

Growing together

Supporting communities, sharing success

Georgie 7 years



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

Customer/Shareholder inquiries

Customer Help Centre

1300 361 911 (local call)
8.30am - 6.30pm AEST Mondays to Fridays

Bendigo Bank OnCall

1300 366 666 (local call)
8.00am - 8.00pm weekdays,
9.00am - 4.00pm Saturdays,
10.00am - 4.00pm Sundays

24-hour Phone Bank

1300 366 666 (local call)

24-hour e-Bank

www.bendigobank.com.au

Website: www.bendigobank.com.au

Securities Registry: 1800 646 042

A foreword

We enter our tenth year as a bank with growing evidence that our strategy is working.

Our bank is well known and highly regarded. Demand for our brand is growing and we have broadened our distribution networks to reach more Australians than ever before. Our financial performance continues to get stronger.



Our strategy draws on our Company history and culture, our experience and our understanding of banking principles and community sentiment.

Opportunity played a part, too. During the 1990s, there was growing public disquiet about the role banks played in the community. This coincided with our 1995 conversion to bank status and we saw a clear opportunity to establish a uniquely Australian bank - one able to respond to the obvious desire for a bank that would “do the right thing”.

In developing our strategy, we considered a number of factors:

- > The historic role of banks, which were formed to increase the prosperity of the whole community.
- > The history of our Company, emerging as it did out of the need to create a prosperous, sustainable community from the chaos of the Bendigo gold rush.
- > People’s desire for a bank which could understand and support their personal and community aspirations.
- > Our organisation’s strengths – including honesty and integrity, and the courage and skill to be innovative and different.

We determined to build a different bank. As ever, we would focus on helping customers achieve their financial goals. But we would also extend ourselves beyond banking to see if there were other ways in which we could help our communities improve their prospects. If successful, this would create a unique connection between Bendigo Bank and its customer base. We would be valued more highly than just another bank on the street.

We would attract customers who are committed to support us because they appreciate our value to their community – and because they know we are a competent and trustworthy bank. Loyal customers generate consistent revenue, and therefore reliable profits. Through retaining their business, and acquiring new customers, our business grows. And our markets grow, too, because our communities are prospering.

This is a simple and incontrovertible logic, but it is a challenging strategy to implement. It is true we have a way to go, but our progress is heartening. Our pre-tax profit has exceeded \$100 million for the first time and shareholder dividends are growing.

We believe our engagement with communities will help them to secure their future, too. Already our Community Bank towns and suburbs have shared in more than \$100 million in revenue which would otherwise have gone elsewhere. They are creating jobs, paying wages, spending locally and channelling their growing profits into local projects and dividends for their shareholders.

Bendigo Bank is supporting communities and we are sharing the rewards with them. We are growing together.



A measure of pride

Bendigo Bank is delivering steady improvement in profitability and performance, and contractor Lionel Weston, from Access Employment, takes pride in delivering on our behalf.

A growing list of achievements

FINANCIAL CALENDAR 2004 - 2005

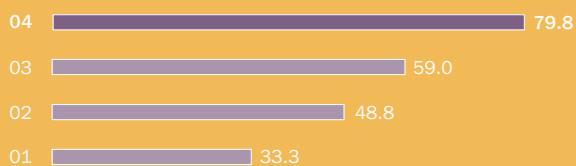
2004

9 September	Ex-dividend date
15 September	Final dividends record date
30 September	Distribution of final dividend
25 October	Annual General Meeting, 11.00 am
31 December	Half year end

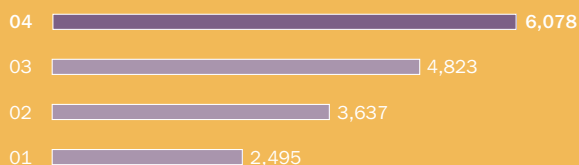
Proposed Dates 2005

February	Announcement of interim results and interim dividend
10 March	Ex-dividend date
16 March	Interim dividend record date
31 March	Distribution of interim dividend
August	Announcement of final results and final dividend
30 September	Distribution of final dividend

Profit after tax (\$ mil.)



Lending approvals (\$ mil.)



HIGHLIGHTS AT A GLANCE

Financial

- > Achieved pre-tax profit of \$100 million for the first time
- > Increased normalised after-tax profit by 24% to \$73.2 million
- > Grew normalised earnings per share by 18 per cent, to 55.2 cents
- > Increased dividends by 19 per cent, to 40 cents per share
- > Improved normalised ROE from 11.06 per cent to 11.91 per cent
- > Achieved \$2.1 billion funds under management (increase of \$400m)
- > Increased lending approvals by 26% to \$6.1 billion

Service

- > Grew our customer base by 88,000 to 916,000
- > Opened 29 Community Bank® branches
- > Increased our ATM network by 42 to 265
- > Relaunched our e-banking service with improved functionality
- > Introduced second-level e-banking security (post balance date)

Strategic

- > Became a credit card merchant “acquirer” of the three major brands – Visa, MasterCard and Bankcard – leading to lower fees for our merchants and a greater opportunity to acquire merchants and so improve our business revenues.
- > Increased our control over the future of our investments in Bendigo Stock Exchange and online financial services
- > Achieved AFSL licences for five of our companies
- > Saw our long-term credit rating upgraded to BBB+ by Fitch Ratings, while Standard & Poor’s reaffirmed its BBB rating but placed us on positive credit watch
- > Increased our stake in our alliance partner IOOF Holdings to ten per cent
- > Continued to strengthen our risk management capabilities
- > Began implementing five-year strategic IT plan
- > Finalised plans for new Bendigo head office and Melbourne office
- > Further enhanced our community building facilities and support



A measure of consistency

Consistency is as vital to our business as it is for the owner of Jam Packed, Chontelle Little. Our consistent strategy and steady hand will produce the icing on the cake for our shareholders – growing and sustainable dividends.

A growing ability to increase dividends



Chairman
Richard A. Guy OAM

Group Managing Director
Rob Hunt AM

REPORT BY THE CHAIRMAN AND MANAGING DIRECTOR

Bendigo Bank enters its tenth year as a bank with an unwavering strategy and steadily increasing earnings. Not surprisingly, the two are inextricably linked.

Our 2004 after-tax profit of \$79.8 million was 35 per cent higher than the previous year. This figure was boosted by the sale of our stake in Cashcard Australia, which realised \$6.5 million after tax. Our “normalised” after-tax profit was \$73.2 million, a 24 per cent yearly increase. This is the fourth year running in which we have announced profit increases exceeding 20 per cent.

The dividend per share was increased by 6.5 cents, to 40 cents, fully franked. We have demonstrated a growing capacity to increase dividends. This is because:

- > Our business is growing strongly and new opportunities continue to arise.
- > Our reputation and service standards remain high (and we are building a strong connection with our buying base).
- > We have expensed the expansion costs for our distribution network and new businesses.
- > This network is carrying increasing volumes and our business revenues are growing.
- > We are using capital efficiently.

Perhaps most importantly, we continue to grow because we remain true to those strategic principles that underpin our success.

When converting to a bank in 1995, Bendigo Bank set four strategic priorities:

1. Create a unique style of banking
2. Broaden our distribution and products
3. Be relevant in all our markets
4. Improve our financial performance

1. Identity

As a building society we were well-known only in the 74 Victorian communities in which we had branches. There, we were trusted, we were renowned for our customer service and we were valued for our contribution to the community. Those attributes had to be retained as we expanded within Victoria and interstate. A decade on, we now have a strong and distinctive brand positioning as Australia's customer and community focused bank. This is evidenced through:

- > Demand for our brand. Six years ago we had 304,000 customers; today that has tripled to 916,000. We attract around 100,000 customers each year and open around 30 new branches. New communities approach us each week, sometimes prompted by our community engagement activities not directly connected with banking.
- > Geographic spread. In 1995 we had just two interstate branches. Today half of our branches are interstate and we are represented in all States and the ACT.
- > Reputation. Bendigo outrated all other banks in separate independent customer satisfaction surveys conducted by Roy Morgan, Nielsen and Choice magazine. We had a satisfaction rating of 94 per cent in the Nielsen customer satisfaction survey.
- > A reputation survey of 1800 respondents, conducted by Harris Interactive Australia, saw Bendigo Bank ranked fourth-highest among Australian companies.

2. Distribution

Bendigo Bank is now much more accessible through branches and electronic channels. And with our product range having broadened considerably since bank conversion we are better able to service entire communities.

- > Branch numbers have increased from 107 in 2000 to more than 275 today, and we plan to open 30-plus branches in 2004/05.
- > One-in-eight customers are e-bank users, our fastest-growing channel.
- > Our call centre was launched in 1998 and now takes three-quarters-of-a-million calls yearly.
- > We have successfully launched a Wealth Solutions division, vastly expanded our business banking capacity and broadened our consumer product range.
- > Alliances are growing the Bendigo presence geographically and by industry sector.

3. Relevance

This is key to our future. The financial services marketplace is crowded and competitive, with little differentiation between many participants. Product and price are in most cases indiscernible and big banks will always enjoy scale advantages.

Rather than compete on others' strengths, we aim to create willing buyers of our services by providing quality service and through being highly relevant to our customers and communities. This will secure our franchise in an environment where all competitors will be convenient.

We are already proving our relevance as a bank. Our 133 Community Bank® towns and suburbs have so far shared \$100 million in revenue, with \$50 million of that paid in 2003/04 as early branches mature. We are in the process of extending our influence beyond banking to provide communities with access to a range of initiatives which can improve their prospects. And because we are close to our communities, we can better understand their aspirations and build solutions of most value to them. These initiatives tap into the co-operative spirit evident in most communities but are in most cases commercially based, with the capacity to become good businesses in their own right.

4. Performance

We are seeing steady and significant improvement in profitability and performance. Since 2000:

- > After-tax profit (normalised) has jumped three-and-a-half times, from \$21 million to \$73.2 million.
- > During the same period, return on equity increased from (a low base of) 7.75 per cent to almost 12 per cent (normalised).
- > Strong revenue growth allows us to continue investing while progressively improving our efficiency ratios.

In summary, Bendigo Bank's strategy is based on its strengths as a community based financial institution with a strong service culture.

Australians have exhibited strong demand for such a bank and we have used our natural strengths to tap into this demand without getting ahead of our capacity to deliver. This is evidenced by continuing high customer satisfaction and reputation.

This measured approach has delivered robust growth in customer numbers and business, which has translated into strongly growing performance as we leverage our earlier investments across Australia. Our balance sheet is unencumbered by the cost of expanding our retail networks and developing new products. The Company is therefore positioned to take advantage of future opportunities and invest in initiatives to continue to build relevance in our communities.

With growing satisfaction comes growing expectations

The year in review

While not without its challenges, 2003/04 brought a large measure of satisfaction beyond our record profit and rising share price (which on 1 March 2004 hit \$10 for the first time).

> The year in review saw two “century” milestones achieved – our first \$100 million pre-tax profit and our first entry into Australia’s Top 100 companies (acknowledging that fluctuations in market capitalisation mean we are more often just outside the 100).

- > In a Bulletin magazine ranking of the top 50 performing companies, Bendigo Bank ranked 28th over five years in “sustainable shareholder return” (total shareholder return less the cost of equity).
- > Ethical Investor magazine awarded us a Merit Award for our work on Community/Social Initiatives. This followed our 2001 and 2002 successes as the magazine’s Most Sustainable Company as voted by the Council for the Encouragement of Philanthropy in Australia.
- > We were a finalist in the Socially Responsible Investment category of the prestigious Banksia Awards for environment.
- > Our long-term credit rating was upgraded to BBB+ by Fitch Ratings, while Standard & Poor’s reaffirmed its BBB rating but placed us on positive credit watch.
- > We increased net customer numbers by 88,000 and opened 29 Community Bank branches, further enhancing our ability to generate revenues.
- > We became a credit card merchant “acquirer” of the three major brands – Visa, MasterCard and Bankcard – leading to lower fees for our merchants and the prospect of improved revenues for our business.
- > Following extensive preparations – at a significantly higher cost than envisaged – five of our companies were licensed to operate under the Financial Services Reform Act which took effect from 11 March 2004.

All of our businesses performed well during the year. Retail banking figures were excellent, – in part buoyed by the strong property and consumer markets; our Wealth Solutions division enjoyed strong growth and increased support from our customer base; electronic delivery channels and call centres served many more customers as well as increasing their profit contributions; our insurance division continues its steady growth; and our cards division is making inroads into a highly competitive market.

Our alliances, too, are bearing fruit. One of our great strengths is our willingness and ability to join forces with business partners to improve outcomes for both. We have brought our banking skills, products and systems to alliances with Elders (rural banking), Tasmanian Perpetual Trustees (in the



A measure of expectation

Awaiting her twins, Bendigo Bank Customer Service Officer Lyn Dean has great expectations both on the home and work front. Aimee and Katie arrived on 24 August.

Tasmanian retail banking market), and the Pharmacy Guild of Australia (specialist banking for pharmacists). All these ventures required substantial investments on our part and all are now increasing their profit contributions as their businesses mature.

We made strategic decisions designed to improve the commercial prospects of Bendigo Stock Exchange, in which we increased our shareholding, and Inch Corp, an online financial services provider whose business we purchased.

Our Managing Director now represents Bendigo Bank on the Business Council of Australia, giving us access to its extensive research and policy development. Importantly, as Australia's largest regionally based listed company, we have an opportunity to present a unique view to this important policy forum.

Vale

We were saddened by the death of former director Norm Bevan. Formerly a state manager with the Reserve Bank, Norm's experience was a valuable asset as we converted to a bank in 1995. He quickly grasped Community Bank's power to unite communities behind our business and was a passionate advocate and mentor. Norm attended many branch openings and was popular wherever he went. We offer his family our condolences and thanks for his contribution to the Bank.

Looking forward

Australians have enjoyed a decade of strong economic growth and moderate to low interest rates and we are conscious that this climate cannot endure indefinitely. Therefore, whilst confident our strategy will continue to generate growth and opportunities, we are cautious about the external environment and have positioned our business and balance sheet accordingly. We continue to take a prudent approach to credit approval and we pro-actively manage those customers who get into difficulties with loan repayment. Our bad debt levels remain at historic lows and we continue to build our provisioning in line with the growth in our loan book.

Further growth in our business seems assured given the investments we have already made. In the past three years, we have opened 100 new branches and experience tells us they will continue to grow strongly for some time yet. Of course, investment won't stop: we aim to open 30 more Community Bank® branches this financial year and these will be augmented with new proprietary branches including Coffs Harbor, Port Macquarie and Griffith in NSW.

While banking is the focus of our business, we will continue to progress community building initiatives suitable for all towns and suburbs in which we operate. Mostly these harness community and co-operative spirit to commercial models (like Community Bank®. Bendigo Community Telco proves this can work, with 1000 business customers and a healthy profit in its

third year of operation. We are confident we can gradually build businesses that are commercially based and deliver strategic and competitive outcomes for communities.

We look to further improve our environmental performance. With our Green Loans now established, we will for the first time this year move to fully offset the greenhouse gas emissions of our car fleet (see Page 23). Our new head office building in Bendigo is designed on sound environmental principles (see Page 26). Our Melbourne-based staff will also be housed in a new building currently under construction at Docklands. Staff in the two cities are currently spread across various buildings and consolidating them into two will be more efficient and more conducive to reinforcing our company culture.

We will increase our investment in our people – the single biggest factor in our success. Our consistently high ratings in customer satisfaction and reputation surveys show us how customers value our people and their willingness to serve them. We recently created new portfolios within our Human Resources division, enabling it to take a more strategic focus and further increase our support for our staff. We expect this investment will provide significant benefits for our business.

Staff are receiving training in our new Code of Conduct that covers all Group employees and Directors. Based on the Company's long-established standards, the Code reaffirms the values – such as honesty, integrity, respect and loyalty – which have forged Bendigo's reputation. With staff numbers growing by around ten per cent annually, and the Company expanding throughout Australia, it is important that training and mentoring be underpinned by documented standards of professional behavior.

We have had a long-term aim to create a bank in which staff can openly express pride, and we believe the staff themselves have secured that position. We have said it before, but as Chairman and Managing Director, we are proud to lead this team and we thank all our staff for their dedication and hard work.

Finally, we have now experienced four years of consistent and solid improvement in our overall performance ratios. Our balance sheet is not encumbered by past expansion activities and with continued strong demand for our brand, we are well positioned to deliver growth above the industry average.

Richard A. Guy OAM
Chairman

Rob Hunt AM
Managing Director



A measure of sustainability

What started out as a therapy for people with disabilities has turned into a viable business producing 250 sheets of handmade paper a day, employing 32 people and exporting to New Zealand. Our customer, Watermark Paper Mill, is a sustainable business providing employment for Jodie Day and Malcolm Kay.

Result at a glance

	June 04 \$m	June 03 \$m	%Increase/ (Decrease)
Headline result			
Interest income	615.5	500.6	23.0
Interest expense	361.9	278.3	30.0
Net interest income	253.6	222.3	14.1
Other operating income	157.5	125.6	25.4
Total net operating income	411.1	347.9	18.2
Total operating expenses	295.8	258.6	14.4
Profit before tax	115.3	89.3	29.1
Income tax expense	(35.8)	(30.3)	18.5
Profit after tax	79.8	59.0	35.3
Expense to income	68.6%	69.9%	(1.9)
Earnings per share (cents)	60.2	46.8	28.5
Return on average equity	12.99%	11.06 %	17.5
Dividends per share (cents)	40.0	33.5	19.4

Normalised*

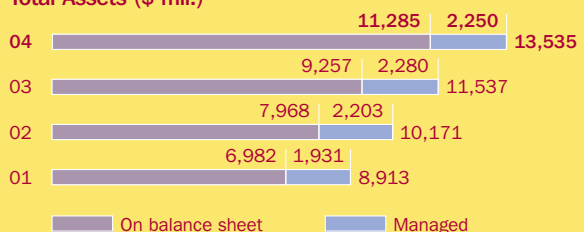
Profit after tax	73.2	59.0	24.1
Expense to income	69.4%	69.9%	(0.7)
Earnings per share (cents)	55.2	46.8	17.9
Return on average equity	11.91%	11.06%	7.7

* Normalised figures are calculated by excluding specific income and expense items.

Other key data

Total equity	676.4	552.7	22.4
Loans & other receivables	9,372.6	7,504.0	24.9
Total assets	11,284.5	9,256.6	21.9
Deposits	10,148.9	8,241.1	23.1
Lending approvals	6,077.8	4,822.8	26.0

Total Assets (\$ mil.)



Growing profits and growing confidence

FINANCIAL RESULT

Bendigo Bank recorded a 2003/04 operating profit after tax of \$79.8 million, a 35.3 per cent increase on the previous year.

This was after accounting for five “specific items”, the net effect of which was a \$6.6 million boost to our after-tax profit.

Specific items included a \$5.2 million profit from the sale of our stake in Cashcard Australia. As a founding shareholder, we created a successful financial services business and obtained an excellent return on our initial investment. At times we make strategic investments that are required to solve an issue for our business and also have the capacity to produce good commercial results in their own right.

Our normalised profit – after tax and before specific items – was \$73.2 million, an increase of 24 per cent on the previous year.

The improvement continued the strong momentum of the past four years, which have seen normalised after-tax profit increase by 243 per cent. Four consecutive strong increases reflect a number of factors, including brand appeal and the consequent growth in customer numbers, the growing maturity of branches introduced into our network in recent years, the gathering momentum of newly created businesses (such as ERB, TBS and Telco), and the broadening of our product range and revenue options (eg. Wealth Solutions, Business Solutions).

Revenues grew strongly in line with our business growth. Net interest income was up by 14.1 per cent, loan fee income rose by 14.1 per cent and deposit and electronic banking fee income by 17.9 per cent in line with transaction growth (fees themselves did not increase). Commissions – mainly from our Wealth Solutions business – grew by 25.4 per cent. Our share of profits made by associates such as ERB and TBS increased by 18.9 per cent. In total, net operating income grew by 18.2 per cent against an increase in total operating expenses of 14.4 per cent (mainly staff costs associated with new business opportunities and servicing new customers).

Performance ratios continue to improve. Return on equity again increased strongly, from 11.06 per cent to 11.91 per cent.

Three years ago when ROE was a less-than-satisfactory 9.03 per cent we said we would aim to grow it by around one per cent a year and we are basically on track. Despite the much higher-than-expected cost of complying with the Financial Services Reform Act, our cost-to-income ratio fell again, by 0.50 per cent to 69.4 per cent. We expect it to fall further this year.

Earnings per share increased by 18 per cent, to 55.2 cents (or 60.2 cents after specific items). The total dividend of 40 cents per share, fully franked, was a 19 per cent increase and represented a payout ratio of 65 per cent – or 71 per cent before specific items – which is within our preferred band.

Total Group deposits increased by \$1.9 billion, or 23 per cent, to \$10.1 billion. The ratio of retail deposits remains high at 89.2 per cent (down slightly from 92.5 per cent).

Superannuation and funds managed by Sandhurst Trustees grew by \$425 million to \$2.2 billion.

Total lending approvals were \$6.1 billion, a 26 per cent increase. Sixty-two per cent of the value of our loans was for the purpose of housing, with 38 per cent for business purposes. Residential mortgages secure 75 per cent of our loans.

Lending quality is excellent, with net impaired assets declining to \$4.9 million, or just 0.05 per cent of gross loans. General provisions increased in line with asset growth, with the ratio unchanged at 0.79 per cent of risk-weighted assets.

Total Group-managed assets increased by 17 per cent, to \$13.5 billion. Assets on balance sheet grew by \$2 billion to \$11.3 billion, a 22 per cent increase. During the year we securitised or sold loans totalling \$438 million, which reduced balance sheet growth.

Our total risk-weighted capital adequacy ratio at June 2004 was 10.35 per cent, with 8.38 per cent of that Tier 1 capital.

The Bank's credit ratings are:

- > Standard & Poor's: BBB/A-2 (positive watch)
- > Fitch & IBCA: BBB+/F-2

Consistent growth with a community focus

RETAIL BANK

The retail bank is our driving wheel, and our branches are its centre.

This seems an odd statement when today just one-in-ten banking transactions takes place in our branches, compared with one-in-four just five years ago. Most customers are happy to transact electronically (10 million a month), availing themselves of call centre support only when needed. One-in-six times customers transact from home or office through e-banking or Phone Bank. But a branch visit is when customers 'touch' our organisation – and they do so more than a million times a month. They come to see us when they have questions or need help to achieve their financial goals. That is when we are judged on our willingness and capacity to meet their needs.

And overwhelmingly we are judged favorably. Last year two independent researchers, Morgan and Nielsen, asked our customers what they thought of us. Around nine-in-ten of our customers were either "satisfied" or "very satisfied" with our service. This placed us ahead of all other banks and is a tribute to our staff and our technical capacity.

But when we reviewed customer surveys from several years ago, it also told us something important – that our service standards have remained constant during a period of rapid growth for the Bank. Customers always implore us not to change "when you become a big bank". Here is evidence that we can retain our customer and community focus even while growing at around 20 per cent per annum.

In the past year, our customer numbers grew by a net 11 per cent, to 916,000. This year we aim to top one million. Having almost trebled in four years, to 276, our branch network will expand by a further 30-plus this financial year, including new Company owned branches in regional NSW (Coffs Harbor, Port Macquarie and Griffith). Half of our branches are now outside our home state of Victoria. During 2004/05, the number of community owned branches will exceed proprietary branches for the first time.

Becoming more relevant to the communities we serve, and thereby increasing their inclination to buy from us, is a key element of our strategy. We are now focusing on growing the contribution all branches make to their communities' prospects. While it is obvious that Community Bank® branches are more than "just a bank", we want our proprietary branches to enjoy the same opportunities to work with their communities. This already happens in a number of ways – sponsorships, charity fundraising, representation by staff on local boards and committees, and so on – but we are moving to increase our involvement.

Most staff have long shown themselves eager to participate in their community. We are now more formally encouraging this through an annual assessment that promotes and rewards their contribution. The retail bank now incorporates senior community engagement managers to promote and co-ordinate activities through our branches. Each branch will engage in at least one annual Lead On activity with young people in their district. They will be encouraged to introduce their communities to our community building initiatives and to engage local leaders in discussions about their aspirations. Successful implementation of this strategy is key to our prospects of increasing our relevance in all communities we serve and early feedback from our staff is most encouraging.

Agencies

Our agencies provide us with great flexibility in responding to community demands for a Bendigo Bank service. They are increasingly used as stepping stones for those communities wishing to join our branch network. Last year five agency sites were upgraded and we anticipate a number of communities emulating this process this year. Our agencies now hold almost \$1 billion in deposits and last year averaged more than 80,000 transactions a month.



A measure of time

Time is money, and no one knows it better than jeweller for 27 years, Paul Sens. Like us, Paul understands the need for a long-term business strategy.

Bendigo OnCall (1300 366 666)

The strength of the Bendigo brand is perhaps nowhere better evidenced than in the increasing business brought to us by customers choosing to deal through our call centres in Bendigo and Ipswich. Lending grew by 29 per cent, to \$107 million, while deposits were up by 31 per cent, to \$115 million. The team took three-quarters of a million service calls. Operating until 8pm AEST, and on weekends, OnCall extends options for customers.

Business banking

With commentators predicting a slowdown in home lending, competition in the small-to-medium business banking sector increased as banks sought an alternative revenue stream. In this climate, our performance stood up well, with the volume of loans settled by our business bankers increasing by 22 per cent, to \$1.12 billion and customer numbers up by 11 per cent. Net loans growth was \$451 million. We also improved our performance in the key areas of customer acquisition and retention.

Success was built on a number of factors. A major review simplified our product range and plugged gaps in our offering, enabling us to relaunch an improved Bendigo Business Solutions package for small business. The continued development of our electronic loan processing systems reduced waiting time for customers by improving our own efficiency. Staff development programs continue. And we are building business from the ground up through introducing business bankers into communities in which Bendigo Bank is of increasing relevance.

Small to medium businesses continue to do well. Consumer spending remains strong, boosted by increased family payments in the Federal Budget, and business continues to enjoy the fruits of a sustained period of low interest rates. Competition in the small business banking sector is strong, but we are winning good market share on the back of our improved product offering, good service and strong community links.

Growing in response to our customers' needs

Cards

Our card business entered a new era last November when the Bank became a full service provider of credit cards through becoming an acquirer of the three major brands – Bankcard, MasterCard and Visa. This brought pricing and service benefits to our merchants and their communities, as we are now providing this service in our own right rather than through a third party.

Our merchants enjoyed a number of other benefits last year. Merchant service fees were reduced as a result of the Reserve Bank's new regulation of credit card interchange fees; we released a state-of-the-art integrated Eftpos terminal with a small footprint (taking up less counter space); a credit card fraud awareness DVD was mailed to all merchants; and in June we introduced our Internet Gateway service that enables merchants to accept credit cards securely on the internet. New merchant facility inquiries almost doubled in the last five months of the year as awareness of our offering grew.

Customer spending on Visa/MasterCard cards hit \$100 million in a month for the first time in December.

As predicted the Reserve Bank interchange fee reform reduced credit card revenue across the industry. Despite the banks funding the majority of the costs of developing Australia's card payment system, the merchants (particularly the major retailers) appear to be the only stakeholder to gain from the credit card reform – with consumers and the banks losing out to date. We are hopeful this trend does not continue with the remaining reforms of the Visa debit card, generic debit card and the ATM and Eftpos systems.

The reduction in our interchange revenue was offset by increased card usage and growth in our credit card portfolio, enabling the Bank to hold the overall pricing of its products at a competitive level. We are encouraged by this trend and intend to focus on further growth of the portfolio this year. Our primary opportunity still lies in ensuring that we convert more Bendigo customers to our credit card products and ensure that their primary payment card relationship is not with another provider.

The past year also witnessed the introduction of numerous process improvements to enhance the underlying profitability of our card business. Initiatives included direct connection to the Visa International authorisation system to improve the service to our customers and reduce the expense to the Bank of these transactions; the implementation of a sophisticated anti-fraud/fraud detection system to reduce fraud in our card base; and many other back office process enhancements.

We continued to expand the ATM network nationally, to 265 ATMs, providing customers with improved access to their accounts.

Community Bank®

Community Bank® continues to go from strength to strength, with a 62 per cent increase, to \$13.6 million, in its contribution to our 2003/04 result. Twenty-nine new branches were opened in 2003/04 and at 30 August 2004 the total was 133. We are represented in all States and the ACT and demand remains strong, with a further 30 sites due to open in the current year and good prospects in sight for 2005/06.

Community Bank® recently topped \$5 billion in total banking business and a quarter of a million Australians now hold accounts with their locally owned branch of Bendigo Bank. Those are highly significant numbers in just its sixth year of operation and it is worth recalling the circumstances in which the initiative was launched.

The traditional branch banking model had failed in many communities, so much so that by 2000 one-in-three branches across Australia had closed. As Australia's only regionally based bank, we were eagerly sought out by many rural communities looking for a sustainable solution that could be quickly implemented. Through honoring our own history – as a bank formed by community for the benefit of community – we devised a model that retained a greater share of local capital by engaging local people in securing branch banking. The essence of Community Banking™ is the sharing of responsibility and rewards between the community and the Bank. Our communities have accepted the responsibility of providing start-up capital and making their branches successful and they are increasingly sharing in the rewards (see Page 21).

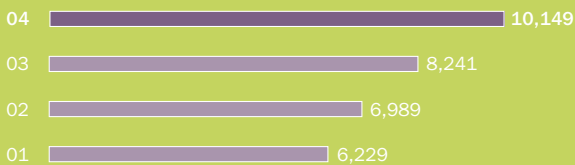
e-banking

Our e-banking customers praised our new-look banking platform launched in late May 2003 and featuring new functions and numerous time-saving navigation and file management tools.

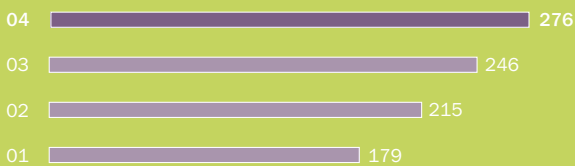
e-banking continues to be our fastest-growing service. There was a 35 per cent increase in active customers during the year and, in June 2004, 64 per cent more logons than the previous June. Active customers of Phone Bank grew by 19 per cent and logons by 48 per cent. Phone and e-banking now account for around 15 per cent of transactions.

Like the rest of the banking industry, our customers faced a new threat from "cyber criminals". While our banking system is encrypted and secure, criminals have tried to obtain customers' account access details, either through hoax emails purporting to be from the Bank, or by downloading to their PCs viruses which can transmit keystrokes when customers log on to e-banking. We immediately began an education campaign which has shown encouraging results, with few customers falling prey to these clever scams. In July 2004, we became the first bank to make widely available a security token which generates a one-off Authentication Code number each time customers log on. Thieves cannot access accounts unless they have this code as well as the customer's Access ID and PIN. This will give customers added peace of mind. There is no doubt that these scams threaten the public's confidence in e-banking and is important to our customers and our business that we remain vigilant and active.

Total bank deposits (\$ mil.)



Number of branches



A measure of progress

Young Seth Ralph is already at home with a computer, as is his Mum Nardine, who is among our rapidly growing band of registered e-bank users.

Growing the number of wealth solutions

Equipment Finance

Our Equipment Finance division supports our business customers with a range of leasing and hire purchase solutions. In 2003/04, equipment finance sales increased by 61 per cent and receivables grew by 36 per cent.

Insurance

Ensuring our customers are adequately protected against risk is essential to helping them achieve their financial goals. Our insurance division continues to grow strongly, with increases of 12 per cent in income and five per cent in profit. Regulatory changes had a big impact, with all department staff requiring Insurance Industry Tier 2 accreditation. Branch staff were also trained in insurance procedures and accredited to the required level. The professionalism of the division was significantly boosted by several staff members enrolling in external study courses and attending industry seminars. House, contents, landlords, car and travel insurance policies can now be purchased through the Bank's internet site. Branch staff also have online access to produce on-the-spot policies for our customers.

Wealth Solutions

The Group's Wealth Solutions division does exactly that – provides customers with solutions to achieve their medium and long-term financial goals. Based on the century-old operations of our trustee company, Sandhurst Trustees, Wealth Solutions was created from within our own resources. Through so doing, we have built a robust, customer-focused business which is delivering good returns on our investment.

The division increased its contribution to our result by 80 per cent to \$13.7 million. Contributing factors included resurgent share markets, increased customer awareness of our diverse funds offering, broadened product distribution and the excellent track record of our chosen investment managers.

Significant milestones were achieved. Sandhurst Trustees' total funds under management exceeded \$2 billion, driven by strong inflows into Select Mortgage Fund (which topped \$1 billion), Sandhurst Australian Industrial Share Fund (which reached \$400 million just four years after launch), and Bendigo Managed Funds (approaching \$100 million two years after their inception). In addition, Bendigo Superannuation Plan membership increased by 17 per cent, to 12,000-plus, and funds under advice within our financial planning subsidiaries, Bendigo Investment Services (BIS) and Worley Securities, exceed \$1 billion.

The independence of financial advice became a big issue, with growing public disquiet about commissions and fees paid to financial advisers. BIS does not use, and never has used, a preferential remuneration structure which provides incentives for advisers to promote products of the Bendigo Group ahead of those sourced externally. BIS advisers do not receive commissions. They are salaried staff who are eligible for a bonus if they achieve compliance standards and exceed revenue expectations.

Early in 2004 we took a lead by introducing a new remuneration structure driven by a greater focus on customer service, compliance, professional development and community involvement. The financial performance weighting reduces to just 25 per cent of overall performance and advisers will not receive a bonus unless they meet acceptable standards for each individual criteria. This clearly communicates those ethical and service standards which are central to the Bendigo way of business and which engender great confidence among our customers that they receive sound advice on how to achieve their financial goals.



A measure of trust

Jennifer and Greg Fraser are among more than 916,000 customers who today bank with Bendigo Bank.

Growing diversification



A measure of confidence

*We aim to help customers achieve their goals.
The goal for Justine and Ian Marett is as obvious
as their stripped-back 1920s bathroom.*

SUBSIDIARIES, JOINT VENTURES AND OTHER INTERESTS

Elders Rural Bank (joint venture with Futuris Corporation)

Elders Rural Bank, our joint venture with Futuris, recorded its fifth successive increase in annual profit following a 41 per cent jump in customer numbers. ERB posted an after-tax profit for the year ended 30 June 2004 of \$21.8 million, an increase of 15 per cent. Gross loans totalled \$1.9 billion, an increase of 27 per cent and the bank remained fully funded through retail deposits. The shareholders invested \$29 million in new capital to support the growth of the balance sheet, with shareholder equity now totalling \$152 million.

ERB continues to increase its brand appeal. It is now widely represented through more than 500 Elders, Bendigo Bank and Bendigo Community Bank® branches offering its products and services. Local representation means a great deal to farmers, as they can be sure that the bank understands first-hand the challenges they face each day. ERB's commitment to on-farm service remains a point of differentiation from its competitors, as well as providing the bank with a detailed understanding of primary production. This is reflected in the bank's excellent credit quality, with the ratio of net non-performing loans to gross loans falling to a record low of 0.61 per cent.

Tasmanian Banking Services (TBS)

(joint venture with Tasmanian Perpetual Trustees)

TBS provides local ownership participation in the Tasmanian banking market. Launched with one branch (Burnie) in November 2000, TBS now operates seven branches, with Glenorchy opened in 2004, and has attracted 19,000 account-holders. The company last year grew its banking business by 53 per cent, is trading profitably and is expected to make strong contributions as its business grows and matures.

Community Sector Banking (CSB)

(joint venture with Community 21 Ltd)

Launched just two years ago, CSB provides specialist and general banking services to Australia's not-for-profit sector. Based on our Community Bank® model, it is a joint venture between the Bank and Community 21 Ltd, a company representing 19 community sector organisations who share in banking revenues. Total business to 30 June more than doubled to \$180 million and the joint venture is recording monthly operating surpluses.

CSB last year partnered the Brotherhood of St Laurence in launching a pilot "micro finance" solution providing small loans to low income earners to buy household white goods from the Brotherhood's Deer Park (Melbourne) store. Following its success, the program was extended to three more Melbourne stores and expanded to include other household goods. CSB also launched a Salary Benefits Card to help organisations manage their Fringe Benefits Tax obligations.

National Mortgage Market Corporation (NMMC)

(fully owned subsidiary)

NMMC provides securitisation, funding and mortgage administration services to the Bendigo Bank Group and third party mortgage originators. Origination is a growing part of the Bank's business and is a primary focus for NMMC. The company manages government and private sector loan portfolios, and the Bank's Banksia Securitised Trusts.

Victorian Securities Corporation Limited (VSCL)

(fully owned subsidiary)

Our Ballarat-based finance company continues to grow strongly, with a 12 per cent growth in loan balances, a 35 per cent increase in loan approvals and a 55 per cent increase in its pre-tax profit contribution. The company has been an important part of Ballarat since 1960, a foundation on which the Bank now plans to build an increased commitment to that community. During 2004/05, VSCL's offices will be expanded to accommodate its own growth plus the relocation to Ballarat of Bendigo Bank's north-western Victorian regional headquarters.

GuildBanking

(alliance with Guild Insurance & Financial Services)

A provider of specialised banking services to east coast pharmacists, GuildBanking is an alliance with Guild Insurance & Financial Services, a subsidiary of the Pharmacy Guild of Australia. Formed just four years ago, GuildBanking is growing rapidly, with a 52 per cent increase in banking business last year and a pre-tax profit contribution of \$1.8 million. We anticipate a double digit increase in both measures in 2004/05.

Bendigo Stock Exchange (BSX)

Bendigo Bank increased its shareholding in Bendigo Stock Exchange at a cost of \$700,000 as the business moves towards full commercialisation. BSX aims to promote the flow of capital to small-to-medium businesses that have not been well-served by capital markets in the past. Creating this new market is challenging work, but BSX is now beginning to make progress.

Its main listed market has grown to include well-known consumer brand companies such as Brumby's Bakeries and Capilano Honey. It will shortly begin listing taxi licences, having won a Victorian Government mandate for all transfers and assignments of Melbourne metropolitan licences. The Property Board expanded with the listing of Blue Tower Trust, a Brisbane-based property trust with \$125 million of assets. BSX continues to attract a high level of listing enquiries.

BSX also hosts a market for shares in Community Bank companies, five of which have listed to date. Others will follow as Boards seek to provide their shareholders with flexibility and transparency in a regulated market environment.

With growing community involvement comes growing responsibility

BENDIGO BANK IN THE COMMUNITY

Community building initiatives

Bendigo Bank is often lauded for its “social responsibility” because of our work with communities – almost as if we have tacked on a social conscience to our business strategy. In fact working for the benefit of our customers and their communities *is* our business strategy. If we can help them prosper, then we will have strengthened our markets. And if our business is part of the essential fabric of our communities, then we will have secured a sustainable role for our business.

We are therefore working on challenges that face most of our communities – how to ensure they are competitive in a new world economy that demands efficiency. For example, all communities need banking access; they need fast internet and data lines; their businesses need the ability to buy and sell online; people need reliable mobile phone coverage and affordable phone calls; they need reliable, sustainable energy. Communities must embrace their young people into local activity, and they must ensure their environment is sustainable.

None of these things are easy, but most communities have the capacity to influence them from within and we can help. Six years ago, few people thought local communities could influence banks – now they are running successful branches. If it can be done for banking, it can be done in other areas and we are developing ways to make it happen. Our efforts are not just concentrated on communities with Community Bank branches. Towns and suburbs hosting our proprietary branches will soon participate in our community business models.

Our initiatives are important for communities and for us, because:

- > They have stamped us as a unique bank, increasing public awareness and support.
- > They will help strengthen the markets in which we operate (our communities).
- > They will help us build customer loyalty.
- > They have every prospect of being strong businesses in their own right.

Shareholders can expect to see more of our developing “Community” branding as our initiatives are rolled out. To date they have included Community Bank® (the most obvious and advanced); Community Sector Banking, to improve services and return on capital for the not-for-profit sector; telecommunications (successfully tested in our home city with Bendigo Community Telco and in Ipswich through IteI); online commerce, with our Community Exchange program now piloting in northern NSW; and the Lead On youth development program. Others will follow as products are refined and piloted and we explain them to customers.

Initiatives will be launched in partnership with publicly owned community companies. Our wholly owned subsidiary, Community Developments Australia, will make them available to larger communities under the banner Community Enterprise and to our Community Bank® towns and suburbs as Community Solutions.

Lead On excepted, all these projects involve the Bank in partnership with specialist service providers who bring products and expertise we do not possess. Our expertise is financial services, and that is our focus, but we bring one more strength critical to the success of these ventures – the trust of communities in our ability to deliver solutions to the mutual benefit of both parties.

These ventures will succeed even if we capture only a modest proportion of local spending.

Affordable Home Loan Scheme

In conjunction with the Tasmanian State Government, KPMG & Tassie Home Loans, the Bank conducts the Affordable Home Loan scheme to help Tasmania’s public housing tenants buy their own homes. Repayments are limited to 20 per cent of gross household income and are limited to increases in the Consumer Price Index. Borrowers may also have the option to access further funds for emergency household repairs.



A measure of community spirit

In 2003 Maldon Community Bank Chairman Mark Boyd-Graham came across a road accident. The 18-year-old driver had only been driving for five days when she over-corrected in gravel and rolled her car. As a result, the first major profit allocation from the local Community Bank® company was to pay for young drivers like James Gray to undertake a driver education program.

Community Bank®

Most media attention has focused on Community Banking™ securing face-to-face banking in communities where branch banking was withdrawn. This ignores its tremendous social and economic contribution as more capital is retained locally, commercial activity is stimulated and community leaders acquire new skills and confidence.

- > Communities have so far received more than \$100 million in revenue paid to them by Bendigo Bank, \$50 million of which was in the past 12 months.
- > Seventy communities are now recording sustainable monthly surpluses. Forty have repaid the debts incurred by any new business and are in a position to pay shareholder dividends.
- > More than 8000 community shareholders have received dividends totalling \$1.5 million.
- > Local boards have paid out more than \$2 million in community project grants.
- > Last year they spent \$22.9 million in their communities on wages, rent, accounting, cleaning, and so on.

- > Given a multiplier effect of three, this means branches inject nearly \$70 million into their communities each year.
- > More than 1100 Australians are now directors of the locally owned public companies that run Community Bank® branches. They are developing the skills needed to run enterprises which will further improve their communities' prospects.
- > More than 700 jobs have been created in local branches.
- > There is anecdotal evidence – supported by limited research to date – of increases in takings by local businesses once branches open.

These benefits will grow and are sustainable for as long as customers bank at their branch.

Boards have put their returns to good use. Many community groups have benefitted from small grants, but some large capital projects are being funded now that returns are growing. In the southern NSW town of Henty, for example, wedding parties will soon celebrate in a function centre largely funded by its Community Bank® branch. In Cummins, on the Eyre Peninsula, local kids swim in a pool refurbished with \$52,000 in funds provided by the Community Bank® branch.

A growing understanding of what really matters

We are sure parents in Maldon, central Victoria, sleep a little easier because their teenagers have completed defensive driving courses paid for by Community Bank® profits. Lang Lang (Vic.) residents benefit from professional services provided from a business centre built by their bank board. And Upwey (Vic.) has just announced their commitment of up to \$40,000 in funding for a much-needed hospice. These projects could not have been brought to early fruition without the funding flow provided by locally owned banking.

More than 31,000 Australians now own shares in their local Community Bank® company. Of course, as the business and profitability of their branch grows, these companies increase in value, with consequent increase in the underlying value of their shares. We are therefore encouraging companies to list on the Bendigo Stock Exchange, where the market can assess and set a fair and informed value for their shares. While thinly traded to this point, Community Bank® company shares are tradeable and shareholders should expect to receive fair value if they sell. Five companies have so far listed and this number is expected to swell in line with the ability of companies to absorb the listing costs involved.

Bendigo Bank is committed to educating Community Bank® directors. In July 2004 we held our first Australian Institute of Company Directors programs in Brisbane and Sydney. More than 100 participants had already attended the AICD programs in Victoria, Queensland and NSW.

Workshops for the roles of board secretary, treasurer and marketing co-ordinator are coming soon. Each year we run National and State conferences that attract hundreds of delegates to discuss their progress, swap ideas and learn new skills. These are worthwhile investments, particularly as each director is an active advocate of our business. We have dedicated staff to liaise with local boards to help them manage and grow their businesses. Some of our long-serving community directors have also been engaged as mentors to newer boards.

All of this “extra curricular” activity is beyond what a bank would normally be expected to provide, but we can clearly see the benefits to our business. These locally owned Bendigo Bank branches already have a value to their communities far beyond their banking function. They are helping develop confident, educated, sustainable and prosperous communities with good prospects, surely fertile markets for a bank committed to them.

Community Telco

Through aggregating local demand for telecommunications, and channelling it through a locally owned company, outstanding success has been achieved in pilot sites in Bendigo (Vic.) and Ipswich (Qld). Both communities have formed relationships with national suppliers to provide improved services and competitive pricing.

Bendigo Community Telco (BCT) has 1000-plus customers and last year recorded a substantial profit, from which we benefit as one of 14 shareholder organisations. BCT has had an enormous impact on the City of Bendigo's competitiveness. It secured optic fibre cabling and other telecommunications infrastructure for the CBD and business data and call costs continue to re-price in the market across the board as other telcos compete for business.

With Victorian Government, local government and LaTrobe University Bendigo assistance, BCT established and now manages a modern business continuity centre in Bendigo. This centre provides secure backup services for the information technology sector and will become an important contributor to the city's economic future.

In fact BCT is already doing this. A study by LaTrobe's Centre for Sustainable Regional Communities found the fledgling telco had already been responsible for a \$34 million annual surge in economic activity in Bendigo. This translates to more than 200 new jobs. BCT was named best regional telco in the Australian Telecom magazine 2003 awards.

We believe our Telco model has the potential to raise local confidence, increase competence and improve co-operation within and between communities. This builds a strong local buying base, thereby making communities more attractive to suppliers of telecommunications solutions and improving the strategic position and competitiveness of regional Australia.

Having proven the commercial viability of the Community Telco model, we are now beginning to roll it out to other regional communities across Australia. The Telco model will be provided to large communities as a franchise in the same way the Bank franchises Community Bank®. Smaller communities will have access to Telco services through a separate franchise that will still provide them with a revenue stream.

The benefits to communities are obvious, but it is good business for us, too. We will receive income, we will help

to grow and make prosperous those markets in which the Bank operates, and businesses attracted to Telco are more likely to consider us as their community's bank.

Environment

We wish to encourage sustainable environmental practices in our Company and our communities.

In 2005 we aim to begin construction on a head office building that will set new environmental building standards for regional Australia (see Page 26). The new Melbourne building we will lease in Docklands also boasts low-energy features. We have also moved to offset the total greenhouse gas emissions of our national vehicle fleet through an historic agreement with Greenhouse Balanced, a Central Victorian company offering services in reforestation and carbon sequestration. The agreement provides 1700 tonnes of carbon dioxide equivalent in a newly established native vegetation plantation, with carbon sequestered (absorbed) by the plantation to help to offset the emissions from the Bank's 296-strong vehicle fleet.

Our Green home and personal loans offer customers financial incentives for energy efficient housing. Take-up of these loans is gradually gaining momentum and we are working with several land developers who are promoting energy efficient housing as a cornerstone of their subdivisions.

Head office recycling was recently expanded with the introduction of recycling bins at each workstation. In 2003/04 we recycled 39.2 tonnes of paper and 23.9 tonnes of cardboard. This year we have contracted a new service for our branches.

Lead On

Lead On is a unique program open to all young people and designed to provide them with life-shaping experiences with business and organisations in their own community. Bendigo Bank has been its major sponsor since its inception in 2000, with some help from the Federal, Queensland and Victorian governments. We have now committed to underwrite Lead On for the next two years, providing it with a solid funding platform on which to build new sites and programs.

Our support is not open-ended and each Lead On site is expected to become self-sustaining through generating sponsorship support and revenue from projects undertaken with local businesses. This has already occurred with the initial site, Bendigo, and other sites are nearing this position.

Lead On is currently established in 12 cities and towns on the eastern seaboard. More than 1400 youngsters have participated in more than 220 projects, including the writing, editing and production of "The Loop" liftouts in local newspapers (400-plus editions to date). We are also keen to establish an outreach program which will enable projects involving our own staff to be undertaken in all communities hosting a Bendigo Bank branch.

Sponsorships

Our sponsorships are an important acknowledgement of the support we receive from our towns and suburbs. They foster healthy and interactive communities by promoting participation in sports and cultural pursuits. We also support the work of not-for-profit groups. And of course sponsorships help us raise public awareness of the role we play in our communities.

Each year we commit to direct sponsorships an amount equal to more than one per cent of our after-tax profits. We try to spread the money as widely as possible across our network and across different facets of the community. All sponsorships are formally evaluated against criteria including the benefit to the community and the Bank.

A measure of teamwork

Forming great partnerships ... our community sponsorships mean we can team up with the likes of soccer mates Wesley Montgomery and Jarrod Macculloch.



Our major sponsorships include the Bendigo Bombers and Geelong football clubs, Aussie Pops Orchestra (sponsor for more than 17 years), 2004 National Go Karting Championships (major sponsor, promoting youth racing Australia-wide), Geelong Performing Arts Centre, Big Time Arts Club (major sponsor, promoting theatre for children), Rotary Club of Bendigo – Romac Foundation (medical help for seriously ill children from overseas), Bendigo Academy of Sport and Tasdance (Tasmania's premier contemporary dance company). We proudly support the following appeals: Maters Children's Hospital (Qld), Bonnie Babes Foundation (national) and Heartkids (Vic).

We have also been able to help schools and community groups through refurbishing and distributing superseded computer hardware. More than 200 PCs were donated in 2003/04 and a similar number will be distributed this year. This program will then be curtailed, as we are now leasing hardware.

Our growing investments reap fruitful rewards

A measure of commitment

Gloria and Norm Quin have been shareholders of Bendigo Bank for more than 20 years, watching their shares increase in value and reaping the fruit of growing dividends.



SHAREHOLDER INFORMATION

At 19 August 2004, Bendigo Bank (ASX Code BEN) had on issue 134,061,262 listed ordinary shares and 5,317,093 unlisted employee shares.

In March 2004 shareholders were given the opportunity to purchase up to 150 shares as we sought to raise capital to support the growth of our balance sheet. Forty-four per cent of shareholders purchased a total of 2.86 million shares, raising \$28 million in capital.

In the year to 30 June, holders of 3,687,347 capital notes elected to convert their notes into shares. Those remaining noteholders were advised that 31 May was the final chance to convert to ordinary shares. In June 2004 we repaid holders of 56,439 notes at their \$4.10 face value.

The Company this year brought forward the payment of dividends by one month, from the last day of April and October to the last day of March and September.

e-shareholder initiative

Subject to regulatory requirements, the Company is committed to providing shareholders with the option of receiving information and documents electronically via the internet. This will provide shareholders with timely information, will reduce waste and has the potential to save significant costs if adopted by sufficient numbers of shareholders.

We encourage shareholders to register to become an e-shareholder by visiting www.bendigobank.com.au/shareholders

Dividend options

The Bank offers a Dividend Reinvestment Plan and a Bonus Share Scheme to enable shareholders to reinvest their dividends into new shares. The new shares issued under these Plans are currently free of brokerage and issued at a 2.5 per cent discount to the average closing market price over the five trading days prior to issue. Shareholders may alternatively elect to credit their dividends directly to their account with Bendigo Bank or any other financial institution. To amend the way in which Shareholders have their dividends paid, they should contact the registry for a Dividend Nomination Form.

Shareholder Privileges

Individuals who hold 500 or more Bendigo Bank securities are entitled to a range of benefits under our Shareholder Privileges package. Details are available on our website www.bendigobank.com.au, or by contacting a Branch or Bendigo OnCall (1300 366 666)

Securities Registry

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

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

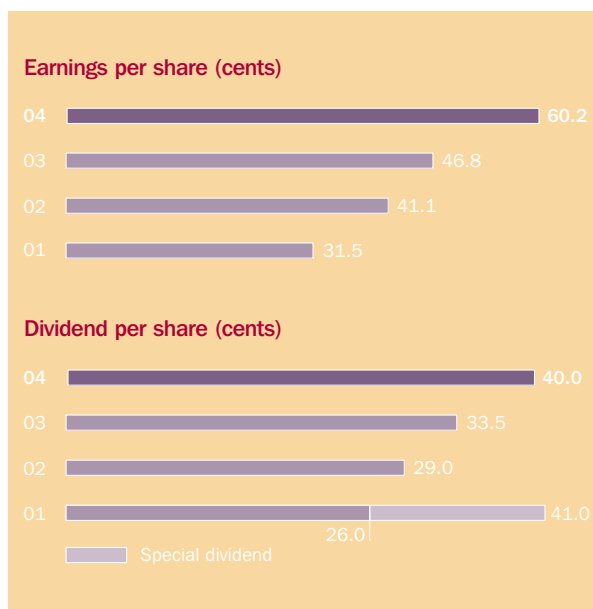
Telephone: (03) 5433 9549 or 1800 646 042

Fax: (03) 5433 9029

E-Mail: share.register@bendigobank.com.au

Acknowledgements

We are sure the many shareholders who have dealt personally with our Share Registry manager Allan Thomas will join us in wishing him a happy retirement. Allan gave us 44 years service, an astonishing achievement and one that will not often be repeated in modern business. He served in various roles, including a stint as company secretary and as Registry manager for the past 15 years. We regard our Registry as a strategic advantage for the Group and its smooth functioning is in no small way due to Allan's expertise. Allan handed over the reins to his assistant of 16 years, Karyn Flynn, and we know shareholders will appreciate her dedication to serving their needs.



A growing network requires growing infrastructure

CORPORATE ISSUES

Information technology (IT)

During the year we began implementing a strategic plan to upgrade our IT.

The upgrade will be built on a solid base. A decade ago – at a time when outsourcing was king – we decided to run our own IT and expense all development costs. Both decisions proved prescient. Our systems are robust and reliable, we have developed a skillful team, we have demonstrated adaptability (eg. mergers, new products, new regulations), and we can now comfortably fund major developments needed to support the Company's strategy.

Work has started on two main elements of our plan – extending the capacity of our core Retail Finance System (RFS), and re-engineering our document management system. Bolstering RFS will ensure we continue to support rapid growth in customer numbers with no impact on processing capacity. Improving the way we store and manage documents means we will remain efficient even as work and lending volumes increase.

We will also rebuild our IT architecture – or framework – to make it easier to link or merge new systems with ours. This is important work, as one of our Company's key strengths is its ability to partner third parties to provide solutions for customers and communities. It will also enable us to incorporate software which tells our customer service staff more about their customers' total relationship with the Group. This will help us to help them achieve their financial goals – and in the process increase our share of their business.

These are big projects which are needed to position our IT systems to support our business strategy in the future. We will make significant strides over the next five years.

We are committed to providing staff with good quality equipment to do their jobs. In May 2004 we completed replacement of all PCs, printers, faxes and photocopiers across our branch network. This year we will do the same for departments. Equipment is now leased and will be upgraded every three to four years.

Our people

Bendigo's strength has come from its strong cultural focus on people. We aim to be an employer-of-choice, to attract and retain capable, confident and customer-focused people and to create an environment where our people are valued and supported to contribute their best work. The Human Resources division has been enhanced, with new portfolios enabling it to play a more strategic role in the Group.

Two hundred full-time equivalent jobs were created last year. Strategies are in place to support staff through flexible work practices, and we are currently developing new childcare support strategies and other initiatives to contribute to the well-being of our staff.

We aim to create a culture where communication is open, questioning is encouraged and employee involvement is high.

Properties

The Company's rapid growth has quickly outstripped our accommodation. Our head office building, Fountain Court, was opened in 1989 to criticism from people who said we would never fill it. Just 15 years later, it cannot accommodate half of our Bendigo-based staff, who are now spread across five buildings around the CBD. This is clearly inefficient and not conducive to teamwork or cultural development. Similarly, our Melbourne-based staff are housed in five different buildings.

Within three years, that will be rectified. We will spend around \$60 million to build a new head office adjacent to Fountain Court. It will be one of the largest buildings in regional Australia, and promises to be one of the most "liveable" and energy efficient. Atriums will ensure all staff have ample natural light; external screens and double-glazed windows will prevent up to 90 per cent of the sun's heat from penetrating the building; the need for air conditioning will be reduced by flow-through ventilation; central staircases will encourage staff to interact and will save on lift usage; rainwater will flush toilets. The building will improve productivity and teamwork. It will also encourage community engagement, with an integrated ground floor retail development incorporating new public space and better links to the CBD.

In Melbourne, we will lease an eight-storey building now under construction at Docklands. It, too, will feature a central staircase and will afford staff excellent facilities, plenty of natural light and protection from the sun's heat.

Regulation and supervision

Australia has one of the best banking systems in the world in terms of security, access, utility and competition – and this has contributed to Australia's current economic performance. Bendigo Bank believes strong regulation and supervision of the financial services sector is essential, but so too is competition to maintain a healthy financial system.

Regulatory compliance and supervision costs are impacting heavily on us, despite our strong and demonstrated commitment to “do the right thing” by customers and communities and to contribute to the performance of Australia's financial system. This financial year, Bendigo Bank will pay the same APRA supervision costs as the major banks. This is despite our Bank being 1/40th the size of (and much less complex than) a number of the majors. Compounding this, compliance with the newly introduced Australian Financial Services Reform laws cost us almost \$3 million (in external costs alone) or 4% of normalised gross profit in non-recurrent expenditure. While we used the compliance training and licensing as an opportunity to build staff skills, it did divert significant internal resources from servicing customer and community demand for our customer-focused style of banking. We are yet to see how a banking customer of Bendigo Bank has benefited from this reform, which has increased paperwork and made banking more complex and, ultimately, costly.

We supported the need for new regulations to cover the fast-growing funds management, managed investments and financial advisory sectors, but felt it was unnecessary for a bank already licensed to provide banking to require a second licence, from another authority, to provide banking products. A bank with a brand and reputation, capital and a committed interest rate for depositors is clearly different from managed investments which rely solely on the performance of the fund assets. Banks are already supervised, have a code of banking practice and an ombudsman scheme to deal with consumer concerns and complaints – as well as ample competition to enable customers to swap banks if they are not happy with their provider.

In our view these regulations have imposed a disproportionately higher cost on smaller banking organisations that we feel provide essential customer-focussed competition. For many consumers, they also add significant value to the Australian financial system. Bendigo Bank will continue to make representations to government and supervisors about the effectiveness of the new and existing laws, as well as the cost of compliance and supervision for smaller organisations and its impact on competition and the fairness and effectiveness of the financial system.

Risk management

Good banking demands good risk management. Our operational risk policies and processes are administered by our operational risk unit and apply to the whole Group. The Group aims to manage operational risk within Board-approved tolerance limits and promote a transparent and prudent risk management culture. This will cement investor confidence, ensure compliance with proposed Basel requirements around “Operational Risk Sound Practices”, potentially reduce capital requirements where sophisticated operational risk management systems are in place, minimise exposure to financial losses and earnings volatility, and improve management of corporate insurance excesses.

A measure of customer satisfaction

Our people are the key to the high customer satisfaction ratings we continue to receive. As a customer, Ken Gilchrist expects, and receives, quality service on visits to his local branch.



Solid foundations for responsible growth



A measure of accountability

A responsible team ... Managing Director Rob Hunt (left) and some of his executive team charged with implementing the Bank's strategy – Mike Hirst, Marnie Baker and Greg Gillett.

CORPORATE GOVERNANCE - OVERVIEW

Bendigo Bank is committed to high standards of corporate governance. The Board believes that Bendigo Bank's commitment to ethical corporate dealings in the conduct of its business has been an important element of its success during its 146-year history. This commitment applies to the dealings by Bendigo Bank with its shareholders, customers, employees, suppliers, regulators and the community. It is also reflected in Bendigo Bank's corporate values. Following the release of the Australian Stock Exchange Corporate Governance Council

Principles of Good Governance and Best Practice Recommendations in March 2003, Bendigo Bank reviewed its corporate governance practices against the ASX recommendations.

The following is a guide to the discussion in this report about how Bendigo Bank practices meet the ASX recommendations. The documents referred to below are available from the Bendigo Bank website (www.bendigobank.com.au) in the corporate governance section of the Investor Centre.

PRINCIPLE	RECOMMENDATION	BENDIGO BANK PRACTICE
1. Lay solid foundations for management and oversight	1.1 Formalise and disclose the functions reserved to the board and those delegated to management.	<i>Status:</i> Adopted June 2004 <i>Annual report:</i> Section 1.a <i>Documents on website:</i> Constitution, Board charter
2. Structure the board to add value	2.1 A majority of the board should be independent directors.	<i>Status:</i> Adopted full period <i>Annual report:</i> Section 1.b
	2.2 The chairperson should be an independent director.	<i>Status:</i> Adopted full period <i>Annual report:</i> Section 1.b
	2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual.	<i>Status:</i> Adopted full period <i>Annual report:</i> Section 1.b
	2.4 The board should establish a nomination committee.	<i>Status:</i> Adopted full period <i>Annual report:</i> Section 2.a
	2.5 Provide the information indicated in Guide to reporting on Principle 2.	<i>Status:</i> Adopted in annual report <i>Annual report:</i> Section 1.b, 1.f, 2.a, and see Directors' Report p.47 for director attendances at Committee meetings <i>Documents on website:</i> Constitution, Board charter, Governance Committee charter, Committee procedural rules, Appointment of non-executive directors
3. Promote ethical and responsible decision-making	3.1 Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:	<i>Status:</i> Adopted June 2004 <i>Annual report:</i> Section 6.a
	3.1.1 the practices necessary to maintain confidence in the company's integrity	
	3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	
	3.2 Disclose the policy concerning trading in company securities by directors, officers and employees.	<i>Status:</i> Adopted August 2003 <i>Annual report:</i> Section 6.c
	3.3 Provide the information indicated in Guide to reporting on Principle 3.	<i>Status:</i> Adopted in annual report <i>Annual report:</i> Section 6 <i>Documents on website:</i> Code of conduct, Staff trading policy

PRINCIPLE	RECOMMENDATION	BENDIGO BANK PRACTICE
<p>4. Safeguard integrity in financial reporting</p>	<p>4.1 Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.</p> <hr/> <p>4.2 The board should establish an audit committee.</p> <hr/> <p>4.3 Structure the audit committee so that it consists of:</p> <ul style="list-style-type: none"> > only non-executive directors > a majority of independent directors > an independent chairperson, who is not chairperson of the board > at least three members. <hr/> <p>4.4 The audit committee should have a formal charter.</p> <hr/> <p>4.5 Provide the information indicated in Guide to reporting on Principle 4.</p>	<p><i>Status:</i> Adopted for 2003-4 financial report <i>Annual report:</i> Section 3</p> <hr/> <p><i>Status:</i> Adopted full period <i>Annual report:</i> Section 2.a</p> <hr/> <p><i>Status:</i> Adopted full period <i>Annual report:</i> Section 2.a</p> <hr/> <p><i>Status:</i> Adopted full period (new charter adopted December 2003) <i>Annual report:</i> Section 2</p> <hr/> <p><i>Status:</i> Adopted in annual report <i>Annual report:</i> Section 1.b, 2.a and see Directors' Report p.43 for director attendances at Committee meetings <i>Documents on website:</i> Audit Committee charter, Committee procedural rules, Selection and appointment of external auditor engagement partners; rotation of external audit partners, Risk management system description</p>
<p>5. Make timely and balanced disclosure</p>	<p>5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.</p> <hr/> <p>5.2 Provide the information indicated in Guide to reporting on Principle 5.</p>	<p><i>Status:</i> Adopted full period (new policy adopted December 2003) <i>Annual report:</i> Section 5</p> <hr/> <p><i>Status:</i> Adopted in annual report <i>Annual report:</i> Section 5 <i>Documents on website:</i> Continuous disclosure policy, Communications policy</p>
<p>6. Respect the rights of shareholders</p>	<p>6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.</p> <hr/> <p>6.2 Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.</p>	<p><i>Status:</i> Adopted full period (new policy adopted December 2003) <i>Annual report:</i> Section 5 <i>Documents on website:</i> Communications policy</p> <hr/> <p><i>Status:</i> Adopted full period <i>Annual report:</i> Section 4</p>

PRINCIPLE	RECOMMENDATION	BENDIGO BANK PRACTICE
<p>7. Recognise and manage risk</p>	<p>7.1 The board or appropriate board committee should establish policies on risk oversight and management.</p> <p>7.2 The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that:</p> <p>7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board</p> <p>7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.</p> <p>7.3 Provide the information indicated in Guide to reporting on Principle 7.</p>	<p><i>Status:</i> Adopted full period <i>Annual report:</i> Section 3</p> <p><i>Status:</i> Adopted for 2003-4 financial report <i>Annual report:</i> Section 3</p> <p><i>Status:</i> Adopted in annual report <i>Annual report:</i> Section 3 <i>Documents on website:</i> Summary of Risk Committee and Credit Committee charters, Risk management system description</p>
<p>8. Encourage enhanced performance</p>	<p>8.1 Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.</p>	<p><i>Status:</i> Adopted June 2004 <i>Annual report:</i> Section 1.d, 7.a</p>
<p>9. Remunerate fairly and responsibly</p>	<p>9.1 Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.</p> <p>9.2 The board should establish a remuneration committee.</p> <p>9.3 Clearly distinguish the structure of non-executive directors remuneration from that of executives.</p> <p>9.4 Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.</p> <p>9.5 Provide the information indicated in Guide to reporting on Principle 9.</p>	<p><i>Status:</i> Adopted June 2004 <i>Annual report:</i> Section 1.e, 7.b and Directors' Report p.46.</p> <p><i>Status:</i> Adopted full period <i>Annual report:</i> Section 2.a</p> <p><i>Status:</i> Adopted full period <i>Annual report:</i> Section 1.e, Directors' Report</p> <p><i>Status:</i> Adopted full period <i>Annual report:</i> Section 7.b</p> <p><i>Status:</i> Adopted in annual report <i>Annual report:</i> Section 1.e, 2.a, 7.b and see Directors' Report p.47 for director attendances at Committee meetings and p.46 for remuneration policies <i>Documents on website:</i> Governance Committee charter, Remuneration policy - executives and non-executive directors; Employee Share Ownership Plan</p>
<p>10. Recognise the legitimate interests of stakeholders</p>	<p>10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.</p>	<p><i>Status:</i> Adopted June 2004 <i>Annual report:</i> Section 6.a <i>Documents on website:</i> Code of Conduct</p>

Setting direction for sustainable growth

1. The Board

1.a Role

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

1.b Composition

The constitution provides that the number of directors is to be decided by the Board, being not fewer than three and not more than ten. The Board currently consists of seven non-executive directors and the Managing Director. The roles of the Chairman and Managing Director are separated. Information on each of the directors is set out on pages 34-35.

The Board believes that the exercise of independent judgment by directors is an important feature of corporate governance. The Board has decided that the majority of directors are to be independent. For the purpose of assessing the independence of non-executive directors, the Board regards an independent director as a non-executive director whom the Board considers to be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement. In deciding materiality, the Board takes into account the quantitative materiality thresholds in Accounting Standard AASB 1013, as well as qualitative materiality factors.

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

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

The Board has assessed each non-executive director as independent. In making that assessment, the Board has taken into account the relationships set out on p.34-35 and the following.

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

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

In relation to Ms Dawson, the Board has noted the period of time that has elapsed since her employment ended, and is of the view that Ms Dawson's employment with Bendigo Bank should not be regarded as affecting her status as independent. The Board is of the view that Ms Dawson has demonstrated the exercise of independent judgment.

1.c Appointment

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

1.d Performance

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

1.e Remuneration

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 Directors' Report p.45 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.

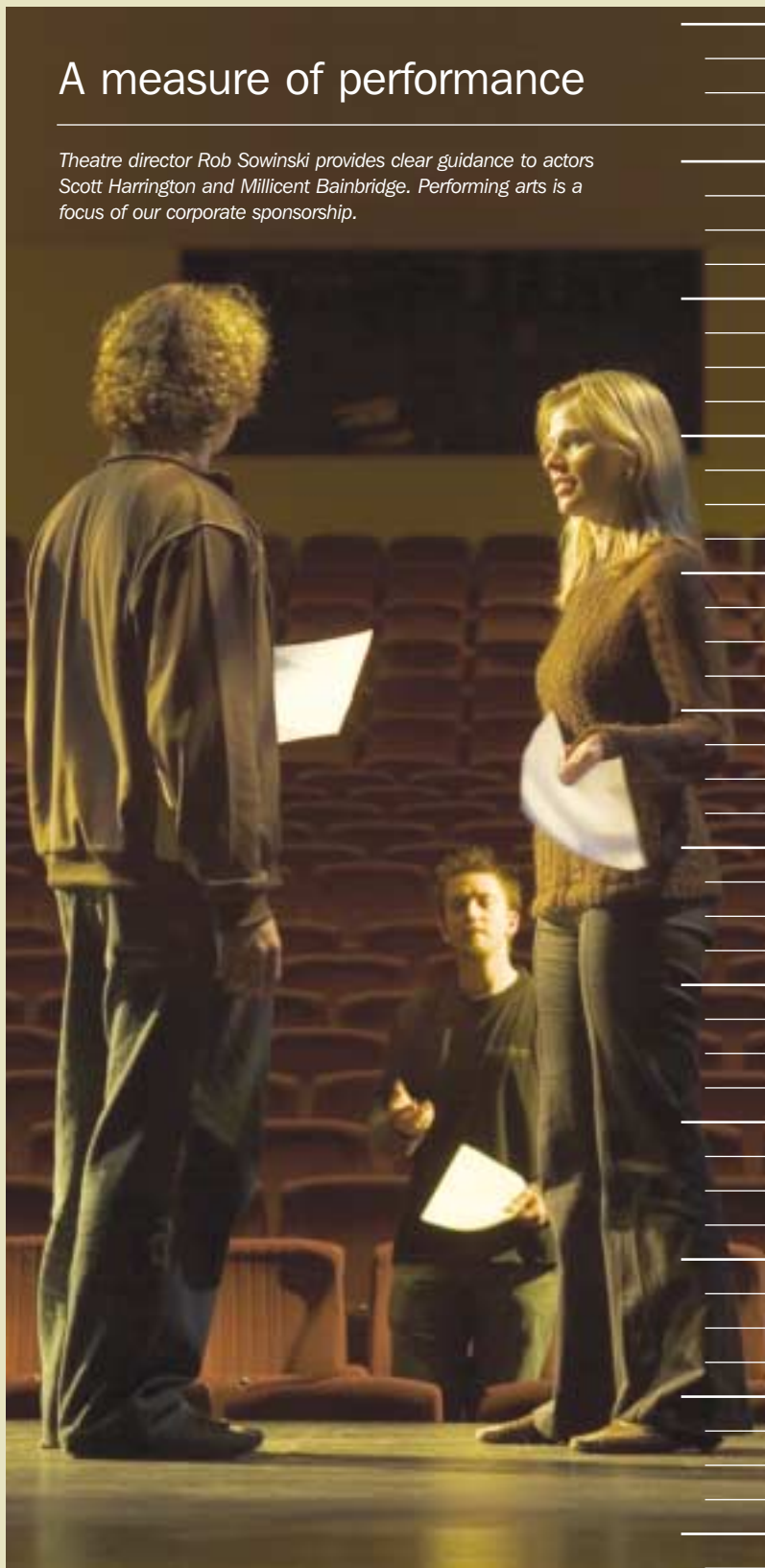
Details of directors' remuneration is disclosed in the Directors' Report on p.45.

1.f Procedures

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

A measure of performance

Theatre director Rob Sowinski provides clear guidance to actors Scott Harrington and Millicent Bainbridge. Performing arts is a focus of our corporate sponsorship.



THE BOARD	NAME, AGE, QUALIFICATIONS AND INDEPENDENCE STATUS	TERM OF OFFICE	SPECIAL RESPONSIBILITIES - COMMITTEES	
	<p>Richard Guy OAM Chairman (59 years) B Appl Sc M Sc (London) Independent director</p>	<p>Director for 23 years and chairman for 18 years. *Seeking re-election at 2004 AGM</p>	<p>Governance (Chair) Audit Property (Chair)</p>	
	<p>Robert Johanson Deputy Chairman (53 years) BA, LL.M (Melb) MBA (Harvard) Independent director</p>	<p>Director for 17 years and deputy chairman for 4 years.</p>	<p>Risk (Chair) Governance (resigned May 2004) IT Strategy</p>	
	<p>Rob Hunt Managing Director (53 years) FAICD Executive director</p>	<p>Employee since 1973 and appointed CEO in 1988. Appointed to Board in 1990.</p>	<p>Governance Risk Property IT Strategy</p>	
	<p>Neal Axelby (54 years) Dip CM ACIS, FAICD, AIMM, AIFS Independent director</p>	<p>Director for 4 years.</p>	<p>Credit Governance Risk (appointed 28 June 2004)</p>	
	<p>Jennifer Dawson (39 years) B Bus (Acc) FCA, MAICD Independent director</p>	<p>Director for 5 years.</p>	<p>Audit (Chair) Property Credit</p>	
	<p>Donald Erskine (58 years) Independent director</p>	<p>Director for 5 years. *Seeking re-election at 2004 AGM</p>	<p>Credit Property (appointed 24 May 2004) IT Strategy</p>	
	<p>Terence O'Dwyer (54 years) B Com, Dip Adv Acc FCA, FAICD Independent director</p>	<p>Director for 4 years.</p>	<p>Audit Risk IT Strategy (Chair)</p>	
	<p>Kevin Roache (64 years) LLB, B Com, ASCPA, FAICD Barrister & Solicitor of the Supreme Court of Victoria Independent director</p>	<p>Director for 13 years. *Seeking re-election at 2004 AGM</p>	<p>Credit (Chair) Risk Governance (appointed 24 May 2004)</p>	

SKILLS, EXPERIENCE AND EXPERTISE	OTHER RELATIONSHIPS
<p>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.</p>	
<p>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 Committees, University of Melbourne and Robert Salzer Foundation Ltd.</p>	<p>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.</p>
<p>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.</p> <p>Mr Hunt is the architect of the Bank's Community Banking™ and other alliance arrangements.</p> <p>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.</p>	<p>Executive director and chief executive officer.</p>
<p>A Queensland-based director, Mr Axelby has had 15 years combined years of experience as an employee and director in the finance industry before joining the board. He also has 20 years experience in senior management positions in the private sector. Mr Axelby is a director of several private companies.</p>	<p>Mr Axelby became a director of a predecessor to First Australian Building Society Limited (FABS) in 1985, and was appointed chairman of a predecessor of FABS in 1993. He continued as a director of various merged entities that were predecessors to FABS and was chairman of FABS when it was acquired by Bendigo Bank in 2000. FABS is now a non-operating wholly owned subsidiary of Bendigo Bank.</p>
<p>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, the Consumer Utility Advocacy Centre and the Victorian Regional Development Advisory Committee.</p>	<p>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.</p> <p>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.</p>
<p>A Bendigo-based director, Mr Erskine is a mechanical engineer and chairman of several private companies. Mr Erskine has an extensive background in manufacturing and property development and experience in international trade. Mr Erskine is the chairman of Bendigo Plus.</p>	
<p>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.</p> <p>Mr O'Dwyer is chairman of Metal Storm Ltd, Breakfree Ltd and Brumby's Bakeries Holdings Ltd.</p>	<p>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.</p>
<p>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.</p>	<p>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.</p>

2. Board committees

2.a Composition and responsibilities

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

COMMITTEE	COMPOSITION - REQUIREMENTS	MEMBERS	RESPONSIBILITIES
Audit	At least 3 members. All independent directors. An independent chair, who is not chairman of the Board.	Ms Dawson (Chair) Mr Guy Mr O'Dwyer	The role of the Committee is to provide assistance to the Board in relation to the following. > External audit function (including prudential audit requirements). > Internal audit function. > Statutory financial reporting. > Internal control framework.
Governance (also performs nomination and remuneration functions)	At least 3 members. A majority of independent directors. An independent chair.	Mr Guy (Chair) Mr Hunt Mr Axelby Mr Johanson (retired 24 May 2004) Mr Roache (appointed 24 May 2004)	The role of the Committee is to provide assistance to the Board in relation to the following. > Board composition and succession planning. > Board performance and Board and executive remuneration policy. > Corporate governance matters generally.
Risk	At least 3 members. A majority of independent directors. An independent chair.	Mr Johanson (Chair) Mr Roache Mr O'Dwyer Mr Hunt Mr Axelby (appointed 28 June 2004)	The role of the Committee is to provide assistance to the Board in relation to oversight of the establishment, implementation, review and monitoring of risk management systems and policies for the following. > Balance sheet and off-balance sheet risk. > Operational risk, including regulatory compliance, business continuity and fraud risk.
Credit	At least 3 members. A majority of independent directors. An independent chair.	Mr Roache (Chair) Mr Axelby Ms Dawson Mr Erskine	The role of the Committee is to provide assistance to the Board in relation to oversight of the establishment, implementation, review and monitoring of credit risk management systems and policies, taking into account the risk tolerance of the Bank, the overall business strategy and management expertise.
Property	Not prescribed.	Mr Guy (Chair) Ms Dawson Mr Hunt Mr Erskine (appointed 24 May 2004)	The role of the Committee is to review recommendations and approve or recommend to the Board proposed actions in relation to the implementation of the property strategy for Bendigo, Melbourne, Ipswich and Geelong.
IT Strategy	Not prescribed.	Mr O'Dwyer (Chair) Mr Johanson Mr Erskine Mr Hunt	The role of the Committee is to provide oversight of IT planning and operations and to ensure frameworks and processes are in place for the efficient and effective management of the IT investment and the continuing alignment with business strategy and plans.

2b. Procedures

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

3. Risk management

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

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

The key risks and responsibilities for the Group are identified below.

- > *Credit risk:* The risk of financial loss due to the unwillingness or inability of a counterparty to fully meet their contractual debts and obligations. Credit risk is primarily monitored by the Credit Committee and the framework, policies, analysis and reporting are managed by the Group Risk business unit (which includes the Group's credit bureau and credit inspection unit).
- > *Interest rate risk:* The risk of loss of earnings due to adverse movements in interest rates. Interest rate risk is primarily monitored through the Risk Committee and the Asset Liability Management Committee and managed through the Strategic Finance business unit.
- > *Liquidity risk:* The risk of the inability to access funds which may lead to an inability to meet obligations in an orderly manner as they arise or forgone investment opportunities. Liquidity risk is primarily monitored by the Risk Committee the Asset Liability Management Committee and managed through the Group Strategic Finance business unit.
- > *Currency risk:* The risk of loss of earnings due to adverse movements in exchange rates. Currency risk is primarily monitored by the Risk Committee and the Asset Liability Management Committee and managed through the Group Strategic Finance business unit.

- > *Operational risk:* The risk resulting from inadequate or failed internal processes, people and systems or from external events that are not covered by credit and market risk. Operational Risk is primarily monitored by the Risk Committee and the Executive Committee and managed through the Group Risk business unit incorporating operational risk, regulatory compliance, fraud prevention and detection and business continuity.

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

The Managing Director and Chief Financial Officer provide an annual signoff to the Board on the following for the Bank and the consolidated entity.

- > The financial reports present a true and fair view, in all material respects, of the Group's financial position and performance and are in accordance with the Corporations Act and relevant accounting standards.
- > The financial reports are founded on a sound system of risk management and internal compliance and control systems which, in all material respects, implement the policies adopted by the Board.
- > The risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

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

A commitment to communicate our growth

4. External auditor

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

The policy on audit independence sets out the factors regarded as compromising auditor independence. It includes a requirement for the engagement of the auditor for any non-audit services to be approved by the Audit Committee before the engagement, so that the Audit Committee can consider any impact on the independence of the auditor. The policy on rotation introduced from 1 July 2004 is that the lead auditor and review auditor must change every five years with a two-year cooling-off period.

The external auditor, Ernst & Young, has been requested to attend the annual general meeting and to be available for shareholders to ask questions about the conduct of the audit and the preparation and content of the auditor's report.

5. Continuous disclosure and communications

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

5.a Continuous disclosure

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

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

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

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

5.b Communications

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

Bendigo Bank communicates with its shareholders by the following means.

- > ASX announcements
- > Quarterly shareholder newsletters (in the newsletter after the AGM, this includes the Chairman's address and responses to commonly asked shareholder questions)
- > Annual reporting
- > Annual general meetings
- > Shareholder question sheet included with annual general meetings notice

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

- > Quarterly shareholder newsletters
- > Concise annual report and full financial statements (for past three years)
- > Media releases (for past three years)
- > Notices of meeting (for past three years)
- > Webcasting of results presentation (following preliminary final announcement)
- > Webcasting of annual general meeting
- > Any material provided in briefings with analysts, stockbrokers and institutional investors (following its release to the market).

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

6. Corporate conduct

6a. Code of Conduct

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

These values have now been incorporated in a Code of Conduct that has been endorsed by the Bank Executive Committee and adopted by the Board. The Code of Conduct sets out the Group's mission statement, being to focus on building and improving the prospects of customers, communities and partnerships in order to develop sustainable earnings and growth for the business, and thus provide increasing wealth for shareholders. Engagement with communities is central to the Group's strategy and stands Bendigo Bank apart.

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

The Code of Conduct also includes procedures for reporting concerns about any breach of the Code, and explains the protection provided for employees who raise concerns in good faith.

6.b Regulatory compliance

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

6.c Share trading policy

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

7. Executive performance and remuneration

7.a Performance

An annual performance assessment is made of key executives. The Chairman and Deputy Chairman conduct the performance assessment of the Managing Director, having regard to objectives set the previous year, and the discussion includes setting objectives for the coming year. The Board as a whole discusses the outcomes in the absence of the Managing Director, and these are then communicated to the Managing Director.

The Managing Director conducts the performance assessment for each key Executive, having regard to the operational and financial responsibilities of the Executive and the contribution by the Executive to the management and leadership of the business.

7.b Remuneration

The executive remuneration policy is discussed in the Directors' Report on p.46.

In addition, Bendigo Bank has an Employee Share Ownership Plan, with issues under the plan approved by shareholders every three years, which is open to all employees in the Group, including executives. The shares are issued at the current market price. A non-recourse interest-free loan is offered to finance share subscriptions under the plan. The loan is repaid by the application to the loan of a portion of dividends on the shares.

The Managing Director recommends aggregate allocations for approval by the Board. The individual allocations are then worked out by the Managing Director based on remuneration packages on a pro rata basis. Executives receive additional allocations having regard to their responsibilities and time with the organisation (newly appointed executives may receive a higher allocation initially). The Board recommends any participation by the Managing Director for approval by shareholders.

The intended outcome is to align the interests of staff, including executives, with shareholders through providing direct participation in the benefits of future company performance.

The plan approved by shareholders contains a threshold, being the maximum percentage of the total number of shares on issue that can be issued under the plan, which protects against equity dilution. Issues under the plan are next for approval at the annual general meeting in 2004.

Bendigo Bank has entered into an employment agreement with the Group's Managing Director, Mr Rob Hunt, which commenced on 1 July 2001 and expires on 30 June 2007. A summary of the key elements of the employment agreement follows.

Mr Hunt is to be based in Bendigo. His gross annual salary is to include a base component set at \$450,000 per annum for the first year, to be reviewed annually. In addition, Bendigo Bank is to set and agree with Mr Hunt additional amounts to comprise an at-risk component of the gross annual salary, to be paid to Mr Hunt on the achievement of agreed performance standards or financial benchmarks, which are to be reviewed annually. Company superannuation contributions are paid in respect to Mr Hunt's gross annual salary.

Mr Hunt is eligible to participate in the Bendigo Employee Share Ownership Plan ("Plan") in accordance with the rules of the Plan, and there are to be regular issues of shares to Mr Hunt under the Plan, at least every two years during the term of employment.

The agreement provides for termination payments to be made in certain circumstances and the payment varies depending on the circumstances as explained below. In each case, it includes payment in lieu of statutory leave entitlements.

Bendigo Bank may terminate the agreement without cause by giving 24 months' notice or, at its option, payment of pro-rata gross salary in lieu of the required notice. Bendigo Bank may also terminate the agreement for serious misconduct or serious breach of the agreement provided that Mr Hunt is given the opportunity to defend himself before termination. In that case, Mr Hunt is entitled to payment of his pro rata gross salary and benefits to the date of termination.

Mr Hunt may terminate the agreement by giving Bendigo Bank not less than three months' written notice. Mr Hunt is entitled to the pro rata gross salary and benefits for the duration of the three-month notice period. Bendigo Bank may at its sole election make a payment in lieu of the notice period.

Mr Hunt may also treat the agreement as terminated if without cause Bendigo Bank acts or proposes to act to diminish the job content, status, responsibility or authority of Mr Hunt or reduce his gross salary. In that case, Bendigo Bank is required to pay Mr Hunt the greater of an amount equivalent to three times the gross salary or an amount equal to the gross salary which would have been payable during the unexpired term of the agreement. Mr Hunt is also entitled to payment in lieu of statutory leave entitlements which, but for termination, would have accrued during the 36 months following termination or during the unexpired term of the agreement, whichever is the greater.

The agreement provides for discussions to take place before the commencement of the last year of the term to determine whether to extend the agreement.

Concise Financial Report

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Bendigo Bank Limited
ABN 11 068 049 178

IMPORTANT INFORMATION FOR MEMBERS

The Directors' Report, Concise Financial Report and Auditors' Report contained within this document represent a Concise Report. The full Financial Report of Bendigo Bank Limited for the financial year ended 30 June 2004 and the Auditors' Report thereon will be sent, free of charge, to members upon request.

Members wishing to receive the full Financial Report and Auditors' Report may arrange to obtain a copy by either:

- (i) visiting our website at www.bendigobank.com.au, or,
- (ii) contacting the Bank's Share Registry on (03) 5433 9549.

The Concise Financial Report contained within this document has been derived from the full Financial Report of Bendigo Bank Limited for the financial year ended 30 June 2004 and cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the economic entity as the full Financial Report.

A measure of growth

Georgie Thompson's marked progress over the past year mirrors that of her Bank.



FIVE YEAR HISTORY

The Bendigo Group

	2004 \$m	2003 \$m	2002 \$m	2001 ¹ \$m	2000 ² \$m
Financial Performance year ended 30 June					
Interest revenue	615.5	500.6	447.0	454.4	296.8
Interest expense	361.9	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

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

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 million 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.

Directors' and other Officers' Emoluments

The method of determining Directors' Emoluments is outlined in the Corporate Governance section of the Concise Annual Report. 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 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)

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 performance objectives.
- > To further drive longer-term organisational performance through an equity-based reward structure.
- > To make sure that there is transparency and fairness in executive remuneration policy and practices.

- > To deliver a balanced solution addressing all elements of total pay - base pay, 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 Base Salary	At-risk	Other ¹	Interest free loan benefit ²	Post employment Superannuation ³	Total
G D Gillett <i>Chief General Manager, Retail</i>	290,260	110,000	39,629	28,468	39,244	507,601
R H J Hasseldine <i>Chief General Manager, Group Delivery</i>	229,540	75,000	33,937	12,878	29,637	380,992
M J Hirst <i>Chief General Manager, Strategy & Solutions</i>	267,884	100,000	44,424	14,577	37,108	463,993
V M Kelly <i>Chief Information Officer</i>	270,042	70,000	39,062	26,324	31,894	437,322
K C Langford <i>Chief Financial Officer</i>	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:

	Meetings of Committees													
	Board of Directors Meetings		Audit		Credit		Risk		Property		I.T. Strategy		Board Governance	
No. of Meetings Held:	15		8		11		7		10		6		4	
Attended by:	A	B	A	B	A	B	A	B	A	B	A	B	A	B
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

DISCUSSION AND ANALYSIS

Statement of Financial Performance

Group net profit attributable to members was \$79.8 million, a \$20.8 million or 35% increase over the \$59.0 million achieved in 2003. This result included the effect of several specific items of income and expense, with the normalised result being \$73.2 million, a \$14.2 million or 24% increase over 2003.

The result flowed from good contributions from all divisions within the Group. Record lending approvals, a 17% increase in Group managed assets and a 24% growth in managed funds contributed to the increase in profit.

Profit before tax increased by 29% from \$89.3 million to \$115.3 million, whilst the result before tax and specific items (normalised) increased from \$89.3 million to \$106.6 million, a 19% increase over 2003. Specific items included the profit on sale of Cashcard shares and properties and a GST refund in relation to our electronic network transactions.

Net interest income increased by 14% or \$31.3 million, driven by an increase of \$1.7 billion in average earning assets. The increase was impacted by an 18 basis point decline in net interest rate margin when compared with 2003.

Other revenue from ordinary activities increased by \$12.1 million or 11% excluding the specific income items. Fees from asset products, liability product transaction fees and income from our electronic delivery network also increased in 2004. Earnings from our Wealth Solutions managed funds and financial planning activities contributed to the increased income. Share of associates profits increased \$2.8 million reflecting improved results from Elders Rural Bank and Tasmanian Banking Services.

Bad and doubtful debts expense decreased by \$1.4 million to \$14.1 million. The general provision increase was \$1.6 million greater than last year to reflect the growth in assets and maintain the ratio of the general provision to risk-weighted assets at 0.79%. The expense

in relation to specific provisions decreased by \$3.1 million, reflecting the general improvement in impaired assets.

Other expenses relating to ordinary activities excluding specific expense items increased by \$30.4 million or 12%. The major contributors to this increase were:

- > Staff and related costs increased by 14% following the increase in full time equivalent staff numbers by 198. The majority of the staff increases were in our retail division, reflecting the growth in business volumes and expansion of the delivery network.
- > Fees and commissions increased by 30% predominantly due to Community Bank branches' market development activities. This increase reflects the growth in Community Banks and the expansion of this delivery network.
- > Administration expenses increased by 10%. Major contributors to this increase were product & delivery services costs, which includes the costs of delivering branch cash, ATM & Eftpos services and the Rewards program. Administration expenses were impacted by the significant external costs of implementing the requirements of the Financial Services Reform Act (FSRA).

The operating expense to income ratio decreased from 69.9% to 68.6% (69.4% normalised).

The directors declared a dividend of 23.0 cents per share, fully franked (at 30 per cent) on 9 August 2004. The final dividend is payable on 30 September 2004 and when combined with the interim dividend of 17.0 cents represents a dividend pay-out ratio for the financial year of 65% (71% on normalised profits) (2003: 68%).

Statement of Financial Position

Group assets increased by \$2.0 billion, or 22%, during the financial year. Loans totalling \$438 million were securitised, or sold, during the year, decreasing asset growth by 5%. The predominant asset

category increase was lending products, which increased by \$1.9 billion, or 25%.

Loans and other receivables increased strongly, due to record loan approvals, which increased by 26% to \$6.1 billion. The balance of residential loans increased by \$1.5 billion and now represents 75% of outstandings, whilst non-residential outstandings grew \$378 million and now represents 25% of outstandings by security.

The growth in loans was funded through a \$1.9 billion increase in deposits or 23%. Retail deposits were the predominant source of this growth and now represent 89.2% of total deposits (2003: 92.5%).

The value of wholesale deposits increased by \$478 million during the financial year representing 10.8% of total deposits at 30 June 2004 (2003: 7.5%).

Funding provided by subordinated debt decreased by \$5.4 million, or 3% during the year essentially due to conversion of capital notes to ordinary share capital.

Contributed equity increased by \$88 million, or 19% during the year, due to shares issued as part of the Dividend Re-investment Plan (\$32.4 million), under the Employee Share Ownership plan (\$12.7 million), under the Share Purchase Plan (\$28.3 million) and on conversion of capital notes (\$15.1 million).

Statement of Cash Flows

The Statement of Cash Flows reflects the movements in the Statement of Financial Position. Cash flows from financing activities increased, reflecting the growth in deposits, predominantly retail-sourced.

Cash flows used in investing activities increased, reflecting the funding of the growth in loans outstanding.

Operating activities provided \$85 million for the year, principally from the profits generated by the Group.

The Bank does not use the Statement of Cash Flows in the internal management of its liquidity position.

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2004

	Note	Consolidated	
		2004 \$m	2003 \$m
Revenue from ordinary activities			
Net interest revenue			
> Interest revenue		615.5	500.6
> Interest expense		361.9	278.3
Net interest revenue		253.6	222.3
Other revenue from ordinary activities			
> Dividends		0.4	0.3
> Fees - asset products		23.5	20.6
- liability products and electronic delivery		41.5	35.2
- trustee, management & other services		9.1	9.2
- securitisation		7.9	10.8
- other		8.3	7.3
> Commissions - insurance		5.7	4.9
- other		25.2	20.1
Other operating revenue		3.2	4.3
Specific income items	3	17.0	-
Total other revenue from ordinary activities		141.8	112.7
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
Expenses from ordinary activities			
Bad and doubtful debts			
> Bad and doubtful debts		14.1	15.5
> Bad debts recovered		(0.3)	(0.2)
Total bad and doubtful debts		13.8	15.3
Other expenses from ordinary activities			
> Borrowing costs		0.5	0.5
> Staff and related costs		134.9	118.1
> Occupancy costs		23.0	21.7
> Amortisation of goodwill		4.3	4.3
> Property, plant & equipment costs		11.5	10.1
> Fees and commissions		14.2	10.9
> Administration expenses		85.3	77.7
> Specific expense items	3	8.3	-
Total other expenses from ordinary activities		282.0	243.3
Profit from ordinary activities before income tax expense		115.3	89.3
Income tax expense relating to ordinary activities		(33.7)	(30.3)
Specific items income tax expense	3	(2.1)	-
Net profit		79.5	59.0
Net (profit)/loss attributable to outside equity interest		0.3	-
Net profit attributable to members of Bendigo Bank Limited		79.8	59.0
Net increase/(decrease) in asset revaluation reserve		2.1	-
Increase/(decrease) in retained profits on adoption of revised accounting standard: AASB 1028 "Employee Benefits"		-	(0.3)
Share issue costs		(0.5)	-
Total revenues, expenses and valuation adjustments attributable to members of Bendigo Bank Limited and recognised directly in equity		1.6	(0.3)
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
Basic earnings per share (cents per share)	6	60.2	46.8
Diluted earnings per share (cents per share)	6	60.2	46.8
Franked dividends per share (cents per share)	5	40.0	33.5

STATEMENT OF FINANCIAL POSITION

as at 30 June 2004

	Note	Consolidated	
		2004 \$m	2003 \$m
Assets			
Cash and liquid assets		157.5	107.2
Due from other financial institutions		157.6	181.3
Investment securities		1,220.2	1,130.0
Loans and other receivables		9,372.6	7,504.0
Shares - other		27.3	23.3
Investments accounted for using the equity method		101.1	88.7
Property, plant & equipment		56.6	53.5
Deferred tax assets		32.8	27.2
Intangibles		63.7	67.9
Other assets		95.1	73.5
Total Assets		11,284.5	9,256.6
Liabilities			
Due to other financial institutions		128.9	129.1
Deposits		10,148.9	8,241.1
Payables		88.7	91.3
Current tax liabilities		6.8	8.5
Provision - dividend (residual DRP value)		0.1	0.1
Other provisions		27.1	23.4
Subordinated debt		199.3	204.7
Deferred tax liabilities		8.3	5.7
Total Liabilities		10,608.1	8,703.9
Net Assets		676.4	552.7
Equity			
Parent entity interest			
> Contributed equity		551.6	463.6
> Reserves		5.4	3.3
> Retained profits	4	119.6	85.6
Total parent entity interest in equity		676.6	552.5
Total outside equity interest		(0.2)	0.2
Total Equity		676.4	552.7

STATEMENT OF CASH FLOWS

for the year ended 30 June 2004

	Note	Consolidated	
		2004 \$m	2003 \$m
Cash Flows from Operating Activities			
> Interest and other items of a similar nature received		617.2	503.1
> Borrowing costs paid		(358.8)	(284.4)
> Receipts from customers (excluding interest)		124.7	112.1
> Payments to suppliers and employees		(272.0)	(174.7)
> Dividends received		10.6	8.6
> Income taxes paid		(36.3)	(25.3)
Net cash flows from operating activities		85.4	139.4
Cash Flows from Investing Activities			
> Cash flows for purchases of property, plant and equipment		(20.9)	(16.9)
> Cash proceeds from sale of property, plant and equipment		8.3	1.5
> Cash paid for purchases of equity investments		(23.6)	(32.5)
> Cash proceeds from sale of equity investments		8.8	0.3
> Net increase in balance of loans outstanding		(1,863.1)	(1,301.0)
> Net increase of investment securities		(90.2)	(44.6)
Net cash flows used in investing activities		(1,980.7)	(1,393.2)
Cash Flows from Financing Activities			
> Proceeds from shares issued		43.1	0.3
> Net increase in balance of retail deposits		1,418.2	1,406.1
> Net increase/(decrease) in balance of wholesale deposits		479.7	(158.8)
> Net increase in balance of subordinated debt		9.8	46.3
> Dividends paid		(28.7)	(23.4)
Net cash flows from financing activities		1,922.1	1,270.5
Net increase/(decrease) in cash held		26.8	16.7
Add cash at the beginning of the financial year		159.4	142.7
Cash at end of financial year	9	186.2	159.4

NOTES TO THE CONCISE FINANCIAL STATEMENTS

	Consolidated	
	2004 \$m	2003 \$m
1 Basis of Preparation of the Concise Financial Report		
The concise financial report has been prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 1039 "Concise Financial Reports". The information contained within this concise financial report has been derived from the full financial report of the company and the consolidated entity. The full financial report is prepared in accordance with the requirements of the Banking Act, Corporations Act 2001 and Australian Accounting Standards and Urgent Issues Group Consensus Views.		
Where changes have been made to presentation policies, comparative figures have been adjusted to reflect those changes.		
2 Changes in accounting policies and estimates		
The accounting policies adopted are consistent with those of the previous year.		
3 Specific 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:		
<i>Specific income items</i>		
GST refund in relation to electronic networks transactions	1.5	-
Proceeds on sale of Cashcard shares	8.8	-
Proceeds on sale of properties	7.4	-
Share of loss - BSX Group Holdings Ltd (equity accounted investment) ¹	(0.7)	-
	17.0	-
¹ First time adoption of equity accounting recognises share of losses for financial years June 1998 to June 2004 inclusive.		
<i>Specific expense items</i>		
Book value of Cashcard shares sold	1.2	-
Book value of properties sold	6.1	-
Write-down value of share investment - Inch Corporation Limited	1.1	-
Reversal of investment write-down and goodwill expense - BSX Group Holdings Ltd	(0.1)	-
	8.3	-
Net specific items before income tax	8.7	-
Income tax applicable to specific items	(2.1)	-
Specific items after income tax	6.6	-
Specific items - gains/(losses)		
> Profit/(loss) from disposal of property	1.3	-
> Profit/(loss) from sale of other investments	7.6	-
4 Retained Profits		
Opening Balance	85.6	28.3
Reversal of Provision for Final 2002 dividend on adoption of AABS 1044	-	20.0
Adjustment to Provision for Employee Benefits on adoption of revised AASB 1028	-	(0.3)
Adjusted Opening Balance	85.6	48.0
Net profit attributable to members of Bendigo Bank Limited	79.8	59.0
Total available for appropriation	165.4	107.0
Dividends - Final 2003	(24.3)	(20.0)
- Interim 2004	(21.5)	(16.1)
Aggregate of amounts transferred (to)/from reserves	-	14.7
Retained profits at the end of the financial year	119.6	85.6

	Consolidated	
	2004	2003
	\$m	\$m
5 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
Dividends paid during the year		
current year		
> Interim dividend (17.0 cents per share) (2003 - 13.5 cents per share)	21.5	16.1
previous year		
> Final dividend (20.0 cents per share) (2003 - 17.0 cents per share)	24.3	20.0
	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
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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
Satisfied by issue of shares	17.1	12.7
	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
6 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	
		2004	2003
		\$m	\$m
7 Contingent Liabilities and Contingent Assets			
(a) Contingent Liabilities			
Guarantees			
The economic entity has issued guarantees on behalf of clients		70.5	59.4
Other			
Documentary letters of credit & performance related obligations		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.

	2004 \$m External	2004 \$m Intersegment	2004 \$m Total	2003 \$m External	2003 \$m Intersegment	2003 \$m Total
8 Segment Reporting						
(a) Business segments						
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

	2004 \$m Total	2003 \$m Total
8 Segment Reporting (continued)		
(a) Business segments		
Other segment information:		
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.

	Consolidated	
	2004 \$m	2003 \$m
9 Reconciliation of cash		
For the purposes of the statement of cash flows, cash includes:		
> Cash and liquid assets	157.5	107.2
> Due from other financial institutions	157.6	181.3
> Due to other financial institutions	(128.9)	(129.1)
	186.2	159.4

**10 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. 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.

Employee Share and Loan Values

	Consolidated	
	2004	2003
	\$m	\$m
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.

11 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 5.

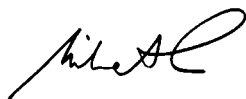
DIRECTORS' DECLARATION

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

In the opinion of the Directors, the concise financial report of the consolidated entity, comprising Bendigo Bank Limited and its controlled entities, for the year ended 30 June 2004:

- (a) has been derived from, or is consistent with, the full financial report for the financial year; and
- (b) complies with Accounting Standard AASB 1039 "Concise Financial Reports".

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

Scope

The concise 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 the year.

The directors of the Company are responsible for preparing a concise financial report that complies with Accounting Standard 1039 "Concise Financial Reports", 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 concise financial report.

Audit Approach

We conducted an independent audit on the concise 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 concise 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 concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 "Concise Financial Reports". We formed our audit opinion on the basis of these procedures, which included:

- > testing that the information in the concise financial report is consistent with the full financial report, and
- > examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report that were not directly derived from the full financial report.

We have also performed an independent audit of the full financial report of the Company for the year ended 30 June 2004. Our audit report on the full financial report was signed on 7 September 2004, and was not subject to any qualification. For a better understanding of our approach to the audit of the full financial report, this report should be read in conjunction with our audit report on the full financial report.

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 full and concise financial reports, we were engaged to undertake the services disclosed in the notes to the financial statements of the full financial report. The provision of these services has not impaired our independence.

Audit Opinion

In our opinion, the concise financial report of Bendigo Bank Limited complies with Accounting Standard AASB 1039 "Concise Financial Reports".



I H Miller, Partner

Ernst & Young
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	Number of Ordinary Fully Paid Shares	% held of Issued Ordinary Capital
Rank & Name		
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.

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. Oatway.

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

*Design by Dsign Diezel Group
Photography by Mark Strachan Artist Photographer
Board members photography by Richard Gibbs*

BEND 8778 September 2004



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