Annual Financial Report
2019

Bendigoand
AdelaideBank

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Message from Our Chair

"WE HAVE SPENT MUCH OF THE PAST YEAR, LED BY OUR NEW MANAGING DIRECTOR, REASSESSING HOW WE NEED TO BE ORGANISED AND EQUIPPED SO WE CAN DELIVER ON OUR VISION OF BEING AUSTRALIA'S BANK OF CHOICE."

Robert Johanson

- BOARD CHAIR

2018-19 was a challenging year for the banking industry and for Bendigo and Adelaide Bank.

Total cash earnings in 2018-19 were $415.7 million, and cash earnings per share were 85 cents. Earnings were impacted by difficult market conditions and additional redundancy and remediation costs. Dividends totalled 70 cents per share, the same as last year.

Two issues have dominated your bank and our industry this year.

First are the issues brought to a head by the Royal Commission into Misconduct in the Financial Services Industry. These are issues that in many ways are unresolved implications of the Global Financial Crisis of 2008 and of the regulatory and industry responses to it. That Crisis was caused by a reckless disregard of financial risk in lending and investment by many participants in the financial system around the world, including banks. Many governments were required to support and bail out their institutions to protect depositors. But to prevent an economic recession occurring, or at least to reduce the impact of any slowdown, governments and central banks pushed cheap credit into the economy to stimulate economic activity.

In Australia we largely avoided the worst impacts of the 2008 Crisis on depositors and markets, but we ended up with a different sort of crisis a decade later. Many borrowers and investors were induced to buy and invest in inappropriate products and many bankers were rewarded for getting them to do it. Governance and supervisory processes, which had served us so well during the 2008 Crisis, turned out to be ineffective. Bank boards, management and regulators have all been required to reflect and reform and many have not survived. It has been an extraordinary and for many a shameful period in the industry.

At Bendigo and Adelaide Bank, we too have thought deeply about our role and conduct. While we avoided much of the criticism and fall out from the Royal Commission, indeed we were complimented on how our executive remuneration system is structured, we know that we must constantly hold ourselves accountable to the highest standards. I hope that as you read this report, you get a sense of that.

The second big issue facing your Bank and the industry is how we change and adapt to the new digital world. We have spent much of the past year, led by our new managing director, reassessing how we need to be organised and equipped so we can deliver on our vision of being Australia's bank of choice.

Customers are choosing to deal with us remotely. Our customer interactions and relationships are intermediated most often by the internet and the mobile phone, not by face-to-face conversations, though the ability to do that when needed is highly valued. We all expect immediate and seamless access and functionality whenever we choose, and wherever we are. Everything needs to be reassessed - the role of branches, the usefulness of old data systems and ways of working.

So, a major reengineering of the way we work together and connect with customers is underway. This will affect every part of the business and every relationship. The old way of working and its cost are simply unsustainable.

This continues and accelerates the work we have been doing for some years now, as we radically improved our risk management systems and capacity, and as we developed new products and processes with partners like Up - Australia's first next-gen digital bank - with Ferocia and with IBM and TCS, and for Tic:Toc and Homesafe. There is still a lot to do.

This is my final Chairman's report to you and last year as a director. The business of the Bendigo Building Society that I joined as a director in 1988 is worlds apart in scale, reach and impact to the business described in this Annual Report. And the financial services industry in which it operates and the social economy it serves have changed profoundly too, in almost every way for the better.

Yet many important things stay the same. The first Bendigo Building Society was established by that group of about 100 people at Abbotts Hotel in 1858 for the same reasons customers and partners choose to bank and partner with us today; to improve their lives and enhance their prosperity. Our job is to enhance their prosperity and to let them fulfil their purposes. If they can do that, then we will prosper too.

Thank you all for your support and encouragement over the past 32 years. It has been an honour to work with you all.

Message from Our Managing Director

"WE ARE FOCUSSED ON RESHAPING OUR BUSINESS FOR THE FUTURE BY REDUCING COMPLEXITY, INVESTING IN OUR CAPABILITY AND TELLING OUR STORY."

The 2019 financial year, my first in the role of Managing Director of Bendigo and Adelaide Bank, was a challenging year for the industry and a year of change. In a year dominated by the Financial Services Royal Commission, we have championed our vision to be Australia's bank of choice by pursuing a strategy focused on serving our customers and communities.

Australians expect their financial institutions to deliver on their promises. And so they should. However, customer preferences are also changing, and Australians expect to engage with their bank on their terms.

We are focussed on reshaping our business for the future by reducing complexity, investing in our capability and telling our story - particularly in customer experience and digitisation. This approach helped produce many highlights throughout the year, including:

- A four-fold increase in net new customers, taking us to a new milestone of more than 1.7 million customers choosing to bank with us
- A net promoter score increase to 28.6 percent
- The launch of Up, Australia's first and largest next-gen digital bank, which grew to over 100,000 customers in its first eight months
- The Bank's adoption of Tic:Toc's instant home loan technology for its own product - the first lender anywhere to do so
- A top ten ranking in Roy Morgan's most trusted Australian brands survey[1]
- A seven-place jump to eleventh in corporate reputation rankings according to the Reputation Institute[2]
- Seven Mozo People's Choice Awards[3] and first place in Forrester's Australian Customer Experience Index, for the fourth year running

A willingness to invest and be discipled in the execution of our strategy, whilst balancing the needs of all our stakeholders, has enabled these milestones, as well as many others.

We know consumers are looking for an alternative; an organisation they can trust to put their interests first, and I believe we are well-placed to be that for them.

We live by our purpose to feed into prosperity and, as a result, we have cultivated strong, mutually beneficial relationships with our customers and communities, and this has set us apart from our competitors.

However, as technology and innovation continues to rapidly advance, customers' expectations are changing. In response, we are continually investing in new technologies that improve our customers' experience.

Our ambition for the future is to grow market share by staying true to our strategy and continuing to feed into customer and community prosperity. The better connected we are with our customers and the better service we provide, the more they will choose to do business with us.

Being based in the communities in which we serve provides great insight into what customers and communities are seeking from their bank. These close connections are not something we take for granted.

In the first half of the financial year we celebrated 160 years since the Bank's inception and saw profit contributions from our 321 Community Bank® partners exceed $200 million.

We will maintain our commitment to always excel in customer service, offer a seamless customer experience, advocate for our customers and support their communities.

To maintain this, we must have adaptive people and a strong, agile culture. We must also build on our track record of innovation - be it through technology or our proud partnership models.

The strength of our business will stand us in good stead as we reshape it to be more adaptive to the future needs and aspirations of our customers.

At this year's Annual General Meeting, we will say farewell to Robert Johanson. A director of the Bank for more than three decades and Chair for the past 13 years, Robert has given so much to our organisation and I thank him for his contribution and wish him a well-deserved retirement.

I would also like to formally welcome Jacquie Hey, Robert's successor as Chair. Jacquie possesses a wide breadth of business experience and knowledge of our Bank and the industry, and I look forward to working closely with her.

Finally, I offer my thanks to all our customers, staff, partners, communities and shareholders for their support. I look forward to another successful year.

Marnie Baker
- MANAGING DIRECTOR

1 Roy Morgan All Brand Net Trust Score Survey
2 Australia 2019 RepTrak®
3 Mozo People's Choice Awards 2019 Results

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 THE CONSOLIDATED ENTITY (THE "GROUP") FOR THE YEAR ENDED 30 JUNE 2019.

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.

Robert Johanson
Chair, Independent
BA, LLM, MBA (Harvard), 68 years

Term of office: Robert has been a Director of the Bank for 31 years. He was appointed Chairman in 2006.

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 over 35 years' experience in providing corporate advice on capital market transactions to a wide range of public and private companies.

Board committees: Member of Governance & HR and Technology

Group and joint venture directorships: Rural Bank Limited (ceased 1 June 2019) and Homesafe Solutions Pty Limited (Chair)

Other director and memberships (including directorships of other listed companies for the previous three years):

Chairman, Australia India Institute

Director, Robert Salzer Foundation Limited, NeuClone Pty Limited, Melbourne Business School and Grant Samuel Group Pty Limited.

Marnie Baker
Managing Director, Non-independent
BCom, CPA, MAICD and SFFin, 51 years

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

Skills, experience and expertise: Marnie has 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 nearly 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 member of any Board committees.

Group and joint venture directorships: Rural Bank Limited (ceased 1 June 2019)

Other director and memberships (including directorships of other listed companies for the previous three years):

Member of the Australian Bankers Association Council, Business Council of Australia and Mastercard (Asia Pacific) Advisory Board.

Directors' information continued

Vicki Carter
Independent
BA (Social Sciences), Dip Mgt, Certificate in Executive Coaching, GAICD, 55 years

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

Skills, experience and expertise: Vicki has over 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 Corp Limited. 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: Member of Credit, Technology and Governance & HR.

Group and joint venture directorships: Rural Bank Limited (ceased 1 June 2019)

Other director and memberships (including directorships of other listed companies for the previous three years): Nil

David Foster
Independent
B.AppSci, MBA, SFFin, FAIM, GAICD, 50 years

Term of office: David joined the Board in 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: 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):

Director, G8 Education Limited (ASX listed, period: 2016 to present), Genworth Mortgage Insurance Australia Limited, Chairman, Motorcycle Holdings Australia Limited (ASX listed, period: 2015 to present), Thorn Group Limited (ASX listed, period: 2014 to present) and Council Member of the University of the Sunshine Coast.

Formerly a director of Kina Securities Limited (ASX listed, period: 2015 to 2018).

Jan Harris
Independent
BEc (Hons), 60 years

Term of office: Jan joined the Board in 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: Rural Bank Limited (ceased 1 June 2019)

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, Member, Australian Office of Financial Management Audit Committee.

Jim Hazel
Independent
BEc, SFFin, FAICD, 68 years

Term of office: Jim joined the Board in 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: Chair of Credit and member of Risk

Group and joint venture directorships: Rural Bank Limited (ceased 1 June 2019)

Other director and memberships (including directorships of other listed companies for the previous three years): Chairman, Ingenia Communities Group Limited (ASX listed, period: March 2012 to present)

Director, Centrex Metals Limited (ASX listed, period: July 2010 to present), Adelaide Football Club Limited, Coopers Brewery Limited, Trustee for Adelaide Festival Centre Trust and Council Member of the University of South Australia.

Directors' information continued

Jacqueline Hey,
Independent
BCom, Graduate Certificate in Management, GAICD,
53 years

Term of office: Jacquie joined the Board in July 2011.

Skills, experience and expertise:
Jacquie 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. Jacquie worked with Ericsson for more than 20 years in leadership roles in Australia, Sweden, the UK and the Middle East.

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

Group and joint venture directorships:
Rural Bank Limited (ceased 1 June 2019)

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.

Former Director, Australian Foundation Investment Company Limited (ASX listed, period: July 2013 to January 2019).

Robert Hubbard,
Independent
BA (Hons) Accy, FCA,
60 years

Term of office: Rob joined the Board in 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:
Rural Bank Limited (ceased 1 June 2019)

Other director and memberships (including directorships of other listed companies for the previous three years):
Chairman, Orocobre Limited (ASX and TSX listed, period: November 2012 to present), Chairman, Healius Limited (ASX listed, period: December 2014 to present) and former Director, Central Petroleum Limited (ASX listed, period: December 2013 to May 2018).

David Matthews,
Independent
Dip BIT, GAICD,
61 years

Term of office: David joined the Board in March 2010.

Skills, experience and expertise:
David operates a farm and an agri. 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 and Audit

Group and joint venture directorships:
Rural Bank Limited (ceased 1 June 2019) and Member of the Community Bank® National Council

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 and Rupanyup/Minyip Finance Group Limited.

Deb Radford,
Independent
BEc, Graduate Diploma Finance & Investment,
63 years

Term of office: Deb joined the Board in February 2006 and retired from the Board on 30 October 2018.

Skills, experience and expertise:
Deb has over 25 years' experience in the banking industry with both international and local banks. Deb also worked in the Victorian State Treasury, and ran her own consulting business advising the government on commercial transactions.

Board committees: previously Chair of Credit and Member of Technology and Governance & HR

Group and joint venture directorships: Rural Bank Limited (ceased 30 October 2018)

Other director and memberships (including directorships of other listed companies for the previous three years):
Director, SMS Management & Technology Limited (ASX listed, period: September 2013 to November 2016)

Council Member of La Trobe University.

Tony Robinson,
Independent
BCom, ASA, MBA (Melb),
61 years

Term of office: Tony joined the Board in 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 Credit

Group and joint venture directorships:
Rural Bank Limited (ceased 1 June 2019) and Sandhurst Trustees Limited (ceased 23 July 2019)

Other director and memberships (including directorships of other listed companies for the previous three years):
Chairman, Longtable Group Limited (ASX listed, period: November 2015 to present), Pacific Current Group Limited (ASX listed, period: August 2015 to present).

Director, PSC Insurance Group Limited (ASX listed, period: September 2015 to present) and former Director, Tasfoods Limited (ASX listed, period: June 2014 to March 2018).

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, rural and commercial lending, deposit-taking, payments services, wealth management and superannuation, treasury and foreign exchange services. There were no significant changes in the nature of the activities during the year.

Operating results

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 12 August 2019 a fully franked final dividend of 35 cents per fully paid ordinary share. The final dividend is payable on 30 September 2019. The proposed payment is expected to amount to $169.6 million.

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

- A final dividend for the 2018 financial year of 35 cents per share, paid on 28 September 2018 (amount paid: $166.0 million); and
- An interim dividend for the 2019 financial year of 35 cents per share, paid on 29 March 2019 (amount paid: $168.7 million).

Further details on dividends provided for or paid during the 2019 financial year on the Bank's ordinary and preference shares are provided at Note 7 Dividends of the Financial Statements.

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 priorities and prospects, is presented in the Operating and Financial Review section of this report.

State of affairs

In the opinion of the Directors there have been no significant changes in the state of affairs of the Group during the financial year. Information on events and matters that affected the Group's state of affairs is presented in the Chairman's and Managing Director's Messages and the Operating Financial Review section of this report.

The Directors note that on 31 May 2019, the Rural Bank Limited ADI licence was returned to APRA, resulting in all assets and liability of Rural Bank Limited being transferred to Bendigo and Adelaide Bank Limited.

After balance date events

On 1 July 2019 the Group completed the sale of its specialist self-managed superannuation fund business located in Geelong West pursuant to an Asset Purchase Agreement with LBWFP Pty Ltd. The Group also entered into an Asset Purchase Agreement to sell its financial planning business, Bendigo Financial Planning Pty Ltd, to Bridges Financial Services Group Pty Limited with an effective date of 1 August 2019. This agreement saw Bridges Financial Services Group Pty Limited assume the provision of financial planning services to existing Bendigo Financial Planning Pty Ltd customers and also saw the commencement of an ongoing referral arrangement. As at 30 June 2019, both of these businesses were recorded as held-for-sale.

On 28 August 2019 the Bank issued $500 million of 5-year wholesale funding, being split between $300 million of floating rate notes and $200 million of fixed rate notes, settling on 6 September 2019.

On 3 September 2019, ASIC initiated legal proceedings against the Bank in relation to the application of the unfair contract terms legislation. The proceedings relate to a version of its small business loan contracts under each of its Delphi Bank and Rural Bank brands in place between 2016 and June 2019.

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 Chairman's and Managing Director's Messages and the Operating and Financial Review section of this report.

Rounding of amounts

The Bank is a company of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in this report have been rounded to the nearest million dollars, unless otherwise stated.

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
Robert Johanson	17	17							6	5	5	5
Marnie Baker	17	17										
Vicki Carter	14	12			7	6			4	4	4	4
Jan Harris	17	17	7	7			8	8				
Jim Hazel	17	15			9	8	8	8			1	1
Jacquie Hey	17	16			2	2	7	7	6	6	5	5
Robert Hubbard	17	16	7	7			8	7			4	4
David Matthews	17	15	7	7	9	9						
Deb Radford	9	7			2	2			2	1	2	2
Tony Robinson	17	15	7	6	7	6	1	1	6	6		

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]
Robert Johanson	244,539	-	-	485
Marnie Baker	605,957	600	72,768	43,311
Vicki Carter	504	-	-	-
David Foster	500	-	-	-
Jan Harris	2,000	-	-	-
Jim Hazel	29,036	-	-	-
Jacquie Hey	26,237	250	-	-
Robert Hubbard	17,815	-	-	-
David Matthews	34,490	-	-	-
Tony Robinson	33,140	-	-	-

[1] Being a relevant interest in a managed investment scheme made available by Sandhurst Trustees Limited, a subsidiary of the Bank.

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 ("Plan"). 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 303,687 rights (2018: 309,349). This included 170,590 rights granted to key management personnel.

As at the date of this report there are 649,842 rights that are exercisable or may become exercisable at a future date under the Plan. The last date for the exercise of the rights ranges between 30 June 2020 and 30 June 2022.

During or since the end of the financial year 333,645 rights vested (2018: nil) 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 2019 to the date of this report, no rights have lapsed.

Further details of Key Management Personnel equity holdings during the financial year are detailed in the 2019 Remuneration Report.

Corporate Governance

An overview of the Bank's corporate governance structures and practices is presented in the 2019 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 Council's Principles and Recommendations (3rd edition) during the 2019 financial year.

Environmental Regulation

The Group endeavours to conduct its operations in a manner that minimises its impact on the environment. Information on the Group's environmental performance and activities to manage the Group's environmental impact are provided in the 2019 Annual Review which is available from the Group's website.

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of any environmental requirement.

The Group 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 Group 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 and General Counsel

William Conlan, LL.B (Melb), GradDip Applied Finance and Investment

Mr Conlan was appointed as Company Secretary of the Bank in 2011, having worked with the Bank for almost 10 years in strategy, capital management and compliance. Mr Conlan has been a practising lawyer for almost 20 years.

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.

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 2018.

To support the declaration, formal risk management and financial statement due diligence and verification processes, including attestations from senior management, are conducted. This assurance is provided each 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.

Auditor Independence and Non-audit Services

The Audit Committee has conducted an assessment of the independence of the external auditor for the year ended 30 June 2019.

The assessment was conducted on the basis of the Bank's audit independence policy and the requirements of the Corporations Act 2001. The assessment included a review of non-audit services provided by the auditor and an assessment of the independence declaration issued by the external auditor for the year ended 30 June 2019. A copy of the auditor's independence declaration is presented at the end of this section.

Non-Audit Services

Non-audit services are those services paid or payable to the Group's external auditor, Ernst & Young (Australia), 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. They include audit services required for regulatory and prudential purposes and the amounts shown are GST exclusive.

Details of all non-audit services for the year ended 30 June 2019:

(a) Assurance related fees (Regulatory)

Service Category	Fees $	Entity
AFSL audit and APS 310 audit	265,300	Bendigo and Adelaide Bank Limited
Accounting advice to APRA for debt issuance	15,000	Bendigo and Adelaide Bank Limited
EMTN Comfort Letter	31,000	Bendigo and Adelaide Bank Limited
Sub-total: Audit related fees (Regulatory)	**311,300**	

(b) Assurance related fees (Non-regulatory)

In its capacity as the Group's external auditor, Ernst & Young is periodically engaged to provide assurance and related services not required by statute or regulation but are reasonably related to the performance of the audit or review of the Group's financial statements which are traditionally performed by the external auditor. The amounts shown are GST exclusive.

Service Category	Fees $	Entity
Community Bank expense review	95,000	Bendigo and Adelaide Bank Limited
Alliance Bank revenue share calculation review	17,680	Bendigo and Adelaide Bank Limited
AAB9 Financial Instruments	244,000	Bendigo and Adelaide Bank Limited
ESG reporting roadmap advisory services	67,500	Bendigo and Adelaide Bank Limited
Royal Commission	5,665	Bendigo and Adelaide Bank Limited
Securitisation Trusts	43,600	Securitisation Trusts
Google Cloud Platform (GCP) assurance report	95,000	Bendigo and Adelaide Bank Limited
Portfolio Funding agreed upon procedures	250,000	Bendigo and Adelaide Bank Limited
Sub-total: Audit related fees (Non-regulatory)	**818,445**	

(c) Other services

All other fees, including taxation services and other advice are incurred under the audit committee's pre-approval policies and procedures, having regard to the auditor's independence requirements of applicable laws, rules and regulations, and assessment that each of the non-audit services provided would not impair the independence of Ernst & Young. The amounts shown are GST exclusive.

Service Category	Fees $	Entity
Financial Crimes Review	257,500	Bendigo and Adelaide Bank Limited
Other services	5,600	Bendigo and Adelaide Bank Limited
Sub-total: Other fees	**263,100**	
Total: non-audit services	**1,392,845**	

The Audit Committee has reviewed the nature and scope of the above non-audit services provided by the external auditor. In doing so, the Audit Committee has confirmed that the provision of those services is consistent with the 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.

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.

Building a better working world

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

As lead auditor for the audit of Bendigo and Adelaide Bank Limited for the financial year ended 30 June 2019, 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
Melbourne

6 September 2019

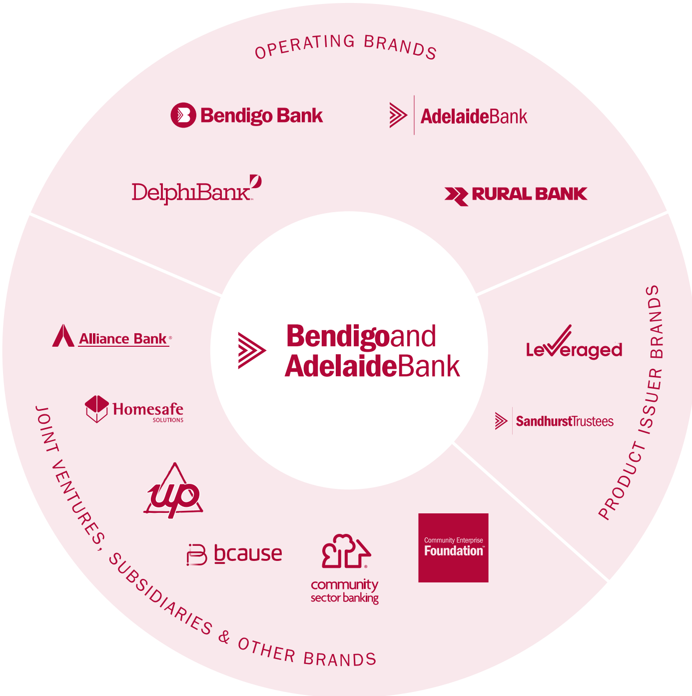
Operating and Financial Review

Our business

Bendigo and Adelaide Bank is Australia's fifth largest retail bank. We provide banking and financial products and services to more than 1.7 million customers throughout Australia. Our key products and services include; residential and consumer lending, business lending, agri-business lending, deposit-taking, payments services, wealth management, superannuation and foreign exchange services.

As detailed below, our network comprises 747 physical points of presence throughout Australia including branches, agency outlets and customer service centres. These points of presence comprise company owned sites and those owned and operated by our Community Bank® franchises and Alliance Bank partners. In addition to our physical points of presence, we also have over 688,000 electronic banking customers.

The brands that support our 1.7 million customers and make up our diverse business are grouped into operating brands, product issuer brands, joint ventures, subsidiaries and other. These brands share a common purpose; to feed into the prosperity of our customers and communities.



168 BENDIGO BANK BRANCHES	**632** ATMS	**324** COMMUNITY BANK® BRANCHES	**100+** BENDIGO BANK MOBILE AND BUSINESS DEVELOPMENT MANAGERS
21 ALLIANCE BANK® BRANCHES	**188** RURAL BANK RELATIONSHIP MANAGERS	**15** DELPHI BANK BRANCHES	**10,000+** MORTGAGE BROKERS
215 RURAL BANK POINTS OF PRESENCE	**4** PRIVATE FRANCHISE BRANCHES	**688,795** EBANKING CUSTOMERS	

Our business divisions

Our business is centred on three customer focused divisions:

- **Consumer:** 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.
- **Business:** 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.
- **Agribusiness:** 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.

Our Strategy

OVER THE LAST 161 YEARS, THE FUNDAMENTAL PURPOSE OF OUR BUSINESS HAS NOT CHANGED. OUR PURPOSE IS TO HELP CUSTOMERS AND THEIR COMMUNITIES SECURE PROSPEROUS FUTURES. IF WE CAN HELP THEM DO THAT, THEN WE TOO WILL PROSPER.

We put our customers and our communities at the very centre of our business, so we can develop and deliver solutions to enhance their economic and social wellbeing.

While the fundamental purpose of our business may not have changed, there are great changes occurring in Bendigo and Adelaide Bank's markets - particularly in consumer expectations and behaviour, technology, and regulatory requirements.

We must ensure we deliver better outcomes, more easily for staff, customers, partners and shareholders.

Our strategy is underpinned by our unique heritage and a recognition that our technology and operating capabilities need to continually adapt to an ever-changing business landscape.

We are taking advantage of a unique opportunity in our history by seizing the moment to drive substantial growth as we strive to be Australia's bank of choice.

Our ambition is to grow market share to deliver 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.

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 unneccessary 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	Seamless customer experience		
	Medium-term reduction in cost base		
	Sustainable growth		

Our Strategy

Our strategy is underpinned by three imperatives: reducing complexity; investing in capability; and telling our story, in order to best position us to deliver a seamless customer experience, a medium-term reduction in our cost base and continued sustainable growth.

Reducing complexity

We are reducing complexity in our business to make it easier for customers to do business with us, and for our people to enable this, while at the same time reducing our cost base.

In the 2019 financial year we reviewed our organisational structure and undertook a cultural review to ensure we have the capabilities to continue to execute our strategy. During the financial year, the Group incurred $11.9m in redundancy costs as we transition our workforce, ensuring that we have the right skills and capabilities to deliver on our strategy.

We continue to review the business for opportunities to simplify our operating model, reduce risk and deliver cost savings. Amongst other things, during the last twelve months we have:

- Entered into an agreement to divest our financial planning business, Bendigo Financial Planning, which was completed in August 2019.
- Rural Bank Limited handed back its banking license and now operates as a division of the Group, continuing to offer specialised services and products to rural and regional Australia.
- We progressed optimisation of our branch network and over the year we closed six branches and fifteen agency outlets. Our Community Bank® partners opened four new Customer Service Centres.

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 suit our customers' evolving needs. During the financial year 2019 we invested in innovative technologies and leveraged key strategic partnerships to offer our customers, and potential customers, more choice and a better digital experience including:

- Up, Australia's first next-gen digital bank, which was designed, developed and delivered through a collaboration between the Bank and fintech Ferocia. Up launched in October 2018 and has exceeded initial expectations, attracting over 100,000 customers since its launch.
- We leveraged our existing relationship with Australian fintech, Tic:Toc, to launch Bendigo Express, a digital home loan application and assessment process.

Customers increasingly want personalised solutions, which are accessible anytime and anywhere. We are reshaping our business to deliver what our customers demand including:

- Investing in additional mobile relationship managers across all three of our business segments (consumer, business and agribusiness).
- We are testing new concept stores, and building a better customer experience. The first of these concept stores, the 'smart' new look Norwood branch in South Australia has exceeded expectations with a 64% increase in foot traffic and a significant uplift in business.

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

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.

During the 2019 financial year we were recognised with the following:

- Number 1 for Customer Experience in Australia for the fourth year running[1]
- Ranked Top 2 bank for customer satisfaction[2]
- 9th most trusted brand in Australia[3]

Our Customers

We continue to focus on the everyday needs of our customers. With our renewed strategy we have had success in enhancing customer experience, and growing both our customer base and balance sheet in key segments.

Significant growth in net new customers during the year resulted in a 7.2% increase in customers to more than 1.7 million. This included more than 100,000 new millennial customers. An increase of customers in this younger demographic is an important step in us achieving our sustainable long-term growth. We also had strong growth in customers in our business and agribusiness segments with 5% growth in small to medium business customers and 11% growth in family corporate farm customers.

Our Partners

Partnerships are a key pillar of our strategy. Strategic relationships and partnering allow us to extend our reach, widen our capabilities and improve customer experience.

Over the last twelve months, our partnerships have strengthened through new and expanded relationships including:

- Rural Bank and Elders entered into a nine-year exclusive agreement, continuing a successful partnership that has supported agricultural growth for two decades. As part of the new arrangement, 87 Elders financial services staff transitioned to the Group, continuing to focus on the customer experience.
- We announced a new partnership with Swinburne University to open a Community Bank® , which will reinvest banking profits into projects, programs and people at Swinburne.
- In May 2019, we announced an expansion of our existing partnership with Connective Home Loans with the creation of a new white label loan offering, Connect Select Home Loans.
- In July 2019, we announced with CPA Australia a strategic relationship that will provide CPA Australia's members with access to a range of our customised finance and banking solutions.

1 Forrester's Australian Customer Experience Index (December 2018)
2 Roy Morgan's 'Customer Satisfaction report on Consumer Banking in Australia' (May 2019 & December 2018)
3 Roy Morgan Net Trust Score (October 2018)

Our Business Performance

THIS YEAR, WE ANNOUNCED AN AFTER-TAX STATUTORY PROFIT OF $376.8 MILLION FOR THE 12 MONTHS ENDING 30 JUNE 2019.

Cash earnings was $415.7 million, a 6.6% decrease on the prior financial year.

Cash earnings per share was 85 cents, a reduction of 7.7% from the 2018 financial year.

Financial year 2019 earnings were impacted by remediation and redundancy costs. Despite an environment of low growth, low interest rates, political uncertainty, subdued consumer confidence and increasing competition, we delivered total income of $1.6 billion which was in line with the prior year.

Lending grew overall, with upticks in residential, agribusiness and small and medium business lending. Our capital position further strengthened with Common Equity Tier 1 up 30 bps to 8.92 percent, reflecting a stable balance sheet and the continuing movement to lower risk exposures.

We announced a fully franked final dividend of 35 cents per share, taking the full year fully franked dividends to 70 cents per share continuing our history of rewarding shareholders with high yielding and long-term returns.

We also delivered significant customer growth, with net new customers up by almost two-thirds for the full year, taking us to a new milestone of more than 1.7 million customers choosing our Bank. Our continued customer focus resulted in our net promoter score increasing to 24.82[1] which is more than 30 points higher than the average of the major banks.

We have laid solid foundations and achieved early success. We will accelerate our strategy as we continue to look to the future for our customers and for all our stakeholders as we drive our multi-year journey to become Australia's bank of choice.

CASH EARNINGS ($M)

FY19	**415.7**
FY18	**445.1**
FY17	418.3
FY16	401.4
FY15	402.8

NET PROFIT AFTER TAX ($M)

FY19	**376.8**
FY18	**434.5**
FY17	429.6
FY16	415.6
FY15	423.9

COST TO INCOME (%)

FY19	**59.2**
FY18	**55.6**
FY17	56.1
FY16	58.1
FY15	56.8

CASH EARNINGS PER SHARE (C)

FY19	**85.0**
FY18	**92.1**
FY17	88.5
FY16	87.3
FY15	88.6

DIVIDEND PER SHARE (C)

FY19	**70**
FY18	**70**
FY17	68
FY16	68
FY15	66

CASH BASIS RETURN ON TANGIBLE EQUITY (%)

FY19	**10.73**
FY18	**11.52**
FY17	11.61
FY16	11.83
FY15	12.37

1 Roy Morgan Single Source (Australia), rolling 6-month comparisons as at June 2018 and June 2019 NPS of those with any financial relationship with the bank.

Statutory net profit and cash earnings

Our statutory net profit decreased 13.3% to $376.8 million for the 2019 financial year (FY18: $434.5 million).

Cash earnings of $415.7 million were recorded for the financial year, a decrease of 6.6% from the prior year (FY18: $445.1 million).

Statutory net profit was impacted by a decline of $79.5 million (before tax) in statutory contribution from our Homesafe portfolio revaluations. During the 2019 financial year, losses relating to the Homesafe portfolio were $24.1 million (before tax) compared to a gain of $55.4 million (before tax) in the prior year.

Both statutory net profit and cash earnings were impacted by redundancy costs of $11.9 million (before tax) (FY18: $2.3 million (before tax)) and remediation costs of $16.7 million (before tax) (FY18: $0.5 million (before tax)).

Statutory net profit	↓13.3%	
	FY19	FY18
($'m)	376.8	434.5

Cash earnings	↓6.6%	
	FY19	FY18
($'m)	415.7	445.1

***Cash earnings** is a measure used across the banking industry to measure the maintainable level of earnings by excluding specific items of revenue and expenditure that are not representative of ongoing financial performance, such as non-recurring items. The cash earnings measure enables comparison with the financial performance of other banking and financial services institutions. The cash earnings adjustments are not subject to audit or review by the external auditor*

Income (excluding specific items)

Total income (excluding specific items) declined by 0.3% from the prior year. Key drivers of this performance were:

- Maintenance of Net Interest Margin (before revenue share arrangements) of 2.36%.
- An increase of 5% in other income resulting from:
  - Improved foreign exchange income due to the launch of a new foreign exchange retail prepaid travel card and an increase in foreign exchange activity with our consumer and business customers.
  - A significant increase in trading book income to $12.2 million (FY18: $0.8 million).

Income (ex specific items)	↓0.3%	
	FY19	FY18
($'m)	1,599.5	1,604.8

Net interest margin (before revenue share arrangements)		
	FY19	FY18
(%)	2.36	2.36

***Net interest margin** is a performance measure that is calculated as net interest income (excluding fair value adjustments) expressed as a percentage of average interest earning assets. Net interest margin (before revenue share arrangement) is calculated prior to any share of revenue with partners.*

Operating expenses

Total operating expenses increased 5.4%. This included costs associated with remediation and redundancies:

- Redundancy costs of $11.9 million (FY18: $2.3 million) as we focus on the skills and roles required to meet the needs of our customers in order to deliver on our strategy.
- Remediation expenses of $16.7 million (FY18: $0.5 million) relating to remediation programs for products and advice. This included products not operating in accordance with terms and conditions and where there was insufficient documentation to demonstrate advice services had been provided.

Underlying operating expenses, which exclude remediation and redundancies, increased by 2.6% driven by:

- Increase in staff costs due to:
  - As part of the new arrangement with Elders, 87 financial services staff transitioned to the Group.
  - Investment in additional Group Risk and People & Culture resources.
  - Annual salary increase.
- Higher corporate insurance premiums and insurance costs associated with new credit card products.

The cost to income ratio increased to 59.2% for the financial year (FY18: 55.6%). The adjusted cost to income ratio (which excludes redundancy and remediation costs), was 57.4% (FY18: 55.4%).

Operating expenses	↑5.4%	
	FY19	FY18
($'m)	958.2	909.1

Cost to income ratio	↑6.5%	
	FY19	FY18
(%)	59.2%	55.6%

Adjusted cost to income ratio	↑3.6%	
	FY19	FY18
(%)	57.4%	55.4%

Credit expense and provisions

Total credit expenses (net of recoveries) decreased 28.8% to $50.3 million (FY18: $70.6 million) and credit expenses to gross loans fell to 0.08% (FY18: 0.011%).

The total provisions and reserves for doubtful debts increased by 17.9% to $362.8 million (FY18: $307.8 million). On 1 July 2018, the Group adopted AASB9 Financial Instruments, which resulted in an increase in the collective provision of $134.3 million and a decrease in the General Reserve for Credit Losses of $82.9 million.

Overall total impaired loans for the Group decreased by 7.4%, driven by commercial exposures being finalised through property settlements and loan balances being paid down. All core portfolios remain well secured and portfolio performance remains sound. The provision coverage ratio of 116.7% is up from 91.7% from the prior year.

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

Total credit expense (net of recoveries)		↓28.8%
	FY19	FY18
($'m)	50.3	70.6

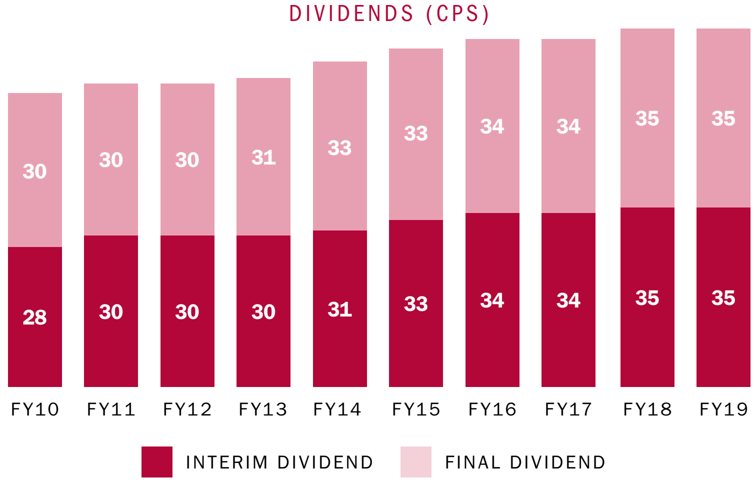
Total provision and reserves for doubtful debts		↑17.9%
	FY19	FY18
($'m)	362.8	307.8

Impaired loans		↓7.4%
	FY19	FY18
($'m)	310.9	335.8

Dividends

The Board declared a final fully franked dividend of 35 cents per share, taking the total fully franked dividend for the year to 70 cents per share (FY18: 70 cents per share).

The Bank has in place a Dividend Reinvestment Plan and a Bonus Share Scheme. The Dividend Reinvestment Plan provides shareholders with the opportunity of converting their entitlement to a dividend into new shares. 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.



Divisional performance

Following the organisational structure changes in August 2018 the Group now has three operating segments: Consumer, Business and Agribusiness.

Consumer

The Consumer division is focused on engaging with and servicing consumer customers and includes our branch network (including Community Banks® and Alliance Banks), mobile relationship managers, third party banking channels, Wealth services, Homesafe, and customer support functions including call and processing centres.

While cash earnings decreased by 14.3% to $271.7 million (FY18: $317.0 million) and underlying earnings, which excludes remediation and redundancy costs, decreased by 9.1% to $289.2 million (FY18: $318.2 million). The division achieved solid growth in mortgages of $1.3 billion and deposits of $1.2 billion. Net interest income remained flat despite lending net interest margin compression, reflecting sound management of margin. The key drivers for this underlying earnings performance were:

- Increased operating expenses largely due to increased software amortisation, and an increase in allocated support costs.
- A reduction in other income due to lower fee income.

Cash earnings		↓45.3m
	FY19	FY18
($'m)	271.7	317.0

Business

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 and Great Southern.

Cash earnings increased by 1.0% to $62.8 million (FY18: $62.2 million) and underlying earnings, which excludes remediation and redundancy costs, increased by 3.2% to $64.9 million (FY18: $62.9 million). The key drivers for this performance were:

- Lower credit expenses with a reduction in the collective provision in line with the lower commercial property lending portfolio.
- An improvement in other income driven by growth in foreign exchange transaction activity.

Cash earnings		↑0.6m
	FY19	FY18
($'m)	62.8	62.2

Agribusiness

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

Cash earnings decreased by 1.6% to $68.6 million (FY18: $69.7 million) and underlying earnings, which excludes remediation and redundancy costs, decreased by 1.1% to $69.0 million (FY18: $69.8 million). The strategic focus on reducing complexity and costs in our business led to the return of the Rural Bank banking licence and execution of a new distribution agreement with Elders during the financial year.

Cash earnings		↓1.1m
	FY19	FY18
($'m)	68.6	69.7

Capital

The Bank is regulated by APRA given 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 calculates its regulatory capital requirements using the standardised approach under Basel II, but is continuing to undertake a project to become accredited by APRA to use the advanced Internal Ratings-based ("IRB") approach.

The Bank maintained a strong capital position with its capital levels being above APRA minimum requirements at all times throughout the financial year. The Bank's Common Equity Tier 1 position continues to be a strength, up 30 basis points to 8.92% (FY18: 8.62%). Key drivers of this performance included the benefit of organic capital generation reflecting a stable balance sheet, and continual movement to lower risk weighted exposures.

Following are the more significant capital initiatives undertaken during the year:

- An issuance of Residential Mortgage Backed Securities totalling $1 billion under the Torrens securitisation program.
- Shareholder participation in the dividend reinvestment plan for the year contributed an additional $46.0 million to share capital.
- The Bank successfully issued $275 million of Tier 2 subordinated debt in November 2018, ahead of the repayment of $300 million of Tier 2 subordinated debt in January 2019.

Looking forward, APRA's expectation is for ADIs to meet new capital benchmarks that are consistent with the concept of an 'unquestionably strong' banking sector by no later than 1 January 2020. For the Bank, and other standardised ADIs, the increase for Common Equity Tier 1 capital is approximately 50 basis points. With the Bank's Common Equity Tier 1 ratio up 30 basis points, the Bank is already well positioned with respect to this.

Common equity tier 1 ratio		↑30 bps
	FY19	FY18
(%)	8.92	8.62

Total capital ratio		↑29 bps
	FY19	FY18
(%)	13.14	12.85

The Bank is also undertaking a detailed assessment of APRA's consultation package (released in June 2019) relating to changes to both IRB and standardised credit risk weights. Whilst these risk weights are yet to be finalised, APRA has announced that it does not expect that the changes will necessitate increased capital requirements for ADIs beyond what is required under 'unquestionably strong' – although this could vary between ADIs.

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

Deposit break down	FY19 ($m)	FY18 ($m)	Change (%)
Retail	52,301.2	50,614.5	3.3
Wholesale	8,265.4	8,915.0	(7.3)
Securitisation	3,464.4	3,544.8	(2.3)
Total deposits	64,031.0	63,074.3	1.5

The Bank's principal source of funding is its retail deposit base. The Bank's retail deposits are traditional term and savings deposits and transaction accounts, sourced predominantly through the retail network. Retail deposits provide a stable source of funding and the business is committed to maintaining a strong retail deposit base.

Securitisation has also formed an important part of the Group's funding and capital management strategies and during the year we successfully completed a $1 billion securitisation issuance which provided both funding and capital benefits. We will continue to monitor this market and participate where appropriate.

Wholesale funding activities support the core retail deposit funding strategy and provide diversification and benefits with longer term borrowings.

Our funding position continues to be a strength for our 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 financial year was 128.1%. The LCR was maintained within internal targets throughout the year and exceeded the minimum prudential requirement at all times.

From 1 January 2018 the Bank has also been required to maintain a Net Stable Funding Ratio ("NSFR"), which is designed to encourage longer-term funding resilience, of at least 100%. The NSFR for the 2019 financial year was 112.4% which exceeds the 100% prudential requirement.

Retail deposit funding ratio

	FY19	FY18
(%)	81.7	80.2

Liquidity coverage ratio[1]

	FY19	FY18
(%)	128.1	126.2

Net stable funding ratio[2,3]

	FY19
(%)	112.4

1 Represents average daily LCR over respective 12 monthly period.
2 Represents average end of month NSFR over respective 12 month period.
3 No prior period comparable for NSFR as the ratio calculation commenced from 1 January 2018.

Lending

Gross loans by purpose	FY19 ($m)	FY18 ($m)	Change (%)
Residential	43,592.9	42,365.9	2.9
Consumer	2,342.2	2,559.8	(8.5)
Margin lending	1,528.6	1,694.7	(9.8)
Business	14,646.7	15,173.1	(3.5)
Total gross loans	62,110.4	61,793.5	0.5

Total gross loans increased 0.5% across the financial year to $62,110.4 million. Notwithstanding a challenging and competitive environment our gross residential loans increased by 2.9%. Our residential lending growth in the second half of 4.3%[1] was particularly strong and above banking system growth. The key drivers of this performance included:

- New lending activity as a result of the investment in additional mobile relationship managers in our retail network.
- Renewed investment in our third party distribution resources and processing capacity.
- Focus on customer retention which has resulted in higher levels of retention leading to a reduction in the level of discharges.

The decrease in gross business loans is due to the continued reduction in commercial property portfolio, particularly land development and construction. This was offset by growth in our small business lending agribusiness portfolios.

Reconciliation statutory net profit to cash earnings	FY19 ($m)	FY18 ($m)
Statutory Profit after tax	$376.8	$434.5
Fair value adjustments	$0.3	$0.8
Homesafe unrealised adjustments	$29.5	($26.8)
Hedging revaluation	($7.4)	($1.2)
Loss on sale of business	$1.6	$1.2
Integration costs	$0.5	$5.3
Impairment charge	$0.5	$0.4
Operating expenses, includes legal, litigation and compensation costs	$1.4	$13.8
Amortisation of acquired intangibles	$2.6	$5.8
Cash earnings after tax (sub total)	$405.8	$433.8
Homesafe net realised income after tax	$9.9	$11.3
Cash earnings after tax	$415.7	$445.1

Reconciliation items relate to:

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

Homesafe unrealised: adjustment represents revaluation income, being the valuation movements of the investment property held, and unrealised funding costs being interest expense incurred on existing contracts during the year.

Hedging revaluation: represents unrealised gains 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: loss on sale of Bendigo Financial Planning business (FY18: loss on sale of Telco business)

Integration costs: costs incurred to integrate Elders employees as a result of the new distribution agreement between Rural Bank and Elders (FY18: costs associated with the integration of Alliance Bank and Rural Finance)

Impairment charge: an impairment of software due to discontinued use (FY18: impairment of an equity investment)

Operating expenses, includes legal, litigation and compensation costs: legal costs associated with Royal Commission and compensation related Bendigo Financial Planning.

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.

1 Source: APRA Monthly Banking Statistics June 2019. Data is annualised growth rate based on a 6 month period (31/12/18-30/6/19) for Bendigo and Adelaide Bank Limited

Risk Management Framework and significant business risks

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. Information on our risk management framework and approach to managing risk is presented in the 2019 Corporate Governance Statement and Note 22 to the 2019 Annual Financial Report.

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. There are a number of risks faced by the Bank, including those which encompass a broad range of economic and commercial risks. The most common risks that the Bank actively manages are credit risk, liquidity risk, market risk (including interest rate and currency risk) and operational risk.

The Directors have adopted policies and procedures to control exposures to, and limit the extent of, these risks. In addition, the Bank has an independent internal audit function that oversees all functions across the Bank. 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. 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.

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 a large 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 defaults 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 Bank 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 Bank.

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 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.

Business risks

There are a number of business risks that we manage including credit risk, market risk, liquidity risk and operational risk. To manage these risks we have established a framework of systems, policies, standards and procedures which are overseen by the Board, with support from senior management committees and our independent risk management functions.

Credit Risk

Credit risk is the risk of loss of principal and/or interest resulting from a borrower failing to meet a scheduled repayment or otherwise failing to repay a loan. The majority of our credit risk exposure arises from general lending activities and the funding, trading and risk management activities of Group Treasury.

Market Risk

Market risk comprises Traded Market Risk and Non-Traded Market Risk (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.

Traded Market Risk is defined as the risk of loss owing to changes in the general level of market prices or interest rates from trading positions in interest rates, equities, foreign exchange and commodities. It arises from positions held in the Trading Book which consists of securities held for both trading and liquidity purposes.

Liquidity Risk

Liquidity Risk is defined as the inability to access funds, both anticipated and unforeseen, which may lead to the Group being unable to meet its obligations in an orderly manner as they arise or forgoing investment opportunities. Liquidity Risk is inherent in all banking operations due to the timing mismatch between cash inflows and cash outflows.

Operational Risk

Operational risk is defined as the risk of an adverse impact on our objectives or the risk of loss resulting from inadequate or failed internal processes, activities and systems or from external events. Operational risk can directly impact our reputation and result in financial losses which could adversely affect our financial performance and/or financial condition. An operational risk event could result in an adverse outcome for customers which 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 Bank to incur significant remediation costs (which may include compensation payments to customers and costs associated with correcting the underlying issue).

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 Bank also regularly examines new initiatives and market opportunities, including acquisitions and disposals, with a view to growing shareholder value. The Bank 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 adverse affects on our business.

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 a range of actions against the Group including sanctions being imposed by regulatory authorities, the exercise of discretionary powers by regulatory authorities or compensatory action by affected persons.

Fraud Risk

The Group is exposed to the risk of fraud, both internal and external. 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.

Data and Information Security Risk

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 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.

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.

Conduct Risk

The business is exposed to risks relating to product flaws, processing errors and mis-selling. These risks can arise from product design or disclosure flaws or errors in transaction processing. It can also include mis-selling of products to our customers in a manner that is 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 an appropriate organisational culture.

Reputation Risk

Reputation risk is defined per the Operational Risk Management Framework as the risk of potential loss to the Group due to damage to the Group's reputation. Reputation risk 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 including customers, shareholders, investors, regulators or rating agencies. Reputation risk is heightened through the rising use of social media and can give rise to other risks such as legal risks and regulatory risks associated with failing to meet community expectations.

Litigation risk

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.

Partner Risk

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.

Remuneration Report

CONTENTS

THIS REMUNERATION REPORT IS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019. 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 and industry context**

Bendigo and Adelaide Bank's strategy is to be Australia's bank of choice and our purpose is to focus on the success of customers, people, partners and communities, and balance their needs in any decision we make. We strongly believe a clear purpose-driven culture and a responsible remuneration model are essential to achieving positive customer and community outcomes.

We have a long-held view that remuneration structures which are leveraged towards short-term and individually focussed performance are incompatible with our strategy and risk poor culture and behaviour. Therefore, the Bank has historically limited the proportion of incentive-based pay, which has supported our long-term outlook for customers and shareholders.

However, like other organisations in the finance sectors we must remain vigilant that our remuneration framework supports behaviours that lead to customer and shareholder outcomes with effective risk management of the business.

During the year modest changes were made to the remuneration structure for FY19 and FY20 and the remuneration governance process. Several executives received increases in fixed remuneration over the year. This was due to changes in roles and organisational structure that resulted in increases in accountabilities and responsibilities of the individual executives. These increases also reflect that historically the Bank's executives have had low base salaries compared to external benchmarks, with these adjustments bringing their fixed remuneration to market competitive rates.

In order to meet the deferral requirements under BEAR, the total deferral period for the FY20 executive long-term incentive plan will be 4 years. Further, in August 2019 a joint meeting of the Governance & HR, Risk and Audit Committees was held to ensure all risks, including non-financial risks, were considered as part of the remuneration setting process.

The Bank will build on this work in FY20 and conduct a complete review of the executive remuneration framework taking into consideration the final requirements of APRA's Prudential Standard CPS 511. As the Bank evolves to meet the changing needs of our customers and the communities that they live and work in, there is a need to make sure the remuneration framework supports our objectives and unique culture. We will consult with stakeholders on this process when appropriate.

Section 2: **Overview of remuneration outcomes**

Bendigo and Adelaide Bank announced a solid earnings result in an environment of low growth, political uncertainty, subdued consumer confidence and increasing competition. Annual cash earnings after tax were $415.7 million, down 6.6 percent on the previous year and statutory net profit was $376.8 million, down 13.3 percent on the previous year.

Earnings for the year were impacted by remediation and redundancy costs and unrealised losses relating to Homesafe due to the decline in property valuations in Melbourne and Sydney. In this context the below remuneration arrangements were approved during the year.

Remuneration component	Remuneration outcomes
Fixed base remuneration	The Managing Director's remuneration arrangements for the year were announced to the market on 26 March 2018. The fixed base remuneration for other executives was reviewed during the year following the changes in organisational structure and role accountabilities. Remuneration adjustments were aligned with these changes.
Deferred base remuneration	The Managing Director received a grant of deferred shares in accordance with the terms approved by shareholders at the 2018 AGM. Grants of deferred shares were also made to the other executives in accordance with their target remuneration mix. The vesting criteria for the deferred base pay grants made in 2017 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 other executives.
Long-term incentive (LTI)	The Managing Director received a grant of performance rights in accordance with the terms approved by shareholders at the 2018 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 three-year performance period. The relative TSR performance measure for performance rights granted to other executives in FY16 was above the median of the peer group, and as a result 65% of the rights vested and the remaining 35% were forfeited. The two sleeves of the FY17 grant that were linked to the relative TSR partially vested. The Bank's relative TSR was 60th percentile of the peer group, which resulted in a corresponding vesting rate of 75.9%. Subsequently, the remaining 24.1% of performance rights were forfeited. The sleeve of the FY17 grant that was linked to NPS vested in full. This was in recognition of the Bank's NPS being 29.1 points above the industry average for performance period finishing 30 June 2019. The results of performance right testing are provided at Section 5 of this report.
Non-executive director fees	The annual fee payment for non-executive directors was increased by 2.0 percent for the 2019 year. The aggregate non-executive director fees paid for the year was $2.003 million which represents 80.1 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 2020 financial year. Grants of deferred shares were also made to the other executives in accordance with their target remuneration mix. The vesting criteria for the deferred base pay grants made in 2017 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.

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		
Robert Johanson	Chairman	Full Year
Vicki Carter	Non-executive Director – commenced 4 September 2018	Part Year
Jan Harris	Non-executive Director	Full Year
Jim Hazel	Non-executive Director	Full Year
Jacqueline Hey	Non-executive Director	Full Year
Robert Hubbard	Non-executive Director	Full Year
David Matthews	Non-executive Director	Full Year
Deb Radford	Non-executive Director – ceased 30 October 2018	Part Year
Tony Robinson	Non-executive Director	Full Year
Executives		
Marnie Baker	Managing Director & Chief Executive Officer	Full Year
Taso Corolis	Chief Risk Officer	Full Year
Travis Crouch	Chief Financial Officer – commenced as KMP 10 August 2018	Part Year
Richard Fennell	Consumer Banking (formerly Chief Financial Officer)	Full Year
Alexandra Gartmann	Chief Executive Officer, Rural Bank	Full Year
Robert Musgrove	Engagement Innovation – ceased as KMP 9 August 2018	Part Year
Bruce Speirs	Business Banking (formally Partner Connect)	Full Year
Stella Thredgold	Business Enablement	Full Year
Andrew Twaits	Customer and Partner Engagement – ceased as KMP 30 June 2019	Full Year

On 10 August 2018 the Managing Director announced changes to the executive structure and team. The changes were effective immediately. Mr Musgrove's change in role as the Executive, Corporate and Public Affairs was effective from this announcement and therefore as this new role is not considered KMP, Mr Musgrove ceased as KMP on 9 August 2018.

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 which was reviewed during the year.

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. The maximum STI opportunity 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 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 Advocacy and TSR performance measures, and service condition. Performance measures are tested over four years for the Managing Director and three years for other Executives. Vesting is also subject to continued employment and risk adjustment. There is no retesting. For FY2020, the plan for all participants will vest after four years.

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.

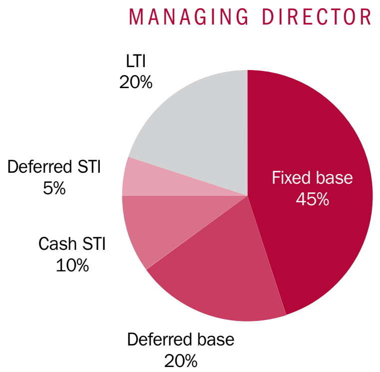
The Managing Director's remuneration mix includes a sizeable deferred equity component that is subject to risk and conduct adjustment at the discretion of the Board. The mix includes a relatively small proportion of variable remuneration linked to annual performance and a larger proportion linked to 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.

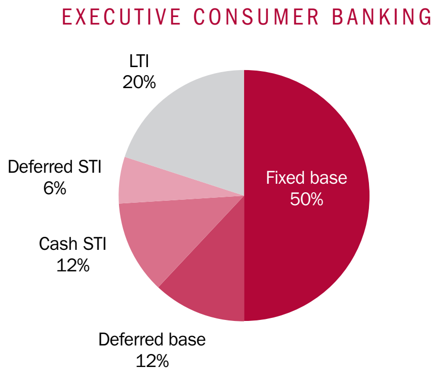
In relation to other executives, the changes to base fixed pay for some resulted in a larger weighting to fixed remuneration. This is due the Bank's approach of setting maximum bonuses as set fixed dollar amounts, therefore the increases in fixed remuneration did not lead to increases in variable remuneration.

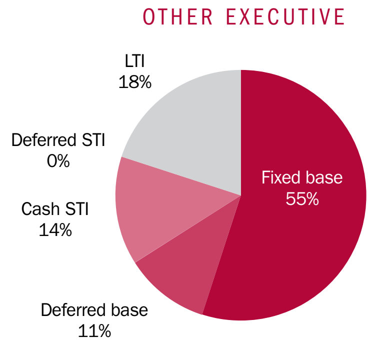
The proportion and mix of reward components between cash and equity represent a moderate and meaningful percentage of equity-based remuneration linked to shareholder interests. The maximum STI opportunity is limited to 20 percent of the total mix.

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	45%	20%	10%	5%	20%	55%	45%
R Fennell	Consumer Banking	50%	12%	12%	6%	20%	62%	38%
Other executives (average)		55%	11%	14%	-	18%	69%	31%







Remuneration settings FY2019

The total base remuneration for Executives continues to sit at around the market median and includes components directly linked to shareholder interests and the organisation's risk profile. The portion of incentive-based pay (STI and LTI) is conservative and considerably below other listed companies in Australia.

The Managing Director's STI component was set at $400,000 for the year. The Managing Director's annual remuneration consists of 50,000 deferred shares and 50,000 performance rights. Each grant had a face value of $539,000 based on the volume weighted average closing price of the shares traded on the ASX for the five days prior to 1 July 2018. 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.

The fixed remuneration for other executives was reviewed to reflect the changes in roles and organisational structure that resulted in increases in accountabilities and responsibilities of the individual executives. Remuneration adjustments were aligned with these changes. Several executives also received small increases to their deferred base remuneration component. These adjustments bring their remuneration closer to market competitive rates.

In most cases the STI components remained unchanged. There were two instances where the STI components were reduced to align with the target remuneration mix. The LTI components were increased in line with the target remuneration mix and the deferral requirements for variable reward under the Banking Executive Accountability Regime. 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 on a similar basis including the individual's responsibilities and expected contribution at a divisional and individual level.

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 available 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 performance is assessed after year end at a combined meeting of the Governance & HR, Risk and Audit Committees. Any upward or downward adjustment based on the achievement of the measures, and the achievement of accountabilities, is applied 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.

The Managing Director assesses the performance of the other executives shortly after financial year-end based on the achievement of the individual's financial and non-financial measures, and consideration of how they have achieved their accountabilities. The combined meeting of the Governance & HR, Risk and Audit Committees then reviews the Managing Director's recommendations based on the observed performance and contribution for the other executives and makes any appropriate adjustment to ensure the awards reflect performance at an organisational, divisional and individual level for recommendation to the Board. The Board considers the Managing Director is best placed to assess the individual performance and overall contribution of the other executives.

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. 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 TSR measure	
Performance period: Managing Director	Customer Hurdle performance period: 1.7.18 to 30.6.22	TSR performance period: 1.7.18 to 30.6.22	1.7.18 to 30.6.22
Performance period: Senior Executives	Customer Hurdle performance period: 1.7.18 to 30.6.21	TSR performance period: 1.7.18 to 30.6.21	1.7.18 to 30.6.21

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 - TSR hurdle

The 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 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 TSR measure is independently calculated.

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

Vesting schedule

The following vesting schedule applies to the TSR testing for both the second sleeve and the third 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%

Prior year grants

Grants of rights were made to executives (including the current Managing Director) for the 2016 financial year were on different terms to the grants made in the 2017 and 2018 financial years. The main distinction between the terms of these grants are as follows.

The legacy grants have a four-year performance period consisting of a twelve-month initial performance period for cash EPS testing followed by a three-year performance period for relative TSR testing. The grants are also subject to a four-year continued service condition.

The number of performance rights that vest and convert into ordinary shares at the end of the applicable performance period is determined as follows:

a. **EPS hurdle**: The grant is reduced by 50 percent if the Bank's cash earnings per share for the applicable financial year is less than the cash earnings per share for the previous financial year.

b. **TSR hurdle**: The TSR performance period is three years.

Vesting of the performance rights (as adjusted for the EPS performance outcome) will be conditional on achieving the following TSR performance against the peer group. There is no retesting and any rights that do not vest will lapse.

Company's relative TSR ranking	Percentage of performance rights that vest
TSR below 50th percentile	Nil
TSR between 50th and 75th percentiles	65%
TSR above 75th percentile	100%

Common equity grant terms

All deferred share and performance right grants are made in accordance with the rules of the Bank's Employee Salary Sacrifice, Deferred Share and Performance Right Plan ("Plan").

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 LTI plan

The Board completed a review of the LTI plan during the year to ensure the plan design remains contemporary and acts as an effective incentive for executives. In particular, to ensure the grants reward executives for delivering shareholder returns which are in line with, and ahead of, broader market performance over the longer term.

As result of the review it was decided to restructure of the grants to remove the EPS gateway hurdle as set out below. This structure applied to the grants made in the 2019 financial year.

Previous grant structure:

- Sleeve 1 – 30% of grant subject to NPS hurdle
- Sleeve 2 – 35% of grant subject to EPS in year 1 and if passed, then test against relative TSR (TSR against ASX 100 peer group excluding resource companies and property trusts)
- Sleeve 3 – 35% of grant subject to relative TSR (peer group as for Sleeve 2)

Revised grant structure:

- Sleeve 1 – 35% of grant subject to NPS hurdle over 3 years
- Sleeve 2 – 65% of grant subject to relative TSR (against ASX 100 peer group excluding resource companies and property trusts)

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 variable remuneration (Deferred base pay, Deferred STI and LTI) 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.

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				
	2019	2018	2017	2016	2015
Statutory net profit after tax ($m)	376.8	434.5	429.6	415.6	423.9
Statutory earnings per share (cents)	77.1	89.9	90.9	90.4	92.5
Cash earnings ($m)	415.7	445.1	418.3	401.4	402.8
Cash earnings per share (cents)	85.0	92.1	88.5	87.3	88.6
Dividends paid and payable (cents per share)	70.0	70.0	68.0	68.0	66.0
Share price at start of financial year	$10.75	$11.08	$9.60	$12.26	$12.20
Share price at end of financial year	$11.58	$10.84	$11.08	$9.60	$12.26
Total shareholder return	**14.2%**	**4.2%**	**22.5%**	**(16.2%)**	**5.9%**
Relative TSR Performance (percentile) [1]	**60th** [3]	**41st**	**41st**	**28th**	**-** [2]
NPS compared to industry average	**+28.3**	**+28.1**	**+30.7**	**+28.6**	**+27.7**
Average STI received as a % of maximum opportunity	0%	63%	55.4%	0%	33.7%
Percentage of executive LTI which vested	83%	0%	0%	0%	0%

[1] The relative TSR performance (percentile) is included in line with the TSR performance hurdle period for the grant tested in that year.
[2] The measure was not obtained as no performance right grants were due to be tested.
[3] Depicts the relative TSR result for the FY2016 and FY2017 LTI plan that were tested for 30.06.2019. These plans have the same performance period and peer group for the relative TSR component.

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 95% 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 was above 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 exceeded.
Risk Adjusted Return on Capital (RAROC)	The RAROC did not exceed the targeted performance.

Managing Director's STI award

Following are the performance measures for Managing Director's STI component, and the level of achievement as assessed by the Board. However, 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.

Criteria	Measure	Assessment
1. Risk and compliance	a. The level of risk associated with the Group's performance is within the Board approved risk appetite; and b. An effective risk culture is promoted and there is evidence of enhanced risk practice across the organisation.	Target met
2. Medium term targets	Significant progress is made towards achieving the following medium-term targets: a. Improved and sustainable shareholder value; b. Improved customer satisfaction, advocacy rankings and growth in the customer base and products per customer ratio; c. Improved economic performance including balance sheet and earnings growth; d. Improved performance of the partner network including community and partner satisfaction rankings; and e. Maintained strong employee engagement, improved organisational effectiveness and progress towards diversity and inclusion objectives.	Partially met
3. Strategic focus areas	a. Develop a refreshed strategic plan and create alignment of people and objectives across the Group b. Create clarity in the market of our brand(s) and point of difference; c. Successfully launch the new Digital Bank; d. Progress made in identifying and progressing new growth opportunities that satisfy our Purpose; e. Progress made during the period towards achieving Basel II advanced accreditation; continued maturation of our risk management framework f. Progress made towards reducing complexity in our business model and operations g. Increased depth and capability in leadership at all levels within the organisation, including building a strong talent pipeline for succession into senior roles; h. Material progress in building a performance, growth and agile culture; and i. Establish a high performing and collaborative Executive team and successfully maintain engagement while implementing BEAR.	Material progress was made towards the key initiatives
4. Public representation	The Group continues to be represented effectively to government (state and federal) and in industry and public forums.	Target met

Other executive STI awards

The STI components for the other executives were subject to the achievement of financial and non-financial performance objectives:

a) Group financial and strategic performance goals including achievement of targeted statutory and cash earnings performance;

b) Business unit/divisional performance; and

c) Individual performance.

Risk and compliance and values-based behaviour represent a gateway for the STI payments.

If the individual, team or Group does not meet or only partially meets risk and compliance requirements or the individual does not demonstrate behaviour in-line with the corporate values, no award or a reduced award will be made.

As mentioned above, the Bank did not achieve the threshold level of cash earnings required to establish a bonus pool. Therefore, no individual STI awards were made to the executives for FY2019.

All short-term incentives were forfeited for FY2019.

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%
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%
R Musgrove [3]	$100,000	$ -	n/a	0%	100%
B Speirs	$100,000	$ -	n/a	0%	100%
S Thredgold	$100,000	$ -	n/a	0%	100%
A Twaits	$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 FY2019.
[3] The full STI maximum opportunity for FY2019 is shown for Mr Musgrove.

Deferred base outcomes

The deferred base pay and deferred STI grants made on 12 December 2017 were scheduled to be tested and having 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

Two separate Senior Executive LTI grants were tested at 30 June 2019, the LTI grants that were made to executives in 2016 and in 2017. As described in section 4.3 the 2016 LTI grant had a 4-year performance period, with the first year tested against EPS growth and the following 3 years tested against TSR. The LTI grants made to executives in 2017 had a 3-year performance period for the TSR and Customer Hurdle (NPS). This resulted in the two grants having the same TSR performance period, from 1 July 2016 to 30 June 2019. However, as described in section 4.3 they have different TSR vesting schedules.

The results for the 2016 and 2017 LTI grants are summarised below.

Grant	Hurdle	Weighting	Grant Date	Test Date	Outcome	Vested 2019	Lapsed 2019
2016 LTI Senior Executives	TSR[1]	100%	17.12.15	30.06.19	60th Percentile	65%	35%
2017 LTI Senior Executives	TSR[1]	70%	16.12.16	30.06.19	60th Percentile	75.9%	24.1%
	NPS	30%	16.12.16	30.06.19	+29.1 above Industry	100%	0%

[1] A portion of the TSR rights had an EPS hurdle. As previously disclosed, EPS hurdle for the 2016 grant which was tested on 30.06.16 and was met, and the EPS hurdle for the 2017 grant was tested on 30.06.17 and was met.

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 2019	Lapsed 2019	Remaining
2016 LTI Senior Executives	17.12.15	n/a	n/a	30.06.19	Yes	65%	35%	0%
2017 LTI Senior Executives	16.12.16	30.06.19	Yes	30.06.19	Yes	83%	17%	0%
2018 LTI Senior Executives	12.12.17	30.06.20	Not yet tested	30.06.20	Not yet tested	0%	0%	100%
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%

Executive remuneration paid and vested (unaudited)

The following table is a voluntary non-statutory summary of the remuneration paid or which vested to the executives for the 2019 and 2018 financial years. The 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	2019	$1,241,149	$168,732	$0	$41,144	$409,492	$1,860,517
	2018	$565,360	$174,459	$93,750	-	-	$833,569
T Corolis[6]	2019	$489,498	$105,459	$0	-	$81,882	$676,840
	2018	$187,465	-	$62,500	-	-	$249,965
T Crouch[6]	2019	$383,206	-	$0	-	$51,612	$434,818
R Fennell	2019	$713,841	$168,732	$0	$51,427	$409,492	$1,343,492
	2018	$620,432	$174,459	$104,167	-	-	$899,058
A Gartmann	2019	$362,759	$73,823	$0	$20,566	$151,675	$608,823
	2018	$329,374	$69,777	$80,000	-	-	$479,151
R Musgrove[7]	2019	$41,373	$63,273	$0	-	$163,788	$268,434
	2018	$327,758	$69,777	$50,000	-	-	$447,535
B Speirs	2019	$405,602	$73,823	$0	$25,708	$163,788	$668,920
	2018	$385,735	$69,777	$84,375	-	-	$539,887
S Thredgold	2019	$374,686	$84,360	$0	$41,144	$163,788	$663,978
	2018	$379,559	$69,777	$73,333	-	-	$522,669
A Twaits[6, 7]	2019	$430,523	-	$0	-	-	$430,523
	2018	$181,364	-	$62,500	-	-	$243,864

[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 12 December 2017 which completed the two-year deferral period and vested. The grant made for the 2019 financial year will be tested in a future period and has therefore been excluded from the table.
[3] The cash component of the 2019 STI is nil.
[4] STI awards were made for the FY2017 and accordingly deferred STI grants were awarded which would have been tested at 30 June 2019.
[5] The prior years' LTI amounts represent the grants made on 17 December 2015 and 16 December 2016. The 17 December 2015 grant partially met their respective performance measures and accordingly partially vested with the remainder of the grant forfeited. The 16 December 2016 grant partially met their respective performance measures and accordingly vested in part with the remainder of the grant being 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 Corolis and Mr Twaits commenced as KMP on 31 January 2018. Mr Crouch commenced as a KMP on 10 August 2018.
[7] Mr Twaits resigned and ceased being a KMP on 30 June 2019. Mr Musgrove ceased being a KMP on 9 August 2018.

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

The base fee for Non-executive Directors increased by 2.0 percent for the year. The base fee in effect from August 2018 for the remainder of FY2019 was:

a) $201,780 for Directors (inclusive of company superannuation contributions); and

b. $504,450 for the Chairman (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 and the Community Bank® National Council.

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 Chairman.

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.

Non-executive Director remuneration details

The following payments were made to Non-executive Directors in the 2019 and 2018 financial years.

Non-executive Director	Short-term benefits		Post-employment benefits	Total
	Fees [1]	Non-monetary benefits [2]	Superannuation contributions [3]	
R Johanson (Chairman)				
2019	$478,544	$4,550	$20,531	$503,625
2018	$469,033	$4,550	$20,049	$493,632
V Carter				
2019 (part year)[6]	$152,380	-	$14,476	$166,857
J Harris				
2019	$182,663	-	$18,787	$201,450
2018	$180,739	-	$16,715	$197,454
J Hazel				
2019	$182,663	-	$18,787	$201,450
2018	$180,739	-	$16,715	$197,454
J Hey				
2019	$182,663	-	$18,787	$201,450
2018	$180,739	-	$16,715	$197,454
R Hubbard				
2019	$182,663	-	$18,787	$201,450
2018	$180,739	-	$16,715	$197,454
D Matthews[4]				
2019	$191,609	$5,674	$20,064	$217,347
2018	$189,636	$5,674	$17,644	$212,954

Non-executive Director	Short-term benefits		Post-employment benefits	Total
	Fees [1]	Non-monetary benefits [2]	Superannuation contributions [3]	
D Radford[6]				
2019 (part year)	$60,677	-	$6,254	$66,930
2018	$180,739	-	$16,715	$197,454
T Robinson[5]				
2019	$222,586	-	$20,531	$243,117
2018	$237,405	-	$20,049	$257,454
Aggregate totals				
2019	**$1,836,447**	**$10,224**	**$157,007**	**$2,003,678**
2018	**$1,799,769**	**$10,224**	**$141,317**	**$1,951,310**

[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.
[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 $41,667 inclusive of company superannuation as a Director of Sandhurst Trustees Limited. This reflects the reduction in fee from $60,000 to $40,000 from 1 August 2018.
[6] Ms Carter commenced as a director on 4 September 2018 and Ms Radford ceased as a director on 30 October 2018.

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						
R Johanson	268,325	-	13,860	-	282,185	-
V Carter	504	-	-	-	504	
J Harris	1,000	-	1,000	-	2,000	-
J Hazel	27,470	-	1,566	-	29,036	-
J Hey	15,199	250	6,238	-	21,437	250
R Hubbard	16,655	-	1,160	-	17,815	-
D Matthews	32,244	-	2,246	-	34,490	-
D Radford	1,900	3,190	-	-	1,900	3,190
T Robinson	33,140	-	-	-	33,140	-

[1] No equity instruments were granted as compensation to Non-executive Directors during the reporting period.
[2] None of the shares are held nominally.

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 (Chairman)
b. Jacqueline Hey
c. Robert Johanson
d. Vicki Carter

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 www.bendigoadelaide.com.au/public/corporate_governance/index.asp.

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. No remuneration recommendations were obtained from external consultants in relation to any of the KMP during the reporting period.

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 [11]
	Cash Salary [1]	STI [2]	Non-monetary [3]				Performance rights [7]	Deferred shares [8]		
M Baker										
2019	$1,184,923	$0	$16,038	$20,531	$19,657	-	$231,531	$810,461	$2,283,141	12%
2018	$576,079	$140,625	$17,043	$20,049	($47,811)	-	$180,863	$203,423	$1,090,271	31%
T Corolis										
2019	$457,980	$0	-	$20,531	$10,987	-	$77,885	$94,446	$661,829	12%
2018 (part year)[9]	$177,016	$62,500	-	$7,224	$3,225	-	$21,129	$19,428	$290,522	29%
T Crouch										
2019 (part year)[9]	$350,493	$0	$18,784	$19,031	($5,103)	-	$51,996	$42,577	$477,779	11%
R Fennell										
2019	$662,786	$0	$36,989	$20,531	($6,466)	-	$210,125	$215,373	$1,139,340	23%
2018	$586,197	$156,250	$34,020	$20,049	($19,834)	-	$180,863	$208,560	$1,166,105	31%
A Gartmann										
2019	$336,404	$0	-	$20,531	$5,824	-	$89,860	$85,409	$538,028	19%
2018	$303,641	$80,000	$111	$20,049	$5,573	-	$59,108	$86,580	$555,062	18%

Executive	Short-term employee benefits			Superannuation benefits [4]	Other long-term benefits [5]	Termination Payments	Share-based payments [6]		Total	Performance related [11]
	Cash Salary [1]	STI [2]	Non-monetary [3]				Performance rights [7]	Deferred shares [8]		
R Musgrove										
2019 (part year)[10]	$35,869	$0	$2,794	$3,315	($605)	-	$8,941	$6,608	$56,922	16%
2018	$276,402	$50,000	$41,520	$30,865	($21,029)	-	$72,345	$71,036	$521,139	23%
B Speirs										
2019	$369,084	$0	$6,500	$20,531	$9,487	-	$91,839	$97,540	$594,981	18%
2018	$350,229	$84,375	$6,500	$20,049	$8,957	-	$66,715	$89,149	$625,974	26%
S Thredgold										
2019	$366,396	$0	$5,000	$20,550	($17,259)	-	$91,839	$119,599	$586,124	22%
2018	$357,794	$110,000	$5,000	$20,049	($3,284)	-	$72,345	$102,124	$664,028	31%
A Twaits										
2019	$414,299	$0	-	$21,357	($5,134)	$15,862	-	-	$446,384	0%
2018 (part year)[10]	$171,035	$62,500	-	$8,275	$2,054		$7,803	-	$251,667	28%
2019	**$4,178,234**	**$0**	**$86,105**	**$166,910**	**$11,389**	**$15,862**	**$854,018**	**$1,472,013**	**$6,784,529**	
2018	**$4,924,977**	**$996,250**	**$135,608**	**$199,017**	**($27,090)**	**$0**	**$1,052,377**	**$1,838,173**	**$9,119,312**	

[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 FY2019. 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 base remuneration and are paid up to the statutory maximum contributions base. Mr Musgrove also receives an additional contribution as part of an arrangement with former members of a defined benefit fund that was amalgamated with an accumulation fund in 1994.
[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 2016, 2017, 2018 and 2019 financial years. The comparative amount represents the final amortised fair value allocation for the previous performance right grant made in the 2015, 2016, 2017 and 2018 financial years. The current year amounts for other executives represent the amortised fair value allocation for the 2016, 2017, 2018 and 2019 performance right grants. The comparative amounts represent the amortised fair value allocation for the 2015, 2016, 2017 and 2018 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 2019 financial year represent the amortised fair value of the deferred STI grants for the 2017 and 2018 financial years. There was no deferred STI grant for the 2019 financial year. The deferred STI amounts for the comparative period represent the amortised fair value of the deferred STI grant made for the 2017 financial year.
b. The fair value of the deferred base pay grants amortised over a two-year deferral period. The deferred base pay amounts for the 2019 financial year comprise the amortised fair value of the deferred base pay grants made in the 2018 and 2019 financial years. The comparative amounts represent the amortised fair value of the deferred base pay grants made in the 2017 and 2018 financial years.
[9] Mr Crouch commenced as a KMP on 10 August 2018 and Mr Corolis and Mr Twaits commenced as a KMP on 31 January 2018.
[10] Mr Twaits resigned and ceased being a KMP on 30 June 2019. Mr Musgrove ceased being a KMP on 9 August 2018.
[11] 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).

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	Performance Rights	17.12.2015	-	-	13,072	64,318	7,040	34,633
	Performance Rights	16.12.2016	-	-	22,290	184,837	4,534	37,591
	Deferred Shares STI	12.12.2017	-	-	3,553	41,108	-	-
	Deferred Shares Base Pay	12.12.2017	-	-	14,571	168,586	-	-
	Deferred Shares STI	17.12.2018	4,625	47,684	-	-	-	-
	Deferred Shares Base Pay	19.12.2018	200,000	2,072,000	-	-	-	-
	Performance Rights	19.12.2018	50,000	315,250	-	-	-	-
T Corolis	Performance Rights	17.12.2015	-	-	2,614	12,862	1,408	6,926
	Performance Rights	16.12.2016	-	-	4,457	36,963	907	7,518
	Deferred Shares Base Pay	24.04.2018	-	-	9,107	93,256	-	-
	Deferred Shares Base Pay	17.12.2018	9,276	95,636	-	-	-	-
	Performance Rights	17.12.2018	14,842	98,411	-	-	-	-
T Crouch	Performance Rights	16.12.2016	-	-	4,457	36,963	907	7,518
	Performance Rights	17.12.2018	14,842	98,411	-	-	-	-
	Deferred Shares Base Pay	17.12.2018	9,276	95,636	-	-	-	-
R Fennell	Performance Rights	17.12.2015	-	-	13,072	64,318	7,040	34,633
	Performance Rights	16.12.2016	-	-	22,290	184,837	4,534	37,591
	Deferred Shares STI	12.12.2017	-	-	4,441	51,383	-	-
	Deferred Shares Base Pay	12.12.2017	-	-	14,571	168,586	-	-
	Deferred Shares STI	17.12.2018	5,138	52,973	-	-	-	-
	Deferred Shares Base Pay	17.12.2018	15,306	157,805	-	-	-	-
	Performance Rights	17.12.2018	25,974	172,221	-	-	-	-
A Gartmann	Performance Rights	17.12.2015	-	-	4,183	20,582	2,253	11,083
	Performance Rights	16.12.2016	-	-	8,915	73,930	1,814	15,036
	Deferred Shares STI	12.12.2017	-	-	1,776	20,548	-	-
	Deferred Shares Base Pay	12.12.2017	-	-	6,375	73,759	-	-
	Deferred Shares Base Pay	17.12.2018	7,421	76,511	-	-	-	-
	Performance Rights	17.12.2018	13,914	92,257	-	-	-	-
R Musgrove	Performance Rights	17.12.2015	-	-	5,229	25,727	2,816	13,854
	Performance Rights	16.12.2016	-	-	8,915	73,930	1,814	15,036
	Deferred Shares Base Pay	12.12.2017	-	-	5,464	63,218	-	-
B Speirs	Performance Rights	17.12.2015	-	-	5,229	25,727	2,816	13,854
	Performance Rights	16.12.2016	-	-	8,915	73,930	1,814	15,036
	Deferred Shares STI	12.12.2017	-	-	2,220	25,685	-	-
	Deferred Shares Base Pay	12.12.2017	-	-	6,375	73,759	-	-
	Deferred Shares Base Pay	17.12.2018	9,276	95,636	-	-	-	-
	Performance Rights	17.12.2018	13,914	92,257	-	-	-	-

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] $
S Thredgold	Performance Rights	17.12.2015	-	-	5,229	25,727	2,816	13,854
	Performance Rights	16.12.2016	-	-	8,915	73,930	1,814	15,036
	Deferred Shares STI	12.12.2017	-	-	3,553	41,108	-	-
	Deferred Shares Base Pay	12.12.2017	-	-	7,285	84,287	-	-
	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	-	-	-	-
A Twaits	Performance Rights	24.04.2018	-	-	-	-	9,107	43,629
	Deferred Shares Base Pay	17.12.2018	6,493	66,943	-	-	6,493	66,943
	Performance Rights	17.12.2018	13,914	13,914	-	-	13,914	92,257

[1] The grants to executives in FY2019 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 FY2019 was 83.1% for the FY2017 LTI Plan where the first sleeve vested at 100% when measured on NPS performance and the remaining two sleeves vesting at 75.9% when measured on relative TSR performance. The percentage of performance rights that vested in the FY2016 LTI plan was 65% as the TSR measure was met. The percentage of base pay deferred share grants made in prior years that vested during FY2019 was 100%. The percentage of the deferred STI share grants made in prior years that vested during FY2019 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 and continued service 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:
a Total number of ordinary shares purchased during the financial year: 308,214 ordinary shares (FY2018: 171,439 ordinary shares); and
b Average price per ordinary share at which the securities were purchased: $10.20 per security (FY2018: $11.25 per security).

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	Deferred shares	18,124	204,625	(18,124)	-	-	204,625
	Ordinary shares	353,379	-	53,486	-	41,413	448,278
	Preference shares	800	-	-	-	-	800
	Performance rights	69,704	50,000	(35,362)	(11,574)	-	72,768
T Corolis	Deferred shares	9,107	9,276	(9,107)	-	-	9,276
	Ordinary shares	11,730	-	16,178		814	28,722
	Performance rights	23,046	14,842	(7,071)	(2,315)	-	28,502
T Crouch	Deferred shares	-	9,276	-	-	-	9,276
	Ordinary shares	3,730	-	4,457		6	8,193
	Performance rights	-	14,842	(4,457)	(907)	-	9,478
R Fennell	Deferred shares	19,012	20,444	(19,012)	-	-	20,444
	Ordinary shares	103,004	-	54,374		108	157,486
	Performance rights	69,704	25,974	(35,362)	(11,574)	-	48,742
A Gartmann	Deferred shares	8,151	7,421	(8,151)	-	-	7,421
	Ordinary shares	11,264	-	21,249	-	-	32,513
	Performance rights	26,272	13,914	(13,098)	(4,067)	-	23,021
R Musgrove[3]	Deferred shares	5,464	5,565	(5,464)	-	-	5,565
	Ordinary shares	36,342	-	19,608		(2,850)	53,100
	Performance rights	27,881	9,276	(14,144)	(4,630)	-	18,383
B Speirs	Deferred shares	8,595	9,276	(8,595)	-	-	9,276
	Ordinary shares	6,437	-	22,739		(6,437)	22,739
	Performance rights	27,881	13,914	(14,144)	(4,630)	-	23,021
S Thredgold	Deferred shares	10,838	11,038	(10,838)	-	-	11,038
	Ordinary shares	26,015	-	24,982		(10,000)	40,997
	Performance rights	27,881	13,914	(14,144)	(4,630)	-	23,021
A Twaits	Deferred shares	-	6,493	-	(6,493)	-	-
	Ordinary shares	1,810	-	-			1,810
	Performance rights	9,107	13,914	-	(23,021)	-	-

[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] Table contains full FY2019 data for Mr Musgrove.

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 $**	Exer-cise price	Risk free interest rate	Dividend yield	Expected volatility	Expected life	Performance period end / expiry date [2]
Performance Rights	17.12.2015	$4.92	$11.24	-	2.18%	6.00%	20%	4 years	30.06.2019
Performance Rights – Sleeve 1	16.12.2016	$10.63	$12.25	-	1.93%	5.75%	20%	3 years	30.06.2019
Performance Rights – Sleeve 2	16.12.2016	$7.29	$12.25	-	1.93%	5.75%	20%	3 years	30.06.2019
Performance Rights – Sleeve 3	16.12.2016	$7.29	$12.25	-	1.93%	5.75%	20%	3 years	30.06.2019
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%	22.5%	3 years	30.06.2020
Performance Rights – Sleeve 2	12.12.2017	$5.81	$11.64	-	1.97%	5.75%	22.5%	3 years	30.06.2020
Performance Rights – Sleeve 3	12.12.2017	$5.81	$11.64	-	1.97%	5.75%	22.5%	3 years	30.06.2020
Performance Rights – Sleeve 1 (MD)	12.12.2017	$9.54	$11.64	-	2.09%	5.75%	22.5%	4 years	30.06.2021
Performance Rights – Sleeve 2 (MD)	12.12.2017	$5.70	$11.64	-	2.09%	5.75%	22.5%	4 years	30.06.2021
Performance Rights – Sleeve 3 (MD)	12.12.2017	$5.70	$11.64	-	2.09%	5.75%	22.5%	4 years	30.06.2021
Performance Rights – Sleeve 1	24.04.2018	$9.06	$10.59	-	2.28%	6.42%	24.7%	3 years	30.06.2020
Performance Rights – Sleeve 2	24.04.2018	$2.96	$10.59	-	2.28%	6.42%	24.7%	3 years	30.06.2020
Performance Rights – Sleeve 3	24.04.2018	$2.96	$10.59	-	2.28%	6.42%	24.7%	3 years	30.06.2020
Performance Rights – Sleeve 1	17.12.2018	$8.60	$10.37	-	1.89%	6.73%	23.4%	3 years	30.06.2021
Performance Rights – Sleeve 2	17.12.2018	$5.57	$10.37	-	1.89%	6.73%	23.4%	3 years	30.06.2021
Performance Rights – Sleeve 1 (MD)	19.12.2018	$8.06	$10.40	-	1.99%	6.73%	23.4%	4 years	30.06.2022
Performance Rights – Sleeve 2 (MD)	19.12.2018	$5.36	$10.40	-	1.99%	6.73%	23.4%	4 years	30.06.2022

[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 Base Pay	12.12.2017	$11.57	$11.64	30.06.2019	30.06.2019
Deferred Shares STI	12.12.2017	$11.57	$11.64	30.06.2019	30.06.2019
Deferred Shares Base Pay	24.04.2018	$10.24	$10.59	30.06.2019	30.06.2019
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

[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 and A Twaits
	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 during the year 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 beginning of year	Interest charged [2]	Interest not charged	Write-off	Balance at end of year	Number at year end
		$'000	$'000	$'000	$'000	$'000	
Non-executive Directors	2019	5,982	402	-	-	6,955	8
Executives	2019	6,006	149	-	-	5,794	7
Total Directors and Executives	2019	11,988	551	-	-	12,749	15

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

2019	Balance at beginning of year	Interest charged [2]	Interest not charged	Write-off	Balance at end of year	Highest owing in period [1]
	$'000	$'000	$'000	$'000	$'000	$'000
Non-executive Directors						
R Johanson	714	119	-	-	1,395	2,798
D Matthews	4,247	223	-	-	4,234	4,297
T Robinson	1,001	59	-	-	1,305	-
Executives						
R Fennell	1,419	30	-	-	1,227	1,897
A Gartmann	1,506	55	-	-	1,434	1,506
R Musgrove[3]	1,005	5	-	-	995	1,010
S Thredgold	709	11	-	-	672	718
A Twaits	1,324	48	-	-	1,388	1,374

[1] 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.
[2] Interest charged may include the impact of interest off-set facility
[3] Mr Musgrove ceased as KMP 9 August 2018. Data included for time as KMP only, therefore closing balance is at 9 August 2018.

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

Robert Johanson
Chairman
6 September 2019

Marnie Baker
Managing Director

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Income statement
For the year ended 30 June 2019

	Note	Group 2019[1] $m	Group 2018 $m	Bank 2019[1] $m	Bank 2018 $m
Net interest income					
Interest income		2,639.5	2,659.6	2,344.6	2,327.6
Interest expense		(1,353.7)	(1,354.4)	(1,174.4)	(1,149.9)
Total net interest income	3	**1,285.8**	**1,305.2**	**1,170.2**	**1,177.7**
Other revenue					
Fees		163.8	167.9	149.2	152.7
Commissions		73.5	71.7	19.3	18.4
Other revenue		44.4	98.7	371.1	47.8
Total other revenue	3	**281.7**	**338.3**	**539.6**	**218.9**
Total income		**1,567.5**	**1,643.5**	**1,709.8**	**1,396.6**
Expenses					
Credit expenses		(54.6)	(78.9)	(50.3)	(72.5)
Bad and doubtful debts recovered		4.3	8.3	2.5	6.4
Total credit expenses	3	**(50.3)**	**(70.6)**	**(47.8)**	**(66.1)**
Operating expenses					
Staff and related costs		(518.5)	(497.3)	(463.7)	(446.4)
Occupancy costs		(91.3)	(91.0)	(90.5)	(90.1)
Amortisation and depreciation costs		(48.1)	(47.7)	(45.1)	(42.5)
Fees and commissions		(31.1)	(35.2)	(7.4)	(8.2)
Other operating expenses		(276.2)	(267.2)	(249.6)	(230.7)
Total other expenses	3	**(965.2)**	**(938.4)**	**(856.3)**	**(817.9)**
Profit before income tax expense		**552.0**	**634.5**	**805.7**	**512.6**
Income tax expense	4	(175.2)	(200.0)	(161.4)	(162.9)
Net profit for the year		**376.8**	**434.5**	**644.3**	**349.7**
Earnings per share (cents)					
Basic	6	77.1	89.9		
Diluted	6	69.7	81.2		

[1] AASB 9 has been adopted on 1 July 2018; comparative information has not been restated.

Statement of comprehensive income
For the year ended 30 June 2019

		Group		Bank	
		2019[1]	2018	2019[1]	2018
	Note	$m	$m	$m	$m
Profit for the year		**376.8**	**434.5**	**644.3**	**349.7**
Items which may be reclassified subsequently to profit or loss:					
Net gain on available for sale - equity investments	24	-	0.2	-	-
Net unrealised (loss)/gain on available for sale - debt securities	24	-	(0.1)	-	7.9
Revaluation gain on debt instruments at fair value through other comprehensive income	24	0.2	-	18.1	-
Transfer from asset revaluation reserve to income	24	(0.3)	-	-	-
Net gain on cash flow hedges taken to equity	24	19.5	10.9	19.5	10.0
Tax effect on items taken directly to or transferred from equity	24	(5.8)	(3.3)	(11.3)	(5.4)
Total items that may be reclassified to profit or loss		**13.6**	**7.7**	**26.3**	**12.5**
Items which will not be reclassified subsequently to profit or loss:					
Actuarial (loss)/gain on superannuation defined benefits plan	24	(0.1)	0.4	(0.1)	0.4
Tax effect on items taken directly to or transferred from equity	24	-	(0.1)	-	(0.1)
Total items that will not be reclassified to profit or loss		**(0.1)**	**0.3**	**(0.1)**	**0.3**
Total comprehensive income for the year		**390.3**	**442.5**	**670.5**	**362.5**
Total comprehensive income for the year attributable to:					
Owners of the Company		390.3	442.5	670.5	362.5

[1] AASB 9 has been adopted on 1 July 2018; comparative information has not been restated.

Balance sheet
As at 30 June 2019

	Note	Group 2019[1] $m	Group 2018 $m	Bank 2019[1] $m	Bank 2018 $m
Assets					
Cash and cash equivalents	8	1,072.0	1,137.4	880.2	836.8
Due from other financial institutions	8	270.6	283.0	270.6	295.8
Amounts receivable from controlled entities		-	-	-	21.1
Financial assets fair value through profit or loss (FVTPL)	11	5,836.9	4,499.5	5,836.9	4,499.5
Financial assets available for sale	12	-	469.0	-	5,490.6
Financial assets held to maturity	13	-	413.2	-	49.5
Financial assets - amortised cost	14	293.1	-	143.8	-
Financial assets fair value through other comprehensive income (FVOCI)	15	55.7	-	6,133.1	-
Derivatives	20	150.6	29.7	150.7	220.2
Net loans and other receivables	9	61,791.8	61,601.8	60,972.2	56,148.7
Investments accounted for using the equity method		9.3	8.9	8.3	7.8
Shares in controlled entities		-	-	587.4	585.2
Property, plant and equipment		63.1	69.9	60.4	65.8
Deferred tax assets	4	170.6	117.0	167.7	112.4
Investment property	27	734.5	735.7	-	-
Goodwill and other intangible assets	28	1,685.6	1,650.0	1,593.2	1,558.3
Other assets	29	436.5	424.7	1,395.5	1,481.1
Total Assets		**72,570.3**	**71,439.8**	**78,200.0**	**71,372.8**
Liabilities					
Due to other financial institutions	8	420.6	352.5	420.6	346.7
Deposits	16	60,566.6	59,529.5	60,601.4	55,528.9
Notes payable	16	3,464.4	3,544.8	23.1	-
Derivatives	20	135.0	34.8	135.0	54.1
Amounts payable to controlled entities		-	-	787.4	-
Loans payable to securitisation trusts		-	-	8,754.2	8,097.9
Income tax payable	4	6.4	51.5	6.4	51.5
Provisions	31	119.6	136.6	118.0	132.1
Deferred tax liabilities	4	165.3	130.9	85.8	90.3
Other payables	30	493.0	448.8	462.1	563.6
Preference shares	17	886.4	880.9	886.4	880.9
Subordinated debt	18	681.4	709.2	681.4	699.2
Total Liabilities		**66,938.7**	**65,819.5**	**72,961.8**	**66,445.2**
Net Assets		**5,631.6**	**5,620.3**	**5,238.2**	**4,927.6**
Equity					
Share capital	23	4,570.5	4,523.3	4,570.5	4,523.3
Reserves	24	73.8	121.1	105.5	122.2
Retained earnings	24	987.3	975.9	562.2	282.1
Total Equity		**5,631.6**	**5,620.3**	**5,238.2**	**4,927.6**

[1] AASB 9 has been adopted on 1 July 2018; comparative information has not been restated.

Statement of changes in equity
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) shares	-	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 23 for further details.
[2] Refer to Note 24 for further details.
[3] AASB 9 has been adopted on 1 July 2018; comparative information has not been restated.

For the year ended 30 June 2018

	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 2017					
Opening balance	**4,456.7**	**(8.0)**	**864.6**	**112.3**	**5,425.6**
Comprehensive income					
Profit for the year	-	-	434.5	-	434.5
Other comprehensive income	-	-	0.3	7.7	8.0
Total comprehensive income for the year	**-**	**-**	**434.8**	**7.7**	**442.5**
Transactions with owners in their capacity as owners					
Shares issued	73.2	-	-	-	73.2
Reduction in employee share ownership plan (ESOP) shares	-	1.4	-	-	1.4
Movement in operational risk reserve	-	-	(1.5)	1.4	(0.1)
Share based payment	-	-	2.6	0.1	2.7
Transfer from asset revaluation reserve	-	-	0.4	(0.4)	-
Equity dividends	-	-	(325.0)	-	(325.0)
At 30 June 2018	**4,529.9**	**(6.6)**	**975.9**	**121.1**	**5,620.3**

[1] Refer to Note 23 for further details.
[2] Refer to Note 24 for further details.

Statement of changes in equity (continued)
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]	-	-	(12.7)	(66.0)	(78.7)
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) shares	-	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)**	**562.2**	**105.5**	**5,238.2**

[1] Refer to Note 23 for further details.
[2] Refer to Note 24 for further details.
[3] AASB 9 has been adopted on 1 July 2018; comparative information has not been restated.

For the year ended 30 June 2018

	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 2017					
Opening balance	**4,456.7**	**(8.0)**	**254.0**	**110.1**	**4,812.8**
Comprehensive income					
Profit for the year	-	-	349.7	-	349.7
Other comprehensive income	-	-	0.3	12.5	12.8
Total comprehensive income for the year	**-**	**-**	**350.0**	**12.5**	**362.5**
Transactions with owners in their capacity as owners					
Shares issued	73.2	-	-	-	73.2
Reduction in employee share ownership plan (ESOP) shares	-	1.4	-	-	1.4
Share based payment	-	-	2.6	0.1	2.7
Transfer from asset revaluation reserve	-	-	0.5	(0.5)	-
Equity dividends	-	-	(325.0)	-	(325.0)
At 30 June 2018	**4,529.9**	**(6.6)**	**282.1**	**122.2**	**4,927.6**

[1] Refer to Note 23 for further details.
[2] Refer to Note 24 for further details.

Cash flow statement
For the year ended 30 June 2019

	Note	Group 2019[1] $m	Group 2018 $m	Bank 2019[1] $m	Bank 2018 $m
Cash flows from operating activities					
Interest and other items of a similar nature received		2,646.2	2,661.9	2,325.6	2,294.4
Interest and other costs of finance paid		(1,361.4)	(1,379.9)	(1,167.5)	(1,173.4)
Receipts from customers (excluding effective interest)		280.4	284.8	228.3	232.5
Payments to suppliers and employees		(1,000.1)	(998.4)	(753.3)	(1,023.9)
Dividends received		0.9	1.3	300.6	1.0
Income taxes paid		(205.9)	(175.2)	(207.3)	(192.9)
Cash flows from operating activities before changes in operating assets and liabilities		**360.1**	**394.5**	**726.4**	**137.7**
(Increase)/decrease in operating assets					
Net increase in balance of loans and other receivables		(337.6)	(904.1)	(3,518.7)	(549.8)
Net (increase)/decrease in balance of investment securities		(773.2)	1,039.4	(2,043.4)	865.3
Increase/(decrease) in operating liabilities					
Net increase/(decrease) in balance of deposits		1,037.1	235.4	5,072.5	(209.8)
Net (decrease)/increase in balance of notes payable		(80.4)	(413.6)	23.1	-
Net cash flows from operating activities	32	**206.0**	**351.6**	**259.9**	**243.4**
Cash flows related to investing activities					
Cash paid for purchases of property, plant and equipment		(12.6)	(15.4)	(12.6)	(14.6)
Cash proceeds from sale of property, plant and equipment		0.8	1.3	0.6	1.3
Cash paid for purchases of investment property		(67.0)	(59.0)	-	-
Cash proceeds from sale of investment property		44.1	45.0	-	-
Cash paid for purchases of intangible assets		(3.6)	(2.9)	-	(2.9)
Cash paid for purchases of equity investments		(0.3)	(0.1)	(0.3)	(15.0)
Cash proceeds from return of capital/ dividend from JV partners		2.0	2.0	2.0	2.0
Net cash flows used in investing activities		**(36.6)**	**(29.1)**	**(10.3)**	**(29.2)**
Cash flows from financing activities					
Proceeds from issue of ordinary/convertible preference shares		-	55.8	-	55.8
Proceeds from issue of subordinated debt holders		272.2	0.5	282.2	0.5
Repayment of subordinated debt		(300.0)	-	(300.0)	-
Dividends paid		(288.7)	(251.8)	(288.7)	(251.8)
Repayment of ESOP shares		1.2	1.4	1.2	1.4
Payment of share issue costs		-	(6.5)	-	(6.5)
Net cash flows used in financing activities		**(315.3)**	**(200.6)**	**(305.3)**	**(200.6)**
Net (decrease)/increase in cash and cash equivalents		(145.9)	121.9	(55.7)	13.6
Cash and cash equivalents at the beginning of period	8	1,067.9	946.0	785.9	772.3
Cash and cash equivalents at the end of period	25	**922.0**	**1,067.9**	**730.2**	**785.9**

[1] AASB 9 has been adopted on 1 July 2018; 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 shows new accounting standards, amendments and interpretations, and whether they are effective in 2019 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 2019 was authorised for issue in accordance with a resolution of the directors on 6 September 2019.

Bendigo and Adelaide Bank Limited is a company limited by shares incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange.

The domicile of Bendigo and Adelaide Bank Limited is Australia.

The 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
- Available-for-sale investment securities (applicable prior to 1 July 2018)
- Debt and equity instruments measured at fair value through other comprehensive income (FVOCI) (effective 1 July 2018)

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.

Changes in accounting policies

In these financial statements, the Bank has applied, for the first time, AASB 9 *Financial Instruments* and the consequential amendments to AASB 7 *Financial Instruments: Disclosures*, and AASB 15 *Revenue from Contracts with Customers*. The nature and effect of the key changes as a result of the adoption of these new accounting standards has been described below.

AASB 9 *Financial Instruments*

From 1 July 2018, the Group adopted AASB 9, which replaced AASB 139 *Financial Instruments: Recognition and Measurement*, and addresses classification and measurement, impairment and hedge accounting. As permitted by the transition provisions of AASB 9, the Group elected not to restate comparative period results, therefore, the comparative information is reported under AASB 139 and is not comparable with the information presented for the current year.

AASB 9 *Financial Instruments* (continued)

Adjustments to carrying amounts of financial assets and liabilities at the date of initial application were recognised directly in retained earnings as of 1 July 2018 and are disclosed below.

(a) Classification and measurement

Upon initial recognition, all financial assets are measured at fair value. Subsequent measurement is determined through consideration of the business model for managing the financial assets and the contractual cash flow characteristics of the instrument. There are four measurement classifications under AASB 9, 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).

Debt instruments held within a business model where the objective is to collect contractual cashflows which are solely payments of principal and interest (SPPI) are measured at amortised cost. Debt instruments are measured at FVOCI when they are held within a business model where the objective is to both collect contractual cashflows of SPPI and sell the financial assets. While changes in the fair value of these instruments are recognised directly in equity, upon disposal, the cumulative gain or loss is recycled from equity to profit or loss. If debt instruments are held within a business model with the objective of selling financial assets, they are measured at FVTPL. Debt instruments are also measured at FVTPL when the contractual cashflows are not SPPI or when they are designated at FVTPL.

Equity instruments are measured at FVTPL, unless the asset is not held for trading and an irrevocable election to designate the asset as FVOCI is made. This election is made on an instrument-by-instrument basis. Equity instruments at FVOCI are measured at fair value with unrealised gains and losses recorded through other comprehensive income. Dividend income is recognised through profit or loss. Upon disposal of the instrument, the cumulative gain or loss recorded through other comprehensive income is not recycled to profit or loss.

The accounting for financial liabilities remains essentially the same as it was under AASB 139, except that changes in the fair value of liabilities designated at FVTPL arising from an entity's own credit risk must be recorded in other comprehensive income with no subsequent reclassification to profit or loss. The Group measures financial liabilities at amortised cost if they are not held for trading, otherwise they are measured at FVTPL.

The Group's accounting policies applied to financial assets and liabilities are explained in Notes 9, 11, 14, 15 and 16.

(b) Impairment

The adoption of AASB 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Group to recognise a provision for ECLs for all debt instruments held at amortised cost or FVOCI, together with loan commitments and financial guarantees that are not measured at FVTPL.

Further details of the Group's impairment policy are disclosed in Note 10.

(c) Hedge accounting

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

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

(d) Transition to AASB 9 disclosures

The transition disclosures set out the impact of adopting AASB 9 on the Group's financial position and retained earnings.

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

			As at 1 July 2018			
Balance Sheet category	**Original measurement category under AASB 139**	**New measurement category under AASB 9**	**Carrying amount**			
			per AASB 139		**per AASB 9**	
			Group	Bank	Group	Bank
			$m	$m	$m	$m
Financial assets						
Cash and cash equivalents	Amortised cost	Amortised cost	1,137.4	836.8	1,137.4	836.8
Due from other financial institutions	Amortised cost	Amortised cost	283.0	295.8	283.0	295.8
Financial assets held for trading	Fair value through profit or loss	Fair value through profit or loss	4,499.5	4,499.5	4,499.5	4,499.5
Financial assets available for sale (debt)	Fair value through reserves	Fair value through other comprehensive income (with recycling) [1]	202.7	5,387.0	202.8	5,387.0
Financial assets available for sale (debt) [3]	Fair value through reserves	Amortised cost	238.6	84.8	238.6	84.8
Financial assets available for sale (equity)	Fair value through reserves	Fair value through other comprehensive income (no recycling)[2]	18.8	18.8	18.8	18.8
Financial assets available for sale (equity)	Fair value through reserves	Fair value through other comprehensive income (with recycling) [1]	8.9	-	8.9	-
Financial assets held to maturity	Amortised cost	Fair value through other comprehensive income (with recycling) [1]	358.4	0.5	358.4	0.5
Financial assets held to maturity	Amortised cost	Amortised cost	54.8	49.0	54.8	49.0
Net loans and other receivables	Amortised cost	Amortised cost	61,601.8	56,148.7	61,467.5	56,036.3

Financial liabilities						
Due to other financial institutions	Amortised cost	Amortised cost	352.5	346.7	352.5	346.7
Deposits	Amortised cost	Amortised cost	59,529.5	55,528.9	59,529.5	55,528.9
Notes payable	Amortised cost	Amortised cost	3,544.8	-	3,544.8	-
Preference shares	Amortised cost	Amortised cost	880.9	880.9	880.9	880.9
Subordinated debt	Amortised cost	Amortised cost	709.2	699.2	709.2	699.2

[1] FVOCI with subsequent recycling of realised gains or losses permitted on derecognition.
[2] FVOCI with no subsequent recycling of realised gains or losses permitted on derecognition.
[3] At 30 June 2019, the carrying value of these instruments is a reasonable approximation of fair value.

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

(d) Transition to AASB 9 disclosures (continued)

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

	AASB 139 carrying amount as at 30 June 2018	Re-classification	Re-measurement	AASB 9 carrying amount as at 1 July 2018
Group	$m	$m	$m	$m
Financial assets available for sale	469.0	(469.0)	-	-
Financial assets held to maturity	413.2	(413.2)	-	-
Financial assets FVOCI (with recycling)	-	570.0	0.1	570.1
Financial assets FVOCI (without recycling)	-	18.8	-	18.8
Financial assets at amortised cost	-	293.4	-	293.4
Net loans and receivables	61,601.8	-	(134.3)	61,467.5
Impact on deferred tax assets	117.0	-	40.3	157.3
Impact on reserves	(121.1)	-	82.8	(38.3)
Impact on retained earnings	(975.9)	-	11.1	(964.8)
Bank	$m	$m	$m	$m
Financial assets available for sale	5,490.6	(5,490.6)	-	-
Financial assets held to maturity	49.5	(49.5)	-	-
Financial assets FVOCI (with recycling)	-	5,387.6	-	5,387.6
Financial assets FVOCI (without recycling)	-	18.8	-	18.8
Financial assets at amortised cost	-	133.9	-	133.9
Net loans and receivables	56,148.7	-	(112.4)	56,036.3
Impact on deferred tax assets	112.4	-	33.7	146.1
Impact on reserves	(122.2)	-	66.0	(56.2)
Impact on retained earnings	(282.1)	-	12.7	(269.4)

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

	AASB 139 carrying amount as at 30 June 2018	Re-classification	Re-measurement	AASB 9 carrying amount as at 1 July 2018
Group	$m	$m	$m	$m
Collective provision [1]	48.2	-	134.3	182.5
General reserve for credit losses	140.3	-	(82.9)	57.4
Bank	$m	$m	$m	$m
Collective provision [1]	45.7	-	112.4	158.1
General reserve for credit losses	121.7	-	(66.0)	55.7

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

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

AASB 15 *Revenue from Contracts with Customers*

AASB 15 redefines the principles for recognising revenue and is applicable to all contracts with customers other than contracts within the scope of other standards including interest and fee income integral to financial instruments which is within the scope of AASB 9.

AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group adopted AASB 15 from 1 July 2018. Many of the Group's revenue streams (e.g., interest income, gains and losses on financial instruments) are outside the scope of AASB 15 and, therefore, accounting for those streams did not change as a result of the adoption the new standard. The Group's revenue streams that are within the scope of AASB 15 relate to fee and commission income disclosed in Note 3.

Recently issued or amended standards not yet effective

AASB 16 *Leases* replaces AASB 117 *Leases* and is effective for annual reporting periods beginning on or after 1 January 2019, hence the Group will adopt the standard from 1 July 2019. The new standard requires all leases to be recognised on-Balance Sheet, except for leases with a term of less than 12 months and leases of low-value assets. Under the requirements of the new standard, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset along with a lease liability representing its obligation to make lease payments. The Group can choose either a full retrospective or a modified retrospective transition approach with the standard providing practical options and exemptions to ease the costs of transition. Lessor accounting remains substantially unchanged.

The Group has performed a detailed impact assessment of AASB 16 and will apply the modified retrospective approach as permitted by the standard. The Group will calculate the right-of-use asset at the date of initial application as if AASB 16 had been applied from the lease commencement using the incremental borrowing rate at the date of transition, being 1 July 2019. The lease liability will be measured at an amount equal to the outstanding lease payments at the date of initial application, considering extension and termination options, discounted at the Group's incremental borrowing rate in the economic environment of the lease. The capitalised right-of-use asset will mainly consist of property, namely the head office buildings and the retail branches. The right-of-use asset will total approximately $230 million and the lease liability $270 million. The difference between these two amounts,subsequent to relevant tax adjustments, will be posted as a retained earnings adjustment. CET 1 capital is expected to decrease by 15 bps, as a result of the increase in the risk-weighted assets (treated as 100% risk-weighted, consistent with the nature of the underlying asset).

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

- 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation [AASB 9]*;
- 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures [AASB 128]*;
- 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle [AASB 11, AASB 112 and AASB 123]*;
- 2018-2 *Amendments to Australian Accounting Standards - Plan amendment, Curtailment or Settlement;*
- AASB Interpretation 23, and relevant amending standards. Uncertainty over Income Tax Treatments;
- 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]*;
- *Conceptual Framework for Financial Reporting*;
- 2019-1 *Amendments to Australian Accounting Standards – Reference to the Conceptual Framework*; and
- AASB 17 *Insurance Contracts*.

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	
		2019[1]	2018	2019[1]	2018
	Note	$m	$m	$m	$m
Interest income					
Effective interest income					
Cash and cash equivalents		1.2	1.1	1.2	0.9
Assets held for trading		-	122.6	-	122.6
Assets held to maturity		-	9.6	-	1.3
Assets available for sale		-	4.9	-	150.0
Assets held at FVTPL		95.3	-	95.3	-
Assets held at FVOCI		14.1	-	166.3	-
Assets held at amortised cost		1.3	-	0.6	-
Reverse repurchase agreements		13.4	0.2	13.4	0.2
Loans and other receivables		2,514.2	2,521.2	2,067.8	2,052.6
Total interest income		**2,639.5**	**2,659.6**	**2,344.6**	**2,327.6**
Interest expense					
Deposits					
Retail		(975.5)	(951.7)	(891.3)	(870.6)
Wholesale - domestic		(199.1)	(191.8)	(199.1)	(191.8)
Wholesale - offshore		(4.1)	(10.5)	(4.1)	(10.5)
Other borrowings					
Notes payable		(94.4)	(122.4)	(0.1)	-
Repurchase agreements		(7.8)	(7.9)	(7.5)	(7.5)
Preference shares		(35.7)	(34.9)	(35.7)	(34.9)
Subordinated debt		(37.1)	(35.2)	(36.6)	(34.6)
Total interest expense		**(1,353.7)**	**(1,354.4)**	**(1,174.4)**	**(1,149.9)**
Total net interest income		**1,285.8**	**1,305.2**	**1,170.2**	**1,177.7**
Other revenue					
Fee income					
Assets		77.4	79.8	68.8	69.8
Liabilities & other products		83.2	85.1	79.8	82.3
Trustee, management & other services		3.2	3.0	0.6	0.6
Total fee income		**163.8**	**167.9**	**149.2**	**152.7**
Commission income		**73.5**	**71.7**	**19.3**	**18.4**
Revenue from contracts with customers		**237.3**	**239.6**	**168.5**	**171.1**
Other					
Foreign exchange income		22.4	18.8	22.4	18.8
Factoring products income		5.4	5.9	5.4	5.9
Trading book income		12.2	0.8	12.4	0.9
Homesafe revaluation (loss)/gain	27	(24.1)	55.4	-	-
Dividend income		0.6	1.0	300.6	1.0
Other		27.9	16.8	30.3	21.2
Total other income		**44.4**	**98.7**	**371.1**	**47.8**
Total other revenue		**281.7**	**338.3**	**539.6**	**218.9**

[1] AASB 9 has been adopted on 1 July 2018; comparative information has 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 (ie 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.

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

Other fees and commissions are earned by the Group from a diverse range of financial services provided to customers. Fee and commission income is 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 27 for further information.

		Group		Bank	
		2019[1]	2018	2019[1]	2018
	Note	$m	$m	$m	$m
Expenses					
Credit expenses					
Specific provision		(70.1)	(79.8)	(69.2)	(74.1)
Collective provision		25.5	4.5	21.5	3.3
Bad debts written off		(10.0)	(3.6)	(2.6)	(1.7)
Bad debts recovered		4.3	8.3	2.5	6.4
Total credit expenses	10	**(50.3)**	**(70.6)**	**(47.8)**	**(66.1)**
Operating expenses					
Staff and related costs					
Salaries, wages and incentives		(445.2)	(427.1)	(398.2)	(383.7)
Superannuation contributions		(40.8)	(39.5)	(36.5)	(35.5)
Payroll tax		(27.9)	(25.8)	(24.8)	(23.0)
Other		(4.6)	(4.9)	(4.2)	(4.2)
Total staff and related costs		**(518.5)**	**(497.3)**	**(463.7)**	**(446.4)**
Occupancy costs					
Operating lease rentals		(57.2)	(55.8)	(57.0)	(55.6)
Depreciation of leasehold improvements		(8.4)	(8.9)	(8.3)	(8.7)
Other		(25.7)	(26.3)	(25.2)	(25.8)
Total occupancy costs		**(91.3)**	**(91.0)**	**(90.5)**	**(90.1)**
Amortisation and depreciation					
Amortisation of acquired intangibles		(3.7)	(8.2)	(1.8)	(4.6)
Amortisation of software intangibles		(33.8)	(28.0)	(33.2)	(26.9)
Depreciation of property, plant & equipment		(10.6)	(11.5)	(10.1)	(11.0)
Total amortisation and depreciation costs		**(48.1)**	**(47.7)**	**(45.1)**	**(42.5)**
Fees and commissions expense		**(31.1)**	**(35.2)**	**(7.4)**	**(8.2)**
Other operating expenses					
Communications, postage and stationery		(37.2)	(36.4)	(39.7)	(38.8)
Computer systems and software costs		(74.9)	(70.2)	(69.8)	(64.3)
Advertising and promotion		(29.5)	(28.0)	(27.2)	(25.5)
Other product and services delivery costs		(31.0)	(30.2)	(30.9)	(30.0)
Other expenses		(103.6)	(102.4)	(82.0)	(72.1)
Total other operating expenses		**(276.2)**	**(267.2)**	**(249.6)**	**(230.7)**
Total other expenses		**(965.2)**	**(938.4)**	**(856.3)**	**(817.9)**

[1] AASB 9 has been adopted on 1 July 2018; comparative information has not been restated.

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 instrument's original effective interest rate. Refer to Note 10 for more information on loan impairment.

Staff and related costs

Wage and salary costs are recognised over the period in which the employees provide the service. Refer to Note 31 for more information relating to staff provisions.

Incentive payments are recognised to the extent that the Group has a present obligation over the period that the employees are required to work to qualify for the scheme. Refer to Note 37 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

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

Amortisation

Refer to Note 28 for information on the amortisation of intangibles.

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		Bank	
	2019	2018	2019	2018
	$m	$m	$m	$m
Income Statement				
Current income tax				
Current income tax charge	(168.0)	(217.6)	(144.5)	(161.0)
Franking credits	1.1	1.2	1.1	1.2
Adjustments in respect of current income tax of previous years	5.9	11.3	7.0	11.4
Deferred income tax				
Adjustments in respect of deferred income tax of previous years	(4.2)	(10.0)	(5.2)	(10.1)
Relating to origination and reversal of temporary differences	(10.0)	15.1	(19.8)	(4.4)
Income tax expense reported in the Income Statement	**(175.2)**	**(200.0)**	**(161.4)**	**(162.9)**
Statement of changes in equity				
Deferred income tax related to items charged or credited directly in equity				
Net gain on cash flow hedge	(5.8)	(3.3)	(5.8)	(3.0)
Net gain on available for sale investments	-	-	-	(2.4)
Net gain on financial assets (FVOCI)	-	-	(5.5)	-
Actuarial gain on superannuation defined benefits plan	-	(0.1)	-	(0.1)
Income tax charged or credited in equity	**(5.8)**	**(3.4)**	**(11.3)**	**(5.5)**
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:				
Accounting profit before income tax	**552.0**	**634.5**	**805.7**	**512.6**
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	(165.6)	(190.3)	(241.7)	(153.8)
Under provision in prior years	1.8	1.3	1.8	1.3
Tax credits and adjustments	1.1	1.2	1.1	1.2
Expenditure not allowable for income tax purposes	(12.3)	(11.3)	(11.7)	(10.8)
Other non assessable income	0.9	0.1	0.1	0.2
Tax effect of tax credits and adjustments	(0.3)	(0.4)	(0.3)	(0.4)
Dividends received	-	-	90.0	-
Other	(0.8)	(0.6)	(0.7)	(0.6)
Income tax expense reported in the Income Statement	**(175.2)**	**(200.0)**	**(161.4)**	**(162.9)**
Deferred income tax Deferred income tax at 30 June relates to the following:				
Gross deferred tax liabilities				
Available for sale financial assets	-	0.2	-	1.7
Net gain on financial assets (FVOCI)	0.2	-	7.2	-
Deferred expenses	1.4	4.2	1.4	4.2
Derivatives	45.1	8.6	45.1	65.7
Intangible assets on acquisition	2.5	2.7	1.2	2.0
Investment property	84.6	98.2	-	-
Other	31.5	17.0	30.9	16.7
	165.3	**130.9**	**85.8**	**90.3**

4 **Income tax expense** (continued)

Deferred income tax (continued)	Group		Bank	
	2019	2018	2019	2018
Gross deferred tax assets	$m	$m	$m	$m
Derivatives	41.4	9.5	41.4	15.3
Employee benefits	28.7	33.2	28.3	32.2
Provisions	91.9	57.1	93.4	53.8
Other	8.6	17.2	4.6	11.1
	170.6	**117.0**	**167.7**	**112.4**
Income tax payable				
Tax payable attributable to members of the tax consolidated group	6.4	51.5	6.4	51.5
	6.4	**51.5**	**6.4**	**51.5**

At 30 June 2019, there is no unrecognised deferred income tax liability (2018: 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.

Current and deferred tax balances attributable to amounts recognised directly in equity 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

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

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

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

Consumer

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

Business

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

Agribusiness

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

Central functions

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

Accounting policies and inter-segment transactions

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

Segment net interest income is recognised based on an internally set 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.

For the year ended 30 June 2019	Operating segments			Total operating segments	Central functions	Total
	Consumer	Business	Agribusiness			
	$m	$m	$m	$m	$m	$m
Net interest income	798.9	324.0	162.9	**1,285.8**	-	**1,285.8**
Other income	198.7	38.7	15.2	**252.6**	29.1	**281.7**
Total segment income	**997.6**	**362.7**	**178.1**	**1,538.4**	**29.1**	**1,567.5**
Operating expenses	(642.4)	(239.6)	(82.0)	**(964.0)**	(1.2)	**(965.2)**
Credit (expenses)/income	(19.2)	(33.7)	2.6	**(50.3)**	-	**(50.3)**
Segment result (before tax expense)	**336.0**	**89.4**	**98.7**	**524.1**	**27.9**	**552.0**
Tax expense	(106.7)	(28.4)	(31.3)	**(166.4)**	(8.8)	**(175.2)**
Segment result (statutory basis)	**229.3**	**61.0**	**67.4**	**357.7**	**19.1**	**376.8**
Cash basis adjustments:						
Specific income & 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	1.8	0.4	**2.6**	-	**2.6**
Segment result (cash basis)	**271.7**	**62.8**	**68.6**	**403.1**	**12.6**	**415.7**

5 **Segment results** (continued)

For the year ended 30 June 2018	Operating segments			Total operating segments	Central functions	Total
	Consumer	Business	Agribusiness			
	$m	$m	$m	$m	$m	$m
Net interest income	800.5	339.7	165.0	**1,305.2**	-	**1,305.2**
Other income	284.6	35.9	8.6	**329.1**	9.2	**338.3**
Total segment income	**1,085.1**	**375.6**	**173.6**	**1,634.3**	**9.2**	**1,643.5**
Operating expenses	(610.4)	(237.9)	(76.0)	**(924.3)**	(14.1)	**(938.4)**
Credit expenses	(17.7)	(50.1)	(2.8)	**(70.6)**	-	**(70.6)**
Segment result (before tax expense)	**457.0**	**87.6**	**94.8**	**639.4**	**(4.9)**	**634.5**
Tax (expense)/income	(143.8)	(27.6)	(29.8)	**(201.2)**	1.2	**(200.0)**
Segment result (statutory basis)	**313.2**	**60.0**	**65.0**	**438.2**	**(3.7)**	**434.5**
Cash basis adjustments:						
Specific income & expense items (after tax)	(10.3)	0.4	3.5	**(6.4)**	(0.1)	**(6.5)**
Homesafe net realised income (after tax)	11.3	-	-	**11.3**	-	**11.3**
Amortisation of acquired intangibles (after tax)	2.8	1.8	1.2	**5.8**	-	**5.8**
Segment result (cash basis)	**317.0**	**62.2**	**69.7**	**448.9**	**(3.8)**	**445.1**

Reportable segment assets and liabilities	Operating segments			Total operating segments	Central functions	Total
	Consumer	Business	Agribusiness[2]			
	$m	$m	$m	$m	$m	$m
For the year ended 30 June 2019						
Reportable segment assets	44,447.9	11,573.1	5,997.5	**62,018.5**	10,551.8	**72,570.3**
Reportable segment liabilities	35,575.2	14,263.0	3,863.0	**53,701.2**	9,773.1	**63,474.3**
For the year ended 30 June 2018						
Reportable segment assets	43,114.3	12,695.7	6,542.3	**62,352.3**	9,087.5	**71,439.8**
Reportable segment liabilities	34,380.4	13,684.9	4,235.5	**52,300.8**	9,973.9	**62,274.7**

	As at June 2019 $m	As at June 2018 $m
Total assets for operating segments	72,570.3	71,439.8
Total assets	**72,570.3**	**71,439.8**
Total liabilities for operating segments	63,474.3	62,274.7
Notes payable[1]	3,464.4	3,544.8
Total liabilities	**66,938.7**	**65,819.5**

[1] Refer to Note 16 for further details.

[2] 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, including their treasury assets and liabilities. As these assets and liabilities now form part of the Group treasury portfolio they are included in the Central Functions segment whereas previously they formed part of the Agribusiness segment. Given this transfer occurred as a result of the return of the ADI licence prior periods have not been restated.

6 Earnings per ordinary share

	Group	
	2019	2018
	Cents per share	Cents per share
Basic	77.1	89.9
Diluted	69.7	81.2
Cash basis	85.0	92.1

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	376.8	434.5
Total basic earnings	**376.8**	**434.5**
Earnings used in calculating basic earnings per ordinary share	376.8	434.5
Add back: dividends accrued and/or paid on dilutive preference shares	25.0	24.4
Total diluted earnings	**401.8**	**458.9**
Earnings used in calculating basic earnings per ordinary share	376.8	434.5
Add back: amortisation of acquired intangibles (after tax)	2.6	5.8
Add back: specific income and expense items (after tax)	26.4	(6.5)
Add back: Homesafe net realised income (after tax)	9.9	11.3
Total cash earnings	**415.7**	**445.1**
Specific income and expense items after tax comprise:		
Items included in interest income		
Fair value adjustments - interest expense	(0.3)	(0.8)
Homesafe funding costs - unrealised	(12.6)	(12.0)
Total specific net interest income items	**(12.9)**	**(12.8)**
Items included in non interest income		
Revaluation gains on economic hedges	7.4	1.2
Homesafe revaluation (loss)/gain	(16.9)	38.8
Total specific non interest income items	**(9.5)**	**40.0**
Items included in operating expenses		
Integration costs	(0.5)	(5.3)
Loss on sale of Telco business	-	(1.2)
Loss on sale of Bendigo Financial Planning business	(1.6)	-
Impairment charge	(0.5)	(0.4)
Compensation costs	(0.5)	(0.9)
Legal costs	(0.9)	(1.1)
Litigation costs	-	(11.8)
Total specific operating expense items	**(4.0)**	**(20.7)**
Total specific items attributable to the Group	**(26.4)**	**6.5**
Homesafe realised income		
Homesafe revaluation gain - realised	15.0	16.6
Homesafe funding costs - realised	(5.1)	(5.3)
Homesafe net realised income	**9.9**	**11.3**

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

Weighted average number of ordinary shares	Group 2019 No. of shares	Group 2018 No. of shares
Weighted average number of ordinary shares (basic)	489,004,317	483,352,983
Effect of dilution - executive performance rights	1,294,474	1,202,975
Effect of dilution - preference shares	86,317,579	80,399,710
Weighted average number of ordinary shares (diluted)	**576,616,370**	**564,955,668**

Potentially dilutive instruments The following instruments are potentially dilutive during the reporting period:	Dilutive 2019	Dilutive 2018
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 judgments, 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)

	Group						Bank					
	Date paid	Cents per share	Total amount	Date paid	Cents per share	Total amount	Date paid	Cents per share	Total amount	Date paid	Cents per share	Total amount
Dividends paid		¢	$m		¢	$m		¢	$m		¢	$m
	June 2018 final dividend			June 2017 final dividend			June 2018 final dividend			June 2017 final dividend		
	Sept 2018	35.0	166.0	Sept 2017	34.0	159.9	Sept 2018	35.0	166.0	Sept 2017	34.0	159.9
	December 2018 final dividend			December 2017 final dividend			December 2018 final dividend			December 2017 final dividend		
	Mar 2019	35.0	168.7	Mar 2018	35.0	165.1	Mar 2019	35.0	168.7	Mar 2018	35.0	165.1
		70.0	**334.7**		**69.0**	**325.0**		**70.0**	**334.7**		**69.0**	**325.0**
Dividends proposed												
	June 2019 final dividend						June 2019 final dividend					
	Sept 2019	35.0	169.6				Sept 2019	35.0	169.6			

Dividends proposed since the reporting date have not been recognised as a liability.

All dividends paid were fully franked at 30% (2018: 30%). Proposed dividends will be fully franked at 30% (2018: 30%) out of existing franking credits or out of franking credits arising from payment of income tax provided for in the financial statements for the year ended 30 June 2019.

	Group						Bank					
	2019			2018			2019			2018		
	Date paid	Cents per share	Total amount	Date paid	Cents per share	Total amount	Date paid	Cents per share	Total amount	Date paid	Cents per share	Total amount
		¢	$m		¢	$m		¢	$m		¢	$m
Convertible preference shares (recorded as debt instruments) (ASX:BENPD) [1]												
				Dec 2017	**240.41**	**6.5**				**Dec 2017**	**240.41**	**6.5**
Convertible preference shares (CPS2) (recorded as debt instruments) (ASX:BENPE)												
	Nov 2018	186.49	5.4	Nov 2017	178.91	5.2	Nov 2018	186.49	5.4	Nov 2017	178.91	5.2
	May 2019	185.02	5.4	May 2018	177.73	5.2	May 2019	185.02	5.4	May 2018	177.73	5.2
		371.51	**10.8**		**356.64**	**10.4**		**371.51**	**10.8**		**356.64**	**10.4**
Convertible preference shares (CPS3) (recorded as debt instruments) (ASX:BENPF)												
	Dec 2018	218.71	6.2	Dec 2017	205.31	5.8	Dec 2018	218.71	6.2	Dec 2017	205.31	5.8
	June 2019	215.91	6.1	June 2018	207.68	5.9	June 2019	215.91	6.1	June 2018	207.68	5.9
		434.62	**12.3**		**412.99**	**11.7**		**434.62**	**12.3**		**412.99**	**11.7**
Converting preference shares (CPS4) (recorded as debt instruments) (ASX:BENPG) [2]												
	Sept 2018	102.60	3.3	Mar 2018	95.10	3.1	Sept 2018	102.60	3.3	Mar 2018	95.10	3.1
	Dec 2018	99.07	3.2	Jun 2018	100.13	3.2	Dec 2018	99.07	3.2	Jun 2018	100.13	3.2
	Mar 2019	99.24	3.2				Mar 2019	99.24	3.2			
	June 2019	99.11	3.2				June 2019	99.11	3.2			
		400.02	**12.9**		**195.23**	**6.3**		**400.02**	**12.9**		**195.23**	**6.3**

[1] Convertible preference shares (CPS, ASX:BENPD) were redeemed in December 2017.

[2] Converting preference shares (CPS 4, ASX:BENPG) were issued in December 2017. First dividend payment was made in March 2018.

7 **Dividends** (continued)

Dividend franking account

	Group	
	June 2019	June 2018
	$m	$m
Balance of franking account as at the end of the financial year	463.0	415.7
Franking credits that will arise from the payment of income tax provided for in the financial report	6.4	51.5
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	(73.5)	(72.1)
Closing balance	**395.9**	**394.4**

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 2019	June 2018	June 2019	June 2018
	$m	$m	$m	$m
Paid in cash [1]	288.7	251.8	288.7	251.8
Satisfied by issue of shares [2]	46.0	73.2	46.0	73.2
	334.7	**325.0**	**334.7**	**325.0**

[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 all or part of their entitlement to a dividend into new shares. The issue price of the shares is equal to the volume weighted average share price of Bendigo and Adelaide Bank shares traded on the Australian Securities Exchange over the seven trading days commencing 5 September 2019. Shares issued under this Plan rank equally with all other ordinary shares.

Bonus Share Scheme

The Bonus Share Scheme provides shareholders with the opportunity to elect to receive bonus shares issued for no consideration instead of receiving a dividend. The issue price of the shares is equal to the volume weighted average share price of Bendigo and Adelaide Bank shares traded on the Australian Securities Exchange over the seven trading days commencing 5 September 2019. Shares issued under this scheme rank equally with all other ordinary shares.

The last date for the receipt of an election notice for participation in either the Dividend Reinvestment Plan or Bonus Share Scheme for the 2019 final dividend is 4 September 2019.

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 profit or loss.

Classification of financial assets

Subsequent to initially 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).

From 1 July 2018, 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.

All other assets are measured at FVTPL.

Prior to 1 July 2018, the Group classified its financial assets as loans and other receivables (at amortised cost), FVTPL, available for sale, or held to maturity (at amortised cost).

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 cashflow 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 cashflows that are solely payments of principal and interest on the amount outstanding.

8 Cash and cash equivalents

	Group		Bank	
	2019	2018	2019	2018
	$m	$m	$m	$m
Notes and coins	135.8	154.1	135.7	154.1
Cash at bank	656.2	766.8	464.5	466.2
Reverse repurchase agreements	200.0	100.0	200.0	100.0
Investments at call	80.0	116.5	80.0	116.5
Total cash and cash equivalents	**1,072.0**	**1,137.4**	**880.2**	**836.8**

Reconciliation of cash and cash equivalents

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

Cash and cash equivalents	1,072.0	1,137.4	880.2	836.8
Due from other financial institutions	270.6	283.0	270.6	295.8
Due to other financial institutions	(420.6)	(352.5)	(420.6)	(346.7)
	922.0	**1,067.9**	**730.2**	**785.9**

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 2019[1] $m	Group 2018 $m	Bank 2019[1] $m	Bank 2018 $m
Overdrafts		2,420.6	2,732.7	2,420.0	2,726.1
Credit cards		350.6	346.0	350.6	346.0
Term loans		57,002.7	56,216.1	57,716.6	52,536.9
Margin lending		1,528.6	1,694.7	-	-
Lease receivables		609.6	597.4	603.7	484.2
Factoring receivables		63.9	63.0	63.9	63.0
Other		134.4	143.6	134.4	143.6
Gross loans and other receivables		**62,110.4**	**61,793.5**	**61,289.2**	**56,299.8**
Specific provision	10	(128.5)	(119.3)	(128.2)	(105.4)
Collective provision	10	(157.0)	(48.2)	(156.1)	(45.7)
Unearned income		(97.2)	(88.1)	(96.7)	(59.3)
Total provisions and unearned income		**(382.7)**	**(255.6)**	**(381.0)**	**(210.4)**
Deferred costs paid		64.1	63.9	64.0	59.3
Net loans and other receivables		**61,791.8**	**61,601.8**	**60,972.2**	**56,148.7**
Maturity analysis[2]					
At call / overdrafts		5,708.6	6,445.8	4,895.9	4,454.4
Not longer than 3 months		1,228.1	1,298.6	1,226.3	1,204.2
Longer than 3 and not longer than 12 months		2,030.4	2,255.7	2,030.2	1,852.1
Longer than 1 and not longer than 5 years		9,186.0	8,737.8	9,184.3	6,026.5
Longer than 5 years		43,957.3	43,055.6	43,952.5	42,762.6
Gross loans and other receivables		**62,110.4**	**61,793.5**	**61,289.2**	**56,299.8**

[1] AASB 9 has been adopted on 1 July 2018; comparative information has not been restated.
[2] Balances exclude specific and collective provisions, unearned revenue, and deferred costs and are categorised by the contracted maturity date of each loan facility.

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.

10 Impairment of loans and advances

Summary of impaired financial assets	Group 2019[1] $m	Group 2018 $m	Bank 2019[1] $m	Bank 2018 $m
Impaired loans				
Loans - without provisions	85.5	70.9	85.5	18.5
Loans - with provisions	222.1	260.9	220.9	233.4
Restructured loans	3.3	4.0	3.3	-
Less: specific provisions	(127.6)	(118.3)	(127.4)	(104.4)
Net impaired loans	**183.3**	**217.5**	**182.3**	**147.5**
Net impaired loans % of net loans and other receivables	0.30%	0.35%	0.30%	0.26%
Portfolio facilities - past due 90 days, not well secured	4.6	4.8	4.6	4.8
Less: specific provisions	(0.9)	(1.0)	(0.9)	(1.0)
Net portfolio facilities	**3.7**	**3.8**	**3.7**	**3.8**
Loans past due 90 days				
Accruing loans past due 90 days, with adequate security balance	458.9	493.0	458.9	387.8
Net fair value of properties acquired through the enforcement of security	60.7	84.7	60.7	83.4

Group

Movements in provisions and reserves	Collective provision [1] $m	Collective provision 12-mth ECL $m	Collective provision lifetime ECL not credit impaired $m	Collective provision lifetime ECL credit impaired $m	Specific provision lifetime ECL credit impaired $m	General reserve for credit losses [1] $m	Total $m
Balance as at 30 June 2018	48.2	-	-	-	119.3	140.3	307.8
Restated for adoption of new accounting standards [1]	(48.2)	33.1	79.0	70.4	-	(82.9)	51.4
Transfer from retained earnings	-	-	-	-	-	19.9	19.9
Changes due to financial assets recognised in the opening balance that have:							
Transferred to 12-month ECL	-	2.9	(2.8)	(0.1)	-	-	-
Transferred to lifetime ECL not credit impaired	-	(29.1)	31.5	(2.4)	-	-	-
Transfer to lifetime ECL credit impaired - collective provision	-	(9.9)	(15.7)	25.6	-	-	-
Charge to Income Statement	-	31.3	(7.5)	(49.3)	70.1	-	44.6
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**

Bank

Movements in provisions and reserves	$m	$m	$m	$m	$m	$m	$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
Changes due to financial assets recognised in the opening balance that have:							
Transferred to 12-month ECL	-	2.9	(2.8)	(0.1)	-	-	-
Transferred to lifetime ECL not credit impaired	-	(29.1)	31.5	(2.4)	-	-	-
Transfer to lifetime ECL credit impaired - collective provision	-	(9.9)	(15.7)	25.6	-	-	-
Charge to Income Statement	-	30.6	(6.9)	(45.2)	69.2	-	47.7
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; comparative information has not been restated.

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

Summary of provisions and reserve	Group 2019[1] $m	Group 2018 $m	Bank 2019[1] $m	Bank 2018 $m
Specific provision				
Opening balance	119.3	89.5	105.4	75.8
Bad debts written off previously provided for	(60.9)	(50.0)	(60.2)	(44.6)
Charged to Income Statement	70.1	79.8	69.2	74.2
Balances from transfer of business	-	-	13.8	-
Closing balance	**128.5**	**119.3**	**128.2**	**105.4**
Collective provision				
Opening balance	48.2	52.7	45.7	49.0
Restatement for adoption of new accounting standards [1]	134.3	-	112.4	-
Transfer to/(from) 12-month ECL	(36.1)	-	(36.1)	-
Transfer to/(from) lifetime ECL (not credit impaired)	13.0	-	13.0	-
Transfer to/(from) lifetime ECL (credit impaired)	23.1	-	23.1	-
Released to Income Statement	(25.5)	(4.5)	(21.5)	(3.3)
Balances from transfer of business	-	-	19.5	-
Closing balance	**157.0**	**48.2**	**156.1**	**45.7**
General reserve for credit losses (GRCL)				
Opening balance	140.3	140.3	121.7	121.7
Restatement for adoption of new accounting standards [1]	(82.9)	-	(66.0)	-
Increase in GRCL	19.9	-	19.9	-
Balances from transfer of business	-	-	1.7	-
Closing balance	**77.3**	**140.3**	**77.3**	**121.7**
Total provisions and reserve	**362.8**	**307.8**	**361.6**	**272.8**
Ratios				
Specific provision to gross loans	0.21%	0.19%		
Total provisions and GRCL to gross loans	0.58%	0.50%		
Collective provision and GRCL to risk-weighted assets	0.63%	0.49%		
Provision coverage [2]	116.69%	91.66%		

[1] AASB 9 has been adopted on 1 July 2018; comparative information has not been restated.
[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.

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.

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

Expected credit loss impairment model (continued)

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, 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.

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.

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 an 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.

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

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.

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 ie a two notch downgrade in the internal rating since origination will trigger a transfer to Stage 2.

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 and classifies the financial asset as impaired when it is more than 90 days past due, unless reasonable and supportable information demonstrates that a more lagging default criterion is appropriate.

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.

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

Modified financial assets (continued)

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.

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.

Recognition and measurement (prior to 1 July 2018)

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.

Specific provision

A specific provision is recognised for all impaired loans when there is reasonable doubt over the collectability of principal and interest, in accordance with the loan agreement. All bad debts are written off against the specific provision in the period in which they are classified as unrecoverable.

The provision is determined by specific identification, or by estimation of expected losses in relation to loan portfolios where specific identification is impractical, based on historical impairment experience for these portfolios. These portfolios include unsecured credit cards, overdrawn accounts and personal loans, where provisions are calculated based on historical loss experience.

Collective provision

Individual loans which are not subject to specific provisioning are grouped together according to their risk characteristics and are then assessed for impairment. This assessment is based on historical loss data and available information for assets with similar credit risk characteristics (eg by industry sector, loan grade or product). Adjustments to the collective provision are recognised in the Income Statement.

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	
	2019[1]	2018	2019[1]	2018
	$m	$m	$m	$m
Discount securities	1,424.3	1,347.5	1,424.3	1,347.5
Floating rate notes	452.8	709.5	452.8	709.5
Government securities	3,959.8	2,442.5	3,959.8	2,442.5
Total financial assets at fair value through profit or loss	**5,836.9**	**4,499.5**	**5,836.9**	**4,499.5**
Maturity analysis				
Not longer than 3 months	1,432.3	1,768.3	1,432.3	1,768.3
Longer than 3 and not longer than 12 months	1,669.7	545.8	1,669.7	545.8
Longer than 1 and not longer than 5 years	1,673.5	1,798.4	1,673.5	1,798.4
Over 5 years	1,061.4	387.0	1,061.4	387.0
	5,836.9	**4,499.5**	**5,836.9**	**4,499.5**

[1] AASB 9 has been adopted on 1 July 2018; comparative information has not been restated.

Recognition and measurement

Financial instruments held for trading
(effective prior to 1 July 2018)

Financial instruments are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. These financial instruments are recorded in the Balance Sheet at fair value with revaluation gains or losses being recognised in the Income Statement.

Financial assets at fair value through profit or loss
(effective as of 1 July 2018)

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 21.

12 Financial assets available for sale

	Group		Bank	
	2019[1]	2018	2019[1]	2018
	$m	$m	$m	$m
Debt securities				
Negotiable certificates of deposit	-	159.5	-	-
Mortgage backed securities	-	43.2	-	43.2
Security deposits	-	67.0	-	67.0
Securitisation notes	-	-	-	5,343.9
Liquidity collateral	-	171.6	-	17.7
Total financial assets available for sale - debt	**-**	**441.3**	**-**	**5,471.8**
Equity investments				
Listed share investments	-	0.1	-	0.1
Unlisted share investments	-	27.6	-	18.7
Total financial assets available for sale - equity	**-**	**27.7**	**-**	**18.8**
Total financial assets available for sale	**-**	**469.0**	**-**	**5,490.6**
Maturity analysis				
Not longer than 3 months	-	119.8	-	-
Longer than 3 and not longer than 12 months	-	51.2	-	11.5
Longer than 1 and not longer than 5 years	-	31.7	-	31.7
Over 5 years	-	171.6	-	5,361.7
Non-maturing	-	94.7	-	85.7
	-	**469.0**	**-**	**5,490.6**

[1] AASB 9 has been adopted on 1 July 2018; comparative information has not been restated.

Classification and measurement (effective prior to 1 July 2018)

Due to the introduction of AASB 9 the available for sale financial asset category was removed as of 1 July 2018 hence this policy is only applicable for the period ended 30 June 2018.

Available for sale investments are non-derivative assets and comprise both debt and equity instruments.

Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available for sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity within other comprehensive income in the available for sale reserve.

Upon disposal or impairment, the accumulated gains or losses recorded in the reserve are transferred to the Income Statement.

13 Financial assets held to maturity

	Group		Bank	
	2019[1]	2018	2019[1]	2018
	$m	$m	$m	$m
Negotiable certificates of deposit	-	209.5	-	-
Floating rate notes	-	148.4	-	-
Other deposits	-	55.3	-	49.5
Total financial assets held to maturity	**-**	**413.2**	**-**	**49.5**
Maturity analysis				
Not longer than 3 months	-	112.8	-	49.0
Longer than 3 and not longer than 12 months	-	170.9	-	-
Longer than 1 and not longer than 5 years	-	123.2	-	-
Over 5 years	-	6.3	-	0.5
	-	**413.2**	**-**	**49.5**

[1] AASB 9 has been adopted on 1 July 2018; comparative information has not been restated.

Classification and measurement (effective prior to 1 July 2018)

Due to the introduction of AASB 9 the held to maturity financial asset category was removed as of 1 July 2018 hence this policy is only applicable for the period ended 30 June 2018.

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available for sale.

Subsequent to initial recognition, held to maturity investments are measured at amortised cost using the effective interest method less any impairment losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The losses arising from impairment of such investments are recognised in the Income Statement.

14 Financial assets at amortised cost

	Group		Bank	
	2019[1]	2018	2019[1]	2018
	$m	$m	$m	$m
Collateral and security deposits	246.7	-	103.6	-
Other deposits	6.3	-	0.1	-
Bonds	40.1	-	40.1	-
Total financial assets at amortised cost	**293.1**	**-**	**143.8**	**-**
Maturity analysis				
Over 5 years	293.1	-	143.8	-
	293.1	**-**	**143.8**	**-**

[1] AASB 9 has been adopted on 1 July 2018; comparative information has not been restated.

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.

15 **Financial assets at fair value through other comprehensive income**

	Group		Bank	
	2019[1]	2018	2019[1]	2018
	$m	$m	$m	$m
Debt securities - with recycling				
Mortgage backed securities	27.0	-	27.0	-
Securitisation notes	-	-	6,086.5	-
Other debt securities	0.5	-	0.5	-
Total debt securities - with recycling	**27.5**	**-**	**6,114.0**	**-**
Debt investments - with recycling				
Unlisted share investments	9.1	-	-	-
Total debt investments - with recycling	**9.1**	**-**	**-**	**-**
Equity investments - without recycling				
Listed share investments	0.1	-	0.1	-
Unlisted share investments	19.0	-	19.0	-
Total equity investments - without recycling	**19.1**	**-**	**19.1**	**-**
Total financial assets at fair value through other comprehensive income	**55.7**	**-**	**6,133.1**	**-**
Maturity analysis				
Not longer than 3 months	1.8	-	1.8	-
Longer than 3 and not longer than 12 months	4.5	-	4.5	-
Longer than 1 and not longer than 5 years	20.7	-	20.7	-
Over 5 years	0.5	-	6,087.0	-
Non-maturing	28.2	-	19.1	-
	55.7	**-**	**6,133.1**	**-**

[1] AASB 9 has been adopted on 1 July 2018; comparative information has not been restated.

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 profit or loss.

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 profit or loss, including upon disposal.

Dividend income is recognised in profit or loss 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.

16 Deposits and notes payable

	Group		Bank	
	2019	2018	2019	2018
Deposits	$m	$m	$m	$m
Retail				
At call	24,064.2	24,050.7	24,097.6	22,372.2
Term	22,117.4	20,066.9	22,117.4	19,390.9
Financial Markets	6,119.6	6,496.9	6,120.9	4,868.7
Total retail deposits	**52,301.2**	**50,614.5**	**52,335.9**	**46,631.8**
Wholesale				
Domestic	8,265.4	8,696.7	8,265.5	8,678.8
Offshore	-	218.3	-	218.3
Total wholesale deposits	**8,265.4**	**8,915.0**	**8,265.5**	**8,897.1**
Total deposits	**60,566.6**	**59,529.5**	**60,601.4**	**55,528.9**

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

	Group		Bank	
	2019	2018	2019	2018
Deposits	$m	$m	$m	$m
Deposits by geographic location				
Victoria	27,908.4	26,478.3	27,925.0	25,499.0
New South Wales	14,181.0	15,191.3	14,199.2	13,867.6
Queensland	5,909.7	5,449.1	5,909.7	5,028.8
South Australia/Northern Territory	5,457.8	5,361.6	5,457.8	4,777.2
Western Australia	3,993.2	3,696.0	3,993.2	3,218.0
Australian Capital Territory	1,666.7	1,790.4	1,666.7	1,728.0
Tasmania	1,158.7	1,179.6	1,158.7	1,029.1
Overseas	291.1	383.2	291.1	381.2
Total deposits	**60,566.6**	**59,529.5**	**60,601.4**	**55,528.9**
Total notes payable	**3,464.4**	**3,544.8**	**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.

Notes payable

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.

17 Preference shares

	Group		Bank	
	2019	2018	2019	2018
	$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	(2.0)	(4.1)	(2.0)	(4.1)
	290.1	**288.0**	**290.1**	**288.0**
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	(2.8)	(4.9)	(2.8)	(4.9)
	279.4	**277.3**	**279.4**	**277.3**
CPS4 (ASX Code:BENPB)[1]				
December 2017: 3,216,145 fully paid $100 Converting preference shares	321.6	321.6	321.6	321.6
Unamortised issue costs	(4.7)	(6.0)	(4.7)	(6.0)
	316.9	**315.6**	**316.9**	**315.6**
Total preference shares	**886.4**	**880.9**	**886.4**	**880.9**

[1] Converting preference shares (CPS 4, ASX:BENPG) were issued in December 2017 and as such the first dividend payment occurred in March 2018.

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 cost, being the fair value of the consideration received, 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.

18 Subordinated debt

	Group		Bank	
	2019	2018	2019	2018
	$m	$m	$m	$m
Subordinated debt	**681.4**	**709.2**	**681.4**	**699.2**
Maturity analysis				
Longer than 3 and not longer than 12 months	10.0	-	10.0	-
Longer than 1 and not longer than 5 years	250.5	563.1	250.5	553.1
Over 5 years	420.9	146.1	420.9	146.1
	681.4	**709.2**	**681.4**	**699.2**

18 **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 cost, being the fair value of the consideration received, 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 profit or loss when the liabilities are derecognised.

19 **Securitisation and transferred assets**

	Repurchase agreements		Securitisation	
	2019	2018	2019	2018
Group	$m	$m	$m	$m
Carrying amount of transferred assets [1]	500.6	523.1	3,343.2	3,493.2
Carrying amount of associated liabilities [2]	500.6	523.1	3,440.5	3,521.3
Fair value of transferred assets			3,338.6	3,488.0
Fair value of associated liabilities			3,454.2	3,537.9
Net Position			**(115.6)**	**(49.9)**

	Repurchase agreements		Securitisation	
	2019	2018	2019	2018
Bank	$m	$m	$m	$m
Carrying amount of transferred assets	500.6	505.1	8,754.2	8,097.9
Carrying amount of associated liabilities [3]	500.6	505.1	9,092.8	8,390.5
Fair value of transferred assets			8,742.1	8,086.8
Fair value of associated liabilities			9,127.6	8,410.2
Net Position			**(385.5)**	**(323.4)**

[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 $1,416.1 million (2018: $746.6 million) during the financial year. The Group invests in some of its own securitisation programs by holding A and B class notes equivalent to $6,062.5 million as at 30 June 2019 (2018: $5,338.2 million).

20 **Derivative financial instruments**

The Group uses derivative financial instruments primarily to manage risk, including interest rate risk and foreign currency rate risk. Note 22 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.

All derivatives are classified as Level 2 Investments and the valuation methodology is outlined in Note 21.

The gains and losses resulting from changes in fair values of trading derivatives are included in non-interest income – other revenue in the Income Statement.

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

Changes in the fair value of derivatives that qualify for hedge accounting are recorded as non-interest income – other revenue in the Income Statement for fair value hedges and other comprehensive income in the Statement of Comprehensive Income for cash flow hedges.

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 2019				Group 2018			
	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	4,988.0	-	-	-	2,128.5	-	-	-
Interest rate swaps	29,194.6	37.6	(25.7)	11.9	24,923.6	11.9	(10.1)	1.8
Foreign exchange contracts	181.9	0.4	(0.8)	(0.4)	71.8	0.5	(0.3)	0.2
	34,364.5	**38.0**	**(26.5)**	**11.5**	**27,123.9**	**12.4**	**(10.4)**	**2.0**
Derivatives held as fair value hedges								
Interest rate swaps	4.2	-	(0.3)	(0.3)	7.1	-	(0.5)	(0.5)
Cross currency swaps	-	-	-	-	156.8	15.2	-	15.2
	4.2	**-**	**(0.3)**	**(0.3)**	**163.9**	**15.2**	**(0.5)**	**14.7**
Derivatives held as cash flow hedges								
Interest rate swaps	79,211.8	112.6	(108.2)	4.4	20,828.4	2.1	(23.9)	(21.8)
	79,211.8	**112.6**	**(108.2)**	**4.4**	**20,828.4**	**2.1**	**(23.9)**	**(21.8)**
Total derivatives	**113,580.5**	**150.6**	**(135.0)**	**15.6**	**48,116.2**	**29.7**	**(34.8)**	**(5.1)**

20 **Derivative financial instruments** (continued)

	Bank 2019				Bank 2018			
	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	4,988.0	-	-	-	2,128.5	-	-	-
Interest rate swaps	29,196.9	37.7	(25.7)	12.0	37,209.2	202.4	(29.4)	173.0
Foreign exchange contracts	181.9	0.4	(0.8)	(0.4)	71.8	0.5	(0.3)	0.2
	34,366.8	**38.1**	**(26.5)**	**11.6**	**39,409.5**	**202.9**	**(29.7)**	**173.2**
Derivatives held as fair value hedges								
Interest rate swaps	4.2	-	(0.3)	(0.3)	7.1	-	(0.5)	(0.5)
Cross currency swaps	-	-	-	-	156.8	15.2	-	15.2
	4.2	**-**	**(0.3)**	**(0.3)**	**163.9**	**15.2**	**(0.5)**	**14.7**
Derivatives held as cash flow hedges								
Interest rate swaps	79,211.8	112.6	(108.2)	4.4	20,781.9	2.1	(23.9)	(21.8)
	79,211.8	**112.6**	**(108.2)**	**4.4**	**20,781.9**	**2.1**	**(23.9)**	**(21.8)**
Total derivatives	**113,582.8**	**150.7**	**(135.0)**	**15.7**	**60,355.3**	**220.2**	**(54.1)**	**166.1**

As at 30 June 2019 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
2019	$m	$m	$m	$m	$m	$m
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	**71.8**	**47.1**	**6.1**	**4.0**	**3.0**	**-**
2018						
Forecast cash inflows	571.6	100.9	33.9	14.3	9.4	16.7
Forecast cash outflows	(578.5)	(105.6)	(35.4)	(14.7)	(8.7)	(16.7)
Forecast net cash inflows/(outflows)	**(6.9)**	**(4.7)**	**(1.5)**	**(0.4)**	**0.7**	**-**
Bank						
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	**71.9**	**47.1**	**6.1**	**4.0**	**3.0**	**-**
2018						
Forecast cash inflows	594.5	102.5	33.9	14.3	9.4	16.7
Forecast cash outflows	(600.6)	(107.1)	(35.4)	(14.7)	(8.7)	(16.7)
Forecast net cash inflows/(outflows)	**(6.1)**	**(4.6)**	**(1.5)**	**(0.4)**	**0.7**	**-**

20 **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	
	2019	2018	2019	2018
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)	(0.7)	(16.0)	(0.7)
Gains on the hedged items attributable to the hedged risk	16.4	0.9	16.4	0.9
Revaluation gains /(losses) arising on economic derivatives that are not in a hedge relationship				
Gains on derivatives	10.1	1.5	9.3	2.1
	10.5	**1.7**	**9.7**	**2.3**

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	5,050.0	7,200.0	55,976.0	10,985.8	-	79,211.8
Average fixed rate (%)	1.71%	1.81%	1.63%	1.60%		

Recognition and measurement (policy prior to 1 July 2018)

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured on a monthly basis. Any gains and losses arising from a change in fair value of the derivative, except for those that qualify as cash flow hedges, are taken directly to the Income Statement. All derivatives are classified as Level 2 Investments and the valuation methodology is outlined in Note 21.

Hedge accounting

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the fixed rate loan (i.e., notional amount, maturity, payment and reset dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component.

To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

The hedge ineffectiveness can arise from:

- Different interest rate curve applied to discount the hedged item and hedging instrument;
- Differences in timing of cash flows of the hedged item and hedging instrument;
- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item.

Derivatives that meet the hedge accounting criteria are able to be accounted for as either a fair value hedge or a cash flow hedge.

20 **Derivative financial instruments** (continued)

Recognition and measurement (continued)

Fair value hedges

Fair value hedges principally consist of interest rate swaps and cross currency 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. Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in the Income Statement, along with changes in the fair value of the hedged item. If a hedge relationship no longer meets the criteria for hedge accounting, then hedge accounting is discontinued. The cumulative adjustment to the hedge item is amortised to the Income Statement over the remaining period until maturity.

Cash flow hedges

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 effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts in the cash flow hedge reserve are recognised in the Income Statement in the periods when the hedged item is recognised in the profit or loss.

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
	2019		2018	
	$m	$m	$m	$m
Amounts subject to enforceable master netting or similar agreements				
Amounts of recognised financial assets/(liabilities) reported on the Balance Sheet	144.7	(135.0)	27.5	(34.2)
Related amounts not set-off on the Balance Sheet				
Financial collateral (received)/pledged	(104.8)	117.4	(10.7)	32.6
Net amount	**39.9**	**(17.6)**	**16.8**	**(1.6)**
Financial assets/(liabilities) not subject to enforceable master netting or similar agreements	5.9	-	2.2	(0.6)
Total financial assets/(liabilities) recognised on the Balance Sheet	**150.6**	**(135.0)**	**29.7**	**(34.8)**

	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	144.8	(135.0)	218.0	(53.5)
Related amounts not set-off on the Balance Sheet				
Financial collateral (received)/pledged	(104.8)	117.4	(10.7)	32.6
Net amount	**40.0**	**(17.6)**	**207.3**	**(20.9)**
Financial assets/liabilities not subject to enforceable master netting or similar agreements	5.9	-	2.2	(0.6)
Total financial assets/liabilities recognised on the balance sheet	**150.7**	**(135.0)**	**220.2**	**(54.1)**

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 (ie over-collateralisation, where it exists, is not reflected in the tables).

21 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.

Group	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	
2019	$m	$m	$m	$m	$m	$m
Financial assets						
Cash and cash equivalents	-	-	-	-	1,072.0	1,072.0
Due from other financial institutions	-	-	-	-	270.6	270.6
Financial assets fair value through profit or loss (FVTPL)	-	5,836.9	-	-	-	5,836.9
Financial assets - amortised cost	-	-	-	-	293.1	293.1
Financial assets fair value through other comprehensive income (FVOCI)	-	-	55.7	-	-	55.7
Net loans and other receivables	-	-	-	61,791.8	-	61,791.8
Derivative assets	150.6	-	-	-	-	150.6
Total financial assets	**150.6**	**5,836.9**	**55.7**	**61,791.8**	**1,635.7**	**69,470.7**
Financial liabilities						
Due to other financial institutions	-	-	-	-	420.6	420.6
Deposits	-	-	-	-	60,566.6	60,566.6
Notes payable	-	-	-	-	3,464.4	3,464.4
Derivative liabilities	135.0	-	-	-	-	135.0
Preference shares	-	-	-	-	886.4	886.4
Subordinated debt	-	-	-	-	681.4	681.4
Total financial liabilities	**135.0**	**-**	**-**	**-**	**66,019.4**	**66,154.4**

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

21 **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	
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
Derivative assets	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
Derivative liabilities	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**

	Fair value through profit or loss		Fair value through reserves	Amortised cost		Total
	Derivatives	Held for trading	Available for sale	Loans and receivables	Other financial instruments	
2018	$m	$m	$m	$m	$m	$m
Financial assets						
Cash and cash equivalents	-	-	-	-	836.8	836.8
Due from other financial institutions	-	-	-	-	295.8	295.8
Financial assets held for trading	-	4,499.5	-	-	-	4,499.5
Financial assets held to maturity	-	-	-	-	49.5	49.5
Financial assets available for sale	-	-	5,490.6	-	-	5,490.6
Loans and other receivables	-	-	-	56,148.7	-	56,148.7
Derivative assets	220.2	-	-	-	-	220.2
Total financial assets	**220.2**	**4,499.5**	**5,490.6**	**56,148.7**	**1,182.1**	**67,541.1**
Financial liabilities						
Due to other financial institutions	-	-	-	-	346.7	346.7
Deposits	-	-	-	-	55,528.9	55,528.9
Notes payable	-	-	-	-	-	-
Derivative liabilities	54.1	-	-	-	-	54.1
Preference shares	-	-	-	-	880.9	880.9
Subordinated debt	-	-	-	-	699.2	699.2
Total financial liabilities	**54.1**	**-**	**-**	**-**	**57,455.7**	**57,509.8**

21 **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.

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
2019	$m	$m	$m	$m	$m
Financial assets					
Financial assets FVTPL	-	5,836.9	-	5,836.9	5,836.9
Financial assets FVOCI	0.1	36.6	19.0	55.7	55.7
Derivative assets	-	150.6	-	150.6	150.6
Financial liabilities					
Derivative liabilities	-	135.0	-	135.0	135.0
2018					
Financial assets					
Financial assets held for trading	-	4,499.5	-	4,499.5	4,499.5
Financial assets available for sale	0.1	450.3	18.6	469.0	469.0
Derivative assets	-	29.7	-	29.7	29.7
Financial liabilities					
Derivative liabilities	-	34.8	-	34.8	34.8

Bank					
2019	$m	$m	$m	$m	$m
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
Derivative assets	-	150.7	-	150.7	150.7
Financial liabilities					
Derivative liabilities	-	135.0	-	135.0	135.0
2018					
Financial assets					
Financial assets held for trading	-	4,499.5	-	4,499.5	4,499.5
Financial assets available for sale	0.1	5,471.9	18.6	5,490.6	5,490.6
Derivative assets	-	220.2	-	220.2	220.2
Financial liabilities					
Derivatives	-	54.1	-	54.1	54.1

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.

21 **Financial instruments** (continued)

Valuation methodology

Financial instruments - debt securities

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

Financial instruments - equity investments

Level 1 - Listed investments relates to equities held that are on listed exchanges.
Level 2 - Unlisted investments are equity holdings in unlisted managed investment schemes. For managed scheme investments the most recent prices provided by the fund manager are used.

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

Derivatives

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

Movements in Level 3 portfolio

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

	Group		Bank	
Financial assets - equity investments	2019	2018	2019	2018
	$m	$m	$m	$m
Opening balance	18.7	23.0	18.7	23.0
Impairment charge	-	(0.4)	-	(0.4)
Purchases/revaluations	0.3	0.1	0.3	0.1
Transfers out	-	(4.0)	-	(4.0)
Closing balance	**19.0**	**18.7**	**19.0**	**18.7**

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
2019	$m	$m	$m	$m	$m
Financial assets					
Cash and cash equivalents [1]	-	936.2	-	936.2	936.2
Due from other financial institutions	-	270.6	-	270.6	270.6
Financial assets - amortised cost	-	293.1	-	293.1	293.1
Net loans and other receivables	-	-	61,845.8	61,845.8	61,791.8
Financial liabilities					
Due to other financial institutions	-	420.6	-	420.6	420.6
Deposits	-	60,663.2	-	60,663.2	60,566.6
Notes payable	-	3,476.7	-	3,476.7	3,464.4
Preference shares	915.6	-	-	915.6	886.4
Subordinated debt	-	678.2	-	678.2	681.4

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

21 **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
2018	$m	$m	$m	$m	$m
Financial assets					
Cash and cash equivalents [1]	-	983.3	-	983.3	983.3
Due from other financial institutions	-	283.0	-	283.0	283.0
Financial assets held to maturity	-	413.2	-	413.2	413.2
Net loans and other receivables	-	-	61,664.6	61,664.6	61,601.8
Financial liabilities					
Due to other financial institutions	-	352.5	-	352.5	352.5
Deposits	-	59,594.9	-	59,594.9	59,529.5
Notes payable	-	3,560.1	-	3,560.1	3,544.8
Preference shares	882.2	-	-	882.2	880.9
Subordinated debt	-	704.2	-	704.2	709.2
Bank					
2019					
Financial assets					
Cash and cash equivalents [1]	-	744.5	-	744.5	744.5
Due from other financial institutions	-	270.6	-	270.6	270.6
Financial assets - amortised cost	-	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
2018					
Financial assets					
Cash and cash equivalents [1]	-	682.7	-	682.7	682.7
Due from other financial institutions	-	295.8	-	295.8	295.8
Financial assets held to maturity	-	49.5	-	49.5	49.5
Net loans and other receivables	-	-	56,207.7	56,207.7	56,148.7
Financial liabilities					
Due to other financial institutions	-	346.7	-	346.7	346.7
Deposits	-	55,586.2	-	55,586.2	55,528.9
Preference shares	882.2	-	-	882.2	880.9
Subordinated debt	-	694.2	-	694.2	699.2

[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.

21 **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.

Financial instruments - held to maturity
(effective prior to 1 July 2018)

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 specific and collective provisions. For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of fair value.

The fair value for fixed loans is calculated by utilising discounted cash flow models, based on the maturity of the loans. The discount rates used represent the rate the market is willing to offer at 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. using a yield curve appropriate to the remaining maturity of the instrument is used.

22 **Risk management**

Nature of risk

The Group is exposed to a range of risks which have the potential to adversely impact its financial performance and financial position. The Group actively manages those risks it assesses to be material including key financial risks (i.e. credit risk, liquidity risk and market risk) and operational risks.

The Board is ultimately responsible for the management of risk which is achieved by establishing, reviewing and overseeing the Group's Risk Management Framework (the 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 committees namely the Asset and Liability Management Committee (ALMAC), Management and Board Credit Committees, Operational Risk Committee and the Board Risk Committee who monitor adherence to policies, limits and procedures.

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 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.

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 as well as counterparty exposures arising from the funding activities of Group Treasury and the use of derivative contracts.

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.

	Group		Bank	
	2019	2018	2019	2018
Gross maximum exposure	$m	$m	$m	$m
Cash and cash equivalents	936.2	983.3	744.5	682.7
Due from other financial institutions	270.6	283.0	270.6	295.8
Financial assets fair value through profit or loss (FVTPL)	5,836.9	4,499.5	5,836.9	4,499.5
Financial assets available for sale	-	469.0	-	5,490.6
Financial assets held to maturity	-	413.2	-	49.5
Financial assets - amortised cost	293.1	-	143.8	-
Financial assets fair value through other comprehensive income (FVOCI)	55.7	-	6,133.1	-
Other assets	316.5	282.9	1,290.5	1,343.0
Derivative assets	150.6	29.7	150.7	220.2
Shares in controlled entities	-	-	587.4	585.2
Amounts receivable from controlled entities	-	-	-	21.1
Gross loans and other receivables	62,110.4	61,793.5	61,289.2	56,299.8
	69,970.0	**68,754.1**	**76,446.7**	**69,487.4**
Contingent liabilities	238.0	247.1	238.0	239.8
Commitments	5,468.5	6,122.8	5,468.5	5,623.4
	5,706.5	**6,369.9**	**5,706.5**	**5,863.2**
Total credit risk exposure	**75,676.5**	**75,124.0**	**82,153.2**	**75,350.6**

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.

22 **Risk management** (continued)

Credit risk (continued)

Concentrations of the maximum exposure to 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 2019 was $617.0 million (2018: $830.5 million) before taking account collateral or other credit enhancements and $617.0 million (2018: $830.5 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	
	2019	2018	2019	2018
Geographic concentration	$m	$m	$m	$m
Victoria	31,841.8	31,106.0	33,071.8	30,781.3
New South Wales	16,886.9	16,306.1	22,467.8	20,124.5
Australian Capital Territory	947.6	1,760.0	916.9	1,731.1
Queensland	10,121.5	9,265.8	9,840.0	8,259.0
South Australia/Northern Territory	7,228.6	7,242.7	7,423.9	6,632.6
Western Australia	7,014.6	7,573.4	6,832.9	6,194.0
Tasmania	1,516.3	1,566.6	1,494.7	1,360.2
Overseas/other	119.2	303.4	105.2	267.9
Total credit risk exposure	**75,676.5**	**75,124.0**	**82,153.2**	**75,350.6**

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	
	2019	2018	2019	2018
Industry concentration	$m	$m	$m	$m
Accommodation and food services	624.6	652.5	624.6	651.0
Administrative and support services	206.0	237.1	206.0	237.1
Agriculture, forestry and fishing	6,652.6	6,724.7	6,649.4	2,415.3
Arts and recreation services	174.5	198.1	174.5	198.0
Construction	2,012.4	2,432.1	2,007.4	2,400.6
Education and training	293.8	319.5	293.8	319.5
Electricity, gas, water and waste services	161.7	162.2	161.7	162.2
Financial and insurance services	1,401.4	1,200.8	1,395.5	1,200.1
Financial services	7,845.8	6,970.4	15,159.9	13,238.0
Health care and social assistance	953.2	988.8	953.2	988.8
Information media and telecommunications	133.5	147.6	133.5	147.6
Manufacturing	779.7	829.0	779.7	827.8
Margin lending	1,528.6	1,694.7	-	-
Mining	157.3	159.1	157.3	159.1
Other	357.7	358.1	367.5	317.3
Other services	572.4	616.2	572.4	615.9
Professional, scientific and technical services	767.9	814.0	767.9	813.9
Public administration and safety	312.6	355.1	312.1	354.7
Rental, hiring and real estate services	4,649.4	5,145.8	4,649.4	5,138.7
Residential/consumer	44,145.5	43,025.8	44,841.5	43,079.5
Retail trade	1,049.8	1,129.6	1,049.8	1,129.5
Transport, postal and warehousing	535.7	576.7	535.7	570.1
Wholesale trade	360.4	386.1	360.4	385.9
Total credit risk exposure	**75,676.5**	**75,124.0**	**82,153.2**	**75,350.6**

22 **Risk management** (continued)

Credit quality

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below presents the credit quality of financial assets, based on the Group's credit rating system and are gross of any impairment allowances.

Group	Neither past due or impaired					Past due or impaired	Total
	High grade	Standard grade	Sub-standard grade	Unrated	Consumer loans [1]		
2019	$m	$m	$m	$m	$m	$m	$m
Cash and cash equivalents	936.2	-	-	-	-	-	936.2
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	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
Loans and other receivables	5,301.7	7,507.8	806.1	2,179.9	43,015.5	3,299.4	62,110.4
	12,844.8	**7,507.8**	**806.1**	**2,496.4**	**43,015.5**	**3,299.4**	**69,970.0**
2018							
Cash and cash equivalents	983.3	-	-	-	-	-	983.3
Due from other financial institutions	283.0	-	-	-	-	-	283.0
Financial assets fair value through profit or loss (FVTPL)	4,499.5	-	-	-	-	-	4,499.5
Financial assets available for sale	441.3	-	-	27.7	-	-	469.0
Financial assets held to maturity	413.2	-	-	-	-	-	413.2
Other assets	-	-	-	282.9	-	-	282.9
Derivative assets	29.7	-	-	-	-	-	29.7
Loans and other receivables	5,110.9	8,888.4	1,061.9	1,560.4	41,692.8	3,479.1	61,793.5
	11,760.9	**8,888.4**	**1,061.9**	**1,871.0**	**41,692.8**	**3,479.1**	**68,754.1**
Bank							
2019							
Cash and cash equivalents	744.5	-	-	-	-	-	744.5
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
Derivatives	150.7	-	-	-	-	-	150.7
Loans and other receivables	3,895.4	7,385.5	806.1	2,179.9	43,723.0	3,299.3	61,289.2
Shares in controlled entities	-	-	-	587.4	-	-	587.4
	17,175.0	**7,385.5**	**806.1**	**4,057.8**	**43,723.0**	**3,299.3**	**76,446.7**
2018							
Cash and cash equivalents	682.7	-	-	-	-	-	682.7
Due from other financial institutions	295.8	-	-	-	-	-	295.8
Financial assets fair value through profit or loss (FVTPL)	4,499.5	-	-	-	-	-	4,499.5
Financial assets available for sale	5,471.8	-	-	18.8	-	-	5,490.6
Financial assets held to maturity	49.5	-	-	-	-	-	49.5
Other assets	-	-	-	1,343.0	-	-	1,343.0
Derivative assets	220.2	-	-	-	-	-	220.2
Loans and other receivables	888.8	7,401.3	961.6	1,535.6	42,323.1	3,189.4	56,299.8
Amounts receivable from controlled entities	-	-	-	21.1	-	-	21.1
Shares in controlled entities	-	-	-	585.2	-	-	585.2
	12,108.3	**7,401.3**	**961.6**	**3,503.7**	**42,323.1**	**3,189.4**	**69,487.4**

[1] Consumer loans are predominantly mortgage secured residential loans not rated on an individual basis.

22 **Risk management** (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							
	2019	1,675.5	377.2	215.8	721.1	2,989.6	8,841.2
	2018	1,821.9	384.0	233.9	703.5	3,143.3	8,855.9
Bank							
	2019	1,675.5	377.2	215.8	721.1	2,989.6	8,841.2
	2018	1,761.9	355.4	219.4	599.2	2,935.9	7,582.6

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 needs to maintain a ratio of High Quality Liquid Assets (HQLA) to cover defined projected cash outflows over a 30 day period, using the scenario based Liquidity Coverage Ratio (LCR).

The Group continues to manage the liquidity holdings in line with the Board approved funding strategy and funding plan, ensuring adequate levels of HQLA, other liquid assets and diversified sources of funding. In meeting our liquidity requirement the Group makes use of the Reserve Bank of Australia provided Committed Liquidity Facility.

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, Framework and Policy. The framework incorporates limits, monitoring and escalation processes to ensure sufficient liquidity is maintained.

The Group has established a set of early warning indicators to support the liquidity risk management process, in particular, to alert management of emerging or increased risk or vulnerability in its liquidity position. The liquidity risk management framework is also supported by liquidity standards and policies which are regularly reviewed and updated to reflect prevailing market conditions, changes in operational requirements and regulatory obligations.

22 **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
2019	$m	$m	$m	$m	$m	$m
Due to other financial institutions	420.6	-	-	-	-	420.6
Deposits	25,108.2	16,263.5	15,772.8	3,593.0	0.2	60,737.7
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	493.0	-	-	-	-	493.0
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	**26,044.9**	**16,369.5**	**16,154.6**	**5,175.2**	**3,473.2**	**67,217.4**
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**
2018						
Due to other financial institutions	352.5	-	-	-	-	352.5
Deposits	23,574.5	16,075.5	16,166.9	3,956.9	1.6	59,775.4
Notes payable	4.8	279.1	213.2	720.7	2,329.4	3,547.2
Derivatives - net settled	-	9.5	11.2	9.6	0.2	30.5
Other payables	536.0	-	-	-	-	536.0
Preference shares	-	-	36.4	705.6	355.2	1,097.2
Subordinated debt	-	9.4	27.7	367.5	478.4	883.0
Total financial liabilities	**24,467.8**	**16,373.5**	**16,455.4**	**5,760.3**	**3,164.8**	**66,221.8**
Contingent liabilities	247.1	-	-	-	-	247.1
Commitments	6,122.8	18.9	56.7	191.7	72.4	6,462.5
Total contingent liabilities and commitments	**6,369.9**	**18.9**	**56.7**	**191.7**	**72.4**	**6,709.6**
Bank						
2019						
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	462.2	-	-	-	-	462.2
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	**26,049.0**	**16,290.8**	**16,154.6**	**4,438.4**	**9,599.1**	**72,531.9**
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**

22 **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
2018	$m	$m	$m	$m	$m	$m
Due to other financial institutions	346.7	-	-	-	-	346.7
Deposits	22,921.3	14,654.5	14,319.5	3,801.7	1.6	55,698.6
Derivatives - net settled	-	9.5	11.0	9.6	0.2	30.3
Other payables	616.6	-	-	-	-	616.6
Loans payable to securitisation trusts	-	-	-	-	8,097.9	8,097.9
Preference shares	-	-	36.4	705.6	355.2	1,097.2
Subordinated debt	-	9.2	27.2	356.9	478.4	871.7
Total financial liabilities	**23,884.6**	**14,673.2**	**14,394.1**	**4,873.8**	**8,933.3**	**66,759.0**
Contingent liabilities	239.8	-	-	-	-	239.8
Commitments	5,623.4	18.9	56.6	191.5	72.4	5,962.8
Total contingent liabilities and commitments	**5,863.2**	**18.9**	**56.6**	**191.5**	**72.4**	**6,202.6**

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), with each of these portfolios being managed separately.

At an operational level, market risk is primarily managed by the Group's treasury department, which is responsible for ensuring that the Group's exposures are in compliance with market risk limits. The treasury department monitors significant developments in market structure and pricing as part of their establishedmarket risk management process. Market risk limits are set and continuously reviewed by ALMAC and are ultimately approved by the 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.

Market risk for the Trading Book portfolio is managed and monitored against market sensitivity limits as well as exposure limits.

Non-traded market risk primarily represents interest rate risk in the Banking Book (IRRBB). The Group's primary business model is to collect deposits, and use these funds to provide loans and other funding products and debt instruments to its customers. Interest rate risk is the impact that changes in interest rates could have on margins. Interest risk arises from the mismatch of interest payable on liabilities and the interest earned on assets.

The profile of the Banking Book is such that:

- Interest on deposits is primarily either floating or their maturities are so short term that their behaviour is similar to floating rate instruments.
- Interest rates payable on issued debt are primarily fixed.
- The loan portfolio is a mixture of fixed and floating rates instruments.

IRRBB is monitored using various interest rate shock scenarios, including sensitivity of profit or loss and equity, with limits established that are consistent with the Group's risk appetite. Hedging activities, both at a micro and portfolio level, are undertaken to ensure that exposures are kept within these limits. Positions are monitored on a daily basis by the Group's treasury department.

22 **Risk management** (continued)

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

Group	Floating interest rate	Fixed interest rate repricing					Non-interest earning/ bearing	Total carrying value per Balance sheet	Weighted average effective interest rate
		Less than 3 months	Between 3 and 6 months	Between 6 and 12 months	Between 1 and 5 years	After 5 years			
2019	$m	$m	$m	$m	$m	$m	$m	$m	%
Assets									
Cash and cash equivalents	500.5	199.9	-	-	-	-	371.6	1,072.0	1.48
Due from other financial institutions	-	-	-	-	-	-	270.6	270.6	-
Financial assets fair value through profit or loss (FVTPL)	-	1,820.8	1,349.3	199.1	1,243.0	932.5	292.2	5,836.9	2.58
Financial assets - amortised cost	54.6	40.0	-	-	-	-	198.5	293.1	2.84
Financial assets fair value through other comprehensive income (FVOCI)	9.1	27.6	-	-	-	-	19.0	55.7	2.30
Loans and other receivables	43,242.6	6,626.6	1,711.3	3,157.4	7,030.7	23.2	-	61,791.8	4.65
Derivative assets	-	-	-	-	-	-	150.6	150.6	-
Total financial assets	**43,806.8**	**8,714.9**	**3,060.6**	**3,356.5**	**8,273.7**	**955.7**	**1,302.5**	**69,470.7**	
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	420.6	420.6	-
Deposits	19,732.1	19,295.3	10,772.9	6,597.9	4,168.3	0.1	-	60,566.6	1.70
Notes payable	-	3,464.1	-	-	-	-	0.3	3,464.4	2.69
Derivatives	-	-	-	-	-	-	135.0	135.0	-
Preference shares	-	318.2	568.2	-	-	-	-	886.4	3.98
Subordinated debt	-	681.1	-	-	-	-	0.3	681.4	4.10
Total financial liabilities	**19,732.1**	**23,758.7**	**11,341.1**	**6,597.9**	**4,168.3**	**0.1**	**556.2**	**66,154.4**	
2018									
Assets									
Cash and cash equivalents	983.3	-	-	-	-	-	154.1	1,137.4	0.97
Due from other financial institutions	-	-	-	-	-	-	283.0	283.0	-
Financial assets held for trading	-	2,396.3	149.0	-	1,595.2	289.1	69.9	4,499.5	2.17
Financial assets available for sale	53.7	162.3	39.6	-	-	-	213.4	469.0	1.06
Financial assets held to maturity	5.8	211.4	145.2	-	-	-	50.8	413.2	2.29
Loans and other receivables	43,342.9	7,287.2	1,497.0	2,797.5	6,639.7	37.5	-	61,601.8	4.52
Derivative assets	-	-	-	-	-	-	29.7	29.7	-
Total financial assets	**44,385.7**	**10,057.2**	**1,830.8**	**2,797.5**	**8,234.9**	**326.6**	**800.9**	**68,433.6**	
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	352.5	352.5	-
Deposits	18,809.6	19,197.6	9,888.1	7,549.4	4,083.2	1.6	-	59,529.5	1.91
Notes payable	-	3,544.8	-	-	-	-	-	3,544.8	3.36
Derivatives	-	-	-	-	-	-	34.8	34.8	-
Preference shares	-	316.2	564.7	-	-	-	-	880.9	5.85
Subordinated debt	-	706.1	-	-	-	-	3.1	709.2	5.21
Total financial liabilities	**18,809.6**	**23,764.7**	**10,452.8**	**7,549.4**	**4,083.2**	**1.6**	**390.4**	**65,051.7**	

22 **Risk management** (continued)

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

Bank	Floating interest rate	Fixed interest rate repricing					Non-interest earning/ bearing	Total carrying value per Balance sheet	Weighted average effective interest rate
		Less than 3 months	Between 3 and 6 months	Between 6 and 12 months	Between 1 and 5 years	After 5 years			
2019	$m	$m	$m	$m	$m	$m	$m	$m	%
Assets									
Cash and cash equivalents	309.9	199.9	-	-	-	-	370.4	880.2	1.48
Due from other financial institutions	-	-	-	-	-	-	270.6	270.6	-
Financial assets fair value through profit or loss (FVTPL)	-	1,820.8	1,349.3	199.1	1,243.0	932.5	292.2	5,836.9	2.58
Financial assets - amortised cost	65.0	40.0	-	-	-	-	38.8	143.8	2.84
Financial assets fair value through other comprehensive income (FVOCI)	-	6,114.0	-	-	-	-	19.1	6,133.1	2.30
Loans and other receivables	35,722.6	15,249.8	1,387.8	2,551.5	6,037.0	23.5	-	60,972.2	4.65
Derivative assets	-	-	-	-	-	-	150.7	150.7	-
Total financial assets	**36,097.5**	**23,424.5**	**2,737.1**	**2,750.6**	**7,280.0**	**956.0**	**1,141.8**	**74,387.5**	
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	420.6	420.6	-
Deposits	19,766.6	19,295.4	10,773.0	6,598.0	4,168.3	0.1	-	60,601.4	1.70
Notes payable	-	22.8	-	-	-	-	0.3	23.1	2.69
Loans payable - securitisation trusts	6,596.5	224.9	294.8	460.0	1,178.0	-	-	8,754.2	4.65
Derivatives	-	-	-	-	-	-	135.0	135.0	-
Preference shares	-	318.2	568.2	-	-	-	-	886.4	3.98
Subordinated debt	-	681.1	-	-	-	-	0.3	681.4	4.10
Total financial liabilities	**26,363.1**	**20,542.4**	**11,636.0**	**7,058.0**	**5,346.3**	**0.1**	**556.2**	**71,502.1**	
2018									
Assets									
Cash and cash equivalents	682.7	-	-	-	-	-	154.1	836.8	1.14
Due from other financial institutions	-	-	-	-	-	-	295.8	295.8	-
Financial assets held for trading	69.9	2,396.3	149.0	-	1,595.2	289.1	-	4,499.5	2.17
Financial assets available for sale	5,428.7	43.1	-	-	-	-	-	5,471.8	1.73
Financial assets held to maturity	49.0	0.5	-	-	-	-	-	49.5	3.50
Loans and other receivables	36,289.4	7,488.6	1,688.7	3,094.1	7,552.8	35.1	-	56,148.7	4.64
Derivative assets	-	-	-	-	-	-	220.2	220.2	-
Total financial assets	**42,519.7**	**9,928.5**	**1,837.7**	**3,094.1**	**9,148.0**	**324.2**	**670.1**	**67,522.3**	
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	346.7	346.7	-
Deposits	18,456.5	17,724.3	9,044.5	6,463.0	3,839.0	1.6	-	55,528.9	1.88
Loans payable - securitisation trusts	6,010.1	239.7	244.7	406.5	1,196.9	-	-	8,097.9	4.64
Derivatives	-	-	-	-	-	-	54.1	54.1	-
Preference shares	-	706.1	-	-	-	-	-	706.1	5.85
Subordinated debt	3.1	696.1	-	-	-	-	-	699.2	5.21
Total financial liabilities	**24,469.7**	**19,366.2**	**9,289.2**	**6,869.5**	**5,035.9**	**1.6**	**400.8**	**65,432.9**	

22 **Risk management** (continued)

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

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 2019, 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 2019 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.

	+100 basis points	-100 basis points	+100 basis points	-100 basis points
	2019	2019	2018	2018
Group	$m	$m	$m	$m
Net interest income	8.5	(30.8)	55.4	(68.7)
Revaluation gains/ (losses) arising on economic hedges that are not in a hedge relationship	(23.1)	23.1	(49.4)	49.4
Income tax effect at 30%	4.4	2.3	(1.8)	5.8
Effect on profit	**(10.2)**	**(5.4)**	**4.2**	**(13.5)**
Effect on profit (per above)	(10.2)	(5.4)	4.2	(13.5)
Cash flow hedge reserve	(253.4)	253.4	(58.2)	58.2
Income tax effect on reserves at 30%	76.0	(76.0)	17.5	(17.5)
Effect on equity	**(187.6)**	**172.0**	**(36.5)**	**27.2**
Bank				
Net interest income	8.5	(30.8)	45.8	(58.3)
Revaluation gains/ (losses) arising on economic hedges that are not in a hedge relationship	(23.1)	23.1	(48.7)	48.7
Income tax effect at 30%	4.4	2.3	0.9	2.9
Effect on profit	**(10.2)**	**(5.4)**	**(2.0)**	**(6.7)**
Effect on profit (per above)	(10.2)	(5.4)	(2.0)	(6.7)
Cash flow hedge reserve	(253.4)	253.4	(58.7)	58.7
Income tax effect on reserves at 30%	76.0	(76.0)	17.6	(17.6)
Effect on equity	**(187.6)**	**172.0**	**(43.1)**	**34.4**

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 (2018: AUD $216.2m) 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 Middle Office function. 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.

23 Share capital

	Group		Bank	
	2019	2018	2019	2018
Issued and paid up capital	$m	$m	$m	$m
Ordinary shares (ASX Code: BEN) fully paid - 491,575,157 (2018: 486,418,481)	4,575.9	4,529.9	4,575.9	4,529.9
Employee Share Ownership Plan	(5.4)	(6.6)	(5.4)	(6.6)
	4,570.5	**4,523.3**	**4,570.5**	**4,523.3**
Movements in ordinary shares on issue				
Opening balance 1 July - 486,418,481 (2018: 479,206,464)	4,529.9	4,456.7	4,529.9	4,456.7
Shares issued under:				
Bonus share scheme - 399,626 @ $10.74, 246,366 @ $9.75				
(2018: 266,098 @ $11.39, 396,330 @ $10.70)	-	-	-	-
Dividend reinvestment plan - 2,151,250 @ $10.74, 2,359,434 @ $9.75				
(2018: 4,390,045 @ $11.39; 2,159,544 @ $10.70)	46.0	73.2	46.0	73.2
Closing balance 30 June - 491,575,157 (2018: 486,418,481)	**4,575.9**	**4,529.9**	**4,575.9**	**4,529.9**
Movements in Employee Share Ownership Plan				
Opening balance	(6.6)	(8.0)	(6.6)	(8.0)
Reduction in Employee Share Ownership Plan	1.2	1.4	1.2	1.4
Closing balance	**(5.4)**	**(6.6)**	**(5.4)**	**(6.6)**
Total issued and paid up capital	**4,570.5**	**4,523.3**	**4,570.5**	**4,523.3**

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.

24 Retained earnings and reserves

Retained earnings

	Group		Bank	
	2019[1]	2018	2019[1]	2018
Movements	$m	$m	$m	$m
Opening balance	975.9	864.6	282.1	254.0
Impact of adoption of new accounting standards [1]	(11.1)	-	(12.7)	-
Restated opening balance	**964.8**	**864.6**	**269.4**	**254.0**
Profit for the year	376.8	434.5	644.3	349.7
Share based payment	1.0	2.6	1.0	2.6
Operational risk reserve	(0.6)	(1.5)	-	-
Movements in general reserve for credit losses	(19.9)	-	(19.9)	-
Balances from transfer of business	-	-	2.2	-
Transfer from asset revaluation reserve	-	0.4	-	0.5
Dividends	(334.7)	(325.0)	(334.7)	(325.0)
Defined benefits actuarial adjustment	(0.1)	0.4	(0.1)	0.4
Tax effect of defined benefits actuarial adjustment	-	(0.1)	-	(0.1)
Closing balance	**987.3**	**975.9**	**562.2**	**282.1**
Reserve movements				
Employee benefits reserve				
Opening balance	9.6	9.5	9.6	9.5
Net increase in reserve	1.4	0.1	1.4	0.1
Closing balance	**11.0**	**9.6**	**11.0**	**9.6**
Asset revaluation reserve - property				
Opening balance	1.1	1.5	-	0.5
Transfer asset revaluation reserve to retained earnings	-	(0.6)	-	(0.6)
Tax effect of movement in asset revaluation reserve	-	0.2	-	0.1
Closing balance	**1.1**	**1.1**	**-**	**-**
Asset revaluation reserve - available for sale equity securities				
Opening balance	0.5	0.4	-	-
Impact of adoption of new accounting standards [1]	(0.5)	-	-	-
Revaluation increments	-	0.2	-	-
Tax effect of revaluation increments	-	(0.1)	-	-
Closing balance	**-**	**0.5**	**-**	**-**
Asset revaluation reserve - available for sale debt securities				
Opening balance	(0.1)	(0.1)	4.0	(1.5)
Impact of adoption of new accounting standards [1]	0.1	-	(4.0)	-
Net unrealised gains/(losses)	-	(0.1)	-	7.9
Tax effect of net unrealised gains/(losses)	-	0.1	-	(2.4)
Closing balance	**-**	**(0.1)**	**-**	**4.0**
Asset revaluation reserve - FVOCI - with recycling				
Opening balance	-	-	-	-
Impact of adoption of new accounting standards [1]	0.5	-	4.0	-
Restated opening balance	**0.5**	**-**	**4.0**	**-**
Transfer from asset revaluation reserve to income	(0.3)	-	-	-
Net unrealised gains	0.2	-	18.1	-
Tax effect of revaluation gains	-	-	(5.5)	-
Closing balance	**0.4**	**-**	**16.6**	**-**

[1] AASB 9 has been adopted on 1 July 2018; comparative information has not been restated.

24 **Retained earnings and reserves** (continued)

	Group		Bank	
	2019[1]	2018	2019[1]	2018
Reserve movements (continued)	$m	$m	$m	$m
Operational risk reserve				
Opening balance	3.2	1.8	-	-
Movement operational risk reserve	0.6	1.5	-	-
Operational risk event applied to reserve	-	(0.1)	-	-
Closing balance	**3.8**	**3.2**	**-**	**-**
Cash flow hedge reserve				
Opening balance	(13.1)	(20.7)	(13.1)	(20.1)
Changes due to mark to market	19.5	10.9	19.5	10.0
Tax effect of changes due to mark to market	(5.8)	(3.3)	(5.8)	(3.0)
Closing balance	**0.6**	**(13.1)**	**0.6**	**(13.1)**
General reserve for credit losses (GRCL)				
Opening balance	140.3	140.3	121.7	121.7
Impact of adoption of new accounting standards [1]	(82.9)	-	(66.0)	-
Restated opening balance	**57.4**	**140.3**	**55.7**	**121.7**
Balances from transfer of business	-	-	1.7	-
Increase in GRCL	19.9	-	19.9	-
Closing balance	**77.3**	**140.3**	**77.3**	**121.7**
Acquisition reserve				
Opening balance	(20.4)	(20.4)	-	-
Closing balance	**(20.4)**	**(20.4)**	**-**	**-**
Total reserves	**73.8**	**121.1**	**105.5**	**122.2**

[1] AASB 9 has been adopted on 1 July 2018; comparative information has not been restated.

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 37.

Asset revaluation reserve - property

The reserve records revaluation adjustments to the Group's property assets.

Asset revaluation reserve - available for sale - equity investments and debt securities

The reserve records fair value changes on available for sale assets.

Asset revaluation reserve - FVOCI with recycling

The reserve records fair value changes in assets classified as debt securities and unlisted share investments.

Operational risk reserve

The reserve is required to meet Sandhurst Trustees Limited licence requirements.

Cash flow hedge reserve

The reserve records the portion of gain or loss on the 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.

25 **Standby arrangements and uncommitted credit facilities**

	Group		Bank	
	2019	2018	2019	2018
	$m	$m	$m	$m
Amount available:				
Offshore borrowing facility	11,409.0	10,825.4	11,409.0	10,825.4
Domestic note program	7,500.0	8,500.0	7,500.0	7,500.0
Amount utilised:				
Offshore borrowing facility	-	216.2	-	216.2
Domestic note program	3,845.0	3,795.0	3,845.0	3,785.0
Amount not utilised:				
Offshore borrowing facility	11,409.0	10,609.2	11,409.0	10,609.2
Domestic note program	3,655.0	4,705.0	3,655.0	3,715.0

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 in currencies other than AUD are accounted for at amortised cost. These transactions are restated to AUD equivalents each month with adjustments taken directly to income. Funding instruments that have been utilised appear in Note 16.

26 **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.

27 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	
	2019	2018	2019	2018
	$m	$m	$m	$m
Opening balance	735.7	666.3	-	-
Additions	67.0	59.0	-	-
Disposals	(44.1)	(45.0)	-	-
Homesafe revaluation (loss)/gain	(24.1)	55.4	-	-
Total investment property	**734.5**	**735.7**	**-**	**-**

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.

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
		$m			$m	$m
Discounted cash flow	Rates of property appreciation - long term growth rate 4%	734.5	3% - 5%	Significant increases in these inputs would result in higher fair values.	68.9	(59.7)
	Discount rates - 5.75%	734.5	4.75% - 6.75%	Significant increases in these inputs would result in lower fair values.	85.8	(72.9)

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.

28 **Goodwill and other intangible assets**

Group	Goodwill	Software	Deposits	Customer relationship	Other acquired intangibles[1]	Trustee licence	Total
	$m	$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**
Carrying amount as at 1 July 2017	1,442.3	196.0	3.2	4.4	9.5	8.4	1,663.8
Additions	-	22.4	-	-	-	-	22.4
Amortisation charge	-	(28.0)	(3.2)	(2.2)	(2.8)	-	(36.2)
Closing balance as at 30 June 2018	**1,442.3**	**190.4**	**-**	**2.2**	**6.7**	**8.4**	**1,650.0**
Bank							
Carrying amount as at 1 July 2018	1,362.8	188.9	-	0.5	6.1	-	1,558.3
Additions	-	72.0	-	-	-	-	72.6
Transfers	-	0.6	-	-	-	-	(13.1)
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**
Carrying amount as at 1 July 2017	1,362.8	193.4	2.7	1.0	7.5	-	1,567.4
Additions	-	22.4	-	-	-	-	22.4
Amortisation charge	-	(26.9)	(2.7)	(0.5)	(1.4)	-	(31.5)
Closing balance as at 30 June 2018	**1,362.8**	**188.9**	**-**	**0.5**	**6.1**	**-**	**1,558.3**

[1] These assets include customer lists, management rights and trade names

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.

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.

28 **Goodwill and other intangible assets** (continued)

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 cost of the business combination minus the net fair value of the acquired identifiable assets, liabilities and contingent liabilities. Following initial recognition goodwill is measured at cost less accumulated impairment losses.

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, or 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.

At the date of disposal of a business, attributable goodwill is measured on the basis of the value of the operation disposed of and the portion of the CGU retained.

Following the announcement and implementation of the organisational restructure effective from 10 August 2018, the Group's CGUs have changed.

Goodwill and other intangible assets with indefinite useful life have been allocated to the following CGUs:

	2019	
	Goodwill	Other intangibles[1]
	$m	$m
Consumer	1,197.6	8.4
Business	152.1	-
Agribusiness	90.6	-
Total Goodwill and other intangibles	**1,440.3**	**8.4**

	2018	
	Goodwill	Other intangibles[1]
	$m	$m
Local connection	677.5	-
Partner connection	464.4	-
Wealth	209.7	8.4
Agribusiness	90.7	-
Total Goodwill and other intangibles	**1,442.3**	**8.4**

[1] Refers to intangibles with an indefinite useful life.

Key assumptions used in value in use calculations

In determining value in use the estimated future (pre-tax) cash flows are discounted to their present value using a discount rate. The estimated future cash flows are obtained from the Group's forecast which is developed annually and approved by management and the Board. Growth rates are applied to the approved forecast data to extrapolate for a further four years.

The 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.

A terminal growth rate of 2.5% (June 2018: 3.0%) is representative of long term growth rates, including inflation, in Australia. It is used to extrapolate cash flows beyond the forecast period for each CGU.

The table below contains discount rates used in the calculation of the recoverable amount for each CGU:

	Discount rate
	2019
Consumer	9.66%
Business	9.66%
Agribusiness	9.96%

	Discount rate
	2018
Local connection	10.17%
Partner connection	10.47%
Wealth	10.77%
Agribusiness	11.07%

29 Other assets

	Group		Bank	
	2019	2018	2019	2018
	$m	$m	$m	$m
Accrued income	38.8	28.1	23.9	25.3
Prepayments	30.6	33.0	30.5	32.2
Sundry debtors	153.4	116.2	1,148.0	1,229.0
Accrued interest	163.1	166.7	142.5	114.0
Deferred expenditure	50.6	80.7	50.6	80.6
Total other assets	**436.5**	**424.7**	**1,395.5**	**1,481.1**

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 capitalised software. Refer to Note 28 for further information.

The carrying value of deferred expenditure is reviewed for impairment annually when the asset is not yet available for use, or more frequently when an indicator of impairment arises.

30 Other payables

	Group		Bank	
	2019	2018	2019	2018
	$m	$m	$m	$m
Accrued expenses and outstanding claims	299.3	244.0	290.8	394.0
Accrued interest	171.3	180.3	171.3	169.6
Prepaid interest	22.4	24.5	-	-
Total other payables	**493.0**	**448.8**	**462.1**	**563.6**

Recognition and measurement

Sundry creditors and accrued expenses

Sundry creditors and 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. Sundry creditors are generally settled within 30 days.

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.

31 Provisions

	Group		Bank	
	2019	2018	2019	2018
	$m	$m	$m	$m
Employee entitlements	95.7	110.5	94.2	107.2
Property rent	19.0	19.8	19.0	19.8
Other [1]	4.9	6.3	4.8	5.1
Closing balance	**119.6**	**136.6**	**118.0**	**132.1**

[1] Other provisions comprise various other provisions including reward programs and dividends.

Movements in provisions (excluding employee entitlements)

	Property Rent		Other		Total	
	2019	2018	2019	2018	2019	2018
Group	$m	$m	$m	$m	$m	$m
Opening balance	19.8	15.4	6.3	6.5	26.1	21.9
Additional provision recognised	0.7	7.2	333.7	327.5	334.4	334.7
Amounts utilised during the year	(1.5)	(2.8)	(335.1)	(327.7)	(336.6)	(330.5)
Closing balance	**19.0**	**19.8**	**4.9**	**6.3**	**23.9**	**26.1**
Bank						
Opening balance	19.8	15.4	5.1	6.5	24.9	21.9
Additional provision recognised	0.7	7.2	332.9	326.3	333.6	333.5
Amounts utilised during the year	(1.5)	(2.8)	(333.2)	(327.7)	(334.7)	(330.5)
Closing balance	**19.0**	**19.8**	**4.8**	**5.1**	**23.8**	**24.9**

Employee benefits

The table below shows the individual balances for employee benefits:

	Group		Bank	
	2019	2018	2019	2018
	$m	$m	$m	$m
Annual leave	31.5	31.3	30.9	30.4
Other employee payments	-	12.3	-	12.3
Long service leave	57.5	59.8	56.6	57.5
Sick leave bonus	6.7	7.1	6.7	7.0
Closing balance	**95.7**	**110.5**	**94.2**	**107.2**

31 **Provisions** (continued)

Recognition and measurement

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 will be derecognised upon adoption of AASB 16 *Leases*.

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.

32 Cash flow statement reconciliation

	Group		Bank	
	2019	2018	2019	2018
	$m	$m	$m	$m
Profit after tax	**376.8**	**434.5**	**644.3**	**349.7**
Non-cash items				
Credit expenses	54.6	78.9	50.3	72.5
Amortisation	37.5	36.2	35.0	31.5
Depreciation (including leasehold improvements)	19.0	20.4	18.4	19.7
Revaluation increments	11.9	(27.5)	(34.1)	3.4
Equity settled transactions	4.0	3.7	3.5	3.5
Share of net profit from joint arrangements and associates	(2.5)	(2.3)	(2.5)	(2.4)
Dividends received	(0.9)	(1.3)	(300.6)	(1.0)
Impairment write down	2.7	0.4	2.7	0.4
Fair value acquisition adjustments	7.1	7.8	7.1	7.8
Revaluation gains on derivatives	(10.5)	(1.7)	(9.7)	(2.3)
Changes in assets and liabilities				
(Decrease)/increase in tax provision	(45.1)	30.0	(45.1)	(45.7)
(Decrease)/increase in deferred tax assets & liabilities	(19.2)	(1.9)	(59.8)	19.9
(Increase)/decrease in derivatives	(20.7)	(16.1)	150.4	(101.7)
Decrease in accrued interest	(7.5)	(26.4)	(26.9)	(22.1)
(Increase)/decrease in accrued employee entitlements	(14.8)	1.7	(13.0)	1.9
(Increase)/decrease in other accruals, receivables and provisions	(32.3)	(141.9)	306.4	(197.4)
Cash flows from operating activities before changes in operating assets and liabilities	**360.1**	**394.5**	**726.4**	**137.7**
Net (Increase)/decrease in operating assets				
Net (increase)/decrease of loans to other entities	(337.6)	(904.1)	(3,518.7)	(549.8)
Net (increase)/decrease of investment securities	(773.2)	1,039.4	(2,043.4)	865.3
Net Increase/(decrease) in operating liabilities				
Net increase/(decrease) in balance of deposits	1,037.1	235.4	5,072.5	(209.8)
Net (decrease)/increase in balance of notes payable	(80.4)	(413.6)	23.1	-
Net cash flows from operating activities	**206.0**	**351.6**	**259.9**	**243.4**

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.

33 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 cashflows 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	
	2019	2018	2019	2018
	$m	$m	$m	$m
At cost	-	-	587.4	585.2
	-	**-**	**587.4**	**585.2**

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 19.

Entity	Principal activities
Leveraged Equities 2009 Trust	Securitisation
Torrens Series 2008-1 Trust	Securitisation
Torrens Series 2008-4 Trust	Securitisation

Entity	Principal activities
Torrens Trust 2019-1 Trust	Securitisation
Torrens Trust 2017-1 Trust	Securitisation
Torrens Trust 2017-3 Trust	Securitisation

34 **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:

	2019	2018
	$m	$m
Opening balance at beginning of financial year	6.6	(49.2)
Net receipts and fees received from subsidiaries	194.3	162.3
Supplies, fixed assets and services charged to subsidiaries	(72.7)	(106.5)
Transfer of net assets from Rural Bank	306.9	-
Net amount owing from subsidiaries	**435.1**	**6.6**

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 2019
Subsidiary	Facility	$m	$m
Sandhurst Trustees Limited	Guarantee	0.5	-

	2019	2018
Dividends paid by the subsidiaries	$m	$m
Rural Bank Limited	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:

	2019	2018
	$m	$m
Commissions and fees paid to joint arrangements and associates	40.1	35.5
Supplies and services provided to joint arrangements and associates	9.4	8.3
Amount owing from/(to) joint arrangements and associates	1.0	(2.1)

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.

Other related party transactions

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, including 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 2019	30 June 2018
Compensation	$'000's	$'000's
Salaries and other short term benefits	6,100.8	8,066.0
Post-employment benefits	334.1	340.3
Other long term benefits	11.4	(27.1)
Termination benefits	15.9	-
Share based payments	2,326.0	2,890.6
Total	**8,788.2**	**11,269.8**

34 **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:

	30 June 2019	30 June 2018
Equity holdings	No.	No.
Ordinary shares (includes deferred shares)	1,493,266	1,826,703
Preference shares	4,240	4,240
Performance shares	246,936	509,011
Closing balance	**1,744,442**	**2,339,954**

The table below details, on an aggregated basis, loan balances outstanding at the end of the year between the Group and its KMP:

	30 June 2019	30 June 2018
Loans [1,2,3]	$'000's	$'000's
Loans outstanding at the beginning of the year [2]	11,987.8	10,456.1
Loans outstanding at the end of the year	12,749.0	12,174.4
Interest paid or payable	550.7	496.1
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.

35 **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

35 **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 2019 $m	Securitisation vehicles 2019 $m	Managed investment funds 2018 $m	Securitisation vehicles 2018 $m
Cash and cash equivalents	0.1	-	0.1	-
Financial assets available for sale	-	-	8.9	43.1
Financial assets - amortised cost	-	40.0	-	-
Financial assets fair value through other comprehensive income	9.1	27.0	-	-
Loans and other receivables	-	899.0	-	715.5
Total on-balance sheet exposures	**9.2**	**966.0**	**9.0**	**758.6**
Total off-balance sheet exposures [1]	-	245.4	-	-
Total maximum exposure to loss	**9.2**	**1,211.4**	**9.0**	**758.6**

[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 2019 $m	Maximum loss exposure 2019 $m	Carrying amount 2018 $m	Maximum loss exposure 2018 $m
Cash and cash equivalents	0.1	0.1	0.1	0.1
Senior notes	966.0	1,211.4	758.6	758.6
Investment	9.1	9.1	8.9	8.9
	975.2	**1,220.6**	**767.6**	**767.6**

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 33.

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 unconcolidated 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.

35 **Involvement with unconsolidated entities** (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.

36 **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	
	2019	2018
	$m	$m
Funds under trusteeship	6,748.7	5,924.6
Assets under management	2,536.7	2,200.0
Funds under management	4,212.0	3,633.2

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.

37 **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 FY2019 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;

and

- continuing service with the Group.

The previous performance right grants are subject to the following performance conditions:

- increase in cash earnings per share from previous financial year, followed by a total shareholder return (TSR) performance hurdle;

and

- continuing service with the Group.

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.

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.

37 **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 June 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			
	2019	2018	2019	2018	2019	2018	2019	2019	2018	2018
	No. [1]	No. [1]	No. [1]	No. [1]	No. [1]	No. [1]	No. [2]	WAEP ($)	No.	WAEP ($)
Outstanding at beginning of year	833,725	688,585	171,439	163,659	183,426	199,524	1,464,830	4.49	1,593,277	5.03
Granted	303,687	309,349	308,214	175,309	-	-	-	-	-	-
Forfeited/lapsed	(153,925)	(164,209)	(6,493)	(3,870)	-	-	-	-	-	-
Vested/ exercised	(333,645)	-	(171,439)	(163,659)	(16,347)	(16,098)	(515,096)	0.85	(128,447)	4.90
Outstanding at year end	649,842	833,725	301,721	171,439	167,079	183,426	949,734	5.72	1,464,830	4.49
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 2019 is represented by 949,734 (2018: 1,464,830) ordinary shares with a market value of $10,997,919 (2018: $15,878,757), 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. The fair value of the performance rights 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
	19 Dec 2018	17 Dec 2018
Dividend yield (%)	6.73%	6.73%
Expected volatility (%)	23.39%	23.39%
Risk-free interest rate (%)	1.99%	1.89%
Expected life of performance rights (years)	4 years	3 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.

The fair value of deferred shares are 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.

38 Commitments and contingencies

a) Commitments

The following are outstanding expenditure and credit related commitments as at 30 June 2019. Except where specified, all commitments are payable within one year.

	Group		Bank	
	2019	2018	2019	2018
Operating lease commitments (as lessee)	$m	$m	$m	$m
Not later than 1 year	81.8	71.6	79.6	71.5
Later than 1 year but not later than 5 years	183.3	177.6	180.0	177.4
Later than 5 years	97.0	65.3	97.0	65.3
	362.1	**314.5**	**356.6**	**314.2**
Operating lease commitments (as lessor)				
Not later than 1 year	3.5	4.0	3.5	4.0
Later than 1 year but not later than 5 years	9.4	14.1	9.4	14.1
Later than 5 years	3.0	7.1	3.0	7.1
	15.9	**25.2**	**15.9**	**25.2**
Credit related commitments				
Gross loans approved, but not advanced to borrowers	1,481.1	2,106.4	1,481.1	2,061.0
Credit limits granted to clients for overdrafts and credit cards [1]				
Total amount of facilities provided	7,590.8	9,181.7	7,590.8	8,068.9
Amount undrawn at balance date	3,987.4	4,016.4	3,987.4	3,562.4

[1] Normal commercial restrictions apply as to use and withdrawal of the facilities.

Recognition and measurement

Operating leases

An operating lease is a lease where substantially all of the risks and rewards of the leased assets remain with the lessor. The Group has entered into commercial property leases and commercial leases on certain motor vehicles and items of office equipment. The leases have various terms and some property leases include optional renewal periods in the contracts. There are no restrictions placed upon the lessee by entering these leases. Payments made under operating leases are recognised in the Income Statement on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the lease expense, over the term of the lease.

The Group has entered into commercial property leases on the Group's surplus office space. These non-cancellable leases have various terms. All leases have a clause to enable upward revision of the rental charge on a regular basis according to prevailing market conditions. Rentals received are recognised in the Income Statement on a straight line basis over the lease term.

Future minimum rentals payable and receivable under non-cancellable operating leases as at 30 June 2019 are outlined in the table above.

(b) Contingent liabilities and contingent assets

Contingent liabilities

	Group		Bank	
	2019	2018	2019	2018
	$m	$m	$m	$m
Guarantees				
The economic entity has issued guarantees on behalf of clients	236.5	245.4	236.5	238.3
Other				
Documentary letters of credit & performance related obligations	1.5	1.7	1.5	1.5

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

38 **Commitments and contingencies** (continued)

(b) Contingent liabilities and contingent assets (continued)

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.

Contingent assets

As at 30 June 2019, the economic entity does not have any contingent assets.

39 **Auditors' remuneration**

	Group		Bank	
	2019	2018	2019	2018
	$	$	$	$
Total fees paid or due and payable to Ernst & Young (Australia) [1]				
Audit and review of financial statements [2]	**1,635,658**	**1,680,870**	**1,402,288**	**1,330,730**
Audit related fees				
Regulatory [3]	311,300	737,487	277,300	707,050
Non-regulatory [4]	818,445	364,900	774,845	299,500
Total audit related fees	**1,129,745**	**1,102,387**	**1,052,145**	**1,006,550**
Other services [5]	263,100	-	263,100	-
Total other fees	**263,100**	**-**	**263,100**	**-**
Total remuneration of Ernst & Young (Australia)	**3,028,503**	**2,783,257**	**2,717,533**	**2,337,280**

1. Fees exclude goods and services tax.
2. Audit and review of financial statements includes payments for the audit of the financial statements of the Group and Bank, including controlled entities that are required to prepare financial statements.
3. Audit related fees (Regulatory) consist of fees for services required by statute or regulation that are reasonably related to the performance of the audit of the Group's financial statements and are traditionally performed by the external auditor. These services include assurance of the Group's compliance with APRA and Australian Financial Services Licensing reporting and compliance requirements.
4. Audit related fees (Non-regulatory) consist of fees for assurance and related services not required by statute or regulation but are reasonably related to the performance of the audit or review of the Group's financial statements which are traditionally performed by the external auditor. These services include assurance of funding and capital raising and data and model validation for Basel II advanced accreditation.
5. All other fees, including taxation services and other advice are incurred under the audit committee's pre-approval policies and procedures, having regard to the auditor's independence requirements of applicable laws, rules and regulations, and assessment that each of the non-audit services provided would not impair the independence of Ernst & Young.

40 **Events after balance sheet date**

On 1 July 2019 the Group completed the sale of its specialist self-managed superannuation fund business located in Geelong West pursuant to an Asset Purchase Agreement with LBWFP Pty Ltd. The Group also entered into an Asset Purchase Agreement to sell its financial planning business, Bendigo Financial Planning Pty Ltd, to Bridges Financial Services Group Pty Limited with an effective date of 1 August 2019. This agreement saw Bridges Financial Services Group Pty Limited assume the provision of financial planning services to existing Bendigo Financial Planning Pty Ltd customers and also saw the commencement of an ongoing referral arrangement. As at 30 June 2019, both of these business were recorded as held-for-sale.

On 28 August 2019 the Bank issued $500 million of 5-year wholesale funding, being split between $300 million of floating rate notes and $200 million of fixed rate notes, settling on 6 September 2019.

On 3 September 2019, ASIC initiated legal proceedings against the Bank in relation to the application of the unfair contract terms legislation. The proceedings relate to a version of its small business loan contracts under each of its Delphi Bank and Rural Bank brands in place between 2016 and June 2019.

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 significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

KEY PERFORMANCE INDICATORS

The following tables provide a summary of the last five years key metrics.

Bendigo and Adelaide Bank Group

Five year history
For the year ended 30 June

		2019[1]	2018	2017	2016	2015[2]
Financial Performance						
Net interest income	($m)	1,285.8	1,305.2	1,213.6	1,164.1	1,177.6
Credit expenses	($m)	50.3	70.6	71.8	44.1	68.3
Profit after income tax attributable to Owners of the Company	($m)	376.8	434.5	429.6	415.6	423.9
Cash earnings after income tax	($m)	415.7	445.1	418.3	401.4	402.8
Financial Position						
Total assets	($m)	72,570.3	71,439.8	71,415.5	68,572.7	66,028.8
Net loans and other receivables	($m)	61,791.8	61,601.8	60,776.6	57,256.8	55,531.6
Total equity	($m)	5,631.6	5,620.3	5,425.6	5,115.3	4,941.7
Deposits and notes payable	($m)	64,031.0	63,074.3	63,252.5	60,877.2	58,431.2
Risk weighted assets	($m)	37,483.1	38,256.4	38,062.3	36,485.5	34,712.9
Additional tier 1 capital ratio	(%)	2.39	2.34	2.22	2.31	2.43
Common equity tier 1 capital ratio	(%)	8.92	8.62	8.27	8.09	8.17
Tier 2 capital ratio	(%)	1.83	1.89	1.97	1.81	1.97
Share information (per ordinary share)						
Net tangible assets	($)	8.03	8.16	7.85	7.51	7.36
Earnings (statutory basis)	(¢)	77.1	89.9	90.9	90.4	92.5
Earnings (cash basis)	(¢)	85.0	92.1	88.5	87.3	88.6
Dividends - fully franked						
Interim	(¢)	35.0	35.0	34.0	34.0	33.0
Final	(¢)	35.0	35.0	34.0	34.0	33.0
Total	(¢)	70.0	70.0	68.0	68.0	66.0
Shareholder ratios						
Return on average tangible equity (cash basis)	(%)	10.73	11.52	11.61	11.83	12.37
Return on average assets (cash basis)	(%)	0.61	0.65	0.61	0.62	0.61
Return on average ordinary equity (cash basis)	(%)	7.55	8.23	8.10	8.17	8.47
Return on average ordinary equity after tax (statutory basis)	(%)	6.84	8.03	8.32	8.46	8.84
Key Trading Indicators						
Number of staff (excluding Community Banks)	(FTE)	4,540	4,426	4,413	4,531	4,628
Assets per staff member	($m)	16.0	16.1	16.2	15.1	14.3
Asset Quality						
Impaired loans	($m)	310.9	335.8	282.6	350.2	325.6
Specific provisions	($m)	(127.6)	(118.3)	(88.5)	(124.4)	(116.1)
Net impaired loans		**183.3**	**217.5**	**194.1**	**225.8**	**209.5**
Net impaired loans % of gross loans	(%)	0.30	0.35	0.32	0.39	0.38
Specific provision for impairment	($m)	128.5	119.3	89.5	125.3	116.8
Specific provision % of gross loans	(%)	0.21	0.19	0.15	0.22	0.21
Collective provision	($m)	157.0	48.2	52.7	53.4	59.0
General reserve for credit losses (GRCL) (general provision)	($m)	77.30	140.3	140.3	146.9	146.9
Collective provision & GRCL as a % of risk-weighted assets	(%)	0.63	0.49	0.56	0.55	0.59

1 June 2019 results have been prepared in accordance with AASB 9; prior periods have not been restated.
2 Figures for 2015 includes Rural Finance from 1 July 2014.

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 2019 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*;

b. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2;

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; and

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 2019.

On behalf of the Board

Robert Johanson
Chairman
6 September 2019

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 2019;
- 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:

- giving a true and fair view of the Company's and the Group's financial position as at 30 June 2019 and of their financial performance for the year ended on that date; and
- 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* (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 22 *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 2019: \$128.5 million, collective provision 30 June 2019: \$157.0 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 that are not appropriately captured by the expected credit loss model.	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, exposure at default and loss given default assumptions. In addressing the adequacy of allowance for credit losses for exposures assessed on a collective basis, our audit procedures included the following: ▸ Assessed the Group's calculation methodology against the requirements of AASB 9. ▸ Assessed the significant modelling assumptions with reference to market data, historical experience and industry trends. ▸ 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 methodology associated with exposures provided for on a specific basis, which included performing testing of individual loan exposures and assessing the adequacy of internal credit quality assessments and associated provisions. We assessed the adequacy of the disclosures associated with the allowance for credit losses.

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Investment property - Homesafe

Why significant	How our audit addressed the key audit matter
The Group controls Homesafe Trust and has 50% ownership in the Homesafe Solutions joint venture that was established in 2005. 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 Homesafe 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; - residential real estate growth rates; and - discount rates. Further details on the methodology and assumptions used in the calculation of the fair value of investment properties are included in Note 27 *Investment property*, which provides a sensitivity analysis of the key significant inputs into the valuation model. This was a key audit matter due to the size of the Group's investment in residential real estate recognised within the Homesafe Trust (30 June 2019: $734.5 million), the revaluation loss recognised in the current year from the Homesafe portfolio (30 June 2019: $24.1 million), and the degree of judgment and estimation uncertainty associated with the assumptions.	Our audit procedures included the following: - Assessed the design and operating effectiveness of controls over the new contracts, maintenance and settlement processes. - Used the work of Homesafe's Appointed Actuary who is a management expert under auditing standards. This included assessing the competence and objectivity of the Appointed Actuary as well as performing tests on the accuracy of the actuarial reports. - 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 2019 to supporting documentation to establish that the contracts were recorded in the correct period. - Involved our valuation, 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 losses within the financial report.

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Impairment assessment of goodwill

Why significant	How our audit addressed the key audit matter
The Group has recognised goodwill as a result of historical acquisitions. Following the announcement and implementation of the Group's organisational restructure effective from 10 August 2018, the Group's reportable segments and Cash Generating Units (CGUs) were reorganised. The Group had the following CGUs to which goodwill was allocated at 30 June 2019: Consumer, Business and Agribusiness. An impairment assessment is performed each year, comparing the carrying value of each CGU with its recoverable amount. The recoverable amount of each CGU was determined using a value in use calculation. This calculation incorporated a range of assumptions, including: ▸ future cash flows; ▸ discount rates; and ▸ terminal growth rates. Further details on the methodology and assumptions used in the impairment assessment of goodwill are included in Note 28 *Goodwill and other intangible assets*. This was a key audit matter due to the size of the goodwill balance held on balance sheet (30 June 2019: $1,440.3 million), the reorganisation of the Group's CGUs during the year, and the degree of judgment and estimation uncertainty associated with the impairment assessment.	Our audit procedures included the following: ▸ Assessed the appropriateness of the CGUs identified to which goodwill has been allocated. ▸ Assessed the reallocation of goodwill to the new CGUs against the requirements of Australian Accounting Standard - AASB 136 *Impairment of Assets*. ▸ Agreed the forecast cash flows to the most recent Board-approved cash flow forecasts 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, and to test the mathematical accuracy of the impairment models. ▸ Evaluated the sensitivity analysis performed by the Group, focusing on where a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount to assess whether impairment charges may be required. ▸ Benchmarked the implied valuations to comparable company valuation multiples. ▸ Assessed the adequacy of the disclosures associated with the goodwill impairment assessment in the financial report.

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Impairment of computer software

Why significant	How our audit addressed the key audit matter

The Group's computer 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.
 	
Impairment testing of these assets was a key audit matter due to the size of intangible assets held on balance sheet (30 June 2019: $228.1 million), and the degree of judgment and estimation uncertainty associated with the impairment assessment, specifically related to the forecast project benefits.
 	
For further details on the methodology applied by the Group in relation to impairment testing of computer software refer to Note 28.
	Our audit procedures included the following:
	
	▶ Evaluated the Group's impairment assessment of computer software intangible assets, which included:
	  ▶ assessing key inputs and assumptions, including the identification and quantification of future benefits expected to be derived from the assets, the period over which such benefits are expected to be realised, and the expected benefits realisation profile;
	  ▶ testing the mathematical accuracy of the calculations; and
	  ▶ performing sensitivity analyses on key inputs and assumptions, specifically related to the amount and timing of forecast project benefits, to assess whether impairment charges may be required.
	
	▶ Assessed the adequacy of the disclosures associated with impairment testing of computer software intangible assets in 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 2019 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.

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- 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.
- 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, related safeguards.

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.

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Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 44 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Bendigo and Adelaide Bank Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

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

Graeme McKenzie Partner Melbourne	Luke Slater Partner Melbourne

6 September 2019

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 to the Australian Securities Exchange on 12 August 2019.

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 Bendigo and Adelaide Bank Limited are as detailed in the Corporate Governance statement. Please refer to www.bendigoadelaide.com.au/public/corporate_governance for further details.

4 Substantial shareholders

As at 14 August 2019 there were two substantial shareholders in Bendigo and Adelaide Bank Limited as detailed in substantial holdings notices given to the Company - BlackRock Group and Vanguard Group.

5 Distribution of shareholders

Range of Securities as at 14 August 2019 in the following categories:

Category	Fully Paid Ordinary Shares	Fully Paid Employee Shares	Convertible Preference Shares 2	Convertible Preference Shares 3	Converting Preference Shares 4
1 - 1,000	35,474	3,878	4,195	4,818	5,757
1,001 - 5,000	37,561	273	426	373	397
5,001 - 10,000	8,759	5	30	15	29
10,001 - 100,000	5,025	1	16	13	21
100,001 and over	107	-	1	2	1
Number of Holders	**86,926**	**4,157**	**4,668**	**5,221**	**6,205**
Securities on Issue	**490,509,146**	**1,066,011**	**2,921,188**	**2,822,108**	**3,216,145**

6 Marketable parcel

Based on a closing price of $10.80 on 14 August 2019 the number of holders with less than a marketable parcel of the Company's main class of securities (Ordinary Shares), as at 14 August 2019 was 3,731.

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.

8 Major shareholders

Names of the 20 largest holders of Fully Paid Ordinary shares, including the number of shares each holds and the percentage of capital that number represents as at 14 August 2019 are:

Fully paid ordinary shares

Rank	Name	Number of shares	% of shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	93,081,405	18.94%
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	38,848,705	7.90%
3	CITICORP NOMINEES PTY LIMITED	32,602,196	6.63%
4	NATIONAL NOMINEES LIMITED	10,152,203	2.07%
5	MILTON CORPORATION LIMITED	5,709,708	1.16%
6	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	4,135,572	0.84%
7	BNP PARIBAS NOMS PTY LTD <DRP>	3,219,182	0.65%
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	2,583,452	0.53%
9	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	2,233,723	0.45%
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,914,690	0.39%
11	AMP LIFE LIMITED	1,211,274	0.25%
12	WOODROSS NOMINEES PTY LTD	1,140,850	0.23%
13	CARLTON HOTEL LIMITED	1,117,147	0.23%
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	796,382	0.16%
15	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	779,112	0.16%
16	NATIONAL NOMINEES LIMITED <DB A/C>	765,837	0.16%
17	DIESEL COOLING PTY LTD	700,000	0.14%
18	LEESVILLE EQUITY PTY LTD	679,455	0.14%
19	NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	570,838	0.12%
20	YARABIE ESTATES PTY LTD <YARABIE SUPER FUND A/C>	510,000	0.10%
		202,751,731	**41.25%**

BBS Nominees Pty Ltd, trustee for the Bendigo and Adelaide Employee Share Plan and Pacific Custodians Pty Limited, trustee for the Employee Share Grant Scheme, held a combined total of 1,066,011 unquoted shares as at the date of this report. These shares have not been included in the above table, but are included in total of issued ordinary share capital.

Names of the 20 largest holders of Bendigo and Adelaide Convertible Preference shares 2, including the number of shares each holds and the percentage of convertible preference share 2 capital that number represents as at 14 August 2019 are:

Fully paid Convertible Preference Shares 2 (CPS2)

Rank	Name	Number of shares	% of shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	143,051	4.90%
2	BNP PARIBAS NOMS PTY LTD <DRP>	49,978	1.71%
3	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	42,332	1.45%
4	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	34,230	1.17%
5	MERCHANT FOUNDATION PTY LTD <MERCHANT CHARITABLE FND A/C>	28,998	0.99%
6	TGB HOLDINGS PTY LTD	26,610	0.91%
7	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	24,298	0.83%
8	CITICORP NOMINEES PTY LIMITED	22,312	0.76%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	19,329	0.66%
10	JOHN E GILL TRADING PTY LTD	16,579	0.57%
11	NATIONAL NOMINEES LIMITED	15,887	0.54%
12	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	15,379	0.53%
13	THE TRUST COMPANY (AUSTRALIA) LIMITED <WCCTFI A/C>	14,670	0.50%
14	AVANTEOS INVESTMENTS LIMITED <3311559 HANSPETER A/C>	11,362	0.39%
15	MRS MAXINE FRANCES ELLIS	10,100	0.35%
16	CITICORP NOMINEES PTY LIMITED <DPSL A/C>	10,067	0.34%
17	BAO TONG PTY LTD <BAO TONG FAMILY A/C>	10,040	0.34%
18	TRISTAR METALS PTY LTD	10,000	0.34%
19	GORDON MERCHANT NO 2 PTY LTD <MERCHANT FAMILY A/C>	9,900	0.34%
20	NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	9,336	0.32%
		524,458	**17.95%**

8 **Major shareholders** (continued)

Names of the 20 largest holders of Bendigo and Adelaide 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 14 August 2019 are:

Fully paid Convertible Preference Shares 3 (CPS3)

Rank	Name	Number of shares	% of shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	127,147	4.51%
2	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	103,119	3.65%
3	GAEA GROUP PTY LTD <NO 2 A/C>	37,906	1.34%
4	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	31,140	1.10%
5	TRUSTEES OF CHURCH PROPERTY FOR THE DIOCESE OF NEWCASTLE <SAVINGS & DEVELOPMENT A/C>	28,200	1.00%
6	NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	23,914	0.85%
7	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	23,887	0.85%
8	BNP PARIBAS NOMS PTY LTD <DRP>	23,265	0.82%
9	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IPS SUPER A/C>	17,221	0.61%
10	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	16,556	0.59%
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	16,401	0.58%
12	G C F INVESTMENTS PTY LTD	15,000	0.53%
13	ALWOOD PTY LTD	13,284	0.47%
14	NATIONAL NOMINEES LIMITED	12,705	0.45%
15	CITICORP NOMINEES PTY LIMITED	11,694	0.41%
16	TGB HOLDINGS PTY LTD	9,800	0.35%
17	INVIA CUSTODIAN PTY LIMITED <A/M UNIT A/C>	9,230	0.33%
18	JDB SERVICES PTY LTD <RAC & JD BRICE INVEST A/C>	7,800	0.28%
19	BARDAVIS PTY LIMITED <THOMAS DAVIS FAMILY A/C>	7,325	0.26%
20	ZW 2 PTY LTD	6,745	0.24%
		542,339	**19.22%**

Names of the 20 largest holders of Bendigo and Adelaide Converting Preference shares 4, including the number of shares each holds and the percentage of converting preference share 4 capital that number represents as at 14 August 2019 are:

Fully paid Converting Preference Shares 4 (CPS4)

Rank	Name	Number of shares	% of shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	139,901	4.35%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	70,325	2.19%
3	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	51,639	1.61%
4	CITICORP NOMINEES PTY LIMITED	33,455	1.04%
5	NATIONAL NOMINEES LIMITED	32,410	1.01%
6	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	28,018	0.87%
7	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IPS SUPER A/C>	26,770	0.83%
8	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	23,292	0.72%
9	NAVIGATOR AUSTRALIA LTD <JB WERE LIST FIX INT SMA A/C>	22,809	0.71%
10	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	22,448	0.70%
11	PCI PTY LTD	17,715	0.55%
12	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	17,473	0.54%
13	SOUTH BAY NOMINEES PTY LTD <C & P HONG FAMILY A/C>	17,000	0.53%
14	SOUTH HONG NOMINEES PTY LTD <HONG SUPER FUND A/C>	15,000	0.47%
15	TRUSTEES OF CHURCH PROPERTY FOR THE DIOCESE OF NEWCASTLE <SAVINGS & DEVELOPMENT A/C>	13,605	0.42%
16	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	13,310	0.41%
17	THE WYATT BENEVOLENT INSTITUTION INC	12,400	0.39%
18	NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	11,567	0.36%
19	SKYPLAZA INVESTMENTS PTY LTD	11,476	0.36%
20	INVIA CUSTODIAN PTY LIMITED <A/M UNIT A/C>	11,270	0.35%
		591,883	**18.40%**

9 **Voting rights**

Under the Bank's Constitution, each person who is a voting Shareholder and who is present at a general meeting of the Bank 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.

In the case of an equality of votes the Chairman has, on both a show of hands and at a poll, a casting vote in addition to the vote to which the Chairman may be entitled as a shareholder, proxy, attorney or duly appointed representative of a shareholder.

AUSTRALIA'S BANK OF CHOICE

Corporate Governance 2019
Bendigo and Adelaide Bank Limited.
ABN 11 068 049 178