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Appendix 4D

Half Year Results

For the period ended 31 December 2014
Released 16 February 2015

ABN 11 068 049 178



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Appendix 4D: Half year results

1.1 Company details and reporting period

Bendigo and Adelaide Bank Limited
ABN 11 068 049 178

Reporting period - six months ended: 31 December 2014
Previous corresponding period - six months ended: 31 December 2013

1.2 Results for announcement to the market

Income from operations up 10.5% to \$786.1 m

Profit after tax from ordinary activities attributable to members up 25.8% to \$227.3 m

Net profit after tax from ordinary activities attributable to members up 25.8% to \$227.3 m

Dividends - current year 2015	Date Payable	Amount per security
Interim dividend - fully franked	31 March 2015	33.0 cents
Record date for determining entitlements		26 February 2015

Dividends - previous year 2014	Date Paid	Amount per security
Final dividend - fully franked	30 September 2014	33.0 cents
Interim dividend - fully franked	31 March 2014	31.0 cents

1.3 Cash earnings results

Cash earnings attributable to members up 17.2% to \$217.9 m

Cash earnings per share up 6.9% to 48.1 cents

See note 2.3.1 and 2.3.11.3 for full details

1.4 Net tangible assets per ordinary share

Refer to section 2.4.2 of the attached 31 December 2014 half year profit announcement.

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

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

1.6 Details of individual and total dividends

Refer to section 2.3.11.4 of the attached 31 December 2014 half year profit announcement.

1.7 Details of any dividend or distribution reinvestment plans in operation

Refer to section 2.3.11.4 of the attached 31 December 2014 half year profit announcement.

1.8 Details of associates and joint arrangement entities

Refer to section 2.4.3 of the attached 31 December 2014 half year profit announcement.

1.9 Accounting standards used for foreign entities

Not applicable.

1.10 Dispute or qualifications if audited

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

1.11 Events after balance date

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

1.12 Half year financial statements

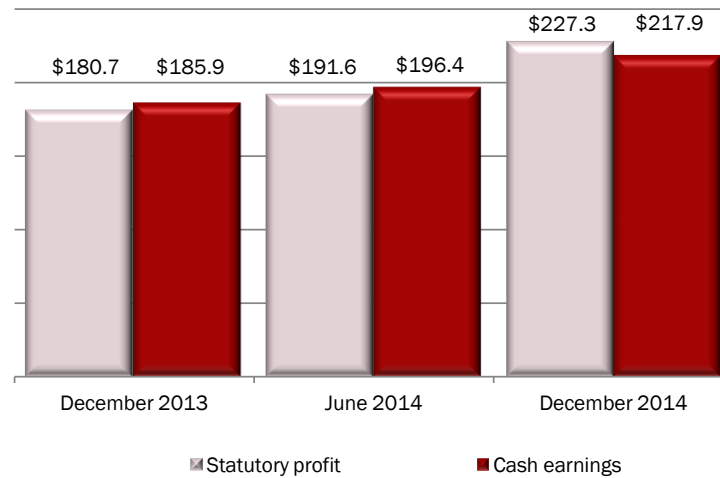
Refer to pages 26 to 51 of the attached 31 December 2014 half year profit announcement.

2. Half year results

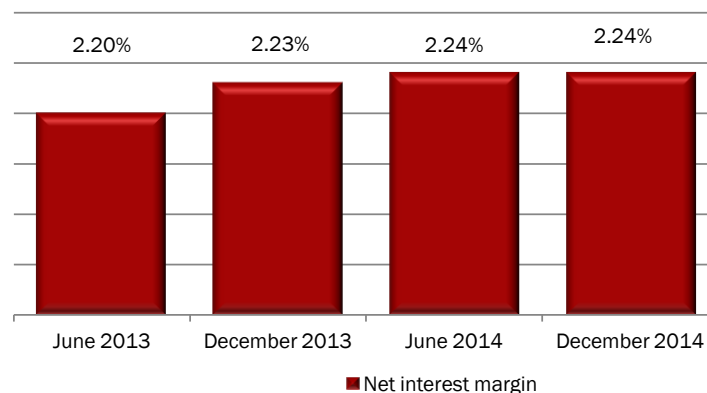
2.1 Financial highlights

	Dec-14 Half	Jun-14 Half	Dec-13 Half	Jun-13 Half	Dec-13 to Dec-14	
	\$m	\$m	\$m	\$m	\$m	%
Financial performance metrics						
Profit after tax attributable to parent	227.3	191.6	180.7	162.9	46.6	25.8
Profit after tax and before specific items	212.0	191.5	181.3	174.8	30.7	16.9
Cash earnings	217.9	196.4	185.9	178.3	32.0	17.2
Net interest income (before specific items)	604.1	566.7	551.5	520.0	52.6	9.5
Non-interest income (before specific items)	178.0	163.3	159.8	153.7	18.2	11.4
Bad and doubtful debts	30.1	39.2	42.7	37.8	(12.6)	(29.5)
Expenses (before specific items)	446.0	417.6	406.1	388.7	39.9	9.8
	%	%	%	%	% change	
Financial performance ratios						
Cost to income ratio	55.6%	55.7%	55.6%	56.5%	-	
Net interest margin before Community Bank/alliances share	2.24%	2.24%	2.23%	2.20%	0.4	
Net interest margin after Community Bank/alliances share	1.93%	1.93%	1.91%	1.87%	1.0	

Statutory profit and cash earnings (\$m)



Net interest margin before Community Bank/alliances share (%)

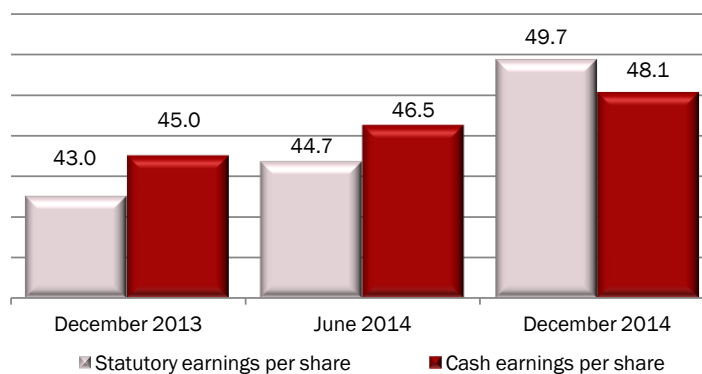


2. Half year results (continued)

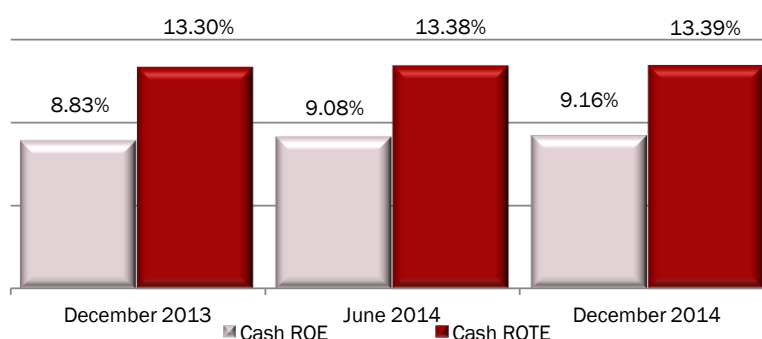
2.1 Financial highlights (continued)

	Dec-14 Half	Jun-14 Half	Dec-13 Half	Jun-13 Half	Dec-13 to Dec-14	
	\$m	\$m	\$m	\$m	\$m	%
Financial position metrics						
Ordinary equity	4,799.9	4,700.8	4,234.5	4,156.1	565.4	13.4
Retail deposits	45,376.4	44,843.0	42,654.4	42,245.8	2,722.0	6.4
Funds under management	3,808.2	3,390.5	3,252.9	2,954.3	555.3	17.1
Loans under management	55,801.3	53,980.7	51,935.0	51,689.2	3,866.3	7.4
New loan approvals	7,712.7	8,758.4	7,599.0	7,266.5	113.7	1.5
> Residential	5,238.8	5,424.2	5,098.1	4,530.2	140.7	2.8
> Non-residential	2,473.9	3,334.2	2,500.9	2,736.3	(27.0)	(1.1)
Total provisions and reserves for doubtful debts	318.1	295.5	276.7	276.9	41.4	15.0
	%	%	%	%	% change	
Financial position ratios						
Return on average ordinary equity (statutory basis)	9.47%	8.73%	8.44%	7.87%	12.2	
Return on average ordinary equity (cash basis)	9.16%	9.08%	8.83%	8.78%	3.7	
Return on average tangible equity (cash basis)	13.39%	13.38%	13.30%	13.57%	0.7	
	cents	cents	cents	cents	% change	
Key shareholder ratios						
Earnings per ordinary share (statutory basis)	49.7	44.7	43.0	39.0	15.6	
Earnings per ordinary share (cash basis)	48.1	46.5	45.0	43.5	6.9	
Dividend per share - fully franked	33.0	33.0	31.0	31.0	6.5	

Statutory EPS and cash EPS (cents)



ROE and ROTe (%)



2.2 Income statement

For the period ended 31 December 2014

	Note	Dec-14 \$m	Jun-14 \$m	Dec-13 \$m
Income				
Interest income		1,518.5	1,446.2	1,482.0
Interest expense		914.4	879.5	930.5
Net interest income		604.1	566.7	551.5
Total non interest income	2.3.4	173.6	163.1	159.8
Share of net profit accounted for using the equity method	2.4.3	4.4	0.2	-
Total income		782.1	730.0	711.3
Expense				
Bad and doubtful debts	2.3.8	30.1	39.2	42.7
Operating expenses	2.3.5	446.0	417.6	406.1
Profit before income tax expense and specific items		306.0	273.2	262.5
Specific income items before tax		7.5	0.1	-
Specific expense items before tax		8.8	-	(0.7)
Total specific items before tax		(1.3)	0.1	0.7
Profit before income tax expense		304.7	273.3	263.2
Income tax expense		(77.4)	(81.7)	(82.5)
Profit after income tax expense attributable to the parent		227.3	191.6	180.7
Adjusted for:				
Specific items after tax	2.3.2	(15.3)	(0.1)	0.6
Dividends paid on preference shares		(1.3)	(1.3)	(1.3)
Dividends paid on step-up preference shares		(0.9)	(1.5)	(1.6)
After tax intangibles amortisation (excluding amortisation of software)		8.1	7.7	7.5
Cash earnings		217.9	196.4	185.9
Earnings per ordinary share (cents per share)		cents	cents	cents
Cash		48.1	46.5	45.0
Basic		49.7	44.7	43.0
Diluted		47.0	42.5	40.8
Franked dividends per share		33.0	33.0	31.0

2.3 Results commentary

2.3.1 Profit

	Dec-14	Jun-14	Change		Dec-13	Change	
	\$m	\$m	\$m	%	\$m	\$m	%
Profit before tax	304.7	273.3	31.4	11.5	263.2	41.5	15.8
Specific items before tax	1.3	(0.1)	1.4	(1,400.0)	(0.7)	2.0	(285.7)
Profit before tax and specific items	306.0	273.2	32.8	12.0	262.5	43.5	16.6
Profit after tax attributable to the parent	227.3	191.6	35.7	18.6	180.7	46.6	25.8
Specific items after tax	(15.3)	(0.1)	(15.2)	15,200.0	0.6	(15.9)	(2,650.0)
Profit after tax before specific items	212.0	191.5	20.5	10.7	181.3	30.7	16.9
Adjusted for:							
Amortisation of acquired intangibles after tax	8.1	7.7	0.4	5.2	7.5	0.6	8.0
Distributions accrued and/or paid on preference shares	(1.3)	(1.3)	-	-	(1.3)	-	-
Distributions accrued and/or paid on step-up preference shares	(0.9)	(1.5)	0.6	(40.0)	(1.6)	0.7	(43.8)
Cash earnings after tax	217.9	196.4	21.5	10.9	185.9	32.0	17.2

2.3.2 Specific items

The reported profit after tax for the half year ended 31 December 2014 \$227.3 million included the following specific items:

	Dec-14		Jun-14		Dec-13	
	Before Tax	After Tax	Before Tax	After Tax	Before Tax	After Tax
	\$m	\$m	\$m	\$m	\$m	\$m
Items included in interest income						
Fair value adjustments	(3.5)	(2.5)	-	-	-	-
Total specific interest income items	(3.5)	(2.5)	-	-	-	-
Items included in non interest income						
Hedge ineffectiveness	2.7	1.9	0.1	0.1	-	-
Profit on sale of investment in joint venture	4.8	3.4	-	-	-	-
Total specific income items	7.5	5.3	0.1	0.1	-	-
Items included in operating expenses						
Integration costs	1.4	1.0	-	-	-	-
Impairment of investment in associates	1.5	1.5	-	-	-	-
Litigation costs	2.4	1.7	-	-	-	-
Employee shares gain	-	-	-	-	(0.7)	(0.5)
Total specific expense items	5.3	4.2	-	-	(0.7)	(0.5)
Items included in income tax expense						
Income tax benefit relating to mergers and acquisitions	-	16.7	-	-	-	(1.1)
Total specific income tax items	-	16.7	-	-	-	(1.1)
Total specific items attributable to the Group	(1.3)	15.3	0.1	0.1	0.7	(0.6)

Specific interest income items

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

Specific income items

Hedge ineffectiveness - ineffectiveness resulting from hedge accounting.

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

Specific expense items

Integration costs - costs associated with the acquisition of the business activities of Rural Finance.

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

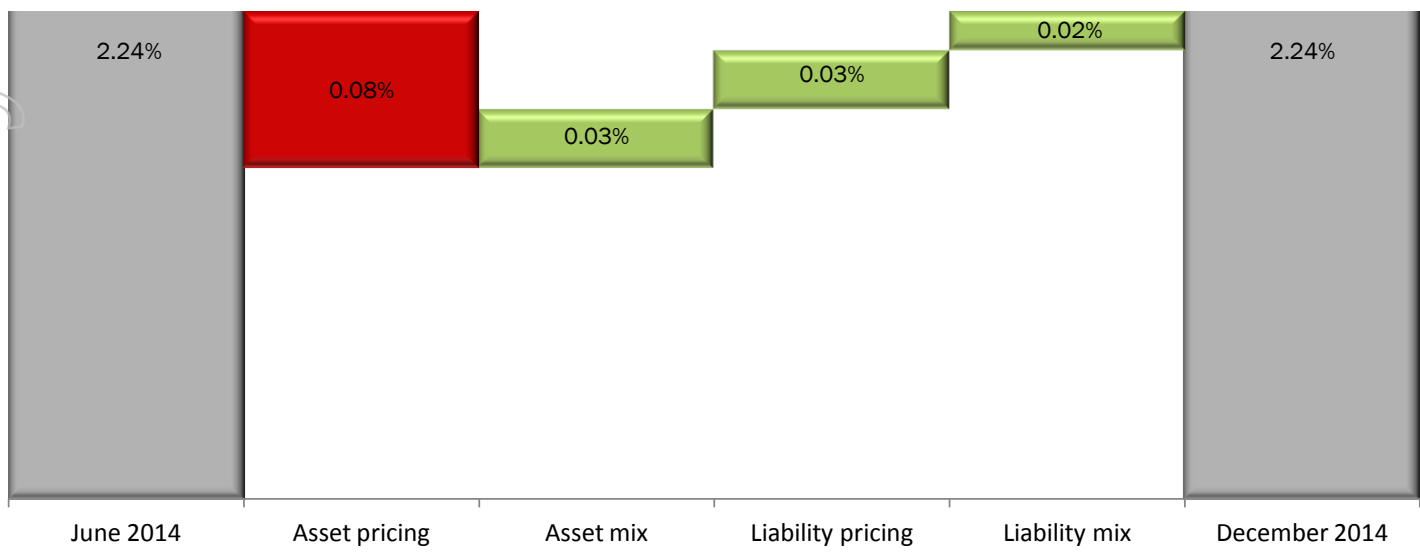
Litigation costs - costs incurred in relation to the Great Southern legal case, not recovered from insurance claims.

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

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 on all mortgage and business lending portfolios has continued with particular impact from fixed rate lending.

Asset mix - The Rural Finance acquisition has had a positive impact due to its higher margin rural lending portfolio.

Liability pricing - Term deposit yields have continued to decrease slightly.

Liability mix - Strong growth has continued in all at-call portfolios.

2.3.4 Income

	Dec-14	Jun-14	Change		Dec-13	Change	
	\$m	\$m	\$m	%	\$m	\$m	%
Net interest income	604.1	566.7	37.4	6.6	551.5	52.6	9.5
Specific items - interest income	(3.5)	-	(3.5)	-	-	(3.5)	-
Total net interest income	600.6	566.7	33.9	6.0	551.5	49.1	8.9
Other income							
Fees							
Asset products	32.3	32.2	0.1	0.3	30.2	2.1	7.0
Liability and other products	47.0	44.5	2.5	5.6	48.3	(1.3)	(2.7)
Trustee, management and other services	2.7	2.5	0.2	8.0	2.5	0.2	8.0
Commissions							
Wealth solutions	21.6	21.4	0.2	0.9	20.4	1.2	5.9
Insurance	8.0	9.2	(1.2)	(13.0)	7.4	0.6	8.1
Foreign exchange income	9.5	9.1	0.4	4.4	9.2	0.3	3.3
Homesafe trust contribution	30.6	27.1	3.5	12.9	23.2	7.4	31.9
Other	21.9	17.1	4.8	28.1	18.6	3.3	17.7
Total other income before specific items	173.6	163.1	10.5	6.4	159.8	13.8	8.6
Share of net profit accounted for using the equity method	4.4	0.2	4.2	2,100.0	-	4.4	-
Total other income before specific items	178.0	163.3	14.7	9.0	159.8	18.2	11.4
Specific items - non interest income	7.5	0.1	7.4	7,400.0	-	7.5	-
Total income	786.1	730.1	56.0	7.7	711.3	74.8	10.5

Rural Finance included from 1st July 2014.

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

Net interest income increased by \$52.6 million, or 9.5%. Refer to 2.3.3 for further analysis. Rural Finance contributed \$24.2 m to net interest income.

Fees increased by \$1.0 million, or 1.2%, primarily due to increase in interchange fees.

Commissions increased by \$1.8 million, or 6.5%, due to increased volume of third party products sold, including insurance and commissions received as a responsible entity.

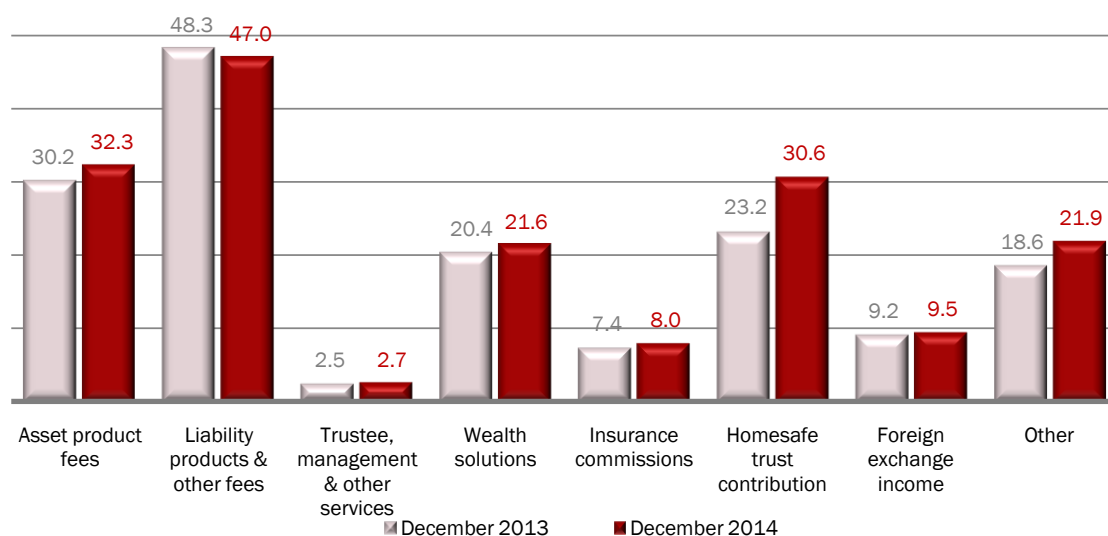
Homesafe trust contribution was \$7.4 million higher primarily due to strong increases in residential property markets of Melbourne and Sydney and the continued growth and maturation of this portfolio.

Other income includes factoring income, franchise fees and telecommunications income.

Specific items increased by \$7.5 million. Refer to 2.3.2 for further detail.

Non-interest income

\$m



2.3.5 Operating expenses

	Dec-14	Jun-14	Change		Dec-13	Change	
	\$m	\$m	\$m	%	\$m	\$m	%
Staff and related costs	236.8	219.0	17.8	8.1	216.1	20.7	9.6
Occupancy costs	49.2	47.9	1.3	2.7	38.9	10.3	26.5
Information technology costs	38.0	34.2	3.8	11.1	35.8	2.2	6.1
Amortisation of acquired intangibles	11.5	11.0	0.5	4.5	10.7	0.8	7.5
Amortisation of software intangibles	6.9	6.6	0.3	4.5	8.5	(1.6)	(18.8)
Property, plant and equipment costs	5.4	5.1	0.3	5.9	4.6	0.8	17.4
Fees and commissions	17.5	16.8	0.7	4.2	17.1	0.4	2.3
Communications, postage and stationery	17.6	16.2	1.4	8.6	16.4	1.2	7.3
Advertising and promotion	17.1	18.1	(1.0)	(5.5)	14.5	2.6	17.9
Other product and services delivery costs	16.1	15.8	0.3	1.9	16.7	(0.6)	(3.6)
Other administration expenses	29.9	26.9	3.0	11.2	26.8	3.1	11.6
Total operating expenses	446.0	417.6	28.4	6.8	406.1	39.9	9.8
Specific items	5.3	-	5.3	-	(0.7)	6.0	857.1
Total expenses	451.3	417.6	33.7	8.1	405.4	45.9	11.3

Rural Finance included from 1st July 2014.

	Dec-14	Jun-14	Change		Dec-13	Change	
	%	%	%	%	%	%	%
Expenses to income ¹	55.6%	55.7%	(0.1)	(0.2)	55.6%	-	-
Expenses to average assets	1.32%	1.32%	-	-	1.31%	0.01	0.8
Number of staff (full-time equivalent)	4,585	4,387	198	4.5	4,286	299	7.0
Staff and related costs to income ²	30.2%	30.1%	0.1	0.3	30.4%	(0.2)	(0.7)

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:

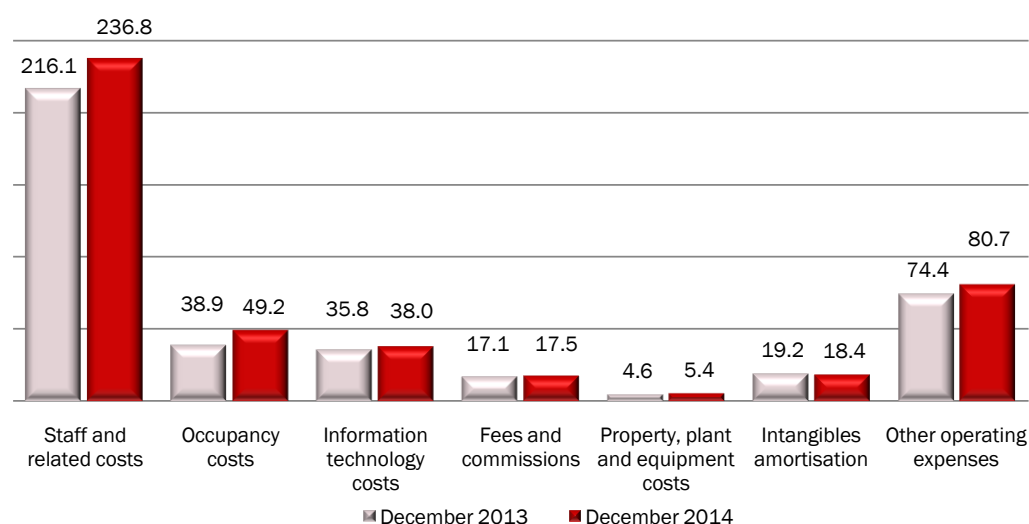
Staff and related costs increased by \$20.7 million, or 9.6%, due to wage and salary increases and increased FTE due to the Rural Finance acquisition (\$5.4 million).

Occupancy costs increased by \$10.3 million, or 26.5%, due to the inclusion of rent for the new Adelaide building effective from December 2013 (\$8.1 million) as well as the regular increase in rent payments following annual reviews.

Information technology costs increased by \$2.2 million, or 6.1%, predominantly due to an increase in software maintenance and IT leasing costs.

Advertising and promotion costs increased by \$2.6 million, or 17.9% due to increased recent marketing campaigns ('Bigger than a Bank').

Operating expenses (\$m)



2.3.6 Lending

	Dec-14	Jun-14	Change		Dec-13	Change	
	\$m	\$m	\$m	%	\$m	\$m	%
Approvals - by security							
Residential	5,238.8	5,424.2	(185.4)	(3.4)	5,098.1	140.7	2.8
Non-residential	2,473.9	3,334.2	(860.3)	(25.8)	2,500.9	(27.0)	(1.1)
Total approvals	7,712.7	8,758.4	(1,045.7)	(11.9)	7,599.0	113.7	1.5
	As at	As at	Change		As at	Change	
	Dec-14	Jun-14	\$m	%	Dec-13	\$m	%
Gross loan balance - by security							
Residential¹	37,610.4	37,108.8	501.6	1.4	35,310.1	2,300.3	6.5
Business							
Accommodation and food services	375.1	365.3	9.8	2.7	373.4	1.7	0.5
Administrative and support services	42.1	42.0	0.1	0.2	49.2	(7.1)	(14.4)
Agriculture, forestry and fishing	5,958.1	4,629.7	1,328.4	28.7	4,422.0	1,536.1	34.7
Arts and recreation services	105.5	90.9	14.6	16.1	69.3	36.2	52.2
Construction	1,097.8	1,098.6	(0.8)	(0.1)	1,061.6	36.2	3.4
Education and training	67.5	72.2	(4.7)	(6.5)	72.9	(5.4)	(7.4)
Electricity, gas, water and waste services	21.5	31.4	(9.9)	(31.5)	26.9	(5.4)	(20.1)
Financial and insurance services	508.8	618.4	(109.6)	(17.7)	689.4	(180.6)	(26.2)
Health care and social assistance	333.4	344.2	(10.8)	(3.1)	506.6	(173.2)	(34.2)
Information media and telecommunications	21.3	24.0	(2.7)	(11.3)	24.7	(3.4)	(13.8)
Manufacturing	255.3	271.9	(16.6)	(6.1)	267.8	(12.5)	(4.7)
Mining	16.6	16.9	(0.3)	(1.8)	21.9	(5.3)	(24.2)
Other Services	203.1	185.1	18.0	9.7	182.1	21.0	11.5
Professional, scientific and technical services	236.6	234.9	1.7	0.7	246.2	(9.6)	(3.9)
Public administration and safety	100.6	92.9	7.7	8.3	76.5	24.1	31.5
Rental, hiring and real estate services	3,922.0	3,754.8	167.2	4.5	3,470.0	452.0	13.0
Retail trade	527.0	540.7	(13.7)	(2.5)	538.3	(11.3)	(2.1)
Transport, postal and warehousing	168.9	176.4	(7.5)	(4.3)	190.1	(21.2)	(11.2)
Wholesale trade	168.4	166.4	2.0	1.2	160.9	7.5	4.7
Other	271.9	270.4	1.5	0.6	254.2	17.7	7.0
Total business	14,401.5	13,027.1	1,374.4	10.6	12,704.0	1,697.5	13.4
Margin lending	1,754.9	1,822.7	(67.8)	(3.7)	1,867.2	(112.3)	(6.0)
Unsecured	913.4	906.7	6.7	0.7	859.6	53.8	6.3
Other	285.3	248.5	36.8	14.8	267.6	17.7	6.6
Total gross loan balance	54,965.5	53,113.8	1,851.7	3.5	51,008.5	3,957.0	7.8
Gross loan balance - by purpose							
Residential	35,551.5	34,882.1	669.4	1.9	33,210.0	2,341.5	7.1
Consumer	3,798.5	3,997.8	(199.3)	(5.0)	4,190.8	(392.3)	(9.4)
Margin lending	1,754.9	1,822.7	(67.8)	(3.7)	1,867.2	(112.3)	(6.0)
Commercial	13,860.6	12,411.2	1,449.4	11.7	11,740.5	2,120.1	18.1
Total gross loan balance	54,965.5	53,113.8	1,851.7	3.5	51,008.5	3,957.0	7.8
Loans under management (gross balance)							
On-balance sheet	54,965.5	53,113.8	1,851.7	3.5	51,008.5	3,957.0	7.8
Off-balance sheet loans under management	835.8	866.9	(31.1)	(3.6)	926.5	(90.7)	(9.8)
Total Group loans under management	55,801.3	53,980.7	1,820.6	3.4	51,935.0	3,866.3	7.4

¹ Effective from April 2014 terms and conditions of certain loan products were changed. These accounts have been split into two components, a loan and a deposit. The increase in both loans and deposits at June 2014 was \$704.1 million.

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

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

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

2.3.7 Asset quality

	As at	As at	Change		As at	Change	
	Dec-14	Jun-14	\$m	%	Dec-13	\$m	%
Impaired loans ¹							
Full-performing ²	2.4	2.0	0.4	20.0	1.7	0.7	41.2
Part-performing ³	95.5	117.8	(22.3)	(18.9)	125.8	(30.3)	(24.1)
Non-performing	277.6	277.3	0.3	0.1	290.1	(12.5)	(4.3)
Restructured loans	6.5	14.7	(8.2)	(55.8)	14.5	(8.0)	(55.2)
Total impaired assets	382.0	411.8	(29.8)	(7.2)	432.1	(50.1)	(11.6)
Less: Specific provisions	(124.6)	(114.5)	(10.1)	(8.8)	(95.6)	(29.0)	(30.3)
Net impaired assets	257.4	297.3	(39.9)	(13.4)	336.5	(79.1)	(23.5)
Past due 90 days							
Well secured (excluding commercial arrangement loans)	373.4	326.5	46.9	14.4	343.2	30.2	8.8
Great Southern portfolio	311.4	303.6	7.8	2.6	297.7	13.7	4.6
Portfolio facilities (not well secured)	3.6	3.2	0.4	12.5	3.3	0.3	9.1
Ratios	%	%	%		%	%	
Total impaired loans to gross loans	0.69%	0.78%	(0.09%)		0.85%	(0.16%)	
Total impaired loans to total assets	0.58%	0.63%	(0.05%)		0.72%	(0.14%)	
Net impaired loans to gross loans	0.47%	0.56%	(0.09%)		0.66%	(0.19%)	
Provision coverage ⁴	83.3%	71.8%	11.5%		64.0%	19.30%	

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 total provisions and reserves for doubtful debts - divided by total impaired assets.

2.3.8 Bad and doubtful debts

	Dec-14	Jun-14	Change		Dec-13	Change	
	\$m	\$m	\$m	%	\$m	\$m	%
Bad and doubtful debts expense							
Bad debts written off	2.8	2.2	0.6	27.3	1.1	1.7	154.5
Provision doubtful debts - expense	28.4	38.9	(10.5)	(27.0)	43.4	(15.0)	(34.6)
Total bad and doubtful debts expense	31.2	41.1	(9.9)	(24.1)	44.5	(13.3)	(29.9)
Less: Bad debts recovered	1.1	1.9	(0.8)	(42.1)	1.8	(0.7)	(38.9)
Bad and doubtful debts net of recoveries	30.1	39.2	(9.1)	(23.2)	42.7	(12.6)	(29.5)

	As at Dec-14	As at Jun-14	Change		As at Dec-13	Change	
	\$m	\$m	\$m	%	\$m	\$m	%
Provisions and reserves							
Provision for doubtful debts - specific	124.6	114.4	10.2	8.9	95.6	29.0	30.3
Provision for doubtful debts - collective	46.7	42.8	3.9	9.1	42.8	3.9	9.1
General reserve for credit losses	146.8	138.3	8.5	6.1	138.3	8.5	6.1
Total provisions and reserve for doubtful debts	318.1	295.5	22.6	7.6	276.7	41.4	15.0

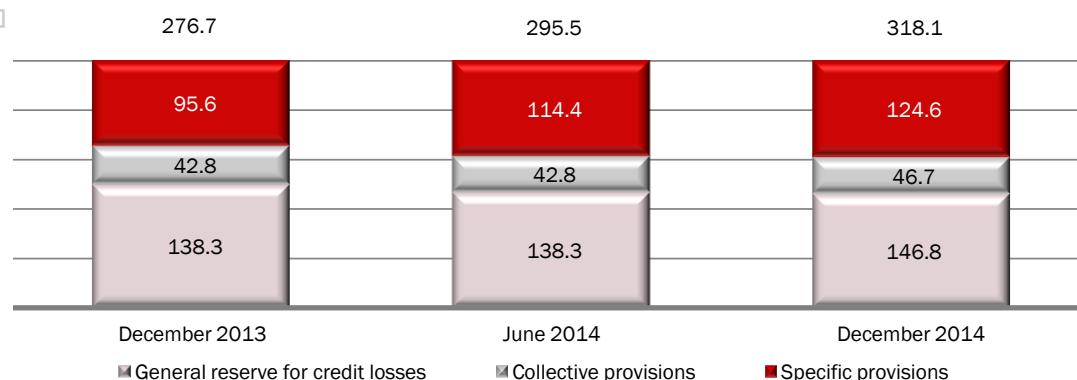
Ratios	%	%	%	%	%
Loan write-offs (annualised) to average assets	0.07%	0.07%	-	0.15%	(0.08%)
Loan write-offs (annualised) to gross loans	0.08%	0.08%	-	0.18%	(0.10%)
Total provision/reserve for doubtful debts to gross loans	0.58%	0.56%	0.02%	0.54%	0.04%
Collective provision and GRCL to risk-weighted assets	0.56%	0.56%	-	0.58%	(0.02%)

Movements in provisions and reserves	Specific \$m	Collective \$m	GRCL \$m	Total \$m
Balance at June 2014	114.4	42.8	138.3	295.5
Provision for doubtful debts expense to profit and loss	27.7	0.7	-	28.4
Bad debts written off - previously provided for	(18.6)	-	-	(18.6)
Business acquisition - Rural Finance	1.1	3.2	8.5	12.8
Balance at December 2014	124.6	46.7	146.8	318.1
Balance at December 2013	95.6	42.8	138.3	276.7
Provision for doubtful debts expense to profit and loss	38.9	-	-	38.9
Bad debts written off - previously provided for	(20.1)	-	-	(20.1)
Balance at June 2014	114.4	42.8	138.3	295.5
Balance at June 2013	104.1	34.5	138.3	276.9
Provision for doubtful debts expense to profit and loss	35.1	8.3	-	43.4
Bad debts written off - previously provided for	(43.6)	-	-	(43.6)
Balance at December 2013	95.6	42.8	138.3	276.7

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

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

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



2.3.9 Deposits and funds under management

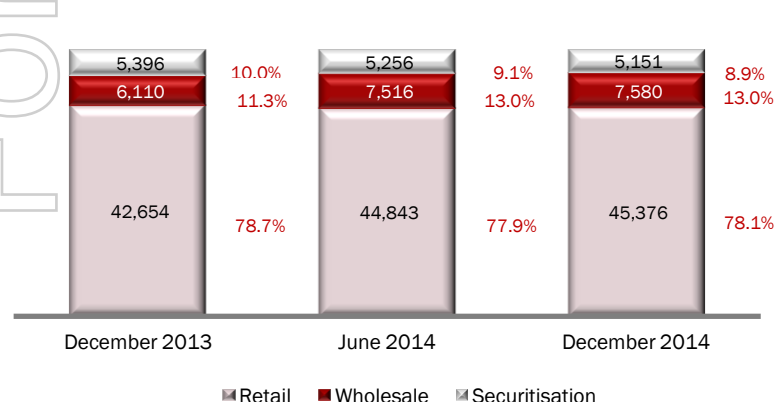
	As at	As at	Change		As at	Change	
	Dec-14	Jun-14	\$m	%	Dec-13	\$m	%
Deposits and funds under management							
Deposits	52,956.4	52,359.4	597.0	1.1	48,764.3	4,192.1	8.6
Securitisation	5,150.6	5,256.4	(105.8)	(2.0)	5,396.3	(245.7)	(4.6)
Managed funds	3,808.2	3,390.5	417.7	12.3	3,252.9	555.3	17.1
Total deposits and funds under management	61,915.2	61,006.3	908.9	1.5	57,413.5	4,501.7	7.8
Retail deposits and funds under management							
Retail deposits	45,376.4	44,843.0	533.4	1.2	42,654.4	2,722.0	6.4
Managed funds	3,808.2	3,390.5	417.7	12.3	3,252.9	555.3	17.1
Total retail deposits and funds under management	49,184.6	48,233.5	951.1	2.0	45,907.3	3,277.3	7.1
Deposits dissection - \$m							
Retail	45,376.4	44,843.0	533.4	1.2	42,654.4	2,722.0	6.4
Wholesale - domestic	7,154.6	6,612.9	541.7	8.2	5,641.5	1,513.1	26.8
Wholesale - offshore	425.4	903.5	(478.1)	(52.9)	468.3	(42.9)	(9.2)
Total deposits	52,956.4	52,359.4	597.0	1.1	48,764.2	4,192.2	8.6
Deposits dissection (excl securitisation) - %							
Retail	85.7%	85.6%	0.1%	0.1	87.5%	(1.8%)	(2.1)
Wholesale - domestic	13.5%	12.6%	0.9%	7.1	11.6%	1.9%	16.4
Wholesale - offshore	0.8%	1.8%	(1.0%)	(55.6)	0.9%	(0.1%)	(11.1)
Total deposits excluding securitisation	100.0%	100.0%	-	-	100.0%	-	-
Managed funds dissection							
Assets under management	1,763.9	1,703.9	60.0	3.5	1,685.4	78.5	4.7
Other managed funds	2,044.3	1,686.6	357.7	21.2	1,567.5	476.8	30.4
Total managed funds	3,808.2	3,390.5	417.7	12.3	3,252.9	555.3	17.1

¹ Effective from April 2014 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 at June 2014 was \$704.1m.

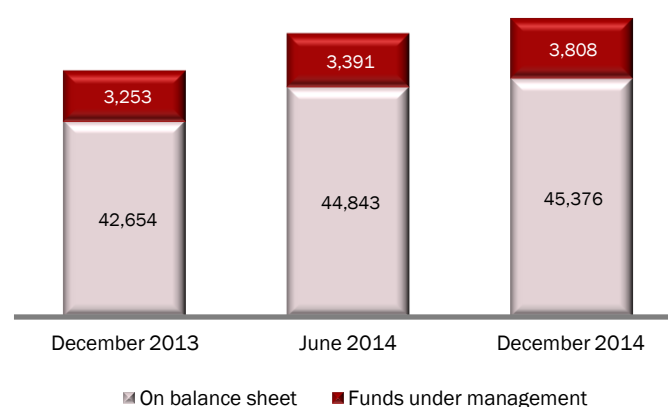
Assets under management include those funds deposited in the Sandhurst Trustees Limited Common Funds, which are invested in cash, cash enhanced and mortgage investments on behalf of investors. These funds are off-balance sheet.

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

Funding mix (\$m)



Retail deposits and funds under management (\$m)



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

	31 December 2014			30 June 2014		
	Average	Interest	Average	Average	Interest	Average
	Balance	6 mths	Rate	Balance	6 mths	Rate
	\$m	\$m	%	\$m	\$m	%
Average balances and rates ¹						
Interest earning assets						
Cash and investments	7,629.3	95.7	2.49	7,538.8	94.5	2.53
Loans and other receivables ²	54,583.0	1,422.8	5.17	51,755.7	1,351.7	5.27
Total interest earning assets ³	62,212.3	1,518.5	4.84	59,294.5	1,446.2	4.92
Non interest earning assets						
Provisions for doubtful debts	(159.6)			(145.6)		
Other assets	3,074.4			2,918.3		
Total non interest earning assets	2,914.8			2,772.7		
Total assets (average balance)	65,127.1			62,067.2		
Interest bearing liabilities						
Deposits						
Retail	45,252.5	669.9	2.94	43,353.9	653.7	3.04
Wholesale - domestic	6,953.2	116.2	3.32	5,726.9	92.4	3.25
Wholesale - offshore	584.3	9.6	3.26	686.4	10.6	3.11
Notes payable	4,976.2	88.8	3.54	5,486.9	97.4	3.58
Preference shares	382.7	10.1	5.24	260.8	7.1	5.49
Subordinated debt	651.2	19.8	6.03	612.8	18.3	6.02
Total interest bearing liabilities ³	58,800.1	914.4	3.08	56,127.7	879.5	3.16
Non interest bearing liabilities and equity						
Other liabilities	1,371.7			1,306.8		
Equity	4,955.3			4,632.7		
Total liabilities and equity (average balance)	65,127.1			62,067.2		
Interest margin and interest spread						
Interest earning assets	62,212.3	1,518.5	4.84	59,294.5	1,446.2	4.92
Interest bearing liabilities	(58,800.1)	(914.4)	(3.08)	(56,127.7)	(879.5)	(3.16)
Net interest income and interest spread ⁴		604.1	1.76		566.7	1.76
Net free liabilities and equity			0.17			0.17
Net interest margin ⁵			1.93			1.93
Impact of community bank/alliances profit share arrangements						
Net interest margin			1.93			1.93
Add impact of community bank/alliances share of net interest income			0.31			0.31
Net interest margin before community bank/alliances share of net interest income			2.24			2.24

1 Average balance is based on monthly closing balances.

2 Loans and receivables excludes specific items (Dec 14 \$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.

2.3.10 Average balance sheet (continued) for the six months ended 31 December 2013

	31 December 2013			30 June 2013		
	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	6,706.9	91.9	2.72	6,411.5	102.9	3.24
Loans and other receivables - company	50,636.2	1,390.1	5.45	49,756.6	1,422.6	5.77
Total interest earning assets ²	57,343.1	1,482.0	5.13	56,168.1	1,525.5	5.48
Non interest earning assets						
Provisions for doubtful debts	(132.3)			(134.8)		
Other assets	2,798.7			2,904.5		
Total non interest earning assets	2,666.4			2,769.7		
Total assets (average balance)	60,009.5			58,937.8		
Interest bearing liabilities and equity						
Deposits						
Retail - company	42,515.7	715.4	3.34	41,859.6	787.1	3.79
Wholesale - domestic	5,079.8	88.1	3.44	4,441.2	86.2	3.91
Wholesale - offshore	357.9	6.0	3.33	328.9	5.9	3.62
Notes Payable	5,784.1	101.9	3.49	6,033.4	106.0	3.54
Convertible Preference Shares	263.8	7.4	5.56	268.9	7.5	5.62
Subordinated debt	355.4	11.7	6.53	375.6	12.8	6.87
Total interest bearing liabilities ²	54,356.7	930.5	3.40	53,307.6	1,005.5	3.80
Non interest bearing liabilities and equity						
Other liabilities	1,188.9			1,289.1		
Equity	4,463.9			4,341.1		
	5,652.8			5,630.2		
Total liabilities and equity (average balance)	60,009.5			58,937.8		
Interest margin and interest spread						
Interest earning assets	57,343.1	1,482.0	5.13	56,168.1	1,525.5	5.48
Interest bearing liabilities	(54,356.7)	(930.5)	(3.40)	(53,307.6)	(1,005.5)	(3.80)
Net interest income and interest spread ³		551.5	1.73		520.0	1.68
Net free liabilities and equity			0.18			0.19
Net interest margin ⁴			1.91			1.87
Impact of community bank/alliances revenue share arrangements						
Net interest margin			1.91			1.87
Add impact of community bank/alliances share of net interest income			0.32			0.33
Net interest margin before community bank/alliances share of net interest income			2.23			2.20

1 Average balance is based on monthly closing balances.

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

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

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

2.3.11 Capital and shareholder returns

2.3.11.1 Assets and capital

	As at		Change		As at		
	Dec-14	Jun-14	\$m	%	Dec-13	Change	
	\$m	\$m	\$m	%	\$m	\$m	
Group assets	65,422.9	65,064.9	358.0	0.6	60,413.2	5,009.7	8.3
Capital adequacy							
Total qualifying capital	4,208.8	3,996.2	212.6	5.3	3,333.7	875.1	26.3
Risk-weighted assets	34,516.3	32,618.4	1,897.9	5.8	31,097.6	3,418.7	11.0
Risk-weighted capital adequacy	12.19%	12.25%	(0.06%)	(0.5)	10.72%	1.47%	13.7
- Tier 1	10.02%	9.99%	0.03%	0.3	9.24%	0.78%	8.4
- Tier 2	2.17%	2.26%	(0.09%)	(4.0)	1.48%	0.69%	46.6
- Common Equity Tier 1	8.14%	8.73%	(0.59%)	(6.8)	7.86%	0.28%	3.6

2.3.11.2 Capital adequacy

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

	Consolidated		
	Dec-14	Jun-14	Dec-13
Risk weighted capital ratios			
Tier 1	10.02%	9.99%	9.24%
Tier 2	2.17%	2.26%	1.48%
Total capital ratio	12.19%	12.25%	10.72%
	\$m	\$m	\$m
Regulatory capital			
Common Equity Tier 1			
Contributed capital	4,212.4	4,183.3	3,782.3
Retained profits & reserves	464.1	413.9	365.3
Accumulated other comprehensive income (and other reserves)	(56.6)	(33.6)	(13.5)
Less:			
Intangible assets, cash flow hedges and capitalised expenses	1,730.6	1,638.0	1,634.4
Net deferred tax assets	39.1	44.9	23.7
Equity exposures	35.9	29.4	28.5
Other adjustments as per APRA advice	3.5	3.5	3.7
Total common equity tier 1 capital	2,810.8	2,847.8	2,443.8
Additional Tier 1 capital instruments	649.5	412.2	429.9
Total Additional Tier 1 Capital	649.5	412.2	429.9
Total Tier 1 Capital	3,460.3	3,260.0	2,873.7
Tier 2			
Tier 2 capital instruments	566.9	566.9	290.7
General reserve for credit losses/collective provision (net of tax effect)	181.6	169.3	169.3
Total Tier 2 Capital	748.5	736.2	460.0
Total regulatory capital	4,208.8	3,996.2	3,333.7
Total risk weighted assets	34,516.3	32,618.4	31,097.6
Common Equity Tier 1	8.14%	8.73%	7.86%

2.3.11.2 Capital adequacy (continued)

Risk- weighted assets	As at	As at	Change		As at	Change	
	Dec-14	Jun-14	\$m	%	Dec-13	\$m	%
Credit risk	31,050.5	29,351.8	1,698.7	5.8	28,059.5	2,991.0	10.7
Market risk	471.9	479.9	(8.0)	(1.7)	347.4	124.5	35.8
Operational risk	2,993.9	2,786.7	207.2	7.4	2,690.7	303.2	11.3
Total risk-weighted assets	34,516.3	32,618.4	1,897.9	5.8	31,097.6	3,418.7	11.0

Key movements in capital in the December 14 half year include:

> **Common Tier 1**

Dividend reinvestment plan - increase capital \$27.6 million.

Retained earnings net increase of \$50.2 million.

Other adjustments - mainly due to the increase in goodwill associated with the Rural Finance acquisition \$72.9 million.

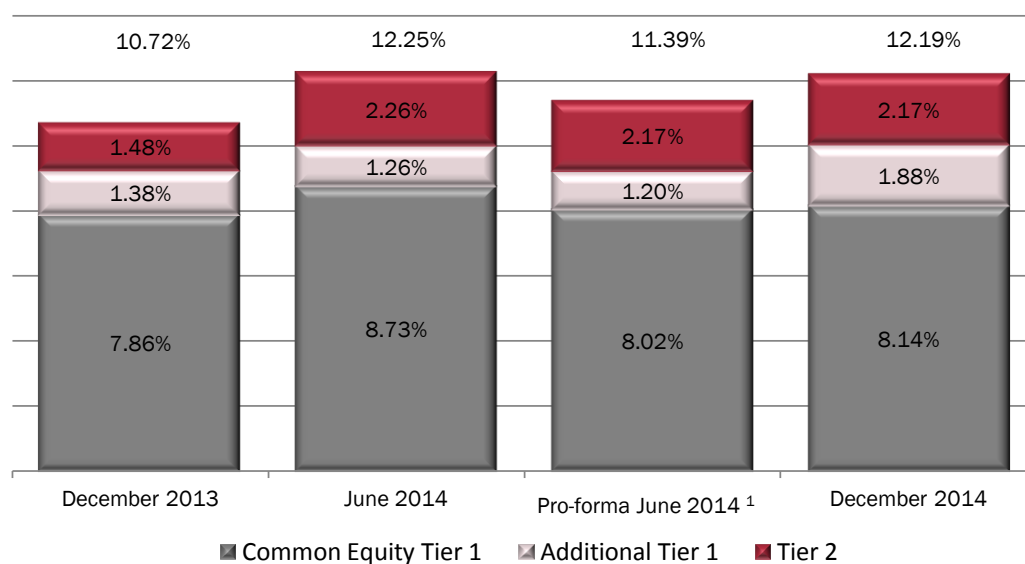
> **Additional Tier 1**

Convertible preference shares issued \$292.0 million and redeemed \$100.0 million of step up preference shares.

> **Tier 2**

General reserve for credit losses increase mainly due to Rural Finance acquisition \$8.5 million.

Capital adequacy (%)



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

¹ Shows pro-forma impact to capital adequacy of the Rural Finance acquisition which was completed on 1 July 2014.

2.3.11.3 Shareholder returns

	Dec-14	Jun-14	Change		Dec-13	Change	
Earnings per ordinary share	cents	cents	cents	%	cents	cents	%
Cash earnings per ordinary share (weighted average)	48.1	46.5	1.6	3.4	45.0	3.1	6.9
Statutory earnings per ordinary share (weighted average)	49.7	44.7	5.0	11.2	43.0	6.7	15.6
Diluted earnings per ordinary share (weighted average)	47.0	42.5	4.5	10.6	40.8	6.2	15.2
Weighted average number of ordinary shares	000's	000's	Change		000's	Change	
Weighted average number of ordinary shares - used in basic and cash basis EPS calculations	453,363	422,645	30,718	7.3	413,301	40,062	9.7
Weighted average number of ordinary shares - used in diluted EPS calculations	499,079	462,341	36,738	7.9	456,043	43,036	9.4
Ratios	%	%	Change		%	Change	
Return on average ordinary equity (cash basis)	9.16%	9.08%	0.08%		8.83%	0.33%	
Return on average tangible equity (cash basis)	13.39%	13.38%	0.01%		13.30%	0.09%	
Return on average ordinary equity (after tax)	9.47%	8.73%	0.74%		8.44%	1.03%	
Return on average ordinary equity (after tax before specific items)	8.82%	8.73%	0.09%		8.47%	0.35%	
Return on average assets (cash basis)	0.66%	0.64%	0.02%		0.61%	0.05%	
Return on average assets (after tax)	0.69%	0.62%	0.07%		0.60%	0.09%	
Return on average assets (after tax before specific items)	0.65%	0.62%	0.03%		0.60%	0.05%	

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

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

June profit figures are for the June 2014 half year and balance sheet items are as at end of June 2014.

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

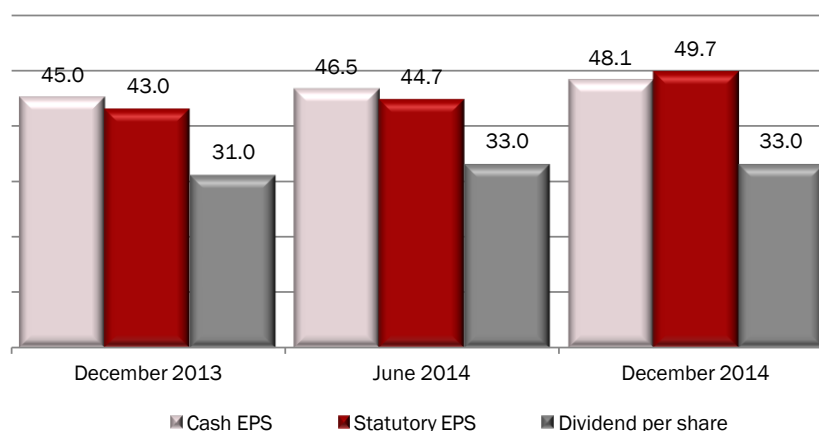
Ordinary equity for use in these ratios is represented by total ordinary shares and retained earnings.

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

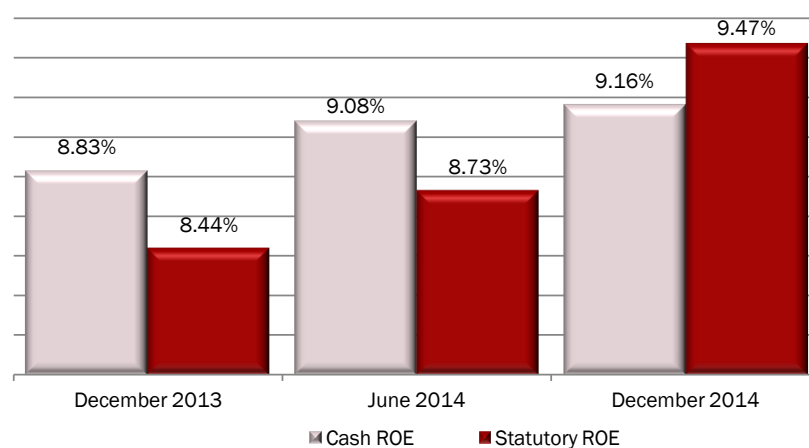
	As at Dec-14	As at Jun-14	Change		As at Dec-13	Change	
	\$m	\$m	\$m	%	\$m	\$m	%
Ordinary issued capital	4,212.4	4,183.3	29.1	0.7	3,782.3	430.1	11.4
Retained earnings	587.5	517.5	70.0	13.5	452.2	135.3	29.9
Total ordinary equity	4,799.9	4,700.8	99.1	2.1	4,234.5	565.4	13.4
Average ordinary equity	4,717.3	4,360.4			4,177.4		

2.3.11.3 Shareholder returns (continued)

Earnings per share and dividend per share (cents)



Statutory and cash return on equity - half year



2.3.11.4 Dividends

	Dec-14	Jun-14	Change		Dec-13	Change	
				%			%
Dividend per share - cents	33.0	33.0	-	-	31.0	2.0	6.5
Dividend amount payable - \$m	147.5	146.5	1.0	0.7	126.0	21.5	17.1
Payout ratio - earnings per ordinary share ¹	66.4%	73.8%	(7.4%)	(10.0)	72.1%	(5.7%)	(7.9)
Payout ratio - cash basis per ordinary share ¹	68.6%	71.0%	(2.4%)	(3.4)	68.9%	(0.3%)	(0.4)

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 fifteen trading days commencing 2 March 2015. Shares issued under this Plan rank equally with all other ordinary shares.

Bonus Share Scheme

The Bonus Share Scheme provides shareholders with the opportunity to elect to receive a number of bonus shares issued for no consideration instead of receiving a dividend. The issue price of the shares is equal to the volume weighted average price of Bendigo and Adelaide Bank shares traded on the Australian Securities Exchange over the fifteen trading days commencing 2 March 2015. 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 2015 interim dividend is 27 February 2015.

2.4 Additional notes

2.4.1 Analysis of intangible assets

	Balance sheet			Half year amortisation/ impairment expense		
	Carrying value					
	Dec-14	Jun-14	Dec-13	Dec-14	Jun-14	Dec-13
	\$m	\$m	\$m	\$m	\$m	\$m
Goodwill	1,441.3	1,368.4	1,368.4	-	-	-
Trustee licence	8.4	8.4	8.4	-	-	-
Software	72.6	53.0	44.0	6.9	6.6	8.5
Customer lists	9.6	9.3	9.1	2.1	1.4	1.1
Core deposits	24.3	28.5	33.0	4.3	4.4	4.4
Trade name	3.7	4.1	4.4	0.4	0.4	0.4
Customer relationship	19.9	24.1	28.4	4.2	4.3	4.3
Management rights - Adelaide Bank	8.1	8.6	9.1	0.5	0.5	0.5
Total intangible assets and goodwill	1,587.9	1,504.4	1,504.8	18.4	17.6	19.2

2.4.2 Net tangible assets per share

	Dec-14	Jun-14	Dec-13
	\$m	\$m	\$m
Net tangible assets per ordinary share	\$7.22	\$7.26	\$6.83
Net tangible assets			
Net assets	4,962.0	4,974.2	4,528.5
Intangibles	(1,587.9)	(1,504.4)	(1,504.8)
Preference shares - face value	(90.0)	(90.0)	(90.0)
Step-up preference shares - face value	-	(100.0)	(100.0)
Net tangible assets attributable to ordinary shareholders	3,284.1	3,279.8	2,833.7
Number of fully paid ordinary shares on issue - 000's	454,562	452,007	414,647

2.4.3 Investments accounted for using the equity method

	Ownership interest held by consolidated entity			Balance date
	Dec-14	Jun-14	Dec-13	
	%	%	%	
Joint arrangements				
Community Sector Enterprises Pty Ltd	50.0	50.0	50.0	30 June
Homesafe Solutions Pty Ltd	50.0	50.0	50.0	30 June
Silver Body Corporate Financial Services Pty Ltd	50.0	50.0	50.0	30 June
Associates				
Aegis Correctional Partnership Pty Ltd	49.5	49.5	49.5	30 June
Aegis Securitisation Nominees Pty Ltd	49.5	49.5	49.5	30 June
Aegis Correctional Partnership Trust	49.5	49.5	49.5	30 June
Aegis Securitisation Trust	49.5	49.5	49.5	30 June
Dancoor Community Finances Ltd ¹	49.0	49.0	-	30 June
Homebush Financial Services Ltd	49.0	49.0	49.0	30 June
Linear Financial Holdings Pty Ltd ²	-	36.0	36.0	30 June
Strategic Payments Services Pty Ltd ³	-	47.5	47.5	31 December
Vic West Community Enterprise Pty Ltd	50.0	50.0	50.0	30 June

(i) Principal activities of joint arrangements and associates

Joint arrangements	Associates
Community Sector Enterprises Pty Ltd - financial services	Aegis Correctional Partnership Pty Ltd - trustee services
Homesafe Solutions Pty Ltd - trust manager	Aegis Securitisation Nominees Pty Ltd - trustee services
Silver Body Corporate Financial Services Pty Ltd - financial services	Aegis Correctional Partnership Trust - project management and financial services
	Aegis Securitisation Trust - financial services
	Dancoor Community Finances Ltd - financial services ¹
	Homebush Financial Services Ltd - financial services
	Linear Financial Holdings Pty Ltd - asset management services ²
	Strategic Payments Services Pty Ltd - payment processing services ³
	Vic West Community Enterprise Pty Ltd - telecommunications services

All joint arrangement and associated companies are incorporated in Australia.

¹ Dancoor Community Finances Ltd (effective January 2014)

² Linear Financial Holdings Pty Ltd sold (effective December 2014)

³ Strategic Payment Services sold (effective November 2014)

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

	Dec-14	Dec-13
	\$m	\$m
Joint arrangements		
- Community Sector Enterprises Pty Ltd	0.1	0.2
- Homesafe Solutions Pty Ltd	0.3	0.1
- Silver Body Corporate Financial Services Pty Ltd	-	0.1
	0.4	0.4
Associates		
- Aegis Correctional Partnership Pty Ltd	-	-
- Aegis Securitisation Nominees Pty Ltd	-	-
- Aegis Securitisation Trust	-	-
- Aegis Correctional Partnership Trust	-	-
- Dancoor Community Finances Ltd	-	-
- Homebush Financial Services Ltd	-	-
- Linear Financial Holdings Pty Ltd	2.7	(0.7)
- Strategic Payments Services Pty Ltd	1.4	0.2
- Vicwest Community Enterprise Ltd	(0.1)	0.1
	4.0	(0.4)
Total share of profits/(loss) before tax	4.4	-

2.4.4 Credit ratings

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

On 24 July 2014, Standard & Poor's Ratings Services affirmed its long-term counterparty credit rating on Bendigo and Adelaide Bank Limited at 'A-', and affirmed the short-term rating at 'A-2'. The outlook remains stable. Standard and Poor's commented that the issuer credit ratings on Bendigo and Adelaide Bank Limited reflect the Group's strong capital adequacy, good business stability relative to regional bank peers, meaningful geographic diversification and sound risk-management capability.

On 20 November 2014, 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, strengthened capitalisation and sound asset quality.

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

2.4.5 Issued capital

Changes to issued and quoted securities during the period:

Ordinary Shares ¹	Number of Shares	\$m
Fully paid ordinary shares at 30 June 2014	452,006,957	4,183.3
Shares issued:		
July 2014 - Share purchase plan at \$10.85 ²	164,435	1.8
July 2014 - Share issue costs	-	(0.3)
September 2014 - Dividend reinvestment plan at \$12.62	2,184,643	27.6
September 2014 - Bonus share scheme (in lieu of dividend payment) at \$12.62	205,584	-
Total ordinary shares at 31 December 2014	454,561,619	4,212.4
Preference Shares ³		
Preference shares of \$100 face value (fully paid)	900,000	88.5
Total preference shares at 31 December 2014	900,000	88.5

¹ BEN - ASX code Ordinary Fully Paid Shares

² Relates to late applications for the June 2014 share purchase plan

³ BENPB - ASX code Preference Shares

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Half Year Financial Report

For the period ended 31 December 2014
Released 16 February 2015

ABN 11 068 049 178



3.0 Corporate Information

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

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

Directors

Robert Johanson (chairman)

Mike Hirst (managing director)

Jennifer Dawson (retired 27 October 2014)

Jim Hazel

Jacqueline Hey

Robert Hubbard

David Matthews

Deborah Radford

Tony Robinson

Company Secretary

Will Conlan

Registered Office

Bendigo and Adelaide Bank Limited

The Bendigo Centre

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Principal place of business

The Bendigo Centre

Bendigo Victoria 3550

Share Registry

Securities Registry

Bendigo and Adelaide Bank Limited

The Bendigo Centre

Bendigo Victoria 3550

Telephone: 1800 646 042

Facsimile: 03 5485 7655

Email: share.register@bendigoadelaide.com.au

Auditors

Ernst & Young

Australia

3.1 Directors' report

Your Directors submit their report for the half year ended 31 December 2014.

3.1.1 Directors

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

Robert Johanson (chairman)
Mike Hirst (managing director)
Jennifer Dawson (retired 27 October 2014)
Jim Hazel
Jacqueline Hey
Robert Hubbard
David Matthews
Deborah Radford
Tony Robinson

3.1.2 Review of operations

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

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

Total income from operations increased by \$74.8 million, or 10.5%, to \$786.1 million when compared with the half year ended 31 December 2013.

Profit before tax increased by \$41.5 million, or 15.8%, to \$304.7 million. Profit after tax (attributable to members of the parent) increased by \$46.6 million to \$227.3 million. Specific items affecting profit after tax for the half year were income of \$15.3 million (31 December 2013: expense \$0.6 million).

Group assets increased by 8.3%, or \$5,009.7 million, when compared with the half year ended 31 December 2013. Group assets at 31 December 2013 were \$60.4 billion.

The total capital adequacy ratio decreased during the half year from 12.25% to 12.19%. Tier one capital increased during the half year from 9.99% to 10.02%, with Tier two capital decreasing from 2.26% to 2.17%. The Common equity tier 1 ratio decreased during the half year from 8.73% to 8.14% however increased from the pro-forma June 2014 ratio of 8.02% which included the Rural Finance acquisition.

Fully franked dividends paid on preference shares during the half year:

73.04 cents per share, paid on 15 September 2014
72.37 cents per share, paid on 15 December 2014

Fully franked dividends paid on step up preference shares during the half year:

78.0 cents per share, paid on 10 July 2014
78.0 cents per share, paid on 10 October 2014

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

273.9 cents per share, paid on 15 December 2014

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

59.29 cents per share, paid on 1 December 2014

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

Final dividend of 33 cents per share, paid on 30 September 2014 in respect of the year ended 30 June 2014
Interim dividend of 33 cents per share, declared on 16 February 2015, payable on 31 March 2015

3.1 Directors' report (continued)

3.1.3 Significant changes in the state of affairs

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

On 1 July 2014, the Group completed the acquisition of the Rural Finance business and net assets for \$1.69 billion.

The acquisition has strengthened the Group's commitment to rural and regional customers. The loan portfolio at the date of acquisition was \$1.7 billion. Refer to 3.8 for further details.

In July 2014, 164,435 shares were allotted as part of the June 2014 share placement plan at an issue price of \$10.85 increasing share capital by \$1.8 million.

In September 2014, 2,184,643 shares were allotted at an issue price of \$12.62 to those shareholders participating in the Dividend Reinvestment Plan, increasing share capital by \$27.6 million. Further to this, 205,584 shares were allotted under the bonus share scheme.

In October 2014, 2,921,188 convertible preference shares were allotted at an issue price of \$100 and 1,000,000 step up preference shares were redeemed at a redemption price of \$100.

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

3.1.4 Events after balance sheet date

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

3.1.5 Independence of auditor

The Group's audit committee has conducted an assessment of the independence of the external auditor for the period ended 31 December 2014. The assessment was conducted on the basis of the Group's audit independence policy and the requirements of the *Corporations Act 2001*. The assessment included a review of non-audit services provided by the auditor and an assessment of the independence declaration issued by the external auditor for the period ended 31 December 2014. The audit committee's assessment confirmed that the independence requirements have been met. The audit committee's assessment was accepted by the full Board.

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

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



Robert Johanson, Chairman
Bendigo
16 February 2015



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Melbourne VIC 3000 Australia
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Auditor's Independence Declaration to the Directors of Bendigo & Adelaide Bank Limited

In relation to our review of the financial report of Bendigo & Adelaide Bank Limited for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

J W MacDonald
Partner
Melbourne
16 February 2015

3.2 Condensed income statement For the half year ended 31 December 2014

	Note	Consolidated		
		Dec-14 \$m	Jun-14 \$m	Dec-13 \$m
Income				
Net interest income				
Interest income		1,515.0	1,446.2	1,482.0
Interest expense		914.4	879.5	930.5
Total net interest income		600.6	566.7	551.5
Other revenue				
Dividends		0.9	0.1	0.7
Fees		82.0	79.2	81.0
Commissions		29.6	30.6	27.8
Other revenue		61.1	53.2	50.3
Total other revenue		173.6	163.1	159.8
Other Income				
Hedge ineffectiveness		2.7	0.1	-
Share of net profit accounted for using the equity method		4.4	0.2	-
Profit on sale of investment in joint venture		4.8	-	-
Total income after interest expense		786.1	730.1	711.3
Expenses				
Bad and doubtful debts on loans and receivables		30.1	39.2	42.7
Other expenses				
Staff and related costs		236.8	219.0	216.1
Occupancy costs		49.2	47.9	38.9
Information technology costs		38.0	34.2	35.8
Amortisation of intangibles		18.4	17.6	19.2
Property, plant and equipment costs		5.4	5.1	4.6
Fees and commissions		17.5	16.8	17.1
Communications, postage and stationery		17.6	16.2	16.4
Advertising and promotion		17.1	18.1	14.5
Other product and services delivery costs		16.1	15.8	16.7
Consultancy costs		5.9	4.5	4.8
Legal costs		4.2	2.1	1.9
Travel costs		4.3	3.7	4.2
Integration costs		1.4	-	-
Employee shares shortfall/(gain)		-	-	(0.7)
Other		17.9	16.6	15.9
Impairment of investment in associates		1.5	-	-
Total other expenses		451.3	417.6	405.4
Profit before income tax expense		304.7	273.3	263.2
Income tax expense	3.7.4	(77.4)	(81.7)	(82.5)
Net profit attributable to owners of the parent		227.3	191.6	180.7
Earnings per share for profit attributable to the ordinary equity holders of the parent:				
		cents	cents	cents
Basic	3.7.6	49.7	44.7	43.0
Diluted	3.7.6	47.0	42.5	40.8
Franked dividends	3.7.5	33.0	33.0	31.0

3.3 Statement of comprehensive income For the half year ended 31 December 2014

	Consolidated		
	Dec-14 \$m	Jun-14 \$m	Dec-13 \$m
Profit for the period ended 31 December	227.3	191.6	180.7
Items which may be reclassified subsequently to profit & loss:			
Net gain on available for sale - equity investments	0.5	0.5	0.9
Net gain on cash flow hedges taken to equity	(25.8)	(30.3)	24.4
Net gain on reclassification from cash flow hedge reserve to income	(0.1)	0.1	-
Net unrealised gain/(loss) on debt securities in available for sale portfolio	-	0.4	(0.4)
Tax effect on items taken directly to or transferred from equity	7.7	8.9	(7.6)
Total items that may be reclassified to profit & loss	(17.7)	(20.4)	17.3
Items which will not be reclassified subsequently to profit & loss:			
Actuarial gain/(loss) on superannuation defined benefits plan	-	(0.4)	2.0
Revaluation of land and buildings	-	0.9	-
Tax effect on items taken directly to or transferred from equity	-	(0.2)	(0.6)
Total items that will not be reclassified to profit & loss	-	0.3	1.4
Total comprehensive income for the period	209.6	171.5	199.4
Total comprehensive income for the period attributable to:			
Members of the Parent	209.6	171.5	199.4

3.4 Balance sheet

As at 31 December 2014

	Note	Consolidated		
		As at	As at	As at
		Dec-14	Jun-14	Dec-13
		\$m	\$m	\$m
Assets				
Cash and cash equivalents		774.0	716.1	637.7
Due from other financial institutions		61.4	242.5	52.0
Financial assets held for trading		5,872.2	7,265.4	4,930.1
Financial assets available for sale - debt securities		652.9	619.3	684.2
Financial assets held to maturity		273.8	286.6	302.0
Current tax assets		2.3	-	-
Financial assets available for sale - equity investments		43.1	24.3	19.0
Derivatives		34.1	22.3	25.3
Loans and other receivables - investment		325.5	397.1	453.6
Net loans and other receivables		54,442.5	52,535.7	50,400.2
Investments in joint ventures accounted for using the equity method		3.2	15.7	15.2
Property, plant and equipment		101.0	96.8	61.3
Deferred tax assets		144.1	127.2	114.3
Investment property		447.5	404.9	369.9
Assets held for sale		-	3.3	25.4
Intangible assets and goodwill		1,587.9	1,504.4	1,504.8
Other assets		657.4	803.3	818.2
Total Assets		65,422.9	65,064.9	60,413.2
Liabilities				
Due to other financial institutions		59.5	363.5	138.2
Deposits		52,956.4	52,359.4	48,764.3
Notes payable		5,150.6	5,256.4	5,396.3
Derivatives		111.4	79.2	55.8
Income tax payable		-	17.5	35.1
Provisions		108.2	103.8	91.2
Deferred tax liabilities		103.4	79.8	76.9
Other payables		781.3	914.2	712.2
Convertible preference shares		544.4	261.4	260.3
Subordinated debt - at amortised cost		645.7	655.5	354.4
Total Liabilities		60,460.9	60,090.7	55,884.7
Net Assets		4,962.0	4,974.2	4,528.5
Equity				
Equity attributable to equity holders of the parent				
Issued capital - ordinary	3.7.9	4,212.4	4,183.3	3,782.3
Perpetual non-cumulative redeemable convertible preference shares	3.7.9	88.5	88.5	88.5
Step up preference shares	3.7.9	-	100.0	100.0
Employee Share Ownership Plan (ESOP) shares		(15.0)	(16.2)	(17.5)
Reserves		88.6	101.1	123.0
Retained earnings		587.5	517.5	452.2
Total Equity		4,962.0	4,974.2	4,528.5

3. 5 Statement of changes in equity For the half year ended 31 December 2014

Attributable to owners of Bendigo and Adelaide Bank Limited

	Issued ordinary capital \$m	Other issued capital ¹ \$m	Retained earnings \$m	Reserves \$m	Total equity \$m
Opening balance at 1 July 2014	4,183.3	172.3	517.5	101.1	4,974.2
Comprehensive income:					
Profit for the period	-	-	227.3	-	227.3
Other comprehensive income	-	-	-	(17.7)	(17.7)
Total comprehensive income for the period	-	-	227.3	(17.7)	209.6
Transactions with owners in their capacity as owners:					
Shares issued	29.4	-	-	-	29.4
Share issue expenses	(0.3)	-	-	-	(0.3)
Redemption of step-up preference shares	-	(100.0)	-	-	(100.0)
Reduction in employee share ownership plan (ESOP) shares	-	1.2	-	-	1.2
Movement in general reserve for credit losses (GRCL)	-	-	(8.5)	8.5	-
Share based payment	-	-	-	(3.3)	(3.3)
Equity dividends	-	-	(148.8)	-	(148.8)
At 31 December 2014	4,212.4	73.5	587.5	88.6	4,962.0

¹ refer to note 3.7.9 Issued capital for further details

For the half year ended 30 June 2014

Attributable to owners of Bendigo and Adelaide Bank Limited

	Issued ordinary capital \$m	Other issued capital ¹ \$m	Retained earnings \$m	Reserves \$m	Total equity \$m
Opening balance at 1 January 2014	3,782.3	171.0	452.2	123.0	4,528.5
Comprehensive income:					
Profit for the period	-	-	191.6	-	191.6
Other comprehensive income	-	-	(0.3)	(19.8)	(20.1)
Total comprehensive income for the period	-	-	191.3	(19.8)	171.5
Transactions with owners in their capacity as owners:					
Shares issued	403.5	-	-	-	403.5
Share issue expenses	(2.5)	-	-	-	(2.5)
Reduction in employee share ownership plan (ESOP) shares	-	1.3	-	-	1.3
Share based payment	-	-	-	0.7	0.7
Transfer from asset revaluation reserve	-	-	2.8	(2.8)	-
Equity dividends	-	-	(128.8)	-	(128.8)
At 30 June 2014	4,183.3	172.3	517.5	101.1	4,974.2

¹ refer to note 3.7.9 Issued capital for further details

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

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

¹ refer to note 3.7.9 Issued capital for further details

3.6 Cash flow statement

For the half year ended 31 December 2014

	Note	Consolidated		
		Dec-14 \$m	Jun-14 \$m	Dec-13 \$m
Cash flows from operating activities				
Interest and other items of a similar nature received		1,478.2	1,426.5	1,429.6
Interest and other costs of finance paid		(912.9)	(834.6)	(959.2)
Receipts from customers (excluding effective interest)		146.0	131.0	138.7
Payments to suppliers and employees		(399.2)	(248.7)	(502.9)
Dividends received		0.8	0.1	0.7
Income taxes paid		(85.0)	(99.4)	(86.4)
Net cash flows from operating activities		227.9	374.9	20.5
Cash flows from investing activities				
Cash paid for purchases of property, plant and equipment		(14.5)	(46.6)	(6.7)
Cash proceeds from sale of property, plant and equipment		0.9	0.8	1.1
Cash paid for purchases of investment property		(23.1)	(16.1)	(12.1)
Cash proceeds from sale of investment property		11.5	8.5	14.3
Cash paid for purchases of equity investments		(1.1)	(5.8)	-
Cash proceeds from sale of equity investments		3.0	-	-
Net increase in balance of loans and other receivables outstanding		(178.8)	(2,116.3)	(386.8)
Net (increase)/decrease in balance of investment securities		1,372.5	(2,181.6)	407.7
Net cash received/(paid) on acquisition of a business combination		(1,760.3)	(1.2)	(3.2)
Net cash flows from/(used in) investing activities		(589.9)	(4,358.3)	14.3
Cash flows from financing activities				
Proceeds from issue of ordinary shares		-	379.6	-
Proceeds from issue of convertible preference shares		243.7	-	-
Repayment of step-up preference shares		(51.2)	-	-
Net increase in balance of retail deposits		533.4	2,188.6	408.6
Net increase in balance of wholesale deposits		63.6	1,406.6	916.6
Proceeds from/(payments to) subordinated debt holders		(9.8)	301.1	0.1
Dividends paid		(121.5)	(107.8)	(103.7)
Net decrease in balance of notes payable		(105.8)	(139.9)	(1,004.3)
Repayment received for ESOP shares		1.3	1.3	1.2
Payment of share issue costs		(10.9)	(2.5)	-
Net cash flows from financing activities		542.8	4,027.0	218.5
Net increase in cash and cash equivalents		180.8	43.6	253.3
Cash and cash equivalents at the beginning of the period		595.1	551.5	298.2
Cash and cash equivalents at the end of period	3.7.8	775.9	595.1	551.5

3.7 Notes to and forming part of the financial statements

3.7.1 Corporate Information

The half year financial report of Bendigo and Adelaide Bank Limited for the six months ended 31 December 2014 was authorised for issue in accordance with a resolution of the Directors on 16 February 2015.

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

The domicile of Bendigo and Adelaide Bank Limited is Australia.

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

3.7.2 Summary of significant accounting policies

The half year financial report does not contain all disclosures of the type normally found within an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and finance and investing activities of the consolidated entity as that given by the annual financial report.

It is recommended that the half year financial report is read in conjunction with the annual financial report of Bendigo and Adelaide Bank Limited as at 30 June 2014, which was prepared based on Australian Accounting Standards, together with any public announcements made by Bendigo and Adelaide Bank Limited and its controlled entities made up until the date this half year financial report is signed by the Group in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001 and the ASX Listing Rules*.

This half year financial report has been prepared on the basis of accounting policies consistent with those applied in the 30 June 2014 annual financial report, except as disclosed below.

3.7.2.1 Basis of preparation

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

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

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

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

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

3.7.2.2 Changes in accounting policies

Since 1 July 2014, the Group has adopted the following Standards and Interpretations mandatory for annual reporting periods beginning on or after 1 July 2014. Adoption of these Standards and Interpretations did not have any material effect on the financial position or performance of the Group.

AASB 2013-5 - *Investment Entities – Amendments to AASB 10, AASB 12 and AASB 127*

Remove Individual Key Management Personnel Disclosure Requirements – Amendments to AASB 124

AASB 2013-3 - *Recoverable Amount Disclosures for Non-Financial Assets – Amendments to AASB 136*

AASB 2012-3 - *Offsetting Financial Assets and Financial Liabilities - Amendments to AASB 132*

AASB 2013-4 - *Novation of Derivatives and Continuation of Hedge Accounting – Amendments to AASB 139*

AASB Interpretation 21 Levies

The Group has not early adopted any Standards and Interpretations that have recently been issued or amended but are not yet effective for the half year ended 31 December 2014.

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

3.7.2.2 Changes in accounting policies (continued)

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

Investment Entities – Amendments to AASB 10, AASB 12 and AASB 127

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under AASB 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualify to be an investment entity under AASB 10.

Remove Individual Key Management Personnel Disclosure Requirements – Amendments to AASB 124

This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions. This amendment has resulted in reduced disclosures in the Group's financial statements.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to AASB 136

The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. This amendment has resulted in increased disclosures in the Group's financial statements.

Offsetting Financial Assets and Financial Liabilities - Amendments to AASB 132

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group's current accounting practices for offsetting arrangements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to AASB 139

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group.

AASB Interpretation 21 Levies

AASB Interpretation 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for AASB Interpretation 21. This interpretation has no impact on the Group as it has applied the recognition principles under AASB 137 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of AASB Interpretation 21 in prior years.

3.7.2.3 Significant accounting judgements, estimates and assumptions

(i) Significant accounting judgements

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

Cash earnings

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

Specific items

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

3.7.3 Segment information

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

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

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

Types of products and services

Retail banking

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

Third party banking

Net interest income and fees derived from the manufacture and processing of residential home loans and other lending, distributed through mortgage brokers, mortgage managers, mortgage originators and alliance partners. Within third party banking, we include the contribution from the Homesafe Trust.

Wealth

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

Rural

Net interest income and fees from the provision of banking services to agribusiness customers, rural and regional Australian communities, provided through our brands of Rural Bank and Rural Finance.

Central functions

Functions not relating directly to a reportable operating segment.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in the reporting segments internally are the same as those contained in note 2 of the annual financial report.

Revenue and expenses associated with each business segment are included in determining their result. Transactions between business segments are based on agreed recharges between operating segments. Segment net interest income is recognised based on an internally set transfer pricing policy based on pre-determined market rates of return on the assets and liabilities of the segment.

Major customers

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

3.7.3 Segment information (continued)

Operating segments

For the half year ended 31 December 2014

Operating segments

	Retail banking	Third party banking	Wealth	Rural	Total operating segments	Central functions	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Net interest income	377.7	100.0	36.3	90.1	604.1	-	604.1
Other income	96.0	38.4	25.5	3.9	163.8	9.8	173.6
Share of net profit accounted for using the equity method	-	-	-	-	-	4.4	4.4
Total segment income	473.7	138.4	61.8	94.0	767.9	14.2	782.1
Operating expenses	310.9	42.6	49.5	43.0	446.0	-	446.0
Credit expenses	16.5	4.4	0.3	8.9	30.1	-	30.1
Segment result	146.3	91.4	12.0	42.1	291.8	14.2	306.0
Reportable segment assets	29,925.3	17,859.4	1,780.8	5,885.1	55,450.6	9,972.3	65,422.9
Reportable segment liabilities	37,214.9	1,097.4	3,863.6	3,499.3	45,675.2	9,635.1	55,310.3

For the half year ended 30 June 2014

Operating segments

	Retail banking	Third party banking	Wealth	Rural	Total operating segments	Central functions	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Net interest income	358.1	111.9	36.3	60.4	566.7	-	566.7
Other income	94.1	34.8	25.6	3.0	157.5	5.6	163.1
Share of net profit accounted for using the equity method	-	-	-	-	-	0.2	0.2
Total segment income	452.2	146.7	61.9	63.4	724.2	5.8	730.0
Operating expenses	300.6	42.9	42.1	32.0	417.6	-	417.6
Credit expenses	23.5	8.0	0.6	7.1	39.2	-	39.2
Segment result	128.1	95.8	19.2	24.3	267.4	5.8	273.2
Reportable segment assets	29,527.5	17,767.1	1,853.8	4,398.6	53,547.0	11,517.9	65,064.9
Reportable segment liabilities	35,841.4	1,111.5	4,524.8	3,700.4	45,178.1	9,656.2	54,834.3

For the half year ended 31 December 2013

Operating segments

	Retail banking	Third party banking	Wealth	Rural	Total operating segments	Central	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Net interest income	338.2	118.2	35.5	59.6	551.5	-	551.5
Other income	95.1	30.9	22.9	3.1	152.0	7.8	159.8
Share of net profit accounted for using the equity method	-	-	-	-	-	-	-
Total segment income	433.3	149.1	58.4	62.7	703.5	7.8	711.3
Operating expenses	295.7	40.0	37.9	32.5	406.1	-	406.1
Credit expenses	16.8	4.6	0.6	20.7	42.7	-	42.7
Segment result	120.8	104.5	19.9	9.5	254.7	7.8	262.5

3.7.3 Segment Information (continued)

For the half year ended 31 December 2013
(continued)

Operating segments

	Operating segments				Total operating segments	Central functions	Total
	Retail banking	Third party banking	Wealth	Rural			
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Reportable segment assets	28,727.3	16,581.1	1,886.3	3,446.8	50,641.5	9,771.7	60,413.2
Reportable segment liabilities	34,756.5	452.0	4,193.0	3,518.4	42,919.9	7,568.5	50,488.4

Reconciliation between segment and statutory results

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

	Consolidated		
	Dec-14 Half year \$m	Jun-14 Half year \$m	Dec-13 Half year \$m
Reconciliation of total segment income to Group income			
Total segment income	782.1	730.0	711.3
Specific interest income items	(3.5)	-	-
Specific income items	7.5	0.1	-
Total Group income	786.1	730.1	711.3
Reconciliation of segment expenses to Group total expenses			
Segment operating expenses	446.0	417.6	406.1
Specific expense items	5.3	-	(0.7)
Total Group expenses	451.3	417.6	405.4
Reconciliation of segment credit expenses to bad and doubtful debts on loans and receivables			
Segment credit expenses	30.1	39.2	42.7
Bad and doubtful debts on loans and receivables	30.1	39.2	42.7
Reconciliation of segment result to Group profit before tax			
Total segment result	306.0	273.2	262.5
Fair value and hedge ineffectiveness	2.7	0.1	-
Specific interest income items	(3.5)	-	-
Specific income items	4.8	-	-
Specific expense items	(5.3)	-	0.7
Group profit before tax	304.7	273.3	263.2

	As at		
	Dec-14 \$m	Jun-14 \$m	Dec-13 \$m
Reportable segment assets			
Total assets for operating segments	65,422.9	65,064.9	60,413.2
Total assets	65,422.9	65,064.9	60,413.2
Reportable segment liabilities			
Total liabilities for operating segments	55,310.3	54,834.3	50,488.4
Securitisation funding	5,150.6	5,256.4	5,396.3
Total liabilities	60,460.9	60,090.7	55,884.7

3.7.4 Income tax

For the half year ended 31 December 2014

The major components of income tax expense for the half year ended 31 December 2014 are:

	Dec-14 \$m	Jun-14 \$m	Dec-13 \$m
Current income tax			
Current income tax charge	65.2	82.1	73.8
Deferred income tax			
Relating to origination and reversal of temporary differences	12.2	(0.4)	8.7
Income tax expense reported in the condensed income statement	77.4	81.7	82.5

3.7.5 Dividends paid

Interim Dividend	Amount per share cents	Franked amount per share - %	Total amount \$m
On 16 February 2015, the directors declared the following dividend:	33.0	100.0	147.5

	Dec-14			Jun-14			Dec-13		
	Date paid	Amount per share cents	Total amount \$m	Date paid	Amount per share cents	Total amount \$m	Date paid	Amount per share cents	Total amount \$m
Ordinary shares¹									
Dividends paid during the half-year	30/9/14	33.0	146.5	31/3/14	31.0	126.0	30/9/13	31.0	125.1
Preference shares²									
Dividends paid during the half-year:	15/9/14	73.04	0.7	17/3/14	71.35	0.6	16/9/13	74.71	0.7
	15/12/14	72.37	0.7	16/6/14	72.34	0.7	16/12/13	71.20	0.6
			1.4			1.3			1.3
Step up preference shares³									
Dividends paid during the half-year:	10/7/14	78.00	0.8	10/1/14	77.00	0.8	10/7/13	85.00	0.8
	10/10/14	78.00	0.8	10/4/14	76.00	0.7	10/10/13	81.00	0.8
			1.6			1.5			1.6
Convertible preference shares (recorded as debt instruments)⁴									
Dividends paid during the half-year:	15/12/14	273.90	7.4	13/6/14	266.49	7.2	13/12/13	273.62	7.3
			7.4			7.2			7.3
Convertible preference shares (CPS2) (recorded as debt instruments)⁵									
Dividends paid during the half-year:	1/12/14	59.29	1.7	-	-	-	-	-	-
			1.7			-			-

¹ BEN - ASX code - Ordinary Fully Paid Shares

² BENPB - ASX code - Preference Shares

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

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

⁵ BENPE - ASX code - Convertible Non-Cumulative Preference Shares (CPS2)

3.7.6 Earnings per ordinary share

	Half Year Dec-14 cents per share	Half Year Jun-14 cents per share	Half Year Dec-13 cents per share
Earnings per ordinary share			
Basic	49.7	44.7	43.0
Cash basis	48.1	46.5	45.0
Diluted	47.0	42.5	40.8
	\$m	\$m	\$m
Reconciliation of earnings used in the calculation of basic earnings per ordinary share			
Profit for the half-year (after tax)	227.3	191.6	180.7
Distributions accrued and/or paid on preference shares	(1.3)	(1.3)	(1.3)
Distributions accrued and/or paid on step-up preference shares	(0.9)	(1.5)	(1.6)
Total basic earnings	225.1	188.8	177.8
Reconciliation of earnings used in the calculation of diluted earnings per ordinary share			
Earnings used in calculating basic earnings per ordinary share	225.1	188.8	177.8
Add back dividends on dilutive preference and convertible preference shares	9.3	7.8	8.1
Total diluted earnings	234.4	196.6	185.9
Reconciliation of earnings used in the calculation of cash basis earnings per ordinary share			
Earnings used in calculating basic earnings per ordinary share	225.1	188.8	177.8
After tax intangibles amortisation (excluding amortisation of intangible software)	8.1	7.7	7.5
After tax specific income and expense items ¹	(15.3)	(0.1)	0.6
Total cash earnings	217.9	196.4	185.9
	No. of shares	No. of shares	No. of shares
Weighted ave no. of ordinary shares used in basic and cash basis earnings per ordinary share	453,362,931	422,644,953	413,300,596
Effect of dilution - preference shares	44,897,033	38,799,357	42,030,472
Effect of dilution - executive performance rights	819,107	897,107	711,902
Weighted ave no. of ordinary shares used in diluted earnings per ordinary share	499,079,070	462,341,417	456,042,970
	Dec-14 \$m	Jun-14 \$m	Dec-13 \$m
¹ Specific income and expense items after tax comprise:			
Interest income			
Fair value adjustments	2.5	-	-
Income			
Hedge ineffectiveness	(1.9)	(0.1)	-
Profit on sale of investment in joint venture	(3.4)	-	-
Expense			
Employee shares gain	-	-	(0.5)
Integration costs	1.0	-	-
Impairment of investment in associates	1.5	-	-
Litigation costs	1.7	-	-
Specific tax benefits			
Income tax benefit relating to mergers and acquisitions	(16.7)	-	1.1
Total specific (income)/expense items after tax	(15.3)	(0.1)	0.6

3.7.7 Return on average ordinary equity

	Half year Dec-14 %	Half year Jun-14 %	Half year Dec-13 %
Return on average ordinary equity (after tax)	9.47	8.73	8.44
Return on average ordinary equity (after tax before specific items)	8.82	8.73	8.47
Return on average ordinary equity (cash basis)	9.16	9.08	8.83
	\$m	\$m	\$m
Reconciliation of earnings used in the calculation of return on average ordinary equity			
Profit after tax	227.3	191.6	180.7
Dividends paid/accrued on preference shares	(1.3)	(1.3)	(1.3)
Dividends paid/accrued on step up preference shares	(0.9)	(1.5)	(1.6)
Earnings used in calculation of return on average ordinary equity	225.1	188.8	177.8
After tax specific income and expense items ¹	(15.3)	(0.1)	0.6
Earnings used in calculation of return on average ordinary equity before specific items	209.8	188.7	178.4
After tax intangibles amortisation (excluding software amortisation)	8.1	7.7	7.5
Earnings used in calculation of cash basis return on average ordinary equity	217.9	196.4	185.9

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

	As at Dec-14 \$m	As at Jun-14 \$m	As at Dec-13 \$m
Ordinary issued capital	4,212.4	4,183.3	3,782.3
Retained earnings	587.5	517.5	452.2
Total ordinary equity	4,799.9	4,700.8	4,234.5
Average ordinary equity ²	4,717.3	4,360.4	4,177.4

¹ Refer to 3.7.6 Earnings per ordinary share note for details

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

Return on average ordinary equity is a key performance measure and is used in the company's management remuneration policy.

Please refer to the June 2014 full year annual report for the full details of this policy.

3.7.8 Cash flow information

	As at Dec-14 \$m	As at Jun-14 \$m	As at Dec-13 \$m
Reconciliation of cash			
For the purposes of the cash flow statement, cash and cash equivalents includes:			
Cash and cash equivalents	774.0	716.1	637.7
Due from other financial institutions	61.4	242.5	52.0
Due to other financial institutions	(59.5)	(363.5)	(138.2)
Cash and cash equivalents at the end of the half year	775.9	595.1	551.5

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

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

Cash flows presented on a net basis.

Cash flows arising from the following activities are presented on a net basis in the cash flow statement:

Loans and receivables, investment securities, retail deposits, wholesale deposits, notes payable and business combinations.

3.7.9 Issued capital

	As at Dec-14			As at Jun-14			As at Dec-13		
	No. Of shares	Issue price	Total \$m	No. Of shares	Issue price	Total \$m	No. Of shares	Issue price	Total \$m
Issued and paid up capital									
Ordinary shares fully paid	454,561,619		4,212.4	452,006,957		4,183.3	414,646,993		3,782.3
Preference shares of \$100 face value fully paid	900,000	100.00	88.5	900,000	100.00	88.5	900,000	100.00	88.5
Step-up preference shares of \$100 face value fully paid	-	-	-	1,000,000	100.00	100.0	1,000,000	100.00	100.0
Employee share ownership plan shares	-	-	(15.0)	-	-	(16.2)	-	-	(17.5)
			4,285.9			4,355.6			3,953.3
Movements in ordinary shares on issue									
Opening balance	452,006,957		4,183.3	414,646,993		3,782.3	412,007,864		3,758.0
Shares issued under:									
Bonus share scheme	205,584	12.62	-	226,848	-	-	259,797	10.17	-
Dividend reinvestment plan	2,184,643	12.62	27.6	2,145,304	-	23.9	2,105,049	10.17	21.4
Employee share grant scheme	-	-	-	-	-	-	274,283	10.47	2.9
Institutional share placement	164,435	10.85	1.8	21,198,157	-	230.0	-	-	-
Share purchase plan	-	-	-	13,789,655	-	149.6	-	-	-
Share issue costs	-	-	(0.3)	-	-	(2.5)	-	-	-
Closing balance	454,561,619		4,212.4	452,006,957		4,183.3	414,646,993		3,782.3
Movements in preference shares on issue									
Opening balance	900,000	100.00	88.5	900,000	100.00	88.5	900,000	100.00	88.5
Closing balance	900,000		88.5	900,000		88.5	900,000		88.5
Movements in step-up preference shares on issue									
Opening balance	1,000,000	100.00	100.0	1,000,000	100.00	100.0	1,000,000	100.00	100.0
Redemption (October 2014)	(1,000,000)		(100.0)	-	-	-	-	-	-
Closing balance	-		-	1,000,000		100.0	1,000,000		100.0
Movements in Employee share ownership plan shares									
Opening balance	-		(16.2)	-		(17.5)	-		(18.7)
Reduction in employee share ownership plan shares	-		1.2	-		1.3	-		1.2
Closing balance	-		(15.0)	-		(16.2)	-		(17.5)

3.7.10 Financial instruments

a) Measurement basis of financial assets and liabilities

The accounting policies in Note 2 within the 30 June 2014 annual financial report describe how different classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amount of the financial assets and liabilities by category and by balance sheet heading.

	At fair value through profit & loss		At fair value through reserves		Loans and Receivables	Held at amortised cost	Total
	Derivatives	Held for trading	Available for sale				
	\$m	\$m	\$m		\$m	\$m	\$m
31 December 2014							
Financial assets							
Cash and cash equivalents	-	-	-	-	-	774.0	774.0
Due from other financial institutions	-	-	-	-	-	61.4	61.4
Financial assets held to maturity	-	-	-	-	-	273.8	273.8
Financial assets held for trading	-	5,872.2	-	-	-	-	5,872.2
Financial assets available for sale - debt securities	-	-	652.9	-	-	-	652.9
Financial assets available for sale - equity investments	-	-	43.1	-	-	-	43.1
Loans & other receivables - investment	-	-	-	-	325.5	-	325.5
Loans & other receivables	-	-	-	-	54,442.5	-	54,442.5
Derivatives	34.1	-	-	-	-	-	34.1
Total financial assets	34.1	5,872.2	696.0	54,768.0	1,109.2	62,479.5	
Financial liabilities							
Due to other financial institutions	-	-	-	-	-	59.5	59.5
Deposits	-	-	-	-	-	52,956.4	52,956.4
Notes payable	-	-	-	-	-	5,150.6	5,150.6
Derivatives	111.4	-	-	-	-	-	111.4
Convertible preference shares	-	-	-	-	-	544.4	544.4
Subordinated debt	-	-	-	-	-	645.7	645.7
Total financial liabilities	111.4	-	-	-	-	59,356.6	59,468.0
30 June 2014							
Financial assets							
Cash and cash equivalents	-	-	-	-	-	716.1	716.1
Due from other financial institutions	-	-	-	-	-	242.5	242.5
Financial assets held to maturity	-	-	-	-	-	286.6	286.6
Financial assets held for trading	-	7,265.4	-	-	-	-	7,265.4
Financial assets available for sale - debt securities	-	-	619.3	-	-	-	619.3
Financial assets available for sale - equity investments	-	-	24.3	-	-	-	24.3
Loans & other receivables - investment	-	-	-	-	397.1	-	397.1
Loans & other receivables	-	-	-	-	52,535.7	-	52,535.7
Derivatives	22.3	-	-	-	-	-	22.3
Total financial assets	22.3	7,265.4	643.6	52,932.8	1,245.2	62,109.3	
Financial liabilities							
Due to other financial institutions	-	-	-	-	-	363.5	363.5
Deposits	-	-	-	-	-	52,359.4	52,359.4
Notes payable	-	-	-	-	-	5,256.4	5,256.4
Derivatives	79.2	-	-	-	-	-	79.2
Convertible preference shares	-	-	-	-	-	261.4	261.4
Subordinated debt	-	-	-	-	-	655.5	655.5
Total financial liabilities	79.2	-	-	-	-	58,896.2	58,975.4

3.7.10 Financial instruments

b) Fair Values of financial assets and liabilities

The following table summarises the carrying value of financial assets and liabilities presented on the Group's balance sheet. The fair values presented in the table are at a specific date and may be significantly different from the amounts which will actually be paid or received on the maturity or settlement date.

	Dec-14		Jun-14	
	Carrying Value \$m	Fair Value \$m	Carrying Value \$m	Fair Value \$m
Financial assets				
Cash and cash equivalents	774.0	774.0	716.1	716.1
Due from other financial instruments	61.4	61.4	242.5	242.5
Financial assets held for trading	5,872.2	5,872.2	7,265.4	7,265.4
Financial assets held to maturity	273.8	273.8	286.6	286.6
Financial assets available for sale - debt securities	652.9	652.9	619.3	619.3
Financial assets available for sale - equity investments	43.1	43.1	24.3	24.3
Loans & other receivables - investment	325.5	332.5	397.1	404.3
Loans & other receivables	54,442.5	54,601.4	52,535.7	52,720.9
Derivatives	34.1	34.1	22.3	22.3
Financial liabilities				
Due to other financial institutions	59.5	59.5	363.5	363.5
Deposits	52,956.4	53,037.2	52,359.4	52,453.4
Notes payable	5,150.6	5,216.8	5,256.4	5,323.6
Derivatives	111.4	111.4	79.2	79.2
Convertible preference shares	544.4	551.3	261.4	279.8
Subordinated debt	645.7	641.5	655.5	654.1

The carrying amount for the following financial instruments is a reasonable approximation of the fair value: cash and cash equivalents, due from other financial instruments and due to other financial institutions.

c) Fair Value measurement

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

Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets for identical instruments held by the Group. For all other financial instruments, the Group determines fair value using other valuation techniques.

Valuation control framework

The Group has an established control framework with respect to the measurement of the fair values including independent price verification. The framework is independent of the front office management and reports directly to the Chief Financial Officer.

Specific controls include:

- > verification of observable pricing,
- > a review and approval process for new products,
- > analysis and investigation of significant daily valuation movements.

Valuation of financial assets and liabilities

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs in making the measurement.

Level 1

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2

Level 2 fair value measurements are those derived from inputs other than quoted prices within level 1 that are observable either directly (as prices) or indirectly (derived from prices).

Level 3

Level 3 fair value measurements are from inputs that are unobservable. Where equity investments have no quoted market price and fair value cannot be reliably measured these investments are carried at cost less impairment.

3.7.10 Financial instruments (continued)

Financial assets and liabilities carried at fair value

Valuation Hierarchy

	Level 1	Level 2	Level 3	Total
	\$m	\$m	\$m	\$m
31 December 2014				
Financial assets held for trading	-	5,872.2	-	5,872.2
Financial assets available for sale - debt securities	-	652.9	-	652.9
Financial assets available for sale - equity investments	2.3	19.6	21.2	43.1
Derivatives	-	34.1	-	34.1
Total financial assets carried at fair value	2.3	6,578.8	21.2	6,602.3
Derivatives	-	111.4	-	111.4
Total financial liabilities carried at fair value	-	111.4	-	111.4
30 June 2014				
Financial assets held for trading	-	7,265.4	-	7,265.4
Financial assets available for sale - debt securities	-	619.3	-	619.3
Financial assets available for sale - equity investments	2.0	19.4	2.9	24.3
Derivatives	-	22.3	-	22.3
Total financial assets carried at fair value	2.0	7,926.4	2.9	7,931.3
Derivatives	-	79.2	-	79.2
Total financial liabilities carried at fair value	-	79.2	-	79.2

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

There were no significant transfers between levels during the year for the Group or Parent.

Valuation methodology

Financial instruments & financial instruments - debt securities

Each month market security investment valuations are determined by the middle office department of the Group's Finance and Treasury division. This involves an analysis of market rate sheets provided by institutions independent of Bendigo and Adelaide Bank. From these independent rate sheets, market average valuations are calculated within the Group's treasury management system, thereby updating the value of the investments.

Financial Instruments - Equity investments

Level 1 - Listed investments relates to equity held that are on listed exchanges. Level 2 - unlisted investments are equity holdings in unlisted managed investment schemes. For managed scheme investments the most recent prices provided by the fund manager are used.

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

Derivatives

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

Movements in level 3 portfolio

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

Financial assets - equity investments

	\$m
As at 30 June 2014	2.9
Gains or losses in equity	-
Purchases ¹	18.0
Sales	-
Transfers in/out	0.3
As at 31 December 2014	21.2
Gains recognised in the income statement	-

¹ \$17.2 million relates to Group's investment in Cuscal Ltd (10% holding).

3.7.10 Financial instruments (continued)

Financial assets and liabilities carried at amortised cost

Valuation Hierarchy

The table below analyses the fair value of the financial assets and liabilities of the Group which are carried at amortised cost. They are categorised into levels 1 to 3 based on the degree to which their fair value is observable.

	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying amount
	\$m	\$m	\$m	\$m	\$m
31 December 2014					
Financial assets					
Financial assets held to maturity	-	273.8	-	273.8	273.8
Loans & other receivables - investment	-	-	332.5	332.5	325.5
Loans & other receivables	-	-	54,601.4	54,601.4	54,442.5
Financial liabilities					
Deposits	-	53,037.2	-	53,037.2	52,956.4
Notes payable	-	5,216.8	-	5,216.8	5,150.6
Convertible preference shares	551.3	-	-	551.3	544.4
Subordinated debt	-	641.5	-	641.5	645.7
30 June 2014					
Financial assets					
Financial assets held to maturity	-	286.6	-	286.6	286.6
Loans & other receivables - investment	-	-	404.3	404.3	397.1
Loans & other receivables	-	-	52,720.9	52,720.9	52,535.7
Financial liabilities					
Deposits	-	52,453.4	-	52,453.4	52,359.4
Notes payable	-	5,323.6	-	5,323.6	5,256.4
Convertible preference shares	279.8	-	-	279.8	261.4
Subordinated debt	-	654.1	-	654.1	655.5

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

Valuation Methodology

Financial assets

Financial instruments - held to maturity

The fair value of financial assets held to maturity, including bills of exchange, negotiable certificates of deposit, government securities and bank and other deposits, which are predominantly short-term, is measured at amortised book value. Carrying value of these assets approximates fair value.

Loans & other receivables

(including Loans & other receivables - investments)

The carrying value of loans and other receivables is net of specific and collective provisions for doubtful debts. For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of fair value. The net fair value for fixed loans is calculated by utilising discounted cash flow models (i.e. the net present value of the portfolio future principal and interest cash flows), based on the maturity of the loans. The discount rates applied represent the rate the market is willing to offer for these loans at arms-length.

The net fair value of impaired loans is calculated by discounting expected cash flows using these rates.

Financial liabilities

Deposits

The carrying value of deposits at call is considered to be fair value. The fair value for all term deposits is calculated using a discounted cash flow model applying market rates, or current rates for deposits of similar maturities.

Notes Payable

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

Convertible preference shares

The closing share price of the convertible preference shares at period end is used to calculate the fair value of these financial liabilities.

Subordinated debt

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

3.7.11 Contingent assets and liabilities

(a) Contingent assets

As at 31 December 2014, the economic entity does not have any contingent assets (2013: Nil).

(b) Contingent liabilities

	Consolidated		
	Dec-14 \$m	Jun-14 \$m	Dec-13 \$m
Guarantees			
The economic entity has issued guarantees on behalf of clients in the normal course of business	226.5	255.2	219.2
Other			
Documentary letters of credit	9.4	11.7	11.8

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

3.8 Business combinations

On 1 July 2014 Bendigo and Adelaide Bank Group acquired 100% of the business activities and selected assets of Rural Finance Corporation of Victoria. The acquisition has strengthened the Group's commitment to rural and regional customers. The consideration for the acquisition of net assets was \$1.76 billion in cash.

Rural Finance is based in Bendigo with 11 branches located across regional Victoria. Rural Finance is a leading lender to Victorian primary producers. The activities and responsibilities of Rural Finance include the Commercial activities as a speciality financier in the Victorian agricultural sector.

The following table shows the effect on the Group's assets:

	Provisional fair value on acquisition \$m
Assets	
Loans	1,686.5
Motor vehicles and office equipment	2.3
Deferred tax asset	0.6
Total assets	1,689.4
Liabilities	
Employee provisions	1.9
Deferred tax liability	0.1
Total liabilities	2.0
Net identifiable assets attributable to Bendigo and Adelaide Bank Limited	1,687.4
Cost of acquisition	1,760.3
Fair value of net assets acquired	1,687.4
Provisional goodwill on acquisition	72.9

The acquisition accounting method for a business combination has provisionally been completed and as such the fair value of the net assets acquired on 1 July 2014 has not been finalised. It is expected that the full contractual amounts will be collected.

From the date of the acquisition, Rural Finance has contributed \$25.4 million of revenue and \$17.6 million to the net profit before tax from the continuing operations of the Group. The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Rural Finance with those of the Group.

Transaction and integration costs of \$1.4 million have been expensed and are included in the income statement and are part of operating cashflows in the cash flow statement.

The provisional goodwill recognised is not expected to be deductible for income tax purposes.

3.9 Events after balance sheet date

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

Directors' declaration

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

In the opinion of the directors:

- (a) the half year financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Robert Johanson
Chairman
Bendigo
16 February 2015



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To the members of Bendigo and Adelaide Bank Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Bendigo and Adelaide Bank Limited, which comprises the balance sheet as at 31 December 2014, the condensed income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001*. As the auditor of Bendigo and Adelaide Bank Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



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Conclusion

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

- i giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

J W MacDonald
Partner
Melbourne
16 February 2015