

15 August 2005

International Financial Reporting Standards

Overview

- Bendigo Bank has transitioned its accounting policies and financial reporting from existing Australian standards to Australian equivalents of International Financial Reporting Standards (AIFRS) from 1 July 2005.
- The majority of transition adjustments will be made against retained earnings or in equity.
- We have elected to not make adjustments to 2004/05 comparatives in our 2005/06 financial statements for:
 - AASB 132 Financial Instruments: Disclosure and Presentation
 - AASB 139 Financial Instruments: Recognition and Measurement
 - AASB 4 Insurance Contracts
- Indicative impacts are based on current interpretations and opinions and could therefore be subject to change.
- Indicative impacts have not be audited.

Major impact items

- No change to cashflows or ability to pay dividends.
- Minimal impact on Cash basis earnings per ordinary share.
- Goodwill not longer amortised, but subject to annual impairment testing.
- Securitisation special purpose vehicles (SPVs) required to be consolidated.
- Specific loan provisioning to be assessed based on discounted future cash flows.
- General provisions replaced by General Reserve for Credit Losses (GRCL) - movements in GRCL recognised as appropriations, not expense.

Major impact items

- Derivatives to be recognised on balance sheet at fair value.
- Hedges required to be tested for effectiveness with ineffective hedge fair value movements reflected in profit.
- Taxation moves to a balance sheet approach requiring recognition of new deferred tax assets and liabilities. Main impact for Bendigo is recognition of deferred tax liabilities for asset revaluation reserves.

Major impacts

Impact area	Changes	Indicative 05/06 Profit & Loss impact \$ million	Indicative Balance Sheet impact \$ million
Goodwill	No amortisation of goodwill	+\$4	Nil
	Annual impairment testing – possible volatility if impaired	Unknown	Unknown – Goodwill
Securitisation	Consolidation of SPVs – recognition of assets and liabilities of securitisation trusts	Nil	Transitional adjustment - July 04 +\$700 Assets +\$700 Liabilities
	Income to be reclassified from other fee revenue to interest margin		
Loan provisions	Specific provisions assessed using discounted future cash flows		
	- transitional adjustment	Nil	-\$0.5 Retained earnings +\$0.5 Provisions
	- ongoing impact	Minor	Minor
	General provision replaced by GRCL and Collective provision	Nil	- \$60 General provision +\$60 GRCL
	- movements in GRCL recognised as appropriation	+\$10 pre-tax	- \$10 Retained earnings
No collective provision on transition. Bendigo will assess collective provisions when guidance is finalised and relevant data is collected and analysed	+/- Unknown	+/- Unknown Collective provision	

Major impacts

Impact area	Changes	Indicative 05/06 Profit & Loss impact \$ million	Indicative Balance Sheet impact \$ million
Hedging	<p>Derivatives carried on balance sheet at fair value</p> <p>Hedge accounting allowed if effectiveness tests met</p> <p>Revaluation of the underlying hedged instruments is expected to substantially offset the stated adjustment to equity</p> <p>We expect effectiveness tests will be met for our hedges</p> <p>Ineffective hedges will have fair value movements recognised in profit. We expect this impact to be minimal</p>	<p>Nil</p> <p>Minor</p>	<p>+\$2 Assets +\$13 Liabilities - \$11 Equity</p> <p>Minor</p>
Taxation	<p>Balance Sheet approach to be adopted –</p> <p>Recognition of deferred tax liability relating to asset revaluation reserve</p>	<p>Nil</p>	<p>+\$8 Deferred tax liability - \$8 Asset revaluation reserve</p>

Other impacts

Impact area	Changes	Indicative 05/06 Profit & Loss impact \$ million	Indicative Balance Sheet impact
			\$ million
Intangible Assets	Software development to be re-classified as intangibles. Assets continue to be amortised over useful life	Nil	+\$5 Intangible assets - \$5 Fixed assets
Loan origination Fees	Loan origination fees amortisation to be reclassified from expense to interest margin 2004/05 expense was only \$0.7m, so no material impact on interest rate margin anticipated	Nil	Nil
Investment Portfolios	Investment portfolios will re-classified as 'held-to-maturity' (HTM) or 'available-for-sale' (AFS) AFS portfolio is carried at fair value with movements in fair value recognised in equity	Nil Nil	- \$300 HTM investments +\$300 AFS investments +/- Equity
Equity (share) investments	Shares currently carried at deemed cost will be carried at fair value, with movements in fair value recognised in asset revaluation reserve	Nil	+\$26 Share investments +\$26 Asset revaluation reserve

Unaudited. Indicative impacts are based on current interpretations and opinions and could therefore be subject to change.