Bendigo and Adelaide Bank Limited

ABN 11 068 049 178

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

For the period ending

31 December 2010

Released 14 February 2011

This report comprises information given to the ASX under listing rule 4.2A

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APPENDIX 4D: HALF YEAR REPORT

1.1 Company details and reporting period

Bendigo and Adelaide Bank Limited
ABN 11 068 049 178

Reporting period - six months ended:	31 December 2010
Previous corresponding period - six months ended:	31 December 2009

1.2 Results for announcement to the market

Income from operations	up 16.2% to $620.8m
Profit after tax attributable to members	up 67.1% to $173.9m
Net profit attributable to members	up 67.1% to $173.9m

Dividends – current year	**Amount per security**
Interim Dividend – 2011, fully franked	30.0 cents

Record date for determining entitlements for the interim dividend - 4 March 2011

Payable 31 March 2011

Dividends – previous year	**Amount per security**
Final Dividend – 2010, fully franked Paid 30 September 2010	30.0 cents
Interim Dividend – 2010, fully franked Paid 31 March 2010	28.0 cents

1.3 Cash earnings results

Cash earnings attributable to members	up 16.0% to $162.1m
Cash earnings per share	up 8.5% to 44.7 cents
See note 2.4 for full details	

1.4 Net tangible assets per ordinary share

Refer to pages 28, 31 and 56 of the attached December 2010 half year profit announcement.

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

During the financial period, changes in the investment in the following entity occurred:

1 December 2010 – ownership of Rural Bank Limited was increased from 60% to 100% after the purchase of the remaining 40% shareholding from Elders Ltd. Rural Bank Limited is now a wholly owned subsidiary of Bendigo and Adelaide Bank Limited.

The information contained in this report includes the results of Rural Bank Limited from 1 October 2009, the date control was gained.

1.6 Details of individual and total dividends

Refer to pages 26 and 53 of the attached December 2010 half year profit announcement.

1.7 Details of any dividend or distribution reinvestment plans in operation

Refer to page 27 of the attached December 2010 half year profit announcement.

1.8 Details of associates and joint venture entities

Refer to page 29 of the attached December 2010 half year profit announcement.

1.9 Accounting standards used for foreign entities

Not applicable.

1.10 Dispute or qualifications if audited

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

1.11 Half year financial statements

Refer to pages 39 to 45 of the attached December 2010 half year profit announcement.

2. HALF YEAR ANNOUNCEMENT

2.1 Financial highlights

	Jun-09 Half* $m	Dec-09 Half** $m	Jun-10 Half $m	Dec-10 Half $m	Dec-09 Half to Dec-10 Half $m	%
Profit after tax attributable to parent	33.2	104.1	138.5	173.9	69.8	67.1
Profit after tax and before non recurring items	64.3	134.2	143.2	156.3	22.1	16.5
Cash earnings	69.9	139.7	151.3	162.1	22.4	16.0
Net interest income	308.9	408.0	446.6	461.3	53.3	13.1
Non-interest income (before non recurring items)	145.6	153.0	141.4	158.5	5.5	3.6
Expenses (before non recurring items)	305.8	340.6	356.3	371.9	31.3	9.2
Retail deposits	28,536.4	32,174.7	33,698.2	35,481.3	3,306.6	10.3
Ordinary equity	3,228.4	3,610.0	3,697.3	3,787.7	177.7	4.9
Funds under management	4,491.3	4,117.0	3,704.0	3,920.5	(196.5)	(4.8)
Loans under management	40,767.4	43,834.5	45,174.9	46,131.9	2,297.4	5.2
New loan approvals	5,379.5	5,375.1	6,541.5	7,048.1	1,673.0	31.1
Residential	3,846.5	3,767.7	4,502.6	4,887.6	1,119.9	29.7
Non-residential	1,533.0	1,607.4	2,038.9	2,160.5	553.1	34.4

	Jun-09 Half*	Dec-09 Half**	Jun-10 Half	Dec-10 Half	Dec-09 Half to Dec-10 Half	
Cost to income ratio	64.4%	58.5%	57.7%	57.7%	(0.8)	(1.4)
Earnings per ordinary share - cents	9.7	29.7	37.4	46.7	17.0	57.2
Cash basis earnings per ordinary share – cents	22.9	41.2	42.1	44.7	3.5	8.5
Dividend per share – cents	15.0	28.0	30.0	30.0	2.0	7.1

* The June 2009 half year results include the acquired Macquarie Margin Lending business from 8 January 2009.

** The December 2009 half year results include the Macquarie Margin Lending business, along with the trading of Tasmanian Banking Services Limited (100% owned and controlled), from 1 August 2009 and Rural Bank Limited (60% owned and controlled), from 1 October 2009; (100% owned and controlled) from 1 December 2010. Previously, Rural Bank and Tasmanian Banking Services were equity accounted joint ventures.

2.2 Results at a glance

2.2.1 Financial performance

		Further detail
-	Cash earnings \$162.1 million (Dec-09 \$139.7 million), an increase of 16.0%.	2.4.1
-	Cash basis earnings per ordinary share of 44.7 cents (Dec-09 41.2 cents), an increase of 8.5%.	2.4.10.2
-	Half year cash basis earnings return on average ordinary equity was 8.7% (Dec-09 8.0%).	2.4.10.2
-	Profit after income tax before non recurring items was \$156.3 million (Dec-09 \$134.2 million), an increase of 16.5% (see note 2.4.2 for non recurring items).	2.4.1
-	Net interest income increased by 13.1% to \$461.3 million with an interest margin before payments to community banks and alliances increasing from 2.14% for the June 2010 half year to 2.15% for the December 2010 half year. Net of these payments, interest margin recorded a 2 basis point decrease from 1.85% in June 2010 to 1.83% in the half year to December 2010. Refer to 2.4.3 for further analysis.	2.4.4
-	Non-interest income before non recurring items was \$158.5 million (Dec-09 \$153.0 million), an increase of 3.6%.	2.4.4
-	Expenses before non recurring items increased by 9.2% to \$371.9 million compared to December 2009 half and 4.4% compared to the June 2010 half. The cost to income ratio was 57.7% compared to 58.5% for the December 2009 half and 57.7% for the June 2010 half.	2.4.5
-	Bad & Doubtful debts expense was \$18.1 million (Dec-09: \$16.8 million), an increase of 7.7%.	2.4.8

2.2.2 Financial position

		Further detail
-	Loans under management were $46.1 billion (Dec-09 $43.8 billion, Jun-10 $45.2 billion), an increase of 5.2% and 2.1% respectively.	2.4.6
-	Retail deposits were $35.5 billion (Dec-09 $32.2 billion, Jun-10 $33.7 billion), an increase of 10.3% and 5.3% respectively.	2.4.9
-	Managed funds were $3.9 billion (Dec-09 $4.1 billion, Jun-10 $3.7 billion), a decrease of 4.8%, and an increase of 5.8% respectively.	2.4.9
-	Total provisions and reserves for doubtful debts were $233.0 million – an increase of $2.1 million since June 2010. General and collective provisions are 0.55% of Group Risk Weighted Assets.	2.4.8

2.2.3 Dividends

		Further detail
-	An interim ordinary dividend of 30.0 cents per ordinary share, fully franked (31 December 2009 – 28.0 cents) has been declared by the Board.	2.4.10.2

2.3 Summary Income Statement

For the half year ended 31 December 2010

	Consolidated Dec-10 $m	Consolidated Dec-09 $m
Income		
Net interest income		
Interest income	1,671.0	1,267.9
Interest expense	1,209.7	859.9
Net interest income	**461.3**	**408.0**
Total non interest income (2.4.4)	156.9	141.4
Share of associates' net profits accounted for using the equity method (2.5.3)	1.6	11.6
Total income	**619.8**	**561.0**
Expense		
Bad and doubtful debts (2.4.8)	18.1	16.8
Operating expenses (2.4.5)	371.9	340.6
Profit before income tax expense and non recurring items	**229.8**	**203.6**
Non recurring items before tax	(17.5)	(41.6)
Profit before income tax expense	**212.3**	**162.0**
Income tax expense	(33.9)	(53.0)
Profit after income tax expense	**178.4**	**109.0**
Net (profit)/loss attributable to non controlling interest	(4.5)	(4.9)
Profit after income tax expense attributable to members of the parent	**173.9**	**104.1**
Adjusted for:		
Non recurring items after tax (2.4.2)	(17.6)	30.1
Dividends paid on preference shares	(2.0)	(1.5)
Dividends paid on step-up preference shares	(2.3)	(1.8)
After tax intangibles amortisation (excluding amortisation of intangible software)	10.1	8.8
Cash basis earnings	**162.1**	**139.7**
Cash basis earnings per ordinary share (cents per share)	44.7	41.2
Basic earnings per ordinary share (cents per share)	46.7	29.7
Diluted earnings per ordinary share (cents per share)	44.0	27.7
Franked dividends per ordinary share (cents per share)	30.0	28.0

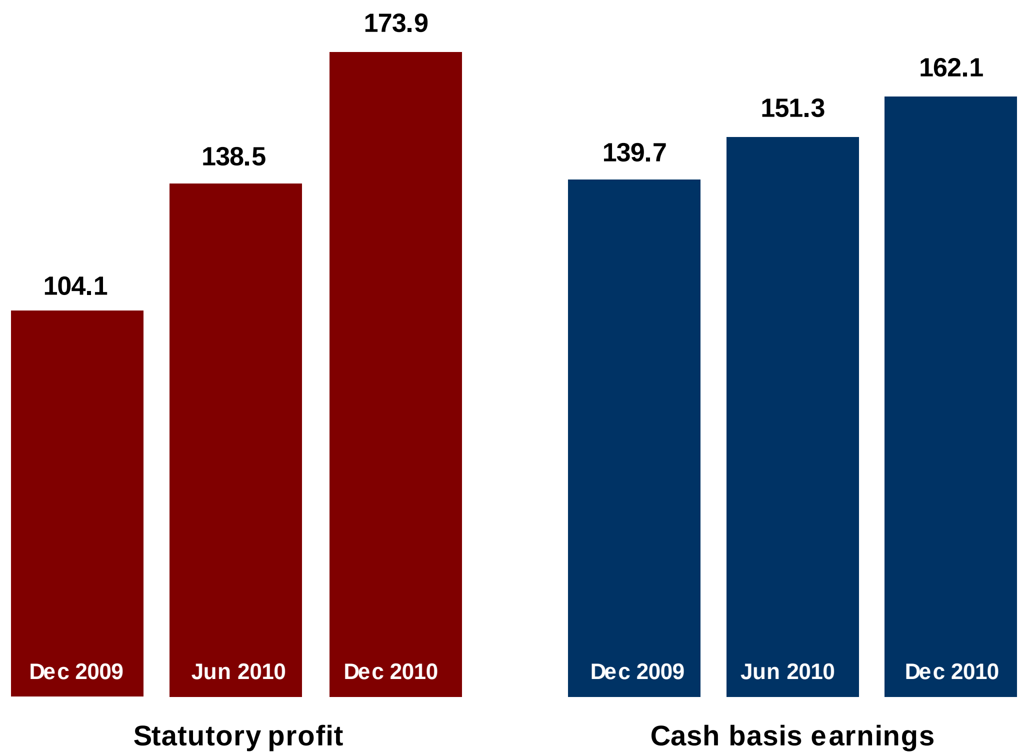
Refer note 3.7.6

2.4 Results commentary

2.4.1 Profit

	Dec-10	Jun-10	Change		Dec-09	Change	
	$m	$m	$m	%	$m	$m	%
Profit							
Profit before tax	212.3	188.7	23.6	12.5	162.0	50.3	31.0
Non recurring items before tax	17.5	15.1	2.4	15.9	41.6	(24.1)	(57.9)
Profit before tax and non recurring items	229.8	203.8	26.0	12.8	203.6	26.2	12.9
Profit after tax attributable to the parent	173.9	138.5	35.4	25.6	104.1	69.8	67.1
Non recurring items after tax	(17.6)	4.7	(22.3)	(474.5)	30.1	(47.7)	(158.5)
Profit after tax before non recurring items	156.3	143.2	13.1	9.1	134.2	22.1	16.5
Adjusted for:							
Amortisation of acquired intangibles after tax	10.1	12.1	(2.0)	(16.5)	8.8	1.3	14.8
Distributions paid on preference shares	(2.0)	(1.9)	(0.1)	(5.3)	(1.5)	(0.5)	(33.3)
Distributions paid on step-up preference shares	(2.3)	(2.1)	(0.2)	(9.5)	(1.8)	(0.5)	(27.8)
Cash basis profit after tax	162.1	151.3	10.8	7.1	139.7	22.4	16.0

Profit after tax
$m



2.4.2 Non Recurring items

The reported profit after tax for the half year ended 31 December 2010 of $173.9 million included the following non recurring items:

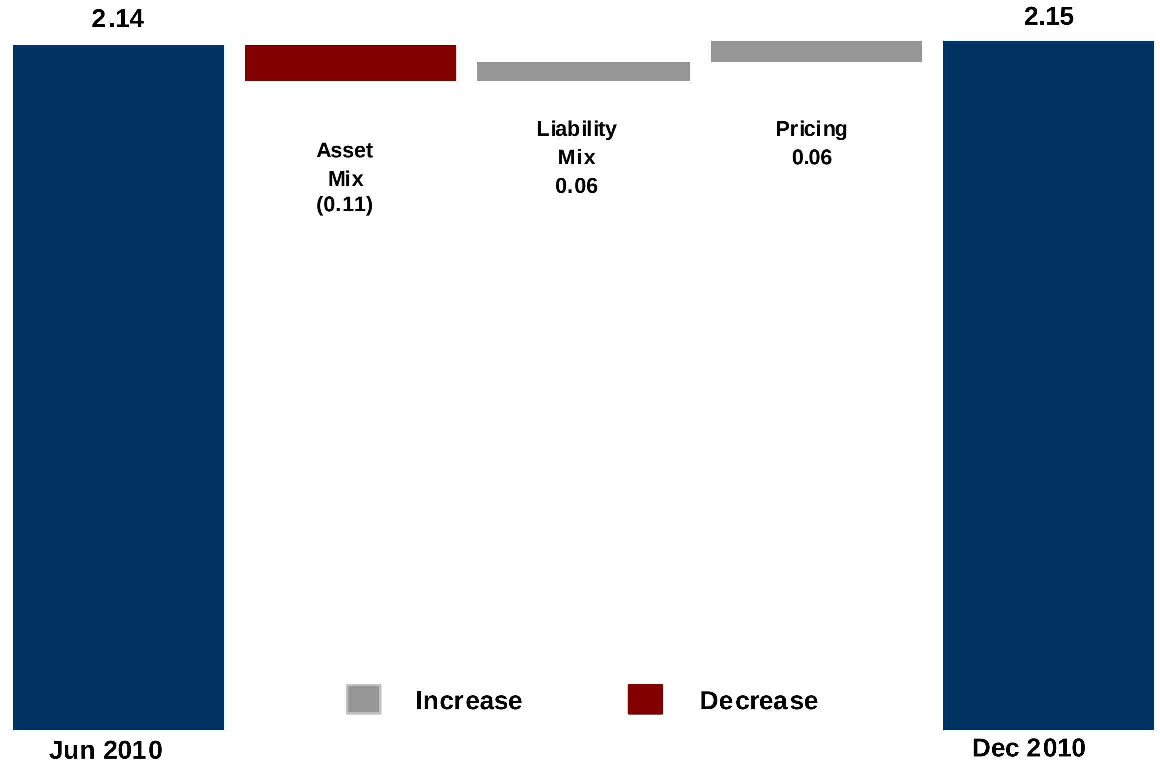
	December 2010		December 2009	
	Before Tax $m	After Tax $m	Before Tax $m	After Tax $m
Items included in non interest income				
Accounting gain on the sale of equity investments	-	-	0.5	0.3
Ineffectiveness in cash flow hedges [1]	1.0	0.7	(27.3)	(19.1)
	1.0	0.7	(26.8)	(18.8)
Items included in operating expenses				
Integration costs associated with the Adelaide Bank merger and the Macquarie margin lending business	6.2	4.3	16.0	11.2
Accounting loss on disposal of securitisation notes	14.7	10.3	-	-
Employee shares shortfall/(gain)	(2.4)	(1.7)	(4.4)	(3.1)
Non-cash loss on unwind of joint venture	-	-	3.2	3.2
	18.5	12.9	14.8	11.3
Items included in income tax expense				
Acquisition income tax benefit - Adelaide Bank	-	33.3	-	-
Acquisition income tax expense - Rural Bank	-	(2.9)	-	-
	-	30.4	-	-
Non Recurring Items	(17.5)	18.2	(41.6)	(30.1)
Non recurring items attributable to non-controlling interests	(0.8)	(0.6)	-	-
Total non recurring items attributable to the parent	(18.3)	17.6	(41.6)	(30.1)

[1] Ineffectiveness resulting from the accounting for cash flow hedges acquired in the merger with Adelaide Bank Ltd and the consolidation of Rural Bank Ltd.

2.4.3 Interest margin

This chart below provides a guide to movements in margin over the six month period.

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



Asset mix – Margin lending business declines offset by lower priced residential lending through Retail and Third Party businesses.

Liability mix – Retail deposit growth continues to replace higher cost securitisation funding.

Pricing – Pricing improvement in term deposit market.

2.4.4 Income

		Dec-10 $m	Jun-10 $m	Change $m	%	Dec-09 $m	Change $m	%
Income								
Net interest income		461.3	446.6	14.7	3.3	408.0	53.3	13.1
Other income comprising:								
Fees	- asset products	31.3	31.4	(0.1)	(0.3)	30.4	0.9	3.0
	- liability products & other	62.3	64.8	(2.5)	(3.9)	65.3	(3.0)	(4.6)
	- trustee, management & other services	4.2	4.7	(0.5)	(10.6)	5.0	(0.8)	(16.0)
Commissions	- wealth solutions	12.4	12.7	(0.3)	(2.4)	12.7	(0.3)	(2.4)
	- insurance	6.9	6.7	0.2	3.0	6.3	0.6	9.5
	- other	0.9	0.9	-	-	1.6	(0.7)	(43.8)
Dividend income		3.3	3.2	0.1	3.1	3.1	0.2	6.5
Other		35.6	15.9	19.7	123.9	17.0	18.6	109.4
Total other income before non recurring items		156.9	140.3	16.6	11.8	141.4	15.5	11.0
Share of joint ventures profit		1.6	1.1	0.5	45.5	11.6	(10.0)	(86.2)
Total non interest income before non recurring items		158.5	141.4	17.1	12.1	153.0	5.5	3.6
Total income before non recurring items		619.8	588.0	31.8	5.4	561.0	58.8	10.5
Non recurring income items - non interest income		1.0	12.8	(11.8)	(92.2)	(26.8)	27.8	103.7
Total income		620.8	600.8	20.0	3.3	534.2	86.6	16.2

The above table includes fully consolidated contributions of Rural Bank from October 2009, Tasmanian Banking Services from August 2009.

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

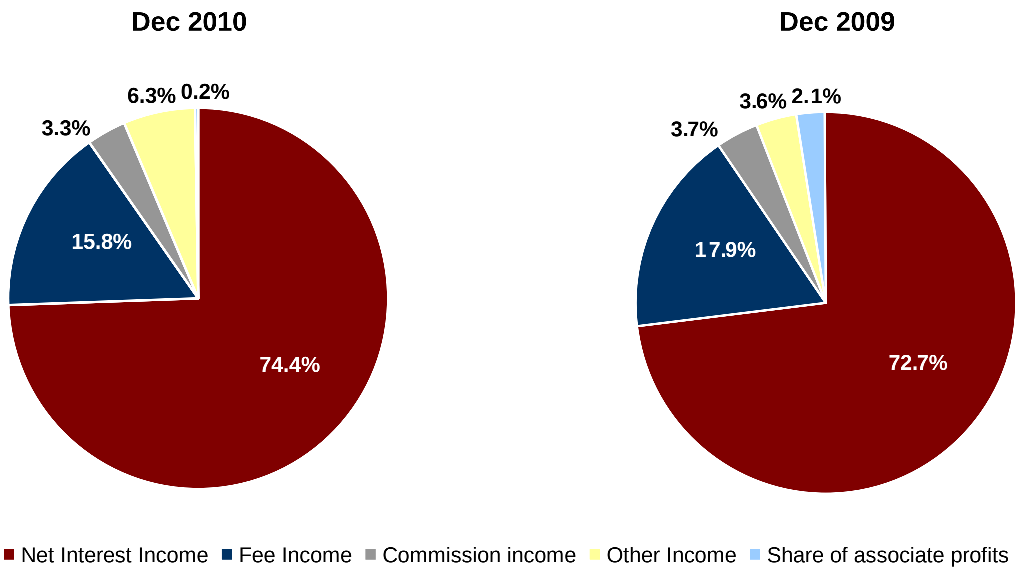
Net interest income increased by $53.3 million or 13.1%, due to the consolidation of Rural Bank for the full six months, compared to three months in the prior corresponding period, along with balance sheet growth in our Retail and Third Party mortgage businesses. Refer to 2.4.3 for further analysis.

Fees – liability products & other decreased by $3.0 million or 4.6% largely due to a reduction in deferred establishment fees, dishonour fees, interchange fees and credit card income.

Fees – trustee, management & other services decreased by $0.8 million or 16.0% with decreases in mortgage portfolio management fees in line with lower managed funds portfolio balances.

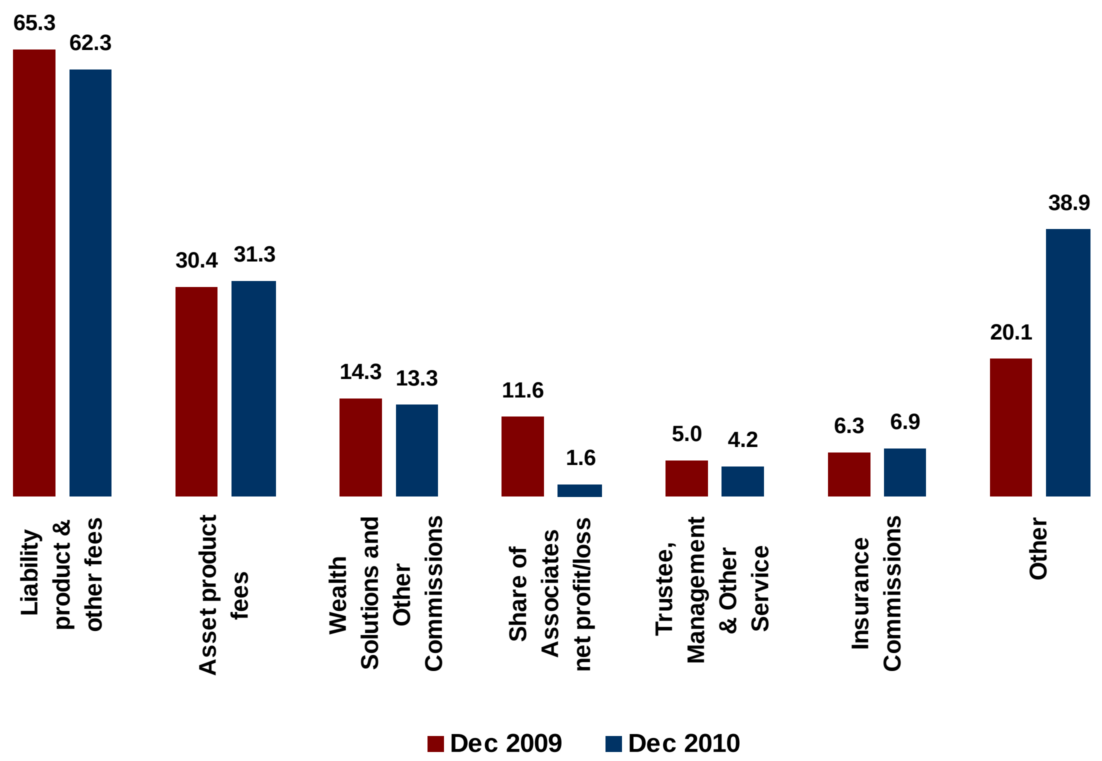
Other income increased by $18.6 million or 109.4% predominantly due to an increase in revaluation income relating to Homesafe Solutions investment property portfolio. Also contributing to the increase is higher income from foreign exchange services.

Income
%



Excludes non recurring income

Non-interest income
$m



2.4.5 Expenses

	Dec-10	Jun-10	Change		Dec-09	Change	
	$m	$m	$m	%	$m	$m	%
Expenses							
Staff and related costs	187.1	165.6	21.5	13.0	169.1	18.0	10.6
Occupancy costs	31.0	29.0	2.0	6.9	28.7	2.3	8.0
Information technology costs	29.9	28.4	1.5	5.3	29.7	0.2	0.7
Amortisation of acquired intangibles	14.5	17.3	(2.8)	(16.2)	12.4	2.1	16.9
Amortisation of software intangibles	6.2	4.2	2.0	47.6	4.3	1.9	44.2
Property, plant and equipment costs	6.2	6.5	(0.3)	(4.6)	6.9	(0.7)	(10.1)
Fees and commissions	18.6	20.8	(2.2)	(10.6)	17.1	1.5	8.8
Communications, postage & stationery	16.7	16.2	0.5	3.1	15.9	0.8	5.0
Advertising & promotion	8.4	9.1	(0.7)	(7.7)	7.7	0.7	9.1
Other product & services delivery costs	18.6	20.1	(1.5)	(7.5)	18.7	(0.1)	(0.5)
Other administration expenses	34.7	39.1	(4.4)	(11.3)	30.1	4.6	15.3
Total operating expenses	371.9	356.3	15.6	4.4	340.6	31.3	9.2
Non recurring items	18.5	27.9	(9.4)	(33.7)	14.8	3.7	25.0
Total expenses	390.4	384.2	6.2	1.6	355.4	35.0	9.8
Expenses to income	57.7%	57.7%	0.0%	0.0	58.5%	(0.8%)	(1.4)
Expenses to average assets	1.4%	1.3%	0.1%	7.7	1.3%	0.1%	7.7
Expenses to average assets-incl managed funds	1.3%	1.3%	0.0%	0.0	1.3%	0.0%	0.0
Number of staff (full-time equivalent)	3,926	3,847	79	2.1	3,779	147	3.9
Staff & related costs to income	30.2%	28.1%	2.1%	7.5	30.1%	0.1%	0.3

The above table includes fully consolidated contributions of Rural Bank from October 2009, Tasmanian Banking Services from August 2009.

Expenses used in the above ratios are expenses less non recurring expense items and acquired intangibles amortisation.

Income used in the above ratios is income less non recurring income items.

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

Staff and related costs increased by $18.0 million or 10.6% compared to the previous corresponding period. This increase includes the consolidation of Rural Bank for the full six months, compared to three months of the prior corresponding period. Also contributing are wage and salary increases, bonus payments and reduced take up of the unpaid leave initiative.

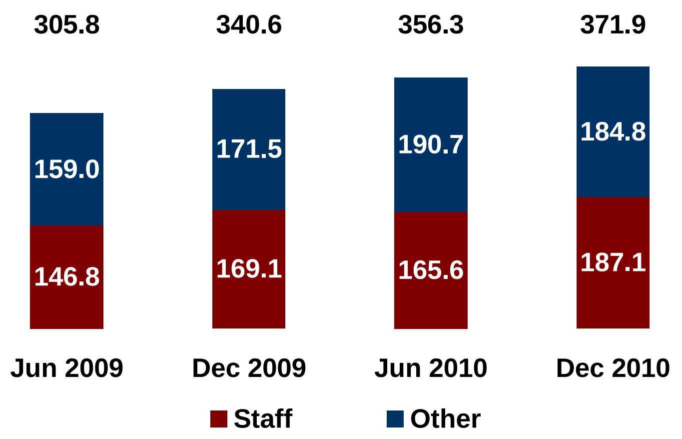
Occupancy costs increased by $2.3 million or 8.0% due to the inclusion of occupancy costs relating to Rural Bank as well as an overall increase in rent payments and maintenance costs since the same period last year.

Intangibles amortisation increased by $4.0 million or 24.0% predominantly due to the intangibles acquired upon acquisition of Rural Bank, along with various other software costs.

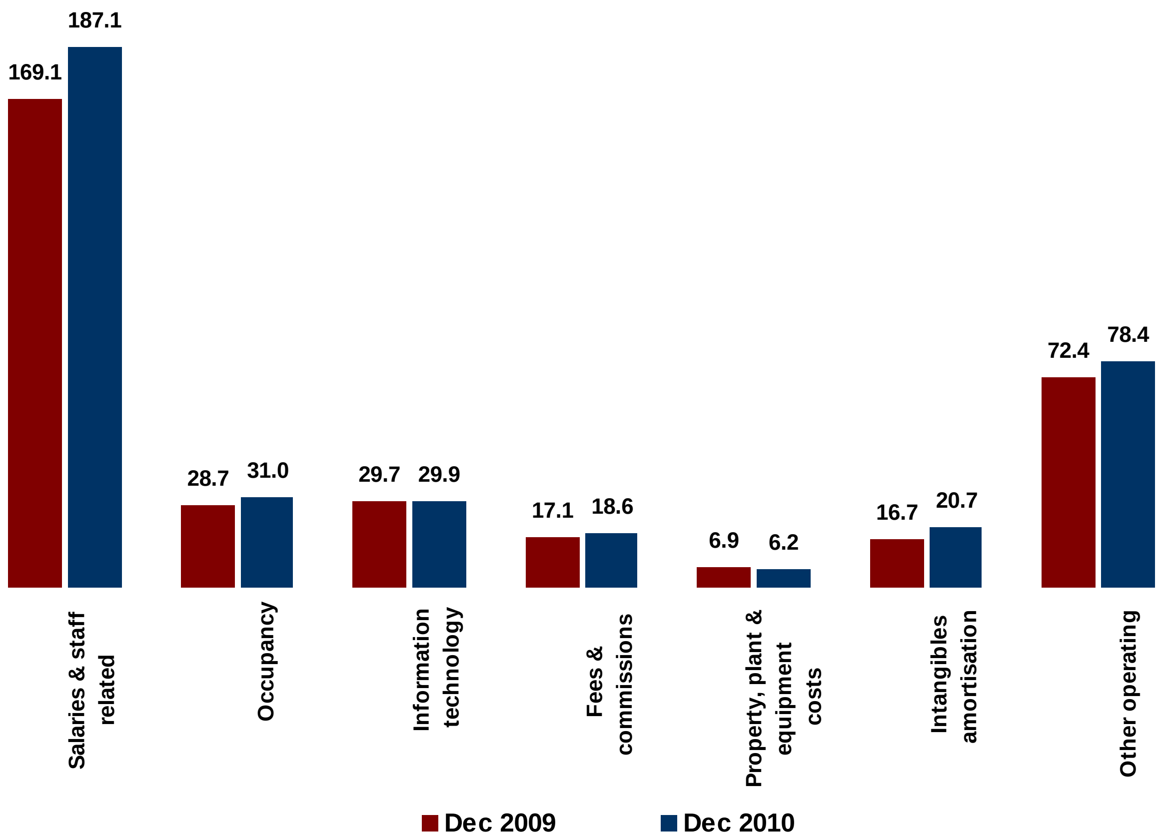
Fees and commissions increased by $1.5 million or 8.8% predominantly due to the consolidation of Rural Bank, with increases in various fees and commissions including network fees and trailer commissions for term and seasonal loans.

Other administrative expenses increased by $4.6 million or 15.3% due to the inclusion of Rural Bank for the full six months.

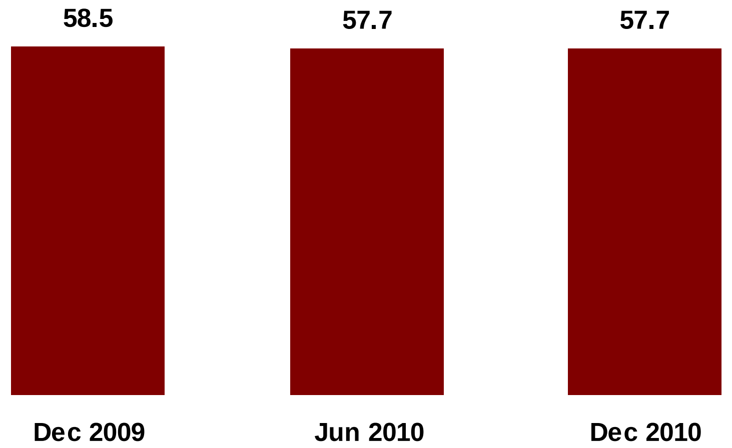
Operating Expenses - Six months
$m



Operating expenses
$m



Efficiency Ratio - Expenses/Income
%



Expenses used in the above ratios exclude non recurring expense items and acquired intangibles amortisation. Income used in the above ratios is income less non recurring income items.

2.4.6 Lending

	As at Dec-10 $m	As at Jun-10 $m	Change $m	%	As at Dec-09 $m	Change $m	%
Gross loan balance - by security							
Residential	29,947.1	28,875.5	1,071.6	3.7	27,917.5	2,029.6	7.3
Business							
Accomodation and food services	269.3	247.9	21.4	8.6	255.1	14.2	5.6
Administrative and support services	63.4	65.9	(2.5)	(3.8)	100.0	(36.6)	(36.6)
Agriculture, forestry and fishing	4,263.7	4,272.3	(8.6)	(0.2)	4,201.4	62.3	1.5
Arts and recreation services	69.1	66.0	3.1	4.7	61.3	7.8	12.7
Construction	596.4	598.3	(1.9)	(0.3)	510.2	86.2	16.9
Education and training	40.4	37.5	2.9	7.7	35.7	4.7	13.2
Electricity, gas, water and waste services	19.6	21.6	(2.0)	(9.3)	21.4	(1.8)	(8.4)
Financial and insurance services	628.0	653.7	(25.7)	(3.9)	449.4	178.6	39.7
Health care and social assistance	370.7	404.4	(33.7)	(8.3)	407.0	(36.3)	(8.9)
Information media and telecommunications	10.3	9.4	0.9	9.6	8.9	1.4	15.7
Manufacturing	186.6	195.3	(8.7)	(4.5)	187.0	(0.4)	(0.2)
Mining	21.1	21.3	(0.2)	(0.9)	23.7	(2.6)	(11.0)
Other Services	118.2	116.2	2.0	1.7	111.7	6.5	5.8
Professional, scientific and technical services	154.2	153.6	0.6	0.4	175.1	(20.9)	(11.9)
Public administration and safety	85.1	100.9	(15.8)	(15.7)	37.4	47.7	127.5
Rental, hiring and real estate services	2,244.5	2,073.4	171.1	8.3	1,839.0	405.5	22.1
Retail trade	453.9	447.3	6.6	1.5	432.3	21.6	5.0
Transport, postal and warehousing	136.3	156.6	(20.3)	(13.0)	158.8	(22.5)	(14.2)
Wholesale trade	124.6	130.7	(6.1)	(4.7)	130.8	(6.2)	(4.7)
Other	601.2	409.8	191.4	46.7	254.6	346.6	136.1
Total business	10,456.6	10,182.1	274.5	2.7	9,400.8	1,055.8	11.2
Margin lending	3,367.4	3,627.0	(259.6)	(7.2)	3,817.3	(449.9)	(11.8)
Unsecured	820.3	823.7	(3.4)	(0.4)	862.3	(42.0)	(4.9)
Other	200.3	191.0	9.3	4.9	198.5	1.8	0.9
Total gross loan balance	44,791.7	43,699.3	1,092.4	2.5	42,196.4	2,595.3	6.2
Gross loan balance - by purpose							
Residential	27,753.8	26,557.9	1,195.9	4.5	25,655.6	2,098.2	8.2
Consumer	4,208.2	3,899.7	308.5	7.9	3,608.9	599.3	16.6
Margin lending	3,367.4	3,627.0	(259.6)	(7.2)	3,817.3	(449.9)	(11.8)
Commercial	9,462.3	9,614.7	(152.4)	(1.6)	9,114.6	347.7	3.8
Total gross loan balance	44,791.7	43,699.3	1,092.4	2.5	42,196.4	2,595.3	6.2
Loans under management (gross balance)							
On-balance sheet	44,791.7	43,699.3	1,092.4	2.5	42,196.4	2,595.3	6.2
Off-balance sheet loans under management	401.6	418.0	(16.4)	(3.9)	469.7	(68.1)	(14.5)
STL Common Funds	938.6	1,057.6	(119.0)	(11.3)	1,168.4	(229.8)	(19.7)
Total Group loans under management	46,131.9	45,174.9	957.0	2.1	43,834.5	2,297.4	5.2

The above table includes fully consolidated contributions of Rural Bank from October 2009, Tasmanian Banking Services from August 2009.

Loans under management represent the gross balance of loans managed by the Group.

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

Off-balance sheet loans under management are the gross balance of off-balance sheet loans managed by Adelaide Managed Funds, a wholly-owned subsidiary of Bendigo and Adelaide Bank Limited.

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 and Adelaide Bank Limited.

2.4.7 Asset quality

	As at Dec-10 $m	As at Jun-10 $m	Change $m	%	As at Dec-09 $m	Change $m	%
Impaired loans							
Full-performing [1]	4.9	1.5	3.4	226.7	2.1	2.8	133.3
Part-performing	66.9	50.4	16.5	32.7	40.0	26.9	67.3
Non-performing - property development	48.0	53.1	(5.1)	(9.6)	60.2	(12.2)	(20.3)
- other	173.3	152.3	21.0	13.8	146.7	26.6	18.1
Restructured loans	24.5	24.7	(0.2)	(0.8)	4.0	20.5	512.5
Total impaired assets	317.6	282.0	35.6	12.6	253.0	64.6	25.5
Less: Specific provisions	(81.5)	(79.1)	(2.4)	(3.0)	(78.7)	(2.8)	(3.6)
Net impaired assets	236.1	202.9	33.2	16.4	174.3	61.8	35.5
Past due 90 days							
Well secured	414.4	362.8	51.6	14.2	306.3	108.1	35.3
Great Southern portfolio	203.6	181.8	21.8	12.0	148.1	55.5	37.5
Portfolio facilities (not well secured)	6.3	15.3	(9.0)	(58.8)	16.9	(10.6)	(62.7)
Ratios							
Gross impaired to gross loans	0.71%	0.65%	0.06%	9.2	0.60%	0.11%	18.3
Gross impaired (excl prop develop) to gross loans	0.60%	0.52%	0.08%	15.4	0.46%	0.14%	30.4
Gross impaired assets to total assets	0.59%	0.54%	0.05%	9.3	0.50%	0.09%	18.0
Gross impaired assets (excl prop develop) to total assets	0.50%	0.44%	0.06%	13.6	0.38%	0.12%	31.6
Net impaired to gross loans	0.53%	0.46%	0.07%	15.2	0.41%	0.12%	29.3
Net impaired (excl prop develop) to gross loans	0.42%	0.34%	0.08%	23.5	0.27%	0.15%	55.6
Provision coverage [2]	73.3%	81.9%	(8.6%)	(10.5)	87.1%	(13.8%)	(15.8)

[1] Includes loans where the value of the security has reduced below the value of the outstanding loans but repayments are being made in accordance with the loan contract.
[2] Provision coverage is Provisions for doubtful debts - total divided by Total impaired assets.

The above table includes fully consolidated contributions of Rural Bank from October 2009, Tasmanian Banking Services from August 2009.

2.4.8 Bad and Doubtful Debts

	Dec-10	Jun-10	Change		Dec-09	Change	
	$m	$m	$m	%	$m	$m	%
Expense:							
Bad debts written off	9.8	27.5	(17.7)	(64.4)	18.7	(8.9)	(47.6)
Provision doubtful debts expense	10.5	3.6	6.9	191.7	1.1	9.4	854.5
Total bad and doubtful debts expense	20.3	31.1	(10.8)	(34.7)	19.8	0.5	2.5
Less: Bad debts recovered	2.2	3.2	(1.0)	(31.3)	3.0	(0.8)	(26.7)
Bad and doubtful debts net of recoveries	18.1	27.9	(9.8)	(35.1)	16.8	1.3	7.7

	As at Dec-10	As at Jun-10	Change		As at Dec-09	Change	
	$m	$m	$m	%	$m	$m	%
Balances:							
Prov'n doubtful debts - specific	81.5	79.1	2.4	3.0	78.7	2.8	3.6
Prov'n doubtful debts - collective	43.0	47.1	(4.1)	(8.7)	41.0	2.0	4.9
General reserve for credit losses	108.5	104.7	3.8	3.6	100.6	7.9	7.9
Provisions/reserve doubtful debts - total	233.0	230.9	2.1	0.9	220.3	12.7	5.8
Loan write-offs (annualised) to average assets	0.08%	0.10%	(0.02%)	(20.0)	0.10%	(0.02%)	(20.0)
Loan write-offs (annualised) to gross loans	0.10%	0.11%	(0.01%)	(9.1)	0.12%	(0.02%)	(16.7)
Total provision/reserve for doubtful debts to gross loans	0.52%	0.53%	(0.01%)	(1.9)	0.52%	0.00%	-
Collective provision (adjusted for tax) & GRCL to risk-weighted assets	0.55%	0.54%	0.01%	1.9	0.54%	0.01%	1.9

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

	Dec-10	Jun-10	Movement
	$m	$m	$m
Specific provisions	81.5	79.1	2.4
Collective provision	43.0	47.1	(4.1)
General reserve for credit losses (GRCL)	108.5	104.7	3.8
Total balance in provisions for doubtful debts/general reserve for credit losses	233.0	230.9	2.1

The movement in provisions comprise:

	Specific	Collective	Gen res cr losses	Total
	$m	$m	$m	$m
Balance at June	79.1	47.1	104.7	230.9
Provision doubtful debts expense to profit and loss	14.6	(4.1)	-	10.5
Bad debts written off - previously provided for	(12.2)	-	-	(12.2)
Appropriation of movement in general reserve for credit losses	-	-	3.8	3.8
Balance at December	81.5	43.0	108.5	233.0

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

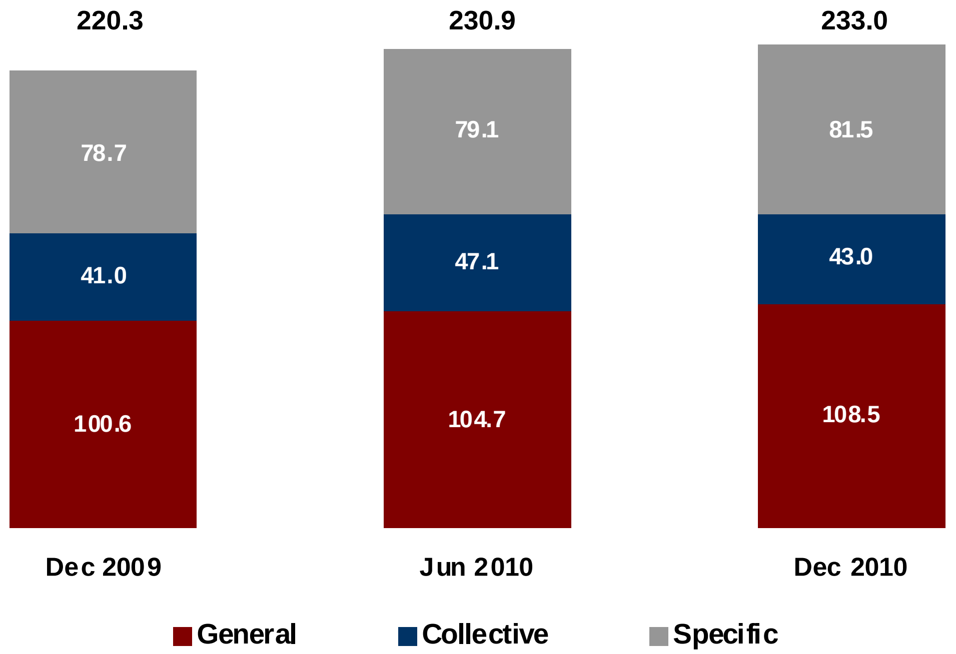
Bad debts previously provided for	12.2
Other bad debts not previously provided for	9.8
	22.0

The above table includes fully consolidated contributions of Rural Bank from October 2009, Tasmanian Banking Services from August 2009.

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

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

Total Provisions and Reserves for Doubtful Debts
$m



2.4.9 Deposits and Funds under Management

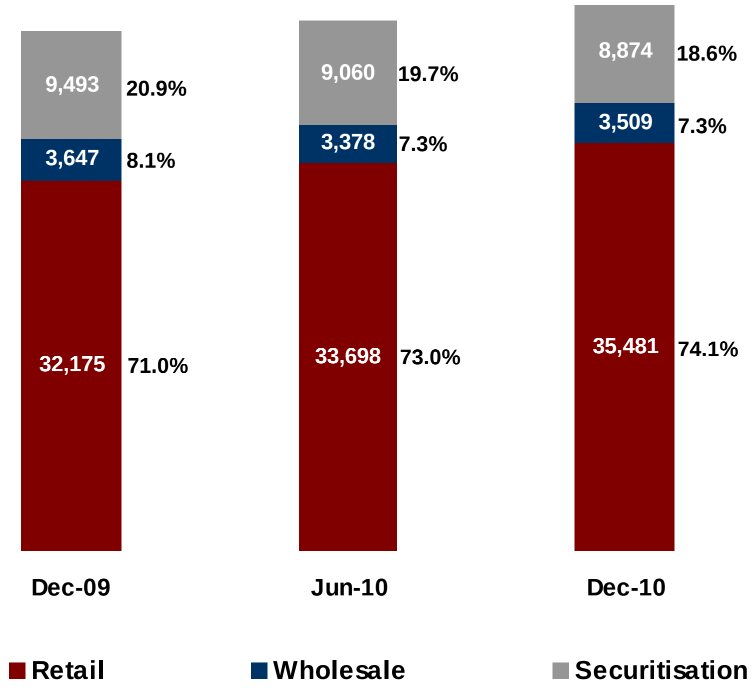
	As at Dec-10 $m	As at Jun-10 $m	Change $m	%	As at Dec-09 $m	Change $m	%
Deposits and funds under management							
Deposits	38,990.1	37,076.2	1,913.9	5.2	35,822.0	3,168.1	8.8
Securitisation	8,874.2	9,059.8	(185.6)	(2.0)	9,493.1	(618.9)	(6.5)
Managed funds	3,920.5	3,704.0	216.5	5.8	4,117.0	(196.5)	(4.8)
Total deposits and funds under management	51,784.8	49,840.0	1,944.8	3.9	49,432.1	2,352.7	4.8
Retail deposits and funds under management							
Retail deposits	35,481.3	33,698.2	1,783.1	5.3	32,174.7	3,306.6	10.3
Managed funds	3,920.5	3,704.0	216.5	5.8	4,117.0	(196.5)	(4.8)
Total retail deposits and funds under management	39,401.8	37,402.2	1,999.6	5.3	36,291.7	3,110.1	8.6
Deposits dissection: - $m							
Retail	35,481.3	33,698.2	1,783.1	5.3	32,174.7	3,306.6	10.3
Securitisation	8,874.2	9,059.8	(185.6)	(2.0)	9,493.1	(618.9)	(6.5)
Wholesale - domestic	3,281.6	3,139.7	141.9	4.5	2,901.9	379.7	13.1
Wholesale - offshore	227.2	238.3	(11.1)	(4.7)	745.4	(518.2)	(69.5)
Total deposits	47,864.3	46,136.0	1,728.3	3.7	45,315.1	2,549.2	5.6
Deposits dissection (excl securitisation) - %							
Retail	91.0%	90.9%	0.1%	0.1	89.8%	1.2%	1.3
Wholesale - domestic	8.4%	8.5%	(0.1%)	(1.2)	8.1%	0.3%	3.7
Wholesale - offshore	0.6%	0.6%	0.0%	0.0	2.1%	(1.5%)	(71.4)
Total deposits	100.0%	100.0%	-	-	100.0%	-	-
Managed funds dissection							
Assets under management	1,834.5	1,932.9	(98.4)	(5.1)	2,106.5	(272.0)	(12.9)
Other managed funds	2,086.0	1,771.1	314.9	17.8	2,010.5	75.5	3.8
Total managed funds	3,920.5	3,704.0	216.5	5.8	4,117.0	(196.5)	(4.8)

The above table includes fully consolidated contributions of Rural Bank from October 2009, Tasmanian Banking Services from August 2009.

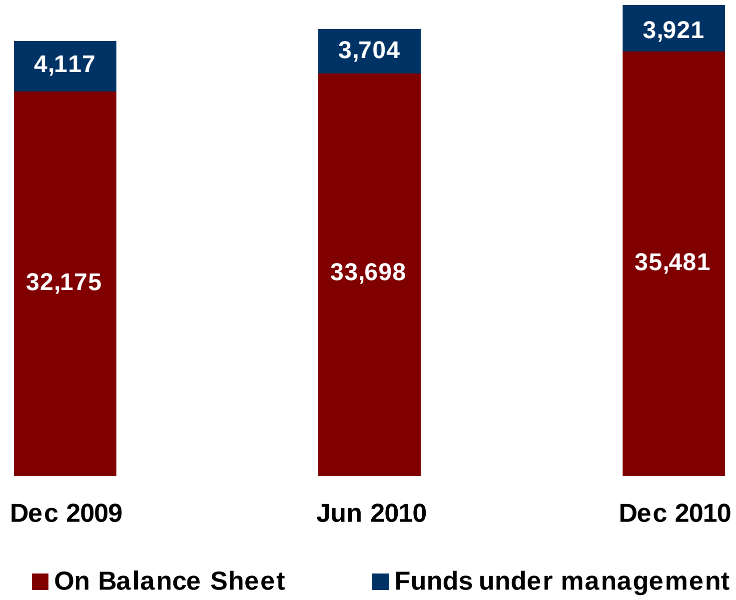
Assets under management include those funds deposited in the Sandhurst Trustees Limited Common Funds, which are invested in cash, cash enhanced and mortgage investments on behalf of the investors. These funds are off-balance sheet.

Other managed funds include funds deposited for investment in managed investment products and superannuation funds managed off-balance sheet by Sandhurst Trustees Limited and Adelaide Managed Funds Limited. Also included are portfolios of loans managed by the Bank and third parties who contribute to first loss coverage.

Funding Mix
$m



Retail deposits and Funds under management
$m



Retail deposits increased by $3.3 billion or 10.3% to $35.5 billion over the 12 months.

Wholesale deposits decreased by $138.5 million or 3.8% to $3.5 billion over the 12 months.

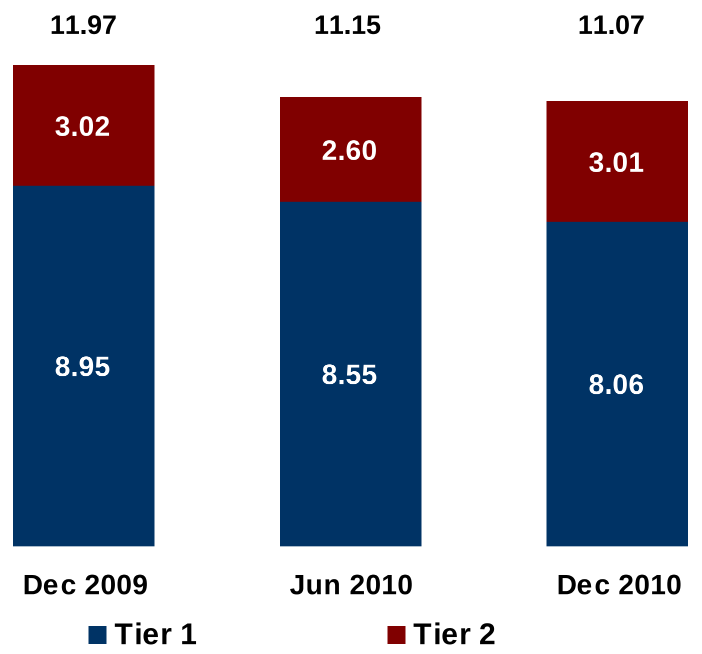
Securitisation decreased by $618.9 million or 6.5% to $8.9 billion over the 12 months.

The group's retail deposit base remains strong at 91.0% of on balance sheet funding (excluding securitisation).

2.4.10 Capital and shareholder returns

2.4.10.1 Capital Adequacy

Capital adequacy
%



Capital adequacy is calculated in accordance with regulations set down by APRA.

2.4.10.2 Shareholder returns

	Dec-10	Jun-10	Change	%	Dec-09	Change	%
Cash basis earnings per ordinary share (weighted average)-cents	44.7	42.1	2.6	6.2	41.2	3.5	8.5
Earnings per ordinary share (weighted average)-cents	46.7	37.4	9.3	24.9	29.7	17.0	57.2
Diluted earnings per ordinary share (weighted average)-cents	44.0	34.9	9.1	26.1	27.7	16.3	58.8
Weighted average number of ordinary shares used basic and cash basis EPS calculations - 000's	362,874	359,194	3,680	1.0	339,454	23,420	6.9
Weighted average number of ordinary shares used in diluted EPS calculation - 000's	399,364	401,976	(2,612)	(0.6)	382,605	16,759	4.4
Cash basis return on average ordinary equity	8.65%	8.33%	0.32%	3.8	8.04%	0.61%	7.6
After tax return on average ordinary equity	9.05%	7.40%	1.65%	22.3	5.80%	3.25%	56.0
After tax before non-recurring items return on average ordinary equity	8.11%	7.66%	0.45%	5.9	7.53%	0.58%	7.7
Cash basis return on average assets	0.61%	0.59%	0.02%	3.4	0.57%	0.04%	7.0
After tax return on average assets	0.66%	0.54%	0.12%	22.2	0.42%	0.24%	57.1
After tax before non-recurring items return on average assets	0.59%	0.56%	0.03%	5.4	0.55%	0.04%	7.3

The above table includes fully consolidated contributions of Rural Bank from October 2009, Tasmanian Banking Services from August 2009.

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

Cash earnings used in cash basis earnings per ordinary share is profit after tax adjusted for non recurring items after tax and intangibles amortisation (except intangible software amortisation) and dividends on preference shares.

Earnings used in earnings per ordinary share are profit after tax including non recurring items, less dividends on preference shares.

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

After tax return on average assets uses profit after tax.

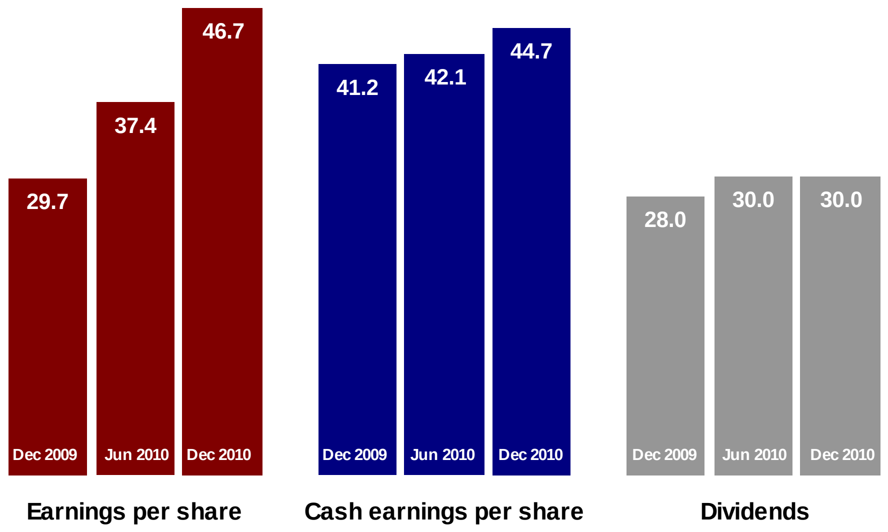
June profit figures are for the June 2010 half-year and balance sheet items are as at end of June 2010.

Dividends

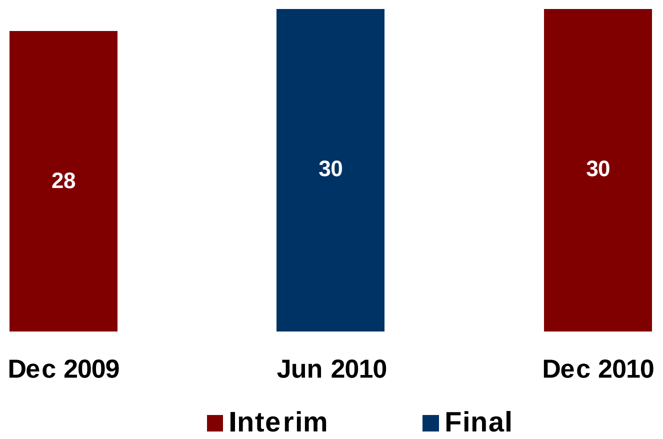
	Dec-10	Jun-10	Change	%	Dec-09	Change	%
Dividend per share - cents	30.0	30.0	-	-	28.0	2.0	7.1
Dividend amount payable - $m	107.1	106.1	1.0	0.9	94.7	12.4	13.1
Payout ratio - earnings per ordinary share	64.2%	80.2%	(16.0%)	(20.0)	94.3%	(30.1%)	(31.9)
Payout ratio - cash basis per ordinary share*	67.1%	71.3%	(4.2%)	(5.9)	68.0%	(0.9%)	(1.3)

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

Earnings per ordinary share
cents



Dividends paid per ordinary share
cents



Our ability to continue paying fully franked dividends in the near term remains strong, with our adjusted franking account balance standing at $195.2 million after allowing for the interim 2011 dividend.

The dividend pay-out ratio for the half year on earnings per ordinary share (weighted average) is 64.2%, or 67.1% on cash basis earnings per ordinary share (weighted average).

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 and Adelaide Bank shares traded on the Australian Securities Exchange over the 10 trading days following the Record Date. Shares issued under this Plan rank equally with all other ordinary shares.

Bonus Share Scheme

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

The last date for the receipt of an election notice for participation in either the Dividend Reinvestment Plan or Bonus Share Scheme for the 2011 interim dividend is 4 March 2011.

2.5 Additional notes

2.5.1 Analysis of intangible assets

	Balance sheet - carrying value	Half year amortisation/ impairment expense		
	Dec-10	Dec-10	Jun-10	Dec-09
	$m	$m	$m	$m
Goodwill	1,446.1	-	-	-
Trustee licence	8.4	-	-	-
Setup Costs - Rural Bank	7.2	-	-	-
Software	84.7	6.2	4.2	4.3
Customer list - Oxford Funding	-	-	0.1	0.1
Core deposits	67.1	7.4	8.2	7.9
Trade name	14.8	2.3	2.5	2.1
Customer relationship	54.1	4.3	6.0	1.8
Management rights - Adelaide Bank	12.2	0.5	0.5	0.5
Total	1,694.6	20.7	21.5	16.7

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2.5.2 Assets and capital

	As at Dec-10 $m	As at Jun-10 $m	Change $m	%	As at Dec-09 $m	Change $m	%
Group assets	53,543.6	52,141.1	1,402.5	2.7	50,872.0	2,671.6	5.3
Capital adequacy							
Total qualifying capital	2,783.3	2,826.6	(43.3)	(1.5)	2,877.0	(93.7)	(3.3)
Risk-weighted assets	25,138.9	25,347.3	(208.4)	(0.8)	24,025.8	1,113.1	4.6
Risk-weighted capital adequacy	11.07%	11.15%	(0.08%)	(0.7)	11.97%	(0.90%)	(7.5)
- Tier 1	8.06%	8.55%	(0.49%)	(5.7)	8.95%	(0.89%)	(9.9)
- Tier 2	3.01%	2.60%	0.41%	15.8	3.02%	(0.01%)	(0.3)
Net tangible assets per fully paid ordinary share	$5.44	$5.27	$0.17	3.2	$5.16	$0.28	5.4
No. of fully paid shares on issue - 000's	364,381	361,367	3,014	0.8	356,951	7,430	2.1
Total Equity	3,867.1	3,880.4	(13.3)	(0.3)	3,770.3	96.8	2.6

The above table includes fully consolidated contributions of Rural Bank from October 2009, Tasmanian Banking Services from August 2009.

2.5.3 Investments accounted for using the equity method

Name	**Ownership interest held by consolidated entity**		
	Dec-10 %	**Jun-10 %**	**Dec-09 %**
Rural Bank Ltd *	100.0	60.0	60.0
Tasmanian Banking Services Ltd *	100.0	100.0	100.0
Community Sector Enterprises Pty Ltd	50.0	50.0	50.0
Homesafe Solutions Pty Ltd	50.0	50.0	50.0
Silver Body Corporate Financial Services Pty Ltd	50.0	50.0	50.0
Community Telco Australia Pty Ltd	50.0	50.0	50.0
Strategic Payments Services Pty Ltd	47.5	47.5	47.5

(i) Principal activities of associate companies:

Rural Bank Ltd – financial services (consolidated, effective October 2009; wholly-owned subsidiary, effective December 2010)
Tasmanian Banking Services Ltd – financial services (wholly-owned subsidiary, effective August 2009)
Community Sector Enterprises Pty Ltd – financial services
Homesafe Solutions Pty Ltd – financial services
Silver Body Corporate Financial Services Pty Ltd – financial services
Community Telco Australia Pty Ltd – telecommunication services
Strategic Payments Services Pty Ltd – payment processing services

All joint venture companies are incorporated in Australia.

	Dec-10 $m	**Dec-09 $m**
(ii) Share of joint ventures' profits:		
Profit before income tax	1.6	11.6
Income tax expense attributable to profit	(0.1)	(3.6)
Profit after income tax	1.5	8.0
Share of joint ventures' profit after income tax:		
Rural Bank Ltd *	-	8.1
Tasmanian Banking Services Ltd *	-	0.1
Community Sector Enterprises Pty Ltd	0.1	0.2
Homesafe Solutions Pty Ltd	0.3	(0.1)
Silver Body Corporate Financial Services Pty Ltd	0.1	0.1
Community Telco Australia Pty Ltd	-	(0.5)
Strategic Payments Services Pty Ltd	1.0	0.1
	1.5	8.0

* Rural Bank Ltd – equity accounted to end September 2009
Tasmanian Banking Services Ltd – equity accounted to end July 2009

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

Homesafe Solutions Pty Ltd is the trustee and management company responsible for the development, marketing, sales and management of the Homesafe Debt Free Equity Release product that enables aged home-owners to access the equity in their homes in a secure and cost efficient manner.

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

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

Strategic Payments Services Pty Ltd was established in May 2006 and is a joint venture between Bendigo and Adelaide Bank (47.5%), and MasterCard International (52.5%). The company continues to build an independent payment processing business that will handle the processing and management of all Bendigo and Customers ATM and Eftpos transactions.

2.5.4 Net Tangible Assets per share

	Dec-10	Jun-10	Dec-09
Net tangible assets per ordinary share	$5.44	$5.27	$5.16

Net tangible assets			
	$m	**$m**	**$m**
Net assets	3,867.1	3,880.4	3,770.3
Intangibles	(1,694.6)	(1,641.6)	(1,604.7)
Preference shares - face value	(90.0)	(90.0)	(90.0)
Step-up preference shares - face value	(100.0)	(100.0)	(100.0)
Non-controlling interest	-	(145.7)	(132.7)
Net tangible assets attributable to ordinary shareholders	1,982.5	1,903.1	1,842.9
Ordinary Shares on issue '000	364,381	361,367	356,951

2.5.5 Credit Ratings

	Short Term	Long Term	Outlook
Moody's	P-1	A2	Stable
Standard & Poor's	A-2	BBB+	Stable
Fitch Ratings	F2	BBB+	Positive

On 19 December 2010, Moody's Investors Service assigned a bank financial strength rating of C to Bendigo and Adelaide Bank Limited. Moody's also affirmed a long term rating at A2, short term rating at P-1, with a stable outlook. Moody's commented 'the rating reflects the bank's diversified business profile and stable retail franchise, which includes a significant customer deposit base supported by a large national branch network'.

On 19 July 2010, Standard & Poor's Ratings Servicers re-affirmed the long term rating at BBB+, short term rating at A-2, with the outlook remaining at stable. Standard and Poor's commented that 'the counterparty credit ratings on Bendigo and Adelaide Bank Ltd reflect the bank's low credit-risk exposure, supportive capitalisation, and a strong franchise supported by the banks Community Bank® model'.

On 11 March 2010, Fitch Ratings, the international ratings agency affirmed Bendigo and Adelaide Bank Limited's long term rating at BBB+, short term rating at F2, its support rating of '3', and the bank's Support Rating floor of 'BB'. The outlook has been revised to Positive from Stable. Fitch commented 'Bendigo and Adelaide Bank's ratings reflect the low risk nature of the banks credit exposures, generally conservative risk management practices, adequate capitalisation, and a solid domestic retail banking franchise, which has underpinned a stable deposit funding base throughout the global financial crisis'.

2.5.6 Issued Capital

Changes to issued and quoted securities during the period

Ordinary Shares	**Number of Shares**	**$m**
Fully paid ordinary shares at 30 June 2010	361,366,745	3,361.7
Shares issued:		
September 2010 - Dividend Reinvestment Plan at $9.19	2,713,513	24.9
September 2010 - Bonus Share Scheme (in lieu of dividend payment) at $9.19	301,032	-
Fully paid ordinary shares at 31 December 2010	**364,381,290**	**3,386.6**
Preference Shares		
Preference shares of $100 face value (fully paid) at 30 June 2010	900,000	88.5
Preference shares of $100 face value (fully paid) at 31 Dec 2010	**900,000**	**88.5**
Step Up Preference Shares		
Preference shares of $100 face value (fully paid) at 30 June 2010	1,000,000	100.0
Preference shares of $100 face value (fully paid) at 31 Dec 2010	**1,000,000**	**100.0**

Bendigo and Adelaide Bank Limited

ABN 11 068 049 178

Half Year Financial Report

For the period ending

31 December 2010

Information contained in this report should be read in conjunction with the June 2010 annual financial report.

CORPORATE INFORMATION

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

A description of the Group's operations and its principal activities is included in the review of operations and activities in the Directors' Report. The Directors' Report is not subject to audit or review and does not form part of the financial report.

Directors

Robert Johanson (Chairman)
Mike Hirst (Managing Director)
Kevin Abrahamson
Jennifer Dawson
Jim Hazel
David Matthews
Terry O'Dwyer
Deborah Radford
Tony Robinson

Company Secretary

David Oataway

Registered Office

Bendigo and Adelaide Bank Limited
The Bendigo Centre
PO Box 480
Bendigo Victoria 3552

Telephone 1300 361 911 (local call)
Fax (03) 5485 7668

Principal place of business

The Bendigo Centre
Bendigo Victoria 3550

Share Registry

Securities Registry
Bendigo and Adelaide Bank Limited
The Bendigo Centre
Bendigo Victoria 3550

Telephone 1800 646 042
Fax (03) 5485 7645
Email share.register@bendigobank.com.au

Auditors

Ernst & Young
Australia

3 STATUTORY HALF YEAR FINANCIAL REPORT

3.1 Directors' Report

Your Directors submit their report for the half year ended 31 December 2010.

3.1.1 Directors

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

Robert Johanson (Chairman)
Mike Hirst (Managing Director)
Kevin Abrahamson
Jennifer Dawson
Jim Hazel
David Matthews
Terry O'Dwyer
Deborah Radford
Tony Robinson

3.1.2 Review of operations

The principal activities of the Company and its controlled entities ("the Group") during the financial period were the provision of a range of banking and other financial services, including retail banking, third party mortgages, business lending, margin lending, business banking and commercial finance, funds management, treasury and foreign exchange services (including trade finance), superannuation, financial advisory and trustee services.

Effective 1 December 2010, Bendigo and Adelaide Bank Limited purchased the remaining 40% shareholding of Rural Bank Limited, from Elders Limited. Rural Bank Limited is now a wholly owned subsidiary of Bendigo and Adelaide Bank Limited.

The Group recorded continued growth in income and profits during the half-year when compared to the previous corresponding period:

Total income increased $86.6 million or 16.2% to $620.8 million when compared with the half-year ended 31 December 2009.

Profit before tax increased by $50.3 million, or 31%, to $212.3 million. Profit after tax (attributable to members of the parent) increased by $69.8 million to $173.9 million and included an after tax income of $0.7 million (2009: $19.1 million expense) relating to cash flow hedge ineffectiveness. Other than the cash flow hedge ineffectiveness, after tax profit was also impacted favourably by other items that were of an unusual and/or non-recurring nature which total $16.9 million after tax (2009: $11.0 million expense). These items are disclosed in Note 3.7.6 of this financial report.

Group assets increased 2.7% or $1.4 billion during the half-year. Group assets at 31 December 2010 were $53.5 billion.

The total capital adequacy ratio decreased during the half from 11.15% to 11.07%. Tier one capital decreased during the half year from 8.55% to 8.06% with Tier two capital increasing from 2.60% to 3.01%.

Fully franked dividends paid on preference shares during the half year:
113.07 cents per share, paid on 15 September 2010.
110.91 cents per share, paid on 15 December 2010.

Fully franked dividends paid on step up preference shares during the half year:
110.00 cents per share, paid on 12 July 2010.
116.00 cents per share, paid on 11 October 2010.

Fully franked dividends paid on reset preference shares during the half year:
310.53 cents per share, paid on 1 November 2010.

Fully franked dividends paid or declared on ordinary shares during the half year:
Final dividend of 30.0 cents per share, paid on 30 September 2010 in respect of the year ended 30 June 2010.
Interim dividend of 30.0 cents per share, declared on 14 February 2011, payable on 31 March 2011.

3.1.3 Significant changes in the state of affairs

The following significant change in the state of affairs of the Company occurred during the half year:

In September 2010, 2,713,513 shares were allotted at an issue price of $9.19 to those shareholders participating in the Dividend Reinvestment Plan, increasing share capital by $24.9 million.

Effective 1 December 2010, the Company purchased the remaining 40% interest in Rural Bank Limited for the consideration of $166.6 million. Rural Bank Limited is a wholly-owned subsidiary of the Company from this date.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Group that occurred during the half-year under review not otherwise disclosed in this report or the financial statements.

3.1.4 Events after balance sheet date

On 14 February 2011 the directors of Bendigo and Adelaide Bank Limited declared an interim dividend of 30.0 cents per ordinary share (fully-franked) in respect of the December 2010 half-year payable on 31 March 2011. The amount estimated to be appropriated in relation to this dividend is $107.1 million. The dividend has not been provided for in the 31 December 2010 half year financial statements.

In early January 2011 significant flood events occurred across much of Queensland and parts of Victoria and New South Wales, with the potential to impact the serviceability of loans and the value of securing assets. While insurance recoveries and the extent of other financial assistance and support are uncertain, the Bank is currently assessing the impact on each affected customer. The Directors will continue to assess the loan portfolio in order to reliably quantify additional costs expected to be incurred and the extent of any required impairment charges. As at the date of this report, this assessment is still ongoing and no adjustments for flooding related issues have been reflected in the financial statements of this report.

No other matters or circumstances have arisen since the end of the half-year to the date of this report which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

3.1.5 Independence of auditor

The Bank's audit committee has conducted an assessment of the independence of the external auditor for the period ended 31 December 2010. The assessment was conducted on the basis of the Bank's audit independence policy and the requirements of the Corporations Act 2001. The assessment included a review of non-audit services provided by the auditor and an assessment of the independence declaration issued by the external auditor for the period ended 31 December 2010. The audit committee's assessment confirmed that the independence requirements have been met. The audit committee's assessment was accepted by the full Board.

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

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001
Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

Auditor's Independence Declaration to the Directors of Bendigo and Adelaide Bank Limited

In relation to our review of the financial report of Bendigo and Adelaide Bank Limited for the half year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

T M Dring
Partner
Melbourne
14 February 2011

Liability limited by a scheme approved under
Professional Standards Legislation

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

Robert Johanson, Chairman
Bendigo
14 February 2011

3.2 Condensed Income Statement
for the half year ended 31 December 2010

	Notes	Consolidated	
		2010	2009
Income		$m	$m
Net interest income			
Interest income		1,671.0	1,267.9
Interest expense		1,209.7	859.9
Total Net interest income		461.3	408.0
Other revenue			
Dividends		3.3	3.1
Fees		97.8	100.7
Commissions		20.2	20.6
Other revenue		15.4	7.7
Total Other revenue		136.7	132.1
Other Income			
Ineffectiveness in cash flow hedges		1.0	(27.3)
Other Income		20.2	9.8
Total Other income		21.2	(17.5)
Share of associates' and joint ventures net profits/losses		1.6	11.6
Total Income after interest expense		620.8	534.2
Expenses			
Bad and doubtful debts on loans and receivables		18.1	16.8
Other expenses			
Staff and related costs		187.1	169.1
Occupancy costs		31.0	28.7
Information technology costs		29.9	29.7
Amortisation of intangibles		20.7	16.7
Property, plant & equipment costs		6.2	6.9
Fees and commissions		18.6	17.1
Communications, postage & stationery		16.7	15.9
Advertising & promotion		8.4	7.7
Other product & services delivery costs		18.6	18.7
Consultancy costs		4.1	4.1
Legal costs		3.5	4.4
Travel costs		4.2	3.3
Integration costs		6.2	16.0
Accounting loss on disposal of securitisation notes		14.7	-
Accounting loss on unwind of joint venture		-	3.2
Employee shares shortfall/(gain)		(2.4)	(4.4)
Other		22.9	18.3
Total Other expenses		390.4	355.4
Profit before income tax expense		212.3	162.0
Income tax expense		(33.9)	(53.0)
Net profit for the period		178.4	109.0
Net (profit) attributable to non-controlling interest		(4.5)	(4.9)
Net profit attributable to owners of the parent		173.9	104.1
Earnings per share for profit attributable to the ordinary equity holders of the parent:			
Basic earnings per ordinary share (cents per share)	*3.7.6*	46.7	29.7
Diluted earnings per ordinary share (cents per share)	*3.7.6*	44.0	27.7
Franked dividends per share (cents per share)	*3.7.5*	30.0	28.0

3.3 Balance Sheet
as at 31 December 2010

	Notes	Consolidated As at 31-Dec-10 $m	As at 30-Jun-10 $m	As at 31-Dec-09 $m
Assets				
Cash and cash equivalents		428.9	760.5	1,111.2
Due from other financial institutions		65.7	279.7	102.3
Financial assets held for trading		4,681.8	3,985.2	4,019.5
Financial assets available for sale - debt securities		400.1	261.5	238.9
Financial assets held to maturity		471.8	482.8	595.7
Current tax assets		-	-	33.3
Other assets		488.1	618.2	615.0
Financial assets available for sale - equity investments		144.7	111.7	113.5
Derivatives		9.1	7.4	10.4
Loans and other receivables - investment		482.9	541.0	522.5
Net loans and other receivables		44,150.4	42,980.8	41,490.7
Investments in joint ventures accounted for using the equity method		11.4	7.2	6.2
Property, plant & equipment		100.8	103.6	112.1
Deferred tax assets		184.9	201.0	161.3
Investment property		228.4	158.9	134.7
Intangible assets and goodwill		1,694.6	1,641.6	1,604.7
Total Assets		53,543.6	52,141.1	50,872.0
Liabilities				
Due to other financial institutions		76.6	195.5	96.1
Deposits		38,990.1	37,076.2	35,822.0
Notes payable		8,874.2	9,059.8	9,493.1
Derivatives		188.5	263.6	278.1
Other payables		600.0	760.3	547.0
Income tax payable		15.9	73.1	-
Provisions		75.5	89.1	76.2
Deferred tax liabilities		144.7	120.7	92.5
Reset preference shares		89.5	89.5	89.5
Subordinated debt - at amortised cost		621.5	532.9	607.2
Total Liabilities		49,676.5	48,260.7	47,101.7
Net Assets		3,867.1	3,880.4	3,770.3
Equity				
Equity attributable to equity holders of the parent				
Issued capital -ordinary	*3.7.10*	3,386.6	3,361.7	3,321.6
Perpetual non-cumulative redeemable convertible preference shares	*3.7.10*	88.5	88.5	88.5
Step-up Preference shares	*3.7.10*	100.0	100.0	100.0
Employee Share Ownership Plan (ESOP) shares		(26.0)	(27.7)	(30.0)
Reserves		21.7	(22.3)	(41.9)
Retained earnings		296.3	234.5	199.4
Total parent interests		3,867.1	3,734.7	3,637.6
Total non-controlling interests		-	145.7	132.7
Total Equity		3,867.1	3,880.4	3,770.3

3.4 Statement of Comprehensive Income
for the half year ended 31 December 2010

	Consolidated	
	2010	2009
	$m	$m
Available for sale financial assets revaluation	32.9	33.9
Transfer available for sale assets revaluation to income	(0.2)	(0.8)
Net gain/(loss) on cash flow hedges taken to equity	59.3	167.8
Net unrealised gain/(loss) on investments in available for sale portfolio	(0.4)	-
Actuarial gain/(loss) on superannuation defined benefits plan	1.7	1.7
Tax effect on items taken directly to or transferred from equity	(28.4)	(63.1)
Net income/(loss) recognised directly in equity	64.9	139.5
Profit for the period ended 31 December	178.4	109.0
Total comprehensive income for the period	243.3	248.5
Total comprehensive income for the period attributable to:		
Non-controlling interest	5.8	5.4
Members of the Parent	237.5	243.1

3.5 Statement of Changes in Equity

for the half year ended 31 December 2010

	Attributable to owners of Bendigo and Adelaide Bank Limited												Non-controlling interest	Total equity
	Issued ordinary capital	ESOP shares	Preference shares	Retained earnings	Employee benefits reserve	Asset revaluation reserve - property	Asset revaluation reserve - AFS share investments	Net unrealised gains reserve	Cash flow hedge reserve	Acquisitions Reserve	General reserve for credit losses	Total		
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
CONSOLIDATED														
At 1 July 2010														
Opening balance b/fwd	3,361.7	(27.7)	188.5	234.5	20.3	3.6	27.5	0.3	(178.7)	-	104.7	3,734.7	145.7	3,880.4
Comprehensive income:														
Profit for the half-year	-	-	-	173.9	-	-	-	-	-	-	-	173.9	4.5	178.4
Other comprehensive income	-	-	-	1.7	-	(0.2)	22.2	(0.4)	40.3	-	-	63.6	1.3	64.9
Total comprehensive income for the period	-	-	-	175.6	-	(0.2)	22.2	(0.4)	40.3	-	-	237.5	5.8	243.3
Transactions with owners in their capacity as owners:														
Shares issued	24.9	-	-	-	-	-	-	-	-	-	-	24.9	-	24.9
Reduction in Employee Share Ownership Plan shares	-	1.7	-	-	-	-	-	-	-	-	-	1.7	-	1.7
Movement in general reserve for credit losses (GRCL)	-	-	-	(3.8)	-	-	-	-	-	-	3.8	-	0.1	0.1
Share based payment	-	-	-	-	(1.3)	-	-	-	-	-	-	(1.3)	-	(1.3)
Equity dividends	-	-	-	(110.0)	-	-	-	-	-	-	-	(110.0)	(8.6)	(118.6)
Non Controlling Interest Unwind	-	-	-	-	-	-	-	-	-	-	-	-	(144.0)	(144.0)
Acquisition Reserve - Rural Bank	-	-	-	-	-	-	-	-	-	(20.4)	-	(20.4)		(20.4)
Other	-	-	-	-	-	-	-	-	-	-	-	-	1.0	1.0
At 31 December 2010	3,386.6	(26.0)	188.5	296.3	19.0	3.4	49.7	(0.1)	(138.4)	(20.4)	108.5	3,867.1	-	3,867.1

Statement of Changes in Equity (continued)
for the half year ended 30 June 2010

	Attributable to owners of Bendigo and Adelaide Bank Limited											Non-controlling interest	Total equity
	Issued ordinary capital	ESOP shares	Preference shares	Retained earnings	Employee benefits reserve	Asset revaluation reserve - property	Asset revaluation reserve - AFS share investments	Net unrealised gains reserve	Cash flow hedge reserve	General reserve for credit losses	Total		
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
CONSOLIDATED													
At 1 January 2010													
Opening balance b/fwd	3,321.6	(30.0)	188.5	199.4	16.3	2.1	28.5	-	(189.4)	100.6	3,637.6	132.7	3,770.3
Comprehensive income:													
Profit for the half-year	-	-	-	138.5	-	-	-	-	-	-	138.5	12.4	150.9
Other comprehensive income	-	-	-	2.3	-	1.5	(1.0)	0.3	10.7	-	13.8	-	13.8
Total comprehensive income for the period	-	-	-	140.8	-	1.5	(1.0)	0.3	10.7	-	152.3	12.4	164.7
Transactions with owners in their capacity as owners:													
Shares issued	40.0	-	-	-	-	-	-	-	-	-	40.0	-	40.0
Share issue expenses	0.1	-	-	-	-	-	-	-	-	-	0.1	-	0.1
Reduction in Employee Share Ownership Plan shares	-	2.3	-	-	-	-	-	-	-	-	2.3	-	2.3
Movement in general reserve for credit losses (GRCL)	-	-	-	(4.1)	-	-	-	-	-	4.1	(0.0)	(0.1)	(0.1)
Share based payment	-	-	-	-	4.0	-	-	-	-	-	4.0	-	4.0
Equity dividends	-	-	-	(101.6)	-	-	-	-	-	-	(101.6)	(14.0)	(115.6)
Acquisition Accounting Amortisation Unwind	-	-	-	-	-	-	-	-	-	-	-	15.1	15.1
Other	-	-	-	-	-	-	-	-	-	-	-	(0.4)	(0.4)
At 30 June 2010	3,361.7	(27.7)	188.5	234.5	20.3	3.6	27.5	0.3	(178.7)	104.7	3,734.7	145.7	3,880.4

Statement of Changes in Equity (continued)
for the half year ended 31 December 2009

	Attributable to owners of Bendigo and Adelaide Bank Limited												Non-controlling interest	Total equity
	Issued ordinary capital	ESOP shares	Preference shares	Retained earnings	Employee benefits reserve	Asset revaluation reserve - property	Asset revaluation reserve - AFS share investments	Cash flow hedge reserve	Cash flow hedge reserve joint ventures	General reserve for credit losses	General reserve for credit losses joint ventures	Total		
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
CONSOLIDATED														
At 1 July 2009														
Opening balance b/fwd	3,003.9	(32.7)	188.5	144.3	13.6	2.1	5.5	(295.4)	(8.3)	86.1	11.1	3,118.7	-	3,118.7
Acquired in business combination	-	-	-	-	-	-	-	-	-	-	-	-	131.6	131.6
Comprehensive income:														
Profit for the half-year	-	-	-	104.1	-	-	-	-	-	-	-	104.1	4.9	109.0
Other comprehensive income	-	-	-	1.7	-	-	23.0	106.0	8.3			139.0	0.5	139.5
Total comprehensive income for the period	-	-	-	105.8	-	-	23.0	106.0	8.3	-	-	243.1	5.4	248.5
Transactions with owners in their capacity as owners:														
Shares issued	328.1	-	-	-	-	-	-	-	-	-	-	328.1	-	328.1
Share issue expenses	(10.4)	-	-	-	-	-	-	-	-	-	-	(10.4)	-	(10.4)
Reduction in Employee Share Ownership Plan shares	-	2.7	-	-	-	-	-	-	-	-	-	2.7	-	2.7
Movement in general reserve for credit losses (GRCL)	-	-	-	(14.5)	-	-	-	-	-	14.5	-	-	(0.1)	(0.1)
Movement in GRCL-joint ventures	-	-	-	11.1	-	-	-	-	-	-	(11.1)	-	-	-
Share based payment	-	-	-	-	2.7	-	-	-	-	-	-	2.7	-	2.7
Equity dividends	-	-	-	(47.3)	-	-	-	-	-	-	-	(47.3)	(3.8)	(51.1)
Other	-	-	-	-	-	-	-	-	-	-	-	-	(0.4)	(0.4)
At 31 December 2009	3,321.6	(30.0)	188.5	199.4	16.3	2.1	28.5	(189.4)	-	100.6	-	3,637.6	132.7	3,770.3

3.6 Cash Flow Statement
for the half year ended 31 December 2010

		Consolidated 2010 $m	2009 $m
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and other items of a similar nature received		1,621.3	1,184.8
Interest and other costs of finance paid		(1,191.6)	(822.0)
Receipts from customers (excluding effective interest)		136.1	117.4
Payments to suppliers and employees		(489.9)	(350.1)
Dividends received		3.6	14.2
Income taxes paid		(79.6)	(4.7)
Net cash flows from operating activities		(0.1)	139.6
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash paid for purchases of property, plant and equipment		(7.2)	(1.0)
Cash proceeds from sale of property, plant and equipment		0.4	1.5
Cash paid for purchases of investment property		(53.6)	(19.2)
Cash proceeds from sale of investment property		2.6	-
Cash paid for purchases of intangible software		-	(0.4)
Cash paid for purchases of equity investments		(3.0)	(5.8)
Cash proceeds from sale of equity investments		-	4.1
Net (increase)/decrease in balance of loans and other receivables outstanding		(1,112.5)	231.6
Net (increase)/decrease in balance of investment securities		(783.6)	107.9
Net cash received/(paid) on acquisition of a subsidiary		-	(187.8)
Net cash flows from/(used in) investing activities		(1,956.9)	130.9
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		1.4	312.7
Acquisition of non-controlling interest		(166.6)	-
Net increase/(decrease) in balance of retail deposits		1,782.4	16.6
Net increase/(decrease) in balance of wholesale deposits		128.1	226.2
Proceeds from issue of subordinated debt		259.5	11.1
Repayment of subordinated debt		(171.7)	(120.0)
Dividends paid		(85.1)	(34.6)
Dividends paid to non controlling entity		(14.4)	(6.6)
Net increase/(decrease) in balance of notes payable		(205.0)	(502.5)
Repayment of ESOP shares		1.7	2.7
Payment of share issue costs		-	(10.4)
Net cash flows from/(used in) financing activities		1,530.3	(104.8)
Net increase/(decrease) in cash and cash equivalents		(426.7)	165.7
Cash and cash equivalents at the beginning of the period		844.7	951.7
Cash and cash equivalents at the end of period	*3.7.9*	418.0	1,117.4

3.7 Notes to and forming part of the financial statements

3.7.1 Corporate information

The half year financial report of Bendigo and Adelaide Bank Limited for the six months ended 31 December 2010 was authorised for issue in accordance with a resolution of the Directors on 14 February 2011.

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

The domicile of Bendigo and Adelaide Bank Limited is Australia.

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

3.7.1.1 Changes in state of affairs

Effective 1 December 2010, Bendigo and Adelaide Bank Limited purchased the remaining 40% shareholding of Rural Bank Limited, from Elders Limited. Rural Bank Limited is now a wholly owned subsidiary of Bendigo and Adelaide Bank Limited.

3.7.2 Summary of significant accounting policies

The half year financial report does not include notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and finance and investing activities of the consolidated entity as would a full financial report.

It is recommended that the half-year report is read in conjunction with the Annual Financial Report of Bendigo and Adelaide Bank Limited as at 30 June 2010, which was prepared based on Australian Accounting Standards, together with any public announcements made by Bendigo and Adelaide Bank Limited and its controlled entities during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

3.7.2.1 Basis of preparation

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

The half-year financial report is a general purpose financial report which has been prepared in accordance with the Banking Act, applicable Australian Accounting Standards including AASB 134 "Interim Financial Reporting", Corporations Act 2001 and the requirements of law in so far as they are applicable to Australian banking corporations.

The half-year financial report has been prepared in accordance with the historical cost convention or amortised cost for loans and receivables and financial liabilities, except for investment properties, land and buildings, derivative financial instruments, held for trading and available-for-sale financial assets which are measured at their fair value.

The amounts contained in this report have been rounded off under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies. The Class Order allows for rounding to the nearest one hundred thousand dollars $'00,000).

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

3.7.2.2 Changes in accounting policies

Since 1 July 2010 the Group has adopted the following Standards and Interpretations, mandatory for annual reporting periods beginning on or after 1 July 2010. Adoption of these Standards and Interpretations did not have any material effect on the financial position or performance of the Group.

- AASB 2009-8 *Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2]*
- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]*
- AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]*
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

The Group has not early adopted any Standards and Interpretations that have recently been issued or amended but are not yet effective for the half year ended 31 December 2010.

AASB 2009-8 ***Amendments to Australian Accounting Standards — Group Cash — Settled Share-based Payment Transactions [AASB 2]***

The amendments clarify the scope of AASB 2 Share-based Payment by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments incorporate the requirements previously included in Interpretation 8 Scope of AASB 2 and Interpretation 11 AASB 2 — Group and Treasury Share Transactions. It does not have an impact on the financial position or performance of the Group.

AASB 2009-13 ***Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]***

This amendment to AASB 1 allows a first-time adopter to apply the transitional provisions in Interpretation 19 as identified in AASB 1048. Interpretation 19 clarifies that equity instruments issued to a creditor to extinguish a financial liability are “consideration paid” in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability.

The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment. It does not have an impact on the financial position or performance of the Group.

AASB 2010-3 ***Amendments to Australian Accounting Standards arising from the Annual Improvements Project***

The amendments limit the scope of the measurement choices of non-controlling interest (NCI) to instruments that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation. Other components of NCI are measured at fair value. The amendment requires an entity (in a business combination) to account for the replacement of the acquiree’s share-based payment transactions (whether obliged or voluntarily), in a consistent manner i.e., allocate between consideration and post combination expenses. It also clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated and that the revised accounting for loss of significant influence or joint control (from the issue of IFRS 3 Revised) is only applicable prospectively. It does not have an impact on the financial position or performance of the Group.

Annual Improvements Project

In June 2010 the AASB issued omnibus of amendments to its Standards as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group:

- AASB 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in AASB 5. The disclosure requirements of other Accounting Standards only apply if specifically required for such non-current assets or discontinued operations.

- AASB 8 Operating Segments: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information.

- AASB 107 Statement of Cash Flows: States that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.

- AASB 136 Impairment of Assets: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 before aggregation for reporting purposes.

3.7.3 Segment information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (chief operating decision makers) in assessing performance and determining the allocation of resources.

The operating segments are identified according to the nature of products and services provided and the key delivery channels, with each segment representing a strategic business unit that offers a different delivery method and/or different products and services. Discrete financial information about each of these operating businesses is reported to the executive management team on a monthly basis.

The segments presented reflect changes to the structure which were implemented during the year, including recognition of Rural Bank Limited as a single operating segment. The comparatives have been restated to reflect the changed structure.

Segment assets and liabilities reflect the value of loans and deposits directly managed by the operating segment. All other assets of the group are managed centrally.

Types of products and services

Retail banking

Net interest income predominantly derived from the provision of first mortgage finance less interest paid to depositors; and fee income from the provision of banking services delivered through the company-owned branch network and the Group's share of net interest and fee income from the Community Bank branch network.

Third party banking

Net interest income and fees derived from the manufacture and processing of residential home loans, distributed through mortgage brokers, mortgage managers and predominantly mortgage originators and Alliance partners.

Wealth

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

Rural Bank

The principal activities of Rural Bank are the provision of banking services to agribusiness, rural and regional Australian communities.

Central functions

Functions not relating directly to a reportable operating segment.

Accounting policies and inter-segment transactions

The accounting policies used by the group in the reporting segments are the same as those contained in 3.7.2 of the accounts.

Revenue and expenses associated with each business segment are included in determining their result. Transactions between business segments are based on agreed recharges between operating segments. Segment net interest income is recognised based on an internally set transfer pricing policy based on pre-determined market rates of return on the assets and liabilities of the segment.

Major customers

Revenues from no one single customer amount to greater than 10% of the Group's revenues.

Segment information (continued)

Operating Segments

for the half year ended 31 December 2010

	Operating segments						
	Retail banking	Third party banking	Wealth	Rural Bank	**Total operating segments**	Central functions	**Total**
	$m	$m	$m	$m	**$m**	$m	**$m**
Net interest income	251.4	95.6	55.7	58.6	**461.3**	-	**461.3**
Other income	88.7	34.6	18.6	3.4	**145.3**	11.6	**156.9**
Share of net profit of equity accounted investments	-	-	-	-	**-**	1.6	**1.6**
Total segment income	340.1	130.2	74.3	62.0	**606.6**	13.2	**619.8**
Operating expenses	157.9	30.0	23.5	21.6	**233.0**	138.9	**371.9**
Credit expenses	6.4	0.1	0.3	13.0	**19.8**	2.9	**22.7**
Segment result	175.8	100.1	50.5	27.4	**353.8**	(128.6)	**225.2**

for the half year ended 30 June 2010

	Operating segments						
	Retail banking	Third party banking	Wealth	Rural Bank	**Total operating segments**	Central functions	**Total**
	$m	$m	$m	$m	**$m**	$m	**$m**
Net interest income	207.4	110.8	61.7	66.7	**446.6**	-	**446.6**
Other income	89.2	18.8	19.1	3.6	**130.7**	9.6	**140.3**
Share of net profit of equity accounted investments	-	-	-	-	**-**	1.1	**1.1**
Total segment income	296.6	129.6	80.8	70.3	**577.3**	10.7	**588.0**
Operating expenses	148.4	27.4	26.1	24.4	**226.3**	130.0	**356.3**
Credit expenses	7.8	(5.5)	2.4	4.7	**9.4**	13.6	**23.0**
Segment result	140.4	107.7	52.3	41.2	**341.6**	(132.9)	**208.7**

Segment information (continued)

for the half year ended 31 December 2009

	Operating segments						
	Retail banking	Third party banking	Wealth	Rural Bank	**Total operating segments**	Central functions	**Total**
	$m	$m	$m	$m	**$m**	$m	**$m**
Net interest income	199.9	112.3	63.5	32.3	**408.0**	-	**408.0**
Other income	91.7	20.7	19.8	1.8	**134.0**	7.4	**141.4**
Share of net profit of equity accounted investments	-	-	-	11.6	**11.6**	-	**11.6**
Total segment income	291.6	133.0	83.3	45.7	**553.6**	7.4	**561.0**
Operating expenses	145.9	28.8	27.9	13.2	**215.8**	124.8	**340.6**
Credit expenses	10.6	7.7	1.4	2.1	**21.8**	2.3	**24.1**
Segment result	135.1	96.5	54.0	30.4	**316.0**	(119.7)	**196.3**

	Operating segments						
	Retail banking	Third party banking	Wealth	Rural Bank	**Total operating segments**	Central functions	**Total**
Reportable segment assets	$m	$m	$m	$m	**$m**	$m	**$m**
Half year ended 31 December 2010	22,212.1	14,953.4	3,514.2	4,099.6	**44,779.3**	8,764.3	**53,543.6**
Half year ended 30 June 2010	21,383.7	14,587.0	3,730.9	4,164.0	**43,865.6**	8,275.5	**52,141.1**
Half year ended 31 December 2009	20,208.1	14,628.5	3,821.8	3,897.6	**42,556.0**	8,316.0	**50,872.0**
Reportable segment liabilities							
Half year ended 31 December 2010	26,761.3	540.4	4,563.3	3,743.0	**35,608.0**	5,847.3	**41,455.3**
Half year ended 30 June 2010	25,591.9	482.9	3,849.0	3,818.2	**33,742.0**	6,584.8	**40,326.8**
Half year ended 31 December 2009	24,431.9	476.2	3,513.9	4,696.8	**33,118.8**	6,089.8	**39,208.6**

Segment information (continued)

Reconciliation between segment and statutory results

The table below reconciles the segment results back to the relevant statutory result presented in the financial report.

	Consolidated		
	Half year Dec 10 $m	Half year Jun 10 $m	Half year Dec 09 $m
Reconciliation of total segment income to group income			
Total segment income	619.8	588.0	561.0
Ineffectiveness in cash flow hedges	1.0	(6.6)	(27.3)
Profit on sale of other non-current assets	-	19.4	0.5
Total group income	620.8	600.8	534.2
Reconciliation of segment result to group profit before tax			
Total segment result	225.2	208.7	196.3
Ineffectiveness in cash flow hedges	1.0	(6.6)	(27.3)
Profit on sale of other non-current assets	-	19.4	0.5
Movement in collective provisions	4.6	(4.9)	7.3
Non recurring expense items	(18.5)	(27.9)	(14.8)
Group profit before tax	212.3	188.7	162.0
Reconciliation of segment expenses to group total expenses			
Segment operating expenses	371.9	356.3	340.6
Non recurring expense items	18.5	27.9	14.8
Total group expenses	390.4	384.2	355.4
Reconciliation of segment credit expenses to bad and doubtful debts on loans and receivables			
Segment credit expenses	22.7	23.0	24.1
Movement in collective provisions	(4.6)	4.9	(7.3)
Bad and doubtful debts on loans and receivables	18.1	27.9	16.8

	As at		
	Dec 10 $m	Jun 10 $m	Dec 09 $m
Reportable segment assets			
Total assets for operating segments	53,543.6	52,141.1	50,872.0
Total assets	53,543.6	52,141.1	50,872.0
Reportable segment liabilities			
Total liabilities for operating segments	41,455.3	40,326.8	39,208.6
Securitisation funding	8,221.2	7,933.9	7,893.1
Total liabilities	49,676.5	48,260.7	47,101.7

3.7.4 Income tax

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

	2010	2009
	$m	$m
Current income tax		
Current income tax charge	47.2	49.8
Adjustments in respect of current income tax of previous years	(2.5)	1.4
Deferred income tax		
Relating to origination and reversal of temporary differences	17.1	1.8
Adjustments in respect of deferred income tax of previous years	2.5	-
Tax consolidation items		
Acquisition income tax benefit Adelaide Bank	(33.3)	-
Acquisition income tax expense Rural Bank	2.9	-
Income tax expense reported in the Condensed Income Statement	33.9	53.0

Taxation of Financial Arrangements "TOFA"

During the reporting period the Group adopted the new tax regime for financial arrangements, TOFA. The regime aims to more closely align the tax and accounting recognition and measurement of financial arrangements and their related flows. Deferred tax balances for financial arrangements that existed on 1 July 2010 will reverse over four years.

3.7.5 Dividends paid or provided

	2010	2009
Ordinary shares	$m	$m
Dividends paid during the half-year:		
Final dividend 2010 - 30.0 cents (Final dividend 2009 - 15.0 cents)	105.7	44.0
Dividends proposed since the reporting date, but not recognised as a liability:		
Interim dividend 2011 - 30.0 cents (Interim dividend 2010 - 28.0 cents)	107.1	94.7
Preference shares		
Dividends paid during the half-year:		
A dividend of 113.07 cents per share was paid on 15 September 2010 (2009: 84.60 cents)	1.0	0.7
A dividend of 110.91 cents per share was paid on 15 December 2010 (2009: 86.47 cents)	1.0	0.8
	2.0	1.5
Step up preference shares		
Dividends paid during the half-year:		
A dividend of 110.00 cents per share was paid on 12 July 2010 (2009: 86.00)	1.1	0.9
A dividend of 116.00 cents per share was paid on 11 October 2010 (2009: 86.00)	1.2	0.9
	2.3	1.8
Reset preference shares (recorded as debt instruments)		
Dividends paid during the half-year:		
A dividend of 310.53 cents per share was paid on 1 November 2010 (2009: 310.53)	2.8	2.8
	2.8	2.8

3.7.6 Earnings per ordinary share

	Half-year Dec-10	Half-year Jun-10	Half-year Dec-09
	Cents per share	Cents per share	Cents per share
Basic earnings per ordinary share	46.7	37.4	29.7
Diluted earnings per ordinary share	44.0	34.9	27.7
Cash basis earnings per ordinary share	44.7	42.1	41.2
	$m	$m	$m
Reconciliation of earnings used in the calculation of basic earnings per ordinary share			
Profit for the half-year (after tax)	178.4	150.9	109.0
(Profit)/loss attributable to non-controlling interest	(4.5)	(12.4)	(4.9)
Dividends paid on preference shares	(2.0)	(1.9)	(1.5)
Dividends paid on step-up preference shares	(2.3)	(2.1)	(1.8)
	169.6	134.5	100.8
Reconciliation of earnings used in the calculation of diluted earnings per ordinary share			
Earnings used in calculating basic earnings per ordinary share	169.6	134.5	100.8
Add back dividends on dilutive preference shares	6.3	5.8	5.3
	175.9	140.3	106.1
Reconciliation of earnings used in the calculation of cash basis earnings per ordinary share			
Earnings used in calculating basic earnings per ordinary share	169.6	134.5	100.8
After tax intangibles amortisation (excluding amortisation of intangible software)	10.1	12.1	8.8
After tax non recurring income and expense items (1)	(17.6)	4.7	30.1
	162.1	151.3	139.7
	No. of shares	No. of shares	No. of shares
Weighted ave no. of ordinary shares used in basic and cash basis earnings per ordinary share	362,874,018	359,193,776	339,453,575
Effect of dilution - executive performance rights	1,448,020	1,538,688	1,907,858
Effect of dilution - preference shares	35,041,690	41,243,313	41,243,313
Weighted ave no. of ordinary shares used in diluted earnings per ordinary share	399,363,728	401,975,777	382,604,746

(1) Non recurring income and expense items after tax comprise:	$m	$m	$m
Income			
Ineffectiveness in cash flow hedges	0.7	(5.6)	(19.1)
Realised accounting gain on equity investments	-	19.5	0.3
Expense			
Shortfall relating to Employee Share Plan	(1.7)	1.3	(3.1)
Integration costs	4.3	13.3	11.2
Fair value write-down on unwind of securitisation trust	10.3	-	-
Non cash loss on unwind of joint venture	-	(3.2)	3.2
Property revaluation decrement	-	7.2	-
Total non recurring income/(expense) items after tax	(12.2)	(4.7)	(30.1)
Acquisition income tax benefit - Adelaide Bank	33.3	-	-
Acquisition income tax expense - Rural Bank	(2.9)	-	-
	30.4	-	-
Total non recurring income/(expense) items after tax	18.2	(4.7)	(30.1)
Non recurring items attributable to non-controlling interests	(0.6)	-	-
Total non recurring income/(expense) items after tax	17.6	(4.7)	(30.1)

3.7.7 Return on average ordinary equity

	Consolidated		
	Half-year Dec-10	Half-year Jun-10	Half-year Dec-09
	%	%	%
Return on average ordinary equity	9.05	7.40	5.80
After tax before non recurring items return on average ordinary equity	8.11	7.66	7.53
Cash basis return on average ordinary equity	8.65	8.33	8.04
	$m	$m	$m
Reconciliation of earnings used in the calculation of return on average ordinary equity			
Profit for the half-year (after tax)	178.4	150.9	109.0
(Profit)/loss attributable to non-controlling interest	(4.5)	(12.4)	(4.9)
Dividends paid on preference shares	(2.0)	(1.9)	(1.5)
Dividends paid on step-up preference shares	(2.3)	(2.1)	(1.8)
Earnings used in calculation of return on average ordinary equity	169.6	134.5	100.8
After tax non recurring (income)/expense items (1)	(17.6)	4.7	30.1
Earnings used in calculation of pre non recurring items return on average ordinary equity	152.0	139.2	130.9
After tax intangibles amortisation (excluding amortisation of intangible software)	10.1	12.1	8.8
Earnings used in calculation of cash basis return on average ordinary equity	162.1	151.3	139.7

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

	As at Dec 10	As at Jun 10	As at Dec 09
	$m	$m	$m
Total equity	3,867.1	3,880.4	3,770.3
Preference share net capital	(188.5)	(188.5)	(188.5)
Asset revaluation reserve - Available for sale shares	(49.7)	(27.5)	(28.5)
Unrealised gains/losses on cash flow hedge reserve	138.4	178.6	189.4
Acquistions reserve (3)	20.4	-	-
Non-controlling interests	-	(145.7)	(132.7)
Ordinary equity	3,787.7	3,697.3	3,610.0
Average ordinary equity (2)	3,719.3	3,664.6	3,448.1

(1) Refer to Earnings per Ordinary Share note for details.
(2) The average ordinary equity is calculated using a six month average.
(3) The excess consideration paid above the net asset value upon acquiring the remaining 40% of Rural Bank Limited.

3.7.8 Net tangible assets per ordinary share

	As at Dec 10	As at Jun 10	As at Dec 09
Net tangible assets per ordinary share	$ 5.44	$ 5.27	$ 5.16

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

	$m	$m	$m
Net assets	3,867.1	3,880.4	3,770.3
Intangibles	(1,694.6)	(1,641.6)	(1,604.7)
Preference shares - face value	(90.0)	(90.0)	(90.0)
Step-up preference shares	(100.0)	(100.0)	(100.0)
Non-controlling interests	-	(145.7)	(132.7)
Net tangible assets	1,982.5	1,903.1	1,842.9
Number of ordinary shares on issue at reporting date	364,381,290	361,366,745	356,951,325

3.7.9 Cash flow information

	As at Dec 10 $m	As at Dec 09 $m
Reconciliation of cash		
For the purposes of the statement of cash flows, cash and cash equivalents includes:		
Cash and cash equivalents	428.9	1,111.2
Due from other financial institutions	65.7	102.3
Due to other financial institutions	(76.6)	(96.1)
Cash and cash equivalents at the end of the half year	418.0	1,117.4

Cash and cash equivalents are items readily convertible into cash and generally repayable on demand.

Amounts due to and from other financial institutions relate to inter-bank settlement processes and are generally repaid within 2 working days.

Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the cash flow statement: Loans and receivables, Investment securities, Retail deposits, Wholesale deposits and Notes payable.

3.7.10 Issued capital

	As at Dec 10 $m	As at Dec 09 $m
Issued and paid up capital		
Ordinary shares fully paid - 364,381,290 (2009: 356,951,325)	3,386.6	3,321.6
Preference shares of $100 face value fully paid - 900,000 (2009: 900,000)	88.5	88.5
Preference shares of $100 face value fully paid - 1,000,000 (2009: 1,000,000)	100.0	100.0
	3,575.1	3,510.1
Movements in ordinary shares on issue		
Opening balance 1 July - 361,366,745 (2009: 308,243,636)	3,361.7	3,003.9
Shares issued under:		
Bonus share scheme - 301,032 @ $9.19 (2009: 304,421 @ $7.95)	-	-
Dividend reinvestment plan - 2,713,513 @ $9.19 (2009: 1,607,958 @ $7.95)	24.9	12.8
Issue to Tasmanian Banking Services Limited shareholders - Nil (2009: 781,910 @ $6.39)	-	5.0
Institutional placement and entitlement offer - Nil (2009: 26,618,172 @ $6.75)	-	179.7
Retail entitlement offer - Nil (2009: 17,854,868 @ $6.75)	-	120.5
Executive performance share plan - Nil (2009: 1,540,360 @ $6.56)	-	10.1
Share issue costs	-	(10.4)
Closing balance 31 December - 364,381,290 (2009: 356,951,325)	3,386.6	3,321.6
Movements in preference shares on issue		
Opening balance 1 July - 900,000 fully paid (2009: 900,000 fully paid)	88.5	88.5
Closing balance 31 December - 900,000 fully paid (2009: 900,000 fully paid)	88.5	88.5
Movements in step-up preference shares on issue		
Opening balance 1 July - 1,000,000 fully paid (2009: 1,000,000 fully paid)	100.0	100.0
Closing balance 31 December - 1,000,000 fully paid (2009: 1,000,000 fully paid)	100.0	100.0

3.7.11 Average Balance Sheet and related interest
for the six month period ended 31 December 2010

	Note	Average Balance $m	Interest 6 mths $m	Average Rate %
Average balances and rates	1			
Interest earning assets				
Cash and Investments		5,902.3	142.6	4.79
Loans and other receivables - company		37,240.8	1,353.7	7.21
Loans and other receivables - alliances		6,847.9	217.8	6.31
Total interest earning assets	2	49,991.0	1,714.1	6.80
Non interest earning assets				
Provisions for doubtful debts		(126.7)		
Other assets		3,025.9		
		2,899.2		
Total assets (average balance)		52,890.2		
Interest bearing liabilities and equity				
Deposits				
Retail - company		24,700.0	598.7	4.81
Retail - alliances		10,069.0	266.9	5.26
Wholesale - domestic		2,997.0	81.3	5.38
Wholesale - offshore		172.4	4.6	5.29
Notes Payable		8,998.6	282.9	6.24
Reset Preference Shares		89.5	2.8	6.21
Subordinated debt		485.3	15.6	6.38
Total interest bearing liabilities	2	47,511.8	1,252.8	5.23
Non interest bearing liabilities and equity				
Other liabilities		1,475.2		
Equity		3,903.2		
		5,378.4		
Total liabilities and equity		52,890.2		
Interest margin and interest spread				
Interest earning assets		49,991.0	1,714.1	6.80
Interest bearing liabilities		(47,511.8)	(1,252.8)	(5.23)
Net interest income and interest spread	3		461.3	1.57
Net free liabilities and equity				0.26
Net interest margin	4			1.83

Impact of community bank/alliances revenue share arrangements

Net interest margin before community bank/alliances share of net interest income	2.15
Less impact of community bank/alliances share of net interest income	0.32
Net interest margin	1.83

1. *Average balance is based on monthly closing balances from 30 June 2010 through 31 December 2010 inclusive.*
2. *Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by $43.1m 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.*

Average Balance Sheet and related interest (continued)
for the six month period ended 30 June 2010

	Note	Average Balance $m	Interest 6 mths $m	Average Rate %
Average balances and rates	*1*			
Interest earning assets				
Cash and Investments		5,928.7	123.7	4.21
Loans and other receivables - company		36,410.7	1,240.0	6.87
Loans and other receivables - alliances		6,391.8	193.6	6.11
Total interest earning assets	*2*	48,731.2	1,557.3	6.44
Non interest earning assets				
Provisions for doubtful debts		(120.5)		
Other assets		2,796.0		
		2,675.5		
Total assets (average balance)		51,406.7		
Interest bearing liabilities and equity				
Deposits				
Retail - company		23,329.4	501.2	4.33
Retail - alliances		9,496.7	226.3	4.81
Wholesale - domestic		2,943.3	67.2	4.60
Wholesale - offshore		520.8	12.9	4.99
Notes Payable		9,358.9	283.7	6.11
Reset Preference Shares		89.5	2.7	6.08
Subordinated debt		582.7	16.7	5.78
Total interest bearing liabilities	*2*	46,321.3	1,110.7	4.84
Non interest bearing liabilities and equity				
Other liabilities		1,301.7		
Equity		3,783.7		
		5,085.4		
Total liabilities and equity		51,406.7		
Interest margin and interest spread				
Interest earning assets		48,731.2	1,557.3	6.44
Interest bearing liabilities		(46,321.3)	(1,110.7)	(4.84)
Net interest income and interest spread	*3*		446.6	1.60
Net free liabilities and equity				0.25
Net interest margin	*4*			1.85

Impact of community bank/alliances revenue share arrangements

Net interest margin before community bank/alliances share of net interest income	2.14
Less impact of community bank/alliances share of net interest income	0.29
Net interest margin	1.85

1 *Average balance is based on monthly closing balances from 31 December 2009 through 30 June 2010 inclusive.*
2 *Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by $37.4m 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.*

Average Balance Sheet and related interest (continued)
for the six month period ended 31 December 2009

	Note	Average Balance $m	Interest 6 mths $m	Average Rate %
Average balances and rates	*1*			
Interest earning assets				
Cash and Investments		5,790.3	95.7	3.28
Loans and other receivables - company		33,949.8	1,029.2	6.01
Loans and other receivables - alliances		6,394.8	179.5	5.57
Total interest earning assets	*2*	46,134.9	1,304.4	5.61
Non interest earning assets				
Provisions for doubtful debts		(117.4)		
Other assets		2,946.6		
		2,829.2		
Total assets (average balance)		48,964.1		
Interest bearing liabilities and equity				
Deposits				
Retail - company		21,076.8	372.4	3.50
Retail - alliances		9,144.2	187.2	4.06
Wholesale - domestic		3,096.7	60.1	3.85
Wholesale - offshore		698.2	12.1	3.44
Notes Payable		9,418.1	247.6	5.22
Reset Preference Shares		89.5	2.7	5.98
Subordinated debt		586.2	14.3	4.84
Total interest bearing liabilities	*2*	44,109.7	896.4	4.03
Non interest bearing liabilities and equity				
Other liabilities		1,359.4		
Equity		3,495.0		
		4,854.4		
Total liabilities and equity		48,964.1		
Interest margin and interest spread				
Interest earning assets		46,134.9	1,304.4	5.61
Interest bearing liabilities		(44,109.7)	(896.4)	(4.03)
Net interest income and interest spread	*3*		408.0	1.58
Net free liabilities and equity				0.17
Net interest margin	*4*			1.75

Impact of community bank/alliances revenue share arrangements

Net interest margin before community bank/alliances share of net interest income	2.04
Less impact of community bank/alliances share of net interest income	0.29
Net interest margin	1.75

1 *Average balance is based on monthly closing balances from 30 June 2009 through 31 December 2009 inclusive.*
2 *Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by $36.5m 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.*

3.7.12 Capital Adequacy and ACE ratio

a) Capital adequacy

The Australian Prudential Regulation Authority (APRA) guidelines require capital to be allocated against credit, operational and market risk. Banks must maintain a ratio of qualifying capital (comprising Tier 1 and Tier 2 capital), to risk weighted assets of which at least half must be Tier 1 capital. The Bank adopted the "standard model" approach prescribed by APRA to calculate the Bank's capital position.

	Consolidated	
	Dec 2010	Jun 2010
	$m	$m
Risk weighted capital ratios		
Tier 1	8.06%	8.55%
Tier 2	3.01%	2.60%
Total capital ratio	**11.07%**	**11.15%**
Qualifying Capital		
Tier 1		
Contributed capital	3,386.6	3,361.7
Retained profits & reserves	66.0	22.3
Non controlling interests	-	145.7
Innovative tier 1 capital	277.9	277.9
Less,		
Intangible assets, cash flow hedges and capitalised expenses	1,684.1	1,619.5
50/50 deductions	16.9	18.2
Other adjustments as per APRA advice	2.4	1.3
Total Tier 1 capital	2,027.1	2,168.6
Tier 2		
General reserve for credit losses/collective provision (net of tax effect)	129.3	128.5
Subordinated debt	622.4	534.4
Asset revaluation reserves	21.4	13.2
Total Tier 2 capital	773.1	676.1
Less,		
50/50 deductions	16.9	18.1
Total Tier 2 capital	756.2	658.0
Total qualifying capital	**2,783.3**	**2,826.6**
Total risk weighted assets	**25,138.9**	**25,347.3**

Capital Adequacy and ACE ratio (continued)

b) Adjusted Common Equity ("ACE") and Adjusted total equity ("ATE")

Adjusted Common Equity and Adjusted total equity are measures considered by Standard & Poor's in evaluating the Bank's credit rating.

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

	Consolidated	
	Dec 2010	Jun 2010
	$m	$m
Shareholders' equity	3,488.1	3,459.0
Non controlling interests	-	145.7
Retained earnings	296.3	234.5
Expected dividends	(107.1)	(106.1)
Goodwill	(1,694.6)	(1,641.6)
Other deductions	(2.4)	(1.3)
Total Adjusted Common Equity	1,980.3	2,090.2
Adjusted Common Equity ratio to risk weighted assets	**7.88%**	**8.25%**
Investments in associates and joint ventures equity accounted for	(11.4)	(7.2)
Hybrid capital	277.9	277.9
Subsidiary investment residual	(8.9)	(8.9)
Adjusted total equity	2,237.9	2,352.0
Adjusted Total Equity ratio to risk weighted assets	**8.90%**	**9.28%**

3.7.13 Contingent assets and liabilities

(a) Contingent liabilities

	Consolidated	
	Dec 2010 $m	**Dec 2009 $m**
Guarantees		
The economic entity has issued guarantees on behalf of clients in the normal course of business	168.3	150.9
Other		
Documentary letters of credit	13.8	17.7

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

(b) Contingent assets

As at 31 December 2010, the economic entity does not have any contingent assets (2009: Nil).

3.7.14 Events after balance sheet date

On 14 February 2011 the directors of Bendigo and Adelaide Bank Limited declared an interim dividend of 30.0 cents per ordinary share (fully-franked) in respect of the December 2010 half-year payable on 31 March 2011. The amount estimated to be appropriated in relation to this dividend is $107.1 million. The dividend has not been provided for in the 31 December 2010 half year financial statements.

In early January 2011 significant flood events occurred across much of Queensland and parts of Victoria and New South Wales, with the potential to impact the serviceability of loans and the value of securing assets. While insurance recoveries and the extent of other financial assistance and support are uncertain, the Bank is currently assessing the impact on each affected customer. The Directors will continue to assess the loan portfolio in order to reliably quantify additional costs expected to be incurred and the extent of any required impairment charges. As at the date of this report, this assessment is still ongoing and no adjustments for flooding related issues have been reflected in the financial statements of this report.

No other matters or circumstances have arisen since the end of the half-year to the date of this report which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

3.8 Directors' declaration

In accordance with a resolution of the directors of Bendigo and Adelaide Bank Limited, I state that:

In the opinion of the directors:

a) the half-year financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

   i) giving a true and fair view of the financial position as at 31 December 2010 and the performance for the half year ended on that date of the consolidated entity; and

   ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Robert Johanson

Robert Johanson, Chairman
Bendigo
Dated this 14th day of February 2011

3.9 External auditors review report

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

To the members of Bendigo and Adelaide Bank Limited

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Bendigo and Adelaide Bank Limited, which comprises the balance sheet as at 31 December 2010, the condensed income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half year.

Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Bendigo and Adelaide Bank Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Professional Standards Legislation

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Bendigo and Adelaide Bank Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

T M Dring
Partner
Melbourne
14 February 2011