Appendix 4D

Half Year Results

For the period ended 31 December 2018

Released 11 February 2019

ABN 11 068 049 178

Bendigo and Adelaide Bank

This report comprises information given to the ASX under listing rule 4.2A.
Information contained in this report should be read in conjunction with the June 2018 annual financial report.

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Appendix 4D: Half Year Results

Contents

1 Appendix 4D: Half year results

1.1 Company details and reporting period

Bendigo and Adelaide Bank Limited

ABN 11 068 049 178

Reporting period - six months ended:	31 December 2018
Previous corresponding period - six months ended:	31 December 2017

1.2 Results for announcement to the market

Income from operations	6.3% to $790.2 m
Profit after tax from ordinary activities	12.3% to $203.2 m
Net profit after tax attributable to Owners of the Company	12.3% to $203.2 m

Dividends	Date payable/paid	Amount per security
Current financial year 2019		
Record date for determining entitlements	4 March 2019	
Interim dividend - fully franked	29 March 2019	35.0 cents
Previous financial year 2018		
Final dividend - fully franked	28 September 2018	35.0 cents
Interim dividend - fully franked	29 March 2018	35.0 cents

1.3 Cash earnings results

Cash earnings attributable to Owners of the Company	2.4% to $219.8 m
Cash earnings per share	3.6% to 45.1 cents

See note 2.1.2 and 2.2.12.3 for full details

1.4 ASX Appendix 4D table

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

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

Accounting standards used for foreign entities

Not applicable.

Half year financial statements

Refer to pages 26 to 48 of the attached December 2018 half year profit announcement.

1.5 Results summary

Statutory profit	↓	12.3% to $203.2m
Statutory earnings per share	↓	13.3% to 41.7 cents
Cash earnings	↓	2.4% to $219.8m
Cash earnings per share	↓	3.6% to 45.1 cents
CET1 ratio of 8.76%	↑	up 15 basis points compared to December 2017

1.6 Key results movements

- On a statutory basis, net profit was $203.2m compared to $231.7m in December 2017.
- Cash earnings was $219.8m compared to $225.3m in December 2017. [1]
- On a cash earnings basis:
  - Net interest income decreased $11.5m to $656.5m. Net interest margin (before revenue share arrangements) for the year decreased by 1 basis point to 2.35% compared to the prior corresponding period. The decrease in net interest margin was mainly attributed to higher funding costs in both term deposits and wholesale markets due to increases in BBSW rates.
  - Expenses increased by $18.7m or 4.2% mainly due to an increase in staff costs as a result of salary increases, and an increase in legal costs and software licence fees.
  - Credit expenses decreased by $20.8m or 44.9%.
- Net impaired assets increased by $45.0m or 25.5%.
- Great Southern past due 90 days has reduced by $21.3m or 34.0% and other lending past due 90 days has decreased by $33.7m or 8.1%.
- Common Equity Tier 1 ratio was up 15 basis points to 8.76% compared to December 2017. Total capital was 13.84% compared to 12.98% in December 2017.
- The interim dividend has been maintained at 35.0 cents for the December 2018 half.

[1] Specific items cash earnings adjustments are outlined in section 2.1.2, 2.1.3 and 2.2.1.

1.7 Subsequent events

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.

Commissioner Kenneth Hayne delivered 76 recommendations in his final report on the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, which was released on 4 February 2019. The impact of these recommendations to the Group will take time to be properly understood.

2 Half year results

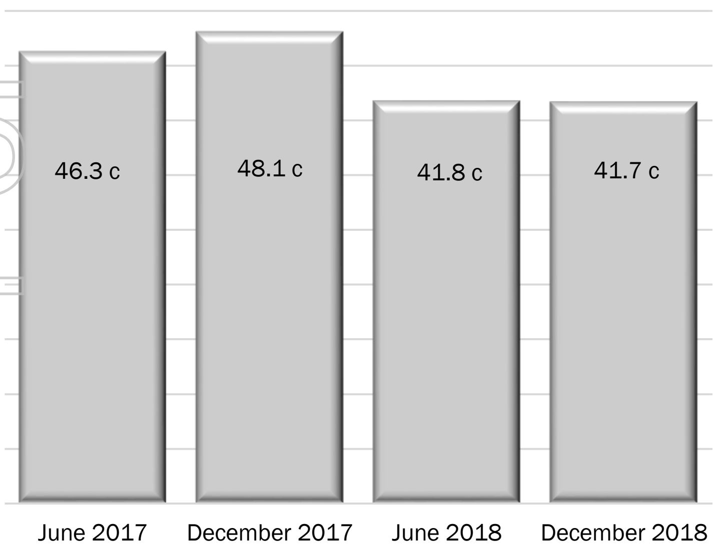
2.1 Financial summary

2.1.1 Statutory profit results

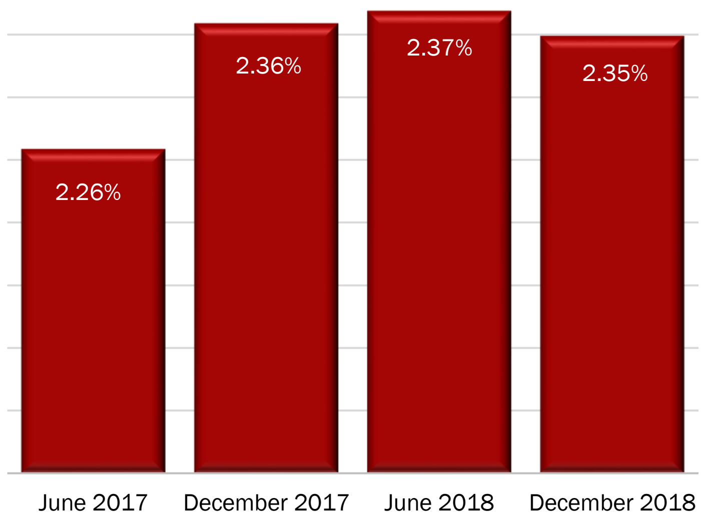
	Dec-18	Jun-18	Change		Dec-17	Change	
	$m	$m	$m	%	$m	$m	%
Net interest income	647.2	647.5	(0.3)	-	657.7	(10.5)	(1.6)
Other operating income	143.0	153.1	(10.1)	(6.6)	185.2	(42.2)	(22.8)
Total income	**790.2**	**800.6**	**(10.4)**	**(1.3)**	**842.9**	**(52.7)**	**(6.3)**
Credit expenses	(25.5)	(24.3)	(1.2)	(4.9)	(46.3)	20.8	44.9
Operating expenses	(467.7)	(480.9)	13.2	2.7	(457.5)	(10.2)	(2.2)
Total expenses	**(493.2)**	**(505.2)**	**12.0**	**2.4**	**(503.8)**	**10.6**	**2.1**
Profit before income tax expense	**297.0**	**295.4**	**1.6**	**0.5**	**339.1**	**(42.1)**	**(12.4)**
Income tax expense	(93.8)	(92.6)	(1.2)	(1.3)	(107.4)	13.6	12.7
Profit after income tax expense	**203.2**	**202.8**	**0.4**	**0.2**	**231.7**	**(28.5)**	**(12.3)**

	Half year				Dec 2018 to Dec 2017
	Dec-18	Jun-18	Dec-17	Jun-17	change
Earnings per ordinary share (cents)	cents	cents	cents	cents	cps
Basic	41.7	41.8	48.1	46.3	(6.4)
Diluted	37.6	37.6	43.7	42.4	(6.1)
Franked dividends per share	35.0	35.0	35.0	34.0	-
Financial performance ratios	%	%	%	%	bps change
Net interest margin before revenue share arrangements	2.35%	2.37%	2.36%	2.26%	(1)
Net interest margin after revenue share arrangements	1.95%	1.98%	1.98%	1.89%	(3)
Financial position ratios	%	%	%	%	bps change
Return on average ordinary equity (after tax)	7.34%	7.50%	8.57%	8.49%	(123)
Return on average tangible equity (after tax)	10.46%	10.45%	12.05%	12.11%	(159)
Return on average assets	0.59%	0.59%	0.67%	0.65%	(8)

Statutory EPS (cents)



Net interest margin before revenue share arrangements (%)

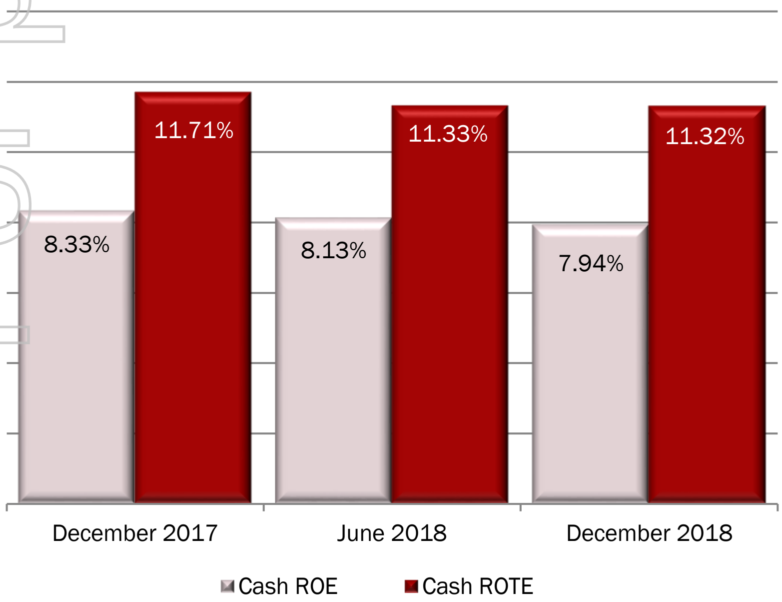


2.1.2 Cash earnings results

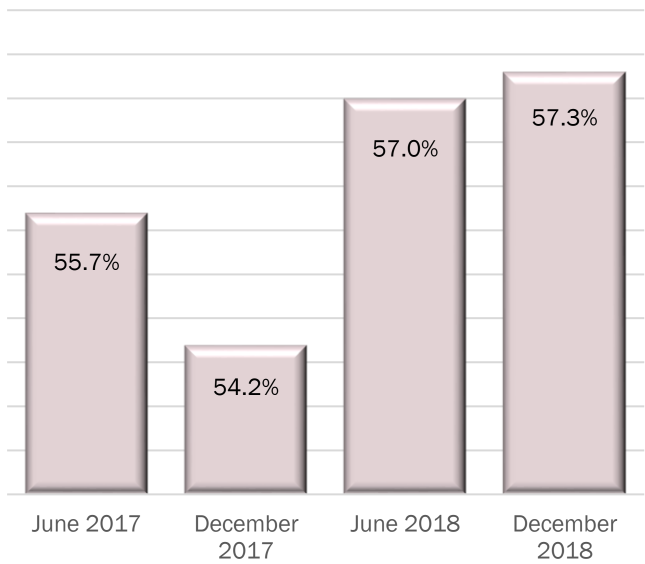
	Dec-18	Jun-18	Change		Dec-17	Change	
	$m	$m	$m	%	$m	$m	%
Net interest income	656.5	655.6	0.9	0.1	668.0	(11.5)	(1.7)
Other operating income	146.6	136.7	9.9	7.2	144.5	2.1	1.5
Total income	**803.1**	**792.3**	**10.8**	**1.4**	**812.5**	**(9.4)**	**(1.2)**
Credit expenses	(25.5)	(24.3)	(1.2)	(4.9)	(46.3)	20.8	44.9
Operating expenses	(464.2)	(455.4)	(8.8)	(1.9)	(445.5)	(18.7)	(4.2)
Total expenses	**(489.7)**	**(479.7)**	**(10.0)**	**(2.1)**	**(491.8)**	**2.1**	**0.4**
Income tax expense	(98.6)	(97.8)	(0.8)	(0.8)	(101.7)	3.1	3.0
Cash earnings before Homesafe realised income	**214.8**	**214.8**	**-**	**-**	**219.0**	**(4.2)**	**(1.9)**
Net Homesafe realised income (after tax)	5.0	5.0	-	-	6.3	(1.3)	(20.6)
Cash earnings after income tax expense	**219.8**	**219.8**	**-**	**-**	**225.3**	**(5.5)**	**(2.4)**

	Half year				Dec 2018 to Dec 2017
	Dec-18	Jun-18	Dec-17	Jun-17	change
Earnings per ordinary share (cents)	cents	cents	cents	cents	cps
Cash	45.1	45.3	46.8	45.0	(1.7)
Financial performance ratios (cash)	%	%	%	%	bps
Cost to income ratio	57.3%	57.0%	54.2%	55.7%	310
Financial position ratios (cash)	%	%	%	%	bps
Return on average ordinary equity	7.94%	8.13%	8.33%	8.27%	(39)
Return on average tangible equity	11.32%	11.33%	11.71%	11.80%	(39)
Return on average assets	0.63%	0.64%	0.65%	0.63%	(2)

Cash ROE and ROTE (%)



Cost to income ratio (%)



2.1.3 Cash earnings reconciliation

For the half year ended 31 December 2018

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

For the half year ended 30 June 2018

		Cash earnings adjustments									
	Statutory profit	Fair value adjust-ments	Homesafe unrealised adjust-ments	Hedging income/(costs)	(Profit)/loss on sale of business	Integrat-ion costs	Operating expenses [1]	Amortisat-ion of intangibles	Cash earnings sub-total [2]	Homesafe realised income	Cash earnings
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Net interest income	647.5	0.5	7.6	-	-	-	-	-	655.6	(3.0)	652.6
Other income	153.1	-	(15.8)	(0.6)	-	-	-	-	136.7	10.2	146.9
Total income	**800.6**	**0.5**	**(8.2)**	**(0.6)**	**-**	**-**	**-**	**-**	**792.3**	**7.2**	**799.5**
Credit expenses	(24.3)	-	-	-	-	-	-	-	(24.3)	-	(24.3)
Operating expenses	(480.9)	-	-	-	1.6	2.3	19.7	1.9	(455.4)	-	(455.4)
Net profit before tax	**295.4**	**0.5**	**(8.2)**	**(0.6)**	**1.6**	**2.3**	**19.7**	**1.9**	**312.6**	**7.2**	**319.8**
Tax expense	(92.6)	(0.2)	2.4	0.2	(0.4)	(0.7)	(5.9)	(0.6)	(97.8)	(2.2)	(100.0)
Net profit after tax	**202.8**	**0.3**	**(5.8)**	**(0.4)**	**1.2**	**1.6**	**13.8**	**1.3**	**214.8**	**5.0**	**219.8**

For the half year ended 31 December 2017

		Cash earnings adjustments									
	Statutory profit	Fair value adjust-ments	Homesafe unrealised adjust-ments	Hedging income/(costs)	(Profit)/loss on sale of business	Integrat-ion costs	Operating expenses [1]	Amortisat-ion of intangibles	Cash earnings sub-total [2]	Homesafe realised income	Cash earnings
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Net interest income	657.7	0.7	9.6	-	-	-	-	-	668.0	(4.5)	663.5
Other income	185.2	-	(39.6)	(1.1)	-	-	-	-	144.5	13.5	158.0
Total income	**842.9**	**0.7**	**(30.0)**	**(1.1)**	**-**	**-**	**-**	**-**	**812.5**	**9.0**	**821.5**
Credit expenses	(46.3)	-	-	-	-	-	-	-	(46.3)	-	(46.3)
Operating expenses	(457.5)	-	-	-	-	5.3	0.4	6.3	(445.5)	-	(445.5)
Net profit before tax	**339.1**	**0.7**	**(30.0)**	**(1.1)**	**-**	**5.3**	**0.4**	**6.3**	**320.7**	**9.0**	**329.7**
Tax expense	(107.4)	(0.2)	9.0	0.3	-	(1.6)	-	(1.8)	(101.7)	(2.7)	(104.4)
Net profit after tax	**231.7**	**0.5**	**(21.0)**	**(0.8)**	**-**	**3.7**	**0.4**	**4.5**	**219.0**	**6.3**	**225.3**

[1] Includes impairment charges and legal, litigation and compensation costs.

[2] Cash earnings subtotal is equal to cash earnings before Homesafe realised income.

2.2 Results commentary
2.2.1 Specific items

The reported profit after tax for the half year ended 31 December 2018 of $203.2 million included the following specific items:

	Dec-18		Jun-18		Dec-17	
	Before Tax	After Tax	Before Tax	After Tax	Before Tax	After Tax
	$m	$m	$m	$m	$m	$m
Items included in interest income						
Fair value adjustments - interest expense	(0.2)	(0.2)	(0.5)	(0.3)	(0.7)	(0.5)
Homesafe funding costs - unrealised	(9.1)	(6.4)	(7.6)	(5.3)	(9.6)	(6.7)
Total specific net interest income items	**(9.3)**	**(6.6)**	**(8.1)**	**(5.6)**	**(10.3)**	**(7.2)**
Items included in other income						
Hedge ineffectiveness	1.8	1.3	0.6	0.4	1.1	0.8
Homesafe revaluation gain/(loss)	(5.4)	(3.8)	15.8	11.1	39.6	27.7
Total specific other income items	**(3.6)**	**(2.5)**	**16.4**	**11.5**	**40.7**	**28.5**
Items included in operating expenses						
Integration costs	-	-	(2.3)	(1.6)	(5.3)	(3.7)
Loss on sale of Telco business	-	-	(1.6)	(1.2)	-	-
Impairment charge	-	-	-	-	(0.4)	(0.4)
Compensation costs	(0.7)	(0.5)	(1.2)	(0.9)	-	-
Legal costs	(1.2)	(0.9)	(1.6)	(1.1)	-	-
Litigation costs	-	-	(16.9)	(11.8)	-	-
Total specific operating expense items	**(1.9)**	**(1.4)**	**(23.6)**	**(16.6)**	**(5.7)**	**(4.1)**
Total specific items attributable to the Group	**(14.8)**	**(10.5)**	**(15.3)**	**(10.7)**	**24.7**	**17.2**
Other specific items						
Homesafe revaluation gain - realised	(10.6)	(7.4)	(10.2)	(7.1)	(13.5)	(9.5)
Homesafe funding costs - realised	3.4	2.4	3.0	2.1	4.5	3.2
Total other specific items attributable to the Group	**(7.2)**	**(5.0)**	**(7.2)**	**(5.0)**	**(9.0)**	**(6.3)**
Amortisation of acquired intangibles	**(1.6)**	**(1.1)**	**(1.9)**	**(1.3)**	**(6.3)**	**(4.5)**

Specific net interest income items

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

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

Specific other income items

Hedge ineffectiveness - ineffectiveness resulting from hedge accounting.

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

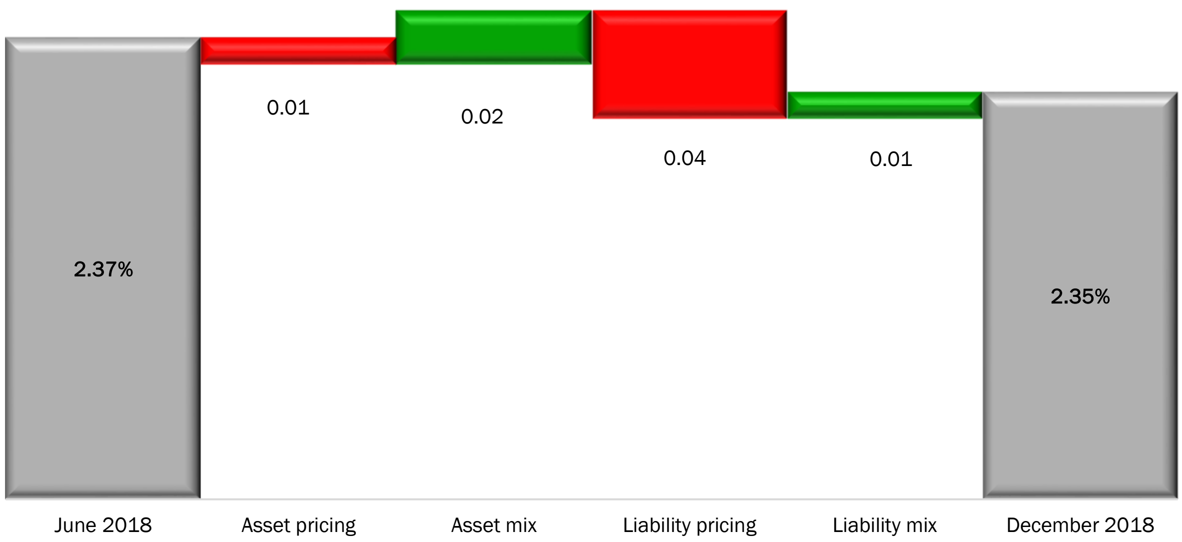
Specific operating expense items

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

Legal costs - costs associated with the Royal Commission.

Refer to prior period ASX result releases for details of prior period specific items.

2.2.2 Net interest margin (before revenue share arrangements)



Asset pricing - back book repricing benefits across variable lending and margin lending and reduced hedging expenses were offset by continued pricing presssure on the front book.

Asset mix - a reduction in average balance of liquid assets through ongoing management of liquidity position.

Liability pricing - higher cost of funding in both the term deposit and wholesale markets due to increases in BBSW rates.

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

Cash Net Interest Income [1]

	Half year		
	Dec-18	Jun-18	Dec-17
	$m	$m	$m
Net interest income including specific items [2]	647.2	647.5	657.7
Adjustments:			
Fair value adjustments [3]	0.2	0.5	0.7
Net interest income used in NIM calculation	**647.4**	**648.0**	**658.4**
Average interest earning assets [4]	65,867.0	65,868.6	66,109.9
Average interest earning liabilities [4]	62,281.7	62,150.6	62,483.6
Net interest margin	1.95%	1.98%	1.98%
Net interest margin before revenue share arrangement	2.35%	2.37%	2.36%

[1] Cash net interest income includes Homesafe unrealised funding costs.

[2] Refer to section 2.2.3 - Total net interest income including specific items.

[3] Fair value adjustments represent entries created on a business acquisition (Rural Finance).

[4] Offset products have been reclassified from deposits and netted against the corresponding loan balance (December 18 HY: $2,739.6m, June 18 HY: $2,596.0m, December 17 HY: $2,511.1m).

2.2.3 Income

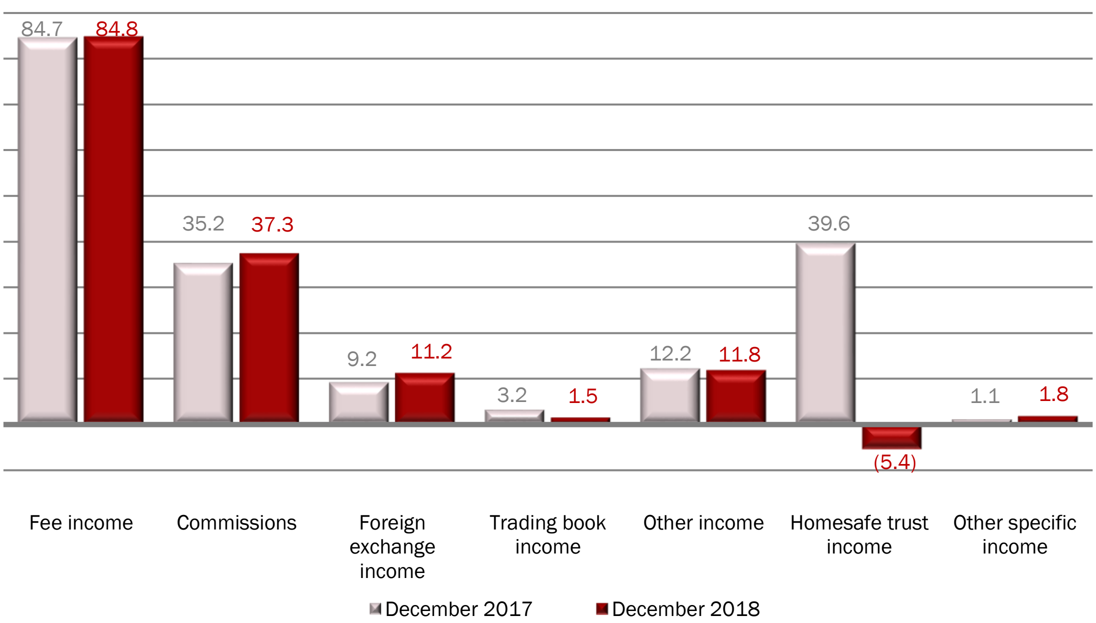
	Dec-18	Jun-18	Change		Dec-17	Change	
	$m	$m	$m	%	$m	$m	%
Net interest income	656.5	655.6	0.9	0.1	668.0	(11.5)	(1.7)
Homesafe funding costs - unrealised	(9.1)	(7.6)	(1.5)	(19.7)	(9.6)	0.5	5.2
Fair value adjustments - interest expense	(0.2)	(0.5)	0.3	60.0	(0.7)	0.5	71.4
Total net interest income including specific items	**647.2**	**647.5**	**(0.3)**	**-**	**657.7**	**(10.5)**	**(1.6)**
Other income							
Fee income	84.8	83.2	1.6	1.9	84.7	0.1	0.1
Commissions	37.3	36.5	0.8	2.2	35.2	2.1	6.0
Foreign exchange income	11.2	9.6	1.6	16.7	9.2	2.0	21.7
Trading book income	1.5	(2.4)	3.9	162.5	3.2	(1.7)	(53.1)
Other	11.8	9.8	2.0	20.4	12.2	(0.4)	(3.3)
Total other income	**146.6**	**136.7**	**9.9**	**7.2**	**144.5**	**2.1**	**1.5**
Specific other income items							
Homesafe revaluation gain/(loss)	(5.4)	15.8	(21.2)	(134.2)	39.6	(45.0)	(113.6)
Other income	1.8	0.6	1.2	200.0	1.1	0.7	63.6
Total other specific income	**(3.6)**	**16.4**	**(20.0)**	**(122.0)**	**40.7**	**(44.3)**	**(108.8)**
Total other income including specific items	**143.0**	**153.1**	**(10.1)**	**(6.6)**	**185.2**	**(42.2)**	**(22.8)**
Total income	**790.2**	**800.6**	**(10.4)**	**(1.3)**	**842.9**	**(52.7)**	**(6.3)**

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

Interest income decreased by $10.5m, or 1.6%. Refer to 2.2.2 for further analysis.

Homesafe trust revaluation income was $45.0m lower primarily due to slower growth in residential property prices in Melbourne and Sydney.

Non-interest income ($m)



2.2.4 Homesafe Trust

Homesafe income	Half Year Dec-18 $m	Half Year Jun-18 $m	Half Year Dec-17 $m
Discount unwind	11.2	10.1	10.4
Profit/(loss) on sale	(0.2)	1.3	1.0
Property revaluations	(16.4)	4.4	28.2
Total income/(loss)	**(5.4)**	**15.8**	**39.6**

Homesafe income - This includes the amortisation of the discount, property revaluation movements and any movement in the management fair value adjustment. Profit/(loss) on sale represents the difference between cash received on completion versus the carrying value at the time of completion.

	Half Year Dec-18 $m	Half Year Jun-18 $m	Half Year Dec-17 $m
Homesafe realised income	10.6	10.2	13.5

Realised - Funds received on completion being the difference between the cash received on completion less the initial funds advanced.

Funding costs	Half Year Dec-18 $m	Half Year Jun-18 $m	Half Year Dec-17 $m
Funding costs - unrealised	(9.1)	(7.6)	(9.6)
Funding costs - realised	(3.4)	(3.0)	(4.5)

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

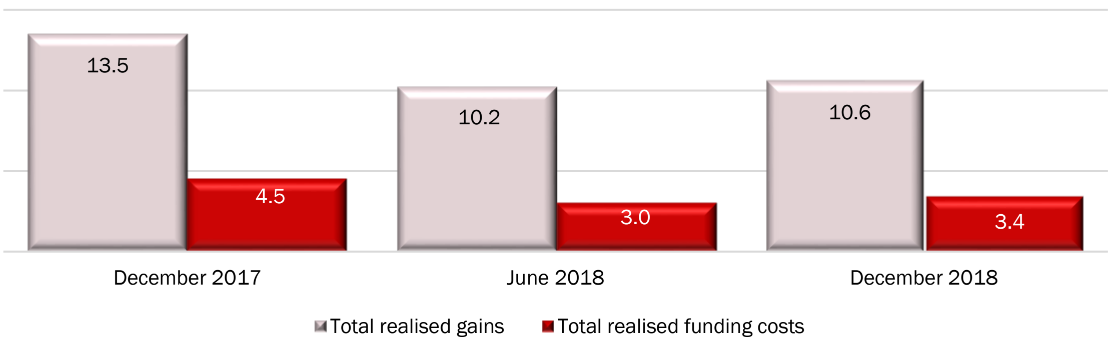
Funding costs unrealised - Interest expense on existing contracts.

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

Subsequent to initial recognition, the fair value of the Homesafe investment properties is determined by discounting the expected future cash flows. Assumptions used in the modelling of future cashflows are sourced from market indices of property values (Residex) and long term growth/discount rates appropriate to residential property. The Group has updated the assumptions used in the modelling as outlined below.

	Dec-18 %	Jun-18 %
Discount rate	5.75% pa	7.75% pa
Property appreciation rates	First year 0% pa Second year 3% pa Long-term growth 4% pa	First 1.5 years 3% pa Long-term growth 6% pa

Total Realised Gains and Realised Funding Costs ($m)



2.2.5 Operating expenses

	Dec-18	Jun-18	Change		Dec-17	Change	
	$m	$m	$m	%	$m	$m	%
Staff and related costs	255.6	252.3	3.3	1.3	245.0	10.6	4.3
Occupancy costs	45.9	46.1	(0.2)	(0.4)	44.9	1.0	2.2
Information technology costs	39.6	39.2	0.4	1.0	37.8	1.8	4.8
Amortisation of acquired intangibles	1.6	1.9	(0.3)	(15.8)	6.3	(4.7)	(74.6)
Amortisation of software intangibles	16.0	14.5	1.5	10.3	13.5	2.5	18.5
Property, plant and equipment costs	5.6	5.7	(0.1)	(1.8)	5.8	(0.2)	(3.4)
Fees and commissions	17.3	17.6	(0.3)	(1.7)	17.6	(0.3)	(1.7)
Communications, postage and stationery	15.4	14.2	1.2	8.5	15.6	(0.2)	(1.3)
Advertising and promotion	13.8	14.0	(0.2)	(1.4)	14.0	(0.2)	(1.4)
Other product and services delivery costs	16.2	14.2	2.0	14.1	16.0	0.2	1.3
Other administration expenses	38.8	37.6	1.2	3.2	35.3	3.5	9.9
Total operating expenses	**465.8**	**457.3**	**8.5**	**1.9**	**451.8**	**14.0**	**3.1**
Specific items	1.9	23.6	(21.7)	(91.9)	5.7	(3.8)	(66.7)
Total expenses	**467.7**	**480.9**	**(13.2)**	**(2.7)**	**457.5**	**10.2**	**2.2**

	Dec-18	Jun-18	Change	%	Dec-17	Change	%
Cost to income [1]	57.3%	57.0%	0.3	0.5	54.2%	3.1	5.7
Expenses to average assets	1.34%	1.34%	-	-	1.28%	0.06	4.7
Staff and related costs to income [1,2]	31.3%	31.5%	(0.2)	(0.6)	29.6%	1.7	5.7
Number of staff (full-time equivalent)	4,420	4,426	(6)	(0.1)	4,387	33	0.8

[1] **Expenses** used in the above ratios are expenses less specific expense items and amortisation of acquired intangibles.
Income used in the above ratios is income less specific income items and other specific income items.
[2] Excludes redundancy costs.

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

Staff and related costs - increased by $10.6m or 4.3% which includes wage and salary increases during the half.
Redundancy costs incurred were $2.2m (June 18: $0.5m and December 17: $1.8m).

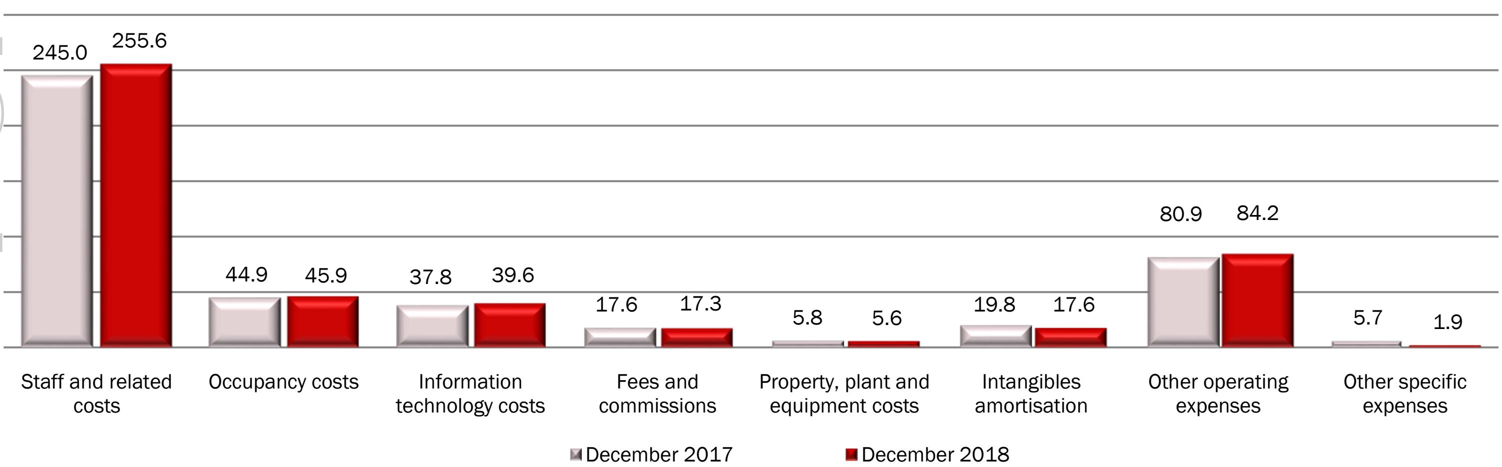
Software amortisation - increased by $2.5m or 18.5%, due to the completion of a number of large technology projects now being amortised.

Other administration expenses - increased by $3.5m or 9.9%, mainly due to an increase in legal costs.

Information technology costs - increased in $1.8m or 4.8% due to an increase in software licence fees.

Specific items - other expenses - decreased by $3.8m or 66.7%. Refer to 2.2.1 for further detail.

Operating expenses ($m)



2.2.6 Average balance sheet
For the six months ended 31 December 2018

	31 December 2018			30 June 2018		
	Average Balance $m	Interest 6 mths $m	Average Rate %	Average Balance $m	Interest 6 mths $m	Average Rate %
Average balances and rates [1]						
Interest earning assets						
Cash and investments	7,183.1	64.9	1.79	7,622.2	67.9	1.80
Loans and other receivables [2,6]	58,683.9	1,276.8	4.32	58,246.4	1,248.8	4.32
Total interest earning assets [3]	**65,867.0**	**1,341.7**	**4.04**	**65,868.6**	**1,316.7**	**4.03**
Non interest earning assets						
Provisions for doubtful debts [8]	(301.8)			(164.7)		
Other assets	3,213.1			3,054.0		
Total non interest earning assets	**2,911.3**			**2,889.3**		
Total assets (average balance)	**68,778.3**			**68,757.9**		
Interest bearing liabilities						
Deposits						
Retail [6]	48,894.3	(495.5)	(2.01)	47,649.2	(464.4)	(1.97)
Wholesale - domestic	7,833.0	(102.4)	(2.59)	8,237.2	(101.3)	(2.48)
Wholesale - offshore	190.0	(2.9)	(3.03)	339.7	(4.7)	(2.79)
Repurchase agreements	519.6	(3.9)	(1.49)	521.0	(4.0)	(1.55)
Notes payable	3,174.1	(52.1)	(3.26)	3,814.0	(59.2)	(3.13)
Preference shares	882.5	(18.1)	(4.07)	880.0	(17.4)	(3.99)
Subordinated debt	788.2	(19.4)	(4.88)	709.5	(17.7)	(5.03)
Total interest bearing liabilities [3]	**62,281.7**	**(694.3)**	**(2.21)**	**62,150.6**	**(668.7)**	**(2.17)**
Non interest bearing liabilities and equity						
Other liabilities	969.0			1,043.0		
Equity	5,527.6			5,564.3		
	6,496.6			**6,607.3**		
Total liabilities and equity (average balance)	**68,778.3**			**68,757.9**		
Interest margin and interest spread						
Interest earning assets	65,867.0	1,341.7	4.04	65,868.6	1,316.7	4.03
Interest bearing liabilities	(62,281.7)	(694.3)	(2.21)	(62,150.6)	(668.7)	(2.17)
Net interest income and interest spread [4,7]		**647.4**	**1.83**		**648.0**	**1.86**
Net free liabilities and equity			0.12			0.12
Net interest margin [5]			**1.95**			**1.98**
Impact of revenue share arrangements						
Net interest margin			1.95			1.98
Add: impact of revenue share arrangements			0.40			0.39
Net interest margin before revenue share arrangements			2.35			2.37

1 Average balance is based on monthly closing balances.

2 Loans and receivables excludes fair value specific items (December 2018 $0.2m and June 2018 $0.5m).

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

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

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

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

7 Net interest income includes Homesafe unrealised funding costs - refer to section 2.2.2 for net interest income reconciliation.

8 December 2018 results have been prepared in accordance with AASB 9; prior periods have not been restated. Further information can be found in Note 3.7.2.2 'Changes in Accounting Policies'.

2.2.6 Average balance sheet (continued)
For the six months ended 31 December 2017

	31 December 2017			30 June 2017		
	Average Balance $m	Interest 6 mths $m	Average Rate %	Average Balance $m	Interest 6 mths $m	Average Rate %
Average balances and rates [1]						
Interest earning assets						
Cash and Investments	8,011.4	70.5	1.75	7,964.6	67.9	1.72
Loans and other receivables [2,6]	58,098.5	1,273.6	4.35	57,971.4	1,247.6	4.34
Total interest earning assets [3]	**66,109.9**	**1,344.1**	**4.03**	**65,936.0**	**1,315.5**	**4.02**
Non interest earning assets						
Provisions for doubtful debts	(146.8)			(150.1)		
Other assets	3,053.7			3,024.5		
Total non interest earning assets	**2,906.9**			**2,874.4**		
Total assets (average balance)	**69,016.8**			**68,810.4**		
Interest bearing liabilities and equity						
Deposits						
Retail [6]	48,002.5	(487.3)	(2.01)	48,274.9	(500.1)	(2.09)
Wholesale - domestic	7,720.0	(90.5)	(2.33)	8,074.2	(97.5)	(2.43)
Wholesale - offshore	456.9	(5.8)	(2.52)	377.7	(5.0)	(2.67)
Repurchase agreements	519.9	(3.9)	(1.49)	520.6	(3.8)	(1.47)
Notes Payable	4,236.9	(63.2)	(2.96)	3,563.1	(55.2)	(3.12)
Convertible Preference Shares	838.1	(17.5)	(4.14)	828.7	(17.7)	(4.31)
Subordinated debt	709.3	(17.5)	(4.89)	709.2	(17.4)	(4.95)
Total interest bearing liabilities [3]	**62,483.6**	**(685.7)**	**(2.18)**	**62,348.4**	**(696.7)**	**(2.25)**
Non interest bearing liabilities and equity						
Other liabilities	1,065.6			1,129.8		
Equity	5,467.6			5,332.2		
	6,533.2			**6,462.0**		
Total liabilities and equity (average balance)	**69,016.8**			**68,810.4**		
Interest margin and interest spread						
Interest earning assets	66,109.9	1,344.1	4.03	65,936.0	1,315.5	4.02
Interest bearing liabilities	(62,483.6)	(685.7)	(2.18)	(62,348.4)	(696.7)	(2.25)
Net interest income and interest spread [4, 7]		**658.4**	**1.85**		**618.8**	**1.77**
Net free liabilities and equity			0.13			0.12
Net interest margin [5]			**1.98**			**1.89**
Impact of revenue share arrangements						
Net interest margin			1.98			1.89
Add: impact of revenue share arrangements			0.38			0.37
Net interest margin before revenue share arrangements			2.36			2.26

1 Average balance is based on monthly closing balances.

2 Loans and receivables excludes fair value specific items (December 2017 $0.7m and June 2017 $1.1m).

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

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

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

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

7 Net interest income includes Homesafe unrealised funding costs - refer to section 2.2.2 for net interest income reconciliation.

2.2.7 Balance sheet metrics

	Half year		Half year		Dec 2018 to Dec 2017 change	
	Dec-18	Jun-18	Dec-17	Jun-17		
	$m	$m	$m	$m	$m	%
Financial position metrics						
Ordinary equity	5,539.4	5,505.8	5,444.9	5,321.3	94.5	1.7
Retail deposits	52,245.1	50,614.5	50,308.9	50,743.1	1,936.2	3.8
Funds under management	6,013.0	5,833.2	5,630.3	5,322.5	382.7	6.8
Loans under management	62,207.7	62,926.9	61,614.8	61,924.1	592.9	1.0
New loan approvals	7,110.9	8,089.3	8,110.7	8,330.7	(999.8)	(12.3)
> Residential	5,242.7	5,437.7	5,881.2	5,419.3	(638.5)	(10.9)
> Non-residential	1,868.2	2,651.6	2,229.5	2,911.4	(361.3)	(16.2)
Total provisions and reserves for doubtful debts	379.9	307.8	306.2	282.5	73.7	24.1

	Half year		Half year		Dec 2018 to Dec 2017 change	
Capital management metrics	Dec-18	Jun-18	Dec-17	Jun-17		bps
Common Equity Tier 1 (%)	8.76%	8.62%	8.61%	8.27%		15
					$m	%
Credit risk weighted assets ($m)	33,656.7	34,367.6	33,754.6	34,263.5	(97.9)	(0.29)
Total risk weighted assets ($m)	37,539.0	38,256.4	37,689.6	38,062.3	(150.6)	(0.40)
Liquidity risk						bps
Liquidity coverage ratio	129.8%	127.1%	125.3%	116.0%		450
Net stable funding ratio [1]	112.0%	110.2%				
Impaired assets					$m	%
Gross impaired assets ($m)	346.0	335.8	288.8	282.6	57.2	19.8
Net impaired assets ($m)	221.3	217.5	176.3	194.1	45.0	25.5
						bps
Net impaired loans to gross loans (%)	0.36%	0.35%	0.29%	0.32%		7

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

2.2.8 Lending

	Dec-18	Jun-18	Change		Dec-17	Change	
	$m	$m	$m	%	$m	$m	%
Approvals - by security							
Residential	5,242.7	5,437.7	(195.0)	(3.6)	5,881.2	(638.5)	(10.9)
Non-residential	1,868.2	2,651.6	(783.4)	(29.5)	2,229.5	(361.3)	(16.2)
Total approvals	**7,110.9**	**8,089.3**	**(978.4)**	**(12.1)**	**8,110.7**	**(999.8)**	**(12.3)**

	As at Dec-18	As at Jun-18	Change		As at Dec-17	Change	
	$m	$m	$m	%	$m	$m	%
Gross loan balance - by security							
Residential	**44,690.8**	**44,139.7**	**551.1**	**1.2**	**43,262.2**	**1,428.6**	**3.3**
Business							
Accommodation and food services	316.6	350.5	(33.9)	(9.7)	350.6	(34.0)	(9.7)
Administrative and support services	29.9	33.5	(3.6)	(10.7)	32.9	(3.0)	(9.1)
Agriculture, forestry and fishing	5,964.1	6,229.3	(265.2)	(4.3)	5,795.4	168.7	2.9
Arts and recreation services	89.3	86.8	2.5	2.9	93.4	(4.1)	(4.4)
Construction	936.1	1,123.6	(187.5)	(16.7)	1,134.2	(198.1)	(17.5)
Education and training	55.8	61.4	(5.6)	(9.1)	72.5	(16.7)	(23.0)
Electricity, gas, water and waste services	36.1	20.6	15.5	75.2	19.1	17.0	89.0
Financial and insurance services	435.9	432.6	3.3	0.8	416.4	19.5	4.7
Health care and social assistance	545.2	531.6	13.6	2.6	514.4	30.8	6.0
Information media and telecommunications	35.2	33.2	2.0	6.0	31.4	3.8	12.1
Manufacturing	248.0	273.6	(25.6)	(9.4)	282.5	(34.5)	(12.2)
Mining	24.3	17.4	6.9	39.7	16.8	7.5	44.6
Other Services	203.5	220.4	(16.9)	(7.7)	212.8	(9.3)	(4.4)
Professional, scientific and technical services	223.8	238.4	(14.6)	(6.1)	238.8	(15.0)	(6.3)
Public administration and safety	48.3	53.0	(4.7)	(8.9)	61.4	(13.1)	(21.3)
Rental, hiring and real estate services	3,661.4	3,924.6	(263.2)	(6.7)	4,100.0	(438.6)	(10.7)
Retail trade	412.0	434.8	(22.8)	(5.2)	435.6	(23.6)	(5.4)
Transport, postal and warehousing	157.3	145.6	11.7	8.0	138.7	18.6	13.4
Wholesale trade	156.9	168.7	(11.8)	(7.0)	169.0	(12.1)	(7.2)
Other	97.3	249.2	(151.9)	(61.0)	238.3	(141.0)	(59.2)
Total business	**13,677.0**	**14,628.8**	**(951.8)**	**(6.5)**	**14,354.2**	**(677.2)**	**(4.7)**
Margin lending	1,553.9	1,694.7	(140.8)	(8.3)	1,684.0	(130.1)	(7.7)
Unsecured	960.8	1,017.2	(56.4)	(5.5)	945.3	15.5	1.6
Other	305.8	313.1	(7.3)	(2.3)	333.4	(27.6)	(8.3)
Total gross loan balance	**61,188.3**	**61,793.5**	**(605.2)**	**(1.0)**	**60,579.1**	**609.2**	**1.0**
Gross loan balance - by purpose							
Residential	42,807.7	42,365.9	441.8	1.0	41,421.2	1,386.5	3.3
Consumer	2,365.3	2,559.8	(194.5)	(7.6)	2,451.4	(86.1)	(3.5)
Margin lending	1,553.9	1,694.7	(140.8)	(8.3)	1,684.0	(130.1)	(7.7)
Commercial	14,461.4	15,173.1	(711.7)	(4.7)	15,022.5	(561.1)	(3.7)
Total gross loan balance	**61,188.3**	**61,793.5**	**(605.2)**	**(1.0)**	**60,579.1**	**609.2**	**1.0**
Loans under management (gross balance)							
On-balance sheet	61,188.3	61,793.5	(605.2)	(1.0)	60,579.1	609.2	1.0
Off-balance sheet loans under management	1,019.4	1,133.4	(114.0)	(10.1)	1,035.7	(16.3)	(1.6)
Total Group loans under management	**62,207.7**	**62,926.9**	**(719.2)**	**(1.1)**	**61,614.8**	**592.9**	**1.0**

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

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

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

2.2.9 Asset quality

	As at Dec-18	As at Jun-18	Change		As at Dec-17	Change	
Impaired loans [1]	$m	$m	$m	%	$m	$m	%
Full-performing [2]	14.9	13.9	1.0	7.2	0.1	14.8	14,800.0
Part-performing [3]	83.9	56.6	27.3	48.2	33.3	50.6	152.0
Non-performing	243.8	261.3	(17.5)	(6.7)	250.9	(7.1)	(2.8)
Restructured loans [4]	3.4	4.0	(0.6)	(15.0)	4.5	(1.1)	(24.4)
Total impaired assets	**346.0**	**335.8**	**10.2**	**3.0**	**288.8**	**57.2**	**19.8**
Less: specific impairment provisions	(124.7)	(118.3)	(6.4)	(5.4)	(112.5)	(12.2)	(10.8)
Net impaired assets	**221.3**	**217.5**	**3.8**	**1.7**	**176.3**	**45.0**	**25.5**
Portfolio facilities - past due 90 days, not well secured	3.7	4.8	(1.1)	(22.9)	3.6	0.1	2.8
Less: specific impairment provisions	(0.7)	(1.0)	0.3	30.0	(0.7)	-	-
Net portfolio facilities	**3.0**	**3.8**	**(0.8)**	**(21.1)**	**2.9**	**0.1**	**3.4**
Past due 90 days							
Well secured (excluding commercial arrangement loans)	380.7	414.0	(33.3)	(8.0)	414.4	(33.7)	(8.1)
Great Southern portfolio	41.4	50.5	(9.1)	(18.0)	62.7	(21.3)	(34.0)
Ratios	%	%	%		%	%	
Total impaired loans to gross loans	0.57%	0.54%	0.03%		0.48%	0.09%	
Total impaired loans to total assets	0.48%	0.47%	0.01%		0.41%	0.07%	
Net impaired loans to gross loans	0.36%	0.35%	0.01%		0.29%	0.07%	
Provision coverage [5]	109.8%	91.7%	18.1%		106.0%	3.80%	

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

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

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

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

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

2.2.10 Credit expenses

Credit expense	Dec-18 $m	Jun-18 $m	Change $m	Change %	Dec-17 $m	Change $m	Change %
Bad debts written off	2.9	1.8	1.1	61.1	1.8	1.1	61.1
Provision doubtful debts - expense	23.4	25.3	(1.9)	(7.5)	50.0	(26.6)	(53.2)
Total credit expense	**26.3**	**27.1**	**(0.8)**	**(3.0)**	**51.8**	**(25.5)**	**(49.2)**
Bad debts recovered	(0.8)	(2.8)	2.0	71.4	(5.5)	4.7	85.5
Credit expenses net of recoveries	**25.5**	**24.3**	**1.2**	**4.9**	**46.3**	**(20.8)**	**(44.9)**

Provisions and reserves	As at Dec-18 [1] $m	As at Jun-18 $m	Change $m	Change %	As at Dec-17 $m	Change $m	Change %
Provision for doubtful debts - specific	125.4	119.3	6.1	5.1	113.2	12.2	10.8
Provision for doubtful debts - collective	181.5	48.2	133.3	276.6	52.7	128.8	244.4
General reserve for credit losses	73.0	140.3	(67.3)	(48.0)	140.3	(67.3)	(48.0)
Total provisions and reserve for doubtful debts	**379.9**	**307.8**	**72.1**	**23.4**	**306.2**	**73.7**	**24.1**

Ratios	%	%		%	%		%
Bad and doubtful debts net of recoveries to gross loans	0.08%	0.08%		-	0.15%		(0.07%)
Bad and doubtful debts net of recoveries (excluding Great Southern) to gross loans	0.05%	0.07%		(0.02%)	0.13%		(0.08%)
Total provision/reserve for doubtful debts to gross loans	0.62%	0.50%		0.12%	0.51%		0.11%
Collective provision and GRCL to risk-weighted assets	0.68%	0.49%		0.19%	0.51%		0.17%

Movements in provisions and reserves	Collective provision [1] $m	Collective provision 12-mth ECL $m	Collective provision lifetime ECL not credit impaired $m	Collective provision lifetime ECL credit impaired $m	Specific provision lifetime ECL credit impaired $m	General reserve for credit losses [1] $m	Total $m
Balance as at 30 June 2018	48.2	-	-	-	119.3	140.3	**307.8**
Restated for adoption of new accounting standards [1]	(48.2)	33.1	79.0	70.4	-	(82.9)	**51.4**
Transfer from retained earnings	-	-	-	-	-	15.6	**15.6**
Changes due to financial assets recognised in the opening balance that have:							
Transferred to 12-month ECL	-	1.8	(1.8)	-	-	-	**-**
Transferred to lifetime ECL not credit impaired		(12.1)	13.0	(0.9)			**-**
Transfer to lifetime ECL credit impaired - collective provision	-	(2.8)	(6.4)	9.2	-	-	**-**
Charge to income statement	-	9.2	-	(10.2)	24.4	-	**23.4**
Transfer to lifetime ECL credit impaired - specific provision	-	-	-	-	-	-	**-**
Bad debts written off previously provided for	-	-	-	-	(18.3)	-	**(18.3)**
Total provision for doubtful debts as at December 2018	**-**	**29.2**	**83.8**	**68.5**	**125.4**	**73.0**	**379.9**

[1] December 2018 results have been prepared in accordance with AASB 9; prior periods have not been restated. Further information can be found in Note 3.7.2.2 'Changes in Accounting Policies'.

Movements in provisions and reserves	Specific $m	Collective $m	GRCL $m	Total $m
Balance at 31 December 2017	113.2	52.7	140.3	306.2
Provision for doubtful debts expense to profit and loss	29.8	(4.5)	-	25.3
Bad debts written off - previously provided for	(23.7)	-	-	(23.7)
Balance at 30 June 2018	**119.3**	**48.2**	**140.3**	**307.8**
Balance at 30 June 2017	89.5	52.7	140.3	282.5
Provision for doubtful debts expense to profit and loss	50.0	-	-	50.0
Bad debts written off - previously provided for	(26.3)	-	-	(26.3)
Balance at 31 December 2017	**113.2**	**52.7**	**140.3**	**306.2**

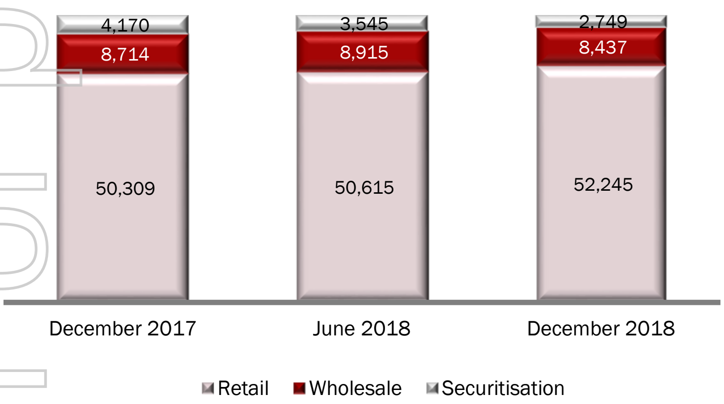
2.2.11 Deposits and funds under management

	As at Dec-18 $m	As at Jun-18 $m	Change $m	Change %	As at Dec-17 $m	Change $m	Change %
Deposits and funds under management							
Deposits	60,682.1	59,529.5	1,152.6	1.9	59,022.7	1,659.4	2.8
Securitisation	2,748.5	3,544.8	(796.3)	(22.5)	4,169.6	(1,421.1)	(34.1)
Managed funds	6,013.0	5,833.2	179.8	3.1	5,630.3	382.7	6.8
Total deposits and funds under management	**69,443.6**	**68,907.5**	**536.1**	**0.8**	**68,822.6**	**621.0**	**0.9**
Deposits dissection - $m							
Retail	52,245.1	50,614.5	1,630.6	3.2	50,308.9	1,936.2	3.8
Wholesale	8,437.0	8,915.0	(478.0)	(5.4)	8,713.8	(276.8)	(3.2)
Securitisation	2,748.5	3,544.8	(796.3)	(22.5)	4,169.6	(1,421.1)	(34.1)
Total deposits	**63,430.6**	**63,074.3**	**356.3**	**0.6**	**63,192.3**	**238.3**	**0.4**
Deposits dissection - %							
Retail	82.4%	80.2%			79.6%		
Wholesale	13.3%	14.1%			13.8%		
Securitisation	4.3%	5.7%			6.6%		
Total deposits	**100.0%**	**100.0%**			**100.0%**		
Managed funds dissection - $m							
Assets under management	2,358.4	2,200.0	158.4	7.2	2,153.4	205.0	9.5
Other managed funds	3,654.6	3,633.2	21.4	0.6	3,476.9	177.7	5.1
Total managed funds	**6,013.0**	**5,833.2**	**179.8**	**3.1**	**5,630.3**	**382.7**	**6.8**

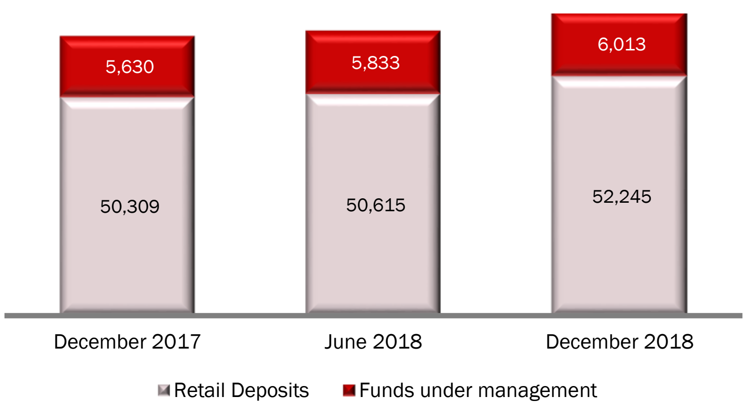
Assets under management include those funds deposited in the Sandhurst Trustees Limited Common Funds, which are invested in cash, cash enhanced and mortgage investments on behalf of investors. These funds are off-balance sheet.

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)



2.2.12 Capital and shareholder returns

2.2.12.1 Assets and capital

	As at Dec-18	As at Jun-18	Change		As at Dec-17	Change	
	$m	$m	$m	%	$m	$m	%
Group assets	71,685.1	71,439.8	245.3	0.3	71,261.9	423.2	0.6
Capital adequacy							
Total regulatory capital	5,193.7	4,916.0	277.7	5.6	4,891.7	302.0	6.2
Risk-weighted assets	37,539.0	38,256.4	(717.4)	(1.9)	37,689.6	(150.6)	(0.4)
	%	%	%		%	%	
Risk-weighted capital adequacy	13.84%	12.85%	0.99%	7.7	12.98%	0.86%	6.6
- Tier 1	11.15%	10.96%	0.19%	1.7	10.98%	0.17%	1.5
- Tier 2	2.69%	1.89%	0.80%	42.3	2.00%	0.69%	34.5
- Common Equity Tier 1	8.76%	8.62%	0.14%	1.6	8.61%	0.15%	1.7

2.2.12.2 Capital adequacy

The Australian Prudential Regulation Authority (APRA) guidelines require capital to be allocated against credit, operational and market risk.

Banks must maintain a ratio of qualifying capital (comprising Common Equity Tier 1, Additional Tier 1 and Tier 2 capital), to risk weighted assets.

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

Risk weighted capital ratios	Dec-18	Jun-18	Dec-17
Tier 1	11.15%	10.96%	10.98%
Tier 2	2.69%	1.89%	2.00%
Total capital ratio	**13.84%**	**12.85%**	**12.98%**
Common Equity Tier 1	**8.76%**	**8.62%**	**8.61%**

Regulatory capital	$m	$m	$m
Common Equity Tier 1			
Contributed capital	4,553.0	4,529.9	4,506.8
Retained profits and reserves	719.8	707.9	670.7
Accumulated other comprehensive income (and other reserves)	(26.0)	(23.9)	(26.0)
Less:			
Intangible assets, cash flow hedges and capitalised expenses	1,814.4	1,813.2	1,807.9
Net deferred tax assets	104.9	64.7	57.5
Equity exposures	36.9	36.8	40.6
Other adjustments as per APRA advice	1.2	1.5	1.6
Total common equity tier 1 capital	**3,289.4**	**3,297.7**	**3,243.9**
Additional Tier 1 capital instruments	895.9	895.9	895.9
Total Additional Tier 1 Capital	**895.9**	**895.9**	**895.9**
Total Tier 1 Capital	**4,185.3**	**4,193.6**	**4,139.8**
Tier 2			
Tier 2 capital instruments	822.4	547.4	575.5
General reserve for credit losses/collective provision (net of tax effect)	186.0	175.0	176.4
Total Tier 2 Capital	**1,008.4**	**722.4**	**751.9**
Total regulatory capital	**5,193.7**	**4,916.0**	**4,891.7**
Total risk weighted assets	**37,539.0**	**38,256.4**	**37,689.6**

2.2.12.2 Capital adequacy (continued)

	As at Dec-18	As at Jun-18	Change		As at Dec-17	Change	
Risk- weighted assets	$m	$m	$m	%	$m	$m	%
Credit risk	33,656.7	34,367.6	(710.9)	(2.1)	33,754.6	(97.9)	(0.3)
Market risk	175.7	212.4	(36.7)	(17.3)	293.6	(117.9)	(40.2)
Operational risk	3,706.6	3,676.4	30.2	0.8	3,641.4	65.2	1.8
Total risk-weighted assets	**37,539.0**	**38,256.4**	**(717.4)**	**(1.9)**	**37,689.6**	**(150.6)**	**(0.4)**

Key movements in capital in the December 2018 half year compared to the June 2018 half include:

> Common Tier 1

Dividend reinvestment plan - increased capital $23.1 million.

Retained earnings and net deferred tax assets decreased by $28.3 million mainly as a result of AASB 9 opening balance adjustments.

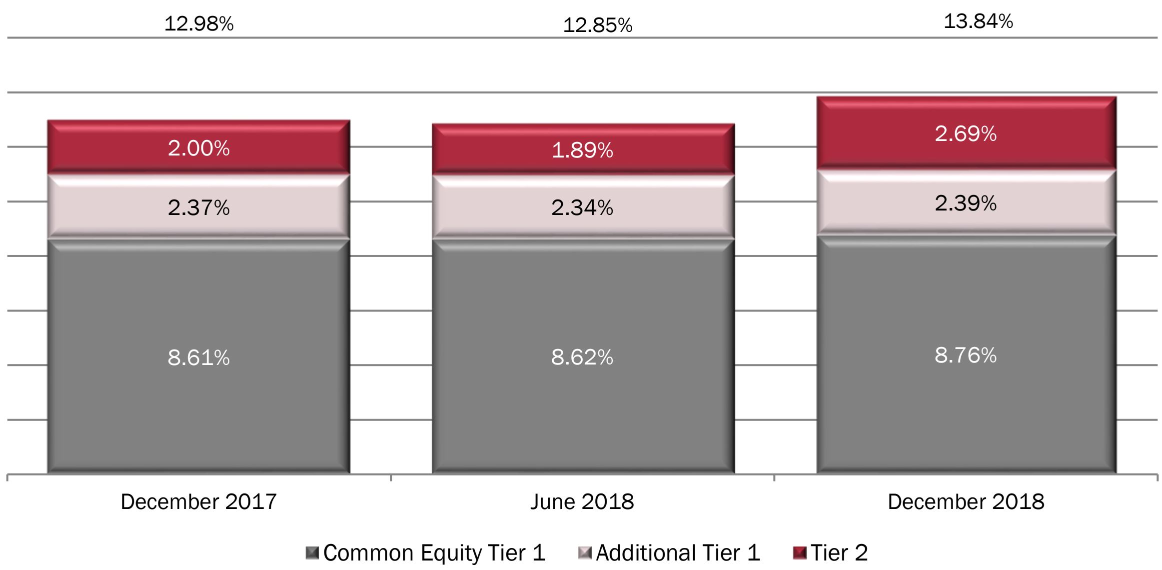
> Tier 2

In November 2018 additional subordinated notes were issued resulting in an increase to capital of $275.0 million.

> Risk weighted assets

Risk weighted assets decreased during the half by $717.4 million predominately due to a decrease in the loan portfolio.

Capital adequacy (%)



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

Pillar 3 Disclosures

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

2.2.12.3 Shareholder returns

Earnings per ordinary share	Dec-18 cents	Jun-18 cents	Change cents	Change %	Dec-17 cents	Change cents	Change %
Statutory earnings per ordinary share (weighted average)	41.7	41.8	(0.1)	(0.2)	48.1	(6.4)	(13.3)
Cash earnings per ordinary share (weighted average)	45.1	45.3	(0.2)	(0.4)	46.8	(1.7)	(3.6)
Diluted earnings per ordinary share (weighted average)	37.6	37.6	-	-	43.7	(6.1)	(14.0)

Weighted average number of ordinary shares	000's	000's	Change 000's	Change %	000's	Change 000's	Change %
Weighted average number of ordinary shares - used in basic and cash basis EPS calculations	487,722	485,176	2,546	0.5	481,535	6,187	1.3
Weighted average number of ordinary shares - used in diluted EPS calculations	574,129	572,105	2,024	0.4	558,104	16,025	2.9

Ratios	%	%	Change		%	Change	
Return on average ordinary equity (after tax)	7.34%	7.50%	(0.16%)		8.57%	(1.23%)	
Return on average ordinary equity (cash basis)	7.94%	8.13%	(0.19%)		8.33%	(0.39%)	
Return on average tangible equity (cash basis)	11.32%	11.33%	(0.01%)		11.71%	(0.39%)	
Return on average assets (after tax)	0.59%	0.59%	-		0.67%	(0.08%)	
Return on average assets (cash basis)	0.63%	0.64%	(0.01%)		0.65%	(0.02%)	

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.
Refer to 3.7.6 for Earnings used in above calculations.

June profit figures are for the June 2018 half year and balance sheet items are as at end of June 2018.

Dilutive preference shares include convertible preference shares.

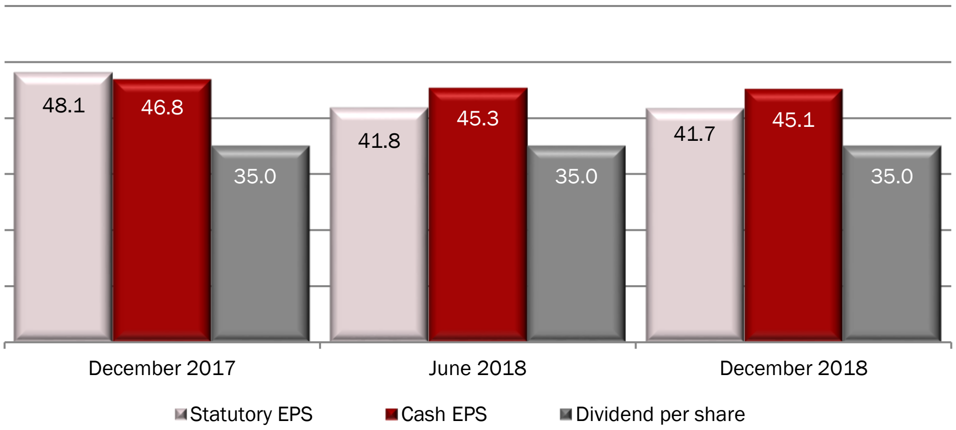
Ordinary equity for use in these ratios is represented by total ordinary shares and retained earnings.

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

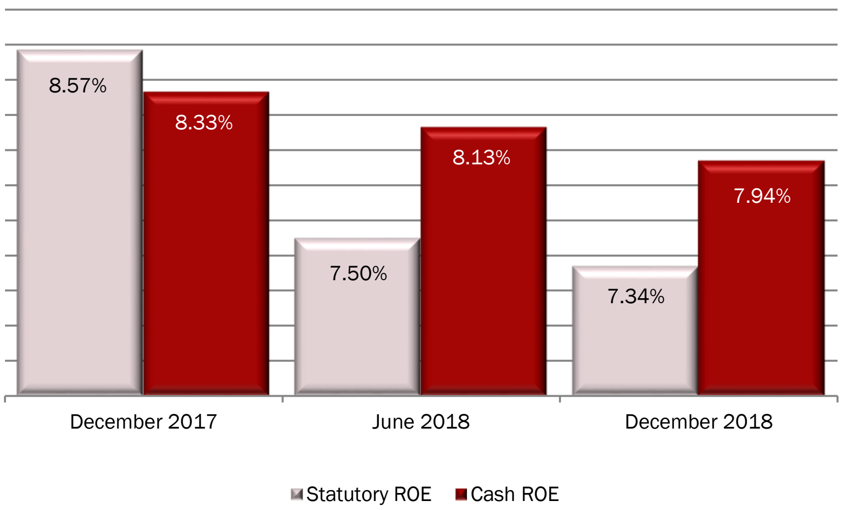
	As at Dec-18 $m	As at Jun-18 $m	Change $m	Change %	As at Dec-17 $m	Change $m	Change %
Ordinary issued capital	4,552.9	4,529.9	23.0	0.5	4,506.7	46.2	1.0
Retained earnings	986.5	975.9	10.6	1.1	938.2	48.3	5.1
Total ordinary equity	**5,539.4**	**5,505.8**	**33.6**	**0.6**	**5,444.9**	**94.5**	**1.7**
Average ordinary equity	**5,489.9**	**5,451.8**			**5,365.1**		
Average tangible ordinary equity	**3,853.3**	**3,914.3**			**3,815.6**		

2.2.12.3 Shareholder returns (continued)

Earnings per share and dividend per share (cents)



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



2.2.12.4 Dividends

	Dec-18	Jun-18	Change		Dec-17	Change	
				%			%
Dividend per share - cents	35.0	35.0	-	-	35.0	-	-
Dividend amount payable/paid - $m	166.9	166.0	0.9	0.5	165.1	1.8	1.1
Payout ratio - earnings per ordinary share [1]	83.9%	83.7%	0.2%	0.2	72.8%	11.1%	15.2
Payout ratio - cash basis per ordinary share [1]	77.6%	77.3%	0.3%	0.4	74.8%	2.8%	3.7

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

Dividend Reinvestment Plan

The Dividend Reinvestment Plan provides shareholders with the opportunity of converting their entitlement to a dividend into new shares. The issue price of the shares is equal to the volume weighted average share price of Bendigo and Adelaide Bank shares traded on the Australian Securities Exchange over the seven trading days commencing 6 March 2019. Shares issued under this Plan rank equally with all other ordinary shares.

Bonus Share Scheme

The Bonus Share Scheme provides shareholders with the opportunity to elect to receive a number of bonus shares issued for no consideration instead of receiving a dividend. The issue price of the shares is equal to the volume weighted average price of Bendigo and Adelaide Bank shares traded on the Australian Securities Exchange over the seven trading days commencing 6 March 2019. Shares issued under this scheme rank equally with all other ordinary shares.

The last date for the receipt of an election notice for participation in either the Dividend Reinvestment Plan or Bonus Share Scheme for the 2019 interim dividend is 5 March 2019.

2.3 Additional notes
2.3.1 Analysis of intangible assets

	Balance sheet Carrying value			Half year amortisation/ Impairment expense		
	Dec-18 $m	Jun-18 $m	Dec-17 $m	Dec-18 $m	Jun-18 $m	Dec-17 $m
Goodwill	1,442.3	1,442.3	1,442.3	-	-	-
Trustee licence	8.4	8.4	8.4	-	-	-
Software	220.6	190.4	195.0	16.0	14.5	13.5
Customer lists	0.2	0.7	1.3	0.4	0.7	0.7
Core deposits	-	-	-	-	-	3.2
Trade name	1.3	1.5	1.7	0.1	0.1	0.3
Customer relationship	1.7	2.2	2.8	0.6	0.6	1.6
Management rights - Adelaide Bank	4.0	4.5	5.0	0.5	0.5	0.5
Total goodwill and other intangible assets	**1,678.5**	**1,650.0**	**1,656.5**	**17.6**	**16.4**	**19.8**

2.3.2 Net tangible assets per share

	Dec-18	Jun-18	Dec-17
Net tangible assets per ordinary share	$7.99	$8.16	$8.06
	$m	$m	$m
Net tangible assets			
Net assets	5,585.3	5,620.3	5,556.4
Intangibles	(1,678.5)	(1,650.0)	(1,656.5)
Net tangible assets attributable to ordinary shareholders	**3,906.8**	**3,970.3**	**3,899.9**
Number of fully paid ordinary shares on issue - 000's	488,969	486,418	483,863

2.3.3 Investments accounted for using the equity method

	Ownership interest held by consolidated entity			
	December 2018 %	June 2018 %	December 2017 %	Balance date
Joint arrangements				
Community Sector Enterprises Pty Ltd	50.0	50.0	50.0	30 June
Homesafe Solutions Pty Ltd	50.0	50.0	50.0	30 June
Silver Body Corporate Financial Services Pty Ltd	50.0	50.0	50.0	30 June
Associates				
Aegis Group [1]	49.5	49.5	49.5	30 June
Bendigo Telco Ltd	30.5	30.5	30.5	30 June
Dancoor Community Finances Ltd	49.0	49.0	49.0	30 June
Homebush Financial Services Ltd	49.0	49.0	49.0	30 June
TicToc Online Pty Ltd	28.6	32.7	30.7	30 June

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

All joint arrangements and associates are incorporated in Australia.

2.3.4 Credit ratings

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

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

On 19 December 2018, Fitch Ratings, the international ratings agency affirmed Bendigo and Adelaide Bank Ltd's long term rating at 'A-', and affirmed the short term rating of 'F2' and its support rating of '3', and the Bank's viability rating of 'A-'. The outlook remains stable. Fitch commented that the ratings reflect the Bank's conservative risk appetite and improved risk controls, which supports its consistently strong asset quality, while maintaining solid profitability.

On 20 December 2018, Moody's affirmed its long-term issuer rating at 'A3' and short term rating at 'P-2', with a stable outlook. Moody's commented that the ratings reflect the Bank's strong credit profile characterized by its well-developed franchise centered around community banking, conservative management historically focused on low-risk lending, stable asset quality, strong funding structure and good capital adequacy.

2.3.5 Issued capital

Changes to issued and quoted securities during the period:

Ordinary Shares [1]	Number of Shares	$m
Fully paid ordinary shares at 30 June 2018	486,418,481	4,529.9
Shares issued:		
30 September 2018 - Dividend reinvestment plan at $10.74	2,151,250	23.0
30 September 2018 - Bonus share scheme (in lieu of dividend payment) at $10.74	399,626	-
Total ordinary shares at 31 December 2018	**488,969,357**	**4,552.9**

[1] BEN - ASX code Ordinary Fully Paid Shares

Half Year Financial Report

For the period ended 31 December 2018

Released 11 February 2019

ABN 11 068 049 178

Bendigo and Adelaide Bank

This report comprises information given to the ASX under listing rule 4.2A.

Information contained in this report should be read in conjunction with the June 2018 annual financial report.

3 Statutory half year financial report

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)
Marnie Baker (managing director) (appointed 2 July 2018)
Vicki Carter (appointed 4 September 2018)
Jan Harris
Jim Hazel
Jacqueline Hey
Mike Hirst (retired 1 July 2018)
Robert Hubbard
David Matthews
Deb Radford (retired 30 October 2018)
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 7000

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 7000
Email: share.register@bendigoadelaide.com.au

Auditors

Ernst & Young
Australia

3.1 Directors' report

Your Directors submit their report for the half year ended 31 December 2018.

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)

Marnie Baker (managing director) (appointed 2 July 2018)

Vicki Carter (appointed 4 September 2018)

Jan Harris

Jim Hazel

Jacqueline Hey

Mike Hirst (retired 1 July 2018)

Robert Hubbard

David Matthews

Deb Radford (retired 30 October 2018)

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 a decrease in cash earnings during the half year when compared to the previous corresponding period.

Total income from operations decreased by $52.7 million, or 6.3%, to $790.2 million when compared with the half year ended 31 December 2017.

Profit before tax decreased by $42.1 million, or 12.4%, to $297.0 million when compared to the previous corresponding period. Profit after tax (attributable to owners of the Company) decreased by $28.5 million to $203.2 million when compared to the previous corresponding period.

Group assets increased by 0.6%, or $0.42 billion, when compared with the half year ended 31 December 2017. Group assets at 31 December 2018 were $71.7 billion.

The total capital adequacy ratio increased during the half year from 12.85% to 13.84%. Tier 1 capital increased during the half year from 10.96% to 11.15%, with Tier 2 capital increasing from 1.89% to 2.69%. The Common Equity Tier 1 ratio increased during the half year from 8.62% to 8.76%.

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

> CPS2 186.49 cents per share, paid on 30 November 2018

> CPS3 218.71 cents per share, paid on 17 December 2018

> CPS4 102.6 cents per share, paid on 13 September 2018 and 99.07 cents per share, paid on 13 December 2018

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

Final dividend of 35.0 cents per share, paid on 28 September 2018 in respect of the year ended 30 June 2018

Interim dividend of 35.0 cents per share, declared on 11 February 2019, payable on 29 March 2019

3.1 Directors' report (continued)
3.1.3 Significant changes in the state of affairs

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

On 30 September 2018, 2,151,250 shares were allotted at an issue price of $10.74 to those shareholders participating in the Dividend Reinvestment Plan, increasing share capital by $23.0 million. Further to this, 399,626 shares were allotted under the bonus share scheme.

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

3.1.4 Events after balance sheet date

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

Commissioner Kenneth Hayne delivered 76 recommendations in his final report on the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, which was released on 4 February 2019. The impact of these recommendations to the Group will take time to be properly understood.

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 2018. 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 2018. 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

Robert Johanson, Chairman
Bendigo
11 February 2019

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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

As lead auditor for the review of Bendigo and Adelaide Bank Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

i. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

Graeme McKenzie
Partner
Melbourne

11 February 2019

3.2 Income statement
For the half year ended 31 December 2018

		Consolidated		
		Dec-18 [1]	Jun-18	Dec-17
	Note	$m	$m	$m
Net interest income				
Interest income		1,341.5	1,316.2	1,343.4
Interest expense		(694.3)	(668.7)	(685.7)
Total net interest income		**647.2**	**647.5**	**657.7**
Other revenue				
Fees		84.8	83.2	84.7
Commissions		37.3	36.5	35.2
Other income		20.9	33.4	65.3
Total other revenue		**143.0**	**153.1**	**185.2**
Total income		**790.2**	**800.6**	**842.9**
Expenses				
Bad and doubtful debts on net loans and other receivables		(25.5)	(24.3)	(46.3)
Other expenses				
Staff and related costs		(255.6)	(252.3)	(245.0)
Occupancy costs		(45.9)	(46.1)	(44.9)
Information technology costs		(39.6)	(39.2)	(37.8)
Amortisation of intangibles		(17.6)	(16.4)	(19.8)
Property, plant and equipment costs		(5.6)	(5.7)	(5.8)
Fees and commissions		(17.3)	(17.6)	(17.6)
Communications, postage and stationery		(15.4)	(14.2)	(15.6)
Advertising and promotion		(13.8)	(14.0)	(14.0)
Other product and services delivery costs		(16.2)	(14.2)	(16.0)
Other operating expenses		(40.7)	(61.2)	(41.0)
Total other expenses		**(467.7)**	**(480.9)**	**(457.5)**
Profit before income tax expense		**297.0**	**295.4**	**339.1**
Income tax expense	3.7.4	(93.8)	(92.6)	(107.4)
Net profit attributable to owners of the parent		**203.2**	**202.8**	**231.7**
Earnings per ordinary share (cents per share):		cents	cents	cents
Basic	3.7.6	41.7	41.8	48.1
Diluted	3.7.6	37.6	37.6	43.7
Franked dividends	3.7.5	35.0	35.0	35.0

3.3 Statement of comprehensive income
For the half year ended 31 December 2018

	Dec-18 [1]	Jun-18	Dec-17
	$m	$m	$m
Profit for the period ended	**203.2**	**202.8**	**231.7**
Items which may be reclassified subsequently to profit or loss:			
Net gain/(loss) on available for sale - equity investments	-	0.1	0.1
Net unrealised gain/(loss) on available for sale - debt securities	-	(0.1)	-
Revaluation gain/(loss) on debt instruments at fair value through other comprehensive income	(0.3)	-	-
Net gain/(loss) on cash flow hedges taken to equity	(1.9)	0.6	10.3
Tax effect on items taken directly to or transferred from equity	0.6	(0.2)	(3.1)
Total items that may be reclassified to profit or loss	**(1.6)**	**0.4**	**7.3**
Items which will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on superannuation defined benefits plan	(0.5)	-	0.4
Tax effect on items taken directly to or transferred from equity	0.1	-	(0.1)
Total items that will not be reclassified to profit or loss	**(0.4)**	**-**	**0.3**
Total comprehensive income for the period	**201.2**	**203.2**	**239.3**

[1] December 2018 results have been prepared in accordance with AASB 9; prior periods have not been restated.

Further information can be found in Note 3.7.2.2 'Changes in Accounting Policies'.

3.4 Balance sheet
As at 31 December 2018

	Note	Consolidated As at Dec-18 [1] $m	As at Jun-18 $m	As at Dec-17 $m
Assets				
Cash and cash equivalents		1,898.9	1,137.4	1,050.9
Due from other financial institutions		169.7	283.0	156.2
Financial assets fair value through profit or loss (FVTPL)		4,693.6	4,499.5	5,869.5
Financial assets available for sale		-	469.0	427.3
Financial assets held to maturity		-	413.2	338.1
Financial assets - amortised cost		245.9	-	-
Financial assets fair value through other comprehensive income (FVOCI)		691.5	-	-
Derivatives		54.9	29.7	58.2
Net loans and other receivables		60,853.0	61,601.8	60,400.0
Investments accounted for using the equity method		9.0	8.9	8.7
Property, plant and equipment		68.4	69.9	78.2
Deferred tax assets		156.5	117.0	112.1
Investment property		745.2	735.7	709.8
Goodwill and other intangible assets		1,678.5	1,650.0	1,656.5
Other assets		420.0	424.7	396.4
Total Assets		**71,685.1**	**71,439.8**	**71,261.9**
Liabilities				
Due to other financial institutions		107.2	352.5	176.7
Deposits		60,682.1	59,529.5	59,022.7
Notes payable		2,748.5	3,544.8	4,169.6
Derivatives		44.0	34.8	40.2
Income tax payable		13.5	51.5	31.5
Provisions		124.9	136.6	129.8
Deferred tax liabilities		139.9	130.9	133.0
Other payables		371.0	448.8	413.7
Convertible preference shares		884.5	880.9	879.4
Subordinated debt		984.2	709.2	708.9
Total Liabilities		**66,099.8**	**65,819.5**	**65,705.5**
Net Assets		**5,585.3**	**5,620.3**	**5,556.4**
Equity				
Share capital	3.7.9	4,547.0	4,523.3	4,499.4
Reserves		51.8	121.1	118.8
Retained earnings		986.5	975.9	938.2
Total Equity		**5,585.3**	**5,620.3**	**5,556.4**

[1] December 2018 results have been prepared in accordance with AASB 9; prior periods have not been restated. Further information can be found in Note 3.7.2.2 'Changes in Accounting Policies'.

3.5 Statement of changes in equity
For the half year ended 31 December 2018

	Attributable to owners of Bendigo and Adelaide Bank Limited				
	Issued ordinary capital $m	Other issued capital [1] $m	Retained earnings $m	Reserves $m	Total equity $m
Opening balance at 1 July 2018	**4,529.9**	**(6.6)**	**975.9**	**121.1**	**5,620.3**
Restated for adoption of new accounting standards [2]	-	-	(11.1)	(82.8)	(93.9)
Comprehensive income:					
Profit for the period	-	-	203.2	-	203.2
Other comprehensive income	-	-	(0.4)	(1.6)	(2.0)
Total comprehensive income for the period	**-**	**-**	**202.8**	**(1.6)**	**201.2**
Transactions with owners in their capacity as owners:					
Shares issued	23.0	-	-	-	23.0
Reduction in employee share ownership plan (ESOP) shares	-	0.7	-	-	0.7
Movement in General reserve for credit losses	-	-	(15.7)	15.7	-
Movement in share based payment	-	-	0.8	(0.8)	-
Movement in operational risk reserve	-	-	(0.2)	0.2	-
Equity dividends	-	-	(166.0)	-	(166.0)
At 31 December 2018	**4,552.9**	**(5.9)**	**986.5**	**51.8**	**5,585.3**

For the half year ended 30 June 2018

	$m	$m [1]	$m	$m	$m
Opening balance at 1 January 2018	**4,506.7**	**(7.3)**	**938.2**	**118.8**	**5,556.4**
Comprehensive income:					
Profit for the period	-	-	202.8	-	202.8
Other comprehensive income	-	-	-	0.4	0.4
Total comprehensive income for the period	**-**	**-**	**202.8**	**0.4**	**203.2**
Transactions with owners in their capacity as owners:					
Shares issued	23.2	-	-	-	23.2
Reduction in employee share ownership plan (ESOP) shares	-	0.7	-	-	0.7
Movement in share based payment	-	-	0.3	1.7	2.0
Movement in operational risk reserve	-	-	(0.3)	0.2	(0.1)
Equity dividends	-	-	(165.1)	-	(165.1)
At 30 June 2018	**4,529.9**	**(6.6)**	**975.9**	**121.1**	**5,620.3**

For the half year ended 31 December 2017

	$m	$m [1]	$m	$m	$m
Opening balance at 1 July 2017	**4,456.7**	**(8.0)**	**864.6**	**112.3**	**5,425.6**
Comprehensive income:					
Profit for the period	-	-	231.7	-	231.7
Other comprehensive income	-	-	0.3	7.3	7.6
Total comprehensive income for the period	**-**	**-**	**232.0**	**7.3**	**239.3**
Transactions with owners in their capacity as owners:					
Shares issued	50.0	-	-	-	50.0
Reduction in employee share ownership plan (ESOP) shares	-	0.7	-	-	0.7
Movement in share based payment	-	-	2.3	(1.6)	0.7
Transfer from asset revaluation reserve	-	-	0.4	(0.4)	-
Movement in operational risk reserve	-	-	(1.2)	1.2	-
Equity dividends	-	-	(159.9)	-	(159.9)
At 31 December 2017	**4,506.7**	**(7.3)**	**938.2**	**118.8**	**5,556.4**

[1] refer to note 3.7.9 Share capital for further details

[2] December 2018 results have been prepared in accordance with AASB 9; prior periods have not been restated.

Further information can be found in Note 3.7.2.2 'Changes in Accounting Policies'.

3.6 Cash flow statement
For the half year ended 31 December 2018

	Note	Consolidated Dec-18 [1] $m	Jun-18 $m	Dec-17 $m
Cash flows from operating activities				
Interest and other items of a similar nature received		1,308.8	1,396.1	1,265.8
Interest and other costs of finance paid		(698.6)	(720.6)	(659.3)
Receipts from customers (excluding effective interest)		142.9	140.8	144.0
Payments to suppliers and employees		(602.7)	(458.2)	(540.2)
Dividends received		0.3	0.1	1.2
Income taxes paid		(121.2)	(79.6)	(95.6)
Cash flows from operating activities before changes in operating assets and liabilities		**29.5**	**278.6**	**115.9**
(Increase)/decrease in operating assets				
Net decrease/(increase) in balance of loans and other receivables		629.0	(1,229.0)	324.9
Net (increase)/decrease in balance of investment securities		(232.2)	1,262.2	(222.8)
Increase/(decrease) in operating liabilities				
Net (decrease)/increase in balance of deposits		1,152.5	506.8	(271.4)
Net (decrease) increase in balance of notes payable		(796.3)	(624.8)	211.2
Net cash flows from/(used in) operating activities		**782.5**	**193.8**	**157.8**
Cash flows related to investing activities				
Cash paid for purchases of property, plant and equipment		(8.8)	(4.0)	(11.4)
Cash proceeds from sale of property, plant and equipment		0.4	0.9	0.4
Cash paid for purchases of investment property		(36.6)	(29.9)	(29.1)
Cash proceeds from sale of investment property		21.8	19.9	25.1
Cash proceeds from sale of equity investments		0.1	-	-
Cash paid for purchases of equity investments		-	(0.1)	-
Proceeds from return of capital/dividend from JV partners		1.3	1.1	0.9
Cash paid for purchases of intangible assets		-	(2.9)	-
Net cash flows used in investing activities		**(21.8)**	**(15.0)**	**(14.1)**
Cash flows from financing activities				
Proceeds from issue of ordinary/convertible preference shares		-	3.2	52.6
Proceeds from subordinated debt holders		275.1	0.3	0.2
Dividends paid		(142.9)	(144.9)	(106.9)
Repayment of ESOP shares		0.6	0.7	0.7
Payment of shares issue costs		-	(0.6)	(5.9)
Net cash flows (used in)/from financing activities		**132.8**	**(141.3)**	**(59.3)**
Net increase/(decrease) in cash and cash equivalents		893.5	37.5	84.4
Cash and cash equivalents at the beginning of period		1,067.9	1,030.4	946.0
Cash and cash equivalents at the end of period	3.7.8	**1,961.4**	**1,067.9**	**1,030.4**

[1] December 2018 results have been prepared in accordance with AASB 9; prior periods have not been restated. Further information can be found in Note 3.7.2.2 'Changes in Accounting Policies'.

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 2018 was authorised for issue in accordance with a resolution of the Directors on 11 February 2019.

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 2018, 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 2018 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 the financial report have been rounded to the nearest one hundred thousand dollars ($'00,000) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

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

New and amended standards and interpretations

The Group applied AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. The nature and effect of the changes as a result of the adoption of these new accounting standards has been described below.

AASB 9 *Financial Instruments*

AASB 9 has been applied retrospectively from 1 July 2018. In accordance with the transition requirements, comparatives have not been restated.

(a) Classification and measurement

Financial assets

The Group now subsequently measures its financial assets at either amortised cost or fair value depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset is measured at amortised cost only if both of the following conditions are met:

> the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.

> the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, being 1 July 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 July 2018. The assessment of whether contractual cash flows are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The following summarises the key changes made to the classification and measurement of the Group's financial assets:

> The 'Financial assets available for sale' and 'Financial assets held to maturity' categories have been removed.

> A new asset category for debt instruments measured at fair value through other comprehensive income (FVOCI) was introduced. This new category applies to debt securities with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Changes in fair value are recognised directly in equity. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement.

> A new asset category was introduced for equity instruments that are not held for trading. Where an irrevocable election has been made by management the financial asset is measured at fair value through other comprehensive income (FVOCI). Upon disposal amounts previously recognised in other comprehensive income are unable to be transferred to the income statement. A significant portion of the Group's available for sale equity instruments were classified in this category.

Financial liabilities

Classification of financial liabilities remains unchanged for the Group. Financial liabilities continue to be measured at either amortised cost or fair value through profit or loss.

(b) Impairment

The adoption of AASB 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by introducing a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Group to recognise a provision for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Key changes in the Group's accounting policy for impairment of financial assets are listed below:

> The Group incorporates past, current and forward-looking economic conditions when estimating expected losses.

> The Group applies a three stage approach to measuring expected credit losses. The three stages are as follows:

Stage 1: 12 month ECL, if the credit risk of the asset at the reporting date has not increased significantly since initial recognition;

Stage 2: lifetime ECL of assets which are considered to have experienced a significant increase in credit risk. Interest is accrued on the gross carrying value;

Stage 3: lifetime ECL of assets which are considered impaired. Interest is calculated on the net carrying value which takes into account any impairment.

At each reporting date, an assessment as to whether there has been a significant increase in credit risk for financial assets since initial recognition will be made by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition.

(c) Hedge accounting

The Group applied hedge accounting prospectively. At the date of initial application all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. As AASB 9 does not change the general principles of how an entity accounts for effective hedges, the application of AASB 9 did not have a significant impact to the Group.

(d) Classification and measurement

The following table summaries the impact on classification and measurement of the Group's financial assets and financial liabilities on 1 July 2018:

			As at 1 July 2018	
Balance sheet category	**Original measurement category under AASB 139**	**New measurement category under AASB 9**	**Carrying amount under AASB 139**	**Carrying amount under AASB 9**
			$m	**$m**
Financial assets				
Cash and cash equivalents	Amortised cost	Amortised cost	1,137.4	1,137.4
Due from other financial institutions	Amortised cost	Amortised cost	283.0	283.0
Financial assets held for trading	Fair value through profit or loss	Fair value through profit or loss	4,499.5	4,499.5
Financial assets available for sale (debt)	Fair value through reserves	Fair value through other comprehensive income (with recycling) [1]	202.7	202.8
Financial assets available for sale (debt)	Fair value through reserves	Amortised cost	238.6	238.6
Financial assets available for sale (equity)	Fair value through reserves	Fair value through other comprehensive income (no recycling) [2]	18.8	18.8

3.7 Notes to and forming part of the financial statements (continued)
3.7.2.2 Changes in accounting policies (continued)

(d) Classification and measurement (continued)

Balance sheet category	Original measurement category under AASB 139	New measurement category under AASB 9	As at 1 July 2018 Carrying amount under AASB 139 $m	 Carrying amount under AASB 9 $m
Financial assets (continued)				
Financial assets available for sale (debt)	Fair value through reserves	Fair value through other comprehensive income (with recycling) [1]	8.9	8.9
Financial assets held to maturity	Amortised cost	Fair value through other comprehensive income (with recycling) [1]	358.4	358.4
Financial assets held to maturity	Amortised cost	Amortised cost	54.7	54.7
Loans and other receivables	Amortised cost	Amortised cost	61,601.8	61,467.5
Financial liabilities				
Due to other financial institutions	Amortised cost	Amortised cost	352.5	352.5
Deposits	Amortised cost	Amortised cost	59,529.5	59,529.5
Notes payable	Amortised cost	Amortised cost	3,544.8	3,544.8
Preference shares	Amortised cost	Amortised cost	880.9	880.9
Subordinated debt	Amortised cost	Amortised cost	709.2	709.2

[1] FVOCI with subsequent recycling of realised gains or losses permitted on derecognition.

[2] FVOCI with no subsequent recycling of realised gains or losses permitted on derecognition.

The following table is a reconciliation of the carrying amount in the balance sheet from AASB 139 to AASB 9 as at 1 July 2018:

	AASB 139 carrying amount as at 30 June 2018 $m	Re-classification $m	Re-measurement $m	AASB 9 carrying amount as at 1 July 2018 $m
Financial assets available for sale	469.0	(469.0)	-	-
Financial assets held to maturity	413.2	(413.2)	-	-
Financial assets fair value through other comprehensive income (with recycling)	-	570.0	0.1	570.1
Financial assets fair value through other comprehensive income (without recycling)	-	18.8	-	18.8
Financial assets at amortised cost	-	293.4	-	293.4
Loans and receivables	61,601.8	-	(134.3)	61,467.5
Impact on deferred tax assets	117.4	-	40.3	157.7
Impact on reserves	(121.1)		82.8	(38.3)
Impact on retained earnings	(975.0)	-	11.1	(963.9)

The following table is a reconciliation of the closing impairment allowance in accordance with AASB 139 to the opening impairment allowance determined in accordance with AASB 9 as at 1 July 2018. Changes to the impairment allowance under AASB 9 are due to a remeasurement of impairment using the expected credit loss requirements.

	AASB 139 carrying amount as at 30 June 2018 $m	Re-classification $m	Re-measurement $m	AASB 9 carrying amount as at 1 July 2018 $m
Collective provision [1]	48.2	-	134.3	182.5
General reserve for credit losses	140.2	-	(82.9)	57.3

[1] Subsequent to initial disclosures provided in the Annual Financial Report for 30 June 2018, an adjustment of $21.5m was made to the carrying amount of the collective provision under AASB 9 for Great Southern as at 1 July 2018.

3.7 Notes to and forming part of the financial statements (continued)
3.7.2.2 Changes in accounting policies (continued)

AASB 15 *Revenue from Contracts with Customers*

AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group adopted AASB 15 from 1 July 2018, however, no material restatement was required.

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 2018.

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 2020 financial statements. The impacts of the adoption of the standard are currently being assessed.

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

- 2017-6 *Amendments to Australian Accounting Standards - Prepayment Features of Negative Compensation.*
- 2017-7 *Amendments to Australia Accounting Standards - long term interests in Associates and Joint Ventures.*
- 2018-1 *Annual improvements to IFRS Standards 2015-2017 Cycle.*
- 2018-2 *Amendments to Australian Accounting Standards - Plan amendment, Curtailment or Settlement.*
- AASB Interpretation 23, and relevant amending standards. *Uncertainty over Income Tax Treatments.*

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 is a non-IFRS key financial performance measure used by the Group, the investment community and other Australian banks with similar business portfolios. As a non-IFRS financial measure, cash earnings has been prepared on a basis other than in accordance with Australian Accounting Standards.

The basis for determining cash earnings is the statutory profit after tax, adjusted for specific items after tax and 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 the Group's core activities and are not considered to be representative of the Group's ongoing financial performance.

Collective Provision

The determination of a significant increase in credit risk takes into account many different factors and will vary by product and business segment. The main factors considered in making this determination are relative and absolute changes in the 12-month probability of default since origination and other criteria such as 30 days past due, hardship and watch-list status. The Group uses reasonable and supportable information that is relevant and available without undue cost.

AASB 9 requires the consideration of past events, current market conditions and reasonable forward–looking information about future economic conditions in calculating the ECL. In assessing information about possible future economic conditions the Group utilises multiple economic scenarios representing a base case; mild deterioration, harsh, benign and improved. The scenarios will be probability weighted according to a best estimate of their relative likelihood based on historical frequency and current trends and conditions. The various economic scenarios and the modelled output will be reviewed by management and assessed for completeness. Management adjustments may be required where known or expected risks and information have not been considered within the models.

3.7.3 Segment results

Segment reporting

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

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

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

Consumer

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

Business

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

Agribusiness

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

Central functions

The 'Corporate' category includes all functions that are not directly related to a reportable operating segment.

Accounting policies and inter-segment transactions

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

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

Major customers

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

Geographic Information

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

For the half year ended 31 December 2018

	Operating segments					
	Consumer	Business	Agribusiness	**Total operating segments**	Central functions	**Total**
	$m	$m	$m	**$m**	$m	**$m**
Net interest income	400.9	164.7	81.6	**647.2**	-	**647.2**
Other income	109.5	19.4	7.7	**136.6**	6.4	**143.0**
Total segment income	**510.4**	**184.1**	**89.3**	**783.8**	**6.4**	**790.2**
Operating expenses	(307.1)	(122.0)	(38.6)	**(467.7)**	-	**(467.7)**
Credit expenses	(12.0)	(18.4)	4.9	**(25.5)**	-	**(25.5)**
Segment result (before tax)	**191.3**	**43.7**	**55.6**	**290.6**	**6.4**	**297.0**
Tax expense	(60.4)	(13.8)	(17.6)	**(91.8)**	(2.0)	**(93.8)**
Segment result (statutory basis)	**130.9**	**29.9**	**38.0**	**198.8**	**4.4**	**203.2**
Cash basis adjustments:						
Specific income & expense items	10.7	-	0.2	**10.9**	(0.4)	**10.5**
Other specific items	5.0	-	-	**5.0**	-	**5.0**
Amortisation of intangibles	0.3	0.8	-	**1.1**	-	**1.1**
Segment result (cash basis)	**146.9**	**30.7**	**38.2**	**215.8**	**4.0**	**219.8**

3.7.3 Segment results (continued)

For the half year ended 30 June 2018

	Operating segments					
	Consumer	Business	Agribusiness	Total operating segments	Central functions	Total
	$m	$m	$m	$m	$m	$m
Net interest income	397.3	170.1	80.1	**647.5**	-	**647.5**
Other income	128.1	18.3	4.6	**151.0**	2.1	**153.1**
Total segment income	**525.4**	**188.4**	**84.7**	**798.5**	**2.1**	**800.6**
Operating expenses	(318.8)	(118.8)	(36.8)	**(474.4)**	(6.5)	**(480.9)**
Credit expenses	(4.6)	(17.6)	(2.1)	**(24.3)**	-	**(24.3)**
Segment result (before tax)	**202.0**	**52.0**	**45.8**	**299.8**	**(4.4)**	**295.4**
Tax expense	(63.3)	(16.3)	(14.4)	**(94.0)**	1.4	**(92.6)**
Segment result (statutory basis)	**138.7**	**35.7**	**31.4**	**205.8**	**(3.0)**	**202.8**
Cash basis adjustments:						
Specific income & expense items	9.4	-	0.6	**10.0**	0.7	**10.7**
Other specific income and expense items	5.0	-	-	**5.0**	-	**5.0**
Amortisation of intangibles	0.4	0.9	-	**1.3**	-	**1.3**
Segment result (cash basis)	**153.5**	**36.6**	**32.0**	**222.1**	**(2.3)**	**219.8**

For the half year ended 31 December 2017

	$m	$m	$m	$m	$m	$m
Net interest income	404.2	170.1	83.4	**657.7**	-	**657.7**
Other income	156.7	17.8	4.2	**178.7**	6.5	**185.2**
Total segment income	**560.9**	**187.9**	**87.6**	**836.4**	**6.5**	**842.9**
Operating expenses	(285.7)	(122.1)	(38.9)	**(446.7)**	(10.8)	**(457.5)**
Credit expenses	(13.1)	(32.5)	(0.7)	**(46.3)**	-	**(46.3)**
Segment result (before tax)	**262.1**	**33.3**	**48.0**	**343.4**	**(4.3)**	**339.1**
Tax expense	(83.0)	(10.5)	(15.2)	**(108.7)**	1.3	**(107.4)**
Segment result (statutory basis)	**179.1**	**22.8**	**32.8**	**234.7**	**(3.0)**	**231.7**
Cash basis adjustments:						
Specific income & expense items	(19.7)	0.4	2.9	**(16.4)**	(0.8)	**(17.2)**
Other specific income and expense items	6.3	-	-	**6.3**	-	**6.3**
Amortisation of intangibles	2.4	0.9	1.2	**4.5**	-	**4.5**
Segment result (cash basis)	**168.1**	**24.1**	**36.9**	**229.1**	**(3.8)**	**225.3**

	Operating segments					
	Consumer	Business	Agribusiness	Total operating segments	Central functions	Total
	$m	$m	$m	$m	$m	$m
As at 31 December 2018						
Reportable segment assets	43,590.7	11,810.6	6,569.1	**61,970.4**	9,714.7	**71,685.1**
Reportable segment liabilities	35,599.4	13,935.8	4,365.5	**53,900.7**	9,450.6	**63,351.3**
As at 30 June 2018						
Reportable segment assets	43,114.3	12,695.7	6,542.3	**62,352.3**	9,087.5	**71,439.8**
Reportable segment liabilities	34,380.4	13,684.9	4,235.5	**52,300.8**	9,973.9	**62,274.7**
As at 31 December 2017						
Reportable segment assets	42,424.1	12,597.9	6,090.7	**61,112.7**	10,149.2	**71,261.9**
Reportable segment liabilities	34,642.8	13,702.1	3,810.2	**52,155.1**	9,380.8	**61,535.9**

Reportable segment assets and liabilities	As at 31 December 2018	As at 30 June 2018	As at 31 December 2017
Total assets for operating segments	71,685.1	71,439.8	71,261.9
Total assets	**71,685.1**	**71,439.8**	**71,261.9**
Total liabilities for operating segments	63,351.3	62,274.7	61,535.9
Securitisation funding	2,748.5	3,544.8	4,169.6
Total liabilities	**66,099.8**	**65,819.5**	**65,705.5**

3.7.4 Income tax
For the half year ended 31 December 2018

The major components of income tax expense for the half year ended 31 December 2018 are:

	Dec-18 $m	Jun-18 $m	Dec-17 $m
Current income tax			
Current income tax charge	(88.5)	(99.7)	(105.4)
Deferred income tax			
Relating to origination and reversal of temporary differences	(5.3)	7.1	(2.0)
Income tax expense reported in the income statement	**(93.8)**	**(92.6)**	**(107.4)**

3.7.5 Dividends paid and payable

	December 2018 interim dividend		
	Amount per share cents	Franked amount per share - %	Total amount $m
On 11 February 2019, the directors declared the following dividend:	35.0	100.0	166.9

	Dec-18			Jun-18			Dec-17		
Ordinary shares [1]	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
	June 2018 final dividend			December 2017 interim dividend			June 2017 final dividend		
Dividends paid during the half-year	Sept 2018	35.0	166.0	Mar 2018	35.0	165.1	Sept 2017	34.0	159.9
Convertible non-cumulative preference shares (recorded as debt instruments) [2]									
Dividends paid during the half-year:							Dec 2017	240.4	6.5
Convertible non-cumulative preference shares (CPS2) (recorded as debt instruments) [3]									
Dividends paid during the half-year:	Nov 2018	186.5	5.4	May 2018	177.7	5.2	Nov 2017	178.9	5.2
Convertible non-cumulative preference shares (CPS3) (recorded as debt instruments) [4]									
Dividends paid during the half-year:	Dec 2018	218.7	6.2	June 2018	207.7	5.9	Dec 2017	205.3	5.8
Converting preference shares (CPS4) (recorded as debt instruments) [5]									
Dividends paid during the half-year:	Sept 2018	102.6	3.3	Mar 2018	95.1	3.1			
	Dec 2018	99.1	3.2	Jun 2018	100.1	3.2			

[1] BEN - ASX code - Ordinary Fully Paid Shares
[2] BENPD - ASX code - Convertible Non-Cumulative Preference Shares (CPS). These shares were redeemed in December 2017.
[3] BENPE - ASX code - Convertible Non-Cumulative Preference Shares (CPS2). These shares were issued in October 2014.
[4] BENPF - ASX code - Convertible Non-Cumulative Preference Shares (CPS3). These shares were issued in June 2015.
[5] BENPG - ASX code - Converting Preference Shares (CPS4). These shares were issued in December 2017. First dividend payment was made in March 2018.

3.7.6 Earnings per ordinary share

Earnings per ordinary share	Half Year Dec-18 cents per share	Half Year Jun-18 cents per share	Half Year Dec-17 cents per share
Basic	41.7	41.8	48.1
Cash basis	45.1	45.3	46.8
Diluted	37.6	37.6	43.7

	$m	$m	$m
Reconciliation of earnings used in the calculation of basic earnings per ordinary share			
Profit for the half-year (after tax)	203.2	202.8	231.7
Total basic earnings	**203.2**	**202.8**	**231.7**
Reconciliation of earnings used in the calculation of diluted earnings per ordinary share			
Earnings used in calculating basic earnings per ordinary share	203.2	202.8	231.7
Add back: dividends accrued and/or paid on dilutive preference shares	12.7	12.2	12.3
Total diluted earnings	**215.9**	**215.0**	**244.0**
Reconciliation of earnings used in the calculation of cash basis earnings per ordinary share			
Earnings used in calculating basic earnings per ordinary share	203.2	202.8	231.7
Add back: amortisation of acquired intangibles (after tax)	1.1	1.3	4.5
Add back: Specific income and expense items (after tax) [1]	10.5	10.7	(17.2)
Add back: Homesafe net realised income	5.0	5.0	6.3
Total cash earnings	**219.8**	**219.8**	**225.3**

	No. of shares	No. of shares	No. of shares
Weighted ave no. of ordinary shares used in basic and cash basis earnings per ordinary share	487,721,646	485,175,846	481,534,536
Effect of dilution - executive performance rights	1,036,604	1,409,099	1,004,185
Effect of dilution - convertible preference shares	85,370,695	85,520,430	75,565,514
Weighted ave no. of ordinary shares used in diluted earnings per ordinary share	**574,128,945**	**572,105,375**	**558,104,235**

[1] Specific income and expense items after tax comprise:	Dec-18 $m	Jun-18 $m	Dec-17 $m
Specific net interest income items			
Homesafe funding costs - unrealised	(6.4)	(5.3)	(6.7)
Fair value adjustments - interest expense	(0.2)	(0.3)	(0.5)
Specific other income items			
Hedge ineffectiveness	1.3	0.4	0.8
Homesafe revaluation gain/(loss)	(3.8)	11.1	27.7
Specific operating expense items			
Integration costs	-	(1.6)	(3.7)
Loss on sale of Telco business	-	(1.2)	-
Impairment charge	-	-	(0.4)
Compensation costs	(0.5)	(0.9)	-
Legal costs	(0.9)	(1.1)	-
Litigation costs	-	(11.8)	-
Total specific items attributable to the Group	**(10.5)**	**(10.7)**	**17.2**
Homesafe realised income			
Homesafe revaluation gain/(loss) - realised	(7.4)	(7.1)	(9.5)
Homesafe funding costs - realised	2.4	2.1	3.2
Total Homesafe realised income	**(5.0)**	**(5.0)**	**(6.3)**

3.7.7 Return on average ordinary equity

	Half year Dec-18 %	Half year Jun-18 %	Half year Dec-17 %
Return on average ordinary equity (after tax)	7.34	7.50	8.57
Return on average ordinary equity (cash basis)	7.94	8.13	8.33

Reconciliation of ordinary equity used in the calculation of return on average ordinary equity	As at Dec-18 $m	As at Jun-18 $m	As at Dec-17 $m
Ordinary issued capital	4,552.9	4,529.9	4,506.7
Retained earnings	986.5	975.9	938.2
Total ordinary equity	**5,539.4**	**5,505.8**	**5,444.9**
Average ordinary equity [1]	**5,489.9**	**5,451.8**	**5,365.1**

[1] 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 2018 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-18 $m	As at Jun-18 $m	As at Dec-17 $m
Cash and cash equivalents	1,898.9	1,137.4	1,050.9
Due from other financial institutions	169.7	283.0	156.2
Due to other financial institutions	(107.2)	(352.5)	(176.7)
Total cash and cash equivalents	**1,961.4**	**1,067.9**	**1,030.4**

Recognition and measurement

Cash and cash equivalents include cash on hand, deposits held at call with banks, bank overdrafts, reserve purchase agreements 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 Share capital

	As at Dec-18		As at Jun-18		As at Dec-17	
	No. Of shares	Total $m	No. Of shares	Total $m	No. Of shares	Total $m
Issued and paid up capital						
Ordinary shares fully paid	488,969,357	4,552.9	486,418,481	4,529.9	483,862,607	4,506.7
Employee share ownership plan shares	-	(5.9)	-	(6.6)	-	(7.3)
		4,547.0		**4,523.3**		**4,499.4**
	No. Of shares	Total $m	No. Of shares	Total $m	No. Of shares	Total $m
Movements in ordinary shares						
Opening balance	486,418,481	4,529.9	483,862,607	4,506.7	479,206,464	4,456.7
Bonus share scheme	399,626	-	396,330	-	266,098	-
Dividend reinvestment plan	2,151,250	23.0	2,159,544	23.2	4,390,045	50.0
Closing balance	**488,969,357**	**4,552.9**	**486,418,481**	**4,529.9**	**483,862,607**	**4,506.7**

	Dec-18 $m	Jun-18 $m	Dec-17 $m
Movements in Employee share ownership plan			
Opening balance	(6.6)	(7.3)	(8.0)
Reduction in employee share ownership plan shares	0.7	0.7	0.7
Closing balance	**(5.9)**	**(6.6)**	**(7.3)**

3.7.10 Financial instruments

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 through profit or loss		At fair value through other comprehensive income	Held at amortised cost		
	Derivatives	Financial assets	Financial assets	Loans and receivables	Other financial instruments	Total
31 December 2018	$m	$m	$m	$m	$m	$m
Financial assets						
Cash and cash equivalents	-	-	-	-	1,898.9	1,898.9
Due from other financial institutions	-	-	-	-	169.7	169.7
Financial assets amortised cost	-	-	-	-	245.9	245.9
Financial assets FVTPL	-	4,693.6	-	-	-	4,693.6
Financial assets FVOCI	-	-	691.5	-	-	691.5
Loans & other receivables	-	-	-	60,853.0	-	60,853.0
Derivatives	54.9	-	-	-	-	54.9
Total financial assets	**54.9**	**4,693.6**	**691.5**	**60,853.0**	**2,314.5**	**68,607.5**
Financial liabilities						
Due to other financial institutions	-	-	-	-	107.2	107.2
Deposits	-	-	-	-	60,682.1	60,682.1
Notes payable	-	-	-	-	2,748.5	2,748.5
Derivatives	44.0	-	-	-	-	44.0
Preference shares	-	-	-	-	884.5	884.5
Subordinated debt	-	-	-	-	984.2	984.2
Total financial liabilities	**44.0**	**-**	**-**	**-**	**65,406.5**	**65,450.5**

	Held at fair value through profit or loss	At fair value through profit or loss	At fair value through reserves	Held at amortised cost		
	Derivatives	Held for trading	Available for sale	Loans and receivables	Other financial instruments	Total
30 June 2018	$m	$m	$m	$m	$m	$m
Financial assets						
Cash and cash equivalents	-	-	-	-	1,137.4	1,137.4
Due from other financial institutions	-	-	-	-	283.0	283.0
Financial assets held to maturity	-	-	-	-	413.2	413.2
Financial assets held for trading	-	4,499.5	-	-	-	4,499.5
Financial assets available for sale	-	-	469.0	-	-	469.0
Loans & other receivables	-	-	-	61,601.8	-	61,601.8
Derivatives	29.7	-	-	-	-	29.7
Total financial assets	**29.7**	**4,499.5**	**469.0**	**61,601.8**	**1,833.6**	**68,433.6**
Financial liabilities						
Due to other financial institutions	-	-	-	-	352.5	352.5
Deposits	-	-	-	-	59,529.5	59,529.5
Notes payable	-	-	-	-	3,544.8	3,544.8
Derivatives	34.8	-	-	-	-	34.8
Preference shares	-	-	-	-	880.9	880.9
Subordinated debt	-	-	-	-	709.2	709.2
Total financial liabilities	**34.8**	**-**	**-**	**-**	**65,016.9**	**65,051.7**

3.7.10 Financial instruments (continued)

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

	Held at fair value through profit or loss	At fair value through profit or loss	At fair value through reserves	Held at amortised cost		
	Derivatives	Held for trading	Available for sale	Loans and receivables	Other financial instruments	Total
31 December 2017	$m	$m	$m	$m	$m	$m
Financial assets						
Cash and cash equivalents	-	-	-	-	1,050.9	1,050.9
Due from other financial institutions	-	-	-	-	156.2	156.2
Financial assets held to maturity	-	-	-	-	338.1	338.1
Financial assets held for trading	-	5,869.5	-	-	-	5,869.5
Financial assets available for sale	-	-	427.3	-	-	427.3
Loans & other receivables	-	-	-	60,400.0	-	60,400.0
Derivatives	58.2	-	-	-	-	58.2
Total financial assets	**58.2**	**5,869.5**	**427.3**	**60,400.0**	**1,545.2**	**68,300.2**
Financial liabilities						
Due to other financial institutions	-	-	-	-	176.7	176.7
Deposits	-	-	-	-	58,502.0	58,502.0
Notes payable	-	-	-	-	4,690.3	4,690.3
Derivatives	40.2	-	-	-	-	40.2
Preference shares	-	-	-	-	879.4	879.4
Subordinated debt	-	-	-	-	708.9	708.9
Total financial liabilities	**40.2**	**-**	**-**	**-**	**64,957.3**	**64,997.5**

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
31 December 2018	$m	$m	$m	$m	$m
Financial assets FVPTL	-	4,693.6	-	4,693.6	4,693.6
Financial assets FVOCI	0.1	672.8	18.6	691.5	691.5
Derivatives	-	54.9	-	54.9	54.9
Total financial assets carried at fair value	**0.1**	**5,421.3**	**18.6**	**5,440.0**	**5,440.0**
Derivatives	-	44.0	-	44.0	44.0
Total financial liabilities carried at fair value	**-**	**44.0**	**-**	**44.0**	**44.0**
30 June 2018					
Financial assets held for trading	-	4,499.5	-	4,499.5	4,499.5
Financial assets available for sale	0.1	450.3	18.6	469.0	469.0
Derivatives	-	29.7	-	29.7	29.7
Total financial assets carried at fair value	**0.1**	**4,979.5**	**18.6**	**4,998.2**	**4,998.2**
Derivatives	-	34.8	-	34.8	34.8
Total financial liabilities carried at fair value	**-**	**34.8**	**-**	**34.8**	**34.8**

3.7.10 Financial instruments (continued)

Financial assets and liabilities carried at fair value (continued)

31 December 2017	Level 1 $m	Level 2 $m	Level 3 $m	Total fair value $m	Total carrying value $m
Financial assets held for trading	-	5,869.5	-	5,869.5	5,869.5
Financial assets available for sale	0.1	404.6	22.6	427.3	427.3
Derivatives	-	58.2	-	58.2	58.2
Total financial assets carried at fair value	**0.1**	**6,332.3**	**22.6**	**6,355.0**	**6,355.0**
Derivatives	-	40.2	-	40.2	40.2
Total financial liabilities carried at fair value	**-**	**40.2**	**-**	**40.2**	**40.2**

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

Financial instruments - debt securities

Each month, independent valuations are determined by the middle office department of the Group's Risk division. This involves an analysis of independently sourced data that is deemed most representative of the market. From this independent data which is made available by other financial institutions, market average valuations are calculated, and the value of debt securities are updated.

Financial instruments - equity investments

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

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

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

Derivatives

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

Movements in level 3 portfolio

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

Financial assets - equity investments	$m
As at 30 June 2018	18.6
Impairment charge	-
Purchases	-
Sales	-
As at 31 December 2018	**18.6**

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:

31 December 2018	Level 1 $m	Level 2 $m	Level 3 $m	Total Fair Value $m	Total Carrying amount $m
Financial assets					
Cash and cash equivalents	1,708.6	190.3	-	1,898.9	1,898.9
Due from other financial institutions	-	169.7	-	169.7	169.7
Financial assets - amortised cost	-	245.9	-	245.9	245.9
Net Loans and other receivables	-	-	60,908.1	60,908.1	60,853.0
Financial liabilities					
Due to other financial institutions	-	107.2	-	107.2	107.2
Deposits	-	60,747.4	-	60,747.4	60,682.1
Notes payable	-	2,754.5	-	2,754.5	2,748.5
Preference shares	894.1	-	-	894.1	884.5
Subordinated debt	-	980.4	-	980.4	984.2

3.7.10 Financial instruments (continued)

Financial assets and liabilities carried at amortised cost (continued)

Valuation Hierarchy

30 June 2018	Level 1 $m	Level 2 $m	Level 3 $m	Total Fair Value $m	Total Carrying amount $m
Financial assets					
Cash and cash equivalents	983.3	154.1	-	1,137.4	1,137.4
Due from other financial institutions	-	283.0	-	283.0	283.0
Financial assets held to maturity	-	413.2	-	413.2	413.2
Net Loans and other receivables	-	-	61,664.6	61,664.6	61,601.8
Financial liabilities					
Due to other financial institutions	-	352.5	-	352.5	352.5
Deposits	-	59,594.9	-	59,594.9	59,529.5
Notes payable	-	3,560.1	-	3,560.1	3,544.8
Preference shares	882.2	-	-	882.2	880.9
Subordinated debt	-	704.2	-	704.2	709.2
31 December 2017					
Financial assets					
Cash and cash equivalents	848.5	202.4	-	1,050.9	1,050.9
Due from other financial institutions	156.2	-	-	156.2	156.2
Financial assets held to maturity	-	338.1	-	338.1	338.1
Net Loans and other receivables	-	-	60,489.7	60,489.7	60,400.0
Financial liabilities					
Due to other financial institutions	176.7	-	-	176.7	176.7
Deposits	-	59,080.9	-	59,080.9	59,022.7
Notes payable	-	4,190.6	-	4,190.6	4,169.6
Preference shares	899.7	-	-	899.7	879.4
Subordinated debt	-	704.4	-	704.4	708.9

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 - at amortised cost

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

Net 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.

Preference shares

The fair value for 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 2018, the economic entity does not have any contingent assets (31 December 2017: Nil).

(b) Contingent liabilities

	Dec-18	Jun-18	Dec-17
	$m	$m	$m
Guarantees - the economic entity has issued guarantees on behalf of clients in the normal course of business	245.8	245.4	251.7
Other - documentary letters of credit	1.5	1.7	1.8

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

The Group is continuing to work through a fees-for-no-service remediation program in relation to the Bendigo Financial Planning business. The potential liability cannot be accurately assessed, hence a provision has not yet been raised.

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.

Commissioner Kenneth Hayne delivered 76 recommendations in his final report on the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, which was released on 4 February 2019. The impact of these recommendations to the Group will take time to be properly understood.

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 2018 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
11 February 2019

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Independent Auditor's Review Report to the Members of Bendigo and Adelaide Bank Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Bendigo and Adelaide Bank Limited (the Company) and its subsidiaries (collectively the Group), which comprises the balance sheet as at 31 December 2018, the income statement, 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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* and for such internal control as the directors determine is 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, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial 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 the Group, 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*.

Ernst & Young

Graeme McKenzie
Partner
Melbourne

Luke Slater
Partner
Melbourne

11 February 2019

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Bendigo and Adelaide Bank Ltd
ABN 11 068 049 178