 2006/07 and applying a multiple of 12 (2006:12). Management believe this multiple is appropriate for this business. For impairment testing purposes, the fair value has been allocated on the basis of 80% of the fair value relates to the trustee licence and 20% of the fair value relates to the goodwill.

The multiple would have to decline to 1.5 (2006: 1.5) before impairment would be evident.

Multiples

Multiples used in impairment testing - management believe that the appropriate multiples to be used in impairment testing of the majority of cash generating units within the group fall within the range 8 to 12. This range has been derived taking into account a number of relevant factors that would influence the multiple relating to businesses within the Bendigo Bank group.

Carrying amount of goodwill allocated to each of the cash generating units or group of cash generating units

		Carrying amount of goodwill and intangible assets	
		2007	2006
		$m	$m
Sandhurst Trustees Limited	- goodwill	0.8	0.8
	- trustee licence	8.4	8.4
Benhold Pty Ltd (IOOF Building Society)		13.7	13.7
Victorian Securities Corporation Limited		2.7	2.7
First Australian Building Society Limited		34.6	34.6
Oxford Funding Pty Ltd	- goodwill	12.4	13.2
	- customer list	1.4	2.6
Total value allocated		74.0	76.0

27. OTHER ASSETS

	Consolidated		Bendigo Bank	
	2007	2006	2007	2006
	$m	$m	$m	$m
Shares in associates	-	-	140.7	131.3
Accrued income	18.3	21.1	15.7	15.8
Reserve fund	-	10.5	-	-
Prepayments	7.2	6.3	7.2	6.3
Sundry debtors	83.3	45.8	76.1	36.8
	108.8	83.7	239.7	190.2

Shares in associates are carried at cost.

Other assets are generally non-interest bearing and are short-term by nature.

Sundry debtors are normally settled within 30 days.

The Reserve fund is required to be maintained by Sandhurst Trustees Limited under the Trustee Companies Act 1984, to provide for the event of the appointment of a liquidator, a receiver and manager or an administrator of a trustee company. The components of the Reserve Fund have been reclassified to the respective asset classes in 2007, being at call investments, managed fund and share investments and property.

The total carrying value of these components at 30 June 2007 is $12.5 million (2006: $10.5 million).

28. DEPOSITS

	Consolidated		Bendigo Bank	
	2007	2006	2007	2006
	$m	$m	$m	$m
Retail				
Branch network	11,641.3	10,771.5	11,481.7	10,595.3
Treasury sourced	547.0	575.3	557.4	588.3
	12,188.3	11,346.8	12,039.1	11,183.6
Wholesale				
Domestic	1,778.9	1,439.8	1,519.8	1,066.3
Offshore	1,263.8	813.2	1,263.8	813.2
	3,042.7	2,253.0	2,783.6	1,879.5
	15,231.0	13,599.8	14,822.7	13,063.1
Deposits by geographic location				
Victoria	8,494.4	8,066.1	8,236.2	7,730.3
New South Wales	1,971.3	1,540.2	1,928.4	1,485.7
Australian Capital Territory	101.5	84.7	99.7	82.2
Queensland	2,034.2	1,916.9	1,974.9	1,829.6
South Australia/Northern Territory	235.3	197.4	230.5	191.1
Western Australia	987.8	802.2	970.8	780.0
Tasmania	277.6	268.6	272.6	261.0
Overseas/other	1,128.9	723.7	1,109.6	703.2
	15,231.0	13,599.8	14,822.7	13,063.1
Maturity analysis				
At call	6,619.2	5,874.1	6,369.0	5,507.0
Not longer than 3 months	4,658.9	4,365.1	4,581.7	4,283.5
Longer than 3 and not longer than 12 months	2,631.2	2,141.0	2,557.6	2,057.1
Longer than 1 and not longer than 5 years	1,321.4	1,219.3	1,314.1	1,215.2
Longer than 5 years	0.3	0.3	0.3	0.3
	15,231.0	13,599.8	14,822.7	13,063.1

Deposits-The retail branch network consists of a variety of investor products which can be on an at call (cash management accounts) or a term deposit basis. Interest is payable monthly, quarterly, half-yearly, annually or at maturity of the deposit, depending on the term. At call accounts pay interest on a monthly basis. At call accounts also attract transaction fees, which are generally charged on a monthly basis and are eligible for transaction account rebates. A term deposit interest rate can be reduced during the term should customer withdrawals exceed 25% of the initial balance or renewed amount. The carded interest rates are based on a tiered structure depending on the account balance and range from 0.5% to 6.50% (2006: 0% to 5.50%).

Deposits-retail treasury sourced include certificates of deposit issued with an average maturity of 48 days (2006: 51 days) with effective interest rates of 6.20% to 6.85% (2006: 5.36% to 6.26%) and term deposits and 11am call deposits. Fixed term deposits have an average maturity of 13 days (2006: 128 days). 11am call monies are available at call. Interest rates on this group of deposits range from 6.0% to 6.36% (2006: 5.0% to 6.40%).

Deposits-wholesale domestic deposits include certificate of deposits with an average maturity of 105 days (2006: 72 days) with effective interest rates of 6.36% to 6.75% (2006: 5.65% to 6.08%). Fixed term deposits have an average maturity of 642 days (2006: 1007 days). 11am call monies are available at call. Interest rates on this group of deposits range from 5.7% to 6.84% (2006: 5.5% to 6.60%).

Deposits-wholesale offshore comprise a Euro medium term note program (EMTN) and a Euro commercial paper program (ECP). At balance date, the principal of borrowings under the EMTN program was AUD 833.265 million (2006: AUD 530.2 million), taking account of the conversion inherent in the cross currency swaps. The average interest rate in BBSW +.3187% (2006: +.4448%) and rates are reset on a quarterly basis. The notes on issue mature on 10 September 2007, 1 April 2008 and 29 March 2010.

ECPs on issue have an average maturity of 161 days (2006: 148 days) with an effective interest rate of 6.47% to 7.01% (2006: 5.68% to 6.27%).

29. OTHER PAYABLES

	Consolidated		Bendigo Bank	
	2007	2006	2007	2006
	$m	$m	$m	$m
Sundry creditors	54.7	34.0	36.8	18.6
Accrued expenses and outstanding claims	96.6	106.0	88.6	92.2
	151.3	140.0	125.4	110.8

Payables are non-interest bearing and are generally settled within 30 days.

30. PROVISIONS

	2007	2006	2007	2006
	$m	$m	$m	$m
(a) Balances				
Employee benefits (Note 35)	35.0	32.4	34.5	31.4
Other loss events	-	0.4	-	0.4
Rewards program	3.2	2.6	3.2	2.6
Property Rent	2.1	1.9	2.1	1.9
Dividends	0.1	0.1	0.1	0.1
	40.4	37.4	39.9	36.4

Provision for other loss events is in relation to possible losses associated with outstanding legal issues. These are expected to be resolved within 12 months of balance date.

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. As reward points "expire" after three years, the balance will be utilised, or forfeited within a three year period.

Provision for property rent is to recognise the difference between actual property rent paid and the property rent expense recognised in the income statement. The value recognised in the income statement is in accordance with Accounting Standard AASB 117 "Leases" whereby the lease expense is to be recognised on a straight-line basis over the period of the lease. The provision is expected to be utilised over the period of the respective leases, typically a period between three and ten years. However, it is expected that a balance will continue as old leases expire and are replaced by new leases.

Provision for dividends represents the residual carried forward balance in relation to shareholders that participate in the dividend reinvestment plan. It is expected that the current balance will be utilised within a 12 month period. However, an ongoing balance will continue unless all outstanding balances are paid to shareholders upon ceasing participation in the dividend reinvestment plan.

	2007	2006	2007	2006
(b) Movements				
Employee benefits				
Opening balance	32.4	28.6	31.4	27.8
Additional provisions recognised	20.2	17.6	19.4	16.9
Amounts utilised during the year	(17.6)	(13.8)	(16.3)	(13.3)
Closing balance	35.0	32.4	34.5	31.4
Other loss events				
Opening balance	0.4	1.1	0.4	1.1
Additional provisions recognised	0.2	0.5	0.2	0.5
Amounts utilised during the year	(0.6)	(1.2)	(0.6)	(1.2)
Closing balance	-	0.4	-	0.4
Rewards program				
Opening balance	2.6	2.2	2.6	2.1
Additional provisions recognised	1.7	1.6	1.7	1.6
Amounts utilised during the year	(1.1)	(1.2)	(1.1)	(1.1)
Closing balance	3.2	2.6	3.2	2.6
Property Rent				
Opening balance	1.9	-	1.9	-
Additional provisions recognised	0.2	1.9	0.2	1.9
Amounts utilised during the year	-	-	-	-
Closing balance	2.1	1.9	2.1	1.9
Dividends				
Opening balance	0.1	0.1	0.1	0.1
Additional dividends provided	72.7	63.6	72.7	63.6
Dividends paid during the year	(72.7)	(63.6)	(72.7)	(63.6)
Closing balance	0.1	0.1	0.1	0.1

31. SUBORDINATED DEBT

	Consolidated		Bendigo Bank	
	2007	2006	2007	2006
	$m	$m	$m	$m
Subordinated capital notes	307.2	294.0	307.2	294.0
Rollover notes - series 1	-	13.1	-	13.1
	307.2	307.1	307.2	307.1
Maturity analysis				
Not longer than 3 months	-	13.1	-	13.1
Longer than 5 years	307.2	294.0	307.2	294.0
	307.2	307.1	307.2	307.1

Subordinated capital notes have an average maturity of 7.1 years (2006: 7.64 years) with effective interest rates of 6.88% to 7.76% (2006: 6.29% to 7.95%).

32. ISSUED CAPITAL

	Consolidated		Bendigo Bank	
	2007	2006	2007	2006
	$m	$m	$m	$m
Issued and paid up capital				
Ordinary shares fully paid - 144,187,890 (2006: 140,850,961)	605.2	564.1	605.2	564.1
Preference shares of $100 face value fully paid - 900,000 (2006: 900,000 fully paid)	88.5	88.3	88.5	88.3
	693.7	652.4	693.7	652.4

Effective 1 July 1998, the corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the parent does not have authorised capital nor par value in respect of its issued shares.
Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Preference share (BPS) dividends are non-cumulative and are payable quarterly in arrears, at the discretion of he directors, based on a dividend rate equal to the sum of the 90 day bank bill rate plus the initial margin multiplied by one minus the company tax rate. It is expected that dividends paid will be fully franked. The BPS are perpetual, but may be redeemed by Bendigo Bank subject to prior approval of APRA.

Movement in ordinary shares on issue		
Opening balance - 1 July	564.1	546.3
Shares issued under:		
Bonus share scheme - 156,945 @ $13.62; 136,561 @ $13.40; (2006: 168,244 @ $11.07; 124,755 @ $14.01)	-	-
Dividend reinvestment plan - 818,654 @ $13.62; 704,107 @ $13.40; (2006: 866,908 @ $11.07; 584,385 @ $14.01)	20.5	17.8
Employee share plan - 1,520,662 @ $13.54 (2006: Nil)	20.6	-
Closing balance - 30 June	605.2	564.1
Movements in preference shares on issue		
Opening balance 1 July - 900,000 fully paid (2006: 900,000 partly paid to $50)	88.3	43.0
Payment of unpaid portion of existing shares	0.2	45.0
Share issue expenses offset by tax benefit	-	0.3
Closing balance 30 June - 900,000 fully paid to $100 (2006: 900,000 fully paid)	88.5	88.3

33. RESERVES

	Consolidated		Bendigo Bank	
	2007	2006	2007	2006
	$m	$m	$m	$m
(a) Balances				
Employee benefits reserve	6.5	-	6.5	-
Asset revaluation reserve	34.8	29.1	32.7	26.2
Net unrealised gains reserve	(0.1)	(0.1)	(0.1)	(0.1)
Cash flow hedge reserve	33.2	2.3	33.2	2.3
Cash flow hedge reserve - associates	2.0	0.4	-	-
General reserve for credit losses	45.3	40.6	45.3	40.6
General reserve for credit losses - associates	8.3	6.5	-	-
	130.0	78.8	117.6	69.0

(b) Nature, purpose and movements

Employee benefits reserve

(a) Nature and purpose

The employee benefits reserve is used to record the assessed cost of shares issue to non-executive employees under the Employee Share Plan and the assessed cost of options granted to executive employees under the Executive Incentive Plan.

(b) Movements

Opening balance	-	-	-	-
Net increase in reserve	6.5	-	6.5	-
	6.5	-	6.5	-

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) Movements

Opening balance	29.1	4.0	26.2	1.0
AIFRS transition adjustment - after tax value of revaluations	-	18.0	-	18.0
Transfer asset revaluation reserve to retained earnings (sold assets)	(0.1)	(14.3)	(0.1)	(14.3)
Transfer asset revaluation reserve to retained earnings (revalued buildings depn)	(0.2)	(0.2)	-	-
Net revaluation increments	8.9	24.9	9.4	24.8
Tax effect of net revaluation increments	(2.9)	(3.3)	(2.8)	(3.3)
	34.8	29.1	32.7	26.2

Net unrealised gains reserve

(a) Nature and purpose

The net unrealised gains reserve is used to record unrealised gains and losses on investments in the available for sale portfolio.

(b) Movements

Opening balance	(0.1)	-	(0.1)	-
Net unrealised gains/(losses)	-	(0.1)	-	(0.1)
	(0.1)	(0.1)	(0.1)	(0.1)

Cash flow hedge reserve

(a) Nature and purpose

The cash flow hedge reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

(b) Movements

Opening balance	2.3	-	2.3	-
Net gains on cash flow hedges	30.9	2.3	30.9	2.3
	33.2	2.3	33.2	2.3

RESERVES (continued)

	Consolidated		Bendigo Bank	
	2007	2006	2007	2006
	$m	$m	$m	$m
Cash flow hedge reserve - associates				
(a) Nature and purpose				
Associates record the group's share of the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.				
(b) Movements				
Opening balance	0.4	-	-	-
Net gains on cash flow hedges	1.6	0.4	-	.
	2.0	0.4	-	-
General reserve for credit losses				
(a) Nature and purpose				
The general reserve for credit losses records the value of a reserve maintained to recognised credit losses inherent in the group's lending portfolio, but not yet identified. The bank is required to maintain general provisions (includes general reserve for credit losses and collective provision) by APRA at a minimum level of 0.50% (net of tax) of risk-weighted assets.				
(b) Movements				
Opening balance	40.6	-	40.6	-
Creation of GRCL on transition to AIFRS	-	36.7	-	36.7
Increase in general reserve for credit losses	4.7	3.9	4.7	3.9
	45.3	40.6	45.3	40.6
General reserve for credit losses - associates				
(a) Nature and purpose				
The general reserve for credit losses - associates records the group's share of an associate company's GRCL in accordance with equity accounting.				
(b) Movements				
Opening balance	6.5	-	-	-
Creation of GRCL on transition to AIFRS	-	4.8	-	-
Increase in general reserve for credit losses	1.8	1.7	-	-
	8.3	6.5	-	-
Total reserves	130.0	78.8	117.6	69.0

34. MINORITY INTEREST

Interest in:				
Ordinary shares	-	-	-	-
Retained earnings	(0.7)	(0.6)	-	-
	(0.7)	(0.6)	-	-
Reconciliation of minority equity interest in controlled entities:				
Opening balance	(0.6)	(0.4)	-	-
Add share of operating loss	(0.1)	-	-	-
Derecognition of minority interest	-	(0.2)	-	-
Closing balance	(0.7)	(0.6)	-	-

35. EMPLOYEE BENEFITS

	Consolidated		Bendigo Bank	
	2007	2006	2007	2006
	$m	$m	$m	$m
Employee benefits liability				
Provision for annual leave	11.7	12.0	11.5	11.5
Provision for other employee payments	4.6	4.0	4.6	4.0
Provision for long service leave	12.6	10.6	12.4	10.3
Provision for sick leave bonus	2.2	1.8	2.2	1.7
Provision for employee on costs	3.8	3.6	3.7	3.5
Directors' retirement allowance	0.1	0.4	0.1	0.4
Aggregate employee benefits liability	35.0	32.4	34.5	31.4

It is anticipated that annual leave provided at balance date will be paid in the ensuing 12 month period.
Other employee payments are expected to be paid in September 2007.
Long service leave is taken with agreement between employee and employer, or on termination of employment.
Sick leave bonus is paid to entitled employees on termination of employment.
Directors' retirement allowance was discontinued as at 31 August 2005. Further details are provided in the 2007 Remuneration Report.

36. SHARE BASED PAYMENT PLANS

Executive Incentive Plan

The Executive Incentive Plan ("Plan") was established in 2006. The Plan provides for grants of options and performance rights ("Instruments") to key executives, including the Managing Director. Under the Plan, eligible executives are granted options and performance rights subject to performance conditions set by the Board. If the performance conditions are satisfied during the relevant performance period, the options and performance rights will vest.

The performance conditions and performance periods for grants under the Plan are set out in the 2007 Remuneration Report.

Each option and performance right represents an entitlement to one ordinary share in the company. Accordingly, the maximum number of shares that may be acquired by key executives is equal to the number of options and performance rights issued.

Options and performance rights are granted at no cost to the managing director and key executives. The Plan rules provide that the Board may determine that a price is payable upon exercise of an option or exercisable performance right. The exercise price for options will generally be the market price of the shares at the grant date, and no exercise price will apply to exercisable performance rights.

The number of options and performance rights granted to the Managing Director and key executives have been based on the value of each option and performance right. The assessed fair value of each option and each performance right granted under the Plan are set out in the tables presented at note 38.

Executives are entitled to vote and to receive any dividend, bonus issue, return of capital or other distribution made in respect of shares they are allocated on vesting and exercise of their performance rights and options, as applicable.

The grants are subject to a dealing restriction. Executives are not entitled to sell, transfer or otherwise deal with the shares allocated to them until 2 years after the end of the initial performance period.

The share issue in September 2006 was valued and expensed in accordance with applicable accounting requirements. The expense recognised in the income statement in relation to share-based payments is disclosed in note 9.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of and movements in performance options issued during the year.

	2007 No.	2007 WAEP	2006 No.	2006 WAEP
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	632,693	$14.66	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	632,693	$14.66	-	-

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of and movements in performance rights issued during the year.

	2007 No.	2007 WAEP	2006 No.	2006 WAEP
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	100,117	$0.00	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	100,117	$0.00	-	-

The outstanding balance as at 30 June 2007 is represented by:

- 632,693 performance options over ordinary shares with an exercise price of $14.66 each, exercisable upon meeting the above conditions, and until 31 July 2011.
- 100,117 performance rights over ordinary shares with an exercise price of $0.00 each, exercisable upon meeting the above conditions, and until 30 June 2010.

The weighted average fair value of rights and options granted during the year was $3.54 (2006: Nil).

The fair value of the shares granted under the Plan is estimated as at the date of grant using the Black-Scholes - Merton Option Pricing Model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the year ended 30 June 2007.

	2007
Dividend yield (%)	3.75
Expected volatility (%)	18
Risk-free interest rate (%)	6.00
Expected life of option (years)	4.5[1]
Expected life of rights (years)	3.5 [1]
Option exercise price ($)	14.66
Closing share price at grant date ($)	14.50

[1] The expected life inputs for the Tranche 1 grant to the Managing Director were: Options – 4.0 years, Rights – 2.5 years.

The expected life of the rights and options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

Employee Share Plan

Legacy Plan

The Company discontinued in 2006 the existing loan-based Employee Share Ownership Plan ("Plan") which was open to all employees in the Group, including the Managing Director and executives. The Plan will continue as a legacy plan until such time as the loans provided to fund share purchases under the Plan have been repaid. There have been no issues of shares under this Plan since November 2004.

The notional value of the interest-free loan provided to the managing director and relevant executives under this legacy Plan is disclosed in the remuneration tables that accompany this report.

Current Plan

The Bank has established a new loan-based limited recourse Employee Share Plan ("Plan"). The Plan is substantially the same as the Legacy plan. However, it is only available to general staff. Executives (including the Managing Director) may not participate in it.

Under the terms of the Plan, shares will be issued at the prevailing market value. The shares must be paid for by the staff member. The Plan provides staff members with an 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 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 first issue to general staff under this plan was completed in September 2006. There have been no further issues under this Plan.

The share issue in September 2006 was valued and expensed in accordance with applicable accounting requirements. The expense recognised in the income statement in relation to share-based payments is disclosed in note 9.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of and movements in Plan shares issued during the year.

	2007 No.	2007 WAEP	2006 No.	2006 WAEP
Outstanding at the beginning of the year	4,798,426	25,600,000	5,251,744	30,000,000
Granted during the year	1,520,662	20,600,000	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	608,473	5,800,000	453,318	4,400,000
Expired during the year	-	-	-	-
Outstanding at the end of the year	5,710,615	40,400,000	4,798,426	25,600,000
Exercisable at the end of the year	5,710,615	40,400,000	4,798,426	25,600,000

The outstanding balance as at 30 June 2007 is represented by 5,710,615 ordinary shares with a market value at 30 June 2007 of $15.20 each (value: $86,801,348), exercisable upon repayment of the employee loans.

The acquisition price of shares granted during the year was $13.54 (2006: Nil) being the volume weighted average share price of the company's shares traded on the ASX in the 7 days trading ending one calendar week before the invitation date.

The fair value of the shares granted under the Plan is estimated as at the date of grant using the Black-Scholes-Merton Option Pricing Model taking into account the terms and conditions upon which the shares were granted. The fair value determined by independent valuation was $3.70.

The following table lists the inputs to the model used for the year ended 30 June 2007.

	2007
Dividend yield (%)	-
Expected volatility (%)	18
Risk-free interest rate (%)	5.674
Expected life of shares (years)	4
Share exercise price ($)	13.54
Share price at grant date ($)	13.92

The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of shares granted were incorporated into the measurement of fair value. The exercise price of the shares issued will reduce over time as dividends are applied to repay the staff loans.

	Consolidated	
Recognised share-based payment expenses	**2007 $m**	**2006 $m**
Expense arising from equity settled share-based payment transactions	7.3	-
Total expense arising from share-based payment transactions	7.3	-

Employee share and loan values and EPS impact

		Consolidated 2007 $m	2006 $m
Employee share and loan values			
Value of unlisted employee shares on issue at 30 June 2007 - 5,710,615 shares @ $15.20 (2006 - 4,798,426 shares @ $12.90)		86.8	61.9
Value of outstanding employee loans at beginning of year relating to employee shares		25.6	30.0
Value of new loans relating to employee shares issued during year		20.6	-
Value of repayments of loans during year		(5.8)	(4.4)
Value of outstanding employee loans at end of year relating to employee shares		40.4	25.6
Number of employees with outstanding loan balances		2,555	1,461
Indicative cost of funding employee loans			
Average balance of loans outstanding		37.1	27.6
Average cost of funds		5.16%	4.79%
After tax indicative cost of funding employee loans		1.3	0.9
Earnings per ordinary share - actual	- cents	81.9	81.5
Earnings per ordinary share - adjusted for interest foregone	- cents	82.8	82.2

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% (2006: 30%).

Earnings per ordinary share - adjusted is calculated by adding the after tax indicative cost of funding employee loans to profit available for distribution to ordinary shareholders. This adjusted earnings figure is divided by the weighted average number of ordinary shares.

37. AUDITOR'S REMUNERATION

	Consolidated		Bendigo Bank	
	2007	2006	2007	2006
	$	$	$	$
Chief entity auditors				
The auditor of Bendigo Bank Limited is Ernst & Young (Australia)				
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	615,050	612,456	615,050	612,456
-taxation services in relation to the chief entity and any other entity in the economic entity	72,853	176,084	70,823	152,103
-other services in relation to the chief entity and any other entity in the economic entity	238,655	109,000	238,655	109,000
	926,558	897,540	924,528	873,559
Amounts received, or due and receivable by non Ernst & Young audit firms for:				
-review of the financial report	18,000	18,000	-	-
-other services in relation to the chief entity and any other entity in the economic entity	5,244	3,000	2,244	-
	23,244	21,000	2,244	-

38. DIRECTOR AND EXECUTIVE DISCLOSURES

Details of the remuneration of directors and executives of the group for the 2007 financial year

(a) Details of key management personnel

The directors and executives, including key management personnel (being the directors of the Bank and the executives who have the authority and responsibility for planning, directing and controlling the activities of the Group), and the five most highly remunerated executives of the Group and the Company for the 2007 financial year.

(i) Directors

Robert N Johanson	Chairman (non executive)	
Robert G Hunt AM	Managing Director	
Neal J Axelby	Director (non-executive)	
Jennifer L Dawson	Director (non-executive)	
Donald J Erskine	Director (non-executive)	
Richard Guy OAM	Director (non-executive)	- retired from the Board on 31 August 2006
Terence J O'Dwyer	Director (non-executive)	
Deborah L Radford	Director (non-executive)	
Kevin E Roache	Director (non-executive)	
Antony D Robinson	Director (non-executive)	

(ii) Executives

Marnie A Baker	Chief General Manager, Solutions
Gregory D Gillett	Chief General Manager, Strategy and Human Resources
Richard H J Hasseldine	Chief General Manager, Group Delivery
Michael J Hirst	Chief Operating Officer
Russell P Jenkins	Chief General Manager, Retail and Distribution
Vicky M Kelly	Chief Information Officer
K Craig Langford	Chief Financial Officer

(b) Compensation of key management personnel

The company has applied the exemption under Corporations Amendments Regulation 2006 which exempts listed companies from providing remuneration disclosures in relation to their key management personnel in their annual financial reports by Accounting Standard AASB 124 "Related Party Disclosures". These remuneration disclosures are provided in the "Remuneration Report" section of the Directors' Report designated as audited.

(c) Compensation by category: for directors and executives, including key management personnel (being the directors of the Bank and the executives who have the authority and responsibility for planning, directing and controlling the activities of the Group), and the five most highly remunerated executives of the Group for the 2007 financial year.

	CONSOLIDATED	
	2007	2006
	$	$
Short-term	6,776,652	5,530,610
Post employment	640,785	536,701
Other long-term	568,019	522,728
Termination benefits	-	-
Share-based payment	2,031,241	-

DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(d) Performance rights and options: Granted and vested during the year (Consolidated)

During the financial year performance rights and performance options were granted as equity compensation under the Executive Incentive Plan ("Plan") to certain key management personnel. No share rights or options have been granted to non-executive Directors under this Plan.

The Plan provides for grants of options and performance rights ("Instruments") to key executives, including the Managing Director. Under the Plan, eligible executives are granted options and performance rights subject to performance conditions set by the Board. If the performance conditions are satisfied during the relevant performance period, the options and performance rights will vest.

Each option and performance right represents an entitlement to one ordinary share in the company. Accordingly, the maximum number of shares that may be acquired by the key executives is equal to the number of options and performance rights issued.

Options and performance rights are granted at no cost to the key executives. The exercise price for options will generally be the market price of the shares at the grant date, and no exercise price will apply to exercisable performance rights.

The number of options and performance rights granted to the Managing Director and key executives have been based on the value of each option and performance right, calculated using the recognised Black – Scoles-Merton valuation methodology. The assessed fair value of each option and each performance right granted under the Plan are set out in the tables below. The grants are subject to a dealing restriction.

Executives are not entitled to sell, transfer or otherwise deal with the shares allocated to them until 2 years after the end of the initial performance period. Further details of the Plan are set out in the 2007 Remuneration Report.

Performance rights and options: Granted and vested during the year (Consolidated) (continued)

Performance Options

	Vested	**Granted**	**Terms & Conditions for each Grant**					
30 June 2007	*No.*	*No.*	*Grant Date*	*Fair Value per option at grant date*	*Exercise price per option*	*Expiry Date*	*First Exercise Date*	*Last Exercise Date*
Directors								
RG Hunt *(tranche1)*	-	120,349	3.11.06	$1.90	$14.66	31.7.10	30.6.08	31.7.10
(tranche2)	-	160,465	3.11.06	$2.07	$14.66	31.7.11	30.6.09	31.7.11
Executives								
MJ Hirst	-	44,601	3.11.06	$2.07	$14.66	31.7.11	30.6.09	31.7.11
GD Gillett	-	37,559	3.11.06	$2.07	$14.66	31.7.11	30.6.09	31.7.11
KC Langford	-	41,080	3.11.06	$2.07	$14.66	31.7.11	30.6.09	31.7.11
VM Kelly	-	30,516	3.11.06	$2.07	$14.66	31.7.11	30.6.09	31.7.11
MA Baker	-	30,516	3.11.06	$2.07	$14.66	31.7.11	30.6.09	31.7.11
RP Jenkins	-	34,038	3.11.06	$2.07	$14.66	31.7.11	30.6.09	31.7.11
RH Hasseldine	-	23,709	3.11.06	$2.07	$14.66	31.7.11	30.6.09	31.7.11
Total	-	522,833						

Performance Rights

	Vested	**Granted**	**Terms & Conditions for each Grant**					
30 June 2007	*No.*	*No.*	*Grant Date*	*Fair Value per right at grant date*	*Exercise price per right*	*Expiry Date*	*First Exercise Date*	*Last Exercise Date*
Directors								
RG Hunt *(tranche1)*	-	19,043	3.11.06	$13.39	$0.00	30.6.09	30.6.08	30.6.09
(tranche2)	-	25,391	3.11.06	$12.91	$0.00	30.6.10	30.6.09	30.6.10
Executives								
MJ Hirst	-	7,058	3.11.06	$12.91	$0.00	30.6.10	30.6.09	30.6.10
GD Gillett	-	5,944	3.11.06	$12.91	$0.00	30.6.10	30.6.09	30.6.10
KC Langford	-	6,501	3.11.06	$12.91	$0.00	30.6.10	30.6.09	30.6.10
VM Kelly	-	4,929	3.11.06	$12.91	$0.00	30.6.10	30.6.09	30.6.10
MA Baker	-	4,829	3.11.06	$12.91	$0.00	30.6.10	30.6.09	30.6.10
RP Jenkins	-	5,386	3.11.06	$12.91	$0.00	30.6.10	30.6.09	30.6.10
RH Hasseldine	-	3,752	3.11.06	$12.91	$0.00	30.6.10	30.6.09	30.6.10
Total	-	82,833						

No shares were issued on the exercise of performance rights or options during the year.

[1] Comparative details have not been provided as the Executive Incentive Plan was established in the 2007 financial year.

Performance rights and options: Granted and vested during the year (Consolidated) (continued)

Performance Options

30 June 2007	*Balance at beginning of period 01-Jul-06*	*Granted as Remun-eration*	*Options Exercised*	*Net Change Other*	*Balance at end of period 30-Jun-07*	*Total*	*Exercisable*	*Not Exercisable*
Directors								
RG Hunt *(tranche1)*	-	120,349	-	-	120,349	120,349	-	120,349
(tranche2)	-	160,465	-	-	160,465	160,465	-	160,465
Executives								
MJ Hirst	-	44,601	-	-	44,601	44,601	-	44,601
GD Gillett	-	37,559	-	-	37,559	37,559	-	37,559
KC Langford	-	41,080	-	-	41,080	41,080	-	41,080
VM Kelly	-	30,516	-	-	30,516	30,516	-	30,516
MA Baker	-	30,516	-	-	30,516	30,516	-	30,516
RP Jenkins	-	34,038	-	-	34,038	34,038	-	34,038
RH Hasseldine	-	23,709	-	-	23,709	23,709	-	23,709
Total	-	522,833	-	-	522,833	522,833	-	522,833

Performance Rights

30 June 2007	*Balance at beginning of period 01-Jul-06*	*Granted as Remun-eration*	*Rights Vested*	*Net Change Other*	*Balance at end of period 30-Jun-07*	*Total*	*Exercisable*	*Not Exercisable*
Directors								
RG Hunt *(tranche1)*	-	19,043	-	-	19,043	19,043	-	19,043
(tranche2)	-	25,391	-	-	25,391	25,391	-	25,391
Executives								
MJ Hirst	-	7,058	-	-	7,058	7,058	-	7,058
GD Gillett	-	5,944	-	-	5,944	5,944	-	5,944
KC Langford	-	6,501	-	-	6,501	6,501	-	6,501
VM Kelly	-	4,929	-	-	4,929	4,929	-	4,929
MA Baker	-	4,829	-	-	4,829	4,829	-	4,829
RP Jenkins	-	5,386	-	-	5,386	5,386	-	5,386
RH Hasseldine	-	3,752	-	-	3,752	3,752	-	3,752
Total	-	82,833	-	-	82,833	82,833	-	82,833

(1) Comparative details have not been provided as the Executive Incentive Plan was established in the 2007 financial year.

(e) Shareholdings of directors and named executives (including their related parties)

Shares held in Bendigo Bank Ltd	Balance 1 July 2006			Net Change			Balance 30 June 2007		
	Ordinary shares	**Employee shares**	**Preference Shares**	**Ordinary shares**	**Employee shares**	**Preference Shares**	**Ordinary shares**	**Employee shares**	**Preference Shares**
Directors[1]									
R N Johanson	272,450	-	1,000	(3,850)	-	-	268,600	-	1,000
R G Hunt AM	112,212	740,000	-	141,918	(140,000)	-	254,130	600,000	-
N J Axelby	41,559	-	100	325	-	-	41,884	-	100
J L Dawson	16,630	-	150	671	-	-	17,301	-	150
D J Erskine	231,111	-	-	9,109	-	-	240,220	-	-
T J O'Dwyer	50,300	-	-	-	-	-	50,300	-	-
D L Radford	1,000	-	-	-	-	-	1,000	-	-
K E Roache	44,053	-	200	1,103	-	-	45,156	-	200
A D Robinson	2,500	-	-	-	-	-	2,500	-	-
Executives									
M A Baker	4,729	57,850	500	191	-	-	4,920	57,850	500
G D Gillett	2,404	139,410	-	(1,040)	-	-	1,364	139,410	-
R H Hasseldine	150	45,000	-	-	-	-	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	-
R P Jenkins	15,363	76,160	-	621	-	-	15,984	76,160	-
Total	**797,683**	**1,360,787**	**1,950**	**149,048**	**(140,000)**	**-**	**946,731**	**1,220,787**	**1,950**

All equity transactions with directors and named 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. Issue of shares under the Employee Share Ownership Plan are made under conditions disclosed in Note 36.

[1] The comparative figures have been amended to exclude shareholdings of Mr R A Guy OAM who retired from the board on 31 August 2006.

DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(f) Loans to directors and named executives (including their related parties)

(i) Details of aggregates of loans to directors and named executives (including their related parties) are as follows:

		Balance at beginning of period	Interest charged	Interest not charged	Write-off	Balance at end of period	Number of group 30 June 2007
		$'000	$'000	$'000	$'000	$'000	$'000
Directors[1]							
	2007	28,629	1,742	239	-	25,275	9
	2006	30,740	1,765	147	-	28,629	7
Executives[1]							
	2007	5,137	204	150	-	8,807	7
	2006	5,476	172	152	-	5,137	7
Total directors and executives							
	2007	33,766	1,946	389	-	34,082	16
	2006	36,216	1,937	299	-	33,766	14

[1] Balances include loans provided to the Managing Director and executives in connection with share issues under the (legacy) employee share ownership plan. The comparative figures have been amended to exclude loans to Mr RA Guy OAM who retired from the board on 31 August 2006.

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

	Balance at beginning of period	Interest charged	Interest not charged	Write-off	Balance at end of period	Highest owing in period
	$'000	$'000	$'000	$'000	$'000	$'000
Directors						
R N Johanson	670	54	-	-	642	765
N J Axelby	294	20	-	-	281	290
J L Dawson	243	19	-	-	222	243
D J Erskine	20,273	1,501	-	-	17,585	45,615
K E Roache	1,424	97	-	-	1,256	1,672
R G Hunt AM	738	51	-	-	1,071	1,451
Staff share loan	4,811	-	231	-	4,218	4,811
BCT share loan	176	-	8	-	-	176
Executives						
M A Baker						
Staff share loan	306	-	15	-	283	306
Loans	81	6	-	-	121	125
K C Langford						
Staff share loan	571	-	28	-	521	571
Loans	-	24	-	-	766	780
M J Hirst						
Staff share loan	338	-	17	-	317	338
Loans	-	-	-	-	3	4
R J Hasseldine						
Staff share loan	298	-	15	-	279	298
Loans	-	9	-	-	2,548	2,548
R P Jenkins						
Staff share loan	347	-	17	-	315	347
Loans	1,050	81	-	-	1,059	1,127
V Kelly						
Staff share loan	579	-	28	-	526	579
Loans	530	53	-	-	702	1005
G Gillett						
Staff share loan	617	-	30	-	559	617
Loans	420	31	-	-	808	880

DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(f) Loans to directors and named executives (including their related parties) (continued)

Terms and conditions of the loans

Staff Share Loans provided to Mr R G Hunt and Executives are under the terms of Bank's Employee Share Ownership Plan ("Plan"). Details of the Plan's terms and conditions are provided at Note 36 to the financial statements

Loans totalling $17.6 million were made to companies controlled by Mr D J 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.

(g) Other transactions of directors and director related entities

Mr K 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. The amount paid or payable during the year totalled $52,157 (2006: $5,402). The firm also leases its office premises from Bendigo Bank under a formal lease arrangement. The lease arrangement was determined on the basis of prevailing market terms and conditions.

Mr R Johanson is a director of the Grant Samuel Group, which provided consulting services to Bendigo Bank Ltd based on normal commercial terms and conditions. A protocol, approved by the Board, has been established for the engagement of Grant Samuel by the Bank which includes arrangements for dealing with conflicts of interest.

The services provided during the 2007 financial year included services in relation to the Group property review, alliance and joint venture activities, strategic developments and the proposed merger announced by the Bank of Queensland that did not proceed. Grant Samuel has also been engaged as joint advisor with Goldman Sachs JBWere by Bendigo Bank to provide advisory services in connection with the proposed Adelaide Bank merger.

The services are provided in accordance with scheduled fee rates which were discussed and approved by the Board in the absence of Mr Johanson. The amount paid or payable during the year totalled $1,157,957 (2006: $832,115).

Mr Hunt and Mr Erskine are Directors of Bendigo Community Telco ("BCT"). BCT supplies telecommunications and business continuity services to the group. The services are provided on commercial terms and conditions. Bendigo Bank also provides banking overdraft and lending facilities to BCT. The banking services are provided in accordance with Bendigo Bank's prevailing product terms and conditions.

Associate company directorships:

Mr R Johanson is a non-executive director of Elders Rural Bank Limited, an associate entity of Bendigo Bank. Mr Johanson was paid a director fee of $58,000 plus Superannuation Guarantee Charge by Elders Rural Bank Limited in connection with the directorship.

39. 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 20 - 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 and banks receipts 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 balance sheet. The balance of these inter-company loans is included in the net amount owing to/(from) subsidiaries column of the table below.

Interest received or receivable from and paid or payable to controlled entities and dividends received and receivable from controlled entities is disclosed in Note 4 - Profit and is included in the table below.

Material transactions between Bendigo Bank and its subsidiaries during the period were as follows:

		Net receipts and fees paid to subsidiaries	Supplies, fixed assets and services charged to subsidiaries	Net amount owing to/(from) subsidiaries at 30 June
		$m	$m	$m
Bendigo Finance Pty Ltd	2007	0.9	-	(1.4)
	2006	(0.8)	-	(2.3)
Worley Securities Pty Ltd	2007	2.6	2.4	-
	2006	0.9	0.9	(0.2)
National Mortgage Market Corporation Limited	2007	4.3	1.4	7.3
	2006	3.7	3.1	4.4
National Assets Securitisation Pty Ltd	2007	0.2	0.2	0.8
	2006	0.1	0.2	0.8
Fountain Plaza Pty Ltd	2007	0.5	60.5	(82.7)
	2006	4.8	26.8	(22.7)
Victorian Securities Corporation Limited	2007	(1.1)	3.0	(11.8)
	2006	(7.8)	3.1	(7.7)
Bendigo Financial Planning Limited	2007	7.8	10.0	(2.0)
	2006	8.3	8.7	0.2
Benhold Pty Ltd	2007	0.1	-	(5.1)
	2006	-	-	(5.2)
IOOF Building Society Pty Ltd	2007	-	-	20.4
	2006	-	-	20.4
Cass Comm Pty Ltd	2007	0.1	2.1	-
	2006	7.2	-	2.0
Community Developments Australia Pty Ltd	2007	1.2	1.2	(5.6)
	2006	-	1.0	(5.6)
Community Exchanges Australia Pty Ltd	2007	0.2	0.2	(1.4)
	2006	0.1	0.4	(1.4)
Sandhurst Trustees Limited	2007	30.7	27.4	1.9
	2006	8.5	8.7	(1.4)
Oxford Funding Pty Ltd	2007	11.8	3.9	(32.3)
	2006	(1.0)	0.1	(40.2)
First Australian Building Society Limited	2007	8.9	3.8	-
	2006	1.4	-	(5.1)

Bendigo Bank provides funding and guarantee facilities to several subsidiary companies as detailed in the following table. The balance outstanding on these facilities is included in the net amount owing to/(from) subsidiaries in the above table.

Subsidiary	Facility	Security	Limit	Drawn at 30 June 2007
			$m	$m
Sandhurst Trustees Limited	Standby	Unsecured	20.0	-
Bendigo Asset Management Limited	Overdraft	Unsecured	2.0	1.9
Bendigo Financial Planning Limited	Guarantee	Unsecured	-	-
Victorian Securities Corporation Limited	Standby	Unsecured	10.0	-
	Guarantee	Unsecured	-	-
Community Exchanges Australia Pty Ltd	Overdraft	Unsecured	1.4	1.4
Community Energy Australia Pty Ltd	Overdraft	Unsecured	0.4	0.3
Community Solutions Australia Pty Ltd	Overdraft	Unsecured	0.8	0.6
	Guarantee	Unsecured	-	-
Oxford Funding Pty Ltd	Overdraft	Unsecured	54.0	32.7
	Guarantee	Unsecured	5.3	-

Guarantees disclosed in the above table with a zero limit are less than $0.1 million.

All funding and guarantee facilities are provided to subsidiary companies on normal commercial terms and conditions.

Several subsidiary companies have bank accounts and investment funds held with Bendigo Bank Limited under normal terms and conditions. These balances are included in the amount owing to/(from) subsidiaries in the above table.

The following dividends received by Bendigo Bank Limited from subsidiary companies are included in the net receipts/fees paid column of the above table:

		$m
Sandhurst Trustees Limited	2007	18.2
	2006	16.2
Worley Securities Pty Ltd	2007	1.9
	2006	-
Cass Com Limited	2007	2.1
	2006	-
First Australian Building Society	2007	3.8
	2006	-

There were no material transactions between subsidiary companies.

Other related party transactions

Securitised and sold loans

The bank securitised or sold loans totalling $561 million (2006: $325 million) during the financial year. Of this total, $561 million (2006: $325 million) were sold to the Common Funds managed by Sandhurst Trustees Limited.

Associated entities

Bendigo Bank Limited has investments in associated entities as disclosed in Note 21 - Investments in associates. 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 4 - Profit. 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, transactions took place between the Bendigo Bank group and associated entities as follows:

		Commissions and fees paid to associates	Supplies and services provided to associates	Amount owing to/(from) associates at 30 June
		$m	$m	$m
Elders Rural Bank Ltd	2007	1.3	3.5	(0.3)
	2006	0.2	3.2	0.4
Tasmanian Banking Services Ltd	2007	8.1	5.7	-
	2006	7.7	5.8	0.4
Community Sector Enterprises P/L	2007	2.9	3.1	0.1
	2006	2.4	2.2	(0.1)
Caroline Springs Financial Services Pty Ltd	2007	0.4	0.6	-
	2006	0.2	0.5	-
Silver Body Corporate Financial Services P/L	2007	0.8	0.5	0.2
	2006	0.2	0.6	-

Dividends received and receivable from associated entities are disclosed in Note 4 – Profit.

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. The outstanding balances of these loans are disclosed in the above table.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The recognition and management of risk is an essential element of the Group's strategy. The Board, being ultimately responsible for the management of risks associated with the Group's activities, has established an integrated framework of committee structures, policies and controls to identify, assess, monitor and manage risk.

The risk management strategy is based upon risk principles approved by the Board and is underpinned by a system of delegations, passing from the Board through Board committees, the Managing Director and management committees to the risk functions and the business.

In accordance with the Bendigo Bank's Board Charter, the Board is responsible for oversight of the establishment, implementation, review and monitoring of risk management strategy, systems and policies, taking into account the risk tolerance of the Group, the overall business strategy and management expertise.

The Board has established specific audit, risk, credit, governance/HR IT strategy and property committees. Each committee operates under a formal charter that is reviewed and approved by the full Board annually.

Whilst the Board has responsibility for establishing the priorities and the Group's risk appetite, the Managing Director and other executive management are responsible for developing strategies and business plans commensurate with the risk appetite set by the Board.

The Executive Committee has responsibility for managing and monitoring the day to day activities including the management of risk of the Group and implementing the Board approved strategies and plans.

To support risk management at the executive management level independent functions charged with specific responsibility for monitoring, measuring and evaluating risk are in place.

The role of the risk management functions is to facilitate the implementation of the risk policies associated specifically with both quantifiable and unquantifiable risks arising from the activities of the Group. Group Risk and the Strategic Finance Unit ensure that a discipline is in place to identify the risks faced by the Group and that controls to manage these risks are adequate and functioning effectively. The Units have direct access to the Board through the Board Credit and Risk Committees with are sub committees of the Board.

On a day to day basis each executive, management and staff are responsible for carrying out their roles iin a way that manages risk in line with policies and procedures.

The Group's Internal Audit function is an independent function that operates under a charter and annual audit plan approved by the Board Audit Committee, a sub committee of the Board. The Board, on recommendation of the Board Audit Committee, approves the appointment of the head of internal audit.

The independent internal audit function, incorporating the review of the quality and administration of credit, oversees all functions across the Group and has direct access to the Board through the Board Audit Committee.

The risk management framework of the Group is based on:

- Core Risk Principles – overriding principles governing all activities, risk management and internal control procedures; and
- Specific Risk Policies and Procedures – appropriate policies, procedures and processes implemented to manage specific risks.

The Board, and the industry regulator, have identified the specific key risks to which the Bank is exposed as being credit, liquidity, market (includes interest rate and currency) and operational risk. Independent risk management structures have been developed and implemented by the Group to manage these risks.

In addition to managing risk categories below the Board and Executive manage strategic and reputation risk as well as evaluate emerging risks in any category.

Credit risk

Credit risk is the potential that the Group will suffer a financial loss due to the unwillingness or inability of a counterparty to fully meet their contractual debts and obligations.

The Board Credit Committee is responsible for monitoring adherence to credit policies, practices and procedures within the Group. The Board has established levels of delegated lending authority that authorise specific levels of management and the BBL Credit Committee to approve credit transactions.

Group Credit Risk, is responsible for providing the framework, policies, analysis and reporting for managing credit risk throughout the Group. This includes the review of portfolio credit quality and credit policy compliance as well as managing the performance of the credit management system at the Group level. Group Credit Risk has specific responsibility for the assessment of large/maximum credit, portfolio management including loans in default and provisioning and monitoring development and promulgation of policies.

A standard risk grading methodology is applied to assess, measure and report the quality of lending assets. The maximum credit lending exposure at balance date is the outstanding value of those assets and does not include the value of any security held.

Concentrations of risk

The risk areas of credit concentration appropriate to the Group are:

- Customer concentrations
- Geographic concentrations
- Industry concentrations

Ceiling and limits are approved by the Board Credit Committee and monitored through Group Credit Risk.

Liquidity risk

Liquidity risk is the inability to access sufficient funds, both anticipated and unforeseen Liquidity risk may lead to the Group being unable to meet its cash flow and funding obligations as they arise or forgoing investment opportunities.

Group Strategic Finance is responsible for implementing liquidity risk management strategies in accordance with approved policies. Compliance with liquidity policies is monitored by the Asset Liability Management Committee and Board Risk Committee.

Liquidity management strategies require prudent levels of liquid reserves are maintained at all times, Liquidity strategies also ensure the Group is able to source funds from a diverse base of funding options. These strategies ultimately ensure the Group meets daily, short-term and long-term liquidity requirements as well as in abnormal circumstances such as when the market may be interrupted for some reason, or experience conditions that might temporarily affect the availability of funding from some source.

Liquidity scenarios are calculated under stressed and normal operating conditions to assist in planning and anticipating cash flow needs and in providing adequate liquidity reserves.

Interest rate risk

Interest rate risk is the potential for loss of earnings to the Group due to adverse movements in interest rates.

Interest rate risk is managed through the Balance Sheet Management unit within Group Strategic Finance using gap analysis and interest rate simulation modelling techniques. The objective is to enhance the Group's earnings performance by managing and minimising fluctuations in net interest income and market value that may occur over time as a result of adverse changes in interest rates.

Monitoring of compliance with policies, limits and procedures is through the Asset Liability Management Committee and the Board Risk Committee.

Currency risk

Currency risk is the risk of loss of earnings to the Group which may arise from adverse movements in exchange rates. Currency risk arises from foreign currency wholesale funding activities and customer related foreign exchange transactions.

Policy requires foreign currency wholesale funding to be hedged and exposures arising from customer related foreign exchange transactions must be managed 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.

Trading occurs when positions are taken in financial instruments, equities, foreign exchange or commodity markets with the objective of achieving a benefit from the actual or expected differences that arise between the buying price and selling price, or from other price or interest rate variations. Generally the benefits arising from these differences would be realised in a short to medium term time period.

The Group's policy does not permit the operation of a trading book therefore trading positions in financial instruments, equities, foreign exchange or commodity markets cannot be taken. Derivatives such as interest rate swaps are utilised only to mitigate interest rate exposures in the balance sheet and to maintain interest margin.

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.

The Operational Risk Management Policy and Framework, in line with Basel II and the Australian Standard on operational risk, has been developed and is maintained by Group Operational Risk. The Group considers both the internal and external environment when it monitors and assesses operational risk. In managing operational risks, the Group is always cognisant of its correlation with strategic and reputation risk.

The policy is approved by the Board and applies to the whole of the Group. It defines operational risk management roles and responsibilities. The Executive Committee and each individual Executive member have day to day responsibility and accountability for the management of operational risk in their line including, but not limited to:

- Ensuring operational risk management strategies are in place and operating effectively.
- Identifying key operational risks and monitoring the management of these risks.
- Implementing measures to manage and appropriately resolve operational risk issues.
- Reporting operational risk events (including business continuity, fraud and regulatory compliance breach incidents), and the status of operational risk event responses.

In line with their role each staff member also has a responsibility to manage risk.

In addition to this overarching policy the Board has approved key policies relating to compliance, business continuity, anti money laundering and fraud control.

Group Operational Risk has a role to support the Executive Committee and the business to develop, implement, monitor and report on the effectiveness of implementation of the policy.

Group Operational Risk reports to the Board Risk Committee on the status of the implementation of the framework and implications of significant risks and risk events.

Insurance and Reinsurance risk

BBL, through its fully owned subsidiary Sunstate Pty Ltd, provides mortgage indemnity insurance to part of BBL's lending portfolio.

Insurance risk is the risk that the true value of insurance liabilities, both outstanding claims liability and premiums liability, will be greater than the estimated value of insurance liabilities. Monitoring of individual claims is part of the Group's credit risk process and Sunstate review.

Also, premiums are determined and earned in accordance with independent actuarial advice and are reviewed by an approved actuary.

Reinsurance risk is the risk of purchasing insufficient reinsurance protection to limit insurer losses during catastrophic events. Reinsurance risk with Sunstate is managed through a contract with Radian Insurance Inc.

41. FINANCIAL INSTRUMENTS

Fair value

Disclosed below is the estimated fair value of the economic entity's financial instruments presented in accordance with the requirements of Accounting Standard AASB 132 "Financial Instruments: Disclosure and Presentation".

A financial instrument is defined by AASB 132 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.

Methodologies

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

Cash and cash equivalents, 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 cash equivalents, 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.

Derivatives (assets and liabilities)

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 under "Derivative financial instruments".

Financial assets - available for sale and held to maturity (Securities)

The fair value of financial assets available for sale and held to maturity, 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.

Financial assets - available for sale (share investments and shares in controlled entities)

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

Loans and other receivables

The carrying value of loans and other receivables is net of specific and collective 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 is 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 are 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 is calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

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 is calculated using discounted cash flow models, based on the deposit type and its related maturity.

Other financial 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.

Subordinated debt and other debt

The fair value of subordinated debt is 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 is used.

Fair value (continued)

Summary

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

(a) Fair Value (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	
	2007	2006	2007	2006
CONSOLIDATED	$m	$m	$m	$m
Financial Assets				
Cash and cash equivalents	257.6	270.8	257.6	270.8
Due from other financial institutions	71.5	209.0	71.5	209.0
Derivatives	74.9	28.4	74.9	28.4
Financial assets available for sale - securities	428.8	360.9	428.8	360.9
Financial assets available for sale - share investments	130.4	94.4	130.4	94.4
Financial assets held to maturity	1,614.4	1,370.6	1,614.4	1,370.6
Loans and other receivables	13,843.5	12,436.7	14,309.8	12,773.5
Investments in associates and joint ventures accounted for using the equity method	156.3	143.5	156.3	143.5
Other assets	108.8	83.7	108.8	83.7
Financial Liabilities				
Due to other financial institutions	184.0	166.3	184.0	166.3
Deposits	15,231.0	13,599.8	14,979.3	13,364.8
Derivatives	34.6	20.0	34.6	20.0
Other payables	151.3	140.0	151.3	140.0
Subordinated debt	307.2	307.1	307.2	299.2
BENDIGO BANK				
Financial Assets				
Cash and cash equivalents	203.5	214.4	203.5	214.4
Due from other financial institutions	71.1	209.0	71.1	209.0
Derivatives	74.9	28.4	74.9	28.4
Financial assets available for sale - securities	428.8	360.9	428.8	360.9
Financial assets available for sale - share investments	127.9	94.2	127.9	94.2
Shares in controlled entities	134.8	151.2	134.8	151.2
Financial assets held to maturity	1,530.5	1,291.8	1,530.5	1,291.8
Loans and other receivables	13,483.7	11,948.0	13,525.3	12,282.9
Amounts receivable from controlled entities	101.0	40.1	101.0	40.1
Other assets	239.7	190.2	239.7	190.2
Financial Liabilities				
Due to other financial institutions	184.0	166.3	184.0	166.3
Deposits	14,822.7	13,063.1	14,577.7	12,834.3
Derivatives	35.4	22.2	35.4	22.2
Other payables	125.4	110.8	125.4	110.8
Subordinated debt	307.2	307.1	307.2	299.2

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 2007	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 Balance sheet	Weighted average effective interest rate
CONSOLIDATED	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**%**
Assets									
Cash and cash equivalents	145.1	-	-	-	-	-	112.5	257.6	3.31
Due from other financial institutions	-	-	-	-	-	-	71.5	71.5	-
Financial assets available for sale	-	428.8	-	-	-	-	130.4	559.2	6.24
Financial assets held to maturity	11.7	782.3	659.4	161.0	-	-	-	1,614.4	6.46
Loans and other receivables	6,632.8	1,218.2	384.7	704.9	4,834.0	25.8	43.1	13,843.5	7.69
Derivatives	-	-	-	-	-	-	74.9	74.9	-
Total financial assets	6,789.6	2,429.3	1,044.1	865.9	4,834.0	25.8	432.4	16,421.1	-
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	184.0	184.0	-
Deposits	4,628.2	4,054.1	3,419.9	2,950.6	93.8	-	84.4	15,231.0	4.90
Derivatives	-	-	-	-	-	-	34.6	34.6	-
Subordinated debt	-	172.2	135.0	-	-	-	-	307.2	7.23
Total financial liabilities	4,628.2	4,226.3	3,554.9	2,950.6	93.8	-	303.0	15,756.8	-

AS AT 30 JUNE 2006	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 Balance sheet	Weighted average effective interest rate
CONSOLIDATED	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**%**
Assets									
Cash and cash equivalents	171.6	-	-	-	-	-	99.2	270.8	3.47
Due from other financial institutions	-	-	-	-	-	-	209.0	209.0	0.00
Financial assets available for sale	-	179.1	181.8	-	-	-	94.4	455.3	5.80
Financial assets held to maturity	15.2	656.0	619.8	79.6	-	-	-	1,370.6	5.84
Loans and other receivables	7,095.1	1,217.2	392.2	456.0	3,224.8	19.0	32.4	12,436.7	7.42
Derivatives	-	-	-	-	-	-	28.4	28.4	0.00
Total financial assets	7,281.9	2,052.3	1,193.8	535.6	3,224.8	19.0	463.4	14,770.8	-
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	166.3	166.3	0.00
Deposits	3,802.8	4,064.8	2,843.1	2,766.0	24.8	-	98.3	13,599.8	4.44
Derivatives	-	-	-	-	-	-	20.0	20.0	0.00
Subordinated debt	-	172.0	135.1	-	-	-	-	307.1	6.90
Total financial liabilities	3,802.8	4,236.8	2,978.2	2,766.0	24.8	-	284.6	14,093.2	-

Interest rate risk (continued)

AS AT 30 JUNE 2007	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 Balance sheet	Weighted average effective interest rate
BENDIGO BANK	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**%**
Assets									
Cash and cash equivalents	118.4	-	-	-	-	-	85.1	203.5	3.42
Due from other financial institutions	-	-	-	-	-	-	71.1	71.1	-
Financial assets available for sale	-	428.8	-	-	-	-	127.9	556.7	6.24
Shares in controlled entities	-	-	-	-	-	-	134.8	134.8	
Financial assets held to maturity	0.7	724.2	644.6	161.0	-	-	-	1,530.5	6.46
Loans and other receivables	6,334.1	1,209.7	379.6	698.1	4,797.3	25.8	39.1	13,483.7	7.82
Derivatives	-	-	-	-	-	-	74.9	74.9	-
Total financial assets	6,453.2	2,362.7	1,024.2	859.1	4,797.3	25.8	532.9	16,055.2	-
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	184.0	184.0	-
Deposits	4,637.1	3,743.1	3,347.5	2,926.1	86.8	-	82.1	14,822.7	4.87
Derivatives	-	-	-	-	-	-	35.4	35.4	-
Subordinated debt	-	172.2	135.0	-	-	-	-	307.2	7.23
Total financial liabilities	4,637.1	3,915.3	3,482.5	2,926.1	86.8	-	301.5	15,349.3	-

AS AT 30 JUNE 2006	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 Balance sheet	Weighted average effective interest rate
BENDIGO BANK	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**%**
Assets									
Cash and cash equivalents	135.6	-	-	-	-	-	78.8	214.4	3.44
Due from other financial institutions	-	-	-	-	-	-	209.0	209.0	0.00
Financial assets available for sale	-	179.4	181.5	-	-	-	94.2	455.1	5.80
Shares in controlled entities	-	-	-	-	-	-	151.2	151.2	
Financial assets held to maturity	-	619.6	592.6	79.6	-	-	-	1,291.8	5.87
Loans and other receivables	6,675.5	1,214.2	382.2	445.6	3,183.1	19.0	28.4	11,948.0	7.59
Derivatives	-	-	-	-	-	-	28.4	28.4	0.00
Total financial assets	6,811.1	2,013.2	1,156.3	525.2	3,183.1	19.0	590.0	14,297.9	-
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	166.3	166.3	0.00
Deposits	3,811.3	3,637.5	2,764.4	2,733.5	20.4	-	96.0	13,063.1	4.38
Derivatives	-	-	-	-	-	-	22.2	22.2	0.00
Subordinated debt	-	172.0	135.1	-	-	-	-	307.1	6.90
Total financial liabilities	3,811.3	3,809.5	2,899.5	2,733.5	20.4	-	284.5	13,558.7	-

Derivative financial instruments

The economic entity uses derivatives primarily to hedge banking operations and for asset and liability management. Some derivatives transactions may qualify as either cashflow or fair value hedges. The accounting treatment of these hedges is outlined in Note 2.33 Derivative Financial Instruments.

The economic entity is exposed to volatility in interest cash flows inherent in its loan portfolio and that of the securitisation vehicles. Interest rate swaps are used to hedge the risk that this volatility creates.

All swaps that are part of a hedge relationship have been designated as cashflow hedges. As at 30 June 2007 the fair value of outstanding derivatives designated as cashflow hedges by the bank was $40.5 million positive value (2006: $9.6 million).

During the 2007 financial year the economic entity recognised a loss of less than $1.6 million (2006: less than $0.1 million) due to hedge ineffectiveness. As at 30 June 2007 the fair value of outstanding derivatives designated as cashflow hedges by the economic entity was $39.7 million positive value (2006: $7.4 million).

Value of derivatives as at 30 June

	Consolidated 2007				Consolidated 2006			
	Notional Amount	Asset Revaluation	Liability Revaluation	Net Fair Value	Notional Amount	Asset Revaluation	Liability Revaluation	Net Fair Value
	$m	$m	$m	$m	$m	$m	$m	$m
Included in derivatives category								
Interest Rate Swaps	4,120.4	70.8	(29.1)	41.7	2,529.1	24.6	(15.0)	9.6
Cross Currency Swaps	830.2	3.6	(5.1)	(1.4)	530.2	3.8	(5.0)	(1.2)
Derivatives	4,950.6	74.4	(34.2)	40.3	3,059.4	28.4	(20.0)	8.4
Included in loans and deposits categories								
Cross Currency Swaps			(72.1)	(72.1)			(5.1)	(5.1)
Foreign Exchange Contracts	50.8	0.5	(0.3)	0.2	40.5	0.2	(0.3)	(0.1)
Total derivatives	5,001.4	74.9	(106.6)	(31.6)	3,099.9	28.6	(25.4)	3.2

Outstanding interest rate swaps have interest rates on the receivable legs ranging from 4.74% to 7.126% and on the payable legs the rates range from 4.81% to 8.07%. All swaps mature between the dates 13 July 2007 and 1 September 2026. The average term to maturity is 737 days.

42. COMMITMENTS AND CONTINGENCIES

(a) Commitments

Outstanding expenditure and credit related commitments as at 30 June 2007. Except where specified, all commitments are payable within one year.

Operating lease commitments - group as lessee

The group has entered into commercial property leases and commercial leases on certain motor vehicles and items of office equipment. These leases have an average life of between 3 and 7 years. Some property leases include optional renewal periods included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Consolidated		Bendigo Bank	
	2007	2006	2007	2006
	$m	$m	$m	$m
Not later than 1 year	37.0	42.9	36.9	42.8
Later than 1 year but not later than 5 years	113.8	74.1	113.8	73.9
Later than 5 years	141.2	13.0	141.2	13.0
	292.0	130.0	291.9	129.7

Lease commitments for 2007 includes the lease in relation to the new Head Office development in Bendigo, Victoria which commences August 2008.

Operating lease commitments - group as lessor

The group has entered into commercial property leases on the group's surplus office space. These non-cancellable leases have remaining terms of between 2 and 5 years. All leases have a clause to enable upward revision of the rental charge on a regular basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

Not later than 1 year	1.1	1.1	1.1	1.1
Later than 1 year but not later than 5 years	1.7	2.2	1.7	2.2
Later than 5 years	-	-	-	-
	2.8	3.3	2.8	3.3
Capital expenditure commitments				
Capital expenditure commitments not provided for in the financial statements, payable not later than one year	12.0	47.0	12.0	47.0
Later than 1 year but not later than 5 years	0.7	18.7	0.7	18.7
	12.7	65.7	12.7	65.7
Other expenditure commitments				
Sponsorship commitments not paid as at balance date, payable not later than one year	1.7	1.1	1.6	1.0
Credit related commitments				
Gross loans approved, but not advanced to borrowers, payable not later than one year	419.0	425.5	419.0	425.5
Credit limits granted to clients for overdrafts and credit cards				
Total amount of facilities provided	4,871.8	4,304.9	4,936.3	4,361.6
Amount undrawn at balance date	1,668.5	1,456.6	1,693.6	1,471.0

Normal commercial restrictions apply as to use and withdrawal of the facilities

Superannuation commitments

The economic entity participates 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.

COMMITMENTS AND CONTINGENCIES (continued)

(b) Contingent liabilities and contingent assets

	Consolidated		Bendigo Bank	
	2007	2006	2007	2006
	$m	$m	$m	$m
Contingent liabilities				
Guarantees				
The economic entity has issued guarantees on behalf of clients	111.9	98.3	111.9	98.3
Other				
Documentary letters of credit & performance related obligations	24.0	13.6	24.0	13.6

As the the probability and value of guarantees, letters of credit and performance related obligations that may be called on is unpredictable, it is not practical to state the timing of any potential payment.

Contingent assets
As at 30 June 2007, the economic entity does not have any contingent assets.

43. 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	
	2007	2006
	$m	$m
Funds under trusteeship	3,780.3	3,429.2
Assets under management	2,310.4	1,941.4
Funds under management	1,083.8	1,025.5

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.

44. EVENTS AFTER BALANCE SHEET DATE

On 9 August 2007 the Bank declared a final dividend, details of which are disclosed in the directors' report and in Note 10.

On 9 August 2007 the Boards' of Bendigo Bank Limited and Adelaide Bank Limited announced their intention to merge. The merger will be implemented by a Scheme of Arrangement in Adelaide, which will require approval by Adelaide Bank Limited shareholders at a meeting expected to be held in November 2007, as well as the required regulatory approvals.

On 4 September 2007, the Boards of Bendigo Bank and Adelaide Bank announced that their respective post announcement due diligence inquiries have been concluded satisfactorily.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years.

DIRECTORS' DECLARATION

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

In the opinion of the directors:

(a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, 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 2007 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.

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 year ending 30 June 2007.

On behalf of the Board

Robert Johanson

R N Johanson
Chairman

R G Hunt AM
Managing Director

11September 2007

ERNST & YOUNG

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000
Australia

GPO Box 67
Melbourne VIC 3001

Tel 61 3 9288 8000
Fax 61 3 8650 7777

Independent auditor's report to members of Bendigo Bank Limited

We have audited the accompanying financial report of Bendigo Bank Limited and the entities it controlled during the year, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" on pages 20 to 37 of the directors' report, as permitted by Corporations Regulation 2M.6.04.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2.2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of 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.

Auditor's 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 at 30 June 2007 and of their performance for the year ended on that date;
and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations); and

(b) other mandatory financial reporting requirements in Australia.

2. the consolidated financial statements and notes or financial report also complies with International Financial Reporting Standards as disclosed in Note 2.2.

3. the remuneration disclosures that are contained on pages 43 to 49 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.

Ernst & Young

Brett Kallio

Brett Kallio

Partner

Melbourne
11 September 2007

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 9 August 2007.

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 this report.

4. SUBSTANTIAL SHAREHOLDERS

As at 17 August 2007 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 17 August 2007 in the following categories:

Category	Fully paid Ordinary Shares	Fully Paid Employee Shares	BPS Preference Shares
1 - 1,000	26,499	1,390	3,370
1,001 - 5,000	19,867	946	35
5,001 - 10,000	2,852	113	2
10,001 - 100,000	1,552	48	3
100,001 and over	66	4	1
Number of Holders	50,836	2,501	3,411
Securities on Issue	138,549,515	5,638,375	900,000

6. MARKETABLE PARCEL

Based on the closing price of $14.94 on 17 August 2007 the number of holders with less than a marketable parcel of the Company's main class of securities (Ordinary Shares), as at 17 August 2007 was 1767.

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 Fully Paid Ordinary Shares, including the number of shares each holds and the percentage of ordinary share capital that number represents as at 17 August 2007 are:

FULLY PAID ORDINARY SHARES

Rank	Name	Number of fully paid Ordinary Shares	Percentage held of Issued Ordinary Capital
1	HSBC Custody Nominees (Australia) Limited	3,218,241	2.23%
2	National Nominees Limited	3,069,539	2.13%
3	Milton Corporation Limited	2,954,743	2.05%
4	J P Morgan Nominees Australia Limited	2,942,991	2.04%
5	HSBC Custody Nominees (Australia) Limited - a/c 2	2,292,955	1.59%
6	Citicorp Nominees Pty Limited	2,070,339	1.44%
7	Leesville Equity Pty Ltd	1,340,477	0.93%
8	Cogent Nominees Pty Limited	1,169,802	0.81%
9	Choiseul Investments Limited	730,250	0.51%
10	ANZ Nominees Limited (Cash Income a/c)	608,291	0.42%
11	Argo Investments Limited	591,940	0.41%
12	Anthony Detata Nominees Pty Ltd	500,000	0.35%
13	Invia Custodian Pty Limited (Wilson Invmt Fund Ltd a/c)	495,463	0.34%
14	Queensland Investment Corporation	428,570	0.30%
15	RBC Dexia Investor Services Australia Nominees Pty Limited (BKCusta/c)	427,565	0.30%
16	UBS Nominees Pty Ltd	398,390	0.28%
17	Fleet Nominees Pty Limited	376,848	0.26%
18	Brickworks Investment Company Limited	349,942	0.24%
19	UBS Wealth Management Australia Nominees Pty Ltd	339,797	0.24%
20	AMP Life Limited	328,913	0.23%
		24,635,056	17.10%

BBS Nominees Pty Ltd, trustee for the Bendigo employee share ownership plan, held 5,638,375 unquoted shares as at the date of this report. These shares have not been included in the above table.

Names of the 20 largest holders of Bendigo Preference Shares, including the number of shares each holds and the percentage of preference share capital that number represents as at 17 August 2007 are:

FULLY PAID PREFERENCE SHARES

Rank	Name	Number of fully paid Preference Shares	Percentage held of Issued Preference Capital
1	J P Morgan Nominees Australia Limited	208,675	23.19%
2	M F Custodians Ltd	15,000	1.67%
3	Citicorp Nominees Pty Limited (CFSIL Cwlth Spec5 a/c)	14,881	1.65%
4	ANZ Nominees Limited (Cash Income a/c)	10,500	1.17%
5	Cogent Nominees Pty Limited	10,000	1.11%
6	Edwards, JF & JR	8,293	0.92%
7	Cambooya Pty Ltd	4,900	0.54%
8	Bruttown Pty Limited	4,000	0.44%
9	Jackson, PD	4,000	0.44%
10	Leesville Equity Pty Ltd	4,000	0.44%
11	Elise Nominees Pty Limited	2,750	0.31%
12	Cambooya Pty Ltd (Foundation a/c)	2,500	0.28%
13	Uniting Church in Australia Property Trust (WA) (UCIF a/c)	2,500	0.28%
14	Rome Pty Ltd	2,428	0.27%
15	Andre, RM	2,000	0.22%
16	Bruce Dixon (Superannuation) Pty Ltd (Bruce Dixon Super Fund a/c)	2,000	0.22%
17	Collier Charitable Fund Custodian Corporation	2,000	0.22%
18	David Komesaroff Pty Ltd (MDA Exec S/F a/c)	2,000	0.22%
19	Equitas Nominees Pty Limited (PB-600056 a/c)	2,000	0.22%
20	Granter FJ	2,000	0.22%
		306,427	34.03%

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.