Bendigo and Adelaide Bank Limited

ABN 11 068 049 178

Appendix 4E: Preliminary Final Report

For the twelve months ending

30 June 2008

Released 11 August 2008

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

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1. Appendix 4E: Preliminary Final Report

1.1 Company details and reporting period

Bendigo and Adelaide Bank Limited
ABN 11 068 049 178

Reporting period - twelve months ended:	30 June 2008
Previous corresponding period - twelve months ended:	30 June 2007

1.2 Results for announcement to the market

				$m
Revenues from operations	up	45.0%	To	815.0
Profit after tax attributable to members	up	40.0%	To	170.5
Net profit attributable to members	up	40.0%	To	170.5

Dividends – current year	**Amount per security**
Final Dividend – 2008, fully franked at 30% Payable 30 September 2008 Record date for determining entitlements for final dividend – 2 September 2008	37.0 cents
Interim Dividend – 2008, fully franked at 30% Paid 31 March 2008	28.0 cents

Dividends – previous year	**Amount per security**
Final Dividend – 2007, fully franked at 30% Paid 28 September 2007	34.0 cents
Interim Dividend – 2007, fully franked at 30% Paid 30 March 2007	24.0 cents

1.3 Cash earnings results

Cash earnings attributable to members	up	70.4%	to	$201.9 million
Cash earnings per share *See Note 2.4 for full details*	up	13.0%	to	93.7 cents

1.4 Net tangible assets per security

Refer to page 40.

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

On 30 November 2007 Bendigo Bank Limited acquired all the ordinary share capital of Adelaide Bank Limited and its controlled entities.

The information contained in this report includes the results of Adelaide Bank Limited and its controlled entities from that date. Prior period comparisons are for Bendigo Bank Limited as reported in those prior periods, unless otherwise stated.

On 31 March 2008 Bendigo Bank Limited changed its name to Bendigo and Adelaide Bank Limited.

On 30 June 2008 Bendigo and Adelaide Bank Limited acquired 100% of Caroline Springs Financial Services Limited.

1.6 Details of individual and total dividends

Refer to pages 7 and 36.

1.7 Details of any dividend or distribution reinvestment plans in operation

Refer to page 37.

1.8 Details of associates and joint venture entities

Refer to page 41.

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

1.11 Annual general meeting

The annual general meeting will be held as follows:

Place: The Sebel Playford Adelaide, 120 North Terrace, Adelaide
Date: 27 October 2008
Time: 11.00 am (Central Daylight Saving Time)

An information meeting will also be held in conjunction as follows:

Place: The Capital Theatre, 50 View Street, Bendigo, Victoria
Date: 27 October 2008
Time: 11.30 am (Eastern Daylight Saving Time)

1.12 Subsequent events

This Appendix 4E: Preliminary Final Report should be read in conjunction with the media release of 11 August 2008.

2. Full Year Results

2.1 Financial highlights

The following table includes Adelaide Bank Limited from the date of merger.

	2006-07			2007-08			Change Full Year 2007 to Full Year 2008	
	2006-07 1st Half $m	2006-07 2nd Half $m	Total $m	2007-08 1st Half $m	2007-08 2nd Half $m	Total $m	$m	%
Profit after tax	54.3	67.5	121.8	72.8	97.7	170.5	48.7	40.0
Profit after tax before significant items	59.9	68.7	128.6	76.1	129.5	205.6	77.0	59.9
Cash earnings	55.4	63.1	118.5	70.7	131.2	201.9	83.4	70.4
Net interest income (before significant items)	177.8	179.3	357.1	206.2	336.4	542.6	185.5	51.9
Non-interest income (before significant items)	99.9	105.2	205.1	118.2	157.3	275.5	70.4	34.3
Expenses (before significant items)	187.4	181.4	368.8	209.7	288.8	498.5	129.7	35.2
Retail deposits	11,788.1	12,103.9	12,103.9	22,676.6	23,640.7	23,640.7	11,536.8	95.3
Total equity	953.6	1,015.0	1,015.0	3,134.6	3,270.0	3,270.0	2,255.0	222.2
Funds under management	3,316.6	3,394.2	3,394.2	4,964.1	4,570.9	4,570.9	1,176.7	34.7
Loans under management	14,631.8	15,759.3	15,759.3	44,003.6	43,291.1	43,291.1	27,531.8	174.7
New loan approvals	3,371.8	3,646.2	7,018.0	3,884.6	4,960.6	8,845.2	1,827.2	26.0
Residential	2,230.6	2,349.8	4,580.4	2,723.2	3,827.6	6,550.8	1,970.4	43.0
Non-residential	1,141.2	1,296.4	2,437.6	1,161.4	1,133	2,294.4	(143.2)	(5.9)
Cost to income ratio	66.5%	62.8%	64.6%	63.7%	56.9%	59.6%	(5.0%)	(7.7)
Earnings per ordinary share - cents	36.6	45.3	81.9	42.4	34.3	74.8	(7.1)	(8.7)
Cash basis earnings per ordinary share –cents	39.0	43.9	82.9	43.0	49.1	93.7	10.8	13.0
Dividend per share – cents	24.0	34.0	58.0	28.0	37.0	65.0	7.0	12.1

2.2 Results at a glance

2.2.1 Financial performance

- Cash earnings $201.9 million (2007: $118.5 million), an increase of 70.4%.

- Cash basis earnings per ordinary share increased to 93.7 cents (2007: 82.9 cents), an increase of 13.0%.

- Cash basis earnings return on average ordinary equity was 10.8% (2007: 15.4%).

- Profit after income tax before significant items was $205.6 million (2007: $128.6 million), an increase of 59.9% (see note 2.4.1 for significant item details).

- Net interest income before significant items increased by 51.9% to $542.6 million with an interest margin before payments to community banks and alliances decreasing from 2.90% in 2007 to 2.01% in 2008. Net of these payments interest margin decreased from 2.34% in 2007 to 1.69% in 2008. This decrease is a result of incorporation of Adelaide Bank results from December 2007 at a lower interest margin. Refer to Management Commentary for further details.

- Non-interest income before significant items was $275.5 million (2007: $205.1 million), an increase of 34.3%.

- Expenses before significant items increased by 35.2% to $498.5 million compared to $368.8 million in 2007. The cost to income ratio was 59.6% compared to 64.6% for 2007.

2.2.2 Financial position

- Loans under management were $43.3 billion (2007: $15.8 billion), an increase of 174.7%. This increase included take-on of $27.4 billon of Adelaide Bank loans.

- Retail deposits were $23.6 billion (2007: $12.1 billion), an increase of 95.3%. This increase included take-on of $9.5 billon of Adelaide Bank retail deposits.

- Managed funds increased by $1.2 billion to $4.6 billion (2007: $3.4 billion). This increase included take-on of $1.6 billon of Adelaide Bank managed funds.

- Net impaired loans stood at $21.6 million, up from $10.0 million at June 2007. The increase includes take-on of impaired loans of Adelaide Bank. As a percentage of the combined Bendigo Bank and Adelaide Bank loans, net impaired loans has reduced by 0.02% from June 2007 to 0.05% of loan receivables.

- The fair value assessment of assets and liabilities acquired as a result of the Adelaide Bank merger is provisional and is subject to further review during the 12 month period following acquisition.

2.2.3 Dividends

- 2007/08 final dividend of 37.0 cents per fully paid ordinary share (an increase of 3.0 cents over the 2006/07 final dividend), fully franked at 30%.

- Dividend is payable on 30 September 2008 to shareholders registered on the Record Date of 2 September 2008.

- The final dividend proposed totals $99.4 million.

- Dividends for 2007/08 total 65.0 cents (up from 58.0 cents in 2006/07), which represents a payout ratio of 86.8% of total earnings per ordinary share or 69.4% of cash basis earnings per ordinary share (2006/07: 70.8% and 70.0% respectively).

2.3 Financial Statements

2.3.1 Detailed Income Statement

For the year ended 30 June 2008

		2008 $m	2007 $m
Income			
Net interest income			
Interest income		2,634.0	1,058.6
Interest expense		2,091.4	701.5
Net interest income		**542.6**	**357.1**
Non interest income			
Dividends		3.9	3.8
Fees	- asset products	44.0	23.4
	- liability products and other	116.9	81.5
	- trustee, management & other services	11.5	9.5
Commissions	- wealth solutions	37.7	35.2
	- insurance	12.9	9.6
	- other	3.8	3.3
Other income		18.4	16.9
Total non interest income		**249.1**	**183.2**
Share of associates' net profits accounted for using the equity method		**26.4**	**21.9**
Total income after interest expense		**818.1**	**562.2**
Expenses			
Bad and doubtful debts			
Bad and doubtful debts		25.7	8.8
Bad debts recovered		(2.6)	(0.6)
Total bad and doubtful debts		**23.1**	**8.2**
Other expenses			
Staff and related costs		256.3	187.7
Occupancy costs		43.0	31.5
Amortisation of intangibles		11.1	5.4
Property, plant & equipment costs		13.4	10.3
Fees and commissions		20.4	20.2
Administration expenses		154.3	113.7
Total other expenses		**498.5**	**368.8**
Profit before income tax expense and significant items		**296.5**	**185.2**
Income tax expense before significant items		(90.2)	(56.7)
Net (profit)/loss attributable to minority interest		(0.7)	0.1
Profit after income tax expense and before significant items		**205.6**	**128.6**
Significant items after income tax expense		(35.1)	(6.8)
Profit after tax		**170.5**	**121.8**

Detailed income statement (continued)

	Consolidated 2008 $m	Consolidated 2007 $m
Profit after tax	**170.5**	**121.8**
Adjusted for:		
Significant items after tax	35.1	6.8
General reserve for credit losses reduction	(4.0)	-
Dividends paid on preference shares	(5.5)	(4.8)
Dividends paid on step-up preference shares	(3.7)	-
Movement in General reserve for credit losses	5.7	(4.7)
Movement in General reserve for credit losses - associates	(1.0)	(1.8)
After tax intangibles amortisation (excl. amortisation of intangible software)	4.8	1.2
Cash basis earnings	**201.9**	**118.5**

Cash basis earnings per ordinary share (cents per share)	93.7	82.9
Basic earnings per ordinary share (cents per share)	74.8	81.9
Diluted earnings per ordinary share (cents per share)	74.7	81.1
Franked dividends per ordinary share (cents per share)	65.0	58.0

2.3.2 Balance Sheet

For the year ended 30 June 2008

	2008 $m	2007 $m
Assets		
Cash and cash equivalents	1,195.9	257.6
Due from other financial institutions	412.7	71.5
Derivatives	311.8	75.4
Financial assets held for trading	1,414.8	-
Financial assets available for sale - securities	522.0	428.8
Financial assets available for sale - share investments	84.6	130.4
Financial assets held to maturity	1,314.6	1,614.4
Loans and other receivables - investment	517.6	-
Loans and other receivables	39,721.9	13,773.3
Investments in associates and joint ventures accounted for using the equity method	185.2	156.3
Property, plant & equipment	113.5	61.5
Assets held for sale	105.5	93.4
Investment property	80.4	34.2
Intangible assets & goodwill	1,460.4	93.7
Deferred tax assets	113.8	32.6
Other assets	556.2	178.5
Total Assets	48,110.9	17,001.6
Liabilities		
Due to other financial institutions	269.7	184.0
Deposits	31,425.1	14,887.5
Notes payable	11,356.1	259.1
Derivatives	72.4	35.0
Other payables	680.9	235.3
Income tax payable	11.1	16.3
Provisions	155.8	40.4
Deferred tax liabilities	98.5	21.8
Reset preference shares	89.5	-
Subordinated debt - at amortised cost	681.8	307.2
Total Liabilities	44,840.9	15,986.6
Net Assets	3,270.0	1,015.0
Equity		
Equity attributable to equity holders of the parent		
Issued capital - ordinary	2,706.3	605.2
Perpetual non-cumulative redeemable convertible preference shares	88.5	88.5
Step up preference shares	100.0	-
Employee Share Ownership Plan (ESOP) shares	(37.4)	(40.4)
Reserves	170.6	130.0
Retained earnings	242.0	232.4
Total parent entity interests	3,270.0	1,015.7
Total minority interest	-	(0.7)
Total Equity	3,270.0	1,015.0

2.3.3 Statement of Cash Flows

For the year ended 30 June 2008

	2008 $m	2007 $m
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and other items of a similar nature received	2,515.9	1,038.7
Interest and other costs of finance paid	(1,993.3)	(664.5)
Receipts from customers (excluding effective interest)	211.1	172.5
Payments to suppliers and employees	(510.7)	(420.7)
Dividends received	16.8	15.7
Income taxes paid	(81.9)	(43.9)
Net cash flows from operating activities	157.9	97.8
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash flows for purchases of property, plant and equipment	(85.9)	(117.8)
Cash proceeds from sale of property, plant and equipment	6.9	1.0
Cash paid for purchases of intangible software	(0.2)	(1.6)
Cash paid for purchases of equity investments	(34.4)	(35.3)
Cash proceeds from sale of equity investments	11.8	7.7
Net (increase)/decrease in balance of loans outstanding	768.4	(1,412.1)
Net (increase)/decrease in balance of investment securities	808.6	(278.1)
Net cash received/(paid) on acquisition of a subsidiary	475.0	-
Net cash flows (from)/used in investing activities	1,950.2	(1,836.2)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of preference share instalment	89.8	0.2
Net increase in balance of retail deposits	2,050.9	831.7
Net increase/(decrease) in balance of wholesale deposits	(955.6)	789.3
Proceeds from issue of subordinated debt	50.0	60.0
Repayment of subordinated debt	(56.0)	(60.0)
Dividends paid	(95.2)	(57.0)
Net increase/(decrease) in balance of notes payable	(2,000.8)	-
Repayment of ESOP shares	3.0	5.8
Payment of share issue costs	(0.4)	-
Net cash flows (from)/used in financing activities	(914.3)	1,570.0
Net increase/(decrease) in cash and cash equivalents	1,193.8	(168.4)
Cash and cash equivalents at the beginning of period	145.1	313.5
Cash and cash equivalents at the end of period	1,338.9	145.1

2.4 Results commentary

2.4.1 Profit

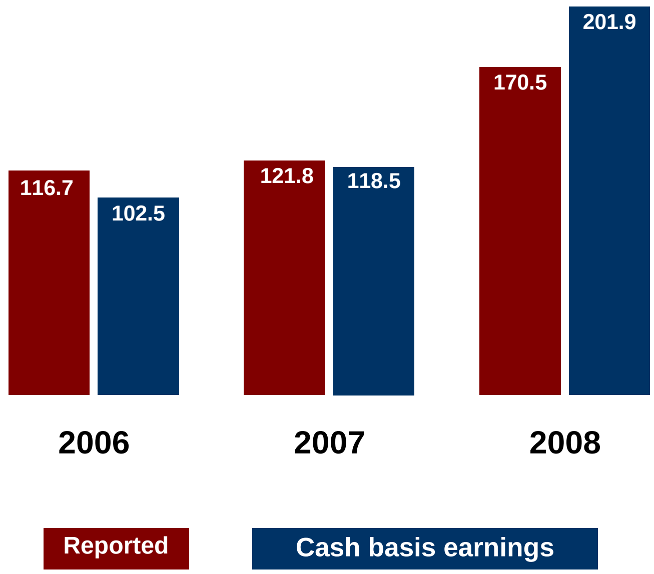
Cash earnings for the year ended 30 June 2008 were $201.9 million, representing an increase of $83.4 million or 70.4% when compared with the previous year.

Profit after tax of $170.5 million for the year ending 30 June 2008 represents an increase of 40.0% over the previous year. After excluding the significant items (refer details on next page) the profit increased 59.9% to $205.6 million.

Underlying profit compared to the previous year increased from $194.7 million to $323.7 million, an increase of 66.3%.

	Jun-08	Jun-07	Change		Six months ending Jun-08	Six months ending Dec-07	Change	
	$m	$m	$m	%	$m	$m	$m	%
Underlying profit								
Profit after tax	170.5	121.8	48.7	40.0	97.7	72.8	24.9	34.2
Adjustments:								
Significant items before tax	49.9	7.3	42.6	583.6	45.1	4.8	40.3	839.6
Loan portfolio premium amortisation	-	-	-	-	(0.6)	0.6	(1.2)	(200.0)
Bad and doubtful debts (net of recoveries)	23.1	8.2	14.9	181.7	19.4	3.7	15.7	424.3
Intangibles amortisation (excl software amortisation)	4.8	1.2	3.6	300.0	4.4	0.4	4.0	970.7
Income tax expense - total	75.4	56.2	19.2	34.2	42.7	32.7	10.0	30.6
Underlying profit before tax	323.7	194.7	129.0	66.3	208.7	115.0	93.7	81.5
Profit								
Profit before tax	246.6	177.9	68.7	38.6	140.4	106.2	34.2	32.2
Significant items before tax	(49.9)	(7.3)	(42.6)	583.6	(45.1)	(4.8)	(40.3)	839.6
Profit before tax and significant items	296.5	185.2	111.3	60.1	185.5	111.0	74.5	67.1
Profit after tax	170.5	121.8	48.7	40.0	97.7	72.8	24.9	34.2
Significant items after tax	(35.1)	(6.8)	(28.3)	416.2	(31.8)	(3.3)	(28.5)	863.6
Profit after tax before significant items	205.6	128.6	77.0	59.9	129.5	76.1	53.4	70.2
Adjusted for:								
Intangibles amortisation (excl software amortisation)	4.8	1.2	3.6	300.0	4.4	0.4	4.0	1,000.0
Distributions paid on preference shares	(5.5)	(4.8)	(0.7)	14.6	(2.9)	(2.6)	(0.3)	11.5
Distributions paid on step up preference shares	(3.7)	-	(3.7)	-	(3.2)	(0.5)	(2.7)	540.0
Movement in general reserve for credit losses	5.7	(4.7)	10.4	(221.3)	4.6	1.1	3.5	318.2
Movement in gen reserve for credit losses - associates	(1.0)	(1.8)	0.8	(44.4)	(0.6)	(0.4)	(0.2)	50.0
Loan portfolio premium amortisation	-	-	-	-	(0.6)	0.6	(1.2)	(200.0)
Significant cash earnings item - general reserve for credit losses reduction	(4.0)	-	(4.0)	-	-	(4.0)	4.0	(100.0)
Cash basis profit after tax	201.9	118.5	83.4	70.4	131.2	70.7	60.5	85.6

Profit after tax
$mil



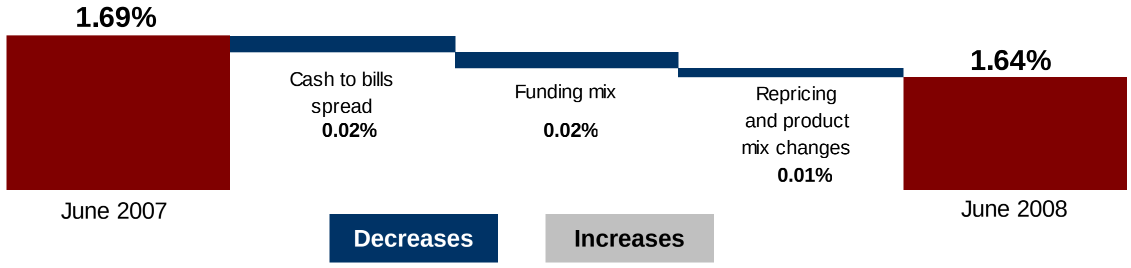
Significant items

The reported profit after tax for the year ending 30 June 2008 of $170.5 million included the following significant items:

- Accounting gain on the acquisition of shares in Visa Inc ($17.6 million after tax).
- Impairment losses on equity investments of $21.1 million after tax, as the 30 June 2008 market value of these investments was below the carrying value.
- Cash flow hedge reserve movement relates to the merger with Adelaide Bank. On consolidation the reset of Adelaide Bank cash flow hedges results in ineffectiveness, which has an adverse profit impact ($19.8 million after tax).
- Integration costs associated with the Adelaide Bank merger incurred from December 2007 of $6.6 million after tax.
- Equity settled transaction costs of $1.0 million after tax relating to an issue of shares to employees of Community Banks under the Employee Share Plan.
- A shortfall between the value of loan balances relating to issues under the Employee Share Plan and the market value of those shares at balance date ($2.1 million after tax).
- Fair value adjustment in relation to the new Head Office development of $1.4 million after tax.
- Australian Taxation Office audit costs relating to Adelaide Bank Limited of $0.7 million after tax.

2.4.2 Interest margin

Analysis of net interest margin
%



Net interest margin above has been normalised assuming full 12 month contribution to margin from the Adelaide business and June 2007 comparative has been restated.

Net interest margin has declined slightly over the reporting period, despite a significant increase in the cost of both wholesale and retail deposits. This movement has been managed through a disciplined approach to growing assets in higher net interest margin portfolios, while restructuring our liability portfolios to reflect the profitability that can be generated from each stream.

2.4.3 Income

		Jun-08 $m	Jun-07 $m	Change $m	Change %	Six months ending Jun-08 $m	Six months ending Dec-07 $m	Change $m	Change %
Income									
Net interest income before significant items		542.6	357.1	185.5	51.9	336.4	206.2	130.2	63.1
Other income									
Other income									
Fees	- asset products	44.0	23.4	20.6	88.0	28.0	16.0	12.0	75.0
	- liability products & other	116.9	81.5	35.4	43.4	69.4	47.5	21.9	46.1
	- trustee, m'ment & other services	11.5	9.5	2.0	21.1	6.1	5.4	0.7	13.0
Commissions	- wealth solutions	37.7	35.2	2.5	7.1	19.0	18.7	0.3	1.6
	- insurance	12.9	9.6	3.3	34.4	6.9	6.0	0.9	15.0
	- other	3.8	3.3	0.5	15.2	2.1	1.7	0.4	23.5
Property revenue		1.2	0.9	0.3	33.3	0.6	0.6	-	-
Dividend income		3.9	3.8	0.1	2.6	1.7	2.2	(0.5)	(22.7)
Other		17.2	16.0	1.2	7.5	8.8	8.4	0.4	4.8
Total other income before significant income items		249.1	183.2	65.9	36.0	142.6	106.5	36.1	33.9
Share of associates' profit		26.4	21.9	4.5	20.5	14.7	11.7	3.0	25.6
Total non interest income before significant items		275.5	205.1	70.4	34.3	157.3	118.2	39.1	33.1
Significant income items - net interest income		(28.3)	-	(28.3)	-	(24.0)	(4.3)	(19.7)	-
Significant income items - non interest income		25.2	-	25.2	-	25.2	-	25.2	-
Total income		815.0	562.2	252.8	45.0	494.9	320.1	174.8	54.6

Comments on Total income when compared to previous corresponding period:

Net interest income increased by 52% when compared with the previous year. Refer to Management Commentary for an analysis of the net interest income movements.

Asset product fees increased by 88%, due to volume related increases within Bendigo Bank and the inclusion of Adelaide Bank results for the 7 months from December 2007.

Fees-liability products & other increased by 43% due to increased account transaction fees and electronic transactions, including ATM and merchant service fees and the inclusion of Adelaide Bank results for the 7 months from December 2007.

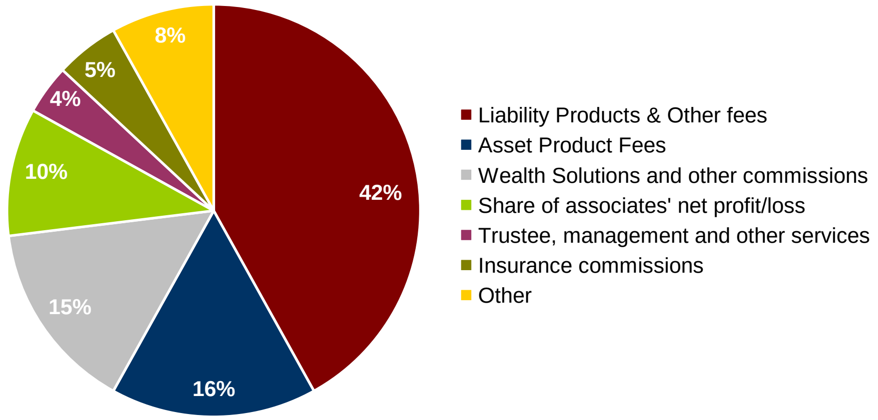
Commissions - insurance increased by 34% due to increased insurance product sales, higher profit contribution from our captive insurer Sunstate Lenders Mortgage Insurance Pty Ltd and the inclusion of Adelaide Bank results for the 7 months from December 2007.

Commissions - other increased by 15% predominantly due to increased trail commissions.

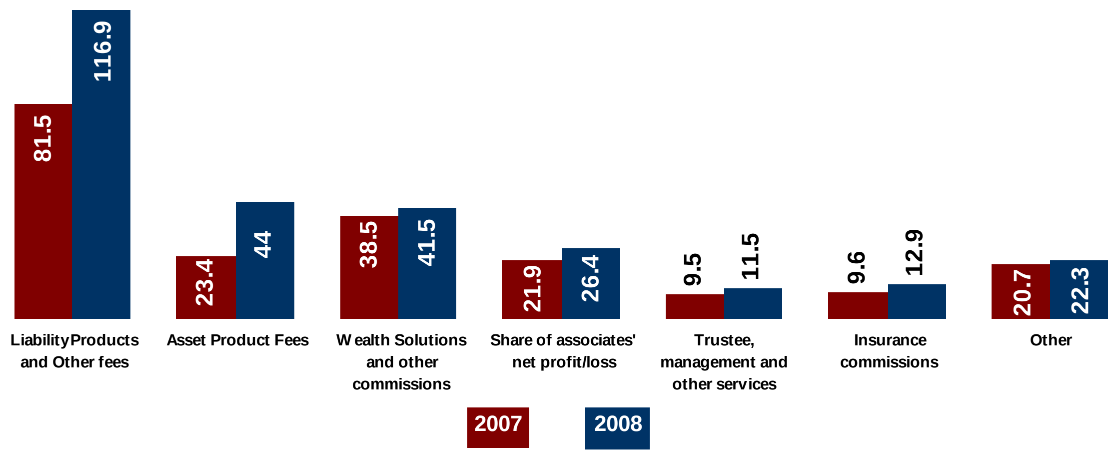
Share of associates' profit increased 21% due to increased contribution from Elders Rural Bank Limited.

	2008 $m	2007 $m
Significant income items include:		
Cash flow hedge reserve movement recognised on consolidation related to the merger with Adelaide Bank	(28.3)	-
Accounting gain on Visa Inc shares	25.2	-
	(3.1)	-

Other Income
%



Non interest Income
$mil



2.4.4 Expenses

2.4.4.1 Productivity and expenses

	Jun-08	Jun-07	Change		Six months ending Jun-08	Dec-07	Change	
	$m	$m	$m	%	$m	$m	$m	%
Expenses								
Staff and related costs	256.3	187.7	68.6	36.5	151.8	104.5	47.3	45.3
Occupancy costs	43.0	31.5	11.5	36.5	24.6	18.4	6.2	33.7
Information technology costs	44.2	34.8	9.4	27.0	23.6	20.6	3.0	14.6
Amortisation of intangibles	11.1	5.4	5.7	105.6	8.0	3.1	4.9	158.1
Property, plant & equipment costs	13.4	10.3	3.1	30.1	7.8	5.6	2.2	39.3
Fees & commissions	20.4	20.2	0.2	1.0	10.5	9.9	0.6	6.1
Communications, postage & stationery	28.9	23.8	5.1	21.4	15.4	13.5	1.9	14.1
Advertising & promotion	16.9	10.9	6.0	55.0	11.2	5.7	5.5	96.5
Other product & services delivery costs	26.8	20.4	6.4	31.4	14.4	12.4	2.0	16.1
Other administration expenses	37.5	23.8	13.7	57.6	21.5	16.0	5.5	34.4
Total operating expenses	498.5	368.8	129.7	35.2	288.8	209.7	79.1	37.7
Significant expense items	46.8	7.3	39.5	541.1	46.3	0.5	45.8	-
Total expenses	545.3	376.1	169.2	45.0	335.1	210.2	124.9	59.4
Productivity								
Expenses to income	59.6%	64.6%	(5.0%)	(7.7)	56.9%	63.7%	(6.8%)	(10.7)
Expenses to average assets	1.4%	2.3%	(0.9%)	(39.1)	1.2%	1.8%	(0.6%)	(33.3)
Expenses to average assets-incl managed funds	1.3%	2.0%	(0.7%)	(35.0)	1.1%	1.6%	(0.5%)	(31.3)
Number of staff (full-time equiv) - No.	3,478	2,428	1,050	43.2	3,478	3,603	(125)	(3.5)
Staff & related costs to income	31.3%	33.4%	(2.1%)	(6.3)	30.7%	32.2%	(1.5%)	(4.7)

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

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

Comments on individual expense categories are:
Staff and related costs increased 37% compared to the previous year. This increase is predominantly due to the inclusion of the trading of Adelaide Bank for the 7 months from December 2007, which increased FTE by 1,140 in December. Since the end of December the FTE of the group has decreased as integration progresses. Wage increases awarded under the group's certified agreement and other salary increases also contributed to the increase in this category. Expense relating to executive equity based transactions added $2.4 million to the 2008 costs when compared to 2007.

Occupancy costs increased 37% due to the inclusion of the trading of Adelaide Bank for the 7 months from December 2007 and increases in property rent, utilities and higher security and leasehold improvements costs.

Information technology costs increased by 27% due to the inclusion of the trading of Adelaide Bank for 7 months from December 2007, increased computer hardware leasing, rental of computer lines and software maintenance costs flowing from growth in the network and system upgrades.

Amortisation of intangibles increased by 106% due to a goodwill impairment loss of $4.0 million and increased amortisation of intangible software.

Property, plant & equipment costs increased by 30% due to the inclusion of the trading of Adelaide Bank for 7 months from December 2007.

Communications, postage & stationery increased by 21% due to the inclusion of the trading of Adelaide Bank for 7 months from December 2007, growth in telecommunications costs and higher postage and stationery volumes.

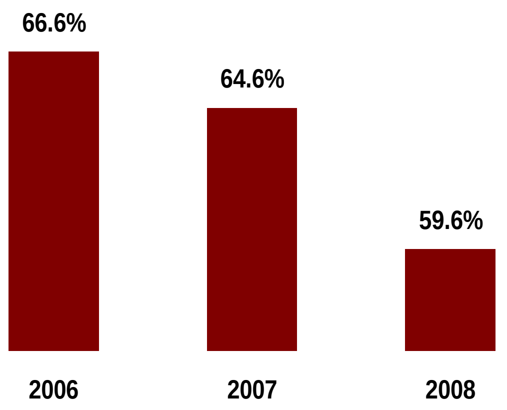
Advertising & promotion increased by 55% due to the inclusion of the trading of Adelaide Bank for 7 months from December 2007 and increased brand and special promotion advertising programs.

Other product & delivery costs increased 31% million including increased ATM & EFTPOS network servicing costs flowing from expansion of these delivery networks.

Other administration expenses increased 58% due to the inclusion of the trading of Adelaide Bank for 7 months from December 2007 and increased travel and motor vehicle expenses.

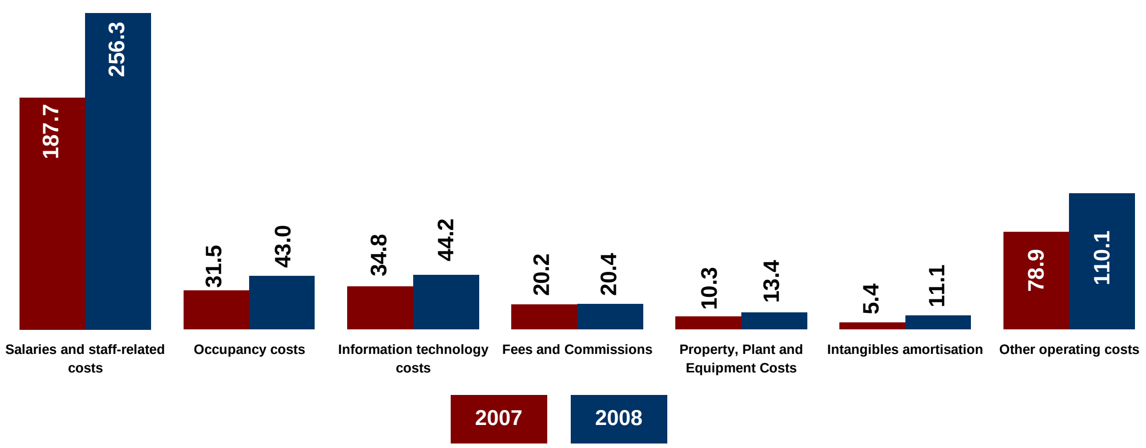
	2008 $m	2007 $m
Significant expense items include:		
Integration costs associated with the Adelaide Bank merger	9.4	-
Impairment losses in relation to equity investments	30.4	-
Fair value adjustment relating to new head office development	2.0	-
Shortfall in relation to Employee Share Plan	3.0	-
ATO audit costs	1.0	-
Expense relating to an issue of shares to staff under the Employee Share Plan	1.0	5.6
Expense relating to Bank of Queensland proposed merger	-	1.7
	46.8	7.3

Efficiency Ratio - Expenses/Income
%



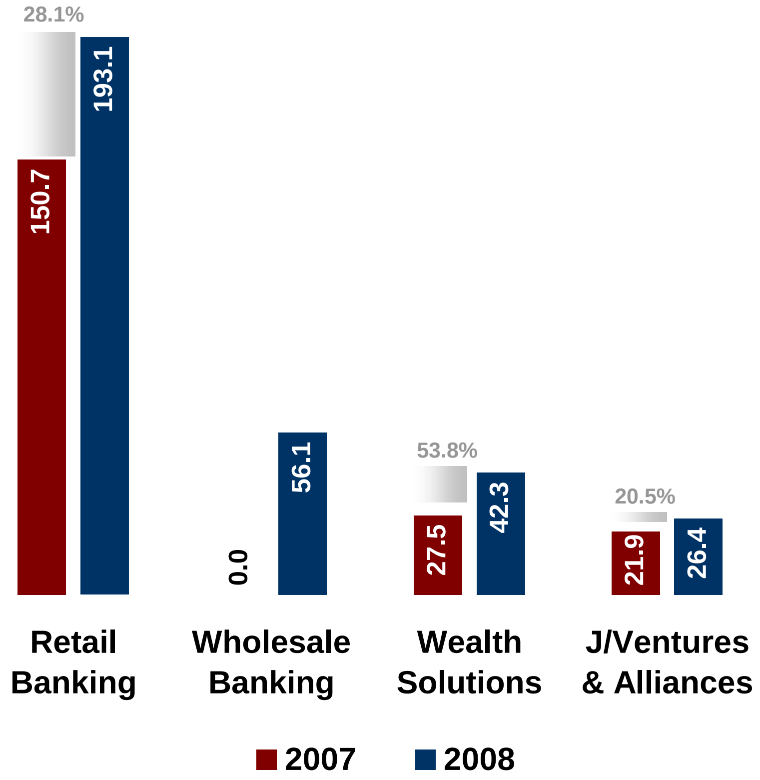
Expenses used in the above ratios is expenses less significant expense items and intangibles/goodwill amortisation. Income used in the above ratios is income less significant income items.

Operating expenses
$mil



2.4.5 Segment results

Profit contribution before tax
$mil



The chart displays key segment results as disclosed in segment reporting on pages 20 to 21.

For the twelve months ended 30 June 2008

Income	Retail Banking $m	Wholesale Banking $m	Wealth Solutions $m	J/Ventures & Alliances $m	Total Segments $m	Corporate Support $m	Total $m
Net interest income	420.7	73.4	48.5		**542.6**	(28.3)	**514.3**
Other income							
Other external income	172.1	19.2	54.6		**245.9**	28.4	**274.3**
Other intersegment income	-	-	-	-	**-**	-	**-**
Total other income	172.1	19.2	54.6	-	**245.9**	28.4	**274.3**
Share of net profit of equity accounted investments	-	-	-	26.4	**26.4**	-	**26.4**
Total segment income after interest expense							
External income	592.8	92.6	103.1	26.4	**814.9**	0.1	**815.0**
Intersegment income	-	-	-	-	**-**	-	**-**
Total segment income	592.8	92.6	103.1	26.4	**814.9**	0.1	**815.0**
Results							
Segment result from continuing operations before income tax expense	193.1	56.1	42.3	26.4	**317.9**	(72.0)	**245.9**
Income tax expense							**(75.4)**
Minority interests							**-**
Consolidated entity profit from continuing operations after income tax expense							**170.5**
Assets							
Segment assets	17,013.3	18,888.8	3,860.2	482.7	**40,245.0**	7,680.7	**47,925.7**
Equity accounted assets	-	-	-	185.2	**185.2**	-	**185.2**
Total on-balance sheet assets	17,013.3	18,888.8	3,860.2	667.9	**40,430.2**	7,680.7	**48,110.9**
Liabilities							
Total on-balance sheet liabilities	14,913.3	8,101.8	10,110.1	632.8	**33,758.0**	11,082.9	**44,840.9**

For the twelve months ended 30 June 2007

	Retail Banking	Wholesale Banking	Wealth Solutions	J/Ventures & Alliances	Total Segments	Corporate Support	Total
Income	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Net interest income	349.0	-	8.1	-	**357.1**	-	**357.1**
Other income							
Other external income	127.3	-	46.7	-	**174.0**	9.2	**183.2**
Other intersegment income	0.2	-	0.1	-	**0.3**	(0.3)	**-**
Total other income	127.5	-	46.8	-	**174.3**	8.9	**183.2**
Share of net profit of equity accounted investments	-	-	-	21.9	**21.9**	-	**21.9**
Total segment income after interest expense							
External income	476.3	-	54.8	21.9	**553.0**	9.2	**562.2**
Intersegment income	0.2	-	0.1	-	**0.3**	(0.3)	**-**
Total segment income	476.5	-	54.9	21.9	**553.3**	8.9	**562.2**
Results							
Segment result from continuing operations before income tax expense	150.7	-	27.5	21.9	**200.1**	(22.2)	**177.9**
Income tax expense							**(56.2)**
Minority interests							**0.1**
Consolidated entity profit from continuing operations after income tax expense							**121.8**
Assets							
Segment assets	13,014.3	-	136.4	426.2	**13,576.9**	3,268.4	**16,845.3**
Equity accounted assets	-	-	-	156.3	**156.3**	-	**156.3**
Total on-balance sheet assets	13,014.3	-	136.4	582.5	**13,733.2**	3,424.7	**17,001.6**
Liabilities							
Total on-balance sheet liabilities	11,688.8	-	164.6	470.4	**12,323.8**	3,662.8	**15,986.6**

Segment information

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

Business segments

The Group's business segments have been realigned to reflect the organisational structure following the merger with Adelaide Bank. These segments are managed according to the nature of products and services provided and the key delivery channels, with each segment representing a strategic business unit that offers a different delivery method and/or different products and services.

Retail banking

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

Wholesale banking

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

Wealth solutions

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

Joint ventures and Alliances

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

Corporate support

Unallocated corporate support business units.

Geographic segments

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

2.4.6 Lending

	As at Jun-08 $m	As at Jun-07 $m	Change $m	Change %	As at Jun-08 $m	As at Dec-07 $m	Change $m	Change %
Gross loan balance - by security								
Residential	29,931.0	10,193.3	19,737.7	193.6	29,931.0	30,103.7	(172.7)	(0.6)
Business								
Property & business services	1,854.2	1,100.1	754.1	68.5	1,854.2	1,646.8	207.4	12.6
Retail trade	475.0	427.1	47.9	11.2	475.0	485.7	(10.7)	(2.2)
Agriculture, forestry & fishing	1,098.7	282.4	816.3	289.1	1,098.7	937.6	161.1	17.2
Construction	290.6	202.2	88.4	43.7	290.6	277.6	13.0	4.7
Accom, cafes & restaurants	208.8	160.3	48.5	30.3	208.8	206.9	1.9	0.9
Retirement	248.6	-	248.6	-	248.6	276.5	(27.9)	(10.1)
Manufacturing	182.3	133.8	48.5	36.2	182.3	172.8	9.5	5.5
Transport & storage	260.1	96.5	163.6	169.5	260.1	207.4	52.7	25.4
Health & community services	346.1	91.0	255.1	280.3	346.1	386.3	(40.2)	(10.4)
Wholesale trade	149.2	107.7	41.5	38.5	149.2	105.6	43.6	41.3
Cultural & recreational services	41.7	38.7	3.0	7.8	41.7	38.9	2.8	7.2
Finance & insurance	109.1	53.7	55.4	103.2	109.1	132.4	(23.3)	(17.6)
Personal & other services	166.4	38.9	127.5	327.8	166.4	183.1	(16.7)	(9.1)
Education	26.0	26.5	(0.5)	(1.9)	26.0	26.5	(0.5)	(1.9)
Communication services	19.7	18.8	0.9	4.8	19.7	19.5	0.2	1.0
Other	241.8	127.3	114.5	89.9	241.8	352.6	(110.8)	(31.4)
Total business	5,718.3	2,905.0	2,813.3	96.8	5,718.3	5,456.2	262.1	4.8
Margin lending	3,767.3	90.5	3,676.8	-	3,767.3	4,811.9	(1,044.6)	(21.7)
Unsecured	737.5	472.4	265.1	56.1	737.5	717.2	20.3	2.8
Other	193.2	182.9	10.3	5.6	193.2	296.1	(102.9)	(34.8)
Total gross loan balance	40,347.3	13,844.1	26,503.2	191.4	40,347.3	41,385.1	(1,037.8)	(2.5)
Gross Loan balance - by purpose								
Residential	27,881.7	8,443.4	19,438.3	230.2	27,881.7	28,218.8	(337.1)	(1.2)
Consumer	3,485.1	2,913.3	571.8	19.6	3,485.1	3,332.5	152.6	4.6
Margin lending	3,767.3	90.5	3,676.8	-	3,767.3	4,811.9	(1,044.6)	(21.7)
Commercial	5,213.2	2,396.9	2,816.3	117.5	5,213.2	5,021.9	191.3	3.8
Total gross loan balance	40,347.3	13,844.1	26,503.2	191.4	40,347.3	41,385.1	(1,037.8)	(2.5)
Loans under management (gross balance)								
On-balance sheet	40,347.3	13,844.1	26,503.2	191.4	40,347.3	41,385.1	(1,037.8)	(2.5)
Off-balance sheet loans under management	758.3	-	758.3	-	758.3	611.6	146.7	24.0
STL Common Funds	2,022.7	1,915.2	107.5	5.6	2,022.7	2,006.9	15.8	0.8
Total Group loans under management	43,128.3	15,759.3	27,369.0	173.7	43,128.3	44,003.6	(875.3)	(2.0)

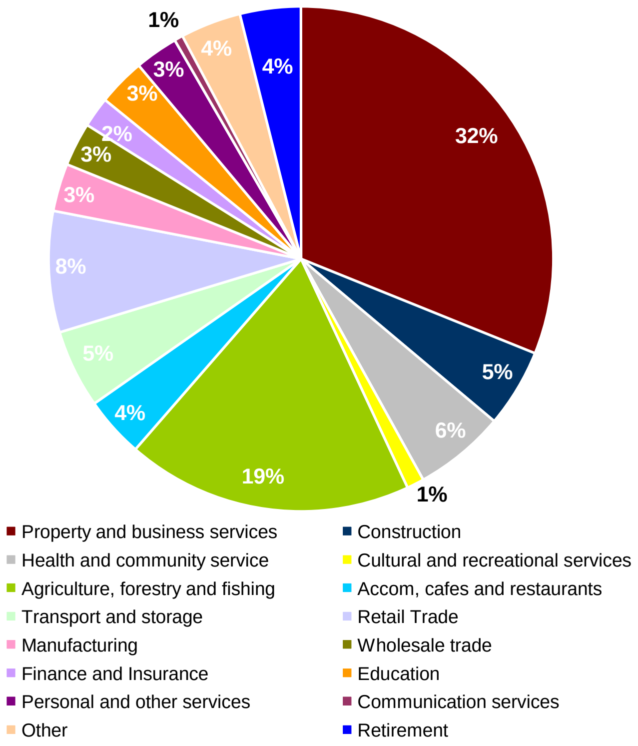
Loans under management represents the gross balance of loans managed by the group:

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

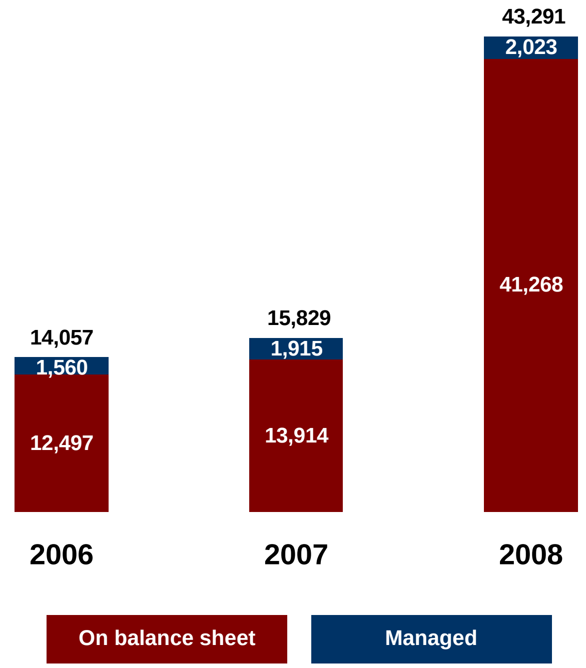
Off-balance sheet loans under management is the gross balance of off-balance sheet loans managed by Adelaide Managed Funds, a wholly-owned subsidiary of Adelaide Bank Limited.

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.

Business Lending Portfolio by industry
%



Group loans under management
$mil



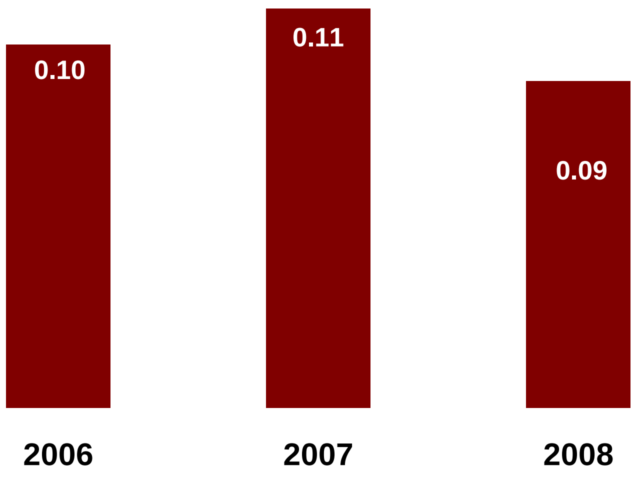
2.4.7 Asset Quality

	As at Jun-08 $m	As at Jun-07 $m	Change $m	%	As at Jun-08 $m	As at Dec-07 $m	Change $m	%
Impaired loans-								
Full-performing	0.5	1.4	(0.9)	-	0.5	1.1	(0.6)	-
Part-performing	-	0.8	(0.8)	(100.0)	-	0.6	(0.6)	(100.0)
Non-performing	42.7	16.0	26.7	166.9	42.7	37.7	5.0	13.3
Total impaired assets	43.2	18.2	25.0	137.4	43.2	39.4	3.8	9.6
Less: Specific provisions	(21.6)	(8.2)	(13.4)	163.4	(21.6)	(19.0)	(2.6)	13.7
Net impaired assets	21.6	10.0	11.6	116.0	21.6	20.4	1.2	5.9
Ratios								
Gross impaired to gross loans	0.11%	0.13%	(0.02%)	(15.4)	0.11%	0.10%	0.01%	10.0
Gross impaired to total assets	0.09%	0.11%	(0.02%)	(18.2)	0.09%	0.08%	0.01%	12.5
Net impaired to gross loans	0.05%	0.07%	(0.02%)	(28.6)	0.05%	0.05%	0.00%	-
Provision coverage	313%	358%	(45%)	(12.6)	313%	333%	(20%)	(6.0)

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

Past due 90 days								
Well secured	174.3	61.6	112.7	183.0	174.3	144.2	30.1	20.9
Portfolio facilities	1.9	1.7	0.2	11.8	1.9	1.4	0.5	35.7

Gross impaired/total assets
%



Following the merger of the two entities, credit quality has been retained at the same level as the comparative period, as a percentage of a now much larger portfolio balance. Underlying credit quality is very strong across all portfolios. This is the result of continued focus on credit management processes and controls.

2.4.8 Bad and Doubtful Debts

	Jun-08	Jun-07	Change		Six months ending Jun-08	Dec-07	Change	
	$m	$m	$m	%	$m	$m	$m	%
Expense:								
Bad debts expense	16.6	0.7	15.9	-	15.9	0.7	15.2	-
Prov'n doubtful debts - expense	9.1	8.1	1.0	12.3	5.4	3.7	1.7	45.9
Total bad and doubtful debts expense	25.7	8.8	16.9	192.0	21.3	4.4	16.9	384.1

	As at Jun-08	As at Jun-07	Change		As at Jun-08	As at Dec-07	Change	
	$m	$m	$m	%	$m	$m	$m	%
Balances:								
Provision for doubtful debts - specific	22.1	8.4	13.7	163.1	22.1	18.0	4.1	22.8
Provision for doubtful debts - collective	36.8	11.4	25.4	222.8	36.8	32.5	4.3	13.2
General reserve for credit losses	76.2	45.3	30.9	68.2	76.2	80.8	(4.6)	(5.7)
Total provision/reserve doubtful debts	135.1	65.1	70.0	107.5	135.1	131.3	3.8	2.9
Ratios:								
Loan write-offs to average assets	0.05%	0.04%	0.01%	25.0	0.05%	0.02%	0.03%	(60.0)
Loan write-offs to gross loans	0.04%	0.05%	(0.01%)	(20.0)	0.06%	0.01%	0.05%	(76.6)
Total provision/reserve for doubtful debts to gross loans	0.33%	0.47%	(0.14%)	(29.8)	0.33%	0.32%	(0.01%)	-
Collective provision (adjusted for tax) & GRCL to risk-weighted assets	0.51%	0.55%	(0.04%)	(7.3)	0.51%	0.51%	0.00%	-

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

	Jun-08	Jun-07	Movement
	$m	$m	$m
Specific provisions	22.1	8.4	13.7
Collective provision	36.8	11.4	25.4
General reserve for credit losses (GRCL)	76.2	45.3	30.9
Total balance in provisions for doubtful debts	135.1	65.1	70.0

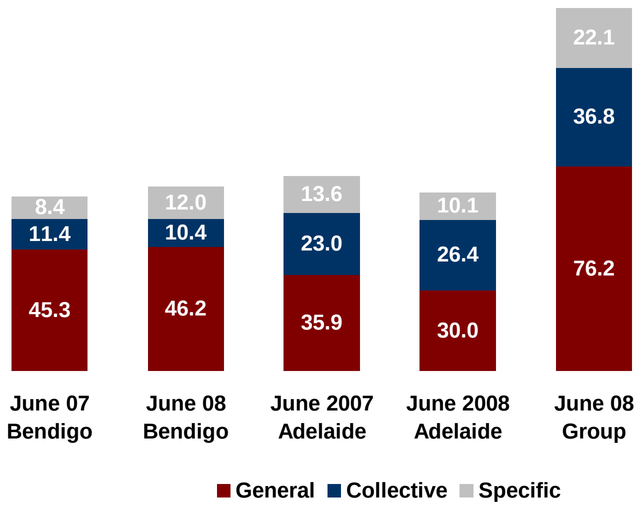
The movement in provisions comprise:	Specific	Collective	Gen res cr losses	Total
Balance at June 2007	8.4	11.4	45.3	65.1
Bad & doubtful debts expense to profit and loss	22.8	2.9	-	25.7
Bad debts written off	(16.0)	-	-	(16.0)
Appropriation of movement in general reserve for credit losses	-	-	(5.7)	(5.7)
Balance acquired in business combination	6.9	22.5	36.6	66.0
Balance at June 2008	22.1	36.8	76.2	135.1

Total bad debts written off for the period, as shown above comprises:	
Bad debts previously provided for	6.9
Other Bad debts	9.1
	16.0

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

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

Total Provisions and Reserves for Doubtful Debts
$mil



For clarity we have provided the details for the individual Bendigo Bank and Adelaide Bank portfolios to show the movements across each.

Movements in provisions during the period are a direct result of portfolio volume variations.

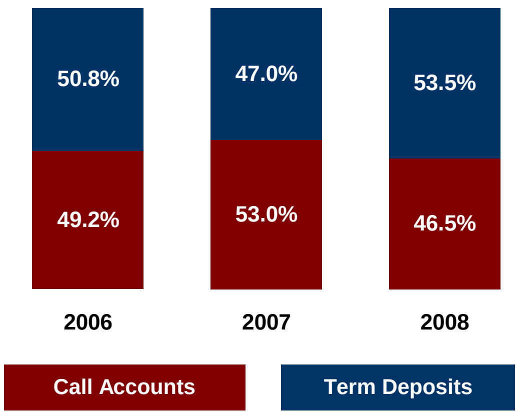
2.4.9 Deposits and Funds under Management

	As at Jun-08 $m	As at Jun-07 $m	Change $m	%	As at Jun-08 $m	As at Dec-07 $m	Change $m	%
Deposits and funds under management								
Deposits	31,425.1	14,887.5	16,537.6	111.1	31,425.1	30,969.9	455.2	1.5
Securitisation	11,356.1	259.1	11,097.0	4,282.9	11,356.1	13,544.6	(2,188.5)	(16.2)
Managed funds	4,570.9	3,394.2	1,176.7	34.7	4,570.9	4,964.1	(393.2)	(7.9)
Total deposits and funds under management	47,352.1	18,540.8	28,811.3	155.4	47,352.1	49,478.6	(2,126.5)	(4.3)
Retail deposits and funds under management								
Retail deposits	23,640.7	12,103.9	11,536.8	95.3	23,640.7	22,676.6	964.1	4.3
Managed funds	4,570.9	3,394.2	1,176.7	34.7	4,570.9	4,964.1	(393.2)	(7.9)
Total retail deposits and funds under management	28,211.6	15,498.1	12,713.5	82.0	28,211.6	27,640.7	570.9	2.1
Deposits dissection - $m								
Retail	23,640.7	12,103.9	11,536.8	95.3	23,640.7	22,676.6	964.1	4.3
Securitisation	11,356.1	259.1	11,097.0	4,282.9	11,356.1	13,544.6	(2,188.5)	(16.2)
Wholesale - domestic	6,326.6	1,519.8	4,806.8	316.3	6,326.6	7,250.2	(923.6)	(12.7)
Wholesale - offshore	1,457.8	1,263.8	194.0	15.4	1,457.8	1,043.1	414.7	39.8
Total deposits	42,781.2	15,146.6	27,634.6	182.4	42,781.2	44,514.5	(1,733.3)	(3.9)
Deposits dissection (excluding securitisation) - %								
Retail	75.2%	81.3%	(6.1%)	(7.5)	75.2%	73.2%	2.0%	2.7
Wholesale - domestic	20.1%	10.2%	9.9%	97.1	20.1%	23.4%	(3.3%)	(14.1)
Wholesale - offshore	4.7%	8.5%	(3.8%)	(44.7)	4.7%	3.4%	1.3%	38.2
Total deposits excluding securitisation	100.0%	100.0%	-	-	100.0%	100.0%	-	-
Managed funds dissection								
Common Funds	2,460.5	2,310.4	150.1	6.5	2,460.5	2,448.2	12.3	0.5
Investment and superannuation funds	2,110.4	1,083.8	1,026.6	94.7	2,110.4	2,515.9	(405.5)	(16.1)
Total managed funds	4,570.9	3,394.2	1,176.7	34.7	4,570.9	4,964.1	(393.2)	(7.9)

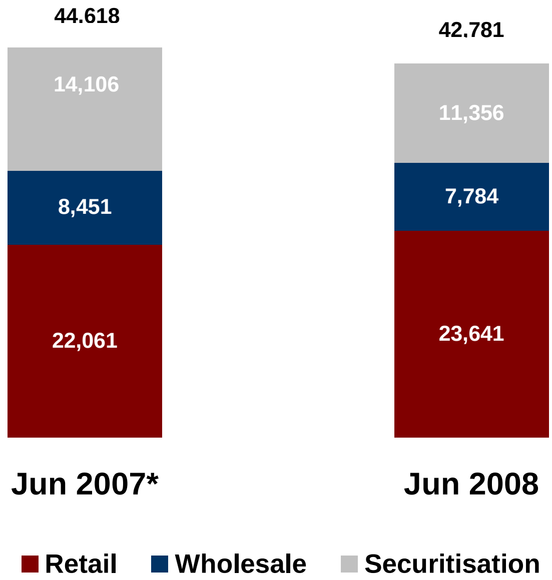
Common funds include those funds deposited into the Sandhurst Trustees Limited Common Funds, which are invested in cash and mortgage investments on behalf of the investors. These funds are off-balance sheet.

Investment and superannuation funds are funds deposited for investment in managed investment schemes and superannuation funds, including funds managed by Adelaide Managed Funds.

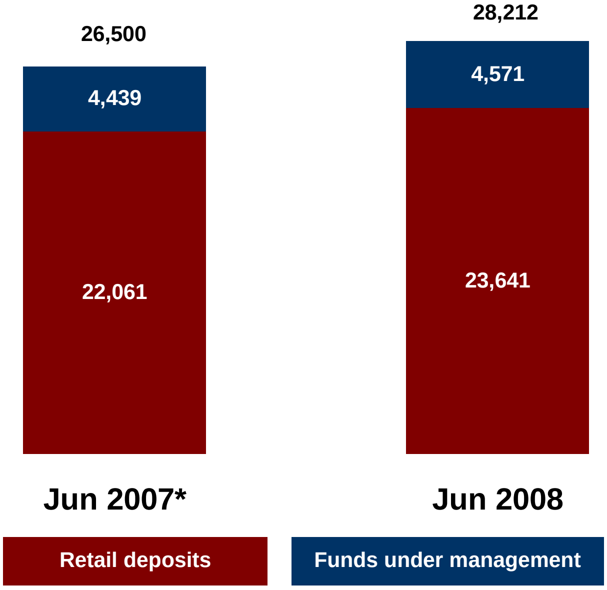
Composition of Bank Retail Deposits
%



Funding mix
$mil



Retail deposits and funds under management
$mil



*** Pro-forma balance includes Adelaide Bank Limited at 30 June 2007.**

Retail deposits increased by $11.6 billion or 95.3% to $23.6 billion over the 12 month period. The group continues to attract a high level of retail deposits. As at June 2008 they represented 75.2% of total deposits (excluding securitisation) (2007: 81.3%).

Wholesale deposits increased by $5.0 billion or 179.7% to $7.8 billion from June 2007.

Securitisation increased by $11.1 billion or 4,282.9% to $11.4 billion from June 2007.

These increases included the take-on of $9.5 billion in retail deposits, $6.0 billion in wholesale deposits and $13.1 billion in securitisation from Adelaide Bank.

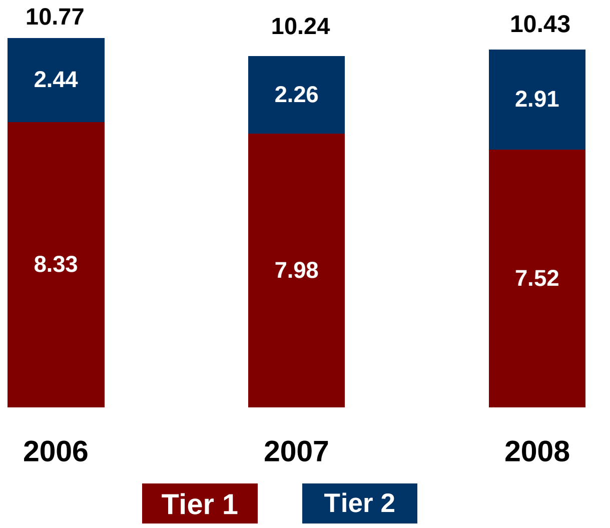
2.4.10 Capital and shareholder returns

2.4.10.1 Capital adequacy

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

	Consolidated	
	As at June 2008 $m	As at June 2007 $m
Risk weighted capital ratios		
Tier 1	7.52%	7.98%
Tier 2	2.91%	2.26%
Total capital ratio	10.43%	10.24%
Qualifying capital		
Tier 1		
Contributed capital	2,706.3	693.7
Retained profits & reserves	207.5	234.8
Innovative tier 1 capital	277.9	-
Less,		
Intangible assets, cash flow hedges and capitalised expenses	1,592.5	104.9
Net deferred tax assets	66.9	4.9
50/50 deductions	40.6	-
Other adjustments as per APRA advice	-	40.6
Total tier 1 capital	1,491.7	778.1
Tier 2		
General reserve for credit losses/collective provision (net of tax effect)	103.6	53.2
Subordinated debt	681.8	307.1
Asset revaluation reserves	11.4	21.5
	796.8	381.8
Less,		
50/50 deductions	40.6	-
Other adjustments as per APRA advice	179.5	-
Subsidiary investment residual	-	9.0
Total tier 2 capital	576.7	372.8
Less,		
Investments in non-consolidated subsidiaries or associates and other bank's capital instruments	-	151.9
Total qualifying capital	2,068.4	999.0
Total risk weighted assets	**19,820.8**	**9,754.0**

Capital adequacy
%



Group assets grew by $31.1 billion in the year to $48.1 billion, an increase of 183.0%.

Risk weighted assets rose $10.1 billion to $19.8 billion.

Group qualifying capital increased $1.1 billion to $2.1 billion.

Total risk weighted capital adequacy ratio at June 2008 is 10.43%.

Adjusted common equity ("ACE") and Adjusted Total Equity ("ATE")

ACE and ATE ratios are calculated in accordance with new methodology advised by Standard & Poors.
2007 figures have been recalculated using this methodology for comparative purposes.

	Consolidated	
	As at June 2008 $m	As at June 2007 $m
Shareholders' equity	2,766.9	624.9
Minority interest equity	-	(1)
Retained earnings	242.0	232.4
Expected dividends	(98.8)	(46.6)
Goodwill	(1,460.4)	(93.7)
Other deductions	(4.5)	-
Adjusted common equity	1,445.2	716.3
Adjusted Common Equity ratio to risk weighted assets	**7.29%**	**7.34%**
Investments in associates and joint ventures equity accounted for	(185.2)	(153.6)
Hybrid capital	277.9	88.5
Subsidiary investment residual	(9.0)	(9.0)
Adjusted total equity	1,528.9	642.2
Adjusted Total Equity ratio to risk weighted assets	**7.71%**	**6.58%**

2.4.10.2 Shareholder returns

	Jun-08	Jun-07	Change	%	Six months ending Jun-08	Dec-07	Change	%
Cash basis earnings per ordinary share (weighted average)-cents	93.7	82.9	10.8	13.0	49.1	43.0	6.1	14.2
Earnings per ordinary share (weighted average)-cents	74.8	81.9	(7.1)	(8.7)	34.3	42.4	(8.1)	(19.1)
Diluted earnings per ordinary share (weighted average)-cents	74.7	81.1	(6.4)	(7.9)	34.3	42.3	(8.0)	(18.9)
Weighted number of ordinary shares used in basic and cash basis EPS calculations - 000's	215,528	142,878	72,650	50.8	267,088	164,518	102,570	62.3
Weighted number of ordinary shares used in diluted EPS calculations - 000's	215,832	150,134	65,698	43.8	267,392	170,770	96,622	56.6
Cash basis return on average ordinary equity	10.82%	15.38%	(4.56%)	(29.6)	9.19%	12.46%	(3.27%)	(26.2)
After tax return on average ordinary equity	8.65%	15.18%	(6.53%)	(43.0)	6.20%	12.28%	(6.08%)	(49.5)
After tax before significant items return on average ordinary equity	10.53%	16.06%	(5.53%)	(34.4)	8.65%	12.86%	(4.21%)	(32.7)
After tax return on average assets	0.48%	0.76%	(0.28%)	(36.8)	0.80%	0.64%	0.16%	25.0
After tax before significant items return on average assets	0.58%	0.80%	(0.22%)	(27.5)	1.07%	0.67%	0.40%	59.7

Profitability ratios for half year results have been annualised by multiplying the numerator by two.

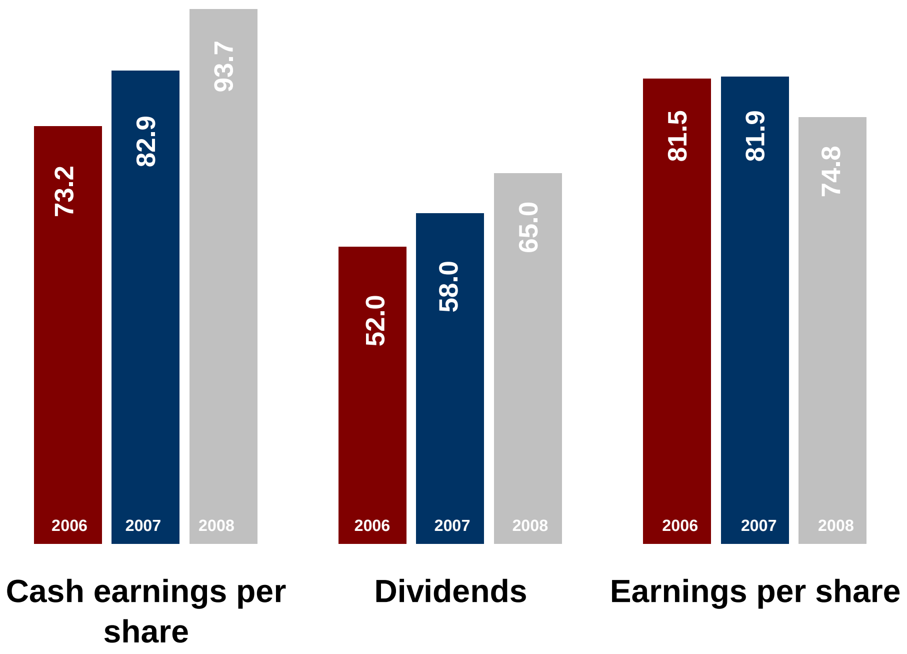
Cash earnings used in cash basis earnings per ordinary share is profit after tax adjusted for significant items after tax, intangibles amortisation (except intangible software amortisation), loan portfolio premium amortisation, dividends on preference shares and movements in general reserve for credit losses.

Earnings used in earnings per ordinary share is 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 reserve - shares, unrealised gains/losses on cash flow hedges reserve, general reserve for credit losses and minority interests.

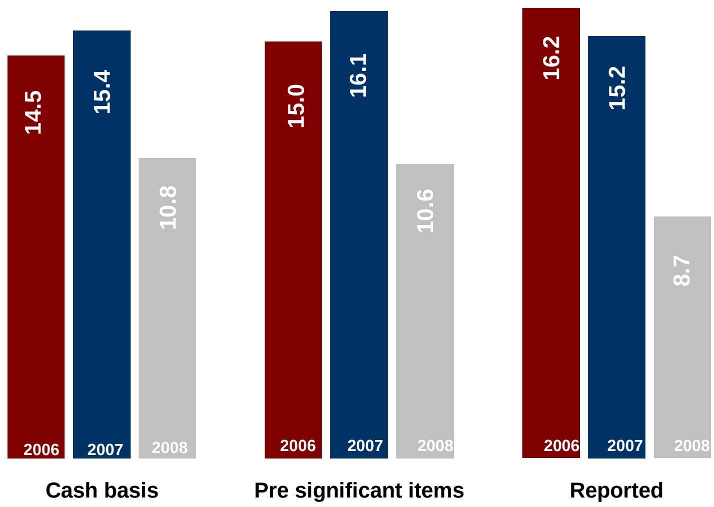
After tax return on average assets uses profit after tax.

Earnings per ordinary share
cents



Cash basis earnings per share was 93.7 cents, an increase of 10.8 cents, or 13.0% over 2007. The strong cash basis earnings per ordinary share growth enabled directors to lift the final dividend 3.0 cents to 37.0 cents per share. This represents a payout ratio of 86.8% on earnings per ordinary share or 69.4% on cash basis earnings per ordinary share. Earnings per ordinary share decreased to 74.8 cents for the year, representing a decrease of 7.1 cents, or 8.7%. The decrease was predominantly due to the impact of significant items, which had a $49.9 million negative impact on profit before tax.

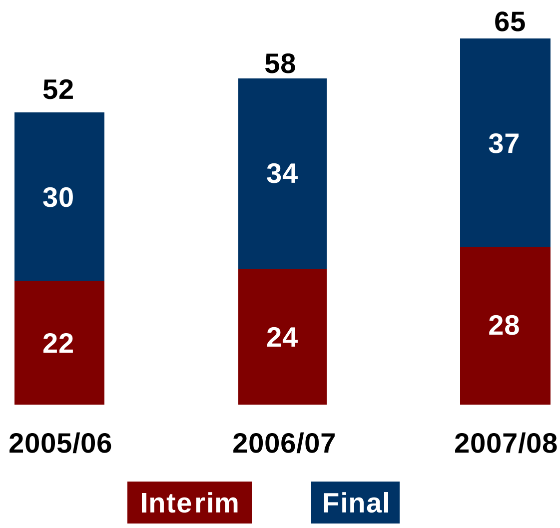
Return on ordinary equity
%



Cash basis return on average ordinary equity was 10.82% compared to 15.38% in 2007, representing a 29.6% decrease. This ratio was impacted by the significant increase in equity resulting from the issue of shares associated with the merger with Adelaide Bank Limited on 30 November 2007.

Return on average ordinary equity including significant items decreased from 15.18% in the previous corresponding period to 8.65%. This reflects the impact of significant expense items on the 2008 result and the increase in equity on 30 November 2007 resulting from the merger with Adelaide Bank Limited.

Total Dividends paid
cents



2.4.10.3 Dividends

	Full year				Six months ending			
	Jun-08	Jun-07	Change		Jun-08	Dec-07	Change	
	$m	$m	$m	%	$m	$m	$m	%
Dividends								
Dividend per share - cents	65.0	58.0	7.0	12.1	37.0	28.0	9.0	32.1
Dividend amount payable - $m	171.2	79.2	92.0	116.2	99.4	71.8	27.6	38.4
Payout ratio - earnings per ordinary share	86.8%	70.8%	16.0%	22.6	107.9%	66.0%	41.9%	63.5
Payout ratio - cash basis earnings per ordinary share	69.4%	70.0%	(0.6%)	(0.9)	75.4%	65.1%	10.3%	15.8

	Consolidated	
	2008	2007
	$m	$m
Dividends paid or proposed		
Ordinary shares		
Dividends paid during the year		
current year		
Interim dividend (28.0 cents per share) (2007 - 24.0 cents per share)	71.7	32.6
previous year		
Final dividend (34.0 cents per share) (2007 - 30.0 cents per share)	46.8	40.1
	118.5	72.7
Dividends proposed since the reporting date, but not recognised as a liability		
Final dividend (37.0 cents per share) (2007: 34.0 cents per share)	99.4	46.6

All dividends paid were fully franked. Proposed dividends will be fully franked out of existing franking credits or out of franking credits arising from payment of income tax provided for in the financial statements for the year ended 30 June 2008.

	2008	2007
Preference shares (BENPB)		
Dividends paid during the year		
142.66 cents per share paid on 17 September 2007 (2007: 131.68 cents)	1.3	1.2
147.76 cents per share paid on 17 December 2007 (2007: 134.64 cents)	1.3	1.2
154.28 cents per share paid on 17 March 2008 (2007: 136.36 cents)	1.4	1.2
162.85 cents per share paid on 16 June 2008 (2007: 138.89 cents)	1.5	1.2
	5.5	4.8
Step up preference shares (BENPC)		
Dividends paid during the year		
152.00 cents per share paid on 10 January 2008 (2007: Nil)	1.5	-
155.00 cents per share paid on 10 April 2008 (2007: Nil)	1.6	-
	3.1	-

	Consolidated 2008 $m	Consolidated 2007 $m
Dividend franking account		
Balance of franking account as at end of financial year	232.6	116.0
Franking credits that will arise from the payment of income tax provided for in the financial report	11.1	16.3
Impact of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution of equity holders during the period	(43.6)	(21.0)
	200.1	111.3

The tax rate at which dividends have been franked is 30% (2007: 30%).
Dividends proposed will be fully-franked (2007: fully-franked)

	2008 $m	2007 $m
Dividend paid		
Dividends paid by cash or satisfied by the issue of shares under the dividend reinvestment plan during the year were as follows:		
Paid in cash	95.0	57.0
Satisfied by issue of shares	32.1	20.5
	127.1	77.5

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 Stock Exchange over the 10 trading days following the Record Date at a 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 Stock Exchange over the 10 trading days following the Record Date. Shares issued under this scheme rank equally with all other ordinary shares.

The last date for the receipt of an election notice for participation in either the Dividend Reinvestment Plan or Bonus Share Scheme for the 2008 final dividend is 2 September 2008.

2.4.10.4 Earnings per share

	Consolidated	
	2008	2007
	Cents per share	Cents per share
Basic earnings per ordinary share	74.8	81.9
Diluted earnings per ordinary share	74.7	81.1
Cash basis earnings per ordinary share	93.7	82.9

	2008	2007
	$m	$m
Reconciliation of earnings used in the calculation of basic earnings per ordinary share		
Profit after tax	171.2	121.7
(Profit)/loss attributable to minority interests	(0.7)	0.1
Dividends paid on preference shares	(5.5)	(4.8)
Dividends paid on step up preference shares	(3.7)	-
	161.3	117.0
Reconciliation of earnings used in the calculation of diluted earnings per ordinary share		
Earnings used in calculating basic earnings per ordinary share	161.3	117.0
Add back dividends on dilutive preference shares	-	4.8
	161.3	121.8
Reconciliation of earnings used in the calculation of cash basis earnings per ordinary share		
Earnings used in calculating basic earnings per ordinary share	161.3	117.0
After tax intangibles amortisation (excluding amortisation of intangible software)	4.8	1.2
After tax significant income and expense items (1)	35.1	6.8
Movement in general reserve for credit losses	5.7	(4.7)
Movement in general reserve for credit losses - associates	(1.0)	(1.8)
Significant general reserve for credit losses movement - BBL move to 0.51% of RWA	(4.0)	-
	201.9	118.5

	Consolidated	
	2008	2007
	No. of shares	No. of shares
Weighted average number of ordinary shares used in basic and cash basis earnings per ordinary share	215,528,083	142,878,434
Effect of dilution - share options relating to executives	303,889	100,117
Effect of dilution - preference shares	-	7,155,635
Weighted average number of ordinary shares used in diluted earnings per ordinary share	215,831,972	150,134,186

(1) Significant income and expense items after tax comprise:	$m	$m
Income		
Cashflow hedge reserve movement on consolidation relating to Adelaide Bank merger	19.8	-
Accounting gain on Visa Inc shares	(17.6)	-
Expense		
Expense relating to an issue of shares to staff under the Employee Share Plan	1.0	5.6
Shortfall relating to Employee Share Plan	2.1	-
Impairment loss - equity investments	21.1	-
Integration costs	6.6	-
Fair value adjustment - head office development	1.4	-
ATO audit costs	0.7	-
Expense relating to Bank of Queensland proposed merger	-	1.2
	35.1	6.8

Conversions, calls, subscription or issues after 30 June 2008

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

Information on the classification of securities

Options
Options granted to executives are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These options have not been included in the determination of basic earnings per share.

2.5 Additional notes

2.5.1 Analysis of intangible assets

Analysis of intangible assets

	Balance sheet - carrying value	Full year amortisation/ impairment expense	
	Jun-08 $m	**Jun-08 $m**	**Jun-07 $m**
Goodwill	1,429.6	4.0	-
Trustee licence	8.4	-	-
Software	21.8	6.3	4.2
Customer list (Oxford Funding)	0.7	0.8	1.2
	1,460.5	11.1	5.4

Goodwill of $1,429.6 million includes $1,369.7 million goodwill recognised on consolidation of Adelaide Bank Limited. Due to complexity and timing of this merger, the fair values of assets acquired are provisional and are subject to further review during 12 month period following the merger. As a result, the goodwill number will alter over this period.

2.5.2 Assets and capital

	As at Jun-08 $m	As at Jun-07 $m	Change $m	%	As at Jun-08 $m	As at Dec-07 $m	Change $m	%
Group assets	48,110.9	17,001.6	31,109.3	183.0	48,110.9	49,382.0	(1,271.1)	(2.6)
Capital adequacy								
Total qualifying capital	2,068.4	999.0	1,069.4	107.0	2,068.4	2,240.6	(172.2)	(7.7)
Risk-weighted assets	19,820.8	9,754.0	10,066.8	103.2	19,820.8	20,311.5	(490.7)	(2.4)
Risk-weighted capital adequacy	10.43%	10.24%	0.19%	1.9	10.43%	11.03%	(0.60%)	(5.4)
- Tier 1	7.52%	7.98%	(0.46%)	(5.8)	7.52%	7.73%	(0.21%)	(2.7)
- Tier 2	2.91%	2.26%	0.65%	28.8	2.91%	3.30%	(0.39%)	(11.8)
Net tangible assets per fully paid ordinary share	$5.59	$5.40	$0.19	3.5	$5.59	$5.76	($0.17)	(3.0)
Number of fully paid ordinary shares on issue - 000's	274,678	144,188	130,490	90.5	274,678	262,880	11,798	4.5
Total equity	3,270.0	1,015.0	2,255.0	222.2	3,270.0	3,134.6	135.4	4.3

Total group assets rose by $31.1 billion during the reporting period, or 183.0%. This increase included take-on of $30.5 billion of Adelaide Bank total assets.

Risk weighted assets increased by 103.2% and the group's capital base was up by 107.0% to $2.1 billion during the reporting period. The group continues to be strongly capitalised with tier one ratio at 7.52% and tier two of 2.91%.

2.5.3 Investments accounted for using the equity method

Name	Ownership interest held by consolidated entity 2008 %	2007 %	Balance date
Elders Rural Bank Ltd	50.0	50.0	30 June
Tasmanian Banking Services Ltd	50.0	50.0	30 June
Community Sector Enterprises Pty Ltd	50.0	50.0	30 June
Homesafe Solutions Pty Ltd	50.0	50.0	30 June
Caroline Springs Fin Serv Pty Ltd *	100.0	50.0	30 June
Silver Body Corp Fin Serv Pty Ltd	50.0	50.0	30 June
Community Telco Australia Pty Ltd	50.0	50.0	30 June
Strategic Payment Services Pty Ltd	33.3	40.0	30 June

(i) Principal activities of associated companies

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

* Effective 30 June 2008, Caroline Springs Financial Services Pty Ltd is a wholly-owned subsidiary.

All associate companies were incorporated in Australia.

(ii) Share of associates' revenue and profits	2008 $m	2007 $m
Share of associates':		
- revenue	67.3	59.8
- expense	40.8	37.9
- profit before income tax	26.5	21.9
- income tax expense	9.2	8.1
- profit after income tax	17.3	13.8
Share of associates' operating profits after income tax:		
- Elders Rural Bank Ltd	20.8	18.0
- Tasmanian Banking Services Ltd	1.0	0.9
- Community Sector Enterprises Pty Ltd	0.5	(0.1)
- Homesafe Solutions Pty Ltd	(0.7)	(1.0)
- Caroline Springs Financial Services Pty Ltd	-	(0.1)
- Silver Body Corporate Financial Services Pty Ltd	0.2	0.1
- Community Telco Australia Pty Ltd	(1.8)	(1.4)
- Strategic Payment Services Pty Ltd	(2.7)	(2.6)
	17.3	13.8

Elders Rural Bank Ltd reported a net profit after-tax of $41.1 million for the year ended 30 June 2008, representing a 14% increase on $36.0 million last year. Loans under management grew by 12% to reach $3.6 billion with deposits rising 15% to $3.7 billion. Despite a period of challenging seasonal conditions for its client base, credit performance continues to be extremely good with the ratio of net non-performing loans to gross loans under management remaining relatively stable at 0.33% (2007: 0.36%).

Tasmanian Banking Services Ltd is a joint venture between Bendigo and Adelaide Bank and Tasmanian Perpetual Trustees providing banking services in Tasmania. The company operates nine branches across Tasmania. Banking business now totals $721.6 million (2007:$608.0 million) representing an 18.7% increase over the previous year.

Community Sector Enterprises Pty Ltd is a joint venture between the Bank and Community 21 Ltd (which is owned by 20 not-for-profit sector bodies). Based on the Community Bank model, it delivers banking services to the not-for-profit sector in return for a share of the margin and fee income. This improves the return on capital for the sector, enhancing its ability to deliver services to the community. In line with Bendigo and Adelaide's strategy to bank discrete communities, it provides the Bank with a distribution channel providing access to a geographically diverse community of interest. Banking business totals $339.2 million (2007:$254.0 million) representing a 33.5% increase.

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. During the year new business valued at $41.9 million has been written in this product.

Caroline Springs Financial Services Pty Ltd is a joint venture between Bendigo and Adelaide Bank and Delfin Lend Lease Ltd which established a bank branch in February 2005 as part of the infrastructure for a new integrated property development in the Melbourne suburb of Caroline Springs. Effective 30 June 2008, this company became a wholly-owned subsidiary of Bendigo and Adelaide Bank Limited and the branch is now a company-owned branch of the bank.

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 franchisees of Bendigo and Adelaide Bank's wholly-owned subsidiary, Community Developments Australia Ltd.

Strategic Payment Services Pty Ltd was established in May 2006 and is a joint venture between Bendigo and Adelaide Bank (33.3%), Customers Limited (33.3%) and MasterCard International (33.3%). The company is building an independent payment processing business that will handle the processing and management of all Bendigo and Adelaide and Customers' ATM and Eftpos transactions. To date all Bendigo and Adelaide Bank ATM's and 90% of Eftpos terminals have been migrated.

2.5.4 Average balance sheets and related interest

For the twelve month period ended 30 June 2008

	Note	Average Balance $m	Interest 12 mths $m	Average Rate %
Average balances and rates	*1*			
Interest earning assets				
Cash and investments		4,125.7	294.1	7.13
Loans and other receivables - company		24,576.4	2,061.4	8.39
Loans and other receivables - alliances		5,060.1	386.4	7.64
Total interest earning assets	*2*	33,762.2	2,741.9	8.12
Non interest earning assets				
Provisions for doubtful debts		(41.0)		
Other assets		1,902.1		
		1,861.1		
Total assets (average balance)		35,623.3		
Interest bearing liabilities				
Deposits				
Retail - company		13,036.6	733.0	5.62
Retail - alliances		5,906.0	383.1	6.49
Wholesale - domestic		4,474.0	304.1	6.80
Wholesale - offshore		1,483.6	119.2	8.03
Notes payable		7,326.7	583.8	7.97
Reset preference shares		52.2	3.2	6.13
Subordinated debt		552.6	44.6	8.07
Total interest bearing liabilities	*2*	32,831.7	2,171.0	6.61
Non interest bearing liabilities and equity				
Other liabilities		536.5		
Equity		2,255.1		
		2,791.6		
Total liabilities and equity		35,623.3		
Interest margin and interest spread				
Interest earning assets		33,762.2	2,741.9	8.12
Interest bearing liabilities		(32,831.7)	(2,171.0)	(6.61)
Net interest income and interest spread	*3*		570.9	1.51
Net interest margin	*4*			1.69

Impact of community bank/alliances profit share arrangements

Net interest margin before community bank/alliances share of net interest income	2.01
Less impact of community bank/alliances share of net interest income	0.32
Net interest margin	1.69

1 Average balance is based on monthly closing balances from 30 June 2007 through 30 June 2008 inclusive, with the exception of Wholesale domestic, which is based on a daily closing balance.

2 Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by $79.5m to reflect the gross amounts.

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

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

For the twelve month period ended 30 June 2007

	Note	Average Balance $m	Interest 12 mths $m	Average Rate %
Average balances and rates	*1*			
Interest earning assets				
Cash and investments		2,271.6	133.0	5.85
Loans and other receivables - company		8,939.1	697.0	7.80
Loans and other receivables - alliances		4,059.2	285.5	7.03
Total interest earning assets	*2*	15,269.9	1,115.5	7.31
Non interest earning assets				
Provisions for doubtful debts		(19.2)		
Other assets		720.1		
		700.9		
Total assets (average balance)		15,970.8		
Interest bearing liabilities				
Deposits				
Retail - company		6,911.6	300.2	4.34
Retail - alliances		4,824.4	272.4	5.65
Wholesale - domestic		1,338.6	76.5	5.71
Wholesale - offshore		1,015.7	65.0	6.40
Notes payable		314.5	23.1	7.34
Reset preference shares		-	-	0.00
Subordinated debt		295.9	21.2	7.16
Total interest bearing liabilities	*2*	14,700.7	758.4	5.16
Non interest bearing liabilities and equity				
Other liabilities		330.0		
Equity		940.1		
		1,270.1		
Total liabilities and equity		15,970.8		
Interest margin and interest spread				
Interest earning assets		15,269.9	1,115.5	7.31
Interest bearing liabilities		(14,700.7)	(758.4)	(5.16)
Net interest income and interest spread	*3*		357.1	2.15
Net interest margin	*4*			2.34

Impact of community bank/alliances profit share arrangements

Net interest margin before community bank/alliances share of net interest income	2.90
Less impact of community bank/alliances share of net interest income	0.56
Net interest margin	2.34

1 *Average balance is based on monthly closing balances from 30 June 2006 through 30 June 2007 inclusive, with the exception of Wholesale domestic, which is based on a daily closing balance.*

2 *Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by $56.9m to reflect the gross amounts.*

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

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

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

On 9 April 2008, 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 an important retail deposit base'.

On 23 April 2008, Standard & Poor's Ratings Servicers noted that Bendigo Bank Ltd had changed its name to Bendigo and Adelaide Bank Ltd and affirmed the long term rating at BBB+, short term rating at A-2, with the outlook remaining at stable.

On 16 June 2008, Fitch Ratings, the international ratings agency affirmed Bendigo and Adelaide Bank Limited's long term rating at BBB+, short term rating at F2, upgraded its support rating to '3' from '4' (to reflect the bank's increased size and importance in the Australian banking system), and upgraded the bank's Support Rating floor to 'BB' from 'B+', with a Stable outlook. Fitch commented 'Bendigo and Adelaide Bank is a more diversified institution, both in terms of product and geographic presence'.

2.5.6 Issued capital

Changes to issued and quoted securities during the period

Ordinary shares	**$m**
144,187,890 fully paid ordinary shares at beginning of year	605.2
September 2007 – 854,591 shares issued at $14.87 under Dividend Reinvestment Plan	12.7
September 2007 – 149,813 shares issued at $14.87 under Bonus Share Scheme (in lieu of dividend payment)	-
December 2007 – 226,790 shares issued at $13.40 under Employee Share Plan	3.0
December 2007 – 117,687,891 shares issued at $16.80 as consideration for the acquisition of Adelaide Bank Limited	1,977.2
March 2008 – 2,024,856 shares issued at $9.60 under Dividend Reinvestment Plan	19.4
March 2008 – 212,687shares issued at $9.60 under Bonus Share Scheme (in lieu of dividend payment)	-
March 2008 – 9,333,865 shares issued at $9.60 under Share Purchase Plan	89.6
Share issue expenses	(0.8)
274,678,383 fully paid ordinary shares at 30 June 2008	2,706.3

	$m
Preference Shares	88.5
900,000 preference shares of $100 face value (fully paid) at beginning of financial year	
900,000 preference shares of $100 face value (fully paid) at 30 June 2008	88.5

Step up preference shares	
Balance at beginning of financial year	-
Issue of 1,000,000 step up preference shares of $100 face value (fully paid)	100.0
1,000,000 step up preference shares of $100 face value (fully paid) at 30 June 2008	100.0

2.6 Commentary on results and performance trends

The Group recorded a cash profit of $201.9 million, a $83.4 million or 70.4% increase over the $118.5 million achieved in 2007. Reported cash earnings per share of 93.7 cents represented a 13.0% increase for the year in line with the guidance provided to the market of 12% growth.

The result included the impact of significant expense items which totalled $49.9 million before tax. The profit before tax and significant items for 2008 was $296.5 million, a $111.3 million or 60.1% increase over 2007. The significant items included:

Accounting gain on Visa Inc shares
Cash flow hedge reserve movement on consolidation of Adelaide Bank
Integration costs associated with the Adelaide Bank merger
Impairment losses in relation to equity investments
Fair value adjustment relating to the new head office development
Shortfall in relation to the Employee Share Plan
ATO audit costs

Increased contributions from all major business divisions within the Group were recorded during the year and were supported by a 174.7% increase in group loans under management and a 155.4% growth in deposits and funds under management.

Net interest income before significant items increased by 51.9% or $185.5 million.

Non interest income increased by $70.4 million or 70.4% excluding the significant income items. The major increases included asset product fees and liability product transaction fees driven by a growth in customer accounts and increased income from our electronic delivery network. Earnings from our Wealth Solutions managed fund products, commissions from insurance business and higher profit contribution from our captive insurer Sunstate Lenders Mortgage Insurance Pty Ltd together with our share of increased profit for Elders Rural Bank Limited also contributed to the increased non interest income.

Bad and doubtful debts expense increased from $8.8 million to $25.7 million in 2008. The increase was predominantly due to the expense in relation to specific provisions, which increased by $16.6 million when compared to 2007.

Net impaired loans stood at $21.6 million, up from $10.0 million at June 2007. The increase includes take-on of impaired loans of Adelaide Bank. As a percentage of the combined Bendigo Bank and Adelaide Bank loans, net impaired loans has reduced by 0.02% from June 2007 to 0.05% of loan receivables.

Other expenses excluding significant expense items increased by $129.8 million or 32.5%. The major contributors to this increase were:

- Staff and related costs increased by 37.0% compared to 2007. This increase is predominantly due to the inclusion of the trading of Adelaide Bank for the 7 months from December 2007, which increased FTE by 1,140 in December. Since the end of December the FTE of the group has decreased as integration progresses. Wage increases awarded under the group's certified agreement and other salary increases also contributed to the increase in this category. Expense relating to executive equity based transactions added $2.4 million to the 2008 costs when compared to 2007.

- Occupancy costs increased 37% due to the inclusion of the trading of Adelaide Bank for the 7 months from December 2007 and increases in property rent, utilities and higher security and leasehold improvements costs.

- Information technology costs increased by 27% due to the inclusion of the trading of Adelaide Bank for the 7 months from December 2007, increased computer hardware leasing, rental of computer lines and software maintenance costs flowing from growth in the network and system upgrades.

- Amortisation of intangibles increased by 106% due to a goodwill impairment loss of $4.0 million and increased amortisation of intangible software.

- Property, plant & equipment costs increased by 30% due to the inclusion of the trading of Adelaide Bank for 7 months from December 2007.

- Communications, postage and stationery increased by 21% due to the inclusion of the trading of Adelaide Bank for 7 months from December 2007, growth in telecommunications costs and higher postage and stationery volumes.

- Advertising & promotion increased by 106% due to the inclusion of the trading of Adelaide Bank for 7 months from December 2007 and increased brand and special promotion advertising programs.

- Other product and services delivery costs increased by 31% due to increased ATM and Eftpos servicing costs reflecting the expansion in these delivery networks.

- Other administration expenses increased 58% due to the inclusion of the trading of Adelaide Bank trading for 7 months from December 2007 and increased travel and motor vehicle expenses.

Notwithstanding the above increases the expense to income ratio continued to improve decreasing from 64.6% to 59.6% over the period.

The directors have declared a final dividend of 37.0 cents per share, fully franked (at 30 per cent) on 11 August 2008. The dividend is payable on 30 September 2008 and when combined with the interim dividend of 28.0 cents represents a dividend pay-out ratio on earnings per ordinary share of 86.8% (2007: 70.8%), or 69.4% of cash basis earnings per ordinary share (2007: 70.0%).

The ongoing expansion of our Community Bank network, further growth in the Wealth Solutions division and increased business in our retail, e-banking, cards and business banking products is expected to maintain the growth momentum in profits.