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 2005

Released 13 February 2006

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 2005 annual financial report.

CONTENTS

Information contained in this report should be read in conjunction with the June 2005 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 2005
Previous corresponding period - six months ended:	31 December 2004

1.2 Results for announcement to the market

				$m
Revenue from operations	up	11.2%	to	247.6
Profit after tax attributable to members	up	18.5%	to	53.2
Net profit (loss) attributable to members	up	18.5%	to	53.2

Dividends – current year	**Amount per security**
Interim Dividend – 2006, fully franked at 30% Payable 31 March 2006	22.0 cents

Dividends – previous year	**Amount per security**
Final Dividend – 2005, fully franked at 30% Paid 30 September 2005	26.0 cents
Interim Dividend – 2005, fully franked at 30% Paid 31 March 2005	19.0 Cents

Record date for determining entitlements for the interim dividend	3 March 2006

1.3 Net tangible assets per security

Refer to page 63 of the attached December 2005 half-year profit announcement.

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

Community Telco Australia Pty Ltd – ownership diluted from 90% to 50% effective 18 August 2005. Refer to pages 11 and 31.

1.5 Details of individual and total dividends

Refer to page 60 of the attached December 2005 half-year profit announcement.

1.6 Details of any dividend or distribution reinvestment plans in operation

Refer to page 26 of the attached December 2005 half-year profit announcement.

1.7 Details of associates and joint venture entities

Refer to page 31 of the attached December 2005 half-year profit announcement.

1.8 Accounting standards used for foreign entities

Not applicable.

1.9 Dispute or qualifications if audited

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

1.10 Half-year financial statements

Refer to pages 36 to 86 of the attached December 2005 half-year profit announcement.

2. Half Year Announcement

2.1 Financial highlights

	2003-04 2nd Half $m	2004-05 1st Half $m	2004-05 2nd Half $m	2005-06 1st Half $m	Change 1st Half 2004-05 to 1st Half 2005-06 $m	%
Profit after tax	45.2	44.9	49.7	53.2	8.3	18.5
Profit after tax before significant items	40.0	41.0	50.6	51.9	10.9	26.6
Profit available for distn to ord s/holders	45.2	44.9	49.7	48.8	3.9	8.7
Profit available for distn to ord s/holders before significant items	40.0	41.0	50.6	47.5	6.5	15.9
Net interest income	130.7	141.0	145.1	152.1	11.1	7.9
Non-interest income (before significant items)	70.4	76.2	88.3	93.7	17.5	23.0
Expenses (before significant items)	136.1	151.7	153.1	169.7	18.0	11.9
Retail deposits	9,052.1	9,629.6	10,043.2	10,994.7	1,365.1	14.2
Total equity	676.4	702.6	750.7	813.2	110.6	15.7
Funds under management	2,158.9	2,567.8	2,709.6	2,951.9	384.1	15.0
Loans under management	11,255.7	12,127.8	12,838.7	13,411.9	1,284.1	10.6
New loan approvals	2,979.6	2,986.8	3,091.0	3,114.9	128.1	4.3
Residential	1,945.0	1,993.0	2,171.3	1,983.5	(9.5)	(0.5)
Non-residential	1,034.6	993.8	919.7	1,131.4	137.6	13.8
Cost to income ratio	66.6%	69.6%	65.2%	68.3%	(1.3%)	(1.9)
Earnings per ordinary share - cents	33.4	32.0	35.3	35.0	3.0	9.4
Cash basis earnings per ordinary share –cents	31.2	29.3	36.2	34.6	5.3	18.1
Dividend per share – cents	23.0	19.0	26.0	22.0	3.0	15.8

Note: Comparatives for 2004/05 have been restated in compliance with AIFRS.
Profits prior to 1st half 2005/06 include an expense in relation to increases in the general provision for doubtful debts as follows:

	2nd half 2003/04	1st half 2004/05	2nd half 2004/05
Pre-tax impact	$5.2m	$4.3m	$2.3m
Post-tax impact	$3.6m	$3.0m	$1.6m

Under AIFRS, the 1st half 2005/06 movement in general reserve for credit losses is reflected as an appropriation of retained earnings and therefore is not an expense in the income statement. However, the profit for 1st half 2005/06 does include an expense in relation to the increase in the collective provision, as required by AIFRS - $0.3m pre-tax, or $0.2m after tax.

Profits for 2nd half 2003/04 includes an expense in relation to amortisation of goodwill, which does not apply under AIFRS:

Pre-tax impact	$2.2m
Post-tax impact	$2.2m

This expense is not included in the restated results for 2004/05 or the results of 2005/06 as they are prepared under AIFRS, whereby goodwill is not amortised, but is tested annually for impairment.

2.2 Results at a glance

2.2.1 Financial performance

- Profit available to ordinary shareholders before significant items was $47.5 million (31 December 2004 $41.0 million), an increase of 16%.
- Profit after income tax before significant items was $51.9 million (31 December 2004 $41.0 million), an increase of 27%.
- Net interest income increased by 8% to $152.1 million with an interest margin 2.22% compared to 2.29% for the December 2004 half year and 2.26% for the June 2005 half year.
- Non-interest income before significant items was $93.7 million (31 December 2004 $76.2 million), an increase of 23%.
- Operating expenses before significant items increased by 12% to $169.7 million compared to December 2004 half and 11% to compared to the June 2005 half. The cost to income ratio was 68.3% compared to 69.6% for the December 2004 half and 65.2% for the June 2005 half.
- Cash basis earnings per ordinary share increased to 34.6 cents (31 December 2004 29.3 cents), an increase of 18%.
- Return on average ordinary equity (annualised) before significant items was 13.53% (31 December 2004 12.18%).

2.2.2 Financial Position

- Loans under management were $13.4 billion (31 December 2004 $12.1 billion), an increase of 11%.
- Retail deposits were $11.0 billion (31 December 2004 $9.6 billion), an increase of 14%.
- Managed funds increased by 15% to $3.0 billion (31 December $2.6 billion).
- Net non-accrual loans as a percentage of loan receivables decreased from 0.08% at 31 December 2004 to 0.01% at 31 December 2005.

2.2.3 Dividends

- An interim ordinary dividend of 22 cents per ordinary share, fully franked (31 December 2004 19 cents) has been declared by the board, an increase of 16%.

2.3 Detailed Income Statement

For the half year ended 31 December 2005

		Consolidated 2005 $m	Consolidated 2004 $m
Income			
Net interest income			
Interest income		445.9	393.8
Interest expense		293.8	252.8
Net interest income		**152.1**	**141.0**
Non interest income			
Dividends		1.4	0.9
Fees	- asset products	13.6	12.8
	- liability products and other	36.6	29.9
	- trustee, management & other services	4.6	4.8
Commissions	- wealth solutions	15.6	14.2
	- insurance	3.3	3.0
	- other	1.1	0.7
Other income		6.5	1.4
Total non interest income		**82.7**	**67.7**
Share of associates' net profits (losses) accounted for using the equity method		**11.0**	**8.5**
Total income after interest expense		**245.8**	**217.2**
Expenses			
Bad and doubtful debts			
Bad and doubtful debts		2.4	8.7
Bad debts recovered		(0.2)	(0.3)
Total bad and doubtful debts		**2.2**	**8.4**
Other expenses			
Staff and related costs		84.9	77.5
Occupancy costs		14.4	12.8
Amortisation of intangibles		1.8	0.5
Property, plant & equipment costs		5.9	5.4
Fees and commissions		9.3	8.4
Administration expenses		53.4	47.1
Total other expenses		**169.7**	**151.7**
Profit before income tax expense and significant items		**73.9**	**57.1**
Income tax expense before significant items		(21.9)	(16.3)
Net (profit)/loss attributable to outside equity interest		(0.1)	0.2
Profit after income tax expense and before significant items		**51.9**	**41.0**

	Consolidated 2005 $m	Consolidated 2004 $m
Appropriations of current period net profit after tax		
Dividends paid on preference shares	(1.4)	-
Movement in General reserve for credit losses	(2.0)	-
Movement in General reserve for credit losses - associates	(1.0)	-
Net profit before significant items available for distribution to ordinary shareholders	**47.5**	**41.0**
Significant items		
Significant income items	1.8	5.5
Significant expense items	0.7	-
Significant items before income tax expense	1.1	5.5
Significant items income tax expense	0.2	(1.6)
Significant items after income tax expense	**1.3**	**3.9**

Summary - net profit available for distribution to ordinary shareholders

	Consolidated 2005 $m	Consolidated 2004 $m
Net profit before income tax expense including significant items	**75.0**	**62.6**
Income tax expense including significant items	(21.7)	(17.9)
Profit after income tax expense and significant items	53.3	44.7
Net loss attributable to outside equity interest	(0.1)	0.2
Net profit attributable to members of Bendigo Bank Limited	**53.2**	**44.9**
Appropriations of current period net profit after tax	(4.4)	-
Net profit after significant items available for distribution to ordinary shareholders	**48.8**	**44.9**
Basic earnings per ordinary share (cents per share)	35.0	32.0
Diluted earnings per ordinary share (cents per share)	35.0	32.0
Cash basis earnings per ordinary share (cents per share)	34.6	29.3
Franked dividends per ordinary share (cents per share)	22.0	19.0

2.4 Results commentary

2.4.1 Profit

Bendigo Bank group recorded a profit available for distribution to ordinary shareholders before significant items of $47.5 million which represents an increase of $6.5 million of 15.9% when compared with the previous corresponding period.

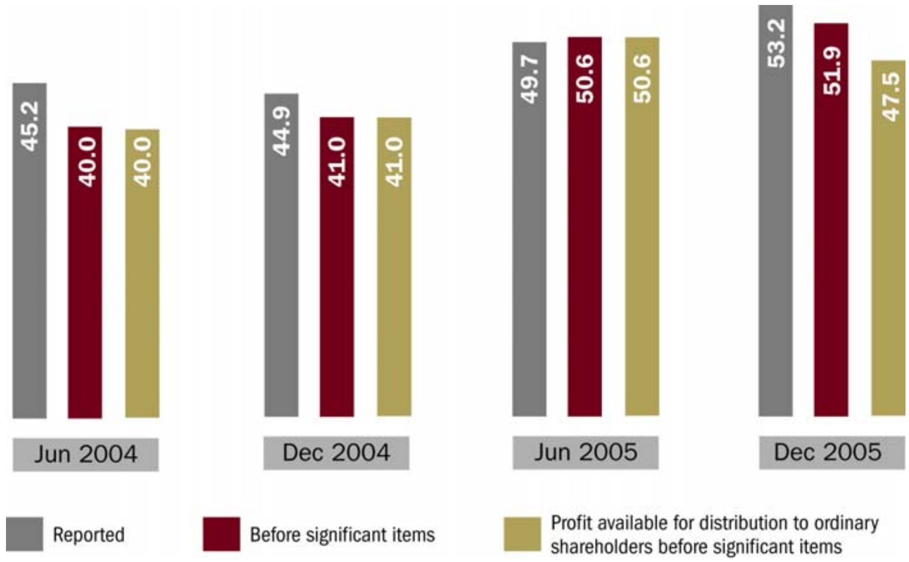
Profit after tax of $53.2 million for the six months ending 31 December 2005, which is an increase of 18.5% over the previous corresponding period. After excluding the significant items (refer details on next page) the profit increased 27% to $51.9 million.

Underlying profit compared to the previous corresponding period increased from $65.7 million to $76.8 million, an increase of 16.9%.

	Dec-05	Jun-05	Increase/(Decrease) Value	%	Dec-04	Increase/(Decrease) Value	%
	$m	$m	$m		$m	$m	
Underlying Profit							
Profit after tax	53.2	49.7	3.5	7.0	44.9	8.3	18.5
Adjustments:							
Significant items before tax	(1.1)	2.0	(100.0)	(155.0)	(5.5)	4.4	(80.0)
Bad and doubtful debts (net of recoveries)	2.2	5.2	(3.0)	(57.7)	8.4	(6.2)	(73.8)
Amortisation of intangibles (except software)	0.8	0.3	0.5	166.7	0.0	0.8	-
Income tax expense - total	21.7	23.2	(1.5)	(6.5)	17.9	3.8	21.2
Underlying profit before tax	76.8	80.4	(3.6)	(4.5)	65.7	11.1	16.9

	Dec-05	Jun-05	Value	%	Dec-04	Value	%
Profit							
Profit before tax	75.0	72.9	2.1	2.9	62.6	12.4	19.8
Significant items before tax	1.1	(2.0)	3.1	(155.0)	5.5	(4.4)	(80.0)
Profit before tax and significant items	73.9	74.9	(1.0)	(1.3)	57.1	16.8	29.4
Profit after tax	53.2	49.7	3.5	7.0	44.9	8.3	18.5
Significant items after tax	1.3	(0.9)	2.2	(244.4)	3.9	(2.6)	(66.7)
Profit after tax before significant items	51.9	50.6	1.3	2.6	41.0	10.9	26.6
Intangibles amortisation (excl software amort)	0.8	0.3	0.5	166.7	-	0.8	-
Cash basis profit after tax	52.7	50.9	1.8	3.5	41.0	11.7	28.5
Less:							
Distributions paid on preference shares	(1.4)	-	(1.4)	-	-	(1.4)	-
Movement in general reserve for credit losses	(2.0)	-	(2.0)	-	-	(2.0)	-
Movement in gen reserve for cr losses - assocs.	(1.0)	-	(1.0)	-	-	(1.0)	-
Profit available for distribution to ordinary s/holders before significant items	47.5	50.6	(3.1)	(6.1)	41.0	6.5	15.9
Profit available for distribution to ordinary s/holders	48.8	49.7	(0.9)	(1.8)	44.9	3.9	8.7

Profit after tax
$mil



Significant items

The reported profit for the six months ending 31 December 2005 of $53.2 million included two items of a non-recurring nature.

1. Gain following the reduction of ownership interest in Community Telco Australia - $1.8 million (no applicable tax expense).
2. Costs associated with the relocation of our Melbourne-based staff to a new building at Docklands – pre tax expense of $0.7 million (after tax $0.5 million).

2.4.2 Interest margin

Net Interest income increased by 8% compared to previous corresponding period. This increase was predominantly due to an increase in interest earning assets of $1.4 billion, or 11%.

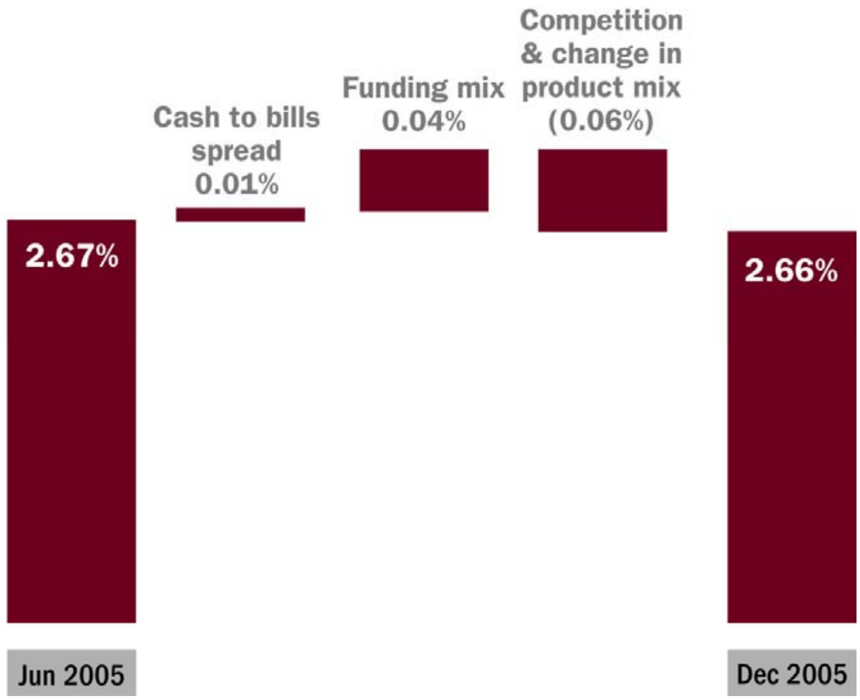
Interest Margin
%

Interest margin before payments to community banks and alliances has been relatively stable over the period with a decline of one basis point in both the June 2005 and December 2005 half years, and remains at a solid 2.66%.

Net interest margin after payments to community banks and alliances declined by four basis points in the half-year and seven basis points for the 12 months ending December 2005.

An analysis of the movement in the net interest margin for the six months to December 2005 is set out in the chart below, which highlights the principle impacts over the period.

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



Interest margin benefited one basis point from the movement in cash to bills spread over the half year. The four basis point funding mix benefit was a result of the change in mix between retail and wholesale funding with retail funding increasing from 80.6% to 83.9% during the period. The six basis point decrement was due to the combined impact of market competition and movements between fixed and floating rate loans and movements between high yielding accounts and transaction accounts during the period. The combined impact of these changes resulted in interest margin declining by one basis point for the six months.

2.4.3 Non interest income

		Dec-05	Jun-05	Increase/(Decrease)		Dec-04	Increase/(Decrease)	
		$m	$m	Value $m	%	$m	Value $m	%
Income								
Net interest income		150.0	143.1	6.9	4.8	137.8	12.2	8.9
Net interest income - securitisation		2.1	2.0	0.1	5.0	3.2	(1.1)	(34.4)
Total net interest income		152.1	145.1	7.0	4.8	141.0	11.1	7.9
Other income comprising:								
Fees	- asset products	13.6	13.9	(0.3)	(2.2)	12.8	0.8	6.3
	- liability products & other	36.6	33.0	3.6	10.9	29.9	6.7	22.4
	- trustee, m'ment & other servs	4.6	4.7	(0.1)	(2.1)	4.9	(0.3)	(6.1)
Commissions	- wealth solutions	15.6	14.8	0.8	5.4	14.2	1.4	9.9
	- insurance	3.3	3.8	(0.5)	(13.2)	3.0	0.3	10.0
	- other	1.1	1.1	-	0.0	0.7	0.4	57.1
Property revenue		0.2	0.4	(0.2)	(50.0)	0.4	(0.2)	(50.0)
Dividend income		1.4	0.7	0.7	100.0	0.9	0.5	55.6
Significant income items		1.8	2.9	(1.1)	(37.9)	5.5	(3.7)	(67.3)
Other		6.3	4.1	2.2	53.7	0.9	5.4	600.0
Total other income		84.5	79.4	5.1	6.4	73.2	11.3	15.4
Share of associates' profit		11.0	11.8	(0.8)	(6.8)	8.5	2.5	29.4
Total non interest income		95.5	91.2	4.3	4.7	81.7	13.8	16.9
Total income		247.6	236.3	11.3	4.8	222.7	24.9	11.2

Comments on Total income:

Net interest income increased by 9% compared to previous corresponding period. This increase was predominantly due to an increase in interest earning assets of $1.4 billion, or 11%. Net interest margin before community bank and alliances impact declined marginally by 2 basis points when compared to December 2004 half, whilst the rise in community bank/alliances share of net interest income contributed an additional 5 basis points impact on net interest margin.

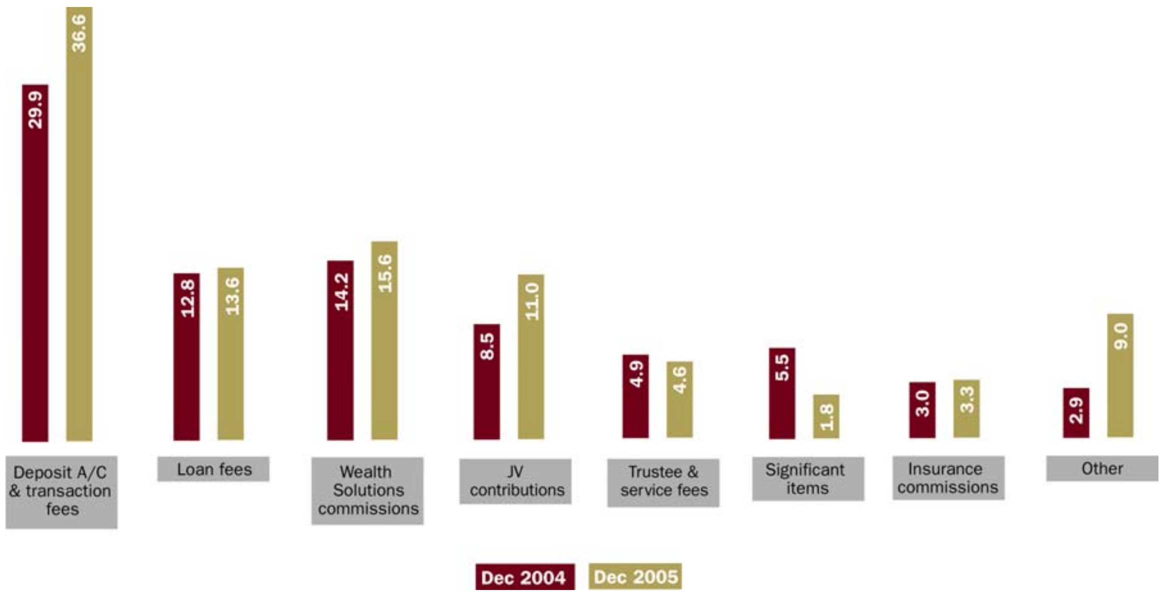
Share of associates' profit has increased by 29% due to an increase in the contribution from Elders Rural Bank, Community Sector Enterprises and Tasmanian Banking Services.

Fees - liability products and other increased by 22% due to increases in account transaction fees and electronic transactions, including ATM and merchant service fees.

Significant income item for 2005 is gain following the reduction of ownership interest in Community Telco Australia (2004: Profit on the sale of shares in IOOF Holdings Ltd (representing 15.7% of our shareholding in the company) and proceeds from sale of Cashcard shares (first adjustment amount)).

Other increased by 600%, or $5.4 million, predominantly due to the inclusion of income earned by our new subsidiary company, Oxford Funding. This company was acquired in April 2005.

Non-interest income
$mil



2.4.4 Expenses

2.4.4.1 Productivity and expenses

	Dec-05	Jun-05	Increase/(Decrease) Value	%	Dec-04	Increase/(Decrease) Value	%
	$m	$m	$m		$m	$m	
Expenses							
Staff and related costs	84.9	77.3	7.6	9.8	77.5	7.4	9.5
Occupancy costs	14.4	13.4	1.0	7.5	12.8	1.6	12.5
Information technology costs	13.8	12.1	1.7	14.0	11.8	2.0	16.9
Amortisation of intangibles	1.8	1.0	0.8	80.0	0.5	1.3	260.0
Property, plant and equip costs	5.9	5.6	0.3	5.4	5.4	0.5	9.3
Fees and commissions	9.3	9.0	0.3	3.3	8.4	0.9	10.7
Communications, postage & stationery	10.9	10.2	0.7	6.9	9.6	1.3	13.5
Advertising & promotion	6.6	4.1	2.5	61.0	4.9	1.7	34.7
Other product & services delivery costs	9.1	8.0	1.1	13.8	8.0	1.1	13.8
Other	13.0	12.4	0.6	4.8	12.8	0.2	1.6
Significant expense items	0.7	4.9	(4.2)	(85.7)	-	0.7	-
Total expenses	170.4	158.0	12.4	7.8	151.7	18.7	12.3
Expenses to income	68.3%	65.2%	3.1%	4.8	69.6%	(1.3%)	(1.9)
Expenses to average assets	2.4%	2.3%	0.1%	4.3	2.5%	(0.1%)	(4.0)
Expenses to average assets-incl managed funds	2.1%	2.0%	0.1%	5.0	2.1%	-	-
Number of staff (full-time equivalent)	2,300	2,214	86	3.9	2,158	142	6.6
Staff & related costs to income	34.5%	32.9%	1.6%	4.9	35.5%	(1.0%)	(2.8)

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

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

Comments on individual expense categories are:

Staff and related costs increased 9% 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 142 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. The Oxford Funding acquisition in April 2005 increased FTE at December 2005 by 48 when compared to the corresponding period.

Occupancy costs increased by 13%, reflecting increased property rental costs. The sale and lease-back of regional head offices in Ipswich and Geelong and higher lease rentals associated with the consolidation of Melbourne business units into Docklands has increased costs when compared to the previous corresponding period.

Information technology costs increased by 17%, predominantly reflecting increased computer line and software costs flowing from growth in the network and upgrade of systems.

Amortisation of intangibles includes intangible software assets amortisation of $1.0 million and intangible assets amortisation relating to the Oxford Funding acquisition of $0.8 million. Intangibles amortisation increased 260%, or $1.3 million, due to an increase in amortisation of intangible software of $0.5 and a $0.8 million increase in the amortisation of the acquisition related intangibles.

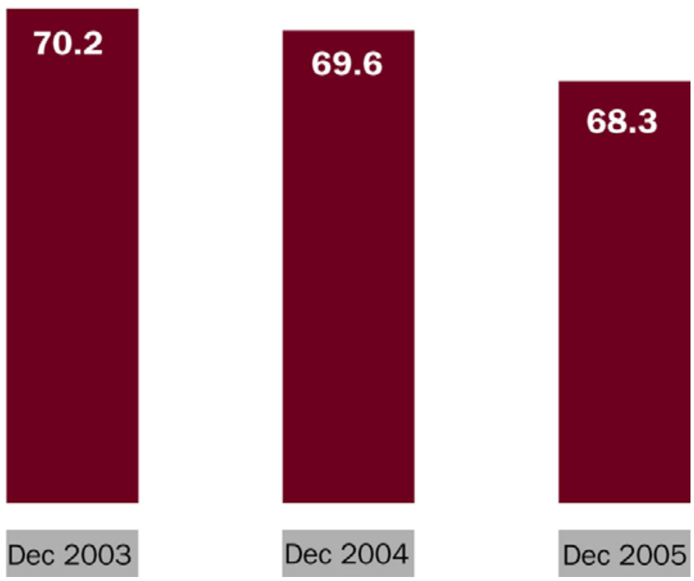
Communications, postage and stationery increased 14% due to increases in stationery, freight, telephone and postage costs reflecting increased business and network growth.

Advertising and promotion increased 35% reflecting a new brand advertising campaign and increased promotional activity.

Other product & services delivery costs have increased 14% predominantly to increased ATM costs including cash delivery and Eftpos costs. This reflects the growth in these delivery channels, with income also showing an increase when compared to the corresponding period.

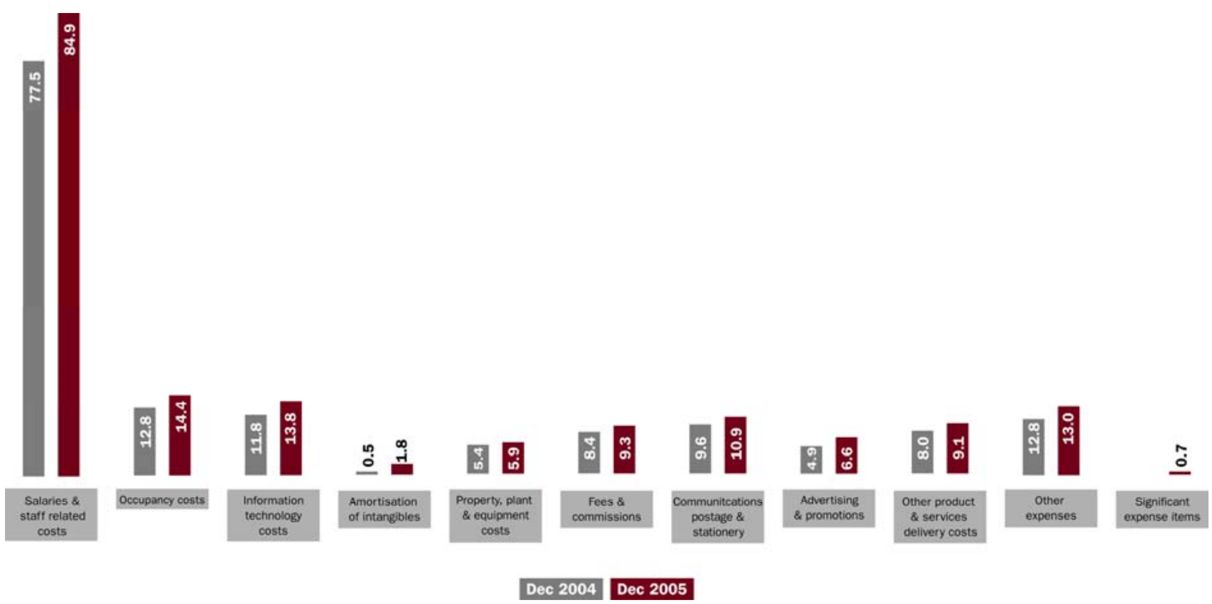
Significant expense item for 2005 is the costs associated with the relocation of our Melbourne-based staff to a new building at Docklands.

Efficiency Ratio - Expenses/Income
%



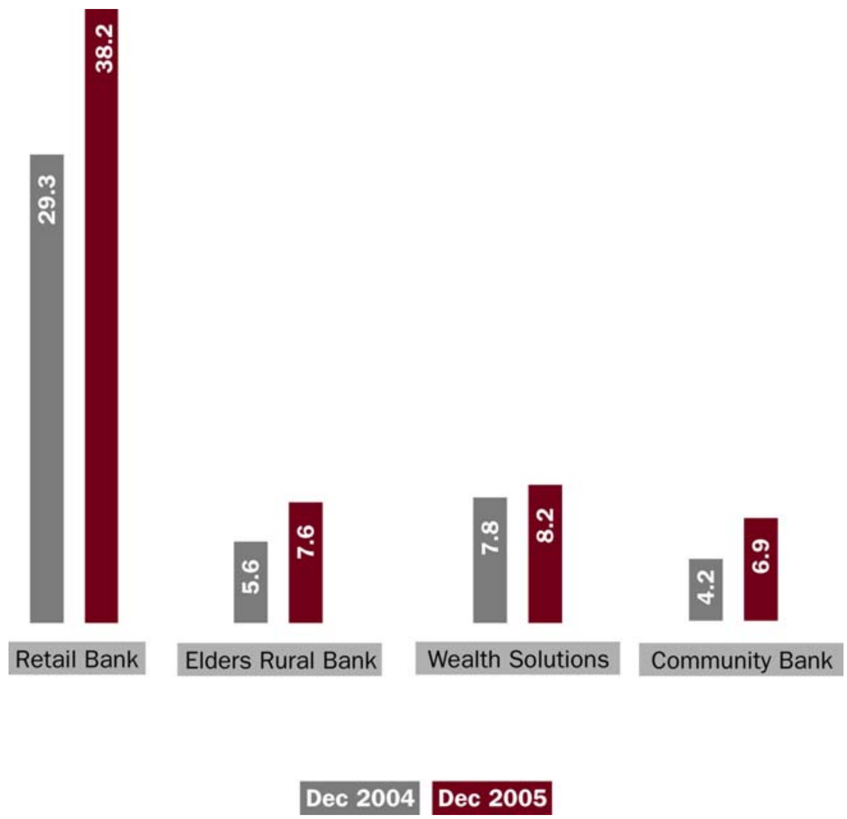
Expenses used in the above ratios is expenses less significant expense items and intangibles/goodwill amortisation. Income used in the above ratios is income less significant income items.

Operating expenses
A$ Millions



2.4.5 Segment results

Profit contribution
$ Million



The chart displays key segment results as disclosed in segment reporting on pages 70 and 72. Corporate support and elimination deductions of $7.7 million (2005) and $2.0 million (2004) are included in the group's profit after tax.

The profit contributions reflect the inclusion of net interest margin on securitised loans which have been bought back on balance sheet as a result of the introduction of AIFRS effective 1 July 2004.

From 1 July 2005 the profit contributions of the segments no longer include a general provision expense. Increases to the general reserve for credit losses are an appropriation of profit not allocated to the segments. The general provision expense for the 6 months to December 2004 was Retail $2.5 million and Community Bank $0.5 million after tax.

The result for Elders Rural Bank (equity accounted share of profits) for the 6 months to December 2004 includes a general provision expense of $0.6 million after tax. From 1 July 2005 there is no general provision expense as increases to the general reserve for credit losses are appropriations of profit after tax.

2.4.6 Lending

	Dec-05	Jun-05	Increase/(Decrease) Value	%	Dec-04	Increase/(Decrease) Value	%
	$m	$m	$m		$m	$m	
Approvals - by security							
Residential	1,983.5	2,171.3	(187.8)	(8.6)	1,993.0	(9.5)	(0.5)
Non-residential	1,131.4	919.7	211.7	23.0	993.8	137.6	13.8
Total approvals	3,114.9	3,091.0	23.9	0.8	2,986.8	128.1	4.3
Gross loan balance - by security							
Residential	8,795.5	8,629.2	166.3	1.9	8,270.7	524.8	6.3
Non-residential	2,588.4	2,383.0	205.4	8.6	2,148.3	440.1	20.5
Unsecured	547.3	490.6	56.7	11.6	473.4	73.9	15.6
Total gross loan balance	11,931.2	11,502.8	428.4	3.7	10,892.4	1,038.8	9.5
Gross loan balance - by purpose							
Residential	7,462.0	7,293.5	168.5	2.3	7,035.3	426.7	6.1
Consumer	2,300.9	2,292.0	8.9	0.4	2,182.2	118.7	5.4
Commercial	2,168.3	1,917.3	251.0	13.1	1,674.9	493.4	29.5
Total gross loan balance	11,931.2	11,502.8	428.4	3.7	10,892.4	1,038.8	9.5
Loans under management (gross balance)							
On-balance sheet	11,529.6	11,021.3	508.3	4.6	10,318.2	1,211.4	11.7
On-balance sheet - securitised (previously off-bal)	401.6	481.5	(79.9)	(16.6)	574.2	(172.6)	(30.1)
STL Common Funds	1,480.7	1,335.9	144.8	10.8	1,235.4	245.3	19.9
Total Group loans under management	13,411.9	12,838.7	573.2	4.5	12,127.8	1,284.1	10.6

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.

Property & business services	944.2	899.5	44.7	5.0	814.2	130.0	16.0
Retail trade	367.3	306.8	60.5	19.7	252.7	114.6	45.4
Agriculture, forestry & fishing	242.9	237.1	5.8	2.4	220.9	22.0	10.0
Construction	165.6	157.5	8.1	5.1	136.7	28.9	21.1
Accom, cafes & restaurants	125.7	109.6	16.1	14.7	98.8	26.9	27.2
Manufacturing	95.6	88.5	7.1	8.0	86.0	9.6	11.2
Transport & storage	75.1	68.7	6.4	9.3	74.8	0.3	0.4
Health & community services	70.0	64.9	5.1	7.9	65.8	4.2	6.4
Wholesale trade	65.6	53.1	12.5	23.5	48.2	17.4	36.1
Cultural & recreational services	41.3	42.4	(1.1)	(2.6)	40.9	0.4	1.0
Finance & insurance	40.1	38.3	1.8	4.7	37.2	2.9	7.8
Personal & other services	27.2	24.9	2.3	9.2	27.2	-	0.0
Communication services	15.0	20.0	(5.0)	(25.0)	20.2	(5.2)	(25.7)
Other	98.7	106.5	(7.8)	(7.3)	129.2	(30.5)	(23.6)
	2,374.3	2,217.8	156.5	7.1	2,052.8	321.5	15.7

2.4.7 *Asset quality*

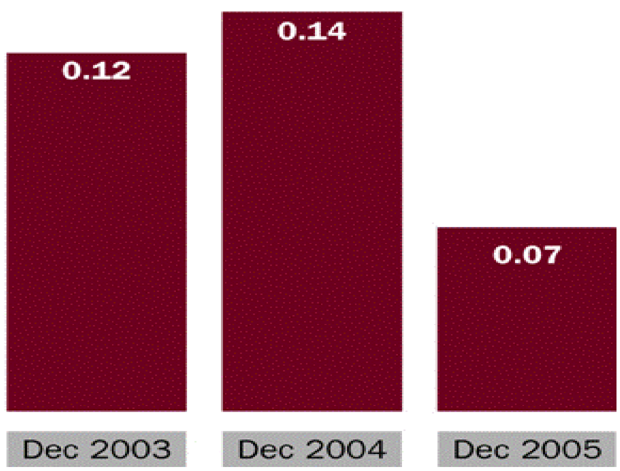
	Dec-05	Jun-05	Increase/(Decrease) Value	Increase/(Decrease) %	Dec-04	Increase/(Decrease) Value	Increase/(Decrease) %
	$m	$m	$m		$m	$m	
Non-accrual assets -							
Part-performing	0.9	1.6	(0.7)	(43.8)	1.6	(0.7)	(43.8)
Non-performing	9.6	15.1	(5.5)	(36.4)	16.1	(6.5)	(40.4)
Total non-accrual assets	10.5	16.7	(6.2)	(37.1)	17.7	(7.2)	(40.7)
Less: Specific provisions	(8.8)	(8.6)	(0.2)	2.3	(8.9)	0.1	(1.1)
Net impaired assets	1.7	8.1	(6.4)	(79.0)	8.8	(7.1)	(80.7)
Gross non-accrual to gross loans	0.09%	0.15%	(0.06%)	(40.0)	0.16%	(0.07%)	(43.8)
Gross impaired assets to total assets	0.07%	0.12%	(0.05%)	(40.0)	0.14%	(0.06%)	(46.7)
Net impaired to gross loans	0.01%	0.07%	(0.06%)	(85.7)	0.08%	(0.07%)	(87.5)
Provision coverage	530.0%	413.0%	117%	28.3	376.0%	154.0%	41.0

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

Past due 90 days							
Well secured	57.1	55.2	1.9	3.4	54.9	2.2	4.0
Portfolio facilities (not well secured)	1.9	1.5	0.4	26.7	1.6	0.3	18.8

Loans past due 90 days - well secured includes $8.6 million (Jun 05: $11.8 million, Dec 04: $14.7 million) of loans due to their review 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-05	Jun-05	Increase/(Decrease)		Dec-04	Increase/(Decrease)	
	$m	$m	Value $m	%	$m	Value $m	%
Bad debts expense	0.1	0.2	(0.1)	(50.0)	(0.1)	0.2	(200.0)
Prov'n doubtful debts - expense	2.3	5.2	(2.9)	(55.8)	8.8	(6.5)	(73.9)
Prov'n doubtful debts - specific	8.9	8.6	0.3	3.5	8.9	-	0.0
Prov'n doubtful debts - collective	8.0	-	8.0	-	-	8.0	-
Prov'n d'ful debts - general/gen res credit losses	38.8	60.3	(21.5)	(35.7)	57.7	(18.9)	(32.8)
Provisions/reserve doubtful debts - total	55.7	68.9	(13.2)	(19.2)	66.6	(10.9)	(16.4)
Loan write-offs (annualised) to average assets	0.03%	0.06%	(0.03%)	(50.0)	0.06%	(0.03%)	(50.0)
Total provisions/reserve for doubtful debts to gross loans	0.47%	0.60%	(0.13%)	(21.7)	0.61%	(0.14%)	(23.0)
Collective provision (tax effected) & GRCL to risk-weighted assets	0.55%	0.55%	-	-	0.56%	(0.01%)	(1.8)

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

	Dec-05	Jun-05	Movement
Specific provisions	8.9	8.6	0.3
Collective provision	8.0	-	8.0
General reserve for credit losses (Jun 05: General provision for d'ful debts)	38.8	60.3	(21.5)
Total balance in provisions for doubtful debts/general reserve for credit losses	55.7	68.9	(13.2)

The general provision value of $60.3 million as at June 2005 was applied to the following components on transition into AIFRS on 1 July 2005:

Creation of general reserve for credit losses	36.9
Creation of collective provision	7.7
Write-back of deferred tax balance not applicable to GRCL under AIFRS	15.7
	60.3

The total movement for the half in provisions of ($13.2 million) would otherwise be an increase of $2.5 million after allowing for the write-back of the deferred tax balance of $15.7 million.

The movement in provisions comprise:

	Specific	Collective	Gen res cr losses	Total
Balance at June	8.6	-	-	8.6
AIFRS transition adjustments - 1 July 2005	0.5	7.7	36.8	45.0
Bad and doubtful debts expense to profit and loss	2.1	0.3	-	2.4
Bad debts written off	(2.3)	-	-	(2.3)
Appropriation of movement in general reserve for credit losses	-	-	2.0	2.0
Balance at December	8.9	8.0	38.8	55.7

Note there is a rounding adjustment of $0.1 million in the GRCL transition amount

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

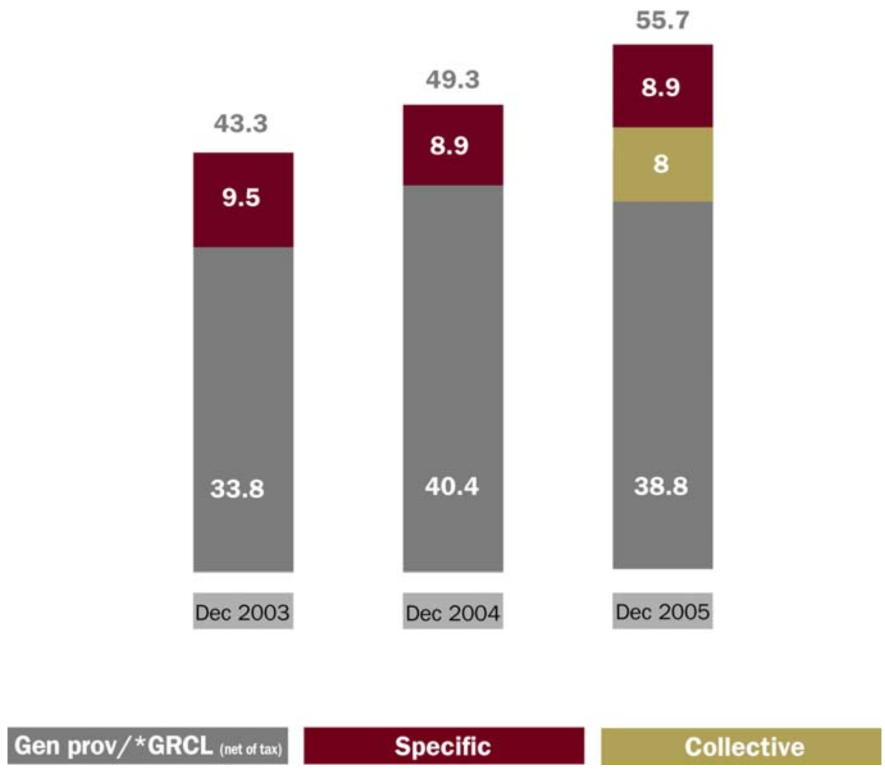
Bad debts previously provided for	2.2
Other bad debts	0.1
	2.3

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.

On transition to AIFRS, adjustments were made against the 1 July 2005 opening balance of retained earnings to:
- increase specific provisions, predominantly due to the discounting of future cash flows when assessing potential loan losses.
- establishment of a collective provision

Bendigo Bank

Total Provisions and Reserves for Doubtful Debts
$mil



The above chart shows the balance of the general provision/general reserve for credit losses (GRCL) on the same basis for comparative purposes. The balance of the general provision in Dec 2004 - $57.7 million and Dec 2003 - $48.3 million reflects the numbers in the chart above gross of tax impact.

2.4.9 Deposits

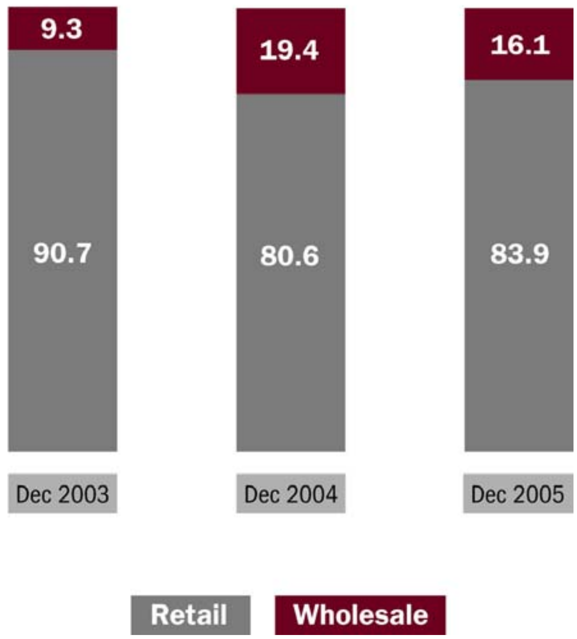
2.4.9.1 Deposits and Funds under Management

	Dec-05	Jun-05	Increase/(Decrease) Value	Increase/(Decrease) %	Dec-04	Increase/(Decrease) Value	Increase/(Decrease) %
	$m	$m	$m		$m	$m	
Deposits and funds under management							
Deposits	13,108.8	12,572.2	536.6	4.3	11,952.8	1,156.0	9.7
Managed funds-Trustee Coy	2,951.9	2,709.6	242.3	8.9	2,567.8	384.1	15.0
Total deposits and funds under management	16,060.7	15,281.8	778.9	5.1	14,520.6	1,540.1	10.6
Retail deposits and funds under management							
Retail deposits	10,994.7	10,043.2	951.5	9.5	9,629.6	1,365.1	14.2
Managed funds-Trustee Coy	2,951.9	2,709.6	242.3	8.9	2,567.8	384.1	15.0
Retail deposits and funds under management	13,946.6	12,752.8	1,193.8	9.4	12,197.4	1,749.2	14.3
Deposits dissection: - $m							
Retail	10,994.7	10,043.2	951.5	9.5	9,629.6	1,365.1	14.2
Wholesale - domestic	1,203.2	1,386.3	(183.1)	(13.2)	1,568.9	(365.7)	(23.3)
Wholesale - offshore	910.9	1,142.7	(231.8)	(20.3)	754.3	156.6	20.8
Total deposits	13,108.8	12,572.2	536.6	4.3	11,952.8	1,156.0	9.7
Deposits dissection - %							
Retail	83.9%	79.9%	4.0%	5.0	80.6%	3.3%	4.1
Wholesale - domestic	9.2%	11.0%	(1.8%)	(16.4)	13.1%	(3.9%)	(29.8)
Wholesale - offshore	6.9%	9.1%	(2.2%)	(24.2)	6.3%	0.6%	9.5
Total deposits	100.0%	100.0%	-	-	100.0%	-	-
Managed funds dissection							
Common Funds	1,929.6	1,731.8	197.8	11.4	1,637.3	292.3	17.9
Investment and superannuation funds	1,022.3	977.8	44.5	4.6	930.5	91.8	9.9
Total managed funds	2,951.9	2,709.6	242.3	8.9	2,567.8	384.1	15.0

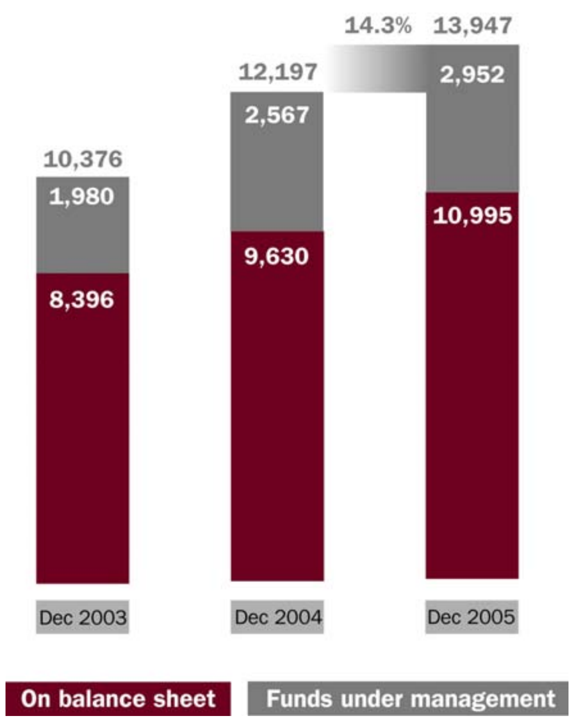
Managed funds include those funds deposited in the Sandhurst Trustees Limited Common Funds, which are invested in cash and mortgage investments on behalf of the investors. These funds are off-balance sheet.
Investment and superannuation funds are funds deposited for investment in managed investment and superannuation funds. The management of these portfolios is outsourced by Sandhurst Trustees Limited.

Under AIFRS we are required to consolidate the assets and liabilities of special purpose entities. Commencing 1 July 2004 the borrowings of the securitisation trusts have been included in the category Wholesale - domestic.

Funding Mix
%



Retail deposits and Funds under management
$m

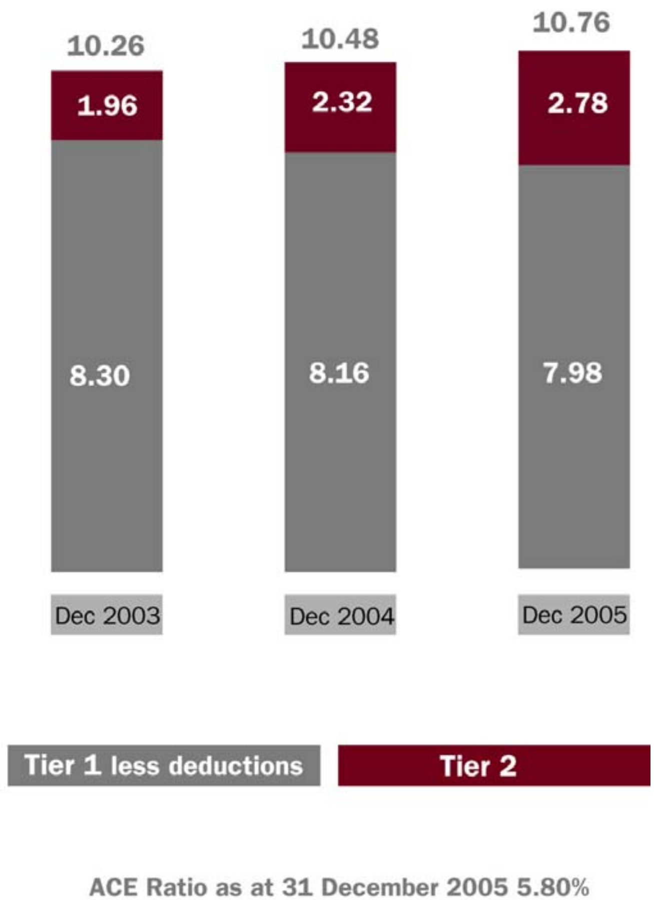


Growth in retail deposits continued during the period, increasing by $1.0 billion, funding the achieved loan growth of $0.4 billion. Retail funding now represents 84% of total deposits (2004: 81%).

2.4.10 Capital and shareholder returns

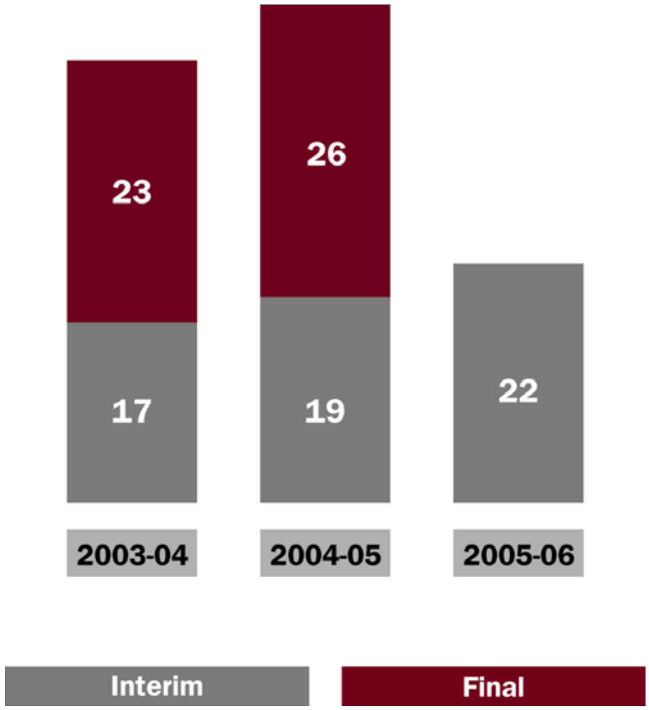
2.4.10.1 Capital Adequacy

Capital adequacy
%



Capital adequacy is calculated in accordance with regulations set down by APRA. APRA has stated that it intends to amend the regulations in response to the implementation of AIFRS with effect from 1 July 2006. Therefore, capital adequacy calculations continue to be made under previous AGAAP for the 2005/06 financial year.

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 $75.5 million after allowing for the interim 2006 dividend.

The dividend pay-out ratio for the half-year for profit available for distribution to ordinary shareholders before significant items is 61.7%, or 60.0% after significant items.

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 ten 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 ten 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 2006 interim dividend is 3 March 2006.

2.4.10.2 Shareholder returns

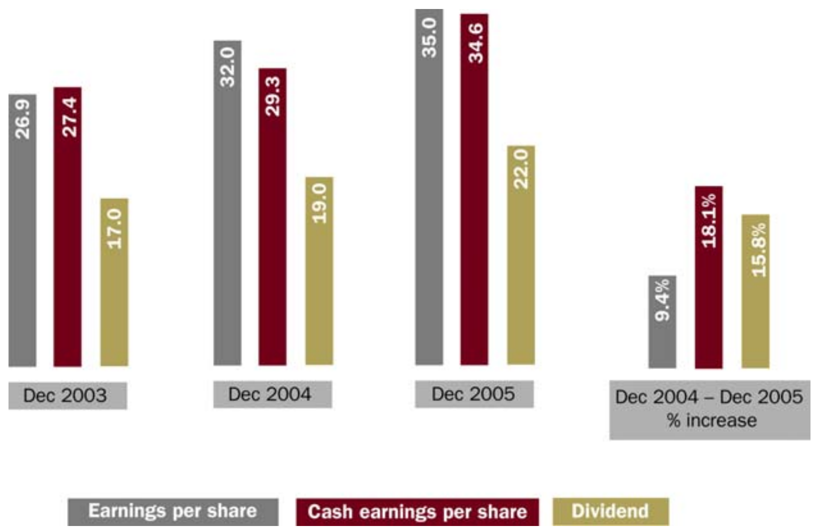
	Dec-05	Jun-05	Increase/(Decrease) Value	Increase/(Decrease) %	Dec-04	Increase/(Decrease) Value	Increase/(Decrease) %
	$m	$m	$m		$m	$m	
Earnings per ordinary share (weighted average)-cents	35.0	35.3	(0.3)	(0.8)	32.0	3.0	9.4
Cash basis earnings per ordinary share (weighted average)-cents	34.6	36.2	(1.6)	(4.4)	29.3	5.3	18.1
Diluted earnings per ordinary share (weighted average)-cents	35.0	35.3	(0.3)	(0.8)	32.0	3.0	9.4
Weighted average number of shares used in EPS calculations - 000's	139,624	140,638	(1,014)	(0.7)	140,142	(518)	(0.4)
After tax return on average ordinary equity	13.90%	14.74%	(0.84%)	(5.7)	13.34%	0.56%	4.2
After tax before significant items return on average ordinary equity	13.53%	15.01%	(1.48%)	(9.9)	12.18%	1.35%	11.1
Cash basis return on average ordinary equity	13.76%	15.09%	(1.33%)	(8.8)	12.18%	1.58%	13.0
After tax return on average assets	0.75%	0.74%	0.01%	1.4	0.74%	0.01%	1.4
After tax before significant items return on average assets	0.73%	0.75%	(0.02%)	(2.7)	0.67%	0.06%	9.0

Profitability ratios use half-year results which have been annualised by multiplying the numerator by 2.
Earnings used in earnings per ordinary share is profit available for distribution to ordinary shareholders including significant items.
Cash earnings used in cash basis earnings per ordinary share is net profit available to shareholders excluding significant items after tax and intangibles amortisation (except intangible software amortisation).
Ordinary equity for use in these ratios is net assets less preference shares, general reserves 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 2005 half-year, balance sheet items are as at end of June 2005.

	Dec-05	Jun-05	Increase/(Decrease) Value	Increase/(Decrease) %	Dec-04	Increase/(Decrease) Value	Increase/(Decrease) %
Dividend per share - cents	22.0	26.0	(4.0)	(15.4)	19.0	3.0	15.8
Dividend amount payable - $m	29.3	34.3	(5.0)	(14.6)	25.3	4.0	15.8
Payout ratio	60.0%	69.0%	(9.0%)	(13.0)	56.3%	3.7%	6.6
Payout ratio - before significant items	61.7%	67.8%	(6.1%)	(9.0)	61.7%	0.0%	0.0

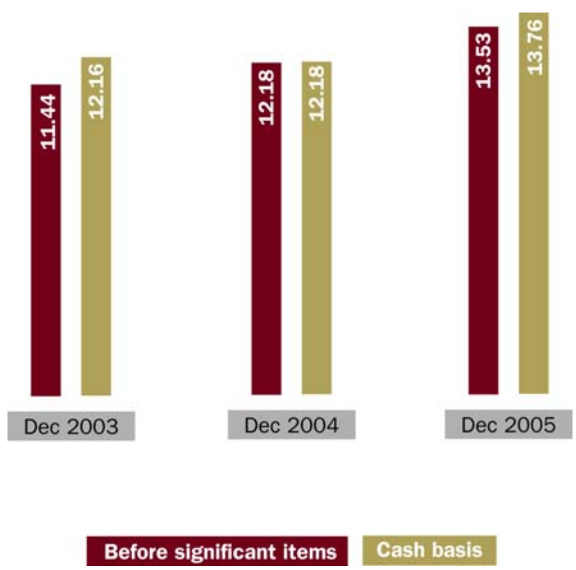
Payout ratio is calculated as dividend amount payable divided by the profit available for distribution to ordinary shareholders.

Earnings per ordinary share
cents



Earnings per ordinary share increased by 3.0 cents (9%) to 35.0 cents for the half year. Cash basis earnings per share was 34.6 cents, an increase of 5.3 cents, or 18% over 2004. The strong earnings per ordinary share growth enabled directors to lift the interim dividend 3.0 cents to 22.0 cents per share. This represents a payout ratio of 60.0% on profit available to ordinary shareholders or 61.7% on profit available to ordinary shareholders before significant items.

Return on ordinary equity
%



Return on average ordinary equity before significant items increased to 13.53% from 12.18% in the previous corresponding period, representing an 11% increase. Cash basis return on average ordinary equity was 13.76% compared to 12.18% in 2004.

2.5 Additional notes

2.5.1 New branch growth

Gross loan balance growth - new branches

	No. of new branches	Loan bal held $m	Loan growth for the period $m	%
Dec 05 half-year				
New branches	49	296.5	94.9	47
Jun 05 half-year				
New branches	41	167.1	82.6	98
Dec 04 half-year				
New branches	46	229.8	98.1	75

Number of new branches represents the number of branches opened in the 18 months prior to reporting date.

Each period is discreet, including growth relating to only those branches opened in the 18 month period prior to the reporting date. Each period includes some new branches not included in the previous period and excludes some branches that were categorised as new in the previous period.

Loan balances held indicates the total gross loan balances held by those branches categorised as new for that period as at the end of the period.

Loan growth for the period measures the growth in balances over the six month period ending December, or the twelve month period ending June, for the new branches.

Deposits growth - new branches

	No. of new branches	Deposits held $m	Deposit growth for the period $m	%
Dec 05 half-year				
New branches	49	362.4	155.9	76
Jun 05 half-year				
New branches	41	235.2	82.9	54
Dec 04 half-year				
New branches	46	327.1	122.1	60

Number of new branches represents the number of branches opened in the 18 months prior to reporting date.

Each period is discreet, including growth relating to only those branches opened in the 18 month period prior to the reporting date. Each period includes some new branches not included in the previous period and excludes some branches that were categorised as new in the previous period.

Deposit balances held indicates the total deposit balances held by those branches categorised as new for that period as at the end of the period.

Deposit growth for the period measures the growth in balances over the six months period ending December, or the twelve month period ending June, for the new branches.

2.5.2 Analysis of intangible assets

	Balance sheet - carrying value	Half year amortisation expense		
	$m	$m		
	Dec-05	Dec-05	Jun-05	Dec-04
Goodwill	67.3	-	-	-
Trustee licence	8.4	-	-	-
Software (internally developed)	4.9	1.0	0.7	0.5
Customer list	3.4	0.8	0.3	-
Totals	84.0	1.8	1.0	0.5

2.5.3 Assets and capital

	Dec-05	Jun-05	Increase/(Decrease) Value	%	Dec-04	Increase/(Decrease) Value	%
	$m	$m	$m		$m	$m	
Group assets	14,525.6	13,858.6	667.0	4.8	13,039.0	1,486.6	11.4
Capital adequacy							
Total qualifying capital	862.6	795.2	67.4	8.5	761.8	100.8	13.2
Risk-weighted assets	8,013.9	7,655.1	358.8	4.7	7,267.7	746.2	10.3
Risk-weighted capital adequacy	10.76%	10.39%	0.37%	3.6	10.48%	0.28%	2.7
- Tier 1	7.98%	8.01%	(0.03%)	(0.4)	8.16%	(0.18%)	(2.2)
- Tier 2	2.78%	2.38%	0.40%	16.8	2.32%	0.46%	19.8
Net tangible assets per fully paid share	$4.57	$4.25	$0.32	7.5	$4.32	$0.25	5.8
No. of fully paid shares on issue - 000's	140,142	139,107	1,035	0.7	141,015	(873)	(0.6)
Total Equity	813.2	720.7	92.5	12.8	670.2	143.0	21.3

Total group assets rose by $0.7 billion during the reporting period, or 5%, and by $1.5 billion, or 11%, for the calendar year.

Risk weighted assets increased by 5% and the group's capital base was up by 9% to $863 million during the reporting period. The group continues to be strongly capitalised with tier one ratio at 7.98% and tier two of 2.78%.

2.5.4 Investments accounted for using the equity method

Name	**Ownership interest held by consolidated entity 2005 %**	**2004 %**	**Balance date**
Elders Rural Bank Ltd	50.0	50.0	31 December
Tasmanian Banking Services Ltd	50.0	50.0	31 December
Community Sector Enterprises Pty Ltd	50.0	50.0	31 December
BSX Group Holdings Ltd	-	49.8	31 December
Homesafe Solutions Pty Ltd	50.0	50.0	31 December
Caroline Springs Fin Services Pty Ltd	50.0	-	31 December
Silver Body Corp Fin Services Pty Ltd	50.0	-	31 December
Community Telco Australia Pty Ltd	50.0	90.0	31 December

(i) Principal activities of associated companies
Elders Rural Bank Ltd – bank
Tasmanian Banking Services Ltd – financial services
Community Sector Enterprises Pty Ltd – financial services
BSX Group Holdings Ltd – financial services
Homesafe Solutions Pty Ltd – financial services
Caroline Springs Fin Services Pty Ltd – financial services
Silver Body Corp Fin Services Pty Ltd – financial services
Community Telco Australia Pty Ltd – financial services

	December 2005 $m	**December 2004 $m**
(ii) Share of associates' profits:		
Profit before income tax	9.3	8.5
Income tax expense attributable to profit	(3.5)	(2.6)
Profit after income tax	5.8	5.9
Share of associates' profit after income tax:		
Elders Rural Bank Ltd	7.6	5.6
Tasmanian Banking Services Ltd	0.4	0.4
Community Sector Enterprises Pty Ltd	-	0.1
BSX Group Holdings Ltd	-	(0.1)
Homesafe Solutions Pty Ltd	(0.2)	(0.1)
Caroline Springs Financial Services Pty Ltd	(0.1)	-
Silver Body Corporate Financial Services Pty Ltd	-	-
Community Telco Australia Pty Ltd	(1.9)	-
	5.8	5.9

The above 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 is 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 6 months to December 2005 of $13.2 million. The interim result represented an increase of 17% on the corresponding result of $11.3 million in the same period last year and reflected growth in all areas of its business with a 9% growth in customers to over 51,000 customers. Loans under management grew by 26% to reach $2.47 billion, when compared with the prior December period of $1.96 billion. Retail deposits were $2.38 billion, 13% higher than the previous corresponding period. Net non-performing loans as a percentage of gross loans under management stands at 0.36%. Bendigo Bank retains a 50% interest in this entity.

Tasmanian Banking Services Ltd is a joint venture between Bendigo Bank and Tasmanian Perpetual Trustees providing banking services in Tasmania. Launched in 2000, there are now seven branches managing banking business totalling $539 million, representing growth of $29 million over the past six months.

Community Sector Enterprises Pty Ltd was launched in July 2002. Community Sector Enterprises is a joint venture between the Bank and 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 management company responsible for the development, marketing and management of a new product (Bendigo Homesafe Equity Release) launched during 2005. The product enables aged home-owners to access the equity in their homes in a secure and cost efficient manner. Homesafe Solutions Pty Ltd is licensed to sell the product under the Bendigo Bank name, and manages the trust established to provide funding for the 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, which opened in June 2005.

Community Telco Australia Pty Ltd (CTA) was previously a consolidated subsidiary of the bank until August 2005. At that time the bank's ownership interest in CTA was diluted to 50% following the issue of additional shares to AAPT. The bank has de-consolidated its share of the accumulated losses of CTA. The losses figure in the above chart represent the bank's share of CTA accumulated losses for the period May 2002 to December 2005.

BSX Group Holdings Ltd is the holding company of Bendigo Stock Exchange Limited (BSX). The investment was sold to NSX Limited in April 2005 following the merger of Newcastle Stock Exchange and BSX. Equity accounting was ceased at that time.

2.5.5 Credit Ratings

	Short Term	**Long Term**	**Outlook**
Standard & Poor's	A2	BBB+	Stable
Fitch Ratings	F2	BBB+	Stable
as at February 2006			

On 17 January 2006, Fitch Ratings, the international ratings agency affirmed Bendigo Bank's long term rating at BBB+ with a stable outlook.

Fitch cited "The ratings of Bendigo Bank reflect its solid capitalisation and sound asset quality whilst taking into account its small size and concentration in Australia's residential mortgage market."

In February 2005, Standard and Poor's Ratings Services raised its counterparty credit ratings for Bendigo Bank from 'BBB' to 'BBB+' and affirmed the short-term rating at 'A2'. The outlook was revised from positive to stable.

"The ratings upgrade reflects Standard and Poor's view that Bendigo has transitioned into a stronger, more diversified institution, with sustained business growth, profitability, and sound credit quality evidenced over a number of reporting periods up to 31 December 2004".

2.5.6 Issued capital

Changes to issued and quoted securities during the period

Ordinary shares	**$m**
139,106,669 fully paid ordinary shares at beginning of financial year	546.3
September 2005 – 866,908 shares issued at $11.07 under Dividend Reinvestment Plan	9.6
September 2005 – 168,244 shares issued at $11.07 under Bonus Share Scheme (in lieu of dividend payment)	-
140,141,821 fully paid ordinary shares at December 2005	555.9

Preference shares	**$m**
900,000 preference shares of $100 face value (partly paid to $50) at beginning of financial year	43.0
Shares issued/paid during period	-
900,000 preference shares (partly paid to $50) at December 2005	43.0
Total issued capital	598.9

Bendigo Bank

ABN 11 068 049 178

Half Year Financial Report

For the period ending

31 December 2005

Information contained in this report should be read in conjunction with the June 2005 annual financial report.

3 Statutory half-year financial report

3.1 Directors' Report

Your Directors submit their report for the half-year ended 31 December 2005.

3.1.1 Directors

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

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

3.1.2 Review of operations

The Group recorded strong growth in revenues and profits during the half year.

Profit after tax increased by 18.5% to $53.2 million when compared with the half-year ended 31 December 2004. This result included significant income and expense items that contributed $1.3 million after tax (2004: $3.9 million). Profit after tax before significant items was $51.9 million, a 27% increase over 2004.

Profit before tax increased by 20% to $75.0 million. This result included significant income and expense items that contributed $1.1 million (2004: $5.5 million). Profit before tax and significant items was $73.9 million, an increase of 29% over the half year ended 31 December 2004.

Group assets increased 5%, or $0.7 billion during the half year. Group assets at 31 December 2005 were $14.5 billion.

The total capital adequacy ratio increased during the half from 10.39% to 10.76%. Tier one capital decreased during the half year from 8.01% to 7.98% with Tier two capital increasing from 2.38% to 2.78%.

Fully franked dividends paid on preference shares during the half year:
A dividend of 90.80 cents per share was paid on 15 September 2005.
A dividend of 62.19 cents per share was paid on 15 December 2005.

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

A final dividend of 26.0 cents per share was paid on 30 September 2005 in respect of the year ended 30 June 2005.

An interim dividend of 22.0 cents per share has been declared and will be payable on 31 March 2006.

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 2005, 866,908 shares were allotted at an issue price of $11.07 to those shareholders participating in the Dividend Reinvestment Plan, increasing share capital by $9.6 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.

On 24 January 2006 the bank announced a planned new payments processing joint venture. Bendigo Bank Limited and Customers Limited have entered into a non-binding heads of agreement to pursue the opportunity to build an independent payment processing business. Under the heads of agreement, the project will be undertaken through a proposed joint venture company, Strategic Payments Services Pty Limited.

3.1.5 Rounding of amounts

The amounts contained in this report and in the financial statements have been rounded off to the nearest $'00,000 (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.

3.1.6 Independence of auditor

The Bank's audit committee has conducted an assessment of the independence of the external auditor for the period ended 31 December 2005. 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 2005. 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 2005, 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.

Brett Kallio
Partner
13 February 2006

Ernst & Young

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

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

R. A. Guy OAM, Chairman
Bendigo
13 February 2006

Bendigo Bank

3.2 Condensed income statement
For the half-year ended 31 December 2005

	Notes	Consolidated	
Continuing Operations		2005	2004
Income		$m	$m
Net interest income			
Interest income		427.6	370.6
Interest expense		277.6	232.8
Sub-total - net interest income		150.0	137.8
Securitisaton interest income		18.3	23.2
Securitisaton interest expense		16.2	20.0
Securitisation net interest income		2.1	3.2
Total interest income		445.9	393.8
Total interest expense		293.8	252.8
Total net interest income		152.1	141.0
Other income			
Dividends		1.4	0.9
Fees		54.8	47.6
Commissions		20.0	17.8
Other		8.3	6.9
Total other income		84.5	73.2
Share of associates' net profits (losses)		11.0	8.5
Total income after interest expense		247.6	222.7
Expenses			
Bad and doubtful debts		2.2	8.4
Other expenses			
Staff and related costs		84.9	77.5
Occupancy costs		14.4	12.8
Information technology costs		13.8	11.8
Amortisation of intangibles		1.8	0.5
Fees and commissions		9.3	8.4
Other		46.2	40.7
Total expenses		170.4	151.7
Profit before income tax expense		75.0	62.6
Income tax expense		(21.7)	(17.9)
Net profit		53.3	44.7
Net (profit)/loss attributable to minority interest		(0.1)	0.2
Net profit attributable to members of Bendigo Bank Limited		53.2	44.9
Basic earnings per ordinary share (cents per share)	*3.8*	35.0	32.0
Diluted earnings per ordinary share (cents per share)	*3.8*	35.0	32.0
Cash basis earnings per ordinary share (cents per share)	*3.8*	34.6	29.3
Franked dividends per share (cents per share)	*3.7*	22.0	19.0

3.3 Condensed balance sheet
As at 31 December 2005

	Notes	Consolidated As at 31-Dec-05 $m	As at 30-Jun-05 $m	As at 31-Dec-04 $m
Assets				
Cash and cash equivalents		290.7	253.1	196.6
Due from other financial institutions		62.7	188.9	51.4
Financial assets held to maturity		1,535.2	1,570.1	1,613.4
Financial assets available for sale (2005: Share investments)		354.0	42.5	24.3
Loans and other receivables		11,873.1	11,392.4	10,788.3
Derivatives		19.5	3.1	0.6
Investments in associates and joint ventures using the equity method		127.1	118.1	110.1
Property, plant & equipment		67.8	52.8	60.9
Deferred tax assets		20.7	35.8	34.3
Other financial assets		90.8	116.7	97.3
Intangible assets		84.0	85.1	61.8
Total Assets		14,525.6	13,858.6	13,039.0
Liabilities				
Due to other financial institutions		68.2	143.3	54.7
Deposits		13,108.8	12,572.2	11,952.8
Derivatives		27.5	6.2	2.9
Financial liabilities		150.3	111.4	79.9
Income tax payable		4.9	8.3	6.3
Provisions		33.0	32.0	28.5
Subordinated debt - at amortised cost		307.1	262.1	239.4
Deferred tax liabilities		12.6	2.4	4.3
Total Liabilities		13,712.4	13,137.9	12,368.8
Net Assets		813.2	720.7	670.2
Equity				
Parent entity interest				
Issued capital	*3.11*	598.9	589.3	565.4
ESOP shares		(27.5)	(30.0)	(32.4)
Other reserves		64.9	4.0	6.5
Other reserves - associates		5.8	-	-
Retained earnings		171.7	157.8	131.1
Total parent entity interest in equity		813.8	721.1	670.6
Total minority interest		(0.6)	(0.4)	(0.4)
Total Equity		813.2	720.7	670.2

3.4 Condensed cash flow statement For the half-year ended 31 December 2005

	Consolidated 2005 $m	Consolidated 2004 $m
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and fees received	439.9	387.5
Borrowing costs paid	(264.0)	(254.9)
Receipts from customers (excluding interest)	81.1	66.5
Payments to suppliers and employees	(133.1)	(170.0)
Dividends received	9.8	6.2
Income taxes paid	(21.6)	(20.1)
Net cash flows from operating activities	112.1	15.2
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash flows for purchases of property, plant and equipment	(17.1)	(13.3)
Cash proceeds from sale of property, plant and equipment	8.4	0.5
Cash paid for purchases of equity investments	(1.1)	(9.0)
Cash proceeds from sale of equity investments	0.3	10.0
Net increase in balance of loans outstanding	(408.3)	(760.5)
Net increase in balance of investment securities	(245.5)	(394.1)
Net cash increase on derecongition of a subsidiary	0.7	-
Net cash recognised on consolidation of securitisation trusts	-	41.7
Net cash flows used in investing activities	(662.6)	(1,124.7)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in balance of retail deposits	931.5	572.2
Net (decrease)/increase in balance of wholesale deposits	(415.8)	523.4
Proceeds from issue of subordinated debt	75.0	40.0
Repayment of subordinated debt	(30.1)	-
Dividends paid	(26.1)	(19.0)
Repayment of ESOP shares	2.5	-
Net cash flows from financing activities	537.0	1,116.6
Net increase/(decrease) in cash held	(13.5)	7.1
Add cash at the beginning of the financial period	298.7	186.2
Cash at the end of the half year	285.4	193.3

NOTES TO THE CONDENSED STATEMENT OF CASH FLOWS

Reconciliation of cash

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

	2005	2004
Cash and liquid assets	290.7	196.6
Due from other financial institutions	62.7	51.4
Due to other financial institutions	(68.2)	(54.7)
Other (rounding)	0.2	-
Cash at the end of the half year	285.4	193.3

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

- Net increase in balance of loans outstanding
- Net increase in balance of investment securities
- Net increase in balance of retail deposits
- Net increase in balance of wholesale deposits

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

3.5 Statement of changes in equity

	Attributable to equity holders of Bendigo Bank Limited						Minority interest	Total equity
	Issued capital	ESOP shares	Perpetual non-cum redeem conv pref shares	Retained earnings	Other reserves	Total		
	$m	$m	$m	$m	$m	$m	$m	$m
CONSOLIDATED								
At 1 July 2004								
Opening balance b/fwd	551.6	-	-	116.1	6.6	674.3	(0.2)	674.1
AIFRS opening bal adjustments -								
ESOP shares	-	(31.4)	-	-	-	(31.4)	-	(31.4)
Adjusted opening balance	551.6	(31.4)	-	116.1	6.6	642.9	(0.2)	642.7
Tax effect of asset reval reserve	-	-	-	-	(0.1)	(0.1)	-	(0.1)
Total income and expense for the year recognised directly in equity	-	-	-	-	(0.1)	(0.1)	-	(0.1)
Profit for the half-year	-	-	-	44.9	-	44.9	(0.2)	44.7
Total income/(expense) for the year	-	-	-	44.9	(0.1)	44.8	(0.2)	44.6
Issue of share capital	13.8	-	-	-	-	13.8	-	13.8
Increase in ESOP shares	-	(1.0)	-	-	-	(1.0)	-	(1.0)
Equity dividends	-	-	-	(29.9)	-	(29.9)	-	(29.9)
At 31 December 2004	565.4	(32.4)	-	131.1	6.5	670.6	(0.4)	670.2
At 1 January 2005	565.4	(32.4)	-	131.1	6.5	670.6	(0.4)	670.2
Transfer from asset reval reserve	-	-	-	2.3	(2.3)	-	-	-
Tax effect of asset reval reserve	-	-	-	-	(0.2)	(0.2)	-	(0.2)
Total income and expense for the year recognised directly in equity	-	-	-	2.3	(2.5)	(0.2)	-	(0.2)
Profit for the half-year	-	-	-	49.7	-	49.7	-	49.7
Total income/(expense) for the year	-	-	-	52.0	(2.5)	49.5	-	49.5
Issue of share capital	7.9	-	43.0	-	-	50.9	-	50.9
Share buy-back	(27.0)	-	-	-	-	(27.0)	-	(27.0)
Reduction in ESOP shares	-	2.4	-	-	-	2.4	-	2.4
Equity dividends	-	-	-	(25.3)	-	(25.3)	-	(25.3)
At 30 June 2005	546.3 -	30.0	43.0	157.8	4.0	721.1	(0.4)	720.7
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 bal adjustments -								
Adj carrying value-share invests	-	-	-	-	25.5	25.5	-	25.5
Tax effect-adj carry value of shares	-	-	-	-	(7.5)	(7.5)	-	(7.5)
Discounting of specific provns	-	-	-	(0.4)	-	(0.4)	-	(0.4)
Fair value adjusts	-	-	-	0.1	-	0.1	-	0.1
Establish general reserve for credit losses (GRCL) - group	-	-	-	-	36.9	36.9	-	36.9
Establish GRCL - associates	-	-	-	-	4.8	4.8	-	4.8
Increase in specific loan provns	-	-	-	(0.4)	-	(0.4)	-	(0.4)
Adjusted opening balance	546.3	(30.0)	43.0	157.1	63.7	780.1	(0.4)	779.7
Movement in general reserve for credit losses (GRCL)	-	-	-	(2.0)	2.0	-	-	-
After tax increase in asset reval res	-	-	-	-	4.0	4.0	-	4.0
Movement in GRCL-associates	-	-	-	(1.0)	1.0	-	-	-
Total income and expense for the year recognised directly in equity	-	-	-	(3.0)	7.0	4.0	-	4.0
Profit for the half-year	-		-	53.2	-	53.2	0.1	53.3
Total income/(expense) for the year	-	-	-	50.2	7.0	57.2	0.1	57.3
Issue of share capital	9.6	-	-	-	-	9.6	-	9.6
Elim of minority int - share capital	-	-	-	-	-	-	(0.3)	(0.3)
Reduction in ESOP shares	-	2.5	-	-	-	2.5	-	2.5
Equity dividends	-		-	(35.6)	-	(35.6)	-	(35.6)
At 31 December 2005	555.9	(27.5)	43.0	171.7	70.7	813.8	(0.6)	813.2

3.6 Notes to and forming part of the financial statements

3.6.1 Basis of preparation of the half-year financial report

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 2005, which was prepared based on Australian Accounting Standards applicable before 1 January 2005 (AGAAP), together with any public announcements made by Bendigo Bank Limited and its controlled entities during the half-year ended 31 December 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

3.6.2 Basis of accounting

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”, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), Corporations Act 2001 and the requirements of law so far as they are applicable to Australian banking corporations.

The half-year financial report has been prepared in accordance with the historical cost convention, except for investment properties, land and buildings, derivative financial instruments and available-for-sale financial assets which are measured at their fair value. The carrying value of recognised assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged through the income statement or at amortised cost where appropriate.

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

This interim financial report is the first Bendigo Bank Limited interim financial report to be prepared in accordance with Australian Equivalents to IFRS (“AIFRS”). AASB1 “First Time Adoption of Australian Equivalents to IFRS” has been applied in preparing these financial statements.

The financial statements until 1 July 2005 had been prepared in accordance with previous Australian Accounting Standards and UIG Abstracts (“AGAAP”), which differ in certain respects from AIFRS. In preparing the Group’s interim financial report for the half-year ended 31 December 2005, management have amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statements to comply with AIFRS.

a) AASB 1 Transitional exemptions

The group has made its election in relation to the transitional exemptions allowed by AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards" as follows:

Business combinations
AASB 3 "Business Combinations" was not applied retrospectively to past business combinations (ie. business combinations that occurred before 1 July 2004).

Designation of previously recognised financial instruments
Financial instruments were designated as financial assets or liabilities at fair value through profit or loss or as available-for-sale at 1 July 2005.

Exemption for the requirement to restate comparative information for AASB 132 and AASB 139
The group has elected to adopt the exemption and has applied AASB 132 "Financial Instruments: Presentation and Disclosure" and AASB 139 "Financial Instruments: Recognition and Measurement" from 1 July 2005. Comparative information for the financial period commencing 1 July 2004 in relation to financial instruments is in accordance to previous AGAAP and has not been restated.

a) Reconciliations and descriptions of transition impacts

Reconciliations and descriptions of the impact of transition from previous AGAAP to AIFRS are provided in Note 3.17 – Impact of Adoption of AIFRS.

c) Changes in accounting policies

The accounting policies are consistent with those applied in the previous financial year and corresponding interim period, with the exception of changes resulting from the adoption of AIFRS. Where an accounting policy has been changed as a result of the adoption of AIFRS, the AIFRS compliant policy is set out in section 3.6.4 below.

3.6.3 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).

This is the first half-year financial report prepared based on AIFRS and comparatives for the half-year ended 31 December 2004 and full-year ended 30 June 2005 have been restated accordingly except for the adoption of AASB 132 and AASB 139, as the group has adopted the exemption under AASB 1 to apply these standards from 1 July 2005.

Reconciliations of:
- AIFRS equity as at 1 July 2004, 31 December 2004 and 30 June 2005; and
- AIFRS profit for the half-year 31 December 2004, full year 30 June 2005 and half-year 30 June 2005, to the balances reported in the 31 December 2004 and half-year report and 30 June 2005 full-year financial report prepared under AGAAP are detailed in note 3.18.

3.6.4 Summary of significant accounting policies

3.6.4.1 Basis of consolidation

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

A controlled entity is any entity (including special purpose entities) over which Bendigo Bank Limited has the power to govern directly or indirectly decision-making in relation to financial and operating policies, so as to require that entity to conform with the objectives of Bendigo Bank Limited.

Controlled entities prepare financial reports for consolidation in conformity with group accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The financial statements of controlled entities are prepared for the same reporting period as the parent company.

All inter-company balances and transactions between entities in the economic entity have been eliminated on consolidation. Where a controlled entity has been sold or acquired during the year its operating results have been included to the date control ceased or from the date control was obtained.

Minority interests represent the interests of Community Exchanges Australia Limited and Community Telco Australia Limited (until August 2005), not held by the group.

3.6.4.2 Securitisations

Securitised positions are held through a number of Special Purpose Entities (“SPEs”). As the Bank is exposed to the majority of the residual risk associated with these SPEs, their underlying assets, liabilities, revenues and expenses are reported in the Bank’s consolidated balance sheet and income statement.

3.6.4.3 Trustee and funds management activities

Controlled entities of the Bank act as the Trustee and/or Manager for a number of funds. The assets and liabilities of these funds are not included in the consolidated financial statements. The parent entity does not have direct or indirect control of the funds as defined by Accounting Standard AASB 127 " Consolidated and Separate Financial Statements". Commissions and fees generated by the funds management activities are brought to account when earned.

3.6.4.4 Investments in associates and joint ventures using the equity method

The group's investment in associates is accounted for under the equity method of accounting in the consolidated financial statements. These are entities in which the group has significant influence and which is neither a subsidiary nor a joint venture. The financial statements of associates are used by the group to apply the equity method. The reporting dates of the associates and the group are identical and both use consistent accounting policies.

The investments in the associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the group's share of the results of operations of the associates, less any impairment in value. The income statement reflects the share of the results of operations of the associates.

Where there have been changes recognised directly in the associates' equity, the group recognises its share of any changes and discloses this, when applicable in the consolidated statement of changes in equity.

3.6.4.5 Foreign currency transactions and balances

Both the functional and presentation currency of Bendigo Bank Limited and its subsidiaries is Australian dollars (AUD). Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling on the date of the transaction.

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

3.6.4.6 Property, plant & equipment

Cost and valuation
Plant and equipment is measured at cost less accumulated depreciation and any impairment in value. Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Asset category	**Years 2005**	**Years 2004**
Freehold buildings	40	40
Leasehold improvements	3 – 10	3
Office furniture & equipment	5	5
Computer hardware	3	3
Computer software (purchased)	2.5	2.5
Motor vehicles	5	5

Impairment
On transition to AIFRS, management identified cash generating units and applicable impairment indicators in accordance with AASB 136 "Impairment of Assets".

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or applicable cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised in the income statement.

Revaluations
Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market-based evidence, which is the amount which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus. In addition, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Upon disposal, any revaluation reserve relating to the particular asset being disposed is transferred to retained earnings.

Valuations are performed every three years (or more often if circumstances require) ensuring that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

3.6.4.7 Intangibles assets - goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at date of acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

On transition to AIFRS, management identified cash generating units and applicable impairment indicators in accordance with AASB 136 "Impairment of Assets".

Goodwill with respect to business combinations completed prior to 1 July 2004 has been allocated to identified cash generating units expected to benefit from the synergies of the combination. Impairment testing was performed by management on transition to AIFRS, resulting in some impairment of goodwill not previously recognised under AGAAP. Impairment losses on transition have been recognised in retained earnings at 1 July 2004.

For business combinations after 1 July 2004 any goodwill acquired is allocated to each of the cash generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates.

Where the recoverable amount of the cash generating unit is less than the carrying amount, which includes the allocated goodwill, an impairment loss is recognised in the income statement.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash generating unit retained.

3.6.4.8 Intangibles assets - other

Acquired both separately and from a business combination

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition.

Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the income statement. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles, annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

The only intangible asset with an indefinite life currently carried by the group is the trustee licence relating to Sandhurst Trustees Limited.

Research and development costs

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is carried forward when it is probable the future economic benefits attributable to the asset will flow to the group.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Any expenditure carried forward is amortised over the period of expected future sales from the related project or expected useful life.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting period indicating that the carrying value may not be recoverable.

A summary of the policies applied to the group's intangible assets is as follows:

	Trustee Licence	**Development costs**	**Acquired in business combination**
Useful lives	Indefinite	Finite	Finite
Method used	Not amortised or revalued	Usually not in excess of 5 years – straight line (major core banking systems – 7 years)	Amortised to reflect period and pattern of economic benefits
Internally generated/acquired	Acquired	Internally generated	Acquired
Impairment test/ recoverable amount testing	Annually and where an indicator of impairment exists	Amortisation method reviewed annually; review annually for indicators of impairment	Annually and where an indicator of impairment exists

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement where the asset is derecognised.

3.6.4.9 Recoverable amounts of assets

At each reporting date, the group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash flows that are largely independent of those from other assets or group of assets, in which case, the recoverable amount is determined for the cash generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3.6.4.10 Classification of financial instruments

From 1 July 2004 to 30 June 2005

The group has applied previous AGAAP in the comparative information on financial assets within the scope of AASB 132 and AASB 139. Under AGAAP, measurement of financial instruments is at amortised cost and market value, with certain derivatives not recognised on balance sheet.
Financial instruments are classified under the previous AGAAP as follows:

Loans & receivables -	measured at amortised cost
Held to maturity -	measured at amortised cost
Held for trading -	measured at amortised cost
Available for sale (share investments) -	measured at deemed cost
Non-trading liabilities -	measured at amortised cost

Transition 1 July 2005

The nature of adjustments to comply with AASB 132 and 139 are the classification of available for sale, held to maturity and financial assets at fair value through profit or loss.

At the date of transition, any changes to carrying amounts were recognised directly in retained earnings. Under AIFRS, all derivatives are recorded at fair value in the balance sheet.

Financial instruments are classified into one of five categories, which determines the accounting treatment of the financial instrument.

The classifications are:

Loans & receivables -	measured at amortised cost, except hedged loans which are measured at fair value with changes in fair value charged to the income statement
Held to maturity -	measured at amortised cost
Held for trading -	measured at fair value with changes in fair value charged to the income statement
Available for sale -	measured at fair value with changes in fair value taken to equity
Non-trading liabilities -	measured at amortised cost

All derivative contracts are recorded at fair value in the balance sheet.

3.6.4.11 Financial assets and financial liabilities (treasury funding)

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement. The group currently does not have any investments held for trading.

Gains or losses on available-for-sale investments are recognised as a separate component in equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Treasury financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity where the group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Investments that are intended to be held to maturity are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

Treasury financial liabilities

All treasury funding instruments are initially recognised at cost, being the fair value of the consideration given and including charges associated with the issue of the instrument. They are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For liabilities carried at amortised cost, gains and losses are recognised in income when the instruments are derecognised. Treasury funding instruments that are hedged are treated in accordance with the accounting policy for hedges.

Funding instruments that are issued in currencies other than AUD and are not part of an effective hedge relationship are accounted for at amortised cost. These transactions are restated to AUD equivalents each month with adjustments taken directly to income. The group does not currently have any such transactions, as all liabilities denominated in foreign currencies are hedged.

Equity investments

Investment securities available for sale consist of securities that are not actively traded by the economic entity.

Fair value of quoted investments in active markets are based on current bid prices. If the relevant market is not considered active (or the securities are unlisted), the economic entity establishes fair value by using valuation techniques, including recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Purchases and sales of financial assets and liabilities that require delivery of assets/securities within the time frame, and generally established by regulation or convention in the market place are recognised on the settlement date ie. the date that the group receives or pays the principal sum.

3.6.4.12 Asset quality – loans and receivables

Loans and receivables are carried at amortised cost, using the effective interest method. The effective interest rate calculation includes the contractual terms of loan together with all fees, transaction costs and other premiums or discounts.

Loan provisioning

From 1 July 2004 to 30 June 2005

All loans are kept under continuous management review and provisions made for all identified doubtful debts as and when they arise.

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

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

(a) accounts in default past due 90 to 180 days - 10% of account balance is provided; and
(b) accounts in default past due over 180 days - 100% of account balance is provided.

In addition, a general provision is maintained to cover doubtful debts which are not yet identified. The level of the general provision is determined having regard to asset growth, economic conditions, the level of risk weighted assets and other general risk factors.

Adjustment on transition 1 July 2005

On transition to AIFRS on 1 July 2005, the general provision of $60.3m ($42.3m tax-effected) has been reversed to retained earnings and a collective impairment provision of $7.7m ($5.4m tax-effected) has been recognised in the balance sheet. A general reserve for credit losses has also been recognised of $36.9m.

From 1 July 2005

All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired.

Impairment loss is measured as the difference between the loan's carrying amount and the value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate.

Impairment losses are recognised in the income statement.

A specific provision is made for all identified impaired loans and is recognised when there is reasonable doubt over the collectability of principal and interest in accordance with the loan agreement. All bad debts are written off against the specific provision in the period in which they are classified as not recoverable.

The provision is determined by specific identification and by estimation of expected losses in relation to loan portfolios where specific identification is impractical, based on historical impairment experience for these portfolios. These portfolios include unsecured credit cards, overdrawn accounts and personal loans, unsecured mortgage loans (property realisation shortfalls) where provisions are calculated based on historical loss experience.

Where individual loans are found not to be impaired they are grouped together according to their risk characteristics and are then assessed for impairment. Based on historical loss data and current available information for assets with similar risk characteristics, the appropriate collective provision is raised. Adjustments to the collective provisions are recognised as an expense in the income statement.

In addition a general reserve for credit losses is maintained to cover risks inherent in the loan porfolios. Movements in the general reserve for credit losses are recognised as an appropriation of retained earnings.

3.6.4.13 Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, short-term money market investments readily convertible into cash within 2 working days, net of outstanding overdrafts.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

3.6.4.14 Other financial liabilities

Liabilities for trade creditors and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Payables to related parties are carried at the principal amount.

Interest, when charged by the lender, is recognised as an expense on an accrual basis.

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

From 1 July 2005
Interest, when charged on payables to related parties, is recognised as an expense on an accrual basis using the effective interest method.

3.6.4.15 Reserve fund

The Trustee Companies Act 1984 requires that a reserve fund be maintained to provide for the event of the appointment of a liquidator, a receiver and manager or an administrator of a trustee company. In such an event, the monies in the reserve fund are available to be utilised in accordance with Section 39 (3) of the Trustee Companies Act 1984.

Sandhurst Trustees Limited complies with the Act by setting aside the value of at call investments and freehold property to the reserve fund.

3.6.4.16 Deposits

All deposits and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

3.6.4.17 Provisions

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

If the effect of the time value of money is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

3.6.4.18 Employee benefits

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

Liabilities for wages and salaries have been recognised and measured as the amount which the economic entity has a present obligation to pay, at balance date, in respect of employees' service up to that date. Liabilities have been calculated at nominal amounts based on wage and salary rates current at balance date and include related on-costs. Annual leave liabilities are accrued on the basis of full pro rata entitlement at their nominal amounts, being the amounts estimated to apply when the leave is paid. Sick leave liabilities have been calculated at balance date, after consideration of the economic entity's experience of employee departures. Directors' retirement provision is accrued on the basis of full pro rata entitlement as determined by the board, in accordance with the Corporations Act 2001. Directors' retirement provision accruals have ceased with effect 31 August 2005, due to the crystallisation of entitlements at that date as disclosed in the Bendigo Bank Limited Financial Report 30 June 2005.

Long Service Leave

Long service leave has been assessed at full pro rata entitlement in respect of all employees with more than five year's service. The amount provided meets the requirement of Accounting Standard AASB 119 "Employee Benefits", which requires the assessment of the likely number of employees that will ultimately be entitled to long service leave, the estimated salary rates that will apply when the leave is paid, discounted to take account of the time value of money.

Superannuation

Contributions are made to an employee accumulation superannuation fund and are charged to expenses when incurred.

3.6.4.19 Share based payments

In October 2005 the Bank announced that a review of the existing Employee Share Ownership Plan (ESOP) is currently underway. Following that review the Bank intends to discontinue the current plan in relation to new shares.

Shares issued under the current ESOP are deemed to have been issued under an employee share option. The value of the shares issued is included in issued capital at the issue price.

The unpaid portion of the issued shares, reflected in the outstanding balance of interest-free loans advanced to employees, is accounted for as ESOP shares. The outstanding loan value of the ESOP shares is deducted from equity in the balance sheet.

3.6.4.20 Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses over the period of the lease on a straight-line basis unless another systematic basis is more representative of the time pattern of the benefit.

The economic entity has no leases deemed to be finance leases where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities within the economic entity.

3.6.4.21 Revenue

From 1 July 2004 to 30 June 2005

Interest income, interest expense and fee income is brought to account on an accruals basis in the income statement.

From 1 July 2005

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

Interest, fees and commissions

Control of a right to receive consideration for the provision of, or investment in, assets has been attained. Interest, fee and commission revenue is brought to account on an accrual basis. Interest is accrued using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument.

Loan origination fees

Loan origination fees are amortised as a component of the calculation of the effective interest rate method in relation to originated loans. They therefore reduce the interest recognised in relation to this portfolio of loans.

The average life and interest recognition pattern of loans in the originated loan portfolio is reviewed annually to ensure the amortisation methodology is appropriate.

Loan origination fees will be amortised on a straight-line basis over the 3 year average life of loans in the portfolio, as the results of this method are not materially different from the results generated from the use of the effective interest method.

Unearned income

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

Dividends

Dividends are recognised when control of a right to receive consideration for the investment in assets is established.

3.6.4.22 Income tax

The income tax for the period is the tax payable on the current period's taxable income based on the national income tax rate, adjusted for changes in deferred tax assets and liabilities and unused tax losses.

The group has adopted the balance sheet liability method of tax effect accounting, which focuses on the tax effects of transactions and other events that affect amounts recognised in either the balance sheet or a tax-based balance sheet.

Deferred tax assets and liabilities are recognised for temporary differences, except where the deferred tax asset/liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

3.6.4.23 Goods and services tax (GST)

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

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

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

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the Cash Flow Statement on a gross basis, the GST component of cash flows arising from investing and financing activities, which are recoverable from or payable to the taxation authority are classified as operating cash flows.

3.6.4.24 Derecognition of financial instruments

The derecognition of a financial instrument takes place when the group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the case flows attributable to the instrument are passed through to an independent third party.

3.6.4.25 Derivative financial instruments

From 1 July 2004 to 30 June 2005

The Group uses derivative financial instruments to hedge its interest rate and foreign exchange risk. These derivatives are accounted for on the same basis as the underlying exposure. The premiums or periodic payments related to off-balance sheet financial instruments are amortised over the life of the instrument to match revenue arising from the hedged asset or liability.

Realised gains or losses are brought to account as and when they occur.

Interest rate swaps that are hedges of balance sheet positions are accounted for on an accruals basis. Interest receipts and payments made under these swaps are recognised in the income statement when they are receivable or due to be paid.

From 1 July 2005

The group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to fair value hedges (interest rate swaps) which meet the conditions for special hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the income statement.

Any gain or loss attributable to the hedged risk on remeasurement of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the income statement such that it is fully amortised by maturity.

In relation to cash flow hedges (forward currency contracts), to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

When the hedged firm commitment results in the recognition of an asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the year.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

3.6.4.26 Issued ordinary capital

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

3.6.4.27 Perpetual preference capital

Perpetual non-cumulative redeemable convertible preference capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of preference shares are recognised directly in equity as a reduction of the share proceeds received.

3.6.4.28 Earnings per ordinary share

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

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

costs of servicing equity (other than dividends), preference share dividends and movements in general reserve for credit losses; the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

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

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

after tax intangibles amortisation (except intangible software amortisation);
after tax significant income and expense items; and
costs of servicing equity (other than dividends), preference share dividends and movements in general reserve for credit losses;

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

3.6 Dividends paid or provided

	2005 $m	2004 $m
Ordinary shares		
Dividends paid during the half-year:		
Final dividend 2005 - 26.0 cents (Final dividend 2004 - 23.0 cents)	34.3	29.8
Dividends proposed since the reporting date, but not recognised as a liability:		
Interim dividend 2006 - 22.0 cents (Interim dividend 2005 - 19.0 cents)	29.3	25.3
Preference shares		
Dividends paid during the half-year:		
A dividend of 90.80 cents per share was paid on 15 September 2005 (2004: Nil)	0.8	-
A dividend of 62.19 cents per share was paid on 15 December 2005 (2004: Nil)	0.6	-

3.7 Earnings per ordinary share

	Half-year Dec-05 Cents per share	Half-year Jun-05 Cents per share	Half-year Dec-04 Cents per share
Basic earnings per ordinary share	35.0	35.3	32.0
Diluted earnings per ordinary share	35.0	35.3	32.0
Cash basis earnings per ordinary share	34.6	36.2	29.3
	$m	**$m**	**$m**
Reconciliation of earnings used in the calculation of basic earnings per ordinary share			
Profit for the half-year	53.3	49.6	44.7
(Profit)/loss attributable to minority interests	(0.1)	0.1	0.2
Distributions paid on preference shares	(1.4)	-	-
Movement in general reserve for credit losses	(2.0)	-	-
Movement in general reserve for credit losses - associates	(1.0)	-	-
	48.8	49.7	44.9
Reconciliation of earnings used in the calculation of diluted earnings per ordinary share			
Earnings used in calculating basic earnings per ordinary share	48.8	49.7	44.9
Other non-discretionary changes in earnings arising from dilutive potential	-	-	-
ordinary shares	48.8	49.7	44.9
Reconciliation of earnings used in the calculation of cash basis earnings per ordinary share			
Earnings used in calculating basic earnings per ordinary share	48.8	49.7	44.9
After tax intangibles amortisation (excluding amortisation of intangible software)	0.8	0.3	-
After tax significant income and expense items	(1.3)	0.9	(3.9)
	48.3	50.9	41.0
	No. of shares	**No. of shares**	**No. of shares**
Weighted ave no. of ordinary shares used in basic earnings per ordinary share	139,624,245	140,638,277	140,142,429

The above weighted average number of ordinary shares is also used in the calculation of diluted earnings per ordinary share as there are no dilutive potential ordinary shares.

3.8 Return on average ordinary equity

	Consolidated		
	Half-year Dec-05 %	Half-year Jun-05	Half-year Dec-04 %
Return on average ordinary equity	13.90	14.74	13.34
Pre-significant items return on average ordinary equity	13.53	15.01	12.18
Cash basis return on average ordinary equity	13.76	15.09	12.18

	$m	$m	$m
Reconciliation of earnings used in the calculation of return on average ordinary equity			
Profit for the half-year	53.3	49.6	44.7
(Profit)/loss attributable to minority interests	(0.1)	0.1	0.2
Distributions paid on preference shares	(1.4)	-	-
Movement in general reserve for credit losses	(2.0)	-	-
Movement in general reserve for credit losses - associates	(1.0)	-	-
Earnings used in calculation of return on average ordinary equity	48.8	49.7	44.9
After tax significant income and expense items	(1.3)	0.9	(3.9)
Earnings used in calculation of pre-significant items return on average ordinary equity	47.5	50.6	41.0
After tax intangibles amortisation (excluding amortisation of intangible software)	0.8	0.3	-
Earnings used in calculation of cash basis return on average ordinary equity	48.3	50.9	41.0

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

	As at 31 Dec 05 $m	As at 30 Jun 05 $m	As at 31 Dec 04 $m
Total equity	813.2	720.7	670.2
Preference share net capital	(43.0)	(43.0)	-
General reserve for credit losses	(38.8)	-	-
General reserve for credit losses - associates	(5.8)	-	-
Minority interest	0.6	0.4	0.4
Ordinary equity	726.2	678.1	670.6
Average ordinary equity	702.2	674.4	673.4

3.9 Net tangible assets per ordinary share

	As at Dec 05	As at Jun 05	As at Dec 04
Net tangible assets per ordinary share	$ 4.57	$ 4.25	$ 4.32

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

	$m	$m	$m
Net assets	813.2	720.7	670.2
Intangibles	(84.0)	(85.1)	(61.8)
Preference shares - face value	(45.0)	(45.0)	-
General reserve for credit losses	(38.8)	-	-
General reserve for credit losses - associates	(5.8)	-	-
Minority interest	0.6	0.4	0.4
Net tangible assets	640.2	591.0	608.8

Number of ordinary shares on issue at reporting date	140,141,821	139,106,669	141,015,473

3.10 Issued capital

	As at Dec 05 $m	As at Dec 04 $m
Issued and paid up capital		
Ordinary shares fully paid - 140,141,821 (2004: 141,015,473)	555.9	565.4
Preference shares of $100 face value partly paid to $50 - 900,000 (2004: Nil)	43.0	-
	598.9	565.4
Movements in ordinary shares on issue		
Opening balance 1 July - 139,106,669 (2004: 139,378,355)	546.3	551.6
Shares issued under:		
Bonus share scheme - 168,244 @ $11.07; (2004: 229,806 @ $9.74)	-	-
Dividend reinvestment plan - 866,908 @ $11.07; (2004: 1,107,312 @ $9.74)	9.6	10.8
Employee share ownership plan - Nil (2004: 300,000 @ $9.99)	-	3.0
Closing balance 31 December - 140,141,821 (2004: 141,015,473)	555.9	565.4
Movements in preference shares on issue		
Opening balance 1 July - 900,000 partly paid to $50 (2004: Nil)	43.0	-
Shares issued	-	-
Closing balance 31 December - 900,000 partly paid to $50 (2004: Nil)	43.0	-

3.11 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 liquid assets		199.6	1.4	1.39
Investment securities		1,671.8	48.2	5.72
Loans and other receivables - company	*2*	8,196.2	297.1	7.19
Loans and other receivables - alliances		2,995.7	99.6	6.60
		13,063.3	446.3	6.78
Securitisation interest earning assets	*5*	506.7	18.3	7.16
Total interest earning assets		13,570.0	464.6	6.79
Non interest earning assets				
Property, plant & equipment		58.6		
Provisions for doubtful debts		(24.6)		
Other assets		409.2		
		443.2		
Total assets (average balance)		14,013.2		
Interest bearing liabilities				
Deposits				
Retail - company		6,700.0	138.3	4.09
Retail - alliances		3,715.0	97.4	5.20
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	*5*	493.9	16.2	6.51
Total interest bearing liabilities		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				
Total interest earning assets		13,570.0	464.6	6.79
Total interest bearing liabilities		(12,987.4)	(312.5)	(4.77)
Total net interest income and interest spread	*3*		152.1	2.02
Total net interest margin	*4*			2.22

Impact of community bank/alliances profit share arrangements

Net interest margin before community bank/alliances share of net interest income	2.66
Less impact of community bank/alliances share of net interest income	0.44
Net interest margin	2.22

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 includes an adjustment for share of margin paid to Community Banks and other alliance partners.
3 Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.
4 Interest margin is the net interest income as a percentage of average interest earning assets.
5 The consolidation of securitisation trusts on adoption of AIFRS has the effect of recategorising securitisation income from "other income" under previous AGAAP to "net interest income" under AIFRS.

Average Balance Sheet and related interest
For the six month period ended 30 June 2005

	Note	Average Balance $m	Interest 6 mths $m	Average rate %
Average balances and rates	1			
Interest earning assets				
Cash and liquid assets		129.1	0.5	0.78
Investment securities		1,552.9	43.6	5.66
Loans and other receivables - company	2	8,004.5	284.5	7.17
Loans and other receivables - alliances		2,608.3	85.1	6.58
		12,294.8	413.7	6.79
Securitisation interest earning assets	5	663.1	24.4	7.42
Total interest earning assets		12,957.9	438.1	6.82
Non interest earning assets				
Property, plant & equipment		59.3		
Provisions for doubtful debts		(68.6)		
Other assets		337.8		
		328.5		
Total assets (average balance)		13,286.4		
Interest bearing liabilities				
Deposits				
Retail - company		6,467.9	127.5	3.98
Retail - alliances		3,231.4	82.6	5.15
Wholesale - domestic		831.0	24.0	5.82
Wholesale - offshore		908.6	27.2	6.04
Other borrowings				
Subordinated debt		268.4	9.3	6.99
		11,707.3	270.6	4.66
Securitisation interest bearing liabilities	5	647.8	22.4	6.97
Total interest bearing liabilities		12,355.1	293.0	4.78
Non interest bearing liabilities and equity				
Other liabilities		217.6		
Equity		713.7		
		931.3		
Total liabilities and equity		13,286.4		
Interest margin and interest spread				
Total interest earning assets		12,957.9	438.1	6.82
Total interest bearing liabilities		(12,355.1)	(293.0)	(4.78)
Total net interest income and interest spread	3		145.1	2.04
Total net interest margin	4			2.26

Impact of community bank/alliances profit share arrangements

Net interest margin before community bank/alliances share of net interest income	2.67
Less impact of community bank/alliances share of net interest income	0.41
Net interest margin	2.26

1 *Average balance is based on monthly closing balances from 31 December 2004 through 30 June 2005 inclusive, with the exception of Wholesale domestic which is based on a daily closing balance.*
2 *Interest includes an adjustment for share of margin paid to Community Banks and other alliance partners.*
3 *Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.*
4 *Interest margin is the net interest income as a percentage of average interest earning assets.*
5 *The consolidation of securitisation trusts on adoption of AIFRS has the effect of recategorising securitisation income from "other income" under previous AGAAP to "net interest income" under AIFRS.*

Average Balance Sheet and related interest
For the six month period ended 31 December 2004

	Note	Average Balance $m	Interest 6 mths $m	Average rate %
Average balances and rates	1			
Interest earning assets				
Cash and liquid assets		124.9	0.7	1.11
Investment securities		1,422.4	40.3	5.62
Loans and other receivables - company	2	7,668.9	271.3	7.02
Loans and other receivables - alliances		2,275.6	73.5	6.41
		11,491.8	385.8	6.66
Securitisation interest earning assets	5	707.3	23.2	6.51
Total interest earning assets		12,199.1	409.0	6.65
Non interest earning assets				
Property, plant & equipment		58.1		
Provisions for doubtful debts		(64.7)		
Other assets		298.3		
		291.7		
Total assets (average balance)		12,490.8		
Interest bearing liabilities				
Deposits				
Retail - company		6,288.4	123.5	3.90
Retail - alliances		2,934.1	74.6	5.04
Wholesale - domestic		812.0	22.8	5.57
Wholesale - offshore		647.3	19.3	5.91
Other borrowings				
Subordinated debt		225.0	7.8	6.88
		10,906.8	248.0	4.51
Securitisation interest bearing liabilities	5	690.5	20.0	5.75
Total interest bearing liabilities		11,597.3	268.0	4.58
Non interest bearing liabilities and equity				
Other liabilities		208.7		
Equity		684.8		
		893.5		
Total liabilities and equity		12,490.8		
Interest margin and interest spread				
Total interest earning assets		12,199.1	409.0	6.65
Total interest bearing liabilities		(11,597.3)	(268.0)	(4.58)
Total net interest income and interest spread	3		141.0	2.07
Total net interest margin	4			2.29

Impact of community bank/alliances profit share arrangements	
Net interest margin before community bank/alliances share of net interest income	2.68
Less impact of community bank/alliances share of net interest income	0.39
Net interest margin	2.29

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

3.12 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.

The group has reported under AIFRS for the financial year commencing 1 July 2005. APRA has stated that it intends to amend its prudential regulations in response to the implementation of AIFRS and that these changes will take effect on 1 July 2006. Therefore, capital adequacy calculations continue to be made under previous AGAAP for the 2005/06 financial year.

	Consolidated	
	Dec 2005	Jun 2005
	$m	$m
Risk weighted capital ratios		
Tier 1	7.98%	8.01%
Tier 2	2.78%	2.38%
Total capital ratio	**10.76%**	**10.39%**
Qualifying Capital		
Tier 1		
Contributed capital	598.9	589.3
Retained profits & reserves	146.8	128.1
Less,		
Intangible assets	80.3	79.0
Net future income tax benefit	14.4	14.2
Other adjustments as per APRA advice	11.6	11.4
Total Tier 1 capital	639.4	612.8
Tier 2		
General provision for doubtful debts	44.4	42.2
Subordinated debt	307.1	262.1
Asset revaluation reserves	3.2	3.0
	354.7	307.3
Less,		
Subsidiary investment residual	9.0	9.2
Total Tier 2 capital	345.7	298.1
Less,		
Investments in non-consolidated subsidiaries or associates and other bank's capital instruments	122.5	115.7
Total qualifying capital	862.6	795.2
Total risk weighted assets	**8,013.9**	**7,655.1**

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 2005	Jun 2005
	$m	$m
Adjusted Common Equity		
Tier 1 capital	639.4	612.8
Deduct:		
Preference share capital	43.0	43.0
Subsidiary investment residual	9.0	9.2
Investments in non-consolidated subsidiaries or associates and other banks' capital instruments	122.5	115.7
Total Adjusted Common Equity	464.9	444.9
Adjusted Common Equity ratio to risk weighted assets	**5.80%**	**5.81%**

3.13 Segment Reporting
31 December 2005

(a) Business segments

	Retail Banking	Community Banking	Wealth Solutions	J/Ventures, Alliances & Corp Supp't	Eliminations	Total
Income	$m	$m	$m	$m	$m	$m
Net interest income						
External interest income	322.8	80.1	7.9	35.1	-	445.9
External interest expense	(197.1)	(57.9)	(4.7)	(34.1)	-	(293.8)
Net interest income	125.7	22.2	3.2	1.0	-	152.1
Other income						
Other external income	51.6	13.5	19.4	-	-	84.5
Other intersegment income	0.3	-	1.2	9.5	(11.0)	-
Total other income	51.9	13.5	20.6	9.5	(11.0)	84.5
Share of net profit of equity accounted investments	-	(0.1)	-	11.1	-	11.0
Total segment income after interest expense						
External income after interest expense	177.3	35.6	22.6	12.1	-	247.6
Intersegment income after interest expense	0.3	-	1.2	9.5	(11.0)	-
Total income after interest expense	177.6	35.6	23.8	21.6	(11.0)	247.6
Results						
Segment result	73.0	18.8	12.6	(21.3)	(8.1)	75.0
Internal cost allocations	(18.4)	(8.9)	(0.9)	28.2	-	-
Consolidated entity profit from continuing operations before income tax expense	54.6	9.9	11.7	6.9	(8.1)	75.0
Income tax expense	(16.4)	(3.0)	(3.5)	1.2	-	(21.7)
Minority interests	-	-	-	(0.1)	-	(0.1)
Consolidated entity profit from continuing operations after income tax expense	38.2	6.9	8.2	8.0	(8.1)	53.2
Assets						
Segment assets	7,566.6	2,928.7	142.1	3,761.1	-	14,398.5
Originated and managed assets	935.0	218.6	792.2	-	(1,945.8)	-
Equity accounted assets	-	-	-	127.1	-	127.1
Total assets	8,501.6	3,147.3	934.3	3,888.2	(1,945.8)	14,525.6
Liabilities						
Segment liabilities	6,580.5	3,614.9	170.1	3,346.9	-	13,712.4
Funds under management	1,211.5	268.8	1,471.6	-	(2,951.9)	-
Total liabilities	7,792.0	3,883.7	1,641.7	3,346.9	(2,951.9)	13,712.4
Other segment information:						
Non-cash expenses						
Depreciation	6.2	0.3	0.1	0.5	-	7.1
Amortisation of intangibles	1.4	0.4	-	-	-	1.8
Non-cash expenses other than depreciation & amortisation	8.5	1.6	4.9	4.6	(8.7)	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.

Segment reporting
30 June 2005

(a) Business segments	Retail Banking	Community Banking	Wealth Solutions	J/Ventures, Alliances & Corp Supp't	Eliminations	Total
Income	$m	$m	$m	$m	$m	$m
Net interest income						
External interest income	309.6	68.2	7.6	35.7	-	421.1
External interest expense	(196.3)	(48.3)	(4.6)	(27.0)	-	(276.2)
Net interest income	113.3	19.9	3.0	8.7	-	144.9
Other income						
Other external income	44.2	13.1	19.2	2.8	-	79.3
Other intersegment income	2.0	(0.1)	0.1	6.2	(8.2)	-
Total other income	46.2	13.0	19.3	9.0	(8.2)	79.3
Share of net profit of equity accounted investments	-	(0.1)	-	11.9	-	11.8
Total segment income after interest expense						
External income after interest expense	157.5	32.9	22.2	23.4	-	236.0
Intersegment income after interest expense	2.0	(0.1)	0.1	6.2	(8.2)	-
Total income after interest expense	159.5	32.8	22.3	29.6	(8.2)	236.0
Results						
Segment result	63.1	18.8	12.3	(9.5)	(11.9)	72.8
Internal cost allocations	(16.1)	(8.7)	(0.5)	25.3	-	-
Consolidated entity profit from continuing operations before income tax expense	47.0	10.1	11.8	15.8	(11.9)	72.8
Income tax expense	(14.1)	(3.0)	(3.5)	(2.7)	-	(23.3)
Minority interests	-	-	-	0.1	-	0.1
Consolidated entity profit from continuing operations after income tax expense	32.9	7.1	8.3	13.2	(11.9)	49.6
Assets						
Segment assets	7,503.6	2,622.3	141.9	3,472.7	-	13,740.5
Originated and managed assets	953.6	171.4	750.2	-	(1,875.2)	-
Equity accounted assets	-	-	-	118.1	-	118.1
Total assets	8,457.2	2,793.7	892.1	3,590.8	(1,875.2)	13,858.6
Liabilities						
Segment liabilities	6,124.2	3,141.3	169.3	3,703.1	-	13,137.9
Funds under management	1,037.4	196.1	1,476.1	-	(2,709.6)	-
Total liabilities	7,161.6	3,337.4	1,645.4	3,703.1	(2,709.6)	13,137.9
Other segment information:						
Non-cash expenses						
Depreciation	6.0	0.3	0.2	0.3	-	6.8
Amortisation of intangibles	0.8	0.2	-	-	-	1.0
Non-cash expenses other than depreciation & amortisation	11.9	2.0	2.8	0.5	(5.9)	11.3
Acquisition of property, plant and equipment, intangible assets and other non-current assets	3.7	0.1	-	51.3	-	55.1

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 reporting
31 December 2004

(a) Business segments	**Retail Banking**	**Community Banking**	**Wealth Solutions**	**J/Ventures, Alliances & Corp Supp't**	**Eliminations**	**Total**
Income	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Net interest income						
External interest income	296.5	58.0	7.6	31.7	-	393.8
External interest expense	(182.0)	(40.7)	(4.6)	(25.5)	-	(252.8)
Net interest income	114.5	17.3	3.0	6.2	-	141.0
Other income						
Other external income	37.0	8.4	19.1	8.7	-	73.2
Other intersegment income	1.8	0.4	0.1	7.3	(9.6)	-
Total other income	38.8	8.8	19.2	16.0	(9.6)	73.2
Share of net profit of equity accounted investments	-	-	-	8.5	-	8.5
Total segment income after interest expense						
External income after interest expense	151.5	25.7	22.1	23.4	-	222.7
Intersegment income after interest expense	1.8	0.4	0.1	7.3	(9.6)	-
Total income after interest expense	153.3	26.1	22.2	30.7	(9.6)	222.7
Results						
Segment result	56.6	14.9	12.3	(14.8)	(6.4)	62.6
Internal cost allocations	(14.7)	(8.9)	(1.1)	24.7	-	-
Consolidated entity profit from continuing operations before income tax expense	41.9	6.0	11.2	9.9	(6.4)	62.6
Income tax expense	(12.6)	(1.8)	(3.4)	(0.1)	-	(17.9)
Minority interests	-	-	-	0.2	-	0.2
Consolidated entity profit from continuing operations after income tax expense	29.3	4.2	7.8	10.0	(6.4)	44.9
Assets						
Segment assets	7,317.9	2,305.8	139.2	3,166.0	-	12,928.9
Originated and managed assets	929.9	151.7	711.8	-	(1,793.4)	-
Equity accounted assets	-	-	-	110.1	-	110.1
Total assets	8,247.8	2,457.5	851.0	3,276.1	(1,793.4)	13,039.0
Liabilities						
Segment liabilities	5,895.9	2,906.6	181.1	3,385.2	-	12,368.8
Funds under management	982.9	168.7	1,416.2	-	(2,567.8)	-
Total liabilities	6,878.8	3,075.3	1,597.3	3,385.2	(2,567.8)	12,368.8
Other segment information:						
Non-cash expenses						
Depreciation	5.4	0.2	0.2	0.8	-	6.6
Amortisation of intangibles	0.5	-	-	-	-	0.5
Non-cash expenses other than depreciation & amortisation	14.8	1.9	3.2	1.2	(6.1)	15.0
Acquisition of property, plant and equipment, intangible assets and other non-current assets	8.2	0.4	0.2	13.5	-	22.3

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

(b) Geographical segments

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

Disclosure changes

From 1 July 2004, under AIFRS, the group is required to consolidate special purpose securitisation trusts. The report reflects the securitised loans and related items of revenue and expense in the segments in which they have been originated.
Segment assets now include the value of loans managed or originated by the segment under Originated and managed assets.
Segment liabilities now include funds that have been originated into the Common Funds and funds that are managed by the segment under Funds under management.

Descriptions of derived revenue by segment

Retail banking

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

Community banking

The group's share of interest predominantly derived from the provision of first mortgage housing 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 Corporate support

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

Eliminations

The elimination of intersegment transactions and balances, so that the total column represents the consolidated group.

3.14 Contingent assets and liabilities

	Consolidated	
Assets	2005	2004
There are no contingent assets at balance date.	$m	$m
Liabilities		
Guarantees		
The economic entity has issued guarantees on behalf of clients in the normal course of business	90.3	31.7
Other		
Documentary letters of credit	7.7	-

3.15 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, except that on 13 February 2006 the directors of Bendigo Bank Limited declared an interim dividend of 22.0 cents per ordinary share (fully-franked) in respect of the December 2005 half-year. The amount estimated to be appropriated in relation to this dividend is $29.3 million. The dividend has not been provided for in the 31 December 2005 half-year financial statements.

On 24 January 2006 the bank announced a planned new payments processing joint venture. Bendigo Bank Limited and Customers Limited have entered into a non-binding heads of agreement to pursue the opportunity to build an independent payment processing business. Under the heads of agreement, the project will be undertaken through a proposed joint venture company, Strategic Payments Services Pty Limited.

3.16 Impact of adoption of AIFRS

Explanation of transition

The group has prepared these financial statements using Australian Standards that are equivalent to International Financial Reporting Standards (“AIFRS"). As these financial statements are for the first half-year reported in accordance with AIFRS, it is necessary to explain how the transition from previous AGAAP to AIFRS affected the previously reported financial position, financial performance and cash flows since 30 June 2004 (ie. the balance sheets as at 30 June 2004, 31 December 2004 and 30 June 2005; and the income statements and cash flow statements for the half-year ended 31 December 2004 and for the financial year ended 30 June 2005).

In accordance with AIFRS, the comparative information has been restated using the new accounting standards from 1 July 2004, with the exception of AASB 132 “Financial Instruments: Presentation and Disclosure” and AASB 139 “Financial Instruments: Recognition and Measurement”. As permitted by the transitional provisions of AASB 1, management has elected not to apply these standards to the comparative information, and therefore apply them from 1 July 2005. Comparative information for financial instruments has been prepared on the basis of the economic entity's accounting policies under the previous AGAAP. The adjustments required on transition to AIFRS have been made retrospectively, with the majority being made against opening retained earnings, at the respective dates.

AIFRS has not changed the economics of the business, or the risks being carried, or affected the economic entity's ability to borrow funds or make dividend distributions.

Regulatory capital

Many of the changes impact the economic entity's assets and equity items that are included in the calculation of regulatory capital. The Australian Prudential Regulation Authority ("APRA") has advised that it will not finalise any AIFRS-related changes to the existing prudential framework until it has completed relevant consultations.

In late February 2005, APRA issued its first AIFRS consultation paper dealing with fair value measurement, loan impairment, hedging and certain other issues. Some of APRA's proposals either require further clarification or require consideration of additional aspects before becoming final. The Bank's initial review indicates most recommendations will not have a significant impact on the economic entity's regulatory capital. APRA has subsequently determined that any revisions to prudential standards as a result of AIFRS will first apply from 1 July 2006.

The more significant issue for the economic entity (ie. Tier 1 capital instruments and securitisations) have very recently been addressed by APRA in a second consultation paper. The Bank's initial review indicates the recommendations will not have a significant impact, as APRA have proposed de-coupling the regulatory capital treatments from the accounting treatments. In the interim, APRA-regulated institutions will need to continue to comply with, and report in terms of, current prudential standards unless an application is made for transitional reporting arrangements.

Reconciliations from previous AGAAP to AIFRS

The following pages contain detailed reconciliations from previous AGAAP to AIFRS in accordance with AASB 1. Notes to the reconciliations are provided to explain the reason and impact of the changes on transition to AIFRS.

3.17 Consolidated Income Statement reconciliations
for periods during the 2004/05 financial year

		Half-year to 31 December 2004 $m			Half-year to 30 June 2005 $m		
Note	**Income statement item**	**Previous AGAAP**	**Transition impact**	**AIFRS**	**Previous AGAAP**	**Transition impact**	**AIFRS**
	Income						
	Net interest income						
(a) (l)	Interest income	370.6	23.2	393.8	396.8	24.4	421.2
(a)	Interest expense	232.8	20.0	252.8	253.8	22.4	276.2
	Net interest income	137.8	3.2	141.0	143.0	2.0	145.0
	Other income						
	Dividends	0.9	-	0.9	0.7	-	0.7
	Fees						
	- asset products	12.7	0.1	12.8	13.3	0.6	13.9
	- liability products & electronic delivery	25.7	-	25.7	27.8	-	27.8
(a)	- trustee, management & other services	4.7	0.2	4.9	4.6	0.1	4.7
(a)	- securitisation	3.0	(3.0)	-	2.0	(2.0)	-
	- other	4.2	-	4.2	5.2	-	5.2
	Commissions						
	- wealth solutions	14.1	-	14.1	14.9	-	14.9
	- insurance	3.0	-	3.0	3.8	-	3.8
	- other	0.8	(0.1)	0.7	1.0	0.1	1.1
	Property revenue	0.4	-	0.4	0.4	-	0.4
(a) (n)	Other income	10.7	(4.2)	6.5	15.9	(9.1)	6.8
	Total other income	80.2	(7.0)	73.2	89.6	(10.3)	79.3
(q)	**Share of associates' net profit**	8.5	-	8.5	12.0	(0.2)	11.8
	Total income after interest expense	226.5	(3.8)	222.7	244.6	(8.5)	236.1
	Expenses						
	Bad and doubtful debts						
	Bad and doubtful debts	8.7	-	8.7	5.4	-	5.4
	Bad debts recovered	(0.3)	-	(0.3)	(0.2)	-	(0.2)
	Total bad and doubtful debts	8.4	-	8.4	5.2	-	5.2
	Other expenses						
	Borrowing costs	0.1	-	0.1	0.3	-	0.3
	Staff and related costs	77.5	-	77.5	77.3	-	77.3
(p)	Occupancy costs	12.8	-	12.8	13.2	0.2	13.4
	Information technology costs	11.8	-	11.8	12.1	-	12.1
(b) (m)	Amortisation of goodwill & intangibles	2.1	(1.6)	0.5	2.6	(1.6)	1.0
(m) (n)	Property, plant and equipment costs	7.6	(2.2)	5.4	6.1	(0.5)	5.6
	Fees and commissions	8.0	0.4	8.4	8.6	0.4	9.0
(a) (l) (n)	Other expenses	37.7	(2.5)	35.2	48.3	(9.0)	39.3
	Total expenses	157.6	(5.9)	151.7	168.5	(10.5)	158.0
	Profit before income tax expense	60.5	2.1	62.6	70.9	2.0	72.9
(q) (r)	Income tax expense	(17.9)	-	(17.9)	(23.4)	0.1	(23.3)
	Net profit	42.6	2.1	44.7	47.5	2.1	49.6
	Net loss - minority interest	0.2	-	0.2	0.1	-	0.1
	Net profit attributable to members of Bendigo Bank Limited	42.8	2.1	44.9	47.6	2.1	49.7

Note	**Income statement item**	**Full year to 30 June 2005 $m** Previous AGAAP	Transition impact	AIFRS
	Income			
	Net interest income			
(a) (l)	Interest income	767.4	47.6	815.0
(a)	Interest expense	486.6	42.4	529.0
	Net interest income	280.8	5.2	286.0
	Other income			
	Dividends	1.6	-	1.6
	Fees			
	- asset products	26.0	0.7	26.7
	- liability products & electronic delivery	53.5	-	53.5
(a)	- trustee, management & other services	9.3	0.3	9.6
(a)	- securitisation	5.0	(5.0)	-
	- other	9.4	-	9.4
	Commissions			
	- wealth solutions	29.0	-	29.0
	- insurance	6.8	-	6.8
	- other	1.8	-	1.8
	Property revenue	0.8	-	0.8
(a) (n)	Other income	26.6	(13.3)	13.3
	Total other income	169.8	(17.3)	152.5
(q)	**Share of associates' net profit**	20.5	(0.2)	20.3
	Total income after interest expense	471.1	(12.3)	458.8
	Expenses			
	Bad and doubtful debts			
	Bad and doubtful debts	14.1	-	14.1
	Bad debts recovered	(0.5)	-	(0.5)
	Total bad and doubtful debts	13.6	-	13.6
	Other expenses			
	Borrowing costs	0.4	-	0.4
	Staff and related costs	154.8	-	154.8
(p)	Occupancy costs	26.0	0.2	26.2
	Information technology costs	23.9	-	23.9
(b) (m)	Amortisation of goodwill & intangibles	4.7	(3.2)	1.5
(m) (n)	Property, plant and equipment costs	13.7	(2.7)	11.0
	Fees and commissions	16.6	0.8	17.4
(a) (l) (n)	Other expenses	86.0	(11.5)	74.5
	Total expenses	326.1	(16.4)	309.7
	Profit before income tax expense	131.4	4.1	135.5
(q) (r)	Income tax expense	(41.3)	0.1	(41.2)
	Net profit	90.1	4.2	94.3
	Net loss - outside equity interest	0.3	-	0.3
	Net profit attributable to members of Bendigo Bank Limited	90.4	4.2	94.6

3.18 Consolidated Balance Sheet reconciliations
for periods from 1 July 2004 to 31 December 2004

Balance Sheet item	Note	As at 1 July 2004 $m Previous AGAAP	Transition impact	AIFRS	Note	As at 31 December 2004 $m Previous AGAAP	Transition impact	AIFRS
Assets								
Cash and cash equivalents	(a)	157.5	34.2	191.7	(a)	152.9	43.7	196.6
Due from other financal institutions		157.6	-	157.6		51.4	-	51.4
Held-to-maturity financial assets	(a)	1,220.2	7.5	1,227.7	(a)	1,560.0	53.4	1,613.4
Share investments		27.3	-	27.3		24.3	-	24.3
Loans and other receivables	(a) (o)	9,372.6	651.2	10,023.8	(a) (o)	10,237.2	551.1	10,788.3
Derivatives		-	-	-		-	0.6	0.6
Investments accounted for using the equity method		101.1	-	101.1		110.1	-	110.1
Property, plant & equipment	(m)	56.6	(2.2)	54.4	(m)	62.4	(1.5)	60.9
Deferred tax assets	(r)	32.8	0.5	33.3	(r)	33.8	0.5	34.3
Other financial assets	(a)	95.1	(3.9)	91.2	(a)	105.6	(8.3)	97.3
Intangibles	(b) (m)	63.7	(1.2)	62.5	(b) (m)	61.5	0.3	61.8
Total Assets		11,284.5	686.1	11,970.6		12,399.2	639.8	13,039.0
Liabilities								
Due to other financial institutions		128.9	-	128.9		54.7	-	54.7
Deposits	(a)	10,148.9	708.5	10,857.4	(a)	11,289.6	663.2	11,952.8
Derivatives		-	-	-		-	2.9	2.9
Financial liabilities	(a) (p)	88.7	11.8	100.5	(a) (p)	72.8	7.1	79.9
Income tax payable		6.8	-	6.8		6.5	(0.2)	6.3
Provisions		27.2	-	27.2		28.4	0.1	28.5
Subordinated debt - at amortised cost		199.3	-	199.3		239.3	0.1	239.4
Deferred tax liabilities	(r)	8.3	(0.7)	7.6	(r)	4.9	(0.6)	4.3
Total Liabilities		10,608.1	719.6	11,327.7		11,696.2	672.6	12,368.8
Net Assets		676.4	(33.5)	642.9		703.0	(32.8)	670.2
Equity								
Parent entity interest								
Issued capital		551.6	-	551.6		565.4	-	565.4
ESOP shares	(o)	-	(31.4)	(31.4)	(o)	-	(32.4)	(32.4)
Reserves	(r)	5.4	1.2	6.6	(r)	5.4	1.1	6.5
Retained profits	(b) (j) (p)	119.6	(3.3)	116.3	(b) (j) (p)	132.6	(1.5)	131.1
Total parent entity interest in equity		676.6	(33.5)	643.1		703.4	(32.8)	670.6
Total minority interest		(0.2)	-	(0.2)		(0.4)	-	(0.4)
Total Equity		676.4	(33.5)	642.9		703.0	(32.8)	670.2

	1 July 2004 $m	31 December 2004 $m
Equity under previous AGAAP	676.4	703.0
Recognition of shares in relation to Employee Share Ownership Plan	(31.4)	(32.4)
Write-off of goodwill assessed as impaired on transition 1 July 2004	(3.4)	(3.4)
Adjust recognisition of lease (rent) costs on transition 1 July 2004	0.1	0.1
Recognise tax effect of asset revaluation reserves on transition 1 July 2004	1.2	0.8
AIFRS adjustments to profit for the period as per income statement reconciliations above	-	2.1
Equity under AIFRS	642.9	670.2

Consolidated Balance Sheet reconciliations
for periods from 30 June 2005 to 1 July 2005

Balance Sheet item	Note	As at 30 June 2005 $m Previous AGAAP	Transition impact	AIFRS	Note	As at 1 July 2005 $m AIFRS 30 June 2005	Transition impact of 132/139	AIFRS 1 July 2005
Assets								
Cash and cash equivalents	(a)	135.2	117.9	253.1		253.1	-	253.1
Due from other financal institutions		188.9	-	188.9		188.9	-	188.9
Held-to-maturity investment securities	(a)	1,541.7	28.4	1,570.1	(h)	1,570.1	(295.1)	1,275.0
AFS investment securities/share invests		42.5	-	42.5	(h)	42.5	320.6	363.1
Loans and other receivables	(a) (o)	10,938.2	454.2	11,392.4	(c) (d) (f)	11,392.4	52.2	11,444.6
Derivatives	(f)	-	3.1	3.1	(f)	3.1	11.0	14.1
Investments accounted for using the equity method		118.2	(0.1)	118.1	(d) (k)	118.1	4.4	122.5
Property, plant & equipment	(m)	58.0	(5.2)	52.8		52.8	-	52.8
Deferred tax assets	(r)	35.4	0.4	35.8	(c) (d)	35.8	(15.5)	20.3
Other financial assets	(a)	125.0	(8.3)	116.7		116.7	-	116.7
Intangibles	(b) (m)	79.0	6.1	85.1		85.1	-	85.1
Total Assets		13,262.1	596.5	13,858.6		13,858.6	77.6	13,936.2
Liabilities								
Due to other financial institutions		143.3	-	143.3		143.3	-	143.3
Deposits	(a)	11,958.2	614.0	12,572.2	(f)	12,572.2	(1.0)	12,571.2
Derivatives	(f)		6.2	6.2	(f)	6.2	12.0	18.2
Financial liabilities	(a) (p)	106.2	5.2	111.4		111.4	-	111.4
Income tax payable		8.3	-	8.3	(c)	8.3	(0.1)	8.2
Provisions		32.0	-	32.0		32.0	-	32.0
Subordinated debt - at amortised cost		262.1	-	262.1		262.1	-	262.1
Deferred tax liabilities	(e) (r)	2.9	(0.5)	2.4	(e) (r)	2.4	7.7	10.1
Total Liabilities		12,513.0	624.9	13,137.9		13,137.9	18.6	13,156.5
Net Assets		749.1	(28.4)	720.7		720.7	59.0	779.7
Equity								
Parent entity interest								
Issued capital		589.3	-	589.3		589.3	-	589.3
ESOP shares	(o)	-	(30.0)	(30.0)		(30.0)	-	(30.0)
Reserves	(r)	3.1	0.9	4.0	(d) (e) (f) (g) (h) (i) (r)	4.0	59.7	63.7
Retained profits	(b) (j) (p)	157.1	0.7	157.8	(c) (k)	157.8	(0.7)	157.1
Total parent entity interest in equity		749.5	(28.4)	721.1		721.1	59.0	780.1
Total minority interest		(0.4)	-	(0.4)		(0.4)	-	(0.4)
Total Equity		749.1	(28.4)	720.7		720.7	59.0	779.7

	30 June 2005 $m
Equity under previous AGAAP	749.1
Recognition of shares in relation to Employee Share Ownership Plan	(30.0)
Write-off of goodwill assessed as impaired on transition 1 July 2004	(3.4)
Adjust recognisition of lease (rent) costs on transition 1 July 2004	(0.1)
Recognise tax effect of deferred assets and liablilities in relation to revaluations of fixed assets and share investments	0.9
AIFRS adjustments to profit for the period as per income statement reconciliations above	4.2
Equity under AIFRS	720.7

	1 July 2005 $m
Equity under AIFRS - 30 June 2005	720.7
Adjust carrying value of AFS financial assets (share investments) to fair value	25.5
Tax effect of fair value adj to share investments	(7.5)
Discounting of specific provisions (tax effected)	(0.4)
Fair value adjustments to financial assets, financial liabilities and derivatives on transition	0.1
Establishment of general reserve for credit losses and collective provision:	
- group	36.9
- associates	4.8
Increase in specific loan provisions (tax effected)	(0.4)
	779.7

3.19 Notes to reconciliations

Where specific explanations have not been provided, minor adjustments to figures are due to rounding only.

(a) Consolidation of special purpose securitisation trusts. These trusts were not consolidated under previous AGAAP. Under AASB 127: Consolidated and Separate Financial Statements and UIG Interpretation 112: Consolidation - Special Purpose Vehicles the consolidated entity is considered to control the securitisation vehicles, resulting in their consolidation. The income statement no longer reports management fees and other fees earned from the special purpose trusts. Instead, the income statement reports gross interest income earned on mortgage loans, interest expense accrued to noteholders, movements in the fair values of derivatives (unless the rules for cash flow hedging are met), and other income and expense items of the trusts. The underlying mortgage loans and liabilities to noteholders (along with derivatives) held by the special purpose trusts are reported on the consolidated balance sheet.

(b) Goodwill assessed as impaired under new AIFRS testing methodology. Written-off on transition (1 July 2004). The goodwill items were not found to be impaired under the previous AGAAP due to different testing methodology. The Bank has elected under AASB 1 First Time Adoption of Australian Equivalents to International Reporting Standards not to restate the classification and accounting treatment of business combinations that occurred prior to the transition date in preparing the opening AIFRS consolidated balance sheet. Goodwill is not amortised under AIFRS, resulting in a decrease in restated amortisation of goodwill and intangibles and an increase in the restated carrying value of goodwill. The carrying amount of goodwill is subject to impairment testing at least annually. Any impairment loss is to be reflected in the income statement.

(c) Increase in specific loan provisions on transition ($0.5 m). Future cash flows relating to loan impairment assessments are discounted to present value under AIFRS. The discount unwinds during the period between the initial recognition of the provision and the eventual recovery of the written down amount, resulting in the recognition of income. The future cash flows were not discounted for impairment assessment purposes under previous AGAAP. The adjustment also has the effect of increasing deferred tax assets as the increase is a temporary timing difference. Establishment of a collective provision for doubtful debts on transition ($7.7 m). This provision is to recognise losses that are inherent in the loan portfolios, but have not yet been identified. The balance of this provision (net of tax) will be included with the group general reserve for credit losses to comply with the APRA requirement that banks maintain a general provision (net of tax) at a minimum level of 0.50% of risk-weighted assets.

(d) Write-back of general provision for doubtful debts and creation of general reserve for credit losses ($60.3 m). AIFRS does not allow a general provision, but a general reserve is permitted due to the APRA requirement that ADI's maintain a general reserve for credit losses. This change has also impacted our associate company, Elders Rural Bank (ERB) and we have therefore also reflected our share of the ERB adjustments in our financial statements as we equity account our investment in ERB. Movements in the general reserve for credit losses are recognised as an appropriation (in equity), rather than in the income statement. This will have the effect of increasing reported profit, but the amount available for distribution to ordinary shareholders will be unchanged when compared to the previous AGAAP.

(e) Fair value adjustment to the carrying value of share investments on transition ($25.5 m). The adjustment is reflected in asset revaluation reserve. The recognition of deferred tax liability in relation to the adjustment reduces the asset revaluation reserve ($7.5 m). Under previous AGAAP, the consolidated entity recorded share investments at deemed cost. Under AIFRS these investments are carried at fair value, with fair value movements reflected in equity.

(f) Recognition of derivatives, which are primarily interest rate swaps, on balance sheet at fair value. Under previous AGAAP only accrued interest was recognised on balance sheet. Under AIFRS, all derivatives, including those used for balance sheet hedging purposes, are recognised on balance sheet and carried at fair value. Movements in the carrying amounts of derivatives are recognised in earnings, unless hedge accounting is applied.

(g) Fair value adjustment to hedged financial instruments previously carried at amortised cost. Adjustment through the income statement for ineffectiveness of hedges. Financial instruments classified as hedged are now carried at fair value, with fair value movements reflected in the income statement. Financial instruments assessed as effectively hedged have their fair value movements offset by the fair value movement in the hedge instrument (derivative).

(h) Recognition of available for sale financial instruments at fair value which were previously carried at amortised cost. AIFRS has required that a portfolio of our investment securities be categorised as available for sale. This portfolio is carried at fair value, with movements in fair value reflected in equity. This could result in volatility in equity reserves, depending on future movements in fair values. This portfolio contains selected investments to minimise the impact of fair value movements.

(i) The above 1 July 2005 changes impact reserves as follows –

	$m
Creation of general reserve for credit losses (after tax value)	42.3
Creation of general reserve for credit losses (after tax value) – associates	4.8
Increase asset revaluation reserve for fair value adjustment to share investments (tax effected)	18.0
	65.1

(j) The above 1 July 2004 changes impact retained earnings as follows –

	$m
Write-off of goodwill that was assessed as impaired on transition	(3.4)
Accrued lease payments due to change in recognition pattern on transition	(0.1)
	(3.5)

(k) The above 1 July 2005 changes impact retained earnings as follows –

	$m
Fair value adjustments to financial assets, liabilities and derivatives on transition	0.1
Transition adjustments – associates	(0.4)
Increase in specific loan provisions on transition (tax effected)	(0.4)
	(0.7)

(l) Loan origination fees re-categorised to interest income in accordance with AASB 139. Any fee income or expense integral to the yield of an originated financial instrument, net of any direct incremental costs, must be deferred over the expected life of the instrument. This change will not impact reported earnings, but requires the re-categorisation of the fee amortisation from operating expenses to interest income.

(m) On transition, certain internally-developed software assets have been reclassified from property, plant & equipment to intangible assets. The amortisation of these assets is unchanged, but is now reclassified from depreciation of plant & equipment to amortisation of intangibles.

(n) Reclassification of proceeds on sale of property, plant and equipment and book value of sold assets to profit or loss on sale of property, plant and equipment. Reclassification of proceeds on sale of other non-current assets and book value of sold assets to profit or loss on sale of other non-current assets.

(o) Reclassification of loans associated with the Employee Share Ownership Plan ("ESOP"). Under previous AGAAP, shares issued under the ESOP were included in issued capital and the outstanding balance of loans advanced to employees taking up the shares was reported as loans and receivables. Under AIFRS, the shares issued continue to be reported as issued capital. The value of equity outstanding (ie. the outstanding balance of loans) falls under the AASB 2 Share Based Payments definition of treasury shares and must be deducted from equity in the balance sheet. The effect of this change is a reclassification of the outstanding balance of loans in relation to the ESOP from loans and receivables to ESOP shares in issued capital.

(p) Under AASB 117 Leases, lease payments under an operating lease are recognised as an expense on a straight-line basis unless another systematic basis is more representative of the time pattern of the user's benefit. The application of this standard has resulted in changes to the amount of lease expense recognised.
On transition to AIFRS as at 1 July 2004 we have recognised a lease liability to reflect previous year leasing expense not recognised under previous AGAAP. The transition adjustment is made against retained earnings.
Lease expense and lease liabilities have been increased for the restated comparatives for 2004/05.

(q) Share of AIFRS restated 2004/05 profit for associate company (Elders Rural Bank Limited).

(r) AASB 1020 Income Tax requires a balance sheet approach, rather than the previous income based methodology. This requires us to recognise the tax effect of asset revaluation reserve and reflect the adjustment in deferred tax balances.

Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP other than the inclusion of cash flows in relation to the securitisation trusts.

3.20 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 2005 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

____

R. A. Guy OAM, Chairman
Bendigo
Dated this 13th day of February 2006

Bendigo Bank

3.21 Independent review report to the members of Bendigo Bank Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, 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 2005.

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 Director's 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.

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 2005 and 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

Brett Kallio
Partner

Bendigo
Dated this 13th day of February 2006

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