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 2008

Released 16 February 2009

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

Information contained in this report should be read in conjunction with the June 2008 annual financial report.

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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 2008
Previous corresponding period - six months ended:	31 December 2007 *

* Comparatives have been restated to reflect the impact of AASB3 Business Combinations and other accounting standards as a result of the merger with Adelaide Bank. Comparatives have been provided against both the originally reported and re-stated results. In addition there has been a substantial (non cash) impact on profit from the revaluation of cash flow hedges acquired. Further details are contained in this report.

1.2 Results for announcement to the market

	Dec 08 compared to Previously Reported	Dec 08 compared to Re-Stated Prior Period
Revenue from operations	up 39.3% to $446.0m	up 32.3% to $446.0m
Profit after tax attributable to members	down 16.9% to $60.5m	down 27.2% to $60.5m
Profit after tax before significant items	up 56.1% to $118.8m	up 37.5% to $118.8m
Net profit attributable to members	down 16.9% to $60.5m	down 27.2% to $60.5m

Dividends – current year	Amount per security
Interim Dividend – 2009, fully franked at 30%	28.0 cents
Record date for determining entitlements for the interim dividend - 4 March 2009	
Payable 31 March 2009	

Dividends – previous year	Amount per security
Final Dividend – 2008, fully franked at 30% Paid 30 September 2008	37.0 cents
Interim Dividend – 2008, fully franked at 30% Paid 31 March 2008	28.0 cents

1.3 Cash earnings results

	Dec 08 compared to Previously Reported	Dec 08 compared to Re-Stated Prior Period
Cash earnings attributable to members	up 72.8% to $122.2m	up 42.4% to $122.2m
Cash earnings per share	up 3.0% to 44.3cents	down 15.1% to 44.3cents
See Note 2.5 for full details		

1.4 Re-statement of acquisition accounting adjustments

The prior period results included in this financial report have been restated to reflect fair value adjustments and identified intangible assets in relation to the acquisition of Adelaide Bank Limited in November 2007. These restatements have impacted on the following lines of the income statement and balance sheet for December 2007. The quantum of these adjustments is a function of the maturity profile of the underlying assets and liabilities.

		June 2008 Half year			December 2007 Half year		
		Restated	Reported	Incr/(Decr)	Restated	Reported	Incr/(Decr)
		$m	$m	$m	$m	$m	$m
Income statement	- total interest income	1,893.2	1,836.6	56.6	802.3	797.4	4.9
	- total interest expense	1,518.8	1,500.2	18.6	579.2	591.2	(12.0)
	- amortisation of intangibles	20.9	8.0	12.9	5.3	3.1	2.2
	- income tax expense	(50.3)	(42.7)	(7.6)	(37.1)	(32.7)	(4.4)
	- profit for the period	115.2	97.7	17.5	83.8	73.5	10.3
Balance sheet	- net loans and other receivables	39,587.4	39,721.9	(134.5)	40,573.2	41,426.0	(852.8)
	- deferred tax assets	164.4	113.8	50.6	166.0	69.3	96.7
	- intangible assets and goodwill	1,570.4	1,460.4	110.0	1,587.0	1,340.5	246.5
	- deposits	31,404.9	31,425.1	(20.2)	30,944.1	30,969.9	(25.8)
	- notes payable	11,292.2	11,356.1	(63.9)	13,468.7	13,544.6	(75.9)
	- subordinated debt	675.8	681.8	(6.0)	720.7	728.0	(7.3)
	- deferred tax liabilities	186.8	98.5	88.3	201.5	106.7	94.8
	- retained earnings	269.9	242.0	27.9	229.5	219.2	10.3

1.5 Net tangible assets per security

Refer to pages 31 and 56 of the attached December 2008 half year profit announcement.

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

There are no entities over which control has been gained or lost during this period.

1.7 Details of individual and total dividends

Refer to pages 28 and 53 of the attached December 2008 half year profit announcement.

1.8 Details of any dividend or distribution reinvestment plans in operation

Refer to page 30 of the attached December 2008 half year profit announcement.

1.9 Details of associates and joint venture entities

Refer to page 32 of the attached December 2008 half year profit announcement.

1.10 Accounting standards used for foreign entities

Not applicable.

1.11 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.

1.12 Half year financial statements

Refer to pages 38 to 68 of the attached December 2008 half year profit announcement.

2. HALF YEAR ANNOUNCEMENT

2.1 Financial highlights - restated

	Jun07 Half $m	Dec07 Half $m	Jun08 Half $m	Dec08 Half $m	Change Dec-07 Half to Dec-08 Half $m	%
Profit after tax	67.5	83.1	115.2	**60.5**	(22.6)	(27.2)
Profit after tax before significant items	68.7	86.4	147.0	**118.8**	32.4	37.5
Cash earnings	63.1	85.8	153.8	**122.2**	36.4	42.4
Net interest income	179.3	223.1	374.4	**340.3**	117.2	52.5
Non-interest income (before significant items)	105.2	118.2	157.3	**160.7**	42.5	36.0
Expenses (before significant items)	181.4	211.9	301.7	**308.2**	96.3	45.4
Retail deposits	12,103.9	22,676.8	23,640.9	**27,179.8**	4,503.2	19.9
Ordinary equity	805.7	2,886.7	3,038.8	**3,209.8**	323.1	11.2
Funds under management	3,394.2	4,964.1	6,650.5	**4,452.9**	(511.2)	(10.3)
Loans under management	15,759.3	43,812.4	43,128.3	**40,789.1**	(3,023.3)	(6.9)
New loan approvals	3,646.2	3,884.6	4,960.6	**3,757.9**	(126.7)	(3.3)
Residential	2,349.8	2,723.2	3,827.6	**2,586.5**	(136.7)	(5.0)
Non-residential	1,296.4	1,161.4	1,133.0	**1,171.4**	10.0	0.9
Cost to income ratio	62.8%	60.5%	52.8%	**58.3%**	(2.2%)	(3.6)
Earnings per ordinary share - cents	45.3	48.6	40.8	**19.8**	(28.8)	(59.3)
Cash basis earnings per ordinary share – cents	43.9	52.2	57.6	**44.3**	(7.9)	(15.1)
Dividend per share – cents	34.0	28.0	37.0	**28.0**	-	-

* Includes the results of Adelaide Bank Limited for the month of December 2007.

[#] All relevant data for Dec-07 half and Jun-08 half has been restated to reflect the impact of AASB3 Business Combinations and other accounting standards impacted by the merger with Adelaide Bank.

2.2 Financial highlights – previously reported

	Jun-07 Half $m	Dec-07 Half $m	Jun-08 Half $m	Dec-08 Half $m	Change Dec-07 Half to Dec-08 Half $m	%
Profit after tax	67.5	72.8	97.7	**60.5**	(12.3)	(16.9)
Profit after tax before significant items	68.7	76.1	129.5	**118.8**	42.7	56.1
Cash earnings	63.1	70.7	131.2	**122.2**	51.5	72.8
Net interest income (before significant items)	179.3	206.2	336.4	**340.3**	134.1	65.0
Non-interest income (before significant items)	105.2	118.2	157.3	**160.7**	42.5	36.0
Expenses (before significant items)	181.4	209.7	288.8	**308.2**	98.5	47.0
Retail deposits	12,103.9	22,676.6	23,640.7	**27,179.8**	4,503.2	19.9
Ordinary equity	805.7	2,786.3	2,925.4	**3,209.8**	423.5	15.2
Funds under management	3,394.2	6,848.8	6,650.5	**4,452.9**	(2,395.9)	(35.0)
Loans under management	15,759.3	44,003.6	43,291.1	**40,789.1**	(3,214.5)	(7.3)
New loan approvals	3,646.2	3,884.6	4,960.6	**3,757.9**	(126.7)	(3.3)
Residential	2,349.8	2,723.2	3,827.6	**2,586.5**	(136.7)	(5.0)
Non-residential	1,296.4	1,161.4	1,133.0	**1,171.4**	10.0	0.9
Cost to income ratio	62.8%	63.7%	56.9%	**58.3%**	(5.4%)	(8.5)
Earnings per ordinary share - cents	45.3	42.4	34.3	**19.8**	(22.6)	(53.3)
Cash basis earnings per ordinary share – cents	43.9	43.0	49.1	**44.3**	1.3	3.0
Dividend per share – cents	34.0	28.0	37.0	**28.0**	-	-

* Includes the results of Adelaide Bank Limited for the month of December 2007.

2.3 Results at a glance

2.3.1 Financial performance

Further detail

- We have now completed the Acquisition Accounting associated with the merger with Adelaide Bank with the following impacts on our reported results 1.4
  - Some restatements to the FY08 results, predominantly;
    - increases in revenue associated with 'fair value' adjustments on fixed rate instruments
    - revaluing some asset and liability balances
    - amortisation associated with intangible asset values
  - Cash flow hedge instruments are re-designated on acquisition, causing them to become ineffective for accounting purposes, hence are marked to market through our profit result. This has resulted in a substantial charge to profit in this half of $43.7m after tax.
  - Where possible, comparisons are made to both the originally reported results and re-stated results. These adjustments are entirely the effect of the accounting standards and should not be interpreted as affecting the underlying results this year.
- Cash earnings $122.2 million (Dec-07 $85.8 million, previously reported $70.7m), an increase of 42.4%. (72.8% against previously reported) 2.5.9.2
- Cash basis earnings per ordinary share of 44.3 cents (Dec-07 52.2 cents, previously reported 43.0 cents), a decrease of 15.1%. (An increase of 3% on previously reported Dec-07) 2.5.9.2
- Cash basis earnings return on average ordinary equity (annualised) was 8.06% (Dec-07 14.37%, previously reported 12.46%). 2.5.9.2
- Profit after income tax before significant items was $118.8 million (Dec-07 $86.4 million, previously reported $76.4 million), an increase of 37.5% (see note 2.4.1 for significant item details). 2.4
- Net interest income before significant items increased by 52.5% to $340.3 million with an interest margin before payments to community banks and alliances decreasing from 1.88% for the June 2008 half year to 1.75% for the December 2008 half year. Net of these payments, interest margin recorded a 16 basis point decrease from 1.65% in June 2008 to 1.49% in the half year to December 2008. Refer to 2.5.2 for further analysis. 2.5
- Non-interest income before significant items was $160.7 million (Dec-07 $118.2 million), an increase of 36.0%. 2.5.3
- Expenses before significant items increased by 45.4% to $308.2 million compared to December 2007 half and 2.2% compared to the June 2008 half. The cost to income ratio was 58.3% compared to 60.5% for the December 2007 half and 52.8% for the June 2008 half. 2.5.4
- Bad & Doubtful debts expense was $25.5 million (2007: $3.7 million) due primarily to provisions on four individual loans in our commercial property development portfolio. 2.5.7

2.3.2 Financial Position

	Further detail
- Loans under management were $40.8 billion (Jun-08 $43.0 billion), a decrease of 5.1%.	2.5.5
- Retail deposits were $27.2 billion (Jun-08 $23.6 billion), an increase of 15.3%.	2.5.8
- Managed funds decreased by $2.2 billion to $4.5 billion (Jun-08 $6.7 billion).	2.5.8
- Total provisions and reserves for doubtful debts grew to $156.9 million – an increase of $21.8 million since June 2008. General and collective provisions remain a conservative 51 basis points of Group Risk Weighted Assets.	2.5.7

2.3.3 Dividends

	Further detail
- An interim ordinary dividend of 28.0 cents per ordinary share, fully franked (31 December 2007 – 28.0 cents) has been declared by the Board.	2.4.9.2

2.4 Detailed Income Statement

For the half year ended 31 December 2008

		Consolidated		
		Dec-08	**Dec-07**	**Dec-07**
		$m	**$m**	**$m**
			(restated)	(reported)
Income				
Net interest income				
Interest income		1,912.1	802.3	797.4
Interest expense		1,571.8	579.2	591.2
Net interest income		**340.3**	**223.1**	**206.2**
Non interest income				
Dividends		2.2	2.2	2.2
Fees	- asset products	30.8	16.0	16.0
	- liability products and other	71.3	47.5	47.5
	- trustee, management & other services	5.7	5.4	5.4
Commissions	- wealth solutions	16.7	18.7	18.7
	- insurance	7.5	6.0	6.0
	- other	1.8	1.7	1.7
Other income		10.0	9.0	9.0
Total non interest income before significant items		**146.0**	**106.5**	**106.5**
Share of associates' net profits/ losses		**14.7**	**11.7**	**11.7**
Total income after interest expense before significant items		**501.0**	**341.3**	**324.4**
Expenses				
Bad and doubtful debts				
Bad and doubtful debts		27.8	4.4	4.4
Bad debts recovered		(2.3)	(0.7)	(0.7)
Total bad and doubtful debts		**25.5**	**3.7**	**3.7**
Other expenses				
Staff and related costs		150.0	104.5	104.5
Occupancy costs		26.3	18.4	18.4
Amortisation of intangibles		16.2	5.3	3.1
Property, plant & equipment costs		7.5	5.6	5.6
Fees and commissions		10.5	9.9	9.9
Administration expenses		97.7	68.2	68.2
Total other expenses before significant items		**308.2**	**211.9**	**209.7**
Profit before income tax expense and significant items		**167.3**	**125.7**	**111.0**
Income tax expense before significant items		(48.5)	(38.6)	(34.2)
Net (profit)/loss attributable to outside equity interest		-	(0.7)	(0.7)
Profit after income tax expense and before significant items		**118.8**	**86.4**	**76.1**
Significant items after income tax expense *		(58.3)	(3.3)	(3.3)
Profit after tax		**60.5**	**83.1**	**72.8**

* Refer note 3.6.7

Detailed Income Statement (continued)

	Consolidated		
	Dec-08 $m	Dec-07 $m (restated)	Dec-07 $m (reported)
Profit after tax	**60.5**	**83.1**	**72.8**
Adjusted for:			
Significant items after tax (refer Note 3.6.7 Earnings per ordinary share)	58.3	3.3	3.3
Dividends paid on preference shares	(2.8)	(2.6)	(2.6)
Dividends paid on step-up preference shares	(3.1)	(0.5)	(0.5)
Significant cash earnings item - general reserve for credit losses reduction	-	-	(4.0)
Movement in general reserve for credit losses	-	-	0.7
Loan portfolio premium amortisation	-	0.6	0.6
After tax intangibles amortisation (excl. amortisation of intangible software)	9.3	1.9	0.4
Cash basis earnings	**122.2**	**85.8**	**70.7**

Cash basis earnings per ordinary share (cents per share)	44.3	52.2	43.0
Basic earnings per ordinary share (cents per share)	19.8	48.6	42.4
Diluted earnings per ordinary share (cents per share)	19.7	48.4	42.3
Franked dividends per ordinary share (cents per share)	28.0	28.0	28.0

2.5 Results commentary

2.5.1 Profit

Cash earnings for the six months ended 31 December 2008 were $122.2 million, representing an increase of $36.4 million or 42.4% when compared with the restated previous corresponding period.

Profit after tax of $60.5 million for the six months ended 31 December 2008 is a decrease of 27.2% to the restated previous corresponding period. After excluding the significant items (refer below) profit increased 37.5% to $118.8 million.

	Dec-08	Jun-08	Change		Dec-07	Change	
	$m	$m	$m	%	$m	$m	%
Profit							
Profit before tax	84.0	165.5	(81.5)	(49.2)	120.9	(36.9)	(30.5)
Significant items before tax	(83.3)	(45.1)	(38.2)	84.7	(4.8)	(78.5)	1,635.4
Profit before tax and significant items	167.3	210.6	(43.3)	(20.6)	125.7	41.6	33.1
Profit after tax	60.5	115.2	(54.7)	(47.5)	83.1	(22.6)	(27.2)
Significant items after tax	(58.3)	(31.8)	(26.5)	83.3	(3.3)	(55.0)	1,666.7
Profit after tax before significant items	118.8	147.0	(28.2)	(19.2)	86.4	32.4	37.5
Adjusted for:							
Intangibles amortisation (excluding software amortisation)	9.3	13.5	(4.2)	(31.1)	1.9	7.4	389.5
Distributions paid on preference shares	(2.8)	(2.9)	0.1	(3.4)	(2.6)	(0.2)	7.7
Distributions paid on step-up preference shares	(3.1)	(3.2)	0.1	(3.1)	(0.5)	(2.6)	520.0
Loan portfolio premium amortisation	-	(0.6)	0.6	-	0.6	(0.6)	-
Cash basis profit after tax - restated	122.2	153.8	(31.6)	(20.5)	85.8	36.4	42.4
Cash basis profit after tax - previously reported		*131.2*	*(9.0)*	*(6.9)*	*70.7*	*51.5*	*72.8*

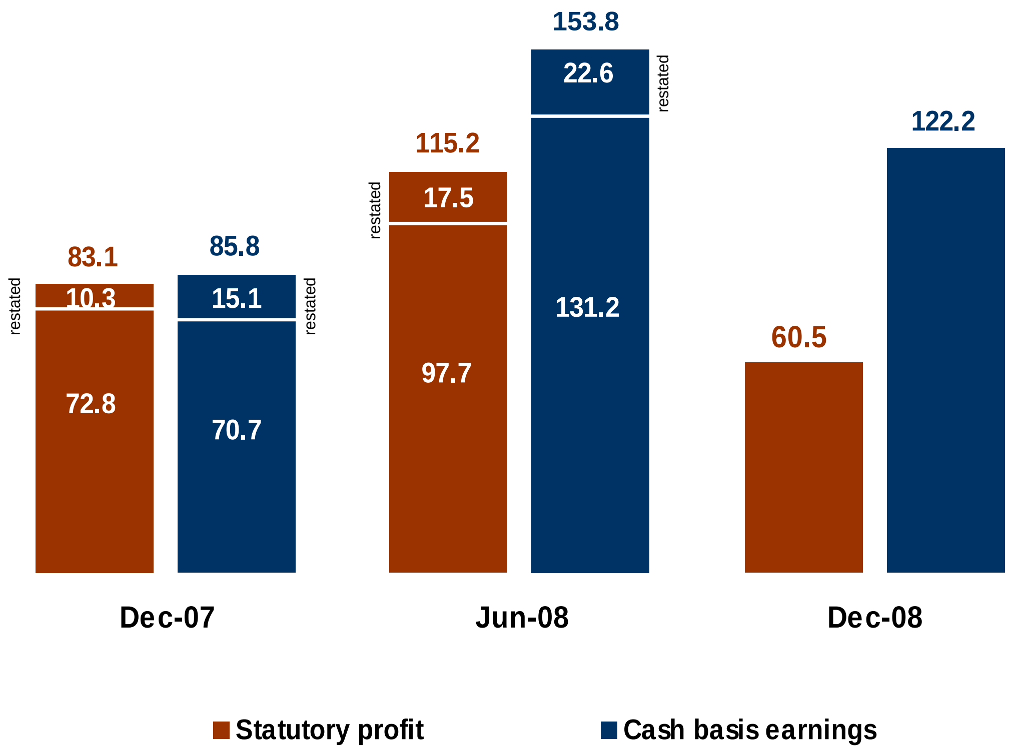
Previously, cash earnings were adjusted for movements in the general reserve for credit losses. These movements have been omitted from the calculation consistent with banking industry practice. Comparatives have been restated accordingly.

Significant items

The reported profit after tax for the six months ending 31 December 2008 of $60.5 million includes the impact of the following significant items:

- Cash flow hedges redesignated on acquisition $43.7 million after tax loss.
- Profit on sale of Visa Inc shares $5.2 million after tax.
- Impairment losses relating to equity investments of $4.7 million after tax.
- Integration costs associated with the Adelaide Bank merger of $13.8 million after tax.
- Final Head Office excess development cost of $1.3 million after tax.

Profit after tax
$mil

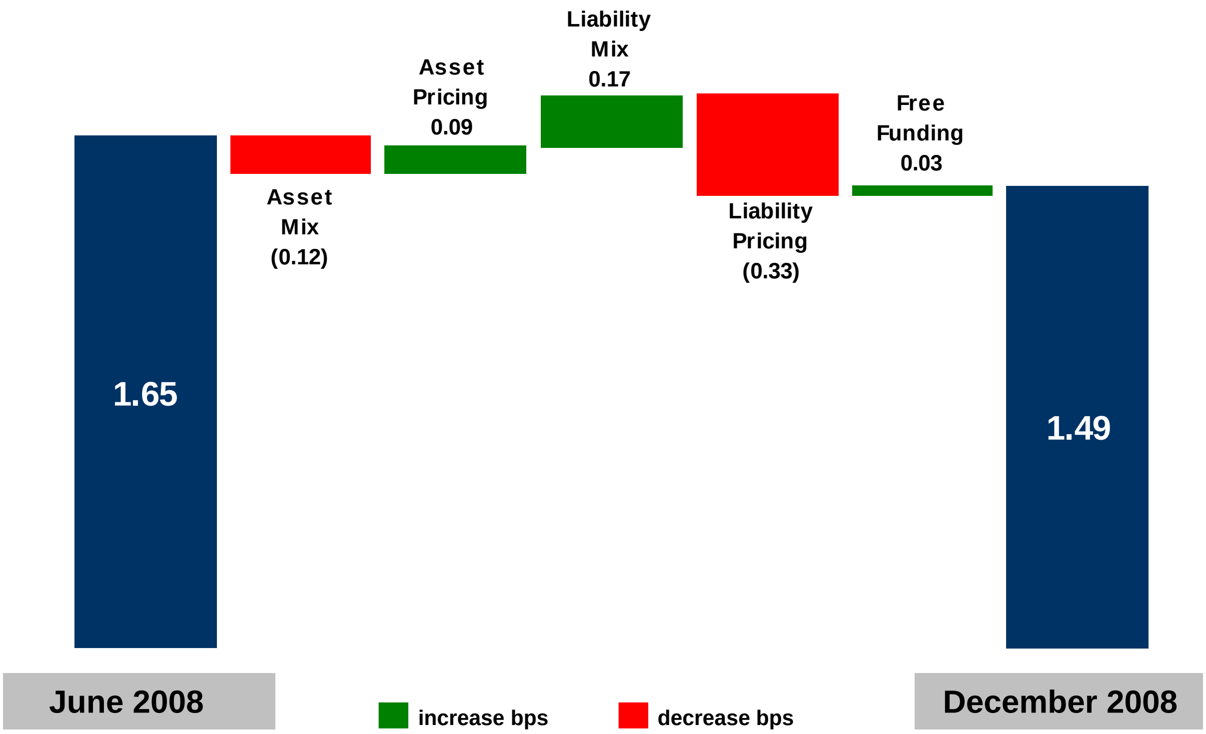


The December 2007 comparatives include only one month trading of Adelaide Bank Limited.

2.5.2 Interest margin

This chart provides a guide of movements in margin over the six month period, excluding the impact of Adelaide Bank Limited derivatives treated as ineffective post acquisition and before margin share to Community Banks and alliances.

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



Adverse liability pricing reflects the strong growth in term deposits taken in a higher interest rate environment. This impact on margin should reverse as these deposits mature and are re-priced in a lower interest rate environment.

2.5.3 Income

		Dec-08 $m	Jun-08 $m	Change $m	%	Dec-07 $m	Change $m	%
Income								
Net interest income		340.3	374.4	(34.1)	(9.1)	223.1	117.2	52.5
Other income comprising:								
Fees	- asset products	30.8	28.0	2.8	10.0	16.0	14.8	92.5
	- liability products & other	71.3	69.4	1.9	2.7	47.5	23.8	50.1
	- trustee, m'ment & other services	5.7	6.1	(0.4)	(6.6)	5.4	0.3	5.6
Commissions	- wealth solutions	16.7	19.0	(2.3)	(12.1)	18.7	(2.0)	(10.7)
	- insurance	7.5	6.9	0.6	8.7	6.0	1.5	25.0
	- other	1.8	2.1	(0.3)	(14.3)	1.7	0.1	5.9
Property revenue		0.7	0.6	0.1	16.7	0.6	0.1	16.7
Dividend income		2.2	1.7	0.5	29.4	2.2	-	-
Other		9.3	8.8	0.5	5.7	8.4	0.9	10.7
Total other income before significant items		146.0	142.6	3.4	2.4	106.5	39.5	37.1
Share of associates' profit		14.7	14.7	-	-	11.7	3.0	25.6
Total non interest income before significant items		160.7	157.3	3.4	2.2	118.2	42.5	36.0
Significant income items - non interest income		(55.0)	1.2	(56.2)	-	(4.3)	(50.7)	-
Total income - restated		446.0	532.9	(86.9)	(16.3)	337.0	109.0	32.3
Total income - previously reported			*494.9*	*(48.9)*	*(9.9)*	*320.1*	*125.9*	*39.3*

Net interest income for Dec 07 and Jun 08 have been restated to reflect fair value adjustments for loans and deposits in accordance with AASB3 Business Combinations.

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

Net interest income increased by 53%. Refer to Management Commentary for an analysis of the net interest income movements.
December 2008 includes the trading of Adelaide Bank for the full half year (2007: the month of December 2007 only.)

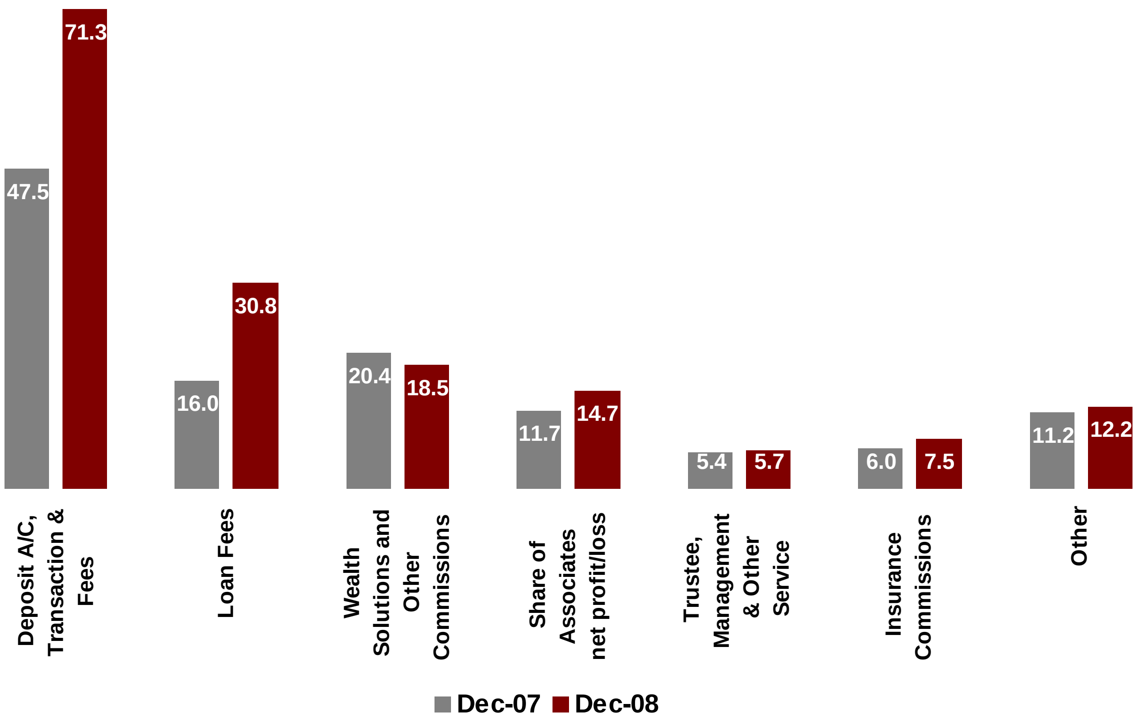
Fees - asset products increased by 93% due to volume related increases in several lending-related fees, debit & credit card fees and the inclusion of Adelaide Bank trading for the full half year (2007: the month of December 2007 only).

Fees - liability products and other increased by 50% due to increases in account transaction fees, electronic transactions, including ATM and Visa income, securitisation income and the inclusion of Adelaide Bank trading for the full half year (2007: the month of December 2007 only).

Commissions - insurance increased by 25% predominantly due to the inclusion of Adelaide Bank trading for the full half year (2007: the month of December 2007 only) and increases in other insurance commissions.

Significant income items:	**Dec-08**	**Jun-08**	**Dec-07**
Cash flow hedges redesignated on acquisition	(62.4)	(24.0)	(4.3)
Realised accounting gain on Visa Inc shares	7.4	25.2	-
	(55.0)	1.2	(4.3)

Non-interest income
$mil



The December 2007 comparatives include only one month trading of Adelaide Bank Limited.

2.5.4 Expenses

2.5.4.1 Productivity and expenses

	Dec-08	Jun-08	Change		Dec-07	Change	
	$m	$m	$m	%	$m	$m	%
Expenses							
Staff and related costs	150.0	151.8	(1.8)	(1.2)	104.5	45.5	43.5
Occupancy costs	26.3	24.6	1.7	6.9	18.4	7.9	42.9
Information technology costs	27.8	23.6	4.2	17.8	20.6	7.2	35.0
Amortisation of intangibles	16.2	20.9	(4.7)	(22.5)	5.3	10.9	205.7
Property, plant and equipment costs	7.5	7.8	(0.3)	(3.8)	5.6	1.9	33.9
Fees and commissions	10.5	10.5	-	-	9.9	0.6	6.1
Communications, postage & stationery	16.8	15.4	1.4	9.1	13.5	3.3	24.4
Advertising & promotion	7.8	11.2	(3.4)	(30.4)	5.7	2.1	36.8
Other product & services delivery costs	15.9	14.4	1.5	10.4	12.4	3.5	28.2
Other administration expenses	29.4	21.5	7.9	36.7	16.0	13.4	83.7
Total operating expenses	308.2	301.7	6.5	2.2	211.9	96.3	45.4
Significant expense items	28.3	46.3	(18.0)	(38.9)	0.5	27.8	-
Total expenses - restated	336.5	348.0	(11.5)	(3.3)	212.4	124.1	58.4
Total expenses - previously reported		*335.1*	*1.4*	*0.4*	*210.2*	*126.3*	*60.1*
Expenses to income - restated	58.3%	52.8%	5.5%	10.4	60.5%	(2.2%)	(3.6)
Expenses to income - previously reported		*56.9%*	*(16.1%)*	*(28.3)*	*63.7%*	*(22.9%)*	*(35.9)*
Expenses to average assets	1.2%	1.2%	0.0%	0.0	1.8%	(0.6%)	(33.3)
Expenses to average assets-incl managed funds	1.2%	1.1%	0.1%	9.1	1.6%	(0.4%)	(25.0)
Staff & related costs to income	29.9%	28.5%	1.4%	4.9	30.6%	(0.7%)	(2.3)
Number of staff (full-time equivalent)	3,514	3,478	36.0	1.0	3,603	(89)	(2.5)

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

Staff and related costs increased 44% compared to previous corresponding period. This increase is predominantly due to the inclusion of the trading of Adelaide Bank for the full half year (2007: the month of December 2007 only). Wage increases flowing from the bank's certified agreement and other salary increases during the calendar year also contributed to the increase.

Occupancy costs increased 43% due to inclusion of Adelaide Bank trading for the full half year (2007: the month of December 2007 only) and increases in rent (predominantly due to the inclusion of the new Head Office complex rent from Sep 08).

Information technology costs increased by 35%, due to inclusion of Adelaide Bank trading for the full half year (2007: the month of December 2007 only) and increased computer hardware leasing, rental of computer lines and software maintenance costs flowing from growth in the network and upgrade of systems.

Amortisation of intangibles increased by 206% due to inclusion of full half year amortisation of identified intangible assets relating to the merger with Adelaide Bank Limited (2007: the month of December 2007 only).

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

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

3 *Expenses for Dec 07 and Jun 08 have been restated to reflect the amortisation of identified intangibles in accordance with AASB3 Business Combinations.*

Property, plant & equipment costs increased by 34% due to inclusion of Adelaide Bank trading for the full half year (2007: the month of December 2007 only).

Communications, postage & stationery increased by 24% predominantly due to inclusion of Adelaide Bank trading for the full half year (2007: the month of December 2007 only).

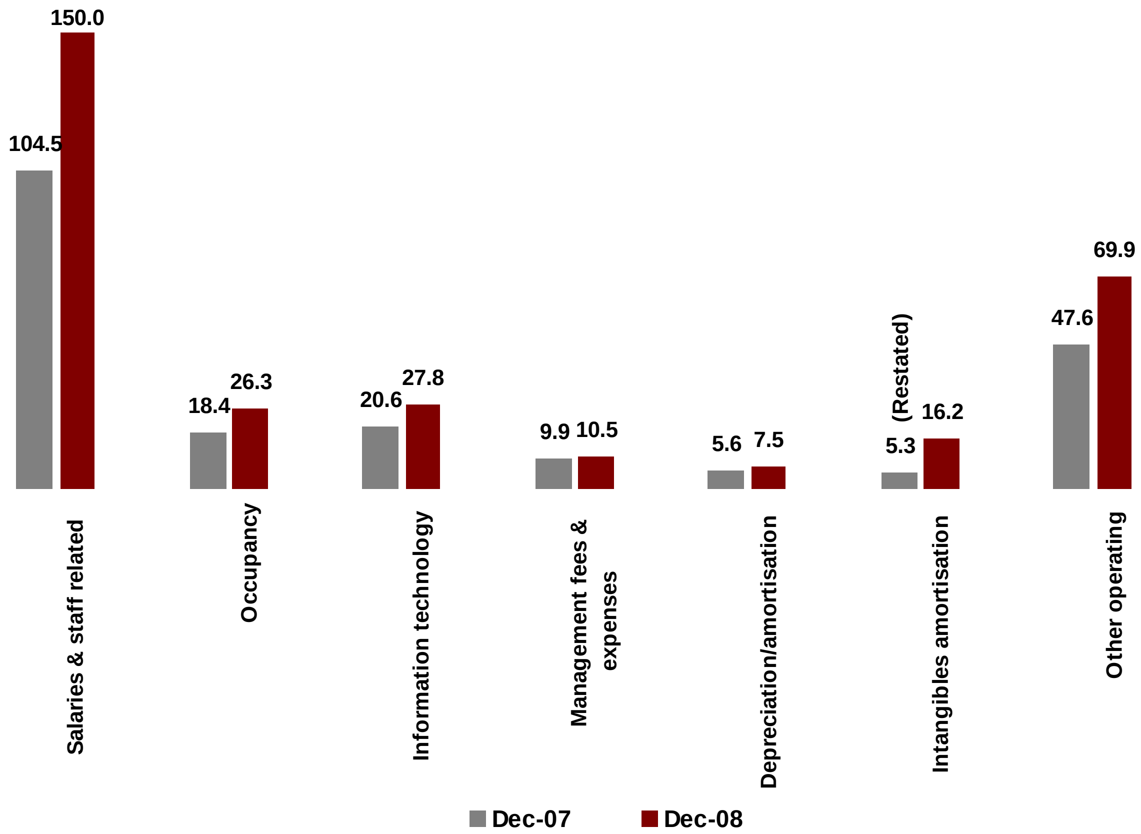
Advertising & promotion increased by 37% due to increases in brand campaigns, public relations events and inclusion of Adelaide Bank trading for the full half year (2007: the month of December 2007 only).

Other product & services delivery costs increased 28% predominantly due to the expansion of the ATM and Eftpos networks, increased transaction volumes and inclusion of Adelaide Bank trading for the full half year (2007: the month of December 2007 only).

Other administration expenses increased 84% due to inclusion of Adelaide Bank trading for the full half year (2007: the month of December 2007 only) and increases in travel, legal costs, consultancy and non-lending write-offs.

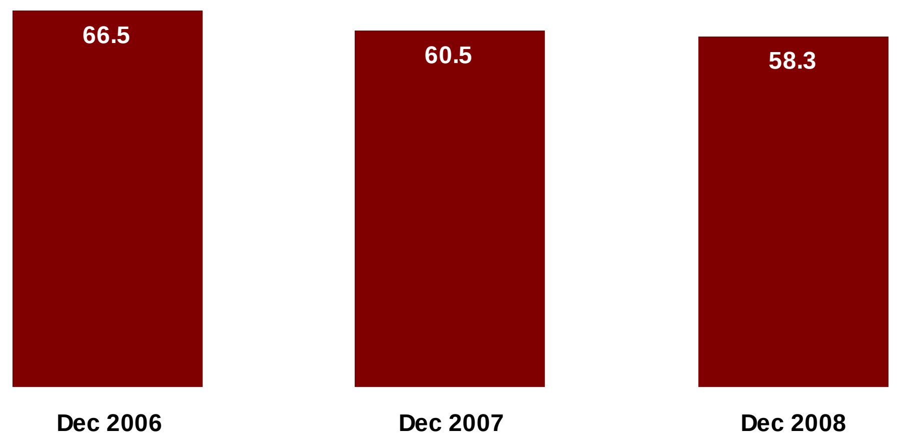
Significant expense items:	**Dec-08**	**Jun-08**	**Dec-07**
Expense relating to an issue of shares to staff under the Employee Share Plan	-	1.0	-
Shortfall relating to the Employee Share Plan	-	3.0	-
Impairment loss - equity investments	6.8	30.4	-
Integration costs	19.7	8.9	0.5
Final adjustment - Head office development	1.8	2.0	-
ATO audit costs	-	1.0	-
	28.3	46.3	0.5

Operating expenses
$mil



The December 2007 comparatives include only one month trading of Adelaide Bank Limited.

Efficiency Ratio - Expenses/Income
%



Expenses used in the above ratios exclude significant expense items and intangibles/goodwill amortisation. Income used in the above ratios is income less significant income items. Comparatives are restated.

The December 2007 comparatives include only one month trading of Adelaide Bank Limited.

2.5.5 Lending

	As at Dec-08 $m	As at Jun-08 $m	Change $m	%	As at Dec-07 $m	Change $m	%
Gross loan balance - by security							
Residential	29,295.6	29,806.5	(510.9)	(1.7)	29,932.6	(637.0)	(2.1)
Business							
Property & business services	1,999.9	1,851.4	148.5	8.0	1,643.4	356.5	21.7
Agriculture & associated industries	1,075.4	1,097.1	(21.7)	(2.0)	935.7	139.7	14.9
Retail trade	482.9	474.3	8.6	1.8	484.7	(1.8)	(0.4)
Health & community services	306.1	345.6	(39.5)	(11.4)	385.5	(79.4)	(20.6)
Construction	325.2	290.2	35.0	12.1	277.0	48.2	17.4
Retirement	277.2	248.2	29.0	11.7	275.9	1.3	0.5
Transport & storage	258.7	259.7	(1.0)	(0.4)	207.0	51.7	25.0
Accom, cafes & restaurants	219.8	208.5	11.3	5.4	206.5	13.3	6.4
Personal & other services	164.1	166.2	(2.1)	(1.3)	182.7	(18.6)	(10.2)
Manufacturing	189.9	182.0	7.9	4.3	172.4	17.5	10.2
Finance & insurance	93.9	108.9	(15.0)	(13.8)	132.1	(38.2)	(28.9)
Wholesale trade	135.6	149.0	(13.4)	(9.0)	105.4	30.2	28.7
Cultural & recreational services	53.1	41.6	11.5	27.6	38.8	14.3	36.9
Education	25.6	26.0	(0.4)	(1.5)	26.5	(0.9)	(3.4)
Communication services	21.1	19.7	1.4	7.1	19.5	1.6	8.2
Other	342.3	241.4	100.9	41.8	351.9	(9.6)	(2.7)
Total business	5,970.8	5,709.8	261.0	4.6	5,445.0	525.8	9.7
Margin lending	2,125.1	3,767.1	(1,642.0)	(43.6)	4,804.6	(2,679.5)	(55.8)
Unsecured	725.9	736.2	(10.3)	(1.4)	715.6	10.3	1.4
Other	251.4	193.2	58.2	30.1	296.1	(44.7)	(15.1)
Total gross loan balance - restated	38,368.8	40,212.8	(1,844.0)	(4.6)	41,193.9	(2,825.1)	(6.9)
Total gross loan balance - previously reported		*40,347.3*	*(1,978.5)*	*(4.9)*	*41,385.1*	*(3,016.3)*	*(7.3)*
Gross loan balance - by purpose							
Residential	27,340.3	27,757.2	(416.9)	(1.5)	28,047.7	(707.4)	(2.5)
Consumer	3,426.7	3,483.8	(57.1)	(1.6)	3,330.9	95.8	2.9
Margin lending	2,125.1	3,767.1	(1,642.0)	(43.6)	4,804.6	(2,679.5)	(55.8)
Commercial	5,476.7	5,204.7	272.0	5.2	5,010.7	466.0	9.3
Total gross loan balance	38,368.8	40,212.8	(1,844.0)	(4.6)	41,193.9	(2,825.1)	(6.9)
Loans under management (gross balance)							
On-balance sheet	38,368.8	40,212.8	(1,844.0)	(4.6)	41,193.9	(2,825.1)	(6.9)
Off-balance sheet loans under management	762.9	758.3	4.6	0.6	611.6	151.3	24.7
STL Common Funds	1,657.4	2,022.7	(365.3)	(18.1)	2,006.9	(349.5)	(17.4)
Total Group loans under management - restated	40,789.1	42,993.8	(2,204.7)	(5.1)	43,812.4	(3,023.3)	(6.9)
Total Group loans under management - previously reported		*43,128.3*	*(2,339.2)*	*(5.4)*	*44,003.6*	*(3,214.5)*	*(7.3)*

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

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

Off-balance sheet loans under management is the gross balance of off-balance sheet loans managed by 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.

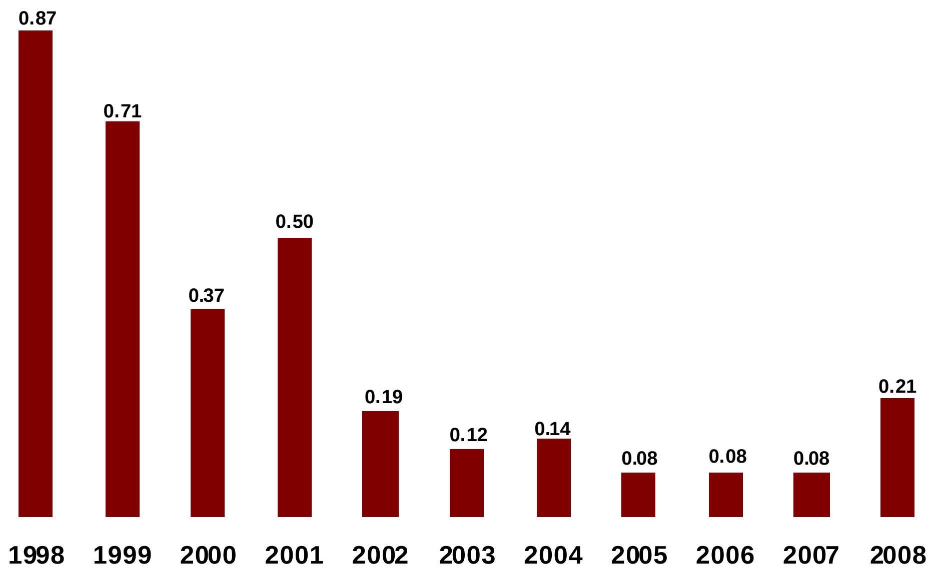
Note: Loan balances for Dec 07 and Jun 08 have been restated to reflect fair value adjustments relating to the merger with Adelaide Bank Limited.

2.5.6 Asset quality

	As at Dec-08 $m	As at Jun-08 $m	Change $m	%	As at Dec-07 $m	Change $m	%
Impaired loans							
Full-performing	0.3	0.5	(0.2)	(40.0)	1.1	(0.8)	(72.7)
Part-performing	1.4	-	1.4	-	0.6	0.8	133.3
Non-performing - property development	51.9	7.3	44.6	611.0	-	51.9	-
- other	45.8	35.4	10.4	29.4	37.7	8.1	21.5
Restructured loans	0.1	-	0.1	-	-	0.1	-
Total impaired assets	99.5	43.2	56.3	130.3	39.4	60.1	152.5
Less: Specific provisions	(40.5)	(21.6)	(18.9)	87.5	(19.0)	(21.5)	113.2
Net impaired assets	59.0	21.6	37.4	173.1	20.4	38.6	189.2
Gross impaired to gross loans	0.26%	0.11%	0.15%	136.4	0.10%	0.16%	160.0
Gross impaired (excl prop develop) to gross loans	0.12%	0.09%	0.03%	33.3	0.10%	0.02%	20.0
Gross impaired assets to total assets	0.21%	0.09%	0.12%	133.3	0.08%	0.13%	162.5
Gross impaired assets (excl prop develop) to total assets	0.10%	0.07%	0.03%	42.9	0.08%	0.02%	25.0
Net impaired to gross loans	0.15%	0.05%	0.10%	200.0	0.05%	0.10%	200.0
Net impaired (excl prop develop) to gross loans	0.05%	0.04%	0.01%	25.0	0.05%	0.00%	-
Provision coverage	158%	313%	(155%)	(49.5)	333%	(175%)	(52.6)

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

Gross impaired loans/Total assets (%)



Asset quality remains sound, with gross impaired loans representing 0.21 per cent of total assets. This compares favourably with impaired loan levels in 2001 and 1998 of 0.50 and 0.87 per cent respectively.

2.5.7 Bad and Doubtful Debts

	Dec-08 $m	Jun-08 $m	Change $m	%	Dec-07 $m	Change $m	%
Expense:							
Bad debts expense	9.0	15.9	(6.9)	(43.4)	0.7	8.3	1,185.7
Prov'n doubtful debts - expense	18.8	5.4	13.4	248.1	3.7	15.1	408.1
Total bad and doubtful debts expense	27.8	21.3	6.5	30.5	4.4	23.4	531.8

	As at Dec-08 $m	As at Jun-08 $m	Change $m	%	As at Dec-07 $m	Change $m	%
Balances:							
Prov'n doubtful debts - specific	41.0	22.1	18.9	85.5	18.0	23.0	127.8
Prov'n doubtful debts - collective	37.1	36.8	0.3	0.8	32.5	4.6	14.2
General reserve for credit losses	78.8	76.2	2.6	3.4	80.8	(2.0)	(2.5)
Provisions/reserve doubtful debts - total	156.9	135.1	21.8	16.1	131.3	25.6	19.5
Loan write-offs (annualised) to average assets	0.05%	0.05%	0.00%	-	0.02%	0.03%	150.0
Loan write-offs (annualised) to gross loans	0.04%	0.06%	(0.02%)	(33.3)	0.02%	0.02%	100.0
Total provision/reserve for doubtful debts to gross loans	0.41%	0.34%	0.07%	20.6	0.32%	0.09%	28.1
Collective provision (tax effected) & GRCL to risk-weighted assets	0.51%	0.51%	0.00%	-	0.51%	0.00%	-

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

	Dec-08 $m	Jun-08 $m	Movement $m
Specific provisions	41.0	22.1	18.9
Collective provision	37.1	36.8	0.3
General reserve for credit losses (GRCL)	78.8	76.2	2.6
Total balance in provisions for doubtful debts/general reserve for credit losses	156.9	135.1	21.8

The movement in provisions comprise:

	Specific $m	Collective $m	Gen res cr losses $m	Total $m
Balance at June	22.1	36.8	76.2	135.1
Bad and doubtful debts expense to profit and loss	27.5	0.3	-	27.8
Bad debts written off	(8.6)	-	-	(8.6)
Appropriation of movement in general reserve for credit losses	-	-	2.6	2.6
Balance at December	41.0	37.1	78.8	156.9

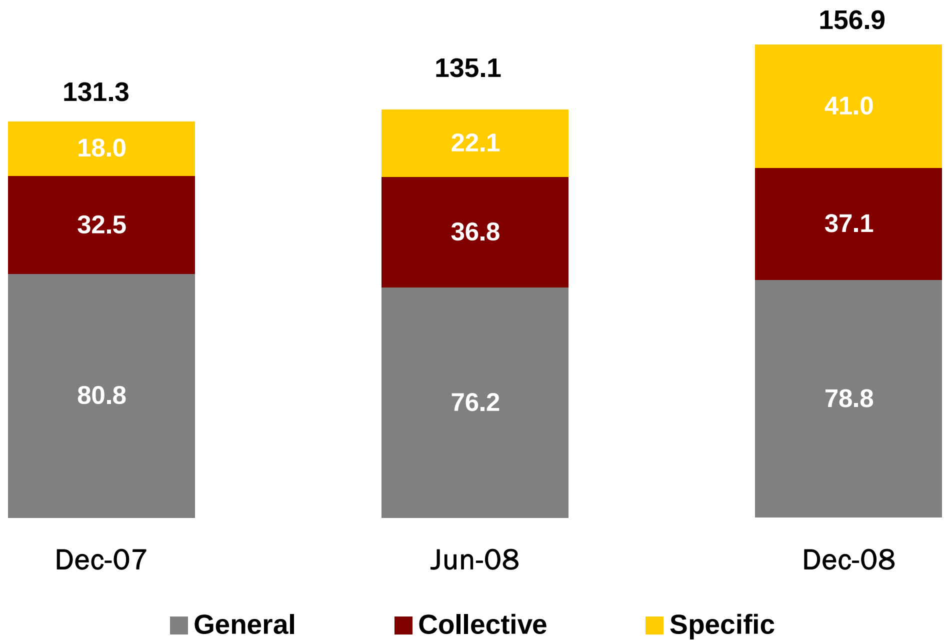
Total bad debts written off for the period, as shown above comprises:

Bad debts previously provided for	7.9
Other bad debts	0.7
	8.6

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
$mil



Total provisions and reserves for the group were $156.9 million as at 31 December 2008, therefore the movement for this period is an increase of $21.8 million.

2.5.8 Deposits and Funds under Management

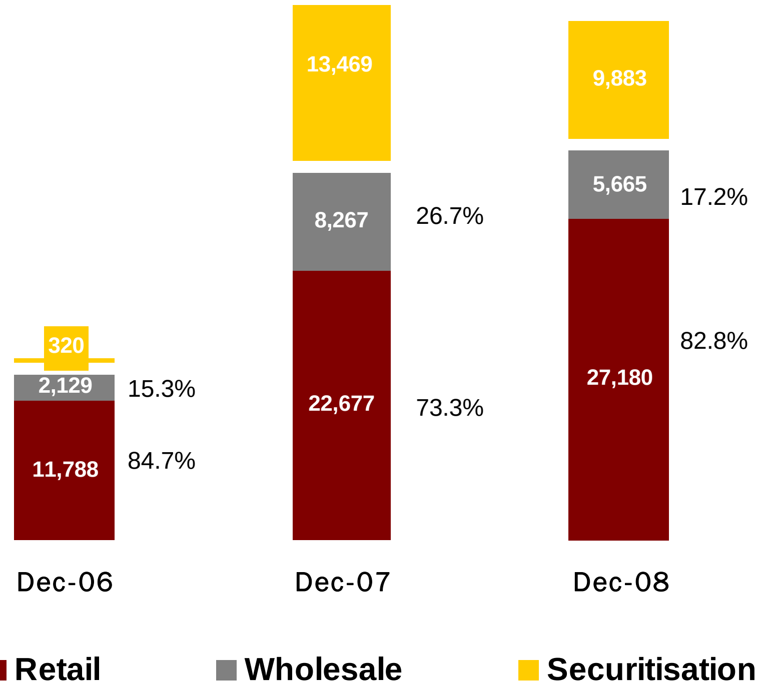
	As at Dec-08 $m	As at Jun-08 $m	Change $m	%	As at Dec-07 $m	Change $m	%
Deposits and funds under management							
Deposits	32,844.7	31,404.9	1,439.8	4.6	30,944.1	1,900.6	6.1
Securitisation	9,883.3	11,292.2	(1,408.9)	(12.5)	13,468.7	(3,585.4)	(26.6)
Managed funds	4,452.9	6,650.5	(2,197.6)	(33.0)	6,848.8	(2,395.9)	(35.0)
Total deposits and funds under management	47,180.9	49,347.6	(2,166.7)	(4.4)	51,261.6	(4,080.7)	(8.0)
Retail deposits and funds under management							
Retail deposits	27,179.8	23,640.9	3,538.9	15.0	22,676.8	4,503.0	19.9
Managed funds	4,452.9	6,650.5	(2,197.6)	(33.0)	6,848.8	(2,395.9)	(35.0)
Total retail deposits and funds under management	31,632.7	30,291.4	1,341.3	4.4	29,525.6	2,107.1	7.1
Deposits dissection: - $m							
Retail	27,179.8	23,640.9	3,538.9	15.0	22,676.8	4,503.0	19.9
Securitisation	9,883.3	11,292.2	(1,408.9)	(12.5)	13,468.7	(3,585.4)	(26.6)
Wholesale - domestic	4,892.1	6,306.2	(1,414.1)	(22.4)	7,224.3	(2,332.2)	(32.3)
Wholesale - offshore	772.8	1,457.8	(685.0)	(47.0)	1,043.1	(270.3)	(25.9)
Total deposits - restated	42,728.0	42,697.1	30.9	0.1	44,412.9	(1,684.9)	(3.8)
Total deposits - previously reported		*42,781.2*	*(53.2)*	*(0.1)*	*44,514.5*	*(1,786.5)*	*(4.0)*
Deposits dissection (excl securitisation) - %							
Retail	82.8%	75.3%	7.5%	10.0	73.3%	9.5%	13.0
Wholesale - domestic	14.9%	20.1%	(5.2%)	(25.9)	23.3%	(8.4%)	(36.1)
Wholesale - offshore	2.3%	4.6%	(2.3%)	(50.0)	3.4%	(1.1%)	(32.4)
Total deposits	100.0%	100.0%	-	-	100.0%	-	-
Managed funds dissection							
Assets under management	2,820.3	4,827.9	(2,007.6)	(41.6)	4,815.6	(1,995.3)	(41.4)
Other managed funds	1,632.6	1,822.6	(190.0)	(10.4)	2,033.2	(400.6)	(19.7)
Total managed funds	4,452.9	6,650.5	(2,197.6)	(33.0)	6,848.8	(2,395.9)	(35.0)

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

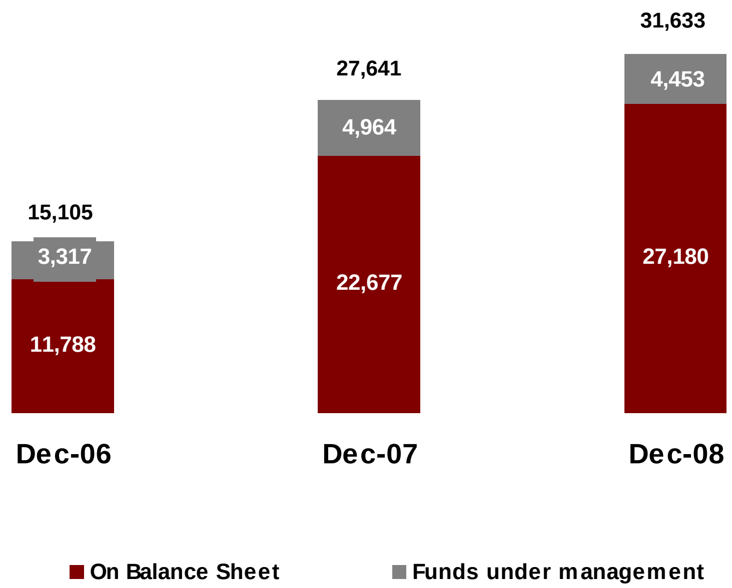
Investment and superannuation funds are funds deposited for investment in managed investment schemes and superannuation funds.

Note: Deposit balances have been restated for Dec 07 and Jun 08 to reflect fair value adjustments in accordance with AASB3 Business Combinations.

Funding Mix
$mil



Retail deposits and Funds under management
$mil



Retail deposits increased by $4.5 billion or 19.9% to $27.2 billion over the 12 months.

Wholesale deposits decreased by $2.6 billion or 31.5% to $5.7 billion over the 12 months.

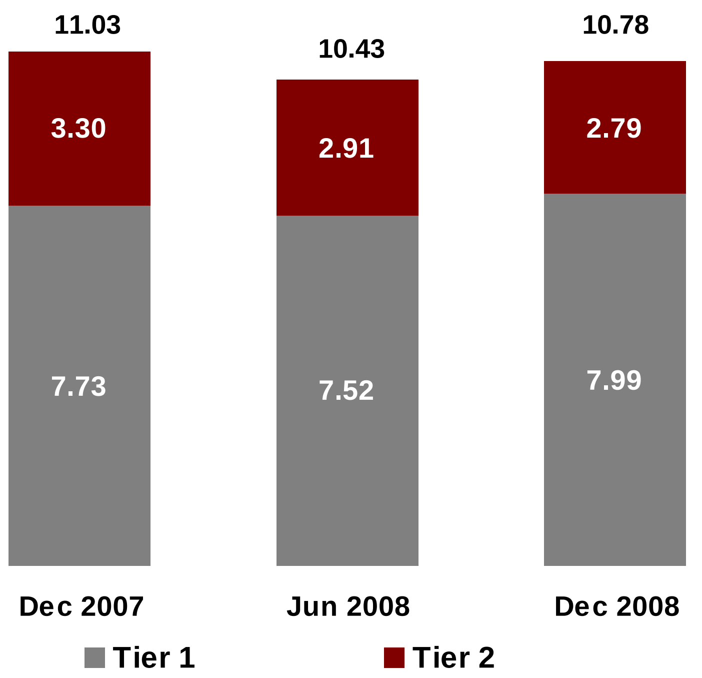
Securitisation decreased by $3.6 billion or 26.6% to $9.9 billion over the 12 months.

The group's retail deposit base remains strong at 83% of deposits (excluding securitisation).

2.5.9 Capital and Shareholder returns

2.5.9.1 Capital Adequacy

Capital adequacy
%



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

2.5.9.2 Shareholder returns

	Dec-08 $m	Jun-08 $m	Change $m	%	Dec-07 $m	Change $m	%
Cash basis earnings per ordinary share - restated (weighted average)-cents	44.3	57.6	(13.3)	(23.1)	52.2	(7.9)	(15.1)
Cash basis earnings per ordinary share - previously reported		*49.1*	*(4.8)*	*(9.8)*	*43.0*	*1.3*	*3.0*
Earnings per ordinary share - restated (weighted average)-cents	19.8	40.8	(21.0)	(51.5)	48.6	(28.8)	(59.3)
Earnings per ordinary share - previously reported		*34.3*	*(14.5)*	*(42.3)*	*42.4*	*(22.6)*	*(53.3)*
Diluted earnings per ordinary share - restated (weighted average)-cents	19.7	40.8	(21.1)	(51.7)	48.4	(28.7)	(59.3)
Diluted earnings per ordinary share - previously reported		*34.3*	*(14.6)*	*(42.6)*	*42.3*	*(22.6)*	*(53.4)*
Weighted average number of ordinary shares used basic and cash basis EPS calculations - 000's	276,144	267,088	9,056	3.4	164,518	111,626	67.9
Weighted average number of ordinary shares used in diluted EPS calculation - 000's	276,574	267,392	9,182	3.4	170,770	105,804	62.0
Cash basis return on average ordinary equity - restated	8.06%	23.42%	(15.36%)	(65.6)	14.37%	(6.31%)	(43.9)
Cash basis return on average ordinary equity - prev reported		*9.19%*	*(1.13%)*	*(12.3)*	*12.46%*	*(4.40%)*	*(35.3)*
After tax return on average ordinary equity - restated	3.60%	16.61%	(13.01%)	(78.3)	13.40%	(9.80%)	(73.1)
After tax return on average ordinary equity - prev reported		*6.20%*	*(2.60%)*	*(41.9)*	*12.28%*	*(8.68%)*	*(70.7)*
After tax before significant items return on average ordinary equity - restated	7.45%	21.45%	(14.00%)	(65.3)	13.95%	(6.50%)	(46.6)
After tax before significant items return on average ordinary equity - previously reported		*8.65%*	*(1.20%)*	*(13.9)*	*12.86%*	*(5.41%)*	*(42.1)*
After tax return on average assets - restated	0.25%	0.47%	(0.22%)	(46.8)	0.73%	(0.48%)	(65.8)
After tax return on average assets - previously reported		*0.80%*	*(0.55%)*	*(68.8)*	*0.64%*	*(0.39%)*	*(60.9)*
After tax before significant items return on average assets - restated	0.49%	0.60%	(0.11%)	(18.3)	0.76%	(0.27%)	(35.5)
After tax before significant items return on average assets - previously reported		*1.07%*	*(0.58%)*	*(54.2)*	*0.67%*	*(0.18%)*	*(26.9)*

Profitability ratios use half-year results which have been annualised by multiplying the numerator by two. This generally understates the result due to the traditionally better results in the second half vs the first half.

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

Previously, cash earnings and ordinary equity were adjusted for movements in the general reserve for credit losses. These movements have been omitted from the calculation consistent with banking industry practice. Comparatives have been restated accordingly.

Earnings used in earnings per ordinary share is profit after tax.

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

After tax return on average assets uses profit after tax.

June profit figures and ratios are for the June 2008 half-year, balance sheet items are as at end of June 2008.

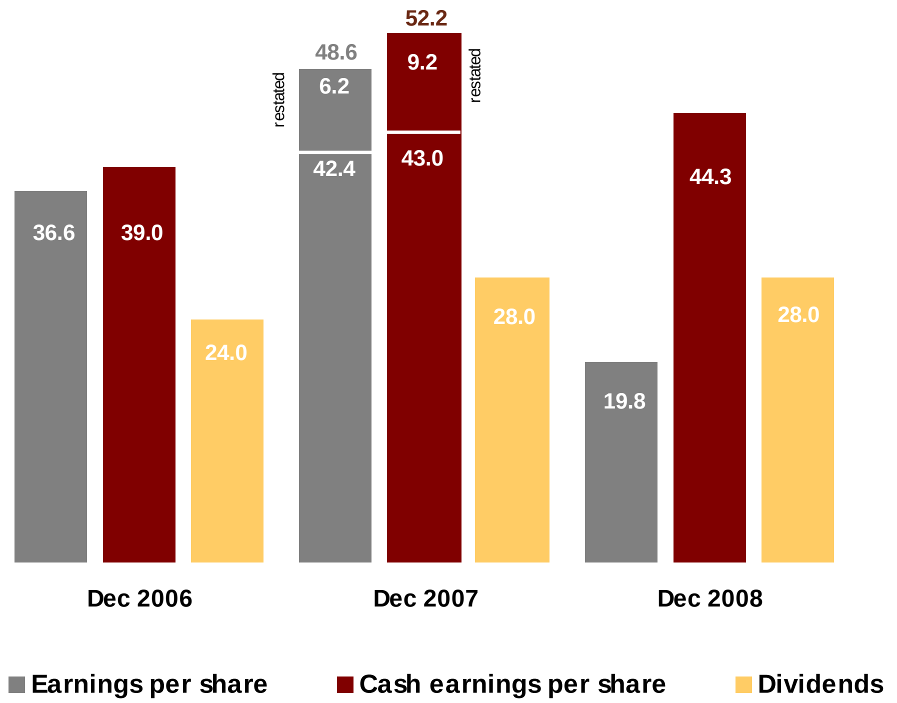
Dividends

	Dec-08	Jun-08	Change	%	Dec-07	Change	%
Dividend per share - cents	28.0	37.0	(9.0)	(24.3)	28.0	-	-
Dividend amount payable - $m	81.2	99.4	(18.2)	(18.3)	71.8	9.4	13.1
Payout ratio - earnings per ordinary share	141.4%	90.7%	50.7%	55.9	57.6%	83.8%	145.5
Payout ratio - cash basis per ordinary share*	63.2%	64.2%	(1.0%)	(1.6)	53.6%	9.6%	17.9

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

* Previously, cash earnings were adjusted for movements in the general reserve for credit losses. These movements have been omitted from the calculation to be consistent with banking industry practice. Comparatives have been restated accordingly.

Earnings per ordinary share
cents



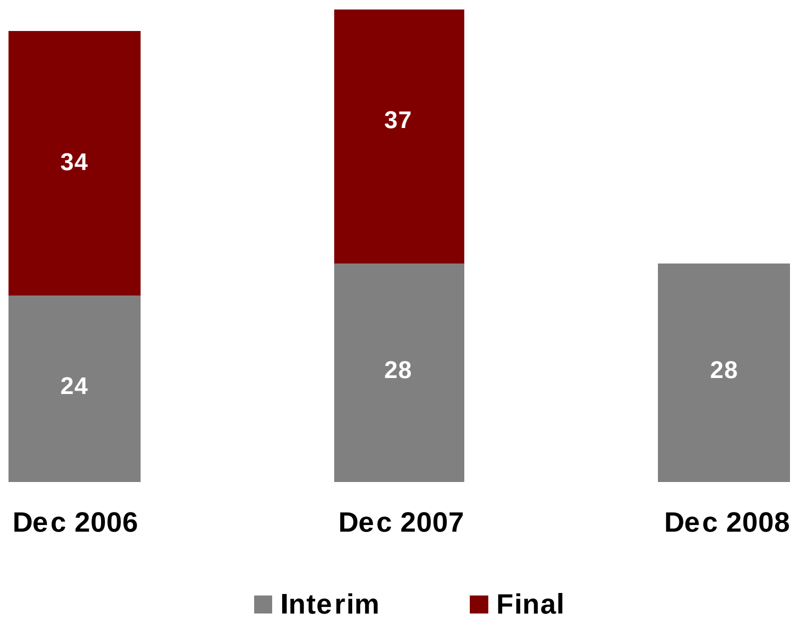
Cash basis earnings per share was 44.3 cents, an increase of 3.0% when compared to the previously reported December 2007 result of 43.0 cents, but a decrease of 7.9 cents, or 15.1% lower when compared to December 2007 restated result.

Earnings per ordinary share decreased to 19.8 cents for the half year, resulting predominantly from the impact of the cash flow hedge movements.

The interim dividend has been maintained at 28.0 cents per share. This represents a payout ratio of 141.4% on earnings per ordinary share or 63.2% on cash basis earnings per ordinary share.

The Interim dividend payment at 28.0 cents per share is anticipated to equate to an appropriation of $81.2 million.

Total Dividends paid
cents



Our ability to continue paying fully franked dividends in the near term remains strong, with our adjusted franking account balance standing at $181.3 million after allowing for the interim 2009 dividend.

The dividend pay-out ratio for the half year on earnings per ordinary share (weighted average) is 141.4%, or 63.2% 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 at a current discount of 2.5%. 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 at a current discount of 2.5%. 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 2009 interim dividend is 4 March 2009.

2.6 Additional notes

2.6.1 Analysis of intangible assets

	Balance sheet - carrying value	Half year amortisation/ impairment expense		
	Dec-08	Dec-08	Jun-08	Dec-07
	$m	$m	$m	$m
Goodwill	1,385.3	-	4.0	-
Trustee licence	8.4	-	-	-
Software	23.2	3.1	3.6	2.7
Customer list (Oxford Funding)	0.5	0.2	0.4	0.4
Core deposits (Adelaide Bank)	81.0	8.2	8.2	1.4
Trade name (Adelaide Bank)	20.1	2.1	2.1	0.3
Customer relationship (Adelaide Bank)	25.4	1.8	1.8	0.3
Management rights (Adelaide Bank)	14.2	0.5	0.5	0.1
Software uplift (Adelaide Bank)	0.6	0.3	0.3	0.1
Totals	1,558.7	16.2	20.9	5.3
Totals - previously reported			*8.0*	*3.1*

Amortisation expense for Dec 07 and Jun 08 have been restated to reflect the amortisation of intangibles relating to the merger with Adelaide Bank Limited.

2.6.2 Assets and capital

	As at Dec-08 $m	As at Jun-08 $m	Change $m	%	As at Dec-07 $m	Change $m	%
Group assets - restated	48,209.0	48,049.0	160.0	0.3	49,396.0	(1,187.0)	(2.4)
Group assets - previously reported		*48,110.9*	*98.1*	*0.2*	*49,382.0*	*(1,173.0)*	*(2.4)*
Net tangible assets per fully paid share - restated	$4.19	$5.60	($1.41)	(25.2)	$5.21	($1.02)	(19.6)
Net tangible assets per fully paid share - previously reported		*$5.59*	*($1.40)*	*(25.0)*	*$5.76*	*($1.57)*	*(27.3)*
No. of fully paid shares on issue - 000's	296,480	274,678	21,802	7.9	262,880	33,600	12.8
Total Equity - restated	2,990.3	3,297.9	(307.6)	(9.3)	3,145.5	(155.2)	(4.9)
Total Equity - previously reported		*3,270.0*	*(279.7)*	*(8.6)*	*3,134.6*	*(144.3)*	*(4.6)*
Capital adequacy							
Total qualifying capital	2,225.5	2,068.4	157.1	7.6	2,240.6	(15.1)	(0.7)
Risk-weighted assets	20,644.5	19,820.8	823.7	4.2	20,311.5	333.0	1.6
Risk-weighted capital adequacy	10.78%	10.43%	0.35%	3.4	11.03%	(0.25%)	(2.3)
- Tier 1	7.99%	7.52%	0.47%	6.2	7.73%	0.26%	3.4
- Tier 2	2.79%	2.91%	(0.12%)	(4.1)	3.30%	(0.51%)	(15.5)

Group assets and Equity have been restated for Dec 07 and Jun 08 to reflect fair value adjustments relating to the merger with Adelaide Bank Limited.

Previously, Net tangible assets were adjusted for the balance of general reserve for credit losses. These balances have been omitted from the calculation consistent with banking industry practice. Comparatives have been restated accordingly.

2.6.3 Investments accounted for using the equity method

Name	**Ownership interest held by consolidated entity**	
	Dec-08	**Dec-07**
	%	**%**
Elders Rural Bank Ltd	50.0	50.0
Tasmanian Banking Services Ltd	50.0	50.0
Community Sector Enterprises Pty Ltd	50.0	50.0
Homesafe Solutions Pty Ltd	50.0	50.0
Caroline Springs Fin Services Pty Ltd	100.0	50.0
Silver Body Corp Fin Services Pty Ltd	50.0	50.0
Community Telco Australia Pty Ltd	50.0	50.0
Strategic Payments Services Pty Ltd	33.3	40.0

(i) Principal activities of associate companies
Elders Rural Bank Ltd – financial services
Tasmanian Banking Services Ltd – financial services
Community Sector Enterprises Pty Ltd – financial services
Homesafe Solutions Pty Ltd – financial services
Caroline Springs Financial Services Pty Ltd – financial services
Silver Body Corp 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 and have a balance date of 31 December.

	Dec-08	**Dec-07**
	$m	**$m**
(ii) Share of joint ventures' profits:		
Profit before income tax	14.7	11.7
Income tax expense attributable to profit	(4.9)	(4.4)
Profit after income tax	9.8	7.3
Share of joint ventures' profit after income tax:		
Elders Rural Bank Ltd	11.2	9.8
Tasmanian Banking Services Ltd	0.5	0.4
Community Sector Enterprises Pty Ltd	(0.1)	0.2
Homesafe Solutions Pty Ltd	(0.3)	(0.3)
Caroline Springs Financial Services Pty Ltd	-	-
Silver Body Corporate Financial Services Pty Ltd	-	0.1
Community Telco Australia Pty Ltd	(0.6)	(0.9)
Strategic Payments Services Pty Ltd	(0.9)	(2.0)
	9.8	7.3

Elders Rural Bank Ltd reported an after-tax profit available for distribution to shareholders for the six months to December 2008 of $22.4 million. The interim result represented an increase of 15% on the corresponding result of $19.4 million in the same period last year. Loans under management grew by 9% to reach $3.7 billion. The business continues to perform soundly in an environment characterised by strong competition and the impact of drought conditions on its customer base.

Tasmanian Banking Services Ltd is a joint venture between Bendigo and Adelaide Bank and Tasmanian Perpetual Trustees providing banking services in Tasmania. Launched in 2000, there are now nine branches managing banking business totalling $832 million.

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 Bendigo's strategy to bank discrete communities, it provides the Bank with a distribution channel providing access to a geographically diverse community of interest.

Homesafe Solutions Pty Ltd is the 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. Since being launched in 2005, business valued at $91.4 million has been written in this product.

Caroline Springs Financial Services Pty Ltd is a wholly-owned subsidiary of Bendigo and Adelaide Bank Limited.

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 (33.3%), Customers Limited (33.3%) and MasterCard International (33.3%). 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.

2.6.4 Credit Ratings

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

The ratings applied to Bendigo and Adelaide Bank Limited have remained stable over the reporting period.

On 9 April 2008, Moody's Investor Services assigned a bank financial strength rating of C to Bendigo and Adelaide Bank Limited. Moody's also affirmed the long term rating at A2, short term rating at P-1, with a stable outlook. Moody's said 'the rating reflects the combined bank's diversified business profile and stable retail franchise, which includes an important retail deposit base'.

On 22 April 2008, Standard & Poor's Rating Services noted that Bendigo Bank Ltd had changed its name to Bendigo and Adelaide Bank Limited and affirmed the long term rating at BBB+, short term rating at A2, with the outlook remaining stable.

On 17 July 2008, Fitch Ratings affirmed Bendigo and Adelaide Bank Limited's long term rating at BBB+, short term rating at F2, upgraded its support rating to '3' from '4' (to reflect the bank's increased size and importance in the Australian banking system), and upgraded the bank's Support Rating floor to 'BB' from 'B+', with a stable outlook. Fitch said 'Bendigo and Adelaide Bank is a more diversified institution, both in terms of product and geographical presence'.

2.6.5 Issued capital

Changes to quoted and unquoted securities during the period

Ordinary shares	**$m**
274,678,383 fully paid ordinary shares at beginning of financial year	2,706.3
September 2008 – 2,472,153 shares issued at $11.01 under Dividend Reinvestment Plan	27.2
September 2008 – 262,362 shares issued at $11.01 under Bonus Share Scheme (in lieu of dividend payment)	-
December 2008 – 19,067,229 shares issued at $10.00 under the Share Purchase Plan and Placement	190.7
Share issue costs	(0.8)
296,480,127 fully paid ordinary shares at December 2008	2,923.4

Preference shares	**$m**
900,000 preference shares of $100 face value (fully paid) at beginning of financial year	88.5
900,000 preference shares (fully paid) at December 2008	88.5

Step-up preference shares	
Balance at beginning of financial year	-
Issue of 1,000,000 step-up preference shares of $100 face value (fully paid)	100.0
1,000,000 step-up preference shares (fully paid) at December 2008	100.0

Bendigo and Adelaide Bank Limited

ABN 11 068 049 178

Half Year Financial Report

For the period ending

31 December 2008

Information contained in this report should be read in conjunction with the June 2008 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 review and does not form part of the financial report.

Directors

Robert Johanson (Chairman)
Rob Hunt AM (Managing Director)
Kevin Abrahamson
Jenny Dawson
Jamie McPhee
Terry O'Dwyer
Kevin Osborn (Deputy Chairman)
Deborah Radford
Kevin Roache
Tony Robinson

Company Secretary

David Oataway

Registered Office

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

Telephone (03) 5485 6444
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 (03) 5485 6392
Fax (03) 5485 7645

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 2008.

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.

Mr Robert Johanson (Chairman)
Mr Rob Hunt AM (Managing Director)
Mr Kevin Abrahamson
Ms Jenny Dawson
Mr Jamie McPhee
Mr Terry O'Dwyer
Mr Kevin Osborn (Deputy Chairman)
Ms Deborah Radford
Mr Kevin Roache
Mr 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.

The Group recorded continued growth in income, but a decrease in profits during the half-year, due to the accounting standard requirements. Total income increased $109.0 million or 32% to $446.0 million when compared with the half-year ended 31 December 2007. Profit before tax decreased by $36.9 million, or 31%, to $84.0 million. Profit after tax (attributable to members of the parent) decreased by $22.6 million to $60.5 million and included an after tax amount of $43.7 million (2007: $3.0 million) relating to Adelaide Bank derivatives redesignated as part of the acquisition accounting requirements. After tax profit was also adversely impacted by other items that were of an unusual and/or non-recurring nature which total $14.6 million after tax (2007: $0.3 million). These items are disclosed in Note 3.6.7 of this financial report.

Group assets increased 0.3%, or $160.0 million during the half-year. Group assets at 31 December 2008 were $48.2 billion.

The total capital adequacy ratio increased during the half from 10.43% to 10.78%. Tier one capital increased during the half year from 7.52% to 7.99% with Tier two capital decreasing from 2.91% to 2.79%.

Fully franked dividends paid on preference shares during the half year:
161.60 cents per share, paid on 15 September 2008.
152.98 cents per share, paid on 15 December 2008.

Fully franked dividends paid on step up preference shares during the half year:
168.00 cents per share, paid on 10 July 2008.
167.00 cents per share, paid on 10 October 2008.

Fully franked dividends paid on reset preference shares during the half year:
309.68 cents per share, paid on 3 November 2008.

Fully franked dividends paid or declared on ordinary shares during the half year:
Final dividend of 37.0 cents per share, paid on 30 September 2008 in respect of the year ended 30 June 2008.
Interim dividend of 28.0 cents per share, declared on 16 February 2009, payable on 31 March 2009.

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 2008, 2,472,153 shares were allotted at an issue price of $11.01 to those shareholders participating in the Dividend Reinvestment Plan, increasing share capital by $27.2 million.

In December 2008, 8,152,836 shares were allotted at an issue price of $10.00 to shareholders under the share purchase plan, increasing share capital by $81.5 million.

In December 2008, 10,914,393 shares were allotted at an issue price of $10.00 under a share placement, increasing share capital by $109.2 million.

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 the 8th January 2009 Leveraged Equities, a wholly owned subsidiary of Bendigo and Adelaide Bank Limited signed an agreement with Macquarie Group Limited to purchase a $1.5 billion portfolio of margin loans for a premium of $52 million. The consideration is in the form of short dated Tranched Convertible Preference Shares (TCS). These tranches included the following:
- 1,833,181 Class A TCS with a Mandatory Conversion Date (MCD) of 7 February 2009;
- 1,883,181 Class B TCS with a Mandatory Conversion Date (MCD) of 9 March 2009; and
- 1,099,908 Class C TCS with a Mandatory Conversion Date (MCD) of 8 April 2009.

On the 12th January 2009, 764,504 fully paid shares were issued to eligible employees of Bendigo and Adelaide Bank Limited under the Employee Share Grant Scheme at an issue price of $10.78.

On the 16th February 2009, Bendigo and Adelaide Bank Limited (BEN) and Adelaide Managed Funds announced a proposal for BEN to acquire all of the units in the Adelaide Managed Funds Asset Backed Yield Trust (AYT) for approximately $174 million, representing an effective price of $1.835 per unit. (AMF is a wholly-owned subsidiary of Bendigo and Adelaide Bank.)

The proposal is subject to the approval of AYT Unitholders at a Scheme meeting likely to be held in April 2009. Consideration for the purchase would be made in the form of new CPS.

On 16 February 2009 the directors of Bendigo and Adelaide Bank Limited declared an interim dividend of 28.0 cents per ordinary share (fully-franked) in respect of the December 2008 half-year payable on 31 March 2009. The amount estimated to be appropriated in relation to this dividend is $81.2 million. The dividend has not been provided for in the 31 December 2008 half-year financial statements.

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 2008. 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 2008. The audit committee's assessment confirmed that the independence requirements have been met. The audit committee's assessment was accepted by the full Board.

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

ERNST & YOUNG

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

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
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 2008, 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

Ernst & Young

Brett Kallio

Brett Kallio
Partner
Melbourne
16 February 2009

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

Robert Johanson

Robert N. Johanson, Chairman
Bendigo
16 February 2009

3.2 Condensed Income Statement

for the half year ended 31 December 2008

	Notes	Consolidated 2008 $m	Consolidated 2007 $m
Income			
Net interest income			
Total interest income		1,912.1	802.3
Total interest expense		1,571.8	579.2
Total net interest income		340.3	223.1
Other revenue			
Dividends		2.2	2.2
Fees		107.8	68.9
Commissions		26.0	26.4
Other revenue		10.4	7.0
Total other revenue		146.4	104.5
Other Income			
Cash flow hedges redesignated on acquisition		(62.4)	(4.3)
Other Income		7.0	2.0
Total other income		(55.4)	(2.3)
Share of associates' and joint ventures net profits/losses		14.7	11.7
Total income after interest expense		446.0	337.0
Expenses			
Bad and doubtful debts on loans and receivables		25.5	3.7
Other expenses			
Staff and related costs		150.0	104.5
Occupancy costs		26.3	18.4
Information technology costs		27.8	20.6
Amortisation of intangibles		16.2	5.3
Property, plant & equipment costs		7.5	5.6
Fees and commissions		10.5	9.9
Communications, postage & stationery		16.8	13.5
Advertising & promotion		7.8	5.7
Other product & services delivery costs		15.9	12.4
Impairment loss on equity investments		6.8	-
Integration costs		19.7	0.5
Other administration expenses		31.2	16.0
Total other expenses		336.5	212.4
Profit before income tax expense		84.0	120.9
Income tax expense		(23.5)	(37.1)
Net profit for the period		60.5	83.8
Net profit for the period attributable to:			
Minority interest		-	(0.7)
Members of the Parent		60.5	83.1
Basic earnings per ordinary share (cents per share)	*3.6.7*	19.8	48.6
Diluted earnings per ordinary share (cents per share)	*3.6.7*	19.7	48.4
Franked dividends per share (cents per share)	*3.6.5*	28.0	28.0

3.3 Balance Sheet
as at 31 December 2008

	Notes	Consolidated As at 31-Dec-08 $m	As at 30-Jun-08 $m	As at 31-Dec-07 $m
Assets				
Cash and cash equivalents		2,918.5	1,195.9	842.4
Due from other financial institutions		125.6	412.7	127.5
Assets held for sale		-	105.5	102.9
Financial assets held for trading		1,776.7	1,414.8	1,764.0
Financial assets available for sale - securities		1,088.4	422.0	641.2
Financial assets held to maturity		877.1	1,414.6	1,972.6
Current tax assets		49.6	-	-
Other assets		433.4	468.2	282.9
Financial assets available for sale - share investments		89.7	84.6	111.1
Derivatives		267.9	311.8	312.0
Loans and other receivables - investment		523.4	517.6	587.0
Net loans and other receivables		37,736.8	39,587.4	40,573.2
Investments in associates and joint ventures accounted for using the equity method		183.0	185.2	165.4
Property, plant & equipment		112.8	113.5	112.8
Deferred tax assets		365.2	164.4	166.0
Investment property		102.1	80.4	48.0
Intangible assets and goodwill		1,558.8	1,570.4	1,587.0
Total Assets		48,209.0	48,049.0	49,396.0
Liabilities				
Due to other financial institutions		115.0	269.7	119.4
Deposits		32,844.7	31,404.9	30,944.1
Notes payable		9,883.3	11,292.2	13,468.7
Derivatives		718.7	72.4	59.6
Other payables		629.2	680.9	580.6
Income tax payable		-	11.1	10.4
Provisions		65.3	67.8	56.0
Deferred tax liabilities		193.3	186.8	201.5
Reset preference shares		89.5	89.5	89.5
Subordinated debt - at amortised cost		679.7	675.8	720.7
Total Liabilities		45,218.7	44,751.1	46,250.5
Net Assets		2,990.3	3,297.9	3,145.5
Equity				
Equity attributable to equity holders of the parent				
Issued capital -ordinary	*3.6.11*	2,923.4	2,706.3	2,594.7
Perpetual non-cumulative redeemable convertible preference shares	*3.6.11*	88.5	88.5	88.5
Step up preference shares	*3.6.11*	100.0	100.0	100.0
Employee Share Ownership Plan (ESOP) shares		(34.2)	(37.4)	(37.3)
Reserves		(305.7)	170.6	170.1
Retained earnings		218.3	269.9	229.5
Total Equity		2,990.3	3,297.9	3,145.5

3.4 Statement of recognised income and expenses

for the half year ended 31 December 2008

	Consolidated	
	2008	2007
	$m	$m
Available for sale financial assets revaluation	(11.6)	(17.8)
Transfer of available for sale assets revaluation to income	(4.6)	-
Net gain/(loss) on cash flow hedges taken to equity	(720.2)	30.7
Net unrealised gain/(loss) on investments in available for sale portfolio	(0.6)	-
Actuarial gain/(loss) on superannuation defined benefits plan	(4.2)	-
Tax effect on items taken directly to or transferred from equity	232.1	(14.9)
Net income/(loss) recognised directly in equity	(509.1)	(2.0)
Profit for the year	60.5	83.8
Total recognised income and expenses for the period	(448.6)	81.8
Total recognised income and expenses for the period attributable to:		
Minority interest	-	(0.7)
Members of the Parent	(448.6)	82.5

3.5 Cash Flow Statement
for the half year ended 31 December 2008

	Note	Consolidated 2008 $m	Consolidated 2007 $m
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and other items of a similar nature received		1,876.5	759.7
Interest and other costs of finance paid		(1,536.8)	(573.3)
Receipts from customers (excluding effective interest)		82.8	100.2
Payments to suppliers and employees		(299.5)	(257.6)
Dividends received		10.4	8.6
Income taxes paid		(75.0)	(27.1)
Net cash flows from operating activities		58.4	10.5
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash flows for purchases of property, plant and equipment		(24.5)	(32.0)
Cash proceeds from sale of property, plant and equipment		1.7	0.8
Cash proceeds from sale of asset held for sale		100.0	-
Cash paid for purchases of equity investments		(47.5)	(7.9)
Cash proceeds from sale of equity investments		17.6	0.9
Net (increase)/decrease in balance of loans and other receivables outstanding		1,862.8	(252.3)
Net (increase)/decrease in balance of investment securities		(508.7)	(323.3)
Net cash received/(paid) on acquisition of a subsidiary		-	475.0
Net cash flows from/(used in) investing activities		1,401.4	(138.8)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from shares issued		191.5	-
Net increase in balance of retail deposits		3,539.1	1,086.8
Net increase/(decrease) in balance of wholesale deposits		(2,103.6)	(446.7)
Proceeds from issue of subordinated debt		-	70.0
Repayment of subordinated debt		-	(30.0)
Dividends paid		(77.7)	(36.7)
Net increase/(decrease) in balance of notes payable		(1,421.1)	187.6
Repayment of ESOP shares		3.1	3.1
Payment of share issue costs		(0.8)	(0.4)
Net cash flows from/(used in) financing activities		130.5	833.7
Net increase/(decrease) in cash and cash equivalents		1,590.3	705.4
Add cash and cash equivalents at the beginning of the period		1,338.8	145.1
Cash and cash equivalents at the end of period	*3.6.10*	2,929.1	850.5

3.6 Notes to and forming part of the financial statements

3.6.1 Corporate information

The half year financial report of Bendigo and Adelaide Bank Limited for the six months ended 31 December 2008 was authorised for issue in accordance with a resolution of the Directors on 16 February 2009.

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

The domicile of Bendigo and Adelaide Bank Limited is Australia.

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

3.6.2 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 2008, 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 2008 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.

3.6.2.1 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.

3.6.2.2 Changes in accounting policies

Since 1 July 2007 the Group has adopted the following Standards and Interpretations, mandatory for annual reporting periods beginning on or after 1 July 2008. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

- AASB 2 Revised *Vesting Conditions and Cancellations.*
- AASB 101 Revised *Presentation of Financial Statements.*
- AASB 132 Revised *Puttable Financial Instruments and Obligations Arising on Liquidation.*
- AASB 123 Revised *Borrowing Costs.*

The following amending standards have also been adopted from 1 July 2008:

- AASB 2007-6 *Amendment to Australian Accounting Standards arising from AASB 123.*
- AASB 2007-8 *Amendment to Australian Accounting Standards arising from AASB 101.*
- AASB 2008-1 *Amendment to Australian Accounting Standards Share-based Payments: Vesting Conditions and Cancellations.*
- AASB 2008-2 *Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations Arising on Liquidity.*
- AASB 2008-5 *Amendment to Australian Accounting Standards arising from the Annual Improvements Project.*
- AASB 2008-6 *Amendment to Australian Accounting Standards arising from the Annual Improvements Project.*
- AASB 2008-7 *Amendment to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.*
- Interpretation 11 *IFRS 2-Group and Treasury Share Transactions.*
- Interpretation 12 *Service Concession Arrangements.*
- Interpretation 13 *Customer Loyalty Programmes.*
- Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*
- Interpretation 16 *Hedges of a Net Investment in a Foreign Operation.*

The Group has not early adopted any Standards and Interpretations that are mandatory for annual reporting periods beginning on or after 1 July 2009.

3.6.2.3 Restatement of acquisition accounting adjustments

The prior period results included in this financial report have been restated to reflect fair value adjustments and identified intangible assets in relation to the acquisition of Adelaide Bank Limited in November 2007. These restatements have impacted on the following lines of the income statement and balance sheet for December 2007 and June 2008. The quantum of these adjustments is a function of the maturity profile of the underlying assets and liabilities.

		June 2008 Half year			**December 2007 Half year**		
		Restated	**Reported**	**Incr/(Decr)**	**Restated**	**Reported**	**Incr/(Decr)**
		$m	**$m**	**$m**	**$m**	**$m**	**$m**
Income statement	- total interest income	1,893.2	1,836.6	56.6	802.3	797.4	4.9
	- total interest expense	1,518.8	1,500.2	18.6	579.2	591.2	(12.0)
	- amortisation of intangibles	20.9	8.0	12.9	5.3	3.1	2.2
	- income tax expense	(50.3)	(42.7)	(7.6)	(37.1)	(32.7)	(4.4)
	- profit for the period	115.2	97.7	17.5	83.8	73.5	10.3
Balance sheet	- net loans and other receivables	39,587.4	39,721.9	(134.5)	40,573.2	41,426.0	(852.8)
	- deferred tax assets	164.4	113.8	50.6	166.0	69.3	96.7
	- intangible assets and goodwill	1,570.4	1,460.4	110.0	1,587.0	1,340.5	246.5
	- deposits	31,404.9	31,425.1	(20.2)	30,944.1	30,969.9	(25.8)
	- notes payable	11,292.2	11,356.1	(63.9)	13,468.7	13,544.6	(75.9)
	- subordinated debt	675.8	681.8	(6.0)	720.7	728.0	(7.3)
	- deferred tax liabilities	186.8	98.5	88.3	201.5	106.7	94.8
	- retained earnings	269.9	242.0	27.9	229.5	219.2	10.3

3.6.3 Segment information

The Group's primary reporting format is business segments and its secondary format is geographical segments.

Business segments

The Group's business segments have been realigned to reflect the organisational structure following the merger with Adelaide Bank. These segments are managed 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.

Retail banking

Net interest income predominantly derived from the provision of first mortgage finance less the 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.

Partner Advised Banking (previously named Wholesale banking)

Net interest income and fees derived from the manufacture and processing of residential home loans, distributed through mortgage brokers and mortgage managers and the Portfolio Funding and Specialised Lending businesses of the Group.

Wealth

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

Joint ventures and Alliances

Profit share from equity accounted investments in associates and revenue from alliances and minor subsidiaries.

Corporate support

Unallocated corporate support business units.

Geographic segments

Bendigo and Adelaide Bank Limited and its controlled entities operate predominately in the geographic areas of all Australian states and territories, providing banking and other financial services.

Intersegment segments

Applicable commercial rates are used as the basis for pricing intersegment transactions.

Segment information (continued)

The following tables present revenue and profit information and certain assets and liabilities regarding business segments for the six months ended 31 December 2008, 30 June 2008 and 31 December 2007. Past periods have been restated in accordance with the new Business segments resulting from the acquisition of Adelaide Bank. The 31 December 2007 numbers include six months of Bendigo Bank results and one month of Adelaide Bank results.

for the half year ended 31 December 2008

	Retail Banking	Partner Advised Banking	Wealth	J/Ventures & Alliances	Total Segments	Corporate Support	Total
Income	$m	$m	$m	$m	$m	$m	$m
Net interest income	232.3	58.9	27.9	-	**319.1**	21.2	**340.3**
Other income							
Other external income	96.4	18.4	18.5	-	**133.3**	20.1	**153.4**
Cash flow hedges redesignated	-	-	-	-	**-**	(62.4)	**(62.4)**
Total other income	96.4	18.4	18.5	-	133.3	(42.3)	91.0
Share of net profit of equity accounted investments	-	-	-	14.7	**14.7**	-	**14.7**
Total segment income after interest expense							
External income	328.7	77.3	46.4	14.7	**467.1**	41.3	**508.4**
Cash flow hedges redesignated	-	-	-	-	**-**	(62.4)	**(62.4)**
Total segment income	328.7	77.3	46.4	14.7	**467.1**	(21.1)	**446.0**
Results							
Segment result from continuing operations before income tax expense	107.3	32.3	15.3	14.7	**169.6**	(85.6)	**84.0**
Income tax expense							**(23.5)**
Minority interests							**-**
Consolidated entity profit from continuing operations after income tax expense							**60.5**
Assets							
Segment assets	17,878.2	17,632.3	2,296.1	496.2	**38,302.8**	9,723.2	**48,026.0**
Equity accounted assets	-	-	-	183.0	**183.0**	-	**183.0**
Total assets	17,878.2	17,632.3	2,296.1	679.2	**38,485.8**	9,723.2	**48,209.0**
Liabilities							
Total liabilities	18,944.1	7,234.0	6,777.5	768.2	**33,723.8**	11,494.9	**45,218.7**

Segment information (continued)

for the half year ended 30 June 2008

	Retail Banking	Partner Advised Banking	Wealth	J/Ventures & Alliances	Total Segments	Corporate Support	Total
Income	$m	$m	$m	$m	$m	$m	$m
Net interest income	235.7	45.8	39.0	-	**320.5**	53.9	**374.4**
Other income							
Other external income	98.0	16.5	30.1	-	**144.6**	23.2	**167.8**
Cash flow hedges redesignated	-	-	-	-	**-**	(24.0)	**(24.0)**
Total other income	98.0	16.5	30.1	-	**144.6**	(0.8)	**143.8**
Share of net profit of equity accounted investments	-	-	-	14.7	**14.7**	-	**14.7**
Total segment income after interest expense							
External income	333.7	62.3	69.1	14.7	**479.8**	77.1	**556.9**
Cash flow hedges redesignated	-	-	-	-	**-**	(24.0)	**(24.0)**
Total segment income	333.7	62.3	69.1	14.7	**479.8**	53.1	**532.9**
Results							
Segment result from continuing operations before income tax expense	117.1	31.4	24.9	14.7	**188.1**	(22.6)	**165.5**
Income tax expense							**(50.3)**
Minority interests							**-**
Consolidated entity profit from continuing operations after income tax expense							**115.2**
Assets							
Segment assets	16,966.0	18,890.7	3,860.0	482.7	**40,199.4**	7,664.4	**47,863.8**
Equity accounted assets	-	-	-	185.2	**185.2**	-	**185.2**
Total assets	16,966.0	18,890.7	3,860.0	667.9	**40,384.6**	7,664.4	**48,049.0**
Liabilities							
Total liabilities	14,913.5	8,011.5	10,110.1	632.8	**33,667.9**	11,083.2	**44,751.1**

Segment information (continued)

for the half year ended 31 December 2007

	Retail Banking	Partner Advised Banking	Wealth	J/Ventures & Alliances	Total Segments	Corporate Support	Total
Income	$m	$m	$m	$m	$m	$m	$m
Net interest income	185.0	23.6	9.5	-	**218.1**	5.0	**223.1**
Other income							
Other external income	74.1	2.7	24.5	-	**101.3**	5.2	**106.5**
Cash flow hedges redesignated	-	-	-	-	**-**	(4.3)	**(4.3)**
Total other income	74.1	2.7	24.5	-	**101.3**	0.9	**102.2**
Share of net profit of equity accounted investments	-	-	-	11.7	**11.7**	-	**11.7**
Total segment income after interest expense							
External income	259.1	26.3	34.0	11.7	**331.1**	10.2	**341.3**
Cash flow hedges redesignated	-	-	-	-	**-**	(4.3)	**(4.3)**
Total segment income	259.1	26.3	34.0	11.7	**331.1**	5.9	**337.0**
Results							
Segment result from continuing operations before income tax expense	76.0	20.7	17.4	11.7	**125.8**	(4.9)	**120.9**
Income tax expense							**(37.1)**
Minority interests							**(0.7)**
Consolidated entity profit from continuing operations after income tax expense							**83.1**
Assets							
Segment assets	15,691.3	20,075.7	4,972.8	444.3	**41,184.1**	8,046.5	**49,230.6**
Equity accounted assets	-	-	-	165.4	**165.4**	-	**165.4**
Total assets	15,691.3	20,075.7	4,972.8	609.7	**41,349.5**	8,046.5	**49,396.0**
Liabilities							
Total liabilities	15,512.8	9,076.4	9,833.4	539.3	**34,961.9**	11,274.3	**46,236.2**

3.6.4 Income tax

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

	2008 $m	2007 $m
Current income tax		
Current income tax charge	(74.3)	27.8
Adjustments in respect of current income tax of previous years	(0.1)	(0.5)
Deferred income tax		
Relating to origination and reversal of temporary differences	97.9	9.8
Income tax expense reported in the Condensed Income Statement	23.5	37.1

3.6.5 Dividends paid or provided

	2008 $m	2007 $m
Ordinary shares		
Dividends paid during the half-year:		
Final dividend 2008 - 37.0 cents (Final dividend 2007 - 34.0 cents)	98.8	46.8
Dividends proposed since the reporting date, but not recognised as a liability:		
Interim dividend 2009 - 28.0 cents (Interim dividend 2008 - 28.0 cents)	83.0	71.8
Preference shares		
Dividends paid during the half-year:		
A dividend of 161.60 cents per share was paid on 15 September 2008 (2007: 142.66 cents)	1.4	1.3
A dividend of 152.98 cents per share was paid on 15 December 2008 (2007: 147.76 cents)	1.4	1.3
	2.8	2.6
Step up preference shares		
Dividends paid during the half-year:		
A dividend of 168.00 cents per share was paid on 10 July 2008 (2007: Nil)	1.7	-
A dividend of 167.00 cents per share was paid on 10 October 2008 (2007: Nil)	1.7	
	3.4	-
Reset preference shares (recorded as debt instruments)		
Dividends paid during the half-year:		
A dividend of 309.68 cents per share was paid on 3 November 2008 (2007: Nil)	2.8	-
	2.8	-

3.6.6 Property, plant and equipment

During the half-year ended 31 December 2008, the Group acquired assets with a cost of $6.2 million (2007: $11.1 million).

Assets with a book value of $2.4 million were disposed of by the Group during the half-year ended 31 December 2008 (2007: $0.5 million), resulting in a loss on disposal of $1.2 million (2007: Nil).

On 29 August, 2008 the Head Office development in Bendigo Victoria, being an asset held for sale, was sold under a sale and leaseback contract for $100 million.

3.6.7 Earnings per ordinary share

	Half-year Dec-08 Cents per share	Half-year Jun-08 Cents per share	Half-year Dec-07 Cents per share
Basic earnings per ordinary share	19.8	40.8	48.6
Diluted earnings per ordinary share	19.7	40.8	48.4
Cash basis earnings per ordinary share	44.3	57.6	52.2
	$m	$m	$m
Reconciliation of earnings used in the calculation of basic earnings per ordinary share			
Profit for the half-year (after tax)	60.5	115.2	83.8
(Profit)/loss attributable to minority interests	-	-	(0.7)
Dividends paid on preference shares	(2.8)	(2.9)	(2.6)
Dividends paid on step-up preference shares	(3.1)	(3.2)	(0.5)
	54.6	109.1	80.0
Reconciliation of earnings used in the calculation of diluted earnings per ordinary share			
Earnings used in calculating basic earnings per ordinary share	54.6	109.1	80.0
Add back dividends on dilutive preference shares	-	-	2.6
	54.6	109.1	82.6
Reconciliation of earnings used in the calculation of cash basis earnings per ordinary share			
Earnings used in calculating basic earnings per ordinary share	54.6	109.1	80.0
After tax intangibles amortisation (excluding amortisation of intangible software)	9.3	13.5	1.9
After tax significant income and expense items (1)	58.3	31.8	3.3
Loan portfolio premium amortisation	-	(0.6)	0.6
	122.2	153.8	85.8
	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	276,143,832	267,087,736	164,517,943
Effect of dilution - executive performance rights	430,151	303,889	178,770
Effect of dilution - preference shares	-	-	6,072,874
Weighted ave no. of ordinary shares used in diluted earnings per ordinary share	276,573,983	267,391,625	170,769,587
(1) Significant income and expense items after tax comprise:	$m	$m	$m
Income			
Cash flow hedges redesignated on acquisition	(43.7)	(16.8)	(3.0)
Realised accounting gain on Visa Inc shares	5.2	17.6	-
	(38.5)	0.8	(3.0)
Expense			
Expense relating to an issue of shares to staff under the Employee Share Plan	-	1.0	-
Shortfall relating to Employee Share Plan	-	2.1	-
Impairment loss - equity investments	4.7	21.1	-
Integration costs	13.8	6.3	0.3
Final Head Office excess development costs	1.3	1.4	-
ATO audit costs	-	0.7	-
	19.8	32.6	0.3
Total significant income/(expense) items after tax	(58.3)	(31.8)	(3.3)

Note: Cash basis earnings were previously adjusted for movements in general reserve for credit losses. This adjustment has been omitted from the calculation, consistent with banking industry practice. Comparatives have been restated accordingly.

Profit figures and adjustments to determine cash earnings have been restated to reflect the amortisation of fair value adjustments and identified intangibles relating to the merger with Adelaide Bank Limited.

3.6.8 Return on average ordinary equity

	Consolidated		
	Half-year Dec-08 %	Half-year Jun-08 %	Half-year Dec-07 %
Return on average ordinary equity	3.60	7.36	13.40
Pre-significant items return on average ordinary equity	7.45	9.51	13.95
Cash basis return on average ordinary equity	8.06	10.38	14.37

	$m	$m	$m
Reconciliation of earnings used in the calculation of return on average ordinary equity			
Profit for the half-year (after tax)	60.5	115.2	83.8
(Profit)/loss attributable to minority interests	-	-	(0.7)
Dividends paid on preference shares	(2.8)	(2.9)	(2.6)
Dividends paid on step-up preference shares	(3.1)	(3.2)	(0.5)
Earnings used in calculation of return on average ordinary equity	54.6	109.1	80.0
After tax significant income and expense items (1)	58.3	31.8	3.3
Earnings used in calculation of pre-significant items return on average ordinary equity	112.9	140.9	83.3
After tax intangibles amortisation (excluding amortisation of intangible software)	9.3	13.5	1.9
Loan portfolio premium amortisation	-	(0.6)	0.6
Earnings used in calculation of cash basis return on average ordinary equity	122.2	153.8	85.8

Note: Cash basis earnings were previously adjusted for movements in general reserve for credit losses. This adjustment has been omitted from the calculation, consistent with banking industry practice. Comparatives have been restated accordingly.

Profit figures and related adjustments to determine cash earnings have been restated to reflect the fair value adjustments and amortisation of identified intangibles relating to the merger with Adelaide Bank Limited.

Reconciliation of ordinary equity used in calculation of return on average ordinary equity

	As at Dec 08 $m	As at Jun 08 $m	As at Dec 07 $m
Total equity	2,990.3	3,297.9	3,145.5
Preference share net capital	(188.5)	(188.5)	(188.5)
Asset revaluation reserve - Available for sale shares	(2.9)	(14.8)	(20.1)
Unrealised gains/losses on cash flow hedge reserve	410.9	(55.8)	(50.2)
Ordinary equity	3,209.8	3,038.8	2,886.7
Average ordinary equity	3,031.5	2,962.8	1,194.2

Note: Average ordinary equity was previously adjusted for the balance of General Reserve for Credit Losses. This adjustment has been omitted from the calculation, consistent with banking industry practice. Comparatives have been restated accordingly.

3.6.9 Net tangible assets per ordinary share

	As at Dec 08	As at Jun 08	As at Dec 07
Net tangible assets per ordinary share	$ 4.19	$ 5.60	$ 5.21
Reconciliation of Net tangible assets used in calculation of net tangible assets per ordinary share			
	$m	$m	$m
Net assets	2,990.3	3,297.9	3,145.5
Intangibles	(1,558.8)	(1,570.4)	(1,587.0)
Preference shares - face value	(90.0)	(90.0)	(90.0)
Step-up preference shares	(100.0)	(100.0)	(100.0)
Net tangible assets	1,241.5	1,537.5	1,368.5
Number of ordinary shares on issue at reporting date	296,480,127	274,678,383	262,880,185

Note: Net tangible assets were previously adjusted for the balance of General Reserve for Credit Losses. This adjustment has been omitted from the calculation, consistent with banking industry practice. Comparatives have been restated accordingly.

3.6.10 Cash flow information

	As at Dec 08	As at Dec 07
Reconciliation of cash	$m	$m
For the purposes of the statement of cash flows, cash and cash equivalents includes:		
Cash and cash equivalents	2,918.5	842.4
Due from other financial institutions	125.6	127.5
Due to other financial institutions	(115.0)	(119.4)
Cash and cash equivalents at the end of the half year	2,929.1	850.5

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, Investment securities, Retail deposits and Wholesale deposits.

3.6.11 Issued capital

	As at Dec 08 $m	As at Dec 07 $m
Issued and paid up capital		
Ordinary shares fully paid - 296,480,127 (2007: 262,880,185)	2,923.4	2,594.7
Preference shares of $100 face value fully paid - 900,000 (2007: 900,000)	88.5	88.5
Preference shares of $100 face value fully paid - 100,000,000 (2007: Nil)	100.0	-
	3,111.9	2,683.2
Movements in ordinary shares on issue		
Opening balance 1 July - 274,678,383 (2007: 144,187,890)	2,706.3	605.2
Shares issued under:		
Bonus share scheme - 262,362 @ $11.01 (2007: 149,813 @ $14.87)	-	-
Dividend reinvestment plan - 2,472,153 @ $11.01 (2007: 854,591 @ $14.87)	27.2	12.7
Issue to Adelaide Bank shareholders - Nil (2007: 117,687,891 @ $16.80)	-	1,977.2
Share purchase plan and placement - 19,067,229 @ $10.00 (2007: nil)	190.7	-
Share issue costs	(0.8)	(0.4)
Closing balance 31 December - 296,480,127 (2007: 262,880,185)	2,923.4	2,594.7
Movements in preference shares on issue		
Opening balance 1 July - 900,000 fully paid (2007: 900,000 fully paid)	88.5	88.5
Closing balance 31 December - 900,000 fully paid (2007: 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 (2007: Nil)	100.0	-
Issue of 1,000,000 $100 fully paid step-up preference shares	-	100.0
Closing balance 31 December - 1,000,000 fully paid (2007: 1,000,000 fully paid)	100.0	100.0

3.6.12 Average Balance Sheet and related interest

for the six month period ended 31 December 2008

	Note	Average Balance $m	Interest 6 mths $m	Average Rate %
Average balances and rates	1			
Interest earning assets				
Cash and Investments		6,170.6	223.7	7.19
Loans and other receivables - company		33,506.9	1,502.8	8.90
Loans and other receivables - alliances		5,794.8	220.4	7.54
Total interest earning assets	2	45,472.3	1,946.9	8.49
Non interest earning assets				
Provisions for doubtful debts		(65.0)		
Other assets		3,108.1		
		3,043.1		
Total assets (average balance)		48,515.4		
Interest bearing liabilities and equity				
Deposits				
Retail - company		18,060.0	568.3	6.24
Retail - alliances		7,434.0	255.7	6.82
Wholesale - domestic		5,905.0	223.0	7.49
Wholesale - offshore		1,238.7	54.8	8.78
Notes Payable		10,423.0	473.5	9.01
Reset Preference Shares		89.5	2.8	6.21
Subordinated debt		676.6	28.5	8.36
Total interest bearing liabilities	2	43,826.8	1,606.6	7.27
Non interest bearing liabilities and equity				
Other liabilities		1,605.6		
Equity		3,083.0		
		4,688.6		
Total liabilities and equity		48,515.4		
Interest margin and interest spread				
Interest earning assets		45,472.3	1,946.9	8.49
Interest bearing liabilities		(43,826.8)	(1,606.6)	(7.27)
Net interest income and interest spread	3		340.3	1.22
Net free liabilities and equity				0.27
Net interest margin	4			1.49

Impact of community bank/alliances profit share arrangements	
Net interest margin before community bank/alliances share of net interest income	1.75
Less impact of community bank/alliances share of net interest income	0.26
Net interest margin	1.49

1 *Average balance is based on monthly closing balances from 30 June 2008 through 31 December 2008 inclusive, with the exception of Wholesale domestic which is based on a daily closing balance.*
2 *Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by $34.8m 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 2008

	Note	Average Balance $m	Interest 6 mths $m	Average Rate %
Average balances and rates	*1*			
Interest earning assets				
Cash and Investments		5,278.0	176.0	6.71
Loans and other receivables - company		35,107.1	1,551.5	8.89
Loans and other receivables - alliances		5,311.3	208.4	7.89
Total interest earning assets	*2*	45,696.4	1,935.9	8.52
Non interest earning assets				
Provisions for doubtful debts		(55.9)		
Other assets		2,877.4		
		2,821.5		
Total assets (average balance)		48,517.9		
Interest bearing liabilities and equity				
Deposits				
Retail - company		16,791.3	527.9	6.32
Retail - alliances		6,202.5	209.6	6.80
Wholesale - domestic		6,158.8	227.8	7.44
Wholesale - offshore		2,117.5	79.2	7.52
Notes Payable		12,145.1	483.2	8.00
Reset Preference Shares		89.5	2.7	6.07
Subordinated debt		709.2	31.1	8.82
Total interest bearing liabilities	*2*	44,213.9	1,561.5	7.10
Non interest bearing liabilities and equity				
Other liabilities		1,159.7		
Equity		3,144.3		
		4,304.0		
Total liabilities and equity		48,517.9		
Interest margin and interest spread				
Interest earning assets		45,696.4	1,935.9	8.52
Interest bearing liabilities		(44,213.9)	(1,561.5)	(7.10)
Net interest income and interest spread	*3*		374.4	1.42
Net free liabilities and equity				0.23
Net interest margin	*4*			1.65

Impact of community bank/alliances profit share arrangements	
Net interest margin before community bank/alliances share of net interest income	1.89
Less impact of community bank/alliances share of net interest income	0.24
Net interest margin	1.65

1 *Average balance is based on monthly closing balances from 31 December 2007 through 30 June 2008 inclusive, with the exception of Wholesale domestic which is based on a daily closing balance.*
2 *Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by $42.7m 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 2007

	Note	Average Balance $m	Interest 6 mths $m	Average Rate %
Average balances and rates	1			
Interest earning assets				
Cash and Investments		2,973.4	94.1	6.30
Loans and other receivables - company		13,769.1	567.2	8.19
Loans and other receivables - alliances		4,806.1	178.0	7.37
Total interest earning assets	2	21,548.6	839.3	7.75
Non interest earning assets				
Provisions for doubtful debts		(26.2)		
Other assets		1,206.4		
		1,180.2		
Total assets (average balance)		22,728.8		
Interest bearing liabilities and equity				
Deposits				
Retail - company		9,275.3	199.1	4.27
Retail - alliances		5,616.2	173.5	6.14
Wholesale - domestic		2,284.2	87.5	7.62
Wholesale - offshore		985.1	40.0	8.08
Notes Payable		2,425.9	100.6	8.25
Reset Preference Shares		14.9	0.5	6.67
Subordinated debt		388.0	15.0	7.69
Total interest bearing liabilities	2	20,989.6	616.2	5.84
Non interest bearing liabilities and equity				
Other liabilities		373.3		
Equity		1,365.9		
		1,739.2		
Total liabilities and equity		22,728.8		
Interest margin and interest spread				
Interest earning assets		21,548.6	839.3	7.75
Interest bearing liabilities		(20,989.6)	(616.2)	(5.84)
Net interest income and interest spread	3		223.1	1.91
Net free liabilities and equity				0.15
Net interest margin	4			2.06

Impact of community bank/alliances profit share arrangements	
Net interest margin before community bank/alliances share of net interest income	2.53
Less impact of community bank/alliances share of net interest income	0.47
Net interest margin	2.06

1 *Average balance is based on monthly closing balances from 30 June 2007 through 31 December 2007 inclusive, with the exception of Wholesale domestic which is based on a daily closing balance.*
2 *Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by $37.0m 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.*

3.6.13 Capital Adequacy and ACE ratio

a) Capital adequacy

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

	Consolidated	
	Dec 2008	Jun 2008
	$m	$m
Risk weighted capital ratios		
Tier 1	7.99%	7.52%
Tier 2	2.79%	2.91%
Total capital ratio	**10.78%**	**10.43%**
Qualifying Capital		
Tier 1		
Contributed capital	2,923.4	2,706.3
Retained profits & reserves	(397.3)	207.5
Innovative tier 1 capital	277.9	277.9
Less,		
Intangible assets, cash flow hedges and capitalised expenses	1,057.3	1,592.5
Net deferred tax assets	57.0	66.9
Surplus in defined benefit superannuation plan	0.2	-
50/50 deductions	39.4	40.6
Total Tier 1 capital	1,650.3	1,491.7
Tier 2		
General reserve for credit losses/collective provision (net of tax effect)	103.3	103.6
Subordinated debt	684.5	681.8
Asset revaluation reserves	5.9	11.4
Total Tier 2 capital	793.7	796.8
Less,		
50/50 deductions	39.4	40.6
Subsidiary investment residual	179.1	179.5
Total Tier 2 capital	575.2	576.7
Less,		
Investments in non-consolidated subsidiaries or associates and other banks' capital instruments		-
Total qualifying capital	**2,225.5**	**2,068.4**
Total risk weighted assets	**20,644.5**	**19,820.8**

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 2008 $m	Jun 2008 $m
Shareholders' equity	2,988.0	2,766.9
Retained earnings	219.5	242.0
Expected dividends	(81.9)	(99.4)
Goodwill	(1,558.8)	(1,460.4)
Other deductions	(0.2)	(4.5)
Total Adjusted Common Equity	1,566.6	1,444.6
Adjusted Common Equity ratio to risk weighted assets	**7.59%**	**7.29%**
Investments in associates and joint ventures equity accounted for	(183.0)	(185.2)
Hybrid capital	277.9	278.0
Subsidiary investment residual	(9.0)	(9.0)
Adjusted total equity	1,652.5	1,528.4
Adjusted Total Equity ratio to risk weighted assets	**8.00%**	**7.71%**

3.6.14 Contingent assets and liabilities

(a) Contingent liabilities

	Consolidated	
	Dec 2008 $m	**Dec 2007 $m**
Guarantees		
The economic entity has issued guarantees on behalf of clients in the normal course of business	166.2	159.5
Other		
Documentary letters of credit	23.9	16.6

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 2008, the economic entity does not have any contingent assets (2007: Nil).

3.6.15 Events after balance sheet date

On the 8th January 2009 Leveraged Equities, a wholly owned subsidiary of Bendigo and Adelaide Bank Limited signed an agreement with Macquarie Group Limited to purchase a $1.5 billion portfolio of margin loans for a premium of $52 million. The consideration is in the form of short dated Tranched Convertible Preference Shares (TCS). These tranches included the following:

- 1,833,181 Class A TCS with a Mandatory Conversion Date (MCD) of 7 February 2009;
- 1,883,181 Class B TCS with a Mandatory Conversion Date (MCD) of 9 March 2009; and
- 1,099,908 Class C TCS with a Mandatory Conversion Date (MCD) of 8 April 2009.

On the 12th January 2009, 764,504 fully paid shares were issued to eligible employees of Bendigo and Adelaide Bank Limited under the Employee Share Grant Scheme at an issue price of $10.78.

On the 16th February 2009, Bendigo and Adelaide Bank Limited (BEN) and Adelaide Managed Funds announced a proposal for BEN to acquire all of the units in the Adelaide Managed Funds Asset Backed Yield Trust (AYT) for approximately $174 million, representing an effective price of $1.835 per unit. (AMF is a wholly-owned subsidiary of Bendigo and Adelaide Bank.)

The proposal is subject to the approval of AYT Unitholders at a Scheme meeting likely to be held in April 2009. Consideration for the purchase would be made in the form of new CPS.

On 16 February 2009 the directors of Bendigo and Adelaide Bank Limited declared an interim dividend of 28.0 cents per ordinary share (fully-franked) in respect of the December 2008 half-year payable on 31 March 2009. The amount estimated to be appropriated in relation to this dividend is $81.2 million. The dividend has not been provided for in the 31 December 2008 half-year financial statements.

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.

3.7 Acquisition

Adelaide Bank Limited

On 30 November 2007, Bendigo and Adelaide Bank Limited acquired all the ordinary shares in Adelaide Bank Limited ("Adelaide") for $1,993,686,408, satisfied by the issue of 117,687,891 ordinary shares in Bendigo and Adelaide Bank Limited at a fair value of $16.80 per share, based on the volume weighted average price on the day of acquisition plus $17,514,567 in cash (transaction costs). The cost of the acquisition includes directly attributable costs including consultancy, legal, accounting and other professional fees.
Additionally, Bendigo and Adelaide Bank Limited purchased the Adelaide Bank Limited step up preference shares for $100,000,000.
The principal activities of Adelaide are the provision of wholesale mortgages, business lending, wealth management and retail banking services.

The following table shows the effect on the Group's assets and liabilities as a result of the application of the acquisition accounting entries:

	Pre-acquisition carrying amount	Recognised values on acquisition
Assets	$m	$m
Cash and cash equivalents	483.8	483.8
Due from other financial institutions	120.3	120.3
Derivatives	210.7	210.7
Financial assets held for trading	1,934.5	1,934.5
Financial assets available for sale - securities	64.8	64.8
Financial assets available for sale - share investments	3.0	0.3
Loans and other receivables	27,414.8	27,070.2
Property, plant & equipment	28.7	45.7
Intangible assets		
Intangible software	3.9	5.2
Goodwill	33.9	-
Brands, Trade names	-	168.0
Deferred tax assets	42.0	142.1
Other assets	34.1	34.1
Total Assets	30,374.5	30,279.7
Liabilities		
Due to other financial institutions	112.5	112.5
Deposits	15,674.4	15,663.5
Notes payable	13,105.2	13,026.8
Derivatives	30.9	30.9
Other payables	22.9	29.8
Income tax payable	(13.2)	0.9
Provisions	16.6	16.6
Deferred tax liabilities	68.4	162.1
Reset preference shares	89.9	89.9
Subordinated debt - at amortised cost	384.8	377.3
Total Liabilities	29,492.4	29,510.3
Net identifiable assets and liabilities attributable to Bendigo and Adelaide Bank Limited	882.1	769.4
Consideration paid in cash (transaction costs)		(17.5)
Cash acquired		491.6
Net cash inflow		474.1

Goodwill

Goodwill arose in the business combination as the consideration paid for the combination effectively included amounts in relation to the skills and talent of the acquired business workforce, the benefit of expected head office and operational synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be measured reliably or they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged either individually or together with any related contracts.

The fair values currently of assets and liabilities acquired have now been finalised and it is not expected that any further adjustments will be made to the above values.

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 2008 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 N. Johanson, Chairman
Bendigo
Dated this 16th day of February 2009

3.9 External auditors review report

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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 2008, and the condensed income statement, statement of recognised income and expenses and cash flow statement for the half-year ended on that date, other selected explanatory notes 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 and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 2008 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.

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 interim financial report of Bendigo and Adelaide Bank Limited is not in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

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

Ernst + Young

Ernst & Young

Brett Kallio

Brett Kallio
Partner
Melbourne
16 February 2009