

ASX Announcement



Change to cash earnings for treatment of Homesafe income

Monday 5 June 2017: In advance of the presentation of the full year results of Bendigo and Adelaide Bank Ltd (BEN) on 14 August 2017, BEN is releasing cash earnings pro-forma financial information adjusted for a change in treatment of Homesafe income and funding costs.

Cash earnings is an unaudited, non-IFRS financial measure considered by management to be a key indicator of the underlying performance of the core business activities of the Group.

Homesafe income

BEN has made a change to the treatment of Homesafe for cash earnings purposes to exclude any unrealised income and/or losses and associated funding costs. There will be no change to the statutory earnings of BEN.

A summary below outlines the changes that will be made to the cash earnings for BEN for the year ended 30 June 2017, including comparative information. We have also attached pro-forma information which outlines the impacts to cash earnings for the last four half year reporting periods.

Income There are two components to income generated from the Homesafe portfolio, realised and unrealised income or losses. The realised income or losses is the difference between the initial amount funded and the cash received on completion of the contract. Unrealised income or losses represent the market value movements of uncompleted Homesafe contracts in the portfolio. Currently the total realised and unrealised income or losses are recognised in both statutory and cash earnings of BEN. This change will remove any unrealised income or losses from cash earnings for the years ended 30 June 2016 and 30 June 2017 and future years' results.

Realised income or losses will continue to be recognised in cash earnings, representing the profit or loss from the movement in the value of properties from initial funding to contract completion.

Funding Costs

We will also align the reporting of the Homesafe portfolio funding costs with the treatment of Homesafe income for cash earnings purposes. The interest expense associated with the funding of uncompleted Homesafe contracts will be removed from cash earnings and recognised at the time of contract completion against the realised income or losses on the contract. Accordingly, at the time of completion of each

Homesafe contract, any realised income or losses recognised in cash earnings will include the associated funding costs of the contract since initial contract inception. The funding rate applied is a five year funds transfer pricing rate, to reasonably match the long term nature of the Homesafe contracts.

A conference call has been set up for interested participants. Details outlines below:

When: Monday 5 June 2017

Time: 9:30am (AEST)

Teleconference: Dial 02 9007 3187 and use the conference ID 745163 to listen to the announcement and ask questions. If calling from overseas dial +61 2 9007 3187.

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