Appendix 4D

Half Year Results

For the period ended 31 December 2013
Released 17 February 2014

ABN 11 068 049 178

Bendigo and Adelaide Bank

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

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Contents

Appendix 4D: half year report

1.1 Company details and reporting period

Bendigo and Adelaide Bank Limited
ABN 11 068 049 178

Reporting period - six months ended:	31 December 2013
Previous corresponding period - six months ended:	31 December 2012

1.2 Results for announcement to the market

Income from operations	up 8.7% to $707.6 m
Profit after tax attributable to members	down 4.6% to $180.7 m
Net profit after tax attributable to members	down 4.6% to $180.7 m

Dividends - current year	**Amount per security**
Interim Dividend - 2014, fully franked	31.0 cents
Payable 31 March 2014	
Record date for determining entitlements for the interim dividend	27th February 2014
Dividends - previous year	**Amount per security**
Final Dividend - 2013, fully franked	31.0 cents
Paid 28 September 2013	
Interim Dividend - 2013, fully franked	30.0 cents
Paid 30 March 2013	

1.3 Cash earnings results

Cash earnings attributable to members	up 9.5% to $185.9 m
Cash earnings per share	up 7.4% to 45.0 cents

See note 2.3 for full details

1.4 Net tangible assets per ordinary share

Refer to page 27 of the attached December 2013 half year profit announcement.

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

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

1 October 2013 - Bendigo Financial Planning, a subsidiary of the Group, acquired 100 percent ownership of Wheeler Financial Services which provides financial services, specialising in self managed superannuation funds.

1.6 Details of individual and total dividends

Refer to page 25 of the attached December 2013 half year profit announcement.

1.7 Details of any dividend or distribution

Refer to page 26 of the attached December 2013 half year profit announcement.

1.8 Details of associates and joint venture entities

Refer to page 28 of the attached December 2013 half year profit announcement.

1.9 Accounting standards used for foreign entities

Not applicable.

1.10 Dispute or qualifications if audited

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

1.11 Events after balance date

On 21 January 2014, Bendigo and Adelaide Bank successfully raised $300 million under its institutional subordinated debt program. The debt will be fully paid, redeemable, subordinated and an unsecured debt obligation of Bendigo and Adelaide Bank. The debt qualifies as Tier 2 capital under the APRA Basel III capital adequacy framework and increases total capital ratio by 96 bps.

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

1.12 Half year financial statements

Refer to pages 31 to 56 of the attached December 2013 half year profit announcement.

2. Half year results

2.1 Financial highlights

	Dec-13 Half	Jun-13 Half	Dec-12 Half	Jun-12 Half	Dec-12 Half to Dec-13 Half	
	$m	$m	$m	$m	$m	%
Profit after tax attributable to parent	180.7	162.9	189.4	137.1	(8.7)	(4.6)
Profit after tax and before specific items	181.3	174.8	162.8	154.6	18.5	11.4
Cash earnings	185.9	178.3	169.7	160.4	16.2	9.5
Net interest income	551.5	520.0	507.5	472.0	44.0	8.7
Non-interest income (before specific items)	156.1	153.7	143.5	146.3	12.6	8.8
Expenses (before specific items)	402.4	388.7	390.3	384.2	12.1	3.1
Retail deposits	42,654.4	42,245.8	41,867.0	40,663.0	787.4	1.9
Ordinary equity	4,234.5	4,156.1	4,078.4	3,979.3	156.1	3.8
Funds under management	3,568.8	3,275.2	3,334.5	3,089.9	234.3	7.0
Loans under management	51,935.0	51,689.2	50,505.5	49,989.0	1,429.5	2.8
New loan approvals	7,599.0	7,266.5	6,834.9	6,188.7	764.1	11.2
Residential	5,098.1	4,530.2	4,492.9	4,206.7	605.2	13.5
Non-residential	2,500.9	2,736.3	2,342.0	1,982.0	158.9	6.8

	%	%	%	%	%
Cost to income ratio	55.4%	56.2%	57.8%	59.8%	(4.2)
Net interest margin before community bank share	2.24%	2.20%	2.19%	2.08%	2.3
Return on average ordinary equity - statutory basis	8.44%	7.87%	9.19%	6.84%	(8.2)
Return on average ordinary equity - cash basis	8.83%	8.78%	8.39%	8.21%	5.2
Return on average tangible equity - cash basis	13.30%	13.57%	13.38%	13.36%	(0.6)

	cents	cents	cents	cents	%
Earnings per ordinary share (statutory basis) - cents	43.0	39.0	45.9	33.5	(6.3)
Earnings per ordinary share (cash basis) – cents	45.0	43.5	41.9	40.5	7.4
Dividend per share – cents	31.0	31.0	30.0	30.0	3.3

2.2 Results at a glance

2.2.1 Financial performance

Bendigo and Adelaide Bank Ltd announced a statutory profit after tax of $180.7 million for the 6 months ending 31 December 2013, a 4.6% decrease on the prior corresponding period.

The cash earnings result is $185.9 million for the 6 months ending 31 December 2013, a 9.5% increase on the prior corresponding period.

	Further detail
Statutory earnings per ordinary share of 43.0 cents (Dec-12 45.9 cents), a decrease of 6.3%.	2.4.11.3
Statutory return on average ordinary equity is 8.44% (Dec-12 9.19%).	2.4.11.3
Profit before income tax and specific items was $262.5 million (Dec-12 $228.6 million), an increase of 14.8% (see note 2.4.2 for specific item details).	2.4.1
Profit after income tax before specific items was $181.3 million (Dec-12 $162.8), an increase of 11.4% (see note 2.4.2 for specific item details).	2.4.1
Cash basis earnings per ordinary share of 45.0 cents (Dec-12 41.9 cents), an increase of 7.4%.	2.4.11.3
Cash basis earnings return on average ordinary equity was 8.83% (Dec-12 8.39%).	2.4.11.3
Cash basis earnings return on average tangible equity was 13.30% (Dec-12 13.38%).	2.4.11.3
Net interest income increased by 8.7% to $551.5 million with an interest margin before payments to community banks and alliances increasing from 2.20% to 2.24%.	2.4.4
Net of these payments, interest margin increased 4 basis points from 1.87% in June 2013 to 1.91% in the half year to December 2013. Refer to 2.4.3 for further analysis.	2.4.4

	Further detail
Non-interest income before specific items was $156.1 million (Dec-12 $143.5 million), an increase of 8.8%.	2.4.4
Expenses before specific items increased by 3.1% to $402.4 million compared to December 2012 half and increased by 3.5% compared to the June 2013 half.	2.4.5
The cost to income ratio was 55.4% compared to 57.8% for the December 2012 half and 56.2% for the June 2013 half.	2.4.5
Bad & Doubtful debts expense was $42.7 million (Dec-12 $32.1 million), an increase of 33%.	2.4.8

2.2.2 Financial position

Loans under management were $51.9 billion (Dec-12 $50.5 billion, Jun-13 $51.7 billion), an increase of 2.8% and 0.5% respectively.	2.4.6
Retail deposits were $42.7 billion (Dec-12 $41.9 billion, Jun-13 $42.2 billion), an increase of 1.9% and 1.0% respectively.	2.4.9
Managed funds were $3.6 billion (Dec-12 $3.3 billion, Jun-13 $3.3 billion), an increase of 7.0%, and 9.0% respectively.	2.4.9
Total provisions and reserves for doubtful debts were $276.7 million (Dec-12 $262.3 million, Jun-13 $276.9 million) - a decrease of $0.2 million since June 2013. General and collective provisions were 0.54% of Group Risk Weighted Assets.	2.4.8

2.2.3 Dividends

An interim ordinary dividend of 31 cents per ordinary share, fully franked (Dec-12 - 30 cents) has been declared by the Board.	2.4.11.5

2.3 Income statement

For the period ended 31 December 2013

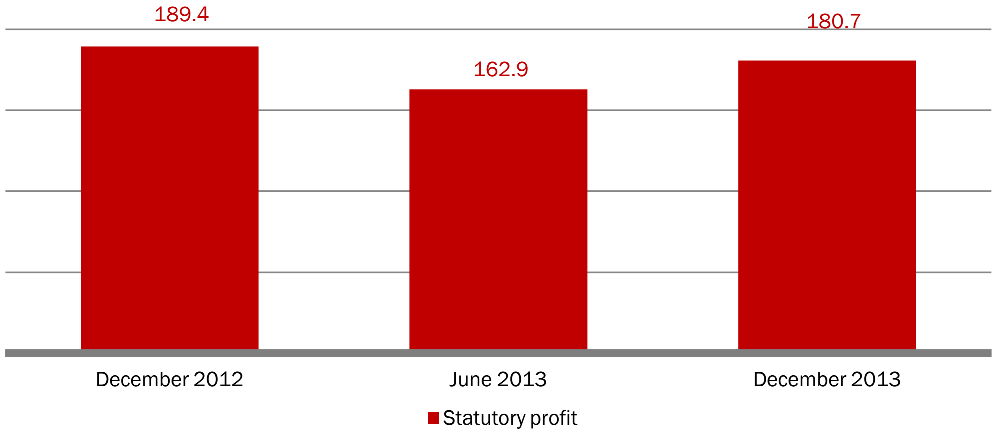
	Dec-13 $m	Dec-12 $m
Income		
Net interest income		
Interest income	1,450.8	1,578.5
Interest expense	899.3	1,071.0
Net interest income	**551.5**	**507.5**
Total non interest income (2.4.4)	156.1	143.0
Share of associates' net profits accounted for using the equity method (2.5.3)	-	0.5
Total income	**707.6**	**651.0**
Expense		
Bad and doubtful debts (2.4.8)	42.7	32.1
Operating expenses (2.4.5)	402.4	390.3
Profit before income tax expense and specific items	**262.5**	**228.6**
Specific income items before tax	-	26.3
Specific expense items before tax	(0.7)	0.5
Specific items before tax	0.7	25.8
Profit before income tax expense	**263.2**	**254.4**
Income tax expense	(82.5)	(65.0)
Profit after income tax expense attributable to members of the parent	**180.7**	**189.4**
Adjusted for:		
Specific items after tax (2.4.2)	0.6	(26.6)
Dividends paid on preference shares	(1.3)	(1.6)
Dividends paid on step-up preference shares	(1.6)	(1.9)
After tax intangibles amortisation (excluding amortisation of intangible software)	7.5	10.4
Cash basis earnings	**185.9**	**169.7**
Cash basis earnings per ordinary share (cents per share)	45.0	41.9
Basic earnings per ordinary share (cents per share)	43.0	45.9
Diluted earnings per ordinary share (cents per share)	40.3	42.3
Franked dividends per ordinary share (cents per share)	31.0	30.0

2.4 Results commentary

2.4.1 Profit

	Dec-13	Jun-13	Change		Dec-12	Change	
	$m	$m	$m	%	$m	$m	%
Profit before tax	263.2	233.2	30.0	12.9	254.4	8.8	3.5
Specific items before tax	(0.7)	14.0	(14.7)	(105.0)	(25.8)	25.1	(97.3)
Profit before tax and specific items	262.5	247.2	15.3	6.2	228.6	33.9	14.8
Profit after tax attributable to the parent	180.7	162.9	17.8	10.9	189.4	(8.7)	(4.6)
Specific items after tax	0.6	11.9	(11.3)	(95.0)	(26.6)	27.2	(102.3)
Profit after tax before specific items	181.3	174.8	6.5	3.7	162.8	18.5	11.4
Adjusted for:							
Amortisation of acquired intangibles after tax	7.5	6.5	1.0	15.4	10.4	(2.9)	(27.9)
Distributions paid/accrued on preference shares	(1.3)	(1.5)	0.2	13.3	(1.6)	0.3	18.8
Distributions paid/accrued on step-up preference shares	(1.6)	(1.5)	(0.1)	(6.7)	(1.9)	0.3	15.8
Cash basis profit after tax	185.9	178.3	7.6	4.3	169.7	16.2	9.5

Profit after tax (statutory basis)
($m)



Profit after tax (cash basis)
($m)

2.4.2 Specific items

The reported profit after tax for the half year ended 31 December 2013 of $180.7 million included the following specific items:

	December 2013		December 2012	
	Before Tax $m	After Tax $m	Before Tax $m	After Tax $m
Items included in non interest income				
Profit on sale of IOOF shares	-	-	38.7	38.7
Loss on sale of RMBS notes	-	-	(12.3)	(8.6)
Discount on acquisition	-	-	2.5	1.8
Ineffectiveness in cash flow hedges [1]	-	-	(2.6)	(1.8)
	-	-	26.3	30.1
Items included in operating expenses				
Integration costs	-	-	1.9	1.3
Employee shares gain [2]	(0.7)	(0.5)	(1.4)	(1.1)
	(0.7)	(0.5)	0.5	0.2
Total specific items before income tax expense items	0.7	0.5	25.8	29.9
Items included in income tax expense				
Stamp duty on mergers and acquisitions [3]	-	(1.1)	-	-
Land and buildings revaluation [4]	-	-	-	(3.3)
	-	(1.1)	-	(3.3)
Total specific items attributable to the group	0.7	(0.6)	25.8	26.6

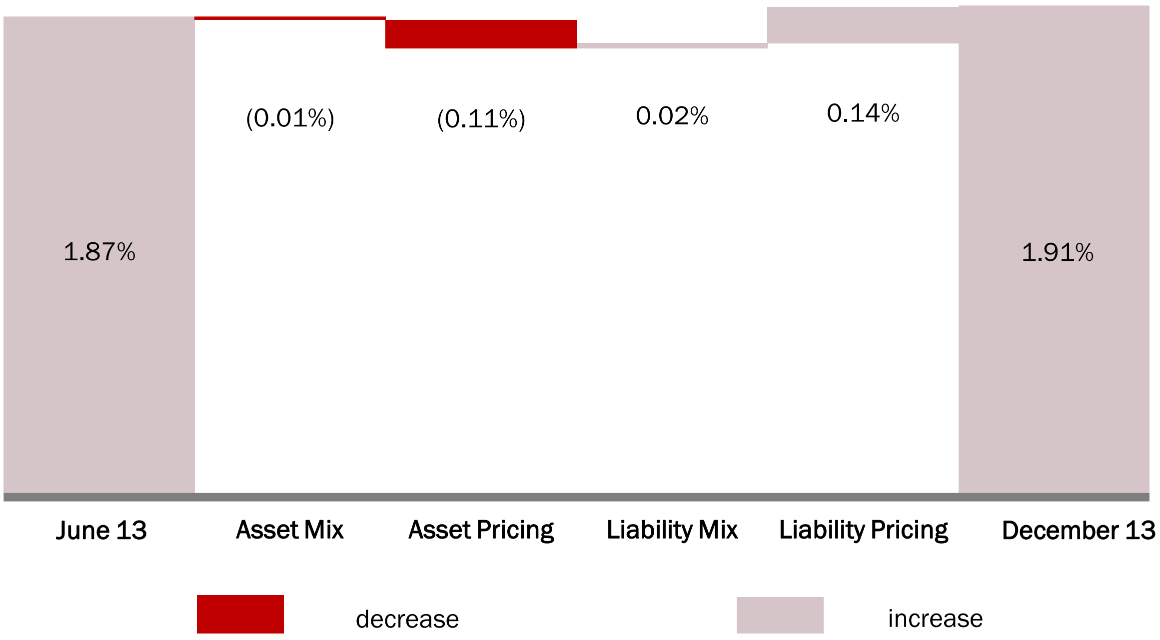
[1] Ineffectiveness resulting from the accounting for cash flow hedges acquired in the merger with Adelaide Bank Ltd and the consolidation of Rural Bank Ltd.

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

[3] Stamp duty paid in relation to transfer of assets from the Adelaide Bank merger.

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

2.4.3 Interest margin



Asset mix - A higher proportion of new residential fixed rate mortgages has been written at a lower headline margin than standard variable rate mortgages.

Asset pricing - Lower margin being generated from assets following cash rate reduction being fully passed on.

Liability mix - There has been continued strong growth in at call portfolios.

Liability pricing - There has been a continued improvement in the cost of funding particularly evident through the repricing of term deposits.

2.4.4 Income

	Dec-13	Jun-13	Change		Dec-12	Change	
	$m	$m	$m	%	$m	$m	%
Net interest income	551.5	520.0	31.5	6.1	507.5	44.0	8.7
Other income comprising:							
Fees							
asset products	30.2	32.3	(2.1)	(6.5)	29.0	1.2	4.1
other products	48.5	46.6	1.9	4.1	54.4	(5.9)	(10.8)
trustee, management & other services	2.5	2.5	-	-	2.8	(0.3)	(10.7)
Commissions							
wealth solutions	15.9	15.0	0.9	6.0	14.7	1.2	8.2
insurance	7.4	8.9	(1.5)	(16.9)	7.3	0.1	1.4
other	0.8	(0.6)	1.4	233.3	(0.6)	1.4	233.3
Dividend income	0.7	0.4	0.3	75.0	0.3	0.4	133.3
Homesafe trust contribution	23.2	13.2	10.0	75.8	11.9	11.3	95.0
Other	26.9	34.3	(7.4)	(21.6)	23.2	3.7	15.9
Total other income before specific income items	156.1	152.6	3.5	2.3	143.0	13.1	9.2
Share of associates' and joint ventures net profits/(losses)	-	1.1	(1.1)	(100.0)	0.5	(0.5)	(100.0)
Total non interest income before specific items	156.1	153.7	2.4	1.6	143.5	12.6	8.8
Total income before specific items	707.6	673.7	33.9	5.0	651.0	56.6	8.7
Specific income items - non interest income	-	(1.7)	1.7	100.0	26.3	(26.3)	(100.0)
Total income	**707.6**	**672.0**	**35.6**	**5.3**	**677.3**	**30.3**	**4.5**

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

Net interest income increased by $44.0 million, or 8.7%. Refer to 2.4.3 for further analysis.

Fees decreased by $5.0 million, or 5.8%, primarily due to a decrease in transaction fees and credit card scheme fees.

Commissions increased by $2.7 million, or 12.6%, due to increased volume of third party products sold.

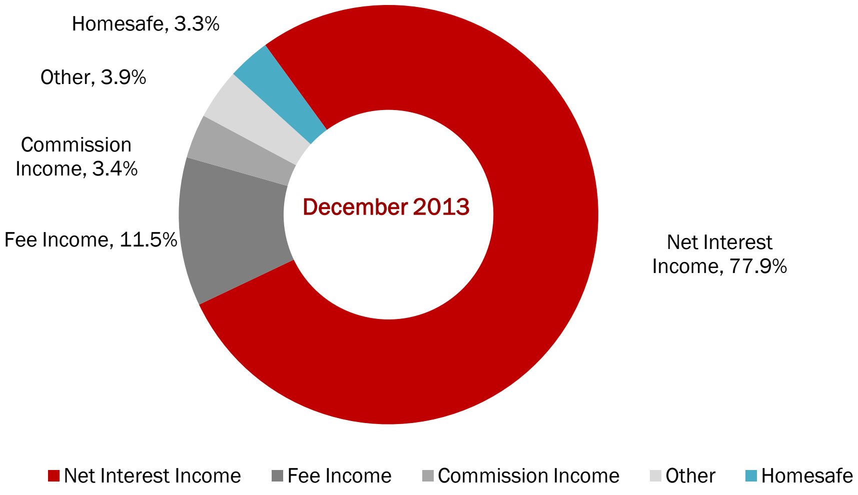
Homesafe trust contribution was $11.3 million higher than the prior corresponding period, primarily due to an increase in the housing price index over the last six months.

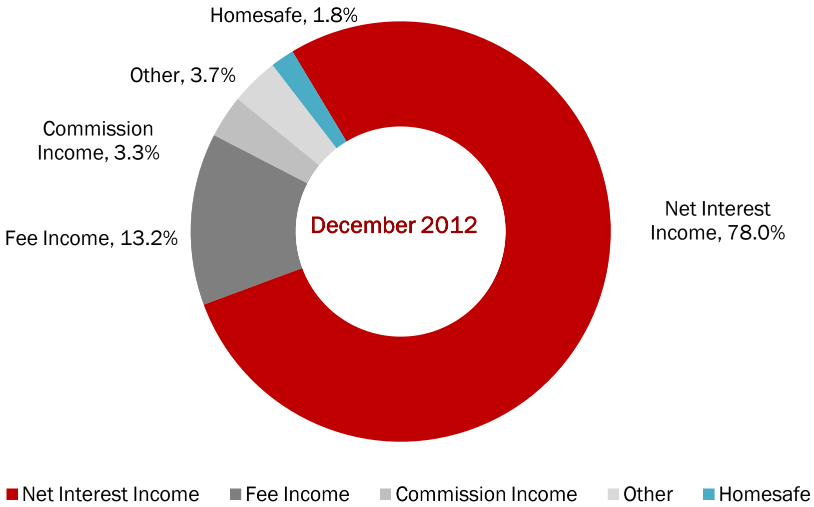
Other income includes foreign exchange income, factoring income, franchise fees and Telco income.

Specific items decreased by $26.3 million as the prior period included the sale of IOOF shares and a reduction in ineffective cashflow hedges. These increases were offset by a loss on sale of RMBS notes. Refer to 2.4.2 for further detail.

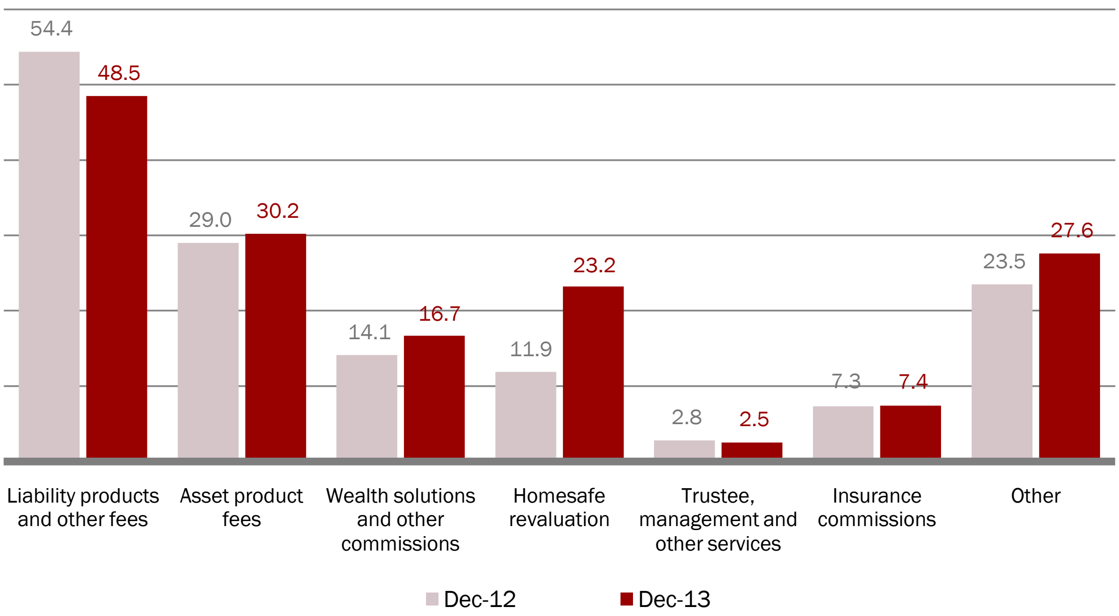
2.4.4 Income (continued)

Income
(%)





Non-interest income
$m



2.4.5 Productivity and operating expenses

	Dec-13	Jun-13	Change		Dec-12	Change	
	$m	$m	$m	%	$m	$m	%
Staff and related costs	216.1	203.4	12.7	6.2	203.6	12.5	6.1
Occupancy costs	38.2	35.2	3.0	8.5	35.4	2.8	7.9
Information technology costs	35.8	32.9	2.9	8.8	31.7	4.1	12.9
Amortisation of acquired intangibles	10.7	9.8	0.9	9.2	14.3	(3.6)	(25.2)
Amortisation of software intangibles	8.5	10.1	(1.6)	(15.8)	9.6	(1.1)	(11.5)
Property, plant and equipment costs	4.6	5.2	(0.6)	(11.5)	5.4	(0.8)	(14.8)
Fees and commissions	13.4	14.3	(0.9)	(6.3)	14.3	(0.9)	(6.3)
Communications, postage & stationery	16.4	16.4	-	-	16.6	(0.2)	(1.2)
Advertising & promotion	14.5	17.8	(3.3)	(18.5)	14.2	0.3	2.1
Other product & services delivery costs	16.7	17.2	(0.5)	(2.9)	18.2	(1.5)	(8.2)
Other administration expenses	27.5	26.4	1.1	4.2	27.0	0.5	1.9
Total operating expenses	402.4	388.7	13.7	3.5	390.3	12.1	3.1
Specific items	(0.7)	12.3	(13.0)	(105.7)	0.5	(1.2)	(240.0)
Total expenses	**401.7**	**401.0**	**0.7**	**0.2**	**390.8**	**10.9**	**2.8**

			Change			Change	
	Dec-13	Jun-13		%	Dec-12		%
Expenses to income	55.4%	56.2%	(0.80)	(1.4)	57.8%	(2.40)	(4.2)
Expenses to average assets	1.30%	1.28%	0.02	1.56	1.30%	(0.00)	(0.10)
Number of staff (full-time equivalent)	4,286	4,251	35	0.8	4,227	58	1.4
Staff & related costs to income*	30.6%	30.0%	0.60	2.0	31.3%	(0.70)	(2.2)

*Excludes redundancy costs

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

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

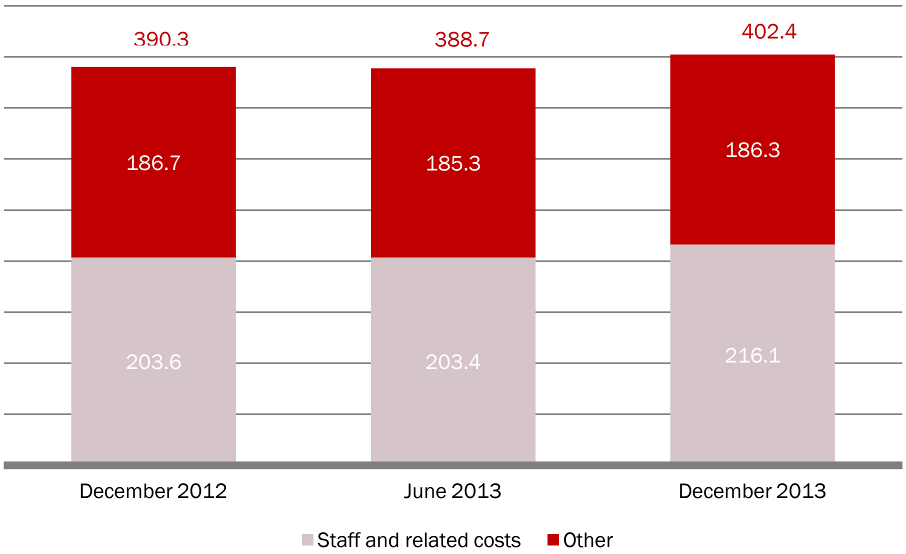
Staff and related costs increased by $12.5 million, or 6.1%, due to a combination of wage and salary increases, increases in contractor payments related to the Basel II advanced accreditation project and the inclusion of Community Telco Australia staff costs for the full six months.

Occupancy costs increased by $2.8 million, or 7.9%, due to the inclusion of rent for the new Adelaide building ($1 million) as well as the regular annual increase in rent payments following annual reviews.

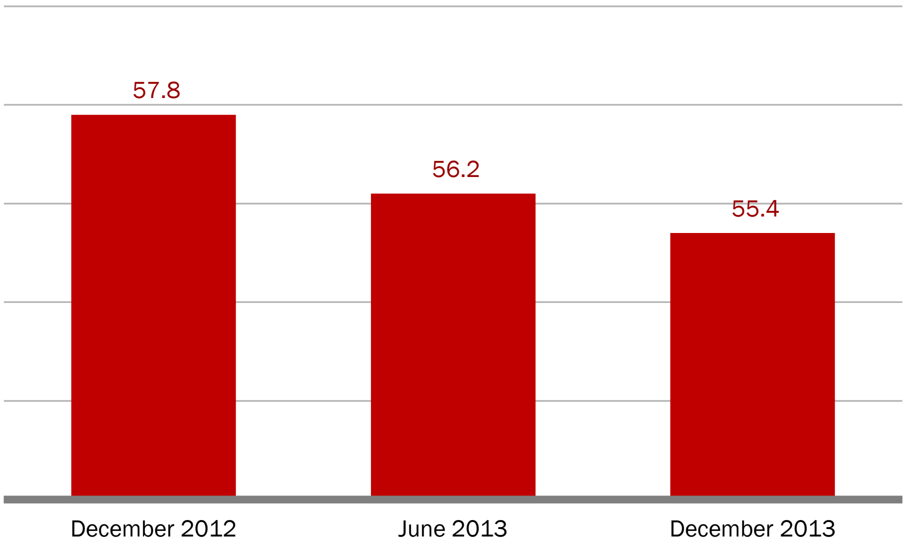
Information technology costs increased by $4.1 million, or 12.9%, predominantly due to an increase in software maintenance and costs associated with the implementation of the new Bank website.

2.4.5 Productivity and operating expenses (continued)

Operating expenses
($m)

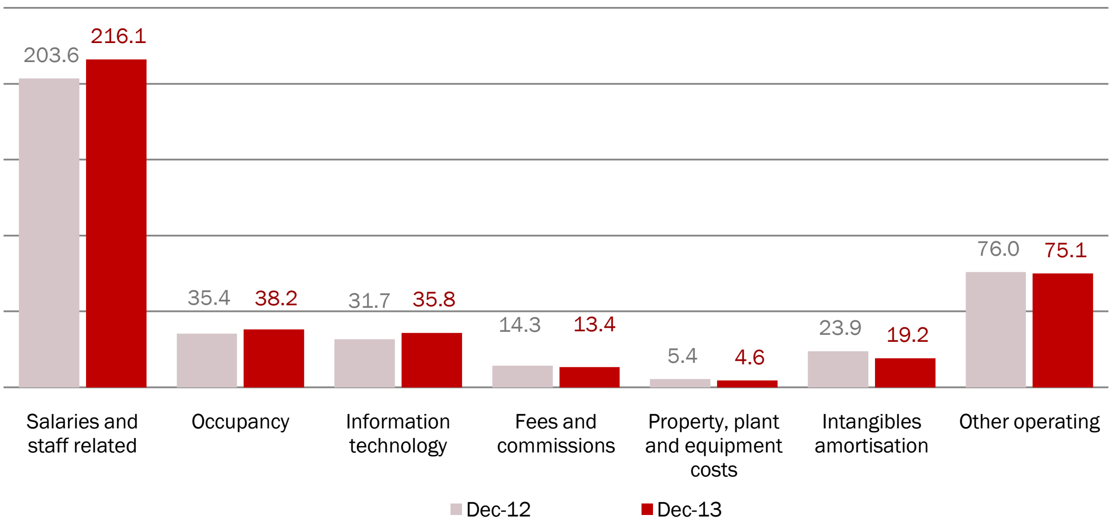


Cost to income ratio - expenses / income
(%)



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

Operating expenses
($m)



2.4.6 Lending

	Dec-13	Jun-13	Change		Dec-12	Change	
	$m	$m	$m	%	$m	$m	%
Approvals - by security							
Residential	5,098.1	4,530.2	567.9	12.5	4,492.9	605.2	13.5
Non-residential	2,500.9	2,736.3	(235.4)	(8.6)	2,342.0	158.9	6.8
Total approvals	**7,599.0**	**7,266.5**	**332.5**	**4.6**	**6,834.9**	**764.1**	**11.2**

	As at Dec-13	As at Jun-13	Change		As at Dec-12	Change	
	$m	$m	$m	%	$m	$m	%
Gross loan balance - by security							
Residential	**35,310.1**	**35,009.5**	**300.6**	**0.9**	**34,274.5**	**1,035.6**	**3.0**
Business							
Accommodation and food services	373.4	342.6	30.8	9.0	321.6	51.8	16.1
Administrative and support services	49.2	56.4	(7.2)	(12.8)	52.1	(2.9)	(5.6)
Agriculture, forestry and fishing	4,422.0	4,544.4	(122.4)	(2.7)	4,335.0	87.0	2.0
Arts and recreation services	69.3	76.5	(7.2)	(9.4)	69.5	(0.2)	(0.3)
Construction	1,061.6	933.9	127.7	13.7	961.0	100.6	10.5
Education and training	72.9	60.8	12.1	19.9	55.6	17.3	31.1
Electricity, gas, water and waste services	26.9	29.6	(2.7)	(9.1)	28.9	(2.0)	(6.9)
Financial and insurance services	689.4	717.3	(27.9)	(3.9)	603.3	86.1	14.3
Health care and social assistance	506.6	505.1	1.5	0.3	469.3	37.3	7.9
Information media and telecommunications	24.7	26.2	(1.5)	(5.7)	17.3	7.4	42.8
Manufacturing	267.8	246.2	21.6	8.8	231.8	36.0	15.5
Mining	21.9	24.6	(2.7)	(11.0)	24.0	(2.1)	(8.8)
Other Services	182.1	185.6	(3.5)	(1.9)	149.0	33.1	22.2
Professional, scientific and technical services	246.2	235.7	10.5	4.5	225.7	20.5	9.1
Public administration and safety	76.5	184.9	(108.4)	(58.6)	126.1	(49.6)	(39.3)
Rental, hiring and real estate services	3,470.0	3,215.2	254.8	7.9	3,090.4	379.6	12.3
Retail trade	538.3	553.2	(14.9)	(2.7)	541.0	(2.7)	(0.5)
Transport, postal and warehousing	190.1	174.1	16.0	9.2	153.2	36.9	24.1
Wholesale trade	160.9	162.3	(1.4)	(0.9)	158.1	2.8	1.8
Other	254.2	387.4	(133.2)	(34.4)	409.9	(155.7)	(38.0)
Total business	**12,704.0**	**12,662.0**	**42.0**	**0.3**	**12,022.8**	**681.2**	**5.7**
Margin lending	1,867.2	1,915.6	(48.4)	(2.5)	2,018.8	(151.6)	(7.5)
Unsecured	859.6	824.2	35.4	4.3	867.1	(7.5)	(0.9)
Other	267.6	267.8	(0.2)	(0.1)	242.7	24.9	10.3
Total gross loan balance	**51,008.5**	**50,679.1**	**329.4**	**0.6**	**49,425.9**	**1,582.6**	**3.2**
Gross loan balance - by purpose							
Residential	33,210.0	32,790.4	419.6	1.3	32,162.1	1,047.9	3.3
Consumer	4,190.8	4,375.1	(184.3)	(4.2)	4,190.2	0.6	-
Margin lending	1,867.2	1,915.6	(48.4)	(2.5)	2,018.8	(151.6)	(7.5)
Commercial	11,740.5	11,598.0	142.5	1.2	11,054.8	685.7	6.2
Total gross loan balance	**51,008.5**	**50,679.1**	**329.4**	**0.6**	**49,425.9**	**1,582.6**	**3.2**
Loans under management (gross balance)							
On-balance sheet	51,008.5	50,679.1	329.4	0.6	49,425.9	1,582.6	3.2
Off-balance sheet loans under management	926.5	1,010.1	(83.6)	(8.3)	1,079.6	(153.1)	(14.2)
Total Group loans under management	**51,935.0**	**51,689.2**	**245.8**	**0.5**	**50,505.5**	**1,429.5**	**2.8**

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

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

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

2.4.7 Asset quality

	As at Dec-13 $m	As at Jun-13 $m	Change $m	Change %	As at Dec-12 $m	Change $m	Change %
Impaired loans [1]							
Full-performing [2]	1.7	3.6	(1.9)	(52.8)	0.9	0.8	88.9
Part-performing [3]	125.8	119.0	6.8	5.7	106.0	19.8	18.7
Non-performing - property development	18.8	25.9	(7.1)	(27.4)	29.1	(10.3)	(35.4)
- other	271.3	179.1	92.2	51.5	136.2	135.1	99.2
Restructured loans	14.5	62.6	(48.1)	(76.8)	17.8	(3.3)	(18.5)
Total impaired assets	432.1	390.2	41.9	10.7	290.0	142.1	49.0
Less: Specific provisions	(95.6)	(104.1)	8.5	8.2	(96.2)	0.6	0.6
Net impaired assets	336.5	286.1	50.4	17.6	193.8	142.7	73.6
Past due 90 days							
Well Secured (excluding commercial arrangement loans)	343.2	530.4	(187.2)	(35.3)	539.3	(196.1)	(36.4)
Great Southern portfolio	297.7	283.4	14.3	5.0	278.1	19.6	7.1
Portfolio facilities (not well secured)	3.3	4.2	(0.9)	(21.4)	2.2	1.1	50.0
Ratios							
Gross impaired to gross loans	0.85%	0.77%	0.08%	10.4	0.59%	0.26%	44.1
Gross impaired (excl prop develop) to gross loans	0.81%	0.72%	0.09%	12.5	0.53%	0.28%	52.8
Gross impaired to total assets	0.72%	0.65%	0.07%	10.8	0.50%	0.22%	44.0
Gross impaired assets (excl prop develop) to total assets	0.68%	0.60%	0.08%	13.3	0.45%	0.23%	51.1
Net impaired to gross loans	0.66%	0.56%	0.10%	17.9	0.39%	0.27%	69.2
Net impaired (excl prop develop) to gross loans	0.62%	0.51%	0.11%	21.6	0.33%	0.29%	87.9
Provision coverage [4]	64.0%	71.0%	(7.0%)	(9.9)	90.4%	(26.40%)	(29.2)

[1] 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.

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

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

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

2.4.8 Bad and doubtful debts

	Dec-13	Jun-13	Change		Dec-12	Change	
	$m	$m	$m	%	$m	$m	%
Expense:							
Bad debts written off	1.1	2.2	(1.1)	(50.0)	3.0	(1.9)	(63.3)
Provision doubtful debts - expense	43.4	37.2	6.2	16.7	30.3	13.1	43.2
Total bad and doubtful debts expense	44.5	39.4	5.1	12.9	33.3	11.2	33.6
Less: Bad debts recovered	1.8	1.6	0.2	12.5	1.2	0.6	50.0
Bad and doubtful debts net of recoveries	42.7	37.8	4.9	13.0	32.1	10.6	33.0

	As at Dec-13	As at Jun-13	Change		As at Dec-12	Change	
	$m	$m	$m	%	$m	$m	%
Balances:							
Provision for doubtful debts - specific	95.6	104.1	(8.5)	(8.2)	96.2	(0.6)	(0.6)
Provision for doubtful debts - collective	42.8	34.5	8.3	24.1	31.9	10.9	34.2
General reserve for credit losses	138.3	138.3	-	-	134.2	4.1	3.1
Total provision/reserve doubtful debts	276.7	276.9	(0.2)	(0.1)	262.3	14.4	5.5
Ratios:							
Loan write-offs (annualised) to average assets	0.15%	0.11%	0.04%	36.4	0.14%	0.01%	7.1
Loan write-offs (annualised) to gross loans	0.18%	0.13%	0.05%	38.5	0.16%	0.02%	12.5
Total provision/reserve for doubtful debts to gross loans	0.54%	0.55%	(0.01%)	(1.8)	0.53%	0.01%	1.9
Collective provision (adjusted for tax) & GRCL to risk-weighted assets	0.54%	0.53%	0.01%	1.9	0.53%	0.01%	1.9

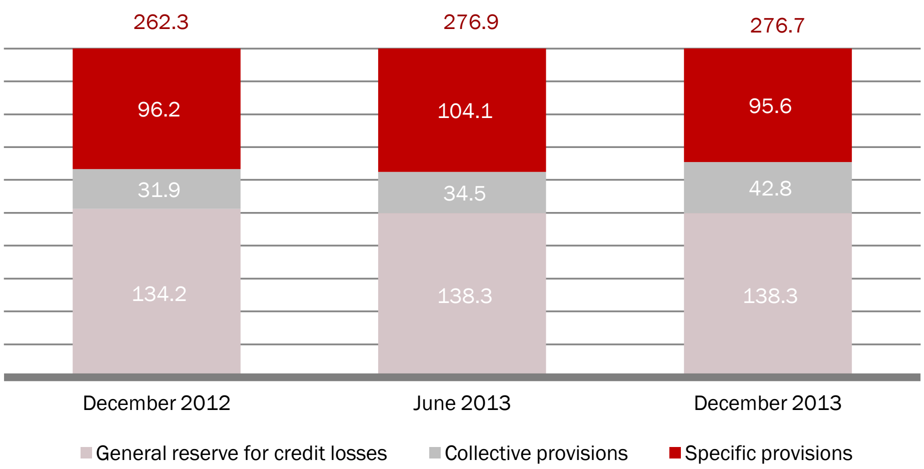
The balances of the components of provision for doubtful debts are:	Specific	Collective	GRCL	Total
The movement in provisions comprise of:				
Balance at June 2013	104.1	34.5	138.3	276.9
Provision for doubtful debts expense to profit and loss	35.1	8.3	-	43.4
Bad debts written off - previously provided for	(43.6)	-	-	(43.6)
Balance at December 2013	95.6	42.8	138.3	276.7

Total bad debts written off for the period, as shown above comprises:	
Bad debts previously provided for	43.6
Other bad debts not previously provided for	1.1
Total bad debts written off for the period	44.7

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

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

Total provisions and reserves for doubtful debts ($m)



2.4.9 Deposits and funds under management

	As at Dec-13 $m	As at Jun-13 $m	Change $m	Change %	As at Dec-12 $m	Change $m	Change %
Deposits and funds under management							
Deposits	48,764.3	47,439.0	1,325.3	2.8	46,635.4	2,128.9	4.6
Securitisation	5,396.3	6,400.6	(1,004.3)	(15.7)	5,678.3	(282.0)	(5.0)
Managed funds	3,568.8	3,275.2	293.6	9.0	3,334.5	234.3	7.0
Total deposits and funds under management	**57,729.4**	**57,114.8**	**614.6**	**1.1**	**55,648.2**	**2,081.2**	**3.7**
Retail deposits and funds under management							
Retail deposits	42,654.4	42,245.8	408.6	1.0	41,867.0	787.4	1.9
Managed funds	3,568.8	3,275.2	293.6	9.0	3,334.5	234.3	7.0
Total retail deposits and funds under management	**46,223.2**	**45,521.0**	**702.2**	**1.5**	**45,201.5**	**1,021.7**	**2.3**
Deposits dissection: - $m							
Retail	42,654.4	42,245.8	408.6	1.0	41,867.0	787.4	1.9
Securitisation	5,396.3	6,400.6	(1,004.3)	(15.7)	5,678.3	(282.0)	(5.0)
Wholesale - domestic	5,641.5	4,929.6	711.9	14.4	4,433.7	1,207.8	27.2
Wholesale - offshore	468.3	263.6	204.7	77.7	334.7	133.6	39.9
Total deposits	**54,160.5**	**53,839.6**	**320.9**	**0.6**	**52,313.7**	**1,846.8**	**3.5**
Deposits dissection (excl securitisation) - %							
Retail	87.5%	89.1%	(1.6%)	(1.8)	89.8%	(2.3%)	(2.6)
Wholesale - domestic	11.6%	10.4%	1.2%	11.5	9.5%	2.1%	22.1
Wholesale - offshore	0.9%	0.5%	0.4%	80.0	0.7%	0.2%	28.6
Total deposits excluding securitisation	**100.0%**	**100.0%**	-	-	**100.0%**	-	-
Managed funds dissection							
Assets under management	1,685.4	1,665.3	20.1	1.2	1,730.6	(45.2)	(2.6)
Other managed funds	1,883.4	1,609.9	273.5	17.0	1,603.9	279.5	17.4
Total managed funds	**3,568.8**	**3,275.2**	**293.6**	**9.0**	**3,334.5**	**234.3**	**7.0**

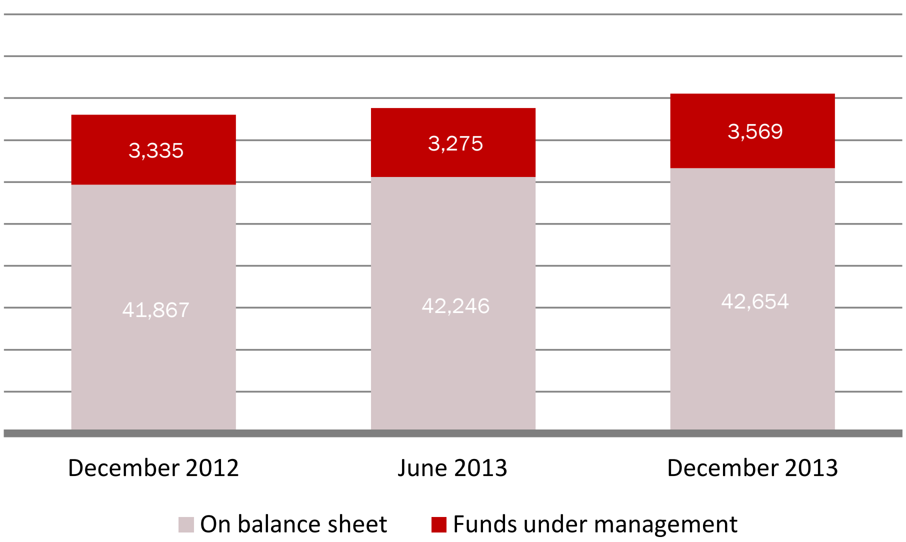
Assets under management include those funds deposited in the Sandhurst Trustees Limited Common Funds, which are invested in cash, cash enhanced and mortgage investments on behalf of the investors. These funds are off-balance sheet.

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

2.4.9 Deposits and funds under management (continued)

Funding mix
($m)

Retail deposits and funds under management
($m)



Retail deposits increased by $0.4 billion or 1.0% to $42.7 billion over the 6 months.
Wholesale deposits increased by $0.9 billion or 17.7% to $6.1 billion over the 6 months.

Securitisation decreased by $1.0 billion or 15.7% to $5.4 billion over the 6 months.
The Group's retail deposit base remains strong at 87.5% of deposits (excluding securitisation).

2.4.10 Average balance sheet & related interest for the six month period ended 31 December 2013

	Average Balance $m	Interest 6 mths $m	Average Rate %
Average balances and rates [1]			
Interest earning assets			
Cash and Investments	6,637.2	91.9	2.75
Loans and other receivables - company	41,163.6	1,155.7	5.57
Loans and other receivables - community bank / alliances	9,472.6	234.3	4.91
Total interest earning assets [2]	**57,273.4**	**1,481.9**	**5.13**
Non interest earning assets			
Provisions for doubtful debts	(132.3)		
Other assets	2,868.4		
Total non interest earning assets	**2,736.1**		
Total assets (average balance)	**60,009.5**		
Interest bearing liabilities and equity			
Deposits			
Retail - company	28,791.3	477.0	3.29
Retail - community bank / alliances	13,724.4	238.3	3.44
Wholesale - domestic	5,079.8	88.1	3.44
Wholesale - offshore	357.9	6.0	3.33
Notes Payable	5,784.1	101.9	3.49
Convertible Preference Shares	263.8	7.4	5.56
Subordinated debt	355.4	11.7	6.53
Total interest bearing liabilities [2]	**54,356.7**	**930.4**	**3.40**
Non interest bearing liabilities and equity			
Other liabilities	1,188.9		
Equity	4,463.9		
	5,652.8		
Total liabilities and equity (average balance)	**60,009.5**		
Interest margin and interest spread			
Interest earning assets	57,273.4	1,481.9	5.13
Interest bearing liabilities	(54,356.7)	(930.4)	(3.40)
Net interest income and interest spread [3]		**551.5**	**1.73**
Net free liabilities and equity			0.18
Net interest margin [4]			1.91
Impact of community bank/alliances revenue share arrangements			
Net interest margin before community bank share of net interest income			2.24
Less impact of community bank share of net interest income			0.33
Net interest margin			1.91

1 Average balance is based on monthly closing balances from 30 June 2013 through 31 December 2013 inclusive.

2 Interest payments to alliance partners are net values in the Income Statement.

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

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

2.4.10 Average balance sheet & related interest (continued) for the six month period ended 30 June 2013

	Average Balance $m	Interest 6 mths $m	Average Rate %
Average balances and rates [1]			
Interest earning assets			
Cash and Investments	6,411.5	102.9	3.24
Loans and other receivables - company	39,861.7	1,180.7	5.97
Loans and other receivables - community bank / alliances	9,894.9	241.9	4.93
Total interest earning assets [2]	**56,168.1**	**1,525.5**	**5.48**
Non interest earning assets			
Provisions for doubtful debts	(134.8)		
Other assets	2,904.5		
Total non interest earning assets	**2,769.7**		
Total assets (average balance)	**58,937.8**		
Interest bearing liabilities and equity			
Deposits			
Retail - company	28,533.9	533.1	3.77
Retail - community bank / alliances	13,325.7	254.0	3.84
Wholesale - domestic	4,441.2	86.2	3.91
Wholesale - offshore	328.9	5.9	3.62
Notes Payable	6,033.4	106.0	3.54
Convertible Preference Shares	268.9	7.5	5.62
Subordinated debt	375.6	12.8	6.87
Total interest bearing liabilities [2]	**53,307.6**	**1,005.5**	**3.80**
Non interest bearing liabilities and equity			
Other liabilities	1,289.1		
Equity	4,341.1		
	5,630.2		
Total liabilities and equity (average balance)	**58,937.8**		
Interest margin and interest spread			
Interest earning assets	56,168.1	1,525.5	5.48
Interest bearing liabilities	(53,307.6)	(1,005.5)	(3.80)
Net interest income and interest spread [3]		**520.0**	**1.68**
Net free liabilities and equity			0.19
Net interest margin [4]			1.87
Impact of community bank/alliances revenue share arrangements			
Net interest margin before community bank share of net interest income			2.20
Less impact of community bank share of net interest income			0.33
Net interest margin			1.87

1 Average balance is based on monthly closing balances from 31 December 2012 through 30 June 2013 inclusive.
2 Interest payments to alliance partners are net values in the Income Statement.
3 Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.
4 Interest margin is the net interest income as a percentage of average interest earning assets.

2.4.10 Average balance sheet & related interest (continued) for the six month period ended 31 December 2012

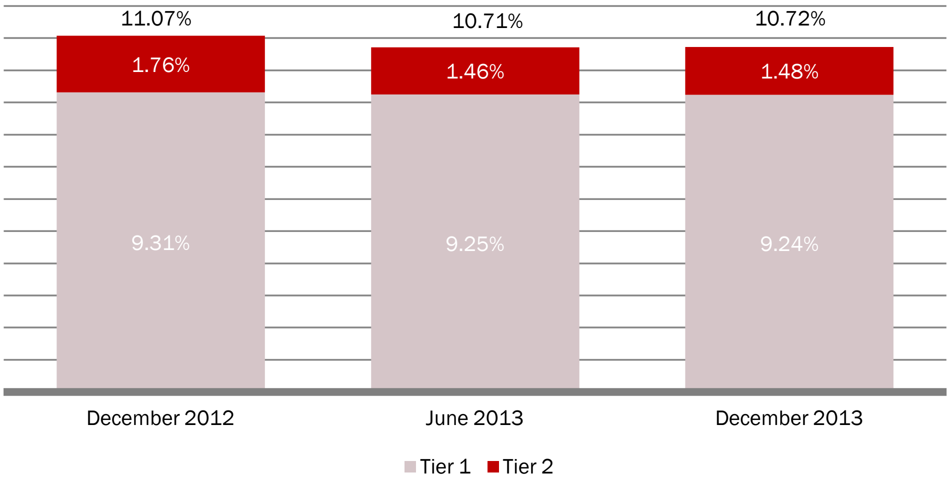
	Average Balance $m	Interest 6 mths $m	Average Rate %
Average balances and rates [1]			
Interest earning assets			
Cash and Investments	5,971.9	103.4	3.43
Loans and other receivables - company	39,357.2	1,259.5	6.35
Loans and other receivables - community bank / alliances	9,472.6	252.1	5.28
Total interest earning assets [2]	**54,801.7**	**1,615.0**	**5.85**
Non interest earning assets			
Provisions for doubtful debts	(136.6)		
Other assets	2,832.8		
Total non interest earning assets	**2,696.2**		
Total assets (average balance)	**57,497.9**		
Interest bearing liabilities and equity			
Deposits			
Retail - company	28,249.4	581.1	4.08
Retail - community bank / alliances	12,640.1	277.3	4.35
Wholesale - domestic	4,171.9	84.6	4.02
Wholesale - offshore	207.4	4.1	3.92
Notes Payable	6,149.6	141.3	4.56
Convertible Preference Shares	89.6	2.6	5.76
Reset Preference Shares	67.1	1.8	5.32
Subordinated debt	410.7	14.7	7.10
Total interest bearing liabilities [2]	**51,985.8**	**1,107.5**	**4.23**
Non interest bearing liabilities and equity			
Other liabilities	1,276.4		
Equity	4,235.7		
	5,512.1		
Total liabilities and equity (average balance)	**57,497.9**		
Interest margin and interest spread			
Interest earning assets	54,801.7	1,615.0	5.85
Interest bearing liabilities	(51,985.8)	(1,107.5)	(4.23)
Net interest income and interest spread [3]		**507.5**	**1.62**
Net free liabilities and equity			0.22
Net interest margin [4]			1.84
Impact of community bank/alliances revenue share arrangements			
Net interest margin before community bank share of net interest income			2.19
Less impact of community bank share of net interest income			0.35
Net interest margin			1.84

1 Average balance is based on monthly closing balances from 30 June 2012 through 31 December 2012 inclusive.
2 Interest payments to alliance partners are net values in the Income Statement.
3 Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.
4 Interest margin is the net interest income as a percentage of average interest earning assets.

2.4.11 Capital and shareholder returns

2.4.11.1 Capital adequacy

Capital adequacy
(%)



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

2.4.11.2 Assets and capital

	As at Dec-13 $m	As at Jun-13 $m	Change $m	Change %	As at Dec-12 $m	Change $m	Change %
Group assets	60,413.2	60,282.2	131.0	0.2	58,459.1	1,954.1	3.3
Capital adequacy							
Total qualifying capital	3,333.7	3,270.3	63.4	1.9	3,249.7	84.0	2.6
Risk-weighted assets	31,097.6	30,530.2	567.4	1.9	29,354.0	1,743.6	5.9
Risk-weighted capital adequacy	10.72%	10.71%	0.01%	0.1	11.07%	(0.35%)	(3.2)
- Tier 1	9.24%	9.25%	(0.01%)	(0.1)	9.31%	(0.07%)	(0.8)
- Tier 2	1.48%	1.46%	0.02%	1.4	1.76%	(0.28%)	(15.9)
Net tangible assets per fully paid ordinary share	$6.83	$6.62	$0.21	3.2	$6.38	$0.45	7.1
Number of fully paid ordinary shares on issue - 000's	414,647	412,008	2,639	0.6	407,593	7,054	1.7
Total equity	4,528.5	4,434.0	94.5	2.1	4,324.8	203.7	4.7

2.4.11.3 Shareholder returns

	Dec-13	Jun-13	Change	%	Dec-12	Change	%
Earnings per ordinary share (cash basis) (weighted average)-cents	45.0	43.5	1.5	3.4	41.9	3.1	7.4
Earnings per ordinary share (statutory basis) (weighted average)-cents	43.0	39.0	4.0	10.3	45.9	(2.9)	(6.3)
Diluted earnings per ordinary share (weighted average)-cents	40.3	36.1	4.2	11.6	42.3	(2.0)	(4.7)
Weighted average number of ordinary shares used basic and cash basis EPS calculations - 000's	413,301	409,886	3,415	0.8	404,972	8,329	2.1
Weighted average number of ordinary shares used in diluted EPS calculation - 000's	460,776	465,873	(5,097)	(1.1)	451,704	9,072	2.0
Return on average ordinary equity (cash basis)	8.83%	8.78%	0.05%	0.6	8.39%	0.44%	5.2
Return on average tangible equity (cash basis)	13.30%	13.57%	(0.27%)	(2.0)	13.38%	(0.08%)	(0.6)
Return on average ordinary equity (after tax)	8.44%	7.87%	0.57%	7.2	9.19%	(0.75%)	(8.2)
Return on average ordinary equity (after tax before specific items)	8.47%	8.46%	0.01%	0.1	7.88%	0.59%	7.5
Return on average assets (cash basis)	0.62%	0.60%	0.02%	3.3	0.59%	0.03%	5.1
Return on average assets (after tax)	0.60%	0.55%	0.05%	9.1	0.65%	(0.05%)	(7.7)
Return on average assets (after tax before specific items)	0.60%	0.59%	0.01%	1.7	0.56%	0.04%	7.1

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

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

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

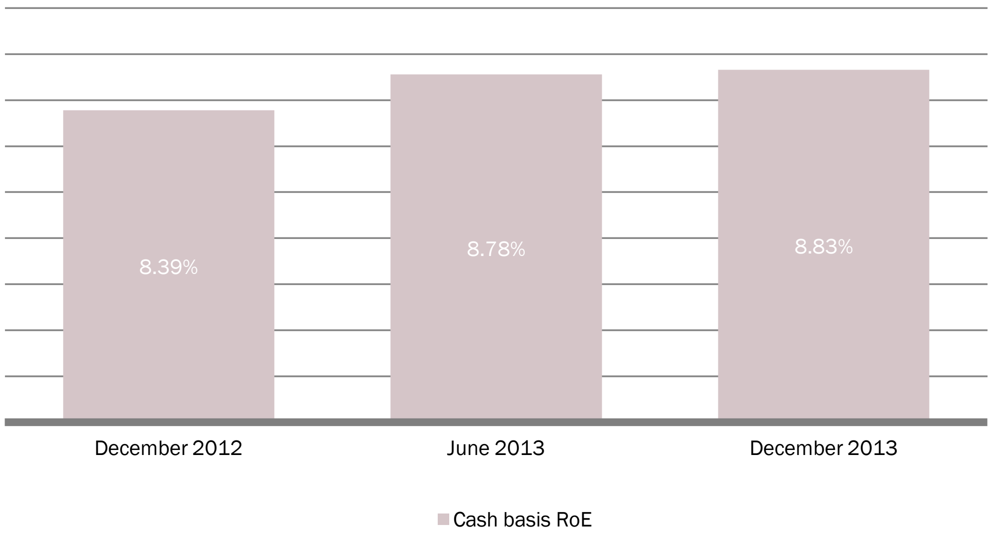
June profit figures are for the June 2013 half year and balance sheet items are as at end of June 2013.

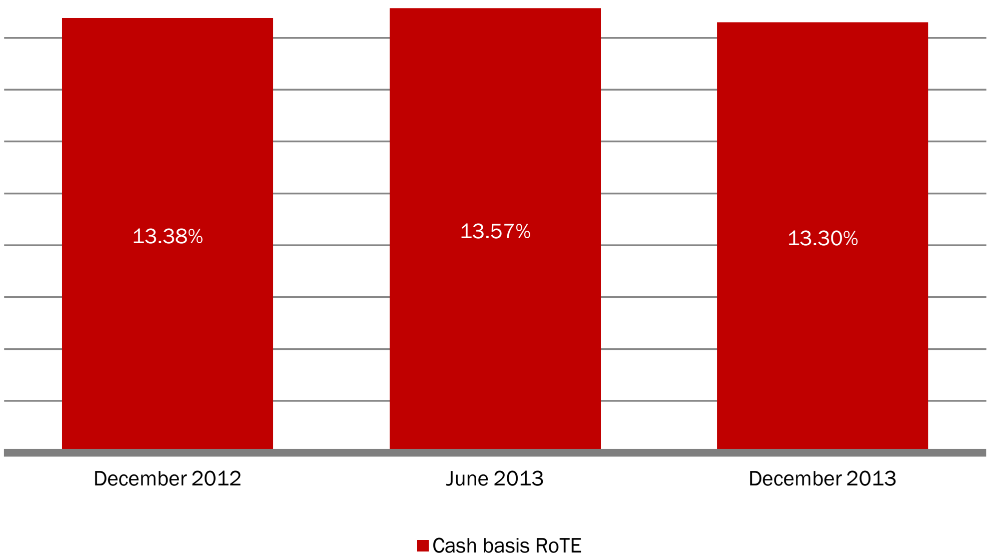
Dilutive preference shares include preference, convertible preference and step up preference shares.
Ordinary equity for use in these ratios is represented by total ordinary shares and retained earnings.

Tangible equity for use in these ratios is represented by net assets less preference shares and intangible assets.

	As at Dec-13 $m	As at Jun-13 $m	Change $m	%	As at Dec-12 $m	Change $m	%
Ordinary issued capital	3,782.3	3,758.0	24.3	0.6	3,718.2	64.1	1.7
Retained earnings	452.2	398.1	54.1	13.6	360.2	92.0	25.5
Total ordinary equity	**4,234.5**	**4,156.1**	**78.4**	**1.9**	**4,078.4**	**156.1**	**3.8**
Average ordinary equity	**4,177.4**	**4,096.9**			**4,013.9**		

2.4.11.4 Return on equity (RoE) and Return on tangible equity (RoTE) (%)



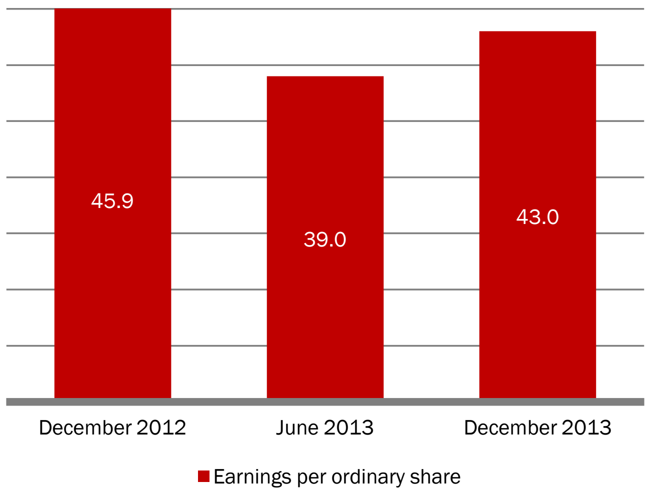


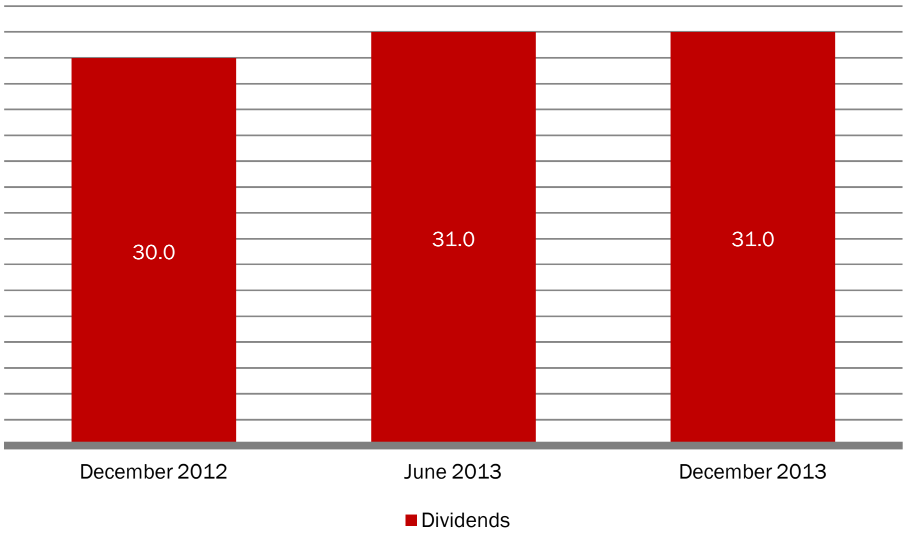
2.4.11.5 Dividends

	Dec-13	Jun-13	Change		Dec-12	Change	
				%			%
Dividend per share - cents	31.0	31.0	-	-	30.0	1.0	3.3
Dividend amount payable - $m	126.0	125.1	0.9	0.7	119.9	6.1	5.1
Payout ratio - earnings per ordinary share *	72.1%	79.5%	(7.4%)	(9.3)	65.4%	6.7%	10.2
Payout ratio - cash basis per ordinary share *	68.9%	71.3%	(2.4%)	(3.4)	71.6%	(2.7%)	(3.8)

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

2.4.11.6 Earnings in cents per ordinary share (cents)





Dividend Reinvestment Plan

The Dividend Reinvestment Plan provides shareholders with the opportunity of converting their entitlement to a dividend into new shares. The issue price of the shares is equal to the volume weighted average share price of Bendigo and Adelaide Bank shares traded on the Australian Securities Exchange over the fifteen trading days commencing 3 March 2014. 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 price of Bendigo and Adelaide Bank shares traded on the Australian Securities Exchange over the fifteen trading days commencing 3 March 2014. 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 2014 interim dividend is 27 February 2014.

2.5 Additional notes

2.5.1 Analysis of intangible assets

	Balance sheet Carrying value		Half year amortisation/ impairment expense		
	Dec-13	Dec-12	Dec-13	Jun-13	Dec-12
	$m	$m	$m	$m	$m
Goodwill	1,368.4	1,363.9	-	6.2	-
Trustee licence	8.4	8.4	-	-	-
Software	44.0	59.2	8.5	9.4	9.6
Customer lists	9.1	7.1	1.1	1.0	0.8
Core deposits	33.0	41.4	4.4	4.1	6.4
Trade name	4.4	5.4	0.4	0.6	2.3
Customer relationship	28.4	37.0	4.3	4.3	4.3
Management rights - Adelaide Bank	9.1	10.1	0.5	0.5	0.5
Total intangible assets and goodwill	**1,504.8**	**1,532.5**	**19.2**	**26.1**	**23.9**

2.5.2 Net tangible assets per share

	Dec-13	Jun-13	Dec-12
Net tangible assets per ordinary share	$6.83	$6.62	$6.38
Net tangible assets	$m	$m	$m
Net assets	4,528.5	4,434.0	4,324.8
Intangibles	(1,504.8)	(1,518.2)	(1,532.5)
Preference shares - face value	(90.0)	(90.0)	(90.0)
Step-up preference shares - face value	(100.0)	(100.0)	(100.0)
Net tangible assets attributable to ordinary shareholders	**2,833.7**	**2,725.8**	**2,602.3**
Number of fully paid ordinary shares on issue - 000's	414,647	412,008	407,593

2.5.3 Investments accounted for using the equity method

	Ownership interest held by consolidated entity			Balance date
	Dec-13	Jun-13	Dec-12	
	%	%	%	
Entity				
Community Sector Enterprises Pty Ltd	50.0	50.0	50.0	30 June
Homesafe Solutions Pty Ltd	50.0	50.0	50.0	30 June
Silver Body Corporate Financial Services Pty Ltd	50.0	50.0	50.0	30 June
Strategic Payments Services Pty Ltd	47.5	47.5	47.5	31 December
Linear Financial Holdings Pty Ltd	36.0	40.0	40.0	30 June
Homebush Financial Services Ltd	49.0	49.0	49.0	30 June
Vic West Community Enterprise Pty Ltd	50.0	50.0	50.0	30 June
Aegis Correctional Partnership Pty Ltd	49.5	49.5	49.5	30 June
Aegis Securitisation Nominees Pty Ltd	49.5	49.5	49.5	30 June
Aegis Correctional Partnership Trust	49.5	49.5	49.5	30 June
Aegis Securitisation Trust	49.5	49.5	49.5	30 June

(i) Principal activities of associated companies

Community Sector Enterprises Pty Ltd - financial services

Homesafe Solutions Pty Ltd - trust manager

Silver Body Corporate Financial Services Pty Ltd - financial services

Strategic Payments Services Pty Ltd - payment processing services

Linear Financial Holdings Pty Ltd - asset management services

Homebush Financial Services Ltd - financial services

Vic West Community Enterprise Pty Ltd - telecommunications services (acquired December 2012)

Aegis Correctional Partnership Pty Ltd - trustee services (acquired November 2012)

Aegis Securitisation Nominees Pty Ltd - trustee services (acquired November 2012)

Aegis Correctional Partnership Trust - project management and financial services (acquired November 2012)

Aegis Securitisation Trust - financial services (acquired November 2012)

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

(ii) Share of associates' profits and losses before tax	Dec-13	Dec-12
	$m	$m
- Community Sector Enterprises Pty Ltd	0.2	0.1
- Homesafe Solutions Pty Ltd	0.1	0.1
- Silver Body Corporate Financial Services Pty Ltd	0.1	0.1
- Strategic Payments Services Pty Ltd	0.2	0.3
- Linear Financial Holdings Pty Ltd	(0.7)	(0.1)
- Homebush Financial Services Ltd	-	-
- Vicwest Community Enterprise Ltd	0.1	-
- Aegis Correctional Partnership Pty Ltd	-	-
- Aegis Securitisation Nominees Pty Ltd	-	-
- Aegis Securitisation Trust	-	-
- Aegis Correctional Partnership Trust	-	-
	-	0.5

2.5.4 Credit ratings

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

On 8 July 2013, Standard & Poor's Ratings Services affirmed its long-term counterparty credit rating on Bendigo and Adelaide Bank Ltd at 'A-', and affirmed the short-term rating at 'A-2'. The outlook remains stable. Standard and Poor's commented that the issuer credit ratings on Bendigo and Adelaide Bank Ltd reflect the Bank's adequate business position, its strong capital and earnings and adequate risk position.

On 29 November 2013, Fitch Ratings, the international ratings agency affirmed Bendigo and Adelaide Bank Ltd's long term rating at 'A-', and affirmed the short term rating of 'F2' and its support rating of '3', and the Bank's viability rating of 'A-'. The outlook remains stable. Fitch commented the ratings reflect the Bank's strengthened funding and liquidity position, improving capitalisation and consistent pre-impairment operating profitability.

On 20 December 2011, Moody's affirmed its a long-term rating at 'A2' and short term rating at 'P-1', with a stable outlook. Moody's commented that the rating reflects the Bank's diversified business profile and stable retail franchise, which includes a significant customer deposit base supported by a large national branch network.

2.5.5 Issued capital

Changes to issued and quoted securities during the period

Ordinary Shares	Number of Shares	$m
Fully paid ordinary shares at 30 June 2013	412,007,864	3,758.0
Shares issued:		
September 2013 - Dividend reinvestment plan at $10.17	2,105,049	21.4
September 2013 - Bonus share scheme (in lieu of dividend payment) at $10.17	259,797	-
October 2013 - Employee share grant scheme at $10.47	274,283	2.9
Fully paid ordinary shares at 31 December 2013	**414,646,993**	**3,782.3**
Preference Shares		
Preference shares of $100 face value (fully paid) at 31 December 2013	900,000	88.5
Preference shares of $100 face value (fully paid) at 31 December 2013	**900,000**	**88.5**
Step Up Preference Shares		
Step up preference shares of $100 face value (fully paid) at 31 December 2013	1,000,000	100.0
Step up preference shares of $100 face value (fully paid) at 31 December 2013	**1,000,000**	**100.0**

Half Year Financial Report

For the period ended 31 December 2013
Released 17 February 2014
ABN 11 068 049 178

Bendigo and Adelaide Bank

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

3.0 Corporate Information

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

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

Directors

Robert Johanson (chairman)
Mike Hirst (managing director)
Jennifer Dawson
Jim Hazel
Jacqueline Hey
Robert Hubbard
David Matthews
Deborah Radford
Tony Robinson

Company Secretary

Will Conlan

Registered Office

Bendigo and Adelaide Bank Limited
The Bendigo Centre
22 - 44 Bath Lane
Bendigo Victoria 3550
Telephone: 1300 361 911
Facsimile: 03 5485 7668

Principal place of business

The Bendigo Centre
Bendigo Victoria 3550

Share Registry

Securities Registry
Bendigo and Adelaide Bank Limited
The Bendigo Centre
Bendigo Victoria 3550
Telephone: 1800 646 042
Facsimile: 03 5485 7655
Email: share.register@bendigoadelaide.com.au

Auditors

Ernst & Young
Australia

3.1 Directors' report

Your Directors submit their report for the half year ended 31 December 2013.

3.1.1 Directors

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

Robert Johanson (chairman)
Mike Hirst (managing director)
Jennifer Dawson
Jim Hazel
Jacqueline Hey
Robert Hubbard
David Matthews
Deborah Radford
Tony Robinson

3.1.2 Review of operations

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

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

Total income from operations increased $30.3 million, or 4.5%, to $707.6 million when compared with the half year ended 31 December 2012.

Profit before tax increased by $8.8 million, or 3.5%, to $263.2 million. Profit after tax (attributable to members of the parent) decreased by $8.7 million to $180.7 million. Specific items affecting profit after tax were expensed for the half year of $0.6 million (Dec 2012: income $26.6 million).

Group assets increased 3.3%, or $2.0 billion, when compared with the half year ended 31 December 2012. Group assets at 31 December 2013 were $60.4 billion.

The total capital adequacy ratio increased during the half from 10.71% to 10.72%. Tier one capital decreased during the half year from 9.25% to 9.24%, with Tier two capital increasing from 1.46% to 1.48%.

Fully franked dividends paid on preference shares during the half year:
74.71 cents per share, paid on 16 September 2013.
71.20 cents per share, paid on 16 December 2013.

Fully franked dividends paid on step up preference shares during the half year:
85.00 cents per share, paid on 10 July 2013.
81.00 cents per share, paid on 10 October 2013.

Fully franked dividends paid on convertible preference shares during the half year:
273.62 cents per share, paid on 13 December 2013.

Fully franked dividends paid or declared on ordinary shares during the half year:
Final dividend of 31.0 cents per share, paid on 30 September 2013 in respect of the year ended 30 June 2013.
Interim dividend of 31.0 cents per share, declared on 17 February 2014, payable on 31 March 2014.

3.1 Directors' report (continued)

3.1.3 Significant changes in the state of affairs

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

In September 2013, 2,105,049 shares were allotted at an issue price of $10.17 to those shareholders participating in the Dividend Reinvestment Plan, increasing share capital by $21.4 million. Further to this, 259,797 shares were allotted under the bonus share scheme.

In October 2013, 274,283 shares were allotted at an issue price of $10.47 to those employees participating in the employee share grant scheme increasing share capital by $2.9 million.

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

3.1.4 Events after balance sheet date

On 17 February 2014 the directors of Bendigo and Adelaide Bank Limited declared an interim dividend of 31.0 cents per ordinary share (fully-franked) in respect of the December 2013 half year payable on 31 March 2014. The amount estimated to be appropriated in relation to this dividend is $126.0 million. The dividend has not been provided for in the 31 December 2013 half year financial statements.

On 21 January 2014 Bendigo and Adelaide Bank successfully raised $300 million under its institutional subordinated debt program. The debt will be fully paid, redeemable, subordinated and unsecured debt obligation of Bendigo and Adelaide Bank. The debt qualifies as Tier 2 capital under the APRA Basel III capital adequacy framework and increases total capital ratio by 96 bps.

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

3.1.5 Independence of auditor

The Bank's audit committee has conducted an assessment of the independence of the external auditor for the period ended 31 December 2013. The assessment was conducted on the basis of the Bank's audit independence policy and the requirements of the Corporations Act 2001. The assessment included a review of non-audit services provided by the auditor and an assessment of the independence declaration issued by the external auditor for the period ended 31 December 2013. The audit committee's assessment confirmed that the independence requirements have been met. The audit committee's assessment was accepted by the full Board.

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

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Building a better working world

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

In relation to our review of the financial report of Bendigo and Adelaide Bank Limited for the half-year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

T M Dring
Partner
17-Feb-14

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

Robert Johanson

Robert Johanson, Chairman
Bendigo
17-Feb-14

3.2 Condensed income statement
For the half year ended 31 December 2013

	Notes	Consolidated 31 Dec 2013 $m	Consolidated 31 Dec 2012 $m
Income			
Net interest income			
Interest income		1,450.8	1,578.5
Interest expense		899.3	1,071.0
Total net interest income		**551.5**	**507.5**
Other revenue			
Dividends		0.7	0.3
Fees		81.2	86.2
Commissions		24.1	21.4
Other revenue		50.1	37.6
Total other revenue		**156.1**	**145.5**
Other Income			
Ineffectiveness in cash flow hedges		-	(2.6)
Other income		-	26.4
Total other income		**-**	**23.8**
Share of associates' and joint ventures net profits/losses		**-**	**0.5**
Total income after interest expense		**707.6**	**677.3**
Expenses			
Bad and doubtful debts on loans and receivables		42.7	32.1
Other expenses			
Staff and related costs		216.1	203.6
Occupancy costs		38.2	35.4
Information technology costs		35.8	31.7
Amortisation of intangibles		19.2	23.9
Property, plant & equipment costs		4.6	5.4
Fees and commissions		13.4	14.3
Communications, postage & stationery		16.4	16.6
Advertising & promotion		14.5	14.2
Other product & services delivery costs		16.7	18.2
Consultancy costs		4.8	4.1
Legal costs		1.9	2.8
Travel costs		4.2	3.3
Integration costs		-	1.9
Employee shares shortfall/(gain)		(0.7)	(1.4)
Other		16.6	16.8
Total other expenses		**401.7**	**390.8**
Profit before income tax expense		263.2	254.4
Income tax expense	3.7.4	(82.5)	(65.0)
Net profit attributable to owners of the parent		180.7	189.4
Earnings per share for profit attributable to the ordinary equity holders of the parent:			
Basic earnings per ordinary share (cents per share)	3.7.6	43.0	45.9
Diluted earnings per ordinary share (cents per share)	3.7.6	40.3	42.3
Franked dividends per share (cents per share)	3.7.5	31.0	30.0

3.3 Statement of comprehensive income
For the half year ended 31 December 2013

	Consolidated	
	31 Dec 2013	31 Dec 2012
	$m	$m
Profit for the period ended 31 December	180.7	189.4
Items which may be reclassified subsequently to the profit & loss:		
Net gain/(loss) on available for sale - equity investments	0.9	2.0
Transfer available for sale financial assets revaluation to income	-	(39.1)
Net gain on cash flow hedges taken to equity	24.4	29.1
Net gain on reclassification from cash flow hedge reserve to income	-	1.7
Net unrealised gain/(loss) on debt securities in available for sale portfolio	(0.4)	2.0
Tax effect on items taken directly to or transferred from equity	(7.6)	3.6
	17.3	(0.7)
Items which will not be reclassifed subsequently to the profit & loss:		
Actuarial gain/(loss) on superannuation defined benefits plan	2.0	1.1
Tax effect on items taken directly to or transferred from equity	(0.6)	-
Net income/(loss) recognised directly in equity	18.7	0.4
Total comprehensive income for the period	**199.4**	**189.8**
Total comprehensive income for the period attributable to:		
Members of the Parent	199.4	189.8

3.4 Balance sheet
As at 31 December 2013

	Notes	Consolidated As at 31 Dec 2013 $m	Consolidated As at 30 Jun 2013 $m	Consolidated As at 31 Dec 2012 $m
Assets				
Cash and cash equivalents		637.7	383.8	402.8
Due from other financial institutions		52.0	293.9	56.8
Financial assets held for trading		4,930.1	5,465.2	5,011.9
Financial assets available for sale - debt securities		684.2	535.5	513.9
Financial assets held to maturity		302.0	323.3	291.9
Other assets		818.2	615.4	731.3
Financial assets available for sale - equity investments		19.0	18.1	17.5
Derivatives		25.3	31.9	34.6
Loans and other receivables - investment		453.6	554.1	430.5
Net loans and other receivables		50,400.2	49,957.4	48,839.0
Investments in joint ventures accounted for using the equity method		15.2	15.6	14.7
Property, plant & equipment		61.3	63.4	68.9
Deferred tax assets		114.3	132.1	150.2
Investment property		369.9	348.9	337.2
Assets held for sale		25.4	25.4	25.4
Intangible assets and goodwill		1,504.8	1,518.2	1,532.5
Total Assets		60,413.2	60,282.2	58,459.1
Liabilities				
Due to other financial institutions		138.2	379.5	69.5
Deposits		48,764.3	47,439.0	46,635.4
Notes payable		5,396.3	6,400.6	5,678.3
Derivatives		55.8	98.4	142.5
Other payables		712.2	688.7	766.4
Income tax payable		35.1	47.1	24.3
Provisions		91.2	93.5	86.6
Deferred tax liabilities		76.9	78.2	86.4
Convertible preference shares		260.3	268.9	268.9
Subordinated debt - at amortised cost		354.4	354.3	376.0
Total Liabilities		55,884.7	55,848.2	54,134.3
Net Assets		4,528.5	4,434.0	4,324.8
Equity				
Equity attributable to equity holders of the parent				
Issued capital - ordinary	3.7.9	3,782.3	3,758.0	3,718.2
Perpetual non-cumulative redeemable convertible preference shares	3.7.9	88.5	88.5	88.5
Step up preference shares	3.7.9	100.0	100.0	100.0
Employee Share Ownership Plan (ESOP) shares		(17.5)	(18.7)	(20.0)
Reserves		123.0	108.1	77.9
Retained earnings		452.2	398.1	360.2
Total Equity		4,528.5	4,434.0	4,324.8

3.5 Statement of changes in equity
For the half year ended 31 December 2013

	Attributable to owners of Bendigo and Adelaide Bank Limited				
	Issued ordinary capital $m	* Other Issued Capital $m	Retained earnings $m	Reserves $m	Total equity $m
At 1 July 2013					
Opening balance b/fwd	3,758.0	169.8	398.1	108.1	4,434.0
Comprehensive income:					
Profit for the period	-	-	180.7	-	180.7
Other comprehensive income	-	-	1.4	17.3	18.7
Total comprehensive income for the period	-	-	182.1	17.3	199.4
Transactions with owners in their capacity as owners:					
Shares issued	24.3	-	-	-	24.3
Reduction in employee share ownership plan (ESOP) shares	-	1.2	-	-	1.2
Share based payment	-	-	-	(2.4)	(2.4)
Equity dividends	-	-	(128.0)	-	(128.0)
At 31 December 2013	3,782.3	171.0	452.2	123.0	4,528.5

*refer to note 3.7.9 Issued Capital for further details

For the half year ended 30 June 2013

	Attributable to owners of Bendigo and Adelaide Bank Limited				
	Issued ordinary capital $m	* Other Issued Capital $m	Retained earnings $m	Reserves $m	Total equity $m
At 1 January 2013					
Opening balance b/fwd	3,718.2	168.5	360.2	77.9	4,324.8
Comprehensive income:					
Profit for the period	-	-	162.9	-	162.9
Other comprehensive income	-	-	0.5	28.5	29.0
Total comprehensive income for the period	-	-	163.4	28.5	191.9
Transactions with owners in their capacity as owners:					
Shares issued	39.6	-	-	-	39.6
Share issue expenses	0.2	-	-	-	0.2
Reduction in employee share ownership plan (ESOP) shares	-	1.3	-	-	1.3
Movement in general reserve for credit losses (GRCL)	-	-	(4.1)	4.1	-
Share based payment	-	-	-	(2.4)	(2.4)
Equity dividends	-	-	(121.4)	-	(121.4)
At 30 June 2013	3,758.0	169.8	398.1	108.1	4,434.0

*refer to note 3.7.9 Issued Capital for further details

3.5 Statement of changes in equity (continued)
For the half year ended 31 December 2012

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

*refer to note 3.7.9 Issued Capital for further details

3.6 Cash flow statement
For the half year ended 31 December 2013

	Notes	Consolidated 31 Dec 2013 $m	Consolidated 31 Dec 2012 $m
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and other items of a similar nature received		1,429.6	1,571.4
Interest and other costs of finance paid		(959.2)	(1,164.4)
Receipts from customers (excluding interest)		138.7	126.6
Payments to suppliers		(502.9)	(424.7)
Dividends received		0.7	0.3
Income taxes paid		(86.4)	(123.1)
Net cash flows (used in) operating activities		**20.5**	**(13.9)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash paid for purchases of property, plant and equipment		(6.7)	(9.3)
Cash proceeds from sale of property, plant and equipment		1.1	0.5
Cash paid for purchases of investment property		(12.1)	(17.7)
Cash proceeds from sale of investment property		14.3	4.5
Cash paid for purchases of equity investments		-	(2.0)
Cash proceeds from sale of equity investments		-	109.7
Net (increase) in balance of loans and other receivables outstanding		(386.8)	(392.1)
Net (increase)/decrease in balance of investment securities		407.7	(618.5)
Net cash received/(paid) on acquired business combination assets		(3.2)	8.6
Net cash flows (used in) investing activities		**14.3**	**(916.3)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary/preference shares		-	179.4
Net increase in balance of retail deposits		408.6	935.7
Net increase in balance of wholesale deposits		916.6	858.8
Proceeds from/(payments to) subordinated debtholders		0.1	(0.9)
Repayment of subordinated debt		-	(60.0)
Dividends paid		(103.7)	(84.7)
Net (decrease) in balance of notes payable		(1,004.3)	(732.7)
Repayment of ESOP shares		1.2	1.3
Payment of share issue costs		-	(10.4)
Net cash flows from financing activities		**218.5**	**1,086.5**
Net increase/(decrease) in cash and cash equivalents		253.3	156.3
Cash and cash equivalents at the beginning of the period		298.2	233.8
Cash and cash equivalents at the end of period	**3.7.8**	**551.5**	**390.1**

3.7 Notes to and forming part of the financial statements

3.7.1 Corporate Information

The half year financial report of Bendigo and Adelaide Bank Limited for the six months ended 31 December 2013 was authorised for issue in accordance with a resolution of the Directors on 17 February 2014.

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

The domicile of Bendigo and Adelaide Bank Limited is Australia.

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

3.7.2 Summary of significant accounting policies

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

It is recommended that the half year report is read in conjunction with the Annual Financial Report of Bendigo and Adelaide Bank Limited as at 30 June 2013, which was prepared based on Australian Accounting Standards, together with any public announcements made by Bendigo and Adelaide Bank Limited and its controlled entities during the half year ended 31 December 2013 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

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

3.7.2.1 Basis of preparation

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

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

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

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

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

3.7.2.2 Changes in accounting policies

Since 1 July 2013, the Group has adopted the following Standards and Interpretations mandatory for annual reporting periods beginning on or after 1 July 2013. Adoption of these Standards and Interpretations did not have any material effect on the financial position or performance of the Group.

- IFRS 10 Consolidated Financial Statements

- IFRS 11 Joint Arrangements

- IFRS 12 Disclosure of Interest in Other Entities

- IFRS 13 Fair Value Measurement

- IFRS 7 Financial instruments: Disclosures (Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7)

The Group has not early adopted any Standards and Interpretations that have recently been issued or amended but are not yet effective for the half year ended 31 December 2013.

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

3.7 Notes to and forming part of the financial statements (continued)
3.7.2.2 Changes in accounting policies (continued)

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method.
All jointly controlled entities are currently accounted for using the equity method. As such, IFRS 11 has had no impact on jointly controlled entities held by the Group.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period requires that they are provided. Accordingly, the Group has not made such disclosures.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.
IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Group provides these disclosures in Note 3.7.11.

IFRS 7 Financial Instruments: Disclosures (Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7)

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. For all derivative financial instruments, there are executed master netting arrangements under our ISDA (International Swaps and Derivatives Association) agreements. These arrangements allow for the netting of amounts payable and receivable by us or the counterparty in the event of default or a credit event. In line with contractual provisions, in the event of insolvency all derivatives with a positive or negative fair value that exist with counterparties are offset against each other, leaving a net receivable or liability.

3.7.2.3 Significant accounting judgements, estimates and assumptions
(i) Significant accounting judgements

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

Cash earnings

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

Specific items

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

3.7.3 Segment information

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

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

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

Types of products and services

Retail banking
Net interest income predominantly derived from the provision of first mortgage finance and deposit facilities; and fee income from the provision of banking services delivered through the company-owned branch network and the Group's share of net interest and fee income from the Community Bank branch network. Delphi Bank and Community Telco Australia are included within the retail banking operating segment.

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

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

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

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

Accounting policies and inter-segment transactions
The accounting policies used by the group in the reporting segments internally are the same as those contained in note 2 of the annual financial report.
Revenue and expenses associated with each business segment are included in determining their result. Transactions between business segments are based on agreed recharges between operating segments. 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 percent of the Group's revenues.

3.7.3 Segment information (continued)

Operating segments

For the half year ended 31 December 2013

	Operating segments						
	Retail banking	Third party banking	Wealth	Rural Bank	Total operating segments	Central functions	Total
	$m	$m	$m	$m	$m	$m	$m
Net interest income	337.7	118.6	35.6	59.6	551.5	-	551.5
Other income	95.1	34.8	19.2	3.1	152.2	3.9	156.1
Total segment income	**432.8**	**153.4**	**54.8**	**62.7**	703.7	3.9	707.6
Operating expenses	272.8	48.7	47.1	27.5	396.1	6.3	402.4
Credit expenses	16.8	4.6	0.6	20.7	42.7	-	42.7
Segment result	**143.2**	**100.1**	**7.1**	**14.5**	264.9	(2.4)	262.5

For the half year ended 30 June 2013

	Operating segments						
	Retail banking	Third party banking	Wealth	Rural Bank	Total operating segments	Central functions	Total
	$m	$m	$m	$m	$m	$m	$m
Net interest income	311.0	117.2	36.8	55.0	520.0	-	520.0
Other income	96.3	24.4	20.4	3.0	144.1	8.5	152.6
Share of net profit of equity accounted investments	-	-	-	-	-	1.1	1.1
Total segment income	**407.3**	**141.6**	**57.2**	**58.0**	664.1	9.6	673.7
Operating expenses	262.6	47.5	47.9	24.8	382.8	5.9	388.7
Credit expenses	13.1	17.3	0.4	7.0	37.8	-	37.8
Segment result	**131.6**	**76.8**	**8.9**	**26.2**	243.5	3.7	247.2

For the half year ended 31 December 2012

	Operating segments						
	Retail banking	Third party banking	Wealth	Rural Bank	Total operating segments	Central	Total
	$m	$m	$m	$m	$m	$m	$m
Net interest income	297.3	114.9	37.6	57.7	507.5	-	507.5
Other income	95.2	24.0	19.4	2.5	141.1	1.9	143.0
Share of net profit of equity accounted investments	-	-	-	-	-	0.5	0.5
Total segment income	**392.5**	**138.9**	**57.0**	**60.2**	648.6	2.4	651.0
Operating expenses	267.1	50.7	39.5	26.3	383.6	6.7	390.3
Credit expenses	11.3	10.4	1.6	8.8	32.1	-	32.1
Segment result	**114.1**	**77.8**	**15.9**	**25.1**	232.9	(4.3)	228.6

3.7.3 Segment Information (continued)

For the half year ended 31 December 2013

	Operating segments						
	Retail banking	Third party banking	Wealth	Rural Bank	**Total operating segments**	Central functions	**Total**
	$m	$m	$m	$m	**$m**	$m	**$m**
Reportable segment assets							
Half year ended 31 December 2013	28,727.3	16,197.6	1,886.3	4,070.3	**50,881.5**	9,531.7	**60,413.2**
Half year ended 30 June 2013	28,107.4	16,296.9	1,970.7	4,203.6	**50,578.6**	9,703.6	**60,282.2**
Half year ended 31 December 2012	26,968.5	16,145.4	2,042.6	4,000.6	**49,157.1**	9,302.0	**58,459.1**
Reportable segment liabilities							
Half year ended 31 December 2013	34,756.5	452.0	4,193.0	3,559.7	**42,961.2**	7,527.2	**50,488.4**
Half year ended 30 June 2013	33,687.4	475.0	4,725.4	3,716.6	**42,604.4**	6,843.2	**49,447.6**
Half year ended 31 December 2012	33,049.2	513.0	4,858.4	3,496.5	**41,917.1**	6,538.9	**48,456.0**

Reconciliation between segment and statutory results

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

	Consolidated		
	31 Dec 2013 Half year $m	30 Jun 2013 Half year $m	31 Dec 2012 Half year $m
Reconciliation of total segment income to group income			
Total segment income	707.6	673.7	651.0
Ineffectiveness in cash flow hedges	-	0.9	(2.6)
Other income	-	(2.6)	28.9
Total group income	**707.6**	**672.0**	**677.3**
Reconciliation of segment expenses to group total expenses			
Segment operating expenses	402.4	388.7	390.3
Specific expense items	(0.7)	12.3	0.5
Total group expenses	**401.7**	**401.0**	**390.8**
Reconciliation of segment credit expenses to bad and doubtful debts on loans and receivables			
Segment credit expenses	42.7	37.8	32.1
Bad and doubtful debts on loans and receivables	**42.7**	**37.8**	**32.1**
Reconciliation of segment result to group profit before tax			
Total segment result	262.5	247.2	228.6
Ineffectiveness in cash flow hedges	-	0.9	(2.6)
Specific income and (expense) items	0.7	(14.9)	28.4
Group profit before tax	**263.2**	**233.2**	**254.4**

	As at		
	31 Dec 2013 $m	30 Jun 2013 $m	31 Dec 2012 $m
Reportable segment assets			
Total assets for operating segments	60,413.2	60,282.2	58,459.1
Total assets	**60,413.2**	**60,282.2**	**58,459.1**
Reportable segment liabilities			
Total liabilities for operating segments	50,488.4	49,447.6	48,456.0
Securitisation funding	5,396.3	6,400.6	5,678.3
Total liabilities	**55,884.7**	**55,848.2**	**54,134.3**

3.7.4 Income tax

For the half year ended 31 December 2013

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

	31 Dec 2013 $m	31 Dec 2012 $m
Current income tax		
Current income tax charge	73.8	60.8
Deferred income tax		
Relating to origination and reversal of temporary differences	8.7	4.2
Income tax expense reported in the Condensed Income Statement	**82.5**	**65.0**

3.7.5 Dividends paid or provided

	31 Dec 2013 $m	31 Dec 2012 $m
Ordinary shares		
Dividends paid during the half-year:		
Final dividend 2013 - 31.0 cents (Final dividend 2012 - 30.0 cents)	125.1	117.7
Dividends proposed since the reporting date, but not recognised as a liability:		
Interim dividend 2014 - 31.0 cents (Interim dividend 2013 - 30.0 cents)	126.0	119.9
Preference shares		
Dividends paid during the half-year:		
A dividend of 74.71 cents per share was paid on 16 September 2013 (2012: 91.81 cents)	0.7	0.8
A dividend of 71.20 cents per share was paid on 16 December 2013 (2012: 87.54 cents)	0.6	0.8
	1.3	**1.6**
Step up preference shares		
Dividends paid during the half-year:		
A dividend of 85.00 cents per share was paid on 10 July 2013 (2012: 105.00 cents)	0.8	1.0
A dividend of 81.00 cents per share was paid on 10 October 2013 (2012: 94.00 cents)	0.8	0.9
	1.6	**1.9**
Reset preference shares (recorded as debt instruments)		
Dividends paid during the half-year:		
Nil dividend was paid during the period (2012: 309.68 cents) [1]	-	2.8
		2.8
Convertible preference shares (recorded as debt instruments)		
Dividends paid during the half-year:		
A dividend of 273.62 cents per share was paid on 13 December 2013 (2012: 65.49 cents) [1]	7.4	1.8
	7.4	**1.8**

[1] In November 2012 the Bank redeemed the reset preference shares and issued convertible preference shares.

3.7.6 Earnings per ordinary share

	Half Year 31 Dec 2013 ¢ per share	Half Year 30 Jun 2013 ¢ per share	Half Year 31 Dec 2012 ¢ per share
Basic earnings per ordinary share	43.0	39.0	45.9
Diluted earnings per ordinary share	40.3	36.1	42.3
Cash basis earnings per ordinary share	45.0	43.5	41.9
	$m	$m	$m
Reconciliation of earnings used in the calculation of basic earnings per ordinary share			
Profit for the half-year (after tax)	180.7	162.9	189.4
Dividends paid on preference shares	(1.3)	(1.5)	(1.6)
Dividends paid on step-up preference shares	(1.6)	(1.5)	(1.9)
	177.8	**159.9**	**185.9**
Reconciliation of earnings used in the calculation of diluted earnings per ordinary share			
Earnings used in calculating basic earnings per ordinary share	177.8	159.9	185.9
Add back dividends on dilutive preference shares	8.1	8.3	5.3
	185.9	**168.2**	**191.2**
Reconciliation of earnings used in the calculation of cash basis earnings per ordinary share			
Earnings used in calculating basic earnings per ordinary share	177.8	159.9	185.9
After tax intangibles amortisation (excluding amortisation of intangible software)	7.5	6.5	10.4
After tax specific income and expense items [1]	0.6	11.9	(26.6)
	185.9	**178.3**	**169.7**

	No. of shares	No. of shares	No. of shares
Weighted ave no. of ordinary shares used in basic and cash basis earnings per ordinary share	413,300,596	409,886,020	404,971,622
Effect of dilution - preference shares	46,736,465	55,045,170	45,891,856
Effect of dilution - executive performance rights	738,579	941,656	839,721
Weighted ave no. of ordinary shares used in diluted earnings per ordinary share	460,775,640	465,872,846	451,703,199

[1] Specific income and expense items after tax comprise:	31 Dec 2013 $m	30 Jun 2013 $m	31 Dec 2012 $m
Income			
Ineffectiveness in cash flow hedges (income)/expense	-	(0.5)	1.8
Profit on sale of IOOF shares	-	-	(38.7)
Loss on sale of RMBS notes	-	-	8.6
Discount on acquisition	-	1.8	(1.8)
Expense			
Gain relating to Employee Share Plan	(0.5)	(1.2)	(1.1)
Integration costs	-	5.6	1.3
Impairment loss goodwill	-	6.2	-
Specific tax benefits			
Land and buildings revaluation	-	-	3.3
Stamp duty on merger and acquisitions	1.1	-	-
Total specific (income)/expense items after tax	**0.6**	**11.9**	**(26.6)**

3.7.7 Return on average ordinary equity

	Half year 31 Dec 2013 %	Half year 30 Jun 2013 %	Half year 31 Dec 2012 %
Return on average ordinary equity (after tax)	8.44	7.87	9.19
Return on average ordinary equity (after tax before specific items)	8.47	8.46	7.88
Return on average ordinary equity (cash basis)	8.83	8.78	8.39

	$m	$m	$m
Reconciliation of earnings used in the calculation of return on average ordinary equity			
Profit for the half-year (after tax)	180.7	162.9	189.4
Dividends paid on preference shares	(1.3)	(1.5)	(1.6)
Dividends paid on step-up preference shares	(1.6)	(1.5)	(1.9)
Earnings used in calculation of return on average ordinary equity	177.8	159.9	185.9
After tax specific (income)/expense items [1]	0.6	11.9	(26.6)
Earnings used in calculation of pre specific items return on average ordinary equity	178.4	171.8	159.3
After tax intangibles amortisation (excluding amortisation of intangible software)	7.5	6.5	10.4
Earnings used in calculation of cash basis return on average ordinary equity	185.9	178.3	169.7

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

	As at 31 Dec 2013 $m	As at 30 Jun 2013 $m	As at 31 Dec 2012 $m
Ordinary issued capital	3,782.3	3,758.0	3,718.2
Retained earnings	452.2	398.1	360.2
Total ordinary equity	4,234.5	4,156.1	4,078.4
Average ordinary equity [2]	4,177.4	4,096.9	4,013.9

[1] Refer to 3.7.6 Earnings per ordinary share note for details

[2] The average ordinary equity is calculated using a six month average.

Return on average ordinary equity is a key performance measure and is used in the company's management remuneration policy. Please refer to the June 2013 full year annual report for the full details of this policy.

3.7.8 Cash flow information

	As at 31 Dec 2013 $m	As at 31 Dec 2012 $m
Reconciliation of cash		
For the purposes of the statement of cash flows, cash and cash equivalents includes:		
Cash and cash equivalents	637.7	402.8
Due from other financial institutions	52.0	56.8
Due to other financial institutions	(138.2)	(69.5)
Cash and cash equivalents at the end of the half year	551.5	390.1

Cash and cash equivalents are items readily convertible into cash and generally repayable on demand.

Amounts due to and from other financial institutions relate to inter-bank settlement processes and are generally repaid within 2 working days.

Cash flows presented on a net basis.
Cash flows arising from the following activities are presented on a net basis in the cash flow statement:
Loans and receivables, investment securities, retail deposits, wholesale deposits, notes payable and business combinations.

3.7.9 Issued capital

	As at 31 Dec 2013 $m	As at 31 Dec 2012 $m
Issued and paid up capital		
Ordinary shares fully paid - 414,646,993 (2012: 407,593,452)	3,782.3	3,718.2
Preference shares of $100 face value fully paid - 900,000 (2012: 900,000)	88.5	88.5
Step-up preference shares of $100 face value fully paid - 1,000,000 (2012: 1,000,000)	100.0	100.0
Employee share ownership plan shares	(17.5)	(20.0)
	3,953.3	**3,886.7**
Movements in ordinary shares on issue		
Opening balance 1 July - 412,007,864 (2012:402,233,266)	3,758.0	3,681.8
Shares issued under:		
Bonus share scheme - 259,797 @ $10.17 (2012: 402,549 @ $7.39)	-	-
Dividend reinvestment plan - 2,105,049 @ $10.17 (2012: 4,957,637 @ $7.39)	21.4	36.6
Employee share grant scheme - 274,283 @ $10.47 (2012: nil)	2.9	-
Share issue costs	-	(0.2)
Closing balance 31 December - 414,646,993 (2012: 407,593,452)	**3,782.3**	**3,718.2**
Movements in preference shares on issue		
Opening balance 1 July - 900,000 fully paid (2012: 900,000 fully paid)	88.5	88.5
Closing balance 31 December - 900,000 fully paid (2012: 900,000 fully paid)	**88.5**	**88.5**
Movements in step-up preference shares on issue		
Opening balance 1 July - 1,000,000 fully paid (2012: 1,000,000 fully paid)	100.0	100.0
Closing balance 31 December - 1,000,000 fully paid (2012: 1,000,000 fully paid)	**100.0**	**100.0**
Movements in Employee share ownership plan shares		
Opening balance 1 July	(18.7)	(21.3)
Reduction in employee share ownership plan shares	1.2	1.3
Closing balance 31 December	**(17.5)**	**(20.0)**

3.7.10 Capital adequacy

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

	Consolidated	
	31 Dec 2013	30 Jun 2013
	$m	$m
Risk weighted capital ratios		
Common Equity Tier 1	7.86%	7.82%
Tier 1	9.24%	9.25%
Tier 2	1.48%	1.46%
Total capital ratio	**10.72%**	**10.71%**
Contributed capital	3,782.3	3,758.0
Retained profits & reserves	365.3	320.7
Accumulated other comprehensive income (and other reserves)	(13.5)	(17.7)
Less:		
Intangible assets, cash flow hedges and capitalised expenses	1,634.4	1,637.3
Net deferred tax assets	23.7	6.6
Equity Exposures	28.5	27.8
Other adjustments as per APRA advice	3.7	2.4
Total Common equity Tier 1 capital	**2,443.8**	**2,386.9**
Additional Tier 1 Capital Instruments	429.9	438.5
Total additional Tier 1 Capital	**429.9**	**438.5**
Total Tier 1 Capital	**2,873.7**	**2,825.4**
Tier 2		
Tier 2 Capital Instruments	290.7	290.8
General reserve for credit losses/collective provision	169.3	154.1
Total Tier 2 Capital	**460.0**	**444.9**
Total capital	**3,333.7**	**3,270.3**
Total risk weighted assets	**31,097.6**	**30,530.2**

3.7.11 Financial instruments
For the half year ended 31 December 2013

The following table provides comparison of carrying and net fair values where applicable:

	31 Dec 2013	
	Carrying value $m	Net fair value $m
Financial assets		
Cash and cash equivalents	637.7	637.7
Due from other financial institutions	52.0	52.0
Derivatives	25.3	25.3
Financial assets held for trading	4,930.1	4,930.1
Financial assets available for sale - debt securities	684.2	684.2
Financial assets available for sale - equity investments	19.0	19.0
Financial assets held to maturity	302.0	302.0
Loans and other receivables - investment	453.6	464.9
Net loans and receivables	50,400.2	50,556.5
Investments accounted for using the equity method	15.2	15.2
Other assets	2,893.9	2,893.9
Financial liabilities		
Due to other financial institutions	138.2	138.2
Deposits	48,764.3	48,840.0
Notes payable	5,396.3	5,455.6
Derivatives	55.8	55.8
Other payables	712.2	712.2
Convertible preference shares	260.3	281.5
Subordinated debt	354.4	355.5
Other liabilities	203.2	203.2

3.7.11 Financial instruments (continued)
For the half year ended 31 December 2013

The Group uses various methods in estimating the fair value of financial instrument. The methods comprise of:

Level 1: the fair value is calculated using quoted prices in active markets.

Level 2: the fair value is estimated using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly (derived from prices).

Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

As at 31 December 2013

	Quoted market price	Valuation technique - market observable inputs	Valuation technique - non market observable inputs	
	Level 1	Level 2	Level 3	Total
	$m	$m	$m	$m
Financial assets				
Financial assets - held for trading	-	4,930.1	-	4,930.1
Financial assets - available for sale	-	684.2	-	684.2
Derivative instruments	-	25.3	-	25.3
Listed investments	1.8	-	-	1.8
Unlisted equity investments	-	-	17.2	17.2
	1.8	**5,639.6**	**17.2**	**5,658.6**
Financial liabilities				
Derivative instruments	-	55.8	-	55.8
	-	**55.8**	**-**	**55.8**

Reconciliation of level 3 fair value movements:

As at 31 December 2013

	As at 30 June 2013	Gains/losses in equity	Purchases	Sales	As at 31 December 2013
	$m	$m	$m	$m	$m
Fair value assets					
Unlisted equity investments	16.7	0.5	-	-	17.2
Total fair value assets	16.7	0.5	-	-	17.2

3.7.12 Contingent assets and liabilities

	Consolidated 31 Dec 2013 $m	Consolidated 31 Dec 2012 $m
(a) Contingent liabilities		
Guarantees		
The economic entity has issued guarantees on behalf of clients in the normal course of business	219.2	209.8
Other		
Documentary letters of credit	11.8	13.8

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

(b) Contingent assets

As at 31 December 2013, the economic entity does not have any contingent assets (2012: Nil).

(c) Legal claim

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

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

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

While no wrongdoing was alleged against the Bank and the Bank vigorously defended the Group Proceedings, the law firm is seeking to have the loan deeds of those borrowers who are members of the Group Proceedings deemed void or unenforceable and for all money paid under those loans (including principal, any interest and fees) to be repaid to borrowers. The trial for the Group Proceedings concluded in October 2013. Judgement is pending although the timing of judgement is unknown.

Bendigo and Adelaide Bank has raised provisions and in some cases made write-offs in relation to the Great Southern loan portfolio, having regard to the performance of the portfolio and other relevant factors. However the provisions and write-offs are small in the context of the potential loss should the plaintiffs succeed with their claims.

3.8 Directors' declaration

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

In the opinion of the directors:

(a) the half year financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half year ended on that date; and

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

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

On behalf of the Board

Robert Johanson
Chairman
Bendigo
Monday, 17 February 2014

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3.9 External auditors review report

To the members of Bendigo and Adelaide Bank Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Bendigo and Adelaide Bank Limited, which comprises the balance sheet as at 31 December 2013, the condensed income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Bendigo and Adelaide Bank Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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3.9 External auditors review report (continued)

Independence

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

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

T M Dring
Partner
Melbourne
17-Feb-14