Bendigo Bank

ABN 11 068 049 178

Appendix 4D
Half Year Report

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Half Year Financial Report

For the period ending

31 December 2004

Released 14 February 2005

This report comprises information given to the ASX under listing rule 4.2A

Information contained in this report should be read in conjunction with the June 2004 annual financial report.

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Information contained in this report should be read in conjunction with the June 2004 annual financial report.

1. Appendix 4D: Half Year Report

1.1 Company details and reporting period

Bendigo Bank Limited
ABN 11 068 049 178

Reporting period - six months ended:	31 December 2004
Previous corresponding period - six months ended:	31 December 2003

1.2 Results for announcement to the market

				$m
Revenues from ordinary activities	up	15.4%	to	226.5
Profit from ordinary activities after tax attributable to members	up	23.7%	to	42.8
Net profit (loss) attributable to members	up	23.7%	to	42.8

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

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

Record date for determining entitlements for the interim dividend	16 March 2005

1.3 Net tangible assets per security

Refer to page 25 of the attached December 2004 half-year profit announcement

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

Nil.

1.5 Details of individual and total dividends

Refer to pages 10 and 26 of the attached December 2004 half-year profit announcement.

1.6 Details of any dividend or distribution reinvestment plans in operation

Refer to page 26 of the attached December 2004 half-year profit announcement.

1.7 Details of associates and joint venture entities

Refer to page 27 of the attached December 2004 half-year profit announcement.

1.8 Accounting standards used for foreign entities

Not applicable.

1.9 Dispute or qualifications if audited

This report is based on financial accounts that have been subject to an independent review by our external auditors. There is no dispute or qualification to the financial accounts.

1.10 Half-year financial statements

Refer to pages 31 to 51 of the attached December 2004 half-year profit announcement.

2. Half Year Announcement

2.1 Media Release

2004/2005 interim profit announcement

14 February 2005: Bendigo Bank today announced a 2004/05 interim operating profit after tax of $42.8 million, a 24 per cent increase on the previous corresponding period.

Operating profit after income tax and before specific items – principally the sale of shares in IOOF Holdings – was $38.9 million, an increase of 17 per cent.

Directors declared a two-cents-per-share increase in the interim dividend, to 19.0 cents fully franked. The dividend is payable on 31 March to shareholders registered at the close of trading on 16 March.

The bank also announced it was seeking APRA approval for capital management initiatives including the issue of Bendigo Preference Shares to raise around $100 million in Tier 1 capital and an on-market buyback of up to five million shares (3.5 per cent of issued capital).

Chairman Richard Guy said the capital initiatives were aimed at improving shareholder returns in line with the substantial growth in the bank's bottom line.

"The interim result we announce today confirms that Bendigo Bank's retail banking expansion continues to produce excellent growth and profit improvement," Mr Guy said.

"We view the result as a solid achievement, reflecting the growing maturity of our branch and alliance network.

"The Bendigo brand has been welcomed across Australia, as reflected in our ability to raise deposits in every market in which we operate.

"Two-thirds of our branches are less than five-years-old and the biggest proportion of those are in States which were unfamiliar with Bendigo, so our growth is testament to the strength of our brand and our community engagement activities.

"We also continue to see growing contributions from our alliances such as Elders Rural Bank (ERB), Tasmanian Banking Services and Community Sector Bank. Again, their strength is their close connection with the discrete communities they serve.

"Whilst ERB provided only moderate improvement over the half, due to competitive pressure on interest margins, its business growth remains satisfactory and there are excellent prospects for increased contribution from ERB in years to come.

"Our funds management business is benefiting from our growing distribution network and is rapidly increasing its scale and contribution to profit.

"So what you are seeing is continued strong growth in revenues from right across our business.

"Our focus is on improving shareholder returns and we are today announcing capital initiatives that will further improve earnings per share and therefore shareholder returns."

Mr Guy announced a range of measures to be implemented immediately, subject to APRA approval:

- The issue of a hybrid Tier 1 Preference Share to raise around $100 million in capital to support business growth. Shareholders will receive a priority offer and will soon receive a registration card inviting them to request a prospectus. Details of the Preference Share will be contained in the prospectus which is expected to be lodged with ASIC in March. Customers may also be entitled to a preferential allocation depending on shareholder takeup. Inquiries should be directed to 1300 656 793.
- An on-market buyback of up to five million shares.
- A reduction from 8.0 per cent to 7.5 per cent in the bank's Tier 1 capital ratio target.
- The immediate suspension of the 2.5 per cent discount on the issue of shares under the bank's Dividend Reinvestment and Bonus Share plans in order that those plans can continue to be offered.

"Lending and deposits continue to grow strongly as our relatively new branch and alliance networks gain traction. Those networks will continue to be expanded and we will maintain a considered investment program to capitalise on the strong demand for our style of banking."

Mr Hunt said the past six months produced some challenges relating to the cost of deposits given the bank's high concentration of retail deposits and rapid growth in assets.

"Our loan balances grew by 23 per cent over the calendar year and that growth had to be funded in a more competitive market for retail deposits. We always expected it would not be possible to retain a 90 per cent retail funded position in that environment.

"The rebalancing of our funding mix saw our margins come under pressure and this meant that our strong growth was not reflected in equivalent improvement in shareholder returns. However, we are pleased with the overall performance given the environment in which we found ourselves.

"While margins have been under some pressure, our gross margin remains healthy. This is evidence that our strategy remains on track – to build relationships with our customers and their communities to secure more sustainable revenues, and to seek pricing that reflects the quality of our service and products. We have not achieved our growth rates by discounting and while we need to compete, we attract and retain customers with a particular service offer and retail focus.

"We are focused on continuing the progress of the business itself. We acknowledge that interest margins and our capital structure have impacted on shareholder returns and they are receiving additional management attention going forward."

On 17 December 2004 the Bank foreshadowed it would diversify its investment in the wealth management sector. Select Management Fund Limited (SMF) has stated its intention to issue a prospectus and apply for listing on ASX. The Bank today announced it has agreed to take a five per cent stake in the expanded capital of SMF at the offer price under the prospectus. The commitment to invest is subject to conditions including the listing of SMF, and the shares acquired are to be held in escrow for six months.

Result highlights (July-Dec. 2004 compared with July-Dec. 2003)

Profit	Operating profit after income tax was $42.8 million, up 24% from $34.6 million
	Earnings per share 30.5 cents, compared with 26.9 cents (13% increase)
Lending	Total bank lending approvals were $3.0 billion, a 4% decrease
	Gross loan balances grew by $871 million (9%) during the half, with a further $195 million in loans sold to off-balance sheet structures ($362 million for the calendar year)
Deposits	Total Group deposits grew by 22% during the half, to $11.3 billion, with retail deposits representing 85% of total deposits
Managed funds	Superannuation and managed funds offered by Sandhurst Trustees increased by 19%, to $2.6 billion, during the half.
	Wealth Solutions' profit contribution increased by 40%, to $7.7 million, on the corresponding six months in 2003
Assets/capital	Group managed assets total $14.8 billion, a 9 per cent increase for the half
	Total risk-weighted capital adequacy ratio at 31 December 2004 was 10.48%
	Shareholder equity increased by 16% to $703 million during calendar year 2004
Dividends	Interim dividend is 19.0 cents per share, fully franked at 30 per cent (up by 12% from 17.0 cents interim 2004)
Bad debts	Net impaired assets were $8.8 million, representing just 0.09% of gross loans (June 2004 = 0.05%; December 2003 = 0.03%)
	General provisions were increased by $4.3 million and now total $57.7 million, maintaining a level of 0.79% of risk-weighted assets

Financial Highlights

	Dec 04 $m	Dec 03 $m	% Increase/ (Decrease)
Financial results			
Interest income	370.6	284.6	30.2
Interest expense	232.8	161.7	44.0
Net interest income	137.8	122.9	12.1
Other operating income	88.7	73.4	20.8
Total net operating income	226.5	196.3	15.4
Total operating expenses	166.0	145.3	14.2
Profit before tax	60.5	51.0	18.6
Income tax expense	17.9	16.5	8.5
Profit after tax and minority interests	42.8	34.6	23.7
Expense to income	70.0%	70.2%	(0.3)
Earnings per share	30.5 cents	26.9 cents	13.4
Cash basis earnings per share	29.3 cents	27.4 cents	6.9
Return on average equity	12.41%	11.92%	4.1
Dividend per share	19.0 cents	17.0 cents	11.8
Before specific items			
Profit after tax	38.9	33.2	17.2
Return on average equity	11.28%	11.44%	(1.4)
Other key data			
Total equity	703.0	608.1	15.6
Loans & other receivables	10,237.2	8,300.8	23.3
Lending approvals	2,986.8	3,098.2	(3.6)
Total assets	12,399.2	10,210.4	21.4
Deposits	11,289.6	9,259.4	21.9

2.2 Financial highlights

	2002-03 2nd Half $m	2003-04 1st Half $m	2003-04 2nd Half $m	2004-05 1st Half $m	Change 1st Half 2003-04 to 1st Half 2004-05 $m	%
Profit after tax	33.6	34.6	45.2	42.8	8.2	24
Profit after tax before specific items	33.6	33.2	40.0	38.9	5.7	17
Net interest income	114.3	122.9	130.7	137.8	14.9	12
Non-interest income (before specific items)	65.3	70.1	70.4	80.4	10.3	15
Gross loans balance	7,583.9	8,387.1	9,470.0	10,341.3	1,954.2	23
Total deposits	8,241.1	9,259.4	10,148.9	11,289.6	2,030.2	22
Total equity	552.7	608.1	676.4	703.0	94.9	16
Funds under management	1,733.5	1,979.4	2,158.9	2,567.8	588.4	30
Group managed assets	11,536.9	12,460.5	13,534.4	14,766.8	2306.3	19
New loan approvals	2,649.3	3,098.2	2,979.6	2,986.8	(111.4)	(4)
Residential	1,888.1	2,219.3	1,945.0	1993.0	(226.3)	(10)
Non-residential	761.1	878.9	1,034.6	993.8	114.9	13
Cost to income ratio	65.6%	70.2%	66.6%	70.0%	(0.2%)	(7)
Earnings per share - cents	26.5	26.9	33.4	30.5	3.6	13
Cash basis earnings per share -cents	28.2	27.4	31.2	29.3	1.9	7
Dividend per share - cents	20.0	17.0	23.0	19.0	2.0	12

2.2.1 Profit

- Operating profit after income tax was $42.8 million, up 24% from $34.6 million profit after tax for the corresponding period in 2003.
- Transactions disclosed as specific items for the half-year contributed $3.9 million to operating profit after tax (2003: $1.4 million)
- Operating profit after income tax before specific items was $38.9 million. An increase of 17% over the 2003 result.
- Earnings per share for the half-year was 30.5 cents, increasing by 3.6 cents over Earnings per share for the corresponding period in 2003 (26.9 cents).
- Cash basis earnings per share was 29.3 cents for the half-year, an increase of 1.9 cents, or 7%, over the 2003 corresponding period.
- Return on equity increased to 12.4% in 2004 from 11.9% at December 2003.
- Return on equity before specific items was 11.3% for the half compared with 11.4% in the previous corresponding period.

2.2.2 Lending

- Total Bank lending approvals were $3.0 billion, a 4% decrease from the same period last year, but in line with the June 2004 half-year.
- Lending approvals secured by mortgage over residential property were $2.0 billion, 67% of total approvals.

2.2.3 Deposits and funds under management

- Total Group deposits increased by $1.1 billion, or 11%, to $11.3 billion during the half-year (the calendar year increase was $2.0 billion, or 22%).
- Retail deposits increased by $0.6 billion, or 6% during the half-year representing 85.3% of total deposits (the calendar year increase was $1.2 billion, or 15%).
- Superannuation and Managed Funds offered by Sandhurst Trustees Ltd grew $0.4 billion to $2.6 billion during the half-year (the calendar year increase was $0.6 billion, or 30%).
- Bendigo Investment Services funds under advice grew $0.1 billion to $1.0 billion during the half year (the calendar year increase was $0.3 billion).

2.2.4 Assets and Capital

- Group assets grew by $1.1 billion in the half-year to $12.4 billion, an increase of 10% (the calendar year increase was $2.2 billion, or 21%)

- The Bank securitised or sold $195 million of loans in the six month period ended 31 December 2004 (the calendar year value was $362 million). This factor decreased the balance sheet growth figures for these periods.

- Total risk weighted capital adequacy ratio at December 2004 is 10.48%.

- Equity increased by $27 million, or 4% in the half-year to $703 million (the calendar year increase was $95 million, or 16%).

- During the half-year 1,107,312 shares were issued under the Dividend Reinvestment Plan, 229,806 under the Bonus Share Scheme, and 300,000 under the Employee Share Ownership Plan, taking the total number of shares on issue to 141,015,473 at 31 December 2004.

- Total group managed assets increased by $1.2 billion, or 9% for the half-year to total $14.8 billion (the calendar year increase was $2.3 billion, or 19%).

- Net tangible assets increased 3% from $4.40 per share to $4.55 per share in the half-year (the calendar year increase was $0.50, or 12%).

- As part of a capital management program Bendigo Bank will issue $100 Perpetual Step-up Preference Shares, paid to 50%, to raise $100 million in capital, and will also undertake an on-market buy back of up to 5 million shares subject to APRA approval.

2.2.5. Dividends

- 2004/05 interim dividend of 19.0 cents per fully paid share (an increase of 2.0 cents over the 2003/2004 interim dividend), fully franked at 30%.

- Dividend is payable on 31 March 2005 to registered shareholders at the close of trading on the Record Date, 16 March 2005.

- The total interim dividend proposed is $25.4 million.

- Suspension of the 2.5% discount on the issue of shares under the Bank's Dividend Reinvestment Plan and Bonus Share Scheme effective immediately.

2.2.6 Bad and doubtful debts

- Bad and doubtful debts expense for the half-year was $8.7 million, an increase of $1.2 million on the half-year to June 2004 and $2.3 million on the half-year to December 2003.

- Provisions for doubtful debts at December 2004 totalled $66.6 million, which represents 0.64% of gross loan balances (June 2004: 0.65%, December 2003: 0.69%).

- General provisions have been increased by $4.3 million in the half-year and now total $57.7 million, or 0.79% of risk-weighted assets (June 2004: 0.79%, December 2003: 0.79%).

- Net impaired assets increased 80% to $8.8 million in the half-year, but represents only 0.09% of gross loans (June 2004: 0.05%, December 2003: 0.03%).

- Provision coverage of impaired loans is now 376% (June 2004: 477%, December 2003: 466%).

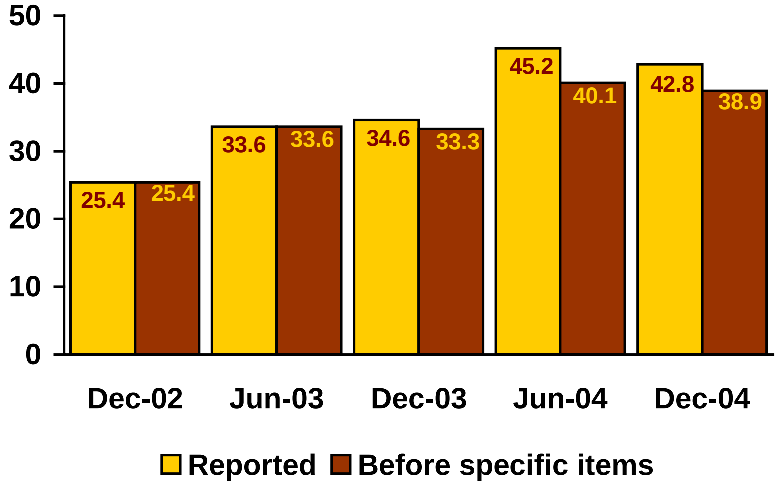
2.3 Key Financial Information

2.3.1 Profitability

	Dec-04	Jun-04	Increase/(Decrease) Value	Increase/(Decrease) %	Dec-03	Increase/(Decrease) Value	Increase/(Decrease) %
	$m	$m	$m		$m	$m	
Profit							
Operating profit before tax	60.5	64.3	(3.8)	(5.9)	51.0	9.5	18.6
Specific items before tax	5.5	6.8	(1.3)	(19.1)	1.9	3.6	189.5
Operating profit before tax and specific items	55.0	57.5	(2.5)	(4.3)	49.1	5.9	12.0
Operating profit after tax	42.8	45.2	(2.4)	(5.3)	34.6	8.2	23.7
Specific items after tax	3.9	5.2	(1.3)	(25.0)	1.4	2.5	178.6
Profit after tax before specific items	38.9	40.0	(1.1)	(2.7)	33.2	5.7	17.2
Goodwill amortisation	2.1	2.2	(0.1)	(4.5)	2.1	0.0	-
Cash basis profit after tax	41.0	42.2	(1.2)	(2.8)	35.3	5.7	16.1
Profitability							
Earnings per ordinary share (weighted average)-cents	30.5	33.4	(2.9)	(8.7)	26.9	3.6	13.4
Cash basis earnings per ordinary share (weighted average)-cents	29.3	31.2	(1.9)	(6.1)	27.4	1.9	6.9
Diluted earnings per share (weighted average)-cents	30.5	33.4	(2.9)	(8.7)	26.9	3.6	13.4
Weighted average number of shares used in EPS calculations - 000's	140,142	135,431	4,711	3.5	128,820	11,322	8.8
After tax return on average equity	12.41%	14.08%	(1.67%)	(11.9)	11.92%	0.49%	4.1
After tax before specific items return on average equity	11.28%	12.46%	(1.18%)	(9.5)	11.44%	(0.16%)	(1.4)
After tax return on equity at period end	12.18%	13.36%	(1.18%)	(8.8)	11.38%	0.80%	7.0
After tax return on average assets	0.72%	0.84%	(0.12%)	(14.3)	0.71%	0.01%	1.4
After tax before specific items return on average assets	0.66%	0.74%	(0.08%)	(10.8)	0.68%	(0.02%)	(2.9)

Profitability ratios use half-year results which have been annualised by multiplying the numerator by 2.
Cash earnings used in cash basis earnings per ordinary share is net profit attributable to members excluding specific items after tax and goodwill amortisation
Equity for use in these ratios is net assets.
June profit figures and ratios are for the June 2004 half-year, balance sheet items are as at end of June 2004.

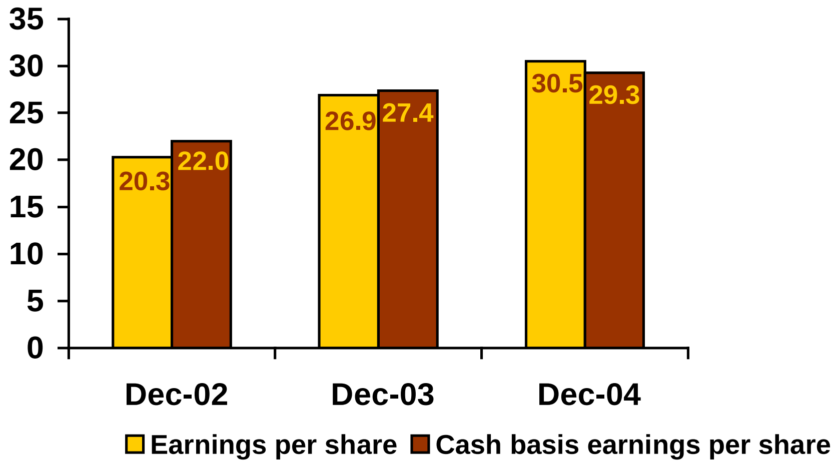
Operating Profit after tax
$mil



The reported profit for the six months ending 31 December 2004 of $42.8 million included two items of a non-recurring nature.

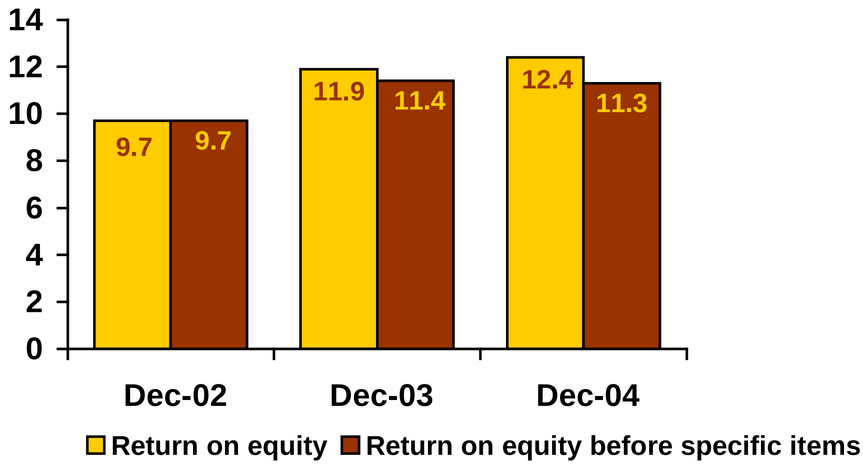
1. Profit on sale of IOOF Holdings Pty Ltd shares - $3.5 million after tax
2. Proceeds from sale of Cashcard shares (first adjustment amount) - $0.4 million after tax.

Earnings per share
cents



Earnings per share increased by 3.6 cents (13%) to 30.5 cents for the half year. Cash basis earnings per share was 29.3 cents, an increase of 1.9 cents, or 7% over 2003. The strong earnings per share growth enabled directors to lift the interim dividend 2.0 cents to 19.0 cents per share. This represents a payout ratio of 59.3% or 65.3% on profit before specific items.

Return on equity
%



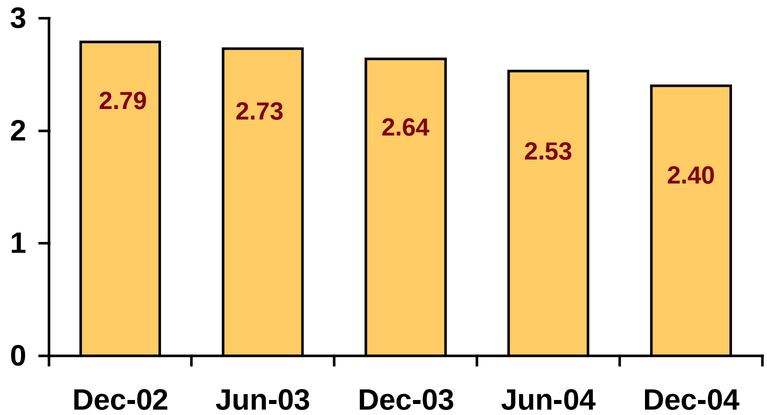
Return on equity increased to 12.4% from 11.9% in the previous corresponding period, representing a 4.1% increase. Return on equity before specific items was 11.3% compared with 11.4% in 2003.

2.3.2 Income

	Dec-04 $m	Jun-04 $m	Increase/(Decrease) Value $m	%	Dec-03 $m	Increase/(Decrease) Value $m	%
Net interest income	137.8	130.7	7.1	5.4	122.9	14.9	12.1
Other income comprising:							
Share of associates' profit	8.5	7.8	0.7	9.0	7.9	0.6	7.6
Fees - asset products	12.4	11.5	0.9	7.8	12.0	0.4	3.3
- liability products & other	29.9	25.6	4.3	16.8	24.2	5.7	23.6
Commissions - insurance	3.0	3.2	(0.2)	(6.3)	2.5	0.5	20.0
- other	14.9	13.1	1.8	13.7	12.0	2.9	24.2
Property revenue	0.4	0.6	(0.2)	(33.3)	0.5	(0.1)	(20.0)
Trustee, m'ment & other services	4.7	4.3	0.4	9.3	4.8	(0.1)	(2.1)
Securitisation	3.0	3.0	0.0	0.0	4.9	(1.9)	(38.8)
Dividend income	0.3	0.2	0.1	50.0	0.2	0.1	50.0
Specific items - operating revenue	8.3	13.7	(5.4)	(39.4)	3.3	5.0	151.5
Other operating revenue	3.3	1.1	2.2	200.0	1.1	2.2	200.0
Other income - total	88.7	84.1	4.6	5.5	73.4	15.3	20.8
Net operating income	226.5	214.8	11.7	5.4	196.3	30.2	15.4

Net Interest income increased by 12% compared to previous corresponding period. This increase was predominantly due to an increase in interest earning assets of $2.2 billion, or 24%.

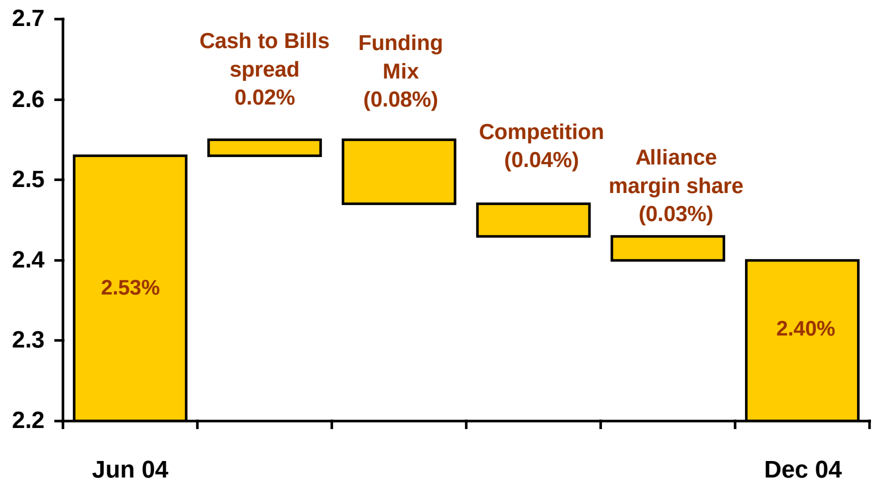
Net Interest Margin
%



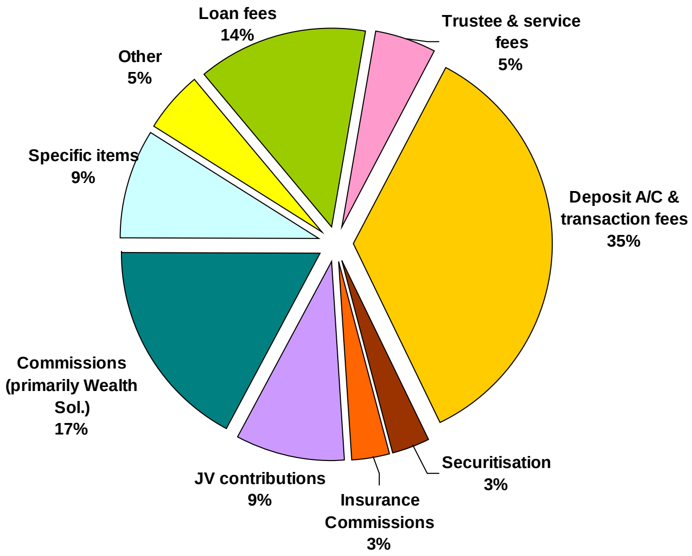
Net interest margin declined by 24 basis points from 2.64% for December 2003 half-year to 2.53% for June 2004 half-year and 2.40% for December 2004 half-year.

An analysis of the movement in the net interest margin for the six months to December 2004 is set out in the chart below, which highlights the principle impacts over the period.

Analysis of net interest margin (movement over the six months)
%



Non-interest income
$88.7m



Share of associates' profit has increased by 8% due to an increase in the contribution from Elders Rural Bank, Community Sector Enterprise and Tasmanian Banking Services.

Fees – liability products and other increased 24% due to increases in account transaction fees and electronic transaction fees, including ATM and merchant services fees.

Commissions - other increased by 24% due to increased commissions from our Wealth Solutions division, including commissions from managed fund products and financial planning activities.

Securitisation income declined by 39% reflecting the run-off in balances outstanding in securitisation programs.

Specific income items for 2004 are proceeds from the sale of shares in IOOF Holdings Pty Ltd (representing 15.7% of our shareholding in the company) and proceeds from the sale of Cashcard shares (first adjustment amount). 2003 specific items are proceeds from the sale of properties and a GST refund in relation to electronic transactions.

Other operating revenue includes two one-off items. They are the proceeds from the sale of an equity investment ($1.4 million) the proceeds from a property sale ($0.5 million) which were not in the previous corresponding period. As the profit on these transactions was not material to the group result, they have not been disclosed as specific items. The book value of these sold items is disclosed under the expense category Property, plant & equipment costs. The remaining balance of other operating income is similar to the previous corresponding period.

2.3.3 Lending

	Dec-04	Jun-04	Increase/(Decrease)		Dec-03	Increase/(Decrease)	
	$m	$m	Value $m	%	$m	Value $m	%
Total approvals - by security	2,986.8	2,979.6	7.2	0.2	3,098.2	(111.4)	(3.6)
Residential	1,993.0	1,945.0	48.0	2.5	2,219.3	(226.3)	(10.2)
Non-residential	993.8	1,034.6	(40.8)	(3.9)	878.9	114.9	13.1
Gross loan balance - by security	10,341.3	9,470.0	871.3	9.2	8,387.1	1,954.2	23.3
Residential	7,688.0	7,110.9	577.1	8.1	6,308.4	1,379.6	21.9
Non-residential	2,653.3	2,359.1	294.2	12.5	2,078.7	574.6	27.6
Gross loan balance - by purpose	10,341.3	9,470.0	871.3	9.2	8,387.1	1,954.2	23.3
Residential	6,471.2	5,903.6	567.6	9.6	5,271.4	1,199.8	22.8
Non-residential	3,870.1	3,566.4	303.7	8.5	3,115.7	754.4	24.2
Business lending portfolio - by industry							
Property & business services	814.0	662.2	151.8	22.9	502.0	312.0	62.2
Retail trade	252.5	216.7	35.8	16.5	184.8	67.7	36.6
Agriculture, forestry & fishing	220.8	202.2	18.6	9.2	175.9	44.9	25.5
Construction	136.8	121.8	15.0	12.3	109.3	27.5	25.2
Accom, cafes & restaurants	98.8	91.6	7.2	7.9	79.0	19.8	25.1
Manufacturing	86.0	77.1	8.9	11.5	65.1	20.9	32.1
Transport & storage	74.7	65.1	9.6	14.7	53.1	21.6	40.7
Health & community services	65.9	52.2	13.7	26.2	49.3	16.6	33.7
Wholesale trade	48.2	36.4	11.8	32.4	33.1	15.1	45.6
Cultural & recreational services	40.9	41.9	(1.0)	(2.4)	38.3	2.6	6.8
Finance & insurance	37.2	20.2	17.0	84.2	19.8	17.4	87.9
Personal & other services	27.2	22.4	4.8	21.4	23.1	4.1	17.7
Communication services	20.2	23.1	(2.9)	(12.6)	26.3	(6.1)	(23.2)
Other	129.2	141.2	(12.0)	(8.5)	163.2	(34.0)	(20.8)
	2,052.4	1,774.1	278.3	15.7	1,522.3	530.1	34.8

Gross loan balance growth - by source	Loan bal held $m	Loan growth $m	Loan growth %	No. of branches
Dec 04 half-year				
New branches	229.8	98.1	22.5	46
Jun 04 full-year				
New branches	295.9	227.2	26.1	46
Jun 03 full-year				
New branches	568.3	298.4	34.2	59

Branches opened in the 18 months prior to balance date are classified as New branches.
Percentage growth for the December half-year has been annualised for comparative purposes.

2.3.4 Deposits and Funds Under Management

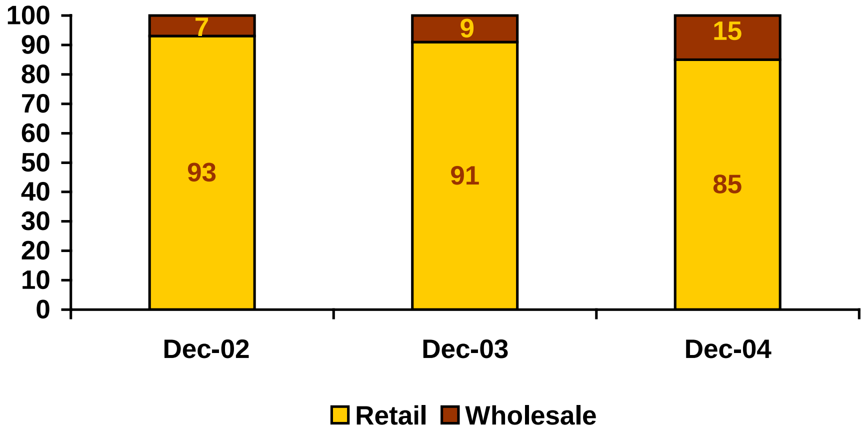
	Dec-04	Jun-04	Increase/(Decrease)		Dec-03	Increase/(Decrease)	
			Value	%		Value	%
	$m	$m	$m		$m	$m	
Deposits	11,289.6	10,148.9	1,140.7	11.2	9,259.4	2,030.2	21.9
Managed funds-Trustee Coy	2,567.8	2,158.9	408.9	18.9	1,979.4	588.4	29.7

Deposits dissection:	Dec-04	%	Jun-04	%	Movement
Retail	9,629.3	85.3	9,052.1	89.2	577.2
Wholesale - domestic	906.0	8.0	599.1	5.9	306.9
Wholesale - offshore	754.3	6.7	497.7	4.9	256.6
Total deposits	11,289.6	100.0	10,148.9	100.0	1,140.7

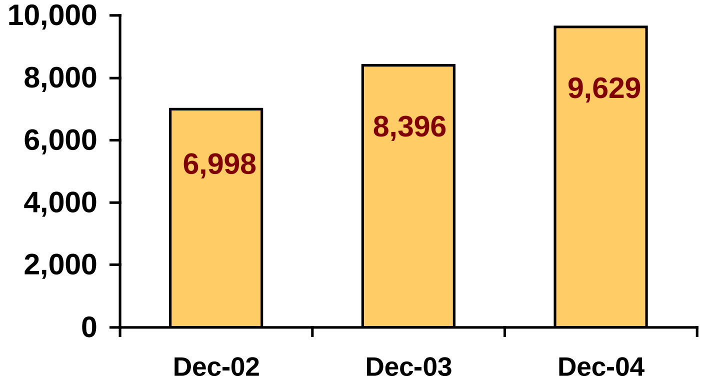
Deposits growth - by source	Deposits held	Deposits growth		No. of branches
	$m	$m	%	
Dec 04 half-year				
New branches	327.1	122.1	28.0	46
Jun 04 full-year				
New branches	380.8	312.8	35.9	46
Jun 03 full-year				
New branches	601.3	465.1	53.4	59

Branches opened in the 18 months prior to balance date are considered to be new.
Percentage growth for the December half-year has been annualised for comparative purposes.

Funding Mix
%



Retail deposits
$m

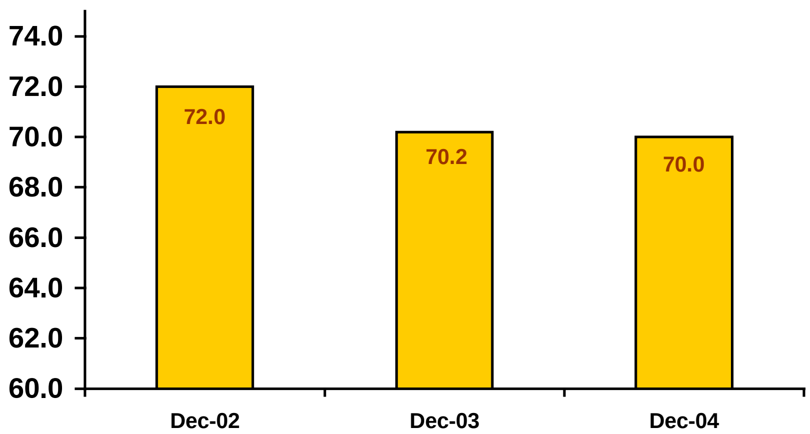


Growth in retail deposits continued during the period, increasing by $577 million, substantially funding the achieved loan growth of $871 million. Wholesale funding was utilised to meet the remaining funding requirements of the strong loan growth.

2.3.5 Productivity and Expenses

	Dec-04	Jun-04	Increase/(Decrease)		Dec-03	Increase/(Decrease)	
			Value	%		Value	%
	$m	$m	$m		$m	$m	
Net Operating Expenses							
Borrowing costs	0.1	0.2	(0.1)	(50.0)	0.3	(0.2)	(66.7)
Staff and related costs	77.5	66.6	10.9	16.4	68.3	9.2	13.5
Occupancy costs	12.8	11.8	1.0	8.5	11.2	1.6	14.3
Information technology costs	11.8	9.9	1.9	19.2	12.2	(0.4)	(3.3)
Amortisation of goodwill	2.1	2.2	(0.1)	(4.5)	2.1	-	0.0
Property, plant and equip costs	7.6	5.7	1.9	33.3	5.8	1.8	31.0
Fees and commissions	8.0	7.3	0.7	9.6	6.9	1.1	15.9
Communications, postage & stationery	9.6	10.0	(0.4)	(4.0)	9.5	0.1	1.1
Advertising & promotion	4.9	4.4	0.5	11.4	4.4	0.5	11.4
Other product & services delivery costs	8.0	7.0	1.0	14.3	6.6	1.4	21.2
Administration expenses	12.4	11.0	1.4	12.7	10.3	2.1	20.4
Specific items - operating expenses	2.8	6.9	(4.1)	(59.4)	1.4	1.4	100.0
Total net operating expenses	157.6	143.0	14.6	10.2	139.0	18.6	13.4
Net operating expenses to net operating income	70.0%	66.6%	3.4%	5.1	70.2%	(0.2%)	(0.3)
Net operating expenses to average assets	2.6%	2.5%	0.1%	4.0	2.8%	(0.2%)	(7.1)
Net operating expenses to average assets-incl managed funds	2.2%	2.0%	0.2%	10.0	2.2%	0.0%	0.0
Number of staff (full-time equivalent)	2,154	2,070	84	4.1	1,981	173	8.7
Staff & related costs to net operating income	35.4%	33.0%	2.4%	7.3	35.4%	0.0%	0.0

Efficiency Ratio - Operating Expenses/Total Income
%



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

Staff and related costs increased 14% compared to previous corresponding period. This increase came as a result of wage increases awarded under the group's certified agreement and other salary increases, together with an increase in full time equivalent staff numbers of 173 for the calendar year. The majority of full time equivalent staff increases were in our retail division, reflecting the growth in business, the delivery network and business opportunities.

Occupancy costs increased by 14%, reflecting increased rental and insurance expenses.

Property, plant and equipment costs have increased by 13% due to the inclusion of $1.5 million, being the book value of land and buildings ($0.5 million) and an equity investment ($1.0 million) sold during the period. December 2003 half-year did not include similar figures.

Fees and commissions increased by 16% predominantly due to an increase in the market development incentive paid to Community Banks. This increase reflects the growth in business in Community Banks and the expansion of the Community Bank network. Other management fees also increased in the review period.

Other product & service delivery costs have increased 21% predominantly to increased ATM costs including cash delivery, leasing and service call costs. This reflects the growth in the ATM network, which has increased from 268 to 299 machines over the 6 months and growth in transaction volumes. Income from this channel also increased when compared to the corresponding period.

Administration expenses have increased 20% and includes external consulting and legal services, regulatory levies, travel expenses and motor vehicle costs.

Specific expense item for 2004 is the book value of sold shares in IOOF Holdings Ltd; 2003 specific item is the book value of sold properties.

2.3.6 Bad and Doubtful Debts

	Dec-04 $m	Jun-04 $m	Increase/(Decrease) Value $m	Increase/(Decrease) %	Dec-03 $m	Increase/(Decrease) Value $m	Increase/(Decrease) %
Bad debts expense	(0.1)	0.1	(0.2)	(200.0)	0.6	(0.7)	(116.7)
Prov'n doubtful debts - expense	8.8	7.6	1.2	15.8	5.8	3.0	51.7
Prov'n doubtful debts - specific	8.9	8.1	0.8	9.9	9.5	(0.6)	(6.3)
Prov'n doubtful debts - general	57.7	53.4	4.3	8.1	48.3	9.4	19.5
Prov'n doubtful debts - total	66.6	61.5	5.1	8.3	57.8	8.8	15.2
Loan write-offs (annualised) to average assets	0.06%	0.07%	(0.01%)	(14.3)	0.06%	0.00%	0.0
Total provision for doubtful debts to gross loans	0.64%	0.65%	(0.01%)	(1.5)	0.69%	(0.05%)	(7.2)
General provision for doubtful debts to risk-weighted assets	0.79%	0.79%	0.00%	0.0	0.79%	0.00%	0.0

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

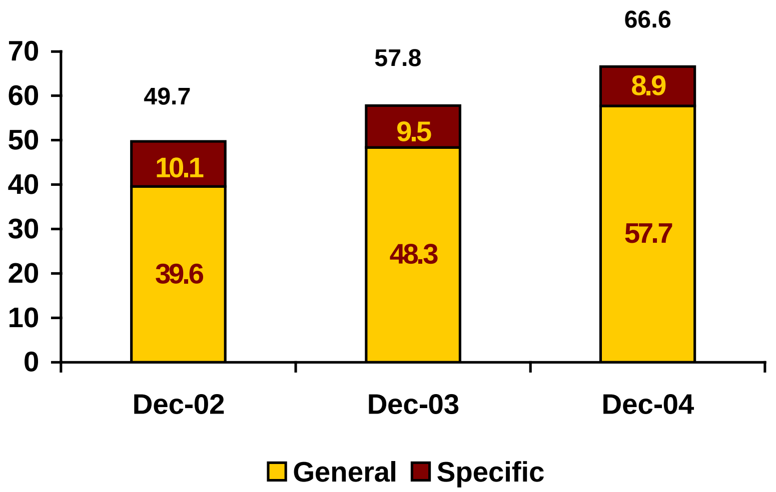
	Dec-04	Jun-04	Movement
Specific provisions	8.9	8.1	0.8
General provision	57.7	53.4	4.3
Total balance in provisions for doubtful debts	66.6	61.5	5.1

The movement in provisions comprise:	Specific	General	Total
Balance at June	8.1	53.4	61.5
Bad and doubtful debts expense to profit and loss	4.4	4.3	8.7
Bad debts written off	(3.6)	-	(3.6)
Balance at December	8.9	57.7	66.6

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

Bad debts previously provided for	3.7
Other bad debts	(0.1)
	3.6

Total Provisions for Doubtful Debts
$mil



2.3.7 Asset Quality

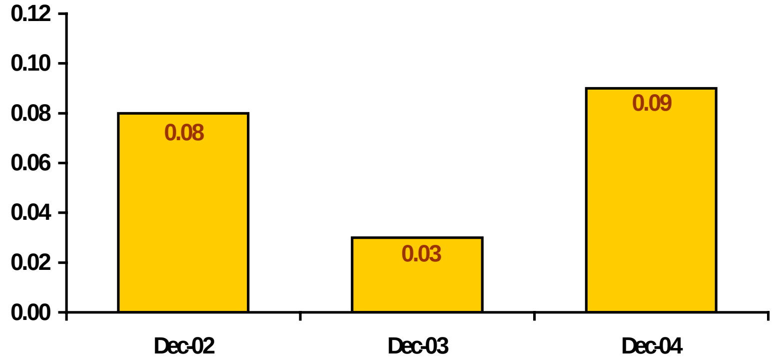
	Dec-04	Jun-04	Increase/(Decrease) Value	%	Dec-03	Increase/(Decrease) Value	%
	$m	$m	$m		$m	$m	
Non-accrual accounts-							
Full-performing	-	-	-	-	-	-	-
Part-performing	1.6	3.7	(2.1)	(56.8)	3.1	(1.5)	(48.4)
Non-performing	16.1	9.2	6.9	75.0	9.3	6.8	73.1
Total non-accrual assets	17.7	12.9	4.8	37.2	12.4	5.3	42.7
Less: Specific provisions	(8.9)	(8.0)	(0.9)	11.3	(9.6)	0.7	(7.3)
Net impaired assets	8.8	4.9	3.9	79.6	2.8	6.0	214.3
Gross non-accrual to gross loans	0.17%	0.14%	0.03%	21.4	0.15%	0.02%	13.3
Net impaired to gross loans	0.09%	0.05%	0.04%	80.0	0.03%	0.06%	200.0
Provision coverage	376.0%	477.0%	(101%)	(21.2)	466.0%	(90.0%)	(19.3)

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

	Dec-04	Jun-04	Increase/(Decrease) Value	%	Dec-03	Increase/(Decrease) Value	%
Past due 90 days							
Well secured	54.9	57.1	(2.2)	(3.9)	47.7	7.2	15.1
Portfolio facilities (not well secured)	1.6	1.9	(0.3)	(15.8)	2.5	(0.9)	(36.0)

Loans past due 90 days - well secured includes $14.7 million (Jun 04: $13.9 million, Dec 03: $12.9 million) of loans due to their review date expiring more than 90 days ago, but which are not in payment default.

Net impaired loans/Gross loans
%



2.3.8 Assets and capital

	Dec-04	Jun-04	Increase/(Decrease) Value	Increase/(Decrease) %	Dec-03	Increase/(Decrease) Value	Increase/(Decrease) %
	$m	$m	$m		$m	$m	
Group assets	12,399.2	11,284.5	1,114.7	9.9	10,210.4	2,188.8	21.4
Capital adequacy							
Risk-weighted assets	7,267.7	6,797.2	470.5	6.9	6,088.3	1,179.4	19.4
Risk-weighted capital adequacy	10.48%	10.35%	0.13%	1.3	10.26%	0.22%	2.1
- Tier 1	8.16%	8.38%	(0.22%)	(2.6)	8.30%	(0.14%)	(1.7)
- Tier 2	2.32%	1.97%	0.35%	17.8	1.96%	0.36%	18.4
Net tangible assets per fully paid share	$4.55	$4.40	$0.15	3.4	$4.05	$0.50	12.3
No. of fully paid shares on issue - 000's	141,015	139,378	1,637	1.2	133,874	7,141	5.3
Equity	703.0	676.4	26.6	3.9	608.1	94.9	15.6
Assets under management							
Off-balance sheet loans	730.3	860.7	(130.4)	(15.2)	936.4	(206.1)	(22.0)
Sandhurst Trustee Company	1,637.3	1,389.2	248.1	17.9	1,313.7	323.6	24.6
Total Group assets under management	2,367.6	2,249.9	117.7	5.2	2,250.1	117.5	5.2
Total Group managed assets	14,766.8	13,534.4	1,232.4	9.1	12,460.5	2,306.3	18.5

Total assets rose by $1.1 billion during the reporting period, or 9.9%, with assets under management increasing 9.1% to $14.8 billion as at 31 December 2004.

Risk weighted assets increased by 6.9% and the group's capital base was up by 4% to $703 million during the reporting period. The group continues to be strongly capitalised with tier one ratio at 8.16% and tier two of 2.32%.

2.3.9 Retained profits

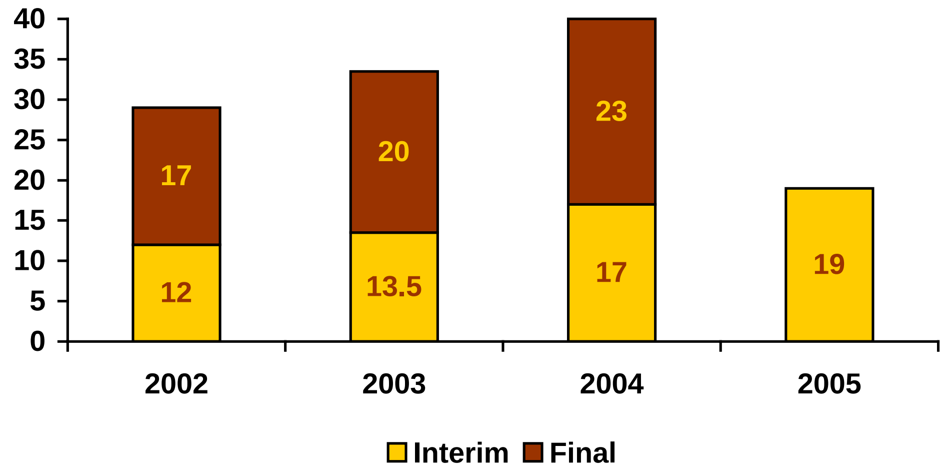
	Dec-04	Dec-03	Inc/(Dec)
	$m	$m	%
Retained profits at beginning of financial year	119.6	85.6	39.7
Net profit attributable to members of Bendigo Bank Limited	42.8	34.6	23.7
Total available for appropriation	162.4	120.2	35.1
Transfer (to)/from reserves	-	-	
2004 Final dividend paid (2003: 2003 final dividend paid)	(29.8)	(24.3)	22.6
Retained profits at 31 December	**132.6**	**95.9**	**38.3**

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

2.3.10 Dividends

	Dec-04	Jun-04	Increase/(Decrease) Value	%	Dec-03	Increase/(Decrease) Value	%
Dividend per share - cents	19.0	23.0	(4.0)	(17.4)	17.0	2.0	11.8
Dividend amount payable - $m	25.4	29.8	(4.4)	(14.8)	21.5	3.9	18.1

Total Dividends paid
cents



Our ability to continue fully franked dividends in the near term remains strong, with our adjusted franking account balance standing at $55.2 million after allowing for the interim 2005 dividend.

The dividend pay-out ratio for the half-year for operating profit before specific items is 65.2%, or 59.3% after specific items.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan provides shareholders with the opportunity of converting their dividend entitlement 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. 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. 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 2005 interim dividend is 16 March 2005.

2.4 Additional notes

2.4.1 Investments accounted for using the equity method

Name	**Ownership interest held by consolidated entity 2004 %**	**2003 %**	**Balance date**
Elders Rural Bank Ltd	50.0	50.0	31 December
Tasmanian Banking Services Ltd	50.0	50.0	31 December
Community Sector Enterprises Pty Ltd	50.0	50.0	31 December
BSX Group Holdings Ltd	49.8	20.9	31 December
Homesafe Solutions Pty Ltd	50.0	-	31 December

(i) Principal activities of associated companies
Elders Rural Bank Ltd – bank
Tasmanian Banking Services Ltd – financial services
Community Sector Enterprises Pty Ltd – financial services
BSX Group Holdings Ltd – financial services
Homesafe Solutions Pty Ltd – financial services

	December 2004 $m	**December 2003 $m**
(ii) Share of associates' profits		
Share of associates':		
operating profits before income tax	8.5	7.9
income tax expense attributable to operating profits	(2.6)	(2.4)
operating profits after income tax	5.9	5.5
Share of associates' operating profits after income tax:		
Elders Rural Bank Ltd	5.6	5.5
Tasmanian Banking Services Ltd	0.4	0.1
Community Sector Enterprises Pty Ltd	0.1	(0.1)
BSX Group Holdings Ltd	(0.1)	-
Homesafe Solutions Pty Ltd	(0.1)	-
	5.9	5.5

Elders Rural Bank Ltd reported an after-tax profit for the 6 months to December 2004 of $11.3 million. The interim result represented an increase of 2% on the corresponding result of $11.0 million in the same period last year and reflects increased competition in rural banking and margin pressures. Despite this, business grew strongly with loans increasing by 5% to reach $2.0 billion, deposits increasing 14% to $2.1 billion and a 10% increase in customers to approximately 45,000 customers. Net non-performing loans as a percentage of gross loans fell to 0.47%, the best result in Elders Rural Bank's five years of operations.

During the half Elders Rural Bank was awarded it first public credit rating by Standard and Poor's. The receipt of the investment grade rating significantly boosts the Bank's capacity to attract deposits from a wider range of financial market participants. Bendigo Bank retains a 50% interest in this entity.

Tasmanian Banking Services Ltd is a joint venture between Bendigo Bank and Tasmanian Perpetual Trustees providing banking services in Tasmania. Launched in November 2000, there are now seven branches holding in excess of $430 million in banking business, which represents growth of $64 million over the past six months.

Community Sector Enterprises Pty Ltd was launched in July 2002. Community Sector Enterprises is a joint venture between the Bank and 20 not-for-profit sector bodies. Based on the Community Bank model, it delivers banking services to the not-for-profit sector in return for a share of the margin and fee income. This improves the return on capital for the sector, enhancing its ability to deliver services to the community. In line with Bendigo's strategy to bank discrete communities, it provides the Bank with a distribution channel providing access to a geographically diverse community of interest. The joint venture is recording regular monthly operating surpluses.

BSX Group Holdings Ltd is the holding company of Bendigo Stock Exchange Limited (BSX).

BSX aims to operate a range of specialist markets, particularly emerging enterprises and rural and regional companies. It offers its services to provide growth solutions for emerging businesses, particularly rural and regional enterprises. In December 2004, BSX announced it was pursuing a merger with the recently listed Newcastle Stock Exchange to form a single national alternative market for small to medium enterprises.

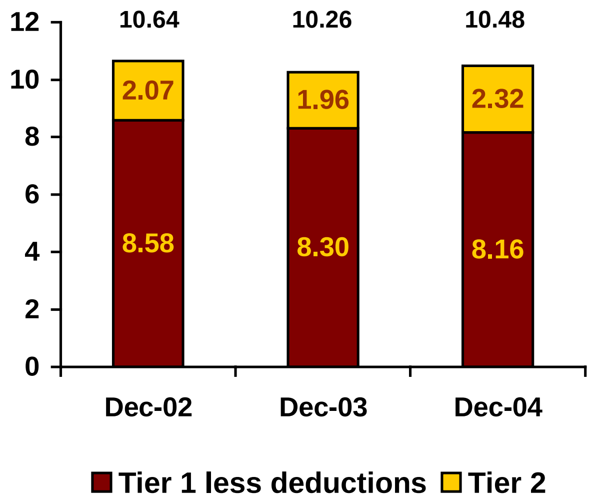
Homesafe Solutions Pty Ltd is the management company responsible for the development, marketing and management of a new product (Bendigo Homesafe Equity Release) to be launched in the first half of the 2005 calendar year. The product will enable aged home-owners to access the equity in their homes in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

2.4.2 Capital Adequacy

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

	December 2004 $m	**June 2004 $m**
Risk weighted capital ratios		
Tier 1	8.16%	8.38%
Tier 2	2.32%	1.97%
Total capital ratio	10.48%	10.35%
Qualifying Capital		
Tier 1		
Contributed capital	565.3	551.6
Retained profits & reserves	112.7	97.9
Less,		
Intangible assets	(61.5)	(63.7)
Net future income tax benefit	(11.4)	(8.4)
Other adjustments as per APRA advice	(12.0)	(7.7)
Total Tier 1 capital	593.1	569.7
Tier 2		
General provision for doubtful debts	40.4	37.4
Unsecured subordinated perpetual convertible capital notes	-	-
Subordinated capital notes	239.3	199.3
Asset revaluation reserve	4.9	4.9
	284.6	241.6
Less,		
Subsidiary investment residual	(9.0)	(8.9)
Total Tier 2 capital	275.6	232.7
Less,		
Investments in non-consolidated subsidiaries or associates and other banks' capital instruments	(106.9)	(99.1)
Total qualifying capital	761.8	703.3
Risk Weighted Assets	**7,267.7**	**6,797.2**

Capital adequacy
%



2.4.3 Credit Ratings

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

as at February 2005

On 2 February 2004, Fitch Ratings, the international ratings agency upgraded Bendigo Bank's long term rating to BBB+ from BBB. These were affirmed on 9 February 2005.

Fitch cited "Bendigo's strong commitment to relationship banking as providing a solid platform for growth, improved financial performance and maintenance of capital ratios as positive developments enhancing the bank's credit worthiness."

On 18 March 2004, Standard & Poor’s Ratings Services revised the rating outlook on Bendigo Bank to positive from stable, and at the same time, affirmed the ‘BBB’ long-term and ‘A-2’ short-term counterparty credit ratings.

The outlook revision to positive reflects Standard & Poor’s view that Bendigo is steadily transitioning into a larger, stronger, more diversified institution.

2.4.4 Contributed Equity

Changes to issued and quoted securities during the period

Ordinary shares	**$m**
139,378,355 fully paid ordinary shares at beginning of financial year	551.6
September 2004 – 1,107,312 shares issued at $9.74 under Dividend Reinvestment Plan	10.8
September 2004 – 229,806 shares issued at $9.74 under Bonus Share Scheme (in lieu of dividend payment)	-
November 2004 - 300,000 shares issued at $9.99 under Employee Share Ownership Plan	3.0
141,015,473 fully paid ordinary shares at December 2004	565.4

Bendigo Bank

ABN 11 068 049 178

Half Year Financial Report

For the period ending

31 December 2004

Information contained in this report should be read in conjunction with the June 2004 annual financial report.

3. Statutory half-year financial report

3.1 Directors' Report

Your Directors submit their report for the half-year ended 31 December 2004.

3.1.1 Directors

The names of the directors of the Board of Bendigo Bank who have held office during the half-year and up to the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

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	

3.1.2 Review of operations

The Group recorded strong growth in revenues and profits during the half year with all major divisions improving their overall contribution to the result.

Profit after tax increased by 24% to $42.8 million when compared to the half-year ended 31 December 2003. This result included specific income and expense items that contributed $3.9 million after tax (2003: $1.4 million). Profit before specific items was $38.9 million, a 17% increase over 2003.

Profit before tax increased by 19% to $60.5 million. This result included specific income and expense items that contributed $5.5 million (2003: $1.9 million). Profit before tax and specific items was $55.0 million, an increase of 12% over December 2003.

Group assets increased 10%, or $1.1 billion in the half-year. Group assets at 31 December 2004 were $12.4 billion.

The total capital adequacy ratio increased during the half from 10.35% to 10.48% and remains comfortably above the required level. Tier one capital decreased during the half year from 8.38% to 8.16% with Tier two capital increasing from 1.97% to 2.32%.

A final dividend of 23.0 cents per share, fully franked at 30%, was paid on 30 September 2004 in respect of the year ended 30 June 2004. An interim dividend of 19.0 cents per share (up from 17.0 cents - Interim 2004), fully franked at 30%, will be payable on 31 March 2005.

3.1.3 Significant changes in the state of affairs

The following significant change in the state of affairs of the chief entity occurred during the half-year.

a) In October 2004, 1,107,312 shares were allotted at an issue price of $9.74 to those shareholders participating in the Dividend Reinvestment Plan, increasing share capital by $10.8 million.

b) Following approval at the Annual General Meeting in October 2004, an issue of shares was made to the Managing Director under the Employee Share Ownership Plan. 300,000 shares were issued in November 2004 at a price of $9.99, increasing share capital by $3.0 million.

In the opinion of the directors, there were no other significant changes in the state of affairs of the economic entity that occurred during the half-year under review not otherwise disclosed in this report or the financial statements.

3.1.4 After balance date events

No matters or circumstances have arisen since the end of the half-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 periods, except for the proposed offer of Perpetual Step-up Preference shares and an on-market buy-back of ordinary shares, as disclosed in the Subsequent Events note to this financial report.

3.1.5 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.

3.1.6 Independence of auditor

The Bank's audit committee has conducted an assessment of the independence of the external auditor for the period ended 31 December 2004. The assessment was conducted on the basis of the Bank's audit independence policy and the requirements of the Corporations Act 2001. The assessment included a review of non-audit services provided by the auditor and an assessment of the independence declaration issued by the external auditor for the period ended 31 December 2004. The audit committee's assessment confirmed that the independence requirements have been met. The audit committee's assessment was accepted by the full Board. A copy of the auditor's independence declaration is provided at the end of the half-year financial report.

Signed in accordance with a resolution of the Board of Directors.

R. A. Guy OAM, Chairman
Bendigo
14 February 2005

3.2 Condensed statement of financial performance
For the half-year ended 31 December 2004

		Note	Consolidated	
			2004	2003
Revenue from ordinary activities			$m	$m
Net interest revenue				
Interest revenue			370.6	284.5
Interest expense			232.8	161.7
Net interest revenue			137.8	122.8
Other revenue from ordinary activities				
Dividends			0.9	0.2
Fees	- asset products		12.4	12.0
	- liability products and electronic delivery		25.7	20.0
	- trustee, management and other services		4.7	4.8
	- securitisation		3.0	4.9
	- other		4.2	4.2
Commissions	- insurance		3.0	2.5
	- other		14.9	12.0
Property revenue			0.4	0.5
Other operating revenue			2.7	1.2
Specific income items		*3.5.2*	8.3	3.3
Total other revenue from ordinary activities			80.2	65.6
Share of associates' net profits (losses) accounted for using the equity method			8.5	7.9
Total revenue after interest expense			226.5	196.3
Expenses from ordinary activities				
Bad and doubtful debts				
Bad and doubtful debts			8.7	6.4
Bad debts recovered			(0.3)	(0.1)
Total bad and doubtful debts			8.4	6.3
Other expenses from ordinary activities				
Borrowing costs			0.1	0.3
Staff and related costs			77.5	68.3
Occupancy costs			12.8	11.2
Information technology costs			11.8	12.2
Amortisation of goodwill			2.1	2.1
Property, plant and equipment costs			7.6	5.8
Fees and commissions			8.0	6.9
Administration expenses			34.9	30.8
Specific expense items		*3.5.2*	2.8	1.4
Total expenses from other ordinary activities			157.6	139.0
Profit from ordinary activities before income tax expense			60.5	51.0
Income tax expense relating to ordinary activities			(16.3)	(16.0)
Specific items income tax expense		*3.5.2*	(1.6)	(0.5)
Net profit			42.6	34.5
Net (profit)/loss attributable to outside equity interest			0.2	0.1
Net profit attributable to members of Bendigo Bank Limited			42.8	34.6
Transfer (to)/from reserves			-	-
Total revenues, expenses and valuation adjustments attributable to members of Bendigo Bank Limited and recognised directly in equity			-	-
Total changes in Equity other than those resulting from transactions with owners as owners attributable to members of Bendigo Bank Limited			42.8	34.6
Basic earnings per share (cents per share)			30.5	26.8
Diluted earnings per share (cents per share)			30.5	26.8
Franked dividends per share (cents per share)			19.0	17.0

Information contained in this report should be read in conjunction with the June 2004 annual financial report.

3.3 Condensed statement of financial position
For the half-year ended 31 December 2004

	Note	Consolidated		
		As at 31-Dec-04 $m	As at 30-Jun-04 $m	As at 31-Dec-03 $m
Assets				
Cash and liquid assets		152.9	157.5	193.3
Due from other financial institutions		51.4	157.6	56.8
Investment securities		1,560.0	1,220.2	1,280.9
Loans and other receivables		10,237.2	9,372.6	8,300.8
Shares - other		24.3	27.3	28.1
Investments accounted for using the equity method		110.1	101.1	95.2
Property, plant & equipment		62.4	56.6	56.1
Deferred tax assets		33.8	32.8	28.3
Intangibles		61.5	63.7	65.8
Other assets		105.6	95.1	105.1
Total Assets		12,399.2	11,284.5	10,210.4
Liabilities				
Due to other financial institutions		54.7	128.9	55.7
Deposits		11,289.6	10,148.9	9,259.4
Payables		72.8	88.7	64.6
Current tax liabilities		6.5	6.9	4.9
Provisions		28.4	27.1	25.2
Subordinated debt		239.3	199.3	186.3
Deferred tax liabilities		4.9	8.3	6.2
Total Liabilities		11,696.2	10,608.1	9,602.3
Net Assets		703.0	676.4	608.1
Equity				
Parent entity interest				
Contributed capital		565.4	551.6	508.8
Reserves		5.4	5.4	3.3
Retained profits	*3.5.3*	132.6	119.6	95.8
Total parent entity interest in equity		703.4	676.6	607.9
Total outside equity interest		(0.4)	(0.2)	0.2
Total Equity		703.0	676.4	608.1

3.4 Condensed statement of cash flows
For the half-year ended 31 December 2004

	Consolidated	
	2004	2003
	$m	$m
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and other items of a similar nature received	364.9	285.8
Borrowing costs paid	(230.2)	(163.2)
Receipts from customers (excluding interest)	69.3	63.4
Payments to suppliers and employees	(169.3)	(187.8)
Dividends received	6.2	5.0
Income taxes paid	(20.1)	(18.4)
Net cash flows from operating activities	20.8	(15.2)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash flows for purchases of property, plant and equipment	(13.3)	(10.9)
Cash proceeds from sale of property, plant and equipment	0.5	2.4
Cash paid for purchases of equity investments	(9.0)	(10.6)
Cash proceeds from sale of equity investments	10.0	-
Net increase in balance of loans outstanding	(861.7)	(786.2)
Net increase in balance of investment securities	(340.7)	(150.9)
Net cash flows used in investing activities	(1,214.2)	(956.2)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from shares issued	-	15.3
Net increase in balance of retail deposits	572.2	1,013.9
Net increase in balance of wholesale deposits	563.6	3.0
Net increase/(decrease) in balance of subordinated debt	40.0	(10.6)
Dividends paid	(19.0)	(15.3)
Net cash flows from financing activities	1,156.8	1,006.3
Net increase/(decrease) in cash held	(36.6)	34.9
Add cash at the beginning of the financial period	186.2	159.4
Cash at the end of the half year	149.6	194.3

NOTES TO THE CONDENSED STATEMENT OF CASH FLOWS

(a) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the statement of cash flows.

- Net increase in balance of loans outstanding
- Net increase in balance of investment securities
- Net increase in balance of retail deposits
- Net increase in balance of wholesale deposits
- Net increase/(decrease) in balance of subordinated debt
- Proceeds from share issues is net of capital raising costs

(b) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes:

	2004	2003
Cash and liquid assets	152.9	193.3
Due from other financial institutions	51.4	56.8
Due to other financial institutions	(54.7)	(55.7)
Other (rounding)	-	(0.1)
	149.6	194.3

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

3.5 Notes to and forming part of the financial statements

3.5.1 Statement of significant accounting policies

a) Basis of preparation of the interim financial report

The half-year financial report is a general purpose financial report which has been prepared in accordance with the Banking Act, applicable Accounting Standards including AASB 1029 "Interim Financial Reporting", other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), Corporations Act 2001 and the requirements of law so far as they are applicable to Australian banking corporations.

The half-year financial report has been prepared in accordance with the historical cost convention, except for freehold land and buildings on freehold land, which are measured at their fair value.

The half-year financial report does not include notes of the type normally included in an annual financial report and therefore, cannot be expected to provide as full an understanding of the financial performance, financial position and finance and investing activities of the consolidated entity as would a full financial report.

It is recommended that the half-year report is read in conjunction with the annual Financial Report of Bendigo Bank Limited as at 30 June 2004, together with any public announcements made by Bendigo Bank Limited and its controlled entities during the half-year ended 31 December 2004 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

For the purposes of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year ended 30 June 2004.

3.5.2 Specific items

a Specific income and expense items

Profit from ordinary activities before income tax expense includes the following income and expenses where disclosure is relevant in explaining the financial performance of the entity:

	Consolidated 2004 $m	Consolidated 2003 $m
Profit from ordinary activities before income tax expense includes the following income and expenses where disclosure is relevant in explaining the financial performance of the entity:		
Specific income items		
Proceeds on sale of IOOF Holdings Limited shares	7.8	-
GST refund on electronic transactions	-	1.4
Proceeds on sale of Cashcard shares (first adjustment amount)	0.5	-
Proceeds on sale of properties	-	1.9
	8.3	3.3
Specific expense items		
Book value of IOOF Holdings Limited shares sold	2.8	-
Book value of properties sold	-	1.4
	2.8	1.4
Net specific items before income tax	5.5	1.9
Income tax applicable to specific income and expense items	(1.6)	(0.5)
Specific items after income tax	3.9	1.4

b Specific items - gains/(losses)

Profit/(loss) from disposal of property	-	0.5
Profit/(loss) from sale of other investments	5.5	-

3.5.3 Retained profits

	Consolidated	
	2004 $m	**2003 $m**
Profit from ordinary activities after income tax expense attributable to members of Bendigo Bank Limited	42.8	34.6
Retained profits at beginning of the financial year	119.6	85.6
Total available for appropriation	162.4	120.2
Dividend paid – Final 2004 (2003: Final 2003)	(29.8)	(24.4)
Aggregate of amounts transferred (to)/from reserves	-	-
Retained profits at the end of the half-year	132.6	95.8

3.5.4 Dividends paid or provided for on ordinary shares

	Consolidated	
	2004 $m	**2003 $m**
Dividends paid during the half-year: *Final dividend 2004 - 23.0 cents (Final dividend 2003 - 20.0 cents)*	29.8	24.4
Dividends proposed since the reporting date, but not recognised as a liability: *Interim dividend 2005 - 19.0 cents (Interim dividend 2004 – 17.0 cents)*	25.4	21.5

3.5.5 Average balance sheets and related interest

For the six month period ended 31 December 2004	**Note**	**Average Balance $m**	**Interest 6 mths $m**	**Average rate %**
Average balances and rates	*1*			
Interest earning assets				
Cash and liquid assets		124.9	0.7	1.12
Investment securities		1,422.5	40.3	5.67
Loans and other receivables	*2*	9,944.7	329.6	6.63
		11,492.1	370.6	6.45
Non interest earning assets				
Property, plant & equipment		59.6		
Provisions for doubtful debts		(64.7)		
Other assets		303.9		
		298.8		
Total assets (average balance)		11,790.9		
Interest bearing liabilities and equity				
Deposits				
Retail		9,275.1	182.9	3.94
Wholesale - domestic		819.6	22.8	5.56
Wholesale - offshore		647.3	19.3	5.96
Other borrowings				
Subordinated debt		225.0	7.8	6.93
		10,967.0	232.8	4.25
Non interest bearing liabilities and equity				
Other liabilities		295.8		
Equity		528.1		
		823.9		
Total liabilities and equity		11,790.9		
Interest margin and interest spread				
Interest earning assets		11,492.1	370.6	6.45
Interest bearing liabilities		(10,967.0)	(232.8)	(4.25)
Net interest income and interest spread	*3*		137.8	2.20
Net interest margin	*4*			2.40

Impact of community bank/alliances profit share arrangements

Net interest margin before community bank/alliances share of net interest income	2.81
Less impact of community bank/alliances share of net interest income	0.41
Net interest margin	2.40

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

For the six month period ended 30 June 2004

	Note	Average Balance $m	Interest 6 mths $m	Average rate %
Average balances and rates	1			
Interest earning assets				
Cash and liquid assets		129.6	0.6	0.93
Investment securities		1,302.3	37.5	5.76
Loans and other receivables	2	8,915.0	292.9	6.57
		10,346.9	331.0	6.40
Non interest earning assets				
Property, plant & equipment		57.5		
Provisions for doubtful debts		(60.1)		
Other assets		293.4		
		290.8		
Total assets (average balance)		10,637.7		
Interest bearing liabilities and equity				
Deposits				
Retail		8,713.6	164.4	3.77
Wholesale - domestic		507.4	14.2	5.60
Wholesale - offshore		455.8	14.1	6.19
Other borrowings				
Subordinated debt		208.7	7.4	7.09
		9,885.5	200.1	4.05
Non interest bearing liabilities and equity				
Other liabilities		146.9		
Equity		605.3		
		752.2		
Total liabilities and equity		10,637.7		
Interest margin and interest spread				
Interest earning assets		10,346.9	331.0	6.40
Interest bearing liabilities		(9,885.5)	(200.1)	(4.05)
Net interest income and interest spread	3		130.9	2.35
Net interest margin	4			2.53

Impact of community bank/alliances profit share arrangements

Net interest margin before community bank/alliances share of net interest income	2.91
Less impact of community bank/alliances share of net interest income	0.38
Net interest margin	2.53

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

For the six month period ended 31 December 2003	Note	Average Balance $m	Interest 6 mths $m	Average rate %
Average balances and rates	*1*			
Interest earning assets				
Cash and liquid assets		123.4	0.4	0.70
Investment securities		1,181.1	30.2	5.11
Loans and other receivables	*2*	7,978.5	253.9	6.37
		9,283.0	284.5	6.13
Non interest earning assets				
Property, plant & equipment		54.9		
Provisions for doubtful debts		(56.6)		
Other assets		282.2		
		280.5		
Total assets (average balance)		9,563.5		
Interest bearing liabilities and equity				
Deposits				
Retail		7,948.2	136.7	3.44
Wholesale - domestic		350.4	8.7	4.97
Wholesale - offshore		359.0	9.9	5.49
Other borrowings				
Subordinated debt		198.0	6.5	6.56
		8,855.6	161.8	3.66
Non interest bearing liabilities and equity				
Other liabilities		134.2		
Equity		573.7		
		707.9		
Total liabilities and equity		9,563.5		
Interest margin and interest spread				
Interest earning assets		9,283.0	284.5	6.13
Interest bearing liabilities		(8,855.6)	(161.8)	(3.66)
Net interest income and interest spread	*3*		122.7	2.47
Net interest margin	*4*			2.64

Impact of community bank/alliances profit share arrangements

Net interest margin before community bank/alliances share of net interest income	2.99
Less impact of community bank/alliances share of net interest income	0.35
Net interest margin	2.64

1. Average balance is based on monthly closing balances from 30 June 2003 through 31 December 2003 inclusive, with the exception of Wholesale domestic, which is based on a daily closing balance.
2. Interest includes an adjustment for share of margin paid to Community Banks and other alliance partners.
3. Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.
4. Interest margin is the net interest income as a percentage of average interest earning assets.

3.5.6 Segment reporting

(a) Business segments
31 December 2004

	Retail Banking	Community Banking	Wealth Solutions	J/Ventures, Alliances & Corp Supp't	Eliminations	Total
Revenue	$m	$m	$m	$m	$m	$m
Net interest revenue						
External interest revenue	263.3	52.4	7.5	47.4	-	370.6
External interest expense	(154.8)	(36.6)	(4.6)	(36.8)	-	(232.8)
Net intersegment interest	(0.1)	-	-	0.1	-	-
Net interest revenue	108.4	15.8	2.9	10.7	-	137.8
Other revenue						
Other external revenue	40.9	9.7	20.2	9.4	-	80.2
Other intersegment revenue	4.7	-	-	1.7	(6.4)	-
Total other revenue	45.6	9.7	20.2	11.1	(6.4)	80.2
Share of net profit of equity accounted investments	-	-	-	8.5	-	8.5
Total segment revenue after interest expense						
External revenue after interest expense	149.4	25.5	23.1	28.5	-	226.5
Intersegment revenue after interest expense	4.6	-	-	1.8	(6.4)	-
Total revenue after interest expense	154.0	25.5	23.1	30.3	(6.4)	226.5
Results						
Segment result	31.6	6.9	11.6	16.8	(6.4)	60.5
Internal cost allocations	1.6	(1.5)	(0.6)	0.5	-	0.0
Consolidated entity profit from ordinary activities before income tax expense	33.2	5.4	11.0	17.3	(6.4)	60.5
Income tax expense	(10.0)	(1.6)	(3.3)	(3.0)	-	(17.9)
Outside equity interests	-	-	-	0.2	-	0.2
Consolidated entity profit from ordinary activities after income tax expense	23.2	3.8	7.7	14.5	(6.4)	42.8
Assets						
Segment assets	6,798.9	2,191.1	137.2	3,161.9	-	12,289.1
Equity accounted assets	-	-	-	110.1	-	110.1
Total assets	6,798.9	2,191.1	137.2	3,272.0	-	12,399.2
Liabilities						
Segment liabilities	5,955.5	2,861.6	182.3	2,696.8	-	11,696.2
Other segment information:						
Non-cash expenses						
Depreciation	5.8	0.5	0.3	0.5	-	7.1
Amortisation of goodwill & intangibles	1.5	-	0.2	0.4	-	2.1
Non-cash expenses other than depreciation & amortisation	16.9	2.1	3.0	0.7	(6.1)	16.6
Acquisition of property, plant and equipment, intangible assets and other non-current assets	16.0	0.4	0.2	5.7	-	22.3

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

(a) Business segments cont'd…
31 December 2003

	Retail Banking	Community Banking	Wealth Solutions	J/Ventures, Alliances & Corp Supp't	Eliminations	Total
Revenue	$m	$m	$m	$m	$m	$m
Net interest revenue						
External interest revenue	208.3	30.4	7.2	38.6	-	284.5
External interest expense	(112.1)	(18.3)	(4.6)	(26.7)	-	(161.7)
Net intersegment interest	(0.1)			0.1		-
Net interest revenue	96.1	12.1	2.6	12.0	-	122.8
Other revenue						
Other external revenue	39.6	7.9	17.3	0.8	-	65.6
Other intersegment revenue	5.7	-	0.6	1.4	(7.7)	-
Total other revenue	45.3	7.9	17.9	2.2	(7.7)	65.6
Share of net profit of equity accounted investments	-	-	-	7.9	-	7.9
Total segment revenue after interest expense						
External revenue after interest expense	135.8	20.0	19.9	20.6	-	196.3
Intersegment revenue after interest expense	5.6	-	0.6	1.5	(7.7)	-
Total revenue after interest expense	141.4	20.0	20.5	22.1	(7.7)	196.3
Results						
Segment result	33.3	5.1	8.2	8.0	(3.6)	51.0
Internal cost allocations	(2.5)	(2.5)	(0.4)	5.4	-	-
Consolidated entity profit from ordinary activities before income tax expense	30.8	2.6	7.8	13.4	(3.6)	51.0
Income tax expense	(9.2)	(0.8)	(2.3)	(4.2)	-	(16.5)
Outside equity interests	-	-	-	0.1	-	0.1
Consolidated entity profit from ordinary activities after income tax expense	21.6	1.8	5.5	9.3	(3.6)	34.6
Assets						
Segment assets	5,875.4	1,503.6	125.5	2,610.7	-	10,115.2
Equity accounted assets	-	-	-	95.2	-	95.2
Total assets	5,875.4	1,503.6	125.5	2,705.9	-	10,210.4
Liabilities						
Segment liabilities	5,390.2	2,179.4	180.2	1,852.5	-	9,602.3
Other segment information:						
Non-cash expenses						
Depreciation	5.2	0.6	0.3	0.5	-	6.6
Amortisation of goodwill & intangibles	1.5	-	0.2	0.4	-	2.1
Non-cash expenses other than depreciation & amortisation	8.9	1.8	4.0	0.5	(7.6)	7.6
Acquisition of property, plant and equipment, intangible assets and other non-current assets	15.1	0.2	0.1	6.1	-	21.5

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

(b) Geographical segments

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

Descriptions of derived revenue by segment

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

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

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

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

Eliminations
The elimination of intersegment transactions so that the total column represents the consolidated group.

3.5.7 Contingent Liabilities

	Consolidated	
	2004	**2003**
	$m	**$m**
Guarantees		
The economic entity has issued guarantees on behalf of clients	31.7	48.9
Other		
Documentary letters of credit	-	-

3.5.8 Subsequent events

No matters or circumstances have arisen since the end of the half year to the date of this financial 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 periods, except that on 14 February 2005 the Bank announced:

> A capital management program which will include an issue of $100 Perpetual Step-up Preference Shares, paid to 50%, to raise $100 million in capital; an on-market buy back of up to 5 million shares subject to APRA approval; and the immediate suspension of the 2.5% discount on shares issued under the bank's Dividend Reinvestment Plan and Bonus Share Scheme.

3.5.9 Adoption of Australian equivalents to International Financial Reporting Standards

The Australian Accounting Standards Board (AASB) is implementing the Financial Reporting Council's policy of adopting the International Financial Reporting Standards (IFRS), which will apply to the group's reporting periods from 1 July 2005.
Therefore, the adoption of these standards will be first reflected in the group's financial statements for the half-year ending 31 December 2005 and the year ended 30 June 2006.

The group is required to prepare an opening balance sheet in accordance with IFRS as at 1 July 2004. Most accounting policy adjustments to retrospectively apply Australian equivalents to IFRS will be made against retained earnings in this opening balance sheet. However, transitional adjustments relating to those standards for which comparatives are not required will only be made on 1 July 2005. Comparatives are not required for AASB 132: Financial Instruments: Disclosure and Presentation, AASB 139: Financial Instruments: Recognition and Measurement and AASB 4: Insurance Contracts.

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

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

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

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

Goodwill Initial impact on retained earnings at 1 July 2004 Lower expenses Volatility in results in the event of Impairment	There will no longer be a requirement to amortise goodwill arising in a business combination, therefore there will no longer be an expense item reflecting the annual goodwill amortisation. Goodwill is instead subject to impairment testing at least annually, using new methodology. This change may result in increased volatility of future earnings where Impairment losses may occur. The new testing methodology may result in assessment of impairment for some existing goodwill and require initial write down against retained earnings on transition to IFRS.
Financial instruments Volatility in future earnings or equity for those instruments that are to be measured at fair value	Financial instruments will be required to be classified into five categories, which will determine the accounting treatment of the item. This will result in a change to the current accounting policy that does not classify financial instruments into such categories. Some instruments currently carried at amortised cost will in future be carried at fair value, with fair value changes either charged to profit and loss or taken to equity, depending on their classification. The future financial effect of this change is not yet known as the classification and measurement process has not yet been fully completed, but the impact on reported profit should not be significant. However, the fair value adjustments could result in volatility to equity reserve balances. These changes do not require comparatives for the 2004/05 financial year.
Derivatives Potential volatility in future earnings Volatility in equity	All derivative contracts will be recorded at fair value. When derivatives meet the new criteria for recognition as a hedge, movements in fair value will be taken to equity. Derivatives not meeting the criteria will have such movements taken to profit and loss. Also, all hedges will require effectiveness testing, with any ineffectiveness taken to profit and loss. It is expected that the majority of our derivatives will meet the criteria for effective hedging. The group predominantly uses cash flow hedges in respect of its interest rate risk hedging, which could result in volatility in equity reserve balances. These changes do not require comparatives for the 2004/05 financial year.

Credit loss (loan) provisioning Initial impact on retained earnings At 1 July 2005 Volatility in future earnings Lower general provision	IFRS adopts an approach known as "incurred losses" for credit loss provisioning and provides guidance on measurement on incurred losses. Provisions are raised for losses that have already been incurred for exposures that are known to be impaired. The estimated losses on these impaired exposures are then discounted to their present value. As this discount unwinds, there is a resulting recognition of interest in the statement of financial performance during the period between recognition of impairment and recovery of the written down amount. Smaller loans, such as consumer lending products, will not be individually assessed but impairment tested in portfolios based upon similar risk profiles using objective evidence, on the basis of historical loss experience. Currently, the bank does not discount the cash flows associated with impaired loans when assessing potential losses, so it is anticipated that the level of provisioning will increase, thereby reducing reported profits. The group currently maintains a general provision for doubtful debts for prudential reasons. As this provision is predominantly assessed on probable losses and not based on an event or loss that has been incurred, it is likely that the general provision will be reduced significantly to comply with IFRS. These changes do not require comparatives for the 2004/05 financial year.
Securitisation Possible new asset/liabilities recognised	Securitisations undertaken have been reviewed to ensure they meet the de-recognition requirements of IFRS. It is unlikely that any material value of securitised assets will require re-recognition.
Taxation New assets/liabilities recognised	A "balance sheet" approach will be adopted, replacing the "statement of financial performance" approach currently used in Australia. This method recognises deferred tax balances when there is a difference between the carrying value of an asset or liability, and its tax base. It is expected that the standard may require the group to carry higher levels of deferred tax assets and liabilities, including a tax liability in relation to the asset revaluation reserve.
Revenue and expense recognition Reclassification of revenue and expense items	Under IFRS, the group will change the way it currently recognises certain revenue and expense items. Any fee income integral to the yield of an originated financial instrument, net of any direct incremental costs, must be capitalised and deferred over the expected life of the instrument. This is similar to current treatment and is not expected to have a material impact on reported profit, but some re-classifications of revenue between fee income and interest income will occur.
Capital implications	The full implications for the group's capital adequacy are dependent on rules currently being developed by APRA, which have yet to be publicly released for industry consultation. APRA has stated that it will not make any IFRS-related changes to the existing prudential framework until it has completed relevant consultations and not before 1 July 2005 at the earliest. Existing prudential rules apply in the interim.

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

3.6 Directors' declaration

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

In the opinion of the directors:

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

   i) giving a true and fair view of the financial position as at 31 December 2004 and the performance for the half-year ended on that date of the consolidated entity; and
   ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

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

On behalf of the Board

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R. A. Guy OAM, Chairman
Bendigo
14 February 2005

3.7 Auditor's Independent Review Report

To the Members of Bendigo Bank Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Bendigo Bank Limited ("the company") and the consolidated entities, for the period ended 31 December 2004. The consolidated entity comprises both the company and the entities it controlled during the period.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complied with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investment Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001,* Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia, so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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 review of the financial report, we were engaged to undertake other non-audit services. The provision of these services has not impaired our independence.

Statement
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Bendigo Bank Limited is not in accordance with:

a) the *Corporations Act 2001*, including:

   i) giving a true and fair view of the financial position of Bendigo Bank Limited and the consolidated entity as at 31 December of their performance for the period ended on that date; and
   ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting", and the *Corporations Regulations 2001*; and

b) other mandatory professional reporting requirements in Australia.

Ernst & Young

Brett Kallio
Partner

Bendigo
Dated this 14th day of February 2005

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

3.8 Auditor's Independence Declaration

To the Directors of Bendigo Bank Limited

In relation to our review of the financial report of Bendigo Bank Limited for the half-year ended 31 December 2004, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Brett Kallio
Partner

Bendigo
Dated this 14th day of February 2005