Bendigo Bank

ABN 11 068 049 178

Appendix 4E: Preliminary Final Report

For the twelve months ending

30 June 2006

Released 14 August 2006

This report comprises information given to the ASX under listing rule 4.3A

CONTENTS

1. Appendix 4E: Preliminary Final Report

1.1 Company details and reporting period

Bendigo Bank Limited
ABN 11 068 049 178

Reporting period - twelve months ended:	30 June 2006
Previous corresponding period - twelve months ended:	30 June 2005

1.2 Results for announcement to the market

				$m
Revenues from ordinary activities	up	12.6%	To	516.9
Profit from ordinary activities after tax attributable to members	up	23.2%	To	116.7
Net profit attributable to members	up	23.2%	To	116.7

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

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

Record date for determining entitlements for the final dividend	1 September 2006

1.3 Net tangible assets per security

Refer to page 42.

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

On 18 August 2005, additional shares were issued by Community Telco Australia Pty Ltd (CTA), reducing the ownership interest of Bendigo Bank Limited from 90% to 50%. As at that date, the group de-consolidated CTA and commenced equity accounting.

1.5 Details of individual and total dividends

Refer to pages 6 and 38.

1.6 Details of any dividend or distribution reinvestment plans in operation

Refer to page 39.

1.7 Details of associates and joint venture entities

Refer to page 43.

1.8 Accounting standards used for foreign entities

Not applicable.

1.9 Dispute or qualifications if audited

This report is based on financial accounts that are in the process of being audited by our external auditors. There is not expected to be any dispute or qualification to the financial accounts.

1.10 Annual general meeting

The annual general meeting will be held as follows:

Place: The Capital Theatre, 50 View Street, Bendigo, Victoria
Date: 30 October 2006
Time: 11 am

2. Full Year Results

2.1 Financial highlights

	2004-05			2005-06			Change Full Year 2005 To Full Year 2006	
	First Half $m	Second Half $m	Total	First Half $m	Second Half $m	Total	$m	%
Profit after tax	44.9	49.8	94.7	53.3	63.4	116.7	22.0	23.2
Profit after tax before significant items	41.0	50.7	91.7	52.0	56.3	108.3	16.6	18.1
Profit available for distn to ord s/holders	44.9	49.8	94.7	48.9	60.3	109.2	14.5	15.3
Profit available for distn to ord s/holders before significant items	41.0	50.7	91.7	47.6	53.2	100.8	9.1	10.0
Net interest income	141.0	145.1	286.1	155.8	159.3	315.1	29.1	10.1
Non-interest income (before significant items)	76.2	88.3	164.5	90.0	94.5	184.5	20.0	12.2
Expenses (before significant items)	151.7	153.3	305.0	169.7	168.4	338.1	33.1	10.9
Retail deposits	9,629.6	10,043.2	10,043.2	10,994.7	11,346.8	11,346.8	1,303.6	13.0
Total equity	702.6	720.7	720.7	813.2	899.5	899.5	178.8	24.8
Funds under management	2,567.8	2,709.6	2,709.6	2,951.9	2,966.9	2966.9	257.3	9.5
Loans under management	12,127.8	12,838.7	12,838.7	13,411.9	14,057.2	14,057.2	1,218.5	9.5
New loan approvals	2,986.8	2,885.8	5,872.6	3,106.7	3,082.9	6,189.6	317.0	5.4
Residential	1,993.0	1908.5	3,901.5	1,975.3	2,038.5	4,013.8	112.3	2.9
Non-residential	993.8	977.3	1,971.1	1,131.4	1,044.4	2,175.8	204.7	10.4
Cost to income ratio	69.1%	64.8%	66.9%	68.3%	64.9%	66.6%	(0.3%)	(0.4)
Earnings per ordinary share - cents	32.0	35.4	67.5	35.0	42.9	78.0	10.5	15.6
Cash basis earnings per ordinary share – cents	29.3	36.3	65.5	34.7	38.5	73.2	7.7	11.8
Dividend per ordinary share – cents	19.0	26.0	45.0	22.0	30.0	52.0	7.0	15.6

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

Profits prior to 1st half 2005/06 include an expense in relation to increases in the general provision for doubtful debts as follows:

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

Under AIFRS, the 1st half 2005/06 movement in general reserve for credit losses is reflected as an appropriation of retained earnings and therefore is not an expense in the income statement. However, the profit for 2005/06 does include an expense in relation to the increase in the collective provision, as required by AIFRS – 1st half $0.3m pre-tax, or $0.2 after tax; 2nd half $0.8m pre-tax, or $0.6m after tax.

2.2 Results at a glance

2.2.1 Financial performance

- Profit after income tax before significant items was $108.3 million (2005: $91.7 million), an increase of 18%.
- Profit available to ordinary shareholders before significant items was $100.8 million (2005: $91.7 million), an increase of 10%.
- Net interest income increased by 10% to $315.1 million with an unchanged interest margin (net of Community Bank and alliance margin payments) of 2.28% compared to 2004/05.
- Non-interest income before significant items was $184.5 million (2005: $164.5 million), an increase of 12%.
- Expenses before significant items increased by 11% to $338.1 million compared to 2005. The cost to income ratio was 66.6% compared to 66.9% for 2005.
- Cash basis earnings per ordinary share increased to 73.2 cents (2005: 65.5 cents), an increase of 12%.
- Return on average ordinary equity before significant items was 14.0% compared to 13.5% in 2005.

2.2.2 Financial position

- Loans under management were $14.1 billion (2005: $12.8 billion), an increase of 10%.
- Retail deposits were $11.3 billion (2005: $10.0 billion), an increase of 13%.
- Managed funds increased by 10% to $3.0 billion (2005: $2.7 billion).
- Net non-accrual loans as a percentage of loan receivables decreased from 0.07% at June 2005 to 0.05% at 30 June 2006.

2.2.3 Dividends

- 2005/06 final dividend of 30.0 cents per fully paid ordinary share (an increase of 4.0 cents over the 2004/2005 final dividend), fully franked at 30%.
- Dividend is payable on 29 September 2006 to shareholders registered on the Record Date of 1 September 2006.
- The final dividend proposed totals $40.1 million.
- Dividends for 2005/2006 total 52.0 cents (up from 45.0 cents in 2004/2005), which represents a payout ratio of 66.7% of total earnings per ordinary share or 71.0% of cash basis per ordinary share (2005: 66.7% and 68.7% respectively).

2.3 Financial Statements

2.3.1 Detailed Income Statement

For the year ended 30 June 2006

		Consolidated 2006 $m	Consolidated 2005 $m
Income			
Net interest income			
Interest income		907.5	815.0
Interest expense		592.4	528.9
Net interest income		**315.1**	**286.1**
Non interest income			
Dividends		2.7	1.6
Fees	- asset products	21.4	26.7
	- liability products and other	73.3	62.9
	- trustee, management & other services	9.0	9.6
Commissions	- wealth solutions	31.9	29.0
	- insurance	7.3	6.8
	- other	2.4	1.8
Other income		14.3	5.8
Total non interest income		**162.3**	**144.2**
Share of associates' net profits accounted for using the equity method		**22.2**	**20.3**
Total income after interest expense		**499.6**	**450.6**
Expenses			
Bad and doubtful debts			
Bad and doubtful debts		7.3	14.1
Bad debts recovered		(0.3)	(0.5)
Total bad and doubtful debts		**7.0**	**13.6**
Other expenses			
Staff and related costs		170.8	154.8
Occupancy costs		29.3	26.2
Amortisation of intangibles		5.6	3.6
Property, plant & equipment costs		9.9	9.1
Fees and commissions		18.9	17.4
Administration expenses		103.6	93.9
Total other expenses		**338.1**	**305.0**
Profit before income tax expense and significant items		**154.5**	**132.0**
Income tax expense before significant items		(46.2)	(40.7)
Net (profit)/loss attributable to outside equity interest		-	0.4
Profit after income tax expense and before significant items		**108.3**	**91.7**

	Consolidated 2006 $m	Consolidated 2005 $m
Appropriations of current period net profit after tax		
Dividends paid on preference shares	(2.5)	-
Movement in General reserve for credit losses	(3.9)	-
Movement in General reserve for credit losses - associates	(1.1)	-
Net profit before significant items available for distribution to ordinary shareholders	**100.8**	**91.7**
Significant items		
Significant income items	17.3	8.4
Significant expense items	6.1	4.9
Significant items before income tax expense	11.2	3.5
Significant items income tax expense	(2.8)	(0.5)
Significant items after income tax expense	**8.4**	**3.0**
Summary - net profit available for distribution to ordinary shareholders		
Net profit before income tax expense including significant items	**165.7**	**135.5**
Income tax expense including significant items	(49.0)	(41.2)
Profit after income tax expense and significant items	116.7	94.3
Net loss attributable to outside equity interest	-	0.4
Net profit attributable to members of Bendigo Bank Limited	**116.7**	**94.7**
Appropriations of current period net profit after tax	(7.5)	-
Net profit after significant items available for distribution to ordinary shareholders	**109.2**	**94.7**
Basic earnings per ordinary share (cents per share)	78.0	67.5
Diluted earnings per ordinary share (cents per share)	78.0	67.5
Cash basis earnings per ordinary share (cents per share)	73.2	65.5
Franked dividends per ordinary share (cents per share)	52.0	45.0

2.3.2 Balance Sheet

For the year ended 30 June 2006

	Consolidated	
	2006	**2005**
	$m	**$m**
Assets		
Cash and cash equivalents	270.8	253.1
Due from other financial institutions	209.0	188.9
Derivatives	28.4	3.1
Financial assets available for sale - securities	360.9	-
Financial assets available for sale - share investments	94.4	42.5
Financial assets held to maturity	1,370.6	1,570.1
Loans and other receivables	12,436.7	11,392.4
Investments in associates accounted for using the equity method	143.5	118.1
Property, plant & equipment	81.1	47.5
Intangible assets & goodwill	89.6	90.4
Deferred tax assets	27.4	35.8
Other financial assets	83.7	116.7
Total Assets	15,196.1	13,858.6
Liabilities		
Due to other financial institutions	166.3	143.3
Deposits	13,599.8	12,572.2
Derivatives	20.0	6.3
Financial liabilities	140.0	111.3
Income tax payable	9.9	8.3
Provisions	37.4	32.0
Deferred tax liabilities	16.1	2.4
Subordinated debt	307.1	262.1
Total Liabilities	14,296.6	13,137.9
Net Assets	899.5	720.7
Equity		
Parent entity interest		
Issued capital - ordinary	564.1	546.3
Perpetual non-cumulative redeemable convertible preference shares	88.3	43.0
ESOP shares	(25.6)	(30.0)
Reserves	78.8	4.0
Retained profits	194.5	157.8
Total parent entity interest in equity	900.1	721.1
Total minority interest	(0.6)	(0.4)
Total Equity	899.5	720.7

2.3.3 Statement of Cash Flows

For the year ended 30 June 2006

	Consolidated 2006 $m	Consolidated 2005 $m
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and other items of a similar nature received	904.8	815.6
Interest and other costs of finance paid	(573.6)	(522.2)
Receipts from customers (excluding interest)	158.9	133.3
Payments to suppliers and employees	(288.4)	(332.1)
Dividends received	15.1	12.6
Income taxes paid	(45.6)	(41.6)
Net cash flows from operating activities	171.2	65.6
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash flows for purchases of property, plant and equipment	(44.6)	(16.5)
Cash proceeds from sale of property, plant and equipment	5.8	9.4
Cash paid for purchases of intangible software	(9.0)	(6.8)
Cash paid for purchases of equity investments	(28.7)	(34.4)
Cash proceeds from sale of equity investments	2.2	13.9
Net increase in balance of loans outstanding	(976.1)	(1,342.3)
Net increase in balance of investment securities	(161.5)	(350.8)
Net cash increase on derecognition of a subsidiary	0.7	-
Net cash received/(paid) on acquisition of a subsidiary	-	14.6
Net cash flows used in investing activities	(1,211.2)	(1,712.9)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash paid for buyback of shares	-	(27.0)
Proceeds from issue of preference shares	44.9	45.0
Net increase in balance of retail deposits	1,286.2	987.2
Net increase/(decrease) in balance of wholesale deposits	(277.5)	729.2
Proceeds from issue of subordinated debt	75.0	85.0
Repayment of subordinated debt	(30.1)	(22.5)
Dividends paid	(48.1)	(36.5)
Repayment of ESOP shares	4.4	1.4
Payment of share issue costs	-	(2.0)
Net cash flows from financing activities	1,054.8	1,759.8
Net increase/(decrease) in cash and cash equivalents held	14.8	112.5
Add cash and cash equivalents at the beginning of the financial period	298.7	186.2
Cash and cash equivalents at the end of financial year	313.5	298.7

2.3.4 Statement of changes in equity

For the year ended 30 June 2006

	Attributable to equity holders of Bendigo Bank Limited						Minority interest	Total equity
	Issued capital	ESOP shares	Preference shares	Retained earnings	Other reserves	Total		
CONSOLIDATED	$m	$m	$m	$m	$m	$m	$m	$m
At 1 July 2004								
Opening balance b/fwd	551.6	-	-	119.6	5.4	676.6	(0.2)	676.4
AIFRS opening balance adjustments:								
Write-off impaired goodwill	-	-	-	(3.4)	-	(3.4)	-	(3.4)
Adjust lease (rent) costs	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Tax effect of asset reval reserve	-	-	-	-	1.2	1.2	-	1.2
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
Transfer from asset reval reserve				2.3	(2.3)			
Tax effect of asset reval reserve	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Total income and expenses recognised directly in equity	-	-	-	2.3	(2.6)	(0.3)	-	(0.3)
Profit for the year	-	-	-	94.7	-	94.7	(0.2)	94.5
Total income/(expense) for the year	-	-	-	97.0	(2.6)	94.4	(0.2)	94.2
Issue of share capital	21.7	-	43.0	-	-	64.7	-	64.7
Share buy-back	(27.0)	-	-	-	-	(27.0)	-	(27.0)
Reduction in ESOP shares	-	1.4	-	-	-	1.4	-	1.4
Equity dividends	-	-	-	(55.1)	-	(55.1)	-	(55.1)
Other	-	-	-	(0.2)	-	(0.2)	-	(0.2)
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 balance adjustments:								
Adj carrying value of share invests	-	-	-	-	25.5	25.5	-	25.5
Tax effect - adjust carry value of share investments	-	-	-	-	(7.5)	(7.5)	-	(7.5)
Discounting of specific provisions	-	-	-	(0.3)	-	(0.3)	-	(0.3)
Fair value adjustments	-	-	-	0.1	-	0.1	-	0.1
Fair value adjustments - associates	-	-	-	(0.8)	-	(0.8)	-	(0.8)
Establish general reserve for credit losses (GRCL)	-	-	-	-	36.7	36.7	-	36.7
Establish GRCL - associates	-	-	-	-	4.8	4.8	-	4.8
Deferred loan application fees	-	-	-	(7.4)	-	(7.4)	-	(7.4)
Other opening balance adjusts-assoc	-	-	-	(1.0)	0.6	(0.4)	-	(0.4)
Adjusted opening balance	546.3	(30.0)	43.0	148.4	64.1	771.8	(0.4)	771.4
Net gains on AFS financial assets	-	-	-	-	7.3	7.3	-	7.3
Gains/(losses) on cash flow hedges	-	-	-	-	2.3	2.3	-	2.3
Gains/(loss) on c/flow hedges-assoc	-	-	-	-	0.4	0.4	-	0.4
Total income and expenses recognised directly in equity	-	-	-	-	10.0	10.0	-	10.0
Profit for the year	-	-	-	116.7	-	116.7	(0.2)	116.5
Total income/(expense) for the year	-		-	116.7	10.0	126.7	(0.2)	126.5
Issue of share capital	17.8	-	-	-	-	17.8	-	17.8
Preference share instalment (net)	-	-	45.3	-	-	45.3	-	45.3
Reduction in ESOP shares	-	4.4	-	-	-	4.4	-	4.4
Transfer from asset revaluation res	-	-	-	0.3	(0.3)	-	-	-
Movements in GRCL	-	-	-	(3.9)	3.9	-	-	-
Move in GRCL - associates	-	-	-	(1.1)	1.1	-	-	-
Equity dividends	-	-	-	(65.9)	-	(65.9)	-	(65.9)
At 30 June 2006	564.1	(25.6)	88.3	194.5	78.8	900.1	(0.6)	899.5

2.4 Results commentary

2.4.1 Profit

Bendigo Bank group recorded a profit available for distribution to ordinary shareholders before significant items of $100.8 million which represents an increase of $9.1 million or 10% when compared with the previous year.

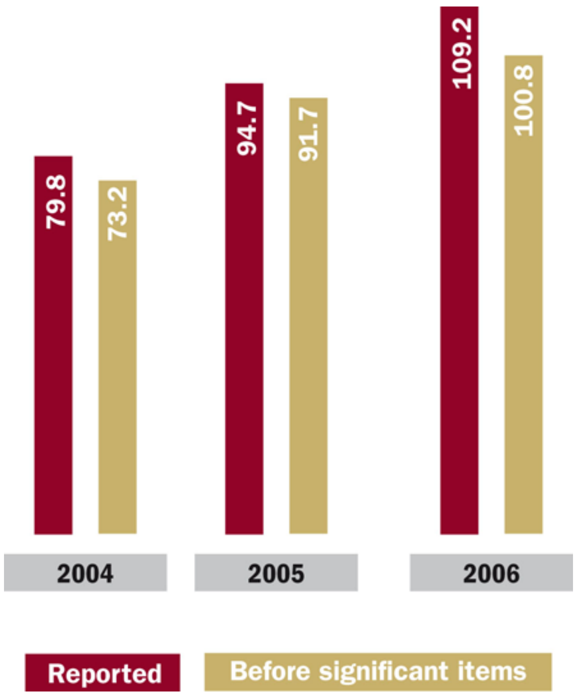
Profit after tax of $116.7 million for the year ending 30 June 2006 is an increase of 23% over the previous year. After excluding the significant items (refer details on next page) the profit increased 18% to $108.3 million.

Underlying profit compared to the previous year increased from $146.3 million to $163.2 million, an increase of 12%.

					Six months ending			
	Jun-06	Jun-05	Change		Dec-05	Jun-06	Change	
	$m	$m	$m	%	$m	$m	$m	%
Underlying profit								
Profit after tax	116.7	94.7	22.0	23.2	53.3	63.4	10.1	18.9
Adjustments:								
Significant income items before tax	(11.2)	(3.5)	(7.7)	220.0	(1.1)	(10.1)	(9.0)	818.2
Bad and doubtful debts (net of recoveries)	7.0	13.6	(6.6)	(48.5)	2.2	4.8	2.6	118.2
Intangibles amortisation (excl software amortisation)	1.7	0.3	1.4	466.7	0.8	0.9	0.1	12.5
Income tax expense - total	49.0	41.2	7.8	18.9	21.7	27.3	5.6	25.8
Underlying profit before tax	163.2	146.3	16.9	11.6	76.9	86.3	9.4	12.2

Profit								
Profit before tax	165.7	135.5	30.2	22.3	75.0	90.7	15.7	20.9
Significant items before tax	11.2	3.5	7.7	220.0	1.1	10.1	9.0	818.2
Profit before tax and significant items	154.5	132.0	22.5	17.0	73.9	80.6	6.7	9.1
Profit after tax	116.7	94.7	22.0	23.2	53.3	63.4	10.1	18.9
Significant items after tax	8.4	3.0	5.4	180.0	1.3	7.1	5.8	446.2
Profit after tax before significant items	108.3	91.7	16.6	18.1	52.0	56.3	4.3	8.3
Intangibles amortisation (excl software amortisation)	1.7	0.3	1.4	466.7	0.8	0.9	0.1	12.5
Cash basis profit after tax	110.0	92.0	18.0	19.6	52.8	57.2	4.4	8.3
Less:								
Distributions paid on preference shares	(2.5)	-	(2.5)	-	(1.4)	(1.1)	0.3	(21.4)
Movement in general reserve for credit losses	(3.9)	-	(3.9)	-	(2.0)	(1.9)	0.1	(5.0)
Movement in gen reserve for cr losses - assocs.	(1.1)	-	(1.1)	-	(1.0)	(0.1)	0.9	(90.0)
Profit available for distribution to ordinary s/holders before significant items	100.8	91.7	9.1	10.0	47.6	53.2	5.6	11.8
Profit available for distribution to ordinary s/holders	109.2	94.7	14.5	15.3	48.9	60.3	11.4	23.4
Cash basis profit available for distn to ordinary s/holders	102.5	92.0	10.5	11.4	48.4	54.1	5.7	11.8

Profit available for distribution to Ordinary Shareholders
$mil



<u>Significant items</u>

The reported profit available for distribution to ordinary shareholders for year ending 30 June 2006 of $109.2 million included four items of a non-recurring nature.

1. Accounting gain on change in equity accounted investment (reduction of ownership interest in Community Telco Australia Pty Ltd) - $1.8 million profit (no applicable tax expense).
2. Relocation expenses (costs associated with the relocation of our Melbourne-based staff to a new building at Docklands) - after tax expense $0.5 million.
3. Select Managed Fund Ltd merger with Australian Wealth Management Ltd (deemed disposal in June 2006 of the group's holding in Select Managed Funds Ltd) - after tax profit $10.9 million.
4. Review of carrying value of equity investment portfolio - after tax expense $3.8 million.

2.4.2 Non interest income

						Six months ending			
		Jun-06	**Jun-05**	**Change**		**Dec-05**	**Jun-06**	**Change**	
		$m	**$m**	**$m**	**%**	**$m**	**$m**	**$m**	**%**
Revenue									
Net interest income		310.7	280.9	29.8	10.6	153.7	157.0	3.3	2.1
Net interest income - securitisation		4.4	5.2	(0.8)	(15.4)	2.1	2.3	0.2	9.5
Total net interest income		315.1	286.1	29.0	10.1	155.8	159.3	3.5	2.2
Other revenue comprising:									
Fees	- asset products	21.4	26.7	(5.3)	(19.9)	9.9	11.5	1.6	16.2
	- liability products & other	73.3	62.9	10.4	16.5	36.6	36.7	0.1	0.3
	- trustee, m'ment & other services	9.0	9.6	(0.6)	(6.3)	4.6	4.4	(0.2)	(4.3)
Commissions	- wealth solutions	31.9	29.0	2.9	10.0	15.6	16.3	0.7	4.5
	- insurance	7.3	6.8	0.5	7.4	3.3	4.0	0.7	21.2
	- other	2.4	1.8	0.6	33.3	1.1	1.3	0.2	18.2
Property revenue		0.5	0.8	(0.3)	(37.5)	0.2	0.3	0.1	50.0
Dividend income		2.7	1.6	1.1	68.8	1.4	1.3	(0.1)	(7.1)
Other		13.8	5.0	8.8	176.0	6.3	7.5	1.2	19.0
Significant income items		17.3	8.4	8.9	106.0	1.8	15.5	13.7	761.1
Total other revenue		179.6	152.6	27.0	17.7	80.8	98.8	18.0	22.3
Share of associates' profit		22.2	20.3	1.9	9.4	11.0	11.2	0.2	1.8
Total non interest revenue		201.8	172.9	28.9	16.7	91.8	110.0	18.2	19.8
Total revenue		516.9	459.0	57.9	12.6	247.6	269.3	21.7	8.8

Net interest income increased by 10% when compared with the previous year. This was underpinned by an increase of $1.3 billion, or 10% in average interest earning assets.

Net interest margin before community bank and alliance margin payments increased by 12 basis points comparing the June 2005 half to June 2006 half year of which 6 basis points can be attributed to the reclassification of application fees.

Under AIFRS, loan application fees income is classified as interest income from 1 July 2005. This increased net interest income by $7.2 million in the current year when compared to 2005.

Asset product fees decreased by 20%, predominantly due to the reclassification of application fee income to interest income as required under AIFRS. This decreased 2006 income by $7.2 million when compared to 2005.

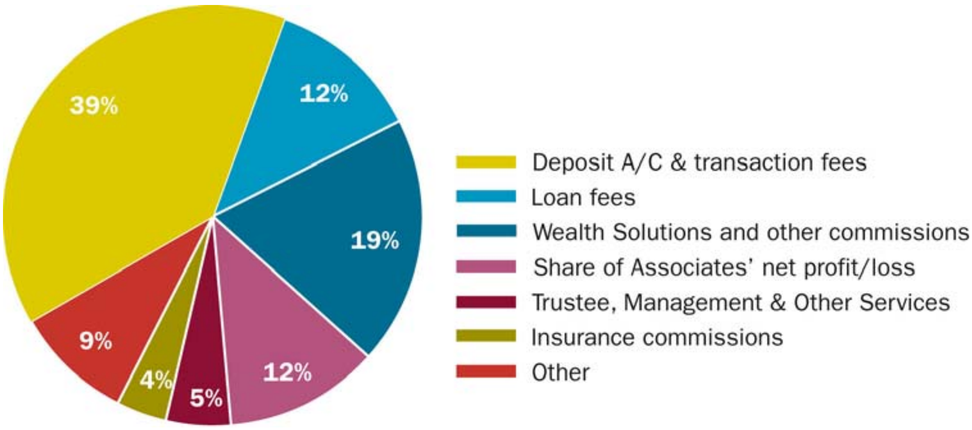
Fees-liability products & other increased by 17% due to increased net transaction fees on customer accounts and increases in fee income from our electronic network.

Commissions - wealth solutions increased by 10% due to increased commissions from our Wealth Solutions division, predominantly commissions from managed fund products.

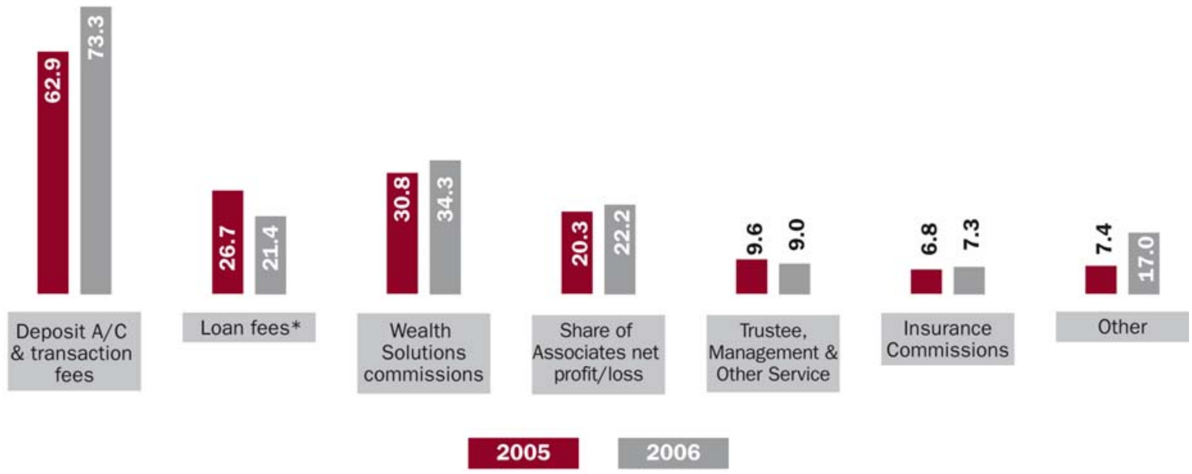
Other increased by $8.8 million and includes factoring fee income for the full-year from Oxford Funding (acquired May 2005).

Significant income items include:	**$m**
Profit on deemed disposal of Select Managed Funds Ltd shares	15.5
Accounting gain on change in equity accounted investment in Community Telco Aust Pty Ltd	1.8
	17.3

Other Income
%



Other Income
$mil

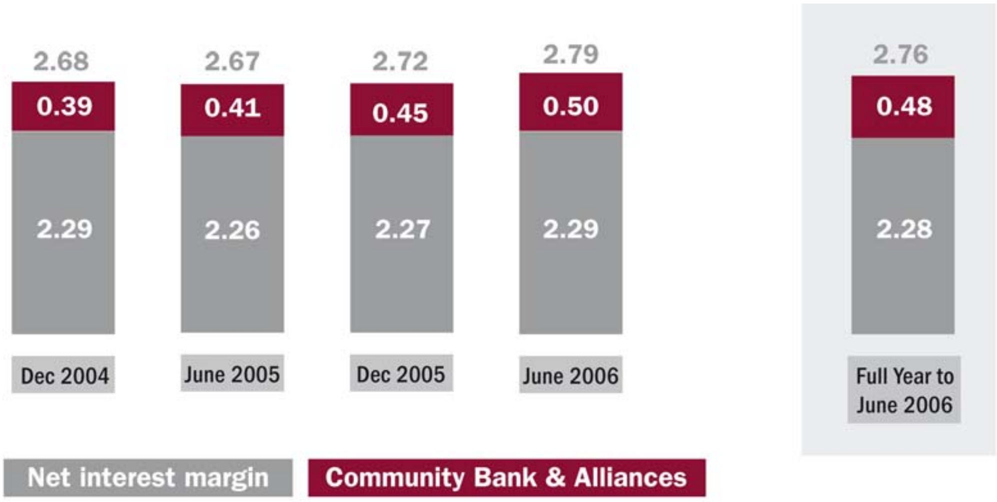


* Note: Under AIFRS, $7.2 million of loan application fees have been reclassified to net interest income for 2006

2.4.3 Interest margin

Net Interest Income increased by 10% compared to previous year. This increase was predominantly due to an increase in interest earning assets of $1.3 billion, or 10%. A reclassification of loan application fee income under AIFRS also added $7.2 million to net interest income in 2005/06.

Interest Margin
%



Note: Reclassification of application fees AIFRS has increased margin by five basis points in 2006

In 2005/06 AIFRS has required the reclassification of application fees into interest margin. The impact on the December 2005 and June 2006 half years is four and six basis points respectively or five basis points over the year. Notwithstanding this, interest margin before payments to Community Banks and Alliance increased five and seven basis points when compared to the previous half year.

Offsetting the growth achieved was the impact of higher levels of payments to Community Bank and Alliances which increased by four and five basis points in the December 2005 and June 2006 halves. The resulting net interest margin, after margin share payments, actually increased in each half and was constant at 2.28% when compared to the previous year.

An analysis of the movement in the net interest margin for 2005/06 is set out in the chart below, which highlights the principal impacts over the period.

Analysis of net interest margin
%

The reclassification of application fee income into margin had a positive impact of five basis points over the year. The movement in cash to bills spread contributed a positive two basis points and funding mix contributed a positive seven basis points over the year.

The strong growth in retail deposits over the year saw the group's proportion of funding from retail sources increase from 79.9% to 83.4%.

The combined impact of market competition and movements between fixed and floating rate assets accounted for a six basis point reduction though the overall result for the year was net interest margin increasing from 2.68% to 2.76%.

2.4.4 Productivity and expenses

					Six months ending			
	Jun-06	Jun-05	Change		Dec-05	Jun-06	Change	
	$m	$m	$m	%	$m	$m	$m	%
Expenses								
Staff and related costs	170.8	154.8	16.0	10.3	84.9	85.9	1.0	1.2
Occupancy costs	29.3	26.2	3.1	11.8	14.4	14.9	0.5	3.5
Information technology costs	28.3	23.9	4.4	18.4	13.8	14.5	0.7	5.1
Amortisation of intangibles	5.6	3.6	2.0	55.6	1.8	3.8	2.0	111.1
Property, plant & equipment costs	9.9	9.1	0.8	8.8	5.9	4.0	(1.9)	(32.2)
Fees & commissions	18.9	17.4	1.5	8.6	9.3	9.6	0.3	3.2
Communications, postage & stationery	22.2	19.8	2.4	12.1	10.9	11.3	0.4	3.7
Advertising & promotion	11.7	9.1	2.6	28.6	6.6	5.1	(1.5)	(22.7)
Other product & services delivery costs	18.4	16.0	2.4	15.0	9.1	9.3	0.2	2.2
Other administration expenses	23.0	25.1	(2.1)	(8.4)	13.0	10.0	(3.0)	(23.1)
Significant expense items	6.1	4.9	1.2	24.5	0.7	5.4	4.7	671.4
Total expenses	344.2	309.9	34.3	11.1	170.4	173.8	3.4	2.0
Expenses to income	66.6%	66.9%	(0.3%)	(0.4)	68.3%	64.9%	(3.4%)	(5.0)
Expenses to average assets	2.3%	2.4%	(0.1%)	(4.2)	2.4%	2.2%	(0.2%)	(8.3)
Expenses to average assets-incl managed funds	2.0%	2.1%	(0.1%)	(4.8)	2.1%	2.0%	(0.1%)	(4.8)
Number of staff (full-time equiv) - No.	2,343	2,214	129	5.8	2,300	2,343	43	1.9
Staff & related costs to income	34.2%	34.2%	0.0%	-	34.5%	33.8%	(0.7%)	(2.0)

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

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

Comments on individual expense categories are:

Staff and related costs increased 10% compared to the previous year. Full time equivalent staff were up by 129. The majority of the FTE increases were in our retail division, reflecting the growth in business volumes and opportunities and expansion of the delivery network. Staff and related costs also increased due to the inclusion of Oxford Funding staff costs for a full year (acquired May 2005). Wage increases awarded under the group's certified agreement and other salary increases also contributed to the increase in this category.

Occupancy costs increased 12% due to increases in property rent, cleaning and security costs. The group sold several properties later in 2004/05 year and are now leasing these properties, resulting in increased rental costs.

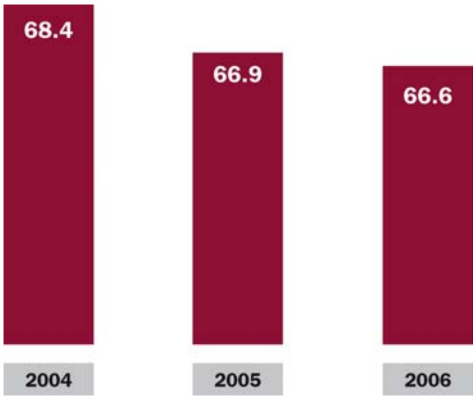
Information technology costs increased by 18%, reflecting the growth in the delivery network and upgrading of computer and software systems.

Amortisation of intangibles increased by $2.0 million due to the purchase of new computer software and software development.

Advertising & promotion increased $2.6 million due to increased marketing programs, including television promotion.

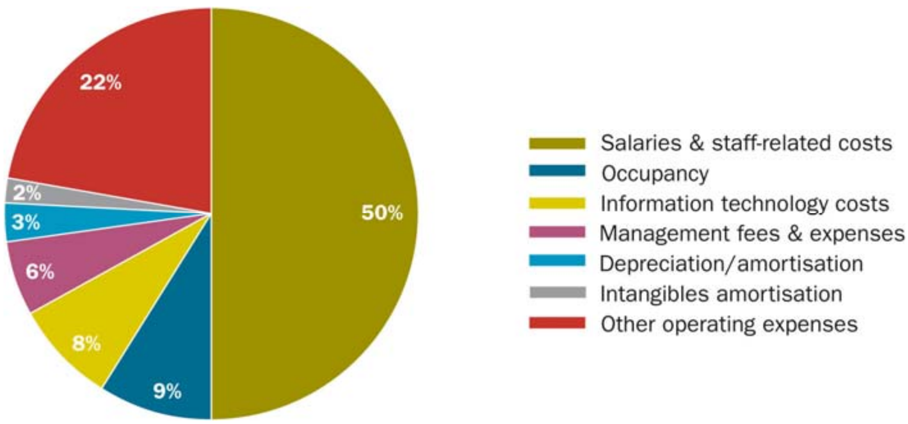
Significant expense items include:	**$m**
Relocation expenses - costs of relocation of Melbourned based staff to new building at Docklands	0.7
Review of carrying value of equity investment portfolio	5.4
	6.1

Efficiency Ratio - Operating Expenses/Total Income
%

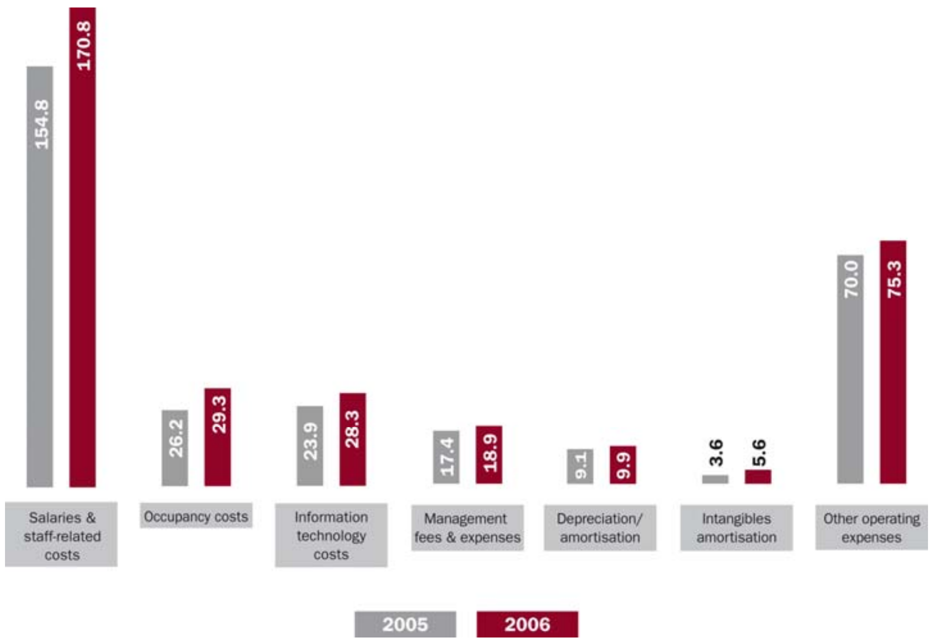


2004 ratio prepared under previous AGAAP.

Operating expenses
%



Operating expenses
$mil



2.4.5 Segment results

For the twelve months ended 30 June 2006

	Retail Banking	Community Banking	Wealth Solutions	J/Ventures, Alliances & Corp Supp't	Total
Revenue	$m	$m	$m	$m	$m
Net interest income	259.4	48.5	7.2	-	315.1
Other income					
Other external income	103.0	25.1	41.3	10.2	179.6
Other intersegment income	0.5	-	2.3	(2.8)	-
Total other income	103.5	25.1	43.6	7.4	179.6
Share of net profit of equity accounted investments	-	-	-	22.2	22.2
Total segment income after interest expense					
External income after interest expense	362.4	73.6	48.5	32.4	516.9
Intersegment income after interest expense	0.5	-	2.3	(2.8)	-
Total income after interest expense	362.9	73.6	50.8	29.6	516.9
Results					
Segment result	145.8	43.2	26.6	(49.9)	165.7
Internal cost allocations	(37.2)	(22.2)	(1.6)	61.0	-
Consolidated entity profit from continuing operations before income tax expense	108.6	21.0	25.0	11.1	165.7
Income tax expense					(49.0)
Minority interests					-
Consolidated entity profit from continuing operations after income tax expense					116.7
Assets					
Segment assets	7,791.3	3,320.0	149.5	3,791.8	15,052.6
Originated and managed assets	981.7	228.8	715.1	(1,925.6)	-
Equity accounted assets	-	-	-	143.5	143.5
Total assets	8,773.0	3,548.8	864.6	2,009.7	15,196.1
Liabilities					
Segment liabilities	6,611.9	4,007.3	179.3	3,498.1	14,296.6
Funds under management	1,368.9	416.2	1,181.0	(2,966.1)	-
Total liabilities	7,980.8	4,423.5	1,360.3	532.0	14,296.6

For the twelve months ended 30 June 2005

	Retail Banking	Community Banking	Wealth Solutions	J/Ventures, Alliances & Corp Supp't	Total
Revenue	$m	$m	$m	$m	$m
Net interest income	242.5	37.2	6.4	-	286.1
Other income					
Other external income	81.5	21.5	38.3	11.3	152.6
Other intersegment income	3.8	0.3	0.2	(4.3)	-
Total other income	85.3	21.8	38.5	7.0	152.6
Share of net profit of equity accounted investments	-	-	-	20.3	20.3
Total segment income after interest expense					
External income after interest expense	324.0	58.6	44.7	31.7	459.0
Intersegment income after interest expense	3.8	0.3	0.2	(4.3)	-
Total income after interest expense	327.8	58.9	44.9	27.4	459.0
Results					
Segment result	133.7	33.7	25.0	(56.9)	135.5
Internal cost allocations	(30.8)	(17.6)	(1.6)	50.0	-
Consolidated entity profit from continuing operations before income tax expense	102.9	16.1	23.4	(6.9)	135.5
Income tax expense					(41.2)
Minority interests					0.4
Consolidated entity profit from continuing operations after income tax expense					94.7
Assets					
Segment assets	7,503.6	2,622.3	141.9	3,472.7	13,740.5
Originated and managed assets	956.4	148.7	750.3	(1,855.4)	-
Equity accounted assets	-	-	-	118.1	118.1
Total assets	8,460.0	2,771.0	892.2	1,735.4	13,858.6
Liabilities					
Segment liabilities	6,124.2	3,141.3	169.3	3,703.1	13,137.9
Funds under management	1,266.1	301.0	1,140.7	(2,707.8)	-
Total liabilities	7,390.3	3,442.3	1,310.0	995.3	13,137.9

For the six months ended 30 June 2006

	Retail Banking	Community Banking	Wealth Solutions	J/Ventures, Alliances & Corp Supp't	Total
Revenue	$m	$m	$m	$m	$m
Net interest income	130.8	24.8	3.8	-	159.4
Other income					
Other external income	53.8	13.9	21.6	9.4	98.7
Other intersegment income	0.2	-	1.0	(1.2)	-
Total other income	54.0	13.9	22.6	8.2	98.7
Share of net profit of equity accounted investments	-	0.1	-	11.1	11.2
Total segment income after interest expense					
External income after interest expense	184.6	38.8	25.4	20.5	269.3
Intersegment income after interest expense	0.2	-	1.0	(1.2)	-
Total income after interest expense	184.8	38.8	26.4	19.3	269.3
Results					
Segment result	72.8	24.1	14.1	(20.3)	90.7
Internal cost allocations	(16.7)	(13.3)	(0.6)	30.6	-
Consolidated entity profit from continuing operations before income tax expense	56.1	10.8	13.5	10.3	90.7
Income tax expense					(27.3)
Minority interests					0.1
Consolidated entity profit from continuing operations after income tax expense					63.5
Assets					
Segment assets	7,791.3	3,320.0	149.5	3,791.8	15,052.6
Originated and managed assets	981.7	228.8	715.1	(1,925.6)	-
Equity accounted assets	-	-	-	143.5	143.5
Total assets	8,773.0	3,548.8	864.6	2,009.7	15,196.1
Liabilities					
Segment liabilities	6,611.9	4,007.3	179.3	3,498.1	14,296.6
Funds under management	1,368.9	416.2	1,181.0	(2,966.1)	-
Total liabilities	7,980.8	4,423.5	1,360.3	532.0	14,296.6

For the six months ended 31 December 2005

	Retail Banking	Community Banking	Wealth Solutions	J/Ventures, Alliances & Corp Supp't	Total
Revenue	$m	$m	$m	$m	$m
Net interest income	128.6	23.7	3.4	-	155.7
Other income					
Other external income	49.2	11.2	19.7	0.8	80.9
Other intersegment income	0.3	-	1.3	(1.6)	-
Total other income	49.5	11.2	21.0	(0.8)	80.9
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	177.8	34.8	23.1	11.9	247.6
Intersegment income after interest expense	0.3	-	1.3	(1.6)	-
Total income after interest expense	178.1	34.8	24.4	10.3	247.6
Results					
Segment result	73.0	19.1	12.5	(29.6)	75.0
Internal cost allocations	(20.5)	(8.9)	(1.0)	30.4	-
Consolidated entity profit from continuing operations before income tax expense	52.5	10.2	11.5	0.8	75.0
Income tax expense					(21.7)
Minority interests					(0.1)
Consolidated entity profit from continuing operations after income tax expense					53.2
Assets					
Segment assets	7,566.6	2,928.7	142.1	3,761.1	14,398.5
Originated and managed assets	937.2	198.7	792.3	(1,928.2)	-
Equity accounted assets	-	-	-	127.1	127.1
Total assets	8,503.8	3,127.4	934.4	1,960.0	14,525.6
Liabilities					
Segment liabilities	6,580.5	3,614.9	170.1	3,346.9	13,712.4
Funds under management	1,386.9	382.2	1,182.2	(2,951.3)	-
Total liabilities	7,967.4	3,997.1	1,352.3	395.6	13,712.4

For the six months ended 30 June 2005

Revenue	Retail Banking	Community Banking	Wealth Solutions	J/Ventures, Alliances & Corp Supp't	Total
	$m	$m	$m	$m	$m
Net interest income	121.9	19.9	3.3	-	145.1
Other income					
Other external income	44.3	13.1	19.2	2.8	79.4
Other intersegment income	2.0	(0.1)	0.1	(2.0)	-
Total other income	46.3	13.0	19.3	0.8	79.4
Share of net profit of equity accounted investments	-	-	-	11.8	11.8
Total segment income after interest expense					
External income after interest expense	166.2	33.0	22.5	14.6	236.3
Intersegment income after interest expense	2.0	(0.1)	0.1	(2.0)	-
Total income after interest expense	168.2	32.9	22.6	12.6	236.3
Results					
Segment result	71.0	18.8	12.6	(29.6)	72.8
Internal cost allocations	(16.1)	(8.7)	(0.5)	25.3	-
Consolidated entity profit from continuing operations before income tax expense	54.9	10.1	12.1	(4.3)	72.8
Income tax expense					(23.3)
Minority interests					0.2
Consolidated entity profit from continuing operations after income tax expense					49.7
Assets					
Segment assets	7,503.6	2,622.3	141.9	3,472.7	13,740.5
Originated and managed assets	956.4	148.7	750.3	(1,855.4)	-
Equity accounted assets	-	-	-	118.1	118.1
Total assets	8,460.0	2,771.0	892.2	1,735.4	13,858.6
Liabilities					
Segment liabilities	6,124.2	3,141.3	169.3	3,703.1	13,137.9
Funds under management	1,266.1	301.0	1,140.7	(2,707.8)	-
Total liabilities	7,390.3	3,442.3	1,310.0	995.3	13,137.9

For the six months ended 31 December 2004

	Retail Banking	Community Banking	Wealth Solutions	J/Ventures, Alliances & Corp Supp't	Total
Revenue	$m	$m	$m	$m	$m
Net interest income	120.6	17.3	3.1	-	141.0
Other income					
Other external income	37.2	8.4	19.1	8.5	73.2
Other intersegment income	1.8	0.4	0.1	(2.3)	-
Total other income	39.0	8.8	19.2	6.2	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	157.8	25.7	22.2	17.0	222.7
Intersegment income after interest expense	1.8	0.4	0.1	(2.3)	-
Total income after interest expense	159.6	26.1	22.3	14.7	222.7
Results					
Segment result	62.7	14.9	12.4	(27.3)	62.7
Internal cost allocations	(14.7)	(8.9)	(1.1)	24.7	-
Consolidated entity profit from continuing operations before income tax expense	48.0	6.0	11.3	(2.6)	62.7
Income tax expense					(17.9)
Minority interests					0.2
Consolidated entity profit from continuing operations after income tax expense					45.0
Assets					
Segment assets	7,317.9	2,305.8	139.2	3,166.0	12,928.9
Originated and managed assets	932.9	131.3	711.9	(1,776.1)	-
Equity accounted assets	-	-	-	110.1	110.1
Total assets	8,250.8	2,437.1	851.1	1,500.0	13,039.0
Liabilities					
Segment liabilities	5,895.9	2,906.6	181.1	3,385.2	12,368.8
Funds under management	1,211.5	266.9	1,087.5	(2,565.9)	-
Total liabilities	7,107.4	3,173.5	1,268.6	819.3	12,368.8

b) Geographical segments

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

Descriptions of derived revenue by segment

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

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

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

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

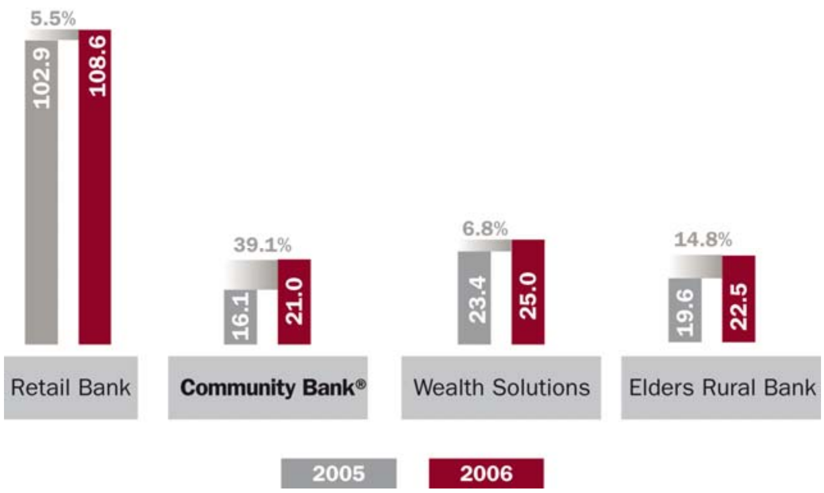
From 1 July 2004, under AIFRS, the group is required to consolidate special purpose securitisation trusts. The report reflects the securitised loans and related items of revenue and expense in the segments in which they have been originated.

The segment reports include the full allocation of net interest margin from corporate support to the operating segments. As the results have been restated for this change, segment reports for each of the half and full years in 2004/05 and 2005/06 have been included.

Segment assets include the value of loans managed or originated by the segments under *Originated and managed assets*.

Segment liabilities include funds that have been originated into the Sandhurst Trustees Common Funds and funds that are managed by the segment under *Funds under management*.

Profit contributions before tax
$mil



2.4.6 Lending

	Jun-06	Jun-05	Change		Six months ending Dec-05	Jun-06	Change	
	$m	$m	$m	%	$m	$m	$m	%
Approvals - by security								
Residential	4,013.8	3,901.5	112.3	2.9	1,975.3	2,038.5	63.2	3.2
Non-residential	2,175.8	1,971.1	204.7	10.4	1,131.4	1,044.4	(87.0)	(7.7)
Total Approvals	6,189.6	5,872.6	317.0	5.4	3,106.7	3,082.9	(23.8)	(0.8)

	Jun-06	Jun-05	Change		As at Dec-05	Jun-06	Change	
	$m	$m	$m	%	$m	$m	$m	%
Gross loan balance - by security								
Residential	9,278.1	8,629.2	648.9	7.5	8,795.5	9,278.1	482.6	5.5
Business								
Property & business services	1,011.3	899.5	111.8	12.4	944.2	1,011.3	67.1	7.1
Retail trade	393.5	306.8	86.7	28.3	367.3	393.5	26.2	7.1
Agriculture, forestry & fishing	272.4	237.1	35.3	14.9	242.9	272.4	29.5	12.1
Construction	180.4	157.5	22.9	14.5	165.6	180.4	14.8	8.9
Accom, cafes & restaurants	131.3	109.6	21.7	19.8	125.7	131.3	5.6	4.5
Manufacturing	100.3	88.5	11.8	13.3	95.6	100.3	4.7	4.9
Transport & storage	81.8	68.7	13.1	19.1	75.1	81.8	6.7	8.9
Health & community services	91.1	64.9	26.2	40.4	70.0	91.1	21.1	30.1
Wholesale trade	71.7	53.1	18.6	35.0	65.6	71.7	6.1	9.3
Cultural & recreational services	38.7	42.4	(3.7)	(8.7)	41.3	38.7	(2.6)	(6.3)
Finance & insurance	44.3	38.3	6.0	15.7	40.1	44.3	4.2	10.5
Personal & other services	28.1	24.9	3.2	12.9	27.2	28.1	0.9	3.3
Education	22.7	20.1	2.6	12.9	20.1	22.7	2.6	12.9
Communication services	13.9	20.0	(6.1)	(30.5)	15.0	13.9	(1.1)	(7.3)
Other	92.9	86.4	6.5	7.5	78.6	92.9	14.3	18.2
Total business	2,574.4	2,217.8	356.6	16.1	2,374.3	2,574.4	200.1	8.4
Unsecured	415.1	490.6	(75.5)	(15.4)	547.3	415.1	(132.2)	(24.2)
Other	230.0	165.2	64.8	39.2	214.1	230.0	15.9	7.4
Total gross loan balance	12,497.6	11,502.8	994.8	8.6	11,931.2	12,497.6	566.4	4.7

Unsecured includes short term FX Term Advances valued at $35.3 million in Jun-05, $91.3 million in Dec-05 and nil in Jun-06.

	Jun-06	Jun-05	Change $m	Change %	Dec-05	Jun-06	Change $m	Change %
Gross Loan balance - by purpose								
Residential	7,778.7	7,293.5	485.2	6.7	7,462.0	7,778.7	316.7	4.2
Consumer	2,511.5	2,292.0	219.5	9.6	2,300.9	2,511.5	210.6	9.2
Commercial	2,207.4	1,917.3	290.1	15.1	2,168.3	2,207.4	39.1	1.8
Total gross loan balance	12,497.6	11,502.8	994.8	8.6	11,931.2	12,497.6	566.4	4.7
Loans under management (gross balance)								
On-balance sheet	12,151.7	11,021.3	1,130.4	10.3	11,529.6	12,151.7	622.1	5.4
On-balance sheet - securitised (previously off-bal sht)	345.9	481.5	(135.6)	(28.2)	401.6	345.9	(55.7)	(13.9)
STL Common Funds	1,559.6	1,335.9	223.7	16.7	1,480.7	1,559.6	78.9	5.3
Total Group loans under management	14,057.2	12,838.7	1,218.5	9.5	13,411.9	14,057.2	645.3	4.8

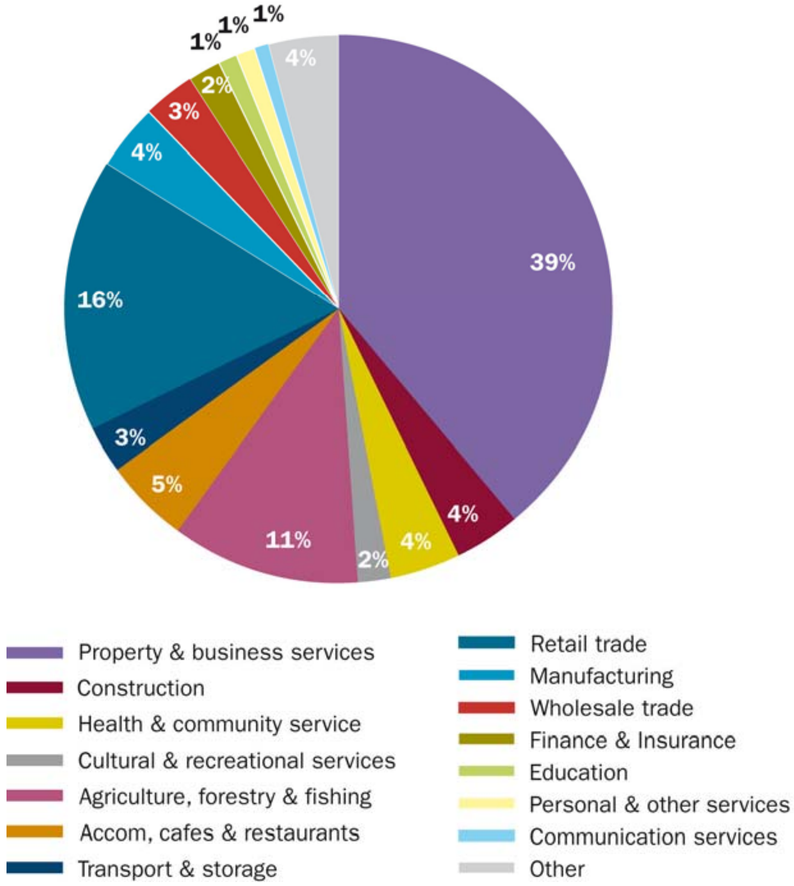
Loans under management represents the gross balance of loans managed by the group:

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

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

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

Business Lending Portfolio by industry
%



2.4.7 Asset Quality

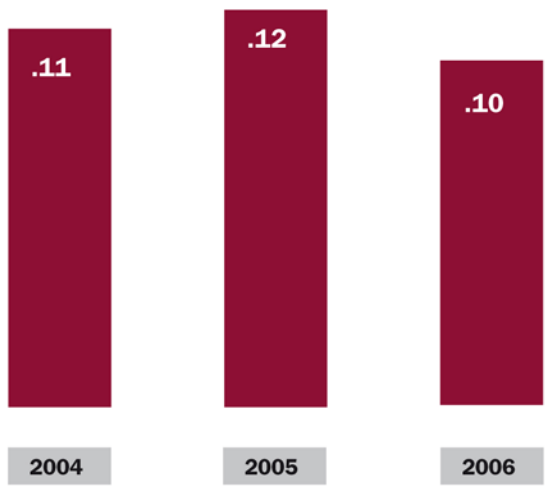
	As at				As at			
	Jun-06	**Jun-05**	**Change**		**Dec-05**	**Jun-06**	**Change**	
	$m	**$m**	**$m**	**%**	**$m**	**$m**	**$m**	**%**
Non-accrual accounts-								
Part-performing	1.9	1.6	0.3	18.8	0.9	1.9	1.0	111.1
Non-performing	13.0	15.1	(2.1)	(13.9)	9.6	13.0	3.4	35.4
Total non-accrual assets	14.9	16.7	(1.8)	(10.8)	10.5	14.9	4.4	41.9
Less: Specific provisions	(9.0)	(8.6)	(0.4)	(4.7)	(8.8)	(9.0)	(0.2)	(2.3)
Net impaired assets	5.9	8.1	(2.2)	(27.2)	1.7	5.9	4.2	247.1
Gross non-accrual to gross loans	0.12%	0.15%	(0.03%)	(20.0)	0.09%	0.12%	0.03%	33.3
Gross impaired assets to total assets	0.10%	0.12%	(0.02%)	(16.7)	0.07%	0.10%	0.03%	42.9
Net impaired to gross loans	0.05%	0.07%	(0.02%)	(28.6)	0.01%	0.05%	0.04%	400.0
Provision coverage	393%	413%	(20%)	(4.8)	530%	393%	(137%)	(25.8)

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

Past due 90 days								
Well secured	74.0	55.2	18.8	34.1	57.1	74.0	16.9	29.6
Portfolio facilities	1.6	1.5	0.1	6.7	1.9	1.6	(0.3)	(15.8)

Loans past due 90 days - well secured includes $12.4 million (Jun 05: $11.8 million, Dec 05: $8.6 million) of loans due to their review date expiring more than 90 days ago, but which are not in payment default.

Impaired Loans/Total Assets
%



The chart displays gross impaired assets as a percentage of total assets demonstrating the continued high quality of the group's asset portfolio.

2.4.8 Bad and Doubtful Debts

	Jun-06	Jun-05	Change		Six months ending Dec-05	Jun-06	Change	
	$m	$m	$m	%	$m	$m	$m	%
Expense:								
Bad debts expense	(0.1)	0.1	(0.2)	-	0.1	(0.2)	(0.3)	(300.0)
Prov'n doubtful debts - expense (Note 1)	7.4	14.0	(6.6)	(47.1)	2.3	5.1	2.8	121.7
Total bad and doubtful debts expense	7.3	14.1	(6.8)	(48.2)	2.4	4.9	2.5	104.2

	Jun-06	Jun-05	Change		As at Dec-05	Jun-06	Change	
	$m	$m	$m	%	$m	$m	$m	%
Balances:								
Provision for doubtful debts - specific	9.1	8.6	0.5	5.8	8.9	9.1	0.2	2.2
Provision for doubtful debts - collective	8.8	-	8.8	-	8.0	8.8	0.8	10.0
Prov'n doubtful debts - general/GRCL	40.6	60.3	(19.7)	(32.7)	38.8	40.6	1.8	4.6
Total provision/reserve doubtful debts	58.5	68.9	(10.4)	(15.1)	55.7	58.5	2.8	5.0
Loan write-offs to average assets	0.04%	0.06%	(0.02%)	(33.3)	0.03%	0.06%	0.03%	100.0
Total provision/reserve for doubtful debts to gross loans	0.47%	0.60%	(0.13%)	(21.7)	0.47%	0.47%	-	-
Collective provision (tax effected) & GRCL to risk-weighted assets	0.55%	0.55%	-	-	0.55%	0.55%	-	-

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

	Jun-06	Jun-05	Movement
	$m	$m	$m
Specific provisions	9.1	8.6	0.5
Collective provision	8.8	-	8.8
General reserve for credit losses (GRCL) (Jun 05: Gen provision for doubtful debts)	40.6	60.3	(19.7)
Total balance in provisions for doubtful debts	58.5	68.9	(10.4)

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

Creation of general reserve for credit losses (GRCL)	36.7
Creation of collective provision	7.9
Write-back of deferred tax balance not applicable to GRCL under AIFRS	15.7
	60.3

The total movement for the year in provisions of ($10.4 million) would otherwise be an increase of $5.3 million after allowing for the write-back of the deferred tax balance of $15.7 million.

The movement in provisions comprise:	Specific	Collective	Gen res cr losses	Total
Balance at June 2005	8.6	-	-	8.6
AIFRS transition adjustments - 1 July 2005	0.5	7.9	36.7	45.1
Bad & doubtful debts expense to profit and loss	6.4	0.9	-	7.3
Bad debts written off	(6.4)	-	-	(6.4)
Appropriation of movement in general reserve for credit losses	-	-	3.9	3.9
Balance at June 2006	9.1	8.8	40.6	58.5

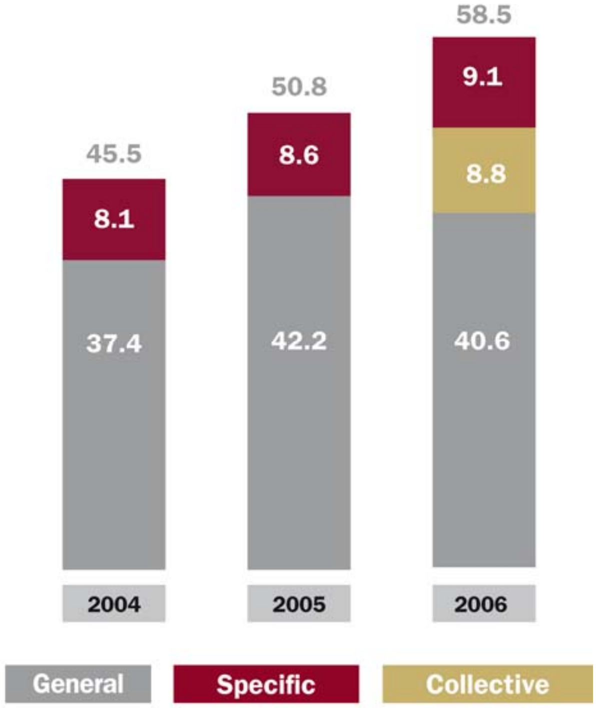
Total bad debts written off for the period, as shown above comprises:

Bad debts previously provided for	6.5
Other Bad debts	(0.1)
	6.4

Note 1 - Movements in specific and collective provisions are reflected as an expense in the income statement. Movements in the general reserve for credit losses (GRCL) are reflected as an appropriation in retained earnings.

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

Total Provisions for Doubtful Debts
$mil



The above chart shows the balance of the general provision/general reserve for credit losses (GRCL) on the same basis for comparative purposes. The balance of the general provision in June 2005 - $60.3million and June 2004 - $53.4 million are reflected in the chart above net of tax impact.

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

a) creation of general reserve for credit losses - $36.7 million
b) creation of collective provision - $7.9 million; and
c) a write back of deferred tax balance not applicable under AIFRS - $15.7 million

The 2005/06 Income Statement includes an expense of $0.9 million in relation to the increase in the collective provision, but excludes an expense relating to the general reserve for credit losses as this is classified as an appropriation of profit under AIFRS.

Bad and doubtful debts expense for the year was $7.3 million, which was $6.8 million less than the previous year. Provisions for doubtful debts at June 2006 totalled $58.5 million, representing 0.47% of gross loan balances (2005: 0.60%).

General reserve for credit losses have been increased by $3.9 million in the year and now total $40.6 million. When added to the collective provision (net of tax) the total represents 0.55% of risk-weighted assets (2005: 0.55%).

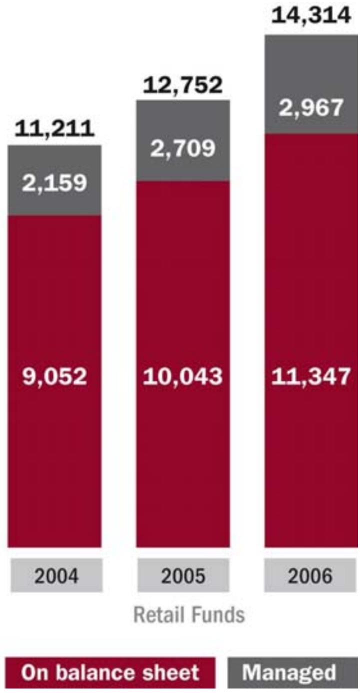
2.4.9 Deposits and Funds under Management

	Jun-06	Jun-05	Change		Dec-05	As at Jun-06	Change	
	$m	$m	$m	%	$m	$m	$m	%
Deposits and funds under management								
Deposits	13,599.8	12,572.2	1,027.6	8.2	13,108.8	13,599.8	491.0	3.7
Managed funds-Trustee Coy	2,966.9	2,709.6	257.3	9.5	2,951.9	2,966.9	15.0	0.5
Total deposits and funds under management	16,566.7	15,281.8	1,284.9	8.4	16,060.7	16,566.7	506.0	3.2
Retail deposits and funds under management - $m								
Retail deposits	11,346.8	10,043.2	1,303.6	13.0	10,994.7	11,346.8	352.1	3.2
Managed funds-Trustee Coy	2,966.9	2,709.6	257.3	9.5	2,951.9	2,966.9	15.0	0.5
	14,313.7	12,752.8	1,560.9	12.2	13,946.6	14,313.7	367.1	2.6
Deposits dissection - $m								
Retail	11,346.8	10,043.2	1,303.6	13.0	10,994.7	11,346.8	352.1	3.2
Wholesale - domestic	1,439.8	1,386.3	53.5	3.9	1,203.2	1,439.8	236.6	19.7
Wholesale - offshore	813.2	1,142.7	(329.5)	(28.8)	910.9	813.2	(97.7)	(10.7)
Total deposits	13,599.8	12,572.2	1,027.6	8.2	13,108.8	13,599.8	491.0	3.7
Deposits dissection - %								
Retail	83.4%	79.9%	3.5%	4.4	83.9%	83.4%	(0.5%)	(0.6)
Wholesale - domestic	10.6%	11.0%	(0.4%)	(3.6)	9.2%	10.6%	1.4%	15.2
Wholesale - offshore	6.0%	9.1%	(3.1%)	(34.1)	6.9%	6.0%	(0.9%)	(13.0)
Total deposits	100.0%	100.0%	-	-	100.0%	100.0%	-	-
Managed funds dissection - $m								
Common Funds	1,941.4	1,731.8	209.6	12.1	1,929.6	1,941.4	11.8	0.6
Investment and superannuation funds	1,025.5	977.8	47.7	4.9	1,022.3	1,025.5	3.2	0.3
Total managed funds	2,966.9	2,709.6	257.3	9.5	2,951.9	2,966.9	15.0	0.5

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

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

Retail funds
$mil



Growth in retail deposits continued during the period, increasing by $1.3 billion, funding the achieved gross loan growth of $1.0 billion. Retail funding now represents 83% of total deposits (2005: 80%).

Total Group deposits and funds under management increased by $1.3 billion, or 8%, to $16.6 billion. This included a 10% increase in Sandhurst Trustees Limited managed funds, or $0.3 billion to $3.0 billion, and an 8% increase or $1.0 billion in on balance sheet deposits which rose to $13.6 billion at year end.

Retail deposits rose $1.3 billion or 13% to $11.3 billion.

Core retail deposit base
%

2.4.10 Capital and shareholder returns

2.4.10.1 Capital adequacy

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

The group has reported under AIFRS for the financial year commencing 1 July 2005. APRA has amended its prudential regulations in response to the implementation of AIFRS and 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	
	As at June 2006	**As at June 2005**
	$m	**$m**
Risk weighted capital ratios		
Tier 1	8.33%	8.01%
Tier 2	2.44%	2.38%
Total capital ratio	10.77%	10.39%
Qualifying Capital		
Tier 1		
Contributed capital	652.4	589.3
Retained profits & reserves	166.7	128.1
Less,		
Intangible assets	77.2	79.0
Net future income tax benefit	17.9	14.2
Other adjustments as per APRA advice	10.5	11.4
Total Tier 1 capital	713.5	612.8
Tier 2		
General reserve for credit losses	46.7	42.2
Subordinated debt	307.1	262.1
Asset revaluation reserves	3.0	3.0
	356.8	307.3
Less,		
Subsidiary investment residual	9.0	9.2
Total Tier 2 capital	347.8	298.1
Less,		
Investments in non-consolidated subsidiaries or associates and other bank's capital instruments	138.2	115.7
Total qualifying capital	923.1	795.2
Total risk weighted assets	**8,566.9**	**7,655.1**

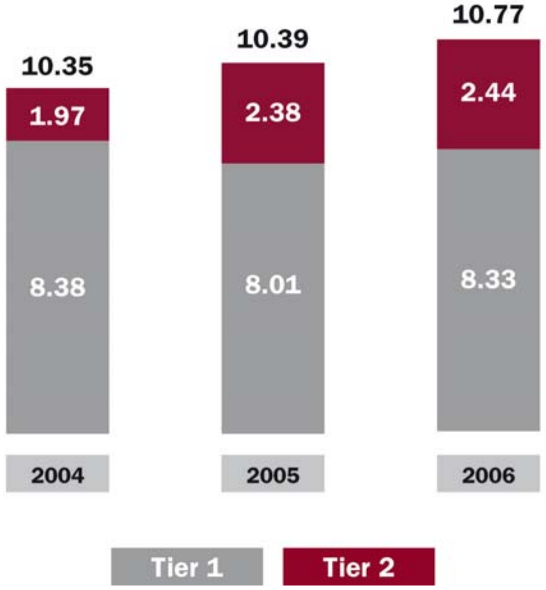
Adjusted Common Equity ("ACE")

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.

Adjusted Common Equity		
Tier 1 capital	713.5	612.8
Deduct:		
Preference share capital	88.3	43.0
Subsidiary investment residual	9.0	9.2
Investments in non-consolidated subsidiaries or associates and other banks' capital instruments	138.2	115.7
Total Adjusted Common Equity	478.0	444.9
Adjusted Common Equity ratio to risk weighted assets	**5.58%**	**5.81%**

Capital adequacy
%



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

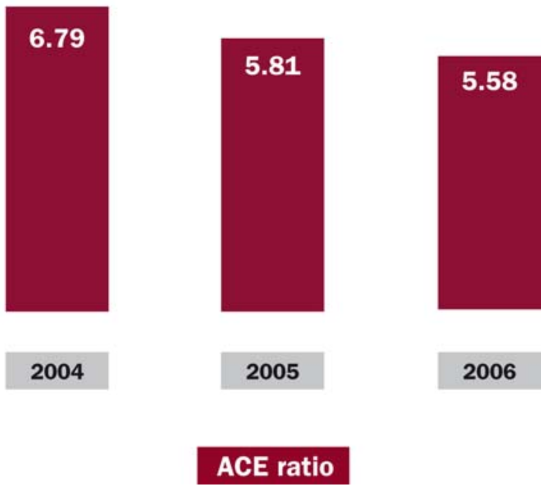
Group assets grew by $1.3 billion in the year to $15.2 billion, an increase of 10%.

Risk weighted assets rose $0.9 billion to $8.6 billion.

Group qualifying capital increased $0.1 billion to $0.9 billion.

Total risk weighted capital adequacy ratio at June 2005 is 10.77%.

Adjusted Common Equity ratio
%



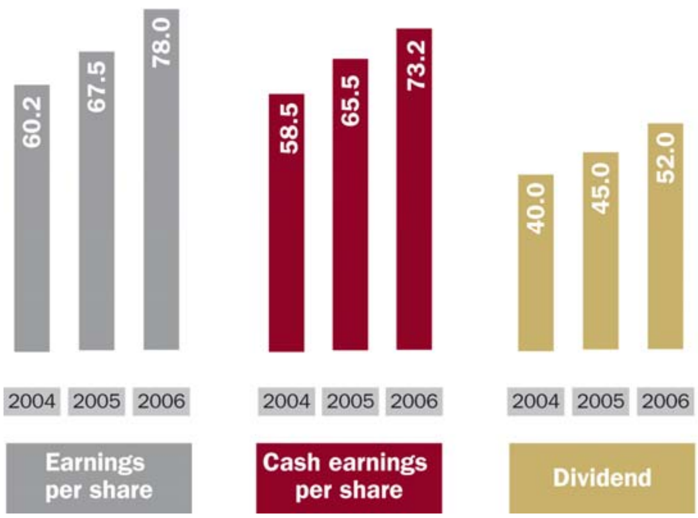
2.4.10.2 Shareholder returns

Shareholder returns

	Jun-06	Jun-05	Change		Six months ending Dec-05	Jun-06	Change	
	$m	$m	$m	%	$m	$m	$m	%
Earnings per ordinary share (weighted average)-cents	78.0	67.5	10.5	15.6	35.0	42.9	7.9	22.6
Cash basis earnings per ordinary share (weighted average)-cents	73.2	65.5	7.7	11.8	34.7	38.5	3.8	11.0
Diluted earnings per share (weighted average)-cents	78.0	67.5	10.5	15.6	35.0	42.9	7.9	22.6
Weighted number of ordinary shares used in EPS calculations - 000's	140,058	140,392	(334)	(0.2)	139,624	140,498	874	0.6
After tax return on average ordinary equity	15.14%	13.98%	1.16%	8.3	13.95%	16.21%	2.26%	16.2
After tax before significant items return on average ordinary equity	13.98%	13.54%	0.44%	3.2	13.58%	14.30%	0.72%	5.3
Cash basis return on average ordinary equity	14.21%	13.58%	0.63%	4.6	13.80%	14.53%	0.73%	5.3
After tax return on average assets	0.75%	0.75%	0.00%	0.0	0.69%	0.81%	0.12%	17.4
After tax before significant items return on average assets	0.69%	0.73%	(0.04%)	(5.5)	0.67%	0.72%	0.05%	7.5

Profitability ratios for December and June half-years use half-year results which have been annualised by multiplying the numerator by two.
Earnings used in earnings per ordinary share is profit available for distribution to ordinary shareholders including significant items.
Cash earnings used in cash basis earnings per ordinary share is net profit attributable to members excluding significant items after tax and intangibles amortisation (except intangible software amortisation).
Ordinary equity used in calculating these ratios is net assets less preference shares, general reserve for credit losses and minority interests.

Shareholder returns
Cents

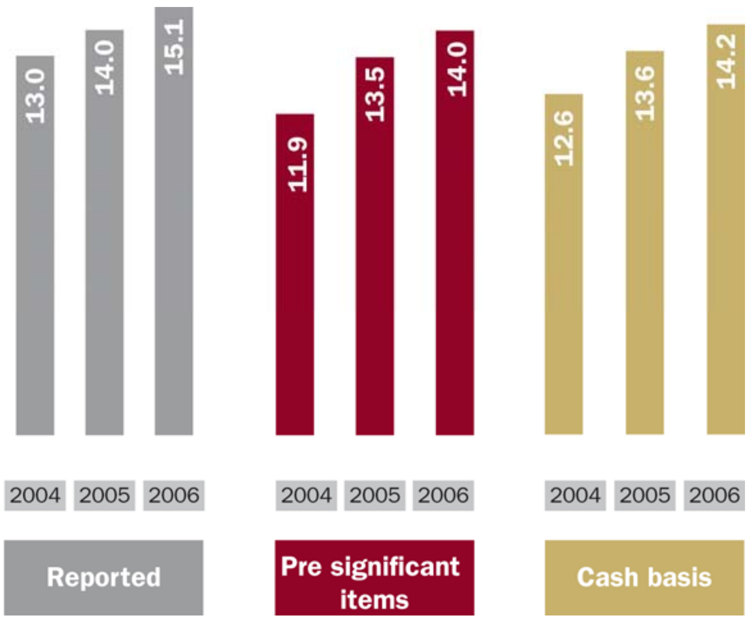


Earnings per ordinary share (including significant items) was 78.0 cents, increasing by 10.5 cents, or 16%, over EPS for 2005.

Cash basis earnings per ordinary share was 73.2 cents, an increase of 7.7 cents, or 12% over 2005.

The strong earnings per share growth enabled directors to lift the final dividend by 4.0 cents to 30.0 cents per share. Dividends for the full year are 52.0 cents, a 7.0 cent (16%) increase on 2005.

Return on ordinary equity
%



Return on average ordinary equity including significant items grew from 14.0% to 15.1%, representing an 8% increase. Cash basis return on average ordinary equity was 14.2% compared to 13.6% in 2005.

2.4.10.3 Dividends

	Full year				Six months ending			
	Jun-06	Jun-05	Change		Dec-05	Jun-06	Change	
	$m	$m	$m	%	$m	$m	$m	%
Dividends								
Dividend per share - cents	52.0	45.0	7.0	15.6	22.0	30.0	8.0	36.4
Dividend amount payable - $m	69.2	59.6	9.6	16.1	29.1	40.1	11.0	37.8
Payout ratio - earnings per ordinary share	66.7%	66.7%	0.0%	0.0	62.9%	69.9%	7.0%	11.1
Payout ratio - cash basis earnings per ordinary share	71.0%	68.7%	2.3%	3.3	63.4%	77.9%	14.5%	22.9

Payout ratio is calculated as dividend per share divided by the applicable earnings per ordinary share.

	Consolidated	
	2006	2005
	$m	$m
Dividends paid or proposed		
Ordinary shares		
Dividends paid during the year		
current year		
Interim dividend (22.0 cents per share) (2005 - 19.0 cents per share)	29.1	25.3
previous year		
Final dividend (26.0 cents per share) (2005 - 23.0 cents per share)	34.3	29.8
Dividends proposed since the reporting date, but not recognised as a liability		
Final dividend (30.0 cents per share) (2005: 26.0 cents per share)	40.1	34.3

All dividends paid were fully franked. Proposed dividends will be fully franked out of existing franking credits or out of franking credits arising from payment of income tax provided for in the financial statements for the year ended 30 June 2006.

Preference shares		
Dividends paid during the year		
90.80 cents per share paid on 15 September 2005 (2005: Nil)	0.8	-
62.19 cents per share paid on 15 December 2005 (2005: Nil)	0.5	-
61.62 cents per share paid on 15 March 2006 (2005: Nil)	0.6	-
62.68 cents per share paid on 15 June 2006 (2005: Nil)	0.6	-
	2.5	-

	Consolidated	
	2006 **$m**	**2005** **$m**
Dividend franking account		
Balance of franking account as at end of financial year	95.4	79.6
Franking credits that will arise from the payment of income tax provided for in the financial report	9.9	8.3
Impact of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution of equity holders during the period	(18.1)	(15.5)
	87.2	72.4

The tax rate at which dividends have been franked is 30% (2005: 30%).
Dividends proposed will be franked at the rate of 30% (2005: 30%).

	2006 $m	2005 $m
Dividend paid		
Dividends paid by cash or satisfied by the issue of shares under the dividend reinvestment plan during the year were as follows:		
Paid in cash	48.1	36.5
Satisfied by issue of shares	17.8	18.6
	65.9	55.1

Dividend Reinvestment Plan

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

Bonus Share Scheme

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

The last date for the receipt of an election notice for participation in either the Dividend Reinvestment Plan or Bonus Share Scheme for the 2006 final dividend is 1 September 2006.

2.4.10.4 Earnings per share

	Consolidated 2006	2005
Share ratios	**Cents per share**	**Cents per share**
Basic earnings per ordinary share	78.0	67.5
Diluted earnings per ordinary share	78.0	67.5
Cash basis earnings per ordinary share	73.2	65.5
Earnings used in the calculation of earnings per ordinary share	**$m**	**$m**
Net profit	116.7	94.3
Net loss attributable to minority interests	-	0.4
Distributions paid on preference shares	(2.5)	-
Movement in general reserve for credit losses	(3.9)	-
Movement in general reserve for credit losses - associates	(1.1)	-
Earnings used in calculating basic earnings per ordinary share	109.2	94.7
Earnings used in calculating diluted earnings per ordinary share	109.2	94.7
After tax intangibles amortisation (excluding amortisation of intangible software)	1.7	0.3
After tax significant income and expense items	(8.4)	(3.0)
Earnings used in calculating cash basis earnings per ordinary share	102.5	92.0
Weighted average number of ordinary shares	**No. of shares**	**No. of shares**
Weighted average number of ordinary shares used in basic earnings per ordinary share	140,057,705	140,391,946

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

Conversions, calls, subscription or issues after 30 June 2006
There have been no conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

2.5 Additional Notes

2.5.1 New branch growth

Gross loan balance growth - new branches

	No of new branches	Loan balances held $m	Loan growth for the period $m
June 06 full year	45	493.8 (1)	180.1
June 05 full year	41	167.1	146.0
June 04 full year	46	305.6	222.7

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

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

Loan growth for the period measures the growth in balances over the 12 month period ending June for the new branches.

Note (1) The loan balances for 2006 include $202.3 million of business redomiciled from other offices to the new branches when they opened. This includes $113.0 million attributable to the new Docklands branch.

Deposits growth - new branches

	No of new branches	Deposits held $m	Deposit growth for the period $m
June 06 full year	45	410.8 (1)	209.6
June 05 full year	41	235.2	168.5
June 04 full year	46	380.8	312.8

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

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

Deposit growth for the period measures the growth in balances over the 12 month period ending June for the new branches.

Note (1) The deposit balances for 2006 include $171.5 million of business redomiciled from other offices to the new

2.5.2 Analysis of intangible assets

	Balance sheet - carrying value	Full year amortisation/ impairment expense	
	Jun-06 $m	Jun-06 $m	Jun-05 $m
Goodwill	65.0	0.1	-
Trustee licence	8.4	-	-
Software	13.6	3.9	1.2
Customer list (Oxford Funding)	2.6	1.6	0.3
	89.6	5.6	1.5

2.5.3 Assets and capital

	Jun-06 $m	Jun-05 $m	Change $m	%	As at Dec-05 $m	As at Jun-06 $m	Change $m	%
Group assets	15,196.1	13,858.6	1,337.5	9.7	14,525.6	15,196.1	670.5	4.6
Capital adequacy								
Total qualifying capital	923.1	795.2	127.9	16.1	862.6	923.1	60.5	7.0
Risk-weighted assets	8,566.9	7,655.1	911.8	11.9	8,013.9	8,566.9	553.0	6.9
Risk-weighted capital adequacy	10.77%	10.39%	0.38%	3.7	10.76%	10.77%	0.01%	0.1
- Tier 1	8.33%	8.01%	0.32%	4.0	7.98%	8.33%	0.35%	4.4
- Tier 2	2.44%	2.38%	0.06%	2.5	2.78%	2.44%	(0.34%)	(12.2)
Net tangible assets per fully paid ordinary share	$4.78	$4.21	$0.57	13.5	$4.57	$4.78	$0.21	4.6
Number of fully paid ordinary shares on issue - 000's	140,851	139,107	1,744	1.3	140,142	140,851	709	0.5

2.5.4 Investments accounted for using the equity method

Name	**Ownership interest held by consolidated entity 2006 %**	**2005 %**	**Balance date**
Elders Rural Bank Ltd	50.0	50.0	30 June
Tasmanian Banking Services Ltd	50.0	50.0	30 June
Community Sector Enterprises P/L	50.0	50.0	30 June
Homesafe Solutions Pty Ltd	50.0	50.0	30 June
Caroline Springs Fin Serv Pty Ltd	50.0	50.0	30 June
Silver Body Financial Services P/L	50.0	50.0	30 June
Community Telco Australia Pty Ltd	50.0	90.0	30 June
Strategic Payment Services Pty Ltd	40.0	-	30 June

(i) Principal activities of associated companies

Elders Rural Bank Ltd - bank
Tasmanian Banking Services Ltd - financial services
Community Sector Enterprises Pty Ltd - financial services
Homesafe Solutions Pty Ltd - financial services
Caroline Springs Financial Services Pty Ltd - financial services
Silver Body Financial Services Pty Ltd - financial services
Community Telco Australia Pty Ltd - telecommunication services
Strategic Payment Services Pty Ltd - payments processing services

All associate companies were incorporated in Australia.

(ii) Share of associates' revenue and profits

	Total 2006 $m	Total 2005 $m
Share of associates':		
- revenue	51.1	35.8
- profit before income tax	22.2	20.3
- income tax expense	6.7	6.4
- profit after income tax	15.5	13.9

Share of associates' operating profits after income tax:

	2006 $m	2005 $m
Elders Rural Bank Ltd	16.1	13.7
Tasmanian Banking Services Ltd	0.8	0.7
Community Sector Enterprises Pty Ltd	-	0.2
Homesafe Solutions Pty Ltd	(0.6)	(0.3)
Caroline Springs Financial Services Pty Ltd	(0.1)	-
Silver Body Financial Services Pty Ltd	(0.1)	-
Community Telco Australia Pty Ltd	(0.5)	-
Strategic Payment Services Pty Ltd	(0.1)	-
BSX Group Holdings Ltd	-	(0.4)
	15.5	13.9

Elders Rural Bank Ltd reported a 10% increase in after-tax profit available for distribution to shareholders to $30.1 million for the year ended 30 June 2006. Loans under management grew 21% to $2.83 billion and deposits were up 25% to $2.89 billion over the year. 2006 was the sixth successive year the bank achieved strong growth in its loan book, which is now estimated to account for an eight per cent market share of Australia's rural debt. Customers continue to be attracted to the bank increasing by 7,000 to 58,000 in the last six months.

Tasmanian Banking Services Ltd is a joint venture between Bendigo Bank and Tasmanian Perpetual Trustees providing banking services in Tasmania. The company recorded an 18% increase in banking business during the year increasing from $490 million to $578 million. The company currently operates from seven offices across Tasmania and expects to open two new branches during the 2006/07 financial year.

Community Sector Enterprises Pty Ltd is a joint venture between Bendigo Bank and Community 21 Ltd, which is owned by 20 not-for-profit sector bodies. The company recorded a 46% increase in banking business during the year from $122 million to $178 million.

Homesafe Solutions Pty Ltd is the trustee and management company responsible for the development, marketing, sales and management of the Homesafe Debt Free Equity Release product launched in selected areas in 2005. The product enables aged home-owners to access the equity in their homes in a secure and cost efficient manner. Homesafe Solutions Pty Ltd is licensed to sell the product and also manages the trust established to provide funding for the product.

Caroline Springs Financial Services Pty Ltd is a joint venture between Bendigo Bank and Delfin Lend Lease Ltd to establish a bank branch as part of the infrastructure for a new integrated property development in the Melbourne suburb of Caroline Springs. The branch opened in February 2005 and grew banking business from $20 million to $33 million during the year.

Silver Body Corporate Financial Services Pty Ltd is a joint venture between Bendigo Bank and SSKB Holdings Pty Ltd to provide banking services both to a specialised market segment as well as the local community on the Gold Coast where the single branch is located. The branch opened in June 2005 and holds $40 million of banking business as at 30 June 2006.

Community Telco Australia Pty Ltd previously majority owned, in August 2005, its major supply partner AAPT invested in the company reducing Bendigo Bank's interest to 50%. The company provides telecommunication services to seven regionally based locally owned community enterprise companies across four states.

Strategic Payments Services Pty Ltd was established in May 2006 and is a joint venture between Bendigo Bank (40%), Customers Limited (40%) and MasterCard International (20%). The company is building an independent payment processing business that will handle the processing and management of all Bendigo and Customers ATM and Eftpos transactions.

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

2.5.5 Average balance sheets and related interest

For the twelve month period ended 30 June 2006

	Note	Average Balance $m	Interest 12 mths $m	Average Rate %
Average balances and rates	*1*			
Interest earning assets				
Cash and cash equivalents		203.9	3.0	1.47
Financial assets (treasury) available for sale & held to maturity		1,697.0	97.0	5.72
Loans and other receivables - company		8,267.3	603.0	7.29
Loans and other receivables - alliances		3,190.3	211.6	6.63
		13,358.5	914.6	6.85
Securitisation interest earning assets		463.1	33.2	7.17
Total interest earning assets	*2,3*	13,821.6	947.8	6.86
Non interest earning assets				
Property, plant & equipment		63.6		
Provisions for doubtful debts		(21.6)		
Other assets		428.2		
		470.2		
Total assets (average balance)		14,291.8		
Interest bearing liabilities and equity				
Deposits				
Retail - company		6,763.5	277.6	4.10
Retail - alliances		3,958.9	206.8	5.22
Wholesale - domestic		842.8	46.2	5.48
Wholesale - offshore		914.6	53.5	5.85
Other borrowings				
Subordinated debt		294.0	19.8	6.73
		12,773.8	603.9	4.73
Securitisation interest bearing liabilities		448.6	28.8	6.42
Total interest bearing liabilities	*2*	13,222.4	632.7	4.79
Non interest bearing liabilities and equity				
Other liabilities		265.5		
Equity		803.9		
		1,069.4		
Total liabilities and equity		14,291.8		
Interest margin and interest spread				
Interest earning assets		13,821.6	947.8	6.86
Interest bearing liabilities		(13,222.4)	(632.7)	(4.79)
Net interest income and interest spread	*4*		315.1	2.07
Net interest margin	*5*			2.28
Impact of community bank/alliances profit share arrangements				
Net interest margin before community bank/alliances share of net interest income				2.76
Less impact of community bank/alliances share of net interest income				0.48
Net interest margin				2.28

1 Average balance is based on monthly closing balances from 30 June 2005 through 30 June 2006 inclusive, with the exception of Wholesale domestic, which is based on a daily closing balance.

2 Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by $40.3m to reflect the gross amounts.

3 Interest income includes $7.2m of application fee income reclassified under AIFRS.

4 Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.

5 Interest margin is the net interest income as a percentage of average interest earning assets.

For the twelve month period ended 30 June 2005

	Note	Average Balance $m	Interest 12 mths $m	Average Rate %
Average balances and rates	*1*			
Interest earning assets				
Cash and cash equivalents		125.0	1.2	0.96
Financial assets (treasury) available for sale & held to maturity		1,482.1	83.9	5.66
Loans and other receivables - company		7,804.8	555.8	7.12
Loans and other receivables - alliances		2,440.5	158.6	6.50
		11,852.4	799.5	6.75
Securitisation interest earning assets		685.6	47.6	6.94
Total interest earning assets	*2*	12,538.0	847.1	6.76
Non interest earning assets				
Property, plant & equipment		53.9		
Provisions for doubtful debts		(66.7)		
Other assets		324.7		
		311.9		
Total assets (average balance)		12,849.9		
Interest bearing liabilities				
Deposits				
Retail - company		6,372.4	250.9	3.94
Retail - alliances		3,079.9	157.3	5.11
Wholesale - domestic		821.5	46.8	5.70
Wholesale - offshore		779.7	46.5	5.96
Other borrowings				
Subordinated debt		247.3	17.1	6.91
		11,300.8	518.6	4.59
Securitisation interest bearing liabilities		669.6	42.4	6.33
Total interest bearing liabilities	*2*	11,970.4	561.0	4.69
Non interest bearing liabilities and equity				
Other liabilities		209.1		
Equity		670.4		
		879.5		
Total liabilities and equity		12,849.9		
Interest margin and interest spread				
Interest earning assets		12,538.0	847.1	6.76
Interest bearing liabilities		(11,970.4)	(561.0)	(4.69)
Net interest income and interest spread	*3*		286.1	2.07
Net interest margin	*4*			2.28

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	0.40
Net interest margin	2.28

1 Average balance is based on monthly closing balances from 30 June 2004 through 30 June 2005 inclusive, with the exception of Wholesale domestic, which is based on a daily closing balance.

2 Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by $32.1m to reflect the gross amounts.

3 Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.

4 Interest margin is the net interest income as a percentage of average interest earning assets.

For the six month period ended 30 June 2006

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

Impact of community bank/alliances profit share arrangements

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

1 Average balance is based on monthly closing balances from 31 December 2005 through 30 June 2006 inclusive, with the exception of Wholesale domestic, which is based on a daily closing balance.

2 Interest payments to alliance partners are net values in Income Statement. Interest income and expense values have been increased by $21.6m to reflect gross amounts.

3 Interest income includes $4.3m of application fee income reclassified under AIFRS.

4 Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.

5 Interest margin is the net interest income as a percentage of average interest earning assets.

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		8,191.9	299.6	7.25
Loans and other receivables - alliances		2,995.7	100.0	6.62
		13,059.0	449.2	6.82
Securitisation interest earning assets		506.7	18.3	7.16
Total interest earning assets	*2,3*	13,565.7	467.5	6.84
Non interest earning assets				
Property, plant & equipment		58.6		
Provisions for doubtful debts		(24.6)		
Other assets		413.5		
		447.5		
Total assets (average balance)		14,013.2		
Interest bearing liabilities				
Deposits				
Retail - company		6,700.0	138.2	4.09
Retail - alliances		3,715.0	97.5	5.21
Wholesale - domestic		795.8	22.1	5.51
Wholesale - offshore		999.9	28.9	5.73
Other borrowings				
Subordinated debt		282.8	9.6	6.73
		12,493.5	296.3	4.70
Securitisation interest bearing liabilities		493.9	16.2	6.51
Total interest bearing liabilities	*2*	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		13,565.7	467.5	6.84
Total interest bearing liabilities		(12,987.4)	(312.5)	(4.77)
Total net interest income and interest spread	*4*		155.0	2.06
Total net interest margin	*5*			2.27

Impact of community bank/alliances profit share arrangements

Net interest margin before community bank/alliances share of net interest income	2.72
Less impact of community bank/alliances share of net interest income	0.45
Net interest margin	2.27

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

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		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	*2*	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	*2*	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 payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by $16.9m to reflect gross amounts.
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.

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		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	*2*	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	*2*	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 payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by $15.2m to reflect gross amounts.

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.

2.5.6 Credit ratings

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

2.5.7 Issued capital

Changes to issued and quoted securities during the period

Ordinary shares	**$m**
139,106,669 fully paid ordinary shares at beginning of year	546.3
September 2005 – 866,908 shares issued at $11.07 under Dividend Reinvestment Plan	9.6
September 2005 – 168,244 shares issued at $11.07 under Bonus Share Scheme (in lieu of dividend payment)	-
March 2006 – 584,385 shares issued at $14.01 under Dividend Reinvestment Plan	8.2
March 2006 – 124,755 shares issued at $14.01 under Bonus Share Scheme (in lieu of dividend payment)	-
140,850,961 fully paid ordinary shares at 30 June 2006	564.1

Preference Shares	**$m**
900,000 preference shares of $100 face value (partly paid to $50) at beginning of financial year	43.0
June 2006 – second instalment of $50 per share	44.9
Shares issue costs offset by tax benefit	0.4
900,000 preference shares of $100 face value (fully paid) at 30 June 2006	88.3

2.5.8 Impact on adoption of AIFRS

Explanation of transition

The group has prepared these financial statements using Australian Standards that are equivalent to International Financial Reporting Standards ("AIFRS"). As these financial statements are for the first full 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 1 July 2004, 30 June 2005 and 1 July 2005; and the income statements and cash flow statements 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.

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.

Income statement reconciliations for the year ended 30 June 2005

Income statement item	Note	Consolidated $m Previous AGAAP	Transition impact	AIFRS
Income				
Net interest income				
Interest income	(a) (l)	767.4	47.6	815.0
Interest expense	(a)	486.6	42.3	528.9
Net interest income		280.8	5.3	286.1
Other revenue				
Dividends		1.6	-	1.6
Fees				
- asset products	(a)	26.0	0.7	26.7
- liability products, electronic delivery		53.5	-	53.5
- trustee, management & other	(a)	9.3	0.3	9.6
- securitisation	(a)	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
Other revenue	(a)	4.3	0.2	4.5
Income	(n)	23.1	(13.4)	9.7
Total other income		169.8	(17.2)	152.6
Share of associates' profit	(q)	20.5	(0.2)	20.3
Total income after interest expense		471.1	(12.1)	459.0
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
Occupancy costs	(p)	26.0	0.2	26.2
Amortisation of intangibles	(b) (m)	4.7	(1.1)	3.6
Property, plant and equipment	(m) (n)	13.7	(4.6)	9.1
Fees and commissions	(a)	16.6	0.8	17.4
Other expenses	(a) (l) (n)	109.9	(11.5)	98.4
Total expenses		326.1	(16.2)	309.9
Profit before income tax expense		131.4	4.1	135.5
Income tax expense	(q)	(41.3)	0.1	(41.2)
Net profit		90.1	4.2	94.3
Net loss - outside equity interest		0.3	0.1	0.4
Net profit attributable to members of Bendigo Bank Limited		90.4	4.3	94.7

Balance sheet reconciliations as at 1 July 2004

Balance Sheet item	Note	Consolidated $m Previous AGAAP	Transition impact	AIFRS
Assets				
Cash and cash equivalents	(a)	157.5	34.2	191.7
Due from other financal institutions		157.6	-	157.6
Derivatives		-	-	-
Share investments		27.3	-	27.3
Held-to-maturity financial assets	(a)	1,220.2	7.5	1,227.7
Loans and other receivables	(a) (o)	9,372.6	651.2	10,023.8
Investments accounted for using the equity method		101.1	-	101.1
Property, plant & equipment	(m)	56.6	(2.1)	54.5
Intangible assets and goodwill	(b) (m)	63.7	(1.4)	62.3
Deferred tax assets	(r)	32.8	0.5	33.3
Other financial assets	(a)	95.1	(3.9)	91.2
Total Assets		11,284.5	686.0	11,970.5
Liabilities				
Due to other financial institutions		128.9	-	128.9
Deposits	(a)	10,148.9	708.5	10,857.4
Derivatives		-	-	-
Financial liabilities	(a) (p)	88.7	11.9	100.6
Income tax payable		6.8	-	6.8
Provisions		27.2	-	27.2
Deferred tax liabilities	(r)	8.3	(0.7)	7.6
Subordinated debt - at amortised cost		199.3	-	199.3
Total Liabilities		10,608.1	719.7	11,327.8
Net Assets		676.4	(33.7)	642.7
Equity				
Parent entity interest				
Issued capital		551.6	-	551.6
ESOP shares	(o)	-	(31.4)	(31.4)
Reserves	(r)	5.4	1.2	6.6
Retained profits	(b) (j) (p)	119.6	(3.5)	116.1
Total parent entity interest in equity		676.6	(33.7)	642.9
Total minority interest		(0.2)	-	(0.2)
Total Equity		676.4	(33.7)	642.7

	Consolidated as at 1 July 2004 $m
Equity under previous AGAAP	676.4
Recognition of shares in relation to Employee Share Ownership Plan	(31.4)
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 asset revaluation reserves on transition - 1 July 2004	1.2
Equity under AIFRS	642.7

Balance sheet reconciliations as at 30 June 2005

Balance Sheet item	*Note*	Consolidated $m Previous AGAAP	Transition impact	AIFRS
Assets				
Cash and cash equivalents	(a)	135.2	117.9	253.1
Due from other financal institutions		188.9	-	188.9
Derivatives	(f)	-	3.1	3.1
Available for sale financial assets (share investments)		42.5	-	42.5
Held-to-maturity fin assets	(a)	1,541.7	28.4	1,570.1
Loans and other receivables	(a) (o)	10,938.2	454.2	11,392.4
Investments accounted for using the equity method		118.2	(0.1)	118.1
Property, plant & equipment	(m)	58.0	(10.5)	47.5
Intangible assets and goodwill	(b) (m)	79.0	11.4	90.4
Deferred tax assets	(r)	35.4	0.4	35.8
Other financial assets	(a)	125.0	(8.3)	116.7
Total Assets		13,262.1	596.5	13,858.6
Liabilities				
Due to other financial institutions		143.3	-	143.3
Deposits	(a)	11,958.2	614.0	12,572.2
Derivatives	(f)	-	6.3	6.3
Financial liabilities	(a) (p)	106.2	5.1	111.3
Income tax payable		8.3	-	8.3
Provisions		32.0	-	32.0
Deferred tax liabilities	(e) (r)	2.9	(0.5)	2.4
Subordinated debt - at amortised cost		262.1	-	262.1
Total Liabilities		12,513.0	624.9	13,137.9
Net Assets		749.1	(28.4)	720.7
Equity				
Parent entity interest				
Issued capital		589.3	-	589.3
ESOP shares	(o)	-	(30.0)	(30.0)
Reserves	(r)	3.1	0.9	4.0
Retained profits	(b) (j) (p)	157.1	0.7	157.8
Total parent entity interest in equity		749.5	(28.4)	721.1
Total minority interest		(0.4)	-	(0.4)
Total Equity		749.1	(28.4)	720.7

	Consolidated as at 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	4.3
Other minor adjustments	(0.1)
Equity under AIFRS	720.7

Balance sheet reconciliations as at 1 July 2005

Balance Sheet item	***Note***	**Consolidated $m** AIFRS 30 June 2005	**Transition impact of 132/139**	**AIFRS 1 July 2005**
Assets				
Cash and cash equivalents		253.1	-	253.1
Due from other financal institutions		188.9	-	188.9
Derivatives		3.1	-	3.1
Available for sale financial assets/share investments	(h)	42.5	320.6	363.1
Held-to-maturity financial assets	(h)	1,570.1	(295.1)	1,275.0
Loans and other receivables	(c) (d) (f) (g)	11,392.4	63.2	11,455.6
Investments accounted for using the equity method	(d) (k)	118.1	4.4	122.5
Property, plant & equipment		47.5	-	47.5
Intangibles		90.4	-	90.4
Deferred tax assets	(c) (d)	35.8	(15.5)	20.3
Other financial assets		116.7	-	116.7
Total Assets		13,858.6	77.6	13,936.2
Liabilities				
Due to other financial institutions		143.3	-	143.3
Deposits	(f) (g)	12,572.2	(1.0)	12,571.2
Derivatives	(f)	6.3	12.0	18.3
Financial liabilities	(l)	111.3	10.5	121.8
Income tax payable	(c)	8.3	(0.1)	8.2
Provisions		32.0	-	32.0
Deferred tax liabilities	(e) (r)	2.4	7.7	10.1
Subordinated debt - at amortised cost		262.1	-	262.1
Total Liabilities		13,137.9	29.1	13,167.0
Net Assets		720.7	48.5	769.2
Equity				
Parent entity interest				
Issued capital		589.3	-	589.3
ESOP shares		(30.0)	-	(30.0)
Reserves	(d) (e) (f) (g) (h) (i) (r)	4.0	59.5	63.5
Retained profits	(c) (k) (l)	157.8	(8.4)	149.4
Total parent entity interest in equity		721.1	51.1	772.2
Total minority interest		(0.4)	-	(0.4)
Total Equity		720.7	51.1	771.8

		as at 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)		(0.3)
Fair value adjustments to financial assets, financial liabilities and derivatives on transition:	- group	0.1
	- associates	(0.8)
Establishment of general reserve for credit losses and collective provision:	- group	36.7
	- associates	4.8
Deferred loan application fee income (tax effected)		(7.4)
		771.8

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.

		Consolidated
		$m
(i)	The above 1 July 2005 changes impact reserves as follows -	
	Creation of general reserve for credit losses (after tax value)	36.7
	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
		59.5
(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	(0.8)
	Increase in specific loan provisions on transition (tax effected)	(0.3)
	Deferred loan application fee income (tax effected)	(7.4)
		(8.4)

(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.

Loan application fees have also been re-categorised to interest income in accordance with AASB 139. These fees were recognised under previous AGAAP on an as earned (received) basis. As these fees are deferred over the expected life of the loans under AIFRS, this has resulted in a transition adjustment against retained earnings at 1 July 2005 of $10.5 million ($7.4 million tax effected).

(m) On transition, computer 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.

2.6 Commentary on results and performance trends

Group profit available for distribution to ordinary shareholders was $109.2 million, a $14.5 million or 15% increase over the $94.7 million achieved in 2005. This result included the effect of several significant items, with the before significant items result being $100.8 million, a $9.1 million or 10% increase over 2005.

The result flowed from increased contributions from all divisions within the Group. A 10% increase in group loans under management and a 13% growth in retail deposits contributed to the increase in profit.

Profit before tax increased by 22% from $135.5 million to $165.7 million, whilst the result before tax and significant items increased from $132.0 million to $154.5 million, a 17% increase over 2005. Significant items included the profit on deemed disposal of Select Managed funds shares, accounting gain on change in equity accounted investment in Community Telco Australia, partially offset by costs of relocation to the new Docklands office in Melbourne and review of carrying value of equity investment portfolio.

During the year the value of unrealised gains in the group's equity investment portfolio increased in excess of $10 million which is reflected in equity reserves on an after-tax basis.

Net interest income increased by 10% or $29.0 million, underpinned by an increase of $1.3 billion in average interest earning assets. The increase was achieved with a 2.28% net interest rate margin, which was unchanged from 2004/05. The current year includes loan application income of $7.2 million reclassified to net interest income under AIFRS.

Non interest income increased by $20.0 million or 12% excluding the significant income items. The major increases included liability product transaction fees and income from our electronic delivery network. Earnings from our Wealth Solutions managed fund products contributed to the increased commission income. Oxford Funding (acquired May 2005) also contributed a full year trading in the current year, increasing income when compared to 2005.

Bad and doubtful debts expense decreased from $14.1 million to $7.3 million in 2006. This was impacted by AIFRS changes from 1 July 2005, whereby increases in the general reserve for credit losses (general provision under previous AGAAP) are reflected as an appropriation of profit, rather than an expense of the period. The expense in relation to general provision in 2005 was $6.6 million. Also, under AIFRS the group now has a collective provision for doubtful debts, which was not maintained prior to 2005/06 under previous AGAAP. The expense for this provision in 2006 was $0.9 million (2005: Nil). The expense in relation to specific provisions decreased by $1.1 million.

Other expenses excluding significant expense items increased by $33.1 million or 11%. The major contributors to this increase were:

- Staff and related costs increased by 10% following the increase in full time equivalent staff numbers by 129. The majority of the staff increases were in our retail division, reflecting the growth in business volumes and expansion of the delivery network. Staff and related costs also increased due to the inclusion of Oxford Funding staff costs for a full year (acquired May 2005). Wage increases awarded under the Group's certified agreement and other salary increases also contributed to the increase in the category.

- Occupancy costs increased 12% due to increases in property rent, cleaning and security costs. The group sold several properties later in 2004/05 and is now renting these properties, resulting in increased rental costs. During the year the group consolidated its Melbourne CBD operations into a new building based in the Docklands precinct.

- Information technology costs increased by 18%, reflecting the growth in the delivery network and upgrading of computer and software systems.

- Amortisation of intangibles increased by $2.0 million due to the purchase of new computer software and software development.

- Advertising and promotion increased by $2.6 million due to increased marketing programs, including television promotion.

The expense to income ratio decreased from 66.9% to 66.6%.

The directors declared a dividend of 30.0 cents per share, fully franked (at 30 per cent) on 14 August 2006. The final dividend is payable on 29 September 2006 and when combined with the interim dividend of 22.0 cents represents a dividend pay-out ratio on earnings per ordinary share of 66.7% (2005: 66.7%), or 71.0% of cash basis earnings per ordinary share (2005: 68.7%).

The major business divisions of the Group contributed to the result reported for the period under review. The Group has again achieved solid business growth as evidenced by lending approvals of $6.2 billion, growth in loans under management of $1.2 billion (9.5% increase) and an increase in deposits and funds under management of $1.3 billion (8.4% increase).

Reported cash earnings per share of 73.2 cents represents an 11.8% increase for the year and comfortably achieved the Group's targeted 10% improvement. The ongoing expansion of our Community Bank network, further growth in the Wealth Solutions division and increased business in our retail, e-banking and business banking products, together with the addition of factoring products to the retail network is expected to maintain the growth momentum in profits and we are again targeting cash earnings per share growth of 10% for the new financial year.