Appendix 4E

Full Year Results

For the year ended 30 June 2019
Released 12 August 2019
ABN 11 068 049 178

Bendigo and Adelaide Bank

This report comprises information given to the ASX under listing rule 4.3A

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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 2019
Previous corresponding period - twelve months ended:	30 June 2018

1.2 Results for announcement to the market

Income from operations	↓	4.6% to $1,567.5 m
Profit after tax from ordinary activities	↓	13.3% to $376.8 m
Net profit after tax attributable to Owners of the Company	↓	13.3% to $376.8 m

Dividends	Date Payable/Paid	Amount per security
Current year 2019		
Record date for determining entitlements	3 September 2019	
Final dividend - fully franked	30 September 2019	35.0 cents
Interim dividend - fully franked	29 March 2019	35.0 cents
Previous year 2018		
Final dividend - fully franked	28 September 2018	35.0 cents
Interim dividend - fully franked	29 March 2018	35.0 cents

1.3 Cash earnings results

Cash earnings attributable to Owners of the Company	↓	6.6% to $415.7 m
Cash earnings per share	↓	7.7% to 85.0 cents

See note 2.1.2 and 2.3.10.3 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 12 August 2019.

1.4 ASX Appendix 4E table

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.

Accounting standards used for foreign entities

Not applicable.

Dispute or qualifications if audited

This report is based on financial accounts that are in the process of being audited by our external auditors, Ernst & Young.

1.5 Results snapshot

Statutory profit	↓	13.3% to $376.8m
Statutory earnings per share	↓	14.2% to 77.1 cents
Cash earnings	↓	6.6% to $415.7m
Cash earnings per share	↓	7.7% to 85.0 cents
Net interest margin	=	remains flat at 2.36% compared to June 2018
CET1 ratio of 8.92%	↑	up 30 basis points compared to June 2018

1.6 Performance summary

- On a statutory basis, net profit was $376.8m compared to $434.5m in June 2018.
- Cash earnings was $415.7m compared to $445.1m in June 2018. [1]
- On a cash earnings basis:
    - Net interest income decreased $19.4m to $1,304.2m. Net interest margin (before revenue share arrangements) for the year remained unchanged at 2.36% compared to the prior corresponding period.
    - Other operating income increased $14.1m or 5.0% mainly due to an increase in trading book revaluation income.
    - Operating expenses increased by $53.6m or 5.9% mainly due to an increase in staff and redundancy costs, remediation costs, software amortisation and technology costs.
    - Credit expenses decreased by $20.3m or 28.8%.
- Net impaired assets decreased by $34.2m or 15.7%.
- Great Southern past due 90 days has reduced by $15.6m or 30.9%, other lending past due 90 days has decreased by $9.9m or 2.4%.
- Common Equity Tier 1 ratio was up 30 basis points to 8.92% compared to June 2018. Total capital was 13.14% compared to 12.85% in June 2018.
- The final dividend has been maintained at 35.0 cents for June 2019.

[1] Cash earnings adjustments are outlined in section 2.1.2, 2.1.3, and 2.2.1.

1.7 Annual general meeting

The annual general meeting will be held as follows:
Place: The Bendigo Centre, Bath Lane, Bendigo, Victoria
Date: 29 October 2019
Time: 11 a.m. (Australian Eastern Daylight Saving Time)

1.8 Subsequent events

On 1 July 2019 the Group completed the sale of its specialist self-managed superannuation fund business located in Geelong West pursuant to an Asset Purchase Agreement with LBWFP Pty Ltd. The Group also entered into an Asset Purchase Agreement to sell its financial planning business, Bendigo Financial Planning Pty Ltd, to Bridges Financial Services Group Pty Limited with an effective date of 1 August 2019. This agreement saw Bridges Financial Services Group Pty Limited assume the provision of financial planning services to existing Bendigo Financial Planning Pty Ltd customers and also saw the commencement of an ongoing referral arrangement. As at 30 June 2019, both of these business were recorded as held-for-sale.

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.

2.0 Full year results

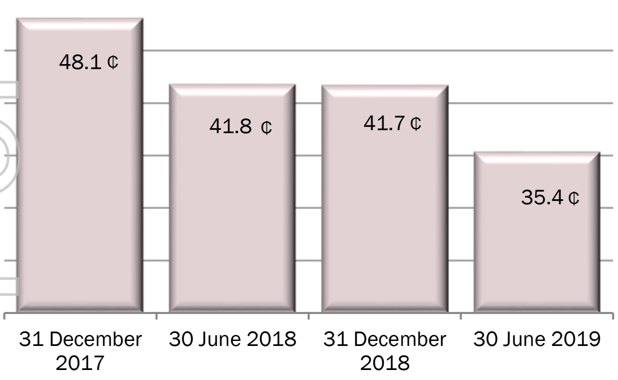
2.1 Financial summary

2.1.1 Statutory profit results

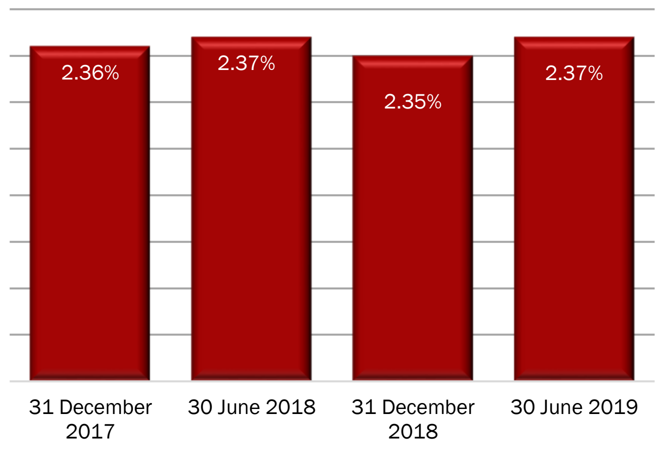
	Full year ending				Half year ending			
	Jun-19	Jun-18	Change		Jun-19	Dec-18	Change	
	$m	$m	$m	%	$m	$m	$m	%
Net interest income	1,285.8	1,305.2	(19.4)	(1.5)	638.6	647.2	(8.6)	(1.3)
Other operating income	281.7	338.3	(56.6)	(16.7)	138.7	143.0	(4.3)	(3.0)
Total income	**1,567.5**	**1,643.5**	**(76.0)**	**(4.6)**	**777.3**	**790.2**	**(12.9)**	**(1.6)**
Credit expenses	(50.3)	(70.6)	20.3	28.8	(24.8)	(25.5)	0.7	2.7
Operating expenses	(965.2)	(938.4)	(26.8)	(2.9)	(497.5)	(467.7)	(29.8)	(6.4)
Total expenses	**(1,015.5)**	**(1,009.0)**	**(6.5)**	**(0.6)**	**(522.3)**	**(493.2)**	**(29.1)**	**(5.9)**
Profit before income tax expense	**552.0**	**634.5**	**(82.5)**	**(13.0)**	**255.0**	**297.0**	**(42.0)**	**(14.1)**
Income tax expense	(175.2)	(200.0)	24.8	12.4	(81.4)	(93.8)	12.4	13.2
Profit after income tax expense	**376.8**	**434.5**	**(57.7)**	**(13.3)**	**173.6**	**203.2**	**(29.6)**	**(14.6)**

	Half year			Half year			
	Jun-19	Dec-18	**Total**	Jun-18	Dec-17	**Total**	**Year on year change**
Earnings per ordinary share (cents)	cents	cents	cents	cents	cents	cents	**cps**
Basic	35.4	41.7	**77.1**	41.8	48.1	**89.9**	(12.8)
Diluted	32.1	37.6	**69.7**	37.6	43.7	**81.2**	(11.5)
Franked dividends per share	35.0	35.0	**70.0**	35.0	35.0	**70.0**	-
Financial performance ratios	%	%	%	%	%	%	**bps change**
Net interest margin before revenue share arrangements	2.37%	2.35%	**2.36%**	2.37%	2.36%	**2.36%**	-
Net interest margin after revenue share arrangements	1.97%	1.95%	**1.96%**	1.98%	1.98%	**1.98%**	(2)
Financial position ratios	%	%	%	%	%	%	**bps change**
Return on average ordinary equity (after tax)	6.34%	7.34%	**6.84%**	7.50%	8.57%	**8.03%**	(119)
Return on average tangible equity (after tax)	9.00%	10.46%	**9.73%**	10.45%	12.05%	**11.24%**	(151)
Return on average assets	0.51%	0.59%	**0.55%**	0.59%	0.67%	**0.63%**	(8)

Statutory EPS (cents)



Net interest margin before revenue share arrangements (%)



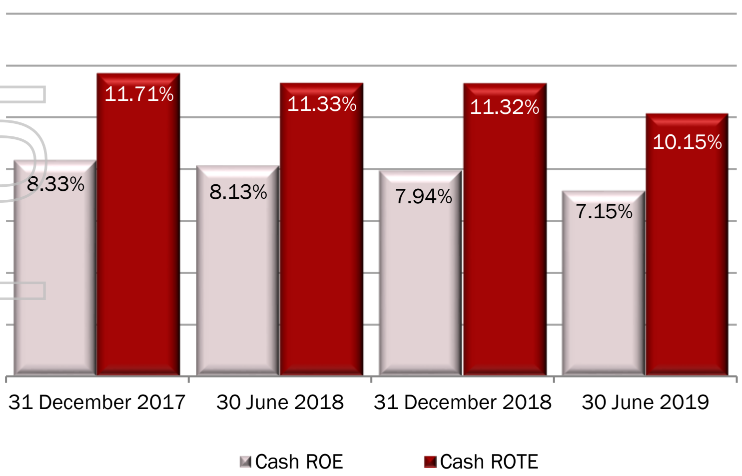
2.1 Financial summary (continued)

2.1.2 Cash earnings results

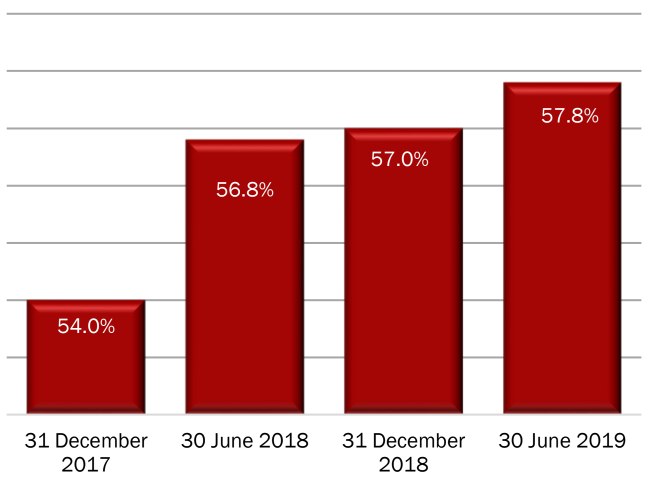
	Full year ending				Half year ending			
	Jun-19	Jun-18	Change		Jun-19	Dec-18	Change	
	$m	$m	$m	%	$m	$m	$m	%
Net interest income	1,304.2	1,323.6	(19.4)	(1.5)	647.7	656.5	(8.8)	(1.3)
Other operating income	295.3	281.2	14.1	5.0	148.7	146.6	2.1	1.4
Total income	**1,599.5**	**1,604.8**	**(5.3)**	**(0.3)**	**796.4**	**803.1**	**(6.7)**	**(0.8)**
Credit expenses	(50.3)	(70.6)	20.3	28.8	(24.8)	(25.5)	0.7	2.7
Operating expenses	(954.5)	(900.9)	(53.6)	(5.9)	(490.3)	(464.2)	(26.1)	(5.6)
Total expenses	**(1,004.8)**	**(971.5)**	**(33.3)**	**(3.4)**	**(515.1)**	**(489.7)**	**(25.4)**	**(5.2)**
Income tax expense	(188.9)	(199.5)	10.6	5.3	(90.3)	(98.6)	8.3	8.4
Cash earnings before Homesafe realised income	**405.8**	**433.8**	**(28.0)**	**(6.5)**	**191.0**	**214.8**	**(23.8)**	**(11.1)**
Net Homesafe realised income (after tax)	9.9	11.3	(1.4)	(12.4)	4.9	5.0	(0.1)	(2.0)
Cash earnings after income tax expense	**415.7**	**445.1**	**(29.4)**	**(6.6)**	**195.9**	**219.8**	**(23.9)**	**(10.9)**

	Half year			Half year			
	Jun-19	Dec-18	**Total**	Jun-18	Dec-17	**Total**	**Year on year change**
Earnings per ordinary share (cents)	cents	cents	cents	cents	cents	cents	**cps**
Cash	40.0	45.1	**85.0**	45.3	46.8	**92.1**	(7.1)
Financial performance ratios (cash)	%	%	%	%	%	%	**bps**
Cost to income ratio	61.0%	57.3%	**59.2%**	57.0%	54.2%	**55.6%**	360
Adjusted cost to income ratio [1]	57.8%	57.0%	**57.4%**	56.8%	54.0%	**55.4%**	200
Financial position ratios (cash)	%	%	%	%	%	%	**bps**
Return on average ordinary equity	7.15%	7.94%	**7.55%**	8.13%	8.33%	**8.23%**	(68)
Return on average tangible equity	10.15%	11.32%	**10.73%**	11.33%	11.71%	**11.52%**	(79)
Return on average assets	0.58%	0.63%	**0.61%**	0.64%	0.65%	**0.65%**	(4)

Cash ROE and ROTE (%)



Adjusted cost to income ratio (%) [1]



[1] This ratio has been adjusted to exclude the impact of remediation costs before tax (June 19 FY: $16.7m, June 18 FY: $0.5m, June 19 HY: $16.3m, December 18 HY: $0.4m, June 18 HY: $0.5m, December 17 HY: $nil) and redundancy costs before tax (June 19 FY: $11.9m, June 18 FY: $2.3m, June 19 HY: $9.7m, December 18 HY $2.2m, June 18 HY: $0.4m, December 17 HY: $1.8m).

2.1.3 Cash earnings reconciliation

For the year ended 30 June 2019

		Cash earnings adjustments										
	Statutory profit	Fair value	Homesafe unrealised	Hedging revaluat-ion	Loss on sale of business	Integrat-ion costs	Impair-ment charge	Operating expenses [1]	Amortisat-ion of acquired intangibles	Cash earnings sub-total [2]	Homesafe realised income	Cash earnings
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Net interest income	1,285.8	0.4	18.0	-	-	-	-	-	-	1,304.2	(7.3)	1,296.9
Other income	281.7	-	24.1	(10.5)	-	-	-	-	-	295.3	21.4	316.7
Total income	1,567.5	0.4	42.1	(10.5)	-	-	-	-	-	1,599.5	14.1	1,613.6
Credit expenses	(50.3)	-	-	-	-	-	-	-	-	(50.3)	-	(50.3)
Operating expenses	(965.2)	-	-	-	3.7	0.7	0.7	1.9	3.7	(954.5)	-	(954.5)
Net profit before tax	552.0	0.4	42.1	(10.5)	3.7	0.7	0.7	1.9	3.7	594.7	14.1	608.8
Tax expense	(175.2)	(0.1)	(12.6)	3.1	(2.1)	(0.2)	(0.2)	(0.5)	(1.1)	(188.9)	(4.2)	(193.1)
Net profit after tax	376.8	0.3	29.5	(7.4)	1.6	0.5	0.5	1.4	2.6	405.8	9.9	415.7

[1] Includes legal and compensation costs.

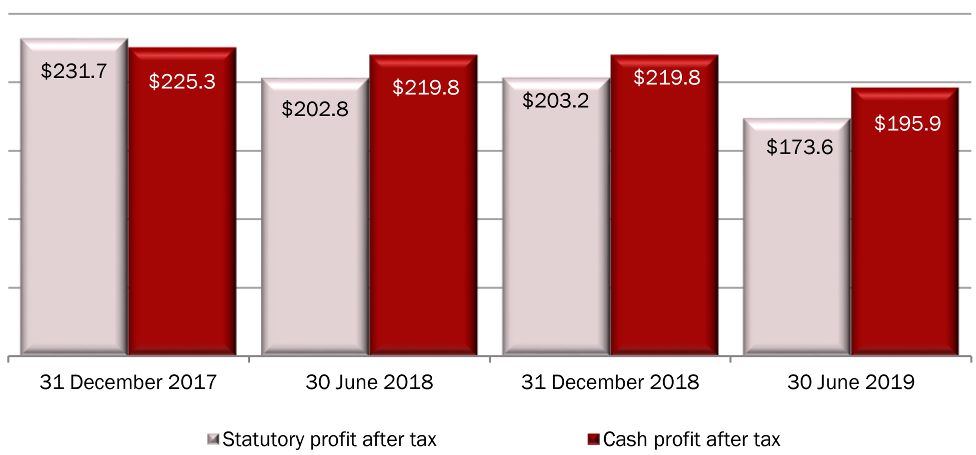
For the year ended 30 June 2018

		Cash earnings adjustments										
	Statutory profit	Fair value	Homesafe unrealised	Hedging revaluat-ion	Loss on sale of business	Integrat-ion costs	Impair-ment charge	Operating expenses [1]	Amortisat-ion of acquired intangibles	Cash earnings sub-total [2]	Homesafe realised income	Cash earnings
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Net interest income	1,305.2	1.2	17.2	-	-	-	-	-	-	1,323.6	(7.5)	1,316.1
Other income	338.3	-	(55.4)	(1.7)	-	-	-	-	-	281.2	23.7	304.9
Total income	1,643.5	1.2	(38.2)	(1.7)	-	-	-	-	-	1,604.8	16.2	1,621.0
Credit expenses	(70.6)	-	-	-	-	-	-	-	-	(70.6)	-	(70.6)
Operating expenses	(938.4)	-	-	-	1.6	7.6	0.4	19.7	8.2	(900.9)	-	(900.9)
Net profit before tax	634.5	1.2	(38.2)	(1.7)	1.6	7.6	0.4	19.7	8.2	633.3	16.2	649.5
Tax expense	(200.0)	(0.4)	11.4	0.5	(0.4)	(2.3)	-	(5.9)	(2.4)	(199.5)	(4.9)	(204.4)
Net profit after tax	434.5	0.8	(26.8)	(1.2)	1.2	5.3	0.4	13.8	5.8	433.8	11.3	445.1

[1] Includes legal, litigation and Wheeler's 'fee for no service' compensation costs.

[2] Cash earnings sub-total is equal to cash earnings before Homesafe realised income.

Statutory profit and cash profit ($m)



2.1 Financial summary (continued)

2.1.3 Cash earnings reconciliation

For the half year ended 30 June 2019

	Statutory profit	Cash earnings adjustments: Fair value	Homesafe unrealised	Hedging revaluat-ion	Loss on sale of business	Integrat-ion costs	Impair-ment charge	Operating expenses	Amortisat-ion of acquired intangibles	Cash earnings sub-total [2]	Homesafe realised income	Cash earnings
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Net interest income	638.6	0.2	8.9	-	-	-	-	-	-	647.7	(3.9)	643.8
Other income	138.7	-	18.7	(8.7)	-	-	-	-	-	148.7	10.8	159.5
Total income	777.3	0.2	27.6	(8.7)	-	-	-	-	-	796.4	6.9	803.3
Credit expenses	(24.8)	-	-	-	-	-	-	-	-	(24.8)	-	(24.8)
Operating expenses	(497.5)	-	-	-	3.7	0.7	0.7	-	2.1	(490.3)	-	(490.3)
Net profit before tax	255.0	0.2	27.6	(8.7)	3.7	0.7	0.7	-	2.1	281.3	6.9	288.2
Tax expense	(81.4)	(0.1)	(8.3)	2.6	(2.1)	(0.2)	(0.2)	-	(0.6)	(90.3)	(2.0)	(92.3)
Net profit after tax	173.6	0.1	19.3	(6.1)	1.6	0.5	0.5	-	1.5	191.0	4.9	195.9

For the half year ended 31 December 2018

	Statutory profit	Cash earnings adjustments: Fair value	Homesafe unrealised	Hedging revaluat-ion	Loss on sale of business	Integrat-ion costs	Impair-ment charge	Operating expenses [1]	Amortisat-ion of acquired intangibles	Cash earnings sub-total [2]	Homesafe realised income	Cash earnings
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Net interest income	647.2	0.2	9.1	-	-	-	-	-	-	656.5	(3.4)	653.1
Other income	143.0	-	5.4	(1.8)	-	-	-	-	-	146.6	10.6	157.2
Total income	790.2	0.2	14.5	(1.8)	-	-	-	-	-	803.1	7.2	810.3
Credit expenses	(25.5)	-	-	-	-	-	-	-	-	(25.5)	-	(25.5)
Operating expenses	(467.7)	-	-	-	-	-	-	1.9	1.6	(464.2)	-	(464.2)
Net profit before tax	297.0	0.2	14.5	(1.8)	-	-	-	1.9	1.6	313.4	7.2	320.6
Tax expense	(93.8)	-	(4.3)	0.5	-	-	-	(0.5)	(0.5)	(98.6)	(2.2)	(100.8)
Net profit after tax	203.2	0.2	10.2	(1.3)	-	-	-	1.4	1.1	214.8	5.0	219.8

[1] Includes legal costs and Wheeler's 'fee for no service' compensation costs.

[2] Cash earnings sub-total is equal to cash earnings before Homesafe realised income.

2.2 Results commentary

2.2.1 Specific items

The reported profit after tax for the year ended 30 June 2019 $376.8 million included the following specific items:

	30 June 2019		30 June 2018	
	Before Tax	After Tax	Before Tax	After Tax
	$m	$m	$m	$m
Items included in interest income				
Fair value adjustments - interest expense	(0.4)	(0.3)	(1.2)	(0.8)
Homesafe funding costs - unrealised	(18.0)	(12.6)	(17.2)	(12.0)
Total specific net interest income items	**(18.4)**	**(12.9)**	**(18.4)**	**(12.8)**
Items included in other income				
Revaluation gains on economic hedges	10.5	7.4	1.7	1.2
Homesafe revaluation gain/(loss)	(24.1)	(16.9)	55.4	38.8
Total specific other income items	**(13.6)**	**(9.5)**	**57.1**	**40.0**
Items included in operating expenses				
Integration costs	(0.7)	(0.5)	(7.6)	(5.3)
Loss on sale of Telco business	-	-	(1.6)	(1.2)
Loss on sale of Bendigo Financial Planning business	(3.7)	(1.6)	-	-
Impairment charge	(0.7)	(0.5)	(0.4)	(0.4)
Compensation costs	(0.7)	(0.5)	(1.2)	(0.9)
Legal costs	(1.2)	(0.9)	(1.6)	(1.1)
Litigation costs	-	-	(16.9)	(11.8)
Total specific operating expense items	**(7.0)**	**(4.0)**	**(29.3)**	**(20.7)**
Total specific items attributable to the Group	**(39.0)**	**(26.4)**	**9.4**	**6.5**
Other specific items				
Homesafe revaluation gain - realised	(21.4)	(15.0)	(23.7)	(16.6)
Homesafe funding costs - realised	7.3	5.1	7.5	5.3
Total other specific items attributable to the Group	**(14.1)**	**(9.9)**	**(16.2)**	**(11.3)**
Amortisation of acquired intangibles	**(3.7)**	**(2.6)**	**(8.2)**	**(5.8)**

Specific interest income items

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

Homesafe funding costs - unrealised - interest expense incurred on existing contracts for the current year.

Specific other income items

Revaluation gains on economic hedges - represents unrealised gains from changes in fair value of economic hedges. These movements represent timing differences that will reverse through earnings in the future.

Homesafe revaluation gain/(loss) - represents the valuation movements of the investment property held.

Specific operating expense items

Integration costs - costs incurred to integrate Elders' employees as a result of the new distribution agreement between Rural Bank Group and Elders Group.

Loss on sale of Bendigo Financial Planning business - represents sale proceeds less costs of disposal.

Impairment charge - an impairment of software has been recorded due to discontinued use.

Compensation costs - Wheeler's 'fee for no service' compensation costs.

Legal costs - costs associated with the Royal Commission.

Other specific items

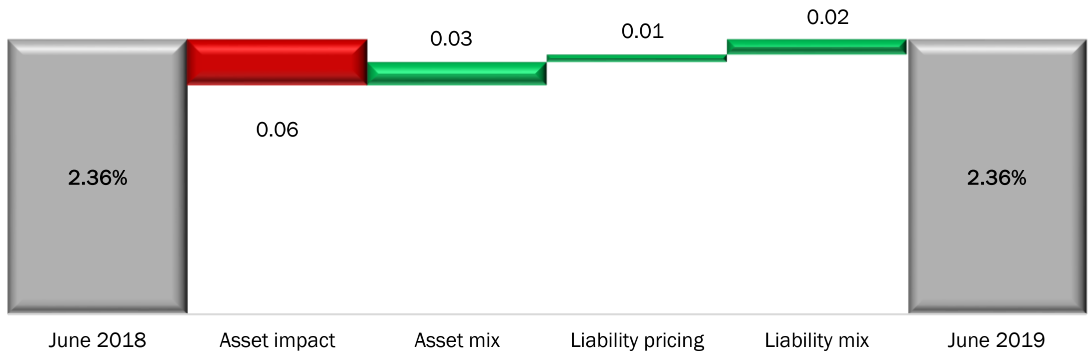
Homesafe revaluation gain - realised - represents funds received on completion being the difference between the cash received on completion less the initial funds advanced.

Homesafe funding costs - realised - represents accumulated interest expense on completed contracts since contract initiation. These costs have previously been excluded from cash earnings during the financial year they were incurred. These adjustments align the realised income and funding costs within the same period.

Refer to prior period Appendix 4E ASX result releases for details of prior year specific items.

2.2.2 Net interest margin (before revenue share arrangements)

Net interest margin June 2018 to June 2019



Asset impact - pricing pressure continued on variable lending portfolios. This was partially offset by reduced hedging expense.
Asset mix - a reduction in average balance of liquid assets through ongoing management of liquid position.
Liability pricing - rate repricing continued on at-call and term deposits as the Group managed its funding requirements, however, this has been partially offset by the higher cost of wholesale funding in the first half due to increases in BBSW rates.
Liability mix - the continued strong at-call deposit growth has had a positive impact on the total cost of deposit funding.

Net interest margin December 2018 to June 2019

Asset impact - pricing pressure continued on variable lending portfolios and impact on liquid portfolios due to decreases in BBSW rates. This was partially offset by reduced hedging expense.
Liability pricing - rate repricing continued on at-call and term deposits as the Group managed its funding requirements, aided by lower costs of wholesale funding due to the decreases in BBSW rates.
Liability mix - the continued strong at-call deposit growth has had a positive impact on the total cost of deposits funding.
Equity contribution - the contribution to margin from net free liabilities and equity increased marginally.

Cash Net Interest Income [1]

	Full year		Half year	
	Jun-19	Jun-18	Jun-19	Dec-18
	$m	$m	$m	$m
Net interest income including specific items [2]	1,285.8	1,305.2	638.6	647.2
Adjustments:				
Fair value adjustments [3]	0.4	1.2	0.2	0.2
Net interest income used in NIM calculation	**1,286.2**	**1,306.4**	**638.8**	**647.4**
Average interest earning assets [4]	65,696.6	66,007.3	65,551.8	65,867.0
Average interest earning liabilities [4]	62,068.9	62,326.1	61,908.8	62,281.7
Net interest margin	1.96%	1.98%	1.97%	1.95%
Net interest margin before revenue share arrangement	2.36%	2.36%	2.37%	2.35%

[1] Cash net interest income includes Homesafe unrealised funding costs.
[2] Refer to section 2.2.3 - Income.
[3] Fair value adjustments represent entries created on a business acquisition (Rural Finance).
[4] Offset products have been reclassified from deposits and netted against the corresponding loan balance.
(June 19 FY: $2,836.4m, June 18 FY: $2,551.4m); (June 19 HY: $2,937.1m, December 18 HY: $2,739.6m, June 18 HY $2,596.0m).

2.2.3 Income

	Full year ending				Half year ending			
	Jun-19	Jun-18	Change		Jun-19	Dec-18	Change	
	$m	$m	$m	%	$m	$m	$m	%
Net interest income	1,304.2	1,323.6	(19.4)	(1.5)	647.7	656.5	(8.8)	(1.3)
Homesafe funding costs - unrealised	(18.0)	(17.2)	(0.8)	(4.7)	(8.9)	(9.1)	0.2	2.2
Fair value adjustments - interest expense	(0.4)	(1.2)	0.8	66.7	(0.2)	(0.2)	-	-
Total net interest income including specific items	**1,285.8**	**1,305.2**	**(19.4)**	**(1.5)**	**638.6**	**647.2**	**(8.6)**	**(1.3)**
Other income								
Fee income	163.8	167.9	(4.1)	(2.4)	79.0	84.8	(5.8)	(6.8)
Commissions	73.5	71.7	1.8	2.5	36.2	37.3	(1.1)	(2.9)
Foreign exchange income	22.4	18.8	3.6	19.1	11.2	11.2	-	-
Trading book income	12.2	0.8	11.4	1,425.0	10.7	1.5	9.2	613.3
Other	23.4	22.0	1.4	6.4	11.6	11.8	(0.2)	(1.7)
Total other income	**295.3**	**281.2**	**14.1**	**5.0**	**148.7**	**146.6**	**2.1**	**1.4**
Specific other income items								
Homesafe revaluation (loss)/gain	(24.1)	55.4	(79.5)	(143.5)	(18.7)	(5.4)	(13.3)	(246.3)
Revaluation gains on economic hedges	10.5	1.7	8.8	517.6	8.7	1.8	6.9	383.3
Total other specific income	**(13.6)**	**57.1**	**(70.7)**	**(123.8)**	**(10.0)**	**(3.6)**	**(6.4)**	**(177.8)**
Total other income including specific items	**281.7**	**338.3**	**(56.6)**	**(16.7)**	**138.7**	**143.0**	**(4.3)**	**(3.0)**
Total income	**1,567.5**	**1,643.5**	**(76.0)**	**(4.6)**	**777.3**	**790.2**	**(12.9)**	**(1.6)**

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

Net interest income decreased by $19.4m or 1.5%. Refer to 2.2.2 for further analysis.

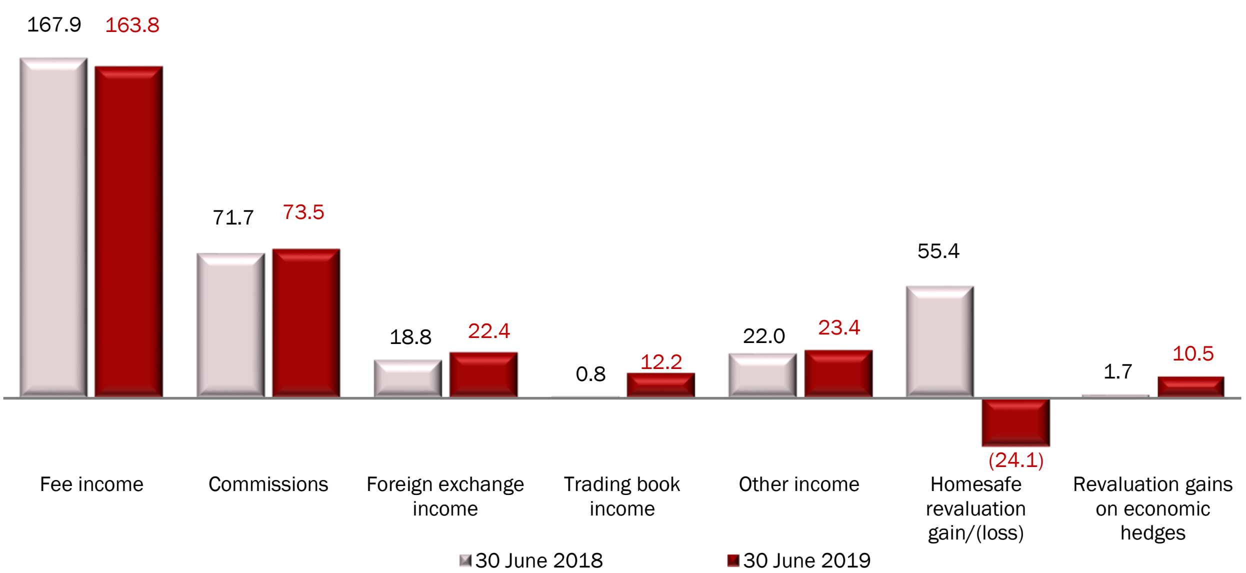
Fee income decreased by $4.1m or 2.4% primarily due to a reduction in fees charged.

Trading book income increased by $11.4m due to the reduction in interest rates and contraction in the cash/bill spread.

Homesafe revaluation (loss)/gain was $79.5m or 143.5% lower due to continued declines in residential property prices in the markets of Melbourne and Sydney. Refer to section 2.2.4 for further detail.

Revaluation gains on economic hedges increased by $8.8m. Refer to 2.2.1 for further detail.

Other income ($m)



2.2.4 Homesafe Trust

	Full Year	Half Year		Full Year	Half Year	
	Jun-19	Jun-19	Dec-18	Jun-18	Jun-18	Dec-17
Homesafe Income	$m	$m	$m	$m	$m	$m
Discount unwind	22.4	11.2	11.2	20.5	10.1	10.4
Profit/(loss) on sale	0.5	0.7	(0.2)	2.3	1.3	1.0
Property revaluations	(47.0)	(30.6)	(16.4)	32.6	4.4	28.2
Total income/(loss)	**(24.1)**	**(18.7)**	**(5.4)**	**55.4**	**15.8**	**39.6**

Homesafe income - This includes the unwind of the discount and property revaluation movements.

Profit/(loss) on sale represents the difference between cash received on completion versus the carrying value at the time of completion.

	Full Year	Half Year		Full Year	Half Year	
	Jun-19	Jun-19	Dec-18	Jun-18	Jun-18	Dec-17
	$m	$m	$m	$m	$m	$m
Homesafe realised income	21.4	10.8	10.6	23.7	10.2	13.5

Realised income - The difference between cash received on completion and the initial funds advanced.

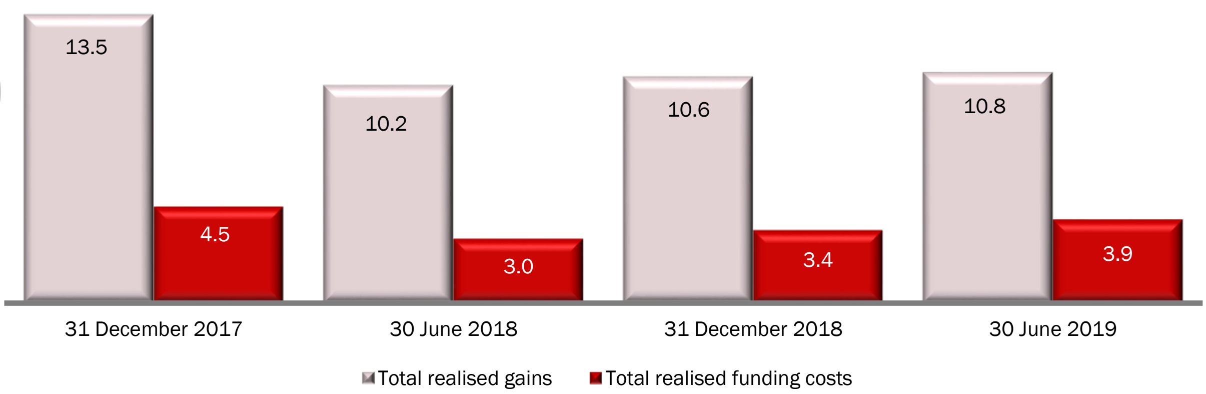
	Full Year	Half Year		Full Year	Half Year	
	Jun-19	Jun-19	Dec-18	Jun-18	Jun-18	Dec-17
Funding Costs	$m	$m	$m	$m	$m	$m
Funding costs - unrealised	(18.0)	(8.9)	(9.1)	(17.2)	(7.6)	(9.6)
Funding costs - realised	(7.3)	(3.9)	(3.4)	(7.5)	(3.0)	(4.5)

Funding costs realised - Accumulated interest expense on completed contracts since initial funding.

Funding costs unrealised - Interest expense on existing contracts.

	As at	As at	As at	As at
	Jun-19	Dec-18	Jun-18	Dec-17
Portfolio balance	$m	$m	$m	$m
Funded balance	452.3	433.3	408.1	387.4
Property revaluation balance	282.2	311.9	327.6	322.4
Total investment portfolio balance	**734.5**	**745.2**	**735.7**	**709.8**

Total realised gains and realised funding costs ($m)



2.2.5 Operating expenses

	Full year ending				Half year ending			
	Jun-19	Jun-18	Change		Jun-19	Dec-18	Change	
	$m	$m	$m	%	$m	$m	$m	%
Staff and related costs	518.5	497.3	(21.2)	(4.3)	262.9	255.6	(7.3)	(2.9)
Occupancy costs	91.3	91.0	(0.3)	(0.3)	45.4	45.9	0.5	1.1
Information technology costs	74.9	70.2	(4.7)	(6.7)	39.2	35.7	(3.5)	(9.8)
Amortisation of acquired intangibles	3.7	8.2	4.5	54.9	2.1	1.6	(0.5)	(31.3)
Amortisation of software intangibles	33.8	28.0	(5.8)	(20.7)	17.8	16.0	(1.8)	(11.3)
Property, plant and equipment costs	10.6	11.5	0.9	7.8	5.0	5.6	0.6	10.7
Fees and commissions	31.1	35.2	4.1	11.6	13.8	17.3	3.5	20.2
Communications, postage and stationery	37.2	36.4	(0.8)	(2.2)	18.0	19.2	1.2	6.3
Advertising and promotion	29.5	28.0	(1.5)	(5.4)	15.7	13.8	(1.9)	(13.8)
Other product and services delivery costs	31.0	30.2	(0.8)	(2.6)	14.8	16.2	1.4	8.6
Other administration expenses	96.6	73.1	(23.5)	(32.1)	57.7	38.9	(18.8)	(48.3)
Total operating expenses	**958.2**	**909.1**	**(49.1)**	**(5.4)**	**492.4**	**465.8**	**(26.6)**	**(5.7)**
Specific items	7.0	29.3	22.3	76.1	5.1	1.9	(3.2)	(168.4)
Total expenses	**965.2**	**938.4**	**(26.8)**	**(2.9)**	**497.5**	**467.7**	**(29.8)**	**(6.4)**

	Jun-19	Jun-18	Change	%	Jun-19	Dec-18	Change	%
Cost to income [1]	59.2%	55.6%	3.6	6.5	61.0%	57.3%	3.7	6.5
Adjusted cost to income [2]	57.4%	55.4%	2.0	3.6	57.8%	57.0%	0.8	1.4
Expenses to average assets	1.39%	1.31%	0.08	6.1	1.44%	1.34%	0.10	7.5
Number of staff (full-time equivalent)	4,540	4,426	114	2.6	4,540	4,420	120	2.7
Staff and related costs to income [3]	31.4%	30.5%	0.9	3.0	31.5%	31.3%	0.2	0.6

[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 net interest income items and other specific income items.

[2] This ratio has been adjusted to exclude the impact of remediation costs before tax (June 19 FY: $16.7m, June 18 FY: $0.5m, June 19 HY: $16.3m, December 18 HY: $0.4m) and redundancy costs before tax (June 19 FY: $11.9m, June 18 FY: $2.3m, June 19 HY: $9.7m, December 18 HY: $2.2m).

[3] Excludes redundancy costs.

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

Staff and related costs - increased by $21.2m or 4.3% which includes redundancy costs of $11.9m (June 18: $2.3m), additional costs relating to the Elders Agri-finance staff intergrated into the Rural Bank Group, and wage and salary increases.

Information technology costs - increased by $4.7m or 6.7% due to an increase in software licence fees.

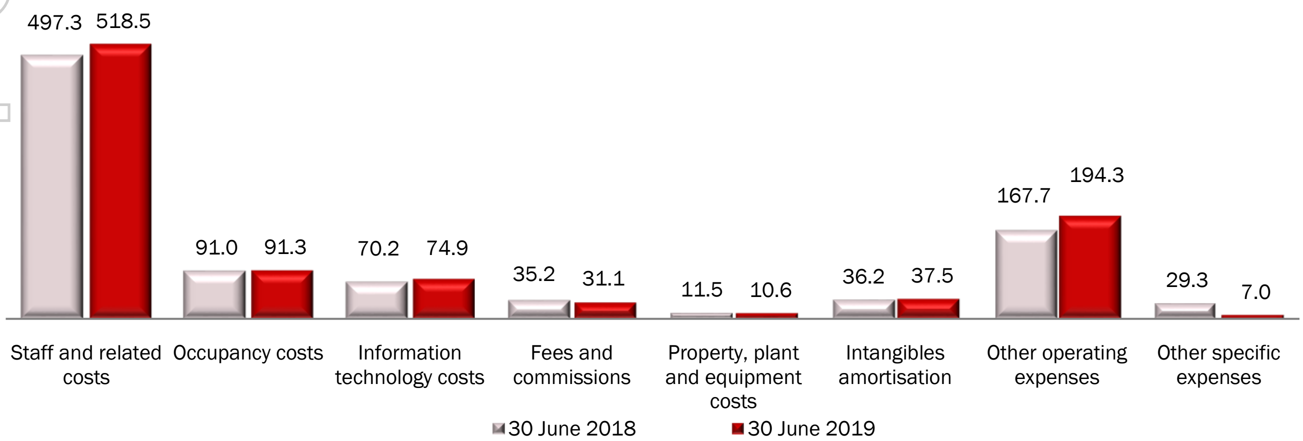
Amortisation of acquired intangibles decreased by $4.5m or 54.9% due to the completion of amortisation for prior business acquisition intangible assets.

Software amortisation - increased by $5.8m or 20.7% due to the commencement of the amortisation of several large technology projects.

Other administration expenses - increased by $23.5m or 32.1% mainly due to remediation costs of $16.7m (June 18: $0.5m) and insurance premiums of $6.1m (June 18: $3.8m).

Specific items - other expenses - decreased by $22.3m or 76.1%. Refer to 2.2.1 for further detail.

Operating expenses ($m)



2.2.6 Average balance sheet
For the year ended 30 June 2019

	30 June 2019			30 June 2018		
	Average Balance $m	Interest 12 mths $m	Average Rate %	Average Balance $m	Interest 12 mths $m	Average Rate %
Average balances and rates [1]						
Interest earning assets						
Cash and investments	7,144.0	125.3	1.75	7,814.9	138.4	1.77
Loans and other receivables [2, 5]	58,552.6	2,514.6	4.29	58,192.4	2,522.4	4.33
Total interest earning assets	**65,696.6**	**2,639.9**	**4.02**	**66,007.3**	**2,660.8**	**4.03**
Non interest earning assets						
Credit provisions	(299.8)			(155.0)		
Other assets	3,230.5			3,051.0		
Total non interest earning assets	**2,930.7**			**2,896.0**		
Total assets (average balance)	**68,627.3**			**68,903.3**		
Interest bearing liabilities						
Deposits						
Retail [5]	49,010.8	(975.5)	(1.99)	47,833.4	(951.7)	(1.99)
Wholesale - domestic	7,810.8	(199.1)	(2.55)	7,992.0	(191.8)	(2.40)
Wholesale - offshore	129.5	(4.1)	(3.17)	399.0	(10.5)	(2.63)
Repurchase agreements	517.0	(7.8)	(1.51)	520.4	(7.9)	(1.52)
Notes payable	2,977.0	(94.4)	(3.17)	4,014.4	(122.4)	(3.05)
Convertible preference shares	883.9	(35.7)	(4.04)	857.5	(34.9)	(4.07)
Subordinated debt	739.9	(37.1)	(5.01)	709.4	(35.2)	(4.96)
Total interest bearing liabilities	**62,068.9**	**(1,353.7)**	**(2.18)**	**62,326.1**	**(1,354.4)**	**(2.17)**
Non interest bearing liabilities and equity						
Other liabilities	1,009.5			1,064.4		
Equity	5,548.9			5,512.8		
	6,558.4			**6,577.2**		
Total liabilities and equity (average balance)	**68,627.3**			**68,903.3**		
Interest margin and interest spread						
Interest earning assets	65,696.6	2,639.9	4.02	66,007.3	2,660.8	4.03
Interest bearing liabilities	(62,068.9)	(1,353.7)	(2.18)	(62,326.1)	(1,354.4)	(2.17)
Net interest income and interest spread [3,6]		**1,286.2**	**1.84**		**1,306.4**	**1.86**
Interest free liabilities and equity			0.12			0.12
Net interest margin [4]			**1.96**			**1.98**
Impact of revenue share arrangements						
Net interest margin			1.96			1.98
Add: impact of revenue share arrangements			0.40			0.38
Net interest margin before revenue share arrangements			2.36			2.36

1 Average balance is based on monthly closing balances.

2 Loans and receivables excludes fair value specific items (June 2019 $0.4m and June 2018 $1.2m).

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

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

5 Offset products have been reclassified from deposits and netted against the corresponding loan balance.

6 Net interest income excludes fair value adjustments - refer to section 2.2.2 for net interest income reconciliation.

2.2.6 Average balance sheet
For the half year ended 30 June 2019

	30 June 2019			31 December 2018		
	Average Balance $m	Interest 6 mths $m	Average Rate %	Average Balance $m	Interest 6 mths $m	Average Rate %
Average balances and rates [1]						
Interest earning assets						
Cash and investments	7,181.7	60.4	1.69	7,183.1	64.9	1.79
Loans and other receivables [2, 5]	58,370.1	1,237.8	4.28	58,683.9	1,276.8	4.32
Total interest earning assets	**65,551.8**	**1,298.2**	**3.99**	**65,867.0**	**1,341.7**	**4.04**
Non interest earning assets						
Credit provisions	(298.9)			(301.8)		
Other assets	3,251.1			3,213.1		
Total non interest earning assets	**2,952.2**			**2,911.3**		
Total assets (average balance)	**68,504.0**			**68,778.3**		
Interest bearing liabilities						
Deposits						
Retail [5]	49,180.3	(480.0)	(1.97)	48,894.3	(495.5)	(2.01)
Wholesale - domestic	7,778.0	(96.7)	(2.51)	7,833.0	(102.4)	(2.59)
Wholesale - offshore	76.6	(1.2)	(3.16)	190.0	(2.9)	(3.03)
Repurchase agreements	514.6	(3.9)	(1.53)	519.6	(3.9)	(1.49)
Notes payable	2,747.3	(42.3)	(3.10)	3,174.1	(52.1)	(3.26)
Convertible Preference Shares	885.5	(17.6)	(4.01)	882.5	(18.1)	(4.07)
Subordinated debt	726.5	(17.7)	(4.91)	788.2	(19.4)	(4.88)
Total interest bearing liabilities	**61,908.8**	**(659.4)**	**(2.15)**	**62,281.7**	**(694.3)**	**(2.21)**
Non interest bearing liabilities and equity						
Other liabilities	1,019.7			969.0		
Equity	5,575.5			5,527.6		
	6,595.2			**6,496.6**		
Total liabilities and equity (average balance)	**68,504.0**			**68,778.3**		
Interest margin and interest spread						
Interest earning assets	65,551.8	1,298.2	3.99	65,867.0	1,341.7	4.04
Interest bearing liabilities	(61,908.8)	(659.4)	(2.15)	(62,281.7)	(694.3)	(2.21)
Net interest income and interest spread [3,6]		**638.8**	**1.84**		**647.4**	**1.83**
Interest free liabilities and equity			0.13			0.12
Net interest margin [4]			**1.97**			**1.95**
Net interest margin			1.97			1.95
Add: impact of revenue share arrangements			0.40			0.40
Net interest margin before revenue share arrangements			2.37			2.35

1 Average balance is based on monthly closing balances.
2 Loans and receivables excludes fair value specific items (June 2019 $0.2m and December 2018 $0.2m).
3 Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.
4 Interest margin is the net interest income as a percentage of average interest earning assets.
5 Offset products have been reclassified from deposits and netted against the corresponding loan balance.
6 Net interest income excludes fair value adjustments - refer to section 2.2.2 for net interest income reconciliation.

2.2.6 Average balance sheet
For the half year ended 30 June 2018

	30 June 2018			31 December 2017		
	Average Balance $m	Interest 6 mths $m	Average Rate %	Average Balance $m	Interest 6 mths $m	Average Rate %
Average balances and rates [1]						
Interest earning assets						
Cash and Investments	7,622.2	67.9	1.80	8,011.4	70.5	1.75
Loans and other receivables [2, 5]	58,246.4	1,248.8	4.32	58,098.5	1,273.6	4.35
Total interest earning assets	**65,868.6**	**1,316.7**	**4.03**	**66,109.9**	**1,344.1**	**4.03**
Non interest earning assets						
Credit provisions	(164.7)			(146.8)		
Other assets	3,054.0			3,053.7		
Total non interest earning assets	2,889.3			2,906.9		
Total assets (average balance)	**68,757.9**			**69,016.8**		
Interest bearing liabilities and equity						
Deposits						
Retail [5]	47,649.2	(464.4)	(1.97)	48,002.5	(487.3)	(2.01)
Wholesale - domestic	8,237.2	(101.3)	(2.48)	7,720.0	(90.5)	(2.33)
Wholesale - offshore	339.7	(4.7)	(2.79)	456.9	(5.8)	(2.52)
Repurchase agreements	521.0	(4.0)	(1.55)	519.9	(3.9)	(1.49)
Notes payable	3,814.0	(59.2)	(3.13)	4,236.9	(63.2)	(2.96)
Convertible Preference Shares	880.0	(17.4)	(3.99)	838.1	(17.5)	(4.14)
Subordinated debt	709.5	(17.7)	(5.03)	709.3	(17.5)	(4.89)
Total interest bearing liabilities	**62,150.6**	**(668.7)**	**(2.17)**	**62,483.6**	**(685.7)**	**(2.18)**
Non interest bearing liabilities and equity						
Other liabilities	1,043.0			1,065.6		
Equity	5,564.3			5,467.6		
	6,607.3			**6,533.2**		
Total liabilities and equity (average balance)	**68,757.9**			**69,016.8**		
Interest margin and interest spread						
Interest earning assets	65,868.6	1,316.7	4.03	66,109.9	1,344.1	4.03
Interest bearing liabilities	(62,150.6)	(668.7)	(2.17)	(62,483.6)	(685.7)	(2.18)
Net interest income and interest spread [3,6]		**648.0**	**1.86**		**658.4**	**1.85**
Interest free liabilities and equity			0.12			0.13
Net interest margin [4]			**1.98**			**1.98**
Net interest margin			1.98			1.98
Add: impact of revenue share arrangements			0.39			0.38
Net interest margin before revenue share arrangements			2.37			2.36

1 Average balance is based on monthly closing balances.
2 Loans and receivables excludes fair value specific items (June 2018 $0.5m and December 2017 $0.7m).
3 Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.
4 Interest margin is the net interest income as a percentage of average interest earning assets.
5 Offset products have been reclassified from deposits and netted against the corresponding loan balance.
6 Net interest income excludes fair value adjustments - refer to section 2.2.2 for net interest income reconciliation.

2.2.7 Segment results

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses.

Segment reporting reflects the information that is used by the Managing Director for the purposes of resource allocation and performance assessment, hence it is consistent with the internal reporting provided to the Managing Director and the Executive Team.

Following the announcement and implementation of the organisational restructure effective from 10 August 2018, the Group's reportable segments have been amended. The Group now has the following reportable segments: Consumer, Business and Agribusiness. Segment comparatives reflect any organisational changes that have occurred since the prior reporting period.

Consumer

Consumer focuses on engaging with and servicing consumer customers and includes the branch network (including Community Banks and Alliance Banks), mobile relationship managers, third party banking channels, wealth services, Homesafe, call centres, and consumer support functions such as the processing centres.

Business

Business focuses on servicing business customers and includes Business Banking, Portfolio Funding, Delphi Bank, Community Sector Banking and Great Southern.

Agribusiness

Agribusiness includes all banking services provided to agribusiness, rural and regional Australian communities through Rural Bank.

Central functions

The 'Corporate' category includes all functions that are not directly related 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 funds 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.

For the year ended 30 June 2019

	Operating segments					
	Consumer	Business	Agribusiness	Total operating segments	Central functions	Total
	$m	$m	$m	$m	$m	$m
Net interest income	798.9	324.0	162.9	1,285.8	-	1,285.8
Other income	198.7	38.7	15.2	252.6	29.1	281.7
Total segment income	**997.6**	**362.7**	**178.1**	**1,538.4**	**29.1**	**1,567.5**
Operating expenses	(642.4)	(239.6)	(82.0)	(964.0)	(1.2)	(965.2)
Credit expenses	(19.2)	(33.7)	2.6	(50.3)	-	(50.3)
Segment result (before tax)	**336.0**	**89.4**	**98.7**	**524.1**	**27.9**	**552.0**
Tax expense	(106.7)	(28.4)	(31.3)	(166.4)	(8.8)	(175.2)
Segment result (statutory basis)	**229.3**	**61.0**	**67.4**	**357.7**	**19.1**	**376.8**
Cash basis adjustments:						
Specific income & expense items	32.1	-	0.8	32.9	(6.5)	26.4
Homesafe net realised income	9.9	-	-	9.9	-	9.9
Amortisation of intangibles	0.4	1.8	0.4	2.6	-	2.6
Segment result (cash basis)	**271.7**	**62.8**	**68.6**	**403.1**	**12.6**	**415.7**

2.2.7 Segment results (continued)

For the year ended 30 June 2018

	Operating segments					
	Consumer	Business	Agribusiness	Total operating segments	Central functions	Total
	$m	$m	$m	$m	$m	$m
Net interest income	800.5	339.7	165.0	**1,305.2**	-	**1,305.2**
Other income	284.6	35.9	8.6	**329.1**	9.2	**338.3**
Total segment income	**1,085.1**	**375.6**	**173.6**	**1,634.3**	**9.2**	**1,643.5**
Operating expenses	(610.4)	(237.9)	(76.0)	**(924.3)**	(14.1)	**(938.4)**
Credit expenses	(17.7)	(50.1)	(2.8)	**(70.6)**	-	**(70.6)**
Segment result (before tax expense)	**457.0**	**87.6**	**94.8**	**639.4**	**(4.9)**	**634.5**
Tax expense	(143.8)	(27.6)	(29.8)	**(201.2)**	1.2	**(200.0)**
Segment result (statutory basis)	**313.2**	**60.0**	**65.0**	**438.2**	**(3.7)**	**434.5**
Cash basis adjustments:						
Specific income & expense items	(10.3)	0.4	3.5	**(6.4)**	(0.1)	**(6.5)**
Homesafe net realised income	11.3	-	-	**11.3**	-	**11.3**
Amortisation of intangibles	2.8	1.8	1.2	**5.8**	-	**5.8**
Segment result (cash basis)	**317.0**	**62.2**	**69.7**	**448.9**	**(3.8)**	**445.1**

Reportable segment assets and liabilities

	Operating segments					
	Consumer	Business	Agribusiness [1]	Total operating segments	Central functions	Total
	$m	$m	$m	$m	$m	$m
For the year ended 30 June 2019						
Reportable segment assets	44,447.9	11,573.1	5,997.5	**62,018.5**	10,551.8	**72,570.3**
Reportable segment liabilities	35,575.2	14,263.0	3,863.0	**53,701.2**	9,773.1	**63,474.3**
For the year ended 30 June 2018						
Reportable segment assets	43,114.3	12,695.7	6,542.3	**62,352.3**	9,087.5	**71,439.8**
Reportable segment liabilities	34,380.4	13,684.9	4,235.5	**52,300.8**	9,973.9	**62,274.7**

	As at June 2019	As at June 2018
Total assets for operating segments	72,570.3	71,439.8
Total assets	**72,570.3**	**71,439.8**
Total liabilities for operating segments	63,474.3	62,274.7
Securitisation funding	3,464.4	3,544.8
Total liabilities	**66,938.7**	**65,819.5**

[1] On 31 May 2019, the Rural Bank ADI licence was returned to APRA. As a result, all the assets and liabilities of Rural Bank were transferred to Bendigo and Adelaide Bank Limited, including their treasury assets and liabilities. As these assets and liabilities now form part of the Group treasury portfolio they are included in the Central Functions segment whereas previously they formed part of the Agribusiness segment. Given this transfer occurred as a result of the return of the ADI licence prior periods have not been restated.

2.3 Financial statements

2.3.1 Balance sheet metrics

	Half year		Total	Half year		Total	Year on year change	
	Jun-19	Dec-18	FY19	Jun-18	Dec-17	FY18		
	$m	$m	$m	$m	$m	$m	$m	%
Financial position metrics								
Ordinary equity	5,563.2	5,539.4	**5,563.2**	5,505.8	5,444.9	**5,505.8**	57.4	1.0
Retail deposits	52,301.2	52,245.1	**52,301.2**	50,614.5	50,308.9	**50,614.5**	1,686.7	3.3
Funds under management	6,748.7	6,013.0	**6,748.7**	5,833.2	5,630.3	**5,833.2**	915.5	15.7
Loans under management	63,188.8	62,207.7	**63,188.8**	62,926.9	61,614.8	**62,926.9**	261.9	0.4
New loan approvals	7,517.1	7,732.2	**15,249.3**	8,089.3	8,110.7	**16,200.0**	(950.7)	(5.9)
> Residential	4,973.0	5,590.3	**10,563.3**	5,437.7	5,881.2	**11,318.9**	(755.6)	(6.7)
> Non-residential	2,544.1	2,141.9	**4,686.0**	2,651.6	2,229.5	**4,881.1**	(195.1)	(4.0)
Total provisions and reserves for doubtful debts	362.8	379.9	**362.8**	307.8	306.2	**307.8**	55.0	17.9

	Half year		Total	Half year		Total	Year on year change	
Capital management metrics	Jun-19	Dec-18	FY19	Jun-18	Dec-17	FY18		bps
Common Equity Tier 1 (%)	8.92%	8.76%	**8.92%**	8.62%	8.61%	**8.62%**		30
							$m	%
Credit risk weighted assets ($m)	33,424.1	33,656.7	**33,424.1**	34,367.6	33,754.6	**34,367.6**	(943.5)	(2.7)
Total risk weighted assets ($m)	37,483.1	37,539.0	**37,483.1**	38,256.4	37,689.6	**38,256.4**	(773.3)	(2.0)
Liquidity risk								bps
Liquidity coverage ratio (LCR) [1]	126.3%	129.8%	**128.1%**	127.1%	125.3%	**126.2%**		190
Net stable funding ratio (NSFR) [2,3]	112.8%	112.0%	**112.4%**	110.2%				
Impaired assets							$m	%
Gross impaired assets ($m)	310.9	346.0	**310.9**	335.8	288.8	**335.8**	(24.9)	(7.4)
Net impaired assets ($m)	183.3	221.3	**183.3**	217.5	176.3	**217.5**	(34.2)	(15.7)
								bps
Net impaired loans to gross loans (%)	0.30%	0.36%	**0.30%**	0.35%	0.29%	**0.35%**		(5)

[1] Represents average daily LCR over respective 6 monthly period.

[2] Represents average end of month NSFR over respective 6 month period.

[3] Net stable funding ratio calculated from 1st January 2018.

2.3.2 Statement of comprehensive income For the year ended 30 June 2019

	As at [1] Jun-19 $m	As at Jun-18 $m
Profit for the period ended 30 June	**376.8**	**434.5**
Items which may be reclassified subsequently to profit or loss:		
Net gain on available for sale - equity investments	-	0.2
Net unrealised loss on available for sale - debt securities	-	(0.1)
Revaluation gain on debt instruments at fair value through other comprehensive income	0.1	-
Restatement due to adoption of new accounting standards [1]	0.1	-
Transfer from asset revaluation reserve to income	(0.2)	-
Net gain on cash flow hedges taken to equity	19.5	10.9
Tax effect on items taken directly to or transferred from equity	(5.8)	(3.3)
Total items that may be reclassified to profit or loss	**13.7**	**7.7**
Items which will not be reclassifed subsequently to profit or loss:		
Actuarial (loss)/gain on superannuation defined benefits plan	(0.1)	0.4
Tax effect on items taken directly to or transferred from equity	-	(0.1)
Total items that will not be reclassified to profit or loss	**(0.1)**	**0.3**
Total comprehensive income for the period	**390.4**	**442.5**

2.3.3 Balance sheet As at 30 June 2019

	As at [1] Jun-19 $m	As at Jun-18 $m
Assets		
Cash and cash equivalents	1,072.0	1,137.4
Due from other financial institutions	270.6	283.0
Financial assets fair value through profit or loss (FVTPL)	5,836.9	4,499.5
Financial assets available for sale	-	469.0
Financial assets held to maturity	-	413.2
Financial assets - amortised cost	293.1	-
Financial assets fair value through other comprehensive income (FVOCI)	55.7	-
Derivatives	150.6	29.7
Net loans and other receivables	61,791.8	61,601.8
Investments in joint ventures accounted for using the equity method	9.3	8.9
Property, plant and equipment	63.1	69.9
Deferred tax assets	170.6	117.0
Investment property	734.5	735.7
Goodwill and other intangible assets	1,685.6	1,650.0
Other assets	436.5	424.7
Total Assets	**72,570.3**	**71,439.8**
Liabilities		
Due to other financial institutions	420.6	352.5
Deposits	60,566.6	59,529.5
Notes payable	3,464.4	3,544.8
Derivatives	135.0	34.8
Income tax payable	6.4	51.5
Provisions	119.6	136.6
Deferred tax liabilities	165.3	130.9
Other payables	493.0	448.8
Preference shares	886.4	880.9
Subordinated debt	681.4	709.2
Total Liabilities	**66,938.7**	**65,819.5**
Net Assets	**5,631.6**	**5,620.3**
Equity		
Share capital	4,570.5	4,523.3
Reserves	73.8	121.1
Retained earnings	987.3	975.9
Total Equity	**5,631.6**	**5,620.3**

[1] June 2019 results have been prepared in accordance with AASB 9; prior periods have not been restated. Refer to 31 December 2018 financial statements, Note 3.7.2.2 'Changes in Accounting Policies' for further information.

2.3.4 Statement of changes in equity
For the year ended 30 June 2019

	Attributable to owners of Bendigo and Adelaide Bank Limited				
	Issued ordinary capital $m	Other issued capital $m	Retained earnings $m	Reserves $m	Total equity $m
Opening balance at 1 July 2018	**4,529.9**	**(6.6)**	**975.9**	**121.1**	**5,620.3**
Restated for adoption of new accounting standards [1]	-	-	(11.1)	(82.8)	**(93.9)**
Comprehensive income:					
Profit for the period	-	-	376.8	-	376.8
Restatement due to adoption of new accounting standards [1]	-	-	-	0.1	0.1
Other comprehensive income	-	-	(0.1)	13.6	13.5
Total comprehensive income for the period	**-**	**-**	**376.7**	**13.7**	**390.4**
Transactions with owners in their capacity as owners:					
Shares issued	46.0	-	-	-	46.0
Reduction in employee share ownership plan (ESOP) shares	-	1.2	-	-	1.2
Movement in general reserve for credit losses (GRCL)	-	-	(19.9)	19.9	-
Movement in operational risk reserve	-	-	(0.6)	0.6	-
Movement in share based payment	-	-	1.0	1.3	2.3
Equity dividends	-	-	(334.7)	-	(334.7)
Closing balance at 30 June 2019	**4,575.9**	**(5.4)**	**987.3**	**73.8**	**5,631.6**

[1] June 2019 results have been prepared in accordance with AASB 9; prior periods have not been restated. Refer to 31 December 2018 financial statements, Note 3.7.2.2 'Changes in Accounting Policies' for further information.

For the year ended 30 June 2018

	Attributable to owners of Bendigo and Adelaide Bank Limited				
	Issued ordinary capital $m	Other issued capital $m	Retained earnings $m	Reserves $m	Total equity $m
Opening balance at 1 July 2017	**4,456.7**	**(8.0)**	**864.6**	**112.3**	**5,425.6**
Comprehensive income:					
Profit for the period	-	-	434.5	-	434.5
Other comprehensive income	-	-	0.3	7.7	8.0
Total comprehensive income for the period	**-**	**-**	**434.8**	**7.7**	**442.5**
Transactions with owners in their capacity as owners:					
Shares issued	73.2	-	-	-	73.2
Transfer from asset revaluation reserve	-	-	0.4	(0.4)	-
Reduction in employee share ownership plan (ESOP) shares	-	1.4	-	-	1.4
Movement in operational risk reserve	-	-	(1.5)	1.4	(0.1)
Movement in share based payment	-	-	2.6	0.1	2.7
Equity dividends	-	-	(325.0)	-	(325.0)
Closing balance at 30 June 2018	**4,529.9**	**(6.6)**	**975.9**	**121.1**	**5,620.3**

2.3.5 Cash flow statement
For the year ended 30 June 2019

	Jun-19 $m	Jun-18 $m
Cash flows from operating activities		
Interest and other items of a similar nature received	2,646.2	2,661.9
Interest and other costs of finance paid	(1,361.4)	(1,379.9)
Receipts from customers (excluding effective interest)	280.4	284.8
Payments to suppliers and employees	(1,000.3)	(998.4)
Dividends received	0.9	1.3
Income taxes paid	(205.9)	(175.2)
Cash flows from operating activities before changes in operating assets and liabilities	**359.9**	**394.5**
(Increase)/decrease in operating assets		
Net increase in balance of loans and other receivables	(337.6)	(904.1)
Net (increase)/decrease in balance of investment securities	(773.1)	1,039.4
Increase/(decrease) in operating liabilities		
Net increase in balance of deposits	1,037.0	235.4
Net decrease in balance of notes payable	(80.4)	(413.6)
Cash flows from operating activities	**205.8**	**351.6**
Cash flows related to investing activities		
Cash paid for purchases of property, plant and equipment	(12.6)	(15.4)
Cash proceeds from sale of property, plant and equipment	0.9	1.3
Cash paid for purchases of investment property	(67.0)	(59.0)
Cash proceeds from sale of investment property	44.2	45.0
Cash paid for purchases of equity investments	(0.3)	(0.1)
Proceeds from return of capital/dividend from JV partners	2.0	2.0
Cash paid for purchases of intangible assets	(3.7)	(2.9)
Net cash flows used in investing activities	**(36.5)**	**(29.1)**
Cash flows from financing activities		
Proceeds from issue of ordinary/convertible preference shares	-	55.8
Proceeds from issue of subordinated debt	272.3	0.5
Repayment of subordinated debt	(300.0)	-
Dividends paid	(288.6)	(251.8)
Repayment received for ESOP shares	1.1	1.4
Payment of share issue costs	-	(6.5)
Net cash flows from financing activities	**(315.2)**	**(200.6)**
Net (decrease)/increase in cash and cash equivalents	(145.9)	121.9
Cash and cash equivalents at the beginning of the period	1,067.9	946.0
Cash and cash equivalents at the end of period	**922.0**	**1,067.9**

2.3.6 Lending

	Full year ending				Half year ending			
	Jun-19	Jun-18	Change		Jun-19	Dec-18	Change	
	$m	$m	$m	%	$m	$m	$m	%
Approvals - by security								
Residential	10,563.3	11,318.9	(755.6)	(6.7)	4,973.0	5,590.3	(617.3)	(11.0)
Non-residential	4,686.0	4,881.1	(195.1)	(4.0)	2,544.1	2,141.9	402.2	18.8
Total approvals	**15,249.3**	**16,200.0**	**(950.7)**	**(5.9)**	**7,517.1**	**7,732.2**	**(215.1)**	**(2.8)**

	As at	As at			As at	As at		
	Jun-19	Jun-18	Change		Jun-19	Dec-18	Change	
	$m	$m	$m	%	$m	$m	$m	%
Gross loan balance - by security								
Residential	**45,538.7**	**44,139.7**	**1,399.0**	**3.2**	**45,538.7**	**44,690.8**	**847.9**	**1.9**
Business								
Accommodation and food services	341.5	350.5	(9.0)	(2.6)	341.5	316.6	24.9	7.9
Administrative and support services	28.1	33.5	(5.4)	(16.1)	28.1	29.9	(1.8)	(6.0)
Agriculture, forestry and fishing	6,201.8	6,229.3	(27.5)	(0.4)	6,201.8	5,964.1	237.7	4.0
Arts and recreation services	66.1	86.8	(20.7)	(23.8)	66.1	89.3	(23.2)	(26.0)
Construction	787.7	1,123.6	(335.9)	(29.9)	787.7	936.1	(148.4)	(15.9)
Education and training	59.0	61.4	(2.4)	(3.9)	59.0	55.8	3.2	5.7
Electricity, gas, water and waste services	35.0	20.6	14.4	69.9	35.0	36.1	(1.1)	(3.0)
Financial and insurance services	640.4	432.6	207.8	48.0	640.4	435.9	204.5	46.9
Health care and social assistance	533.8	531.6	2.2	0.4	533.8	545.2	(11.4)	(2.1)
Information media & telecommunications	32.4	33.2	(0.8)	(2.4)	32.4	35.2	(2.8)	(8.0)
Manufacturing	251.0	273.6	(22.6)	(8.3)	251.0	248.0	3.0	1.2
Mining	28.1	17.4	10.7	61.5	28.1	24.3	3.8	15.6
Other Services	201.3	220.4	(19.1)	(8.7)	201.3	203.5	(2.2)	(1.1)
Professional, scientific & technical services	210.2	238.4	(28.2)	(11.8)	210.2	223.8	(13.6)	(6.1)
Public administration and safety	47.5	53.0	(5.5)	(10.4)	47.5	48.3	(0.8)	(1.7)
Rental, hiring and real estate services	3,502.6	3,924.6	(422.0)	(10.8)	3,502.6	3,661.4	(158.8)	(4.3)
Retail trade	413.0	434.8	(21.8)	(5.0)	413.0	412.0	1.0	0.2
Transport, postal and warehousing	148.2	145.6	2.6	1.8	148.2	157.3	(9.1)	(5.8)
Wholesale trade	148.5	168.7	(20.2)	(12.0)	148.5	156.9	(8.4)	(5.4)
Other	103.1	249.2	(146.1)	(58.6)	103.1	97.3	5.8	6.0
Total business	**13,779.3**	**14,628.8**	**(849.5)**	**(5.8)**	**13,779.3**	**13,677.0**	**102.3**	**0.7**
Margin lending	1,528.6	1,694.7	(166.1)	(9.8)	1,528.6	1,553.9	(25.3)	(1.6)
Unsecured	992.2	1,017.2	(25.0)	(2.5)	992.2	960.8	31.4	3.3
Other	271.6	313.1	(41.5)	(13.3)	271.6	305.8	(34.2)	(11.2)
Total gross loan balance	**62,110.4**	**61,793.5**	**316.9**	**0.5**	**62,110.4**	**61,188.3**	**922.1**	**1.5**
Gross loan balance - by purpose								
Residential	43,592.9	42,365.9	1,227.0	2.9	43,592.9	42,807.7	785.2	1.8
Consumer	2,342.2	2,559.8	(217.6)	(8.5)	2,342.2	2,365.3	(23.1)	(1.0)
Margin lending	1,528.6	1,694.7	(166.1)	(9.8)	1,528.6	1,553.9	(25.3)	(1.6)
Business	14,646.7	15,173.1	(526.4)	(3.5)	14,646.7	14,461.4	185.3	1.3
Total gross loan balance	**62,110.4**	**61,793.5**	**316.9**	**0.5**	**62,110.4**	**61,188.3**	**922.1**	**1.5**
Loans under management (gross balance)								
On-balance sheet	62,110.4	61,793.5	316.9	0.5	62,110.4	61,188.3	922.1	1.5
Off-balance sheet loans under management	1,078.4	1,133.4	(55.0)	(4.9)	1,078.4	1,019.4	59.0	5.8
Total Group loans under management	**63,188.8**	**62,926.9**	**261.9**	**0.4**	**63,188.8**	**62,207.7**	**981.1**	**1.6**

Loans under management represents 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 represents 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 Jun-19	As at Jun-18	Change		As at Jun-19	As at Dec-18	Change	
Impaired loans [1]	$m	$m	$m	%	$m	$m	$m	%
Full-performing [2]	8.3	13.9	(5.6)	(40.3)	8.3	14.9	(6.6)	(44.3)
Part-performing [3]	82.2	56.6	25.6	45.2	82.2	83.9	(1.7)	(2.0)
Non-performing	217.1	261.3	(44.2)	(16.9)	217.1	243.8	(26.7)	(11.0)
Restructured loans [4]	3.3	4.0	(0.7)	(17.5)	3.3	3.4	(0.1)	(2.9)
Total impaired assets	**310.9**	**335.8**	**(24.9)**	**(7.4)**	**310.9**	**346.0**	**(35.1)**	**(10.1)**
Less: specific impairment provisions	(127.6)	(118.3)	(9.3)	(7.9)	(127.6)	(124.7)	(2.9)	(2.3)
Net impaired assets	**183.3**	**217.5**	**(34.2)**	**(15.7)**	**183.3**	**221.3**	**(38.0)**	**(17.2)**
Portfolio facilities - past due 90 days, not well secured	4.6	4.8	(0.2)	(4.2)	4.6	3.7	0.9	24.3
Less: specific impairment provisions	(0.9)	(1.0)	0.1	10.0	(0.9)	(0.7)	(0.2)	(28.6)
Net portfolio facilities	**3.7**	**3.8**	**(0.1)**	**(2.6)**	**3.7**	**3.0**	**0.7**	**23.3**
Past due 90 days								
Well secured (excluding commercial arrangement loans)	404.1	414.0	(9.9)	(2.4)	404.1	380.7	23.4	6.1
Great Southern portfolio	34.9	50.5	(15.6)	(30.9)	34.9	41.4	(6.5)	(15.7)

Ratios	%	%	bps change	%	%	bps change
Total impaired loans to gross loans	0.50%	0.54%	(4)	0.50%	0.57%	(7)
Total impaired loans to total assets	0.43%	0.47%	(4)	0.43%	0.48%	(5)
Net impaired loans to gross loans	0.30%	0.35%	(5)	0.30%	0.36%	(6)
Provision coverage [5]	116.7%	91.7%	2,500	116.7%	109.8%	690

[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 customers.

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

2.3.8 Credit expenses

	Full year ending				Half year ending			
	Jun-19	Jun-18	Change		Jun-19	Dec-18	Change	
Credit expense	$m	$m	$m	%	$m	$m	$m	%
Bad debts written off	10.0	3.6	(6.4)	(177.8)	7.1	2.9	(4.2)	(144.8)
Provision doubtful debts - expense	44.6	75.3	30.7	40.8	21.2	23.4	2.2	9.4
Total credit expense	**54.6**	**78.9**	**24.3**	**30.8**	**28.3**	**26.3**	**(2.0)**	**(7.6)**
Bad debts recovered	(4.3)	(8.3)	(4.0)	(48.2)	(3.5)	(0.8)	2.7	337.5
Credit expenses net of recoveries	**50.3**	**70.6**	**20.3**	**28.8**	**24.8**	**25.5**	**0.7**	**2.7**

	As at Jun-19	As at Jun-18	Change		As at Jun-19	As at Dec-18	Change	
Provisions and reserves	$m	$m	$m	%	$m	$m	$m	%
Provision for doubtful debts - specific	128.5	119.3	(9.2)	(7.7)	128.5	125.4	(3.1)	(2.5)
Provision for doubtful debts - collective	157.0	48.2	(108.8)	(225.7)	157.0	181.5	24.5	13.5
General reserve for credit losses	77.3	140.3	63.0	44.9	77.3	73.0	(4.3)	(5.9)
Total provisions and reserve for doubtful debts	**362.8**	**307.8**	**(55.0)**	**(17.9)**	**362.8**	**379.9**	**17.1**	**4.5**

	As at Jun-19	As at Jun-18	Change	As at Jun-19	As at Dec-18	Change
Ratios	%	%	bps	%	%	bps
Credit expenses to gross loans	0.08%	0.11%	(3)	0.08%	0.08%	-
Credit expenses (excluding Great Southern) to gross loans	0.04%	0.10%	(6)	0.02%	0.05%	(3)
Total provision/reserve for doubtful debts to gross loans	0.58%	0.50%	8	0.58%	0.62%	(4)
Collective provision and GRCL to risk-weighted assets	0.63%	0.49%	14	0.63%	0.68%	(5)

	Collective provision [1]	Collective provision 12-mth ECL	Collective provision lifetime ECL not credit impaired	Collective provision lifetime ECL credit impaired	Specific provision lifetime ECL credit impaired	General reserve for credit losses [1]	Total
Movements in provisions and reserves	$m	$m	$m	$m	$m	$m	**$m**
Balance as at 30 June 2018	48.2	-	-	-	119.3	140.3	**307.8**
Restated for adoption of new accounting standards [1]	(48.2)	33.1	79.0	70.4	-	(82.9)	**51.4**
Transfer from retained earnings	-	-	-	-	-	19.9	**19.9**
Changes due to financial assets recognised in the opening balance that have:							
Transferred to 12-month ECL	-	2.9	(2.8)	(0.1)	-	-	**-**
Transferred to lifetime ECL not credit impaired	-	(29.1)	31.5	(2.4)	-	-	**-**
Transfer to lifetime ECL credit impaired - collective provision	-	(9.9)	(15.7)	25.6	-	-	**-**
Charge to income statement	-	21.1	(7.5)	(39.1)	70.1	-	**44.6**
Bad debts written off previously provided for	-	-	-	-	(60.9)	-	**(60.9)**
Total provision for doubtful debts as at 30 June 2019	**-**	**18.1**	**84.5**	**54.4**	**128.5**	**77.3**	**362.8**

[1] June 2019 results have been prepared in accordance with AASB 9; prior periods have not been restated. Refer to 31 December 2018 financial statements, Note 3.7.2.2 'Changes in Accounting Policies' for further information.

	Specific	Collective	GRCL	Total
Movements in provisions and reserves	$m	$m	$m	$m
Balance at July 2017	89.5	52.7	140.3	282.5
Provision for doubtful debts expense to profit and loss	79.8	(4.5)	-	75.3
Bad debts written off - previously provided for	(50.0)	-	-	(50.0)
Balance at 30 June 2018	**119.3**	**48.2**	**140.3**	**307.8**

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.

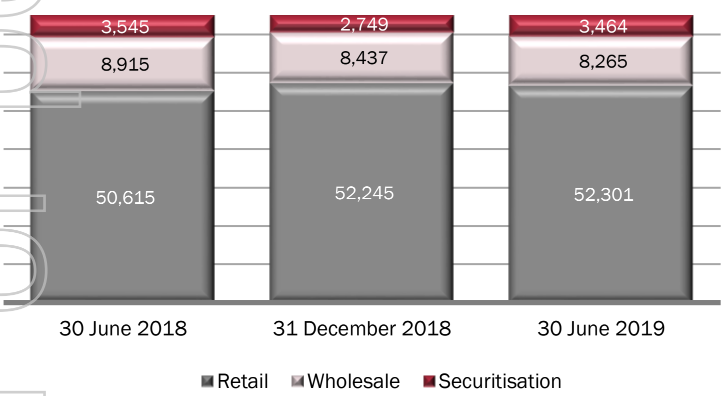
2.3.9 Deposits and funds under management

	As at Jun-19	As at Jun-18	Change		As at Jun-19	As at Dec-18	Change	
	$m	$m	$m	%	$m	$m	$m	%
Deposits and funds under management								
Deposits	60,566.6	59,529.5	1,037.1	1.7	60,566.6	60,682.1	(115.5)	(0.2)
Securitisation	3,464.4	3,544.8	(80.4)	(2.3)	3,464.4	2,748.5	715.9	26.0
Managed funds	6,748.7	5,833.2	915.5	15.7	6,748.7	6,013.0	735.7	12.2
Total deposits and funds under management	**70,779.7**	**68,907.5**	**1,872.2**	**2.7**	**70,779.7**	**69,443.6**	**1,336.1**	**1.9**
Deposits dissection - $m								
Retail	52,301.2	50,614.5	1,686.7	3.3	52,301.2	52,245.1	56.1	0.1
Wholesale	8,265.4	8,915.0	(649.6)	(7.3)	8,265.4	8,437.0	(171.6)	(2.0)
Securitisation	3,464.4	3,544.8	(80.4)	(2.3)	3,464.4	2,748.5	715.9	26.0
Total deposits	**64,031.0**	**63,074.3**	**956.7**	**1.5**	**64,031.0**	**63,430.6**	**600.4**	**0.9**
Deposits dissection - %								
Retail	81.7%	80.2%			81.7%	82.4%		
Wholesale	12.9%	14.1%			12.9%	13.3%		
Securitisation	5.4%	5.7%			5.4%	4.3%		
Total deposits	**100.0%**	**100.0%**			**100.0%**	**100.0%**		
Managed funds dissection								
Assets under management	2,536.7	2,200.0	336.7	15.3	2,536.7	2,358.4	178.3	7.6
Other managed funds	4,212.0	3,633.2	578.8	15.9	4,212.0	3,654.6	557.4	15.3
Total managed funds	**6,748.7**	**5,833.2**	**915.5**	**15.7**	**6,748.7**	**6,013.0**	**735.7**	**12.2**

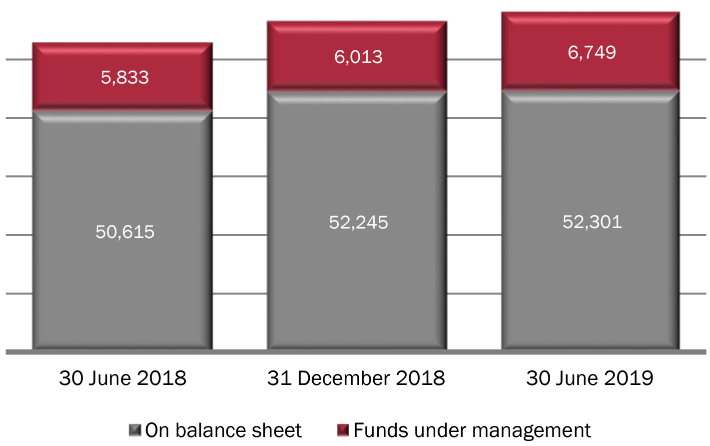
Assets under management include those funds deposited in the Sandhurst Trustees Limited Common Funds, which are invested in cash, cash enhanced and mortgage investments on behalf of investors. These funds are off-balance sheet.

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 Capital and shareholder returns

2.3.10.1 Assets and capital

	As at Jun-19	As at Jun-18	Change		As at Jun-19	As at Dec-18	Change	
	$m	$m	$m	%	$m	$m	$m	%
Group assets	72,570.3	71,439.8	1,130.5	1.6	72,570.3	71,685.1	885.2	1.2
Capital adequacy								
Total regulatory capital	4,925.0	4,916.0	9.0	0.2	4,925.0	5,193.7	(268.7)	(5.2)
Risk-weighted assets	37,483.1	38,256.4	(773.3)	(2.0)	37,483.1	37,539.0	(55.9)	(0.1)
	%	%	%		%	%	%	
Risk-weighted capital adequacy	13.14%	12.85%	0.29%	2.3	13.14%	13.84%	(0.70%)	(5.1)
- Tier 1	11.31%	10.96%	0.35%	3.2	11.31%	11.15%	0.16%	1.4
- Tier 2	1.83%	1.89%	(0.06%)	(3.2)	1.83%	2.69%	(0.86%)	(32.0)
- Common Equity Tier 1	8.92%	8.62%	0.30%	3.5	8.92%	8.76%	0.16%	1.8

2.3.10.2 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 adopts the "standard model" approach prescribed by APRA to calculate the Bank's capital position.

Risk weighted capital ratios	Jun-19	Dec-18	Jun-18
Tier 1	11.31%	11.15%	10.96%
Tier 2	1.83%	2.69%	1.89%
Total capital ratio	**13.14%**	**13.84%**	**12.85%**
Common Equity Tier 1	**8.92%**	**8.76%**	**8.62%**

Regulatory capital	$m	$m	$m
Common Equity Tier 1			
Contributed capital	4,576.0	4,553.0	4,529.9
Retained profits and reserves	735.2	719.8	707.9
Accumulated other comprehensive income (and other reserves)	(9.0)	(26.0)	(23.9)
Less:			
Intangible assets, cash flow hedges and capitalised expenses	1,827.1	1,814.4	1,813.2
Net deferred tax assets	91.4	104.9	64.7
Equity exposures	37.5	36.9	36.8
Other adjustments as per APRA advice	1.4	1.2	1.5
Total common equity tier 1 capital	**3,344.8**	**3,289.4**	**3,297.7**
Additional Tier 1 capital instruments	895.9	895.9	895.9
Total Additional Tier 1 Capital	**895.9**	**895.9**	**895.9**
Total Tier 1 Capital	**4,240.7**	**4,185.3**	**4,193.6**
Tier 2			
Tier 2 capital instruments	494.3	822.4	547.4
General reserve for credit losses/collective provision (net of tax effect)	190.0	186.0	175.0
Total Tier 2 Capital	**684.3**	**1,008.4**	**722.4**
Total regulatory capital	**4,925.0**	**5,193.7**	**4,916.0**
Total risk weighted assets	**37,483.1**	**37,539.0**	**38,256.4**

2.3.10.2 Capital adequacy (continued)

	As at	As at			As at	As at		
	Jun-19	Jun-18	Change		Jun-19	Dec-18	Change	
Risk- weighted assets	$m	$m	$m	%	$m	$m	$m	%
Credit risk	33,424.1	34,367.6	(943.5)	(2.7)	33,424.1	33,656.7	(232.6)	(0.7)
Market risk	343.6	212.4	131.2	61.8	343.6	175.7	167.9	95.6
Operational risk	3,715.4	3,676.4	39.0	1.1	3,715.4	3,706.6	8.8	0.2
Total risk-weighted assets	**37,483.1**	**38,256.4**	**(773.3)**	**(2.0)**	**37,483.1**	**37,539.0**	**(55.9)**	**(0.1)**

Key movements in the June 2019 year include:

> Common Tier 1

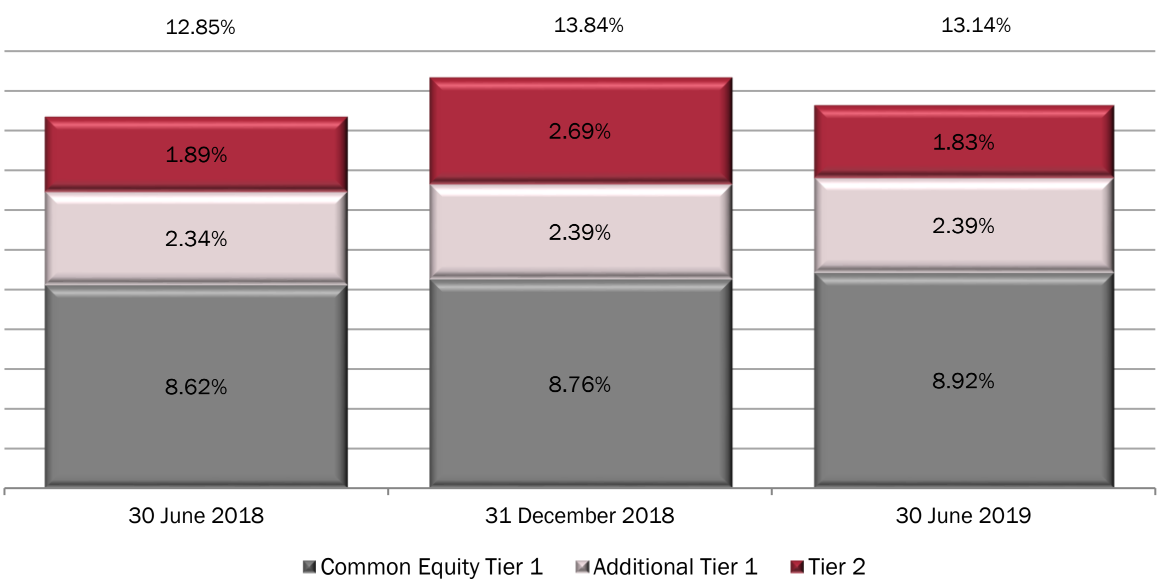
Dividend reinvestment plan increased capital by $46.0m.

Retained earnings and net deferred tax assets increased by $54.0m net of Homesafe unrealised revaluation gains.

> Risk weighted assets

Risk weighted assets decreased during the year due to the securitisation of residential mortgages partially offset by loan growth.

Capital adequacy (%)



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

Pillar 3 Disclosures

Details on the market disclosures required under Pillar 3, per prudential standard APS 330 “Public Disclosure”, are provided on the Group’s website at: http://www.bendigoadelaide.com.au/public/shareholders/announcements/aps_330.asp

2.3.10.3 Shareholder returns

	Full year ending				Half year ending			
	Jun-19	Jun-18	Change		Jun-19	Dec-18	Change	
Earnings per ordinary share	cents	cents	cents	%	cents	cents	cents	%
Statutory earnings per ordinary share (weighted average)	77.1	89.9	(12.8)	(14.2)	35.4	41.7	(6.3)	(15.1)
Cash earnings per ordinary share (weighted average)	85.0	92.1	(7.1)	(7.7)	40.0	45.1	(5.1)	(11.3)
Diluted earnings per ordinary share (weighted average)	69.7	81.2	(11.5)	(14.2)	32.1	37.6	(5.5)	(14.6)

			Change				Change	
Weighted average number of ordinary shares	000's	000's	000's	%	000's	000's	000's	%
Weighted average number of ordinary shares - used in basic and cash basis EPS calculations	489,004	483,353	5,651	1.2	490,308	487,722	2,587	0.5
Weighted average number of ordinary shares - used in diluted EPS calculations	576,616	564,956	11,661	2.1	579,167	574,129	5,038	0.9

			Change			Change
Ratios	%	%	%	%	%	%
Return on average ordinary equity (after tax)	6.84%	8.03%	(1.19%)	6.34%	7.34%	(1.00%)
Return on average ordinary equity (cash basis)	7.55%	8.23%	(0.68%)	7.15%	7.94%	(0.79%)
Return on average tangible equity (cash basis)	10.73%	11.52%	(0.79%)	10.15%	11.32%	(1.17%)
Return on average assets (after tax)	0.55%	0.63%	(0.08%)	0.51%	0.59%	(0.08%)
Return on average assets (cash basis)	0.61%	0.65%	(0.04%)	0.58%	0.63%	(0.05%)

Cash earnings used in cash basis earnings per ordinary share is profit after tax adjusted for specific items after tax and amortisation on acquired intangibles.

Earnings used in the statutory earnings per ordinary share is, profit after tax including specific items.

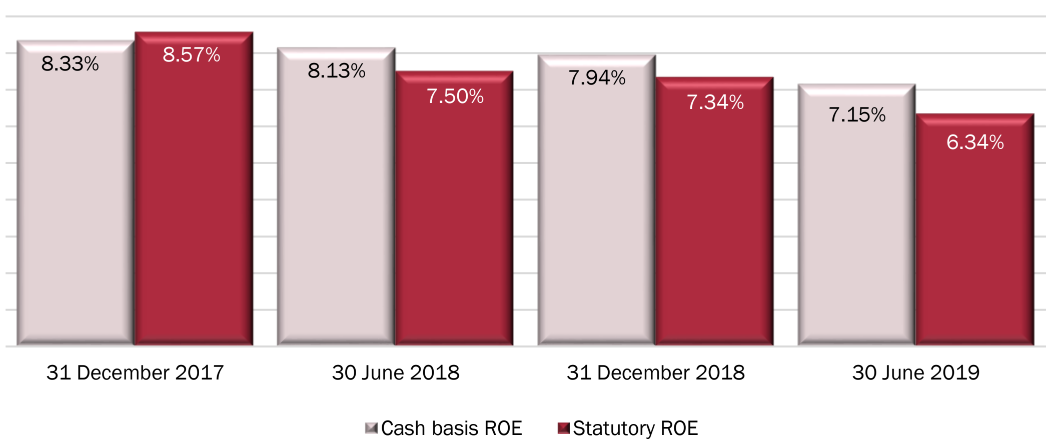
Dilutive preference shares include convertible preference shares.

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 intangible assets.

	As at Jun-19	As at Jun-18	Change		As at Jun-19	As at Dec-18	Change	
	$m	$m	$m	%	$m	$m	$m	%
Ordinary issued capital	4,575.9	4,529.9	46.0	1.0	4,575.9	4,552.9	23.0	0.5
Retained earnings	987.3	975.9	11.4	1.2	987.3	986.5	0.8	0.1
Total ordinary equity	**5,563.2**	**5,505.8**	**57.4**	**1.0**	**5,563.2**	**5,539.4**	**23.8**	**0.4**
Average ordinary equity	**5,506.6**	**5,408.4**			**5,523.3**	**5,489.9**		
Average tangible ordinary equity	**3,872.4**	**3,864.9**			**3,891.5**	**3,853.3**		

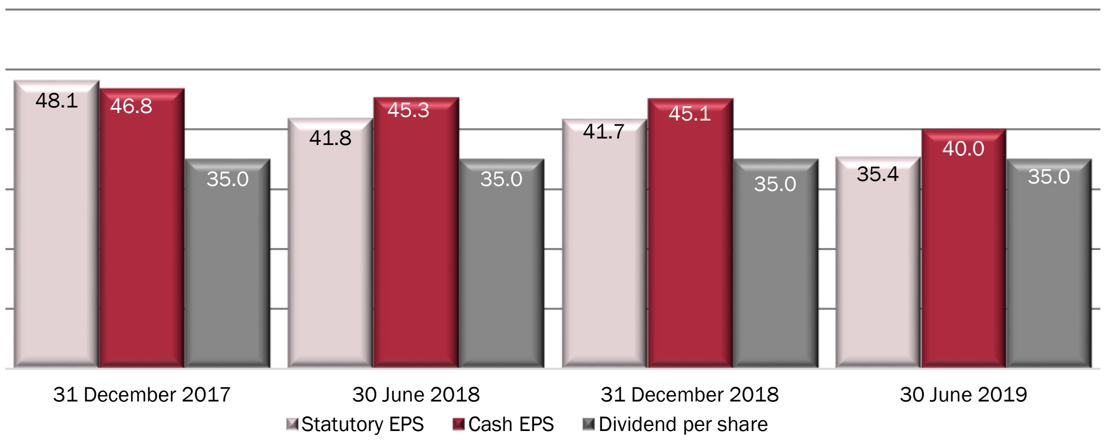
Statutory return on equity and cash return on equity (%)



2.3.10.3 Shareholder returns (continued)

Reconciliation of earnings used in the calculation of earnings per ordinary share	Full year ending Jun-19 $m	Full year ending Jun-18 $m	Half year ending Jun-19 $m	Half year ending Dec-18 $m
Net Profit after tax	376.8	434.5	173.6	203.2
Total basic earnings	**376.8**	**434.5**	**173.6**	**203.2**
Earnings used in calculating basic earnings per ordinary share	376.8	434.5	173.6	203.2
Add back : Dividends accrued and/or paid on dilutive convertible preference shares	25.0	24.5	12.3	12.7
Total diluted earnings	**401.8**	**459.0**	**185.9**	**215.9**
Earnings used in calculating basic earnings per ordinary share	376.8	434.5	173.6	203.2
Add back: Amortisation of acquired intangibles (after tax)	2.6	5.8	1.5	1.1
Add back: Specific income and expense items (after tax)	26.4	(6.5)	15.9	10.5
Add back: Homesafe net realised income	9.9	11.3	4.9	5.0
Total cash earnings	**415.7**	**445.1**	**195.9**	**219.8**

Earnings per share and dividend per share (cents)



2.3.10.4 Dividends

	Full year ending Jun-19	Full year ending Jun-18	Change	%	Half year ending Jun-19	Half year ending Dec-18	Change	%
Dividend per share - cents	70.0	70.0	-	-	35.0	35.0	-	-
Dividend amount payable/paid - $m	338.3	331.1	7.2	2.2	169.6	168.7	0.9	0.5
Payout ratio - earnings per ordinary share [1]	90.8%	77.9%	12.9%	16.6	98.9%	83.9%	15.0%	17.9
Payout ratio - cash basis per ordinary share [1]	82.4%	76.0%	6.4%	8.4	87.5%	77.6%	9.9%	12.8
Adjusted payout ratio - cash basis per ordinary share [2]	78.6%	75.7%	2.9%	3.8	80.1%	77.1%	3.0%	3.9

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

[2] This ratio has been adjusted to exclude the impact of remediation costs after tax (June 19 FY: $11.7m, June 18 FY: $0.4m, June 19 HY: $11.4m, December 18 HY: $0.3m) and redundancy costs after tax (June 19 FY: $8.3m, June 18 FY: $1.6m, June 19 HY: $6.8m, December 18 HY $1.5m).

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 5 September 2019. 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 5 September 2019. 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 2019 final dividend is 4 September 2019.

2.4 Additional notes

2.4.1 Analysis of intangible assets

	Balance sheet Carrying value		Amortisation/ impairment expense	
	Jun-19 $m	Jun-18 $m	Jun-19 $m	Jun-18 $m
Goodwill	1,440.3	1,442.3	-	-
Trustee licence	8.4	8.4	-	-
Software	228.1	190.4	33.8	28.0
Customer lists	3.1	0.7	0.6	1.4
Core deposits	-	-	-	3.2
Trade name	1.1	1.5	0.4	0.4
Customer relationship	1.1	2.2	1.7	2.2
Management rights - Adelaide Bank	3.5	4.5	1.0	1.0
Total intangible assets and goodwill	**1,685.6**	**1,650.0**	**37.5**	**36.2**

2.4.2 Net tangible assets per ordinary share

	Jun-19	Jun-18
Net tangible assets per ordinary share	$8.03	$8.16
	$m	$m
Net tangible assets		
Net assets	5,631.6	5,620.3
Intangibles	(1,685.6)	(1,650.0)
Net tangible assets attributable to ordinary shareholders	**3,946.0**	**3,970.3**
Number of fully paid ordinary shares on issue - 000's	491,575	486,418

2.4.3 Investments accounted for using the equity method

	Ownership interest held by consolidated entity		Balance date
	June 2019 %	June 2018 %	
Joint Arrangements			
Community Sector Enterprises Pty Ltd	50.0	50.0	30 June
Homesafe Solutions Pty Ltd	50.0	50.0	30 June
Silver Body Corporate Financial Services Pty Ltd	50.0	50.0	30 June
Associates			
Aegis Group [1]	49.5	49.5	30 June
Bendigo Telco Ltd	30.4	30.5	30 June
Dancoor Community Finances Ltd	49.0	49.0	30 June
Homebush Financial Services Ltd	49.0	49.0	30 June
TicToc Online Pty Ltd	27.0	32.7	30 June

[1] Aegis Group - economic interest is 23.5%.

All joint arrangements and associates are incorporated in Australia.

2.4.4 Credit ratings

	Short term	Long term	Outlook
Standard & Poor's	A-2	BBB+	Stable
Fitch Ratings	F2	A-	Stable
Moody's	P-2	A3	Stable

On 21 December 2018, Standard & Poor's Global Ratings affirmed its long-term counterparty credit rating on Bendigo and Adelaide Bank Limited at 'BBB+', and affirmed the short-term rating at 'A-2'. The outlook remains stable. Standard and Poor's commented that they expect the Bank's capitalization to remain strong given low-mid single digit growth and stable profitability, which is likely to offset its sizable dividend payment. Bendigo and Adelaide Bank Ltd's low risk lending book is dominated by housing loans that support the Bank's asset quality at a level consistent with that of the Australian banking system as a whole.

On 19 December 2018, 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 and improved risk controls, which supports its consistently strong asset quality, while maintaining solid profitability.

On 27 June 2019, Moody's affirmed its long-term issuer rating at 'A3' and short term rating at 'P-2', with a stable outlook. Moody's commented that the ratings reflect the Bank's strong credit profile characterized by its well-developed franchise centered around community banking, conservative management historically focused on low-risk lending, stable asset quality, strong funding structure and good capital adequacy.

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 2018	486,418,481	4,529.9
Shares issued:		
30 September 2018 - Dividend reinvestment plan at $10.74	2,151,250	23.0
30 September 2018 - Bonus share scheme (in lieu of dividend payment) at $10.74	399,626	-
March 2019 - Dividend reinvestment plan at $9.75	2,359,434	23.0
March 2019 - Bonus share scheme (in lieu of dividend payment) at $9.75	246,366	-
Total ordinary shares at 30 June 2019	**491,575,157**	**4,575.9**

[1] BEN - ASX code Ordinary Fully Paid Shares

2.4.6 AASB 16 Leases

AASB 16 *Leases* replaces AASB 117 *Leases* and is effective for annual reporting periods beginning on or after 1 January 2019, hence the Group will adopt the standard from 1 July 2019. The new standard requires all leases to be recognised on-balance sheet, except for leases with a term of less than 12 months and leases of low-value assets. Under the requirements of the new standard, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset along with a lease liability representing its obligation to make lease payments. The Group can choose either a full retrospective or a modified retrospective transition approach with the standard providing practical options and exemptions to ease the costs of transition. Lessor accounting remains substantially unchanged.

The Group has performed a detailed impact assessment of AASB 16 and will apply the modified retrospective approach as permitted by the standard. The Group will calculate the right-of-use asset at the date of initial application as if AASB 16 had been applied from the lease commencement using the incremental borrowing rate at the date of transition, being 1 July 2019. The lease liability will be measured at an amount equal to the outstanding lease payments at the date of initial application, considering extension and termination options, discounted at the Group's incremental borrowing rate in the economic environment of the lease. The capitalised right-of-use asset will mainly consist of property, namely the head office buildings and the retail branches. The right-of-use asset will total approximately $230 million and the lease liability $270 million. The difference between these two amounts, subsequent to relevant tax adjustments, will be posted as a retained earnings adjustment. CET 1 capital is expected to decrease by 15 bps, as a result of the increase in the risk-weighted assets (treated as 100% risk-weighted, consistent with the nature of the underlying asset).

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ABN 11 068 049 178