

# **BENDIGO BANK LIMITED**

**ABN 11 068 049 178**

## **HALF-YEAR FINANCIAL REPORT**

**31 DECEMBER 2007**

# CORPORATE INFORMATION

This half year report covers the consolidated entity comprising Bendigo Bank Limited 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)  
Robert Hunt AM (Managing Director)  
Kevin Abrahamson  
Jenny Dawson  
Adele Lloyd  
Jamie McPhee  
Terry O'Dwyer  
Kevin Osborn (Deputy Chairman)  
Deborah Radford  
Kevin Roache  
Antony (Tony) Robinson

## Company Secretary

David Oataway

## Registered Office

Bendigo Bank Limited  
The Bendigo Centre  
Bendigo Victoria 3550

Telephone (03) 5485 6444  
Fax (03) 5485 7668

## Principal place of business

The Bendigo Centre  
Bendigo Victoria 3550

## Share Registry

Securities Registry  
Bendigo Bank Limited  
The Bendigo Centre  
Bendigo Victoria 3550

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

## Auditors

Ernst & Young  
Australia

# DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 31 December 2007.

## Directors

The names of the directors of the Board of Bendigo Bank 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 Robert Hunt AM (Managing Director)  
Mr Kevin Abrahamson (appointed 30th November 2007)  
Mr Neal Axelby (retired 30th November 2007)  
Mr Roger Cook (appointed 30th November 2007, resigned 17th December 2007)  
Ms Jenny Dawson  
Mr Donald Erskine (retired 30th November 2007)  
Dr Adele Lloyd (appointed 30th November 2007)  
Mr Jamie McPhee (appointed 30th November 2007)  
Mr Terry O'Dwyer  
Mr Kevin Osborn (Deputy Chairman) (appointed 30th November 2007)  
Ms Deborah Radford  
Mr Kevin Roache  
Mr Antony (Tony) Robinson

## 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, wholesale 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.

On 30 November 2007 Bendigo Bank Limited acquired all of the ordinary shares of Adelaide Bank Limited. The operating results of Adelaide Bank Limited for the month of December 2007 are included within this report.

The Group recorded continued growth in income and profits during the half-year. Total income rose \$42.4 million or 15% to \$320.1 million when compared with the half-year ended 31 December 2006. Profit before tax increased by \$25.5 million, or 32%, to \$106.2 million. Profit after tax (attributable to members of the parent) increased by \$18.5 million to \$72.8 million and included an after tax amount of \$3.0 million relating to cashflow hedge ineffectiveness expense recognised upon Adelaide Bank consolidation (2006: \$5.6 million expense related to an issue of shares under the Group's employee share plan).

Group assets increased 190%, or \$32.4 billion during the half-year. Group assets at 31 December 2007 were \$49.4 billion. The total capital adequacy ratio increased during the half from 10.24% to 11.03%. Tier one capital decreased during the half year from 7.98% to 7.73% with Tier two capital increasing from 2.26% to 3.30%.

Fully franked dividends paid on preference shares during the half year:

A dividend of 142.66 cents per share was paid on 17 September 2007.

A dividend of 147.76 cents per share was paid on 17 December 2007.

Fully franked dividends paid or declared on ordinary shares during the half year:

A final dividend of 34.0 cents per share was paid on 28 September 2007 in respect of the year ended 30 June 2007.

An interim dividend of 28.0 cents per share has been declared and will be payable on 31 March 2008.

## Significant Changes in the State of Affairs

The following significant change in the state of affairs of the chief entity occurred during the half-year:

In September 2007, 854,591 shares were allotted at an issue price of \$14.87 to those shareholders participating in the Dividend Reinvestment Plan, increasing share capital by \$12.7 million.

In November 2007, 117,687,891 shares were allotted at an issue price of \$16.80 to the ordinary shareholders of Adelaide Bank to acquire the issued ordinary share capital of Adelaide Bank, increasing ordinary share capital by \$1,977.2 million.

In November 2007, 1,000,000 step-up preference shares (fully paid) were allotted at an issue price of \$100.00 to the holders of Adelaide Bank step-up preference shares as part of the merger with Adelaide Bank, increasing share capital by \$100.0 million.

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

## Events After Balance Sheet Date

No 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 economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial periods.

On 18 February 2008 the directors of Bendigo Bank Limited declared an interim dividend of 28.0 cents per ordinary share (fully-franked) in respect of the December 2007 half-year payable on 31 March 2008. The amount estimated to be appropriated in relation to this dividend is \$71.8 million. The dividend has not been provided for in the 31 December 2007 half-year financial statements.

On 29 January 2008, at an Extraordinary General Meeting, shareholders approved a resolution to change the name of Bendigo Bank Limited to Bendigo and Adelaide Bank Limited with effect on and from 31 March 2008.

## 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 2007. 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 2007. The audit committee's assessment confirmed that the independence requirements have been met. The audit committee's assessment was accepted by the full Board.

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



Ernst & Young Building  
8 Exhibition Street  
Melbourne VIC 3000  
Australia

Tel 61 3 9288 8000  
Fax 61 3 8650 7777

GPO Box 67  
Melbourne VIC 3001

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

In relation to our review of the financial report of Bendigo Bank Limited for the half-year ended 31 December 2007, 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.

A handwritten signature in black ink that reads 'Ernst + Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Brett Kallio'.

Brett Kallio  
Partner  
18 February 2008

Liability limited by a scheme approved under  
Professional Standards Legislation

Signed in accordance with a resolution of the Board of Directors

A handwritten signature in black ink that reads 'Robert N. Johanson'.

Robert N. Johanson, Chairman  
Bendigo  
18 February 2008

# CONDENSED INCOME STATEMENT

for the half-year ended 31 December 2007

Notes

	Consolidated		
	2007	2006	
	\$m	\$m	
<b>Income</b>			
<b>Net interest income</b>			
Total interest income	797.4	514.7	
Total interest expense	591.2	336.9	
Cash flow hedge ineffectiveness on Adelaide Bank consolidation	(4.3)	-	
Total net interest income	<u>201.9</u>	<u>177.8</u>	
<b>Other revenue</b>			
Dividends	2.2	2.1	
Fees	68.9	56.4	
Commissions	26.4	22.2	
Other revenue	7.0	5.7	
Total other revenue	<u>104.5</u>	<u>86.4</u>	
<b>Other Income</b>	<u>2.0</u>	<u>1.6</u>	
<b>Share of associates' and joint ventures net profits/losses</b>	<u>11.7</u>	<u>11.9</u>	
Total income after interest expense	<u>320.1</u>	<u>277.7</u>	
<b>Expenses</b>			
<b>Bad and doubtful debts on loans and receivables</b>	<u>3.7</u>	<u>4.0</u>	
<b>Other expenses</b>			
Staff and related costs	104.5	94.7	
Occupancy costs	18.4	15.2	
Information technology costs	20.6	17.4	
Amortisation of intangibles	3.1	2.7	
Property, plant & equipment costs	5.6	5.2	
Fees and commissions	9.9	10.4	
Communications, postage & stationery	13.5	11.5	
Advertising & promotion	5.7	6.4	
Other product & services delivery costs	12.4	9.5	
Employee equity settled transaction cost	-	5.6	
Other administration expenses	16.5	14.4	
Total other expenses	<u>210.2</u>	<u>193.0</u>	
<b>Profit before income tax expense</b>	<u>106.2</u>	<u>80.7</u>	
<b>Income tax expense</b>	<u>(32.7)</u>	<u>(26.4)</u>	
<b>Net profit for the period</b>	<u>73.5</u>	<u>54.3</u>	
<b>Net profit for the period attributable to:</b>			
Minority interest	(0.7)	-	
Members of the Parent	72.8	54.3	
Basic earnings per ordinary share (cents per share)	7	42.4	36.6
Diluted earnings per ordinary share (cents per share)	7	42.3	36.4
Franked dividends per share (cents per share)	5	28.0	24.0

# BALANCE SHEET

as at 31 December 2007

	Notes	Consolidated		
		As at 31-Dec-07 \$m	As at 30-Jun-07 \$m	As at 31-Dec-06 \$m
<b>Assets</b>				
Cash and cash equivalents		842.4	257.6	242.4
Due from other financial institutions		127.5	71.5	82.5
Derivatives		312.0	75.4	48.7
Financial assets held for trading		1,764.0	-	-
Financial assets available for sale - securities		641.2	428.8	279.4
Financial assets available for sale - share investments		113.9	130.4	116.5
Financial assets held to maturity		1,972.6	1,614.4	1,684.3
Current tax assets		3.7	-	-
Loans and other receivables		41,426.0	13,773.3	12,906.5
Investments in associates and joint ventures accounted for using the equity method		165.4	156.4	147.6
Property, plant & equipment		95.8	61.5	115.0
Assets held for sale		102.9	93.4	-
Investment property		48.0	34.2	15.7
Intangible assets and goodwill		1,340.5	93.7	88.6
Deferred tax assets		69.3	32.6	34.2
Other assets		356.8	178.4	181.3
<b>Total Assets</b>		<b>49,382.0</b>	<b>17,001.6</b>	<b>15,942.7</b>
<b>Liabilities</b>				
Due to other financial institutions		119.4	184.0	134.1
Deposits		30,969.9	14,887.5	13,916.6
Notes payable		13,544.6	259.1	319.5
Derivatives		59.6	35.0	28.3
Other payables		573.7	235.3	228.1
Income tax payable		-	16.3	15.5
Provisions		56.0	40.5	38.3
Deferred tax liabilities		106.7	21.7	21.5
Reset preference shares		89.5	-	-
Subordinated debt - at amortised cost		728.0	307.2	287.2
<b>Total Liabilities</b>		<b>46,247.4</b>	<b>15,986.6</b>	<b>14,989.1</b>
<b>Net Assets</b>		<b>3,134.6</b>	<b>1,015.0</b>	<b>953.6</b>
<b>Equity</b>				
Equity attributable to equity holders of the parent				
Issued capital - ordinary	11	2,594.7	605.2	595.7
Perpetual non-cumulative redeemable convertible preference shares	11	88.5	88.5	88.5
Step-up preference shares	11	100.0	-	-
ESOP shares		(37.3)	(40.4)	(43.9)
Reserves		169.5	130.0	110.5
Retained earnings		219.2	232.4	203.5
Total parent interests		3,134.6	1,015.7	954.3
Total minority interest		-	(0.7)	(0.7)
<b>Total Equity</b>		<b>3,134.6</b>	<b>1,015.0</b>	<b>953.6</b>

# CASH FLOW STATEMENT

for the half-year ended 31 December 2007

	Consolidated	
	2007	2006
	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest and other items of a similar nature received	759.7	501.1
Interest and other costs of finance paid	(573.3)	(317.7)
Receipts from customers (excluding effective interest)	100.2	85.3
Payments to suppliers and employees	(257.6)	(230.1)
Dividends received	8.6	8.7
Income taxes paid	(27.1)	(23.1)
Net cash flows from operating activities	<u>10.5</u>	<u>24.2</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash flows for purchases of property, plant and equipment	(32.0)	(50.2)
Cash proceeds from sale of property, plant and equipment	0.8	0.5
Cash paid for purchases of equity investments	(7.9)	(4.6)
Cash proceeds from sale of equity investments	0.9	-
Net increase in balance of loans outstanding	(252.3)	(536.6)
Net increase in balance of investment securities	(323.3)	(217.2)
Net cash received on acquisition of a subsidiary	475.0	-
Net cash flows used in investing activities	<u>(138.8)</u>	<u>(808.1)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from preference share instalment	-	0.2
Net increase in balance of retail deposits	1,086.8	515.2
Net (decrease)/increase in balance of wholesale deposits	(446.7)	194.8
Proceeds from issue of subordinated debt	70.0	40.0
Repayment of subordinated debt	(30.0)	(59.9)
Dividends paid	(36.7)	(31.4)
Net increase in balance of notes payable	187.6	-
Repayment of ESOP shares	3.1	2.3
Payment of share issue costs	(0.4)	-
Net cash flows from financing activities	<u>833.7</u>	<u>661.2</u>
Net increase/(decrease) in cash and cash equivalents held	<u>705.4</u>	<u>(122.7)</u>
Add cash and cash equivalents at the beginning of the financial period	<u>145.1</u>	<u>313.5</u>
Cash and cash equivalents at the end of the half year	<u>850.5</u>	<u>190.8</u>

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# STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of Bendigo Bank Limited					Total	Minority interest	Total equity
	Issued capital	ESOP shares	Perpetual non-cum redeem conv pref shares	Retained earnings	Other reserves			
	\$m	\$m	\$m	\$m	\$m			
<b>CONSOLIDATED</b>								
<b>At 1 July 2006</b>								
Opening balance b/fwd	564.1	(25.6)	88.3	194.5	78.8	900.1	(0.6)	899.5
Net gains on available for sale financial assets	-	-	-	-	11.5	11.5	-	11.5
Gains/losses on cash flow hedges	-	-	-	-	11.6	11.6	-	11.6
Increase in employee benefits reserve	-	-	-	-	5.8	5.8	-	5.8
Total income and expense for the half-year recognised directly in equity	-	-	-	-	28.9	28.9	-	28.9
Profit for the half-year	-	-	-	54.3	-	54.3	-	54.3
Total income for the half-year	-	-	-	54.3	28.9	83.2	-	83.2
Issue of share capital	31.7	(20.6)	0.2	-	-	11.3	-	11.3
Share issue expenses	-	-	-	-	-	-	-	-
Reduction in Employee Share Ownership Plan shares	-	2.3	-	-	-	2.3	-	2.3
Movement in general reserve for credit losses (GRCL)	-	-	-	(1.8)	1.8	-	-	-
Movement in GRCL-associates	-	-	-	(0.9)	0.9	-	-	-
Equity dividends	-	-	-	(42.5)	-	(42.5)	-	(42.5)
Other	(0.1)	-	-	(0.1)	0.1	(0.1)	(0.1)	(0.2)
<b>At 31 December 2006</b>	<b>595.7</b>	<b>(43.9)</b>	<b>88.5</b>	<b>203.5</b>	<b>110.5</b>	<b>954.3</b>	<b>(0.7)</b>	<b>953.6</b>
<b>At 1 January 2007</b>								
<b>Opening balance b/fwd</b>	<b>595.7</b>	<b>(43.9)</b>	<b>88.5</b>	<b>203.5</b>	<b>110.5</b>	<b>954.3</b>	<b>(0.7)</b>	<b>953.6</b>
Net gains on available for sale financial assets	-	-	-	-	(5.0)	(5.0)	-	(5.0)
Gains/(losses) on c/flow hedges	-	-	-	-	20.9	20.9	-	20.9
Increase in employee benefits reserve	-	-	-	-	0.7	0.7	-	0.7
After tax increase in asset revaluation reserve	-	-	-	-	(0.7)	(0.7)	-	(0.7)
Total income and expense for the half-year recognised directly in equity	-	-	-	-	15.9	15.9	-	15.9
Profit for the half year	-	-	-	67.5	-	67.5	-	67.5
Total income and expense for the half year	-	-	-	67.5	15.9	83.4	-	83.4
Issue of share capital	9.5	-	-	-	-	9.5	-	9.5
Reduction in Employee Share Ownership Plan shares	-	3.5	-	-	-	3.5	-	3.5
Movement in general reserve for credit losses (GRCL)	-	-	-	-	-	-	-	-
Movement in GRCL-associates	-	-	-	(3.8)	3.8	-	-	-
Transfer from asset revaluation reserve	-	-	-	0.1	(0.1)	-	-	-
Equity dividends	-	-	-	(35.0)	-	(35.0)	-	(35.0)
Other	-	-	-	0.1	(0.1)	-	-	-
<b>At 30 June 2007</b>	<b>605.2</b>	<b>(40.4)</b>	<b>88.5</b>	<b>232.4</b>	<b>130.0</b>	<b>1,015.7</b>	<b>(0.7)</b>	<b>1,015.0</b>



# STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of Bendigo Bank Limited					Total	Minority interest	Total equity
	Issued capital	ESOP shares	Preference share capital	Retained earnings	Other reserves			
	\$m	\$m	\$m	\$m	\$m			
<b>At 1 July 2007</b>								
<b>Opening balance b/fwd</b>	605.2	(40.4)	88.5	232.4	130.0	1,015.7	(0.7)	1,015.0
Net gain/(loss) on available for sale financial assets	-	-	-	-	(12.5)	(12.5)	-	(12.5)
Increase-employee benefits reserve	-	-	-	-	0.9	0.9	-	0.9
Gains/(losses) on c/flow hedges	-	-	-	-	15.1	15.1	-	15.1
<b>Total income and expense for the half-year recognised directly in equity</b>	-	-	-	-	3.5	3.5	-	3.5
Profit for the half year				72.8	-	72.8	-	72.8
<b>Total income for the half year</b>	-	-	-	72.8	3.5	76.3	-	76.3
Issue of ordinary share capital	1,989.9				-	1,989.9	-	1,989.9
Share issue expenses	(0.4)	-	-	-	-	(0.4)	-	(0.4)
Issue of step-up preference shares	-	-	100.0	-	-	100.0	-	100.0
Reduction in Employee Share Ownership Plan shares	-	3.1	-	-	-	3.1	-	3.1
Transfer from asset revaluation reserve	-	-	-	-	-	-	-	-
Re-establish general reserve for credit losses on acquisition of Adelaide Bank Limited	-	-	-	(36.6)	36.6	-	-	-
Movements in general reserve for credit losses (GRCL)	-	-	-	1.1	(1.1)	-	-	-
Movement in GRCL-associates	-	-	-	(0.4)	0.4	-	-	-
Equity dividends	-	-	-	(49.9)	-	(49.9)	-	(49.9)
Reversal of minority interest	-	-	-	-	-	-	0.7	0.7
Other	-	-	-	(0.2)	0.1	(0.1)	-	(0.1)
<b>At 31 December 2007</b>	<b>2,594.7</b>	<b>(37.3)</b>	<b>188.5</b>	<b>219.2</b>	<b>169.5</b>	<b>3,134.6</b>	<b>-</b>	<b>3,134.6</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 1 Corporate information

The half-year financial report of Bendigo Bank Limited for the six months ended 31 December 2007 was authorised for issue in accordance with a resolution of the directors on 18 February 2008.

Bendigo 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 Bank Limited is Australia.

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

## 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 Bank Limited as at 30 June 2007, which was prepared based on Australian Accounting Standards, together with any public announcements made by Bendigo Bank Limited and its controlled entities during the half-year ended 31 December 2007 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

### 2.1 Basis of preparation

Bendigo 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 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, except for investment properties, land and buildings, derivative financial instruments and available-for-sale financial assets which are measured at their fair value.

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

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

### 2.2 Changes in accounting policies

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

- AASB 7 *Financial Instruments: Disclosures*
- AASB 2005-10 *Amendments to Australian Accounting Standards* (AASB 132, 101, 114, 117, 133, 139, 1, 4, 1023 and 1038)
- Interpretation 8 *Scope of AASB 2 Share-based Payment*
- Interpretation 9 *Reassessment of Embedded Derivatives*
- Interpretation 10 *Interim Financial Reporting and Impairment*

### 3 SEGMENT INFORMATION

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

#### **Business segments**

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

##### *Retail banking*

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

##### *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 & 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 Bank Limited and its controlled entities operate predominantly in the geographic areas of all Australian states and territories, providing banking and other financial services.

### 3 SEGMENT INFORMATION (continued)

#### Business segments

The following tables present revenue and profit information and certain assets and liabilities regarding business segments for the six months ended 31 December 2007, 30 June 2007 and 31 December 2006. Past periods have been restated in accordance with the new Business segments resulting from the acquisition of Adelaide Bank. The 31 December 2007 numbers include six months of Bendigo Bank results and one month of Adelaide Bank results.

#### for the half year ended 31 December 2007

	Retail Banking	Wholesale Banking	Wealth Solutions	J/Ventures & Alliances	Total Segments	Corporate Support	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Income</b>							
<i>Net interest income</i>	185.0	11.6	9.5	-	206.1	(4.2)	201.9
<i>Other income</i>							
Other external income	74.1	2.7	24.5	-	101.3	5.2	106.5
Other intersegment income	-	-	-	-	-	-	-
Total other income	74.1	2.7	24.5	-	101.3	5.2	106.5
<i>Share of net profit of equity accounted investments</i>	-	-	-	11.7	11.7	-	11.7
<i>Total segment income after interest expense</i>							
External income	259.1	14.3	34.0	11.7	319.1	1.0	320.1
Intersegment income	-	-	-	-	-	-	-
Total segment income	259.1	14.3	34.0	11.7	319.1	1.0	320.1
<b>Results</b>							
Segment result from continuing operations before income tax expense	76.0	8.7	17.4	11.7	113.8	(7.6)	106.2
Income tax expense							(32.7)
Minority interests							(0.7)
Consolidated entity profit from continuing operations after income tax expense							72.8
<b>Assets</b>							
Segment assets	15,779.6	20,073.9	4,980.1	444.3	41,277.9	7,938.7	49,216.6
Equity accounted assets	-	-	-	-	-	165.4	165.4
Total on-balance sheet assets	15,779.6	20,073.9	4,980.1	444.3	41,277.9	8,104.1	49,382.0
<b>Liabilities</b>							
Total on-balance sheet liabilities	15,512.6	9,185.6	9,833.4	539.3	35,070.9	11,176.5	46,247.4

Applicable commercial rates are used as the basis for pricing intersegment funding.  
Internal cost allocations are undertaken on the basis of internal objective assessments.

### 3 SEGMENT INFORMATION (continued)

#### Business segments for the half year ended 30 June 2007

	Retail Banking	Wholesale Banking	Wealth Solutions	J/Ventures & Alliances	Total Segments	Corporate Support	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Income</b>							
<i>Net interest income</i>	175.4	-	3.9	-	179.3	-	179.3
<i>Other income</i>							
Other external income	64.8	-	22.9	-	87.7	7.5	95.2
Other intersegment income	0.1	-	-	-	0.1	(0.1)	-
Total other income	64.9	-	22.9	-	87.8	7.4	95.2
<i>Share of net profit of equity accounted investments</i>	-	-	-	10.0	10.0	-	10.0
<i>Total segment income after interest expense</i>							
External income	240.2	-	26.8	10.0	277.0	7.5	284.5
Intersegment income	0.1	-	-	-	0.1	(0.1)	-
Total segment income	240.3	-	26.8	10.0	277.1	7.4	284.5
<b>Results</b>							
Segment result from continuing operations before income tax expense	76.8	-	13.4	10.0	100.2	(3.0)	97.2
Income tax expense							(29.8)
Minority interests							0.1
Consolidated entity profit from continuing operations after income tax expense							67.5
<b>Assets</b>							
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
Total on-balance sheet assets	13,014.3	-	136.4	426.2	13,576.9	3,424.7	17,001.6
<b>Liabilities</b>							
Total on-balance sheet liabilities	11,688.8	-	164.6	470.4	12,323.8	3,662.8	15,986.6

Applicable commercial rates are used as the basis for pricing intersegment funding.  
Internal cost allocations are undertaken on the basis of internal objective assessments.

### 3 SEGMENT INFORMATION (Continued)

#### Business segments

for the half year ended 31 December 2006

	Retail Banking	Wholesale Banking	Wealth Solutions	J/Ventures & Alliances	Total Segments	Corporate Support	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Income</b>							
<i>Net interest income</i>	173.6	-	4.2	-	177.8	-	177.8
<i>Other income</i>							
Other external income	62.5	-	23.8	-	86.3	1.7	88.0
Other intersegment income	0.1	-	0.1	-	0.2	(0.2)	-
Total other income	62.6	-	23.9	-	86.5	1.5	88.0
<i>Share of net profit of equity accounted investments</i>	-	-	-	11.9	11.9	-	11.9
<i>Total segment income after interest expense</i>							
External income	236.1	-	28.0	11.9	276.0	1.7	277.7
Intersegment income	0.1	-	0.1	-	0.2	(0.2)	-
Total segment income	236.2	-	28.1	11.9	276.2	1.5	277.7
<b>Results</b>							
Segment result from continuing operations before income tax expense	73.9	-	14.1	11.9	99.9	(19.2)	80.7
Income tax expense							(26.4)
Minority interests							-
Consolidated entity profit from continuing operations after income tax expense							54.3
<b>Assets</b>							
Segment assets	11,801.2	-	144.9	391.8	12,337.9	3,457.2	15,795.1
Equity accounted assets	-	-	-	-	-	147.6	147.6
Total on-balance sheet assets	11,801.2	-	144.9	391.8	12,337.9	3,604.8	15,942.7
<b>Liabilities</b>							
Total on-balance sheet liabilities	11,231.7	-	175.5	405.1	11,812.3	3,176.8	14,989.1

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

Internal cost allocations are undertaken on the basis of internal objective assessments.

#### 4 INCOME TAX

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

	2007	2006
	\$m	\$m
Current income tax		
Current income tax charge	27.8	31.9
Adjustments in respect of current income tax of previous years	(0.5)	(0.1)
Deferred income tax		
Relating to origination and reversal of temporary differences	5.4	(5.4)
Income tax expense reported in the Condensed Income Statement	<u>32.7</u>	<u>26.4</u>

#### 5 DIVIDENDS PAID OR PROVIDED

	2007	2006
	\$m	\$m
<b>Ordinary shares</b>		
Dividends paid during the half-year:		
Final dividend 2007 - 34.0 cents (Final dividend 2006 - 30.0 cents)	<u>46.8</u>	<u>40.1</u>
Dividends proposed since the reporting date, but not recognised as a liability:		
Interim dividend 2008 - 28.0 cents (Interim dividend 2007 - 24.0 cents)	<u>71.8</u>	<u>32.8</u>
<b>Preference shares</b>		
Dividends paid during the half-year:		
A dividend of 142.66 cents per share was paid on 17 September 2007 (2006: 131.68 cents)	1.3	1.2
A dividend of 147.76 cents per share was paid on 17 December 2007 (2006: 134.64 cents)	<u>1.3</u>	<u>1.2</u>
	<u>2.6</u>	<u>2.4</u>

#### 6 PROPERTY, PLANT & EQUIPMENT

During the half-year ended 31 December 2007, the Group acquired assets with a cost of \$11.1 million (2006: \$50.2 million, including \$28.2 million relating to the new head office development, which is now disclosed in Assets held for sale).

On 1 September 2006, the Bank announced it has contracted to sell its new headquarters in Bendigo for \$100 million in a sale-and-leaseback transaction arranged by Societe Generale Corporate & Investment Banking (SGCIB).

A consortium of investors arranged by SGCIB will purchase both the new development and the bank's existing Fountain Court building adjacent. The sale will occur on 1 September 2008 - after completion of the new building - with Bendigo taking a long-term lease.

Assets with a book value of \$0.5 million were disposed of by the Group during the half-year ended 31 December 2007 (2006: \$0.5 million), resulting in a gain on disposal of Nil (2006: Nil).

## 7 EARNINGS PER ORDINARY SHARE

	Half-year Dec-07 Cents per share	Half-year Jun-07 Cents per share	Half-year Dec-06 Cents per share
Basic earnings per ordinary share	42.4	45.3	36.6
Diluted earnings per ordinary share	42.3	44.7	36.4
Cash basis earnings per ordinary share	43.0	43.9	39.0
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<b>Reconciliation of earnings used in the calculation of basic earnings per ordinary share</b>			
Profit for the half-year (after tax)	73.5	67.4	54.3
(Profit)/loss attributable to minority interests	(0.7)	0.1	-
Dividends paid on preference shares	(2.6)	(2.4)	(2.4)
Dividends paid on step-up preference shares	(0.5)	-	-
	<b>69.7</b>	<b>65.1</b>	<b>51.9</b>
<b>Reconciliation of earnings used in the calculation of diluted earnings per ordinary share</b>			
Earnings used in calculating basic earnings per ordinary share	69.7	65.1	51.9
Add back dividends on dilutive preference shares	2.6	2.4	2.4
	<b>72.3</b>	<b>67.5</b>	<b>54.3</b>
<b>Reconciliation of earnings used in the calculation of cash basis earnings per ordinary share</b>			
Earnings used in calculating basic earnings per ordinary share	69.7	65.1	51.9
After tax intangibles amortisation (excluding amortisation of intangible software)	0.4	0.6	0.6
After tax significant income and expense items (1)	3.3	1.2	5.6
Movement in general reserve for credit losses	1.1	(2.9)	(1.8)
Movement in general reserve for credit losses - associates	(0.4)	(0.9)	(0.9)
Loan portfolio premium amortisation	0.6	-	-
Significant general reserve for credit losses movement - BBL move to 0.51% of RWA	(4.0)	-	-
	<b>70.7</b>	<b>63.1</b>	<b>55.4</b>
	<b>No. of shares</b>	<b>No. of shares</b>	<b>No. of shares</b>
<b>Weighted ave no. of ordinary shares used in basic and cash basis earnings per ordinary share</b>	164,517,943	143,774,523	141,991,653
Effect of dilution - share options relating to Managing Director and executives.	178,770	100,117	100,117
Effect of dilution - preference shares	6,072,874	7,155,635	7,155,635
<b>Weighted ave no. of ordinary shares used in diluted earnings per ordinary share</b>	170,769,587	151,030,275	149,247,405
(1) Significant income and expense items after tax comprise:	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<i>Income</i>			
Cash flow hedge ineffectiveness on Adelaide Bank consolidation	(3.0)	-	-
	<b>(3.0)</b>	<b>-</b>	<b>-</b>
<i>Expense</i>			
Adelaide Bank merger integration costs	0.3	-	-
Expense relating to the Bank of Queensland proposed merger	-	1.2	-
Expense relating to an issue of shares to staff under the Employee Share Plan	-	-	5.6
	<b>0.3</b>	<b>1.2</b>	<b>5.6</b>
Total significant income/(expense) items after tax	<b>(3.3)</b>	<b>(1.2)</b>	<b>(5.6)</b>



## 8 RETURN ON AVERAGE ORDINARY EQUITY

	Consolidated		
	Half-year Dec-07	Half-year Jun-07	Half-year Dec-06
	%	%	%
Return on average ordinary equity	12.28	16.59	13.84
Pre-significant items return on average ordinary equity	12.86	16.89	15.34
Cash basis return on average ordinary equity	12.46	16.08	14.78
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<b>Reconciliation of earnings used in the calculation of return on average ordinary equity</b>			
Profit for the half-year (after tax)	73.5	67.4	54.3
(Profit)/loss attributable to minority interests	(0.7)	0.1	-
Dividends paid on preference shares	(2.6)	(2.4)	(2.4)
Dividends paid on step-up preference shares	(0.5)	-	-
<b>Earnings used in calculation of return on average ordinary equity</b>	<b>69.7</b>	<b>65.1</b>	<b>51.9</b>
After tax significant income and expense items (1)	3.3	1.2	5.6
<b>Earnings used in calculation of pre-significant items return on average ordinary equity</b>	<b>73.0</b>	<b>66.3</b>	<b>57.5</b>
After tax intangibles amortisation (excluding amortisation of intangible software)	0.4	0.6	0.6
Movement in general reserve for credit losses	1.1	(2.9)	(1.8)
Movement in general reserve for credit losses - associates	(0.4)	(0.9)	(0.9)
Loan portfolio premium amortisation	0.6	-	-
Significant general reserve for credit losses movement - BBL move to 0.51% of RWA	(4.0)	-	-
<b>Earnings used in calculation of cash basis return on average ordinary equity</b>	<b>70.7</b>	<b>63.1</b>	<b>55.4</b>

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

	As at 31 Dec 07	As at 30 Jun 07	As at 31 Dec 06
	\$m	\$m	\$m
	<b>Total equity</b>	<b>3,134.6</b>	<b>1,015.0</b>
Preference share net capital	(188.5)	(88.5)	(88.5)
Asset revaluation reserve - Available for sale shares	(20.1)	(32.7)	(37.7)
Unrealised gains/losses on cash flow hedge reserve	(50.2)	(35.2)	(14.3)
General reserve for credit losses	(80.8)	(45.3)	(42.4)
General reserve for credit losses - associates	(8.7)	(8.3)	(7.4)
Minority interest	-	0.7	0.7
<b>Ordinary equity</b>	<b>2,786.3</b>	<b>805.7</b>	<b>764.0</b>
<b>Average ordinary equity</b>	<b>1,135.2</b>	<b>784.9</b>	<b>749.9</b>

(1) Significant income and expense items after tax comprise:

#### Income

Cash flow hedge ineffectiveness on Adelaide Bank consolidation	(3.0)	-	-
	<b>(3.0)</b>	<b>-</b>	<b>-</b>

#### Expense

Adelaide Bank merger integration costs to end December 2007	0.3	-	-
Expense relating to the Bank of Queensland proposed merger	-	1.2	-
Expense relating to an issue of shares to staff under the Employee Share Plan	-	-	5.6
	<b>0.3</b>	<b>1.2</b>	<b>5.6</b>
Total significant income/(expense) items after tax	<b>(3.3)</b>	<b>(1.2)</b>	<b>(5.6)</b>

## 9 NET TANGIBLE ASSETS PER ORDINARY SHARE

	As at Dec 07	As at Jun 07	As at Dec 06
<b>Net tangible assets per ordinary share</b>	\$ 5.76	\$ 5.40	\$ 5.06

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

	\$m	\$m	\$m
<b>Net assets</b>	3,134.6	1,015.0	953.6
Intangibles	(1,340.5)	(93.7)	(88.6)
Preference shares - face value	(90.0)	(90.0)	(90.0)
Step-up preference shares	(100.0)	-	-
General reserve for credit losses	(80.8)	(45.3)	(42.4)
General reserve for credit losses - associates	(8.7)	(8.3)	(7.4)
Minority interest	-	0.7	0.7
<b>Net tangible assets</b>	<u>1,514.6</u>	<u>778.4</u>	<u>725.9</u>

<b>Number of ordinary shares on issue at reporting date</b>	262,880,185	144,187,890	143,347,222
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## 10 CASH FLOW INFORMATION

	As at Dec 07	As at Dec 06
	\$m	\$m
<i>Reconciliation of cash</i>		
For the purposes of the statement of cash flows, cash and cash equivalents includes:		
Cash and cash equivalents	842.4	242.4
Due from other financial institutions	127.5	82.5
Due to other financial institutions	(119.4)	(134.1)
Cash and cash equivalents at the end of the half year	<u>850.5</u>	<u>190.8</u>

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.

## 11 ISSUED CAPITAL

	As at Dec 07 \$m	As at Dec 06 \$m
<b>Issued and paid up capital</b>		
Ordinary shares fully paid - 262,880,185 (2006: 143,347,222)	2,594.7	595.7
Preference shares of \$100 face value fully paid - 900,000 (2006: 900,000)	88.5	88.5
Preference shares of \$100 face value fully paid - 100,000,000 (2006: Nil)	100.0	-
	<u>2,783.2</u>	<u>684.2</u>
<b>Movements in ordinary shares on issue</b>		
Opening balance 1 July - 144,187,890 (2006: 140,850,961)	605.2	564.1
Shares issued under:		
Bonus share scheme - 149,813 @ \$14.87 (2006: 156,945 @ \$13.62)	-	-
Dividend reinvestment plan - 854,591 @ \$14.87 (2006: 818,654 @ \$13.62)	12.7	11.1
Issue to Adelaide Bank shareholders - 117,687,891 @ \$16.80	1,977.2	-
Employee share plan - Nil (2006: 1,520,662 @ \$13.54)	-	20.6
Share issue costs (2006: Other)	(0.4)	(0.1)
Closing balance 31 December - 262,880,185 (2006: 143,347,222)	<u>2,594.7</u>	<u>595.7</u>
<b>Movements in preference shares on issue</b>		
Opening balance 1 July - 900,000 fully paid (2006: 900,000 fully paid)	88.5	88.3
Payment of unpaid portion of existing shares	-	0.2
Closing balance 31 December - 900,000 fully paid (2006: 900,000 fully paid)	<u>88.5</u>	<u>88.5</u>
<b>Movements in step-up preference shares on issue</b>		
Opening balance 1 July - nil	-	-
Issue of 1,000,000 \$100 fully paid step-up preference shares	100.0	-
Closing balance 31 December - 1,000,000 fully paid (2006: Nil)	<u>100.0</u>	<u>-</u>

**12 AVERAGE BALANCE SHEET AND RELATED INTEREST**  
**for the six month period ended 31 December 2007**

	Note	Average Balance \$m	Interest 6 mths \$m	Average Rate %
<b>Average balances and rates</b>				
<b>Interest earning assets</b>				
Cash and Investments	1	2,973.4	88.8	5.94
Loans and other receivables - company		13,805.5	567.6	8.18
Loans and other receivables - alliances		4,806.1	178.0	7.37
Total interest earning assets	2	21,585.0	834.4	7.69
<b>Non interest earning assets</b>				
Provisions for doubtful debts		(26.2)		
Other assets		1,170.0		
		1,143.8		
Total assets (average balance)		22,728.8		
<b>Interest bearing liabilities and equity</b>				
Deposits				
Retail - company		9,275.3	205.0	4.40
Retail - alliances		5,616.2	173.5	6.14
Wholesale - domestic		2,465.3	96.3	7.77
Wholesale - offshore		1,149.3	40.0	6.92
Notes Payable		2,438.6	98.1	8.00
Reset Preference Shares		14.9	0.5	6.67
Subordinated debt		389.2	14.8	7.56
Total interest bearing liabilities	2	21,348.8	628.2	5.85
<b>Non interest bearing liabilities and equity</b>				
Other liabilities		14.1		
Equity		1,365.9		
		1,380.0		
Total liabilities and equity		22,728.8		
<b>Interest margin and interest spread</b>				
Interest earning assets		21,585.0	834.4	7.69
Interest bearing liabilities		(21,348.8)	(628.2)	(5.85)
Net interest income and interest spread			206.2	1.84
Net interest margin	3			1.90
<b>Impact of community bank/alliances profit share arrangements</b>				
Net interest margin before community bank/alliances share of net interest income				2.37
Less impact of community bank/alliances share of net interest income				0.47
Net interest margin				1.90

1 Average balance is based on monthly closing balances from 30 June 2007 through 31 December 2007 inclusive, with the exception of Wholesale domestic which is based on a daily closing balance.

2 Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by \$37.0m to reflect gross amounts.

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

## 12 AVERAGE BALANCE SHEET AND RELATED INTEREST (continued)

for the six month period ended 30 June 2007

	Note	Average Balance \$m	Interest 6 mths \$m	Average Rate %
<b>Average balances and rates</b>				
<b>Interest earning assets</b>				
Cash and Investments	1	2,325.8	69.3	6.01
Loans and other receivables - company		9,058.8	353.6	7.87
Loans and other receivables - alliances		4,277.0	150.2	7.08
Total interest earning assets	2	15,661.6	573.1	7.38
<b>Non interest earning assets</b>				
Provisions for doubtful debts		(19.8)		
Other assets		764.1		
		744.3		
Total assets (average balance)		16,405.9		
<b>Interest bearing liabilities and equity</b>				
Deposits				
Retail - company		6,908.8	151.8	4.43
Retail - alliances		5,000.8	142.1	5.73
Wholesale - domestic		1,515.0	43.2	5.75
Wholesale - offshore		1,100.5	35.7	6.54
Notes Payable		285.9	10.7	7.55
Reset Preference Shares		-	-	-
Subordinated debt		289.9	10.3	7.16
Total interest bearing liabilities	2	15,100.9	393.8	5.26
<b>Non interest bearing liabilities and equity</b>				
Other liabilities		335.8		
Equity		969.2		
		1,305.0		
Total liabilities and equity		16,405.9		
<b>Interest margin and interest spread</b>				
Interest earning assets		15,661.6	573.1	7.38
Interest bearing liabilities		(15,100.9)	(393.8)	(5.26)
Net interest income and interest spread			179.3	2.12
Net interest margin	3			2.31
<b>Impact of community bank/alliances profit share arrangements</b>				
Net interest margin before community bank/alliances share of net interest income				2.88
Less impact of community bank/alliances share of net interest income				0.57
Net interest margin				2.31

1 Average balance is based on monthly closing balances from 31 December 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 \$29.2m to reflect gross amounts.

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

## 12 AVERAGE BALANCE SHEET AND RELATED INTEREST (continued)

for the six month period ended 31 December 2006

	Note	Average Balance \$m	Interest 6 mths \$m	Average Rate %
<b>Average balances and rates</b>				
<b>Interest earning assets</b>				
Cash and Investments	1	2,137.3	63.7	5.91
Loans and other receivables - company		8,882.4	343.4	7.67
Loans and other receivables - alliances		3,837.7	135.3	6.99
Total interest earning assets	2	14,857.4	542.4	7.24
<b>Non interest earning assets</b>				
Provisions for doubtful debts		(18.6)		
Other assets		681.1		
		662.5		
Total assets (average balance)		15,519.9		
<b>Interest bearing liabilities and equity</b>				
Deposits				
Retail - company		6,919.7	148.4	4.25
Retail - alliances		4,650.1	130.3	5.56
Wholesale - domestic		1,162.2	33.3	5.68
Wholesale - offshore		921.1	29.3	6.31
Notes Payable		343.9	12.4	7.15
Reset Preference Shares		-	-	-
Subordinated debt		300.7	10.9	7.19
Total interest bearing liabilities	2	14,297.7	364.6	5.06
<b>Non interest bearing liabilities and equity</b>				
Other liabilities		309.2		
Equity		913.0		
		1,222.2		
Total liabilities and equity		15,519.9		
<b>Interest margin and interest spread</b>				
Interest earning assets		14,857.4	542.4	7.24
Interest bearing liabilities		(14,297.7)	(364.6)	(5.06)
Net interest income and interest spread			177.8	2.18
Net interest margin	3			2.37
<b>Impact of community bank/alliances profit share arrangements</b>				
Net interest margin before community bank/alliances share of net interest income				2.92
Less impact of community bank/alliances share of net interest income				0.55
Net interest margin				2.37

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

2 Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by \$27.7m to reflect gross amounts.

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

### 13 CAPITAL ADEQUACY AND ACE RATIO

#### a. Capital adequacy

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

	Consolidated	
	Dec 2007	Jun 2007
	\$m	\$m
<b>Risk weighted capital ratios</b>		
Tier 1	7.73%	7.98%
Tier 2	3.30%	2.26%
<b>Total capital ratio</b>	<b>11.03%</b>	<b>10.24%</b>
<b>Qualifying Capital</b>		
<i>Tier 1</i>		
Contributed capital	2,872.6	693.7
Retained profits & reserves	213.2	234.8
Less,		
Intangible assets	1,502.4	104.9
Deferred tax assets	12.3	4.9
Other capital deductions	63.3	40.6
Other adjustments as per APRA advice	(63.1)	-
<b>Total Tier 1 capital</b>	<b>1,570.9</b>	<b>778.1</b>
<i>Tier 2</i>		
General reserve for credit losses/collective provision (net of tax effect)	102.6	53.2
Subordinated debt	728.0	307.1
Asset revaluation reserves	14.5	21.5
Other adjustments approved by APRA	3.0	-
<b>Total Tier 2 capital</b>	<b>848.1</b>	<b>381.8</b>
Less,		
Investments in non-consolidated subsidiaries or associates and other banks' capital instruments	169.4	151.9
Subsidiary investment residual	9.0	9.0
<b>Total qualifying capital</b>	<b>2,240.6</b>	<b>999.0</b>
<b>Total risk weighted assets</b>	<b>20,311.5</b>	<b>9,754.0</b>

#### b. Adjusted Common Equity ("ACE")

Adjusted Common Equity is one measure considered by Standard & Poor's in evaluating the Bank's credit rating. The ACE ratio has been calculated in accordance with the Standard & Poor's methodology.

	Consolidated	
	Dec 2007	Jun 2007
	\$m	\$m
Adjusted Common Equity		
Tier 1 capital	1,570.9	778.1
Deduct,		
Preference share capital	278.0	88.5
Subsidiary investment residual	9.0	9.0
Investments in non-consolidated subsidiaries or associates and other banks' capital instruments	169.4	151.9
<b>Total Adjusted Common Equity</b>	<b>1,114.5</b>	<b>528.7</b>
<b>Adjusted Common Equity ratio to risk weighted assets</b>	<b>5.49%</b>	<b>5.42%</b>

## 14 CONTINGENT ASSETS AND LIABILITIES

	Consolidated	
	2007	2006
(a) Contingent liabilities	\$m	\$m
<b>Guarantees</b>		
The economic entity has issued guarantees on behalf of clients in the normal course of business	159.5	102.3
<b>Other</b>		
Documentary letters of credit	16.6	9.5

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.

### Australian Taxation Office Audit

Since December 2006 the Australian Taxation Office has been conducting a tax audit in relation to three transactions undertaken by members of the Adelaide Bank Group. The three transactions were undertaken during 1999 and 2000 and involved primary tax of up to \$16 million. These transactions were undertaken in accordance with external advice received at the time by the Adelaide Bank Group. We are unable to make an assessment of the amount of the additional liability (if any) that may result from the tax audit. Any financial implications will be treated as an allocation of goodwill on acquisition.

### (b) Contingent assets

As at 31 December 2007, the economic entity does not have any contingent assets (2006: Nil).

## 15 EVENTS AFTER BALANCE SHEET DATE

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

On 18 February 2008 the directors of Bendigo Bank Limited declared an interim dividend of 28.0 cents per ordinary share (fully-franked) in respect of the December 2007 half-year payable on 31 March 2008. The amount estimated to be appropriated in relation to this dividend is \$71.8 million. The dividend has not been provided for in the 31 December 2007 half-year financial statements.

On 29 January 2008, at an Extraordinary General Meeting, shareholders approved a resolution to change the name of Bendigo Bank Limited to Bendigo and Adelaide Bank Limited with effect on and from 31 March 2008.



**16 ACQUISITION****Adelaide Bank Limited**

On 30 November 2007, Bendigo Bank Limited acquired all the ordinary shares in Adelaide Bank Limited ("Adelaide") for \$1,993,686,408, satisfied by \$16,529,839 in cash (transaction costs) and the issue of 117,687,891 ordinary shares in Bendigo Bank Limited at a fair value of \$16.80 per share, based on the volume weighted average price on the day of acquisition. The cost of the acquisition includes directly attributable costs including consultancy, legal, accounting and other professional fees.

The principal activities of Adelaide are the provision of wholesale mortgages, business lending, wealth management and retail banking services.

The acquisition had the following effect on the Group's assets and liabilities:

	Pre-acquisition carrying amount	Recognised values on acquisition
	\$m	\$m
<b>Assets</b>		
Cash and cash equivalents	483.7	483.7
Due from other financial institutions	120.3	120.3
Derivatives	210.7	210.7
Financial assets held for trading	1,934.5	1,934.5
Financial assets available for sale - securities	64.8	64.8
Financial assets available for sale - share investments	3.0	3.0
Financial assets held to maturity	0.3	0.3
Current tax assets	13.2	13.2
Loans and other receivables	27,402.8	27,402.8
Property, plant & equipment	28.7	28.7
Intangible assets		
Intangible software	3.9	3.9
Goodwill	33.9	33.9
Deferred tax assets	42.0	42.0
Other assets	160.7	160.7
<b>Total Assets</b>	<u>30,502.5</u>	<u>30,502.5</u>
<b>Liabilities</b>		
Due to other financial institutions	112.5	112.5
Deposits	15,442.2	15,442.2
Notes payable	13,097.8	13,097.8
Derivatives	30.9	30.9
Other payables	381.7	381.7
Income tax payable	-	-
Provisions	17.0	17.0
Deferred tax liabilities	68.4	68.4
Reset preference shares	89.5	89.5
Subordinated debt - at amortised cost	380.5	380.5
<b>Total Liabilities</b>	<u>29,620.5</u>	<u>29,620.5</u>
<b>Net identifiable assets and liabilities attributable to Bendigo Bank Limited</b>	<u>882.0</u>	<u>882.0</u>
Consideration paid in cash (transaction costs)		(16.5)
Cash acquired		491.5
<b>Net cash inflow</b>		<u>475.0</u>

**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.

Due to the complexity and timing of this acquisition, the fair values currently established are provisional and are subject to further review during the 12 month period following acquisition. This will alter assets and liabilities as currently disclosed for 31 December 2007.

During the period 30 November 2007 to 31 December 2007, Adelaide contributed net profit of \$10.1 million to the consolidated net profit for the half year (excluding significant expense items of \$3.1 million).

If the acquisition had occurred on 1 July 2007, group revenue would have been \$459.9 million for the half year and net profit would have been \$108.1 million. This pro-forma financial information uses Adelaide data for the six month period ended 31 December 2007 and represents the historical operating results of Adelaide, reported in accordance with their pre-acquisition accounting policies. It excludes transaction and integration costs of \$19.0 million.

## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Bendigo 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 2007 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 N. Johanson**, Chairman

Bendigo

Dated this 18th day of February 2008

# AUDITOR'S INDEPENDENT REVIEW REPORT

To the members of Bendigo Bank Limited



## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Bendigo Bank Limited, which comprises the balance sheet as at 31 December 2007, and the condensed income statement, 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 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 an Interim Financial Report 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 2007 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* and other mandatory reporting requirements in Australia. As the auditor of Bendigo 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 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 at 31 December 2007 and of its performance for the six months ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

**Brett Kallio**

Partner

Melbourne

Dated this 18th day of February 2008

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