BENDIGO BANK LIMITED

ABN 11 068 049 178

FULL FINANCIAL REPORT

30 JUNE 2004

FIVE YEAR HISTORY

The Bendigo Group

Financial Performance year ended 30 June	2004	2003	2002	2001 (1)	2000 (2)
	$m	$m	$m	$m	$m
Interest revenue	615.5	500.6	447.0	454.4	296.8
Interest expense	361.2	278.3	254.4	293.7	179.9
Net interest margin	253.6	222.3	192.6	160.7	116.9
Specific income items	17.0	-	-	-	-
Other revenue	140.5	125.6	99.6	76.8	57.9
Specific bad & doubtful debts expense	-	-	10.4	-	10.5
Bad & doubtful debts expense (net of bad debts recovered)	13.8	15.3	11.6	10.1	7.6
Specific expense items	8.3	-	-	5.0	-
Other operating expenses	273.7	243.3	205.8	167.4	119.4
Profit from ordinary activities before income tax expense	115.3	89.3	64.4	55.0	37.4
Income tax expense	33.7	30.2	15.7	21.7	16.0
Specific items income tax expense	2.1	-	-	-	-
Net (profit)/loss attributable to outside equity interest	0.3	-	0.1	-	-
Profit from ordinary activities after income tax expense	79.8	59.0	48.8	33.3	21.3
Financial Position at 30 June					
Total assets	11,284.5	9,256.6	7,967.7	6,981.5	4,913.4
Loans	9,372.6	7,504.0	6,209.5	5,592.1	3,939.9
Liquid assets and cash	1,535.3	1,418.5	1,439.9	1,125.7	801.9
Other assets	376.6	334.2	318.3	263.7	171.7
Equity	676.4	552.7	494.4	422.8	288.4
Deposits	10,148.9	8,241.2	6,988.5	6,229.2	4,394.7
Subordinated debt	199.3	204.7	161.4	135.4	78.1
Other liabilities	259.9	258.1	323.4	194.2	152.3
Share Information					
Net tangible assets per share	$4.40	$3.80	$3.38	$3.02	$3.00
Earnings per share - cents	60.2	46.8	41.1	31.5	27.5
Earnings per share before specific items - cents	55.2	46.8	41.1	34.8	36.5
Dividends per share:					
Interim - cents	17.0	13.5	12.0	11.5	10.5
Special - cents	-	-	-	15.0	-
Final - cents	23.0	20.0	17.0	14.5	13.5
Total - cents	40.0	33.5	29.0	41.0	24.0
Ratios					
Profit from ordinary activities after tax to average assets	0.78%	0.69%	0.65%	0.56%	0.47%
Profit from ordinary activities after tax to average equity	12.99%	11.06%	10.24%	9.03%	7.75%

1 Figures for 2001 include the acquisition of First Australian Building Society effective 11 October 2000.
2 Figures for 2000 include the acquisition of Victorian Securities Corporation Limited effective 7 September 1999.

FIVE YEAR COMPARISON

The Bendigo Group

		2004	2003	2002	2001 [1]	2000 [2]
Key Trading Indicators						
Retail deposits - branch sourced	($m)	9,596.8	6,823.4	5,637.9	4,756.8	2,953.8
Number of depositors' accounts		1,094,884	974,788	850,979	720,709	481,153
Total loans approved	($m)	6,077.8	4,822.8	3,637.2	2,494.6	1,854.3
Number of loans approved		72,063	70,175	47,325	40,614	32,243
Liquid assets and cash	($m)	1,535.3	1,418.5	1,439.9	1,125.7	801.9
Total assets	($m)	11,284.5	9,256.6	7,967.7	6,981.5	4,913.4
Liquid assets & cash as proportion of total assets	(%)	13.61	15.32	18.07	16.12	16.32
Number of branches [3]		276	246	215	179	107
Average deposit holdings per branch	($m)	34.8	27.6	26.2	26.6	27.6
Number of staff	(FTE)	2,102	1,904	1,754 [4]	1,533 [5)]	1,011 [6]
Assets per staff member [7]	($m)	5.368	4.862	4.543	4.554	4.860
Staff per million dollars of assets [7]		0.19	0.21	0.22	0.22	0.21
Dissection of Loans by Security ($'000) [8]						
Residential loans		7,110.9	5,602.5	4,583.2	4,188.2	2,774.2
Commercial loans		1,774.1	1,446.5	1,239.5	1,041.4	893.8
Unsecured loans		492.9	463.5	403.4	337.1	293.2
Other		92.0	71.4	52.7	81.2	28.7
Gross loans		9,469.9	7,583.9	6,278.8	5,647.9	3,989.9
Dissection of Loans by Security (%) [8]						
Residential loans		75.09	73.87	72.99	74.15	69.53
Commercial loans		18.73	19.07	19.74	18.44	22.40
Unsecured loans		5.20	6.11	6.42	5.97	7.35
Other		0.98	0.95	0.85	1.44	0.72
Total		100.00	100.00	100.00	100.00	100.00
Asset Quality						
Non-accruing loans	($m)	12.9	16.4	20.6	28.3	27.2
Specific provisions	($m)	(8.0)	(10.6)	(8.7)	(8.4)	(14.5)
Restructured loans and assets acquired through security enforcement	($m)	-	-	-	-	3.3
Net impaired loans	($m)	4.9	5.8	11.9	19.9	16.0
Net impaired loans % of gross loans	(%)	0.05	0.08	0.19	0.35	0.41
Specific provision for impairment	($m)	8.1	10.7	9.8	9.5	15.5
Specific provision % of gross loans less unearned income	(%)	0.09	0.14	0.16	0.17	0.39
General provision for impairment	($m)	53.4	43.8	35.7	21.8	13.8
General provision as % of risk weighted assets	(%)	0.79	0.79	0.79	0.79	0.71
Loan write-offs as % of average total assets	(%)	0.07	0.08	0.11	0.25	0.13

1 Figures for 2001 include the acquisition of First Australian Building Society effective 11 October 2000.
2 Figures for 2000 include the acquisition of Victorian Securities Corporation Limited effective 7 September 1999.
3 Includes Community Bank branches.
4 Includes staff increases from the acquisition of Bendigo Investment Services.
5 Includes staff increases from the acquisition of First Australian Building Society.
6 Includes staff increases from the acquisition of Victorian Securities Corporation Limited.
7 These ratios do not take into account off-Statement of Financial Position assets under management, which totalled $2.25 billion at 30 June 2004 (2003: $2.28 billion).
8 For the purposes of this dissection, overdrafts and personal loans secured by residential and commercial property mortgages are included in residential and commercial loan categories respectively.

DIRECTORS' REPORT

Your Board of Directors has pleasure in presenting the 139th Financial Report of Bendigo Bank Limited and its controlled entities for the year ended 30 June 2004.

Directors

The names of the Bank's directors in office during the financial year and until the date of this report are as follows:

Richard A Guy OAM	- Chairman
Robert N Johanson	- Deputy Chairman
Robert G Hunt AM	- Managing Director
Neal J Axelby	
Jennifer L Dawson	
Donald J Erskine	
Terence J O'Dwyer	
Kevin E Roache	

Principal Activities

The principal activities of the Company and its controlled entities during the financial year were the provision of a range of banking and other financial services, including retail banking, business banking and commercial finance, funds management, treasury and foreign exchange services (including trade finance), superannuation and trustee services.

There was no significant change in the nature of the activities of the economic entity during the year.

Consolidated Result

The consolidated profit from ordinary activities of the economic entity, after providing for income tax, amounted to $79.8 million (2003 - $59.0 million).

Dividends Paid or Recommended

Dividends paid:

Final dividend 2003 of 20.0¢ per share, paid October 2003	$24.3 million
Interim dividend 2004 of 17.0¢ per share, paid March 2004	$21.5 million

Dividend recommended:

Final dividend 2004 of 23.0¢ per share, declared by the Directors on 9 August 2004, payable 30 September 2004	$30.3 million

All dividends were fully franked.

Shareholders electing to receive dividends in the form of shares received the following ordinary shares, paid in full:

October 2003	1,040,442
March 2004	821,279

In addition, shareholders electing to receive bonus shares in lieu of dividends received the following ordinary shares, paid in full:

October 2003	165,434
March 2004	130,581

Shares issued under Dividend Reinvestment Plan underwriting program, paid in full:

October 2003	1,770,605

Review of Operations

A review of operations and the results of those operations for the financial year are set out in the Report by Chairman and Managing Director which forms part of the Concise Annual Report.

Significant Changes in the State of Affairs

Total equity increased from $552.7 million to $676.4 million, an increase of $123.7 million or 22.4 per cent. Contributed equity increased by $88.0 million, due to $32.4 of shares issued under the dividend reinvestment plan, $15.1 million of shares issued due to conversion of capital notes, $12.7 million of shares issued under the employee share plan and $27.8 million of shares issued under the share purchase plan.

Share issue expenses of $0.5 million reduced contributed equity.

After Balance Date Events

On 9th of August 2004 the Bank declared a final dividend, details of which are shown above.

Except as referred to in the Report by Chairman and Managing Director, or dealt with elsewhere in the consolidated financial report, there were no matters or circumstances which arose since the end of the financial year to the date of this report which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years.

Likely Developments and Results

Disclosure of information relating to major developments in the operations of the Group and the expected results of those operations in future financial years, which, in the opinion of the Directors, will not unreasonably prejudice the interests of the Group, is contained in the Report by Chairman and Managing Director.

Information on Directors

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

Name and age, qualifications & independence status	Term of office	Special responsibil-ities - Committees	Skills, experience and expertise	Other relationships
Richard Guy OAM **(Chairman)** (59 years) B Appl Sc, M Sc (London) Independent director	Director for 23 years and chairman for 18 years. *Seeking re-election at 2004 AGM	Governance (Chairman) Audit Property (Chairman)	A Bendigo-based director, Mr Guy is an engineer by trade and is chairman of Crystal Industries Group. Mr Guy has chaired the Bank through a period of rapid growth and development including the conversion to Bank status in 1995, a number of mergers, joint ventures and the introduction of Community Bank. Mr Guy is a director of Elders Rural Bank Ltd and member of various community and charitable organisations.	
Robert Johanson **(Deputy Chairman)** (53 years) BA, LLM (Melb) MBA (Harvard) Independent director	Director for 17 years and deputy chairman for 4 years.	Risk (Chairman) Governance (resigned May 2004) IT Strategy	A Melbourne-based director, Mr Johanson has expertise in corporate strategy, capital and risk management. He has provided independent corporate advice in respect to capital market transactions to a wide range of public and private companies. Mr Johanson is a director of Elders Rural Bank Ltd and a member of the Finance & Investment Committee, University of Melbourne and Robert Salzar Foundation Ltd.	Mr Johanson is a director of Grant Samuel Group Pty Ltd (and subsidiaries). Grant Samuel provides professional advisory services to the Group on normal commercial terms and conditions. The services provided during the 2004 financial year related to a Group property review, alliances and joint ventures and strategic developments.
Rob Hunt **(Managing Director)** (53 years) FAICD Executive director	Employee since 1973 and appointed CEO in 1988. Appointed to Board in 1990.	Governance Risk Property IT Strategy	Based in Bendigo, Mr Hunt has led the Bank's development from a provincial building society to a nationally represented, uniquely positioned and diverse banking and financial services group. Mr Hunt is the architect of the Community Banking and other alliance arrangements. Mr Hunt is a director of the joint venture companies Elders Rural Bank, Community Sector Enterprises Ltd and Tasmanian Banking Services Ltd. He is a Councillor of the ABA, a member of the BCA, the Prime Minister's Community Business Partnership and the Victorian Government's Innovation Economy Advisory Board.	Executive director and chief executive officer.
Neal Axelby (54 years) Dip CM ACIS, FAICD, AIMM, AIFS Independent director	Director for 4 years.	Credit Governance Risk (appointed June 2004)	A Queensland-based director, Mr Axelby has had 15 year combined years of experience as an employee and director in the finance industry before joining the board. He also has 20 years experience in senior management positions in the private sector.	Mr Axelby became a director of a predecessor to First Australian Building Society Limited (FABS) in 1985, was appointed chairman in 1993. Mr Axelby continued as a director of various merged entities that were predecessors to FABS and was chairman of FABS when acquired by Bendigo Bank in 2000. FABS is now a non-operating wholly-owned subsidiary of Bendigo Bank.

Information on Directors (continued)

Name and age, qualifications & independence status	Term of office	Special responsibil-ities - Committees	Skills, experience and expertise	Other relationships
Donald Erskine (58 years) Independent director	Director for 5 years. *Seeking re-election at 2004 AGM	Credit Property (appointed May 2004) IT Strategy	A Bendigo-based director, Mr Erskine is a mechanical engineer and chairman of several private companies. Mr Erskine has an extensive background in manufacturing and property development.	
Kevin Roache (64 years) LLB, B Com ASCPA, FAICD Barrister & Solicitor of the Supreme Court of Victoria Independent director	Director for 13 years. *Seeking re-election at 2004 AGM	Credit (Chairman) Risk Governance (appointed May 2004)	A Geelong-based director, Mr Roache has extensive experience in advising clients on business and taxation issues. Mr Roache is the President of the Geelong Business Club, member of the Finance Committee of Geelong Chamber of Commerce, Member of Committee for Geelong, a former Chairman of Barwon Health Geelong and has been a board member of many community and charitable organisations.	Mr Roache became a director of Capital Building Society in 1987 and Chairman in 1991. The business of Capital Building Society was integrated into Bendigo Bank under the provisions of Part 6 of the Building Societies Act 1986 in 1992. Mr Roache is a partner in Coulter Roache which provides legal services to the Group and leases office premises from the Group, in each case on normal commercial terms and conditions.
Terence O'Dwyer (54 years) B Com, Dip Adv Acc FCA, FAIDC Independent director	Director for 4 years.	Audit Risk IT Strategy (Chairman)	A Queensland-based director, Mr O'Dwyer chairs BDO Kendalls (Chartered Accountants). He has been a partner in the firm for 26 years and currently heads its corporate finance division. Mr O'Dwyer is chairman of Metal Storm Ltd, Breakfree Ltd and Brumby's Bakeries Holdings Ltd.	Mr O'Dwyer became a director of a predecessor entity to First Australian Building Society Limited (FABS) in 1990 and continued as a director of various merged entities that were predecessors to FABS. FABS was acquired by Bendigo Bank in 2000. FABS is a non-operating wholly-owned subsidiary of Bendigo Bank.
Jennifer Dawson (39 years) B Bus (Acc) FCA, MAICD Independent director	Director for 5 years.	Audit (Chairman) Property Credit	A Bendigo-based director, Ms Dawson spent 10 years with Arthur Anderson in the audit and IT controls division. Ms Dawson has experience in the areas of financial reporting and audit, IT internal control reviews, internal audit and risk management. Ms Dawson is a director of Coliban Region Water Authority.	Ms Dawson was engaged by Bendigo Bank during the period 1995 to 1999, initially as a contractor (1995 - 1998) and then as an employee (1998 - 1999). During that time Ms Dawson's work included project management and internal audit management. Ms Dawson is a shareholder of Central Victorian Removals Pty Ltd. Central Victorian Removals provides relocation services to Bendigo Bank on normal commercial terms and conditions.

Directors' and other Officers' Emoluments

Remuneration policy - directors

A distinction is made between the structure of non-executive directors' remuneration and that of executives. The objectives of the non-executive director remuneration policy include to attract and retain appropriately qualified and experienced directors and to remunerate directors fairly having regard to their responsibilities (including providing leadership and guidance to management).

Remuneration arrangements for non-executive directors are decided by the Board based on the recommendation of the Governance Committee. The Committee surveys the range of comparable remuneration levels in the external market, particularly in the banking and finance sector, and makes sure that fees and payments reflect the demands that are made and the responsibilities of the directors.

As the focus of the Board is to build sustainable shareholder value by taking a longer-term strategic perspective, there is no direct link between non-executive director remuneration and the short-term results of the Bank.

Non-executive director remuneration comprises base fees, committee fees and Superannuation Guarantee Charge payments. Non-executive directors do not participate in the Employee Share Ownership Plan.

In addition, directors in office as at December 2003 are entitled to receive a retirement benefit equal to the aggregate of the remuneration paid to the director during the three-year period before retirement (including superannuation contributions by the company), provided the director has served at least nine years. The amount the director is entitled to receive from superannuation contributions by the Bank and earnings on those contributions is deducted from the cash payment on retirement. If the term of service is less than nine years, the benefit is calculated pro-rata based on the director's years of service. See the table below for accrued entitlements.

Non-executive directors appointed after December 2003 will not be entitled to a retirement benefit (other than the Superannuation Guarantee Charge payment), but will be entitled to an increase in directors' fees.

The total aggregate amount of non-executive directors' fees approved by the shareholders of Bendigo Bank at its Annual General Meeting held in October 2000 is $900,000 per annum.

Directors' and Executive officers' emoluments

Details of the nature and amount of each element of the emolument of each director of the company and each of the five executive officers of the company and the consolidated entity receiving the highest emolument for the financial year are as follows:

Directors' emoluments

All figures in $'s	**Primary** Salary & fees (2)	At-risk (3)	Other (4)	**Post employment** Superannuation (5)	Retirement Benefit Accrual	**Total**	Total Accrued Retirement Benefit
Richard A Guy OAM (1)	133,628	-	-	12,026	24,192	169,846	360,858
Robert N Johanson	45,285	-	21,529	6,013	12,095	84,922	180,428
Robert G Hunt AM	604,414	250,000	102,855	92,874	-	1,050,143	-
Neal J Axelby	71,952	-	-	6,476	23,027	101,455	73,929
Jennifer L Dawson	68,364	-	3,588	6,938	25,268	104,158	97,162
Donald J Erskine	71,952	-	-	6,476	25,268	103,696	97,162
Terence J O'Dwyer	66,814	-	-	6,013	23,027	95,854	73,929
Kevin E Roache	74,008	-	-	6,661	12,095	92,764	180,428
Total emoluments	1,136,417	250,000	127,972	143,477	144,972	1,802,838	1,063,896

Associate company directorships

Mr R A Guy and Mr R N Johanson are non-executive directors of Elders Rural Bank Limited, an associate entity of Bendigo Bank.
Mr Guy and Mr Johanson were each paid an annual directors fee of $55,000 plus Superannuation Guarantee Charge by Elders Rural Bank Limited in connection with their directorship.

1. *Base emolument includes Chairman's allowance of $66,814.*
2. *Includes fees in connection with attending Board credit committee meetings paid to Mr K Roache (chairman) $7,194 and $5,138 each to Ms J Dawson and Messrs N Axelby and D Erskine.*
3. *The performance objectives for the Managing Director are determined by the Board on an annual basis. Payment of the Managing Director's at-risk component is subject to Board approval and assessed against the achievement of the agreed performance measures.*
4. *"Other" represents the value of non-cash benefits provided and comprises salary sacrifice superannuation, home loan allowance and motor vehicle components. In respect of Mr R G Hunt, "other" also includes an amount of $74,769 relating to the interest free loan provided in relation to shares issued under the Employee Share Ownership Plan. The benefit is calculated using the average outstanding loan balance and the Bank's average cost of funds.*
5. *Represents Company contributions to superannuation.*

Directors' and other Officers' Emoluments (continued)

Group Executive Officers

G D Gillett	Chief General Manager, Retail
R H J Hasseldine	Chief General Manager, Group Delivery
M J Hirst	Chief General Manager, Strategy & Solutions
V M Kelly	Chief Information Officer
K C Langford	Chief Financial Officer

Remuneration policy - executive officers

The objectives of the Group's executive remuneration policy are as follows:

* To motivate executive management to manage and lead the business successfully and to drive strong long-term organisational growth in line with the strategy and business objectives.
* To drive successful organisational performance by incorporating a short term performance incentive and establish longer-term perfomance objectives.
* To further drive longer-term organisational perfomance through an equity-based reward structure.
* To make sure that there is transparency and fairness in executive remuneration policy and practices.
* To deliver a balanced solution addressing all elements of total pay - base pay, variable pay (cash and shares), bonuses, incentives, and benefits including loans.
* To make sure appropriate superannuation arrangements are in place for executives.
* To contribute to appropriate attraction and retention strategies for executives.

It is intended that base salaries are aligned with market relativities to make sure that Bendigo Bank can attract, motivate and retain executives.

The Managing Director decides the remuneration of the key executives based on their direct accountability and responsibility for the operational management, strategic direction and decision-making for Bendigo Bank and demonstrated leadership.

The Board decides the remuneration of the Managing Director, and considers whether any increase should be made to the base salary on an annual basis.

Executive remuneration packages (including the Managing Director) include an 'at risk' component.

Payment of any part of the 'at risk' component is at the discretion of the Managing Director for executives (and at the discretion of the Board for the Managing Director).

Payment is contingent upon the achievement of agreed performance standards or financial benchmarks which are set at the start of each financial year.

Executives may also participate in the bonus pool that is allocated amongst other employees. Executives only participate in the bonus pool if company performance exceeds the budget set at the beginning of the financial year.

Details of the Managing Director's emoluments are provided in the Directors' emoluments table.

Emoluments of the five most highly-paid executive officers of the Company

The terms 'Director' and 'Officer' have been treated as mutually exclusive for the purposes of this disclosure.

The elements of emoluments have been determined on the basis of the cost to the Company and the consolidated entity.

Officers' Emoluments

All figures in $'s	**Primary**				**Post employment**	**Total**
	Base Salary	At-risk	Other (1)	Interest free loan benefit (2)	Superannuation (3)	
G D Gillett	290,260	110,000	39,629	28,468	39,244	507,601
R H J Hasseldine	229,540	75,000	33,937	12,878	29,637	380,992
M J Hirst	267,884	100,000	44,424	14,577	37,108	463,993
V M Kelly	270,042	70,000	39,062	26,324	31,894	437,322
K C Langford	261,528	100,000	49,817	25,858	37,021	474,224
Total emoluments	1,319,254	455,000	206,869	108,105	174,904	2,264,132

1 *"Other" represents the value of non-cash benefits provided and comprises salary sacrifice superannuation, home loan allowance and motor vehicle components.*

2 *This benefit relates to the interest free loan provided under the Employee Share Ownership Plan. The benefit is calculated using the average outstanding loan balance and the bank's average cost of funds.*

3 *Represents Company contributions to superannuation.*

Meetings of Directors

The number of meetings of the Bank's Directors (including meetings of committees of Directors) held during the year ended 30 June 2004 and the numbers of meetings attended by each Director were:

	Board of Directors Meetings		Meetings of Committees											
			Audit		Credit		Risk		Property		I.T. Strategy		Board Governance	
Numbers of meetings held:	15		8		11		7		10		6		4	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Attended by:														
R A Guy OAM	15	13	8	7					10	9			4	4
R N Johanson	15	15					7	7			6	5	1	1
R G Hunt AM	15	14	1	1			7	7	10	9	6	5	4	4
N J Axelby	15	15			11	10							4	4
J L Dawson	15	15	8	8	11	11			10	10				
D J Erskine	15	14			11	11			2	2	6	5		
T J O'Dwyer	15	14	8	7			7	7			6	5		
K E Roache	15	15			11	10	7	6					3	3

A eligible to attend
B attended

Insurance of Directors and Officers

During or since the financial year end, the Company has paid premiums to insure certain officers of the company and related bodies corporate. The officers of the Company covered by the insurance policy include the Directors listed above, the secretary and Directors or secretaries of controlled entities who are not also Directors and secretaries of Bendigo Bank Limited, and general managers of each of the divisions of the economic entity.
Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an independent auditor of the Company or a related body corporate.

Indemnification of Officers

The constitution stipulates that the Company is to indemnify, to the extent permitted by law, each officer or employee of the Company against liabilities (including costs, damages and expenses incurred in defending any proceedings or appearing before any court, tribunal, government authority or other body) incurred by an officer or employee in, or arising out of the conduct of the business of the Company or arising out of the discharge of the officer's or employee's duties.

As provided under the Company's constitution, the Company has entered into deeds providing for indemnity, insurance and access to documents for each Director who held office during the year. The deed requires the Company to indemnify, to the extent permitted by law, the Director against all liabilities (including costs, damages and expenses incurred in defending any proceedings or appearing before any court, tribunal, government authority or other body) incurred by the Director in, or arising out of conduct of the business of the Company, an associated entity of the Company or in the discharge of their duties as a Director of the Company, a subsidiary or associated company.

Directors' Interests in Equity

The relevant interest of each Director in shares of the company or a related body corporate at the date of this report is as follows:

Director	Ordinary Shares
R A Guy OAM	300,921
R N Johanson	170,260
R G Hunt AM (1)	508,659
N J Axelby	26,420
J L Dawson	11,770
D J Erskine	246,948
T J O'Dwyer	50,300
K E Roache	36,411

1 Includes 440,000 shares issued to Mr R G Hunt under the Bendigo Employee Share Plan.

Share Issues

The following share classes were issued during the financial year :

Description	No. of Shares
Ordinary shares issued under the Dividend Reinvestment Plan	3,632,326
Bonus shares issued in lieu of dividends under the Bonus Share Scheme	296,015
Ordinary shares issued under the Employee Share Ownership Plan	1,417,476
Ordinary shares issued under the Share Purchase Plan	2,861,567
Ordinary shares issued on conversion of Capital Notes	3,687,347
Total shares issued	**11,894,731**

Environmental Regulation

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

Share Options

During the year, or since the end of the financial year, no entity within the economic entity has granted to any person an option to take up shares in the economic entity.

Tax Consolidation

Effective 1 July 2002, for the purposes of income taxation, Bendigo Bank Limited and its 100% owned subsidiaries formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

Rounding of Amounts

The amounts contained in this report and in the financial statements have been rounded off under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies. The Class Order allows for rounding to the nearest $'00,000.

Signed in accordance with a resolution of the Board of Directors

R.A. Guy OAM, Chairman

R.G. Hunt AM, Managing Director

Dated this 7th day of September 2004

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2004

	Note	Consolidated		Bendigo Bank	
		2004	2003	2004	2003
Revenue from ordinary activities		$m	$m	$m	$m
Net interest revenue					
Interest revenue	2	615.5	500.6	589.3	483.8
Interest expense	2	361.9	278.3	344.3	268.7
Net interest revenue		253.6	222.3	245.0	215.1
Other revenue from ordinary activities					
Dividends	2	0.4	0.3	29.0	11.3
Fees - asset products	2	23.5	20.6	22.1	19.3
- liability products and electronic delivery	2	41.5	35.2	41.0	34.4
- trustee, management & other services	2	9.1	20.0	1.3	11.8
- securitisation	2	7.9	0.0	7.6	0.0
- other	2	8.3	7.4	8.3	7.2
Commissions - insurance	2	5.7	4.9	4.0	3.6
-other	2	25.2	20.1	1.2	0.9
Other operating revenue	2	3.2	4.2	12.2	10.1
Specific income items	3	17.0	-	11.0	-
Total other revenue from ordinary activities		141.8	112.7	137.7	98.6
Share of associates' net profits (losses) accounted for using the equity method	2	15.7	12.9	-	-
Total revenue after interest expense		411.1	347.9	382.7	313.7
Expenses from ordinary activities					
Bad and doubtful debts					
Bad and doubtful debts	2	14.1	15.5	13.9	15.1
Bad debts recovered	2	(0.3)	(0.2)	(0.3)	(0.2)
Total bad and doubtful debts	2	13.8	15.3	13.6	14.9
Other expenses from ordinary activities					
Borrowing costs	2	0.5	0.5	0.5	0.5
Staff and related costs	2	134.9	118.1	121.7	105.5
Occupancy costs	2	23.0	21.7	27.8	20.6
Amortisation of goodwill	2	4.3	4.3	0.6	0.6
Property, plant & equipment costs	2	11.5	10.1	9.6	8.1
Fees and commissions	2	14.2	10.9	12.7	10.7
Administration expenses	2	85.3	77.7	82.1	74.7
Specific expense items	3	8.3	-	2.6	-
Total other expenses from ordinary activities		282.0	243.3	257.6	220.7
Profit from ordinary activities before income tax expense		115.3	89.3	111.5	78.1
Income tax expense relating to ordinary activities	6	(33.7)	(30.3)	(22.9)	(22.0)
Specific items income tax expense	3	(2.1)	-	(2.6)	-
Net profit		79.5	59.0	86.0	56.1
Net (profit)/loss attributable to outside equity interest	28	0.3	-	-	-
Net profit attributable to members of Bendigo Bank Limited		79.8	59.0	86.0	56.1
Net increase/(decrease) in asset revaluation reserve	27	2.1	-	0.9	-
Increase/(decrease) in retained profits on adoption of revised accounting standard:	27				
AASB 1028 "Employee Benefits"		-	(0.3)	-	(0.2)
Share issue costs	26	(0.5)	-	(0.5)	-
Total revenues, expenses and valuation adjustments attributable to members of Bendigo Bank Limited and recognised directly in equity		1.6	(0.3)	0.4	(0.2)
Total changes in Equity other than those resulting from transactions with owners as owners attributable to members of Bendigo Bank Limited		81.4	58.7	86.4	55.9
Basic earnings per share (cents per share)	10	60.2	46.8		
Diluted earnings per share (cents per share)	10	60.2	46.8		
Franked dividends per share (cents per share)	9	40.0	33.5		

STATEMENT OF FINANCIAL POSITION

as at 30 June 2004

	Note	Consolidated		Bendigo Bank	
		2004	2003	2004	2003
		$m	$m	$m	$m
Assets					
Cash and liquid assets	**12**	157.5	107.2	142.6	92.9
Due from other financial institutions	**12**	157.6	181.3	157.5	180.9
Investment securities	**13**	1,220.2	1,130.0	1,174.3	1,038.4
Loans and other receivables	**14**	9,372.6	7,504.0	9,197.7	7,349.7
Shares - controlled entities	**16**	-	-	238.8	238.8
Shares - other	**17**	27.3	23.3	130.0	108.6
Investments accounted for using the equity method	**18**	101.1	88.7	-	-
Property, plant & equipment	**19**	56.6	53.5	34.3	33.0
Deferred tax assets	**6**	32.8	27.2	32.8	27.2
Intangibles	**20**	63.7	67.9	2.2	2.8
Other assets	**21**	95.1	73.5	67.9	53.7
Total Assets		11,284.5	9,256.6	11,178.1	9,126.0
Liabilities					
Due to other financial institutions	**12**	128.9	129.1	128.9	129.1
Deposits	**22**	10,148.9	8,241.1	9,988.6	8,052.9
Payables	**23**	88.7	91.3	73.4	81.1
Amounts payable to controlled entities		-	-	67.9	71.8
Current tax liabilities	**6**	6.8	8.5	6.8	8.5
Provision - dividend (residual DRP values)		0.1	0.1	0.1	0.1
Other provisions	**24**	27.1	23.4	25.7	22.1
Subordinated debt	**25**	199.3	204.7	199.3	204.7
Deferred tax liabilities	**6**	8.3	5.7	8.3	5.7
Total Liabilities		10,608.1	8,703.9	10,499.0	8,576.0
Net Assets		676.4	552.7	679.1	550.0
Equity					
Parent entity interest					
Contributed equity	**26**	551.6	463.6	551.6	463.6
Reserves	**27**	5.4	3.3	2.0	1.1
Retained profits	**27**	119.6	85.6	125.5	85.3
Total parent entity interest in equity		676.6	552.5	679.1	550.0
Total outside equity interest	**28**	(0.2)	0.2	-	-
Total Equity		676.4	552.7	679.1	550.0

STATEMENT OF CASH FLOWS

for the year ended 30 June 2004

	Note	Consolidated		Bendigo Bank	
		2004	2003	2004	2003
		$m	$m	$m	$m
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest and other items of a similar nature received		617.2	503.1	591.3	486.2
Borrowing costs paid		(358.8)	(284.4)	(340.9)	(275.4)
Receipts from customers (excluding interest)		124.7	112.1	92.5	80.1
Payments to suppliers and employees		(272.0)	(174.7)	(251.2)	(154.5)
Dividends received		10.6	8.6	23.5	13.9
Income taxes paid		(36.3)	(25.3)	(30.9)	(23.5)
Net cash flows from operating activities	**11**	85.4	139.4	84.3	126.8
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash flows for purchases of property, plant and equipment		(20.9)	(16.9)	(12.5)	(15.4)
Cash proceeds from sale of property, plant and equipment		8.3	1.5	1.4	1.0
Cash paid for purchases of equity investments		(23.6)	(32.5)	(23.7)	(34.1)
Cash proceeds from sale of equity investments		8.8	0.3	8.8	0.1
Net increase in balance of loans outstanding		(1,863.1)	(1,301.0)	(1,845.8)	(1,294.1)
Net (increase)/decrease of investment securities		(90.2)	(44.6)	(135.9)	27.9
Net cash flows used in investing activities		(1,980.7)	(1,393.2)	(2,007.7)	(1,314.6)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from shares issued		43.1	0.3	43.1	-
Net increase in balance of retail deposits		1,418.2	1,406.1	1,446.0	1,339.0
Net increase/(decrease) in balance of wholesale deposits		479.7	(158.8)	479.7	(160.3)
Net increase in balance of subordinated debt		9.8	46.3	9.8	46.4
Dividends paid		(28.7)	(23.4)	(28.7)	(23.4)
Net cash flows from financing activities		1,922.1	1,270.5	1,949.9	1,201.7
Net increase/(decrease) in cash held		26.8	16.7	26.5	13.9
Add cash at the beginning of the financial year		159.4	142.7	144.7	130.8
Cash at end of financial year	**12**	186.2	159.4	171.2	144.7

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Preparation of the Financial Accounts

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

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

1.2 Historical Cost

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

1.3 Principles of Consolidation

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

A controlled entity is any entity controlled by Bendigo Bank Limited. Control exists where Bendigo Bank Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Bendigo Bank Limited to achieve the objectives of Bendigo Bank Limited. A list of controlled entities is contained in Note 17 to the financial statements.

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

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

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

1.4 Changes in Accounting Policies

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

1.5 Foreign Currency Transactions and Balances

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

1.6 Cash and Cash Equivalents

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

1.7 Investments

Investment securities are maintained at cost, adjusted for accrued interest and premium or discount amortisation or net realisable value. Premiums and discounts are amortised from the date of purchase so that the securities will be recorded at face value on maturity and the appropriately proportioned premiums and discounts allowed are brought to account each month.
As they are purchased primarily with the intent of holding until maturity, no specific provision is considered necessary to account for the difference between book and market values or potential capital gains tax.
Trading securities, if any, are purchased for current resale in day to day trading operations and are recorded at market value. Gains and losses realised from the sale of trading securities and unrealised market value adjustments are brought to account each month.
Share investment securities listed on a stock exchange and unlisted investment securities are recorded at cost.
Dividends are brought to account when received except for dividends from controlled entities which are brought to account when they are proposed by the controlled entity.
Investments in associates are carried at the lower of the equity-accounted amount and recoverable amount in the consolidated financial report.
All other non-current investments are carried at the lower of cost and recoverable amount.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.8 Intangibles

Trustee Licence

The useful life of the trustee licence has been estimated to be 50 years. The licence is amortised on a straight line basis over this period. The balance is carried at cost and is reviewed annually to ensure the carrying value does not exceed recoverable amount.

Goodwill

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

Entity acquired	**Years**
Sandhurst Trustees Limited	20
Compass Building Society	18
Cass Comm Limited	10
Worley Securities Pty Ltd	20
Benhold Pty Ltd	20
Victorian Securities Corporation Limited	20
First Australian Building Society Limited	20

1.9 Property Plant and Equipment

Cost and valuation

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

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

Depreciation and Amortisation

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

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

1.10 Acquisition of Assets

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

1.11 Gain or Loss on Disposal

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

1.12 Deferred Expenditure

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

1.13 Reserve Funds

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

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.14 Employee Benefits

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

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

Long Service Leave

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

Superannuation

Contributions are made to an employee accumulation superannuation fund and are charged to expenses when incurred. Superannuation commitments are disclosed in Note 33.

1.15 Asset Quality

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

Non-accruing Loans

Loans are classified as non-accruing where:

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

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

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

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

Restructured Loans

Loans are classified as restructured where:

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

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

Bad and Doubtful Debts

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

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

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

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

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

1.16 Revenue Recognition

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

Interest, Fees and Commissions

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

Dividends

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

1.17 Unearned Income

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

1.18 Payables

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

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

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.19 Income Tax

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

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

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

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

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

1.20 Goods and Services Tax (GST)

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

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

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

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

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

1.21 Derivative Financial Instruments

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

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

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

Derivative financial instruments used for trading purposes are marked to market at balance date. Realised and unrealised changes in market value are recognised in net trading revenue in the period in which the change occurs.

1.22 Leases

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

1.23 Trustee and Funds Management Activities

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

1.24 Loan Securitisation

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

1.25 Recoverable Amount

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

1.26 Provisions

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

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

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.27 Contributed equity

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

1.28 Earnings per share

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

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

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

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

1.29 Comparative Figures

Where required by accounting standards, new legislation or changes to presentation policies, comparative figures have been adjusted to reflect those changes.

	Consolidated		Bendigo Bank	
	2004	2003	2004	2003
	$m	$m	$m	$m
2 PROFIT FROM ORDINARY ACTIVITIES				
Profit from ordinary activities before income tax expense has been determined as follows:				
(a) Revenues:				
Interest revenue				
Controlled entities				
Cash and liquid assets	-	-	-	-
Investment securities	-	-	0.1	0.6
Other persons/entities				
Cash and liquid assets	1.0	1.2	0.9	1.1
Investment securities	67.7	54.3	63.7	49.4
Loans and other receivables	546.8	445.1	524.6	432.7
Total interest revenue	615.5	500.6	589.3	483.8
Interest expense				
Controlled entities				
Retail deposits	-	-	-	0.6
Wholesale - domestic	-	-	0.4	-
Other persons/entities				
Deposits				
Retail	301.7	236.9	293.1	227.6
Wholesale - domestic	22.9	10.9	13.5	10.0
Wholesale - offshore	23.4	19.7	23.4	19.7
Other borrowings				
Subordinated debt	13.9	10.8	13.9	10.8
Total interest expense	361.9	278.3	344.3	268.7
Net interest revenue	253.6	222.3	245.0	215.1
Other revenue from ordinary activities				
Dividends				
Controlled entities	-	-	13.1	5.5
Associates	-	-	15.7	5.7
Other	0.2	0.1	0.2	0.1
Distribution from unit trusts	0.2	0.2	-	-
	0.4	0.3	29.0	11.3
Fees				
Assets	23.5	20.6	22.1	19.3
Liabilities & electronic delivery	41.5	35.2	41.0	34.4
Trustee, management & other services	9.1	9.2	1.3	1.3
Securitisation	7.9	10.8	7.6	10.5
Other	8.3	7.3	8.3	7.2
	90.3	83.1	80.3	72.7
Commissions				
Insurance	5.7	4.9	4.0	3.6
Other	25.2	20.1	1.2	0.9
	30.9	25.0	5.2	4.5
Other revenue				
Income from property	1.1	1.3	6.0	1.1
Proceeds from disposal of property, plant & equipment	0.9	1.4	0.6	1.0
Proceeds from sale of other investments	-	0.1	-	0.1
Net foreign exchange gain/(loss)	3.3	2.7	3.3	2.7
Other	(2.1)	(1.3)	2.3	5.2
	3.2	4.3	12.2	10.1
Specific income items	17.0	-	11.0	-
Total other revenue from ordinary activities	141.8	112.7	137.7	98.6
Share of associates' net profits (losses) accounted for using the equity method	15.7	12.9	-	-
Total revenue after interest expense	411.1	347.9	382.7	313.7

	Consolidated 2004 $m	Consolidated 2003 $m	Bendigo Bank 2004 $m	Bendigo Bank 2003 $m
2 PROFIT FROM ORDINARY ACTIVITIES (continued)				
(b) Expenses				
Expenses from ordinary activities				
Bad and doubtful debts				
Specific provisions	3.8	6.8	3.8	6.7
General provisions	9.6	8.1	9.4	7.7
Bad debts written off	0.7	0.6	0.7	0.7
Bad debts recovered	(0.3)	(0.2)	(0.3)	(0.2)
Total bad and doubtful debts	13.8	15.3	13.6	14.9
Borrowing costs	0.5	0.5	0.5	0.5
Other expenses from ordinary activities				
Staff and related costs				
Salaries and wages	106.6	90.1	95.8	80.0
Superannuation contributions	10.1	10.0	9.1	8.9
Provision for annual leave	1.1	1.6	0.9	1.5
Provision for long service leave	0.9	1.2	1.0	1.2
Other provisions	0.5	0.8	0.5	0.7
Payroll tax	6.1	5.5	5.5	4.8
Fringe benefits tax	1.2	1.7	0.9	1.5
Other	8.4	7.2	8.0	6.9
	134.9	118.1	121.7	105.5
Occupancy costs				
Operating lease rentals	10.9	10.8	17.0	11.1
Depreciation of buildings	0.4	0.4	0.1	0.1
Amortisation of leasehold improvements	2.0	1.9	1.9	1.8
Property rates	0.5	0.5	0.4	0.4
Land tax	0.2	0.2	0.2	0.1
Repairs and maintenance	3.1	2.6	2.8	2.2
Other	5.9	5.3	5.4	4.9
	23.0	21.7	27.8	20.6
Amortisation of goodwill	4.3	4.3	0.6	0.6
Property, plant & equipment costs				
Depreciation of property, plant & equipment	10.8	8.8	9.1	7.2
Value of property, plant & equipment sold	0.7	1.3	0.5	0.9
	11.5	10.1	9.6	8.1
Fees and commissions	14.2	10.9	12.7	10.7
Administration expenses				
Communications, postage and stationery	19.5	18.3	18.6	17.5
Computer systems and software costs	22.1	21.5	20.9	20.5
Advertising & promotion	8.8	7.9	8.5	7.3
Other product & services delivery costs	13.6	10.6	13.7	10.6
General administration expenses	21.2	18.9	19.3	15.8
Decrements arising from the revaluation of investments	-	0.5	-	0.5
Provision for directors' retirement allowance	0.1	0.2	0.1	0.1
Other	-	(0.2)	1.0	2.4
	85.3	77.7	82.1	74.7
Specific expense items	8.3	-	2.6	-
Total expenses from ordinary activities	295.2	258.6	270.6	235.6
Profit from ordinary activities before income tax expense	115.3	89.3	111.5	78.1
(c) Gains/(losses)				
Profit/(loss) from disposal of property, plant & equipment	0.2	0.1	0.1	0.1
Profit/(loss) from sale of other investments	-	0.1	-	0.1

	Consolidated 2004 $m	Consolidated 2003 $m	Bendigo Bank 2004 $m	Bendigo Bank 2003 $m
3 SPECIFIC ITEMS				
(a) Specific income and expense items				
Profit from ordinary activities before income tax expense includes the following income and expenses whose disclosure is relevant in explaining the financial performance of the entity:				
Specific income items				
GST refund in relation to electronic networks transactions	1.5	-	1.5	-
Proceeds on sale of Cashcard shares	8.8	-	8.8	-
Proceeds on sale of properties	7.4	-	0.7	-
Share of loss - BSX Group Holdings Ltd (equity accounted investment) (1)	(0.7)	-	-	-
	17.0	-	11.0	-

1 First time adoption of equity accounting recognises share of losses for financial years June 1998 to June 2004 inclusive.

	Consolidated 2004 $m	Consolidated 2003 $m	Bendigo Bank 2004 $m	Bendigo Bank 2003 $m
Specific expense items				
Book value of Cashcard shares sold	1.2	-	1.2	-
Book value of properties sold	6.1	-	0.4	-
Write-down value of share investment - Inch Corporation Limited	1.1	-	1.1	-
Reversal of investment write-down and goodwill expense - BSX Group Holdings Ltd	(0.1)	-	(0.1)	-
	8.3	-	2.6	-
Net specific items before income tax	8.7	-	8.4	-
Income tax applicable to specific items	(2.1)	-	(2.6)	-
Specific items after income tax	6.6	-	5.8	-
(b) Specific items - gains/(losses)				
Profit/(loss) from disposal of property	1.3	-	0.3	-
Profit/(loss) from sale of other investments	7.6	-	7.6	-
4 UNDERLYING PROFIT				
Underlying profit shows the growth in the core business of the economic entity				
Underlying profit	125.0	108.9	117.3	93.6
Less,				
Amortisation of goodwill	4.3	4.3	0.6	0.6
Bad and doubtful debts expense (net of bad debts recovered)	13.8	15.3	13.6	14.9
Specific items (Note 3)	(8.7)	-	(8.4)	-
Income tax expense (Note 6)	33.7	30.3	22.9	22.0
Specific item - income tax expense (Notes 3 & 6)	2.1	-	2.6	-
Profit from ordinary activities after income tax expense	79.8	59.0	86.0	56.1

5 AVERAGE BALANCE SHEET AND RELATED INTEREST

	Average Balance $m	Interest $m	Average Rate %
Average balances and rates [1]			
Interest earning assets			
Cash and liquid assets	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

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.

	Consolidated		Bendigo Bank	
	2004	2003	2004	2003
	$m	$m	$m	$m
6 INCOME TAX EXPENSE				
The prima facie tax on profit from ordinary activities is reconciled to the income tax provided in the accounts as follows:				
Tax payable on profit from ordinary activities before income tax expense at 30% (2003 - 30%)	34.6	26.8	33.4	23.4
Permanent differences:				
amortisation	1.3	1.3	0.2	0.2
under/(over) provision for tax in prior years	(0.3)	1.2	-	1.2
rebateable dividends received	(0.1)	-	(4.7)	(1.7)
leasehold improvements	(1.7)	-	-	-
Tax losses transferred from controlled entities	-	-	-	(0.3)
Other items	2.0	1.0	(3.4)	(0.8)
	1.2	3.5	(7.9)	(1.4)
Income tax expense attributable to:				
Profit from ordinary activities before income tax	33.7	30.3	22.9	22.0
Specific income and expense items before income tax	2.1	-	2.6	-
	35.8	30.3	25.5	22.0
The income tax expense comprises amounts set aside as:				
Provision attributable to current year, being				
income tax payable on profit from ordinary activities	34.9	29.1	29.3	24.5
income tax payable by associates	4.3	4.1	-	-
under (over) provision in prior years	(0.3)	-	-	-
Provision attributable to future years, being				
future income tax benefit	(5.7)	(4.5)	(5.9)	(3.9)
provision for deferred tax	2.6	1.6	2.1	1.4
	35.8	30.3	25.5	22.0
Deferred tax assets and liabilities				
Current tax payable	6.8	8.5	6.8	8.5
Provision for deferred income tax	8.3	5.7	8.3	5.7
Future income tax benefit	32.8	27.2	32.8	27.2

No part of the future income tax benefit is attributable to tax losses.

Tax Consolidation

Effective 1 July 2002, for the purposes of income taxation, Bendigo Bank Limited and its 100% owned subsidiaries formed a tax consolidated group. Members of the group entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is Bendigo Bank Limited.
There has not been any material effect on tax assets or liabilities as a result of any revised tax legislation. Bendigo Bank Limited formally notified the Australian Tax Office of its adoption of the tax consolidation regime upon the lodgement of its 2003 income tax return.

7 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.

	Consolidated 2004 $m	Consolidated 2003 $m
Risk weighted capital ratios		
Tier 1	8.38%	8.12%
Tier 2	1.97%	2.46%
Total capital ratio	10.35%	10.58%
Qualifying Capital		
Tier 1		
Contributed capital	551.6	463.6
Retained profits & reserves	97.9	69.4
Less,		
Intangible assets	63.7	67.9
Net future income tax benefit	8.4	8.0
Other adjustments as per APRA advice	7.7	6.4
Total Tier 1 capital	569.7	450.7
Tier 2		
General provision for doubtful debts	37.4	30.6
Unsecured subordinated perpetual convertible capital notes	-	15.4
Subordinated capital notes	199.3	189.3
Asset revaluation reserves	4.9	2.8
	241.6	238.1
Less,		
Subsidiary investment residual	8.9	8.6
Total Tier 2 capital	232.7	229.5
Less,		
Investments in non-consolidated subsidiaries or associates and other bank's capital instruments	99.1	92.6
Total qualifying capital	703.3	587.6

	Gross Assets $m	Risk Weight %	Risk Weighted 2004 $m	Risk Weighted 2003 $m
Risk Weighted Assets				
On-statement of financial position assets				
Cash, balances with the RBA and Commonwealth securities maturing within 12 months	541.0	0	-	-
Claims on Local Government, public sector entities and Organisation for Economic Co-operation and Development banks	1,008.5	20	201.7	233.8
Loans secured by residential real estate which are 50% risk weighted	6,632.9	50	3,316.5	2,592.3
All other assets	2,857.5	100	2,857.5	2,416.5
Total on-statement of financial position assets	11,039.9		6,375.7	5,242.6

	Face Value $m	Credit Equivalent Amount $m	Risk Weighted 2004 $m	Risk Weighted 2003 $m
Off-statement of financial position exposures				
Direct credit substitutes	70.5	70.5	31.0	21.9
Trade and performance related items	10.8	5.4	5.4	5.9
Loans approved not advanced	509.5	509.5	378.0	279.0
Foreign exchange, interest rate and other off-balance sheet items	2,503.3	34.3	7.0	4.3
			421.4	311.1
Risk Weighted Assets - Credit Risk			6,797.1	5,553.7
Risk Weighted Assets - Market Risk			0.1	-
Total risk weighted assets			6,797.2	5,553.7

Credit Equivalent Amount - all off-statement of financial position exposures which give rise to credit risk are converted into credit equivalent amounts in accordance with APRA capital adequacy guidelines.

	Consolidated		Bendigo Bank	
	2004	2003	2004	2003
	$	$	$	$
8 AUDITORS' REMUNERATION				
Chief entity auditors				
Amounts received, or due and receivable by the auditors for:				
-auditing the financial statements of the chief entity and any other entity in the economic entity	592,120	553,844	574,944	530,991
-taxation services in relation to the chief entity and any other entity in the economic entity	66,207	221,883	66,207	165,974
-other services in relation to the chief entity and any other entity in the economic entity	76,052	197,460	2,200	184,535
	734,379	973,187	643,351	881,500

	$m	$m	$m	$m
9 DIVIDENDS				
Dividends paid or proposed on ordinary shares				
Dividends proposed since the reporting date, but not recognised as a liability				
Final dividend (23.0 cents per share) (2003: 20.0 cents per share)	30.3	24.1	30.3	24.1
Dividends paid during the year				
current year				
Interim dividend (17.0 cents per share) (2003 - 13.5 cents per share)	21.5	16.1	21.5	16.1
previous year				
Final dividend (20.0 cents per share) (2003 - 17.0 cents per share)	24.3	20.0	24.3	20.0
	45.8	36.1	45.8	36.1

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 2004.

Dividend franking account				
Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial report, and after deducting franking credits to be used in payment of the final dividend.	51.0	35.6	51.0	35.6

The tax rate at which dividends have been franked is 30% (2003: 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:				
Paid in cash	28.7	23.4	28.7	23.4
Satisfied by issue of shares	17.1	12.7	17.1	12.7
	45.8	36.1	45.8	36.1

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 average closing price of Bendigo Bank shares traded on the Australian Stock Exchange over the five trading days up to and including the Record Date less a discount of 2.5%. 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 average closing price of Bendigo Bank shares traded on the Australian Stock Exchange over the five trading days up to and including the Record Date less a discount of 2.5%. 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 2004 final dividend is 15 September 2004.

		Consolidated	
		2004	2003
10 EARNINGS PER SHARE			
Share ratios			
Basic earnings per share (cents)		60.2	46.8
Diluted earnings per share (cents)		60.2	46.8
Basic normalised earnings per share (cents)		55.2	46.8
Diluted normalised earnings per share (cents)		55.2	46.8
Income			
Net profit	$m	79.5	59.0
Net loss attributable to outside equity interest	$m	0.3	-
Earnings used in calculating basic earnings per share	$m	79.8	59.0
Earnings effect of dilutive securities		-	-
Earnings used in calculating diluted earnings per share	$m	79.8	59.0
Earnings used in calculating basic and diluted normalised earnings per share	$m	73.2	59.0
Number of Shares			
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share		132,583,834	125,995,138
Effect of dilutive securities		-	-
Adjusted weighted average number of ordinary shares used in calculation of diluted earnings per share		132,583,834	125,995,138

The Unsecured subordinated perpetual convertible capital notes are not considered dilutive as they are perpetual notes.

Conversions, calls, subscription or issues after 30 June 2004

There have been no conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

	Consolidated		Bendigo Bank	
	2004	2003	2004	2003
	$m	$m	$m	$m
11 CASH FLOW INFORMATION				
Reconciliation of cash flow from operations with operating profit after income tax				
Profit from ordinary activities after tax	79.5	59.0	86.0	56.1
Non-cash items				
Doubtful debts expense	13.5	14.9	13.2	14.4
Amortisation	4.3	4.3	0.6	0.6
Depreciation	13.2	11.1	11.1	9.2
Revaluation (increments)/decrements	1.0	0.5	1.0	0.5
Share of associates' net (profits)	(15.0)	(12.9)	-	28.9
Dividends received/accrued from associates	10.3	8.3	(5.4)	(16.3)
Profits on sale of investment securities	(7.6)	(0.1)	(7.6)	(0.1)
Profits on sale of property, plant & equipment	(1.6)	(0.2)	(0.4)	-
Changes in assets and liabilities				
Increase/(decrease) in tax provision	2.7	3.9	(1.6)	1.0
Increase/(decrease) in deferred income tax liability	(3.1)	1.6	(3.8)	1.4
(Increase)/decrease in accrued interest	4.8	(4.0)	5.4	(4.7)
Increase in accrued employees entitlements	3.1	4.4	3.0	4.5
Increase/(decrease) in other accruals, receivables and provisions	(19.7)	48.6	(17.2)	31.2
Net cash flows from/(used in) operating activities	85.4	139.4	84.3	126.7

Cash flows presented on a net basis

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

	Consolidated 2004 $m	Consolidated 2003 $m	Bendigo Bank 2004 $m	Bendigo Bank 2003 $m
12 CASH AND LIQUID ASSETS				
Notes, coin and cash at bank	154.7	101.8	141.3	90.7
Investments at call	2.8	5.4	1.3	2.2
	157.5	107.2	142.6	92.9
Reconciliation of cash				
For the purposes of the statement of cash flows, cash includes:				
Cash and liquid assets	157.5	107.2	142.6	92.9
Due from other financial institutions	157.6	181.3	157.5	180.9
Due to other financial institutions	(128.9)	(129.1)	(128.9)	(129.1)
	186.2	159.4	171.2	144.7

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

	Consolidated 2004 $m	Consolidated 2003 $m	Bendigo Bank 2004 $m	Bendigo Bank 2003 $m
13 INVESTMENT SECURITIES				
Negotiable securities				
Bank accepted bills of exchange	40.9	249.1	19.9	217.7
Negotiable certificates of deposit	312.3	462.0	293.4	405.1
Government securities	380.1	194.6	380.1	194.6
Other	480.5	221.0	480.5	221.0
	1,213.8	1,126.7	1,173.9	1,038.4
Non negotiable securities				
Deposits - banks	2.0	(1.9)	-	-
Deposits - other	4.0	5.2	-	-
Other	0.4	-	0.4	-
	6.4	3.3	0.4	-
	1,220.2	1,130.0	1,174.3	1,038.4
Maturity analysis				
Not longer than 3 months	673.2	935.6	669.2	844.0
Longer than 3 and not longer than 12 months	189.4	85.4	147.5	85.4
Longer than 1 and not longer than 5 years	357.2	108.5	357.2	108.5
Over 5 years	0.4	0.5	0.4	0.5
	1,220.2	1,130.0	1,174.3	1,038.4

14 LOANS AND OTHER RECEIVABLES

	Consolidated 2004 $m	Consolidated 2003 $m	Bendigo Bank 2004 $m	Bendigo Bank 2003 $m
Overdrafts	1,766.7	1,218.9	1,766.7	1,218.8
Credit cards	77.0	64.7	77.0	64.7
Term loans	7,293.4	6,073.1	7,152.0	5,919.9
Lease receivables	258.1	167.1	256.9	189.9
Other	31.4	23.1	-	-
Accrued interest	43.3	37.0	40.7	34.8
Gross loans and other receivables	9,469.9	7,583.9	9,293.3	7,428.1
less:				
Specific provision for impairment (Note 15)	(8.1)	(10.8)	(8.1)	(10.6)
Unearned income	(35.8)	(25.3)	(35.6)	(25.3)
	9,426.0	7,547.8	9,249.6	7,392.2
less:				
General provision for impairment (Note 15)	(53.4)	(43.8)	(51.9)	(42.5)
Net loans and other receivables	9,372.6	7,504.0	9,197.7	7,349.7
Impaired loans				
Non-accruing loans - without provisions	1.6	2.5	1.6	2.5
- with provisions	11.4	13.9	11.4	13.6
less specific provisions	(8.0)	(10.6)	(8.0)	(10.5)
Net impaired loans	5.0	5.8	5.0	5.6
Net impaired loans % of loans and other receivables	0.05%	0.08%	0.05%	0.08%
Portfolios Facilities - past due 90 days, not well secured	1.9	2.5	1.9	2.5
less provisions	(0.2)	(0.1)	(0.2)	(0.1)
Net Portfolio Facilities	1.7	2.4	1.7	2.4
Loans past due 90 days				
Accruing loans past due 90 days, with adequate security balance	57.1	47.2	57.1	46.2
Amount in arrears	6.7	5.4	6.7	5.4

Accruing loans past due 90 days balance includes $13.9 million (2003: $5.0 milllion) of loans due to their review date expirying more than 90 days ago, but which are not in payment default.

	Consolidated 2004 $m	Consolidated 2003 $m	Bendigo Bank 2004 $m	Bendigo Bank 2003 $m
Interest income recognised and forgone				
Interest income recognised in respect of impaired loans	0.3	0.2	0.3	0.2
Interest income forgone in respect of impaired loans	1.1	1.6	1.1	1.6

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

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

	Consolidated 2004 $m	Consolidated 2003 $m	Bendigo Bank 2004 $m	Bendigo Bank 2003 $m
Loans by geographic location (1) (2)				
Victoria	5,625.5	4,562.3	5,472.8	4,429.3
New South Wales	1,171.0	935.2	1,164.1	930.6
Australian Capital Territory	214.3	196.8	214.1	196.5
Queensland	1,346.2	1,060.0	1,331.6	1,042.8
South Australia / Northern Territory	232.9	208.9	232.5	208.7
Western Australia	490.2	355.7	488.9	355.4
Tasmania	351.8	251.4	351.4	251.2
Overseas/Other	38.0	13.6	37.9	13.6
	9,469.9	7,583.9	9,293.3	7,428.1

1 Geographic location determined from the customer postcode/address.

	Consolidated 2004 $m	Consolidated 2003 $m	Bendigo Bank 2004 $m	Bendigo Bank 2003 $m
Maturity analysis (2)				
At call / overdrafts	1,886.8	1,327.4	1,853.5	1,304.3
Not longer than 3 months	960.2	240.7	951.8	238.3
Longer than 3 and not longer than 12 months	925.1	243.4	922.5	241.4
Longer than 1 and not longer than 5 years	2,386.8	1,224.5	2,385.2	1,215.1
Longer than 5 years	3,311.0	4,547.9	3,180.3	4,429.0
	9,469.9	7,583.9	9,293.3	7,428.1

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

15 IMPAIRMENT OF LOANS AND ADVANCES

	Consolidated 2004 $m	Consolidated 2003 $m	Bendigo Bank 2004 $m	Bendigo Bank 2003 $m
Specific provisions for impairment				
Opening balance	10.8	9.9	10.6	9.1
Charged to statement of financial performance	4.5	7.4	4.5	7.4
Bad debts written-off applied to specific provision	(7.2)	(6.5)	(7.0)	(5.9)
Closing balance	8.1	10.8	8.1	10.6
General provision for impairment				
Opening balance	43.8	35.7	42.5	34.8
Charged to statement of financial performance	9.6	8.1	9.4	7.7
Closing balance	53.4	43.8	51.9	42.5
Bad and doubtful debts expense				
Specific provisions for impairment	(2.7)	0.9	(2.5)	1.5
General provision for impairment	9.6	8.1	9.4	7.7
Bad debts written off	7.2	6.5	7.0	5.9
	14.1	15.5	13.9	15.1

Ratios

	2004	2003
Specific provision as % of gross loans less unearned income	0.09%	0.14%
General provision as % of risk weighted assets	0.79%	0.79%
General provision net of future income tax benefit as % of risk weighted assets	0.55%	0.55%

16 PARTICULARS IN RELATION TO CONTROLLED ENTITIES

Name	Place of Incorporation	Principal Activities	Value of Chief Entity's Investment 2004 $m	Value of Chief Entity's Investment 2003 $m
Chief entity				
Bendigo Bank Limited	Vic	Banking	-	-
Directly Controlled Entities				
BBS Financial Planners Pty Ltd	Vic	Non operating	0.1	0.1
BBS Nominees Pty Ltd (1)	Vic	Trustee company	-	-
Bendigo Finance Pty Ltd (1)	Vic	Leasing finance	-	-
Bendigo Franchising Pty Ltd (1)	Vic	Franchisor company	-	-
Bendigo Investment Services Ltd	Vic	Financial services	1.0	1.0
Bendigo Superannuation Ltd	Vic	Superannuation trustee	0.1	0.1
Bensand Services Pty Ltd (1)	Vic	Investment company	-	-
Cass Comm Limited (1) (2)	NSW	Financial services	-	-
CBS Management Pty Ltd (1)	Vic	Non operating	-	-
Community Developments Australia Ltd (1)	Vic	Community Initiatives	-	-
First Australian Building Society Ltd	Qld	Non operating	137.0	137.0
Fountain Plaza Pty Ltd	Vic	Property owner	10.7	10.7
FP Holdings (Building Society) Ltd	Qld	Non operating	6.0	6.0
Funds Transfer Services Pty Ltd (1)	Vic	Funds transfer services	-	-
Benhold Pty Ltd	Vic	Non operating	33.6	33.6
NBS Holdings (Building Society) Ltd	Qld	Non operating	12.1	12.1
National Mortgage Market Corp P/L	Vic	Mortgage origination & m'ment	4.7	4.7
Sandhurst Trustees Ltd	Vic	Trustee company	18.0	18.0
Victorian Securities Corporation Ltd	Vic	Financial services	11.1	11.1
Worley Securities Pty Ltd	Vic	Financial advisory services	4.4	4.4
			238.8	238.8

1 The investment in each of these entities is less than $50,000.
2 Formerly Cassa Commerciale Australia Ltd.

	Consolidated		Bendigo Bank	
	2004	2003	2004	2003
	$m	$m	$m	$m
17 OTHER SHARE INVESTMENTS				
Book value - cost				
Shares in associates	-	-	102.7	85.4
Listed and unlisted shares	23.5	19.3	23.5	19.2
Units in trusts	3.8	4.0	3.8	4.0
	27.3	23.3	130.0	108.6

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name	Ownership interest held by consolidated entity		Balance date
	2004	2003	
	%	%	
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
BSX Group Holdings Ltd	49.8	22.6	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
BSX Group Holdings Ltd - financial services

	2004	2003
(ii) Share of associates' profits		
Share of associates':		
- operating profits before income tax	15.1	12.9
- income tax expense attributable to operating profits	4.4	3.9
- operating profits after income tax	10.7	9.0
Share of associates' operating profits after income tax:		
Elders Rural Bank Ltd	10.9	9.5
Tasmanian Banking Services Ltd	0.6	(0.2)
Community Sector Enterprises Pty Ltd	(0.1)	(0.3)
BSX Group Holdings Ltd (1)	(0.7)	-
	10.7	9.0

1 *First time adoption of equity accounting recognises share of losses for the financial years ending June 1998 to June 2004 inclusive.*

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

	2004	2003
(iii) Carrying amount of investments in associates		
Balance at the beginning of financial year	88.7	71.9
- carrying amount of investment in associate acquired during the year	17.5	16.1
- dividends received from associates	(15.7)	(8.3)
- share of associates' net profits (losses) for the financial year	10.7	9.0
- amortisation of goodwill	(0.1)	-
Carrying amount of investments in associates at the end of the financial year	101.1	88.7
Represented by:		
Investments at equity accounted amount:		
- Elders Rural Bank Ltd	98.5	87.4
- Tasmanian Banking Services Ltd	1.9	1.3
- Community Sector Enterprises Pty Ltd	-	-
- BSX Group Holdings Limited	0.7	-
	101.1	88.7

	Total		Elders Rural Bank Limited	
	2004	2003	2004	2003
(iv) The consolidated entity's share of the assets and liabilities of associates in aggregate				
Assets	1,044.2	904.5	1,041.4	903.0
Liabilities	966.5	841.7	965.2	841.6
Net Assets	77.7	62.8	76.2	61.4
(v) Amount of retained profits of the consolidated entity attributable to associates	39.0	28.3		

Subsequent events affecting an associate's profits/losses for the ensuing year (if any) are disclosed in note 41.

The consolidated entity's share of associates' commitments and contingent liabilities (if any) are disclosed in notes 30 and 31 respectively.

	Consolidated		Bendigo Bank	
	2004	2003	2004	2003
	$m	$m	$m	$m
19 PROPERTY, PLANT AND EQUIPMENT				
(a) Carrying Value				
Property				
Freehold land [1]	9.1	6.7	2.5	1.7
	9.1	6.7	2.5	1.7
Freehold buildings [1]	13.3	15.9	3.3	3.8
Accumulated depreciation	-	(0.4)	-	(0.1)
	13.3	15.5	3.3	3.7
Leasehold improvements - at cost	8.5	8.0	8.4	8.0
Accumulated depreciation	(6.3)	(4.5)	(6.2)	(4.5)
	2.2	3.5	2.2	3.5
	24.6	25.7	8.0	8.9
Other				
Plant, furniture, fittings, office equipment & vehicles - at cost	85.6	72.1	69.2	58.7
Accumulated depreciation	(53.6)	(44.3)	(42.9)	(34.6)
	32.0	27.8	26.3	24.1
	56.6	53.5	34.3	33.0
	-	-	-	
(b) Reconciliations				
Freehold land [1]				
Carrying amount at beginning	6.7	7.1	1.7	1.8
Additions	1.2	-	-	-
Revaluation adjustment 30 June 2004	3.0	-	0.9	-
Transfer to Trustee Company Reserve Fund [2]	0.1	(0.3)	-	-
Disposals	(1.9)	(0.1)	(0.1)	(0.1)
	9.1	6.7	2.5	1.7
Freehold buildings [1]				
Carrying amount at beginning	15.5	16.7	3.7	4.0
Additions	2.9	-	-	-
Revaluation adjustment 30 June 2004	(1.1)	-	-	-
Transfer to Trustee Company Reserve Fund [2]	0.5	(0.6)	-	-
Disposals	(4.1)	(0.2)	(0.3)	(0.2)
Depreciation expense	(0.4)	(0.4)	(0.1)	(0.1)
	13.3	15.5	3.3	3.7
Leasehold improvements - at cost				
Carrying amount at beginning	3.5	3.5	3.5	3.5
Additions	0.8	2.0	0.8	1.9
Disposals	(0.1)	(0.1)	(0.2)	(0.1)
Depreciation expense	(2.0)	(1.9)	(1.9)	(1.8)
	2.2	3.5	2.2	3.5
Plant, furniture, fittings, office equipment & vehicles				
Carrying amount at beginning	27.8	21.6	24.1	18.4
Additions	15.3	15.6	11.8	13.4
Disposals	(0.3)	(0.6)	(0.5)	(0.5)
Depreciation expense	(10.8)	(8.8)	(9.1)	(7.2)
	32.0	27.8	26.3	24.1

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

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

	Consolidated 2004 $m	Consolidated 2003 $m	Bendigo Bank 2004 $m	Bendigo Bank 2003 $m
20 INTANGIBLES				
Trustee licence	9.5	9.5	-	-
Accumulated amortisation	(1.1)	(0.9)	-	-
	8.4	8.6	-	-
Purchased goodwill	7.3	7.3	7.3	7.3
Accumulated amortisation	(5.1)	(4.5)	(5.1)	(4.5)
	2.2	2.8	2.2	2.8
Goodwill on consolidation	69.1	69.1	-	-
Accumulated amortisation	(16.0)	(12.6)	-	-
	53.1	56.5	-	-
	63.7	67.9	2.2	2.8

	Consolidated		Bendigo Bank	
	2004	2003	2004	2003
	$m	$m	$m	$m
21 OTHER ASSETS				
Accrued income	20.7	14.4	18.4	12.3
Reserve fund	7.5	6.5	-	-
Prepayments	18.1	16.3	13.9	12.9
Sundry debtors	48.8	36.3	35.6	28.5
	95.1	73.5	67.9	53.7
22 DEPOSITS				
Retail				
Branch network	8,293.3	6,825.5	8,126.4	6,628.2
Treasury sourced	758.8	796.4	765.4	805.5
	9,052.1	7,621.9	8,891.8	7,433.7
Wholesale				
Domestic	599.1	260.8	599.1	260.8
Offshore	497.7	358.4	497.7	358.4
	1,096.8	619.2	1,096.8	619.2
	10,148.9	8,241.1	9,988.6	8,052.9
Deposits by geographic location				
Victoria	5,963.8	5,144.1	5,840.0	5,003.2
New South Wales	1,190.2	746.8	1,178.8	732.6
Australian Capital Territory	57.3	43.2	57.1	43.1
Queensland	1,563.4	1,253.0	1,540.9	1,222.6
South Australia/Northern Territory	165.6	162.1	164.8	161.2
Western Australia	479.1	355.6	478.7	355.1
Tasmania	177.7	124.1	177.2	123.6
Off-shore/other	551.8	412.2	551.1	411.5
	10,148.9	8,241.1	9,988.6	8,052.9
Maturity analysis				
At call	3,991.6	3,301.0	3,990.5	3,303.2
Not longer than 3 months	3,852.5	4,428.7	3,781.0	4,238.2
Longer than 3 and not longer than 12 months	1,735.0	175.2	1,652.2	175.3
Longer than 1 and not longer than 5 years	569.8	336.2	564.9	336.2
Longer than 5 years	-	-	-	-
	10,148.9	8,241.1	9,988.6	8,052.9
23 PAYABLES				
Sundry creditors	25.5	24.2	12.9	14.2
Accrued expenses and outstanding claims	63.2	67.1	60.5	66.9
	88.7	91.3	73.4	81.1

	Consolidated 2004 $m	Consolidated 2003 $m	Bendigo Bank 2004 $m	Bendigo Bank 2003 $m
24 OTHER PROVISIONS				
(a) Balances				
Employee benefits (Note 29)	24.8	21.7	23.4	20.4
Other loss events	0.7	0.7	0.7	0.7
Rewards program	1.6	1.0	1.6	1.0
	27.1	23.4	25.7	22.1

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

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

	Consolidated 2004 $m	Consolidated 2003 $m	Bendigo Bank 2004 $m	Bendigo Bank 2003 $m
(b) Movements				
Employee benefits				
Opening balance	21.7	17.3	20.4	15.9
Additional provisions recognised	10.4	12.8	9.7	11.9
Amounts utilised during the year	(7.3)	(8.4)	(6.7)	(7.4)
Closing balance	24.8	21.7	23.4	20.4
Other loss events				
Opening balance	0.7	0.7	0.7	0.7
Additional provisions recognised	0.3	0.6	0.3	0.6
Amounts utilised during the year	(0.3)	(0.6)	(0.3)	(0.6)
Closing balance	0.7	0.7	0.7	0.7
Rewards program				
Opening balance	1.0	0.5	1.0	0.5
Additional provisions recognised	1.5	0.7	1.5	0.7
Amounts utilised during the year	(0.9)	(0.2)	(0.9)	(0.2)
Closing balance	1.6	1.0	1.6	1.0
25 SUBORDINATED DEBT				
Subordinated capital notes	186.2	176.2	186.2	176.2
Unsecured subordinated perpetual convertible capital notes	-	15.4	-	15.4
Rollover Notes - Series 1	13.1	13.1	13.1	13.1
	199.3	204.7	199.3	204.7
Maturity analysis				
Longer than 5 years	199.3	204.7	199.3	204.7
	199.3	204.7	199.3	204.7
26 CONTRIBUTED EQUITY				
Issued and paid up capital				
139,378,355 Ordinary shares fully paid (2003: 127,483,624)	551.6	463.6	551.6	463.6

	Consolidated 2004 $m	Consolidated 2003 $m
Statement of changes - Ordinary share capital		
Opening balance	463.6	448.2
Shares issued under:		
Bonus share scheme - 165,434 @ $8.66; 130,581 @ $9.87; (2003: 165,497 @ $7.43; 129,140 @ $7.52)	-	-
Dividend reinvestment plan - 1,040,442 @ $8.66; 821,279 @ $9.87; (2003: 938,571 @ $7.43; 766,314 @ $7.52)	17.1	12.7
Employee share plan - 1,317,476 @ $8.94, 100,000 @ $8.83 (2003: Nil)	12.7	-
Capital notes converted - 3,687,347 @ $4.10; (2003: 652,107 @ $4.10)	15.1	2.7
Share Purchase Plan - 2,861,567 @ $9.87 (2003: Nil)	28.3	-
DRP underwriting issue - 1,770,605 @ $8.66 (2003: Nil)	15.3	-
New share issue/buy back expenses	(0.5)	-
Closing balance	551.6	463.6

	Consolidated		Bendigo Bank	
	2004	2003	2004	2003
	$m	$m	$m	$m

27 RESERVES AND RETAINED PROFITS

General Reserve

(a) Nature and purpose

The general reserve contains amounts of retained profits that have been set aside by directors. These reserves have been transferred to retained earnings at June 2003.

(b) Movenents

	2004	2003	2004	2003
Opening Balance	-	13.5	-	13.3
Transfer (to)/from retained earnings	-	(13.5)	-	(13.3)
Closing Balance	-	-	-	-

Asset Realisation Reserve

(a) Nature and purpose

The asset realisation reserve is used to accumulate realised capital profits on the sale of shares. These reserves have been transferred to retained earnings at June 2003.

(b) Movenents

	2004	2003	2004	2003
Opening Balance	-	1.0	-	1.0
Transfer (to)/from retained earnings	-	(1.0)	-	(1.0)
Closing Balance	-	-	-	-

Capital Profits Reserve

(a) Nature and purpose

The capital profits reserve is used to accumulate realised capital profits on the sale of properties. These reserves have been transferred to retained earnings at June 2003.

(b) Movements

	2004	2003	2004	2003
Opening Balance	-	0.2	-	0.2
Transfer (to)/from retained earnings	-	(0.2)	-	(0.2)
Closing Balance	-	-	-	-

Asset Revaluation Reserve

(a) Nature and purpose

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

(b) Movements

	2004	2003	2004	2003
Opening Balance	3.3	3.3	1.1	1.1
Net revaluation increment	2.1	-	0.9	-
Closing Balance	5.4	3.3	2.0	1.1
Total reserves	5.4	3.3	2.0	1.1

Retained Profits

	2004	2003	2004	2003
Opening Balance	85.6	28.3	85.3	31.0
Reversal of Provision for Final 2002 dividend on adoption of AABS 1044	-	20.0	-	20.0
Adjustment to Provision for Employee Benefits on adoption of revised AASB 1028	-	(0.3)	-	(0.3)
Adjusted Opening Balance	85.6	48.0	85.3	50.7
Net profit attributable to members of Bendigo Bank Limited	79.8	59.0	86.0	56.1
Total available for appropriation	165.4	107.0	171.3	106.8
Dividends - Final 2003	(24.3)	(20.0)	(24.3)	(20.0)
- Interim 2004	(21.5)	(16.1)	(21.5)	(16.1)
Aggregate of amounts transferred (to)/from reserves	-	14.7	-	14.6
Retained profits at the end of the financial year	119.6	85.6	125.5	85.3

28 OUTSIDE EQUITY INTEREST

Reconciliation of outside equity interest in controlled entities:

	2004	2003	2004	2003
Opening balance	0.2	(0.1)	-	-
Add share of operating loss	(0.4)	-	-	-
Share of contributed equity	-	0.3	-	-
Less dividends	-	-	-	-
Closing balance	(0.2)	0.2	-	-

	Consolidated		Bendigo Bank	
	2004	2003	2004	2003
29 EMPLOYEE BENEFITS	$m	$m	$m	$m
Employee benefits liability				
Provision for annual leave	8.7	7.6	7.8	7.0
Provision for other employee payments	4.0	3.6	4.0	3.6
Provision for long service leave	7.2	6.3	6.9	5.9
Provision for sick leave bonus	1.3	1.1	1.2	1.0
Provision for employee on costs	2.5	2.2	2.4	2.0
Directors' retirement allowance	1.1	0.9	1.1	0.9
Aggregate employee benefits liability	24.8	21.7	23.4	20.4

Bendigo Employee Share Ownership Plan

Company shareholders renewed their approval for the Bendigo Employee Share Ownership Plan at the Annual General Meeting on 28 October 2001. Offers under the plan are made periodically to all employees of the economic entity and must be approved by the Board of Bendigo Bank Limited. The plan is administered by the bank's subsidiary company, BBS Nominees Pty Ltd, in accordance with the plan's deed.

Shares are issued at market prices and are funded by interest free loans from BBS Nominees Pty Ltd to individual employees. Dividends paid on shares issued under the plan are applied primarily to repay the loans. When a staff member ceases their employment, they are required to repay their loan within three months, unless they retire, then they have 12 months to repay. The plan allows these staff to request the Company to sell their employee shares to repay their loan. In the event that the proceeds of sale of the shares is insufficient to fully repay the loan, under the plan the Company has agreed to meet the shortfall. A shortfall would only be incurred by the Company where the proceeds of the sale are lower than the original loan balance less all repayments. Shares remain unlisted securities until loans are fully repaid. The market value of the Company shares at the balance date was $9.42. At this price there is currently no shortfall liability on any loan made under this plan.

Two issues of shares were made under the terms of the Bendigo Employee Share Ownership Plan. On 25 August 2003 1,317,476 shares were issued to employees at $8.94 per share, and on 14 November 2003 a further 100,000 shares were issued to the Managing Director at $8.83 per share as approved at the 2003 Annual General Meeting (2003: Nil). The issue price was determined by calculating the average closing price of Bendigo Bank shares, on the Australian Stock Exchange, over the five trading days up to and including the allotment date.

		Consolidated	
		2004	2003
		$m	$m
Employee Share and Loan Values			
Value of unlisted employee shares on issue at 30 June 2004 - 5,392,924 shares @ $9.42 (2003 - 4,451,181 shares @ $8.17)		50.8	36.4
Value of outstanding employee loans at beginning of year relating to employee shares		23.1	26.1
Value of new loans relating to employee shares issued during year		12.7	-
Value of repayments of loans during year		(4.4)	(3.0)
Value of outstanding employee loans at end of year relating to employee shares		31.4	23.1
Number of employees with outstanding loan balances		1,958	1,670
Indicative cost of funding employee loans			
Average balance of loans outstanding		31.7	24.8
Average cost of funds		3.86%	3.62%
After tax indicative cost of funding employee loans		0.9	0.6
Earnings per share - actual	- cents	60.2	46.8
Earnings per share - adjusted for interest foregone	- cents	60.9	47.3

The cost of employee interest-free loans is calculated by applying the bank's average cost of funds for the financial year to the average outstanding balance of employee loans for the financial year. This cost is then tax-effected at the company tax rate of 30% (2003: 30%).
Earnings per share - adjusted is calculated by adding the after tax indicative cost of funding employee loans to net profit attributable to members of Bendigo Bank Limited. This adjusted earnings figure is divided by the weighted average number of ordinary shares.

	Consolidated 2004 $m	Consolidated 2003 $m	Bendigo Bank 2004 $m	Bendigo Bank 2003 $m
30 EXPENDITURE COMMITMENTS				
Outstanding expenditure and credit related commitments as at 30 June 2004. Except where specified, all commitments are payable within one year.				
Operating lease commitments				
Not later than 1 year	18.1	14.1	18.0	14.0
Later than 1 year but not later than 5 years	28.9	24.2	28.9	24.1
Later than 5 years	2.1	1.0	2.1	1.0
	49.1	39.3	49.0	39.1
Capital expenditure commitments				
Capital expenditure commitments not provided for in the financial statements, payable not later than one year	3.8	0.4	3.8	0.4
	3.8	0.4	3.8	0.4
Other expenditure commitments				
Sponsorship commitments not paid as at balance date, payable not later than one year	0.4	0.3	0.3	0.3
Credit related commitments				
Gross loans approved, but not advanced to borrowers, payable not later than one year	509.5	403.9	509.5	362.0
Credit limits granted to clients for overdrafts and credit cards				
Total amount of facilities provided	2,830.9	1,942.8	2,830.9	1,942.8
Amount undrawn at balance date	987.2	659.2	987.2	659.3
Normal commercial restrictions apply as to use and withdrawal of the facilities				
31 CONTINGENT LIABILITIES AND CONTINGENT ASSETS				
(a) Contingent Liabilities				
Guarantees				
The economic entity has issued guarantees on behalf of clients	70.5	59.4	70.5	59.4
Other				
Documentary letters of credit & performance related obligations	10.8	4.4	10.8	4.4

(b) Contingent Assets

In April 2004 the Bank entered into a Scheme of Arrangement to sell its shares in Cashcard Australia Limited. Under the Scheme, consideration would be paid in April 2004 with two deferred components expected to be paid in October 2004 and April 2005. The final value of the deferred consideration components are contingent upon a number of hurdles and representations given during the sale process. These will be determined over the next twelve months and may result in payments to the Bank not exceeding $1.05 million.

2003: The company commenced discussions with the Australian Taxation Office (‘ATO’) in February 2003 in relation to a refund of Goods and Services Tax (‘GST’). A GST refund of $1.44 million was received by the company in October 2003.

32 SEGMENT REPORTING

(a) Business segments

	2004 $m External	2004 $m Intersegment	2004 $m Total	2003 $m External	2003 $m Intersegment	2003 $m Total
Revenue						
Interest revenue						
Banking	598.0	0.2	598.2	492.6	0.5	493.1
Trustee company	0.3	-	0.3	0.3	-	0.3
Financial services	17.2	0.2	17.4	7.7	0.1	7.8
Eliminations	-	(0.4)	(0.4)	-	(0.6)	(0.6)
	615.5	-	615.5	500.6	-	500.6
Other revenue						
Banking	99.3	10.4	109.7	77.4	6.6	84.0
Trustee company	24.5	0.7	25.2	18.4	2.1	20.5
Financial services	18.0	2.7	20.7	16.9	3.1	20.0
Eliminations	-	(13.8)	(13.8)	-	(11.8)	(11.8)
	141.8	-	141.8	112.7	-	112.7
Share of net profit of equity accounted investments						
Banking	15.4	-	15.4	13.4	-	13.4
Trustee company	-	-	-	-	-	-
Financial services	0.3	-	0.3	(0.5)	-	(0.5)
Eliminations	-	-	-	-	-	-
	15.7	-	15.7	12.9	-	12.9
Total segment revenue						
Banking	712.7	10.6	723.3	583.4	7.1	590.5
Trustee company	24.8	0.7	25.5	18.7	2.1	20.8
Financial services	35.5	2.9	38.4	24.1	3.2	27.3
Eliminations	-	(14.2)	(14.2)	-	(12.4)	(12.4)
Total consolidated revenue	773.0	-	773.0	626.2	-	626.2
Results						
Segment result						
Banking			114.0			87.0
Trustee company			15.0			9.0
Financial services			0.3			2.3
Eliminations			(14.0)			(9.0)
Consolidated entity profit from ordinary activities before income tax expense			115.3			89.3
Income tax expense			(35.8)			(30.3)
Consolidated entity profit from ordinary activities after income tax expense			79.5			59.0
Assets						
Segment assets						
Banking			11,110.5			9,153.2
Trustee company			23.9			23.9
Financial services			345.1			276.2
Eliminations			(195.0)			(196.7)
Total assets			11,284.5			9,256.6
Liabilities						
Segment liabilities						
Banking			10,533.5			8,645.3
Trustee company			6.1			6.7
Financial services			83.0			71.2
Eliminations			(14.5)			(19.3)
Total liabilities			10,608.1			8,703.9

32 SEGMENT REPORTING (continued)

(a) Business segments

Other segment information:	2003 $m Total	2003 $m Total
Equity method investments included in segment assets		
Banking	98.5	87.4
Trustee company	-	-
Financial services	1.8	1.3
Eliminations	-	-
	100.3	88.7
Acquisition of property, plant and equipment, intangible assets and other non-current assets		
Banking	13.8	39.0
Trustee company	0.1	0.1
Financial services	5.1	1.9
Eliminations	-	-
	19.0	41.0
Depreciation		
Banking	11.9	10.3
Trustee company	0.1	0.1
Financial services	1.2	0.7
Eliminations	-	-
	13.2	11.1
Amortisation		
Banking	3.9	3.9
Trustee company	0.3	0.3
Financial services	0.1	0.1
Eliminations	-	-
	4.3	4.3
Non-cash expenses other than depreciation and amortisation		
Banking	14.3	18.6
Trustee company	1.8	3.5
Financial services	3.1	2.2
Eliminations	(7.1)	(10.0)
	12.1	14.3

Applicable commercial rates are used as the basis for pricing intersegment funding.

(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

Banking

Interest, predominantly derived from the provision of first mortgage housing finance; and fee revenue derived from the provision of banking services.

Trustee Company

Commission received as Responsible Entity for managed investment schemes and for corporate trusteeships and other trustee and custodial services.

Financial Services

Fees, commissions and interest from community engagement initiatives and from the provision of financial services, including leasing, financial planning, property management/development and mortgage management services.

33 SUPERANNUATION COMMITMENTS

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

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

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

34 DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of specified directors

Specified Directors:

Richard A Guy OAM	Chairman (non-executive)
Robert N Johanson	Deputy Chairman (non-executive)
Robert G Hunt AM	Managing Director
Neal J Axelby	Director (non-executive)
Jennifer L Dawson	Director (non-executive)
Donald J Erskine	Director (non-executive)
Terence J O'Dwyer	Director (non-executive)
Kevin E Roache	Director (non-executive)

(i) Remuneration policy

Details of the remuneration policies and practices applicable to specified directors are presented in the Directors' Report.

(ii) Remuneration of specified directors

All figures in $'s		**Primary** Salary & fees (2)	At-risk (3)	Other (4)	**Post employment** Superannuation (5)	Retirement Benefit Accrual	**Total**	Total Accrued Retirement Benefit
Richard A Guy OAM (1)								
	2004	133,628	-	-	12,026	24,192	169,846	360,858
	2003	130,192	-	-	11,717	20,000	161,909	336,666
Robert N Johanson								
	2004	45,285	-	21,529	6,013	12,095	84,922	180,428
	2003	37,080	-	28,112	5,867	10,000	81,059	168,333
Robert G Hunt AM								
	2004	604,414	250,000	102,855	92,874	-	1,050,143	-
	2003	484,979	195,000	124,815	87,460	-	892,254	-
Neal J Axelby								
	2004	71,952	-	-	6,476	23,027	101,455	73,929
	2003	70,192	-	-	6,317	20,012	96,521	50,902
Jennifer L Dawson								
	2004	68,364	-	3,588	6,938	25,268	104,158	97,162
	2003	66,836	-	3,356	6,776	21,709	98,677	71,894
Donald J Erskine								
	2004	71,952	-	-	6,476	25,268	103,696	97,162
	2003	70,192	-	-	6,317	21,709	98,218	71,894
Terence J O'Dwyer								
	2004	66,814	-	-	6,013	23,027	95,854	73,929
	2003	65,192	-	-	5,867	20,012	91,071	50,902
Kevin E Roache								
	2004	74,008	-	-	6,661	12,095	92,764	180,428
	2003	72,192	-	-	6,497	10,000	88,689	168,333
Total emoluments								
	2004	1,136,417	250,000	127,972	143,477	144,972	1,802,838	1,063,896
	2003	996,855	195,000	156,283	136,818	123,442	1,608,398	918,924

Associate company directorships

Mr R A Guy and Mr R N Johanson are non-executive directors of Elders Rural Bank Limited, an associate entity of Bendigo Bank.
Mr Guy and Mr Johanson were each paid an annual directors fee of $55,000 plus Superannuation Guarantee Charge by Elders Rural Bank in connection with their directorship.

1 *Base emolument includes Chairman's allowance of $66,814.*

2 *Represents fees in connection with attending Board Credit Committee meetings.*

3 *The performance objectives for the Managing Director are determined by the Board on an annual basis. Payment of the Managing Director's at-risk component is subject to Board approval and assessed against the achievement of the agreed performance measures.*

4 *"Other" represents the value of non-cash benefits provided and comprises salary sacrifice superannuation, home loan allowance and motor vehicle components.*
In respect of Mr R G Hunt, "other" also includes an amount of $74,769 (2003: $54,794) relating to the interest free loan provided in relation to shares issued under the Employee Share Ownership Plan. The benefit is calculated using the average outstanding loan balance and the Bank's average cost of funds.

5 *Represents Company contributions to superannuation.*

34 DIRECTOR AND EXECUTIVE DISCLOSURES

(b) Details of specified executives

Specified Executives:

G D Gillett	Chief General Manager, Retail
R H J Hasseldine	Chief General Manager, Group Delivery
M J Hirst	Chief General Manager, Strategy & Solutions
V M Kelly	Chief Information Officer
K C Langford	Chief Financial Officer

(i) Remuneration policy

Details of remuneration policies and practices applicable to specified executives are presented in the Directors' Report.

(ii) Remuneration of specified executives

All figures in $'s		**Primary**				**Post employment**	**Total**
		Base Salary	At-risk	Other (1)	Interest free loan benefit (2)	Superannuation (3)	
G D Gillett							
	2004	290,260	110,000	39,629	28,468	39,244	507,601
	2003	265,600	70,000	20,263	21,396	32,235	409,494
R H J Hasseldine							
	2004	229,540	75,000	33,937	12,878	29,637	380,992
	2003	247,393	60,000	-	7,567	27,952	342,912
M J Hirst							
	2004	267,884	100,000	44,424	14,577	37,108	463,993
	2003	239,608	60,000	28,854	7,567	29,769	365,798
V M Kelly							
	2004	270,042	70,000	39,062	26,324	31,894	437,322
	2003	208,147	50,000	47,445	19,293	27,676	352,561
K C Langford							
	2004	261,528	100,000	49,817	25,858	37,021	474,224
	2003	229,673	55,000	39,557	18,805	29,354	372,389
Total remuneration: specified executives							
	2004	1,319,254	455,000	206,869	108,105	174,904	2,264,132
	2003	1,190,421	295,000	136,119	74,628	146,986	1,843,154

1 *"Other" represents the value of non-cash benefits provided and comprises salary sacrifice superannuation, home loan allowance and motor vehicle components.*

2 *This benefit relates to the interest free loan provided under the Employee Share Ownership Plan. The benefit is calculated using the average outstanding loan balance and the bank's average cost of funds.*

3 *Represents Company contributions to superannuation.*

(c) Remuneration options

No Director or Executive has been granted share options.

34 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(d) Shareholdings of Specified Directors and Specified Executives including personally related entities

Shares held in Bendigo Bank Ltd	Balance 1 July 2003 Ordinary Shares	Balance 1 July 2003 Employee Shares	Net Change Ordinary Shares	Net Change Employee Shares	Balance 30 June 2004 Ordinary Shares	Balance 30 June 2004 Employee Shares
Specified Directors						
Richard A Guy OAM	672,817	-	30,836	-	703,653	-
Robert N Johanson	241,861	-	20,408	-	262,269	-
Robert G Hunt AM	78,684	340,000	1,645	100,000	80,329	440,000
Neal J Axelby	27,776	-	182	-	27,958	-
Jennifer L Dawson	14,302	-	1,032	-	15,334	-
Donald J Erskine	93,574	-	153,374	-	246,948	-
Terence J O'Dwyer	50,000	-	300	-	50,300	-
Kevin E Roache	40,694	-	5,992	-	46,686	-
Specified Executives						
G D Gillett	2,131	120,572	86	20,000	2,217	140,572
R H J Hasseldine	10,487	30,000	727	15,000	11,214	45,000
M J Hirst	-	30,000	150	20,000	150	50,000
V M Kelly	-	109,000	2,622	20,000	2,622	129,000
K C Langford	300	103,367	150	20,000	450	123,367
Total	1,232,626	732,939	217,504	195,000	1,450,130	927,939

All equity transactions with specified directors and specified executives have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length other than shares issued under the Employee Share Ownership Plan. Issues of shares under the Employee Share Ownership Plan are made under conditions disclosed in Note 29.

(e) Loans to specified directors and specified executives including personally related entities

Australian Banks and their controlled entities have been exempted under ASIC Class Order (04/665) from providing details of certain loans and financial instrument transactions made by the bank to related parties (other than directors of the company) in the ordinary course of business and either on an arm's length basis or with the approval of the shareholders of the relevant entity and its ultimate parent entity. The exemption does not apply if such loans or transactions would, if not disclosed, have the potential to adversely affect the decisions made by users of the financial statements about the allocation of scarce resources. The Class Order requires that a statutory declaration, signed by two directors, confirm the existence of internal controls and procedures which would ensure or provide a reasonable degree of assurance that a material financial instrument transaction requiring disclosure, would be drawn to the attention of directors so that it may be disclosed in the financial statements. This declaration, as specified, will accompany the financial reports for the year ended 30 June 2004, for lodgement with the Australian Securities and Investments Commission.

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

		Balance at beginning of period $'000	Interest charged $'000	Interest not charged $'000	Write-off $'000	Balance at end of period $'000	Number in group 30 June 2004
Specified directors							
	2004	18,257	1,126	-	-	20,080	7
	2003	18,406	820	-	-	18,257	7
Specified executives (1)							
	2004	3,882	67	108	-	3,747	5
	2003	3,124	63	75	-	3,882	5
Total specified directors and specified executives							
	2004	22,138	1,193	108	-	23,827	12
	2003	21,529	883	75	-	22,138	12

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

Specified directors and personally related entities having loans outstanding at 30 June 2004:

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

Specified executives and personally related entities having loans outstanding at 30 June 2004:

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

34 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

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

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

	Balance at beginning of period $'000	Interest charged $'000	Interest not charged $'000	Write-off $'000	Balance at end of period $'000	Highest owing in period $'000
Specified directors						
R A Guy OAM	400	17	-	-	312	400
N J Axelby	615	30	-	-	315	615
J L Dawson	848	49	-	-	982	982
D J Erskine	12,981	878	-	-	13,922	13,922
R N Johanson	518	37	-	-	715	715
K E Roache	849	61	-	-	873	873
R G Hunt AM	570	54	-	-	709	709
R G Hunt AM - Staff Share loan	1,476	-	75	-	2,253	2,296
Specified executives						
G D Gillett						
Staff Share loan	578	-	28	-	709	747
Loans	250	19	-	-	273	273
R H J Hasseldine						
Staff Share loan	206	-	13	-	328	340
M J Hirst						
Staff Share loan	206	-	15	-	371	384
V M Kelly						
Staff Share loan	521	-	26	-	664	700
Loans	764	48	-	-	740	764
K C Langford						
Staff Share loan	508	-	26	-	653	687

Terms and conditions of loans

Staff Share Loans provided to Mr R G Hunt and Specified Executives are under the terms of the Bank's Employee Share Ownership Plan ("Plan"). Details of the Plan's terms and conditions are provided at Note 29 to the financial statements and section 7b of the Corporate Governance Overview contained in the Concise Annual Report.

Included in the loan total of $13,921,704 for Mr D J Erskine are loans totalling $13,815,704 which were made to companies controlled by Mr Erskine. The loans were provided in connection with property development and commercial property investment arrangements in which Mr Erskine is associated. The loans were made in accordance with the Bank's prevailing lending terms and conditions.

(f) Other transactions of directors and director related entities

K E Roache as partner of the legal firm Coulter Roache has provided legal services to Bendigo Bank Ltd. by way of mortgage document preparation based on normal commercial terms and conditions. Amount paid or payable during the year totalled $58,700 (2003: $27,799). The firm also leases its office premises from Bendigo Bank under a formal lease arrangement. The lease arrangement was determined on the basis of prevailing market terms and conditions.

R N Johanson is a director of the Grant Samuel Group, which provided consulting services to Bendigo Bank Ltd. based on normal commercial terms and conditions. Amount paid or payable during the year totalled $471,530 (2003: $215,494).

During the year, a related entity of J L Dawson provided relocation services to Bendigo Bank Ltd., on normal terms and conditions. Amount paid or payable during the year totalled $14,234 (2003: $39,628).

35 RELATED PARTY DISCLOSURES

Ultimate Parent Entity

Bendigo Bank Limited is the ultimate parent entity.

Wholly owned group transactions

Bendigo Bank Limited is the parent entity of all entities listed in Note 16 - Particulars in relation to controlled entities. Transactions undertaken during the financial year with those entities are eliminated in the consolidated financial report.
The transactions principally arise from the provision of administrative, distribution, corporate and the general banking services.
Additionally, Bendigo Bank pays operating costs on behalf of certain controlled entities which are financed via unsecured interest free intercompany loans. The loans have no fixed repayment date. Amounts due from and due to controlled entities at balance date are shown in the Statement of Financial Position. Interest received or receivable from and paid or payable to controlled entities and dividends received and receivable from controlled entities is disclosed in Note 2 - Profit from ordinary activities.
Bendigo Bank provides standby funding lines, on normal commercial terms and conditions, to Sandhurst Trustees Limited and Victorian Securities Corporation Limited in connection with their liquidity management requirements. The lines were not drawn on during the year and no amounts were outstanding at year end.

Other related party transactions

Securitised and sold loans
The bank securitised or sold loans totalling $438 million during the financial year. Of this total, $232 million were sold to the Common Funds managed by Sandhurst Trustee Limited, $157 million were substitutions into our securitisation programs and $49 million were sold to Elders Rural Bank Limited.

Associated Entities
Bendigo Bank Limited has investments in associated entities as disclosed in Note 18 - Investments accounted for using the equity method. The group has transactions with the associated entities, principally relating to commissions received and paid, services and supplies procured from associates and fees charged in relation to the provision of banking, administrative and corporate services. These revenue and expense items are included in the relevant values disclosed in Note 2 - Profit from ordinary activities. The transactions are conducted on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with the associated entities at arm's length in the same circumstances.
During the financial year, Bendigo Bank received from Elders Rural Bank commissions of $14.1 million and payments for supplies and services provided of $24.2 million.

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

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

36 RISK MANAGEMENT

The recognition and management of risk is a critical function of the bank and an essential element of the bank's strategy. Risks are inherent in a bank's day to day operations with the success of a bank being reliant upon its ability to manage risk.
The bank has a structured risk management framework linking its business strategies and operations to its risk management objectives.
The board is ultimately responsible for the management of risks associated with the Group's activities. The board is assisted in fulfilling its responsibilties through the support of board and management committees. Specifically, the Board Risk, Board Credit and Board Audit Committees together with the Executive Committee, Credit Risk Committee and Asset Liability Management Committee are part of the support systems that provide information on risk management and practices to the board. Each of the committees have formal charters including roles and responsibilities and have delegated authority to determine risk management strategies appropriate to the bank's operation, which take into account the group's business strategies, risk appetite and management expertise. An approved risk framework together with policies and delegations govern the bank's operations and decision making.

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

Credit Risk
Credit risk is the potential risk that the bank will suffer a financial loss due to the unwillingness or inability of a counterparty to meet their contractual obligations.
The bank's Group Risk Division and the Credit Risk and Board Credit Committees are responsible for monitoring adherence to credit policies, practices and procedures within the bank. The principal board has established levels of delegated lending authority to minimise the risk of default by any one counterparty or any group of related counterparties.
A standard risk grading methodology has been introduced throughout the economic entity to assess, measure and report quality of lending assets.
The consolidated entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset, other than derivatives, is the carrying amount of those assets as indicated in the statement of financial position.
The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

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

36 RISK MANAGEMENT (continued)

Liquidity Risk

Liquidity risk is the inability to access funds, both anticipated and unforeseen, which may lead to the bank being unable to meet its obligations in an orderly manner as they arise or forgoing investment opportunities.

Group Strategic Finance is responsible for implementing liquidity risk management strategies in accordance with approved policies and adherence is monitored by the Asset Liability Management Committee and Board Risk Committee. Liquidity scenarios are calculated under stressed and normal operating conditions to assist in anticipating cash flow needs and providing adequate reserves.

This includes maintaining prudent levels of liquid reserves and a diverse range of funding options to meet daily, short-term and long-term liquidity requirements.

Interest Rate Risk

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

Currency Risk

Currency risk is the risk of loss of earnings to the bank due to adverse movements in exchange rates.

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

Concentrations of Risk

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

37 DERIVATIVE FINANCIAL INSTRUMENTS

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

As at the end of the year the derivative financial instruments existing were interest rate swaps, cross currency swaps, interest rate options and foreign exchange contracts. The notional amounts of derivatives represent the contract or face values of these derivatives. The notional amounts do not represent the amounts exchanged by the parties (except in the case of foreign currency transactions). The amounts to be exchanged will be calculated with reference to the notional amounts and the other terms of the derivatives, which relate to interest rates, exchange rates or other financial indicies.

Credit exposures represent the extent of credit-related losses that the bank may be subject to on these amounts to be exchanged under the derivative financial instruments, and hence the notional amounts are not a measure of this exposure.

The remaining terms and notional principal amounts of the economic entity's outstanding interest rate, foreign exchange contracts and currency swaps at 30 June were:	2004 $m	2003 $m
not later than one year	638.6	677.9
later than one year but not later than five years	2,168.7	1,321.4
later than five years	20.2	31.3
	2,827.5	2,030.6

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

	Notional Amount		Credit Equivalent Amount		Fair Value	
	2004 $m	2003 $m	2004 $m	2003 $m	2004 $m	2003 $m
Interest rate swaps	2,320.0	1,555.1	12.9	6.6	(0.9)	(23.2)
Options/Floors	-	-	-	-	-	-
Cross currency swaps	464.4	358.2	20.7	11.2	(43.5)	(73.5)
Foreign exchange contracts	43.1	117.3	0.7	3.2	0.1	0.4
	2,827.5	2,030.6	34.3	21.0	(44.3)	(96.3)

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

38 FINANCIAL INSTRUMENTS

a. Terms, conditions and accounting policies

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

Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
Financial assets			
Notes, coin and cash at bank	12	Notes, coin and cash at bank are stated at cost and any interest is taken up as income on an accrual basis	These items are cash or are readily convertible to cash.
Due from other financial institutions	12	Amounts due from other financial institutions are stated at cost.	These amounts relate to inter-bank settlement processes and are generally paid within 2 working days. No interest accrues to these amounts.
Bank accepted bills of exchange	13	Bank accepted bills of exchange are stated at cost adjusted for accrued interest and premium or discount amortisation. Premiums and discounts are amortised from the date of purchase so that the securities will be recorded at face value on maturity and the appropriately proportioned premiums and discounts are allowed for each month in profit.	Bills of exchange and promissory notes held have an average maturity of 23 days with an effective interest rate of 5.44%.
Negotiable certificates of deposit	13	Negotiable certificates of deposit are stated at cost adjusted for accrued interest and premium or discount amortisation. Premiums and discounts are amortised from the date of purchase so that the securities will be recorded at face value on maturity and the appropriately proportioned premiums and discounts are allowed for each month in profit.	Negotiable certificates of deposit held have an average maturity of 61 days with effective interest rates of 5.42% to 6.15%.
Government securities	13	Government securities are stated at cost adjusted for accrued interest and premium or discount amortisation. Premiums and discounts are amortised from the date of purchase so that the securities will be recorded at face value on maturity and the appropriately proportioned premiums and discounts are allowed for each month in profit.	Government securities held have an average maturity of 61 days with effective interest rates of 5.26% to 5.46%
Investment Securities - all other	13	Deposits with banks and other parties are stated at cost. Interest is recognised in profit on an accrual basis.	Deposits made have an average maturity of 704 days with effective interest rates of 5.56% to 5.99%.
Overdrafts	14	Overdrafts are stated at cost. Interest is recognised in profit on an accrual basis.	Overdraft facilities are made available to customers on a secured or unsecured basis and are withdrawable by the bank. Effective base interest rates range from 6.70% to 12.20% and interest is charged on a monthly basis. Casual overdrafts incur an additional 6.00% overlimit rate.

38 FINANCIAL INSTRUMENTS (continued)

a. Terms, conditions and accounting policies (continued)

Recognised Financial Instruments	**Statement of Financial Position Notes**	**Accounting Policies**	**Terms and Conditions**
Financial assets			
Credit cards	14	Credit card outstandings are stated at cost. Interest is recognised in profit on an accrual basis.	Credit card facilities are made available to customers on an unsecured basis. Customers can choose between various products, offering the option of "interest-free" days, no "interest free" days and various interest rates. Interest is charged on a monthly basis with effective interest rates ranging from 13.4% to 16.4%.
Term loans	14	Mortgage and personal loans are stated at cost. Interest is recognised in profit on an accrual basis for mortgage loans and on an interest earned basis for personal loans.	Mortgage loans are offered to customers as a variety of products, all being secured by mortgage security. Products offer variable or fixed interest rates, short and long-term payment periods, with or without monthly fees. Interest is charged on a monthly basis with effective interest rates ranging from the bank's cost of funds to 9.15%. Personal loans are offered on a secured or unsecured basis with terms ranging from 1 to 7 years. Interest is fixed and charged on a monthly in arrears basis ranging from 9.45% to 14.45%.
Lease receivables	14	The lease asset is accounted for in accordance with AASB 1008	As at balance date, the economic entity has finance leases with terms of 1 to 5 years. The average earning rate implicit in the leases is 7.54%. All leases are secured by the asset that is subject of the lease.
Other loans	14	Other loans are stated at cost. Interest is recognised on an accrual basis.	These loans are generally short-term and are normally settled within 30 days.
Accrued interest	14	Accrued interest is stated at cost. Interest is accrued on a daily basis.	Accrued interest on loans is normally charged to the loan accounts in the month following accrual.
Other Share investments	17	Listed and unlisted shares are carried at deemed cost. Dividend income is recognised when dividends are declared by the investee.	All shares held are ordinary shares attracting dividends as declared by the investee company.
Units in trusts	17	Units in trusts are carried at deemed cost. Dividend income is recognised when dividends are declared by the investee.	All units held attract dividends as declared by the investee trust.
Accrued income	21	Accrued income is stated at cost. Income is accrued as earned.	Accrued income is normally received or charged to customer accounts in the month following accrual.
Reserve fund	21	The Reserve fund comprises at call investments and managed fund investments which are carried at cost and land and buildings at Directors valuation. Interest on at call investments is recognised in the statement of financial performance on an accrual basis. Income on managed fund investments is recognised on a cash basis.	The Reserve fund is required to be maintained under the Trustee Companies Act 1984 for Sandhurst Trustees Limited, to provide for the event of the appointment of a liquidator, a receiver and manager or an administrator of a trustee company. The at call investments attract interest at an effective average rate of 5.140%. Managed fund investments attract an effective yield of 3.459%. Land and buildings are based on an independent valuation as at 30 June 2004.
Sundry debtors	21	Sundry debtors are carried at cost.	These loans are generally short-term and are normally settled within 30 days.

38 FINANCIAL INSTRUMENTS (continued)

a. Terms, conditions and accounting policies (continued)

Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
Financial liabilities			
Due to other financial institutions	12	Amounts due to other financial institutions are stated at cost.	These amounts relate to inter-bank settlement processes and are generally paid within 2 working days. No interest accrues to these amounts.
Deposits-retail Branch network	22	Retail deposits - branch network are carried at the principal amount plus accrued interest. Interest is charged to profit on an accrual basis.	Retail deposits - branch network consist of a variety of investor products on an at call or term deposit basis. Interest is payable monthly, quarterly, half-yearly or at maturity of the deposit, depending on the product features. Certain transactions attract fees, which are generally charged on a monthly basis - these fees can be reduced, or eliminated, depending on the number and value of "relationships" the customer has with the economic entity. Carded interest rates range from 0% to 5.55%.
Deposits-retail Treasury sourced-Certificates of deposit	22	Certificates of deposit are stated at cost adjusted for discount amortisation. Discounts are amortised from the date of issue so that the securities will be recorded at face value on maturity and the appropriately proportioned discounts are allowed for each month in profit.	Certificates of deposit issued have an average maturity of 64 days with effective interest rates of 4.60% to 6.98%.
Deposits-retail Treasury sourced-Other	22	Treasury sourced-other deposits include term deposits, fixed and floating rate notes and 11am call deposits and are stated at the principal amount plus accrued interest. Interest is charged to profit on an accrual basis.	Treasury sourced-other deposits for fixed terms have an average maturity of 393 days. 11am call monies are available at call. Interest rates on these deposits range from 3.84% to 7.40%
Deposits-wholesale Domestic-Certificates of deposit	22	Certificates of deposit are stated at cost adjusted for discount amortisation. Discounts are amortised from the date of issue so that the securities will be recorded at face value on maturity and the appropriately proportioned discounts are allowed for each month in profit.	Certificates of deposit have an average maturity of 62 days with effective interest rates of 4.77% to 5.82%.
Deposits-wholesale Domestic-Other	22	Wholesale domestic-other deposits include term deposits, floating rate notes, bills payable and 11am call deposits and are stated at the principal amount plus accrued interest. Interest is charged to profit on an accrual basis.	Wholesale domestic-other deposits for fixed terms have an average maturity of 436 days. 11am call monies are available at call. Interest rates on these deposits range from 5.00% to 6.60%
Deposits-wholesale Offshore	22	Wholesale offshore deposits comprise a Euro medium term note program (EMTN) and a Euro commercial paper program (ECP). The EMTN and ECP are stated at the AUD value inherent in relevant cross currency swaps, adjusted for accrued interest. Interest is charged to profit on an accrual basis. The ECP's are stated at the AUD cost adjusted for discount amortisation. Discounts are amortised from the date of issue so that the securities will be recorded at fair value on maturity and the appropriately proportioned discounts are allowed for each month of profit.	At balance date, the principal of borrowings under the EMTN program was AUD 464.477 million, taking account of the conversion inherent in the cross currency swaps. The average interest rate is BBSW +.5303% and rates are reset on a quarterly basis. The notes on issue mature 2 August 2005, 26 March 2007 and 10 September 2007. ECP's on issue have an average maturity of 37 days with an effective interest rate of 5.69%.

38 FINANCIAL INSTRUMENTS (continued)

a. Terms, conditions and accounting policies (continued)

Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
Financial liabilities			
Subordinated capital notes	25	Subordinated capital notes are carried at issue price, which represents the principal amount. Interest is charged as an expense on an accrual basis.	Subordinated capital notes have an average maturity of 7.85 years with effective interest rates of 6.43% to 7.55%.
Unsecured subordinated perpetual convertible capital notes	25	Perpetual convertible notes are carried at issue price, which represents the principal amount. Interest is charged as an expense on an accrual basis.	Perpetual convertible notes were issued in October 1997. The notes are tradeable on the Australian Stock Exchange and are convertible to fully paid shares. All notes attract interest at a rate of 8.0%. All issued notes were converted or repaid in the current financial year.
Rollover Notes - Series 1	25	Rollover Notes are carried at issue price, which represents the principal amount. Interest is charged as an expense on an accrual basis.	Rollover Notes-Series 1 were issued on 19 October 2001. The maturity date is 19 October 2011 and interest is either floating, at the 180 bank bill rate plus a margin of 1.50% p.a., or fixed and floating. The fixed rate of 7.00% p.a. applies until 19 October 2006, when these notes revert to the floating rate as previously described.
Sundry creditors	23	Liabilities are recognised for amounts to be paid in the future for goods and services received.	Trade creditors are normally settled on 30 day terms, or in accordance with agreement with individual creditors.
Accrued expenses and outstanding claims	23	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity.	Trade creditors are normally settled on 30 day terms, or in accordance with agreement with individual creditors, once billed.
Provision for Dividend	9	Dividends payable are recognised when the dividend is declared, determined or publicly recommended.	Dividends payable represents the residue balances carried forward relating to participants in the dividend reinvestment plan. The extent to which dividends are franked, details of the franking account balance at balance date and franking credits available for the subsequent financial year are disclosed in Note 9.
Equity			
Ordinary shares	26	Ordinary share capital is recognised at the fair value of the consideration received by company.	Details of shares issued are set out in Note 26.
Unrecognised Financial Instruments			
Derivatives			
Interest rate swaps	37	Interest rate swaps are used to convert variable interest rates to fixed interest rates, or vice versa. The swaps are entered into with the objective of reducing the risk of interest rate fluctuations relating to the statement of financial position. It is the company's policy not to recognise interest rate swaps in the financial statements. Net receipts and payments are recognised on an accrual basis as an adjustment to interest income.	At balance date, the economic entity had a number of interest rate swap agreements in place for varying maturity dates, generally on 90 day repricing arrangements. Details of swaps in place are disclosed in Note 37.

38 FINANCIAL INSTRUMENTS (continued)

a. Terms, conditions and accounting policies (continued)

Unrecognised Financial Instruments	**Statement of Financial Position Notes**	**Accounting Policies**	**Terms and Conditions**
Derivatives			
Options	37	Options are utilised in the management of balance sheet risk. The options are entered into with the objective of reducing the impact of interest rate fluctuations. It is the company's policy not to recognise options in the financial statements. Any net receipts or payments are recognised on an accrual basis as an adjustment to interest income. Premiums are amortised over the term of the instrument.	At balance date the economic entity had no options contracts in place.
Cross currency swaps	37	Cross currency swaps are used to convert funding sourced in foreign currencies to Australian dollars, which removes the exposure to foreign exchange risk. Additionally, these swaps also convert the benchmark rates for funding costs from the foreign country benchmark to the Australian benchmark, being BBSW.	At balance date, the economic entity had entered into cross currency swap agreements to hedge the US$290 million issue under the Euro medium term note program which matures on 2 August 2005, 26 March 2007 and 10 September 2007; generally on 90 day repricing agreements. Details of swaps in place are disclosed in Note 37.
Foreign exchange contracts	37	Spot and forward foreign exchange contracts are used to fix an exchange rate for a range of future foreign currency transactions. These contracts are generally used to remove the exposure to foreign exchange risk in relation to future transactions in foreign currencies.	At balance date, the economic entity had a number of foreign exchange contracts in place for varying maturity dates, the majority of which mature within 184 days. Details of foreign exchange contracts are disclosed in Note 37.
Futures contracts	37	Occasionally, Bond and Bill futures are used to hedge interest rate exposures on various securities. Initial margins, mark-to-market adjustments and realised profits are recognised on an accrual basis.	At balance date, the economic entity had no futures contracts.

38 FINANCIAL INSTRUMENTS (continued)

b. Interest rate risk

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

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

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

AS AT 30 JUNE 2003	Floating interest rate	Fixed interest rate repricing : Less than 3 months	Between 3 months & 6 months	Between 6 months & 12 months	Between 1 year & 5 years	After 5 years	Non-interest bearing	Total carrying value per Statement of financial position	Weighted average effective interest rate
	$m	$m	$m	$m	$m	$m	$m	$m	%
Assets									
Cash and liquid assets	(0.2)	-	-	-	-	-	107.4	107.2	-
Due from other financial institutions		-	-	-	-	-	181.2	181.2	-
Investment securities	7.2	1,006.9	115.9	-	-	-	-	1,130.0	4.80
Loans and other receivables	4,633.6	895.1	254.3	302.0	1,431.2	30.7	(42.9)	7,504.0	6.91
Other assets	-	-	-	-	-	-	334.2	334.2	-
Total assets	4,640.6	1,902.0	370.2	302.0	1,431.2	30.7	579.9	9,256.6	-
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	129.1	129.1	-
Deposits	3,356.5	2,558.5	1,520.9	626.3	131.1	-	47.8	8,241.1	3.57
Other liabilities	-	-	-	-	-	-	129.0	129.0	-
Subordinated debt	-	61.1	101.0	-	42.6	-	.	204.7	6.52
Total liabilities	3,356.5	2,619.6	1,621.9	626.3	173.7	-	305.9	8,703.9	-
Equity	-	-	-	-	-	-	552.7	552.7	-
Off-balance sheet items affecting interest rate sensitivity	-	892.5	304.5	(205.9)	(972.1)	(19.0)	-	-	-
INTEREST SENSITIVITY GAP									
- NET	1,284.1	174.9	(947.2)	(530.2)	285.4	11.7	(278.7)	0.0	-
- CUMULATIVE	1,284.1	1,459.0	511.8	(18.4)	267.0	278.7	0.0	0.0	-

39 NET FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Methodologies

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

On-balance sheet

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

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

Investment and trading securities

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

Loans and other receivables

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

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

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

Other Share Investments

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

Other assets

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

Deposits

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

Subordinated debt and other debt

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

Other liabilities

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

Off-balance sheet

Exchange rate and interest-rate contracts

The fair value of exchange-rate and interest-rate contracts, used for hedging purposes, is the estimated amount the Group would receive or pay to terminate the contracts at reporting date. The fair value of these instruments are disclosed in Note 37.

39 NET FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Summary

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

	Carrying value		Net fair value	
	2004	2003	2004	2003
	$m	$m	$m	$m
Financial Assets				
Cash and liquid assets	157.5	107.2	157.5	107.2
Due from other financial institutions	157.6	181.3	157.6	181.3
Investment securities	1,220.2	1,130.0	1,220.2	1,130.0
Loans and other receivables	9,372.6	7,504.0	9,644.8	7,700.5
Shares-IOOF Holdings Ltd.	18.6	12.0	30.4	12.0
Shares-other	8.7	11.3	10.3	11.8
Investments accounted for using the equity method	101.1	88.7	101.1	88.7
Other assets	127.9	100.7	127.9	100.7
Financial Liabilities				
Deposits	10,148.9	8,241.1	10,167.1	8,136.0
Due to other financial institutions	128.9	129.1	128.9	129.1
Subordinated debt	199.3	204.7	190.6	211.1
Payables	88.7	91.3	88.7	91.3

40 FIDUCIARY ACTIVITIES

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

	Consolidated	
	2004	2003
	$m	$m
Funds under trusteeship	2,923.1	2,646.7
Assets under management	2,249.8	2,628.4
Funds under management	769.7	538.2

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

41 EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years. On 9 August 2004 the Bank declared a final dividend, details of which are disclosed in the directors' report and in note 9.

42 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 will apply to the group's reporting periods from 1 July 2005.

Adoption of IFRS 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 company Audit Committee on project progress, findings, impacts and identified changes required to group accounting policies, systems and procedures to ensure transition.

Key areas of the bank's reported performance and position that are likely to be affected by the adoption of IFRS are:

Goodwill

Initial impact on retained earnings at 1 July 2004 Lower expenses Volitility 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. The new testing methodology may result in assessment of impairment for some goodwill and require initial write down on transition to IFRS.

Financial instruments

Volitility 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.

Derivatives

Volitility 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 effective hedging.

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. Increases or decreases in general provisions created to comply with "local circumstances or legislation" are to be recognised as appropriations of retained earnings. This may have the effect of decreasing charges to profit for increases in general provision.

Securitisation

New assets/liabilities recognised	Securitisations undertaken have been reviewed to ensure they meet the de-recognition requirements of IFRS. It is possible that one program undertaken may not meet these requirements, resulting in re-recognition of these assets. The value of these assets is not material to the group.

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. It is expected that the standard may require the group to carry higher levels of deferred tax assets and liabilities, including a deferred tax liability in relation to the asset revaluation reserve.

At this stage the company has not been able to quantify the final impacts on future financial reports. Bendigo Bank will continue to place a high priority on this project and will include reference to the impacts in future reporting.

DIRECTORS' DECLARATION

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

In the opinion of the directors:

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

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and

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

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

On behalf of the Board

R A Guy OAM, Chairman

R G Hunt AM, Managing Director

Dated this 7th day of September 2004

INDEPENDENT AUDIT REPORT

To the members of Bendigo Bank Limited

Matters relating to the electronic presentation of the Audited Financial Report

This audit report relates to the financial report of Bendigo Bank Limited and Controlled Entities for the year ended 30 June 2004, included on Bendigo Bank Limited and Controlled Entities web site. The company's directors are responsible for the integrity of the Bendigo Bank Limited and Controlled Entities web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risk arising from electronic data communications they are advised to refer to the hardcopy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Scope

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Bendigo Bank Limited ("the Company") and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the Company and the entities it controlled during that year.

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

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

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

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

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

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

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit Opinion

In our opinion, the financial report of Bendigo Bank Limited is in accordance with:

(a) the Corporations Act 2001 including:

  (i) giving a true and fair view of the financial position of Bendigo Bank Limited and the consolidated entity as at 30 June 2004 and of their performance for the year ended on that date; and

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

(b) other mandatory professional reporting requirements in Australia.

Ernst & Young

Partner
Melbourne
7 September 2004

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

ADDITIONAL INFORMATION

1 MATERIAL DIFFERENCES

There are no material differences between the information supplied in this report and the information in the preliminary final report supplied by Bendigo Bank Ltd to the Australian Stock Exchange on 9 August 2004.

2 AUDIT COMMITTEE

As at the date of the Directors' report the economic entity had an audit committee of the Board of Directors.

3 CORPORATE GOVERNANCE PRACTICES

The corporate governance practices adopted by Bendigo Bank Ltd are detailed in the Corporate Governance section of the Group's Concise Annual Report for 2004.

4 SUBSTANTIAL SHAREHOLDERS

As at 19 August 2004 there were no substantial shareholders in Bendigo Bank Ltd as defined by the Listing Rules of the Australian Stock Exchange Ltd.

5 DISTRIBUTION OF SHAREHOLDERS

Range of Securities as at 19 August 2004 in the following categories:

	Fully paid Ordinary Shares	Fully Paid Employee Shares
1 - 1,000	22,677	640
1,001 - 5,000	20,139	1,127
5,001 - 10,000	2,880	103
10,001 - 100,000	1,576	45
100,001 and over	60	4
Number of Holders	47,332	1,919
Securities on Issue	134,061,262	5,317,093

6 MARKETABLE PARCEL

Based on the closing price of $9.77 on 19 August 2004, the number of holders with less than a marketable parcel of the Company's main class of securities (Ordinary Shares) as at 19 August 2004 was 1,294.

7 UNQUOTED SECURITIES

The number of unquoted equity securities that are on issue and the number of holders of those securities are shown in the above table under the heading of Fully Paid Employee shares.

8 MAJOR SHAREHOLDERS

Names of the 20 largest holders of Ordinary Fully Paid shares, including the number of shares each holds and the percentage of capital that number represents as at 19 August 2004 are:

FULLY PAID ORDINARY SHARES

Rank	Name	Number of Ordinary Fully Paid Shares	Percentage held of Issued Ordinary Capital
1	J P Morgan Nominees Australia Ltd	4,349,358	3.24%
2	Milton Corporation Ltd	2,954,743	2.20%
3	Westpac Custodian Nominees Ltd	2,020,717	1.51%
4	National Nominees Ltd	1,455,055	1.09%
5	RBC Global Services Australia Nominees Pty Ltd	1,419,321	1.06%
6	Leesville Equity Pty Ltd	1,340,477	1.00%
7	Citicorp Nominees Pty Ltd	1,323,992	0.99%
8	Citicorp Nominees Pty Ltd (CFS Future Leaders Fund a/c)	1,236,438	0.92%
9	IOOF Holdings Ltd	806,566	0.60%
10	Choiseul Investments Ltd	646,095	0.48%
11	Argo Investments Ltd	591,940	0.44%
12	Tower Trust Limited	511,141	0.38%
13	AMP Life Ltd	508,487	0.38%
14	Anthony Detata Nominees Pty Ltd	400,488	0.30%
15	HSBC Custody Nominees (Australia) Ltd	354,420	0.26%
16	Brickworks Securities Pty Limited	349,942	0.26%
17	Mansbridge I G	311,788	0.23%
18	Equity Trustees Limited	300,036	0.22%
19	Sandhurst Trustees Limited (SISF a/c)	280,976	0.21%
20	Medical Research Foundation For Women and Babies	232,467	0.17%
		21,394,447	15.94%

BBS Nominees Pty Ltd, trustee for the Bendigo employee share ownership plan, held 5,317,093 unlisted shares as at the date of this report. These shares have not been included in the above table.

ADDITIONAL INFORMATION (continued)

9 VOTING RIGHTS

The holders of ordinary shares are entitled to vote at meetings of shareholders in the first instance by a show of hands of the shareholders present and entitled to vote. If a poll is called, each shareholder has one vote for each fully paid share held.
Holders of partly paid shares have a vote which carries the same proportionate value as the proportion that the amount paid up on the total issue price bears to the total issue price of the share.
In the case of an equality of votes the Chairman has, on both a show of hands and at a poll, a casting vote in addition to the vote to which the Chairman may be entitled as a shareholder, proxy, attorney or duly appointed representative of a shareholder.

10 COMPANY SECRETARY

The company secretary of Bendigo Bank Ltd is David A. Oataway.

11 REGISTERED OFFICE

The address and telephone number of Bendigo Bank's registered office in Australia and its principal administrative office is:

Bendigo Bank Limited
Second Floor
Fountain Court
Bendigo Victoria 3550
Telephone (03) 5433 9339 Fax (03) 5433 9690

12 SECURITIES REGISTER

The address and telephone number of Bendigo Bank's securities register is:

Securities Registry
Bendigo Bank Ltd.
Second Floor
Fountain Court
Bendigo Victoria 3550
Telephone (03) 5433 9549 Fax (03) 5433 9029