Bendigo Bank

ABN 11 068 049 178

Appendix 4D Half Year Report
Half Year Announcement
Half Year Financial Report

For the period ending

31 December 2006

Released 12 February 2007

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 2006 annual financial report.

CONTENTS

Information contained in this report should be read in conjunction with the June 2006 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 2006
Previous corresponding period - six months ended:	31 December 2005

1.2 Results for announcement to the market

				$m
Revenue from operations	up	12.2%	to	277.7
Profit after tax attributable to members	up	1.9%	to	54.3
Net profit attributable to members	up	1.9%	to	54.3

Dividends – current year	**Amount per security**
Interim Dividend – 2007, fully franked at 30%	24.0 cents
Record date for determining entitlements for the interim dividend - 2 March 2007	
Payable 30 March 2007	

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

1.3 Cash earnings results

Cash earnings attributable to members	up	14.5%	to	$55.4 million
Cash earnings per share *See Note 2.4 for full details*	up	12.4%	to	39.0 cents

1.4 Net tangible assets per security

Refer to pages 29 and 52 of the attached December 2006 half year profit announcement.

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

Nil.

1.6 Details of individual and total dividends

Refer to pages 26 and 49 of the attached December 2006 half year profit announcement.

1.7 Details of any dividend or distribution reinvestment plans in operation

Refer to page 28 of the attached December 2006 half year profit announcement.

1.8 Details of associates and joint venture entities

Refer to page 30 of the attached December 2006 half year profit announcement.

1.9 Accounting standards used for foreign entities

Not applicable.

1.10 Dispute or qualifications if audited

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

1.11 Half year financial statements

Refer to pages 34 to 62 of the attached December 2006 half year profit announcement.

2. HALF YEAR ANNOUNCEMENT

2.1 Financial highlights

	2004-05 2nd Half $m	2005-06 1st Half $m	2005-06 2nd Half $m	2006-07 1st Half $m	Change 1st Half 2005-06 to 1st Half 2006-07 $m	%
Profit after tax	49.8	53.3	63.4	54.3	1.0	1.9
Profit after tax before significant items	50.7	52.0	56.3	59.9	7.9	15.2
Cash earnings	50.9	48.4	54.1	55.4	7.0	14.5
Net interest income	145.1	155.8	159.3	177.8	22.0	14.1
Non-interest income (before significant items)	88.3	90.0	94.5	99.9	9.9	11.0
Expenses (before significant items)	153.3	169.7	168.4	187.4	17.7	10.4
Retail deposits	10,043.2	10,994.7	11,346.8	11,869.6	874.9	8.0
Total equity	720.7	803.2	899.5	953.6	150.4	18.7
Funds under management	2,709.6	2,951.9	2,966.9	3,316.6	364.7	12.4
Loans under management	12,838.7	13,411.9	14,057.2	14,746.4	1,334.5	10.0
New loan approvals	2,885.8	3,106.7	3,082.9	3,371.8	265.1	8.5
Residential	1,908.5	1,975.3	2,038.5	2,230.6	255.3	12.9
Non-residential	977.3	1,131.4	1,044.4	1,141.2	9.8	0.9
Cost to income ratio	64.8%	67.9%	65.2%	66.5%	(1.4%)	(2.1)
Earnings per ordinary share - cents	35.4	38.2	45.1	38.2	-	-
Cash basis earnings per ordinary share –cents	36.3	34.7	38.5	39.0	4.3	12.4
Dividend per share – cents	26.0	22.0	30.0	24.0	2.0	9.1

Note: Comparatives for 2nd half 2004/05 have been restated in compliance with AIFRS.

Profit for 2nd half 2004/05 includes an expense in relation to increases in the general provision for doubtful debts as follows:

Pre-tax impact	$2.3m
Post-tax impact	$1.6m

Under AIFRS, commencing 1 July 2005, movements in the general reserve for credit losses are reflected as an appropriation of retained earnings and therefore is not an expense in the income statement. However, the profit for 2005/06 does include an expense in relation to the increase in the collective provision, as required by AIFRS.

2.2 Results at a glance

2.2.1 Financial performance

- Cash earnings $55.4 million (31 December 2005 $48.4 million), an increase of 14%.

- Cash basis earnings per ordinary share increased to 39.0 cents (31 December 2005 34.7 cents), an increase of 12%.

- Cash basis earnings return on average ordinary equity (annualised) was 14.8% (31 December 2005 14.1%).

- Profit after income tax before significant items was $59.9 million (31 December 2005 $52.0 million), an increase of 15% (see note 2.4.1 for significant item details).

- Net interest income increased by 14% to $177.8 million with an interest margin before payments to community banks and alliances increasing from 2.72% for the December 2005 half year to 2.92% for the December 2006 half year. Net of these payments interest margin still recorded a 10 basis point increase from 2.27% in December 2005 to 2.37% in the half year to December 2006.

- Non-interest income before significant items was $99.9 million (31 December 2005 $90.0 million), an increase of 11%.

- Expenses before significant items increased by 10% to $187.4 million compared to December 2005 half and 11% to compared to the June 2006 half. The cost to income ratio was 66.5% compared to 67.9% for the December 2005 half and 65.2% for the June 2006 half.

2.2.2 Financial Position

- Loans under management were $14.7 billion (31 December 2005 $13.4 billion), an increase of 10%.

- Retail deposits were $11.9 billion (31 December 2005 $11.0 billion), an increase of 8%.

- Managed funds increased by $0.4 billion to $3.3 billion (31 December 2005 $2.9 billion).

- Net non-accrual loans stood at $4.2 million on 31 December 2006 up from $1.7 million at 31 December 2005 but a reduction from $5.9 million at 30 June 2006 and represents only 0.03% of loan receivables.

2.2.3 Dividends

- An interim ordinary dividend of 24 cents per ordinary share, fully franked (31 December 2005 - 22 cents) has been declared by the Board, an increase of 9%.

2.3 Detailed Income Statement

For the half year ended 31 December 2006

		Consolidated 2006 $m	Consolidated 2005 $m
Income			
Net interest income			
Interest income		514.7	449.6
Interest expense		336.9	293.8
Net interest income		**177.8**	**155.8**
Non interest income			
Dividends		2.1	1.4
Fees	- asset products	11.5	10.0
	- liability products and other	40.2	36.5
	- trustee, management & other services	4.7	4.6
Commissions	- wealth solutions	16.9	15.6
	- insurance	3.9	3.3
	- other	1.4	1.1
Other income		7.3	6.5
Total non interest income		**88.0**	**79.0**
Share of associates' net profits/ losses		**11.9**	**11.0**
Total income after interest expense		**277.7**	**245.8**
Expenses			
Bad and doubtful debts			
Bad and doubtful debts		4.3	2.4
Bad debts recovered		(0.3)	(0.2)
Total bad and doubtful debts		**4.0**	**2.2**
Other expenses			
Staff and related costs		94.7	84.9
Occupancy costs		15.2	14.4
Amortisation of intangibles		2.7	2.8
Property, plant & equipment costs		5.2	4.9
Fees and commissions		10.4	9.3
Administration expenses		59.2	53.4
Total other expenses		**187.4**	**169.7**
Profit before income tax expense and significant items		**86.3**	**73.9**
Income tax expense before significant items		(26.4)	(21.8)
Net (profit)/loss attributable to outside equity interest		-	(0.1)
Profit after income tax expense and before significant items		**59.9**	**52.0**
Significant items after income tax expense		(5.6)	1.3
Profit after tax		**54.3**	**53.3**

Detailed income statement (continued)

	Consolidated 2006 $m	Consolidated 2005 $m
Profit after tax	**54.3**	**53.3**
Adjusted for:		
Significant items after tax	5.6	(1.3)
After tax intangibles amortisation (excl. amortisation of intangible software)	0.6	0.8
Dividends paid on preference shares	(2.4)	(1.4)
Movement in General reserve for credit losses	(1.8)	(2.0)
Movement in General reserve for credit losses - associates	(0.9)	(1.0)
Cash basis earnings	**55.4**	**48.4**

	2006	2005
Basic earnings per ordinary share (cents per share)	38.2	38.2
Diluted earnings per ordinary share (cents per share)	38.2	38.2
Cash basis earnings per ordinary share (cents per share)	39.0	34.7
Franked dividends per ordinary share (cents per share)	24.0	22.0

2.4 Results commentary

2.4.1 Profit

Cash earnings for the six months ended 31 December 2006 were $55.4 million, representing an increase of $7.0 million or 14.5% when compared with the previous corresponding period.

Profit after tax of $54.3 million for the six months ending 31 December 2006 is an increase of 1.9% over the previous corresponding period. After excluding the significant items (refer details on next page) the profit increased 15.2% to $59.9 million.

Underlying profit compared to the previous corresponding period increased from $76.8 million to $90.9 million, an increase of 18.4%.

	Dec-06	Jun-06	Change		Dec-05	Change	
	$m	$m	$m	%	$m	$m	%
Underlying Profit							
Profit after tax	54.3	63.4	(9.1)	(14.4)	53.3	1.0	1.9
Adjustments:							
Significant items before tax	5.6	(10.1)	15.7	(155.4)	(1.1)	6.7	(609.1)
Bad and doubtful debts (net of recoveries)	4.0	4.8	(0.8)	(16.7)	2.2	1.8	81.8
Amortisation of intangibles (except software amortisation)	0.6	0.9	(0.3)	(33.3)	0.8	(0.2)	(25.0)
Income tax expense - total	26.4	27.4	(1.0)	(3.6)	21.6	4.8	22.2
Underlying profit before tax	90.9	86.4	4.5	5.2	76.8	14.1	18.4

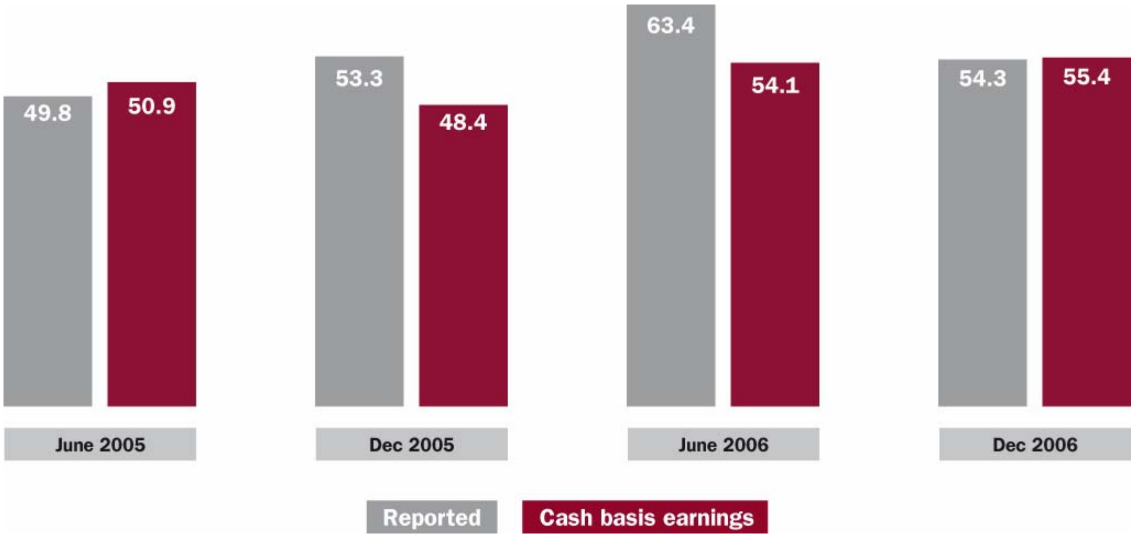
	Dec-06	Jun-06	Change		Dec-05	Change	
	$m	$m	$m	%	$m	$m	%
Profit							
Profit before tax	80.7	90.7	(10.0)	(11.0)	75.0	5.7	7.6
Significant items before tax	(5.6)	10.1	(15.7)	(155.4)	1.1	(6.7)	(609.1)
Profit before tax and significant items	86.3	80.6	5.7	7.1	73.9	12.4	16.8
Profit after tax	54.3	63.4	(9.1)	(14.4)	53.3	1.0	1.9
Significant items after tax	(5.6)	7.1	(12.7)	(178.9)	1.3	(6.9)	(530.8)
Profit after tax before significant items	59.9	56.3	3.6	6.4	52.0	7.9	15.2
Adjusted for:							
Intangibles amortisation (excluding software amortisation)	0.6	0.9	(0.3)	(33.3)	0.8	(0.2)	(25.0)
Distributions paid on preference shares	(2.4)	(1.1)	(1.3)	118.2	(1.4)	(1.0)	71.4
Movement in general reserve for credit losses	(1.8)	(1.9)	0.1	(5.3)	(2.0)	0.2	(10.0)
Movement in general reserve for credit losses - assocs.	(0.9)	(0.1)	(0.8)	800.0	(1.0)	0.1	(10.0)
Cash basis profit after tax	55.4	54.1	1.3	2.4	48.4	7.0	14.5

Significant items

The reported profit for the six months ending 31 December 2006 of $54.3 million included the following significant item:

Under the Employee Share Plan, shares are issued at the discretion of the Board to non-executive employees at the prevailing market price. The shares must be paid for by the staff member. The Plan provides staff members with an interest-free loan for the sole purpose of acquiring the Plan shares. The cost of this non-cash item has been calculated in accordance with applicable accounting requirements at $5.6 million and expensed.

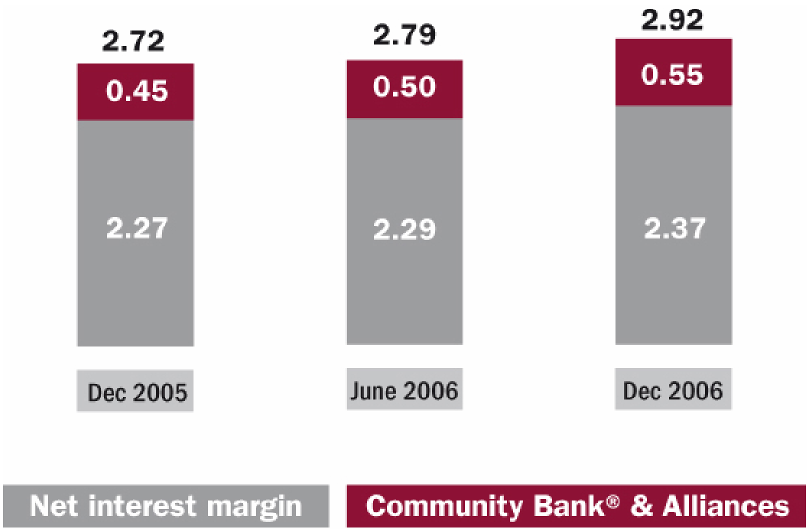
Profit after tax
$mil



2.4.2 Interest margin

Net Interest income increased by 14% compared to previous corresponding period. This increase was driven by growth of $1.3 billion in both interest earning assets and liabilities combined with an expansion of 20 basis points in gross interest margin and 10 basis points net of payments to community banks and alliances over the past 12 months.

Interest Margin
%

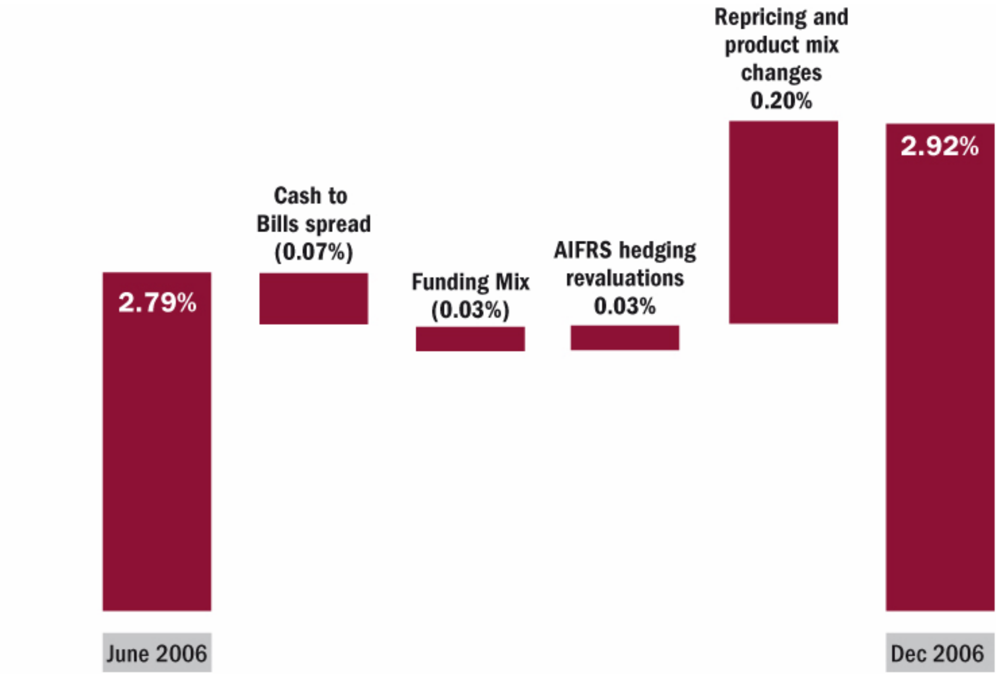


For the half year since June 2006, interest margin before payments to community banks and alliances has increased 13 basis points which is 8 basis points net of these payments.

Growth in balances of loans and deposits sourced through community banks and alliances has continued during the half resulting in an increase of five basis points in the impact these margin payments have on interest margin.

An analysis of the movement in the net interest margin for the six months to December 2006 is set out in the chart below, which highlights the principal impacts over the period.

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



Interest margin reduced seven basis points from the movement in cash to bills spread over the half year. The three basis point funding mix fall was a result of the change in mix between retail and wholesale funding with retail funding falling slightly from 83.4% to 82.9% during the period. The recognition in interest income of revaluations relating to cash flow hedging generated a positive three basis points.

The remaining component of the movement for the period was an increase of 20 basis points associated with repricing and product mix changes during the half. The combined effect of portfolio repricing following the 0.50% increase in the official cash rate and continued strong performance in the Bank's ability to attract low cost retail deposits assisted net interest margin over the period.

2.4.3 Income

		Dec-06	Jun-06	Change		Dec-05	Change	
		$m	$m	$m	%	$m	$m	%
Income								
Net interest income		176.4	157.0	19.4	12.4	153.7	22.7	14.8
Net interest income - securitisation		1.4	2.3	(0.9)	(39.1)	2.1	(0.7)	(33.3)
Total net interest income		177.8	159.3	18.5	11.6	155.8	22.0	14.1
Other income comprising:								
Fees	- asset products	11.5	11.5	-	-	9.9	1.6	16.2
	- liability products & electronic delivery	40.2	36.7	3.5	9.5	36.6	3.6	9.8
	- trustee, m'ment & other services	4.7	4.4	0.3	6.8	4.6	0.1	2.2
Commissions	- wealth solutions	16.9	16.3	0.6	3.7	15.6	1.3	8.3
	- insurance	3.9	4.0	(0.1)	(2.5)	3.3	0.6	18.2
	- other	1.4	1.3	0.1	7.7	1.1	0.3	27.3
Property revenue		0.4	0.3	0.1	33.3	0.2	0.2	100.0
Dividend income		2.1	1.3	0.8	61.5	1.4	0.7	50.0
Other		6.9	7.5	(0.6)	(8.0)	6.3	0.6	9.5
Significant income items		-	15.5	(15.5)	(100.0)	1.8	(1.8)	(100.0)
Total other income		88.0	98.8	(10.8)	(10.9)	80.8	7.2	8.9
Share of associates' profit		11.9	11.2	0.7	6.3	11.0	0.9	8.2
Total non interest income		99.9	110.0	(10.1)	(9.2)	91.8	8.1	8.8
Total income		277.7	269.3	8.4	3.1	247.6	30.1	12.2

Comments on Total income when compared to the previous corresponding period:

Net interest income increased by 14%. This increase was predominantly due to an increase in interest earning assets of $0.75 billion, or 5.4% over the six months. Net interest margin before community bank and alliances increased by 10 basis points when compared to June 2006 half, whilst the rise in community bank/alliances share of net interest income contributed to 5 basis points impact on net interest margin.

Fees – asset products increased by 16% due to volume related increases in several lending-related fees including monthly service fee, loan re-negotiation fee and commitment fee.

Fees – liability products and electronic delivery increased by 10% due to increases in account transaction fees and electronic transactions, including ATM and merchant service fees.

Commissions – wealth solutions increased by 8% predominantly due to increased commissions from Sandhurst Trustees Common Funds.

Significant income items recorded in comparative periods represent the profit on deemed disposal of Select Managed Funds Limited shares $15.5 million (June 2006) and accounting gain on change in equity accounted investment in Community Telco Australia Pty Ltd $1.8 million (December 2005).

Share of associates' profit has increased by 8% predominantly due to an increase in the contribution from Elders Rural Bank.

Non-interest income
$mil

2.4.4 Expenses

2.4.4.1 Productivity and expenses

	Dec-06	Jun-06	Change		Dec-05	Change	
	$m	$m	$m	%	$m	$m	%
Expenses							
Staff and related costs	94.7	85.9	8.8	10.2	84.9	9.8	11.5
Occupancy costs	15.2	14.9	0.3	2.0	14.4	0.8	5.6
Information technology costs	17.4	14.5	2.9	20.0	13.8	3.6	26.1
Amortisation of intangibles	2.7	2.8	(0.1)	(3.6)	2.8	(0.1)	(3.6)
Property, plant and equipment costs	5.2	5.0	0.2	4.0	4.9	0.3	6.1
Fees and commissions	10.4	9.6	0.8	8.3	9.3	1.1	11.8
Communications, postage & stationery	11.5	11.3	0.2	1.8	10.9	0.6	5.5
Advertising & promotion	6.4	5.1	1.3	25.5	6.6	(0.2)	(3.0)
Other product & services delivery costs	9.5	9.3	0.2	2.2	9.1	0.4	4.4
Other administration expenses	14.4	10.0	4.4	44.0	13.0	1.4	10.8
Total operating expenses	187.4	168.4	19.0	11.3	169.7	17.7	10.4
Significant expense items	5.6	5.4	0.2	3.7	0.7	4.9	700.0
Total expenses	193.0	173.8	19.2	11.0	170.4	22.6	13.3
Expenses to income	66.5%	65.2%	1.3%	2.0	67.9%	(1.4%)	(2.1)
Expenses to average assets	2.4%	2.2%	0.2%	9.1	2.4%	-	-
Expenses to average assets-incl managed funds	2.1%	2.0%	0.1%	5.0	2.1%	-	-
Number of staff (full-time equivalent) - No.	2,376	2,343	33	1.4	2,300	76	3.3
Staff & related costs to income	34.1%	33.8%	0.3%	0.9	34.5%	(0.4%)	(1.2)

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

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

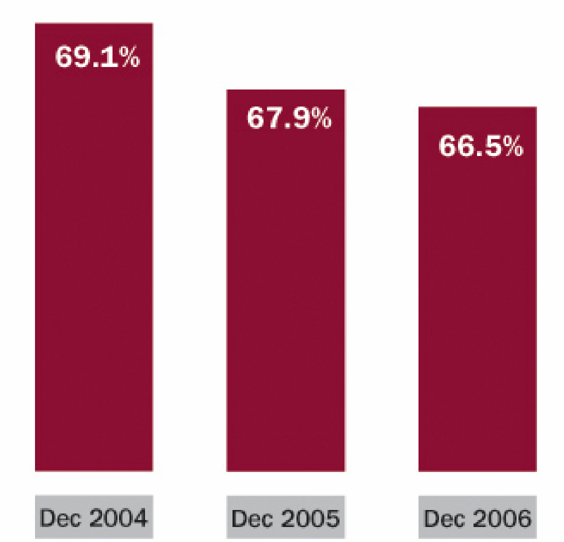
Comments on individual expense categories when compared to the previous corresponding period are:

Staff and related costs increased 12% compared to previous corresponding period. This increase came as a result of wage increases flowing from the Bank's certified agreement and other salary increases, together with an increase in FTE numbers of 76 during the calendar year. The majority of FTE increases were in our retail division, reflecting the growth in business, the delivery network and business opportunities.

Information technology costs increased by 26%, predominantly reflecting increased computer hardware leasing, hardware repairs and maintenance and software maintenance costs flowing from system infrastructure upgrades including increased bandwidth in communication lines, the move to a state of the art data centre and the introduction of workflow management systems.

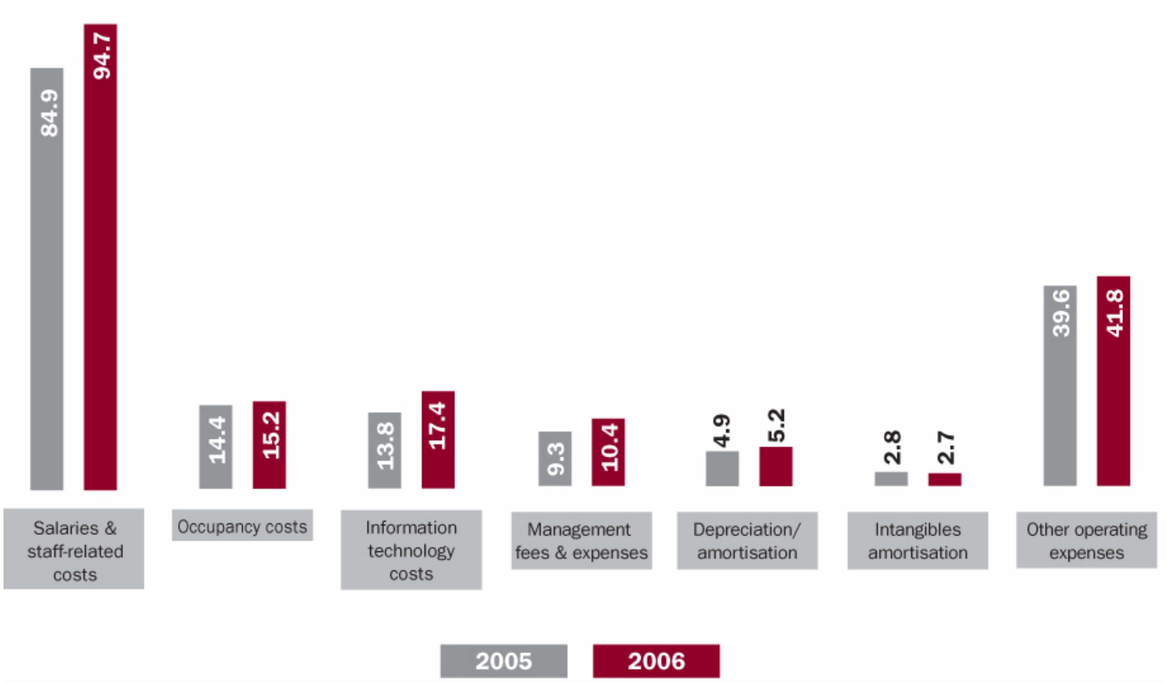
Significant expense item for 2006 is the expense relating to an issue of shares to staff under the Employee Share Plan (ESP) in October 2006. The items for comparative periods relate to the review of carrying value of equity investment portfolio $5.4 million (June 2006) and relocation costs of Melbourne-based staff to a new building at Docklands $0.7 million (December 2005).

Efficiency Ratio - Expenses/Income
%



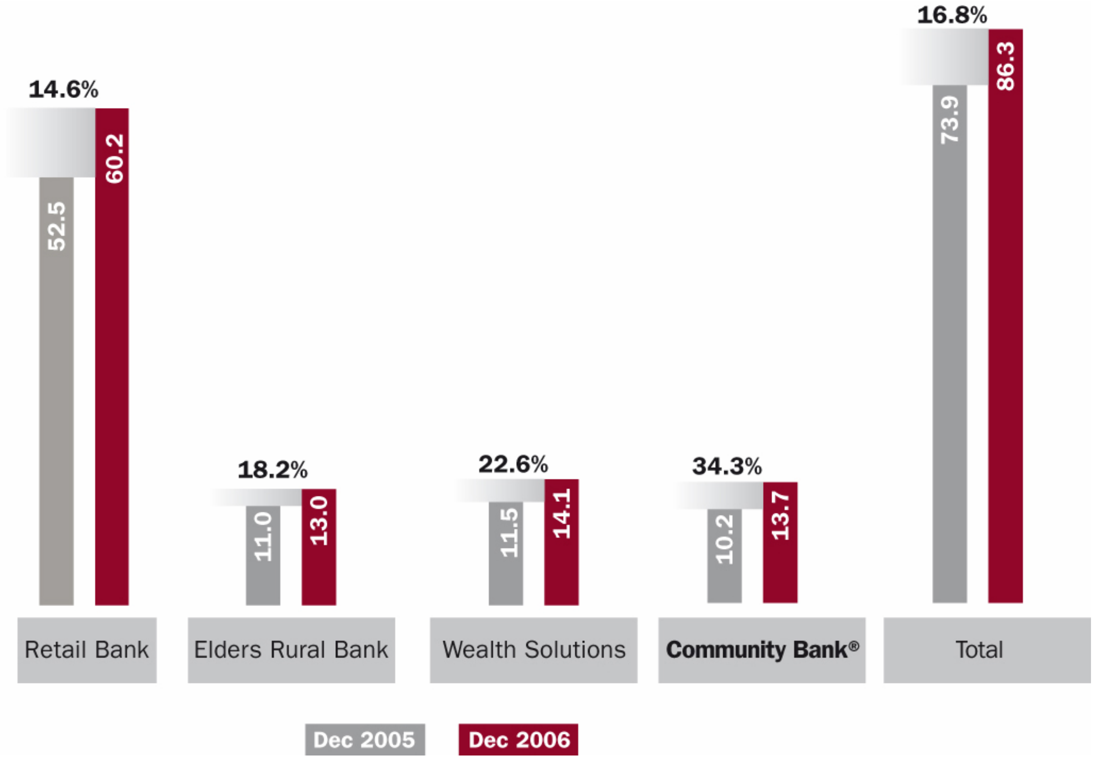
Expenses used in the above ratios is expenses less significant expense items and intangibles/goodwill amortisation. Income used in the above ratios is income less significant income items.

Operating expenses
$mil



2.4.5 Segment results

Profit contribution before tax & significant items
$mil



The chart displays key segment results as disclosed in segment reporting on pages 46 to 48. Corporate support deductions totalling $20.3 million (including significant expense item of $5.6 million) for the December 2006 half and $10.2 million (including significant income item of $1.1 million) for the December 2005 half are deducted from the above segment results when calculating the group's profit before tax.

2.4.6 Lending

	Dec-06	Jun-06	Change		Dec-05	Change	
	$m	$m	$m	%	$m	$m	%
Approvals - by security							
Residential	2,230.6	2,038.5	192.1	9.4	1,975.3	255.3	12.9
Non-residential	1,141.2	1,044.4	96.8	9.3	1,131.4	9.8	0.9
Total approvals	3,371.8	3,082.9	288.9	9.4	3,106.7	265.1	8.5

	As at Dec-06	As at Jun-06	Change		As at Dec-05	Change	
	$m	$m	$m	%	$m	$m	%
Gross loan balance - by security							
Residential	9,688.2	9,278.1	410.1	4.4	8,795.5	892.7	10.1
Business							
Property & business services	978.3	1,011.3	(33.0)	(3.3)	944.2	34.1	3.6
Retail trade	413.8	393.5	20.3	5.2	367.3	46.5	12.7
Agriculture, forestry & fishing	258.2	272.4	(14.2)	(5.2)	242.9	15.3	6.3
Construction	196.6	180.4	16.2	9.0	165.6	31.0	18.7
Accom, cafes & restaurants	151.1	131.3	19.8	15.1	125.7	25.4	20.2
Manufacturing	118.6	100.3	18.3	18.2	95.6	23.0	24.1
Transport & storage	91.3	81.8	9.5	11.6	75.1	16.2	21.6
Health & community services	107.0	91.1	15.9	17.5	70.0	37.0	52.9
Wholesale trade	93.8	71.7	22.1	30.8	65.6	28.2	43.0
Cultural & recreational services	39.6	38.7	0.9	2.3	41.3	(1.7)	(4.1)
Finance & insurance	49.0	44.3	4.7	10.6	40.1	8.9	22.2
Personal & other services	33.4	28.1	5.3	18.9	27.2	6.2	22.8
Education	21.9	22.7	(0.8)	(3.5)	20.1	1.8	9.0
Communication services	13.5	13.9	(0.4)	(2.9)	15.0	(1.5)	(10.0)
Other	108.2	92.9	15.3	16.5	78.6	29.6	37.7
Total business	2,674.3	2,574.4	99.9	3.9	2,374.3	300.0	12.6
Unsecured	437.6	415.1	22.5	5.4	547.3	(109.7)	(20.0)
Other	239.5	230.0	9.5	4.1	214.1	25.4	11.9
Total gross loan balance	13,039.6	12,497.6	542.0	4.3	11,931.2	1,108.4	9.3

Unsecured includes short term FX Term Advances valued at $91.3 million at Dec-05, nil at Jun-06 and nil at Dec-06.

	As at Dec-06	As at Jun-06	Change		As at Dec-05	Change	
Gross loan balance - by purpose							
Residential	8,137.8	7,778.7	359.1	4.6	7,462.0	675.8	9.1
Consumer	2,547.7	2,511.5	36.2	1.4	2,300.9	246.8	10.7
Commercial	2,354.1	2,207.4	146.7	6.6	2,168.3	185.8	8.6
Total gross loan balance	13,039.6	12,497.6	542.0	4.3	11,931.2	1,108.4	9.3
Loans under management (gross balance)							
On-balance sheet	12,746.5	12,151.7	594.8	4.9	11,529.6	1,216.9	10.6
On-balance sheet - securitised (previously off-bal)	293.1	345.9	(52.8)	(15.3)	401.6	(108.5)	(27.0)
STL Common Funds	1,706.8	1,559.6	147.2	9.4	1,480.7	226.1	15.3
Total Group loans under management	14,746.4	14,057.2	689.2	4.9	13,411.9	1,334.5	10.0

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

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

On-balance sheet – securitised loans are loans that have been sold into securitisation programs. These loans were previously derecognised by the group, but under AIFRS the securitisation trusts are consolidated and therefore are now on balance sheet.

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

2.4.7 Asset quality

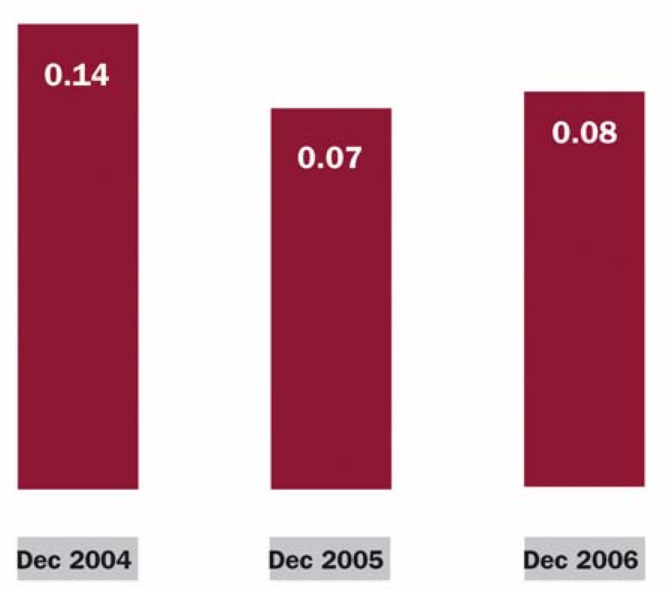
	As at Dec-06 $m	As at Jun-06 $m	Change $m	%	As at Dec-05 $m	Change $m	%
Non-accrual accounts-							
Part-performing	2.0	1.9	0.1	5.3	0.9	1.1	122.2
Non-performing	10.8	13.0	(2.2)	(16.9)	9.6	1.2	12.5
Total non-accrual assets	12.8	14.9	(2.1)	(14.1)	10.5	2.3	21.9
Less: Specific provisions	(8.6)	(9.0)	0.4	(4.4)	(8.8)	0.2	(2.3)
Net impaired assets	4.2	5.9	(1.7)	(28.8)	1.7	2.5	147.1
Gross non-accrual to gross loans	0.10%	0.12%	(0.02%)	(16.7)	0.09%	0.01%	11.1
Gross impaired assets to total assets	0.08%	0.10%	(0.02%)	(18.1)	0.07%	0.01%	11.1
Net impaired to gross loans	0.03%	0.05%	(0.02%)	(40.0)	0.01%	0.02%	200.0
Provision coverage	480%	393%	87%	22.1	530%	(50%)	(9.4)

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

Past due 90 days							
Well secured	63.1	74.0	(10.9)	(14.7)	57.1	6.0	10.5
Portfolio facilities (not well secured)	1.7	1.6	0.1	6.2	1.7	-	-

Loans past due 90 days – well secured includes $7.5 million (June 2006: $12.4 million, December 2005: $8.6 million) of loans due to their date expiring more than 90 days ago, but which are not in payment default.

Gross impaired loans/Total assets
%



2.4.8 Bad and Doubtful Debts

	Dec-06	Jun-06	Change		Dec-05	Change	
	$m	$m	$m	%	$m	$m	%
Expense:							
Bad debts expense	(0.2)	(0.2)	-	-	0.1	(0.3)	(300.0)
Prov'n doubtful debts - expense	4.5	5.1	(0.6)	(11.8)	2.3	2.2	95.7
Total bad and doubtful debts expense	4.3	4.9	(0.6)	(12.2)	2.4	1.9	79.2

	As at Dec-06	As at Jun-06	Change		As at Dec-05	Change	
	$m	$m	$m	%	$m	$m	%
Balances:							
Prov'n doubtful debts - specific	8.8	9.1	(0.3)	(3.3)	8.9	(0.1)	(1.1)
Prov'n doubtful debts - collective	10.2	8.8	1.4	15.9	8.0	2.2	27.5
General reserve for credit losses	42.4	40.6	1.8	4.4	38.8	3.6	9.3
Provisions/reserve doubtful debts - total	61.4	58.5	2.9	5.0	55.7	5.7	10.2
Loan write-offs (annualised) to average assets	0.04%	0.06%	(0.02%)	(33.3)	0.03%	0.01%	33.3
Total provisions/reserve for doubtful debts to gross loans	0.47%	0.47%	-	-	0.47%	-	-
Collective provision (tax effected) & GRCL to risk-weighted assets	0.55%	0.55%	-	-	0.55%	-	-

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

	Dec-06	Jun-06	Movement
Specific provisions	8.8	9.1	(0.3)
Collective provision	10.2	8.8	1.4
General reserve for credit losses (GRCL)	42.4	40.6	1.8
Total balance in provisions for doubtful debts/general reserve for credit losses	61.4	58.5	2.9

The movement in provisions comprise:

	Specific	Collective	Gen res cr losses	Total
Balance at June	9.1	8.8	40.6	58.5
Bad and doubtful debts expense to profit and loss	2.9	1.4	-	4.3
Bad debts written off	(3.2)	-	-	(3.2)
Appropriation of movement in general reserve for credit losses	-	-	1.8	1.8
Balance at December	8.8	10.2	42.4	61.4

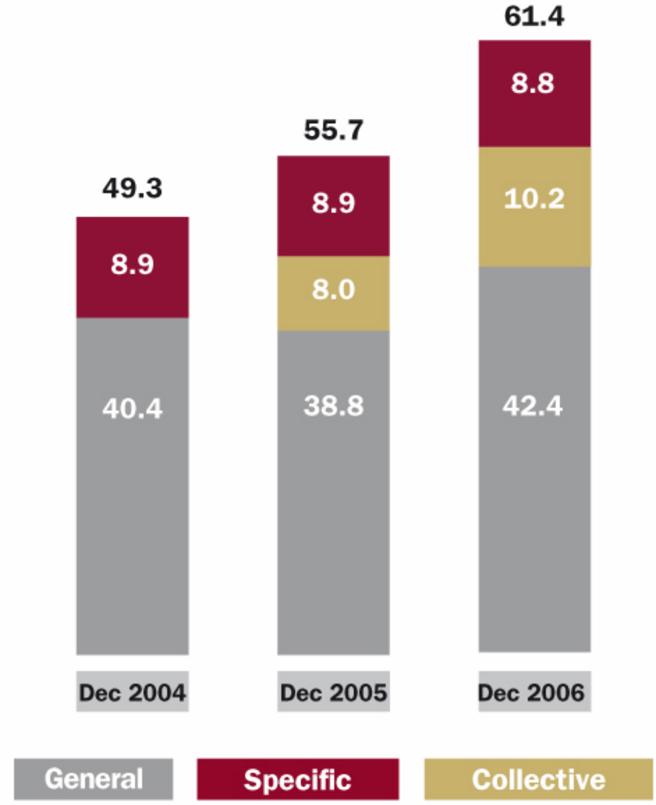
Total bad debts written off for the period, as shown above comprises:

Bad debts previously provided for	3.4
Other bad debts	(0.2)
	3.2

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

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

Total Provisions and Reserves for Doubtful Debts
$mil



2.4.9 Deposits and Funds under Management

	As at Dec-06 $m	As at Jun-06 $m	Change $m	%	As at Dec-05 $m	Change $m	%
Deposits and funds under management							
Deposits	14,317.6	13,599.8	717.8	5.3	13,108.8	1,208.8	9.2
Managed funds-Trustee Coy	3,316.6	2,966.9	349.7	11.8	2,951.9	364.7	12.4
Total deposits and funds under management	17,634.2	16,566.7	1,067.5	6.4	16,060.7	1,573.5	9.8
Retail deposits and funds under management							
Retail deposits	11,869.6	11,346.8	522.8	4.6	10,994.7	874.9	8.0
Managed funds-Trustee Coy	3,316.6	2,966.9	349.7	11.8	2,951.9	364.7	12.4
Total retail deposits and funds under management	15,186.2	14,313.7	872.5	6.1	13,946.6	1,239.6	8.9
Deposits dissection: - $m							
Retail	11,869.6	11,346.8	522.8	4.6	10,994.7	874.9	8.0
Wholesale - domestic	1,499.8	1,439.8	60.0	4.2	1,203.2	296.6	24.7
Wholesale - offshore	948.2	813.2	135.0	16.6	910.9	37.3	4.1
Total deposits	14,317.6	13,599.8	717.8	5.3	13,108.8	1,208.8	9.2
Deposits dissection - %							
Retail	82.9%	83.4%	(0.5%)	(0.6)	83.9%	(1.0%)	(1.2)
Wholesale - domestic	10.5%	10.6%	(0.1%)	(0.9)	9.2%	1.3%	14.1
Wholesale - offshore	6.6%	6.0%	0.6%	10.0	6.9%	(0.3%)	(4.3)
Total deposits	100.0%	100.0%	-	-	100.0%	-	-
Managed funds dissection							
Common Funds	2,193.3	1,941.4	251.9	13.0	1,929.6	263.7	13.7
Investment and superannuation funds	1,123.3	1,025.5	97.8	9.5	1,022.3	101.0	9.9
Total managed funds	3,316.6	2,966.9	349.7	11.8	2,951.9	364.7	12.4

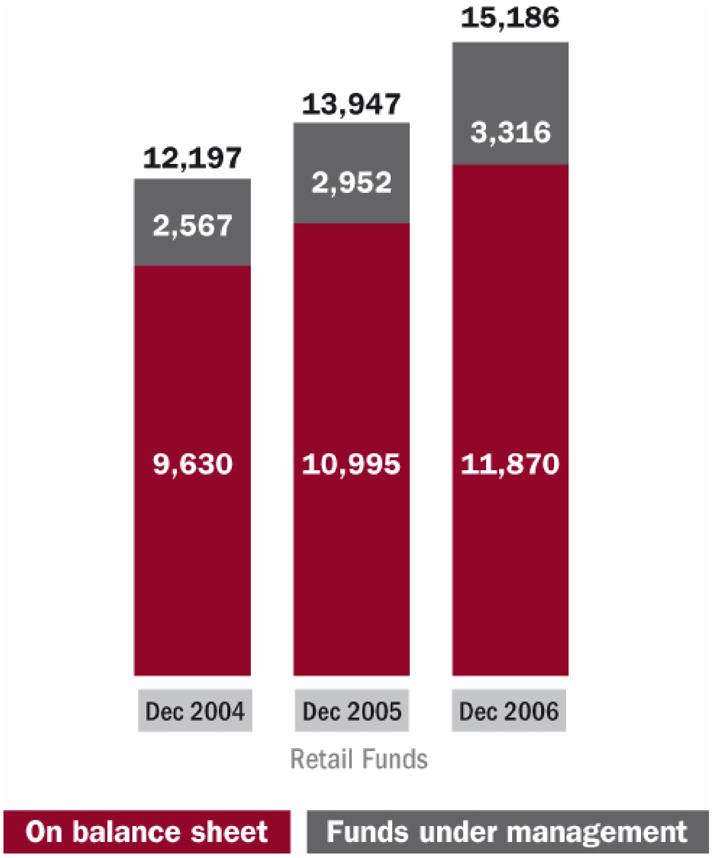
Managed funds include those funds deposited into the Sandhurst Trustees Limited Common Funds, which are invested in cash and mortgage investments on behalf of the investors. These funds are off-balance sheet.

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

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

Funding Mix
%

Retail deposits and Funds under management
$mil

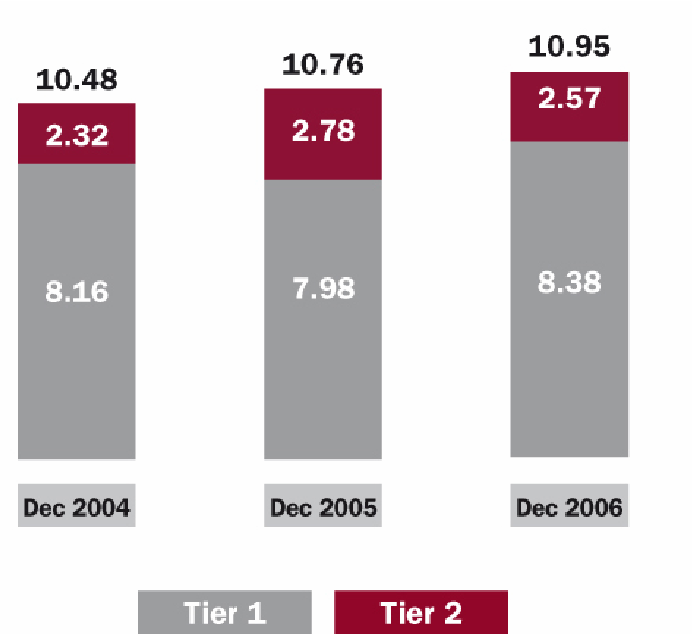


Retail deposits increased by $0.9 billion or 8% to $11.9 billion over the 12 months. The group's strength in attracting retail deposits continues with them representing 83% total deposits (2005: 84%)

2.4.10 Capital and Shareholder returns

2.4.10.1 Capital Adequacy

Capital adequacy
%



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

2.4.10.2 Shareholder returns

	Dec-06	Jun-06	Change		Dec-05	Change	
	$m	$m	$m	%	$m	$m	%
Cash basis earnings per ordinary share (weighted average)-cents	39.0	38.5	0.5	1.3	34.7	4.3	12.4
Earnings per ordinary share (weighted average)-cents	38.2	45.1	(6.9)	(15.3)	38.2	-	-
Diluted earnings per ordinary share (weighted average)-cents	38.2	45.1	(6.9)	(15.3)	38.2	-	-
Weighted average number of ordinary shares used basic and cash basis EPS calculations - 000's	141,992	140,498	1,494	1.1	139,624	2,368	1.7
Weighted average number of ordinary shares used in diluted EPS calculation - 000's	142,092	140,498	1,594	1.1	139,624	2,468	1.8
Cash basis return on average ordinary equity	14.78%	15.15%	(0.37%)	(2.4)	14.13%	0.65%	4.6
After tax return on average ordinary equity	14.48%	17.75%	(3.27%)	(18.4)	15.56%	(1.08%)	(6.9)
After tax before significant items return on average ordinary equity	15.98%	15.77%	0.21%	1.3	15.18%	0.80%	5.3
After tax return on average assets	0.70%	0.85%	(0.15%)	(17.6)	0.75%	(0.05%)	(6.7)
After tax before significant items return on average assets	0.77%	0.76%	0.01%	1.3	0.73%	0.04%	5.5

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

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

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

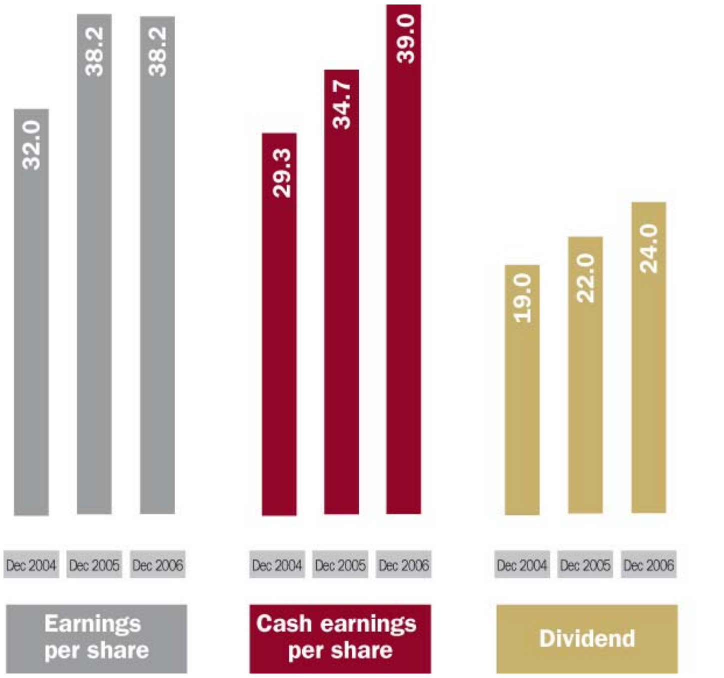
Ordinary equity for use in these ratios is net assets less preference shares, asset revaluation reserve-shares, unrealised gains/losses on cash flow hedges reserve, general reserve for credit losses and minority interests.

After tax return on average assets uses profit after tax.

June profit figures and ratios are for the June 2006 half year, balance sheet items are as at end of June 2006.

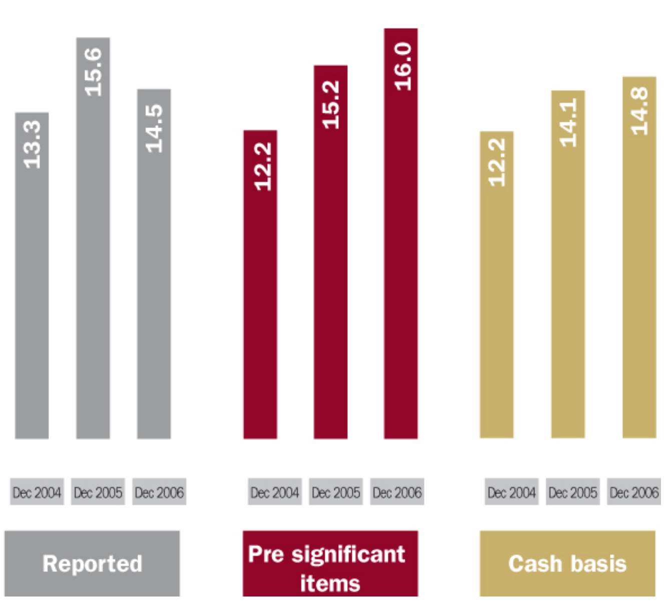
	Dec-06	Jun-06	Change		Dec-05	Change	
	$m	$m	$m	%	$m	$m	%
Dividend per share - cents	24.0	30.0	(6.0)	(20.0)	22.0	2.0	9.1
Dividend amount payable - $m	32.8	40.1	(7.3)	(18.2)	29.1	3.7	12.7
Payout ratio - earnings per ordinary share	62.8%	66.5%	(3.7%)	(5.6)	57.6%	5.2%	9.0
Payout ratio - cash basis per ordinary share	61.5%	77.9%	(16.4%)	(21.1)	63.4%	(1.9%)	(3.0)

Earnings per ordinary share
cents



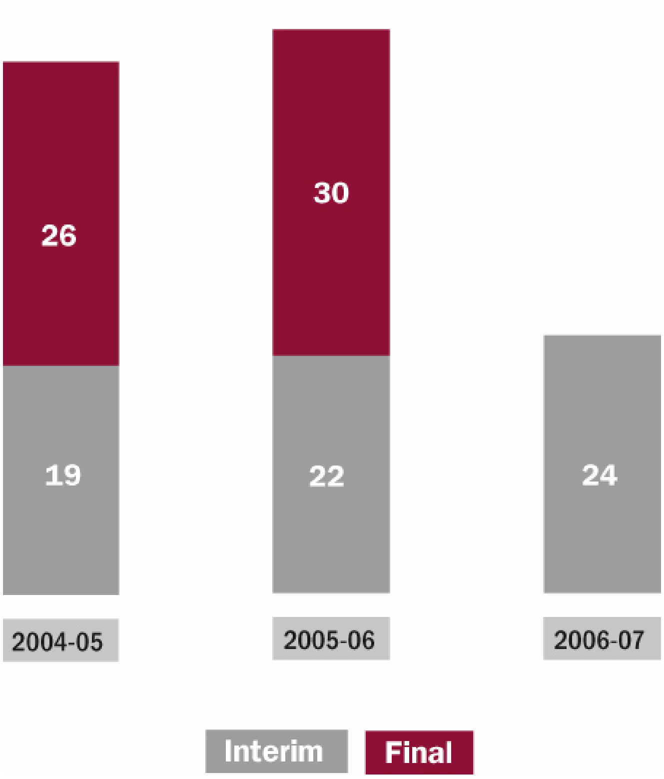
Earnings per ordinary share was maintained at 38.2 cents for the half year. Cash basis earnings per share was 39.0 cents, an increase of 4.3 cents, or 12.4% over 2005. The strong cash basis earnings per ordinary share growth enabled directors to lift the interim dividend 2.0 cents to 24.0 cents per share. This represents a payout ratio of 62.8% on earnings per ordinary share or 61.5% on cash basis earnings per ordinary share.

Return on ordinary equity
%



Return on average ordinary equity before significant items increased to 16.0% from 15.2% in the previous corresponding period, representing a 5% increase. Cash basis return on average ordinary equity was 14.8% compared to 14.1% in 2005.

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 $89.9 million after allowing for the interim 2007 dividend.

The dividend pay-out ratio for the half year on earnings per ordinary share is 62.8%, or 61.5% on cash basis earnings per ordinary share.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan provides shareholders with the opportunity of converting their entitlement to a dividend into new shares. The issue price of the shares is equal to the volume weighted average share price of Bendigo Bank shares traded on the Australian Stock Exchange over the 10 trading days following the Record Date. Shares issued under this Plan rank equally with all other ordinary shares.

Bonus Share Scheme

The Bonus Share Scheme provides shareholders with the opportunity to elect to receive a number of bonus shares issued for no consideration instead of receiving a dividend. The issue price of the shares is equal to the volume weighted average share price of Bendigo Bank shares traded on the Australian Stock Exchange over the 10 trading days following the Record Date. Shares issued under this scheme rank equally with all other ordinary shares.

The last date for the receipt of an election notice for participation in either the Dividend Reinvestment Plan or Bonus Share Scheme for the 2007 interim dividend is 2 March 2007.

2.5 Additional notes

2.5.1 Analysis of intangible assets

	Balance sheet - carrying value	Half year amortisation/ impairment expense		
	Dec-06	**Dec-06**	**Jun-06**	**Dec-05**
	$m	**$m**	**$m**	**$m**
Goodwill	65.0	-	0.1	-
Trustee licence	8.4	-	-	-
Software	13.2	2.1	1.9	2.0
Customer list (Oxford Funding)	2.0	0.6	0.8	0.8

2.5.2 Assets and capital

	As at Dec-06 $m	As at Jun-06 $m	Change $m	%	As at Dec-05 $m	Change $m	%
Group assets	15,942.7	15,196.1	746.6	4.9	14,526.1	1,416.6	9.8
Capital adequacy							
Total qualifying capital	984.6	923.1	61.5	6.7	862.6	122.0	14.1
Risk-weighted assets	8,992.9	8,566.9	426.0	5.0	8,013.9	979.0	12.2
Risk-weighted capital adequacy	10.95%	10.77%	0.18%	1.7	10.76%	0.19%	1.8
- Tier 1	8.38%	8.33%	0.05%	0.6	7.98%	0.40%	5.0
- Tier 2	2.57%	2.44%	0.13%	5.3	2.78%	(0.21%)	(7.6)
Net tangible assets per fully paid share	$5.06	$4.78	$0.28	5.9	$4.48	$0.58	12.9
No. of fully paid shares on issue - 000's	143,347	140,851	2,496	1.8	140,142	3,205	2.3

Total group assets rose by $0.7 billion during the reporting period, or 5%, and by $1.4 billion, or 10%, for the calendar year.

Risk weighted assets increased by 5% and the group's capital base was up by 7% to $985 million during the reporting period. The group continues to be strongly capitalised with tier one ratio at 8.38% and tier two of 2.57%.

2.5.3 Investments accounted for using the equity method

Name	Ownership interest held by consolidated entity 2006 %	2005 %	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
Homesafe Solutions Pty Ltd	50.0	50.0	31 December
Caroline Springs Fin Services Pty Ltd	50.0	50.0	31 December
Silver Body Corp Fin Services Pty Ltd	50.0	50.0	31 December
Community Telco Australia Pty Ltd	50.0	50.0	31 December
Strategic Payment Services Pty Ltd	40.0	-	31 December

(i) Principal activities of associate companies
Elders Rural Bank Ltd – bank
Tasmanian Banking Services Ltd – financial services
Community Sector Enterprises Pty Ltd – financial services
Homesafe Solutions Pty Ltd – financial services
Caroline Springs Financial Services Pty Ltd – financial services
Silver Body Corp Financial Services Pty Ltd – financial services
Community Telco Australia Pty Ltd – telecommunication services
Strategic Payment Services Pty Ltd – payment processing services

All associate companies are incorporated in Australia

	December 2006 $m	December 2005 $m
(ii) Share of associates' profits:		
Profit before income tax	11.9	9.3
Income tax expense attributable to profit	(4.1)	(3.5)
Profit after income tax	7.8	5.8
Share of associates' profit after income tax:		
Elders Rural Bank Ltd	9.1	7.6
Tasmanian Banking Services Ltd	0.4	0.4
Community Sector Enterprises Pty Ltd	(0.1)	-
Homesafe Solutions Pty Ltd	(0.4)	(0.2)
Caroline Springs Financial Services Pty Ltd	-	(0.1)
Silver Body Corporate Financial Services Pty Ltd	0.1	-
Community Telco Australia Pty Ltd	(0.5)	(1.9)
Strategic Payment Services Pty Ltd	(0.8)	-
	7.8	5.8

The December 2005 Share of associates' profit before income tax figure of $9.3 million includes $1.7 million of loss attributable to Community Telco Australia Pty Ltd for the period May 2002 to August 2005 which was included in the significant items reported for the period.

Elders Rural Bank Ltd reported an after-tax profit available for distribution to shareholders for the six months to December 2006 of $16.4 million. The interim result represented an increase of 24% on the corresponding result of $13.2 million in the same period last year. Loans under management grew by 16% to reach $2.9 billion. This was matched with a similar 16% increase in retail deposits to $2.9 billion. The business continues to perform soundly in an environment characterised by strong competition and the impact of drought conditions on its customer base.

Tasmanian Banking Services Ltd is a joint venture between Bendigo Bank and Tasmanian Perpetual Trustees providing banking services in Tasmania. Launched in 2000, there are now eight branches managing banking business totalling $568 million.

Community Sector Enterprises Pty Ltd is a joint venture between the Bank and Community 21 Ltd (which is owned by 20 not-for-profit sector bodies). Based on the Community Bank model, it delivers banking services to the not-for-profit sector in return for a share of the margin and fee income. This improves the return on capital for the sector, enhancing its ability to deliver services to the community. In line with Bendigo's strategy to bank discrete communities, it provides the Bank with a distribution channel providing access to a geographically diverse community of interest.

Homesafe Solutions Pty Ltd is the trustee and management company responsible for the development, marketing, sales and management of the Homesafe Debt Free Equity Release product that enables aged home-owners to access the equity in their homes in a secure and cost efficient manner. Since being launched in 2005, business valued at $15.7 million has been written in this product.

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

Silver Body Corporate Financial Services Pty Ltd is a joint venture between Bendigo Bank and SSKB Holdings Pty Ltd to provide banking services to a specialised market segment. The joint venture includes the operation of one branch located on the Gold Coast.

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

Strategic Payment Services Pty Ltd was established in May 2006 and is a joint venture between Bendigo Bank (40%), Customers Limited (40%) and MasterCard International (20%). The company is building an independent payment processing business that will handled the processing and management of all Bendigo and Customers ATM and Eftpos transactions. The development work is continuing with conversion of transactions expected to occur during 2007.

2.5.4 Credit Ratings

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

as at February 2007

On 9 January 2007, Fitch Ratings, the international ratings agency affirmed Bendigo Bank's long term rating at BBB+ with a stable outlook.

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

Standard and Poor's Ratings Services last reviewed the Bank's credit ratings in September 2006. In affirming the current ratings it was noted that the "ratings reflect the Bank's status as an established regional bank with good business and geographic diversity, sustained business and earnings growth, very good credit quality, and a differentiated service-and-distribution strategy".

2.5.5 Issued capital

Changes to issued and quoted securities during the period

Ordinary shares	**$m**
140,850,961 fully paid ordinary shares at beginning of financial year	564.1
September 2006 – 818,654 shares issued at $13.62 under Dividend Reinvestment Plan	11.1
September 2006 – 156,945 shares issued at $13.62 under Bonus Share Scheme (in lieu of dividend payment)	-
October 2006 – 1,520,662 shares issued at $13.54 under Employee Share Plan	20.6
Other	(0.1)
143,347,222 fully paid ordinary shares at December 2006	595.7

Preference shares	**$m**
900,000 preference shares of $100 face value (fully paid) at beginning of financial year	88.3
Payment of unpaid portion of existing shares	0.2
900,000 preference shares (fully paid) at December 2006	88.5

Total issued capital	684.2

Bendigo Bank

ABN 11 068 049 178

Half Year Financial Report

For the period ending

31 December 2006

Information contained in this report should be read in conjunction with the June 2006 annual financial report.

CORPORATE INFORMATION

This half year report covers the consolidated entity comprising Bendigo Bank Limited and its subsidiaries ("the Group").

A description of the Group's operations and of principal activities is included in the review of operations and activities in the Directors' Report.

Directors

Robert N Johanson – Chairman
Robert G Hunt AM – Managing Director
Neal J Axelby
Jennifer L Dawson
Donald J Erskine
Terence J O'Dwyer
Deborah L Radford
Kevin E Roache
Antony D Robinson

Company Secretary

David A Oataway

Registered Office

Bendigo Bank Limited
Second Floor
Fountain Court
Bendigo Victoria 3550

Telephone (03) 5433 9339
Fax (03) 5433 9690

Principal place of business

Fountain Court
Bendigo Victoria 3550

Share Registry

Securities Registry
Bendigo Bank Limited
Second Floor
Fountain Court
Bendigo Victoria 3550

Telephone (03) 5433 9549
Fax (03) 5433 9029

Auditors

Ernst & Young
Australia

3 STATUTORY HALF YEAR FINANCIAL REPORT

3.1 Directors' Report

Your Directors submit their report for the half year ended 31 December 2006.

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.

Robert N. Johanson	(Chairman)
Robert G. Hunt AM	(Managing Director)
Neal J. Axelby	
Jennifer L. Dawson	
Donald J. Erskine	
Terence J. O'Dwyer	
Deborah L. Radford	
Kevin E. Roache	
Antony D. Robinson	

3.1.2 Review of operations

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, financial advisory and trustee services.

The Group recorded strong growth in income and profits during the half year. Total income rose $30.1 million or 12.1% to $277.7 million when compared with the half year ended 31 December 2005. Profit before tax increased by $5.7 million, or 7.6%, to $80.7 million. Profit after tax increased by $1.0 million to $54.3 million and included an after tax $5.6 million expense associated with an issue of shares under the group's employee share plan.

Group assets increased 5% or $0.7 billion during the half year. Group assets at 31 December 2006 were $15.9 billion.

The total capital adequacy ratio increased during the half from 10.77% to 10.95%. Tier one capital increased during the half year from 8.33% to 8.38% with Tier two capital increasing from 2.44% to 2.57%.

Fully franked dividends paid on preference shares during the half year:

A dividend of 131.68 cents per share was paid on 15 September 2006.

A dividend of 134.64 cents per share was paid on 15 December 2006.

Fully franked dividends paid or declared on ordinary shares during the half year:

A final dividend of 30.0 cents per share was paid on 29 September 2006 in respect of the year ended 30 June 2006.

An interim dividend of 24.0 cents per share has been declared and will be payable on 30 March 2007.

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:

> In September 2006, 818,654 shares were allotted at an issue price of $13.62 to those shareholders participating in the Dividend Reinvestment Plan, increasing share capital by $11.1 million.
>
> In October 2006, 1,520,662 shares were allotted at an issue price of $13.54 to staff (other than executives) under the employee share plan, increasing ordinary share capital and ESOP shares by $20.6 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 Events after balance sheet date

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.

3.1.5 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 2006. 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 2006. The audit committee's assessment confirmed that the independence requirements have been met. The audit committee's assessment was accepted by the full Board.

The following independence declaration has been obtained from our auditors, Ernst & Young.

ERNST & YOUNG

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000
Australia

GPO Box 67
Melbourne VIC 3001

Tel 61 3 9288 8000
Fax 61 3 8650 7777

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 2006, 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

Ernst & Young

Brett Kallio

Brett Kallio
Partner
Melbourne
12 February 2007

Liability limited by a scheme approved under Professional Standards Legislation

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

Robert Johanson

Robert N. Johanson
Chairman
Bendigo
12 February 2007

3.2 Condensed Income Statement
for the half year ended 31 December 2006

	Notes	Consolidated 2006 $m	Consolidated 2005 $m
Income			
Net interest income			
Interest income		500.9	431.3
Interest expense		324.5	277.6
Sub-total - net interest income		176.4	153.7
Securitisaton interest income		13.8	18.3
Securitisaton interest expense		12.4	16.2
Sub-total - securitisation net interest income		1.4	2.1
Total interest income		514.7	449.6
Total interest expense		336.9	293.8
Total net interest income		177.8	155.8
Other revenue			
Dividends		2.1	1.4
Fees		56.4	51.1
Commissions		22.2	20.0
Other		5.7	6.5
Total other revenue		86.4	79.0
Other income		1.6	1.8
Share of associates' and joint ventures net profits/losses		11.9	11.0
Total income after interest expense		277.7	247.6
Expenses			
Bad and doubtful debts		4.0	2.2
Other expenses			
Staff and related costs		94.7	84.9
Occupancy costs		15.2	14.4
Information technology costs		17.4	13.8
Amortisation of intangibles		2.7	2.8
Property, plant & equipment costs		5.2	4.9
Fees and commissions		10.4	9.3
Communications, postage & stationery		11.5	10.9
Advertising & promotion		6.4	6.6
Other product & services delivery costs		9.5	9.1
Employee equity settled transaction cost		5.6	-
Other administration expenses		14.4	13.7
Total other expenses		193.0	170.4
Profit before income tax expense		80.7	75.0
Income tax expense		(26.4)	(21.6)
Net profit		54.3	53.4
Net (profit)/loss attributable to minority interest		-	(0.1)
Net profit attributable to members of Bendigo Bank Limited		54.3	53.3
Basic earnings per ordinary share (cents per share)	*3.6.7*	38.2	38.2
Diluted earnings per ordinary share (cents per share)	*3.6.7*	38.2	38.2
Franked dividends per share (cents per share)	*3.6.5*	24.0	22.0

3.3 Balance Sheet
as at 31 December 2006

	Notes	Consolidated As at 31-Dec-06 $m	As at 30-Jun-06 $m	As at 31-Dec-05 $m
Assets				
Cash and cash equivalents		242.4	270.8	290.7
Due from other financial institutions		82.5	209.0	62.7
Derivatives		48.4	28.4	19.5
Financial assets available for sale - securities		279.4	360.9	354.0
Financial assets available for sale - share investments		116.5	94.4	73.7
Financial assets held to maturity		1,684.3	1,370.6	1,461.4
Loans and other receivables		12,976.3	12,436.7	11,873.1
Investments in associates and joint ventures		147.6	143.5	127.1
Property, plant & equipment		115.0	81.1	66.2
Investment property		15.7	-	-
Intangible assets		88.6	89.6	85.7
Deferred tax assets		34.2	27.4	21.2
Other assets		111.8	83.7	90.8
Total Assets		15,942.7	15,196.1	14,526.1
Liabilities				
Due to other financial institutions		134.1	166.3	68.2
Deposits		14,317.6	13,599.8	13,108.8
Derivatives		28.0	20.0	27.5
Financial liabilities		146.9	140.0	160.8
Income tax payable		15.5	9.9	4.9
Provisions		38.3	37.4	33.0
Deferred tax liabilities		21.5	16.1	12.6
Subordinated debt - at amortised cost		287.2	307.1	307.1
Total Liabilities		14,989.1	14,296.6	13,722.9
Net Assets		953.6	899.5	803.2
Equity				
Parent entity interest				
Issued capital - ordinary	*3.6.11*	595.7	564.1	555.8
Perpetual non-cumulative redeemable convertible preference shares		88.5	88.3	43.5
ESOP shares		(43.9)	(25.6)	(27.4)
Reserves		110.5	78.8	70.7
Retained earnings		203.5	194.5	161.2
Total parent entity interest in equity		954.3	900.1	803.8
Total minority interest		(0.7)	(0.6)	(0.6)
Total Equity		953.6	899.5	803.2

3.4 Cash Flow Statement

for the half year ended 31 December 2006

	Notes	Consolidated 2006 $m	Consolidated 2005 $m
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and other items of a similar nature received		501.1	439.9
Interest and other costs of finance paid		(317.7)	(264.0)
Receipts from customers (excluding effective interest)		85.3	81.1
Payments to suppliers and employees		(230.1)	(133.1)
Dividends received		8.7	9.8
Income taxes paid		(23.1)	(21.6)
Net cash flows from operating activities		24.2	112.1
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash flows for purchases of property, plant and equipment		(50.2)	(11.9)
Cash proceeds from sale of property, plant and equipment		0.5	3.2
Cash paid for purchases of equity investments		(4.6)	(1.1)
Cash proceeds from sale of equity investments		-	0.4
Net increase in balance of loans outstanding		(536.6)	(408.3)
Net increase in balance of investment securities		(217.2)	(245.4)
Net cash increase on derecognition of a subsidiary		-	0.7
Net cash flows used in investing activities		(808.1)	(662.4)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from preference share instalment		0.2	-
Net increase in balance of retail deposits		515.2	931.5
Net (decrease)/increase in balance of wholesale deposits		194.8	(415.9)
Proceeds from issue of subordinated debt		40.0	75.0
Repayment of subordinated debt		(59.9)	(30.1)
Dividends paid		(31.4)	(26.1)
Repayment of ESOP shares		2.3	2.6
Net cash flows from financing activities		661.2	537.0
Net increase/(decrease) in cash and cash equivalents held		(122.7)	(13.3)
Add cash and cash equivalents at the beginning of the financial period		313.5	298.7
Cash and cash equivalents at the end of the half year	*3.6.10*	190.8	285.4

3.5 Statement of changes in equity

	Attributable to equity holders of Bendigo Bank Limited						Minority interest	Total equity
	Issued capital $m	ESOP shares $m	Perpetual non-cum redeem conv pref shares $m	Retained earnings $m	Other reserves $m	Total $m	$m	$m
CONSOLIDATED								
At 1 July 2005								
Opening balance b/fwd	546.3	(30.0)	43.0	157.8	4.0	721.1	(0.4)	720.7
AIFRS opening balance adjustments	-	-	-	(10.8)	59.5	48.7	-	48.7
Other open bal adjusts-associates	-	-	-	(0.4)	0.6	0.2	-	0.2
Adjusted opening balance	546.3	(30.0)	43.0	146.6	64.1	770.0	(0.4)	769.6
Net gains on AFS financial assets	-	-	-	-	3.6	3.6	-	3.6
Total income and expense for the half-year recognised directly in equity	-	-	-	-	3.6	3.6	-	3.6
Profit for the half-year	-	-	-	53.3	-	53.3	(0.2)	53.1
Total income for the half-year	-	-	-	53.3	3.6	56.9	(0.2)	56.7
Issue of share capital	9.5	-	-	-	-	9.5	-	9.5
Preference share instalment (net)	-	-	0.5	-	-	0.5	-	0.5
Reduction in ESOP shares	-	2.6	-	-	-	2.6	-	2.6
Movements in GRCL	-	-	-	(2.0)	2.0	-	-	-
Movements in GRCL-associates	-	-	-	(1.0)	1.0	-	-	-
Equity dividends	-	-	-	(35.7)	-	(35.7)	-	(35.7)
At 31 December 2005	555.8	(27.4)	43.5	161.2	70.7	803.8	(0.6)	803.2
At 1 January 2006	555.8	(27.4)	43.5	161.2	70.7	803.8	(0.6)	803.2
Other adjustments	-	-	-	2.4	-	2.4	-	2.4
Other adjusts-associates	-	-	-	(0.6)	-	(0.6)	-	(0.6)
Total adjustments	-	-	-	1.8	-	1.8	-	1.8
Net gains on AFS financial assets	-	-	-	-	3.7	3.7	-	3.7
Gains/losses on cash flow hedges	-	-	-	-	2.3	2.3	-	2.3
Gain/loss on c/flow hedges-assoc	-	-	-	-	0.4	0.4	-	0.4
Total income and expense for the half-year recognised directly in equity	-	-	-	-	6.4	6.4	-	6.4
Profit for the half-year	-	-	-	63.4	-	63.4	-	63.4
Total income for the half-year	-	-	-	63.4	6.4	69.8	-	69.8
Issue of share capital	8.3	-	-	-	-	8.3	-	8.3
Preference share instalment (net)	-	-	44.8	-	-	44.8	-	44.8
Reduction in ESOP shares	-	1.8	-	-	-	1.8	-	1.8
Transfer from asset reval reserve	-	-	-	0.3	(0.3)	-	-	-
Movements in GRCL	-	-	-	(1.9)	1.9	-	-	-
Movements in GRCL-associates	-	-	-	(0.1)	0.1	-	-	-
Equity dividends	-	-	-	(30.2)	-	(30.2)	-	(30.2)
At 30 June 2006	564.1	(25.6)	88.3	194.5	78.8	900.1	(0.6)	899.5
At 1 July 2006								
Opening balance b/fwd	564.1	(25.6)	88.3	194.5	78.8	900.1	(0.6)	899.5
Net gains on AFS financial assets	-	-	-	-	11.5	11.5	-	11.5
Gains/losses on cash flow hedges	-	-	-	-	11.6	11.6	-	11.6
Gain/loss on c/flow hedges-assoc	-	-	-	-	-	-	-	-
Increase in Employee benefits res					5.8	5.8		5.8
After tax increase in asset reval res	-	-	-	-	-	-	-	-
Total income and expense for the half-year recognised directly in equity	-	-	-	-	28.9	28.9	-	28.9
Profit for the half-year	-		-	54.3	-	54.3	-	54.3
Total income for the half-year	-	-	-	54.3	28.9	83.2	-	83.2
Issue of share capital	31.7	(20.6)	0.2	-	-	11.3	-	11.3
Share issue expenses	-	-	-	-	-	-	-	-
Reduction in ESOP shares	-	2.3	-	-	-	2.3	-	2.3
Movement in GRCL	-	-	-	(1.8)	1.8	-	-	-
Movement in GRCL-associates	-	-	-	(0.9)	0.9	-	-	-
Equity dividends	-	-	-	(42.5)	-	(42.5)	-	(42.5)
Other	(0.1)	-	-	(0.1)	0.1	(0.1)	(0.1)	(0.2)
At 31 December 2006	595.7	(43.9)	88.5	203.5	110.5	954.3	(0.7)	953.6

3.6 Notes to and forming part of the financial statements

3.6.1 Corporate information

The half year financial report of Bendigo Bank Limited for the six months ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 12 February 2007.

Bendigo Bank Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The domicile of Bendigo Bank Limited is Australia.

The Group's functional and presentation currency is AUD ($).

3.6.2 Summary of significant accounting policies

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 2006, which was prepared based on Australian Accounting Standards, together with any public announcements made by Bendigo Bank Limited and its controlled entities during the half year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

3.6.2.1 Basis of preparation

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

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 134 "Interim Financial Reporting", 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 investment properties, land and buildings, derivative financial instruments and available-for-sale financial assets which are measured at their fair value.

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

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

3.6.2.2 Statement of compliance

The half year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the half year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

3.6.2.3 Changes in accounting policies

The accounting policies are consistent with those applied in the previous financial year and corresponding interim period, except that the value of assets relating to properties recognised by Homessafe Trust have been reclassified from Financial Assets – held to maturity to Investment property to better reflect the nature of these assets. Comparative figures have not been restated as the values are not material.

3.6.2.4 Changes in accounting estimates

The useful life of air-conditioning plant has been increased from 4 years to 10 years for acquisitions from 1 July 2006. The revised useful life is based on the factors that the group purchases air conditioners of good quality and plant is well maintained through its life. This change will not have a material impact on trading results, but will reduce depreciation expense for air-conditioning plant when compared to the previous useful life.

Pre-tax trading results for the current financial period have not been materially affected by this change.

The effect in future accounting periods is not disclosed as estimating it is impractical.

3.6.3 Segment information

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

Business segments

The operating businesses are organised and managed according to the nature of products and services provided and the key delivery channels, with each segment representing a strategic business unit that offers a different delivery method and/or different products and services.

Retail banking

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

Community banking

The group's share of interest predominantly derived from the provision of first mortgage finance less the interest paid to depositors; and fee income derived from the provision of banking services delivered through the community bank branch network.

Wealth solutions

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

Joint ventures, Alliances and unallocated corporate support

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

Geographic segments

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

The following tables present revenue and profit information and certain assets and liabilities regarding business segments for the half years ended 31 December 2006, 30 June 2006 and 31 December 2005.

Segment information (continued)

for the 6 months ended 31 December 2006

Income	Retail Banking $m	Community Banking $m	Wealth Solutions $m	J/Ventures, Alliances & Corp Supp't $m	Total $m
Net interest income	143.3	30.3	4.2	-	177.8
Other income					
Other external income	50.0	12.5	23.8	1.7	88.0
Other intersegment income	0.1	-	0.1	(0.2)	-
Total other income	50.1	12.5	23.9	1.5	88.0
Share of net profit of equity accounted investments	-	-	-	11.9	11.9
Total income after interest expense					
External income after interest expense	193.3	42.8	28.0	13.6	277.7
Intersegment income after interest expense	0.1	-	0.1	(0.2)	-
Total income after interest expense	193.4	42.8	28.1	13.4	277.7
Results					
Segment result	82.3	29.8	15.2	(46.6)	80.7
Internal cost allocations	(22.1)	(16.1)	(1.1)	39.3	-
Consolidated entity profit from continuing operations before income tax expense	60.2	13.7	14.1	(7.3)	80.7
Income tax expense					(26.4)
Minority interests					-
Consolidated entity profit from continuing operations after income tax expense					54.3
Assets					
Segment assets	8,075.5	3,710.0	144.9	3,864.7	15,795.1
Equity accounted assets	-	-	-	147.6	147.6
Total on-balance sheet assets	8,075.5	3,710.0	144.9	4,012.3	15,942.7
Originated and managed assets	1,077.5	290.5	810.5	14.8	2,193.3
Total on and off-balance sheet assets	9,153.0	4,000.5	955.4	4,027.1	18,136.0
Liabilities					
Total on-balance sheet liabilities	6,790.0	4,441.7	175.5	3,581.9	14,989.1
Funds under management	1,514.3	515.0	1,285.4	1.9	3,316.6
Total on and off-balance sheet liabilities	8,304.3	4,956.7	1,460.9	3,583.8	18,305.7
Other segment information:					
Non-cash expenses					
Depreciation	5.5	0.7	0.1	0.1	6.4
Amortisation of intangibles	2.1	0.5	0.1	-	2.7
Non-cash expenses other than depreciation & amortisation	11.1	2.7	7.9	(4.8)	16.9
Acquisition of property, plant and equipment, intangible assets and other non-current assets	2.7	-	0.9	51.3	54.9

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

Segment information (continued)

for the half year ended 30 June 2006

	Retail Banking	Community Banking	Wealth Solutions	J/Ventures, Alliances & Corp Supp't	Total
Income	$m	$m	$m	$m	$m
Net interest income	130.8	24.8	3.8	-	159.4
Other income					
Other external income	53.8	13.9	21.6	9.4	98.7
Other intersegment income	0.2	-	0.1	(0.3)	-
Total other income	54.0	13.9	21.7	9.1	98.7
Share of net profit of equity accounted investments	-	0.1	-	11.1	11.2
Total income after interest expense					
External income after interest expense	184.6	38.8	25.4	20.5	269.3
Intersegment income after interest expense	0.2	-	0.1	(0.3)	-
Total income after interest expense	184.8	38.8	25.5	20.2	269.3
Results					
Segment result	72.8	24.1	14.1	(20.3)	90.7
Internal cost allocations	(16.7)	(13.3)	(0.6)	30.6	-
Consolidated entity profit from continuing operations before income tax expense	56.1	10.8	13.5	10.3	90.7
Income tax expense					(27.4)
Minority interests					0.1
Consolidated entity profit from continuing operations after income tax expense					63.4
Assets					
Segment assets	7,791.3	3,320.0	149.5	3,791.8	15,052.6
Equity accounted assets	-	-	-	143.5	143.5
Total on-balance sheet assets	7,791.3	3,320.0	149.5	3,935.3	15,196.1
Originated and managed assets	981.7	228.8	715.1	15.8	1,941.4
Total on and off-balance sheet assets	8,773.0	3,548.8	864.6	3,951.1	17,137.5
Liabilities					
Total on-balance sheet liabilities	6,611.9	4,007.3	179.3	3,498.1	14,296.6
Funds under management	1,368.9	416.2	1,181.0	0.8	2,966.9
Total on and off-balance sheet liabilities	7,980.8	4,423.5	1,360.3	3,498.9	17,263.5
Other segment information:					
Non-cash expenses					
Depreciation	5.0	1.0	0.2	0.1	6.3
Amortisation of intangibles	2.3	0.4	0.1	-	2.8
Non-cash expenses other than depreciation & amortisation	10.3	2.3	5.0	(3.3)	14.3
Acquisition of property, plant and equipment, intangible assets and other non-current assets	3.9	-	0.7	86.5	91.1

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

Segment information (continued)

for the half year ended 31 December 2005

	Retail Banking	Community Banking	Wealth Solutions	J/Ventures, Alliances & Corp Supp't	Total
Income	$m	$m	$m	$m	$m
Net interest income	128.7	23.7	3.4	-	155.8
Other income					
Other external income	49.1	11.2	19.7	0.8	80.8
Other intersegment income	0.3	-	0.1	(0.4)	-
Total other income	49.4	11.2	19.8	0.4	80.8
Share of net profit of equity accounted investments	-	(0.1)	-	11.1	11.0
Total income after interest expense					
External income after interest expense	177.8	34.8	23.1	11.9	247.6
Intersegment income after interest expense	0.3	-	0.1	(0.4)	-
Total income after interest expense	178.1	34.8	23.2	11.5	247.6
Results					
Segment result	73.0	19.1	12.5	(29.6)	75.0
Internal cost allocations	(20.5)	(8.9)	(1.0)	30.4	-
Consolidated entity profit from continuing operations before income tax expense	52.5	10.2	11.5	0.8	75.0
Income tax expense					(21.6)
Minority interests					(0.1)
Consolidated entity profit from continuing operations after income tax expense					53.3
Assets					
Segment assets	7,566.6	2,928.7	142.1	3,761.6	14,399.0
Equity accounted assets	-	-	-	127.1	127.1
Total on-balance sheet assets	7,566.6	2,928.7	142.1	3,888.7	14,526.1
Originated and managed assets	937.2	198.7	792.3	17.6	1,945.8
Total on and off-balance sheet assets	8,503.8	3,127.4	934.4	3,906.3	16,471.9
Liabilities					
Total on-balance sheet liabilities	6,591.0	3,614.9	170.1	3,346.9	13,722.9
Funds under management	1,386.9	382.2	1,182.2	0.6	2,951.9
Total on and off-balance sheet liabilities	7,977.9	3,997.1	1,352.3	3,347.5	16,674.8
Other segment information:					
Non-cash expenses					
Depreciation	5.6	0.2	0.1	0.2	6.1
Amortisation of intangibles	2.4	0.2	0.1	0.1	2.8
Non-cash expenses other than depreciation & amortisation	8.3	1.4	5.0	(3.8)	10.9
Acquisition of property, plant and equipment, intangible assets and other non-current assets	4.1	0.2	0.1	13.8	18.2

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

3.6.4 Income tax

The major components of income tax expense for the half-year end 31 December are:

	2006 $m	2005 $m
Current income tax		
Current income tax charge	31.9	22.5
Adjustments in respect of current income tax of previous years	(0.1)	(1.1)
Deferred income tax		
Relating to origination and reversal of temporary differences	(5.4)	0.2
Income tax expense reported in the Condensed Income Statement	26.4	21.6

3.6.5 Dividends paid or provided

	2006 $m	2005 $m
Ordinary shares		
Dividends paid during the half-year:		
Final dividend 2006 - 30.0 cents (Final dividend 2005 - 26.0 cents)	40.1	34.3
Dividends proposed since the reporting date, but not recognised as a liablity:		
Interim dividend 2007 - 24.0 cents (Interim dividend 2006 - 22.0 cents)	32.8	29.3
Preference shares		
Dividends paid during the half-year:		
A dividend of 131.68 cents per share was paid on 15 September 2006 (2005: 90.80 cents)	1.2	0.8
A dividend of 134.64 cents per share was paid on 15 December 2006 (2005: 62.19 cents)	1.2	0.6
	2.4	1.4

3.6.6 Property, plant and equipment

During the half year ended 31 December 2006, the Group acquired assets with a cost of $50.2 million (2005: $11.9 million), including $28.2 million relating to the new Head office development.

On 1 September 2006, the Bank announced it has contracted to sell its new headquarters in Bendigo for $100 million in a sale-and-leaseback transaction arranged by Societe Generale Corporate & Investment Banking (SGCIB).

A consortium of investors arranged by SGCIB will purchase both the new development and the bank's existing Fountain Court building adjacent. The sale will occur on 1 September 2008 – after completion of the new building – with Bendigo taking a long-term lease.

Assets with a book value of $0.5 million were disposed of by the Group during the half year ended 31 December 2006 (2005: $3.2 million), resulting in a gain on disposal of Nil (2005: Nil).

3.6.7 Earnings per ordinary share

	Half-year Dec-06 Cents per share	Half-year Jun-06 Cents per share	Half-year Dec-05 Cents per share
Basic earnings per ordinary share	38.2	45.1	38.2
Diluted earnings per ordinary share	38.2	45.1	38.2
Cash basis earnings per ordinary share	39.0	38.5	34.7
	$m	$m	$m
Reconciliation of earnings used in the calculation of basic earnings per ordinary share			
Profit for the half-year	54.3	63.3	53.4
(Profit)/loss attributable to minority interests	-	0.1	(0.1)
	54.3	63.4	53.3
Reconciliation of earnings used in the calculation of diluted earnings per ordinary share			
Earnings used in calculating basic earnings per ordinary share	54.3	63.4	53.3
Other non-discretionary changes in earnings arising from dilutive potential ordinary shares	-	-	-
	54.3	63.4	53.3
Reconciliation of earnings used in the calculation of cash basis earnings per ordinary share			
Earnings used in calculating basic earnings per ordinary share	54.3	63.4	53.3
After tax intangibles amortisation (excluding amortisation of intangible software)	0.6	0.9	0.8
After tax significant income and expense items (1)	5.6	(7.1)	(1.3)
Dividends paid on preference shares	(2.4)	(1.1)	(1.4)
Movement in general reserve for credit losses	(1.8)	(1.9)	(2.0)
Movement in general reserve for credit losses - associates	(0.9)	(0.1)	(1.0)
	55.4	54.1	48.4
	No. of shares	No. of shares	No. of shares
Weighted ave no. of ordinary shares used in basic and cash basis earnings per ordinary share	141,991,653	140,498,350	139,624,245
Effect of dilution - share options relating to Managing Director and executives.	100,117	-	-
Weighted ave no. of ordinary shares used in diluted earnings per ordinary share	142,091,770	140,498,350	139,624,245

(1) Significant income and expense items after tax comprise:	$m	$m	$m
Income			
Profit on deemed disposal of Select Managed Funds Limited shares	-	(10.9)	-
Accounting gain on change in equity accounted investment in Community Telco Australia P/L	-	-	(1.8)
Expense			
Expense relating to an issue of shares to staff under the Employee Share Plan	5.6	-	-
Review of carrying value of equity investment portfolio	-	3.8	-
Relocation costs of Melbourne-based staff to a new building at Docklands	-	-	0.5
	5.6	(7.1)	(1.3)

3.6.8 Return on average ordinary equity

	Consolidated		
	Half-year	Half-year	Half-year
	Dec-06	Jun-06	Dec-05
	%	%	%
Return on average ordinary equity	14.48	17.75	15.56
Pre-significant items return on average ordinary equity	15.98	15.77	15.18
Cash basis return on average ordinary equity	14.78	15.15	14.13

	$m	$m	$m
Reconciliation of earnings used in the calculation of return on average ordinary equity			
Profit for the half-year	54.3	63.3	53.4
(Profit)/loss attributable to minority interests	-	0.1	(0.1)
Earnings used in calculation of return on average ordinary equity	54.3	63.4	53.3
After tax significant income and expense items (1)	5.6	(7.1)	(1.3)
Earnings used in calculation of pre-significant items return on average ordinary equity	59.9	56.3	52.0
After tax intangibles amortisation (excluding amortisation of intangible software)	0.6	0.9	0.8
Dividends paid on preference shares	(2.4)	(1.1)	(1.4)
Movement in general reserve for credit losses	(1.8)	(1.9)	(2.0)
Movement in general reserve for credit losses - associates	(0.9)	(0.1)	(1.0)
Earnings used in calculation of cash basis return on average ordinary equity	55.4	54.1	48.4

Reconciliaton of ordinary equity used in the calculation of return on average ordinary equity

	As at	As at	As at
	31 Dec 06	30 Jun 06	31 Dec 05
	$m	$m	$m
Total equity	953.6	899.5	803.2
Preference share net capital	(88.5)	(88.3)	(43.5)
Asset revaluation reserve - shares	(37.7)	(26.3)	(23.0)
Unrealised gains/losses on cash flow hedge reserve	(14.3)	(2.7)	-
General reserve for credit losses	(42.4)	(40.6)	(38.8)
General reserve for credit losses - associates	(7.4)	(6.5)	(5.8)
Minority interest	0.7	0.6	0.6
Ordinary equity	764.0	735.7	692.7
Average ordinary equity	749.9	714.2	685.0

(1) Significant income and expense items after tax comprise:

Income			
Profit on deemed disposal of Select Managed Funds Limited shares	-	(10.9)	-
Accounting gain on change in equity accounted investment in Community Telco Australia P/L	-	-	(1.8)
Expense			
Expense relating to an issue of shares to staff under the Employee Share Plan	5.6	-	-
Review of carrying value of equity investment portfolio	-	3.8	-
Relocation costs of Melbourne-based staff to a new building at Docklands	-	-	0.5
	5.6	(7.1)	(1.3)

3.6.9 Net tangible assets per ordinary share

	As at Dec 06	As at Jun 06	As at Dec 05
Net tangible assets per ordinary share	$ 5.06	$ 4.78	$ 4.48

Reconciliation of Net tangible assets used in calculation of net tangible assets per ordinary share

	$m	$m	$m
Net assets	953.6	899.5	803.2
Intangibles	(88.6)	(89.6)	(85.7)
Preference shares - face value	(90.0)	(90.0)	(45.0)
General reserve for credit losses	(42.4)	(40.6)	(38.8)
General reserve for credit losses - associates	(7.4)	(6.5)	(5.8)
Minority interest	0.7	0.6	0.6
Net tangible assets	725.9	673.4	628.5
Number of ordinary shares on issue at reporting date	143,347,222	140,850,961	140,141,821

3.6.10 Cash flow information

	As at Dec 06 $m	As at Dec 05 $m
Reconciliation of cash		
For the purposes of the statement of cash flows, cash and cash equivalents includes:		
Cash and cash equivalents	242.4	290.7
Due from other financial institutions	82.5	62.7
Due to other financial institutions	(134.1)	(68.2)
Other	-	0.2
Cash and cash equivalents at the end of the half year	190.8	285.4

Cash and cash equivalents 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.

Cash flows presented on a net basis

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

Loans, Investment securities, Retail deposits and Wholesale deposits.

3.6.11 Issued capital

	As at Dec 06 $m	As at Dec 05 $m
Issued and paid up capital		
Ordinary shares fully paid - 143,347,222 (2005: 140,141,821)	595.7	555.8
Preference shares of $100 face value fully paid - 900,000 (2005: partly paid to $50)	88.5	43.5
	684.2	599.3
Movements in ordinary shares on issue		
Opening balance 1 July - 140,850,961 (2005: 139,106,669)	564.1	546.3
Shares issued under:		
Bonus share scheme - 156,945 @ $13.62 (2005: 168,244 @ $11.07)	-	-
Dividend reinvestment plan - 818,654 @ $13.62 (2005: 866,908 @ $11.07)	11.1	9.5
Employee share plan - 1,520,662 @ $13.54 (2005: Nil)	20.6	-
Other	(0.1)	-
Closing balance 31 December - 143,347,222 (2005: 140,141,821)	595.7	555.8
Movements in preference shares on issue		
Opening balance 1 July - 900,000 fully paid (2005: 900,000 paid to $50)	88.3	43.0
Payment of unpaid portion of existing shares	0.2	-
Share issue expenses offset by tax benefit	-	0.5
Closing balance 31 December - 900,000 fully paid (2005: 900,000 paid to $50)	88.5	43.5

3.6.12 Average Balance Sheet and related interest

for the six month period ended 31 December 2006

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

Impact of community bank/alliances profit share arrangements

Net interest margin before community bank/alliances share of net interest income	2.92
Less impact of community bank/alliances share of net interest income	0.55
Net interest margin	2.37

1 *Average balance is based on monthly closing balances from 30 June 2006 through 31 December 2006 inclusive, with the exception of Wholesale domestic which is based on a daily closing balance.*
2 *Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by $27.7 to reflect gross amounts.*
3 *Interest income includes $3.1 of application fee income reclassification under AIFRS.*
4 *Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.*
5 *Interest margin is the net interest income as a percentage of average interest earning assets.*

Average balance sheet and related interest
for the six month period ended 30 June 2006

	Note	Average Balance $m	Interest 6 mths $m	Average Rate %
Average balances and rates	1			
Interest earning assets				
Cash and cash equivalents		214.0	1.6	1.51
Financial assets (treasury) available for sale & held to maturity		1,738.5	48.8	5.66
Loans and other receivables - company	2	8,349.0	303.4	7.33
Loans and other receivables - alliances		3,381.9	111.6	6.65
		13,683.4	465.4	6.86
Securitisation interest earning assets		418.4	14.9	7.18
Total interest earning assets	3,4	14,101.8	480.3	6.87
Non interest earning assets				
Property, plant & equipment		72.0		
Provisions for doubtful debts		(17.9)		
Other assets		442.8		
		496.9		
Total assets (average balance)		14,598.7		
Interest bearing liabilities and equity				
Deposits				
Retail - company		6,853.8	139.4	4.10
Retail - alliances		4,203.9	109.3	5.24
Wholesale - domestic		889.8	24.1	5.46
Wholesale - offshore		828.7	24.6	5.99
Other borrowings				
Subordinated debt		307.1	10.2	6.70
		13,083.3	307.6	4.74
Securitisation interest bearing liabilities		402.3	12.6	6.32
Total interest bearing liabilities	3	13,485.6	320.2	4.79
Non interest bearing liabilities and equity				
Other liabilities		283.3		
Equity		829.8		
		1,113.1		
Total liabilities and equity		14,598.7		
Interest margin and interest spread				
Interest earning assets		14,101.8	480.3	6.87
Interest bearing liabilities		(13,485.6)	(320.2)	(4.79)
Net interest income and interest spread	5		160.1	2.08
Net interest margin	6			2.29

Impact of community bank/alliances profit share arrangements

Net interest margin before community bank/alliances share of net interest income	2.79
Less impact of community bank/alliances share of net interest income	0.50
Net interest margin	2.29

1 *Average balance is based on monthly closing balances from 31 December 2005 through 30 June 2006 inclusive, with the exception of Wholesale domestic which is based on a daily closing balance.*
2 *Interest on loans and receivables-company has been adjusted by $0.8m between December 2005 half year and June 2006 half year to refect an AIFRS adjustment relating to loan application fees.*
3 *Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by $21.6m to reflect gross amounts.*
4 *Interest income includes $4.3m of application fee income reclassified under AIFRS.*
5 *Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.*
6 *Interest margin is the net interest income as a percentage of average interest earning assets.*

Average balance sheet and related interest

for the six month period ended 31 December 2005

	Note	Average Balance $m	Interest 6 mths $m	Average Rate %
Average balances and rates	*1*			
Interest earning assets				
Cash and cash equivalents		199.6	1.4	1.39
Financial assets (treasury) available for sale & held to maturity		1,671.8	48.2	5.72
Loans and other receivables - company	*2*	8,191.9	299.6	7.25
Loans and other receivables - alliances		2,995.7	100.0	6.62
		13,059.0	449.2	6.82
Securitisation interest earning assets		506.7	18.3	7.16
Total interest earning assets	*3,4*	13,565.7	467.5	6.84
Non interest earning assets				
Property, plant & equipment		58.6		
Provisions for doubtful debts		(24.6)		
Other assets		413.5		
		447.5		
Total assets (average balance)		14,013.2		
Interest bearing liabilities and equity				
Deposits				
Retail - company		6,700.0	138.2	4.09
Retail - alliances		3,715.0	97.5	5.21
Wholesale - domestic		795.8	22.1	5.51
Wholesale - offshore		999.9	28.9	5.73
Other borrowings				
Subordinated debt		282.8	9.6	6.73
		12,493.5	296.3	4.70
Securitisation interest bearing liabilities		493.9	16.2	6.51
Total interest bearing liabilities	*3*	12,987.4	312.5	4.77
Non interest bearing liabilities and equity				
Other liabilities		235.0		
Equity		790.8		
		1,025.8		
Total liabilities and equity		14,013.2		
Interest margin and interest spread				
Interest earning assets		13,565.7	467.5	6.84
Interest bearing liabilities		(12,987.4)	(312.5)	(4.77)
Net interest income and interest spread	*5*		155.0	2.06
Net interest margin	*6*			2.27
Impact of community bank/alliances profit share arrangements				
Net interest margin before community bank/alliances share of net interest income				2.72
Less impact of community bank/alliances share of net interest income				0.45
Net interest margin				2.27

1 *Average balance is based on monthly closing balances from 30 June 2005 through 31 December 2005 inclusive, with the exception of Wholesale domestic which is based on a daily closing balance.*
2 *Interest on loans and receivables-company has been adjusted by $0.8m between December 2005 half year and June 2006 half year to refect an AIFRS adjustment relating to loan application fees.*
3 *Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by $18.7m to reflect gross amounts.*
4 *Interest income includes $2.9m of application fee income reclassified under AIFRS.*
5 *Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.*
6 *Interest margin is the net interest income as a percentage of average interest earning assets.*

3.6.13 Capital Adequacy and ACE ratio

a) Capital adequacy

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

APRA amended its prudential regulations in response to the implementation of AIFRS and these changes took effect on 1 July 2006. Therefore, capital adequacy calculations for December 2006 are prepared using AIFRS financial statements. As part of the transition to AIFRS based calculations many financial institutions were granted transitional relief adjustments by APRA until 31 December 2007.

There is no AIFRS transitional adjustment included in the Bendigo Bank capital adequacy calculation.

	Consolidated	
	Dec 2006	Jun 2006
	$m	$m
Risk weighted capital ratios		
Tier 1	8.38%	8.33%
Tier 2	2.57%	2.44%
Total capital ratio	**10.95%**	**10.77%**
Qualifying Capital		
Tier 1		
Contributed capital	684.2	652.4
Retained profits & reserves	180.1	166.7
Less,		
Intangible assets	96.1	77.2
Net future income tax benefit	-	17.9
Deferred tax assets	7.0	-
Other adjustments as per APRA advice	8.0	10.5
Total Tier 1 capital	753.2	713.5
Tier 2		
General reserve for credit losses/collective provision (net of tax effect)	49.6	46.7
Subordinated debt	287.1	307.1
Asset revaluation reserves	31.0	3.0
Cashflow hedges unrealised gains/losses reserve	14.2	-
	381.9	356.8
Less,		
Subsidiary investment residual	-	9.0
Total Tier 2 capital	381.9	347.8
Less,		
Investments in non-consolidated subsidiaries or associates and other bank's capital instruments	141.5	138.2
Subsidiary investment residual	9.0	-
Total qualifying capital	984.6	923.1
Total risk weighted assets	**8,992.9**	**8,566.9**

b) Adjusted Common Equity (“ACE”)

Adjusted Common Equity is one measure considered by Standard & Poor's in evaluating the Bank's credit rating.

The ACE ratio has been calculated in accordance with the Standard & Poor's methodology.

	Consolidated	
	Dec 2006	Jun 2006
	$m	$m
Adjusted Common Equity		
Tier 1 capital	753.2	713.5
Deduct,		
Preference share capital	88.5	88.3
Subsidiary investment residual	9.0	9.0
Investments in non-consolidated subsidiaries or associates and other banks' capital instruments	141.5	138.2
Total Adjusted Common Equity	514.2	478.0
Adjusted Common Equity ratio to risk weighted assets	**5.72%**	**5.58%**

3.6.14 Contingent assets and liabilities

		Consolidated	
		2006	2005
(a)	**Contingent liabilities**	$m	$m
	Guarantees		
	The economic entity has issued guarantees on behalf of clients in the normal course of business	102.3	90.3
	Other		
	Documentary letters of credit	9.5	7.7

As the probability and value of guarantees, letters of credit and performance related obligations that may be called on is unpredictable, it is not practical to state the timing of any potential payment.

(b) Contingent assets
As at 31 December 2006, the economic entity does not have any contingent assets (2005: Nil).

3.6.15 Events after balance sheet date

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.

On 12 February 2007 the directors of Bendigo Bank Limited declared on interim dividend of 24.0 cents per ordinary share (fully-franked) in respect of the December 2006 half year payable on 30 March 2007. The amount estimated to be appropriated in relation to this dividend is $32.8 million. The dividend has not been provided for in the 31 December 2006 half year financial statements.

3.7 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 2006 and the performance for the half year ended on that date of the consolidated entity; and

   ii) complying with Accounting Standard AASB 134 "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

Robert Johanson

Robert N. Johanson
Chairman
Bendigo
Dated this 12th day of February 2007

3.8 External auditors review report

ERNST & YOUNG

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000
Australia

GPO Box 67
Melbourne VIC 3001

Tel 61 3 9288 8000
Fax 61 3 8650 7777

Independent review report to the members of Bendigo Bank Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, condensed income statement, cash flow statement, statement of changes in equity and accompanying notes to the financial statements for the consolidated entity comprising both Bendigo Bank Limited ("the company") and the entities it controlled during the period, and the directors' declaration for the company, for the period ended 31 December 2006.

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 consolidated entity, and that complies with Accounting Standard AASB 134 "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 Investments 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 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its 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*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our review of the financial report, we were engaged to undertake other services. The provision of these services has not impaired our independence.

ERNST & YOUNG

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 the consolidated entity, comprising Bendigo Bank Limited and the entities it controlled during the period is not in accordance with:

(a) the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2006 and of its performance for the period ended on that date; and

(ii) complying with Accounting Standard AASB 134 “Interim Financial Reporting” and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst + Young

Ernst & Young

Brett Kallio

Brett Kallio
Partner
Melbourne
12 February 2007