BENDIGO BANK LIMITED

ABN 11 068 049 178

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2005

DIRECTORS' REPORT

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

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

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.

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.

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.

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.

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, appproved under the Professional Standards Act 1994 (NSW).

Signed in accordance with a resolution of the Board of Directors

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

CONDENSED INCOME STATEMENT

for the half-year ended 31 December 2005

	Notes	Consolidated 2005 $m	Consolidated 2004 $m
Continuing Operations			
Income			
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*	35.0	32.0
Diluted earnings per ordinary share (cents per share)	*3*	35.0	32.0
Cash basis earnings per ordinary share (cents per share)	*3*	34.6	29.3
Franked dividends per share (cents per share)	*2*	22.0	19.0

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	*6*	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

CONDENSED CASH FLOW STATEMENT

for the half-year ended 31 December 2005

	Consolidated 2005 $m	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 $m	2004 $m
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.

CONDENSED 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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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.

1.2 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.

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.

Reconciliations and descriptions of transition impacts

Reconciliations and descriptions of the impact of transition from previous AGAAP to AIFRS are provided in Note 12 - Impact of Adoption of AIFRS.

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

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 1.4 below.

1.3 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 half-year report and 30 June 2005 full-year financial report prepared under AGAAP are detailed in Note 12.

1.4 Summary of significant accounting policies

1.4.1 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.

1.4.2 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.

1.4.3 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.

1.4.4 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.

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

1.4.5 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.

1.4.6 Property plant and 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.

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

1.4.7 Intangible 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.

1.4.8 Intangible 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 when the asset is derecognised.

1 BASIS OF PREPARATION OF THE INTERIM FINANCIAL REPORT (continued)

1.4.9 Recoverable amount 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.

1.4.10 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.

1.4.11 Financial assets and financial liabilites (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.

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

Financial assets and financial liabilites (treasury funding)

Treasury financial liablities

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.

1.4.12 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 $60.3 m ($42.3 m tax-effected) has been reversed to retained earnings and a collective impairment provision of $7.7 m ($5.4 m tax-effected) has been recognised in the balance sheet. A general reserve for credit losses has also be recognised of $36.9 m.

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

Asset quality - loans and receivables (continued)

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.

1.4.13 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 and 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.

1.4.14 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 rate method.

1.4.15 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.

1.4.16 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.

1.4.17 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.

1.4.18 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.

1.4.19 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 are deducted from equity in the balance sheet.

1.4.20 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.

1.4.21 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 porfolio, 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.

1.4.22 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, effects 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.

1.4.23 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.

1.4.24 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.

1.4.25 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 intial 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.

1.4.26 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.

1.4.27 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.

1.4.28 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.

2 DIVIDENDS PAID OR PROVIDED

	2005	2004
Ordinary shares	$m	$m
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 liablity:		
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	-
	1.4	-

3 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.

4 RETURN ON AVERAGE ORDINARY EQUITY

	Consolidated		
	Half-year	Half-year	Half-year
	Dec-05	Jun-05	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

5 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

6 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	-

7 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.

7 AVERAGE BALANCE SHEET AND RELATED INTEREST (continued)

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.

7 AVERAGE BALANCE SHEET AND RELATED INTEREST (continued)

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.

8 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.

	Dec 2005	Jun 2005
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%**

9 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.

9 SEGMENT REPORTING (continued)

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.

9 SEGMENT REPORTING (Continued)

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.

9 SEGMENT REPORTING (Continued)

(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 mortage 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.

	Consolidated	
	2005	2004
	$m	$m
10 CONTINGENT ASSETS AND LIABILITIES		
Assets		
There are no contingent assets at balance date.		
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	-

11 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.

12 IMPACT OF ADOPTION OF AIFRS

Explantion 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.

12 IMPACT OF ADOPTION OF AIFRS (continued)

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

12 IMPACT OF ADOPTION OF AIFRS (continued)

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

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

12 IMPACT OF ADOPTION OF AIFRS (continued)

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

12 IMPACT OF ADOPTION OF AIFRS (continued)

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 finanical 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

12 IMPACT OF ADOPTION OF AIFRS (continued)

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 porfolio 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.

12 IMPACT OF ADOPTION OF AIFRS (continued)

Notes to reconciliations:

		$m
(i)	The above 1 July 2005 changes impact reserves as follows -	
	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 -	
	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 -	
	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.

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

AUDITOR'S INDEPENDENT REVIEW REPORT

To the members of Bendigo Bank Limited

Matters relating to the electronic presentation of the Financial Report
This auditor's review report relates to the financial report of Bendigo Bank Limited and controlled entities for the period year ended 31 December 2005, included on Bendigo Bank Limited and controlled entities web site. The company's directors are responsible for the integrity of the Bendigo Bank Limited and controlled entities web site. The auditor's review report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risk arising from electronic data communications they are advised to refer to the hardcopy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Scope
The financial report 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 31December. 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 company and 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.

AUDITOR'S INDEPENDENT REVIEW REPORT (continued)

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 as 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
Date: 13 February 2006

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under the Professional Standards Act 1994 (NSW)