ANNUAL FINANCIAL REPORT 2016

Bendigo and Adelaide Bank

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Front Cover - Bendigo Bank's Marion branch donated $2,000 to fund a beach access mat which provides wheelchair access to the shore so that people like Allira (pictured on cover) can have fun at the beach during summer.

In an effort to reduce our paper consumption and impact on the environment, the cover of the Annual Financial Report is printed on paper sourced from managed plantation forests, is made elemental chlorine free and has Environmental Management System accreditation.

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DIRECTORS' REPORT

The Directors of Bendigo and Adelaide Bank Limited present their report together with the financial report of Bendigo and Adelaide Bank Limited (the "Bank") and the Consolidated Entity (the "Group") for the year ended 30 June 2016.

Directors' Information

The names and details of the Directors in office during the financial year and as at the date of this report are as follows.

Robert Johanson, Chair, Independent
BA, LLM (Melb), MBA (Harvard), 65 years

Term of office: Robert has been a Director of the Bank for 28 years. He was appointed Chairman in 2006.

Skills, experience and expertise: Robert has experience in banking and financial services and expertise in corporate strategy, capital management, risk management and mergers and acquisitions. He has over 30 years' experience in providing corporate advice on capital market transactions to a wide range of public and private companies.

Board committees: Governance & HR, Risk (ceased February 2016) and Technology & Change

Group and joint venture directorships: Rural Bank Limited and Homesafe Solutions Pty Ltd (Chair)

Other director and memberships (including directorships of other listed companies for the previous three years):

Deputy Chancellor, University of Melbourne
Chairman, Australia India Institute, The Conversation and MBD Energy Limited
Director, Robert Salzer Foundation Ltd and Grant Samuel Group Pty Ltd.

Mike Hirst, Managing Director, not independent
BCom (Melb), SFFin, MAiCD, 58 years

Term of office: Mike was appointed as Managing Director and Chief Executive Officer of the Bank in 2009.

Skills, experience and expertise: Mike joined the Group when he was appointed as a Director of Sandhurst Trustees Limited (a wealth management subsidiary of the Bank) in 2001 and he became an employee of the Bank later in 2001. Mike has extensive experience in banking, treasury, funds management and financial markets, including previous senior executive and management positions with Colonial Ltd, Chase AMP Bank Ltd and Westpac Banking Corporation.

Board committees: Mike has a standing invitation to attend meetings of all Board committees. He is not a member of these Board committees.

Group and joint venture directorships: Rural Bank Limited

Other director and memberships (including directorships of other listed companies for the previous three years):

Member, Business Council of Australia and Financial Sector Advisory Council
Deputy Chairman, Australian Bankers' Association Council
Director, Racing Victoria Limited
Member, Centre for Workplace Leadership Advisory Board and MasterCard (Asia Pacific) Advisory Board.

Jan Harris, Independent
BEc (Hons), 57 years

Term of office: Jan joined the Board in February 2016.

Skills, experience and expertise: Jan has had a distinguished career in the Australian public service with broad experience in public and regulatory policy development, economics and governance. Jan has had senior roles in the Department of the Treasury and the Department of the Prime Minister and Cabinet, including as Deputy Secretary of the Treasury. Jan was a member of the Council of Financial Regulators, the Centre for International Finance and Regulation, the Financial Sector Advisory Council and the board of the Australian Reinsurance Pool Corporation.

Board committees: Member of Risk and Audit

Group and joint venture directorships: Rural Bank Limited

Other director and memberships (including directorships of other listed companies for the previous three years):

External Member, Audit and Risk Committee of the Australian Security Intelligence Organisation.

Jim Hazel, Independent
BEc, SFFin, FAICD, 65 years

Term of office: Jim joined the Board in March 2010.

Skills, experience and expertise: Jim is a professional public company Director who has had an extensive career in banking and finance, including in the regional banking industry.

Board committees: Chair of Risk and member of Credit and Technology & Change

Group and joint venture directorships: Rural Bank Limited

Other director and memberships (including directorships of other listed companies for the previous three years):

Chairman, Ingenia Communities Group Ltd (ASX listed, period: June 2012 to present)
Director, Centrex Metals Ltd (ASX listed, period: 2010 to present), Impedimed Ltd (ASX listed, period: 2007 to March 2016), Adelaide Football Club Limited, Motor Accident Commission, Coopers Brewery Ltd and Council Member of the University of South Australia.

Jacqueline Hey, Independent
BCom (Melb), Graduate Certificate in Management (Southern Cross University), GAICD, 50 years

Term of office: Jacquie joined the Board in July 2011.

Skills, experience and expertise: Jacquie has experience in information technology, telecommunications and marketing, including as CEO/Managing Director of Ericsson in the UK and in Australia. Jacquie worked with Ericsson for more than 20 years in finance, marketing and sales and in leadership roles in Australia, Sweden, the UK and the Middle East.

Board committees: Chair of Technology & Change and member of Governance & HR, Credit (commenced February 2016) and Audit (ceased February 2016)

Group and joint venture directorships: Rural Bank Limited

Other director and memberships (including directorships of other listed companies for the previous three years):

Director, Qantas Airways Limited (ASX listed, period: August 2013 to present), Australian Foundation Investment Company Limited (ASX listed, period: July 2013 to present), AGL Energy Limited (ASX listed, period March 2016 to present), Cricket Australia and Melbourne Business School.

Robert Hubbard, Independent
BA(Hons) Accy, FCA, 57 years

Term of office: Rob joined the Board in April 2013.

Skills, experience and expertise: Rob is an accountant and auditor based in Brisbane. He retired as a Partner of PricewaterhouseCoopers in March 2013 after 22 years practising in the areas of corporate advice and audit, where he was the auditor of some of Australia's largest listed companies. Rob is now a professional Non-executive Director.

Board committees: Chair of Audit and member of Risk

Group and joint venture directorships: Rural Bank Limited

Other director and memberships (including directorships of other listed companies for the previous three years):

Chairman, Orocobre Ltd (ASX and TSX listed, period: November 2012 to present), Central Petroleum Ltd (ASX listed, period: December 2013 to present).
Non-executive director, Primary Health Care Ltd (ASX listed, period: December 2014 to present).
Chairman of MS Research Australia and Council Member of the University of the Sunshine Coast.

David Matthews, Independent
Dip BIT, GAICD, 58 years

Term of office: David joined the Board in March 2010.

Skills, experience and expertise: David operates a farm and grain export business based in the Wimmera region of Victoria. David has involvement in a number of agricultural industry bodies including as a Director and Vice Chairman of Pulse Australia. David chaired the first **Community Bank®** company in Rupanyup and Minyip and is an advocate and supporter of the **Community Bank®** model.

Board committees: Member of Credit and Audit

Group and joint venture directorships: Rural Bank Limited and Member of the **Community Bank®** Strategic Advisory Board.

Other director and memberships (including directorships of other listed companies for the previous three years):

Director, Pulse Australia, Australian Grain Technologies, Rupanyup/Minyip Finance Group Ltd.

Deb Radford, Independent
B.Ec, Graduate Diploma Finance & Investment, 60 years

Term of office: Deb joined the Board in February 2006.

Skills, experience and expertise: Deb has over 20 years' experience in the banking industry with both international and local banks. Deb also worked in the Victorian State Treasury, and ran her own consulting business between 2001 and 2007 advising the government on commercial transactions.

Board committees: Chair of Credit and member of Technology & Change and Governance & HR

Group and joint venture directorships: Rural Bank Limited

Other director and memberships (including directorships of other listed companies for the previous three years):

Director, SMS Management & Technology Ltd (ASX listed, period: September 2013 to present).
Council Member of La Trobe University.

Tony Robinson, Independent
BCom (Melb), ASA, MBA (Melb), 58 years

Term of office: Tony joined the Board in April 2006.

Skills, experience and expertise: Tony has many years' experience in financial services, particularly wealth management and insurance. Tony's previous roles include CEO of Centrepoint Alliance Limited, IOOF Holdings Ltd and OAMPS Limited.

Board committees: Chair of Governance & HR and member of Risk and Audit

Group and joint venture directorships: Rural Bank Limited and Sandhurst Trustees Limited

Other director and memberships (including directorships of other listed companies for the previous three years):

Director, TasFoods Limited (ASX listed, period: June 2014 to present), Pacific Current Group Limited (ASX listed, period: August 2015 to present), PSC Insurance Group Limited (ASX listed, period: September 2015 to present) and Primary Opinion Limited (ASX listed, period: November 2015 to present).

Principal activities

The principal activities of the Group during the financial year were the provision of a broad range of banking and other financial services including consumer, residential, business and commercial lending, deposit-taking, payments services, wealth management, funds management and superannuation, treasury and foreign exchange services. There was no significant change in the nature of the activities during the year.

Operating results

Information on the Group's operating results for the financial year are contained in the Operating and Financial Review section of this report.

Dividends

The Directors announced on 8 August 2016 a fully franked final dividend of 34 cents per fully paid ordinary share. The final dividend is payable 30 September 2016. The proposed payment is expected to amount to $155.2 million.

The following fully franked dividends were paid by the Bank during the year on fully paid ordinary shares:

- A final dividend for the 2015 financial year of 33 cents per share, paid on 30 September 2015 (amount paid: $147.2 million); and
- An interim dividend for the 2016 financial year of 34 cents per share, paid on 31 March 2016 (amount paid: $153.6 million).

Further details on the dividends provided for or paid during the 2016 financial year on the Bank's ordinary and preference shares are provided at Note 7 Dividends of the Financial Statements.

Review of operations

An analysis of the Group's operations for the financial year and the results of those operations, including the financial position, business priorities and prospects, is presented in the Operating and Financial Review section of this report.

State of affairs

In the opinion of the Directors there have been no significant changes in the state of affairs of the Group during the financial year. Information on events and matters that affected the Group's state of affairs is presented in the Operating and Financial Review section of this report.

After balance date events

The Bank declared a final dividend of 34 cents per ordinary share on 8 August 2016.

The Directors are not aware of any other matter or circumstance which arose since the end of the financial year to the date of this report that has 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 years.

Future developments

Disclosure of information relating to major developments in the operations of the Group and the expected results of those operations in future financial years, which, in the opinion of the Directors, will not unreasonably prejudice the interests of the Group, is included in the Operating and Financial Review section of this report.

Rounding of amounts

Pursuant to Australian Securities & Investments Commission Class Order 98/100 (as amended) and pursuant to section 341 (1) of the *Corporations Act 2001*, the amounts in this report, unless otherwise indicated, have been rounded to the nearest million dollars. The Bank is an entity to which the Class Order applies.

Meetings of Directors

Information on Board and committee meeting attendance for the year is presented in the following table:

Director	Board		Committees									
			Audit		Credit		Risk		Governance & HR		Technology & Change	
Meetings during the year												
	A	B	A	B	A	B	A	B	A	B	A	B
Robert Johanson	12	11					4	3	5	4	5	4
Jan Harris[1]	5	5	1	1			2	2				
Jim Hazel	12	12			5	5	6	6			5	5
Jacquie Hey	12	12	7	7	1	1			5	5	5	5
Mike Hirst	12	12										
Robert Hubbard	12	12	8	8			6	5				
David Matthews	12	12	8	8	5	5						
Deb Radford	12	12			5	5			5	5	5	5
Tony Robinson	12	12	8	7			6	5	5	5		

A = Number eligible to attend B = Number attended [1] Ms Harris joined the Board in February 2016.

Directors' Interests in Equity

The relevant interest of each Director in shares in the Bank and in units of registered schemes made available by a related body corporate at the date of this report is as follows:

Director	Ordinary shares No.	Preference Shares No.	Performance Rights No.	Sandhurst Cash Common Fund ($)[2]
Robert Johanson	204,887	-	-	15,664
Mike Hirst[1]	702,796	-	-	-
Jan Harris	1,000	-	-	-
Jim Hazel	24,172	-	-	-
Jacquie Hey	10,013	250	-	-
Robert Hubbard	10,387	-	-	-
David Matthews	28,361	-	-	-
Deb Radford	1,900	3,190	-	-
Tony Robinson	23,192	-	-	-

[1] Ordinary shares includes 50,000 shares issued under the Bendigo Employee Share Ownership Plan and 4,412 deferred shares issued under the Employee Salary Sacrifice, Deferred Share and Performance Share Plan.
[2] Being a relevant interest in a managed investment scheme made available by Sandhurst Trustees Limited, a subsidiary of the Bank.

The Directors have disclosed interests in organisations not related to the Group and accordingly are regarded as having an interest in any contract or proposed contract that may be made between the Bank and any of the specified external organisations.

Share Options and Rights

There were no options over unissued ordinary shares at the start of the financial year and no options to acquire ordinary shares in the Bank were issued during or since the end of the financial year.

Performance rights ("rights") to ordinary shares in the Bank are issued by the Bank under the Employee Salary Sacrifice, Deferred Share and Performance Share Plan ("Plan"). Each right represents an entitlement to one fully paid ordinary share in the Bank, subject to certain conditions.

During or since the end of the financial year the Bank granted 175,373 rights (2015: 311,222). This included 111,020 rights granted to key management personnel. There have been no grants of rights to Non-executive Directors.

As at the date of this report there are 454,024 rights that are exercisable or may become exercisable at a future date under the Plan. The last date for the exercise of the rights ranges between 30 June 2017 and 30 June 2020.

During or since the end of the financial year no rights vested (2015: nil) and no new fully paid ordinary shares have been issued by the Bank during or since the end of the financial year as a result of rights being exercised.

For the period 1 July 2016 to the date of this report, no rights have lapsed.

Further details of Key Management Personnel equity holdings during the financial year are detailed in the 2016 Remuneration Report.

Corporate Governance

An overview of the Bank's corporate governance structures and practices is presented in the 2016 Corporate Governance Statement available from the Bank's website at www.bendigoadelaide.com.au/public/corporate_governance/index.asp

The Bank confirms it has followed the ASX Corporate Governance Council's Principles and Recommendations (3rd edition) during the 2016 financial year.

Environmental Regulation

The Group endeavours to conduct its operations in a manner that minimises its impact on the environment. Information on the Group's environmental performance and activities to manage the Group's environmental impact are provided in the 2016 Annual Review which is available from the Group's website.

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of an environmental requirement.

The Group is not subject to the Federal Government's National Greenhouse and Energy Reporting (NGER) Scheme which requires controlling corporations to report annually on greenhouse gas emissions, energy production and energy consumption, if they exceed certain threshold levels. Whilst not required to report under the Scheme, the Group does measure and monitor its greenhouse gas emissions and has voluntarily reported these emissions since 2011 to the Carbon Disclosure Project.

Indemnification of Officers

The Bank's Constitution (Rule 105) provides that the Bank is to indemnify, to the extent permitted by law, each officer of the Bank against liabilities (including costs, charges, losses, damages, expenses, penalties and liabilities of any kind including, in particular, legal costs incurred in defending any proceedings or appearing before any court, tribunal, government authority or other body) incurred by an officer in or arising out of the conduct of the business of the Bank or arising out of the discharge of the officer's duties.

As provided under the Bank's Constitution, the Bank has entered into deeds providing for indemnity, insurance and access to documents for each of its Directors. The Bank has also entered into deeds providing for indemnity and insurance for each Executive Committee member and the Company Secretary as well as deeds providing for indemnity, insurance and access to documents for each Director of a subsidiary.

The deeds require the Bank to indemnify, to the extent permitted by law, the officers for all liabilities (including costs, charges, losses, damages, expenses, penalties and liabilities of any kind) incurred in their capacity as an officer of the relevant company.

Indemnification of Auditor

To the extent permitted by law and professional regulations, the Bank has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against all claims by third parties and resulting liabilities, losses, damages, costs and expenses (including reasonable external legal costs) arising from the audit engagement including any negligent, wrongful or wilful act or omission by the Bank. The indemnity does not apply to any loss resulting from Ernst & Young's negligent, wrongful or wilful acts or omissions. No payment has been made under this indemnity to Ernst & Young during or since the financial year end.

Insurance of Directors and Officers

During or since the financial year end, the Bank has paid premiums to insure certain officers of the Bank and its related bodies corporate. The officers of the Bank covered by the insurance policy include the Directors, the Company Secretary and Directors and Company Secretaries of controlled entities who are not Directors or Company Secretaries of the Bank. The policy also covers officers who accept external directorships as part of their responsibilities with the Bank. The insurance does not provide cover for the external auditor of the Bank or related bodies corporate of the Bank. Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance.

Company Secretary

William Conlan, LL.B (Melb), GradDip Applied Finance and Investment

Mr Conlan was appointed as Company Secretary of the Bank in 2011, having worked with the Bank for almost 10 years in strategy, capital management and compliance. Mr Conlan is a practising lawyer and prior to commencing employment with the Bank, worked as a lawyer in Melbourne.

Declaration by Chief Executive Officer and Chief Financial Officer

The Managing Director and Chief Financial Officer have provided the required declarations to the Board in accordance with section 295A of the *Corporations Act 2001* and recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations in relation to the financial records and financial statements.

The Managing Director and Chief Financial Officer also provided declarations to the Board, consistent with the declarations under section 295A of the *Corporations Act 2001* and recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations, in relation to the financial statements for the half year ended 31 December 2015.

To support the declaration, a formal risk management and financial statement due diligence and verification process, including attestations from senior management, is conducted. This assurance is provided each six months in conjunction with the Bank's half year and full year financial reporting obligations. The statements are made on the basis that they provide a reasonable but not absolute level of assurance and do not imply a guarantee against adverse circumstances that may arise in future periods.

Auditor Independence and Non-audit Services

The Audit Committee has conducted an assessment of the independence of the external auditor for the year ended 30 June 2016.

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 year ended 30 June 2016. A copy of the auditor's independence declaration is presented at the end of this section.

Non-Audit Services

Non-audit services are those services paid or payable to the Group's external auditor, Ernst & Young (Australia), which do not relate to Group statutory audit engagements.

In its capacity as the Group's external auditor, Ernst & Young is periodically engaged to provide assurance services to the Group in accordance with Australian Auditing Standards.

All assignments are subject to engagement letters in accordance with Australian Auditing Standards. They include audit services required for regulatory and prudential purposes and the amounts shown are GST exclusive.

Details of all non-audit services for the year ended 30 June 2016:

a. Assurance related fees (Regulatory)

Service Category	Fees $	Entity
AFSL audits, APS 310 and APS 910 audits	228,982	Bendigo and Adelaide Bank Limited
AFSL audit, APS 310 and APS 910 audits	81,014	Rural Bank Limited
Euro Medium Term Note Program	30,906	Bendigo and Adelaide Bank Limited
Sub-total: Assurance related fees (Regulatory)	**340,902**	

b. Assurance related fees (Non-regulatory)

In its capacity as the Group's external auditor, Ernst & Young is periodically engaged to provide assurance and related services not required by statute or regulation but are reasonably related to the performance of the audit or review of the Group's financial statements which are traditionally performed by the external auditor. The amounts shown are GST exclusive.

Service Category	Fees $	Entity
Basel II advanced accreditation program	295,800	Bendigo and Adelaide Bank Limited
Funds Transfer Pricing revenue share	60,180	Bendigo and Adelaide Bank Limited
Securitisation Trusts	87,802	Securitisation Trusts
Sub-total: Assurance related fees (Non-regulatory)	**443,782**	
Total: Non-audit services	**784,684**	

The Audit Committee has reviewed the nature and scope of the above non-audit services provided by the external auditor. In doing so, the Audit Committee has confirmed that the provision of those services is consistent with the audit independence policy and compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. This confirmation was provided to, and accepted by, the full Board.

This assessment was made on the basis that the non-audit services performed did not represent the performance of management functions or the making of management decisions, nor were the dollar amounts of the non-audit fees considered sufficient to impair the external auditor's independence.

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

As lead auditor for the audit of Bendigo and Adelaide Bank Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Bendigo and Adelaide Bank Limited and the entities it controlled during the financial year.

Ernst & Young

Graeme McKenzie
Partner
Melbourne
30 August 2016

Section 2

OPERATING AND FINANCIAL REVIEW

Business and structure overview

The Group provides a broad range of banking and other financial services primarily to retail customers and small to medium sized businesses throughout Australia.

Our main business activity is raising funds through customer deposits and wholesale funding markets and lending those funds to our customers. The major lending activities are commercial finance, business lending and consumer finance which includes residential loans, personal loans, credit cards and overdrafts.

Our main revenue sources are:

a. Net interest income which is represented by the interest earned from our lending activities and liquidity portfolio, less interest paid on deposits and other funding sources; and

b. Fee and commission revenue from the provision of banking, investment, insurance and superannuation products and services.

During the year we reorganised our operating structure into two customer-facing divisions. This brings together our customer-facing businesses to provide a more consistent customer experience. The divisions are the 'Customer' division and 'Agribusiness' division.

The **Customer** division includes:

a. Local Connection which incorporates branch banking (including **Community Bank**® and Delphi Bank®), business banking and financial markets. The services are available from our national network of more than 600 branches and agencies, business bankers, call centres, on-line and phone banking services and network of more than 1,700 ATMs.

b. Partner Connection which brings together our Third Party Banking, Wealth and Leveraged businesses.

   Third Party Banking offers commercial, residential and consumer finance through intermediaries including mortgage managers and brokers. It also includes our Portfolio Funding business which provides funding to finance companies.

   Wealth is our provider of superannuation, investment, traditional trustee and financial planning services. The services are mainly provided by our subsidiaries, Sandhurst Trustees Limited and Bendigo Financial Planning Limited.

   Leveraged is our margin lending business. The services are provided by our subsidiary, Leveraged Equities Limited and the dedicated team of business development and business relationship managers.

c. This division also includes our Online Connection, Call Connection, Customer Voice and Customer Led Innovation activities, along with Homesafe Solutions.

The **Agribusiness** division comprises the business activities of Rural Bank Limited and the Rural Finance business acquired from the Victorian government in 2014.

Rural Bank provides specialist financial products and services to primary producers and agribusiness participants under a separate banking licence.

Rural Bank and Rural Finance products and services are available online and from a large national network of outlets and agribusiness lending specialists predominantly based in rural and regional centres.

The Customer and Agribusiness divisions are assisted by the following operational and business support divisions:

a. Engagement Innovation: which includes community engagement, Alliance Bank, Community Sector Banking and the Community Enterprise Foundation;

b. Corporate: which includes Finance, Strategy and Treasury, People and Performance and Customer Service Improvement;

c. Business Enablement: which includes Technology Services, Technology Strategy and Architecture and Technology Risk and Information Security; and

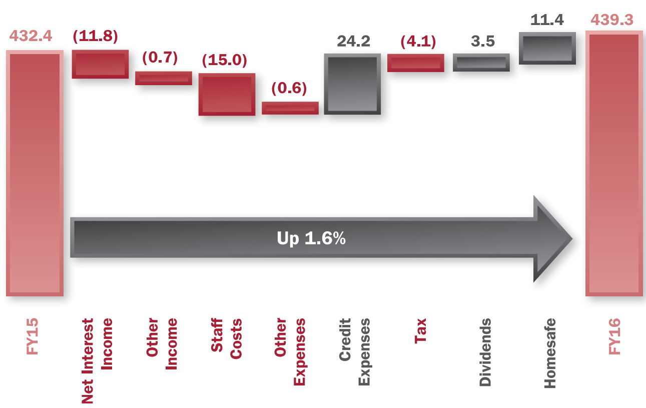
d. Risk: which includes Credit Risk, Operational Risk, Middle Office, the Advanced Accreditation Program along with Risk Analytics and Governance.

Performance overview

The Bank announced an after tax statutory profit of $415.6 million for the year. This represents a decrease of 2.0 per cent on the previous year's result. The statutory earnings per ordinary share was 90.4 cents (FY2015: 92.5 cents).

The cash earnings result for the year was $439.3 million, which represents a 1.6 per cent improvement on the previous year's result of $432.4 million. The cash earnings per ordinary share was 95.6 cents (FY2015: 95.1 cents). The components of the cash earnings result are presented below.

Cash earnings FY15 - FY16 ($m)



Total assets grew by $2.55 billion and total liabilities increased by $2.38 billion over the period. The asset growth was largely driven by growth in our lending portfolios and the liability growth was mainly represented by deposit growth.

The cash basis return on average ordinary equity was 8.94 per cent and the return on average tangible equity was 12.94 per cent.

The Bank declared a final fully franked dividend of 34 cents per share, lifting the full-year dividend by 2 cents to 68 cents per share.

A reconciliation between the statutory profit and cash earnings for the year is provided at Note 5 Segment Results in the 2016 Financial Report.

This was again a very challenging year with ongoing market volatility, high levels of competition for new mortgages and business loans and generally low levels of consumer and business confidence.

The result is a positive reflection on how well we are implementing our business strategies and our unique and valued customer proposition. The result also shows we are starting to realise benefits from our major investments and ongoing focus on cost savings and operating efficiency.

Throughout the year the Bank maintained a strong balance sheet position including healthy liquidity and capital positions. Our Basel III Common Equity Tier 1 ratio was 8.09 per cent as at 30 June 2016 and our total capital ratio was 12.21 per cent. Our indicative net stable funding ratio was approximately 115 per cent and the liquidity coverage ratio was 118.2 per cent.

We are consistently ranked number one in customer satisfaction indexes reflecting the core strength of our retail brand and distribution network. These strengths enabled the business to lift the retail deposit mix to 82 per cent at year end.

The business has continued to invest for the future by developing the skills and knowledge of our staff and delivering innovative and customer focused solutions. This included new technologies and digital functionality to provide our customers with more flexibility in accessing our products and services.

The result also demonstrates our disciplined approach to margin and cost management and focus on growing at profitable prices. Whilst demand for housing lending has been solid, particularly in the second half, our customers have taken advantage of the low interest rates by repaying their loans ahead of schedule, which impacted overall loan portfolio growth.

Credit quality is sound with arrears levels and bad and doubtful debt charges being below the previous financial year.

The later part of the year saw a return to good lending volumes and very strong deposit inflows. All our major businesses recorded sound growth momentum across the last four months with improved lending growth in our rural, business and mortgage portfolios.

For the past few years we have been reporting on our project to achieve advanced accreditation under the Australian Prudential Regulation Authority's (APRA) advanced capital measurement model (Basel II). The project is now very well progressed and we are now managing the business as an advanced bank from a Basel II perspective.

The move to advanced accreditation has significantly lifted our risk management capability and improved how we serve our customers.

We are working through a period of very low growth, both domestically and around the world, and combined with the record low interest rates and the highly competitive environment, revenue growth will continue be a challenge for the banking sector. However, we believe our market positioning along with the strong capital, funding and credit position means our outlook remains positive.

Analysis of financial performance

Net interest income
The reduction in net interest income was mainly due to a 4 basis point decrease in our net interest margin for the year. A breakdown of movements in the net interest margin are presented below.

Net interest margin movement (%)

[1] Community Bank and Alliance share.

The main factors impacting our net interest margin were the high levels of competition in the lending and deposit markets, volatile wholesale funding markets and the impact of cash rate reductions during the period.

The impact of the net interest margin contraction was offset to some extent by asset growth.

Competition for new lending was again challenging given the unsustainable pricing offered in the market, particularly during the first half of the year.

We also experienced a customer preference for fixed rate mortgages which tend to have a lower margin than variable rate mortgages.

Our disciplined approach to product pricing, growth and product mix enabled us to limit the extent to which net interest margin contracted.

Other income

Total other income before specific items was $376.3 million for the year. This represents a $15.6 million (4.3 per cent) increase on the prior year's result. The major contributors were fee and commission income of $223.9 million and a $79.7 million contribution from the Homesafe Trust.

The increase was mainly driven by an increase in the contribution by the Homesafe Trust of $16.3 million ($11.4 million after-tax) and increases in commission, foreign exchange and other income. These increases were partly offset by decreases in asset product fees of $3.9 million and liability product fees of $4.4 million.

The asset product fee decrease follows specific fee campaigns introduced to match competitors' offerings. Liability product fee income was impacted by an increase in interchange fees payable due to growth in transaction volumes.

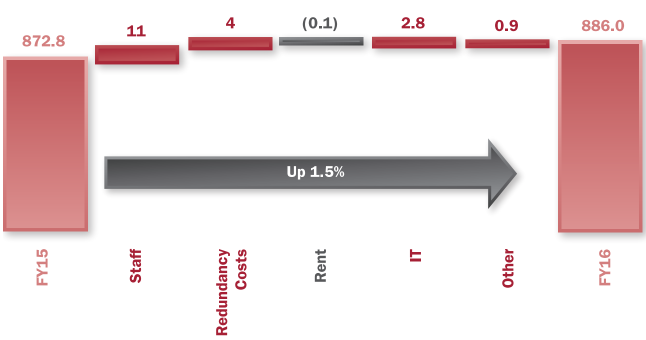
The increase in the Homesafe Trust contribution was primarily due to the increase in Sydney and Melbourne residential property prices during the first half of the year.

Operating expenses

In a period where revenue growth has been challenging, a key positive has been the way the business has carefully managed the cost base and continued to drive savings and operational efficiencies.

Total operating expenses, excluding specific items, increased by $13.2 million (1.5 per cent) to $886.0 million and the cost to income ratio increased slightly from 55.1 per cent to 56.0 per cent.

Operating expenses ($m)



The main movement for the year related to staff costs which increased by $15 million to $479.2 million, or 3.2% above the prior year. The increase was mainly due to salary increases effective from September 2015 and an increase in redundancy payments. The impact of these costs was partly offset by tight control of staffing levels and a restructure within the Local Connection Division. The number of full time equivalent (FTE) staff decreased by 97 (or 2.1 per cent) during the year.

Other operating expenses (excluding staff costs) totalled $406.8 million and represents a $1.8 million decrease on the previous financial year.

Loan portfolio

Net loans at the end of FY16 were $57.25 billion. This represents an increase of $1.72 billion (3.1 per cent) on the previous financial year.

The increase for the year included:

a. Residential lending growth of $1,805.6 million (5 per cent);

b. Consumer lending growth of $101.5 million (3.8 per cent);

c. Margin lending decrease of $49.8 million (2.8 per cent); and

d. Commercial lending decrease of $116.3 million (0.8 per cent).

The above portfolio growth compares to total system growth of 8.1 per cent and residential lending system growth of 6.6 per cent.

Residential loan approvals for the year remained solid at $10.85 billion and represents a 3.2 per cent increase on the previous year. Non-residential loan approvals also improved for the year at $6.18 billion, representing a 14.1 per cent increase on the previous year. However, our retail customers have again looked to strengthen their own personal balance sheets by making principal repayments ahead of schedule. Approximately 44 per cent of our home loan customers are ahead of their minimum loan repayments, of which 28 per cent are three or more repayments ahead of schedule.

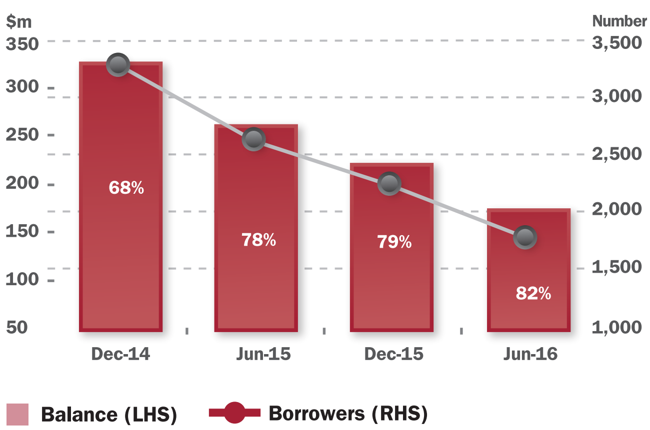
We aim to provide competitive loan pricing to our customers, however occasions arise where we purposefully decide not to match other rates available in the market where the return is not adequate.

The loan portfolio remains well secured. In total, 98.4 per cent of the portfolio is secured with 97.8 per cent secured by mortgages and listed securities. The average loan to valuation ratio for the residential mortgage portfolio is 58.1 per cent and 62 per cent of the portfolio is represented by owner-occupied loans.

Total impaired assets increased by $24.6 million (7.6 per cent) to $350.2 million. This was mainly due to the impairment of two commercial loan exposures which was offset to some extent by a decrease in impairments within the Rural Bank portfolio.

The gross balance of the Great Southern portfolio has steadily reduced since the Supreme Court approved the settlement of the group proceedings in December 2014.

Great Southern Portfolio

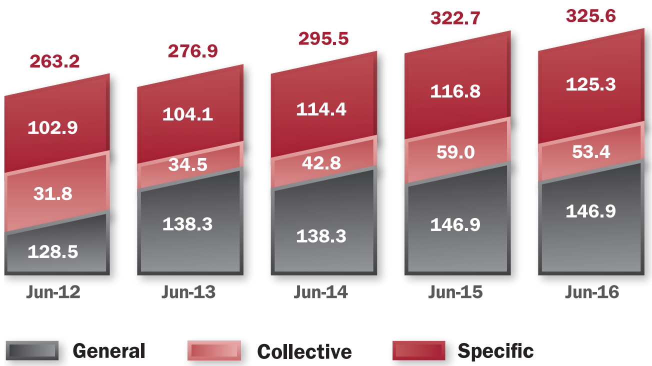


Provisions for doubtful debts, bad and doubtful debt expense

The total provisions and reserve for bad and doubtful debts as at year end was $325.6 million. This represents a small increase on the previous year.

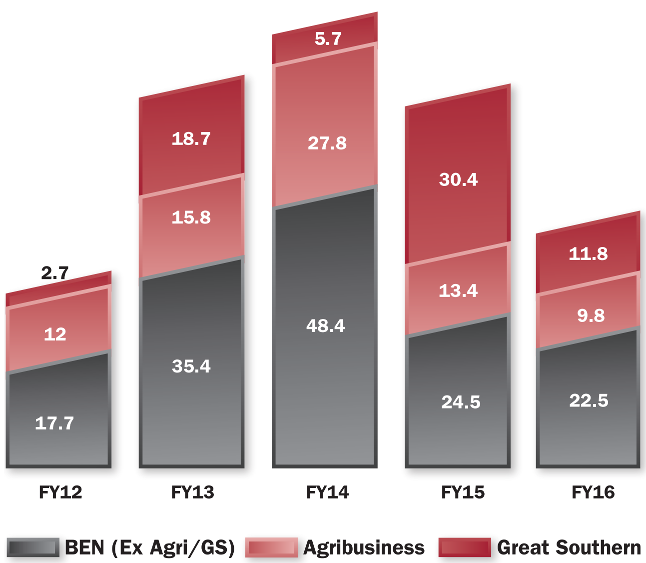
The decrease in the collective provision mainly reflects a reduction in the provision overlay for the Great Southern loan portfolio of $6.2 million and an increase of $2.3 million for the commercial portfolio. The collective provision in respect to dairy industry exposures was increased by $4 million. The year-end collective provision for the Great Southern portfolio was $19.01 million and the specific provision was $23.7 million.

Provisions for doubtful debts ($m)



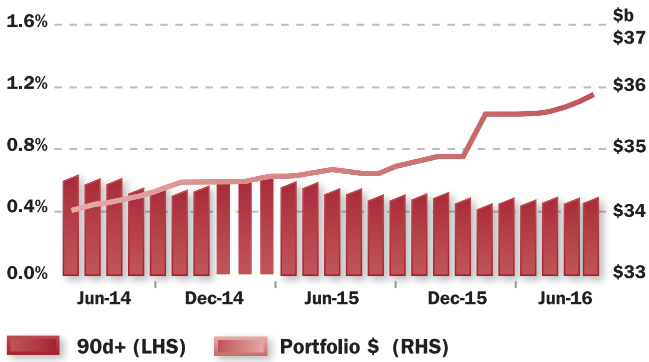
The bad and doubtful debts expense for FY16 was $44.1 million. The result is mainly due to lower arrears levels and a reduction in the collective provision overlay, and reflects an improvement in the underlying credit quality of our loan portfolios.

Bad and doubtful debts expenses ($m)

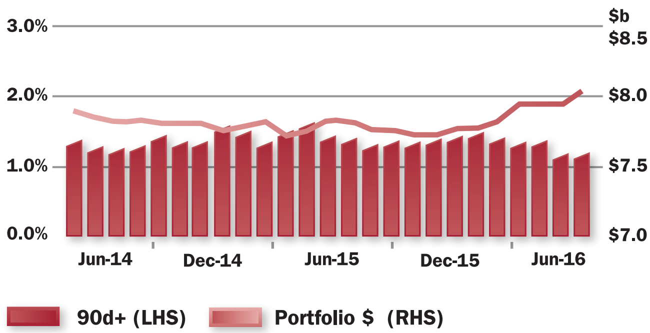


The 90+ day arrears for our residential, business, rural and consumer portfolios were all below the arrears levels for the same time last year. The following charts set out the 90+ day arrears trend across our major lending portfolios.

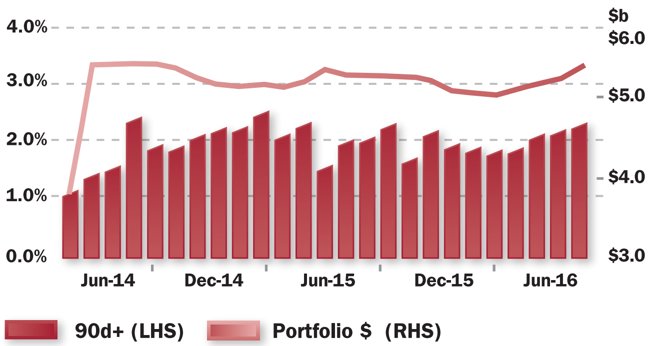
Residential Loan Arrears



Business Loan Arrears



Rural Loan Arrears



Our arrears levels compare favourably with available industry data, being 0.65 per cent for residential loans and 2.27 per cent for business loans.

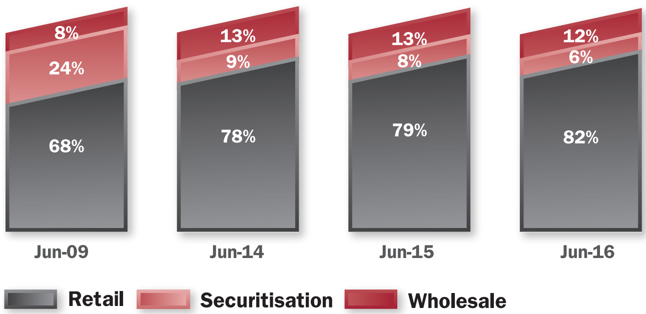
Funding and liquidity

Total deposits as at year end were $57.06 billion. This represents an increase of $3.55 billion (6.6 per cent) over the year, slightly above system.

The growth came from an increase in retail deposits. The retail deposit funding mix, as a percentage of total funding, increased from 79.1 per cent to 82.0 per cent over the year.

Our retail funding base is a core strength and key point of differentiation when compared to other banks. With the new net stable funding ratio requirements coming into effect at the end of FY17, we expect the banking sector's demand for retail deposits will increase during the coming year.

Historical funding mix



The retail and wholesale funding mix is set with the aim of maintaining a strong market profile consistent with an "A" credit rating band.

Wholesale funding activities managed by Group Treasury support the core retail deposit funding strategy. Access to wholesale financial markets provides additional diversification and benefits from longer term borrowings.

Group Treasury aims to maintain a stable and prudent maturity profile by regular benchmark issuance in markets that are sustainable and viably priced. Whilst the majority of our wholesale funding is sourced from the domestic financial markets, we recognise that at times additional diversity can be achieved by issuances in overseas markets and currencies.

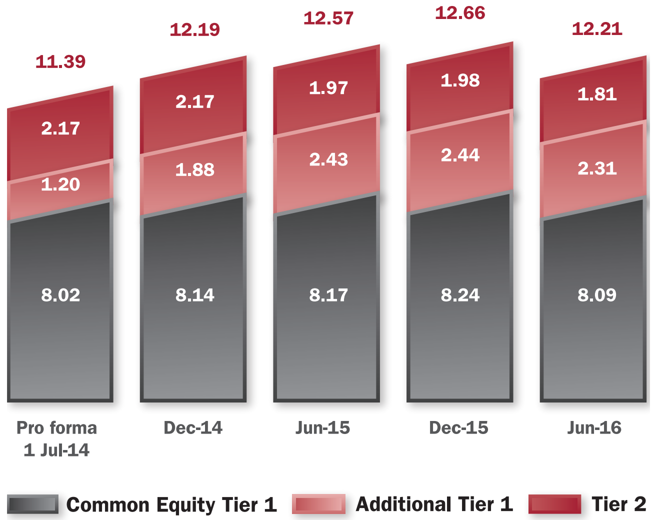
Securitisation also forms an important part of our funding strategy and we will continue to monitor this market and participate where investor appetite and pricing is appropriate.

The Bank maintains a portfolio of high quality unencumbered liquid assets to ensure all cash flow commitments are met in a timely manner under both normalised business operations as well as over an extended crisis horizon and alternative scenarios, as well as to meet minimum internal and prudential liquidity requirements.

As at 30 June 2016 the Liquidity Coverage Ratio (LCR) was 118.2 per cent with LCR assets totalling $7.403 billion.

Capital adequacy

Total Capital (%)



The Bank maintains a conservative and prudent capital base that adequately supports our business, allows the business to grow as well as providing an effective and efficient capital buffer to protect depositors and investors.

The capital management strategy also plans for changes in business conditions, including economic cycles, regulatory and legislative change and potential acquisition opportunities.

Our capital base is structured to ensure that minimum capital standards are always met and management is afforded the greatest flexibility in pursuing its business objectives.

Segment performance

Local Connection
The cash basis contribution from our largest business segment, Local Connection, decreased from $194.5 million to $185.7 million. This represents a 4.5 per cent decrease for the financial year.

The division maintained its leading consumer and business satisfaction ratings and a strong focus on customer strategy.

Net interest income increased by $8.4 million. There has been an improvement in the cost of funds through the re-pricing of term deposits and continued strong growth in lower cost at-call deposits.

Operating expenses increased by $18.0 million mainly due to increase in staffing costs of $12.9 million (includes redundancy costs of $4.7 million) and an increase in allocated costs of $6.3 million.

This performance was also positively impacted by a $1.3 million decrease in the bad and doubtful debt expense for the year.

Partner Connection
The cash basis contribution from the Partner Connection division increased from $154.8 million to $167.9 million. This represents an 8.5 per cent increase for the financial year.

Net interest income decreased by $13.1 million mainly due to the reduction in the size of the lending portfolio.

Other income increased by $15.4 million mainly due to an increase in the contribution from the Homesafe Trust.

Credit expenses decreased by $19.3 million mainly due to the decrease in the collective provision overlay and specific provisions for the Great Southern loan portfolio.

The result also included an increase in specific item expense of $2.4 million that mainly related to the integration of the Alliance Partner businesses.

Third Party Banking business has again been challenged by the highly competitive mortgage lending environment. The credit performance of the Third Party mortgage portfolio improved over the year.

The benefits from our Wealth investments over recent years are now being seen with funds under management and administration now recording strong growth. Total funds and assets under management grew by 12.4 per cent for the year. This growth included a 16.8 per cent increase in managed investments including superannuation.

The margin lending portfolio remained relatively stable for the year notwithstanding the volatility in the domestic equity market.

Agribusiness
The cash basis contribution from the Agribusiness segment decreased from $74.7 million to $73.6 million, a 1.5 per cent decrease for the financial year.

Net interest income decreased by $7.1 million mainly due to the reduction in customer rates driven by competition.

The underlying business performed well and returned to a more normalised credit performance with previously reported defaulting exposures now having been worked through, reducing the volume of non-performing loans and associated credit losses.

Rural Finance's profit contribution was slightly ahead of expectation, driven primarily by the integration of the business progressing faster than expected, allowing us to generate additional efficiencies and savings. The revenue performance was in line with expectations and the sound credit performance has continued.

Credit ratings
The Bank's credit ratings at the date of this report are:

	Short Term	Long Term	Outlook	Date last affirmed
Standard & Poor's	A-2	A-	Stable	8 March 2016
Fitch Ratings	F2	A-	Stable	18 November 2015
Moody's	P-1	A2	Stable	18 August 2016

Financial details

	Jun-16 Total	Jun-15 Total	FY2015 to FY2016	
	$m	$m	$m	%
Financial performance metrics				
Profit after tax attributable to Owners of the Company	**415.6**	**423.9**	(8.3)	(2.0)
Profit after tax and before specific items	**425.6**	**420.6**	5.0	1.2
Cash earnings	**439.3**	**432.4**	6.9	1.6
Net interest income (before specific items)	**1,172.3**	**1,184.1**	(11.8)	(1.0)
Non-interest income (before specific items)	**376.3**	**360.7**	15.6	4.3
Bad and doubtful debts	**44.1**	**68.3**	(24.2)	(35.4)
Operating expenses (before specific items)	**886.0**	**872.8**	13.2	1.5
Financial performance ratios				
Cost to income ratio	**56.0%**	**55.1%**		
Net interest margin before profit share arrangements	**2.16%**	**2.20%**		
Net interest margin after profit share arrangements	**1.83%**	**1.89%**		

	Jun-16 Total	Jun-15 Total	FY2015 to FY2016	
	$m	$m	$m	%
Financial position metrics				
Ordinary equity	**5,038.8**	**4,858.5**	180.3	3.7
Retail deposits	**49,891.1**	**46,222.7**	3,668.4	7.9
Funds under management	**4,684.1**	**4,165.8**	518.3	12.4
Loans under management	**58,227.6**	**56,540.6**	1,687.0	3.0
New loan approvals	**17,032.6**	**15,261.1**	1,771.5	11.6
> Residential	**10,852.2**	**9,858.0**	994.2	10.1
> Non-residential	**6,180.4**	**5,403.1**	777.3	14.4
Total provisions and reserves for doubtful debts	**325.6**	**322.7**	2.9	0.9
Financial position ratios				
Return on average ordinary equity (after tax)	**8.46%**	**8.84%**		
Return on average ordinary equity (cash basis)	**8.94%**	**9.09%**		
Return on average tangible equity (cash basis)	**12.94%**	**13.28%**		
Key shareholder ratios				
Earnings per ordinary share (statutory basis)	**90.4 cents**	**92.5 cents**		
Earnings per ordinary share (cash basis)	**95.6 cents**	**95.1 cents**		
Dividend per share - fully franked	**68.0 cents**	**66.0 cents**		

Business development

Advanced Accreditation

Achieving advanced accreditation under APRA's advanced capital measurement model (Basel II) is one of our most significant projects.

Under the prudential framework there are two methodologies for measuring capital requirements. The first methodology is referred to as the Standardised Approach. Under this approach, capital requirements are calculated based on certain fixed formulae and risk assessments determined by APRA. The advantage of this approach is that it is a relatively straight-forward way of assessing capital requirements. The Bank is currently regulated under the Standardised Approach.

The second methodology, the Advanced Approach, allows banks to calculate their own capital requirements, subject to certain strict conditions set by APRA. This approach encourages banks to invest heavily in sophisticated risk management techniques when compared to the Standardised Approach.

Significant resources have been invested into the project which have included the development and implementation of new and contemporary risk management techniques and models, upgrades to our technology capability including business systems and platforms, policy improvements and staff training.

Achieving advanced accreditation is about improving the way we do business. Importantly this is an initiative that we, as an organisation, decided to pursue. The key benefits of achieving the advanced accreditation include:

a. Improving our banking systems and processes, and consequently the customers' experience;

b. Enhancing our business and risk management processes and practices;

c. Strengthening our market profile amongst shareholders, ratings agencies and regulators;

d. Lifting our market competitiveness; and

e. Allowing us to operate a more capital efficient business which will ultimately benefit our customers, communities and shareholders.

This investment is now largely complete and in day-to-day use across our various business divisions and providing us with greater insights into our customers and the risks we manage.

Customer connected

Customers are looking for more control over their banking requirements as new technologies reshape the business environment. Digital applications, mobile platforms and online services are rapidly changing customer expectations and behaviours and it is vital that we continue to transform our business to remain competitive as customers look for new and innovative ways to access our services. We will continue to develop strategies, platforms, tools and innovative capabilities needed to deliver the services sought by our customers.

The amount of technical innovation has also introduced a real risk of disruption to the industry as existing business models are progressively made redundant. The transition to the digital market represents a significant challenge for the industry. We know that customers are seeing technology as disposable, they want to interact more than ever through mobile platforms and they want access to their financial services when necessary.

But this innovation also creates opportunities for those who embrace the digital economy and are willing to explore alternate ways to deliver their services. We have been strategically investing in this capability for a number of years and we are well positioned to compete vigorously in the digital world.

During the year we released more leading edge customer-focused technologies and digital solutions to improve the customer experience and make it easier for customers to do business with us. Much of this development is being undertaken through partnering models with technology companies rather than through developing the new technologies ourselves.

The Bank's new online share trading solution, Bendigo Invest Direct was launched in March this year, with more than 10,000 customers transitioning to the platform. The solution provides our customers with the market leading research, sophisticated analytical tools and the speed needed to execute trades as opportunities are identified.

Another key investment is the upgrade of our core lending platforms, with the first of these relating to our Third Party Mortgage business which came online this year. We plan to develop this platform into a single consolidated consumer lending system that will be used right across the Bank. This platform will produce significant efficiencies and savings, and just as importantly, a more seamless and improved customer experience.

In 2016 we released Android Pay, working with Google. This is a simple and secure payment platform that allows customers to pay in store using their Android phone.

The New Payments Platform (NPP) project is progressing well. NPP will provide Australian businesses and consumers with a fast and versatile payments system for making their everyday payments. The funds will be accessible almost as soon as the payment is made, even when the payer and payee have accounts at different financial institutions. The NPP is being developed collaboratively by the banking sector.

We have a trusted brand and our style of banking and value proposition are well regarded by our customers. We have maintained our leading position, ahead of the major banks, in customer satisfaction and advocacy and we won a number of awards during the year, including:

a. Global research house, Forrester, released their findings into the best customer experience in Australia. The study ranked the Bank at number one in the top ten brands in the Australia Customer Experience Index 2015.

b. Bendigo SmartStart Super® was awarded a 5-star rating by CANSTAR for the third consecutive year for a superannuation offering; and

c. Our Leveraged business welcomed the Investment Trends margin lending report released in March 2016. Leveraged took the number one position in stockbroker, customer and planner satisfaction and advocacy.

Looking forward

The Group's outlook remains positive. We are well positioned for growth given our market positioning, long history of trusted service, our sound balance sheet and our investments in systems and digital technologies now coming on stream.

Understanding the needs and objectives of our customers will continue to be a major focus. Customer behaviour and insight drives most of what we do and our Customer Voice activity will coordinate our response to changing customer behaviour and expectations.

We anticipate the operating environment for the coming year will again be challenging given continued volatility in global economies and markets, subdued consumer and business sentiment and the high level of market competition. The extended period of absolute low interest rates is also expected to continue for the foreseeable future.

A significant development during the year related to a change in bank capital requirements. Banks accredited to use the internal ratings-based approach to credit risk are now required to hold additional capital for their domestic residential mortgage portfolios. Standardised banks were already required to hold more capital for their residential mortgage portfolios.

This is an integral step towards creating a more even playing field for all banks and will increase competitive neutrality in the market, although there is still an advantage in being an advanced bank. Given a more level playing field we expect to see our loan growth returning to a level that is more consistent with system provided we can be competitive in respect to pricing.

It is expected that system growth and the demand for credit will be in line with the levels experienced for the 2016 year and customers will continue to deleverage by making additional principal repayments in the low interest rate environment.

Volatility in wholesale funding markets and changes to bank liquidity requirements should see competition for retail deposits remain high. This demand, combined with low absolute interest rates, is again expected to place pressure on interest margins, including our own.

Our conservative funding base and strong balance sheet provides us with good capacity to manage these pressures and grow our business. It also puts us in a solid position to benefit from market opportunities as well as any improvement in market confidence and the broader operating environment. We are confident our customer-focused banking model will continue to be relevant and underpin our growth and improved performance.

Our success comes from the success of our customers and communities and we will continue to align our investments with our strategic priorities whilst maintaining a disciplined approach to balance sheet growth, and not simply growing for growth's sake.

Risk management framework, business uncertainties and significant business risks

The Board is responsible for the risk management strategy which includes approving the risk management framework and risk appetite within which the business is expected to operate.

The major business risks that we manage include credit risk, operational risk, interest rate risk, traded market risk and liquidity risk. Information on our risk governance and approach to managing these risks is presented in the 2016 Corporate Governance Statement and 2016 Financial Report.

Risk dependencies and uncertainties

The Group's business activities are subject to a number of dependencies and uncertainties which could adversely impact the achievement of business strategies and earnings performance. The timing and extent of these uncertainties is difficult to predict and managing their impact is, to some extent, outside our control. A summary of the key dependencies and uncertainties is presented below.

Dependence on prevailing macro-economic and financial market conditions

The business is highly dependent on the general state of domestic and global economies and financial markets. Our performance can be significantly impacted by economic and political events, both domestic and international, as well as by natural disasters.

This includes the level of economic activity and demand for financial services by our customers. In particular, lending is dependent on customer and investor confidence, the overall state of the economy including employment levels, the residential lending market and the prevailing interest rate environment.

Environmental factors

The Group and its customers are based and operate businesses in a diverse range of domestic geographical locations.

A significant environmental change or external event (such as a fire, storm, drought or flood) has the potential to disrupt business activities, impact on our operations, damage property and otherwise affect the value of assets held in the affected locations and our ability to recover amounts owing to us.

Through our agribusiness division we also have a large exposure to the domestic rural sector. The performance of this sector is impacted by national weather patterns and commodity price movements which in-turn may impact our overall earnings performance.

Market Competition

The markets in which we operate continue to be highly competitive and may become even more so. Factors that contribute to competition include mergers and acquisitions, changes in customer behaviour, entry of new participants, the development of new sales methods and regulatory change.

If the Group is unable to compete effectively in its various businesses and markets, its market share could decline. Increasing competition could potentially lead to reduced business volumes and revenue, a compression in our net interest margins as well as increased advertising and related expenses to attract and retain customers.

The Group is also dependent on its ability to offer products and services that match changing customer preferences. If we are not successful in developing or introducing new products and services or responding or adapting to changes in customer preferences and habits, we may lose customers to our competitors which could adversely affect our business, prospects, financial performance and financial condition.

A weakening in the Australian real estate market

Residential, commercial and rural lending, together with property finance, constitute important businesses to us. A significant slowdown in Australian property markets, including a decrease in Australian property valuations, could decrease the amount of new lending the Bank is able to write and/or increase the value of the credit losses that the Bank may experience from existing loans as well as impact the valuation of the Homesafe portfolio.

Changes in monetary policy

The Reserve Bank of Australia (RBA) sets official interest rates so as to affect the demand for money and credit in Australia. The cash rate influences other interest rates in the economy which then affects the level of economic activity.

Movements in the cash rate impact our cost of funds for lending and investing and the return earned on these loans and investments which directly impacts our net interest margin.

Changes in monetary policy can also affect the behaviour of borrowers and depositors. In the case of borrowers, potentially increasing the risk that they may fail to repay their loans or repay their loans early. And in the case of depositors, potentially increasing the risk that they may seek returns in other asset classes. The changes can also impact the value of financial instruments held such as debt securities.

Regulatory Change

As a financial institution, we are subject to a range of laws, regulations, policies, standards and industry codes. In particular, our banking and wealth management activities are subject to extensive regulation including in relation to liquidity, capital, solvency, provisioning and licensing conditions.

The Australian Government and its agencies, including APRA, the RBA and Australian Securities & Investments Commission, are the main authorities that have supervisory oversight of the Bank. Changes to laws, regulations, codes or policies could affect the Bank in substantial and unpredictable ways.

Potential changes include increasing required levels of liquidity and capital or limiting the types of financial services and products the Bank can offer. These potential changes may also require substantial investment in staff, systems and procedures to comply with the regulatory changes.

Credit Ratings

External credit ratings have a significant impact on both our access to, and the cost of, capital and wholesale funding. Credit ratings may be withdrawn, made subject to qualifications, revised, or suspended by a credit rating agency at any time. Also, the methodologies by which they are determined may be revised.

A downgrade or potential downgrade to our rating may reduce access to capital and wholesale debt markets, potentially leading to an increase in funding costs, as well as affecting the willingness of counterparties to transact with the Bank.

Capital Base

The capital base is critical to the management of our businesses and our ability to access funding. We are required to maintain a level of capital required by APRA and other key stakeholders to support our business operations and risk appetite. There can be no certainty that additional capital required in the future will be available or able to be raised on acceptable terms.

The Bank maintains a conservative and prudent capital base that supports business growth, provides effective protection for depositors and investors and ensures minimum capital standards are met at all times.

Business risks

Following is an overview of other key business risks that could impact our operations, performance and prospects.

To manage these risks we have established a framework of systems, policies and procedures which are overseen by our independent risk management functions.

Compliance Risk

The Group's operations are highly regulated. A failure to comply with the laws, regulations, licence conditions, codes, principles and industry standards applicable to our operations could result in a range of actions against the Group including sanctions being imposed by regulatory authorities, the exercise of discretionary powers by regulatory authorities or compensatory action by affected persons.

Fraud Risk

The Group is exposed to the risk of fraud, both internal and external. Financial crime is an inherent risk within financial services, given the ability for employees and external parties to obtain advantage for themselves or others. An inherent risk also exists due to systems and internal controls failing to prevent or detect all instances of fraud.

We continue to invest in new techniques and capabilities to detect and prevent fraud. All actual or alleged fraud is investigated under the authority of our financial crimes unit.

Risk of disruption of information technology systems or failure to successfully implement new technology

Most of our daily operations are highly dependent on information technology and there is a risk that these systems or technologies might fail or not be available.

The exposure to systems risks includes the complete or partial failure of information technology or data centre infrastructure and using internal or third-party information technology systems that do not adequately support the requirements of the business.

Our business continuity and information technology governance structures and system health assessment process are overseen by our Business Enablement division. We continue to invest heavily in our information technology capability.

Data and Information Security Risk

The risk of security breaches, external attacks and unauthorised access to our systems continues to increase with the growing sophistication of fraud and other criminal activities. We are conscious that threats to information security are continuously evolving due to the increasing use of the internet and other digital devices to communicate data and conduct financial transactions.

Information security capability (including cyber risk and security) is overseen by the Business Enablement division. We have a dedicated team of information security specialists responsible for the development and implementation of information security systems, policies and procedures.

The Group has implemented a range of systems, technologies and measures to detect and respond to cyber-attacks and we closely monitor and conduct regular reviews to ensure new or emerging threats are identified and mitigated, policies and procedures are updated and good practice is maintained.

Vendor failure or non-performance risk

The Group sources a number of key services from external suppliers and service providers. The failure of a key service provider, or the inability of a key service provider to meet their contractual obligations, including key service standards, could disrupt our operations and ability to comply with regulatory requirements.

This risk is managed by the relevant business divisions who are responsible for the service provider relationship. The business divisions are supported by our corporate sourcing function to ensure the contracted services comply, where applicable, with prudential requirements and sourcing framework and policies.

Litigation risk

From time to time, the Group may be subject to material litigation, regulatory actions, legal or arbitration proceedings and other contingent liabilities which, if they crystallise, may adversely affect the Group's results.

There is a risk that these contingent liabilities may be larger than anticipated or that additional litigation or other contingent liabilities may arise.

Partner Risk

We have **Community Bank**® branches operating in all States and Territories, along with our Alliance Bank network. The branches are operated by companies that have entered into franchise and management agreements with the Bank to manage and operate a **Community Bank**® or Alliance Bank branch.

Whilst we carefully assess and monitor the progress of the franchisees, there can be no guarantee of the success of a **Community Bank®** or Alliance Bank branch.

A material portion of this network is still relatively immature and there are risks that may develop over time. For example, it is possible that branches may not be able to sustain the level of revenue or profitability that they currently achieve (or that it is forecasted that they will achieve).

We have implemented a number of administrative and oversight structures to support this network including:

a. Our Engagement Innovation team provides support to the **Community Bank®** and Alliance Bank Boards through a range of activities including community company network communications, co-ordinating the State and National Conference program, franchise renewals and Director education.

b. The **Community Bank®** branches are integrated into the Company-Owned retail network once they commence trading. As a result the branches are included in the day–to-day operational support and administration structures of the Retail Banking division which include monitoring compliance with internal policies and procedures, staffing requirements and reporting.

c. The **Community Bank®** Strategic Advisory Board and Alliance Bank Strategic Advisory Board, each of which comprise representatives from the Bank and the **Community Bank®** and Alliance Bank network, are forums established to initiate, lead and respond to strategic issues and opportunities that enhance the sustainability, resilience and prospects of our partner networks.

Conduct Risk

The business is exposed to risks relating to product flaws, processing errors and mis-selling. The risks can arise from product design or disclosure flaws or errors in transaction processing. It can also include mis-selling of products to our customers in a manner that is not aligned to the customer's best interests, needs or objectives.

The above risks are managed in accordance with our operational risk management framework and monitored by the Operational Risk Committee and Board Risk Committee.

Other Risks

Other risks applicable to our business that are monitored and managed by the Board and Executive Committee include:

Reputation Risk

Reputation risk is defined as the risk of potential loss to the Group due to damage to the Group's reputation. Reputation risk may arise as a result of an external event or our own actions, and adversely affect perceptions about us held by the public including customers, shareholders, investors, regulators or rating agencies.

The impact of a risk event on our reputation may exceed any direct cost of the risk event itself and may adversely impact our earnings, capital adequacy or market value. Accordingly, damage to our reputation may have wide-ranging impacts, including adverse effects on our profitability, capacity and cost of sourcing funding, and availability of new business opportunities.

Strategic Risk

There is a risk that adverse business decisions, ineffective or inappropriate business plans or a failure to respond to changes in the operating environment will impact our ability to deliver our strategy and business objectives.

Also, the Bank regularly examines new initiatives and market opportunities, including acquisitions and disposals, with a view to growing shareholder value.

The risks associated with these strategic business decisions could, for a variety of reasons, have a material adverse effect on our current and future financial position or performance.

Contagion Risk

The Group includes a number of subsidiaries that are trading entities and holders of Australian Financial Services Licences and/or Australian Credit Licences.

Dealings and exposures between the Bank and its subsidiaries principally arise from the provision of administrative, corporate, distribution and general banking services. The majority of subsidiary resourcing and infrastructure is provided by the Bank's centralised back office functions. Other dealings arise from the provision of funding and equity contributions.

The framework to manage risks arising from these dealings include policies, processes and controls relating to intra-group exposures, badging and branding requirements as well as the distribution of financial products issued by subsidiary companies. Dealings with subsidiaries not conducted on an arms-length basis are approved by the Board.

REMUNERATION REPORT

This Remuneration Report is for the financial year ended 30 June 2016. The Report has been prepared in accordance with section 300A of the *Corporations Act 2001* and the *Corporations Regulations 2001* and has been audited. The Remuneration Report explains the Group's approach to the remuneration of key management personnel (KMP).

Key Management Personnel

The KMP for the 2016 financial year comprise of the Non-executive Directors, the Managing Director and other members of the Executive Committee as listed in the below table. KMPs are the persons with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

During the financial year, the Managing Director announced a number of changes to the membership and structure of the Executive Committee, including changes to the responsibilities of some executive team members. The key changes were:

1. Alexandra Gartmann joined the executive team to lead the agribusiness division effective 26 October 2015.
2. Marnie Baker was appointed to the new role of Chief Customer Officer on 12 November 2015 to lead the Customer Division which incorporates the Local Connection and Partner Connection businesses.
3. Bruce Speirs joined the executive team to lead the Partner Connection business on 29 September 2015.
4. Alexandra Tullio was appointed to lead the Local Connection division on 12 November 2015.
5. Stella Thredgold was appointed to lead the Business Enablement division on 12 November 2015.
6. Richard Fennell's responsibilities were expanded on 12 November 2015 to include People and Performance, Group Strategy, Processing and Customer Service Improvement.
7. Dennis Bice ceased as a KMP on 31 March 2016.
8. John Billington ceased as a KMP on 29 September 2015.

Name	Position	Term as KMP
Non-executive Directors		
Robert Johanson	Chairman	Full Year
Jan Harris	Non-executive Director (appointed on 2 February 2016)	Part Year
Jim Hazel	Non-executive Director	Full Year
Jacqueline Hey	Non-executive Director	Full Year
Robert Hubbard	Non-executive Director	Full Year
David Matthews	Non-executive Director	Full Year
Deb Radford	Non-executive Director	Full Year
Tony Robinson	Non-executive Director	Full Year
Executives		
Mike Hirst	Managing Director & Chief Executive Officer	Full Year
Marnie Baker	Chief Customer Officer (CCO)	Full Year
Dennis Bice	Retail Banking	Part Year
John Billington	Bendigo Wealth	Part Year
Richard Fennell	Corporate and Chief Financial Officer (CFO)	Full Year
Alexandra Gartmann	Chief Executive Officer, Rural Bank	Part Year
Robert Musgrove	Engagement Innovation	Full Year
Tim Piper	Chief Risk Officer (CRO)	Full Year
Bruce Speirs	Partner Connection	Part Year
Stella Thredgold	Business Enablement	Full Year
Alexandra Tullio	Local Connection	Full Year
Andrew Watts	Customer Service Improvement	Full Year

CONTENTS

Section 1: Remuneration overview

1.1 Remuneration framework and components

The remuneration framework is designed to support the achievement of our strategy and strategic objectives. The framework is described in our Remuneration Policy (the Policy) which was reviewed during the financial year. The changes arising from the review mainly related to governance and approval responsibilities.

The remuneration framework is based on the following principles:

- Remuneration should promote superior long term results for shareholders and sound risk management.
- Remuneration should support the corporate values and desired culture.
- Remuneration should promote behaviour that meets customers' reasonable expectations and protects their interests.
- Remuneration should support the attraction, retention and motivation of talent needed to achieve our business goals.
- Remuneration should reinforce leadership, accountability, teamwork and innovation.
- Remuneration should be aligned with the performance of the businesses, teams and individuals.
- Remuneration processes and practices should support the achievement of fair remuneration, including gender pay equity.

The link between these principles and our approach to executive remuneration is represented by the following diagram:

TOTAL TARGET REWARD			
Fixed (not linked to performance)	**Variable**		
Base Remuneration		**Short Term Incentive (STI)**	**Long Term Incentive (LTI)**
Fixed Base Cash	**Deferred Base Equity**	**Cash & Equity**	**Equity**
• Base salary plus salary sacrifice and superannuation contributions. • Set by reference to the role and responsibilities, market data, internal relativities and the Group's performance outlook. • Recognises an individual's experience, skills, competencies and value.	• Annual grants of deferred shares. • Deferred shares (fully paid ordinary shares) issued at no cost and beneficially owned from grant date. • Subject to a two-year continued employment condition. • Subject to Group financial performance and risk adjustment. • Shares held on trust for two years by Plan Trustee. • An additional one-year dealing restriction applies to the Managing Director. • No additional dealing restriction for other Executives beyond the two-year employment condition period.	• Cash, or a combination of cash and deferred equity. • STI target for each Executive is set by the Board at the start of each year. • Awards subject to the achievement of Group financial and business goals, individual performance and passing risk, compliance and values gateways. • If award exceeds $50,000, one third of the award is deferred into equity (deferred shares), issued on substantially the same terms as deferred base remuneration.	• Annual grant of performance rights ("rights"). • Each right represents an entitlement to one ordinary share. • Maximum number of ordinary shares that can be acquired is equal to the number of rights granted. • Rights are granted at no cost and have no exercise price. • Vesting is subject to achievement of Cash EPS and relative TSR performance measures. • There is no retesting. • An additional one-year dealing restriction applies to the Managing Director.

1.2 Remuneration approach and mix

The Board has adopted a relatively conservative approach to setting executive remuneration, with the total target reward for all executives tending towards the median of market levels.

The mix of executive remuneration is weighted more towards base remuneration than incentive based pay when compared with weightings generally adopted by the Australian banking sector and other Australian listed companies. This approach to remuneration mix has been in place for many years.

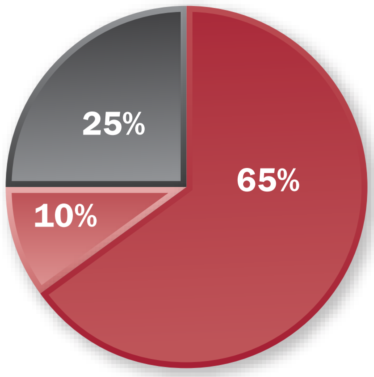
The Board has sought to ensure that executives' total target reward includes a significant portion of equity-based remuneration. The executives' base remuneration and STI include a deferred equity component and the LTI is also provided as equity and thereby directly links executive remuneration to the Bank's share price performance over the medium and longer term.

The target remuneration mix reflects differences in executive responsibilities, such as the executive's opportunity to drive and influence business outcomes and manage potential risk and compliance conflicts. The Board believes the remuneration structure appropriately balances executive focus between short term business and financial targets and sustainable growth in shareholder value over the medium and longer term.

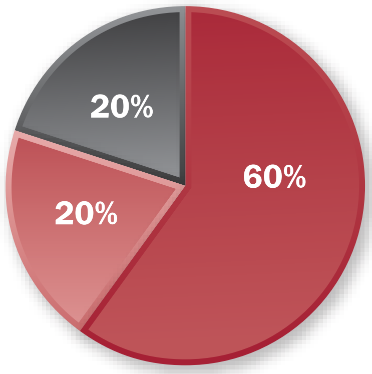
The below graphs set out the targeted remuneration mix for executives based on an annual total target reward.

- Base remuneration (Fixed base and deferred base)
- Short Term Incentive
- Long Term Incentive

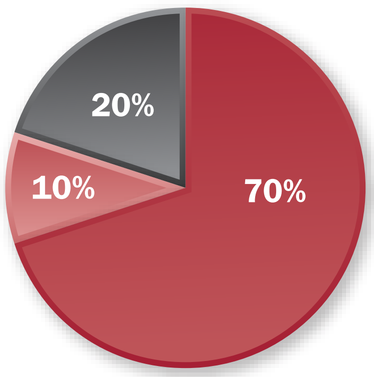
Managing Director



CFO, CCO and Other Executives



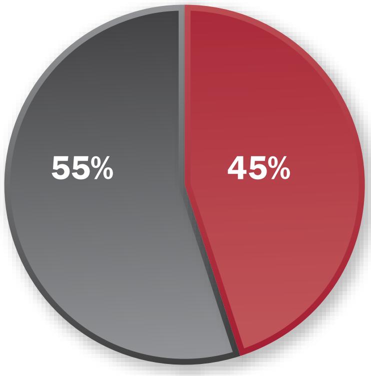
CRO

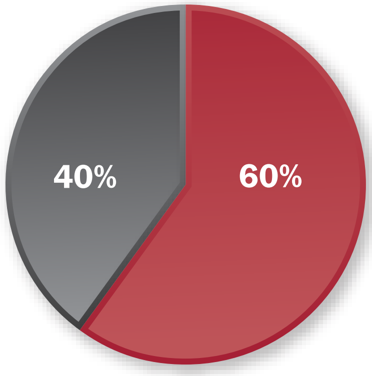


The below graphs set out the percentages of executive remuneration awarded in cash and equity based on the annual total target reward.

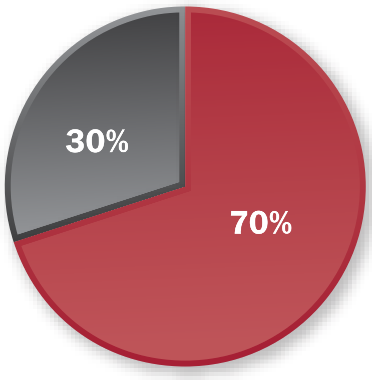
Cash remuneration
Equity remuneration

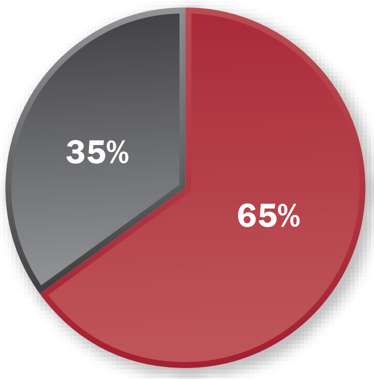
Managing Director





CFO and CCO





Other Executives

CRO

The Managing Director's remuneration mix has a high weighting of equity-based remuneration with 55 per cent of total potential target remuneration payable in equity. The equity-based remuneration is deferred over two or three years and at-risk until either the vesting date or completion of the applicable restriction period.

The Managing Director's remuneration is also highly weighted toward base remuneration with fixed base and deferred base representing 65 per cent of total target reward. The total target reward includes a target STI award of 10 per cent and a LTI component of 25 per cent. The remuneration mix is designed to reflect the Managing Director's overall responsibility for leading the organisation as well as fostering a longer term outlook.

The remuneration mix for other executives varies depending on the nature of the Executive's role, with 60 per cent to 70 per cent of total target reward being cash and the remaining percentage being equity deferred over two to four years and remaining at risk until vested. The total target reward for other executives (excluding the Chief Risk Officer) comprises base (fixed and deferred) remuneration of 60 per cent, a target STI award of 20 per cent and a LTI component of 20 per cent.

The remuneration mix for the Chief Risk Officer is also more highly weighted towards base remuneration, and includes a lower STI component compared to other executives, in recognition of his risk management and compliance responsibilities.

Executive remuneration arrangements are reviewed annually, first by the Governance & HR Committee, and then the Board, to ensure the mix and level of remuneration continues to be fair and appropriate and the incentive components (i.e. STI and LTI) are linked to performance measures that support the Group's strategy and business priorities.

Section 2: Executive remuneration

2.1 Base remuneration

Executive base remuneration comprises both fixed base and deferred base components.

Fixed base
Fixed base comprises cash salary, salary sacrifice and employer superannuation contributions.

Deferred base
Deferred base remuneration involves annual grants of deferred shares under the terms of the Employee Salary Sacrifice, Deferred Share and Performance Share Plan. Awards of deferred base remuneration are at the discretion of the Board.

The deferred shares are fully paid ordinary shares granted at no cost. They have no exercise price and are held by the plan trustee in trust for two years. The grants are subject to a two-year service condition and a risk adjustment at the discretion of the Board.

The number of deferred shares granted to an executive is determined by dividing the remuneration value of the deferred base component by the volume weighted average closing price of the Bank's shares for the last five trading days of the financial year prior to the year of the grant.

Executives are entitled to vote and to receive any dividend, bonus issue, return of capital or other distribution made in respect of deferred shares during the deferral period. They are not entitled to deal in the deferred shares until they vest and the Board may treat shares as forfeited before vesting. Deferred shares that do not vest at the end of the deferral period will be forfeited.

If an executive ends their employment with the Bank or were to act fraudulently, dishonestly or, in the Board's opinion, in breach of his or her legal duties before the conditions have been met, the deferred shares will be forfeited on the executive's last day of employment, unless exceptional circumstances apply and the Board decides to vest some or all of the deferred shares.

If an executive's employment ends because of death, disability, redundancy, or any other reason approved by the Board, the deferred shares will continue to be held as if the executive's employment has not ended, and the service condition will be treated as waived, unless the Board decides otherwise. If the Board does decide otherwise, it may determine that some or all of the deferred shares are forfeited, which would occur on the last day of employment.

If there is a takeover or change of control of the Bank, the Board has discretion to decide that the dealing restriction will end at a date decided by the Board.

For the Managing Director, the percentage of deferred base to total base remuneration is 40 per cent. For other executives the percentage of deferred base to total base remuneration ranges between 10 per cent and 20 per cent.

Setting base remuneration
In setting executive base remuneration the Board considers the nature and complexity of the role and the skills and experience needed to successfully fulfil the role. Base remuneration is also determined in context of the external market including comparable roles in the banking sector and other companies of a similar size and complexity.

There were no increases in executives' fixed base remuneration for the financial year, with the exception of increases awarded to two executives to recognise changes to their role and responsibilities. The Managing Director's deferred base remuneration was approved by shareholders in 2013 and has remained unchanged. There were no increases in deferred base remuneration for other executives with the exception of the two executives referred to above.

2.2 Short Term Incentive (STI) plan

Executive remuneration includes an annual incentive component. The incentive is designed to reward the achievement of Group and divisional business targets and is subject to passing risk management, compliance and values gateways.

A target STI award is set by the Board for each executive at the start of the financial year taking into account the executive's role, responsibilities and target remuneration mix. The objective is to provide an appropriate level of reward for the achievement of annual financial and business performance targets. The target STI awards have been set at relatively modest levels to promote a medium to longer term focus and discourage risk-taking behaviour. There was no change to executives' target STI awards for the year except for one executive who received an increase to reflect changes to the executive's role and responsibilities.

The Managing Director's STI performance measures are set at the start of each year by the Board upon recommendation from the Governance & HR Committee and comprised financial and non-financial targets. The STI performance measures for other executives are set at the start of the year by the Managing Director. The measures are based on the Executive's particular role and expected contribution to the achievement of annual financial targets and business objectives. Further details of executive STI measures for the financial year are presented below.

Group bonus pool
The parameters for establishing a group bonus pool are determined by the Board at the start of each year and require the achievement of a minimum level of financial performance before a bonus pool is established. The bonus pool increases depending on the extent to which actual performance exceeds the minimum level of financial performance.

For the 2016 financial year, the bonus pool allocation was again based on the cash earnings performance and consisted of:

a. A threshold hurdle requiring the achievement of 95 per cent of the target cash earnings for the 2016 financial year; and

b. A maximum potential bonus pool allocation based on 110 per cent of the targeted cash earnings result.

The bonus pool accrues at a predetermined percentage of actual cash earnings above the threshold hurdle. Higher percentages apply if actual cash earnings exceed the target cash earnings by up to 105 per cent, and by up to 110 per cent. The bonus pool stops accruing for financial performance in excess of 110 per cent of targeted cash earnings.

The Board also sets prescribed financial and risk hurdles that can be used to adjust the bonus pool determined using the formula described above.

The Board determines the annual bonus pool based on an assessment of the financial performance and achievement of the additional financial and risk hurdles shortly after the end of the financial year. Information on the performance relevant to the establishment of a bonus pool is presented at section 3 of this report.

STI performance assessments and payments

The payment of STI awards is dependent on the establishment of a bonus pool from which all STIs and staff bonuses are funded. If the actual bonus pool is less than the maximum potential pool, the target STI awards are proportionately adjusted downwards to reduce the STI opportunity for each executive. For example, if an executive has an approved target STI award of $100,000 and the actual bonus pool allocation represents 50 per cent of the maximum potential bonus pool, the target STI award is adjusted downwards to $50,000.

Each executive's performance is then assessed against their specific performance measures and objectives for the year. The outcome of the assessment is then used to determine any further adjustment (upward or downward) to the adjusted target STI award (i.e. $50,000) to determine the actual STI payment for the year.

Any further adjustment is solely at the discretion of the Board to allow for risk or compliance issues that were not contemplated at the time the goals were set.

STI - Managing Director

The Managing Director's target STI award was maintained at $400,000. This was set taking into account the remuneration objectives discussed earlier and the Managing Director's target remuneration mix. The Board also set the following performance measures:

Measure	Description
1. Risk	a. The level of risk associated with the Group's performance was within the Group's risk appetite; and b. An effective risk culture is promoted with evidence of enhanced risk practice across the organisation.
2. Medium term targets	Substantial progress has been made towards achieving the following medium term targets: a. Shareholder Targets: focusing on improved and sustainable shareholder value; b. Customer Targets: focusing on customer satisfaction, advocacy rankings and growth in the customer base and products per customer ratio; c. Financial Targets: focusing on improving economic performance including balance sheet and earnings growth; d. Partner Targets: focusing on the performance of the partner network including community and partner satisfaction rankings; and e. People Targets: focusing on employee engagement, diversity and organisational effectiveness.
3. Strategic projects	a. The progress made during the year towards achieving Basel II advanced accreditation by the target date; and b. The successful integration of the Rural Finance and Alliance Bank businesses.
4. Public representation	The Group continues to be represented effectively to government (state and federal) and in industry and public forums.

The Governance & HR Committee assesses the achievement of the performance measures shortly after the end of the financial year and applies any upward or downward adjustment to determine the actual STI award for the year. The Governance & HR Committee then recommends the STI award to the Board for approval.

This method of assessment was chosen to enable unforeseen developments during the year to be factored into the assessment and to ensure any necessary risk and compliance adjustments occur at the Board's discretion.

STI - Other executives

The target STI awards for other executives are set by the Board and are presented at Table 4. The Managing Director assesses the performance of other executives shortly after the financial year end based on the financial and non-financial measures set at the start of the year. The Board considers that the Managing Director is best placed to make an informed assessment of each executive's performance and overall contribution.

The financial and non-financial goals for other executives typically include:

a. Group financial and strategic performance goals including achievement of targeted statutory and cash earnings performance;

b. Business unit/division (team) financial and strategic performance taking into account the achievement of division or business unit growth and financial performance targets, implementation of specific business initiatives in line with project targets and timeframes, independent industry focused customer satisfaction and advocacy rankings and customer and community engagement initiatives;

c Individual contribution to team performance taking into account the achievement of overall division or business unit targets and business and risk objectives, assessment of the extent to which a "one-team" culture has been promoted, and there is evidence of continuous improvement in processes and procedures;

d. Individual performance, including alignment with corporate values and meeting performance objectives, based on an assessment of leadership, management of business unit resources and compliance with corporate values and code of conduct; and

e. Contribution to meeting risk and compliance requirements at a Group, team and individual level.

The risk and compliance requirements also represent a gateway to whether a payment will be made and the amount of the payment. Notwithstanding the Group's financial performance and the individual's contribution and performance, if the individual, team or Group does not meet or only partially meets risk and compliance requirements and/or does not demonstrate behaviour in-line with the corporate values, no award or a reduced award will be made. This requirement involves compliance with risk management and operational policies and procedures.

Taking into account the above, the Managing Director then assesses if any further adjustment to executive STI awards are required and proposes STI awards for the other executives to the Governance & HR Committee. The Board retains absolute discretion over the STI awards for all executives, including any risk and compliance adjustments.

STI deferral
If the actual STI award exceeds $50,000, one third of the award is deferred into equity as grants of deferred shares. The deferred shares are issued under the terms of the Employee Salary Sacrifice, Deferred Share and Performance Share Plan. The deferral period is for two years commencing from the end of the financial year for which the STI was granted.

The number of deferred shares granted is determined by dividing the value of the deferred STI component by the volume weighted average closing price of the Bank's shares for the last five trading days ending on the grant date.

If an executive ends their employment with the Bank or were to act fraudulently, dishonestly or, in the Board's opinion, in breach of his or her legal duties before the conditions have been met, the deferred shares will be forfeited on the executive's last day of employment, unless exceptional circumstances apply and the Board decides to vest some or all of the deferred shares.

If an executive's employment ends because of death, disability, redundancy, or any other reason approved by the Board, the deferred shares will continue to be held as if the executive's employment has not ended, and the service condition will be treated as waived, unless the Board decides otherwise. If the Board does decide otherwise, it may determine that some or all of the deferred shares are forfeited, which would occur on the last day of employment.

If there is a takeover or change of control of the Bank, the Board has discretion to decide that the dealing restriction will end at a date decided by the Board. Further details of the STI deferred share grants are presented at Section 6.

2.3 Long term incentive (LTI) plan

LTI is equity based remuneration that is subject to long-term performance and service conditions. At the Board's discretion, executives may be invited to participate in LTI plans involving grants of performance rights under the terms of the Employee Salary Sacrifice, Deferred Share and Performance Share Plan.

The number of performance rights granted is determined by dividing the remuneration value of the LTI component by the volume weighted average closing price of the Bank's shares for the last five trading days of the financial year prior to the year of the grant.

The performance right grants include cash EPS and TSR performance conditions. An EPS hurdle was chosen because EPS is a fundamental indicator of financial performance and capital efficiency. As the performance rights are issued annually, 50 per cent of the LTI component for executives is conditional upon achieving an improvement in EPS performance year-on-year.

The TSR hurdle measures the Bank's shareholder return performance relative to the TSR performance of other ASX 100 companies (excluding property trusts and resources stocks) using the ASX 100 Accumulation Index. This group of companies was chosen because it is broadly used by Australian listed companies and there are insufficient companies of comparable size in the banking or financial services sector to enable benchmarking against an industry-specific group. The TSR is independently calculated by an external provider.

The number of performance rights that vest and convert into ordinary shares at the end of the applicable performance period is determined as follows:

a. EPS hurdle: The grant is reduced by 50 per cent if the Bank's cash earnings per share for the applicable financial year is less than the cash earnings per share for the previous financial year.

b. TSR hurdle: The TSR performance period is three years.

Vesting of the performance rights (as adjusted for the EPS performance outcome) will be conditional on achieving the following TSR performance against the peer group:

Company's relative TSR ranking	Percentage of performance rights that vest
TSR below 50th per centile	Nil
TSR between 50th per centile and 75th per centile	65%
TSR above 75th per centile	100%

The performance rights are subject to the executive's continued employment for the performance period and notification from the Board whether, and to what extent, the performance conditions have been met including any risk adjustment made by the Board. The Board will test the performance condition as soon as practical after year end. Any performance rights that do not vest will lapse. There is no retesting of unvested performance rights.

An additional one year dealing restriction applies to ordinary shares allocated to the Managing Director for vested performance rights. However, a similar dealing restriction does not apply to other executives.

Before vesting, the performance rights do not carry any dividend or voting rights or the right to participate in the issue of new shares, such as a bonus share issue. If performance rights vest, the Board instructs the Plan Trustee to subscribe for or acquire the required number of ordinary shares. For the Managing Director, the shares will be held by the Plan Trustee on the Managing Director's behalf until the end of the restriction period. Any dividend accruing on the shares during the restriction period will be paid to the Managing Director by the Plan Trustee.

If an executive ends their employment with the Bank or were to act fraudulently, dishonestly or, in the Board's opinion, in breach of his or her legal duties before the conditions have been met, the unvested performance rights will be forfeited on the executive's last day of employment, unless there are exceptional circumstances and the Board decides otherwise to vest some or all of the performance rights.

If an executive's employment ends because of death, disability, redundancy, or any other reason approved by the Board, the unvested performance rights will continue to be held as if the executive's employment has not ended, and the service condition will be treated as waived, unless the Board decides otherwise. If the Board does decide otherwise, it may determine that some or all of the performance rights are forfeited, which would occur on the last day of employment.

The Board has a discretion under the Plan Rules to vest all or a specified number of Performance Rights if there is a takeover, compromise, scheme of arrangement or merger. Matters the Board may take into account include the Company's pro rata performance against the Performance Conditions and the individual's performance.

Managing Director's grants
Shareholders approved at the 2013 annual general meeting a grant of 152,438 performance rights in two parcels which relate to the two year contract extension announced on 26 March 2013. Each parcel is subject to a twelve month performance period for cash EPS testing and a three year performance period for TSR testing.

The Company announced on 10 November 2015 that the Managing Director had agreed to continue his employment contract beyond the current term which ends in July 2016. Information on a new LTI plan for the Managing Director will be presented in the 2016 Notice of Annual General Meeting.

Other executive grants
There have been four single tranche grants to other executives with a four year performance period, consisting of an initial twelve month performance period for EPS testing followed by a three year performance period for TSR testing. There were no increases to the LTI opportunities for other executives for the year. Further details on the performance right grants are presented at Section 6.

2.4 Risk adjustment

The Board may adjust the number of deferred shares and performance rights that vest to take into account any unforeseen or unexpected circumstances and risk developments. The Board has absolute discretion to adjust variable remuneration (Deferred base pay, Deferred STI and LTI) to reflect the following:

a. The outcomes of business activities;

b. The risks related to the business activities taking into account, where relevant, the cost of the associated capital; and

c. The time necessary for the outcome of those business activities to be reliably measured.

This includes adjusting performance-based components of remuneration downwards, to zero if appropriate. On an annual basis the Governance & HR Committee reviews the appropriateness of releasing deferred equity components taking into account the Group's performance outlook and any other matter that might impact the financial soundness of the Group.

2.5 Other remuneration policies

Hedging
An executive or their closely related parties may not enter into a transaction designed to remove the at-risk element of equity based pay before it has vested, or while it is subject to a trading restriction. These restrictions are in the Staff Trading Policy and Remuneration Policy.

The Bank treats compliance with these policies as important. At the end of each financial year each executive is required to confirm that they have complied with these restrictions. If an executive breaches either of these restrictions the executive forfeits all variable remuneration in the form of equity that is subject to the prohibition at the time of the breach.

Margin loan facility restriction
The staff trading policy also prohibits KMPs from using the Bank's securities as collateral in any margin loan arrangements.

Vested deferred shares and performance rights
Under the terms of the Employee Salary Sacrifice, Deferred Share and Performance Share Plan the Board has discretion to satisfy deferred share grants (Deferred Base Remuneration and Deferred STI) and vested performance right grants by either issuing new shares or acquiring shares on-market.

Section 3: Company performance and remuneration outcomes

3.1 Overview of company performance

The Group produced a sound operating result in what has continued to be a volatile and highly competitive environment. Following is an overview of the key performance indicators on a year-on-year basis for the past five years. The remuneration outcomes for the year were in line with the performance measures and the progress made in respect to longer term business priorities.

Company performance measure	Financial year ending				
	June 2016	June 2015	June 2014	June 2013	June 2012
Statutory earnings per share (cents)	90.4	92.5	87.7	84.9	48.6
Cash earnings per share (cents)	95.6	95.1	91.5	85.4	84.2
NPAT ($m)	415.6	423.9	372.3	352.3	195.0
Cash earnings ($m)	439.3	432.4	382.3	348.0	323.0
Dividends paid and payable (cents per share)	68.0	66.0	64.0	61.0	60.0
Share price at start of financial year	$12.26	$12.20	$10.07	$7.41	$8.86
Share price at end of financial year	$9.60	$12.26	$12.20	$10.07	$7.41
Total shareholder return	(16.2%)	5.9%	28%	44%	(9.6%)

3.2 Remuneration outcomes

Short term incentive outcomes

The measures used to determine the Group bonus pool allocation and individual STI awards are broadly the annual cash earnings performance and business and risk management objectives. Following is a summary of the bonus pool measures and outcomes for the financial year:

Bonus Pool Calculation	Performance Outcomes
Achieve 95% of target cash earnings (threshold hurdle)	• The Group achieved the cash earnings threshold hurdle.
Group cash earnings performance	• The Group's cash earnings result of $439.3 million represented an increase of 1.6 per cent on the prior year. The target cash earnings performance was achieved for the year.
Bonus Pool Adjustment	**Risk and Performance Outcomes**
Cash earnings per share	• The Group recorded a cash earnings per share result for the year of 95.6 cents per share. This represented an improvement of 0.5 per cent on the previous financial year and was slightly above the targeted cash earnings per share performance.
Return on Equity (cash basis)	• The return on equity ratio for the year was 8.94 per cent. This was in line with the targeted performance.
Return on Tangible Equity (cash basis)	• The return on tangible equity ratio for the year was 12.94 per cent. This was slightly ahead of the targeted performance.
Common Equity Tier 1 Equity	• The Common Equity Tier 1 ratio at year end was 8.09 per cent. This was in line with the targeted performance.
Cost to Income Ratio	• The cost to income ratio for the year was 56.0 per cent. This was better than the targeted performance.
Liquidity Coverage Ratio	• The liquidity coverage ratio was maintained in accordance with approved internal and regulatory limits during the year. This met the targeted performance.
Risk Weight Assets / Total Assets	• The risk weighted asset to total asset ratio at year end was 53.2 per cent. This was better than the targeted performance.

The Board determined that the measures were essentially met, and a bonus pool was established for the 2016 financial year. Information on short term incentive awards to executives for the financial year are provided at Table 4.

Long term incentive outcomes

The two measures used to determine the vesting of performance rights are the Group's EPS performance and total shareholder return. The following table summarises the current LTI performance right grants and performance testing outcomes applicable to the grants:

Grant	Grant Date	EPS Test Date	TSR Test Date	EPS Test Met	TSR Test Met	Vested for 2016 %	Lapsed for 2016 %	Remaining
2013 LTI Other Senior Executives	31.08.12	30.06.13	30.06.16	Met	Not met	0%	100%	Nil
2014 LTI Other Senior Executives	17.12.13	30.06.14	30.06.17	Met	Not yet tested	0%	0%	100%
2015 LTI Managing Director	01.07.14	30.06.15	30.06.16	Met	Not met	0%	100%	Nil
2015 LTI Other Senior Executives	10.12.14	30.06.15	30.06.18	Met	Not yet tested	0%	0%	100%
2016 LTI Other Senior Executives	17.12.15	30.06.16	30.06.19	Met	Not yet tested	0%	0%	100%

In relation to the Managing Director's LTI grant, the EPS performance hurdle for the second parcel tested on 30 June 2016 was met and 100 per cent of the performance rights were eligible for testing over the three year TSR performance period. Both parcels were tested against the TSR performance measure which was not met and in accordance with the vesting framework, none of the performance rights vested.

The performance right grant made in 2013 to other executives reached the end of the four year performance period and was also tested against the TSR performance measure. The measure was also not met and in accordance with the vesting framework none of the performance rights vested.

In relation to the 2016 LTI grant to other executives, the EPS performance hurdle for the parcel tested on 30 June 2016 was met and 100 per cent of the performance rights have been carried forward for testing over the four year TSR performance period.

Deferred share grants

The Managing Director's base pay deferred share grant, the FY2015 deferred base pay grant to other executives and the FY2014 deferred STI component were tested and having regard to the financial soundness of the organisation it was decided by the Board to vest the deferred shares. The FY2016 base pay deferred grant and STI deferred share grant for FY2015 will be tested in future financial periods.

Section 4: Non-executive Director remuneration

The remuneration of Non-executive Directors is based on the following principles and arrangements. There is no direct link between Non-executive Director fees and the annual results of the Group. Non-executive Directors do not receive bonuses or incentive payments, nor receive any equity based pay.

Shareholders approved an aggregate fee pool for Non-executive Directors of $2,500,000 at the 2011 Annual General Meeting. This fee pool covers payments (including superannuation) for the main Board and payments to the Bank's Non-executive Directors appointed to subsidiary boards and the **Community Bank®** Strategic Advisory Board.

The Governance & HR Committee (the "Committee") recommends to the Board the remuneration policy and remuneration for Non-executive Directors. The base fee is reviewed annually by the Committee and the following considerations are taken into account in setting the base fee:

a. The scope of responsibilities of Non-executive Directors and time commitments. This includes consideration of significant changes to the Group's operations and industry developments which impact Director responsibilities, at both the Board and committee level.

b. Fees paid by peer companies and companies of similar market capitalisation and complexity, including survey data and peer analysis to understand the level of Director fees paid in the market, particularly in the banking and finance sector.

Non-executive Directors receive a fixed annual fee plus superannuation contributions at 9.50 per cent (FY2015: 9.50 per cent) of the base fee. In relation to superannuation contributions, Non-executive Directors can elect to receive amounts above the maximum contributions limit as cash or additional superannuation contributions. The Chairman receives a higher base fee in recognition of the additional time commitment and responsibilities.

No additional fees are paid for serving on Board Committees. Additional fees were paid to Non-executive Directors who are also members of the Rural Bank, Sandhurst Trustees or **Community Bank®** Strategic Advisory Boards.

The Board decided to increase the base fee by 1 per cent during the year. It was also decided to round the base fee and subsidiary fees up to the nearest $500. There was no general increase to subsidiary fee payments.

The base fee effective from 1 September 2015 was:

a. $193,000 for Directors (inclusive of company superannuation contributions)

b. $482,000 for the Chairman (two and half times the base fee and inclusive of company superannuation contributions).

The Board recently resolved to align the membership of the Rural Bank Board with the Board of Bendigo and Adelaide Bank and all directors on the main board have now been appointed as directors of Rural Bank. The former external Non-executive Directors on the Rural Bank Board resigned.

A review of the Non-executive Director fees has also been completed since the end of the financial year. The Board has approved the following changes to the fee arrangements effective from 2 August 2016:

a. No fees will be paid to Non-executive Directors of the Board of Rural Bank Limited: and

b. An increase of 1 per cent to the annual base fee (no additional fees paid for committee memberships).

The Directors contribute $5,000 each to the Bank's scholarship program. The program was established to assist disadvantaged students meet tertiary education accommodation and direct study costs. The contributions are deducted from base fee payments.

Section 5: Remuneration governance

The Committee provides assistance to the Board in relation to the Group's remuneration arrangements. The Board makes all final decisions in relation to those arrangements. The current members of the Committee are all independent Non-executive Directors:

a. Tony Robinson (Chairman)

b. Jacquie Hey

c. Robert Johanson

d. Deb Radford

The Committee has responsibility for providing input into the Group's risk management framework in relation to remuneration risk, in particular, recommending to the Board the remuneration arrangements for the Executives.

A summary of the Committee's remuneration responsibilities is presented below and the Committee Charter is available from the Corporate Governance section of the Bank's website at http//www.bendigoadelaide.com.au/public/corporate_governance/index.asp.

The Committee's remuneration responsibilities include conducting regular reviews of, and making recommendations to the Board on the remuneration strategy and policy taking into account the Group's objectives, risk profile, shareholder interests, regulatory requirements and market developments. The Committee is also responsible for making recommendations to the Board on:

a. The remuneration arrangements for executives, including the terms on which performance-based remuneration will be provided;

b. The performance-based remuneration outcomes for the executives; and

c. The annual bonus pool.

The Committee makes recommendations to the Board on the exercise of the Board's discretion to adjust incentive and performance-based remuneration to reflect the outcomes of business activities and the risks relating to those activities.

The Committee is also responsible for recommending to the Board the remuneration matters specified by the Australian Prudential Regulation Authority under Prudential Standard CPS 510 *Governance* relating to other designated responsible persons, risk and financial control personnel and material risk takers.

The Committee may consult a professional adviser or expert, at the cost of the Bank, if the Committee considers it necessary to carry out its duties and responsibilities. No remuneration recommendations were obtained from external consultants in relation to any of the KMP during the reporting period.

Section 6: KMP remuneration, equity and loan tables

Table 1: Non-executive Director remuneration

The following payments were made to Non-executive Directors in the 2016 and 2015 financial years.

Non-executive Director	Short-term benefits		Post-employment benefits	Total
	Fees[1]	Non-monetary benefits[2]	Superannuation contributions[3]	
R Johanson (Chairman)[4]				
2016	$534,686	$4,550	$19,308	$558,544
2015	$529,325	$4,550	$18,784	$552,659
J Dawson[5]				
2015	$85,000	-	$7,395	$92,395
J Harris[6]				
2016	$72,939	-	$6,376	$79,315
J Hazel[7]				
2016	$256,279	-	$24,338	$280,617
2015	$253,998	-	$24,130	$278,128
J Hey				
2016	$175,911	-	$16,706	$192,617
2015	$173,811	-	$16,512	$190,323
R Hubbard				
2016	$175,925	-	$16,692	$192,617
2015	$173,811	-	$16,512	$190,323
D Matthews[8]				
2016	$260,135	$5,674	$19,308	$285,117
2015	$248,620	$4,757	$18,600	$271,977
D Radford				
2016	$175,903	-	$16,714	$192,617
2015	$173,811	-	$16,512	$190,323
T Robinson[9]				
2016	$266,809	-	$19,308	$286,117
2015	$198,400	$4,384	$17,304	$220,088
Aggregate totals				
2016	**$1,918,587**	**$10,224**	**$138,750**	**$2,067,561**
2015	**$1,836,776**	**$13,691**	**$135,749**	**$1,986,216**

[1] Fee amounts include the $5,000 Director contribution to the Board scholarship program.

[2] Represents fee sacrifice component of the base Director fee amount paid as superannuation.

[3] Represents company superannuation contributions.

[4] Fees paid to Mr Johanson include the fee paid by Rural Bank Limited of $77,000 inclusive of company superannuation (FY2015: $76,854 including company superannuation at 9.5%).

[5] Ms Dawson retired from the Board on 27 October 2014. The fees paid to Ms Dawson include, on a pro-rata basis, an additional fee of $93,075 inclusive of company superannuation at 9.5% as Chairman of Sandhurst Trustees Ltd.

[6] Ms Jan Harris was appointed to the Board on 2 February 2016.

[7] Fees paid to Mr Hazel include the fee paid by Rural Bank Limited of $88,000 inclusive of company superannuation (FY2015: $87,804 inclusive of company superannuation at 9.5%).

[8] The fees paid to Mr Matthews include $15,500 inclusive of company superannuation as a member of the **Community Bank**® Strategic Advisory Board (CBSAB). They also include a fee of $77,000 inclusive of company superannuation as a Director of Rural Bank Limited which commenced from 20 August 2014.

[9] The fees paid to Mr Robinson include a fee of $93,500 inclusive of company superannuation as a Director of Sandhurst Trustees Limited which commenced on 10 March 2015. Accordingly, the comparative fee amount only includes a fee payment of $28,973 for the Sandhurst Trustees appointment.

Table 2: Non-executive Director equity holdings

The details of shareholdings in the Bank held (directly or nominally) by Non-executive Directors (including their close family members or any entity they, or their close family members, control, jointly control or significantly influence) are set out below.

Name	Number at start of year		Net Change[1]		Number at end of year[2]	
	Ordinary shares	Preference Shares	Ordinary shares	Preference Shares	Ordinary shares	Preference Shares
Non-executive Directors						
R Johanson	257,253	-	(15,953)	-	241,300	-
J Harris	-	-	1,000	-	1,000	-
J Hazel	17,922	-	6,250	-	24,172	-
J Hey	6,450	250	3,563	-	10,013	250
R Hubbard	5,192	-	5,195	-	10,387	-
D Matthews	17,214	-	11,147	-	28,361	-
D Radford	1,900	3,190	-	-	1,900	3,190
T Robinson	18,192	-	5,000	-	23,192	-

[1] No equity instruments were granted as compensation to Non-executive Directors during the reporting period.
[2] None of the shares are held nominally.

Table 3: Executive remuneration

The statutory executive remuneration disclosures for the 2016 and 2015 financial years are set out in the table below. The following remuneration disclosures have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards.

Executive	Short-term employee benefits			Super-annuation benefits[4]	Other long-term benefits[5]	Termination	Share-based payments[6]		Total	Performance related[12]
	Cash salary[1]	Cash bonuses (STI)[2]	Non-monetary benefits[3]				Performance rights[7]	Deferred shares[8]		
M Hirst[9]										
2016	$1,365,435	-	$7,015	$19,308	($14,256)	-	$358,737	$996,058	$2,732,297	15%
2015	$1,307,115	$88,431	$73,869	$18,784	$31,362	-	$358,737	$1,003,283	$2,881,581	18%
M Baker										
2016	$549,882	-	$12,174	$19,308	$8,625	-	$95,032	$186,633	$871,654	15%
2015	$550,811	$44,215	$10,132	$18,784	$20,705	-	$70,294	$171,767	$886,708	17%
D Bice[10]										
2016	$316,894	-	$12,071	$14,507	($69,393)	$774,377	$32,778	$64,598	$1,145,832	12%
2015	$395,326	$30,000	$26,393	$18,784	$14,352	-	$33,729	$90,733	$609,317	15%
J Billington[11]										
2016	$110,706	-	-	$24,506	-	$412,778	$16,575	$53,518	$618,083	15%
2015	$399,068	$48,000	-	$18,784	-	-	$39,002	$93,494	$598,348	17%
R Fennell										
2016	$589,920	-	$4,500	$19,308	($3,113)	-	$97,824	$195,646	$904,085	15%
2015	$556,409	$55,269	$4,500	$18,784	$26,838	-	$73,086	$178,019	$912,905	19%
A Gartmann[11]										
2016	$194,964	-	-	$13,238	$3,131	-	$7,916	$30,000	$249,249	3%
R Musgrove										
2016	$300,549	-	$18,288	$29,722	($4,400)	-	$29,530	$70,975	$444,664	9%
2015	$279,248	$44,000	$37,960	$32,588	$10,541	-	$19,635	$68,234	$492,206	15%
T Piper										
2016	$533,849	-	$15,770	$19,308	$14,245	-	$76,012	$140,593	$799,777	11%
2015	$520,878	$30,000	$15,770	$18,784	$30,663	-	$56,222	$143,610	$815,927	13%
B Speirs[10]										
2016	$247,020	-	$4,902	$14,560	$10,934	-	$15,918	$22,623	$315,957	5%
S Thredgold										
2016	$340,995	-	$5,000	$19,308	($15,209)	-	$43,624	$75,724	$469,442	12%
2015	$322,430	$49,742	$5,000	$18,784	$5,226	-	$33,729	$80,483	$515,394	20%
A Tullio										
2016	$346,635	-	$15,329	$19,308	$31,255	-	$29,530	$84,304	$526,361	9%
2015	$301,761	$33,334	$5,896	$18,784	-	-	$19,635	$80,275	$459,685	16%
A Watts										
2016	$403,506	-	$17,558	$19,308	($7,604)	-	$49,275	$74,638	$556,681	13%
2015	$405,956	$36,667	$5,447	$18,784	($420)	-	$39,379	$78,568	$584,381	17%
Totals										
2016	**$5,300,355**	**-**	**$112,607**	**$231,689**	**($45,785)**	**$1,187,155**	**$852,751**	**$1,995,310**	**$9,634,082**	
2015	**$5,039,002**	**$459,658**	**$184,967**	**$201,644**	**$139,267**	**-**	**$743,448**	**$1,988,466**	**$8,756,452**	

[1] Cash salary amounts include the net movement in the executive's annual leave accrual for the year.

[2] These amounts represent STI cash awards to executives for the financial year. The cash component is expected to be paid in October 2016. Refer also to footnote 8 below for discussion on the deferral of STI components.

[3] "Non-monetary" relates to sacrifice components of executive salary such as superannuation contributions and motor vehicle costs.

[4] Represents company superannuation contributions made on behalf of executives. Company superannuation contributions form part of the executive's fixed base remuneration and are paid up to the statutory maximum contributions base.

[5] The amounts disclosed relate to movements in long service leave entitlement accruals.

[6] In accordance with the requirements of Australian Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year. The fair value of equity instruments is calculated as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should the equity instruments vest. The fair value of performance rights as at the grant date has been calculated under AASB 2 *Share-based Payments* applying a Black-Scholes-Merton valuation method incorporating a Monte Carlo simulation option pricing model to estimate the probability of achieving the Total Shareholder Return hurdle and the number of performance rights that vest. The assumptions underpinning these valuations are set out in Table 5.

[7] The amounts included in the performance rights column comprise the amortised value of annual performance right grants to executives (excluding the Managing Director) amortised over a four year period and the amortised value of the single performance right grant to the Managing Director made on 1 July 2014 amortised over a three year period. As the performance right grants for other executives commenced in the 2013 financial year, the comparative figures only include the amortised value for three performance right grants. The current year's value includes the amortised value for four grants of performance rights.

[8] The amounts included in the deferred share column comprise:

- The fair value of deferred STI components amortised over a two-year deferral period. The deferred STI component for the 2014 financial year is amortised over the 2015 and 2016 financial years and the deferred STI component for the 2015 financial year is amortised over 2016 and 2017 financial years.
- The fair value of the deferred share base pay grants amortised over a two-year deferral period. The deferred base pay grant made during the 2015 financial year is amortised over the 2015 and 2016 financial years and the deferred base pay grant made during the 2016 financial year is amortised over the 2016 and 2017 financial years. The comparative figure includes the fair value of the deferred base pay grant made in the 2014 financial year amortised over the 2014 and 2015 financial years.

[9] The rights relating to the amounts disclosed in the 'Performance Rights' column did not meet the performance hurdles and were fully lapsed on 30 June 2016. Accordingly, the Managing Director received no remuneration value for these rights. However, in accordance with AASB 2 Share-based Payments and notwithstanding the lapse of the rights, the Managing Director's actual total remuneration is still required to include the amortised fair value of the grant allocated over the 2014, 2015 and 2016 financial years.

[10] Mr Dennis Bice ceased as a KMP on 31 March 2016 and Mr Bruce Speirs commenced as a KMP on 29 September 2015. The remuneration amounts for these KMP (except for the termination payment to Mr Bice) are presented on a pro-rata basis.

[11] Mr John Billington ceased as a KMP on 29 September 2015 and Ms Alex Gartmann commenced as a KMP on 26 October 2016.

[12] The performance related percentage comprises cash bonus (STI) payments, the amortised fair value of performance right grants and the amortised fair value of deferred STI components (which form part of the amount disclosed under the 'Deferred shares' column). It excludes termination payments.

Table 4: Executive STI payments

The following short-term incentives were awarded to executives for FY2016. The short term incentives forfeited are also set out in the table below.

Executive	Target STI award[2]	STI payment		STI payment as % of Target STI Award	% of Target STI Award forfeited
		Paid as cash	Deferred into shares[1]		
M Hirst	$400,000	-	-	0%	100%
M Baker	$200,000	-	-	0%	100%
D Bice	$150,000	-	-	0%	100%
J Billington	$160,000	-	-	0%	100%
R Fennell	$250,000	-	-	0%	100%
A Gartmann	$70,000	-	-	0%	100%
R Musgrove	$100,000	-	-	0%	100%
T Piper	$100,000	-	-	0%	100%
B Speirs	$125,000	-	-	0%	100%
S Thredgold	$150,000	-	-	0%	100%
A Tullio	$100,000	-	-	0%	100%
A Watts	$180,000	-	-	0%	100%

[1] One-third of STI awards that exceed the $50,000 threshold set by the Board are subject to deferral for two years into shares in the Bank. No deferred shares were allocated in relation to STI deferral for FY2016.
[2] The STI award is subject to the achievement of financial and non-financial measures. Accordingly, the minimum potential STI award is nil.

Table 5: All equity plans – equity valuation inputs

The following tables summarise the valuation inputs for current equity instruments issued by the Bank.

a. Deferred Shares

		Terms & Conditions for each Grant			
Equity Instrument	**Grant date**	**Issue price / Fair value[1]**	**Share price at grant date**	**Restriction period end / test date**	**Expiry date**
Deferred Shares Base Pay	17.12.2015	$12.43	$11.24	30.06.2017	30.06.2017
Deferred Shares Base Pay	10.12.2014	$12.89	$12.62	30.06.2016	30.06.2016
Deferred Shares Base Pay[2]	01.07.2014	$12.28	$12.30	30.06.2016	30.06.2016
Deferred Shares STI[3]	12.10.2015	$10.02	$10.36	30.06.2017	30.06.2017
Deferred Shares STI	07.10.2014	$11.74	$11.81	30.06.2016	30.06.2016

[1] The fair value of deferred share grants (for STI deferral and deferred base pay) is calculated using the volume weighted average closing price of the Bank's shares for the five days prior to and period ending on the grant date.
[2] A further 12 month dealing restriction applies to the Managing Director's grant.
[3] The Managing Director's deferred STI grant was made on 30 September 2015.

b. Performance rights

				Terms & Conditions for each Grant					
Equity Instrument	**Grant date**	**Fair value[1]**	**Share Price $**	**Exercise price**	**Risk-free interest rate**	**Dividend yield**	**Expected volatility**	**Expected life**	**Performance period end / expiry date[2]**
Performance Rights	31.08.2012	$3.30	$7.58	-	2.49%	6.5%	25%	4 years	30.06.2016
Performance Rights	17.12.2013	$4.45	$10.98	-	2.91%	7.5%	22%	4 years	30.06.2017
Performance Rights[3]	01.07.2014	$7.06	$12.30	-	2.57%	6.5%	22%	3 Years	30.06.2016
Performance Rights	10.12.2014	$5.53	$12.62	-	2.31%	6.0%	18%	4 Years	30.06.2018
Performance Rights	17.12.2015	$4.92	$11.24	-	2.18%	6.0%	20%	4 Years	30.06.2019

[1] The fair value is calculated as at grant date in accordance with AASB 2 *Share-based Payments* using an independent valuation.
[2] The Board will test the performance condition as soon as practical after year end. Any performance rights that do not vest will lapse at 5.00pm on the date the Board makes its decision on what performance rights vest or lapse.
[3] The terms and conditions relate to the grant to the Managing Director which has a three year performance period. As the performance rights will lapse at the end of the performance period if the performance measures are not met, the expected life of the grant is three years. A further 12 month dealing restriction applies to any ordinary shares allocated in relation to vested rights under the terms of the Managing Director's grant.

Table 6: All equity plans - number of instruments

The table below sets out the number and value of equity instruments granted by the Bank during FY2016. It also includes details of instruments granted in prior years that vested or were forfeited or lapsed during the year.

Executive	Equity Instrument	Grant Date	Granted Units[1]	Granted[2] $	Prior years' awards vested[3] Units	Prior years' awards vested[4, 7] $	Forfeited / Lapsed [2, 5,6] Units	Forfeited / Lapsed [5, 6] $
M Hirst	Performance Rights	01.07.2014	-	-	-	-	152,438	1,076,212
	Deferred Shares Base Pay	01.07.2014	-	-	152,438	$1,871,939		
	Deferred Shares STI	07.10.2014	-	-	6,471	$75,970	-	-
	Deferred Shares STI	30.09.2015	4,412	$44,208	-	-	-	-
M Baker	Performance Rights	31.08.2012	-	-	-	-	27,397	90,410
	Performance Rights	17.12.2015	20,112	$98,951	-	-	-	-
	Deferred Shares Base Pay	17.12.2015	12,067	$149,993	-	-	-	-
	Deferred Shares Base Pay	10.12.2014	-	-	12,214	$157,438	-	-
	Deferred Shares STI	12.10.2015	2,206	$22,104	-	-	-	-
	Deferred Shares STI	07.10.2014	-	-	3,725	$43,732	-	-
D Bice	Performance Rights	31.08.2012	-	-	-	-	13,699	45,207
	Performance Rights	17.12.2015	8,045	$39,581	-	-	-	-
	Deferred Shares Base Pay	17.12.2015	5,631	$69,993	-	-	-	-
	Deferred Shares Base Pay	10.12.2014	-	-	5,700	$73,473	-	-
	Deferred Shares STI	07.10.2014	-	-	2,426	$28,481	-	-
J Billington	Performance Rights	31.08.2012	-	-	-	-	20,091	$66,300
	Performance Rights	17.12.2013	-	-	-	-	10,040	$44,678
	Performance Rights	10.12.2014	-	-	-	-	8,143	$45,031
	Deferred Shares Base Pay	10.12.2014	-	-	6,107	$78,719	-	-
	Deferred Shares STI	07.10.2014	-	-	2,412	$28,317	-	-
R Fennell	Performance Rights	31.08.2012	-	-	-	-	27,397	90,410
	Performance Rights	17.12.2015	20,112	$98,951	-	-	-	-
	Deferred Shares Base Pay	17.12.2015	12,067	$149,993	-	-	-	-
	Deferred Shares Base Pay	10.12.2014	-	-	12,214	$157,438	-	-
	Deferred Shares STI	12.10.2015	2,757	$27,625	-	-	-	-
	Deferred Shares STI	07.10.2014	-	-	4,790	$56,235	-	-
A Gartmann	Performance Rights	17.12.2015	6,436	$31,665	-	-	-	-
	Deferred Shares Base Pay	17.12.2015	4,827	$60,000	-	-	-	-
R Musgrove	Performance Rights	17.12.2015	8,045	$39,581	-	-	-	-
	Deferred Shares Base Pay	17.12.2015	4,827	$60,000	-	-	-	-
	Deferred Shares Base Pay	10.12.2014	-	-	4,885	$62,968	-	-
	Deferred Shares STI	07.10.2014	-	-	1,617	$18,984	-	-
T Piper	Performance Rights	31.08.2012	-	-	-	-	20,548	67,808
	Performance Rights	17.12.2015	16,090	$79,163	-	-	-	-
	Deferred Shares Base Pay	17.12.2015	10,056	$124,996	-	-	-	-
	Deferred Shares Base Pay	10.12.2014	-	-	10,179	$131,207	-	-
	Deferred Shares STI	07.10.2014	-	-	2,128	$24,983	-	-
B Speirs	Performance Rights	17.12.2015	8,045	$39,581	-	-	-	-
	Deferred Shares Base Pay	17.12.2015	4,827	$60,000	-	-	-	-

Table 6: All equity plans - number of instruments (continued)

Executive	Equity Instrument	Grant Date	Granted Units[1]	Granted[2] $	Prior years' awards vested[3] Units	Prior years' awards vested[4, 7] $	Forfeited / Lapsed [2, 5,6] Units	Forfeited / Lapsed [5, 6] $
S Thredgold	Performance Rights	31.08.2012	-	-	-	-	13,699	45,207
	Performance Rights	17.12.2015	8,045	$39,581	-	-	-	-
	Deferred Shares Base Pay	17.12.2015	4,827	$60,000	-	-	-	-
	Deferred Shares Base Pay	10.12.2014	-	-	4,885	$62,968	-	-
	Deferred Shares STI	07.10.2014	-	-	2,426	$28,481	-	-
A Tullio	Performance Rights	17.12.2015	8,045	$39,581	-	-	-	-
	Deferred Shares Base Pay	17.12.2015	5,631	$69,993	-	-	-	-
	Deferred Shares Base Pay	10.12.2014	-	-	4,885	$62,968	-	-
	Deferred Shares STI	12.10.2015	1,663	$16,663	-	-	-	-
	Deferred Shares STI	07.10.2014	-	-	1,617	$18,984	-	-
A Watts	Performance Rights	31.08.2012	-	-	-	-	20,548	67,808
	Performance Rights	17.12.2015	8,045	$39,581	-	-	-	-
	Deferred Shares Base Pay	17.12.2015	4,022	$49,993	-	-	-	-
	Deferred Shares Base Pay	10.12.2014	-	-	4,071	$52,475	-	-
	Deferred Shares STI	12.10.2015	1,829	$18,327	-	-	-	-
	Deferred Shares STI	07.10.2014	-	-	2,426	$28,481	-	-

[1] The grants to Executives in FY2016 constituted 100% of the grants available for the year and were made on the terms described at Section 2. The number of base pay deferred shares and performance rights allocated to executives is calculated by dividing the remuneration value by the volume weighted average closing price of the Bank's shares for the last five trading days of the financial year prior to year of the grant. The number of STI deferred shares allocated to Executives is calculated by dividing the deferred STI remuneration value by the volume weighted average closing price of the Bank's shares for the five trading days ending on the grant date.

[2] The value of the performance right grants and deferred share grants is the fair value (refer Table 5). The minimum total value of the grants, if the applicable performance and service conditions are not met, is nil and an estimate of the maximum possible total value in future financial years is the fair value shown above.

[3] The percentage of the Managing Director's performance right grant and the executive performance right grant made in 2013 that vested for the year was nil and the percentage that was forfeited was 100 per cent. The percentage of all other performance rights that vested, or were forfeited during the year was nil as the TSR measure for these performance rights will be tested over future periods. The percentage of base pay deferred share grants and STI deferred share grants made in FY2015 that vested during the year was 100%. The percentage of the deferred share base pay grant and deferred STI grant made in FY2016 that vested during the year was nil as the grants will be tested over future periods.

[4] The value of vested deferred shares is measured using the fair values applicable to the grant of deferred shares that vested. The applicable fair values are presented at Table 5. As each deferred share represents one ordinary share in the Bank, the number of ordinary shares that will be allocated is the same as the number of vested deferred shares.

[5] The value of each instrument on the date it lapses or is forfeited is calculated using the fair value of the instrument. Performance rights and deferred shares lapse where the applicable performance and service conditions are not satisfied.

[6] The performance rights vest subject to performance and continued service over the applicable performance period. The exercise price for the performance rights and deferred shares is nil. If performance rights do not vest at the end of the performance period, they lapse.

[7] The Bank acquired the following securities on-market for the purpose of, and to satisfy the entitlements of holders of rights to acquire securities granted under, the Bank's Employee Salary Sacrifice, Deferred Share and Performance Share Plan:

a. Total number of ordinary shares purchased during the financial year: 108,733 ordinary shares (FY2015: 225,519 ordinary shares); and
b. Average price per ordinary share at which the securities were purchased: $10.42 per security (FY2015: $12.54 per security).

Table 7: Movements in executives' equity holdings

All equity transactions with executives have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length other than shares issued under the Employee Share Ownership Plan. Issues of shares under the Employee Share Plan are made under conditions disclosed in the 2016 Annual Financial Report at Note 36.

Performance rights and deferred shares are granted as equity compensation under the Employee Salary Sacrifice, Deferred Share and Performance Share Plan ("Plan") to executives as LTI, Deferred Base and Deferred STI remuneration components. The movements in executive (including their related parties) equity holdings for FY2016 are outlined below.

Executive	Equity Instrument[1]	Number at start of year	Number granted during the year as remuneration	Number Received on exercise or exercised / released during the year	Number Lapsed / expired during the year	Net change other	Number at end of year[2]	Vested and exercisable at year end
M Hirst	Deferred shares	158,909	4,412	(158,909)	-	-	4,412	-
	Ordinary shares	582,061	-	158,909	-	(42,586)	698,384	-
	Performance rights	152,438	-	-	(152,438)	-	-	-
M Baker	Deferred shares	15,939	14,273	(15,939)	-	-	14,273	-
	Ordinary shares	256,809	-	15,939	-	15,157	287,905	-
	Preference shares	600	-	-	-	200	800	-
	Performance rights	65,325	20,112	-	(27,397)	-	58,040	-
D Bice	Deferred shares	8,126	5,631	(8,126)	-	-	5,631	-
	Ordinary shares	77,868	-	8,126	-	(3,417)	82,577	-
	Performance rights	31,882	8,045	-	(13,699)	-	26,228	-
J Billington	Deferred shares	8,519	-	(8,519)	-	-	-	-
	Ordinary shares	46,193	-	8,519	-	(4,193)	50,519	-
	Performance rights	38,274	-	-	(38,274)	-	-	-
R Fennell	Deferred shares	17,004	14,824	(17,004)	-	-	14,824	-
	Ordinary shares	72,034	-	17,004	-	-	89,038	-
	Performance rights	67,835	20,112	-	(27,397)	-	60,550	-
A Gartmann	Deferred shares	-	4,827	-	-	-	4,827	-
	Ordinary shares	-	-	-	-	-	-	-
	Performance rights	-	6,436	-	-	-	6,436	-
R Musgrove	Deferred shares	6,502	4,827	(6,502)	-	-	4,827	-
	Ordinary shares	22,876	-	6,502	-		29,378	-
	Performance rights	15,673	8,045	-	-	-	23,718	-
T Piper	Deferred shares	12,307	10,056	(12,307)	-	-	10,056	-
	Ordinary shares	51,010	-	12,307	-	(14,815)	48,502	-
	Performance rights	51,894	16,090	-	(20,548)	-	47,436	-
B Speirs	Deferred shares	-	4,827	-	-	-	4,827	-
	Ordinary shares	995	-	-	-	-	995	-
	Performance rights	9,091	8,045	-	-	-	17,136	-
S Thredgold	Deferred shares	7,311	4,827	(7,311)	-	-	4,827	-
	Ordinary shares	29,440	-	7,311	-	(10,000)	26,751	-
	Performance rights	31,882	8,045	-	(13,699)	-	26,228	-

Table 7: Movements in executives' equity holdings (continued)

Executive	Equity Instrument[1]	Number at start of year	Number granted during the year as remuneration	Number Received on exercise or exercised / released during the year	Number Lapsed / expired during the year	Net change other	Number at end of year[2]	Vested and exercisable at year end
A Tullio	Deferred shares	6,502	7,294	(6,502)	-	-	7,294	-
	Ordinary shares	7,411	-	6,502	-	(7,340)	6,573	-
	Performance rights	15,673	8,045	-	-	-	23,718	-
A Watts	Deferred shares	6,497	5,851	(6,497)	-	-	5,851	-
	Ordinary shares	85,019	-	6,497	-	(16,850)	74,666	-
	Performance rights	38,731	8,045	-	(20,548)	-	26,228	-

[1] Ordinary share amounts include ordinary shares issued under the Employee Share Ownership Plan.
[2] None of the equity holdings are held nominally.

Table 8: Executive employment agreements

The remuneration and other terms of employment for executives are contained in formal employment contracts. The material terms of the executive contracts at the date of this report are set out below.

Issue	Description	Applies to
What is the duration of the contracts?	Fixed term to June 2016, subject to the termination provisions summarised below, and then on-going until notice is given by either party.	Managing Director
	On-going until notice is given by either party.	Other Executives
What notice must be provided by a Executive to end the contract without cause?	Up to 12 months' notice. No notice period required if material change in duties or responsibilities.	All Executives
What notice must be provided by the Bank to end the contract without cause?[1]	12 months' notice or payment in lieu.	All Executives
What payments must be made by the Bank for ending the contract without cause?[1]	Payment of gross salary in lieu of period of notice (including payment of accrued / unused leave entitlements calculated to end of relevant notice period).	All Executives
What are notice and payment requirements if the Bank ends the contract for cause?	Termination for cause does not require a notice period. Payment of pro-rata gross salary and benefits (including payment of accrued / unused leave entitlements) is required to date of termination.	All Executives
Are there any post-employment restraints?	12 month non-competition and non-solicitation (employees, customers and suppliers) restriction.	Managing Director
	12 month non-solicitation (employees, customers and suppliers) restriction.	Other Executives

[1] In certain circumstances, such as a substantial diminution of responsibility, the Bank may be deemed to have ended the employment of an executive and will be liable to pay a termination benefit as outlined at the row titled “What payments must be made by the Bank for ending the contract without cause”.

Table 9: Non-executive Director and executive loans

Details of aggregate of loans to KMP and their related parties are as follows:

	Balance at beginning of year[1]	Interest charged	Interest not charged	Write-off	Balance at end of year	Number at year end
	$'000	$'000	$'000	$'000	$'000	
Non-executive Directors						
2016	2,268	139	-	-	3,403	5
Executives						
2016	4,665	231	-	-	5,277	10
Total Directors and Executives						
2016	6,933	370	-	-	8,680	15

Details of KMP (including their related parties) with an aggregate of loans above $100,000 in the reporting period are as follows:

2016	Balance at beginning of year	Interest charged	Interest not charged	Write-off	Balance at end of year	Highest owing in period[2]
	$'000	$'000	$'000	$'000	$'000	$'000
Non-executive Directors						
R Johanson	1,176	62	-	-	1,027	1,082
D Matthews	1,067	58	-	-	1,351	1,414
T Robinson	5	19	-	-	1,004	-
Executives						
D Bice	461	23	-	-	421	469
J Billington	841	38	-	-	673	842
R Fennell	509	29	-	-	539	539
R Musgrove	382	19	-	-	375	393
T Piper	506	25	-	-	495	-
S Thredgold	963	39	-	-	977	1,007
A Tullio	869	36	-	-	784	869
A Watts	-	14	-	-	897	978

[1] The balances exclude loans provided to Executives under the Employee Share Ownership Plan. The Corporations Regulations do not require the disclosure of these loans.
[2] Represents aggregate highest indebtedness of the KMP during the financial year. All other items in this table relate to the KMP and their related parties.

Terms and conditions of Director and Executive loans

The loans to Non-executive Directors and executives occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those that it is reasonable to expect the Bank would have adopted if dealing at arms-length with an unrelated person.

This Directors' Report is signed in accordance with a resolution of the Board of Directors.

Robert Johanson
Chairman

30 August 2016

Mike Hirst
Managing Director

30 August 2016

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PRIMARY STATEMENTS

Income statement for the year ended 30 June 2016

	Note	Group 2016 $m	Group 2015 $m	Bank 2016 $m	Bank 2015 $m
Net interest income					
Interest income		2,694.4	2,938.7	2,346.4	2,518.3
Interest expense		(1,526.7)	(1,761.1)	(1,314.8)	(1,483.8)
Total net interest income	3	**1,167.7**	**1,177.6**	**1,031.6**	**1,034.5**
Other revenue					
Dividends		2.1	1.3	1.8	23.8
Fees		157.5	165.6	140.6	147.7
Commissions		66.4	63.2	18.6	18.1
Other		158.3	131.1	77.7	66.7
Total other revenue	3	**384.3**	**361.2**	**238.7**	**256.3**
Share of net profit accounted for using the equity method	23	(0.1)	4.4	(0.1)	1.7
Total income		**1,551.9**	**1,543.2**	**1,270.2**	**1,292.5**
Expenses					
Bad and doubtful debts		(56.9)	(71.2)	(48.5)	(55.7)
Bad and doubtful debts recovered		12.8	2.9	10.2	2.8
Total bad and doubtful debts	3	**(44.1)**	**(68.3)**	**(38.3)**	**(52.9)**
Operating expenses					
Staff and related costs		(479.2)	(464.2)	(418.9)	(406.5)
Occupancy costs		(94.7)	(94.6)	(92.8)	(92.8)
Amortisation and depreciation costs		(46.0)	(47.2)	(34.2)	(35.0)
Fees and commissions		(36.8)	(35.9)	(8.1)	(8.1)
Other		(244.2)	(243.5)	(231.4)	(237.4)
Total other expenses	3	**(900.9)**	**(885.4)**	**(785.4)**	**(779.8)**
Profit before income tax expense		606.9	589.5	446.5	459.8
Income tax expense	4	(191.3)	(165.6)	(143.4)	(119.3)
Net profit for the year		**415.6**	**423.9**	**303.1**	**340.5**
Earnings per share (cents)					
Basic	6	90.4	92.5		
Diluted	6	81.3	87.3		

Statement of comprehensive income for the year ended 30 June 2016

	Note	Group 2016 $m	Group 2015 $m	Bank 2016 $m	Bank 2015 $m
Profit for the year		**415.6**	**423.9**	**303.1**	**340.5**
Items which may be reclassified subsequently to the profit & loss:					
Net (loss)/gain on available for sale - equity investments	17	(0.1)	1.0	-	0.4
Transfer to income on sale of available for sale assets	17	-	(2.6)	-	-
Net loss on cash flow hedges taken to equity	17	(2.0)	(17.3)	(3.3)	(26.3)
Transfer to income from cash flow hedge reserve	17	-	(0.6)	-	(0.6)
Net unrealised loss on available for sale - debt securities	17	(3.3)	(0.6)	(99.3)	(5.0)
Transfer to loss/(income) on sale of available for sale assets	17	1.1	(0.1)	1.1	(0.1)
Tax effect on items taken directly to or transferred from equity	17	1.3	6.1	30.5	9.5
Total items that may be reclassified to profit & loss		**(3.0)**	**(14.1)**	**(71.0)**	**(22.1)**
Items which will not be reclassified subsequently to the profit & loss:					
Actuarial loss on superannuation defined benefits plan	17	(1.4)	(1.6)	(1.4)	(1.6)
Tax effect on items taken directly to equity	17	0.4	0.5	0.4	0.5
Total items that will not be reclassified to profit & loss		**(1.0)**	**(1.1)**	**(1.0)**	**(1.1)**
Total comprehensive income for the year		**411.6**	**408.7**	**231.1**	**317.3**
Total comprehensive income for the year attributable to: Owners of the Company		411.6	408.7	231.1	317.3

Balance sheet as at 30 June 2016

	Note	Group 2016 $m	Group 2015 $m	Bank 2016 $m	Bank 2015 $m
Assets					
Cash and cash equivalents	26	1,060.0	981.6	933.0	870.4
Due from other financial institutions	26	220.8	215.7	220.8	215.7
Amounts receivable from controlled entities		-	-	1,160.1	1,180.0
Financial assets held for trading	18	6,369.1	5,562.9	6,369.4	5,563.3
Financial assets available for sale	19	353.5	601.3	6,941.1	5,486.1
Financial assets held to maturity	20	382.8	300.7	62.7	2.0
Derivatives	21	79.0	63.8	290.3	211.7
Net loans and other receivables	8	57,253.6	55,531.6	52,280.6	50,464.6
Investments accounted for using the equity method	23	4.1	3.6	3.9	3.3
Shares in controlled entities		-	-	569.8	564.8
Property, plant & equipment	37	90.7	98.8	86.0	93.8
Deferred tax assets	4	131.3	146.4	132.1	128.6
Investment property	24	573.4	482.0	-	-
Goodwill and other intangible assets	27	1,634.7	1,580.5	1,528.7	1,464.6
Other assets	28	427.9	459.9	429.9	482.1
Total Assets		**68,580.9**	**66,028.8**	**71,008.4**	**66,731.0**
Liabilities					
Due to other financial institutions	26	267.4	202.7	266.9	202.4
Deposits	10	57,054.7	53,505.3	53,786.3	50,258.4
Notes payable	10	3,822.5	4,925.9	502.2	330.6
Derivatives	21	111.8	108.0	110.7	117.4
Loans payable to securitisation trusts		-	-	9,437.3	8,842.1
Income tax payable	4	34.5	18.2	34.5	18.2
Provisions	35	115.0	114.7	110.9	110.2
Deferred tax liabilities	4	114.7	111.8	104.1	106.9
Other payables	29	536.0	688.4	683.8	773.1
Convertible preference shares	11	824.4	819.5	824.4	819.5
Subordinated debt	12	583.4	592.6	573.4	573.1
Total Liabilities		**63,464.4**	**61,087.1**	**66,434.5**	**62,151.9**
Net Assets		**5,116.5**	**4,941.7**	**4,573.9**	**4,579.1**
Equity					
Share capital	16	4,288.2	4,223.6	4,288.2	4,223.6
Reserves	17	87.9	95.0	43.7	118.8
Retained earnings	17	740.4	623.1	242.0	236.7
Total Equity		**5,116.5**	**4,941.7**	**4,573.9**	**4,579.1**

Statement of changes in equity for the year ended 30 June 2016

	Group				
	Attributable to owners of Bendigo and Adelaide Bank Limited				
	Issued ordinary capital $m	Other Issued capital[1] $m	Retained earnings $m	Reserves[2] $m	Total equity $m
At 1 July 2015					
Opening balance b/fwd	**4,235.4**	**(11.8)**	**623.1**	**95.0**	**4,941.7**
Comprehensive income					
Profit for the year	-	-	415.6	-	415.6
Other comprehensive income	-	-	(1.0)	(3.0)	(4.0)
Total comprehensive income for the year	-	-	**414.6**	**(3.0)**	**411.6**
Transactions with owners in their capacity as owners					
Shares issued	63.0	-	-	-	63.0
Reduction in employee share ownership plan (ESOP) shares	-	1.6	-	-	1.6
Share based payment	-	-	3.5	(4.1)	(0.6)
Equity dividends	-	-	(300.8)	-	(300.8)
At 30 June 2016	**4,298.4**	**(10.2)**	**740.4**	**87.9**	**5,116.5**

[1] Refer to note 16 Share capital for further details

[2] Refer to note 17 Retained earnings and reserves for further details

for the year ended 30 June 2015

	Group				
	Attributable to owners of Bendigo and Adelaide Bank Limited				
	Issued ordinary capital $m	Other Issued capital[1] $m	Retained earnings $m	Reserves[2] $m	Total equity $m
At 1 July 2014					
Opening balance b/fwd	**4,183.3**	**172.3**	**509.8**	**101.1**	**4,966.5**
Comprehensive income					
Profit for the year	-	-	423.9	-	423.9
Other comprehensive income	-	-	(1.1)	(14.1)	(15.2)
Total comprehensive income for the year	**-**	**-**	**422.8**	**(14.1)**	**408.7**
Transactions with owners in their capacity as owners					
Shares issued	52.4	(190.0)	-	-	(137.6)
Share issue expenses	(0.3)	1.5	(1.5)	-	(0.3)
Reduction in employee share ownership plan (ESOP) shares	-	4.4	-	-	4.4
Movement in general reserve for credit losses (GRCL)	-	-	(8.6)	8.6	-
Establish operational risk reserve	-	-	(1.8)	1.8	-
Share based payment	-	-	-	(2.4)	(2.4)
Equity dividends	-	-	(297.6)	-	(297.6)
At 30 June 2015	**4,235.4**	**(11.8)**	**623.1**	**95.0**	**4,941.7**

[1] Refer to note 16 Share capital for further details

[2] Refer to note 17 Retained earnings and reserves for further details

Statement of changes in equity for the year ended 30 June 2016 (continued)

	Bank				
	Attributable to owners of Bendigo and Adelaide Bank Limited				
	Issued ordinary capital $m	Other Issued capital[1] $m	Retained earnings $m	Reserves[2] $m	Total equity $m
At 1 July 2015					
Opening balance b/fwd	**4,235.4**	**(11.8)**	**236.7**	**118.8**	**4,579.1**
Transfer from de-registered subsidiary company	-	-	0.5	-	0.5
Comprehensive income					
Profit for the year	-	-	303.1	-	303.1
Other comprehensive income	-	-	(1.0)	(71.0)	(72.0)
Total comprehensive income for the year	**-**	**-**	**302.1**	**(71.0)**	**231.1**
Transactions with owners in their capacity as owners					
Shares issued	63.0	-	-	-	63.0
Reduction in employee share ownership plan (ESOP) shares	-	1.6	-	-	1.6
Share based payment	-	-	3.5	(4.1)	(0.6)
Equity dividends	-	-	(300.8)	-	(300.8)
At 30 June 2016	**4,298.4**	**(10.2)**	**242.0**	**43.7**	**4,573.9**

[1] Refer to note 16 Share capital for further details

[2] Refer to note 17 Retained earnings and reserves for further details

for the year ended 30 June 2015

	Bank				
	Attributable to owners of Bendigo and Adelaide Bank Limited				
	Issued ordinary capital $m	Other Issued capital[1] $m	Retained earnings $m	Reserves[2] $m	Total equity $m
At 1 July 2014					
Opening balance b/fwd	**4,183.3**	**172.3**	**205.0**	**134.7**	**4,695.3**
Comprehensive income					
Profit for the year	-	-	340.5	-	340.5
Other comprehensive income	-	-	(1.1)	(22.1)	(23.2)
Total comprehensive income for the year	**-**	**-**	**339.4**	**(22.1)**	**317.3**
Transactions with owners in their capacity as owners					
Shares issued	52.4	(190.0)	-	-	(137.6)
Share issue expenses	(0.3)	1.5	(1.5)	-	(0.3)
Reduction in employee share ownership plan (ESOP) shares	-	4.4	-	-	4.4
Movement in general reserve for credit losses (GRCL)	-	-	(8.6)	8.6	-
Share based payment	-	-	-	(2.4)	(2.4)
Equity dividends	-	-	(297.6)	-	(297.6)
At 30 June 2015	**4,235.4**	**(11.8)**	**236.7**	**118.8**	**4,579.1**

[1] Refer to note 16 Share capital for further details

[2] Refer to note 17 Retained earnings and reserves for further details

Cash flow statement for the year ended 30 June 2016

	Note	Group 2016 $m	Group 2015 $m	Bank 2016 $m	Bank 2015 $m
Cash flows from operating activities					
Interest and other items of a similar nature received		2,636.1	2,868.4	2,217.3	2,454.2
Interest and other costs of finance paid		(1,492.8)	(1,713.3)	(1,272.6)	(1,434.7)
Receipts from customers (excluding effective interest)		299.3	292.2	246.8	242.6
Payments to suppliers and employees		(1,006.9)	(756.0)	(885.7)	(689.4)
Dividends received		2.1	1.2	1.8	23.8
Income taxes paid		(155.2)	(144.3)	(138.2)	(112.9)
Cash flows from operating activities before changes in operating assets and liabilities		**282.6**	**548.2**	**169.4**	**483.6**
(Increase)/decrease in operating assets					
Net increase in balance of loans and other receivables		(1,785.5)	(433.4)	(1,245.3)	(1,350.1)
Net (increase)/decrease in balance of investment securities		(650.9)	1,737.9	(2,365.1)	2,194.6
Increase/(decrease) in operating liabilities					
Net increase in balance of retail deposits		3,668.4	756.2	3,647.2	688.8
Net decrease in balance of wholesale deposits		(119.0)	(233.8)	(119.3)	(29.1)
Net (decrease)/increase in balance of notes payable		(1,103.4)	(330.4)	171.7	20.2
Net cash flows from operating activities	25	**292.2**	**2,044.7**	**258.6**	**2,008.0**
Cash flows related to investing activities					
Cash paid for purchases of property, plant and equipment		(14.5)	(26.3)	(14.1)	(25.0)
Cash proceeds from sale of property, plant and equipment		1.0	1.9	0.8	1.7
Cash paid for purchases of investment property		(49.4)	(41.4)	-	-
Cash proceeds from sale of investment property		37.6	27.8	-	-
Cash paid for purchases of equity investments		(2.1)	(2.9)	(5.6)	(2.7)
Cash proceeds from sale of equity investments		-	16.5	-	-
Net cash paid on acquisition of a business combination/acquisition		-	(1,678.5)	-	(1,678.5)
Net cash flows used in investing activities		**(27.4)**	**(1,702.9)**	**(18.9)**	**(1,704.5)**
Cash flows from financing activities					
Proceeds from issue of convertible preference shares		-	486.2	-	486.2
Repayment of preference shares		-	(102.1)	-	(102.1)
(Payments to)/proceeds from subordinated debt holders		(9.2)	(62.9)	0.3	(30.3)
Dividends paid		(237.8)	(247.8)	(237.8)	(247.8)
Repayment of ESOP shares		1.6	4.4	1.6	4.4
Payment of share issue costs		(0.6)	(20.1)	(0.6)	(20.1)
Net cash flows (used in)/from financing activities		**(246.0)**	**57.7**	**(236.5)**	**90.3**
Net increase in cash and cash equivalents		18.8	399.5	3.2	393.8
Cash and cash equivalents at the beginning of period		994.6	595.1	883.7	489.9
Cash and cash equivalents at the end of period	26	**1,013.4**	**994.6**	**886.9**	**883.7**

BASIS OF PREPARATION

This section describes the Group's significant accounting policies that relate to the financial statements and notes of the accounts. If an accounting policy relates to a particular note, the applicable policy is contained within the relevant note. This section also shows new accounting standards, amendments and interpretations, and whether they are effective in 2016 or later years. We explain how these changes are expected to impact the financial position and performance of the Group.

1. Corporate information

The financial report of Bendigo and Adelaide Bank Limited (the Bank) and its controlled entities (the Group) for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 30 August 2016.

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 the company is Australia.

The registered office of the company is:
The Bendigo Centre, 22 – 44 Bath Lane Bendigo, Victoria

2. Summary of significant accounting policies

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 financial report is a general purpose financial report which has been prepared in accordance with the Banking Act, Australian Accounting Standards, *Corporations Act 2001* and the requirements of law so far as they are applicable to Australian banking corporations, including the application of ASIC Class Order 10/654 allowing the disclosure of parent entity financial statements due to Australian Financial Services Licensing obligations.

The financial report has been prepared in accordance with the historical cost convention, except for certain assets and liabilities where the application of fair value measurement is required or allowed by relevant accounting standards.

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

Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

Significant accounting policies

The Group's significant accounting policies that relate to a specific note are summarised within that note. Accounting policies that affect the financial statements as a whole are set out below.

Significant judgements and estimates

In the process of applying the Group's accounting policies, management has made a number of judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements. These judgements and estimates that affect the financial statements are within the relevant note.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Bendigo and Adelaide Bank Limited and all of its controlled entities ('the Group'). Interests in joint arrangements and associates are equity accounted and are not part of the consolidated Group.

A controlled entity is any entity (including special purpose entities) over which Bendigo and Adelaide Bank Limited has the power to govern, directly or indirectly, decision-making in relation to financial and operating policies, so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Controlled entities prepare financial reports for consolidation in accordance with Group accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The financial statements of controlled entities are prepared for the same reporting period as the parent company.

All inter-company balances and transactions between entities in the Group have been eliminated on consolidation. Where a controlled entity has been sold or acquired during the year its operating results have been included to the date control ceased or from the date control was obtained.

Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

2. Summary of significant accounting policies (continued)

Foreign currency transactions and balances

Both the functional and presentation currency of Bendigo and Adelaide Bank Limited and each of its subsidiaries is Australian dollars (AUD). Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling on the date of the transaction.

All amounts are expressed in Australian currency and all references to "$" are to Australian dollars unless otherwise stated. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date. Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the income statement in the financial year in which the exchange rates change.

Changes in accounting policies

The accounting policies are consistent with those applied in the previous financial year.

Compliance with IFRS

Recently issued or amended standards not yet effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2016.

AASB 9 *Financial Instruments* introduces changes to the classification and measurement of financial assets and financial liabilities, impairment of financial assets and new rules for hedge accounting. This standard is mandatory for the 30 June 2019 financial statements. The potential effects of adoption of the standard are currently being assessed. The Group has not elected whether to early adopt this standard at this point in time.

AASB 15 *Revenue from contracts* with customers establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. This standard is effective for the 30 June 2018 financial statements. AASB 15 is not mandatory until 1 July 2017, however the IASB has deferred adoption to 1 July 2018. The AASB is also expected to make a similar amendment. The potential financial impact of the above to the Group is not yet possible to determine.

AASB 16 *Leases* introduces a requirement to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This standard is effective for the 30 June 2019 financial statements. The potential effects of adoption of the standard are currently being assessed. The Group has not elected whether to early adopt this standard at this point in time.

The following amendments to existing standards are not expected to result in significant changes to the Group's accounting policies:

> 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]*;

> 2014-4 *Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 and AASB 138];*

> 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*;

> 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*;

> 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle*;

> 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*;

> 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*;

> 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception*; and

> 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 12]*.

RESULTS FOR THE YEAR

This section outlines the results and performance of the Group in more detail. Further analysis has been provided for the following key areas: revenue and expenses, income tax, segment results, earnings per share and dividends.

3. Profit

	Group		Bank	
	2016 $m	2015 $m	2016 $m	2015 $m
Net interest income				
Interest income				
Cash and cash equivalents	3.1	3.1	2.9	2.8
Financial assets held for trading	133.4	153.4	133.4	153.4
Financial assets available for sale	12.3	18.2	183.4	199.8
Financial assets held to maturity	10.8	12.0	-	-
Loans and other receivables	2,534.8	2,752.0	2,026.7	2,162.3
Total interest income	**2,694.4**	**2,938.7**	**2,346.4**	**2,518.3**
Interest expense				
Deposits				
Retail	(1,120.7)	(1,291.6)	(1,029.3)	(1,178.3)
Wholesale - domestic	(198.4)	(225.6)	(198.8)	(223.4)
Wholesale - offshore	(10.3)	(16.0)	(10.3)	(16.0)
Other borrowings				
Notes payable	(127.5)	(166.5)	(7.4)	(7.5)
Convertible preference shares	(37.7)	(23.9)	(37.7)	(23.9)
Subordinated debt	(32.1)	(37.5)	(31.3)	(34.7)
Total interest expense	**(1,526.7)**	**(1,761.1)**	**(1,314.8)**	**(1,483.8)**
Total net interest income	**1,167.7**	**1,177.6**	**1,031.6**	**1,034.5**
Other revenue				
Dividends				
Other	1.8	0.3	1.8	23.8
Distribution from unit trusts	0.3	1.0	-	-
Total dividends	**2.1**	**1.3**	**1.8**	**23.8**
Fees				
Assets	63.9	67.8	53.6	56.7
Liabilities & other products	88.0	92.4	86.4	90.7
Trustee, management & other services	5.6	5.4	0.6	0.3
Total fees	**157.5**	**165.6**	**140.6**	**147.7**
Commissions				
Wealth solutions	45.9	44.6	1.9	2.4
Insurance	20.5	18.6	16.7	15.7
Total commissions	**66.4**	**63.2**	**18.6**	**18.1**
Other				
Income from property	3.6	1.9	5.1	3.8
Foreign exchange income	20.8	19.4	20.8	19.4
Factoring products income	7.5	9.2	7.5	9.2
Trading profit - held for trading securities	8.9	8.0	8.9	8.0
Homesafe income	79.7	63.4	-	-
Other	37.8	29.2	35.4	26.3
Total other income	**158.3**	**131.1**	**77.7**	**66.7**
Share of net profit accounted for using the equity method	**(0.1)**	**4.4**	**(0.1)**	**1.7**

3. Profit (continued)

Recognition and measurement

Revenue is recognised at the fair value of the consideration received or receivable, and meets the criteria below:

> it is probable that the economic benefits will flow to the entity and

> the revenue can be reliably measured.

Interest income and expense are calculated on an accruals basis using the effective interest method. The effective interest method, is the interest rate that exactly discounts estimated future cash receipts through, the expected life of the financial instrument.

Loan origination and application fees are recognised as components of the calculation of the effective interest method, and affect the interest recognised, in relation to the originated loans. The average life of originated loans is reviewed annually, to ensure the amortisation methodology for loan origination fees is appropriate.

Dividend income is recognised by the Group when the right to receive payment is established.

Fees and commissions charged for services provided or received by the Group are recognised as they are provided.

Homesafe income are the gains or losses arising from changes in the fair value of investment property and are recognised in the year in which they arise.

	Group		Bank	
	2016 $m	2015 $m	2016 $m	2015 $m
Expenses				
Bad and doubtful debts				
Specific provision	(58.1)	(53.9)	(47.9)	(39.2)
Collective provision	5.6	(13.0)	3.4	(13.0)
Bad debts written off	(4.4)	(4.3)	(4.0)	(3.5)
Bad debts recovered	12.8	2.9	10.2	2.8
Total bad and doubtful debts	**(44.1)**	**(68.3)**	**(38.3)**	**(52.9)**
Operating expenses				
Staff and related costs				
Salaries, wages and incentives	(365.6)	(349.9)	(318.1)	(305.5)
Superannuation contributions	(37.4)	(34.6)	(32.7)	(30.1)
Payroll tax	(22.9)	(22.1)	(19.9)	(19.3)
Other	(53.3)	(57.6)	(48.2)	(51.6)
Total staff and related costs	**(479.2)**	**(464.2)**	**(418.9)**	**(406.5)**
Occupancy costs				
Operating lease rentals	(56.3)	(55.9)	(55.9)	(55.5)
Depreciation of leasehold improvements	(10.5)	(11.3)	(10.4)	(11.2)
Other	(27.9)	(27.4)	(26.5)	(26.1)
Total occupancy costs	**(94.7)**	**(94.6)**	**(92.8)**	**(92.8)**
Amortisation and depreciation				
Amortisation of intangible assets	(34.9)	(36.1)	(23.5)	(24.3)
Depreciation of property, plant & equipment	(11.1)	(11.1)	(10.7)	(10.7)
Total amortisation and depreciation costs	**(46.0)**	**(47.2)**	**(34.2)**	**(35.0)**
Fees and commissions	(36.8)	(35.9)	(8.1)	(8.1)
Other operating expenses				
Communications, postage and stationery	(34.4)	(34.4)	(34.3)	(36.4)
Computer systems and software costs	(69.7)	(70.1)	(65.6)	(68.6)
Advertising and promotion	(30.9)	(33.1)	(29.1)	(30.5)
Other product and services delivery costs	(34.0)	(32.9)	(33.8)	(32.5)
Other expenses	(75.2)	(73.0)	(68.6)	(69.4)
Total other operating expenses	**(244.2)**	**(243.5)**	**(231.4)**	**(237.4)**

3. Profit (continued)

Recognition and measurement

Operating expenses are recognised as the relevant service is rendered, or once a liability is incurred.

Bad and doubtful debts are measured as the difference between the carrying amount and the value of the estimated future cash flows, discounted at the financial instruments original effective interest rate. Refer to Note 9 Impairment of loans and advances for more information on loan impairment.

Staff and related costs

Wage and salary costs are recognised over the period in which the employees provide the service. Refer to Note 35 Provisions for more information relating to staff provisions.

Incentive payments are recognised to the extent that the Group has a present obligation over the period that the employees are required to work to qualify for the scheme. Refer to Note 36 Share based payment plans for further information on share based payments.

Super contributions are made to an employee accumulation fund and expensed when they become payable. The Group operates a defined benefits scheme, the membership of which is now closed.

Occupancy costs

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

Depreciation and amortisation - refer to Note 37 Property, plant and equipment for further information on depreciation and Note 27 Goodwill and other intangibles for amortisation on intangibles.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

> where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

> receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities, which are recoverable from or payable to the taxation authority, are classified as operating cash flows.

4. Income tax expense

Major components of income tax expense are:

	Group		Bank	
	2016 $m	**2015 $m**	**2016 $m**	**2015 $m**
Income statement				
Current income tax				
Current income tax charge	181.0	174.4	128.1	152.7
Franking credits	(0.8)	(0.1)	(0.8)	(0.1)
Adjustments in respect of current income tax of previous years	(8.6)	(29.3)	(8.6)	(29.3)
Deferred income tax				
De-recognition of temporary differences	1.9	1.2	1.9	1.2
Adjustments in respect of deferred income tax of previous years	5.4	9.1	5.4	9.4
Relating to origination and reversal of temporary differences	12.4	10.3	17.4	(14.6)
Income tax expense reported in the income statement	**191.3**	**165.6**	**143.4**	**119.3**
Statement of changes in equity				
Deferred income tax related to items charged or credited directly in equity				
Net loss on cash flow hedge	(0.6)	(5.4)	(1.0)	(8.1)
Net loss on available for sale investments	(0.7)	(0.7)	(29.5)	(1.4)
Actuarial loss on superannuation defined benefits plan	(0.4)	(0.5)	(0.4)	(0.5)
Income tax expense reported in equity	**(1.7)**	**(6.6)**	**(30.9)**	**(10.0)**

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

Income tax expense attributable to:				
Accounting profit before income tax	606.9	589.5	446.5	459.8
The income tax expense comprises amounts set aside as:				
Provision attributable to current year at statutory rate, being:				
Prima facie tax on accounting profit before tax	182.1	176.9	133.9	138.0
Over provision in prior years	(3.2)	(20.2)	(3.2)	(19.9)
Tax credits and adjustments	(0.8)	(0.1)	(0.8)	(0.1)
Expenditure not allowable for income tax purposes	11.6	8.5	11.6	8.5
Other non assessable income	(0.2)	(1.3)	-	(9.0)
Tax effect of tax credits and adjustments	0.2	-	0.2	-
De-recognition of temporary differences	1.9	1.2	1.9	1.2
Other	(0.3)	0.6	(0.2)	0.6
Income tax expense reported in the income statement	**191.3**	**165.6**	**143.4**	**119.3**

Deferred income tax

Deferred income tax at 30 June relates to the following:

	Group		Bank	
Gross deferred tax liabilities	**2016 $m**	**2015 $m**	**2016 $m**	**2015 $m**
Available for sale financial assets	0.2	0.9	0.1	10.5
Deferred expenses	1.6	9.4	1.6	9.4
Derivatives	17.5	15.5	80.9	59.9
Intangible assets on acquisition	10.4	18.8	5.8	11.3
Investment property	68.8	50.0	-	-
Other	16.2	17.2	15.7	15.8
	114.7	**111.8**	**104.1**	**106.9**

4. Income tax expense (continued)

Deferred income tax (continued)

	Group		Bank	
Gross deferred tax assets	**2016 $m**	**2015 $m**	**2016 $m**	**2015 $m**
Derivatives	32.0	30.6	31.7	33.4
Employee benefits	28.4	28.8	27.2	27.5
Available for sale financial assets	-	1.4	19.1	1.4
Provisions	60.5	60.6	47.9	47.5
Other	10.4	25.0	6.2	18.8
	131.3	**146.4**	**132.1**	**128.6**
Tax payable attributable to members of the tax consolidated group	34.5	18.2	34.5	18.2
	34.5	**18.2**	**34.5**	**18.2**

At 30 June 2016, there is no unrecognised deferred income tax liability (2015: Nil) for taxes that would be payable on the unremitted earnings of certain Group's subsidiaries or joint ventures, as the Group has no liability for additional taxation should such amounts be remitted.

At 30 June 2016, there are no unused tax losses (capital in nature) in the Group (2015: Nil).

Recognition and measurement

Current taxes
The income tax for the period is the tax payable on the current period's taxable income based on the national income tax rate, adjusted for changes in deferred tax assets and liabilities and unused tax losses.

Deferred taxes
The Group has adopted the balance sheet liability method of tax effect accounting, which focuses on the tax effects of transactions and other events that affect amounts recognised in either the balance sheet or a tax-based balance sheet.

Deferred tax assets and liabilities are recognised for temporary differences, except where the deferred tax asset/liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax balances are reviewed annually to determine whether they should be recognised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Tax consolidation
Bendigo and Adelaide Bank Limited and its 100% owned subsidiaries form the tax consolidated Group. Members of the Group entered into a tax sharing agreement to allocate income tax liabilities to the wholly-owned subsidiaries should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated Group is Bendigo and Adelaide Bank Limited.

Members of the tax consolidated Group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated Group on a group allocation method based on a notional stand alone calculation, while deferred taxes are calculated by members of the tax consolidated Group in accordance with AASB 112 *Income Taxes.*

5. Segment results

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. These operating results are regularly reviewed by the Managing Director, to make decisions about the resourcing for each segment, and to assess its performance.

The operating segments are identified according to the nature of the products and services they provide. All reporting segments represent an individual strategic business unit. Each unit offers a different method of delivery, and/or different products and services.

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

Segment reporting is consistent with the internal reporting provided to the Managing Director, and the executive management team.

Changes to the internal organisational structure of the Group, can cause the Group's operating segment results to change.

Where this occurs, the corresponding segment information for the previous financial year is restated.

Types of products and services

Local connection
Contains all local distribution channels, including branch and community banking, business banking, Delphi Bank, financial markets and network support.

Partner connection
Contains all partner distribution channels, including mortgage brokers, mortgage managers, mortgage originators, Alliance Partners, Homesafe, Leveraged, portfolio funding, financial planning, wealth management, responsible entity activities, other trustee services and custodial services. The partner connection segment is a combination of the third party and wealth cash generating units.

Agribusiness
Includes the provision of banking services to agribusinesses in rural and regional Australia. Rural Bank and Rural Finance are included within the agribusiness segment.

Central functions
Functions not relating directly to a reportable operating segment.

Accounting policies and inter-segment transactions

Measurement of segmental assets, liabilities, income and expenses is in accordance with the Group's accounting policies. Segment results are determined by including all revenue and expenses associated with each business. Transactions between business segments are conducted at arm's length, and are eliminated on consolidation.

Segment net interest income is recognised based on an internally set transfer pricing policy, based on pre-determined market rates of return on the assets and liabilities of the segment.

Major customers
Revenues from no individual customer amount to greater than 10% of the Group's revenue.

Geographic Information

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

5. Segment results (continued)

For the year ended 30 June 2016

	Operating segments					
	Local connection $m	Partner connection $m	Agribusiness $m	Total operating segments $m	Central functions $m	Total $m
Net interest income	734.0	264.2	169.5	**1,167.7**	-	**1,167.7**
Other income	185.8	164.4	9.1	**359.3**	25.0	**384.3**
Share of net profit accounted for using the equity method	-	-	-	**-**	(0.1)	**(0.1)**
Total segment income	**919.8**	**428.6**	**178.6**	**1,527.0**	**24.9**	**1,551.9**
Operating expenses	(636.2)	(187.9)	(75.3)	**(899.4)**	(1.5)	**(900.9)**
Credit expenses	(20.8)	(13.5)	(9.8)	**(44.1)**	-	**(44.1)**
Segment result (before tax expense)	**262.8**	**227.2**	**93.5**	**583.5**	**23.4**	**606.9**
Tax expense	(82.2)	(71.1)	(29.2)	**(182.5)**	(8.8)	**(191.3)**
Segment result (statutory basis)	**180.6**	**156.1**	**64.3**	**401.0**	**14.6**	**415.6**
Add: cash basis adjustments[1]						
Specific income & expense items	0.6	7.3	4.6	**12.5**	(2.5)	**10.0**
Amortisation of intangibles	4.5	4.5	4.7	**13.7**	-	**13.7**
Segment result (cash basis)	**185.7**	**167.9**	**73.6**	**427.2**	**12.1**	**439.3**

For the year ended 30 June 2015

	Operating segments					
	Local connection $m	Partner connection $m	Agribusiness $m	Total operating segments $m	Central functions $m	Total $m
Net interest income	725.6	277.3	174.7	**1,177.6**	-	**1,177.6**
Other income	186.3	148.9	8.5	**343.7**	17.5	**361.2**
Share of net profit accounted for using the equity method	-	-	-	**-**	4.4	**4.4**
Total segment income	**911.9**	**426.2**	**183.2**	**1,521.3**	**21.9**	**1,543.2**
Operating expenses	(618.9)	(187.1)	(79.4)	**(885.4)**	-	**(885.4)**
Credit expenses	(22.1)	(32.8)	(13.4)	**(68.3)**	-	**(68.3)**
Segment result (before tax expense)	**270.9**	**206.3**	**90.4**	**567.6**	**21.9**	**589.5**
Tax expense	(82.5)	(62.9)	(27.5)	**(172.9)**	7.3	**(165.6)**
Segment result (statutory basis)	**188.4**	**143.4**	**62.9**	**394.7**	**29.2**	**423.9**
Add: cash basis adjustments[1]						
Specific income & expense items	1.5	5.7	6.8	**14.0**	(17.3)	**(3.3)**
Distributions accrued and/or paid on preference shares	-	-	-	**-**	(3.5)	**(3.5)**
Amortisation of intangibles	4.6	5.7	5.0	**15.3**	-	**15.3**
Segment result (cash basis)	**194.5**	**154.8**	**74.7**	**424.0**	**8.4**	**432.4**

[1] Refer to Note 6 Earnings per ordinary share for further details.

5. Segment results (continued)

	Operating segments					
	Local connection $m	Partner connection $m	Agribusiness $m	Total operating segments $m	Central functions $m	Total $m
For the year ended 30 June 2016						
Reportable segment assets	31,728.3	20,097.7	5,964.0	**57,790.0**	10,790.9	**68,580.9**
Reportable segment liabilities	40,924.0	5,418.9	3,592.6	**49,935.5**	9,706.4	**59,641.9**
For the year ended 30 June 2015						
Reportable segment assets	30,590.5	20,155.8	5,873.7	**56,620.0**	9,408.8	**66,028.8**
Reportable segment liabilities	38,056.2	5,246.4	3,579.7	**46,882.3**	9,278.9	**56,161.2**

Reportable segment assets and liabilities	Group	
	As at June 2016	As at June 2015
Total assets for operating segments	68,580.9	66,028.8
Total assets	**68,580.9**	**66,028.8**
Total liabilities for operating segments	59,641.9	56,161.2
Securitisation funding	3,822.5	4,925.9
Total liabilities	**63,464.4**	**61,087.1**

6. Earnings per ordinary share

	Group	
	2016 Cents per share	**2015 Cents per share**
Basic	90.4	92.5
Diluted	81.3	87.3
Cash basis	95.6	95.1

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Reconciliation of earnings used in the calculation of earnings per ordinary share	**$m**	**$m**
Profit after tax	415.6	423.9
Distributions accrued and/or paid on preference shares	-	(2.6)
Distributions accrued and/or paid on step up preference shares	-	(0.9)
Total basic earnings	**415.6**	**420.4**
Earnings used in calculating basic earnings per ordinary share	415.6	420.4
Add back: dividends accrued and/or paid on dilutive preference shares	26.4	20.2
Total diluted earnings	**442.0**	**440.6**
Earnings used in calculating basic earnings per ordinary share	415.6	420.4
Add back: intangibles amortisation after tax (excluding software amortisation)	13.7	15.3
Add back: specific income and expense items after tax	10.0	(3.3)
Total cash earnings	**439.3**	**432.4**
Specific income and expense items after tax comprise:		
Items included in interest income		
Fair value adjustments - interest expense	(3.2)	(4.6)
Total specific net interest income items	**(3.2)**	**(4.6)**
Items included in non interest income		
Hedge ineffectiveness	5.5	-
Profit on sale of investment in joint venture	-	3.4
Total specific non interest income items	**5.5**	**3.4**
Items included in operating expenses		
Integration costs	(7.8)	(6.0)
Impairment charge	(2.1)	(1.5)
Litigation costs	(1.0)	(1.9)
Total specific operating expense items	**(10.9)**	**(9.4)**
Items included in income tax expense		
Income tax benefit relating to mergers and acquisitions	-	16.7
Tax impacts relating to prior year impairment losses	(1.4)	(2.8)
Total specific income tax benefit/(expense)	**(1.4)**	**13.9**
Total specific items attributable to the Group	**(10.0)**	**3.3**

6. Earnings per ordinary share (continued)

Weighted average number of ordinary shares

	No. of shares	No. of shares
Weighted average number of ordinary shares (basic)	459,536,374	454,457,127
Effect of dilution - executive performance rights	1,054,939	930,926
Effect of dilution - convertible preference shares	83,071,324	49,387,341
Weighted average number of ordinary shares (diluted)	**543,662,637**	**504,775,394**

Potentially dilutive instruments
The following instruments are potentially dilutive during the reporting period:

	Dilutive	
	2016	2015
Preference shares	n/a	Yes
Step up preference shares	n/a	Yes
Convertible preference shares	Yes	Yes
Executive performance rights	Yes	Yes
Subordinated Note (with non viability clause)	No	No

Recognition and measurement

Basic EPS is calculated as net profit after tax, adjusted for distributions on preference shares and step up preference shares, divided by the weighted average number of ordinary shares.

Diluted EPS is calculated as net profit after tax, adjusted for distributions for preference, step up and convertible preference shares, add back dividends on dilutive preference shares, divided by the weighted average number of ordinary shares, and potential dilutive ordinary shares.

Cash basis EPS is calculated as net profit after tax, adjusted for after tax intangibles amortisation (except intangible software amortisation), after tax specific income and expense items, and distributions for preference shares and step up preference shares, divided by the weighted average number of ordinary shares.

Executive performance rights - classification of securities
Executive performance rights are treated as dilutive from the date of issue and remain dilutive, so long as the performance conditions are satisfied. In the event of a performance condition not being satisfied, the number of dilutive rights would be reduced to the number that would have been issued if the end of the period was the end of the contingency period.

Significant accounting judgments, estimates and assumptions

Cash earnings
Cash earnings is an unaudited, non-IFRS financial measure. It is considered by management to be a key indicator of the underlying performance of the core business activities of the Group. The basis for determining cash earnings is the net profit after tax, adjusted for specific items after tax, acquired intangibles amortisation after tax, and distributions for preference share/ step up preference shares.

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

7. Dividends

Dividends paid or proposed

	Group						Bank					
	2016			2015			2016			2015		
	Date paid	Cents per share ¢	Total amount $m	Date paid	Cents per share ¢	Total amount $m	Date paid	Cents per share ¢	Total amount $m	Date paid	Cents per share ¢	Total amount $m
Ordinary shares (ASX:BEN)												
Dividends paid during the year:												
Interim dividend	Mar 2016	34.0	153.6	Mar 2015	33.0	147.6	Mar 2016	34.0	153.6	Mar 2015	33.0	147.6
Final dividend	Sept 2015	33.0	147.2	Sept 2014	33.0	146.5	Sept 2015	33.0	147.2	Sept 2014	33.0	146.5
		67.0	**300.8**		**66.0**	**294.1**		**67.0**	**300.8**		**66.0**	**294.1**
Dividends proposed since the reporting date, but not recognised as a liability:												
Final dividend	30 Sept 2016	34.0	155.2				30 Sept 2016	34.0	155.2			

All dividends paid were fully franked at 30% (2015: 30%). Proposed dividends will be fully franked at 30% (2015: 30%) out of existing franking credits or out of franking credits arising from payment of income tax provided for in the financial statements for the year ended 30 June 2016.

	Group						Bank					
	2016			2015			2016			2015		
	Date paid	Cents per share ¢	Total amount $m	Date paid	Cents per share ¢	Total amount $m	Date paid	Cents per share ¢	Total amount $m	Date paid	Cents per share ¢	Total amount $m
Preference shares (ASX:BENPB)												
Dividends paid during the year:												
	-	-	-	Sept 2014	73.04	0.7	-	-	-	Sept 2014	73.04	0.7
	-	-	-	Dec 2014	72.37	0.7	-	-	-	Dec 2014	72.37	0.7
	-	-	-	Mar 2015	74.17	0.7	-	-	-	Mar 2015	74.17	0.7
	-	-	-	Jun 2015	66.67	0.6	-	-	-	Jun 2015	66.67	0.6
		-	**-**		**286.25**	**2.7**		**-**	**-**		**286.25**	**2.7**

Preference shares were redeemed in June 2015.

Step up preference shares (ASX:BENPC)												
Dividends paid during the year:												
	-	-	-	Jul 2014	78.00	0.8	-	-	-	Jul 2014	78.00	0.8
	-	-	-	Oct 2014	78.00	0.8	-	-	-	Oct 2014	78.00	0.8
		-	**-**		**156.00**	**1.6**		**-**	**-**		**156.00**	**1.6**

Step up preference shares were redeemed in October 2014.

Convertible preference shares (recorded as debt instruments) (ASX:BENPD)												
Dividends paid during the year:												
	Dec 2015	253.52	6.8	Dec 2014	273.90	7.4	Dec 2015	253.52	6.8	Dec 2014	273.90	7.4
	Jun 2016	261.46	7.0	Jun 2015	271.20	7.3	Jun 2016	261.46	7.0	Jun 2015	271.20	7.3
		514.98	**13.8**		**545.10**	**14.7**		**514.98**	**13.8**		**545.10**	**14.7**
Convertible preference shares (CPS2) (recorded as debt instruments) (ASX:BENPE)												
Dividends paid during the year:												
	Nov 2015	189.53	5.5	Dec 2014	59.29	1.7	Nov 2015	189.53	5.5	Dec 2014	59.29	1.7
	May 2016	194.42	5.7	Jun 2015	209.60	6.1	May 2016	194.42	5.7	Jun 2015	209.60	6.1
		383.95	**11.2**		**268.9**	**7.8**		**383.95**	**11.2**		**268.9**	**7.8**

Convertible preference shares (CPS2) were issued in October 2014.

7. Dividends (continued)

	Group						Bank					
	2016			2015			2016			2015		
	Date paid	Cents per share ¢	Total amount $m	Date paid	Cents per share ¢	Total amount $m	Date paid	Cents per share ¢	Total amount $m	Date paid	Cents per share ¢	Total amount $m
Convertible preference shares (CPS3) (recorded as debt instruments) (ASX:BENPF)												
Dividends paid during the year:												
	Dec 2015	219.82	6.2	-	-	-	Dec 2015	219.82	6.2	-	-	-
	Jun 2016	226.72	6.4	-	-	-	Jun 2016	226.72	6.4	-	-	-
		446.54	**12.6**		-	-		**446.54**	**12.6**		-	-

Convertible preference shares (CPS 3) were issued in June 2015.

Dividend franking account	Group	
	2016 $m	2015 $m
Balance of franking account as at the end of the financial year	345.1	334.1
Franking credits that will arise from the payment of income tax provided for in the financial report	34.5	18.2
Impact of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution of equity holders during the period	(67.6)	(64.6)
Closing balance at 30 June 2016	**312.0**	**287.7**

Dividends paid

Dividends paid by cash or satisfied by the issue of shares under the dividend reinvestment plan during the year were as follows:

	Group		Bank	
	2016 $m	2015 $m	2016 $m	2015 $m
Paid in cash[1]	237.8	247.8	237.8	247.8
Satisfied by issue of shares[2]	63.0	50.6	63.0	50.6
	300.8	**298.4**	**300.8**	**298.4**

[1] Refers to cash paid to shareholders who did not elect to participate in the dividend reinvestment plan.
[2] Includes share issued to participating shareholders under the dividend reinvestment plan.

Dividend policies

Preference share dividends are non-cumulative and are payable quarterly in arrears, at the discretion of the directors, based on a dividend rate equal to the sum of the 90 day Bank Bill Rate, plus the initial margin multiplied by one minus the company tax rate. It is expected that dividends paid, will be fully franked. For the payment of dividends, the preference shares will rank in priority to the ordinary shares. These shares were redeemed in June 2015.

Step up preference share dividends are non-cumulative and are payable quarterly in arrears, at the discretion of the directors, based on a dividend rate equal to the sum of the 90 day Bank Bill Rate plus the initial margin, multiplied by one minus the company tax rate. It is expected that dividends paid will be fully franked. For the payment of dividends, the step up preference shares will rank equally with the preference shares and in priority to the ordinary shares. These shares were redeemed in October 2014.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan provides shareholders with the opportunity of converting their entitlement from a dividend into new shares. The issue price of the shares is equal to the volume weighted average share price of Bendigo and Adelaide Bank shares traded on the Australian Securities Exchange over the seven trading days commencing 9 September 2016 at a discount of 1.5%. Shares issued under this Plan rank equally with all other ordinary shares.

Bonus Share Scheme

The Bonus Share Scheme provides shareholders with the opportunity to elect to receive a number of bonus shares issued for no consideration instead of receiving a dividend. The issue price of the shares is equal to the volume weighted average share price of Bendigo and Adelaide Bank shares traded on the Australian Securities Exchange over the seven trading days commencing 9 September 2016 at a discount of 1.5%. Shares issued under this scheme rank equally with all other ordinary shares.

The last date for the receipt of an election notice for participation in either the Dividend Reinvestment Plan or Bonus Share Scheme for the 2016 final dividend was 8 September 2016.

LENDING

In this section the focus is on the lending assets of the Group. Further information is provided on the loans and other receivables, and impairment relating to these financial assets.

8. Loans and other receivables

		Group		Bank	
		2016 $m	**2015 $m**	**2016 $m**	**2015 $m**
Loans and other receivables - investments		197.7	185.1	197.7	185.1
Overdrafts		3,600.6	3,851.5	3,590.3	3,837.3
Credit cards		288.4	287.7	288.4	287.7
Term loans		50,937.7	48,978.3	47,713.4	45,699.8
Margin lending		1,742.4	1,792.2	-	-
Lease receivables		487.9	453.1	396.3	376.6
Factoring receivables		99.2	76.6	99.2	76.6
Other		117.6	106.0	117.6	106.0
Gross loans and other receivables		**57,471.5**	**55,730.5**	**52,402.9**	**50,569.1**
Specific provision	9	(125.3)	(116.8)	(87.0)	(79.3)
Collective provision	9	(53.4)	(59.0)	(49.4)	(52.8)
Unearned income		(106.5)	(101.7)	(53.2)	(51.0)
Total provisions and unearned income		**(285.2)**	**(277.5)**	**(189.6)**	**(183.1)**
Deferred costs paid		67.3	78.6	67.3	78.6
Net loans and other receivables		**57,253.6**	**55,531.6**	**52,280.6**	**50,464.6**
Maturity analysis[1]					
At call / overdrafts		7,952.2	7,598.8	6,007.0	5,437.6
Not longer than 3 months		1,307.1	1,175.4	991.6	924.6
Longer than 3 and not longer than 12 months		2,075.7	1,936.3	1,704.2	1,536.9
Longer than 1 and not longer than 5 years		7,488.5	7,540.9	5,283.4	5,378.3
Longer than 5 years		38,648.0	37,479.1	38,416.7	37,291.7
		57,471.5	**55,730.5**	**52,402.9**	**50,569.1**

[1] Balances exclude specific and collective provisions, unearned revenue, and deferred costs and are categorised by the contracted maturity date of each loan facility.

Recognition and measurement

Loans and receivables are measured at amortised cost using the effective interest method. The effective interest method calculation includes the contractual terms of the loan, together with all fees, transaction costs and other premiums or discounts.

Loans with renegotiated terms are accounted for in the same manner taking account of any change to the terms of the loan.

Deferred costs include costs associated with the acquisition, origination or securitisation of loan portfolios. These costs are amortised through the income statement over the average life of the loans in these portfolios.

All loans are subject to continuous management review, to assess whether there is any objective evidence that any loan or group of loans is impaired.

Unearned income on the Group's personal lending and leasing portfolios is brought to account over the life of the contracts on an actuarial basis.

9. Impairment of loans and advances

Summary of impaired financial assets	Group 2016 $m	Group 2015 $m	Bank 2016 $m	Bank 2015 $m
Impaired loans				
Loans - without provisions	68.7	80.3	19.9	24.5
Loans - with provisions	235.0	241.9	148.7	141.8
Restructured loans	46.5	3.4	43.1	-
Less: specific provisions	(124.4)	(116.1)	(86.1)	(78.6)
Net impaired loans	**225.8**	**209.5**	**125.6**	**87.7**
Net impaired loans % of net loans and other receivables	0.39%	0.38%	0.24%	0.17%
Portfolios facilities - past due 90 days, not well secured	4.8	4.2	4.4	3.7
Less: specific provisions	(0.9)	(0.7)	(0.9)	(0.7)
Net portfolio facilities	**3.9**	**3.5**	**3.5**	**3.0**
Loans past due 90 days				
Accruing loans past due 90 days, with adequate security balance	574.4	610.1	462.9	538.8
Net fair value of properties acquired through the enforcement of security	78.2	114.5	73.4	95.3

Summary of provisions	Group 2016 $m	Group 2015 $m	Bank 2016 $m	Bank 2015 $m
Specific provision				
Opening balance	116.8	114.4	79.3	74.2
Provision acquired in business combination	-	2.1	-	2.1
Charged to income statement	58.1	53.9	47.9	39.2
Impaired debts written off applied to specific provision	(49.6)	(53.6)	(40.2)	(36.2)
Closing balance	**125.3**	**116.8**	**87.0**	**79.3**
Collective provision				
Opening balance	59.0	42.8	52.8	36.6
Provision acquired in business combination	-	3.2	-	3.2
Charged to income statement	(5.6)	13.0	(3.4)	13.0
Closing balance	**53.4**	**59.0**	**49.4**	**52.8**
General reserve for credit losses (GRCL)				
Opening balance	146.9	138.3	128.3	119.7
Provision acquired in business combination	-	8.6	-	8.6
Closing balance	**146.9**	**146.9**	**128.3**	**128.3**
Total provisions and reserve	**325.6**	**322.7**	**264.7**	**260.4**
Ratios				
Specific provision as % of gross loans	0.22%	0.21%		
Total provisions and reserve as % of gross loans	0.57%	0.58%		
Collective provision and general reserve for credit losses as a % of risk-weighted assets	0.55%	0.59%		
Provision coverage[1]	93.00%	99.10%		

[1] Provision coverage is calculated as total provisions and reserve divided by total impaired assets.

9. Impairment of loans and advances (continued)

Recognition and measurement

A facility is classified as impaired regardless of whether it is 90 days or more past due (arrears) when there is doubt as to whether the full amounts due (interest and principal) will be achieved in a timely manner. This is the case even if the full extent of the loss cannot be clearly determined.

Losses for impaired loans are recognised when there is objective evidence that impairment of a loan, or portfolio of loans, has occurred. Impairment losses that are calculated on individual loans, or on groups of loans assessed collectively are recorded in the income statement.

Impairment losses are calculated by discounting the expected future cash flows of a loan, which includes expected future receipts of contractual interest, at the loan's original effective interest rate, and comparing the resultant present value with the loan's current carrying amount.

Restructured loans

Restructured loans are facilities in which the original contractual terms have been modified for reasons related to the financial difficulties of the customer. Restructuring may consist of reduction of interest, principal or other payments legally due, or an extension in maturity.

Specific provision

A specific provision is recognised for all impaired loans when there is reasonable doubt over the collectibility of principal and interest, in accordance with the loan agreement. All bad debts are written off against the specific provision in the period in which they are classified as not recoverable.

The provision is determined by specific identification or by estimation of expected losses in relation to loan portfolios, where specific identification is impractical, based on historical impairment experience for these portfolios. These portfolios include unsecured credit cards, overdrawn accounts and personal loans, where provisions are calculated based on historical loss experience.

Collective provision

Individual loans which are not subject to specific provisioning are grouped together according to their risk characteristics, and are then assessed for impairment. This assessment is based on historical loss data and available information for assets with similar credit risk characteristics (eg by industry sector, loan grade or product). Adjustments to the collective provision are recognised in the income statement.

General reserve for credit losses

The Australian Prudential Regulation Authority (APRA) requires that banks maintain a general reserve for credit losses to cover risks inherent in loan portfolios. In certain circumstances the collective provision can be included in this assessment.

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

FUNDING AND CAPITAL MANAGEMENT

This section covers the funding and capital structure of the Group. Further information is provided for the following key areas: Deposits and note payables, convertible preference shares, subordinated debt, securitisation, share capital, retained earnings and reserves. The Group's capital management objectives are outlined in this section.

10. Deposits and notes payable

Deposits	Group 2016 $m	Group 2015 $m	Bank 2016 $m	Bank 2015 $m
Retail				
At call	22,045.4	18,942.0	20,161.7	16,992.4
Term	19,499.5	19,866.4	19,499.5	19,866.4
Treasury	8,346.2	7,414.3	6,962.7	6,118.0
Total retail deposits	**49,891.1**	**46,222.7**	**46,623.9**	**42,976.8**
Wholesale				
Domestic	6,733.4	6,936.3	6,732.2	6,935.3
Offshore	430.2	346.3	430.2	346.3
Total wholesale deposits	**7,163.6**	**7,282.6**	**7,162.4**	**7,281.6**
Total deposits	**57,054.7**	**53,505.3**	**53,786.3**	**50,258.4**
Deposits by geographic location				
Victoria	24,127.4	22,987.6	23,411.8	22,303.8
New South Wales	15,450.9	13,979.2	14,328.7	12,747.3
Australian Capital Territory	1,458.0	1,030.9	1,350.5	977.7
Queensland	5,139.5	5,326.3	4,831.9	5,026.3
South Australia/Northern Territory	5,569.7	5,381.6	5,021.2	4,896.7
Western Australia	3,564.2	3,254.7	3,188.5	2,879.5
Tasmania	1,105.9	1,038.2	1,018.6	926.2
Overseas	639.1	506.8	635.1	500.9
Total deposits	**57,054.7**	**53,505.3**	**53,786.3**	**50,258.4**
Total notes payable	**3,822.5**	**4,925.9**	**502.2**	**330.6**

Recognition and measurement

Deposits
All deposits are initially recognised at cost, being the fair value of the consideration received net of issue costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost using the effective interest method. Amortised cost includes any issue costs and any discount or premium on settlement.

For liabilities carried at amortised cost, gains and losses are recognised in the income statement when the liabilities are de-recognised.

Notes payable
The Group conducts an asset securitisation program through which it packages and sells asset backed securities to investors. Notes payable are predominately interest-bearing financial instruments issued through these securitisation programs. The notes are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost, using the effective interest method. Interest is recognised in the income statement.

11. Convertible preference shares

	Group		Bank	
	2016 $m	2015 $m	2016 $m	2015 $m
CPS (ASX Code:BENPD)				
Nov 12: 2,688,703 fully paid $100 Convertible preference shares	268.9	268.9	268.9	268.9
Unamortised issue costs	(3.1)	(5.2)	(3.1)	(5.2)
	265.8	**263.7**	**265.8**	**263.7**
CPS2 (ASX Code:BENPE)				
Oct 14: 2,921,188 fully paid $100 Convertible preference shares	292.1	292.1	292.1	292.1
Unamortised issue costs	(7.6)	(9.4)	(7.6)	(9.4)
	284.5	**282.7**	**284.5**	**282.7**
CPS3 (ASX Code:BENPF)				
June 15: 2,822,108 fully paid $100 Convertible preference shares	282.2	282.2	282.2	282.2
Unamortised issue costs	(8.1)	(9.1)	(8.1)	(9.1)
	274.1	**273.1**	**274.1**	**273.1**
Total convertible preference shares	**824.4**	**819.5**	**824.4**	**819.5**

Nature of shares

Convertible preference shares are long term in nature, are perpetual and hence do not have a fixed maturity date. However the shares may be redeemed at the discretion of the Bank for a price per share on the redemption date. Any preference shares not already converted will be converted into ordinary shares on the mandatory conversion date specified in the issue's prospectus located at http://www.bendigoadelaide.com.au/public/shareholders/prospectus.asp

If the Bank is unable to pay a dividend because of insufficient profits, the dividend is non-cumulative. The convertible preference shares rank ahead of the ordinary shares in the event of liquidation. Under certain circumstances ranking may be affected resulting in shares being converted or written off.

In accordance with Australian Prudential Regulation Authority's Basel III capital adequacy framework, these convertible preference shares form part of the Bank's Additional Tier 1 capital.

Recognition and measurement

These instruments are classified as debt within the balance sheet and dividends to the holders are treated as interest expense in the income statement.

Convertible preference shares are initially recognised at cost, being the fair value of the consideration received, less charges associated with the issue of the instrument. They are subsequently measured at amortised cost using the effective interest method.

The shares carry a dividend which will be determined semi-annually and payable half yearly in arrears. The dividend rate will be the floating Bank Bill Rate plus the initial fixed margin, adjusted for franking credits.

12. Subordinated debt

	Group		Bank	
	2016 $m	2015 $m	2016 $m	2015 $m
Subordinated debt	**583.4**	**592.6**	**573.4**	**573.1**
Maturity analysis				
Not longer than 3 months	-	9.5	-	-
Longer than 3 and not longer than 12 months	-	-	-	-
Longer than 1 and not longer than 5 years	260.7	-	250.7	-
Over 5 years	322.7	583.1	322.7	573.1
	583.4	**592.6**	**573.4**	**573.1**

Recognition and measurement

These instruments are classified as debt within the balance sheet and the interest expense is recorded in the income statement.

Subordinated debt instruments are initially recognised at cost, being the fair value of the consideration received, less charges associated with the issue of the instrument. They are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

13. Securitisation and transferred assets

Group	Repurchase agreements 2016 $m	Repurchase agreements 2015 $m	Securitisation 2016 $m	Securitisation 2015 $m
Carrying amount of transferred assets[1]	520.3	348.7	3,149.1	4,292.6
Carrying amount of associated liabilities[2]	520.3	348.7	3,296.3	4,567.0
Fair value of transferred assets			3,130.9	4,285.4
Fair value of associated liabilities			3,285.1	4,538.4
Net Position			**(154.2)**	**(253.0)**

Bank	Repurchase agreements 2016 $m	Repurchase agreements 2015 $m	Securitisation 2016 $m	Securitisation 2015 $m
Carrying amount of transferred assets	502.2	330.6	8,989.9	8,310.7
Carrying amount of associated liabilities[3]	502.2	330.6	9,430.6	8,837.3
Fair value of transferred assets			8,952.5	8,326.7
Fair value of associated liabilities			9,354.9	8,839.6
Net Position			**(402.4)**	**(512.9)**

[1] Represents the carrying value of the loans transferred to the trust.
[2] Securitisation liabilities of the Group include RMBS notes issued by the SPE's and held by external parties.
[3] Securitisation liabilities of the Bank include borrowings from SPE's including the SPE's that issue internally held notes for repurchase with central banks, recognised on transfer of residential mortgages by the Bank.

Securitisation programs
The Group uses special purpose entities (SPE's) to securitise customer loans and advances that it has originated, in order to source funding, and/or capital efficiency purposes. The loans are transferred by the Group to the SPE's, which in turn issue debt to investors. This transfer does not give rise to de-recognition of those financial assets for the Group. The Group holds income and capital units in the trusts which entitle the Group to any residual income of the SPE after all payments to investors and costs of the program have been met. Trust investors have no recourse against the Group, if cash flows from the securitised loans are inadequate to service the trust obligations. Liabilities associated with the SPE's are accounted for on an amortised basis using the effective interest method.

Repurchase agreements
Securities sold under agreement to repurchase, are retained on the balance sheet when the majority of the risks and rewards of ownership remain with the Group. The counterparty liability is included separately on the balance sheet when cash consideration is received.

Consolidation
SPE's are consolidated by the Group where the Group has the power to govern directly or indirectly decision making in relation to financial and operational policies, and receives the majority of the residual income or is exposed to the majority of the residual risks associated with the SPE's.

The Group enters into interest rate swaps and liquidity facilities with the trusts, which are all at arm's length to the SPE's.

Securitised and sold loans
The Bank securitised loans totalling $2,876.4 million (2015: $1,462.1 million) during the financial year. The Group invests in some of its own securitisation programs by holding A and B class notes equivalent to $6,617.7 million as at 30 June 2016 (2015: $4,809.5 million).

14. Standby arrangements and uncommitted credit facilities

	Group		Bank	
	2016 $m	2015 $m	2016 $m	2015 $m
Amount available:				
Offshore borrowing facility	10,774.4	10,417.3	10,774.4	10,417.3
Domestic note program	6,000.0	6,000.0	5,000.0	5,000.0
Amount utilised:				
Offshore borrowing facility	426.3	340.9	426.3	340.9
Domestic note program	3,987.9	3,600.9	3,976.5	3,580.0
Amount not utilised:				
Offshore borrowing facility	10,348.1	10,076.4	10,348.1	10,076.4
Domestic note program	2,012.1	2,399.1	1,023.5	1,420.0

Nature and purpose

The Group utilises debt facilities which include both domestic and offshore and both short and long term arrangements.

The domestic funding facilities include floating rate notes. The notes are unsubordinated and unsecured. The coupon payable on the notes are both fixed and floating. The floating rate notes are issued at BBSW plus a margin with coupon payments made quarterly.

The offshore funding facilities include Euro medium term notes and Euro commercial paper. The Euro commercial paper programmes are utilised to satisfy short term funding requirements. They represent unsubordinated and unsecured obligations. The funding is issued in both Australian and foreign denominations. The instruments may be issued at a discount, or bear interest on a fixed or floating rate basis.

Recognition and measurement

Funding instruments that are issued in currencies other than AUD are accounted for at amortised cost. These transactions are restated to AUD equivalents each month with adjustments taken directly to income. Funding instruments that have been utilised appear in Note 10 Deposits and notes payable.

15. Capital management

Bendigo and Adelaide Bank Limited's key capital management objectives are to:

> Maintain a sufficient level of capital above the regulatory minimum to provide a buffer against loss arising from unanticipated events, and allow the Group to continue as a going concern;

> Optimise the level and use of capital resources to enhance shareholder value through maximising financial performance;

> Ensure that capital management is closely aligned with the Group's business and strategic objectives; and

> Achieve progressive improvement to short and long term credit ratings.

The Group manages capital adequacy according to the framework provided by the Australian Prudential Regulation Authority (APRA) Standards.

Capital adequacy is measured at two levels:

> Level 1 includes Bendigo and Adelaide Bank Limited and certain controlled entities that meet the APRA definition of extended licensed entities; and

> Level 2 consists of the consolidated Group, excluding non-controlled subsidiaries and subsidiaries involved in insurance, funds management, non-financial operations and special purpose vehicles.

APRA determines minimum prudential capital ratios (eligible capital as a percentage of total risk-weighted assets) that must be held by all authorised deposit-taking institutions. Accordingly, Bendigo and Adelaide Bank Limited is required to maintain a minimum prudential capital ratio at both Level 1 and Level 2 as determined by APRA. As part of the Group's capital management process, the Board considers the Group's strategy, financial performance objectives, credit ratings and other factors relating to the efficient management of capital in setting target ratios of capital above the regulatory required levels. These processes are formalised within the Group's Internal Capital Adequacy Assessment Process (ICAAP).

Regulatory capital is divided into Common Equity Tier 1, Tier 1 and Tier 2 capital.

Common Equity Tier 1 capital primarily consists of shareholders equity less goodwill and other prescribed adjustments. Tier 1 capital is comprised of Common Equity Tier 1 plus other highly ranked capital instruments acceptable to APRA. Tier 2 capital is comprised primarily of lower ranked hybrid and debt instruments acceptable to APRA.

Total capital is the aggregate of Tier 1 and Tier 2 capital. The Group has adopted the Standardised Approach to credit risk, operational risk and market risk, which requires the Group to determine capital requirements based on standards set by APRA. The Group has satisfied the minimum capital requirements at Levels 1 and 2 throughout the 2015/16 financial year.

16. Share capital

Issued and paid up capital	Group 2016 $m	Group 2015 $m	Bank 2016 $m	Bank 2015 $m
Ordinary shares (ASX Code: BEN) fully paid - 463,762,656 (2015: 456,566,225)	4,298.4	4,235.4	4,298.4	4,235.4
Employee Share Ownership Plan	(10.2)	(11.8)	(10.2)	(11.8)
	4,288.2	**4,223.6**	**4,288.2**	**4,223.6**
Movements in ordinary shares on issue				
Opening balance 1 July - 456,566,225 (2015: 452,006,957)	4,235.4	4,183.3	4,235.4	4,183.3
Shares issued under:				
Bonus share scheme - 330,292 @ $10.64; 267,943 @ $9.05 (2015: 191,372 @ $12.73; 205,584 @ $12.62)	-	-	-	-
Dividend reinvestment plan - 2,031,453 @ $10.64; 4,566,743 @ $9.05 (2015: 1,813,234 @ $12.73; 2,184,643 @ 12.62)	63.0	50.6	63.0	50.6
Retail entitlement offer - Nil (2015: 164,435 @ $10.85)	-	1.8	-	1.8
Share issue costs	-	(0.3)	-	(0.3)
Closing balance 30 June - 463,762,656 (2015: 456,566,225)	**4,298.4**	**4,235.4**	**4,298.4**	**4,235.4**
Movements in preference shares on issue				
Opening balance 1 July - Nil (2015: 900,000 fully paid)	-	88.5	-	88.5
Redemption - Nil (June 2015: 900,000 fully paid shares)	-	(88.5)	-	(88.5)
Closing balance 30 June	**-**	**-**	**-**	**-**
Movements in step up preference shares on issue				
Opening balance 1 July - Nil (2015: 1,000,000)	-	100.0	-	100.0
Redemption - Nil (October 2015: 1,000,000 fully paid shares)	-	(100.0)	-	(100.0)
Closing balance 30 June	**-**	**-**	**-**	**-**
Movements in Employee Share Ownership Plan				
Opening balance	(11.8)	(16.2)	(11.8)	(16.2)
Reduction in Employee Share Ownership Plan	1.6	4.4	1.6	4.4
Closing balance	**(10.2)**	**(11.8)**	**(10.2)**	**(11.8)**
Total issued and paid up capital	**4,288.2**	**4,223.6**	**4,288.2**	**4,223.6**

16. Share capital (continued)

Nature of issued capital

Ordinary shares (ASX code: BEN)
Ordinary shares are fully-paid and have no par value. They carry one vote per share and the right to dividends.

Preference shares (ASX code: BENPB)
Preference shares are perpetual, redeemable and convertible. These shares rank equally among themselves and are subordinated to all depositors and creditors of the Bank. These shares rank in priority to ordinary shares with respect to the payment of dividends and a return of capital on winding up. These shares do not carry a right to vote at general meetings of the Group, except in limited circumstances. In accordance with the issue's prospectus dated April 2005 these shares were redeemed in June 2015.

Step up preference shares (ASX code: BENPC)
Step up preference shares are perpetual, redeemable and convertible. These shares rank in priority to ordinary shares and rank equally with preference shares with respect to the payment of dividends and a return of capital on winding up or liquidation.

These shares do not carry a right to vote at general meetings of the Group, except in limited circumstances. In accordance with the issue's prospectus dated August 2004 these shares were redeemed in October 2014.

Recognition and measurement

Ordinary shares, preference shares and step up preference shares are classified as equity. Issued ordinary capital, preference and step up preference shares are recognised at the fair value of the consideration received net of transaction costs (net of any tax benefit). Dividends are recognised as a distribution from equity in the year that they are declared.

Employee Share Ownership Plan is the value of loans outstanding in relation to shares issued to employees under this plan and effectively represents the unpaid portion of the issued shares.

17. Retained earnings and reserves

Retained earnings	Group		Bank	
Movements	**2016 $m**	**2015 $m**	**2016 $m**	**2015 $m**
Opening balance	623.1	509.8	236.7	205.0
Profit for the year	415.6	423.9	303.1	340.5
Share based payment	3.5	-	3.5	-
Movements in general reserve for credit losses	-	(8.6)	-	(8.6)
Establish operational risk reserve	-	(1.8)	-	-
Share issue expense	-	(1.5)	-	(1.5)
Dividends	(300.8)	(297.6)	(300.8)	(297.6)
Deregistration of subsidiary company	-	-	0.5	-
Defined benefits actuarial adjustment	(1.4)	(1.6)	(1.4)	(1.6)
Tax effect of defined benefits actuarial adjustment	0.4	0.5	0.4	0.5
Closing balance	**740.4**	**623.1**	**242.0**	**236.7**

Reserves

Movements				
Employee benefits reserve				
Opening balance	14.4	16.8	14.4	16.8
Net decrease in reserve	(4.1)	(2.4)	(4.1)	(2.4)
Closing balance	**10.3**	**14.4**	**10.3**	**14.4**
Asset revaluation reserve - property				
Opening balance	1.3	1.3	0.4	0.4
Closing balance	**1.3**	**1.3**	**0.4**	**0.4**
Asset revaluation reserve - available for sale equity securities				
Opening balance	1.6	2.7	1.2	0.9
Transfer to income on sale of available for sale assets	-	(2.6)	-	-
Revaluation increments/(decrements)	(0.1)	1.0	-	0.4
Tax effect of revaluation increments/(decrements)	-	0.5	-	(0.1)
Closing balance	**1.5**	**1.6**	**1.2**	**1.2**

17. Retained earnings and reserves (continued)

Reserves (continued)

Movements (continued)	Group 2016 $m	Group 2015 $m	Bank 2016 $m	Bank 2015 $m
Asset revaluation reserve - available for sale debt securities				
Opening balance	0.6	1.1	23.3	26.9
Net unrealised losses	(3.3)	(0.6)	(99.3)	(5.0)
Transfer to income on sale of available for sale assets	1.1	(0.1)	1.1	(0.1)
Tax effect of net unrealised gains/(losses)	0.7	0.2	29.5	1.5
Closing balance	**(0.9)**	**0.6**	**(45.4)**	**23.3**
Operational risk reserve				
Opening balance	1.8	-	-	-
Establish operational risk reserve	-	1.8	-	-
Closing balance	**1.8**	**1.8**	**-**	**-**
Cash flow hedge reserve				
Opening balance	(51.2)	(38.7)	(48.8)	(30.0)
Changes due to mark to market	(2.0)	(17.3)	(3.3)	(26.3)
Tax effect of changes due to mark to market	0.6	5.2	1.0	7.9
Changes due to transfer to the income statement	-	(0.6)	-	(0.6)
Tax effect of changes due to transfer to the income statement	-	0.2	-	0.2
Closing balance	**(52.6)**	**(51.2)**	**(51.1)**	**(48.8)**
General reserve for credit losses (GRCL)				
Opening balance	146.9	138.3	128.3	119.7
Establishment of GRCL on transfer of business	-	8.6	-	8.6
Closing balance	**146.9**	**146.9**	**128.3**	**128.3**
Acquisition reserve				
Opening balance	(20.4)	(20.4)	-	-
Closing balance	**(20.4)**	**(20.4)**	**-**	**-**
Total reserves	**87.9**	**95.0**	**43.7**	**118.8**

Nature and purpose of reserves

Employee benefits reserve
The reserve records the value of equities issued to Non-executive employees under the Employee Share Ownership Plan and the value of deferred shares and rights granted to Executive employees under the Employee Salary Sacrifice, Deferred Share and Performance Share Plan. Further details regarding these employee equity plans are disclosed within Note 36 Share based payment plans.

Asset revaluation reserve - property
The reserve records revaluation adjustments on the Group's property assets.

Asset revaluation reserve - available for sale - equity investments and debt securities.
The reserve records fair value changes on available for sale assets.

Operational risk reserve
The reserve is required to meet Sandhurst Trustees Limited licence requirements.

Cash flow hedge reserve
The reserve records the portion of gain or loss on the derivatives that are determined to be in an effective cash flow hedge relationship.

General reserve for credit losses
APRA Prudential standard, APS 220 *Credit Quality*, requires a reserve to be held to recognise estimated future credit losses which may arise over the life of the Group's lending portfolio.

Acquisition reserve
The reserve records the difference between the carrying value of the non-controlling interest and the consideration paid to acquire the remaining interest of the non-controlling interest.

TREASURY AND INVESTMENTS

This section covers the financial instruments held by the Group including: financial instruments, derivatives, investments accounted for using the equity method (joint arrangements and associates) and investment property. This section outlines how the fair value of financial instruments is determined and the associated methodology.

Classification of financial instruments

Financial instruments are classified into one of five categories, which determine the accounting treatment.

The classification depends on the purpose for which the instruments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

The classifications are:

> Loans and receivables (refer Lending Section)

> Held to maturity

> Held for trading

> Available for sale

> Non-trading liabilities (refer Treasury and Funding Section)

18. Financial assets held for trading

	Group		Bank	
	2016 $m	2015 $m	2016 $m	2015 $m
Discount securities	3,377.2	1,754.8	3,377.5	1,755.2
Floating rate notes	-	322.1	-	322.1
Government securities	2,991.9	3,486.0	2,991.9	3,486.0
Total financial assets held for trading	**6,369.1**	**5,562.9**	**6,369.4**	**5,563.3**
Maturity analysis				
Not longer than 3 months	1,685.5	937.4	1,685.5	937.4
Longer than 3 and not longer than 12 months	2,091.3	2,947.5	2,091.3	2,947.5
Longer than 1 and not longer than 5 years	2,592.3	1,678.0	2,592.3	1,678.0
Over 5 years	-	-	0.3	0.4
	6,369.1	**5,562.9**	**6,369.4**	**5,563.3**

Recognition and measurement
Financial instruments are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. These financial instruments are measured at fair value with gains and losses recognised in the income statement. Fair value measurement is outlined in Note 22 Financial instruments.

19. Financial assets available for sale

	Group		Bank	
	2016 $m	2015 $m	2016 $m	2015 $m
Debt securities				
Negotiable certificates of deposit	118.7	109.5	-	-
Mortgage backed securities	144.7	387.2	144.7	387.2
Security deposits	24.9	24.9	24.9	24.9
Securitisation notes	-	-	6,554.0	4,842.0
Liquidity collateral	34.9	48.3	194.0	207.4
Total financial assets available for sale - debt	**323.2**	**569.9**	**6,917.6**	**5,461.5**
Equity investments				
Listed share investments	2.4	2.4	2.4	2.3
Unlisted share investments	27.9	29.0	21.1	22.3
Total financial assets available for sale - equity	**30.3**	**31.4**	**23.5**	**24.6**
Total financial assets available for sale	**353.5**	**601.3**	**6,941.1**	**5,486.1**
Maturity analysis				
Not longer than 3 months	118.7	81.6	-	-
Longer than 3 and not longer than 12 months	34.5	53.4	34.5	25.5
Longer than 1 and not longer than 5 years	135.1	386.6	135.1	386.6
Over 5 years	34.9	48.3	6,748.0	5,049.4
Non-maturing	30.3	31.4	23.5	24.6
	353.5	**601.3**	**6,941.1**	**5,486.1**
Recognised gains/(losses) before tax:				
Gain/(loss) recognised directly in equity	(3.4)	0.4	(99.3)	(4.6)
Amount removed from equity and recognised in (profit)/loss	1.1	(2.7)	1.1	(0.1)

Recognition and measurement

Available for sale investments are non-derivative financial assets that are designated as available for sale or are not categorised into any of the categories under AASB 139 *Financial Instruments: Recognition and Measurement.*

Available for sale investments are measured at fair value with gains and losses recorded in a reserve within equity. Upon disposal or impairment, the accumulated gains or losses recorded in equity are transferred to the income statement.

Fair value measurement is outlined in Note 22 Financial instruments.

20. Financial assets held to maturity

	Group		Bank	
	2016 $m	2015 $m	2016 $m	2015 $m
Negotiable certificates of deposit	193.1	197.1	-	-
Deposits - other	188.2	102.1	61.2	0.5
Other	1.5	1.5	1.5	1.5
Total financial assets held to maturity	**382.8**	**300.7**	**62.7**	**2.0**
Maturity analysis				
Not longer than 3 months	204.5	135.6	60.6	-
Longer than 3 and not longer than 12 months	86.0	61.4	-	-
Longer than 1 and not longer than 5 years	84.7	87.9	1.3	-
Over 5 years	7.6	15.8	0.8	2.0
	382.8	**300.7**	**62.7**	**2.0**

Classification and measurement

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity where the Group has the positive intention and ability to hold to maturity.

Investments that are held to maturity are measured at amortised cost using the effective interest method. Any discount or premium on acquisition is taken over the period to maturity.

Gains and losses are recognised in the income statement when the investments are sold or impaired.

21. Derivative financial instruments

	Group 2016				Group 2015			
	Notional amount	Fair value assets	Fair value liabilities	Net fair value	Notional amount	Fair value assets	Fair value liabilities	Net fair value
	$m	$m	$m	$m	$m	$m	$m	$m
Included in derivatives category								
Derivatives held for trading								
Futures	3,474.5	19.6	-	19.6	1,239.7	10.4	-	10.4
Interest rate swaps	16,842.4	29.4	(22.0)	7.4	5,394.2	19.5	(18.4)	1.1
Foreign exchange contracts	130.4	0.7	(0.5)	0.2	54.1	1.0	(0.7)	0.3
	20,447.3	**49.7**	**(22.5)**	**27.2**	**6,688.0**	**30.9**	**(19.1)**	**11.8**
Derivatives held as fair value hedges								
Interest rate swaps	15.5	-	(1.6)	(1.6)	23.3	-	(2.0)	(2.0)
Cross currency swaps	156.8	22.8	-	22.8	156.8	24.9	-	24.9
Embedded derivatives	-	-	-	-	0.1	-	-	-
	172.3	**22.8**	**(1.6)**	**21.2**	**180.2**	**24.9**	**(2.0)**	**22.9**
Derivatives held as cash flow hedges								
Interest rate swaps	19,475.2	6.5	(87.7)	(81.2)	20,327.7	8.0	(86.9)	(78.9)
	19,475.2	**6.5**	**(87.7)**	**(81.2)**	**20,327.7**	**8.0**	**(86.9)**	**(78.9)**
Total derivatives	**40,094.8**	**79.0**	**(111.8)**	**(32.8)**	**27,195.9**	**63.8**	**(108.0)**	**(44.2)**

	Bank 2016				Bank 2015			
	Notional amount	Fair value assets	Fair value liabilities	Net fair value	Notional amount	Fair value assets	Fair value liabilities	Net fair value
	$m	$m	$m	$m	$m	$m	$m	$m
Included in derivatives category								
Derivatives held for trading								
Futures	3,474.5	19.6	-	19.6	1,239.7	10.4	-	10.4
Interest rate swaps	25,995.5	240.8	(23.3)	217.5	14,022.9	167.5	(31.2)	136.3
Foreign exchange contracts	130.4	0.7	(0.5)	0.2	54.1	1.0	(0.7)	0.3
	29,600.4	**261.1**	**(23.8)**	**237.3**	**15,316.7**	**178.9**	**(31.9)**	**147.0**
Derivatives held as fair value hedges								
Interest rate swaps	15.4	-	(1.6)	(1.6)	23.3	-	(2.0)	(2.0)
Cross currency swaps	156.8	22.8	-	22.8	156.8	24.9	-	24.9
	172.2	**22.8**	**(1.6)**	**21.2**	**180.1**	**24.9**	**(2.0)**	**22.9**
Derivatives held as cash flow hedges								
Interest rate swaps	18,876.1	6.4	(85.3)	(78.9)	19,704.0	7.9	(83.5)	(75.6)
	18,876.1	**6.4**	**(85.3)**	**(78.9)**	**19,704.0**	**7.9**	**(83.5)**	**(75.6)**
Total derivatives	**48,648.7**	**290.3**	**(110.7)**	**179.6**	**35,200.8**	**211.7**	**(117.4)**	**94.3**

21. Derivative financial instruments (continued)

As at 30 June hedged cash flows are expected to occur and affect the income statement as follows:

Group

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Greater than 5 years
2016	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Forecast cash inflows	379.6	127.7	206.6	21.3	11.1	28.2
Forecast cash outflows	(421.8)	(150.2)	(214.8)	(23.0)	(11.3)	(28.3)
Forecast net cash outflows	**(42.2)**	**(22.5)**	**(8.2)**	**(1.7)**	**(0.2)**	**(0.1)**
2015						
Forecast cash inflows	405.2	85.9	39.0	175.5	9.5	32.3
Forecast cash outflows	(479.8)	(126.7)	(65.8)	(185.1)	(10.6)	(32.5)
Forecast net cash outflows	**(74.6)**	**(40.8)**	**(26.8)**	**(9.6)**	**(1.1)**	**(0.2)**

Bank

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Greater than 5 years
2016						
Forecast cash inflows	369.3	125.0	206.2	21.3	11.1	28.2
Forecast cash outflows	(409.6)	(147.0)	(214.3)	(23.0)	(11.3)	(28.3)
Forecast net cash outflows	**(40.3)**	**(22.0)**	**(8.1)**	**(1.7)**	**(0.2)**	**(0.1)**
2015						
Forecast cash inflows	394.0	83.5	38.2	175.5	9.5	32.3
Forecast cash outflows	(464.2)	(121.7)	(64.1)	(185.1)	(10.6)	(32.5)
Forecast net cash outflows	**(70.2)**	**(38.2)**	**(25.9)**	**(9.6)**	**(1.1)**	**(0.2)**

	Group		Bank	
	2016	**2015**	**2016**	**2015**
Net gains /(losses) arising from hedge ineffectiveness	**$m**	**$m**	**$m**	**$m**
Gains/ (losses) arising from fair value hedges				
Gains/(losses) on hedging instruments	(1.7)	26.5	(1.7)	26.5
Gains/(losses) on the hedged items attributable to the hedged risk	4.0	(27.0)	4.0	(27.0)
Gains on cash flow hedges				
Gains on cash flow hedges	-	0.6	-	0.6
Gains on hedges, (not in a hedge accounting relationship)				
Gains on hedges	5.6	-	5.6	-
	7.9	**0.1**	**7.9**	**0.1**

Nature and purpose

The Group uses derivative financial instruments primarily to manage risk, including interest rate risk and foreign currency rate risk. Note 30 Risk management outlines the risk management framework that the Group applies.

Recognition and measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured on a monthly basis. Any gains and losses arising from a change in fair value of the derivative, except for those that qualify as cash flow hedges, are taken directly to the income statement. All derivatives are classified as Level 2 Investments and the valuation methodology is outlined in Note 22 Financial instruments.

21. Derivative financial instruments (continued)

Recognition and measurement (continued)

Hedge accounting
A hedge relationship is established whereby a hedging instrument (derivative) is identified as offsetting changes in the fair value or cash flows of a hedged item (asset or liability). The Group formally designates and documents the hedge relationship, including the risk management strategy for undertaking the hedge. This includes the identification of the hedge instrument, hedge item, the nature of the risk and how effectiveness will be tested. Testing is completed on a monthly basis both retrospectively and prospectively.

Derivatives that meet the hedge accounting criteria are able to be accounted for as either a fair value hedge or a cashflow hedge.

Fair value hedges
Fair value hedges principally consist of interest rate swaps and cross currency swaps that are used to protect against changes in the fair value of fixed rate long term financial instruments due to movements in interest rates and exchange rates. Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in the income statement, along with changes in the fair value of the hedged item. If a hedge relationship no longer meets the criteria for hedge accounting, then hedge accounting is discontinued. The cumulative adjustment to the hedge item is amortised to the income statement over the remaining period until maturity.

Cash flow hedges
Cash flow hedges consist principally of interest rate swaps that are used to protect against exposures to movements in future interest cash flows on assets and liabilities which bear interest at variable rates.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts in the cash flow hedge reserve are recognised in the income statement in the periods when the hedged item is recognised in profit or loss.

Offsetting financial assets and financial liabilities
The Group presents its derivative assets and liabilities on a gross basis.

Derivative financial instruments entered into by the Group are subject to International Swaps and Derivatives Association (ISDA) master netting agreements and other similar master netting arrangements. These arrangements do not meet the criteria for offsetting in the balance sheet. This is because they create for the parties to the agreement a right of set-off, of recognised amounts that are only enforceable following an event of default, insolvency or bankruptcy of the Group, or the counterparties, or following other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The following table sets out the effect of netting arrangements on derivative financial assets and derivative financial liabilities if they were to be applied:

	Group			
	Derivative assets	Derivative liabilities	Derivative assets	Derivative liabilities
	2016		2015	
	$m	$m	$m	$m
Amounts subject to enforceable master netting or similar agreements				
Amounts of recognised financial assets/liabilities reported on the balance sheet	59.4	(111.8)	53.3	(101.9)
Related amounts not set-off on the balance sheet				
Financial collateral (received)/pledged	(17.1)	91.2	(16.3)	80.5
Net amount	**42.3**	**(20.6)**	**37.0**	**(21.4)**
Financial assets/liabilities not subject to enforceable master netting or similar agreements	19.6	-	10.5	(6.1)
Total financial assets/liabilities recognised on the balance sheet	**79.0**	**(111.8)**	**63.8**	**(108.0)**

21. Derivative financial instruments (continued)

Offsetting financial assets and financial liabilities (continued)

	Bank			
	Derivative assets	Derivative liabilities	Derivative assets	Derivative liabilities
	2016		2015	
	$m	$m	$m	$m
Amounts subject to enforceable master netting or similar agreements				
Amounts of recognised financial assets/liabilities reported on the balance sheet	270.2	(110.5)	201.2	(111.3)
Related amounts not set-off on the balance sheet				
Financial collateral (received)/pledged	(17.1)	91.2	(16.3)	80.5
Net amount	**253.1**	**(19.3)**	**184.9**	**(30.8)**
Financial assets/liabilities not subject to enforceable master netting or similar agreements	20.1	(0.2)	10.5	(6.1)
Total financial assets/liabilities recognised on the balance sheet	**290.3**	**(110.7)**	**211.7**	**(117.4)**

For the purpose of this disclosure, financial collateral not set off on the balance sheet have been capped by relevant netting agreements so as not to exceed the net amounts of financial assets/(liabilities) reported on the balance sheet (ie over-collateralisation, where it exists, is not reflected in the tables).

22. Financial instruments

All financial instruments are initially recognised at fair value on the date of initial recognition depending on the classification of the asset and liability. Details of these classifications are included in the introduction to this section (Treasury and Investments).

a. Measurement basis of financial assets and liabilities

The following table details the carrying amount of the financial assets and liabilities by classification on the balance sheet.

Group	Held at fair value	At fair value through profit & loss	At fair value through reserves	Held at amortised cost		
	Derivatives	Held for trading	Available for sale	Loans and receivables	Other financial instruments	Total
2016	$m	$m	$m	$m	$m	$m
Financial assets						
Cash and cash equivalents	-	-	-	-	1,060.0	1,060.0
Due from other financial institutions	-	-	-	-	220.8	220.8
Financial assets held to maturity	-	-	-	-	382.8	382.8
Financial assets held for trading	-	6,369.1	-	-	-	6,369.1
Financial assets available for sale	-	-	353.5	-	-	353.5
Loans and other receivables	-	-	-	57,253.6	-	57,253.6
Derivatives	79.0	-	-	-	-	79.0
Total financial assets	**79.0**	**6,369.1**	**353.5**	**57,253.6**	**1,663.6**	**65,718.8**
Financial liabilities						
Due to other financial institutions	-	-	-	-	267.4	267.4
Deposits	-	-	-	-	57,054.7	57,054.7
Notes payable	-	-	-	-	3,822.5	3,822.5
Derivatives	111.8	-	-	-	-	111.8
Convertible preference shares	-	-	-	-	824.4	824.4
Subordinated debt	-	-	-	-	583.4	583.4
Total financial liabilities	**111.8**	**-**	**-**	**-**	**62,552.4**	**62,664.2**
2015						
Financial assets						
Cash and cash equivalents	-	-	-	-	981.6	981.6
Due from other financial institutions	-	-	-	-	215.7	215.7
Financial assets held to maturity	-	-	-	-	300.7	300.7
Financial assets held for trading	-	5,562.9	-	-	-	5,562.9
Financial assets available for sale	-	-	601.3	-	-	601.3
Loans and other receivables	-	-	-	55,531.6	-	55,531.6
Derivatives	63.8	-	-	-	-	63.8
Total financial assets	**63.8**	**5,562.9**	**601.3**	**55,531.6**	**1,498.0**	**63,257.6**
Financial liabilities						
Due to other financial institutions	-	-	-	-	202.7	202.7
Deposits	-	-	-	-	53,505.3	53,505.3
Notes payable	-	-	-	-	4,925.9	4,925.9
Derivatives	108.0	-	-	-	-	108.0
Convertible preference shares	-	-	-	-	819.5	819.5
Subordinated debt	-	-	-	-	592.6	592.6
Total financial liabilities	**108.0**	**-**	**-**	**-**	**60,046.0**	**60,154.0**

22. Financial instruments (continued)

Bank	Held at fair value	At fair value through profit & loss	At fair value through reserves	Held at amortised cost		
	Derivatives	Held for trading	Available for sale	Loans and receivables	Other financial instruments	Total
2016	$m	$m	$m	$m	$m	$m
Financial assets						
Cash and cash equivalents	-	-	-	-	933.0	933.0
Due from other financial institutions	-	-	-	-	220.8	220.8
Financial assets held to maturity	-	-	-	-	62.7	62.7
Financial assets held for trading	-	6,369.4	-	-	-	6,369.4
Financial assets available for sale	-	-	6,941.1	-	-	6,941.1
Loans and other receivables	-	-	-	52,280.6	-	52,280.6
Derivatives	290.3	-	-	-	-	290.3
Total financial assets	**290.3**	**6,369.4**	**6,941.1**	**52,280.6**	**1,216.5**	**67,097.9**
Financial liabilities						
Due to other financial institutions	-	-	-	-	266.9	266.9
Deposits	-	-	-	-	53,786.3	53,786.3
Notes payable	-	-	-	-	502.2	502.2
Derivatives	110.7	-	-	-	-	110.7
Convertible preference shares	-	-	-	-	824.4	824.4
Subordinated debt	-	-	-	-	573.4	573.4
Total financial liabilities	**110.7**	**-**	**-**	**-**	**55,953.2**	**56,063.9**
2015						
Financial assets						
Cash and cash equivalents	-	-	-	-	870.4	870.4
Due from other financial institutions	-	-	-	-	215.7	215.7
Financial assets held to maturity	-	-	-	-	2.0	2.0
Financial assets held for trading	-	5,563.3	-	-	-	5,563.3
Financial assets available for sale	-	-	5,486.1	-	-	5,486.1
Loans and other receivables	-	-	-	50,464.6	-	50,464.6
Derivatives	211.7	-	-	-	-	211.7
Total financial assets	**211.7**	**5,563.3**	**5,486.1**	**50,464.6**	**1,088.1**	**62,813.8**
Financial liabilities						
Due to other financial institutions	-	-	-	-	202.4	202.4
Deposits	-	-	-	-	50,258.4	50,258.4
Notes payable	-	-	-	-	330.6	330.6
Derivatives	117.4	-	-	-	-	117.4
Convertible preference shares	-	-	-	-	819.5	819.5
Subordinated debt	-	-	-	-	573.1	573.1
Total financial liabilities	**117.4**	**-**	**-**	**-**	**52,184.0**	**52,301.4**

22. Financial instruments (continued)

b. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets for identical instruments. A quoted market price in an active market provides the most reliable evidence of fair value.

For all other financial instruments, the fair value is determined by using other valuation techniques.

Valuation of financial assets and liabilities

Various valuation techniques are used to measure the fair value of financial instruments. The technique adopted is dependent upon the inputs available.

As part of the fair value measurement, the Group classifies its assets and liabilities according to a hierarchy that reflects the observability of significant market inputs. The three levels of the hierarchy are defined below:

Level 1 - Quoted market prices

The fair value is determined using unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Valuation technique using observable inputs

The fair value is determined using models whose inputs are observable in an active market.

Level 3 - Valuation technique using significant unobservable inputs

The fair value is calculated using significant inputs that are not based on observable market data.

22. Financial instruments (continued)

Financial assets and liabilities carried at fair value

The table below details financial instruments carried at fair value, by balance sheet classification and hierarchy level:

Group	Level 1	Level 2	Level 3	Total fair value	Total carrying value
2016	**$m**	**$m**	**$m**	**$m**	**$m**
Financial assets					
Financial assets held for trading	-	6,369.1	-	6,369.1	6,369.1
Financial assets available for sale	2.4	329.9	21.2	353.5	353.5
Derivatives	-	79.0	-	79.0	79.0
Financial liabilities					
Derivatives	-	111.8	-	111.8	111.8
2015					
Financial assets					
Financial assets held for trading	-	5,562.9	-	5,562.9	5,562.9
Financial assets available for sale	2.4	576.7	22.2	601.3	601.3
Derivatives	-	63.8	-	63.8	63.8
Financial liabilities					
Derivatives	-	108.0	-	108.0	108.0

Bank					
2016					
Financial assets					
Financial assets held for trading	-	6,369.4	-	6,369.4	6,369.4
Financial assets available for sale	2.4	6,917.4	21.3	6,941.1	6,941.1
Derivatives	-	290.3	-	290.3	290.3
Financial liabilities					
Derivatives	-	110.7	-	110.7	110.7
2015					
Financial assets					
Financial assets held for trading	-	5,563.3	-	5,563.3	5,563.3
Financial assets available for sale	2.3	5,461.5	22.3	5,486.1	5,486.1
Derivatives	-	211.7	-	211.7	211.7
Financial liabilities					
Derivatives	-	117.4	-	117.4	117.4

Transfers between levels are deemed to have occurred at the beginning of the reporting period in which instruments are transferred. There were no transfers between levels during the year for the Group or Bank.

22. Financial instruments (continued)

Valuation methodology

Financial instruments - debt securities
Each month, independent valuations are determined by the middle office department of the Group's Finance and Treasury division. This involves an analysis of independently sourced data that is deemed most representative of the market. From this independent data which is made available by other financial institutions, market average valuations are calculated, and the value of debt securities are updated.

Financial instruments - equity investments

Level 1 - Listed investments relates to equities held that are on listed exchanges.

Level 2 - Unlisted investments are equity holdings in unlisted managed investment schemes. For managed scheme investments the most recent prices provided by the fund manager are used.

Level 3 - Unlisted investments are equity holdings in small unlisted entities. Given there are no quoted market prices and fair value cannot be reliably measured, investments are held at cost less impairment.

Derivatives
Where the Group's derivative assets and liabilities are not traded on an exchange, they are valued using valuation methodologies, including discounted cash flow and option pricing models as appropriate. The most significant inputs into the valuations are interest rate yields which are developed from publicly quoted rates.

Movements in level 3 portfolio
The following table provides a reconciliation from the beginning balances to the ending balances for financial instruments which are classified as level 3:

Financial assets - equity investments	Group		Bank	
	2016 $m	2015 $m	2016 $m	2015 $m
As at 30 June 2015	22.2	2.9	22.3	3.0
Impairment charge	(1.6)	-	(1.6)	-
Purchases	0.6	19.3	0.6	19.3
As at 30 June 2016	**21.2**	**22.2**	**21.3**	**22.3**

22. Financial instruments (continued)

Financial assets and liabilities carried at amortised cost

Valuation hierarchy

The table below details financial instruments carried at amortised cost, by balance sheet classification and hierarchy level:

Group	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
2016	**$m**	**$m**	**$m**	**$m**	**$m**
Financial assets					
Cash and cash equivalents	1,060.0	-	-	1,060.0	1,060.0
Due from other financial institutions	220.8	-	-	220.8	220.8
Financial assets held to maturity	-	382.8	-	382.8	382.8
Loans and other receivables	-	-	57,447.2	57,447.2	57,253.6
Financial liabilities					
Due to other financial institutions	267.4	-	-	267.4	267.4
Deposits	-	57,121.8	-	57,121.8	57,054.7
Notes payable	-	3,810.9	-	3,810.9	3,822.5
Convertible preference shares	799.1	-	-	799.1	824.4
Subordinated debt	-	576.1	-	576.1	583.4
2015					
Financial assets					
Cash and cash equivalents	981.6	-	-	981.6	981.6
Due from other financial institutions	215.7	-	-	215.7	215.7
Financial assets held to maturity	-	300.7	-	300.7	300.7
Loans and other receivables	-	-	55,721.4	55,721.4	55,531.6
Financial liabilities					
Due to other financial institutions	202.7	-	-	202.7	202.7
Deposits	-	53,578.7	-	53,578.7	53,505.3
Notes payable	-	4,896.5	-	4,896.5	4,925.9
Convertible preference shares	803.0	-	-	803.0	819.5
Subordinated debt	-	587.4	-	587.4	592.6
Bank					
2016					
Financial assets					
Cash and cash equivalents	933.0	-	-	933.0	933.0
Due from other financial institutions	220.8	-	-	220.8	220.8
Financial assets held to maturity	-	62.7	-	62.7	62.7
Loans and other receivables	-	-	52,458.1	52,458.1	52,280.6
Financial liabilities					
Due to other financial institutions	266.9	-	-	266.9	266.9
Deposits	-	53,848.1	-	53,848.1	53,786.3
Notes payable	-	502.2	-	502.2	502.2
Convertible preference shares	799.1	-	-	799.1	824.4
Subordinated debt	-	566.1	-	566.1	573.4

22. Financial instruments (continued)

Financial assets and liabilities carried at amortised cost (continued)

Valuation hierarchy (continued)

Bank	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
2015	**$m**	**$m**	**$m**	**$m**	**$m**
Financial assets					
Cash and cash equivalents	870.4	-	-	870.4	870.4
Due from other financial institutions	215.7	-	-	215.7	215.7
Financial assets held to maturity	-	2.0	-	2.0	2.0
Loans and other receivables	-	-	50,636.4	50,636.4	50,464.6
Financial liabilities					
Due to other financial institutions	202.4	-	-	202.4	202.4
Deposits	-	50,324.1	-	50,324.1	50,258.4
Notes payable	-	330.6	-	330.6	330.6
Convertible preference shares	803.0	-	-	803.0	819.5
Subordinated debt	-	567.9	-	567.9	573.1

Transfers between levels are deemed to have occurred at the beginning of the reporting period in which instruments are transferred. There were no significant transfers between levels during the year for the Group or Parent.

Valuation methodology

Cash and cash equivalents, due from/to other financial institutions
The carrying value for these assets and liabilities are a reasonable approximation of fair value.

Financial instruments - held to maturity
The fair values of financial assets held to maturity are measured at amortised cost which approximates their fair value given they are predominantly short-term in nature or have interest rates which reprice frequently.

Loans and other receivables
The carrying value of loans and other receivables is net of specific and collective provisions. For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of fair value.

The fair value for fixed loans is calculated by utilising discounted cash flow models, based on the maturity of the loans. The discount rates used represent the rate the market is willing to offer at arms-length for customers of similar credit quality. The net fair value of impaired loans is calculated by discounting expected cash flows using these rates.

Deposits
The carrying value of deposits at call is considered to represent fair value given they are short term in nature. The fair value for all term deposits is calculated using a discounted cash flow model applying market rates, or current rates for deposits of similar maturities.

Notes payable
The fair value for all notes payable is calculated using a discounted cash flow model applying independent market rates and margins for similar financial instruments.

Convertible preference shares
The fair value for convertible preference shares is based on quoted market rates for the issue concerned as at 30 June.

Subordinated debt
The fair value of subordinated debt is calculated based on quoted market prices. For those debt issues where quoted market prices were not available, a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instrument is used.

23. Investments accounted for using the equity method

	Ownership interest held by consolidated entity		Balance date	Profit/(loss) before tax		Carrying amount of investments	
				Group	Bank	Group	Bank
	2016 %	2015 %		2016 $m	2016 $m	2016 $m	2016 $m
Joint Arrangements							
Community Sector Enterprises Pty Ltd	50.0	50.0	30 June	0.1	0.1	1.5	1.5
Homesafe Solutions Pty Ltd	50.0	50.0	30 June	0.9	0.9	0.5	0.5
Silver Body Corporate Financial Services Pty Ltd	50.0	50.0	30 June	0.1	0.1	0.3	0.3
				1.1	**1.1**	**2.3**	**2.3**
Associates							
Aegis Group[1]	49.5	49.5	30 June	(1.2)	(1.2)	0.2	-
Dancoor Community Finances Ltd	49.0	49.0	30 June	-	-	0.8	0.8
Homebush Financial Services Ltd	49.0	49.0	30 June	-	-	0.8	0.8
Linear Financial Holdings Pty Ltd[2]	-	-	30 June	-	-	-	-
Strategic Payments Services Pty Ltd[3]	-	-	31 Dec	-	-	-	-
Vic West Community Enterprise Pty Ltd[4]	50.0	50.0	30 June	-	-	-	-
				(1.2)	**(1.2)**	**1.8**	**1.6**

[1] Aegis Group - economic interest is 23.5%.
[2] Linear Financial Holdings - sold in December 2014.
[3] Strategic Payment Services - sold in November 2014.
[4] Vic West Community Enterprises - fully impaired in December 2014.

	Profit/(loss) before tax		Carrying amount of investments	
	Group	Bank	Group	Bank
	2015 $m	2015 $m	2015 $m	2015 $m
Joint Arrangements				
Community Sector Enterprises Pty Ltd	(0.3)	(0.3)	1.3	1.3
Homesafe Solutions Pty Ltd	0.7	0.7	0.4	0.4
Silver Body Corporate Financial Services Pty Ltd	-	-	0.3	-
	0.4	**0.4**	**2.0**	**1.7**
Associates				
Aegis Group	-	-	-	-
Dancoor Community Finances Ltd	-	-	0.8	0.8
Homebush Financial Services Ltd	-	-	0.8	0.8
Linear Financial Holdings Pty Ltd	2.7	-	-	-
Strategic Payments Services Pty Ltd	1.4	1.4	-	-
Vic West Community Enterprise Pty Ltd	(0.1)	(0.1)	-	-
	4.0	**1.3**	**1.6**	**1.6**

All joint arrangements and associates are incorporated in Australia.

23. Investments accounted for using the equity method (continued)

Movements in carrying amount of investment	Group 2016 $m	Group 2015 $m	Bank 2016 $m	Bank 2015 $m
Joint Arrangements				
Balance at the beginning of financial year	2.0	1.6	1.7	1.4
Return of capital investment	(0.8)	(0.5)	(0.8)	(0.5)
Increase in capital investment	-	0.6	-	0.5
Dividends received from joint arrangements	-	(0.1)	-	(0.1)
Transfer from de-registered subsidiary company	-	-	0.3	-
Share of total comprehensive income	1.1	0.4	1.1	0.4
Total investment held in joint arrangements	**2.3**	**2.0**	**2.3**	**1.7**

Total comprehensive income from joint arrangements	Group 2016 $m	Group 2015 $m	Bank 2016 $m	Bank 2015 $m
Profit or loss from continuing operations	1.1	0.4	1.1	0.4
Total comprehensive income	**1.1**	**0.4**	**1.1**	**0.4**

Movements in carrying amount of investment	Group 2016 $m	Group 2015 $m	Bank 2016 $m	Bank 2015 $m
Associates				
Balance at the beginning of financial year	1.6	14.1	1.6	13.7
Carrying amount of investment (disposed)/acquired during the year	1.4	(15.0)	1.2	(11.9)
Impairment of investment	-	(1.5)	-	(1.5)
Share of total comprehensive income	(1.2)	4.0	(1.2)	1.3
Total investment held in associates	**1.8**	**1.6**	**1.6**	**1.6**

Total comprehensive income from associates	Group 2016 $m	Group 2015 $m	Bank 2016 $m	Bank 2015 $m
Profit or loss from continuing operations	(1.2)	4.0	(1.2)	1.3
Total comprehensive income	**(1.2)**	**4.0**	**(1.2)**	**1.3**

Subsequent events affecting joint arrangements and associates for the ensuing year (if any) are disclosed in Note 40 Events after balance sheet date.

The consolidated entity's share of joint arrangements and associates commitments and contingent liabilities (if any) are disclosed in Note 38 Commitments and contingencies.

Significant restrictions
There are no significant restrictions on the ability of joint arrangements or associates to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the entity.

Recognition and measurement
The Group's investment in joint arrangements and associates are accounted for under the equity method of accounting in the consolidated financial statements. Entities in which the Group holds a 50% interest and have joint control are classified as joint arrangements. Where the Group holds 20% but less than 50% interest in an entity, and has significant influence but not control over these, the investments are treated as associates.

Investments in joint arrangement and associates are initially recorded at cost and increased/decreased each year by the Group's share of post acquisition profits (or losses). The Group ceases to recognise its share of the losses when its share of the net assets and amounts due from the entity have been fully written off, unless it has incurred further obligations.

24. Investment property

Investment property values reflect the Group's investment in residential real estate through the Homesafe Trust.

The investments represent shared equity interest alongside the original homeowners in Sydney and Melbourne residential properties.

	Group		Bank	
	2016 $m	2015 $m	2016 $m	2015 $m
Opening balance	482.0	404.9	-	-
Additions	49.4	41.4	-	-
Disposals	(37.7)	(26.5)	-	-
Homesafe income	79.7	62.2	-	-
Total investment property	**573.4**	**482.0**	**-**	**-**

Recognition and measurement

Investment properties are measured initially at cost, including transaction costs and then stated at fair value. Gains or losses arising from changes in the fair values of investment properties are recognised in the income statement in the year in which they arise.

Valuation methodology

Subsequent to initial recognition, fair value is determined by discounting the expected future cash flows of the portfolio, taking into account the restrictions on the ability to realise the investment property due to contractual obligations.

Assumptions used in the modelling of future cashflows are sourced from market indices of property values (Residex) and long term growth/discount rates appropriate to residential property and historical experience of contracts that have been closed out. The discounted cash flow model is prepared on a monthly basis. Inputs that form part of the discounted cash flow model include rates of property appreciation, discount rates, selling costs, mortality rates and future CPI increases.

Fair value measurement

There are different levels of fair value measurement. When fair value is calculated using inputs that are not based on observable market data, then assets will be considered as Level 3 fair value. Investment property has been categorised as a Level 3 fair value based on the inputs outlined above.

Sensitivity of Level 3 fair value measurements to reasonably possible alternative assumptions

Valuation technique	Significant unobservable inputs	$m[1]	Range of estimates (weighted -average) for unobservable input	Fair value measurement sensitivity to unobservable inputs	Effect of reasonably possible alternative assumptions: Favourable change $m	Effect of reasonably possible alternative assumptions: Unfavourable change $m
Discounted cash flow	Rates of property appreciation - long term growth rate 6%	573.4	5% - 7%	Significant increases in these inputs would result in higher fair values.	73.0	(38.6)
	Discount rates - 7.75%	573.4	6.75% - 8.75%	Significant increases in these inputs would result in lower fair values.	74.1	(39.0)

[1] This includes a management overlay of $23.6m which reflects an assumed 3% increase in property prices for the next 18 months before returning to a long term growth rate of 6%.

Where valuation techniques use non-observable inputs that are significant to a fair value measurement in its entirety, changing these inputs will change the resultant fair value measurement.

The most significant inputs impacting the carrying value of the investment property are the long term growth rates and the discount rates. There are interdependencies between a number of the assumptions made which mean that no single factor is likely to move independent of others, however the sensitivities disclosed above assume all other assumptions remain unchanged.

OPERATING ASSETS AND LIABILITIES

This section outlines the operating assets and liabilities of the Group and associated information. Included in this section is information on the following: cash flow statement reconciliation, cash & cash equivalents, goodwill, other assets and other payables.

25. Cash flow statement reconciliation

	Group		Bank	
	2016 $m	2015 $m	2016 $m	2015 $m
Profit after tax	415.6	423.9	303.1	340.5
Non-cash items				
Bad debts expense	56.9	71.2	48.6	55.7
Amortisation	34.9	36.1	23.5	24.3
Depreciation (including leasehold improvements)	21.6	22.4	21.1	21.9
Revaluation (increments)/decrements	(46.2)	(61.9)	33.5	0.7
Equity settled transactions	-	1.5	1.4	1.4
Share of net (profit)/loss from joint arrangements and associates	0.1	(4.4)	0.1	(1.7)
Impairment write down	2.3	1.5	2.3	1.5
Fair value acquisition adjustments	5.1	6.5	5.1	6.5
Hedge gains in relation to ineffectiveness	(7.9)	(0.1)	(7.9)	(0.1)
Changes in assets and liabilities				
Increase in tax provision	16.3	0.7	16.3	0.7
Increase/(decrease) in deferred tax assets & liabilities	20.8	13.3	(6.3)	(14.4)
(Increase)/decrease in derivatives	(11.4)	(12.7)	(85.3)	31.0
Decrease in accrued interest	(38.3)	(6.9)	(37.9)	(14.9)
(Increase)/decrease in accrued employee entitlements	(1.4)	4.0	(1.1)	4.3
(Increase)/decrease in other accruals, receivables and provisions	(185.8)	53.1	(147.1)	26.2
Cash flows from operating activities before changes in operating assets and liabilities	**282.6**	**548.2**	**169.4**	**483.6**
Net (Increase)/decrease in operating assets				
Net increase of loans to other entities	(1,785.5)	(433.4)	(1,245.3)	(1,350.1)
Net (increase)/decrease of investment securities	(650.9)	1,737.9	(2,365.1)	2,194.6
Net Increase/(decrease) in operating liabilities				
Net increase in balance of retail deposits	3,668.4	756.2	3,647.2	688.8
Net decrease in balance of wholesale deposits	(119.0)	(233.8)	(119.3)	(29.1)
Net (decrease)/increase in balance of notes payable	(1,103.4)	(330.4)	171.7	20.2
Net cash flows from operating activities	**292.2**	**2,044.7**	**258.6**	**2,008.0**

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 other receivables, investment securities, retail deposits and wholesale deposits.

26. Cash and cash equivalents

	Group		Bank	
	2016 $m	2015 $m	2016 $m	2015 $m
Notes and coins	179.5	183.9	179.5	183.9
Cash at bank	653.0	567.2	546.1	441.0
Investments at call	227.5	230.5	207.4	245.5
Total cash and cash equivalents	**1,060.0**	**981.6**	**933.0**	**870.4**
Reconciliation of cash and cash equivalents For the purposes of the cash flow statement, cash and cash equivalents includes:				
Cash and cash equivalents	1,060.0	981.6	933.0	870.4
Due from other financial institutions	220.8	215.7	220.8	215.7
Due to other financial institutions	(267.4)	(202.7)	(266.9)	(202.4)
	1,013.4	**994.6**	**886.9**	**883.7**

Recognition and measurement

Cash and cash equivalents include cash on hand, deposits held at call with banks, bank overdrafts and other short term investments that have an original maturity of three months or less. Cash at bank earns interest at variable rates based on daily bank and short term deposit rates. Interest is recognised in the income statement using the effective interest method.

27. Goodwill and other intangible assets

Group	Goodwill $m	Computer software $m	Deposits $m	Customer relation-ship $m	Other acquired intangibles [1] $m	Trustee licence $m	Total $m
Carrying amount as at 1 July 2015	1,442.3	74.7	20.0	16.2	18.9	8.4	1,580.5
Additions	-	89.5	-	-	0.2	-	89.7
Amortisation charge	-	(15.4)	(8.4)	(6.3)	(4.8)	-	(34.9)
Impairment charge	-	-	-	-	(0.6)	-	(0.6)
Closing balance as at 30 June 2016	**1,442.3**	**148.8**	**11.6**	**9.9**	**13.7**	**8.4**	**1,634.7**
Carrying amount as at 1 July 2014	1,368.4	53.1	28.5	24.1	21.9	8.4	1,504.4
Acquisition through business combination	73.9	-	-	-	2.5	-	76.4
Additions	-	35.8	-	-	-	-	35.8
Amortisation charge	-	(14.2)	(8.5)	(7.9)	(5.5)	-	(36.1)
Closing balance as at 30 June 2015	**1,442.3**	**74.7**	**20.0**	**16.2**	**18.9**	**8.4**	**1,580.5**
Bank							
Carrying amount as at 1 July 2015	1,362.8	72.9	15.6	2.8	10.5	-	1,464.6
Additions	-	87.6	-	-	-	-	87.6
Amortisation charge	-	(14.3)	(6.4)	(1.3)	(1.5)	-	(23.5)
Closing balance as at 30 June 2016	**1,362.8**	**146.2**	**9.2**	**1.5**	**9.0**	**-**	**1,528.7**
Carrying amount as at 1 July 2014	1,288.9	51.1	22.0	5.7	12.6	-	1,380.3
Acquisition through business combination	73.9	-	-	-	-	-	73.9
Additions	-	34.7	-	-	-	-	34.7
Amortisation charge	-	(12.9)	(6.4)	(2.9)	(2.1)	-	(24.3)
Closing balance as at 30 June 2015	**1,362.8**	**72.9**	**15.6**	**2.8**	**10.5**	**-**	**1,464.6**

[1] These assets include customer lists, management rights and trade names.

Recognition and measurement

Intangible assets (other than goodwill)
Intangible assets acquired separately are measured at cost on initial recognition. Intangible assets acquired in a business combination are measured at fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment losses.

Intangible assets with a finite life are amortised over a straight line basis over their useful life and tested at least annually for impairment or when there is an indicator that impairment may exists. Intangible assets with indefinite lives are tested for impairment in the same way as goodwill. The amortisation period and method are reviewed at each financial year end for all intangible assets.

Computer software includes both purchased and internally generated software. The cost of internally generated software comprises all directly attributable costs necessary to create, produce and prepare the software to be capable of operating in the manner intended by management. Costs incurred in the ongoing maintenance of software are expensed as incurred.

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the sale proceeds and the carrying amount of the asset and are included in the income statement in the year of disposal.

27. Goodwill and other intangible assets (continued)

A summary of the policies applied to the Group's intangible assets (excluding goodwill) are as follows:

	Trustee Licence	Computer software/ development costs	Intangible assets acquired in a business combination
Useful lives	Indefinite	Finite	Finite
Method used	Not amortised or revalued	Straight line over 2.5 to 10 years	Straight line over life of asset (2 - 15yrs)
Internally generated/acquired	Acquired	Internally generated or acquired	Acquired
Impairment test/recoverable amount testing	Annually and when an indicator of impairment exists	Annually and when an indicator of impairment exists	Annually and when an indicator of impairment exists

Recognition and measurement

Goodwill

Goodwill acquired in a business combination is initially measured at cost. Cost is measured as the cost of the business combination minus the net fair value of the acquired identifiable assets, liabilities and contingent liabilities. Following initial recognition goodwill is measured at cost less accumulated impairment losses.

Goodwill is allocated to cash generating units (CGU) for the purposes of impairment testing, which is undertaken at the lowest level at which Goodwill is monitored for internal management purposes. Impairment testing is performed at least annually, or whenever there is an indication of impairment, by comparing the recoverable amount of a CGU with its carrying amount. The carrying amount of a CGU is based on its assets, liabilities and allocated goodwill. The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value in use. If the recoverable amount is less than the carrying value, an impairment loss is charged to the income statement.

At the date of disposal of a business, attributable goodwill is measured on the basis of the value of the operation disposed of and the portion of the CGU retained.

Goodwill has been allocated to the following CGUs:

	2016 $m	2015 $m
Local connection	677.5	677.5
Partner connection	464.4	464.4
Wealth	209.7	209.7
Agribusiness	90.7	90.7
	1,442.3	**1,442.3**

Key assumptions used in value in use calculations

In determining value in use the estimated future (pre-tax) cash flows are discounted to their present value using a discount rate. The estimated future cash flows are obtained from the Group's forecast which is developed annually and approved by management and the board. Growth rates are applied to the approved forecast data to extrapolate for a further four years.

The discount rate used is based on the weighted average cost of capital for each CGU and reflects current market assessments of the risks specific to the CGU for which future estimates of cash flows have not been adjusted.

A terminal growth rate of 3.0% is representative of long term growth rates, including inflation, in Australia. It is used to extrapolate cash flows beyond the forecast period for each CGU.

The table below contains discount rates used in the calculation of the recoverable amount for each CGU:

	Discount rate
Local connection	10.44%
Partner connection	10.74%
Wealth	11.04%
Agribusiness	11.34%

27. Goodwill and other intangible assets (continued)

Sensitivity analysis

Whilst there was no impairment in any of the CGU's, changes in the key assumptions would affect the recoverable amount of the CGU's. The table below discloses the possible changes to key assumptions which could result in impairment first becoming evident:

Increase/(decrease) in key assumptions	Wealth $'000	Agri-business $'000
Nil growth rate		(0.99%)
Discount rate	0.96%	0.48%
Long term growth rate		(0.65%)

The sensitivities above assume that the specific assumption moves in isolation, while all other assumptions are held constant.

28. Other assets

	Group		Bank	
	2016 $m	2015 $m	2016 $m	2015 $m
Accrued income	39.0	23.9	33.9	17.9
Prepayments	27.7	26.0	22.8	20.6
Sundry debtors	121.1	144.6	162.4	210.2
Accrued interest	158.8	163.1	129.9	131.4
Deferred expenditure	81.3	102.3	80.9	102.0
Total other assets	**427.9**	**459.9**	**429.9**	**482.1**

Recognition and measurement

Prepayments and sundry debtors
Prepayments and sundry debtors are recognised initially at fair value and then subsequently measured at amortised cost using the effective interest method. Collectability of sundry debtors is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified.

Accrued interest
Accrued interest is interest that has been recognised as income on an accrual basis using the effective interest method, but is yet to be charged to the loan or receivable.

Deferred expenditure
Deferred expenditure relating to projects is capitalised to the Balance Sheet when it is probable the future economic benefits attributable to the asset will flow to the Group. The cost model is applied which requires the asset to be carried at cost less any impairment losses. When the project has been completed these items are transferred to capitalised software (refer to Note 27 Goodwill and other intangible assets for further information). The carrying value of deferred expenditure is reviewed for impairment annually when the asset is not yet available for use, or more frequently when an indicator of impairment arises.

29. Other payables

	Group		Bank	
	2016 $m	2015 $m	2016 $m	2015 $m
Sundry creditors	23.1	14.9	20.3	9.9
Accrued expenses and outstanding claims	288.6	402.4	475.4	537.7
Accrued interest	199.2	241.6	188.1	225.5
Prepaid interest	25.1	29.5	-	-
Total other payables	**536.0**	**688.4**	**683.8**	**773.1**

Recognition and measurement

Sundry creditors and accrued expenses
Sundry creditors and accrued expenses are carried at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received. Sundry creditors are generally settled within 30 days.

Accrued interest
Accrued interest is the interest that is recognised as an expense in the income statement but has yet to be paid to the customers liability account. Interest is recognised using the effective interest method.

Prepaid interest
Prepaid interest is the interest received from customers in advance. This interest is recognised as income in the income statement using the effective interest method.

OTHER DISCLOSURE MATTERS

The following section outlines all other disclosure matters including: risk management, business combinations, subsidiaries and controlled entities, related party disclosures, provisions, commitments and contingencies and other required disclosures.

The risk management note outlines the key financial risks that the Group manages.

30. Risk management

Nature of risk

The Group is exposed to a range of risks which have the potential to adversely impact its financial performance and financial position. The Group actively manages those risks it assesses to be material including key financial risks (i.e. credit risk, liquidity risk and market risk) and operational risks.

The Board is ultimately responsible for the management of risk which is achieved by establishing, reviewing and overseeing the Group's Risk Management Framework (the framework) including its risk profile, risk appetite and risk strategy. The framework provides a high level description of the material risks faced by the Group together with the policies and procedures implemented to measure, monitor and manage those risks.

The Board's role is supported by committees namely the Asset and Liability Management Committee (ALMAC), Management and Board Credit committees, Operational Risk committee and the Board Risk committee who facilitate in monitoring adherence to policies, limits and procedures.

Further details regarding the Group's material risks including our strategic approach to their management is contained within the Directors' Report and the Corporate Governance statement. Our committee charters are available on our website.

Financial risk management

The Group's exposure to financial risks are considered significant given financial instruments held by the Group constitute the core contributors of financial performance and position. An overview of the Group's key financial risks is presented below.

Credit risk

Credit risk is risk of the Group suffering a financial loss if any of its customers or counterparties fail to fulfil their contractual obligations.

The Group is predominantly exposed to credit risk as a result of its lending activities as well as counterparty exposures arising from the funding activities of Group Treasury due to the use of derivative contracts.

The table below presents the maximum exposure to credit risk arising from balance sheet and off-balance sheet financial instruments. The exposure is shown gross before taking into account any master netting, collateral agreements or other credit enhancements.

	Group		Bank	
Gross maximum exposure	**2016 $m**	**2015 $m**	**2016 $m**	**2015 $m**
Cash and cash equivalents	880.5	797.7	753.5	686.5
Due from other financial institutions	220.8	215.7	220.8	215.7
Financial assets held for trading	6,369.1	5,562.9	6,369.4	5,563.3
Financial assets available for sale	353.5	601.3	6,941.1	5,486.1
Financial assets held to maturity	382.8	300.7	62.7	2.0
Other assets	279.9	307.7	292.3	341.5
Derivatives	79.0	63.8	290.3	211.7
Shares in controlled entities	-	-	569.8	564.8
Amounts receivable from controlled entities	-	-	1,160.1	1,180.1
Gross loans and other receivables	57,471.5	55,730.5	52,402.9	50,569.1
	66,037.1	**63,580.3**	**69,062.9**	**64,820.8**
Contingent liabilities	237.3	238.0	232.4	235.3
Commitments	7,000.2	5,644.6	6,561.4	5,445.6
	7,237.5	**5,882.6**	**6,793.8**	**5,680.9**
Total credit risk exposure	**73,274.6**	**69,462.9**	**75,856.7**	**70,501.7**

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

30. Risk management (continued)

Credit risk (continued)
For financial assets recognised on the balance sheet, the maximum exposure to credit risk equals their carrying amount.

For contingent liabilities including financial guarantees granted, it is the maximum amount that the Group would have to pay if the guarantees were called upon. For loan commitments and other credit-related commitments, it is generally the full amount of the committed facilities.

Concentrations of the maximum exposure to credit risk
Concentration risk is managed by client or counterparty, by geographical region and by industry sector. The Group implements certain exposure and concentration limits in order to mitigate the risk.

The maximum credit exposure to any client or counterparty as at 30 June 2016 was $1,107 million (2015: $672.1 million) before taking account of collateral or other credit enhancements and $1,107 million (2015: $672.1 million) net of such protection.

Geographic - based on the location of the counterparty or customer

The table below presents the maximum exposure to credit risk categorised by geographical region.

The exposures are shown gross before taking into account any collateral held or other credit enhancements.

	Group		Bank	
Geographic concentration	**2016 $m**	**2015 $m**	**2016 $m**	**2015 $m**
Victoria	30,441.1	28,092.7	30,698.7	28,429.6
New South Wales	14,018.6	11,702.7	20,040.4	16,757.0
Queensland	9,310.8	9,397.6	8,526.1	9,044.0
South Australia/Northern Territory	7,436.1	7,800.8	7,029.0	6,895.0
Western Australia	6,923.9	5,970.5	5,400.8	5,338.1
Australian Capital Territory	2,609.2	3,446.9	2,576.3	2,407.0
Tasmania	1,667.7	2,203.1	1,295.7	1,340.0
Overseas	867.2	848.6	289.7	291.0
Total credit risk exposure	**73,274.6**	**69,462.9**	**75,856.7**	**70,501.7**

30. Risk management (continued)

Credit risk (continued)

Industry Sector - is based on the industry in which the customer or counter party are engaged

The table below presents the maximum exposure to credit risk categorised by industry sector.

The exposures are shown gross before taking into account any collateral held or other credit enhancements.

	Group		Bank	
Industry concentration	**2016 $m**	**2015 $m**	**2016 $m**	**2015 $m**
Accommodation and food services	766.0	749.3	764.4	747.8
Administrative and support services	272.4	286.2	272.4	286.2
Agriculture, forestry and fishing	6,496.8	6,597.1	2,800.2	2,899.0
Arts and recreation services	219.0	226.3	218.9	226.1
Construction	2,631.3	2,628.2	2,583.5	2,581.1
Education and training	366.6	383.4	366.6	383.4
Electricity, gas, water and waste services	185.5	191.8	185.5	191.8
Financial and insurance services	1,155.9	1,177.0	1,154.6	1,175.7
Financial services	8,567.6	7,890.8	16,694.1	14,320.5
Health care and social assistance	914.4	920.3	914.4	920.3
Information media and telecommunications	168.0	164.7	168.0	164.7
Manufacturing	905.9	878.9	901.0	873.1
Margin lending	1,742.4	1,792.2	-	-
Mining	193.1	205.6	192.9	205.6
Other	317.5	24.2	243.0	30.7
Other services	655.9	687.1	655.6	686.3
Professional, scientific and technical services	893.5	882.5	893.1	882.2
Public administration and safety	456.0	501.8	455.5	501.4
Rental, hiring and real estate services	5,285.9	5,116.9	5,269.4	5,104.3
Residential/consumer	38,760.8	35,745.3	38,807.8	35,911.5
Retail trade	1,245.2	1,318.9	1,244.9	1,318.8
Transport, postal and warehousing	651.6	687.0	647.8	684.0
Wholesale trade	423.3	407.4	423.1	407.2
Total credit risk exposure	**73,274.6**	**69,462.9**	**75,856.7**	**70,501.7**

30. Risk management (continued)

Credit quality

The credit quality of financial assets is managed by the Group using internal credit ratings.

The table below presents the credit quality of financial assets, based on the Group's credit rating system and are gross of any impairment allowances.

Group	Neither past due or impaired						
	High grade	Standard grade	Sub-standard grade	Unrated	Consumer loans[1]	Past due or impaired	Total
2016	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Cash and cash equivalents	880.5	-	-	-	-	-	880.5
Due from other financial institutions	220.8	-	-	-	-	-	220.8
Financial assets held for trading	6,369.1	-	-	-	-	-	6,369.1
Financial assets available for sale	323.2	-	-	30.3	-	-	353.5
Financial assets held to maturity	382.8	-	-	-	-	-	382.8
Other assets	-	-	-	279.9	-	-	279.9
Derivatives	79.0	-	-	-	-	-	79.0
Loans and other receivables	3,996.7	9,865.4	1,427.4	748.0	39,016.8	2,417.2	57,471.5
	12,252.1	**9,865.4**	**1,427.4**	**1,058.2**	**39,016.8**	**2,417.2**	**66,037.1**
2015							
Cash and cash equivalents	797.7	-	-	-	-	-	797.7
Due from other financial institutions	215.7	-	-	-	-	-	215.7
Financial assets held for trading	5,562.9	-	-	-	-	-	5,562.9
Financial assets available for sale	569.9	-	-	31.4	-	-	601.3
Financial assets held to maturity	300.7	-	-	-	-	-	300.7
Other assets	-	-	-	307.7	-	-	307.7
Derivatives	63.8	-	-	-	-	-	63.8
Loans and other receivables	3,949.8	9,931.7	1,311.8	675.8	37,425.3	2,436.1	55,730.5
	11,460.5	**9,931.7**	**1,311.8**	**1,014.9**	**37,425.3**	**2,436.1**	**63,580.3**

[1] Consumer loans are predominantly mortgage secured residential loans not rated on an individual basis.

30. Risk management (continued)

Credit quality (continued)

Bank	Neither past due or impaired						
	High grade	Standard grade	Sub-standard grade	Unrated	Consumer loans[1]	Past due or impaired	Total
2016	$m	$m	$m	$m	$m	$m	$m
Cash and cash equivalents	753.5	-	-	-	-	-	753.5
Due from other financial institutions	220.8	-	-	-	-	-	220.8
Financial assets held for trading	6,369.4	-	-	-	-	-	6,369.4
Financial assets available for sale	6,917.6	-	-	23.5	-	-	6,941.1
Financial assets held to maturity	62.7	-	-	-	-	-	62.7
Other assets	-	-	-	292.3	-	-	292.3
Derivatives	290.3	-	-	-	-	-	290.3
Loans and other receivables	480.5	8,363.7	1,245.4	741.5	39,522.8	2,049.0	52,402.9
Amounts receivable from controlled entities	-	-	-	1,160.1	-	-	1,160.1
Shares in controlled entities	-	-	-	569.8	-	-	569.8
	15,094.8	**8,363.7**	**1,245.4**	**2,787.2**	**39,522.8**	**2,049.0**	**69,062.9**
2015							
Cash and cash equivalents	686.5	-	-	-	-	-	686.5
Due from other financial institutions	215.7	-	-	-	-	-	215.7
Financial assets held for trading	5,563.3	-	-	-	-	-	5,563.3
Financial assets available for sale	5,461.5	-	-	24.6	-	-	5,486.1
Financial assets held to maturity	2.0	-	-	-	-	-	2.0
Other assets	-	-	-	341.5	-	-	341.5
Derivatives	211.7	-	-	-	-	-	211.7
Loans and other receivables	649.9	8,312.1	1,029.9	649.4	37,872.8	2,055.0	50,569.1
Amounts receivable from controlled entities	-	-	-	1,180.1	-	-	1,180.1
Shares in controlled entities	-	-	-	564.8	-	-	564.8
	12,790.6	**8,312.1**	**1,029.9**	**2,760.4**	**37,872.8**	**2,055.0**	**64,820.8**

[1] Consumer loans are predominantly mortgage secured residential loans not rated on an individual basis.

The credit ratings range from high grade where there is a very high likelihood of the asset being recovered in full to sub-standard grade where there is concern over the obligor's ability to make payments when due.

Credit risk stress testing is regularly performed to assess the likelihood of loan default, to examine the financial strength of borrowers and counterparties including their ability to meet commitments under changing scenarios and to assess the exposure and extent of loss should default actually occur.

30. Risk management (continued)

Credit quality (continued)

Ageing

The following table presents the ageing analysis of past due but not impaired loans and other receivables.

Loans and receivables which are 90 or more days past due are not classified as impaired assets where the estimated net realisable value of the collateral/security is sufficient to cover the repayment of all principal and interest amounts due.

The exposures are shown net after taking into account any collateral held or other credit enhancements.

		Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total	Fair value of collateral
		$m	$m	$m	$m	$m	$m
Group							
	2016	1,131.2	246.3	111.3	578.2	2,067.0	5,959.6
	2015	1,109.2	257.0	138.0	606.3	2,110.5	5,896.5
Bank							
	2016	1,076.3	196.6	94.4	466.6	1,833.9	4,647.3
	2015	1,045.8	211.0	96.5	535.2	1,888.5	4,699.3

Liquidity risk
Liquidity risk is defined as the risk that the Group is unable to meet its payment obligations as they fall due. The principal objectives are to ensure that all cash flow commitments are met in a timely manner and prudential requirements are satisfied.

As at January 2015, the Group commenced measurement and reporting of liquidity under the revised APRA Prudential Standard APS210, using the scenario based Liquidity Coverage Ratio (LCR). This new regime requires the Group to maintain a ratio of High Quality Liquid Assets (HQLA) to cover defined projected cash outflows over a 30 day period.

The Group continues to manage the liquidity holdings in line with the Board approved funding strategy and funding plan, ensuring adequate levels of HQLA, other liquid assets and diversified sources of funding. In meeting our liquidity requirement the Group makes use of the Reserve Bank of Australia provided Committed Liquidity Facility.

The Group also maintains a significant amount of contingent liquidity in the form of internal securitisation whereby the collateral can be presented to the Reserve Bank of Australia for cash in extraordinary circumstances such as systemic liquidity issues.

Liquidity risk is managed in line with the Board approved Risk Appetite, Framework and Policy. The framework incorporates limits, monitoring and escalation processes to ensure sufficient liquidity is maintained.

The Group has established a set of early warning indicators to support the liquidity risk management process, in particular, to alert management of emerging or increased risk or vulnerability in its liquidity position. The liquidity risk management framework is also supported by liquidity standards and policies which are regularly reviewed and updated to reflect prevailing market conditions, changes in operational requirements and regulatory obligations.

30. Risk management (continued)

Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities
The table below analyses the Group's financial liabilities into relevant maturity periods based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table represent all cash flows, on an undiscounted basis, including all future coupon payments, both principal and interest, and therefore may not reconcile with the amounts disclosed on the balance sheet.

For foreign exchange derivatives and cross currency interest rate swaps, the amounts disclosed are the gross contractual cash flows to be paid. For interest rate swaps, the cash flows are the net amounts to be paid, and have been estimated using forward interest rates applicable at the reporting date.

Group	At call	Not longer than 3 months	3 to 12 months	1 to 5 years	Longer than 5 years	Total
2016	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Due to other financial institutions	267.4	-	-	-	-	267.4
Deposits	20,919.9	17,453.1	15,222.2	3,636.5	14.6	57,246.3
Notes payable	36.0	557.3	3.5	2,450.3	775.9	3,823.0
Derivatives - net settled	-	17.5	33.1	42.6	9.9	103.1
Other payables	765.7	-	-	-	-	765.7
Income tax payable	-	-	34.5	-	-	34.5
Convertible preference shares	-	-	36.6	405.5	599.5	1,041.6
Subordinated debt	-	7.7	23.9	379.3	363.7	774.6
Total financial liabilities	**21,989.0**	**18,035.6**	**15,353.8**	**6,914.2**	**1,763.6**	**64,056.2**
Contingent liabilities	237.3	-	-	-	-	237.3
Commitments	7,000.2	19.4	58.1	246.0	159.9	7,483.6
Total contingent liabilities and commitments	**7,237.5**	**19.4**	**58.1**	**246.0**	**159.9**	**7,720.9**
2015						
Due to other financial institutions	202.7	-	-	-	-	202.7
Deposits	17,712.6	18,779.3	13,634.5	3,619.0	13.5	53,758.9
Notes payable	40.6	459.8	132.3	3,261.6	1,031.7	4,926.0
Derivatives - net settled	-	120.9	358.9	388.3	32.5	900.6
Other payables	673.2	-	-	-	-	673.2
Income tax payable	-	-	18.2	-	-	18.2
Convertible preference shares	-	-	39.6	415.0	625.0	1,079.6
Subordinated debt	-	8.2	24.4	130.0	636.0	798.6
Total financial liabilities	**18,629.1**	**19,368.2**	**14,207.9**	**7,813.9**	**2,338.7**	**62,357.8**
Contingent liabilities	238.0	-	-	-	-	238.0
Commitments	5,644.6	17.9	53.7	213.1	157.7	6,087.0
Total contingent liabilities and commitments	**5,882.6**	**17.9**	**53.7**	**213.1**	**157.7**	**6,325.0**

30. Risk management (continued)

Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities (continued)

Bank	At call	Not longer than 3 months	3 to 12 months	1 to 5 years	Longer than 5 years	Total
2016	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Deposits	20,572.2	15,978.5	13,801.7	3,599.7	14.6	53,966.7
Notes payable	-	502.2	-	-	-	502.2
Derivatives - net settled	-	17.0	31.7	42.1	9.9	100.7
Other payables	898.8	-	-	-	-	898.8
Loans payable to securitisation trusts	-	-	-	-	9,437.3	9,437.3
Income tax payable	-	-	34.5	-	-	34.5
Convertible preference shares	-	-	36.6	405.5	599.5	1,041.6
Subordinated debt	-	7.5	23.4	366.8	363.7	761.4
Total financial liabilities	**21,737.9**	**16,505.2**	**13,927.9**	**4,414.1**	**10,425.0**	**67,010.1**
Contingent liabilities	232.4	-	-	-	-	232.4
Commitments	6,561.4	19.3	57.9	245.8	159.9	7,044.3
Total contingent liabilities and commitments	**6,793.8**	**19.3**	**57.9**	**245.8**	**159.9**	**7,276.7**
2015						
Due to other financial institutions	202.4	-	-	-	-	202.4
Deposits	17,420.0	17,179.2	12,311.7	3,555.4	13.5	50,479.8
Notes payable	-	330.6	-	-	-	330.6
Derivatives - net settled	-	116.6	347.6	381.5	32.5	878.2
Other payables	764.6	-	-	-	-	764.6
Loans payable to securitisation trusts	-	-	-	-	8,842.1	8,842.1
Income tax payable	-	-	36.8	-	-	36.8
Convertible preference shares	-	-	39.6	415.0	625.0	1,079.6
Subordinated debt	-	7.9	23.5	125.1	635.9	792.4
Total financial liabilities	**18,387.0**	**17,634.3**	**12,759.2**	**4,477.0**	**10,149.0**	**63,406.5**
Contingent liabilities	235.3	-	-	-	-	235.3
Commitments	5,445.6	17.9	53.6	213.0	157.7	5,887.8
Total contingent liabilities and commitments	**5,680.9**	**17.9**	**53.6**	**213.0**	**157.7**	**6,123.1**

Market risk (including interest rate and currency risk)
Market risk is the risk that changes in market rates and prices including: interest rates, foreign currency exchange rates, equity prices, will affect the Group's financial performance and financial position. Market risk is referred to as either traded or non-traded risk.

Traded market risk primarily represents interest rate risk in the trading book which operates as an integral part of the liquidity risk management function. The trading book portfolio consists of securities held for trading and liquidity purposes. This risk is represented by the potential adverse impact to net interest income (NII) and other income resulting from positions held in traded interest rate securities such as government bonds and traded interest rate swaps.

30. Risk management (continued)

Interest Rate risk (continued)

Non-traded market risk primarily represents interest rate risk in the banking book (IRRBB). This risk is represented by the potential adverse impact to NII resulting from a mismatch between the maturity and repricing dates of its assets and liabilities that arises in the normal course of its business activities. The banking book activities that give rise to market risk include general lending activities, balance sheet funding and capital management.

The Group currently uses both a static and dynamic approach to model the effect of interest rate movements on NII and market value of equity (MVE). The primary interest rate monitoring tools used are simulation models and gap analysis. The interest rate simulation model is a dynamic technique that allows the performance of risk management strategies to be tested under a variety of rate environments over a range of timeframes extending out to five years. The results of this testing are then compared to the risk appetite limits for NII.

Group		Fixed interest rate repricing							
	Floating interest rate	Less than 3 months	Between 3 and 6 months	Between 6 and 12 months	Between 1 and 5 years	After 5 years	Non interest earning/ bearing	Total carrying value per Balance sheet	Weighted average effective interest rate
2016	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**%**
Assets									
Cash & cash equivalents	698.7	18.0	18.1	36.2	108.7	-	180.3	1,060.0	1.40
Due from other financial institutions	-	-	-	-	-	-	220.8	220.8	-
Financial assets held for trading	-	1,795.0	2,090.1	-	2,484.0	-	-	6,369.1	1.94
Financial assets available for sale	-	322.7	-	-	-	-	0.5	323.2	2.29
Financial assets held to maturity	25.3	268.5	89.0	-	-	-	-	382.8	2.86
Loans & other receivables	35,648.9	8,141.0	1,313.1	2,634.3	9,475.7	40.6	-	57,253.6	5.02
Derivatives	-	-	-	-	-	-	79.0	79.0	-
Total financial assets	**36,372.9**	**10,545.2**	**3,510.3**	**2,670.5**	**12,068.4**	**40.6**	**480.6**	**65,688.5**	
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	267.4	267.4	-
Deposits	20,415.9	20,316.9	9,185.1	5,445.7	1,689.7	1.4	-	57,054.7	2.28
Notes payable	519.6	3,302.9	-	-	-	-	-	3,822.5	2.91
Derivatives	-	-	-	-	-	-	111.8	111.8	-
Convertible preference shares	-	-	824.4	-	-	-	-	824.4	4.43
Subordinated debt	-	583.4	-	-	-	-	-	583.4	5.34
Total financial liabilities	**20,935.5**	**24,203.2**	**10,009.5**	**5,445.7**	**1,689.7**	**1.4**	**379.2**	**62,664.2**	

30. Risk management (continued)

Interest Rate risk (continued)

Group		Fixed interest rate repricing							
	Floating interest rate	Less than 3 months	Between 3 and 6 months	Between 6 and 12 months	Between 1 and 5 years	After 5 years	Non interest earning/ bearing	Total carrying value per Balance sheet	Weighted average effective interest rate
2015	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**%**
Assets									
Cash & cash equivalents	797.7	-	-	-	-	-	183.9	981.6	1.32
Due from other financial institutions	-	-	-	-	-	-	215.7	215.7	-
Financial assets held for trading		1,259.2	2,894.1	-	1,409.6	-	-	5,562.9	2.30
Financial assets available for sale	-	492.3	29.2	-	-	-	48.4	569.9	2.83
Financial assets held to maturity	-	238.4	62.3	-	-	-	-	300.7	2.70
Loans & other receivables	33,169.4	7,662.2	2,125.3	4,280.5	8,237.5	29.7	27.0	55,531.6	5.18
Derivatives	-	-	-	-	-	-	63.8	63.8	-
Total financial assets	**33,967.1**	**9,652.1**	**5,110.9**	**4,280.5**	**9,647.1**	**29.7**	**538.8**	**63,226.2**	
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	202.7	202.7	-
Deposits	17,598.7	21,457.1	9,432.9	3,833.3	1,180.2	3.1	-	53,505.3	2.44
Notes payable	348.1	4,577.8	-	-	-	-	-	4,925.9	3.16
Derivatives	-	-	-	-	-	-	108.0	108.0	-
Convertible preference shares	-	-	819.5	-	-	-	-	819.5	4.53
Subordinated debt	-	592.6	-	-	-	-	-	592.6	5.47
Total financial liabilities	**17,946.8**	**26,627.5**	**10,252.4**	**3,833.3**	**1,180.2**	**3.1**	**310.7**	**60,154.0**	

30. Risk management (continued)

Interest Rate risk (continued)

Bank			Fixed interest rate repricing						
	Floating interest rate	Less than 3 months	Between 3 and 6 months	Between 6 and 12 months	Between 1 and 5 years	After 5 years	Non interest earning/ bearing	Total carrying value per Balance sheet	Weighted average effective interest rate
2016	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	%
Assets									
Cash & cash equivalents	572.4	18.1	18.1	36.2	108.7	-	179.5	933.0	1.70
Due from other financial institutions	-	-	-	-	-	-	220.8	220.8	-
Financial assets held for trading	-	1,685.1	2,090.1	-	2,594.2	-	-	6,369.4	2.02
Financial assets available for sale	217.8	6,699.8	-	-	-	-	-	6,917.6	3.10
Financial assets held to maturity	-	62.7	-	-	-	-	-	62.7	3.75
Loans & other receivables	31,046.8	8,031.9	1,313.9	2,362.6	9,473.1	52.3	-	52,280.6	4.87
Derivatives	-	-	-	-	-	-	290.3	290.3	-
Total financial assets	**31,837.0**	**16,497.6**	**3,422.1**	**2,398.8**	**12,176.0**	**52.3**	**690.6**	**67,074.4**	
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	266.9	266.9	-
Deposits	18,945.2	19,798.0	8,506.7	4,739.8	1,795.2	1.4	-	53,786.3	2.28
Notes payable	502.2	-	-	-	-	-	-	502.2	-
Loans payable to securitisation trusts	7,252.0	143.3	171.9	327.5	1,542.6	-	-	9,437.3	5.02
Derivatives	-	-	-	-	-	-	110.7	110.7	-
Convertible preference shares	-	-	824.4	-	-	-	-	824.4	4.43
Subordinated debt	-	573.4	-	-	-	-	-	573.4	5.35
Total financial liabilities	**26,699.4**	**20,514.7**	**9,503.0**	**5,067.3**	**3,337.8**	**1.4**	**377.6**	**65,501.2**	

30. Risk management (continued)

Interest Rate risk (continued)

Bank		Fixed interest rate repricing							
	Floating interest rate	Less than 3 months	Between 3 and 6 months	Between 6 and 12 months	Between 1 and 5 years	After 5 years	Non interest earning/ bearing	Total carrying value per Balance sheet	Weighted average effective interest rate
2015	$m	$m	$m	$m	$m	$m	$m	$m	%
Assets									
Cash & cash equivalents	686.5	-	-	-	-	-	183.9	870.4	1.29
Due from other financial institutions	-	-	-	-	-	-	215.7	215.7	-
Financial assets held for trading	-	1,259.3	2,894.1	-	1,409.9	-	-	5,563.3	2.32
Financial assets available for sale	233.3	5,228.3	-	-	-	-	-	5,461.6	3.28
Financial assets held to maturity	-	2.0	-	-	-	-	-	2.0	2.98
Loans & other receivables	29,078.9	7,590.1	2,063.2	3,835.4	7,868.2	28.8	-	50,464.6	5.14
Derivatives	-	-	-	-	-	-	211.7	211.7	-
Total financial assets	**29,998.7**	**14,079.7**	**4,957.3**	**3,835.4**	**9,278.1**	**28.8**	**611.3**	**62,789.3**	
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	202.4	202.4	-
Deposits	17,032.4	19,959.5	8,715.5	3,263.3	1,284.6	3.1	-	50,258.4	2.47
Notes payable	330.6	-	-	-	-	-	-	330.6	-
Loans payable to securitisation trusts	6,665.3	332.7	339.4	535.1	969.6	-	-	8,842.1	5.11
Derivatives	-	-	-	-	-	-	117.4	117.4	-
Convertible preference shares	-	-	819.5	-	-	-	-	819.5	4.53
Subordinated debt	-	573.1	-	-	-	-	-	573.1	5.47
Total financial liabilities	**24,028.3**	**20,865.3**	**9,874.4**	**3,798.4**	**2,254.2**	**3.1**	**319.8**	**61,143.5**	

30. Risk management (continued)

Interest Rate risk (continued)
The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group's income statement and equity.

The sensitivity of the income statement is the effect of assumed changes in interest rates on the net interest for one year, based on the floating rate financial assets and financial liabilities held at 30 June 2016, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing fixed rate available for sale financial assets (including the effect of any associated hedges), and swaps designated as cash flow hedges, at 30 June 2016 for the effects of the assumed changes in interest rates. The sensitivity of equity is analysed by the maturity of the asset or swap, with sensitivity based on the assumption that there are parallel shifts in the yield curve.

Group	+100 basis points 2016 $m	-100 basis points 2016 $m	+100 basis points 2015 $m	-100 basis points 2015 $m
Net interest income	34.1	(38.1)	11.7	(20.0)
Ineffectiveness in derivatives	(33.1)	33.1	(11.3)	11.3
Income tax effect at 30%	(0.3)	1.5	(0.1)	2.6
Effect on profit	**0.7**	**(3.5)**	**0.3**	**(6.1)**
Effect on profit (per above)	0.7	(3.5)	0.3	(6.1)
Cash flow hedge reserve	(24.2)	24.2	7.9	(7.9)
Income tax effect on reserves at 30%	7.3	(7.3)	(2.4)	2.4
Effect on equity	**(16.2)**	**13.4**	**5.8**	**(11.6)**
Bank				
Net interest income	24.9	(29.2)	2.7	(11.7)
Ineffectiveness in derivatives	(33.1)	33.1	(11.3)	11.3
Income tax effect at 30%	2.5	(1.2)	2.6	0.1
Effect on profit	**(5.7)**	**2.7**	**(6.0)**	**(0.3)**
Effect on profit (per above)	(5.7)	2.7	(6.0)	(0.3)
Cash flow hedge reserve	(23.2)	23.2	8.1	(8.1)
Income tax effect on reserves at 30%	7.0	(7.0)	(2.4)	2.4
Effect on equity	**(21.9)**	**18.9**	**(0.3)**	**(6.0)**

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The movement in equity is also affected by the increase/decrease in the fair value of derivative instruments designated as cash flow hedges, where these derivatives are deemed effective.

This analysis reflects a scenario where no management actions are taken to counter movements in rates.

Foreign currency risk
The Group does not have any significant exposure to foreign currency risk, as all borrowings through the Company's Euro Medium Term Note program (EMTN) and Euro Commercial Paper program (ECP) are fully hedged. At balance date the principal of foreign currency denominated borrowings under these programs was AUD $410.6 million (2015: AUD $340.9 million) with all borrowings fully hedged by cross currency swaps, and foreign exchange swaps. Retail and business banking FX transactions are managed by the Group's Financial Markets unit, with resulting risk constrained by Board approved spot and forward limits. Adherence to limits is independently monitored by the Middle Office function.

The Group conducts discretionary interest rate and foreign exchange trading. This trading forms part of the trading book activity within the liquidity management function. The trading book positions include approved financial instruments, both physical and derivative.

31. Subsidiaries and other controlled entities

Subsidiaries
The following table presents the material subsidiaries of the Group. A subsidiary has been considered to be material if it has more than 0.5% of the total Group assets.

Chief entity and Ultimate parent	Principal activities
Bendigo and Adelaide Bank Limited	Banking

Other entities	Principal activities
Homesafe Trust	Homesafe product financier
Leveraged Equities Ltd	Margin lending
Rural Bank Ltd	Banking

All entities are 100% owned and incorporated in Australia.

Investments in controlled entities	Group		Bank	
	2016 $m	2015 $m	2016 $m	2015 $m
At cost	-	-	569.8	564.8
	-	**-**	**569.8**	**564.8**

Significant restrictions
The Group does not have any significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which banking subsidiaries operate. The supervisory framework require banking subsidiaries to keep certain levels of regulatory capital and liquid assets, limit their exposure to other parts of the Group and comply with other ratios. The carrying amounts of banking subsidiaries' assets and liabilities are $4.3 billion and $3.7 billion, respectively (2015: $4.2 billion and $3.6 billion, respectively).

Recognition and measurement
The Group classify all entities where it owns 100% of the shares and in which it controls as subsidiaries. The basis of consolidation is presented in Note 2 Summary of significant accounting policies. Investments in subsidiaries are stated at cost.

Special Purpose Vehicles (SPE's)
The following table presents a list of the material SPE's. A SPE has been considered to be material where the assets are more than 0.5% of total group assets. For further information relating to SPE's refer to Note 13 Securitisation and transferred assets.

Entity	Principal activities	Entity	Principal activities
Leveraged Equities 2009 Trust	Securitisation	Torrens Series 2013-1 Trust	Securitisation
Torrens Series 2008-1 Trust	Securitisation	Torrens Series 2014-2 Trust	Securitisation
Torrens Series 2008-4 Trust	Securitisation	Torrens Series 2015-1 Trust	Securitisation

32. Related party disclosures

Subsidiary transactions

Transactions undertaken with subsidiaries are eliminated in the Group's financial reports. Transactions between the parent and the subsidiary are funded through intercompany loans with no fixed repayment date and are repayable upon demand.

A summary of material transactions excluding dividends between the Bank and its subsidiaries during the period were:

	2016 $m	2015 $m
Opening balance at beginning of financial year	(164.8)	(215.9)
Net receipts and fees received from subsidiaries	223.0	170.1
Supplies, fixed assets and services charged to subsidiaries	(130.0)	(119.0)
Net amount owing from subsidiaries at 30 June 2016	**(71.8)**	**(164.8)**

Bendigo and Adelaide Bank provides funding and guarantee facilities to several subsidiary companies. These facilities are provided on normal commercial terms and conditions.

		Limit	Drawn/issued at 30 June 2016
Subsidiary	**Facility**	**$m**	**$m**
Sandhurst Trustees Limited	Guarantee	0.5	-

Dividends paid by the subsidiaries	2016 $m	2015 $m
Sandhurst Trustees Limited	-	20.0
Hindmarsh Financial Service Pty Ltd	-	3.5

Other related party transactions

Joint arrangement entities and associates

Bendigo and Adelaide Bank Limited has investments in joint arrangement entities and associates as disclosed in Note 23 Investments accounted for using the equity method.

Transactions entered into with these related entities principally include commissions received and paid, services and supplies procured and fees charged in relation to the provision of banking, administrative and corporate services. These revenue and expense items are included in the Group's income statement. The transactions are conducted on the same terms as other third party transactions.

A summary of material transactions excluding dividends between the Bank and joint arrangements and associates during the period were:

	2016 $m	2015 $m
Commissions and fees paid to joint arrangements and associates	20.2	21.7
Supplies and services provided to joint arrangements and associates	12.1	10.5
Amount owing from joint arrangements and associates	(0.8)	(0.9)

Dividends received and receivable from joint arrangements and associates are disclosed in the Group's income statement.

Bendigo and Adelaide Bank Limited provides loans, guarantees and/or overdraft facilities to joint arrangements and associates. The loans have agreed repayment terms which vary according to the nature of the facility. These loans are included in the net amount owing from joint arrangements and associates in the above table.

Other related party transactions

Key management personnel

Key management personnel (KMP) are those persons with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

The Group's KMP are those members of the Bendigo and Adelaide Bank Group Executive Committee together with its Non-executive Directors. Further details relating to KMP are located in the Remuneration Report.

32. Related party disclosures (continued)

Other related party transactions (continued)

Key management personnel (continued)

The table below details, on an aggregated basis, KMP compensation:

	30 June 2016	30 June 2015
Compensation	**$'000's**	**$'000's**
Salaries and other short term benefits	7,341.8	7,534.1
Post-employment benefits	370.4	337.4
Other long term benefits	(45.8)	139.3
Termination benefits	1,187.2	-
Share based payments	2,848.1	2,731.9
Total	**11,701.7**	**10,742.7**

The table below details, on an aggregate basis, KMP equity holdings. The holdings comprise ordinary shares, preference shares, performance shares and deferred shares:

	30 June 2016	30 June 2015
Equity holdings	**No.**	**No.**
Ordinary shares (includes deferred shares)	1,817,262	1,802,460
Preference shares	4,240	4,040
Performance shares	315,718	509,607
Closing balance	**2,137,220**	**2,316,107**

The table below details, on an aggregated basis, loan balances outstanding at the end of the year between the Group and its KMP:

	30 June 2016	30 June 2015
Loans[1]	**$'000's**	**$'000's**
Loans outstanding at the beginning of the year[2]	6,932.7	5,670.4
Loans outstanding at the end of the year	8,679.7	6,935.8
Interest paid or payable	369.5	300.8
Interest not charged	-	-

[1] The balance of loans outstanding includes the provision of a guarantee to the value of $20,000 which was provided to a KMP in the ordinary course of the Group's business and on an arm's length basis.
[2] The opening balance for the 2016 financial year has been adjusted to exclude loan balances applicable to Jenny Dawson who ceased as a KMP on 27 October 2014. They also exclude loans provided to Executives under the Employee Share Ownership Plan.

Loans to directors and senior executives are made in the ordinary course of the Group's business and on an arm's length basis. The loans are processed and approved in accordance with the Bank's standard lending terms and conditions.

33. Involvement with unconsolidated structured entities

The table below describes the types of structured entities that the Group does not consolidate but in which it holds an interest.

Type of structured entity	Nature and purpose	Interest held by the Group
Securitisation vehicles - for loans and advances originated by third parties	To generate: > external funding for third parties; and > investment opportunities for the Group. These vehicles are financed through the issue of notes to investors.	> Investments in notes issued by the vehicles
Managed investment funds	To generate: > a range of investment opportunities for external investors; and > fees from managing assets on behalf of third party investors for the Group.	> Investment in units issued by the funds > Management fees

Risks associated with unconsolidated structured entities

The following table summarises the carrying values recognised in the balance sheet in relation to unconsolidated structured entities:

Balance sheet	2016 $m	2015 $m
Cash and cash equivalents	0.1	0.1
Loans and other receivables	197.4	184.9
Financial assets available for sale	6.7	6.8
Derivatives	-	0.1
Total	**204.2**	**191.9**

Maximum exposure to loss

Loans and other receivables, the maximum exposure to loss is the current carrying value of these interests representing the amortised cost at reporting date.

The maximum loss exposure for the interest rate swaps is expected to be immaterial but unquantifiable as these swaps pay a floating rate of interest which is uncapped.

The following table summarises the Group's maximum exposure to loss from its involvement at 30 June 2016 and 2015 with structured entities.

	Carrying amount	Maximum loss exposure	Carrying amount	Maximum loss exposure
	2016 $m	2016 $m	2015 $m	2015 $m
Cash and cash equivalents	0.1	0.1	0.1	0.1
Senior notes	197.4	197.4	184.9	184.9
Investment	6.7	6.7	6.8	6.8
Interest rate swap	-	**	0.1	**

** Maximum loss exposure is not disclosed as it is expected to be immaterial and is not quantifiable.

Significant restrictions

There are no significant restrictions imposed by any unconsolidated structured entity on the Group's ability to access or use its assets or settle its liabilities.

33. Involvement with unconsolidated structured entities (continued)

Recognition and measurement

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Involvement with structured entities varies and includes debt financing of these entities as well as other relationships. A review is undertaken to determine the involvement the Group has and whether the involvement with these entities results in significant influence, joint control or control over the structured entity. The structured entities over which control can be exercised are consolidated. These entities are outlined in Note 31 Subsidiaries and other controlled entities.

The Group has no contractual arrangements that would require it to provide financial or other support to a consolidated or unconsolidated entity. The Group has not previously provided financial support, and has no intention to provide such support to these entities.

Managed Investment funds

Sandhurst Trustees Limited (STL), a subsidiary of the Group, acts as a responsible entity for certain managed investment funds. The decision-making rights of the fund are restricted to the Product Disclosure Statements. The fees received by STL are not variable, are commensurate with the services provided and are consistent with similar funds in the market. Where STL holds investments in the funds, the Group assessed the Bank's power over the relevant activities of the entity and the significance of its exposure to variable returns to determine whether the Managed Investment Fund should be consolidated.

Community Banks

Community Banks are not consolidated by the Group as the Group does not have power to govern decision making in those companies, and while the Group's returns are variable they are calculated as a percentage of the gross margin. In some cases the Group holds shares in Community Bank branches and has representation on the Board, refer to Note 23 Investments accounted for using the equity method. Consolidation of a Community Bank Branch would occur when the Group has power to affect returns through the majority representation on the Board.

Alliance partners

Alliance partners are not consolidated by the Group as the Group does not have power to govern decision making, and while the Group's returns are variable they are calculated as a percentage of the gross margin. The Group has no representation on the Board of these entities.

34. Fiduciary activities

The Group conducts investment management and other fiduciary activities as responsible entity, trustee, custodian or manager for a number of funds and trusts, including superannuation, unit trusts and mortgage pools.

The amounts of the funds concerned are:

	Group	
	2016 $m	2015 $m
Funds under trusteeship	4,868.5	4,366.3
Assets under management	2,060.7	1,919.2
Funds under management	2,623.4	2,246.6

Recognition and measurement

The assets and liabilities of these trusts and funds are not included in the consolidated financial statements as the Group does not have direct or indirect control of the trusts and funds. Commissions and fees earned in respect of the activities are included in the income statement of the Group.

As an obligation arises under each type of duty, the amount of funds has been included where that duty arises. This may lead to the same funds being shown more than once where the Group acts in more than one capacity in relation to those funds (e.g. manager and trustee). Where controlled entities, as trustees, custodian or manager incur liabilities in the normal course of their duties, a right of indemnity exists against the assets of the applicable trusts. As these assets are sufficient to cover liabilities, and it is therefore not probable that the Group will be required to settle them, the liabilities are not included in the financial statements.

35 Provisions

	Employee Benefits		Property Rent		Other		Total	
Group	2016 $m	2015 $m	2016 $m	2015 $m	2016 $m	2015 $m	2016 $m	2015 $m
Opening balance	96.1	91.5	12.7	7.3	5.9	6.2	114.7	105.0
Provision acquired in business combination	-	1.9	-	-	-	-	-	1.9
Additional provision recognised	39.6	47.9	2.6	6.9	303.1	296.2	345.3	351.0
Amounts utilised during the year	(41.0)	(45.2)	(1.2)	(1.5)	(302.8)	(296.5)	(345.0)	(343.2)
Closing balance	**94.7**	**96.1**	**14.1**	**12.7**	**6.2**	**5.9**	**115.0**	**114.7**

Bank								
Opening balance	91.6	87.3	12.7	7.3	5.9	6.2	110.2	100.8
Provision acquired in business combination	-	1.9	-	-	-	-	-	1.9
Additional provision recognised	37.7	45.7	2.6	6.9	303.1	296.2	343.4	348.8
Amounts utilised during the year	(38.7)	(43.3)	(1.2)	(1.5)	(302.8)	(296.5)	(342.7)	(341.3)
Closing balance	**90.6**	**91.6**	**14.1**	**12.7**	**6.2**	**5.9**	**110.9**	**110.2**

Employee benefits

The table below shows the individual balances for employee benefits:

	Group		Bank	
	2016 $m	2015 $m	2016 $m	2015 $m
Annual leave	27.8	26.7	26.1	24.9
Other employee payments	1.2	6.5	1.2	5.8
Long service leave	58.2	55.8	55.9	53.8
Sick leave bonus	7.5	7.1	7.4	7.1
Closing balance	**94.7**	**96.1**	**90.6**	**91.6**

Annual leave and long service leave are measured as the present value of expected future payments for the services provided by employees up to the reporting date. The provision is measured at the amounts that are expected to be paid when the liabilities are settled. Expected future payments are discounted using corporate bond rates.

Annual leave is accrued on the basis of full pro-rata entitlement and amounts are estimated to apply when the leave is paid. It is anticipated that annual leave will be paid in the ensuing twelve months.

Long service leave has been assessed at full pro-rata entitlement in respect of all employees with more than one year's service. The assessment considers the likely number of employees that will ultimately be entitled to long service leave, estimated future salary rates and on-costs.

Sick leave bonus provides an entitlement dependent on an employee's years of service and unused sick leave and is paid on termination.

Other employee payments include short term incentives and are expected to be paid in the ensuing twelve months.

35. Provisions (continued)

Property rent
The provision for property rent is to recognise the difference between actual property rent paid and the property rent expense recognised in the income statement. The lease expense is recognised on a straight line basis over the period of the lease. The provision is expected to be utilised over the period of the respective leases, typically a period between three and ten years. However, it is expected that a balance will continue as old leases expire and are replaced by new leases.

Other
The provision for dividends represents the residual carried forward balance in relation to ordinary shareholders that participate in the dividend reinvestment plan. It is expected that the current balance will be utilised within a twelve month period. However, an ongoing balance will continue unless all outstanding balances are paid to shareholders upon ceasing participation in the dividend reinvestment plan. The provision also includes accrued dividends relating to preference shares. The provision of rewards program is to recognise the liability to customers in relation to points earned by them under the program. Reward points expire after three years. The balance will be utilised or forfeited during that period.

Recognition and measurement
Provisions are recognised when the Group has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, and it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used the increase in the provision due to the passage of time is recognised as a finance cost.

A provision for dividend is not recognised as a liability unless the dividend is declared, determined or publicly recommended on or before the reporting date.

36. Share based payment plans

The Group provides benefits to employees by offering share based compensation whereby employees render services in exchange for shares or rights over shares.

These share based incentive plans form an integral part of the Group's remuneration package with the objective of aligning the interests of executives and general employees to the interests of shareholders.

Further detailed information including terms and conditions associated with each plan is included in the Remuneration Report.

Details of current plans

Performance rights
The Plan provides for grants of performance rights to the Managing Director, Senior Executives and key senior management (the Participants) as determined by the Board. Participants are invited to receive grants of performance rights that are subject to performance conditions set by the Board.

The performance rights are subject to the following performance conditions:

> increase in cash earnings per share from previous financial year, followed by a total shareholder return (TSR) performance hurdle;

and

> continuing service with the Group.

The number of performance rights granted to Participants is determined by dividing the remuneration value of the proposed grant by the volume weighted average closing price of the Company's shares for the last five trading days of the financial year prior to the year of grant.

The Participants are entitled to vote and to receive any dividend, bonus issue, return of capital or distribution made in respect of shares they are allocated on vesting and exercise of their performance rights. The grants to the Managing Director are subject to a further one year dealing restriction. There are no other restrictions for other participants.

Deferred shares
Under the Plan, Participants are granted deferred shares as part of their base remuneration and short term incentive payments. The deferred shares are beneficially owned by the Participant from the grant date and are held on trust for a two year period.

The deferred shares are fully-paid ordinary shares in the Company and are granted subject to certain Board imposed conditions being satisfied:

> two year continued service condition; and

> risk conditions

If the service condition is satisfied, the deferred shares will vest subject to any risk conditions.

The number of shares awarded as part of the plan are calculated by dividing the deferred remuneration value by the volume weighted average closing price of the Company's shares for the last five trading days of the financial year prior to the year of grant. The Participants are entitled to vote and to receive any dividend, bonus issue, return of capital or distribution made in respect of shares they are allocated on vesting and exercise of their performance rights.

Employee Share Grant Scheme (ESGS)
The Company has established a share based incentive plan for full time and permanent part time employees of the Group (excluding Directors and Senior Executives).

The shares will be held in trust for a period of three years after which time they will be transferred to the employee. During the restricted period employees will be entitled to receive dividends and to vote at general meetings.

Employee Share Plan
The Company established a loan based limited recourse Employee Share plan in 2006. The Plan is only available to full time and part time employees of the Group (excluding Senior Executives and the Managing Director).

The Plan provides employees with a limited recourse interest free loan for the sole purpose of acquiring fully paid ordinary shares in the Company. The shares must be paid for by the employee with cash dividends after personal income tax being applied to repay the loans. Employees cannot exercise, dispose or transfer the shares until the loan has been fully repaid.

The first issue to staff under this Plan was completed in September 2006 with a further grant made in December 2007. There have been no further issues under this Plan.

Employee Share Ownership Plan (discontinued)
In 2006 the Company discontinued the existing loan based Employee Share Ownership Plan that was open to all employees of the Group. Refer to the June 2015 annual financial report or prior years for more detailed information regarding this Plan.

36. Share based payment plans (continued)

Summary of details under the various plans
The following table details the number (No.) and movements in the various plans during the year. The rights and share are granted at no cost and have no exercise price.

	Performance rights		Deferred shares		Share Grant Scheme		Employee Share Plan			
	2016 No.[1]	2015 No.[1]	2016 No.[1]	2015 No.[1]	2016 No.[1]	2015 No.[1]	2016 No.[2]	2016 WAEP ($)	2015 No.	2015 WAEP ($)
Outstanding at beginning of year	662,051	358,950	263,877	110,549	246,018	262,555	1,994,420	5.93	3,147,589	5.16
Granted	175,373	311,222	94,186	263,877	-	-	-	-	-	-
Forfeited/lapsed	(383,400)	(8,121)	-	-	-	-	-	-	-	-
Vested/exercised	-	-	(263,877)	(110,549)	(17,980)	(16,537)	(136,242)	5.11	(1,153,169)	2.50
Outstanding at year end	454,024	662,051	94,186	263,877	228,038	246,018	1,858,178	5.45	1,994,420	5.93
Exercisable at year end	-	-	-	-	-	-	-	-	-	-

[1] Closing balance of performance rights and deferred shares are exercisable upon meeting the required conditions and until 30 June 2019 and 30 June 2017 respectively.
[2] The outstanding balance as at 30 June 2016 is represented by 1,858,178 ordinary shares with a market value of $17,838,509 (share price $9.60), exercisable upon repayment of the employee loan.

Recognition and measurement
The cost of the employee services received in respect of shares or rights granted is recognised in the income statement over the period the employee provides the services, generally the period between the grant date and the vesting date of the shares or rights. The overall cost of the award is calculated using the number of shares or rights expected to vest and the fair value of the shares or rights at the grant date.

The following inputs are used in the models:

Fair value methodology
The fair value of shares or rights granted under the various Plans takes into account the terms and conditions upon which the shares or rights were granted.

Performance rights - The fair value is determined using a Black Scholes Merton valuation method incorporating a Monte Carlo Simulation option pricing model taking into account the terms and conditions upon which the rights were granted.

	Other executives 2016	Managing Director 2015	Other executives 2015
Dividend yield (%)	6.00%	6.50%	6.00%
Expected volatility (%)	20.00%	22.00%	18.00%
Risk-free interest rate (%)	2.18%	2.57%	2.31%
Expected life of performance rights (years)	4	3	4
Exercise price ($)	Nil	Nil	Nil

The expected life of the performance rights are based on historical data, and are not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of shares granted were incorporated into the measurement of fair value. The fair value is determined by an independent valuation.

Deferred shares - The fair value is measured as at the date of the grant using the volume weighted average closing price of the Company's shares traded on the ASX for five trading days ending on the grant date.

37. Property, plant and equipment

Group	Freehold land	Freehold buildings	Leasehold improvements	Office equipment & vehicles[1]	Total
	$m	$m	$m	$m	$m
Carrying amount as at 1 July 2015	1.3	1.7	61.4	34.4	98.8
Additions	-	-	3.5	11.0	14.5
Disposals	-	-	(0.4)	(0.6)	(1.0)
Depreciation expense	-	(0.1)	(10.4)	(11.1)	(21.6)
Closing balance as at 30 June 2016	**1.3**	**1.6**	**54.1**	**33.7**	**90.7**
Carrying amount as at 1 July 2014	1.3	1.7	64.2	29.6	96.8
Additions	-	-	8.7	15.3	24.0
Additions through business acquisitions	-	-	0.3	2.0	2.3
Disposals	-	-	(0.5)	(1.4)	(1.9)
Depreciation expense	-	-	(11.3)	(11.1)	(22.4)
Closing balance as at 30 June 2015	**1.3**	**1.7**	**61.4**	**34.4**	**98.8**
Bank					
Carrying amount as at 1 July 2015	0.3	0.4	60.4	32.7	93.8
Additions	-	-	3.6	10.5	14.1
Disposals	-	-	(0.3)	(0.5)	(0.8)
Depreciation expense	-	-	(10.4)	(10.7)	(21.1)
Closing balance as at 30 June 2016	**0.3**	**0.4**	**53.3**	**32.0**	**86.0**
Carrying amount as at 1 July 2014	0.3	0.4	63.6	28.1	92.4
Additions	-	-	8.2	14.5	22.7
Additions through business acquisitions	-	-	0.3	2.0	2.3
Disposals	-	-	(0.5)	(1.2)	(1.7)
Depreciation expense	-	-	(11.2)	(10.7)	(21.9)
Closing balance as at 30 June 2015	**0.3**	**0.4**	**60.4**	**32.7**	**93.8**

[1] Includes office equipment, furniture and fittings.

If land and buildings were measured using the cost model the carrying amounts would be as follows:

	Group		Bank	
	2016	2015	2016	2015
Land	0.4	0.4	0.1	0.1
Buildings	0.6	0.6	0.1	0.1
Accumulated depreciation and impairment	(0.4)	(0.4)	(0.1)	(0.1)
Net carrying amount	**0.6**	**0.6**	**0.1**	**0.1**

37. Property, plant and equipment (continued)

Recognition and measurement

Cost and valuation
Plant and equipment is measured at cost less accumulated depreciation and/or impairment. Land is measured at fair value and buildings are measured at fair value less accumulated depreciation.

All assets having limited useful lives, except land, are depreciated from the date of acquisition using the straight line method over their estimated useful lives as follows:

Asset category	2016	2015
Freehold buildings	40	40
Leasehold improvements	10-12	10-12
Plant & equipment	4-10	4-10
Furniture, fixtures and fittings	4-5	4-5
Motor vehicles	5	5

The residual value, the useful life and the depreciation method applied to an asset are reviewed at least annually. Where an asset's carrying value is assessed to be more than the recoverable amount, an impairment loss is recognised.

Revaluations
Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Derecognition
An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the item is derecognised.

38. Commitments and contingencies

a. Commitments

The following are outstanding expenditure and credit related commitments as at 30 June 2016. Except where specified, all commitments are payable within one year.

	Group		Bank	
Operating lease commitments (as lessee)	**2016 $m**	**2015 $m**	**2016 $m**	**2015 $m**
Not later than 1 year	72.9	68.6	72.7	68.5
Later than 1 year but not later than 5 years	232.3	199.4	232.1	199.3
Later than 5 years	159.9	157.7	159.9	157.7
	465.1	**425.7**	**464.7**	**425.5**
Operating lease commitments (as lessor)				
Not later than 1 year	4.5	3.0	4.5	3.0
Later than 1 year but not later than 5 years	15.4	13.7	15.4	13.7
Later than 5 years	13.7	-	13.7	-
	33.6	**16.7**	**33.6**	**16.7**
Credit related commitments				
Gross loans approved, but not advanced to borrowers	2,243.3	1,610.2	2,195.9	1,569.3
Credit limits granted to clients for overdrafts and credit cards[1]				
Total amount of facilities provided	10,959.8	9,979.6	9,960.1	9,107.0
Amount undrawn at balance date	4,756.9	4,034.4	4,365.5	3,876.3

[1] Normal commercial restrictions apply as to use and withdrawal of the facilities.

Recognition and measurement

Operating leases

An operating lease is a lease where substantially all of the risks and rewards of the leased assets remain with the lessor. The Group has entered into commercial property leases and commercial leases on certain motor vehicles and items of office equipment. The leases have various terms and some property leases include optional renewal periods in the contracts.

There are no restrictions placed upon the lessee by entering these leases. Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the lease expense, over the term of the lease.

The Group has entered into commercial property leases on the Group's surplus office space. These non-cancellable leases have various terms. All leases have a clause to enable upward revision of the rental charge on a regular basis according to prevailing market conditions. Rentals received are recognised in the income statement on a straight line basis over the lease term.

Future minimum rentals payable and receivable under non-cancellable operating leases as at 30 June 2016 are outlined in the table above.

38. Commitments and contingencies (continued)

b. Contingent liabilities and contingent assets

Contingent liabilities

	Group		Bank	
	2016 $m	2015 $m	2016 $m	2015 $m
Guarantees The economic entity has issued guarantees on behalf of clients	234.7	231.0	230.1	228.3
Other Documentary letters of credit & performance related obligations	2.6	7.0	2.3	7.0

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.

Recognition and measurement

Financial guarantees
Bank guarantees have been issued by the Bank on behalf of customers whereby the Bank is required to make specified payments to reimburse the holders for a loss they may incur because the customer fails to make a payment.

Contingent liabilities are not recognised on the balance sheet. The contractual term of the guarantee matches the underlying obligations to which it relates. The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The guarantees issued by the Bank are fully secured and the bank has never incurred a loss in relation to the financial guarantees it has provided.

Legal claims
The Group is engaged in a range of litigation and court proceedings at any point in time. However, no current proceedings or claims are expected to have a material effect on the business, financial condition or operating results of the Group. For all litigation exposures where loss is probable and can be reliably estimated an appropriate provision is made. The Group has no provisions raised for any current legal proceedings.

Contingent assets

As at 30 June 2016, the economic entity does not have any contingent assets.

39. Auditors' remuneration

	Group		Bank	
	2016 $	2015 $	2016 $	2015 $
Total fees paid or due and payable to Ernst & Young (Australia)[1]				
Audit and review of financial statements[2]	1,907,192	1,829,042	1,499,158	1,422,670
Audit related fees				
Regulatory[3]	340,902	313,705	259,888	241,358
Non-regulatory[4]	443,782	694,833	295,800	530,400
Total audit related fees	**784,684**	**1,008,538**	**555,688**	**771,758**
All other fees[5]				
Taxation services	-	2,000	-	-
Total other fees	**-**	**2,000**	**-**	**-**
Total remuneration of Ernst & Young (Australia)	**2,691,876**	**2,839,580**	**2,054,846**	**2,194,428**

[1] Fees exclude goods and services tax.
[2] Audit and review of financial statements includes payments for the audit of the financial statements of the Group and Bank, including controlled entities that are required to prepare financial statements.
[3] Audit related fees (Regulatory) consist of fees for services required by statute or regulation that are reasonably related to the performance of the audit of the Group's financial statements and are traditionally performed by the external auditor. These services include assurance of the Group's compliance with APRA and Australian Financial Services Licensing reporting and compliance requirements.
[4] Audit related fees (Non-regulatory) consist of fees for assurance and related services not required by statute or regulation but are reasonably related to the performance of the audit or review of the Group's financial statements which are traditionally performed by the external auditor. These services include assurance of funding and capital raising and data and model validation for Basel II advanced accreditation.
[5] All other fees, including taxation services and other advice are incurred under the audit committee's pre-approval policies and procedures, having regard to the auditor's independence requirements of applicable laws, rules and regulations, and assessment that each of the non-audit services provided would not impair the independence of Ernst & Young.

40. Events after balance sheet date

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years.

Directors' Declaration

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

In the opinion of the directors:

(a) the financial statements and notes of the Company and the Bendigo and Adelaide Bank Group are in accordance with the *Corporations Act 2001* , including:

   (i) giving a true and fair view of the Company's and the Bendigo and Adelaide Bank Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001* ; and

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2; and

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

(d) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2016.

On behalf of the Board

Robert Johanson

Chairman

Mike Hirst

Managing Director

30 August 2016

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Independent auditor's report to the members of Bendigo and Adelaide Bank Limited

Report on the financial report

We have audited the accompanying financial report of Bendigo and Adelaide Bank Limited, which comprises the consolidated balance sheet as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit 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.

Opinion

In our opinion:

a. the financial report of Bendigo and Adelaide Bank Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 24 to 50 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Bendigo and Adelaide Bank Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Luke Slater

Graeme McKenzie
Partner
Melbourne

Luke Slater
Partner
Melbourne

30 August 2016

Additional information

1. Material differences
There are no material differences between the information supplied in this report and the information in the preliminary final report supplied by Bendigo and Adelaide Bank Limited to the Australian Securities Exchange on 8 August 2016.

2. Audit Committee
As at the date of the Directors' Report the Group had an Audit Committee of the Board of Directors.

3. Corporate governance practices
The corporate governance practices adopted by Bendigo and Adelaide Bank Limited are as detailed in the Corporate Governance statement. Please refer to www.bendigoadelaide.com.au/public/corporate_governance for further details.

4. Substantial shareholders
As at 11 August 2016 there was one substantial shareholder in Bendigo and Adelaide Bank Limited as detailed in substantial holdings notices given to the Company - BlackRock Group.

5. Distribution of shareholders
Range of Securities as at 11 August 2016 in the following categories:

Category	Fully Paid Ordinary Shares	Fully Paid Employee Shares	Convertible Preference Shares	Convertible Preference Shares 2	Convertible Preference Shares 3
1 - 1,000	37,184	3,665	5,237	4,589	5,084
1,001 - 5,000	41,865	554	273	381	377
5,001 - 10,000	8,943	20	29	26	19
10,001 - 100,000	4,980	6	9	19	9
100,001 and over	114	-	2	-	1
Number of Holders	**93,086**	**4,245**	**5,550**	**5,015**	**5,490**
Securities on Issue	**461,719,773**	**2,042,883**	**2,688,703**	**2,921,188**	**2,822,108**

6. Marketable parcel
Based on a closing price of $10.51 on 11 August 2016 the number of holders with less than a marketable parcel of the company's main class of securities (Ordinary Shares), as at 11 August 2016 was 3,374.

7. Unquoted securities
The number of unquoted equity securities that are on issue and the number of holders of those securities are shown in the above table under the heading of Fully Paid Employee shares.

Additional information (continued)

8. Major shareholders

Names of the 20 largest holders of Fully Paid Ordinary shares, including the number of shares each holds and the percentage of capital that number represents as at 11 August 2016 are:

Fully paid ordinary shares

Rank	Name	Number of securities	% of securities
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	62,768,070	13.53%
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	37,042,440	7.99%
3	CITICORP NOMINEES PTY LIMITED	19,433,006	4.19%
4	NATIONAL NOMINEES LIMITED	18,674,681	4.03%
5	MILTON CORPORATION LIMITED	5,709,708	1.23%
6	BNP PARIBAS NOMS PTY LTD <DRP>	5,319,884	1.15%
7	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,769,296	0.38%
8	ECAPITAL NOMINEES PTY LIMITED <ACCUMULATION A/C>	1,410,928	0.30%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,164,412	0.25%
10	CARLTON HOTEL LIMITED	1,117,147	0.24%
11	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	1,091,843	0.24%
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	1,089,565	0.23%
13	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	1,018,777	0.22%
14	AMP LIFE LIMITED	889,410	0.19%
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	689,158	0.15%
16	NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	687,480	0.15%
17	LEESVILLE EQUITY PTY LTD	678,757	0.15%
18	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	625,042	0.13%
19	PACIFIC CUSTODIANS PTY LIMITED <EMPLOYEE SHARE PLAN TST A/C>	593,688	0.13%
20	RBC INVESTOR SERVICES AUSTRALIA PTY LIMITED <VFA A/C>	587,315	0.13%
		162,360,607	**35.01%**

BBS Nominees Pty Ltd, trustee for the Bendigo and Adelaide Employee Share Plan and Pacific Custodians Pty Limited, trustee for the Employee Share Grant Scheme, held a combined total of 2,042,883 unquoted shares as at the date of this report.

These shares have not been included in the above table, but are included in total of issued ordinary share capital.

Additional information (continued)

8. Major shareholders (continued)

Names of the 20 largest holders of Bendigo and Adelaide Convertible Preference shares, including the number of shares each holds and the percentage of convertible preference share capital that number represents as at 11 August 2016 are:

Fully paid Convertible Preference Shares (CPS)

Rank	Name	Number of securities	% of securities
1	BNP PARIBAS NOMS PTY LTD <DRP>	142,731	5.31%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	108,070	4.02%
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	64,409	2.40%
4	IOOF INVESTMENT MANAGEMENT LIMITED <IPS SUPER A/C>	34,954	1.30%
5	WORONORA GENERAL CEMETERY & CREMATORIUM	15,000	0.56%
6	MR GERHARD JANSSEN & MRS GABRIELE MALUGA	14,400	0.54%
7	SANDHURST TRUSTEES LTD <DMP ASSET MANAGEMENT A/C>	13,928	0.52%
8	PCI PTY LTD	12,915	0.48%
9	THE TRUST COMPANY SUPERANNUATION LIMITED <GPMSF2 - FUTURE SUPER A/C>	12,327	0.46%
10	WINCHELADA PTY LIMITED	11,582	0.43%
11	G E MALLAN INVESTMENTS PTY LTD <MALLAN SUPER FUND A/C>	10,300	0.38%
12	WALMSLEY DEVELOPMENTS PTY LTD	10,000	0.37%
13	BAPTIST FINANCIAL SERVICES AUSTRALIA LIMITED	10,000	0.37%
14	MARENTO PTY LTD	10,000	0.37%
15	TRISTAR METALS PTY LTD	10,000	0.37%
16	SUNTECA (WA) PTY LTD	10,000	0.37%
17	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	9,256	0.34%
18	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	8,943	0.33%
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	8,830	0.33%
20	VIKURI PTY LIMITED <VIKURI P/L SUPER FUND A/C>	8,500	0.32%
		526,145	**19.57%**

Additional information (continued)

8. Major shareholders (continued)
Names of the 20 largest holders of Bendigo and Adelaide Convertible Preference shares 2, including the number of shares each holds and the percentage of convertible preference share 2 capital that number represents as at 11 August 2016 are:

Fully paid Convertible Preference Shares 2 (CPS2)

Rank	Name	Number of securities	% of securities
1	NATIONAL NOMINEES LIMITED	85,813	2.94%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	73,317	2.51%
3	BNP PARIBAS NOMS PTY LTD <DRP>	72,011	2.47%
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	44,678	1.53%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	38,850	1.33%
6	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <MULTIPORT A/C>	31,273	1.07%
7	WINCHELADA PTY LIMITED	30,000	1.03%
8	TGB HOLDINGS PTY LTD	26,610	0.91%
9	IOOF INVESTMENT MANAGEMENT LIMITED <IPS SUPER A/C>	23,940	0.82%
10	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	23,118	0.79%
11	JOHN E GILL TRADING PTY LTD	17,130	0.59%
12	CITICORP NOMINEES PTY LIMITED	16,083	0.55%
13	AUST EXECUTOR TRUSTEES LTD <DDH PREFERRED INCOME FUND>	15,843	0.54%
14	UNIVERSITY OF TASMANIA <LISTED INCOME SECURITIES AC>	14,685	0.50%
15	THE TRUST COMPANY SUPERANNUATION LIMITED <GPMSF2 - FUTURE SUPER A/C>	12,763	0.44%
16	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	11,894	0.41%
17	FOREST RIGHTS PTY LTD	11,000	0.38%
18	MBF INVESTMENTS PTY LTD	11,000	0.38%
19	JGW INVESTMENTS PTY LTD	10,655	0.36%
20	C ROBERTSON PTY LTD <ROBERTSON SUPER FUND A/C>	10,000	0.34%
		580,663	**19.89%**

Additional information (continued)

8. Major shareholders (continued)

Names of the 20 largest holders of Bendigo and Adelaide Convertible Preference shares 3, including the number of shares each holds and the percentage of convertible preference share 3 capital that number represents as at 11 August 2016 are:

Fully paid Convertible Preference Shares 3 (CPS3)

Rank	Name	Number of securities	% of securities
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	107,841	3.82%
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	73,704	2.61%
3	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	45,672	1.62%
4	BNP PARIBAS NOMS PTY LTD <DRP>	37,744	1.34%
5	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	37,126	1.32%
6	NATIONAL NOMINEES LIMITED	29,943	1.06%
7	NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	26,162	0.93%
8	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	14,830	0.53%
9	WINCHELADA PTY LIMITED	13,018	0.46%
10	JGW INVESTMENTS PTY LTD	10,260	0.36%
11	BRIPAT MANAGEMENT PTY LTD	10,000	0.35%
12	BAPTIST FINANCIAL SERVICES AUSTRALIA LIMITED	10,000	0.35%
13	NARRA HOLDINGS PTY LTD <LAWRENCE NARRA FAMILY A/C>	10,000	0.35%
14	ZW 2 PTY LTD	9,400	0.33%
15	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	8,878	0.31%
16	SANDHURST TRUSTEES LTD <DMP ASSET MANAGEMENT A/C>	8,775	0.31%
17	AUST EXECUTOR TRUSTEES LTD <DDH PREFERRED INCOME FUND>	8,314	0.29%
18	SECURE INVESTMENT CONSULTANTS PTY LTD	8,194	0.29%
19	JDB SERVICES PTY LTD <RAC & JD BRICE INVEST A/C>	7,800	0.28%
20	KLANE INVESTMENTS PTY LTD	7,670	0.27%
		485,331	**17.18%**

9. Voting rights

Under the Bank's Constitution, each person who is a voting Shareholder and who is present at a general meeting of the Bank in person or by proxy, attorney or official representative is entitled to one vote on a show of hands or, on a poll, one vote for each fully paid ordinary share held.

In the case of an equality of votes the Chairman has, on both a show of hands and at a poll, a casting vote in addition to the vote to which the Chairman may be entitled as a shareholder, proxy, attorney or duly appointed representative of a shareholder.

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KEY PERFORMANCE INDICATORS

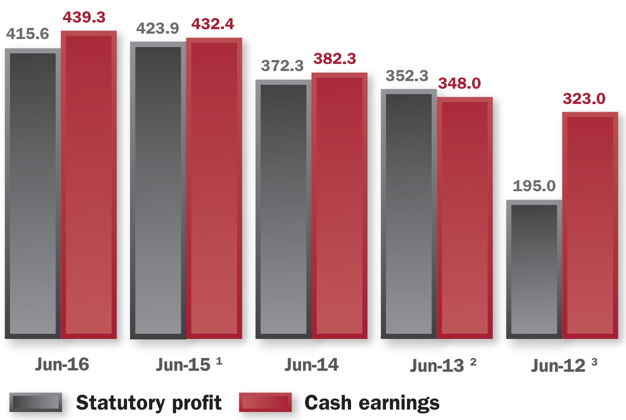
The following tables provide a summary of the last five years key metrics

Bendigo and Adelaide Bank Group
Five year history
for the year ended 30 June

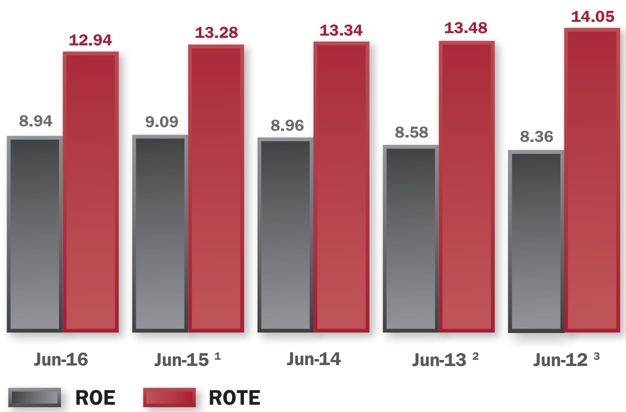
		2016	2015 [1]	2014	2013 [2]	2012 [3]
Financial Performance						
Net interest income	($m)	1,167.7	1,177.6	1,118.2	1,027.5	950.1
Bad & doubtful debts expense (net of bad debts recovered)	($m)	44.1	68.3	81.9	69.9	32.4
Profit after income tax attributable to Owners of the Company	($m)	415.6	423.9	372.3	352.3	195.0
Cash earnings adjustments	($m)	23.7	8.5	10.0	(4.3)	128.0
Cash earnings after income tax	($m)	439.3	432.4	382.3	348.0	323.0
Financial Position						
Total assets	($m)	68,580.9	66,028.8	65,062.9	60,272.5	57,237.8
Net loans and other receivables	($m)	57,253.6	55,531.6	52,932.8	50,511.5	48,670.0
Total equity	($m)	5,116.5	4,941.7	4,966.5	4,434.0	4,217.7
Deposits and notes payable	($m)	60,877.2	58,431.2	57,615.8	53,839.6	50,983.7
Risk weighted assets	($m)	36,485.5	34,712.9	32,618.4	30,530.2	28,310.1
Additional tier 1 capital ratio	(%)	2.31	2.43	1.26	1.43	0.66
Common equity tier 1 capital ratio	(%)	8.09	8.17	8.73	7.82	7.73
Tier 2 capital ratio	(%)	1.81	1.97	2.26	1.46	2.02
Share information (per ordinary share)						
Net tangible assets	($)	7.51	7.36	7.24	6.62	6.16
Earnings (statutory basis)	(¢)	90.4	92.5	87.7	84.9	48.6
Earnings (cash basis)	(¢)	95.6	95.1	91.5	85.4	84.2
Dividends - fully franked						
Interim	(¢)	34.0	33.0	31.0	30.0	30.0
Final	(¢)	34.0	33.0	33.0	31.0	30.0
Total	(¢)	68.0	66.0	64.0	61.0	60.0
Shareholder ratios						
Return on average tangible equity (cash basis)	(%)	12.94	13.28	13.34	13.48	14.05
Return on average assets (cash basis)	(%)	0.66	0.66	0.63	0.60	0.57
Return on average ordinary equity (cash basis)	(%)	8.94	9.09	8.96	8.58	8.36
Return on average ordinary equity (after tax)	(%)	8.46	8.84	8.59	8.52	4.84

[1] Figures for 2015 includes Rural Finance from 1 July 2014.
[2] Figures for 2013 includes Community Telco Australia from December 2012 as a wholly owned subsidiary.
[3] Figures for 2012 include Delphi Bank from 1 March 2012.

Statutory profit and cash earnings ($m)



ROE and ROTE (%)



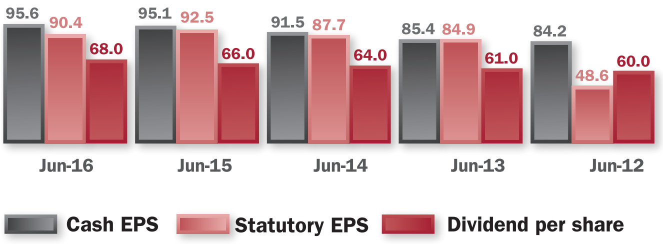
[1] Figures for 2015 includes Rural Finance from 1 July 2014.
[2] Figures for 2013 includes Community Telco Australia from December 2012 as a wholly owned subsidiary.
[3] Figures for 2012 include Delphi Bank from 1 March 2012.

Bendigo and Adelaide Bank Group
Five year comparison
for the year ended 30 June

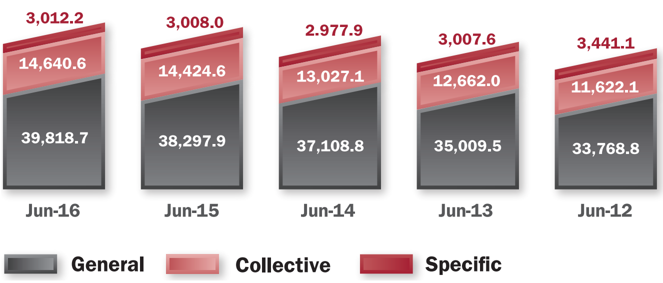
		2016	2015 [1]	2014	2013 [2]	2012 [3]
Key Trading Indicators						
Number of branches[4]		523	527	512	489	486
Number of staff (excluding Community Banks)	(FTE)	4,531	4,628	4,387	4,251	4,189
Assets per staff member	($m)	15.1	14.3	14.8	14.2	13.7
Asset Quality						
Impaired loans	($m)	350.2	325.6	411.8	390.1	358.5
Specific provisions	($m)	(124.4)	(116.1)	(113.6)	(103.3)	(102.1)
Net impaired loans		**225.8**	**209.5**	**298.2**	**286.8**	**256.4**
Net impaired loans % of gross loans	(%)	0.39	0.38	0.56	0.57	0.53
Specific provision for impairment	($m)	125.3	116.8	114.4	104.1	102.9
Specific provision % of gross loans	(%)	0.22	0.21	0.22	0.21	0.21
Collective provision	($m)	53.4	59.0	42.8	34.5	31.8
General reserve for credit losses (GRCL) (general provision)	($m)	146.9	146.9	138.3	138.3	128.5
Collective provision & GRCL as a % of risk-weighted assets	(%)	0.55	0.59	0.56	0.57	0.53
Write-offs as % of average total assets	(%)	0.08	0.09	0.11	0.12	0.06

[1] Figures for 2015 includes Rural Finance from 1 July 2014.
[2] Figures for 2013 includes Community Telco Australia from December 2012 as a wholly owned subsidiary.
[3] Figures for 2012 include Delphi Bank from 1 March 2012.
[4] Includes Retail and **Community Bank®** branches (June 15 includes 11 Rural Finance branches).

Earnings per share and dividend per share (cents)



Dissection of loans by Security [1]



[1] For the purposes of this dissection, overdrafts and personal loans secured by residential and commercial property mortgages are included in residential and commercial loan categories respectively.

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Bendigo and Adelaide Bank

Bigger than a bank.

Bendigo and Adelaide Bank Limited
ABN 11 068 049 178