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Appendix 4D

Half Year Results

For the period ended 31 December 2015

Released 15 February 2016

ABN 11 068 049 178



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Appendix 4D: Half year results

1.1 Company details and reporting period

Bendigo and Adelaide Bank Limited
ABN 11 068 049 178

Reporting period - six months ended: 31 December 2015
Previous corresponding period - six months ended: 31 December 2014

1.2 Results for announcement to the market

Income from operations down 0.6% to \$781.6 m

Profit after tax from ordinary activities attributable to Owners of the Company down 8.2% to \$208.7 m

Net profit after tax from ordinary activities attributable to Owners of the Company down 8.2% to \$208.7 m

Dividends - current year 2016	Date Payable	Amount per security
Interim dividend - fully franked	31 March 2016	34.0 cents
Record date for determining entitlements		3 March 2016

Dividends - previous year 2015	Date Paid	Amount per security
Final dividend - fully franked	30 September 2015	33.0 cents
Interim dividend - fully franked	31 March 2015	33.0 cents

1.3 Cash earnings results

Cash earnings attributable to Owners of the Company up 2.7% to \$223.7 m

Cash earnings per share up 1.7% to 48.9 cents

See note 2.3.1 and 2.3.11.3 for full details

1.4 Net tangible assets per ordinary share

Refer to section 2.4.2 of the attached 31 December 2015 half year profit announcement.

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

During the financial period there have been no changes to the entities in the Group.

1.6 Details of individual and total dividends

Refer to section 2.3.11.4 of the attached 31 December 2015 half year profit announcement.

1.7 Details of any dividend or distribution reinvestment plans in operation

Refer to section 2.3.11.4 of the attached 31 December 2015 half year profit announcement.

1.8 Details of associates and joint arrangement entities

Refer to section 2.4.3 of the attached 31 December 2015 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

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

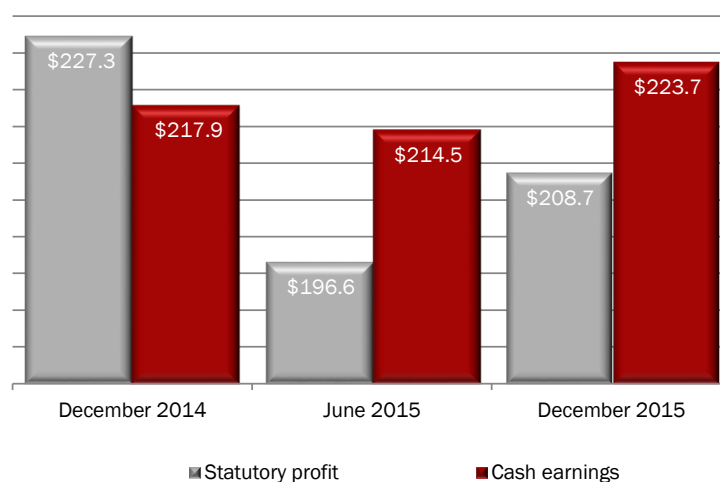
Refer to pages 27 to 51 of the attached 31 December 2015 half year profit announcement.

2. Half year results

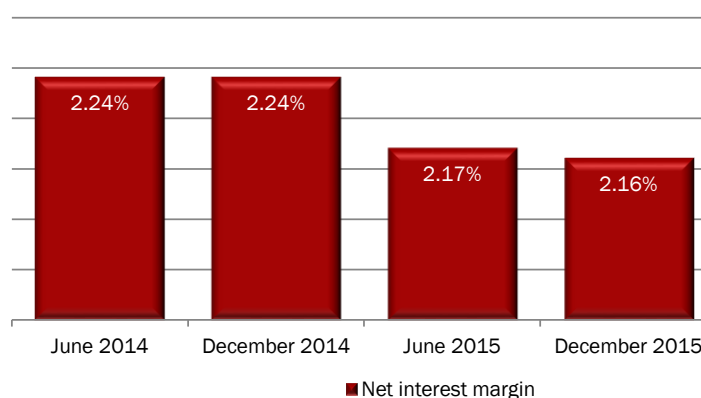
2.1 Financial highlights

	Dec-15 Half	Jun-15 Half	Dec-14 Half	Jun-14 Half	Dec-14 to Dec-15	
	\$m	\$m	\$m	\$m	\$m	%
Financial performance metrics						
Profit after tax attributable to Owners of the Company	208.7	196.6	227.3	191.6	(18.6)	(8.2)
Profit after tax and before specific items	216.6	208.6	212.0	191.5	4.6	2.2
Cash earnings	223.7	214.5	217.9	196.4	5.8	2.7
Net interest income (before specific items)	587.4	580.0	604.1	566.7	(16.7)	(2.8)
Non-interest income (before specific items)	196.1	187.4	178.5	163.3	17.6	9.9
Bad and doubtful debts	20.6	38.2	30.1	39.2	(9.5)	(31.6)
Expenses (before specific items)	445.9	431.5	446.5	417.6	(0.6)	(0.1)
	%	%	%	%	% change	
Financial performance ratios						
Cost to income ratio	55.6%	54.9%	55.6%	55.7%	-	
Net interest margin before profit share arrangements	2.16%	2.17%	2.24%	2.24%	(3.6)	
Net interest margin after profit share arrangements	1.84%	1.86%	1.93%	1.93%	(4.7)	

Statutory profit and cash earnings (\$m)



Net interest margin before profit share arrangements (%)

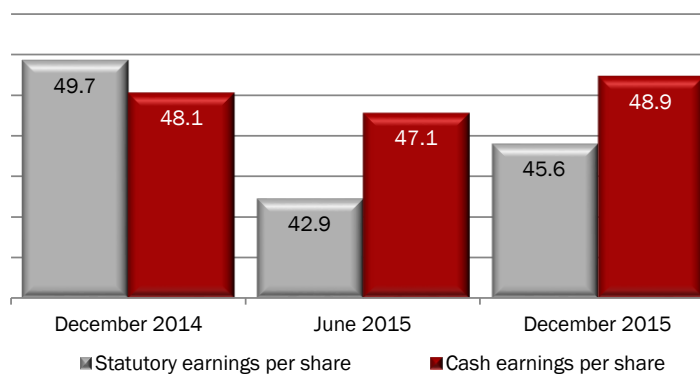


2. Half year results (continued)

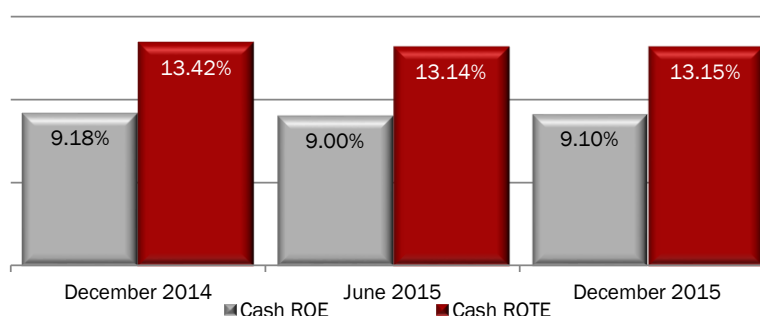
2.1 Financial highlights (continued)

	Dec-15 Half	Jun-15 Half	Dec-14 Half	Jun-14 Half	Dec-14 to Dec-15	
	\$m	\$m	\$m	\$m	\$m	%
Financial position metrics						
Ordinary equity	4,941.6	4,858.5	4,792.1	4,693.1	149.5	3.1
Retail deposits	47,563.2	46,222.7	45,376.4	44,843.0	2,186.8	4.8
Funds under management	4,517.7	4,165.8	3,808.2	3,390.5	709.5	18.6
Loans under management	56,354.7	56,540.6	55,801.3	53,980.7	553.4	1.0
New loan approvals	8,103.6	7,260.1	7,950.4	8,758.4	153.2	1.9
> Residential	5,187.9	4,559.4	5,253.6	5,424.2	(65.7)	(1.3)
> Non-residential	2,915.7	2,700.7	2,696.8	3,334.2	218.9	8.1
Total provisions and reserves for doubtful debts	322.1	322.7	318.2	295.5	3.9	1.2
	%	%	%	%	% change	
Financial position ratios						
Return on average ordinary equity (after tax)	8.49%	8.19%	9.48%	8.73%	(10.4)	
Return on average ordinary equity (cash basis)	9.10%	9.00%	9.18%	9.08%	(0.9)	
Return on average tangible equity (cash basis)	13.15%	13.14%	13.42%	13.38%	(2.0)	
	cents	cents	cents	cents	% change	
Key shareholder ratios						
Earnings per ordinary share (statutory basis)	45.6	42.9	49.7	44.7	(8.2)	
Earnings per ordinary share (cash basis)	48.9	47.1	48.1	46.5	1.7	
Dividend per share - fully franked	34.0	33.0	33.0	33.0	3.0	

Statutory EPS and cash EPS (cents)



ROE and ROTE (%)



2.2 Income statement

For the period ended 31 December 2015

	Note	Dec-15 \$m	Jun-15 \$m	Dec-14 \$m
Income				
Interest income		1,367.2	1,426.7	1,518.5
Interest expense		(779.8)	(846.7)	(914.4)
Net interest income		587.4	580.0	604.1
Total non interest income	2.3.4	196.5	187.4	174.1
Share of net profit accounted for using the equity method	2.4.3	(0.4)	-	4.4
Total income		783.5	767.4	782.6
Expense				
Bad and doubtful debts	2.3.8	(20.6)	(38.2)	(30.1)
Operating expenses	2.3.5	(445.9)	(431.5)	(446.5)
Profit before income tax expense and specific items		317.0	297.7	306.0
Specific interest income items before tax		(2.5)	(3.0)	(3.5)
Specific income items before tax		0.6	(2.6)	7.5
Specific expense items before tax		(7.3)	(7.3)	(5.3)
Total specific items before tax		(9.2)	(12.9)	(1.3)
Profit before income tax expense		307.8	284.8	304.7
Income tax expense		(99.1)	(88.2)	(77.4)
Profit after income tax expense attributable to the parent		208.7	196.6	227.3
Adjusted for:				
Specific items after tax	2.3.2	7.9	12.0	(15.3)
Distributions accrued and/or paid on preference shares		-	(1.3)	(1.3)
Distributions accrued and/or paid on step-up preference shares		-	-	(0.9)
Amortisation of acquired intangibles after tax		7.1	7.2	8.1
Cash earnings		223.7	214.5	217.9
Earnings per ordinary share (cents per share)				
Basic		45.6	42.9	49.7
Cash		48.9	47.1	48.1
Diluted		41.4	40.4	47.0
Franked dividends per share		34.0	33.0	33.0

2.3 Results commentary

2.3.1 Profit

	Dec-15	Jun-15	Change		Dec-14	Change	
	\$m	\$m	\$m	%	\$m	\$m	%
Profit before tax	307.8	284.8	23.0	8.1	304.7	3.1	1.0
Specific items before tax	9.2	12.9	(3.7)	(28.7)	1.3	7.9	607.7
Profit before tax and specific items	317.0	297.7	19.3	6.5	306.0	11.0	3.6
Profit after tax attributable to Owners of the Company	208.7	196.6	12.1	6.2	227.3	(18.6)	(8.2)
Specific items after tax	7.9	12.0	(4.1)	(34.2)	(15.3)	23.2	(151.6)
Profit after tax before specific items	216.6	208.6	8.0	3.8	212.0	4.6	2.2
Adjusted for:							
Amortisation of acquired intangibles after tax	7.1	7.2	(0.1)	(1.4)	8.1	(1.0)	(12.3)
Distributions accrued and/or paid on preference shares	-	(1.3)	1.3	(100.0)	(1.3)	1.3	(100.0)
Distributions accrued and/or paid on step-up preference shares	-	-	-	-	(0.9)	0.9	(100.0)
Cash earnings after tax	223.7	214.5	9.2	4.3	217.9	5.8	2.7

2.3.2 Specific items

The reported profit after tax for the half year ended 31 December 2015 \$208.7 million included the following specific items:

	Dec-15		Jun-15		Dec-14	
	Before Tax	After Tax	Before Tax	After Tax	Before Tax	After Tax
	\$m	\$m	\$m	\$m	\$m	\$m
Items included in interest income						
Fair value adjustments - interest expense	(2.5)	(1.8)	(3.0)	(2.2)	(3.5)	(2.5)
Total specific net interest income items	(2.5)	(1.8)	(3.0)	(2.2)	(3.5)	(2.5)
Items included in non interest income						
Hedge ineffectiveness	0.6	0.4	(2.6)	(1.8)	2.7	1.9
Profit on sale of investment in joint venture	-	-	-	-	4.8	3.4
Total specific non interest income items	0.6	0.4	(2.6)	(1.8)	7.5	5.3
Items included in operating expenses						
Integration costs	(7.3)	(5.1)	(7.0)	(5.0)	(1.4)	(1.0)
Impairment of investment in associates	-	-	-	-	(1.5)	(1.5)
Litigation costs	-	-	(0.3)	(0.2)	(2.4)	(1.7)
Total specific operating expense items	(7.3)	(5.1)	(7.3)	(5.2)	(5.3)	(4.2)
Items included in income tax expense						
Income tax benefit relating to mergers and acquisitions	-	-	-	-	-	16.7
Tax impacts relating to prior year impairment losses	-	(1.4)	-	(2.8)	-	-
Total specific income tax benefit	-	(1.4)	-	(2.8)	-	16.7
Total specific items attributable to the Group	(9.2)	(7.9)	(12.9)	(12.0)	(1.3)	15.3

Specific interest income items

Fair value adjustments - the accounting for the business activities of Rural Finance resulted in the recognition of fair value adjustments on the loans and deposits acquired. These fair value adjustments are amortised over the life of the underlying transactions.

Specific income items

Hedge ineffectiveness - ineffectiveness resulting from hedge accounting.

Profit on sale of investment in joint venture - on the 30 November 2014 the Group sold its investment in Strategic Payment Services Pty Ltd resulting in a profit above the original carrying value.

Specific expense items

Integration costs - costs associated with the integration of the business activities of Rural Finance and Alliance Partners.

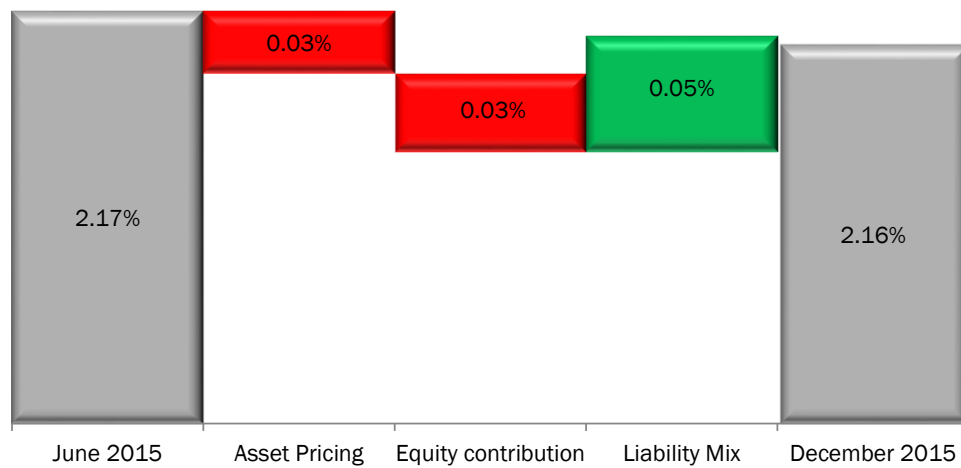
Impairment of investment in associates - an impairment has been recorded on the investment the Group has in Vic West Community Enterprise Pty Ltd.

Litigation costs - costs incurred in relation to the Great Southern legal case, not recovered from insurance claims.

Specific income tax items

Income tax benefit relating to mergers and acquisitions - tax benefit resulting from tax consolidation matters as a result of previous mergers and acquisitions.

2.3.3 Interest margin



Asset pricing - Pricing pressure continued on all mortgage and business lending products, however was partially offset with the repricing of mortgage loans in the second quarter.

Equity contribution - The contribution to margin from net free liabilities and equity reduced, reflecting the lower margin earned by assets funded by these balances, following the second half 2015 cash rate reductions.

Liability mix - Strong growth has continued in all at-call products while the value of term deposits has declined.

2.3.4 Income

	Dec-15	Jun-15	Change		Dec-14	Change	
	\$m	\$m	\$m	%	\$m	\$m	%
Net interest income	587.4	580.0	7.4	1.3	604.1	(16.7)	(2.8)
Specific items - interest income	(2.5)	(3.0)	0.5	(16.7)	(3.5)	1.0	(28.6)
Total net interest income	584.9	577.0	7.9	1.4	600.6	(15.7)	(2.6)
Other income							
Fees							
Asset products	31.4	35.5	(4.1)	(11.5)	32.3	(0.9)	(2.8)
Liability and other products	45.9	45.4	0.5	1.1	47.0	(1.1)	(2.3)
Trustee, management and other services	2.5	2.7	(0.2)	(7.4)	2.7	(0.2)	(7.4)
Commissions							
Wealth solutions	23.0	23.0	-	-	21.6	1.4	6.5
Insurance	9.0	10.6	(1.6)	(15.1)	8.0	1.0	12.5
Foreign exchange income	10.9	9.9	1.0	10.1	9.5	1.4	14.7
Homesafe trust	54.5	32.8	21.7	66.2	30.6	23.9	78.1
Other	19.3	27.5	(8.2)	(29.8)	22.4	(3.1)	(13.8)
Total other income before specific items	196.5	187.4	9.1	4.9	174.1	22.4	12.9
Share of net profit accounted for using the equity method	(0.4)	-	(0.4)	-	4.4	(4.8)	(109.1)
Total other income before specific items	196.1	187.4	8.7	4.6	178.5	17.6	9.9
Specific items - non interest income	0.6	(2.6)	3.2	(123.1)	7.5	(6.9)	(92.0)
Total income	781.6	761.8	19.8	2.6	786.6	(5.0)	(0.6)

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

Net interest income decreased by \$15.7 million, or 2.6%. Refer to 2.3.3 for further analysis.

\$4.2 million has been expensed for the committed liquidity facility for December 2015 (June 2015 \$3.0m, December 2014 nil).

Fees decreased by \$2.2 million, or 2.7%, primarily due to a reduction in interchange fees.

Commissions increased by \$2.4 million, or 8.1%, due to increased volume of third party products sold, including insurance and commissions received as a responsible entity.

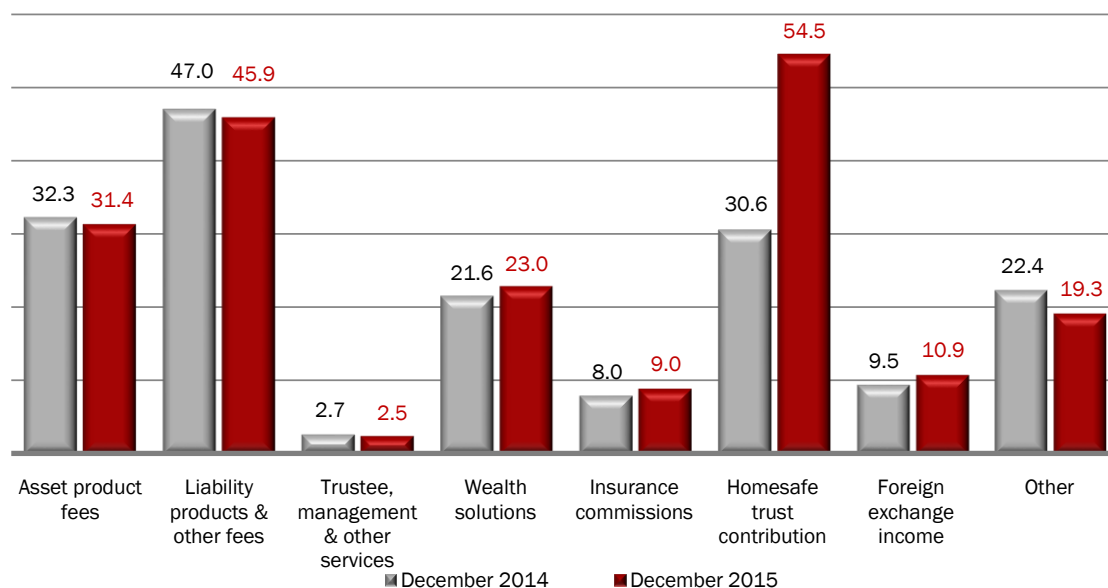
Homesafe trust contribution was \$23.9 million higher primarily due to strong increases in residential property markets of Melbourne and Sydney and the continued growth and maturation of this portfolio.

Other income includes factoring income, franchise fees and telecommunications income. Trading revaluation income decreased by \$2.7 million.

Specific items decreased by \$6.9 million. Refer to 2.3.2 for further detail.

Non-interest income

\$m



2.3.5 Operating expenses

	Dec-15	Jun-15	Change		Dec-14	Change	
	\$m	\$m	\$m	%	\$m	\$m	%
Staff and related costs	242.0	227.4	14.6	6.4	236.8	5.2	2.2
Occupancy costs	48.4	47.3	1.1	2.3	49.2	(0.8)	(1.6)
Information technology costs	35.8	35.4	0.4	1.1	38.0	(2.2)	(5.8)
Amortisation of acquired intangibles	10.1	10.4	(0.3)	(2.9)	11.5	(1.4)	(12.2)
Amortisation of software intangibles	7.5	7.3	0.2	2.7	6.9	0.6	8.7
Property, plant and equipment costs	5.5	5.7	(0.2)	(3.5)	5.4	0.1	1.9
Fees and commissions	18.3	18.4	(0.1)	(0.5)	17.5	0.8	4.6
Communications, postage and stationery	16.8	16.8	-	-	17.6	(0.8)	(4.5)
Advertising and promotion	13.8	16.0	(2.2)	(13.8)	17.1	(3.3)	(19.3)
Other product and services delivery costs	17.0	16.8	0.2	1.2	16.1	0.9	5.6
Other administration expenses	30.7	30.0	0.7	2.3	30.4	0.3	1.0
Total operating expenses	445.9	431.5	14.4	3.3	446.5	(0.6)	(0.1)
Specific items	7.3	7.3	-	-	5.3	2.0	37.7
Total expenses	453.2	438.8	14.4	3.3	451.8	1.4	0.3

	Dec-15	Jun-15	Change		Dec-14	Change	
	%	%	%	%	%	%	%
Expenses to income ¹	55.6%	54.9%	0.7	1.3	55.6%	-	-
Expenses to average assets	1.30%	1.29%	0.01	0.8	1.32%	(0.02)	(1.5)
Number of staff (full-time equivalent)	4,589	4,628	(39)	(0.8)	4,585	4	0.1
Staff and related costs to income ²	30.7%	29.5%	1.2	4.1	30.1%	0.6	2.0

¹ 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.

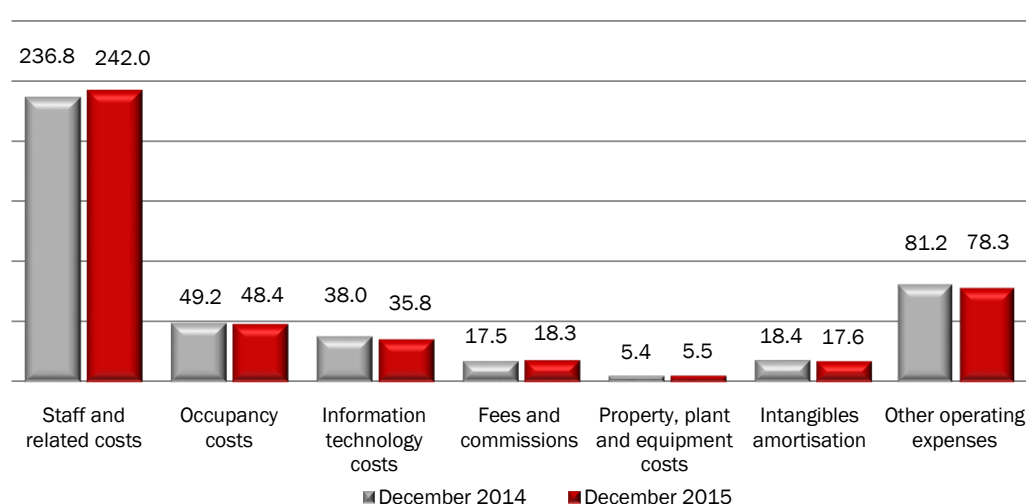
² Excludes redundancy costs.

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

Staff and related costs increased by \$5.2 million, or 2.2%, due to wage and salary increases effective September 2015.

Advertising and promotion costs decreased by \$3.3 million, or 19.3% as the prior period included the 'Bigger than a Bank' marketing campaign.

Operating expenses (\$m)



2.3.6 Lending

	Dec-15	Jun-15	Change		Dec-14	Change	
	\$m	\$m	\$m	%	\$m	\$m	%
Approvals - by security							
Residential	5,187.9	4,559.4	628.5	13.8	5,253.6	(65.7)	(1.3)
Non-residential	2,915.7	2,700.7	215.0	8.0	2,696.8	218.9	8.1
Total approvals	8,103.6	7,260.1	843.5	11.6	7,950.4	153.2	1.9
	As at	As at			As at		
	Dec-15	Jun-15	Change		Dec-14	Change	
	\$m	\$m	\$m	%	\$m	\$m	%
Gross loan balance - by security							
Residential	38,379.9	38,297.9	82.0	0.2	37,610.4	769.5	2.0
Business							
Accommodation and food services	411.8	391.0	20.8	5.3	375.1	36.7	9.8
Administrative and support services	42.1	40.3	1.8	4.5	42.1	-	-
Agriculture, forestry and fishing	5,677.0	6,009.8	(332.8)	(5.5)	5,958.1	(281.1)	(4.7)
Arts and recreation services	104.3	102.8	1.5	1.5	105.5	(1.2)	(1.1)
Construction	1,059.7	1,100.3	(40.6)	(3.7)	1,097.8	(38.1)	(3.5)
Education and training	66.0	68.7	(2.7)	(3.9)	67.5	(1.5)	(2.2)
Electricity, gas, water and waste services	24.5	26.5	(2.0)	(7.5)	21.5	3.0	14.0
Financial and insurance services	377.4	389.1	(11.7)	(3.0)	508.8	(131.4)	(25.8)
Health care and social assistance	376.3	355.8	20.5	5.8	333.4	42.9	12.9
Information media and telecommunications	30.7	22.4	8.3	37.1	21.3	9.4	44.1
Manufacturing	278.5	257.4	21.1	8.2	255.3	23.2	9.1
Mining	20.5	19.6	0.9	4.6	16.6	3.9	23.5
Other Services	219.0	213.3	5.7	2.7	203.1	15.9	7.8
Professional, scientific and technical services	290.4	249.1	41.3	16.6	236.6	53.8	22.7
Public administration and safety	90.6	90.0	0.6	0.7	100.6	(10.0)	(9.9)
Rental, hiring and real estate services	4,015.0	4,010.1	4.9	0.1	3,922.0	93.0	2.4
Retail trade	429.9	479.2	(49.3)	(10.3)	527.0	(97.1)	(18.4)
Transport, postal and warehousing	150.7	156.8	(6.1)	(3.9)	168.9	(18.2)	(10.8)
Wholesale trade	186.5	164.7	21.8	13.2	168.4	18.1	10.7
Other	271.9	277.7	(5.8)	(2.1)	271.9	-	-
Total business	14,122.8	14,424.6	(301.8)	(2.1)	14,401.5	(278.7)	(1.9)
Margin lending	1,793.0	1,792.2	0.8	-	1,754.9	38.1	2.2
Unsecured	902.4	871.9	30.5	3.5	913.4	(11.0)	(1.2)
Other	346.8	343.9	2.9	0.8	285.3	61.5	21.6
Total gross loan balance	55,544.9	55,730.5	(185.6)	(0.3)	54,965.5	579.4	1.1
Gross loan balance - by purpose							
Residential	36,647.7	36,294.4	353.3	1.0	35,551.5	1,096.2	3.1
Consumer	2,660.9	2,677.0	(16.1)	(0.6)	2,720.2	(59.3)	(2.2)
Margin lending	1,793.0	1,792.2	0.8	-	1,754.9	38.1	2.2
Commercial	14,443.3	14,966.9	(523.6)	(3.5)	14,938.9	(495.6)	(3.3)
Total gross loan balance	55,544.9	55,730.5	(185.6)	(0.3)	54,965.5	579.4	1.1
Loans under management (gross balance)							
On-balance sheet	55,544.9	55,730.5	(185.6)	(0.3)	54,965.5	579.4	1.1
Off-balance sheet loans under management	809.8	810.1	(0.3)	-	835.8	(26.0)	(3.1)
Total Group loans under management	56,354.7	56,540.6	(185.9)	(0.3)	55,801.3	553.4	1.0

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

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.

2.3.7 Asset quality

	As at	As at	Change		As at	Change	
	Dec-15	Jun-15			Dec-14		
	\$m	\$m	\$m	%	\$m	\$m	%
Impaired loans ¹							
Full-performing ²	1.2	0.9	0.3	33.3	2.4	(1.2)	(50.0)
Part-performing ³	69.5	73.9	(4.4)	(6.0)	95.5	(26.0)	(27.2)
Non-performing	235.7	247.4	(11.7)	(4.7)	277.6	(41.9)	(15.1)
Restructured loans ⁴	50.9	3.4	47.5	1,397.1	6.5	44.4	683.1
Total impaired assets	357.3	325.6	31.7	9.7	382.0	(24.7)	(6.5)
Less: specific impairment provisions	(117.6)	(116.1)	(1.5)	(1.3)	(124.0)	6.4	5.2
Net impaired assets	239.7	209.5	30.2	14.4	258.0	(18.3)	(7.1)
Portfolio facilities - past due 90 days, not well secured	5.2	4.2	1.0	23.8	3.6	1.6	44.4
Less: specific impairment provisions	(0.6)	(0.7)	0.1	(14.3)	(0.6)	-	0.0
Net portfolio facilities	4.6	3.5	1.1	31.4	3.0	1.6	53.3
Past due 90 days							
Well secured (excluding commercial arrangement loans)	341.0	362.7	(21.7)	(6.0)	373.4	(32.4)	(8.7)
Great Southern portfolio	195.4	235.0	(39.6)	(16.9)	311.4	(116.0)	(37.3)
Ratios	%	%	%		%	%	
Total impaired loans to gross loans	0.64%	0.58%	0.06%		0.69%	(0.05%)	
Total impaired loans to total assets	0.54%	0.49%	0.05%		0.58%	(0.04%)	
Net impaired loans to gross loans	0.43%	0.38%	0.05%		0.47%	(0.04%)	
Provision coverage ⁵	90.1%	99.1%	(9.0%)		83.3%	6.80%	

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 Restructured loans are facilities in which the original contractual terms have been modified for reasons related to the financial difficulties of the customer.

⁵ Provision coverage is total provisions and reserves for doubtful debts - divided by total impaired assets.

2.3.8 Bad and doubtful debts

	Dec-15	Jun-15	Change		Dec-14	Change	
	\$m	\$m	\$m	%	\$m	\$m	%
Bad and doubtful debts expense							
Bad debts written off	0.2	1.5	(1.3)	(86.7)	2.8	(2.6)	(92.9)
Provision doubtful debts - expense	24.0	38.5	(14.5)	(37.7)	28.4	(4.4)	(15.5)
Total bad and doubtful debts expense	24.2	40.0	(15.8)	(39.5)	31.2	(7.0)	(22.4)
Less: Bad debts recovered	3.6	1.8	1.8	100.0	1.1	2.5	227.3
Bad and doubtful debts net of recoveries	20.6	38.2	(17.6)	(46.1)	30.1	(9.5)	(31.6)

	As at Dec-15	As at Jun-15	Change		As at Dec-14	Change	
	\$m	\$m	\$m	%	\$m	\$m	%
Provisions and reserves							
Provision for doubtful debts - specific	118.2	116.8	1.4	1.2	124.6	(6.4)	(5.1)
Provision for doubtful debts - collective	57.0	59.0	(2.0)	(3.4)	46.7	10.3	22.1
General reserve for credit losses	146.9	146.9	-	-	146.9	-	-
Total provisions and reserve for doubtful debts	322.1	322.7	(0.6)	(0.2)	318.2	3.9	1.2

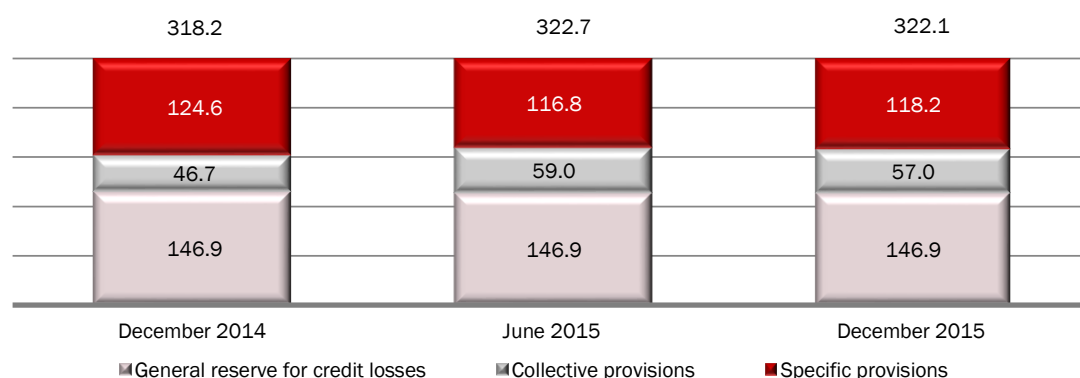
Ratios	%	%	%	%	%
Loan write-offs (annualised) to average assets	0.07%	0.11%	(0.04%)	0.07%	0.00%
Loan write-offs (annualised) to gross loans	0.09%	0.13%	(0.04%)	0.08%	0.01%
Total provision/reserve for doubtful debts to gross loans	0.58%	0.58%	-	0.58%	-
Collective provision and GRCL to risk-weighted assets	0.59%	0.59%	-	0.56%	0.03%

Movements in provisions and reserves	Specific	Collective	GRCL	Total
	\$m	\$m	\$m	\$m
Balance at June 2015	116.8	59.0	146.9	322.7
Provision for doubtful debts expense to profit and loss	26.0	(2.0)	-	24.0
Bad debts written off - previously provided for	(24.6)	-	-	(24.6)
Balance at December 2015	118.2	57.0	146.9	322.1
Balance at December 2014	124.6	46.7	146.9	318.2
Provision for doubtful debts expense to profit and loss	26.2	12.3	-	38.5
Bad debts written off - previously provided for	(35.0)	-	-	(35.0)
Business acquisition - Rural Finance	1.0	-	-	1.0
Balance at June 2015	116.8	59.0	146.9	322.7
Balance at June 2014	114.4	42.8	138.3	295.5
Provision for doubtful debts expense to profit and loss	27.7	0.7	-	28.4
Bad debts written off - previously provided for	(18.6)	-	-	(18.6)
Business acquisition - Rural Finance	1.1	3.2	8.6	12.9
Balance at December 2014	124.6	46.7	146.9	318.2

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)



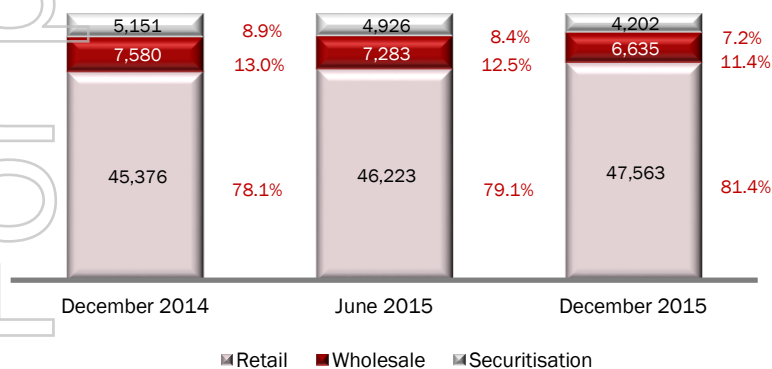
2.3.9 Deposits and funds under management

	As at	As at	Change		As at	Change	
	Dec-15	Jun-15	\$m	%	Dec-14	\$m	%
Deposits and funds under management							
Deposits	54,198.1	53,505.3	692.8	1.3	52,956.4	1,241.7	2.3
Securitisation	4,201.6	4,925.9	(724.3)	(14.7)	5,150.6	(949.0)	(18.4)
Managed funds	4,517.7	4,165.8	351.9	8.4	3,808.2	709.5	18.6
Total deposits and funds under management	62,917.4	62,597.0	320.4	0.5	61,915.2	1,002.2	1.6
Deposits dissection - \$m							
Retail	47,563.2	46,222.7	1,340.5	2.9	45,376.4	2,186.8	4.8
Wholesale	6,634.9	7,282.6	(647.7)	(8.9)	7,580.0	(945.1)	(12.5)
Securitisation	4,201.6	4,925.9	(724.3)	(14.7)	5,150.6	(949.0)	(18.4)
Total deposits	58,399.7	58,431.2	(31.5)	(0.1)	58,107.0	292.7	0.5
Deposits dissection - %							
Retail	81.4%	79.1%		2.9	78.1%		4.2
Wholesale	11.4%	12.5%		(8.8)	13.0%		(12.3)
Securitisation	7.2%	8.4%		(14.3)	8.9%		(19.1)
Total deposits	100.0%	100.0%		-	100.0%		-
Managed funds dissection - \$m							
Assets under management	2,045.6	1,919.2	126.4	6.6	1,763.9	281.7	16.0
Other managed funds	2,472.1	2,246.6	225.5	10.0	2,044.3	427.8	20.9
Total managed funds	4,517.7	4,165.8	351.9	8.4	3,808.2	709.5	18.6

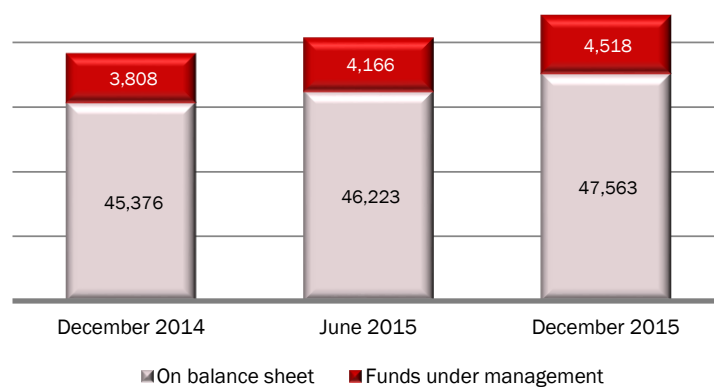
Assets under management include those funds deposited in the Sandhurst Trustees Limited Common Funds, which are invested in cash, cash enhanced and mortgage investments on behalf of investors. These funds are off-balance sheet.

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

Funding mix (\$m)



Retail deposits and funds under management (\$m)



2.3.10 Average balance sheet for the six months ended 31 December 2015

	31 December 2015			30 June 2015		
	Average	Interest	Average	Average	Interest	Average
	Balance	6 mths	Rate	Balance	6 mths	Rate
	\$m	\$m	%	\$m	\$m	%
Average balances and rates ¹						
Interest earning assets						
Cash and investments	7,890.6	82.4	2.07	7,789.1	91.2	2.36
Loans and other receivables ²	55,534.3	1,284.8	4.59	55,138.7	1,335.5	4.88
Total interest earning assets ³	63,424.9	1,367.2	4.28	62,927.8	1,426.7	4.57
Non interest earning assets						
Provisions for doubtful debts	(173.7)			(172.1)		
Other assets	3,016.9			3,106.9		
Total non interest earning assets	2,843.2			2,934.8		
Total assets (average balance)	66,268.1			65,862.6		
Interest bearing liabilities						
Deposits						
Retail	47,033.3	(570.6)	(2.41)	46,203.2	(621.7)	(2.71)
Wholesale - domestic	6,811.8	(100.8)	(2.94)	6,894.0	(109.4)	(3.20)
Wholesale - offshore	341.8	(5.1)	(2.96)	393.8	(6.4)	(3.28)
Notes payable	4,513.6	(68.4)	(3.01)	4,848.7	(77.7)	(3.23)
Preference shares	820.3	(18.8)	(4.55)	584.4	(13.8)	(4.76)
Subordinated debt	587.4	(16.1)	(5.44)	613.7	(17.7)	(5.82)
Total interest bearing liabilities ³	60,108.2	(779.8)	(2.57)	59,537.8	(846.7)	(2.87)
Non interest bearing liabilities and equity						
Other liabilities	1,207.1			1,375.9		
Equity	4,952.8			4,948.9		
Total liabilities and equity (average balance)	66,268.1			65,862.6		
Interest margin and interest spread						
Interest earning assets	63,424.9	1,367.2	4.28	62,927.8	1,426.7	4.57
Interest bearing liabilities	(60,108.2)	(779.8)	(2.57)	(59,537.8)	(846.7)	(2.87)
Net interest income and interest spread ⁴		587.4	1.71		580.0	1.70
Net free liabilities and equity			0.13			0.16
Net interest margin ⁵			1.84			1.86
Impact of community bank/alliances profit share arrangements						
Net interest margin			1.84			1.86
Add impact of profit share arrangements			0.32			0.31
Net interest margin before profit share arrangements			2.16			2.17

1 Average balance is based on monthly closing balances.

2 Loans and receivables excludes specific items (December 15 \$2.5m, June 15 \$3.0m).

3 Interest payments for profit share arrangements are net values in the Income Statement.

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

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

2.3.10 Average balance sheet (continued)
for the six months ended 31 December 2014

	31 December 2014			30 June 2014		
	Average	Interest	Average	Average	Interest	Average
	Balance	6 mths	Rate	Balance	6 mths	Rate
	\$m	\$m	%	\$m	\$m	%
Average balances and rates ¹						
Interest earning assets						
Cash and Investments	7,629.3	95.5	2.48	7,538.8	94.5	2.53
Loans and other receivables ²	54,583.0	1,423.0	5.17	51,755.7	1,351.7	5.27
Total interest earning assets ³	62,212.3	1,518.5	4.84	59,294.5	1,446.2	4.92
Non interest earning assets						
Provisions for doubtful debts	(159.6)			(145.6)		
Other assets	3,074.3			2,918.3		
Total non interest earning assets	2,914.7			2,772.7		
Total assets (average balance)	65,127.0			62,067.2		
Interest bearing liabilities and equity						
Deposits						
Retail - company	45,252.5	(669.9)	(2.94)	43,353.9	(653.7)	(3.04)
Wholesale - domestic	6,953.2	(116.2)	(3.32)	5,726.9	(92.4)	(3.25)
Wholesale - offshore	584.3	(9.6)	(3.26)	686.4	(10.6)	(3.11)
Notes Payable	4,976.2	(88.8)	(3.54)	5,486.9	(97.4)	(3.58)
Convertible Preference Shares	382.7	(10.1)	(5.24)	260.8	(7.1)	(5.49)
Subordinated debt	651.2	(19.8)	(6.03)	612.8	(18.3)	(6.02)
Total interest bearing liabilities ³	58,800.1	(914.4)	(3.08)	56,127.7	(879.5)	(3.16)
Non interest bearing liabilities and equity						
Other liabilities	1,379.4			1,306.8		
Equity	4,947.5			4,632.7		
	6,326.9			5,939.5		
Total liabilities and equity (average balance)	65,127.0			62,067.2		
Interest margin and interest spread						
Interest earning assets	62,212.3	1,518.5	4.84	59,294.5	1,446.2	4.92
Interest bearing liabilities	(58,800.1)	(914.4)	(3.08)	(56,127.7)	(879.5)	(3.16)
Net interest income and interest spread ⁴		604.1	1.76		566.7	1.76
Net free liabilities and equity			0.17			0.17
Net interest margin ⁵			1.93			1.93
Impact of community bank/alliances revenue share arrangements						
Net interest margin			1.93			1.93
Add impact of profit share arrangements			0.31			0.31
Net interest margin before profit share arrangements			2.24			2.24

1 Average balance is based on monthly closing balances.

2 Loans and receivables excludes specific items (December 14 \$3.5m, June 14 nil).

3 Interest payments for profit share arrangements are net values in the Income Statement.

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

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

2.3.11 Capital and shareholder returns

2.3.11.1 Assets and capital

	As at		Change		As at		Change	
	Dec-15	Jun-15	\$m	%	Dec-14	\$m	%	
	\$m	\$m	\$m	%	\$m	\$m	%	
Group assets	65,722.5	66,028.8	(306.3)	(0.5)	65,423.3	299.2	0.5	
Capital adequacy								
Total qualifying capital	4,372.7	4,363.0	9.7	0.2	4,208.8	163.9	3.9	
Risk-weighted assets	34,526.5	34,712.9	(186.4)	(0.5)	34,516.3	10.2	-	
	%	%	%	%	%	%	%	
Risk-weighted capital adequacy	12.66%	12.57%	0.09%	0.7	12.19%	0.47%	3.9	
- Tier 1	10.68%	10.60%	0.08%	0.8	10.02%	0.66%	6.6	
- Tier 2	1.98%	1.97%	0.01%	0.5	2.17%	(0.19%)	(8.8)	
- Common Equity Tier 1	8.24%	8.17%	0.07%	0.9	8.14%	0.10%	1.2	

2.3.11.2 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		
	Dec-15	Jun-15	Dec-14
Risk weighted capital ratios			
Tier 1	10.68%	10.60%	10.02%
Tier 2	1.98%	1.97%	2.17%
Total capital ratio	12.66%	12.57%	12.19%
Common Equity Tier 1	8.24%	8.17%	8.14%
	\$m	\$m	\$m
Regulatory capital			
Common Equity Tier 1			
Contributed capital	4,257.0	4,235.4	4,212.4
Retained profits & reserves	506.7	486.9	464.1
Accumulated other comprehensive income (and other reserves)	(45.0)	(55.0)	(56.6)
Less:			
Intangible assets, cash flow hedges and capitalised expenses	1,773.2	1,750.2	1,730.6
Net deferred tax assets	60.9	42.6	39.1
Equity exposures	38.2	37.3	35.9
Other adjustments as per APRA advice	2.2	2.3	3.5
Total common equity tier 1 capital	2,844.2	2,834.9	2,810.8
Additional Tier 1 capital instruments	843.2	843.2	649.5
Total Additional Tier 1 Capital	843.2	843.2	649.5
Total Tier 1 Capital	3,687.4	3,678.1	3,460.3
Tier 2			
Tier 2 capital instruments	506.8	506.8	566.9
General reserve for credit losses/collective provision (net of tax effect)	178.5	178.1	181.6
Total Tier 2 Capital	685.3	684.9	748.5
Total regulatory capital	4,372.7	4,363.0	4,208.8
Total risk weighted assets	34,526.5	34,712.9	34,516.3

2.3.11.2 Capital adequacy (continued)

Risk- weighted assets	As at	As at	Change		As at	Change	
	Dec-15	Jun-15	\$m	%	Dec-14	\$m	%
Credit risk	30,902.4	31,094.2	(191.8)	(0.6)	31,050.5	(148.1)	(0.5)
Market risk	397.8	493.0	(95.2)	(19.3)	471.9	(74.1)	(15.7)
Operational risk	3,226.3	3,125.7	100.6	3.2	2,993.9	232.4	7.8
Total risk-weighted assets	34,526.5	34,712.9	(186.4)	(0.5)	34,516.3	10.2	-

Key movements in capital in the December 2015 half year include:

> Common Tier 1

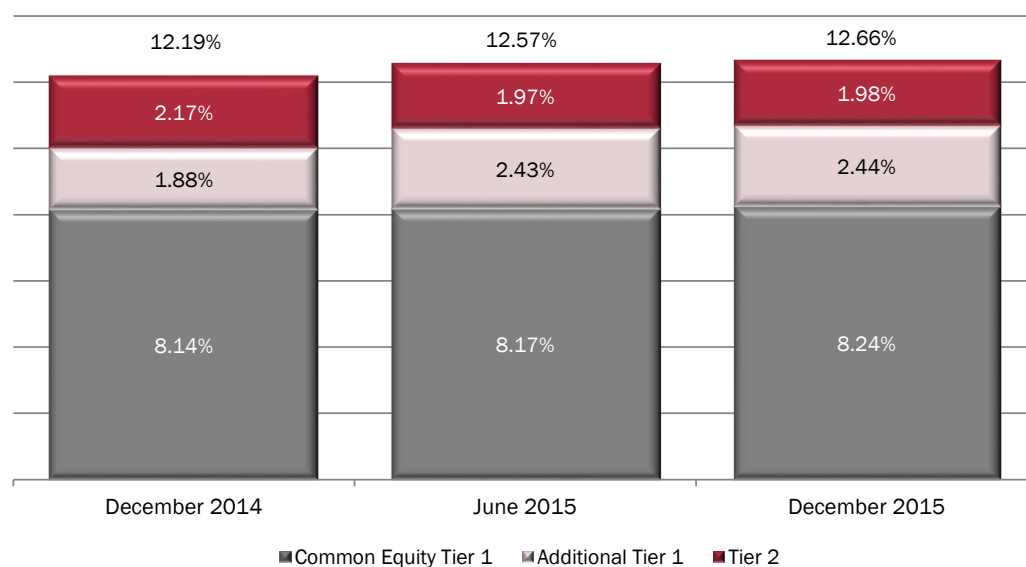
Dividend reinvestment plan - increased capital by \$21.6 million.

Retained earnings net increase of \$19.8 million.

Deferred tax assets reduced capital by \$18.3 million.

Capitalised costs reduced capital by \$20.1 million.

Capital adequacy (%)



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

2.3.11.3 Shareholder returns

	Dec-15	Jun-15	Change		Dec-14	Change	
Earnings per ordinary share	cents	cents	cents	%	cents	cents	%
Statutory earnings per ordinary share (weighted average)	45.6	42.9	2.7	6.3	49.7	(4.1)	(8.2)
Cash earnings per ordinary share (weighted average)	48.9	47.1	1.8	3.8	48.1	0.8	1.7
Diluted earnings per ordinary share (weighted average)	41.4	40.4	1.0	2.5	47.0	(5.6)	(11.9)
Weighted average number of ordinary shares	000's	000's	Change		000's	Change	
Weighted average number of ordinary shares - used in basic and cash basis EPS calculations	457,747	455,569	2,178	0.5	453,363	4,384	1.0
Weighted average number of ordinary shares - used in diluted EPS calculations	535,656	510,854	24,802	4.9	499,079	36,577	7.3
Ratios	%	%	Change		%	Change	
Return on average ordinary equity (after tax)	8.49%	8.19%	0.30%		9.48%	(0.99%)	
Return on average ordinary equity (after tax before specific items)	8.81%	8.70%	0.11%		8.84%	(0.03%)	
Return on average ordinary equity (cash basis)	9.10%	9.00%	0.10%		9.18%	(0.08%)	
Return on average tangible equity (cash basis)	13.15%	13.14%	0.01%		13.42%	(0.27%)	
Return on average assets (after tax)	0.62%	0.60%	0.02%		0.69%	(0.07%)	
Return on average assets (after tax before specific items)	0.65%	0.64%	0.01%		0.65%	0.00%	
Return on average assets (cash basis)	0.67%	0.66%	0.01%		0.66%	0.01%	

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 statutory earnings per ordinary share is, profit after tax including specific items, less dividends on preference shares.

June profit figures are for the June 2015 half year and balance sheet items are as at end of June 2015.

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

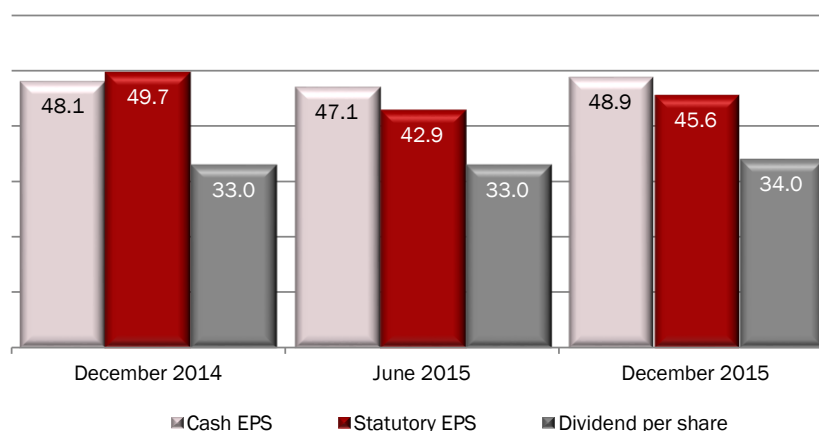
Ordinary equity for use in these ratios is represented by total ordinary shares and retained earnings.

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

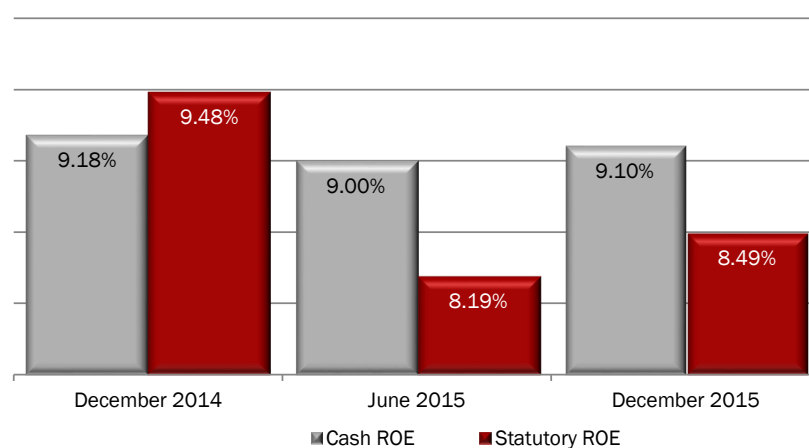
	As at Dec-15	As at Jun-15	Change		As at Dec-14	Change	
	\$m	\$m	\$m	%	\$m	\$m	%
Ordinary issued capital	4,257.0	4,235.4	21.6	0.5	4,212.4	44.6	1.1
Retained earnings	684.6	623.1	61.5	9.9	579.7	104.9	18.1
Total ordinary equity	4,941.6	4,858.5	83.1	1.7	4,792.1	149.5	3.1
Average ordinary equity	4,874.3	4,806.6			4,709.6		

2.3.11.3 Shareholder returns (continued)

Earnings per share and dividend per share (cents)



Statutory and cash return on equity - half year



2.3.11.4 Dividends

	Dec-15	Jun-15	Change		Dec-14	Change	
				%			%
Dividend per share - cents	34.0	33.0	1.0	3.0	33.0	1.0	3.0
Dividend amount payable - \$m	152.3	147.2	5.1	3.5	147.6	4.7	3.2
Payout ratio - earnings per ordinary share ¹	74.6%	76.9%	(2.3%)	(3.0)	66.4%	8.2%	12.3
Payout ratio - cash basis per ordinary share ¹	69.5%	70.1%	(0.6%)	(0.9)	68.6%	0.9%	1.3

¹ Payout ratio is calculated as dividend per share divided by the applicable earnings per ordinary share.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan provides shareholders with the opportunity of converting their entitlement to a dividend into new shares.

The issue price of the shares is equal to the volume weighted average share price of Bendigo and Adelaide Bank shares traded on the Australian Securities Exchange over the seven trading days commencing 7 March 2016 at a discount of 1.5%. Shares issued under this Plan rank equally with all other ordinary shares.

Bonus Share Scheme

The Bonus Share Scheme provides shareholders with the opportunity to elect to receive a number of bonus shares issued for no consideration instead of receiving a dividend. The issue price of the shares is equal to the volume weighted average price of Bendigo and Adelaide Bank shares traded on the Australian Securities Exchange over the seven trading days commencing 7 March 2016 at a discount of 1.5%. Shares issued under this scheme rank equally with all other ordinary shares.

The last date for the receipt of an election notice for participation in either the Dividend Reinvestment Plan or Bonus Share Scheme for the 2016 interim dividend is 4 March 2016.

2.4 Additional notes

2.4.1 Analysis of intangible assets

	Balance sheet			Half year amortisation/		
	Carrying value			Impairment expense		
	Dec-15	Jun-15	Dec-14	Dec-15	Jun-15	Dec-14
	\$m	\$m	\$m	\$m	\$m	\$m
Goodwill	1,442.3	1,442.3	1,441.3	-	-	-
Trustee licence	8.4	8.4	8.4	-	-	-
Software	132.3	74.6	72.6	7.5	7.3	6.9
Customer lists	6.6	8.0	9.6	1.5	1.7	2.1
Core deposits	15.8	20.0	24.3	4.2	4.2	4.3
Trade name	3.0	3.4	3.7	0.4	0.3	0.4
Customer relationship	12.7	16.2	19.9	3.5	3.7	4.2
Management rights - Adelaide Bank	7.1	7.6	8.1	0.5	0.5	0.5
Total goodwill and other intangible assets	1,628.2	1,580.5	1,587.9	17.6	17.7	18.4

2.4.2 Net tangible assets per share

	Dec-15	Jun-15	Dec-14
	\$m	\$m	\$m
Net tangible assets per ordinary share	\$7.42	\$7.36	\$7.21
Net tangible assets			
Net assets	5,035.5	4,941.7	4,954.4
Intangibles	(1,628.2)	(1,580.5)	(1,587.9)
Preference shares - face value	-	-	(90.0)
Net tangible assets attributable to ordinary shareholders	3,407.3	3,361.2	3,276.5
Number of fully paid ordinary shares on issue - 000's	458,928	456,566	454,562

2.4.3 Investments accounted for using the equity method

	Ownership interest held by consolidated entity			Balance date
	Dec-15 %	Jun-15 %	Dec-14 %	
Joint arrangements				
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
Associates				
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
Dancoor Community Finances Ltd	49.0	49.0	49.0	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

Share of joint arrangements and associates' profits/(losses) before tax

	Dec-15 \$m	Dec-14 \$m
Joint arrangements		
- Community Sector Enterprises Pty Ltd	(0.1)	0.1
- Homesafe Solutions Pty Ltd	0.3	0.3
- Silver Body Corporate Financial Services Pty Ltd	-	-
	0.2	0.4
Associates		
- Aegis Correctional Partnership Pty Ltd	(0.6)	-
- Aegis Securitisation Nominees Pty Ltd	-	-
- Aegis Correctional Partnership Trust	-	-
- Aegis Securitisation Trust	-	-
- Dancoor Community Finances Ltd	-	-
- Homebush Financial Services Ltd	-	-
- Linear Financial Holdings Pty Ltd	-	2.7
- Strategic Payments Services Pty Ltd	-	1.4
- Vicwest Community Enterprise Ltd	-	(0.1)
	(0.6)	4.0
Total share of (losses)/profits before tax	(0.4)	4.4

2.4.4 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 29 July 2015, Standard & Poor's Ratings Services affirmed its long-term counterparty credit rating on Bendigo and Adelaide Bank Limited 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 Limited reflect the Group's good business stability, which benefits from the franchise strength associated with its Community Bank model, as well as its strong capitalisation and very low credit losses, plus its focus on relatively lower risk residential mortgage lending and a good geographic spread of agricultural loans throughout Australia.

On 18 November 2015, 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 that the ratings reflect the Bank's conservative risk appetite, good asset quality, consistent profitability and strengthened capitalisation.

On 6 March 2014, Moody's affirmed its long-term issuer rating at 'A2' and short term rating at 'P-1', with a stable outlook. Moody's commented that the rating reflects the Group's well developed franchise centred around community banking and the Group's conservative management that has historically focused on low-risk lending which has contributed to greater asset quality stability over time.

2.4.5 Issued capital

Changes to issued and quoted securities during the period:

Ordinary Shares ¹	Number of Shares	\$m
Fully paid ordinary shares at 30 June 2015	456,566,225	4,235.4
Shares issued:		
September 2015 - Dividend reinvestment plan at \$10.64	2,031,453	21.6
September 2015 - Bonus share scheme (in lieu of dividend payment) at \$10.64	330,292	-
Total ordinary shares at 31 December 2015	458,927,970	4,257.0

¹ BEN - ASX code Ordinary Fully Paid Shares

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Half Year Financial Report

For the period ended 31 December 2015

Released 15 February 2016

ABN 11 068 049 178



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)
Jan Harris (appointed 2 February 2016)
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 2015.

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)
Jan Harris (appointed 2 February 2016)
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, rural 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 cash earnings during the half year when compared to the previous corresponding period.

Total income from operations decreased by \$5.0 million, or 0.6%, to \$781.6 million when compared with the half year ended 31 December 2014.

Profit before tax increased by \$3.1 million, or 1.0%, to \$307.8 million. Profit after tax (attributable to owners of the Company) decreased by \$18.6 million to \$208.7 million.

Group assets increased by 0.5%, or \$299.2 million, when compared with the half year ended 31 December 2014. Group assets at 31 December 2015 were \$65.7 billion.

The total capital adequacy ratio increased during the half year from 12.57% to 12.66%. Tier one capital increased during the half year from 10.60% to 10.68%, with Tier two capital increasing from 1.97% to 1.98%. The Common equity tier 1 ratio increased during the half year from 8.17% to 8.24%

Fully franked dividends paid on convertible preference shares (CPS) during the half year:

253.52 cents per share, paid on 14 December 2015

Fully franked dividends paid on convertible preference shares (CPS2) during the half year:

189.53 cents per share, paid on 30 November 2015

Fully franked dividends paid on convertible preference shares (CPS3) during the half year:

219.82 cents per share, paid on 15 December 2015

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

Final dividend of 33 cents per share, paid on 30 September 2015 in respect of the year ended 30 June 2015

Interim dividend of 34 cents per share, declared on 15 February 2016, payable on 31 March 2016

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 2015, 2,031,453 shares were allotted at an issue price of \$10.64 to those shareholders participating in the Dividend Reinvestment Plan, increasing share capital by \$21.6 million. Further to this, 330,292 shares were allotted under the bonus share scheme.

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

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 Group's audit committee has conducted an assessment of the independence of the external auditor for the period ended 31 December 2015. The assessment was conducted on the basis of the Group'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 2015. The audit committee's assessment confirmed that the independence requirements have been met. The audit committee's assessment was accepted by the full Board.

A copy of the auditor's independence declaration as required is set out on the following page and forms part of this report.

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



Robert Johanson, Chairman
Bendigo
15 February 2016



Building a better
working world

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

As lead auditor for the review of Bendigo and Adelaide Bank Limited for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

- i. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

Graeme McKenzie
Partner
Melbourne
15 February 2016

Luke Slater

Luke Slater
Partner

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3.2 Condensed income statement For the half year ended 31 December 2015

	Note	Consolidated		
		Dec-15 \$m	Jun-15 \$m	Dec-14 \$m
Income				
Net interest income				
Interest income		1,364.7	1,423.7	1,515.0
Interest expense		(779.8)	(846.7)	(914.4)
Total net interest income		584.9	577.0	600.6
Other revenue				
Dividends		1.3	0.4	0.9
Fees		79.8	83.6	82.0
Commissions		32.0	33.6	29.6
Other income		84.0	67.2	69.1
Total other income		197.1	184.8	181.6
Other Income				
Share of net profit accounted for using the equity method		(0.4)	-	4.4
Total income after interest expense		781.6	761.8	786.6
Expenses				
Bad and doubtful debts on loans and receivables		(20.6)	(38.2)	(30.1)
Other expenses				
Staff and related costs		(242.0)	(227.4)	(236.8)
Occupancy costs		(48.4)	(47.3)	(49.2)
Information technology costs		(35.8)	(35.4)	(38.0)
Amortisation of intangibles		(17.6)	(17.7)	(18.4)
Property, plant and equipment costs		(5.5)	(5.7)	(5.4)
Fees and commissions		(18.3)	(18.4)	(17.5)
Communications, postage and stationery		(16.8)	(16.8)	(17.6)
Advertising and promotion		(13.8)	(16.0)	(17.1)
Other product and services delivery costs		(17.0)	(16.8)	(16.1)
Consultancy costs		(4.9)	(4.4)	(5.9)
Legal costs		(3.1)	(2.5)	(4.2)
Travel costs		(3.6)	(3.4)	(4.3)
Impairment of investment in associates		-	-	(1.5)
Integration costs		(7.3)	(10.3)	(1.4)
Other		(19.1)	(16.7)	(18.4)
Total other expenses		(453.2)	(438.8)	(451.8)
Profit before income tax expense		307.8	284.8	304.7
Income tax expense	3.7.4	(99.1)	(88.2)	(77.4)
Net profit attributable to owners of the parent		208.7	196.6	227.3
Earnings per share for profit attributable to the ordinary equity holders of the parent:				
		cents	cents	cents
Basic	3.7.6	45.6	42.9	49.7
Diluted	3.7.6	41.4	40.4	47.0
Franked dividends	3.7.5	34.0	33.0	33.0

3.3 Statement of comprehensive income For the half year ended 31 December 2015

	Consolidated		
	Dec-15 \$m	Jun-15 \$m	Dec-14 \$m
Profit for the period ended	208.7	196.6	227.3
Items which may be reclassified subsequently to profit & loss:			
Net gain on available for sale - equity investments	-	0.5	0.5
Transfer to income on sale of available for sale assets - equity investments	-	(2.6)	-
Net gain/(loss) on cash flow hedges taken to equity	17.2	8.5	(25.8)
Net (loss) on reclassification from cash flow hedge reserve to income	(0.3)	(0.5)	(0.1)
Net unrealised (loss) on available for sale - debt securities	(1.5)	(0.6)	-
Transfer to income on sale of available for sale assets - debt securities	-	(0.1)	-
Tax effect on items taken directly to or transferred from equity	(4.7)	(1.6)	7.7
Total items that may be reclassified to profit & loss	10.7	3.6	(17.7)
Items which will not be reclassified subsequently to profit & loss:			
Actuarial (loss) on superannuation defined benefits plan	-	(1.6)	-
Tax effect on items taken directly to or transferred from equity	-	0.5	-
Total items that will not be reclassified to profit & loss	-	(1.1)	-
Total comprehensive income for the period	219.4	199.1	209.6
Total comprehensive income for the period attributable to:			
Members of the Parent	219.4	199.1	209.6

3.4 Balance sheet

As at 31 December 2015

	Note	Consolidated		
		As at	As at	As at
		Dec-15	Jun-15	Dec-14
		\$m	\$m	\$m
Assets				
Cash and cash equivalents		886.7	981.6	774.0
Due from other financial institutions		52.2	215.7	61.4
Financial assets held for trading		5,657.8	5,562.9	5,872.2
Financial assets available for sale		585.2	601.3	696.0
Financial assets held to maturity		308.9	300.7	273.8
Current tax assets		-	-	2.3
Derivatives		63.8	63.8	34.1
Net loans and other receivables		55,343.8	55,531.6	54,768.0
Investments in joint ventures accounted for using the equity method		4.2	3.6	3.2
Property, plant and equipment		96.8	98.8	101.0
Deferred tax assets		141.2	146.4	147.4
Investment property		544.1	482.0	447.5
Goodwill and other intangible assets		1,628.2	1,580.5	1,587.9
Other assets		409.6	459.9	654.5
Total Assets		65,722.5	66,028.8	65,423.3
Liabilities				
Due to other financial institutions		58.7	202.7	59.5
Deposits		54,198.1	53,505.3	52,956.4
Notes payable		4,201.6	4,925.9	5,150.6
Derivatives		96.5	108.0	111.6
Income tax payable		27.4	18.2	-
Provisions		114.8	114.7	109.3
Deferred tax liabilities		117.5	111.8	103.4
Other payables		467.5	688.4	788.0
Convertible preference shares		821.6	819.5	544.4
Subordinated debt - at amortised cost		583.3	592.6	645.7
Total Liabilities		60,687.0	61,087.1	60,468.9
Net Assets		5,035.5	4,941.7	4,954.4
Equity				
Share capital	3.7.9	4,246.0	4,223.6	4,286.0
Reserves		104.9	95.0	88.7
Retained earnings		684.6	623.1	579.7
Total Equity		5,035.5	4,941.7	4,954.4

3.5 Statement of changes in equity For the half year ended 31 December 2015

	Attributable to owners of Bendigo and Adelaide Bank Limited				Total equity \$m		
	Issued ordinary capital \$m	Other issued capital ¹ \$m	Retained earnings \$m	Reserves \$m			
	Opening balance at 1 July 2015	4,235.4	(11.8)	623.1		95.0	4,941.7
	Comprehensive income:						
Profit for the period	-	-	208.7	-	208.7		
Other comprehensive income	-	-	-	10.7	10.7		
Total comprehensive income for the period	-	-	208.7	10.7	219.4		
Transactions with owners in their capacity as owners:							
Shares issued	21.6	-	-	-	21.6		
Reduction in employee share ownership plan (ESOP) shares	-	0.8	-	-	0.8		
Share based payment	-	-	-	(0.8)	(0.8)		
Equity dividends	-	-	(147.2)	-	(147.2)		
At 31 December 2015	4,257.0	(11.0)	684.6	104.9	5,035.5		

¹ refer to note 3.7.9 Issued capital for further details

For the half year ended 30 June 2015

	Attributable to owners of Bendigo and Adelaide Bank Limited				Total equity \$m		
	Issued ordinary capital \$m	Other issued capital ¹ \$m	Retained earnings \$m	Reserves \$m			
	Opening balance at 1 January 2015	4,212.4	73.6	579.7		88.7	4,954.4
	Comprehensive income:						
Profit for the period	-	-	196.6	-	196.6		
Other comprehensive income	-	-	(1.1)	3.6	2.5		
Total comprehensive income for the period	-	-	195.5	3.6	199.1		
Transactions with owners in their capacity as owners:							
Shares issued	23.0	-	-	-	23.0		
Share issue expenses	-	1.5	(1.5)	-	-		
Redemption of preference shares	-	(90.0)	-	-	(90.0)		
Reduction in employee share ownership plan (ESOP) shares	-	3.1	-	-	3.1		
Movement in operational risk reserve	-	-	(1.8)	1.8	-		
Share based payment	-	-	-	0.9	0.9		
Equity dividends	-	-	(148.8)	-	(148.8)		
At 30 June 2015	4,235.4	(11.8)	623.1	95.0	4,941.7		

¹ 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 2014

	Attributable to owners of Bendigo and Adelaide Bank Limited				
	Issued ordinary capital	Other issued capital ¹	Retained earnings	Reserves	Total equity
	\$m	\$m	\$m	\$m	\$m
Opening balance at 1 July 2014	4,183.3	172.3	509.8	101.1	4,966.5
Comprehensive income:					
Profit for the period	-	-	227.3	-	227.3
Other comprehensive income	-	-	-	(17.7)	(17.7)
Total comprehensive income for the period	-	-	227.3	(17.7)	209.6
Transactions with owners in their capacity as owners:					
Shares issued	29.4	-	-	-	29.4
Share issue expenses	(0.3)	-	-	-	(0.3)
Redemption of step up preference shares	-	(100.0)	-	-	(100.0)
Reduction in employee share ownership plan (ESOP) shares	-	1.3	-	-	1.3
Movement in general reserve for credit losses (GRCL)	-	-	(8.6)	8.6	-
Share based payment	-	-	-	(3.3)	(3.3)
Equity dividends	-	-	(148.8)	-	(148.8)
At 31 December 2014	4,212.4	73.6	579.7	88.7	4,954.4

¹ refer to note 3.7.9 Issued capital for further details

3.6 Cash flow statement

For the half year ended 31 December 2015

	Note	Consolidated		
		Dec-15 \$m	Jun-15 \$m	Dec-14 \$m
Cash flows from operating activities				
Interest and other items of a similar nature received		1,325.3	1,390.2	1,478.2
Interest and other costs of finance paid		(797.2)	(800.4)	(912.9)
Receipts from customers (excluding effective interest)		146.8	146.2	146.0
Payments to suppliers and employees		(600.6)	(356.9)	(399.2)
Dividends received		1.3	0.5	0.8
Income taxes paid		(83.6)	(59.3)	(85.0)
Net cash flows from/(used in) operating activities		(8.0)	320.3	227.9
Cash flows from investing activities				
Cash paid for purchases of property, plant and equipment		(8.6)	(11.8)	(14.5)
Cash proceeds from sale of property, plant and equipment		0.8	1.0	0.9
Cash paid for purchases of investment property		(22.7)	(18.3)	(23.1)
Cash proceeds from sale of investment property		15.0	16.3	11.5
Cash paid for purchases of equity investments		(1.4)	(1.8)	(1.1)
Cash proceeds from sale of equity investments		-	13.5	3.0
Net decrease/(increase) in balance of loans and other receivables outstanding		163.6	(254.6)	(178.8)
Net (increase)/decrease in balance of investment securities		(86.9)	365.4	1,372.5
Net cash received/(paid) on acquisition of businesses/assets		-	81.8	(1,760.3)
Net cash flows from/(used in) investing activities		59.8	191.5	(589.9)
Cash flows from financing activities				
Proceeds from issue of convertible preference shares		-	242.5	243.7
Repayment of preference shares		-	(50.9)	(51.2)
Net increase in balance of retail deposits		1,340.5	222.8	533.4
Net (decrease)/increase in balance of wholesale deposits		(647.7)	(297.4)	63.6
Proceeds from/(payments to) subordinated debt holders		(9.3)	(53.1)	(9.8)
Dividends paid		(125.6)	(126.3)	(121.5)
Net (decrease) in balance of notes payable		(724.3)	(224.6)	(105.8)
Repayment received for ESOP shares		0.8	3.1	1.3
Payment of share issue costs		(0.6)	(9.2)	(10.9)
Net cash flows from/(used in) financing activities		(166.2)	(293.1)	542.8
Net increase/(decrease) in cash and cash equivalents		(114.4)	218.7	180.8
Cash and cash equivalents at the beginning of the period		994.6	775.9	595.1
Cash and cash equivalents at the end of period	3.7.8	880.2	994.6	775.9

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 2015 was authorised for issue in accordance with a resolution of the Directors on 15 February 2016.

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

The domicile of 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 contain all disclosures of the type normally found within 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 that given by the annual financial report.

It is recommended that the half year financial report is read in conjunction with the annual financial report of Bendigo and Adelaide Bank Limited as at 30 June 2015, which was prepared based on Australian Accounting Standards, together with any public announcements made by Bendigo and Adelaide Bank Limited and its controlled entities made up until the date this half year financial report is signed by the Group in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001 and the ASX Listing Rules*.

This half year financial report has been prepared on the basis of accounting policies consistent with those applied in the 30 June 2015 annual financial report, except as disclosed below.

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

The amounts contained in 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

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

Recently issued or amended standards not yet effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the half year ended December 2015.

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

3.7 Notes to and forming part of the financial statements (continued)

3.7.2.2 Changes in accounting policies (continued)

Recently issued or amended standards not yet effective (continued)

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

IFRS 16 *Leases* introduces changes to the recognition of assets and liabilities required by the lessee and/or lessor. This standard is currently being considered by the Accounting Standards Board and is expected to be effective from 1 January 2019. The potential impact of the above has not yet been determined.

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

- > 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*
[AASB 1 & AASB 11]
- > 2014-4 *Clarification of Acceptable Methods of Depreciation and Amortisation*;
- > 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*;
- > 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*;
- > 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle*;
- > 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*;
- > 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*; and
- > 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception*.

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 results

Segment reporting

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

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

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

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

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

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

Types of products and services

Retail banking

Major sources of net interest income are derived from banking services, along with fee income for the provision of services.

Income is generated through the company owned branch network and its share of the revenue generated through the Community Bank @ branch network. Delphi Bank and Community Telco Australia are included within the retail banking operating segment.

Third party banking

Major revenue sources are net interest income and the fees derived from the provision of residential, commercial, consumer and business services, along with the contribution from Homesafe Trust. Third party banking comprises of the 'Adelaide Bank' branded services, portfolio funding, Alliance Partners and Homesafe Trust.

Wealth

Major revenue sources are net interest income, along with the fees and commissions derived from the provision of margin lending, wealth management, wealth deposit, cash management and financial planning products and services. Sandhurst Trustees, Leveraged and Bendigo Financial Planning are included within the wealth segment.

Rural

Major revenue sources are net interest income and fees from the provision of banking services to agribusinesses in rural and regional Australia. Rural Bank and Rural Finance are included within the rural segment.

Central functions

Functions not relating directly to a reportable operating segment.

Accounting policies and inter-segment transactions

Measurement of segmental assets, liabilities, income and expenses is in accordance with the Group's accounting policies.

Segment results are determined by including all revenue and expenses associated with each business segment. Transactions between business segments are conducted at arm's length and are eliminated on consolidation.

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

Major customers

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

Geographic information

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

3.7.3 Segment results

For the period ended 31 December 2015

	Operating segments				Total operating segments	Central functions	Total
	Retail banking	Third party banking	Wealth	Rural			
	\$m	\$m	\$m	\$m			
Net interest income	367.8	105.5	29.0	85.1	587.4	-	587.4
Other income	93.7	61.4	27.1	4.5	186.7	9.8	196.5
Share of net profit accounted for using the equity method	-	-	-	-	-	(0.4)	(0.4)
Total segment income	461.5	166.9	56.1	89.6	774.1	9.4	783.5
Operating expenses	(309.4)	(42.6)	(46.6)	(39.7)	(438.3)	(7.6)	(445.9)
Credit expenses	(11.7)	(6.3)	2.4	(5.0)	(20.6)	-	(20.6)
Segment result (before specific items & tax expense)	140.4	118.0	11.9	44.9	315.2	1.8	317.0
Specific income & (expense) items	(0.1)	(6.7)	-	(3.0)	(9.8)	0.6	(9.2)
Segment result (before tax expense)	140.3	111.3	11.9	41.9	305.4	2.4	307.8
Tax expense	(45.2)	(35.8)	(3.8)	(13.5)	(98.3)	(0.8)	(99.1)
Segment result (statutory basis)	95.1	75.5	8.1	28.4	207.1	1.6	208.7
Cash basis adjustments:							
Specific income & expense items	0.1	4.7	-	2.1	6.9	1.0	7.9
Distributions accrued and/or paid on preference shares	-	-	-	-	-	-	-
Amortisation of intangibles	2.3	0.6	1.9	2.3	7.1	-	7.1
Segment result (Cash basis)	97.5	80.8	10.0	32.8	221.1	2.6	223.7

For the period ended 30 June 2015

	Operating segments				Total operating segments	Central functions	Total
	Retail banking	Third party banking	Wealth	Rural			
	\$m	\$m	\$m	\$m			
Net interest income	359.6	105.7	29.8	84.9	580.0	-	580.0
Other income	96.9	39.6	31.3	4.5	172.3	15.1	187.4
Share of net profit accounted for using the equity method	-	-	-	-	-	-	-
Total segment income	456.5	145.3	61.1	89.4	752.3	15.1	767.4
Operating expenses	(301.2)	(39.4)	(47.7)	(40.6)	(428.9)	(2.6)	(431.5)
Credit expenses	(5.5)	(29.8)	1.6	(4.5)	(38.2)	-	(38.2)
Segment result (before specific items & tax expense)	149.8	76.1	15.0	44.3	285.2	12.5	297.7
Specific income & (expense) items	-	(5.7)	-	(4.6)	(10.3)	(2.6)	(12.9)
Segment result (before tax expense)	149.8	70.4	15.0	39.7	274.9	9.9	284.8
Tax expense	(45.8)	(21.6)	(4.6)	(12.2)	(84.2)	(4.0)	(88.2)
Segment result (statutory basis)	104.0	48.8	10.4	27.5	190.7	5.9	196.6
Cash basis adjustments:							
Specific income & expense items	-	4.0	-	3.2	7.2	4.8	12.0
Distributions accrued and/or paid on preference shares	-	-	-	-	-	(1.3)	(1.3)
Amortisation of intangibles	2.2	0.7	2.0	2.3	7.2	-	7.2
Segment result (Cash basis)	106.2	53.5	12.4	33.0	205.1	9.4	214.5

3.7.3 Segment results (continued)

For the period ended 31 December 2014

	Operating segments				Total operating segments	Central functions	Total
	Retail banking	Third party banking	Wealth	Rural			
	\$m	\$m	\$m	\$m			
Net interest income	374.7	104.7	34.7	90.0	604.1	-	604.1
Other income	96.0	38.4	25.5	3.9	163.8	10.3	174.1
Share of net profit accounted for using the equity method	-	-	-	-	-	4.4	4.4
Total segment income	470.7	143.1	60.2	93.9	767.9	14.7	782.6
Operating expenses	(311.7)	(42.7)	(49.5)	(43.0)	(446.9)	0.4	(446.5)
Credit expenses	(16.6)	(4.3)	(0.3)	(8.9)	(30.1)	-	(30.1)
Segment result (before specific items & tax expense)	142.4	96.1	10.4	42.0	290.9	15.1	306.0
Specific income & (expense) items	(1.5)	(2.4)	-	(4.9)	(8.8)	7.5	(1.3)
Segment result (before tax expense)	140.9	93.7	10.4	37.1	282.1	22.6	304.7
Tax expense	(43.1)	(28.7)	(3.2)	(11.4)	(86.4)	9.0	(77.4)
Segment result (statutory basis)	97.8	65.0	7.2	25.7	195.7	31.6	227.3
Cash basis adjustments:							
Specific income & expense items	1.1	1.7	-	3.4	6.2	(21.5)	(15.3)
Distributions accrued and/or paid on preference shares	-	-	-	-	-	(2.2)	(2.2)
Amortisation of intangibles	2.3	1.0	2.4	2.4	8.1	-	8.1
Segment result (Cash basis)	101.2	67.7	9.6	31.5	210.0	7.9	217.9

	Operating segments				Total operating segments	Central functions	Total
	Retail banking	Third party banking	Wealth	Rural			
	\$m	\$m	\$m	\$m			
For the year ended 31 December 2015							
Reportable segment assets	30,822.8	17,598.7	1,818.8	5,718.9	55,959.2	9,763.3	65,722.5
Reportable segment liabilities	39,695.9	1,774.6	2,845.3	3,296.3	47,612.1	8,873.3	56,485.4
For the year ended 30 June 2015							
Reportable segment assets	30,590.5	17,791.7	1,834.5	5,979.5	56,196.2	9,832.6	66,028.8
Reportable segment liabilities	38,056.2	1,643.4	3,092.5	3,538.0	46,330.1	9,831.1	56,161.2
For the year ended 31 December 2014							
Reportable segment assets	29,925.3	17,859.4	1,780.8	5,885.1	55,450.6	9,972.7	65,423.3
Reportable segment liabilities	37,214.9	1,097.4	3,863.6	3,499.3	45,675.2	9,643.1	55,318.3

Reportable segment assets and liabilities

	As at 31 December 2015	As at 30 June 2015	As at 31 December 2014
Total assets for operating segments	65,722.5	66,028.8	65,423.3
Total assets	65,722.5	66,028.8	65,423.3
Total liabilities for operating segments	56,485.4	56,161.2	55,318.3
Securitisation funding	4,201.6	4,925.9	5,150.6
Total liabilities	60,687.0	61,087.1	60,468.9

3.7.4 Income tax

For the half year ended 31 December 2015

The major components of income tax expense for the half year ended 31 December 2015 are:

	Dec-15 \$m	Jun-15 \$m	Dec-14 \$m
Current income tax			
Current income tax charge	92.8	79.8	65.2
Deferred income tax			
Relating to origination and reversal of temporary differences	6.3	8.4	12.2
Income tax expense reported in the condensed income statement	99.1	88.2	77.4

3.7.5 Dividends paid

Interim Dividend	Amount per share cents	Franked amount per share - %	Total amount \$m
On 15 February 2016, the directors declared the following dividend:	34.0	100.0	152.3

	Dec-15			Jun-15			Dec-14		
	Date paid	Amount per share cents	Total amount \$m	Date paid	Amount per share cents	Total amount \$m	Date paid	Amount per share cents	Total amount \$m
Ordinary shares ¹									
Dividends paid during the half-year	Sept 15	33.0	147.2	March 15	33.0	147.6	Sept 14	33.0	146.5

Preference shares ²									
Dividends paid during the half-year:		-	-	March 15	74.17	0.7	Sept 14	73.04	0.7
		-	-	June 15	66.67	0.6	Dec 14	72.37	0.7
		-	-		1.3				1.4

Step up preference shares ³									
Dividends paid during the half-year:		-	-		-	-	July 14	78.00	0.8
		-	-		-	-	Oct 14	78.00	0.8
		-	-		-	-			1.6

Convertible preference shares (recorded as debt instruments) ⁴									
Dividends paid during the half-year:	Dec 2015	253.52	6.8	June 15	271.20	7.3	Dec 14	273.90	7.4
			6.8			7.3			7.4

Convertible preference shares (CPS2) (recorded as debt instruments) ⁵									
Dividends paid during the half-year:	Nov 2015	189.53	5.5	June 15	209.60	6.1	Dec 14	59.29	1.7
			5.5			6.1			1.7

Convertible preference shares (CPS3) (recorded as debt instruments) ⁶									
Dividends paid during the half-year:	Dec 2015	219.82	6.2	-	-	-	-	-	-
			6.2						

¹ BEN - ASX code - Ordinary Fully Paid Shares

² BENPB - ASX code - Preference Shares. These shares were redeemed in June 2015.

³ BENPC - ASX code - Step Up Non-Cumulative Floating Rate Preference Shares. These shares were redeemed in October 2014.

⁴ BENPD - ASX code - Convertible Non-Cumulative Preference Shares (CPS)

⁵ BENPE - ASX code - Convertible Non-Cumulative Preference Shares (CPS2). These shares were issued in October 2014.

⁶ BENPF - ASX code - Convertible Non-Cumulative Preference Shares (CPS3). These shares were issued in June 2015 and as such no dividend was paid during the 2015 financial year.

3.7.6 Earnings per ordinary share

	Half Year Dec-15 cents per share	Half Year Jun-15 cents per share	Half Year Dec-14 cents per share
Earnings per ordinary share			
Basic	45.6	42.9	49.7
Cash basis	48.9	47.1	48.1
Diluted	41.4	40.4	47.0
	\$m	\$m	\$m
Reconciliation of earnings used in the calculation of basic earnings per ordinary share			
Profit for the half-year (after tax)	208.7	196.6	227.3
Distributions accrued and/or paid on preference shares	-	(1.3)	(1.3)
Distributions accrued and/or paid on step-up preference shares	-	-	(0.9)
Total basic earnings	208.7	195.3	225.1
Reconciliation of earnings used in the calculation of diluted earnings per ordinary share			
Earnings used in calculating basic earnings per ordinary share	208.7	195.3	225.1
Add back dividends accrued and/or paid on dilutive preference and convertible preference shares	13.2	11.0	9.3
Total diluted earnings	221.9	206.3	234.4
Reconciliation of earnings used in the calculation of cash basis earnings per ordinary share			
Earnings used in calculating basic earnings per ordinary share	208.7	195.3	225.1
After tax intangibles amortisation (excluding amortisation of intangible software)	7.1	7.2	8.1
After tax specific income and expense items ¹	7.9	12.0	(15.3)
Total cash earnings	223.7	214.5	217.9
	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	457,747,098	455,569,460	453,362,931
Effect of dilution - executive performance rights	943,512	1,044,598	819,107
Effect of dilution - preference shares	76,965,020	54,240,335	44,897,033
Weighted ave no. of ordinary shares used in diluted earnings per ordinary share	535,655,630	510,854,393	499,079,071
	Dec-15 \$m	Jun-15 \$m	Dec-14 \$m
¹ Specific income and expense items after tax comprise:			
Interest income			
Fair value adjustments - interest expense	(1.8)	(2.2)	(2.5)
Income			
Hedge ineffectiveness	0.4	-	1.9
Profit on sale of investment in joint venture	-	(1.8)	3.4
Expense			
Integration costs	(5.1)	(5.0)	(1.0)
Impairment of investment in associates	-	-	(1.5)
Litigation costs	-	(0.2)	(1.7)
Specific tax benefits			
Tax impacts relating to prior year impairment losses	(1.4)	(2.8)	-
Income tax benefit relating to mergers and acquisitions	-	-	16.7
Total specific (income)/expense items after tax	(7.9)	(12.0)	15.3

3.7.7 Return on average ordinary equity

	Half year Dec-15 %	Half year Jun-15 %	Half year Dec-14 %
Return on average ordinary equity (after tax)	8.49	8.19	9.48
Return on average ordinary equity (after tax before specific items)	8.81	8.70	8.84
Return on average ordinary equity (cash basis)	9.10	9.00	9.18
	\$m	\$m	\$m
Reconciliation of earnings used in the calculation of return on average ordinary equity			
Profit after tax	208.7	196.6	227.3
Dividends paid/accrued on preference shares	-	(1.3)	(1.3)
Dividends paid/accrued on step up preference shares	-	-	(0.9)
Earnings used in calculation of return on average ordinary equity	208.7	195.3	225.1
After tax specific income and expense items ¹	7.9	12.0	(15.3)
Earnings used in calculation of return on average ordinary equity before specific items	216.6	207.3	209.8
After tax intangibles amortisation (excluding software amortisation)	7.1	7.2	8.1
Earnings used in calculation of cash basis return on average ordinary equity	223.7	214.5	217.9

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

	As at Dec-15 \$m	As at Jun-15 \$m	As at Dec-14 \$m
Ordinary issued capital	4,257.0	4,235.4	4,212.4
Retained earnings	684.6	623.1	579.7
Total ordinary equity	4,941.6	4,858.5	4,792.1
Average ordinary equity ²	4,874.3	4,806.6	4,709.6

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 2015 full year annual report for the full details of this policy.

3.7.8 Cash flow information

For the purposes of the cash flow statement, cash and cash equivalents includes:

	As at Dec-15 \$m	As at Jun-15 \$m	As at Dec-14 \$m
Cash and cash equivalents	886.7	981.6	774.0
Due from other financial institutions	52.2	215.7	61.4
Due to other financial institutions	(58.7)	(202.7)	(59.5)
Total cash and cash equivalents	880.2	994.6	775.9

Cash and cash equivalents include cash on hand, deposits held at call with banks, bank overdrafts and other short term investments that have an original maturity of three months or less. Cash at bank earns interest at variable rates based on daily bank and short term deposit rates.

3.7.9 Issued capital

	As at Dec-15			As at Jun-15			As at Dec-14		
	No. Of shares	Issue price	Total \$m	No. Of shares	Issue price	Total \$m	No. Of shares	Issue price	Total \$m
Issued and paid up capital									
Ordinary shares fully paid	458,927,970		4,257.0	456,566,225		4,235.4	454,561,619		4,212.4
Preference shares of \$100 face value fully paid	-	-	-	-	-	-	900,000	100.00	88.5
Step-up preference shares of \$100 face value fully paid	-	-	-	-	-	-	-	-	-
Employee share ownership plan shares	-	-	(11.0)	-	-	(11.8)	-	-	(15.0)
			4,246.0			4,223.6			4,285.9
Movements in ordinary shares on issue									
Opening balance	456,566,225		4,235.4	454,561,619		4,212.4	452,006,957		4,183.3
Bonus share scheme	330,292	10.64	-	191,372	12.73	-	205,584	12.62	-
Dividend reinvestment plan	2,031,453	10.64	21.6	1,813,234	12.73	23.0	2,184,643	12.62	27.6
Institutional share placement	-	-	-	-	-	-	164,435	10.85	1.8
Share issue costs	-	-	-	-	-	-	-	-	(0.3)
Closing balance	458,927,970		4,257.0	456,566,225		4,235.4	454,561,619		4,212.4
Movements in preference shares on issue									
Opening balance	-	-	-	900,000	100.00	88.5	900,000	100.00	88.5
Redemption (June 2015)	-	-	-	(900,000)		(88.5)			
Closing balance	-	-	-	-		-	900,000		88.5
Movements in step-up preference shares on issue									
Opening balance	-	-	-	-	-	-	1,000,000	100.00	100.0
Redemption (October 2014)	-	-	-	-	-	-	(1,000,000)		(100.0)
Closing balance	-	-	-	-	-	-	-		-
Movements in Employee share ownership plan shares									
Opening balance			(11.8)			(15.0)			(16.2)
Reduction in employee share ownership plan shares			0.8			3.2			1.2
Closing balance			(11.0)			(11.8)			(15.0)

3.7.10 Financial instruments

The accounting policies within the 30 June 2015 annual financial report describe how different classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

a) Measurement basis of financial assets and liabilities

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

	Held at fair value	At fair value through profit & loss	At fair value through reserves	Held at amortised cost		Total
	Derivatives	Held for trading	Available for sale	Loans and receivables	Other financial instruments	
	\$m	\$m	\$m	\$m	\$m	
31 December 2015						
Financial assets						
Cash and cash equivalents	-	-	-	-	886.7	886.7
Due from other financial institutions	-	-	-	-	52.2	52.2
Financial assets held to maturity	-	-	-	-	308.9	308.9
Financial assets held for trading	-	5,657.8	-	-	-	5,657.8
Financial assets available for sale	-	-	585.2	-	-	585.2
Loans & other receivables	-	-	-	55,343.8	-	55,343.8
Derivatives	63.8	-	-	-	-	63.8
Total financial assets	63.8	5,657.8	585.2	55,343.8	1,247.8	62,898.4
Financial liabilities						
Due to other financial institutions	-	-	-	-	58.7	58.7
Deposits	-	-	-	-	54,198.1	54,198.1
Notes payable	-	-	-	-	4,201.6	4,201.6
Derivatives	96.5	-	-	-	-	96.5
Convertible preference shares	-	-	-	-	821.6	821.6
Subordinated debt	-	-	-	-	583.3	583.3
Total financial liabilities	96.5	-	-	-	59,863.3	59,959.8
30 June 2015						
Financial assets						
Cash and cash equivalents	-	-	-	-	981.6	981.6
Due from other financial institutions	-	-	-	-	215.7	215.7
Financial assets held to maturity	-	-	-	-	300.7	300.7
Financial assets held for trading	-	5,562.9	-	-	-	5,562.9
Financial assets available for sale	-	-	601.3	-	-	601.3
Loans & other receivables	-	-	-	55,531.6	-	55,531.6
Derivatives	63.8	-	-	-	-	63.8
Total financial assets	63.8	5,562.9	601.3	55,531.6	1,498.0	63,257.6
Financial liabilities						
Due to other financial institutions	-	-	-	-	202.7	202.7
Deposits	-	-	-	-	53,505.3	53,505.3
Notes payable	-	-	-	-	4,925.9	4,925.9
Derivatives	108.0	-	-	-	-	108.0
Convertible preference shares	-	-	-	-	819.5	819.5
Subordinated debt	-	-	-	-	592.6	592.6
Total financial liabilities	108.0	-	-	-	60,046.0	60,154.0
31 December 2014						
Financial assets						
Cash and cash equivalents	-	-	-	-	774.0	774.0
Due from other financial institutions	-	-	-	-	61.4	61.4
Financial assets held to maturity	-	-	-	-	273.8	273.8
Financial assets held for trading	-	5,872.2	-	-	-	5,872.2
Financial assets available for sale	-	-	696.0	-	-	696.0
Loans & other receivables	-	-	-	54,768.0	-	54,768.0
Derivatives	34.1	-	-	-	-	34.1
Total financial assets	34.1	5,872.2	696.0	54,768.0	1,109.2	62,479.5

3.7.10 Financial instruments (continued)

a) Measurement basis of financial assets and liabilities (continued)

	Held at fair value	At fair value through profit & loss	At fair value through reserves	Held at amortised cost		Total
	Derivatives	Held for trading	Available for sale	Loans and receivables	Other financial instruments	
	\$m	\$m	\$m	\$m	\$m	
31 December 2014						
Financial liabilities						
Due to other financial institutions	-	-	-	-	59.5	59.5
Deposits	-	-	-	-	52,956.4	52,956.4
Notes payable	-	-	-	-	5,150.6	5,150.6
Derivatives	111.6	-	-	-	-	111.6
Convertible preference shares	-	-	-	-	544.4	544.4
Subordinated debt	-	-	-	-	645.7	645.7
Total financial liabilities	111.6	-	-	-	59,356.6	59,468.2

b) Fair value measurement

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

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

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

Valuation of financial assets and liabilities

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

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

Level 1 - Quoted market prices

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

Level 2 - Valuation technique using observable inputs

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

Level 3 - Valuation technique using significant unobservable inputs

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

Financial assets and liabilities carried at fair value

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

	Level 1	Level 2	Level 3	Total fair value	Total carrying value
	\$m	\$m	\$m	\$m	\$m
31 December 2015					
Financial assets held for trading	-	5,657.8	-	5,657.8	5,657.8
Financial assets available for sale	2.4	560.4	22.4	585.2	585.2
Derivatives	-	63.8	-	63.8	63.8
Total financial assets carried at fair value	2.4	6,282.0	22.4	6,306.8	6,306.8
Derivatives	-	96.5	-	96.5	96.5
Total financial liabilities carried at fair value	-	96.5	-	96.5	96.5
30 June 2015					
Financial assets held for trading	-	5,562.9	-	5,562.9	5,562.9
Financial assets available for sale	2.4	576.7	22.2	601.3	601.3
Derivatives	-	63.8	-	63.8	63.8
Total financial assets carried at fair value	2.4	6,203.4	22.2	6,228.0	6,228.0
Derivatives	-	108.0	-	108.0	108.0
Total financial liabilities carried at fair value	-	108.0	-	108.0	108.0
31 December 2014					
Financial assets held for trading	-	5,872.2	-	5,872.2	5,872.2
Financial assets available for sale	2.3	672.5	21.2	696.0	696.0
Derivatives	-	34.1	-	34.1	34.1
Total financial assets carried at fair value	2.3	6,578.8	21.2	6,602.3	6,602.3
Derivatives	-	111.6	-	111.6	111.6
Total financial liabilities carried at fair value	-	111.6	-	111.6	111.6

Transfers between levels are deemed to have occurred at the beginning of the reporting period in which instruments are transferred.

There were no transfers between levels during the half year for the Group.

3.7.10 Financial instruments (continued)

b) Fair value measurement (continued)

Valuation methodology

Financial instruments - debt securities

Each month, independent valuations are determined by the middle office department of the Group's Risk division.

This involves an analysis of independently sourced data that is deemed most representative of the market. From this independent data which is made available by other financial institutions, market average valuations are calculated, and the value of debt securities are updated.

Financial instruments - equity investments

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

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

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

Derivatives

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

Movements in level 3 portfolio

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

Financial assets - equity investments	\$m
As at 30 June 2015	22.2
Gains or losses in equity	-
Purchases	0.2
Sales	-
Transfers in/out	-
As at 31 December 2015	22.4
Gains recognised in the income statement	-

Financial assets and liabilities carried at amortised cost

Valuation Hierarchy

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

	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying amount
	\$m	\$m	\$m	\$m	\$m
31 December 2015					
Financial assets					
Cash and cash equivalents	886.7	-	-	886.7	886.7
Due from other financial institutions	52.2	-	-	52.2	52.2
Financial assets held to maturity	-	308.9	-	308.9	308.9
Loans and other receivables	-	-	55,500.6	55,500.6	55,343.8
Financial liabilities					
Due to other financial institutions	58.7	-	-	58.7	58.7
Deposits	-	54,237.2	-	54,237.2	54,198.1
Notes payable	-	4,197.1	-	4,197.1	4,201.6
Convertible preference shares	795.0	-	-	795.0	821.6
Subordinated debt	-	577.0	-	577.0	583.3
30 June 2015					
Financial assets					
Cash and cash equivalents	981.6	-	-	981.6	981.6
Due from other financial institutions	215.7	-	-	215.7	215.7
Financial assets held to maturity	-	300.7	-	300.7	300.7
Loans and other receivables	-	-	55,721.4	55,721.4	55,531.6
Financial liabilities					
Due to other financial institutions	202.7	-	-	202.7	202.7
Deposits	-	53,578.7	-	53,578.7	53,505.3
Notes payable	-	4,896.5	-	4,896.5	4,925.9
Convertible preference shares	803.0	-	-	803.0	819.5
Subordinated debt	-	587.4	-	587.4	592.6

3.7.10 Financial instruments (continued)

b) Fair value measurement (continued)

31 December 2014	Level 1	Level 2	Level 3	Total Fair	Total
	\$m	\$m	\$m	Value	Carrying
				\$m	amount
Financial assets					
Cash and cash equivalents	774.0	-	-	774.0	774.0
Due from other financial institutions	61.4	-	-	61.4	61.4
Financial assets held to maturity	-	273.8	-	273.8	273.8
Loans and other receivables	-	-	54,933.9	54,933.9	54,768.0
Financial liabilities					
Due to other financial institutions	59.5	-	-	59.5	59.5
Deposits	-	53,037.2	-	53,037.2	52,956.4
Notes payable	-	5,216.8	-	5,216.8	5,150.6
Convertible preference shares	551.3	-	-	551.3	544.4
Subordinated debt	-	641.5	-	641.5	645.7

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

Valuation methodology

Cash and cash equivalents, due from/to other financial institutions

The carrying value for these assets and liabilities are a reasonable approximation of fair value.

Financial instruments - held to maturity

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

Loans and other receivables

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

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

Deposits

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

Notes payable

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

Convertible preference shares

The fair value for convertible preference shares is based on quoted market rates for the issue concerned as at period end.

Subordinated debt

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

3.7.11 Contingent assets and liabilities

(a) Contingent assets

As at 31 December 2015, the economic entity does not have any contingent assets (2014: Nil).

(b) Contingent liabilities

	Dec-15 \$m	Jun-15 \$m	Dec-14 \$m
Guarantees - the economic entity has issued guarantees on behalf of clients in the normal course of business	232.2	231.0	226.5
Other - documentary letters of credit	8.2	7.0	9.4

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.

3.8 Events after balance sheet date

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

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 2015 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
15 February 2016



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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 2015, the condensed income statement, the 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. The consolidated entity comprises 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*. The directors are also responsible for such internal controls that 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 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, 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.

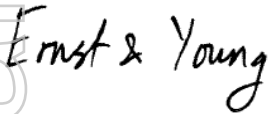
Independence

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:

- i giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Graeme McKenzie
Partner
Melbourne
15 February 2016



Luke Slater
Partner
Melbourne

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Bendigo and Adelaide Bank Ltd

ABN 11 068 049 178



**Bendigo and
Adelaide Bank**