



Bendigo and Adelaide Bank Limited
ABN 11 068 049 178

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

For the period ending
31 December 2012

Released 18 February 2013

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

CONTENTS

APPENDIX 4D: HALF YEAR REPORT	4
1.1 COMPANY DETAILS AND REPORTING PERIOD	4
1.2 RESULTS FOR ANNOUNCEMENT TO THE MARKET	4
1.3 CASH EARNINGS RESULTS	5
1.4 NET TANGIBLE ASSETS PER ORDINARY SHARE	5
1.5 DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD.....	5
1.6 DETAILS OF INDIVIDUAL AND TOTAL DIVIDENDS	5
1.7 DETAILS OF ANY DIVIDEND OR DISTRIBUTION REINVESTMENT PLANS IN OPERATION.....	5
1.8 DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES	5
1.9 ACCOUNTING STANDARDS USED FOR FOREIGN ENTITIES.....	5
1.10 DISPUTE OR QUALIFICATIONS IF AUDITED	5
1.11 HALF YEAR FINANCIAL STATEMENTS.....	5
2. HALF YEAR ANNOUNCEMENT	6
2.1 FINANCIAL HIGHLIGHTS.....	6
2.2 RESULTS AT A GLANCE	7
2.2.1 <i>Financial performance</i>	7
2.2.2 <i>Financial position</i>	8
2.2.3 <i>Dividends</i>	8
2.3 INCOME STATEMENT.....	9
2.4 RESULTS COMMENTARY	10
2.4.1 <i>Profit</i>	10
2.4.2 <i>Specific items</i>	11
2.4.3 <i>Interest margin</i>	12
2.4.4 <i>Income</i>	13
2.4.5 <i>Productivity and operating expenses</i>	15
2.4.6 <i>Lending</i>	18
2.4.7 <i>Asset Quality</i>	19
2.4.8 <i>Bad and doubtful debts</i>	20
2.4.9 <i>Deposits and funds under management</i>	22
2.4.10 <i>Average balance sheet and related interest</i>	24
2.4.11 <i>Capital and shareholder returns</i>	27
2.4.11.1 <i>Capital adequacy</i>	27
2.4.11.2 <i>Assets and capital</i>	27
2.4.11.3 <i>Shareholder returns</i>	28
2.4.11.4 <i>Return on Equity (RoE) and Return on Tangible Equity (RoTE)</i>	29
2.4.11.5 <i>Dividends</i>	29
2.4.11.6 <i>Earnings in cents per ordinary share</i>	30
2.5 ADDITIONAL NOTES	32
2.5.1 <i>Analysis of intangible assets</i>	32
2.5.2 <i>Investments accounted for using the equity method</i>	33
2.5.3 <i>Net tangible assets per share</i>	34
2.5.4 <i>Credit ratings</i>	34
2.5.5 <i>Issued capital</i>	35
3. STATUTORY HALF YEAR FINANCIAL REPORT	38
3.1 DIRECTORS' REPORT	38
3.1.1 <i>Directors</i>	38
3.1.2 <i>Review of operations</i>	38
3.1.3 <i>Significant changes in the state of affairs</i>	39
3.1.4 <i>Events after balance sheet date</i>	39
3.1.5 <i>Independence of auditor</i>	39
3.2 CONDENSED INCOME STATEMENT	41
3.3 BALANCE SHEET	42
3.4 STATEMENT OF COMPREHENSIVE INCOME.....	43
3.5 STATEMENT OF CHANGES IN EQUITY	44
3.6 CASH FLOW STATEMENT	47
3.7 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS	48
3.7.1 <i>Corporate information</i>	48
3.7.2 <i>Summary of significant accounting policies</i>	48
3.7.2.1 <i>Basis of preparation</i>	48
3.7.2.2 <i>Changes in accounting policies</i>	49

3.7.2.3	Significant accounting judgements, estimates and assumptions	50
3.7.3	Segment information.....	51
3.7.4	Income tax.....	55
3.7.5	Dividends paid or provided	55
3.7.6	Earnings per ordinary share	56
3.7.7	Return on average ordinary equity.....	57
3.7.8	Cash flow information	58
3.7.9	Issued capital.....	59
3.7.10	Capital adequacy.....	60
3.7.11	Contingent assets and liabilities.....	61
3.7.12	Events after balance sheet date	62
3.8	BUSINESS COMBINATIONS	62
3.9	DIRECTORS' DECLARATION.....	64
3.10	EXTERNAL AUDITORS REVIEW REPORT	65

APPENDIX 4D: HALF YEAR REPORT

1.1 Company details and reporting period

Bendigo and Adelaide Bank Limited
ABN 11 068 049 178

Reporting period - six months ended: 31 December 2012
Previous corresponding period - six months ended: 31 December 2011

1.2 Results for announcement to the market

Income from operations	up 12.6% to \$677.9 m
Profit after tax attributable to members	up 227.1% to \$189.4 m
Net profit after tax attributable to members	up 227.1% to \$189.4 m

Dividends – current year	Amount per security
Interim Dividend – 2013, fully franked	30.0 cents
Record date for determining entitlements for the interim dividend – 26 February 2013	
Payable 28 March 2013	

Dividends – previous year	Amount per security
Final Dividend – 2012, fully franked Paid 28 September 2012	30.0 cents
Interim Dividend – 2012, fully franked Paid 30 March 2012	30.0 cents

1.3 Cash earnings results

Cash earnings attributable to members	up 4.4% to \$169.7 m
Cash earnings per share	down 4.6% to 41.9 cents
See note 2.3 for full details	

1.4 Net tangible assets per ordinary share

Refer to page 34 of the attached December 2012 half year profit announcement.

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

During the financial period changes in the investment in the following entities occurred.

1 December 2012 - 100% ownership of Community Telco Australia became effective. Community Telco Australia is now a wholly owned subsidiary of Bendigo and Adelaide Bank, previously this was a joint venture in which Bendigo and Adelaide Bank held 50%.

21 December 2012 - Bendigo and Adelaide Bank acquired the assets of Southern Finance Ltd.

1.6 Details of individual and total dividends

Refer to page 29 of the attached December 2012 half year profit announcement.

1.7 Details of any dividend or distribution reinvestment plans in operation

Refer to page 31 of the attached December 2012 half year profit announcement.

1.8 Details of associates and joint venture entities

Refer to page 33 of the attached December 2012 half year profit announcement.

1.9 Accounting standards used for foreign entities

Not applicable.

1.10 Dispute or qualifications if audited

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

1.11 Half year financial statements

Refer to pages 36 to 66 of the attached December 2012 half year profit announcement.

2. HALF YEAR ANNOUNCEMENT

2.1 Financial highlights

	Jun-11	Dec-11	Jun-12	Dec-12	Dec-11 Half to Dec-12 Half	
	Half	Half	Half	Half	\$m	%
	\$m	\$m	\$m	\$m		
Profit after tax attributable to parent	168.2	57.9	137.1	189.4	131.5	227.1
Profit after tax and before specific items	168.9	157.4	154.6	162.8	5.4	3.4
Cash earnings	174.1	162.6	160.4	169.7	7.1	4.4
Net interest income	473.9	475.1	469.0	504.9	29.8	6.3
Non-interest income (before specific items)	139.7	132.5	149.3	146.7	14.2	10.7
Expenses (before specific items)	363.6	367.5	384.2	390.9	23.4	6.4
Retail deposits	36,690.9	38,567.3	40,663.0	41,867.0	3,299.7	8.6
Ordinary equity	3,866.8	4,001.1	4,109.1	4,216.9	215.8	5.4
Funds under management	3,224.1	3,086.8	3,089.9	3,334.5	247.7	8.0
Loans under management	47,845.0	48,057.6	49,989.0	50,505.5	2,447.9	5.1
New loan approvals	6,837.4	6,476.9	6,188.7	6,834.9	358.0	5.5
Residential	4,759.7	4,654.0	4,206.7	4,492.9	(161.1)	(3.5)
Non-residential	2,077.7	1,822.9	1,982.0	2,342.0	519.1	28.5

	Jun-11	Dec-11	Jun-12	Dec-12	Dec-11 Half to Dec-12 Half	
	Half	Half	Half	Half	%	
Cost to income ratio	57.0%	58.2%	59.8%	57.8%	(0.7)	
Earnings per ordinary share - cents	44.8	14.5	33.5	45.9	216.6	
Cash basis earnings per ordinary share – cents	47.6	43.9	40.5	41.9	(4.6)	
Dividend per share – cents	30.0	30.0	30.0	30.0	-	

2.2 Results at a glance

2.2.1 Financial performance

Bendigo and Adelaide Bank Ltd announced a statutory profit after tax of \$189.4 million for the 6 months ending 31 December 2012, a 227.1% increase on the prior corresponding period. The cash earnings result is \$169.7 million for the 6 months ending 31 December 2012, a 4.4% increase on the prior corresponding period.

	Further detail
- Statutory earnings per ordinary share of 45.9 cents (Dec-11 14.5 cents), an increase of 216.6%.	2.4.11.3
- Statutory return on average ordinary equity is 9.19% (Dec-11 2.81%).	2.4.11.3
- Profit before income tax and specific items was \$228.6 million (Dec-11 \$224.3 million), an increase of 1.9% (see note 2.4.2 for specific item details).	
- Profit after income tax before specific items was \$162.8 million (Dec-11 \$157.4 million), an increase of 3.4% (see note 2.4.2 for specific item details).	2.4.1
- Cash basis earnings per ordinary share of 41.9 cents (Dec-11 43.9 cents), a decrease of 4.6%.	
- Cash basis earnings return on average ordinary equity was 8.39% (Dec-11 8.52%).	2.4.11.3
- Cash basis earnings return on average tangible equity was 13.37% (Dec-11 14.81%).	2.4.11.3
- Net interest income increased by 6.3% to \$504.9 million with an interest margin before payments to community banks and alliances increasing from 2.08% to 2.18%. Net of these payments, interest margin increased 9 basis points from 1.74% in June 2012 to 1.83% in the half year to December 2012. Refer to 2.4.3 for further analysis.	2.4.4
- Non-interest income before specific items was \$146.7 million (Dec-11 \$132.5 million), an increase of 10.7%.	2.4.4
- Expenses before specific items increased by 6.4% to \$390.9 million compared to December 2011 half and increased by 1.7% compared to the June 2012 half. The cost to income ratio was 57.8% compared to 58.2% for the December 2011 half and 59.8% for the June 2012 half.	2.4.5
- Bad & Doubtful debts expense was \$32.1 million (Dec-11 \$15.8 million), an increase of 103.2%.	2.4.8

2.2.2 *Financial position*

	Further detail
- Loans under management were \$50.5 billion (Dec-11 \$48.1 billion, Jun-12 \$50.0 billion), an increase of 5.1% and 1.0% respectively.	2.4.6
- Retail deposits were \$41.9 billion (Dec-11 \$38.6 billion, Jun-12 \$40.7 billion), an increase of 8.6% and 3.0% respectively.	2.4.9
- Managed funds were \$3.3 billion (Dec-11 \$3.1 billion, Jun-12 \$3.1 billion), an increase of 7.9%, and 8.0% respectively.	2.4.9
- Total provisions and reserves for doubtful debts were \$262.3 million (Dec-11 \$248.7 million, Jun-12 \$263.2 million) – a decrease of \$0.9 million since June 2012. General and collective provisions were 0.53% of Group Risk Weighted Assets.	2.4.8

2.2.3 *Dividends*

	Further detail
- An interim ordinary dividend of 30.0 cents per ordinary share, fully franked (31 December 2011 – 30.0 cents) has been declared by the Board.	2.4.11.5

2.3 Income statement

For the half year ended 31 December 2012

	Consolidated	
	Dec-12	Dec-11
	\$m	\$m
Income		
Net interest income		
Interest income	1,575.3	1,758.1
Interest expense	1,070.4	1,283.0
Net interest income	504.9	475.1
Total non interest income (2.4.4)	146.2	132.5
Share of associates' net profits accounted for using the equity method (2.5.2)	0.5	-
Total income	651.6	607.6
Expense		
Bad and doubtful debts (2.4.8)	32.1	15.8
Operating expenses (2.4.5)	390.9	367.5
Profit before income tax expense and specific items	228.6	224.3
Specific items before tax	25.8	(101.4)
Profit before income tax expense	254.4	122.9
Income tax expense	(65.0)	(65.0)
Profit after income tax expense attributable to members of the parent	189.4	57.9
Adjusted for:		
Specific items after tax (2.4.2)	(26.6)	99.5
Dividends paid on preference shares	(1.6)	(2.0)
Dividends paid on step-up preference shares	(1.9)	(2.3)
After tax intangibles amortisation (excluding amortisation of intangible software)	10.4	9.5
Cash basis earnings	169.7	162.6
Cash basis earnings per ordinary share (cents per share)	41.9	43.9
Basic earnings per ordinary share (cents per share)	45.9	14.5
Diluted earnings per ordinary share (cents per share)	40.9	14.4
Franked dividends per ordinary share (cents per share)	30.0	30.0

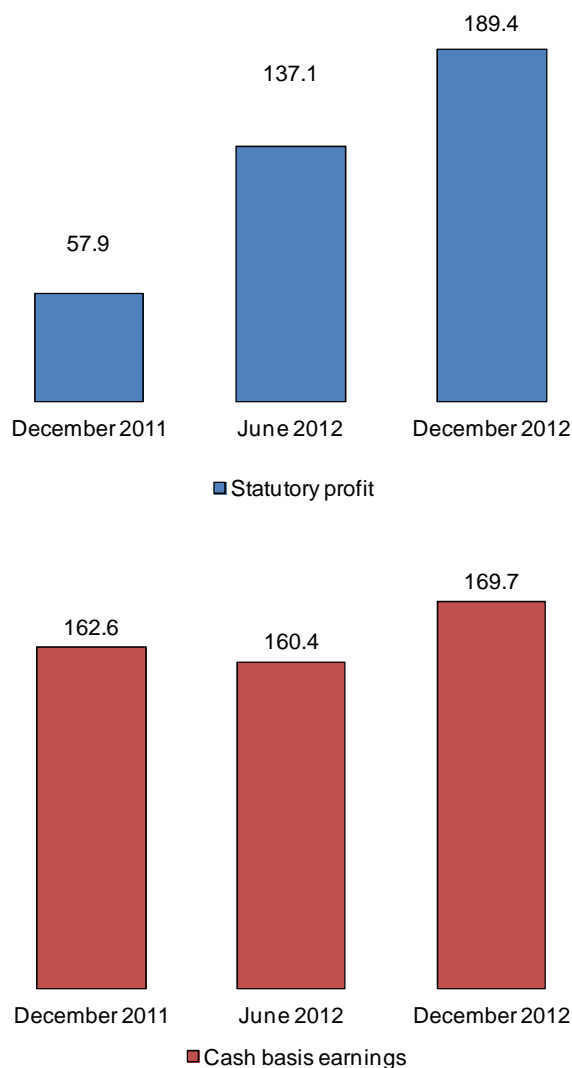
Refer note 3.7.6

2.4 Results commentary

2.4.1 Profit

	Dec-12 \$m	Jun-12 \$m	Change \$m	%	Dec-11 \$m	Change \$m	%
Profit before tax	254.4	203.2	51.2	25.2	122.9	131.5	107.0
Specific items before tax	(25.8)	14.3	(40.1)	(280.4)	101.4	(127.2)	(125.4)
Profit before tax and specific items	228.6	217.5	11.1	5.1	224.3	4.3	1.9
Profit after tax attributable to the parent	189.4	137.1	52.3	38.1	57.9	131.5	227.1
Specific items after tax	(26.6)	17.5	(44.1)	(252.0)	99.5	(126.1)	(126.7)
Profit after tax before specific items	162.8	154.6	8.2	5.3	157.4	5.4	3.4
<i>Adjusted for:</i>							
Amortisation of acquired intangibles after tax	10.4	10.0	0.4	4.0	9.5	0.9	9.5
Distributions paid on preference shares	(1.6)	(1.9)	0.3	15.8	(2.0)	0.4	20.0
Distributions paid on step-up preference shares	(1.9)	(2.3)	0.4	17.4	(2.3)	0.4	17.4
Cash basis profit after tax	169.7	160.4	9.3	5.8	162.6	7.1	4.4

Profit after tax \$m



2.4.2 Specific items

The reported profit after tax for the half year ended 31 December 2012 of \$189.4 million included the following specific items:

	December 2012		December 2011	
	Before Tax \$m	After Tax \$m	Before Tax \$m	After Tax \$m
Items included in non interest income				
Profit on sale of IOOF shares	38.7	38.7	-	-
Loss on sale of RMBS notes	(12.3)	(8.6)	-	-
Discount on acquisition - Southern Finance Ltd	2.5	1.8	-	-
Ineffectiveness in cash flow hedges ¹	(2.6)	(1.8)	(5.6)	(3.9)
	<u>26.3</u>	<u>30.1</u>	<u>(5.6)</u>	<u>(3.9)</u>
Items included in operating expenses				
Integration costs	1.9	1.3	-	-
Employee shares shortfall/(gain) ²	(1.4)	(1.1)	0.7	0.5
Write down on impaired Intangible assets	-	-	95.1	95.1
	<u>0.5</u>	<u>0.2</u>	<u>95.8</u>	<u>95.6</u>
Items included in income tax expense				
Land and buildings revaluation ³	-	(3.3)	-	-
	<u>-</u>	<u>(3.3)</u>	<u>-</u>	<u>-</u>
Total specific items attributable to the group	<u>25.8</u>	<u>26.6</u>	<u>(101.4)</u>	<u>(99.5)</u>

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

² Employee shares gain relates to a discontinued employee share plan, whereby the market value of shares are above the outstanding value of the attached staff loans.

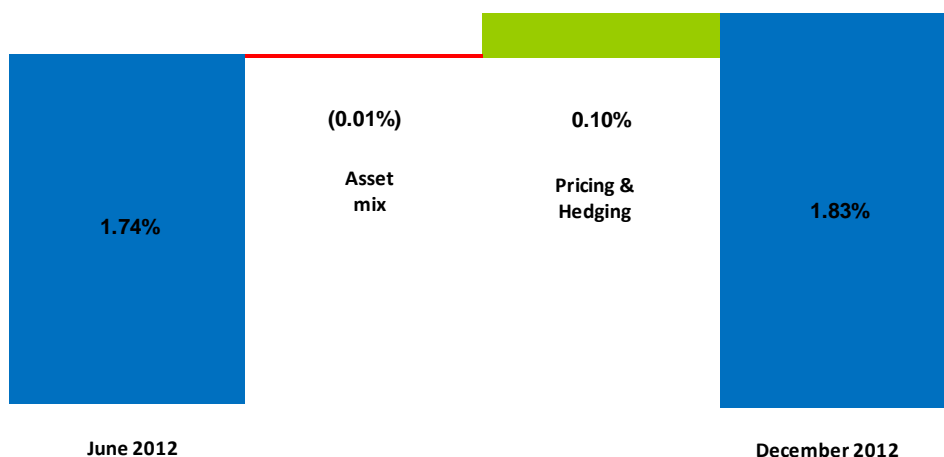
³ Land and buildings revaluation relates to the de-recognition of the deferred tax asset in relation to assets now held for sale.

2.4.3 Interest margin

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

Analysis of interest margin (movement over six months)

%



Asset Mix – Further decline in the Margin Lending portfolio has continued to reweight the asset mix toward lower margin residential mortgages.

Pricing and hedging – As interest rates have decreased over the course of this year, the reduction in price of our total liability portfolios has exceeded the reduction in price of our total asset portfolios, thereby resulting in an increase in margin which is returning towards previous levels.

2.4.4 Income

	Dec-12 \$m	Jun-12 \$m	Change \$m	%	Dec-11 \$m	Change \$m	%
Net interest income	504.9	469.0	35.9	7.7	475.1	29.8	6.3
Other income comprising:							
Fees							
- asset products	32.2	32.5	(0.3)	(0.9)	30.8	1.4	4.5
- liability products & other	54.4	54.5	(0.1)	(0.2)	53.7	0.7	1.3
- trustee, management & other services	2.8	2.6	0.2	7.7	3.1	(0.3)	(9.7)
Commissions							
- wealth solutions	14.7	15.0	(0.3)	(2.0)	14.1	0.6	4.3
- insurance	7.3	9.0	(1.7)	(18.9)	6.6	0.7	10.6
- other	(0.6)	(0.5)	(0.1)	(20.0)	(0.6)	-	-
Dividend income	0.3	3.7	(3.4)	(91.9)	4.1	(3.8)	(92.7)
Homesafe trust contribution	11.9	5.0	6.9	138.0	(2.5)	14.4	576.0
Other	23.2	26.8	(3.6)	(13.4)	23.2	-	-
Total other income before specific income items	146.2	148.6	(2.4)	(1.6)	132.5	13.7	10.3
Share of joint ventures profit	0.5	0.7	(0.2)	(28.6)	-	0.5	-
Total non interest income before specific items	146.7	149.3	(2.6)	(1.7)	132.5	14.2	10.7
Total income before specific items	651.6	618.3	33.3	5.4	607.6	44.0	7.2
Specific income items - non interest income	26.3	(7.4)	33.7	455.4	(5.6)	31.9	569.6
Total income	677.9	610.9	67.0	11.0	602.0	75.9	12.6

The above table includes fully consolidated contributions from Delphi Bank (formerly Bank of Cyprus Australia) from March 2012. Delphi Bank other income for the December 2012 half year was \$2.7 million.

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

Net interest income increased by \$29.8 million or 6.3%. Refer to 2.4.3 for further analysis.

Fees increased by \$1.8 million or 2.1% primarily due to the inclusion of Delphi Bank (\$1.4 million).

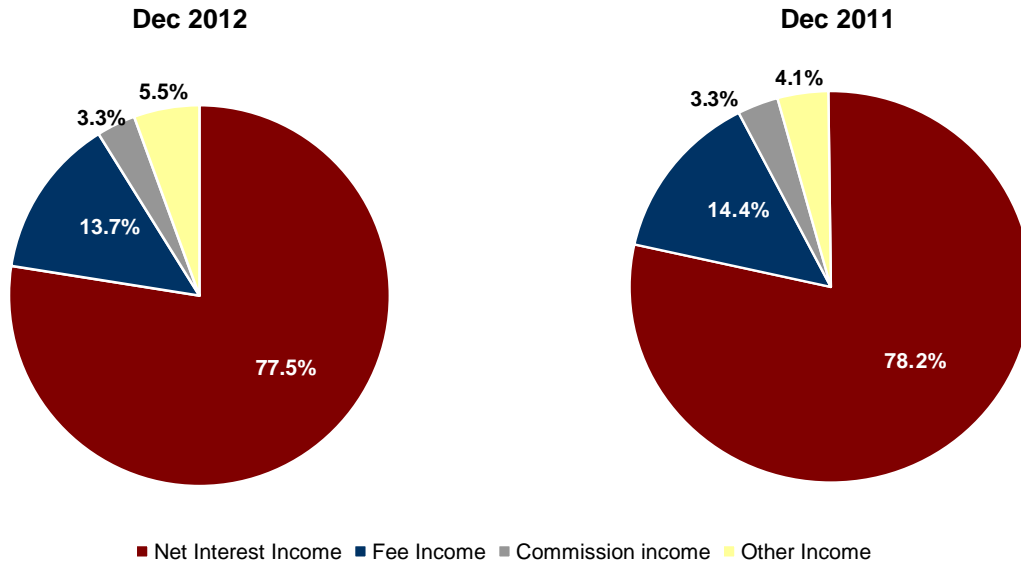
Homesafe trust contribution was \$14.4 million, higher than the prior corresponding period, primarily due to an increase in the housing price index over the last six months.

Commissions increased by \$2.1 million or 6.5% due to increased volume of third party products sold.

Dividend income has decreased \$3.8 million due to the sale of the IOOF shares.

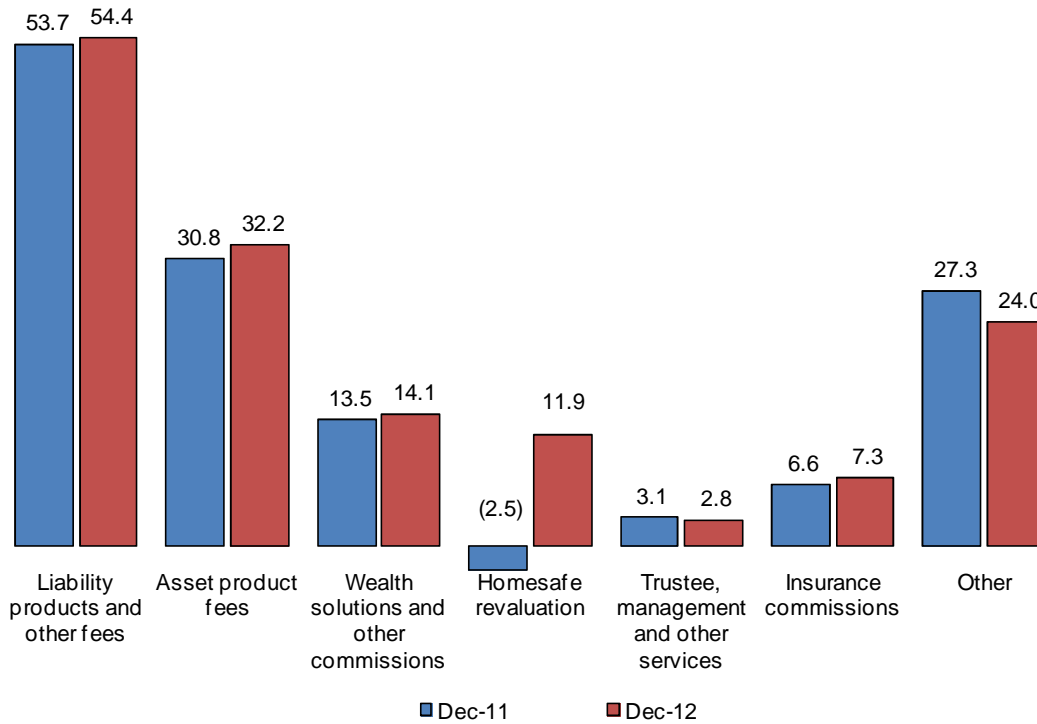
Other income includes foreign exchange income, factoring income and franchise fees.

Income
 %



Excludes specific income

Non-interest income
 \$m



2.4.5 Productivity and operating expenses

Expenses	Dec-12	Jun-12	Change		Dec-11	Change	
	\$m	\$m	\$m	%	\$m	\$m	%
Expenses							
Staff and related costs	203.6	199.2	4.4	2.2	188.6	15.0	8.0
Occupancy costs	35.4	33.5	1.9	5.7	32.1	3.3	10.3
Information technology costs	31.7	27.7	4.0	14.4	27.5	4.2	15.3
Amortisation of acquired intangibles	14.3	14.2	0.1	0.7	13.6	0.7	5.1
Amortisation of software intangibles	9.6	8.4	1.2	14.3	7.8	1.8	23.1
Property, plant and equipment costs	5.4	5.8	(0.4)	(6.9)	5.6	(0.2)	(3.6)
Fees and commissions	14.9	16.0	(1.1)	(6.9)	14.4	0.5	3.5
Communications, postage & stationery	16.6	17.1	(0.5)	(2.9)	17.1	(0.5)	(2.9)
Advertising & promotion	14.2	14.8	(0.6)	(4.1)	15.8	(1.6)	(10.1)
Other product & services delivery costs	18.2	17.9	0.3	1.7	17.9	0.3	1.7
Other administration expenses	27.0	29.6	(2.6)	(8.8)	27.1	(0.1)	(0.4)
Total operating expenses	390.9	384.2	6.7	1.7	367.5	23.4	6.4
Specific items	0.5	6.9	(6.4)	(92.8)	95.8	(95.3)	(99.5)
Total expenses	391.4	391.1	0.3	0.1	463.3	(71.9)	(15.5)
Expenses to income	57.8%	59.8%	(2.0%)	(3.3)	58.2%	(0.4%)	(0.7)
Expenses to average assets	1.3%	1.3%	-	-	1.3%	-	-
Number of staff (full-time equivalent)	4,227	4,189	38	0.9	4,091	136	3.3
Staff & related costs to income	31.2%	32.2%	(1.0%)	(3.1)	31.0%	0.2%	0.6

The above table includes fully consolidated contributions from Delphi Bank (formerly Bank of Cyprus Australia) from March 2012. Delphi Bank expenses for the December 2012 half year were \$10.3 million.

Expenses used in the above ratios are expenses less specific expense items and acquired intangibles amortisation. Income used in the above ratios is income less specific income items.

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

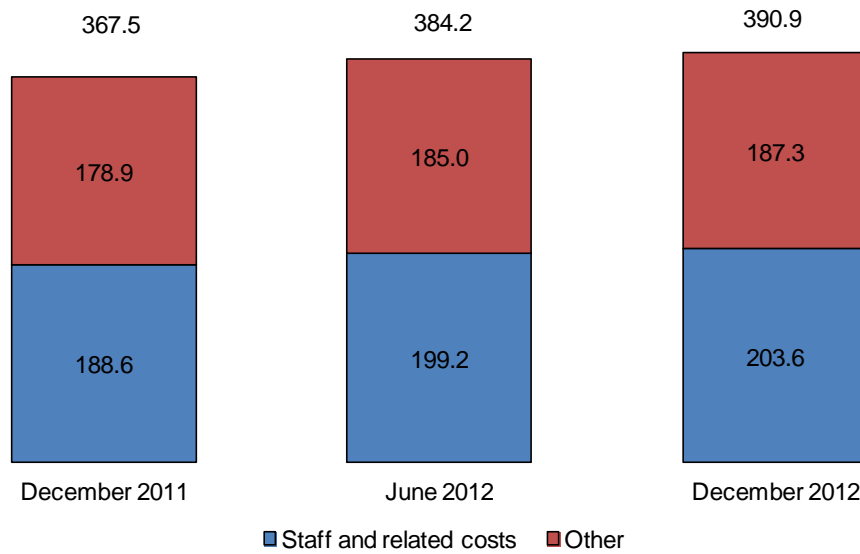
Staff and related costs increased by \$15.0 million or 8.0% partially due to the inclusion of Delphi Bank (\$6.0 million) and wage and salary increases.

Occupancy costs increased by \$3.3 million or 10.3% due to the inclusion of occupancy costs relating to Delphi Bank (\$2.0 million) as well as an overall increase in rent payments.

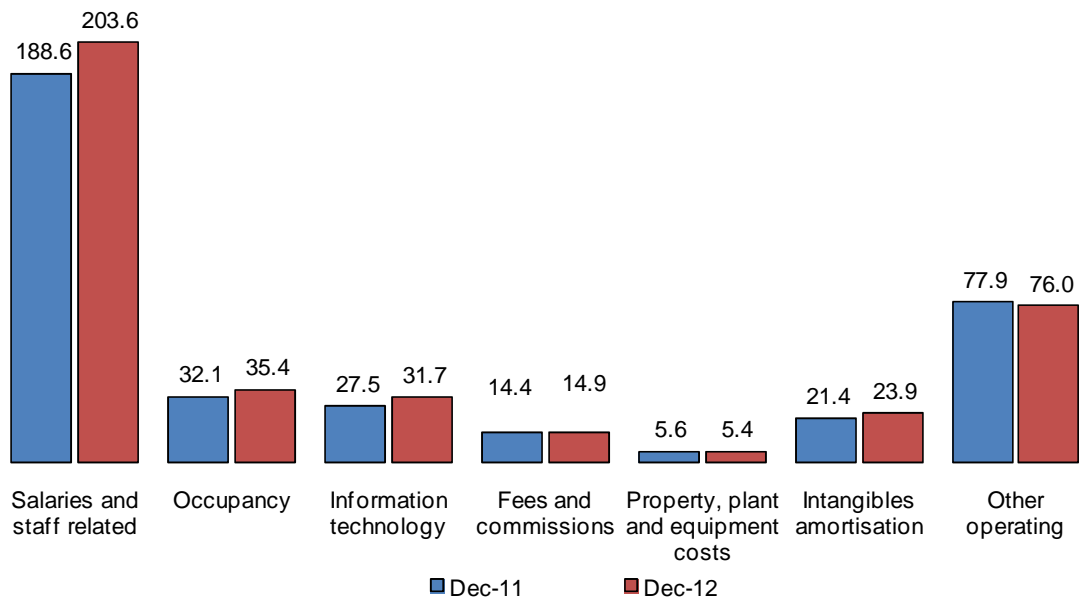
Information technology costs increased by \$4.2 million or 15.3% predominantly due to an increase in software maintenance.

Advertising and promotion costs decreased by \$1.6 million or 10.1% due to a reduction in marketing spend.

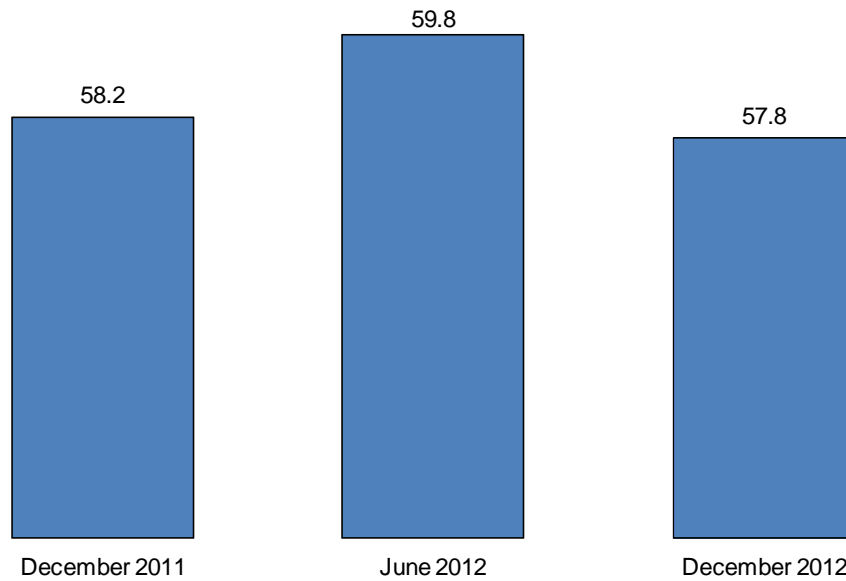
Operating expenses
 \$m



Operating expenses
 \$m



Cost to income ratio - expenses/income
%



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

2.4.6 Lending

	Dec-12 \$m	Jun-12 \$m	Change \$m	%	Dec-11 \$m	Change \$m	%
Approvals - by security							
Residential	4,492.9	4,206.7	286.2	6.8	4,654.0	(161.1)	(3.5)
Non-residential	2,342.0	1,982.0	360.0	18.2	1,822.9	519.1	28.5
Total approvals	6,834.9	6,188.7	646.2	10.4	6,476.9	358.0	5.5
	As at Dec-12 \$m	As at Jun-12 \$m	Change \$m	%	As at Dec-11 \$m	Change \$m	%
Gross loan balance - by security							
Residential	34,274.5	33,768.8	505.7	1.5	32,481.5	1,793.0	5.5
Business							
Accommodation and food services	321.6	272.3	49.3	18.1	274.3	47.3	17.2
Administrative and support services	52.1	43.8	8.3	18.9	48.9	3.2	6.5
Agriculture, forestry and fishing	4,335.0	4,279.5	55.5	1.3	4,121.3	213.7	5.2
Arts and recreation services	69.5	69.8	(0.3)	(0.4)	69.4	0.1	0.1
Construction	961.0	890.9	70.1	7.9	657.0	304.0	46.3
Education and training	55.6	45.5	10.1	22.2	47.0	8.6	18.3
Electricity, gas, water and waste services	28.9	26.3	2.6	9.9	22.9	6.0	26.2
Financial and insurance services	603.3	627.5	(24.2)	(3.9)	641.5	(38.2)	(6.0)
Health care and social assistance	469.3	390.2	79.1	20.3	358.1	111.2	31.1
Information media and telecommunications	17.3	9.3	8.0	86.0	12.1	5.2	43.0
Manufacturing	231.8	218.7	13.1	6.0	194.7	37.1	19.1
Mining	24.0	16.9	7.1	42.0	18.7	5.3	28.3
Other Services	149.0	109.1	39.9	36.6	111.1	37.9	34.1
Professional, scientific and technical services	225.7	177.5	48.2	27.2	176.2	49.5	28.1
Public administration and safety	126.1	96.3	29.8	30.9	89.1	37.0	41.5
Rental, hiring and real estate services	3,090.4	2,944.8	145.6	4.9	2,695.1	395.3	14.7
Retail trade	541.0	556.6	(15.6)	(2.8)	485.7	55.3	11.4
Transport, postal and warehousing	153.2	116.2	37.0	31.8	116.4	36.8	31.6
Wholesale trade	158.1	169.3	(11.2)	(6.6)	140.3	17.8	12.7
Other	409.9	561.6	(151.7)	(27.0)	470.2	(60.3)	(12.8)
Total business	12,022.8	11,622.1	400.7	3.4	10,750.0	1,272.8	11.8
Margin lending	2,018.8	2,333.2	(314.4)	(13.5)	2,563.9	(545.1)	(21.3)
Unsecured	867.1	869.2	(2.1)	(0.2)	823.2	43.9	5.3
Other	242.7	238.7	4.0	1.7	214.0	28.7	13.4
Total gross loan balance	49,425.9	48,832.0	593.9	1.2	46,832.6	2,593.3	5.5
Gross loan balance - by purpose							
Residential	32,162.1	31,555.0	607.1	1.9	30,274.3	1,887.8	6.2
Consumer	4,190.2	4,436.5	(246.3)	(5.6)	4,659.4	(469.2)	(10.1)
Margin lending	2,018.8	2,333.2	(314.4)	(13.5)	2,563.9	(545.1)	(21.3)
Commercial	11,054.8	10,507.3	547.5	5.2	9,335.0	1,719.8	18.4
Total gross loan balance	49,425.9	48,832.0	593.9	1.2	46,832.6	2,593.3	5.5
Loans under management (gross balance)							
On-balance sheet	49,425.9	48,832.0	593.9	1.2	46,832.6	2,593.3	5.5
Off-balance sheet loans under management	1,079.6	1,157.0	(77.4)	(6.7)	1,225.0	(145.4)	(11.9)
Total Group loans under management	50,505.5	49,989.0	516.5	1.0	48,057.6	2,447.9	5.1

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

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

Off-balance sheet loans under management are the gross balance of off-balance sheet loans managed by wholly-owned subsidiaries of Bendigo and Adelaide Bank Limited.

2.4.7 Asset Quality

	As at Dec-12 \$m	As at Jun-12 \$m	Change \$m	%	As at Dec-11 \$m	Change \$m	%
Impaired loans							
Full-performing ¹	0.9	1.8	(0.9)	(50.0)	3.2	(2.3)	(71.9)
Part-performing	106.0	116.4	(10.4)	(8.9)	117.5	(11.5)	(9.8)
Non-performing - property development	29.1	54.2	(25.1)	(46.3)	39.5	(10.4)	(26.3)
- other	136.2	150.4	(14.2)	(9.4)	152.4	(16.2)	(10.6)
Restructured loans	17.8	35.7	(17.9)	(50.1)	37.0	(19.2)	(51.9)
Total impaired assets	290.0	358.5	(68.5)	(19.1)	349.6	(59.6)	(17.0)
Less: Specific provisions	(96.2)	(102.9)	6.7	6.5	(96.9)	0.7	0.7
Net impaired assets	193.8	255.6	(61.8)	(24.2)	252.7	(58.9)	(23.3)
Past due 90 days							
Well Secured (excluding commercial arrangement loans)	441.2	539.1	(97.9)	(18.2)	371.8	69.4	18.7
Great Southern portfolio	278.1	264.7	13.4	5.1	238.8	39.3	16.5
Portfolio facilities (not well secured)	2.2	3.7	(1.5)	(40.5)	2.6	(0.4)	(15.4)
Ratios							
Gross impaired to gross loans	0.59%	0.73%	(0.14%)	(19.2)	0.75%	(0.16%)	(21.3)
Gross impaired (excl prop develop) to gross loans	0.53%	0.62%	(0.09%)	(14.5)	0.66%	(0.13%)	(19.7)
Gross impaired to total assets	0.50%	0.63%	(0.13%)	(20.6)	0.63%	(0.13%)	(20.6)
Gross impaired assets (excl prop develop) to total asset:	0.45%	0.53%	(0.08%)	(15.1)	0.55%	(0.10%)	(18.2)
Net impaired to gross loans	0.39%	0.52%	(0.13%)	(25.0)	0.54%	(0.15%)	(27.8)
Net impaired (excl prop develop) to gross loans	0.33%	0.41%	(0.08%)	(19.5)	0.46%	(0.13%)	(28.3)
Provision coverage ²	90.4%	73.4%	17.0%	23.2	71.1%	19.30%	27.1

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

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

2.4.8 Bad and doubtful debts

	Dec-12 \$m	Jun-12 \$m	Change \$m	%	Dec-11 \$m	Change \$m	%
Expense:							
Bad debts written off	3.0	0.7	2.3	328.6	1.4	1.6	114.3
Provision doubtful debts - expense	30.3	17.2	13.1	76.2	17.5	12.8	73.1
Total bad and doubtful debts expense	33.3	17.9	15.4	86.0	18.9	14.4	76.2
Less: Bad debts recovered	1.2	1.3	(0.1)	(7.7)	3.1	(1.9)	(61.3)
Bad and doubtful debts net of recoveries	32.1	16.6	15.5	93.4	15.8	16.3	103.2
Balances:							
	As at Dec-12 \$m	As at Jun-12 \$m	Change \$m	%	As at Dec-11 \$m	Change \$m	%
Provision for doubtful debts - specific	96.2	102.9	(6.7)	(6.5)	96.9	(0.7)	(0.7)
Provision for doubtful debts - collective	31.9	31.8	0.1	0.3	36.8	(4.9)	(13.3)
General reserve for credit losses	134.2	128.5	5.7	4.4	115.0	19.2	16.7
Total provision/reserve doubtful debts	262.3	263.2	(0.9)	(0.3)	248.7	13.6	5.5
Ratios:							
Loan write-offs (annualised) to average assets	0.14%	0.06%	0.08%	133.3	0.07%	0.07%	100.0
Loan write-offs (annualised) to gross loans	0.16%	0.07%	0.09%	128.6	0.08%	0.08%	100.0
Total provision/reserve for doubtful debts to gross loans	0.53%	0.54%	(0.01%)	(1.9)	0.53%	-	-
Collective provision (adjusted for tax) & GRCL to risk-weighted assets	0.53%	0.53%	-	-	0.53%	-	-

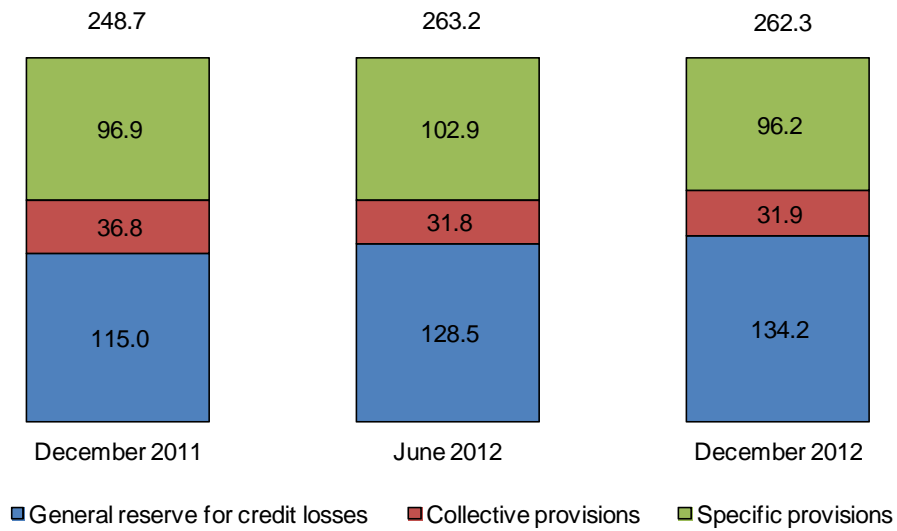
The balances of the components of provision for doubtful debts are:

	Specific \$m	Collective \$m	Gen Res Cr losses \$m	Total \$m
The movement in provisions comprise of:				
Balance at June 2012	102.9	31.8	128.5	263.2
Provision for doubtful debts expense to profit and loss	30.2	0.1	-	30.3
Bad debts written off - previously provided for	(37.1)	-	-	(37.1)
Balance acquired in business combination	0.2	-	-	0.2
Appropriation of movement in general reserve for credit losses	-	-	5.7	5.7
Balance at December 2012	96.2	31.9	134.2	262.3
Total bad debts written off for the period, as shown above comprises:				
Bad debts previously provided for	37.1			
Other bad debts not previously provided for	3.0			
Total bad debts written off for the period	40.1			

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

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

Total provisions and reserves for doubtful debts
\$m



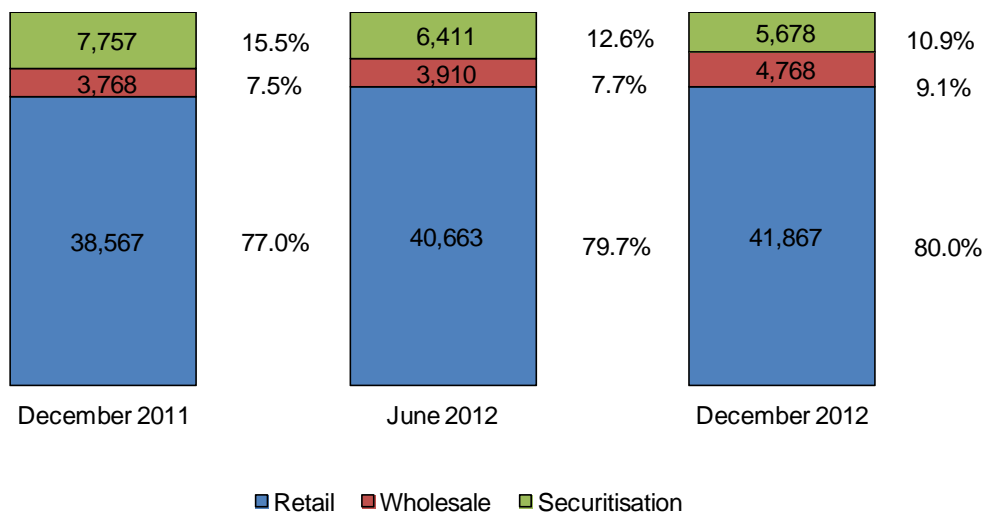
2.4.9 Deposits and funds under management

	As at Dec-12 \$m	As at Jun-12 \$m	Change \$m	%	As at Dec-11 \$m	Change \$m	%
<i>Deposits and funds under management</i>							
Deposits	46,635.4	44,572.7	2,062.7	4.6	42,335.5	4,299.9	10.2
Securitisation	5,678.3	6,411.0	(732.7)	(11.4)	7,756.6	(2,078.3)	(26.8)
Managed funds	3,334.5	3,089.9	244.6	7.9	3,086.8	247.7	8.0
Total deposits and funds under management	55,648.2	54,073.6	1,574.6	2.9	53,178.9	2,469.3	4.6
<i>Retail deposits and funds under management</i>							
Retail deposits	41,867.0	40,663.0	1,204.0	3.0	38,567.3	3,299.7	8.6
Managed funds	3,334.5	3,089.9	244.6	7.9	3,086.8	247.7	8.0
Total retail deposits and funds under management	45,201.5	43,752.9	1,448.6	3.3	41,654.1	3,547.5	8.5
<i>Deposits dissection: - \$m</i>							
Retail	41,867.0	40,663.0	1,204.0	3.0	38,567.3	3,299.7	8.6
Securitisation	5,678.3	6,411.0	(732.7)	(11.4)	7,756.6	(2,078.3)	(26.8)
Wholesale - domestic	4,433.7	3,832.5	601.2	15.7	3,719.2	714.5	19.2
Wholesale - offshore	334.7	77.2	257.5	333.5	49.0	285.7	583.1
Total deposits	52,313.7	50,983.7	1,330.0	2.6	50,092.1	2,221.6	4.4
<i>Deposits dissection (excl securitisation) - %</i>							
Retail	89.8%	91.2%	(1.4%)	(1.5)	91.1%	(1.3%)	(1.4)
Wholesale - domestic	9.5%	8.6%	0.9%	10.5	8.8%	0.7%	8.0
Wholesale - offshore	0.7%	0.2%	0.5%	250.0	0.1%	0.6%	600.0
Total deposits	100.0%	100.0%	-	-	100.0%	-	-
<i>Managed funds dissection</i>							
Assets under management	1,730.6	1,789.2	(58.6)	(3.3)	1,828.0	(97.4)	(5.3)
Other managed funds	1,603.9	1,300.7	303.2	23.3	1,258.8	345.1	27.4
Total managed funds	3,334.5	3,089.9	244.6	7.9	3,086.8	247.7	8.0

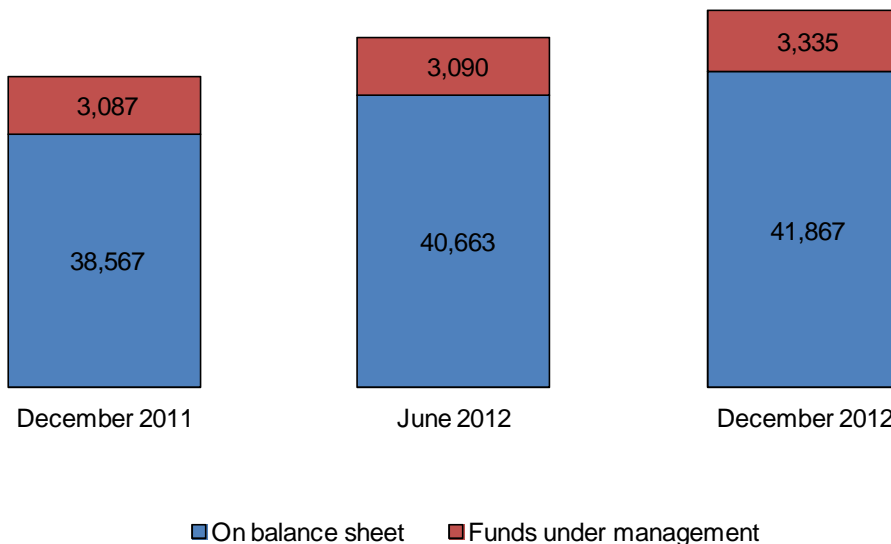
Assets under management include those funds deposited in the Sandhurst Trustees Limited Common Funds, which are invested in cash, cash enhanced and mortgage investments on behalf of the investors. These funds are off-balance sheet.

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

**Funding mix
 \$m**



**Retail deposits and funds under management
 \$m**



Retail deposits increased by \$1.2 billion or 3.0% to \$41.9 billion over the 6 months.

Wholesale deposits increased by \$858.7 million or 22.0% to \$4.8 billion over the 6 months.

Securitisation decreased by \$0.7 billion or 11.4% to \$5.7 billion over the 6 months.

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

2.4.10 Average balance sheet and related interest
 for the six month period ended 31 December 2012

	Note	Average Balance \$m	Interest 6 mths \$m	Average Rate %
Average balances and rates	1			
Interest earning assets				
Cash and Investments		5,971.9	103.4	3.43
Loans and other receivables		48,829.8	1,508.4	6.13
Total interest earning assets	2	54,801.7	1,611.8	5.83
Non interest earning assets				
Provisions for doubtful debts		(136.6)		
Other assets		2,832.8		
		2,696.2		
Total assets (average balance)		57,497.9		
Interest bearing liabilities and equity				
Deposits				
Retail		40,889.5	858.4	4.16
Wholesale - domestic		4,171.9	84.6	4.02
Wholesale - offshore		207.4	4.1	3.92
Notes Payable		6,149.6	140.7	4.54
Convertible Preference Shares		89.6	2.6	5.76
Reset Preference Shares		67.1	1.8	5.32
Subordinated debt		410.7	14.7	7.10
Total interest bearing liabilities	2	51,985.8	1,106.9	4.22
Non interest bearing liabilities and equity				
Other liabilities		1,276.4		
Equity		4,235.7		
		5,512.1		
Total liabilities and equity (average balance)		57,497.9		
Interest margin and interest spread				
Interest earning assets		54,801.7	1,611.8	5.83
Interest bearing liabilities		(51,985.8)	(1,106.9)	(4.22)
Net interest income and interest spread	3		504.9	1.61
Net free liabilities and equity				0.22
Net interest margin	4			1.83
Impact of community bank/alliances revenue share arrangements				
Net interest margin before community bank share of net interest income				2.18
Less impact of community bank share of net interest income				0.35
Net interest margin				1.83

1 Average balance is based on monthly closing balances from 30 June 2012 through 31 December 2012 inclusive.

2 Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by \$36.5 m to reflect gross amounts.

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

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

Average balance sheet and related interest (continued)
 for the six month period ended 30 June 2012

	Note	Average Balance \$m	Interest 6 mths \$m	Average Rate %
Average balances and rates	1			
Interest earning assets				
Cash and Investments		6,103.5	127.5	4.20
Loans and other receivables		47,964.5	1,587.4	6.66
Total interest earning assets	2	54,068.0	1,714.9	6.38
Non interest earning assets				
Provisions for doubtful debts		(134.1)		
Other assets		2,914.5		
Total assets (average balance)		56,848.4		
Interest bearing liabilities and equity				
Deposits				
Retail		39,730.1	945.7	4.79
Wholesale - domestic		3,885.8	93.2	4.82
Wholesale - offshore		83.3	2.0	4.83
Notes Payable		7,109.8	184.0	5.20
Reset Preference Shares		89.5	2.7	6.07
Subordinated debt		490.5	18.3	7.50
Total interest bearing liabilities	2	51,389.0	1,245.9	4.88
Non interest bearing liabilities and equity				
Other liabilities		1,325.2		
Equity		4,134.2		
Total liabilities and equity (average balance)		56,848.4		
Interest margin and interest spread				
Interest earning assets		54,068.0	1,714.9	6.38
Interest bearing liabilities		(51,389.0)	(1,245.9)	(4.88)
Net interest income and interest spread	3		469.0	1.50
Net free liabilities and equity				0.24
Net interest margin	4			1.74
Impact of community bank/alliances revenue share arrangements				
Net interest margin before community bank share of net interest income				2.08
Less impact of community bank share of net interest income				0.34
Net interest margin				1.74

1 Average balance is based on monthly closing balances from 31 December 2011 through 30 June 2012 inclusive.

2 Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by \$38.2 m to reflect gross amounts.

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

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

Average balance sheet and related interest (continued)
 for the six month period ended 31 December 2011

	Note	Average Balance \$m	Interest 6 mths \$m	Average Rate %
Average balances and rates	1			
Interest earning assets				
Cash and Investments		6,127.7	143.6	4.66
Loans and other receivables		46,615.0	1,657.0	7.23
Total interest earning assets	2	52,742.7	1,800.6	6.79
Non interest earning assets				
Provisions for doubtful debts		(135.0)		
Other assets		2,859.4		
Total assets (average balance)		55,467.1		
Interest bearing liabilities and equity				
Deposits				
Retail		37,694.8	963.5	4.98
Wholesale - domestic		3,552.2	97.1	5.44
Wholesale - offshore		91.0	2.4	5.25
Notes Payable		8,174.7	237.5	5.78
Reset Preference Shares		89.5	2.8	6.22
Subordinated debt		566.6	22.2	7.79
Total interest bearing liabilities	2	50,168.8	1,325.5	5.26
Non interest bearing liabilities and equity				
Other liabilities		1,309.4		
Equity		3,988.9		
Total liabilities and equity (average balance)		55,467.1		
Interest margin and interest spread				
Interest earning assets		52,742.7	1,800.6	6.79
Interest bearing liabilities		(50,168.8)	(1,325.5)	(5.26)
Net interest income and interest spread	3		475.1	1.53
Net free liabilities and equity				0.26
Net interest margin	4			1.79
Impact of community bank/alliances revenue share arrangements				
Net interest margin before community bank share of net interest income				2.13
Less impact of community bank share of net interest income				0.34
Net interest margin				1.79

1 Average balance is based on monthly closing balances from 30 June 2011 through 31 December 2011 inclusive.

2 Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by \$42.5m to reflect gross amounts.

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

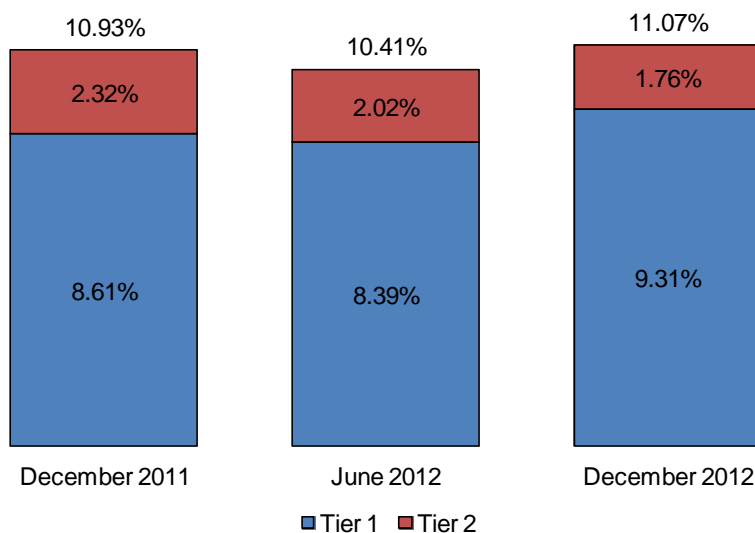
4 Net interest margin is the net interest income as a percentage of the average interest earning assets balance.

2.4.11 Capital and shareholder returns

2.4.11.1 Capital adequacy

Capital adequacy

%



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

2.4.11.2 Assets and capital

	As at Dec-12 \$m	As at Jun-12 \$m	Change \$m	%	As at Dec-11 \$m	Change \$m	%
Group assets	58,459.1	57,237.8	1,221.3	2.1	55,949.9	2,509.2	4.5
Capital adequacy							
Total qualifying capital	3,249.7	2,948.6	301.1	10.2	2,901.4	348.3	12.0
Risk-weighted assets	29,354.0	28,310.1	1,043.9	3.7	26,555.7	2,798.3	10.5
Risk-weighted capital adequacy	11.07%	10.41%	0.66%	6.3	10.93%	0.14%	1.3
- Tier 1	9.31%	8.39%	0.92%	11.0	8.61%	0.70%	8.1
- Tier 2	1.76%	2.02%	(0.26%)	(12.9)	2.32%	(0.56%)	(24.1)
Net tangible assets per fully paid ordinary share	\$6.38	\$6.16	\$0.22	3.6	\$6.04	\$0.34	5.6
Number of fully paid ordinary shares on issue - 000's	407,593	402,233	5,360	1.3	390,200	17,393	4.5
Total equity	4,324.8	4,217.7	107.1	2.5	4,093.2	231.6	5.7

2.4.11.3 Shareholder returns

	Dec-12	Jun-12	Change	%	Dec-11	Change	%
Cash basis earnings per ordinary share (weighted average)-cents	41.9	40.5	1.4	3.5	43.9	(2.0)	(4.6)
Earnings per ordinary share (weighted average)-cents	45.9	33.5	12.4	37.0	14.5	31.4	216.6
Diluted earnings per ordinary share (weighted average)-cents	40.9	32.3	8.6	26.6	14.4	26.5	184.0
Weighted average number of ordinary shares used basic and cash basis EPS calculations - 000's	404,972	396,521	8,451	2.1	370,548	34,424	9.3
Weighted average number of ordinary shares used in diluted EPS calculation - 000's	466,341	430,023	36,318	8.4	371,543	94,798	25.5
Cash basis return on average ordinary equity	8.39%	8.21%	0.18%	2.2	8.52%	(0.13%)	(1.5)
Cash basis return on average tangible equity	13.37%	13.36%	0.01%	0.1	14.81%	(1.44%)	(9.7)
After tax return on average ordinary equity	9.19%	6.84%	2.35%	34.4	2.81%	6.38%	227.0
After tax before specific items return on average ordinary equity	7.87%	7.74%	0.13%	1.7	8.02%	(0.15%)	(1.9)
Cash basis return on average assets	0.59%	0.57%	0.02%	3.5	0.58%	0.01%	1.7
After tax return on average assets	0.65%	0.48%	0.17%	35.4	0.21%	0.44%	209.5
After tax before specific items return on average assets	0.56%	0.55%	0.01%	1.8	0.56%	-	-

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 specific items after tax, intangibles amortisation (except intangible software amortisation) and dividends on preference shares.

Earnings used in the earnings per ordinary share is, profit after tax including specific items, less dividends on preference shares.

After tax return on average assets uses profit after tax.

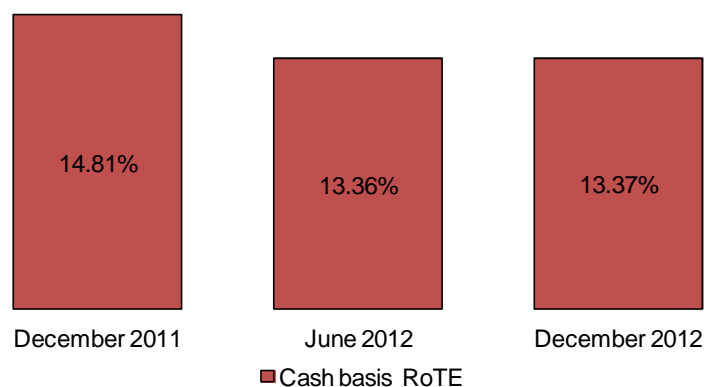
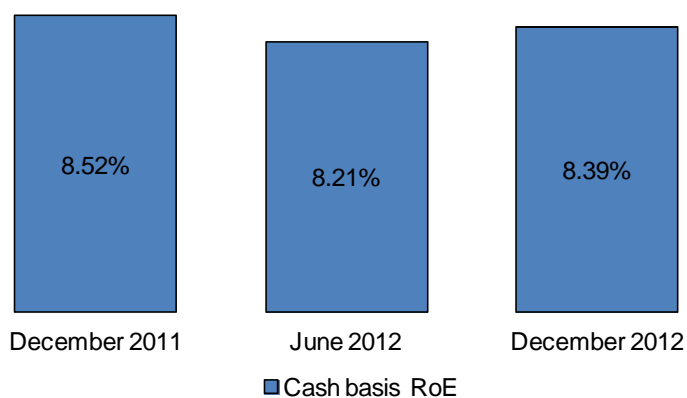
June profit figures are for the June 2012 half year and balance sheet items are as at end of June 2012.

Dilutive preference shares include preference shares, reset preference shares and step up preference shares.

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

	As at Dec-12 \$m	As at Dec-11 \$m
Net assets	4,324.8	4,093.2
Preference share capital	(188.5)	(188.5)
Asset revaluation reserve - available for sale (shares)	(4.6)	(15.4)
Unrealised gains/losses on cashflow hedge reserve	64.8	91.4
Acquisition reserve	20.4	20.4
Total ordinary equity	4,216.9	4,001.1

2.4.11.4 Return on Equity (RoE) and Return on Tangible Equity (RoTE)

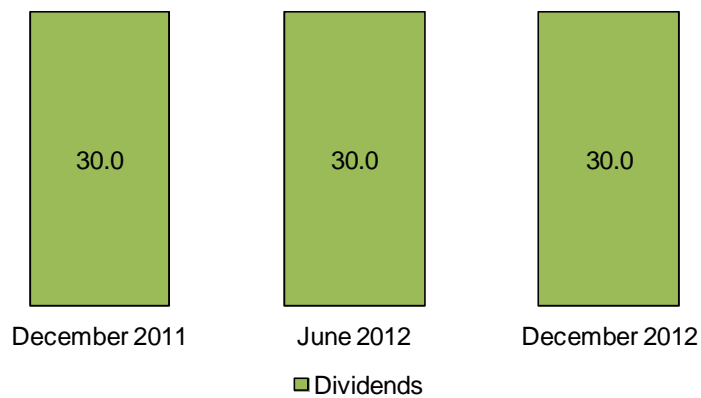
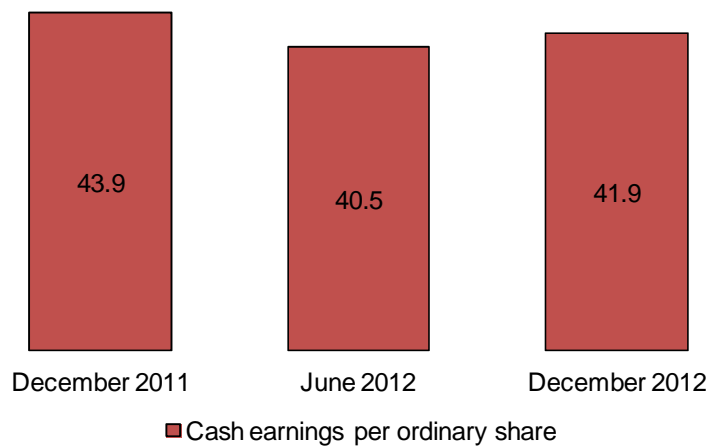
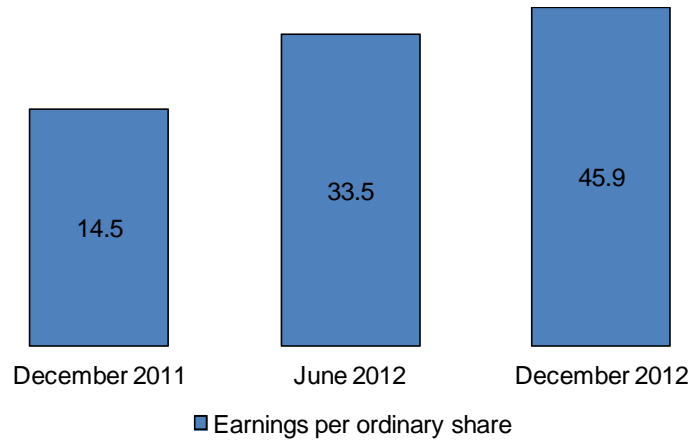


2.4.11.5 Dividends

	Dec-12	Jun-12	Change	%	Dec-11	Change	%
Dividend per share - cents	30.0	30.0	-	-	30.0	-	-
Dividend amount payable - \$m	119.9	118.1	1.8	1.5	114.8	5.1	4.4
Payout ratio - earnings per ordinary share *	65.4%	89.6%	(24.2%)	(27.0)	206.9%	(141.5%)	(68.4)
Payout ratio - cash basis per ordinary share *	71.6%	74.1%	(2.5%)	(3.4)	68.3%	3.3%	4.8

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

2.4.11.6 Earnings in cents per ordinary share



Dividend Reinvestment Plan

The Dividend Reinvestment Plan provides shareholders with the opportunity of converting their entitlement to a dividend into new shares. The issue price of the shares is equal to the volume weighted average share price of Bendigo and Adelaide Bank shares traded on the Australian Securities Exchange over a period of 15 trading days commencing on 28 February 2013 and ending on 20 March 2013 at a discount of 2.5%.

Bonus Share Scheme

The Bonus Share Scheme provides shareholders with the opportunity to elect to receive a number of bonus shares issued for no consideration instead of receiving a dividend. The issue price of the shares is equal to the volume weighted average share price of Bendigo and Adelaide Bank shares traded on the Australian Securities Exchange over a period of 15 trading days commencing on 28 February 2013 and ending on 20 March 2013 at a discount of 2.5%.

The last date for the receipt of an election notice for participation in either the Dividend Reinvestment Plan or Bonus Share Scheme for the 2013 interim dividend is 26 February 2013 and all shares issued under the Plan and the Scheme rank equally with other ordinary shares.

2.5 Additional notes

2.5.1 Analysis of intangible assets

	Balance sheet - carrying value Dec-12 \$m	Half year amortisation/ impairment expense		
		Dec-12 \$m	Jun-12 \$m	Dec-11 \$m
Goodwill	1,363.9	-	-	95.1
Trustee licence	8.4	-	-	-
Software	59.2	9.6	8.4	7.8
Customer lists	7.1	0.8	0.5	0.1
Core deposits	41.4	6.4	6.3	6.4
Trade name	5.4	2.3	2.4	2.3
Customer relationship	37.0	4.3	4.3	4.3
Management rights - Adelaide Bank	10.1	0.5	0.7	0.5
Total intangible assets and goodwill	1,532.5	23.9	22.6	116.5

2.5.2 Investments accounted for using the equity method

Entity	Ownership interest held by consolidated entity			Balance date
	Dec-12 %	Jun-12 %	Dec-11 %	
Community Sector Enterprises Pty Ltd	50.0	50.0	50.0	30 June
Homesafe Solutions Pty Ltd	50.0	50.0	50.0	30 June
Silver Body Corporate Financial Services Pty Ltd	50.0	50.0	50.0	30 June
Community Telco Australia Pty Ltd ⁽¹⁾	100.0	50.0	50.0	30 June
Strategic Payments Services Pty Ltd	47.5	47.5	47.5	31 December
Linear Financial Holdings Pty Ltd	40.0	40.0	24.3	30 June
Homebush Financial Services Ltd	49.0	49.0	-	30 June
Vic West Community Enterprise Pty Ltd	50.0	-	-	30 June
Aegis Correctional Partnership Pty Ltd	49.5	-	-	30 June
Aegis Securitisation Nominees Pty Ltd	49.5	-	-	30 June
Aegis Correctional Partnership Trust	49.5	-	-	30 June
Aegis Securitisation Trust	49.5	-	-	30 June

⁽¹⁾ Community Telco Australia (wholly owned subsidiary, effective December 2012)

(i) Principal activities of associated companies

Community Sector Enterprises Pty Ltd - financial services
 Homesafe Solutions Pty Ltd - trust manager
 Silver Body Corporate Financial Services Pty Ltd - financial services
 Strategic Payments Services Pty Ltd - payment processing services
 Linear Financial Holdings Pty Ltd - asset management services
 Homebush Financial Services Ltd - financial services
 Vic West Community Enterprise Pty Ltd - telecommunications services (acquired December 2012)
 Aegis Correctional Partnership Pty Ltd - trustee services (acquired November 2012)
 Aegis Securitisation Nominees Pty Ltd - trustee services (acquired November 2012)
 Aegis Correctional Partnership Trust - project management and financial services (acquired November 2012)
 Aegis Securitisation Trust - financial services (acquired November 2012)

All joint venture companies are incorporated in Australia, and have a balance date of 30 June except Strategic Payments Services Pty Ltd which has a balance date of 31 December.

(ii) Share of associates' profits and losses before tax	Dec-12	Dec-11
- Community Sector Enterprises Pty Ltd	0.1	0.2
- Homesafe Solutions Pty Ltd	0.1	0.3
- Silver Body Corporate Financial Services Pty Ltd	0.1	0.1
- Strategic Payments Services Pty Ltd	0.3	(0.2)
- Linear Financial Holdings Pty Ltd	(0.1)	(0.4)
	<u>0.5</u>	<u>-</u>

2.5.3 Net tangible assets per share

	Dec-12	Jun-12	Dec-11
Net tangible assets per ordinary share	\$6.38	\$6.16	\$6.04
Net tangible assets			
	\$m	\$m	\$m
Net assets	4,324.8	4,217.7	4,093.2
Intangibles	(1,532.5)	(1,548.2)	(1,545.1)
Preference shares - face value	(90.0)	(90.0)	(90.0)
Step-up preference shares - face value	(100.0)	(100.0)	(100.0)
Net tangible assets attributable to ordinary shareholders	2,602.3	2,479.5	2,358.1
Number of fully paid ordinary shares on issue - 000's	407,593	402,233	390,200

2.5.4 Credit ratings

	Short term	Long term	Outlook
Standard & Poor's	A-2	A-	Stable
Fitch Ratings	F2	A-	Stable
Moody's	P-1	A2	Stable

On 25 July 2012, Standard & Poor's Ratings Services affirmed its long-term counterparty credit rating on Bendigo and Adelaide Bank Ltd at 'A-', and affirmed the short-term rating at 'A-2'. The outlook is stable. Standard and Poor's commented that 'the issuer credit ratings on Bendigo and Adelaide Bank Ltd reflect the Bank's adequate business position, its strong capital and earnings, adequate risk position and liquidity levels'.

On 1 May 2012, Fitch Ratings, the international ratings agency affirmed Bendigo and Adelaide Bank Ltd's long term rating at A- and affirmed the short term rating of F2 and its support rating of '3', and the Bank's Support Rating floor of 'BB'. The outlook remains stable. Fitch commented 'the affirmation of Bendigo and Adelaide Bank's rating reflects its stable and solid domestic retail banking franchise, sound funding and liquidity position as well as its strengthening capitalisation. The ratings also recognise the bank's sound asset and acceptable profitability'.

On 20 December 2011, Moody's Investors Service assigned a bank financial strength rating of C to Bendigo and Adelaide Bank Ltd. Moody's affirmed a long term rating at A2, short term rating at P-1, with a stable outlook. Moody's commented 'the rating reflects the Bank's diversified business profile and stable retail franchise, which includes a significant customer deposit base supported by a large national branch network'.

2.5.5 Issued capital

Changes to issued and quoted securities during the period

Ordinary Shares	Number of Shares	\$m
Fully paid ordinary shares at 30 June 2012	402,233,266	3,681.8
Shares issued:		
October 2012 - Share issues costs (GST)	-	(0.2)
September 2012 - Dividend Reinvestment Plan at \$7.39	4,957,637	36.6
September 2012 - Bonus Share Scheme (in lieu of dividend payment) at \$7.39	402,549	-
Fully paid ordinary shares at 31 December 2012	<u>407,593,452</u>	<u>3,718.2</u>
 Preference Shares		
Preference shares of \$100 face value (fully paid) at 30 June 2012	900,000	88.5
Preference shares of \$100 face value (fully paid) at 31 December 2012	<u>900,000</u>	<u>88.5</u>
 Step Up Preference Shares		
Preference shares of \$100 face value (fully paid) at 30 June 2012	1,000,000	100.0
Preference shares of \$100 face value (fully paid) at 31 December 2012	<u>1,000,000</u>	<u>100.0</u>

In November 2012 the Bank issued 2,688,703 convertible preference shares. These shares meet the requirements of debt under the Accounting Standards and are therefore represented as a liability and not included as issued capital.



Bendigo and Adelaide Bank Limited

ABN 11 068 049 178

Half Year Financial Report

For the period ending
31 December 2012

CORPORATE INFORMATION

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

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

Directors

Robert Johanson (chairman)
Mike Hirst (managing director)
Jennifer Dawson
Jim Hazel
Jacqueline Hey
David Matthews
Terry O'Dwyer (retired on 13 August 2012)
Deborah Radford
Tony Robinson

Company Secretary

Will Conlan

Registered Office

Bendigo and Adelaide Bank Limited
The Bendigo Centre
22 - 44 Bath Lane
Bendigo Victoria 3550

Telephone: 1300 361 911
Facsimile: 03 5485 7668

Principal place of business

The Bendigo Centre
Bendigo Victoria 3550

Share Registry

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

Telephone: 1800 646 042
Facsimile: 03 5485 7655
Email: share.register@bendigoadelaide.com.au

Auditors

Ernst & Young
Australia

3. STATUTORY HALF YEAR FINANCIAL REPORT

3.1 Directors' Report

Your Directors submit their report for the half year ended 31 December 2012.

3.1.1 Directors

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

Robert Johanson (chairman)
Mike Hirst (managing director)
Jennifer Dawson
Jim Hazel
Jacqueline Hey
David Matthews
Terry O'Dwyer (retired on 13 August 2012)
Deborah Radford
Tony Robinson

3.1.2 Review of operations

The principal activities of the Company and its controlled entities ("the Group") during the financial period were the provision of a range of banking and other financial services, including retail banking, mortgage distribution through third-parties, business lending, margin lending, business banking and commercial finance, invoice discounting, funds management, treasury and foreign exchange services (including trade finance), superannuation, financial advisory and trustee services. There was no significant change in the nature of the activities of the Group during the period.

The Group recorded an increase in income and profits during the half year when compared to the previous period:

Total income from operations increased \$75.9 million or 12.6% to \$677.9 million when compared with the half year ended 31 December 2011.

Profit before tax increased by \$131.5 million, or 107.0%, to \$254.4 million. Profit after tax (attributable to members of the parent) increased by \$131.5 million to \$189.4 million. Specific items affecting profit after tax were income for the half year of \$26.6 million (Dec 2011: expenses \$99.5 million).

Group assets increased 2.1% or \$1.2 billion during the half year. Group assets at 31 December 2012 were \$58.5 billion.

The total capital adequacy ratio increased during the half from 10.41% to 11.07%. Tier one capital increased during the half year from 8.39% to 9.31% with Tier two capital decreasing from 2.02% to 1.76%.

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

91.81 cents per share, paid on 17 September 2012.

87.54 cents per share, paid on 17 December 2012.

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

105.00 cents per share, paid on 10 July 2012.

94.00 cents per share, paid on 10 October 2012.

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

309.68 cents per share, paid on 1 November 2012.

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

Final dividend of 30.0 cents per share, paid on 28 September 2012 in respect of the year ended 30 June 2012.

Interim dividend of 30.0 cents per share, declared on 18 February 2013, payable on 28 March 2013.

3.1.3 Significant changes in the state of affairs

The following significant changes in the state of affairs of the Group occurred during the half year:

In September 2012, 4,957,637 shares were allotted at an issue price of \$7.39 to those shareholders participating in the Dividend Reinvestment Plan, increasing share capital by \$36.6 million.

In November 2012, 2,688,703 convertible preference shares were allotted at an issue price of \$100 and 894,574 reset preference shares were redeemed at a redemption price of \$100.

1 December 2012 – 100% ownership of Community Telco Australia became effective. Community Telco Australia is now a wholly owned subsidiary of Bendigo and Adelaide Bank, previously this was a joint venture in which Bendigo and Adelaide Bank held 50%.

21 December 2012 - Bendigo and Adelaide Bank acquired the assets of Southern Finance Ltd.

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

3.1.4 Events after balance sheet date

On 18 February 2013 the directors of Bendigo and Adelaide Bank Limited declared an interim dividend of 30.0 cents per ordinary share (fully-franked) in respect of the December 2012 half year payable on 28 March 2013. The amount estimated to be appropriated in relation to this dividend is \$119.9 million. The dividend has not been provided for in the 31 December 2012 half year financial statements.

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

3.1.5 Independence of auditor

The Bank's audit committee has conducted an assessment of the independence of the external auditor for the period ended 31 December 2012. 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 2012. The audit committee's assessment confirmed that the independence requirements have been met. The audit committee's assessment was accepted by the full Board.

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



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

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

In relation to our review of the financial report of Bendigo and Adelaide Bank Limited for the half-year ended 31 December 2012, 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 cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script, appearing to be 'T M Dring'.

T M Dring
Partner
18 February 2013

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 cursive script that reads 'Robert Johanson'.

Robert Johanson, Chairman
Bendigo
18 February 2013

3.2 Condensed income statement
 for the half year ended 31 December 2012

	Notes	Consolidated	
		2012	2011
		\$m	\$m
Income			
Net interest income			
Interest income		1,575.3	1,758.1
Interest expense		1,070.4	1,283.0
Total net interest income		504.9	475.1
Other revenue			
Dividends		0.3	4.1
Fees		89.4	87.6
Commissions		21.4	20.1
Other revenue		36.0	23.1
Total other revenue		147.1	134.9
Other Income			
Ineffectiveness in cash flow hedges		(2.6)	(5.6)
Other income		28.0	(2.4)
Total other income		25.4	(8.0)
Share of associates' and joint ventures net profits/losses		0.5	-
Total income after interest expense		677.9	602.0
Expenses			
Bad and doubtful debts on loans and receivables		32.1	15.8
Other expenses			
Staff and related costs		203.6	188.6
Occupancy costs		35.4	32.1
Information technology costs		31.7	27.5
Amortisation of intangibles		23.9	21.4
Property, plant & equipment costs		5.4	5.6
Fees and commissions		14.9	14.4
Communications, postage & stationery		16.6	17.1
Advertising & promotion		14.2	15.8
Other product & services delivery costs		18.2	17.9
Consultancy costs		4.1	3.1
Legal costs		2.8	2.7
Travel costs		3.3	4.1
Integration costs		1.9	-
Employee shares shortfall/(gain)		(1.4)	0.7
Other		16.8	112.3
Total other expenses		391.4	463.3
Profit before income tax expense		254.4	122.9
Income tax expense	3.7.4	(65.0)	(65.0)
Net profit attributable to owners of the parent		189.4	57.9
Earnings per share for profit attributable to the ordinary equity holders of the parent:			
Basic earnings per ordinary share (cents per share)	3.7.6	45.9	14.5
Diluted earnings per ordinary share (cents per share)	3.7.6	40.9	14.4
Franked dividends per share (cents per share)	3.7.5	30.0	30.0

3.3 Balance sheet
 as at 31 December 2012

		Consolidated		
	Notes	As at 31-Dec-12	As at 30-Jun-12	As at 31-Dec-11
		\$m	\$m	\$m
Assets				
Cash and cash equivalents		402.8	288.8	403.0
Due from other financial institutions		56.8	272.2	61.7
Financial assets held for trading		5,011.9	4,366.1	5,056.0
Financial assets available for sale - debt securities		513.9	444.8	511.0
Financial assets held to maturity		291.9	388.4	378.4
Other assets		731.3	509.7	491.3
Financial assets available for sale - equity investments		17.5	124.7	107.8
Derivatives		34.6	48.5	53.5
Loans and other receivables - investment		430.5	453.0	476.3
Net loans and other receivables		48,839.0	48,217.0	46,277.6
Investments in joint ventures accounted for using the equity method		14.7	12.9	11.8
Property, plant & equipment		68.9	69.0	96.9
Deferred tax assets		150.2	170.2	196.7
Investment property		337.2	298.9	282.8
Assets held for sale		25.4	25.4	-
Intangible assets and goodwill		1,532.5	1,548.2	1,545.1
Total Assets		58,459.1	57,237.8	55,949.9
Liabilities				
Due to other financial institutions		69.5	327.2	104.7
Deposits		46,635.4	44,572.7	42,335.5
Notes payable		5,678.3	6,411.0	7,756.6
Derivatives		142.5	179.0	188.9
Other payables		766.4	731.8	639.4
Income tax payable		24.3	86.8	33.8
Provisions		86.6	80.7	74.7
Deferred tax liabilities		86.4	104.5	137.8
Reset preference shares		-	89.5	89.5
Convertible preference shares		268.9	-	-
Subordinated debt - at amortised cost		376.0	436.9	495.8
Total Liabilities		54,134.3	53,020.1	51,856.7
Net Assets		4,324.8	4,217.7	4,093.2
Equity				
Equity attributable to equity holders of the parent				
Issued capital - ordinary	3.7.9	3,718.2	3,681.8	3,597.6
Perpetual non-cumulative redeemable convertible preference shares	3.7.9	88.5	88.5	88.5
Step up preference shares	3.7.9	100.0	100.0	100.0
Employee Share Ownership Plan (ESOP) shares		(20.0)	(21.3)	(22.7)
Reserves		77.9	72.2	40.5
Retained earnings		360.2	296.5	289.3
Total Equity		4,324.8	4,217.7	4,093.2

3.4 Statement of comprehensive income
 for the half year ended 31 December 2012

	Consolidated	
	2012	2011
	\$m	\$m
Profit for the period ended 31 December	189.4	57.9
Net gain/(loss) on available for sale - equity investments	2.0	(25.9)
Transfer available for sale financial assets revaluation to income	(39.1)	-
Net gain on cash flow hedges taken to equity	29.1	20.1
Net gain on reclassification from cash flow hedge reserve to income	1.7	5.6
Net unrealised gain/(loss) on debt securities in available for sale portfolio	2.0	(1.2)
Actuarial gain/(loss) on superannuation defined benefits plan	1.1	(2.2)
Tax effect on items taken directly to or transferred from equity	3.6	0.2
Net income/(loss) recognised directly in equity	0.4	(3.4)
Total comprehensive income for the period	189.8	54.5
Total comprehensive income for the period attributable to:		
Members of the Parent	189.8	54.5

3.5 Statement of Changes in Equity
 for the half year ended 31 December 2012

Attributable to owners of Bendigo and Adelaide Bank Limited

	Issued ordinary capital	Shares *	Retained earnings	Reserves	Total equity
	\$m	\$m	\$m	\$m	\$m
At 1 July 2012					
Opening balance b/fwd	3,681.8	167.2	296.5	72.2	4,217.7
Comprehensive income:					
Profit for the period	-	-	189.4	-	189.4
Other comprehensive income	-	-	1.1	(0.7)	0.4
Total comprehensive income for the period	-	-	190.5	(0.7)	189.8
Transactions with owners in their capacity as owners:					
Shares issued	36.6	-	-	-	36.6
Share issue expenses	(0.2)	-	-	-	(0.2)
Reduction in employee share ownership plan (ESOP) shares	-	1.3	-	-	1.3
Movement in general reserve for credit losses (GRCL)	-	-	(5.7)	5.7	-
Share based payment	-	-	-	0.7	0.7
Equity dividends	-	-	(121.1)	-	(121.1)
At 31 December 2012	3,718.2	168.5	360.2	77.9	4,324.8

*refer to note 3.7.9 Issued Capital for further details

Statement of Changes in Equity (continued)
 for the half year ended 30 June 2012

Attributable to owners of Bendigo and Adelaide Bank Limited

	Issued ordinary capital	Shares *	Retained earnings	Reserves	Total equity
	\$m	\$m	\$m	\$m	\$m
At 1 January 2012					
Opening balance b/fwd	3,597.6	165.8	289.3	40.5	4,093.2
Comprehensive income:					
Profit for the period	-	-	137.1	-	137.1
Other comprehensive income	-	-	0.8	16.5	17.3
Total comprehensive income for the period	-	-	137.9	16.5	154.4
Transactions with owners in their capacity as owners:					
Shares issued	84.5	-	-	-	84.5
Share issue expenses	(0.3)	-	-	-	(0.3)
Reduction in employee share ownership plan (ESOP) shares	-	1.4	-	-	1.4
Movement in general reserve for credit losses (GRCL)	-	-	(13.5)	13.5	-
Share based payment	-	-	-	1.7	1.7
Equity dividends	-	-	(117.2)	-	(117.2)
At 30 June 2012	3,681.8	167.2	296.5	72.2	4,217.7

*refer to note 3.7.9 Issued Capital for further details

Statement of Changes in Equity (continued)
 for the half year ended 31 December 2011

Attributable to owners of Bendigo and Adelaide Bank Limited

	Issued ordinary capital	Shares *	Retained earnings	Reserves	Total equity
	\$m	\$m	\$m	\$m	\$m
At 1 July 2011					
Opening balance b/fwd	3,408.9	163.9	349.5	37.8	3,960.1
Comprehensive income:					
Profit for the period	-	-	57.9	-	57.9
Other comprehensive income	-	-	(2.2)	(1.2)	(3.4)
Total comprehensive income for the period	-	-	55.7	(1.2)	54.5
Transactions with owners in their capacity as owners:					
Shares issued	190.3	-	-	-	190.3
Share issue expenses	(1.6)	-	-	-	(1.6)
Reduction in Employee Share Ownership Plan (ESOP) shares	-	1.9	-	-	1.9
Movement in general reserve for credit losses (GRCL)	-	-	(4.1)	4.1	-
Share based payment	-	-	-	(0.2)	(0.2)
Equity dividends	-	-	(111.8)	-	(111.8)
At 31 December 2011	3,597.6	165.8	289.3	40.5	4,093.2

*refer to note 3.7.9 Issued Capital for further details

3.6 Cash flow statement
 for the half year ended 31 December 2012

	Notes	Consolidated	
		2012 \$m	2011 \$m
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and other items of a similar nature received		1,571.3	1,695.4
Interest and other costs of finance paid		(1,167.7)	(1,276.2)
Receipts from customers (excluding interest)		126.3	133.2
Payments to suppliers		(566.2)	(513.9)
Dividends received		0.5	4.5
Income taxes paid		(123.1)	(100.0)
Net cash flows (used in) operating activities		(158.9)	(57.0)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash paid for purchases of property, plant and equipment		(9.2)	(5.0)
Cash proceeds from sale of property, plant and equipment		0.6	0.6
Cash paid for purchases of investment property		(17.8)	(27.0)
Cash proceeds from sale of investment property		4.5	4.7
Cash paid for purchases of intangible assets		(3.1)	(7.2)
Cash paid for purchases of equity investments		-	(10.5)
Cash proceeds from sale of equity investments		109.8	-
Net (increase) in balance of loans and other receivables outstanding		(358.1)	(341.0)
Net (increase) in balance of investment securities		(595.4)	(764.5)
Net cash received on acquired business combination assets		11.5	-
Net cash flows (used in) investing activities		(857.2)	(1,149.9)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary/preference shares		179.4	150.0
Net increase in balance of retail deposits		935.5	1,876.6
Net increase/(decrease) in balance of wholesale deposits		860.9	(63.3)
Proceeds from/(payments to) subordinated debtholders		-	(1.0)
Repayment of subordinated debt		(60.5)	(80.0)
Dividends paid		(84.6)	(71.4)
Net increase/(decrease) in balance of notes payable		(659.4)	(699.3)
Repayment of ESOP shares		1.3	1.9
Payment of share issue costs		(0.2)	(1.6)
Net cash flows from financing activities		1,172.4	1,111.9
Net increase/(decrease) in cash and cash equivalents		156.3	(95.0)
Cash and cash equivalents at the beginning of the period		233.8	455.0
Cash and cash equivalents at the end of period	3.7.8	390.1	360.0

3.7 Notes to and forming part of the financial statements

3.7.1 Corporate information

The half year financial report of Bendigo and Adelaide Bank Limited for the six months ended 31 December 2012 was authorised for issue in accordance with a resolution of the Directors on 18 February 2013.

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

The domicile of Bendigo and Adelaide Bank Limited is Australia.

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

3.7.2 Summary of significant accounting policies

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

It is recommended that the half year report is read in conjunction with the Annual Financial Report of Bendigo and Adelaide Bank Limited as at 30 June 2012, which was prepared based on Australian Accounting Standards, together with any public announcements made by Bendigo and Adelaide Bank Limited and its controlled entities during the half year ended 31 December 2012 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

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

3.7.2.1 Basis of preparation

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

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

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

The amounts contained in this report have been rounded off under the option available to the Company under ASIC Class Order 98/100 (as amended by ASIC Class Order 04/667). The Company is an entity to which the Class Order applies. The Class Order allows for rounding to the nearest one hundred thousand dollars \$'00,000.

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

3.7.2.2 Changes in accounting policies

Since 1 July 2012 the Group has adopted the following Standards and Interpretations, mandatory for annual reporting periods beginning on or after 1 July 2012. Adoption of these Standards and Interpretations did not have any material effect on the financial position or performance of the Group.

- *AASB 1054 Australian Additional Disclosures*
- *AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 and AASB 7]*
- *AASB 1048 Interpretation of Standards*
- *AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]*

The Group has not early adopted any Standards and Interpretations that have recently been issued or amended but are not yet effective for the half year ended 31 December 2012.

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

AASB 1054 Australian Additional Disclosures (amendment)

This standard is a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: compliance with Australian Accounting Standards, the statutory basis or reporting framework for financial statements, whether the financial statements are general purpose or special purpose, audit fees and imputation credits.

AASB 2010-6 Amendments to Australian Accounting Standards

This standard makes amendments to increase the disclosure requirements for transactions involving transfers of financial assets. Disclosures require enhancements to the existing disclosure in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosure for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.

AASB 1048 Amendments to Australian Accounting Standards

This standard identifies the Australian interpretations and classifies them into two groups: those that correspond to an IASB interpretation and those that do not. Entities are required to apply each relevant Australian interpretation in preparing financial statements that are within the scope of the standard. The revised version of AASB 1048 updates the lists of interpretations for new and amended interpretations issued since the June 2010 version of AASB 1048.

AASB 2010-8 Amendments to Australian Accounting Standards

These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes – Recovery of Revalued non-Depreciable Assets into IFRS 112.

3.7.2.3 Significant accounting judgements, estimates and assumptions

(i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Cash earnings

Cash earnings are considered by management as a key indicator representing the performance of the core business activities of the Group. The basis for determining cash earnings is the statutory profit after tax, adjusted for specific items after tax, acquired intangibles amortisation after tax and preference share/step up preference share appropriations. Cash earnings have been used in a number of key indicator calculations such as 3.7.6 – earnings per ordinary share and 3.7.7 – return on average ordinary equity.

Specific items

Specific items are those items that are deemed to be outside of our core activities and such items are not considered to be representative of the Group's ongoing financial performance.

3.7.3 Segment information

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

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

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

Types of products and services

Retail banking

Net interest income predominantly derived from the provision of first mortgage finance; 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. Delphi Bank (formally Bank of Cyprus Australia) is included within the retail banking operating segment.

Third party banking

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

Wealth

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

Rural Bank

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

Central functions

Functions not relating directly to a reportable operating segment.

Major customers

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

Segment information (continued)

Operating segments

for the half year ended 31 December 2012

	Operating segments				Total operating segments	Central functions	Total
	Retail banking	Third party banking	Wealth	Rural Bank			
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Net interest income	298.5	111.3	37.4	57.7	504.9	-	504.9
Other income	95.7	23.8	19.4	2.8	141.7	4.5	146.2
Share of net profit of equity accounted investments	-	-	-	-	-	0.5	0.5
Total segment income	394.2	135.1	56.8	60.5	646.6	5.0	651.6
Operating expenses	272.9	40.9	42.8	26.7	383.3	7.6	390.9
Credit expenses	11.9	9.5	1.9	8.8	32.1	-	32.1
Segment result	109.4	84.7	12.1	25.0	231.2	(2.6)	228.6

for the half year ended 30 June 2012

	Operating segments				Total operating segments	Central functions	Total
	Retail banking	Third party banking	Wealth	Rural Bank			
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Net interest income	272.1	103.3	37.6	56.0	469.0	-	469.0
Other income	89.4	14.4	25.3	2.9	132.0	16.6	148.6
Share of net profit of equity accounted investments	-	-	-	-	-	0.7	0.7
Total segment income	361.5	117.7	62.9	58.9	601.0	17.3	618.3
Operating expenses	274.0	33.7	41.9	27.3	376.9	7.3	384.2
Credit expenses	6.4	3.3	-	6.9	16.6	-	16.6
Segment result	81.1	80.7	21.0	24.7	207.5	10.0	217.5

Segment information (continued)

for the half year ended 31 December 2011

	Operating segments				Total operating segments	Central functions	Total
	Retail banking	Third party banking	Wealth	Rural Bank			
	\$m	\$m	\$m	\$m			
Net interest income	262.4	110.9	42.3	59.5	475.1	-	475.1
Other income	89.5	12.4	22.5	2.9	127.3	5.2	132.5
Total segment income	351.9	123.3	64.8	62.4	602.4	5.2	607.6
Operating expenses	261.1	33.3	40.1	26.9	361.4	6.1	367.5
Credit expenses	7.4	2.8	0.5	5.1	15.8	-	15.8
Segment result	83.4	87.2	24.2	30.4	225.2	(0.9)	224.3

	Operating segments				Total operating segments	Central functions	Total
	Retail banking	Third party banking	Wealth	Rural Bank			
	\$m	\$m	\$m	\$m			
Reportable segment assets							
Half year ended 31 December 2012	26,968.5	16,145.4	2,042.6	4,000.6	49,157.1	9,302.0	58,459.1
Half year ended 30 June 2012	26,419.3	16,112.3	2,408.0	3,983.9	48,923.5	8,314.3	57,237.8
Half year ended 31 December 2011	24,175.8	16,054.9	2,603.4	3,947.1	46,781.2	9,168.7	55,949.9
Reportable segment liabilities							
Half year ended 31 December 2012	33,049.2	513.0	4,858.4	3,496.5	41,917.1	6,538.9	48,456.0
Half year ended 30 June 2012	31,839.1	517.9	5,102.3	3,472.2	40,931.5	5,677.6	46,609.1
Half year ended 31 December 2011	29,416.4	567.1	5,313.4	3,489.8	38,786.7	5,313.4	44,100.1

Segment information (continued)

Reconciliation between segment and statutory results

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

	Consolidated		
	Half year Dec-12 \$m	Half year Jun-12 \$m	Half year Dec-11 \$m
<i>Reconciliation of total segment income to group income</i>			
Total segment income	651.6	618.3	607.6
Ineffectiveness in cash flow hedges	(2.6)	(7.4)	(5.6)
Other income	28.9	-	-
Total group income	<u>677.9</u>	<u>610.9</u>	<u>602.0</u>
<i>Reconciliation of segment expenses to group total expenses</i>			
Segment operating expenses	390.9	384.2	367.5
Specific expense items	0.5	6.9	95.8
Total group expenses	<u>391.4</u>	<u>391.1</u>	<u>463.3</u>
<i>Reconciliation of segment credit expenses to bad and doubtful debts on loans and receivables</i>			
Segment credit expenses	32.1	16.6	15.8
Bad and doubtful debts on loans and receivables	<u>32.1</u>	<u>16.6</u>	<u>15.8</u>
<i>Reconciliation of segment result to group profit before tax</i>			
Total segment result	228.6	217.5	224.3
Ineffectiveness in cash flow hedges	(2.6)	(7.4)	(5.6)
Land and buildings - held for sale	-	(3.8)	-
Specific income and (expense) items	28.4	(3.1)	(95.8)
Group profit before tax	<u>254.4</u>	<u>203.2</u>	<u>122.9</u>
As at			
	Dec-12 \$m	Jun-12 \$m	Dec-11 \$m
<i>Reportable segment assets</i>			
Total assets for operating segments	58,459.1	57,237.8	55,949.9
Total assets	<u>58,459.1</u>	<u>57,237.8</u>	<u>55,949.9</u>
<i>Reportable segment liabilities</i>			
Total liabilities for operating segments	48,456.0	46,609.1	44,100.1
Securitisation funding	5,678.3	6,411.0	7,756.6
Total liabilities	<u>54,134.3</u>	<u>53,020.1</u>	<u>51,856.7</u>

3.7.4 *Income tax*

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

	2012	2011
	\$m	\$m
Current income tax		
Current income tax charge	60.8	63.8
Deferred income tax		
Relating to origination and reversal of temporary differences	4.2	1.5
Adjustments in respect of deferred income tax of previous years	-	(0.3)
Income tax expense reported in the Condensed Income Statement	<u>65.0</u>	<u>65.0</u>

3.7.5 *Dividends paid or provided*

	2012	2011
	\$m	\$m
Ordinary shares		
Dividends paid during the half-year:		
Final dividend 2012 - 30.0 cents (Final dividend 2011 - 30.0 cents)	<u>117.7</u>	<u>107.4</u>
Dividends proposed since the reporting date, but not recognised as a liability:		
Interim dividend 2013 - 30.0 cents (Interim dividend 2012 - 30.0 cents)	<u>119.9</u>	<u>114.8</u>
Preference shares		
Dividends paid during the half-year:		
A dividend of 91.81 cents per share was paid on 17 September 2012 (2011: 115.07 cents)	0.8	1.0
A dividend of 87.54 cents per share was paid on 17 December 2012 (2011: 111.11 cents)	<u>0.8</u>	<u>1.0</u>
	<u>1.6</u>	<u>2.0</u>
Step up preference shares		
Dividends paid during the half-year:		
A dividend of 105.00 cents per share was paid on 10 July 2012 (2011: 116.00)	1.0	1.1
A dividend of 94.00 cents per share was paid on 10 October 2012 (2011: 118.00)	<u>0.9</u>	<u>1.2</u>
	<u>1.9</u>	<u>2.3</u>
Reset preference shares (recorded as debt instruments)		
Dividends paid during the half-year:		
A dividend of 309.68 cents per share was paid on 1 November 2012 (2011: 310.53)	<u>2.8</u>	<u>2.8</u>
	<u>2.8</u>	<u>2.8</u>
Convertible preference shares (recorded as debt instruments)		
Dividends paid during the half-year:		
A dividend of 65.49 cents per share was paid on 13 December 2012 (2011: nil)	<u>1.8</u>	<u>-</u>
	<u>1.8</u>	<u>-</u>

3.7.6 Earnings per ordinary share

	Half-year Dec-12	Half-year Jun-12	Half-year Dec-11
	Cents per share	Cents per share	Cents per share
Basic earnings per ordinary share	45.9	33.5	14.5
Diluted earnings per ordinary share	40.9	32.3	14.4
Cash basis earnings per ordinary share	41.9	40.5	43.9
	\$m	\$m	\$m
Reconciliation of earnings used in the calculation of basic earnings per ordinary share			
Profit for the half-year (after tax)	189.4	137.1	57.9
Dividends paid on preference shares	(1.6)	(1.9)	(2.0)
Dividends paid on step-up preference shares	(1.9)	(2.3)	(2.3)
	<u>185.9</u>	<u>132.9</u>	<u>53.6</u>
Reconciliation of earnings used in the calculation of diluted earnings per ordinary share			
Earnings used in calculating basic earnings per ordinary share	185.9	132.9	53.6
Add back dividends on dilutive preference shares	4.8	6.1	-
	<u>190.7</u>	<u>139.0</u>	<u>53.6</u>
Reconciliation of earnings used in the calculation of cash basis earnings per ordinary share			
Earnings used in calculating basic earnings per ordinary share	185.9	132.9	53.6
After tax intangibles amortisation (excluding amortisation of intangible software)	10.4	10.0	9.5
After tax specific income and expense items ⁽¹⁾	(26.6)	17.5	99.5
	<u>169.7</u>	<u>160.4</u>	<u>162.6</u>
	No. of shares	No. of shares	No. of shares
Weighted ave no. of ordinary shares used in basic and cash basis earnings per ordinary share	404,971,622	396,521,211	370,548,321
Effect of dilution - preference shares	60,427,747	32,352,260	-
Effect of dilution - executive performance rights	941,656	1,149,679	995,022
Weighted ave no. of ordinary shares used in diluted earnings per ordinary share	466,341,025	430,023,150	371,543,343
⁽¹⁾ Specific income and expense items after tax comprise:	\$m	\$m	\$m
<i>Income</i>			
Ineffectiveness in cash flow hedges (income)/expense	1.8	5.2	3.9
Profit on sale of IOOF shares	(38.7)	-	-
Loss on sale of RMBS notes	8.6	-	-
Discount on acquisition - Southern Finance Ltd	(1.8)	-	-
<i>Expense</i>			
Shortfall/(Gain) relating to Employee Share Plan	(1.1)	0.3	0.5
Integration costs	1.3	2.6	-
Impairment loss on held for sale asset	-	2.7	-
Impairment loss goodwill	-	-	95.1
<i>Specific tax benefits</i>			
Land and buildings revaluation	3.3	-	-
Non deductible wealth management rights	-	4.3	-
Non deductible unrealised hedges at acquisition	-	2.4	-
Total specific (income)/expense items after tax	<u>(26.6)</u>	<u>17.5</u>	<u>99.5</u>

3.7.7 Return on average ordinary equity

	Half-year Dec-12	Consolidated Half-year Jun-12	Half-year Dec-11
	%	%	%
Return on average ordinary equity	9.19	6.84	2.81
After tax before specific items return on average ordinary equity	7.87	7.74	8.02
Cash basis return on average ordinary equity	8.39	8.21	8.52
	\$m	\$m	\$m
Reconciliation of earnings used in the calculation of return on average ordinary equity			
Profit for the half-year (after tax)	189.4	137.1	57.9
Dividends paid on preference shares	(1.6)	(1.9)	(2.0)
Dividends paid on step-up preference shares	(1.9)	(2.3)	(2.3)
Earnings used in calculation of return on average ordinary equity	185.9	132.9	53.6
After tax specific (income)/expense items ⁽¹⁾	(26.6)	17.5	99.5
Earnings used in calculation of pre specific items return on average ordinary equity	159.3	150.4	153.1
After tax intangibles amortisation (excluding amortisation of intangible software)	10.4	10.0	9.5
Earnings used in calculation of cash basis return on average ordinary equity	169.7	160.4	162.6

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

	As at Dec-12 \$m	As at Jun-12 \$m	As at Dec-11 \$m
Total equity	4,324.8	4,217.7	4,093.2
Preference share net capital	(188.5)	(188.5)	(188.5)
Asset revaluation reserve - Available for sale shares	(4.6)	(26.9)	(15.4)
Unrealised gains/losses on cash flow hedge reserve	64.9	86.4	91.4
Acquisitions reserve ⁽²⁾	20.4	20.4	20.4
Ordinary equity	4,217.0	4,109.1	4,001.1
Average ordinary equity ⁽³⁾	4,013.8	3,917.8	3,787.2

⁽¹⁾ Refer to Earnings per Ordinary Share note for details.

⁽²⁾ The excess consideration paid above the net asset value upon acquiring the remaining 40% of Rural Bank Limited.

⁽³⁾ The average ordinary equity is calculated using a six month average.

Return on average ordinary equity is a key performance measure and is used in the company's management remuneration policy. Please refer to the June 2012 full year annual report for the full details of this policy.

3.7.8 Cash flow information

	As at Dec-12 \$m	As at Dec-11 \$m
<i>Reconciliation of cash</i>		
For the purposes of the statement of cash flows, cash and cash equivalents includes:		
Cash and cash equivalents	402.8	403.0
Due from other financial institutions	56.8	61.7
Due to other financial institutions	(69.5)	(104.7)
Cash and cash equivalents at the end of the half year	<u>390.1</u>	<u>360.0</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 and receivables, investment securities, retail deposits, wholesale deposits, notes payable and business combinations.

3.7.9 Issued capital

	As at Dec-12 \$m	As at Dec-11 \$m
Issued and paid up capital		
Ordinary shares fully paid - 407,593,452 (2011: 390,199,931)	3,718.2	3,597.6
Preference shares of \$100 face value fully paid - 900,000 (2011: 900,000)	88.5	88.5
Step-up preference shares of \$100 face value fully paid - 1,000,000 (2011: 1,000,000)	100.0	100.0
	<u>3,906.7</u>	<u>3,786.1</u>
Movements in ordinary shares on issue		
Opening balance 1 July - 402,233,266 (2011: 367,104,585)	3,681.8	3,408.9
Shares issued under:		
Bonus share scheme - 402,549 @ \$7.39 (2011: 338,041 @ \$8.06)	-	-
Dividend reinvestment plan - 4,957,637 @ \$7.39 (2011: 5,005,825 @ \$8.06)	36.6	40.3
Institutional Share placement - nil (2011: 17,751,480 @ \$8.45)	-	150.0
Share issue costs	(0.2)	(1.6)
Closing balance 31 December - 407,593,452 (2011: 390,199,931)	<u>3,718.2</u>	<u>3,597.6</u>
Movements in preference shares on issue		
Opening balance 1 July - 900,000 fully paid (2011: 900,000 fully paid)	<u>88.5</u>	<u>88.5</u>
Closing balance 31 December - 900,000 fully paid (2011: 900,000 fully paid)	<u>88.5</u>	<u>88.5</u>
Movements in step-up preference shares on issue		
Opening balance 1 July - 1,000,000 fully paid (2011: 1,000,000 fully paid)	<u>100.0</u>	<u>100.0</u>
Closing balance 31 December - 1,000,000 fully paid (2011: 1,000,000 fully paid)	<u>100.0</u>	<u>100.0</u>

3.7.10 Capital adequacy

a) Capital adequacy

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

	Consolidated	
	Dec-12	Jun-12
	\$m	\$m
Risk weighted capital ratios		
Tier 1	9.31%	8.39%
Tier 2	1.76%	2.02%
Total capital ratio	11.07%	10.41%
Qualifying Capital		
<i>Tier 1</i>		
Contributed capital	3,718.2	3,681.8
Retained profits & reserves	179.1	101.3
Non Innovative tier 1 capital	268.9	-
Innovative tier 1 capital	188.5	277.9
Less,		
Intangible assets, cash flow hedges and capitalised expenses	1,608.3	1,583.9
Net deferred tax assets	4.3	-
50/50 deductions	8.5	8.5
Other adjustments as per APRA advice	1.5	92.4
Total Tier 1 capital	2,732.1	2,376.2
<i>Tier 2</i>		
General reserve for credit losses/collective provision (net of tax effect)	149.8	144.4
Subordinated debt	374.1	434.6
Asset revaluation reserves	2.2	1.9
Total Tier 2 capital	526.1	580.9
Less,		
50/50 deductions	8.5	8.5
Total Tier 2 capital	517.6	572.4
Total qualifying capital	3,249.7	2,948.6
Total risk weighted assets	29,354.0	28,310.1

3.7.11 Contingent assets and liabilities

(a) Contingent liabilities

	Consolidated	
	Dec 2012	Dec 2011
	\$m	\$m
Guarantees		
The economic entity has issued guarantees on behalf of clients in the normal course of business	209.8	184.7
Other		
Documentary letters of credit	13.8	17.9

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

(b) Contingent liabilities

From time to time, Bendigo and Adelaide Bank may be subject to material litigation, regulatory actions, legal or arbitration proceedings and other contingent liabilities which, if they crystallise, may adversely affect the financial position or financial performance of the Bank.

A specific litigation risk exists in relation to the Bank's Great Southern loan portfolio. A law firm commenced a number of group legal proceedings involving the Bank and other parties on behalf of investors in relation to managed investment schemes managed by Great Southern Managers Australia Ltd ("Group Proceedings"). The Great Southern Group of companies is now in liquidation.

The Bank either acquired or advanced loans to investors in the managed investment schemes. Not all borrowers are members of the Group Proceedings as the Group Proceedings relate to specific schemes and categories of borrowers.

While no wrongdoing is alleged against the Bank and the Bank is vigorously defending the Group Proceedings, the law firm is seeking to have the loan deeds of those borrowers who are members of the Group Proceedings deemed void or unenforceable and for all money paid under those loans (including principal, any interest and fees) to be repaid to borrowers. The litigation will continue to be assessed and managed on an ongoing basis.

(c) Contingent assets

As at 31 December 2012, the economic entity does not have any contingent assets (2011: Nil).

3.7.12 Events after balance sheet date

On 18 February 2013 the directors of Bendigo and Adelaide Bank Limited declared an interim dividend of 30.0 cents per ordinary share (fully-franked) in respect of the December 2012 half year payable on 28 March 2013. The amount estimated to be appropriated in relation to this dividend is \$119.9 million. The dividend has not been provided for in the 31 December 2012 half year financial statements.

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

3.8 Business Combinations

Community Telco Australia Pty Ltd

On 1 December 2012 Bendigo and Adelaide Bank Group acquired an additional 50% of shares in Community Telco Australia Pty Ltd, increasing the Group's holding to 100%. The acquisition of the additional share holding resulted in the Group gaining effective control, and the requirement to consolidate the joint venture. Total number of shares held in Community Telco Australia Pty Ltd is 14,500,560 for the consideration amount of \$500,000.

The principal activities of Community Telco Australia Pty Ltd are to provide a wide range of telecommunication services.

The current fair values of assets and liabilities are provisional and are subject to final review during the next 12 months. This will alter the assets and liabilities as currently disclosed for 31 December 2012.

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

	Pre-acquisition carrying amount	Recognised values on acquisition
	\$m	\$m
Assets		
Receivables	5.8	5.8
Intangible assets	0.7	0.7
Fixed assets	0.4	0.4
Total Assets	6.9	6.9
Liabilities		
Bank account overdraft	3.2	3.2
Other liabilities	6.7	6.7
Total Liabilities	9.9	9.9
Net identifiable assets and liabilities attributable to Bendigo and Adelaide Bank Limited	(3.0)	(3.0)
Cost of acquisition		0.5
Less: Fair value of net assets acquired		(3.0)
Provisional goodwill on acquisition		3.5

The consolidated statement of comprehensive income does not include income or profit before tax for the half year ending 31 December 2012. Had the acquisition occurred at the beginning of the reporting period, the consolidated financial statement of comprehensive income would have included revenue of \$2.4 million and net loss before tax of \$0.4 million.

Goodwill

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

Southern Finance Ltd

On 21 December 2012 Bendigo and Adelaide Bank Group acquired the loan and lease and others assets of Southern Finance Ltd. The Group also acquired the business activities and personnel of Southern Financial Planning. The Group did not acquire any of Southern Finance's legal entities. The consideration for the acquisition of assets was the Group's assumption of Southern Finance's outstanding deposits and payment of employee entitlements to Southern Finance employees. Bendigo and Adelaide Bank will repay monies to Southern depositors as their deposits fall due. Upon maturity amounts outstanding to Southern depositors may also be converted into Bendigo and Adelaide Bank deposits.

Southern Finance Ltd is a finance company based in Warrnambool with offices in Victoria and South Australia. Its business operations include the provision of loan and lease finance, the raising of deposits and the provision of financial planning services.

The current fair values of assets and liabilities are provisional and are subject to final review during the next 12 months. This will alter the assets and liabilities as currently disclosed for 31 December 2012.

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

	Pre-acquisition carrying amount	Recognised values on acquisition
	\$m	\$m
Assets		
Cash and cash equivalents	29.8	29.8
Loans	219.8	219.8
Leases	23.4	23.4
Investment properties	13.2	13.2
Other assets	1.4	1.4
Motor vehicles and office equipment	0.4	0.4
Intangibles - client list	1.3	1.3
Total Assets	289.3	289.3
Net Identifiable assets attributable to Bendigo and Adelaide Bank	289.3	289.3
Cost of acquisition		286.8
Less: Fair value of assets acquired		289.3
Provisional discount on acquisition		(2.5)

The consolidated statement of comprehensive income does not include income or profit before tax for the half year ending 31 December 2012. Had the acquisition occurred at the beginning of the reporting period, the consolidated financial statement of comprehensive income would have included revenue of \$4.0 million and net profit before tax of \$0.5 million.

3.9 Directors' Declaration

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

In the opinion of the directors:

- (a) the half year financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Robert Johanson
Chairman
Bendigo
18 February 2013



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

3.10 External Auditors Review Report

To the members of Bendigo and Adelaide Bank Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Bendigo and Adelaide Bank Limited, which comprises the balance sheet as at 31 December 2012, the condensed income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a 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 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Bendigo and Adelaide Bank Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Liability limited by a scheme approved under
Professional Standards Legislation



Independence

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

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A handwritten signature in cursive script that reads "Ernst & Young".

Ernst & Young

A handwritten signature in cursive script, appearing to be "T M Dring".

T M Dring
Partner
Melbourne
18 February 2013