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 2009

Released 15 February 2010

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

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APPENDIX 4D: HALF YEAR REPORT

1.1 Company details and reporting period

Bendigo and Adelaide Bank Limited
ABN 11 068 049 178

Reporting period - six months ended:	31 December 2009
Previous corresponding period - six months ended:	31 December 2008

1.2 Results for announcement to the market

Income from operations	up 23.7% to $534.2m
Profit after tax attributable to members	up 105.7% to $104.1m
Net profit attributable to members	up 105.7% to $104.1m

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 2010

Payable 31 March 2010

Dividends – previous year	**Amount per security**
Final Dividend – 2009, fully franked at 30% Paid 30 September 2009	15.0 cents
Interim Dividend – 2009, fully franked at 30% Paid 31 March 2009	28.0 cents

1.3 Cash earnings results

Cash earnings attributable to members	up 24.4% to $139.7m
Cash earnings per share	up 1.2% to 41.2 cents
See note 2.4 for full details	

1.4 Net tangible assets per ordinary share

Refer to pages 28, 31 and 54 of the attached December 2009 half year profit announcement.

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

During the financial period, control was gained over the following entities:

August 2009 – ownership and control of Tasmanian Banking Services Limited was increased from 50% to 100%.

October 2009 – the Group's 60% holding of Rural Bank Limited became a controlling interest upon amendments to the shareholders agreement governing the joint venture. Up until this time the Group's interest was being reported as an equity interest.

The information contained in this report includes the results of these two entities from the dates control was gained. Prior period comparisons include the equity accounted results of the entities, reflecting the previous proportional ownership.

1.6 Details of individual and total dividends

Refer to pages 26 and 51 of the attached December 2009 half year profit announcement.

1.7 Details of any dividend or distribution reinvestment plans in operation

Refer to page 27 of the attached December 2009 half year profit announcement.

1.8 Details of associates and joint venture entities

Refer to page 29 of the attached December 2009 half year profit announcement.

1.9 Accounting standards used for foreign entities

Not applicable.

1.10 Dispute or qualifications if audited

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

1.11 Half year financial statements

Refer to pages 39 to 44 of the attached December 2009 half year profit announcement.

2. HALF YEAR ANNOUNCEMENT

2.1 Financial highlights

	Jun08 Half* $m	Dec08 Half $m	Jun09 Half** $m	Dec09 Half*** $m	Change Dec-08 Half to Dec-09 Half $m	%
Profit after tax attributable to parent	115.2	**50.6**	33.2	**104.1**	53.5	105.7
Profit after tax before significant items	147.0	**108.9**	64.3	**134.2**	25.3	23.2
Cash earnings	153.8	**112.3**	69.9	**139.7**	27.4	24.4
Net interest income	374.4	**326.1**	308.9	**408.0**	81.9	25.1
Non-interest income (before significant items)	157.3	**160.7**	145.6	**153.0**	(7.7)	(4.8)
Expenses (before significant items)	301.7	**308.2**	305.8	**340.6**	32.4	10.5
Retail deposits	23,640.9	**27,179.8**	28,536.4	**32,174.7**	4,994.9	18.4
Ordinary equity	3,038.8	**3,209.8**	3,228.4	**3,610.0**	400.2	12.5
Funds under management	6,650.5	**4,452.9**	4,491.3	**4,117.0**	(335.9)	(7.5)
Loans under management	43,128.3	**40,655.3**	40,767.4	**43,834.5**	3,179.2	7.8
New loan approvals	4,960.6	**3,757.9**	5,379.5	**5,375.1**	1,617.2	43.0
Residential	3,827.6	**2,586.5**	3,846.5	**3,767.7**	1,181.2	45.7
Non-residential	1,133.0	**1,171.4**	1,533.0	**1,607.4**	436.0	37.2
Cost to income ratio	52.8%	**60.0%**	63.7%	**57.7%**	(2.3%)	(3.8)
Earnings per ordinary share - cents	40.8	**16.2**	9.7	**29.7**	13.5	83.3
Cash basis earnings per ordinary share – cents	57.6	**40.7**	22.9	**41.2**	0.5	1.2
Dividend per share – cents	37.0	**28.0**	15.0	**28.0**	-	-

* The June 2008 half results include acquisition accounting adjustments.

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

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

2.2 Results at a glance

2.2.1 Financial performance

		Further detail
-	Cash earnings $139.7 million (Dec-08 $112.3 million), an increase of 24.4%.	2.4.1
-	Cash basis earnings per ordinary share of 41.2 cents (Dec-08 40.7 cents), an increase of 1.2%.	2.4.10.2
-	Cash basis earnings return on average ordinary equity (annualised) was 8.17% (Dec-08 7.20%).	2.4.10.2
-	Profit after income tax before significant items was $134.2 million (Dec-08 $108.9 million), an increase of 23.2% (see note 2.4.2 for significant item details).	2.3
-	Net interest income increased by 25.1% to $408.0 million with an interest margin before payments to community banks and alliances increasing from 1.64% for the June 2009 half year to 2.04% for the December 2009 half year. Net of these payments, interest margin recorded a 39 basis point increase from 1.41% in June 2009 to 1.80% in the half year to December 2009. Refer to 2.4.3 for further analysis.	2.4
-	Non-interest income before significant items was $153.0 million (Dec-08 $160.7 million), a decrease of 4.8%.	2.4.4
-	Expenses before significant items increased by 10.5% to $340.6 million compared to December 2008 half and 11.4% compared to the June 2009 half. The cost to income ratio was 57.7% compared to 60.0% for the December 2008 half and 63.7% for the June 2009 half.	2.4.5
-	Bad & Doubtful debts expense was $16.8 million (2008: $25.5 million), a decrease of 34.1%.	2.4.8

2.2.2 Financial position

	Further detail
- Loans under management were $43.8 billion (Jun-09 $40.8 billion), an increase of 7.5%.	2.4.6
- Retail deposits were $32.2 billion (Jun-09 $28.5 billion), an increase of 12.7%.	2.4.9
- Managed funds decreased by $0.4 billion to $4.1 billion (Jun-09 $4.5 billion).	2.4.9
- Total provisions and reserves for doubtful debts grew to $220.3 million – an increase of $22.2 million since June 2009. The increase includes $13.3 million acquired through the business combination with Rural Bank Limited. General and collective provisions remain at 54 basis points of Group Risk Weighted Assets.	2.4.8

2.2.3 Dividends

	Further detail
- An interim ordinary dividend of 28.0 cents per ordinary share, fully franked (31 December 2008 – 28.0 cents) has been declared by the Board.	2.4.10.2

2.3 Summary Income Statement

For the half year ended 31 December 2009

	Consolidated	
	Dec-09	**Dec-08**
	$m	**$m**
Income		
Net interest income		
Interest income	1,233.4	1,897.9
Interest expense	825.4	1,571.8
Net interest income	**408.0**	**326.1**
Total non interest income (2.4.4)	141.4	146.0
Share of associates' net profits accounted for using the equity method (2.5.3)	11.6	14.7
Total income after interest expense	**561.0**	**486.8**
Expense		
Bad and doubtful debts (2.4.8)	16.8	25.5
Operating expenses (2.4.5)	340.6	308.2
Profit before income tax expense and significant items	**203.6**	**153.1**
Income tax expense before significant items	(64.5)	(44.2)
Net (profit)/loss attributable to minority interest	(4.9)	-
Profit after income tax expense and before significant items	**134.2**	**108.9**
Significant items after income tax expense (2.4.2)	(30.1)	(58.3)
Profit after tax	**104.1**	**50.6**
Adjusted for:		
Significant items after tax (2.4.2)	30.1	58.3
Dividends paid on preference shares	(1.5)	(2.8)
Dividends paid on step-up preference shares	(1.8)	(3.1)
After tax intangibles amortisation (excl. amortisation of intangible software)	8.8	9.3
Cash basis earnings	**139.7**	**112.3**
Cash basis earnings per ordinary share (cents per share)	41.2	40.7
Basic earnings per ordinary share (cents per share)	29.7	16.2
Diluted earnings per ordinary share (cents per share)	27.7	16.2
Franked dividends per ordinary share (cents per share)	28.0	28.0

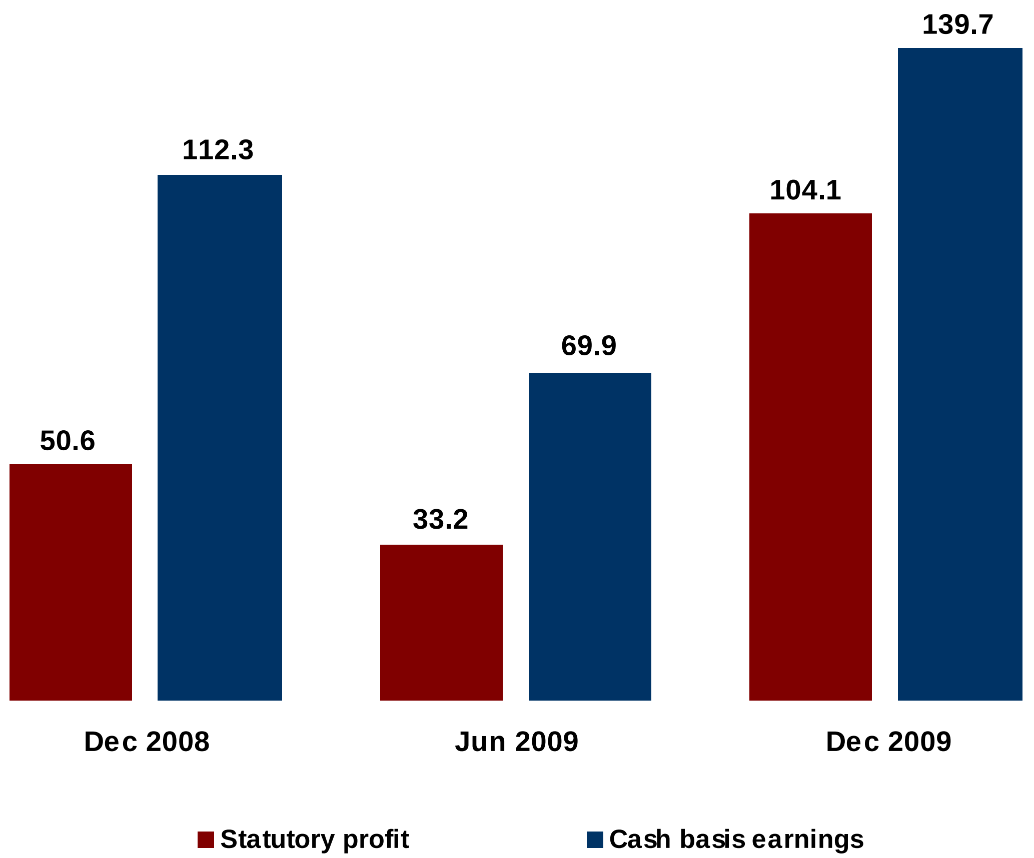
* Refer note 3.7.6

2.4 Results commentary

2.4.1 Profit

	Dec-09	Jun-09	Change		Dec-08	Change	
	$m	$m	$m	%	$m	$m	%
Profit							
Profit before tax	162.0	49.5	112.5	227.3	69.8	92.2	132.1
Significant items before tax	(41.6)	(44.4)	2.8	6.3	(83.3)	41.7	50.1
Profit before tax and significant items	203.6	93.9	109.7	116.8	153.1	50.5	33.0
Profit after tax	104.1	33.2	70.9	213.6	50.6	53.5	105.7
Significant items after tax	(30.1)	(31.1)	1.0	3.2	(58.3)	28.2	48.4
Profit after tax before significant items	134.2	64.3	69.9	108.7	108.9	25.3	23.2
Adjusted for:							
Intangibles amortisation (excluding software amortisation)	8.8	9.2	(0.4)	(4.3)	9.3	(0.5)	(5.4)
Distributions paid on preference shares	(1.5)	(1.7)	0.2	11.8	(2.8)	1.3	46.4
Distributions paid on step-up preference shares	(1.8)	(1.9)	0.1	5.3	(3.1)	1.3	41.9
Cash basis profit after tax	139.7	69.9	69.8	99.9	112.3	27.4	24.4

Profit after tax
$m



2.4.2 Significant items

The reported profit after tax for the half year ended 31 December 2009 of $104.1 million included the following significant items:

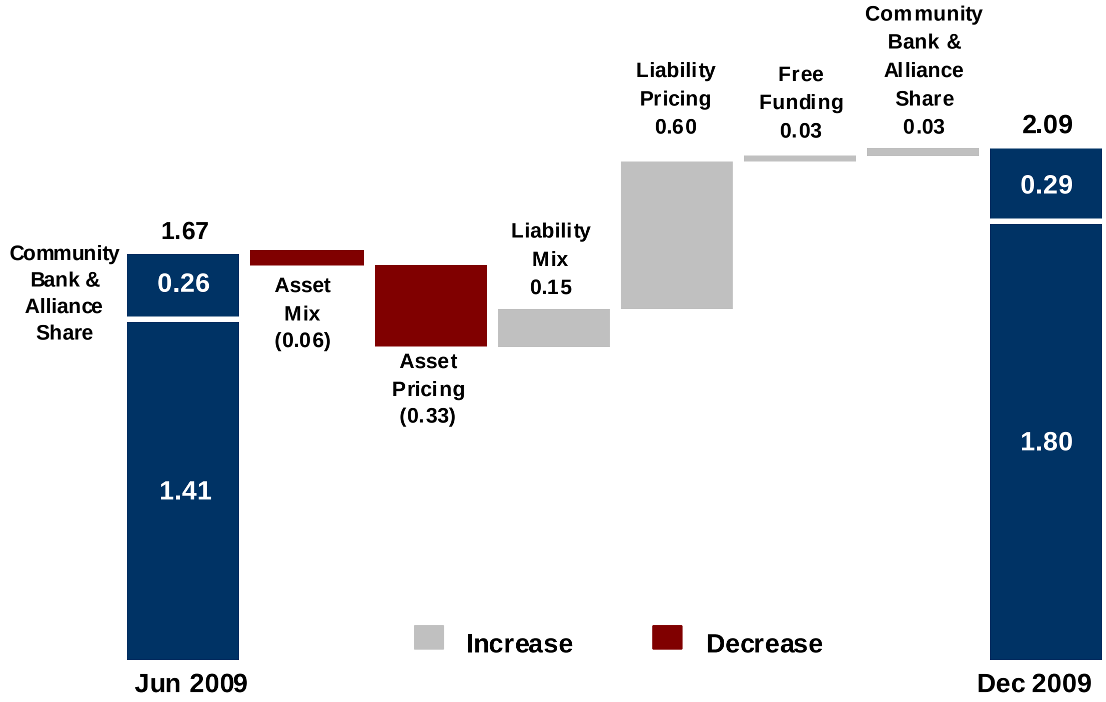
	December 2009		December 2008	
	Before Tax $m	After Tax $m	Before Tax $m	After Tax $m
Items included in non interest income				
Accounting gain on the sale of equity investments	0.5	0.3	7.4	5.2
Ineffective cash flow hedges [1]	(27.3)	(19.1)	(62.4)	(43.7)
	(26.8)	(18.8)	(55.0)	(38.5)
Items included in operating expenses				
Integration costs associated with the Adelaide Bank merger and the Macquarie margin lending business	16.0	11.2	19.7	13.8
Impairment losses - equity investments	-	-	6.8	4.7
Fair value adjustment - head office development	-	-	1.8	1.3
Employee shares shortfall	(4.4)	(3.1)	-	-
Non-cash loss on unwind of joint venture	3.2	3.2	-	-
	14.8	11.3	28.3	19.8
Total Significant Items	(41.6)	(30.1)	(83.3)	(58.3)

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

2.4.3 Interest margin

This chart below provides a guide to movements in margin over the six month period adjusted to full margin contribution of Rural Bank in both June 2009 and December 2009.

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



The improvement in margin through the six month period to December 2009 was due predominantly to the repricing of term deposit funding.

2.4.4 Income

		Dec-09 $m	Jun-09 $m	Change $m	%	Dec-08 $m	Change $m	%
Income								
Net interest income		408.0	308.9	99.1	32.1	326.1	81.9	25.1
Other income comprising:								
Fees	- asset products	30.4	27.9	2.5	9.0	30.8	(0.4)	(1.3)
	- liability products & other	65.3	62.2	3.1	5.0	71.3	(6.0)	(8.4)
	- trustee, management & other services	5.0	5.1	(0.1)	(2.0)	5.7	(0.7)	(12.3)
Commissions	- wealth solutions	12.7	12.2	0.5	4.1	16.7	(4.0)	(24.0)
	- insurance	6.3	7.9	(1.6)	(20.3)	7.5	(1.2)	(16.0)
	- other	1.6	1.6	-	-	1.8	(0.2)	(11.1)
Dividend income		3.1	-	3.1	-	2.2	0.9	40.9
Other		17.0	12.5	4.5	36.0	10.0	7.0	70.0
Total other income before significant items		141.4	129.4	12.0	9.3	146.0	(4.6)	(3.2)
Share of associates' profit		11.6	16.2	(4.6)	(28.4)	14.7	(3.1)	(21.1)
Total non interest income before significant items		153.0	145.6	7.4	5.1	160.7	(7.7)	(4.8)
Significant income items - non interest income		(26.8)	(12.6)	(14.2)	(112.7)	(55.0)	28.2	51.3
Total income		534.2	441.9	92.3	20.9	431.8	102.4	23.7

The above table includes fully consolidated contributions of Rural Bank from October 2009, Tasmanian Banking Services from August 2009 and Macquarie Margin Lending portfolio from January 2009.

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

Net interest income increased by 25%. December 2009 includes the Macquarie margin lending business (2008: Nil) along with the trading of Rural Bank Limited for the three months October to December 2009 inclusive (2008: Nil).

Fees – trustee, management & other services decreased by 12% predominantly with decreases in mortgage portfolio management fees in line with lower portfolio balances.

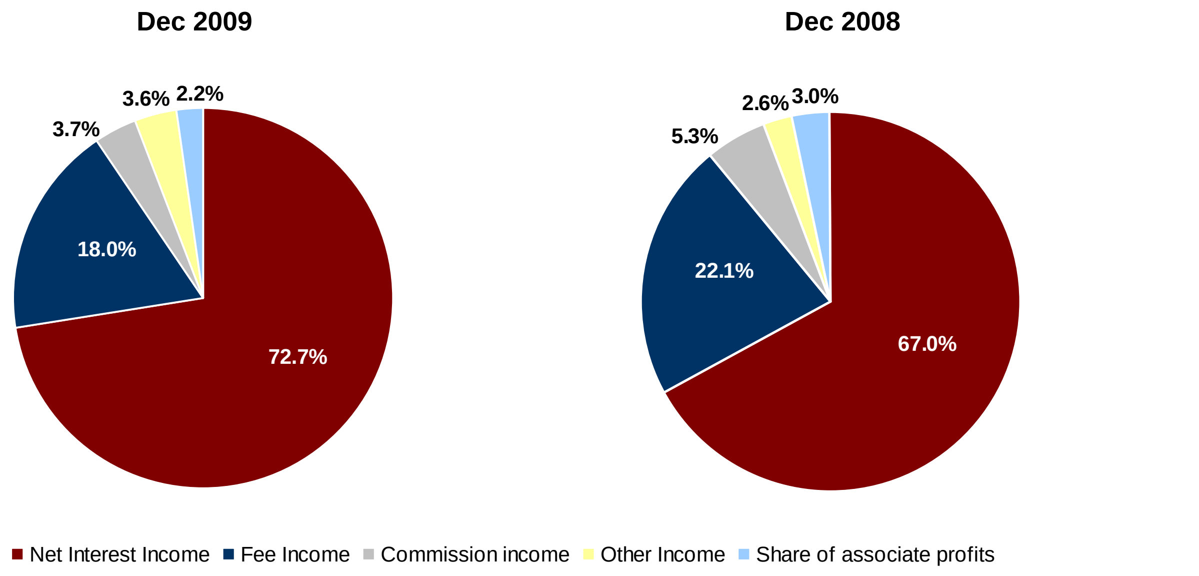
Commissions – wealth solutions decreased by 24% with reduced funds management commissions due to lower starting portfolio balances.

Commissions – insurance decreased by 16% due predominantly to the cessation of the Sunstate LMI business, reducing income from mortgage insurance business.

Other income increased by 70% predominantly due to an increase in income from treasury trading portfolio and foreign exchange services.

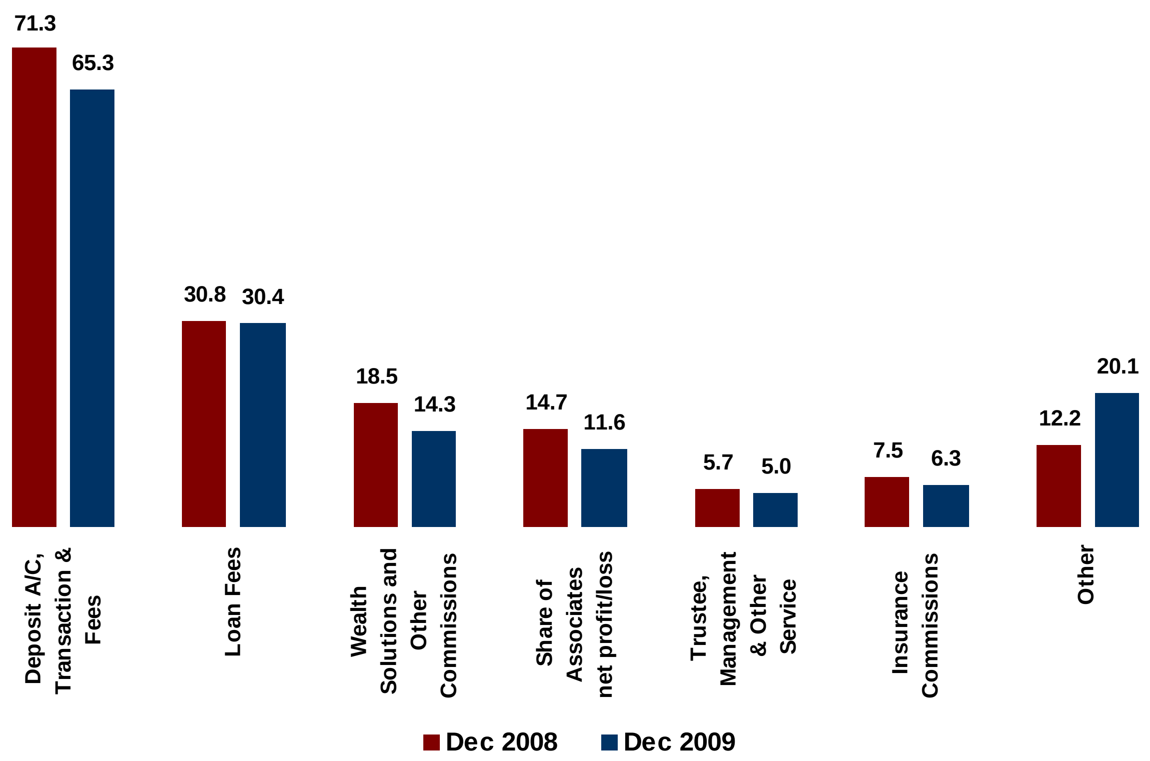
Share of associates' profit includes three months to September 2009 of Rural Bank equity accounted profit before becoming a subsidiary of the group.

Income
%



Excludes significant income

Non-interest income
$m



2.4.5 Expenses

2.4.5.1 Productivity and expenses

	Dec-09	Jun-09	Change		Dec-08	Change	
	$m	$m	$m	%	$m	$m	%
Expenses							
Staff and related costs	169.1	146.8	22.3	15.2	150.0	19.1	12.7
Occupancy costs	28.7	27.6	1.1	4.0	26.3	2.4	9.1
Information technology costs	29.7	25.6	4.1	16.0	27.8	1.9	6.8
Amortisation of intangibles	16.7	16.5	0.2	1.2	16.2	0.5	3.1
Property, plant and equipment costs	6.9	7.2	(0.3)	(4.2)	7.5	(0.6)	(8.0)
Fees and commissions	17.1	11.7	5.4	46.2	10.5	6.6	62.9
Communications, postage & stationery	15.9	16.4	(0.5)	(3.0)	16.8	(0.9)	(5.4)
Advertising & promotion	7.7	5.4	2.3	42.6	7.8	(0.1)	(1.3)
Other product & services delivery costs	18.7	16.8	1.9	11.3	15.9	2.8	17.6
Other administration expenses	30.1	31.8	(1.7)	(5.3)	29.4	0.7	2.4
Total operating expenses	340.6	305.8	34.8	11.4	308.2	32.4	10.5
Significant expense items	14.8	31.8	(17.0)	(53.5)	28.3	(13.5)	(47.7)
Total expenses	355.4	337.6	17.8	5.3	336.5	18.9	5.6
Expenses to income	57.7%	63.7%	(6.0%)	(9.4)	60.0%	(2.3%)	(3.8)
Expenses to average assets	1.3%	1.2%	0.1%	8.3	1.2%	0.1%	8.3
Expenses to average assets-incl managed funds	1.3%	1.2%	0.1%	8.3	1.2%	0.1%	8.3
Number of staff (full-time equivalent)	3,779	3,598	181.2	5.0	3,514	265	7.5
Staff & related costs to income	30.1%	32.3%	(2.2%)	(6.8)	30.8%	(0.7%)	(2.3)

The above table includes fully consolidated contributions of Rural Bank from October 2009, Tasmanian Banking Services from August 2009 and Macquarie Margin Lending portfolio from January 2009.

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

Staff and related costs increased 13% compared to the previous corresponding period. This increase is impacted by the inclusion of the Macquarie Margin Lending business (2008: Nil) along with trading of Rural Bank Limited for the three months October to December 2009 inclusive (2008: Nil). Wage increases flowing from the bank's certified agreement and other salary increases during the calendar year also contributed to the increase.

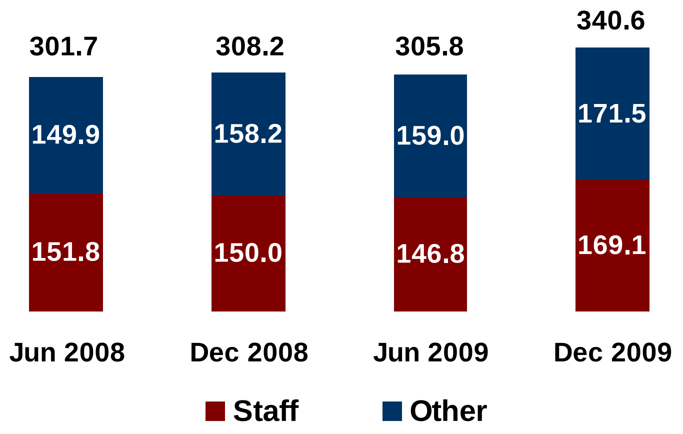
Fees and commissions increased by 63% predominantly due to the inclusion of the trading of Rural Bank Limited for the three months October to December 2009 inclusive (2008: Nil).

Other product & services delivery costs increased 18% predominantly due to the expansion of the ATM and Eftpos networks, increased transaction volumes and the inclusion of the trading of Rural Bank Limited for the three months October to December 2009 inclusive (2008: Nil).

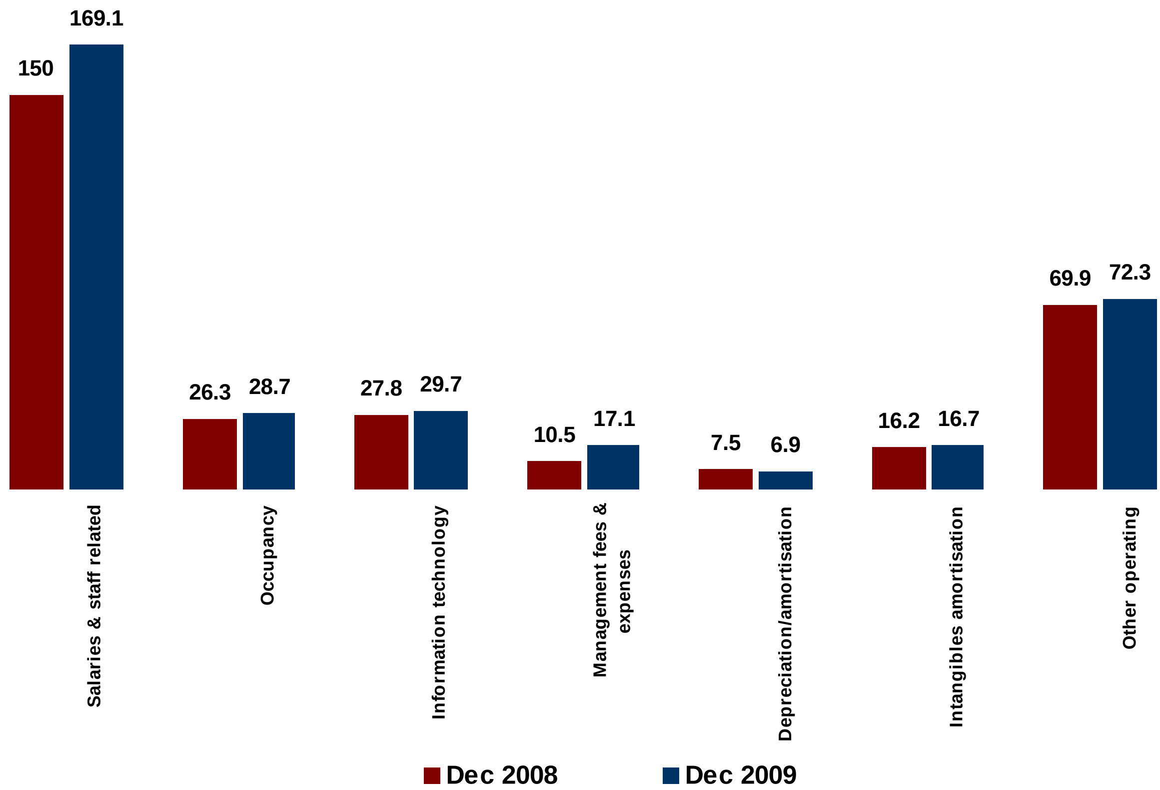
Expenses used in the above ratios are expenses less significant expense items and intangibles amortisation.

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

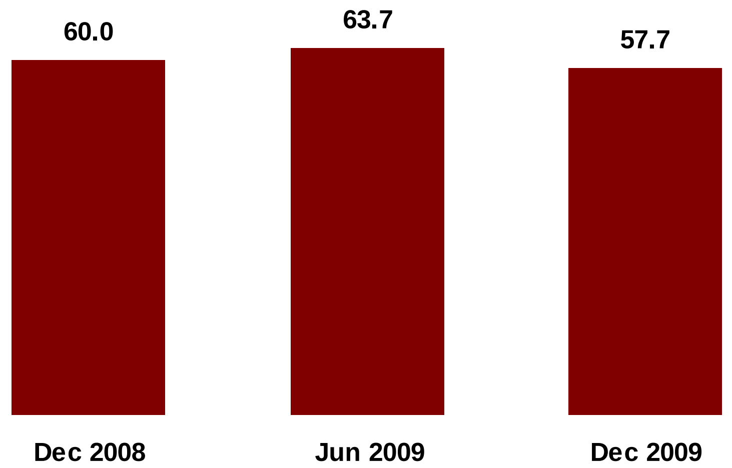
Operating Expenses - Six months
$m



Operating expenses
$m



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.

2.4.6 Lending

	As at Dec-09 $m	As at Jun-09 $m	Change $m	Change %	As at Dec-08 $m	Change $m	Change %
Gross loan balance - by security							
Residential	27,917.5	28,569.4	(651.9)	(2.3)	29,295.6	(1,378.1)	(4.7)
Business							
Accomodation and food services	255.1	227.8	27.3	12.0	228.2	26.9	11.8
Administrative and support services	100.0	69.0	31.0	44.9	68.5	31.5	46.0
Agriculture, forestry and fishing*	4,234.1	1,046.2	3,187.9	304.7	1,083.2	3,150.9	290.9
Arts and recreation services	61.3	54.1	7.2	13.3	50.7	10.6	20.9
Construction	510.2	532.8	(22.6)	(4.2)	515.6	(5.4)	(1.0)
Education and training	35.7	26.5	9.2	34.7	25.6	10.1	39.5
Electricity, gas, water and waste services	21.4	23.1	(1.7)	(7.4)	21.7	(0.3)	(1.4)
Financial and insurance services	127.0	121.3	5.7	4.7	58.6	68.4	116.7
Health care and social assistance	554.2	576.5	(22.3)	(3.9)	597.1	(42.9)	(7.2)
Information media and telecommunications	8.9	8.2	0.7	8.5	8.1	0.8	9.9
Manufacturing	187.0	182.3	4.7	2.6	180.8	6.2	3.4
Mining	23.7	21.6	2.1	9.7	30.5	(6.8)	(22.3)
Other Services	213.9	203.9	10.0	4.9	213.1	0.8	0.4
Professional, scientific and technical services	175.1	163.7	11.4	7.0	159.2	15.9	10.0
Public administration and safety	37.4	19.6	17.8	90.8	23.7	13.7	57.8
Rental, hiring and real estate services	2,005.9	1,756.4	249.5	14.2	1,673.4	332.5	19.9
Retail trade	408.3	400.5	7.8	1.9	407.4	0.9	0.2
Transport, postal and warehousing	202.2	223.7	(21.5)	(9.6)	225.9	(23.7)	(10.5)
Wholesale trade	130.8	136.4	(5.6)	(4.1)	132.9	(2.1)	(1.6)
Other	254.6	340.0	(85.4)	(25.1)	266.6	(12.0)	(4.5)
Total business	9,546.8	6,133.6	3,413.2	55.6	5,970.8	3,576.0	59.9
Margin lending	3,671.3	3,329.9	341.4	10.3	2,125.1	1,546.2	72.8
Unsecured	862.3	707.1	155.2	21.9	725.9	136.4	18.8
Other	198.5	183.1	15.4	8.4	251.4	(52.9)	(21.0)
Total gross loan balance	42,196.4	38,923.1	3,273.3	8.4	38,368.8	3,827.6	10.0
Gross loan balance - by purpose							
Residential	25,655.6	26,348.0	(692.4)	(2.6)	27,340.3	(1,684.7)	(6.2)
Consumer	3,743.8	3,682.9	60.9	1.7	3,426.7	317.1	9.3
Margin lending*	3,682.4	3,329.9	352.5	10.6	2,125.1	1,557.3	73.3
Commercial*	9,114.6	5,562.3	3,552.3	63.9	5,476.7	3,637.9	66.4
Total gross loan balance	42,196.4	38,923.1	3,273.3	8.4	38,368.8	3,827.6	10.0
Loans under management (gross balance)							
On-balance sheet	42,196.4	38,923.1	3,273.3	8.4	38,368.8	3,827.6	10.0
Off-balance sheet loans under management	469.7	571.3	(101.6)	(17.8)	629.1	(159.4)	(25.3)
STL Common Funds	1,168.4	1,273.0	(104.6)	(8.2)	1,657.4	(489.0)	(29.5)
Total Group loans under management	43,834.5	40,767.4	3,067.1	7.5	40,655.3	3,179.2	7.8

* The above table includes fully consolidated contributions of Rural Bank from October 2009, Tasmanian Banking Services from August 2009 and Macquarie Margin Lending portfolio from January 2009.

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

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

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

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

2.4.7 Asset quality

	As at Dec-09 $m	As at Jun-09 $m	Change $m	%	As at Dec-08 $m	Change $m	%
Impaired loans							
Full-performing [1]	2.1	1.3	0.8	61.5	0.3	1.8	600.0
Part-performing	40.0	2.1	37.9	1,804.8	1.4	38.6	2,757.1
Non-performing - property development	60.2	54.9	5.3	9.7	51.9	8.3	16.0
- other	146.7	165.3	(18.6)	(11.3)	85.1	61.6	72.4
Restructured loans	4.0	7.4	(3.4)	(45.9)	0.1	3.9	3,900.0
Total impaired assets	253.0	231.0	22.0	9.5	138.8	114.2	82.3
Less: Specific provisions	(78.7)	(67.7)	(11.0)	16.2	(41.0)	(37.7)	92.0
Net impaired assets	174.3	163.3	11.0	6.7	97.8	76.5	78.2
Past due 90 days							
Well secured	306.3	322.4	(16.1)	(5.0)	397.5	(91.2)	(22.9)
Great Southern portfolio	148.1	15.5	132.6	855.5	6.5	141.6	2,178.5
Portfolio facilities (not well secured)	16.9	3.3	13.6	412.1	4.1	12.8	312.2
Ratios							
Gross impaired to gross loans	0.60%	0.59%	0.01%	1.7	0.36%	0.24%	66.7
Gross impaired (excl prop develop) to gross loans	0.46%	0.45%	0.01%	2.2	0.23%	0.23%	100.0
Gross impaired assets to total assets	0.50%	0.49%	0.01%	2.0	0.29%	0.21%	72.4
Gross impaired assets (excl prop develop) to total assets	0.38%	0.37%	0.01%	2.7	0.18%	0.20%	111.1
Net impaired to gross loans	0.41%	0.42%	(0.01%)	(2.4)	0.25%	0.16%	64.0
Net impaired (excl prop develop) to gross loans	0.27%	0.28%	(0.01%)	(3.6)	0.12%	0.15%	125.0
Provision coverage [2]	87.1%	85.8%	1.3%	1.5	113%	(26%)	(22.9)

[1] Includes loans where the value of the security has reduced below the value of the outstanding loans but repayments are being made in accordance with the loan contract.

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

The above table includes fully consolidated contributions of Rural Bank from October 2009, Tasmanian Banking Services from August 2009 and Macquarie Margin Lending portfolio from January 2009.

2.4.8 Bad and Doubtful Debts

	Dec-09 $m	Jun-09 $m	Change $m	%	Dec-08 $m	Change $m	%
Expense:							
Prov'n doubtful debts - expense	18.7	56.0	(37.3)	(66.6)	9.0	9.7	107.8
Bad debts expense	1.1	2.4	(1.3)	(54.2)	18.8	(17.7)	(94.1)
Total bad and doubtful debts expense	19.8	58.4	(38.6)	(66.1)	27.8	(8.0)	(28.8)
Less: Bad debts recovered	3.0	3.6	(0.6)	(16.7)	2.3	0.7	30.4
Bad and doubtful debts net of recoveries	16.8	54.8	(38.0)	(69.3)	25.5	(8.7)	(34.1)

	As at Dec-09 $m	As at Jun-09 $m	Change $m	%	As at Dec-08 $m	Change $m	%
Balances:							
Prov'n doubtful debts - specific	78.7	67.7	11.0	16.2	41.0	37.7	92.0
Prov'n doubtful debts - collective	41.0	44.3	(3.3)	(7.4)	37.1	3.9	10.5
General reserve for credit losses	100.6	86.1	14.5	16.8	78.8	21.8	27.7
Provisions/reserve doubtful debts - total	220.3	198.1	22.2	11.2	156.9	63.4	40.4
Loan write-offs (annualised) to average assets	0.10%	0.10%	0.00%	-	0.04%	0.06%	150.0
Loan write-offs (annualised) to gross loans	0.12%	0.13%	(0.01%)	(7.7)	0.04%	0.08%	200.0
Total provision/reserve for doubtful debts to gross loans	0.52%	0.51%	0.01%	2.0	0.41%	0.11%	26.8
Collective provision (adjusted for tax) & GRCL to risk-weighted assets	0.54%	0.54%	0.00%	-	0.51%	0.03%	5.9

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

	Dec-09 $m	Jun-09 $m	Movement $m
Specific provisions	78.7	67.7	11.0
Collective provision	41.0	44.3	(3.3)
General reserve for credit losses (GRCL)	100.6	86.1	14.5
Total balance in provisions for doubtful debts/general reserve for credit losses	220.3	198.1	22.2

The movement in provisions comprise:

	Specific $m	Collective $m	Gen res cr losses $m	Total $m
Balance at June	67.7	44.3	86.1	198.1
Balance acquired in business combination	10.3	3.0	-	13.3
Bad and doubtful debts expense to profit and loss	26.1	(6.3)	-	19.8
Bad debts written off	(25.4)	-	-	(25.4)
Appropriation of movement in general reserve for credit losses *	-	-	14.5	14.5
Balance at December	78.7	41.0	100.6	220.3

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

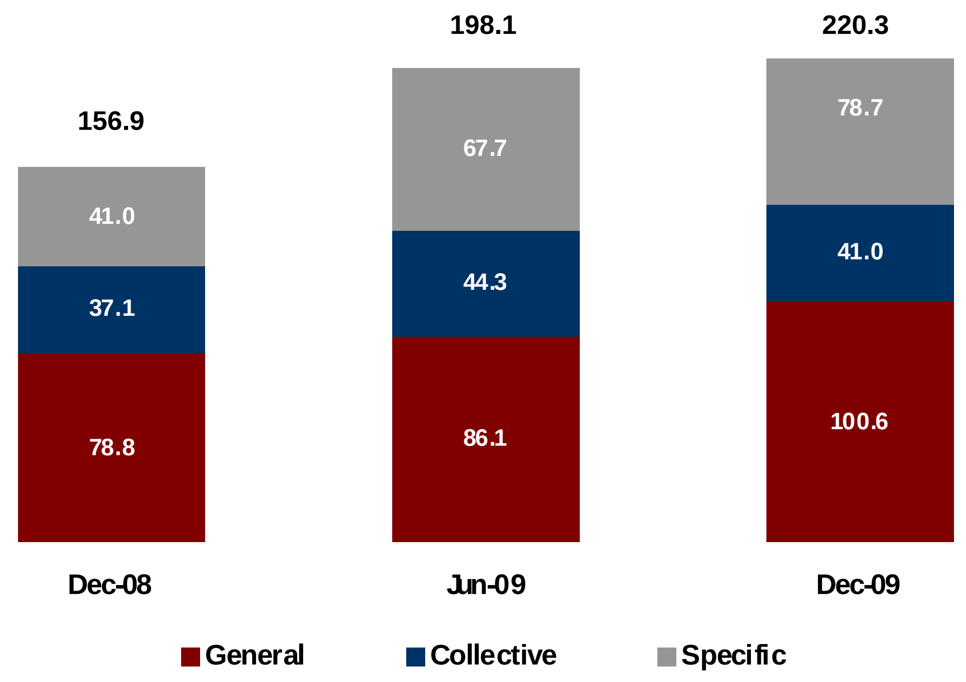
Bad debts previously provided for	24.3
Other bad debts	1.1
	25.4

** The above table includes fully consolidated contributions of Rural Bank from October 2009, Tasmanian Banking Services from August 2009 and Macquarie Margin Lending portfolio from January 2009.*

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

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

Total Provisions and Reserves for Doubtful Debts
$m



Total provisions and reserves for the group were $220.3 million as at 31 December 2009, an increase of $22.2 million. $13.3 million of this increase was acquired through the business combination with Rural Bank Limited.

2.4.9 Deposits and Funds under Management

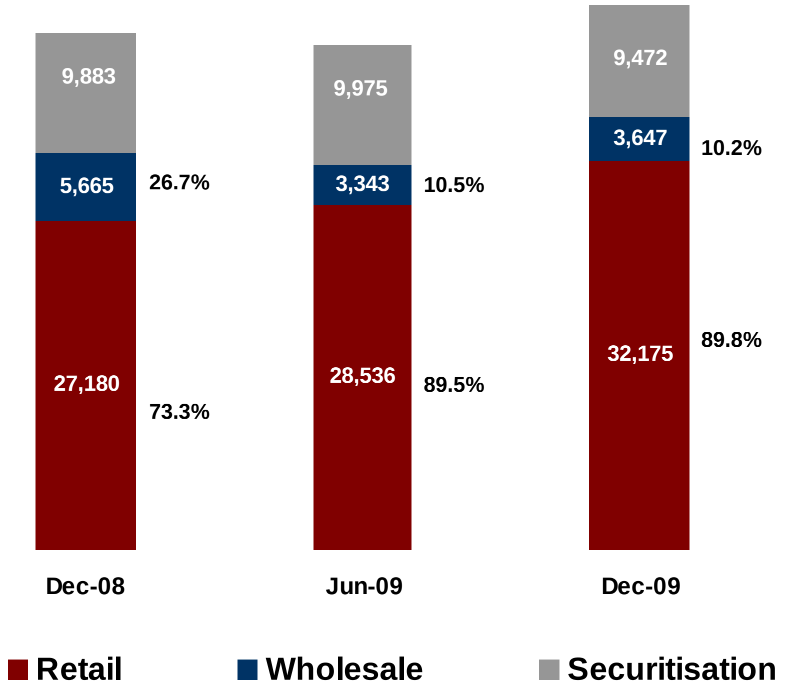
	As at Dec-09 $m	As at Jun-09 $m	Change $m	%	As at Dec-08 $m	Change $m	%
Deposits and funds under management							
Deposits	35,822.0	31,879.8	3,942.2	12.4	32,844.7	2,977.3	9.1
Securitisation	9,472.0	9,974.5	(502.5)	(5.0)	9,883.3	(411.3)	(4.2)
Managed funds	4,117.0	4,491.3	(374.3)	(8.3)	4,452.9	(335.9)	(7.5)
Total deposits and funds under management	49,411.0	46,345.6	3,065.4	6.6	47,180.9	2,230.1	4.7
Retail deposits and funds under management							
Retail deposits	32,174.7	28,536.4	3,638.3	12.7	27,179.8	4,994.9	18.4
Managed funds	4,117.0	4,491.3	(374.3)	(8.3)	4,452.9	(335.9)	(7.5)
Total retail deposits and funds under management	36,291.7	33,027.7	3,264.0	9.9	31,632.7	4,659.0	14.7
Deposits dissection: - $m							
Retail	32,174.7	28,536.4	3,638.3	12.7	27,179.8	4,994.9	18.4
Securitisation	9,472.0	9,974.5	(502.5)	(5.0)	9,883.3	(411.3)	(4.2)
Wholesale - domestic	2,901.9	2,652.6	249.3	9.4	4,892.1	(1,990.2)	(40.7)
Wholesale - offshore	745.4	690.8	54.6	7.9	772.8	(27.4)	(3.5)
Total deposits	45,294.0	41,854.3	3,439.7	8.2	42,728.0	2,566.0	6.0
Deposits dissection (excl securitisation) - %							
Retail	89.8%	89.5%	0.3%	0.3	82.8%	7.0%	8.5
Wholesale - domestic	8.1%	8.3%	(0.2%)	(2.4)	14.9%	(6.8%)	(45.6)
Wholesale - offshore	2.1%	2.2%	(0.1%)	(4.5)	2.3%	(0.2%)	(8.7)
Total deposits	100.0%	100.0%	-	-	100.0%	-	-
Managed funds dissection							
Assets under management	2,106.5	2,420.4	(313.9)	(13.0)	2,820.3	(713.8)	(25.3)
Other managed funds	2,010.5	2,070.9	(60.4)	(2.9)	1,632.6	377.9	23.1
Total managed funds	4,117.0	4,491.3	(374.3)	(8.3)	4,452.9	(335.9)	(7.5)

The above table includes fully consolidated contributions of Rural Bank from October 2009, Tasmanian Banking Services from August 2009 and Macquarie Margin Lending portfolio from January 2009.

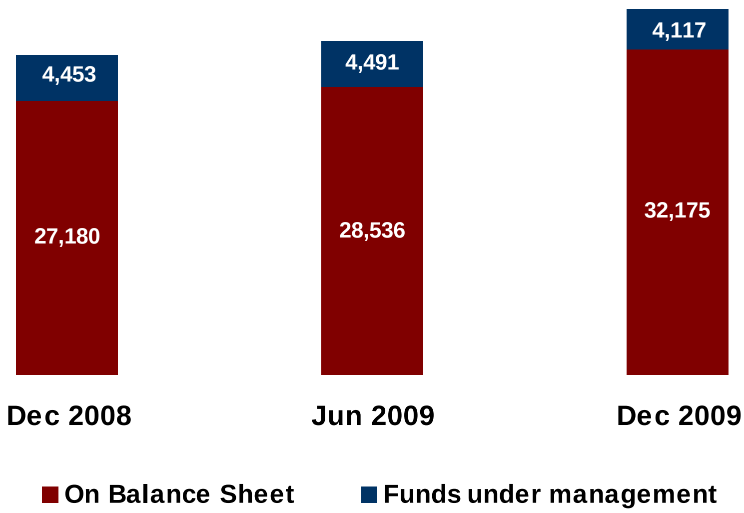
Assets under management include those funds deposited in the Sandhurst Trustees Limited funds, which are invested in cash, cash enhanced and mortgage investments on behalf of the investors. These funds are off-balance sheet.

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

Funding Mix
$m



Retail deposits and Funds under management
$m



Retail deposits increased by $5.0 billion or 18.4% to $32.2 billion over the 12 months.

Wholesale deposits decreased by $2.1 billion or 35.6% to $3.7 billion over the 12 months.

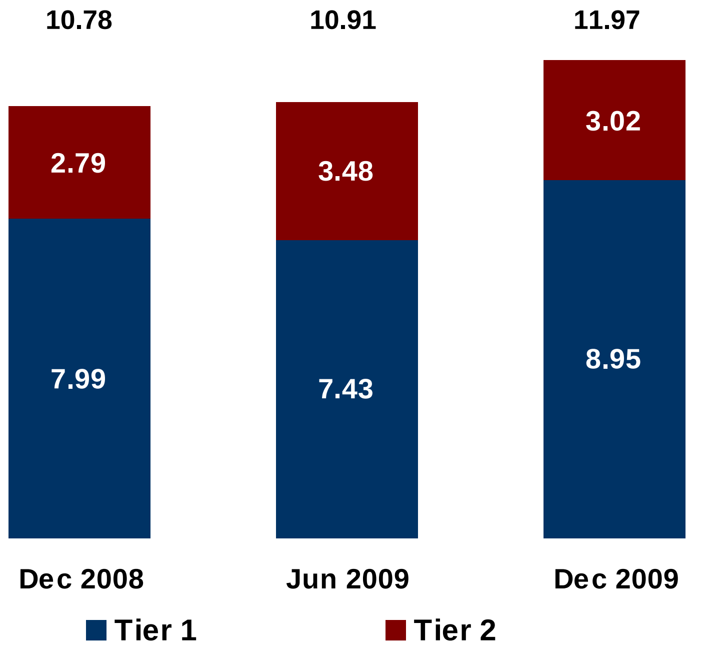
Securitisation decreased by $0.4 billion or 4.2% to $9.5 billion over the 12 months.

The group's retail deposit base remains strong at 89.8% of deposits (excluding securitisation).

2.4.10 Capital and shareholder returns

2.4.10.1 Capital Adequacy

Capital adequacy
%



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

2.4.10.2 Shareholder returns

	Dec-09 $m	Jun-09 $m	Change $m	%	Dec-08 $m	Change $m	%
Cash basis earnings per ordinary share (weighted average)-cents	41.2	22.9	18.3	79.9	40.7	0.5	1.2
Earnings per ordinary share (weighted average)-cents	29.7	9.7	20.0	206.2	16.2	13.5	83.3
Diluted earnings per ordinary share (weighted average)-cents	27.7	9.7	18.0	185.6	16.2	11.5	71.0
Weighted average number of ordinary shares used basic and cash basis EPS calculations - 000's	339,454	305,279	34,175	11.2	276,144	63,310	22.9
Weighted average number of ordinary shares used in diluted EPS calculation - 000's	382,605	305,709	76,896	25.2	276,574	106,031	38.3
Cash basis return on average ordinary equity	8.17%	4.35%	3.82%	87.8	7.20%	0.97%	13.5
After tax return on average ordinary equity	5.90%	1.84%	4.06%	220.7	2.87%	3.03%	105.6
After tax before significant items return on average ordinary equity	7.66%	3.78%	3.88%	102.6	6.60%	1.06%	16.1
After tax return on average assets	0.42%	0.14%	0.28%	200.0	0.21%	0.21%	100.0
After tax before significant items return on average assets	0.55%	0.27%	0.28%	103.7	0.45%	0.10%	22.2

The above table includes fully consolidated contributions of Rural Bank from October 2009, Tasmanian Banking Services from August 2009 and Macquarie Margin Lending portfolio from January 2009.

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

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

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

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

After tax return on average assets uses profit after tax.

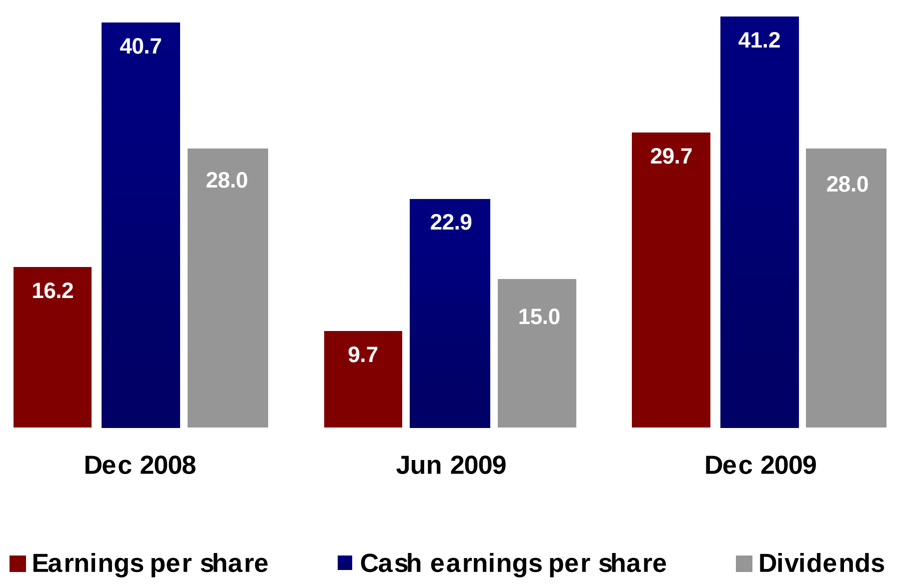
June profit figures are for the June 2009 half-year and balance sheet items are as at end of June 2009.

Dividends

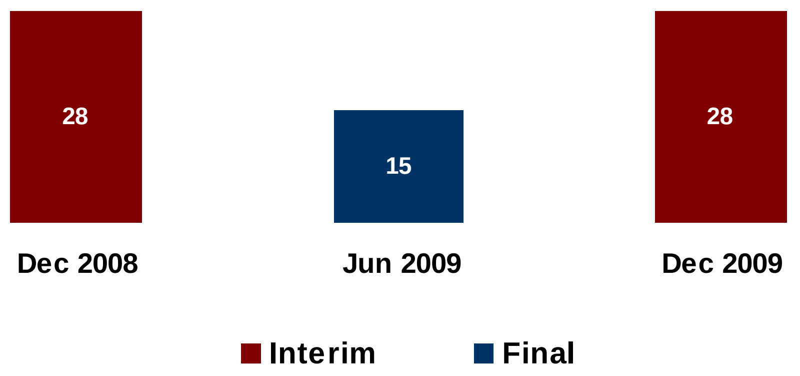
	Dec-09	Jun-09	Change	%	Dec-08	Change	%
Dividend per share - cents	28.0	15.0	13.0	86.7	28.0	-	-
Dividend amount payable - $m	94.7	44.0	50.7	115.2	81.2	13.5	16.6
Payout ratio - earnings per ordinary share	94.3%	154.6%	(60.3%)	(39.0)	172.8%	(78.5%)	(45.4)
Payout ratio - cash basis per ordinary share*	68.0%	65.5%	2.5%	3.8	68.8%	(0.8%)	(1.2)

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

Earnings per ordinary share
cents



Dividends paid per ordinary share
cents



Our ability to continue paying fully franked dividends in the near term remains strong, with our adjusted franking account balance standing at $153.0 million after allowing for the interim 2010 dividend.

The dividend pay-out ratio for the half year on earnings per ordinary share (weighted average) is 94.3%, or 68.0% 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 2010 interim dividend is 4 March 2010.

2.5 Additional notes

2.5.1 Analysis of intangible assets

	Balance sheet - carrying value	Half year amortisation/ impairment expense		
	Dec-09	Dec-09	Jun-09	Dec-08
	$m	$m	$m	$m
Goodwill	1,453.6	-	-	-
Trustee licence	8.4	-	-	-
Setup Costs (Rural Bank)	7.2	-	-	-
Software	19.4	4.1	3.4	3.1
Customer list (Oxford Funding)	0.1	0.1	0.3	0.2
Core deposits (Adelaide Bank)	64.9	7.9	8.1	8.2
Trade name (Adelaide Bank)	15.8	2.1	2.2	2.1
Customer relationship (Adelaide Bank)	21.8	1.8	1.8	1.8
Management rights (Adelaide Bank)	13.2	0.5	0.5	0.5
Software uplift (Adelaide Bank)	0.3	0.2	0.2	0.3
Total	1,604.7	16.7	16.5	16.2

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2.5.2 Assets and capital

	As at Dec-09	As at Jun-09	Change		As at Dec-08	Change	
	$m	$m	$m	%	$m	$m	%
Group assets	50,872.0	47,114.2	3,757.8	8.0	48,209.0	2,663.0	5.5
Capital adequacy							
Total qualifying capital	2,877.0	2,634.4	242.6	9.2	2,225.5	651.5	29.3
Risk-weighted assets	24,025.8	24,155.0	(129.2)	(0.5)	20,644.5	3,381.3	16.4
Risk-weighted capital adequacy	11.97%	10.91%	1.06%	9.7	10.78%	1.19%	11.0
- Tier 1	8.95%	7.43%	1.52%	20.5	7.99%	0.96%	12.0
- Tier 2	3.02%	3.48%	(0.46%)	(13.2)	2.79%	0.23%	8.2
Net tangible assets per fully paid ordinary share	$5.16	$4.31	$0.85	19.7	$4.19	$0.97	23.2
No. of fully paid shares on issue - 000's	356,951	308,243	48,708	15.8	296,479	60,472	20.4
Total Equity	3,770.3	3,118.7	651.6	20.9	2,990.3	780.0	26.1

The above table includes fully consolidated contributions of Rural Bank from October 2009, Tasmanian Banking Services from August 2009 and Macquarie Margin Lending portfolio from January 2009.

2.5.3 Investments accounted for using the equity method

Name	**Ownership interest held by consolidated entity**		
	Dec-09	**Jun-09**	**Dec-08**
	%	**%**	**%**
Rural Bank Ltd *	60.0	60.0	50.0
Tasmanian Banking Services Ltd *	100.0	50.0	50.0
Community Sector Enterprises Pty Ltd	50.0	50.0	50.0
Homesafe Solutions Pty Ltd	50.0	50.0	50.0
Silver Body Corporate Financial Services Pty Ltd	50.0	50.0	50.0
Community Telco Australia Pty Ltd	50.0	50.0	50.0
Strategic Payments Services Pty Ltd	47.5	33.3	33.3

(i) Principal activities of associate companies:
Rural Bank Ltd – financial services (consolidated, effective October 2009)
Tasmanian Banking Services Ltd – financial services (wholly-owned subsidiary, effective August 2009)
Community Sector Enterprises Pty Ltd – financial services
Homesafe Solutions Pty Ltd – financial services
Silver Body Corporate Financial Services Pty Ltd – financial services
Community Telco Australia Pty Ltd – telecommunication services
Strategic Payments Services Pty Ltd – payment processing services

All joint venture companies are incorporated in Australia.

	Dec-09	**Dec-08**
	$m	**$m**
(ii) Share of joint ventures' profits:		
Profit before income tax	11.6	14.7
Income tax expense attributable to profit	(3.6)	(4.9)
Profit after income tax	8.0	9.8
Share of joint ventures' profit after income tax:		
Rural Bank Ltd *	8.1	11.2
Tasmanian Banking Services Ltd *	0.1	0.5
Community Sector Enterprises Pty Ltd	0.2	(0.1)
Homesafe Solutions Pty Ltd	(0.1)	(0.3)
Silver Body Corporate Financial Services Pty Ltd	0.1	-
Community Telco Australia Pty Ltd	(0.5)	(0.6)
Strategic Payments Services Pty Ltd	0.1	(0.9)
	8.0	9.8

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

Rural Bank Ltd reported an after-tax profit available for distribution to shareholders for the six months to December 2009 of $26.8 million. The interim result represented an increase of 20% on the corresponding result of $22.4 million in the same period last year. Loans under management were maintained at $3.6 billion. The business continues to perform soundly in an environment characterised by strong competition and the impact of drought conditions on its customer base. Effective October 2009, the group attained 60% control of Rural Bank Ltd and has consolidated its results from 1 October 2009.

Tasmanian Banking Services Ltd was a joint venture between Bendigo and Adelaide Bank and Tasmanian Perpetual Trustees providing banking services in Tasmania. Effective August 2009, the group acquired the remaining 50% ownership and control of Tasmanian Banking Services Ltd and has consolidated its results from 1 August 2009.

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

Homesafe Solutions Pty Ltd is the trustee and management company responsible for the development, marketing, sales and management of the Homesafe Debt Free Equity Release product that enables aged home-owners to access the equity in their homes in a secure and cost efficient manner. Since being launched in 2005, business valued at $113.7 million at historical cost has been written in this product.

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

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

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

2.5.4 Net Tangible Assets per share

	Dec-09	Jun-09	Dec-08
Net tangible assets per ordinary share	$5.16	$4.31	$4.19
Net tangible assets			
	$m	**$m**	**$m**
Net assets	3,770.3	3,118.7	2,990.3
Intangibles	(1,604.7)	(1,598.9)	(1,558.8)
Preference shares - face value	(90.0)	(90.0)	(90.0)
Preference shares - face value	(100.0)	(100.0)	(100.0)
Non-controlling interest	(132.7)	-	-
Net tangible assets attributable to ordinary shareholders	1,842.9	1,329.8	1,241.5
Ordinary Shares on issue '000	356,951	308,243	296,479

2.5.5 Credit Ratings

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

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

On 1 Dec 2009, Moody's Investors Service assigned a bank financial strength rating of C to Bendigo and Adelaide Bank Limited. Moody's also affirmed a long term rating at A2, short term rating at P-1, with a stable outlook. Moody's commented 'the rating reflects the combined bank's diversified business profile and stable retail franchise, which includes a significant retail deposit base'.

On 21 April 2009, Standard & Poor's Ratings Servicers re-affirmed the long term rating at BBB+, short term rating at A-2, with the outlook remaining at stable. Standard and Poor's commented that 'the counterparty credit ratings on Bendigo and Adelaide Bank Ltd reflect the bank's branded model and a strong business and good geographic diversity'.

On 20 March 2009, Fitch Ratings, the international ratings agency re-affirmed Bendigo and Adelaide Bank Limited's long term rating at BBB+, short term rating at F2, its support rating of '3', and the bank's Support Rating floor of 'BB', with a Stable outlook. Fitch commented 'Bendigo and Adelaide Bank's ratings reflect its solid position in the retail and SME banking markets in Australia, generally conservative risk management practices and adequate capitalisation'.

2.5.6 Issued Capital

Changes to issued and quoted securities during the period

Ordinary Shares	**Number of Shares**	**$m**
Fully paid ordinary shares at 30 June 2009	308,243,636	3,003.9
Shares issued:		
August 2009 - Acquisition of remaining 50% ownership of Tasmanian Banking Services Ltd at $6.39	781,910	5.0
August 2009 - Institutional placement and entitlement offer at $6.75	26,618,172	179.7
September 2009 - Retail entitlement offer at $6.75	17,854,868	120.5
September 2009 - Dividend Reinvestment Plan at $7.95	1,607,958	12.8
September 2009 - Bonus Share Scheme (in lieu of dividend payment) at $7.95	304,421	-
December 2009 - Executive performance share plan at $6.56	1,540,360	10.1
Share issue costs	-	(10.4)
Fully paid ordinary shares at 31 December 2009	**356,951,325**	**3,321.6**
Preference Shares		
Preference shares of $100 face value (fully paid) at 30 June 2009	900,000	88.5
Preference shares of $100 face value (fully paid) at 31 December 2009	**900,000**	**88.5**
Step Up Preference Shares		
Preference shares of $100 face value (fully paid) at 30 June 2009	1,000,000	100.0
Preference shares of $100 face value (fully paid) at 31 December 2009	**1,000,000**	**100.0**

Bendigo and Adelaide Bank Limited

ABN 11 068 049 178

Half Year Financial Report

For the period ending

31 December 2009

Information contained in this report should be read in conjunction with the June 2009 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)
Mike Hirst (Managing Director)
Kevin Abrahamson
Jenny Dawson
Jamie McPhee (resigned 27 January 2010)
Terry O'Dwyer
Deborah Radford
Tony Robinson

Company Secretary

David Oataway

Registered Office

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

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

Principal place of business

The Bendigo Centre
Bendigo Victoria 3550

Share Registry

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

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

Auditors

Ernst & Young
Australia

3 STATUTORY HALF YEAR FINANCIAL REPORT

3.1 Directors' Report

Your Directors submit their report for the half year ended 31 December 2009.

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 Mike Hirst (Managing Director) (appointed 3 July 2009)
Mr Rob Hunt AM (Managing Director) (retired 3 July 2009)
Mr Kevin Abrahamson
Ms Jenny Dawson
Mr Jamie McPhee (resigned, effective 27 January 2010)
Mr Terry O'Dwyer
Mr Kevin Osborn (Deputy Chairman) (resigned 3 December 2009)
Ms Deborah Radford
Mr Kevin Roache (retired 26 October 2009)
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.

In August 2009, Bendigo and Adelaide Bank Limited increased its ownership and control of Tasmanian Banking Services Limited ("TBS") from 50% to 100%. In October 2009, changes to the shareholders agreement between Bendigo and Adelaide Bank Limited and Elders Limited in relation to the Rural Bank joint venture resulted in the full consolidation of Rural Bank Limited ("Rural Bank") into the Group. Prior to the consolidation of Rural Bank, the Group recorded its 60% share of profit through its income statement. The operating results of TBS from August 2009 and Rural Bank from October 2009 are included within this report.

Total income increased $102.4 million or 24% to $534.2 million when compared with the half-year ended 31 December 2008. Profit before tax increased by $92.2 million, or 132%, to $162.0 million. Profit after tax (attributable to members of the parent) increased by $53.5 million to $104.1 million and included an after tax expense of $19.1 million (2008: $43.7 million) relating to cash flow hedge ineffectiveness on hedges acquired on the merger with Adelaide Bank Ltd and consolidation of Rural Bank Ltd. After tax profit was also adversely impacted by other items that were of an unusual and/or non-recurring nature which total $11.3 million after tax (2008: $19.8 million). These items are disclosed in Note 3.7.6 of this financial report.

Group assets increased 8.0%, or $3.8 billion during the half-year. Group assets at 31 December 2009 were $50.9 billion.

The total capital adequacy ratio increased during the half from 10.91% to 11.97%. Tier one capital increased during the half year from 7.43% to 8.95% with Tier two capital decreasing from 3.48% to 3.02%.

Fully franked dividends paid on preference shares during the half year:
84.60 cents per share, paid on 15 September 2009.
86.47 cents per share, paid on 15 December 2009.

Fully franked dividends paid on step up preference shares during the half year:
86.00 cents per share, paid on 10 July 2009.
86.00 cents per share, paid on 12 October 2009.

Fully franked dividends paid on reset preference shares during the half year:
310.53 cents per share, paid on 2 November 2009.

Fully franked dividends paid or declared on ordinary shares during the half year:
Final dividend of 15.0 cents per share, paid on 30 September 2009 in respect of the year ended 30 June 2009.
Interim dividend of 28.0 cents per share, declared on 15 February 2010, payable on 31 March 2010.

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 August 2009, 781,910 shares were allotted at an issue price of $6.39 to the other ordinary shareholder of Tasmanian Banking Services Limited ("TBS") to acquire the remaining 50% issued ordinary share capital of TBS, increasing share capital by $5.0 million.

In August 2009, 26,618,172 shares were allotted at an issue price of $6.75 under the Company's Institutional placement and entitlement offer, increasing share capital by $179.7 million.

In September 2009, 17,854,868 shares were allotted at an issue price of $6.75 under the Company's Retail entitlement offer, increasing share capital by $120.5 million.

In September 2009, 1,607,958 shares were allotted at an issue price of $7.95 to those shareholders participating in the Dividend Reinvestment Plan, increasing share capital by $12.8 million.

In December 2009, 1,540,360 shares were allotted at an issue price of $6.56 under the Executive performance share plan, increasing share capital by $10.1 million.

During the half year, share issue costs relating to the share offers were incurred, decreasing share capital by $10.4 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 15 February 2010 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 2009 half-year payable on 31 March 2010. The amount estimated to be appropriated in relation to this dividend is $97.8 million. The dividend has not been provided for in the 31 December 2009 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 2009. 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 2009. 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 2009, 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

T M Dring
Partner
Melbourne
15 February 2010

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

Robert Johanson

Robert Johanson, Chairman
Bendigo
15 February 2010

3.2 Condensed Income Statement
for the half year ended 31 December 2009

	Notes	Consolidated 2009	2008 Restated
Income		$m	$m
Net interest income			
Total interest income		1,233.4	1,897.9
Total interest expense		825.4	1,571.8
Total net interest income		408.0	326.1
Other revenue			
Dividends		3.1	2.2
Fees		100.7	107.6
Commissions		20.6	26.0
Other revenue		17.0	10.6
Total other revenue		141.4	146.4
Other Income			
Ineffective cash flow hedges		(27.3)	(62.4)
Other Income		0.5	7.0
Total other income		(26.8)	(55.4)
Share of associates' and joint ventures net profits/losses		11.6	14.7
Total income after interest expense		534.2	431.8
Expenses			
Bad and doubtful debts on loans and receivables		16.8	25.5
Other expenses			
Staff and related costs		169.1	150.0
Occupancy costs		28.7	26.3
Information technology costs		29.7	27.8
Amortisation of intangibles		16.7	16.2
Property, plant & equipment costs		6.9	7.5
Fees and commissions		17.1	10.5
Communications, postage & stationery		15.9	16.8
Advertising & promotion		7.7	7.8
Other product & services delivery costs		18.7	15.9
Impairment loss on equity investments		-	6.8
Integration costs		16.0	19.7
Accounting loss on unwind of joint venture		3.2	-
Employee shares shortfall		(4.4)	-
Other administration expenses		30.1	31.2
Total other expenses		355.4	336.5
Profit before income tax expense		162.0	69.8
Income tax expense		(53.0)	(19.2)
Net profit for the period		109.0	50.6
Net profit for the period attributable to:			
Non-controlling interest		4.9	-
Owners of the Parent		104.1	50.6
Basic earnings per ordinary share (cents per share)	*3.7.6*	29.7	16.2
Diluted earnings per ordinary share (cents per share)	*3.7.6*	27.7	16.2
Franked dividends per share (cents per share)	*3.7.5*	28.0	28.0

3.3 Balance Sheet

as at 31 December 2009

	Notes	Consolidated As at 31-Dec-09 $m	As at 30-Jun-09 $m	As at 31-Dec-08 Restated $m
Assets				
Cash and cash equivalents		1,111.2	912.6	2,918.5
Due from other financial institutions		102.3	235.4	125.6
Financial assets held for trading		4,019.5	3,882.3	1,776.7
Financial assets available for sale - securities		238.9	-	1,088.4
Financial assets held to maturity		595.7	344.9	877.1
Current tax assets		33.3	84.4	49.6
Other assets		615.0	512.3	433.4
Financial assets available for sale - share investments		113.5	84.1	89.7
Derivatives		10.4	49.0	267.9
Loans and other receivables - investment		522.5	505.7	523.4
Net loans and other receivables		41,490.7	38,235.2	37,736.8
Investments in joint ventures accounted for using the equity method		6.2	225.9	183.0
Property, plant & equipment		112.1	115.9	112.8
Deferred tax assets		161.3	212.0	365.2
Investment property		134.7	115.6	102.1
Intangible assets and goodwill		1,604.7	1,598.9	1,558.8
Total Assets		50,872.0	47,114.2	48,209.0
Liabilities				
Due to other financial institutions		96.1	196.3	115.0
Deposits		35,822.0	31,879.8	32,844.7
Notes payable		9,472.0	9,974.5	9,883.3
Derivatives		278.1	436.4	718.7
Other payables		568.1	665.9	629.2
Provisions		76.2	62.7	65.3
Deferred tax liabilities		92.5	91.7	193.3
Reset preference shares		89.5	89.5	89.5
Subordinated debt - at amortised cost		607.2	598.7	679.7
Total Liabilities		47,101.7	43,995.5	45,218.7
Net Assets		3,770.3	3,118.7	2,990.3
Equity				
Equity attributable to equity holders of the parent				
Issued capital -ordinary	*3.7.10*	3,321.6	3,003.9	2,923.4
Preference shares	*3.7.10*	188.5	188.5	188.5
Employee Share Ownership Plan (ESOP) shares		(30.0)	(32.7)	(34.2)
Reserves		(41.9)	(185.3)	(295.8)
Retained earnings		199.4	144.3	208.4
Total parent interests		3,637.6	3,118.7	2,990.3
Total non-controlling interests		132.7	-	-
Total Equity		3,770.3	3,118.7	2,990.3

3.4 Statement of Comprehensive Income

for the half year ended 31 December 2009

	Consolidated	
	2009	2008
	$m	$m
Available for sale financial assets revaluation	33.9	(11.6)
Transfer of available for sale assets revaluation to income	(0.8)	(4.6)
Net gain/(loss) on cash flow hedges taken to equity	167.8	(680.9)
Net unrealised gain/(loss) on investments in available for sale portfolio	-	0.6
Actuarial gain/(loss) on superannuation defined benefits plan	1.7	(4.5)
Tax effect on items taken directly to or transferred from equity	(63.1)	227.8
Net income/(loss) recognised directly in equity	139.5	(473.2)
Profit for the year	109.0	50.6
Total comprehensive income for the period	248.5	(422.6)
Total comprehensive income for the period attributable to:		
Non-controlling interest	5.4	-
Owners of the Parent	243.1	(422.6)

3.5 Statement of Changes in Equity

for the half year ended 31 December 2009

	Attributable to owners of Bendigo and Adelaide Bank Limited						Non-controlling interest	Total equity
	Issued ordinary capital	ESOP shares	Preference shares	Retained earnings	Reserves [1]	Total		
	$m	$m	$m	$m	$m	$m	$m	$m
CONSOLIDATED								
At 1 July 2009								
Opening balance b/fwd	3,003.9	(32.7)	188.5	144.3	(185.3)	3,118.7	-	3,118.7
Acquired in business combination	-	-	-	-	-	-	131.6	131.6
Comprehensive income:								
Profit for the half-year	-	-	-	104.1	-	104.1	4.9	109.0
Other comprehensive income	-	-	-	1.7	137.3	139.0	0.5	139.5
Total comprehensive income for the period	-	-	-	105.8	137.3	243.1	5.4	248.5
Transactions with owners in their capacity as owners:								
Shares issued	328.1	-	-	-	-	328.1	-	328.1
Share issue expenses	(10.4)	-	-	-	-	(10.4)	-	(10.4)
Reduction in Employee Share Ownership Plan shares	-	2.7	-	-	-	2.7	-	2.7
Movement in general reserve for credit losses (GRCL)	-	-	-	(14.5)	14.5	-	(0.1)	(0.1)
Movement in GRCL-associates	-	-	-	11.1	(11.1)	-	-	-
Share based payment	-	-	-	-	2.7	2.7	-	2.7
Equity dividends	-	-	-	(47.3)	-	(47.3)	(3.8)	(51.1)
Other	-	-	-	-	-	-	(0.4)	(0.4)
At 31 December 2009	3,321.6	(30.0)	188.5	199.4	(41.9)	3,637.6	132.7	3,770.3

[1] *The balance of reserves includes accumulated other comprehensive income of $100.6m as at 31 December 2009.*

	Attributable to owners of Bendigo and Adelaide Bank Limited						Non-controlling interest	Total equity
	Issued ordinary capital	ESOP shares	Preference shares	Retained earnings	Reserves [1]	Total		
	$m	$m	$m	$m	$m	$m	$m	$m
CONSOLIDATED								
At 1 January 2009								
Opening balance b/fwd	2,923.4	(34.2)	188.5	208.4	(295.8)	2,990.3	-	2,990.3
Comprehesive income:								
Profit for the half-year	-	-	-	33.2	-	33.2	-	33.2
Other comprehensive income	-	-	-	(2.4)	99.8	97.4	-	97.4
Total comprehensive income for the period	-	-	-	30.8	99.8	130.6	-	130.6
Transactions with owners in their capacity as owners:								
Shares issued	81.9	-	-	-	-	81.9	-	81.9
Share issue expenses	(1.4)	-	-	-	-	(1.4)	-	(1.4)
Reduction in Employee Share Ownership Plan shares	-	1.5	-	-	-	1.5	-	1.5
Movement in general reserve for credit losses (GRCL)	-	-	-	(7.3)	7.3	-	-	-
Movement in GRCL-associates	-	-	-	(1.5)	1.5	-	-	-
Share based payment	-	-	-	-	1.8	1.8	-	1.8
Equity dividends	-	-	-	(85.8)	-	(85.8)	-	(85.8)
Other	-	-	-	(0.3)	0.1	(0.2)	-	(0.2)
At 30 June 2009	3,003.9	(32.7)	188.5	144.3	(185.3)	3,118.7	-	3,118.7

[1] *The balance of reserves includes accumulated other comprehensive income of $86.1m as at 30 June 2009.*

Statement of Changes in Equity (continued)

	Attributable to owners of Bendigo and Adelaide Bank Limited						Non-controlling interest	Total equity
	Issued ordinary capital	ESOP shares	Preference shares	Retained earnings	Reserves [1]	Total		
	$m	$m	$m	$m	$m	$m	$m	$m
CONSOLIDATED								
At 1 July 2008								
Opening balance b/fwd	2,706.3	(37.4)	188.5	269.9	170.6	3,297.9	-	3,297.9
Comprehesive income:								
Profit for the half-year	-	-	-	50.6	-	50.6	-	50.6
Other comprehensive income	-	-	-	(4.5)	(468.7)	(473.2)	-	(473.2)
Total comprehensive income for the period	-	-	-	46.1	(468.7)	(422.6)	-	(422.6)
Transactions with owners in their capacity as owners:								
Shares issued	217.9	-	-	-	-	217.9	-	217.9
Share issue expenses	(0.8)	-	-	-	-	(0.8)	-	(0.8)
Reduction in Employee Share Ownership Plan shares	-	3.2	-	-	-	3.2	-	3.2
Movement in general reserve for credit losses (GRCL)	-	-	-	(2.6)	2.6	-	-	-
Movement in GRCL-associates	-	-	-	(0.4)	0.4	-	-	-
Share based payment	-	-	-	-	(0.7)	(0.7)	-	(0.7)
Equity dividends	-	-	-	(104.6)	-	(104.6)	-	(104.6)
Other	-	-	-	-	-	-	-	-
At 31 December 2008	2,923.4	(34.2)	188.5	208.4	(295.8)	2,990.3	-	2,990.3

[1] *The balance of reserves includes accumulated other comprehensive income of $78.8m as at 31 December 2008.*

3.6 Cash Flow Statement
for the half year ended 31 December 2009

		Consolidated	
		2009	2008
		$m	$m
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and other items of a similar nature received		1,184.8	1,876.5
Interest and other costs of finance paid		(822.0)	(1,536.8)
Receipts from customers (excluding effective interest)		117.4	82.8
Payments to suppliers and employees		(350.1)	(299.5)
Dividends received		14.2	10.4
Income taxes paid		(4.7)	(75.0)
Net cash flows from operating activities		139.6	58.4
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash flows for purchases of property, plant and equipment		(20.2)	(24.5)
Cash proceeds from sale of property, plant and equipment		1.5	1.7
Cash proceeds from sale of asset held for sale		-	100.0
Cash paid for purchases of equity investments		(5.8)	(47.5)
Cash paid for purchases of intangible software		(0.4)	-
Cash proceeds from sale of equity investments		4.1	17.6
Net (increase)/decrease in balance of loans and other receivables outstanding		231.6	1,862.8
Net (increase)/decrease in balance of investment securities		107.9	(508.7)
Net cash received/(paid) on acquisition of a subsidiary		(187.8)	-
Net cash flows from/(used in) investing activities		130.9	1,401.4
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from shares issued		312.7	191.5
Net increase in balance of retail deposits		16.6	3,539.1
Net increase/(decrease) in balance of wholesale deposits		226.2	(2,103.6)
Proceeds from issue of subordinated debt		11.1	-
Repayment of subordinated debt		(120.0)	-
Dividends paid		(34.6)	(77.7)
Dividends paid by non controlling interest		(6.6)	-
Net increase/(decrease) in balance of notes payable		(502.5)	(1,421.1)
Repayment of ESOP shares		2.7	3.1
Payment of share issue costs		(10.4)	(0.8)
Net cash flows from/(used in) financing activities		(104.8)	130.5
Net increase/(decrease) in cash and cash equivalents		165.7	1,590.3
Add cash and cash equivalents at the beginning of the period		951.7	1,338.8
Cash and cash equivalents at the end of period	*3.7.9*	1,117.4	2,929.1

3.7 Notes to and forming part of the financial statements

3.7.1 Corporate information

The half year financial report of Bendigo and Adelaide Bank Limited for the six months ended 31 December 2009 was authorised for issue in accordance with a resolution of the Directors on 15 February 2010.

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 ($).

3.7.2 Summary of significant accounting policies

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

It is recommended that the half-year report is read in conjunction with the Annual Financial Report of Bendigo and Adelaide Bank Limited as at 30 June 2009, 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 2009 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

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

3.7.2.1 Basis of preparation

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

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

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

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

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

3.7.2.2 Changes in accounting policies

Since 1 July 2009 the Group has adopted the following Standards and Interpretations, mandatory for annual reporting periods beginning on or after 1 July 2009. Adoption of these Standards and Interpretations did not have any material effect on the financial position or performance of the Group.

- AASB 3 Revised *Business Combinations.*
- AASB 8 *Operating Segments*
- AASB 101 Revised *Presentation of Financial Statements.*
- AASB 123 Revised *Borrowing Costs*
- AASB 127 Revised *Consolidated and Separate Financial Statements.*
- AASB 1039 Revised *Concise Reporting.*

The following amending standards have also been adopted from 1 July 2009:

- AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8.*
- AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123.*
- AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101.*
- AASB 2007-10 *Amendments 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 2008-3 *Amendments to Australian Accounting Standards – Business Combinations and Consolidated and Separate Financial Statements.*
- 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.*
- Interpretation 18 *The transfer of Assets from Customers.*

The Group has not early adopted any Standards and Interpretations that are mandatory for annual reporting periods beginning on or after 1 July 2010.

3.7.2.3 Restatement of hedge accounting values

The prior period results included in this financial report have been restated to reflect an error in hedge accounting values for the half year ended 31 December 2008. This error was corrected in the half year ended 30 June 2009. This restatement has impacted on the following lines of the income statement for December 2008 half and the balance sheet for 31 December 2008.

		December 2008 Half year		
		Restated	Reported	Incr/(Decr)
		$m	$m	$m
Income statement	- total interest income	1,897.9	1,912.1	(14.2)
	- income tax expense	(19.2)	(23.5)	4.3
	- profit for the period	50.6	60.5	(9.9)
Balance sheet	- reserves	(295.8)	(305.7)	9.9
	- retained earnings	208.4	218.3	(9.9)

3.7.3 Segment information

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

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

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

Types of products and services

Retail banking

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

Third party banking

Net interest income and fees derived from the manufacture and processing of residential home loans, distributed through mortgage brokers and mortgage managers and the Portfolio Funding 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 & alliances

Profit share from equity accounted investments in associates and from October 2009, the consolidated results of the Rural Bank joint venture. The principal activities of Rural Bank are the provision of banking services to agribusiness, rural and regional Australian communities.

Central functions

Functions not relating directly to a reportable operating segment.

Major customers

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

Segment information (continued)

Operating Segments

for the half year ended 31 December 2009

	Operating segments						
	Retail banking	Third party banking	Wealth	Joint ventures & alliances	**Total operating segments**	Central functions	**Total**
	$m	$m	$m	$m	**$m**	$m	**$m**
Net interest income	197.1	113.4	62.8	34.7	**408.0**	-	**408.0**
Other income	105.0	10.1	17.9	1.7	**134.7**	6.7	**141.4**
Share of net profit of equity accounted investments	-	-	-	11.6	**11.6**	-	**11.6**
Total segment income	302.1	123.5	80.7	48.0	**554.3**	6.7	**561.0**
Operating expenses	172.7	10.2	23.3	15.5	**221.7**	118.9	**340.6**
Credit expenses	12.1	7.9	1.4	1.9	**23.3**	0.8	**24.1**
Segment result	117.3	105.4	56.0	30.6	**309.3**	(113.0)	**196.3**

for the half year ended 30 June 2009

	Operating segments						
	Retail banking	Third party banking	Wealth	Joint ventures & alliances	**Total operating segments**	Central functions	**Total**
	$m	$m	$m	$m	**$m**	$m	**$m**
Net interest income	134.9	123.7	50.3	-	**308.9**	-	**308.9**
Other income	102.5	6.7	14.5	-	**123.7**	5.6	**129.3**
Share of net profit of equity accounted investments	-	-	-	16.3	**16.3**	-	**16.3**
Total segment income	237.4	130.4	64.8	16.3	**448.9**	5.6	**454.5**
Operating expenses	156.5	13.6	23.5	-	**193.6**	112.2	**305.8**
Credit expenses	18.6	23.0	4.0	-	**45.6**	13.7	**59.3**
Segment result	62.3	93.8	37.3	16.3	**209.7**	(120.3)	**89.4**

Segment information (continued)

for the half year ended 31 December 2008

	Operating segments						
	Retail banking	Third party banking	Wealth	Joint ventures & alliances	**Total operating segments**	Central functions	**Total**
	$m	$m	$m	$m	**$m**	$m	**$m**
Net interest income	217.5	80.7	27.9	-	**326.1**	-	**326.1**
Other income	94.3	9.2	20.5	-	**124.0**	22.0	**146.0**
Share of net profit of equity accounted investments	-	-	-	14.7	**14.7**	-	**14.7**
Total segment income	311.8	89.9	48.4	14.7	**464.8**	22.0	**486.8**
Operating expenses	161.5	9.6	19.0	-	**190.1**	118.1	**308.2**
Credit expenses	9.0	4.4	3.2	-	**16.6**	8.6	**25.2**
Segment result	141.3	75.9	26.2	14.7	**258.1**	(104.7)	**153.4**

	Operating segments						
	Retail banking	Third party banking	Wealth	Joint ventures & alliances	**Total operating segments**	Central functions	**Total**
Reportable segment assets	$m	$m	$m	$m	**$m**	$m	**$m**
Half year ended 31 December 2009	20,080.0	14,943.0	3,801.0	4,332.3	**43,156.3**	7,715.7	**50,872.0**
Half year ended 30 June 2009	19,154.0	16,287.0	3,364.0	225.9	**39,030.9**	8,083.3	**47,114.2**
Half year ended 31 December 2008	18,819.4	17,402.6	2,154.0	183.0	**38,559.0**	9,650.0	**48,209.0**
Reportable segment liabilities							
Half year ended 31 December 2009	21,072.0	819.0	3,478.0	3,800.5	**29,169.5**	10,039.1	**39,208.6**
Half year ended 30 June 2009	20,612.0	767.0	4,172.0	-	**25,551.0**	10,593.5	**36,144.5**
Half year ended 31 December 2008	18,611.7	763.0	4,126.7	-	**23,501.4**	12,878.1	**36,379.5**

Segment information (continued)

Reconciliation between segment and statutory results

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

	Group		
	Dec-09	**Jun-09**	**Dec-08**
	$m	**$m**	**$m**
Reconciliation of total segment income to group income			
Total segment income	561.0	454.5	486.8
Ineffective cash flow hedges	(27.3)	(31.2)	(62.4)
Profit on sale of other non-current assets	0.5	18.6	7.4
Total group income	534.2	441.9	431.8
Reconciliation of segment result to group profit before tax			
Total segment result	196.3	89.4	153.4
Ineffective cash flow hedges	(27.3)	(31.2)	(62.4)
Profit on sale of other non-current assets	0.5	18.6	7.4
Unallocated collective provisions	7.3	4.5	(0.3)
Significant expense items	(14.8)	(31.8)	(28.3)
Group profit before tax	162.0	49.5	69.8
Reconciliation of segment expenses to group total expenses			
Segment operating expenses	340.6	305.8	308.2
Significant expense items	14.8	31.8	28.3
Total group expenses	355.4	337.6	336.5
Reconciliation of segment credit expenses to bad and doubtful debts on loans and receivables			
Segment credit expenses	24.1	59.3	25.2
Unallocated collective provisions	(7.3)	(4.5)	0.3
Bad and doubtful debts on loans and receivables	16.8	54.8	25.5
Reportable segment assets			
Total assets for operating segments	50,872.0	47,114.2	48,209.0
Total assets	50,872.0	47,114.2	48,209.0
Reportable segment liabilities			
Total liabilities for operating segments	39,208.6	36,144.5	36,379.5
Securitisation funding	7,893.1	7,851.0	8,839.2
Total liabilities	47,101.7	43,995.5	45,218.7

Geographical information

The allocation of revenue and assets is based on the geographical location of the customer. The Group operates predominately in the geographical areas of all Australian states and territories, providing banking and other financial services.

3.7.4 Income tax

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

	2009 $m	2008 $m
Current income tax		
Current income tax charge	49.8	(78.6)
Adjustments in respect of current income tax of previous years	1.4	(0.1)
Deferred income tax		
Relating to origination and reversal of temporary differences	1.8	97.9
Income tax expense reported in the Condensed Income Statement	53.0	19.2

3.7.5 Dividends paid or provided

	2009 $m	2008 $m
Ordinary shares		
Dividends paid during the half-year:		
Final dividend 2009 - 15.0 cents (Final dividend 2008 - 37.0 cents)	44.0	98.8
Dividends proposed since the reporting date, but not recognised as a liability:		
Interim dividend 2010 - 28.0 cents (Interim dividend 2009 - 28.0 cents)	94.7	81.2
Preference shares		
Dividends paid during the half-year:		
A dividend of 84.60 cents per share was paid on 15 September 2009 (2008: 161.60 cents)	0.7	1.4
A dividend of 86.47 cents per share was paid on 15 December 2009 (2008: 152.98 cents)	0.8	1.4
	1.5	2.8
Step up preference shares		
Dividends paid during the half-year:		
A dividend of 86.00 cents per share was paid on 10 July 2009 (2008: 168.00)	0.9	1.6
A dividend of 86.00 cents per share was paid on 12 October 2009 (2008: 167.00)	0.9	1.5
	1.8	3.1
Reset preference shares (recorded as debt instruments)		
Dividends paid during the half-year:		
A dividend of 310.53 cents per share was paid on 2 November 2009 (2008: 309.68)	2.8	2.8
	2.8	2.8

3.7.6 Earnings per ordinary share

	Half-year Dec-09 Cents per share	Half-year Jun-09 Cents per share	Half-year Dec-08 Restated Cents per share
Basic earnings per ordinary share	29.7	9.7	16.2
Diluted earnings per ordinary share	27.7	9.7	16.2
Cash basis earnings per ordinary share	41.2	22.9	40.7
	$m	$m	$m
Reconciliation of earnings used in the calculation of basic earnings per ordinary share			
Profit for the half-year (after tax)	109.0	33.2	50.6
(Profit)/loss attributable to non-controlling interest	(4.9)	-	-
Dividends paid on preference shares	(1.5)	(1.7)	(2.8)
Dividends paid on step-up preference shares	(1.8)	(1.9)	(3.1)
	100.8	29.6	44.7
Reconciliation of earnings used in the calculation of diluted earnings per ordinary share			
Earnings used in calculating basic earnings per ordinary share	100.8	29.6	44.7
Add back dividends on dilutive preference shares	5.3	-	-
	106.1	29.6	44.7
Reconciliation of earnings used in the calculation of cash basis earnings per ordinary share			
Earnings used in calculating basic earnings per ordinary share	100.8	29.6	44.7
After tax intangibles amortisation (excluding amortisation of intangible software)	8.8	9.2	9.3
After tax significant income and expense items (1)	30.1	31.1	58.3
	139.7	69.9	112.3
	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	339,453,575	305,278,778	276,143,832
Effect of dilution - executive performance rights	1,907,858	430,151	430,151
Effect of dilution - preference shares	41,243,313	-	-
Weighted ave no. of ordinary shares used in diluted earnings per ordinary share	382,604,746	305,708,929	276,573,983
(1) Significant income and expense items after tax comprise:	$m	$m	$m
Income			
Ineffective cash flow hedges	(19.1)	(21.8)	(43.7)
Realised accounting gain on equity investments	0.3	13.0	5.2
	(18.8)	(8.8)	(38.5)
Expense			
Expenses relating to withdrawn capital raising	-	1.1	-
Shortfall relating to Employee Share Plan	(3.1)	3.7	-
Impairment loss - equity investments	-	2.3	4.7
Integration costs	11.2	15.2	13.8
Non cash loss on unwind of joint venture	3.2	-	-
Final Head Office excess development costs	-	-	1.3
	11.3	22.3	19.8
Total significant income/(expense) items after tax	(30.1)	(31.1)	(58.3)

3.7.7 Return on average ordinary equity

	Consolidated		
	Half-year Dec-09 %	Half-year Jun-09 %	Half-year Dec-08 Restated %
Return on average ordinary equity	5.90	1.84	2.87
Pre-significant items return on average ordinary equity	7.66	3.78	6.60
Cash basis return on average ordinary equity	8.17	4.35	7.20

	$m	$m	$m
Reconciliation of earnings used in the calculation of return on average ordinary equity			
Profit for the half-year (after tax)	109.0	33.2	50.6
(Profit)/loss attributable to non-controlling interest	(4.9)	-	-
Dividends paid on preference shares	(1.5)	(1.7)	(2.8)
Dividends paid on step-up preference shares	(1.8)	(1.9)	(3.1)
Earnings used in calculation of return on average ordinary equity	100.8	29.6	44.7
After tax significant income and expense items (1)	30.1	31.1	58.3
Earnings used in calculation of pre-significant items return on average ordinary equity	130.9	60.7	103.0
After tax intangibles amortisation (excluding amortisation of intangible software)	8.8	9.2	9.3
Earnings used in calculation of cash basis return on average ordinary equity	139.7	69.9	112.3

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

	As at Dec 09 $m	As at Jun 09 $m	As at Dec 08 $m
Total equity	3,770.3	3,118.7	2,990.3
Preference share net capital	(188.5)	(188.5)	(188.5)
Asset revaluation reserve - Available for sale shares	(28.5)	(5.5)	(2.9)
Unrealised gains/losses on cash flow hedge reserve	189.4	303.7	401.0
Non-controlling interests	(132.7)	-	-
Ordinary equity	3,610.0	3,228.4	3,199.9
Average ordinary equity (2)	3,419.2	3,214.2	3,119.4

(1) Refer to Earnings per Ordinary Share note for details.
(2) The average ordinary equity is calculated using a simple average.

3.7.8 Net tangible assets per ordinary share

	As at Dec 09	As at Jun 09	As at Dec 08
Net tangible assets per ordinary share	$ 5.16	$ 4.31	$ 4.19
Reconciliation of Net tangible assets used in calculation of net tangible assets per ordinary share			
	$m	$m	$m
Net assets	3,770.3	3,118.7	2,990.3
Intangibles	(1,604.7)	(1,598.9)	(1,558.8)
Preference shares - face value	(90.0)	(90.0)	(90.0)
Step-up preference shares	(100.0)	(100.0)	(100.0)
Non-controlling interests	(132.7)	-	-
Net tangible assets	1,842.9	1,329.8	1,241.5
Number of ordinary shares on issue at reporting date	356,951,325	308,243,636	296,480,127

3.7.9 Cash flow information

	As at Dec 09	As at Dec 08
Reconciliation of cash	$m	$m
For the purposes of the statement of cash flows, cash and cash equivalents includes:		
Cash and cash equivalents	1,111.2	2,918.5
Due from other financial institutions	102.3	125.6
Due to other financial institutions	(96.1)	(115.0)
Cash and cash equivalents at the end of the half year	1,117.4	2,929.1

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.

3.7.10 Issued capital

	As at Dec 09 $m	As at Dec 08 $m
Issued and paid up capital		
Ordinary shares fully paid - 356,951,325 (2008: 296,480,127)	3,321.6	2,923.4
Preference shares of $100 face value fully paid - 900,000 (2008: 900,000)	88.5	88.5
Preference shares of $100 face value fully paid - 100,000,000 (2008: 100,000,000)	100.0	100.0
	3,510.1	3,111.9
Movements in ordinary shares on issue		
Opening balance 1 July - 308,243,636 (2008: 274,678,383)	3,003.9	2,706.3
Shares issued under:		
Dividend reinvestment plan - 1,607,958 @ $7.95 (2008: 2,472,153 @ $11.01)	12.8	27.2
Issue to Tasmanian Banking Services Limited shareholders - 781,910 @ $6.39 (2008: Nil)	5.0	-
Institutional placement and entitlement offer - 26,618,172 @ $6.75 (2008: Nil)	179.7	-
Retail entitlement offer - 17,854,868 @ $6.75 (2008: Nil)	120.5	-
Share purchase plan and placement - Nil (2008: 19,067,229 @ $10.00)	-	190.7
Executive performance share plan - 1,540,360 @ $6.56 (2008: Nil)	10.1	-
Share issue costs	(10.4)	(0.8)
Closing balance 31 December - 356,951,325 (2008: 296,480,127)	3,321.6	2,923.4
Movements in preference shares on issue		
Opening balance 1 July - 900,000 fully paid (2008: 900,000 fully paid)	88.5	88.5
Closing balance 31 December - 900,000 fully paid (2008: 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 (2008: 1,000,000 fully paid)	100.0	100.0
Closing balance 31 December - 1,000,000 fully paid (2008: 1,000,000 fully paid)	100.0	100.0

3.7.11 Average Balance Sheet and related interest
for the six month period ended 31 December 2009

	Note	Average Balance $m	Interest 6 mths $m	Average Rate %
Average balances and rates	*1*			
Interest earning assets				
Cash and Investments		5,790.3	95.7	3.28
Loans and other receivables - company		33,949.8	994.7	5.81
Loans and other receivables - alliances		6,394.8	179.5	5.57
Total interest earning assets	*2*	46,134.9	1,269.9	5.46
Non interest earning assets				
Provisions for doubtful debts		(117.4)		
Other assets		2,946.6		
		2,829.2		
Total assets (average balance)		48,964.1		
Interest bearing liabilities and equity				
Deposits				
Retail - company		21,076.8	372.4	3.50
Retail - alliances		9,144.2	187.2	4.06
Wholesale - domestic		3,096.7	102.7	6.58
Wholesale - offshore		698.2	12.1	3.44
Notes Payable		9,418.1	170.5	3.59
Reset Preference Shares		89.5	2.7	5.98
Subordinated debt		586.2	14.3	4.84
Total interest bearing liabilities	*2*	44,109.7	861.9	3.88
Non interest bearing liabilities and equity				
Other liabilities		1,359.4		
Equity		3,495.0		
		4,854.4		
Total liabilities and equity		48,964.1		
Interest margin and interest spread				
Interest earning assets		46,134.9	1,269.9	5.46
Interest bearing liabilities		(44,109.7)	(861.9)	(3.88)
Net interest income and interest spread	*3*		408.0	1.58
Net free liabilities and equity				0.17
Net interest margin	*4*			1.75

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

1. *Average balance is based on monthly closing balances from 30 June 2009 through 31 December 2009 inclusive.*
2. *Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by $36.5m to reflect gross amounts.*
3 *Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.*
4 *Interest margin is the net interest income as a percentage of average interest earning assets.*

Average Balance Sheet and related interest (continued)
for the six month period ended 30 June 2009

	Note	Average Balance $m	Interest 6 mths $m	Average Rate %
Average balances and rates	*1*			
Interest earning assets				
Cash and Investments		6,174.7	93.7	3.06
Loans and other receivables - company		32,771.2	1,011.2	6.22
Loans and other receivables - alliances		6,228.0	175.8	5.69
Total interest earning assets	*2*	45,173.9	1,280.7	5.72
Non interest earning assets				
Provisions for doubtful debts		(87.6)		
Other assets		3,255.5		
		3,167.9		
Total assets (average balance)		48,341.8		
Interest bearing liabilities and equity				
Deposits				
Retail - company		19,541.8	422.2	4.36
Retail - alliances		8,953.4	206.6	4.65
Wholesale - domestic		3,714.5	131.6	7.14
Wholesale - offshore		693.8	13.7	3.98
Notes Payable		9,996.3	180.6	3.64
Reset Preference Shares		89.5	2.8	6.31
Subordinated debt		632.3	14.3	4.56
Total interest bearing liabilities	*2*	43,621.6	971.8	4.49
Non interest bearing liabilities and equity				
Other liabilities		1,713.2		
Equity		3,007.0		
		4,720.2		
Total liabilities and equity		48,341.8		
Interest margin and interest spread				
Interest earning assets		45,173.9	1,280.7	5.72
Interest bearing liabilities		(43,621.6)	(971.8)	(4.49)
Net interest income and interest spread	*3*		308.9	1.23
Net free liabilities and equity				0.15
Net interest margin	*4*			1.38

Impact of community bank/alliances profit share arrangements

Net interest margin before community bank/alliances share of net interest income	1.64
Less impact of community bank/alliances share of net interest income	0.26
Net interest margin	1.38

1 *Average balance is based on monthly closing balances from 31 December 2008 through 30 June 2009 inclusive.*
2 *Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by $24.0m 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.*

Average Balance Sheet and related interest (continued)
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	209.5	6.73
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	1,932.7	8.43
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	1,932.7	8.43
Interest bearing liabilities		(43,826.8)	(1,606.6)	(7.27)
Net interest income and interest spread	*3*		326.1	1.16
Net free liabilities and equity				0.27
Net interest margin	*4*			1.43

Impact of community bank/alliances profit share arrangements

Net interest margin before community bank/alliances share of net interest income	1.69
Less impact of community bank/alliances share of net interest income	0.26
Net interest margin	1.43

1 *Average balance is based on monthly closing balances from 30 June 2008 through 31 December 2008 inclusive.*
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.*

3.7.12 Capital Adequacy and ACE ratio

a) Capital adequacy

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

	Consolidated	
	Dec 2009	Jun 2009
	$m	$m
Risk weighted capital ratios		
Tier 1	8.95%	7.43%
Tier 2	3.02%	3.48%
Total capital ratio	**11.97%**	**10.91%**
Qualifying Capital		
Tier 1		
Contributed capital	3,321.6	3,003.9
Retained profits & reserves	(61.6)	(260.4)
Minority interests	132.7	126.6
Innovative tier 1 capital	278.0	277.9
Less,		
Intangible assets, cash flow hedges and capitalised expenses	1,498.5	1,321.4
Net deferred tax assets	-	11.5
Surplus in defined benefit superannuation plan	4.4	-
50/50 deductions	16.0	19.6
Other adjustments as per APRA advice	-	1.8
Total Tier 1 capital	2,151.8	1,793.7
Tier 2		
General reserve for credit losses/collective provision (net of tax effect)	120.7	129.5
Subordinated debt	609.5	722.1
Asset revaluation reserves	11.0	8.7
Total Tier 2 capital	741.2	860.3
Less,		
50/50 deductions	16.0	19.6
Other adjustments as per APRA advice	-	-
Subsidiary investment residual	-	-
Total Tier 2 capital	725.2	840.7
Less,		
Investments in non-consolidated subsidiaries or associates and other banks' capital instruments	-	-
Total qualifying capital	**2,877.0**	**2,634.4**
Total risk weighted assets	**24,025.8**	**24,155.0**

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 2009	Jun 2009
	$m	$m
Shareholders' equity	3,408.5	3,091.5
Minority interest equity	132.7	126.6
Retained earnings	199.4	123.8
Expected dividends	(94.7)	(45.1)
Goodwill	(1,604.7)	(1,598.9)
Other deductions	(4.4)	(1.8)
Total Adjusted Common Equity	2,036.8	1,696.1
Adjusted Common Equity ratio to risk weighted assets	**8.48%**	**7.02%**
Investments in associates and joint ventures equity accounted for	(6.2)	(3.2)
Hybrid capital	278.0	278.0
Subsidiary investment residual	(9.0)	(9.0)
Adjusted total equity	2,299.6	1,961.9
Adjusted Total Equity ratio to risk weighted assets	**9.57%**	**8.12%**

3.7.13 Contingent assets and liabilities

(a) Contingent liabilities

	Consolidated	
	Dec 2009	Dec 2008
	$m	$m
Guarantees		
The economic entity has issued guarantees on behalf of clients in the normal course of business	150.9	166.2
Other		
Documentary letters of credit	17.7	23.9

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 2009, the economic entity does not have any contingent assets (2008: Nil).

3.7.14 Events after balance sheet date

On 15 February 2010 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 2009 half-year payable on 31 March 2010. The amount estimated to be appropriated in relation to this dividend is $94.7 million. The dividend has not been provided for in the 31 December 2009 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.

3.8 Acquisition

Macquarie margin lending portfolio

On 8 January 2009, Bendigo and Adelaide Bank Limited purchased a $1.5 billion margin lending portfolio from Macquarie Group Limited. The total consideration paid for the portfolio was $1,563,992,000, including the issue of $52 million of short dated convertible preference shares to Macquarie. The convertible shares were converted to ordinary shares in Bendigo and Adelaide bank during 2009. The cost of the acquisition includes directly attributable costs including consultancy, legal, accounting and other professional fees.

The following table shows the effect on the Group's assets and liabilities:

	Pre-acquisition carrying amount	Recognised values on acquisition
Assets	$m	$m
Cash and cash equivalents	30.0	30.0
Loans and other receivables	1,467.2	1,467.2
Other assets	0.6	0.6
Deferred tax assets	-	19.9
Total Assets	**1,497.8**	**1,517.7**
Net identifiable assets and liabilities attributable to Bendigo and Adelaide Bank Limited	**1,497.8**	**1,517.7**
Consideration paid (transaction costs)		(1,512.0)
Cash acquired		30.0
Net cash outflow		**(1,482.0)**
Total consideration		1,564.0
Fair value of identifiable assets and liabilities		1,517.7
Goodwill on acquisition		**46.3**

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.

Acquisition (continued)

Tasmanian Banking Services

On 10 August 2009, Bendigo and Adelaide Bank Limited acquired the additional 50% shareholding in Tasmanian Banking Services Limited. The total consideration paid was $6.5 million, which included the issue of 781,910 ordinary shares in Bendigo and Adelaide Bank at a fair value of $6.39 per share. The cost of the acquisition includes directly attributable costs including consultancy, legal, accounting and other professional fees.

The principal activities of Tasmanian Banking Services are a wide range of banking products and services to its clients.

The current fair values of assets and liabilities are provisional and are subject to final review. This will alter the assets and liabilities as currently disclosed for 31 December 2009.

The following table shows the effect on the Group's assets and liabilities:

	Pre-acquisition carrying amount	Fair value at acquistion date
	$m	$m
Assets		
Cash and cash equivalents	0.9	0.9
Current tax assets	0.1	0.1
Other assets	0.9	0.9
Property, plant & equipment	0.9	0.9
Deferred tax assets	0.5	0.5
Total Assets	**3.3**	**3.3**
Liabilities		
Provisions	0.5	0.5
Other payables	0.2	0.2
Total Liabilities	**0.7**	**0.7**
Net identifiable assets and liabilities attributable to Bendigo and Adelaide Bank Limited		**2.6**
Consideration paid		1.5
Cash acquired		(0.9)
Net cash outflow		**0.6**
Consideration		
Consideration paid		1.5
Shares issued, at fair value		5.0
Total consideration		**6.5**
Provisional fair value of identifiable assets and liabilities		2.6
Provisional goodwill on acquisition		**3.9**

The consolidated statement of comprehensive income includes income of $8.9 million and profit before tax of $5.7 million for the half year ending 31 December 2009. Had the acquisition occurred at the beginning of the reporting period, the consolidated financial statement of comprehensive income would have included revenue of $9.9 million and net profit before tax of $6.0 million.

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.

Acquisition (continued)

Rural Bank Limited

On 7 May 2009 Bendigo and Adelaide Bank acquired an additional 10% of shares in Rural Bank, increasing the Banks holding to 60%. From 1 October 2009 the shareholders agreement between Bendigo and Adelaide Bank Limited and Elders Limited resulted in the Bank gaining effective control, and the requirement to consolidate the joint venture. Total number of shares held in Rural Bank is 184,140,000 for the consideration amount of $228,971,195.77.

The principal activities of Rural Bank are to provide a wide range of banking services to agribusiness, rural and regional Australian communities.

The current fair values of assets and liabilities, including Non controlling Interest (NCI) are provisional and are subject to final review during the next 12 months. This will alter the assets and liabilities as currently disclosed for 31 December 2009.

The following table shows the effect on the Group's assets and liabilities:

	Pre-acquisition carrying amount	Recognised values on acquisition
	$m	$m
Assets	42.8	42.8
Cash and cash equivalents	3,526.3	3,526.3
Loans and other receivables	670.5	670.5
Financial assets	0.6	0.6
Other assets	12.3	12.3
Deferred tax assets	2.0	2.0
Intangibles	**4,254.5**	**4,254.5**
Total Assets		
Liabilities		
Due to other financial institutions	1.0	1.0
Deposits	3,699.4	3,699.4
Financial liabilities	35.0	35.0
Income tax payable	9.0	9.0
Subordinated debt - at amortised cost	117.4	117.4
Deferred tax liabilities	1.6	1.6
Other liabilities	47.3	47.3
Total Liabilities	**3,910.7**	**3,910.7**
Net identifiable assets and liabilities attributable to Bendigo and Adelaide Bank Limited		
Consideration paid (transaction costs)		271.8
Cash acquired		(42.8)
Net cash outflow		**229.0**
Total consideration		
Provisional fair value of identifiable assets and liabilities		343.8
Non controlling interest in identifiable acquired net assets		(131.6)
Provisional fair value of identifiable net assets attributable to the parent company		**212.2**
Provisional goodwill on acquisition		**16.8**

The consolidated statement of comprehensive income includes income of $36.5 million and profit before tax of $18.9 million for the half year ending 31 December 2009. Had the acquisition occurred at the beginning of the reporting period, the consolidated financial statement of comprehensive income would have included revenue of $71.2 million and net profit before tax of $38.2 million.

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.

3.9 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 2009 and the performance for the half year ended on that date of the consolidated entity; and

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

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

On behalf of the Board

Robert Johanson

Robert Johanson, Chairman
Bendigo
Dated this 15th day of February 2010

3.10 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 2009, and the condensed income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, 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 2009 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 2009 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

T M Dring
Partner
Melbourne
15 February 2010