

# Appendix 4D

## Half Year Results

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For the period ended 31 December 2016  
Released 13 February 2017

ABN 11 068 049 178





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# Appendix 4D: Half year results

## 1.1 Company details and reporting period

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Bendigo and Adelaide Bank Limited  
ABN 11 068 049 178

Reporting period - six months ended: 31 December 2016  
Previous corresponding period - six months ended: 31 December 2015

## 1.2 Results for announcement to the market

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**Income from operations** up 1.5% to \$795.3 m

**Profit after tax from ordinary activities  
attributable to Owners of the Company** up 0.1% to \$209.0 m

**Net profit after tax from ordinary activities  
attributable to Owners of the Company** up 0.1% to \$209.0 m

<b>Dividends - current year 2016</b>	<b>Date Payable</b>	<b>Amount per security</b>
Interim dividend - fully franked	31 March 2017	34.0 cents
Record date for determining entitlements		3 March 2017

<b>Dividends - previous year 2015</b>	<b>Date Paid</b>	<b>Amount per security</b>
Final dividend - fully franked	30 September 2016	34.0 cents
Interim dividend - fully franked	31 March 2016	34.0 cents

## 1.3 Cash earnings results

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Cash earnings attributable to Owners of the Company up 0.4% to \$224.7 m

Cash earnings per share down 1.8% to 48.0 cents

See note 2.3.1 and 2.3.11.3 for full details

#### **1.4 Net tangible assets per ordinary share**

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Refer to section 2.4.2 of the attached 31 December 2016 half year profit announcement.

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

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

#### **1.6 Details of individual and total dividends**

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Refer to section 2.3.11.4 of the attached 31 December 2016 half year profit announcement.

#### **1.7 Details of any dividend or distribution reinvestment plans in operation**

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Refer to section 2.3.11.4 of the attached 31 December 2016 half year profit announcement.

#### **1.8 Details of associates and joint arrangement entities**

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Refer to section 2.4.3 of the attached 31 December 2016 half year profit announcement.

#### **1.9 Accounting standards used for foreign entities**

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Not applicable.

#### **1.10 Dispute or qualifications if audited**

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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**

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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**

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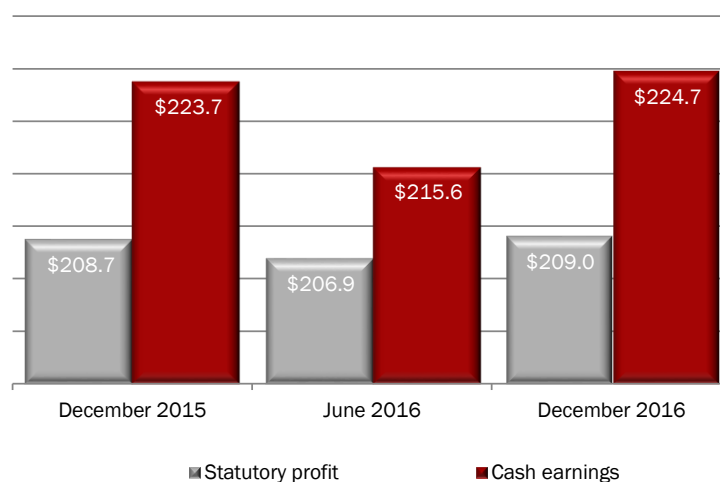
Refer to pages 27 to 49 of the attached 31 December 2016 half year profit announcement.

## 2. Half year results

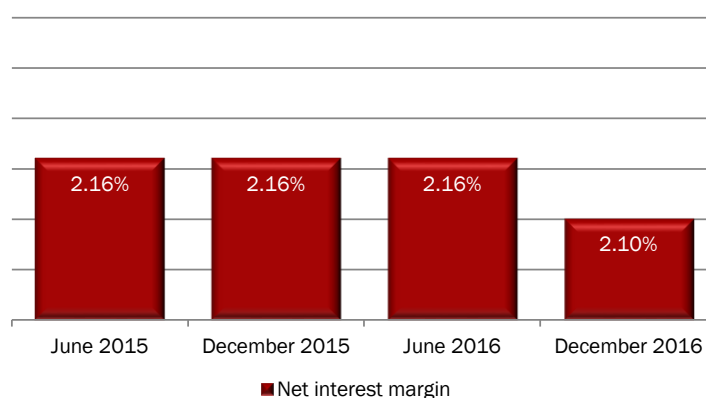
### 2.1 Financial highlights

	Dec-16 Half	Jun-16 Half	Dec-15 Half	Jun-15 Half	Dec-15 to Dec-16	
	\$m	\$m	\$m	\$m	\$m	%
<b>Financial performance metrics</b>						
Profit after tax attributable to Owners of the Company	209.0	206.9	208.7	196.6	0.3	0.1
Profit after tax and before specific items	218.3	209.0	216.6	208.6	1.7	0.8
Cash earnings	224.7	215.6	223.7	214.5	1.0	0.4
Net interest income (before specific items)	597.4	583.2	585.5	578.3	11.9	2.0
Non-interest income (before specific items)	206.7	183.0	199.6	190.1	7.1	3.6
Bad and doubtful debts	39.8	23.5	20.6	38.2	19.2	93.2
Expenses (before specific items)	445.7	441.2	447.5	432.5	(1.8)	(0.4)
	%	%	%	%	% change	
<b>Financial performance ratios</b>						
Cost to income ratio	54.3%	56.4%	55.7%	54.9%	(2.5)	
Net interest margin before profit share arrangements	2.10%	2.16%	2.16%	2.16%	(2.8)	
Net interest margin after profit share arrangements	1.76%	1.82%	1.84%	1.85%	(4.3)	

### Statutory profit and cash earnings (\$m)



### Net interest margin before profit share arrangements (%)

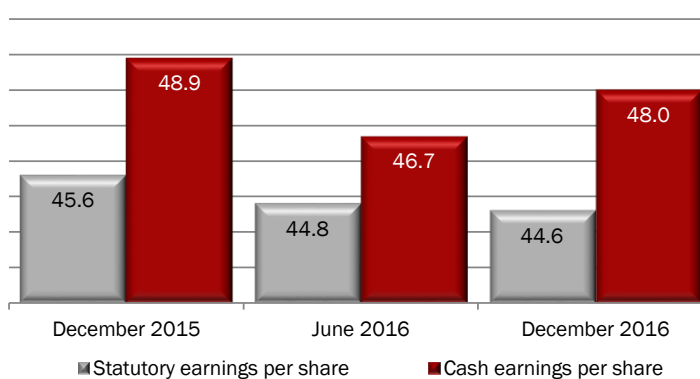


## 2. Half year results (continued)

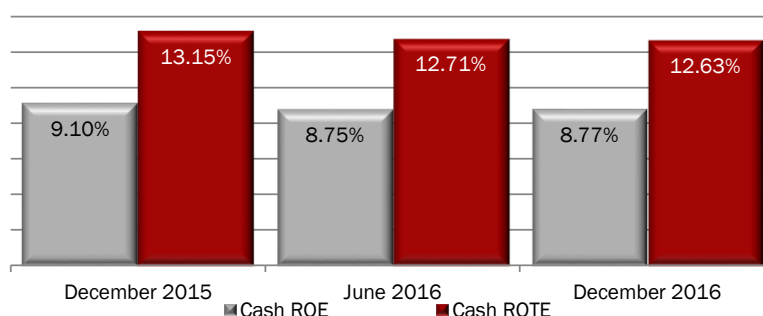
### 2.1 Financial highlights (continued)

	Dec-16 Half	Jun-16 Half	Dec-15 Half	Jun-15 Half	Dec-15 to Dec-16	
	\$m	\$m	\$m	\$m	\$m	%
<b>Financial position metrics</b>						
Ordinary equity	5,206.4	5,037.6	4,941.6	4,858.5	264.8	5.4
Retail deposits	50,579.9	48,445.3	45,776.0	46,222.7	4,803.9	10.5
Funds under management	4,979.7	4,684.1	4,517.7	4,165.8	462.0	10.2
Loans under management	60,865.2	58,227.6	56,353.3	56,540.6	4,511.9	8.0
New loan approvals	11,724.9	8,844.7	8,187.9	7,310.7	3,537.0	43.2
> Residential	8,710.5	5,588.3	5,263.9	4,604.4	3,446.6	65.5
> Non-residential	3,014.4	3,256.4	2,924.0	2,706.3	90.4	3.1
Total provisions and reserves for doubtful debts	303.3	325.6	322.1	322.7	(18.8)	(5.8)
	%	%	%	%	% change	
<b>Financial position ratios</b>						
Return on average ordinary equity (after tax)	8.15%	8.40%	8.52%	8.19%	(4.3)	
Return on average ordinary equity (cash basis)	8.77%	8.75%	9.10%	9.00%	(3.6)	
Return on average tangible equity (cash basis)	12.63%	12.71%	13.15%	13.14%	(4.0)	
	cents	cents	cents	cents	% change	
<b>Key shareholder ratios</b>						
Earnings per ordinary share (statutory basis)	44.6	44.8	45.6	42.9	(2.2)	
Earnings per ordinary share (cash basis)	48.0	46.7	48.9	47.1	(1.8)	
Dividend per share - fully franked	34.0	34.0	34.0	33.0	-	

### Statutory EPS and cash EPS (cents)



### ROE and ROTE (%)



## 2.2 Income statement

For the period ended 31 December 2016

	Note	Dec-16 \$m	Jun-16 \$m	Dec-15 \$m
<b>Income</b>				
Interest income		1,320.4	1,328.6	1,358.9
Interest expense		(723.0)	(745.4)	(773.4)
<b>Net interest income</b>		<b>597.4</b>	<b>583.2</b>	<b>585.5</b>
Total other income	2.3.4	206.2	182.7	200.0
Share of net profit accounted for using the equity method	2.4.3	0.5	0.3	(0.4)
<b>Total income</b>		<b>804.1</b>	<b>766.2</b>	<b>785.1</b>
<b>Expense</b>				
Bad and doubtful debts	2.3.8	(39.8)	(23.5)	(20.6)
Operating expenses	2.3.5	(445.7)	(441.2)	(447.5)
<b>Profit before income tax expense and specific items</b>		<b>318.6</b>	<b>301.5</b>	<b>317.0</b>
Specific interest expense items before tax		(1.5)	(2.1)	(2.5)
Specific income items before tax		(7.3)	7.3	0.6
Specific expense items before tax		(5.1)	(7.6)	(7.3)
<b>Total specific items before tax</b>		<b>(13.9)</b>	<b>(2.4)</b>	<b>(9.2)</b>
<b>Profit before income tax expense</b>		<b>304.7</b>	<b>299.1</b>	<b>307.8</b>
Income tax expense		(95.7)	(92.2)	(99.1)
<b>Profit after income tax expense attributable to Owners of the Company</b>		<b>209.0</b>	<b>206.9</b>	<b>208.7</b>
<b>Adjusted for:</b>				
Specific items after tax	2.3.2	9.3	2.1	7.9
Amortisation of acquired intangibles after tax		6.4	6.6	7.1
<b>Cash earnings</b>		<b>224.7</b>	<b>215.6</b>	<b>223.7</b>
<b>Earnings per ordinary share (cents per share)</b>		<b>cents</b>	<b>cents</b>	<b>cents</b>
Basic		44.6	44.8	45.6
Cash		48.0	46.7	48.9
Diluted		40.5	39.8	41.4
Franked dividends per share		34.0	34.0	34.0



## 2.3 Results commentary

### 2.3.1 Profit

	Dec-16	Jun-16	Change		Dec-15	Change	
	\$m	\$m	\$m	%	\$m	\$m	%
Profit before tax	304.7	299.1	5.6	1.9	307.8	(3.1)	(1.0)
Specific items before tax	13.9	2.4	11.5	479.2	9.2	4.7	51.1
<b>Profit before tax and specific items</b>	<b>318.6</b>	<b>301.5</b>	<b>17.1</b>	<b>5.7</b>	<b>317.0</b>	<b>1.6</b>	<b>0.5</b>
Profit after tax attributable to Owners of the Company	209.0	206.9	2.1	1.0	208.7	0.3	0.1
Specific items after tax	9.3	2.1	7.2	342.9	7.9	1.4	17.7
<b>Profit after tax before specific items</b>	<b>218.3</b>	<b>209.0</b>	<b>9.3</b>	<b>4.4</b>	<b>216.6</b>	<b>1.7</b>	<b>0.8</b>
Adjusted for:							
Amortisation of acquired intangibles after tax	6.4	6.6	(0.2)	(3.0)	7.1	(0.7)	(9.9)
<b>Cash earnings after tax</b>	<b>224.7</b>	<b>215.6</b>	<b>9.1</b>	<b>4.2</b>	<b>223.7</b>	<b>1.0</b>	<b>0.4</b>

## 2.3.2 Specific items

The reported profit after tax for the half year ended 31 December 2016 of \$209.0 million included the following specific items:

	Dec-16		Jun-16		Dec-15	
	Before Tax	After Tax	Before Tax	After Tax	Before Tax	After Tax
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Items included in interest income</b>						
Fair value adjustments - interest expense	(1.5)	(1.1)	(2.1)	(1.4)	(2.5)	(1.8)
<b>Total specific net interest income items</b>	<b>(1.5)</b>	<b>(1.1)</b>	<b>(2.1)</b>	<b>(1.4)</b>	<b>(2.5)</b>	<b>(1.8)</b>
<b>Items included in other income</b>						
Hedge ineffectiveness	(7.3)	(5.1)	7.3	5.1	0.6	0.4
<b>Total specific other income items</b>	<b>(7.3)</b>	<b>(5.1)</b>	<b>7.3</b>	<b>5.1</b>	<b>0.6</b>	<b>0.4</b>
<b>Items included in operating expenses</b>						
Integration costs	(6.0)	(4.1)	(3.8)	(2.7)	(7.3)	(5.1)
Impairment reversal/(charge)	0.9	1.0	(2.3)	(2.1)	-	-
Litigation costs	-	-	(1.5)	(1.0)	-	-
<b>Total specific operating expense items</b>	<b>(5.1)</b>	<b>(3.1)</b>	<b>(7.6)</b>	<b>(5.8)</b>	<b>(7.3)</b>	<b>(5.1)</b>
<b>Items included in income tax expense</b>						
Tax impacts relating to prior year impairment losses	-	-	-	-	-	(1.4)
<b>Total specific income tax benefit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1.4)</b>
<b>Total specific items attributable to the Group</b>	<b>(13.9)</b>	<b>(9.3)</b>	<b>(2.4)</b>	<b>(2.1)</b>	<b>(9.2)</b>	<b>(7.9)</b>

### Specific interest income items

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

### Specific other income items

Hedge ineffectiveness - ineffectiveness resulting from hedge accounting.

### Specific operating expense items

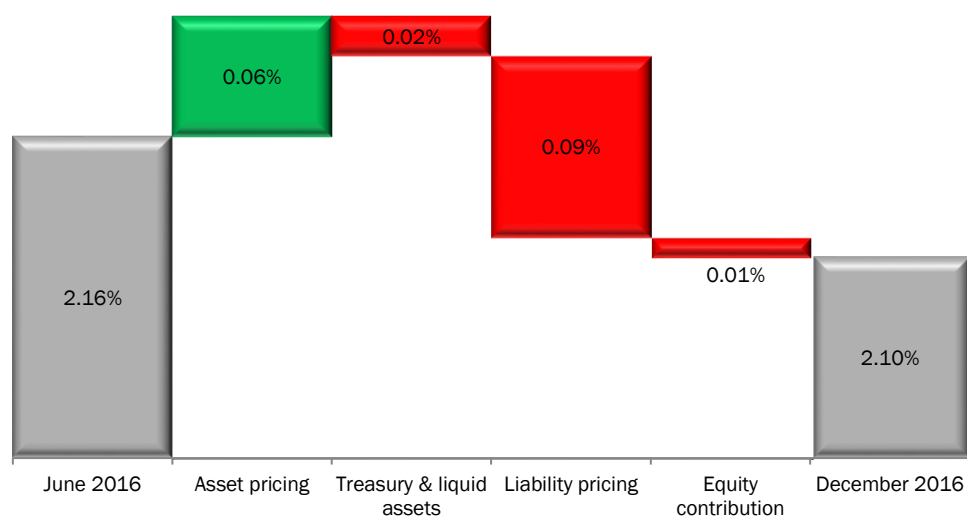
Integration costs - costs associated with the integration of the business activities of Rural Finance, Alliance Partners and Delphi Bank.

Impairment - impairments have been recorded on the investment the Group has in the Regional Development Fund and the intangible asset recorded in relation to the acquired Wheeler Financial Services customer list.

An impairment previously recorded has been reversed relating to Vic West Community Enterprise Pty Ltd, due to the sale of the investment.

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

### 2.3.3 Interest margin



**Asset pricing** - favourable rate repricing has occurred over the last six months, following the partial pass through of the August cash rate reduction. The full impact of the December variable lending repricing will come through in the second half. These changes were partially offset by a highly competitive environment for new lending.

**Treasury and liquid assets** - impact from holding additional liquid assets in the lead up to the Keystart portfolio acquisition.

**Liability pricing** - repricing of deposit accounts following the May and August cash rate reduction was limited by the ongoing strong competition for deposit funding.

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

## 2.3.4 Income

	Dec-16	Jun-16	Change		Dec-15	Change	
	\$m	\$m	\$m	%	\$m	\$m	%
<b>Net interest income</b>	597.4	583.2	14.2	2.4	585.5	11.9	2.0
Specific items - interest income	(1.5)	(2.1)	0.6	(28.6)	(2.5)	1.0	(40.0)
<b>Total net interest income</b>	<b>595.9</b>	<b>581.1</b>	<b>14.8</b>	<b>2.5</b>	<b>583.0</b>	<b>12.9</b>	<b>2.2</b>
<b>Other income</b>							
Fees							
Asset products	39.1	35.9	3.2	8.9	35.5	3.6	10.1
Liability and other products	39.4	41.3	(1.9)	(4.6)	45.2	(5.8)	(12.8)
Trustee, management and other services	1.7	2.3	(0.6)	(26.1)	1.7	-	-
Commissions	35.1	35.8	(0.7)	(2.0)	33.1	2.0	6.0
Foreign exchange income	9.1	9.9	(0.8)	(8.1)	11.0	(1.9)	(17.3)
Homesafe income	46.4	25.2	21.2	84.1	54.5	(8.1)	(14.9)
Trading book revaluation income	12.6	9.4	3.2	34.0	(0.5)	13.1	(2,620.0)
Other	22.8	22.9	(0.1)	(0.4)	19.5	3.3	16.9
<b>Total other income before specific items</b>	<b>206.2</b>	<b>182.7</b>	<b>23.5</b>	<b>12.9</b>	<b>200.0</b>	<b>6.2</b>	<b>3.1</b>
Share of net profit accounted for using the equity method	0.5	0.3	0.2	66.7	(0.4)	0.9	(225.0)
<b>Total other income before specific items</b>	<b>206.7</b>	<b>183.0</b>	<b>23.7</b>	<b>13.0</b>	<b>199.6</b>	<b>7.1</b>	<b>3.6</b>
Specific items - other income	(7.3)	7.3	(14.6)	(200.0)	0.6	(7.9)	(1,316.7)
<b>Total income</b>	<b>795.3</b>	<b>771.4</b>	<b>23.9</b>	<b>3.1</b>	<b>783.2</b>	<b>12.1</b>	<b>1.5</b>

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

**Net interest income** increased by \$12.9 million, or 2.2%. Refer to 2.3.3 for further analysis. \$3.5 million (December 2015 \$4.2 million) has been expensed for the committed liquidity facility.

**Fees** decreased by \$2.2 million, or 2.7%, primarily due to a higher cost in interchange fees particularly for contactless electronic transactions.

**Commissions** increased by \$2.0 million, or 6.0%, due to increased volume of third party products sold, including insurance and wealth commissions received as a responsible entity.

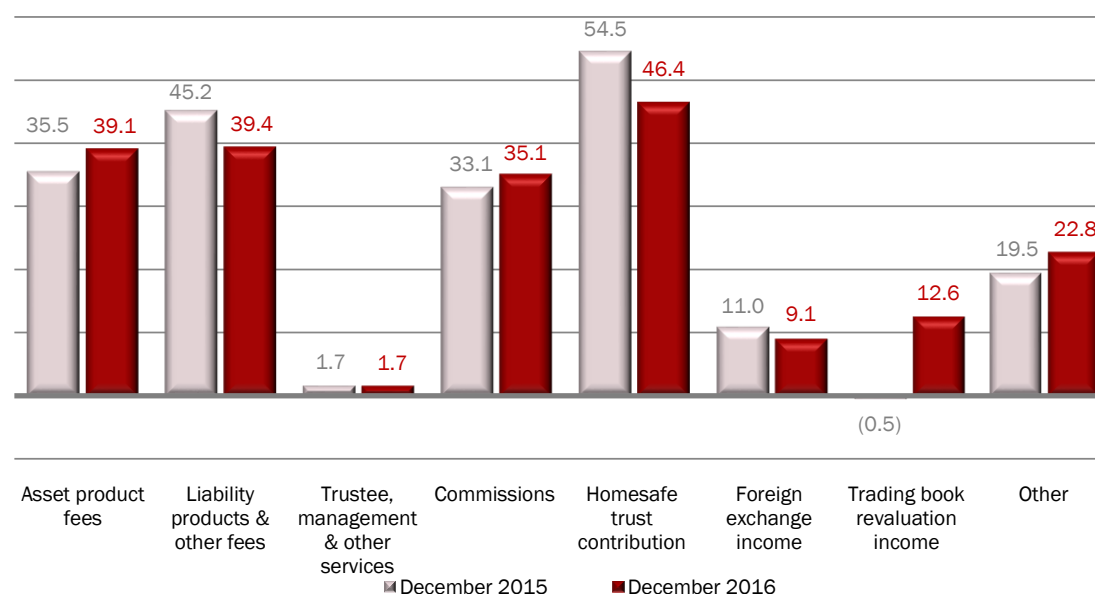
**Homesafe trust** income was \$8.1 million lower primarily due to slower growth in residential property markets of Melbourne and Sydney.

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

**Specific items - other income** decreased by \$7.9 million. Refer to 2.3.2 for further detail.

### Other income

\$m



## 2.3.5 Operating expenses

	Dec-16	Jun-16	Change		Dec-15	Change	
	\$m	\$m	\$m	%	\$m	\$m	%
Staff and related costs	243.2	237.7	5.5	2.3	242.6	0.6	0.2
Occupancy costs	45.9	45.3	0.6	1.3	46.3	(0.4)	(0.9)
Information technology costs	36.3	34.2	2.1	6.1	36.0	0.3	0.8
Amortisation of acquired intangibles	9.1	9.4	(0.3)	(3.2)	10.1	(1.0)	(9.9)
Amortisation of software intangibles	9.0	7.9	1.1	13.9	7.5	1.5	20.0
Property, plant and equipment costs	5.9	5.7	0.2	3.5	5.6	0.3	5.4
Fees and commissions	16.9	16.9	-	-	16.7	0.2	1.2
Communications, postage and stationery	17.1	17.3	(0.2)	(1.2)	16.5	0.6	3.6
Advertising and promotion	13.5	17.1	(3.6)	(21.1)	14.0	(0.5)	(3.6)
Other product and services delivery costs	17.0	18.1	(1.1)	(6.1)	19.3	(2.3)	(11.9)
Other administration expenses	31.8	31.6	0.2	0.6	32.9	(1.1)	(3.3)
<b>Total operating expenses before specific items</b>	<b>445.7</b>	<b>441.2</b>	<b>4.5</b>	<b>1.0</b>	<b>447.5</b>	<b>(1.8)</b>	<b>(0.4)</b>
Specific items	5.1	7.6	(2.5)	(32.9)	7.3	(2.2)	(30.1)
<b>Total operating expenses</b>	<b>450.8</b>	<b>448.8</b>	<b>2.0</b>	<b>0.4</b>	<b>454.8</b>	<b>(4.0)</b>	<b>(0.9)</b>

	Dec-16	Jun-16	Change		Dec-15	Change	
	%	%	%	%	%	%	%
Expenses to income <sup>1</sup>	54.3%	56.4%	(2.1)	(3.7)	55.7%	(1.4)	(2.5)
Expenses to average assets	1.24%	1.30%	(0.1)	(4.6)	1.32%	(0.1)	(6.1)
Staff and related costs to income <sup>2</sup>	29.9%	30.4%	(0.5)	(1.6)	30.7%	(0.8)	(2.6)
Number of staff (full-time equivalent)	4,424	4,531	(107)	(2.4)	4,589	(165)	(3.6)

<sup>1</sup> Expenses used in the above ratios are expenses less specific expense items and amortisation on acquired intangibles.

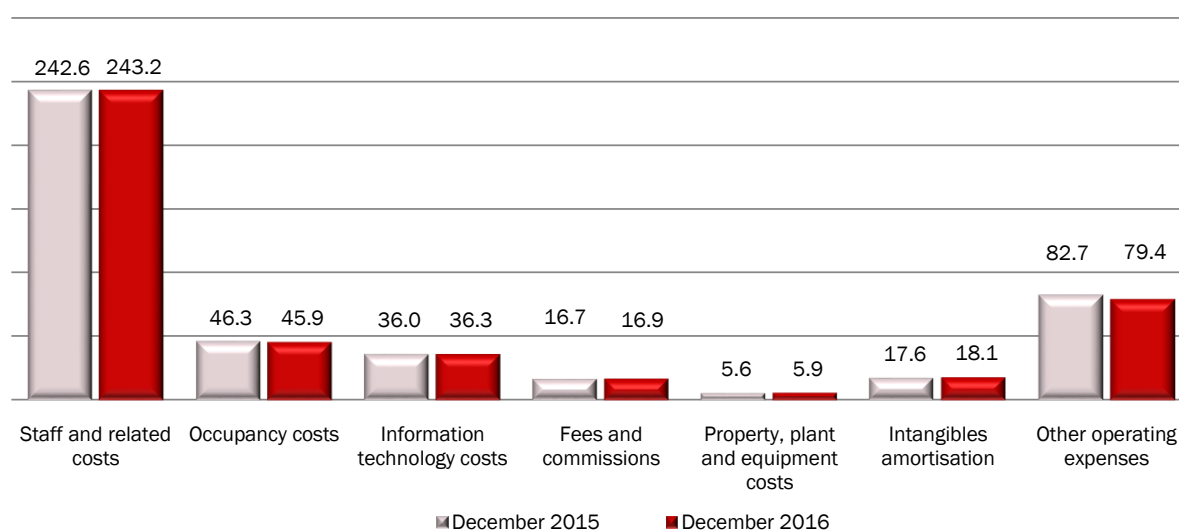
Income used in the above ratios is income less specific income items.

<sup>2</sup> Excludes redundancy costs.

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

**Staff and related costs** increased by \$0.6 million, or 0.2%. Redundancy costs increased by \$1.2 million to \$3.0 million compared to December 2015. Redundancy costs decreased by \$1.5 million compared to June 2016.

### Operating expenses (\$m)



## 2.3.6 Lending

	Dec-16	Jun-16	Change		Dec-15	Change	
	\$m	\$m	\$m	%	\$m	\$m	%
<b>Approvals - by security</b>							
Residential	8,710.5	5,588.3	3,122.2	55.9	5,263.9	3,446.6	65.5
Non-residential	3,014.4	3,256.4	(242.0)	(7.4)	2,924.0	90.4	3.1
<b>Total approvals</b>	<b>11,724.9</b>	<b>8,844.7</b>	<b>2,880.2</b>	<b>32.6</b>	<b>8,187.9</b>	<b>3,537.0</b>	<b>43.2</b>
	As at	As at	Change		As at	Change	
	Dec-16	Jun-16	\$m	%	Dec-15	\$m	%
<b>Gross loan balance - by security</b>							
<b>Residential</b>	<b>42,415.7</b>	<b>39,818.7</b>	<b>2,597.0</b>	<b>6.5</b>	<b>38,378.5</b>	<b>4,037.2</b>	<b>10.5</b>
<b>Business</b>							
Accommodation and food services	428.0	415.3	12.7	3.1	411.8	16.2	3.9
Administrative and support services	32.8	39.0	(6.2)	(15.9)	42.1	(9.3)	(22.1)
Agriculture, forestry and fishing	5,763.9	5,934.6	(170.7)	(2.9)	5,677.0	86.9	1.5
Arts and recreation services	101.7	100.3	1.4	1.4	104.3	(2.6)	(2.5)
Construction	1,139.5	1,141.6	(2.1)	(0.2)	1,059.7	79.8	7.5
Education and training	71.1	70.2	0.9	1.3	66.0	5.1	7.7
Electricity, gas, water and waste services	22.9	24.0	(1.1)	(4.6)	24.5	(1.6)	(6.5)
Financial and insurance services	478.8	438.1	40.7	9.3	377.4	101.4	26.9
Health care and social assistance	480.4	391.7	88.7	22.6	376.3	104.1	27.7
Information media and telecommunications	30.4	31.3	(0.9)	(2.9)	30.7	(0.3)	(1.0)
Manufacturing	276.8	303.4	(26.6)	(8.8)	278.5	(1.7)	(0.6)
Mining	21.1	25.0	(3.9)	(15.6)	20.5	0.6	2.9
Other Services	213.3	208.1	5.2	2.5	219.0	(5.7)	(2.6)
Professional, scientific and technical services	276.4	281.6	(5.2)	(1.8)	290.4	(14.0)	(4.8)
Public administration and safety	82.2	92.5	(10.3)	(11.1)	90.6	(8.4)	(9.3)
Rental, hiring and real estate services	4,264.4	4,080.3	184.1	4.5	4,015.0	249.4	6.2
Retail trade	463.0	447.3	15.7	3.5	429.9	33.1	7.7
Transport, postal and warehousing	145.2	150.2	(5.0)	(3.3)	150.7	(5.5)	(3.6)
Wholesale trade	161.5	184.4	(22.9)	(12.4)	186.5	(25.0)	(13.4)
Other	301.6	281.7	19.9	7.1	271.9	29.7	10.9
<b>Total business</b>	<b>14,755.0</b>	<b>14,640.6</b>	<b>114.4</b>	<b>0.8</b>	<b>14,122.8</b>	<b>632.2</b>	<b>4.5</b>
Margin lending	1,665.7	1,742.4	(76.7)	(4.4)	1,793.0	(127.3)	(7.1)
Unsecured	927.7	909.3	18.4	2.0	902.4	25.3	2.8
Other	337.7	360.5	(22.8)	(6.3)	346.8	(9.1)	(2.6)
<b>Total gross loan balance</b>	<b>60,101.8</b>	<b>57,471.5</b>	<b>2,630.3</b>	<b>4.6</b>	<b>55,543.5</b>	<b>4,558.3</b>	<b>8.2</b>
<b>Gross loan balance - by purpose</b>							
Residential	40,789.2	38,100.0	2,689.2	7.1	36,646.3	4,142.9	11.3
Consumer	2,593.7	2,693.9	(100.2)	(3.7)	2,569.1	24.6	1.0
Margin lending	1,665.7	1,742.4	(76.7)	(4.4)	1,793.0	(127.3)	(7.1)
Commercial	15,053.2	14,935.2	118.0	0.8	14,535.1	518.1	3.6
<b>Total gross loan balance</b>	<b>60,101.8</b>	<b>57,471.5</b>	<b>2,630.3</b>	<b>4.6</b>	<b>55,543.5</b>	<b>4,558.3</b>	<b>8.2</b>
<b>Loans under management (gross balance)</b>							
On-balance sheet	60,101.8	57,471.5	2,630.3	4.6	55,543.5	4,558.3	8.2
Off-balance sheet loans under management	763.4	756.1	7.3	1.0	809.8	(46.4)	(5.7)
<b>Total Group loans under management</b>	<b>60,865.2</b>	<b>58,227.6</b>	<b>2,637.6</b>	<b>4.5</b>	<b>56,353.3</b>	<b>4,511.9</b>	<b>8.0</b>

**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-16	Jun-16	\$m	%	Dec-15	\$m	%
<b>Impaired loans</b> <sup>1</sup>	\$m	\$m	\$m	%	\$m	\$m	%
Full-performing <sup>2</sup>	1.0	1.2	(0.2)	(16.7)	1.2	(0.2)	(16.7)
Part-performing <sup>3</sup>	35.9	65.4	(29.5)	(45.1)	69.5	(33.6)	(48.3)
Non-performing	217.8	237.1	(19.3)	(8.1)	235.7	(17.9)	(7.6)
Restructured loans <sup>4</sup>	46.0	46.5	(0.5)	(1.1)	50.9	(4.9)	(9.6)
<b>Total impaired assets</b>	<b>300.7</b>	<b>350.2</b>	<b>(49.5)</b>	<b>(14.1)</b>	<b>357.3</b>	<b>(56.6)</b>	<b>(15.8)</b>
Less: specific impairment provisions	(110.2)	(124.4)	14.2	11.4	(117.6)	7.4	6.3
<b>Net impaired assets</b>	<b>190.5</b>	<b>225.8</b>	<b>(35.3)</b>	<b>(15.6)</b>	<b>239.7</b>	<b>(49.2)</b>	<b>(20.5)</b>
Portfolio facilities - past due 90 days, not well secured	4.9	4.8	0.1	2.1	5.2	(0.3)	(5.8)
Less: specific impairment provisions	(0.9)	(0.9)	-	0.0	(0.6)	(0.3)	50.0
<b>Net portfolio facilities</b>	<b>4.0</b>	<b>3.9</b>	<b>0.1</b>	<b>2.6</b>	<b>4.6</b>	<b>(0.6)</b>	<b>(13.0)</b>
<b>Past due 90 days</b>							
Well secured (excluding commercial arrangement loans)	431.1	396.9	34.2	8.6	341.0	90.1	26.4
Great Southern portfolio	103.2	157.9	(54.7)	(34.6)	195.4	(92.2)	(47.2)
<b>Ratios</b>	%	%	%		%	%	
Total impaired loans to gross loans	0.50%	0.61%	(0.11%)		0.64%	(0.14%)	
Total impaired loans to total assets	0.42%	0.51%	(0.09%)		0.54%	(0.12%)	
Net impaired loans to gross loans	0.32%	0.39%	(0.07%)		0.43%	(0.11%)	
Provision coverage <sup>5</sup>	100.9%	93.0%	7.9%		90.1%	10.80%	

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> Restructured loans are facilities in which the original contractual terms have been modified for reasons related to the financial difficulties of the customer.

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

## 2.3.8 Bad and doubtful debts

	Dec-16	Jun-16	Change		Dec-15	Change	
	\$m	\$m	\$m	%	\$m	\$m	%
<b>Bad and doubtful debts expense</b>							
Bad debts written off	16.0	4.2	11.8	281.0	0.2	15.8	7,900.0
Provision doubtful debts - expense	30.4	28.5	1.9	6.7	24.0	6.4	26.7
<b>Total bad and doubtful debts expense</b>	<b>46.4</b>	<b>32.7</b>	<b>13.7</b>	<b>41.9</b>	<b>24.2</b>	<b>22.2</b>	<b>91.7</b>
Bad debts recovered	(6.6)	(9.2)	2.6	(28.3)	(3.6)	(3.0)	83.3
<b>Bad and doubtful debts net of recoveries</b>	<b>39.8</b>	<b>23.5</b>	<b>16.3</b>	<b>69.4</b>	<b>20.6</b>	<b>19.2</b>	<b>93.2</b>

	As at Dec-16	As at Jun-16	Change		As at Dec-15	Change	
	\$m	\$m	\$m	%	\$m	\$m	%
<b>Provisions and reserves</b>							
Provision for doubtful debts - specific	111.1	125.3	(14.2)	(11.3)	118.2	(7.1)	(6.0)
Provision for doubtful debts - collective	51.9	53.4	(1.5)	(2.8)	57.0	(5.1)	(8.9)
General reserve for credit losses	140.3	146.9	(6.6)	(4.5)	146.9	(6.6)	(4.5)
<b>Total provisions and reserve for doubtful debts</b>	<b>303.3</b>	<b>325.6</b>	<b>(22.3)</b>	<b>(6.8)</b>	<b>322.1</b>	<b>(18.8)</b>	<b>(5.8)</b>

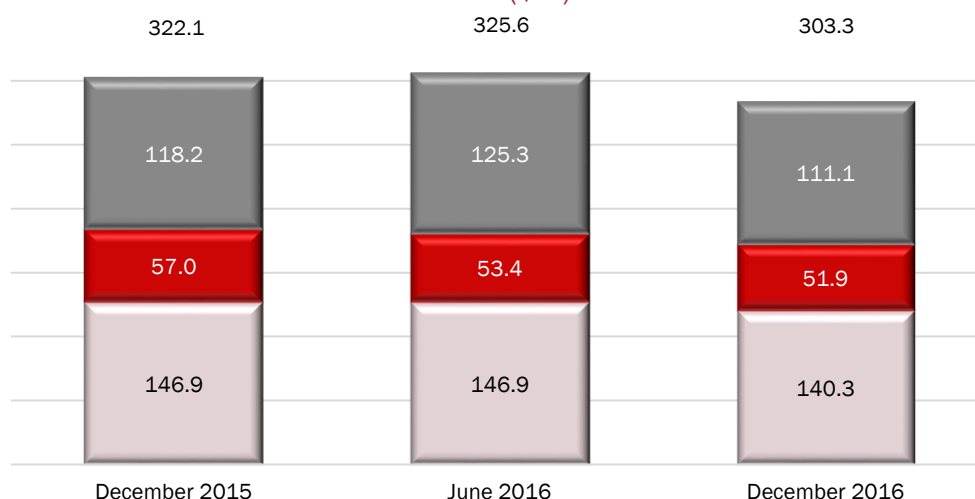
	%	%	%	%	%	%
Loan write-offs (annualised) to average assets	0.09%	0.09%	-	-	0.08%	0.01
Loan write-offs (annualised) to gross loans	0.10%	0.10%	-	-	0.09%	0.01
Total provision/reserve for doubtful debts to gross loans	0.50%	0.57%	(0.07)	(12.3)	0.58%	(0.08)
Collective provision and GRCL to risk-weighted assets	0.50%	0.55%	(0.05)	(9.1)	0.59%	(0.09)

	Specific	Collective	GRCL	Total
	\$m	\$m	\$m	\$m
<b>Movements in provisions and reserves</b>				
Balance at 30 June 2016	125.3	53.4	146.9	325.6
Provision for doubtful debts expense to profit and loss	31.9	(1.5)	-	30.4
Appropriation of movement in general reserve for credit losses	-	-	(6.6)	(6.6)
Bad debts written off - previously provided for	(46.1)	-	-	(46.1)
<b>Balance at 31 December 2016</b>	<b>111.1</b>	<b>51.9</b>	<b>140.3</b>	<b>303.3</b>
Balance at 31 December 2015	118.2	57.0	146.9	322.1
Provision for doubtful debts expense to profit and loss	32.1	(3.6)	-	28.5
Bad debts written off - previously provided for	(25.0)	-	-	(25.0)
<b>Balance at 30 June 2016</b>	<b>125.3</b>	<b>53.4</b>	<b>146.9</b>	<b>325.6</b>
Balance at 30 June 2015	116.8	59.0	146.9	322.7
Provision for doubtful debts expense to profit and loss	26.0	(2.0)	-	24.0
Bad debts written off - previously provided for	(24.6)	-	-	(24.6)
<b>Balance at 31 December 2015</b>	<b>118.2</b>	<b>57.0</b>	<b>146.9</b>	<b>322.1</b>

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)



■ GRCL ■ Collective provisions ■ Specific provisions



## 2.3.9 Deposits and funds under management

	As at	As at	Change		As at	Change	
	Dec-16	Jun-16	\$m	%	Dec-15	\$m	%
<b>Deposits and funds under management</b>							
Deposits	59,228.5	57,054.7	2,173.8	3.8	54,198.1	5,030.4	9.3
Securitisation	3,855.7	3,822.5	33.2	0.9	4,201.6	(345.9)	(8.2)
Managed funds	4,979.7	4,684.1	295.6	6.3	4,517.7	462.0	10.2
<b>Total deposits and funds under management</b>	<b>68,063.9</b>	<b>65,561.3</b>	<b>2,502.6</b>	<b>3.8</b>	<b>62,917.4</b>	<b>5,146.5</b>	<b>8.2</b>
<b>Deposits dissection - \$m</b>							
Retail <sup>1</sup>	50,579.9	48,445.3	2,134.6	4.4	45,776.0	4,803.9	10.5
Wholesale <sup>1</sup>	8,648.6	8,609.4	39.2	0.5	8,422.1	226.5	2.7
Securitisation	3,855.7	3,822.5	33.2	0.9	4,201.6	(345.9)	(8.2)
<b>Total deposits</b>	<b>63,084.2</b>	<b>60,877.2</b>	<b>2,207.0</b>	<b>3.6</b>	<b>58,399.7</b>	<b>4,684.5</b>	<b>8.0</b>
<b>Deposits dissection - %</b>							
Retail	80.2%	79.6%			78.4%		
Wholesale	13.7%	14.1%			14.4%		
Securitisation	6.1%	6.3%			7.2%		
<b>Total deposits</b>	<b>100.0%</b>	<b>100.0%</b>			<b>100.0%</b>		
<b>Managed funds dissection - \$m</b>							
Assets under management	2,054.9	2,060.7	(5.8)	(0.3)	2,045.6	9.3	0.5
Other managed funds	2,924.8	2,623.4	301.4	11.5	2,472.1	452.7	18.3
<b>Total managed funds</b>	<b>4,979.7</b>	<b>4,684.1</b>	<b>295.6</b>	<b>6.3</b>	<b>4,517.7</b>	<b>462.0</b>	<b>10.2</b>

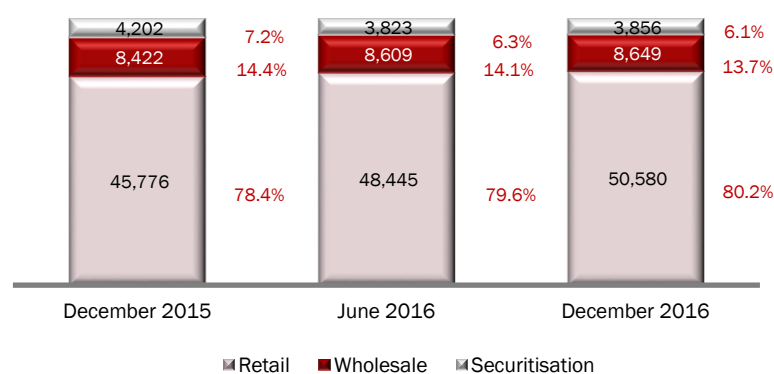
<sup>1</sup> A reclassification of some middle market deposits from retail to wholesale has reduced the December 2016 retail dissection by 2.8%.

Adjustments have been made to prior periods.

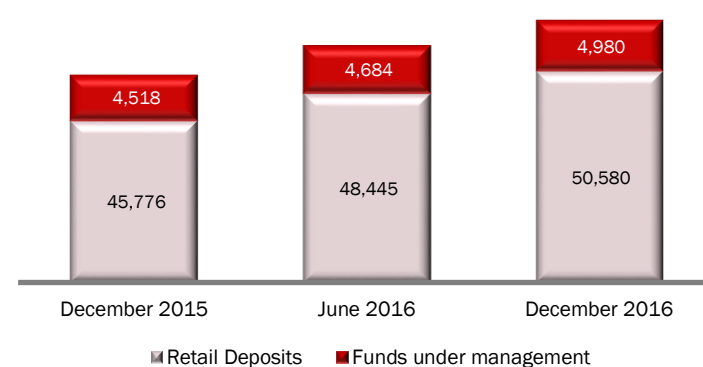
**Assets under management** include those funds deposited in the Sandhurst Trustees Limited Common Funds, which are invested in cash, cash enhanced and mortgage investments on behalf of investors. These funds are off-balance sheet.

**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 2016

	31 December 2016			30 June 2016		
	Average	Interest	Average	Average	Interest	Average
	Balance	6 mths	Rate	Balance	6 mths	Rate
	\$m	\$m	%	\$m	\$m	%
<b>Average balances and rates <sup>1</sup></b>						
<b>Interest earning assets</b>						
Cash and investments	8,751.7	61.3	1.39	7,842.6	53.2	1.36
Loans and other receivables <sup>2</sup>	58,414.5	1,259.1	4.28	56,440.1	1,275.4	4.54
<b>Total interest earning assets <sup>3</sup></b>	<b>67,166.2</b>	<b>1,320.4</b>	<b>3.90</b>	<b>64,282.7</b>	<b>1,328.6</b>	<b>4.16</b>
<b>Non interest earning assets</b>						
Provisions for doubtful debts	(168.8)			(176.7)		
Other assets	2,983.5			2,864.5		
<b>Total non interest earning assets</b>	<b>2,814.7</b>			<b>2,687.8</b>		
<b>Total assets (average balance)</b>	<b>69,980.9</b>			<b>66,970.5</b>		
<b>Interest bearing liabilities</b>						
Deposits						
Retail	49,557.6	(519.4)	(2.08)	47,017.0	(528.0)	(2.26)
Wholesale - domestic	8,459.4	(106.8)	(2.50)	8,137.6	(114.9)	(2.84)
Wholesale - offshore	344.5	(5.1)	(2.94)	353.1	(5.2)	(2.96)
Notes payable	3,953.3	(58.0)	(2.91)	4,008.4	(62.4)	(3.13)
Preference shares	825.9	(18.3)	(4.40)	823.0	(18.9)	(4.62)
Subordinated debt	601.3	(15.4)	(5.08)	583.5	(16.0)	(5.51)
<b>Total interest bearing liabilities <sup>3</sup></b>	<b>63,742.0</b>	<b>(723.0)</b>	<b>(2.25)</b>	<b>60,922.6</b>	<b>(745.4)</b>	<b>(2.46)</b>
<b>Non interest bearing liabilities and equity</b>						
Other liabilities	1,077.1			1,008.9		
Equity	5,161.8			5,039.0		
<b>Total liabilities and equity (average balance)</b>	<b>69,980.9</b>			<b>66,970.5</b>		
<b>Interest margin and interest spread</b>						
Interest earning assets	67,166.2	1,320.4	3.90	64,282.7	1,328.6	4.16
Interest bearing liabilities	(63,742.0)	(723.0)	(2.25)	(60,922.6)	(745.4)	(2.46)
<b>Net interest income and interest spread <sup>4</sup></b>		<b>597.4</b>	<b>1.65</b>		<b>583.2</b>	<b>1.70</b>
Net free liabilities and equity			0.11			0.12
<b>Net interest margin <sup>5</sup></b>			<b>1.76</b>			<b>1.82</b>
<b>Impact of profit share arrangements</b>						
Net interest margin			1.76			1.82
Add impact of profit share arrangements			0.34			0.34
Net interest margin before profit share arrangements			2.10			2.16

1 Average balance is based on monthly closing balances.

2 Loans and receivables interest excludes specific items (December 2016 \$1.5m, June 2016 \$2.1m).

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

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

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 2015

	31 December 2015			30 June 2015		
	Average	Interest	Average	Average	Interest	Average
	Balance	6 mths	Rate	Balance	6 mths	Rate
	\$m	\$m	%	\$m	\$m	%
<b>Average balances and rates <sup>1</sup></b>						
Interest earning assets						
Cash and Investments	7,859.5	58.2	1.47	7,799.8	78.2	2.02
Loans and other receivables <sup>2</sup>	55,534.1	1,300.7	4.66	55,138.8	1,342.2	4.91
<b>Total interest earning assets <sup>3</sup></b>	<b>63,393.6</b>	<b>1,358.9</b>	<b>4.26</b>	<b>62,938.6</b>	<b>1,420.4</b>	<b>4.55</b>
<b>Non interest earning assets</b>						
Provisions for doubtful debts	(173.7)			(172.1)		
Other assets	2,889.1			2,861.1		
<b>Total non interest earning assets</b>	<b>2,715.4</b>			<b>2,689.0</b>		
<b>Total assets (average balance)</b>	<b>66,109.0</b>			<b>65,627.6</b>		
<b>Interest bearing liabilities and equity</b>						
Deposits						
Retail - company	45,057.0	(538.6)	(2.38)	43,930.9	(584.0)	(2.68)
Wholesale - domestic	8,788.0	(122.8)	(2.78)	9,166.3	(138.4)	(3.04)
Wholesale - offshore	341.8	(5.1)	(2.97)	393.8	(6.4)	(3.28)
Notes Payable	4,513.6	(72.0)	(3.17)	4,848.7	(81.8)	(3.40)
Convertible Preference Shares	820.3	(18.8)	(4.56)	584.4	(13.8)	(4.76)
Subordinated debt	587.4	(16.1)	(5.45)	613.7	(17.7)	(5.82)
<b>Total interest bearing liabilities <sup>3</sup></b>	<b>60,108.1</b>	<b>(773.4)</b>	<b>(2.56)</b>	<b>59,537.8</b>	<b>(842.1)</b>	<b>(2.85)</b>
<b>Non interest bearing liabilities and equity</b>						
Other liabilities	1,048.1			1,141.3		
Equity	4,952.8			4,948.5		
<b>Total liabilities and equity (average balance)</b>	<b>66,109.0</b>			<b>65,627.6</b>		
<b>Interest margin and interest spread</b>						
Interest earning assets	63,393.6	1,358.9	4.26	62,938.6	1,420.4	4.55
Interest bearing liabilities	(60,108.1)	(773.4)	(2.56)	(59,537.8)	(842.1)	(2.85)
<b>Net interest income and interest spread <sup>4</sup></b>		<b>585.5</b>	<b>1.70</b>		<b>578.3</b>	<b>1.70</b>
Net free liabilities and equity			0.14			0.15
<b>Net interest margin <sup>5</sup></b>			<b>1.84</b>			<b>1.85</b>
<b>Impact of profit share arrangements</b>						
Net interest margin			1.84			1.85
Add impact of profit share arrangements			0.32			0.31
Net interest margin before profit share arrangements			2.16			2.16

1 Average balance is based on monthly closing balances.

2 Loans and receivables interest excludes specific items (December 2015 \$2.5m, June 2015 \$3.0m).

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

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

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

## 2.3.11 Capital and shareholder returns

### 2.3.11.1 Assets and capital

	As at	As at	Change		As at	Change	
	Dec-16	Jun-16	\$m	%	Dec-15	\$m	%
Group assets	70,948.5	68,572.7	2,375.8	3.5	65,677.5	5,271.0	8.0
<b>Capital adequacy</b>							
Total qualifying capital	4,674.6	4,455.6	219.0	4.9	4,372.7	301.9	6.9
Risk-weighted assets	38,312.1	36,485.5	1,826.6	5.0	34,526.5	3,785.6	11.0
	%	%	%	%	%	%	%
Risk-weighted capital adequacy	12.20%	12.21%	(0.01%)	(0.1)	12.66%	(0.46%)	(3.6)
- Tier 1	10.17%	10.40%	(0.23%)	(2.2)	10.68%	(0.51%)	(4.8)
- Tier 2	2.03%	1.81%	0.22%	12.2	1.98%	0.05%	2.5
- Common Equity Tier 1	7.97%	8.09%	(0.12%)	(1.5)	8.24%	(0.27%)	(3.3)

### 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-16	Jun-16	Dec-15
<b>Risk weighted capital ratios</b>			
Tier 1	10.17%	10.40%	10.68%
Tier 2	2.03%	1.81%	1.98%
<b>Total capital ratio</b>	<b>12.20%</b>	<b>12.21%</b>	<b>12.66%</b>
Common Equity Tier 1	<b>7.97%</b>	<b>8.09%</b>	<b>8.24%</b>
	\$m	\$m	\$m
<b>Regulatory capital</b>			
Common Equity Tier 1			
Contributed capital	4,406.1	4,298.4	4,257.0
Retained profits	587.0	557.0	506.7
Accumulated other comprehensive income (and other reserves)	(39.4)	(62.0)	(45.0)
Less:			
Intangible assets, cash flow hedges and capitalised expenses	1,795.9	1,766.4	1,773.2
Net deferred tax assets	64.3	36.4	60.9
Equity exposures	39.5	36.8	38.2
Other adjustments as per APRA advice	1.9	1.2	2.2
<b>Total common equity tier 1 capital</b>	<b>3,052.1</b>	<b>2,952.6</b>	<b>2,844.2</b>
Additional Tier 1 capital instruments	843.2	843.2	843.2
<b>Total Additional Tier 1 Capital</b>	<b>843.2</b>	<b>843.2</b>	<b>843.2</b>
<b>Total Tier 1 Capital</b>	<b>3,895.3</b>	<b>3,795.8</b>	<b>3,687.4</b>
Tier 2			
Tier 2 capital instruments	603.7	478.7	506.8
General reserve for credit losses/collective provision (net of tax effect)	175.6	181.1	178.5
<b>Total Tier 2 Capital</b>	<b>779.3</b>	<b>659.8</b>	<b>685.3</b>
<b>Total regulatory capital</b>	<b>4,674.6</b>	<b>4,455.6</b>	<b>4,372.7</b>
<b>Total risk weighted assets</b>	<b>38,312.1</b>	<b>36,485.5</b>	<b>34,526.5</b>

### 2.3.11.2 Capital adequacy (continued)

Risk- weighted assets	As at	As at	Change		As at	Change	
	Dec-16	Jun-16	\$m	%	Dec-15	\$m	%
Credit risk	34,549.7	32,857.7	1,692.0	5.1	30,902.4	3,647.3	11.8
Market risk	300.8	307.5	(6.7)	(2.2)	397.8	(97.0)	(24.4)
Operational risk	3,461.6	3,320.3	141.3	4.3	3,226.3	235.3	7.3
<b>Total risk-weighted assets</b>	<b>38,312.1</b>	<b>36,485.5</b>	<b>1,826.6</b>	<b>5.0</b>	<b>34,526.5</b>	<b>3,785.6</b>	<b>11.0</b>

Key movements in capital in the December 2016 half year compared to the June 2016 half include:

#### > Common Tier 1

Dividend reinvestment plan - increased capital \$45.7 million.

Share purchase plan - increased capital \$62.0 million.

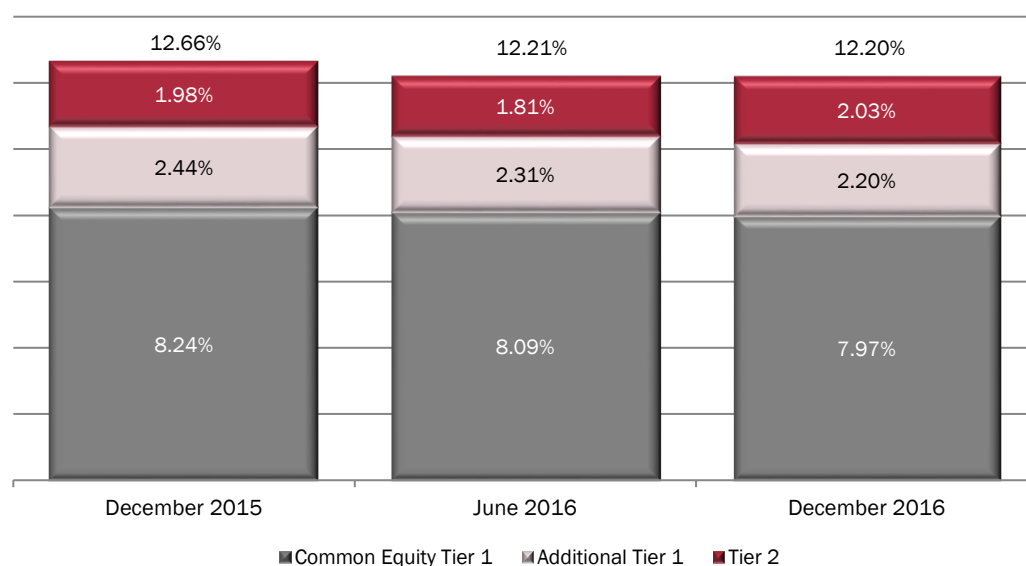
Retained earnings increase of \$30.0 million net of Homesafe unrealised gains.

#### > Tier 2

General reserve for credit losses decreased by \$6.6 million.

Subordinated debt increased by \$125.3 million.

### Capital adequacy (%)



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

#### Pillar 3 Disclosures

Details on the market disclosures required under Pillar 3, per prudential standard APS 330 "Public Disclosure", are provided on the Group's website at: [http://www.bendigoadeelaide.com.au/public/shareholders/announcements/aps\\_330.asp](http://www.bendigoadeelaide.com.au/public/shareholders/announcements/aps_330.asp)

### 2.3.11.3 Shareholder returns

	Dec-16	Jun-16	Change		Dec-15	Change	
Earnings per ordinary share	cents	cents	cents	%	cents	cents	%
Statutory earnings per ordinary share (weighted average)	44.6	44.8	(0.2)	(0.4)	45.6	(1.0)	(2.2)
Cash earnings per ordinary share (weighted average)	48.0	46.7	1.3	2.8	48.9	(0.9)	(1.8)
Diluted earnings per ordinary share (weighted average)	40.5	39.8	0.7	1.8	41.4	(0.9)	(2.2)
Weighted average number of ordinary shares	000's	000's	Change		000's	Change	
			000's	%		000's	%
Weighted average number of ordinary shares - used in basic and cash basis EPS calculations	468,086	461,345	6,741	1.5	457,747	10,339	2.3
Weighted average number of ordinary shares - used in diluted EPS calculations	548,117	552,753	(4,636)	(0.8)	535,656	12,461	2.3
Ratios	%	%	Change		%	Change	
Return on average ordinary equity (after tax)	8.15%	8.40%	(0.25%)		8.52%	(0.37%)	
Return on average ordinary equity (after tax before specific items)	8.51%	8.48%	0.03%		8.84%	(0.33%)	
Return on average ordinary equity (cash basis)	8.77%	8.75%	0.02%		9.10%	(0.33%)	
Return on average tangible equity (cash basis)	12.63%	12.71%	(0.08%)		13.15%	(0.52%)	
Return on average assets (after tax)	0.59%	0.62%	(0.03%)		0.63%	(0.04%)	
Return on average assets (after tax before specific items)	0.62%	0.63%	(0.01%)		0.65%	(0.03%)	
Return on average assets (cash basis)	0.64%	0.65%	(0.01%)		0.67%	(0.03%)	

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

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

June profit figures are for the June 2016 half year and balance sheet items are as at end of June 2016.

Dilutive preference shares include convertible preference shares.

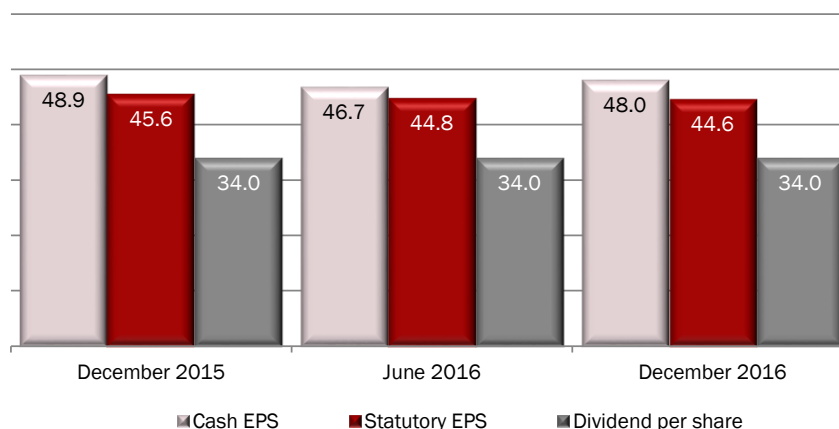
Ordinary equity for use in these ratios is represented by total ordinary shares and retained earnings.

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

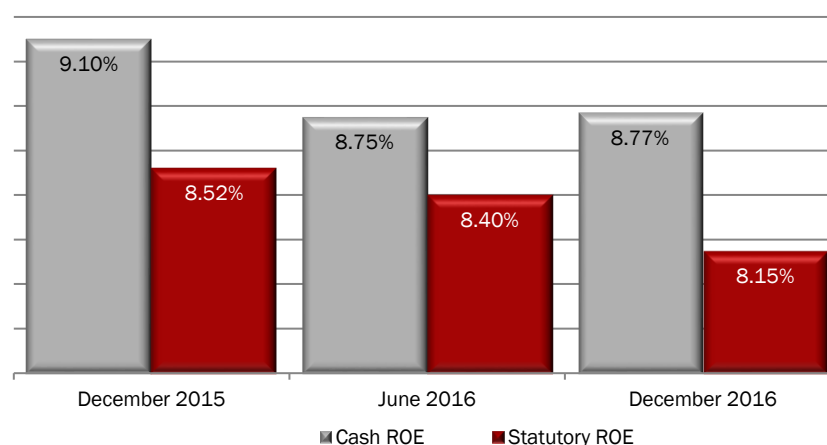
	As at Dec-16	As at Jun-16	Change		As at Dec-15	Change	
	\$m	\$m	\$m	%	\$m	\$m	%
Ordinary issued capital	4,406.1	4,298.4	107.7	2.5	4,257.0	149.1	3.5
Retained earnings	800.3	739.2	61.1	8.3	684.6	115.7	16.9
<b>Total ordinary equity</b>	<b>5,206.4</b>	<b>5,037.6</b>	<b>168.8</b>	<b>3.4</b>	<b>4,941.6</b>	<b>264.8</b>	<b>5.4</b>
<b>Average ordinary equity</b>	<b>5,085.9</b>	<b>4,955.0</b>			<b>4,874.3</b>		
<b>Average tangible ordinary equity</b>	<b>3,531.7</b>	<b>3,413.8</b>			<b>3,374.9</b>		

### 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-16	Jun-16	Change		Dec-15	Change	
				%			%
Dividend per share - cents	34.0	34.0	-	-	34.0	-	-
Dividend amount payable - \$m	158.7	155.2	3.5	2.3	153.6	5.1	3.3
Payout ratio - earnings per ordinary share <sup>1</sup>	76.2%	75.9%	0.3%	0.4	74.6%	1.6%	2.1
Payout ratio - cash basis per ordinary share <sup>1</sup>	70.8%	72.8%	(2.0%)	(2.7)	69.5%	1.3%	1.9

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

#### Dividend Reinvestment Plan

The Dividend Reinvestment Plan provides shareholders with the opportunity of converting their entitlement to a dividend into new shares. The issue price of the shares is equal to the volume weighted average share price of Bendigo and Adelaide Bank shares traded on the Australian Securities Exchange over the seven trading days commencing 7 March 2017 at a discount of 2.5%. Shares issued under this Plan rank equally with all other ordinary shares.

#### Bonus Share Scheme

The Bonus Share Scheme provides shareholders with the opportunity to elect to receive a number of bonus shares issued for no consideration instead of receiving a dividend. The issue price of the shares is equal to the volume weighted average price of Bendigo and Adelaide Bank shares traded on the Australian Securities Exchange over the seven trading days commencing 7 March 2017 at a discount of 2.5%. Shares issued under this scheme rank equally with all other ordinary shares.

The last date for the receipt of an election notice for participation in either the Dividend Reinvestment Plan or Bonus Share Scheme for the 2017 interim dividend is 6 March 2017.

## 2.4 Additional notes

### 2.4.1 Analysis of intangible assets

	Balance sheet Carrying value			Half year amortisation/ Impairment expense		
	Dec-16	Jun-16	Dec-15	Dec-16	Jun-16	Dec-15
	\$m	\$m	\$m	\$m	\$m	\$m
Goodwill	1,442.3	1,442.3	1,442.3	-	-	-
Trustee licence	8.4	8.4	8.4	-	-	-
Software	172.5	148.8	132.3	9.0	7.9	7.5
Customer lists	2.8	4.4	6.6	1.3	1.6	1.5
Core deposits	7.4	11.6	15.8	4.2	4.2	4.2
Trade name	2.3	2.7	3.0	0.4	0.3	0.4
Customer relationship	7.2	9.9	12.7	2.7	2.8	3.5
Management rights - Adelaide Bank	6.0	6.6	7.1	0.5	0.5	0.5
<b>Total goodwill and other intangible assets</b>	<b>1,648.9</b>	<b>1,634.7</b>	<b>1,628.2</b>	<b>18.1</b>	<b>17.3</b>	<b>17.6</b>

### 2.4.2 Net tangible assets per share

	Dec-16	Jun-16	Dec-15
<b>Net tangible assets per ordinary share</b>	<b>\$7.70</b>	<b>\$7.51</b>	<b>\$7.42</b>
	\$m	\$m	\$m
<b>Net tangible assets</b>			
Net assets	5,301.5	5,115.3	5,035.5
Intangibles	(1,648.9)	(1,634.7)	(1,628.2)
<b>Net tangible assets attributable to ordinary shareholders</b>	<b>3,652.6</b>	<b>3,480.6</b>	<b>3,407.3</b>
<b>Number of fully paid ordinary shares on issue - 000's</b>	<b>474,353</b>	<b>463,763</b>	<b>458,928</b>



### 2.4.3 Investments accounted for using the equity method

	Ownership interest held by consolidated entity			Balance date
	Dec-16	Jun-16	Dec-15	
	%	%	%	
<b>Joint arrangements</b>				
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
<b>Associates</b>				
Aegis Group <sup>1</sup>	49.5	49.5	49.5	30 June
Bendigo Telco Ltd <sup>2</sup>	30.5	19.4	19.4	30 June
Dancoor Community Finances Ltd	49.0	49.0	49.0	30 June
Homebush Financial Services Ltd	49.0	49.0	49.0	30 June
Vic West Community Enterprise Pty Ltd <sup>3</sup>	-	50.0	50.0	30 June

<sup>1</sup> Aegis Group - economic interest is 23.5%.

<sup>2</sup> The Group's share in Bendigo Telco Ltd increased in September 2016.

<sup>3</sup> The Group's investment in Vic West Community Enterprise Pty Ltd was sold in September 2016.

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

	Dec-16	Dec-15
	\$m	\$m
<b>Joint arrangements</b>		
- Community Sector Enterprises Pty Ltd	0.1	(0.1)
- Homesafe Solutions Pty Ltd	0.2	0.3
- Silver Body Corporate Financial Services Pty Ltd	0.1	-
	0.4	0.2
<b>Associates</b>		
- Aegis Group	(0.1)	(0.6)
- Bendigo Telco Ltd	0.2	-
	0.1	(0.6)
<b>Total share of profits/(losses) before tax</b>	<b>0.5</b>	<b>(0.4)</b>

## 2.4.4 Credit ratings

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

On 15 December 2016, Standard & Poor's Global Ratings 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 negative. Standard and Poor's commented that the issuer credit ratings on Bendigo and Adelaide Bank Limited reflect the bank's sound business stability, which its upward-trending business growth—both lending and deposits—shows. BEN's stability continues to benefit from the franchise strength associated with its Community Bank model, which has more recently helped to absorb strong competitive pressures in the bank's other distribution points. The ratings also reflect the bank's strong capitalisation and very low credit losses, both of which benefit from the bank's focus on relatively lower risk residential mortgage lending and a good geographic spread of loans throughout Australia.

On 4 November 2016, 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, which supports its consistently strong asset quality.

On 31 August 2016, Moody's affirmed its long-term issuer rating at 'A2' and short term rating at 'P-1', with a stable outlook. Moody's commented that the ratings reflect its well-developed franchise centred around community banking that supports its deposit gathering abilities. BEN has conservative management that has historically focused on low-risk lending, which has contributed to greater asset quality stability over time. Furthermore BEN's very strong funding structure built around stable retail deposits is a key factor underpinning its ratings.

## 2.4.5 Issued capital

Changes to issued and quoted securities during the period:

Ordinary Shares <sup>1</sup>	Number of Shares	\$m
Fully paid ordinary shares at 30 June 2016	463,762,656	4,298.4
Shares issued:		
September 2016 - Dividend reinvestment plan at \$10.04	4,568,195	45.9
September 2016 - Bonus share scheme (in lieu of dividend payment) at \$10.04	253,203	-
November 2016 - Share purchase plan at \$10.75	5,769,074	62.0
Share issue costs	-	(0.2)
<b>Total ordinary shares at 31 December 2016</b>	<b>474,353,128</b>	<b>4,406.1</b>

<sup>1</sup> BEN - ASX code Ordinary Fully Paid Shares

# Half Year Financial Report

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For the period ended 31 December 2016

Released 13 February 2017

ABN 11 068 049 178



## 3.0 Corporate Information

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

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

### Directors

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

### Company Secretary

Will Conlan

### Registered Office

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

### Principal place of business

The Bendigo Centre  
Bendigo Victoria 3550

### Share Registry

Securities Registry  
Bendigo and Adelaide Bank Limited  
The Bendigo Centre  
Bendigo Victoria 3550  
Telephone: 1800 646 042  
Facsimile: 03 5485 7655  
Email: [share.register@bendigoadelaide.com.au](mailto: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 2016.

### 3.1.1 Directors

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

Robert Johanson (chairman)

Mike Hirst (managing director)

Jan Harris

Jim Hazel

Jacqueline Hey

Robert Hubbard

David Matthews

Deborah Radford

Tony Robinson

### 3.1.2 Review of operations

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

The Group recorded an increase in cash earnings during the half year when compared to the previous corresponding period.

Total income from operations increased by \$12.1 million, or 1.5%, to \$795.3 million when compared with the half year ended 31 December 2015.

Profit before tax decreased by \$3.1 million, or 1.0%, to \$304.7 million when compared to the previous corresponding period.

Profit after tax (attributable to owners of the Company) increased by \$0.3 million to \$209.0 million when compared to the previous corresponding period.

Group assets increased by 8%, or \$5.3 billion, when compared with the half year ended 31 December 2015. Group assets at 31 December 2016 were \$70.9 billion.

The total capital adequacy ratio decreased during the half year from 12.21% to 12.20%. Tier 1 capital decreased during the half year from 10.40% to 10.17%, with Tier 2 capital increasing from 1.81% to 2.03%. The Common Equity Tier 1 ratio decreased during the half year from 8.09% to 7.97%.

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

249.56 cents per share, paid on 12 December 2016

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

187.73 cents per share, paid on 28 November 2016

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

215.84 cents per share, paid on 14 December 2016

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

Final dividend of 34 cents per share, paid on 30 September 2016 in respect of the year ended 30 June 2016

Interim dividend of 34 cents per share, declared on 13 February 2017, payable on 31 March 2017

### 3.1 Directors' report (continued)

#### 3.1.3 Significant changes in the state of affairs

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

In September 2016, 4,568,195 shares were allotted at an issue price of \$10.04 to those shareholders participating in the Dividend Reinvestment Plan, increasing share capital by \$45.9 million. Further to this, 253,203 shares were allotted under the bonus share scheme.

In November 2016, 5,769,074 shares were allotted as part of the share placement plan at an issue price of \$10.75 increasing share capital by \$62.0 million. Share issue costs were \$0.2 million.

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

#### 3.1.4 Events after balance sheet date

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 2016. 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 2016. 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.



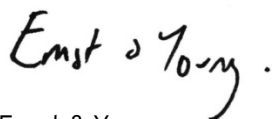
Robert Johanson, Chairman  
Bendigo  
13 February 2017

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

As lead auditor for the review of Bendigo and Adelaide Bank Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

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

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



Ernst & Young



Graeme McKenzie  
Partner  
Melbourne  
13 February 2017

### 3.2 Condensed income statement For the half year ended 31 December 2016

	Note	Consolidated		
		Dec-16 \$m	Jun-16 \$m	Dec-15 \$m
<b>Income</b>				
<b>Net interest income</b>				
Interest income		1,318.9	1,326.5	1,356.4
Interest expense		(723.0)	(745.4)	(773.4)
<b>Total net interest income</b>		<b>595.9</b>	<b>581.1</b>	<b>583.0</b>
<b>Other revenue</b>				
Dividends		1.3	0.8	1.3
Fees		80.2	79.4	82.4
Commissions		35.1	35.8	33.1
Other income		82.3	74.0	83.8
<b>Total other income</b>		<b>198.9</b>	<b>190.0</b>	<b>200.6</b>
<b>Other Income</b>				
Share of net profit accounted for using the equity method		0.5	0.3	(0.4)
<b>Total income after interest expense</b>		<b>795.3</b>	<b>771.4</b>	<b>783.2</b>
<b>Expenses</b>				
Bad and doubtful debts on loans and receivables		(39.8)	(23.5)	(20.6)
<b>Other expenses</b>				
Staff and related costs		(243.2)	(237.8)	(242.6)
Occupancy costs		(45.9)	(45.3)	(46.3)
Information technology costs		(36.3)	(34.2)	(36.0)
Amortisation of intangibles		(18.1)	(17.3)	(17.6)
Property, plant and equipment costs		(5.9)	(5.7)	(5.6)
Fees and commissions		(16.9)	(16.9)	(16.7)
Communications, postage and stationery		(17.1)	(17.3)	(16.5)
Advertising and promotion		(13.5)	(17.1)	(14.0)
Other product and services delivery costs		(17.0)	(18.1)	(19.3)
Impairment reversal/(charge)		0.9	(2.3)	-
Integration costs		(6.0)	(3.8)	(7.3)
Other operating expenses		(31.8)	(33.0)	(32.9)
<b>Total other expenses</b>		<b>(450.8)</b>	<b>(448.8)</b>	<b>(454.8)</b>
<b>Profit before income tax expense</b>		<b>304.7</b>	<b>299.1</b>	<b>307.8</b>
Income tax expense	3.7.4	(95.7)	(92.2)	(99.1)
<b>Net profit attributable to owners of the parent</b>		<b>209.0</b>	<b>206.9</b>	<b>208.7</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the parent:</b>				
		<b>cents</b>	<b>cents</b>	<b>cents</b>
Basic	3.7.6	44.6	44.8	45.6
Diluted	3.7.6	40.5	39.8	41.4
Franked dividends	3.7.5	34.0	34.0	34.0



### 3.3 Statement of comprehensive income For the half year ended 31 December 2016

	Consolidated		
	Dec-16 \$m	Jun-16 \$m	Dec-15 \$m
<b>Profit for the period ended</b>	<b>209.0</b>	<b>206.9</b>	<b>208.7</b>
<b>Items which may be reclassified subsequently to profit &amp; loss:</b>			
Net loss on available for sale - equity investments	(0.1)	(0.1)	-
Transfer to income realised value of available for sale asset - equity investment	(1.5)	-	-
Net gain/(loss) on cash flow hedges taken to equity	35.2	(19.2)	17.2
Net gain/(loss) on reclassification from cash flow hedge reserve to income	-	0.3	(0.3)
Net unrealised gain/(loss) on available for sale - debt securities	0.6	(1.8)	(1.5)
Transfer to loss on sale of available for sale assets - debt securities	0.4	1.1	-
Tax effect on items taken directly to or transferred from equity	(9.9)	6.0	(4.7)
<b>Total items that may be reclassified to profit &amp; loss</b>	<b>24.7</b>	<b>(13.7)</b>	<b>10.7</b>
<b>Items which will not be reclassified subsequently to profit &amp; loss:</b>			
Actuarial gain/(loss) on superannuation defined benefits plan	1.0	(1.4)	-
Tax effect on items taken directly to or transferred from equity	(0.3)	0.4	-
<b>Total items that will not be reclassified to profit &amp; loss</b>	<b>0.7</b>	<b>(1.0)</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>234.4</b>	<b>192.2</b>	<b>219.4</b>
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company	234.4	192.2	219.4

### 3.4 Balance sheet

As at 31 December 2016

	Note	Consolidated		
		As at	As at	As at
		Dec-16	Jun-16	Dec-15
		\$m	\$m	\$m
<b>Assets</b>				
Cash and cash equivalents		913.2	1,060.0	886.7
Due from other financial institutions		156.3	221.9	82.1
Financial assets held for trading		6,183.9	6,369.1	5,657.8
Financial assets available for sale		287.0	353.5	585.2
Financial assets held to maturity		423.0	382.8	310.3
Derivatives		64.1	79.0	63.9
Net loans and other receivables		59,924.7	57,256.8	55,345.3
Investments accounted for using the equity method		8.7	4.1	4.2
Property, plant and equipment		86.4	90.7	96.8
Deferred tax assets		122.2	131.8	141.2
Investment property		624.4	573.4	544.1
Goodwill and other intangible assets		1,648.9	1,634.7	1,628.2
Other assets		505.7	414.9	331.7
<b>Total Assets</b>		<b>70,948.5</b>	<b>68,572.7</b>	<b>65,677.5</b>
<b>Liabilities</b>				
Due to other financial institutions		142.2	294.8	58.0
Deposits		59,228.5	57,054.7	54,198.1
Notes payable		3,855.7	3,822.5	4,201.6
Derivatives		77.8	111.8	96.5
Income tax payable		23.0	34.5	27.4
Provisions		123.3	116.7	114.8
Deferred tax liabilities		118.7	114.7	117.5
Other payables		541.8	499.9	423.2
Convertible preference shares		827.3	824.4	821.6
Subordinated debt		708.7	583.4	583.3
<b>Total Liabilities</b>		<b>65,647.0</b>	<b>63,457.4</b>	<b>60,642.0</b>
<b>Net Assets</b>		<b>5,301.5</b>	<b>5,115.3</b>	<b>5,035.5</b>
<b>Equity</b>				
Share capital	3.7.9	4,397.2	4,288.2	4,246.0
Reserves		104.0	87.9	104.9
Retained earnings		800.3	739.2	684.6
<b>Total Equity</b>		<b>5,301.5</b>	<b>5,115.3</b>	<b>5,035.5</b>

### 3.5 Statement of changes in equity For the half year ended 31 December 2016

	Attributable to owners of Bendigo and Adelaide Bank Limited				Total equity \$m
	Issued ordinary capital \$m	Other issued capital <sup>1</sup> \$m	Retained earnings \$m	Reserves \$m	
<b>Opening balance at 1 July 2016</b>	<b>4,298.4</b>	<b>(10.2)</b>	<b>739.2</b>	<b>87.9</b>	<b>5,115.3</b>
<b>Comprehensive income:</b>					
Profit for the period	-	-	209.0	-	209.0
Other comprehensive income	-	-	0.7	24.7	25.4
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>209.7</b>	<b>24.7</b>	<b>234.4</b>
<b>Transactions with owners in their capacity as owners:</b>					
Shares issued	107.9	-	-	-	107.9
Share issue expenses	(0.2)	-	-	-	(0.2)
Reduction in employee share ownership plan (ESOP) shares	-	1.3	-	-	1.3
Movement in general reserve for credit losses (GRCL)	-	-	6.6	(6.6)	-
Share based payment	-	-	-	(2.0)	(2.0)
Equity dividends	-	-	(155.2)	-	(155.2)
<b>At 31 December 2016</b>	<b>4,406.1</b>	<b>(8.9)</b>	<b>800.3</b>	<b>104.0</b>	<b>5,301.5</b>

### For the half year ended 30 June 2016

	\$m	\$m <sup>1</sup>	\$m	\$m	\$m
<b>Opening balance at 1 January 2016</b>	<b>4,257.0</b>	<b>(11.0)</b>	<b>684.6</b>	<b>104.9</b>	<b>5,035.5</b>
<b>Comprehensive income:</b>					
Profit for the period	-	-	206.9	-	206.9
Other comprehensive income	-	-	(1.0)	(13.7)	(14.7)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>205.9</b>	<b>(13.7)</b>	<b>192.2</b>
<b>Transactions with owners in their capacity as owners:</b>					
Shares issued	41.4	-	-	-	41.4
Prior year restatement	-	-	(1.2)	-	(1.2)
Reduction in employee share ownership plan (ESOP) shares	-	0.8	-	-	0.8
Share based payment	-	-	3.5	(3.3)	0.2
Equity dividends	-	-	(153.6)	-	(153.6)
<b>At 30 June 2016</b>	<b>4,298.4</b>	<b>(10.2)</b>	<b>739.2</b>	<b>87.9</b>	<b>5,115.3</b>

### For the half year ended 31 December 2015

	\$m	\$m <sup>1</sup>	\$m	\$m	\$m
<b>Opening balance at 1 July 2015</b>	<b>4,235.4</b>	<b>(11.8)</b>	<b>623.1</b>	<b>95.0</b>	<b>4,941.7</b>
<b>Comprehensive income:</b>					
Profit for the period	-	-	208.7	-	208.7
Other comprehensive income	-	-	-	10.7	10.7
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>208.7</b>	<b>10.7</b>	<b>219.4</b>
<b>Transactions with owners in their capacity as owners:</b>					
Shares issued	21.6	-	-	-	21.6
Reduction in employee share ownership plan (ESOP) shares	-	0.8	-	-	0.8
Share based payment	-	-	-	(0.8)	(0.8)
Equity dividends	-	-	(147.2)	-	(147.2)
<b>At 31 December 2015</b>	<b>4,257.0</b>	<b>(11.0)</b>	<b>684.6</b>	<b>104.9</b>	<b>5,035.5</b>

<sup>1</sup> refer to note 3.7.9 Issued capital for further details

### 3.6 Cash flow statement

For the half year ended 31 December 2016

	Note	Consolidated		
		Dec-16 \$m	Jun-16 \$m	Dec-15 \$m
<b>Cash flows from operating activities</b>				
Interest and other items of a similar nature received		1,329.4	1,297.2	1,346.8
Interest and other costs of finance paid		(710.1)	(698.3)	(799.8)
Receipts from customers (excluding effective interest)		151.1	157.5	148.4
Payments to suppliers and employees		(412.9)	(472.3)	(577.5)
Dividends received		1.3	0.8	1.3
Income taxes paid		(104.4)	(71.6)	(83.6)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>254.4</b>	<b>213.3</b>	<b>35.6</b>
<b>(Increase)/decrease in operating assets</b>				
Net (increase)/decrease in balance of loans and other receivables		(2,780.7)	(1,944.1)	165.2
Net decrease/(increase) in balance of investment securities		192.1	(545.0)	(105.9)
<b>Increase/(decrease) in operating liabilities</b>				
Net increase in balance of retail deposits		2,078.6	1,268.9	2,070.6
Net increase/(decrease) in balance of wholesale deposits		95.3	1,587.6	(1,377.8)
Net increase/(decrease) in balance of notes payable		33.2	(379.0)	(724.4)
<b>Net cash flows (used in)/from operating activities</b>		<b>(127.1)</b>	<b>201.7</b>	<b>63.3</b>
<b>Cash flows related to investing activities</b>				
Cash paid for purchases of property, plant and equipment		(6.5)	(7.2)	(8.6)
Cash proceeds from sale of property, plant and equipment		0.4	0.1	0.8
Cash paid for purchases of investment property		(30.2)	(27.9)	(21.5)
Cash proceeds from sale of investment property		26.9	22.8	14.8
Cash paid for purchases of equity investments		(2.9)	(1.9)	(0.2)
Cash proceeds from sale of equity investments		0.5	-	-
<b>Net cash flows used in investing activities</b>		<b>(11.8)</b>	<b>(14.1)</b>	<b>(14.7)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of ordinary shares		62.0	-	-
Proceeds from/(payments to) subordinated debt holders		125.3	0.1	(9.3)
Dividends paid		(109.3)	(112.3)	(125.6)
Repayment of ESOP shares		1.3	0.9	0.8
Payment of share issue costs		(0.2)	-	(0.6)
<b>Net cash flows (used in)/from financing activities</b>		<b>79.1</b>	<b>(111.3)</b>	<b>(134.7)</b>
Net (decrease)/increase in cash and cash equivalents		(59.8)	76.3	(86.1)
Cash and cash equivalents at the beginning of period		987.1	910.8	996.9
<b>Cash and cash equivalents at the end of period</b>	3.7.8	<b>927.3</b>	<b>987.1</b>	<b>910.8</b>

## 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 2016 was authorised for issue in accordance with a resolution of the Directors on 13 February 2017.

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 2016, 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 2016 annual financial report, except as disclosed below.

#### 3.7.2.1 Basis of preparation

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

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

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

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

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

#### 3.7.2.2 Changes in accounting policies

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

##### Recently issued or amended standards not yet effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the half year ended 31 December 2016.

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

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

AASB 16 *Leases* introduces a requirement to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This standard is effective for the 30 June 2019 financial statements.

The potential effects of adoption of the standard are currently being assessed. The Group has not elected whether to early adopt this standard at this point in time.

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

### 3.7.2.2 Changes in accounting policies (continued)

#### Recently issued or amended standards not yet effective (continued)

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

- > 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11];
- > 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 and AASB 138];
- > 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements;
- > 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- > 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle;
- > 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101;
- > 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality;
- > 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception; and
- > 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 12].

### 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. Cash earnings have been used in a number of key indicator calculations such as 3.7.6 - earnings per ordinary share and 3.7.7 - return on average ordinary equity.

##### Specific items

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

### 3.7.3 Segment results

#### Segment reporting

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

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

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

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

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

#### Types of products and services

##### Local connection

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

##### Partner connection

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

##### Agribusiness

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

##### Central functions

Functions not relating directly to a reportable operating segment.

#### Accounting policies and inter-segment transactions

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

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

##### Major customers

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

#### Geographic Information

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

### 3.7.3 Segment results

For the half year ended 31 December 2016

	Operating segments			Total operating segments	Central functions	Total
	Local connection	Partner connection	Agribusiness			
	\$m	\$m	\$m			
Net interest income	377.3	137.7	82.4	597.4	-	597.4
Other income	92.8	92.1	3.5	188.4	17.8	206.2
Share of net profit accounted for using the equity method	-	-	-	-	0.5	0.5
<b>Total segment income</b>	<b>470.1</b>	<b>229.8</b>	<b>85.9</b>	<b>785.8</b>	<b>18.3</b>	<b>804.1</b>
Operating expenses	(322.3)	(88.9)	(34.5)	(445.7)	-	(445.7)
Credit expenses	(17.8)	(17.2)	(4.8)	(39.8)	-	(39.8)
<b>Segment result (before specific items &amp; tax expense)</b>	<b>130.0</b>	<b>123.7</b>	<b>46.6</b>	<b>300.3</b>	<b>18.3</b>	<b>318.6</b>
Specific income & (expense) items	(0.3)	(3.8)	(2.5)	(6.6)	(7.3)	(13.9)
<b>Segment result (before tax expense)</b>	<b>129.7</b>	<b>119.9</b>	<b>44.1</b>	<b>293.7</b>	<b>11.0</b>	<b>304.7</b>
Tax expense	(40.8)	(37.6)	(13.8)	(92.2)	(3.5)	(95.7)
<b>Segment result (statutory basis)</b>	<b>88.9</b>	<b>82.3</b>	<b>30.3</b>	<b>201.5</b>	<b>7.5</b>	<b>209.0</b>
<b>Cash basis adjustments:</b>						
Specific income & expense items	0.2	2.3	1.7	4.2	5.1	9.3
Amortisation of intangibles	2.4	1.7	2.3	6.4	-	6.4
<b>Segment result (cash basis)</b>	<b>91.5</b>	<b>86.3</b>	<b>34.3</b>	<b>212.1</b>	<b>12.6</b>	<b>224.7</b>

For the half year ended 30 June 2016

	Operating segments			Total operating segments	Central functions	Total
	Local connection	Partner connection	Agribusiness			
	\$m	\$m	\$m			
Net interest income	376.5	126.0	80.7	583.2	-	583.2
Other income	92.1	70.8	4.3	167.2	15.5	182.7
Share of net profit accounted for using the equity method	-	-	-	-	0.3	0.3
<b>Total segment income</b>	<b>468.6</b>	<b>196.8</b>	<b>85.0</b>	<b>750.4</b>	<b>15.8</b>	<b>766.2</b>
Operating expenses	(320.0)	(86.6)	(34.6)	(441.2)	-	(441.2)
Credit expenses	(6.3)	(12.6)	(4.6)	(23.5)	-	(23.5)
<b>Segment result (before specific items &amp; tax expense)</b>	<b>142.3</b>	<b>97.6</b>	<b>45.8</b>	<b>285.7</b>	<b>15.8</b>	<b>301.5</b>
Specific income & (expense) items	(0.7)	(3.8)	(3.7)	(8.2)	5.8	(2.4)
<b>Segment result (before tax expense)</b>	<b>141.6</b>	<b>93.8</b>	<b>42.1</b>	<b>277.5</b>	<b>21.6</b>	<b>299.1</b>
Tax expense	(43.7)	(28.9)	(13.0)	(85.6)	(6.6)	(92.2)
<b>Segment result (statutory basis)</b>	<b>97.9</b>	<b>64.9</b>	<b>29.1</b>	<b>191.9</b>	<b>15.0</b>	<b>206.9</b>
<b>Cash basis adjustments:</b>						
Specific income & expense items	0.5	2.6	2.5	5.6	(3.5)	2.1
Amortisation of intangibles	2.3	1.9	2.4	6.6	-	6.6
<b>Segment result (cash basis)</b>	<b>100.7</b>	<b>69.4</b>	<b>34.0</b>	<b>204.1</b>	<b>11.5</b>	<b>215.6</b>



### 3.7.3 Segment results (continued)

For the half year ended 31 December 2015

	Operating segments			Total operating segments	Central functions	Total
	Local connection	Partner connection	Agribusiness			
	\$m	\$m	\$m			
Net interest income	368.0	132.7	84.8	585.5	-	585.5
Other income	96.7	95.9	4.2	196.8	3.2	200.0
Share of net profit accounted for using the equity method	-	-	-	-	(0.4)	(0.4)
<b>Total segment income</b>	<b>464.7</b>	<b>228.6</b>	<b>89.0</b>	<b>782.3</b>	<b>2.8</b>	<b>785.1</b>
Operating expenses	(321.0)	(91.0)	(35.5)	(447.5)	-	(447.5)
Credit expenses	(11.3)	(4.3)	(5.0)	(20.6)	-	(20.6)
<b>Segment result (before specific items &amp; tax expense)</b>	<b>132.4</b>	<b>133.3</b>	<b>48.5</b>	<b>314.2</b>	<b>2.8</b>	<b>317.0</b>
Specific income & (expense) items	(0.1)	(6.7)	(3.0)	(9.8)	0.6	(9.2)
<b>Segment result (before tax expense)</b>	<b>132.3</b>	<b>126.6</b>	<b>45.5</b>	<b>304.4</b>	<b>3.4</b>	<b>307.8</b>
Tax expense	(42.0)	(40.1)	(14.4)	(96.5)	(2.6)	(99.1)
<b>Segment result (statutory basis)</b>	<b>90.3</b>	<b>86.5</b>	<b>31.1</b>	<b>207.9</b>	<b>0.8</b>	<b>208.7</b>
<b>Cash basis adjustments:</b>						
Specific income & expense items	0.1	4.7	2.1	6.9	1.0	7.9
Amortisation of intangibles	2.3	2.5	2.3	7.1	-	7.1
<b>Segment result (cash basis)</b>	<b>92.7</b>	<b>93.7</b>	<b>35.5</b>	<b>221.9</b>	<b>1.8</b>	<b>223.7</b>

	Operating segments			Total operating segments	Central functions	Total
	Local connection	Partner connection	Agribusiness			
	\$m	\$m	\$m			
<b>As at 31 December 2016</b>						
Reportable segment assets	32,723.2	21,696.3	5,889.0	60,308.5	10,640.0	70,948.5
Reportable segment liabilities	42,589.5	6,186.5	3,518.4	52,294.4	9,496.9	61,791.3
<b>As at 30 June 2016</b>						
Reportable segment assets	31,728.3	19,873.4	5,964.0	57,565.7	11,007.0	68,572.7
Reportable segment liabilities	40,924.0	5,418.9	3,593.1	49,936.0	9,698.9	59,634.9
<b>As at 31 December 2015</b>						
Reportable segment assets	30,822.8	19,696.2	5,628.3	56,147.3	9,530.2	65,677.5
Reportable segment liabilities	39,695.9	5,152.6	4,000.6	48,849.1	7,591.3	56,440.4

#### Reportable segment assets and liabilities

	As at 31 December 2016	As at 30 June 2016	As at 31 December 2015
Total assets for operating segments	70,948.5	68,572.7	65,677.5
<b>Total assets</b>	<b>70,948.5</b>	<b>68,572.7</b>	<b>65,677.5</b>
Total liabilities for operating segments	61,791.3	59,634.9	56,440.4
Securitisation funding	3,855.7	3,822.5	4,201.6
<b>Total liabilities</b>	<b>65,647.0</b>	<b>63,457.4</b>	<b>60,642.0</b>

### 3.7.4 Income tax

#### For the half year ended 31 December 2016

The major components of income tax expense for the half year ended 31 December 2016 are:

	Dec-16 \$m	Jun-16 \$m	Dec-15 \$m
Current income tax			
Current income tax charge	92.9	78.8	92.8
Deferred income tax			
Relating to origination and reversal of temporary differences	2.8	13.4	6.3
<b>Income tax expense reported in the condensed income statement</b>	<b>95.7</b>	<b>92.2</b>	<b>99.1</b>

### 3.7.5 Dividends paid

	Amount per share cents	Franked amount per share - %	Total amount \$m
<b>Interim Dividend</b>			
On 13 February 2017, the directors declared the following dividend:	34.0	100.0	158.7

	Dec-16			Jun-16			Dec-15		
	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
<b>Ordinary shares</b> <sup>1</sup>									
Dividends paid during the half-year	Sep 2016	34.0	155.2	Mar 2016	34.0	153.6	Sep 2015	33.0	147.2

<b>Convertible preference shares (recorded as debt instruments)</b> <sup>2</sup>									
	Date	Amount per share	Total amount	Date	Amount per share	Total amount	Date	Amount per share	Total amount
Dividends paid during the half-year:	Dec 2016	249.6	6.7	Jun 2016	261.5	7.0	Dec 2015	253.5	6.8

<b>Convertible preference shares (CPS2) (recorded as debt instruments)</b> <sup>3</sup>									
	Date	Amount per share	Total amount	Date	Amount per share	Total amount	Date	Amount per share	Total amount
Dividends paid during the half-year:	Nov 2016	187.7	5.5	May 2016	194.4	5.7	Nov 2015	189.5	5.5

<b>Convertible preference shares (CPS3) (recorded as debt instruments)</b> <sup>4</sup>									
	Date	Amount per share	Total amount	Date	Amount per share	Total amount	Date	Amount per share	Total amount
Dividends paid during the half-year:	Dec 2016	215.8	6.1	Jun 2016	226.7	6.4	Dec 2015	219.8	6.2

<sup>1</sup> BEN - ASX code - Ordinary Fully Paid Shares

<sup>2</sup> BENPD - ASX code - Convertible Non-Cumulative Preference Shares (CPS)

<sup>3</sup> BENPE - ASX code - Convertible Non-Cumulative Preference Shares (CPS2). These shares were issued in October 2014.

<sup>4</sup> BENPF - ASX code - Convertible Non-Cumulative Preference Shares (CPS3). These shares were issued in June 2015.

### 3.7.6 Earnings per ordinary share

	Half Year Dec-16 cents per share	Half Year Jun-16 cents per share	Half Year Dec-15 cents per share
<b>Earnings per ordinary share</b>			
Basic	44.6	44.8	45.6
Cash basis	48.0	46.7	48.9
Diluted	40.5	39.8	41.4
	\$m	\$m	\$m

<b>Reconciliation of earnings used in the calculation of basic earnings per ordinary share</b>			
Profit for the half-year (after tax)	209.0	206.9	208.7
<b>Total basic earnings</b>	<b>209.0</b>	<b>206.9</b>	<b>208.7</b>

<b>Reconciliation of earnings used in the calculation of diluted earnings per ordinary share</b>			
Earnings used in calculating basic earnings per ordinary share	209.0	206.9	208.7
Add back dividends accrued and/or paid on dilutive convertible preference shares	12.8	13.2	13.2
<b>Total diluted earnings</b>	<b>221.8</b>	<b>220.1</b>	<b>221.9</b>

<b>Reconciliation of earnings used in the calculation of cash basis earnings per ordinary share</b>			
Earnings used in calculating basic earnings per ordinary share	209.0	206.9	208.7
After tax intangibles amortisation (excluding amortisation of intangible software)	6.4	6.6	7.1
After tax specific income and expense items <sup>1</sup>	9.3	2.1	7.9
<b>Total cash earnings</b>	<b>224.7</b>	<b>215.6</b>	<b>223.7</b>

	No. of shares	No. of shares	No. of shares
<b>Weighted ave no. of ordinary shares used in basic and cash basis earnings per ordinary share</b>	468,085,928	461,345,313	457,747,098
Effect of dilution - executive performance rights	597,274	1,177,304	943,512
Effect of dilution - convertible preference shares	79,433,817	90,230,059	76,965,020
<b>Weighted ave no. of ordinary shares used in diluted earnings per ordinary share</b>	<b>548,117,019</b>	<b>552,752,676</b>	<b>535,655,629</b>

	Dec-16 \$m	Jun-16 \$m	Dec-15 \$m
<sup>1</sup> Specific income and expense items after tax comprise:			
<b>Specific interest income item</b>			
Fair value adjustments - interest expense	(1.1)	(1.4)	(1.8)
<b>Specific other income item</b>			
Hedge ineffectiveness	(5.1)	5.1	0.4
<b>Specific operating expense items</b>			
Integration costs	(4.1)	(2.7)	(5.1)
Impairment reversal/(charge)	1.0	(2.1)	-
Litigation costs	-	(1.0)	-
<b>Specific tax benefit</b>			
Tax impacts relating to prior year impairment losses	-	-	(1.4)
<b>Total specific items attributable to the Group</b>	<b>(9.3)</b>	<b>(2.1)</b>	<b>(7.9)</b>

### 3.7.7 Return on average ordinary equity

	Half year Dec-16 %	Half year Jun-16 %	Half year Dec-15 %
Return on average ordinary equity (after tax)	8.15	8.40	8.52
Return on average ordinary equity (after tax before specific items)	8.51	8.48	8.84
Return on average ordinary equity (cash basis)	8.77	8.75	9.10
Reconciliation of ordinary equity used in the calculation of return on average ordinary equity	As at Dec-16 \$m	As at Jun-16 \$m	As at Dec-15 \$m
Ordinary issued capital	4,406.1	4,298.4	4,257.0
Retained earnings	800.3	739.2	684.6
<b>Total ordinary equity</b>	<b>5,206.4</b>	<b>5,037.6</b>	<b>4,941.6</b>
<b>Average ordinary equity<sup>2</sup></b>	<b>5,085.9</b>	<b>4,955.0</b>	<b>4,874.3</b>

<sup>1</sup> Refer to 3.7.6 Earnings per ordinary share note for details

<sup>2</sup> 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 2016 full year annual report for the full details of this policy.

### 3.7.8 Cash flow information

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

	As at Dec-16 \$m	As at Jun-16 \$m	As at Dec-15 \$m
Cash and cash equivalents	913.2	1,060.0	886.7
Due from other financial institutions	156.3	221.9	82.1
Due to other financial institutions	(142.2)	(294.8)	(58.0)
<b>Total cash and cash equivalents</b>	<b>927.3</b>	<b>987.1</b>	<b>910.8</b>

#### Recognition and measurement

Cash and cash equivalents include cash on hand, deposits held at call with banks, bank overdrafts and other short term investments that have an original maturity of three months or less. Cash at bank earns interest at variable rates based on daily bank and short term deposit rates. Interest is recognised in the income statement using the effective interest method.

### 3.7.9 Issued capital

	As at Dec-16		As at Jun-16		As at Dec-15	
	No. Of shares	Total \$m	No. Of shares	Total \$m	No. Of shares	Total \$m
<b>Issued and paid up capital</b>						
Ordinary shares fully paid	474,353,128	4,406.1	463,762,656	4,298.4	458,927,970	4,257.0
Employee share ownership plan shares	-	(8.9)	-	(10.2)	-	(11.0)
		<b>4,397.2</b>		<b>4,288.2</b>		<b>4,246.0</b>
	No. Of shares	Total \$m	No. Of shares	Total \$m	No. Of shares	Total \$m
<b>Movements in ordinary shares</b>						
Opening balance	463,762,656	4,298.4	458,927,970	4,257.0	456,566,225	4,235.4
Bonus share scheme	253,203	-	267,943	-	330,292	-
Dividend reinvestment plan	4,568,195	45.9	4,566,743	41.4	2,031,453	21.6
Share purchase plan	5,769,074	62.0	-	-	-	-
Share issue costs	-	(0.2)	-	-	-	-
Closing balance	<b>474,353,128</b>	<b>4,406.1</b>	<b>463,762,656</b>	<b>4,298.4</b>	<b>458,927,970</b>	<b>4,257.0</b>
		\$m		\$m		\$m
<b>Movements in Employee share ownership plan</b>						
Opening balance		(10.2)		(11.0)		(11.8)
Reduction in employee share ownership plan shares		1.3		0.8		0.8
Closing balance		<b>(8.9)</b>		<b>(10.2)</b>		<b>(11.0)</b>

### 3.7.10 Financial instruments

The accounting policies within the 30 June 2016 annual financial report describe how different classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

#### a) Measurement basis of financial assets and liabilities

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

	Held at fair value	At fair value through profit & loss	At fair value through reserves	Held at amortised cost		Total
	Derivatives	Held for trading	Available for sale	Loans and receivables	Other financial instruments	
	\$m	\$m	\$m	\$m	\$m	
<b>31 December 2016</b>						
<b>Financial assets</b>						
Cash and cash equivalents	-	-	-	-	913.2	913.2
Due from other financial institutions	-	-	-	-	156.3	156.3
Financial assets held to maturity	-	-	-	-	423.0	423.0
Financial assets held for trading	-	6,183.9	-	-	-	6,183.9
Financial assets available for sale	-	-	287.0	-	-	287.0
Loans & other receivables	-	-	-	59,924.7	-	59,924.7
Derivatives	64.1	-	-	-	-	64.1
<b>Total financial assets</b>	<b>64.1</b>	<b>6,183.9</b>	<b>287.0</b>	<b>59,924.7</b>	<b>1,492.5</b>	<b>67,952.2</b>
<b>Financial liabilities</b>						
Due to other financial institutions	-	-	-	-	142.2	142.2
Deposits	-	-	-	-	59,228.5	59,228.5
Notes payable	-	-	-	-	3,855.7	3,855.7
Derivatives	77.8	-	-	-	-	77.8
Convertible preference shares	-	-	-	-	827.3	827.3
Subordinated debt	-	-	-	-	708.7	708.7
<b>Total financial liabilities</b>	<b>77.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64,762.4</b>	<b>64,840.2</b>

#### 30 June 2016

<b>Financial assets</b>						
Cash and cash equivalents	-	-	-	-	1,060.0	1,060.0
Due from other financial institutions	-	-	-	-	221.9	221.9
Financial assets held to maturity	-	-	-	-	382.8	382.8
Financial assets held for trading	-	6,369.1	-	-	-	6,369.1
Financial assets available for sale	-	-	353.5	-	-	353.5
Loans & other receivables	-	-	-	57,256.8	-	57,256.8
Derivatives	79.0	-	-	-	-	79.0
<b>Total financial assets</b>	<b>79.0</b>	<b>6,369.1</b>	<b>353.5</b>	<b>57,256.8</b>	<b>1,664.7</b>	<b>65,723.1</b>
<b>Financial liabilities</b>						
Due to other financial institutions	-	-	-	-	294.8	294.8
Deposits	-	-	-	-	57,054.7	57,054.7
Notes payable	-	-	-	-	3,822.5	3,822.5
Derivatives	111.8	-	-	-	-	111.8
Convertible preference shares	-	-	-	-	824.4	824.4
Subordinated debt	-	-	-	-	583.4	583.4
<b>Total financial liabilities</b>	<b>111.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62,579.8</b>	<b>62,691.6</b>

#### 31 December 2015

<b>Financial assets</b>						
Cash and cash equivalents	-	-	-	-	886.7	886.7
Due from other financial institutions	-	-	-	-	82.1	82.1
Financial assets held to maturity	-	-	-	-	310.3	310.3
Financial assets held for trading	-	5,657.8	-	-	-	5,657.8
Financial assets available for sale	-	-	585.2	-	-	585.2
Loans & other receivables	-	-	-	55,345.3	-	55,345.3
Derivatives	63.9	-	-	-	-	63.9
<b>Total financial assets</b>	<b>63.9</b>	<b>5,657.8</b>	<b>585.2</b>	<b>55,345.3</b>	<b>1,279.1</b>	<b>62,931.3</b>

### 3.7.10 Financial instruments (continued)

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

	Held at fair value		At fair value through profit & loss	At fair value through reserves	Held at amortised cost		Total
	Derivatives		Held for trading	Available for sale	Loans and receivables	Other financial instruments	
	\$m		\$m	\$m	\$m	\$m	
<b>31 December 2015</b>							
<b>Financial liabilities</b>							
Due to other financial institutions	-		-	-	-	58.0	58.0
Deposits	-		-	-	-	54,198.1	54,198.1
Notes payable	-		-	-	-	4,201.6	4,201.6
Derivatives	96.5		-	-	-	-	96.5
Convertible preference shares	-		-	-	-	821.6	821.6
Subordinated debt	-		-	-	-	583.3	583.3
<b>Total financial liabilities</b>	<b>96.5</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>59,862.6</b>	<b>59,959.1</b>

#### b) Fair value measurement

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

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

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

#### Valuation of financial assets and liabilities

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

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

#### Level 1 - Quoted market prices

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

#### Level 2 - Valuation technique using observable inputs

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

#### Level 3 - Valuation technique using significant unobservable inputs

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

#### Financial assets and liabilities carried at fair value

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

	Level 1	Level 2	Level 3	Total fair value	Total carrying value
	\$m	\$m	\$m	\$m	\$m
<b>31 December 2016</b>					
Financial assets held for trading	-	6,183.9	-	6,183.9	6,183.9
Financial assets available for sale	0.1	265.3	21.6	287.0	287.0
Derivatives	-	64.1	-	64.1	64.1
<b>Total financial assets carried at fair value</b>	<b>0.1</b>	<b>6,513.3</b>	<b>21.6</b>	<b>6,535.0</b>	<b>6,535.0</b>
Derivatives	-	77.8	-	77.8	77.8
<b>Total financial liabilities carried at fair value</b>	<b>-</b>	<b>77.8</b>	<b>-</b>	<b>77.8</b>	<b>77.8</b>
<b>30 June 2016</b>					
Financial assets held for trading	-	6,369.1	-	6,369.1	6,369.1
Financial assets available for sale	2.4	329.9	21.2	353.5	353.5
Derivatives	-	79.0	-	79.0	79.0
<b>Total financial assets carried at fair value</b>	<b>2.4</b>	<b>6,778.0</b>	<b>21.2</b>	<b>6,801.6</b>	<b>6,801.6</b>
Derivatives	-	111.8	-	111.8	111.8
<b>Total financial liabilities carried at fair value</b>	<b>-</b>	<b>111.8</b>	<b>-</b>	<b>111.8</b>	<b>111.8</b>
<b>31 December 2015</b>					
Financial assets held for trading	-	5,657.8	-	5,657.8	5,657.8
Financial assets available for sale	2.4	560.4	22.4	585.2	585.2
Derivatives	-	63.9	-	63.9	63.9
<b>Total financial assets carried at fair value</b>	<b>2.4</b>	<b>6,282.1</b>	<b>22.4</b>	<b>6,306.9</b>	<b>6,306.9</b>
Derivatives	-	96.5	-	96.5	96.5
<b>Total financial liabilities carried at fair value</b>	<b>-</b>	<b>96.5</b>	<b>-</b>	<b>96.5</b>	<b>96.5</b>

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

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

### 3.7.10 Financial instruments (continued)

#### b) Fair value measurement (continued)

##### Valuation methodology

##### Financial instruments - debt securities

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

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

##### Financial instruments - equity investments

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

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

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

##### Derivatives

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

##### Movements in level 3 portfolio

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

Financial assets - equity investments	\$m
<b>As at 30 June 2016</b>	<b>21.2</b>
Gains or losses in equity	(0.2)
Purchases	0.9
Sales	(0.3)
<b>As at 31 December 2016</b>	<b>21.6</b>

##### Financial assets and liabilities carried at amortised cost

##### Valuation Hierarchy

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

	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying amount
	\$m	\$m	\$m	\$m	\$m
<b>31 December 2016</b>					
<b>Financial assets</b>					
Cash and cash equivalents	913.2	-	-	913.2	913.2
Due from other financial institutions	156.3	-	-	156.3	156.3
Financial assets held to maturity	-	423.0	-	423.0	423.0
Loans and other receivables	-	-	60,072.8	60,072.8	59,924.7
<b>Financial liabilities</b>					
Due to other financial institutions	142.2	-	-	142.2	142.2
Deposits	-	59,308.6	-	59,308.6	59,228.5
Notes payable	-	3,861.5	-	3,861.5	3,855.7
Convertible preference shares	838.3	-	-	838.3	827.3
Subordinated debt	-	702.1	-	702.1	708.7

##### 30 June 2016

##### Financial assets

Cash and cash equivalents	1,060.0	-	-	1,060.0	1,060.0
Due from other financial institutions	221.9	-	-	221.9	221.9
Financial assets held to maturity	-	382.8	-	382.8	382.8
Loans and other receivables	-	-	57,447.2	57,447.2	57,256.8

##### Financial liabilities

Due to other financial institutions	294.8	-	-	294.8	294.8
Deposits	-	57,121.8	-	57,121.8	57,054.7
Notes payable	-	3,810.9	-	3,810.9	3,822.5
Convertible preference shares	799.1	-	-	799.1	824.4
Subordinated debt	-	576.1	-	576.1	583.4

### 3.7.10 Financial instruments (continued)

#### b) Fair value measurement (continued)

	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying amount
31 December 2015	\$m	\$m	\$m	\$m	\$m
<b>Financial assets</b>					
Cash and cash equivalents	886.7	-	-	886.7	886.7
Due from other financial institutions	82.1	-	-	82.1	82.1
Financial assets held to maturity	-	310.3	-	310.3	310.3
Loans and other receivables	-	-	55,502.1	55,502.1	55,345.3
<b>Financial liabilities</b>					
Due to other financial institutions	58.0	-	-	58.0	58.0
Deposits	-	54,237.2	-	54,237.2	54,198.1
Notes payable	-	4,197.1	-	4,197.1	4,201.6
Convertible preference shares	795.0	-	-	795.0	821.6
Subordinated debt	-	577.0	-	577.0	583.3

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

#### Valuation methodology

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

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

##### Financial instruments - held to maturity

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

##### Loans and other receivables

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

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

##### Deposits

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

##### Notes payable

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

##### Convertible preference shares

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

##### Subordinated debt

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



### 3.7.11 Contingent assets and liabilities

#### (a) Contingent assets

As at 31 December 2016, the economic entity does not have any contingent assets (31 December 2015: Nil).

#### (b) Contingent liabilities

	Dec-16 \$m	Jun-16 \$m	Dec-15 \$m
<b>Guarantees</b> - the economic entity has issued guarantees on behalf of clients in the normal course of business	247.2	234.7	232.2
<b>Other</b> - documentary letters of credit	9.5	2.6	8.2

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

### 3.8 Events after balance sheet date

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

## Directors' declaration

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

In the opinion of the directors:

- (a) the half year financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 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  
13 February 2017

## 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 2016, the condensed income statement, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Bendigo and Adelaide Bank Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

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

## Conclusion

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

- i giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young



Graeme McKenzie  
Partner  
Melbourne



Luke Slater  
Partner  
Melbourne

13 February 2017

**Bendigo and Adelaide Bank Ltd**

ABN 11 068 049 178

