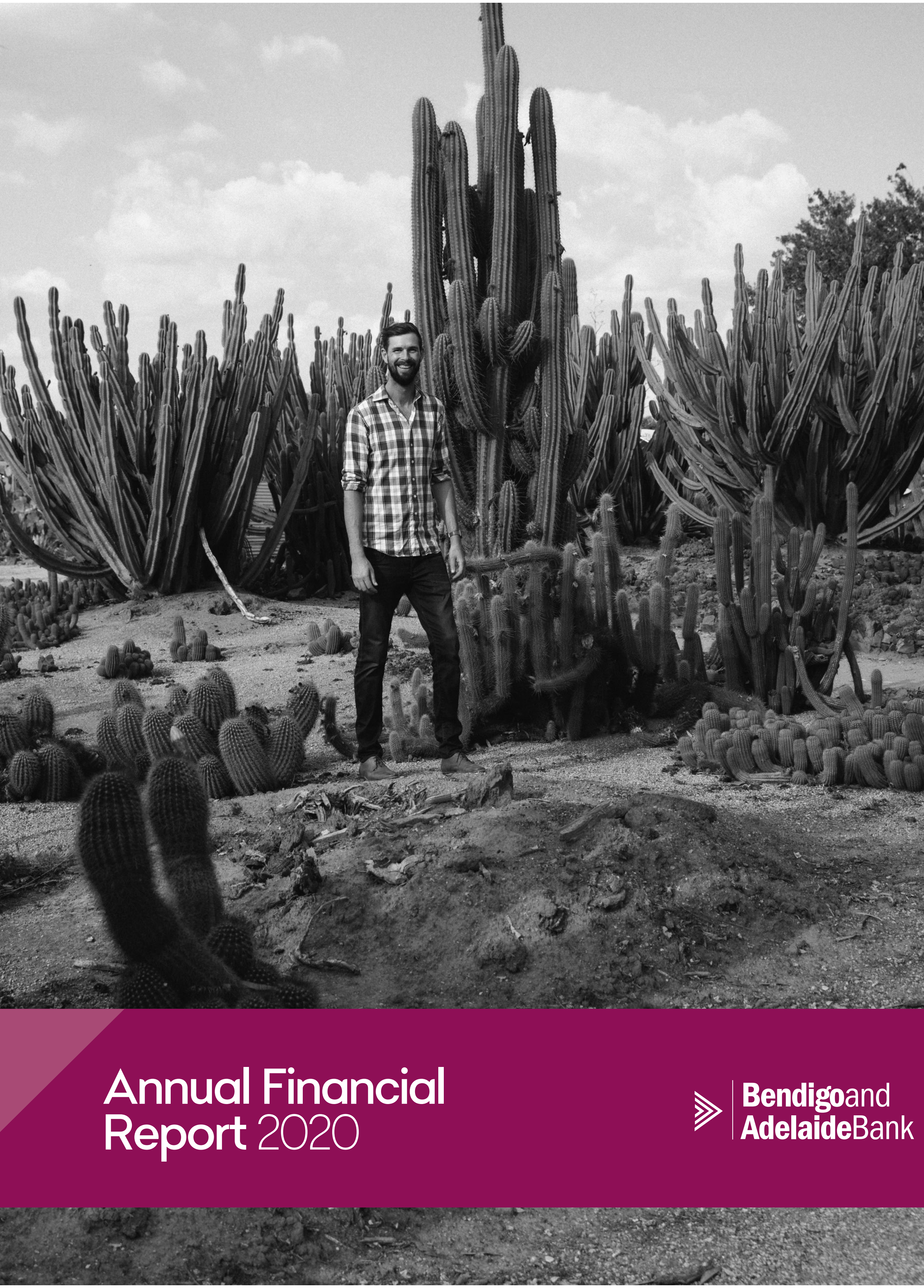

Annual Financial Report 2020

Bendigo and Adelaide Bank

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Message from the Chair

"Long lasting, effective change cannot happen unless the right foundations are set, and it's in times like these where organisations will be called to question in how they respond to the unknown, with the right strategy, care, capability, authenticity and grace."

I would categorise my first year in the role as Bendigo and Adelaide Bank's Chair as a year of both challenge and accomplishment. The events of the past year, with the devastating impacts of bushfires, floods, prolonged drought and COVID-19, have forcefully reshaped our understanding of our world and what matters most, propelling us to consider a different way to think, act and engage.

While not surprising, it's encouraging to see the true mettle of Australians in these times, persevering without reassurance of what's to come, rallying to make a difference – big or small – to those around them, and mostly, taking advantage of every opportunity to transform and reinvent. It's inspiring to witness, and it has made me further reflect on the notion of change, what it truly means for an organisation to adapt with authenticity and integrity, and importantly, how this will position our stakeholders and the Bank for future success.

Long lasting, effective change cannot happen unless the right foundations are set, and it's in times like these where organisations will be called to question in how they respond to the unknown, with the right strategy, care, capability, authenticity and grace.

In line with our multi-year strategy, announced in 2019 to respond to economic uncertainty, we continue to transform our organisation, offering greater functionality and capability, simplifying and increasing productivity through cost management, improving the customer experience through sustainable investment, and telling our story. And while the impacts of these recent and current significant events heighten ongoing economic uncertainty, our strategy hasn't changed. It has instead, further accelerated the need for transformative change.

For us, doing the right thing goes far beyond any single event or action, and transcends far beyond any prescribed point in time. For more than 162 years, our Bank has been an important part of the Australian landscape, always operating with the understanding that prosperity for our customers, partners, shareholders and communities will be the driver for our success - not the other way around. This is what drives our company. It will continue to underpin our business as we accelerate our transformational journey through these unknown and challenging times, and it has led to consistently strong performance in key national trust measures, and well ahead of major banks in leading corporate reputation indices. Trust is our most valuable asset and we will continue to ensure our operations balance the provision of optimal outcomes for all. However, like any organisation we sometimes make mistakes and when we do, we take ownership and action to make good and remediate any errors. That is what we have done and will continue to do.

While economic uncertainty remains and the full impact of COVID-19 is still evolving, the Board has acted prudently in considering the interests of shareholders and APRA's industry guidance on capital management, to defer a final dividend decision. Ongoing stress testing continues to support the Bank's strong balance sheet and capital position.

Our vision, strategy, values and purpose form the context for our approach to high standards of corporate governance. These elements do not operate discretely from quality governance practices and purpose-led culture. In fact, when considering our remuneration practices, our approach has long been one that considers what is the right thing to do to achieve better decision making for the benefit of all stakeholders, and the outcomes of the Royal Commission have vindicated our approach. We confidently continue our work in the best interests of all stakeholders to ensure their long-term success.

We continue to evolve our position on Climate Change, recognising its impact on the quality of life and financial position of our customers and their communities. Addressing Climate Change, through commitment, learning and action, is the right thing to do. This year, the Board and Executive were pleased to adopt its Climate Change Policy Statement and Action Plan. We stand by our customers, communities, shareholders and all stakeholders with ambitions to improve environmental outcomes for all, while considering our impact, mitigating our risk, and improving prospects and climate resilience for all stakeholders.

While many things are changing, many remain the same. Our commitment to feeding into prosperity is omnipresent, and this year we proudly celebrate with almost 1,000 tertiary students and their communities in providing more than $9.3 million in educational support since 2007 through one of Australia's largest privately funded and best targeted regional scholarship initiatives. This is complemented by the more than $250 million returned to communities since 1998 through the Community Bank model for community-led strengthening initiatives.

We continue to embrace a diverse and inclusive workforce, a core component of our organisation that is critical in achieving our objective of creating a community where employees want to work, where they feel valued and a sense of belonging. To ensure we better define our culture and understand how to better align it to our growth ambitions, we completed a culture review this financial year. The review outlined our cultural traits, the priority initiatives we must drive for positive change, and the critical few behaviours we must further embed to ensure our people continue to prosper and contribute in our organisational quest to be Australia's bank of choice.

It's a pleasure and an honour to lead a Bank that has a vision and purpose so deeply entrenched in history, so alive and relevant today and so ambitious for what tomorrow may bring. It's this focus on helping all stakeholders succeed for which we will continue to be revered as Australia's better big bank.

Jacqueline Hey
Chair, Bendigo and Adelaide Bank

Message from the Managing Director

"While we support our stakeholders to improve their financial wellbeing, we know the fabric of our organisation has come to the fore during these times. We have been tested in ways we couldn't have imagined, and the results prove that who we are today is who we have always been."

It's been a year like no other. Some say it will be remembered for its adversity and challenges, in dealing with what is known and braving the uncertainties of what is to come. I say it will also be remembered for how people, communities, government and business have collaborated, responded and adapted, demonstrating the strength of humankind and the innovation, resilience and a unique 'can do' Australian attitude.

Bushfires, floods, prolonged drought and COVID-19 have caused significant social and economic upheaval, and their full impacts are still largely unknown and changing. As an essential service, our Bank had to mobilise our teams rapidly and in different ways to respond to COVID-19. We kept the vast majority of our branches open, redeployed employee resources into critical call centre and mortgage help teams to assist with increased enquiry and asked our corporate employees to work safely from home. I am immensely proud of the care and consideration they have shown everyone. Their ability to adapt is a testament to the culture that is fostered at the Bank, and I thank them all.

Our operating environment continues to challenge us, and our full year result was overshadowed by COVID-19, continuing record low interest rates and increasing costs to support strategy execution. Our full year earnings were down 27.4 percent year on year. We delivered total income of $1.61 billion, up 0.9 percent on the prior corresponding period, while sustaining market leading trust ratings, above system lending, strong residential growth and strengthening our balance sheet. We will continue to observe how COVID-19 is changing the world and consider how we can use this experience to shape the future of work and continuously improve as consistent leaders in customer experience.

As much as we've achieved in the last year, we recognise there is more to do and that we must constantly evolve to meet our customers' needs, exploring new ways to operate, new innovations and new opportunities to benefit our stakeholders.

There's never been a better time for our Bank to show Australians just exactly who we are. Our organisation has spent more than 162 years shaping and refining our business in line with our purpose and values, which keep us focused on our reason for being. Launched in 2019, our multi-year strategy to reduce complexity, invest in capability and tell our story was designed to reshape our business for the future and to deliver on our vision in an uncertain economic environment. This has not changed.

But we are changed - as individuals, as a community and an economy. We are in a place we haven't been before, and the reality of ongoing economic uncertainty is real and significant. Meanwhile, we have long been on a transformation journey to improve our customer offering and manage costs, all while balancing the needs of our stakeholders. The current environment has further accelerated this need to transform.

We must make lasting changes so we can continue to feed into customer and community prosperity. This means increasing productivity by driving down costs, and sustainably investing in new capabilities, particularly in customer experience and digitisation. These changes will impact our operations, but they will also improve how we engage customers which ultimately benefits everyone.

Our proposition is like no other and we understand the privileged role we play in society – never has this been more crucial. While we support our stakeholders to improve their financial wellbeing, we know the fabric of our organisation has come to the fore during these times. We have been tested in ways we couldn't have imagined, and the results prove that who we are today is who we have always been.

Our deep connection to our customers has proven to be even more critical. For us, it's about engaging customers in a manner you would expect for yourself and having the integrity to deliver on your promises. It's having the capability to help customers make the best possible decisions for their financial future and to achieve success, despite adverse situations. Our connection is evidenced through a Net Promoter Score 35.6 points higher than the average of the major banks.

Our commitment to Australian communities is unwavering. To feed into prosperity, not off it, is no small task. It takes trust, built over time. We're proud our actions have been noticed, as we continue to be recognised in the top 10 most trusted brands in Australia, according to Roy Morgan. We're equally as proud to celebrate more than $250 million being returned to communities through the Community Bank model, enriching communities for the long-term.

Our history of partnering to innovate has always been important to us. From launching the first Visa debit and credit cards, to developing innovative models that transform how we do things – such as the Community Bank model and Australia's first digital bank, Up. We innovate, adapt and evolve for tomorrow. Where we aim to further innovate and differentiate through our strategy – in digital – is equally important in this new environment and our history puts us in good stead.

As Australia's second oldest deposit taking institution, we have demonstrated capability and ability to adapt over time. We will continue to act with integrity and with customers and communities at the centre of our decision making.

These factors distinctively set us apart and its evident they have become even more important in this new environment. As we all navigate this changing environment, we are fully committed to taking advantage of the new opportunities that come with such change.

With a clear vision to be Australia's bank of choice, we're on a transformation journey. We'll continue to invest and evolve our business for the benefit of all stakeholders, and we stand with all Australians in our resolve to support everyone connected with our Bank to respond and thrive.

Marnie Baker
Managing Director, Bendigo and Adelaide Bank

Directors' Report

The Directors of Bendigo and Adelaide Bank Limited present their report together with the financial report of Bendigo and Adelaide Bank Limited (the "Bank") and its controlled entities (the "Group") for the year ended 30 June 2020.

Directors' information

The names and details of the Directors in office during the financial year and as at the date of this report are as follows:

Jacqueline Hey,
Chair, Independent

BCom, Graduate Certificate in Management, GAICD, 54 years

Term of office: Jacqueline joined the Board on 5 July 2011 and was appointed Chair on 29 October 2019.

Skills, experience and expertise: Jacqueline has experience in information technology, telecommunications, finance, risk management and marketing, including as CEO/Managing Director of Ericsson in the UK/Ireland and in Australia/NZ. Jacqueline worked with Ericsson for more than 20 years in leadership roles in Australia, Sweden, the UK and the Middle East.

Board committees: Member of Governance & HR and Technology

Group and joint venture directorships: Nil

Other director and memberships (including directorships of other listed companies for the previous three years): Director, Qantas Airways Limited (ASX listed, period: August 2013 to present), AGL Energy Limited (ASX listed, period, March 2016 to present), Cricket Australia and Member of Brighton Grammar School Council.

Marnie Baker,
Managing Director, non-independent

BBus, ASA, MAICD and SFFin, 52 years

Term of office: Marnie was appointed Managing Director and Chief Executive Officer commencing 2 July 2018.

Skills, experience and expertise: Marnie has more than 30 years of experience in the banking and financial services sector. This includes experience in retail and wholesale banking, treasury and financial markets (including securitisation), trustee services and funds management. She has been a member of the executive team for two decades and held senior leadership positions including Chief Customer Officer, Executive Customer Voice, Executive Banking and Wealth and Chief General Manager Products and Solutions. Her experience also includes senior roles in treasury, capital markets, technology, digital banking and payment systems.

Board committees: Marnie is not a formal member of any Board committees however she has a standing invitation to attend meetings of each Board committee.

Group and joint venture directorships: Nil

Other director and memberships (including directorships of other listed companies for the previous three years): Deputy Chair of the Australian Banking Association Council, Member of the Business Council of Australia, Mastercard (Asia Pacific) Advisory Board, La Trobe University's Bendigo Regional Advisory Board.

Directors' information continued

Vicki Carter,
Independent

BA (Social Sciences), Dip Mgt, Certificate in Executive Coaching, GAICD, 56 years

Term of office: Vicki joined the Board on 4 September 2018.

Skills, experience and expertise: Vicki has more than 30 years' experience in the financial services sector including retail banking and more recently in technology and telecommunications. Vicki is currently employed as Executive Director, Transformation at Telstra. Prior to this Vicki held a number of executive roles at NAB including Executive General Manager - Retail Bank, Executive General Manager - Business Operations and General Manager - People and Organisational Development. Vicki has also held various senior leadership roles at MLC, ING and Prudential.

Board committees: Chair of Technology and member of Governance & HR and Credit

Group and joint venture directorships: Nil

Other director and memberships (including directorships of other listed companies for the previous three years): Employee of Telstra Corporation Limited (ASX listed, period: August 2015 to present)

David Foster,
Independent

B.AppSci, MBA, GAICD, SFFin, 51 years

Term of office: David joined the Board on 4 September 2019.

Skills, experience and expertise: David is an experienced non-executive director. He holds several directorships across a range of listed and government organisations. David's earlier executive career spanning 25 years was primarily in financial services with Westpac and Suncorp, including CEO of Suncorp Bank.

Board committees: Chair of Credit and member of Risk

Group and joint venture directorships: Nil.

Other director and memberships (including directorships of other listed companies for the previous three years): Chair, Motorcycle Holdings Limited (ASX Listed, period: 2015 to present), Director, G8 Education Limited (ASX listed, period: 2016 to present), Genworth Mortgage Insurance Australia Limited, Youi Holdings Pty Ltd, Peak Services Pty Ltd, Former Director, Thorn Group Limited (ASX Listed, period: 2014 to October 2019), Member of the University of the Sunshine Coast Council.

Jan Harris,
Independent

BEc (Hons), 61 years

Term of office: Jan joined the Board on 2 February 2016.

Skills, experience and expertise: Jan has had a distinguished career in the Australian public service with broad experience in public and regulatory policy development, economics and governance. Jan has had senior roles in the Department of the Treasury and the Department of the Prime Minister and Cabinet, including as Deputy Secretary of the Treasury.

Board committees: Chair of Risk and member of Audit

Group and joint venture directorships: Nil

Other director and memberships (including directorships of other listed companies for the previous three years): External Member, Audit and Risk Committee of the Australian Security Intelligence Organisation and Member, Australian Office of Financial Management Audit Committee.

Jim Hazel,
Independent

BEc, SFFin, FAICD, 69 years

Term of office: Jim joined the Board on 1 March 2010.

Skills, experience and expertise: Jim is a professional public company director who has had an extensive career in banking, finance and risk management, including in the regional banking industry.

Board committees: Member of Credit and Risk

Group and joint venture directorships: Nil

Other director and memberships (including directorships of other listed companies for the previous three years): Chair, Ingenia Communities Group Limited (ASX listed, period: March 2012 to present), Director, Adelaide Football Club Limited, Coopers Brewery Limited, Former Director, Centrex Metals Limited (ASX listed, period: July 2010 to September 2019), Chair of the Adelaide Festival Centre Trust, Pro Chancellor of the University of South Australia.

Directors' information continued

Robert Hubbard,
Independent

BA (Hons) Accy, FCA, 61 years

Term of office: Rob joined the Board on 2 April 2013.

Skills, experience and expertise: Rob is an accountant with finance, audit and risk management experience and is based in Queensland. He was a partner of PricewaterhouseCoopers for 22 years practising in the areas of corporate advice and audit. Rob is now a professional non-executive director.

Board committees: Chair of Audit and member of Risk and Technology

Group and joint venture directorships: Nil

Other director and memberships (including directorships of other listed companies for the previous three years): Chair, Orocobre Limited (ASX and TSX listed, period: November 2012 to present), Chair, Healius Limited (ASX listed, period: December 2014 to present), Director, L&R Foundation Pty Ltd.

David Matthews,
Independent

Dip BIT, GAICD, 62 years

Term of office: David joined the Board on 1 March 2010.

Skills, experience and expertise: David operates a farm and an agricultural import/export business based in the Wimmera region of Victoria and is involved in a number of agricultural industry bodies. David also chaired the first Community Bank company in Rupanyup and Minyip.

Board committees: Member of Credit, Audit and Governance & HR

Group and joint venture directorships: Member of the Community Bank National Council and Chair of the Agribusiness Advisory Committee

Other director and memberships (including directorships of other listed companies for the previous three years): Director, Australian Grain Technologies Pty Limited, Farm Trade Australia Pty Limited, Rupanyup/Minyip Finance Group Limited.

Tony Robinson,
Independent

BCom, ASA, MBA (Melb), 62 years

Term of office: Tony joined the Board on 24 April 2006.

Skills, experience and expertise: Tony has many years' experience in financial services, particularly wealth management and insurance. Tony's previous roles include CEO of Centrepoint Alliance Limited, IOOF Holdings Limited and OAMPS Limited.

Board committees: Chair of Governance & HR and member of Audit and Technology

Group and joint venture directorships: Tony ceased as a Director of Sandhurst Trustees Limited in July 2019.

Other director and memberships (including directorships of other listed companies for the previous three years): Chair, Pacific Current Group Limited (ASX listed, period: August 2015 to present), Director, PSC Insurance Group Limited (ASX listed, period: September 2015 to present), River Capital Pty Ltd, Former Director, Longtable Group Limited (ASX listed, period: November 2015 to November 2019).

Robert Johanson,
Former Chair, Independent

BA, LLM, MBA (Harvard), 69 years

Term of office: Robert was a director of the Bank for 31 years and he retired from the Board on 29 October 2019.

Skills, experience and expertise: Robert has experience in banking and financial services and expertise in corporate strategy, capital management, finance and risk management and mergers and acquisitions. He has more than 35 years' experience in providing corporate advice on capital market transactions to a wide range of public and private companies.

Board committees: Robert was a member of Governance & HR and Technology

Group and joint venture directorships: Nil

Other director and memberships (including directorships of other listed companies for the previous three years): Chair, Australia India Institute, Director, Robert Salzer Foundation Limited, NeuClone Pty Limited, Grant Samuel Group Pty Limited, Melbourne Business School.

Principal activities

The principal activities of the Group during the financial year were the provision of a broad range of banking and other financial services including consumer, residential, business and rural lending, deposit-taking, payments services, wealth management and superannuation, treasury and foreign exchange services.

On 1 July 2019 the Group completed the sale of its specialist self-managed superannuation fund business located in Geelong West to LBWFP Pty Ltd.

On 1 August 2019 the Group completed the sale of its financial planning business, Bendigo Financial Planning, to Bridges Financial Services Group Pty Ltd.

There have been no other significant changes in the nature of the Group's principal activities during the financial year.

Impact of COVID-19

Over the financial year, the impact of the COVID-19 pandemic has resulted in unprecedented circumstances that have affected us all. Our operating result was impacted by COVID-19 and details are contained in the Operating and Financial Review section and in the Financial Report. All of the Group's lending portfolios continue to be monitored closely and we remain committed to supporting our customers and communities while we adapt to the ongoing changes in this challenging operating environment.

Operating results

The Group's statutory profit after tax for the financial year ended 30 June 2020 decreased by 48.8% to $192.8 million (FY19 $376.8 million). This was impacted by:

- Increased credit expenses in the second half of the financial year due to the recognition of an overlay of $127.7 million ($89.4 million after tax) for the potential future impacts from COVID-19.
- Software impairment charges of $121.9 million ($85.5 million after tax) following a review of the Group's software intangible assets.
- Software accelerated amortisation charges of $19.0 million ($13.2 million after tax) following an increase to the Group's capitalisation threshold.
- Increased staff costs to support strategic and organisational change initiatives and to enhance risk and compliance capabilities.
- Accelerated investment in technology totalling $52.4 million ($36.7 million after tax), with this investment focused on customer experience, digital, simplification, automation and compliance and regulatory change.

Further information on the Group's operating results for the financial year are contained in the Operating and Financial Review section of this report.

Dividends

The Directors announced on 17 August 2020 that whilst economic uncertainty remains and the full impact of COVID-19 is still evolving, the Board has acted prudently in considering the interests of shareholders and APRA's industry guidance on capital management, to defer a final dividend decision.

The following fully franked dividends were paid by the Bank during the year on fully paid ordinary shares:

- A final dividend for the 2019 financial year of 35.0 cents per share, paid on 30 September 2019 (amount paid: $169.5 million); and
- An interim dividend for the 2020 financial year of 31.0 cents per share, paid on 31 March 2020 (amount paid: $150.8 million).

Further details on dividends provided for or paid during the 2020 financial year on the Bank's ordinary and preference shares are provided at Note 7 Dividends of the Financial Report.

Review of operations

An analysis of the Group's operations for the financial year and the results of those operations, including the financial position, business performance, priorities and prospects, is presented in the Operating and Financial Review section of this report.

State of affairs

Significant changes in the state of affairs of the Group during the financial year included:

- Changes in the principal activities of the Group as outlined above.
- The recognition of credit expenses for the potential future impacts of COVID-19.
- Participation in the Reserve Bank of Australia's (RBA) Term Funding Facility (TFF) scheme, a three-year facility with a fixed interest rate of 0.25% per annum. The scheme, announced on 19 March 2020, was established to provide Authorised Deposit-taking Institutions (ADIs) with access to long-term funding to reinforce the benefits to the economy of a lower RBA cash rate and to encourage ADIs to support businesses.

There were changes made to the composition of the Board and the Executive Team during the financial year, specifically:

- Robert Johanson retired from the Board and his role as Chair on 29 October 2019. Jacqueline Hey commenced as Chair of the Board at the conclusion of the Annual General Meeting on 29 October 2019.
- David Foster commenced as Non-Executive Director on 4 September 2019.
- Stella Thredgold ceased as Executive Technology and Business Enablement effective 1 November 2019 and departed on 19 December 2019.
- Ryan Brosnahan commenced as Chief Transformation Officer on 4 November 2019.

Further information on events and matters that affected the Group's state of affairs is presented in the Chair's and Managing Director's Messages and in the Operating and Financial Review section of this report.

Events after reporting date

The Directors are not aware of any other matter or circumstance which arose since the end of the financial year to the date of this report that has 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 years.

The Victorian lockdown announced by the Victorian Premier in July 2020 was based on events that had occurred prior to 30 June 2020. The impacts associated with a second wave of COVID-19 and further lockdowns were considered in the determination of key assumptions and judgements for 30 June 2020. Given that the COVID-19 pandemic is constantly evolving, the situation is being closely monitored.

Future developments

Disclosure of information relating to major developments in the operations of the Group and the expected results of those operations in future financial years, which, in the opinion of the Directors, will not unreasonably prejudice the interests of the Group, is included in the Chair's and Managing Director's Messages and in the Operating and Financial Review section of this report.

Rounding of amounts

In accordance with *ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191*, amounts in the Directors' Report and Financial Report have been rounded to the nearest million Australian dollars unless otherwise indicated.

Meetings of Directors

Information on Board and committee meeting attendance for the year is presented in the following table:

Director	Board		Committees									
			Audit		Credit		Risk		Governance & HR		Technology	
Meetings during the year	A	B	A	B	A	B	A	B	A	B	A	B
Jacqueline Hey	30	30					4	4	6	6	4	4
Marnie Baker	30	29										
Vicki Carter	30	29			8	8			6	6	4	4
David Foster	25	25			6	6	7	7				
Jan Harris	30	28	7	7			8	7				
Jim Hazel	30	30			8	8	8	8				
Robert Hubbard	30	29	7	6			8	8			4	4
David Matthews	30	30	7	7	8	8			4	4		
Tony Robinson	30	28	7	7	2	2			6	6	2	2
Robert Johanson	6	6							2	1	2	2

A = Number eligible to attend
B = Number attended

Directors' interests in Equity

The relevant interest of each Director in shares in the Bank and in units of registered schemes made available by a related body corporate at the date of this report are as follows:

Director	Ordinary Shares No.	Preference Shares No.	Performance Rights No.	Sandhurst Common Fund $ [1]
Jacqueline Hey	42,106	250	7,049 [2]	-
Marnie Baker	658,532	600	100,000	43,748
Vicki Carter	13,225	-	-	-
David Foster	5,023	-	-	-
Jan Harris	8,000	-	4,622 [2]	-
Jim Hazel	37,992	-	-	-
Robert Hubbard	26,498	-	7,704 [2]	-
David Matthews	37,297	-	-	-
Tony Robinson	43,140	-	-	-

[1] Being a relevant interest in a managed investment scheme made available by Sandhurst Trustees Limited, a subsidiary of the Bank.
[2] Performance rights have been issued under the BEN Omnibus Plan Rules for the FY2021 Non-Executive Directors Fee Share Plan. Each participant has elected to sacrifice a portion of the base fee, to which a number of performance rights has been allocated by dividing the fee sacrifice amount by the five day volume weighted average share price prior to the allocation date of 24 August 2020. The performance rights vest in two equal tranches after 6 and 12 months. Upon vesting, the converted shares must be retained for the duration of their service as a Director or for up to 15 years, whichever occurs earlier, and will form part of the fulfilment of the Minimum Shareholding Policy introduced from FY2021.

Share Options and Rights

There were no options over unissued ordinary shares at the start of the financial year and no options to acquire ordinary shares in the Bank were issued during or since the end of the financial year.

Performance rights ("rights") to ordinary shares in the Bank are issued by the Bank under the Employee Salary Sacrifice, Deferred Share and Performance Share Plan and the BEN Omnibus Equity Plan ("Plans"). Each right represents an entitlement to one fully paid ordinary share in the Bank, subject to certain conditions.

During or since the end of the financial year the Bank granted 320,009 rights (2019: 303,687). This included 178,088 rights granted to key management personnel.

As at the date of this report there are 697,685 rights that are exercisable or may become exercisable at a future date under the Plans. The last date for the exercise of the rights ranges between 30 June 2021 and 30 June 2023.

During or since the end of the financial year 59,550 rights vested (2019: 333,645) and no new fully paid ordinary shares have been issued by the Bank during or since the end of the financial year as a result of rights being exercised.

For the period 1 July 2020 to the date of this report, 212,616 rights have lapsed.

Further details of Key Management Personnel equity holdings during the financial year are detailed in the 2020 Remuneration Report.

Corporate Governance

An overview of the Bank's corporate governance structures and practices is presented in the 2020 Corporate Governance Statement available from the Bank's website at www.bendigoadelaide.com.au/public/corporate_governance/index.asp

The Bank confirms it has followed the ASX Corporate Governance Principles and Recommendations (4th edition) during the 2020 financial year.

Environmental Regulation

The Bank endeavours to conduct its operations in a manner that minimises its impact on the environment. Information on the Bank's environmental performance including its Climate Change Policy Statement and focus areas to manage its environmental impact are provided in the 2020 Annual Review which is available from the Bank's website.

The Bank's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Bank has adequate systems in place for the management of its environmental requirements and is not aware of any breach of any environmental requirement. The Bank is not subject to the Federal Government's National Greenhouse and Energy Reporting (NGER) Scheme which requires controlling corporations to report annually on greenhouse gas emissions, energy production and energy consumption, if they exceed certain threshold levels. Whilst not required to report under the Scheme, the Bank does measure and monitor its greenhouse gas emissions and has voluntarily reported these emissions since 2011 to the Carbon Disclosure Project.

Indemnification of Officers

The Bank's Constitution provides that the Bank is to indemnify, to the extent permitted by law, each officer of the Bank against liabilities (including costs, charges, losses, damages, expenses, penalties and liabilities of any kind including, in particular, legal costs incurred in defending any proceedings or appearing before any court, tribunal, government authority or other body) incurred by an officer in or arising out of the conduct of the business of the Bank or arising out of the discharge of the officer's duties.

As provided under the Bank's Constitution, the Bank has entered into deeds providing for indemnity, insurance and access to documents for each of its Directors. The Bank has also entered into deeds providing for indemnity and insurance for each Executive Committee member and the Company Secretary as well as deeds providing for indemnity, insurance and access to documents for each Director of a subsidiary.

The deeds require the Bank to indemnify, to the extent permitted by law, the officers for all liabilities (including costs, charges, losses, damages, expenses, penalties and liabilities of any kind) incurred in their capacity as an officer of the relevant company.

Indemnification of Auditor

To the extent permitted by law and professional regulations, the Bank has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against all claims by third parties and resulting liabilities, losses, damages, costs and expenses (including reasonable external legal costs) arising from the audit engagement including any negligent, wrongful or wilful act or omission by the Bank.

The indemnity does not apply to any loss resulting from Ernst & Young's negligent, wrongful or wilful acts or omissions. No payment has been made under this indemnity to Ernst & Young during or since the financial year end.

Insurance of Directors and Officers

During or since the financial year end, the Bank has paid premiums to insure certain officers of the Bank and its related bodies corporate. The officers of the Bank covered by the insurance policy include the Directors, the Company Secretary and Directors and Company Secretaries of controlled entities who are not Directors or Company Secretaries of the Bank. The policy also covers officers who accept external directorships as part of their responsibilities with the Bank. The insurance does not provide cover for the external auditor of the Bank or related bodies corporate of the Bank. Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance.

Company Secretary

Ms Carmen Lunderstedt (BCom, GradCertFinPlan, FGIA, FCIS) was appointed as Company Secretary of the Bank on 14 October 2019. Ms Lunderstedt is a Chartered Secretary with more than eighteen years' experience in governance, risk and compliance, with ten of these years in banking and financial services.

Declaration by Chief Executive Officer and Chief Financial Officer

The Managing Director and Chief Financial Officer have provided the required declarations to the Board in accordance with section 295A of the *Corporations Act 2001* and recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations in relation to the financial records and financial statements for the year ended 30 June 2020.

The Managing Director and Chief Financial Officer also provided declarations to the Board, consistent with the declarations under section 295A of the *Corporations Act 2001* and recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations, in relation to the financial statements for the half year ended 31 December 2019.

To support the declaration, formal risk management and financial statement due diligence and verification processes, including attestations from senior management, were undertaken. This assurance is provided every six months in conjunction with the Bank's half year and full year financial reporting obligations. The statements are made on the basis that they provide a reasonable but not absolute level of assurance and do not imply a guarantee against adverse circumstances that may arise in future periods.

Non-audit Services

The Board Audit Committee has assessed the independence of the Group's external auditor, Ernst & Young, for the year ended 30 June 2020. The assessment was conducted in accordance with the Group's External 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 year ended 30 June 2020.

Non-audit services are those services paid or payable to Ernst & Young which do not relate to Group statutory audit engagements. In its capacity as the Group's external auditor, Ernst & Young is periodically engaged to provide assurance services to the Group in accordance with Australian Auditing Standards. All assignments are subject to engagement letters in accordance with Australian Auditing Standards.

The Board Audit Committee has reviewed the nature and scope of the above non-audit services provided by Ernst & Young. This assessment was made on the basis that the non-audit services performed did not represent the performance of management functions or the making of management decisions, nor were the dollar amounts of the non-audit fees considered sufficient to impair the external auditor's independence. The Board Audit Committee has confirmed that the provision of those services is consistent with the Group's External Audit Independence Policy and compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. This confirmation was provided to, and accepted by, the full Board.

Details of the fees paid or payable to Ernst & Young for audit, review, assurance and non-audit services provided during the year are contained in Note 37 Auditors' remuneration of the Financial Report.

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

As lead auditor for the audit of the financial report of Bendigo and Adelaide Bank Limited for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit

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

Ernst & Young

Ernst & Young

Graeme McKenzie
Partner
3 September 2020

Operating and Financial Review

Our Business

Bendigo and Adelaide Bank is Australia's fifth largest retail bank. We provide a full suite of consumer banking, business banking and associated financial services to more than 1.88 million customers across Australia. We do this through an extensive branch and mobile banking network, through our banking apps and other electronic banking capability.

This year, COVID-19 has had significant impacts on all of us. The Bank is fully committed to supporting customers and communities through this unique time, with measures designed to provide relief from COVID-19, as restrictions change and the economy recovers. We have contacted our business and agribusiness customers individually to understand the impact on their operations and to inform them of the support available and more than 20,000 of the Bank's personal and business accounts have accepted dedicated support to help them combat the economic impacts of COVID-19. In response, the Bank has introduced a range of assistance measures to ensure short and long term support for affected business, consumer and agribusiness customers, including deferral of payments and interest rate reductions.

We have redeployed about 200 employees from our branch network to meet customer demand in our Mortgage Help and Call Connection teams, as well as adding resources to our Financial Assist Support Team to support vulnerable customers.

Our Brands

Our brands represent the diversity of our business. Together, they share a common purpose - to help our customers, partners and communities succeed.

Our Service

Our service extends to every corner of Australia and includes retail banking, third party lending, business and agribusiness banking, margin lending, wealth, investments, fund management, superannuation and insurance.

Our Reach

Our reach comprises joint ventures, philanthropy, and specialist services such as banking for not-for-profit organisations, wealth release products for senior Australians, and a network of mutual financial institutions to release capital and service members.

Our Impact

Our impact is substantial and our reputation enviable. As Australia's fifth biggest retail bank and a top 100 ASX listed company, we continue to set the example of how banking should be: progressive, sustainable, shared and trusted.

707
Points of presence

5,900+
Employees
(Excluding Community Bank employees)

750,000+
eBanking customers

$250 million
Community Contributions
(via the Community Bank network since 1998)

Our Strategy

Our vision is to be Australia's bank of choice. This is a bold ambition. We believe we're the right choice for Australians because of our deep commitment to doing good. It's part of our DNA and it's what sets us apart.

With more than 162 years' experience in providing financial services, Bendigo and Adelaide Bank has remained true to its fundamental purpose of helping customers and communities succeed by securing prosperous futures. We believe our business will only be successful when we can share in the success created by our stakeholders.

While the fundamental purpose of our business may not have changed, the current operating environment has continued to be disrupted by the COVID-19 pandemic, especially in relation to economic and health impacts, how consumers behave, what they expect, new technologies, and regulatory requirements.

We continue to be ambitious in growing our market share delivering value for all stakeholders by reducing complexity, investing in capability and telling our story. The essence of what we do will not change, but the means by which we do it will continue to evolve as we strive to be Australia's bank of choice.

Vision	**Australia's bank of choice**		
Value Proposition	Trusted and Authentic	Relevant Solutions	Easy to do business with
Purpose	**To feed into the prosperity of our customers and communities**		
Imperatives	**Reduce complexity** Reduce complexity in our business to make it easier for customers to do business with us and staff to enable this; whilst taking unnecessary cost out of the business.	**Invest in capability** Invest in the areas and capabilities that will future proof our business and make a difference to our customers' experience.	**Tell our story** Tell our story so more Australians know who we are, what we stand for and why being a customer of our bank matters.
Outcomes	Grow customer reach and market share		
	Be market leader in customer advocacy and customer and employee experience		
	Drive our financial performance		

Our business divisions

Our business is centred on three customer divisions:

1. **Consumer**
   The Consumer division is focused on engaging with and servicing consumer customers, and includes our branch network (including Community Banks and Alliance Partners), mobile relationship managers, third party banking channels, wealth services, Homesafe, call centres and customer support functions including processing centres.
2. **Business**
   The Business division is focused on servicing our Bendigo Bank business customers, particularly small and medium businesses who are seeking a relationship banking experience.

   The Business division also includes Delphi Bank, Community Sector Banking and our Portfolio Funding business.
3. **Agribusiness**
   The Agribusiness division includes services provided to agribusiness customers through our Rural Bank brand, with a focus on providing exceptional financial services, knowledge and leadership for Australian farmers to grow.

Reduce Complexity

We are reducing complexity in our business to make it easier for customers to do business with us, while also reducing our cost base. We continue to review the business for opportunities to simplify our operating model, reduce risk and deliver cost savings. Among other things, during the last twelve months we have:

1. Assumed 100 percent ownership of Community Sector Banking which is now being integrated into our operating model.
2. Launched the new Bendigo Complete Home Loan product – with optional 100 percent offset on all fixed and variable loans – consolidating 95 products into one and improving customer simplicity and flexibility.
3. Progressed optimisation of our branch network and had a net reduction of 17 branches during the year.
4. Identified more than 400 applications for rationalisation to remove duplication, reduce risk and increase stability and support, and reduced technology applications by 12 percent.
5. Restructured our Marketing and Technology divisions.

During the financial year, the Group incurred $10.8 million redundancy costs as we transition our workforce, ensuring that we have the right skills and capabilities to deliver on our strategy.

Invest in capability

We're investing in capabilities that will future proof our business and make a difference to the experience that our customers have with us. We are adopting new technologies to become more efficient and to suit our customers' evolving needs. During the financial year we invested in innovative technologies and leveraged key strategic partnerships to offer our customers, and potential customers, more choice and a better digital experience:

1. As we further grow in core markets, we continue to apply spending flexibility to our accelerated investment program to align with revenue growth. Our future investments will focus on removing cost and complexity and creating a seamless banking experience for tomorrow's customers. The investments will focus on initiatives such as core banking simplification, Open Banking, cloud, application simplification, customer journey digitisation and the appointment of Boston Consulting Group as we continue to reshape our workforce to align with customer and growth needs.
2. Up – Australia's first mobile-only digital bank – is designed, developed, and delivered through our collaboration with the fintech, Ferocia. Since launching in October 2018, Up is now the highest rated banking app in Australia with more than 250,000 customers (50% aged 16-25) and customers continue to grow via the in-app customer referral program.
3. Our partnership with Australian fintech Tic:Toc – the world's first fully digital home loan platform – gives our customers access to our own instant home loan, Bendigo Express. Tic:Toc uses artificial intelligence technology to deliver significant efficiencies in home loan assessment compared to traditional processes. Since launch, $4 billion of applications have been processed through Tic:Toc (bendigobank.com.au/homeloans).
4. We launched a Group-wide culture review to better define our current culture and understand how to better align it to our growth ambitions. Since closing the review in 2019, we learned we have key cultural traits, priority initiatives to drive change, and critical few behaviours to further embed into everything we do. We launched our findings to employees in March 2020, supported by an ongoing learning and internal communications campaign that includes learning resources, videos and online collateral and stories.

Customers increasingly want personalised solutions, which are accessible anytime and anywhere. This has become increasingly more important as we navigate our business through COVID-19, ensuring we find ways to support customers and their immediate needs. We are reshaping our business to deliver what our customers demand including:

1. Investing in additional mobile relationship managers across all three of our business segments.
2. Implementing digital signature capability during COVID-19 to automate document signatures and improve time to lend to customers and staff.
3. Developing capability and processes to identify customers via video.
4. Increasing automation of our lending processes.

We also continue to focus on investment in our risk and compliance activities, and capabilities, which help support our business.

Tell our Story

We will continue to tell our story so more Australians know who we are, what we stand for and why being a customer of our bank matters. During the 2020 financial year, we were recognised as:

1. 9th most trusted brand in Australia, according to the Roy Morgan All Brand Net Trust Score Survey[1].
2. Australian Banking Brand and Trust Review: 1st in Trust, according to Australian 2019 RepTrak® results[2].

[1] Roy Morgan Risk Monitor (May 2020)
[2] Glow Australian Banking Brand and Trust Index (Q3 2020)

Our Business performance

This year we announced an after-tax statutory profit of $192.8 million for the 12 months ending 30 June 2020.

Cash earnings was $301.7 million, a 27.4% decrease from the prior financial year, and cash earnings per share was down 29.8% to 59.7 cents.

Our full year earnings have been impacted by COVID-19, continuing record low interest rates and investment costs to support the execution of our strategy. Despite all of this, and the prevailing uncertainty around Australia's economic outlook, we delivered total income of $1,614.2 million, up 0.9% from last year, whilst sustaining market leading trust ratings, above system lending growth and continued strengthening of our balance sheet.

We continued our strong customer growth, with our total number of customers increasing 9.9% to a record of 1.88 million customers.

We saw strong growth of $3.8 billion in residential lending, underpinned by our strategy and driven by our investment in lending distribution and processing capacity. Growth of $3.9 billion in call deposits was also strong, facilitating active management of more expensive term deposit funding.

Whilst economic uncertainty remains and the full impact of COVID-19 is still evolving, the Board has acted prudently to defer a final dividend decision.

We continue to build new capability and sustainably accelerate our investment in digital and customer experience, delivering above system lending and consistent customer growth. These results underline the validity of our strategy and transformation agenda and illustrate the agility of our employees and business to adapt quickly to this year's disruptive events for our customers and their communities.

CASH EARNINGS ($M)

FY20	**301.7**
FY19	415.7
FY18	445.1
FY17	418.3
FY16	401.4

NET PROFIT AFTER TAX ($M)

FY20	**192.8**
FY19	376.8
FY18	434.5
FY17	429.6
FY16	415.6

COST TO INCOME (%) [1]

FY20	**62.7**
FY19	59.2
FY18	55.6
FY17	56.1
FY16	58.1

CASH EARNINGS PER SHARE (C)

FY20	**59.7**
FY19	85.0
FY18	92.1
FY17	88.5
FY16	87.3

DIVIDEND PER SHARE (C)

FY20	**31.0 [2]**
FY19	70
FY18	70
FY17	68
FY16	68

RETURN ON TANGIBLE EQUITY (%) [1]

FY20	**7.42**
FY19	10.73
FY18	11.52
FY17	11.61
FY16	11.83

[1] Calculated using cash earnings
[2] The Board has deferred a final dividend decision, with the 31.0 cents reflecting the interim dividend paid.

Earnings after tax

STATUTORY EARNINGS (AFTER TAX)

$192.8m

FY19 $376.8m

CASH EARNINGS (AFTER TAX)

$301.7m

FY19 $415.7m

Statutory profit after income tax decreased 48.8% to $192.8 million (FY19: $376.8 million) and cash earnings after tax decreased 27.4% to $301.7 million (FY19: $415.7 million).

Both statutory profit after tax and cash earnings after tax were impacted by:

- Increased credit expenses in the second half of the financial year due to the recognition of an overlay of $127.7 million ($89.4 million after tax) for the potential future impacts from COVID-19.
- Increased staff costs to support strategic and organisational change initiatives and to enhance risk and compliance capabilities.
- Accelerated investment in technology totalling $52.4 million ($36.7 million after tax), with this investment focused on customer experience, digital, simplification, and compliance and regulatory change.

Statutory net profit was also impacted by the recognition of software impairments and software accelerated amortisation charges. Impairment charges of $121.9 million ($85.5 million after tax) were recorded following a review of our software intangible assets. Regulatory and compliance-related software assets with no measurable, tangible benefits were impaired, and going forward, will be expensed as incurred. A review of our software capitalisation policy was completed, and the capitalisation threshold was raised. This resulted in accelerated amortisation charges of $19.0 million ($13.2 million after tax).

Cash earnings is the measure of our financial performance preferred by management. It is calculated by excluding specific items of revenue and expenditure that are not representative of the ongoing financial performance, such as items that are non-recurring. Refer below for a reconciliation of statutory net profit to cash earnings.

Income

INCOME (CASH BASIS)

$1,614.2m

FY19 $1,599.5m

NET INTEREST MARGIN

2.33%

FY19 2.36%

Net interest income (cash basis) increased by 2.9% to $1,346.4 million (FY19: $1,308.0 million). Net interest margin (before revenue share arrangements) decreased from the prior year to 2.33% (FY19: 2.36%), however, this contraction in net interest margin was offset by an increase in lending activity.

Other operating income (cash basis) decreased by 8.1% to $267.8 million (FY19: $291.5 million). The decline in fee income was driven by the competitive environment and changes in customer behaviour, partially offset by increased fees associated with the asset growth. There was a decline in commission income during the year following the sale of the Bendigo Financial Planning business in June 2019 (FY19: $11.1 million). During the second half of the financial year, fee income, commissions, and foreign exchange income decreased by approximately $8.8 million (pre-tax) due to COVID-19.

Net interest margin represents the return on average interest earning assets less the costs of funding these assets. Net interest margin (before revenue share arrangement) is calculated excluding any revenue share arrangements with partners.

Operating expenses

OPERATING EXPENSES (CASH BASIS)

$1,021.5m

FY19 $954.5m

COST TO INCOME RATIO

62.7%

FY19 59.2%

Operating expenses (cash basis) increased by 7.0% to $1,021.5 million (FY19: $954.5 million) mainly due to an increase in staff costs and consultancy fees. Staff costs have increased to support Consumer residential lending growth and Agribusiness initiatives, greater investment in risk and compliance capabilities, and organisational change initiatives. The increase in consultancy fees was driven by accelerated investment in technology totalling $52.4 million, one third of which related to regulatory projects.

Operating expenses included $9.5 million of COVID-19 related expenses, $1.9 million of direct costs and $7.6 million of additional staff costs.

Remediation costs of $7.4 million (FY19: $16.7 million) were recorded during the year. These remediation costs relate to products not operating in accordance with terms and conditions or not in compliance with the Code of Banking Practice 2013. To 30 June 2020, the Group had made $6.7 million of remediation payments to customers, mainly to Bendigo Financial Planning customers for the "no fee for service" remediation.

The cost to income ratio increased to 62.7% (FY19: 59.2%).

Credit expense and provisions

CREDIT EXPENSES

$168.5m

FY19 $50.3m

TOTAL PROVISIONS

$428.2m

FY19 $362.8m

IMPAIRED LOANS

$240.5m

FY19 $310.9m

There was a large increase in credit expenses during the year, with total credit expenses recognised being $168.5 million (FY19: $50.3 million). This increase was largely attributable to the recognition of an overlay of $127.7 million in the second half of the financial year for the potential future impacts of COVID-19. The overlay recognised consists of three components, being:

- A significant change to the base case economic outlook given COVID-19 impacts. This includes lower GDP, higher unemployment, and a reduction in residential and commercial property prices.
- A shift in the weightings of the scenarios used in the calculation of the provision towards an increase in the downside economic scenarios.
- An overlay specific to business and consumer portfolios reflecting further potential COVID-19 impacts.

The total of provisions and general reserve for credit losses increased during the year by 18.0% to $428.2 million (FY19: $362.8 million). The provision coverage ratio significantly increased to 178.0% (FY19: 116.7%), driven by the increase in the COVID-19 collective provision overlay and a reduction in impaired assets.

The impaired loan balance decreased 22.6% to $240.5 million (FY19: $310.9 million) following the resolution of a number of larger longstanding loans in the second half of the financial year.

Provision coverage is calculated as total provisions and reserves for credit losses divided by total impaired assets.

Dividends

DIVIDENDS

31.0c [1]

FY19 70.0c

Whilst economic uncertainty remains and the full impact of COVID-19 is still evolving, the Board has acted prudently in considering the interests of shareholders and APRA's industry guidance on capital management, to defer a final dividend decision. Ongoing stress testing continues to support the Bank's strong balance sheet and capital position.

[1] The decision on the payment of a final dividend for FY20 has been deferred by the Board.

Divisional performance

Consumer

CASH EARNINGS (AFTER TAX)

$404.8m

FY19 $384.7m

The Consumer division focuses on engaging with and servicing our consumer customers and includes the branch network (including Community Banks and Alliance Banks), mobile relationship managers, third party banking channels, wealth services, Homesafe, and customer support functions.

Cash earnings increased to $404.8 million (FY19: $384.7 million), with the key drivers of this result including:

- Improvement in net interest income following strong growth of $3.1 billion in the residential mortgage portfolio after an investment in lending distribution and processing capacity.
- $3.9 billion of growth in call deposits.
- A decline in other income with changing customer behaviour, competitive dynamics, the impact of COVID-19, and the sale of Bendigo Financial Planning in June 2019.
- A decline in operating expenses through active cost management and the sale of Bendigo Financial Planning.
- Lower credit expenses due to lower credit risk, with the COVID-19 overlay being held within the Corporate segment.

Business

CASH EARNINGS (AFTER TAX)

$136.3m

FY19 $150.1m

The Business division is focused on servicing business customers, particularly small and medium businesses who are seeking a relationship banking experience, and includes Portfolio Funding, Delphi Bank and Community Sector Banking.

Cash earnings decreased to $136.3 million (FY19: $150.1 million), with the key drivers for this performance being:

- Lower net interest income was a result of a contraction in the lending portfolio in the first half of the financial year, a modest reduction in asset margins and a lower contribution from business deposit channels. The Business asset portfolio grew in the second half of the financial year, representing the first half of growth since FY17.
- Other income was impacted by COVID-19, which materially impacted activity levels. Most significantly, this resulted in lower foreign exchange activity through reduced international travel.
- Operating expenses increased due to higher staff costs with investment in risk and support roles and the consolidation of the Community Sector Banking business.
- Credit expenses increased mainly due to the finalisation of longstanding impaired assets.

Agribusiness

CASH EARNINGS (AFTER TAX)

$70.6m

FY19 $60.4m

The Agribusiness division includes all banking services provided to agribusiness, rural and regional Australian communities through our Rural Bank brand, with a focus on the family corporate segment of Australian farm businesses.

Cash earnings increased to $70.6 million (FY19: $60.4 million), due to the following:

- Growth in the loan book despite a challenging year for Australian agriculture from the ongoing multi-year drought and the Black Summer bushfires. This loan book growth combined with strong margin management contributed to the improvement in net interest income.
- Other income increased mainly due to higher revenue from Government Services.
- Lower operating expenses reflect the full year benefits of the new distribution agreement with Elders, and business simplification following the hand back of Rural Bank's stand-alone ADI.
- Offset by an increase in credit expenses due to the return to long-term average after one-off collective provision benefits in FY19, and moderate increases in specific provisions relating to customers impacted by the drought.

Corporate

CASH EARNINGS (AFTER TAX)

($310.0m)

FY19 ($179.5m)

Corporate includes the results of the Group's support functions including treasury, technology, property services, strategy, finance, risk, compliance, legal, human resources, and investor relations.

Cash earnings decreased to ($310.0m) (FY19: ($179.5m)) mainly due to:

- Increased credit expenses due to the recognition of the overlay for the potential future impacts from COVID-19 which totalled $127.7 million ($89.4 million after tax).
- Increased staff costs to enhance risk and compliance capabilities.
- Accelerated investment in technology totalling $52.4 million ($36.7 million after tax).

Capital

COMMON EQUITY TIER 1 RATIO	TOTAL CAPITAL RATIO	RETURN ON TANGIBLE EQUITY [1]
9.25%	**13.61%**	**7.42%**
FY19 8.92%	FY19 13.14%	FY19 10.73%

The Bank has a strong capital position with a Common Equity Tier 1 (CET1) ratio of 9.25% (FY19: 8.92%), which is above APRA's 'unquestionably strong' benchmark target for standardised banks. Our continued strong capital position reflects a well-managed balance sheet and in-depth risk management. The Institutional Placement completed in February 2020 totalling $250.0 million and the Share Purchase Plan in March 2020 totalling $44.8 million, supported our CET1 capital position.

The Bank is regulated by APRA due to its status as an Authorised Deposit-taking Institution ("ADI"). APRA is the prudential regulator of the Australian financial services industry which includes ADIs. APRA's Prudential Standards aim to ensure that ADIs remain adequately capitalised to support the risks associated with their activities and to generally protect Australian depositors.
The Bank is on the standardised approach for calculating its regulatory capital requirements under Basel II and targets a CET1 ratio in the range of 9.0% to 9.5%. This target will be reassessed following the finalisation of APRA's review of the capital adequacy framework.

The Group's return on tangible equity declined to 7.42% (FY19: 10.73%) as a result of the reduction in cash earnings after tax.

APRA measures regulatory capital using three regulatory measures, being Common Equity Tier 1 Capital, Tier 1 Capital and Total Capital.

Common Equity Tier 1 Capital comprises the highest quality components of capital that consists of paid-up share capital, retained profits and certain reserves, less the deduction of certain intangible assets, capitalised expenses and software, and investments and retained profits in insurance and funds management subsidiaries that are not consolidated for capital adequacy purposes and certain other adjustments.

Funding and Liquidity

LIQUIDITY COVERAGE RATIO	NET STABLE FUNDING RATIO
134.1%	**114.7%**
FY19 128.1%	FY19 112.4%

The Bank's principal source of funding is its stable retail deposit base, with customer deposits representing 75.2% (FY19: 75.0%) of the Bank's total deposits. The Bank's retail deposits are traditional term and savings deposits and transaction accounts, sourced predominantly through the retail network.

Wholesale funding activities support the core retail deposit funding strategy and provide additional diversification and benefits from longer term borrowings. Wholesale deposits were maintained at 19.6% (FY19: 19.6%) during the year. Securitisation funding comprises 5.2% (FY19: 5.4%).

Our funding position continues to be a strength for the organisation. It provides flexibility to fund asset growth through our retail customer base as well as being able to access demand from wholesale markets to senior unsecured or securitisation transactions.

Our Liquidity Coverage Ratio (LCR) for the financial year was 134.1% (FY19: 128.1%). The LCR was maintained within internal targets throughout the year and always exceeded the minimum prudential requirement of 100%.

The increase in LCR during the year is attributed to the growth in deposits as well as the Term Funding Facility introduced by the Reserve Bank of Australia as part of the COVID-19 stimulus package to promote lending to businesses.

The Net Stable Funding Ratio (NSFR) for the financial year was 114.7% (FY19: 112.4%), exceeding the regulatory minimum of 100%.

Customer deposits represents the sum of interest bearing, non-interest bearing and term deposits from retail and corporate customers.

The Liquidity Coverage Ratio represents the proportion of high-quality liquid assets held by the Bank to meet short-term obligations. The LCRs quoted above represent the average daily LCRs over the respective 12-month periods.

The Net Stable Funding Ratio measures the extent to which long-term assets are covered by stable sources of funding. The NSFRs quoted above represent the average daily NSFRs over the respective 12-month periods.

[1] Calculated using cash earnings.

Lending

GROSS LOAN BALANCES BY PURPOSE

Residential	Consumer	Margin Loans	Business
$46.9b	**$2.0b**	**$1.3b**	**$15.0b**
FY19 $43.1b	FY19 $2.2b	FY19 $1.6b	FY19 $15.3b

Total gross loans increased 5.1% during the financial year to $65,321.7 million (FY19: $62,140.8 million), which was above system lending growth.

Residential lending grew 8.9% or $3.8 billion during the financial year, underpinned by our strategy and driven by our investment in lending distribution and processing capacity. We saw increased refinancing activity as customers moved to our Bank and we continued to transform our service proposition and ability to meet demand.

Growth in the Agribusiness loan book of 1.3%[3] was achieved despite a challenging year for Australian agriculture from the ongoing multi-year drought and the Black Summer bushfires.

Business lending was down 6.7%[3] from the prior year, but growth was evidenced in the second half of the financial year, which included growth from the Commercial Property Lending portfolio following its rebalancing to within targeted risk appetite settings.

Reconciliation statutory net profit to cash earnings

	FY20 ($m)	FY19 ($m)
Statutory Profit after tax	**192.8**	**376.8**
Fair value adjustments	0.1	0.3
Homesafe unrealised adjustments	(16.4)	29.5
Revaluation of economic hedges	2.2	(7.4)
Loss on sale of business	-	1.6
Impairment charge	2.8	-
Software impairment	85.5	0.5
Software accelerated amortisation	19.0	-
Operating expenses [1]	2.5	1.9
Amortisation of acquired intangibles	2.2	2.6
Cash earnings after tax (sub-total) [2]	**290.7**	**405.8**
Homesafe net realised income after tax	11.0	9.9
Cash earnings after tax	**301.7**	**415.7**

[1] Operating expenses include integration, legal and compensation costs, and restructuring costs.

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

Fair value adjustments are recorded in relation to the loans acquired through the acquisition of the business activities of Rural Finance. Upon acquisition the fair value adjustments were calculated and are now being amortised over the life of the underlying transactions.

Homesafe unrealised adjustments represent unrealised funding costs (calculated as the interest expense incurred to fund existing contracts during the year) and valuation movements of the investment properties held.

Revaluation of economic hedges reflects movements from changes in the fair value of economic hedges. These movements represent timing differences that will reverse through earnings in the future.

Loss on sale of business represents the loss realised due to the sale of the Bendigo Financial Planning business, calculated as sale proceeds less costs of disposal.

Impairment charge reflects impairments recorded of our equity investments. During the year an impairment of our investment in Bendigo Telco Ltd was recorded and an impairment of our joint venture investment in Community Sector Enterprise Pty Ltd was also recorded upon acquisition of the remaining 50% of the entity.

Software impairment represents impairments recorded in relation to our software assets. During the year a review of our software intangible assets and projects was completed and impairments were recorded where the benefits associated with the assets were substantially lower than originally anticipated and for regulatory and compliance assets and projects where there were no tangible benefits.

Software accelerated amortisation represents charges recorded in relation to the Group's software intangible assets following an increase to the Group's capitalisation threshold from 1 July 2019.

Homesafe net realised income after tax represents funds received on completion, being the difference between the cash received on completion less the initial funds advanced, and realised funding costs representing accumulated interest expense on completed contracts since initiation.

[3] APRA Monthly Banking Statistics June 2020. Growth rate based on a 12-month period (30/06/19 – 30/06/20).

Risk Management Framework, Material Risks, Business Risks and Uncertainties

Risk Management Framework

The Board is responsible for the risk management strategy which includes establishing and overseeing the risk management framework and risk appetite within which the business is expected to operate.

The Group has in place a Group Risk Management Framework, approved by the Board, which forms part of the detailed description of the Risk Management Strategy for the Group.

The Group Risk Management Framework (Summary) in combination with the following individual Risk Management Frameworks, details the Group's management approach for each of its material risks:

- Group Credit Risk Management Framework;
- Group Operational Risk Management Framework;
- Group Interest Rate Risk Management Framework;
- Group Traded Market Risk Management Framework;
- Group Liquidity Risk Management Framework; and
- Strategic and Other Risks - incorporated in the Group Risk Management Framework (Summary).

Further information on our risk management framework, governance and appetite is presented in the 2020 Corporate Governance Statement.

Material Risks

Our business is exposed to a broad range of financial and non-financial risks.

The COVID-19 pandemic has resulted in a changing operating environment and risk landscape with the community facing unprecedented challenges which has required both a health and economic response. Government and banks have worked together to support Australians. The economy has severely contracted, and the economic uncertainty and disruption has required decisive and collaborative action by the Group. The Group has seen increases in risk across the organisation, including Credit Risk, Operational Risk, and Financial Crime. In managing these risks, our commitment to supporting our customers, communities and employees remain at our core.

The Group has responded by implementing a number of measures to aid the monitoring and management of these increased risks. Board and Management have had ongoing oversight and are actively managing the situation. The Group introduced additional governance processes established based on the escalating stress. The ongoing uncertainty created by the COVID-19 pandemic will continue to pose a risk to the Group in the future. The Group continues to actively monitor the operating environment, risk landscape and challenges presented by the evolving conditions. This includes reviewing the effectiveness and adequacy of the measures to monitor and manage the increased risks to ensure they are adapted to the changing conditions. Ongoing stress testing and reassessment of the economic outlook will continue and assist in the ongoing management of our balance sheet strength, capital position and provisioning levels.

Financial

The Group has identified the following material financial risks:

- Credit Risk;
- Market Risk (Traded & Non-Traded); and
- Liquidity Risk

These material risks each have an individual risk management framework, and are supported by an established network of systems, policies, standards and procedures which are overseen by the Board and Board Committees, with support from Management committees and our independent risk management functions. These risks are considered within the Group's Risk Appetite Statement, with both Primary and Secondary Appetite Settings.

The definition and management of these risks are outlined in further detail in Note 20 to the 2020 Annual Financial Report.

Non-Financial

The Group has identified the following material non-financial risks:

Strategic Risk

There is a risk that adverse business decisions, ineffective or inappropriate business plans or a failure to respond to changes in the operating environment will impact our ability to deliver our strategy and business objectives.

The Group has an integrated strategic planning process to ensure alignment between the Group's Strategy and risk management process. The Group sets strategic imperatives and outcomes which are documented in a three-year rolling strategic plan, that is approved by the Board. Performance against strategy is reviewed on an ongoing basis.

The Group also regularly examines new initiatives and market opportunities, including acquisitions and disposals, with a view to growing shareholder value. The Group actively scans the environment to identify emerging risks and assesses the adequacy of the Group's risk framework to monitor and manage.

The Group seeks to maintain an engaged workforce with appropriate culture, conduct and capability to execute the strategy. Failure to recruit and retain key executives, employees and Directors may have an adverse effect on our business.

Operational Risk

Operational risk is defined as the risk of impact on objectives or the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational Risk is managed via a comprehensive risk management framework, and is supported by an established network of systems, policies, standards and procedures which are overseen by the Board and Board Committees, with support from Management Committees and our independent risk management functions. Operational Risk is considered within the Group's Risk Appetite Statement, with both Primary and Secondary Appetite Settings. Operational risk may lead to a range of potential impacts including: financial, regulatory, reputational, customer, business disruption and people.

Reputational damage may arise as a result of an external event, our own actions or the actions of a partner, and adversely affect perceptions about us held by the public. Reputational damage and the velocity of this impact is elevated through the rising use of social media.

An operational risk event may also result in an adverse outcome for customers that the Group would need to remediate. Where this occurs, activities are instigated to ensure affected parties are remediated in a timely and fair manner. These events could require the Group to incur significant remediation costs (which may include compensation payments to customers, legal fees and costs associated with correcting the underlying issue).

The Group has identified the following key risks encapsulated within the scope and definition of Operational Risk:

Conduct Risk

Conduct Risk is the risk of delivering unfair customer outcomes or market integrity resulting from deliberately or unintentionally acting unfairly, inappropriately or unethically. Poor conduct is a cause of Operational Risk. The business is exposed to both intentional and unintentional misconduct risks. Intentional misconduct risk examples include internal fraud and rogue sales staff. Unintentional misconduct risk example include risks that can arise from the design, sale and distribution of products and services including unsatisfactory, erroneous or unsuitable advice, disclosure flaws and errors in related documentation. It can also include mis-selling of products to customers that are not aligned to the customer's risk appetite, needs or objectives. Conduct risk may also arise where there has been a failure to adequately provide a product or services that we had agreed to provide a customer. The Group seeks to minimise conduct risk through maintaining a dedicated Conduct Risk Management Framework incorporating a set of Good Conduct Principles and by promoting an appropriate organisational culture.

Compliance Risk

The Group's operations are highly regulated. A failure to comply with the laws, regulations, licence conditions, codes, principles and industry standards applicable to our operations could result in financial losses and/or a range of actions against the Group including fines, penalties, sanctions being imposed by regulatory authorities, the exercise of discretionary powers by regulatory authorities or other compensatory action by affected persons.

Technology & Data Risk

The risk of security and data breaches, cyber-attacks and unauthorised access to our systems and data continues to increase. This reflects the growing sophistication of technology and how it is embedded and used by the Group, coupled with the complexity, sophistication and evolving nature of technology related threats, vulnerability and risks. Furthermore, data risks are also increasing, particularly with how data is acquired, validated, stored, protected and processed.

Technology Risk is defined by the Group as the governance, people, process or technology risks which result in loss or negative impact to the confidentiality, availability and/or integrity of the Group's IT environment or parts of the IT environment, including infrastructure, systems, applications and data. Most of our daily operations are highly dependent on information technology and there is a risk that these systems or technologies might fail or not be available. The exposure to systems risks includes information security threats and risks, the complete or partial failure of information technology or data centre infrastructure and using internal or third-party information technology systems that do not adequately support the requirements of the business.

Data is an essential asset which supports the achievement of the Group's business objectives. The range of data assets the Group must manage is extensive and includes commercially sensitive information about the business conducted by the Group, and also includes personal and sensitive information collected by the Group and maintained on behalf of its customers, partners and employees. Data Risks could adversely affect the Group and result in failure to meet these objectives, including regulatory and legal requirements. Data Risks encompass the risk of loss, theft and disclosure of data resulting from inadequate or failed internal processes, people and systems or from external events impacting on data.

The Group actively scans the internal and external environment to identify and monitor for current, evolving and emerging technology, security and data related threats and vulnerabilities, as well as other digital devices used to transmit and communicate data and conduct financial transactions.

Vendor failure or non-performance risk

The Group sources a number of key services from external suppliers and service providers. The failure of a key service provider, or the inability of a key service provider to meet their contractual obligations, including key service standards, could disrupt our operations and ability to comply with regulatory requirements.

The business must identify their significant sourcing arrangements and dependencies and conduct an annual risk assessment in accordance with the Group's Sourcing policy. In addition, as per significant sourcing arrangements, a materiality assessment is mandatory for all outsourcing arrangements (and Offshoring) as per the Outsourcing Policy. Outsourcing of business activities to Third Parties requires the responsible Executive to put in place a regular system for monitoring performance, risk and compliance commensurate with the materiality, complexity and risk associated with each specific arrangement.

Legal Risk

Legal risk includes, but is not limited to, exposure to fines, penalties or punitive damages resulting from supervisory actions, as well as ordinary damages in civil litigation, related legal costs and private settlements. From time to time, the Group may be subject to material litigation, regulatory actions, legal or arbitration proceedings and other contingent liabilities which, if they crystallise, may adversely affect the Group's results. There is a risk that these contingent liabilities may be larger than anticipated or that additional litigation or other contingent liabilities may arise.

Financial Crime Risk

The Group is exposed to the risk of financial crime, including both internal and external fraud. Financial crime is an inherent risk within financial services, given the ability for employees and external parties to obtain advantage for themselves or others. An inherent risk also exists due to systems and internal controls failing to prevent or detect all instances of fraud. Financial crime also represents a sub-component of compliance risk and covers risks including AML/CTF, Anti bribery and corruption and sanctions. We have established robust techniques and capabilities to detect and prevent fraud and comply with legislation. All actual or alleged fraud is investigated under the authority of our financial crimes unit.

Other Non-Financial Risks include:
Contagion Risk

The possibility that problems arising in other Group members may compromise the financial and operational position of the ADI. This may include related entities, incorporating subsidiaries, partnerships, Community Bank and our Alliance Bank network. The Board oversees the business activities conducted by subsidiary entities and is cognisant of specific legal and regulatory requirements applicable to subsidiary business activities. The Board approved Related Entity Policy sets out the key risks that may arise from dealings between Bendigo and Adelaide Bank and its subsidiary entities and the associated policies and limits designed to manage those risks.

Specifically, we have Community Bank branches operating in all States and Territories, along with our Alliance Bank network.

The branches are operated by companies that have entered into franchise and management agreements with the Bank to manage and operate a Community Bank or Alliance Bank branch. We carefully assess and monitor the progress of the franchisees but there can be no guarantee of the success of a Community Bank or Alliance Bank branch. Whilst this network continues to mature, there are still risks that may develop over time.

Business risks and uncertainties

The financial prospects of any company are sensitive to the underlying characteristics of its business and the nature and extent of the commercial risks to which the company is exposed. The material Financial and Non-Financial Risks the Group is exposed to have been outlined in the Material Risks above.

The Directors have adopted policies and procedures to control exposures to, and limit the extent of, these risks. In addition, the Group has an independent internal audit function that oversees all functions across the Group. Whilst there are inherent limitations in any risk management control system, including control breakdowns and system failures, the development and maintenance of effective control systems should provide a solid foundation for risk management. A summary of the more significant uncertainties and risks is presented below.

Dependence on prevailing macro-economic and financial market conditions

The business is highly dependent on the general state of the domestic economy and global financial markets. Our performance can be significantly impacted by economic and political events, both domestic and international, as well as by natural disasters and pandemics. This includes the level of economic activity and demand for financial services by our customers. In particular, lending is dependent on customer and investor confidence, the overall state of the economy including employment levels, the residential lending market and the prevailing interest rate environment. The Group's Economic Outlook Committee is responsible for the approval of forecast macroeconomic scenarios.

Geopolitical risks

The Group may be significantly affected by geopolitical risks which may impact our ability to deliver our strategy and business objectives. Geopolitical risks arise due to differing global political agendas which may result in international trade wars and a general loss of business confidence. The global economy may then experience a slowdown which reduces global demand for Australian exports.

Climate change and other environmental factors

The Group and its customers and external suppliers are based in and operate across a diverse range of geographical locations. A significant environmental change such as climate change including increases in temperatures, sea levels and the frequency and severity of adverse climate events, or external event (such as a fire, storm, drought or flood) has the potential to disrupt business activities, impact on our operations, damage property, impact on our customers and affect the value of assets held in affected locations and our ability to recover amounts owing to us. Through our agribusiness division we also have an exposure to the domestic rural sector. The performance of this sector is impacted by national weather patterns and commodity price movements which in-turn may impact our overall earnings performance. These effects whether acute or chronic in nature, may directly impact us, and our customers, and may have an adverse impact on financial performance (including through an increase in credit exposures).

Market Competition

The markets in which we operate are highly competitive and may become even more so. Factors that contribute to competition include mergers and acquisitions, changes in customer behaviour, entry of new participants, the development of new sales methods and regulatory change. Increasing competition could potentially lead to reduced business volumes and revenue, a compression in our net interest margins as well as additional costs to retain market share. The Group is also dependent on its ability to offer products and services that meet changing customer preferences.

A weakening in the Australian real estate market

Residential, commercial and rural lending, together with property finance, constitute important businesses to us. A significant slowdown in Australian property markets, including a decrease in Australian property valuations, could decrease the amount of new lending the Bank is able to write and/or increase the amount of credit losses from existing loans, as well as impact the valuation of the Homesafe portfolio.

Changes in monetary policy

The Reserve Bank of Australia (RBA) sets official interest rates so as to affect the demand for money and credit in Australia. The cash rate influences other interest rates in the economy which then affects the level of economic activity.

Movements in the cash rate impact our cost of funds for lending and investing and the return earned on these loans and investments which can impact our net interest margin.

Changes in monetary policy can also affect the behaviour of borrowers and depositors, such as potentially increasing the risk that borrowers may fail to repay their loans, or repay their loans in advance, and in the case of depositors, potentially increasing the risk that they may seek returns in other asset classes.

Regulatory Change

As a financial institution, we are subject to a range of laws, regulations, policies, standards and industry codes. In particular, our banking and wealth management activities are subject to extensive regulation including in relation to liquidity, capital, solvency, provisioning and licensing conditions.

Changes to laws, regulations, codes or standards could affect the Group in substantial and unpredictable ways including the need to significantly increase our investment in staff, systems and procedures to comply with the regulatory requirements.

Credit Ratings

External credit ratings have a significant impact on both our access to, and the cost of, capital and wholesale funding. Credit ratings may be withdrawn, made subject to qualifications, revised, or suspended by a credit rating agency at any time. Also, the methodologies by which they are determined may be revised. A downgrade or potential downgrade to our rating may reduce access to capital and wholesale debt markets, potentially leading to an increase in funding costs, as well as affecting the willingness of counterparties to transact with the Group.

Capital base

The capital base is critical to the management of our businesses and our ability to access funding. We are required to maintain a level of capital by APRA and other key stakeholders to support our business operations and risk appetite. There can be no certainty that additional capital required in the future will be available or able to be raised on acceptable terms.

Remuneration Report

Contents

This Remuneration Report is for the financial year ended 30 June 2020. The Report has been prepared in accordance with section 300A of the *Corporations Act 2001* and the *Corporations Regulations 2001* and has been audited. The Remuneration Report sets out our remuneration framework, the remuneration arrangements applicable to the Key Management Personnel (KMP), and the link between performance and remuneration outcomes for the year.

Section 1: **Organisational context**

It has been a challenging year for our customers, the communities in which they live, and for our people. Bushfires, floods, prolonged drought, and COVID-19 has caused significant impacts. COVID-19 has required the Bank to respond and mobilise our teams rapidly and in different ways. We kept the vast majority of our branches open, redeployed employee resources into critical call centre and mortgage help teams to assist with increased enquiries and asked our corporate employees to work safely from home. Our people have adapted and responded to our customers with empathy and professionalism.

However, our full year results were impacted by COVID-19, record low interest rates and investment costs to required to support our strategy. This means that no cash incentives were paid to executives or staff for the FY2020 performance year. The long-term incentive grant made to the management KMP, including the Management Director, in FY2018 was tested, and the tranches with a relative Total Shareholder Return measure did not vest. However, the Bank has continued to build our customer advocacy advantage over our peers, which resulted in performance rights with a 'Customer Hurdle' vesting.

As flagged in the FY2019 Remuneration Report, the Bank conducted a comprehensive review of our approach to executive remuneration during the year. The review considered the effectiveness of the current arrangements, how to best support our strategic and cultural ambitions, and the evolving regulatory requirements.

The review has resulted in a significant change to the way in which we structure executive remuneration for the FY2021 performance year. The changes are designed to support the acceleration of the delivery of our strategy and ensure long term alignment with shareholders outcomes. Further detail on the new framework can be found in section 4 and the Notice of Meeting. What has not changed is our belief that a clear purpose-driven culture and a responsible remuneration model are essential to achieving positive customer and community outcomes and long term shareholder returns.

In addition to the introduction of a new executive remuneration framework, the Board Chair has reduced her fees by 5% from the start of the FY2021. This change was made in light of the reduction of our share price, and the economic impact on our customers and shareholders.

Section 2: **Overview of remuneration outcomes**

Bendigo and Adelaide Bank announced full year cash earnings down 27.4 percent year on year. Excluding the COVID-19 collective provision overlay and other direct impacts, earnings were down 2.8 percent. But despite all this, we delivered total income of $1.61 billion, up 0.9 percent on last year, whilst sustaining market leading trust ratings, above system lending growth and continued strengthening of our balance sheet.

Earnings for the year have been impacted by the prevailing uncertainty around Australia's economic outlook, as we negotiate the first economic recession in nearly thirty years, continuing record low interest rates and investment costs to support the execution of our strategy. In this context, the below remuneration arrangements were approved during the year.

Remuneration component	Remuneration outcomes
Fixed base remuneration	There were no changes to the fixed remuneration for the Managing Director or other executive KMP during the year.
Deferred base remuneration	Grants of deferred shares were made to the other executives in accordance with their target remuneration mix. The Managing Director did not receive a grant of deferred shares during the year. As approved by shareholders at the 2018 AGM, a grant of 200,000 deferred shares was made in 2018 and 50,000 of these deferred shares considered part of the Managing Director's remuneration for the year ending 30 June 2020. The vesting criteria for the deferred base pay grants made in 2018 were satisfied and the Board approved the vesting of the shares without adjustment. Details of the vested shares are provided at Section 5 of this report.
Short-term incentive (STI)	The Bank did not achieve the threshold level of cash earnings required to establish a bonus pool. Therefore, no short-term incentives were paid to the Managing Director nor to any other executive.
Long-term incentive (LTI)	The Managing Director received a grant of performance rights in accordance with the terms approved by shareholders at the 2019 AGM. The grant is subject to a four-year performance period. Performance right grants were made to other executives in accordance with their remuneration mix. The grants are subject to a four-year performance period in total. The long-term incentive grant made in FY2018 to executives, including the current Managing Director, was tested at the end of the 2020 year. The relative TSR performance measure for performance rights granted fell below the median of the peer group. As a result, the sleeves of the grants that were linked to the relative TSR were forfeited. The sleeve of grant that was linked to the Customer Hurdle vested in full. This was in recognition of the Bank's NPS being 28.6 points above the industry average for performance period finishing 30 June 2020. The results of performance right testing are provided at Section 5 of this report.
Non-executive director fees	There was no change in the annual fee payment for non-executive directors for the 2020 year, and the non-executive directors continue to contribute $5,000 each to the Bank's scholarship program. The aggregate non-executive director fees paid for the year was $1.975 million which represents 79.0 percent of the $2.5 million fee cap approved by shareholders. No additional fees were paid to the non-executive directors for their committee memberships. The annual base fee has not been increased for the 2021 financial year.

Section 3: **Key Management Personnel**

KMPs are the persons with authority and responsibility for planning, directing and controlling the activities of the Group. The KMP for the financial year comprise the Directors and Executives listed below.

Name	Position	Term as KMP
Non-executive directors		
Jacqueline Hey	Chair – commenced in role 29 October 2019	Full Year
Vicki Carter	Non-executive Director	Full Year
David Foster	Non-executive Director – commenced 4 September 2019	Part Year
Jan Harris	Non-executive Director	Full Year
Jim Hazel	Non-executive Director	Full Year
Rob Hubbard	Non-executive Director	Full Year
David Matthews	Non-executive Director	Full Year
Tony Robinson	Non-executive Director	Full Year
Robert Johanson	Chair – ceased 29 October 2019	Part Year
Executives		
Marnie Baker	Managing Director & Chief Executive Officer	Full Year
Ryan Brosnahan	Chief Transformation Officer – commenced 4 November 2019	Part Year
Taso Corolis	Chief Risk Officer	Full Year
Travis Crouch	Chief Financial Officer	Full Year
Richard Fennell	Executive, Consumer Banking	Full Year
Alexandra Gartmann	Executive, Rural Bank, Partnerships, Public and Corporate Affairs	Full Year
Bruce Speirs	Executive, Business Banking	Full Year
Stella Thredgold	Executive, Business Enablement – ceased 1 November 2019	Part Year

Ms Thredgold ceased as KMP on 1 November 2019, coinciding with the commencement of Chief Transformation Officer.
Ms Thredgold ceased employment with the Bank on 19 December 2019.

Section 4: **Remuneration framework**

4.1 Remuneration principles

The remuneration framework is designed to support the achievement of our financial and business objectives and ensure remuneration outcomes are aligned with long term customer outcomes, sustainable financial performance, growth in shareholder value and the interests of other stakeholders.

The framework is documented in our remuneration policy.

Our remuneration framework is based on the following principles:

- **Simplicity**
  The link between performance, value created, and reward should be clear and the framework easy for all employees to understand so that it effectively attracts, retains and motivates the talent the organisation needs to deliver long term sustainable success.
- **Transparency and procedural fairness**
  The Bank commits to providing employees with visibility, wherever possible, of the considerations made in making reward decisions and fairly undertaking all performance and reward processes to support the objective of fair remuneration, including gender pay equity.
- **Alignment with values**
  Remuneration should reinforce the corporate values of teamwork, integrity, performance, engagement, leadership and passion. Individual reward outcomes are first dependent on the success of the Bank, division and team.
- **Appropriate risk behaviour**
  Remuneration should encourage innovation and risk-taking that supports the achievement of superior long-term results for shareholders and customers within the parameters of the Bank's risk management framework; and
- **Supports good customer outcomes**
  Reward structures and practices will be designed to minimise the risk of incentivising behaviours that may lead to poor customer outcomes.

4.2 Remuneration components, approach and mix

The Executive remuneration arrangements are summarised below:

TOTAL REWARD FRAMEWORK			
Fixed	Variable		
Base Remuneration		Short Term Incentive (STI)	Long Term Incentive (LTI)
Fixed Base - Cash	Deferred Base - Equity	Cash & Equity	Equity
Comprise base salary and superannuation contributions. Together with deferred base, is set by reference to the size and complexity of role and individual responsibilities. Amount is determined in the context of the external market including comparable roles in the banking sector and companies of a similar size and complexity, and the performance outlook. Recognises an individual's experience, skills, competencies and value.	Annual grants of deferred shares. Deferred shares (fully paid ordinary shares) issued at no cost and beneficially owned by the executives from grant date. Executives do not receive cash if they decide not to accept the grant offer, unless the Board decides otherwise. Grants are subject to continued employment ("service condition") over the deferral period. Subject to risk adjustment at Board discretion. Shares are held in a trust for the deferral period.	Cash, or a combination of cash and deferred equity. The maximum STI opportunity is set for individual executives at the start of the year and is a fixed dollar amount. STI awards are capped at 100% of target with no opportunity to increase the payments for 'above target' performance. Awards are subject to Group and individual performance and passing risk, compliance and values gateways. If the award exceeds $100,000, one third is deferred into equity (deferred shares), issued on substantially the same terms as deferred base remuneration.	Annual grants of Performance rights. Each right represents an entitlement to one ordinary share in the Bank. Rights are granted at no cost and have no exercise price. Vesting is subject to Customer and relative Total Shareholder Return (TSR) performance measures, risk and service condition. Performance measures are tested over four years for all Executives. Vesting is also subject to continued employment and risk adjustment. There is no retesting.

The total target reward for executives is set by the Board at the start of each year. The arrangements are reviewed by the Governance & HR Committee to ensure the mix and total target reward continues to be fair and balances the interests of stakeholders.

The mix includes up to three equity components designed to build executives' personal exposure to the Bank's share price performance with a link to risk management outcomes. The STI component links a modest percentage of remuneration to annual performance and is typically set substantially below industry relativities. This reflects our long-held view that remuneration which is highly leveraged towards short-term performance can create a disconnect between executive reward and longer-term shareholder interests, customer outcomes and broader community and regulatory expectations.

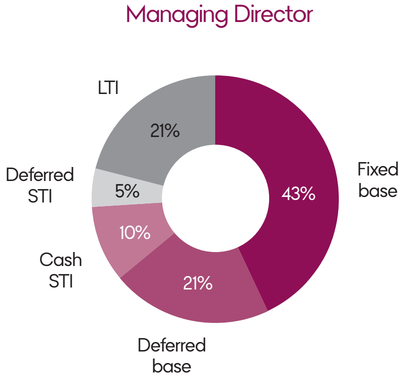
The Managing Director's remuneration mix includes a sizeable deferred equity component that is subject to risk and conduct adjustment at the discretion of the Board.

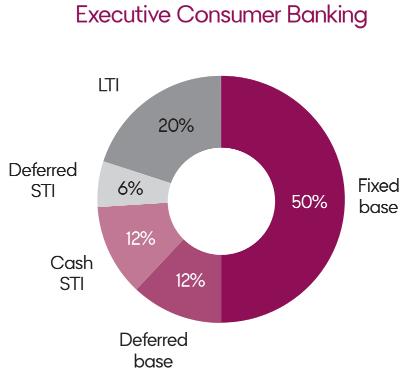
The mix includes a relatively small proportion of variable remuneration linked to annual performance and a larger proportion linked to longer term performance including shareholder outcomes. This structure recognises the unique role of the Managing Director in driving the strategic direction and delivering longer-term sustainable improvement in shareholder value.

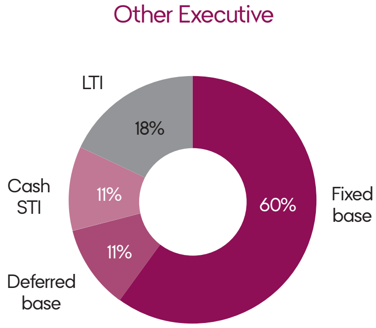
The proportion and mix of reward components between cash and equity represent a moderate and meaningful percentage of equity-based remuneration linked to shareholder interests. The maximum STI opportunity is limited to 20 percent of the total mix.

The below table sets out the target remuneration mix, and split between cash and equity, for each executive. The actual remuneration mix will vary depending on performance outcomes. The percentages also represent the maximum opportunity for each component.

KMP	Position	Fixed base	Deferred Base	Cash STI	Deferred STI	LTI	Awarded as Cash	Awarded as Equity
M Baker	Managing Director	43%	21%	10%	5%	21%	53%	47%
R Fennell	Consumer Banking	50%	12%	12%	6%	20%	62%	38%
Other executives (average)		60%	11%	11%	0%	18%	71%	29%







Remuneration settings FY2020

The total base remuneration, including the deferred base pay, for executives sits between the market median and 75th percentile, while the portion of incentive-based pay (STI and LTI) is conservative and considerably below other listed companies in Australia. This results in the total of fixed and variable remuneration being below the median of peer groups of similar companies. The reward mix reflects our belief that executive remuneration structures should not be leveraged to variable remuneration.

The Managing Director's STI component was set at $400,000 for the year. The Managing Director's annual equity remuneration consists of 50,000 deferred shares and 50,000 performance rights. As approved by shareholders at the 2018 AGM, on 19 December 2018, the Managing Director was granted 200,000 deferred shares. This represents four years of deferred base pay, and the grant consists of four equal tranches of 50,000 deferred shares, with deferral periods of 2, 3, 4 and 5 years respectively. This was done to align the Managing Director's remuneration with the change in share price from the date of her appointment.

There were no changes to fixed remuneration for executive KMP during the FY2020 year. A number of executives received increases during the FY2019 year to reflect changes in roles and organisational structure changes that resulted in increases in accountabilities and responsibilities. The impact of these prior year increases can be seen in the remuneration tables in sections 6 and 8.

The STI opportunities and LTI opportunities remained the same for FY2020. Overall, the total incentive offering of the Bank is modest compared to similar organisations, and therefore the total remuneration available to executives (fixed remuneration plus incentives) is lower.

4.3 Remuneration components, terms and policies

Fixed base remuneration

Fixed base comprises cash salary, salary sacrifice and employer superannuation contributions.

Deferred base

Deferred base is represented by annual grants of deferred shares that are held in trust for a two-year deferral period. Deferred shares are fully paid ordinary shares granted at no cost and are beneficially owned by the recipient from grant date. The grants are subject to a two-year service condition and risk adjustment at the discretion of the Board. If the service condition is not met the deferred shares will not vest and are forfeited, unless the Board decides otherwise.

The remuneration value of deferred share grants is determined by the individual's targeted remuneration mix. The number of deferred shares allocated is calculated by dividing the face value of the deferred base component by the volume weighted average closing price of the Bank's shares for the last five trading days of the financial year prior to the year of grant.

Short term incentive (STI)

The annual incentive component is designed to provide an appropriate level of reward for the achievement of annual financial targets and business objectives and is set based on the executive's responsibilities and target remuneration mix.

The performance measures for the Managing Director's STI component are set by the Board on recommendation from the Governance & HR Committee and focus on the achievement of the targeted annual financial performance, a range of medium-term financial and non-financial targets as well as risk management outcomes. The performance measures for other executives are set by the Managing Director. For the FY2020 year it was agreed that all executives, including the Managing Director, would have joint performance targets.

An annual STI component will only be awarded if an annual bonus pool is established. The annual bonus pool is dependent upon the organisation achieving a minimum annual result which is approved by the Board at the start of the year. If the minimum level of cash earnings is not achieved, a bonus pool will not be established and no STI awards will be made.

The bonus pool will increase with cash earnings performance above the threshold performance level, subject to the achievement of key financial and risk adjustment measures. The bonus pool is capped when our achieved results reach 110 percent of the cash earnings target. The Board also applies a discretionary overlay to take into account the underlying quality of the result and shareholder outcomes.

The Board decides the bonus pool availability after financial year-end, on recommendation from the Governance & HR Committee. If the pool is less than the maximum potential pool, the maximum STI opportunity for each executive is proportionately adjusted downwards. This reflects the executive committee's collective responsibility for the annual financial performance.

The Managing Director's and other executives' performance is considered after year end at a combined meeting of the Governance & HR, Risk and Audit Committees. The Board Chair and Governance and HR Committee Chair provide input on the Managing Director's performance, and the Managing Director provides an assessment of the other executives. Notwithstanding that for the 2020 financial year the executives had joint objectives for the STI, the Committees can use their discretion to make any upward or downward adjustment to determine recommendation for the STI award to the Board. This approach was chosen to enable unforeseen developments to be factored into the assessment and ensure any necessary risk and compliance adjustments occur at the Board's discretion.

STI deferral

Starting from the 2018 financial year, if an STI award exceeds $100,000 one third of the award is deferred into equity as grants of deferred shares. The deferred shares are typically acquired on-market and held by the Plan Trustee for a two-year deferral period commencing from the end of the financial year for which the STI was granted. They are also subject to a two-year service condition and risk adjustment.

If the service condition is not met the deferred shares do not vest and are forfeited, unless the Board decides otherwise. The number of deferred shares is calculated by dividing the face value of the deferred STI component by the volume weighted average closing price of the Bank's shares for the five trading days prior to the grant date.

Long term incentive (LTI)

At the Board's discretion, executives may be invited to participate in annual grants of performance rights. The rights are granted at no cost, have no exercise price and each right represents an entitlement to one ordinary share.

The remuneration value of the grants is determined by the individual's targeted remuneration mix and the number of rights granted is determined by dividing the face value of the LTI by the volume weighted average closing price of the Bank's shares for the last five trading days of the financial year prior to the year of the grant.

The performance right grants made during the year used a two 'sleeve' approach, with the first sleeve linked to a 'Customer Hurdle' and the second sleeve linked to the relative TSR measure.

To meet the remuneration requirements under BEAR (Banking Executive Accountability Regime) the vesting period for the Senior Executive grant was extended to four years. This was achieved by splitting into two sets, the first set has a 3-year performance period, with a 1-year further service condition. The second set has 4-year performance period and service condition.

An overview of the grant design is presented below:

	First Sleeve	Second Sleeve	Service Condition
Allocation and Measures (all grants)	35% of performance rights granted Subject to a 'Customer Hurdle'	65% of performance rights granted Subject to relative TSR measure	
Performance period			
Managing Director	Customer Hurdle performance 01.07.2019 to 30.06.2023	Relative TSR performance 01.07.2019 to 30.06.2023	01.07.2019 to 30.06.2023
Senior Executives 3-year grant	Customer Hurdle performance 01.07.2019 to 30.06.2022	Relative TSR performance 01.07.2019 to 30.06.2022	01.07.2019 to 30.06.2023
Senior Executives 4-year grant	Customer Hurdle performance 01.07.2019 to 30.06.2023	Relative TSR performance 01.07.2019 to 30.06.2023	01.07.2019 to 30.06.2023

First sleeve- customer hurdle

To satisfy the Customer Hurdle, the Bank's net promoter score (NPS) over the performance period (measured using a six-month rolling average) must be 20 points greater than the average performance of a peer group of Australian banks. If the Customer Hurdle is met, all the rights under this sleeve will vest. If the Customer Hurdle is not met, the rights will not vest and lapse.

NPS was chosen as it represents a global industry standard used to measure customer advocacy. The NPS hurdle is directly linked to good customer outcomes and is a consistent response to public concern about conduct and culture concerns in the Australian banking sector.

Second sleeve- relative TSR hurdle

The relative TSR hurdle measures the Bank's shareholder return performance relative to the TSR performance of other ASX 100 companies (excluding property trusts and resources stocks) using the ASX 100 Accumulation Index. This comparator group was chosen, in the absence of a sufficient number of comparable institutions, as it is frequently used in the market and requires the Bank to outperform the majority of companies in the peer group before the individuals receive any value from the grants.

The relative TSR measure was chosen as it is aligned with shareholder interests and represents a widely used and understood means of measuring performance linked to shareholder value. The relative TSR measure is independently calculated.

The performance rights will vest subject to the Bank's relative TSR performance in accordance with the below vesting schedule.

Vesting schedule

The following vesting schedule applies to the relative TSR testing for the second sleeve.

Company's relative TSR ranking	Percentage of performance rights that vest
At or below the 50th percentile	0%
At 50.1th percentile	60%
Between the 50.1th and 75th percentiles	Straight-line vesting: · starting at 60%; and · reaching 100% at the 75th percentile.
Above the 75th percentile	100%

Common equity grant terms

Deferred share and performance rights grants have been previously been made in accordance with the rules of the Bank's Employee Salary Sacrifice, Deferred Share and Performance Right Plan. For the FY2020 executive LTI grant the Board approved a new set of rules, the BEN Omnibus Equity Plan. The terms of the two set of plan rules are similar, with the key difference being the BEN Omnibus Equity Plan provides for grants to be settled in equity or cash at the Board's discretion. This was included to provide the Board with greater flexibility in settling equity incentive grants. Future grants will be made under the new set of BEN Omnibus Equity Plan rules.

Deferred shares are beneficially owned by the executive from grant date and the executive is entitled to vote, receive notices issued to ordinary shareholders and receive dividends during the deferral period. The recipients are not entitled to deal in the deferred shares until they vest, and the Board may treat deferred shares as forfeited before vesting.

Performance rights do not carry any dividend or other shareholder rights such as voting. The executives are prohibited from dealing in the performance rights until they have been advised that the performance rights have vested.

If an executive ends their employment or their employment ends because of an act which constitutes serious misconduct, the deferred shares or performance rights will be forfeited on the executive's last day of employment unless, in the case of resignation, exceptional circumstances apply, and the Board decides to vest some or all the shares or rights.

If an executive's employment ends because of death, disability, redundancy, or any other reason approved by the Board, the deferred shares or performance rights will continue to be held as if the executive's employment has not ended, and the service condition will be treated as waived, unless the Board decides otherwise. If the Board does decide otherwise, it may determine that some or all of the shares or rights are forfeited, which would occur on the last day of employment.

The Board has discretion under the Plan rules to vest all or a specified number of deferred shares or performance rights if there is a takeover, compromise, scheme of arrangement or merger. Matters the Board may take into account include the Group's pro-rata performance against the performance conditions and the individual's performance.

Under the rules of the Plan the Board has discretion to satisfy deferred share grants and vested performance right grants by either issuing new shares or acquiring shares on-market. The shares are typically acquired on-market.

Review of Reward Framework

During FY2020 the Governance and HR Committee reviewed the Bank's approach to executive remuneration. The Bank's approach to executive remuneration has been generally well received by shareholders and has supported the Bank's collective and risk-focused culture. However, as the Bank's strategy evolves and it faces regulatory and market changes, there is also a need for the remuneration framework to change to support this.

In reviewing the executive remuneration framework, the key objectives were to:

1. Closely align the framework with the Bank's strategic imperatives to drive performance in areas that will create sustainable long term shareholder value - the Bank has a significant transformation agenda that will requires the Bank to reduce its cost base, while continuing to grow our market share and maintaining our customer advocacy advantage.
2. Create a framework that supports the Bank's culture of sharing in collective success – outcomes under the framework are directly linked with the shareholder experience so that executives are encouraged to think and act like owners.
3. Address evolving regulatory change – to support the Bank's existing strong risk culture and provide for longer deferrals and clawback in line with the Banking Executive Accountability Regime (BEAR) and APRA's evolving requirements.

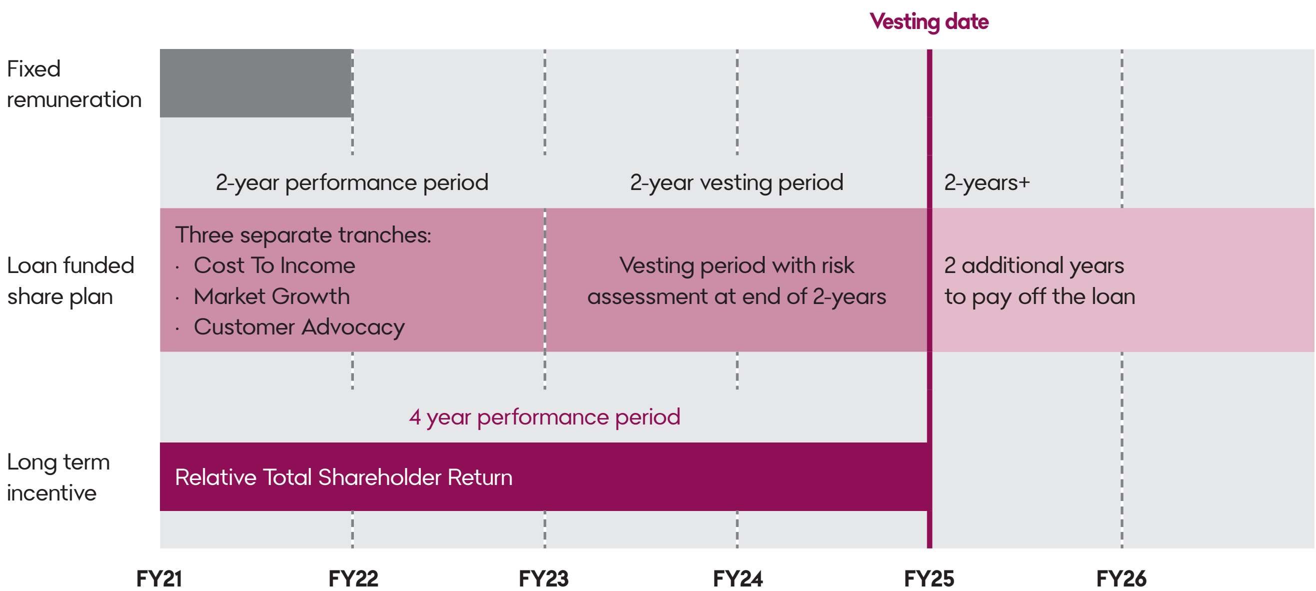
To meet these objectives, under the new framework for FY2021, executives will not participate in the Company's short-term incentive program and variable reward will consist entirely of long term equity grants, made up of two components vesting over 4 years:

1. Loan Funded Share Plan: Equity incentive plan, tested against 2 year performance measures linked to delivery of the strategy, subject to restriction and a risk gateway at the end of year 4.
2. Performance Rights Long Term Incentive: a traditional 4 year performance rights plan, measured against relative total shareholder return.

The new framework will see the current deferred base pay grants incorporated into fixed base pay. Under the BEAR remuneration requirements deferred base pay is considered variable remuneration, and subject to additional restrictions. This has changed the grants from their original intent, which was to align a portion of an executives fixed remuneration with the shareholder. Therefore, the Bank has chosen to implement the loan funded share plan to create the alignment with shareholders.

The transition to the new framework is being done in a way to ensure there is no material change in executives' overall incentive opportunities, which remain modest compared to our peers. The new framework is consistent with the Bank's long held view that remuneration structures which are weighted towards short-term and individually focussed performance are incompatible with our strategy and may encourage risk, poor culture and behaviour. By removing the cash short-term incentive, the new executive framework is focussed on long term, sustainable, shareholder returns.

The new framework, and the timing of grants and vesting is summarised below:



A comparison of the old framework to the new framework is provided below.

Feature	From (Old Framework)	To (New Framework)
Remuneration Components	**Fixed Reward** · Fixed Base Pay (Cash) · Deferred Base Pay (Shares) **Variable Reward** · STI · LTI Performance Rights	**Fixed Reward** · Fixed Base Pay (Cash) Incorporates the Deferred Base Pay Shares component value **Variable Reward** Incentive opportunity set with reference to: · Loan Share Plan · LTI Performance Rights
Incentive Quantum	**STI** Capped at maximum $ value **LTI Performance Rights** Allocated at maximum $ value	New maximum incentives based on: **Loan Funded Share Plan** 100% of STI maximum value + 50% Old LTI maximum value **LTI Performance Rights** 50% Old LTI maximum value
Duration to access reward post grant	**STI** 1 year + 2 year deferral as Shares if over $100,000 **LTI Performance Rights** 4 years	**Loan Funded Share Plan** 4 years with additional 2 years to settle **LTI Performance Rights** 4 years
Performance Hurdles	**STI** Scorecard of financial and non-financial measures with Risk Gateway **LTI Performance Rights** Customer Advocacy (Relative NPS) 35% Relative TSR (65%)	**Loan Funded Share Plan** Cost to Income ratio – 50% weighting Customer Advocacy (Relative NPS) – 25% weighting Market Growth – 25% weighting **LTI Performance Rights** Relative TSR
Performance Period	**STI** 1 year **LTI Performance Rights** *MD* 4 years *Exec* 3 years + 1 year Holding Lock (50%) 4 years (50%)	**Loan Funded Share Plan** 2 years + 2 years restriction period **LTI Performance Rights** 4 years
Risk Assessment & Risk Behaviour Gateway	Applies to all reward components	Applies to all reward components

We have tested our approach with stakeholders, and we are confident that it will support the execution of our strategy in way that is consistent our customer focused culture. The FY2021 Remuneration Report will provide a detailed explanation of the framework and the impact on individual executives.

Risk adjustment

The Board may adjust the number of deferred shares and performance rights that vest to take into account any unforeseen or unexpected circumstances and risk developments. The Board has absolute discretion to adjust all cash and equity variable remuneration to reflect the following:

a) The outcomes of business activities;
b) The risks related to the business activities taking into account, where relevant, the cost of the associated capital; and
c) The time necessary for the outcome of those business activities to be reliably measured.

This includes adjusting performance-based components of remuneration downwards, to zero if appropriate. On an annual basis the Governance & HR Committee reviews the appropriateness of releasing deferred equity components taking into account the Group's performance outlook, risk profile and any other matter that might impact the reputation or financial soundness of the Group.

To support this process going forward the Bank has introduced a Malus and Clawback policy for FY2021.

Hedging and margin loan restrictions

The remuneration policy mandates that executives, and their closely related parties, may not enter into a transaction designed to remove the at-risk element of equity-based pay before it has vested, or while it is subject to a trading restriction.

The restriction is contained in the Remuneration Policy. The Bank treats compliance with the requirement as important and at the end of each year requires the individuals to confirm they have complied with the restriction. If the restriction is breached the individual will forfeit all equity-based remuneration that is subject to the prohibition at the time of the breach.

The Bank's Trading Policy also prohibits KMPs from using the Bank's securities as collateral in any margin loan arrangements.

Section 5: **Linking remuneration to performance**

5.1 Overview of company performance

The following table provides an overview of the key performance indicators for the past five years.

Company performance measure	Financial year ending				
	2020	2019	2018	2017	2016
Statutory net profit after tax ($m)	192.8	376.8	434.5	429.6	415.6
Statutory earnings per share (cents)	38.1	77.1	89.9	90.9	90.4
Cash earnings ($m)	301.7	415.7	445.1	418.3	401.4
Cash earnings per share (cents)	59.7	85.0	92.1	88.5	87.3
Dividends paid and payable (cents per share)	31.0 [1]	70.0	70.0	68.0	68.0
Share price at start of financial year	$11.51	$10.75	$11.08	$9.60	$12.26
Share price at end of financial year	$7.01	$11.58	$10.84	$11.08	$9.60
Total shareholder return	-36.40%	14.20%	4.20%	22.50%	-16.20%
Relative TSR Performance (percentile) [2]	23rd	60th	41st	41st	28th
NPS compared to industry average	+29.2	+28.3	+28.1	+30.7	+28.6
Average STI received as a % of maximum opportunity	0%	0%	63%	55.40%	0%
Percentage of executive LTI which vested	30%	83%	0%	0%	0%

[1] Whilst economic uncertainty remains and the impact of COVID-19 is still evolving, the Board has acted prudently to defer a final dividend decision
[2] The relative TSR performance (percentile) is included in line with the TSR performance hurdles period for the grant tested in that year

5.2 Remuneration outcomes

STI outcomes - Bonus pool allocation

Following are the bonus pool measures and outcomes for the financial year. The Board determined that the criteria to establish a performance bonus pool had not been met and no bonus pool was established.

Primary Measure	Performance Outcomes
Achieve 100% of target cash earnings (threshold hurdle)	The cash earnings threshold was not achieved.
Secondary Measures	**Risk and Performance Outcomes**
Cash earnings per share	The Group underperformed on the cash earnings per share target.
Return on Equity (cash basis)	The ROE did not exceed targeted performance.
Return on Tangible Equity (cash basis)	The ROTE did not exceed the targeted performance.
Common Equity Tier 1 Equity	The CET1 ratio underperformed on targeted performance.
Cost to Income Ratio	The cost to income ratio was below the targeted performance.
Liquidity Coverage Ratio (LCR)	The LCR was maintained within approved internal and regulatory limits for the year.
Risk Weight Assets / Total Assets	The risk weighted asset measure was not met.
Risk Adjusted Return on Capital (RAROC)	The RAROC did not exceed the targeted performance.

Managing Director & Executive STI award

For FY2020, the STI component for all executives was measured against shared outcomes and risk gateways. Risk and compliance and values-based behaviour represent a gateway for the STI payments.

The impact of COVID-19 had a significant impact on the Bank's financial performance. The Bank did not achieve the threshold level of cash earnings required to establish a bonus pool. Therefore, no Short-term incentives were paid to the Managing Director and other executives.

The following are the joint performance measures for the STI component, and the level of achievement as assessed by the Board.

Outcomes	Measures	Performance
Seamless Experience	Customer NPS	●
	Employee Experience	◐
Efficiency	Return on Tangible Equity	○
	Cost to Income	◐
Growth	Lending Asset Growth	◐
	Market Share (Portfolio)	◐
Strategic projects	Build momentum for the transformation strategy through developing the three-year road map and embedding the operating rhythm	●
Risk and Compliance	The level of risk associated with the Group's performance is within the Group's risk appetite	●
	An effective risk culture is promoted and there is evidence of enhanced risk practice across the organisation	●

● At or above target ◐ Partially met ○ Below target

All short-term incentives were forfeited for FY2020.

Executive	STI maximum opportunity[1]	STI payment		STI payment as % of STI maximum opportunity	% of STI Award forfeited
		Paid as cash	Deferred [2]		
M Baker	$400,000	$ -	$ -	0%	100%
R Brosnahan[3]	$100,000	$ -	n/a	0%	100%
T Corolis	$100,000	$ -	n/a	0%	100%
T Crouch	$100,000	$ -	n/a	0%	100%
R Fennell	$250,000	$ -	$ -	0%	100%
A Gartmann	$100,000	$ -	n/a	0%	100%
B Speirs	$100,000	$ -	n/a	0%	100%
S Thredgold[3]	$100,000	$ -	n/a	0%	100%

[1] The STI is subject to a financial gateway and the achievement of financial and non-financial measures. Accordingly, the minimum potential STI award is nil.
[2] One-third of STI awards that exceed the $100,000 threshold set by the Board are subject to deferral for two years into shares in the Bank. There will be no allocation of deferred shares for the deferred STI components for FY2020.
[3] The full STI maximum opportunity for FY2020 is shown for Mr Brosnahan and Ms Thredgold.

Deferred base outcomes

The deferred base pay and deferred STI grants made to executive KMP on 17 December 2018 were scheduled to be tested with regard to the financial soundness and risk profile of the organisation, it was decided by the Board to vest the deferred shares. The number of deferred shares granted to each executive are presented in the table headed 'Executive equity instrument grants' at Section 8.

LTI outcomes

Senior Executive LTI grant was tested at 30 June 2020, the LTI grant that was made to executives in 2018. The LTI grant made to executives in 2018 had a 3-year performance period for the TSR and Customer Hurdle (NPS).

The results for the 2018 LTI grant are summarised below.

Grant	Hurdle	Weighting	Grant Date	Test Date	Outcome	Vested 2020	Lapsed 2020
2018 LTI Senior Executives	TSR	70%	12.12.17	30.06.20	23rd Percentile	0%	100%
	NPS	30%	12.12.17	30.06.20	+28.6	100%	0%

The following table summarises all current LTI performance right grants.

Grant	Grant Date	NPS Test Date	NPS Test Met	TSR Test Date	TSR Test Met	Vested 2020	Lapsed 2020	Remaining
2019 LTI Senior Executives	17.12.18	30.06.21	Not yet tested	30.06.21	Not yet tested	0%	0%	100%
2019 LTI Managing Director	19.12.18	30.06.22	Not yet tested	30.06.22	Not yet tested	0%	0%	100%
2020 LTI Senior Executives	17.12.19	30.06.22	Not yet tested	30.06.22	Not yet tested	0%	0%	100%
	17.12.19	30.06.23	Not yet tested	30.06.23	Not yet tested	0%	0%	100%
2020 LTI Managing Director	17.12.19	30.06.23	Not yet tested	30.06.23	Not yet tested	0%	0%	100%

Executive remuneration paid and vested

The following table is a voluntary, non-statutory summary of the remuneration paid or which vested to the executives for the 2020 and 2019 financial years. Not all amounts have been prepared in accordance with Australian Accounting Standards and this information differs to the statutory remuneration disclosures presented at Section 8 which has been prepared in accordance with Australian Accounting Standards.

The disclosures include prior year equity grants that vested to individual executives. The value for the vested grants has been calculated by multiplying the number of equity instruments by the closing share price at the end of the deferral or performance period.

Name		Fixed Base[1]	Prior years deferred base vested[2]	Cash STI[3]	Prior years' deferred STI vested[4]	Prior years' deferred LTI vested[5]	Total remuneration realised
M Baker	2020	$1,222,535	$376,788	-	$32,421	$47,878	$1,679,622
	2019	$1,241,149	$168,732	-	$41,144	$409,492	$1,860,517
R Brosnahan [6]	2020	$468,377	-	-	-	-	$468,377
T Corolis	2020	$594,322	$65,025	-	-	$28,727	$688,074
	2019	$489,498	$105,459	-	-	$81,882	$676,839
T Crouch	2020	$538,304	$65,025	-	-	$9,569	$612,898
	2019	$383,206	-	-	-	$51,612	$434,818
R Fennell	2020	$761,510	$107,295	-	$36,017	$47,878	$952,700
	2019	$713,841	$168,732	-	$51,427	$409,492	$1,343,492
A Gartmann	2020	$541,768	$52,021	-	-	$19,151	$612,940
	2019	$362,759	$73,823	-	$20,566	$151,675	$608,823
B Speirs	2020	$515,371	$65,025	-	-	$19,151	$599,547
	2019	$405,602	$73,823	-	$25,708	$163,788	$668,921
S Thredgold [7]	2020	$137,895	$52,021	-	$25,355	$19,151	$234,422
	2019	$374,686	$84,360	-	$41,144	$163,788	$663,978

[1] Fixed base includes cash salary, non-monetary benefits, superannuation, and movements in accrued annual and long service leave consistent with the statutory remuneration table presented at Section 8.
[2] The prior years deferred base amounts represent the grant made on 19 December 2018 for Ms Baker and 17 December 2018 for other executives and which completed the two-year deferral period and vested. The grant made for the 2020 financial year will be tested in a future period and has therefore been excluded from the table.
[3] The cash component of the 2020 STI is nil.
[4] STI awards were made for the FY2018 and accordingly deferred STI grants were awarded which would have been tested at 30 June 2020.
[5] The prior years' LTI amounts represent the grant made on 12 December 2017 for all participants except Mr Corolis, whose grant was made on 24 April 2018. These grants partially met their respective performance measures and accordingly partially vested with the remainder of the grant forfeited. The LTI grants made in subsequent financial years will be tested in future periods and have therefore been excluded from the table.
[6] Mr Brosnahan commenced as KMP on 4 November 2019.
[7] Ms Thredgold ceased being a KMP on 1 November 2019 and subsequently ceased employment on 19 December 2019. Ms Thredgold received a redundancy payment of $809,733 under the terms of the Bank's previous redundancy policy which is only applicable to salaried employees who where employed prior to 1 January 2003.

Section 6: **Non-executive Director remuneration**

The remuneration of Non-executive Directors is based on the following principles and arrangements. There is no direct link between Non-executive Director fees and the annual results of the Group. Non-executive Directors do not receive bonuses or incentive payments, nor receive equity-based pay.

Shareholders approved an aggregate fee pool for Non-executive Directors of $2,500,000 at the 2011 Annual General Meeting. This fee pool covers payments (including superannuation) for the main Board and payments to the Bank's Non-executive Directors appointed to subsidiary boards and the Community Bank® National Council.

The Governance & HR Committee (the "Committee") recommends to the Board the remuneration arrangements for Non-executive Directors. The base fee is reviewed annually by the Committee and the following considerations are taken into account in setting the base fee:

a) The scope of responsibilities of Non-executive Directors and time commitments. This includes consideration of significant changes to the Group's operations and industry developments which impact workloads and responsibilities at the Board and committee level.
b) Fees paid by peer companies and companies of similar market capitalisation and complexity, including survey data and peer analysis to understand the level of Director fees paid in the market, particularly in the banking and finance sector.

Non-executive Directors receive a fixed annual fee inclusive of superannuation contributions at 9.5 percent. In relation to the superannuation contributions, Non-executive Directors can elect to receive amounts above the maximum contributions limit as cash.

The Chair receives a higher base fee in recognition of the additional time commitment and responsibilities.

No increase was awarded to the base fee for Non-executive Directors for the year. The base fee in effect for FY2020 was:

a. $201,780 for Directors (inclusive of company superannuation contributions); and
b. $504,450 for the Chair (inclusive of company superannuation contributions).

No additional fees are paid for serving on Board Committees. Additional fees were paid to Non-executive Directors appointed to the Boards of Sandhurst Trustees, which ceased on 22 July 2019, and the Community Bank® National Council.

The Directors contribute $5,000 each to the Bank's scholarship program. The program was established to assist disadvantaged students from regional areas meet tertiary education accommodation and direct study costs. The contributions are deducted from base fee payments.

A review of the Non-executive Director fees has also been completed since the end of the financial year. The Board has decided to not increase the annual base fee for the Directors nor the Chair. For FY2021, the Chair has elected to reduce her fees by 5%.

In addition, from FY2021 the Board has introduced a minimum shareholding requirement of 1x base fees for all Non-executive Directors. Directors will have 5-years from the introduction of the policy to meet the shareholding requirements. A fee sacrifice plan has been introduced, and further details will be disclosed in the FY2021 Remuneration Report.

Non-executive Director remuneration details

The following payments were made to Non-executive Directors in the 2020 and 2019 financial years.

Non-executive Director		Short-term benefits		Post-employment benefits	Total
		Fees [1]	Non-monetary benefits [2]	Superannuation contributions [3]	
J Hey (Chair) [7]	2020	$386,413	-	$19,911	$406,324
	2019	$182,663	-	$18,787	$201,450
V Carter	2020	$184,274	-	$17,506	$201,780
	2019 (part year)	$152,380	-	$14,476	$166,856
D Foster [6]	2020 (part year)	$151,963	-	$14,436	$166,399
J Harris	2020	$184,274	-	$17,506	$201,780
	2019	$182,663	-	$18,787	$201,450
J Hazel	2020	$184,274	-	$17,506	$201,780
	2019	$182,663	-	$18,787	$201,450
R Hubbard	2020	$193,027	-	$8,753	$201,780
	2019	$182,663	-	$18,787	$201,450
D Matthews [4]	2020	$192,755	$5,674	$18,851	$217,280
	2019	$191,609	$5,674	$20,064	$217,347
T Robinson [5]	2020	$186,476	-	$17,715	$204,191
	2019	$222,586	-	$20,531	$243,117
R Johanson (Chair - retired) [7]	2020 (part year)	$157,456	$1,575	$15,108	$174,139
	2019	$478,544	$4,550	$20,531	$503,625
Aggregate totals	**2020**	$1,820,912	$7,249	$147,292	$1,975,453
	2019	$1,775,771	$10,224	$150,750	$1,936,745

[1] Fee amounts include the $5,000 Director contribution to the Board scholarship program.
[2] Represents fee sacrifice component of the base Director fee paid as superannuation.
[3] Represents company superannuation contributions. Mr Hubbard elected for a superannuation guarantee contribution exemption for the period of 1 January 2020 to 30 June 2020.
[4] The fees paid to Mr Matthews include $15,500 inclusive of company superannuation as a member of the Community Bank National Council.
[5] The fees paid to Mr Robinson include a fee of $2,461 inclusive of company superannuation as a Director of Sandhurst Trustees Limited and ceased to be a Director of Sandhurst Trustees Limited on 22 July 2019.
[6] Mr Foster was appointed as a Non-executive Director on 4 September 2019.
[7] Mr Johanson retired as Chair on 29 October 2019 and Ms Hey was appointed Chair on 29 October 2019.

Non-executive Director equity holdings

The details of shareholdings in the Bank held by Non-executive Directors (including their close family members or any entity they, or their close family members, control, jointly control or significantly influence) are set out below.

Name	Number at the start of year		Net Change [1]		Number at end of year [2]	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Non-executive Directors						
J Hey	21,437	250	13,169	-	34,606	250
V Carter	504	-	12,721	-	13,225	-
D Foster	-	-	2,733	-	2,733	-
J Harris	2,000	-	6,000	-	8,000	-
J Hazel	29,036	-	8,956	-	37,992	-
R Hubbard	17,815	-	8,683	-	26,498	-
D Matthews	34,490	-	2,807	-	37,297	-
T Robinson	33,140	-	10,000	-	43,140	-
R Johanson [3]	282,185	-	(30,959)	-	251,226	-

[1] No equity instruments were granted as compensation to Non-executive Directors during the reporting period.
[2] None of the shares are held nominally.
[3] Mr Johanson's equity holdings are reported up to 29 October 2019.

Section 7: **Remuneration governance**

The Governance & HR Committee assists the Board in relation to the Group's remuneration arrangements. The Board makes all final decisions in relation to those arrangements. The current members of the Committee are all independent Non-executive Directors:

a) Tony Robinson (Chair)
b) Jacqueline Hey
c) Vicki Carter
d) David Matthews

The Committee has responsibility for providing input into the Group's risk management framework in relation to remuneration risk, in particular, recommending to the Board the remuneration arrangements for the Executives.

A summary of the Committee's remuneration responsibilities is presented below and the Committee Charter is available from the Corporate Governance section of the Bank's website at http//www.bendigoadelaide.com.au/public/corporate_governance/.

The Committee's remuneration responsibilities include conducting regular reviews of, and making recommendations to the Board on, the remuneration strategy and policy taking into account the Group's objectives, risk profile, shareholder interests, regulatory requirements and market developments. The Committee is also responsible for making recommendations to the Board on:

a) the remuneration arrangements for executives, including the terms on which performance-based remuneration will be provided;
b) the performance-based remuneration outcomes for the executives; and
c) the annual bonus pool.

The Committee makes recommendations to the Board on the exercise of the Board's discretion to adjust incentive and performance-based remuneration to reflect the outcomes of business activities and the risks relating to those activities.

The Committee is also responsible for recommending to the Board the remuneration matters specified by the Australian Prudential Regulation Authority under Prudential Standard CPS 510 *Governance* relating to other designated responsible persons, risk and financial control personnel and material risk takers.

The Committee may consult a professional adviser or expert, at the cost of the Bank, if the Committee considers it necessary to carry out its duties and responsibilities. During FY2020, the Governance and Human Resources Committee engaged KPMG to provide support as part of the Bank's review of the executive remuneration framework. KPMG provided market practice, remuneration data, trends and assistance with other ad-hoc tax and legal matters. KPMG did not provide any remuneration recommendations as defined in the *Corporations Act 2001* (Cth) to the Committee during FY2020.

Section 8: **KMP statutory remuneration, equity and loan tables**

8.1 Senior Executive statutory remuneration details

The following table sets out the statutory executive remuneration disclosures which have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards.

Executive	Short-term employee benefits			Superannuation benefits [4]	Other long-term benefits [5]	Termination Payments	Share-based payments [6]		Total	Performance related [9]
	Cash Salary [1]	STI [2]	Non-monetary [3]				Performance rights [7]	Deferred shares [8]		
M Baker										
2020	$1,214,846	-	$14,962	$21,003	($28,276)	-	$189,669	$759,667	$2,171,871	9%
2019	$1,184,923	-	$16,038	$20,531	$19,657	-	$231,531	$810,461	$2,283,141	12%
R Brosnahan [10]										
2020 (part year)	$433,567	-	$14,143	$13,732	$6,935	-	$34,949	$34,132	$537,458	7%
T Corolis										
2020	$559,741	-	-	$21,003	$13,579	-	$73,337	$90,483	$758,143	10%
2019	$457,980	-	-	$20,531	$10,987	-	$77,885	$94,446	$661,829	12%
T Crouch										
2020	$481,833	-	$30,488	$21,003	$4,981	-	$58,795	$90,483	$687,583	9%
2019 (part year)	$350,493	-	$18,784	$19,031	($5,103)	-	$51,996	$42,577	$477,778	11%
R Fennell										
2020	$682,955	-	$40,615	$21,003	$16,937	-	$137,891	$175,786	$1,075,187	13%
2019	$662,786	-	$36,989	$20,531	($6,466)	-	$210,125	$215,373	$1,139,338	23%
A Gartmann										
2020	$512,721	-	-	$21,003	$8,044	-	$66,563	$80,921	$689,252	10%
2019	$336,404	-	-	$20,531	$5,824	-	$89,860	$85,409	$538,028	19%
B Speirs										
2020	$475,752	-	$6,550	$21,003	$12,067	-	$66,563	$90,483	$672,418	10%
2019	$369,084	-	$6,500	$20,531	$9,487	-	$91,839	$97,540	$594,981	18%
S Thredgold [11]										
2020 (part year)	$124,898	-	$1,923	$11,074	-	$809,733	$21,536	$56,901	$1,026,065	2%
2019	$366,396	-	$5,000	$20,550	($17,259)	-	$91,839	$119,599	$586,125	22%
2020	$4,486,313	-	$108,681	$150,822	$34,267	$809,733	$649,304	$1,378,857	$7,617,977	
2019	$3,728,066	-	$83,311	$142,236	$17,127	-	$845,075	$1,465,405	$6,281,220	

1 Cash salary amounts include the net movement in the executive's annual leave accrual for the year.

2 These amounts represent STI cash awards to Executives for the respective financial year. No STI was awarded in FY2020. Refer also to footnote 8 below for discussion on the deferral of STI components.

3 "Non-monetary" relates to sacrifice components of executive salary such as motor vehicle costs.

4 Company superannuation contributions form part of the executive's fixed remuneration and are paid up to the statutory maximum contributions base.

5 The amounts disclosed relate to movements in long service leave accruals.

6 In accordance with the requirements of Australian Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year. The fair value of equity instruments is calculated as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should the equity instruments vest. The fair value of performance rights as at the grant date has been calculated under AASB 2 Share-based Payments applying a Black-Scholes-Merton valuation method incorporating a Monte Carlo simulation option pricing model to estimate the probability of achieving the Total Shareholder Return hurdle and the number of performance rights that vest. The assumptions underpinning these valuations are set out in Section 8.4.

7 The amounts included in the performance rights column represent the fair value of performance right grants to executives amortised over the applicable vesting period. The current year amount for Marnie Baker represents the amortised fair value allocation for the performance right grants made during the 2018, 2019 and 2020 financial years. The comparative amount represents the final amortised fair value allocation for the previous performance right grant made in the 2016, 2017, 2018 and 2019 financial years. The current year amounts for other executives represent the amortised fair value allocation for the 2018, 2019 and 2020 performance right grants. The comparative amounts represent the amortised fair value allocation for the 2016, 2017, 2018 and 2019 performance right grants.

8 The amounts included in the deferred share column comprise:

a. The fair value of deferred STI is amortised over a two-year deferral period. The deferred STI amounts for the 2020 financial year represent the amortised fair value of the deferred STI grants for the 2018 financial year. There was no deferred STI grant for the 2020 financial year. The deferred STI amounts for the comparative period represent the amortised fair value of the deferred STI grant made for the 2017 and 2018 financial years.

b. The fair value of the deferred base pay grants amortised over a two-year deferral period. The deferred base pay amounts for the 2020 financial year comprise the amortised fair value of the deferred base pay grants made in the 2019 and 2020 financial years. The comparative amounts represent the amortised fair value of the deferred base pay grants made in the 2018 and 2019 financial years.

9 The performance related percentage comprises cash bonus (STI) payments, the amortised fair value of performance right grants and the amortised fair value of deferred STI components (which form part of the amount disclosed under the 'Deferred shares' column).

10 Mr Brosnahan commenced as KMP on 4 November 2019.

11 Ms Thredgold ceased being a KMP on 1 November 2019 and subsequently ceased employment with the Bank on 19 December 2019. The termination payment represents a redundancy payment under the terms of the Bank's previous redundancy policy which is only applicable to salaried employees who where employed prior to 1 January 2003.

8.2 Executive equity instrument grants

The following table sets out the number and value of deferred share and performance right grants to executives for the year. It also includes details of grants made in prior years that vested or were forfeited or lapsed. The remuneration amounts presented in the below table have been calculated using the fair value of the equity instruments.

Executive	Equity Instrument	Grant Date	Granted [1] Units	Granted [2] $	Prior years' awards vested [3] Units	Prior years' awards vested [4,7] $	Forfeited / Lapsed [2,6] Units	Forfeited / Lapsed [5, 6] $
M Baker [8]	Performance Rights	17.12.2017	-	-	6,830	68,915	15,938	92,599
	Deferred Shares STI	17.12.2018	-	-	4,625	47,684	-	-
	Deferred Shares Base Pay	19.12.2018	-	-	50,000	518,000	-	-
	Deferred Shares Base Pay	08.04.2019	-	-	1,362	13,252	-	-
	Deferred Shares Base Pay	03.10.2019	4,775	54,435	1,194	13,612	-	-
	Deferred Shares Base Pay	03.04.2020	7,733	49,337	1,934	12,339	-	-
	Performance Rights	17.12.2019	50,000	228,075	-	-	-	-
R Brosnahan	Deferred Shares Base Pay	17.12.2019	8,628	85,331	-	-	-	-
	Performance Rights	17.12.2019	13,805	60,904	-	-	-	-
	Performance Rights - Transformation	17.12.2019	17,256	131,318	-	-	-	-
T Corolis	Performance Rights	24.04.2018	-	-	4,098	41,349	9,562	34,574
	Deferred Shares Base Pay	17.12.2018	-	-	9,276	95,636	-	-
	Deferred Shares Base Pay	17.12.2019	8,628	85,331	-	-	-	-
	Performance Rights	17.12.2019	13,805	60,904	-	-	-	-
T Crouch	Performance Rights	12.12.2017	-	-	1,365	13,773	3,188	18,522
	Deferred Shares Base Pay	17.12.2018	-	-	9,276	95,636	-	-
	Deferred Shares Base Pay	17.12.2019	8,628	85,331	-	-	-	-
	Performance Rights	17.12.2019	13,805	60,904	-	-	-	-
R Fennell	Performance Rights	12.12.2017	-	-	6,830	68,915	15,938	92,600
	Deferred Shares STI	17.12.2018	-	-	5,138	52,973	-	-
	Deferred Shares Base Pay	17.12.2018	-	-	15,306	157,805	-	-
	Deferred Shares Base Pay	17.12.2019	14,236	140,794	-	-	-	-
	Performance Rights	17.12.2019	24,158	106,583	-	-	-	-
A Gartmann	Performance Rights	12.12.2017	-	-	2,732	27,566	6,375	37,043
	Deferred Shares Base Pay	17.12.2018	-	-	7,421	76,511	-	-
	Deferred Shares Base Pay	17.12.2019	8,628	85,331	-	-	-	-
	Performance Rights	17.12.2019	12,942	57,096	-	-	-	-
B Speirs	Performance Rights	12.12.2017	-	-	2,732	27,566	6,375	37,043
	Deferred Shares Base Pay	17.12.2018	-	-	9,276	95,636	-	-
	Deferred Shares Base Pay	17.12.2019	8,628	85,331	-	-	-	-
	Performance Rights	17.12.2019	12,942	57,096	-	-	-	-
S Thredgold	Performance Rights	12.12.2017	-	-	2,732	27,566	6,375	37,043
	Deferred Shares STI	17.12.2018	-	-	3,617	37,291	-	-
	Deferred Shares Base Pay	17.12.2018	-	-	7,421	76,511	-	-
	Performance Rights	17.12.2018	-	-	-	-	13,914	92,257

1. The grants to executives in FY2020 constituted 100% of the grants available for the year and were made on the terms described at Section 3.
2. The value of the performance right grants and deferred share grants is the fair value (refer Section 8.4). The minimum total value of the grants, if the applicable performance and service conditions are not met, is nil. The future value of the rights is dependent on the achievement of the performance hurdles and the share price at the time the performance rights vest. As the actual value that may be derived by the executives is dependent upon the Bank's share price at the time the rights vest, an estimate of the maximum possible total value in future financial years is the fair value shown above.
3. The percentage of performance rights that vested in FY2020 was 30% for the FY2018 LTI Plan where the first sleeve vested at 100% when measured on NPS performance and the remaining two sleeves lapsed when measured on relative TSR performance. The percentage of base pay deferred share grants made in prior years that vested during FY2020 was 100%. The percentage of the deferred STI share grants made in prior years that vested during FY2020 was 100%.
4. The value of vested deferred shares is measured using the fair values applicable to the grant of deferred shares that vested. The applicable fair values are presented at Section 8.4. As each deferred share represents one ordinary share in the Bank, the number of ordinary shares that will vest is the same as the number of deferred

shares that were granted.

5. The value of each instrument on the date it lapses or is forfeited is calculated using the fair value of the instrument. Performance rights and deferred shares lapse where the applicable performance and service conditions are not satisfied.
6. The performance rights vest subject to performance, continued service and risk assessment over the applicable performance period. If performance rights do not vest at the end of the performance period, they are forfeited and lapse.
7. The Bank acquired the following securities on-market for the purpose of, and to satisfy the entitlements of holders of rights, to acquire securities granted under the Bank's Employee Salary Sacrifice, Deferred Share and Performance Share Plan and BEN Omnibus Equity Plan. There is no current market buy-back scheme in place.
   a. Total number of ordinary shares purchased during the financial year: 78,944 ordinary shares (FY2019: 308,214 ordinary shares); and
   b. Average price per ordinary share at which the securities were purchased: $9.72 per security (FY2019: $10.20 per security).
8. Ms Baker was granted 200,000 of deferred base pay shares in 2019 in four tranches of 50,000, each with a varying deferral period with the first tranche vesting in 2020. The dividends received on these grants were reinvested into ordinary shares and allocated in 4 tranches alongside each of the original tranches. The dividend reinvested deferred base pay shares allocated to the first trance on 08.04.2019, 03.10.2019 and 03.04.2020 therefore also vest in 2020. Note the full allocation of 5,447 dividend reinvestment shares on 08.04.2019 has been restated in the opening balance of Deferred Shares in table 8.3 below.

8.3 Movements in Senior Executive equity holdings

The details of equity holdings in the Bank held by executives (including their close family members or any entity they, or their close family members, control, jointly control or significantly influence) are set out below.

Executive	Equity Instrument[1]	Number at start of year	Granted during the year	Vested or released	Lapsed or expired	Net change other	Number at end of year [1, 2]
M Baker [3]	Deferred shares	210,072	12,508	(59,115)	-	-	163,465
	Ordinary shares	448,278	-	65,945	-	38,233	552,456
	Preference shares	800	-	-	-	-	800
	Performance rights	72,768	50,000	(6,830)	(15,938)	-	100,000
R Brosnahan [4]	Deferred shares	-	8,628	-	-	-	8,628
	Ordinary shares	-	-	-	-	-	-
	Performance rights	-	31,061	-	-	-	31,061
T Corolis	Deferred shares	9,276	8,628	(9,276)	-	-	8,628
	Ordinary shares	28,722	-	13,374	-	1,800	43,896
	Performance rights	28,502	13,805	(4,098)	(9,562)	-	28,647
T Crouch	Deferred shares	9,276	8,628	(9,276)	-	-	8,628
	Ordinary shares	8,193	-	10,641	-	754	19,588
	Performance rights	9,478	13,805	(1,365)	(3,188)	-	18,730
R Fennell	Deferred shares	20,444	14,236	(20,444)	-	-	14,236
	Ordinary shares	157,486	-	27,274	-	(103,797)	80,963
	Performance rights	48,742	24,158	(6,830)	(15,938)	-	50,132
A Gartmann	Deferred shares	7,421	8,628	(7,421)	-	-	8,628
	Ordinary shares	32,513	-	10,153	-	-	42,666
	Performance rights	23,021	12,942	(2,732)	(6,375)	-	26,856
B Speirs	Deferred shares	9,276	8,628	(9,276)	-	-	8,628
	Ordinary shares	22,739	-	12,008	-	(22,743)	12,004
	Performance rights	23,021	12,942	(2,732)	(6,375)	-	26,856
S Thredgold [4]	Deferred shares	11,038	-	(11,038)	-	-	-
	Ordinary shares	40,997	-	13,770	-	(16,015)	38,752
	Performance rights	23,021	-	(2,732)	(20,289)	-	-

[1] None of the equity holdings are held nominally.
[2] None of the deferred shares or performance rights held at year end had vested and were exercisable.
[3] Deferred shares for Ms Baker at the start of the year and granted during the year include deferred shares allocated via dividend reinvestment in 2019 and 2020.
[4] Table contains full FY2020 data for Ms Thredgold and Mr Brosnahan.

8.4 Equity plan valuation inputs

Performance rights

The assumptions underlying the fair value of current performance right grants are as follows.

Equity Instrument	Terms & Conditions for each Grant								
	Grant date	Fair value [1]	Share price $	Exercise price	Risk free interest rate	Dividend yield	Expected volatility	Expected life	Performance period end / expiry date [2]
Performance Rights – Sleeve 1 (MD)	16.12.2016	$10.05	$12.25	-	2.10%	5.75%	20%	4 years	30.06.2020
Performance Rights – Sleeve 2 (MD)	16.12.2016	$6.98	$12.25	-	2.10%	5.75%	20%	4 years	30.06.2020
Performance Rights – Sleeve 3 (MD)	16.12.2016	$6.98	$12.25	-	2.10%	5.75%	20%	4 years	30.06.2020
Performance Rights – Sleeve 1	12.12.2017	$10.09	$11.64	-	1.97%	5.75%	22.50%	3 years	30.06.2020
Performance Rights – Sleeve 2	12.12.2017	$5.81	$11.64	-	1.97%	5.75%	22.50%	3 years	30.06.2020
Performance Rights – Sleeve 3	12.12.2017	$5.81	$11.64	-	1.97%	5.75%	22.50%	3 years	30.06.2020
Performance Rights – Sleeve 1 (MD)	12.12.2017	$9.54	$11.64	-	2.09%	5.75%	22.50%	4 years	30.06.2021
Performance Rights – Sleeve 2 (MD)	12.12.2017	$5.70	$11.64	-	2.09%	5.75%	22.50%	4 years	30.06.2021
Performance Rights – Sleeve 3 (MD)	12.12.2017	$5.70	$11.64	-	2.09%	5.75%	22.50%	4 years	30.06.2021
Performance Rights – Sleeve 1	24.04.2018	$9.06	$10.59	-	2.28%	6.42%	24.70%	3 years	30.06.2020
Performance Rights – Sleeve 2	24.04.2018	$2.96	$10.59	-	2.28%	6.42%	24.70%	3 years	30.06.2020
Performance Rights – Sleeve 3	24.04.2018	$2.96	$10.59	-	2.28%	6.42%	24.70%	3 years	30.06.2020
Performance Rights – Sleeve 1	17.12.2018	$8.60	$10.37	-	1.89%	6.73%	23.40%	3 years	30.06.2021
Performance Rights – Sleeve 2	17.12.2018	$5.57	$10.37	-	1.89%	6.73%	23.40%	3 years	30.06.2021
Performance Rights – Sleeve 1 (MD)	19.12.2018	$8.06	$10.40	-	1.99%	6.73%	23.40%	4 years	30.06.2022
Performance Rights – Sleeve 2 (MD)	19.12.2018	$5.36	$10.40	-	1.99%	6.73%	23.40%	4 years	30.06.2022
Performance Rights - Sleeve 1	17.12.2019	$7.61	$9.89	-	0.88%	7.08%	21.23%	4 years	30.06.2022
Performance Rights - Sleeve 2	17.12.2019	$7.61	$9.89	-	0.88%	7.08%	21.23%	4 years	30.06.2023
Performance Rights - Sleeve 3	17.12.2019	$2.46	$9.89	-	0.88%	7.08%	21.23%	4 years	30.06.2022
Performance Rights - Sleeve 4	17.12.2019	$2.92	$9.89	-	0.88%	7.08%	21.23%	4 years	30.06.2023
Performance Rights – Sleeve 1 (MD)	17.12.2019	$7.61	$9.89	-	0.88%	7.08%	21.23%	4 years	30.06.2023
Performance Rights – Sleeve 2 (MD)	17.12.2019	$2.92	$9.89	-	0.88%	7.08%	21.23%	4 years	30.06.2023
Performance Rights - Transformation	17.12.2019	$7.61	$9.89	-	0.88%	7.08%	21.23%	4 years	30.06.2023

[1] The fair value is calculated as at grant date in accordance with AASB 2 *Share-based Payments* using an independent valuation.
[2] The Board will test the performance condition as soon as practical after year end. Any performance rights that do not vest will lapse at 5.00pm on the date the Board makes its decision on what performance rights vest or lapse.

Deferred Shares

The assumptions underlying the fair value of current deferred share grants are as follows.

Equity Instrument	Terms & Conditions for each Grant				
	Grant date	Issue price / Fair value [1]	Share price at grant date	Restriction period end / test date	Vest / Expiry date
Deferred Shares STI	17.12.2018	$10.31	$10.37	30.06.2020	30.06.2020
Deferred Shares Base Pay	17.12.2018	$10.31	$10.37	30.06.2020	30.06.2020
Deferred Shares Base Pay	19.12.2018	$10.36	$10.40	30.06.2020	30.06.2020
Deferred Shares Base Pay	17.12.2019	$9.89	$9.89	30.06.2021	30.06.2021

[1] The fair value of deferred share grants (for STI deferral and deferred base pay) is calculated using the volume weighted average closing price of the Bank's shares for the five-day period ending on the grant date.

8.5 Senior Executive employment terms

The remuneration and other terms of employment for executives are contained in formal employment contracts. The material terms of the executive contracts at the date of this report are set out below.

Issue	Description	Applies to
What is the duration of the contracts?	On-going until notice is given by either party.	All executives
What notice must be provided by a Executive to end the contract without cause? [2]	Between 6 and 12 months' notice. No notice period required if material change in duties or responsibilities.	All executives
What notice must be provided by the Bank to end the contract without cause? [1]	6 months' notice or payment in lieu.[2]	M Baker, T Corolis, T Crouch, R Brosnahan
	12 months' notice or payment in lieu.	All other executives
What payments must be made by the Bank for ending the contract without cause? [1]	Payment of gross salary in lieu of period of notice (including payment of accrued / unused leave entitlements calculated to end of relevant notice period).	All executives
What are notice and payment requirements if the Bank ends the contract for cause?	Termination for cause does not require a notice period. Payment of pro-rata gross salary and benefits (including payment of accrued / unused leave entitlements) is required to date of termination.	All executives
Are there any post-employment restraints?	12 month non-competition and non-solicitation (employees, customers and suppliers) restriction.	Managing Director
	12 month non-solicitation (employees, customers and suppliers) restriction.	Other executives

[1] In certain circumstances, such as a material diminution of responsibility, the Bank may be deemed to have ended the employment of an executive and will be liable to pay a termination benefit as outlined at the row titled "What payments must be made by the Bank for ending the contract without cause".
[2] A review of the executive employment contract was completed in 2019 having regard to market practice. Changes to the contract included reducing the relevant notice period from 12 months to 6 months. The 12-month notice period for existing KMP's has been grandfathered.

8.6 KMP loans and other transactions

Details on the aggregate loans provided to KMP and their related parties are as follows. The loans occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those that it is reasonable to expect the Bank would have adopted if dealing at arms-length with an unrelated person.

		Balance at start of year [1]	Interest charged [3]	Interest not charged	Write-off	Balance at end of year	Number at year end
		$'000	$'000	$'000	$'000	$'000	
Non-executive Directors	2020	7,504	266	-	-	7,282	8
Executives	2020	4,884	129	-	-	4,854	7
Total Directors and Executives	**2020**	**12,388**	**395**	**-**	**-**	**12,136**	**15**

Details of KMP (including their related parties) with an aggregate of loans above $100,000 in the reporting period are as follows:

2020	Balance at start of year [1]	Interest charged [3]	Interest not charged	Write-off	Balance at end of year	Highest owing in period [2]
	$'000	$'000	$'000	$'000	$'000	$'000
Non-executive Directors						
R Johanson [4]	1,944	28	-	-	1,941	1,997
D Matthews	4,234	194	-	-	4,031	4,418
T Robinson	1,305	44	-	-	1,303	-
Executives						
M Baker	920	50	-	-	1,300	30
R Fennell	1,852	37	-	-	1,537	1,942
A Gartmann	1,434	40	-	-	1,359	1,434
S Thredgold [4]	672	1	-	-	653	674

[1] Opening balances have been restated for Ms Baker, Mr Fennell and Mr Johanson to include additional accounts.
[2] Represents aggregate highest indebtedness of the KMP during the financial year. All other items in this table relate to the KMP and their related parties.
[3] Interest charged may include the impact of interest off-set facility
[4] Part year data represented for Ms Thredgold to 1 November 2019 and for Mr Johanson to 29 October 2019.

This Directors' Report is signed in accordance with a resolution of the Board of Directors.

Jacqueline Hey
Chair
3 September 2020

Marnie Baker
Managing Director

Financial Statements

Income statement
For the year ended 30 June 2020

	Note	Group 2020 [1] $m	Group 2019 $m	Bank 2020 [1] $m	Bank 2019 $m
Net interest income					
Interest income		2,270.2	2,643.3	2,208.4	2,348.4
Interest expense		(936.4)	(1,353.7)	(862.4)	(1,174.4)
Total net interest income	3	**1,333.8**	**1,289.6**	**1,346.0**	**1,174.0**
Other revenue					
Fees		155.5	163.8	144.5	149.2
Commissions and management fees		56.6	73.5	15.8	19.3
Other income		88.5	40.6	169.0	367.3
Total other revenue	3	**300.6**	**277.9**	**329.3**	**535.8**
Total income		**1,634.4**	**1,567.5**	**1,675.3**	**1,709.8**
Expenses					
Credit expenses		(173.3)	(54.6)	(170.9)	(50.3)
Bad and doubtful debts recovered		4.8	4.3	3.1	2.5
Total credit expenses	3	**(168.5)**	**(50.3)**	**(167.8)**	**(47.8)**
Operating expenses					
Staff and related costs		(567.1)	(518.5)	(547.8)	(463.7)
Occupancy costs		(36.3)	(91.3)	(36.0)	(90.5)
Amortisation and depreciation costs		(117.7)	(48.1)	(115.7)	(45.1)
Fees and commissions		(20.3)	(31.1)	(7.2)	(7.4)
Other operating expenses		(438.4)	(276.2)	(455.8)	(249.6)
Total other expenses	3	**(1,179.8)**	**(965.2)**	**(1,162.5)**	**(856.3)**
Profit before income tax expense		**286.1**	**552.0**	**345.0**	**805.7**
Income tax expense	4	(93.3)	(175.2)	(82.2)	(161.4)
Net profit attributable to owners of the parent		**192.8**	**376.8**	**262.8**	**644.3**
Earnings per share (cents)					
Basic	6	38.1	77.1		
Diluted	6	35.2	69.7		

[1] The Group applied AASB 16 *Leases* from 1 July 2019. Prior periods have not been restated.

Statement of comprehensive income
For the year ended 30 June 2020

	Note	Group 2020 [1] $m	Group 2019 $m	Bank 2020 [1] $m	Bank 2019 $m
Profit for the year		**192.8**	**376.8**	**262.8**	**644.3**
Items which may be reclassified subsequently to profit or loss:					
Revaluation (loss)/gain on debt investments at fair value through other comprehensive income	22	(0.3)	0.2	-	-
Revaluation gain/(loss) on debt securities at fair value through other comprehensive income with recycling	22	1.4	-	(45.6)	18.1
Transfer from asset revaluation reserve to income	22	0.1	(0.3)	-	-
Net (loss)/gain on cash flow hedges taken to equity	22	(20.3)	19.5	(20.3)	19.5
Tax effect on items taken directly to or transferred from equity	22	5.7	(5.8)	19.8	(11.3)
Total items that may be reclassified to profit or loss		**(13.4)**	**13.6**	**(46.1)**	**26.3**
Items which will not be reclassified subsequently to profit or loss:					
Revaluation loss on land and buildings		(0.7)	-	-	-
Actuarial loss on superannuation defined benefits plan	22	(1.3)	(0.1)	(1.3)	(0.1)
Tax effect on items taken directly to or transferred from equity	22	0.8	-	0.4	-
Total items that will not be reclassified to profit or loss		**(1.2)**	**(0.1)**	**(0.9)**	**(0.1)**
Total comprehensive income for the year		**178.2**	**390.3**	**215.8**	**670.5**
Total comprehensive income for the year attributable to:					
Owners of the Company		178.2	390.3	215.8	670.5

[1] The Group applied AASB 16 *Leases* from 1 July 2019. Prior periods have not been restated.

Balance sheet
As at 30 June 2020

		Group		Bank	
		2020 [1]	2019	2020 [1]	2019
	Note	$m	$m	$m	$m
Assets					
Cash and cash equivalents	8	1,189.6	1,072.0	826.0	880.2
Due from other financial institutions	8	137.0	270.6	137.0	270.6
Financial assets fair value through profit or loss (FVTPL)	11	5,411.1	5,836.9	5,411.1	5,836.9
Financial assets amortised cost	12	325.3	293.1	135.0	143.8
Financial assets fair value through other comprehensive income (FVOCI)	13	819.6	55.7	13,225.4	6,133.1
Current tax asset	4	17.6	-	17.6	-
Derivatives	18	106.4	150.6	106.4	150.7
Net loans and other receivables	9	64,980.4	61,822.2	64,476.8	60,972.2
Investments accounted for using the equity method		5.4	9.3	5.4	8.3
Shares in controlled entities		-	-	134.5	587.4
Property, plant and equipment		252.3	63.1	251.4	60.4
Deferred tax assets	4	88.3	5.3	183.1	81.9
Investment property	25	779.8	734.5	-	-
Goodwill and other intangible assets	26	1,564.6	1,685.6	1,490.7	1,593.2
Other assets	27	331.5	436.4	1,399.5	1,395.5
Total Assets		**76,008.9**	**72,435.3**	**87,799.9**	**78,114.2**
Liabilities					
Due to other financial institutions	8	145.1	420.6	145.1	420.6
Deposits	14	64,182.6	60,596.9	64,180.0	60,601.4
Notes payable	14	3,503.5	3,464.4	-	23.1
Derivatives	18	100.2	135.0	100.2	135.0
Amounts payable to controlled entities		-	-	561.7	786.7
Loans payable to securitisation trusts		-	-	15,158.0	8,754.2
Income tax payable	4	-	6.4	-	6.4
Provisions	29	114.4	119.6	114.4	118.0
Other payables	28	603.4	493.0	579.8	462.1
Preference shares	15	890.2	886.4	890.2	886.4
Subordinated debt	16	671.3	681.4	671.3	681.4
Total Liabilities		**70,210.7**	**66,803.7**	**82,400.7**	**72,875.3**
Net Assets		**5,798.2**	**5,631.6**	**5,399.2**	**5,238.9**
Equity					
Share capital	21	4,905.0	4,570.5	4,905.0	4,570.5
Reserves	22	87.3	73.8	66.6	105.5
Retained earnings	22	805.9	987.3	427.6	562.9
Total Equity		**5,798.2**	**5,631.6**	**5,399.2**	**5,238.9**

[1] The Group applied AASB 16 *Leases* from 1 July 2019. Prior periods have not been restated.

Statement of changes in equity
For the year ended 30 June 2020

	Group				
	Attributable to owners of Bendigo and Adelaide Bank Limited				
	Issued ordinary capital $m	Other issued capital [1] $m	Retained earnings [2] $m	Reserves [2] $m	Total equity $m
At 1 July 2019					
Opening balance	**4,575.9**	**(5.4)**	**987.3**	**73.8**	**5,631.6**
Impact of adoption of new accounting standards [3]	-	-	(24.7)	-	(24.7)
Rural Bank consolidation [4]			(20.4)	20.4	-
Comprehensive income					
Profit for the year	-	-	192.8	-	192.8
Other comprehensive income	-	-	(0.9)	(13.7)	(14.6)
Total comprehensive income for the year	**-**	**-**	**191.9**	**(13.7)**	**178.2**
Transactions with owners in their capacity as owners					
Shares issued	337.7	-	-	-	337.7
Share issue expenses	(3.0)	-	-	-	(3.0)
Movement in Executive Share plans	(1.3)	-	-	-	(1.3)
Reduction in employee share ownership plan (ESOP)	-	1.1	-	-	1.1
Movement in general reserve for credit losses (GRCL)	-	-	(9.3)	9.3	-
Movement in operational risk reserve	-	-	(0.4)	0.4	-
Share based payment	-	-	1.0	(2.1)	(1.1)
Transfer from asset revaluation reserve	-	-	0.8	(0.8)	-
Equity dividends	-	-	(320.3)	-	(320.3)
At 30 June 2020	**4,909.3**	**(4.3)**	**805.9**	**87.3**	**5,798.2**

[1] Refer to Note 21 for further details.
[2] Refer to Note 22 for further details.
[3] The Group applied AASB 16 *Leases* from 1 July 2019. Prior periods have not been restated.
[4] Relates to Rural Bank consolidation adjustments.

For the year ended 30 June 2019

	Group				
	Attributable to owners of Bendigo and Adelaide Bank Limited				
	Issued ordinary capital $m	Other issued capital [1] $m	Retained earnings [2] $m	Reserves [2] $m	Total equity $m
At 1 July 2018					
Opening balance	**4,529.9**	**(6.6)**	**975.9**	**121.1**	**5,620.3**
Impact of adoption of new accounting standards [3]	-	-	(11.1)	(82.8)	(93.9)
Comprehensive income					
Profit for the year	-	-	376.8	-	376.8
Other comprehensive income	-	-	(0.1)	13.6	13.5
Total comprehensive income for the year	**-**	**-**	**376.7**	**13.6**	**390.3**
Transactions with owners in their capacity as owners					
Shares issued	46.0	-	-	-	46.0
Reduction in employee share ownership plan (ESOP)	-	1.2	-	-	1.2
Movement in general reserve for credit losses (GRCL)	-	-	(19.9)	19.9	-
Movement in operational risk reserve	-	-	(0.6)	0.6	-
Share based payment	-	-	1.0	1.4	2.4
Equity dividends	-	-	(334.7)	-	(334.7)
At 30 June 2019	**4,575.9**	**(5.4)**	**987.3**	**73.8**	**5,631.6**

[1] Refer to Note 21 for further details.
[2] Refer to Note 22 for further details.
[3] The Group applied AASB 9 *Financial Instruments* from 1 July 2018. Further information can be found in the Group's 2019 Annual Financial Report.

Statement of changes in equity (continued)
For the year ended 30 June 2020

	Bank				
	Attributable to owners of Bendigo and Adelaide Bank Limited				
	Issued ordinary capital $m	Other issued capital [1] $m	Retained earnings [2] $m	Reserves [2] $m	Total equity $m
At 1 July 2019					
Opening balance	**4,575.9**	**(5.4)**	**562.9**	**105.5**	**5,238.9**
Impact of adoption of new accounting standards [3]	-	-	(24.7)	-	(24.7)
Rural Bank consolidation [4]	-	-	(43.9)	-	(43.9)
Comprehensive income					
Profit for the year	-	-	262.8	-	262.8
Other comprehensive income	-	-	(0.9)	(46.1)	(47.0)
Total comprehensive income for the year	**-**	**-**	**261.9**	**(46.1)**	**215.8**
Transactions with owners in their capacity as owners					
Shares issued	337.7	-	-	-	337.7
Share issue expenses	(3.0)	-	-	-	(3.0)
Movement in Executive Share plans	(1.3)	-	-	-	(1.3)
Reduction in employee share ownership plan (ESOP)	-	1.1	-	-	1.1
Movement in general reserve for credit losses (GRCL)	-	-	(9.3)	9.3	-
Share based payment	-	-	1.0	(2.1)	(1.1)
Equity dividends	-	-	(320.3)	-	(320.3)
At 30 June 2020	**4,909.3**	**(4.3)**	**427.6**	**66.6**	**5,399.2**

[1] Refer to Note 21 for further details.
[2] Refer to Note 22 for further details.
[3] The Group applied AASB 16 *Leases* from 1 July 2019. Prior periods have not been restated.
[4] Relates to Rural Bank consolidation adjustments.

For the year ended 30 June 2019

	Bank				
	Attributable to owners of Bendigo and Adelaide Bank Limited				
	Issued ordinary capital $m	Other issued capital [1] $m	Retained earnings [2] $m	Reserves [2] $m	Total equity $m
At 1 July 2018					
Opening balance	**4,529.9**	**(6.6)**	**282.1**	**122.2**	**4,927.6**
Impact of adoption of new accounting standards [3]	-	-	(12.0)	(66.0)	(78.0)
Comprehensive income					
Profit for the year	-	-	644.3	-	644.3
Other comprehensive income	-	-	(0.1)	26.3	26.2
Total comprehensive income for the year	**-**	**-**	**644.2**	**26.3**	**670.5**
Transactions with owners in their capacity as owners					
Shares issued	46.0	-	-	-	46.0
Reduction in employee share ownership plan (ESOP)	-	1.2	-	-	1.2
Movement in general reserve for credit losses (GRCL)	-	-	(19.9)	19.9	-
Balances from transfer of business	-	-	2.2	1.7	3.9
Share based payment	-	-	1.0	1.4	2.4
Equity dividends	-	-	(334.7)	-	(334.7)
At 30 June 2019	**4,575.9**	**(5.4)**	**562.9**	**105.5**	**5,238.9**

[1] Refer to Note 21 for further details.
[2] Refer to Note 22 for further details.
[3] The Group applied AASB 9 *Financial Instruments* from 1 July 2018. Further information can be found in the Group's 2019 Annual Financial Report.

Cash flow statement
For the year ended 30 June 2020

	Note	Group 2020	Group 2019	Bank 2020	Bank 2019
		$m	$m	$m	$m
Cash flows from operating activities					
Interest and other items of a similar nature received		2,323.5	2,646.2	2,218.9	2,325.6
Interest and other costs of finance paid [1]		(1,005.9)	(1,361.4)	(928.4)	(1,167.5)
Receipts from customers (excluding effective interest)		257.0	280.4	212.3	228.3
Payments to suppliers and employees		(963.9)	(1,000.1)	(1,036.8)	(753.3)
Dividends received		1.6	0.9	1.3	300.6
Income taxes paid		(183.0)	(205.9)	(175.7)	(207.3)
Cash flows from operating activities before changes in operating assets and liabilities		**429.3**	**360.1**	**291.6**	**726.4**
(Increase)/decrease in operating assets					
Net (increase)/decrease in balance of loans and other receivables		(3,319.9)	(337.6)	2,991.1	(3,518.7)
Net increase in balance of investment securities		(384.0)	(773.2)	(6,671.0)	(2,043.4)
Increase/(decrease) in operating liabilities					
Net increase in balance of deposits		3,585.7	1,037.1	3,578.5	5,072.5
Net increase/(decrease) in balance of notes payable		39.1	(80.4)	(23.1)	23.1
Net cash flows from operating activities	30	**350.2**	**206.0**	**167.1**	**259.9**
Cash flows related to investing activities					
Cash paid for purchases of property, plant and equipment		(27.0)	(12.6)	(26.8)	(12.6)
Cash proceeds from sale of property, plant and equipment		4.2	0.8	0.5	0.6
Cash paid for purchases of investment property		(59.3)	(67.0)	-	-
Cash proceeds from sale of investment property		50.0	44.1	-	-
Cash paid for purchases of intangible assets		(7.4)	(3.6)	(2.0)	-
Cash paid for purchases of equity investments		(4.5)	(0.3)	(4.5)	(0.3)
Cash proceeds from sale of equity investments		0.1	-	-	-
Cash proceeds from return of capital/dividend from JV partners		4.4	2.0	4.6	2.0
Net cash flows used in investing activities		**(39.5)**	**(36.6)**	**(28.2)**	**(10.3)**
Cash flows from financing activities					
Net proceeds from issue of ordinary/convertible preference shares		294.8	-	294.8	-
Proceeds from issue of subordinated debt holders		-	272.2	-	282.2
Repayment of subordinated debt		(10.5)	(300.0)	(10.5)	(300.0)
Dividends paid		(277.4)	(288.7)	(277.4)	(288.7)
Repayment of lease liabilities [2]		(54.9)	-	(54.9)	-
Repayment of ESOP shares		1.1	1.2	1.1	1.2
Payment of share issue costs		(4.3)	-	(4.3)	-
Net cash flows used in financing activities		**(51.2)**	**(315.3)**	**(51.2)**	**(305.3)**
Net increase/(decrease) in cash and cash equivalents		259.5	(145.9)	87.7	(55.7)
Cash and cash equivalents at the beginning of period		922.0	1,067.9	730.2	785.9
Cash and cash equivalents at the end of period	8	**1,181.5**	**922.0**	**817.9**	**730.2**

[1] Includes cash outflows relating to the interest component of lease payments in accordance with AASB 16 *Leases*, which was adopted by the Group from 1 July 2019. Comparative information has not been restated.

[2] Represents cash outflows relating to the principal component of lease liabilities recorded in accordance with AASB 16 *Leases*, which was adopted by the Group from 1 July 2019. Comparative information has not been restated.

Basis of preparation

This section describes the Group's significant accounting policies that relate to the financial statements and notes of the accounts. If an accounting policy relates to a particular note, the applicable policy is contained within the relevant note. This section also details new accounting standards, amendments and interpretations, and whether they are effective in 2020 or later years. We explain how these changes are expected to impact the financial position and performance of the Group.

1 **Corporate information**

The financial report of Bendigo and Adelaide Bank Limited ('the Bank') and its controlled entities ('the Group') for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the directors on 3 September 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 registered office of the company is:
The Bendigo Centre, 22 – 44 Bath Lane Bendigo, Victoria

2 **Summary of significant accounting policies**

Basis of preparation
The financial report of Bendigo and Adelaide Bank Limited:

- is a general purpose financial report;
- has been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared in accordance with the requirements of the *Corporations Act 2001*;
- has been prepared in accordance with the requirements for an authorised deposit-taking institution under the Banking Act 1959 (as amended);
- has been presented in Australian dollars, which is the functional presentation currency of the Bank and each of its subsidiaries, with all values rounded to the nearest hundred thousand dollar ($'00,000) in accordance with ASIC Corporations (rounding in Financial/Directors' Reports) instrument 2016-191, unless otherwise stated;
- includes foreign currency transactions that are translated into the functional currency using exchange rates at the date of the transaction;
- where necessary, presents reclassified comparatives for consistency with current year disclosures.

Basis of measurement
The consolidated financial statements have been prepared on a historical cost basis except for the following material items that are measured at fair value in the Balance Sheet:

- Financial assets and liabilities at fair value through profit or loss (FVTPL)
- Derivative financial instruments
- Debt and equity instruments measured at fair value through other comprehensive income (FVOCI)

Significant accounting judgements, estimates and assumptions

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, revenues, expenses and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Critical accounting judgements, estimates and assumptions are detailed within the relevant note.

The rapid development of the COVID-19 pandemic during 2020 has had severe consequences for communities worldwide. The global economic disruption and financial market volatility caused by the COVID-19 pandemic has created uncertainty about future economic and market conditions. While measures have been put in place by governments, regulators and the central banks to mitigate the impacts of COVID-19 on the economy, there is still uncertainty as to whether these measures will be sufficient. In preparing the financial statements for the year ended 30 June 2020, the Group has considered the impact of COVID-19 on critical judgements, estimates and assumptions.

More information on these judgements, estimates and assumptions have been included in the following notes:

- Note 10 Impairment of loans and advances
- Note 18 Derivative financial instruments
- Note 19 Financial instruments
- Note 25 Investment property
- Note 26 Goodwill and other intangible assets
- Note 38 Leases

Events subsequent to reporting date
With consideration to AASB 110 *Events after the Reporting Date*, the Group has assessed whether the Melbourne and Victorian lockdown announced by the Victorian Premier on 7 July 2020 constitutes a subsequent event. While it was a new decision made after 30 June 2020, it was based on events that had occurred prior to 30 June 2020. In the calculation of the collectively assessed provision as at 30 June 2020, the Group considered the possibility of a second wave of COVID-19 and further lockdowns in the range of scenarios used, hence no adjustments were required. The Group regularly reviews the forward-looking information and scenarios given that the COVID-19 situation is constantly evolving.

2 **Summary of significant accounting policies** (continued)

Changes in accounting policies

AASB 16 *Leases*
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 using 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.

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 117.

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 117, 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 assets	(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 was 2.9%.

An explanation of the differences between the operating lease commitments previously disclosed in the Group's 2019 Annual Financial Report 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.

2 **Summary of significant accounting policies** (continued)

Changes in accounting policies (continued)

AASB 16 *Leases* (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 ROUA 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 the Income Statement if the carrying amount of the ROUA has been reduced to zero. Lease liability is included in the balance of Other payables in the Balance Sheet.

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 net cash flows from operating activities as an interest payment.

2 **Summary of significant accounting policies** (continued)

Changes in accounting policies (continued)

AASB 16 *Leases* (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 the Income Statement.
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 the Income Statement 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 classification 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.

Interest Rate Benchmark Reform
(Amendments to IFRS 9, IAS 39 and IFRS 7)
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 the Bank Bill Swap Rate (BBSW). The project established to monitor the developments of regulators and to assess the impact of the introduction of alternative risk-free rates is continuing. This program of works includes assessing and implementing necessary changes to ensure the introduction of the new risk-free rate is incorporated into the Group's internal processes and systems including pricing, risk management, documentation and hedge arrangements.

The Group's hedging relationships are predominately affected by the BBSW. Given the Group expects that BBSW will continue to exist as a benchmark rate going forward, it does not foresee an impact on its fair value or cash flow hedges.

Recently issued or amended standards not yet effective

Amendments to References to Conceptual Framework in IFRS Standards
In June 2019 the AASB issued a revised Conceptual Framework for Financial Reporting. The new Framework includes updated definitions and criteria for the recognition and derecognition of assets and liabilities. Additionally, it introduces new concepts on measurement, including factors to consider when selecting a measurement basis. The revised Conceptual Framework will apply to the Group from 1 July 2020 and is not expected to have a material impact on the Group.

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

- 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];
- 2019-1 *Amendments to Australian Accounting Standards – Reference to the Conceptual Framework*;
- AASB 17 *Insurance Contracts*;
- Classification of liabilities as current or non-current (Amendments to AASB 101);
- *COVID-19 Related Rent Concessions (Amendments to AASB 16);*
- *Onerous Contracts - Cost of Fulfilling a Contract (Amendments to AASB 137);*
- Annual Improvements to IFRS Standards 2018-2020;
- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to AASB 16);* and
- *Reference to the Conceptual Framework (Amendments to AASB 3).*

Results for the year

This section outlines the performance of the Group in more detail. Further analysis has been provided for the following key areas: revenue and expenses, income tax, segment results, earnings per share and dividends.

3 Profit

		Group		Bank	
		2020 [1]	2019	2020 [1]	2019
	Note	$m	$m	$m	$m
Interest income					
Effective interest income					
Cash and cash equivalents		0.5	1.2	0.4	1.2
Assets held at FVTPL		58.5	94.0	58.5	95.3
Assets held at FVOCI		1.0	4.7	148.8	166.3
Assets held at amortised cost		1.1	12.0	1.1	0.6
Reverse repurchase agreements		11.5	13.4	11.5	13.4
Loans and other receivables		2,197.6	2,518.0	1,988.1	2,071.6
Total interest income		**2,270.2**	**2,643.3**	**2,208.4**	**2,348.4**
Interest expense					
Deposits					
Retail		(668.8)	(965.7)	(668.7)	(894.3)
Wholesale - domestic		(125.9)	(208.9)	(125.9)	(196.1)
Wholesale - offshore		-	(4.1)	-	(4.1)
Other borrowings					
Notes payable		(73.8)	(94.4)	0.1	(0.1)
Repurchase agreements		(4.0)	(7.8)	(4.0)	(7.5)
Lease liability - interest expense		(7.4)	-	(7.4)	-
Preference shares		(29.4)	(35.7)	(29.4)	(35.7)
Subordinated debt		(27.1)	(37.1)	(27.1)	(36.6)
Total interest expense		**(936.4)**	**(1,353.7)**	**(862.4)**	**(1,174.4)**
Total net interest income		**1,333.8**	**1,289.6**	**1,346.0**	**1,174.0**
Other revenue					
Fee income					
Assets		76.0	77.4	67.8	68.8
Liabilities and other products		76.1	83.2	76.0	79.8
Trustee, management and other services		3.4	3.2	0.7	0.6
Total fee income		**155.5**	**163.8**	**144.5**	**149.2**
Commissions and management fees		**56.6**	**73.5**	**15.8**	**19.3**
Revenue from contracts with customers		**212.1**	**237.3**	**160.3**	**168.5**
Other income					
Foreign exchange income		22.6	22.4	22.6	22.4
Factoring products income		1.4	1.7	1.4	1.7
Trading book income		11.2	12.2	11.2	12.4
Homesafe revaluation gain/(loss)	25	36.0	(24.1)	-	-
Dividend income		1.3	0.6	120.5	300.6
Other		16.0	27.8	13.3	30.2
Total other income		**88.5**	**40.6**	**169.0**	**367.3**
Total other revenue		**300.6**	**277.9**	**329.3**	**535.8**

[1] The Group applied AASB 16 *Leases* from 1 July 2019. Prior periods have not been restated.

3 Profit (continued)

Recognition and measurement

Interest income or expense on financial instruments that are recognised at amortised cost or fair value through other comprehensive income are measured using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial instrument. Calculation of the effective interest rate takes into account fees receivable (i.e. origination and application fees) or payable that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

The Group adopted AASB 16 *Leases* on 1 July 2019. Consequently, where the Group acts as a lessee, and a lease liability has been recognised, the interest expense associated with the lease liability is recognised as an interest expense.

Trading book income represents the fair value adjustments for financial assets measured at FVTPL.

Commissions and management fees are earned by the Group from a diverse range of financial services provided to customers. Fees, commissions and management fees are recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or over the contract period for a service provided over time.

Dividend income is recognised by the Group when the right to receive a payment is established.

Homesafe revaluation gain/(loss) reflects the gains or losses arising from changes in the fair value of investment property and are recognised in the year in which they arise. Refer to Note 25 for further information.

		Group		Bank	
		2020 [1]	2019	2020 [1]	2019
Expenses	Note	$m	$m	$m	$m
Credit expenses					
Individually assessed provision		(56.4)	(70.1)	(56.3)	(69.2)
Collectively assessed provision		(106.2)	25.5	(106.3)	21.5
Bad debts written off		(10.7)	(10.0)	(8.3)	(2.6)
Bad debts recovered		4.8	4.3	3.1	2.5
Total credit expenses	10	**(168.5)**	**(50.3)**	**(167.8)**	**(47.8)**
Operating expenses					
Staff and related costs					
Salaries, wages and incentives		(481.0)	(445.2)	(464.4)	(398.2)
Superannuation contributions		(50.1)	(40.8)	(48.5)	(36.5)
Other staff related costs		(36.0)	(32.5)	(34.9)	(29.0)
Total staff and related costs		**(567.1)**	**(518.5)**	**(547.8)**	**(463.7)**
Occupancy costs					
Operating lease rentals		(5.5)	(57.2)	(5.5)	(57.0)
Depreciation of leasehold improvements		(7.8)	(8.4)	(7.8)	(8.3)
Other		(23.0)	(25.7)	(22.7)	(25.2)
Total occupancy costs		**(36.3)**	**(91.3)**	**(36.0)**	**(90.5)**
Amortisation and depreciation					
Amortisation of acquired intangibles		(3.2)	(3.7)	(1.8)	(1.8)
Amortisation of software intangibles [2]		(50.1)	(33.8)	(49.6)	(33.2)
Depreciation of property, plant and equipment [3]		(64.4)	(10.6)	(64.3)	(10.1)
Total amortisation and depreciation costs		**(117.7)**	**(48.1)**	**(115.7)**	**(45.1)**
Fees and commission expense		**(20.3)**	**(31.1)**	**(7.2)**	**(7.4)**
Other operating expenses					
Communications, postage and stationery		(35.8)	(37.2)	(38.0)	(39.7)
Computer systems and software costs		(70.9)	(74.9)	(67.9)	(69.8)
Advertising and promotion		(31.6)	(29.5)	(30.9)	(27.2)
Other product and services delivery costs		(24.3)	(31.0)	(24.3)	(30.9)
Other expenses [4]		(275.8)	(103.6)	(294.7)	(82.0)
Total other operating expenses		**(438.4)**	**(276.2)**	**(455.8)**	**(249.6)**
Total other expenses		**(1,179.8)**	**(965.2)**	**(1,162.5)**	**(856.3)**

[1] The Group applied AASB 16 *Leases* from 1 July 2019. Prior periods have not been restated.
[2] FY20 includes software accelerated amortisation expenses (Group: $19.0m and Bank: $18.5m).
[3] FY20 includes depreciation of ROUAs.
[4] FY20 includes software impairment charges (Group: $121.9m and Bank: $121.9m).

3 **Profit** (continued)

Recognition and measurement

Operating expenses are recognised as the relevant service is rendered, or once a liability is incurred.

Credit expenses are measured as the difference between the carrying amount and the value of the estimated future cash flows, discounted at the financial instruments original effective interest rate. Refer to Note 10 for more information on the impairment of loans and advances.

Staff and related costs
Wage and salary costs are recognised over the period in which the employees provide the service. Refer to Note 29 for more information relating to staff provisions.

Incentive payments are recognised to the extent that the Group has a present obligation. Refer to Note 35 for further information on share based payments.

Superannuation contributions are made to an employee accumulation fund and expensed when they become payable. The Group also operates a defined benefits scheme, the membership of which is now closed.

Occupancy costs
Includes operating lease expenses relating to low value assets and short-term leases (leases that have lease terms of 12 months or less). Prior to the adoption of AASB 16 on 1 July 2019 operating lease payments were recognised as an expense on a straight line basis over the lease term.

Amortisation
Refer to Note 26 for information on the amortisation of intangibles.

Depreciation
Following the adoption of AASB 16 on 1 July 2019, expenses associated with operating leases are shown as depreciation of the Right-of-Use-Assets (ROUA). Comparatives have not been restated. Refer to Note 38 for further information on the depreciation of leased assets.

Goods and services tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the Balance Sheet. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities, which are recoverable from or payable to the taxation authority, are classified as operating cash flows.

4 Income tax expense

Major components of income tax expense are:

	Group 2020 $m	Group 2019 $m	Bank 2020 $m	Bank 2019 $m
Income Statement				
Current income tax				
Current income tax charge	(163.1)	(168.0)	(157.5)	(144.5)
Franking credits	1.0	1.1	1.0	1.1
Adjustments in respect of current income tax of previous years	2.5	5.9	2.6	7.0
Deferred income tax				
Adjustments in respect of deferred income tax of previous years	(1.4)	(4.2)	(1.6)	(5.2)
Relating to origination and reversal of temporary differences	67.7	(10.0)	73.3	(19.8)
Income tax expense reported in the Income Statement	**(93.3)**	**(175.2)**	**(82.2)**	**(161.4)**
Statement of changes in equity				
Deferred income tax related to items charged or credited directly in equity				
Net gain on cash flow hedges	6.1	(5.8)	6.1	(5.8)
Net gain on financial assets fair value through other comprehensive income (FVOCI)	(0.2)	-	13.7	(5.5)
Net gain on revaluation of land and buildings	0.2	-	-	-
Actuarial gain on superannuation defined benefits plan	0.4	-	0.4	-
Income tax charged or credited in equity	**6.5**	**(5.8)**	**20.2**	**(11.3)**

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	Group 2020 $m	Group 2019 $m	Bank 2020 $m	Bank 2019 $m
Accounting profit before income tax	286.1	552.0	345.0	805.7
Income tax expense comprises amounts set aside as:				
Provision attributable to current year at statutory rate, being:				
Prima facie tax on accounting profit before tax	(85.8)	(165.6)	(103.5)	(241.7)
Under provision in prior years	1.1	1.8	1.0	1.8
Tax credits and adjustments	1.0	1.1	1.0	1.1
Expenditure not allowable for income tax purposes	(11.3)	(12.3)	(18.4)	(11.7)
Other non assessable income	0.2	0.9	0.2	0.1
Tax effect of tax credits and adjustments	(0.3)	(0.3)	(0.3)	(0.3)
Dividends received	-	-	35.8	90.0
Other	1.8	(0.8)	2.0	(0.7)
Income tax expense reported in the Income Statement	**(93.3)**	**(175.2)**	**(82.2)**	**(161.4)**

Deferred income tax

Deferred income tax at 30 June relates to the following:

	Group 2020 $m	Group 2019 $m	Bank 2020 $m	Bank 2019 $m
Gross deferred tax assets				
Derivatives	35.0	41.4	35.0	41.4
Employee benefits	29.4	28.7	29.5	28.3
Provisions	106.5	91.9	107.0	93.4
Lease liability	66.4	-	66.3	-
Property, plant and equipment	-	22.0	-	21.9
Other	14.6	8.6	19.1	4.6
Gross deferred tax assets	**251.9**	**192.6**	**256.9**	**189.6**
Set-off of deferred tax assets and deferred tax liabilities	(163.6)	(187.3)	(73.8)	(107.7)
Net deferred tax assets	**88.3**	**5.3**	**183.1**	**81.9**

4 **Income tax expense** (continued)

Deferred income tax (continued)	Group		Bank	
	2020	2019	2020	2019
Gross deferred tax liabilities	$m	$m	$m	$m
Net gain on financial assets fair value through other comprehensive income (FVOCI)	0.6	0.2	-	7.2
Deferred expenses	-	1.4	-	1.4
Derivatives	31.7	45.1	31.7	45.1
Intangible assets	1.6	36.6	0.8	35.3
Investment property	88.3	84.6	-	-
Property, plant and equipment	32.6	-	32.5	-
Other	8.8	19.4	8.8	18.7
Gross deferred tax liability	**163.6**	**187.3**	**73.8**	**107.7**
Set-off of deferred tax assets and deferred tax liabilities	**(163.6)**	**(187.3)**	**(73.8)**	**(107.7)**
Net deferred tax liabilities	**-**	**-**	**-**	**-**
Income tax payable/(current tax asset)				
Tax (refundable)/payable attributable to members of the tax consolidated group	(17.6)	6.4	(17.6)	6.4
	(17.6)	**6.4**	**(17.6)**	**6.4**

At 30 June 2020, there is no unrecognised deferred income tax liability (2019: Nil) for taxes that would be payable on the unremitted earnings of certain subsidiaries or joint ventures of the Group, as the Group has no liability for additional taxation should such amounts be remitted.

Recognition and measurement

Current taxes
The income tax for the period is the tax payable on the current period's taxable income based on the national income tax rate, adjusted for changes in deferred tax assets and liabilities and unused tax losses.

Deferred taxes
The Group has adopted the Balance Sheet liability method of tax effect accounting, which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Balance Sheet or a tax-based Balance Sheet.

Deferred tax assets and liabilities are recognised for temporary differences, except where the deferred tax asset/liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

For amounts directly recognised in equity, the associated current and deferred tax balances are also recognised directly in equity.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax balances are reviewed annually to determine whether they should be recognised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Balance Sheet date.

Tax consolidation
Bendigo and Adelaide Bank Limited and its 100% owned subsidiaries form the tax consolidated Group. Members of the Group entered into a tax sharing agreement to allocate income tax liabilities to the wholly-owned subsidiaries should the head entity default on its tax payment obligations.

At the balance date, the possibility of default is remote. The head entity of the tax consolidated Group is Bendigo and Adelaide Bank Limited.

Members of the tax consolidated Group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated Group on a group allocation method based on a notional stand alone calculation, while deferred taxes are calculated by members of the tax consolidated Group in accordance with AASB 112 *Income Taxes*.

5 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.

The Group has the following reportable segments: Consumer, Business and Agribusiness.

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, Community Sector Banking and Great Southern.

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

Corporate
Corporate includes the results of the Group's support functions including treasury, technology, property services, strategy, finance, risk, compliance, legal, human resources, and investor relations.

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 funds 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 year ended 30 June 2020	Operating segments			Total operating segments	Corporate [1]	Total
	Consumer	Business	Agribusiness			
	$m	$m	$m	$m	$m	$m
Net interest income	856.3	288.1	155.3	1,299.7	34.1	1,333.8
Other income	224.8	42.5	18.3	285.6	15.0	300.6
Total segment income	1,081.1	330.6	173.6	1,585.3	49.1	1,634.4
Operating expenses	(482.4)	(97.9)	(63.6)	(643.9)	(535.9)	(1,179.8)
Credit (expenses)/income	3.9	(35.0)	(6.1)	(37.2)	(131.3)	(168.5)
Segment result (before tax expense)	602.6	197.7	103.9	904.2	(618.1)	286.1
Tax (expense)/income	(196.5)	(64.5)	(33.9)	(294.9)	201.6	(93.3)
Segment result (statutory basis)	406.1	133.2	70.0	609.3	(416.5)	192.8
Cash basis adjustments:						
Specific income and expense items (after tax)	(12.3)	3.0	0.1	(9.2)	104.9	95.7
Homesafe net realised income (after tax)	11.0	-	-	11.0	-	11.0
Amortisation of acquired intangibles (after tax)	-	0.1	0.5	0.6	1.6	2.2
Segment result (cash basis)	404.8	136.3	70.6	611.7	(310.0)	301.7

[1] The COVID-19 overlay of $127.7m has been included in the Corporate segment results.

5 **Segment results** (continued)

For the year ended 30 June 2019	Operating segments			Total operating segments	Corporate	Total
	Consumer	Business	Agribusiness			
	$m	$m	$m	**$m**	$m	**$m**
Net interest income	826.3	295.8	135.9	**1,258.0**	31.6	**1,289.6**
Other income	188.7	45.3	15.2	**249.2**	28.7	**277.9**
Total segment income	**1,015.0**	**341.1**	**151.1**	**1,507.2**	**60.3**	**1,567.5**
Operating expenses	(494.9)	(88.7)	(66.8)	**(650.4)**	(314.8)	**(965.2)**
Credit expenses	(18.7)	(32.5)	2.5	**(48.7)**	(1.6)	**(50.3)**
Segment result (before tax expense)	**501.4**	**219.9**	**86.8**	**808.1**	**(256.1)**	**552.0**
Tax (expense)/income	(159.1)	(69.8)	(27.6)	**(256.5)**	81.3	**(175.2)**
Segment result (statutory basis)	**342.3**	**150.1**	**59.2**	**551.6**	**(174.8)**	**376.8**
Cash basis adjustments:						
Specific income and expense items (after tax)	32.1	-	0.8	**32.9**	(6.5)	**26.4**
Homesafe net realised income (after tax)	9.9	-	-	**9.9**	-	**9.9**
Amortisation of acquired intangibles (after tax)	0.4	-	0.4	**0.8**	1.8	**2.6**
Segment result (cash basis)	**384.7**	**150.1**	**60.4**	**595.2**	**(179.5)**	**415.7**

Reportable segment assets and liabilities	Operating segments			Total operating segments	Corporate	Total
	Consumer	Business	Agribusiness			
	$m	$m	$m	**$m**	$m	**$m**
For the year ended 30 June 2020						
Reportable segment assets	45,884.6	13,348.8	6,073.5	**65,306.9**	10,702.0	**76,008.9**
Reportable segment liabilities	41,281.0	11,503.7	3,107.8	**55,892.5**	10,814.7	**66,707.2**
For the year ended 30 June 2019						
Reportable segment assets	42,705.0	13,446.4	5,997.5	**62,148.9**	10,286.4	**72,435.3**
Reportable segment liabilities	37,750.6	12,118.2	3,863.0	**53,731.8**	9,607.5	**63,339.3**

	As at June 2020 $m	As at June 2019 $m
Total assets for operating segments	76,008.9	72,435.3
Total assets	**76,008.9**	**72,435.3**
Total liabilities for operating segments	66,707.2	63,339.3
Notes payable and Term Funding Facility[1]	3,503.5	3,464.4
Total liabilities	**70,210.7**	**66,803.7**

[1] Refer to Note 14 for further details.

6 Earnings per ordinary share

	Group	
	2020	2019
	Cents per share	Cents per share
Basic	38.1	77.1
Diluted	35.2	69.7
Cash basis	59.7	85.0

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share (EPS) are as follows:

Reconciliation of earnings used in the calculation of earnings per ordinary share	$m	$m
Net profit after tax	192.8	376.8
Total basic earnings	**192.8**	**376.8**
Earnings used in calculating basic earnings per ordinary share	192.8	376.8
Add back: dividends accrued and/or paid on dilutive preference shares	20.6	25.0
Total diluted earnings	**213.4**	**401.8**
Earnings used in calculating basic earnings per ordinary share	192.8	376.8
Add back: amortisation of acquired intangibles (after tax)	2.2	2.6
Add back: specific income and expense items (after tax)	95.7	26.4
Add back: Homesafe net realised income (after tax)	11.0	9.9
Total cash earnings	**301.7**	**415.7**
Specific income and expense items after tax comprise:		
Items included in interest income		
Fair value adjustments - interest expense	(0.1)	(0.3)
Homesafe funding costs - unrealised	(8.8)	(12.6)
Total specific net interest income items	**(8.9)**	**(12.9)**
Items included in non interest income		
Revaluation (losses)/gains on economic hedges	(2.2)	7.4
Homesafe revaluation gain/(loss)	25.2	(16.9)
Total specific other income items	**23.0**	**(9.5)**
Items included in operating expenses		
Compensation costs	-	(0.5)
Impairment charge	(2.8)	(0.5)
Integration costs	-	(0.5)
Legal costs	(2.1)	(0.9)
Loss on sale of Bendigo Financial Planning business	-	(1.6)
Restructuring provision	(6.2)	-
Software accelerated amortisation	(13.2)	-
Software impairment	(85.5)	-
Total specific operating expense items	**(109.8)**	**(4.0)**
Total specific items attributable to the Group	**(95.7)**	**(26.4)**
Other specific items		
Homesafe revaluation gain - realised	(17.0)	(15.0)
Homesafe funding costs - realised	6.0	5.1
Homesafe net realised income	**(11.0)**	**(9.9)**

6 **Earnings per ordinary share** (continued)

Weighted average number of ordinary shares	Group 2020 No. of shares	Group 2019 No. of shares
Weighted average number of ordinary shares (basic)	505,527,450	489,004,317
Effect of dilution - executive performance rights	894,188	1,294,474
Effect of dilution - preference shares	98,959,710	86,317,579
Weighted average number of ordinary shares (diluted)	**605,381,348**	**576,616,370**

Potentially dilutive instruments
The following instruments are potentially dilutive during the reporting period:

	Dilutive 2020	Dilutive 2019
Preference shares	Yes	Yes
Executive performance rights	Yes	Yes
Subordinated Note (with non viability clause)	No	No

Recognition and measurement

Basic EPS is calculated as net profit after tax, divided by the weighted average number of ordinary shares.

Diluted EPS is calculated as net profit after tax, add back dividends on dilutive preference shares, divided by the weighted average number of ordinary shares and potential dilutive ordinary shares.

Cash basis EPS is calculated as net profit after tax, adjusted for amortisation on acquired intangibles, specific income and expense items and Homesafe net realised income, divided by the weighted average number of ordinary shares. All adjustments are net of tax.

Executive performance rights - classification of securities
Executive performance rights are treated as dilutive from the date of issue and remain dilutive, so long as the performance conditions are satisfied. In the event of a performance condition not being satisfied, the number of dilutive rights would be reduced to the number that would have been issued if the end of the period was the end of the contingency period.

Significant accounting judgements, estimates and assumptions

Cash earnings
Cash earnings is an unaudited, non-IFRS financial measure. It is considered by management to be a key indicator of the underlying performance of the core business activities of the Group. The basis for determining cash earnings is net profit after tax, adjusted for specific items, amortisation on acquired intangibles and Homesafe net realised income. All adjustments are net of tax.

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

7 Dividends

Ordinary shares (ASX:BEN)

Dividends paid	Group						Bank					
	Date paid	Cents per share ¢	Total amount $m	Date paid	Cents per share ¢	Total amount $m	Date paid	Cents per share ¢	Total amount $m	Date paid	Cents per share ¢	Total amount $m
	June 2019 final dividend			June 2018 final dividend			June 2019 final dividend			June 2018 final dividend		
	Sept 2019	35.0	169.5	Sept 2018	35.0	166.0	Sept 2019	35.0	169.5	Sept 2018	35.0	166.0
	December 2019 interim dividend			December 2018 interim dividend			December 2019 interim dividend			December 2018 interim dividend		
	Mar 2020	31.0	150.8	Mar 2019	35.0	168.7	Mar 2020	31.0	150.8	Mar 2019	35.0	168.7
		66.0	**320.3**		**70.0**	**334.7**		**66.0**	**320.3**		**70.0**	**334.7**

All dividends paid were fully franked at 30% either from existing franking credits or from franking credits arising from payment of income tax provided for in the financial statements.

June 2020 Final Dividend - Decision Deferred

Whilst economic uncertainty remains and the full impact of COVID-19 is still evolving, the Board has acted prudently in considering the interests of shareholders and APRA's industry guidance on capital management, to defer a final dividend decision. Ongoing stress testing continues to support the Bank's strong balance sheet and capital position.

The Board will continue to monitor the economic conditions in order to review dividend options.

Preference shares

	Group						Bank					
	2020			2019			2020			2019		
	Date paid	Cents per share ¢	Total amount $m	Date paid	Cents per share ¢	Total amount $m	Date paid	Cents per share ¢	Total amount $m	Date paid	Cents per share ¢	Total amount $m
Convertible preference shares (CPS2) (recorded as debt instruments) (ASX:BENPE)												
	Nov 2019	164.71	4.8	Nov 2018	186.49	5.4	Nov 2019	164.71	4.8	Nov 2018	186.49	5.4
	May 2020	144.57	4.2	May 2019	185.02	5.4	May 2020	144.57	4.2	May 2019	185.02	5.4
		309.28	**9.0**		**371.51**	**10.8**		**309.28**	**9.0**		**371.51**	**10.8**
Convertible preference shares (CPS3) (recorded as debt instruments) (ASX:BENPF)												
	Dec 2019	184.60	5.2	Dec 2018	218.71	6.2	Dec 2019	184.60	5.2	Dec 2018	218.71	6.2
	June 2020	174.03	4.9	June 2019	215.91	6.1	June 2020	174.03	4.9	June 2019	215.91	6.1
		358.63	**10.1**		**434.62**	**12.3**		**358.63**	**10.1**		**434.62**	**12.3**
Converting preference shares (CPS4) (recorded as debt instruments) (ASX:BENPG)												
	Sept 2019	89.91	2.9	Sept 2018	102.60	3.3	Sept 2019	89.91	2.9	Sept 2018	102.60	3.3
	Dec 2019	83.43	2.7	Dec 2018	99.07	3.2	Dec 2019	83.43	2.7	Dec 2018	99.07	3.2
	Mar 2020	81.08	2.6	Mar 2019	99.24	3.2	Mar 2020	81.08	2.6	Mar 2019	99.24	3.2
	June 2020	78.78	2.5	June 2019	99.11	3.2	June 2020	78.78	2.5	June 2019	99.11	3.2
		333.20	**10.7**		**400.02**	**12.9**		**333.20**	**10.7**		**400.02**	**12.9**

7 **Dividends** (continued)

Dividend franking account

	Group	
	June 2020	June 2019
	$m	$m
Balance of franking account as at the end of the financial year	499.0	463.0
Franking credits that will arise from the payment of income tax provided for in the financial report	(17.6)	6.4
Impact of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution of equity holders during the period	(0.6)	(73.5)
Closing balance	**480.8**	**395.9**

Ordinary Share dividends paid

Dividends paid by cash or satisfied by the issue of shares under the Dividend Reinvestment Plan during the year were as follows:

	Group		Bank	
	June 2020	June 2019	June 2020	June 2019
	$m	$m	$m	$m
Paid in cash [1]	277.4	288.7	277.4	288.7
Satisfied by issue of shares [2]	42.9	46.0	42.9	46.0
	320.3	**334.7**	**320.3**	**334.7**

[1] Refers to cash paid to shareholders who did not elect to participate in the Dividend Reinvestment Plan.
[2] Includes share issued to participating shareholders under the Dividend Reinvestment Plan.

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 Stock Exchange over the seven trading days commencing two trading days following the record date for determining entitlements. Shares issued under this Plan rank equally with all other ordinary shares. Given the Board's decision to defer the final dividend for the year ended 30 June 2020, decisions relating to the Dividend Reinvestment Plan have also been deferred and will be reviewed in line with dividend options.

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 share is equal to the volume weighted average share price of Bendigo and Adelaide Bank shares traded on the Australian Stock Exchange over the seven trading days commencing two trading days following the record date for determining entitlements. Shares issued under this Plan rank equally with all other ordinary shares. Given the Board's decision to defer the final dividend for the year ended 30 June 2020, decisions relating to the Bonus Share Scheme have also been deferred and will be reviewed in line with dividend options.

The last date for the receipt of an election notice for participation in either the Dividend Reinvestment Plan or the Bonus Share Scheme for the 2020 final dividend is the trading day following the record date for determining entitlements.

Financial Instruments

This section covers the financial instruments held by the Group including: loans and advances, derivatives and deposits and notes payable. This section outlines how the fair value of financial instruments is determined and the associated methodology.

Initial recognition and measurement

Financial assets and liabilities are initially recognised on the date on which the Group becomes a party to the contractual provisions of the instrument, or, in the case of loans and advances, when funds are transferred to the customers' account.

At initial recognition, the Group measures a financial instrument at its fair value plus or minus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial instrument, such as fees and commissions.

Transaction costs of financial instruments carried at FVTPL are expensed in the Income Statement.

Classification of financial assets

Subsequent to initial recognition, the measurement of the Group's financial assets is dependent on the business model in which it is managed and the contractual cash flow characteristics. There are four measurement classifications, being:

- amortised cost;
- fair value through other comprehensive income (FVOCI) with recycling;
- fair value through other comprehensive income (FVOCI) without recycling; and
- fair value through profit or loss (FVTPL).

The Group measures financial assets at amortised cost if the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, unless the financial asset has been designated as FVTPL. The details of these conditions are outlined below.

Financial assets with contractual terms that meet the SPPI test and that are held within a business model where the objective is to both collect contractual cashflows and sell the financial assets are measured at FVOCI with subsequent reclassification to the Income Statement, unless the financial asset has been designated as FVTPL. Non-traded equity instruments have been designated at FVOCI with no subsequent reclassification to the Income Statement. All other assets are measured at FVTPL.

Business Model Assessment
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives. While judgement is used in determining the business model, consideration is given to relevant, objective evidence including:

- The business purpose of the portfolio;
- The risks that affect the performance and the way those risks are managed;
- The basis on which the performance of the portfolio is evaluated; and
- The frequency and significance of sales activity.

If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI Test
The Group assesses financial assets to evaluate if their contractual cash flow are comprised of solely payment of principal and interest (the SPPI test).

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). 'Interest' for the purpose of this test is defined as the consideration for the time value of money and credit risk, which are the most significant elements of interest within a lending arrangement. Principal amounts include repayments of lending and financing arrangements, and interest primarily relates to basic lending returns, including compensation for credit risk and the time value of money associated with the principal amount outstanding. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding.

8 Cash and cash equivalents

	Group		Bank	
	2020	2019	2020	2019
	$m	$m	$m	$m
Notes and coins	129.7	138.4	129.8	138.3
Cash at bank	960.0	653.6	596.3	461.9
Reverse repurchase agreements	99.9	200.0	99.9	200.0
Investments at call	-	80.0	-	80.0
Total cash and cash equivalents	**1,189.6**	**1,072.0**	**826.0**	**880.2**

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

	$m	$m	$m	$m
Cash and cash equivalents	1,189.6	1,072.0	826.0	880.2
Due from other financial institutions	137.0	270.6	137.0	270.6
Due to other financial institutions	(145.1)	(420.6)	(145.1)	(420.6)
	1,181.5	**922.0**	**817.9**	**730.2**

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.

9 Loans and other receivables

	Note	Group 2020 $m	Group 2019 $m	Bank 2020 $m	Bank 2019 $m
Overdrafts		1,985.8	2,420.6	1,985.2	2,420.0
Credit cards		307.2	350.6	307.2	350.6
Term loans		60,911.2	57,002.7	61,703.1	57,716.6
Margin lending		1,294.9	1,559.0	-	-
Lease receivables		626.2	609.6	625.2	603.7
Factoring receivables		33.3	63.9	33.3	63.9
Other		163.1	134.4	163.1	134.4
Gross loans and other receivables		**65,321.7**	**62,140.8**	**64,817.1**	**61,289.2**
Individually assessed provision	10	(78.4)	(128.5)	(78.2)	(128.2)
Collectively assessed provision	10	(263.2)	(157.0)	(262.4)	(156.1)
Unearned income		(81.1)	(97.2)	(81.0)	(96.7)
Total provisions and unearned income		**(422.7)**	**(382.7)**	**(421.6)**	**(381.0)**
Deferred costs paid		81.4	64.1	81.3	64.0
Net loans and other receivables		**64,980.4**	**61,822.2**	**64,476.8**	**60,972.2**
Maturity analysis [1]					
At call / overdrafts		5,053.1	5,739.0	4,552.1	4,895.9
Not longer than 3 months		1,121.7	1,228.1	1,120.7	1,226.3
Longer than 3 and not longer than 12 months		2,094.5	2,030.4	2,094.5	2,030.2
Longer than 1 and not longer than 5 years		10,652.7	9,186.0	10,652.7	9,184.3
Longer than 5 years		46,399.7	43,957.3	46,397.1	43,952.5
Gross loans and other receivables		**65,321.7**	**62,140.8**	**64,817.1**	**61,289.2**

[1] Balances exclude individually assessed and collectively assessed provisions, unearned revenue, and deferred costs and are categorised by the contracted maturity date of each.

Recognition and measurement

Loans and other receivables are debt instruments recognised initially at fair value, which represents the cash advanced to the borrower plus direct and incremental transaction costs on settlement date, when funding is advanced to the customer. Loans are subsequently measured in accordance with the Group's Classification of financial assets policy. Most loans are carried at amortised cost, which represents the gross carrying amount less allowances for credit losses. Interest on loans is recognised using the effective interest method. The estimated future cash flows used in the calculation of the effective interest rate include those determined by the contractual term of the asset, and includes all fees, transaction costs and all other premiums or discounts.

For loans carried at amortised cost, impairment losses are recognised in accordance with the three-stage impairment model outlined in Note 10.

Finance leases, where the Group acts as lessor, are included in loans and other receivables. Finance leases are those where substantially all the risks and rewards of the lease asset have been transferred to the lessee. Lease receivables are recognised at an amount equal to the net investment in the lease.

Deferred costs include costs associated with the acquisition, origination or securitisation of loan portfolios. These costs are amortised through the Income Statement over the average life of the loans in these portfolios.

All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired. For further details regarding impairment refer to Note 10.

Unearned income on the Group's personal lending and leasing portfolios is brought to account over the life of the contracts on an actuarial basis.

Some of the Group's customers have been provided with COVID-19 support measures which allow for the deferral of loan payments during the deferral period. These packages have been offered to customers to provide short-term cash flow support. During the deferral period, interest has been capitalised. It is expected that the loan balance along with the capitalised interest will be repaid in full.

10 Impairment of loans and advances

Summary of impaired financial assets	Group 2020 $m	Group 2019 $m	Bank 2020 $m	Bank 2019 $m
Impaired loans				
Loans - without provisions	52.4	85.5	52.4	85.5
Loans - with provisions	187.1	222.1	187.0	220.8
Restructured loans	1.0	3.3	1.0	3.3
Less: individually assessed provisions	(77.5)	(127.6)	(77.3)	(127.3)
Net impaired loans	**163.0**	**183.3**	**163.1**	**182.3**
Net impaired loans % of net loans and other receivables	0.25%	0.29%	0.25%	0.30%
Portfolio facilities - past due 90 days, not well secured	4.9	4.6	4.9	4.6
Less: individually assessed provisions	(0.9)	(0.9)	(0.9)	(0.9)
Net portfolio facilities	**4.0**	**3.7**	**4.0**	**3.7**
Loans past due 90 days				
Accruing loans past due 90 days, with adequate security balance	399.2	458.9	399.2	458.9
Net fair value of properties acquired through the enforcement of security	96.4	60.7	94.7	60.7

Recognition and measurement

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.

Losses for impaired loans are recognised when there is objective evidence that impairment of a loan, or portfolio of loans, has occurred. Impairment losses that are calculated on individual loans, or on groups of loans assessed collectively are recorded in the Income Statement.

Impairment losses are calculated by discounting the expected future cash flows of a loan, which includes expected future receipts of contractual interest, at the loan's original effective interest rate, and comparing the resultant present value with the loan's current carrying amount.

Restructured loans
Restructured loans are facilities in which the original contractual terms have been modified for reasons related to the financial difficulties of the customer. Restructuring may consist of reduction of interest, principal or other payments legally due, or an extension in maturity.

Group Movements in provisions and reserve	Collective provision $m	Stage 1 12 month ECL $m	Stage 2 Lifetime ECL $m	Stage 3 Collectively assessed - Lifetime ECL $m	Stage 3 Individually assessed - Lifetime ECL $m	General reserve for credit losses $m	**Total** **$m**
Balance as at 30 June 2019	-	**28.3**	**84.5**	**44.2**	**128.5**	**77.3**	**362.8**
Transfers during the period to:							
Stage 1	-	0.7	(0.7)	-	-	-	-
Stage 2	-	(17.3)	18.3	(1.0)	-	-	-
Stage 3	-	(6.6)	(6.2)	12.8	-	-	-
Transfer from collectively assessed to individually assessed provisions	-	(0.1)	(1.2)	(6.5)	7.8	-	-
New/increased provisions	-	11.6	131.4	1.0	48.6	20.6	**213.2**
Write-back of provisions no longer required	-	(5.2)	(8.3)	(3.4)	-	-	**(16.9)**
Change in balances	-	17.5	(17.4)	(13.2)	-	(11.3)	**(24.4)**
Bad debts written off previously provided for [1]	-	-	-	-	(106.5)	-	**(106.5)**
Total provision for doubtful debts as at 30 June 2020	-	**28.9**	**200.4**	**33.9**	**78.4**	**86.6**	**428.2**

[1] The reduction in the individually assessed provision is mainly due to the resolution of a number of larger longstanding loans in the second half of the financial year.

10 Impairment of loans and advances (continued)

Group Movements in provisions and reserve	Collective provision $m [1]	Stage 1 12 month ECL $m	Stage 2 Lifetime ECL $m	Stage 3 Collectively assessed - Lifetime ECL $m	Stage 3 Individually assessed - Lifetime ECL $m	General reserve for credit losses $m [1]	Total $m
Balance as at 30 June 2018	**48.2**	**-**	**-**	**-**	**119.3**	**140.3**	**307.8**
Restated for adoption of new accounting standards [1]	(48.2)	33.1	79.0	70.4	-	(82.9)	**51.4**
Transfer from retained earnings	-	-	-	-	-	19.9	**19.9**
Transfers during the period to:							
Stage 1	-	2.9	(2.8)	(0.1)	-	-	**-**
Stage 2	-	(29.1)	31.5	(2.4)	-	-	**-**
Stage 3	-	(9.9)	(15.7)	25.6	-	-	**-**
Transfer from collectively assessed to individually assessed provisions	-	(0.1)	(0.6)	(1.3)	2.0	-	**-**
New/increased provisions	-	6.6	4.5	1.1	68.1	-	**80.3**
Write-back of provisions no longer required	-	(6.4)	(4.4)	(7.3)	-	-	**(18.1)**
Change in balances	-	31.2	(7.0)	(41.8)	-	-	**(17.6)**
Bad debts written off previously provided for	-	-	-	-	(60.9)	-	**(60.9)**
Total provision for doubtful debts as at 30 June 2019	**-**	**28.3**	**84.5**	**44.2**	**128.5**	**77.3**	**362.8**

[1] AASB 9 has been adopted on 1 July 2018; Refer to June 2019 Annual Financial Report for further details.

Bank

	$m	$m	$m	$m	$m	$m	$m
Balance as at 30 June 2019	**-**	**27.5**	**84.6**	**44.0**	**128.2**	**77.3**	**361.6**
Transfers during the period to:							
Stage 1	-	0.7	(0.7)	-	-	-	**-**
Stage 2	-	(17.3)	18.3	(1.0)	-	-	**-**
Stage 3	-	(6.6)	(6.2)	12.8	-	-	**-**
Transfer from collectively assessed to individually assessed provisions	-	(0.1)	(1.2)	(6.5)	7.8	-	**-**
New/increased provisions	-	11.7	131.4	1.0	48.5	20.6	**213.2**
Write-back of provisions no longer required	-	(5.2)	(8.3)	(3.4)	-	-	**(16.9)**
Change in balances	-	17.5	(17.4)	(13.2)	-	(11.3)	**(24.4)**
Bad debts written off previously provided for	-	-	-	-	(106.3)	-	**(106.3)**
Total provision for doubtful debts as at 30 June 2020	**-**	**28.2**	**200.5**	**33.7**	**78.2**	**86.6**	**427.2**

	$m [1]	$m	$m	$m	$m	$m [1]	$m
Balance as at 30 June 2018	**45.7**	**-**	**-**	**-**	**105.4**	**121.7**	**272.8**
Restated for adoption of new accounting standards [1]	(45.7)	30.9	68.0	59.2	-	(66.0)	**46.4**
Transfer from retained earnings	-	-	-	-	-	19.9	**19.9**
Transfers during the period to:							
Stage 1	-	2.9	(2.8)	(0.1)	-	-	**-**
Stage 2	-	(29.1)	31.5	(2.4)	-	-	**-**
Stage 3	-	(9.9)	(15.7)	25.6	-	-	**-**
Transfer from collectively assessed to individually assessed provisions	-	(0.1)	(0.6)	(1.3)	2.0	-	**-**
New/increased provisions	-	5.9	5.1	5.2	67.2	-	**83.4**
Write-back of provisions no longer required	-	(6.4)	(4.4)	(7.3)	-	-	**(18.1)**
Change in balances	-	31.2	(7.0)	(41.8)	-	-	**(17.6)**
Bad debts written off previously provided for	-	-	-	-	(60.2)	-	**(60.2)**
Balances from transfer of business	-	2.1	10.5	6.9	13.8	1.7	**35.0**
Total provision for doubtful debts as at 30 June 2019	**-**	**27.5**	**84.6**	**44.0**	**128.2**	**77.3**	**361.6**

[1] AASB 9 has been adopted on 1 July 2018; Refer to June 2019 Annual Financial Report for further details.

10 **Impairment of loans and advances** (continued)

Summary of provisions and reserve	Group		Bank	
	2020	2019	2020	2019
	$m	$m	$m	$m
Individually assessed provision				
Opening balance	128.5	119.3	128.2	105.4
Bad debts written off previously provided for	(106.5)	(60.9)	(106.3)	(60.2)
Charged to Income Statement	56.4	70.1	56.3	69.2
Balances from transfer of business	-	-	-	13.8
Closing balance	**78.4**	**128.5**	**78.2**	**128.2**
Collectively assessed provision				
Opening balance	157.0	48.2	156.1	45.7
Restatement for adoption of new accounting standards [1]	-	134.3	-	112.4
Charged/(Released) to Income Statement	106.2	(25.5)	106.3	(21.5)
Balances from transfer of business	-	-	-	19.5
Closing balance	**263.2**	**157.0**	**262.4**	**156.1**
General reserve for credit losses (GRCL)				
Opening balance	77.3	140.3	77.3	121.7
Restatement for adoption of new accounting standards [1]	-	(82.9)	-	(66.0)
Increase in GRCL	9.3	19.9	9.3	19.9
Balances from transfer of business	-	-	-	1.7
Closing balance	**86.6**	**77.3**	**86.6**	**77.3**
Total provisions and reserve	**428.2**	**362.8**	**427.2**	**361.6**
Ratios				
Specific provision to gross loans	0.12%	0.21%		
Total provisions and GRCL to gross loans	0.66%	0.58%		
Collective provision and GRCL to risk-weighted assets	0.92%	0.63%		
Provision coverage [2]	178.05%	116.69%		

[1] AASB 9 has been adopted on 1 July 2018; Refer to June 2019 Annual Financial Report for further details.
[2] Provision coverage is calculated as total provisions and reserve divided by total gross impaired assets.

Recognition and measurement

Scope
The Group applies a three-stage approach to measure the allowance for expected credit losses for the following categories of financial assets that are not measured at FVTPL:

- Amortised cost financial assets;
- Debt securities at FVOCI;
- Off-Balance Sheet loan commitments; and
- Financial guarantee contracts.

10 **Impairment of loans and advances** (continued)

Recognition and measurement (continued)

Expected credit loss impairment model
The Group's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial asset depending on credit deterioration from inception.

The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

This impairment model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination:

- **Stage 1** – Where there has not been a significant increase in credit risk (SIR) since initial recognition of a financial asset, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those assets with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- **Stage 2** – When a financial asset experiences a SIR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial asset.
- **Stage 3** – Financial assets that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

Interest income is recognised on gross carrying amounts for financial assets in Stage 1 and Stage 2, and gross carrying value net of provisions for financial assets in Stage 3.

Financial assets in Stage 1 and Stage 2 are assessed for impairment collectively, whilst those in Stage 3 are subjected to either collective or individual impairment assessment. The Group uses the following collective provisioning models for the purpose of calculating expected credit loss:

- Retail lending: residential mortgages model, personal loans model, credit cards model, retail small and medium enterprise (SME) model;
- Non-retail lending: corporate model, commercial real estate model and agribusiness model.

Measurement of expected credit loss
The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio.

Details of these statistical parameters/inputs are as follows:

- **PD** – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognised and is still in the portfolio.
- **EAD** – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- **LGD** – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

Forward-looking information
The estimation of expected credit losses for each stage and the assessment of significant increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information may require significant judgement, particularly during periods of economic uncertainty. In assessing the forward-looking information, the Group has considered the potential impacts of the COVID-19 pandemic and the mitigation measures put in place by governments, regulators and the Reserve Bank of Australia. The Group's expectations of future events have been based on a range of plausible scenarios and are believed to be reasonable and supportable. Under the circumstances, however, it is recognised that uncertainty still exists and actual results may differ from these estimates.

Macroeconomic factors
In its models, the Group relies on a broad range of forward-looking economic information as inputs, such as: GDP growth, unemployment rates, central-bank interest rates, and house-price indices. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgement.

The Group's Economic Outlook Committee is responsible for reviewing and approving the methodology, and any judgements and assumptions. Forecast economic scenarios and the associated probability weights are discussed and approved by the Economic Outlook Committee, along with any management overlays or adjustments required to account for expected risks that have not been considered in the modelling process. At each reporting period any key areas of judgement are reported to the Group's Board Audit Committee.

The Group has recorded a total overlay of $148.3 million for the potential impacts from the COVID-19 pandemic. $127.7 million of this overlay has been added to the collectively assessed provision and $20.6 million to the general reserve for credit losses. This overlay consists of three components, being:
A significant change to the base case economic outlook given COVID-19 impacts. This includes lower GDP, higher unemployment, and a reduction in residential and commercial property prices.

10 **Impairment of loans and advances** (continued)

Recognition and measurement (continued)

Macroeconomic factors (continued)

- A shift in the weightings of the scenarios used in the calculation of the provision towards an increase in the downside economic scenarios.
- An overlay specific to business and consumer portfolios reflecting further potential COVID-19 impacts.

As the COVID-19 impacts evolve, this overlay will be reduced and the impacts will be reflected in the modelled outcome.

Multiple forward-looking scenarios
The Group determines its allowance for credit losses using three probability-weighted forward-looking scenarios. The Group considers both internal and external sources of information and data in order to achieve unbiased projections and forecasts. The Group prepares the scenarios using forecasts generated by Interest Rate Risk in the Banking Book (IRRBB) team. The forecasts are created using internal and external models which are modified by IRRBB as necessary to formulate a 'base case' view of the most probable future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The process involves the development of two additional economic scenarios and consideration of the relative probabilities of each outcome.

The 'base case' represents the most likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables, credit risk, and credit losses.

The assessment and determination of forward-looking assumptions in the current environment is challenging given the inherent uncertainties surrounding COVID-19. The Group has not assumed a sharp recovery in the adopted economic outlook, but rather a slower recovery with probabilities biased to the downside scenario.

The Group's base case economic forecast scenario used to in the calculation of the collectively assessed provision as at 30 June 2020, reflects a sharp deterioration in economic conditions in the second half of the 2020 calendar year, with a gradual improvement by December 2022. Unemployment, under the base case scenario, peaks at 10.0% in third quarter of the 2020 calendar year and slowly improves thereafter. Gross Domestic Product is expected to contract by 9.5% in third quarter of the 2020 calendar year, with positive growth commencing from mid-2021. House prices are expected to fall 11.5% by June 2021, and are expected to recover to current levels by September 2023. Commercial property prices are expected to fall 20.0% by June 2021, and remain at low levels for at least the next five years.

The Group's significant deterioration scenario assumes unemployment peaks at 12.5% in September 2020, and shows slight improvement before again peaking to 14.5% in September 2022. Gross Domestic Product is expected to contract by 13.5% in March 2021 and substantially recover by March 2022, before a second-wave leads to negative Gross Domestic Product in 2022/2023. House prices are expected to fall by 20.0% and commercial property prices fall 32.0% by December 2022.

The table below illustrates the weightings applied to the forecast scenarios for the purpose of calculation the collective.

	Weightings
Base scenario	50%
Mild improvement	15%
Mild deterioration	30%
Significant deterioration	5%

The table below discloses the collectively assessed provision outcomes assuming a 100% weighting is applied to the relevant scenario, all other assumptions held constant.

	Scenario Outcomes ($m) [1]
100% Mild improvement	207.0
100% Base scenario	232.2
100% Mild deterioration	307.7
100% Significant deterioration	475.1

[1] These outcomes exclude the GRCL.

Assessment of significant increase in credit risk (SIR)
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors.

The common assessments for SIR on retail and non-retail portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward-looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments and the borrower and the geographical region. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap. Examples of situations include changes in adjudication criteria for a particular group of borrowers; changes in portfolio composition; and natural disasters impacting certain portfolios. With regards to delinquency and monitoring, there is a rebuttable presumption that the credit risk of the financial instrument has increased since initial recognition when contractual payments are more than 30 days overdue.

Retail portfolio – For retail exposures, a significant increase in credit risk cannot be assessed using forward looking information at an individual account level. Therefore, the assessment must be done at the portfolio level. Portfolio movement thresholds exist for each PD model by product which considers the proportionate change in PD as well as the absolute change in PD.

10 **Impairment of loans and advances** (continued)

Recognition and measurement (continued)

Assessment of significant increase in credit risk (SIR) (continued)
For retail portfolios, a 50 basis point increase in PDs combined with a doubling of the PD since origination will result in a loan transitioning to Stage 2. The thresholds used for PD migration are reviewed and assessed at least annually, unless there is a significant change in credit risk management practices in which case the review is brought forward.

Non-retail portfolio – The Group uses an internal rating system for its non-retail exposures. All non-retail exposures have a rating assigned that reflects the probability of default of the borrower. Both borrower specific and non-borrower specific (i.e. macroeconomic) forward looking information is considered and reflected in the rating. Significant increase in credit risk is evaluated based on the movement of the exposures between ratings i.e. a two notch downgrade in the internal rating since origination will trigger a transfer to Stage 2.

While the deferral of loan payments by customers would normally be treated as an indication of a SIR, the deferral arrangements granted to the Group's customers in relation to COVID-19 support packages have not, in isolation, been treated as an indication of a SIR. This is consistent with APRA guidance. Other information available to the Group in relation to the COVID-19 deferral arrangements has been assessed for evidence of a SIR.

Expected life
When measuring expected credit loss, the Group considers the maximum contractual period over which the Group is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment, and extension and rollover options. For certain revolving credit facilities, such as credit cards, the expected life is estimated based on the period over which the Group is exposed to credit risk and how the credit losses are mitigated by management actions.

Presentation of allowance for credit losses in the Balance Sheet
- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the financial assets;
- Debt instruments measured at fair value through other comprehensive income: no allowance is recognised in the Balance Sheet because the carrying value of these assets is their fair value. However, the allowance determined is presented in the accumulated other comprehensive income;
- Off-Balance Sheet credit risks include undrawn lending commitments, letters of credit and letters of guarantee: as a provision in other liabilities.

Definition of default
The definition of default used in measuring ECL is aligned to the definition used for internal credit risk management and regulatory purposes.

The Group considers a financial instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated.

This includes events that indicate:
- significant financial difficulty of the borrower;
- default or delinquency in interest or principal payments;
- high probability of the borrower entering a phase of bankruptcy or a financial reorganisation;
- measurable decrease in the estimated future cash flows from the loan or the underlying assets that back the loan.

The Group considers that default has occurred when a financial asset is more than 90 days past due, unless reasonable and supportable information demonstrates that a more lagging default criterion is appropriate. Impairment is recognised when it is determined that all principal and interest amounts which are due are unlikely to actually be fully recovered.

Write-off policy
The Group writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, write-off is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier. In subsequent periods, any recoveries of amounts previously written off are credited to the provision for credit losses in the Income Statement.

Modified financial assets
If the terms of a financial asset are modified or an existing financial asset is replaced with a new one, an assessment is made to determine if the existing financial asset should be derecognised. Where a modification does not result in derecognition, the date of origination continues to be used to determine SIR. Where a modification results in derecognition, the new financial asset is recognised at its fair value on the modification date. The modification date is also the date of origination for this new asset.

The Group may modify the contractual terms of loans for either commercial or credit reasons. The terms of a loan in good standing may be modified for commercial reasons to provide competitive pricing to borrowers. Loans are also modified for credit reasons where the contractual terms are modified to grant a concession to a borrower that may be experiencing financial difficulty.

For all financial assets modifications of the contractual terms may result in derecognition of the original asset when the changes to the terms of the loans are considered substantial. These terms include interest rate, authorised amount, term, or type of underlying collateral. The original loan is derecognised and the new loan is recognised at its fair value. The difference between the carrying value of the derecognised asset and the fair value of the new asset is recognised in the Income Statement.

For all loans, performing and credit-impaired, where the modification of terms did not result in the derecognition of the loan, the gross carrying amount of the modified loan is recalculated based on the present value of the modified cash flows discounted at the original effective interest rate, and any gain or loss from the modification is recorded in the provision for credit losses line in the Income Statement.

10 **Impairment of loans and advances** (continued)

Recognition and measurement (continued)

Purchased loans
All purchased loans are initially measured at fair value on the date of acquisition. As a result no allowance for credit losses would be recorded in the Balance Sheet on the date of acquisition. Purchased loans may fit into either of the two categories: Performing loans or Purchased Credit Impaired (PCI) loans.

Purchased performing loans follow the same accounting as originated performing loans and are reflected in Stage 1 on the date of the acquisition. They will be subject to a 12-month allowance for credit losses which is recorded as a provision for credit losses in the Income Statement. The fair value adjustment set up for these loans on the date of acquisition is amortised into interest income over the life of these loans.

PCI loans are reflected in Stage 3 and are always subject to lifetime allowance for credit losses. Any changes in the expected cash flows since the date of acquisition are recorded as a charge/recovery in the provision for credit losses in the Income Statement at the end of all reporting periods subsequent to the date of acquisition.

General reserve for credit losses
The Australian Prudential Regulation Authority (APRA) requires that banks maintain a general reserve for credit losses to cover risks inherent in loan portfolios. In certain circumstances the collective provision can be included in this assessment. Movements in the general reserve for credit losses are recognised as an appropriation from retained earnings.

11 **Financial assets at fair value through profit or loss**

	Group		Bank	
	2020	2019	2020	2019
	$m	$m	$m	$m
Discount securities	996.7	1,424.3	996.7	1,424.3
Floating rate notes	170.0	452.8	170.0	452.8
Government securities	4,244.4	3,959.8	4,244.4	3,959.8
Total financial assets at fair value through profit or loss	**5,411.1**	**5,836.9**	**5,411.1**	**5,836.9**
Maturity analysis	$m	$m	$m	$m
Not longer than 3 months	733.7	1,432.3	733.7	1,432.3
Longer than 3 and not longer than 12 months	1,767.7	1,669.7	1,767.7	1,669.7
Longer than 1 and not longer than 5 years	2,320.6	1,673.5	2,320.6	1,673.5
Over 5 years	589.1	1,061.4	589.1	1,061.4
	5,411.1	**5,836.9**	**5,411.1**	**5,836.9**

Recognition and measurement

Financial assets at fair value through profit or loss
Financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These financial instruments are recorded in the Balance Sheet at fair value with revaluation gains or losses being recognised in the Income Statement.

Interest earned is accrued in interest income using the effective interest rate method, taking into account any discount or premium and qualifying transaction costs being an integral part of the instrument.

Fair value measurement is outlined in Note 19.

12 **Financial assets at amortised cost**

	Group		Bank	
	2020	2019	2020	2019
	$m	$m	$m	$m
Collateral and security deposits	289.3	246.7	105.7	103.6
Other deposits	6.8	6.3	0.1	0.1
Bonds	29.2	40.1	29.2	40.1
Total financial assets at amortised cost	**325.3**	**293.1**	**135.0**	**143.8**
Maturity analysis	$m	$m	$m	$m
Over 5 years	325.3	293.1	135.0	143.8
	325.3	**293.1**	**135.0**	**143.8**

Classification and measurement

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

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in Note 10.

Interest income from these financial assets is included in interest income using the effective interest rate method.

13 Financial assets at fair value through other comprehensive income

	Group		Bank	
	2020	2019	2020	2019
	$m	$m	$m	$m
Debt securities - with recycling				
Mortgage backed securities	17.0	27.0	17.0	27.0
Floating rate notes	253.1	-	253.1	-
Government securities	266.8	-	266.8	-
Semi-government securities	249.9	-	249.9	-
Securitisation notes	-	-	12,414.5	6,086.5
Other debt securities	0.5	0.5	0.5	0.5
Total debt securities - with recycling	**787.3**	**27.5**	**13,201.8**	**6,114.0**
Debt investments - with recycling				
Unlisted share investments	8.7	9.1	-	-
Total debt investments - with recycling	**8.7**	**9.1**	**-**	**-**
Equity investments - without recycling				
Listed share investments	0.1	0.1	0.1	0.1
Unlisted share investments	23.5	19.0	23.5	19.0
Total equity investments - without recycling	**23.6**	**19.1**	**23.6**	**19.1**
Total financial assets at fair value through other comprehensive income	**819.6**	**55.7**	**13,225.4**	**6,133.1**
Maturity analysis	$m	$m	$m	$m
Not longer than 3 months	150.6	1.8	150.6	1.8
Longer than 3 and not longer than 12 months	383.6	4.5	383.6	4.5
Longer than 1 and not longer than 5 years	253.1	20.7	253.1	20.7
Over 5 years	-	0.5	12,414.5	6,087.0
Non-maturing	32.3	28.2	23.6	19.1
	819.6	**55.7**	**13,225.4**	**6,133.1**

Recognition and measurement

A financial asset will be measured at fair value through other comprehensive income if:

- the Group's intent is to hold the asset in order to collect contractual cash flows and/or to sell the asset; and
- the cash flows solely represent principal and interest.

These assets are initially recognised at fair value including directly attributable transaction costs. Subsequent measurement is at fair value with any revaluation gains or losses being included in other comprehensive income. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income is transferred to the Income Statement.

Equity instruments

The Group has irrevocably elected to measure all equity investments that are not held for trading at fair value through other comprehensive income. Subsequent changes to the fair value are recognised in other comprehensive income and are not transferred to the Income Statement, including upon disposal. Dividend income is recognised in the Income Statement unless the dividend represents a recovery of part of the cost of the investment.

Financial liabilities

Classification and measurement of financial liabilities
Financial liabilities are classified into one of the following measurement categories:
- Fair value through profit or loss (FVTPL);
- Amortised cost; or
- Designated at FVTPL.

Financial liabilities measured at FVTPL
Financial liabilities measured at FVTPL are held principally for the purpose of repurchasing in the near term, or form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Financial liabilities are recognised on a trade date basis and are accounted for at fair value, with changes in fair value and any gains or losses recognised in the Income Statement as part of the non-interest income. Transaction costs are expensed as incurred.

Financial liabilities measured at amortised cost
Deposits, subordinated notes and debentures are accounted for at amortised cost. Interest on deposits, calculated using the effective interest rate method, is recognised as interest expense. Interest on subordinated notes and debentures, including capitalised transaction costs, is recognised using the effective interest rate method as interest expense.

Financial liabilities designated at FVTPL
Financial liabilities classified in this category are those that have been designated by the Group upon initial recognition, and once designated, the designation is irrevocable. The FVTPL designation is available only for those financial liabilities for which a reliable estimate of fair value can be obtained.

Financial liabilities are designated at FVTPL when one of the following criteria is met:
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- A group of financial liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- The financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required.

Financial liabilities designated at FVTPL are recorded in the Balance Sheet at fair value. Any changes in fair value are recognised in non-interest income in the Income Statement, except for changes in fair value arising from changes in the Group's own credit risk which are recognised in other comprehensive income. Changes in fair value due to changes in the Group's own credit risk are not subsequently reclassified to the Income Statement upon derecognition/extinguishment of the liabilities.

14 Deposits and notes payable

	Group		Bank	
	2020	2019	2020	2019
Deposits	$m	$m	$m	$m
Customer				
At call	29,526.0	24,194.9	29,523.4	24,199.4
Term	21,383.2	23,848.6	21,383.2	23,848.6
Total customer deposits	**50,909.2**	**48,043.5**	**50,906.6**	**48,048.0**
Wholesale				
Domestic	13,273.4	12,553.4	13,273.4	12,553.4
Total deposits	**64,182.6**	**60,596.9**	**64,180.0**	**60,601.4**

14 **Deposits and notes payable** (continued)

	Group		Bank	
	2020	2019	2020	2019
Deposits	$m	$m	$m	$m
Deposits by geographic location				
Victoria	28,847.0	27,916.5	28,875.8	27,925.0
New South Wales	16,491.6	14,190.5	16,478.1	14,199.2
Queensland	6,282.1	5,915.1	6,274.5	5,909.7
South Australia/Northern Territory	5,660.2	5,460.1	5,656.8	5,457.8
Western Australia	4,040.5	3,996.9	4,035.4	3,993.2
Australian Capital Territory	1,097.2	1,667.3	1,096.3	1,666.7
Tasmania	1,271.4	1,159.1	1,270.9	1,158.7
Overseas	492.6	291.4	492.2	291.1
Total deposits	**64,182.6**	**60,596.9**	**64,180.0**	**60,601.4**
Total notes payable and Term Funding Facility	**3,503.5**	**3,464.4**	**-**	**23.1**

Recognition and measurement

Deposits
All deposits are initially recognised at cost, being the fair value of the consideration received net of issue costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost using the effective interest method. Amortised cost includes any issue costs and any discount or premium on settlement.

For liabilities carried at amortised cost, gains and losses are recognised in the Income Statement when the liabilities are de-recognised.

Reclassification
A review of the Group's deposits has been completed which has resulted in a change to the way deposits are dissected. Customer deposits now represent the sum of interest bearing, non-interest bearing and term deposits from retail and corporate customers. Comparative balances have been restated.

Notes payable and Term Funding Facility
The Group conducts an asset securitisation program through which it packages and sells asset-backed securities to investors. Notes payable are predominately interest-bearing financial instruments issued through these securitisation programs. The notes are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Interest is recognised in the Income Statement.

On 19 March 2020, the Reserve Bank of Australia announced the establishment of the Term Funding Facility (TFF), a three-year facility with a fixed interest rate of 0.25% per annum. The TFF was established to provide ADIs with access to long-term funding to reinforce the benefits to the economy of a lower RBA cash rate and to encourage ADIs to support businesses. The TFF is collateralised by residential mortgage backed securities issued by the Group.

Funding received via the TFF is initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

As at 30 June 2020, the Group's TFF draw downs totalled $725.0 million. The Group has a total initial entitlement of $1.8 billion.

15 **Preference shares**

	Group		Bank	
	2020	2019	2020	2019
	$m	$m	$m	$m
CPS2 (ASX Code:BENPE)				
Oct 2014: 2,921,188 fully paid $100 Convertible preference shares	292.1	292.1	292.1	292.1
Unamortised issue costs	(0.6)	(2.0)	(0.6)	(2.0)
	291.5	**290.1**	**291.5**	**290.1**
CPS3 (ASX Code:BENPF)				
June 2015: 2,822,108 fully paid $100 Convertible preference shares	282.2	282.2	282.2	282.2
Unamortised issue costs	(1.4)	(2.8)	(1.4)	(2.8)
	280.8	**279.4**	**280.8**	**279.4**
CPS4 (ASX Code:BENPB)				
December 2017: 3,216,145 fully paid $100 Converting preference shares	321.6	321.6	321.6	321.6
Unamortised issue costs	(3.7)	(4.7)	(3.7)	(4.7)
	317.9	**316.9**	**317.9**	**316.9**
Total preference shares	**890.2**	**886.4**	**890.2**	**886.4**

Nature of shares

Preference shares are long term in nature and are perpetual, hence they do not have a fixed maturity date. The shares may be redeemed at the discretion of the Group for a price per share on the redemption date. Any preference shares not already converted will be converted into ordinary shares on the mandatory conversion date specified in the issue's prospectus located at http://www.bendigoadelaide.com.au/public/shareholders/prospectus.asp

If the Group is unable to pay a dividend because of insufficient profits, the dividend is non-cumulative. The preference shares rank ahead of the ordinary shares in the event of liquidation. Under certain circumstances, ranking may be affected resulting in shares being converted or written off.

In accordance with Australian Prudential Regulation Authority's Basel III capital adequacy framework, these preference shares form part of the Group's Additional Tier 1 capital.

Recognition and measurement

These instruments are classified as debt within the Balance Sheet and dividends to the holders are treated as interest expense in the Income Statement.

Preference shares are initially recognised at fair value less charges associated with the issue of the instrument. They are subsequently measured at amortised cost using the effective interest rate method.

The shares carry a dividend which will be determined semi-annually and payable half yearly in arrears. The dividend rate will be the floating Bank Bill Rate plus the initial fixed margin, adjusted for franking credits.

16 **Subordinated debt**

	Group		Bank	
	2020	2019	2020	2019
	$m	$m	$m	$m
Subordinated debt	**671.3**	**681.4**	**671.3**	**681.4**
Maturity analysis	$m	$m	$m	$m
Longer than 3 and not longer than 12 months	-	10.0	-	10.0
Longer than 1 and not longer than 5 years	250.4	250.5	250.4	250.5
Over 5 years	420.9	420.9	420.9	420.9
	671.3	**681.4**	**671.3**	**681.4**

16 **Subordinated debt** (continued)

Recognition and measurement

These instruments are classified as debt within the Balance Sheet and the interest expense is recorded in the Income Statement.

Subordinated debt instruments are initially recognised at fair value less charges associated with the issue of the instrument. They are subsequently measured at amortised cost using the effective interest rate method.

Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses are recognised in the Income Statement when the liabilities are derecognised.

17 **Securitisation and transferred assets**

	Repurchase agreements		Securitisation	
	2020	2019	2020	2019
Group	$m	$m	$m	$m
Carrying amount of transferred assets [1]	1,976.9	500.6	3,488.2	3,343.2
Carrying amount of associated liabilities [2]	1,976.9	500.6	3,503.5	3,440.5
Fair value of transferred assets			3,478.4	3,338.6
Fair value of associated liabilities			3,494.5	3,454.2
Net Position			**(16.1)**	**(115.6)**

	Repurchase agreements		Securitisation	
	2020	2019	2020	2019
Bank	$m	$m	$m	$m
Carrying amount of transferred assets	1,976.9	500.6	15,158.0	8,754.2
Carrying amount of associated liabilities [3]	1,976.9	500.6	15,595.9	9,092.8
Fair value of transferred assets			15,111.7	8,742.1
Fair value of associated liabilities			15,563.0	9,127.6
Net position			**(451.3)**	**(385.5)**

[1] Represents the carrying value of the loans transferred to the trust.
[2] Securitisation liabilities of the Group include RMBS notes issued by the SPEs and held by external parties.
[3] Securitisation liabilities of the Bank include borrowings from SPEs including the SPEs that issue internally held notes for repurchase with central banks, recognised on transfer of residential mortgages by the Bank.

Securitisation programs
The Group uses special purpose entities (SPEs) to securitise customer loans and advances that it has originated, in order to source funding, and/or for capital efficiency purposes. The loans are transferred by the Group to the SPE's, which in turn issue debt to investors. This transfer does not give rise to the de-recognition of those financial assets for the Group. The Group holds income and capital units in the trusts which entitle the Group to any residual income of the SPE after all payments to investors and costs of the entity have been met. Trust investors have no recourse against the Group if cash flows from the securitised loans are inadequate to service the trust obligations. Liabilities associated with the SPE's are accounted for on an amortised basis using the effective interest rate method.

Repurchase agreements
Securities sold under agreement to repurchase are retained on the Balance Sheet when the majority of the risks and rewards of ownership remain with the Group. The counterparty liability is included separately on the Balance Sheet when cash consideration is received.

Consolidation
SPEs are consolidated by the Group where the Group has the power to govern directly or indirectly decision making in relation to financial and operational policies and receives the majority of the residual income or is exposed to the majority of the residual risks associated with the SPEs.

The Group enters into interest rate swaps and liquidity facilities with the trusts which are all at arm's length to the SPEs.

Securitised and sold loans
The Group securitised loans totalling $8,847.3 million (2019: $1,416.1 million) during the financial year. The Group invests in some of its own securitisation programs by holding A and B class notes equivalent to $12,437.8 million as at 30 June 2020 (2019: $6,062.5 million).

Other financial instrument disclosures

18 Derivative financial instruments

The Group uses derivative financial instruments primarily to manage risk, including interest rate risk and foreign currency rate risk. Note 20 outlines the risk management framework that the Group applies.

Derivative instruments are contracts whose value is derived from interest rates, foreign exchange rates, commodities, equity prices or other financial variables. Most derivative instruments can be characterised as interest rate contracts, foreign exchange contracts, commodity contracts, equity contracts or credit contracts. Derivative instruments are either exchange-traded contracts or negotiated over-the-counter contracts. Negotiated over-the-counter contracts include swaps, forwards and options.

The Group enters into these derivative contracts for trading purposes, as well as to manage its risk exposures (i.e., to manage the Group's non-trading interest rate, foreign currency and other exposures). Trading activities are undertaken to meet the needs of the Group's customers, as well as for the Group's own account to generate income from trading operations.

All derivatives are recorded at fair value in the Balance Sheet. The determination of the fair value of derivatives includes consideration of credit risk, estimated funding costs and ongoing direct costs over the life of the instruments. Inception gains or losses on derivatives are only recognised where the valuation is dependent only on observable market data, otherwise, they are deferred and amortised over the life of the related contract, or until the valuation inputs become observable. Derivative financial instruments are valued in accordance with Level 2 of the fair value hierarchy, as outlined in Note 19.

The gains or losses resulting from changes in fair values of trading derivatives are included in the Income Statement in Other income.

Changes in the fair value of non-trading derivatives that do not qualify for hedge accounting are recorded in the Income Statement in Other income.

Changes in the fair value of derivatives that qualify for hedge accounting are recorded in the Income Statement in Other income for fair value hedges and are recorded in the Statement of Comprehensive Income in Other comprehensive income for cash flow hedges.

Fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of fixed rate long term financial instruments due to movements in interest rates and exchange rates.

Cash flow hedges consist principally of interest rate swaps that are used to protect against exposures to movements in future interest cash flows on assets and liabilities which bear interest at variable rates.

The Group has assessed the impact of COVID-19 on its derivative financial instruments, specifically, whether they continue to meet the criteria for hedge accounting. As there is still a high probability of the hedged forecast transactions occurring, no hedge ineffectiveness has arisen.

The following table describes the fair values and notional values of derivatives held for trading purposes and for risk management purposes by type of instrument:

	Group 2020				Group 2019			
	Notional amount	Fair value assets	Fair value liabilities	Net fair value	Notional amount	Fair value assets	Fair value liabilities	Net fair value
Derivative category	$m	$m	$m	$m	$m	$m	$m	$m
Derivatives held for trading								
Futures	2,862.5	-	-	-	4,988.0	-	-	-
Interest rate swaps	10,415.1	25.1	(10.0)	15.1	29,194.6	37.6	(25.7)	11.9
Foreign exchange contracts	101.9	0.7	(0.6)	0.1	181.9	0.4	(0.8)	(0.4)
	13,379.5	**25.8**	**(10.6)**	**15.2**	**34,364.5**	**38.0**	**(26.5)**	**11.5**
Derivatives held as fair value hedges								
Interest rate swaps	1.3	-	(0.2)	(0.2)	4.2	-	(0.3)	(0.3)
	1.3	**-**	**(0.2)**	**(0.2)**	**4.2**	**-**	**(0.3)**	**(0.3)**
Derivatives held as cash flow hedges								
Interest rate swaps	34,120.6	80.6	(89.4)	(8.8)	79,211.8	112.6	(108.2)	4.4
	34,120.6	**80.6**	**(89.4)**	**(8.8)**	**79,211.8**	**112.6**	**(108.2)**	**4.4**
Total derivatives	**47,501.4**	**106.4**	**(100.2)**	**6.2**	**113,580.5**	**150.6**	**(135.0)**	**15.6**

18 **Derivative financial instruments** (continued)

	Bank 2020				Bank 2019			
	Notional amount	Fair value assets	Fair value liabilities	Net fair value	Notional amount	Fair value assets	Fair value liabilities	Net fair value
Derivative category	$m	$m	$m	$m	$m	$m	$m	$m
Derivatives held for trading								
Futures	2,862.5	-	-	-	4,988.0	-	-	-
Interest rate swaps	10,415.1	25.1	(10.0)	15.1	29,196.9	37.7	(25.7)	12.0
Foreign exchange contracts	101.9	0.7	(0.6)	0.1	181.0	0.4	(0.8)	(0.4)
	13,379.5	**25.8**	**(10.6)**	**15.2**	**34,365.9**	**38.1**	**(26.5)**	**11.6**
Derivatives held as fair value hedges								
Interest rate swaps	1.3	-	(0.2)	(0.2)	4.2	-	(0.3)	(0.3)
	1.3	**-**	**(0.2)**	**(0.2)**	**4.2**	**-**	**(0.3)**	**(0.3)**
Derivatives held as cash flow hedges								
Interest rate swaps	34,120.6	80.6	(89.4)	(8.8)	79,211.8	112.6	(108.2)	4.4
	34,120.6	**80.6**	**(89.4)**	**(8.8)**	**79,211.8**	**112.6**	**(108.2)**	**4.4**
Total derivatives	**47,501.4**	**106.4**	**(100.2)**	**6.2**	**113,581.9**	**150.7**	**(135.0)**	**15.7**

As at 30 June 2020 hedged cash flows are expected to occur and affect the Income Statement as follows:

Group	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Greater than 5 years
2020	$m	$m	$m	$m	$m	$m
Forecast cash inflows	159.2	40.4	22.1	14.0	6.2	4.5
Forecast cash outflows	(147.6)	(47.9)	(22.3)	(12.7)	(5.1)	(4.5)
Forecast net cash inflows/(outflows)	**11.6**	**(7.5)**	**(0.2)**	**1.3**	**1.1**	**-**
2019						
Forecast cash inflows	783.0	107.8	35.4	16.3	8.4	10.5
Forecast cash outflows	(711.2)	(60.7)	(29.3)	(12.3)	(5.4)	(10.5)
Forecast net cash inflows/(outflows)	**71.8**	**47.1**	**6.1**	**4.0**	**3.0**	**-**
Bank						
2020						
Forecast cash inflows	159.2	40.4	22.1	14.0	6.2	4.5
Forecast cash outflows	(147.6)	(47.9)	(22.3)	(12.7)	(5.1)	(4.5)
Forecast net cash inflows/(outflows)	**11.6**	**(7.5)**	**(0.2)**	**1.3**	**1.1**	**-**
2019						
Forecast cash inflows	783.1	107.8	35.4	16.3	8.4	10.5
Forecast cash outflows	(711.2)	(60.7)	(29.3)	(12.3)	(5.4)	(10.5)
Forecast net cash inflows/(outflows)	**71.9**	**47.1**	**6.1**	**4.0**	**3.0**	**-**

18 **Derivative financial instruments** (continued)

Ineffectiveness of hedge relationships

Due to the ineffective portion of designated hedges, the following amounts were recognised in non-interest income – other revenue:

	Group		Bank	
	2020	2019	2020	2019
Revaluation gains /(losses) arising from economic hedges	$m	$m	$m	$m
Revaluation gains /(losses) arising from fair value hedges				
Losses on hedging instruments	-	(16.0)	-	(16.0)
Gains on the hedged items attributable to the hedged risk	-	16.4	-	16.4
Revaluation gains/(losses) arising from economic derivatives that are not in a hedge relationship				
(Losses)/gains on derivatives	(3.2)	10.1	(3.2)	9.3
	(3.2)	**10.5**	**(3.2)**	**9.7**

Average price/rate of hedged instruments

The following table sets out the maturity profile and average price/rate of the hedging instruments used in the Group's non-dynamic hedging strategies:

	Maturity					
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Cash flow hedges - interest rate swaps	$m	$m	$m	$m	$m	$m
Notional principal	3,825.0	4,650.0	6,850.0	7,935.6	-	23,260.6
Average fixed rate (%)	2.48%	1.96%	2.04%	0.95%		

18 **Derivative financial instruments** (continued)

Offsetting financial assets and financial liabilities
The Group presents its derivative assets and liabilities on a gross basis.

Derivative financial instruments entered into by the Group are subject to International Swaps and Derivatives Association (ISDA) master netting agreements and other similar master netting arrangements. These arrangements do not meet the criteria for offsetting in the Balance Sheet. This is because the right of set-off is only enforceable by the parties to the agreement following an event of default, insolvency or bankruptcy of the Group, or the counterparties, or following other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The following table sets out the effect of netting arrangements on derivative financial assets and derivative financial liabilities if they were to be applied:

	Group			
	Derivative assets	Derivative liabilities	Derivative assets	Derivative liabilities
	2020		2019	
	$m	$m	$m	$m
Amounts subject to enforceable master netting or similar agreements				
Amounts of recognised financial assets/(liabilities) reported on the Balance Sheet	102.0	(100.2)	144.7	(135.0)
Related amounts not set-off on the Balance Sheet				
Financial collateral (received)/pledged	(49.5)	69.7	(104.8)	117.4
Net amount	**52.6**	**(30.5)**	**39.9**	**(17.6)**
Financial assets/(liabilities) not subject to enforceable master netting or similar agreements	4.4	-	5.9	-
Total financial assets/(liabilities) recognised on the Balance Sheet	**106.4**	**(100.2)**	**150.6**	**(135.0)**

	Bank			
	$m	$m	$m	$m
Amounts subject to enforceable master netting or similar agreements				
Amounts of recognised financial assets/(liabilities) reported on the Balance Sheet	102.0	(100.2)	144.8	(135.0)
Related amounts not set-off on the Balance Sheet				
Financial collateral (received)/pledged	(49.5)	69.7	(104.8)	117.4
Net amount	**52.6**	**(30.5)**	**40.0**	**(17.6)**
Financial assets/(liabilities) not subject to enforceable master netting or similar agreements	4.4	-	5.9	-
Total financial assets/(liabilities) recognised on the Balance Sheet	**106.4**	**(100.2)**	**150.7**	**(135.0)**

For the purpose of this disclosure, financial collateral not set off on the Balance Sheet have been capped by relevant netting agreements so as not to exceed the net amounts of financial assets/(liabilities) reported on the Balance Sheet (i.e. over-collateralisation, where it exists, is not reflected in the tables).

19 **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		Total
Group	Derivatives	Financial assets	Financial assets	Loans and receivables	Other financial instruments	
2020	$m	$m	$m	$m	$m	$m
Financial assets						
Cash and cash equivalents	-	-	-	-	1,189.6	1,189.6
Due from other financial institutions	-	-	-	-	137.0	137.0
Financial assets fair value through profit or loss (FVTPL)	-	5,411.1	-	-	-	5,411.1
Financial assets amortised cost	-	-	-	-	325.3	325.3
Financial assets fair value through other comprehensive income (FVOCI)	-	-	819.6	-	-	819.6
Net loans and other receivables	-	-	-	64,980.4	-	64,980.4
Derivatives	106.4	-	-	-	-	106.4
Total financial assets	**106.4**	**5,411.1**	**819.6**	**64,980.4**	**1,651.9**	**72,969.4**
Financial liabilities						
Due to other financial institutions	-	-	-	-	145.1	145.1
Deposits	-	-	-	-	64,182.6	64,182.6
Notes payable	-	-	-	-	3,503.5	3,503.5
Derivatives	100.2	-	-	-	-	100.2
Preference shares	-	-	-	-	890.2	890.2
Subordinated debt	-	-	-	-	671.3	671.3
Total financial liabilities	**100.2**	**-**	**-**	**-**	**69,392.7**	**69,492.9**
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	-	-	-	61,822.2	-	61,822.2
Derivatives	150.6	-	-	-	-	150.6
Total financial assets	**150.6**	**5,836.9**	**55.7**	**61,822.2**	**1,635.7**	**69,501.1**
Financial liabilities						
Due to other financial institutions	-	-	-		420.6	420.6
Deposits	-	-	-		60,596.9	60,596.9
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**	**-**	**-**		**66,049.7**	**66,184.7**

19 **Financial instruments** (continued)

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

Bank	Fair value through profit or loss		Fair value through other comprehensive income	Amortised cost		Total
	Derivatives	Financial assets	Financial assets	Loans and receivables	Other financial instruments	
2020	$m	$m	$m	$m	$m	$m
Financial assets						
Cash and cash equivalents	-	-	-	-	826.0	826.0
Due from other financial institutions	-	-	-	-	137.0	137.0
Financial assets fair value through profit or loss (FVTPL)	-	5,411.1	-	-	-	5,411.1
Financial assets amortised cost	-	-	-	-	135.0	135.0
Financial assets fair value through other comprehensive income (FVOCI)	-	-	13,225.4	-	-	13,225.4
Net loans and other receivables	-	-	-	64,476.8	-	64,476.8
Derivatives	106.4	-	-	-	-	106.4
Total financial assets	**106.4**	**5,411.1**	**13,225.4**	**64,476.8**	**1,098.0**	**84,317.7**
Financial liabilities						
Due to other financial institutions	-	-	-	-	145.1	145.1
Deposits	-	-	-	-	64,180.0	64,180.0
Notes payable	-	-	-	-	-	-
Derivatives	100.2	-	-	-	-	100.2
Preference shares	-	-	-	-	890.2	890.2
Subordinated debt	-	-	-	-	671.3	671.3
Total financial liabilities	**100.2**	**-**	**-**	**-**	**65,886.6**	**65,986.8**
2019	$m	$m	$m	$m	$m	$m
Financial assets						
Cash and cash equivalents	-	-	-	-	880.2	880.2
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	-	-	-	-	143.8	143.8
Financial assets fair value through other comprehensive income (FVOCI)	-	-	6,133.1	-	-	6,133.1
Net Loans and other receivables	-	-	-	60,972.2	-	60,972.2
Derivatives	150.7	-	-	-	-	150.7
Total financial assets	**150.7**	**5,836.9**	**6,133.1**	**60,972.2**	**1,294.6**	**74,387.5**
Financial liabilities						
Due to other financial institutions	-	-	-		420.6	420.6
Deposits	-	-	-		60,601.4	60,601.4
Notes payable	-	-	-		23.1	23.1
Derivatives	135.0	-	-		-	135.0
Preference shares	-	-	-		886.4	886.4
Subordinated debt	-	-	-		681.4	681.4
Total financial liabilities	**135.0**	**-**	**-**		**62,612.9**	**62,747.9**

19 **Financial instruments** (continued)

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.

Economic and market disruptions that have occurred as a result of COVID-19 mean that some valuations are subject to increased measurement uncertainty. For Level 1 instruments the market price at measurement date provides the most reliable evidence of fair value. For Level 2 instruments the quoted price at the measurement date continues to be the most reliable input, with most of the Group's financial instruments falling within this fair value category. For instruments that fall within Level 3 of the fair value hierarchy, the Group has ensured the use of inputs and assumptions that are most reflective of the market conditions at the measurement date.

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:

Group	Level 1	Level 2	Level 3	Total fair value	Total carrying value
2020	$m	$m	$m	$m	$m
Financial assets					
Financial assets FVTPL	-	5,411.1	-	5,411.1	5,411.1
Financial assets FVOCI	0.1	796.0	23.5	819.6	819.6
Derivatives	-	106.4	-	106.4	106.4
Financial liabilities					
Derivatives	-	100.2	-	100.2	100.2
2019					
Financial assets					
Financial assets FVTPL	-	5,836.9	-	4,499.5	5,836.9
Financial assets FVOCI	0.1	36.6	19.0	469.0	55.7
Derivatives	-	150.6	-	29.7	150.6
Financial liabilities					
Derivatives	-	135.0	-	34.8	135.0
Bank					
2020	$m	$m	$m	$m	$m
Financial assets					
Financial assets FVTPL	-	5,411.1	-	5,411.1	5,411.1
Financial assets FVOCI	0.1	13,201.8	23.5	13,225.4	13,225.4
Derivatives	-	106.4	-	106.4	106.4
Financial liabilities					
Derivatives	-	100.2	-	100.2	100.2
2019					
Financial assets					
Financial assets FVTPL	-	5,836.9	-	5,836.9	5,836.9
Financial assets FVOCI	0.1	6,114.0	19.0	6,133.1	6,133.1
Derivatives	-	150.7	-	150.7	150.7
Financial liabilities					
Derivatives	-	135.0	-	135.0	135.0

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 year for the Group or Bank.

19 **Financial instruments** (continued)

Valuation methodology

Financial instruments - debt securities
Each month, independent valuations are determined by the Group's Financial Risk & Modelling function. 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 funds. For managed fund 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 no observable inputs, assumptions reflective of market conditions at the measurement date are used to approximate fair value.

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

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

Financial assets - equity investments	Group		Bank	
	2020	2019	2020	2019
	$m	$m	$m	$m
Opening balance	19.0	18.7	19.0	18.7
Impairment charge	-	-	-	-
Purchases	4.5	0.3	4.5	0.3
Transfers out	-	-	-	-
Closing balance	23.5	19.0	23.5	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:

Group	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
2020	$m	$m	$m	$m	$m
Financial assets					
Cash and cash equivalents [1]	-	1,059.9	-	1,059.9	1,059.9
Due from other financial institutions	-	137.0	-	137.0	137.0
Financial assets amortised cost	-	325.3	-	325.3	325.3
Net loans and other receivables	-	-	65,145.4	65,145.4	64,980.4
Financial liabilities					
Due to other financial institutions	-	145.1	-	145.1	145.1
Deposits	-	64,285.9	-	64,285.9	64,182.6
Notes payable	-	3,494.2	-	3,494.2	3,503.5
Preference shares	885.7	-	-	885.7	890.2
Subordinated debt	-	666.6	-	666.6	671.3

[1] Cash and cash equivalents excludes the balance of Notes and Coins.

19 **Financial instruments** (continued)

Financial assets and liabilities carried at amortised cost (continued)

Valuation hierarchy (continued)

Group	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
2019	$m	$m	$m	$m	$m
Financial assets					
Cash and cash equivalents [1]	-	933.6	-	933.6	933.6
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	-	-	61,876.2	61,876.2	61,822.2
Financial liabilities					
Due to other financial institutions	-	420.6	-	420.6	420.6
Deposits	-	60,693.5	-	60,693.5	60,596.9
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

Bank					
2020	$m	$m	$m	$m	$m
Financial assets					
Cash and cash equivalents [1]	-	696.2	-	696.2	696.2
Due from other financial institutions	-	137.0	-	137.0	137.0
Financial assets - amortised cost	-	135.0	-	135.0	135.0
Net loans and other receivables	-	-	64,641.8	64,641.8	64,476.8
Financial liabilities					
Due to other financial institutions	-	145.1	-	145.1	145.1
Deposits	-	64,283.3	-	64,283.3	64,180.0
Notes payable	-	-	-	-	-
Preference shares	885.7	-	-	885.7	890.2
Subordinated debt	-	666.6	-	666.6	671.3
2019	$m	$m	$m	$m	$m
Financial assets					
Cash and cash equivalents [1]	-	741.9	-	741.9	741.9
Due from other financial institutions	-	270.6	-	270.6	270.6
Financial assets held to maturity	-	143.8	-	143.8	143.8
Net loans and other receivables	-	-	61,026.2	61,026.2	60,972.2
Financial liabilities					
Due to other financial institutions	-	420.6	-	420.6	420.6
Deposits	-	60,698.0	-	60,698.0	60,601.4
Notes payable	-	23.1	-	23.1	23.1
Preference shares	915.6	-	-	915.6	886.4
Subordinated debt	-	678.2	-	678.2	681.4

[1] Cash and cash equivalents excludes the balance of Notes and Coins.

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

There were no significant transfers between levels during the year for the Group or Bank.

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

Net loans and other receivables
The carrying value of loans and other receivables is net of individually assessed and collectively assessed 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 arm's 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 convertible preference shares is based on quoted market rates for the issue concerned as at 30 June.

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.

20 **Risk management**

Nature of risk

Our business is exposed to a broad range of financial and non-financial risks. The Group has identified the following material financial risks that have the potential to adversely impact its financial performance and financial position:

- Credit Risk;
- Market Risk (Traded & Non-Traded); and
- Liquidity Risk

Non-Financial Risks, including Operational Risk, are outlined in the Risk Management Framework, Material Risks Business Risks and Uncertainties section of the 2020 Annual Financial Report. The Board is ultimately responsible for the management of risk which is achieved by establishing, reviewing and overseeing the Group's Risk Management Framework including its risk profile, risk appetite and risk strategy. The framework provides a high-level description of the material risks faced by the Group together with the policies and procedures implemented to measure, monitor and manage those risks.

The Board's role is supported by Board Committees; Board Risk Committee and Board Credit Committee and Management Committees; Asset and Liability Management Committee (ALMAC) and Operational Risk Committee. Further details regarding the Group's material risks including our strategic approach to their management is contained within the Directors' Report and the Corporate Governance statement. Our Board committee charters are available on our website.

Financial risk management

The Group's exposure to financial risks are considered significant given financial instruments held by the Group constitute the core contributors of financial performance and position. An overview of the Group's key financial risks is presented below.

COVID-19 risks

The current operating environment has been disrupted by the COVID-19 pandemic, having a significant impact to the economy, consumer behaviour and regulatory requirements. Changes to the Group's external and internal operating environments may impact one or more of the Group's material financial risks. The Group has taken action to address risks associated with COVID-19, including:

- introducing a range of assistance measures to ensure short and long term support for affected customers, including deferral of payments and interest rate reductions;
- contacting each of the Group's business and agribusiness customers to understand the impact to their operations and inform them of the support available;
- implementing measures to protect and support the Group's staff, including the transition to remote working;
- redeploying staff to areas of high customer demand;
- recognising the COVID-19 overlay in the collectively assessed provision; and
- continually monitoring the Group's lending portfolios.

As the COVID-19 pandemic evolves, the Group is actively monitoring the situation and will respond accordingly.

Credit risk

Credit risk is the risk of the Group suffering a financial loss if any of its customers or counterparties fail to fulfil their contractual obligations.

The Group is predominantly exposed to credit risk as a result of its lending activities which is defined as the risk of loss of principal, interest and/or fees and charges resulting from a borrower failing to meet a scheduled repayment or otherwise failing to repay a loan.

The Group is also exposed to Counter-party Credit (derivatives) Risk arising from the funding activities of Group Treasury and the use of derivative contracts. It is the risk that a counterparty may default before the final settlement of the transaction's cash flows.

At an operational level, business unit managers are responsible for managing Credit Risks accepted in their business and for maximising risk adjusted returns from their portfolios within the approved Credit Risk Management Framework, Risk Appetite and policies. Senior officers in business units are authorised to approve Credit Risk exposures for customers. The largest and most complicated exposures are approved by the most experienced credit officers. The Credit Risk Management function is responsible for establishing policies, monitoring trends impacting credit quality, setting credit limits and authorising delegated lending authorities and where required approving credit exposures. Financial Risk & Modelling is responsible for monitoring Treasury counterparty credit limits in line with the Group's Counterparty Credit Limit Framework. The Group utilises models to support the management of Credit Risk. Governance of Risk Models is overseen by the Risk Models Committee and models are approved by the Group's Management Credit Committee (MCC).

The Board has set a risk appetite for the maximum amount of Credit Risk that it is willing to take, based on a percentage of the Group's capital that has been allocated to Credit Risk. The Board Credit Committee (BCC) has articulated additional secondary risk appetite settings that support this primary risk appetite setting through a number of selected Credit Risk measures. Credit Risk appetite is reviewed and endorsed by the MCC and ultimately approved by the BCC and Board.

The Group maintains a Credit Risk Management Framework and supporting policies to ensure and facilitate effective management of Credit Risk and maintains acceptable asset quality. Stress testing is also undertaken on key portfolios to support prudent management of Credit Risks.

Regular reporting provides confirmation of the effectiveness of processes and highlights any trends or deterioration which require attention. This enables portfolio monitoring by all levels of management and the Board. Regular reporting is provided to the Group's MCC, Rural Bank Management Credit Committee (RB MCC) and the BCC.

20 **Risk management** (continued)

Credit risk (continued)

Maximum exposure to credit risk
The table below presents the maximum exposure to credit risk arising from Balance Sheet and off-Balance Sheet financial instruments.

The exposure is shown gross before taking into account any master netting, collateral agreements or other credit enhancements.

	30 June 2020			
Group	Stage 1	Stage 2	Stage 3	Total
Gross maximum exposure	$m	$m	$m	$m
Cash and cash equivalents	1,059.9	-	-	1,059.9
Due from other financial institutions	137.0	-	-	137.0
Financial assets fair value through profit or loss (FVTPL)	5,411.1	-	-	5,411.1
Financial assets amortised cost	325.3	-	-	325.3
Financial assets fair value through other comprehensive income (FVOCI)	819.6	-	-	819.6
Other assets	226.2	-	-	226.2
Derivative assets	106.4	-	-	106.4
Gross loans and other receivables	57,428.0	6,794.5	1,099.2	65,321.7
	65,513.5	**6,794.5**	**1,099.2**	**73,407.2**
Contingent liabilities	254.7	-	-	254.7
Commitments	5,583.5	-	-	5,583.5
	5,838.2	**-**	**-**	**5,838.2**
Total credit risk exposure	**71,351.7**	**6,794.5**	**1,099.2**	**79,245.4**

	30 June 2019			
	$m	$m	$m	$m
Cash and cash equivalents	933.6	-	-	933.6
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
Other assets	316.5	-	-	316.5
Derivative assets	150.6	-	-	150.6
Gross loans and other receivables	53,670.1	7,287.9	1,182.8	62,140.8
	61,527.1	**7,287.9**	**1,182.8**	**69,997.8**
Contingent liabilities	238.0	-	-	238.0
Commitments	5,468.5	-	-	5,468.5
	5,706.5	**-**	**-**	**5,706.5**
Total credit risk exposure	**67,233.6**	**7,287.9**	**1,182.8**	**75,704.3**

20 **Risk management** (continued)

Credit risk (continued)

Maximum exposure to credit risk (continued)

Bank	30 June 2020			
	Stage 1	Stage 2	Stage 3	Total
Gross maximum exposure	$m	$m	$m	$m
Cash and cash equivalents	696.2	-	-	696.2
Due from other financial institutions	137.0	-	-	137.0
Financial assets fair value through profit or loss (FVTPL)	5,411.1	-	-	5,411.1
Financial assets amortised cost	135.0	-	-	135.0
Financial assets fair value through other comprehensive income (FVOCI)	13,225.4	-	-	13,225.4
Other assets	1,297.3	-	-	1,297.3
Derivative assets	106.4	-	-	106.4
Shares in controlled entities	134.5	-	-	134.5
Gross loans and other receivables	56,923.4	6,794.5	1,099.2	64,817.1
	78,066.3	**6,794.5**	**1,099.2**	**85,960.0**
Contingent liabilities	254.7	-	-	254.7
Commitments	5,583.5	-	-	5,583.5
	5,838.2	**-**	**-**	**5,838.2**
Total credit risk exposure	**83,904.5**	**6,794.5**	**1,099.2**	**91,798.2**

	30 June 2019			
	$m	$m	$m	$m
Cash and cash equivalents	741.9	-	-	741.9
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	143.8	-	-	143.8
Financial assets fair value through other comprehensive income (FVOCI)	6,133.1	-	-	6,133.1
Other assets	1,290.5	-	-	1,290.5
Derivative assets	150.7	-	-	150.7
Shares in controlled entities	587.4	-	-	587.4
Gross loans and other receivables	52,818.5	7,287.9	1,182.8	61,289.2
	67,973.4	**7,287.9**	**1,182.8**	**76,444.1**
Contingent liabilities	238.0	-	-	238.0
Commitments	5,468.5	-	-	5,468.5
	5,706.5	**-**	**-**	**5,706.5**
Total credit risk exposure	**73,679.9**	**7,287.9**	**1,182.8**	**82,150.6**

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For financial assets recognised on the Balance Sheet, the maximum exposure to credit risk equals their carrying amount. For contingent liabilities including financial guarantees granted, it is the maximum amount that the Group would have to pay if the guarantees were called upon. For loan commitments and other credit-related commitments, it is generally the full amount of the committed facilities.

20 **Risk management** (continued)

Credit risk (continued)

Concentration of credit risk
Concentration risk is managed by client or counterparty, by geographical region and by industry sector. The Group implements certain exposure and concentration limits in order to mitigate the risk.

The maximum credit exposure to any client or counterparty as at 30 June 2020 was $339.0 million (2019: $617.0 million) before taking account collateral or other credit enhancements and $339.0 million (2019: $617.0 million) net of such protection.

Geographic - based on the location of the counterparty or customer.

The table below presents the maximum exposure to credit risk categorised by geographical region.

The exposures are shown gross before taking into account any collateral held or other credit enhancements.

	Group		Bank	
	2020	2019	2020	2019
Geographic concentration	$m	$m	$m	$m
Victoria	32,282.8	31,847.3	33,259.6	33,069.2
New South Wales	19,496.7	16,896.5	31,616.8	22,467.8
Australian Capital Territory	1,037.8	948.2	1,011.7	916.9
Queensland	10,733.3	10,126.8	10,502.9	9,840.0
South Australia/Northern Territory	7,099.1	7,231.0	6,995.5	7,423.9
Western Australia	6,803.2	7,018.3	6,647.5	6,832.9
Tasmania	1,576.4	1,516.7	1,561.0	1,494.7
Overseas/other	216.1	119.5	203.2	105.2
Total credit risk exposure	**79,245.4**	**75,704.3**	**91,798.2**	**82,150.6**

Industry Sector - is based on the industry in which the customer or counterparty are engaged.
The table below presents the maximum exposure to credit risk categorised by industry sector.

The exposures are shown gross before taking into account any collateral held or other credit enhancements.

	Group		Bank	
	2020	2019	2020	2019
Industry concentration	$m	$m	$m	$m
Accommodation and food services	605.9	623.1	605.9	623.1
Administrative and support services	193.3	206.0	193.3	206.0
Agriculture, forestry and fishing	6,751.9	6,652.6	6,749.3	6,649.4
Arts and recreation services	173.9	174.1	173.9	174.1
Construction	1,719.0	2,010.2	1,716.0	2,005.2
Education and training	264.7	293.7	264.7	293.7
Electricity, gas, water and waste services	136.2	161.7	136.2	161.7
Financial and insurance services	2,439.1	2,028.7	2,438.1	2,022.8
Financial services	8,130.8	7,843.2	21,233.2	15,157.3
Health care and social assistance	872.7	952.3	872.7	952.3
Information media and telecommunications	123.6	132.3	123.6	132.3
Manufacturing	723.9	777.9	723.9	777.9
Margin lending	1,294.9	1,559.0	-	-
Mining	137.1	157.0	137.1	157.0
Other	142.6	357.0	131.6	366.8
Other services	577.7	571.5	577.7	571.5
Professional, scientific and technical services	708.8	767.9	708.8	767.9
Public administration and safety	233.2	312.1	233.2	311.6
Rental, hiring and real estate services	4,370.7	4,646.3	4,370.7	4,646.3
Residential/consumer	47,877.4	43,534.4	48,640.3	44,230.4
Retail trade	958.8	1,049.0	958.8	1,049.0
Transport, postal and warehousing	486.4	533.9	486.4	533.9
Wholesale trade	322.8	360.4	322.8	360.4
Total credit risk exposure	**79,245.4**	**75,704.3**	**91,798.2**	**82,150.6**

20 **Risk management** (continued)

Credit risk (continued)

Credit quality

The table below discloses the effect of movements in the gross carrying value of loans and other receivables, other financial assets held at amortised cost and financial guarantees issued by the Group on behalf of customers, to the different stages of the ECL model:

Group	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 1 July 2019	**55,530.2**	**7,287.9**	**901.3**	**281.5**	**64,000.9**
New financial assets originated or purchased	15,270.6	400.3	166.7	-	15,837.6
Financial assets derecognised or repaid	(8,698.0)	(1,537.6)	(384.0)	-	(10,619.6)
Stage 1	2,242.5	(2,183.2)	(59.3)	-	-
Stage 2	(3,229.5)	3,375.7	(146.2)	-	-
Stage 3	(245.6)	(294.7)	540.3	-	-
Change in balances	(1,512.2)	(219.3)	(83.6)	(68.9)	(1,884.0)
Transfer from collectively assessed to individually assessed provisions	(23.4)	(34.6)	(68.7)	126.7	-
Amounts written off against provisions	-	-	-	(106.6)	(106.6)
Gross carrying amount as at 30 June 2020	**59,334.6**	**6,794.5**	**866.5**	**232.7**	**67,228.3**
	$m	$m	$m	$m	**$m**
Gross carrying amount as at 1 July 2018	**56,221.5**	**6,397.7**	**808.4**	**309.7**	**63,737.3**
New financial assets originated or purchased	10,936.5	334.4	29.7	-	11,300.6
Financial assets derecognised or repaid	(8,995.8)	(1,000.9)	(226.8)	-	(10,223.5)
Stage 1	2,304.4	(2,231.3)	(73.1)	-	-
Stage 2	(4,396.8)	4,519.3	(122.5)	-	-
Stage 3	(287.1)	(283.4)	570.5	-	-
Change in balances	(204.4)	(399.3)	(60.2)	(75.5)	(739.4)
Transfer from collectively assessed to individually assessed provisions	(34.5)	(48.6)	(24.7)	107.8	-
Amounts written off against provisions	-	-	-	(60.5)	(60.5)
Gross carrying amount as at 30 June 2019	**55,543.8**	**7,287.9**	**901.3**	**281.5**	**64,014.5**

20 **Risk management** (continued)

Credit risk (continued)

Credit quality (continued)
The table below discloses information about the credit quality of financial assets measured at amortised cost without taking into account collateral or other credit enhancement. Unless specifically indicated, the amounts in the table represent gross carrying amounts.

	Stage 1	Stage 2	Stage 3	Stage 3	
Group	Collectively assessed provisions			Individually assessed provisions	**Total**
	$m	$m	$m	$m	**$m**
Neither past due or impaired					
> High grade	8,767.2	-	-	-	8,767.2
> Standard grade	9,607.2	1,095.5	0.7	-	10,703.4
> Sub-standard grade	624.2	896.7	3.7	-	1,524.6
> Unrated	7,183.3	148.6	1.7	0.2	7,333.8
> Consumer loans	44,793.8	3,685.2	40.3	1.2	48,520.5
Past due or impaired	601.7	788.0	812.5	193.7	2,395.9
Gross carrying amount as at 30 June 2020	**71,577.4**	**6,614.0**	**858.9**	**195.1**	**79,245.4**
	$m	$m	$m	$m	**$m**
Neither past due or impaired					
> High grade	8,207.3	-	-	-	8,207.3
> Standard grade	9,567.1	1,402.7	-		10,969.8
> Sub-standard grade	779.6	827.1	-	-	1,606.7
> Unrated	7,733.2	193.0	-	-	7,926.2
> Consumer loans	40,685.2	4,136.9	0.3	-	44,822.4
Past due or impaired	119.5	880.4	937.9	234.1	2,171.9
Gross carrying amount as at 30 June 2019	**67,091.9**	**7,440.1**	**938.2**	**234.1**	**75,704.3**
Bank					
	$m	$m	$m	$m	**$m**
Neither past due or impaired					
> High grade	19,646.1	-	-	-	19,646.1
> Standard grade	9,286.6	1,095.5	0.7	-	10,382.8
> Sub-standard grade	624.2	896.7	3.7	-	1,524.6
> Unrated	8,386.2	148.6	1.7	0.2	8,536.7
> Consumer loans	45,586.9	3,685.2	40.3	1.2	49,313.6
Past due or impaired	601.7	788.0	812.5	192.3	2,394.5
Gross carrying amount as at 30 June 2020	**84,131.7**	**6,614.0**	**858.9**	**193.7**	**91,798.3**
	$m	$m	$m	$m	**$m**
Neither past due or impaired					
> High grade	12,720.4	-	-	-	12,720.4
> Standard grade	9,232.7	1,402.7	-	-	10,635.4
> Sub-standard grade	779.6	827.1	-	-	1,606.7
> Unrated	9,291.4	193.0	-	-	9,484.4
> Consumer loans	41,395.7	4,136.9	0.3	-	45,532.9
Past due or impaired	119.5	880.4	937.9	232.8	2,170.6
Gross carrying amount as at 30 June 2019	**73,539.3**	**7,440.1**	**938.2**	**232.8**	**82,150.4**

20 **Risk management** (continued)

Credit risk (continued)

Credit quality (continued)
The credit ratings range from high grade where there is a very high likelihood of the asset being recovered in full to sub-standard grade where there is concern over the obligor's ability to make payments when due.

Credit risk stress testing is regularly performed to assess the likelihood of loan default, to examine the financial strength of borrowers and counterparties including their ability to meet commitments under changing scenarios and to assess the exposure and extent of loss should default actually occur.

Ageing

The following table presents the ageing analysis of past due but not impaired loans and other receivables.

Loans and receivables which are 90 or more days past due are not classified as impaired assets where the estimated net realisable value of the collateral/security is sufficient to cover the repayment of all principal and interest amounts due.

The exposures are shown net after taking into account any collateral held or other credit enhancements.

		Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total	Fair value of collateral
		$m	$m	$m	$m	$m	$m
Group	2020	832.3	268.5	179.2	589.3	1,869.3	4,805.9
	2019	1,675.5	377.2	215.8	721.1	2,989.6	8,841.2
Bank	2020	832.3	268.5	179.2	589.3	1,869.3	4,805.9
	2019	1,675.5	377.2	215.8	721.1	2,989.6	8,841.2

Climate change risk

Climate change risk includes the physical risks which cause direct damage to assets or property as a result of rising global temperatures, as well as transition risks which arise from the transition to a low-carbon economy. The Group is predominantly exposed to climate change risk through our lending activities whilst noting there is also exposure through our supply chains and built assets such as branches and offices. The Group will further enhance the understanding of exposure to climate change risk in the process of executing the Group's climate change action plan over the next three years.

Liquidity risk

Liquidity Risk is defined as the risk that the Group is unable to meet its payment obligations as they fall due. The principal objectives are to ensure that all cash flow commitments are met in a timely manner and prudential requirements are satisfied. In accordance with APS210, APRA Prudential Standard the Group manages a portfolio of High Quality Liquid Assets (HQLA) and Alternative Liquidity Assets (ALA) to cover defined projected net cash outflows over a 30 day period, using the scenario based Liquidity Coverage Ratio (LCR). APRA requires LCR ADIs to maintain a minimum 100% LCR. The Group monitors the stability and composition of funding, including the calculation of the Net Stable Funding Ratio (NSFR), which APRA also requires LCR ADIs to maintain at a minimum of 100%.

At an operational level, Liquidity Risk is managed by Group Treasury, which is responsible for ensuring compliance with policy in executing its daily operations for managing cash inflows and outflows to meet the Group's obligations as and when they fall due. The Financial Risk & Modelling function provides independent oversight of liquidity risk practices, calculation of LCR and NSFR and preparing liquidity stress tests/scenarios.

The Group continues to manage the liquidity holdings in line with the Board approved Funding Strategy, ensuring adequate levels of HQLA, ALA and diversified sources of funding. In meeting our liquidity requirement the Group makes use of the Reserve Bank of Australia (RBA) provided Committed Liquidity Facility (CLF), and more recently has been provided with a funding allowance under the RBA Term Funding Facility (TFF). Both the CLF and the undrawn balance of the TFF contribute to the Group's LCR calculated position.

The Group also maintains a significant amount of contingent liquidity in the form of internal securitisation whereby the collateral can be presented to the Reserve Bank of Australia for cash in extraordinary circumstances such as systemic liquidity issues.

Liquidity Risk is managed in line with the Board approved Risk Appetite and Framework. The Group Liquidity Risk Management Framework is also supported by the Group Liquidity Risk Management Policy and Standard, which are regularly reviewed and updated to reflect prevailing market conditions, changes in operational requirements and regulatory obligations.

The Group has established a trigger framework to support the Liquidity Risk management process, in particular, to alert management of emerging or increased risk or vulnerability in its liquidity position. This framework incorporates limits, early warning indicators, triggers, monitoring and escalation processes to ensure sufficient liquidity is maintained.

The Group undertakes scenario analysis to examine liquidity under both "business as usual" and stressed scenarios. In addition, the Group's Contingency Funding Plan outlines the specific actions to deal with a liquidity related event. Regular reporting is provided to the Group's Asset & Liability Management Committee (ALMAC) and the Board Risk Committee (BRC).

20 **Risk management** (continued)

Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities
The table below categorises the Group's financial liabilities into relevant maturity periods based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table represent all cash flows, on an undiscounted basis, including all future coupon payments, both principal and interest, and therefore may not reconcile with the amounts disclosed on the Balance Sheet.

For foreign exchange derivatives and cross currency interest rate swaps, the amounts disclosed are the gross contractual cash flows to be paid. For interest rate swaps, the cash flows are the net amounts to be paid, and have been estimated using forward interest rates applicable at the reporting date.

Group	At call	Not longer than 3 months	3 to 12 months	1 to 5 years	Longer than 5 years	**Total**
2020	$m	$m	$m	$m	$m	**$m**
Due to other financial institutions	145.1	-	-	-	-	**145.1**
Deposits	31,842.4	17,565.9	11,296.5	3,582.5	1.2	**64,288.5**
Notes payable	-	105.6	42.0	574.9	2,781.0	**3,503.5**
Derivatives - net settled	-	22.6	50.1	53.5	2.8	**129.0**
Other payables	276.2	18.0	20.8	162.6	20.0	**497.6**
Preference shares	-	2.2	21.7	630.9	325.5	**980.3**
Subordinated debt	-	7.4	264.8	48.5	482.0	**802.7**
Total financial liabilities	**32,263.7**	**17,721.7**	**11,695.9**	**5,052.9**	**3,612.5**	**70,346.7**
Contingent liabilities	254.7	-	-	-	-	**254.7**
Commitments	5,583.5	-	-	-	-	**5,583.5**
Total contingent liabilities and commitments	**5,838.2**	**-**	**-**	**-**	**-**	**5,838.2**
2019	$m	$m	$m	$m	$m	**$m**
Due to other financial institutions	420.6	-	-	-	-	**420.6**
Deposits	25,138.6	16,263.5	15,772.8	3,593.0	0.2	**60,768.1**
Notes payable	23.1	75.4	-	736.8	2,628.3	**3,463.6**
Derivatives - net settled	-	19.7	69.2	29.9	4.3	**123.1**
Other payables	321.8	-	-	-	-	**321.8**
Preference shares	-	3.3	29.9	677.7	356.5	**1,067.4**
Subordinated debt	-	7.6	282.7	137.8	483.9	**912.0**
Total financial liabilities	**25,904.1**	**16,369.5**	**16,154.6**	**5,175.2**	**3,473.2**	**67,076.6**
Contingent liabilities	238.0	-	-	-	-	**238.0**
Commitments	5,468.5	20.5	61.4	183.3	97.0	**5,830.7**
Total contingent liabilities and commitments	**5,706.5**	**20.5**	**61.4**	**183.3**	**97.0**	**6,068.7**
Bank						
2020	$m	$m	$m	$m	$m	**$m**
Due to other financial institutions	145.1	-	-	-	-	**145.1**
Deposits	31,839.8	17,565.9	11,296.5	3,582.5	1.2	**64,285.9**
Notes payable	-	-	-	-	-	**-**
Derivatives - net settled	-	22.6	50.1	53.5	2.8	**129.0**
Other payables	253.2	18.0	20.7	162.2	20.0	**474.1**
Loans payable to securitisation trusts	-	-	-	-	15,158.0	**15,158.0**
Preference shares	-	-	21.7	630.9	325.5	**978.1**
Subordinated debt	-	7.4	264.8	48.5	482.0	**802.7**
Total financial liabilities	**32,238.1**	**17,613.9**	**11,653.8**	**4,477.6**	**15,989.5**	**81,972.9**
Contingent liabilities	254.7	-	-	-	-	**254.7**
Commitments	5,583.5	-	-	-	-	**5,583.5**
Total contingent liabilities and commitments	**5,838.2**	**-**	**-**	**-**	**-**	**5,838.2**

20 **Risk management** (continued)

Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities (continued)

Bank	At call	Not longer than 3 months	3 to 12 months	1 to 5 years	Longer than 5 years	**Total**
2019	$m	$m	$m	$m	$m	**$m**
Due to other financial institutions	420.6	-	-	-	-	**420.6**
Deposits	25,143.1	16,263.5	15,772.8	3,593.0	0.2	**60,772.6**
Notes payable	23.1	-	-	-	-	**23.1**
Derivatives - net settled	-	19.7	69.2	29.9	4.3	**123.1**
Other payables	324.1	-	-	-	-	**324.1**
Loans payable to securitisation trusts	-	-	-	-	8,754.2	**8,754.2**
Preference shares	-	-	29.9	677.7	356.5	**1,064.1**
Subordinated debt	-	7.6	282.7	137.8	483.9	**912.0**
Total financial liabilities	**25,910.9**	**16,290.8**	**16,154.6**	**4,438.4**	**9,599.1**	**72,393.8**
Contingent liabilities	238.0	-	-	-	-	**238.0**
Commitments	5,468.5	19.9	59.7	180.0	97.0	**5,825.1**
Total contingent liabilities and commitments	**5,706.5**	**19.9**	**59.7**	**180.0**	**97.0**	**6,063.1**

Market risk (including interest rate and currency risk)

Market risk is the risk that changes in market variables such as interest rates, foreign exchange rates and equity prices will impact the Group's fair value or future cash flows of financial instruments. The Group classifies its exposures to market risk as either traded (the Trading Book) or non-traded (the Banking Book).

Traded Market Risk is defined as the risk of loss owing to changes in the general level of market prices or interest rates. It arises from positions in interest rate instruments, equities, foreign exchange and commodities. Traded Market Risk arises from positions held in the Trading Book which consists of securities held for both trading and liquidity purposes. The Group conducts discretionary interest rate and foreign exchange trading. This trading forms part of the trading book activity within the liquidity management function. The trading book positions include approved financial instruments, both physical and derivative.

Non-traded market risk primarily represents Interest Rate Risk in the Banking Book (IRRBB). IRRBB is the risk of loss in earnings or in the economic value in the banking book as a consequence of movements in interest rates. Non-traded market risk arises predominantly from the Group's general lending activities as well as balance sheet funding activities.

At an operational level, market risk is primarily managed by Group Treasury, which is responsible for ensuring that the Group's exposures are in compliance with market risk limits. Group Treasury monitors significant developments in market structure and pricing as part of their established market risk management process. The Financial Risk & Modelling function provides independent oversight of market risk practices and owns the IRRBB model.

The Board has set a risk appetite for the maximum amount of traded market risk and interest rate risk (IRR) that it is willing to take, based on a percentage of the Group's capital that has been allocated to traded market risk and IRRBB. The Board Risk Committee (BRC) has set additional secondary risk appetite settings that support this primary risk appetite setting. Traded market risk and IRRBB risk appetite and limits are reviewed and endorsed by the Group's Asset & Liability Management Committee (ALMAC) and are ultimately approved by the BRC and Board.

The Trading Book portfolio consists of securities held for trading and liquidity purposes and is an integral part of the liquidity risk management function. Traded Market Risk is managed in line with the Risk Appetite Statement, Board approved Group Traded Market Risk Management Framework and is supported by the Group Trading Book Policy. Market risk for the Trading Book portfolio is managed and monitored against market sensitivity limits as well as exposure limits. ALMAC provides endorsement and approvals for the positioning of the Trading Book taking into account current interest rate movements, market credit conditions and Liquidity Coverage Ratio (LCR) considerations.

Foreign currency trading (which forms part of the Trading Book) is governed by a series of limits and its primary function is for the purpose of providing the Group's customers with access to foreign exchange markets. Foreign exchange activities are limited and are governed by conservative spot and forward limits approved by BRC.

20 **Risk management** (continued)

Market risk (including interest rate and currency risk) (continued)

Interest Rate Risk (IRR) is the risk that earnings (Net Interest Income - NII) and/or Economic Value - EV) of the Group may be adversely affected by movements in interest rates in current or future periods. The Group's approach to IRR management focuses on the prudent management of IRR inherent in the Balance Sheet, whilst balancing NII and EV within the Risk Appetite, limits and tolerances set by the Board. The aim is to manage the Group's exposure to movements in interest rates and reduce volatility in current and future earnings. ALMAC provides endorsements and approvals relating to IRR management, taking into account current market conditions, forecast interest rate movements and balance sheet forecasts.

IRRBB is managed in line with the Risk Appetite Statement, Board approved Group Interest Rate Risk Management Framework, and is supported by the Group Interest Rate Risk in the Banking Book Policy and Standard. For IRRBB, the Group considers the following risks:

- Repricing Risk
- Yield Curve Risk
- Basis Risk
- Optionality Risk
- Net Interest Income (NII) Risk

The Group utilises Value at Risk (VaR) as a key measure of IRRBB. VaR measures the potential loss in the value of an asset or portfolio to a 99% confidence level over a 12 month timeframe due to interest rate changes.

The Group also models a variety of scenarios to analyse the Group's exposure to IRRBB and project the potential impact. This includes scenarios that would potentially have an extreme/ catastrophic impact on earnings. Modelling, scenario analysis and methodologies are continuing to be actively developed.

Regular reporting is provided to ALMAC and the BRC for both traded and non-traded market risk.

The following table outlines the key measure for Traded Market Risk. EV Sensitivity is based on the impact of a 50bp parallel movement in rates.

	Exposure at year end	Average during the year	Exposure at year end	Average during the year
	30 June 2020		30 June 2019	
VaR	$m	$m	$m	$m
Economic Value (EV) Sensitivity	(3.5)	(4.3)	(4.7)	(3.6)

The following table outlines the key measures for Non-Traded Market Risk (IRRBB). EV and NII Sensitivity are based on a static representation of the Balance Sheet and the impact of instantaneous 200bp parallel and non-parallel shifts in rates.

	Exposure at year end	Average during the year	Exposure at year end	Average during the year
	30 June 2020		30 June 2019	
VaR	$m	$m	$m	$m
VaR	20.9	16.5	25.0	22.8
Economic Value (EV) Sensitivity	(102.4)	(52.4)	(67.3)	(45.2)
Net Interest Income (NII) Sensitivity	(49.5)	(51.3)	(55.2)	(52.8)

20 **Risk management** (continued)

Market risk (including interest rate and currency risk) (continued)

Interest Rate risk
The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group's Income Statement and equity.

The sensitivity of the Income Statement is the effect of assumed changes in interest rates on the net interest for one year, based on the floating rate financial assets and financial liabilities held at 30 June 2020, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing fixed rate financial assets (including the effect of any associated hedges), and swaps designated as cash flow hedges, at 30 June 2020 for the effects of the assumed changes in interest rates. The sensitivity of equity is analysed by the maturity of the asset or swap, with sensitivity based on the assumption that there are parallel shifts in the yield curve.

Taking into account the fact that the official cash rate in Australia was 0.25% as at 30 June 2020, the table below represents the change to the Group's profit for the relevant financial year from a 25 basis point parallel rate shock. Where a 25 basis point parallel rate shock would result in an interest rate which is below zero, the interest rate has been assumed to be zero, that is, no negative interest rates have been used.

	+25 basis points	-25 basis points	+25 basis points	-25 basis points
	2020	2020	2019	2019
Group	$m	$m	$m	$m
Net interest income	7.7	(12.8)	2.1	(2.1)
Revaluation (losses)/gains arising on economic hedges that are not in a hedge relationship	(6.1)	3.2	(5.8)	5.8
Income tax effect at 30%	(0.5)	2.9	1.1	(1.1)
Effect on profit	**1.1**	**(6.7)**	**(2.6)**	**2.6**
Effect on profit (per above)	1.1	(6.7)	(2.6)	2.6
Cash flow hedge reserve	(29.7)	29.7	(63.3)	63.3
Income tax effect on reserves at 30%	8.9	(8.9)	19.0	(19.0)
Effect on equity	**(19.7)**	**14.1**	**(46.9)**	**46.9**
Bank				
Net interest income	7.7	(12.8)	2.1	(2.1)
Revaluation (losses)/gains arising on economic hedges that are not in a hedge relationship	(6.1)	3.2	(5.8)	5.8
Income tax effect at 30%	(0.5)	2.9	1.1	(1.1)
Effect on profit	**1.1**	**(6.7)**	**(2.6)**	**2.6**
Effect on profit (per above)	1.1	(6.7)	(2.6)	2.6
Cash flow hedge reserve	(29.7)	29.7	(63.3)	63.3
Income tax effect on reserves at 30%	8.9	(8.9)	19.0	(19.0)
Effect on equity	**(19.7)**	**14.1**	**(46.9)**	**46.9**

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The movement in equity is also affected by the increase/decrease in the fair value of derivative instruments designated as cash flow hedges, where these derivatives are deemed effective.

This analysis reflects a scenario where no management actions are taken to counter movements in rates.

Foreign currency risk
The Group does not have any significant exposure to foreign currency risk, as all borrowings through the Company's Euro Medium Term Note program (EMTN) and Euro Commercial Paper program (ECP) are fully hedged. At balance date the principal of foreign currency denominated borrowings under these programs was AUD $nil (2019: AUD $nil) with all borrowings fully hedged by cross currency swaps and foreign exchange swaps.

Retail and business banking FX transactions are managed by the Group's Financial Markets unit, with resulting risk constrained by Board approved spot and forward limits. Adherence to limits is independently monitored by the Financial Risk & Modelling function.

21 Share capital

Issued and paid up capital	Group 2020 $m	Group 2019 $m	Bank 2020 $m	Bank 2019 $m
Ordinary shares (ASX Code: BEN) fully paid - 530,779,195 (2019: 491,575,157)	4,909.3	4,575.9	4,909.3	4,575.9
Employee Share Ownership Plan	(4.3)	(5.4)	(4.3)	(5.4)
	4,905.0	**4,570.5**	**4,905.0**	**4,570.5**
Movements in ordinary shares on issue				
Opening balance 1 July 2019 - 491,575,157 (2019: 486,418,481)	4,575.9	4,529.9	4,575.9	4,529.9
Shares issued under:				
Bonus share scheme - 230,071 @ $11.14, 355,270 @ $6.40				
(2019: 399,626 @ $10.74, 246,366 @ $9.75)	-	-	-	-
Dividend reinvestment plan - 2,037,832 @ $11.14, 3,154,051 @ $6.40				
(2019: 2,151,250 @ $10.74, 2,359,434 @ $9.75)	42.9	46.0	42.9	46.0
Institutional placement - 26,766,596 (2019: Nil)	250.0	-	250.0	-
Share purchase plan - 6,660,218 (2019: Nil)	44.8	-	44.8	-
Share issue costs	(3.0)	-	(3.0)	-
Executive performance rights	(1.3)	-	(1.3)	-
Closing balance 30 June 2020 - 530,779,195 (2019: 491,575,157)	**4,909.3**	**4,575.9**	**4,909.3**	**4,575.9**
Movements in Employee Share Ownership Plan				
Opening balance	(5.4)	(6.6)	(5.4)	(6.6)
Reduction in Employee Share Ownership Plan	1.1	1.2	1.1	1.2
Closing balance	**(4.3)**	**(5.4)**	**(4.3)**	**(5.4)**
Total issued and paid up capital	**4,905.0**	**4,570.5**	**4,905.0**	**4,570.5**

Nature of issued capital

Ordinary shares (ASX code: BEN)
The Group does not have authorised capital. Ordinary shares are fully-paid and have no par value. Each ordinary share entitles the holder to one vote, either in person or by proxy, at a shareholder meeting. Ordinary shares entitle the holder to participate in dividends and, in the event of the Group winding up, to a share of the proceeds in proportion to the number of and amounts paid on the shares held.

Recognition and measurement

Ordinary shares are classified as equity. Issued ordinary capital is recognised at the fair value of the consideration received net of transaction costs (net of any tax benefit). Dividends are recognised as a distribution from equity in the year that they are declared.

Employee Share Ownership Plan is the value of loans outstanding in relation to shares issued to employees under this plan and effectively represents the unpaid portion of the issued shares.

22 Retained earnings and reserves

	Group		Bank	
	2020 [1]	2019	2020 [1]	2019
Retained earnings movements	$m	$m	$m	$m
Opening balance	987.3	975.9	562.9	282.1
Impact of adoption of new accounting standards [1]	(24.7)	(11.1)	(24.7)	(12.0)
Restated opening balance	**962.6**	**964.8**	**538.2**	**270.1**
Profit for the year	192.8	376.8	262.8	644.3
Share based payment	1.0	1.0	1.0	1.0
Operational risk reserve	(0.4)	(0.6)	-	-
Movements in general reserve for credit losses	(9.3)	(19.9)	(9.3)	(19.9)
Relates to Rural Bank consolidation adjustments	(20.4)	-	(43.9)	2.2
Transfer from asset revaluation reserve	0.8	-	-	-
Dividends	(320.3)	(334.7)	(320.3)	(334.7)
Defined benefits actuarial adjustment	(1.3)	(0.1)	(1.3)	(0.1)
Tax effect of defined benefits actuarial adjustment	0.4	-	0.4	-
Closing balance	**805.9**	**987.3**	**427.6**	**562.9**

Reserve movements

Employee benefits reserve	$m	$m	$m	$m
Opening balance	11.0	9.6	11.0	9.6
Net (decrease)/increase in reserve	(2.1)	1.4	(2.1)	1.4
Closing balance	**8.9**	**11.0**	**8.9**	**11.0**

Asset revaluation reserve - property	$m	$m	$m	$m
Opening balance	1.1	1.1	-	-
Transfer asset revaluation reserve to retained earnings	(0.8)	-	-	-
Net revaluation increments	(0.7)	-	-	-
Tax effect of net revaluation increments	0.4	-	-	-
Closing balance	**-**	**1.1**	**-**	**-**

Revaluation reserve - FVOCI (without recycling)	$m	$m	$m	$m
Opening balance	-	-	16.6	-
Impact of adoption of new accounting standards [2]	-	-	-	4.0
Restated opening balance	**-**	**-**	**16.6**	**4.0**
Transfer from asset revaluation reserve to income	0.1	-	-	-
Net unrealised gains/(losses)	1.4	-	(45.6)	18.1
Tax effect of revaluations	(0.5)	-	13.7	(5.5)
Closing balance	**1.0**	**-**	**(15.3)**	**16.6**

Revaluation reserve - FVOCI (with recycling)	$m	$m	$m	$m
Opening balance	0.4	-	-	-
Impact of adoption of new accounting standards [2]	-	0.5	-	-
Restated opening balance	**0.4**	**0.5**	**-**	**-**
Transfer from asset revaluation reserve to income	-	(0.3)	-	-
Net unrealised (losses)/gains	(0.3)	0.2	-	-
Tax effect of revaluations	0.1	-	-	-
Closing balance	**0.2**	**0.4**	**-**	**-**

22 **Retained earnings and reserves** (continued)

	Group		Bank	
	2020 [1]	2019	2020 [1]	2019
Reserve movements (continued)	$m	$m	$m	$m
Operational risk reserve				
Opening balance	3.8	3.2	-	-
Movement operational risk reserve	0.4	0.6	-	-
Closing balance	**4.2**	**3.8**	**-**	**-**
Cash flow hedge reserve	$m	$m	$m	$m
Opening balance	0.6	(13.1)	0.6	(13.1)
Mark-to-market movements	(20.3)	19.5	(20.3)	19.5
Tax effect of mark-to-market movements	6.1	(5.8)	6.1	(5.8)
Closing balance	**(13.6)**	**0.6**	**(13.6)**	**0.6**
General reserve for credit losses (GRCL)	$m	$m	$m	$m
Opening balance	77.3	140.3	77.3	121.7
Impact of adoption of new accounting standards [2]	-	(82.9)	-	(66.0)
Restated opening balance	**77.3**	**57.4**	**77.3**	**55.7**
Relates to Rural Bank consolidation adjustments	-	-	-	1.7
Increase in GRCL	9.3	19.9	9.3	19.9
Closing balance	**86.6**	**77.3**	**86.6**	**77.3**
Acquisition reserve	$m	$m	$m	$m
Opening balance	(20.4)	(20.4)	-	-
Relates to Rural Bank consolidation adjustments	20.4	-	-	-
Closing balance	**-**	**(20.4)**	**-**	**-**
Total reserves	**87.3**	**73.8**	**66.6**	**105.5**

[1] The Group applied AASB 16 *Leases* from 1 July 2019. Prior periods have not been restated.
[2] The Group applied AASB 9 *Financial Instruments* from 1 July 2018. Further information can be found in the Group's 2019 Annual Financial Report.

Nature and purpose of reserves

Employee benefits reserve
The reserve records the value of equities issued to non-executive employees under the Employee Share Ownership Plan and the value of deferred shares and rights granted to Executive employees under the Employee Salary Sacrifice, Deferred Share and Performance Share Plan.

Further details regarding these employee equity plans are disclosed within Note 35.

Asset revaluation reserve - property
The reserve records revaluation adjustments to the Group's property assets.

Revaluation reserve - FVOCI (without recycling)
The reserve records fair value changes in relation to equity investments held at FVOCI.

Revaluation reserve - FVOCI (with recycling)
The reserve records fair value changes in assets classified as debt securities.

Operational risk reserve
The reserve is required to meet Sandhurst Trustees Limited licence requirements.

Cash flow hedge reserve
The reserve records mark-to-market movements in relation to derivatives that are determined to be in an effective cash flow hedge relationship.

General reserve for credit losses
APRA Prudential standard, APS 220 Credit Quality, requires a reserve to be held to recognise estimated future credit losses which may arise over the life of the Group's lending portfolio.

Acquisition reserve
The reserve records the difference between the carrying value of the non-controlling interest and the consideration paid to acquire the remaining interest of the non-controlling interest.

23 **Standby arrangements and uncommitted credit facilities**

	Group		Bank	
	2020	2019	2020	2019
	$m	$m	$m	$m
Amount available:				
Offshore borrowing facility	11,657.6	11,409.0	11,657.6	11,409.0
Domestic note program	7,500.0	7,500.0	7,500.0	7,500.0
Amount utilised:				
Offshore borrowing facility	-	-	-	-
Domestic note program	3,935.0	3,845.0	3,935.0	3,845.0
Amount not utilised:				
Offshore borrowing facility	11,657.6	11,409.0	11,657.6	11,409.0
Domestic note program	3,565.0	3,655.0	3,565.0	3,655.0

Nature and purpose

The Group utilises debt facilities which include both domestic and offshore and both short and long term arrangements.

The domestic funding facilities include floating rate notes. The notes are unsubordinated and unsecured. The coupon payable on the notes are both fixed and floating. The floating rate notes are issued at BBSW plus a margin with coupon payments made quarterly.

The offshore funding facilities include Euro Medium Term Notes and Euro Commercial Paper. The Euro Commercial Paper programmes are utilised to satisfy short-term funding requirements. They represent unsubordinated and unsecured obligations. The funding is issued in both Australian and foreign denominations. The instruments may be issued at a discount, or bear interest on a fixed or floating rate basis.

Recognition and measurement

Funding instruments that are issued are accounted for at amortised cost. Transactions that are in currencies other than AUD are restated to AUD equivalents each month with adjustments taken directly to income. Funding instruments that have been utilised appear in Note 14.

24 **Capital management**

Bendigo and Adelaide Bank Limited's key capital management objectives are to:

- Maintain a sufficient level of capital above the regulatory minimum to provide a buffer against loss arising from unanticipated events, and allow the Group to continue as a going concern;
- Optimise the level and use of capital resources to enhance shareholder value through maximising financial performance; and
- Ensure that capital management is closely aligned with the Group's business and strategic objectives.

The Group manages capital adequacy according to the framework provided by the Australian Prudential Regulation Authority (APRA) Standards.

Capital adequacy is measured at two levels:

- Level 1 includes Bendigo and Adelaide Bank Limited and certain controlled entities that meet the APRA definition of extended licensed entities; and
- Level 2 consists of the consolidated Group, excluding non-controlled subsidiaries and subsidiaries involved in insurance, funds management, non-financial operations and special purpose vehicles.

APRA determines minimum prudential capital ratios (eligible capital as a percentage of total risk-weighted assets) that must be held by all authorised deposit-taking institutions. Accordingly, Bendigo and Adelaide Bank Limited is required to maintain a minimum prudential capital ratio at both Level 1 and Level 2 as determined by APRA. As part of the Group's capital management process, the Board considers the Group's strategy, financial performance objectives, credit ratings and other factors relating to the efficient management of capital in setting target ratios of capital above the regulatory required levels. These processes are formalised within the Group's Internal Capital Adequacy Assessment Process (ICAAP).

Regulatory capital is divided into Common Equity Tier 1, Tier 1 and Tier 2 capital.

Common Equity Tier 1 capital primarily consists of shareholders equity less goodwill and other prescribed adjustments.

Tier 1 capital is comprised of Common Equity Tier 1 plus other highly ranked capital instruments acceptable to APRA.

Tier 2 capital is comprised primarily of subordinated debt instruments acceptable to APRA.

Total capital is the aggregate of Tier 1 and Tier 2 capital. The Group has adopted the Standardised Approach to credit risk, operational risk and market risk, which requires the Group to determine capital requirements based on standards set by APRA.

The Group has satisfied the minimum capital requirements at Levels 1 and 2 throughout the current financial year.

25 Investment property

Investment property values reflect the Group's investment in residential real estate through the Homesafe Trust. The investments represent shared equity interest alongside the original home owners in Sydney and Melbourne residential properties.

	Group		Bank	
	2020	2019	2020	2019
	$m	$m	$m	$m
Opening balance	734.5	735.7	-	-
Additions	59.3	67.0	-	-
Disposals	(50.0)	(44.1)	-	-
Homesafe revaluation gain/(loss)	36.0	(24.1)	-	-
Total investment property	**779.8**	**734.5**	**-**	**-**

Recognition and measurement

Investment properties are measured initially at cost, including transaction costs and are then stated at fair value. Gains or losses arising from changes in the fair values of investment properties are recognised in the Income Statement in the year in which they arise.

Valuation methodology
Subsequent to initial recognition, fair value is determined by discounting the expected future cash flows of the portfolio, taking into account the restrictions on the ability to realise the investment property due to contractual obligations.

Assumptions used in the modelling of future cashflows are sourced from market indices of property values (Residex) and long term growth/discount rates appropriate to residential property and historical experience of contracts that have been closed out. The discounted cash flow model is prepared on a monthly basis. Inputs that form part of the discounted cash flow model include rates of property appreciation, discount rates, selling costs, mortality rates and future CPI increases.

The Group acknowledges that the expiration of government stimulus packages and loan deferral arrangements have the potential to negatively impact the recovery of the Australian economy and property markets. The Group has revised the assumptions upon which the Homesafe valuation is calculated to ensure consistency with the Group's forecasts for the property market as determined by the Economic Outlook Committee, taking into account the specific characteristics of the portfolio. The Group has applied a discount rate of 5.75% and property appreciation rates of -4.0% for the first year, 3.0% for the second year, and 4.0% per annum thereafter.

Fair value measurement
There are different levels of fair value measurement. When fair value is calculated using inputs that are not based on observable market data, then assets will be considered as Level 3 fair value. Investment property has been categorised as a Level 3 fair value based on the inputs outlined above.

Sensitivity of Level 3 fair value measurements to reasonably possible alternative assumptions

Valuation technique	Significant unobservable inputs		Range of estimates (weighted -average) for unobservable inputs	Fair value measurement sensitivity to unobservable inputs	Effect of reasonably possible alternative assumptions	
					Favourable change	Unfavourable change
Discounted cash flow	Rates of property appreciation - long term growth rate 4%	$779.8m	3% - 5%	Significant increases in these inputs would result in higher fair values.	$72.6m	($63.0m)
	Discount rates - 5.75%	$779.8m	4.75% - 6.75%	Significant increases in these inputs would result in lower fair values.	$90.3m	($76.8m)

Where valuation techniques use non-observable inputs that are significant to a fair value measurement in its entirety, changing these inputs will change the resultant fair value measurement.

The most significant inputs impacting the carrying value of the investment property are the long term growth rates and the discount rates. There are interdependencies between a number of the assumptions made which mean that no single factor is likely to move independent of others, however, the sensitivities disclosed above assume all other assumptions remain unchanged.

26 **Goodwill and other intangible assets**

Group	Goodwill	Software	Customer relationship	Other acquired intangibles[1]	Trustee licence	Total
	$m	$m	$m	$m	$m	$m
Carrying amount as at 1 July 2019	1,440.3	228.1	1.1	7.7	8.4	1,685.6
Additions	-	40.2	5.5	-	-	45.7
Impairment charge	-	(113.4)	-	-	-	(113.4)
Accelerated amortisation charge [2]	-	(19.0)	-	-	-	(19.0)
Amortisation charge	-	(31.1)	(1.1)	(2.1)	-	(34.3)
Closing balance as at 30 June 2020	**1,440.3**	**104.8**	**5.5**	**5.6**	**8.4**	**1,564.6**
	$m	$m	$m	$m	$m	$m
Carrying amount as at 1 July 2018	1,442.3	190.4	2.2	6.7	8.4	1,650.0
Additions	-	72.2	-	3.6	-	75.8
Impairment charge	-	(0.7)	-	-	-	(0.7)
Write off on disposal	(2.0)	-	-	-	-	(2.0)
Amortisation charge	-	(33.8)	(1.1)	(2.6)	-	(37.5)
Closing balance as at 30 June 2019	**1,440.3**	**228.1**	**1.1**	**7.7**	**8.4**	**1,685.6**
Bank	$m	$m	$m	$m	$m	$m
Carrying amount as at 1 July 2019	1,360.8	227.6	0.2	4.6	-	1,593.2
Additions	16.7	40.1	5.5	-	-	62.3
Impairment charge	-	(113.4)	-	-	-	(113.4)
Accelerated amortisation charge [2]	-	(18.5)	-	-	-	(18.5)
Amortisation charge	-	(31.1)	(0.5)	(1.3)	-	(32.9)
Closing balance as at 30 June 2020	**1,377.5**	**104.7**	**5.2**	**3.3**	**-**	**1,490.7**
Carrying amount as at 1 July 2018	1,362.8	188.9	0.5	6.1	-	1,558.3
Additions	-	72.0	-	-	-	72.0
Transfers	-	0.6	-	-	-	0.6
Impairment charge	-	(0.7)	-	-	-	(0.7)
Write off on disposal	(2.0)	-	-	-	-	(2.0)
Amortisation charge	-	(33.2)	(0.3)	(1.5)	-	(35.0)
Closing balance as at 30 June 2019	**1,360.8**	**227.6**	**0.2**	**4.6**	**-**	**1,593.2**

[1] These assets include customer lists, management rights and trade names.
[2] In the 2020 financial year, the Group made a change to the application of the Software Capitalisation Policy by increasing the capitalisation threshold. The impact of this change was an accelerated amortisation charge of $19.0m (Group) and $18.5m (Bank) recognised as amortisation of software intangibles.

Recognition and measurement

Intangible assets (other than goodwill)
Intangible assets acquired separately are measured at cost on initial recognition. Intangible assets acquired in a business combination are measured at fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment losses. Intangible assets with a finite life are amortised over their useful life on a straight line basis or in line with the expected benefit realisation and are tested at least annually for impairment or when there is an indicator that impairment may exist. Intangible assets with indefinite lives are tested for impairment in the same way as goodwill. The amortisation period and method are reviewed at each financial year end for all intangible assets.

Software includes both purchased and internally generated software. The cost of internally generated software comprises all directly attributable costs necessary to create, produce and prepare the software to be capable of operating in the manner intended by management. Costs incurred in the ongoing maintenance of software are expensed as incurred.

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the sale proceeds and the carrying amount of the asset and are included in the Income Statement in the year of disposal.

26 **Goodwill and other intangible assets** (continued)

Intangible assets (other than goodwill) (continued)
In completing the impairment tests for the Group's intangibles, management is required to make judgements, estimates and assumptions that affect the recoverable amount of the asset. Management based its judgements, estimates and assumptions on information available when the financial statements were prepared.

Changes to these judgements, estimates and assumptions may occur in the future which are beyond the control of the Group. Such changes will be reflected in the assumptions when they occur.

A summary of the policies applied to the Group's intangible assets (excluding goodwill) are as follows:

	Trustee Licence	Software/ development costs	Intangible assets acquired in a business combination
Useful lives	Indefinite	Finite	Finite
Method used	Not amortised or revalued	Straight line or in line with expected benefit realisation over 2.5 to 10 years	Straight line over life of asset (2 - 15yrs)
Internally generated/acquired	Acquired	Internally generated or acquired	Acquired
Impairment test/recoverable amount testing	Annually and when an indicator of impairment exists	Annually and when an indicator of impairment exists	Annually and when an indicator of impairment exists

Recognition and measurement

Goodwill
Goodwill acquired in a business combination is initially measured at cost. Cost is measured as the consideration paid for the business minus the fair value of the identifiable net assets acquired. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Where a business is divested, goodwill attributable to sale is measured on the basis of the relative value of the operation disposed of and the portion of the CGU retained.

Impairment of goodwill
Goodwill is allocated to cash generating units (CGUs) for the purposes of impairment testing, which is undertaken at the lowest level at which goodwill is monitored for internal management purposes. Impairment testing is performed at least annually, and whenever there is an indication of impairment, by comparing the recoverable amount of a CGU with its carrying amount. The carrying amount of a CGU is based on its assets, liabilities and allocated goodwill.

The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value in use. If the recoverable amount is less than the carrying value, an impairment loss is charged to the Income Statement.

The Group has three CGUs which are aligned to the Group's segments, namely; Consumer, Business and Agribusiness.

Key assumptions and estimates
Cash flows
The recoverable amount of each CGU is determined using a value in use calculation. In determining value in use, the estimated future (pre-tax) cash flows for each CGU are discounted to their present value using a post-tax discount rate. The basis for estimated future cash flows is the Group's target which is developed annually and approved by management and the Board. Growth rates are applied to the approved target to extrapolate for a further four years.

A terminal growth rate is applied to extrapolate cash flows beyond the initial five year period for each CGU.

In determining the assumptions and cash flow forecasts to be used in the value in use calculation, consideration has been given to the potential impacts of COVID-19. Management has made a number of assumptions in estimating the impact of COVID-19 on the Group's future financial results, including the timing of any recovery period, noting that economic uncertainty remains. The assumptions made have been based on reasonable and supportable information as at 30 June 2020. Specifically, management has:

- Verified the appropriateness of the target for the financial year ended 30 June 2021 as the basis for the future cash flows.
- Determined income growth rates based on past performance, established divisional strategies, and management's expectations of future conditions having regard to the potential future impacts of COVID-19.
- Assumed expense growth consistent with the Group's focus on reducing the cost-to-income ratio.
- Assumed that credit expenses grow in line with assets. While COVID-19 has the potential to impact credit expenses, the calculation is not materially sensitive to changes in credit expenses.
- Stressed key assumptions, being asset growth, net interest margin and credit expenses, for possible upside and downside scenarios for the purpose of understanding the impacts to the value in use calculation.
- Used a terminal growth rate of 2.5% (June 2019: 2.5%), as a representation of long-term growth rates, including inflation, in Australia.
- Excluded any impacts from future restructurings or improvement activities, hence expected future cost-savings as a result of the Group's accelerated technology investment have not been taken into account.

26 **Goodwill and other intangible assets** (continued)

Key assumptions and estimates (continued)

Post-tax discount rate

The post-tax discount rate used is based on the weighted average cost of capital for each CGU and reflects current market assessments of the risks specific to the CGU for which future estimates of cash flows have not been adjusted. At 30 June 2020, management revised the post-tax discount rate to consider longer-term average risk free rates and betas.

In addition, management has included a risk premium in the post-tax discount rate to reflect the inherent uncertainties in forecasting cash flows in the current environment.

The table below contains the carrying value of goodwill and other indefinite useful life intangible assets for each CGU, together with the post-tax discount rates used in the calculation of the recoverable amount.

	Goodwill		Other intangible assets [1]		Post-tax discount rate	
	2020	2019	2020	2019	2020	2019
	$m	$m	$m	$m	$m	$m
Consumer	1,197.6	1,197.6	8.4	8.4	10.33%	9.66%
Business	152.1	152.1	-	-	10.33%	9.66%
Agribusiness	90.6	90.6	-	-	10.63%	9.96%

[1] Refers to intangible assets with an indefinite useful life.

Management has determined that there is no impairment of goodwill for the year ended 30 June 2020. The value in use calculation results have been compared against both internal and external valuations prepared using various approaches to calculate the Group's fair value less cost to sell. Management is satisfied that the value in use calculation results are appropriate and acknowledge that COVID-19 has posed significant problems for the valuation of businesses.

The measurement of the CGUs recoverable amounts is most sensitive to changes in net interest income and expenses.

As a result, if the Group experiences a significant reduction in asset growth or net interest margin, or a significant increase in expenses, this may impact the assessment of the Group's goodwill balances. Management has considered reasonably possible changes in key assumptions in the calculation and results.

The table below provides movements of the key assumptions that would result in an impairment. These sensitivities assume the specific assumption moves in isolation, with all other assumptions held constant.

	Post-tax discount rate	Growth rates	
		NII	Expenses
	bps	bps	bps
Consumer	+40	-67	+103
Business	+322	-408	+657
Agribusiness	+831	-943	+1362

27 Other assets

	Group		Bank	
	2020	2019	2020	2019
	$m	$m	$m	$m
Accrued income	27.8	38.7	24.8	23.9
Prepayments	40.4	30.6	40.3	30.5
Sundry debtors	91.0	153.4	1,193.2	1,148.0
Accrued interest	135.2	163.1	104.1	142.5
Deferred expenditure	37.1	50.6	37.1	50.6
Total other assets	**331.5**	**436.4**	**1,399.5**	**1,395.5**

Recognition and measurement

Prepayments and sundry debtors
Prepayments and sundry debtors are recognised initially at fair value and then subsequently measured at amortised cost using the effective interest rate method. Collectability of sundry debtors is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified.

Accrued interest
Accrued interest is interest that has been recognised as income on an accrual basis using the effective interest rate method, but is yet to be charged to the loan or receivable.

Deferred expenditure
Deferred expenditure relating to projects is capitalised to the Balance Sheet when it is probable the future economic benefits attributable to the asset will flow to the Group. The cost model is applied which requires the asset to be carried at cost less any impairment losses.

When the project has been completed these items are transferred to software intangible assets. Refer to Note 26 for further information.

The carrying value of deferred expenditure is reviewed for impairment every six months when the asset is not yet available for use, or more frequently when an indicator of impairment arises.

28 Other payables

	Group		Bank	
	2020	2019	2020	2019
	$m	$m	$m	$m
Lease liability	221.4	-	220.9	-
Accrued expenses and outstanding claims	260.0	299.3	253.0	290.8
Accrued interest	105.9	171.3	105.9	171.3
Prepaid interest	16.1	22.4	-	-
Total other payables	**603.4**	**493.0**	**579.8**	**462.1**

Recognition and measurement

Lease liability
The Group adopted AASB 16 on 1 July 2019. The standard requires that a lease liability is recorded on the Balance Sheet at the inception of a lease contract.

The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method.

It is remeasured when there is a lease modification that is not accounted for as a separate lease, 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, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Accrued expenses
Accrued expenses are carried at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received.

Accrued interest
Accrued interest is the interest that is recognised as an expense in the Income Statement but has yet to be paid to the customers' liability account. Interest is recognised using the effective interest rate method.

Prepaid interest
Prepaid interest is the interest received from customers in advance. This interest is recognised in the Income Statement using the effective interest rate method.

29 **Provisions**

	Group		Bank	
	2020	2019	2020	2019
	$m	$m	$m	$m
Employee entitlements	98.2	95.7	98.2	94.2
Make Good Provision	13.5	-	13.5	-
Property rent	-	19.0	-	19.0
Other [1]	2.7	4.9	2.7	4.8
Closing balance	**114.4**	**119.6**	**114.4**	**118.0**

[1] Other provisions comprise various other provisions including reward programs and dividends.

Movements in provisions (excluding employee entitlements)

	Property Rent		Make Good Provision		Other		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Group	$m	$m	$m	$m	$m	$m	$m	$m
Opening balance	19.0	19.8	14.4	-	4.9	6.3	23.9	26.1
Additional provision recognised	-	0.7	0.1	-	320.5	333.7	320.5	334.4
Impact of adoption of new accounting standard [1]	(19.0)	-	-	-	-	-	(19.0)	-
Amounts utilised during the year	-	(1.5)	(1.0)	-	(322.7)	(335.1)	(322.7)	(336.6)
Closing balance	**-**	**19.0**	**13.5**	**-**	**2.7**	**4.9**	**2.7**	**23.9**

	2020	2019	2020	2019	2020	2019	2020	2019
Bank	$m	$m	$m	$m	$m	$m	$m	$m
Opening balance	19.0	19.8	14.4	-	4.8	5.1	23.8	24.9
Additional provision recognised	-	0.7	0.1	-	320.5	332.9	320.5	333.6
Impact of adoption of new accounting standard [1]	(19.0)	-	-	-	-	-	(19.0)	-
Amounts utilised during the year	-	(1.5)	(1.0)	-	(322.6)	(333.2)	(322.6)	(334.7)
Closing balance	**-**	**19.0**	**13.5**	**-**	**2.7**	**4.8**	**2.7**	**23.8**

[1] The Group applied AASB 16 *Leases* from 1 July 2019. Prior periods have not been restated.

Employee benefits

The table below shows the individual balances for employee benefits:

	Group		Bank	
	2020	2019	2020	2019
	$m	$m	$m	$m
Annual leave	36.8	31.5	36.8	30.9
Long service leave	54.9	57.5	54.9	56.6
Sick leave bonus	6.5	6.7	6.5	6.7
Closing balance	**98.2**	**95.7**	**98.2**	**94.2**

29 **Provisions** (continued)

Recognition and measurement

Employee Entitlements
Annual leave and long service leave provisions are measured as the present value of expected future payments for the services provided by employees up to the reporting date. The provision is measured at the amounts that are expected to be paid when the liabilities are settled.

Expected future payments are discounted using corporate bond rates.

Annual leave is accrued on the basis of full pro-rata entitlement and amounts are estimated to apply when the leave is paid.

It is anticipated that annual leave will be paid in the ensuing twelve months.

Long service leave has been assessed at full pro-rata entitlement in respect of all employees with more than one year of service.

The assessment considers the likely number of employees that will ultimately be entitled to long service leave, estimated future salary rates and on-costs.

Sick leave bonus provides an entitlement dependent on an employee's years of service and unused sick leave and is paid on termination.

Other employee payments include short term incentives and are expected to be paid in the ensuing twelve months.

Property rent
The provision for property rent is to recognise the difference between actual property rent paid and the property rent expense recognised in the Income Statement. The lease expense is recognised on a straight line basis over the period of the lease. The balance of this provision has been derecognised upon adoption of AASB 16 *Leases*.

Make Good Provision
The Group adopted AASB 16 on 1 July 2019. The Standard requires a provision be recorded on the Balance Sheet upon initial recognition of a lease contract to which the Group acts as a lessee. The provision is to recognise on the Balance Sheet the estimated cost of removing leasehold improvements.

Other
The provision for dividends represents the residual carried forward balance in relation to ordinary shareholders that participate in the dividend reinvestment plan. It is expected that the current balance will be utilised within a twelve month period. However, an ongoing balance will continue unless all outstanding balances are paid to shareholders upon ceasing participation in the dividend reinvestment plan. The provision also includes accrued dividends relating to preference shares.

The provision of rewards program is to recognise the liability to customers in relation to points earned by them under the program. Reward points expire after three years. The balance will be utilised or forfeited during that period.

Recognition and measurement

Provisions are recognised when the Group has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, and it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used the increase in the provision due to the passage of time is recognised as a finance cost.

A provision for dividend is not recognised as a liability unless the dividend is declared, determined or publicly recommended on or before the reporting date.

Other Disclosure Matters

30 Cash flow statement reconciliation

	Group		Bank	
	2020	2019	2020	2019
	$m	$m	$m	$m
Profit after tax	**192.8**	**376.8**	**262.8**	**644.3**
Non-cash items				
Credit expenses	173.3	54.6	170.9	50.3
Amortisation	53.3	37.5	51.4	35.0
Depreciation (including leasehold improvements) [1]	72.2	19.0	72.1	18.4
Revaluation increment/(decrement)	7.9	11.9	19.4	(34.1)
Equity settled transactions	3.3	4.0	3.3	3.5
Share of net profit from joint arrangements and associates	(1.6)	(2.5)	(1.6)	(2.5)
Dividends received	(1.6)	(0.9)	(120.5)	(300.6)
Impairment write down	2.8	2.7	2.8	2.7
Fair value acquisition adjustments	7.0	7.1	7.0	7.1
Revaluation gains on derivatives	3.2	(10.5)	3.2	(9.7)
Changes in assets and liabilities				
Decrease in tax provision	(6.4)	(45.1)	(6.4)	(45.1)
Decrease in deferred tax assets and liabilities	(83.0)	(19.2)	(101.2)	(59.8)
Decrease/(increase) in derivatives	9.4	(20.7)	9.5	150.4
Decrease in accrued interest	(43.8)	(7.5)	(27.0)	(26.9)
Decrease/(increase) in accrued employee entitlements	2.5	(14.8)	4.0	(13.0)
Decrease/(increase) in other accruals, receivables and provisions	38.0	(32.3)	(58.1)	306.4
Cash flows from operating activities before changes in operating assets and liabilities	**429.3**	**360.1**	**291.6**	**726.4**
Net increase in operating assets				
Net (increase)/decrease of loans to other entities	(3,319.9)	(337.6)	2,991.0	(3,518.7)
Net increase of investment securities	(384.0)	(773.2)	(6,671.0)	(2,043.4)
Net increase in operating liabilities				
Net increase in balance of deposits	3,585.7	1,037.1	3,578.6	5,072.5
Net increase/(decrease) in balance of notes payable	39.1	(80.4)	(23.1)	23.1
Net cash flows from operating activities	**350.2**	**206.0**	**167.1**	**259.9**

[1] Includes depreciation of ROUAs recognised on 1 July 2019 following the adoption of AASB 16. Comparatives have not been restated.

Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the cash flow statement:

Loans and other receivables, investment securities, retail deposits and wholesale deposits.

31 **Subsidiaries and other controlled entities**

Subsidiaries

Bendigo and Adelaide Bank Limited consolidates a subsidiary (including structure entities) when it controls it. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

When assessing whether the Bank has power over an entity, and therefore, control over the variability of its returns, consideration is given to all relevant facts and circumstances, including:

- voting rights currently exercisable;
- the purpose and design of the entity;
- the relevant activities and how decisions about those activities are made and whether the Bank can direct those activities;
- contractual arrangements such as call rights, put rights and liquidation rights.

Subsidiaries prepare financial reports for consolidation in accordance with the Group's accounting policies. When necessary, adjustments are made to bring their accounting policies in line with the Group's accounting policies.

All inter-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group have been eliminated in full on consolidation. Where a controlled entity has been sold or acquired during the year its operating results have been included to the date control ceased or from the date control was obtained.

The following table presents the material subsidiaries of the Group. A subsidiary has been considered to be material if it has more than 0.5% of the total Group assets.

Chief entity and Ultimate parent	Principal activities
Bendigo and Adelaide Bank Limited	Banking

Other entities	Principal activities
Homesafe Trust	Homesafe product financier
Leveraged Equities Ltd	Margin lending

All entities are 100% owned and incorporated in Australia.

Investments in controlled entities

	Group		Bank	
	2020	2019	2020	2019
	$m	$m	$m	$m
At cost [1]	-	-	134.5	587.4
	-	-	**134.5**	**587.4**

[1] On 31 May 2019, the Rural Bank ADI licence was returned to APRA. As a result, all the assets and liabilities of Rural Bank were transferred to Bendigo and Adelaide Bank Limited. In the first half of the 2020 financial year, a final dividend was paid by Rural Bank and the share capital returned.

Significant restrictions

The Group does not have any significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which banking subsidiaries operate. The supervisory framework requires banking subsidiaries to keep certain levels of regulatory capital and liquid assets, limit their exposure to other parts of the Group and comply with other ratios.

Recognition and measurement

The Group classify all entities where it owns 100% of the shares and in which it controls as subsidiaries. The basis of consolidation is presented in Note 2. Investments in subsidiaries are stated at cost.

Special Purpose Entities (SPE's)

The following table presents a list of the material SPEs. A SPE has been considered to be material where the assets are more than 0.5% of total Group assets. For further information relating to SPEs refer to Note 17.

Entity	Principal activities
Torrens Series 2008-1 Trust	Securitisation
Torrens Series 2008-4 Trust	Securitisation
Torrens Series 2019-1 Trust	Securitisation
Torrens Series 2019-2 Trust	Securitisation
Torrens Series 2017-3 Trust	Securitisation

32 **Related party disclosures**

Subsidiary transactions
Transactions undertaken with subsidiaries are eliminated in the Group's financial reports. Transactions between the parent and the subsidiary are funded through intercompany loans with no fixed repayment date and are repayable upon demand.

A summary of material transactions (excluding dividends) between the Bank and its subsidiaries during the period were:

	2020	2019
	$m	$m
Opening balance at beginning of financial year	435.1	6.6
Net receipts and fees received from subsidiaries	315.2	194.3
Supplies, fixed assets and services charged to subsidiaries	(47.5)	(72.7)
Transfer of net assets from Rural Bank	-	306.9
Net amount owing to subsidiaries	**702.8**	**435.1**

Bendigo and Adelaide Bank provides funding and guarantee facilities to several subsidiary companies. These facilities are provided on normal commercial terms and conditions.

		Limit	Drawn/ issued at 30 June 2020
Subsidiary	Facility	$m	$m
Sandhurst Trustees Limited	Guarantee	0.5	-

	2020	2019
Dividends paid by the subsidiaries	$m	$m
Rural Bank Limited	119.2	300.0

Other related party transactions

Joint arrangement entities and associates
Bendigo and Adelaide Bank Limited has investments in joint arrangement entities and associates which are accounted for using the equity method. The investments are initially recorded at cost, and are subsequently adjusted by the Group's share of the entity's profit or loss. Dividends received reduce the carrying value of the investment.

Transactions entered into with these related entities principally include commissions received and paid, services and supplies procured and fees charged in relation to the provision of banking, administrative and corporate services. These revenue and expense items are included in the Group's Income Statement. The transactions are conducted on the same terms as other third party transactions.

A summary of material transactions excluding dividends between the Group and joint arrangements and associates during the period were:

	2020	2019
	$m	$m
Commissions and fees paid to joint arrangements and associates	32.8	40.1
Supplies and services provided to joint arrangements and associates	5.6	9.4
Amount owing from/(to) joint arrangements and associates	3.8	1.0

Bendigo and Adelaide Bank Limited provides loans, guarantees and/or overdraft facilities to joint arrangements and associates. The loans have agreed repayment terms which vary according to the nature of the facility. These loans are included in the net amount owing from joint arrangements and associates in the above table.

Key management personnel
Key management personnel (KMP) are those persons with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

The Group's KMP are those members of the Bendigo and Adelaide Bank Group Executive Committee together with its Non-executive Directors.

Further details relating to KMP are located in the Remuneration Report.

The table below details, on an aggregated basis, KMP compensation:

	30 June 2020	30 June 2019
Compensation	$'000's	$'000's
Salaries and other short-term benefits	6,307.2	6,100.8
Post-employment benefits	298.1	334.1
Other long term benefits	41.5	11.4
Termination benefits	809.7	15.9
Share based payments	2,028.2	2,326.0
Total	**9,484.7**	**8,788.2**

32 **Related party disclosures** (continued)

Other related party transactions (continued)

Key management personnel (continued)
The table below details, on an aggregate basis, KMP equity holdings. The holdings comprise ordinary shares, preference shares, performance shares and deferred shares:

Equity holdings	30 June 2020 No.	30 June 2019 No.
Ordinary shares (includes deferred shares)	1,465,883	1,493,266
Preference shares	1,050	4,240
Performance shares	282,282	246,936
Closing balance	**1,749,215**	**1,744,442**

The table below details, on an aggregated basis, loan balances outstanding at the end of the year between the Group and its KMP:

Loans [1,2,3]	30 June 2020 $'000's	30 June 2019 $'000's
Loans outstanding at the beginning of the year [2]	12,387.6	11,987.8
Loans outstanding at the end of the year	12,136.2	12,749.0
Interest paid or payable	394.7	550.7
Interest not charged	-	-

[1] The balance of loans outstanding includes the provision of a guarantee to the value of $20,000 which was provided to a KMP in the ordinary course of the Group's business and on an arm's length basis.
[2] The balance of loans outstanding excludes the value of loans provided to Executives under the Employee Share Ownership Plan.
[3] The balance of loans outstanding relate to KMP who were in office at the start of, or appointed during, the financial year.

Loans to directors and senior executives are made in the ordinary course of the Group's business and on an arm's length basis. The loans are processed and approved in accordance with the Bank's standard lending terms and conditions.

33 **Involvement with unconsolidated entities**

The table below describes the types of structured entities that the Group does not consolidate but in which it holds an interest.

Type of structured entity	Nature and purpose	Interest held by the Group
Securitisation vehicles - for loans and advances originated by third parties	To generate: · external funding for third parties; and · investment opportunities for the Group. These vehicles are financed through the issue of notes to investors.	· Investments in notes issued by the vehicles
Managed investment funds	To generate: · a range of investment opportunities for external investors; and · fees from managing assets on behalf of third party investors for the Group.	· Investment in units issued by the funds · Management fees

33 **Involvement with unconsolidated entities** (continued)

Risks associated with unconsolidated structured entities
The following table summarises the carrying values recognised in the Balance Sheet in relation to unconsolidated structured entities:

	Managed investment funds	Securitisation vehicles	Managed investment funds	Securitisation vehicles
	2020	2020	2019	2019
	$m	$m	$m	$m
Cash and cash equivalents	0.1	-	0.1	-
Financial assets amortised cost	-	29.2	-	40.0
Financial assets fair value through other comprehensive income	8.7	17.1	9.1	27.0
Loans and other receivables	-	1,385.2	-	899.0
Total on-balance sheet exposures	**8.8**	**1,431.5**	**9.2**	**966.0**
Total off-balance sheet exposures [1]	-	262.8	-	245.4
Total maximum exposure to loss	**8.8**	**1,694.3**	**9.2**	**1,211.4**

[1] Relates to undrawn funding limits.

Maximum exposure to loss
For loans and other receivables, the maximum exposure to loss is the current carrying value of these interests representing the amortised cost at reporting date, in addition to any undrawn funding limits.

The following table summarises the Group's maximum exposure to loss from its involvement with unconsolidated structured entities.

	Carrying amount	Maximum loss exposure	Carrying amount	Maximum loss exposure
	2020	2020	2019	2019
	$m	$m	$m	$m
Cash and cash equivalents	0.1	0.1	0.1	0.1
Senior notes	1,431.5	1,694.3	966.0	1,211.4
Investment	8.7	8.7	9.1	9.1
	1,440.3	**1,703.1**	**975.2**	**1,220.6**

Significant restrictions
There are no significant restrictions imposed by any unconsolidated structured entity on the Group's ability to access or use its assets or settle its liabilities.

Recognition and measurement

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

Involvement with structured entities varies and includes debt financing of these entities as well as other relationships.

A review is undertaken to determine the involvement the Group has and whether the involvement with these entities results in significant influence, joint control or control over the structured entity. The structured entities over which control can be exercised are consolidated. These entities are outlined in Note 31.

The Group has no contractual arrangements that would require it to provide financial or other support to a consolidated or unconsolidated entity. The Group has not previously provided financial support, and has no intention to provide such support to these entities.

Securitisation vehicles
The Group has exposure to a number of securitisation vehicles through Residential Mortgage Backed Securities (RMBS). Securitisations involve transferring assets into an entity that sells interests to investors through the issue of debt or equity notes. The notes are secured by the underlying assets transferred to the vehicles, and generally hold a number of levels of subordination, with the residual income paid to the most subordinated investor. The Group does not hold any mezzanine notes in the unconsolidated structured entities it invests in, and does not receive any residual income. The Group does not act as the primary trust manager or servicer of any of its unconsolidated structured entities.

Managed Investment funds
Sandhurst Trustees Limited (STL), a subsidiary of the Group, acts as a responsible entity for certain managed investment funds. The decision-making rights of the fund are restricted to the Product Disclosure Statements. The fees received by STL are not variable, are commensurate with the services provided and are consistent with similar funds in the market. Where STL holds investments in the funds, an assessment of the Group's power over the relevant activities of the Fund and the significance of its exposure to variable returns is completed to determine whether the Fund should be consolidated.

33 **Involvement with unconsolidated entities** (continued)

Recognition and measurement (continued)

Community Banks
Community Banks are not consolidated by the Group as the Group does not have power to govern decision making.

While the Group's returns are variable they are calculated as a percentage of the gross margin. In some cases the Group holds shares in Community Bank branches and has representation on the Board. These shares are held as investments and are accounted for using the equity method.

Consolidation of a Community Bank Branch would occur when the Group has power to affect returns through the majority representation on the Board.

Alliance partners
Alliance partners are not consolidated by the Group as the Group does not have power to govern decision making. While the Group's returns are variable they are calculated as a percentage of the gross margin. The Group has no representation on the Board of these entities.

34 **Fiduciary activities**

The Group conducts investment management and other fiduciary activities as responsible entity, trustee, custodian or manager for a number of funds and trusts, including superannuation, unit trusts and mortgage pools.

The amounts of the funds concerned are:

	Group	
	2020	2019
	$m	$m
Funds under trusteeship	6,161.7	6,748.7
Assets under management	2,472.3	2,536.7
Funds under management	3,689.4	4,055.5

Recognition and measurement

The assets and liabilities of these trusts and funds are not included in the consolidated financial statements as the Group does not have direct or indirect control of the trusts and funds. Commissions and fees earned in respect of the activities are included in the Income Statement of the Group.

As an obligation arises under each type of duty, the amount of funds has been included where that duty arises. This may lead to the same funds being shown more than once where the Group acts in more than one capacity in relation to those funds (e.g. manager and trustee). Where controlled entities, as trustees, custodian or manager incur liabilities in the normal course of their duties, a right of indemnity exists against the assets of the applicable trusts. As these assets are sufficient to cover liabilities, and it is therefore not probable that the Group will be required to settle them, the liabilities are not included in the financial statements.

35 **Share based payment plans**

The Group provides benefits to employees by offering share based compensation whereby employees render services in exchange for shares or rights over shares.

These share based incentive plans form an integral part of the Group's remuneration framework with the objective of aligning the interests of executives and general employees to the interests of shareholders.

Further detailed information including terms and conditions associated with each plan is included in the Remuneration Report.

Details of current plans

Performance rights
The Plan provides for grants of performance rights to the Managing Director, Senior Executives and key senior management (the Participants) as determined by the Board. Participants are invited to receive grants of performance rights that are subject to performance conditions set by the Board.

The performance right grant made during the current financial year is subject to the following performance conditions:

- a 'customer hurdle' that requires the Bank's Net Promoter Score over the performance period to be better than the performance of a peer group of Australian banks.
- a total shareholder return (TSR) performance hurdle;
- continuing service with the Group; and
- risk conditions.

The previous performance right grants are subject to the following performance conditions:

The number of performance rights granted to Participants is determined by dividing the remuneration value of the proposed grant by the volume weighted average closing price of the Company's shares for the last five trading days of the financial year prior to the year of grant.

The Participants are entitled to vote and to receive any dividend, bonus issue, return of capital or distribution made in respect of shares they are allocated on vesting and exercise of their performance rights.

Deferred shares
Under the Plan, Participants are granted deferred shares as part of their base remuneration and short-term incentive payments. The deferred shares are beneficially owned by the Participant from the grant date and are held on trust for a two year period.

The deferred shares are fully-paid ordinary shares in the Company and are granted subject to certain Board imposed conditions being satisfied:

- two year continued service condition; and
- risk conditions

If the service condition is satisfied, the deferred shares will vest subject to any risk conditions.

The number of shares awarded as part of the plan are calculated by dividing the deferred remuneration value by the volume weighted average closing price of the Company's shares for the last five trading days of the financial year prior to the year of grant. The Participants are entitled to vote and to receive any dividend, bonus issue, return of capital or distribution made in respect of shares they are allocated on vesting and exercise of their deferred shares.

Employee Share Grant Scheme (ESGS)
The Company has established a share based incentive plan for full time and permanent part time employees of the Group (excluding Directors and Senior Executives).

The shares will be held in trust for a period of three years after which time they will be transferred to the employee. During the restricted period employees will be entitled to receive dividends and to vote at general meetings. The shares under this Plan were released on 10 March 2020.

Employee Share Plan
The Company established a loan based limited recourse Employee Share plan in 2006. The Plan is only available to full time and part time employees of the Group (excluding Senior Executives and the Managing Director).

The Plan provides employees with a limited recourse interest free loan for the sole purpose of acquiring fully paid ordinary shares in the Company.

The shares must be paid for by the employee with cash dividends after personal income tax being applied to repay the loans.

Employees cannot exercise, dispose or transfer the shares until the loan has been fully repaid.

The first issue to staff under this Plan was completed in September 2006 with a further grant made in December 2007. There have been no further issues under this Plan.

35 **Share based payment plans** (continued)

Employee Share Ownership Plan (discontinued)
In 2006 the Company discontinued the existing loan based Employee Share Ownership Plan that was open to all employees of the Group. Refer to the 2015 Annual Financial Report or prior years for more detailed information regarding this Plan.

Summary of details under the various plans
The following table details the number (No.) and movements in the various plans during the year. The rights and share are granted at no cost and have no exercise price.

	Performance rights		Deferred shares		Share Grant Scheme		Employee Share Plan			
	2020	2019	2020	2019	2020	2019	2020	2020	2019	2019
	No. [1]	No. [1]	No. [1]	No. [1]	No. [1]	No. [1]	No. [2]	WAEP ($)	No.	WAEP ($)
Outstanding at beginning of year	649,842	833,725	301,721	171,439	167,079	183,426	949,734	5.72	1,464,830	4.49
Granted	300,634	303,687	91,452	308,214	-	-	-	-	-	-
Forfeited/ lapsed	(212,616)	(153,925)	-	(6,493)	-	-	-	-	-	-
Vested/ exercised	(59,550)	(333,645)	(141,802)	(171,439)	(167,079)	(16,347)	(134,560)	4.96	(515,096)	0.85
Outstanding at year end	678,310	649,842	251,371	301,721	-	167,079	815,174	5.31	949,734	5.72
Exercisable at year end	-	-	-	-	-	-	-	-	-	-

1 Closing balance of deferred shares and performance rights are exercisable upon meeting the required conditions and until 30 June 2019 and 30 June 2021 respectively.
2 The outstanding balance as at 30 June 2020 is represented by 815,174 (2019: 949,734) ordinary shares with a market value of $5,714,370 (2019: $10,997,919), exercisable upon repayment of the employee loan.

Recognition and measurement

The cost of the employee services received in respect of shares or rights granted is recognised in the Income Statement over the period the employee provides the services, generally the period between the grant date and the vesting date of the shares or rights. The overall cost of the award is calculated using the number of shares or rights expected to vest and the fair value of the shares or rights at the grant date.

Fair value methodology
The fair value of shares or rights granted under the various Plans takes into account the terms and conditions upon which the shares or rights were granted.

Performance rights - The fair value is determined using a Black Scholes Merton valuation method incorporating a Monte Carlo Simulation option pricing model taking into account the terms and conditions upon which the rights were granted.

The following inputs are used in the models:

	Managing Director	Other executives
	17 Dec 2019	17 Dec 2019
Dividend yield (%)	7.08%	7.08%
Expected volatility (%)	21.23%	21.23%
Risk-free interest rate (%)	0.88%	0.88%
Expected life of performance rights (years)	4 years	4 years
Exercise price ($)	nil	nil

The expected life of the performance rights are based on historical data, and are not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of shares granted were incorporated into the measurement of fair value. The fair value is determined by an independent valuation.

Deferred shares - The fair value is measured as at the date of the grant using the volume weighted average closing price of the Company's shares traded on the ASX for five trading days ending on the grant date.

36 **Commitments and contingencies**

a) Commitments

The following are outstanding expenditure and credit related commitments as at 30 June 2020. Except where specified, all commitments are payable within one year.

	Group		Bank	
	2020	2019	2020	2019
Credit related commitments	$m	$m	$m	$m
Gross loans approved, but not advanced to borrowers	1,579.0	1,481.1	1,579.0	1,481.1
Credit limits granted to clients for overdrafts and credit cards [1]				
Total amount of facilities provided	7,215.9	7,590.8	7,215.9	7,590.8
Amount undrawn at balance date	4,004.5	3,987.4	4,004.5	3,987.4

[1] Normal commercial restrictions apply as to use and withdrawal of the facilities.

b) Contingent liabilities

	$m	$m	$m	$m
Guarantees				
The economic entity has issued guarantees on behalf of clients	253.3	236.5	253.3	236.5
Other				
Documentary letters of credit and performance related obligations	1.4	1.5	1.4	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.

Recognition and measurement

Financial guarantees
Bank guarantees have been issued by the Group on behalf of customers whereby the Group is required to make specified payments to reimburse the holders for a loss they may incur because the customer fails to make a payment.

Contingent liabilities are not recognised on the Balance Sheet. The contractual term of the guarantee matches the underlying obligations to which it relates.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach.

The guarantees issued by the Bank are fully secured and the Bank has never incurred a loss in relation to the financial guarantees it has provided.

Legal claims
The Group is engaged in a range of litigation and court proceedings at any point in time. However, no current proceedings or claims are expected to have a material effect on the business, financial condition or operating results of the Group. For all litigation exposures where loss is probable and can be reliably estimated an appropriate provision is made. The Group has no provisions raised for any current legal proceedings.

Remediation and compensation claims
The Group undertakes ongoing compliance activities, including review 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.

c) Contingent assets

As at 30 June 2020, the economic entity does not have any contingent assets.

37 Remuneration of Auditor

The Group's external auditor is Ernst & Young (EY). In addition to the audit and review of the Group's financial reports, EY has provided other services throughout the year.

	Group		Bank	
	2020	2019	2020	2019
	$	$	$	$
Fees to Ernst & Young (Australia) [1]				
Category 1 - Fees to the group auditor for audit and review of financial statements	1,913,300	1,635,658	1,906,300	1,402,288
Category 2 - Audit related services	51,700	51,000	51,700	51,000
Category 3 - Other assurance services				
Consolidated entities	843,620	1,078,745	843,620	1,001,145
Non-consolidated entities	352,060	339,080	-	-
Category 4 - Non-audit (other) related fees				
Consolidated entities	-	263,100	-	263,100
Non-consolidated entities	8,000	-	-	-
Total fees to Ernst & Young (Australia)	**3,168,680**	**3,367,583**	**2,801,620**	**2,717,533**

1. Fees exclude goods and services tax (GST).

Following the 2019 Parliamentary Joint Committee and Financial Services' Inquiry into the Regulation of Auditing in Australia, a recommendation was made to adopt a consistent disclosure of audit and non-audit fees. As a result, the Group has restated the comparative period balances and disclosed audit and non-audit fees in the following categories:

Category 1 - Fees to the Group's auditor for auditing the statutory financial report of the Parent covering the Group, and for auditing the statutory financial report of any controlled entities.

Category 2 - Fees for assurance services that are required by legislation to be provided by the auditor. These services include assurance of the Group's compliance with Australian Financial Services Licensing requirements.

Category 3 - Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm. These services include regulatory compliance reviews, agreed-upon procedures, comfort letters, assurance of the Group's sustainability reporting, systems assurance and controls reviews. This category also includes assurance services provided to non-consolidated trusts of which a Group entity is trustee, manager, or responsible entity, and the non-consolidated Group superannuation fund.

Category 4 - Fees for other services (e.g. tax compliance in 2020 and financial crimes review in 2019).

The Group processes in place to maintain the independence of the external auditor, including the nature of expenditure on non-audit services. EY also has specific internal processes in place to ensure auditor independence.

38 **Leases**

Recognition and measurement

A. Leases as lessee
(Effective as of 1 July 2019)

AASB 16 *Leases* was amended in June 2020 to provide lessees with a practical expedient that relieves a lessee from assessing whether a COVID-19-related lease modifications. The Group has not received any COVID-19-related rent concessions, hence does not need to apply this practical expedient.

As a lessee the Group leases many assets including property, IT equipment, and ATMs.

The Group records right-of-use assets (ROUA) and lease liabilities for most of its lease contracts, with the exception of short-term and/or leases of low-value whereby lease payments are expensed on a straight-line basis over the lease term.

(i) Right-of-use assets relate to leased branch and office premises that are included in the balance of property, plant and equipment in the Balance Sheet.

	Properties	IT Equipment	Other
	$m	$m	$m
Balance as at 1 July 2019	202.4	18.7	5.8
Depreciation charge	(44.9)	(6.4)	(2.6)
Additions	3.9	-	-
Remeasurements	5.6	0.7	-
Balance as at 30 June 2020	**167.0**	**13.0**	**3.2**

(ii) Amounts recognised in the Income Statement

	Group
	2020
Depreciation charge of Right-of-use assets	$m
Buildings	44.9
Equipment	6.4
Other	2.6
Total depreciation expense ROUA	**53.9**
Interest on lease liabilities	7.3
Expenses relating to short-term leases	1.0
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	-

(iii) Amounts recognised in statement of cash flows

	Group
	2020
	$m
Total cash outflow for leases	54.9

(Effective prior to 1 July 2019)

Leases for which the Group acted as the lessee were previously classified as operating leases under AASB 117. As a result non-cancellable lease payments were not being recognised as liabilities but were recognised as rental expenses over the lease term on a straight-line basis.

	Group
	2019
	$m
Lease expense	57.2
Contingent lease expense	362.2

38 **Leases** (continued)

Recognition and measurement (continued)

Operating lease commitments (as lessee)	Group 2019 $m	Bank 2019 $m
Not later than 1 year	81.8	79.6
Later than 1 year but not later than 5 years	183.4	180.0
Later than 5 years	97.0	97.0
Total	**362.2**	**356.6**

B. Leases as lessor
(Effective as of 1 July 2019)

The Group sub-leases some of its properties. As of 1 July 2019, the Group accounts for its interests in the head lease and the sub-lease separately and assesses the lease classification of a sub-lease with reference to the ROUA arising from the head lease, rather than the underlying asset. The Group has defined the sub-leases to be operating leases and as a consequence recognises lease income from the sub-lease in the Income Statement on a straight line basis over the lease term.

Rental income recognised by the Group during the year ended 30 June 2020 was $3.8m (FY19: $3.8m).

The practical expedient in AASB 16 *Leases* does not extend to the lessor. The Group, as lessor, has provided various sub-tenants with COVID-19 rental concessions. As the rental income relating to these operating leases is recognised as it is due from the tenant, where COVID-19 rental concessions have been provided, no rental income has been recognised by the Group.

The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	Group 2020 $m	Bank 2020 $m
Less than one year	4.6	4.6
One to two years	4.7	4.7
Two to three years	4.3	4.3
Three to four years	3.9	3.9
Four to five years	3.8	3.8
More than five years	1.4	1.4
Total	**22.7**	**22.7**

(Effective prior to 1 July 2019)

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2019 are outlined in the table below:

	Group 2019 $m	Bank 2019 $m
Not later than 1 year	3.5	3.5
Later than 1 year but not later than 5 years	9.4	9.4
Later than 5 years	3.0	3.0
Total	**15.9**	**15.9**

39 **Business combinations**

Acquisitions in the 2020 financial year

Community Sector Enterprises Pty Ltd

Community Sector Enterprises Pty Ltd is the parent entity of Community Sector Banking, an entity specialising in banking services for not-for-profit and community organisations.

On 2 March 2020, Bendigo and Adelaide Bank Limited acquired the remaining 50% ownership held by Community 21, a not-for-profit consortium, for $5.5 million. The fair value of net assets acquired was $5.5 million (including the fair value of intangible assets acquired). No goodwill or gain on bargain purchase was recognised.

Recognition and measurement

The Group accounts for a business combination using the acquisition accounting method when control is transferred. The consideration transferred for the acquisition is measured at fair value, including contingent consideration, given at the date of exchange. The acquired identifiable net assets are generally measured at fair value. Goodwill will be recorded on the Balance Sheet where the purchase price exceeds the value of the identifiable net assets. Any gain on a bargain purchase is recognised in the Income Statement immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity.

40 **Events after balance sheet date**

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

Key performance indicators

The following table provides a summary of the last five years key metrics.

Bendigo and Adelaide Bank Group

Five year history

For the year ended 30 June

Some of the key indicators in the table below are non-IFRS measures and are unaudited.

		2020	2019 [1]	2018	2017	2016
Financial Performance						
Net interest income	($m)	1,333.8	1,289.6	1,305.2	1,213.6	1,164.1
Credit expenses	($m)	168.5	50.3	70.6	71.8	44.1
Profit after income tax attributable to Owners of the Company	($m)	192.8	376.8	434.5	429.6	415.6
Cash earnings after income tax	($m)	301.7	415.7	445.1	418.3	401.4
Financial Position						
Total assets	($m)	76,008.9	72,435.3	71,439.8	71,415.5	68,572.7
Net loans and other receivables	($m)	64,980.4	61,822.2	61,601.8	60,776.6	57,256.8
Total equity	($m)	5,798.2	5,631.6	5,620.3	5,425.6	5,115.3
Deposits and notes payable	($m)	67,686.1	64,061.3	63,074.3	63,252.5	60,877.2
Risk weighted assets	($m)	38,215.2	37,483.1	38,256.4	38,062.3	36,485.5
Additional tier 1 capital ratio	(%)	2.34	2.39	2.34	2.22	2.31
Common equity tier 1 capital ratio	(%)	9.25	8.92	8.62	8.27	8.09
Tier 2 capital ratio	(%)	2.02	1.83	1.89	1.97	1.81
Share Information (per ordinary share)						
Net tangible assets	($)	7.98	8.03	8.16	7.85	7.51
Earnings (statutory basis)	(¢)	38.1	77.1	89.9	90.9	90.4
Earnings (cash basis)	(¢)	59.7	85.0	92.1	88.5	87.3
Dividends - fully franked						
Interim	(¢)	31.0	35.0	35.0	34.0	34.0
Final	(¢)	Decision deferred	35.0	35.0	34.0	34.0
Total	(¢)	31.0	70.0	70.0	68.0	68.0
Shareholder ratios						
Return on average tangible equity (cash basis)	(%)	7.42	10.73	11.52	11.61	11.83
Return on average assets (cash basis)	(%)	0.42	0.61	0.65	0.61	0.62
Return on average ordinary equity (cash basis)	(%)	5.36	7.55	8.23	8.10	8.17
Return on average ordinary equity after tax (statutory basis)	(%)	3.43	6.84	8.03	8.32	8.46
Key Trading Indicators						
Number of staff (excluding Community Banks)	(FTE)	4,776	4,540	4,426	4,413	4,531
Assets per staff member	($m)	15.9	16.0	16.1	16.2	15.1
Asset Quality						
Impaired loans	($m)	240.5	310.9	335.8	282.6	350.2
Individually assessed provisions	($m)	(77.5)	(127.6)	(118.3)	(88.5)	(124.4)
Net impaired loans		**163.0**	**183.3**	**217.5**	**194.1**	**225.8**
Net impaired loans % of gross loans	(%)	0.25	0.29	0.35	0.32	0.39
Individually assessed provision for impairment	($m)	78.4	128.5	119.3	89.5	125.3
Individually assessed provision % of gross loans	(%)	0.12	0.21	0.19	0.15	0.22
Collectively assessed provision	($m)	263.2	157.0	48.2	52.7	53.4
General reserve for credit losses (GRCL) (general provision)	($m)	86.6	77.3	140.3	140.3	146.9
Collectively assessed provision and GRCL as a % of risk-weighted assets	(%)	0.92	0.63	0.49	0.56	0.55

[1] The Group applied AASB 9 *Financial Instruments* from 1 July 2018. Further information can be found in the Group's 2019 Annual Financial Report.

Directors' Declaration

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

In the opinion of the directors:

a) the financial statements and notes of the Company and the Bendigo and Adelaide Bank Group are in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the Company's and the Bendigo and Adelaide Bank Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and

b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2; and

c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

d) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2020.

On behalf of the Board

Jacqueline Hey Chair 3 September 2020	**Marnie Baker** Managing Director

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Bendigo and Adelaide Bank Limited (the Company) and its subsidiaries (collectively the Group), which comprises:

- the Group consolidated and Company balance sheets as at 30 June 2020;
- the Group consolidated and Company income statements, statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended;
- notes to the financial statements, including a summary of significant accounting policies; and
- the directors' declaration.

In our opinion, the accompanying financial report is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2020 and of their financial performance for the year ended on that date; and
b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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Allowance for credit losses

Why significant	How our audit addressed the key audit matter
As described in Notes 3 *Profit*, 10 *Impairment of loans and advances* and 20 *Risk management*, the allowance for credit losses is determined in accordance with Australian Accounting Standard - AASB 9 *Financial Instruments* (AASB 9). This was a key audit matter due to the size of the provision (specific provision 30 June 2020: $78.4 million, collective provision 30 June 2020: $263.2 million), and the degree of judgment and estimation uncertainty associated with the calculations. Key areas of judgment included: ▸ the application of the impairment requirements within AASB 9, which is reflected in the Group's expected credit loss model; ▸ the identification of exposures with a significant deterioration in credit quality; ▸ assumptions used in the expected credit loss model (for exposures assessed on an individual or collective basis) such as the financial condition of the counterparty, expected future cash flows, and forward-looking macroeconomic factors (e.g. GDP growth, unemployment rates, central-bank interest rates, and house-price indices) as disclosed in Note 10; and ▸ the incorporation of forward-looking information to reflect current or future external factors, specifically judgments related to the expected impact of COVID-19, both in the multiple forward-looking scenarios and the weighting determined for each of these scenarios as disclosed in Note 10.	Our audit of the collective provision for credit losses required actuarial expertise to assist in the testing of the mechanics of the underlying models and model assumptions. Accordingly, we involved our actuarial specialists to test the mathematical accuracy of the model and key assumptions, including probability of default, loss given default and exposure at default assumptions. Our audit procedures on the collective provision included the following: ▸ Assessed the Group's calculation methodology against the requirements of AASB 9. ▸ Assessed the significant modelling and macroeconomic assumptions, including the reasonableness of forward-looking information and scenarios, with reference to relevant publicly available macro-economic information and the sensitivity of the collective provision to changes in such assumptions. ▸ Assessed, through testing a sample, the operating effectiveness of relevant controls used to manage the flow of information between systems and models related to the determination of the allowance for credit losses. We assessed the basis for and assumptions used to determine the overlays, which were recognised to capture current and future market characteristics due to COVID-19, with reference to market data and industry/geographic concentrations. Our audit procedures on the specific provision included the following on a sample basis: ▸ Assessed the reasonableness of internal credit quality assessments based on the borrowers' particular circumstances. ▸ Evaluated the associated provisions by assessing the reasonableness of key inputs into the calculation, with particular focus on the impact of COVID-19 on high-risk industries, work out strategies, collateral values, and the value and timing of recoveries. We assessed the adequacy of the disclosures associated with the allowance for credit losses, including related key estimates and judgments, and sensitivity analysis.

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Impairment assessment of goodwill

Why significant	How our audit addressed the key audit matter

The Group has recognised goodwill as part of historical acquisitions.
 	
Details on the methodology and assumptions used in the impairment assessment of goodwill and the consideration given to the potential impacts of COVID-19 are included in Note 26 *Goodwill and other intangible assets*.
 	
This was a key audit matter due to the size of the goodwill balance held on the balance sheet, and the degree of judgment and estimation uncertainty associated with the impairment assessment, particularly as a result of COVID-19.
 	
An impairment assessment is performed each year, comparing the carrying value of each cash generating unit ("CGU"), inclusive of goodwill balances, with its recoverable amount. The recoverable amount of each CGU was determined using a value in use calculation. This calculation incorporated a number of assumptions, including:
▸ future cash flows;
▸ discount rates; and
▸ terminal growth rates.
	Our audit procedures included the following:
	
	▸ Assessed the appropriateness of the CGUs identified to which goodwill has been allocated.
	
	▸ Agreed the forecast cash flows to the most recent Board-approved cash flow forecasts, considered the reasonableness of these forecasts based on the current economic environment, and assessed the accuracy of the Group's previous forecasts by performing a comparison of historical forecasts to actual results.
	
	▸ Involved our valuation specialists to:
	  ▸ Assess the key assumptions used in the impairment assessment with reference to market rates and historical performance;
	  ▸ Assess the reasonableness of adjustments made to incorporate the expected impacts from COVID-19 within these assumptions;
	  ▸ Review supporting material to assess the market capitalisation of the business as at 30 June 2020 and recent trading history relative to net assets; and
	  ▸ Test the mathematical accuracy of the impairment models.
	
	▸ Benchmarked the implied valuations to comparable company trading and control valuation multiples.
	
	▸ Assessed the adequacy of the disclosures associated with the goodwill impairment assessment in the financial report, including focusing on where a reasonably possible change in key assumptions could cause the carrying amount of a CGU to exceed its recoverable amount to assess whether additional disclosures may be required.

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Valuation of software

Why significant	How our audit addressed the key audit matter

The Group's software intangible assets consist of both internally-generated and externally-purchased software assets and are amortised over their useful lives.
 	
The Group records these assets at cost less any amortisation and impairment charges, if applicable. The Group performs an impairment assessment on a semi-annual basis or more frequently if indicators of impairment exist.
 	
The methodology applied by the Group in relation to impairment testing of software is detailed in Note 26.
 	
The valuation of these assets was a key audit matter due to:
▸ The size of intangible assets throughout the year and the significant impairment charge recognised during the year in determining the amount held on balance sheet;
▸ The accelerated amortisation charge recognised during the year;
▸ The degree of judgment involved in the determination of costs to be capitalised and the expected useful life; and
▸ The degree of estimation uncertainty involved in the impairment assessment, specifically related to the forecast benefits.
	Our audit procedures included the following:
	
	▸ Evaluated the Group's software capitalisation policy and its application during the year with reference to the relevant accounting standards.
	▸ Assessed the reasonableness of the remaining useful lives of material software assets based on their current use, the Group's accelerated technology investment and our understanding of the broader technology environment.
	▸ Recalculated the Group's amortisation charge and accelerated amortisation charge for the current year.
	▸ Evaluated the Group's impairment charge during the current year and the year-end impairment assessment of software intangible assets, which included:
	  ▸ Assessing key inputs and assumptions, including the identification and quantification of future economic benefits and the period over which such benefits are expected to be realised; and
	  ▸ Testing the mathematical accuracy of the impairment calculations.
	▸ Assessed the adequacy of the disclosures associated with impairment testing of software intangible assets in the financial report.

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Investment property - Homesafe

Why significant	How our audit addressed the key audit matter
The Group controls Homesafe Trust. Homesafe offers a Debt Free Equity Release product to allow customers to release the equity in their homes in exchange for a capped percentage share of the future sale proceeds of the property. The investment is accounted for as investment property. As at 30 June 2020 there is significant valuation uncertainty arising from the COVID-19 pandemic and the response of Governments to it. This means that Level 3 asset values, such as investment properties, may change significantly and unexpectedly over a relatively short period of time. In this situation the disclosures in the financial report provide particularly important information about the assumptions made in the asset valuations and the market conditions at 30 June 2020. Details on the methodology and assumptions used in the calculation of the fair value of investment properties are included in Note 25 *Investment property*. This was a key audit matter due to the size of the Group's investment in residential real estate recognised within the Homesafe Trust, the revaluation gain recognised in the current year from the Homesafe portfolio, and the degree of judgment and estimation uncertainty associated with the assumptions, particularly the expected rates of property appreciation assumption due to the impact of COVID-19. The Homesafe investment portfolio is measured at fair value using a discounted cash flow model. The valuation of the portfolio is subject to judgment in relation to key assumptions, including: ▸ mortality rate; ▸ voluntary exit rate; ▸ expected rates of property appreciation; and ▸ discount rates.	Our audit procedures included the following: ▸ Assessed the design and operating effectiveness of controls over new contracts, maintenance and settlement processes associated with this product. ▸ Agreed data used in the discounted cash flow model for a sample of properties to signed contracts. ▸ Performed cut-off procedures by agreeing new contracts and settlements around 30 June 2020 to supporting documentation to establish that the contracts were recorded in the correct period. ▸ Involved real estate and actuarial specialists to assess the key assumptions used in the valuation model with reference to market rates, historical trends and settlements during the year, as well as the model mechanics and validation. ▸ Assessed the adequacy of the disclosures in respect of the investment and associated revaluation gains within the financial report.

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Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2020 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 23 to 43 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Bendigo and Adelaide Bank Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

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Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Luke Slater

Graeme McKenzie
Partner
Melbourne

Luke Slater
Partner
Melbourne

3 September 2020

Additional information

1 Material differences

There are no material differences between the information supplied in this report and the information in the preliminary final report supplied by Bendigo and Adelaide Bank Limited ("the Company") to the Australian Securities Exchange on 17 August 2020.

2 Audit Committee

As at the date of the Directors' Report the Group had an Audit Committee of the Board of Directors.

3 Corporate governance practices

The corporate governance practices adopted by the Company are as detailed in the 2020 Corporate Governance Statement. For further details, please refer to our website at https://www.bendigoadelaide.com.au/corporate_governance/index.asp.

4 Substantial shareholders

The following parties and their associates have notified the Company that they have a substantial relevant interest in the ordinary shares of the Company, effective as at 7 August 2020:

Substantial holder	Number or ordinary shares held	% of total shares issued*	Date of last notice
BlackRock Group	40,528,336	7.63%	28/7/20
Vanguard Group	30,269,146	6.048%	25/3/20

* As at the date of the substantial shareholder's last notice lodged with the ASX.

5. Distribution of shareholders

Range of Securities as at 7 August 2020 in the following categories:

Category	Fully Paid Ordinary Shares	%	Fully Paid Employee Shares	%	Convertible Preference Shares 2	%	Convertible Preference Shares 3	%	Convertible Preference Shares 4	%
1 - 1,000	42,359	3.24%	914	52.44%	3,851	43.20%	4,651	49.63%	5,503	46.76%
1,001 - 5,000	40,070	18.95%	225	43.49%	375	24.99%	341	24.45%	377	23.47%
5,001 - 10,000	10,056	13.44%	3	2.20%	28	6.62%	16	3.71%	27	5.92%
10,001 - 100,000	5,930	22.76%	1	1.87%	17	14.08%	14	13.33%	25	17.71%
100,001 and over	124	41.62%	-	-	2	11.11%	2	8.88%	1	6.14%
Number of Holders	**98,539**		**1,143**		**4,273**		**5,024**		**5,933**	
Securities on Issue	**529,979,078**		**800,117**		**2,921,188**		**2,822,108**		**3,216,145**	

6 Marketable parcel

Based on a closing price of $6.67 on 7 August 2020 the number of holders with less than a marketable parcel of the Company's main class of securities (Ordinary Shares), as at 7 August 2020 was 7,140.

7 Unquoted securities

The number of unquoted equity securities that are on issue and the number of holders of those securities are shown in the above table under the heading of Fully Paid Employee Shares (namely BENAK, BENAA and BENAB securities).

Additional information (continued)

8 **Major shareholders**

Names of the 20 largest holders of Fully Paid Ordinary Shares in the Company, including the number of shares each holds and the percentage of capital that number represents, as at 7 August 2020 are:

Fully paid ordinary shares

Rank	Name	Number of shares	% of shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	89,508,463	16.89%
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	47,970,144	9.05%
3	CITICORP NOMINEES PTY LIMITED	25,875,224	4.88%
4	NATIONAL NOMINEES LIMITED	14,812,598	2.79%
5	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	5,508,479	1.04%
6	BNP PARIBAS NOMS PTY LTD <DRP>	3,871,855	0.73%
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	1,916,349	0.36%
8	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,601,791	0.30%
9	HSBC CUSTODY NOMINEES	1,399,752	0.26%
10	AMP LIFE LIMITED	1,241,963	0.23%
11	CARLTON HOTEL LIMITED	1,117,147	0.21%
12	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	788,416	0.15%
13	NEALE EDWARDS PTY LTD	765,731	0.14%
14	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	715,893	0.14%
15	DIESEL COOLING PTY LTD	700,000	0.13%
16	DYNAMIC SUPPLIES INVESTMENTS PTY LTD	700,000	0.13%
17	LEESVILLE EQUITY PTY LTD	681,688	0.13%
18	NATIONAL NOMINEES LIMITED <DB A/C>	593,299	0.11%
19	NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	548,850	0.10%
20	TERMZ PTY LTD <POMPAPIEL SUPER A/C>	500,000	0.09%
		200,817,642	**37.86%**

Equity Trustees Limited, trustee for the Bendigo and Adelaide Bank Employee Share Plan and the Employee Share Grant Scheme, held a combined total of 800,117 unquoted shares. These shares have not been included in the above table, but are included in the total of issued ordinary share capital.

Fully paid Convertible Preference Shares 2 (CPS2)

Rank	Name	Number of shares	% of shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	208,396	7.13%
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	116,143	3.98%
3	BNP PARIBAS NOMS PTY LTD <DRP>	46,442	1.59%
4	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	45,376	1.55%
5	BNP PARIBAS NOMINEES PTY LTD <PITCHER PARTNERS DRP>	43,852	1.50%
6	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	33,978	1.16%
7	MERCHANT FOUNDATION PTY LTD <MERCHANT CHARITABLE FND A/C>	28,998	0.99%
8	SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA A/C>	27,909	0.96%
9	TGB HOLDINGS PTY LTD	26,610	0.91%
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	25,279	0.87%
11	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	22,352	0.77%
12	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	20,948	0.72%
13	JOHN E GILL TRADING PTY LTD	16,579	0.57%
14	THE TRUST COMPANY (AUSTRALIA) LIMITED <WCCTFI A/C>	14,670	0.50%
15	NATIONAL NOMINEES LIMITED	13,947	0.48%
16	MUTUAL TRUST PTY LTD	11,945	0.41%
17	AVANTEOS INVESTMENTS LIMITED <3311559 HANSPETER A/C>	11,362	0.39%
18	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	10,983	0.38%
19	MRS MAXINE FRANCES ELLIS	10,100	0.35%
20	TRISTAR METALS PTY LTD	10,000	0.34%
		745,869	**25.55%**

Additional information (continued)

8 **Major shareholders** (continued)

Names of the 20 largest holders of Convertible Preference Shares 3, including the number of shares each holds and the percentage of Convertible Preference Share 3 capital that number represents, as at 7 August 2020 are:

Fully paid Convertible Preference Shares 3 (CPS3)

Rank	Name	Number of shares	% of shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	132,067	4.68%
2	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	118,457	4.20%
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	93,418	3.31%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	37,566	1.33%
5	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	28,609	1.01%
6	TRUSTEES OF CHURCH PROPERTY FOR THE DIOCESE OF NEWCASTLE <SAVINGS & DEVELOPMENT A/C>	28,200	1.00%
7	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	25,123	0.89%
8	NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	23,269	0.82%
9	BNP PARIBAS NOMS PTY LTD <DRP>	23,265	0.82%
10	MUTUAL TRUST PTY LTD	20,629	0.73%
11	BERNE NO 132 NOMINEES PTY LTD <684168 A/C>	20,058	0.71%
12	BNP PARIBAS NOMINEES PTY LTD <PITCHER PARTNERS DRP>	18,265	0.65%
13	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IPS SUPER A/C>	18,107	0.64%
14	G C F INVESTMENTS PTY LTD	15,000	0.53%
15	NATIONAL NOMINEES LIMITED	13,048	0.46%
16	CITICORP NOMINEES PTY LIMITED	11,679	0.41%
17	TGB HOLDINGS PTY LTD	9,800	0.35%
18	INVIA CUSTODIAN PTY LIMITED <A/M UNIT A/C>	9,230	0.33%
19	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	7,700	0.27%
20	MS JILLIAN ROSEMARY BROADBENT <QUEENS PARK A/C>	7,417	0.26%
		660,907	**23.40%**

Names of the 20 largest holders of Convertible Preference Shares 4, including the number of shares each holds and the percentage of Convertible Preference Share 4 capital that number represents, as at 7 August 2020 are:

Fully paid Converting Preference Shares 4 (CPS4)

Rank	Name	Number of shares	% of shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	197,469	6.14%
2	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	66,522	2.07%
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	53,232	1.66%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	52,186	1.62%
5	NATIONAL NOMINEES LIMITED	30,644	0.95%
6	CITICORP NOMINEES PTY LIMITED	30,582	0.95%
7	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	29,602	0.92%
8	BNP PARIBAS NOMINEES PTY LTD <PITCHER PARTNERS DRP>	26,507	0.82%
9	NAVIGATOR AUSTRALIA LTD <JB WERE LIST FIX INT SMA A/C>	25,393	0.79%
10	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IPS SUPER A/C>	25,349	0.79%
11	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	21,704	0.67%
12	SOUTH BAY NOMINEES PTY LTD <C & P HONG FAMILY A/C>	18,000	0.56%
13	PCI PTY LTD	17,715	0.55%
14	SOUTH HONG NOMINEES PTY LTD <HONG SUPER FUND A/C>	17,000	0.53%
15	INVIA CUSTODIAN PTY LIMITED <A/M UNIT A/C>	16,110	0.50%
16	NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	15,066	0.47%
17	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	14,392	0.45%
18	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	14,352	0.45%
19	CORP OF THE TSTEES OF THE ROMAN CATH ARC	14,000	0.44%
20	TRUSTEES OF CHURCH PROPERTY FOR THE DIOCESE OF NEWCASTLE <SAVINGS & DEVELOPMENT A/C>	13,605	0.42%
		699,430	**21.75%**

Additional information (continued)

9 Voting rights

Under the Company's Constitution, each person who is a voting Shareholder and who is present at a general meeting of the Company in person or by proxy, attorney or official representative is entitled to one vote on a show of hands or, on a poll, one vote for each fully paid ordinary share held.

With respect to each person that is a holder of preference shares under the Company's Constitution each holder is not entitled to vote at any general meeting of the Company except:

a) on any resolution during a period in which a dividend or part of a dividend remains unpaid

b) on any resolution:
   - to reduce the share capital of the Company (other than a resolution to approve a redemption of the holder's class of preference shares)
   - that affects rights attached to the holder's class of preference shares
   - to wind up the Company
   - for the disposal of the whole of the property, business and undertaking of the Company

c) on a resolution to approve the terms of a buy-back agreement (other than a resolution to approve a redemption of the holder's class of preference shares)

d) during a winding-up of the Company, in which case a holder will have the same rights as to manner of attendance and voting as a holder of ordinary shares with one vote per preference share.

Australia's Bank of Choice

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Bendigo and Adelaide Bank Limited.
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