

Appendix 4E

Full Year Results

For the period ended 30 June 2016

Released 8 August 2016

ABN 11 068 049 178



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Appendix 4E: Full year results

1.1 Company details and reporting period

Bendigo and Adelaide Bank Limited
ABN 11 068 049 178

Reporting period - twelve months ended: 30 June 2016
Previous corresponding period - twelve months ended: 30 June 2015

1.2 Results for announcement to the market

Income from operations up 0.6% to \$1,551.9 m

Profit after tax from ordinary activities attributable to Owners of the Company down 2.0% to \$415.6 m

Net profit after tax attributable to Owners of the Company down 2.0% to \$415.6 m

Dividends - current year 2016	Date Payable	Amount per security
Final dividend - fully franked	30 September 2016	34.0 cents
Record date for determining entitlements		7 September 2016

	Date Paid	Amount per security
Interim dividend - fully franked	31 March 2016	34.0 cents

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 1.6% to \$439.3 m

Cash earnings per share up 0.5% to 95.6 cents

See note 2.3.1 and 2.3.12.3 for full details

This Appendix 4E: Full year results should be read in conjunction with the media release and results presentation released to the ASX on 8 August 2016.

1.4 Net tangible assets per ordinary share

Refer to section 2.4.2 of the attached 30 June 2016 full 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 2.3.12.4 of the attached 30 June 2016 full year profit announcement.

1.7 Details of any dividend or distribution reinvestment plans in operation

Refer to section 2.3.12.4 of the attached 30 June 2016 full year profit announcement.

1.8 Details of associates and joint arrangement entities

Refer to section 2.4.3 of the attached 30 June 2016 full 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 Annual general meeting

The annual general meeting will be held as follows:

Place: Ulumbarra Theatre, Gaol Road, Bendigo, Victoria

Date: 25 October 2016

Time: 11 a.m. (Australian Eastern Daylight Saving Time)

1.12 Subsequent events

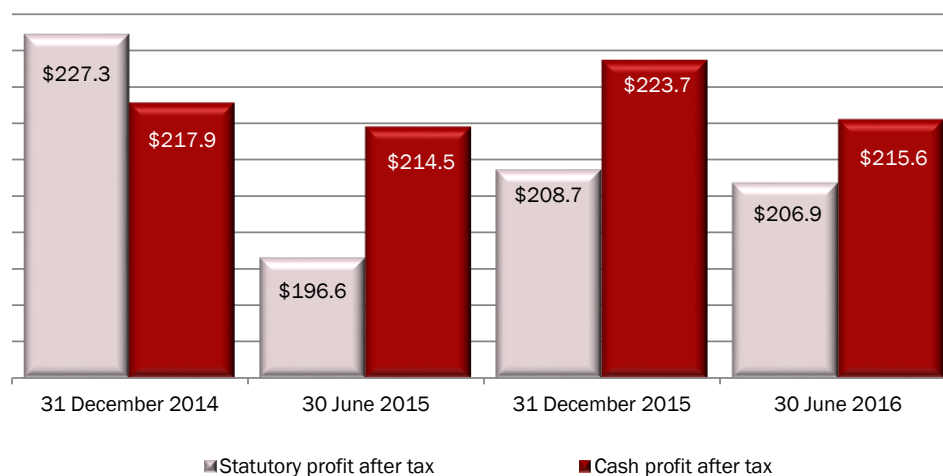
No other matters or circumstances have arisen since the end of the financial year to the date of this report which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

2 Full year results

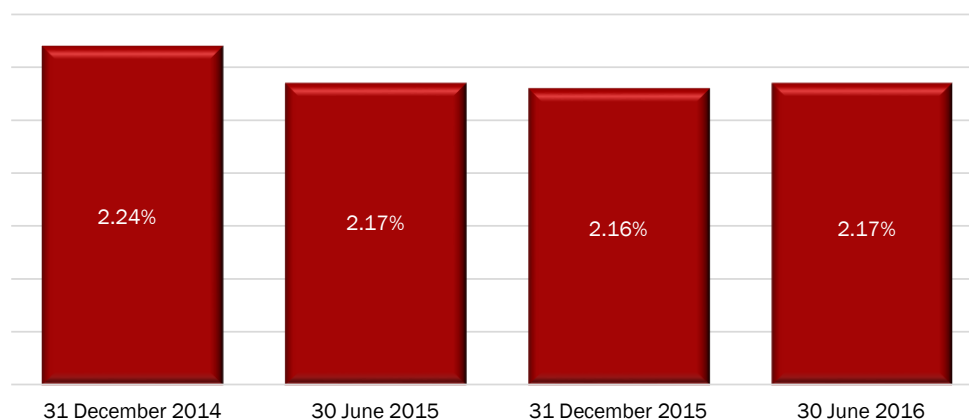
2.1 Financial highlights

	Jun-16 Half	Dec-15 Half	Total	Jun-15 Half	Dec-14 Half	Total	Jun-15 to Jun-16	
	\$m	\$m		\$m	\$m		\$m	%
Financial performance metrics								
Profit after tax attributable to Owners of the Company	206.9	208.7	415.6	196.6	227.3	423.9	(8.3)	(2.0)
Profit after tax and before specific items	209.0	216.6	425.6	208.6	212.0	420.6	5.0	1.2
Cash earnings (after tax)	215.6	223.7	439.3	214.5	217.9	432.4	6.9	1.6
Net interest income (before specific items)	584.9	587.4	1,172.3	580.0	604.1	1,184.1	(11.8)	(1.0)
Total other income (before specific items)	180.2	196.1	376.3	184.8	175.9	360.7	15.6	4.3
Bad and doubtful debts	23.5	20.6	44.1	38.2	30.1	68.3	(24.2)	(35.4)
Expenses (before specific items)	440.1	445.9	886.0	428.9	443.9	872.8	13.2	1.5
	%	%		%	%		% change	
Financial performance ratios								
Cost to income ratio	56.3%	55.6%	56.0%	54.9%	55.6%	55.1%	1.6	
Net interest margin before profit share arrangements	2.17%	2.16%	2.16%	2.17%	2.24%	2.20%	(1.8)	
Net interest margin after profit share arrangements	1.83%	1.84%	1.83%	1.86%	1.93%	1.89%	(3.2)	

Statutory profit and cash earnings (\$m)



Net interest margin before profit share arrangements (%)



2 Full year results (continued)

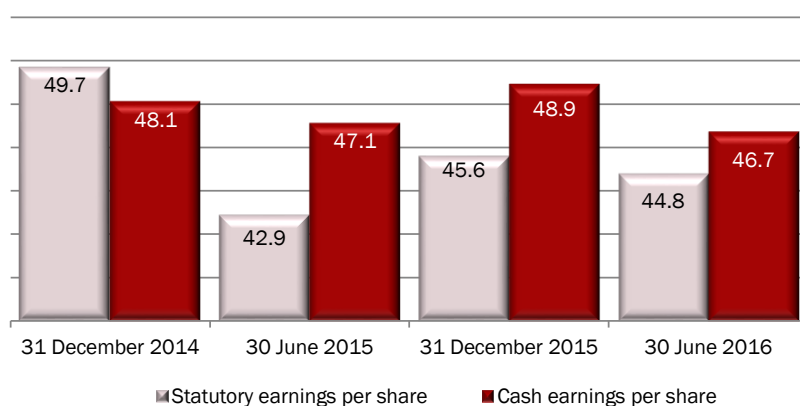
2.1 Financial highlights (continued)

	Jun-16	Dec-15	Total	Jun-15	Dec-14	Total	Jun-15	to
	Half	Half		Half	Half		Jun-16	
	\$m	\$m		\$m	\$m		\$m	%
Financial position metrics								
Ordinary equity	5,038.8	4,941.6	5,038.8	4,858.5	4,792.1	4,858.5	180.3	3.7
Retail deposits	49,891.1	47,563.2	49,891.1	46,222.7	45,376.4	46,222.7	3,668.4	7.9
Funds under management	4,684.1	4,517.7	4,684.1	4,165.8	3,808.2	4,165.8	518.3	12.4
Loans under management	58,227.6	56,354.7	58,227.6	56,540.6	55,801.3	56,540.6	1,687.0	3.0
New loan approvals	8,844.7	8,187.9	17,032.6	7,310.7	7,950.4	15,261.1	1,771.5	11.6
> Residential	5,588.3	5,263.9	10,852.2	4,604.4	5,253.6	9,858.0	994.2	10.1
> Non-residential	3,256.4	2,924.0	6,180.4	2,706.3	2,696.8	5,403.1	777.3	14.4
Total provisions and reserves for doubtful debts	325.6	322.1	325.6	322.7	318.2	322.7	2.9	0.9

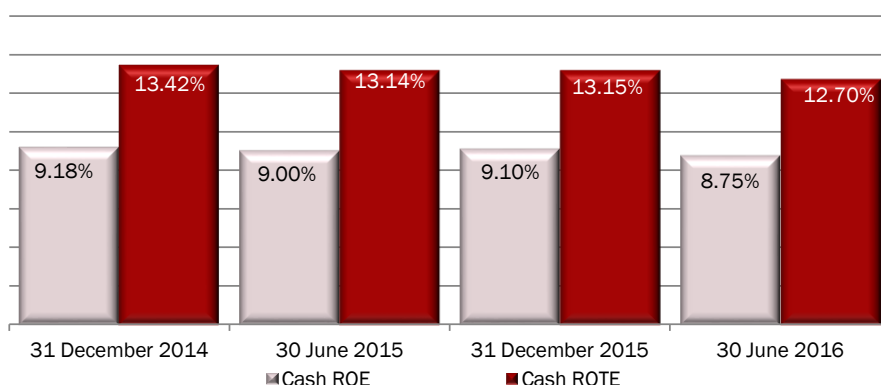
							bps change
Financial position ratios							
Return on average ordinary equity (after tax)	8.40%	8.52%	8.46%	8.19%	9.48%	8.84%	(0.38)
Return on average ordinary equity (cash basis)	8.75%	9.10%	8.94%	9.00%	9.18%	9.09%	(0.15)
Return on average tangible equity (cash basis)	12.70%	13.15%	12.94%	13.14%	13.42%	13.28%	(0.34)

							cps change
Key shareholder ratios							
Earnings per ordinary share (statutory basis)	44.8	45.6	90.4	42.9	49.7	92.5	(2.1)
Earnings per ordinary share (cash basis)	46.7	48.9	95.6	47.1	48.1	95.1	0.5
Dividend per share - fully franked	34.0	34.0	68.0	33.0	33.0	66.0	2.0

Statutory EPS and cash EPS (cents)



ROE and ROTE (%)



2.2 Financial statements

2.2.1 Income statement

For the year ended 30 June 2016

	Note	Jun-16 \$m	Jun-15 \$m
Income			
Interest income		2,699.0	2,945.2
Interest expense		(1,526.7)	(1,761.1)
Net interest income		1,172.3	1,184.1
Total non interest income	2.3.4	376.4	356.3
Share of net profit accounted for using the equity method	2.4.3	(0.1)	4.4
Total income		1,548.6	1,544.8
Expense			
Bad and doubtful debts	2.3.9	(44.1)	(68.3)
Operating expenses	2.3.5	(886.0)	(872.8)
Profit before income tax expense and specific items		618.5	603.7
Specific interest expense item	2.3.2	(4.6)	(6.5)
Specific income items before tax	2.3.2	7.9	4.9
Specific expense items before tax	2.3.2	(14.9)	(12.6)
Total specific items before tax		(11.6)	(14.2)
Profit before income tax expense		606.9	589.5
Income tax expense		(191.3)	(165.6)
Profit after income tax expense attributable to Owners of the Company		415.6	423.9
Adjusted for:			
Specific items after tax	2.3.2	10.0	(3.3)
Distributions accrued and/or paid on preference shares		-	(2.6)
Distributions accrued and/or paid on step-up preference shares		-	(0.9)
Amortisation of acquired intangibles after tax		13.7	15.3
Cash earnings		439.3	432.4
Earnings per ordinary share (cents per share)		cents	cents
Basic		90.4	92.5
Cash		95.6	95.1
Diluted		81.3	87.3
Franked dividends per share		68.0	66.0

2.2.2 Statement of comprehensive income For the year ended 30 June 2016

	Jun-16 \$m	Jun-15 \$m
Profit for the period ended 30 June	415.6	423.9
Items which may be reclassified subsequently to profit & loss:		
Net (loss)/gain on available for sale - equity investments	(0.1)	1.0
Transfer to income on sale of available for sale assets - equity investments	-	(2.6)
Net (loss) on cash flow hedges taken to equity	(2.0)	(17.3)
Transfer to income on reclassification from cash flow hedge reserve	-	(0.6)
Net unrealised (loss) on available for sale - debt securities	(3.3)	(0.6)
Transfer loss/(profit) on sale of available for sale assets - debt securities	1.1	(0.1)
Tax effect on items taken directly to or transferred from equity	1.3	6.1
Total items that may be reclassified to profit & loss	(3.0)	(14.1)
Items which will not be reclassified subsequently to profit & loss:		
Actuarial gain/(loss) on superannuation defined benefits plan	(1.4)	(1.6)
Tax effect on items taken directly to or transferred from equity	0.4	0.5
Total items that will not be reclassified to profit & loss	(1.0)	(1.1)
Total comprehensive income for the period	411.6	408.7
Total comprehensive income for the period attributable to:		
Owners of the Company	411.6	408.7

2.2.3 Balance sheet

As at 30 June 2016

	As at Jun-16 \$m	As at Jun-15 \$m
Assets		
Cash and cash equivalents	1,060.0	981.6
Due from other financial institutions	220.8	215.7
Financial assets held for trading	6,369.1	5,562.9
Financial assets available for sale	353.5	601.3
Financial assets held to maturity	382.8	300.7
Derivatives	79.0	63.8
Net loans and other receivables	57,253.6	55,531.6
Investments in joint ventures accounted for using the equity method	4.1	3.6
Property, plant and equipment	90.7	98.8
Deferred tax assets	131.3	146.4
Investment property	573.4	482.0
Goodwill and other intangible assets	1,634.7	1,580.5
Other assets	427.9	459.9
Total Assets	68,580.9	66,028.8
Liabilities		
Due to other financial institutions	267.4	202.7
Deposits	57,054.7	53,505.3
Notes payable	3,822.5	4,925.9
Derivatives	111.8	108.0
Income tax payable	34.5	18.2
Provisions	115.0	114.7
Deferred tax liabilities	114.7	111.8
Other payables	536.0	688.4
Convertible preference shares	824.4	819.5
Subordinated debt	583.4	592.6
Total Liabilities	63,464.4	61,087.1
Net Assets	5,116.5	4,941.7
Equity		
Share capital	4,288.2	4,223.6
Reserves	87.9	95.0
Retained earnings	740.4	623.1
Total Equity	5,116.5	4,941.7

2.2.4 Statement of changes in equity

For the year ended 30 June 2016

	Attributable to owners of Bendigo and Adelaide Bank Limited				Total equity \$m
	Issued	Other	Retained	Reserves	
	ordinary	issued	earnings		
	capital	capital			
	\$m	\$m	\$m	\$m	\$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	-	-	415.6	-	415.6
Other comprehensive income	-	-	(1.0)	(3.0)	(4.0)
Total comprehensive income for the period	-	-	414.6	(3.0)	411.6
Transactions with owners in their capacity as owners:					
Shares issued	63.0	-	-	-	63.0
Reduction in employee share ownership plan (ESOP) shares	-	1.6	-	-	1.6
Share based payment	-	-	3.5	(4.1)	(0.6)
Equity dividends	-	-	(300.8)	-	(300.8)
At 30 June 2016	4,298.4	(10.2)	740.4	87.9	5,116.5

For the year ended 30 June 2015

	Attributable to owners of Bendigo and Adelaide Bank Limited				Total equity \$m
	Issued	Other	Retained	Reserves	
	ordinary	issued	earnings		
	capital	capital			
	\$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	-	-	423.9	-	423.9
Other comprehensive income	-	-	(1.1)	(14.1)	(15.2)
Total comprehensive income for the period	-	-	422.8	(14.1)	408.7
Transactions with owners in their capacity as owners:					
Shares issued	52.4	(190.0)	-	-	(137.6)
Share issue expenses	(0.3)	1.5	(1.5)	-	(0.3)
Reduction in employee share ownership plan (ESOP) shares	-	4.4	-	-	4.4
Movement in general reserve for credit losses (GRCL)	-	-	(8.6)	8.6	-
Movement in operational risk reserve	-	-	(1.8)	1.8	-
Share based payment	-	-	-	(2.4)	(2.4)
Equity dividends	-	-	(297.6)	-	(297.6)
At 30 June 2015	4,235.4	(11.8)	623.1	95.0	4,941.7

2.2.5 Cash flow statement

For the year ended 30 June 2016

	Jun-16 \$m	Jun-15 \$m
Cash flows from operating activities		
Interest and other items of a similar nature received	2,636.1	2,868.4
Interest and other costs of finance paid	(1,492.8)	(1,713.3)
Receipts from customers (excluding effective interest)	299.3	292.2
Payments to suppliers and employees	(1,005.4)	(756.0)
Dividends received	2.1	1.2
Income taxes paid	(155.2)	(144.3)
Cash flows from operating activities before changes in operating assets and liabilities	284.1	548.2
(Increase)/decrease in operating assets		
Net increase in balance of loans and other receivables	(1,785.5)	(433.4)
Net (increase)/decrease in balance of investment securities	(650.9)	1,737.9
Increase/(decrease) in operating liabilities		
Net increase in balance of retail deposits	3,668.4	756.2
Net decrease in balance of wholesale deposits	(119.0)	(233.8)
Net decrease in balance of notes payable	(1,103.4)	(330.4)
Cash flows from operating activities	293.7	2,044.7
Cash flows related to investing activities		
Cash paid for purchases of property, plant and equipment	(15.8)	(26.3)
Cash proceeds from sale of property, plant and equipment	0.9	1.9
Cash paid for purchases of investment property	(49.4)	(41.4)
Cash proceeds from sale of investment property	37.6	27.8
Cash proceeds from sale of equity investments	-	16.5
Cash paid for purchases of equity investments	(2.1)	(2.9)
Net cash paid on acquisition of a business combination/acquisition	-	(1,678.5)
Net cash flows used in investing activities	(28.8)	(1,702.9)
Cash flows from financing activities		
Proceeds from issue of convertible preference shares	-	486.2
Repayment of preference shares	-	(102.1)
Payments to subordinated debt holders	(9.2)	(62.9)
Dividends paid	(237.9)	(247.8)
Repayment received for ESOP shares	1.6	4.4
Payment of share issue costs	(0.6)	(20.1)
Net cash flows from financing activities	(246.1)	57.7
Net increase in cash and cash equivalents	18.8	399.5
Cash and cash equivalents at the beginning of the period	994.6	595.1
Cash and cash equivalents at the end of period	1,013.4	994.6

2.3 Results commentary

2.3.1 Profit

	Full year ending				Six months ending			
	Jun-16	Jun-15	Change		Jun-16	Dec-15	Change	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Profit before tax	606.9	589.5	17.4	3.0	299.1	307.8	(8.7)	(2.8)
Specific items before tax	11.6	14.2	(2.6)	(18.3)	2.4	9.2	(6.8)	(73.9)
Profit before tax and specific items	618.5	603.7	14.8	2.5	301.5	317.0	(15.5)	(4.9)
Profit after tax attributable to Owners of the Company	415.6	423.9	(8.3)	(2.0)	206.9	208.7	(1.8)	(0.9)
Specific items after tax	10.0	(3.3)	13.3	(403.0)	2.1	7.9	(5.8)	(73.4)
Profit after tax before specific items	425.6	420.6	5.0	1.2	209.0	216.6	(7.6)	(3.5)
Adjusted for:								
Amortisation of acquired intangibles after tax	13.7	15.3	(1.6)	(10.5)	6.6	7.1	(0.5)	(7.0)
Distributions accrued and/or paid on preference shares	-	(2.6)	2.6	(100.0)	-	-	-	-
Distributions accrued and/or paid on step-up preference shares	-	(0.9)	0.9	(100.0)	-	-	-	-
Cash earnings after tax	439.3	432.4	6.9	1.6	215.6	223.7	(8.1)	(3.6)

2.3.2 Specific items

The reported profit after tax for the year ended 30 June 2016 \$415.6 million included the following specific items:

	Jun-16		Jun-15	
	Before Tax	After Tax	Before Tax	After Tax
	\$m	\$m	\$m	\$m
Items included in interest income				
Fair value adjustments - interest expense	(4.6)	(3.2)	(6.5)	(4.6)
Total specific net interest income items	(4.6)	(3.2)	(6.5)	(4.6)
Items included in non interest income				
Hedge ineffectiveness	7.9	5.5	0.1	-
Profit on sale of investment in joint venture	-	-	4.8	3.4
Total specific non interest income items	7.9	5.5	4.9	3.4
Items included in operating expenses				
Integration costs	(11.1)	(7.8)	(8.4)	(6.0)
Impairment charge	(2.3)	(2.1)	(1.5)	(1.5)
Litigation costs	(1.5)	(1.0)	(2.7)	(1.9)
Total specific operating expense items	(14.9)	(10.9)	(12.6)	(9.4)
Items included in income tax expense				
Income tax benefit relating to mergers and acquisitions	-	-	-	16.7
Tax impacts relating to prior year impairment losses	-	(1.4)	-	(2.8)
Total specific income tax benefit	-	(1.4)	-	13.9
Total specific items attributable to the Group	(11.6)	(10.0)	(14.2)	3.3

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.

June 2015

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 Alliance Partners, Rural Finance and Delphi.

Impairment charge - Equity investment - HUB IT Pty Ltd (\$1.6m), intangible asset - customer list for Wheeler acquisition (\$0.7m).

Litigation costs - costs incurred in relation to a Rural Bank legal case, not recovered from insurance claims.

June 2015

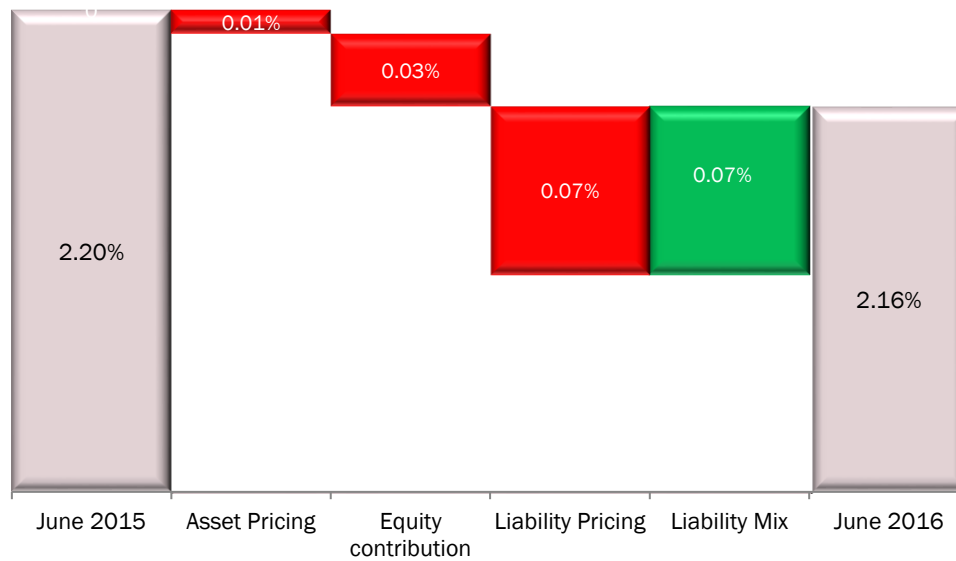
Impairment charge - Investment in associates - Vic West Community Enterprise Pty Ltd.

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 portfolios. This was partially offset following repricing of mortgage loans during the first half.

Equity contribution - The contribution to margin from net free liabilities and equity reduced, reflecting the lower margin earned by assets funded by these balances.

Liability pricing - the competitive funding environment continues to put pressure on deposit margin following the reductions in cash rate.

Liability mix - the continued strong at-call deposit growth has had a positive impact on the total cost of deposit funding.

2.3.4 Income

	Full year ending				Six months ending			
	Jun-16	Jun-15	Change		Jun-16	Dec-15	Change	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Net interest income	1,172.3	1,184.1	(11.8)	(1.0)	584.9	587.4	(2.5)	(0.4)
Specific items - interest income	(4.6)	(6.5)	1.9	(29.2)	(2.1)	(2.5)	0.4	(16.0)
Total net interest income	1,167.7	1,177.6	(9.9)	(0.8)	582.8	584.9	(2.1)	(0.4)
Other income								
Fees								
Asset products	63.9	67.8	(3.9)	(5.8)	32.5	31.4	1.1	3.5
Liability and other products	88.0	92.4	(4.4)	(4.8)	42.1	45.9	(3.8)	(8.3)
Trustee, management and other services	5.6	5.4	0.2	3.7	3.1	2.5	0.6	24.0
Commissions								
Wealth solutions	45.9	44.6	1.3	2.9	22.9	23.0	(0.1)	(0.4)
Insurance	20.5	18.6	1.9	10.2	11.5	9.0	2.5	27.8
Foreign exchange income	20.8	19.4	1.4	7.2	9.9	10.9	(1.0)	(9.2)
Homesafe trust	79.7	63.4	16.3	25.7	25.2	54.5	(29.3)	(53.8)
Other	52.0	44.7	7.3	16.3	32.7	19.3	13.4	69.4
Total other income before specific items	376.4	356.3	20.1	5.6	179.9	196.5	(16.6)	(8.4)
Share of net profit accounted for using the equity method	(0.1)	4.4	(4.5)	(102.3)	0.3	(0.4)	0.7	(175.0)
Total other income before specific items	376.3	360.7	15.6	4.3	180.2	196.1	(15.9)	(8.1)
Specific items - non interest income	7.9	4.9	3.0	61.2	7.3	0.6	6.7	1,116.7
Total income	1,551.9	1,543.2	8.7	0.6	770.3	781.6	(11.3)	(1.4)

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

Net interest income decreased by \$9.9 million, or 0.8%. Refer to 2.3.3 for further analysis. \$7.2 million (June 2015 \$3.0m) has been expensed for the committed liquidity facility.

Fees decreased by \$8.1 million, or 4.9%, primarily due to a higher cost in interchange fees particularly for contactless electronic transactions.

Commissions increased by \$3.2 million, or 5.1%, due to increased volume of third party products sold, including insurance and wealth commissions received as a responsible entity.

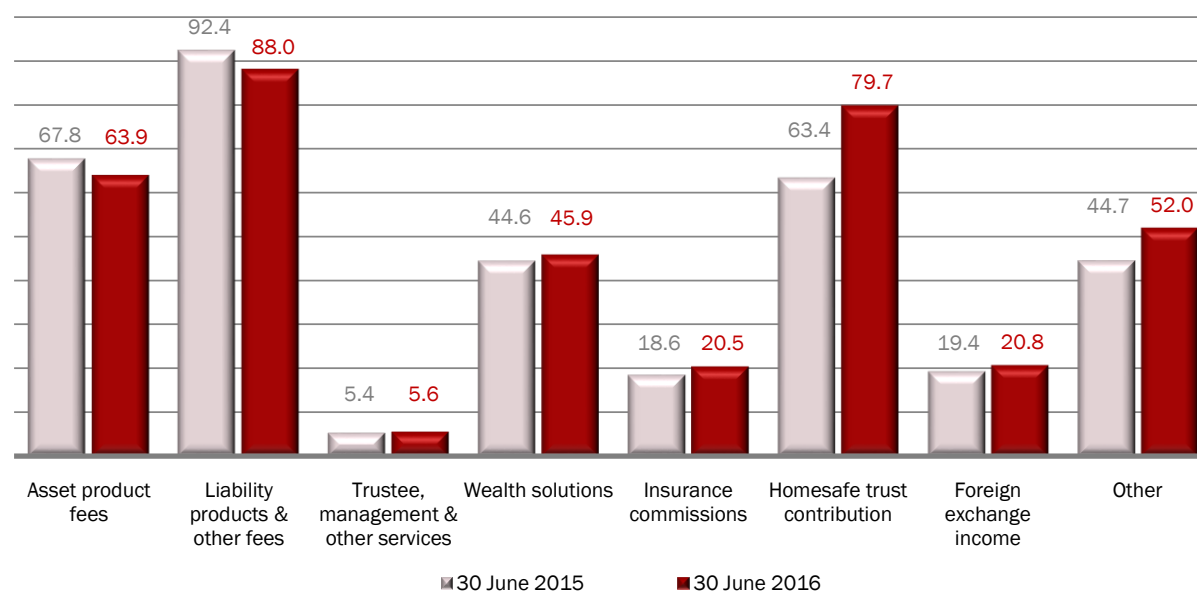
Homesafe trust income was \$16.3 million higher primarily due to strong increases in residential property markets of Melbourne and Sydney and the continued growth and maturation of this portfolio.

Other income includes factoring income, franchise fees and telecommunications income. Trading revaluation investment income increased \$1.1 million. Dividend income received \$1.6 million.

Specific items - non interest income increased by \$3.0 million. Refer to 2.3.2 for further detail.

Non-interest income

\$m



2.3.5 Operating expenses

	Full year ending				Six months ending			
	Jun-16	Jun-15	Change		Jun-16	Dec-15	Change	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Staff and related costs	479.2	464.2	15.0	3.2	237.2	242.0	(4.8)	(2.0)
Occupancy costs	94.7	94.6	0.1	0.1	46.3	48.4	(2.1)	(4.3)
Information technology costs	69.7	70.1	(0.4)	(0.6)	33.9	35.8	(1.9)	(5.3)
Amortisation of acquired intangibles	19.5	21.9	(2.4)	(11.0)	9.4	10.1	(0.7)	(6.9)
Amortisation of software intangibles	15.4	14.2	1.2	8.5	7.9	7.5	0.4	5.3
Property, plant and equipment costs	11.1	11.1	-	-	5.6	5.5	0.1	1.8
Fees and commissions	36.8	35.9	0.9	2.5	18.5	18.3	0.2	1.1
Communications, postage and stationery	34.4	34.4	-	-	17.6	16.8	0.8	4.8
Advertising and promotion	30.9	33.1	(2.2)	(6.6)	17.1	13.8	3.3	23.9
Other product and services delivery costs	34.0	32.9	1.1	3.3	17.0	17.0	-	-
Other administration expenses	60.3	60.4	(0.1)	(0.2)	29.6	30.7	(1.1)	(3.6)
Total operating expenses	886.0	872.8	13.2	1.5	440.1	445.9	(5.8)	(1.3)
Specific items	14.9	12.6	2.3	18.3	7.6	7.3	0.3	4.1
Total expenses	900.9	885.4	15.5	1.8	447.7	453.2	(5.5)	(1.2)

	Change				Change			
	Jun-16	Jun-15	%	Jun-16	Dec-15	%		
Expenses to income ¹	56.0%	55.1%	0.9	1.6	56.3%	55.6%	0.7	1.3
Expenses to average assets	1.30%	1.30%	-	-	1.29%	1.30%	(0.01)	(0.8)
Number of staff (full-time equivalent)	4,531	4,628	(97)	(2.1)	4,531	4,589	(58)	(1.3)
Staff and related costs to income ²	30.5%	29.9%	0.6	2.0	30.4%	30.7%	(0.3)	(1.0)

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.

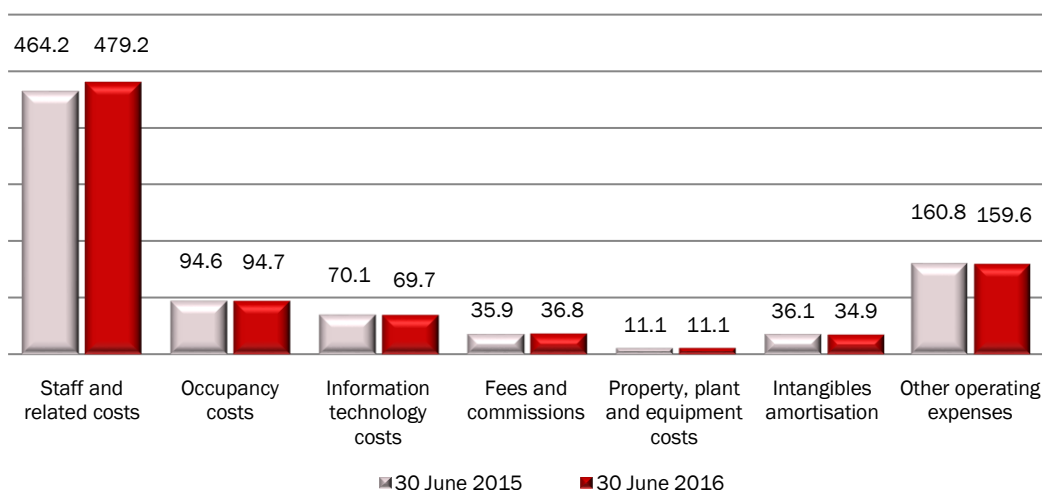
Comments on individual expense categories when compared to the previous corresponding period are:

Staff and related costs increased by \$15.0 million, or 3.2% (2.3% excluding redundancy costs), due to wage and salary increases effective September 2015.

Redundancy costs increased by \$4.0 million to \$6.1 million (June 2015 \$2.1 million).

Advertising and promotion costs decreased by \$2.2 million, or 6.6% as the prior period included the 'Bigger than a Bank' marketing campaign.

Operating expenses (\$m)



2.3.6 Segment results

Segment reporting

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

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

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

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

Changes to the internal organisational structure of the Group, can cause the Group's operating segment results to change. Where this occurs, the corresponding segment information for the previous financial year is restated.

Types of products and services

Local connection

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

Partner connection

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

Agribusiness

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

Central functions

Functions not relating directly to a reportable operating segment.

Accounting policies and inter-segment transactions

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

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

Major customers

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

Geographic Information

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

2.3.6 Segment results

For the year ended 30 June 2016

	Operating segments			Total operating segments	Central functions	Total
	Local connection	Partner connection	Agribusiness			
	\$m	\$m	\$m			
Net interest income	734.0	264.2	174.1	1,172.3	-	1,172.3
Other income	185.8	164.4	9.1	359.3	17.1	376.4
Share of net profit accounted for using the equity method	-	-	-	-	(0.1)	(0.1)
Total segment income	919.8	428.6	183.2	1,531.6	17.0	1,548.6
Operating expenses	(635.4)	(177.4)	(73.2)	(886.0)	-	(886.0)
Credit expenses	(20.8)	(13.5)	(9.8)	(44.1)	-	(44.1)
Segment result (before specific items & tax expense)	263.6	237.7	100.2	601.5	17.0	618.5
Specific income & (expense) items	(0.8)	(10.5)	(6.7)	(18.0)	6.4	(11.6)
Segment result (before tax expense)	262.8	227.2	93.5	583.5	23.4	606.9
Specific tax items	-	-	-	-	(1.4)	(1.4)
Tax expense	(82.2)	(71.1)	(29.2)	(182.5)	(7.4)	(189.9)
Segment result (statutory basis)	180.6	156.1	64.3	401.0	14.6	415.6
Cash basis adjustments:						
Specific income & expense items	0.6	7.3	4.6	12.5	(2.5)	10.0
Amortisation of intangibles	4.5	4.5	4.7	13.7	-	13.7
Segment result (Cash basis)	185.7	167.9	73.6	427.2	12.1	439.3

For the year ended 30 June 2015

	Operating segments			Total operating segments	Central functions	Total
	Local connection	Partner connection	Agribusiness			
	\$m	\$m	\$m			
Net interest income	725.6	277.3	181.2	1,184.1	-	1,184.1
Other income	186.3	148.9	8.5	343.7	12.6	356.3
Share of net profit accounted for using the equity method	-	-	-	-	4.4	4.4
Total segment income	911.9	426.2	189.7	1,527.8	17.0	1,544.8
Operating expenses	(617.4)	(179.0)	(76.4)	(872.8)	-	(872.8)
Credit expenses	(22.1)	(32.8)	(13.4)	(68.3)	-	(68.3)
Segment result (before specific items & tax expense)	272.4	214.4	99.9	586.7	17.0	603.7
Specific income & (expense) items	(1.5)	(8.1)	(9.5)	(19.1)	4.9	(14.2)
Segment result (before tax expense)	270.9	206.3	90.4	567.6	21.9	589.5
Specific tax items	-	-	-	-	13.9	13.9
Tax expense	(82.5)	(62.9)	(27.5)	(172.9)	(6.6)	(179.5)
Segment result (statutory basis)	188.4	143.4	62.9	394.7	29.2	423.9
Cash basis adjustments:						
Specific income & expense items	1.5	5.7	6.8	14.0	(17.3)	(3.3)
Distributions accrued and/or paid on preference share	-	-	-	-	(3.5)	(3.5)
Amortisation of intangibles	4.6	5.7	5.0	15.3	-	15.3
Segment result (Cash basis)	194.5	154.8	74.7	424.0	8.4	432.4

2.3.6 Segment results (continued)

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

Reportable segment assets and liabilities

	As at 30 June 2016	As at 30 June 2015
Total assets for operating segments	68,580.9	66,028.8
Total assets	68,580.9	66,028.8
Total liabilities for operating segments	59,641.9	56,161.2
Securitisation funding	3,822.5	4,925.9
Total liabilities	63,464.4	61,087.1

2.3.7 Lending

	Full year ending				Six months ending			
	Jun-16	Jun-15	Change		Jun-16	Dec-15	Change	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Approvals - by security								
Residential	10,852.2	9,858.0	994.2	10.1	5,588.3	5,263.9	324.4	6.2
Non-residential	6,180.4	5,403.1	777.3	14.4	3,256.4	2,924.0	332.4	11.4
Total approvals	17,032.6	15,261.1	1,771.5	11.6	8,844.7	8,187.9	656.8	8.0
	As at	As at	Change		As at	As at	Change	
	Jun-16	Jun-15	Change		Jun-16	Dec-15	Change	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Gross loan balance - by security								
Residential ¹	39,818.7	38,297.9	1,520.8	4.0	39,818.7	38,379.9	1,438.8	3.7
Business								
Accommodation and food services	415.3	391.0	24.3	6.2	415.3	411.8	3.5	0.8
Administrative and support services	39.0	40.3	(1.3)	(3.2)	39.0	42.1	(3.1)	(7.4)
Agriculture, forestry and fishing	5,934.6	6,009.8	(75.2)	(1.3)	5,934.6	5,677.0	257.6	4.5
Arts and recreation services	100.3	102.8	(2.5)	(2.4)	100.3	104.3	(4.0)	(3.8)
Construction	1,141.6	1,100.3	41.3	3.8	1,141.6	1,059.7	81.9	7.7
Education and training	70.2	68.7	1.5	2.2	70.2	66.0	4.2	6.4
Electricity, gas, water and waste services	24.0	26.5	(2.5)	(9.4)	24.0	24.5	(0.5)	(2.0)
Financial and insurance services	438.1	389.1	49.0	12.6	438.1	377.4	60.7	16.1
Health care and social assistance	391.7	355.8	35.9	10.1	391.7	376.3	15.4	4.1
Information media & telecommunications	31.3	22.4	8.9	39.7	31.3	30.7	0.6	2.0
Manufacturing	303.4	257.4	46.0	17.9	303.4	278.5	24.9	8.9
Mining	25.0	19.6	5.4	27.6	25.0	20.5	4.5	22.0
Other Services	208.1	213.3	(5.2)	(2.4)	208.1	219.0	(10.9)	(5.0)
Professional, scientific & technical services	281.6	249.1	32.5	13.0	281.6	290.4	(8.8)	(3.0)
Public administration and safety	92.5	90.0	2.5	2.8	92.5	90.6	1.9	2.1
Rental, hiring and real estate services	4,080.3	4,010.1	70.2	1.8	4,080.3	4,015.0	65.3	1.6
Retail trade	447.3	479.2	(31.9)	(6.7)	447.3	429.9	17.4	4.0
Transport, postal and warehousing	150.2	156.8	(6.6)	(4.2)	150.2	150.7	(0.5)	(0.3)
Wholesale trade	184.4	164.7	19.7	12.0	184.4	186.5	(2.1)	(1.1)
Other	281.7	277.7	4.0	1.4	281.7	271.9	9.8	3.6
Total business	14,640.6	14,424.6	216.0	1.5	14,640.6	14,122.8	517.8	3.7
Margin lending	1,742.4	1,792.2	(49.8)	(2.8)	1,742.4	1,793.0	(50.6)	(2.8)
Unsecured	909.3	871.9	37.4	4.3	909.3	902.4	6.9	0.8
Other	360.5	343.9	16.6	4.8	360.5	346.8	13.7	4.0
Total gross loan balance	57,471.5	55,730.5	1,741.0	3.1	57,471.5	55,544.9	1,926.6	3.5
Gross loan balance - by purpose								
Residential	38,100.0	36,294.4	1,805.6	5.0	38,100.0	36,647.7	1,452.3	4.0
Consumer	2,778.5	2,677.0	101.5	3.8	2,778.5	2,660.9	117.6	4.4
Margin lending	1,742.4	1,792.2	(49.8)	(2.8)	1,742.4	1,793.0	(50.6)	(2.8)
Commercial	14,850.6	14,966.9	(116.3)	(0.8)	14,850.6	14,443.3	407.3	2.8
Total gross loan balance	57,471.5	55,730.5	1,741.0	3.1	57,471.5	55,544.9	1,926.6	3.5
Loans under management (gross balance)								
On-balance sheet	57,471.5	55,730.5	1,741.0	3.1	57,471.5	55,544.9	1,926.6	3.5
Off-balance sheet loans under management	756.1	810.1	(54.0)	(6.7)	756.1	809.8	(53.7)	(6.6)
Total Group loans under management	58,227.6	56,540.6	1,687.0	3.0	58,227.6	56,354.7	1,872.9	3.3

¹ Effective from January 2016 terms and conditions of certain loan products were changed. These accounts have been split into two components, a loan and a deposit. The movement from loans to deposits was \$606.0m.

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.

2.3.8 Asset quality

	As at	As at	Change		As at	As at	Change	
	Jun-16	Jun-15	\$m	%	Jun-16	Dec-15	\$m	%
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Impaired loans ¹								
Full-performing ²	1.2	0.9	0.3	33.3	1.2	1.2	-	0.0
Part-performing ³	65.4	73.9	(8.5)	(11.5)	65.4	69.5	(4.1)	(5.9)
Non-performing	237.1	247.4	(10.3)	(4.2)	237.1	235.7	1.4	0.6
Restructured loans	46.5	3.4	43.1	1,267.6	46.5	50.9	(4.4)	(8.6)
Total impaired assets	350.2	325.6	24.6	7.6	350.2	357.3	(7.1)	(2.0)
Less: specific impairment provisions	(124.4)	(116.1)	(8.3)	7.1	(124.4)	(117.6)	(6.8)	5.8
Net impaired assets	225.8	209.5	16.3	7.8	225.8	239.7	(13.9)	(5.8)
Portfolio facilities - past due 90 days, not well secured	4.8	4.2	0.6	14.3	4.8	5.2	(0.4)	(7.7)
Less: specific impairment provisions	(0.9)	(0.7)	(0.2)	28.6	(0.9)	(0.6)	(0.3)	50.0
Net portfolio facilities	3.9	3.5	0.4	11.4	3.9	4.6	(0.7)	(15.2)
Past due 90 days								
Well secured (excluding commercial arrangement loans)	396.9	362.7	34.2	9.4	396.9	341.0	55.9	16.4
Great Southern portfolio	157.9	235.0	(77.1)	(32.8)	157.9	195.4	(37.5)	(19.2)
Ratios	%	%	%		%	%	%	
Total impaired loans to gross loans	0.61%	0.58%	0.03%		0.61%	0.64%	(0.03%)	
Total impaired loans to total assets	0.51%	0.49%	0.02%		0.51%	0.54%	(0.03%)	
Net impaired loans to gross loans	0.39%	0.38%	0.01%		0.39%	0.43%	(0.04%)	
Provision coverage ⁴	93.0%	99.1%	(6.1%)		93.0%	90.1%	2.9%	

¹ A facility is classified as impaired regardless of whether it is 90 days or more past due (arrears) when there is doubt as to whether the full amounts due (interest and principal) will be achieved in a timely manner. This is the case even if the full extent of the loss cannot be clearly determined.

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

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

⁴ Provision coverage is calculated as total provisions and reserves for doubtful debts - divided by total impaired assets.

2.3.9 Bad and doubtful debts

	Full year ending				Six months ending			
	Jun-16	Jun-15	Change		Jun-16	Dec-15	Change	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Bad and doubtful debts expense								
Bad debts written off	4.4	4.3	0.1	2.3	4.2	0.2	4.0	2,000.0
Provision doubtful debts - expense	52.5	66.9	(14.4)	(21.5)	28.5	24.0	4.5	18.8
Total bad and doubtful debts expense	56.9	71.2	(14.3)	(20.1)	32.7	24.2	8.5	35.1
Less: Bad debts recovered	12.8	2.9	9.9	341.4	9.2	3.6	5.6	155.6
Bad and doubtful debts net of recoveries	44.1	68.3	(24.2)	(35.4)	23.5	20.6	2.9	14.1

	As at Jun-16				As at Dec-15			
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Provisions and reserves								
Provision for doubtful debts - specific	125.3	116.8	8.5	7.3	125.3	118.2	7.1	6.0
Provision for doubtful debts - collective	53.4	59.0	(5.6)	(9.5)	53.4	57.0	(3.6)	(6.3)
General reserve for credit losses	146.9	146.9	-	-	146.9	146.9	-	-
Total provisions and reserve for doubtful debts	325.6	322.7	2.9	0.9	325.6	322.1	3.5	1.1

	As at Jun-16			As at Dec-15		
	%	%	Change	%	%	Change
Ratios						
Loan write-offs (annualised) to average assets	0.08%	0.09%	(0.01%)	0.09%	0.07%	0.02%
Loan write-offs (annualised) to gross loans	0.09%	0.10%	(0.01%)	0.10%	0.09%	0.01%
Total provision/reserve for doubtful debts to gross loans	0.57%	0.58%	(0.01%)	0.57%	0.58%	(0.01%)
Collective provision and GRCL to risk-weighted assets	0.55%	0.59%	(0.04%)	0.55%	0.59%	(0.04%)

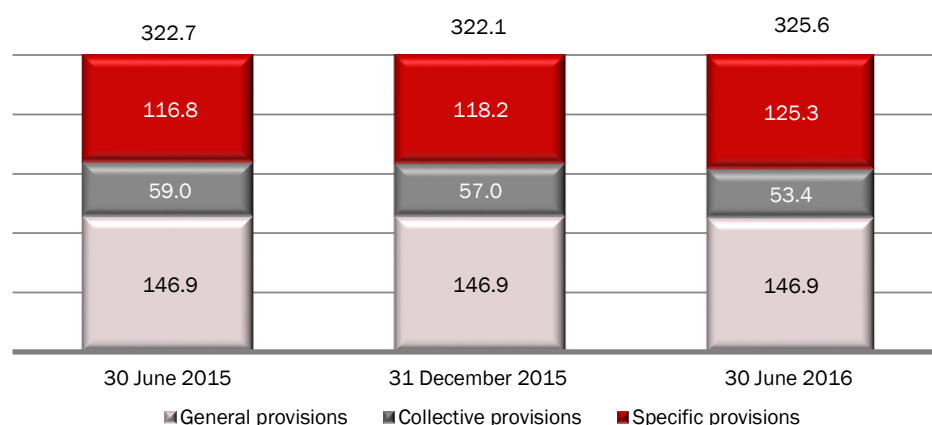
	Specific	Collective	GRCL	Total
	\$m	\$m	\$m	\$m
Movements in provisions and reserves				
Balance at July 2015	116.8	59.0	146.9	322.7
Provision for doubtful debts expense to profit and loss	58.1	(5.6)	-	52.5
Bad debts written off - previously provided for	(49.6)	-	-	(49.6)
Balance at 30 June 2016	125.3	53.4	146.9	325.6

Balance at July 2014	114.4	42.8	138.3	295.5
Provision for doubtful debts expense to profit and loss	53.9	13.0	-	66.9
Bad debts written off - previously provided for	(53.6)	-	-	(53.6)
Business acquisition - Rural Finance	2.1	3.2	8.6	13.9
Balance at 30 June 2015	116.8	59.0	146.9	322.7

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

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

Total provisions and reserves for doubtful debts (\$m)



2.3.10 Deposits and funds under management

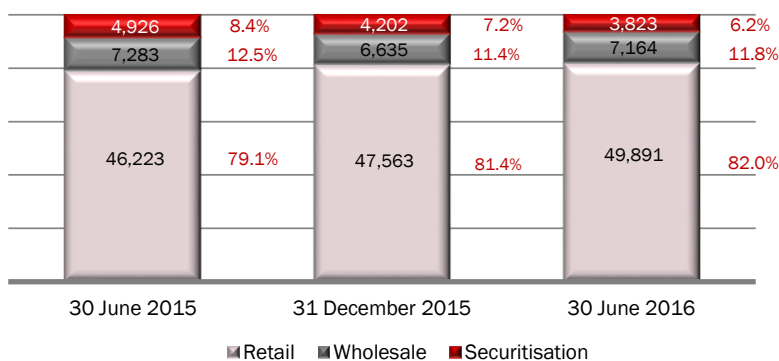
	As at		Change		As at		Change	
	Jun-16	Jun-15	\$m	%	Jun-16	Dec-15	\$m	%
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Deposits and funds under management								
Deposits ¹	57,054.7	53,505.3	3,549.4	6.6	57,054.7	54,198.1	2,856.6	5.3
Securitisation	3,822.5	4,925.9	(1,103.4)	(22.4)	3,822.5	4,201.6	(379.1)	(9.0)
Managed funds	4,684.1	4,165.8	518.3	12.4	4,684.1	4,517.7	166.4	3.7
Total deposits and funds under management	65,561.3	62,597.0	2,964.3	4.7	65,561.3	62,917.4	2,643.9	4.2
Deposits dissection - \$m								
Retail	49,891.1	46,222.7	3,668.4	7.9	49,891.1	47,563.2	2,327.9	4.9
Wholesale	7,163.6	7,282.6	(119.0)	(1.6)	7,163.6	6,634.9	528.7	8.0
Securitisation	3,822.5	4,925.9	(1,103.4)	(22.4)	3,822.5	4,201.6	(379.1)	(9.0)
Total deposits	60,877.2	58,431.2	2,446.0	4.2	60,877.2	58,399.7	2,477.5	4.2
Deposits dissection - %								
Retail	82.0%	79.1%			82.0%	81.4%		
Wholesale	11.8%	12.5%			11.8%	11.4%		
Securitisation	6.2%	8.4%			6.2%	7.2%		
Total deposits	100.0%	100.0%			100.0%	100.0%		
Managed funds dissection								
Assets under management	2,060.7	1,919.2	141.5	7.4	2,060.7	2,045.6	15.1	0.7
Other managed funds	2,623.4	2,246.6	376.8	16.8	2,623.4	2,472.1	151.3	6.1
Total managed funds	4,684.1	4,165.8	518.3	12.4	4,684.1	4,517.7	166.4	3.7

¹ Effective from January 2016 terms and conditions of certain loan products were changed. These accounts have been split into two components, a loan and a deposit. The movement from loans to deposits was \$606.0m.

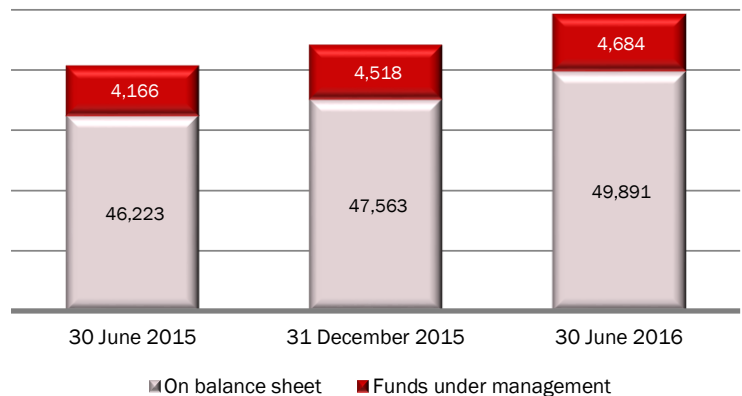
Assets under management include those funds deposited in the Sandhurst Trustees Limited Common Funds, which are invested in cash, cash enhanced and mortgage investments on behalf of investors. These funds are off-balance sheet.

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)



2.3.11 Average balance sheet

For the year ended 30 June 2016

	30 June 2016			30 June 2015		
	Average	Interest	Average	Average	Interest	Average
	Balance	12 mths	Rate	Balance	12 mths	Rate
	\$m	\$m	%	\$m	\$m	%
Average balances and rates ¹						
Interest earning assets						
Cash and investments	7,904.9	159.6	2.02	7,715.0	186.7	2.42
Loans and other receivables ²	56,029.2	2,539.4	4.53	54,858.5	2,758.5	5.03
Total interest earning assets ³	63,934.1	2,699.0	4.22	62,573.5	2,945.2	4.71
Non interest earning assets						
Provisions for doubtful debts	(175.2)			(165.4)		
Other assets	3,002.7			3,092.2		
Total non interest earning assets	2,827.5			2,926.8		
Total assets (average balance)	66,761.6			65,500.3		
Interest bearing liabilities						
Deposits						
Retail	47,853.9	(1,120.7)	(2.34)	45,754.9	(1,291.6)	(2.82)
Wholesale - domestic	6,694.8	(198.4)	(2.96)	6,905.9	(225.6)	(3.27)
Wholesale - offshore	348.5	(10.3)	(2.96)	493.9	(16.0)	(3.24)
Notes payable	4,265.6	(127.5)	(2.99)	4,894.1	(166.5)	(3.40)
Convertible preference shares	821.7	(37.7)	(4.59)	478.8	(23.9)	(4.99)
Subordinated debt	585.6	(32.1)	(5.48)	631.4	(37.5)	(5.94)
Total interest bearing liabilities ³	60,570.1	(1,526.7)	(2.52)	59,159.0	(1,761.1)	(2.98)
Non interest bearing liabilities and equity						
Other liabilities	1,198.6			1,393.5		
Equity	4,992.9			4,947.8		
Total liabilities and equity (average balance)	66,761.6			65,500.3		
Interest margin and interest spread						
Interest earning assets	63,934.1	2,699.0	4.22	62,573.5	2,945.2	4.71
Interest bearing liabilities	(60,570.1)	(1,526.7)	(2.52)	(59,159.0)	(1,761.1)	(2.98)
Net interest income and interest spread ⁴		1,172.3	1.70		1,184.1	1.73
Net free liabilities and equity			0.13			0.16
Net interest margin ⁵			1.83			1.89
Impact of profit share arrangements						
Net interest margin			1.83			1.89
Add: impact of profit share arrangements			0.33			0.31
Net interest margin before profit share arrangements			2.16			2.20

1 Average balance is based on monthly closing balances.

2 Loans and receivables excludes specific items (June 2016 \$4.6m and June 2015 \$6.5m).

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 Average balance sheet

For the six months ended 30 June 2016

	30 June 2016			31 December 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	7,855.5	77.2	1.98	7,890.6	82.4	2.07
Loans and other receivables ²	56,440.1	1,257.0	4.48	55,534.3	1,282.4	4.58
Total interest earning assets ³	64,295.6	1,334.2	4.17	63,424.9	1,364.8	4.27
Non interest earning assets						
Provisions for doubtful debts	(176.7)			(173.7)		
Other assets	2,987.8			3,016.9		
Total non interest earning assets	2,811.1			2,843.2		
Total assets (average balance)	67,106.7			66,268.1		
Interest bearing liabilities						
Deposits						
Retail	48,633.0	(552.5)	(2.28)	47,033.3	(568.2)	(2.40)
Wholesale - domestic	6,521.6	(97.6)	(3.01)	6,811.8	(100.8)	(2.94)
Wholesale - offshore	353.1	(5.2)	(2.96)	341.8	(5.1)	(2.96)
Notes payable	4,008.4	(59.1)	(2.97)	4,513.6	(68.4)	(3.01)
Convertible Preference Shares	823.0	(18.9)	(4.62)	820.3	(18.8)	(4.55)
Subordinated debt	583.5	(16.0)	(5.51)	587.4	(16.1)	(5.44)
Total interest bearing liabilities ³	60,922.6	(749.3)	(2.47)	60,108.2	(777.4)	(2.57)
Non interest bearing liabilities and equity						
Other liabilities	1,145.0			1,207.1		
Equity	5,039.1			4,952.8		
Total liabilities and equity (average balance)	67,106.7			66,268.1		
Interest margin and interest spread						
Interest earning assets	64,295.6	1,334.2	4.17	63,424.9	1,364.8	4.27
Interest bearing liabilities	(60,922.6)	(749.3)	(2.47)	(60,108.2)	(777.4)	(2.57)
Net interest income and interest spread ⁴		584.9	1.70		587.4	1.70
Net free liabilities and equity			0.13			0.14
Net interest margin ⁵			1.83			1.84
Impact of profit share arrangements						
Net interest margin			1.83			1.84
Add: impact of profit share arrangements			0.34			0.32
Net interest margin before profit share arrangements			2.17			2.16

1 Average balance is based on monthly closing balances.

2 Loans and receivables excludes specific items (June 2016 \$2.1m and December 2015 \$2.5m).

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 Average balance sheet

For the six months ended 30 June 2015

	30 June 2015			31 December 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	7,789.1	91.2	2.36	7,629.3	95.5	2.48
Loans and other receivables - company	55,138.7	1,335.5	4.88	54,583.0	1,423.0	5.17
Total interest earning assets ²	62,927.8	1,426.7	4.57	62,212.3	1,518.5	4.84
Non interest earning assets						
Provisions for doubtful debts	(172.1)			(159.6)		
Other assets	3,106.9			3,074.3		
Total non interest earning assets	2,934.8			2,914.7		
Total assets (average balance)	65,862.6			65,127.0		
Interest bearing liabilities and equity						
Deposits						
Retail - company	46,203.2	(621.7)	(2.71)	45,252.5	(669.9)	(2.94)
Wholesale - domestic	6,894.0	(109.4)	(3.20)	6,953.2	(116.2)	(3.32)
Wholesale - offshore	393.8	(6.4)	(3.28)	584.3	(9.6)	(3.26)
Notes Payable	4,848.7	(77.7)	(3.23)	4,976.2	(88.8)	(3.54)
Convertible Preference Shares	584.4	(13.8)	(4.76)	382.7	(10.1)	(5.24)
Subordinated debt	613.7	(17.7)	(5.82)	651.2	(19.8)	(6.03)
Total interest bearing liabilities ³	59,537.8	(846.7)	(2.87)	58,800.1	(914.4)	(3.08)
Non interest bearing liabilities and equity						
Other liabilities	1,375.9			1,379.4		
Equity	4,948.9			4,947.5		
Total liabilities and equity (average balance)	65,862.6			65,127.0		
Interest margin and interest spread						
Interest earning assets	62,927.8	1,426.7	4.57	62,212.3	1,518.5	4.84
Interest bearing liabilities	(59,537.8)	(846.7)	(2.87)	(58,800.1)	(914.4)	(3.08)
Net interest income and interest spread ⁴		580.0	1.70		604.1	1.76
Net free liabilities and equity			0.16			0.17
Net interest margin ⁵			1.86			1.93
Impact of profit share arrangements						
Net interest margin			1.86			1.93
Add: impact of profit share arrangements			0.31			0.31
Net interest margin before profit share arrangements			2.17			2.24

1 Average balance is based on monthly closing balances.

2 Loans and receivables excludes specific items (June 2015 \$3.0m and December 2014 \$3.5m).

3 Interest payments to alliance partners 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.

2.3.12 Capital and shareholder returns

2.3.12.1 Assets and capital

	As at		Change		As at		Change	
	Jun-16	Jun-15	\$m	%	Jun-16	Dec-15	\$m	%
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Group assets	68,580.9	66,028.8	2,552.1	3.9	68,580.9	65,722.5	2,858.4	4.3
Capital adequacy								
Total regulatory capital	4,455.6	4,363.0	92.6	2.1	4,455.6	4,372.7	82.9	1.9
Risk-weighted assets	36,485.5	34,712.9	1,772.6	5.1	36,485.5	34,526.5	1,959.0	5.7
Risk-weighted capital adequacy	12.21%	12.57%	(0.36%)	(2.9)	12.21%	12.66%	(0.45%)	(3.6)
- Tier 1	10.40%	10.60%	(0.20%)	(1.9)	10.40%	10.68%	(0.28%)	(2.6)
- Tier 2	1.81%	1.97%	(0.16%)	(8.1)	1.81%	1.98%	(0.17%)	(8.6)
- Common Equity Tier 1	8.09%	8.17%	(0.08%)	(1.0)	8.09%	8.24%	(0.15%)	(1.8)

2.3.12.2 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.

	Jun-16	Jun-15
Risk weighted capital ratios		
Tier 1	10.40%	10.60%
Tier 2	1.81%	1.97%
Total capital ratio	12.21%	12.57%
Common Equity Tier 1	8.09%	8.17%
	\$m	\$m
Regulatory capital		
Common Equity Tier 1		
Contributed capital	4,298.4	4,235.4
Retained profits & reserves	557.0	486.9
Accumulated other comprehensive income (and other reserves)	(62.0)	(55.0)
Less:		
Intangible assets, cash flow hedges and capitalised expenses	1,766.4	1,750.2
Net deferred tax assets	36.4	42.6
Equity exposures	36.8	37.3
Other adjustments as per APRA advice	1.2	2.3
Total common equity tier 1 capital	2,952.6	2,834.9
Additional Tier 1 capital instruments	843.2	843.2
Total Additional Tier 1 Capital	843.2	843.2
Total Tier 1 Capital	3,795.8	3,678.1
Tier 2 capital instruments	478.7	506.8
General reserve for credit losses/collective provision (net of tax effect)	181.1	178.1
Total Tier 2 Capital	659.8	684.9
Total regulatory capital	4,455.6	4,363.0
Total risk weighted assets	36,485.5	34,712.9

2.3.12.2 Capital adequacy (continued)

Risk-weighted assets	As at	As at	Change		As at	As at	Change	
	Jun-16	Jun-15	\$m	%	Jun-16	Dec-15	\$m	%
Credit risk	32,857.7	31,094.2	1,763.5	5.7	32,857.7	30,902.4	1,955.3	6.3
Market risk	307.5	493.0	(185.5)	(37.6)	307.5	397.8	(90.3)	(22.7)
Operational risk	3,320.3	3,125.7	194.6	6.2	3,320.3	3,226.3	94.0	2.9
Total risk-weighted assets	36,485.5	34,712.9	1,772.6	5.1	36,485.5	34,526.5	1,959.0	5.7

Key movements in capital in the June 16 year include:

> Common Tier 1

Dividend reinvestment plan - increase capital \$63.0 million.

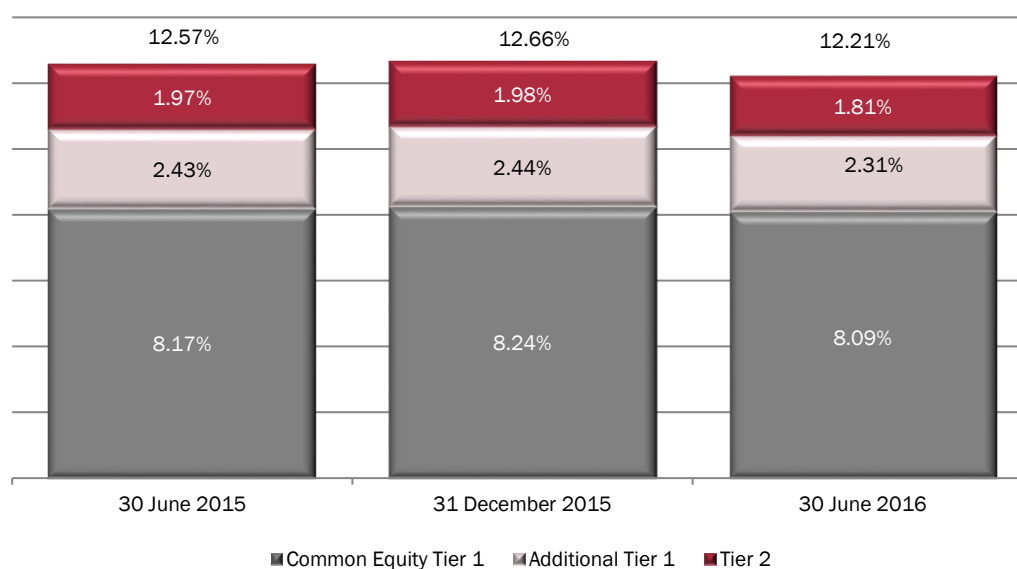
Retained earnings net increase of \$70.1 million.

> Tier 2

General reserve for credit losses increased by \$3.0 million due to the increase in the collective provision.

Subordinated debt decreased by \$28.1 million.

Capital adequacy (%)



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

2.3.12.3 Shareholder returns

	Full year ending				Six months ending			
	Jun-16	Jun-15	Change		Jun-16	Dec-15	Change	
Earnings per ordinary share	cents	cents	cents	%	cents	cents	cents	%
Statutory earnings per ordinary share (weighted average)	90.4	92.5	(2.1)	(2.3)	44.8	45.6	(0.8)	(1.8)
Cash earnings per ordinary share (weighted average)	95.6	95.1	0.5	0.5	46.7	48.9	(2.2)	(4.5)
Diluted earnings per ordinary share (weighted average)	81.3	87.3	(6.0)	(6.9)	39.8	41.4	(1.6)	(3.9)
Weighted average number of ordinary shares	000's	000's	Change		000's	000's	Change	
Weighted average number of ordinary shares - used in basic and cash basis EPS calculations	459,536	454,457	5,079	1.1	461,345	457,747	3,598	0.8
Weighted average number of ordinary shares - used in diluted EPS calculations	543,663	504,775	38,888	7.7	552,753	535,656	17,097	3.2
Ratios	%	%	Change		%	%	Change	
Return on average ordinary equity (after tax)	8.46%	8.84%	(0.38%)		8.40%	8.52%	(0.12%)	
Return on average ordinary equity (after tax before specific items)	8.66%	8.77%	(0.11%)		8.48%	8.84%	(0.36%)	
Return on average ordinary equity (cash basis)	8.94%	9.09%	(0.15%)		8.75%	9.10%	(0.35%)	
Return on average tangible equity (cash basis)	12.94%	13.28%	(0.34%)		12.70%	13.15%	(0.45%)	
Return on average assets (after tax)	0.62%	0.65%	(0.03%)		0.62%	0.63%	(0.01%)	
Return on average assets (after tax before specific items)	0.64%	0.64%	0.00%		0.63%	0.65%	(0.02%)	
Return on average assets (cash basis)	0.66%	0.66%	0.00%		0.65%	0.67%	(0.02%)	

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.

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

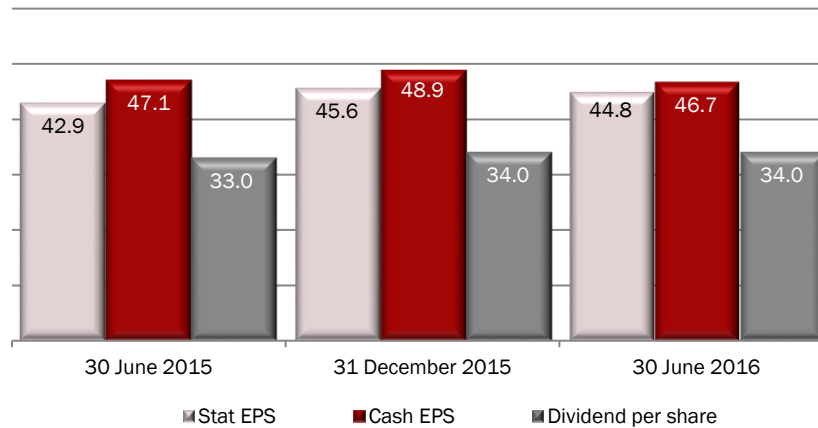
Ordinary equity for use in these ratios is represented by total ordinary shares and retained earnings.

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

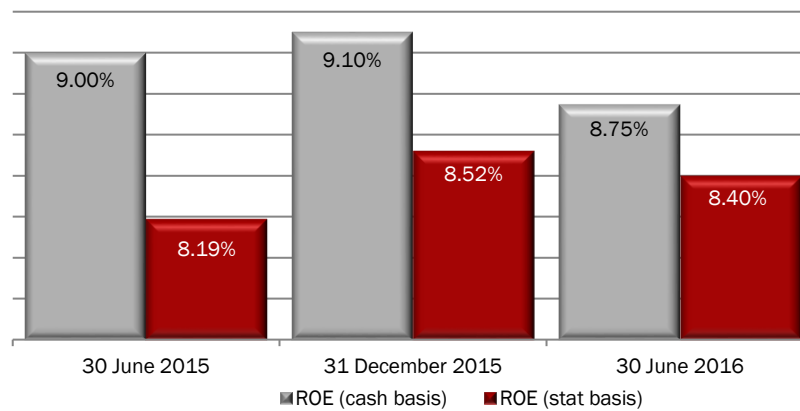
	As at	As at	Change		As at	As at	Change	
	Jun-16	Jun-15	\$m	%	Jun-16	Dec-15	\$m	%
Ordinary issued capital	4,298.4	4,235.4	63.0	1.5	4,298.4	4,257.0	41.4	1.0
Retained earnings	740.4	623.1	117.3	18.8	740.4	684.6	55.8	8.1
Total ordinary equity	5,038.8	4,858.5	180.3	3.7	5,038.8	4,941.6	97.2	2.0
Average ordinary equity	4,914.7	4,758.1			4,955.2	4,874.3		
Average tangible ordinary equity	3,394.4	3,256.8			3,414.0	3,374.9		

2.3.12.3 Shareholder returns (continued)

Earnings per share and dividend per share (cents)



Statutory and cash return on equity



2.3.12.4 Dividends

	Full year ending				Six months ending			
	Jun-16	Jun-15	Change	%	Jun-16	Dec-15	Change	%
Dividend per share - cents	68.0	66.0	2.0	3.0	34.0	34.0	-	-
Dividend amount payable/paid - \$m	308.8	294.8	14.0	4.7	155.2	153.6	1.6	1.0
Payout ratio - earnings per ordinary share ¹	75.2%	71.4%	3.8%	5.3	75.9%	74.6%	1.3%	1.7
Payout ratio - cash basis per ordinary share ¹	71.1%	69.4%	1.7%	2.4	72.8%	69.5%	3.3%	4.7

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 9 September 2016 at a discount of 1.5%. Shares issued under this Plan rank equally with all other ordinary shares.

Bonus Share Scheme

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

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

2.4 Additional notes

2.4.1 Analysis of intangible assets

	Balance sheet		Amortisation/ impairment expense	
	Carrying value			
	Jun-16	Jun-15	Jun-16	Jun-15
	\$m	\$m	\$m	\$m
Goodwill	1,442.3	1,442.3	-	-
Trustee licence	8.4	8.4	-	-
Software	148.8	74.6	15.4	14.2
Customer lists	4.4	8.0	3.1	3.8
Core deposits	11.6	20.0	8.4	8.5
Trade name	2.7	3.4	0.7	0.7
Customer relationship	9.9	16.2	6.3	7.9
Management rights - Adelaide Bank	6.6	7.6	1.0	1.0
Total intangible assets and goodwill	1,634.7	1,580.5	34.9	36.1

2.4.2 Net tangible assets per share

	Jun-16	Jun-15
Net tangible assets per ordinary share	\$7.51	\$7.36
	\$m	\$m
Net tangible assets		
Net assets	5,116.5	4,941.7
Intangibles	(1,634.7)	(1,580.5)
Net tangible assets attributable to ordinary shareholders	3,481.8	3,361.2
Number of fully paid ordinary shares on issue - 000's	463,763	456,566

2.4.3 Investments accounted for using the equity method

	Ownership		Balance date	Profit/(loss) before tax	
	interest held by consolidated entity			before tax	
	2016	2015		2016	2015
	%	%	\$m	\$m	
Joint Arrangements					
Community Sector Enterprises Pty Ltd	50.0	50.0	30 June	0.1	(0.3)
Homesafe Solutions Pty Ltd	50.0	50.0	30 June	0.9	0.7
Silver Body Corporate Financial Services Pty Ltd	50.0	50.0	30 June	0.1	-
				1.1	0.4
Associates					
Aegis Group ¹	49.5	49.5	30 June	(1.2)	-
Dancoor Community Finances Ltd	49.0	49.0	30 June	-	-
Homebush Financial Services Ltd	49.0	49.0	30 June	-	-
Linear Financial Holdings Pty Ltd ²	-	-	30 June	-	2.7
Strategic Payments Services Pty Ltd ³	-	-	31 December	-	1.4
Vic West Community Enterprise Pty Ltd ⁴	50.0	50.0	30 June	-	(0.1)
				(1.2)	4.0
Total share of profits/(losses) before tax				(0.1)	4.4

¹ Aegis Group - economic interest is 23.5%.

² Linear Financial Holdings - sold in December 2014.

³ Strategic Payment Services - sold in November 2014.

⁴ Vic West Community Enterprises - fully impaired in December 2014.

All joint arrangements and associates are incorporated in Australia.

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 8 March 2016, 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 bank's sound business stability as evidenced by upward-trending business and operating revenue growth, which continue from the franchise strength associated with its Community Bank model, strong capitalisation and very low credit losses, both of which benefit from the bank's focus on relatively lower risk residential mortgage lending and a good geographic spread of 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 4 March 2016, 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 bank's well-developed franchise centred around community banking and the bank'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 (BEN - ASX code)	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	-
March 2016 - Bonus Share Scheme (in lieu of dividend payment) at \$9.05	267,943	-
March 2016 - Dividend Reinvestment Plan at \$9.05	4,566,743	41.4
Total ordinary shares at 30 June 2016	463,762,656	4,298.4

Bendigo and Adelaide Bank Ltd

ABN 11 068 049 178

