

Appendix 4E

Full Year Results

For the year ended 30 June 2014

Released 11 August 2014

ABN 11 068 049 178



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Appendix 4E: Full Year Results

1.1 Company details and reporting period

Bendigo and Adelaide Bank Limited
ABN 11 068 049 178

Reporting period - twelve months ended: 30 June 2014
Previous corresponding period - twelve months ended: 30 June 2013

1.2 Results for announcement to the market

Income from operations up 6.3% to \$1,434.0 m

Profit after tax from ordinary activities attributable to members up 5.7% to \$372.3 m

Net profit after tax from ordinary activities attributable to members up 5.7% to \$372.3 m

Dividends - current year	Amount per security
Final Dividend - 2014, fully franked	33.0 cents
Payable 30 September 2014	
Record date for determining entitlements for final dividend	21 August 2014
Interim Dividend - 2014, fully franked	31.0 cents
Paid 31 March 2014	
Dividends - previous year	Amount per security
Final Dividend - 2013, fully franked	31.0 cents
Paid 30 September 2013	
Interim Dividend - 2013, fully franked	30.0 cents
Paid 28 March 2013	

1.3 Cash earnings results

Cash earnings attributable to members up 9.9% to \$382.3 m

Cash earnings per share up 7.1% to 91.5 cents

See note 2.3 for full details

1.4 Net tangible assets per ordinary share

Refer to page 36 of the attached June 2014 full year profit announcement.

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

During the financial period changes in the investment in the following entities occurred:

1 October 2013 - Bendigo Financial Planning, a subsidiary of the Group, acquired 100 percent ownership of Wheeler Financial Services which provides financial services, specialising in self managed superannuation funds.

1.6 Details of individual and total dividends

Refer to page 29.

1.7 Details of any dividend or distribution reinvestment plans in operation

Refer to page 30.

1.8 Details of associates and joint arrangements

Refer to page 32.

1.9 Accounting standards used for foreign entities

Not applicable.

1.10 Dispute or qualifications if audited

This report is based on financial accounts that are in the process of being audited by our external auditors. There is not expected to be any dispute or qualification to the financial accounts.

1.11 Annual general meeting

The annual general meeting will be held as follows:

Place: The Capital Theatre, 50 View Street, Bendigo, Victoria

Date: 27 October 2014

Time: 11 a.m. (Eastern Daylight Saving Time)

1.12 Subsequent events

On the 1st July 2014, the Group completed the acquisition of the Rural Finance business and net assets for \$1.78 billion. The acquisition has strengthened the Group's commitment to rural and regional customers. The loan portfolio at the date of acquisition was \$1.7 billion. This will reduce the Group's capital ratio from 12.25% to 11.39% as at July 2014. Refer to 2.4.11.1 for further details.

On the 23rd July 2014, the Group announced that it had entered into an agreement to conclude the class actions brought by investors in managed investment schemes operated by Great Southern. Under the agreement, which is subject to approval by the court, the Group's borrowers who are members of the class actions have admitted that their loans are valid and enforceable and have provided a broad release from future litigation.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years.

This Appendix 4E: Full year results should be read in conjunction with the media release and results presentation released to the ASX on 11 August 2014.

2 Full year results

2.1 Financial highlights

	Jun-14	Dec-13	Total	Jun-13	Dec-12	Total	Full year 2013 to Full year 2014	
	2nd Half	1st Half		2nd Half	1st Half		\$m	%
	\$m	\$m		\$m	\$m		\$m	
Profit after tax attributable to parent	191.6	180.7	372.3	162.9	189.4	352.3	20.0	5.7
Profit after tax and before specific items	191.5	181.3	372.8	174.8	162.8	337.6	35.2	10.4
Cash earnings	196.4	185.9	382.3	178.3	169.7	348.0	34.3	9.9
Net interest income	566.7	551.5	1,118.2	520.0	507.5	1,027.5	90.7	8.8
Non-interest income (before specific items)	159.6	156.1	315.7	153.7	143.5	297.2	18.5	6.2
Bad and doubtful debts expense	39.2	42.7	81.9	37.8	32.1	69.9	12.0	17.2
Expenses (before specific items)	413.9	402.4	816.3	388.7	390.3	779.0	37.3	4.8
Retail deposits	44,843.0	42,654.4	44,843.0	42,245.8	41,867.0	42,245.8	2,597.2	6.1
Ordinary equity	4,700.8	4,234.5	4,700.8	4,156.1	4,078.4	4,156.1	544.7	13.1
Funds under management	3,390.5	3,252.9	3,390.5	2,954.3	2,983.8	2,954.3	436.2	14.8
Loans under management	53,980.7	51,935.0	53,980.7	51,689.2	50,505.5	51,689.2	2,291.5	4.4
New loan approvals	8,758.4	7,599.0	16,357.4	7,266.5	6,834.9	14,101.4	2,256.0	16.0
Residential	5,424.2	5,098.1	10,522.3	4,530.2	4,492.9	9,023.1	1,499.2	16.6
Non-residential	3,334.2	2,500.9	5,835.1	2,736.3	2,342.0	5,078.3	756.8	14.9
	%	%	%	%	%	%	%	
Cost to income ratio	55.5%	55.4%	55.4%	56.2%	57.8%	57.0%	(2.8)	
Net interest margin before Community Bank/alliances share of net interest income	2.24%	2.24%	2.24%	2.20%	2.19%	2.19%	2.3	
Return on average ordinary equity - statutory basis	8.73%	8.44%	8.59%	7.87%	9.19%	8.52%	0.8	
Return on average ordinary equity - cash basis	9.08%	8.83%	8.96%	8.78%	8.39%	8.58%	4.4	
Return on average tangible equity - cash basis	13.38%	13.30%	13.34%	13.57%	13.38%	13.48%	(1.0)	
	cents	cents	cents	cents	cents	cents	%	
Earnings per ordinary share (statutory basis)	44.7	43.0	87.7	39.0	45.9	84.9	3.3	
Earnings per ordinary share (cash basis)	46.5	45.0	91.5	43.5	41.9	85.4	7.1	
Dividend per share	33.0	31.0	64.0	31.0	30.0	61.0	4.9	

2.2 Results at a glance

2.2.1 Financial performance

Bendigo and Adelaide Bank Limited announced a statutory profit after tax of \$372.3 million for the 12 months ending 30 June 2014, a 5.7% increase on the prior corresponding period.

The cash earnings result is \$382.3 million for the 12 months ending 30 June 2014, a 9.9% increase on the prior corresponding period.

	Further detail
Statutory earnings per ordinary share of 87.7 cents (Jun-13 84.9 cents), an increase of 3.3%.	2.3.1
Statutory return on average ordinary equity is 8.59% (Jun-13 8.52%).	2.4.11.2
Profit before income tax and specific items was \$535.7 million (Jun-13 \$475.8 million), an increase of 12.6% (see note 2.4.2 for specific item details).	2.4.1
Profit after income tax before specific items was \$372.8 million (Jun-13 \$337.6), an increase of 10.4% (see note 2.4.2 for specific item details).	2.4.1
Cash basis earnings per ordinary share of 91.5 cents (Jun-13 85.4 cents), an increase of 7.1%.	2.4.11.2
Cash basis earnings return on average ordinary equity was 8.96% (Jun-13 8.58%).	2.4.11.2
Cash basis earnings return on average tangible equity was 13.34% (Jun-13 13.48%).	2.4.11.2
Net interest income increased by 8.8% to \$1,118.2 million with an interest margin before payments to community banks and alliances increasing from 2.19% to 2.24%.	2.5.3
Net of these payments, interest margin increased 7 basis points from 1.85% in June 2013 to 1.92% in the 12 months to June 2014. Refer to 2.4.3 for further analysis.	2.5.3

	Further detail
Non-interest income before specific items was \$315.7 million (Jun-13 \$297.2 million), an increase of 6.2%.	2.4.4
Expenses before specific items increased by 2.9% to \$816.3 million compared to December 2013 half and increased by 4.8% compared to the June 2013 year.	2.4.5
The cost to income ratio was 55.4% (Jun-13 57.0%), a decrease of 2.8% for the year.	2.4.5
Bad & Doubtful debts expense was \$81.9 million (Jun-13 \$69.9 million), an increase of 17.2%.	2.4.9

2.2.2 Financial position

Loans under management were \$54.0 billion (Dec-13 \$51.9 billion, Jun-13 \$51.7 billion), an increase of 3.9% and 4.4%, respectively.	2.4.7
Retail deposits were \$44.8 billion (Dec-13 \$42.7 billion, Jun-13 \$42.2 billion), an increase of 5.1% and 6.1%, respectively.	2.4.10
Managed funds were \$3.4 billion (Dec-13 \$3.3 billion, Jun-13 \$3.0 billion), a increase of 4.2% and 14.8%, respectively.	2.4.10
Total provisions and reserves for doubtful debts were \$295.5 million (Dec-13 \$276.7 million, Jun-13 \$276.9 million) - an increase of \$18.6 million since June 2013. General and collective provisions were 0.56% of Group Risk Weighted Assets.	2.4.9

2.2.3 Dividends

Directors announced a final dividend of 33.0 cents per ordinary share, fully franked, (Jun-13 31.0 cents) taking the total dividend for the financial year to 64.0 cents per share.

Dividend is payable on 30 September 2014 to shareholders registered on the Record Date of 21 August 2014.

The final dividend proposed totals \$146.5 million.

2.3 Financial Statements

2.3.1 Income statement For the year ended 30 June 2014

	Consolidated	
	Jun-14 \$m	Jun-13 \$m
Income		
Interest income	2,928.2	3,140.5
Interest expense	1,810.0	2,113.0
Net interest income	1,118.2	1,027.5
Total non interest income (2.4.4)	315.5	295.6
Share of net profit accounted for using the equity method (2.5.2)	0.2	1.6
Total income	1,433.9	1,324.7
Expense		
Bad and doubtful debts (2.4.9)	81.9	69.9
Operating expenses (2.4.5)	816.3	779.0
Profit before income tax expense and specific items	535.7	475.8
Specific items before tax	0.8	11.8
Profit before income tax expense including specific items	536.5	487.6
Income tax expense	164.2	135.3
Profit after income tax expense attributable to members of the parent	372.3	352.3
Adjusted for:		
Specific items after tax (2.4.2)	0.5	(14.7)
Dividends paid on preference shares	(2.6)	(3.1)
Dividends paid on step-up preference shares	(3.1)	(3.4)
After tax intangibles amortisation (excluding amortisation of intangible software)	15.2	16.9
Cash basis earnings	382.3	348.0
Cash basis earnings per ordinary share (cents per share)	91.5	85.4
Basic earnings per ordinary share (cents per share)	87.7	84.9
Diluted earnings per ordinary share (cents per share)	83.6	79.9
Franked dividends per ordinary share (cents per share)	64.0	61.0

2.3.2 Statement of comprehensive income

For the year ended 30 June 2014

	Consolidated	
	Jun-14 \$m	Jun-13 \$m
Profit for the year	372.3	352.3
Items which may be reclassified subsequently to the profit & loss:		
Net gain on available for sale - equity investments	1.4	1.1
Transfer to income on sale of available for sale assets	-	(37.1)
Net gain/(loss) on cash flow hedges taken to equity	(5.9)	75.8
Net gain/(loss) on reclassification from cash flow hedge reserve to income	0.1	(1.8)
Net unrealised gain on debt securities in available for sale portfolio	-	2.9
Tax effect on items taken directly to or transferred from equity	1.3	(13.1)
	(3.1)	27.8
Items which will not be reclassified subsequently to the profit & loss:		
Actuarial gain on superannuation defined benefits plan	1.6	2.3
Revaluation of land and buildings	0.9	-
Tax effect on items taken directly to or transferred from equity	(0.8)	(0.7)
Net income recognised directly in equity	1.7	1.6
Total comprehensive income for the period	370.9	381.7
Total comprehensive income for the period attributable to:		
Members of the Parent	370.9	381.7

2.3.3 Balance sheet

For the year ended 30 June 2014

	Consolidated	
	Jun-14 \$m	Jun-13 \$m
Assets		
Cash and cash equivalents	716.1	383.8
Due from other financial institutions	242.5	293.9
Financial assets held for trading	7,265.4	5,465.2
Financial assets available for sale - debt securities	619.3	608.9
Financial assets held to maturity	286.6	323.3
Financial assets available for sale - equity investments	24.3	18.1
Derivatives	22.3	31.9
Loans and other receivables - investment	397.1	554.1
Net loans and other receivables	52,535.7	49,957.4
Investments accounted for using the equity method	15.7	15.6
Property, plant & equipment	96.8	63.4
Deferred tax assets	127.2	132.1
Investment property	404.9	348.9
Assets held for sale	3.3	25.4
Intangible assets and goodwill	1,504.4	1,518.2
Other assets	803.3	532.3
Total Assets	65,064.9	60,272.5
Liabilities		
Due to other financial institutions	363.5	379.5
Deposits	52,359.4	47,439.0
Notes payable	5,256.4	6,400.6
Derivatives	79.2	98.4
Income tax payable	17.5	47.1
Provisions	103.8	93.5
Deferred tax liabilities	79.8	78.2
Other payables	914.2	688.7
Convertible preference shares	261.4	259.2
Subordinated debt	655.5	354.3
Total Liabilities	60,090.7	55,838.5
Net Assets	4,974.2	4,434.0
Equity		
Equity attributable to equity holders of the parent		
Issued capital - ordinary	4,183.3	3,758.0
Perpetual non-cumulative redeemable convertible preference shares	88.5	88.5
Step up preference shares	100.0	100.0
Employee Share Ownership Plan (ESOP) shares	(16.2)	(18.7)
Reserves	101.1	108.1
Retained earnings	517.5	398.1
Total Equity	4,974.2	4,434.0

2.3.4 Statement of changes in equity

For the year ended 30 June 2014

Attributable to owners of Bendigo and Adelaide Bank Limited

	Issued ordinary capital \$m	* Other Issued Capital \$m	Retained earnings \$m	Reserves \$m	Total equity \$m
At 1 July 2013					
Opening balance b/fwd	3,758.0	169.8	398.1	108.1	4,434.0
Comprehensive income:					
Profit for the period	-	-	372.3	-	372.3
Other comprehensive income	-	-	1.1	(2.5)	(1.4)
Total comprehensive income for the period	-	-	373.4	(2.5)	370.9
Transactions with owners in their capacity as owners:					
Shares issued	427.8	-	-	-	427.8
Share issue expenses	(2.5)	-	-	-	(2.5)
Reduction in employee share ownership plan (ESOP) shares	-	2.5	-	-	2.5
Share based payment	-	-	-	(1.7)	(1.7)
Transfer from asset revaluation reserve	-	-	2.8	(2.8)	-
Equity dividends	-	-	(256.8)	-	(256.8)
At 30 June 2014	4,183.3	172.3	517.5	101.1	4,974.2

*refer to note 2.5.6 Issued Capital for further details

For the year ended 30 June 2013

Attributable to owners of Bendigo and Adelaide Bank Limited

	Issued ordinary capital \$m	* Other Issued Capital \$m	Retained earnings \$m	Reserves \$m	Total equity \$m
At 1 July 2012					
Opening balance b/fwd	3,681.8	167.2	296.5	72.2	4,217.7
Comprehensive income:					
Profit for the period	-	-	352.3	-	352.3
Other comprehensive income	-	-	1.6	27.8	29.4
Total comprehensive income for the period	-	-	353.9	27.8	381.7
Transactions with owners in their capacity as owners:					
Shares issued	76.2	-	-	-	76.2
Reduction in employee share ownership plan (ESOP) shares	-	2.6	-	-	2.6
Movement in general reserve for credit losses (GRCL)	-	-	(9.8)	9.8	-
Share based payment	-	-	-	(1.7)	(1.7)
Equity dividends	-	-	(242.5)	-	(242.5)
At 30 June 2013	3,758.0	169.8	398.1	108.1	4,434.0

*refer to note 2.5.6 Issued Capital for further details

2.3.5 Cash flow statement

For the year ended 30 June 2014

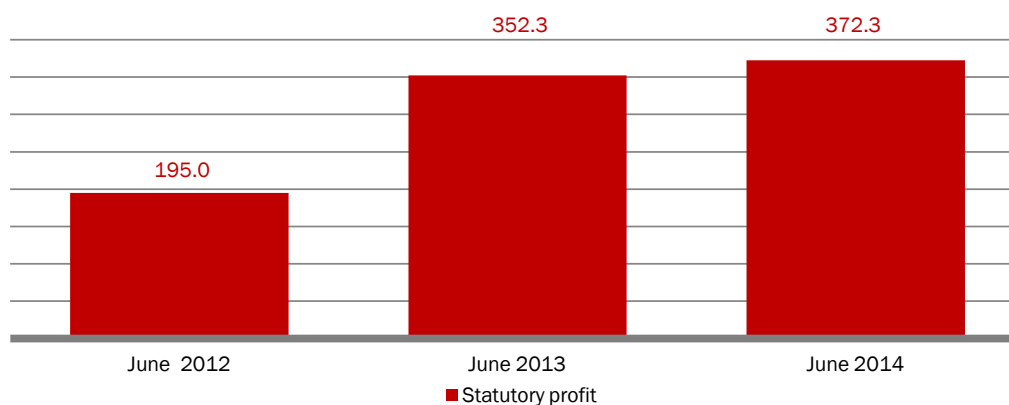
	Consolidated	
	Jun-14 \$m	Jun-13 \$m
Cash flows from operating activities		
Interest and other items of a similar nature received	2,856.1	3,079.5
Interest and other costs of finance paid	(1,793.8)	(2,129.6)
Receipts from customers (excluding effective interest)	269.7	265.2
Payments to suppliers and employees	(750.3)	(781.0)
Dividends received	0.8	0.7
Income taxes paid	(185.8)	(177.2)
Net cash flows from operating activities	396.7	257.6
Cash flows from investing activities		
Cash paid for purchases of property, plant and equipment	(51.7)	(13.0)
Cash proceeds from sale of property, plant and equipment	1.9	0.9
Cash paid for purchases of investment property	(28.6)	(31.8)
Cash proceeds from sale of investment property	22.8	20.1
Cash paid for purchases of equity investments	(5.8)	(2.0)
Cash proceeds from sale of equity investments	-	109.8
Net (increase) in balance of loans and other receivables outstanding	(2,503.1)	(1,670.9)
Net (increase) in balance of investment securities	(1,773.9)	(1,124.7)
Net cash paid on acquisition of a business combination	(4.4)	(259.6)
Net cash flows used in investing activities	(4,342.8)	(2,971.2)
Cash flows from financing activities		
Proceeds from issue of shares	379.6	179.4
Net increase in balance of retail deposits	2,594.4	1,582.7
Net increase in balance of wholesale deposits	2,323.2	1,283.6
Proceeds from/(payments to) issue of subordinated debt	301.2	(0.5)
Repayment of subordinated debt	-	(82.0)
Dividends paid	(211.2)	(166.3)
Net decrease in balance of notes payable	(1,144.2)	(10.4)
Repayment of ESOP shares	2.5	2.6
Payment of share issue costs	(2.5)	(11.1)
Net cash flows from financing activities	4,243.0	2,778.0
Net increase/(decrease) in cash and cash equivalents	296.9	64.4
Cash and cash equivalents at the beginning of period	298.2	233.8
Cash and cash equivalents at the end of period	595.1	298.2

2.4 Results commentary

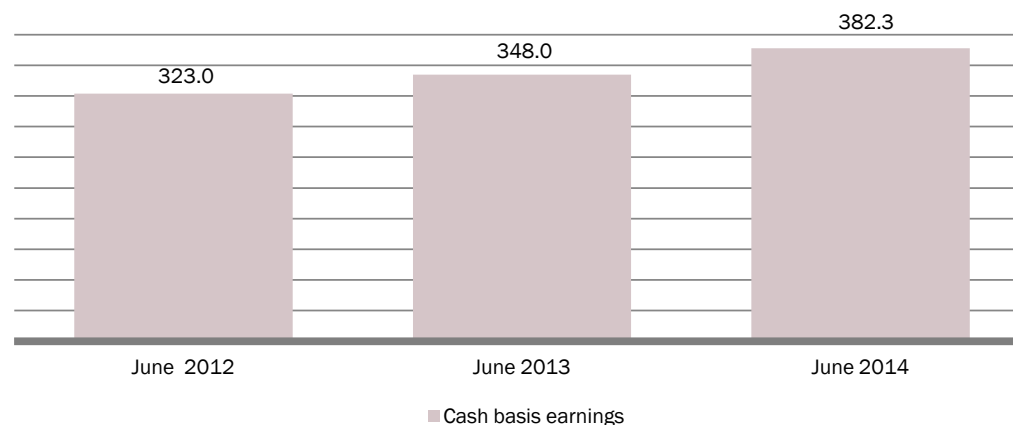
2.4.1 Profit

	Full year ending				Six months ending			
	Jun-14 \$m	Jun-13 \$m	Change \$m	%	Jun-14 \$m	Dec-13 \$m	Change \$m	%
Profit before tax	536.5	487.6	48.9	10.0	273.3	263.2	10.1	3.8
Specific items before tax	(0.8)	(11.8)	11.0	93.2	(0.1)	(0.7)	0.6	85.7
Profit before tax and specific items	535.7	475.8	59.9	12.6	273.2	262.5	10.7	4.1
Profit after tax attributable to the parent	372.3	352.3	20.0	5.7	191.6	180.7	10.9	6.0
Specific items after tax	0.5	(14.7)	15.2	103.4	(0.1)	0.6	(0.7)	(116.7)
Profit after tax before specific items	372.8	337.6	35.2	10.4	191.5	181.3	10.2	5.6
Adjusted for:								
Amortisation of acquired intangibles after tax	15.2	16.9	(1.7)	(10.1)	7.7	7.5	0.2	2.7
Distributions paid/accrued on preference shares	(2.6)	(3.1)	0.5	16.1	(1.3)	(1.3)	-	-
Distributions paid/accrued on step-up preference shares	(3.1)	(3.4)	0.3	8.8	(1.5)	(1.6)	0.1	6.3
Cash basis profit after tax	382.3	348.0	34.3	9.9	196.4	185.9	10.5	5.7

Profit after tax (statutory basis) (\$m)



Profit after tax (cash basis) (\$m)



2.4.2 Specific items

The reported profit after tax for the full year ended 30 June 2014 of \$372.3 million included the following specific items:

	June 2014		June 2013	
	Before Tax \$m	After Tax \$m	Before Tax \$m	After Tax \$m
Items included in non interest income				
Profit on sale of IOOF shares	-	-	38.7	38.7
Loss on sale of RMBS notes	-	-	(12.3)	(8.6)
Fair value and hedge ineffectiveness ¹	0.1	0.1	(1.8)	(1.3)
	0.1	0.1	24.6	28.8
Items included in operating expenses				
Integration costs	-	-	9.9	6.9
Employee shares gain ²	(0.7)	(0.5)	(3.3)	(2.3)
Impairment loss - goodwill	-	-	6.2	6.2
	(0.7)	(0.5)	12.8	10.8
Total specific items before income tax expense items	0.8	0.6	11.8	18.0
Items included in income tax expense				
Stamp duty on mergers and acquisitions ³	-	(1.1)	-	-
Land and buildings revaluation ⁴	-	-	-	(3.3)
	-	(1.1)	-	(3.3)
Specific items	0.8	(0.5)	11.8	14.7
Specific items attributable to non-controlling interests	-	-	-	-
Total specific items attributable to the group	0.8	(0.5)	11.8	14.7

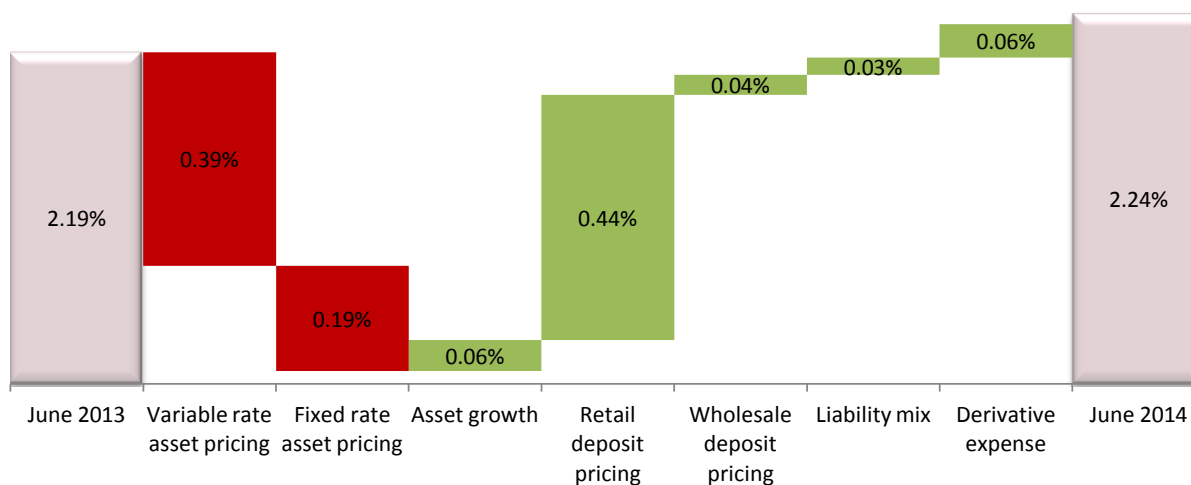
¹ Fair value and hedge ineffectiveness can cause volatility in statutory profit, which is excluded from cash earnings as it is income neutral over the full term of the transactions. Ineffectiveness resulting from the accounting for cash flow hedges acquired in the merger with Adelaide Bank Ltd and the consolidation of Rural Bank Ltd were completed in the June 2013 year.

² Employee shares gain relates to a discontinued employee share plan, whereby the market value of shares are above the outstanding value of the attached staff loans.

³ Stamp duty paid in relation to transfer of assets from the Adelaide Bank merger.

⁴ Land and buildings revaluation relates to the de-recognition of the deferred tax asset in relation to assets now held for sale.

2.4.3 Interest margin



Variable rate asset pricing - Cash rate reductions which occurred late in the 2013 financial year, along with a reduction in August 2013 contributed to the variable lending rate reductions.

Fixed rate asset pricing - Lower swap rates and intense competition for fixed rate mortgages has led to a decrease in fixed lending rates.

Asset growth - Lending growth was strong in the second half.

Retail deposit pricing - Pricing of term deposits were lower than previous year reflecting lower cash and bill rates and some easing in competitive pressures.

Wholesale deposit pricing - We have taken advantage of narrowing wholesale funding spreads to lower our average cost of wholesale funding.

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

Derivative expense - Hedging expense for the year was reduced given the flat yield curve.

2.4.4 Income

	Full year ending				Six months ending			
	Jun-14 \$m	Jun-13 \$m	Change \$m	%	Jun-14 \$m	Dec-13 \$m	Change \$m	%
Net interest income	1,118.2	1,027.5	90.7	8.8	566.7	551.5	15.2	2.8
Other income comprising:								
Fees								
Asset products	62.4	61.3	1.1	1.8	32.2	30.2	2.0	6.6
Liability and other products	93.1	101.0	(7.9)	(7.8)	44.6	48.5	(3.9)	(8.0)
Trustee, management & other services	5.0	5.3	(0.3)	(5.7)	2.5	2.5	-	-
Commissions								
Wealth solutions	34.4	28.5	5.9	20.7	17.7	16.7	1.0	6.0
Insurance	16.6	16.2	0.4	2.5	9.2	7.4	1.8	24.3
Foreign exchange income	18.3	17.0	1.3	7.6	9.1	9.2	(0.1)	(1.1)
Homesafe trust contribution	50.3	25.1	25.2	100.4	27.1	23.2	3.9	16.8
Other	35.4	41.2	(5.8)	(14.1)	17.0	18.4	(1.4)	(7.6)
Total other income before specific income items	315.5	295.6	19.9	6.7	159.4	156.1	3.3	2.1
Share of associates' and joint ventures net profits/(losses)	0.2	1.6	(1.4)	(87.5)	0.2	-	0.2	-
Total non interest income before specific items	315.7	297.2	18.5	6.2	159.6	156.1	3.5	2.2
Total income before specific items	1,433.9	1,324.7	109.2	8.2	726.3	707.6	18.7	2.6
Specific income items - non interest income	0.1	24.6	(24.5)	(99.6)	0.1	-	0.1	-
Total income	1,434.0	1,349.3	84.7	6.3	726.4	707.6	18.8	2.7

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

Net interest income increased by \$90.7 million, or 8.8%. Refer to 2.4.3 for further analysis.

Fees decreased by \$7.1 million, or 4.2%, primarily due to a decrease in transaction fees associated with the way customers are choosing to transact.

Costs associated with credit card schemes have increased over the last 12 months (\$2.1 million).

Commissions increased by \$6.3 million, or 14.1%, due to increased volume of third party products sold, including insurance and commissions received as a responsible entity.

These activities include management of management investment schemes, corporate trusteeships and custodial services.

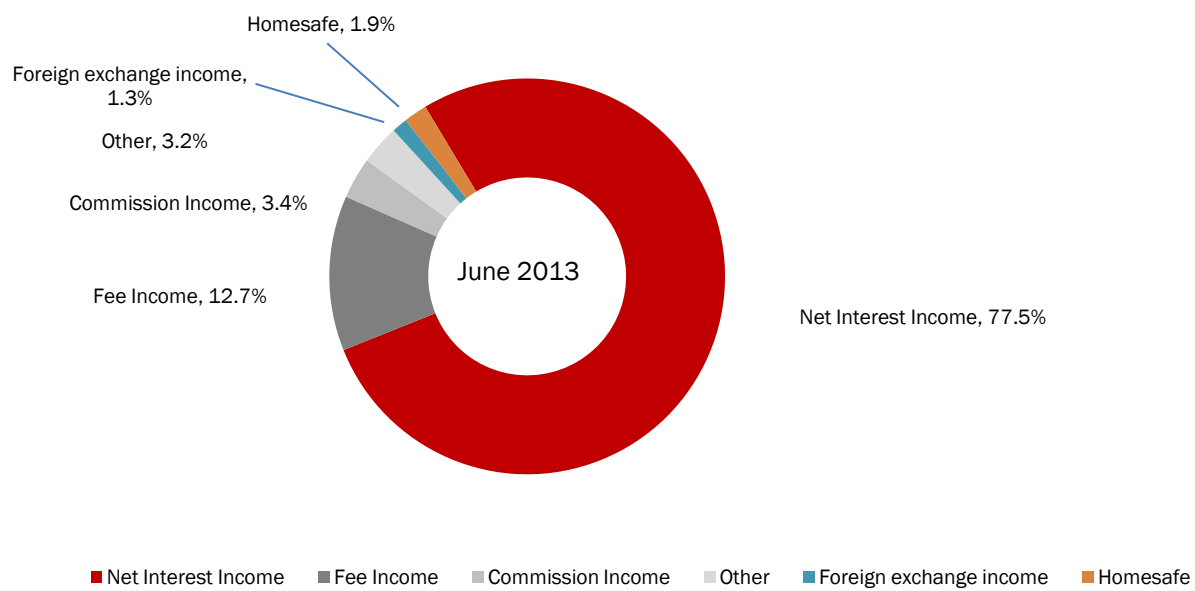
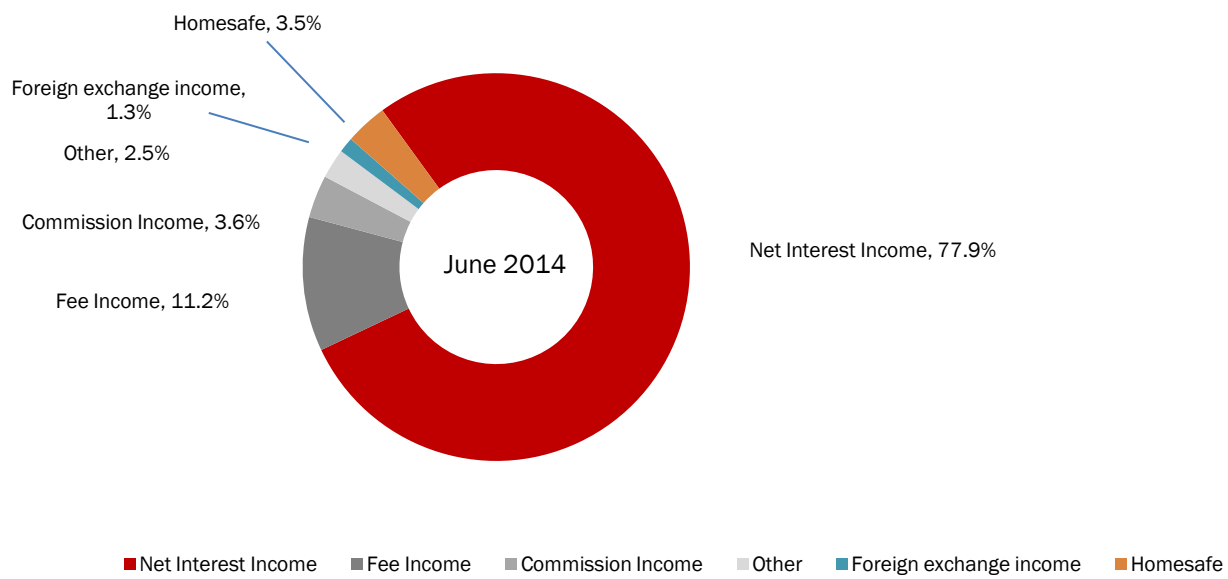
Homesafe trust contribution was \$25.2 million higher primarily due to strong increases in residential property markets of Melbourne and Sydney and the continued growth and maturation of this portfolio.

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

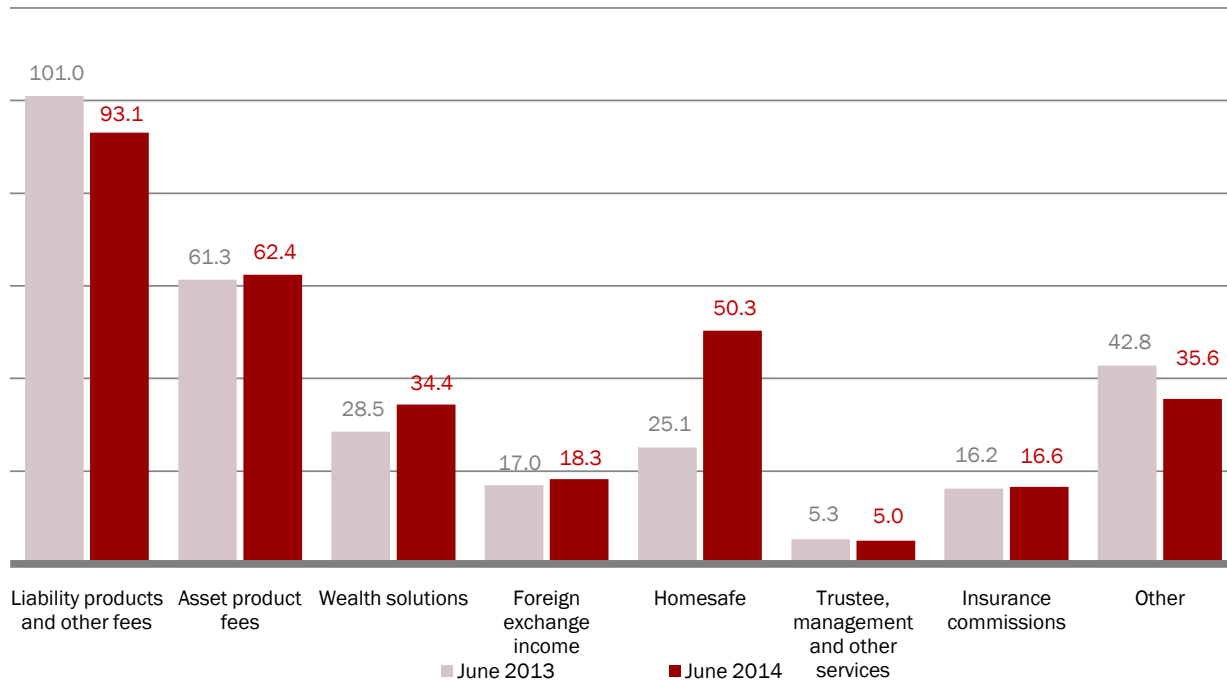
Specific items Refer to 2.4.2 for further detail.

2.4.4 Income (continued)

Income (%)



Non-interest income (\$m)



2.4.5 Operating expenses

	Full year ending				Six months ending			
	Jun-14	Jun-13	Change		Jun-14	Dec-13	Change	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Staff and related costs	435.1	407.0	28.1	6.9	219.0	216.1	2.9	1.3
Occupancy costs	85.3	70.6	14.7	20.8	47.1	38.2	8.9	23.3
Information technology costs	70.0	64.6	5.4	8.4	34.2	35.8	(1.6)	(4.5)
Amortisation of acquired intangibles	21.7	24.1	(2.4)	(10.0)	11.0	10.7	0.3	2.8
Amortisation of software intangibles	15.1	19.7	(4.6)	(23.4)	6.6	8.5	(1.9)	(22.4)
Property, plant and equipment costs	9.7	10.6	(0.9)	(8.5)	5.1	4.6	0.5	10.9
Fees and commissions	26.5	28.6	(2.1)	(7.3)	13.1	13.4	(0.3)	(2.2)
Communications, postage & stationery	32.6	33.0	(0.4)	(1.2)	16.2	16.4	(0.2)	(1.2)
Advertising & promotion	32.6	32.0	0.6	1.9	18.1	14.5	3.6	24.8
Other product & services delivery costs	32.5	35.4	(2.9)	(8.2)	15.8	16.7	(0.9)	(5.4)
Other administration expenses	55.2	53.4	1.8	3.4	27.7	27.5	0.2	0.7
Total operating expenses	816.3	779.0	37.3	4.8	413.9	402.4	11.5	2.9
Specific items	(0.7)	12.8	(13.5)	(105.5)	-	(0.7)	0.7	100.0
Total expenses	815.6	791.8	23.8	3.0	413.9	401.7	12.2	3.0

	Change				Change			
	Jun-14	Jun-13	%		Jun-14	Dec-13	%	
Expenses to income	55.4%	57.0%	(1.6)	(2.8)	55.5%	55.4%	0.1	0.2
Expenses to average assets	1.30%	1.30%	-	-	1.31%	1.30%	0.01	0.8
Number of staff (full-time equivalent)	4,387	4,251	136	3.2	4,387	4,286	101	2.4
Staff & related costs to income*	30.4%	30.6%	(0.2)	(0.7)	30.2%	30.7%	(0.5)	(1.6)

*Excludes redundancy costs

Expenses used in the above ratios are expenses less specific expense items and acquired intangibles amortisation.

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

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

Staff and related costs increased by \$28.1 million, or 6.9%, due to a combination of wage and salary increases, increases in contractor payments related to the Basel II advanced accreditation project and the inclusion of Community Telco Australia staff costs for the full twelve months (an addition of 65 FTE).

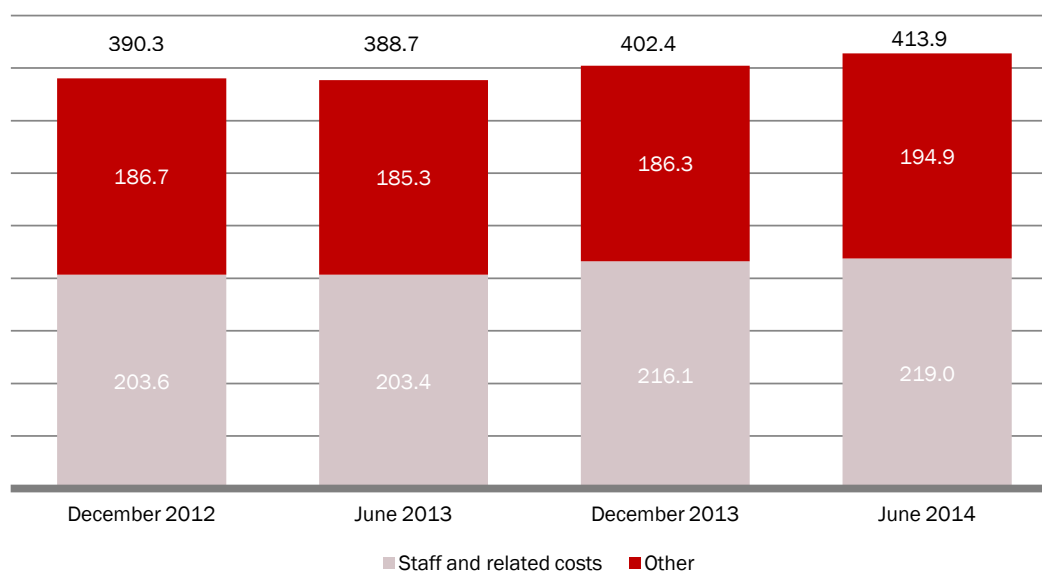
Occupancy costs increased by \$14.7 million, or 20.8%, due to the inclusion of rent for the new Adelaide building (from December 2013 \$6.5 million) as well as the regular annual increase in rent payments following annual reviews.

Information technology costs increased by \$5.4 million, or 8.4%, predominantly due to an increase in software maintenance and costs associated with the implementation of the new Bank website.

2.4.5 Operating expenses (continued)

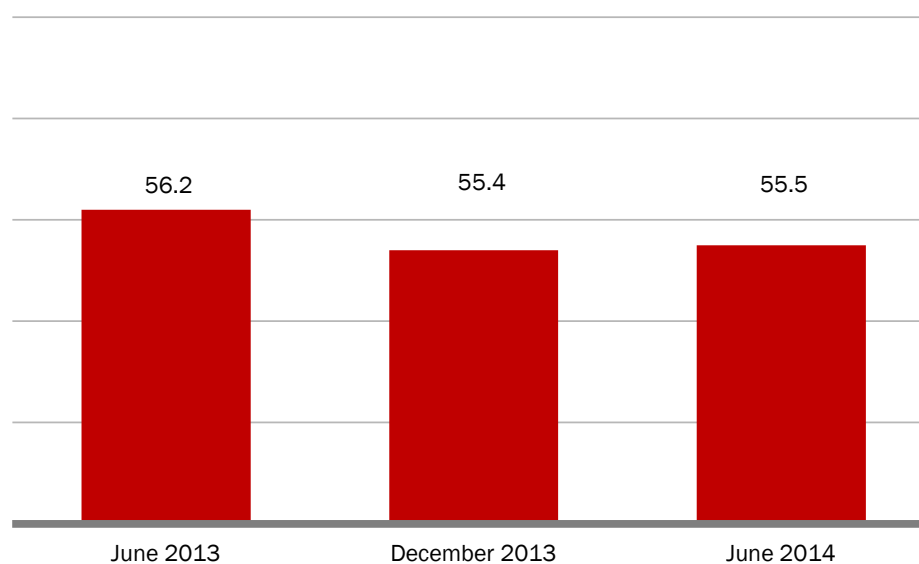
Operating expenses

(\$m)



Cost to income ratio - expenses / income

(%)

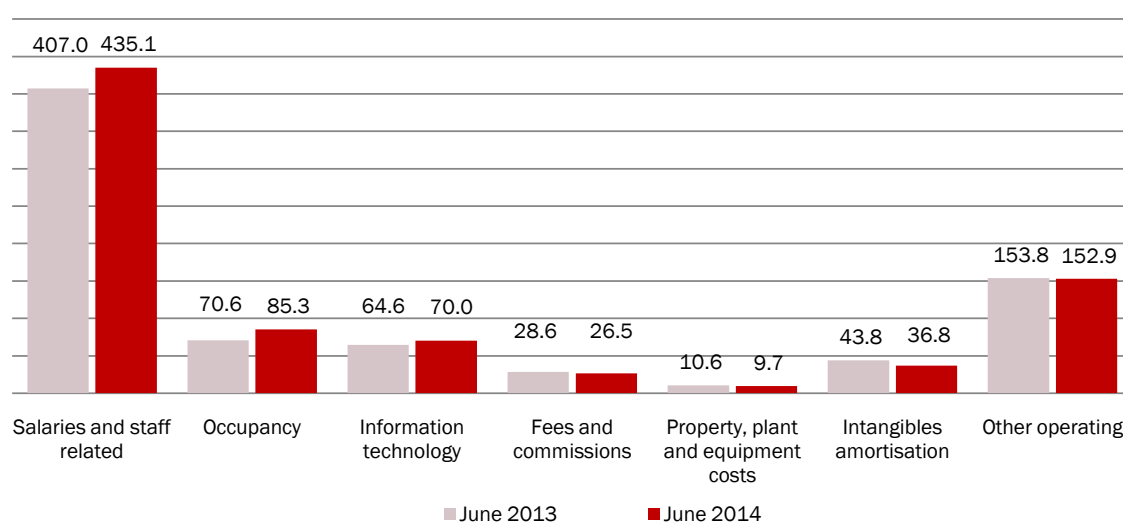


Expenses used in the above ratios exclude specific expense items and acquired intangibles amortisation.

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

Operating expenses (full year)

(\$m)



2.4.6 Segment results

Segment information

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

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

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

Types of products and services

Retail banking

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

Third party banking

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

Wealth

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

Rural Bank

The principal activities of Rural Bank are the provision of banking services to agribusiness, rural and regional Australian communities.

Central functions

Functions not relating directly to a reportable operating segment.

Accounting policies and inter-segment transactions

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

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

Major customers

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

2.4.6 Segment results (continued)

For the year ended 30 June 2014

	Operating segments				Total operating segments \$m	Central functions \$m	Total \$m
	Retail banking \$m	Third party banking \$m	Wealth \$m	Rural Bank \$m			
Net interest income	695.4	230.6	72.1	120.1	1,118.2	-	1,118.2
Other income	189.1	65.8	41.1	6.1	302.1	13.4	315.5
Share of net profit accounted for using the equity method	-	-	-	-	-	0.2	0.2
Total segment income	884.5	296.4	113.2	126.2	1,420.3	13.6	1,433.9
Operating expenses	602.4	79.9	70.5	63.5	816.3	-	816.3
Credit expenses	40.4	12.5	1.2	27.8	81.9	-	81.9
Segment result	241.7	204.0	41.5	34.9	522.1	13.6	535.7

For the year ended 30 June 2013

	Operating segments				Total operating segments \$m	Central functions \$m	Total \$m
	Retail banking \$m	Third party banking \$m	Wealth \$m	Rural Bank \$m			
Net interest income	608.8	231.7	74.3	112.7	1,027.5	-	1,027.5
Other income	191.7	40.8	39.6	5.5	277.6	18.0	295.6
Share of net profit accounted for using the equity method	-	-	-	-	-	1.6	1.6
Total segment income	800.5	272.5	113.9	118.2	1,305.1	19.6	1,324.7
Operating expenses	571.7	78.5	69.3	59.5	779.0	-	779.0
Credit expenses	25.3	26.9	1.9	15.8	69.9	-	69.9
Segment result	203.5	167.1	42.7	42.9	456.2	19.6	475.8

	Operating segments				Total operating segments \$m	Central functions \$m	Total \$m
	Retail banking \$m	Third party banking \$m	Wealth \$m	Rural Bank \$m			
Reportable segment assets							
As at 30 June 2014	29,527.5	17,767.1	1,853.8	4,398.6	53,547.0	11,517.9	65,064.9
As at 30 June 2013	28,107.4	16,656.8	1,996.3	4,341.4	51,101.9	9,170.6	60,272.5
Reportable segment liabilities							
As at 30 June 2014	35,841.4	1,111.5	4,524.8	3,700.4	45,178.1	9,656.2	54,834.3
As at 30 June 2013	33,687.4	475.0	4,725.4	3,645.7	42,533.5	6,904.4	49,437.9

2.4.6 Segment results (continued)

Reconciliation between segment and statutory results

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

	Consolidated	
	2014 Full year \$m	2013 Full year \$m
Reconciliation of total segment income to Group income		
Total segment income	1,433.9	1,324.7
Fair value and hedge ineffectiveness	0.1	(1.8)
Specific income items	-	26.4
Total Group income	1,434.0	1,349.3
Reconciliation of segment expenses to Group total expenses		
Segment operating expenses	816.3	779.0
Specific expense items	(0.7)	12.8
Total Group expenses	815.6	791.8
Reconciliation of segment credit expenses to bad and doubtful debts on loans and receivables		
Segment credit expenses	81.9	69.9
Bad and doubtful debts on loans and receivables	81.9	69.9
Reconciliation of segment result to Group profit before tax		
Total segment result	535.7	475.8
Fair value and hedge ineffectiveness	0.1	(1.8)
Specific income items	-	26.4
Specific expense items	0.7	(12.8)
Group profit before tax	536.5	487.6

	Consolidated	
	As at 2014 \$m	As at 2013 \$m
Reportable segment assets		
Total assets for operating segments	65,064.9	60,272.5
Total assets	65,064.9	60,272.5
Reportable segment liabilities		
Total liabilities for operating segments	54,834.3	49,437.9
Securitisation funding	5,256.4	6,400.6
Total liabilities	60,090.7	55,838.5

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.

2.4.7 Lending

	Full year ending				Six months ending			
	Jun-14 \$m	Jun-13 \$m	Change \$m	%	Jun-14 \$m	Dec-13 \$m	Change \$m	%
Approvals - by security								
Residential	10,522.3	9,023.1	1,499.2	16.6	5,424.2	5,098.1	326.1	6.4
Non-residential	5,835.1	5,078.3	756.8	14.9	3,334.2	2,500.9	833.3	33.3
Total approvals	16,357.4	14,101.4	2,256.0	16.0	8,758.4	7,599.0	1,159.4	15.3
	As at	As at			As at	As at		
	Jun-14	Jun-13	Change		Jun-14	Dec-13	Change	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Gross loan balance - by security								
Residential¹	37,108.8	35,009.5	2,099.3	6.0	37,108.8	35,310.1	1,798.7	5.1
Business								
Accommodation and food services	365.3	342.6	22.7	6.6	365.3	373.4	(8.1)	(2.2)
Administrative and support services	42.0	56.4	(14.4)	(25.5)	42.0	49.2	(7.2)	(14.6)
Agriculture, forestry and fishing	4,629.7	4,544.4	85.3	1.9	4,629.7	4,422.0	207.7	4.7
Arts and recreation services	90.9	76.5	14.4	18.8	90.9	69.3	21.6	31.2
Construction	1,098.6	933.9	164.7	17.6	1,098.6	1,061.6	37.0	3.5
Education and training	72.2	60.8	11.4	18.8	72.2	72.9	(0.7)	(1.0)
Electricity, gas, water and waste services	31.4	29.6	1.8	6.1	31.4	26.9	4.5	16.7
Financial and insurance services	618.4	717.3	(98.9)	(13.8)	618.4	689.4	(71.0)	(10.3)
Health care and social assistance	344.2	505.1	(160.9)	(31.9)	344.2	506.6	(162.4)	(32.1)
Information media and telecommunications	24.0	26.2	(2.2)	(8.4)	24.0	24.7	(0.7)	(2.8)
Manufacturing	271.9	246.2	25.7	10.4	271.9	267.8	4.1	1.5
Mining	16.9	24.6	(7.7)	(31.3)	16.9	21.9	(5.0)	(22.8)
Other Services	185.1	185.6	(0.5)	(0.3)	185.1	182.1	3.0	1.6
Professional, scientific and technical services	234.9	235.7	(0.8)	(0.3)	234.9	246.2	(11.3)	(4.6)
Public administration and safety	92.9	184.9	(92.0)	(49.8)	92.9	76.5	16.4	21.4
Rental, hiring and real estate services	3,754.8	3,215.2	539.6	16.8	3,754.8	3,470.0	284.8	8.2
Retail trade	540.7	553.2	(12.5)	(2.3)	540.7	538.3	2.4	0.4
Transport, postal and warehousing	176.4	174.1	2.3	1.3	176.4	190.1	(13.7)	(7.2)
Wholesale trade	166.4	162.3	4.1	2.5	166.4	160.9	5.5	3.4
Other	270.4	387.4	(117.0)	(30.2)	270.4	254.2	16.2	6.4
Total business	13,027.1	12,662.0	365.1	2.9	13,027.1	12,704.0	323.1	2.5
Margin lending	1,822.7	1,915.6	(92.9)	(4.8)	1,822.7	1,867.2	(44.5)	(2.4)
Unsecured	906.7	824.2	82.5	10.0	906.7	859.6	47.1	5.5
Other	248.5	267.8	(19.3)	(7.2)	248.5	267.6	(19.1)	(7.1)
Total gross loan balance	53,113.8	50,679.1	2,434.7	4.8	53,113.8	51,008.5	2,105.3	4.1
Gross loan balance - by purpose								
Residential	34,882.1	32,790.4	2,091.7	6.4	34,882.1	33,210.0	1,672.1	5.0
Consumer	3,997.8	4,375.1	(377.3)	(8.6)	3,997.8	4,190.8	(193.0)	(4.6)
Margin lending	1,822.7	1,915.6	(92.9)	(4.8)	1,822.7	1,867.2	(44.5)	(2.4)
Commercial	12,411.2	11,598.0	813.2	7.0	12,411.2	11,740.5	670.7	5.7
Total gross loan balance	53,113.8	50,679.1	2,434.7	4.8	53,113.8	51,008.5	2,105.3	4.1
Loans under management (gross balance)								
On-balance sheet	53,113.8	50,679.1	2,434.7	4.8	53,113.8	51,008.5	2,105.3	4.1
Off-balance sheet loans under management	866.9	1,010.1	(143.2)	(14.2)	866.9	926.5	(59.6)	(6.4)
Total Group loans under management	53,980.7	51,689.2	2,291.5	4.4	53,980.7	51,935.0	2,045.7	3.9

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

Loans under management represent the gross balance of loans held and managed by the Group: *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.

2.4.8 Asset quality

	As at	As at	Change		As at	As at	Change	
	Jun-14	Jun-13	\$m	%	Jun-14	Dec-13	\$m	%
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Impaired loans ¹								
Full-performing ²	2.0	3.6	(1.6)	(44.4)	2.0	1.7	0.3	17.6
Part-performing ³	117.8	119.0	(1.2)	(1.0)	117.8	125.8	(8.0)	(6.4)
Non-performing	277.3	205.0	72.3	35.3	277.3	290.1	(12.8)	(4.4)
Restructured loans	14.7	62.6	(47.9)	(76.5)	14.7	14.5	0.2	1.4
Total impaired assets	411.8	390.2	21.6	5.5	411.8	432.1	(20.3)	(4.7)
Less: Specific provisions	(114.5)	(104.1)	(10.4)	(10.0)	(114.5)	(95.6)	(18.9)	(19.8)
Net impaired assets	297.3	286.1	11.2	3.9	297.3	336.5	(39.2)	(11.6)
Past due 90 days								
Well Secured (excluding commercial arrangement loans)	326.5	530.4	(203.9)	(38.4)	326.5	343.2	(16.7)	(4.9)
Great Southern portfolio	303.6	283.4	20.2	7.1	303.6	297.7	5.9	2.0
Portfolio facilities (not well secured)	3.2	4.2	(1.0)	(23.8)	3.2	3.3	(0.1)	(3.0)
	%	%	%		%	%	%	
Ratios								
Total impaired to gross loans	0.78%	0.77%	0.01%		0.78%	0.85%	(0.07%)	
Total impaired to total assets	0.63%	0.65%	(0.02%)		0.63%	0.72%	(0.09%)	
Net impaired to gross loans	0.56%	0.56%	-		0.56%	0.66%	(0.10%)	
Provision coverage ⁴	71.8%	71.0%	0.8%		71.8%	64.0%	7.80%	

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

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.

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.

⁴ Provision coverage is Provisions for doubtful debts - total divided by Total impaired assets.

2.4.9 Bad and doubtful debts

	Full year ending				Six months ending			
	Jun-14	Jun-13	Change		Jun-14	Dec-13	Change	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Expense:								
Bad debts written off	3.3	5.2	(1.9)	(36.5)	2.2	1.1	1.1	100.0
Provision for doubtful debts - expense	82.3	67.5	14.8	21.9	38.9	43.4	(4.5)	(10.4)
Total bad and doubtful debts expense	85.6	72.7	12.9	17.7	41.1	44.5	(3.4)	(7.6)
Less: Bad debts recovered	3.7	2.8	0.9	32.1	1.9	1.8	0.1	5.6
Bad and doubtful debts net of recoveries	81.9	69.9	12.0	17.2	39.2	42.7	(3.5)	(8.2)

	As at Jun-14				As at Dec-13			
	Jun-14	Jun-13	Change		Jun-14	Dec-13	Change	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Balances:								
Provision for doubtful debts - specific	114.4	104.1	10.3	9.9	114.4	95.6	18.8	19.7
Provision for doubtful debts - collective	42.8	34.5	8.3	24.1	42.8	42.8	-	-
General reserve for credit losses	138.3	138.3	-	-	138.3	138.3	-	-
Total provision/reserve doubtful debts	295.5	276.9	18.6	6.7	295.5	276.7	18.8	6.8
Ratios:								
Loan write-offs (annualised) to average assets	0.11%	0.12%	(0.01%)	(8.3)	0.07%	0.15%	(0.08%)	(53.3)
Loan write-offs (annualised) to gross loans	0.13%	0.14%	(0.01%)	(7.1)	0.08%	0.18%	(0.10%)	(55.6)
Total provision/reserve for doubtful debts to gross loans	0.56%	0.55%	0.01%	1.8	0.56%	0.54%	0.02%	3.7
Collective provision & GRCL to risk-weighted assets	0.56%	0.57%	(0.01%)	(1.8)	0.56%	0.58%	(0.02%)	(3.4)

The balances of the components of provision for doubtful debts are:

	Specific	Collective	GRCL	Total
	\$m	\$m	\$m	\$m

The movement in provisions comprise of:

	Specific	Collective	GRCL	Total
	\$m	\$m	\$m	\$m
Balance at June 2013	104.1	34.5	138.3	276.9
Provision for doubtful debts expense to profit and loss	74.0	8.3	-	82.3
Bad debts written off - previously provided for	(63.7)	-	-	(63.7)
Balance at June 2014	114.4	42.8	138.3	295.5

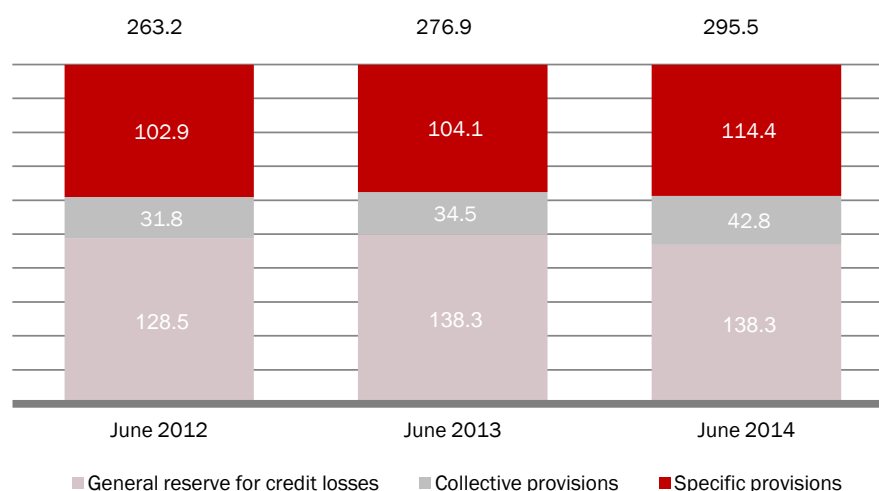
Total bad debts written off for the period, as shown above comprises:

Bad debts previously provided for	63.7
Other bad debts not previously provided for	3.3
Total bad debts written off for the period	67.0

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

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

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



2.4.10 Deposits and funds under management

	As at Jun-14 \$m	As at Jun-13 \$m	Change \$m	%	As at Jun-14 \$m	As at Dec-13 \$m	Change \$m	%
Deposits and funds under management								
Deposits ¹	52,359.4	47,439.0	4,920.4	10.4	52,359.4	48,764.3	3,595.1	7.4
Securitisation	5,256.4	6,400.6	(1,144.2)	(17.9)	5,256.4	5,396.3	(139.9)	(2.6)
Managed funds	3,390.5	2,954.3	436.2	14.8	3,390.5	3,252.9	137.6	4.2
Total deposits and funds under management	61,006.3	56,793.9	4,212.4	7.4	61,006.3	57,413.5	3,592.8	6.3
Retail deposits and funds under management								
Retail deposits	44,843.0	42,245.8	2,597.2	6.1	44,843.0	42,654.4	2,188.6	5.1
Managed funds	3,390.5	2,954.3	436.2	14.8	3,390.5	3,252.9	137.6	4.2
Total retail deposits and funds under management	48,233.5	45,200.1	3,033.4	6.7	48,233.5	45,907.3	2,326.2	5.1
Deposits dissection: - \$m								
Retail	44,843.0	42,245.8	2,597.2	6.1	44,843.0	42,654.4	2,188.6	5.1
Wholesale - domestic	6,612.9	4,929.6	1,683.3	34.1	6,612.9	5,641.5	971.4	17.2
Wholesale - offshore	903.5	263.6	639.9	242.8	903.5	468.3	435.2	92.9
Total deposits	52,359.4	47,439.0	4,920.4	10.4	52,359.4	48,764.2	3,595.2	7.4
Deposits dissection (excl securitisation) - %								
Retail	85.6%	89.1%	(3.5%)	(3.9)	85.6%	87.5%	(1.9%)	(2.2)
Wholesale - domestic	12.6%	10.4%	2.2%	21.2	12.6%	11.6%	1.0%	8.6
Wholesale - offshore	1.8%	0.5%	1.3%	260.0	1.8%	0.9%	0.9%	100.0
Total deposits excluding securitisation	100.0%	100.0%	-	-	100.0%	100.0%	-	-
Managed funds dissection								
Assets under management	1,703.9	1,665.3	38.6	2.3	1,703.9	1,685.4	18.5	1.1
Other managed funds	1,686.6	1,289.0	397.6	30.8	1,686.6	1,567.5	119.1	7.6
Total managed funds	3,390.5	2,954.3	436.2	14.8	3,390.5	3,252.9	137.6	4.2

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

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

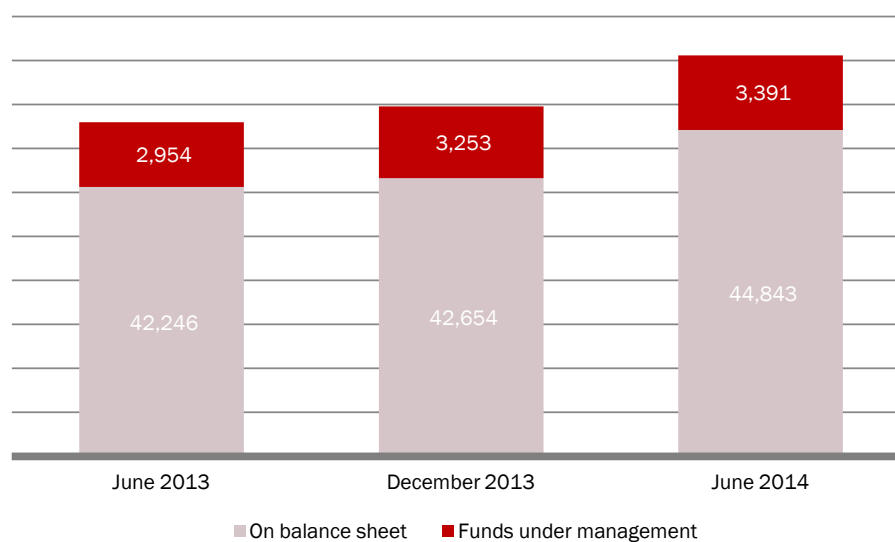
Other managed funds include funds deposited for investment in managed investment products and superannuation funds managed off-balance sheet by Sandhurst Trustees Limited and Adelaide Managed Funds Limited. Also included are portfolios of loans managed by the Group and third parties who contribute to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

2.4.10 Deposits and funds under management (continued)

Funding mix (\$m)



Retail deposits and funds under management (\$m)



Retail deposits increased by \$2.6 billion or 6.1% to \$44.8 billion over the past 12 months.

Wholesale deposits increased by \$2.3 billion or 44.7% to \$7.5 billion over the past 12 months.

Securitisation decreased by \$1.1 billion or 17.9% to \$5.3 billion over the past 12 months.

The Group's retail deposit base remains strong at 85.6% of deposits (excluding securitisation).

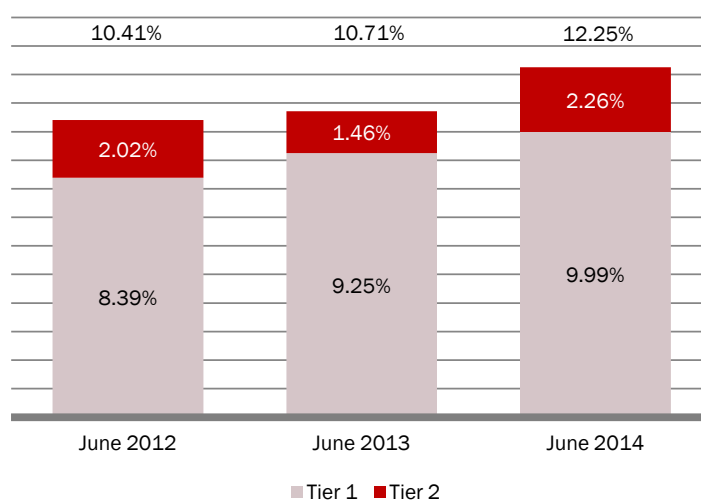
2.4.11 Capital and shareholder returns

2.4.11.1 Capital adequacy

	Consolidated		Pro-forma ¹
	As at Jun-14 \$m	As at Jun-13 \$m	As at Jun-14 \$m
Risk weighted capital ratios			
Tier 1	9.99%	9.25%	9.22%
Tier 2	2.26%	1.46%	2.17%
Total capital ratio	12.25%	10.71%	11.39%
Regulatory capital			
Common Equity Tier 1			
Contributed capital	4,183.3	3,758.0	4,183.3
Retained profits & reserves	413.9	320.7	405.0
Accumulated other comprehensive income (and other reserves)	(33.6)	(17.7)	(33.6)
Less,			
Intangible assets, cash flow hedges and capitalised expenses	1,638.0	1,637.3	1,723.0
Net deferred tax assets	44.9	6.6	44.9
Equity exposures	29.4	27.8	29.4
Other adjustments as per APRA advice	3.5	2.4	3.5
Total common equity tier 1 capital	2,847.8	2,386.9	2,753.9
Additional Tier 1 capital instruments	412.2	438.5	412.2
Total Additional Tier 1 Capital	412.2	438.5	412.2
Total Tier 1 Capital	3,260.0	2,825.4	3,166.1
Tier 2			
Tier 2 capital instruments	566.9	290.8	566.9
General reserve for credit losses/collective provision (net of tax effect)	169.3	154.1	178.2
Total Tier 2 capital	736.2	444.9	745.1
Total regulatory capital	3,996.2	3,270.3	3,911.2
Total risk weighted assets	32,618.4	30,530.2	34,348.9
Common Tier 1 Equity	8.73%	7.82%	8.02%

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

Capital adequacy (%)



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

2.4.11.2 Shareholder returns

	Full year ending				Six months ending			
	Jun-14	Jun-13	Change	%	Jun-14	Dec-13	Change	%
Earnings per ordinary share (cash basis) (weighted average)-cents	91.5	85.4	6.1	7.1	46.5	45.0	1.5	3.3
Earnings per ordinary share (statutory basis) (weighted average)-cents	87.7	84.9	2.8	3.3	44.7	43.0	1.7	4.0
Diluted earnings per ordinary share (weighted average)-cents	83.6	79.9	3.7	4.6	42.5	40.8	1.7	4.2
Weighted average number of ordinary shares used basic & cash basis EPS calculations - 000's	417,934	407,409	10,525	2.6	422,645	413,301	9,344	2.3
Weighted average number of ordinary shares used in diluted EPS calculation - 000's	457,753	449,918	7,835	1.7	462,500	456,043	6,457	1.4
Return on average ordinary equity (cash basis)	8.96%	8.58%	0.38%	4.4	9.08%	8.83%	0.25%	2.8
Return on average tangible equity (cash basis)	13.34%	13.48%	(0.14%)	(1.0)	13.38%	13.30%	0.08%	0.6
Return on average ordinary equity (after tax)	8.59%	8.52%	0.07%	0.8	8.73%	8.44%	0.29%	3.4
Return on average ordinary equity (after tax before specific items)	8.60%	8.16%	0.44%	5.4	8.73%	8.47%	0.26%	3.1
Return on average assets (cash basis)	0.63%	0.60%	0.03%	5.0	0.64%	0.61%	0.03%	4.9
Return on average assets (after tax)	0.61%	0.61%	-	-	0.62%	0.60%	0.02%	3.3
Return on average assets (after tax before specific items)	0.61%	0.58%	0.03%	5.2	0.62%	0.60%	0.02%	3.3

Profitability ratios for half year results have been annualised by multiplying the numerator by two.

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

Earnings used in the earnings per ordinary share is, profit after tax including specific items, less dividends on preference shares. After tax return on average assets uses profit after tax.

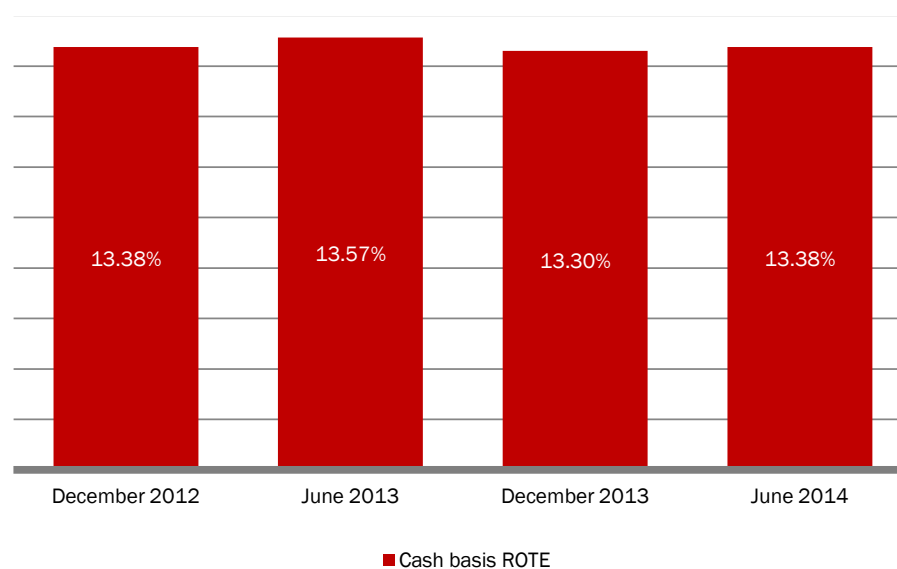
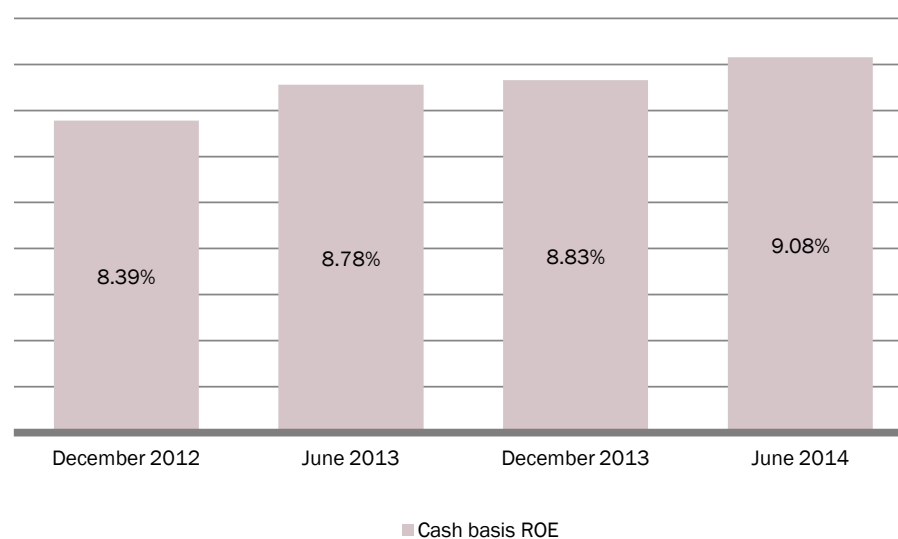
Dilutive preference shares include preference, convertible preference and step up preference shares.

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

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

	As at	As at	Change		As at	Change	
	Jun-14	Jun-13	\$m	%	Dec-13	\$m	%
Ordinary issued capital	4,183.3	3,758.0	425.3	11.3	3,782.3	401.0	10.6
Retained earnings	517.5	398.1	119.4	30.0	452.2	65.3	14.5
Total ordinary equity	4,700.8	4,156.1	544.7	13.1	4,234.5	466.3	11.0
Average ordinary equity	4,268.9	4,055.4			4,177.4		

2.4.11.3 Return on equity (RoE) and Return on tangible equity (RoTE) (%)

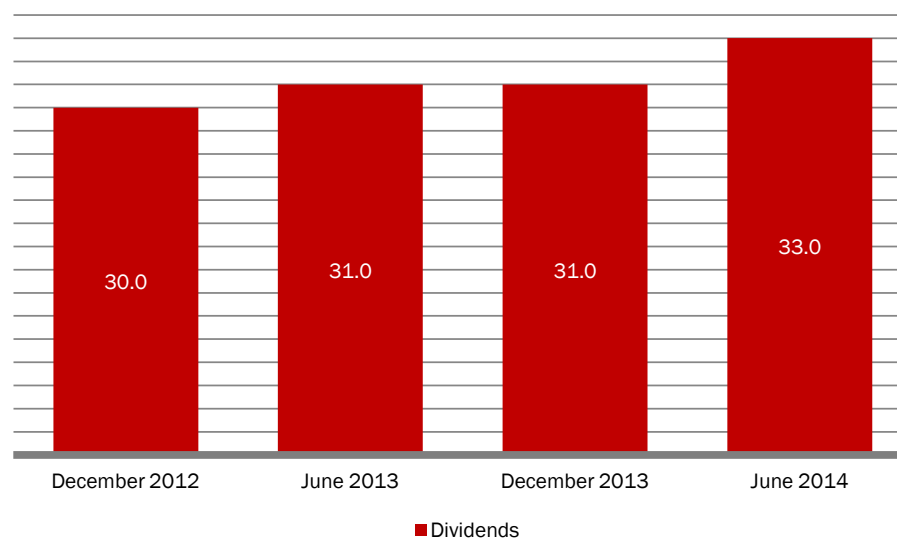
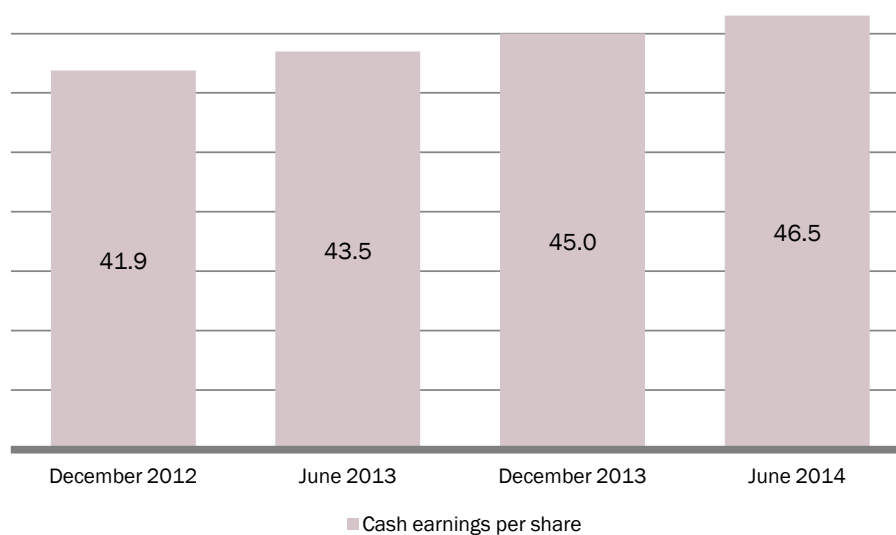


2.4.11.4 Dividends

	Full year ending				Six months ending			
	Jun-14	Jun-13	Change	%	Jun-14	Dec-13	Change	%
Dividend per share - cents	64.0	61.0	3.0	4.9	33.0	31.0	2.0	6.5
Dividend amount payable - \$m	272.5	245.0	27.5	11.2	146.5	126.0	20.5	16.3
Payout ratio - earnings per ordinary share *	73.0%	71.8%	1.2%	1.7	73.8%	72.1%	1.7%	2.4
Payout ratio - cash basis per ordinary share *	69.9%	71.4%	(1.5%)	(2.1)	71.0%	68.9%	2.1%	3.0

* Payout ratio is calculated as dividend per share divided by the applicable earnings per ordinary share.

2.4.11.5 Earnings in cents per ordinary share



Dividend Reinvestment Plan

The Dividend Reinvestment Plan provides shareholders with the opportunity of converting their entitlement to a dividend into new shares. The issue price of the shares is equal to the volume weighted average share price of Bendigo and Adelaide Bank shares traded on the Australian Securities Exchange over the fifteen trading days commencing 25 August 2014. Shares issued under this Plan rank equally with all other ordinary shares.

Bonus Share Scheme

The Bonus Share Scheme provides shareholders with the opportunity to elect to receive a number of bonus shares issued for no consideration instead of receiving a dividend. The issue price of the shares is equal to the volume weighted average price of Bendigo and Adelaide Bank shares traded on the Australian Securities Exchange over the fifteen trading days commencing 25 August 2014. 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 2014 final dividend is 22 August 2014.

2.5 Additional notes

2.5.1 Analysis of intangible assets

	Balance sheet		Full year amortisation/ impairment expense	
	Carrying value			
	Jun-14	Jun-13	Jun-14	Jun-13
	\$m	\$m	\$m	\$m
Goodwill	1,368.4	1,368.4	-	6.2
Trustee licence	8.4	8.4	-	-
Software	53.0	50.9	15.1	19.0
Customer lists	9.3	6.1	2.5	1.8
Core deposits	28.5	37.3	8.8	10.5
Trade name	4.1	4.8	0.8	2.9
Customer relationship	24.1	32.7	8.6	8.6
Management rights - Adelaide Bank	8.6	9.6	1.0	1.0
Total intangible assets and goodwill	1,504.4	1,518.2	36.8	50.0

2.5.2 Investments accounted for using the equity method

Name	consolidated entity		Balance date
	Jun-14 %	Jun-13 %	
Joint arrangements			
Community Sector Enterprises Pty Ltd	50.0	50.0	30 June
Homesafe Solutions Pty Ltd	50.0	50.0	30 June
Silver Body Corporate Financial Services Pty Ltd	50.0	50.0	30 June
Associates			
Aegis Correctional Partnership Pty Ltd	49.5	49.5	30 June
Aegis Securitisation Nominees Pty Ltd	49.5	49.5	30 June
Aegis Correctional Partnership Trust	49.5	49.5	30 June
Aegis Securitisation Trust	49.5	49.5	30 June
Dancoor Community Finances Ltd ¹	49.0	-	30 June
Homebush Financial Services Ltd	49.0	49.0	30 June
Linear Financial Holdings Pty Ltd	36.0	40.0	30 June
Strategic Payments Services Pty Ltd	47.5	47.5	31 December
Vic West Community Enterprise Pty Ltd	50.0	50.0	30 June

¹ Dancoor Community Finances Ltd (effective January 2014)

(i) Principal activities of joint arrangements and associates

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

All joint venture companies are incorporated in Australia.

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

	Jun-14 \$m	Jun-13 \$m
Joint arrangements		
- Community Sector Enterprises Pty Ltd	0.4	0.3
- Homesafe Solutions Pty Ltd	0.4	0.2
- Silver Body Corporate Financial Services Pty Ltd	0.1	0.1
	0.9	0.6
Associates		
- Aegis Correctional Partnership Pty Ltd	-	-
- Aegis Securitisation Nominees Pty Ltd	-	-
- Aegis Securitisation Trust	-	-
- Aegis Correctional Partnership Trust	-	-
- Dancoor Community Finances Ltd	-	-
- Homebush Financial Services Ltd	-	-
- Linear Financial Holdings Pty Ltd	(1.1)	(0.4)
- Strategic Payments Services Pty Ltd	0.3	1.5
- Vicwest Community Enterprise Ltd	0.1	(0.1)
	(0.7)	1.0
Total share of profits/(losses) before tax	0.2	1.6

2.5.3 Average balance sheet for the year ended 30 June 2014

	Jun-14			Jun-13		
	Average Balance \$m	Interest 12 mths \$m	Average Rate %	Average Balance \$m	Interest 12 mths \$m	Average Rate %
Average balances and rates ¹						
Interest earning assets						
Cash and Investments	7,157.5	186.4	2.60	6,206.0	206.3	3.32
Loans and other receivables - company	51,217.1	2,741.8	5.35	49,339.7	2,934.2	5.95
Total interest earning assets ²	58,374.6	2,928.2	5.02	55,545.7	3,140.5	5.65
Non interest earning assets						
Provisions for doubtful debts	(139.0)			(135.9)		
Other assets	2,850.8			2,863.7		
Total non interest earning assets	2,711.8			2,727.8		
Total assets (average balance)	61,086.4			58,273.5		
Interest bearing liabilities and equity						
Deposits						
Retail - company	42,956.4	1,369.1	3.19	41,420.6	1,645.5	3.97
Wholesale - domestic	5,385.0	180.5	3.35	4,299.1	170.8	3.97
Wholesale - offshore	526.3	16.6	3.15	268.5	10.0	3.72
Notes Payable	5,653.9	199.3	3.53	6,103.4	247.3	4.05
Convertible Preference Shares	262.5	14.5	5.52	212.7	11.9	5.59
Subordinated debt	494.0	30.0	6.07	392.9	27.5	7.00
Total interest bearing liabilities ²	55,278.1	1,810.0	3.27	52,697.2	2,113.0	4.01
Non interest bearing liabilities and equity						
Other liabilities	1,258.5			1,284.3		
Equity	4,549.8			4,292.0		
Total liabilities and equity (average balance)	61,086.4			58,273.5		
Interest margin and interest spread						
Interest earning assets	58,374.6	2,928.2	5.02	55,545.7	3,140.5	5.65
Interest bearing liabilities	(55,278.1)	(1,810.0)	(3.27)	(52,697.2)	(2,113.0)	(4.01)
Net interest income and interest spread ³		1,118.2	1.75		1,027.5	1.64
Net free liabilities and equity			0.17			0.21
Net interest margin ⁴			1.92			1.85
Impact of community bank/alliances revenue share arrangements						
Net interest margin			1.92			1.85
Add impact of community bank/alliances share of net interest income			0.32			0.34
Net interest margin before community bank/alliances share of net interest income			2.24			2.19

1 Average balance is based on monthly closing balances.

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

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

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

2.5.3 Average balance sheet for the six months ended 30 June 2014

	Jun-14			Dec-13		
	Average	Interest	Average	Average	Interest	Average
	Balance	6 mths	Rate	Balance	6 mths	Rate
	\$m	\$m	%	\$m	\$m	%
Average balances and rates						
Interest earning assets ¹						
Cash and investments	7,538.8	94.5	2.53	6,706.9	91.9	2.72
Loans and other receivables	51,755.7	1,351.8	5.27	50,636.2	1,390.1	5.45
Total interest earning assets ²	59,294.5	1,446.3	4.92	57,343.1	1,482.0	5.13
Non interest earning assets						
Provisions for doubtful debts	(145.6)			(132.3)		
Other assets	2,918.3			2,798.7		
Total non interest earning assets	2,772.7			2,666.4		
Total assets (average balance)	62,067.2			60,009.5		
Interest bearing liabilities						
Deposits						
Retail	43,353.9	653.8	3.04	42,515.7	715.4	3.34
Wholesale - domestic	5,726.9	92.4	3.25	5,079.8	88.1	3.44
Wholesale - offshore	686.4	10.6	3.11	357.9	6.0	3.33
Notes payable	5,486.9	97.4	3.58	5,784.1	101.9	3.49
Preference shares	260.8	7.1	5.49	263.8	7.4	5.56
Subordinated debt	612.8	18.3	6.02	355.4	11.7	6.53
Total interest bearing liabilities ²	56,127.7	879.6	3.16	54,356.7	930.5	3.40
Non interest bearing liabilities and equity						
Other liabilities	1,306.8			1,188.9		
Equity	4,632.7			4,463.9		
Total liabilities and equity (average balance)	62,067.2			60,009.5		
Interest margin and interest spread						
Interest earning assets	59,294.5	1,446.3	4.92	57,343.1	1,482.0	5.13
Interest bearing liabilities	(56,127.7)	(879.6)	(3.16)	(54,356.7)	(930.5)	(3.40)
Net interest income and interest spread ³		566.7	1.76		551.5	1.73
Net free liabilities			0.17			0.18
Net interest margin ⁴			1.93			1.91
Impact of community bank/alliances profit share arrangements						
Net interest margin			1.93			1.91
Add impact of community bank/alliances share of net interest income			0.31			0.33
Net interest margin before community bank/alliances share of net interest income			2.24			2.24

1 Average balance is based on monthly closing balances.

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

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

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

2.5.3 Average balance sheet (continued) for the six months ended 30 June 2013

	Jun-13			Dec-12		
	Average	Interest	Average	Average	Interest	Average
	Balance	6 mths	Rate	Balance	6 mths	Rate
	\$m	\$m	%	\$m	\$m	%
Average balances and rates ¹						
Interest earning assets						
Cash and Investments	6,411.5	102.9	3.24	5,971.9	103.4	3.43
Loans and other receivables - company	49,756.6	1,422.6	5.77	48,829.8	1,511.6	6.14
Total interest earning assets ²	56,168.1	1,525.5	5.48	54,801.7	1,615.0	5.85
Non interest earning assets						
Provisions for doubtful debts	(134.8)			(136.6)		
Other assets	2,904.5			2,832.8		
Total non interest earning assets	2,769.7			2,696.2		
Total assets (average balance)	58,937.8			57,497.9		
Interest bearing liabilities and equity						
Deposits						
Retail - company	41,859.6	787.1	3.79	40,889.5	858.4	4.16
Wholesale - domestic	4,441.2	86.2	3.91	4,171.9	84.6	4.02
Wholesale - offshore	328.9	5.9	3.62	207.4	4.1	3.92
Notes Payable	6,033.4	106.0	3.54	6,149.6	141.3	4.56
Convertible Preference Shares	268.9	7.5	5.62	89.6	4.4	9.74
Subordinated debt	375.6	12.8	6.87	410.7	14.7	7.10
Total interest bearing liabilities ²	53,307.6	1,005.5	3.80	51,918.7	1,107.5	4.23
Non interest bearing liabilities and equity						
Other liabilities	1,289.1			1,343.5		
Equity	4,341.1			4,235.7		
	5,630.2			5,579.2		
Total liabilities and equity (average balance)	58,937.8			57,497.9		
Interest margin and interest spread						
Interest earning assets	56,168.1	1,525.5	5.48	54,801.7	1,615.0	5.85
Interest bearing liabilities	(53,307.6)	(1,005.5)	(3.80)	(51,918.7)	(1,107.5)	(4.23)
Net interest income and interest spread ³		520.0	1.68		507.5	1.62
Net free liabilities and equity			0.19			0.22
Net interest margin ⁴			1.87			1.84
Impact of community bank/alliances revenue share arrangements						
Net interest margin			1.87			1.84
Add impact of community bank/alliances share of net interest income			0.33			0.35
Net interest margin before community bank/alliances share of net interest income			2.20			2.19

1 Average balance is based on monthly closing balances.

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

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

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

2.5.4 Net tangible assets per share

	Jun-14	Jun-13
Net tangible assets per ordinary share	\$7.26	\$6.62
Net tangible assets	\$m	\$m
Net assets	4,974.2	4,434.0
Intangibles	(1,504.4)	(1,518.2)
Preference shares - face value	(90.0)	(90.0)
Step-up preference shares - face value	(100.0)	(100.0)
Net tangible assets attributable to ordinary shareholders	3,279.8	2,725.8
Number of fully paid ordinary shares on issue - 000's	452,007	412,008

2.5.5 Credit ratings

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

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

On 29 November 2013, 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 Group's viability rating of 'A-'. The outlook remains stable. Fitch commented that the ratings reflect the Group's strengthened funding and liquidity position, improving capitalisation and consistent pre-impairment operating profitability.

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

2.5.6 Issued capital

Changes to issued and quoted securities during the period:

	Number of Shares	\$m
Ordinary Shares		
Fully paid ordinary shares at 30 June 2013	412,007,864	3,758.0
Shares issued:		
September 2013 - Dividend reinvestment plan at \$10.17	2,105,049	21.4
September 2013 - Bonus share scheme (in lieu of dividend payment) at \$10.17	259,797	-
October 2013 - Employee share grant scheme at \$10.47	274,283	2.9
March 2014 - Dividend Reinvestment Plan at \$11.14	2,145,304	23.9
March 2014 - Bonus Share Scheme (in lieu of dividend payment) at \$11.14	226,848	-
May 2014 - Institutional placement at \$10.85	21,198,157	230.0
June 2014 - Share purchase plan at \$10.85	13,789,655	149.6
Share issue costs	-	(2.5)
Fully paid ordinary shares at 30 June 2014	452,006,957	4,183.3
Preference Shares		
Preference shares of \$100 face value (fully paid) at 30 June 2014	900,000	88.5
Preference shares of \$100 face value (fully paid) at 30 June 2014	900,000	88.5
Step Up Preference Shares		
Step up preference shares of \$100 face value (fully paid) at 30 June 2014	1,000,000	100.0
Step up preference shares of \$100 face value (fully paid) at 30 June 2014	1,000,000	100.0