Bendigo Bank

ABN 11 068 049 178

Appendix 4E
Preliminary Final Report

For the twelve months ending

30 June 2005

Released 15 August 2005

This report comprises information given to the ASX under listing rule 4.3A

CONTENTS

1. Appendix 4E: Preliminary Final Report

1.1 Company details and reporting period

Bendigo Bank Limited
ABN 11 068 049 178

Reporting period - twelve months ended:	30 June 2005
Previous corresponding period - twelve months ended:	30 June 2004

1.2 Results for announcement to the market

				$m
Revenues from ordinary activities	up	14.6%	To	471.1
Profit from ordinary activities after tax attributable to members	up	13.3%	To	90.4
Net profit attributable to members	up	13.3%	To	90.4

Dividends – current year	**Amount per security**
	Cents
Final Dividend – 2005, fully franked at 30% Payable 30 September 2005	26.0
Interim Dividend – 2005, fully franked at 30% Paid 31 March 2005	19.0

Dividends – previous year	**Amount per security**
	Cents
Final Dividend – 2004, fully franked at 30% Paid 30 September 2004	23.0
Interim Dividend – 2004, fully franked at 30% Paid 31 March 2004	17.0

Record date for determining entitlements for the final dividend	2 September 2005

1.3 Net tangible assets per security

Refer to pages 7 and 43.

1.4 Details of entities over which control has been gained or lost during the period

Oxford Funding Pty Ltd – 100% ownership effective 1 May 2005. Refer to page 18.

1.5 Details of individual and total dividends

Refer to pages 7 and 17.

1.6 Details of any dividend or distribution reinvestment plans in operation

Refer to page 17.

1.7 Details of associates and joint venture entities

Refer to page 19.

1.8 Accounting standards used for foreign entities

Not applicable.

1.9 Dispute or qualifications if audited

This report is based on financial accounts that are in the process of being audited by our external auditors. There is not expected to be any dispute or qualification to the financial accounts.

1.10 Annual general meeting

The annual general meeting will be held as follows:

Place:	The Capital Theatre, 50 View Street, Bendigo, Victoria
Date:	31 October 2005
Time:	11 am

2. Full Year Results

2.1 Financial highlights

Solid growth in all key indicators

	2003-04		2004-05		Change Full Year 2004 To Full Year 2005	
	First Half $m	**Second Half $m**	**First Half $m**	**Second Half $m**	**$m**	**%**
Profit after tax	34.6	45.2	42.8	47.6	10.6	13
Profit after tax before specific items	33.2	40.0	38.9	48.5	14.2	19
Net interest income	122.8	130.8	137.8	143.0	27.2	11
Non-interest income (before specific items)	70.1	70.4	80.4	90.9	30.8	22
Gross loans under management	10,153.7	11,255.7	12,150.9	12,866.1	1,610.4	14
Total deposits	9,259.4	10,148.9	11,289.6	11,958.2	1,809.3	18
Total equity	608.1	676.4	703.0	749.1	72.7	11
Funds under management	1,979.4	2,158.9	2,567.8	2,709.7	550.8	26
Group managed assets	12,460.5	13,534.4	14,766.8	15,618.8	2,084.4	15
New loan approvals	3,098.2	2,979.6	2,986.8	2,885.8	(205.2)	(3)
Residential	2,219.3	1,945.0	1,993.0	1,908.5	(262.8)	(6)
Non-residential	878.9	1,034.6	993.8	977.3	57.6	3
Cost to income ratio	71.3%	67.6%	70.0%	65.5%	(0.7%)	(1)
Earnings per ordinary share - cents	26.8	33.4	30.5	33.8	4.2	7
Cash basis earnings per ordinary share – cents	25.8	29.5	29.3	36.3	7.1	12
Dividend per share – cents	17.0	23.0	19.0	26.0	5.0	13

2.1.1 Profit

- Operating profit after income tax before specific items was $87.4 million, an increase of 19% over the 2004 result.

- Transactions disclosed as specific items for the year contributed $3.0 million to operating profit after income tax (2004: $6.6 million)

- Operating profit after income tax and specific items was $90.4 million reflecting a 13% increase from a $79.8 million operating profit after tax and specific items for 2004.

- Cash basis earnings per ordinary share was 65.6 cents, an increase of 7.1 cents, or 12% over 2004.

- Earnings per ordinary share (including specific items) was 64.4 cents, increasing by 4.2 cents, or 7% over EPS for 2004.

- Return on ordinary equity before specific items was 12.6%, a 6% increase over 11.9% in 2004.

- Return on ordinary equity after specific items increased to 13.1% from 13.0%.

2.1.2 Lending

- Total Loans under Management grew by $1.6 billion to $12.9 billion, an increase of 14%.

- On balance sheet loans grew by 16% or $1.6 billion to $11.0 billion.

- During 2004/2005, the bank securitised or sold loans totalling $304 million ($195 million in the first half-year and $108 million in the second half-year). These factors decreased on-balance sheet loans growth for the year, but contributed to the growth of $232 million in loans held in the Sandhurst Trustees Limited Common Funds.

- Total Bank lending approvals were $5.9 billion, marginally lower than last year.

- Lending approvals secured by mortgage over residential property were $3.9 billion, representing 66% of total approvals.

2.1.3 Deposits and funds under management

- Total Group deposits and funds under management increased by $2.4 billion, or 19%, to $14.7 billion. This included a 26% increase in Sandhurst Trustees Limited managed funds or $0.6 billion to $2.7 billion and an 18% increase or $1.8 billion in on balance sheet deposits which rose to $12.0 billion at year end.

- Retail deposits rose $1.0 billion or 11% to top $10 billion for the first time.

- Strong asset growth during the year required additional wholesale funding, which rose $0.8 billion. Retail deposits accounted for 84% of total on balance sheet deposits.

- Superannuation and Managed Funds administered by Sandhurst Trustees Limited grew $0.6 billion to $2.7 billion during the year.

2.1.4 Assets and Capital

- Group assets grew by $2.0 billion in the year to $13.3 billion, an increase of 18%.

- Risk weighted assets rose $0.9 billion to $7.6 billion.

- Total Risk weighted capital adequacy ratio at June 2005 is 10.39%, which is within the targeted range.

- Equity increased $73 million, or 11%, during the year to $749 million.

- During the year 1,900,287 shares were issued under the Dividend Reinvestment Plan, 378,027 under the Bonus Share Scheme and 300,000 under the Employee Share Ownership Plan.

- As part of capital management initiatives 2,850,000 ordinary shares were cancelled following an on-market share buy back program conducted during March to May 2005.

- In May 2005 $90 million in preference share capital was successfully issued assisting to diversify the group's capital base (shares are $100 face value paid to $50 with the unpaid amount due June 2006).

- Total Group managed assets increased by $2.1 billion, or 15%, for the year to $15.6 billion.

- Net tangible assets increased 10% from $4.40 per share to $4.82 per share.

2.1.5 Dividends

- 2004/05 final dividend of 26.0 cents per fully paid share (an increase of 3.0 cents over the 2003/2004 final dividend), fully franked at 30%.

- Dividend is payable on 30 September 2005 to shareholders registered on the Record Date of 2 September 2005.

- The final dividend proposed totals $34.3 million.

- Dividends for 2004/2005 total 45.0 cents (up from 40.0 cents in 2003/2004), which represents a payout ratio of 66.0%, or 68.3% on pre-specific items earnings (2004 – 64.8% and 70.6% respectively).

2.1.6 Bad and doubtful debts

- Bad and doubtful debts expense for the year was \$14.1 million, which was the same as the previous year.
- Provisions for doubtful debts at June 2005 totalled \$68.9 million, representing 0.62% of gross loan balances (2004 – 0.65%).
- General provisions have been increased by \$6.9 million in the year and now total \$60.3 million, which is 0.79% of risk-weighted assets (2004 – 0.79%).
- Net impaired assets were \$8.1 million, representing only 0.07% of gross loans (2004 – 0.05%).
- Provision coverage of impaired loans is now 413% (2004 - 477%).

2.2 Financial Statements

2.2.1 Detailed Statement of Financial Performance

for the year ended 30 June 2005

	Consolidated 2005 $m	Consolidated 2004 $m
Revenue from ordinary activities		
Net interest revenue		
Interest revenue	767.4	615.5
Interest expense	486.6	361.9
Net interest revenue	**280.8**	**253.6**
Other revenue from ordinary activities		
Dividends	1.6	0.4
Fees - asset products	26.0	23.5
- liability products and electronic delivery	53.5	41.5
- trustee, management & other services	9.3	9.1
- securitisation	5.0	7.9
- other	9.4	8.3
Commissions - insurance	6.8	5.7
- wealth solutions	30.8	25.2
Other operating revenue	8.4	3.2
Total other revenue from ordinary activities	**150.8**	**124.8**
Share of associates' net profits (losses) accounted for using the equity method	**20.5**	**15.7**
Total revenue after interest expense	**452.1**	**394.1**
Expenses from ordinary activities		
Bad and doubtful debts		
Bad and doubtful debts	14.1	14.1
Bad debts recovered	(0.5)	(0.3)
Total bad and doubtful debts	**13.6**	**13.8**
Other expenses from ordinary activities		
Borrowing costs	0.4	0.5
Staff and related costs	154.8	134.9
Occupancy costs	26.0	23.0
Amortisation of goodwill	4.7	4.3
Property, plant & equipment costs	13.7	11.5
Fees and commissions	16.6	14.2
Administration expenses	94.4	85.3
Total other expenses from ordinary activities	**310.6**	**273.7**
Profit before income tax expense and specific items	**127.9**	**106.6**
Income tax expense before specific items	(40.8)	(33.7)
Net loss attributable to outside equity interest	0.3	0.3
Profit after income tax expense and before specific items	**87.4**	**73.2**

2.2.1 Detailed Statement of Financial Performance cont'd…

	Consolidated	
	2005	**2004**
	$m	**$m**
Specific items		
Specific income items	19.0	17.0
Specific expense items	15.5	8.3
Specific items before income tax expense	3.5	8.7
Specific items income tax expense	(0.5)	(2.1)
Specific items after income tax expense	**3.0**	**6.6**
Net profit before income tax expense including specific items	**131.4**	**115.3**
Income tax expense including specific items	(41.3)	(35.8)
Profit after income tax expense and specific items	90.1	79.5
Net loss attributable to outside equity interest	0.3	0.3
Net profit attributable to members of Bendigo Bank Limited	**90.4**	**79.8**
Net increase in asset revaluation reserve	-	2.1
Share issue costs	(2.0)	(0.5)
Total revenues, expenses and valuation adjustments attributable to members of Bendigo Bank Limited and recognised directly in equity	(2.0)	1.6
Total changes in Equity other than those resulting from transactions with owners as owners attributable to members of Bendigo Bank Limited	**88.4**	**81.4**
Basic earnings per ordinary share (cents per share)	64.4	60.2
Diluted earnings per ordinary share (cents per share)	64.4	60.2
Cash basis earnings per ordinary share (cents per share)	65.6	58.5
Franked dividends per ordinary share (cents per share)	45.0	40.0

2.2.2 Statement of Financial Position
as at 30 June 2005

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

2.2.3 Statement of Cash Flows
for the year ended 30 June 2005

	Consolidated	
	2005	**2004**
	$m	**$m**
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and other items of a similar nature received	762.8	617.2
Borrowing costs paid	(483.3)	(358.8)
Receipts from customers (excluding interest)	146.0	124.7
Payments to suppliers and employees	(331.2)	(272.0)
Dividends received	12.6	10.6
Income taxes paid	(41.6)	(36.3)
Net cash flows from operating activities	65.3	85.4
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash flows for purchases of property, plant and equipment	(23.4)	(20.9)
Cash proceeds from sale of property, plant and equipment	9.4	8.3
Cash paid for purchases of equity investments	(34.4)	(23.6)
Cash proceeds from sale of equity investments	13.9	8.8
Net increase in balance of loans outstanding	(1,541.8)	(1,863.1)
Net increase of investment securities	(322.5)	(90.2)
Net cash paid on acquisition of a subsidiary	(19.6)	-
Net cash flows used in investing activities	(1,918.4)	(1,980.7)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash paid for buyback of shares	(27.0)	-
Proceeds from shares issued	43.0	43.1
Net increase in balance of retail deposits	987.2	1,418.2
Net increase in balance of wholesale deposits	818.4	479.7
Net increase in balance of subordinated debt	62.6	9.8
Dividends paid	(36.5)	(28.7)
Net cash flows from financing activities	1,847.7	1,922.1
Net increase/(decrease) in cash held	(5.4)	26.8
Add cash at the beginning of the financial year	186.2	159.4
Cash at end of financial year	180.8	186.2

2.3 Additional notes

2.3.1 Changes in Accounting Policies

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

2.3.2 Adoption of Australian Equivalents to International Financial Reporting Standards

The Australian Accounting Standards Board (AASB) is implementing the Financial Reporting Council's policy of adopting the International Financial Reporting Standards (IFRS), which applied to the group's reporting periods from 1 July 2005.

Adoption of AIFRS in 2005 is expected to have significant impacts on the accounting policies of Australian reporting entities and their reported financial position and financial performance.

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

The ICT regularly reports to the group's Audit Committee on project progress, findings, impacts and identified changes required to group accounting policies, systems and procedures to ensure effective transition.

Key areas of the bank's reported performance and position that are likely to be affected by the adoption of AIFRS are set out in the information below.

Due to the ongoing changes in interpretations and opinions regarding the adoption of AIFRS, it is possible that the estimates may change prior to the production of the group's opening AIFRS balance sheet and transition adjustments.

Goodwill

Initial impact on retained earnings at 1 July 2004 Lower expenses Volatility in results in the event of impairment	There will no longer be a requirement to amortise goodwill arising in a business combination. Goodwill is instead subject to impairment testing at least annually, using new methodology. This change may result in increased volatility of future earnings where impairment losses may occur. The new testing methodology may result in assessment of impairment for some goodwill and require initial write down on transition to AIFRS. *Impact on profit and loss:* Cessation of amortisation of goodwill will reduce future expense and therefore increase pre-tax profit by approximately $4 million. *Impact on balance sheet:* Transition adjustments against retained earnings for impairment write-downs are estimated at $2 million.

2.3.2 Adoption of Australian Equivalents to International Financial Reporting Standards cont'd…

Financial Instruments

Volatility in future earnings for those instruments that are to be measured at fair value	Financial instruments will be required to be classified into five categories, which will determine the accounting treatment of the item. This will result in a change to the current accounting policy that does not classify financial instruments into these categories. Some instruments currently carried at amortised cost will in future be carried at fair value, with fair value changes either charged to profit and loss or taken to equity, depending on their classification. The future financial effect of this change is not yet known as the classification and measurement process has not yet been fully completed. *Impact on profit and loss:* It is not possible to accurately estimate the impact of these changes on results, but we believe they are not likely to be material. *Impact on balance sheet* Approximately $300 million of our investment portfolio will be designated as available-for-sale under AIFRS and measured at fair value, with movements in fair value reflected in equity. This portfolio will contain predominantly short-dated investments, thereby minimising the fair value adjustments.

Derivatives

Volatility in future earnings	All derivative contracts will be recorded at fair value. When derivatives meet the new criteria for recognition as a hedge, movements in fair value will be taken to equity. Derivatives not meeting the criteria will have such movements taken to profit and loss. Also, all hedges will require effectiveness testing, with any ineffectiveness taken to profit and loss. It is expected that the majority of our derivatives will meet the criteria for hedging. *Impact on profit and loss:* Hedge ineffectiveness will be recognised in the profit and loss, but it is not possible to accurately estimate the impact. Due to the nature of hedging activities undertaken by the group and the types of derivatives currently in the portfolio we anticipate that impacts will not be material. *Impact on balance sheet:* Recognition of our interest rate swap portfolio on balance sheet will increase Assets by approximately $2 million, our Liabilities by approximately $13 million and decrease Equity by approximately $11 million.

2.3.2 Adoption of Australian Equivalents to International Financial Reporting Standards cont'd…

Loan provisioning

Initial impact on retained earnings at 1 July 2004
Volatility in future earnings

Estimated losses on impaired loans are to be discounted to their present value. As the discount unwinds, there is a resulting recognition of interest in the statement of financial performance during the period between recognition of impairment and recovery of the written down amount. Currently, the bank does not discount the cash flows associated with impaired loans when assessing potential losses, so it is anticipated that the level of provisioning will increase, thereby reducing reported profits.

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

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

Movements in general provisions created to comply with "local circumstances or legislation" are to be recognised as appropriations of retained earnings. This will have the effect of removing the impact on the profit and loss of the movements in general provision. The general provision will be re-categorised as a General Reserve for Credit Losses under AIFRS.

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

Impact on balance sheet:
Re-categorisation of General provision to General Reserve for Credit Losses.

Securitisation

New assets/liabilities recognised

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

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

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

2.3.2 Adoption of Australian Equivalents to International Financial Reporting Standards cont'd…

Taxation

New assets/liabilities recognised	A "balance sheet" approach will be adopted, replacing the "statement of financial performance" approach currently used in Australia. This method recognises deferred tax balances when there is a difference between the carrying value of an asset or liablility, and its tax base. This will require the group to carry higher values in our deferred tax assets and liabilities, including a deferred tax liability in relation to increases in asset revaluation reserves. *Impact on profit and loss:* No material impact on results is anticipated from this change. *Impact on balance sheet:* Deferred tax liability in relation to asset revaluation reserves of approximately $8 million.

Due to the ongoing changes in interpretations and opinions regarding the adoption of AIFRS, it is possible that the estimates may change prior to the production of the group's opening AIFRS balance sheet and transition adjustments.

2.3.3 Dividends

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

All dividends paid were fully franked. Proposed dividends will be fully franked out of existing franking credits or out of franking credits arising from payment of income tax provided for in the financial statements for the year ended 30 June 2005.

Dividend franking account

	2005	2004
Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial report, and after deducting franking credits to be used in payment of the final dividend.	64.0	51.0

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

	2005	2004
Paid in cash	36.5	28.7
Satisfied by issue of shares	18.6	17.1
	55.1	45.8

Dividend Reinvestment Plan

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

Bonus Share Scheme

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

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

2.3.4 Earnings per share

		Consolidated	
		2005	**2004**
Share ratios			
Basic earnings per ordinary share (cents)		64.4	60.2
Diluted earnings per ordinary share (cents)		64.4	60.2
Basic earnings per share before specific items (cents)		62.2	55.2
Diluted earnings per share before specific items (cents)		62.2	55.2
Cash basis earnings per ordinary share (cents)		65.6	58.5
Diluted cash basis earnings per ordinary share (cents)		65.6	58.5
Income			
Net profit	$m	90.1	79.5
Net loss attributable to outside equity interest	$m	0.3	0.3
Earnings used in calculating basic earnings per ordinary share	$m	90.4	79.8
Earnings effect of dilutive securities		-	-
Earnings used in calculating diluted earnings per ordinary share	$m	90.4	79.8
Earnings used in calculating basic and diluted earnings per ordinary share before specific items	$m	87.3	73.2
Earnings used in calculating normal and diluted cash basis earnings per ordinary share	$m	92.1	77.6
Number of Shares			
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per ordinary share		140,391,946	132,583,834
Effect of dilutive securities		-	-
		140,391,946	132,583,834

Conversions, calls, subscription or issues after 30 June 2005
There have been no conversion 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.

2.3.5 Entities over which control has been gained during the period

On 27 April 2005, Bendigo Bank announced the acquisition of the cash flow finance company Oxford Funding Pty Ltd. The acquisition of all the shares in the company was based on 10 times 2004/05 earnings. Bendigo made an up-front payment of $14.3 million, with an opportunity for additional payments relating to performance over the next two years. The contribution of Oxford Funding Pty Ltd to the group's 2004/05 operating profit after tax was not material.

2.3.6 Investments accounted for using the equity method

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

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

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

Elders Rural Bank Ltd reported a 26% increase in after-tax profit to $27.4 million for the year ended 30 June 2005. The result was achieved after another year of strong expansion in the bank's loans and deposits. Loans under management as at 30 June 2005 were $2.34 billion compared with $1.86 billion at the conclusion of the previous year. Deposits at 30 June 2005 were $2.322 billion, 26 percent higher than the previous year. One of the highlights for the year was the awarding of an investment grade credit rating of BBB- by Standard & Poor's in October 2004 which has led to a broader more diverse funding base. Bendigo Bank retains a 50% interest in this entity.

Tasmanian Banking Services Ltd is a joint venture between Bendigo Bank and Tasmanian Perpetual Trustees providing banking services in Tasmania. For the year ended 30 June 2005, the company recorded a 16% increase in after-tax profit to $1.46 million. This result was underpinned by a 33% increase in banking business, which grew from $370 million to $490 million.

2.3.6 Investments accounted for using the equity method cont'd…

Community Sector Enterprises Pty Ltd was launched in July 2002. Community Sector Enterprises is a joint venture between the Bank and Community 21 Ltd, which is owned by 20 not-for-profit sector bodies. Based on the Community Bank model, it delivers banking and other services to the not-for-profit sector in return for a share of the margin and fee income. For the year ended 30 June 2005, the company recorded its first full year operating profit after tax of $0.4 million.

Homesafe Solutions Pty Ltd is the trustee and management company responsible for the development, marketing, sales and management of a new product (Bendigo Homesafe Equity Release) which was launched on a pilot basis in May 2005. The product will enable aged home-owners to access the equity in their homes in a secure and cost efficient manner. Homesafe Solutions Pty Ltd is licensed to sell the product under the Bendigo Bank name, and will also manage the trust established to provide funding for the product.

Caroline Springs Financial Services Pty Ltd is a joint venture between Bendigo Bank and Delfin Lend Lease Ltd to establish a bank branch as part of the infrastructure for a new integrated property development in the Melbourne suburb of Caroline Springs. The branch opened in February 2005 and is therefore in the formative stages.

Silver Body Corporate Financial Services Pty Ltd is a joint venture between Bendigo Bank and SSKB Holdings Pty Ltd to provide banking services to a specialised market segment. The joint venture includes the operation of one branch located on the Gold Coast, which opened in June 2005. It is in the early stages of establishment.

BSX Group Holdings Ltd is the holding company of Bendigo Stock Exchange Limited (BSX). The investment was sold to NSX Limited in April 2005 following the merger of Newcastle Stock Exchange and BSX. Equity accounting was ceased at this time.

2.3.7 Specific items

The results for the period included a number of transactions identified and reported as specific items. A summary is provided below of the after tax impact of each item.

	$m
Sale of IOOF Holdings Limited shares (In December 2004 a parcel of 1 million IOOF Holdings Limited shares representing 16% of the group's holding was sold)	3.5
Sale of Cashcard Australia Limited shares (During the year two additional payments were received in respect of the 2004 sale of Cashcard shares)	0.7
Sale of BSX shares and cessation of equity accounting (In April 2005 the group disposed of its holding in BSX Holdings Pty Ltd following the merger of Bendigo Stock Exchange with Newcastle Stock Exchange)	0.9
Bank account debits tax (An internal review of debits tax processes determined that new transaction types relating to e-banking had been incorrectly coded as non-dutiable. The system issues have been rectified and the Bank has paid the amounts that had not been collected from customer accounts to the relevant state jurisdictions)	(3.4)
Profit on sale of properties (The group disposed of two properties during the year)	1.3
Total after tax contribution of specific items to the group results	3.0

2.3.8 Capital Adequacy & ACE Ratio

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

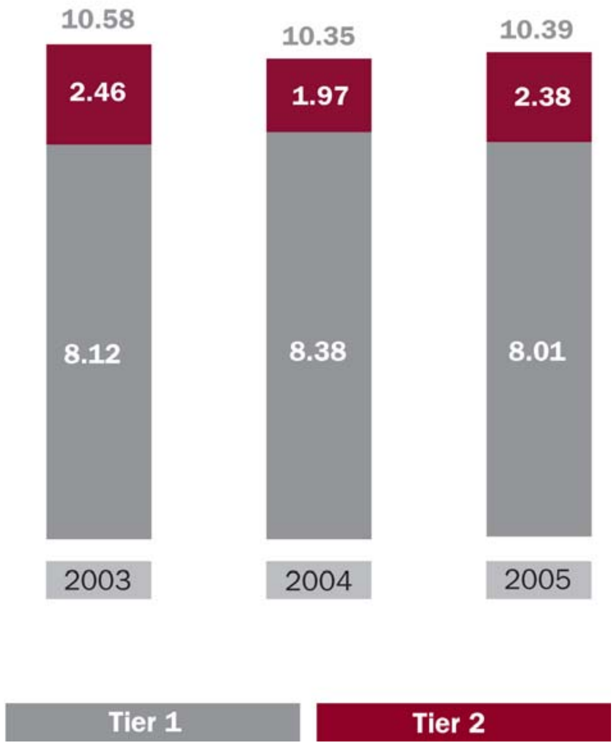
	Consolidated	
	2005 $m	**2004 $m**
Risk weighted capital ratios		
Tier 1	8.01%	8.38%
Tier 2	2.38%	1.97%
Total capital ratio	**10.39%**	**10.35%**
Qualifying Capital		
Tier 1		
Contributed capital	589.3	551.6
Retained profits & reserves	128.1	97.9
Less,		
Intangible assets	79.0	63.7
Net future income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

Adjusted Common Equity ("ACE")

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

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

Capital adequacy
%



2.3.9 Credit ratings

	Short Term	Long Term	Outlook
Standard & Poor's	A2	BBB+	Stable
Fitch Ratings	F2	BBB+	Stable
as at June 2005			

In February 2005, Standard and Poor’s Ratings Services raised its counterparty credit ratings for Bendigo Bank from ‘BBB’ to ‘BBB+’ and affirmed the short-term rating at ‘A-2’. The outlook was revised from positive to stable.
“The rating upgrade reflects Standard and Poor’s view that Bendigo has transitioned into a stronger, more diversified institution, with sustained business growth, profitability, and sound credit quality evidenced over a number of reporting periods up to 31 December 2004”.

Also in February 2005, Fitch Ratings affirmed its ratings for Bendigo as ‘BBB+’ and short-term ‘F-2’.
Fitch cited Bendigo’s “solid capitalisation and sound asset quality whilst taking into account its small size and concentration in Australia’s rate-sensitive residential mortgage market” in providing a long-term stable outlook.

2.3.10 Contributed equity

Changes to issued and quoted securities during the period

Ordinary shares	**$m**
139,378,355 fully paid ordinary shares at beginning of year	551.6
September 2004 – 1,107,312 shares issued at $9.74 under Dividend Reinvestment Plan	10.8
September 2004 – 229,806 shares issued at $9.74 under Bonus Share Scheme (in lieu of dividend payment)	-
November 2004 – 300,000 shares issued at $9.99 under Employee Share Ownership Plan	3.0
March 2005 – 792,975 shares issued at $9.89 under Dividend Reinvestment Plan	7.8
March 2005 – 148,221 shares issued at $9.89 under Bonus Share Scheme (in lieu of dividend payment)	-
March - May 2005 – 2,850,000 shares cancelled under a Share Buy Back program	(27.0)
139,106,699 fully paid ordinary shares at 30 June 2005	546.2

Preference Shares	**$m**
May 2005 – 900,000 preference shares of $100 face value (partly paid to $50)	45.0
Share issue expenses	(2.0)
900,000 preference shares at 30 June 2005	43.0

2.3.11 Average balance sheets and related interest

For the 12 month period ended 30 June 2005

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

Impact of community bank/alliance profit share arrangements

Net interest margin before community bank/alliances share of net interest income	2.78
Less impact of community bank/alliances share of net interest income	0.42
Net interest margin	2.36

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

For the 6 month period ended 30 June 2005

	Average Balance $m	Interest $m	Average Rate %
AVERAGE BALANCE SHEET AND RELATED INTEREST			
Average balances and rates [1]			
Interest earning assets			
Cash and liquid assets	129.0	0.5	0.78
Investment securities	1,552.9	43.6	5.62
Loans and other receivables [2]	10,612.8	352.7	6.65
	12,294.7	396.8	6.45
Non interest earning assets			
Property, plant & equipment	62.7		
Provisions for doubtful debts	(68.7)		
Other assets	340.6		
	334.6		
Total assets (average balance)	12,629.3		
Interest bearing liabilities and equity			
Deposits			
Retail	9,699.3	193.3	3.99
Wholesale - domestic	831.0	24.0	5.78
Wholesale - offshore	908.6	27.2	5.99
Other borrowings			
Subordinated debt	268.4	9.3	6.93
	11,707.3	253.8	4.34
Non interest bearing liabilities and equity			
Other liabilities	208.3		
Equity	713.7		
	922.0		
Total liabilities and equity	12,629.3		
Interest margin and interest spread			
Interest earning assets	12,294.7	396.8	6.45
Interest bearing liabilities	(11,707.3)	(253.8)	(4.34)
Net interest income and interest spread [3]		143.0	2.11
Net interest margin [4]			2.33
Impact of community bank/alliance 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			0.43
Net interest margin			2.33

1 Average balance is based on monthly closing balances from 31 December 2004 through 30 June 2005 inclusive, with the exception of Wholesale domestic which is based on a daily closing balance.
2 Interest includes an adjustment for share of margin paid to Community Banks and other alliance partners.
3 Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.
4 Interest margin is the net interest income as a percentage of average interest earning assets.

For 12 month period ended 30 June 2004

	Average Balance $m	Interest $m	Average Rate %
Average balances and rates [1]			
Interest earning assets			
Cash and liquid assets	121.4	1.0	0.82
Investment securities	1,238.7	67.7	5.47
Loans and other receivables [2]	8,451.3	546.8	6.47
	9,811.4	615.5	6.27
Non interest earning assets			
Property, plant & equipment	56.2		
Provisions for doubtful debts	(58.4)		
Other assets	287.3		
	285.1		
Total assets (average balance)	10,096.5		
Interest bearing liabilities and equity			
Deposits			
Retail	8,325.9	301.7	3.62
Wholesale - domestic	423.8	22.9	5.40
Wholesale - offshore	411.2	23.4	5.69
Other borrowings			
Subordinated debt	204.7	13.9	6.79
	9,365.6	361.9	3.86
Non interest bearing liabilities and equity			
Other liabilities	129.7		
Equity	601.2		
	730.9		
Total liabilities and equity	10,096.5		
Interest margin and interest spread			
Interest earning assets	9,811.4	615.5	6.27
Interest bearing liabilities	(9,365.6)	(361.9)	(3.86)
Net interest income and interest spread [3]		253.6	2.41
Net interest margin [4]			2.58

Impact of community bank/alliances profit share arrangements

Net interest margin before community bank/alliances share of net interest income	2.94
Less impact of community bank/alliances share of net interest income	0.36
Net interest margin	2.58

1 Average balance is based on monthly closing balances from 30 June 2003 through 30 June 2004 inclusive, with the exception of Wholesale domestic which is based on a daily closing balance.
2 Interest includes an adjustment for share of margin paid to Community Banks and other alliance partners.
3 Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.
4 Interest margin is the net interest income as a percentage of average interest earning assets.

2.3.12 Business Segments - 30 June 2005

	Retail Banking	Community Banking	Wealth Solutions	J/Vs, Alliances & Corp Supp't	Eliminations	Total
Revenue	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Net interest revenue						
External interest revenue	539.9	113.8	15.1	98.6	-	767.4
External interest expense	(320.9)	(79.7)	(9.2)	(76.8)	-	(486.6)
Net intersegment interest	-	-	-	-	-	-
Net interest revenue	219.0	34.1	5.9	21.8	-	280.8
Other revenue						
Other external revenue	98.6	25.2	39.6	6.4	-	169.8
Other intersegment revenue	9.1	-	-	3.3	(12.4)	-
Total other revenue	107.7	25.2	39.6	9.7	(12.4)	169.8
Share of net profit of equity accounted investments	-	(0.1)	-	20.6	-	20.5
Total segment revenue after interest expense						
External revenue after interest expense	317.6	59.2	45.5	48.8	-	471.1
Intersegment revenue after interest expense	9.1	-	-	3.3	(12.4)	-
Total revenue after interest expense	326.7	59.2	45.5	52.1	(12.4)	471.1
Results						
Segment result	121.2	29.5	29.4	(29.7)	(19.1)	131.3
Internal cost allocations	(47.9)	(13.5)	(2.6)	64.0	-	-
Consolidated entity profit from ordinary activities before income tax expense	73.3	16.0	26.8	34.3	(19.1)	131.3
Income tax expense	(22.0)	(4.8)	(8.0)	(6.4)	-	(41.2)
Outside equity interests	-	-	-	0.3	-	0.3
Consolidated entity profit from ordinary activities after income tax expense	51.3	11.2	18.8	28.2	(19.1)	90.4
Assets						
Segment assets	7,142.0	2,550.8	137.6	3,313.5	-	13,143.9
Equity accounted assets	-	-	-	118.2	-	118.2
Total assets	7,142.0	2,550.8	137.6	3,431.7	-	13,262.1
Liabilities						
Segment liabilities	6,183.0	3,102.2	167.3	3,060.5	-	12,513.0
Other segment information:						
Non-cash expenses						
Depreciation	12.3	1.2	0.4	0.7	-	14.6
Amortisation of goodwill & intangibles	3.2	-	0.3	1.2	-	4.7
Non-cash expenses other than depreciation & amortisation	27.7	4.4	6.9	2.2	(12.0)	29.2
Acquisition of property, plant and equipment, intangible assets and other non-current assets	27.0	0.5	0.2	30.1	-	57.8

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

2.3.12 Business Segments - 30 June 2004

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

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

2.3.12 Business Segments cont'd…

b) Geographical segments

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

Descriptions of derived revenue by segment

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

Community Banking
Net interest revenue, predominantly derived from the provision of first mortgage housing finance less the interest paid to depositors; and fee revenue derived from the provision of banking services through the community bank branch network.

Wealth Solutions
Commission received as Responsible Entity for managed investment schemes and for corporate trusteeships and other trustee and custodial services. Fees, commissions and interest from the provision of financial planning services.

Joint Ventures, Alliances and Corporate Support
Profit share from equity accounted investments in associates, revenue from alliances and minor subsidiaries and unallocated corporate support business units.

Eliminations
As a result of the elimination of intersegment transactions the total column represents the consolidated group.

2.4 Key Financial Information

Amounts shown in the Full Year Announcement have been rounded to the nearest $00,000 unless otherwise stated.

2.4.1 Profitability

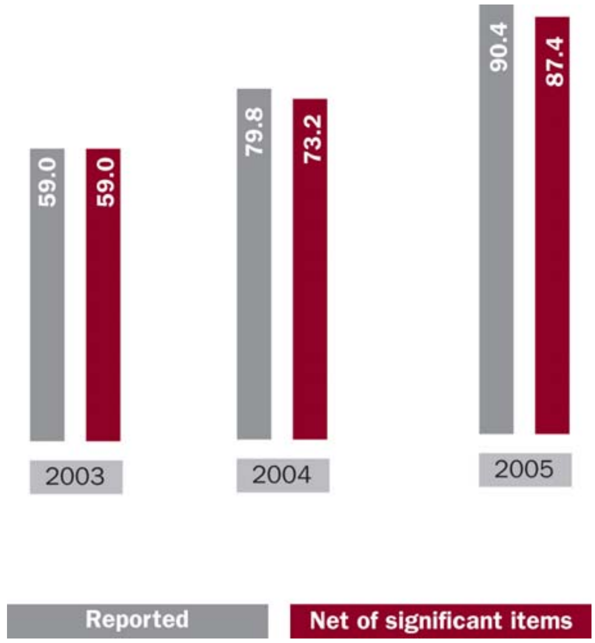
			Increase/(Decrease)			Increase/(Decrease)	
	Jun-05	**Jun-04**	**Value**	**%**	**Dec-04**	**Value**	**%**
	$m	**$m**	**$m**		**$m**	**$m**	
Profit							
Operating profit before tax	131.4	115.3	16.1	14.0	60.5	70.9	(a)
Specific items before tax	3.5	8.7	(5.2)	(59.8)	5.5	(2.0)	(a)
Operating profit before tax and specific items	127.9	106.6	21.3	20.0	55.0	72.9	(a)
Operating profit after tax	90.4	79.8	10.6	13.3	42.8	47.6	(a)
Specific items after tax	3.0	6.6	(3.6)	(54.5)	3.9	(0.9)	(a)
Profit after tax before specific items	87.4	73.2	14.2	19.4	38.9	48.5	(a)
Goodwill amortisation	4.7	4.3	0.4	9.3	2.1	2.6	(a)
Cash basis profit after tax	92.1	77.5	14.6	18.8	41.0	51.1	(a)
Profitability							
Earnings per ordinary share (weighted average)-cents	64.4	60.2	4.2	7.0	-	-	-
Cash basis earnings per ordinary share (weighted average)-cents	65.6	58.5	7.1	12.1	-	-	-
Diluted earnings per share (weighted average)-cents	64.4	60.2	4.2	7.0	-	-	-
Weighted number of ordinary shares used in EPS calculations - 000's	140,392	132,584	7,808	5.9	140,142	250	0.2
After tax return on average ordinary equity	13.08%	12.99%	0.09%	0.7	12.41%	0.67%	5.4
After tax before specific items return on average ordinary equity	12.64%	11.91%	0.73%	6.1	11.28%	1.36%	12.1
After tax return on ordinary equity at period end	12.80%	11.80%	1.00%	8.5	12.18%	0.62%	5.1
After tax return on average assets	0.74%	0.78%	(0.04%)	(5.1)	0.72%	0.02%	2.8
After tax before specific items return on average assets	0.71%	0.71%	0.00%	0.0	0.63%	0.08%	12.7

Profitability ratios for December half-year use half-year results which have been annualised by multiplying the numerator by 2.
Cash earnings used in cash basis earnings per ordinary share is net profit attributable to members excluding specific items after tax and goodwill amortisation.
Ordinary equity used in calculating these ratios is Net assets less Preference share capital.

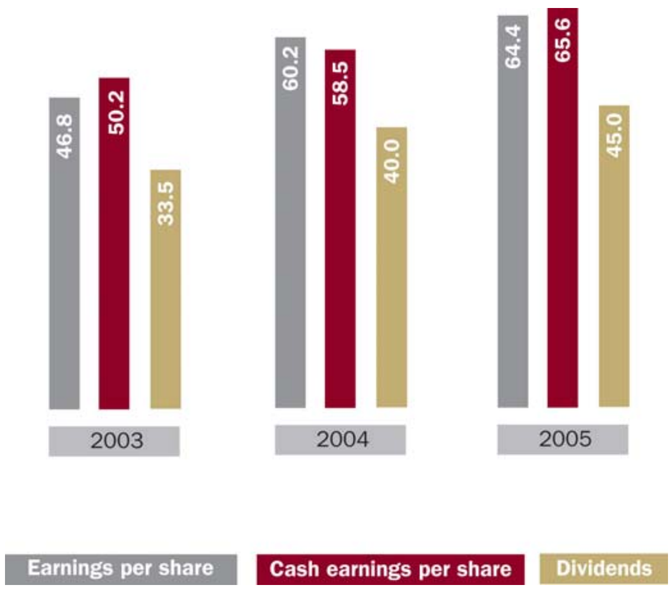
(a) Not applicable - the Increase/Decrease Value shows the comparative second half performance.

2.4.1 Profitability cont'd….

Operating Profit after income tax
$m



Shareholder Returns
Cents



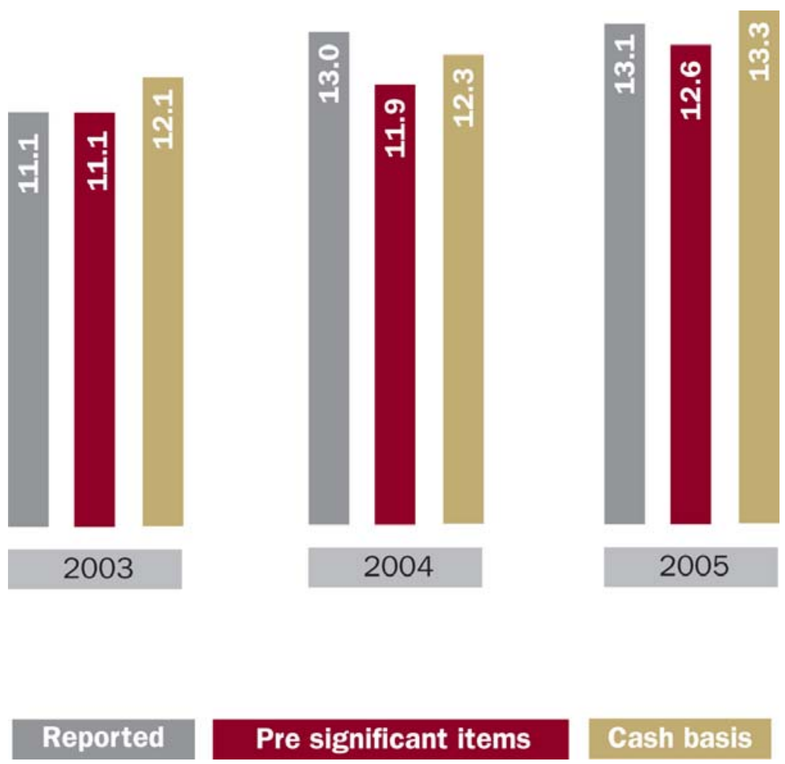
Earnings per ordinary share (including specific items) was 64.4 cents, increasing by 4.2 cents, or 7%, over EPS for 2004.

Cash basis earnings per ordinary share was 65.6 cents, an increase of 7.1 cents, or 12% over 2004.

The strong earnings per share growth enabled directors to lift the final dividend by 3.0 cents to 26.0 cents per share. Dividends for the full year are 45.0 cents, a 5.0 cent (12.5%) increase on 2004. The payout ratio for the year is 66.0% (68.3% on pre-specific items earnings) (2004: 64.8% and 70.6% respectively).

2.4.1 Profitability cont'd….

Return on ordinary equity
%



2.4.2 Income

	Jun-05	Jun-04	Increase/(Decrease) Value	Increase/(Decrease) %	Dec-04	Increase/(Decrease) Value	Increase/(Decrease) %
	$m	$m			$m	$m	
Income							
Net interest income	280.8	253.6	27.2	10.7	137.8	143.0	(a)
Other income comprising:							
Share of associates' profit	20.5	15.7	4.8	30.6	8.5	12.0	(a)
Fees - asset products	26.0	23.5	2.5	10.6	12.4	13.6	(a)
- liability products & other	62.9	49.8	13.1	26.3	29.9	33.0	(a)
Commissions - insurance	6.8	5.7	1.1	19.3	3.0	3.8	(a)
- wealth solutions	30.8	25.1	5.7	22.7	14.9	15.9	(a)
Property revenue	0.8	1.1	(0.3)	(27.3)	0.4	0.4	(a)
Trustee, m'ment & other services	9.3	9.1	0.2	2.2	4.7	4.6	(a)
Securitisation	5.0	7.9	(2.9)	(36.7)	3.0	2.0	(a)
Dividend income	1.6	0.4	1.2	300.0	0.9	0.7	(a)
Other operating revenue	7.6	2.2	5.4	245.5	2.7	4.9	(a)
Specific items - operating revenue	19.0	17.0	2.0	11.8	8.3	10.7	(a)
Other income - total	190.3	157.5	32.8	20.8	88.7	101.6	(a)
Net operating income	471.1	411.1	60.0	14.6	226.5	244.6	(a)

Net interest income increased by 11% when compared with the previous year. This was underpinned by an increase of $2.1 billion, or 21% in average interest earning assets.
The increase in net interest income was achieved after a 20 basis points decline in net interest margin from the June 2004 half to June 2005 half year. Interest income is reported net of margin share paid to Community Banks and other alliance partners.

Share of associates' profit has increased by 31% due to a 27% increase in the contribution from Elders Rural Bank and increased profit contributions from Tasmanian Banking Services and Community Sector Bank.

Fees-liability products & other increased by 26% due to increased net transaction fees on customer accounts and increases in fee income from our electronic network.

Commissions - wealth solutions increased by 23% due to increased commissions from our Wealth Solutions division, including commissions from managed fund products and financial planning activities.

Securitisation income declined by 37% due to the runoff in securitisation portfolios which declined by 30% over the year. No new securitisation programs were undertaken in the current year.

Other operating revenue increased by $5.4 million due to factoring income from the recently acquired subsidiary, Oxford Funding and increased revenue from the sale of non-current assets.

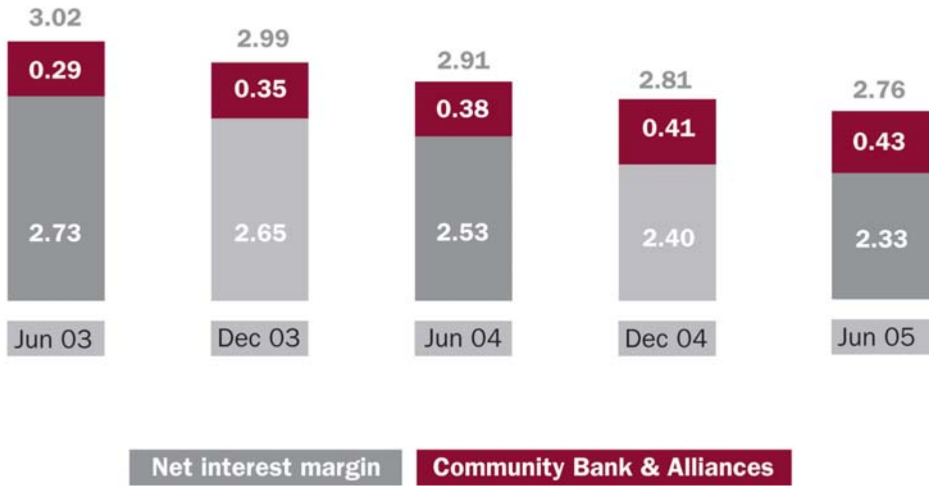
Specific income items include:	$m
Proceeds on sale of IOOF Holdings Pty Ltd shares	7.8
Proceeds on sale of BSX Goup Holdings Ltd shares	2.8
Share of loss from BSX Group Holdings Ltd (1)	(0.4)
Proceeds on sale of Cashcard shares (first and second adjustment amount)	1.0
Proceeds on sale of properties	7.8
	19.0

(1) Recognition of share of losses Jul 04 to Apr 05

(a) Not applicable - the Increase/Decrease Value shows the comparative second half performance.

2.4.2 Income cont'd…

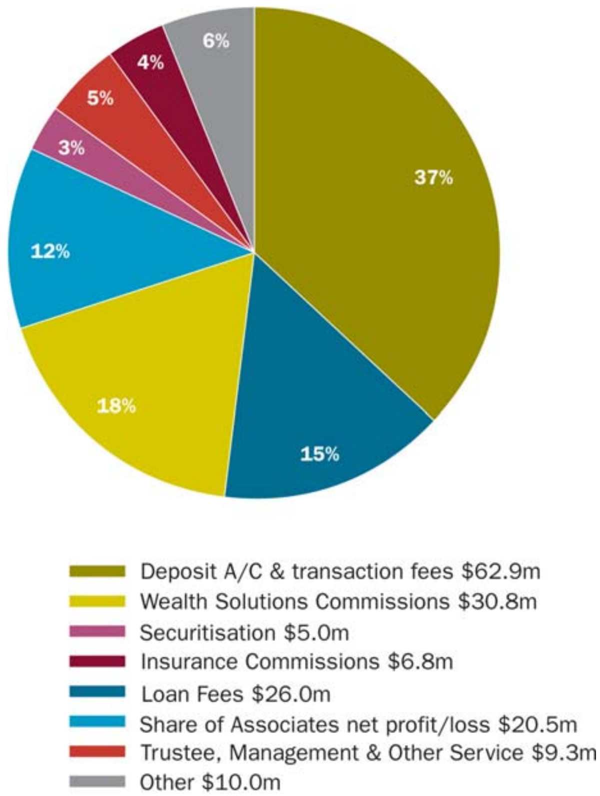
Interest Margin
%



Net interest income increased by 11% when compared with the previous year. This was underpinned by an increase of $2.1 billion, or 21% in average interest earning assets.

Interest income is reported net of margin share paid to Community Banks and other alliance partners. The growth in these payments contributed 5 basis points of the 15 basis point reduction in interest margin when comparing the June 2004 to June 2005 half years.

Other Income



2.4.3 Lending

			Increase/(Decrease)			Increase/(Decrease)	
	Jun-05	**Jun-04**	**Value**	**%**	**Dec-04**	**Value**	**%**
	$m	**$m**	**$m**		**$m**	**$m**	
Lending							
Total Approvals - by security	5,872.6	6,077.8	(205.2)	(3.4)	2,986.8	2,885.8	(a)
Residential	3,901.5	4,164.3	(262.8)	(6.3)	1,993.0	1,908.5	(a)
Non-residential	1,971.1	1,913.5	57.6	3.0	993.8	977.3	(a)
Gross Loan balance - by security	11,048.7	9,470.0	1,578.7	16.7	10,341.3	707.4	6.8
Residential	8,144.2	7,110.9	1,033.3	14.5	7,688.0	456.2	5.9
Non-residential	2,904.5	2,359.1	545.4	23.1	2,653.3	251.2	9.5
Gross Loan balance - by purpose	11,048.7	9,470.0	1,578.7	16.7	10,341.3	707.4	6.8
Residential	6,822.9	5,903.6	919.3	15.6	6,471.2	351.7	5.4
Non-residential	4,225.8	3,566.4	659.4	18.5	3,870.1	355.7	9.2
Loans under management (gross balance)							
On-balance sheet	11,048.7	9,470.0	1,578.7	16.7	10,341.3	707.4	6.8
Securitised	481.5	682.5	(201.0)	(29.5)	574.2	(92.7)	(16.1)
STL Common Funds	1,335.9	1,103.2	232.7	21.1	1,235.4	100.5	8.1
Total Group loans under management	12,866.1	11,255.7	1,610.4	14.3	12,150.9	715.2	5.9

(a) Not applicable - the Increase/Decrease Value shows the comparative second half performance.

Loans under management represents the gross balance of loans managed by the group:

On-balance sheet loans is the gross balance of loans and factoring receivables held by the consolidated group.

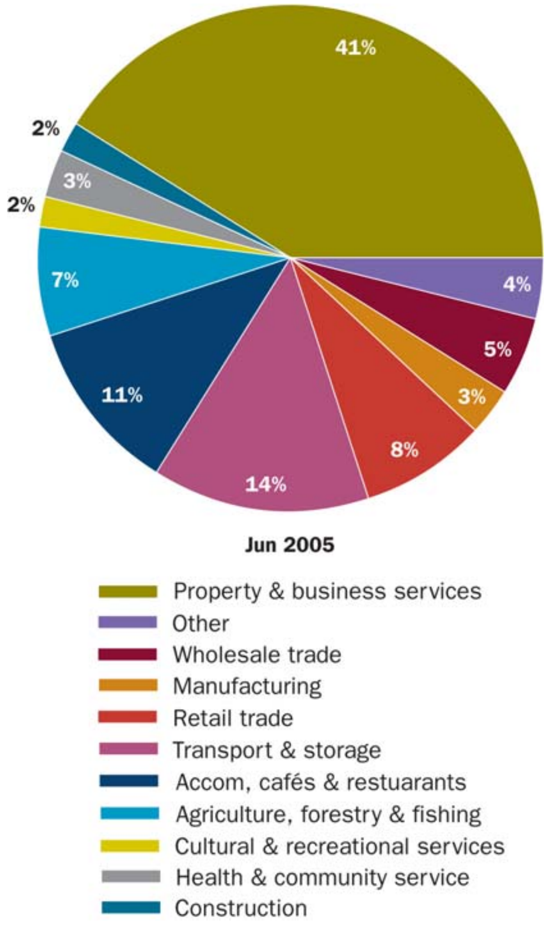
Securitised loans are loans that have been sold into securitisation programs and have been derecognised by the group.

STL Common Funds is the gross balance of loans in these funds, which are managed by Sandhurst Trustees Limited, a wholly-owned subsidiary of Bendigo Bank Limited.

	Jun-05	Jun-04	Value	%	Dec-04	Value	%
Business Lending portfolio - by industry							
Property & business services	899.8	662.2	237.6	35.9	814.0	85.8	10.5
Retail trade	306.9	216.7	90.2	41.6	252.5	54.4	21.5
Agriculture, forestry & fishing	237.2	202.2	35.0	17.3	220.8	16.4	7.4
Construction	157.7	121.8	35.9	29.5	136.8	20.9	15.3
Accom, cafes & restaurants	109.6	91.6	18.0	19.7	98.8	10.8	10.9
Manufacturing	88.5	77.1	11.4	14.8	86.0	2.5	2.9
Transport & storage	68.7	65.1	3.6	5.5	74.7	(6.0)	(8.0)
Health & community services	65.0	52.2	12.8	24.5	65.9	(0.9)	(1.4)
Wholesale trade	53.1	36.4	16.7	45.9	48.2	4.9	10.2
Cultural & recreational services	42.4	41.9	0.5	1.2	40.9	1.5	3.7
Finance & insurance	38.4	20.2	18.2	90.1	37.2	1.2	3.2
Personal & other services	24.9	22.4	2.5	11.2	27.2	(2.3)	(8.5)
Communication services	20.0	23.1	(3.1)	(13.4)	20.2	(0.2)	(1.0)
Other	106.5	141.2	(34.7)	(24.6)	129.2	(22.7)	(17.6)
	2,218.7	1,774.1	444.6	25.1	2,052.4	166.3	8.1

2.4.3 Lending cont'd….

Business Lending Portfolio by industry



Gross loan balance growth - new branches

	No of new branches	Loan bal held $m	Loan growth for the period $m	%
June 05 full year	41	166.0	145.1	694%
June 04 full year	46	295.9	227.2	331%
June 03 full year	59	568.3	298.4	111%

Number of new branches represents the number of branches opened in the 18 months prior to reporting date. Each period is discreet, including growth relating only to those branches opened in the 18 month period prior to the reporting date. Each period includes some new branches not included in the previous period and excludes some branches that were categorised as new in the previous period.

Loan balances held indicates the total gross loan balances held by those branches categorised as new for that period as at the end of the period.

Loan growth for the period measures the growth in balances over the twelve month period ending June for the new branches.

2.4.4 Deposits and Funds Under Management

	Jun-05	Jun-04	Increase/(Decrease) Value	Increase/(Decrease) %	Dec-04	Increase/(Decrease) Value	Increase/(Decrease) %
	$m	$m	$m		$m	$m	
Deposits and funds under management							
Deposits	11,958.2	10,148.9	1,809.3	17.8	11,289.6	668.6	5.9
Managed funds-Trustee Coy	2,709.7	2,158.9	550.8	25.5	2,567.8	141.9	5.5
Total deposits and funds under management	14,667.9	12,307.8	2,360.1	19.2	13,857.4	810.5	5.8
Deposits dissection - $m							
Retail	10,043.0	9,052.1	990.9	10.9	9,629.3	413.7	4.3
Wholesale - domestic	772.4	599.1	173.3	28.9	906.0	(133.6)	(14.7)
Wholesale - offshore	1,142.8	497.7	645.1	129.6	754.3	388.5	51.5
Total deposits	11,958.2	10,148.9	1,809.3	17.8	11,289.6	668.6	5.9
Deposits dissection - %							
Retail	84.0%	89.2%	(5.2%)	(5.8)	85.3%	(1.3%)	(1.5)
Wholesale - domestic	6.5%	5.9%	0.6%	10.2	8.0%	(1.5%)	(18.8)
Wholesale - offshore	9.5%	4.9%	4.6%	93.9	6.7%	2.8%	41.8
Total deposits	100.0%	100.0%	-	-	100.0%	-	-
Managed funds dissection							
Common Funds	1,731.8	1,389.2	342.6	24.7	1,637.3	94.5	5.8
Investment and superannuation funds	977.8	769.8	208.0	27.0	930.5	47.3	5.1
Total managed funds	2,709.6	2,159.0	550.6	25.5	2,567.8	141.8	5.5

Managed funds include those funds deposited in the Sandhurst Trustees Limited Common Funds, which are invested in cash and mortgage investments on behalf of the investors. These funds are off-balance sheet. Investment and superannuation funds are funds deposited for investment in managed investment and superannuation funds. The management of these portfolios is outsourced by Sandhurst Trustees Limited.

Deposits growth - new branches

	No of new branches	Deposits held	Deposits growth for the period	
		$m	$m	%
June 05 full year	41	235.2	168.5	253%
June 04 full year	46	380.8	312.8	460%
June 03 full year	59	601.3	465.1	342%

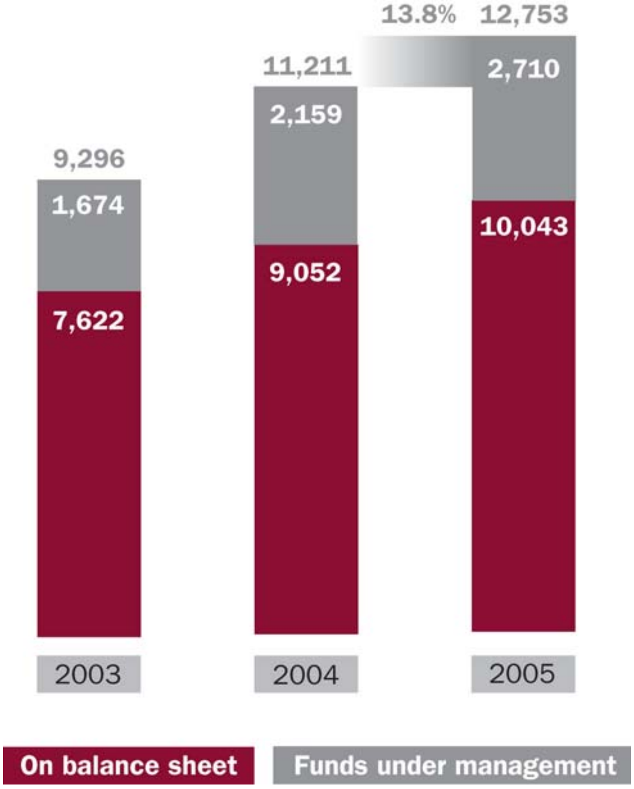
Number of new branches represents the number of branches opened in the 18 months prior to reporting date. Each period is discreet, including growth relating only to those branches opened in the 18 month period prior to the reporting date. Each period includes some new branches not included in the previous period and excludes some branches that were categorised as new in the previous period.

Deposit balances held indicates the total deposit balances held by those branches categorised as new for that period as at the end of the period.

Deposit growth for the period measures the growth in balances over the twelve month period ending June for the new branches.

2.4.4 Deposits and Funds Under Management cont'd…

Retail Funds
$m



On balance sheet retail deposit growth of $1.0 billion for the period represented a 11% increase. Retail funds under management, which includes deposits in the Sandhurst Trustee Company Common Funds and Investment & Superannuation Funds, grew by $0.6 billion or 25% for the year.

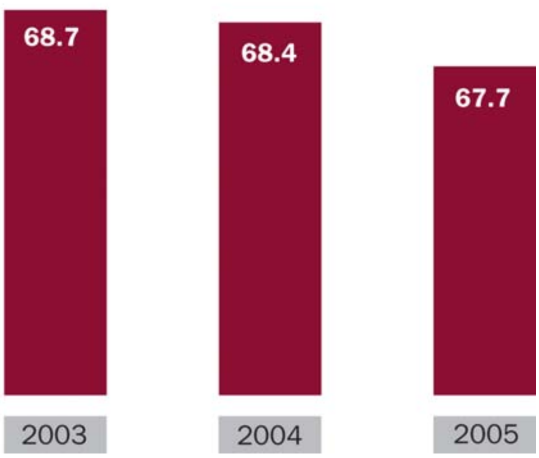
2.4.5 Productivity and Expenses

	Jun-05	Jun-04	Increase/(Decrease) Value	Increase/(Decrease) %	Dec-04	Increase/(Decrease) Value	Increase/(Decrease) %
	$m	$m	$m		$m	$m	
Net Operating Expenses							
Borrowing costs	0.4	0.5	(0.1)	(20.0)	0.1	0.3	(a)
Staff and related costs	154.7	134.9	19.8	14.7	77.5	77.2	(a)
Occupancy costs	26.2	23.0	3.2	13.9	12.8	13.4	(a)
Information technology costs	23.9	22.1	1.8	8.1	11.8	12.1	(a)
Amortisation of goodwill	4.7	4.3	0.4	9.3	2.1	2.6	(a)
Property, plant & equip costs	15.0	11.5	3.5	30.4	7.6	7.4	(a)
Fees & commissions	16.7	14.2	2.5	17.6	8.0	8.7	(a)
Communications, postage & stationery	19.8	19.5	0.3	1.5	9.6	10.2	(a)
Advertising & promotion	9.0	8.8	0.2	2.3	4.9	4.1	(a)
Other product & services delivery costs	16.0	13.6	2.4	17.6	8.0	8.0	(a)
Administration expenses	24.2	21.3	2.9	13.6	12.4	11.8	(a)
Specific items - operating expenses	15.5	8.3	7.2	86.7	2.8	12.7	(a)
Total Net Operating Expenses	326.1	282.0	44.1	15.6	157.6	168.5	(a)
Net operating expenses to net operating income	67.7%	68.4%	(0.7%)	(1.0)	70.0%	(2.3%)	(3.3)
Net operating expenses to average assets	2.5%	2.6%	(0.1%)	(3.8)	2.6%	(0.1%)	(3.8)
Ave assets-incl mged assets	2.1%	2.1%	-	-	2.2%	(0.1%)	(4.5)
Number of staff (full-time equiv) - No.	2,214	2,063	151	7.3	2,158	56	2.6
Staff & related costs to net interest income and other income	32.7%	32.8%	(0.1%)	(0.3)	35.4%	(2.7%)	(7.6)

Net operating expenses used in the above ratios is net operating expenses less specific expense items and goodwill amortisation. Net operating income used in the above ratios is net operating income less specific income items.

(a) Not applicable - the Increase/Decrease Value shows the comparative second half performance.

Efficiency Ratio - Operating Expenses/Total Income
%



2.4.5 Productivity & Expenses cont'd…

Staff and related costs increased by 15% compared to the previous year. The increase follows the increase in full time equivalent staff numbers by 151. The majority of the increases were in our retail division, reflecting the growth in business volumes and expansion of the delivery network. The increase also includes an additional 38 FTE from the acquisition of Oxford Funding Pty Ltd. Wage increases awarded under the group's certified agreement and other salary increases also contributed to the increase in this category.

Property, plant & equipment costs increase by 30% predominantly due to the book value of sold non-current assets.

Fees and commissions increased by 18%, which includes the amounts paid to Community Bank branches for market development activities. The increase reflects the growth in Community Banks and the expansion of this delivery network. Commissions paid to our agency network also contributed to the increase in this expense category.

Administration expenses increased by 14%. The increase includes an increase in the Authorised Deposit Institution Levy paid to APRA and general increases in a number of other administration expense items reflecting business growth in the group.

Specific expense items include:

	$m
Book value of IOOF Holdings Pty Ltd shares sold	2.8
Book value of BSX Group Holdings Ltd shares sold	1.5
Book value of properties sold	6.3
Bank account debits tax	4.9
	15.5

2.4.6 Bad and Doubtful Debts

	Jun-05	Jun-04	Increase/(Decrease) Value	Increase/(Decrease) %	Dec-04	Increase/(Decrease) Value	Increase/(Decrease) %
	$m	$m	$m		$m	$m	
Bad debts expense	0.1	0.7	(0.6)	(85.7)	(0.1)	0.2	(a)
Prov'n doubtful debts - expense	14.0	13.4	0.6	4.5	8.8	5.2	(a)
Prov'n doubtful debts - specific	8.6	8.1	0.5	6.2	8.9	(0.3)	(3.4)
Prov'n doubtful debts - general	60.3	53.4	6.9	12.9	57.7	2.6	4.5
Prov'n doubtful debts - total	68.9	61.5	7.4	12.0	66.6	2.3	3.5
Loan write-offs to average assets	0.06%	0.07%	(0.01%)	(14.3)	0.06%	-	-
Total provision for doubtful debts to gross loans	0.62%	0.65%	(0.03%)	(4.6)	0.64%	(0.02%)	(3.1)
General provision for doubtful debts to risk-weighted assets	0.79%	0.79%	-	-	0.79%	-	-

The balances of the components of provision for doubtful debts are:

	Jun-05	Jun-04	Movement
	$m	$m	$m
Specific provisions	8.6	8.1	0.5
General provision	60.3	53.4	6.9
Total balance in provisions for doubtful debts	68.9	61.5	7.4

The movement in provisions comprise:	Specific	General	Total
Balance at June 2004	8.1	53.4	61.5
Provisions acquired - Oxford Funding	-	0.3	0.3
Bad & doubtful debts expense to profit and loss	7.5	6.6	14.1
Bad debts written off	(7.0)	-	(7.0)
Balance at June 2005	8.6	60.3	68.9

Total bad debts written off for the period, as shown above comprises:

Bad debts previously provided for	6.9
Other Bad debts	0.1
	7.0

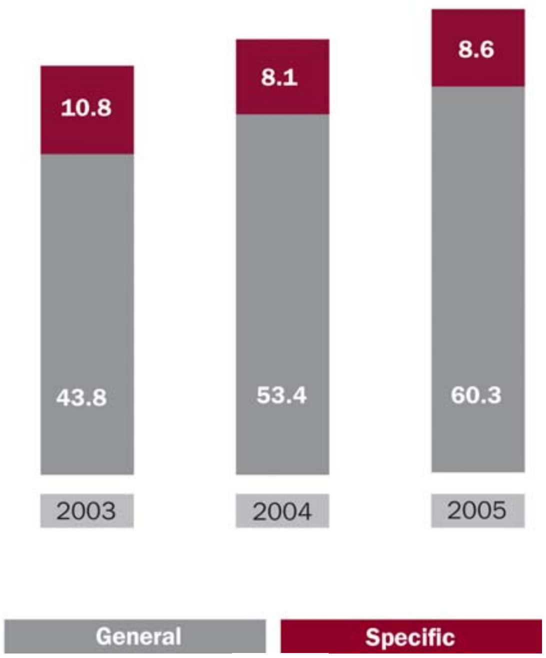
(a) Not applicable - the Increase/Decrease Value shows the comparative second half performance.

Provision for doubtful debts expense increased by $0.6 million when compared to 2004. This change is made up of:

1) the general provision expense component reduced by $3.1 million to maintain the ratio of the general provision to risk-weighted assets at 0.79%.

2) a $3.7 million increase in specific provisions expense.

Total Provisions for Doubtful Debts
$mil



2.4.7 Asset Quality

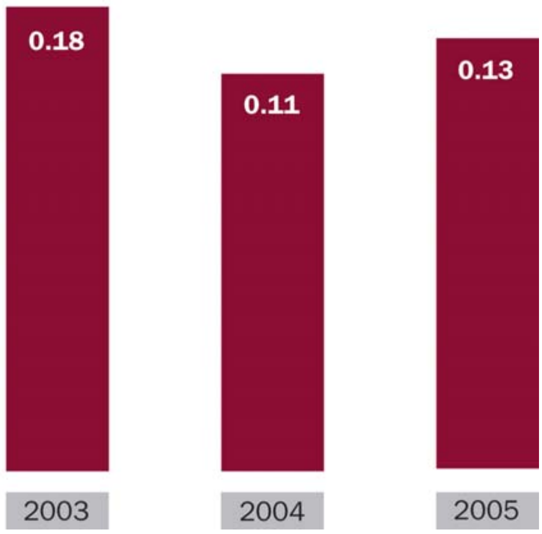
	Jun-05	Jun-04	Increase/(Decrease)		Dec-04	Increase/(Decrease)	
			Value	%		Value	%
	$m	$m	$m		$m	$m	
Non-accrual accounts-							
Part-performing	1.6	3.7	(2.1)	(56.8)	1.6	-	-
Non-performing	15.1	9.2	5.9	64.1	16.1	(1.0)	(6.2)
Total impaired assets	16.7	12.9	3.8	29.5	17.7	(1.0)	(5.6)
Less: Specific provisions	(8.6)	(8.0)	(0.6)	7.5	(8.9)	0.3	(3.4)
Net impaired assets	8.1	4.9	3.2	65.3	8.8	(0.7)	(8.0)
Gross non-accrual to gross loans	0.15%	0.14%	0.01%	7.1	0.17%	(0.02%)	(11.8)
Gross impaired assets to total assets	0.13%	0.11%	0.02%	18.2	0.14%	(0.01%)	(7.1)
Net impaired to gross loans	0.07%	0.05%	0.02%	40.0	0.09%	(0.02%)	(22.2)
Provision coverage	413%	477%	(64%)	(13.4)	376%	37%	9.8

Provision coverage is Provisions for doubtful debts - total, divided by Total non-accrual assets.

	Jun-05	Jun-04	Value	%	Dec-04	Value	%
Past due 90 days							
Well secured	55.2	57.1	(1.9)	(3.3)	54.9	0.3	0.5
Portfolio facilities - not well secured	1.5	1.9	(0.4)	(21.1)	1.6	(0.1)	(6.3)

Loans past due 90 days - well secured includes $11.8 million (Jun 2004: $13.9 million, Dec 04: $14.7 million) of loans due to their review date expiring more than 90 days ago, but which are not in payment default.

Impaired Loans/Total Assets
%



2.4.8 Assets and capital

			Increase/(Decrease)			Increase/(Decrease)	
	Jun-05 **$m**	**Jun-04** **$m**	**Value** **$m**	**%**	**Dec-04** **$m**	**Value** **$m**	**%**
Group assets	13,262.1	11,284.5	1,977.6	17.5	12,399.2	862.9	7.0
Capital adequacy							
Risk-weighted assets	7,655.1	6,797.2	857.9	12.6	7,267.7	387.4	5.3
Risk-weighted capital adequacy	10.39%	10.35%	0.04%	0.4	10.48%	(0.09%)	(0.9)
- Tier 1	8.01%	8.38%	(0.37%)	(4.4)	8.16%	(0.15%)	(1.8)
- Tier 2	2.38%	1.97%	0.41%	20.8	2.32%	0.06%	2.6
Net tangible assets per fully paid ordinary share	$4.82	$4.40	$0.42	9.5	$4.55	$0.27	5.9
No. of f/paid ordinary shares on issue - 000's	139,107	139,378	(271)	(0.2)	141,015	(1,908)	(1.4)
Equity	749.1	676.4	72.7	10.7	703.0	46.1	6.6
Off-balance sheet assets under management							
Off-balance sheet loans	624.9	860.7	(235.8)	(27.4)	730.3	(105.4)	(14.4)
Sandhurst Trustee Company	1,731.8	1,389.2	342.6	24.7	1,637.3	94.5	5.8
Total Group assets under management	2,356.7	2,249.9	106.8	4.7	2,367.6	(10.9)	(0.5)
Total Group managed assets	15,618.8	13,534.4	2,084.4	15.4	14,766.8	852.0	5.8

Off-balance sheet assets under management includes off-balance sheet loans and liquid investments managed by the group:

Off-balance sheet loans includes loans that have been securitised and loans that are managed by group entities on behalf of external parties.

Sandhurst Trustee Company represents total assets managed by Sandhurst Trustee Limited, which includes the value of loans, cash and liquid assets.

Total Group managed assets represents the total of on-balance sheet group assets and off-balance sheet group assets under management.

Group assets increased in the period by $2.0 billion, or 18%.

Group assets under management increased by $107 million, primarily reflecting an increase of $343 million in the assets managed by Sandhurst Trustees Limited, partially offset by the runoff in the securitised loan portfolios.

Risk-weighted assets increased by 13% reflecting the growth in total assets and group equity also increased by 11% to $749 million. Group capital adequacy ratio of 10.39% comfortably exceeds regulatory minimum with Tier 1 at 8.01%.

2.4.9 Dividends

			Increase/(Decrease)			Increase/(Decrease)	
	Jun-05	**Jun-04**	**Value**	**%**	**Dec-04**	**Value**	**%**
Dividend per share - cents	26.0	23.0	3.0	13.0	19.0	-	-
Dividend amount payable - $m	34.3	30.3	4.0	13.2	25.4	-	-
Dividends for full year - cents	45.0	40.0	5.0	12.5	-	-	-

Our ability to continue to pay fully franked dividends remains strong, with adjusted franking account balance at $64.0 million after allowing for payment of the 2005 final dividend.

The dividend pay-out ratio for 2004/05 is 66.0%, or 68.3% on profit before specific items.

2.4.10 Retained profits

Retained profits	**Jun-05 $m**	**Jun-04 $m**	**Inc/ (Dec) %**
Retained profits at beginning of year	119.6	85.6	39.7
Net profit attributable to members of Bendigo Bank Limited	90.4	79.8	13.3
Total Available for appropriation	210.0	165.4	27.0
Transfer from asset realisation reserve	2.3	-	-
2004 Final dividend paid (2004: 2003 Final dividend paid)	(29.9)	(24.3)	23.0
2005 Interim dividend paid (2004: 2004 Interim dividend paid)	(25.3)	(21.5)	17.7
Retained profits at 30 June	**157.1**	**119.6**	**31.4**

The dividend paid value excludes those shareholders that have elected to take bonus shares in lieu of dividends.

2.5 Commentary

2.5.1 Commentary on results for the period

Group net profit attributable to members was $90.4 million, a $10.6 million or 13% increase over the $79.8 million achieved in 2004. This result included the effect of several specific items of income and expense, with the before specific items result being $87.4 million, a $14.2 million or 19% increase over 2004.

The result flowed from good contributions from all divisions within the Group, with the Retail Division, Business Banking, Community Bank, Wealth Solutions and associated companies all showing improved results. A 15% increase in Group managed assets and a 26% growth in managed funds contributed to the increase in profit.

Profit before tax increased by 14% from $115.3 million to $131.4 million, whilst the result before tax and specific items increased from $106.6 million to $127.9 million, a 20% increase over 2004. Specific items included the profit on sale of IOOF Holdings and BSX Holdings shares, additional amounts relating to the prior year sale of Cashcard shares, sale of properties offset by the payment of additional bank accounts debits tax in relation to e-banking transactions.

Net interest income increased by 11% or $27.2 million, underpinned by an increase of $2.0 billion in average interest earning assets. The increase was achieved after a 20 basis point decline in net interest rate margin from the June 2004 second half to the June 2005 second half.

Other income from ordinary activities increased by $30.8 or 22% excluding the specific income items. The major increases included the share of associate company profits, which resulted from improved results for Elders Rural Bank, Tasmanian Banking Services and Community Sector Enterprises. Fees from asset products, liability product transaction fees and income from our electronic delivery network also increased in 2005. Earnings from our Wealth Solutions managed funds and financial planning activities contributed to the increased commission income. The recently acquired factoring business, Oxford Funding also contributed to the increase in other income for the period.

Bad and doubtful debts expense remained the same as the previous year at $14.1 million. The general provision increase was $3.7 million less than last year to maintain the ratio of the general provision to risk-weighted assets at 0.79%. The expense in relation to specific provisions increased by $3.1 million.

Other expenses relating to ordinary activities excluding specific expense items increased by $36.9 million or 14%. The major contributors to this increase were:

- Staff and related costs increased by 15% following the increase in full time equivalent staff numbers by 151. The majority of the staff increases were in our retail division, reflecting the growth in business volumes and expansion of the delivery network. The increase also included 38 new FTE from the acquisition of Oxford Funding. Wage increases awarded under the Group's certified agreement and other salary increases also contributed to the increase in the category.

- Property, plant and equipment costs increased 30% predominantly due to the book value of sold non-current assets.

- Fees and commissions increased by 18%, which includes the amounts paid to Community Bank branches for market development activities. This increase reflects the growth in Community Banks and the expansion of this delivery network. Commissions paid to our agency network and trailer/referral fees in relation to business referrals also contributed to the increase in this expense category.

2.5.1 Commentary on results for the period cont'd…

- Administration expenses increased by 14%. The increase includes an increase in the ADI Levy paid to APRA and general increases in a number of other administration expense items reflecting business growth in the group and in inclusion of the expenses of Oxford Funding, our recent acquisition.

The operating expense to income ratio decreased from 68.4% to 67.7%.

The directors declared a dividend of 26 cents per share, fully franked (at 30 per cent) on 15 August 2005. The final dividend is payable on 30 September 2005 and when combined with the interim dividend of 19.0 cents represents a dividend pay-out ratio for the financial year of 66.0% (2004: 64.8%), or 68.3% on profits before specific items (2004: 70.6%).

2.5.2 Business activities and performance trends

The major business divisions of the Group contributed to the solid result reported for the period under review. During the year, the network was expanded through the addition of 31 Community Bank outlets and 3 company-owned branches. Two company owned branches in Albury were merged during the period. The Group has again achieved strong business growth as evidenced by lending approvals of $5.9 billion, growth in loan outstanding balances of $1.6 billion (a 17% increase) and an increase in retail deposits of $1.0 billion (11%).

Community Banking division after tax contribution increased from $5.2 million to $11.2 million – a 115% improvement.

Wealth Solutions division continued the trend from last year by increasing the contribution by 33% from $14.1 million to $18.8 million, flowing from strong growth in managed fund income.

A strong increase in profit contribution from Elders Rural Bank Limited and increased profitability of Tasmanian Banking Services and Community Sector Enterprise ensured that the total associated companies' after tax contributions increased from $10.7 million to $13.9 million in 2005.

These results are in line with the predictions made in 2004 and we expect further improvement in the contribution from all divisions in 2006. The ongoing expansion of our Community Bank network, further growth in the Wealth Solutions division and increased business in our retail, e-banking and business banking products, together with the addition of factoring products is expected to maintain the growth momentum in profits for the new financial year.