Appendix 4D

Half Year Results

For the period ended 31 December 2019

Released 17 February 2020

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 2019 annual financial report.

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

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 2019
Previous corresponding period - six months ended:	31 December 2018

1.2 Results for announcement to the market

Income from operations	5.6% to $834.2 m
Profit after tax from ordinary activities	28.2% to $145.8 m
Net profit after tax attributable to Owners of the Company	28.2% to $145.8 m

Dividends	Date payable/paid	Amount per security
Current financial year 2020		
Record date for determining entitlements	9 March 2020	
Interim dividend - fully franked	31 March 2020	31.0 cents
Previous financial year 2019		
Final dividend - fully franked	30 September 2019	35.0 cents
Interim dividend - fully franked	29 March 2019	35.0 cents

1.3 Cash earnings results

Cash earnings attributable to Owners of the Company	2.0% to $215.4 m
Cash earnings per share	3.1% to 43.7 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 29 to 52 of the attached December 2019 half year profit announcement.

1.5 Results snapshot

Statutory profit	28.2% to $145.8m
Statutory earnings per share	29.0% to 29.6 cents
Cash earnings	2.0% to $215.4m
Cash earnings per share	3.1% to 43.7 cents
Net interest margin	up 2 basis points
CET1 ratio of 9.00%	up 24 basis points

1.6 Performance summary

- On a statutory basis, net profit was $145.8m compared to $203.2m in December 2018. This decrease is mainly attributed to software impairments and software accelerated amortisation adjustments recorded during the period.
- Cash earnings was $215.4m compared to $219.8m in December 2018. [1]
- On a cash earnings basis:
  - Net interest income increased by $17.9m to $676.4m. Net interest margin (before revenue share arrangements) for the year increased by 2 basis points to 2.37% compared to the prior corresponding period.
  - Other operating income decreased by $6.3m or 4.4% largely as a result of a reduction in financial planning income following the sale of the Bendigo Financial Planning business in FY19, as well as a reduction in fee income.
  - Operating expenses increased by $23.2m or 5.0% mainly due to an increase in staff and redundancy costs and an increase in consultancy fees.
  - Credit expenses decreased by $2.3m or 9.0%.
- Net impaired assets decreased by $36.3m or 16.4%.
- Great Southern past due 90 days has reduced by $32.6m or 78.7%, while other lending past due 90 days has increased by $69.1m or 18.2%.
- Common Equity Tier 1 ratio was up 24 basis points to 9.00% compared to December 2018. Total Tier 1 capital was 11.40% compared to 11.15% in December 2018.
- The interim dividend has been reduced to 31.0 cents for the December 2019 half.

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

1.7 Subsequent events

On 17 February 2020, Bendigo and Adelaide Bank Limited announced that it will be undertaking an underwritten placement of fully paid ordinary shares to raise $250 million. Following this placement, Bendigo and Adelaide Bank Limited will make a share purchase plan available to shareholders to raise approximately $50 million.

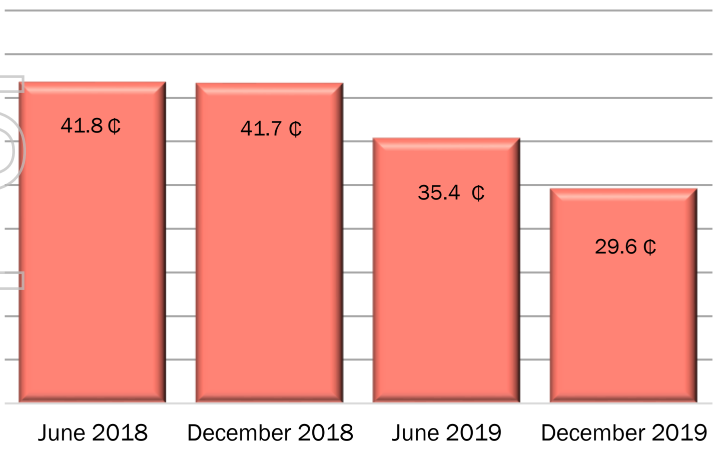
No other matters or circumstances have arisen since the end of the half year to the date of this report which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

2 Half year results
2.1 Financial summary
2.1.1 Statutory profit results

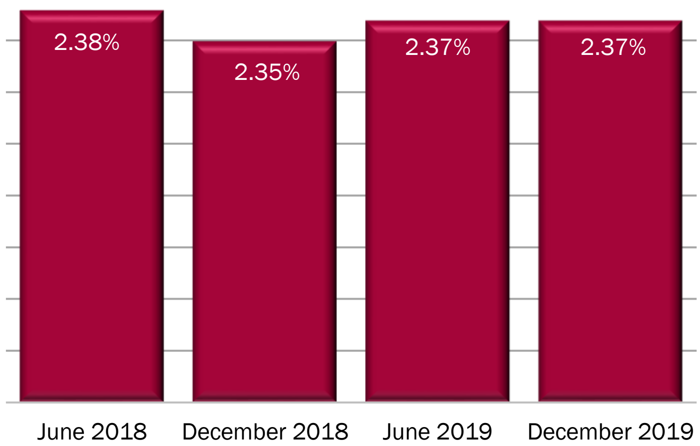
	Dec-19	Jun-19	Change		Dec-18	Change	
	$m	$m	$m	%	$m	$m	%
Net interest income	669.8	640.4	29.4	4.6	649.2	20.6	3.2
Other operating income	164.4	136.9	27.5	20.1	141.0	23.4	16.6
Total income	**834.2**	**777.3**	**56.9**	**7.3**	**790.2**	**44.0**	**5.6**
Credit expenses	(23.2)	(24.8)	1.6	6.5	(25.5)	2.3	9.0
Operating expenses	(598.7)	(497.5)	(101.2)	(20.3)	(467.7)	(131.0)	(28.0)
Total expenses	**(621.9)**	**(522.3)**	**(99.6)**	**(19.1)**	**(493.2)**	**(128.7)**	**(26.1)**
Profit before income tax expense	**212.3**	**255.0**	**(42.7)**	**(16.7)**	**297.0**	**(84.7)**	**(28.5)**
Income tax expense	(66.5)	(81.4)	14.9	18.3	(93.8)	27.3	29.1
Profit after income tax expense	**145.8**	**173.6**	**(27.8)**	**(16.0)**	**203.2**	**(57.4)**	**(28.2)**

	Half year				**Dec 2019 to Dec 2018**
	Dec-19	Jun-19	Dec-18	Jun-18	**change**
Earnings per ordinary share (cents)	cents	cents	cents	cents	**cps**
Basic	29.6	35.4	41.7	41.8	(12.1)
Diluted	27.1	32.1	37.6	37.6	(10.5)
Franked dividends per share	31.0	35.0	35.0	35.0	(4.0)
Financial performance ratios	%	%	%	%	**bps**
Net interest margin before revenue share arrangements	2.37%	2.37%	2.35%	2.38%	2
Net interest margin after revenue share arrangements	1.99%	1.97%	1.95%	1.99%	4
Financial position ratios	%	%	%	%	**bps**
Return on average ordinary equity (after tax)	5.26%	6.34%	7.34%	7.50%	(208)
Return on average tangible equity (after tax)	7.42%	9.00%	10.46%	10.45%	(304)
Return on average assets	0.41%	0.51%	0.59%	0.59%	(18)

Statutory EPS (cents)



Net interest margin before revenue share arrangements (%)

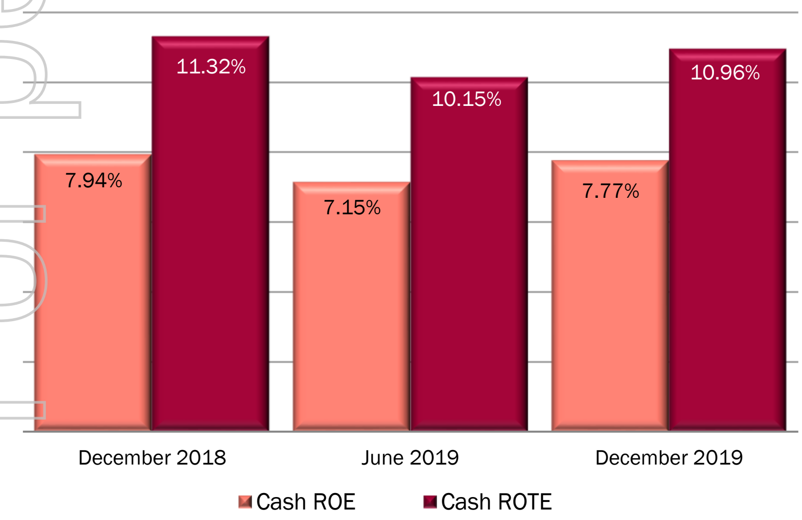


2.1.2 Cash earnings results

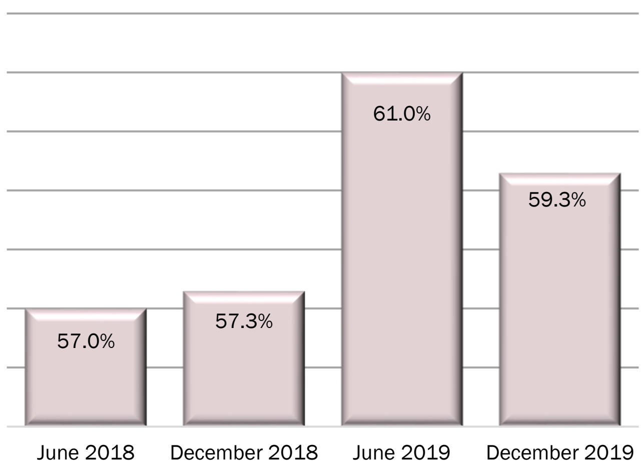
	Dec-19	Jun-19	Change		Dec-18	Change	
	$m	$m	$m	%	$m	$m	%
Net interest income	676.4	649.5	26.9	4.1	658.5	17.9	2.7
Other operating income	138.3	146.9	(8.6)	(5.9)	144.6	(6.3)	(4.4)
Total income	**814.7**	**796.4**	**18.3**	**2.3**	**803.1**	**11.6**	**1.4**
Credit expenses	(23.2)	(24.8)	1.6	6.5	(25.5)	2.3	9.0
Operating expenses	(487.4)	(490.3)	2.9	0.6	(464.2)	(23.2)	(5.0)
Total expenses	**(510.6)**	**(515.1)**	**4.5**	**0.9**	**(489.7)**	**(20.9)**	**(4.3)**
Income tax expense	(93.7)	(90.3)	(3.4)	(3.8)	(98.6)	4.9	5.0
Cash earnings before Homesafe realised income	**210.4**	**191.0**	**19.4**	**10.2**	**214.8**	**(4.4)**	**(2.0)**
Net Homesafe realised income (after tax)	5.0	4.9	0.1	2.0	5.0	-	-
Cash earnings after income tax expense	**215.4**	**195.9**	**19.5**	**10.0**	**219.8**	**(4.4)**	**(2.0)**

	Half year				**Dec 2019 to Dec 2018**
	Dec-19	Jun-19	Dec-18	Jun-18	**change**
Earnings per ordinary share (cents)	cents	cents	cents	cents	**cps**
Cash	43.7	40.0	45.1	45.3	(1.4)
Financial performance ratios (cash)	%	%	%	%	**bps**
Cost to income ratio	59.3%	61.0%	57.3%	57.0%	200
Financial position ratios (cash)	%	%	%	%	**bps**
Return on average ordinary equity	7.77%	7.15%	7.94%	8.13%	(17)
Return on average tangible equity	10.96%	10.15%	11.32%	11.33%	(36)
Return on average assets	0.61%	0.58%	0.63%	0.64%	(2)

Cash ROE and ROTE (%)



Cost to income ratio (%)



2.1.3 Cash earnings reconciliation
For the half year ended 31 December 2019

	Statutory Profit	Fair value	Homesafe unrealised	Hedging revaluation	Impairment charge	Software impairment	Operating expenses [1]	Amortisation of acquired intangibles	Cash earnings sub-total [2]	Homesafe realised income	Cash earnings
		Cash earnings adjustments									
	$m	$m	$m	$m	$m		$m	$m	$m	$m	$m
Net interest income	669.8	0.1	6.5	-	-	-	-	-	676.4	(4.4)	672.0
Other income	164.4	-	(38.8)	12.7	-	-	-	-	138.3	11.5	149.8
Total income	**834.2**	0.1	(32.3)	12.7	-	-	-	-	**814.7**	7.1	**821.8**
Credit expenses	(23.2)	-	-	-	-	-	-	-	(23.2)	-	(23.2)
Operating expenses	(598.7)	-	-	-	1.2	87.1	21.5	1.5	(487.4)	-	(487.4)
Net profit before tax	**212.3**	0.1	(32.3)	12.7	1.2	87.1	21.5	1.5	**304.1**	7.1	**311.2**
Tax expense	(66.5)	-	9.7	(3.8)	-	(26.2)	(6.5)	(0.4)	(93.7)	(2.1)	(95.8)
Net profit after tax	**145.8**	0.1	(22.6)	8.9	1.2	60.9	15.0	1.1	**210.4**	5.0	**215.4**

For the half year ended 30 June 2019

	Statutory profit	Fair value	Homesafe unrealised	Hedging revaluation	Loss on sale of business	Software impairment	Operating expenses [1]	Amortisation of acquired intangibles	Cash earnings sub-total [2]	Homesafe realised income	Cash earnings
		Cash earnings adjustments									
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Net interest income	640.4	0.2	8.9	-	-	-	-	-	649.5	(3.9)	645.6
Other income	136.9	-	18.7	(8.7)	-	-	-	-	146.9	10.8	157.7
Total income	**777.3**	0.2	27.6	(8.7)	-	-	-	-	**796.4**	6.9	**803.3**
Credit expenses	(24.8)	-	-	-	-	-	-	-	(24.8)	-	(24.8)
Operating expenses	(497.5)	-	-	-	3.7	0.7	0.7	2.1	(490.3)	-	(490.3)
Net profit before tax	**255.0**	0.2	27.6	(8.7)	3.7	0.7	0.7	2.1	**281.3**	6.9	**288.2**
Tax expense	(81.4)	(0.1)	(8.3)	2.6	(2.1)	(0.2)	(0.2)	(0.6)	(90.3)	(2.0)	(92.3)
Net profit after tax	**173.6**	0.1	19.3	(6.1)	1.6	0.5	0.5	1.5	**191.0**	4.9	**195.9**

For the half year ended 31 December 2018

	Statutory profit	Fair value	Homesafe unrealised	Hedging revaluation	Loss on sale of business	Impairment charge	Operating expenses [1]	Amortisation of acquired intangibles	Cash earnings sub-total [2]	Homesafe realised income	Cash earnings
		Cash earnings adjustments									
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Net interest income	649.2	0.2	9.1	-	-	-	-	-	658.5	(3.4)	655.1
Other income	141.0	-	5.4	(1.8)	-	-	-	-	144.6	10.6	155.2
Total income	**790.2**	0.2	14.5	(1.8)	-	-	-	-	**803.1**	7.2	**810.3**
Credit expenses	(25.5)	-	-	-	-	-	-	-	(25.5)	-	(25.5)
Operating expenses	(467.7)	-	-	-	-	-	1.9	1.6	(464.2)	-	(464.2)
Net profit before tax	**297.0**	0.2	14.5	(1.8)	-	-	1.9	1.6	**313.4**	7.2	**320.6**
Tax expense	(93.8)	-	(4.3)	0.5	-	-	(0.5)	(0.5)	(98.6)	(2.2)	(100.8)
Net profit after tax	**203.2**	0.2	10.2	(1.3)	-	-	1.4	1.1	**214.8**	5.0	**219.8**

[1] Includes integration, legal, litigation, compensation and accelerated amortisation costs.

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

2.2 Results commentary

2.2.1 Specific items

The reported profit after tax for the half year ended 31 December 2019 of $145.8 million included the following specific items:

	Dec-19		Jun-19		Dec-18	
	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	(0.1)	(0.1)	(0.2)	(0.1)	(0.2)	(0.2)
Homesafe funding costs - unrealised	(6.5)	(4.6)	(8.9)	(6.2)	(9.1)	(6.4)
Total specific net interest income items	**(6.6)**	**(4.7)**	**(9.1)**	**(6.3)**	**(9.3)**	**(6.6)**
Items included in other income						
Revaluation (losses)/gains on economic hedges	(12.7)	(8.9)	8.7	6.1	1.8	1.3
Homesafe revaluation gain/(loss)	38.8	27.2	(18.7)	(13.1)	(5.4)	(3.8)
Total specific other income items	**26.1**	**18.3**	**(10.0)**	**(7.0)**	**(3.6)**	**(2.5)**
Items included in operating expenses						
Integration costs	-	-	(0.7)	(0.5)	-	-
Loss on sale of Bendigo Financial Planning business	-	-	(3.7)	(1.6)	-	-
Impairment charge	(1.2)	(1.2)	-	-	-	-
Compensation costs	-	-	-	-	(0.7)	(0.5)
Legal costs	(2.5)	(1.8)	-	-	(1.2)	(0.9)
Software impairment	(87.1)	(60.9)	(0.7)	(0.5)	-	-
Software accelerated amortisation	(19.0)	(13.2)	-	-	-	-
Total specific operating expense items	**(109.8)**	**(77.1)**	**(5.1)**	**(2.6)**	**(1.9)**	**(1.4)**
Total specific items attributable to the Group	**(90.3)**	**(63.5)**	**(24.2)**	**(15.9)**	**(14.8)**	**(10.5)**
Other specific items						
Homesafe revaluation gain - realised	(11.5)	(8.1)	(10.8)	(7.6)	(10.6)	(7.4)
Homesafe funding costs - realised	4.4	3.1	3.9	2.7	3.4	2.4
Total other specific items attributable to the Group	**(7.1)**	**(5.0)**	**(6.9)**	**(4.9)**	**(7.2)**	**(5.0)**
Amortisation of acquired intangibles	**(1.5)**	**(1.1)**	**(2.1)**	**(1.5)**	**(1.6)**	**(1.1)**

Specific interest income items

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

Homesafe funding costs - unrealised - interest expense incurred to fund existing contracts during the current period.

Specific other income items

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

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

Specific operating expense items

Impairment charge - an impairment of the Group's investment in Bendigo Telco Ltd was recorded during the period.

Legal costs - costs associated with the Community Bank registered trademark case.

Software impairment - following a review of the Group's software intangible assets impairments have been recorded against assets where the benefits associated with the assets are substantially lower than originally anticipated.

Software accelerated amortisation - a review of the Group's software intangible assets has been completed following an increase to the Group's capitalisation threshold from 1 July 2019, resulting in an accelerated amortisation charge.

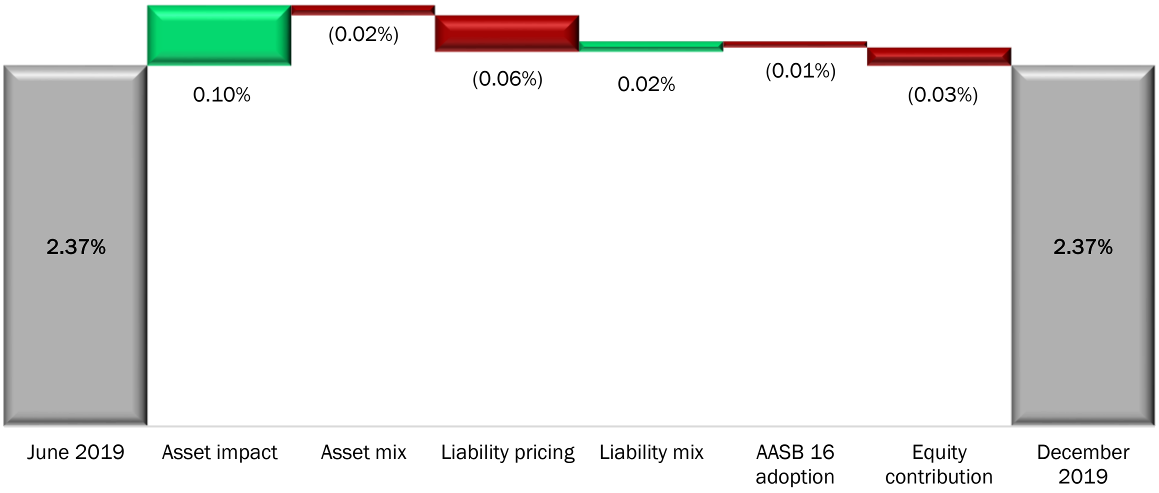
Other specific items

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

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

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

2.2.2 Net interest margin (before revenue share arrangements)



Asset impact - favourable variable mortgage repricing and increase in hedging revenue, were partially offset by pricing pressure which continued on variable lending portfolios.

Asset mix - an increase in the average balance of lower yielding liquid assets through ongoing management of the Group's liquidity position.

Liability pricing - margin contraction from floored at call deposits not reduced with cash rate changes.

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

AASB 16 adoption - effective from 1 July 2019, interest expense associated with lease contracts where the Group acts as the lessee.

Equity contribution - margin contraction following the cash rate changes.

Cash net interest income [1]

	Half year		
	Dec-19	Jun-19	Dec-18
	$m	$m	$m
Net interest income including specific items [2]	669.8	640.4	649.2
Adjustments:			
Fair value adjustments [3]	0.1	0.2	0.2
Net interest income used in NIM calculation	**669.9**	**640.6**	**649.4**
Average interest earning assets [4]	67,046.2	65,619.0	65,938.5
Average interest earning liabilities [4]	63,632.0	61,908.8	62,281.7
Net interest margin	1.99%	1.97%	1.95%
Net interest margin before revenue share arrangement	2.37%	2.37%	2.35%

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 19 HY: $3,145.9m, June 19 HY: $2,937.1m, December 18 HY: $2,739.6m).

2.2.3 Income

	Dec-19	Jun-19	Change		Dec-18	Change	
	$m	$m	$m	%	$m	$m	%
Net interest income	676.4	649.5	26.9	4.1	658.5	17.9	2.7
Homesafe funding costs - unrealised	(6.5)	(8.9)	2.4	27.0	(9.1)	2.6	28.6
Fair value adjustments - interest expense	(0.1)	(0.2)	0.1	50.0	(0.2)	0.1	50.0
Total net interest income including specific items	**669.8**	**640.4**	**29.4**	**4.6**	**649.2**	**20.6**	**3.2**
Other income							
Fee income	79.3	79.0	0.3	0.4	84.8	(5.5)	(6.5)
Commissions	29.2	36.2	(7.0)	(19.3)	37.3	(8.1)	(21.7)
Foreign exchange income	12.4	11.2	1.2	10.7	11.2	1.2	10.7
Trading book income	4.8	10.7	(5.9)	(55.1)	1.5	3.3	220.0
Other	12.6	9.8	2.8	28.6	9.8	2.8	28.6
Total other income	**138.3**	**146.9**	**(8.6)**	**(5.9)**	**144.6**	**(6.3)**	**(4.4)**
Specific other income items							
Homesafe revaluation gain/(loss)	38.8	(18.7)	57.5	307.5	(5.4)	44.2	818.5
Revaluation (losses)/gains on economic hedges	(12.7)	8.7	(21.4)	(246.0)	1.8	(14.5)	(805.6)
Total other specific income	**26.1**	**(10.0)**	**36.1**	**361.0**	**(3.6)**	**29.7**	**825.0**
Total other income including specific items	**164.4**	**136.9**	**27.5**	**20.1**	**141.0**	**23.4**	**16.6**
Total income	**834.2**	**777.3**	**56.9**	**7.3**	**790.2**	**44.0**	**5.6**

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

Net interest income increased by $20.6m, or 3.2%. Refer to 2.2.2 for further analysis.

Fee income decreased by $5.5m, or 6.5%, primarily due to a reduction in fees charged.

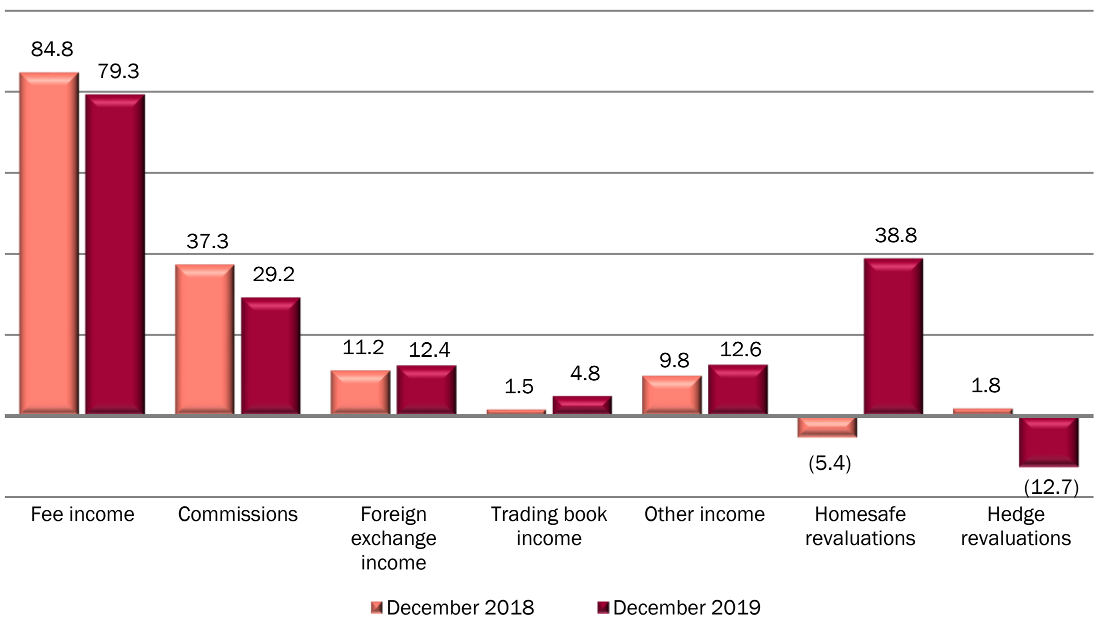
Commissions decreased by $8.1m, or 21.7%, largely as a result of a reduction in financial planning income following the sale of the Bendigo Financial Planning business in FY19.

Trading book income increased by $3.3m, or 220.0% due to the reduction in interest rates.

Homesafe revaluation was $44.2m, or 818.5% higher due to stronger growth in residential property prices in the markets of Melbourne and Sydney. Refer to section 2.2.4 for further detail.

Revaluation (losses)/gains on economic hedges decreased by $14.5m.

Other income ($m)



2.2.4 Homesafe Trust

	Half Year		
	Dec-19	Jun-19	Dec-18
Homesafe income	$m	$m	$m
Discount unwind	11.4	11.2	11.2
Profit/(loss) on sale	1.3	0.7	(0.2)
Property revaluations	26.1	(30.6)	(16.4)
Total income/(loss)	**38.8**	**(18.7)**	**(5.4)**

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

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

	Half Year		
	Dec-19	Jun-19	Dec-18
	$m	$m	$m
Homesafe realised income	11.5	10.8	10.6

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

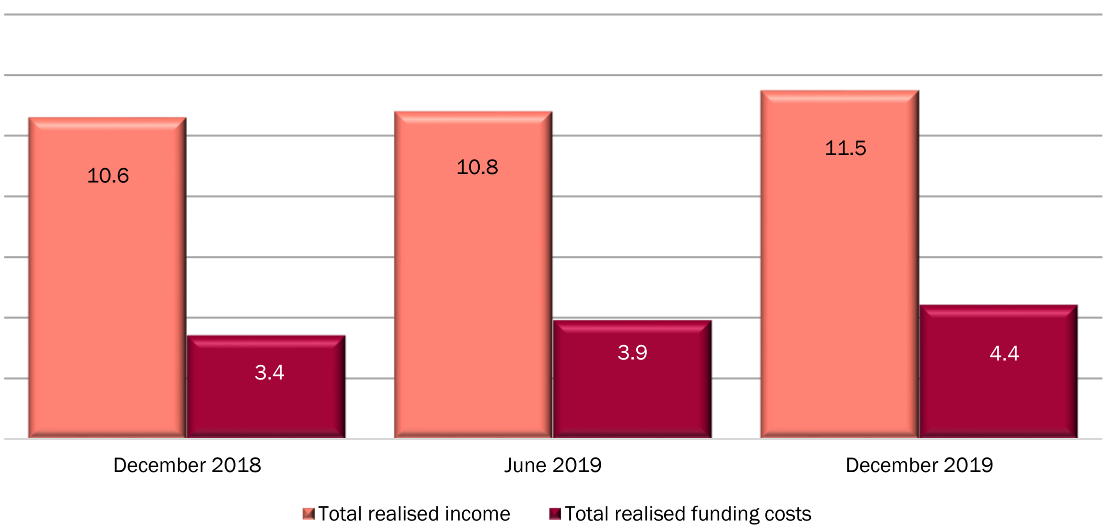
	Half Year		
	Dec-19	Jun-19	Dec-18
Funding costs	$m	$m	$m
Funding costs - unrealised	(6.5)	(8.9)	(9.1)
Funding costs - realised	(4.4)	(3.9)	(3.4)

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

Funding costs unrealised - Interest expense on existing contracts.

	As at	As at	As at
	Dec-19	Jun-19	Dec-18
Portfolio balance	$m	$m	$m
Funded balance	472.3	452.3	433.3
Property revaluation balance	309.9	282.2	311.9
Total investment portfolio balance	**782.2**	**734.5**	**745.2**

Total realised income and realised funding costs ($m)



2.2.5 Operating expenses

	Dec-19	Jun-19	Change		Dec-18	Change	
	$m	$m	$m	%	$m	$m	%
Staff and related costs	273.5	262.9	(10.6)	(4.0)	255.6	(17.9)	(7.0)
Occupancy costs	17.9	45.4	27.5	60.6	45.9	28.0	61.0
Information technology costs	33.3	39.2	5.9	15.1	35.7	2.4	6.7
Amortisation of acquired intangibles	1.5	2.1	0.6	28.6	1.6	0.1	6.3
Amortisation of software intangibles	16.4	17.8	1.4	7.9	16.0	(0.4)	(2.5)
Property, plant and equipment costs	32.5	5.0	(27.5)	(550.0)	5.6	(26.9)	(480.4)
Fees and commissions	10.3	13.8	3.5	25.4	17.3	7.0	40.5
Communications, postage and stationery	18.1	18.0	(0.1)	(0.6)	19.2	1.1	5.7
Advertising and promotion	15.0	15.7	0.7	4.5	13.8	(1.2)	(8.7)
Other product and services delivery costs	11.9	14.8	2.9	19.6	16.2	4.3	26.5
Other administration expenses	58.5	57.7	(0.8)	(1.4)	38.9	(19.6)	(50.4)
Total operating expenses	**488.9**	**492.4**	**3.5**	**0.7**	**465.8**	**(23.1)**	**(5.0)**
Specific items	109.8	5.1	(104.7)	(2,052.9)	1.9	(107.9)	(5,678.9)
Total expenses	**598.7**	**497.5**	**(101.2)**	**(20.3)**	**467.7**	**(131.0)**	**(28.0)**

	Dec-19	Jun-19	Change	%	Dec-18	Change	%
Cost to income [1]	59.3%	61.0%	(1.7)	(2.8)	57.3%	2.0	3.5
Expenses to average assets	1.38%	1.44%	(0.06)	(4.2)	1.34%	0.04	3.0
Staff and related costs to income [1,2]	32.7%	31.5%	1.2	3.8	31.3%	1.4	4.5
Number of staff (full-time equivalent)	4,560	4,540	20	0.4	4,420	140	3.2

[1] Expenses used in the above ratios are expenses less specific expense items and acquired intangibles amortisation.
Income used in the above ratios is income less specific net interest income items and other specific income items.
[2] This ratio has been adjusted to exclude the impact of redundancy costs before tax (December 19 HY: $4.7m, June 19 HY: $9.7m, December 18 HY: $2.2m).

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

Staff and related costs - increased by $17.9m or 7.0% due to an increase in staff costs driven by reinvestment in the business, particularly in relation to loan processing.

Occupancy costs - decreased by $28.0m or 61.0% due to the adoption of AASB 16 from 1 July 2019 which resulted in lease payments being recorded as interest and depreciation expenses.

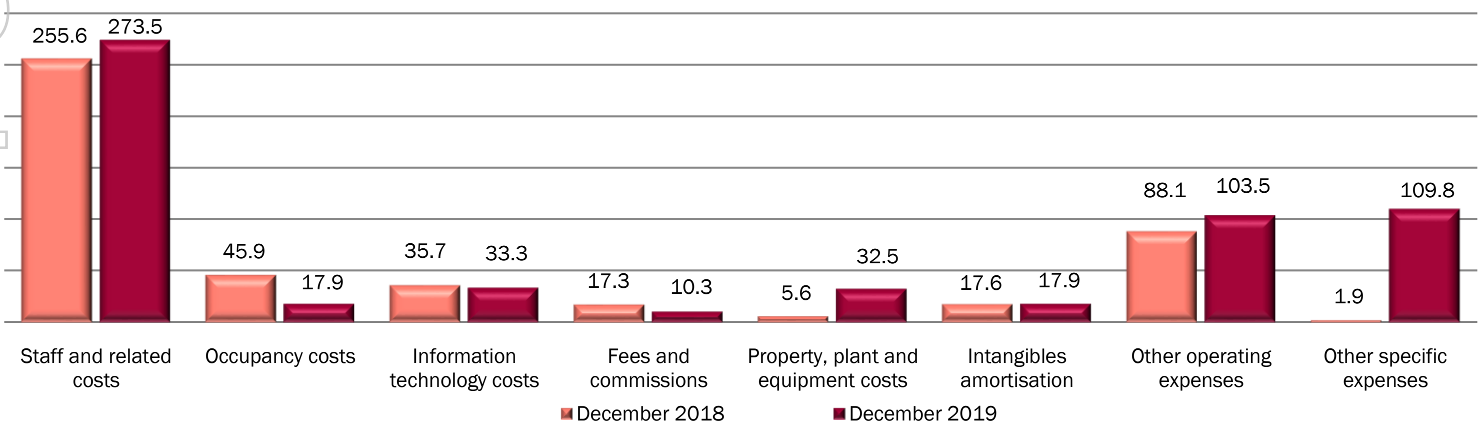
Property, plant and equipment costs - increased by $26.9m or 480.4% due to the adoption of AASB 16 from 1 July 2019 which resulted in the depreciation of Right of Use Assets (ROUA) not previously recorded on the Group's Balance Sheet.

Fees and commissions - decreased by $7.0m or 40.5% mainly due to the renegotiation of the Elders network agreement.

Other administration expenses - increased by $19.6m or 50.4%, predominantly due to an increase in consultancy fees relating to the exploration and implementation of new initiatives.

Specific items - **other expenses** - increased by $107.9m. Refer to 2.2.1 for further detail.

Operating expenses ($m)



2.2.6 Average balance sheet
For the six months ended 31 December 2019 and 30 June 2019

	31 December 2019			30 June 2019		
	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	7,971.1	41.6	1.04	7,181.7	60.4	1.69
Loans and other receivables [2,6]	59,075.1	1,162.2	3.91	58,437.3	1,239.6	4.28
Total interest earning assets [3]	**67,046.2**	**1,203.8**	**3.57**	**65,619.0**	**1,300.0**	**4.00**
Non interest earning assets						
Provisions for doubtful debts	(280.9)			(298.9)		
Other assets	3,506.4			3,183.9		
Total non interest earning assets	**3,225.5**			**2,885.0**		
Total assets (average balance)	**70,271.7**			**68,504.0**		
Interest bearing liabilities						
Deposits						
Customer [6]	45,481.0	(385.3)	(1.69)	45,076.8	(477.3)	(2.14)
Wholesale - domestic	12,341.5	(73.1)	(1.18)	11,881.5	(99.4)	(1.69)
Wholesale - offshore	-	-	-	76.6	(1.2)	(3.16)
Repurchase agreements	530.3	(2.2)	(0.83)	514.6	(3.9)	(1.53)
Lease liability [8]	252.2	(3.8)	(3.00)	-	-	-
Notes payable	3,456.8	(39.6)	(2.28)	2,747.3	(42.3)	(3.10)
Preference shares	887.4	(15.5)	(3.47)	885.5	(17.6)	(4.01)
Subordinated debt	682.8	(14.4)	(4.20)	726.5	(17.7)	(4.91)
Total interest bearing liabilities [3]	**63,632.0**	**(533.9)**	**(1.67)**	**61,908.8**	**(659.4)**	**(2.15)**
Non interest bearing liabilities and equity						
Other liabilities	1,050.2			1,019.7		
Equity	5,589.5			5,575.5		
	6,639.7			**6,595.2**		
Total liabilities and equity (average balance)	**70,271.7**			**68,504.0**		
Interest margin and interest spread						
Interest earning assets	67,046.2	1,203.8	3.57	65,619.0	1,300.0	4.00
Interest bearing liabilities	(63,632.0)	(533.9)	(1.67)	(61,908.8)	(659.4)	(2.15)
Net interest income and interest spread [4,7]		**669.9**	**1.90**		**640.6**	**1.85**
Net free liabilities and equity			0.09			0.12
Net interest margin [5]			**1.99**			**1.97**
Impact of revenue share arrangements						
Net interest margin			1.99			1.97
Add: impact of revenue share arrangements			0.38			0.40
Net interest margin before revenue share arrangements			2.37			2.37

[1] Average balance is based on monthly closing balances.

[2] Loans and receivables excludes fair value specific items (December 2019 $0.1m and June 2019 $0.2m).

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

[8] December 2019 results have been prepared in accordance with AASB 16; prior periods have not been restated. Further information can be found in Note 3.8.2.2 'Changes in Accounting Policies'.

2.2.6 Average balance sheet (continued)
For the six months ended 31 December 2018 and 30 June 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]	58,755.4	1,278.8	4.32	58,320.9	1,250.8	4.32
Total interest earning assets [3]	**65,938.5**	**1,343.7**	**4.04**	**65,943.1**	**1,318.7**	**4.03**
Non interest earning assets						
Provisions for doubtful debts [8]	(301.8)			(164.7)		
Other assets	3,141.6			2,979.4		
Total non interest earning assets	**2,839.8**			**2,814.7**		
Total assets (average balance)	**68,778.3**			**68,757.8**		
Interest bearing liabilities and equity						
Deposits						
Customer [6]	44,042.2	(488.4)	(2.20)	42,743.3	(455.1)	(2.15)
Wholesale - domestic	12,685.1	(109.5)	(1.71)	13,143.2	(110.6)	(1.70)
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)**	**62,150.7**	**(668.7)**	**(2.17)**
Non interest bearing liabilities and equity						
Other liabilities	969.0			1,042.8		
Equity	5,527.6			5,564.3		
	6,496.6			**6,607.1**		
Total liabilities and equity (average balance)	**68,778.3**			**68,757.8**		
Interest margin and interest spread						
Interest earning assets	65,938.5	1,343.7	4.04	65,943.1	1,318.7	4.03
Interest bearing liabilities	(62,281.7)	(694.3)	(2.21)	(62,150.7)	(668.7)	(2.17)
Net interest income and interest spread [4, 7]		**649.4**	**1.83**		**650.0**	**1.86**
Net free liabilities and equity			0.12			0.13
Net interest margin [5]			**1.95**			**1.99**
Impact of revenue share arrangements						
Net interest margin			1.95			1.99
Add: impact of revenue share arrangements			0.40			0.39
Net interest margin before revenue share arrangements			2.35			2.38

[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 excludes fair value adjustments - 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 the Group's 30 June 2019 Annual Financial Report.

2.2.7 Balance sheet metrics

	Half year		Half year		Dec 2019 to Dec 2018 change	
	Dec-19	Jun-19	Dec-18	Jun-18		
	$m	$m	$m	$m	$m	%
Financial position metrics						
Ordinary equity	5,520.9	5,563.2	5,539.4	5,505.8	(18.5)	(0.3)
Customer deposits	49,701.3	48,177.0	47,885.2	46,150.0	1,816.1	3.8
Funds under management	6,634.3	6,592.2	6,013.0	5,833.2	621.3	10.3
Loans under management	64,163.4	63,188.8	62,207.7	62,926.9	1,955.7	3.1
New loan approvals	9,568.1	7,517.1	7,732.2	8,089.3	1,835.9	23.7
> Residential	7,251.6	4,973.0	5,590.3	5,437.7	1,661.3	29.7
> Non-residential	2,316.5	2,544.1	2,141.9	2,651.6	174.6	8.2
Total provisions and reserves for doubtful debts	352.6	362.8	379.9	307.8	(27.3)	(7.2)
	Half year		Half year		Dec 2019 to Dec 2018 change	
Capital management metrics	Dec-19	Jun-19	Dec-18	Jun-18		bps
Common Equity Tier 1 (%)	9.00%	8.92%	8.76%	8.62%		24
					$m	%
Credit risk weighted assets ($m)	33,246.3	33,424.1	33,656.7	34,367.6	(410.4)	(1.2)
Total risk weighted assets ($m)	37,265.6	37,483.1	37,539.0	38,256.4	(273.4)	(0.7)
Liquidity risk						bps
Liquidity coverage ratio (LCR) [1]	129.1%	126.3%	129.8%	127.1%		(70)
Net stable funding ratio (NSFR) [2]	113.0%	112.8%	112.0%	110.2%		100
Impaired assets					$m	%
Gross impaired assets ($m)	315.5	310.9	346.0	335.8	(30.5)	(8.8)
Net impaired assets ($m)	185.0	183.3	221.3	217.5	(36.3)	(16.4)
						bps
Net impaired loans to gross loans (%)	0.29%	0.30%	0.36%	0.35%		(7)

[1] Represents average daily LCR over respective 6 monthly period.
[2] Represents average end of month NSFR over respective 6 month period.

2.2.8 Lending

	Dec-19	Jun-19	Change		Dec-18	Change	
	$m	$m	$m	%	$m	$m	%
Approvals - by security							
Residential	7,251.6	4,973.0	2,278.6	45.8	5,590.3	1,661.3	29.7
Non-residential	2,316.5	2,544.1	(227.6)	(8.9)	2,141.9	174.6	8.2
Total approvals	**9,568.1**	**7,517.1**	**2,051.0**	**27.3**	**7,732.2**	**1,835.9**	**23.7**

	As at Dec-19	As at Jun-19	Change		As at Dec-18	Change	
	$m	$m	$m	%	$m	$m	%
Gross loan balance - by security							
Residential	**46,849.3**	**45,538.7**	**1,310.6**	**2.9**	**44,690.8**	**2,158.5**	**4.8**
Business							
Accommodation and food services	324.2	341.5	(17.3)	(5.1)	316.6	7.6	2.4
Administrative and support services	30.3	28.1	2.2	7.8	29.9	0.4	1.3
Agriculture, forestry and fishing	5,970.5	6,201.8	(231.3)	(3.7)	5,964.1	6.4	0.1
Arts and recreation services	72.1	66.1	6.0	9.1	89.3	(17.2)	(19.3)
Construction	691.4	787.7	(96.3)	(12.2)	936.1	(244.7)	(26.1)
Education and training	73.0	59.0	14.0	23.7	55.8	17.2	30.8
Electricity, gas, water and waste services	34.2	35.0	(0.8)	(2.3)	36.1	(1.9)	(5.3)
Financial and insurance services	757.5	640.4	117.1	18.3	435.9	321.6	73.8
Health care and social assistance	487.7	533.8	(46.1)	(8.6)	545.2	(57.5)	(10.5)
Information media and telecommunications	31.8	32.4	(0.6)	(1.9)	35.2	(3.4)	(9.7)
Manufacturing	232.0	251.0	(19.0)	(7.6)	248.0	(16.0)	(6.5)
Mining	28.5	28.1	0.4	1.4	24.3	4.2	17.3
Other Services	222.5	201.3	21.2	10.5	203.5	19.0	9.3
Professional, scientific and technical services	196.0	210.2	(14.2)	(6.8)	223.8	(27.8)	(12.4)
Public administration and safety	48.2	47.5	0.7	1.5	48.3	(0.1)	(0.2)
Rental, hiring and real estate services	3,417.4	3,502.6	(85.2)	(2.4)	3,661.4	(244.0)	(6.7)
Retail trade	391.7	413.0	(21.3)	(5.2)	412.0	(20.3)	(4.9)
Transport, postal and warehousing	146.9	148.2	(1.3)	(0.9)	157.3	(10.4)	(6.6)
Wholesale trade	132.8	148.5	(15.7)	(10.6)	156.9	(24.1)	(15.4)
Other	99.6	103.1	(3.5)	(3.4)	97.3	2.3	2.4
Total business	**13,388.3**	**13,779.3**	**(391.0)**	**(2.8)**	**13,677.0**	**(288.7)**	**(2.1)**
Margin lending	1,514.6	1,528.6	(14.0)	(0.9)	1,553.9	(39.3)	(2.5)
Unsecured	917.0	992.2	(75.2)	(7.6)	960.8	(43.8)	(4.6)
Other	227.3	271.6	(44.3)	(16.3)	305.8	(78.5)	(25.7)
Total gross loan balance	**62,896.5**	**62,110.4**	**786.1**	**1.3**	**61,188.3**	**1,708.2**	**2.8**
Gross loan balance - by purpose							
Residential	44,954.0	43,592.9	1,361.1	3.1	42,807.7	2,146.3	5.0
Consumer	2,229.9	2,342.2	(112.3)	(4.8)	2,365.3	(135.4)	(5.7)
Margin lending	1,514.6	1,528.6	(14.0)	(0.9)	1,553.9	(39.3)	(2.5)
Commercial	14,198.0	14,646.7	(448.7)	(3.1)	14,461.4	(263.4)	(1.8)
Total gross loan balance	**62,896.5**	**62,110.4**	**786.1**	**1.3**	**61,188.3**	**1,708.2**	**2.8**
Loans under management (gross balance)							
On-balance sheet	62,896.5	62,110.4	786.1	1.3	61,188.3	1,708.2	2.8
Off-balance sheet loans under management	1,266.9	1,078.4	188.5	17.5	1,019.4	247.5	24.3
Total Group loans under management	**64,163.4**	**63,188.8**	**974.6**	**1.5**	**62,207.7**	**1,955.7**	**3.1**

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-19	As at Jun-19	Change		As at Dec-18	Change	
Impaired loans [1]	$m	$m	$m	%	$m	$m	%
Full-performing [2]	7.5	8.3	(0.8)	(9.6)	14.9	(7.4)	(49.7)
Part-performing [3]	83.2	82.2	1.0	1.2	83.9	(0.7)	(0.8)
Non-performing	221.0	217.1	3.9	1.8	243.8	(22.8)	(9.4)
Restructured loans [4]	3.8	3.3	0.5	15.2	3.4	0.4	11.8
Total impaired assets	**315.5**	**310.9**	**4.6**	**1.5**	**346.0**	**(30.5)**	**(8.8)**
Less: specific impairment provisions	(130.5)	(127.6)	(2.9)	(2.3)	(124.7)	(5.8)	(4.7)
Net impaired assets	**185.0**	**183.3**	**1.7**	**0.9**	**221.3**	**(36.3)**	**(16.4)**
Portfolio facilities - past due 90 days, not well secured	3.8	4.6	(0.8)	(17.4)	3.7	0.1	2.7
Less: specific impairment provisions	(0.7)	(0.9)	0.2	22.2	(0.7)	-	-
Net portfolio facilities	**3.1**	**3.7**	**(0.6)**	**(16.2)**	**3.0**	**0.1**	**3.3**
Past due 90 days							
Well secured (excluding commercial arrangement loans)	449.8	404.1	45.7	11.3	380.7	69.1	18.2
Great Southern portfolio	8.8	34.9	(26.1)	(74.8)	41.4	(32.6)	(78.7)
Ratios	%	%	bps change		%	bps change	
Total impaired loans to gross loans	0.50%	0.50%	-		0.57%	(7)	
Total impaired loans to total assets	0.42%	0.43%	(1)		0.48%	(6)	
Net impaired loans to gross loans	0.29%	0.30%	(1)		0.36%	(7)	
Provision coverage [5]	111.8%	116.7%	(490)		109.8%	200	

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

	Dec-19	Jun-19	Change		Dec-18	Change	
Credit expense	$m	$m	$m	%	$m	$m	%
Bad debts written off	6.9	7.1	0.2	2.8	2.9	(4.0)	(137.9)
Provision expense	19.2	21.2	2.0	9.4	23.4	4.2	17.9
Total credit expense	**26.1**	**28.3**	**2.2**	**7.8**	**26.3**	**0.2**	**0.8**
Bad debts recovered	(2.9)	(3.5)	(0.6)	(17.1)	(0.8)	2.1	262.5
Credit expenses net of recoveries	**23.2**	**24.8**	**1.6**	**6.5**	**25.5**	**2.3**	**9.0**

	As at Dec-19	As at Jun-19	Change		As at Dec-18	Change	
Provisions and reserves	$m	$m	$m	%	$m	$m	%
Individually assessed provisions	131.2	128.5	(2.7)	(2.1)	125.4	(5.8)	(4.6)
Collectively assessed provisions	147.2	157.0	9.8	6.2	181.5	34.3	18.9
General reserve for credit losses	74.2	77.3	3.1	4.0	73.0	(1.2)	(1.6)
Total provisions and reserve for doubtful debts	**352.6**	**362.8**	**10.2**	**2.8**	**379.9**	**27.3**	**7.2**

Ratios	%	%	Change bps	%	Change bps
Credit expenses net of recoveries to gross loans	0.07%	0.08%	(1)	0.08%	(1)
Credit expenses net of recoveries (excluding Great Southern) to gross loans	0.07%	0.07%	-	0.05%	2
Total provision/reserve for doubtful debts to gross loans	0.56%	0.58%	(2)	0.62%	(6)
Collectively assessed provisions and GRCL to risk-weighted assets	0.59%	0.63%	(4)	0.68%	(9)

	Stage 1	Stage 2	Stage 3			
	12 month ECL	Lifetime ECL	Collectively assessed - Lifetime ECL	Individually assessed - Lifetime ECL	General reserve for credit losses	**Total**
Movements in provisions and reserves	$m	$m	$m	$m	$m	**$m**
Balance as at 30 June 2019	**28.3**	**84.5**	**44.2**	**128.5**	**77.3**	**362.8**
Transfer to retained earnings	-	-	-	-	(3.1)	**(3.1)**
Transfers during the period to:						
Stage 1	1.1	(1.1)	-	-	-	**-**
Stage 2	(11.5)	12.7	(1.2)	-	-	**-**
Stage 3	(5.5)	(6.2)	11.7	-	-	**-**
Transfer from collectively assessed to individually assessed provisions	(0.1)	(1.3)	(5.0)	6.4	-	**-**
New/increased provisions	4.0	1.1	0.1	22.6	-	**27.8**
Write-back of provisions no longer required	(2.5)	(4.4)	(0.4)	-	-	**(7.3)**
Change in balances	13.2	(5.3)	(9.2)	-	-	**(1.3)**
Bad debts written off previously provided for	-	-	-	(26.3)	-	**(26.3)**
Total provision as at 31 December 2019	**27.0**	**80.0**	**40.2**	**131.2**	**74.2**	**352.6**
Balance as at 31 December 2018	**29.2**	**83.8**	**68.5**	**125.4**	**73.0**	**379.9**
Transfer from retained earnings	-	-	-	-	4.3	**4.3**
Transfers during the period to:						
Stage 1	1.1	(1.0)	(0.1)	-	-	**-**
Stage 2	(17.0)	18.5	(1.5)	-	-	**-**
Stage 3	(7.1)	(9.3)	16.4	-	-	**-**
Transfer from collectively assessed to individually assessed provisions	(0.1)	(0.8)	(7.8)	8.7	-	**-**
New/increased provisions	3.4	2.6	(25.7)	37.0	-	**17.3**
Write-back of provisions no longer required	(1.8)	(1.7)	1.9	-	-	**(1.6)**
Change in balances	20.6	(7.6)	(7.5)	-	-	**5.5**
Bad debts written off previously provided for	-	-	-	(42.6)	-	**(42.6)**
Total provision as at 30 June 2019	**28.3**	**84.5**	**44.2**	**128.5**	**77.3**	**362.8**

2.2.10 Credit expenses (continued)

Movements in provisions and reserves	Collective provision [1]	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Collectively assessed - Lifetime ECL	Stage 3 Individually assessed - Lifetime ECL	General reserve for credit losses [1]	Total
		$m	$m	$m	$m	$m	$m
Balance as at 30 June 2018	48.2	-	-	-	119.3	140.3	307.8
Restated for adoption of new accounting standards [1]	(48.2)	33.1	79.0	70.4	-	(82.9)	51.4
Transfer from retained earnings	-	-	-	-	-	15.6	15.6
Transfers during the period to:							
Stage 1	-	1.8	(1.8)	-	-	-	-
Stage 2	-	(12.1)	13.0	(0.9)	-	-	-
Stage 3	-	(2.8)	(6.4)	9.2	-	-	-
Transfer from collectively assessed to individually assessed provisions	-	(0.1)	(0.4)	(0.8)	1.3	-	-
New/increased provisions	-	3.2	0.2	0.2	23.1	-	26.7
Write-back of provisions no longer required	-	(2.9)	(2.4)	(2.4)	-	-	(7.7)
Change in balances	-	9.0	2.6	(7.2)	-	-	4.4
Bad debts written off previously provided for	-	-	-	-	(18.3)	-	(18.3)
Total provision as at 31 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 the Group's 30 June 2019 Annual Financial Report.

The table below discloses the effect of movements in the gross carrying value of loans and other receivables and other financial assets held at amortised cost to the different stages of the ECL model:

	Stage 1 Collectively assessed provisions	Stage 2 Collectively assessed provisions	Stage 3 Collectively assessed provisions	Stage 3 Individually assessed provisions	Total
	$m	$m	$m	$m	$m
Gross carrying amount as at 30 June 2019	55,499.8	7,287.9	901.3	281.5	63,970.6
New financial assets originated or purchased	6,631.5	63.9	9.7	-	6,705.1
Financial assets derecognised or repaid	(4,608.2)	(920.9)	(198.1)	-	(5,727.2)
Stage 1	1,940.5	(1,913.7)	(26.8)	-	-
Stage 2	(2,274.1)	2,421.7	(147.6)	-	-
Stage 3	(62.2)	(239.3)	301.5	-	-
Change in balances	1,067.3	(79.4)	52.4	(40.9)	999.4
Transfer from collectively assessed to individually assessed provisions	(21.6)	(18.7)	(61.2)	101.5	-
Amounts written off against provisions	-	-	-	(26.3)	(26.3)
Gross carrying amount as at 31 December 2019	58,173.0	6,601.5	831.2	315.8	65,921.6
	$m	$m	$m	$m	$m
Gross carrying amount as at 31 December 2018	56,755.8	5,834.2	829.0	307.4	63,726.5
New financial assets originated or purchased	5,259.2	47.4	15.3	-	5,321.9
Financial assets derecognised or repaid	(3,970.7)	(559.8)	(158.5)	-	(4,689.0)
Stage 1	1,347.0	(1,316.3)	(30.7)	-	-
Stage 2	(3,491.2)	3,652.4	(161.2)	-	-
Stage 3	(107.6)	(277.4)	385.0	-	-
Change in balances	(271.0)	(71.2)	64.1	(68.1)	(346.2)
Transfer from collectively assessed to individually assessed provisions	(21.7)	(21.4)	(41.7)	84.8	-
Amounts written off against provisions	-	-	-	(42.6)	(42.6)
Gross carrying amount as at 30 June 2019	55,499.8	7,287.9	901.3	281.5	63,970.6

2.2.10 Credit expenses (continued)

	Stage 1	Stage 2	Stage 3	Stage 3	
	Collectively assessed provisions			Individually assessed provisions	**Total**
	$m	$m	$m	$m	**$m**
Gross carrying amount as at 30 June 2018	**56,221.5**	**6,397.7**	**808.4**	**309.7**	**63,737.4**
New financial assets originated or purchased	4,797.7	52.1	6.6	-	**4,856.4**
Financial assets derecognised or repaid	(4,363.3)	(488.3)	(144.2)	-	**(4,995.8)**
Stage 1	2,228.6	(2,200.9)	(27.7)	-	**-**
Stage 2	(2,248.5)	2,367.7	(119.2)	-	**-**
Stage 3	(87.5)	(229.9)	317.4	-	**-**
Change in balances	223.8	(35.8)	9.6	(50.8)	**146.8**
Transfer from collectively assessed to individually assessed provisions	(16.5)	(28.4)	(21.9)	66.8	**-**
Amounts written off against provisions	-	-	-	(18.3)	**(18.3)**
Gross carrying amount as at 31 December 2018	**56,755.8**	**5,834.2**	**829.0**	**307.4**	**63,726.5**

2.2.11 Deposits and funds under management

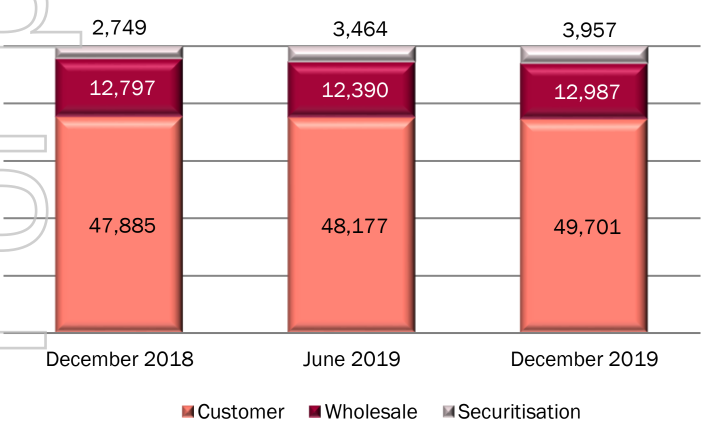
	As at Dec-19	As at Jun-19	Change		As at Dec-18	Change	
	$m	$m	$m	%	$m	$m	%
Deposits and funds under management							
Deposits	62,688.6	60,566.6	2,122.0	3.5	60,682.1	2,006.5	3.3
Securitisation	3,957.3	3,464.4	492.9	14.2	2,748.5	1,208.8	44.0
Managed funds	6,634.3	6,592.2	42.1	0.6	6,013.0	621.3	10.3
Total deposits and funds under management	**73,280.2**	**70,623.2**	**2,657.0**	**3.8**	**69,443.6**	**3,836.6**	**5.5**
Deposits dissection - $m							
Customer	49,701.3	48,177.0	1,524.3	3.2	47,885.2	1,816.1	3.8
Wholesale	12,987.3	12,389.6	597.7	4.8	12,796.9	190.4	1.5
Securitisation	3,957.3	3,464.4	492.9	14.2	2,748.5	1,208.8	44.0
Total deposits	**66,645.9**	**64,031.0**	**2,614.9**	**4.1**	**63,430.6**	**3,215.3**	**5.1**
Deposits dissection - %							
Customer	74.6%	75.2%			75.5%		
Wholesale	19.5%	19.4%			20.2%		
Securitisation	5.9%	5.4%			4.3%		
Total deposits	**100.0%**	**100.0%**			**100.0%**		
Managed funds dissection - $m							
Assets under management	2,507.7	2,536.7	(29.0)	(1.1)	2,358.4	149.3	6.3
Other managed funds	4,126.6	4,055.5	71.1	1.8	3,654.6	472.0	12.9
Total managed funds	**6,634.3**	**6,592.2**	**42.1**	**0.6**	**6,013.0**	**621.3**	**10.3**

A review of the Group's deposits has been completed during the period which has resulted in a change to the deposits dissection disclosures. Approximately $3.6b of deposits have been reclassified as wholesale deposits as at 31 December 2019, with comparative balances also having been restated. The Group now discloses the value of customer deposits which represents the sum of interest bearing, non-interest bearing and term deposits from retail and corporate customers.

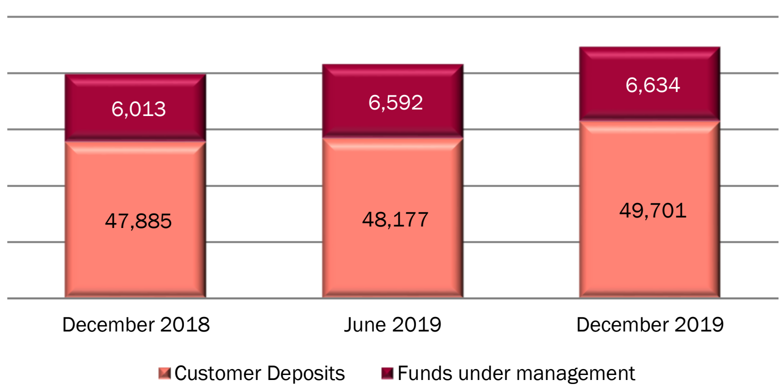
Assets under management include those funds deposited in the Sandhurst Trustees Limited Common Funds, which are invested in cash, cash enhanced and mortgage investments on behalf of investors. These funds are off-balance sheet.

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)



Customer deposits and funds under management ($m)



2.2.12 Capital and shareholder returns

2.2.12.1 Assets and capital

	As at Dec-19	As at Jun-19	Change		As at Dec-18	Change	
	$m	$m	$m	%	$m	$m	%
Group assets	74,631.4	72,405.0	2,226.4	3.1	71,545.2	3,086.2	4.3
Capital adequacy							
Total regulatory capital	4,924.3	4,925.0	(0.7)	-	5,193.7	(269.4)	(5.2)
Risk-weighted assets	37,265.6	37,483.1	(217.5)	(0.6)	37,539.0	(273.4)	(0.7)
	%	%	%		%	%	
Risk-weighted capital adequacy	13.21%	13.14%	0.07%	0.5	13.84%	(0.63%)	(4.6)
- Tier 1	11.40%	11.31%	0.09%	0.8	11.15%	0.25%	2.2
- Tier 2	1.81%	1.83%	(0.02%)	(1.1)	2.69%	(0.88%)	(32.7)
- Common Equity Tier 1	9.00%	8.92%	0.08%	0.9	8.76%	0.24%	2.7

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-19	Jun-19	Dec-18
Tier 1	11.40%	11.31%	11.15%
Tier 2	1.81%	1.83%	2.69%
Total capital ratio	**13.21%**	**13.14%**	**13.84%**
Common Equity Tier 1	**9.00%**	**8.92%**	**8.76%**

Regulatory capital	$m	$m	$m
Common Equity Tier 1			
Contributed capital	4,598.7	4,576.0	4,553.0
Retained profits and reserves	642.1	735.2	719.8
Accumulated other comprehensive income (and other reserves)	(2.2)	(9.0)	(26.0)
Less:			
Intangible assets, cash flow hedges and capitalised expenses	1,712.2	1,827.1	1,814.4
Net deferred tax assets	135.4	91.4	104.9
Equity exposures	36.6	37.5	36.9
Other adjustments as per APRA advice	1.5	1.4	1.2
Total common equity tier 1 capital	**3,352.9**	**3,344.8**	**3,289.4**
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	**4,248.8**	**4,240.7**	**4,185.3**
Tier 2			
Tier 2 capital instruments	494.3	494.3	822.4
General reserve for credit losses/collective provision (net of tax effect)	181.2	190.0	186.0
Total Tier 2 Capital	**675.5**	**684.3**	**1,008.4**
Total regulatory capital	**4,924.3**	**4,925.0**	**5,193.7**
Total risk weighted assets	**37,265.6**	**37,483.1**	**37,539.0**

2.2.12.2 Capital adequacy (continued)

Risk- weighted assets	As at Dec-19 $m	As at Jun-19 $m	Change $m	Change %	As at Dec-18 $m	Change $m	Change %
Credit risk	33,246.3	33,424.1	(177.8)	(0.5)	33,656.7	(410.4)	(1.2)
Market risk	297.9	343.6	(45.7)	(13.3)	175.7	122.2	69.6
Operational risk	3,721.4	3,715.4	6.0	0.2	3,706.6	14.8	0.4
Total risk-weighted assets	**37,265.6**	**37,483.1**	**(217.5)**	**(0.6)**	**37,539.0**	**(273.4)**	**(0.7)**

Key movements in capital in the December 2019 half year compared to the June 2019 half include:

> Common Tier 1

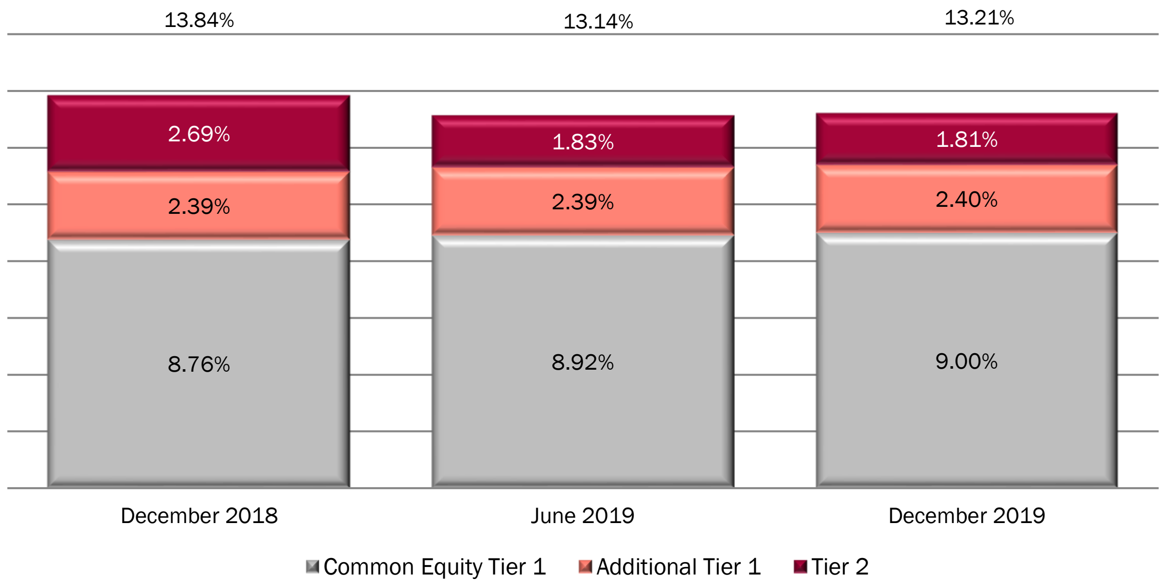
Dividend reinvestment plan increased capital by $22.8m.

Retained earnings and net deferred tax assets decreased by $93.1m net of Homesafe unrealised revaluation gains.

> Risk weighted assets

Risk weighted assets decreased during the year due to the securitisation of $1b of residential mortgages partially offset by loan growth.

Capital adequacy (%)



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

Pillar 3 Disclosures

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

2.2.12.3 Shareholder returns

Earnings per ordinary share	Dec-19 cents	Jun-19 cents	Change cents	Change %	Dec-18 cents	Change cents	Change %
Statutory earnings per ordinary share (weighted average)	29.6	35.4	(5.8)	(16.4)	41.7	(12.1)	(29.0)
Cash earnings per ordinary share (weighted average)	43.7	40.0	3.7	9.3	45.1	(1.4)	(3.1)
Diluted earnings per ordinary share (weighted average)	27.1	32.1	(5.0)	(15.6)	37.6	(10.5)	(27.9)

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	492,709	490,308	2,401	0.5	487,722	4,988	1.0
Weighted average number of ordinary shares - used in diluted EPS calculations	578,126	579,167	(1,041)	(0.2)	574,129	3,997	0.7

Ratios	%	%	Change bps	%	Change bps
Return on average ordinary equity (after tax)	5.26%	6.34%	(108)	7.34%	(208)
Return on average ordinary equity (cash basis)	7.77%	7.15%	62	7.94%	(17)
Return on average tangible equity (cash basis)	10.96%	10.15%	81	11.32%	(36)
Return on average assets (after tax)	0.41%	0.51%	(10)	0.59%	(18)
Return on average assets (cash basis)	0.61%	0.58%	3	0.63%	(2)

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 3.8.6 for Earnings used in above calculations.

June profit figures are for the half year ended 30 June 2019 and balance sheet items are as at end of June 2019.

Dilutive preference shares include convertible and converting preference shares.

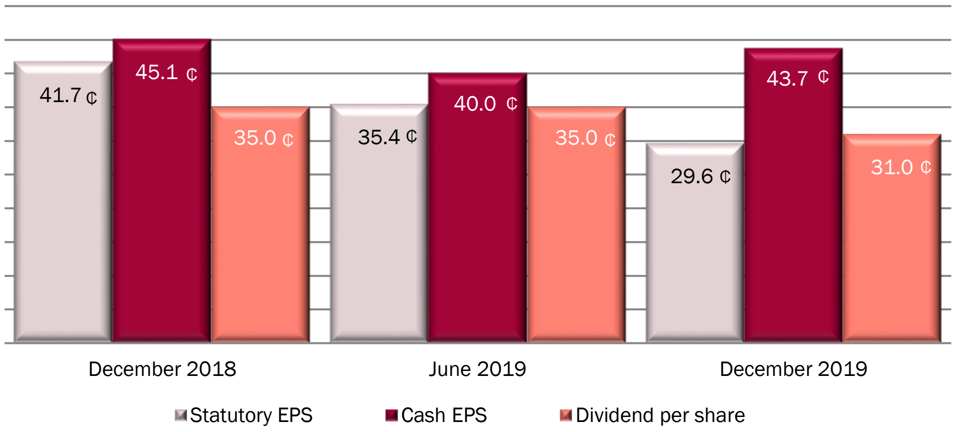
Ordinary equity for use in these ratios is represented by total ordinary shares and retained earnings.

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

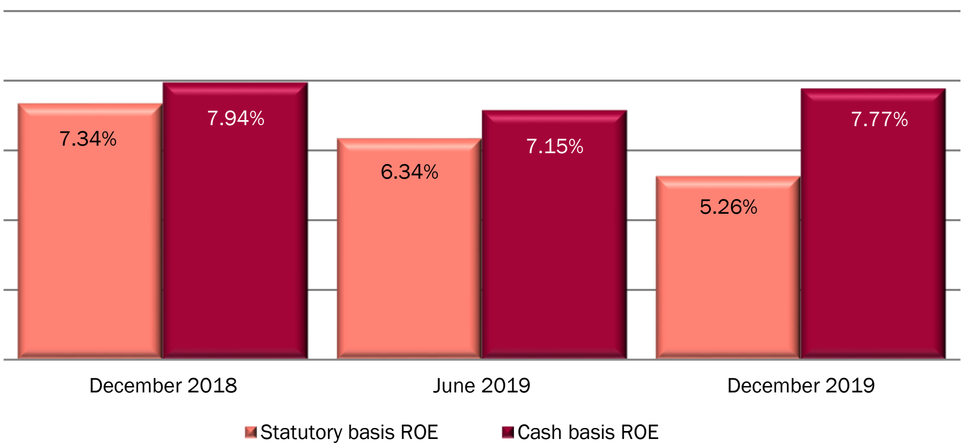
	As at Dec-19 $m	As at Jun-19 $m	Change $m	Change %	As at Dec-18 $m	Change $m	Change %
Ordinary issued capital	4,598.7	4,575.9	22.8	0.5	4,552.9	45.8	1.0
Retained earnings	922.2	987.3	(65.1)	(6.6)	986.5	(64.3)	(6.5)
Total ordinary equity	**5,520.9**	**5,563.2**	**(42.3)**	**(0.8)**	**5,539.4**	**(18.5)**	**(0.3)**
Average ordinary equity	**5,512.1**	**5,523.3**			**5,489.9**		
Average tangible ordinary equity	**3,908.0**	**3,891.5**			**3,853.3**		

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-19	Jun-19	Change		Dec-18	Change	
				%			%
Dividend per share - cents	31.0	35.0	(4.0)	(11.4)	35.0	(4.0)	(11.4)
Dividend amount payable/paid - $m	150.8	169.5	(18.7)	(11.0)	168.7	(17.9)	(10.6)
Payout ratio - earnings per ordinary share [1]	104.7%	98.9%	5.8%	5.9	83.9%	20.8%	24.8
Payout ratio - cash basis per ordinary share [1]	70.9%	87.5%	(16.6%)	(19.0)	77.6%	(6.7%)	(8.6)

[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 11 March 2020. 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 11 March 2020. 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 2020 interim dividend is 10 March 2020.

2.3 Additional notes

2.3.1 Analysis of intangible assets

	Balance sheet Carrying value			Half year amortisation/ Impairment expense		
	Dec-19	Jun-19	Dec-18	Dec-19	Jun-19	Dec-18
	$m	$m	$m	$m	$m	$m
Goodwill	1,440.3	1,440.3	1,442.3	-	-	-
Trustee licence	8.4	8.4	8.4	-	-	-
Software [1]	136.9	228.1	220.6	122.5	18.5	16.0
Customer lists	2.7	3.1	0.2	-	0.2	0.4
Trade name	1.0	1.1	1.3	0.2	0.2	0.1
Customer relationship	0.6	1.1	1.7	0.8	1.2	0.6
Management rights - Adelaide Bank	3.0	3.5	4.0	0.5	0.5	0.5
Total goodwill and other intangible assets	**1,592.9**	**1,685.6**	**1,678.5**	**124.0**	**20.6**	**17.6**

[1] Total expenses recorded in relation to software include impairments and accelerated amortisation charges that have been excluded from cash earnings.

2.3.2 Net tangible assets per ordinary share

	Dec-19	Jun-19	Dec-18
Net tangible assets per ordinary share	$8.10	$8.03	$7.99
	$m	$m	$m
Net tangible assets			
Net assets	5,591.9	5,631.6	5,585.3
Intangibles	(1,592.9)	(1,685.6)	(1,678.5)
Net tangible assets attributable to ordinary shareholders	**3,999.0**	**3,946.0**	**3,906.8**
Number of fully paid ordinary shares on issue - 000's	493,843	491,575	488,969

2.3.3 Investments accounted for using the equity method

	Ownership interest held by consolidated entity			
	December 2019	June 2019	December 2018	
	%	%	%	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	30.8	30.4	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	26.9	27.0	28.6	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 17 December 2019, 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 remain of the view that the Bank's capitalisation is a strength to its creditworthiness and expect credit losses to remain low given its predominantly low risk and well-secured mortgaged loan book. The Bank's Community Banking model provides it a point of differentiation to regional and major bank peers, and allows it to compete with larger institutions despite the pricing power and cost advantages they have through economies of scale.

On 10 October 2019, Fitch Ratings, the international ratings agency affirmed Bendigo and Adelaide Bank Limited'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 1 November 2019, Moody's affirmed its long-term issuer rating at 'A3' and short term rating at 'P-2', with a stable outlook. Moody's commented that the ratings reflect the Bank's strong credit profile characterised 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 2019	491,575,157	4,575.9
Shares issued:		
30 September 2019 - Dividend reinvestment plan at $11.14	2,037,832	22.8
30 September 2019 - Bonus share scheme (in lieu of dividend payment) at $11.14	230,071	-
Total ordinary shares at 31 December 2019	**493,843,060**	**4,598.7**

[1] BEN - ASX code Ordinary Fully Paid Shares

Half Year Financial Report

For the period ended 31 December 2019

Released 17 February 2020

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 2019 annual financial report.

3 Statutory half year financial report

3.1 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

Jacqueline Hey (Chair) (appointed October 2019)
Marnie Baker (Managing Director)
Vicki Carter
David Foster (appointed September 2019)
Jan Harris
Jim Hazel
Robert Hubbard
Robert Johanson (retired October 2019)
David Matthews
Tony Robinson

Company Secretary

Will Conlan (retired October 2019)
Carmen Lunderstedt (appointed October 2019)

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

Boardroom Pty Limited
Grosvenor Place, Level 12, 225 George Street, Sydney NSW 2000
Postal Address: GPO Box 3993, Sydney NSW 2001

Website: www.boardroomlimited.com.au
Email: BEN@boardroomlimited.com.au

Telephone: 02 8023 5417 (inside Australia)
+61 1300 032 762 (from outside Australia)
Facsimile: +61 2 9279 0664

Auditors

Ernst & Young
Australia

3.2 Directors' report

Your Directors submit their report for the half year ended 31 December 2019.

3.2.1 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.

Jacqueline Hey (Chair) (appointed October 2019)
Marnie Baker (Managing Director)
Vicki Carter
David Foster (appointed September 2019)
Jan Harris
Jim Hazel
Robert Hubbard
Robert Johanson (retired October 2019)
David Matthews
Tony Robinson

3.2.2 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 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 increased by $44.0 million, or 5.6%, to $834.2 million when compared with the half year ended 31 December 2018.

Profit before tax decreased by $84.7 million, or 28.5%, to $212.3 million when compared to the previous corresponding period.

Profit after tax (attributable to owners of the Company) decreased by $57.4 million to $145.8 million when compared to the previous corresponding period.

The decrease in profit after tax is mainly attributed to software impairments totalling $87.1 million before tax recorded in relation to assets where the realised benefits are substantially lower than originally anticipated, and software accelerated amortisation charges of $19.0 million before tax recorded as a result of a review of the Group's software assets following an increase to the Group's capitalisation threshold.

Group assets increased by 4.3%, or $3.1 billion, when compared with the half year ended 31 December 2018. Group assets at 31 December 2019 were $74.6 billion.

The total capital adequacy ratio increased during the half year from 13.14% to 13.21%. Tier 1 capital increased during the half year from 11.31% to 11.40%, with Tier 2 capital decreasing from 1.83% to 1.81%. The Common Equity Tier 1 ratio increased during the half year from 8.92% to 9.00%.

Fully franked dividends paid on convertible preference shares (CPS) during the half year:
> CPS2 164.71 cents per share, paid on 2 December 2019

> CPS3 184.60 cents per share, paid on 16 December 2019

> CPS4 89.91 cents per share, paid on 13 September 2019 and 83.43 cents per share, paid on 13 December 2019

Fully franked dividends paid or declared on ordinary shares during the half year:
Final dividend of 35.0 cents per share, paid on 30 September 2019 in respect of the year ended 30 June 2019
Interim dividend of 31.0 cents per share, declared on 17 February 2020, payable on 31 March 2020

3.2 Directors' report (continued)
3.2.3 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 2019, 2,037,832 shares were allotted at an issue price of $11.14 to those shareholders participating in the Dividend Reinvestment Plan, increasing share capital by $22.8 million. Further to this, 230,071 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.

3.2.4 Events after balance sheet date

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

3.2.5 Auditor's Independence Declaration

The Group's Audit Committee has conducted an assessment of the independence of the external auditor for the period ended 31 December 2019. 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 2019. 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.

Jacqueline Hey (Chair)
Bendigo
17 February 2020

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

Building a better working world

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 2019, 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

17 February 2020

3.3 Income Statement
For the half year ended 31 December 2019

		Consolidated		
		Dec-19	Jun-19	Dec-18
	Note	$m	$m	$m
Net interest income				
Interest income		1,203.7	1,299.8	1,343.5
Interest expense		(533.9)	(659.4)	(694.3)
Total net interest income		**669.8**	**640.4**	**649.2**
Other revenue				
Fees		79.3	79.0	84.8
Commissions		29.2	36.2	37.3
Other revenue		55.9	21.7	18.9
Total other revenue		**164.4**	**136.9**	**141.0**
Total income		**834.2**	**777.3**	**790.2**
Expenses				
Bad and doubtful debts on net loans and other receivables		(23.2)	(24.8)	(25.5)
Other expenses				
Staff and related costs		(273.5)	(262.9)	(255.6)
Occupancy costs		(17.9)	(45.4)	(45.9)
Information technology costs		(33.3)	(39.2)	(35.7)
Amortisation of intangibles		(36.9)	(19.9)	(17.6)
Property, plant and equipment costs		(32.5)	(5.0)	(5.6)
Fees and commissions		(10.3)	(13.8)	(17.3)
Communications, postage and stationery		(18.1)	(18.0)	(19.2)
Advertising and promotion		(15.0)	(15.7)	(13.8)
Other product and services delivery costs		(11.9)	(14.8)	(16.2)
Other operating expenses		(149.3)	(62.8)	(40.8)
Total other expenses		**(598.7)**	**(497.5)**	**(467.7)**
Profit before income tax expense		**212.3**	**255.0**	**297.0**
Income tax expense	3.8.4	(66.5)	(81.4)	(93.8)
Net profit attributable to owners of the company		**145.8**	**173.6**	**203.2**
Earnings per ordinary share (cents per share):		cents	cents	cents
Basic	3.8.6	29.6	35.4	41.7
Diluted	3.8.6	27.1	32.1	37.6
Franked dividends	3.8.5	31.0	35.0	35.0

3.4 Statement of comprehensive income
For the half year ended 31 December 2019

	Consolidated		
	Dec-19	Jun-19	Dec-18
	$m	$m	$m
Profit for the period ended	**145.8**	**173.6**	**203.2**
Items which may be reclassified subsequently to profit or loss:			
Revaluation gain/(loss) on debt instruments at fair value through other comprehensive income	-	0.5	(0.3)
Transfer from asset revaluation reserve to income	-	(0.3)	-
Revaluation reversal	(0.6)	-	-
Net (loss)/gain on cash flow hedges taken to equity	(14.9)	21.4	(1.9)
Tax effect on items taken directly to or transferred from equity	4.5	(6.4)	0.6
Total items that may be reclassified to profit or loss	**(11.0)**	**15.2**	**(1.6)**
Items which will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on superannuation defined benefits plan	0.2	0.4	(0.5)
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	**0.2**	**0.3**	**(0.4)**
Total comprehensive income for the period	**135.0**	**189.1**	**201.2**

3.5 Balance Sheet
As at 31 December 2019

		Consolidated		
		As at	As at	As at
		Dec-19 [1]	Jun-19	Dec-18
	Note	$m	$m	$m
Assets				
Cash and cash equivalents		2,319.0	1,072.0	1,898.9
Due from other financial institutions		169.7	270.6	169.7
Financial assets fair value through profit or loss (FVTPL)		6,025.4	5,836.9	4,693.6
Financial assets - amortised cost		301.1	293.1	245.9
Financial assets fair value through other comprehensive income (FVOCI)		51.7	55.7	691.5
Derivatives		80.4	150.6	54.9
Net loans and other receivables		62,601.8	61,791.8	60,853.0
Investments accounted for using the equity method		8.4	9.3	9.0
Property, plant and equipment		272.5	63.1	68.4
Income tax receivable		6.0	-	-
Deferred tax assets		45.7	5.3	16.6
Investment property		782.2	734.5	745.2
Assets held for sale		1.7	-	-
Goodwill and other intangible assets		1,592.9	1,685.6	1,678.5
Other assets		372.9	436.5	420.0
Total Assets		**74,631.4**	**72,405.0**	**71,545.2**
Liabilities				
Due to other financial institutions		68.4	420.6	107.2
Deposits		62,688.6	60,566.6	60,682.1
Notes payable		3,957.3	3,464.4	2,748.5
Derivatives		91.5	135.0	44.0
Income tax payable		-	6.4	13.5
Provisions		113.3	119.6	124.9
Other payables		550.6	493.0	371.0
Preference shares		888.3	886.4	884.5
Subordinated debt		681.5	681.4	984.2
Total Liabilities		**69,039.5**	**66,773.4**	**65,959.9**
Net Assets		**5,591.9**	**5,631.6**	**5,585.3**
Equity				
Share capital	3.8.9	4,592.7	4,570.5	4,547.0
Reserves		77.0	73.8	51.8
Retained earnings		922.2	987.3	986.5
Total Equity		**5,591.9**	**5,631.6**	**5,585.3**

[1] December 2019 results have been prepared in accordance with AASB 16; prior periods have not been restated. Further information can be found in Note 3.8.2.2 'Changes in Accounting Policies'.

3.6 Statement of changes in equity
For the half year ended 31 December 2019

	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 2019	**4,575.9**	**(5.4)**	**987.3**	**73.8**	**5,631.6**
Impact of adoption of new accounting standards [2]	-	-	(24.7)	-	(24.7)
Rural Bank consolidation [3]	-	-	(20.5)	20.5	-
Comprehensive income:					
Profit for the period	-	-	145.8	-	145.8
Other comprehensive income	-	-	0.2	(11.0)	(10.8)
Total comprehensive income for the period	**-**	**-**	**146.0**	**(11.0)**	**135.0**
Transactions with owners in their capacity as owners:					
Shares issued	22.8	-	-	-	22.8
Movement in employee share ownership plan (ESOP) shares	-	(0.6)	-	-	(0.6)
Movement in general reserve for credit losses (GRCL)	-	-	3.0	(3.0)	-
Movement in share based payment	-	-	0.6	(3.3)	(2.7)
Equity dividends	-	-	(169.5)	-	(169.5)
At 31 December 2019	**4,598.7**	**(6.0)**	**922.2**	**77.0**	**5,591.9**

For the half year ended 30 June 2019

	$m	$m [1]	$m	$m	$m
Opening balance at 1 January 2019	**4,552.9**	**(5.9)**	**986.5**	**51.8**	**5,585.3**
Comprehensive income:					
Profit for the period	-	-	173.6	-	173.6
Other comprehensive income	-	-	0.3	15.2	15.5
Total comprehensive income for the period	**-**	**-**	**173.9**	**15.2**	**189.1**
Transactions with owners in their capacity as owners:					
Shares issued	23.0	-	-	-	23.0
Movement in employee share ownership plan (ESOP) shares	-	0.5	-	-	0.5
Movement in general reserve for credit losses (GRCL)	-	-	(4.2)	4.2	-
Movement in share based payment	-	-	0.2	2.2	2.4
Movement in operational risk reserve	-	-	(0.4)	0.4	-
Equity dividends	-	-	(168.7)	-	(168.7)
At 30 June 2019	**4,575.9**	**(5.4)**	**987.3**	**73.8**	**5,631.6**

For the half year ended 31 December 2018

	$m	$m [1]	$m	$m	$m
Opening balance at 1 July 2018	**4,529.9**	**(6.6)**	**975.9**	**121.1**	**5,620.3**
Impact of adoption of new accounting standards [4]	-	-	(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
Movement in employee share ownership plan (ESOP) shares	-	0.7	-	-	0.7
Movement in general reserve for credit losses (GRCL)	-	-	(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**

[1] Refer to note 3.8.9 Share capital for further details.

[2] December 2019 results have been prepared in accordance with AASB 16; prior periods have not been restated. Further information can be found in Note 3.8.2.2 'Changes in Accounting Policies'.

[3] Relates to Rural Bank consolidation adjustments.

[4] December 2018 results have been prepared in accordance with AASB 9; prior periods have not been restated. Further information can be found in the Group's 30 June 2019 Annual Financial Report.

3.7 Cash flow statement
For the half year ended 31 December 2019

		Consolidated		
		Dec-19 [1]	Jun-19	Dec-18
	Note	$m	$m	$m
Cash flows from operating activities				
Interest and other items of a similar nature received		1,270.8	1,337.4	1,308.8
Interest and other costs of finance paid		(571.4)	(662.8)	(698.6)
Receipts from customers (excluding effective interest)		133.1	137.5	142.9
Payments to suppliers and employees		(596.0)	(397.4)	(602.7)
Dividends received		1.3	0.6	0.3
Income taxes paid		(104.7)	(84.7)	(121.2)
Cash flows from operating activities before changes in operating assets and liabilities		**133.1**	**330.6**	**29.5**
(Increase)/decrease in operating assets				
Net (increase)/decrease in balance of loans and other receivables		(825.7)	(966.6)	629.0
Net increase in balance of investment securities		(247.3)	(541.0)	(232.2)
Increase/(decrease) in operating liabilities				
Net increase/(decrease) in balance of deposits		2,122.0	(115.4)	1,152.5
Net increase/(decrease) in balance of notes payable		493.0	715.9	(796.3)
Net cash flows from/(used in) operating activities		**1,675.1**	**(576.5)**	**782.5**
Cash flows related to investing activities				
Cash paid for purchases of property, plant and equipment		(16.6)	(3.8)	(8.8)
Cash proceeds from sale of property, plant and equipment		0.3	0.4	0.4
Cash paid for purchases of investment property		(32.1)	(30.4)	(36.6)
Cash proceeds from sale of investment property		23.2	22.3	21.8
Cash paid for purchases of equity investments		-	(0.3)	-
Cash proceeds from sale of equity investments		-	-	0.1
Cash proceeds from return of capital/dividend from JV partners		0.6	0.7	1.3
Cash paid for purchases of intangible assets		(3.2)	(3.7)	-
Net cash flows used in investing activities		**(27.8)**	**(14.8)**	**(21.8)**
Cash flows from financing activities				
(Payments to)/Proceeds from subordinated debt holders		(0.1)	(302.9)	275.1
Dividends paid		(146.8)	(145.8)	(142.9)
Lease repayments		(2.8)	-	-
Repayment of ESOP shares		0.7	0.6	0.6
Net cash flows (used in)/from financing activities		**(149.0)**	**(448.1)**	**132.8**
Net increase/(decrease) in cash and cash equivalents		1,498.3	(1,039.4)	893.5
Cash and cash equivalents at the beginning of period		922.0	1,961.4	1,067.9
Cash and cash equivalents at the end of period	3.8.8	**2,420.3**	**922.0**	**1,961.4**

[1] December 2019 results have been prepared in accordance with AASB 16; prior periods have not been restated. Further information can be found in Note 3.8.2.2 'Changes in Accounting Policies'.

3.8 Notes to and forming part of the financial statements

3.8.1 Corporate Information

The half year financial report of Bendigo and Adelaide Bank Limited for the six months ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors on 17 February 2020.

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 ($).

3.8.2 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 2019, 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 2019 annual financial report, except as disclosed below.

3.8.2.1 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.

3.8.2.2 Changes in accounting policies

New and amended standards and interpretations

The Group applied AASB 16 *Leases* from 1 July 2019. Prior to the adoption of AASB 16, non-cancellable operating lease payments were not recognised as liabilities but were recognised as rental expenses over the lease term on a straight-line basis.

The Group applied AASB 16 used the modified retrospective approach, under which comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised as an adjustment to the opening balance of retained earnings as at 1 July 2019.

Definition of a lease

On initial application of AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. Contracts entered into before 1 July 2019 that had previously been identified as leases under AASB 117 Leases and Interpretation 4 Determining whether an Arrangement contains a Lease, were not reassessed by the Group but were considered to also be leases under AASB 16. The definition of a lease under AASB 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

The Group as a lessee

As a lessee the Group leases many assets including property, IT equipment, and ATMs. The Group previously classified leases as operating or finance leases based on an assessment of whether the lease transferred significantly all the risks and rewards incidental to the ownership of the underlying asset to the Group.

3.8.2.2 Changes in accounting policies (continued)

The Group as a lessee (continued)

On transition to AASB 16, right-of-use assets (ROUA) and leases liabilities have been recorded for most of the Group's leases, however, the Group applied the following practical expedients to leases previously classified as operating leases under AASB 17. The Group:

> has not recognised ROUAs and liabilities for leases with lease term ending within 12 months of 1 July 2019;

> has not recognised ROUAs and liabilities for leases of low value assets;

> has measured the ROUAs using their carrying amount as if AASB 16 had been applied since the lease commencement date but discounted using the Group's incremental borrowing rate at 1 July 2019;

> excluded initial direct costs from the measurement of the ROUA at 1 July 2019;

> has recognised its lease liabilities by discounting the remaining lease payments as at 1 July 2019 using the incremental borrowing rate for each portfolio of leases with reasonably similar characteristics; and

> used hindsight when determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous lease contracts that would have required an adjustment to the ROUAs at the date of initial application.

The Group as a lessor

The Group is not required to make any adjustments on transition to AASB 16 for leases in which it acts as the lessor, except for sub-leases. The Group sub-leases some of its properties. Under AASB 17, the head lease and the sub-lease contracts were classified as operating leases. On transition to AASB 16, the Group recognised a ROUA in relation to the head lease. The Group has assessed the classification of the sub-lease contracts with reference to the ROUA rather than the underlying asset, concluding that they are also operating leases under AASB 16. The Group has applied *AASB 15 Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

Impact on transition

On transition to AASB 16, the Group recognised ROUAs and lease liabilities on the Balance Sheet, with an adjustment being made to the opening balance of retained earnings as at 1 July 2019. The impact on transition is summarised below.

	As at 1 July 2019 $m
Right-of-use assets	226.9
Deferred tax asset	9.9
Other asset	(0.4)
Lease liabilities	(266.1)
Provisions	5.0
Retained earnings	24.7

The recognised ROUAs relate to the following types of assets:

	As at 1 July 2019 $m
Right-of-use assets – Properties	202.4
Right-of-use assets – IT Equipment	18.7
Right-of-use assets – ATMs	5.8
Total right-of-use assets	**226.9**

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 2.9%.

An explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 30 June 2019 and the lease liabilities recognised in the Balance Sheet as at 1 July 2019 is as follows:

	$m
Operating lease commitments disclosed as at 30 June 2019	362.2
Less: Leases with less than 12 months of lease term at transition	(2.0)
Less: Low-value leases	(21.4)
Less: Discounting effect using incremental borrowing rate	(22.5)
Less: Amounts included in commitments but excluded in AASB 16 [1]	(47.5)
Add: Extension options which are reasonably certain to be exercised	6.8
Add: Adjustment relating to changes in the index or rate affecting variable payments	(9.5)
Lease liabilities recognised as at 1 July 2019	**266.1**

[1] Examples of amounts included in commitments but excluded from AASB 16 calculations include GST and operational expenditure.

3.8.2.2 Changes in accounting policies (continued)

Leases accounting policy

The accounting policy applied by the Group to leases from 1 July 2019 is described below.

At the inception of a contract, the Group makes an assessment as to whether the contract is a lease or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has elected not to recognise ROUAs and lease liabilities for leases of low-value assets and short-term leases (leases that have lease terms of 12 months or less). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1. As a lessee

At the commencement or on modification of a contract that contains a lease component, the Group recognises a ROUA and a lease liability. The ROUA is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. ROUAs are included in the balance of Property, plant and equipment in the Balance Sheet.

The ROUA is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROUA or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Group will assess, at each reporting date, whether there is an indication that a ROUA may be impaired. If any indication exists, the Group will estimate the recoverable amount of the ROUA, and if the carrying amount of the ROUA exceeds its recoverable amount, the ROUA will be considered impaired and written down to its recoverable amount. At each reporting date an assessment will be made to determine whether there is an indication that previously recognised impairment losses in relation to ROUAs no longer exist or have decreased. If such indication exists, the Group will estimate the ROUA's recoverable amount. A previously recognised impairment loss will be reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal will be limited so that the carrying amount of the ROUA does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal will be recognised in the Income Statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. Lease liabilities are included in the balance of Other payables in the Balance Sheet.

The Group determines its incremental borrowing rate through reference to internal cost of funds rates and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

> fixed payments (including in-substance fixed payments), less any lease incentives received;

> variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;

> amounts expected to be payable under residual value guarantees; and

> the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and the non-lease component. For property leases, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROUA or is recorded in profit or loss if the carrying amount of the ROUA has been reduced to zero. Lease liability is included in the balance of Other Payables.

In the Cash flow statement, the principal component of lease payments is considered to be a financing activity and the interest component is captured in operating activities.

3.8.2.2 Changes in accounting policies (continued)

Leases accounting policy (continued)

2. As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the sub-lease is assessed as a finance lease, the Group derecognises the ROUA relating to the head lease that is transfers to the sub-lessee and recognises the net investment in the sub-lease as a receivable. Any difference between the ROUA derecognised and the net investment in the sub-lease is recognised in profit or loss. The lease liability relating to the head lease is retained in the Balance Sheet, representing the lease payments owed to the head lessor.

When the sub-lease is assessed as an operating lease, the Group recognises lease income from the sub-lease in profit or loss on straight-line basis over the lease term and the ROUA relating to the head lease is not derecognised.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classific-ation of a sub-lease with reference to the ROUA arising from the head lease, rather than the underlying asset. For contracts which contain lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

Amendments relating to the interest rate benchmark reform

The Group early adopted AASB 2019-3 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform* , issued by the AASB in October 2019. The standard includes a number of reliefs, that apply to all hedging relationships directly affected by interest rate benchmark reform. A hedging relationship is affected if interest rate benchmark reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

The reliefs apply during the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate. The reliefs cease to apply once certain conditions are met. The Group's hedging derivatives portfolio of interest rate swaps is exposed to BBSW. We have commenced a project to monitor the developments of regulators and to assess the impact of the introduction of alternative risk-free rates.

The adoption of the amendments had no impact on the Group's financial results for the half-year ended 31 December 2019.

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 2019.

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

- AASB 19-1 Conceptual Framework for Financial Reporting;
- 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business [AASB 3];*
- 2018-7 *Amendments to Australian Accounting Standards – Definition of Material [AASB 101 and AAS 108];*
- 2019-2 *Amendments to Australian Accounting Standards – Implementation of AASB 1059;*
- 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Note Yet Issued in Australia;*
- AASB 17 *Insurance Contracts; and*
- 2014-10 *Amendments to Australian Accounting Standards – Sale of Contribution of Assets between an Investor and its Associate or Joint Venture.*

3.8.2.3 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 3.8.6 - Earnings per ordinary share and 3.8.7 - 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.

3.8.3 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.

As part of the organisational restructure in August 2018, the Group's reportable segments were amended in FY19 to Consumer, Business and Agribusiness. The balances and transactions attributable to each segment disclosed in FY19 were based on the underlying product. To further strengthen the Group's customer focus, in 1H20 the Group's balances and transactions were re-distributed between the segments based on which segment is ultimately responsible for the customer relationship. The segment comparatives below reflect these reporting changes.

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 2019

	Operating segments					
	Consumer	Business	Agribusiness	**Total operating segments**	Central functions	**Total**
	$m	$m	$m	**$m**	$m	**$m**
Net interest income	439.7	150.3	79.8	**669.8**	-	**669.8**
Other income	138.9	22.0	8.1	**169.0**	(4.6)	**164.4**
Total segment income	**578.6**	**172.3**	**87.9**	**838.8**	**(4.6)**	**834.2**
Operating expenses	(351.0)	(93.3)	(48.3)	**(492.6)**	(106.1)	**(598.7)**
Credit expenses	0.4	(18.2)	(5.4)	**(23.2)**	-	**(23.2)**
Segment result (before tax expense)	**228.0**	**60.8**	**34.2**	**323.0**	**(110.7)**	**212.3**
Tax expense	(70.2)	(18.2)	(11.1)	**(99.5)**	33.0	**(66.5)**
Segment result (statutory basis)	**157.8**	**42.6**	**23.1**	**223.5**	**(77.7)**	**145.8**
Cash basis adjustments:						
Specific income and expense items (after tax)	(19.6)	0.2	0.1	**(19.3)**	82.8	**63.5**
Homesafe net realised income (after tax)	5.0	-	-	**5.0**	-	**5.0**
Amortisation of acquired intangibles (after tax)	-	0.9	0.2	**1.1**	-	**1.1**
Segment result (cash basis)	**143.2**	**43.7**	**23.4**	**210.3**	**5.1**	**215.4**

3.8.3 Segment results (continued)

For the half year ended 30 June 2019

	Operating segments					
	Consumer $m	Business $m	Agribusiness $m	Total operating segments $m	Central functions $m	Total $m
Net interest income	421.8	148.7	69.9	640.4	-	640.4
Other income	84.4	22.0	7.3	113.7	23.2	136.9
Total segment income	**506.2**	**170.7**	**77.2**	**754.1**	**23.2**	**777.3**
Operating expenses	(364.9)	(86.1)	(46.7)	(497.7)	0.2	(497.5)
Credit expenses	(11.4)	(11.8)	(1.6)	(24.8)	-	(24.8)
Segment result (before tax expense)	**129.9**	**72.8**	**28.9**	**231.6**	**23.4**	**255.0**
Tax expense	(41.6)	(23.3)	(9.3)	(74.2)	(7.2)	(81.4)
Segment result (statutory basis)	**88.3**	**49.5**	**19.6**	**157.4**	**16.2**	**173.6**
Cash basis adjustments:						
Specific income and expense items (after tax)	21.4	0.1	0.6	22.1	(6.2)	15.9
Homesafe net realised income (after tax)	4.9	-	-	4.9	-	4.9
Amortisation of acquired intangibles (after tax)	0.1	1.0	0.4	1.5	-	1.5
Segment result (cash basis)	**114.7**	**50.6**	**20.6**	**185.9**	**10.0**	**195.9**

For the half year ended 31 December 2018

	$m	$m	$m	$m	$m	$m
Net interest income	425.3	154.5	69.4	649.2	-	649.2
Other income	103.8	22.9	7.7	134.4	6.6	141.0
Total segment income	**529.1**	**177.4**	**77.1**	**783.6**	**6.6**	**790.2**
Operating expenses	(334.9)	(89.3)	(42.3)	(466.5)	(1.2)	(467.7)
Credit expenses	(7.1)	(24.0)	5.6	(25.5)	-	(25.5)
Segment result (before tax expense)	**187.1**	**64.1**	**40.4**	**291.6**	**5.4**	**297.0**
Tax expense	(58.9)	(20.2)	(12.7)	(91.8)	(2.0)	(93.8)
Segment result (statutory basis)	**128.2**	**43.9**	**27.7**	**199.8**	**3.4**	**203.2**
Cash basis adjustments:						
Specific income and expense items (after tax)	10.7	0.3	0.2	11.2	(0.7)	10.5
Homesafe net realised income (after tax)	5.0	-	-	5.0	-	5.0
Amortisation of acquired intangibles (after tax)	0.3	0.8	-	1.1	-	1.1
Segment result (cash basis)	**144.2**	**45.0**	**27.9**	**217.1**	**2.7**	**219.8**

	Operating segments					
	Consumer $m	Business $m	Agribusiness $m	Total operating segments $m	Central functions $m	Total $m
As at 31 December 2019						
Reportable segment assets	44,010.7	13,057.4	5,791.2	62,859.3	11,772.1	74,631.4
Reportable segment liabilities	38,987.0	12,688.0	3,400.4	55,075.4	10,006.8	65,082.2
As at 30 June 2019						
Reportable segment assets	42,674.6	13,446.4	5,997.5	62,118.5	10,286.5	72,405.0
Reportable segment liabilities	37,720.2	12,118.2	3,863.0	53,701.4	9,607.6	63,309.0
As at 31 December 2018						
Reportable segment assets	41,907.2	13,574.4	5,656.2	61,137.8	10,407.4	71,545.2
Reportable segment liabilities	37,556.1	11,979.1	4,205.3	53,740.5	9,470.9	63,211.4

Reportable segment assets and liabilities	As at 31 Dec 2019 $m	As at 30 June 2019 $m	As at 31 Dec 2018 $m
Total assets for operating segments	74,631.4	72,405.0	71,545.2
Total assets	**74,631.4**	**72,405.0**	**71,545.2**
Total liabilities for operating segments	65,082.2	63,309.0	63,211.4
Notes payable	3,957.3	3,464.4	2,748.5
Total liabilities	**69,039.5**	**66,773.4**	**65,959.9**

3.8.4 Income tax
For the half year ended 31 December 2019

The major components of income tax expense for the half year ended 31 December 2019 are:

	Dec-19 $m	Jun-19 $m	Dec-18 $m
Current income tax			
Current income tax charge	(92.8)	(72.5)	(88.5)
Deferred income tax			
Relating to origination and reversal of temporary differences	26.3	(8.9)	(5.3)
Income tax expense reported in the Income Statement	**(66.5)**	**(81.4)**	**(93.8)**

3.8.5 Dividends paid and payable

	December 2019 interim dividend		
	Amount per share - cents	Franked amount per share - %	Total amount $m
On 17 February 2020, the directors declared the following dividend:	31.0	100.0	150.8

	Dec-19			Jun-19			Dec-18		
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 2019 final dividend			December 2018 interim dividend			June 2018 final dividend		
Dividends paid during the half-year	Sept 2019	35.0	169.5	Mar 2019	35.0	168.7	Sept 2018	35.0	166.0
Convertible non-cumulative preference shares (CPS2) (recorded as debt instruments) [2]									
Dividends paid during the half-year:	Dec 2019	164.7	4.8	May 2019	185.0	5.4	Nov 2018	186.5	5.4
Convertible non-cumulative preference shares (CPS3) (recorded as debt instruments) [3]									
Dividends paid during the half-year:	Dec 2019	184.6	5.2	June 2019	215.9	6.1	Dec 2018	218.7	6.2
Converting preference shares (CPS4) (recorded as debt instruments) [4]									
Dividends paid during the half-year:	Sept 2019	89.9	2.9	Mar 2019	99.2	3.2	Sept 2018	102.6	3.3
	Dec 2019	83.4	2.7	June 2019	99.1	3.2	Dec 2018	99.1	3.2

[1] BEN - ASX code - Ordinary Fully Paid Shares

[2] BENPE - ASX code - Convertible Non-Cumulative Preference Shares (CPS2). These shares were issued in October 2014.

[3] BENPF - ASX code - Convertible Non-Cumulative Preference Shares (CPS3). These shares were issued in June 2015.

[4] BENPG - ASX code - Converting Preference Shares (CPS4). These shares were issued in December 2017.

3.8.6 Earnings per ordinary share

	Half Year		
	Dec-19	Jun-19	Dec-18
Earnings per ordinary share	Cents per share	Cents per share	Cents per share
Basic	29.6	35.4	41.7
Cash basis	43.7	40.0	45.1
Diluted	27.1	32.1	37.6
Reconciliation of earnings used in the calculation of basic earnings per ordinary share	$m	$m	$m
Net profit for the half-year (after tax)	145.8	173.6	203.2
Total basic earnings	**145.8**	**173.6**	**203.2**
Reconciliation of earnings used in the calculation of diluted earnings per ordinary share			
Earnings used in calculating basic earnings per ordinary share	145.8	173.6	203.2
Add back: dividends accrued and/or paid on dilutive preference shares	10.9	12.3	12.7
Total diluted earnings	**156.7**	**185.9**	**215.9**
Reconciliation of earnings used in the calculation of cash basis earnings per ordinary share			
Earnings used in calculating basic earnings per ordinary share	145.8	173.6	203.2
Add back: amortisation of acquired intangibles (after tax)	1.1	1.5	1.1
Add back: Specific income and expense items (after tax) [1]	63.5	15.9	10.5
Add back: Homesafe net realised income (after tax)	5.0	4.9	5.0
Total cash earnings	**215.4**	**195.9**	**219.8**

	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	492,709,109	490,308,249	487,721,646
Effect of dilution - executive performance rights	981,547	1,573,111	1,036,604
Effect of dilution - preference shares	84,435,407	87,285,703	85,370,695
Weighted ave no. of ordinary shares used in diluted earnings per ordinary share	**578,126,062**	**579,167,063**	**574,128,945**

[1] Specific income and expense items after tax comprise:	Dec-19	Jun-19	Dec-18
	$m	$m	$m
Specific net interest income items			
Fair value adjustments - interest expense	(0.1)	(0.1)	(0.2)
Homesafe funding costs - unrealised	(4.6)	(6.2)	(6.4)
Specific other income items			
Revaluation (losses)/gains on economic hedges	(8.9)	6.1	1.3
Homesafe revaluation gain/(loss)	27.2	(13.1)	(3.8)
Specific operating expense items			
Integration costs	-	(0.5)	-
Loss on sale of Bendigo Financial Planning business	-	(1.6)	-
Impairment charge	(1.2)	-	-
Compensation costs	-	-	(0.5)
Legal costs	(1.8)	-	(0.9)
Software impairment	(60.9)	(0.5)	-
Software accelerated amortisation	(13.2)	-	-
Total specific items attributable to the Group	**(63.5)**	**(15.9)**	**(10.5)**
Homesafe realised income			
Homesafe revaluation gain - realised	(8.1)	(7.6)	(7.4)
Homesafe funding costs - realised	3.1	2.7	2.4
Total Homesafe net realised income	**(5.0)**	**(4.9)**	**(5.0)**

3.8.7 Return on average ordinary equity

	Half year		
	Dec-19	Jun-19	Dec-18
	%	%	%
Return on average ordinary equity (after tax)	5.26	6.34	7.34
Return on average ordinary equity (cash basis)	7.77	7.15	7.94

Reconciliation of ordinary equity used in the calculation of return on average ordinary equity	As at Dec-19 $m	As at Jun-19 $m	As at Dec-18 $m
Ordinary issued capital	4,598.7	4,575.9	4,552.9
Retained earnings	922.2	987.3	986.5
Total ordinary equity	**5,520.9**	**5,563.2**	**5,539.4**
Average ordinary equity [1]	**5,512.1**	**5,523.3**	**5,489.9**

[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 2019 full year annual report for the full details of this policy.

3.8.8 Cash flow information

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

	As at 31 Dec 2019 $m	As at 30 June 2019 $m	As at 31 Dec 2018 $m
Cash and cash equivalents	2,319.0	1,072.0	1,898.9
Due from other financial institutions	169.7	270.6	169.7
Due to other financial institutions	(68.4)	(420.6)	(107.2)
Total cash and cash equivalents	**2,420.3**	**922.0**	**1,961.4**

Recognition and measurement

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with other financial institutions, reverse repurchase agreements and highly liquid financial assets with original maturities of three months or less and are subject to an insignificant risk of changes in their fair value.

These assets are generally used by the Group in managing its short term commitments.

Cash and cash equivalents are carried at amortised cost in the Balance Sheet.

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.

3.8.9 Share capital

	As at 31 Dec 2019		As at 30 June 2019		As at 31 Dec 2018	
Issued and paid up capital	No. Of shares	Total $m	No. Of shares	Total $m	No. Of shares	Total $m
Ordinary shares fully paid	493,843,060	4,598.7	491,575,157	4,575.9	488,969,357	4,552.9
Employee Share Ownership Plan shares	-	(6.0)	-	(5.4)	-	(5.9)
Total issued and paid up capital		**4,592.7**		**4,570.5**		**4,547.0**
Movements in ordinary shares	No. Of shares	Total $m	No. Of shares	Total $m	No. Of shares	Total $m
Opening balance	491,575,157	4,575.9	488,969,357	4,552.9	486,418,481	4,529.9
Bonus share scheme	230,071	-	246,366	-	399,626	-
Dividend reinvestment plan	2,037,832	22.8	2,359,434	23.0	2,151,250	23.0
Closing balance	**493,843,060**	**4,598.7**	**491,575,157**	**4,575.9**	**488,969,357**	**4,552.9**
Movements in Employee Share Ownership Plan		$m		$m		$m
Opening balance		(5.4)		(5.9)		(6.6)
Reduction in Employee Share Ownership Plan shares		(0.6)		0.5		0.7
Closing balance		**(6.0)**		**(5.4)**		**(5.9)**

3.8.10 Financial instruments

All financial instruments are initially recognised at fair value on the date of initial recognition depending on the classification of the asset and liability.

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.

	Fair value through profit or loss		Fair value through other comprehensive income	Amortised cost		
	Derivatives	Financial assets	Financial assets	Loans and receivables	Other financial instruments	Total
31 December 2019	$m	$m	$m	$m	$m	$m
Financial assets						
Cash and cash equivalents	-	-	-	-	2,319.0	2,319.0
Due from other financial institutions	-	-	-	-	169.7	169.7
Financial assets fair value through profit or loss (FVTPL)	-	6,025.4	-	-	-	6,025.4
Financial assets amortised cost	-	-	-	-	301.1	301.1
Financial assets fair value through other comprehensive income (FVOCI)	-	-	51.7	-	-	51.7
Net loans and other receivables	-	-	-	62,601.8	-	62,601.8
Derivatives	80.4	-	-	-	-	80.4
Total financial assets	**80.4**	**6,025.4**	**51.7**	**62,601.8**	**2,789.8**	**71,549.1**
Financial liabilities						
Due to other financial institutions	-	-	-	-	68.4	68.4
Deposits	-	-	-	-	62,688.6	62,688.6
Notes payable	-	-	-	-	3,957.3	3,957.3
Derivatives	91.5	-	-	-	-	91.5
Preference shares	-	-	-	-	888.3	888.3
Subordinated debt	-	-	-	-	681.5	681.5
Total financial liabilities	**91.5**	**-**	**-**	**-**	**68,284.1**	**68,375.6**
30 June 2019	$m	$m	$m	$m	$m	$m
Financial assets						
Cash and cash equivalents	-	-	-	-	1,072.0	1,072.0
Due from other financial institutions	-	-	-	-	270.6	270.6
Financial assets fair value through profit or loss (FVTPL)	-	5,836.9	-	-	-	5,836.9
Financial assets amortised cost	-	-	-	-	293.1	293.1
Financial assets fair value through other comprehensive income (FVOCI)	-	-	55.7	-	-	55.7
Net loans and other receivables	-	-	-	61,791.8	-	61,791.8
Derivatives	150.6	-	-	-	-	150.6
Total financial assets	**150.6**	**5,836.9**	**55.7**	**61,791.8**	**1,635.7**	**69,470.7**
Financial liabilities						
Due to other financial institutions	-	-	-	-	420.6	420.6
Deposits	-	-	-	-	60,566.6	60,566.6
Notes payable	-	-	-	-	3,464.4	3,464.4
Derivatives	135.0	-	-	-	-	135.0
Preference shares	-	-	-	-	886.4	886.4
Subordinated debt	-	-	-	-	681.4	681.4
Total financial liabilities	**135.0**	**-**	**-**	**-**	**66,019.4**	**66,154.4**

3.8.10 Financial instruments (continued)

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

	Fair value through profit or loss		Fair value through other comprehensive income	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 fair value through profit or loss (FVTPL)	-	4,693.6	-	-	-	4,693.6
Financial assets amortised cost	-	-	-	-	245.9	245.9
Financial assets fair value through other comprehensive income (FVOCI)	-	-	691.5	-	-	691.5
Net loans and 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**

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.

3.8.10 Financial instruments (continued)

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 2019	$m	$m	$m	$m	$m
Financial assets FVPTL	-	6,025.4	-	6,025.4	6,025.4
Financial assets FVOCI	0.1	32.6	19.0	51.7	51.7
Derivatives	-	80.4	-	80.4	80.4
Total financial assets carried at fair value	**0.1**	**6,138.4**	**19.0**	**6,157.5**	**6,157.5**
Derivatives	-	91.5	-	91.5	91.5
Total financial liabilities carried at fair value	**-**	**91.5**	**-**	**91.5**	**91.5**
30 June 2019	$m	$m	$m	$m	$m
Financial assets FVPTL	-	5,836.9	-	5,836.9	5,836.9
Financial assets FVOCI	0.1	36.6	19.0	55.7	55.7
Derivatives	-	150.6	-	150.6	150.6
Total financial assets carried at fair value	**0.1**	**6,024.1**	**19.0**	**6,043.2**	**6,043.2**
Derivatives	-	135.0	-	135.0	135.0
Total financial liabilities carried at fair value	**-**	**135.0**	**-**	**135.0**	**135.0**
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**

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.

3.8.10 Financial instruments (continued)

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 2019	19.0
Impairment charge	-
Purchases	-
Sales	-
As at 31 December 2019	**19.0**

Financial assets and liabilities carried at amortised cost

Valuation Hierarchy

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

	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying amount
31 December 2019	$m	$m	$m	$m	$m
Financial assets					
Cash and cash equivalents	-	2,131.7	-	2,131.7	2,131.7
Due from other financial institutions	-	169.7	-	169.7	169.7
Financial assets - amortised cost	-	301.1	-	301.1	301.1
Net Loans and other receivables	-	-	62,688.0	62,688.0	62,601.8
Financial liabilities					
Due to other financial institutions	-	68.4	-	68.4	68.4
Deposits	-	62,778.7	-	62,778.7	62,688.6
Notes payable	-	3,971.0	-	3,971.0	3,957.3
Preference shares	911.6	-	-	911.6	888.3
Subordinated debt	-	678.5	-	678.5	681.5
30 June 2019	$m	$m	$m	$m	$m
Financial assets					
Cash and cash equivalents	-	936.2	-	936.2	936.2
Due from other financial institutions	-	270.6	-	270.6	270.6
Financial assets - amortised cost	-	293.1	-	293.1	293.1
Net Loans and other receivables	-	-	61,845.8	61,845.8	61,791.8
Financial liabilities					
Due to other financial institutions	-	420.6	-	420.6	420.6
Deposits	-	60,663.2	-	60,663.2	60,566.6
Notes payable	-	3,476.7	-	3,476.7	3,464.4
Preference shares	915.6	-	-	915.6	886.4
Subordinated debt	-	678.2	-	678.2	681.4
31 December 2018	$m	$m	$m	$m	$m
Financial assets					
Cash and cash equivalents	-	1,708.6	-	1,708.6	1,708.6
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

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

3.8.10 Financial instruments (continued)

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.

3.8.11 Contingent assets and liabilities

(a) Contingent assets

As at 31 December 2019, the economic entity does not have any contingent assets (31 December 2018: Nil).

(b) Contingent liabilities

	Dec-19 $m	Jun-19 $m	Dec-18 $m
Guarantees - the economic entity has issued guarantees on behalf of clients in the normal course of business	252.7	236.5	245.8
Other - documentary letters of credit	1.4	1.5	1.5

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 undertakes ongoing compliance activities, including reviews of products, advice, conduct and services provided to customers, as well as interest, fees and premiums charged. Some of these investigations and reviews have resulted in remediation programs and, where required, the Group consults with the respective regulator on the proposed remediation action. There is a risk that where a breach has occurred, regulators may also impose fines and/or sanctions. Provisions are recognised when it is probable an outflow will be required to address a past event and where a reliable estimate is available. There remains a contingent liability with respect to these matters, however, the aggregate potential liability of the above matters cannot be reliably estimated.

3.9 Events after balance sheet date

On 17 February 2020, Bendigo and Adelaide Bank Limited announced that it will be undertaking an underwritten placement of fully paid ordinary shares to raise $250 million. Following this placement, Bendigo and Adelaide Bank Limited will make a share purchase plan available to shareholders to raise approximately $50 million.

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

Directors' declaration

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

In the opinion of the directors:

(a) the half year financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 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

Jacqueline Hey
Chair
Bendigo
17 February 2020

Building a better working world

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

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 2019, 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 2019 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 2019 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.

Building a better working world

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Graeme McKenzie
Partner
Melbourne

Luke Slater

Luke Slater
Partner
Melbourne

17 February 2020

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

Bendigo and Adelaide Bank Ltd
ABN 11 068 049 178