



Bendigo Bank

ABN 11 068 049 178

Appendix 4E: Preliminary Final Report

For the twelve months ending

30 June 2007

Released 9 August 2007

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

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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 2007
Previous corresponding period - twelve months ended: 30 June 2006

1.2 Results for announcement to the market

				\$m
Revenues from operations	up	8.8%	To	562.2
Profit after tax attributable to members	up	4.4%	To	121.8
Net profit attributable to members	up	4.4%	To	121.8

Dividends – current year	Amount per security
Final Dividend – 2007, fully franked at 30% Payable 28 September 2007 Record date for determining entitlements for final dividend – 31 August 2007	34.0 cents
Interim Dividend – 2007, fully franked at 30% Paid 30 March 2007	24.0 cents

Dividends – previous year	Amount per security
Final Dividend – 2006, fully franked at 30% Paid 29 September 2006	30.0 cents
Interim Dividend – 2006, fully franked at 30% Paid 31 March 2006	22.0 cents

1.3 Cash earnings results

Cash earnings attributable to members	up	15.6%	to	\$118.5 million
Cash earnings per share	up	13.3%	to	82.9 cents
<i>See Note 2.4 for full details</i>				

1.4 Net tangible assets per security

Refer to page 41.

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

Nil.

1.6 Details of individual and total dividends

Refer to pages 6 and 38.

1.7 Details of any dividend or distribution reinvestment plans in operation

Refer to page 39.

1.8 Details of associates and joint venture entities

Refer to page 42.

1.9 Accounting standards used for foreign entities

Not applicable.

1.10 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.

1.11 Annual general meeting

The annual general meeting will be held as follows:

Place: The Capital Theatre, 50 View Street, Bendigo, Victoria
Date: 29 October 2007
Time: 11 am

1.12 Subsequent events

This Appendix 4E: Preliminary Final Report should be read in conjunction with the media release of 9 August 2007 titled "Adelaide Bank and Bendigo Bank Announce Intention to merge".

2. Full Year Results

2.1 Financial highlights

	2005-06			2006-07			Change Full Year 2006 to Full Year 2007	
	2005-06 1 st Half \$m	2005-06 2 nd Half \$m	Total \$m	2006-07 1 st Half \$m	2006-07 2 nd Half \$m	Total \$m	\$m	%
Profit after tax	53.3	63.4	116.7	54.3	67.5	121.8	5.1	4.4
Profit after tax before significant items	52.0	56.3	108.3	59.9	68.7	128.6	20.3	18.7
Cash earnings	48.4	54.1	102.5	55.4	63.1	118.5	16.0	15.6
Net interest income	155.8	159.3	315.1	177.8	179.3	357.1	42.0	13.3
Non-interest income (before significant items)	90.0	94.5	184.5	99.9	105.2	205.1	20.6	11.2
Expenses (before significant items)	169.7	168.4	338.1	187.4	181.4	368.8	30.7	9.1
Retail deposits	10,994.7	11,346.8	11,346.8	11,869.6	12,188.3	12,188.3	841.5	7.4
Total equity	803.2	899.5	899.5	953.6	1,015.0	1,015.0	115.5	12.8
Funds under management	2,951.9	2,966.9	2,966.9	3,316.6	3,394.2	3,394.2	427.3	14.4
Loans under management	13,411.9	14,057.2	14,057.2	14,746.4	15,829.5	15,829.5	1,772.3	12.6
New loan approvals	3,106.7	3,082.9	6,189.6	3,371.8	3,646.2	7,018.0	828.4	13.4
Residential	1,975.3	2,038.5	4,013.8	2,230.6	2,349.8	4,580.4	566.6	14.1
Non-residential	1,131.4	1,044.4	2,175.8	1,141.2	1,296.4	2,437.6	261.8	12.0
Cost to income ratio	67.9%	65.2%	66.6%	66.5%	62.8%	64.6%	(2.0%)	(3.0)
Earnings per ordinary share - cents	37.2	44.3	81.5	36.6	45.3	81.9	0.4	0.5
Cash basis earnings per ordinary share –cents	34.7	38.5	73.2	39.0	43.9	82.9	9.7	13.3
Dividend per share – cents	22.0	30.0	52.0	24.0	34.0	58.0	6.0	11.5

2.2 Results at a glance

2.2.1 Financial performance

- Cash earnings \$118.5 million (2006: \$102.5 million), an increase of 15.6%.
- Cash basis earnings per ordinary share increased to 82.9 cents (2006: 73.2 cents), an increase of 13.3%.
- Cash basis earnings return on average ordinary equity was 15.4% (2006: 14.5%).
- Profit after income tax before significant items was \$128.6 million (2006: \$108.3 million), an increase of 18.7% (see note 2.4.1 for significant item details).
- Net interest income increased by 13.3% to \$357.1 million with an interest margin before payments to community banks and alliances increasing from 2.76% for 2006 to 2.90% in 2007. Net of these payments interest margin increased from 2.28% in 2006 to 2.34% in 2007.
- Non-interest income before significant items was \$205.1 million (2006: \$184.5 million), an increase of 11.2%.
- Expenses before significant items increased by 9.1% to \$368.8 million compared to \$338.1 million in 2006. The cost to income ratio was 64.6% compared to 66.6% for 2006.

2.2.2 Financial position

- Loans under management were \$15.8 billion (2006: \$14.1 billion), an increase of 12.6%.
- Retail deposits were \$12.2 billion (2006: \$11.4 billion), an increase of 7.4%.
- Managed funds increased by \$0.4 billion to \$3.4 billion (2006: \$3.0 billion).
- Net impaired loans stood at \$10.0 million, up from \$5.9 million at June 2006, but represents only 0.07% of loan receivables.

2.2.3 Dividends

- 2006/07 final dividend of 34.0 cents per fully paid ordinary share (an increase of four cents over the 2005/06 final dividend), fully franked at 30%.
- Dividend is payable on 28 September 2007 to shareholders registered on the Record Date of 31 August 2007.
- The final dividend proposed totals \$46.6 million.
- Dividends for 2006/07 total 58.0 cents (up from 52.0 cents in 2005/06), which represents a payout ratio of 70.8% of total earnings per ordinary share or 70.0% of cash basis earnings per ordinary share (2005/06: 63.8% and 71.0% respectively).

2.3 Financial Statements

2.3.1 Detailed Income Statement

For the year ended 30 June 2007

	Consolidated	
	2007	2006
	\$m	\$m
Income		
Net interest income		
Interest income	1,058.6	907.5
Interest expense	701.5	592.4
Net interest income	357.1	315.1
Non interest income		
Dividends	3.8	2.7
Fees		
- asset products	23.4	21.4
- liability products and other	81.5	73.3
- trustee, management & other services	9.5	9.0
Commissions		
- wealth solutions	35.2	31.9
- insurance	9.6	7.3
- other	3.3	2.4
Other income	16.9	14.3
Total non interest income	183.2	162.3
Share of associates' net profits accounted for using the equity method	21.9	22.2
Total income after interest expense	562.2	499.6
Expenses		
<i>Bad and doubtful debts</i>		
Bad and doubtful debts	8.8	7.3
Bad debts recovered	(0.6)	(0.3)
Total bad and doubtful debts	8.2	7.0
<i>Other expenses</i>		
Staff and related costs	187.7	170.8
Occupancy costs	31.5	29.3
Amortisation of intangibles	5.4	5.6
Property, plant & equipment costs	10.3	9.9
Fees and commissions	20.2	18.9
Administration expenses	113.7	103.6
Total other expenses	368.8	338.1
Profit before income tax expense and significant items	185.2	154.5
Income tax expense before significant items	(56.7)	(46.2)
Net (profit)/loss attributable to minority interest	0.1	-
Profit after income tax expense and before significant items	128.6	108.3
Significant items after income tax expense	(6.8)	8.4
Profit after tax	121.8	116.7

Detailed income statement (continued)

	Consolidated	
	2007	2006
	\$m	\$m
Profit after tax	121.8	116.7
Adjusted for:		
Significant items after tax	6.8	(8.4)
After tax intangibles amortisation (excl. amortisation of intangible software)	1.2	1.7
Dividends paid on preference shares	(4.8)	(2.5)
Movement in General reserve for credit losses (GRCL)	(4.7)	(3.9)
Movement in General reserve for credit losses - associates	(1.8)	(1.1)
Cash basis earnings	118.5	102.5
Basic earnings per ordinary share (cents per share)	81.9	81.5
Diluted earnings per ordinary share (cents per share)	81.1	80.6
Cash basis earnings per ordinary share (cents per share)	82.9	73.2
Franked dividends per ordinary share (cents per share)	58.0	52.0

2.3.2 Balance Sheet

For the year ended 30 June 2007

	2007 \$m	2006 \$m
Assets		
Cash and cash equivalents	257.6	270.8
Due from other financial institutions	71.5	209.0
Derivatives	74.9	28.4
Financial assets available for sale - securities	428.8	360.9
Financial assets available for sale - share investments	130.4	94.4
Financial assets held to maturity	1,614.4	1,370.6
Loans and other receivables	13,843.5	12,436.7
Investments in associates and joint ventures accounted for using the equity method	156.3	143.5
Property, plant & equipment	154.9	81.1
Investment property	34.2	-
Intangible assets & goodwill	93.7	89.6
Deferred tax assets	32.6	27.4
Other assets	108.8	83.7
Total Assets	17,001.6	15,196.1
Liabilities		
Due to other financial institutions	184.0	166.3
Deposits	15,231.0	13,599.8
Derivatives	34.6	20.0
Other payables	151.3	140.0
Income tax payable	16.3	9.9
Provisions	40.4	37.4
Deferred tax liabilities	21.8	16.1
Subordinated debt - at amortised cost	307.2	307.1
Total Liabilities	15,986.6	14,296.6
Net Assets	1,015.0	899.5
Equity		
Equity attributable to equity holders of the parent		
Issued capital - ordinary	605.2	564.1
Perpetual non-cumulative redeemable convertible preference shares	88.5	88.3
Employee Share Ownership Plan (ESOP) shares	(40.4)	(25.6)
Reserves	130.0	78.8
Retained earnings	232.4	194.5
Total parent entity interests	1,015.7	900.1
Total minority interest	(0.7)	(0.6)
Total Equity	1,015.0	899.5

2.3.3 Statement of Cash Flows

For the year ended 30 June 2007

	Consolidated	
	2007	2006
	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and other items of a similar nature received	1,038.7	904.8
Interest and other costs of finance paid	(664.5)	(573.6)
Receipts from customers (excluding effective interest)	172.5	158.9
Payments to suppliers and employees	(420.7)	(288.4)
Dividends received	15.7	15.1
Income taxes paid	(43.9)	(45.6)
Net cash flows from operating activities	97.8	171.2
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash flows for purchases of property, plant and equipment	(117.8)	(44.6)
Cash proceeds from sale of property, plant and equipment	1.0	5.8
Cash paid for purchases of intangible software	(1.6)	(9.0)
Cash paid for purchases of equity investments	(35.3)	(28.7)
Cash proceeds from sale of equity investments	7.7	2.2
Net increase in balance of loans outstanding	(1,412.1)	(976.1)
Net increase in balance of investment securities	(278.1)	(161.5)
Total disposal consideration on derecognition of a subsidiary	-	0.7
Net cash flows used in investing activities	(1,836.2)	(1,211.2)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of preference share instalment	0.2	44.9
Net increase in balance of retail deposits	831.7	1,286.2
Net increase/(decrease) in balance of wholesale deposits	789.3	(277.5)
Proceeds from issue of subordinated debt	60.0	75.0
Repayment of subordinated debt	(60.0)	(30.1)
Dividends paid	(57.0)	(48.1)
Repayment of ESOP shares	5.8	4.4
Net cash flows from financing activities	1,570.0	1,054.8
Net increase/(decrease) in cash and cash equivalents	(168.4)	14.8
Cash and cash equivalents at the beginning of period	313.5	298.7
Cash and cash equivalents at the end of period	145.1	313.5

2.3.4 Statement of changes in equity

For the year ended 30 June 2007

	Attributable to equity holders of Bendigo Bank Limited					Total	Minority interest	Total equity
	Issued capital	ESOP shares	Pref shares	Retained earnings	Other reserves			
	\$ 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 financial assets	-	-	-	-	7.3	7.3	-	7.3
Gains/(losses) on cash flow hedges	-	-	-	-	2.3	2.3	-	2.3
Gains/(loss) on c/flow hedges-associates	-	-	-	-	0.4	0.4	-	0.4
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
Preference share instalment (net)	-	-	45.3	-	-	45.3	-	45.3
Reduction in ESOP shares	-	4.4	-	-	-	4.4	-	4.4
Transfer from Asset revaluation reserve	-	-	-	0.3	(0.3)	-	-	-
Movements in GRCL	-	-	-	(3.9)	3.9	-	-	-
Move in GRCL-associates	-	-	-	(1.1)	1.1	-	-	-
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 financial assets	-	-	-	-	6.4	6.4	-	6.4
Gains/(losses) on cash flow hedges	-	-	-	-	30.9	30.9	-	30.9
Gains/(loss) on c/flow hedges-associates	-	-	-	-	1.6	1.6	-	1.6
Increase in Employee benefits reserve	-	-	-	-	6.6	6.6	-	6.6
After tax incr in Asset revaluation reserve	-	-	-	-	(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
Preference share instalment (net)	-	-	0.2	-	-	0.2	-	0.2
Reduction in ESOP shares	-	5.8	-	-	-	5.8	-	5.8
Transfer from Asset revaluation reserve	-	-	-	0.1	(0.1)	-	-	-
Movements in GRCL	-	-	-	(4.7)	4.7	-	-	-
Move in GRCL-associates	-	-	-	(1.8)	1.8	-	-	-
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

2.4 Results commentary

2.4.1 Profit

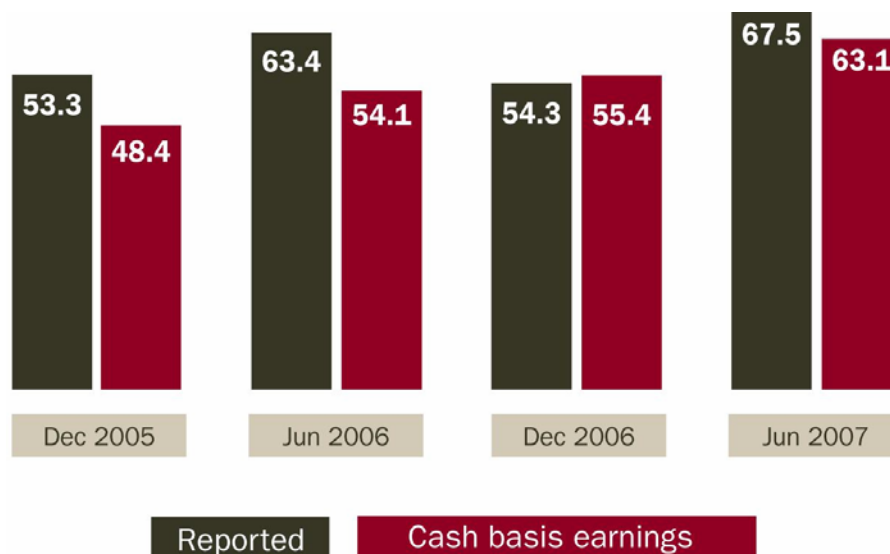
Cash earnings for the year ended 30 June 2007 were \$118.5 million, representing an increase of \$16.0 million or 15.6% when compared with the previous year.

Profit after tax of \$121.8 million for the year ending 30 June 2007 represents an increase of 4.4% over the previous year. After excluding the significant items (refer details on next page) the profit increased 18.7% to \$128.6 million.

Underlying profit compared to the previous year increased from \$163.2 million to \$194.7 million, an increase of 19.3%.

	Jun-07 \$m	Jun-06 \$m	Change		Six months ending			
			\$m	%	Dec-06 \$m	Jun-07 \$m	Change \$m	%
Underlying profit								
Profit after tax	121.8	116.7	5.1	4.4	54.3	67.5	13.2	24.3
Adjustments:								
Significant items before tax	7.3	(11.2)	18.5	(165.2)	5.6	1.7	(3.9)	(69.6)
Bad and doubtful debts (net of recoveries)	8.2	7.0	1.2	17.1	4.0	4.2	0.2	5.0
Intangibles amortisation (excl software amortisation)	1.2	1.7	(0.5)	(29.4)	0.6	0.6	-	-
Income tax expense - total	56.2	49.0	7.2	14.7	26.4	29.8	3.4	12.9
Underlying profit before tax	<u>194.7</u>	<u>163.2</u>	<u>31.5</u>	<u>19.3</u>	<u>90.9</u>	<u>103.8</u>	<u>12.9</u>	<u>14.2</u>
Profit								
Profit before tax	177.9	165.7	12.2	7.4	80.7	97.2	16.5	20.4
Significant items before tax	(7.3)	11.2	(18.5)	(165.2)	(5.6)	(1.7)	3.9	(69.6)
Profit before tax and significant items	185.2	154.5	30.7	19.9	86.3	98.9	12.6	14.6
Profit after tax	121.8	116.7	5.1	4.4	54.3	67.5	13.2	24.3
Significant items after tax	(6.8)	8.4	(15.2)	(181.0)	(5.6)	(1.2)	4.4	(78.6)
Profit after tax before significant items	<u>128.6</u>	<u>108.3</u>	<u>20.3</u>	<u>18.7</u>	<u>59.9</u>	<u>68.7</u>	<u>8.8</u>	<u>14.7</u>
Adjusted for:								
Intangibles amortisation (excl software amortisation)	1.2	1.7	(0.5)	(29.4)	0.6	0.6	-	-
Distributions paid on preference shares	(4.8)	(2.5)	(2.3)	92.0	(2.4)	(2.4)	-	-
Movement in general reserve for credit losses	(4.7)	(3.9)	(0.8)	20.5	(1.8)	(2.9)	(1.1)	61.1
Movement in gen reserve for credit losses - associates	(1.8)	(1.1)	(0.7)	63.6	(0.9)	(0.9)	-	-
Cash basis profit after tax	<u>118.5</u>	<u>102.5</u>	<u>16.0</u>	<u>15.6</u>	<u>55.4</u>	<u>63.1</u>	<u>7.7</u>	<u>13.9</u>

**Profit after tax
\$mil**



Significant items

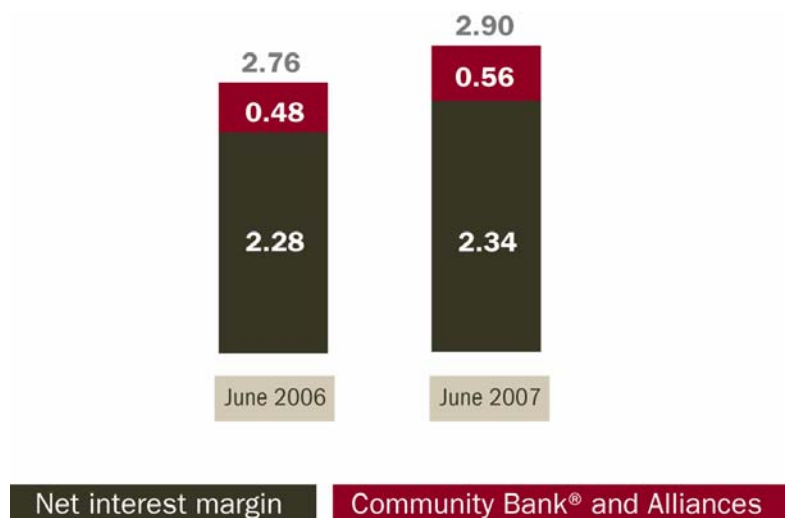
The reported profit after tax for the year ending 30 June 2007 of \$121.8 million included the following significant items:

- Under the Employee Share Plan, shares are issued at the discretion of the Board to non-executive employees at the prevailing market price. The shares must be paid for by the staff member. The Plan provides for staff members to receive an interest-free loan for the sole purpose of acquiring the Plan shares. The cost of this non-cash item has been calculated in accordance with applicable accounting requirements at \$5.6 million (no applicable tax expense) and expensed.
- Expense relating to Bank of Queensland proposed merger during the second half of the financial year totalled \$1.7 million, or \$1.2 million after tax.

2.4.2 Interest margin

Net Interest Income increased by 13.3% compared to previous year. This increase was driven by a growth of \$1.4 billion in interest earning assets and \$1.5 billion in interest earning liabilities combined with an expansion of 14 basis points in gross interest margin and six basis points net of payments to community banks and alliances over the past 12 months.

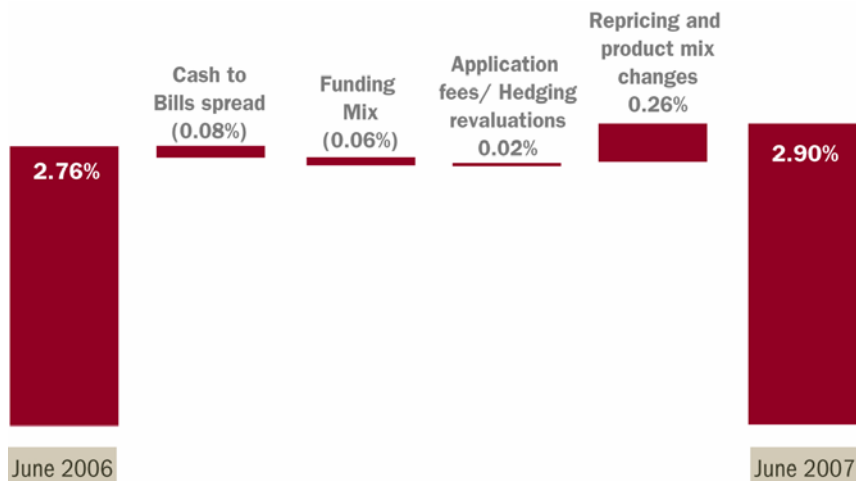
Interest Margin %



Good growth in balances of loans and deposits sourced through community banks and alliances has continued during the year, resulting in an increase of eight basis points in the impact these margin payments have on interest margin.

An analysis of the movement in the net interest margin for the year to 30 June 2007 is set out in the chart below, which highlights the principal impacts over the period.

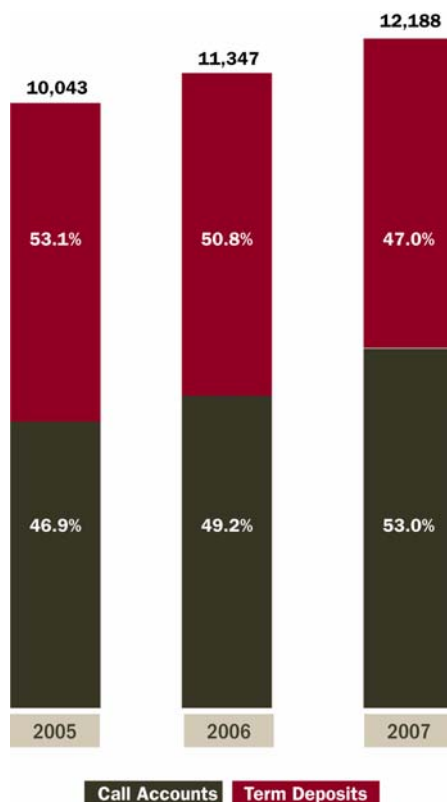
Analysis of net interest margin
 %



Interest margin reduced eight basis points from the movement in cash to bills spread over the year. The six basis point funding mix fall was a result of the change in mix between retail and wholesale funding with retail funding falling from 83.4% to 80.0% during the period. The recognition in interest income of applications fees and amounts associated with revaluations of hedging contracts generated a positive two basis points.

The remaining component of the movement for the period was an increase of 26 basis points associated with repricing and product mix changes. As shown in the chart below, within the Retail Deposit product mix, lower cost Call Accounts grew strongly over the year increasing from 49.2% to 53.0% favourably impacting net interest margin.

Composition of Retail Deposits
 \$mil



2.4.3 Income

	Jun-07 \$m	Jun-06 \$m	Change \$m	%	Six months ending			
					Dec-06 \$m	Jun-07 \$m	Change \$m	%
Income								
<i>Net interest income</i>								
Net interest income	354.7	310.7	44.0	14.2	176.4	178.3	1.9	1.1
Net interest income - securitisation	2.4	4.4	(2.0)	(45.5)	1.4	1.0	(0.4)	(28.6)
Total net interest income	357.1	315.1	42.0	13.3	177.8	179.3	1.5	0.8
<i>Non interest income</i>								
Other income								
Fees								
- asset products	23.4	21.4	2.0	9.3	11.5	11.9	0.4	3.5
- liability products & other	81.5	73.3	8.2	11.2	40.2	41.3	1.1	2.7
- trustee, m'ment & other services	9.5	9.0	0.5	5.6	4.7	4.8	0.1	2.1
Commissions								
- wealth solutions	35.2	31.9	3.3	10.3	16.9	18.3	1.4	8.3
- insurance	9.6	7.3	2.3	31.5	3.9	5.7	1.8	46.2
- other	3.3	2.4	0.9	37.5	1.4	1.9	0.5	35.7
Property revenue	0.9	0.5	0.4	80.0	0.4	0.5	0.1	25.0
Dividend income	3.8	2.7	1.1	40.7	2.1	1.7	(0.4)	(19.0)
Other	16.0	13.8	2.2	15.9	6.9	9.1	2.2	31.9
Total other income before significant income items	183.2	162.3	20.9	12.9	88.0	95.2	7.2	8.2
Significant income items	-	17.3	(17.3)	(100.0)	-	-	-	-
Total other income	183.2	179.6	3.6	2.0	88.0	95.2	7.2	8.2
Share of associates' profit	21.9	22.2	(0.3)	(1.4)	11.9	10.0	(1.9)	(16.0)
Total non interest income	205.1	201.8	3.3	1.6	99.9	105.2	5.3	5.3
Total income	562.2	516.9	45.3	8.8	277.7	284.5	6.8	2.4

Net interest income increased by 13.3% when compared with the previous year. This was underpinned by an increase of \$1.4 billion, or 10.5% in average interest earning assets.

Net interest margin before community bank and alliance margin payments increased by 14 basis points, with net interest margin after these payments increasing by six basis points from 2006.

Asset product fees increased by 9.3%, due to increases in loan account documentation, renegotiation and service fees together with growth in card related and electronic transaction fees.

Fees - liability products & other increased by 11.2% due to increased transaction fees generated from a 10.9% growth in customer accounts over the year.

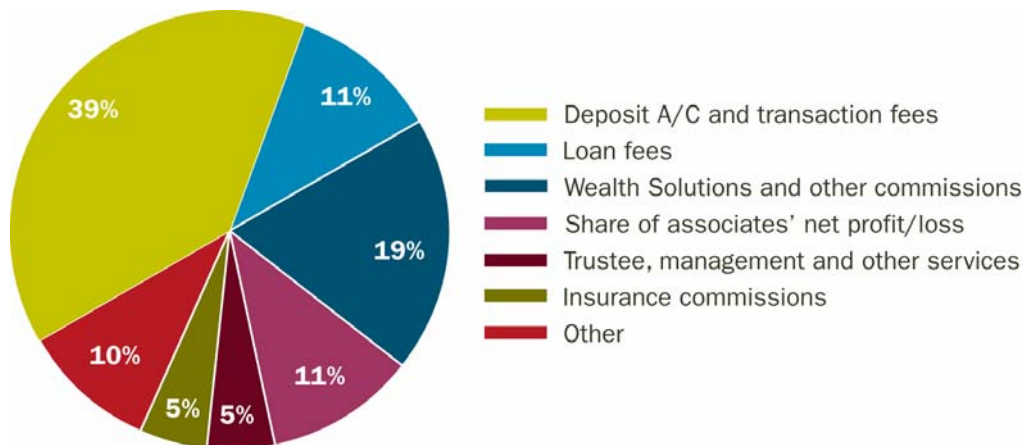
Commissions - wealth solutions increased by 10.3% due to increased commissions from our Wealth Solutions division, predominantly commissions from managed fund products.

Commissions - insurance increased by 31.5% due to increased insurance product sales and higher profit contribution from our captive insurer Sunstate Lenders Mortgage Insurance Pty Ltd.

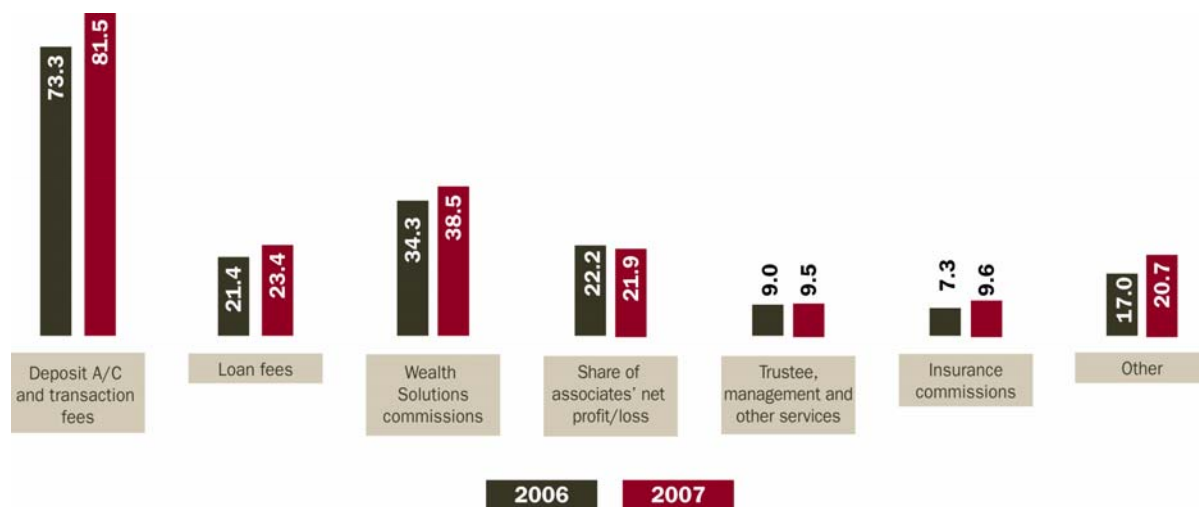
Other increased by \$2.2 million and includes profits on sale of equity investments.

	2007 \$m	2006 \$m
Significant income items include:		
Profit on deemed disposal of Select Managed Funds Ltd shares	-	15.5
Accounting gain on change in equity accounted investment in Community Telco Aust Pty Ltd	-	1.8
	<u>-</u>	<u>17.3</u>

Other Income
 %



Non interest Income
 \$mil



2.4.4 Expenses

2.4.4.1 Productivity and expenses

	Jun-07 \$m	Jun-06 \$m	Change		Six months ending			
			\$m	%	Dec-06 \$m	Jun-07 \$m	Change \$m	%
Expenses								
Staff and related costs	187.7	170.8	16.9	9.9	94.7	93.0	(1.7)	(1.8)
Occupancy costs	31.5	29.3	2.2	7.5	15.2	16.3	1.1	7.2
Information technology costs	34.8	28.3	6.5	23.0	17.4	17.4	-	-
Amortisation of intangibles	5.4	5.6	(0.2)	(3.6)	2.7	2.7	-	-
Property, plant & equipment costs	10.3	9.9	0.4	4.0	5.2	5.1	(0.1)	(1.9)
Fees & commissions	20.2	18.9	1.3	6.9	10.4	9.8	(0.6)	(5.8)
Communications, postage & stationery	23.8	22.2	1.6	7.2	11.5	12.3	0.8	7.0
Advertising & promotion	10.9	11.7	(0.8)	(6.8)	6.4	4.5	(1.9)	(29.7)
Other product & services delivery costs	20.4	18.4	2.0	10.9	9.5	10.9	1.4	14.7
Other administration expenses	23.8	23.0	0.8	3.5	14.4	9.4	(5.0)	(34.7)
Total operating expenses	368.8	338.1	30.7	9.1	187.4	181.4	(6.0)	(3.2)
Significant expense items	7.3	6.1	1.2	19.7	5.6	1.7	(3.9)	(69.6)
Total expenses	376.1	344.2	31.9	9.3	193.0	183.1	(9.9)	(5.1)
Expenses to income	64.6%	66.6%	(2.0%)	(3.0)	66.5%	62.8%	(3.7%)	(5.6)
Expenses to average assets	2.3%	2.3%	0.0%	-	2.4%	2.2%	(0.2%)	(8.3)
Expenses to average assets-incl managed funds	2.0%	2.0%	0.0%	-	2.1%	1.9%	(0.2%)	(9.5)
Number of staff (full-time equiv) - No.	2,428	2,343	85	3.6	2,376	2,428	52	2.2
Staff & related costs to income	33.4%	34.2%	(0.8%)	(2.3)	34.1%	32.7%	(1.4%)	(4.1)

Expenses used in the above ratios is expenses less significant expense items and intangibles amortisation.

Income used in the above ratios is income less significant income items.

Comments on individual expense categories are:

Staff and related costs increased 9.9% compared to the previous year. Full time equivalent staff were up by 85 with the majority of the FTE increases in our Retail distribution and support divisions.

Wage increases awarded under the group's certified agreement and other salary increases also contributed to the increase in this category.

Expense relating to executive equity based transactions (long term incentive plan) added \$0.9 million to the 2007 costs when compared to 2006.

Occupancy costs increased 7.5% due to increases in property rent and outgoings and higher contracted cleaning and security costs.

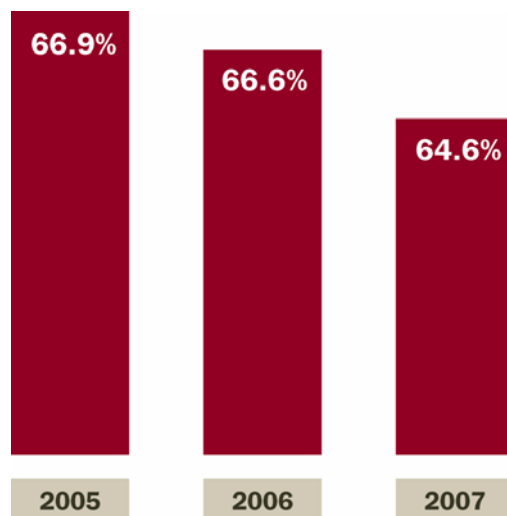
Information technology costs increased by 23.0%, reflecting increases in communication lines across the network, commissioning of the new data processing centre in Bendigo and upgrading of computer hardware and software systems.

Communications, postage & stationary increased by \$1.6 million due to growth in phone costs and higher postage volumes.

Other product & delivery costs increased \$2.0 million including increased ATM & EFTPOS network servicing costs.

	2007 \$m	2006 \$m
Significant expense items include:		
Expense relating to an issue of shares to staff under the Employee Share Plan	5.6	-
Expense relating to Bank of Queensland proposed merger	1.7	-
Relocation expenses - costs of relocation of Melbourne based staff to new building at Docklands	-	0.7
Review of carrying value of equity investment portfolio	-	5.4
	7.3	6.1

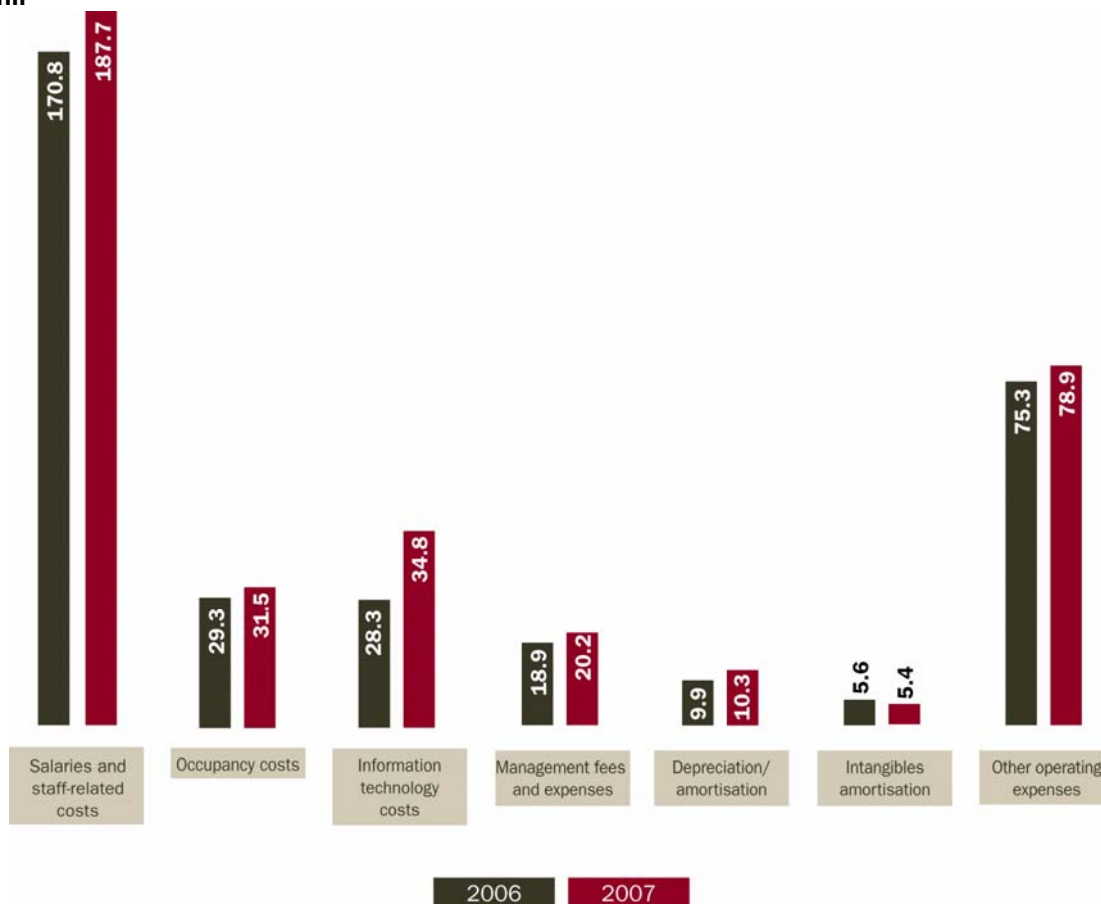
Efficiency Ratio - Expenses/Income
 %



Expenses used in the above ratios is expenses less significant expense items and intangibles amortisation.

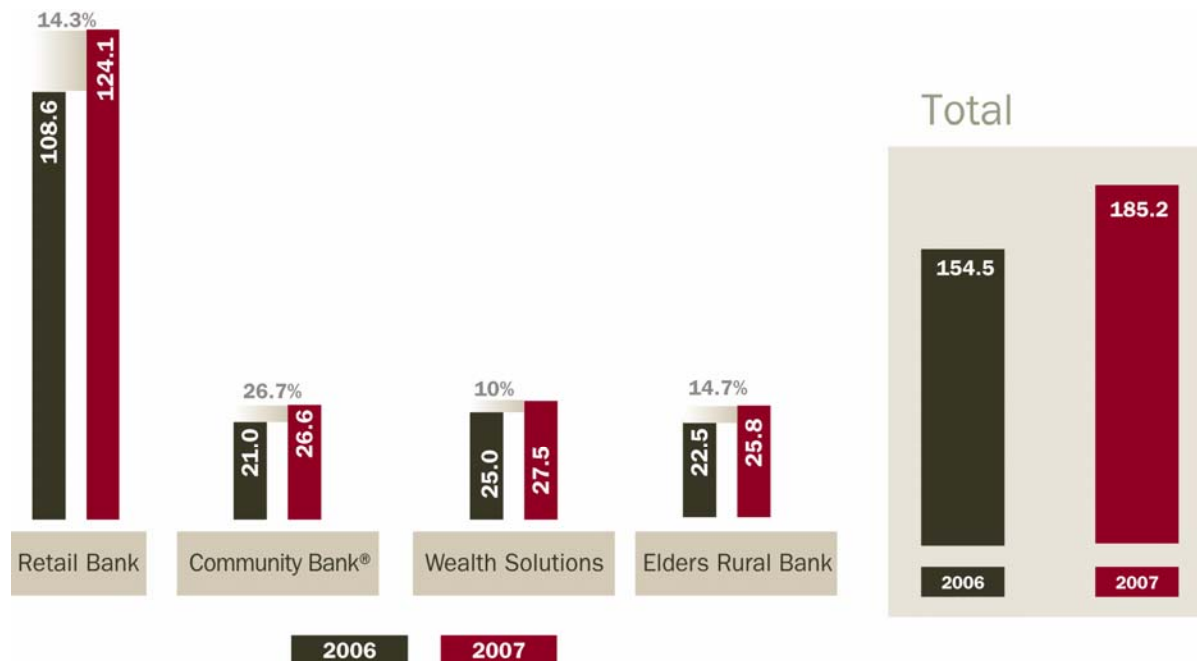
Income used in the above ratios is income less significant income items.

Operating expenses
 \$mil



2.4.5 Segment results

Profit contribution before tax & significant items \$mil



The chart displays key segment results as disclosed in segment reporting on pages 21 to 25. Other associates' results combined with unallocated corporate support costs totalling \$18.8 million (2006: \$22.6 million) are required to be deducted from the segment values above giving the total group profit before tax and significant items of \$185.2 million (2006: \$154.5 million).

For the twelve months ended 30 June 2007

	Retail Banking	Community Banking	Wealth Solutions	J/Ventures, Alliances & Corp Supp't	Total
	\$m	\$m	\$m	\$m	\$m
Income					
<i>Net interest income</i>	287.8	61.2	8.1	-	357.1
<i>Other income</i>					
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
<i>Share of net profit of equity accounted investments</i>	-	-	-	21.9	21.9
<i>Total segment income after interest expense</i>					
External income after interest expense	388.1	88.2	54.8	31.1	562.2
Intersegment income after interest expense	0.2	-	0.1	(0.3)	-
Total income after interest expense	388.3	88.2	54.9	30.8	562.2
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 after 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

For the twelve months ended 30 June 2006

	Retail Banking	Community Banking	Wealth Solutions	J/Ventures, Alliances & Corp Supp't	Total
	\$m	\$m	\$m	\$m	\$m
Income					
<i>Net interest income</i>	259.4	48.5	7.2	-	315.1
<i>Other income</i>					
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
<i>Share of net profit of equity accounted investments</i>	-	-	-	22.2	22.2
<i>Total segment income after interest expense</i>					
External income after interest expense	362.4	73.6	48.5	32.4	516.9
Intersegment income after interest expense	0.5	-	2.3	(2.8)	-
Total income after interest expense	362.9	73.6	50.8	29.6	516.9
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 after 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

For the six months ended 30 June 2007

	Retail Banking	Community Banking	Wealth Solutions	J/Ventures, Alliances & Corp Supp't	Total
	\$m	\$m	\$m	\$m	\$m
Income					
<i>Net interest income</i>	144.5	30.9	3.9	-	179.3
<i>Other income</i>					
Other external income	50.3	14.5	22.9	7.5	95.2
Other intersegment income	0.1	-	-	(0.1)	-
Total other income	50.4	14.5	22.9	7.4	95.2
<i>Share of net profit of equity accounted investments</i>	-	-	-	10.0	10.0
<i>Total segment income after interest expense</i>	194.8	45.4	26.8	17.5	284.5
External income after interest expense					
Intersegment income after interest expense	0.1	-	-	(0.1)	-
Total income after interest expense	194.9	45.4	26.8	17.4	284.5
Results					
Segment result	80.7	30.3	14.4	(28.2)	97.2
Internal cost allocations	(16.8)	(17.4)	(1.0)	35.2	-
Consolidated entity profit before income tax expense	63.9	12.9	13.4	7.0	97.2
Income tax expense					(29.8)
Minority interests					-
Consolidated entity profit after income tax expense					67.5
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

For the six months ended 31 December 2006

	Retail Banking	Community Banking	Wealth Solutions	J/Ventures, Alliances & Corp Supp't	Total
	\$m	\$m	\$m	\$m	\$m
Income					
<i>Net interest income</i>	143.3	30.3	4.2	-	177.8
<i>Other income</i>					
Other external income	50.0	12.5	23.8	1.7	88.0
Other intersegment income	0.1	-	0.1	(0.2)	-
Total other income	50.1	12.5	23.9	1.5	88.0
<i>Share of net profit of equity accounted investments</i>	-	-	-	11.9	11.9
<i>Total segment income after interest expense</i>	193.3	42.8	28.0	13.6	277.7
External income after interest expense	193.3	42.8	28.0	13.6	277.7
Intersegment income after interest expense	0.1	-	0.1	(0.2)	-
Total income after interest expense	193.4	42.8	28.1	13.4	277.7
Results					
Segment result	82.3	29.8	15.2	(46.6)	80.7
Internal cost allocations	(22.1)	(16.1)	(1.1)	39.3	-
Consolidated entity profit before income tax expense	60.2	13.7	14.1	(7.3)	80.7
Income tax expense					(26.4)
Minority interests					-
Consolidated entity profit after income tax expense					54.3
Assets					
Segment assets	8,091.2	3,710.0	144.9	3,849.0	15,795.1
Equity accounted assets	-	-	-	147.6	147.6
Total on-balance sheet assets	8,091.2	3,710.0	144.9	3,996.6	15,942.7
Originated and managed assets	1,077.5	290.5	810.5	14.8	2,193.3
Total on and off-balance sheet assets	9,168.7	4,000.5	955.4	4,011.4	18,136.0
Liabilities					
Total on-balance sheet liabilities	6,790.0	4,441.7	175.5	3,581.9	14,989.1
Funds under management	1,514.3	515.0	1,285.4	1.9	3,316.6
Total on and off-balance sheet liabilities	8,304.3	4,956.7	1,460.9	3,583.8	18,305.7

Segment information

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

Business 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 income 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, commissions and interest from the provision of financial planning services.

Joint ventures, Alliances and unallocated corporate support

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

Geographic segments

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

2.4.6 Lending

					Six months ending			
	Jun-07	Jun-06	Change		Dec-06	Jun-07	Change	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Approvals - by security								
Residential	4,580.4	4,013.8	566.6	14.1	2,230.6	2,349.8	119.2	5.3
Non-residential	2,437.6	2,175.8	261.8	12.0	1,141.2	1,296.4	155.2	13.6
Total Approvals	7,018.0	6,189.6	828.4	13.4	3,371.8	3,646.2	274.4	8.1
Gross loan balance - by security								
	As at Jun-07	As at Jun-06	Change		As at Dec-06	As at Jun-07	Change	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Residential	10,253.8	9,278.1	975.7	10.5	9,688.2	10,253.8	565.6	5.8
Business								
Property & business services	1,102.9	1,011.3	91.6	9.1	978.3	1,102.9	124.6	12.7
Retail trade	428.1	393.5	34.6	8.8	413.8	428.1	14.3	3.5
Agriculture, forestry & fishing	282.9	272.4	10.5	3.9	258.2	282.9	24.7	9.6
Construction	202.7	180.4	22.3	12.4	196.6	202.7	6.1	3.1
Accom, cafes & restaurants	160.7	131.3	29.4	22.4	151.1	160.7	9.6	6.4
Manufacturing	134.0	100.3	33.7	33.6	118.6	134.0	15.4	13.0
Transport & storage	96.6	81.8	14.8	18.1	91.3	96.6	5.3	5.8
Health & community services	91.2	91.1	0.1	0.1	107.0	91.2	(15.8)	(14.8)
Wholesale trade	107.9	71.7	36.2	50.5	93.8	107.9	14.1	15.0
Cultural & recreational services	38.7	38.7	-	-	39.6	38.7	(0.9)	(2.3)
Finance & insurance	53.8	44.3	9.5	21.4	49.0	53.8	4.8	9.8
Personal & other services	38.9	28.1	10.8	38.4	33.4	38.9	5.5	16.5
Education	26.6	22.7	3.9	17.2	21.9	26.6	4.7	21.5
Communication services	18.8	13.9	4.9	35.3	13.5	18.8	5.3	39.3
Other	127.9	92.9	35.0	37.7	108.2	127.9	19.7	18.2
Total business	2,911.7	2,574.4	337.3	13.1	2,674.3	2,911.7	237.4	8.9
Unsecured	474.4	415.1	59.3	14.3	437.6	474.4	36.8	8.4
Other	274.4	230.0	44.4	19.3	239.5	274.4	34.9	14.6
Total gross loan balance	13,914.3	12,497.6	1,416.7	11.3	13,039.6	13,914.3	874.7	6.7
Gross Loan balance - by purpose								
Residential	8,497.9	7,778.7	719.2	9.2	8,137.8	8,497.9	360.1	4.4
Consumer	2,921.8	2,511.5	410.3	16.3	2,547.7	2,921.8	374.1	14.7
Commercial	2,494.6	2,207.4	287.2	13.0	2,354.1	2,494.6	140.5	6.0
Total gross loan balance	13,914.3	12,497.6	1,416.7	11.3	13,039.6	13,914.3	874.7	6.7
Loans under management (gross balance)								
On-balance sheet	13,674.6	12,151.7	1,522.9	12.5	12,746.5	13,674.6	928.1	7.3
On-balance sheet - securitised (previously off-bal sht)	239.7	345.9	(106.2)	(30.7)	293.1	239.7	(53.4)	(18.2)
STL Common Funds	1,915.2	1,559.6	355.6	22.8	1,706.8	1,915.2	208.4	12.2
Total Group loans under management	15,829.5	14,057.2	1,772.3	12.6	14,746.4	15,829.5	1,083.1	7.3

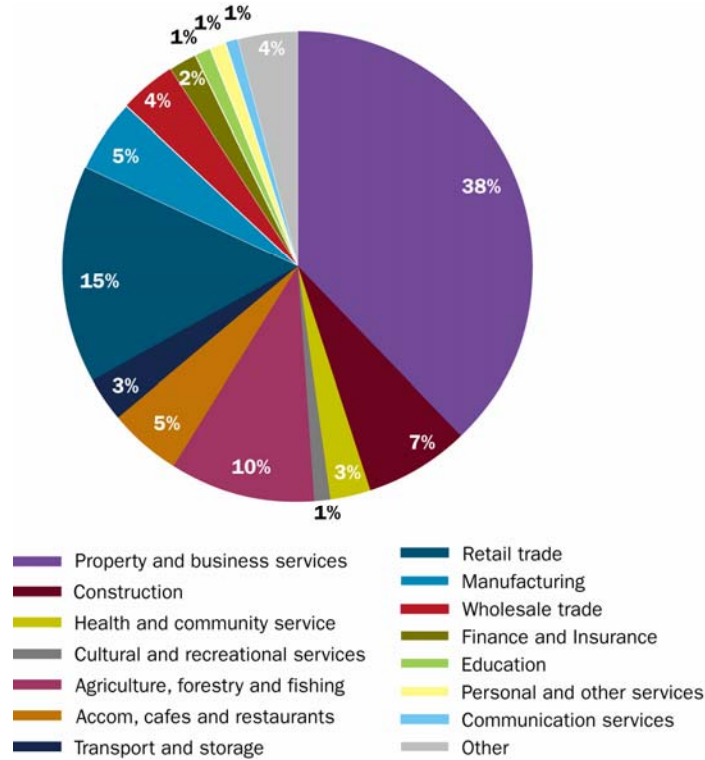
Loans under management represents the gross balance of loans managed by the group:

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

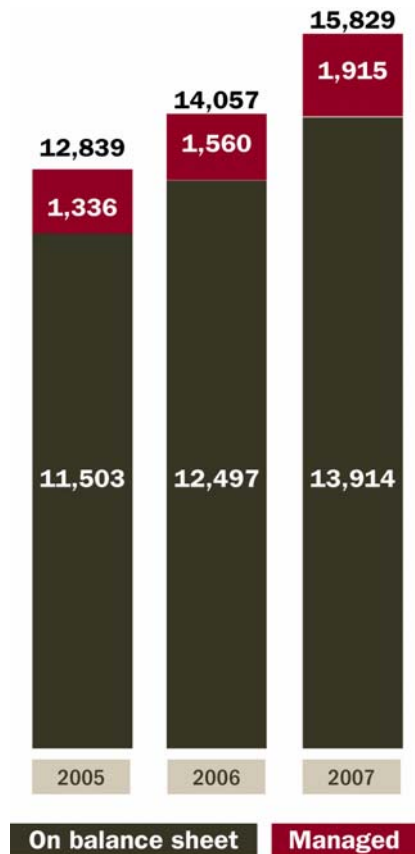
On-balance sheet - securitised loans are loans that have been sold into securitisation trusts. Under AIFRS these securitisation trusts are consolidated and form part of on-balance sheet assets.

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.

Business Lending Portfolio by industry
 %



Group loans under management
 \$mil



2.4.7 Asset Quality

	As at Jun-07 \$m	As at Jun-06 \$m	Change \$m	%	As at Dec-06 \$m	As at Jun-07 \$m	Change \$m	%
Impaired loans-								
Full-performing	1.4	-	1.4	-	-	1.4	1.4	-
Part-performing	0.8	1.9	(1.1)	(57.9)	2.0	0.8	(1.2)	(60.0)
Non-performing	16.0	13.0	3.0	23.1	10.8	16.0	5.2	48.1
Total impaired assets	18.2	14.9	3.3	22.1	12.8	18.2	5.4	42.2
Less: Specific provisions	(8.2)	(9.0)	0.8	(8.9)	(8.6)	(8.2)	0.4	(4.7)
Net impaired assets	10.0	5.9	4.1	69.5	4.2	10.0	5.8	138.1
Gross impaired to gross loans	0.13%	0.12%	0.01%	8.3	0.10%	0.13%	0.03%	30.0
Gross impaired to total assets	0.11%	0.10%	0.01%	10.0	0.08%	0.11%	0.03%	37.5
Net impaired to gross loans	0.07%	0.05%	0.02%	40.0	0.03%	0.07%	0.04%	133.3
Provision coverage	358%	393%	(35%)	(8.9)	480%	358%	(122%)	(25.4)

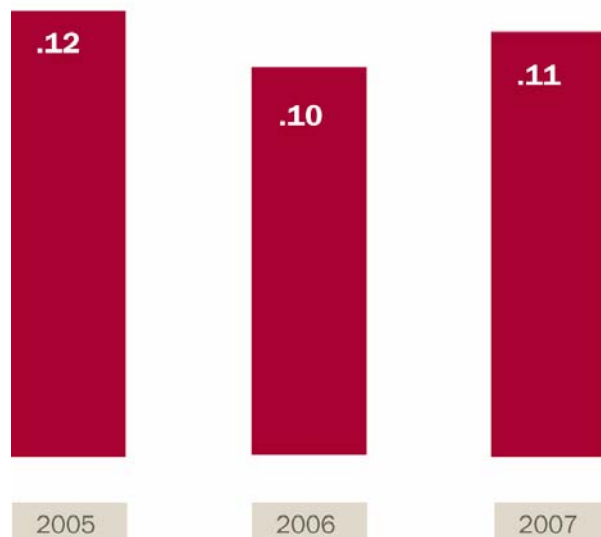
Provision coverage is Provisions for doubtful debts - total, divided by Total impaired assets.

Past due 90 days

Well secured	61.6	74.0	(12.4)	(16.8)	63.1	61.6	(1.5)	(2.4)
Portfolio facilities	1.7	1.6	0.1	6.2	1.7	1.7	-	-

Loans past due 90 days - well secured includes \$6.5 million (December 2006: \$7.5 million, June 2006: \$12.4 million) of loans due to their review date expiring more than 90 days ago, but which are not in payment default.

Gross impaired/total assets %



2.4.8 Bad and Doubtful Debts

	Jun-07	Jun-06	Change		Six months ending			
	\$m	\$m	\$m	%	Dec-06	Jun-07	Change	%
					\$m	\$m	\$m	
Expense:								
Bad debts expense	0.7	(0.1)	0.8	-	(0.2)	0.9	1.1	-
Prov'n doubtful debts - expense	8.1	7.4	0.7	9.5	4.5	3.6	(0.9)	(20.0)
Total bad and doubtful debts expense	8.8	7.3	1.5	20.5	4.3	4.5	0.2	4.7
	As at	As at	Change		As at	As at	Change	
	Jun-07	Jun-06	\$m	%	Dec-06	Jun-07	\$m	%
Balances:								
Provision for doubtful debts - specific	8.4	9.1	(0.7)	(7.7)	8.8	8.4	(0.4)	(4.5)
Provision for doubtful debts - collective	11.4	8.8	2.6	29.5	10.2	11.4	1.2	11.8
General reserve for credit losses	45.3	40.6	4.7	11.6	42.4	45.3	2.9	6.8
Total provision/reserve doubtful debts	65.1	58.5	6.6	11.3	61.4	65.1	3.7	6.0
Loan write-offs to average assets	0.04%	0.04%	0.00%	-	0.04%	0.04%	0.00%	-
Total provision/reserve for doubtful debts to gross loans	0.47%	0.47%	0.00%	-	0.47%	0.47%	0.00%	-
Collective provision (adjusted for tax) & GRCL to risk-weighted assets	0.55%	0.55%	0.00%	-	0.55%	0.55%	0.00%	-

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

	Jun-07	Jun-06	Movement
	\$m	\$m	\$m
Specific provisions	8.4	9.1	(0.7)
Collective provision	11.4	8.8	2.6
General reserve for credit losses (GRCL)	45.3	40.6	4.7
Total balance in provisions for doubtful debts	65.1	58.5	6.6

The movement in provisions comprise:

	Specific	Collective	GRCL	Total
Balance at June 2006	9.1	8.8	40.6	58.5
Bad & doubtful debts expense to profit and loss	6.2	2.6	-	8.8
Bad debts written off	(6.9)	-	-	(6.9)
Appropriation of movement in general reserve for credit losses	-	-	4.7	4.7
Balance at June 2007	8.4	11.4	45.3	65.1

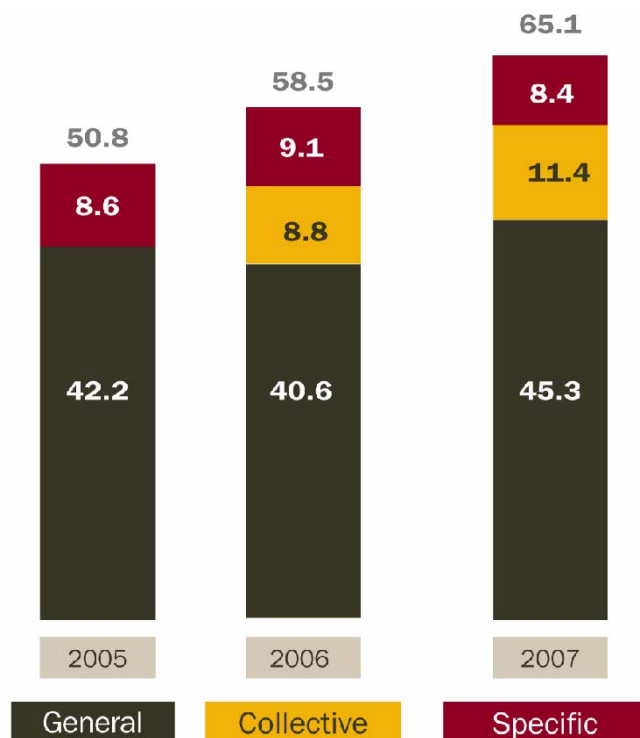
Total bad debts written off for the period, as shown above comprises:

Bad debts previously provided for	6.2
Other Bad debts	0.7
	<u>6.9</u>

Movements in specific and collective provisions are reflected as an expense in the income statement.

Movements in the general reserve for credit losses are reflected as an appropriation in retained earnings.

Total Provisions and Reserves for Doubtful Debts
\$mil



The above chart shows the balance of the general provision/general reserve for credit losses (GRCL) on the same basis for comparative purposes. The balance of the general provision in 2005 - \$60.3 million is reflected in the chart above net of tax impact.

2.4.9 Deposits and Funds under Management

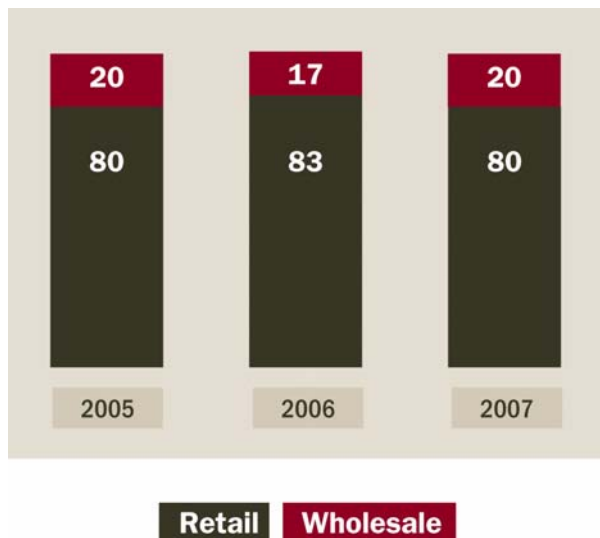
	As at Jun-07 \$m	As at Jun-06 \$m	Change \$m	%	As at Dec-06 \$m	As at Jun-07 \$m	Change \$m	%
<i>Deposits and funds under management</i>								
Deposits	15,231.0	13,599.8	1,631.2	12.0	14,317.6	15,231.0	913.4	6.4
Managed funds-Trustee Coy	3,394.2	2,966.9	427.3	14.4	3,316.6	3,394.2	77.6	2.3
Total deposits and funds under management	18,625.2	16,566.7	2,058.5	12.4	17,634.2	18,625.2	991.0	5.6
<i>Retail deposits and funds under management</i>								
Retail deposits	12,188.3	11,346.8	841.5	7.4	11,869.6	12,188.3	318.7	2.7
Managed funds-Trustee Coy	3,394.2	2,966.9	427.3	14.4	3,316.6	3,394.2	77.6	2.3
Total retail deposits and funds under management	15,582.5	14,313.7	1,268.8	8.9	15,186.2	15,582.5	396.3	2.6
<i>Deposits dissection - \$m</i>								
Retail	12,188.3	11,346.8	841.5	7.4	11,869.6	12,188.3	318.7	2.7
Wholesale - domestic	1,778.9	1,439.8	339.1	23.6	1,499.8	1,778.9	279.1	18.6
Wholesale - offshore	1,263.8	813.2	450.6	55.4	948.2	1,263.8	315.6	33.3
Total deposits	15,231.0	13,599.8	1,631.2	12.0	14,317.6	15,231.0	913.4	6.4
<i>Deposits dissection - %</i>								
Retail	80.0%	83.4%	(3.4%)	(4.1)	82.9%	80.0%	(2.9%)	(3.5)
Wholesale - domestic	11.7%	10.6%	1.1%	10.4	10.5%	11.7%	1.2%	11.4
Wholesale - offshore	8.3%	6.0%	2.3%	38.3	6.6%	8.3%	1.7%	25.8
Total deposits	100.0%	100.0%	-	-	100.0%	100.0%	-	-
<i>Managed funds dissection</i>								
Common Funds	2,310.4	1,941.4	369.0	19.0	2,193.3	2,310.4	117.1	5.3
Investment and superannuation funds	1,083.8	1,025.5	58.3	5.7	1,123.3	1,083.8	(39.5)	(3.5)
Total managed funds	3,394.2	2,966.9	427.3	14.4	3,316.6	3,394.2	77.6	2.3

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.

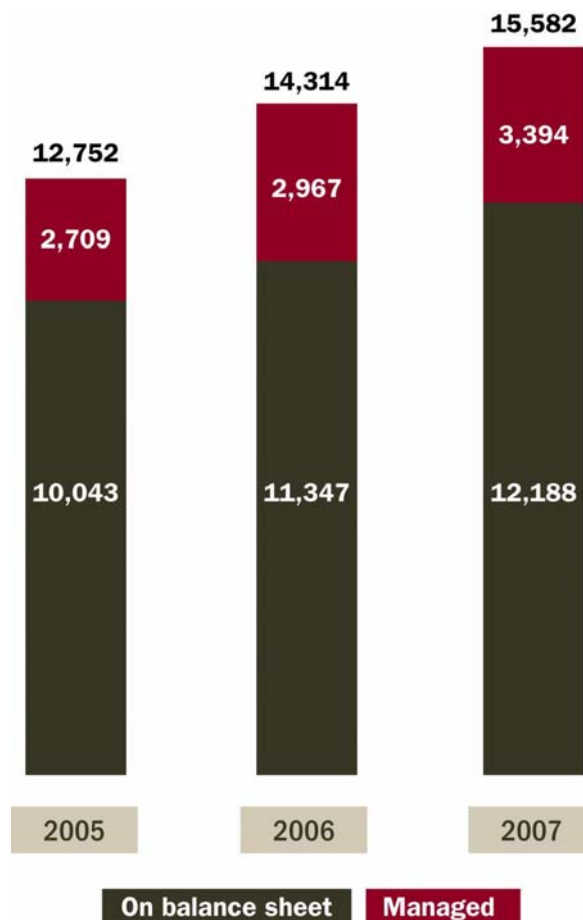
Investment and superannuation funds are funds deposited for investment in managed investment schemes and superannuation funds. The management of these portfolios is outsourced by Sandhurst Trustees Limited.

Deposits dissection - under AIFRS the assets and liabilities of securitisation trusts form part of the consolidated group. The borrowings of securitisation trusts have been included in the category Wholesale - domestic.

Funding mix
 %



Retail deposits and funds under management
 \$mil



Retail deposits increased by \$0.8 billion or 7.4% to \$12.2 billion over the 12 months. The group continues to attract a high level of retail deposits. As at June 2007 they represented 80.0% of total deposits (2006: 83.4%).

2.4.10 Capital and shareholder returns

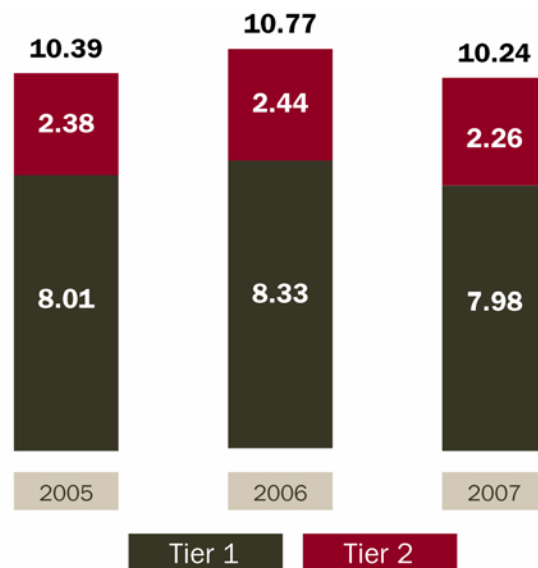
2.4.10.1 Capital adequacy

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.

APRA amended its prudential regulations in response to the implementation of AIFRS and these changes took effect on 1 July 2006. Therefore, capital adequacy calculations for June 2007 are prepared using AIFRS financial statements. As part of the transition to AIFRS based calculations many financial institutions were granted transitional relief adjustments by APRA until 31 December 2007. There is no AIFRS transitional adjustment included in the Bendigo Bank capital adequacy calculation.

	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		
<i>Tier 1</i>		
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
<i>Tier 2</i>		
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
Total Tier 2 capital	372.8	347.8
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
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.		
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%

Capital adequacy
 %



Capital adequacy is calculated on accordance with regulations set down by APRA. APRA amended its prudential regulations in response to the implementation of AIFRS and these changes took effect on 1 July 2006. Therefore, capital adequacy calculations for 2007 are prepared using AIFRS financial statements, whilst 2006 and 2005 are prepared using calculations under the previous AGAAP.

As part of the transition to AIFRS based calculations many financial institutions were granted transitional relief adjustments by APRA until 31 December 2007. There is no AIFRS transitional adjustment included in the Bendigo Bank capital adequacy calculation.

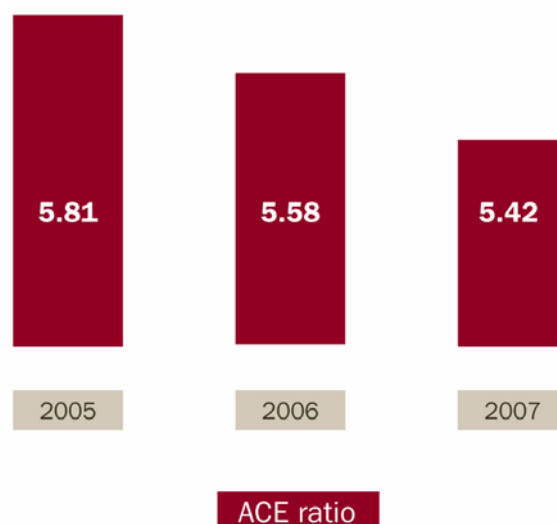
Group assets grew by \$1.8 billion in the year to \$17.0 billion, an increase of 11.9%.

Risk weighted assets rose \$1.2 billion to \$9.8 billion.

Group qualifying capital increased \$76 million to \$999 million.

Total risk weighted capital adequacy ratio at June 2007 is 10.24%.

Adjusted Common Equity ratio
 %



2.4.10.2 Shareholder returns

	Jun-07	Jun-06	Change	%	Six months ending		%	
					Dec-06	Jun-07		Change
Cash basis earnings per ordinary share (weighted average)-cents	82.9	73.2	9.7	13.3	39.0	43.9	4.9	12.6
Earnings per ordinary share (weighted average)-cents	81.9	81.5	0.4	0.5	36.6	45.3	8.7	23.8
Diluted earnings per ordinary share (weighted average)-cents	81.1	80.6	0.5	0.6	36.4	44.7	8.3	22.8
Weighted number of ordinary shares used in basic and cash basis EPS calculations - 000's	142,878	140,058	2,820	2.0	141,992	143,775	1,783	1.3
Weighted number of ordinary shares used in diluted EPS calculations - 000's	150,134	144,825	5,309	3.7	149,248	151,032	1,784	1.2
Cash basis return on average ordinary equity	15.37%	14.51%	0.86%	5.9	14.78%	16.08%	1.30%	8.8
After tax return on average ordinary equity	15.18%	16.16%	(0.98%)	(6.1)	13.84%	16.59%	2.75%	19.9
After tax before significant items return on average ordinary equity	16.06%	14.98%	1.08%	7.2	15.34%	16.89%	1.55%	10.1
After tax return on average assets	0.76%	0.80%	(0.04%)	(5.0)	0.70%	0.82%	0.12%	17.1
After tax before significant items return on average assets	0.80%	0.75%	0.05%	6.7	0.77%	0.83%	0.06%	7.8

Profitability ratios for half year results have been annualised by multiplying the numerator by two.

Cash earnings used in cash basis earnings per ordinary share is profit after tax adjusted for significant items after tax, intangibles amortisation (except intangible software amortisation), dividends on preference shares and movements in general reserve for credit losses.

Earnings used in earnings per ordinary share and after tax return on average ordinary equity is profit after tax including significant items, less dividends on preference shares.

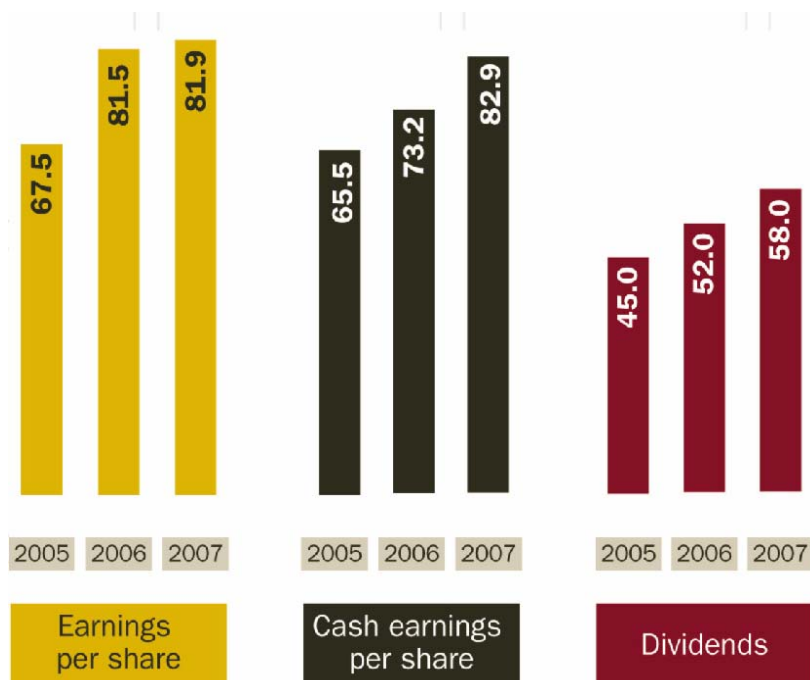
Earnings used in diluted earnings per ordinary share is profit after tax.

Earnings used in after tax before significant items return on average ordinary equity is profit after tax excluding significant items, less dividends on preference shares.

Ordinary equity for use in these ratios is net assets less preference shares, asset revaluation reserve - shares, unrealised gains/losses on cash flow hedges reserve, general reserve for credit losses and minority interests.

After tax return on average assets uses profit after tax.

**Earnings per ordinary share
cents**

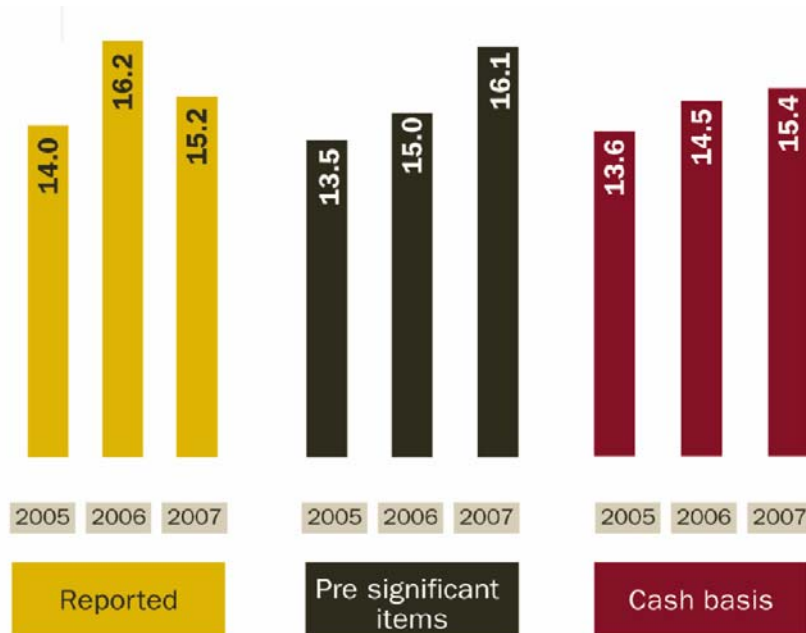


Earnings per ordinary share increased to 81.9 cents for the year, representing an increase of 0.4 cents, or 0.5%.

Cash basis earnings per share was 82.9 cents, an increase of 9.7 cents, or 13.3% over 2006. The strong cash basis earnings per ordinary share growth enabled directors to lift the final dividend 4.0 cents to 34.0 cents per share.

This represents a payout ratio of 70.8% on earnings per ordinary share or 70.0% on cash basis earnings per ordinary share.

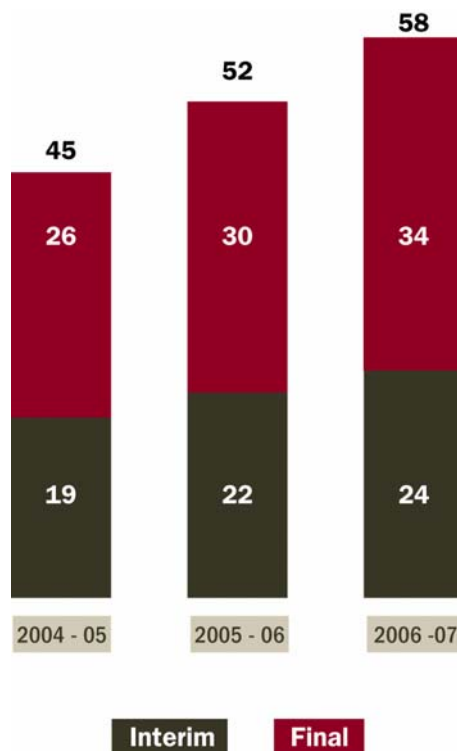
Return on ordinary equity
 %



Cash basis return on average ordinary equity was 15.37% compared to 14.51% in 2006, representing a 5.9% increase.

Return on average ordinary equity including significant items decreased from 16.16% to 15.18% in the previous corresponding period. This reflects the impact of significant expense items in the 2007 result compared to net significant income items included in the 2006 result.

Total Dividends paid
 cents



2.4.10.3 Dividends

	Full year				Six months ending			
	Jun-07	Jun-06	Change	%	Dec-06	Jun-07	Change	%
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Dividends								
Dividend per share - cents	58.0	52.0	6.0	11.5	24.0	34.0	10.0	41.7
Dividend amount payable - \$m	79.2	69.2	10.0	14.5	32.6	46.6	14.0	42.9
Payout ratio - earnings per ordinary share	70.8%	63.8%	7.0%	11.0	65.6%	75.1%	9.5%	14.5
Payout ratio - cash basis earnings per ordinary share	70.0%	71.0%	(1.0%)	(1.4)	61.5%	77.4%	15.9%	25.9

Payout ratio is calculated as dividend per share divided by the applicable earnings per ordinary share.

	Consolidated	
	2007	2006
	\$m	\$m
Dividends paid or proposed		
Ordinary shares		
<i>Dividends paid during the year</i>		
current year		
Interim dividend (24.0 cents per share) (2006 - 22.0 cents per share)	32.6	29.1
previous year		
Final dividend (30.0 cents per share) (2006 - 26.0 cents per share)	40.1	34.3
<i>Dividends proposed since the reporting date, but not recognised as a liability</i>		
Final dividend (34.0 cents per share) (2006 - 30.0 cents per share)	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.

Preference shares

<i>Dividends paid during the year</i>		
131.68 cents per share paid on 15 September 2006 (2006: 90.80 cents)	1.2	0.8
134.64 cents per share paid on 15 December 2006 (2006: 62.19 cents)	1.2	0.6
136.36 cents per share paid on 15 March 2007 (2006: 61.62 cents)	1.2	0.5
138.89 cents per share paid on 15 June 2007 (2006: 62.68 cents)	1.2	0.6
	<hr/>	<hr/>
	4.8	2.5

	Consolidated	
	2007	2006
	\$m	\$m
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	<u>(21.0)</u>	<u>(18.1)</u>
	<u>111.3</u>	<u>87.2</u>

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:

Paid in cash	57.0	48.1
Satisfied by issue of shares	<u>20.5</u>	<u>17.8</u>
	<u>77.5</u>	<u>65.9</u>

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 10 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 10 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 is 31 August 2007.

2.4.10.4 Earnings per share

	Consolidated	
	2007	2006
Share ratios	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
	\$m	\$m
(1) Significant income and expense items after tax comprise:		
<i>Income</i>		
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)
<i>Expense</i>		
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 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.

2.5 Additional notes

2.5.1 Analysis of intangible assets

	Balance sheet - carrying value	Full year amortisation/ impairment expense	
	Jun-07 \$m	Jun-07 \$m	Jun-06 \$m
Goodwill	64.2	-	0.1
Trustee licence	8.4	-	-
Software	19.7	4.2	3.9
Customer list (Oxford Funding)	1.4	1.2	1.6
	<u>93.7</u>	<u>5.4</u>	<u>5.6</u>

2.5.2 Assets and capital

	As at Jun-07 \$m	As at Jun-06 \$m	Change \$m	%	As at Dec-06 \$m	As at Jun-07 \$m	Change \$m	%
	Group assets	17,001.6	15,196.1	1,805.5	11.9	15,942.7	17,001.6	1,058.9
Capital adequacy								
Total qualifying capital	999.0	923.1	75.9	8.2	984.6	999.0	14.4	1.5
Risk-weighted assets	9,754.0	8,566.9	1,187.1	13.9	8,992.9	9,754.0	761.1	8.5
Risk-weighted capital adequacy	10.24%	10.77%	(0.53%)	(4.9)	10.95%	10.24%	(0.71%)	(6.5)
- Tier 1	7.98%	8.33%	(0.35%)	(4.2)	8.38%	7.98%	(0.40%)	(4.8)
- Tier 2	2.26%	2.44%	(0.18%)	(7.4)	2.57%	2.26%	(0.31%)	(12.1)
Net tangible assets per fully paid ordinary share	\$5.40	\$4.78	\$0.62	13.0	\$5.06	\$5.40	\$0.34	6.7
Number of fully paid ordinary shares on issue - 000's	144,188	140,851	3,337	2.4	143,347	144,188	841	0.6

Total group assets rose by \$1.8 billion during the reporting period, or 11.9%.

Risk weighted assets increased by 13.9% and the group's capital base was up by 8.2% to \$999 million during the reporting period. The group continues to be strongly capitalised with tier one ratio as 7.98% and tier two of 2.26%.

2.5.3 Investments accounted for using the equity method

Name	Ownership		Balance date
	interest held by		
	consolidated entity		
	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 P/L	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 Financial Services P/L	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 - payments processing services

All associate companies were incorporated in Australia.

(ii) Share of associates' revenue and profits

	2007	2006
	\$m	\$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

Elders Rural Bank Ltd reported a net profit after-tax of \$36.0 million for the year ended 30 June 2007, representing an 11.4% increase on \$32.3 million last year. Loans under management grew by 13.9% to reach \$3.3 billion with deposits rising 11.7% to \$3.2 billion. Despite a period of challenging seasonal conditions for its client base, credit performance continues to be extremely good with the ratio of net non-performing loans to gross loans under management remaining relatively stable at 0.36% (2006: 0.29%).

Tasmanian Banking Services Ltd is a joint venture between Bendigo Bank and Tasmanian Perpetual Trustees providing banking services in Tasmania. The company opened two new branches at Kingston and Kings Meadow during the year taking offices to nine across Tasmania. Banking business now totals \$608 million representing a 5.2% increase over the year.

Community Sector Enterprises Pty Ltd 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 services to the not-for-profit sector in return for a share of the margin and fee income. This improves the return on capital for the sector, enhancing its ability to deliver services to the community. In line with Bendigo's strategy to bank discrete communities, it provides the Bank with a distribution channel providing access to a geographically diverse community of interest.

Homesafe Solutions Pty Ltd is the trustee and management company responsible for the development, marketing, sales and management of the Homesafe Debt Free Equity Release product that enables aged home-owners to access the equity in their homes in a secure and cost efficient manner. During the year new business valued at \$26.5 million has been written in this product.

Caroline Springs Financial Services Pty Ltd is a joint venture between Bendigo Bank and Delfin Lend Lease Ltd which established a bank branch in February 2005 as part of the infrastructure for a new integrated property development in the Melbourne suburb of Caroline Springs.

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.

Community Telco Australia Pty Ltd (CTA) is a joint venture between Bendigo Bank and AAPT. CTA provides telecommunications services and systems under licence to franchises of Bendigo Bank's wholly-owned subsidiary, Community Developments Australia Ltd.

Strategic Payment Services Pty Ltd was established in May 2006 and is a joint venture between Bendigo Bank (40%), Customers Limited (40%) and MasterCard International (20%). The company is building an independent payment processing business that will handle the processing and management of all Bendigo and Customers ATM and Eftpos transactions. The core systems development work has been completed and migration of devices and transactions commenced in June 2007. This will continue progressively over the next financial year.

2.5.4 Average balance sheets 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				
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
		<u>14,940.7</u>	<u>1,090.0</u>	<u>7.30</u>
Securitisation interest earning assets		329.2	25.5	7.75
Total interest earning assets	2,3	<u>15,269.9</u>	<u>1,115.5</u>	<u>7.31</u>
Non interest earning assets				
Property, plant & equipment		113.0		
Provisions for doubtful debts		(19.2)		
Other assets		607.1		
		<u>700.9</u>		
Total assets (average balance)		<u>15,970.8</u>		
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
		<u>14,386.2</u>	<u>735.3</u>	<u>5.11</u>
Securitisation interest bearing liabilities		314.5	23.1	7.34
Total interest bearing liabilities	2	<u>14,700.7</u>	<u>758.4</u>	<u>5.16</u>
Non interest bearing liabilities and equity				
Other liabilities		330.0		
Equity		940.1		
		<u>1,270.1</u>		
Total liabilities and equity		<u>15,970.8</u>		
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	4		357.1	2.15
Net interest margin	5			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 income includes \$6.1m of application fee income reclassified under AIFRS.

4 Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.

5 Interest margin is the net interest income as a percentage of average interest earning assets.

For the twelve month period ended 30 June 2006

	Note	Average Balance \$m	Interest 12 mths \$m	Average Rate %
Average balances and rates				
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
		<u>13,358.5</u>	<u>914.6</u>	<u>6.85</u>
Securitisation interest earning assets		463.1	33.2	7.17
Total interest earning assets	2,3	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		
		<u>470.2</u>		
Total assets (average balance)		<u>14,291.8</u>		
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
		<u>12,773.8</u>	<u>603.9</u>	<u>4.73</u>
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		
		<u>1,069.4</u>		
Total liabilities and equity		<u>14,291.8</u>		
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	4		315.1	2.07
Net interest margin	5			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 income includes \$7.2m of application fee income reclassified under AIFRS.

4 Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.

5 Interest margin is the net interest income as a percentage of average interest earning assets.

For the six month period ended 30 June 2007

	Note	Average Balance \$m	Interest 6 mths \$m	Average Rate %
Average balances and rates				
Interest earning assets				
Cash and cash equivalents		265.5	2.9	2.20
Financial assets (treasury) available for sale & held to maturity		2,060.3	66.4	6.50
Loans and other receivables - company		8,760.8	341.9	7.87
Loans and other receivables - alliances		4,277.0	150.2	7.08
		<u>15,363.6</u>	<u>561.4</u>	<u>7.37</u>
Securitisation interest earning assets		298.0	11.7	7.92
Total interest earning assets	2,3	<u>15,661.6</u>	<u>573.1</u>	<u>7.38</u>
Non interest earning assets				
Property, plant & equipment		129.9		
Provisions for doubtful debts		(19.8)		
Other assets		634.2		
		<u>744.3</u>		
Total assets (average balance)		<u>16,405.9</u>		
Interest bearing liabilities				
Deposits				
Retail - company		6,908.8	151.8	4.43
Retail - alliances		5,000.8	142.1	5.73
Wholesale - domestic		1,515.0	43.2	5.75
Wholesale - offshore		1,100.5	35.7	6.54
Other borrowings				
Subordinated debt		289.9	10.3	7.16
		<u>14,815.0</u>	<u>383.1</u>	<u>5.21</u>
Securitisation interest bearing liabilities		285.9	10.7	7.55
Total interest bearing liabilities	2	<u>15,100.9</u>	<u>393.8</u>	<u>5.26</u>
Non interest bearing liabilities				
Other liabilities		335.8		
Equity		969.2		
		<u>1,305.0</u>		
Total liabilities and equity		<u>16,405.9</u>		
Interest margin and interest spread				
Interest earning assets		15,661.6	573.1	7.38
Interest bearing liabilities		(15,100.9)	(393.8)	(5.26)
Net interest income and interest spread	4		179.3	2.12
Net interest margin	5			2.31

Impact of community bank/alliances profit share arrangements

Net interest margin before community bank/alliances share of net interest income	2.88
Less impact of community bank/alliances share of net interest income	0.57
Net interest margin	2.31

1 Average balance is based on monthly closing balances from 31 December 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 Income Statement. Interest income and expense values have been increased by \$29.2m to reflect gross amounts.

3 Interest income includes \$3.0m of application fee income reclassified under AIFRS.

4 Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.

5 Interest margin is the net interest income as a percentage of average interest earning assets.

For the six month period ended 31 December 2006

	Note	Average Balance \$m	Interest 6 mths \$m	Average rate %
Average balances and rates				
Interest earning assets				
Cash and liquid assets	1	202.6	1.9	1.86
Financial assets (treasury) available for sale & held to maturity		1,934.7	61.8	6.34
Loans and other receivables - company		8,520.8	329.6	7.67
Loans and other receivables - alliances		3,837.7	135.3	6.99
		<u>14,495.8</u>	<u>528.6</u>	<u>7.23</u>
Securitisation interest earning assets		361.6	13.8	7.57
Total interest earning assets	2,3	<u>14,857.4</u>	<u>542.4</u>	<u>7.24</u>
Non interest earning assets				
Property, plant & equipment		96.2		
Provisions for doubtful debts		(18.6)		
Other assets		584.9		
		<u>662.5</u>		
Total assets (average balance)		<u>15,519.9</u>		
Interest bearing liabilities				
Deposits				
Retail - company		6,919.7	148.4	4.25
Retail - alliances		4,650.1	130.3	5.56
Wholesale - domestic		1,162.2	33.3	5.68
Wholesale - offshore		921.1	29.3	6.31
Other borrowings				
Subordinated debt		300.7	10.9	7.19
		<u>13,953.8</u>	<u>352.2</u>	<u>5.01</u>
Securitisation interest bearing liabilities		343.9	12.4	7.15
Total interest bearing liabilities	2	<u>14,297.7</u>	<u>364.6</u>	<u>5.06</u>
Non interest bearing liabilities and equity				
Other liabilities		309.2		
Equity		913.0		
		<u>12,222.2</u>		
Total liabilities and equity		<u>15,519.9</u>		
Interest margin and interest spread				
Total interest earning assets		14,857.4	542.4	7.24
Total interest bearing liabilities		(14,297.7)	(364.6)	(5.06)
Total net interest income and interest spread	4		177.8	2.18
Total net interest margin	5			2.37
Impact of community bank/alliances profit share arrangements				
Net interest margin before community bank/alliances share of net interest income				2.92
Less impact of community bank/alliances share of net interest income				0.55
Net interest margin				2.37

1 Average balance is based on monthly closing balances from 30 June 2006 through 31 December 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 \$27.7m to reflect gross amounts.

3 Interest income includes \$3.1m of application fee income reclassified under AIFRS.

4 Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.

5 Interest margin is the net interest income as a percentage of average interest earning assets.

2.5.5 Credit ratings

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

as at August 2007

On 2 February 2007, Fitch Ratings, the international ratings agency affirmed Bendigo Bank's long term rating at BBB+ with a stable outlook.

Fitch commented "The ratings reflect the solid capitalisation and sound asset quality demonstrated by Bendigo Bank in the context of its small size and reliance on Australia's residential mortgage market."

Standard and Poor's Ratings Services also affirmed the Bank's credit ratings in their release on 21 February 2007. It was noted that the current ratings "reflects the Bank's status as an established regional bank with good business and geographic diversity, sustained business and earnings growth, very good credit quality, and a differentiated service-and-distribution strategy".

2.5.6 Issued capital

Changes to issued and quoted securities during the period

Ordinary shares	\$m
140,850,961 fully paid ordinary shares at beginning of year	564.1
September 2006 – 818,654 shares issued at \$13.62 under Dividend Reinvestment Plan	11.1
September 2006 – 156,945 shares issued at \$13.62 under Bonus Share Scheme (in lieu of dividend payment)	-
October 2006 – 1,520,662 shares issued at \$13.54 under Employee Share Plan	20.6
March 2007 – 704,107 shares issued at \$13.40 under Dividend Reinvestment Plan	9.4
March 2007 – 136,561 shares issued at \$13.40 under Bonus Share Scheme (in lieu of dividend payment)	-
144,187,890 fully paid ordinary shares at 30 June 2007	605.2
Preference Shares	\$m
900,000 preference shares of \$100 face value (fully paid) at beginning of financial year	88.3
Payment of unpaid portion of existing shares	0.2
900,000 preference shares of \$100 face value (fully paid) at 30 June 2007	88.5

2.6 Commentary on results and performance trends

The Group recorded a cash profit of \$118.5 million, a \$16.0 million or 15.6% increase over the \$102.5 million achieved in 2006. Reported cash earnings per share of 82.9 cents represented a 13.3% increase for the year comfortably achieving the guidance provided to the market of 12% growth.

The result included the impact of significant expense items which totalled \$7.3 million before tax. The profit before tax and significant items for 2007 was \$185.2 million, a \$30.7 million or 19.9% increase over 2006. The significant items included the expense relating to an issue of shares to staff under the Employee Share Plan reported in the first half results and expense relating to the Bank of Queensland proposed merger that occurred during the second half of the financial year.

Increased contributions from all major business divisions within the Group were recorded during the year and were supported by a 12.6% increase in group loans under management and a 12.4% growth in deposits and funds under management.

Net interest income increased by 13.3% or \$42.0 million, underpinned by an increase of \$1.4 billion in average interest earning assets. The group recorded a 2.34% net interest margin for the 12 months, which was an increase of six basis points from 2006. Net interest margin before payments to community banks and alliance partners increased by 14 basis points when compared to 2006.

Non interest income increased by \$20.9 million or 12.9% excluding the significant income items. The major increases included liability product transaction fees driven by a 10.9% growth in customer accounts and increased income from our electronic delivery network. Earnings from our Wealth Solutions managed fund products, commissions from insurance business and higher profit contribution from our captive insurer Sunstate Lenders Mortgage Insurance Pty Ltd also contributed to the increased non interest income.

Bad and doubtful debts expense increased from \$7.3 million to \$8.8 million in 2007. The increase was predominantly due to expense relating to an increase in the collective provision of \$2.6 million, a \$1.7 million increase over 2006. The expense in relation to specific provisions decreased by \$0.7 million.

The group continues to experience sound levels of credit quality with net impaired loans standing at \$10.0 million, up from \$5.9 million, however this represents just 0.07% of gross loan receivables.

Other expenses excluding significant expense items increased by \$30.7 million or 9.1%. The major contributors to this increase were:

- Staff and related costs increased by 9.9% following the increase of 85 in full time equivalent staff across the group. The majority of the staff increases were in Retail distribution and support divisions. Wage increases awarded under the Group's certified agreement and other salary increases also contributed to the increase in the category. Expense relating to executive equity based transactions added \$0.9 million to the 2007 costs when compared to 2006.
- Occupancy costs increased 7.5% due to increases in property rent and outgoings and higher contracted cleaning and security cost.
- Information technology costs increased by 23.0%, reflecting increases in communications lines across the network, commissioning of the new data centre in Bendigo and upgrading of computer hardware and software systems.
- Communications, postage and stationery increased by \$1.6 million due to growth in phone costs and higher postage volumes.
- Other product and services delivery costs increased by 10.9% due to increased ATM and EFTPOS network costs reflecting the growth in these delivery channels.

Notwithstanding the above increases the expense to income ratio continued to improve decreasing from 66.6% to 64.6% over the period.

The directors have declared a final dividend of 34.0 cents per share, fully franked (at 30 per cent) on 9 August 2007. The dividend is payable on 28 September 2007 and when combined with the interim dividend of 24.0 cents represents a dividend pay-out ratio on earnings per ordinary share of 70.8% (2006: 63.8%), or 70.0% of cash basis earnings per ordinary share (2006: 71.0%).

The ongoing expansion of our Community Bank network, further growth in the Wealth Solutions division and increased business in our retail, e-banking, cards and business banking products is expected to maintain the growth momentum in profits and we are targeting cash earnings per share growth of 12% for the new financial year.