Annual Financial Report 2021

Bendigo and Adelaide Bank

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Message from our Chair

We are proud to have supported our customers and their communities throughout the last financial year. As Australia's better big bank, we will continue to walk side by side with them. Over this time, we have witnessed the resilience of our stakeholders and our business, which have combined with a renewed sense of optimism as we look towards a pathway out of the challenges of the last eighteen months.

Our multi-year strategy to reduce complexity, increase capability and tell our story is well progressed. We have been busy reshaping our business for the future - making lasting changes - to deliver on our vision in these times of economic challenge and lay the right foundations for further growth. We have and will continue to adapt to the evolving needs of our customers and the changing economic environment. Ultimately, these changes will see us become a bigger, better, faster and stronger business.

It's important to state that regardless of any change we make to our business, our purpose, values, strategy and customer commitment will remain at the centre of every decision we make. We are firmly committed to supporting the success of all stakeholders by strengthening what we offer them, improving the productivity and efficiency of our business and carefully managing our costs.

The economic outlook presents both ongoing challenges and opportunities for our Bank. Whilst a historic low interest rate environment continues to place pressure on our margins, fewer customers than expected are experiencing financial hardship from COVID-19 and we continue to see strong demand for lending across our consumer, business, and agribusiness customers. At the same time, we are encouraged by the various stimulus measures that will aid Australia's economic recovery.

The ongoing support and loyalty of our shareholders is not something we take for granted. After a year of strong performance, I am pleased to join the board in announcing a full year, fully franked dividend of 26.5 cents per share. We are pleased that you, our shareholders, can share in the success of our company's strategy.

Since our founding years, we have operated with a belief that the long-term sustainability of our business is tied to much more than the health of our balance sheet or financial performance. I don't make this statement lightly as it is evidenced in our more than 160-year-old purpose to feed into customer and community prosperity, not off it. As more investors have come to value the holistic performance of businesses across important environmental, social and governance (ESG) measures, we too have made some changes to reflect our proven leadership in this space. That's why this year, we are proud to introduce our first sustainability report. Released annually, this report will document our ESG progress, providing a greater level of transparency, measurement and accountability to our various stakeholders.

The way in which we deliver on our purpose takes many forms and one very practical example of the Bank feeding into prosperity is through our highly regarded scholarship program. This year, we proudly achieved an impressive milestone. Since the program commence in 2007, over $10 million in scholarship assistance has been provided to more than 1,140 regional and rural students. Our program is one of the largest privately funded and best targeted scholarship programs in Australia - an initiative that will continue to nurture significant intellectual capital across the community.

We know investing in capability has important multiplier effects for our business, our customers and our communities. Fostering a culture of excellence, trust and transparency empowers us to support customers, manage risk and develop talent. We are proud to have made important progress on our diversity and inclusion strategy, our staff development programs and continue to focus on our gender targets. This reflects our commitment to reflecting the diversity of the communities in which we operate.

Our advantages and market opportunities lie in our point of difference, the strength of our purpose, and commitment to our customers. These are core to our very being - as we remain steadfast in our vision to be Australia's bank of choice.

Jacqueline Hey
Chair, Bendigo and Adelaide Bank

Message from our Managing Director

Earlier this year I attended the inaugural Business Council of Australia Biggies Awards which recognised the positive contributions Australian businesses made to the community in 2020 through bushfire, drought, COVID-19 and economic uncertainty.

Scott Hart and his team at Community Bank Braidwood & Districts were named finalists in the Awards, for their unwavering and selfless support of their community during the Black Summer Bushfire response and recovery. As each of the finalists' stories were shared, I reflected on the resilience of businesses and communities nationwide, amidst what were unforeseen conditions. I felt an enormous sense of pride at how the values of our people shone through in their actions. In times of adversity, strong values become the compass that guides our actions and ensure we remain true to our purpose.

I am always proud to say that this is where our Bank excels. COVID-19 has now been a part of our lives for some 18 months and despite this, our business has delivered strong financial results whilst delivering lasting social and economic impact. We have made tangible progress against our growth and transformation strategy, all while centring the experience of our customers and their communities and staying true to our history, values and identity. This progress has positioned the Bank well to continue to deliver value for all the stakeholders in our business as we further strengthen our capability and productivity.

Our results clearly demonstrate our strategy is making us a bigger, better and stronger business. Our cash earnings after tax increased 51.5 percent from last year to $457.2 million. We have delivered total income on a cash basis of $1,702.5 million, up 4.5 percent on the prior corresponding period, while sustaining above system lending and strong residential growth - which was 2.8 times above system. Given our strong performance, the board was pleased to announce a total, fully franked dividend payment of 50 cents per share in acknowledgment of the loyalty and support our shareholders have shown for our vision and multi-year strategy.. On behalf of my team, I thank you, our shareholders, for your ongoing support.

Over the last year we have strengthened our operations and improved how we engage customers. Brand, technology and process simplification continue to drive efficiency and importantly, strengthen the experience our customers receive when they bank with us. We have also enhanced our people and culture functions to help identify and manage talent, nurture our values-led culture, and equip our people with the skills, wellbeing support and knowledge they need to continue delivering great outcomes for our customers.

We continue to be ahead of our major competitors in leading corporate reputation indices. Our investment in innovation, which when combined with our deeply human-approach, high trust and positive net promoter scores - 29.8 points higher than the average of the major banks - will allow us to become even more agile in responding to our customers' ever-changing needs, and further grow market share.

Unique to us, and our greatest opportunity to create value for our stakeholders, is where our community focus and customer connection and experience overlaps with our strong digital capabilities. Our proven leadership in innovation puts us in good stead. Our recent partnership with Tyro is providing our merchant customers with simpler, flexible payment solutions, while our investment in Tic:Toc continues to see fast growing, direct-to-customer digital offerings provided to customers when and how they want it. Our recent acquisition of Melbourne-based fintech company, Ferocia will allow our Bank to further accelerate our digital strategy and shape the future of banking for a new generation of customers.

Strongly aligned to our purpose to feed into prosperity, not off it, is our commitment to strengthening communities. To date, through our unique Community Bank model, more than $270 million has been returned to communities, providing infrastructure, invigorating local activity, and strengthening for the long term the social and economic fabric of the places we call home.

Steering through periods of significant, unforeseen change and upheaval would challenge any organisation that doesn't have a strong understanding of who they are and what they stand for. I want to personally thank my team for their tireless efforts. As we look ahead, I would like to restate our continued commitment of support to you, our shareholders, as well as our customers, communities and many partners as we all play our own important part in Australia's economic recovery.

Marnie Baker
Chief Executive Officer and Managing Director,
Bendigo and Adelaide Bank

Year in review highlights

Bendigo and Adelaide Bank is committed to operating sustainably from an economic, social and environmental standpoint, considering the needs and expectations of our stakeholders over the long-term. While our expertise is in delivering best in class financial services, our purpose underpins everything we do. Below are some of our financial and non-financial highlights, as well as milestones we have reached in the 2020/2021 financial year. You can read more about these figures in our Sustainability Report and our Annual Report.

Cash earnings after tax
$457.2 million

Statutory net profit
$524 million

Total fully franked dividend
50 cents per share

Residential lending up
2.8x system

Financial performance

This year, the Bank announced a statutory net profit of $524 million, up 172 percent for the 12 months ending 30 June 2021.
Cash earnings after tax were $457.2 million, a 51.5 percent increase on the prior financial year. Cash earnings per share were 85.6 cents per share, up 43.4 percent from the 2020 financial year.

We delivered total income on a cash basis of $1,702.5 million, up 4.5 percent on the prior year. Lending grew overall, with upticks in residential, agribusiness and business lending. Our capital position further strengthened with Common Equity Tier 1 up 32 bps to 9.57 percent, reflecting a well-managed balance sheet and strong risk management, whilst supporting continued lending growth and future investment in transformation. We announced a fully franked final dividend of 26.5 cents per share, taking the full year dividend to 50 cents per share continuing our history of rewarding shareholders with high yield and long-term returns.

NPS
+27.3

Customer growth
9.6%

Number of customers
2 million+

Top 20
Most trusted brands

Customers

Customers are at the heart of what we do. We're proud that more and more Australians are choosing to do their banking with us.

Our competitive range of banking products, unique relationship model and friendly customer service are just some of the reasons why our Net Promoter Score continues to sit well above the industry average at 27.3. Our trust rankings also reflect the esteem we are held in by our customers - Roy Morgan ranks us as one of Australia's top 20 most trusted brands.

Women in leadership roles
43.2%

Culture index
74%
(March 2021)

Employee engagement score
73%
(June 2021)

~1,250
people leaders introduced to Lead BEN

People

We know that when our people are supported and performing at their best, our customers and community benefit. Investing in capability is critical to the success of our strategy. Since 2015, 89 women have completed our Women in Leadership program. Over the past year, we have made progress in all 10 focus areas of the Australian Network on Disability's Access and Inclusion Index, supported 150 leaders through phase 1 of our Lead BEN deep dive and hosted 101 live webinars designed to up skill our people leaders to manage high performing teams. Our focus on people has contributed to an employee engagement score of 73%.

Carbon neutrality achieved June 2021

Reduction in travel related emissions **67%**

Reduction in absolute greenhouse gas emissions **20%**

Branches with rooftop solar **30**

Environment

We recognise climate change has far-reaching risks for the environment, the economy, society, our customers and their communities. We support the Paris Agreement objectives and the required transition to a low carbon economy. Since launching our Climate Change Action Plan, we have reduced our travel related greenhouse emissions by 67%, our absolute emissions by 20% and reached 30 of our branches now fitted with rooftop solar systems. We achieved carbon neutral status in June 2021.

"Speaking Up" resource launched with over 3,300 individual page views

93% small business suppliers paid within 30 days of invoicing

Established relationships with Supply Nation and Social Traders

Lodged our first Modern Slavery statement

Governance

Robust governance is essential to strong and sustainable growth and success. Not only do we adhere to what is required of us from both a legislative and regulatory standpoint, as a values-based organisation we also seek to do what is right in the eyes of our customers and all of our stakeholders. Our Speak Up resource, encouraging staff to speak up when they see something wrong, has experienced strong take up. Our team is also working through more than 140 compliance and regulatory matters to ensure our offering remains aligned to our longstanding practice of being relevant and fair for customers.

Donations received to support natural disaster recovery **$47million** since Jan 2020

Scholarships funded **274**

Community Bank contributions **$21.3 million+**

$7.4 million in grants on behalf of community partners

Community

Our Bank is known across Australia for its commitment to community. In 2020-21 we built on this commitment, returning over $270 million to communities through our Community Bank network since 1998. 274 students have been supported through tertiary education with scholarships totalling over $1 million. Our charitable arm, the Community Enterprise Foundation™ continues to support communities affected by natural disasters distributing more than $15.3 million in donations over the past year. This money is part of the staggering $47 million raised in the wake of the Black Summer bushfires.

In 2021, we have grown market share, customer numbers, total lending and deposits. Importantly, we have not achieved this at the expense of our commitment to community, our people and our environment, recording strong results against our non-financial targets. More about our progress over the past year is contained within our reporting suite outlined below.

Reporting on our performance

Building on our prior Annual Review, in 2021, we commenced reporting on our material environmental, social and governance issues in a separate Sustainability Report. Our reporting suite is now made up of the following documents, all available on our website via our Investor centre: Reports | Bendigo and Adelaide Bank (bendigoadelaide.com.au)

Annual Financial Report	Annual Review	Sustainability Report	Additional disclosures:
Our statutory financial reporting	Summary highlights of our performance over the past year	Our first report on our material ESG topics	Climate-related Financial Disclosures
Tax Report			Modern Slavery Statement
Corporate Governance Statement			

Directors' Report

The Directors of Bendigo and Adelaide Bank Limited present their report together with the financial report of Bendigo and Adelaide Bank Limited (the "Bank") and its controlled entities (the "Group") for the year ended 30 June 2021.

Directors' information

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

Jacqueline Hey,
Chair, Independent
BCom, Graduate Certificate in Management,
GAICD, 55 years

Jacquie joined the Board in July 2011 and was appointed Chair on October 2019, becoming the Bank's first female Chair and one of only 21 ASX 200 female chairs.

Jacquie offers a depth of international experience in business and technology systems and enjoyed a highly successful executive career prior to becoming a full-time company director in 2011.

After majoring in economics at the University of Melbourne, Jacquie took up a graduate position with Ericsson - the Swedish telecommunications company - where she held a variety of leadership roles across more than two decades, eventually rising to become MD & CEO of Ericsson in the UK/Ireland and Australia/NZ.

Jacquie brings to the Board an extensive array of skills including executive leadership, corporate and business acumen, technology and innovation, financial acumen and corporate governance.

Jacquie is a member of the Governance & Human Resources and Technology Committees.

Other director and memberships (including directorships of other listed companies for the previous three years): Director of Qantas Airways Limited (ASX Listed, period: August 2013 to present), AGL Energy Limited (ASX listed, period: March 2016 to present). Member of Brighton Grammar School Council. Former Director, Australian Foundation Investment Company (ASX listed period: July 2013 – January 2019).

"There were 20 kids when I started in my primary school in Wallington on the Bellarine Peninsula, just down the road from Geelong. Everyone knew everyone and community was really important. When the opportunity to join the board of the Bank came along, one thing that really appealed to me was its focus on communities. As Chair, I'm passionate about talking about and representing the Bank, as well as working in the long-term best interests of our shareholders, staff, customers, communities and other stakeholders."

Marnie Baker,

Chief Executive Officer and Managing Director, Non-independent

BBus, ASA, MAICD and SFFin, 53 years

Marnie Baker was appointed Managing Director and Chief Executive Officer commencing July 2018.

Marnie has over 30 years' experience in the financial services industry, across Banking, Trustee and Custodial Services, Financial Planning, Insurance and Funds Management.

Marnie has been with the Bendigo and Adelaide Bank Group since 1989, and an Executive of the Bank since 2000. Her most recent positions include Chief Customer Officer which had responsibility for all the customer facing and direct customer support businesses across the Group, Executive Corporate Resources with responsibility for human resources, information technology, legal, assurance, property & security, procurement and corporate services, as well as previous positions of Chief Information Officer, Group Treasurer and Chief Executive Officer Sandhurst Trustees.

Marnie holds a Bachelor of Business (Accounting) from Latrobe University and is a member of the Australian Society of Certified Practicing Accountants, member of the Australian Institute of Company Directors and a Senior Fellow of the Financial Services Institute of Australasia.

Marnie brings to the Board a strong understanding and connection to regional Australia as well as an extensive array of skills, knowledge and experience from over 30 years in financial services, two thirds of which has been in Executive positions.

Marnie is not a member of any Board Committees.

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

> "I'm passionate about and strongly advocate for the important role communities play in the social and economic fabric of Australia. As a purpose-led organisation we believe in putting our customers and communities at the centre of our business, feeding into their prosperity, not off it."

Vicki Carter,

Independent

BA (Social Sciences), Dip Mgt, Certificate in Executive Coaching, GAICD, 57 years

Vicki joined the Board in September 2018.

Vicki has over 30 years' experience in the financial services and telecommunications sectors with executive roles in distribution, strategy and operations, human resources and transformation. Her extensive skills in large scale people leadership, product and sales management, transformation delivery and risk management have been, and continue to be, valuable and contemporary contributions to the Board and the Bank.

Vicki recently concluded her role as Executive Director, Transformation Delivery at Telstra, and prior to that, held a number of executive roles at NAB including Executive General Manager - Retail Bank, Executive General Manager - Business Operations and General Manager - People and Culture, as well as senior leadership roles at MLC, ING and Prudential Assurance Co Ltd.

Vicki is Chair of the Technology Committee and is a member of the Financial Risk and Governance and Human Resources Committees.

Other director and memberships (including directorships of other listed companies for the previous three years): Executive of Telstra Corporation Limited (ASX Listed, period: August 2015 to October 2021).

> "The organisation's purpose and values hold strong resonance for me. Bendigo and Adelaide Bank actively demonstrates respect for its people, customers and shareholders, and honours the important role it has with community. Having worked across large and complex organisations, I am well placed to navigate the contemporary challenges and opportunities businesses face to modernise and simplify, while at the same time ensuring stakeholder interests and high standards are met."

David Foster,

Independent

B.AppSci, MBA, SFFin, FAIM, GAICD, 52 years

David joined the Board in September 2019.

David is an experienced and highly skilled non-executive director, with a diverse portfolio of directorships and advisory roles across a range of listed and government organisations.

David's executive career - primarily in financial services - has spanned more than 25 years, most recently as CEO of Suncorp Bank from 2008 to 2013. He also held a number of senior roles with Westpac Banking Corporation in Sydney and Queensland across a 14-year period.

David brings to the Board an extensive array of skills including strategy, M&A, operational leadership, finance and risk management, product management and marketing, and change management.

David is a member of the Risk Committee and transitioned from a member of the Financial Risk Committee to Chair in August 2020.

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

"

Bendigo and Adelaide Bank is a leading Australian regional bank with strong community and customer-based values and a strong financial position, which provides a sound base for differentiation and growth opportunities within the sector. With my deep experience in banking and financial services and broader board experience, I hope to assist the organisation through its current change and growth agenda, and deliver superior outcomes over time for its stakeholders."

Jan Harris,

Independent

BEc (Hons), 62 years

Jan joined the Board in February 2016.

Jan's exceptional experience and understanding of the regulatory and government landscape brings additional breadth and balance to the Board. 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 held senior roles in the Department of the Treasury and the Department of the Prime Minister and Cabinet, including as Deputy Secretary of the Treasury.

As well as her depth and understanding of public policy, Jan brings an array of skills including finance, regulatory risk, compliance and risk management.

Jan is Chair of the Risk Committee and is a member of the Audit Committee.

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

"

While still working at the Treasury, I had the opportunity to meet Mike Hirst, the then CEO of Bendigo. I subsequently met him after I had stepped down from a 30-year career at the Treasury. I was taken by Bendigo and Adelaide Bank's unique approach to supporting community prosperity as part of its core business strategy. I'm proud to be part of that continuing story"

Jim Hazel,
Independent
BEc, SFFin, FAICD, 70 years

Jim joined the Board in March 2010.

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. Jim brings to the Board more than 40 years of experience in the financial services sector along with a deep understanding of regional and rural interests, valuable insights into the challenges faced by Australia's ageing population, and the retirement housing sector. Jim has led government initiatives to lower the occurrence of motor vehicle accidents, reduce the impact of road trauma and oversee programs to change behaviours and encourage safer driving.

Jim is a member of the Risk Committee and transitioned from Chair of the Financial Risk Committee to a member in August 2020.

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

> "To contribute at board level to an organisation with the values of Bendigo and Adelaide Bank is a privilege.
>
> During my time on the Board, Bendigo and Adelaide Bank has kept true to its purpose, continuing to invest in strong communities and award winning offerings."

Robert Hubbard,
Independent
BEc (Hons), 62 years

Rob joined the Board in April 2013.

Rob is based in Queensland and was a partner of PricewaterhouseCoopers for 22 years before commencing his career as a non-executive director in 2013.

Rob's skills and experience make him well suited to being Chair of the Audit Committee and as a member of the both Risk and Technology Committees. Rob has highly developed financial skills which he applies to the transactional, operational, risk management and assurance aspects of Bendigo and Adelaide Bank's strategy implementation. His more recent experience as a non-executive director has broadened this to many aspects of business and governance.

Rob is particularly active in encouraging the Bendigo and Adelaide Bank sustainability agenda including a sound understanding of the role the Bank can play in reducing its carbon footprint while encouraging others to do the same.

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

> "I believe that Bendigo symbolises the value that companies with real purpose can bring to all their stakeholders and the communities in which they operate. For more than 160 years, Bendigo and Adelaide Bank has stayed true to this tradition."

David Matthews,

Independent

Dip BIT, GAICD, 63 years

David joined the Board in March 2010.

David chaired the first Community Bank company in Australia, which began in Rupanyup and Minyip in Victoria. He retains a keen interest in the sustainability of the Community Bank network, and its value and importance to hundreds of communities across Australia. David also brings to the Board, a sound understanding of the importance and resilience of the Australian agricultural sector – both to the economy and to our future - and continues to operate a farm and an agricultural import/export business based in the Wimmera region of Victoria. David continues to maintain a close involvement in several agricultural industry bodies.

David brings to the Board an extensive array of skills including broad experience in agribusiness from production to international trade, deep community connections and an understanding of the critical role the 'human' piece plays in business success.

David is a member of the Financial Risk, Audit and Governance & Human Resources Committees. David is also a member of the Community Bank National Council and Chair of the Agribusiness Advisory Committee.

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

"

I believe you can't run a successful bank unless your customers succeed and live in strong, prosperous communities. As a farmer and agribusiness owner, I enjoy bringing first-hand knowledge of the sector to the Board and consider myself fortunate to have been given the opportunity to assist in the development and success of communities across Australia through our Community Bank model."

Tony Robinson,

Independent

BCom, ASA, MBA (Melb), 63 years

Tony joined the Board in April 2006.

Tony brings many years' experience in the Australian financial services sector to the Bendigo and Adelaide Bank Board, including strategic business development and extensive experience in the wealth management, insurance and stockbroking sectors. Tony's previous roles include having served as CFO at Link Communications and CEO of Centrepoint Alliance Limited, IOOF Holdings Limited and OAMPS Limited.

Tony brings to the Board an extensive array of skills and expertise including executive and management skill, acquisition assessment and strategy, and a deep understanding of the broad Australian financial markets.

Tony is Chair of the Governance & Human Resources Committee and is a member of the Audit and Technology Committees.

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

"

I joined the Board of Bendigo and Adelaide Bank with the goal and belief that I could help the Bank prosper and grow while remaining committed to its desire to feed into the prosperity of the communities it serves. I believe that my experience as a senior executive in a number of industries, including as Managing Director of a number of ASX listed companies, particularly in the financial services sector, contributes to the overall skills, experience and guidance the Board brings to its role."

Principal activities

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

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

Operating and financial review

The Group's statutory profit after tax for the financial year ended 30 June 2021 increased by 171.8% to $524.0 million (FY20 $192.8 million). This was impacted by:

- An increase in net interest income due to growth in the lending portfolios, offset by a reduction in net interest margin.
- A reduction in other operating income primarily driven by a reduction in trading book income.
- Increased investment in transformation totalling $87.2 million before tax (FY20 $56.9 million before tax) included investments to improve customer experience and productivity, modernise technology platforms to deliver process and technology simplification and automation, and deliver on key regulatory obligations.
- A reduction in operating costs (excluding transformation costs) of $24.6m or 2.5%.
- A decrease in credit expenses due to the overlay added to the balance of the collectively assessed provision for the potential future impacts of the COVID-19 pandemic which was recorded in the previous financial year and was not repeated in the current year, as well as a $19.4m release of the collectively assessed provision recorded in the current financial year.

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

Dividends and distributions

The Directors announced on 16 August 2021 a fully franked dividend of 26.5 cents per fully paid ordinary share. The final dividend is payable on 30 September 2021. The proposed payment is expected to total $142.5 million.

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

- A final dividend for the 2020 financial year of 4.5 cents per share, paid on 31 March 2021 (amount paid: $23.5 million); and
- An interim dividend for the 2021 financial year of 23.5 cents per share, paid on 31 March 2021 (amount paid: $122.8 million).

Further details on dividends provided for or paid during the 2021 financial year on the Bank's ordinary and preference shares are provided at Note 7 Dividends of the Financial Report.

Review of operations

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

State of affairs

On 27 August 2021, it was announced that current non-executive directors Robert Hubbard and Tony Robinson will retire from the Board at the Annual General Meeting to be held on 9 November 2021. It was also announced that Richard Deutsch has been appointed as a non-executive director effective 20 September 2021.

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

Events after reporting date

On 15 August 2021, Bendigo and Adelaide Bank Limited entered into a Share Sale Agreement to acquire 100% of the shares in Ferocia Pty Ltd, a Melbourne-based fintech company, for consideration of up to $116.0 million, with the transaction being completed on 1 September 2021. The consideration has been paid in cash and shares, with a portion of the consideration being contingent on future performance.

The Directors are not aware of any other matter or circumstance which arose since the end of the financial year to the date of this report that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

Rounding of amounts

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

Meetings of Directors

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

Director	Board		Committees									
			Audit		Financial Risk*		Risk		Governance & HR		Technology	
Meetings during the year	A	B	A	B	A	B	A	B	A	B	A	B
Jacqueline Hey	18	18							5	5	6	6
Marnie Baker	17	17										
Vicki Carter	18	18			11	11			5	5	6	6
David Foster	18	18			11	11	11	11				
Jan Harris	18	18	11	11			11	11				
Jim Hazel	18	18			11	10	11	10				
Robert Hubbard	18	17	11	11			11	11			6	6
David Matthews	18	18	11	11	11	11			5	5		
Tony Robinson	18	18	11	11					5	5		

A = Number eligible to attend
B = Number attended
*Committee renamed to Financial Risk Committee effective 1 July 2021 from Board Risk Committee

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	Preference Shares	Performance Rights	Rights to Shares [1]	Sandhurst Common Fund $ [2]
Jacqueline Hey	50,368	250	-	4,565	-
Marnie Baker	942,327	100	136,376	-	44,004
Vicki Carter	17,858	-	-	-	-
David Foster	9,014	-	-	-	-
Jan Harris	12,622	-	-	3,006	-
Jim Hazel	38,885	-	-	-	-
Robert Hubbard	34,965	-	-	-	-
David Matthews	38,371	-	-	-	-
Tony Robinson	43,140	-	-	-	-

[1] Rights to shares have been issued under the BEN Omnibus Plan Rules for the FY2021 Non-Executive Directors Fee Share Plan. Each participant has elected to sacrifice a portion of the base fee, to which a number of rights has been allocated by dividing the fee sacrifice amount by the five day volume weighted average share price prior to the allocation date of 24 August 2020. The rights to shares vest in two equal tranches after 6 and 12 months, with the first tranche vesting in February 2021. Upon vesting, the converted shares must be retained for the duration of their service as a Director or for up to 15 years, whichever occurs earlier, and will form part of the fulfilment of the Minimum Shareholding Policy introduced from FY2021.
[2] 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 and the BEN Omnibus Equity Plan ("Plans"). Each right represents an entitlement to one fully paid ordinary share in the Bank, subject to certain conditions.

During or since the end of the financial year the Bank granted 177,525 rights (2020: 320,009). This included 152,741 rights granted to key management personnel.

As at the date of this report there are 516,081 rights that are exercisable or may become exercisable at a future date under the Plans. The last date for the exercise of the rights ranges between 30 June 2022 and 30 June 2024.

During or since the end of the financial year 108,744 rights vested (2020: 59,550) and no new fully paid ordinary shares have been issued by the Bank during or since the end of the financial year as a result of rights being exercised.

For the period 1 July 2020 to the date of this report, 290,738 rights have lapsed.

Further details of Key Management Personnel equity holdings during the financial year are detailed in the 2021 Remuneration Report.

Corporate Governance

An overview of the Bank's corporate governance structures and practices is presented in the 2021 Corporate Governance Statement available from the Bank's website at https://www.bendigoadelaide.com.au/esg/governance

The Bank confirms it has followed the ASX Corporate Governance Principles and Recommendations (4th edition) during the 2021 financial year.

Environmental Regulation

The Bank endeavours to conduct its operations in a manner that minimises its impact on the environment. Information on the Bank's environmental performance including its Climate Change Policy Statement and focus areas to manage its environmental impact are provided in the 2021 Annual Review and the 2021 Sustainability Report which are available from the Bank's website https://www.bendigoadelaide.com.au/esg/environment

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

Indemnification of Officers

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

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

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

Indemnification of Auditor

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

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

Insurance of Directors and Officers

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

Company Secretary

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

Declaration by Chief Executive Officer and Chief Financial Officer

The Chief Executive Officer and Managing Director and Chief Financial Officer have provided the required declarations to the Board in accordance with section 295A of the Corporations Act 2001 and recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations in relation to the financial records and financial statements for the year ended 30 June 2021.

The Chief Executive Officer and 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 2020.

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

Non-audit Services

The Board Audit Committee has assessed the independence of the Group's external auditor, Ernst & Young, for the year ended 30 June 2021. The assessment was conducted in accordance with the Group's External Audit Independence Policy and the requirements of the Corporations Act 2001. The assessment included a review of non-audit services provided by the auditor and an assessment of the independence declaration issued by the external auditor for the year ended 30 June 2021.

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

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

Details of the fees paid or payable to Ernst & Young for audit, review, assurance and non-audit services provided during the year are contained in Note 34 Remuneration of Auditor of the Financial Report.

External Audit Tender Process

During the financial year, the Board Audit Committee conducted an external audit tender process with the intent of ensuring the Group receives external audit services that are fit for purpose and that provide value. A single-stage Request for Proposal (RFP) process was undertaken with various accounting firms invited to participate. While the Board Audit Committee acknowledged the long-standing appointment of EY, the partners have always been rotated in line with regulatory requirements, hence EY were not excluded from the RFP process.

The RFP process was overseen by an External Audit Tender Steering Committee which included the Chair of the Board Audit Committee and representatives from the Executive Committee. Each of the firms were provided with equitable access to information and management. Written proposals and various presentations formed the basis of the evaluation process, with EY successful retaining their role as the external auditors of the Group.

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 the financial report of Bendigo and Adelaide Bank Limited for the financial year ended 30 June 2021, 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

T M Dring
Partner
2 September 2021

Operating and Financial Review

Our strategy

Our strategy continues to drive strong growth and a resolute and considered focus on transformation and productivity in our business. Over the past year we have done more than we said we would do, growing market share in both lending and deposits. We achieved strong customer and revenue growth, which combined with a measured risk culture and our human, digital and community strengths, is creating the future of banking.

Our results illustrate that we are a bigger, better and stronger business by delivering on our strategy and our unique purpose to feed into prosperity, not off it.

We act with care, customers and community in mind, building on the capability and experiences we offer our customers. Our transformation continues to improve our productivity, efficiency, speed to market and customer experience. Our underlying business, balance sheet, brand proposition, risk profile and transformation have made our business stronger for the future.

As we build on our purpose, we continue to reduce complexity, invest in capability and tell our unique story, with an eye to the future as we strive to be Australia's bank of choice.

Vision — **Australia's bank of choice**
for customers, employees, partners and shareholders

Purpose — To feed into prosperity, not off it

Imperatives — Reduce complexity | Invest in capability | Tell our story

Our focus

Customer Centric Operating Model
Digital by design, human when it matters

Customer Value Proposition
Based on trust, authenticity, knowledge, expertise, connection and personalised relationships

Growth & Transformation Strategy
Propelled by human, digital and community connections

Strengths

- Genuine and authentic human connections, grounded in purpose
- Partnering to enhance capability and increase customer connection
- Geographic reach and strength of customer deposit base
- Trusted brand and history of resilience, adaptability and innovation
- Community and regional/rural advocacy and connection

Bigger, better and stronger business underpinned by a purpose driven culture, guiding the right behaviours and risk profile.

Our Business performance

Our strategy to reduce complexity, invest in capability and tell our story is delivering stronger financial performance.

This year we recorded an after-tax statutory profit of $524.0 million and cash earnings of $457.2 million, a 51.5% increase from the prior financial year. Cash earnings per share was up 43.4% to 85.6 cents.

Strong net interest income growth and our focus on making sustainable changes to our cost base means our Cost to Income ratio improved over the financial year, reducing to 60.3%. We continued to accelerate our digital and customer experience transformation, to further simplify our business and support our growth strategy.

We continued our strong customer growth, with our total number of customers increasing 9.6% to 2.06 million customers. Customer deposits grew $7.2 billion or 14.2% and total lending increased by $6.9 billion or 10.6%.

We announced a fully franked final dividend of 26.5 cents per share, taking the full year fully franked dividend to 50 cents per share.

These results clearly demonstrate that our strategy is making us a bigger, better, and stronger business.

CASH EARNINGS ($M)

FY21	**457.2**
FY20	301.7
FY19	415.7
FY18	445.1
FY17	418.3

NET PROFIT AFTER TAX ($M)

FY21	**524.0**
FY20	192.8
FY19	376.8
FY18	434.5
FY17	429.6

COST TO INCOME (%) [1]

FY21	**60.3**
FY20	62.7
FY19	59.2
FY18	55.6
FY17	56.1

CASH EARNINGS PER SHARE (C)

FY21	**85.6**
FY20	59.7
FY19	85.0
FY18	92.1
FY17	88.5

DIVIDEND PER SHARE (C)

FY21	**50.0**
FY20	35.5
FY19	70.0
FY18	70.0
FY17	68.0

RETURN ON TANGIBLE EQUITY (%) [1]

FY21	**10.17**
FY20	7.42
FY19	10.73
FY18	11.52
FY17	11.61

1 Calculated using cash earnings

Earnings after tax

STATUTORY EARNINGS (AFTER TAX)

$524.0m

FY20 $192.8m

CASH EARNINGS (AFTER TAX)

$457.2m

FY20 $301.7m

Statutory profit after income tax increased 171.8% to $524.0 million (FY20: $192.8 million) and cash earnings after tax increased 51.5% to $457.2 million (FY20: $301.7 million).

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

- An increase in net interest income relating to growth in the lending portfolios, partially offset by a reduction in net interest margin.
- Increased investment in transformation totalling $87.2 million or $61.0 million after tax (FY20: $56.9 million or $39.8 million after tax) recorded in operating expenses, with this investment focused on improving customer experience and productivity, modernising our technology platforms to deliver process and technology simplification and automation, as well as delivering on key regulatory obligations.
- A decrease in credit expenses largely due to the recognition of an overlay for the potential impacts of the COVID-19 pandemic of $127.7 million in the previous financial year which was not repeated in the current financial year. In the current financial year we also released $19.4 million of the collectively assessed provision.

Statutory profit was also impacted by Homesafe revaluation gains of $137.7 million (FY20: $36.0 million), with significant growth in both the Sydney and Melbourne property markets during the financial year. During the previous financial year software impairments and software accelerated amortisation charges totalling $140.9 million ($98.7 million after tax) were recorded which were not repeated in the current year.

Cash earnings is considered by management to be a key indicator of the underlying performance of our core business activities. It is defined as statutory net profit after tax adjusted for specific items and non-cash items. Specific items are those deemed to be outside of the core activities of the business. Refer below for a reconciliation of statutory net profit to cash earnings.

Income

INCOME (CASH BASIS)

$1,684.5m

FY20 $1,614.2m

NET INTEREST MARGIN

2.26%

FY20 2.33%

Net interest income (cash basis) increased by 6.3% to $1,431.2 million (FY20: $1,346.4 million). Net interest margin (before revenue share arrangements) decreased from the prior year to 2.26% (FY20: 2.33%), however, this contraction in net interest margin was more than offset by an increase in lending activity with total lending up 10.6% over the last 12 months.

Other operating income (cash basis) decreased by 5.4% to $253.3 million (FY20: $267.8 million) predominantly due to lower trading book gains with trading activity impacted by the actions taken by the Reserve Bank of Australia during the financial year. This included the lowering of the cash rate, yield curve control and quantitative easing.

Total fee income was stronger with increased lending fees through higher residential mortgage growth and revenue from Agribusiness' Government services business. However, transaction and ATM fee income was lower predominantly due to the impacts of the COVID-19 pandemic, which saw overseas travel restrictions and reduced cash usage. Foreign exchange income was also impacted by the restrictions on international travel and fees on managed funds were lower.

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

Operating expenses

OPERATING EXPENSES (CASH BASIS)

$1,027.4m

FY20 $1,021.5m

COST TO INCOME RATIO

60.3%

FY20 62.7%

Operating expenses (cash basis) increased by 0.6% to $1,027.4 million (FY20: $1,021.5 million) mainly due to increased investment in transformation. Transformation costs totalling $87.2 million (FY20: $56.9 million) were expensed during the financial year, with this investment focused on improving customer experience and productivity, modernising our technology platforms to deliver process and technology simplification and automation, as well as delivering on key regulatory obligations such as Open Banking.

Excluding transformation costs, operating expenses (cash basis) decreased by 2.5%, reflecting the progress we have made towards making sustainable changes to our cost base.

The cost to income ratio decreased to 60.3% (FY20: 62.7%), a result driven by a combination of our strong revenue growth and our focus on cost reduction.

Credit expense and provisions

CREDIT EXPENSES

$18.0m

FY20 $168.5m

TOTAL PROVISIONS

$445.7m

FY20 $428.2m

IMPAIRED LOANS

$208.8m

FY20 $240.5m

There was a significant decrease in credit expenses during the year, with total credit expenses recognised being $18.0 million (FY20: $168.5 million). This decrease was largely attributable to the recognition of an overlay of $127.7 million in the prior financial year for the potential future impacts of the COVID-19 pandemic, which was not repeated in the current financial year. Also, in the current financial year, we released $19.4 million of the collectively assessed provision.

We have seen an improvement in credit performance, with low levels of arrears, a reduction in impaired assets of 13.2% to $208.8 million (FY20: $240.5 million) and improving economic conditions from 12 months ago.

Notwithstanding the improved economic conditions, our provision levels remain conservative given the continuing uncertainties resulting from the COVID-19 pandemic. The total of provisions and general reserve for credit losses increased during the year by 17.5% to $445.7 million (FY20: $428.2 million).

Dividends

DIVIDENDS

50.0c

FY20 35.5c

The Board declared a final fully franked dividend of 26.5 cents per share, taking the total fully franked dividend for the year to 50.0 cents per share (FY20: 35.5 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

Consumer

CASH EARNINGS (AFTER TAX)

$454.9m

FY20 $417.2m

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

Cash earnings increased to $454.9 million (FY20: $417.2 million), with the key drivers of this result including:

- Improvement in net interest income following continued strong growth in the residential mortgage portfolio and effective margin management.
- A decline in other income with changing customer behaviour due to the COVID-19 pandemic and lower Wealth management fees. This was partially offset by increased lending fees through higher residential mortgage growth.
- A decline in operating expenses, reflecting the benefits of transformation in the Corporate branch network and other cost management initiatives.
- Higher credit expenses due to the release of non-COVID-19 collectively assessed provisions in the prior financial year.

Business

CASH EARNINGS (AFTER TAX)

$175.0m

FY20 $135.7m

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 and Delphi Bank.

Cash earnings increased to $175.0 million (FY20: $135.7 million), with the key drivers for this performance being:

- Higher net interest income reflects the positive asset growth achieved by the division, strong deposit growth and effective margin management.
- Other income reduced primarily due to impacts of the COVID-19 pandemic on foreign exchange income.
- Operating expenses decreased due to active cost management and cost recoveries associated with the disposal of assets under management.
- Credit expenses decreased with lower levels of arrears across all areas of the business lending portfolio.

Agribusiness

CASH EARNINGS (AFTER TAX)

$90.6m

FY20 $70.6m

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

Cash earnings increased to $90.6 million (FY20: $70.6 million), with the key drivers for this performance being:

- Net interest income increased due to strong margin management.
- Other income increased mainly due to higher revenue from Government Services.
- Lower operating expenses reflect structural simplification and active cost management.
- Credit expenses decreased with underlying credit quality remaining strong. This reflects improved seasonal conditions, rising farmland values, drought recovery, strong commodity prices, customer debt deleveraging and disciplined credit underwriting by our experienced and specialised Agribusiness team.

Corporate

CASH EARNINGS (AFTER TAX)

($263.3m)

FY20 ($321.8m)

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

Cash earnings for the current financial year totalled ($263.3 million) (FY20: ($321.8 million)) with the key drivers for this performance being:

- A decrease in credit expenses largely due to the recognition of an overlay for the potential impacts of the COVID-19 pandemic of $127.7 million in prior financial year which was not repeated in the current year. In the current financial year, we also released $19.4 million of the collectively assessed provision.
- A reduction in other operating income (cash basis) predominantly due to lower trading book gains.
- An increase in operating expenses driven from an increased investment in transformation.

Capital

COMMON EQUITY TIER 1 RATIO	TOTAL CAPITAL RATIO	RETURN ON TANGIBLE EQUITY (CASH BASIS)
9.57%	**13.81%**	**10.17%**
FY20 9.25%	FY20 13.61%	FY20 7.42%

The Bank has a strong capital position with a Common Equity Tier 1 (CET1) ratio of 9.57% (FY20: 9.25%), which is above APRA's 'unquestionably strong' benchmark target for standardised banks. Our continued strong capital position reflects a well-managed balance sheet and strong risk management.

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

The Group's return on tangible equity (cash basis) increased to 10.17% (FY20: 7.42%) due to the strong improvement in cash earnings after tax.

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

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

Funding and Liquidity

DEPOSITS

Customer	Wholesale	Securitisation
74.3%	**21.1%**	**4.6%**
FY20 74.9%	FY20 19.9%	FY20 5.2%

LIQUIDITY COVERAGE RATIO

142.0%

FY20 117.3%

NET STABLE FUNDING RATIO

125.9%

FY20 113.2%

The Bank's principal source of funding is its stable retail deposit base, with customer deposits representing 74.3% (FY20: 74.9%) of the Bank's total deposits. The Bank's retail deposits are traditional term and savings deposits and transaction accounts, sourced predominantly through the retail network.

Wholesale funding activities support the core retail deposit funding strategy and provide additional diversification and benefits from longer term borrowings. Wholesale deposits were increased to 21.1% (FY20: 19.9%) during the year and include the drawdown of the Term Funding Facility. Securitisation funding comprises 4.6% (FY20: 5.2%).

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

Our Liquidity Coverage Ratio (LCR) for the financial year was 142.0% (FY20: 117.3%). The LCR was maintained within internal targets throughout the year and always exceeded the minimum prudential requirement of 100%. The increase in LCR during the year is attributed to the growth in deposits as well as the Term Funding Facility introduced by the Reserve Bank of Australia as part of the COVID-19 stimulus package to promote lending to businesses.

The Net Stable Funding Ratio (NSFR) for the financial year was 125.9% (FY20: 113.2%), exceeding the regulatory minimum of 100%.

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

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

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

Lending

GROSS LOAN BALANCES BY PURPOSE

Residential	Consumer	Margin Loans	Business
$51.9b	**$2.4b**	**$1.5b**	**$16.5b**
FY20 $45.2b	FY20 $2.8b	FY20 $1.3b	FY20 $16.0b

Total gross loans increased 10.6% during the financial year to $72,232.6 million (FY20: $65,321.7 million), which was above system lending growth.

Residential lending grew 14.7% or $6.7 billion during the financial year, reflecting strong customer demand and the investment made in our retail and third-party businesses. This lending growth was delivered in our core segments of owner occupied and principal and interest lending, weighted towards principal and interest loans.

We also saw a significant increase in customers choosing to lock in fixed rate lending as many customers seek to take advantage of record low interest rates.

During the financial year total business lending increased by 0.5%[1]. We increased our share in the small to medium enterprise (SME) market during the year as we saw deleveraging of our customers who benefited from government stimulus and the unwinding of working capital needs.

1 APRA Monthly Banking Statistics June 2021. Growth rate is based on a 12-month period (30/06/2020 – 30/06/2021). Business lending is lending to non-financial corporations as defined by APRA.

Reconciliation statutory net profit to cash earnings

	FY21 ($m)	FY20 ($m)
Statutory Profit after tax	**524.0**	**192.8**
Fair value adjustments	-	0.1
Homesafe unrealised adjustments	(90.4)	(16.4)
Revaluation of economic hedges	5.7	2.2
Sale of Merchant Services business	3.1	-
Impairment charge	-	2.8
Software impairment	-	85.5
Software accelerated amortisation	-	13.2
Operating expenses[1]	-	8.3
Amortisation of acquired intangibles	2.1	2.2
Cash earnings after tax (sub-total)[2]	**444.5**	**290.7**
Homesafe net realised income after tax	12.7	11.0
Cash earnings after tax	**457.2**	**301.7**

1 Operating expenses include legal and restructuring costs.
2 Cash earnings after tax (sub-total) is equal to cash earnings before Homesafe realised income.

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

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

Sales of Merchant Services business represents the loss realised due to the sale of the Merchant Services business to Tyro Payments Limited, calculated as sale proceeds less costs of disposal.

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.

Risk Management Framework, Material Risks and Business Uncertainties

Risk Management Framework and Risk Appetite

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

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

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

- Group Credit Risk Management Framework.
- Group Operational Risk Management Framework – encompassing Data Risk, Technology Risk, Compliance Risk, Financial Crime Risk, Third-party Supplier Risk and Conduct Risk.
- Group Interest Rate Risk Management Framework.
- Group Traded Market Risk Management Framework.
- Group Liquidity Risk Management Framework and
- Strategic and Other Risks - incorporated in the Group Risk Management Framework (Summary).

All material risks are managed within a defined risk appetite which is aligned with the Group strategy and business objectives. The Board's risk appetite for its material risks are documented in the Group's Risk Appetite Statement (RAS). The Group's RAS is reviewed, updated and approved annually by the Board. The Group's adherence to the risk appetite is reported regularly to the Board.

Risk Culture

The Group's risk culture (being a subset of broader enterprise culture) plays a key role in managing risk. An effective risk culture is critical for the Group to deliver its strategic objectives and operate within its risk appetite. The Board, Executive and Senior Management play a pivotal role in establishing the target risk culture state which guides and prioritises risk culture specific initiatives and assists the Board and Executive to form an aligned view of risk culture and its drivers.

Lines of Defence

The Group adopts a Three Lines of Defence model which includes ownership (First Line), challenge and oversight (Second Line) and independent assurance (Third Line). The First Line is the business itself. The day-to-day responsibility for risk management rests with the Executive management team and business divisions. The Second Line is Group Risk. Group Risk provides oversight and challenge to the First Line. The Third Line is the Group Assurance function (internal audit) which conducts independent testing and verification of the effectiveness of internal controls and provides assurance that the risk management process is functioning as designed.

Further information on our risk management framework, governance and appetite is presented in the 2021 Corporate Governance Statement.

Emerging Risks

The Group conducts a formal process for the identification, consideration and assessment of emerging risks and their integration into the Group Risk Management Frameworks. In addition, new and emerging risks are also considered in risk assessments and risk profiling activities.

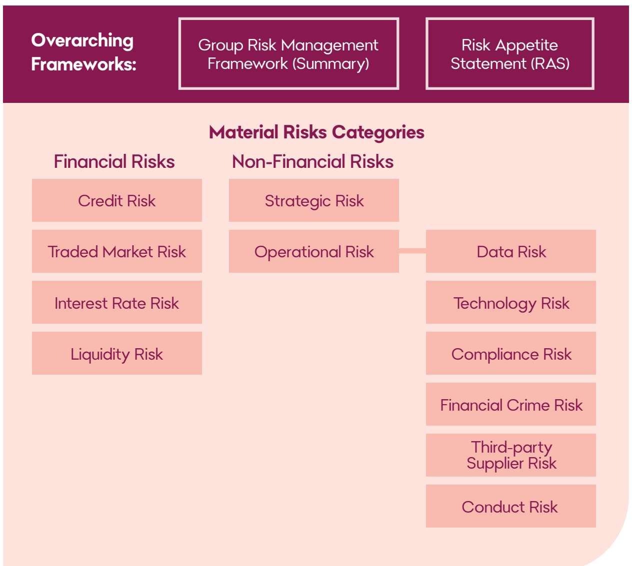
Material Risks

Our business is exposed to a broad range of financial and non-financial risks arising from our operations.

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

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

The most material risks that the Group faces have been assessed as 'material risks' which are considered to be those risks that may affect the Group's ability to meet its obligations to shareholders and depositors. The Group's risk categorises have been split between financial and non-financial and are detailed in the diagram below.



Financial Risks

The Group has identified the following material financial risks:

Material Risks Categories
Financial Risks

- Credit Risk
- Traded Market Risk
- Interest Rate Risk
- Liquidity Risk

Other Risks Categories
Financial Risks

- Climate Change Risk

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

In addition, climate change financial risks include physical risks which cause direct damage to assets and property as a result of rising global temperatures, as well as transition risks which arise from the transition to a low-carbon economy.

The definition and management of these financial risks are outlined in further detail in Note 19 to the 2021 Annual Financial Report.

Non-Financial Risks

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

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

Material Risks Categories
Non-Financial Risks

- Strategic Risk

Strategic Risk is defined as the risk that adverse business decisions, ineffective or inappropriate business plans, or failure to respond to changes in the environment will impact our ability to meet our objectives.

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

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

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

Material Risks Categories
Non-Financial Risks

- Operational Risk

Operational Risk is defined as the risk of impact on objectives or the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational Risk may lead to a range of potential consequences including financial, business disruption, customer/partner, regulatory/legal, people and reputation.

Operational Risk is managed via a comprehensive risk management framework, and is supported by an established network of systems, policies, standards and procedures. The Operational Risk Management Framework assist the Group in integrating risk management into significant activities and functions.

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

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

Operational Risk is wide in scope and incorporates many different sub-risk components and categories that may occur as a result of a common set of cause factors. This includes the risks detailed in the diagram below.

Material Risks Categories
Non-Financial Risks

Operational Risk

- Data Risk
- Technology Risk
- Compliance Risk
- Financial Crime Risk
- Third-party Supplier Risk
- Conduct Risk

Data Risk

Data Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events impacting on data that is either in soft copy or hard copy form. Data Risk encompasses the risk of loss, corruption, incomplete collection, theft and disclosure of data resulting from inadequate or failed internal processes, people and systems or from external events impacting on data.

Data Risk could adversely affect the Group and result in failure to meet these objectives, including regulatory and legal requirements. The range of data assets the Group administers is extensive and includes commercially sensitive information which is collected and maintained on behalf of its customers and partners.

Data Risk is a subset of Operational Risk and managed with policies, processes and practices aligned to the Operational Risk Management Framework. The Group seeks to minimise Data Risk through maintaining a dedicated Data Risk Management Framework to ensure Data Risk are identified, managed and measured for the Group. The Group actively scans the internal and external environment to identify and monitor for current, evolving and emerging data related threats and vulnerabilities.

Technology Risk

Technology Risk is defined as the governance, people, process or technology risks which result in loss or negative impact to the confidentiality, availability and/or integrity of the Group's information technology environment or parts of the information technology environment, including infrastructure, systems and applications.

Most of our daily operations are highly dependent on information technology and there is a risk that these systems or technologies might fail or not be available. The exposure to systems risks includes information security threats and risks, the complete or partial failure of information technology or data centre infrastructure, and using internal or third-party information technology systems that do not adequately support the requirements of the business.

Technology Risk is a subset of Operational Risk and managed with policies, processes and practices aligned to the Operational Risk Management Framework. The Group seeks to minimise Technology Risk through maintaining a dedicated Technology Risk Management Framework to ensure Technology Risk is identified, managed and measured for the Group. The Group actively scans the internal and external environment to identify and monitor for current, evolving and emerging technology and information security related threats and vulnerabilities, as well as other digital devices used to transmit and communicate data and conduct financial transactions.

Compliance Risk

Compliance Risk is defined as the risk associated with failure to comply with any legal or regulatory obligations. The Group's operations are highly regulated and subject to various laws, regulations, policies, standards and industry codes. In addition, at times there are regulatory changes which can affect the Group in substantial and unpredictable ways which includes the need to significantly increase investment in staff, systems and procedures to comply with the regulatory requirements. A failure to comply could result in financial losses and/or a range of actions against the Group including fines, penalties, sanctions being imposed by regulatory authorities, the exercise of discretionary powers by regulatory authorities, or other compensatory action by affected persons.

Compliance Risk is a subset of Operational Risk and managed with policies, processes and practices aligned to the Operational Risk Management Framework. The Regulatory Compliance function provides independent advice and oversight on regulatory compliance as well as providing advice to individual business divisions to assist with the implementation of regulatory change.

Financial Crime Risk

The Group is exposed to the risk of financial crime, including both internal and external fraud. Financial Crime Risk is defined as the risk of money laundering, terrorism financing, sanctions, bribery and corruption, and Fraud (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 financial crime.

Financial Crime Risk (include internal and external fraud) is a subset of Operational Risk and managed with policies, processes and practices aligned to the Operational Risk Management Framework. The Financial Crime Risk function is responsible for establishing programs, policies, procedures and tools as independent challenge, oversight, monitoring and reporting of financial crime risks. The Group has established robust techniques and capabilities to detect and prevent financial crime and comply with legislation.

Third-party Supplier Risk

Third-party Supplier Risk is defined as the risk of failing to manage third party relationships and risks appropriately, for example: not taking reasonable steps to identify and mitigate additional Operational Risks resulting from the outsourcing of services or functions.

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.

Third-party Supplier Risk is a subset of Operational Risk and managed with policies, processes and practices aligned to Operational Risk. The Group has a Procurement Policy which provides the required steps to undertake sourcing activities and the assessment and treatment of supplier risk. In addition, the Group has an Outsourcing Policy which outlines the principles and practices to effectively manage risks arising from the outsourcing of its business activities and functions. The Enterprise Procurement function provides advice, support and oversight throughout the procurement process as well as manage policies, procedures and tools.

Conduct Risk

Conduct Risk is the risk of delivering unfair customer outcomes or market integrity resulting from deliberately or unintentionally acting unfairly, inappropriately or unethically. Poor conduct is a cause of Operational Risk. The Group is exposed to both intentional and unintentional misconduct risks.

Conduct risk is managed with policies, processes and practices aligned to the Operational Risk Management Framework. The Group seeks to minimise conduct risk through maintaining a dedicated Conduct Risk Management Framework incorporating a set of Good Conduct Principles and by promoting an appropriate organisational culture.

Other Non-Financial Risks

The Group is exposed to other non-financial risks, which are detailed in the diagram below:

Other Risks Categories

Non-Financial Risks

Contagion Risk	Pandemic Risk
Model Risk	Transformation / Change Risk
Legal Risk	Employment Practices and Workplace Safety Risk
Taxation Risk	

Contagion Risk

Contagion Risk is the possibility that problems arising in other Group members may compromise the financial and operational position of the ADI. This may include related entities, incorporating subsidiaries, partnerships, Community Bank and our Alliance Bank network.

The Board oversees the business activities conducted by subsidiary entities and is cognisant of specific legal and regulatory requirements applicable to subsidiary business activities. The Board approved Related Entity Policy sets out the key risks that may arise from dealings between Bendigo and Adelaide Bank and its related entities and the associated policies and limits designed to manage those risks.

Model Risk

Model Risk is the risk of financial or operational losses arising from the use of a model. Model Risk can be inherent in a model due to incorrect assumptions, flawed data or incorrectly coded algorithms. Model Risk includes ensuring a model and its output is only used for its designed purpose. Breakdown in the use of the model may occur due to control weakness surrounding the model, incorrect or misleading interpretation of results, inappropriate underlying theory, assumptions or inputs, or errors in outputs not being identified.

The Group seeks to minimise Model Risk through maintaining a Risk Model Management Policy and associated Risk Model Standards which ensure consistency across Risk Models in relation to their development, management, governance and validation.

Legal Risk

Legal Risk is the risk of an event occurring that results in the Group failing to meet a legal obligation. This can include any legal obligation that the Group may have to regulators, customers and counterparties. Legal risk includes, but is not limited to, exposure to fines, penalties or punitive damages resulting from supervisory actions, as well as ordinary damages in civil litigation, related legal costs and private settlements. From time to time, the Group may be subject to material litigation, regulatory actions, legal or arbitration proceedings and other contingent liabilities which, if they crystallise, may adversely affect the Group's results.

Legal risk is a subset of Operational Risk and managed with policies, processes and practices aligned to the Operational Risk Management Framework. The Group Legal function supports the business to make informed decisions, manage and assess risk and comply with legal obligations.

Pandemic Risk

Pandemic Risk is the risk that the Group may be adversely impacted by an epidemic of an infectious disease that has spread across a large region, affecting a substantial number of people. The Group is vulnerable to the impacts of epidemics or pandemics. The COVID-19 pandemic has had and is expected to continue to negatively impact our customers, shareholders, employees and financial performance.

Pandemic Risk is a subset of Operational Risk and managed with policies, processes and practices aligned to the Operational Risk Management Framework. Business Continuity Management (BCM) is a dedicated enterprise control function that includes policies, standards and procedures for ensuring that in the event of a disruption critical business operations can be maintained or recovered in a timely fashion. BCM provide the platform for building resilience and the capability for an effective response that safeguards the Group and the interest of our key stakeholders. The BCM function assists with the Group's management response to Pandemic Risk through a dedicated Pandemic Plan and related crisis management tools including the Contingency Funding Plan and Major Incident Plan.

Transformation/Change Risk

Transformation/Change Risk are those risks that may impact on the successful delivery of an initiative or are introduced to the Group upon implementation of an initiative. Transformation/Change Risk is a subset of both Strategic and Operational Risk and managed with policies, processes and practices aligned to the Operational Risk Management Framework. The Group continues to execute its transformation and growth strategy and an Enterprise Delivery Framework has been developed which outlines the process of how the Group delivers transformation and programs of work including consideration of resourcing, risk, issues and interdependencies.

Employment Practices and Workplace Safety Risk

Employment Practices and Workplace Safety Risk is the risk of losses arising from acts that are inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims or from diversity/discrimination events. Employment Practices and Workplace Safety Risk is a subset of Operational Risk and managed with policies, processes and practices aligned to Operational Risk. The Group has a Code of Conduct which provides a framework and sets expectations for all employees, executives and directors. The Group is committed to promoting a culture of integrity and ethical behaviour, where all of our decisions, actions and behaviours reinforce our corporate values and code of conduct.

Taxation Risk

Taxation Risk is the risk that changes or non-compliance with the tax system could affect the Group's expected profitability. Tax laws are highly complex and open to interpretation. The Group is required to comply with statutory obligations and make tax payments in accordance with relevant tax rules and legislation. Taxation risk is a subset of Operational Risk and managed with policies, processes and practices aligned to Operational Risk. The Group has a Taxation Policy which supports effective management of the Group's Taxation Risk.

Business uncertainties

The financial prospects of any company are sensitive to the underlying characteristics of its business. The external operating environment can at times be dynamic, volatile and unpredictable. The external environment and emerging trends are considered as part of the strategic planning process. Uncertainties remain and risks arising from the external environment need to be managed and remain a focal point.

A summary of the significant uncertainties are presented below.

Dependence on prevailing macroeconomic and financial market conditions

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

Geopolitical tensions/events

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

Ongoing COVID-19 intervention measures

The ongoing intervention measures such as the lockdowns implemented across Australia, state border closures, travel and trade restrictions which have been taken to contain the spread of COVID-19 variants has had an adverse effect on our customers, communities and the economy. There are a number of uncertainties in relation to the extent and duration of intervention measures which impacts on household demand, business activity and slows economic recovery. The impact of prolonged lockdown restrictions causes large scale economic and financial disruption and may have significant long term effects on our customers and businesses across a wide range of industry sectors. The Group continues to support its customers with assistance measures.

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. Physical drivers such as climate change including increases in temperatures and sea levels and the frequency and severity of adverse climate events, 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.

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 Group 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.

Credit Ratings

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

Capital Base

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

Remuneration Report

Contents

This Remuneration Report is for the financial year ended 30 June 2021. 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.

From the Governance and HR Committee Chair

The Board of Bendigo and Adelaide Bank are pleased to present the following Remuneration Report to shareholders. It provides both details of the remuneration outcomes for the year and some indication of how we approach remuneration matters.

Our goal is to establish remuneration structures that reward appropriate behaviours, discourage poor behaviour and decisions, align the interests of the individuals with the agendas of a broad group of stakeholders and allows us to attract talented and dedicated people to the Bank. We hope the following report provides you with an understanding of how we go about pursuing these goals and the outcomes of the decisions we have made to achieve them.

Some key highlights from the report are:

Details of the new executive remuneration framework can be found in section 2. The executive remuneration arrangements were restructured at the start of FY2021 with key impacts on executives summarised. The value of the prior year deferred base grant was transitioned to cash salary for executives, except for the Chief Executive Officer and Managing Director whose structure had been partly locked in until the end of FY2023. This has seen an increase in cash salary, but no change in Total Aggregate Reward. Under the revised remuneration structure, executives received grants of Loan Funded Shares and Performance Rights in November, following the 2020 Annual General Meeting and the approval of the Chief Executive Officer and Managing Director's grants.

The FY2021 financial results show that our strategy is delivering for customers and shareholders. While a bonus pool for salaried staff was established, cash short-term incentives were removed from the executive reward structure, and no cash incentives were paid to executives.

Following the end of the prior financial year deferred base pay for the executives, including the Chief Executive Officer and Managing Director, vested. For executives, this was the final tranche of deferred base pay under the previous reward framework. The long-term incentive grant made to management KMP in FY2019, excluding our Chief Executive Officer and Managing Director, was tested and the tranche with the relative Total Shareholder Return measure did not vest. However, the Bank has continued to maintain our customer advocacy advantage over our peers, which resulted in performance rights with a 'Customer Hurdle' vesting.

We hope you find the following report helpful and informative.

Tony Robinson
Chair – Governance and HR Committee

Executive remuneration outcomes for FY2021

Remuneration component	Remuneration outcomes
Fixed Base	There were no increases in fixed base for executives in FY2021, however there was a change to the remuneration structure and the split between cash and equity. In the new executive remuneration structure implemented this year, the reward value of the previous year's deferred base remuneration was transitioned to cash salary for all management KMP except the Chief Executive Officer and Managing Director. The Chief Executive Officer and Managing Director elected to take a 10% reduction in fixed remuneration for the six-month period 1 November 2020 through to 30 April 2021. She also contributes $5,000 to our scholarship program.
Deferred base remuneration	No grants of deferred shares were made, and this element has been removed from our executive remuneration structure. As approved by shareholders at the 2018 AGM, a grant of 200,000 deferred shares was made in 2018 to the Chief Executive Officer and Managing Director and 50,000 of these deferred shares are considered part of the Chief Executive Officer and Managing Director's remuneration for the year ending 30 June 2021. The vesting criteria for the deferred base pay grants made in FY2020 were satisfied and the Board approved the vesting of the shares without adjustment.
Short-term incentive (STI)	The STI plan was removed from the executive remuneration structure in FY2021. No STI nor other cash incentive payment was made to executive KMP for the year, The Bank's salaried employees participated in a group-wide Value Creation Dividend plan which yielded a pool of $10 million made available for payment and will be distributed to over 2,500 employees in late September 2021.
Long-term incentive (LTI)	The Chief Executive Officer and Managing Director eceived a grant of loan funded shares and performance rights in accordance with the terms approved by shareholders at the 2020 AGM. The grant is subject to a four-year performance period. Loan funded shares and performance right grants were made to other executives in accordance with their remuneration mix. The grants are subject to a four-year performance period in total. The long-term incentive grant made in FY2019 to executives, excluding the current Chief Executive Officer and Managing Director, was tested at the end of the FY2021 year. The relative TSR performance measure for performance rights granted fell below the median of the peer group. As a result, the sleeves of the grants that were linked to the relative TSR were forfeited. The sleeve of grant that was linked to the Customer Hurdle vested in full. This was in recognition of the Bank's relative NPS being 26.7 points above the industry average for the 3-year performance period finishing 30 June 2021. The results of performance right testing are provided at Section 3 of this report. Note the FY2019 Chief Executive Officer and Managing Director grant was a 4-year grant, and will be tested at the end of FY2022.
Non-executive director fees	There was no change in the annual fee payment for non-executive directors for the FY2021 year, and the non-executive directors continue to contribute $5,000 each to the Bank's scholarship program. The Board elected to take a 10% reduction in fees for the six-month period 1 November 2020 through to 30 April 2021. The aggregate non-executive director fees paid for the year was $1.821 million which represents 72.9 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 over the last 12 months.

Executive remuneration framework FY2021

Our values

Teamwork	Integrity	Performance	Engagement	Leadership	Passion
We are one team with one vision	We build a culture of trust	We strive for sustainable success	We listen, understand – then deliver	We all lead by example	We believe in what we do

Remuneration 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
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. This includes addressing, when necessary, 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 prudent risk taking that supports the achievement of superior long-term results for shareholders and customers and supports the risk management framework of the Bank.

Good customer Outcomes
Reward structures and practices will be designed to minimise the risk of incentivising behaviours that may lead to poor customer outcomes whilst encouraging the right behaviours, at the right time for great customer experiences.

Remuneration Framework

Fixed Reward	Variable Reward - Equity		
		Long Term Incentive (LTI)	
Fixed Base - Cash	Deferred Base - Equity	Loan Funded Share Plan	Performance Rights
Comprise base salary and superannuation contributions. Set by reference to the size, complexity of role and individual responsibilities. External market benchmarking includes comparable roles in the banking sector and companies of a similar size, complexity and performance outlook. Recognises an individual's experience, skills, competencies and value.	* MD only, with final tranche from FY2019 grant vesting in FY2023. Deferred shares (fully paid ordinary shares) issued at no cost and beneficially owned by the executive from grant date. They cannot be received as cash unless Board decides otherwise. Grants are subject to continued employment ("service condition") over the deferral period.	Shares granted with a non-recourse interest free loan subject to performance criteria. Dividends received pay off the loan for the duration of the grant. Plan operates over 6 years. At 2 years, performance is measured against Cost to Income ratio (50%), relative Net Promoter Score (25%) and Market Share (25%) to determine vesting. Any vested shares are subject to a further 2 year deferral period. Any unvested shares are forfeited. At year 4 participants have another 2 years to settle the loan.	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 relative Total Shareholder Return (rTSR) performance measures, risk and service condition tested over 4 years.
	All equity grants are subject to ongoing risk adjustment & the Clawback and Malus Policy		

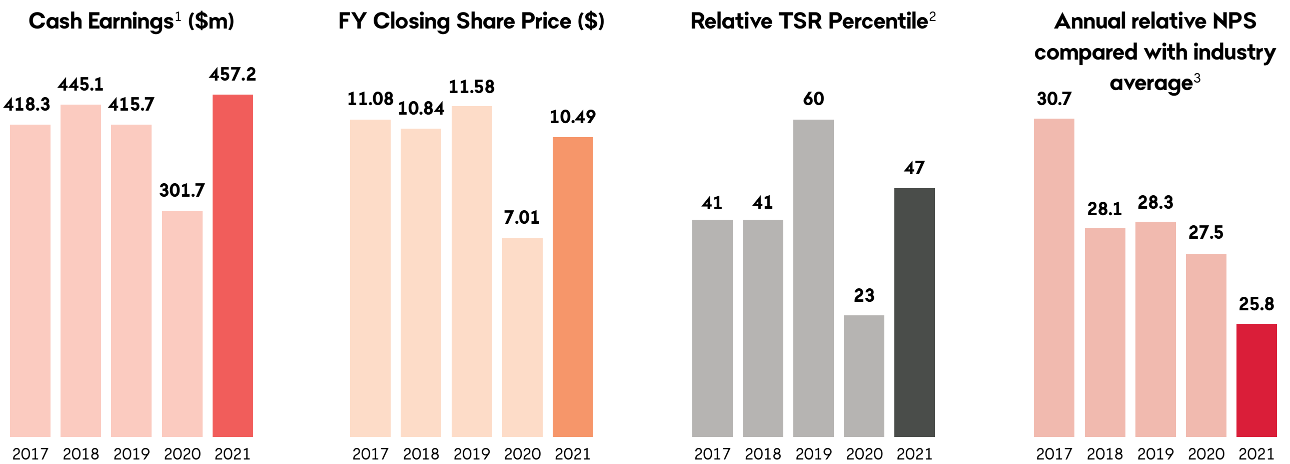
Minimum Shareholding Policy (MSP)

In FY2021, the Bank introduced a Minimum Shareholding Policy (MSP) for its Executives and Non-executive Directors.
The MD must accumulate BEN shares equal to 150% of Fixed Base and other Executives must accumulate 75% of Fixed Base over a 5-year period from the later of, the date of the introduction of the policy or their date of appointment.
For Non-Executive Directors, including the Chair must accumulate 100% of their base fee over a 5-year period. For more details, please refer to page 33.

Group financial performance

The level of variable remuneration outcomes reflects the Bank's performance as presented in this five-year snapshot of key measures and metrics.

Group Performance Measures



1. Cash earnings is an unaudited, non-IFRS financial measure
2. Relative TSR percentile rank versus ASX comparator group over the performance period tested at the end of each corresponding financial year
3. Annual relative NPS sourced from Roy Morgan Research and represents the average of the 6 month rolling scores as at December and June compared with the industry average.

Variable Reward Outcomes for Executives	Financial year ending				
	2017	2018	2019	2020	**2021**[1]
Average STI awarded as a % of maximum opportunity	55.4%	63%	0%	0%	**n/a**
Percentage of LTI which vested	0%	0%	83%	30%	**35%**

1. STI is no longer part of the Executive reward framework from 2021

Below is a summary of other key performance metrics for the previous five years, including FY2021.

Company performance measure	Financial year ending				
	2017	2018	2019	2020	**2021**
Statutory net profit after tax ($m)	429.6	434.5	376.8	192.8	**524.0**
Statutory earnings per share (cents)	90.9	89.9	77.1	38.1	**98.1**
Cash earnings per share (cents)	88.5	92.1	85.0	59.7	**85.6**
Dividends paid and payable (cents per share)	68.0	70.0	70.0	35.5	**50.0**
Total shareholder return (annual)	22.5%	4.2%	14.2%	36.0%	**55.5%**
Annual relative NPS compared with industry average [1,2]	+30.7	+28.1	+28.3	+27.5	**+25.8**

1. Annual relative NPS sourced from Roy Morgan Research and represents the average of the 6 month rolling scores as at December and June compared with the industry average.
2. Roy Morgan data provided for FY2020 has been adjusted due to a reporting issue that occurred during FY2020, however this did not result in any adjustments to LTI outcomes relating to FY2020.

Risk and remuneration consequences

The Bank is committed to effective remuneration practices that reward performance in a manner that is appropriate and consistent with shareholder and regulatory expectations, including the requirements under Prudential Standard CPS 510 Governance and the Banking Executive Accountability Regime (BEAR).

The Clawback and Malus Policy sets out some of the circumstances in which the Board may seek to reduce or recoup "at risk" remuneration (whether vested or unvested) or take other actions to ensure remuneration outcomes are appropriate in light of all the circumstances, including those which arise or come to light after "at risk" remuneration has been granted or delivered. The policy applies to all employees of any Group Company who receive "at risk" remuneration, meaning the portion of an employee's remuneration that is subject to performance conditions, vesting conditions or a real risk of forfeiture. It includes all variable remuneration, one-off or special incentive arrangements in place, provided in cash or equity.

Taking into account the provisions of the Clawback and Malus Policy, the Board has discretion, having regard to the recommendations of the Governance and HR Committee, to adjust variable remuneration (including Annual Variable Reward and LTI) to reflect the following:

a. The outcomes of business activities.
b. The risks, including non-financial risks, related to the business activities taking into account, where relevant, the cost of the associated capital.
c. The time necessary for the outcomes of those business activities to be reliably measured.

This includes adjusting performance-based components of remuneration downwards, to zero if appropriate, in relation to particular persons or classes of persons, if such adjustments are necessary to:

a. Protect the financial soundness of the regulated institution; or
b. Respond to significant unexpected or unintended consequences that were not foreseen by the Board.

In these circumstances, this may involve the Board deciding, having regard to the recommendation of the Governance and HR Committee, to clawback the deferred component of an Annual Variable Reward award or LTI grant during the deferral period. This may include the deferred component and the awarded or granted component.

The Board also has discretion to adjust positively in cases where the organisation has mitigated high-risk events and demonstrated a successful risk culture.

The accountability obligations for accountable persons are outlined in the Bank's BEAR policy. As outlined in the BEAR Policy, the Board may determine that the accountable person has breached their accountability obligations. If the Board makes such a determination, the Bank may not pay some or all of the accountable person's variable remuneration, including deferred remuneration, as it sees fit.

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.

Minimum Shareholding Policy

The Bank has adopted a Minimum Shareholding Policy (MSP) in order to further strengthen the alignment between the interests of Directors and executives, and BEN's shareholders. The MSP supports a focus on long term shareholder value by requiring Directors and senior executives to build a minimum shareholding in BEN and maintain it during their tenure.

Under the MSP, the requirements are:

- Chief Executive Officer and Managing Director: 1.5 x Fixed Base including the notional annual value of her deferred base pay
- Other Executives: 0.75 x Fixed Base
- Chair: 1 x annual Chair base fee
- Non-executive Directors: 1 x annual Director base fee

The shares that are considered to contribute towards the MSP level are:

- shares which are held directly, indirectly or beneficially by an Executive or Non-executive Directors;
- shares which are held by a close family member of the Executive or Non-executive Directors;
- shares which are held by an entity over which the Executive or Non-executive Directors has, directly or indirectly, control, joint control or significant influence;
- any vested shares from incentive plans which are retained by the Executive; and
- any unvested shares from incentive plans which are subject only to service conditions and risk adjustment that are held by Executive.

For Executives, shares granted under the Loan Funded Share Plan will be included once these have been performance tested and still subject to a service condition.

In assessing whether the minimum shareholding level has been achieved, the value of the shares will be calculated as the acquisition cost of the relevant shares. In the case where shares were granted under equity incentives or salary/fee sacrifice plans the allocation price has been used.

Once the minimum shareholding level has been assessed as met for the first time, the Executive or Non-executive Directors will be deemed to have met the policy requirements. The Executive or Non-executive Directors has five years from the latter of the date of the policy or date of appointment to meet the policy requirements. The policy was introduced on 25 August 2020.

The Board may, at any time and in its sole discretion, amend the minimum shareholding levels and/or timing requirements set out above.

Remuneration governance

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

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

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

The Committee may consult a professional adviser or expert, at the cost of the Bank, if the Committee considers it necessary to carry out its duties and responsibilities. During FY2021, the Governance and Human Resources Committee engaged KPMG to provide support as part of the Bank's review of the executive remuneration framework and NED Fee structures. KPMG provided market practice, remuneration data, trends and assistance with other ad-hoc tax and legal matters. KPMG did not provide any remuneration recommendations as defined in the Corporations Act 2001 (Cth) to the Committee during FY2021.

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	Current Shareholding	Progress against Minimum Shareholding Policy [1]
Non-executive directors				
Jacqueline Hey	Chair	Full Year	93%	On track
Vicki Carter	Non-executive Director	Full Year	83%	On track
David Foster	Non-executive Director	Full Year	27%	On track
Jan Harris	Non-executive Director	Full Year	44%	On track
Jim Hazel	Non-executive Director	Full Year	> 100%	Meets
Rob Hubbard	Non-executive Director	Full Year	> 100%	Meets
David Matthews	Non-executive Director	Full Year	> 100%	Meets
Tony Robinson	Non-executive Director	Full Year	> 100%	Meets
Executives				
Marnie Baker	Managing Director & Chief Executive Officer	Full Year	> 150%	Meets
Ryan Brosnahan	Chief Transformation Officer	Full Year	13%	On track
Taso Corolis	Chief Risk Officer	Full Year	> 75%	Meets
Travis Crouch	Chief Financial Officer	Full Year	38%	On track
Richard Fennell	Executive, Consumer Banking	Full Year	> 75%	Meets
Alexandra Gartmann	Executive, Rural Bank, Partnerships, Public and Corporate Affairs	Full Year	> 75%	Meets
Bruce Speirs	Executive, Business Banking	Full Year	35%	On track

1. The Minimum Shareholding Policy (MSP) was introduced on 25 August 2020, refer to Page 33 for more details. The MSP requires Non-executive Directors and the Executive to meet the minimum shareholding requirements within 5 years of the policy introduction or within 5 years of appointment, whichever is later. For all current KMP, the MSP must be met by 25 August 2025.

Executive remuneration mix

The total target reward for executives is set by the Board at the start of each year and represents the potential target maximum reward. 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.

As described in last year's report, a revised executive remuneration framework was introduced in FY2021. The key objectives of the remuneration framework are:

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

To meet these objectives, the framework consists entirely of long term equity grants, made up of two components, each vesting over 4 years, as follows:

- Loan funded shares issued under a new Loan Funded Share Plan – a new equity incentive plan with the shares subject to 2 year performance measures that are linked to delivery of the Bank's strategy, a 4 year service condition and a risk gateway at the end of year 4.
- Performance Rights issued under a new Omnibus Equity Plan – a new long term equity incentive plan with the performance rights subject to a 4 year relative total shareholder return performance measure.

The new framework has facilitated a realignment of deferred base pay grants being incorporated into executive's cash salary. Under the BEAR remuneration requirements deferred base pay was considered variable remuneration, and subject to additional restrictions. This changed the grants from their original intent, which was to align a portion of an executives fixed remuneration with the shareholder. Therefore, the Bank chose to implement the loan funded share plan to create the alignment with shareholders.

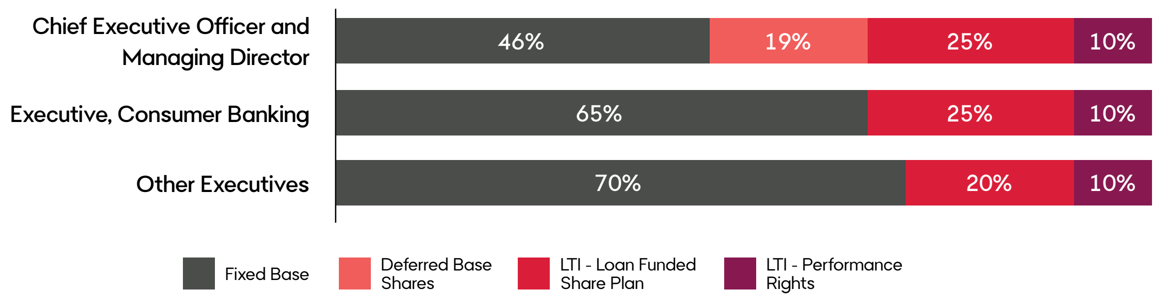
The transition to the new framework was done in a way to ensure there is no material change to the in executives' overall incentive opportunities, which remain modest compared to our peers. The new framework is consistent with the Bank's long held view that remuneration structures which are weighted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

The 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 Shares	Loan Funded Share Plan [1]	Performance Rights	Awarded as Cash	Awarded as Equity
M Baker	Chief Executive Officer and Managing Director	46%	19%	25%	10%	46%	54%
R Fennell	Executive, Consumer Banking	65%	n/a	25%	10%	65%	35%
Other executives (average)		70%	n/a	20%	10%	70%	30%

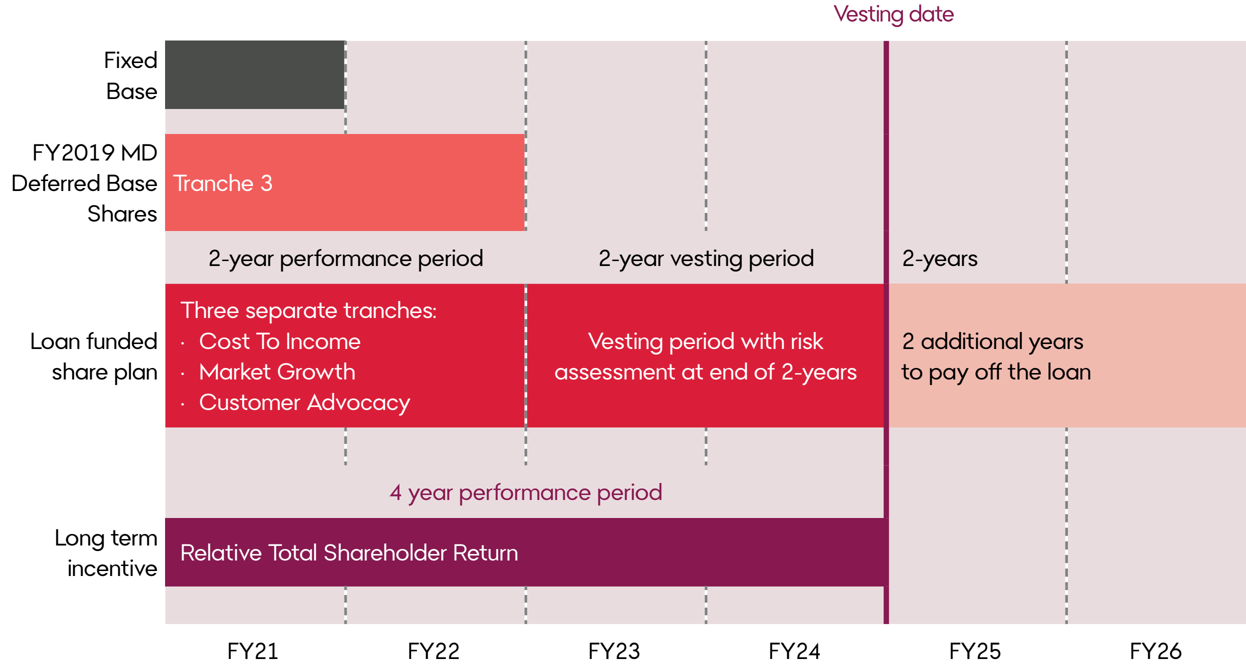
1. The grant value of the Loan Funded Share Plan is equal to 3.9x the reward value. The multiple reflects that the economic outcome of the Loan Funded Share is similar to that of a share option. The multiple was determined as part of the transition.

This chart illustrates the reward mix elements and compares the Chief Executive Officer and Managing Director with other executives.



Remuneration time horizon

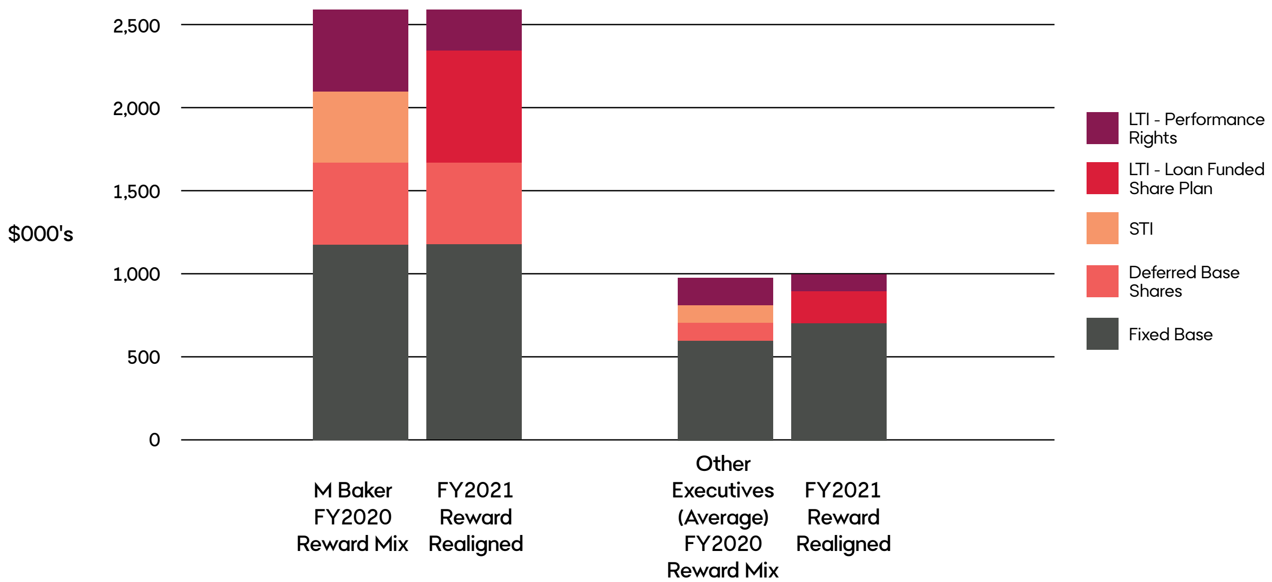
The following provides an illustration of how FY2021 remuneration will be delivered to the Chief Executive Officer and Managing Director and other Executive KMP.



With the introduction of the new Executive Remuneration Framework in FY2021, the reward mix was realigned. This resulted in the value of the prior year's Deferred Base Shares component being delivered as part of the cash salary. The Chief Executive Officer and Managing Director was granted Deferred Base Shares in 2018 that vest on a staggered timeline and will expire in 2023.

Therefore, the Board determined that this element of the reward mix realignment did not apply to the Chief Executive Officer and Managing Director at this time.

The reward mix realignment did not result in any material changes to the overall total aggregate reward for our Executives as illustrated in the following chart.



Remuneration received by current Executives

The following table is a voluntary, non-statutory summary of the remuneration paid or which vested to the executives for the 2021 and 2020 financial years. Not all amounts have been prepared in accordance with Australian Accounting Standards and this information differs to the statutory remuneration disclosures presented at Section 4 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 Annual Remuneration[1]		Prior years' deferred base vested [3]	Cash STI [4]	Prior years' deferred STI vested	Prior years' LTI vested [5]	Total remuneration realised
		Cash salary	Realigned deferred base to cash salary [2]					
M Baker	2021	$1,188,826	n/a	$583,810	n/a	-	-	$1,772,636
	2020	$1,222,535	-	$376,788	$0	$32,421	$47,878	$1,679,622
R Brosnahan [6]	2021	$661,753	$100,000	$90,508	n/a	-	-	$852,261
	2020	$468,377	-	-	$0	-	-	$468,377
T Corolis	2021	$572,131	$100,000	$90,508	n/a	-	$54,496	$817,135
	2020	$594,322	-	$65,025	$0	-	$28,727	$688,074
T Crouch	2021	$506,642	$100,000	$90,508	n/a	-	$54,496	$751,646
	2020	$538,304	-	$65,025	$0	-	$9,569	$612,898
R Fennell	2021	$723,010	$165,000	$149,336	n/a	-	$95,365	$1,132,711
	2020	$761,510	-	$107,295	$0	$36,017	$47,878	$952,700
A Gartmann	2021	$520,566	$100,000	$90,508	n/a	-	$51,086	$762,160
	2020	$541,768	-	$52,021	$0	-	$19,151	$612,940
B Speirs	2021	$532,202	$100,000	$90,508	n/a	-	$51,086	$773,796
	2020	$515,371	-	$65,025	$0	-	$19,151	$599,547

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 4.
2. With the exception of the Chief Executive Officer and Managing Director the realignment of the reward mix for Executives from FY2021 resulted in the notional contractual value of the deferred base pay shares component being incorporated to the Fixed Base as cash.
3. The prior years deferred base amounts represent the grant made on 19 December 2018 for Ms Baker and 17 December 2019 for other executives of which completed the two-year deferral period and vested. No new grants of deferred base pay shares will be made to Executives as this reward element has been removed.
4. From FY2021, Executives are not eligible to participate in a STI awards
5. The prior years' LTI amounts represent the grant made on 17 December 2018 for all participants. These grants partially met their respective performance measures and accordingly partially vested with the remainder of the grant forfeited. The LTI grants made in subsequent financial years will be tested in future periods and have therefore been excluded from the table.
6. Mr Brosnahan commenced as KMP on 4 November 2019, therefore data presented for FY2020 is for a part year.

Section 2: **Remuneration framework in detail**

Fixed Base

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

Deferred Base Pay Shares

For Chief Executive Officer and Managing Director Only

Deferred base is represented by a grant of deferred shares that are held in trust for a deferral period, and forms part of her total Fixed Base. 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 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 Chief Executive Officer and Managing Director received a grant of 200,000 deferred base shares in FY2019 made in four equal tranches of 50,000 shares and each tranche had a deferral period of 2-years, 3-years, 4-years, and 5-years respectively. Tranche 1 vested in FY2020, Tranche 2 in FY2021 with Tranche 3 and 4 to be tested for vesting in FY2022 and FY2023.

The deferred base pay shares are no longer part of the executive remuneration framework for executives.

The following tables describe the Long Term Incentive which is in two parts, the Loan Funded Share Plan and Performance Rights plan. The Board believes that equity based long-term incentives are important to ensure an appropriate part of the executive's reward is linked to generating long-term returns for shareholders.

Long Term Incentive – Loan Funded Share Plan

Features	Approach
Instrument	Loan Funded Shares Loan Funded Shares are ordinary shares (Shares) provided via an interest free, non-recourse loan.
Participants	Executives
Opportunity	Reward package value is 25% to 40% of Fixed Base. In determining the reward package value, the previous remuneration framework's Short Term Incentive maximum value and half of the old Long Term Incentive value were realigned into this component. The loan value was determined by multiplying the reward package value by a multiple which is the inverse of the fair value of the instrument. The fair value uses the same methodology as that of an option. The Board determined that a multiple of 3.9X was aligned with market practice and would facilitate the appropriate levels of reward outcomes in line with the intended reward package value. The loan value then becomes 100-150% of the Fixed Base Reward. Number of shares granted is determined using the face value method. This is determined by dividing the loan value by the arithmetic average of the daily volume weighted average price of fully paid ordinary BEN shares sold on the ASX in the ordinary course of trading for the 5 trading days prior to allocation.
Performance Hurdles	See the table below. Performance targets for the Cost to Income ratio and Market Growth measures will be disclosed following assessment in the FY2022 Remuneration Report.
Performance Period	Measured over 2 years + 2 further years of restriction period
Duration to access reward post grant	4 years with 2 years to settle any outstanding loan balance
Vesting	Cliff vesting · If the performance hurdle is met or exceeded, that proportion of the incentive will vest. · If the performance hurdle is not met, that proportion of the incentive will lapse. Shares and loan balance will be forfeited.
How the Loan works	Any dividends or other distributions paid on the Shares while the Shares are restricted, are applied (on a notional after-tax basis) towards repaying the loan. Any vested shares will be used to settle the loan balance owing.
Risk Assessment & Risk Behaviour Gateway	In accordance with the Bank's clawback policy, the Board has broad discretion to ensure that, amongst other things, no unfair benefit is derived by any participant in the case of a material misstatement of financial results or serious misconduct by a participant. Reputation and conduct matters are also considered under the policy. This includes discretion to reduce or forfeit unvested awards, reset or alter the performance conditions applying to the applicable award or require the repayment of any vested awards.
Cessation of Employment	Shares will be forfeited in the event of resignation, or the Bank terminates employment due to fraud, dishonesty, breach of legal duties or serious misconduct. Where a participant ceases employment due to death, disablement, bona fide redundancy or by agreement with the Bank, shares will remain on-foot to be tested against the applicable performance conditions at the same time as continuing participants and will have 1 year to settle the loan.

Performance Hurdles:

Measure	How	Weighting
Cost to Income ratio	Substantive progress in the Bank's CTI Ratio, consistent with the Bank's stated objective of lowering its CTI to 50% over the medium term.	50%
Market Growth	Grow its deposits and loans faster than system and increase its market share.	25%
Customer Advocacy (relative NPS)	Bank's Net Promoter Score 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.	25%

Long Term Incentive – Performance Rights

<table>
<tr><th>Features</th><th>Approach</th></tr>
<tr><td>Instrument</td><td>Performance Rights
A performance right is a promise to an ordinary share subject to performance conditions.</td></tr>
<tr><td>Participants</td><td>Executives</td></tr>
<tr><td>Opportunity</td><td>15% of Fixed Base
In determining the reward package value, the remaining half of the old Long Term Incentive value the previous remuneration framework was realigned into this component.
Number of performance rights granted is determined using the face value method. This is determined by dividing the loan value by the arithmetic average of the daily volume weighted average price of fully paid ordinary BEN shares sold on the ASX in the ordinary course of trading for the 5 trading days' prior to 1 July of the financial year of issue.</td></tr>
<tr><td>Performance Hurdles</td><td>Relative TSR
Total Shareholder Return is measured over the 4 year performance period against a peer group consisting of the ASX100 Companies (excluding property trusts and resources companies)</td></tr>
<tr><td>Performance Period</td><td>4 years</td></tr>
<tr><td>Duration to access reward post grant</td><td>4 years</td></tr>
<tr><td>Vesting</td><td>The vesting scale is as follows:
<table>
<tr><th>TSR performance against peer group</th><th>Percentage of performance rights that vest</th></tr>
<tr><td>At or below the 50th percentile</td><td>0%</td></tr>
<tr><td>At 50.1th percentile</td><td>60%</td></tr>
<tr><td>Between the 50.1th and 75th percentiles</td><td>Straight-line vesting:
· starting at 60%; and
· reaching 100% at the 75th percentile.</td></tr>
<tr><td>At or above the 75th percentile</td><td>100%</td></tr>
</table></td></tr>
<tr><td>Risk Assessment & Risk Behaviour Gateway</td><td>In accordance with the Bank's clawback policy, the Board has broad discretion to ensure that, amongst other things, no unfair benefit is derived by any participant in the case of a material misstatement of financial results or serious misconduct by a participant. Reputation and conduct matters are also considered under the policy.
This includes discretion to reduce or forfeit unvested awards, reset or alter the performance conditions applying to the applicable award or require the repayment of any vested awards.</td></tr>
<tr><td>Cessation of Employment</td><td>Performance rights will be forfeited in the event of resignation, or the Bank terminates employment due to fraud, dishonesty, breach of legal duties or serious misconduct.
Where a participant ceases employment due to death, disablement, bona fide redundancy or by agreement with the Bank, performance shares will remain on-foot to be tested against the applicable performance conditions at the same time as continuing participants.</td></tr>
</table>

Section 3: **Variable reward outcomes for FY2021**

Deferred Base Pay

As at 30 June 2021 the service condition for the deferred base pay grants made to executive KMP on 17 December 2019 and the second tranche of deferred base pay shares granted to the Chief Executive Officer and Managing Director on 19 December 2018 was met. The Board considered their vesting with regard to the financial soundness and risk profile of the organisation, it was determined by the Board to vest the deferred shares in full.

The number of deferred shares granted to each executive are presented in the table headed 'Executive equity instrument grants' at Section 4.

Performance Rights

Senior Executive LTI grant was tested at 30 June 2021, the LTI grant that was made to executives in FY2019. The LTI grant made to executives in 2018 had a 3-year performance period for the TSR and Customer Hurdle (NPS). The FY2018 Chief Executive Officer and Managing Director LTI granted on 12 December 2017 to the previous Managing Director was also tested. This LTI had a 4-year performance period for TSR and the Customer Hurdle (NPS).

The results for the FY2019 LTI Senior Executive grant are summarised below.

Grant	Hurdle	Weighting	Grant Date	Test Date	Outcome	Vested 2021	Lapsed 2021
2019 LTI Senior Executives	TSR	65%	17.12.2018	30.06.2021	47th percentile	0%	100%
	NPS	35%	17.12.2018	30.06.2021	+26.7	100%	0%

Group-wide Value Created Dividend pool

Executives were not eligible to participate in any short-term incentive in FY2021 as this reward component had been removed from the executive reward framework. However, a group-wide value created dividend remains as an element of reward for salaried employees.

The Board determined that the criteria to establish a bonus pool had been met as our target cash earnings target was exceeded. The Board considered the following bonus pool scorecard and performance outcomes for the financial year in defining the quantum of the value created dividend pool.

Approximately 2,500 salaried employees were eligible to participate in the group wide value created dividend in FY2021. A pool of $10 million was approved for distribution amongst this cohort.

The actual quantum of incentive allocated to participants is linked to individual role and business unit performance and is moderated on the personal achievement of the risk and compliance gateway. Payments will be made in late September 2021.

Outcomes	Measures	Performance
Seamless Experience	Customer NPS	●
	Employee Experience	◐
Efficiency	Return on Tangible Equity	●
	Cost to Income	●
Growth	Lending Asset Growth	●
	Market Share (Portfolio)	●
Financial Risk & Performance	Cash earnings per share	●
	Common Equity Tier 1 Equity	●
	Liquidity Coverage Ratio (LCR)	●
	Risk Weight Assets / Total Assets	●
	Risk Adjusted Return on Capital (RAROC)	●
Strategic projects	Consolidate momentum for the transformation strategy through implementing the three-year road map and embedding the operating rhythm	●
Gateway	Measures	Performance
Risk and Compliance	The level of risk associated with the Group's performance is within the Group's risk appetite	✔
	An effective risk culture is promoted and there is evidence of enhanced risk practice across the organisation	✔

● At or above target ◐ Partially met ○ Below target ✔ Met

Section 4: **Executive statutory remuneration**

4.1 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 the Australian Accounting Standards.

Executive		Short-term employee benefits			Super annuation benefits [4]	Other long-term benefits [5]	Termination Payments	Share-based payments [6]			Total	Performance Related [14]
		Cash salary [1]	STI [2]	Non-monetary [3]				Performance rights [7]	Deferred Shares [8]	Loan Funded Shares [9]		
M Baker[10]	2021	$1,174,871	n/a	$7,980	$22,529	($16,554)	-	$155,747	$405,767	$176,611	$1,926,951	17%
	2020	$1,214,846	$0	$14,962	$21,003	($28,276)	-	$189,669	$759,667	-	$2,171,871	9%
R Brosnahan[11]	2021	$717,825	n/a	$10,049	$21,694	$12,185	-	$102,151	$51,199	$51,944	$967,047	16%
	2020 (part year)	$433,567	$0	$14,143	$13,732	$6,935	-	$34,949	$34,132	-	$537,458	7%
T Corolis	2021	$633,583	n/a	-	$22,529	$16,019	-	$55,761	$42,665	$50,282	$820,839	13%
	2020	$559,741	$0	-	$21,003	$13,579	-	$73,337	$90,483	-	$758,143	10%
T Crouch[12]	2021	$581,652	n/a	$30,741	$28,136	($33,887)	-	$55,410	$42,665	$47,996	$752,713	14%
	2020	$481,833	$0	$30,488	$21,003	$4,981	-	$58,795	$90,483	-	$687,583	9%
R Fennell	2021	$873,350	n/a	$9,727	$22,529	($17,596)	-	$94,186	$70,397	$89,864	$1,142,457	16%
	2020	$682,955	$0	$40,615	$21,003	$16,937	-	$137,891	$175,786	-	$1,075,187	13%
A Gartmann	2021	$588,361	n/a	-	$22,529	$9,676	-	$52,055	$42,665	$45,711	$760,997	13%
	2020	$512,721	$0	-	$21,003	$8,044	-	$66,563	$80,921	-	$689,252	10%
B Speirs	2021	$594,196	n/a	$6,525	$22,529	$8,953	-	$52,055	$42,665	$45,711	$772,634	13%
	2020	$475,752	$0	$6,550	$21,003	$12,067	-	$66,563	$90,483	-	$672,418	10%
Former Executives												
S Thredgold[13]	2021	-	-	-	-	-	-	-	-	-	-	-
	2020 (part year)	$124,898	$0	$1,923	$11,074	-	$809,733	$21,536	$56,901	-	$1,026,065	2%
Totals	**2021**	**$5,163,838**	**n/a**	**$65,022**	**$162,475**	**($21,204)**	**-**	**$567,365**	**$698,023**	**$508,119**	**$7,143,638**	
	2020	**$4,486,313**	**$0**	**$108,681**	**$150,824**	**$34,267**	**$809,733**	**$649,303**	**$1,378,856**	**n/a**	**$7,617,977**	

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 FY2021.
3. "Non-monetary" relates to sacrifice components of executive salary such as motor vehicle costs.
4. Company superannuation contributions form part of the executive's fixed remuneration and are paid up to the statutory maximum contributions base.
5. The amounts disclosed relate to movements in long service leave accruals.
6. In accordance with the requirements of Australian Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year. The fair value of equity instruments is calculated as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should the equity instruments vest. The fair value of performance rights as at the grant date has been calculated under AASB 2 Share-based Payments applying a Black-Scholes-Merton valuation method incorporating a Monte Carlo simulation option pricing model to estimate the probability of achieving the Total Shareholder Return hurdle and the number of performance rights that vest. The assumptions underpinning these valuations are set out in Section 4.4
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 2019, 2020 and 2021 financial years. The comparative amount represents the final amortised fair value allocation for the previous performance right grant made in the 2018, 2019 and 2020 financial years. The current year amounts for other executives represent the amortised fair value allocation for the 2019, 2020 and 2021 performance right grants. The comparative amounts represent the amortised fair value allocation for the 2018, 2019 and 2020 performance right grants.
8. The amounts included in the deferred share column comprise the fair value of the deferred base pay grants amortised over a two-year deferral period. The deferred base pay amounts for the 2021 financial year comprise the amortised fair value of the deferred base pay grants made in the 2020 financial years. The comparative amounts represent the amortised fair value of the deferred base pay grants made in the 2019 and 2020 financial years.
9. The amounts included in the loan funded shares comprise the fair value of the loan funded share grants amortised over a four-year deferral period. The loan funded share amounts for the 2021 financial year comprise the amortised fair value of the loan funded share made in the 2021 financial year.
10. Ms Baker elected to take a 10% reduction in fixed remuneration for the six-month period 1 November 2020 through to 30 April 2021 and also contributes $5,000 to our scholarship program.
11. Mr Brosnahan commenced as KMP on 4 November 2019.
12. The superannuation figure for Mr Crouch includes the staff Income Protection, Death, Temporary and Permanent Disablement default fund insurance benefit.
13. Ms Thredgold ceased being a KMP on 1 November 2019 and subsequently ceased employment with the Bank on 19 December 2019. The termination payment represents a redundancy payment under the terms of the Bank's Redundancy policy.
14. The performance related percentage comprises of STI, the amortised fair value of performance right grants and the amortised fair value of loan funded share grants.

4.2 Executive equity instrument grants

Executive	Equity Instrument	Grant Date	Granted Units[1]	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 [7]	Deferred Shares	19.12.2018	-	-	50,000	518,000	-	-
	Deferred Shares	08.04.2019	-	-	1,362	-	-	-
	Deferred Shares	03.10.2019	-	-	1,194	-	-	-
	Deferred Shares	03.04.2020	-	-	1,933	-	-	-
	Deferred Shares	08.04.2021	3,493	-	1,165	-	-	-
	Loan Funded Shares	04.11.2020	377,777	706,443	-	-	-	-
	Performance Rights	04.11.2020	36,376	79,663	-	-	-	-
R Brosnahan	Deferred Shares	17.12.2019	-	-	8,628	85,331	-	-
	Loan Funded Shares	04.11.2020	111,111	207,778	-	-	-	-
	Performance Rights	04.11.2020	16,048	35,145	-	-	-	-
	Performance Rights - Transformation	04.11.2020	28,530	163,762	-	-	-	-
T Corolis	Deferred Shares	17.12.2019	-	-	8,628	85,331	-	-
	Performance Rights	17.12.2018	-	-	5,195	44,677	9,647	53,734
	Loan Funded Shares	04.11.2020	107,555	201,128	-	-	-	-
	Performance Rights	04.11.2020	14,122	30,927	-	-	-	-
T Crouch	Deferred Shares	17.12.2019	-	-	8,628	85,331	-	-
	Performance Rights	17.12.2018	-	-	5,195	44,677	9,647	53,734
	Loan Funded Shares	04.11.2020	102,666	191,985	-	-	-	-
	Performance Rights	04.11.2020	13,480	29,521	-	-	-	-
R Fennell	Deferred Shares	17.12.2019	-	-	14,236	140,794	-	-
	Performance Rights	17.12.2018	-	-	9,091	78,183	16,883	94,038
	Loan Funded Shares	04.11.2020	192,222	359,455	-	-	-	-
	Performance Rights	04.11.2020	18,509	40,535	-	-	-	-
A Gartmann	Deferred Shares	17.12.2019	-	-	8,628	85,331	-	-
	Performance Rights	17.12.2018	-	-	4,870	41,882	9,044	50,375
	Loan Funded Shares	04.11.2020	97,777	182,843	-	-	-	-
	Performance Rights	04.11.2020	12,838	28,115	-	-	-	-
B Speirs	Deferred Shares	17.12.2019	-	-	8,628	85,331	-	-
	Performance Rights	17.12.2018	-	-	4,870	41,882	9,044	50,375
	Loan Funded Shares	04.11.2020	97,777	182,843	-	-	-	-
	Performance Rights	04.11.2020	12,838	28,115	-	-	-	-

1. The grants to executives in FY2021 constituted 100% of the grants available for the year and were made on the terms described at Section 2.
2. The value of the performance right grants and deferred share grants is the fair value (refer Section 4.4). 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 FY2021 was 35% for the FY2019 LTI Plan where the first sleeve vested at 100% when measured on NPS performance and the remaining sleeve lapsed when measured on relative TSR performance. The percentage of base pay deferred share grants made in prior years that vested during FY2020 was 100%.
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 4.4. As each deferred share represents one ordinary share in the Bank, the number of ordinary shares that will vest is the same as the number of deferred shares that were granted.
5. The value of each instrument on the date it lapses or is forfeited is calculated using the fair value of the instrument. Performance rights and deferred shares lapse where the applicable performance and service conditions are not satisfied.
6. The performance rights vest subject to performance, continued service and risk assessment over the applicable performance period. If performance rights do not vest at the end of the performance period, they are forfeited and lapse.

7. Ms Baker was granted 200,000 of deferred base pay shares in 2019, in four tranches of 50,000, each with a varying deferral period with the first tranche vesting in 2020. The dividends received on these grants were reinvested into ordinary shares and allocated in tranches alongside each of the original unvested tranches. The dividend reinvested deferred base pay shares allocated to the second tranche on 08.04.2019, 03.10,2019, 03.04.2020 and 08.04.2021 therefore also vest in 2021.

4.3 Movements in Senior Executive equity holdings

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	163,465	3,493	(55,654)	-	-	111,304
	Loan Funded Shares	-	377,777	-	-	-	377,777
	Ordinary shares	552,456	-	55,654	-	14,953	623,063
	Preference shares	800	-	-	-	(700)	100
	Performance rights	100,000	36,376	-	-	-	136,376
R Brosnahan	Deferred shares	8,628	-	(8,628)			-
	Loan Funded Shares	-	111,111	-	-	-	111,111
	Ordinary shares	-	-	8,628	-	-	8,628
	Performance rights	31,061	44,578	-	-	-	75,639
T Corolis	Deferred shares	8,628	-	(8,628)	-	-	-
	Loan Funded Shares	-	107,555	-	-	-	107,555
	Ordinary shares	43,896	-	13,823	-	1,329	59,048
	Performance rights	28,647	14,122	(5,195)	(9,647)	-	27,927
T Crouch	Deferred shares	8,628	-	(8,628)	-	-	-
	Loan Funded Shares	-	102,666	-	-	-	102,666
	Ordinary shares	19,588	-	13,823	-	13	33,424
	Performance rights	18,730	13,480	(5,195)	(9,647)	-	17,368
R Fennell	Deferred shares	14,236	-	(14,236)	-	-	-
	Loan Funded Shares	-	192,222	-	-	-	192,222
	Ordinary shares	80,963	-	23,327	-	(1,815)	102,475
	Performance rights	50,132	18,509	(9,091)	(16,883)	-	42,667
A Gartmann	Deferred shares	8,628	-	(8,628)	-	-	-
	Loan Funded Shares	-	97,777	-	-	-	97,777
	Ordinary shares	42,666	-	13,498	-	-	56,164
	Performance rights	26,856	12,838	(4,870)	(9,044)	-	25,780
B Speirs	Deferred shares	8,628	-	(8,628)	-	-	-
	Loan Funded Shares	-	97,777	-	-	-	97,777
	Ordinary shares	12,004	-	13,498	-	-	25,502
	Performance rights	26,856	12,838	(4,870)	(9,044)	-	25,780

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.

4.4 Equity plan valuation inputs

Performance rights

Terms & Conditions for each Grant									
Equity Instrument	Grant date	Fair value [1]	Share price $	Exer-cise price	Risk free interest rate	Divi-dend yield	Ex-pected volatility	Ex-pected life	Perfor-mance period end / expiry date [2]
Performance Rights – Sleeve 1	17.12.2018	$8.60	$10.37	-	1.89%	6.73%	23.40%	3 years	30.06.2021
Performance Rights – Sleeve 2	17.12.2018	$5.57	$10.37	-	1.89%	6.73%	23.40%	3 years	30.06.2021
Performance Rights – Sleeve 1 (MD)	19.12.2018	$8.06	$10.40	-	1.99%	6.73%	23.40%	4 years	30.06.2022
Performance Rights – Sleeve 2 (MD)	19.12.2018	$5.36	$10.40	-	1.99%	6.73%	23.40%	4 years	30.06.2022
Performance Rights - Sleeve 1	17.12.2019	$7.61	$9.89	-	0.88%	7.08%	21.23%	4 years	30.06.2022
Performance Rights - Sleeve 2	17.12.2019	$7.61	$9.89	-	0.88%	7.08%	21.23%	4 years	30.06.2023
Performance Rights - Sleeve 3	17.12.2019	$2.46	$9.89	-	0.88%	7.08%	21.23%	4 years	30.06.2022
Performance Rights - Sleeve 4	17.12.2019	$2.92	$9.89	-	0.88%	7.08%	21.23%	4 years	30.06.2023
Performance Rights – Sleeve 1 (MD)	17.12.2019	$7.61	$9.89	-	0.88%	7.08%	21.23%	4 years	30.06.2023
Performance Rights – Sleeve 2 (MD)	17.12.2019	$2.92	$9.89	-	0.88%	7.08%	21.23%	4 years	30.06.2023
Performance Rights - Transformation	17.12.2019	$7.61	$9.89	-	0.88%	7.08%	21.23%	4 years	30.06.2023
Performance Rights	04.11.2020	$2.19	$6.83	-	0.19%	4.54%	29.21%	4 years	30.06.2024
Performance Rights - Transformation	04.11.2020	$5.74	$6.83	-	0.19%	4.54%	29.21%	4 years	30.06.2024

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.

Performance rights

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

1. The fair value of deferred share grants are calculated using the volume weighted average closing price of the Bank's shares for the five-day period ending on the grant date.

Loan Funded Share Plan

Terms & Conditions for each Grant									
Equity Instrument	Grant date	Fair value [1]	Share price $	Exercise price	Risk free interest rate	Dividend yield	Expected volatility	Expected life	Performance period end / expiry date [2]
Loan Funded Share Plan	04.11.2020	$1.87	$6.83	$6.75	0.26%	0.00%	27.92%	4 – 6 years	30.06.2022 (performance) 30.06.2024 (vesting) 30.06.2026 (expiry)

4.5 Details of unvested and untested grants

The following summary details the current LTI plans that remain on-foot, are untested and are not eligible for vesting. All plans are subject to a risk and compliance gateway and the Clawback and Malus policy.

<table>
<thead>
<tr><th>Grant</th><th>Date</th><th>Measures</th><th>Weighting</th><th>Performance Period</th><th>Vesting Schedule</th></tr>
</thead>
<tbody>
<tr><td colspan="6">Performance Rights</td></tr>
<tr><td>2019 MD LTI</td><td>19.12.2018</td><td>NPS
TSR</td><td>35%
65%</td><td>01.07.2018 – 30.06.2022</td><td rowspan="5">NPS: 20 points above industry average over performance period
· If target met 100%
· If not met 0%
TSR: Compared to peer group of ASX100 companies (excluding property trust and resources) over performance period
· If less than or equal to 50th percentile: 0%
· If between 50.1th & 75th percentile: straight line vesting starting at 60% up to 100%
· If greater than 75th percentile: 100%</td></tr>
<tr><td rowspan="2">2020 LTI Senior Executives</td><td rowspan="2">19.12.2019</td><td>NPS
TSR</td><td>17.5%
32.5%</td><td>01.07.2019 – 30.06.2022 plus 1 year holding lock</td></tr>
<tr><td>NPS
TSR</td><td>17.5%
32.5%</td><td>01.07.2019 – 30.06.2023</td></tr>
<tr><td>2020 MD LTI</td><td>17.12.2019</td><td>NPS
TSR</td><td>35%
65%</td><td>01.07.2019 – 30.06.2023</td></tr>
<tr><td>2021 LTI Senior Executives</td><td>04.11.2020</td><td>TSR</td><td>100%</td><td>01.07.2020 – 30.06.2024</td></tr>
<tr><td>2020 - Transformation</td><td>19.12.2019</td><td>Service</td><td>100%</td><td>04.11.2019 – 04.11.2023</td><td rowspan="2">100% subject to:
· Individual performance; and
· Risk and compliance gateway</td></tr>
<tr><td>2021 - Transformation</td><td>04.11.2020</td><td>Service</td><td>100%</td><td>01.07.2020 – 30.06.2024</td></tr>
<tr><td colspan="6">Loan Funded Shares</td></tr>
<tr><td>2021 Loan Funded Shares</td><td>04.11.2020</td><td>CTI
Market Growth
NPS</td><td>50%
25%
25%</td><td>01.07.2020 – 30.06.2022 plus 2 year holding lock</td><td>CTI: substantive progress to medium term target of 50%
Market Growth: deposits and lending above system; and market growth
NPS: 20 points above industry average over performance period
· If target met or exceeded 100%
· If target not met 0%</td></tr>
</tbody>
</table>

Deferred share and performance rights grants have been previously made in accordance with the rules of the Bank's Employee Salary Sacrifice, Deferred Share and Performance Right Plan.

In FY2020, the Board approved a new set of rules, the BEN Omnibus Equity Plan. The terms of the two set of plan rules are similar, with the key difference being the BEN Omnibus Equity Plan provides for grants to be settled in equity or cash at the Board's discretion. This was included to provide the Board with greater flexibility in settling equity incentive grants. Future grants will be made under the new set of BEN Omnibus Equity Plan rules. For the Loan Funded Share Plan, the Board approved a new set of rules, namely the BEN Loan Funded Shares Plan rules.

Deferred shares and Loan Funded 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.

4.6 Executive employment arrangements

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

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

Section 5: **Non-executive Director remuneration**

5.1 Non-executive Director fees

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

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

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

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

Non-executive Directors receive a fixed annual fee inclusive of superannuation contributions at 9.5 percent. In relation to the superannuation contributions, Non-executive Directors can elect to receive amounts above the maximum contributions limit as cash. The Chair receives a higher base fee in recognition of the additional time commitment and responsibilities.

There was no change to the base fee for Non-executive Directors for FY2021. The base fee in effect for FY2021 was:

a. $201,780 for Directors (inclusive of company superannuation contributions); and
b. $479,230 (previously $504,450) for the Chair (inclusive of company superannuation contributions).

No additional fees are paid for serving on Board Committees. Additional fees were paid to Non-executive Directors appointed to the Community Bank National Council.

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

From 1 July 2020 the Chair elected to an ongoing reduction in her fee of 5% to $479,230, inclusive of superannuation. In addition, the Non-executive Directors nominated to reduce base fees by 10% for the period 1 November 2020 though to 30 April 2021 inclusive, in recognition of the economic environment post the onset of Covid-19 in 2020.

A review of the Non-executive Director fees was completed; however, the Committee has not recommended to change fees for the last 12 months. The Committee will consider a fee re-structure including amending the base fee for Non-executive Directors and the introduction of Committee fees in line with market practice. This will occur in the new calendar year to coincide with the annual salary review timeframe for salaried staff.

5.2 Non-executive Director MSP

From FY2021 the Board has introduced a minimum shareholding requirement of 1x base fees for all Non-executive Directors. Directors will have 5-years from the introduction of the policy to meet the shareholding requirements. Once the minimum shareholding level has been assessed as met for the first time, the Executive or NED will be deemed to have met the policy requirements. The policy was introduced on 25 August 2020.

5.3 Rights to Shares plan

A fee sacrifice Rights to Shares plan was introduced in FY2021 for Non-Executive Directors, to be offered yearly, on an opt-in basis under the terms of the BEN Omnibus Equity Plan. Participants can nominate to sacrifice a minimum of $10,000 of fees up to a maximum of 100% to be issued as Rights to Shares. The Rights to Shares are allocated after the announcement of year end results, Appendix 4E. The number of Rights to Shares is allocated on a face value methodology, with the nominated fee sacrificed amount divided by the 5-day volume weighted average closing price from the date of the Appendix 4E announcement for that plan year.

The Rights to Shares are allocated in two tranches, with the first tranche vesting after that plan year's Appendix 4D announcement and the second tranche vesting post the Appendix 4E announcement for the following financial year. Vested shares must be held for the earlier of 15 years or the non-executive director's retirement from the Board.

5.4 Non-executive Director statutory remuneration

Non-executive Director		Short-term benefits		Post-employment benefits	Total
		Fees [1]	Non-monetary benefits [2]	Superannuation contributions [3]	
J Hey (Chair)	2021	$389,718	$45,748	$21,694	$457,160
	2020	$386,413	-	$19,911	$406,324
V Carter	2021	$175,820	-	$16,838	$192,658
	2020	$184,274	-	$17,506	$201,780
D Foster	2021	$175,820	-	$16,838	$192,658
	2020 (part year)	$151,963	-	$14,436	$166,399
J Harris	2021	$145,823	$29,997	$16,838	$192,658
	2020	$184,274	-	$17,506	$201,780
J Hazel	2021	$175,820	-	$16,838	$192,658
	2020	$184,274	-	$17,506	$201,780
R Hubbard	2021	$130,543	$49,999	$12,115	$192,657
	2020	$193,027	-	$8,753	$201,780
D Matthews [4]	2021	$184,333	$5,696	$18,198	$208,227
	2020	$192,755	$5,674	$18,851	$217,280
T Robinson	2021	$175,870	-	$16,842	$192,712
	2020	$186,476	-	$17,715	$204,191
Former Non-executive Directors					
R Johanson (Chair – retired)	2021	-	-	-	-
	2020 (part year)	$157,456	$1,575	$15,108	$174,139
Totals	**2021**	**$1,553,747**	**$131,440**	**$136,201**	**$1,821,388**
	2020	**$1,820,912**	**$7,249**	**$147,292**	**$1,975,453**

Footnotes to table 5.4 Non-executive Director statutory remuneration.

1. Fee amounts include the $5,000 Director contribution to the Board scholarship program.
2. Includes fee sacrifice component of the base Director fee paid as superannuation or fee sacrificed as part of the FY2021 NED Fee Rights to Shares plan.
3. Represents company superannuation contributions. Mr Hubbard elected for a superannuation guarantee contribution exemption for the period of 1 April to 30 June 2020.
4. The fees paid to Mr Matthews include $15,500 inclusive of company superannuation as a member of the Community Bank National Council.

5.5 Shares and other securities held by Non-executive Directors

Non-Executive Director	Equity Instrument	Number at start of year	Granted during the year [1]	Vested or released [2]	Lapsed or expired	Net change other	Number at end of year
J Hey	Ordinary shares	34,606	-	3,525	-	8,713	46,844
	Preference Shares	250	-	-	-	-	250
	Rights to Shares	-	7,049	(3,525)	-	-	3,524
V Carter	Ordinary shares	13,225	-	-	-	4,633	17,858
	Preference Shares	-	-	-	-	-	-
	Rights to Shares	-	-	-	-	-	-
D Foster	Ordinary shares	2,733	-	-	-	4,793	7,526
	Preference Shares	-	-	-	-	-	-
	Rights to Shares	-	-	-	-	-	-
J Harris	Ordinary shares	8,000	-	2,311	-	-	10,311
	Preference Shares	-	-	-	-	-	-
	Rights to Shares	-	4,622	(2,311)	-	-	2,311
J Hazel	Ordinary shares	37,992	-	-	-	893	38,885
	Preference Shares	-	-	-	-	-	-
	Rights to Shares	-	-	-	-	-	-
R Hubbard	Ordinary shares	26,498	-	3,852	-	763	31,113
	Preference Shares	-	-	-	-	-	-
	Rights to Shares	-	7,704	(3,852)	-	-	3,852
D Matthews	Ordinary shares	37,297	-	-	-	1,074	38,371
	Preference Shares	-	-	-	-	-	-
	Rights to Shares	-	-	-	-	-	-
T Robinson	Ordinary shares	43,140	-	-	-	-	43,140
	Preference Shares	-	-	-	-	-	-
	Rights to Shares	-	-	-	-	-	-

1. J Hey, J Harris and R Hubbard elected to participate in the FY2021 NED Fee Rights to Shares Plan. Rights to Shares were allocated on 24 August 2020 using a volume weighted average closing price of $6.49 in two tranches.
2. The FY2021 Rights to Shares first tranche vested on 16 February 2021 coinciding with the Bank's half yearly results Appendix 4D announcement.

Section 6: **Loans and other transactions**

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

		Balance at start of year $'000	Interest charged [1] $'000	Interest not charged $'000	Write-off $'000	Balance at end of year $'000	Number at year end
Non-executive Directors	2021	5,340	172	-	-	6,451	8
Executives	2021	4,222	97	-	-	4,879	7
Total Directors and Executives	**2021**	**9,562**	**269**	**-**	**-**	**11,330**	**15**

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

2021	Balance at start of year $'000	Interest charged [1] $'000	Interest not charged $'000	Write-off $'000	Balance at end of year $'000	Highest owing in period [2] $'000
Non-executive Directors						
D Matthews	4,031	119	-	-	3,945	4,031
T Robinson	1,303	54	-	-	2,503	0
Executives						
M Baker	1,321	27	-	-	754	0
T Crouch	5	4	-	-	524	538
R Fennell	1,537	36	-	-	2,328	2,458
A Gartmann	1,359	30	-	-	1,274	1,359

1. Interest charged may include the impact of interest off-set facility
2. Represents aggregate highest indebtedness of the KMP during the financial year. All other items in this table relate to the KMP and their related parties.

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

Jacqueline Hey
Chair
2 September 2021

Marnie Baker
Chief Executive Officer and Managing Director

Financial highlights

The following table provides a summary of the last five years' key metrics. Note some of the key indicators in the table below are non-IFRS measures and are unaudited.

		Group				
		June 2021	June 2020	June 2019[1]	June 2018	June 2017
Financial performance						
Net interest income	($m)	1,422.5	1,333.8	1,289.6	1,305.2	1,213.6
Other revenue	($m)	382.9	300.6	277.9	338.3	395.9
Operating expenses	($m)	(1,033.7)	(1,179.8)	(965.2)	(938.4)	(909.4)
Credit expenses	($m)	(18.0)	(168.5)	(50.3)	(70.6)	(71.8)
Income tax expense	($m)	(229.7)	(93.3)	(175.2)	(200.0)	(198.7)
Net profit attributable to owners of the parent	**($m)**	**524.0**	**192.8**	**376.8**	**434.5**	**429.6**
Add back: total specific items attributable to the Group [2]	($m)	(66.8)	108.9	38.9	10.6	(11.3)
Cash earnings after income tax [3]	**($m)**	**457.2**	**301.7**	**415.7**	**445.1**	**418.3**
Financial position						
Total assets	($m)	86,577.2	76,008.9	72,435.3	71,439.8	71,415.5
Net loans and other receivables	($m)	71,920.6	64,980.4	61,822.2	61,601.8	60,776.6
Total equity	($m)	6,353.5	5,798.2	5,631.6	5,620.3	5,425.6
Deposits and notes payable	($m)	77,953.3	67,686.1	64,061.3	63,074.3	63,252.5
Risk weighted assets	($m)	40,469.3	38,215.2	37,483.1	38,256.4	38,062.3
Additional tier 1 capital ratio	(%)	2.04	2.34	2.39	2.34	2.22
Common equity tier 1 capital ratio	(%)	9.57	9.25	8.92	8.62	8.27
Tier 2 capital ratio	(%)	2.20	2.02	1.83	1.89	1.97
Share information (per ordinary share)						
Net tangible assets	($)	8.81	7.98	8.03	8.16	7.85
Earnings (statutory basis)	(¢)	98.1	38.1	77.1	89.9	90.9
Earnings (cash basis) [3]	(¢)	85.6	59.7	85.0	92.1	88.5
Interim dividend - fully franked	(¢)	23.5	31.0	35.0	35.0	34.0
Final dividend - fully franked	(¢)	26.5	4.5	35.0	35.0	34.0
Total fully franked dividend	(¢)	50.0	35.5	70.0	70.0	68.0
Shareholder ratios						
Return on average tangible equity (cash basis) [3]	(%)	10.17	7.42	10.73	11.52	11.61
Return on average assets (cash basis) [3]	(%)	0.60	0.42	0.61	0.65	0.61
Return on average ordinary equity (cash basis) [3]	(%)	7.67	5.36	7.55	8.23	8.10
Return on average ordinary equity (statutory basis)	(%)	8.79	3.43	6.84	8.03	8.32
Key trading indicators						
Number of staff (excluding Community Banks)	(FTE)	4,483	4,776	4,540	4,426	4,413
Assets per staff member	($m)	19.3	15.9	16.0	16.1	16.2
Asset quality						
Impaired loans	($m)	208.8	240.5	310.9	335.8	282.6
Individually assessed provisions	($m)	(93.0)	(77.5)	(127.6)	(118.3)	(88.5)
Net impaired loans	**($m)**	**115.8**	**163.0**	**183.3**	**217.5**	**194.1**
Net impaired loans % of gross loans	(%)	0.16	0.25	0.29	0.35	0.32
Individually assessed provision for impairment	($m)	94.3	78.4	128.5	119.3	89.5
Individually assessed provision % of gross loans	(%)	0.13	0.12	0.21	0.20	0.16
Collectively assessed provision	($m)	246.7	263.2	157.0	48.2	52.7
General reserve for credit losses (GRCL)	($m)	104.7	86.6	77.3	140.3	140.3
Collectively assessed provision & GRCL % of risk-weighted assets	(%)	0.87	0.92	0.63	0.49	0.51

1 The Group applied AASB 9 *Financial Instruments* from 1 July 2018. Further information can be found in the Group's 2019 Annual Financial Report.

2 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.

3 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.

Financial Statements

Income statement
For the year ended 30 June 2021

	Note	Group June 2021 $m	Group June 2020 $m	Bank June 2021 $m	Bank June 2020 $m
Net interest income					
Interest income		1,867.3	2,274.3	1,846.0	2,212.5
Interest expense		(444.8)	(940.5)	(400.1)	(866.5)
Total net interest income	3	**1,422.5**	**1,333.8**	**1,445.9**	**1,346.0**
Other revenue					
Fees		158.7	155.5	144.2	144.5
Commissions and management fees		53.5	56.6	16.1	15.8
Other income		170.7	88.5	56.2	169.0
Total other revenue	3	**382.9**	**300.6**	**216.5**	**329.3**
Total income		**1,805.4**	**1,634.4**	**1,662.4**	**1,675.3**
Credit expenses					
Credit expenses		(20.7)	(173.3)	(16.9)	(170.9)
Bad and doubtful debts recovered		2.7	4.8	2.2	3.1
Total credit expenses	3	**(18.0)**	**(168.5)**	**(14.7)**	**(167.8)**
Operating expenses					
Staff and related costs		(589.8)	(567.1)	(573.8)	(547.8)
Occupancy costs		(35.9)	(36.3)	(35.6)	(36.0)
Amortisation and depreciation costs		(92.0)	(117.7)	(90.9)	(115.7)
Fees and commissions		(20.2)	(20.3)	(8.6)	(7.2)
Other operating expenses		(295.8)	(438.4)	(319.4)	(455.8)
Total other expenses	3	**(1,033.7)**	**(1,179.8)**	**(1,028.3)**	**(1,162.5)**
Profit before income tax expense		**753.7**	**286.1**	**619.4**	**345.0**
Income tax expense	4	(229.7)	(93.3)	(191.7)	(82.2)
Net profit attributable to owners of the parent		**524.0**	**192.8**	**427.7**	**262.8**

Earnings per share (cents)	Note	Group June 2021	Group June 2020
Basic	6	98.1	38.1
Diluted	6	82.6	35.2

Statement of comprehensive income
For the year ended 30 June 2021

	Note	Group June 2021 $m	Group June 2020 $m	Bank June 2021 $m	Bank June 2020 $m
Profit for the year		**524.0**	**192.8**	**427.7**	**262.8**
Items which may be reclassified subsequently to profit or loss:					
Revaluation gain/(loss) on debt securities at fair value through OCI with recycling	21	(0.5)	1.4	304.0	(45.6)
Transfer from asset revaluation reserve to income	21	-	0.1	-	-
Net gain/(loss) on cash flow hedges taken to equity	21	32.5	(20.3)	32.5	(20.3)
Tax effect on items taken directly to or transferred from equity	21	(9.6)	5.6	(101.0)	19.8
Total items that may be reclassified to profit or loss		**22.4**	**(13.2)**	**235.5**	**(46.1)**
Items which will not be reclassified subsequently to profit or loss:					
Revaluation loss on land and buildings	21	-	(0.7)	-	-
Revaluation gain/(loss) on equity investments at fair value through OCI	21	13.5	(0.3)	12.7	-
Actuarial loss on superannuation defined benefits plan	21	(0.9)	(1.3)	(0.9)	(1.3)
Tax effect on items taken directly to or transferred from equity	21	(3.9)	0.9	(3.7)	0.4
Total items that will not be reclassified to profit or loss		**8.7**	**(1.4)**	**8.1**	**(0.9)**
Total comprehensive income for the year		**555.1**	**178.2**	**671.3**	**215.8**
Total comprehensive income for the year attributable to:					
Owners of the Company		555.1	178.2	671.3	215.8

Balance sheet
As at 30 June 2021

	Note	Group		Bank	
		June 2021	June 2020	June 2021	June 2020
		$m	$m	$m	$m
Assets					
Cash and cash equivalents	8	7,086.3	1,189.6	6,631.6	826.0
Due from other financial institutions	8	173.4	137.0	173.4	137.0
Financial assets fair value through profit or loss (FVTPL)	11	1,678.7	5,411.1	1,678.7	5,411.1
Financial assets amortised cost	12	351.5	325.3	135.5	135.0
Financial assets fair value through other comprehensive income (FVOCI)	13	2,186.1	814.8	15,060.7	13,220.6
Income tax receivable	4	-	17.6	-	17.6
Derivatives	17	59.1	106.4	59.1	106.4
Net loans and other receivables	9	71,920.6	64,980.4	71,304.1	64,476.8
Investments accounted for using the equity method		9.7	10.2	9.7	10.2
Shares in controlled entities		-	-	103.7	134.5
Property, plant and equipment		205.9	252.3	205.2	251.4
Deferred tax assets	4	42.2	88.3	81.1	183.1
Investment property	22	901.7	779.8	-	-
Goodwill and other intangible assets	23	1,549.4	1,564.6	1,482.3	1,490.7
Other assets	24	412.6	331.5	1,452.3	1,399.5
Total Assets		**86,577.2**	**76,008.9**	**98,377.4**	**87,799.9**
Liabilities					
Due to other financial institutions	8	175.4	145.1	175.4	145.1
Deposits	14	74,355.6	64,182.6	74,367.8	64,180.0
Notes payable	14	3,597.7	3,503.5	-	-
Derivatives	17	45.3	100.2	45.3	100.2
Amounts payable to controlled entities		-	-	394.3	561.7
Loans payable to securitisation trusts	16	-	-	15,303.7	15,158.0
Income tax payable	4	44.2	-	44.2	-
Provisions	26	120.5	114.4	120.4	114.4
Other payables	25	501.8	603.4	481.4	579.8
Loan capital	15	1,383.2	1,561.5	1,383.2	1,561.5
Total Liabilities		**80,223.7**	**70,210.7**	**92,315.7**	**82,400.7**
Net Assets		**6,353.5**	**5,798.2**	**6,061.7**	**5,399.2**
Equity					
Share capital	20	5,049.5	4,905.0	5,049.5	4,905.0
Reserves	21	138.0	87.3	329.8	66.6
Retained earnings	21	1,166.0	805.9	682.4	427.6
Total Equity		**6,353.5**	**5,798.2**	**6,061.7**	**5,399.2**

Statement of changes in equity
For the year ended 30 June 2021

	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
Opening balance at 1 July 2020	**4,909.3**	**(4.3)**	**805.9**	**87.3**	**5,798.2**
Comprehensive income					
Profit for the year	-	-	524.0	-	524.0
Other comprehensive income	-	-	(0.8)	31.9	31.1
Total comprehensive income for the year	**-**	**-**	**523.2**	**31.9**	**555.1**
Transactions with owners in their capacity as owners					
Shares issued	155.4	-	-	-	155.4
Purchase of Treasury shares	(11.8)	-	-	-	(11.8)
Share issue expenses	-	-	-	-	-
Movement in Executive Share plans	0.2	-	-	-	0.2
Reduction in employee share ownership plan (ESOP) shares	-	0.7	-	-	0.7
Movement in general reserve for credit losses (GRCL)	-	-	(18.1)	18.1	-
Share based payment	-	-	1.3	0.7	2.0
Equity dividends	-	-	(146.3)	-	(146.3)
Closing balance at 30 June 2021	**5,053.1**	**(3.6)**	**1,166.0**	**138.0**	**6,353.5**

For the year ended 30 June 2020

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

1 Refer to Note 20 for further details.
2 Refer to Note 21 for further details.
3 The Group applied AASB 16 *Leases* from 1 July 2019.
4 Relates to Rural Bank consolidation adjustments recorded in FY20 following the transfer of business that occurred between Rural Bank Limited and Bendigo and Adelaide Bank Limited when Rural Bank Limited handed back its ADI licence on 31 May 2019.

Statement of changes in equity (continued)
For the year ended 30 June 2021

	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
Opening balance at 1 July 2020	**4,909.3**	**(4.3)**	**427.6**	**66.6**	**5,399.2**
De-registered subsidiary companies	-	-	(9.0)	-	(9.0)
Comprehensive income					
Profit for the year	-	-	427.7	-	427.7
Other comprehensive income	-	-	(0.8)	244.4	243.6
Total comprehensive income for the year	**-**	**-**	**426.9**	**244.4**	**671.3**
Transactions with owners in their capacity as owners					
Shares issued	155.4	-	-	-	155.4
Purchase of Treasury shares	(11.8)	-	-	-	(11.8)
Movement in Executive Share plans	0.2	-	-	-	0.2
Reduction in employee share ownership plan (ESOP) shares	-	0.7	-	-	0.7
Movement in general reserve for credit losses (GRCL)	-	-	(18.1)	18.1	-
Share based payment	-	-	1.3	0.7	2.0
Equity dividends	-	-	(146.3)	-	(146.3)
Closing balance at 30 June 2021	**5,053.1**	**(3.6)**	**682.4**	**329.8**	**6,061.7**

For the year ended 30 June 2020

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

[1] Refer to Note 20 for further details.
[2] Refer to Note 21 for further details.
[3] The Group applied AASB 16 *Leases* from 1 July 2019.
[4] Relates to Rural Bank consolidation adjustments recorded in FY20 following the transfer of business that occurred between Rural Bank Limited and Bendigo and Adelaide Bank Limited when Rural Bank Limited handed back its ADI licence on 31 May 2019.

Cash flow statement
For the year ended 30 June 2021

		Group		Bank	
		June 2021	June 2020	June 2021	June 2020
	Note	$m	$m	$m	$m
Cash flows from operating activities					
Interest and other items of a similar nature received		1,927.8	2,323.5	1,819.1	2,218.9
Interest and other costs of finance paid		(503.7)	(1,005.9)	(462.5)	(928.4)
Receipts from customers (excluding effective interest)		250.4	257.0	206.0	212.3
Payments to suppliers and employees		(1,043.1)	(956.7)	(786.9)	(1,032.2)
Dividends received		0.5	1.6	25.9	1.3
Income taxes paid		(134.0)	(183.0)	(134.0)	(175.7)
Cash flows from operating activities before changes in operating assets and liabilities		**497.9**	**436.5**	**667.6**	**296.2**
(Increase)/decrease in operating assets					
Net (increase)/decrease in balance of loans and other receivables		(6,960.9)	(3,319.9)	(6,984.6)	2,991.1
Net decrease/(increase) in balance of investment securities		2,330.4	(384.0)	2,191.2	(6,671.0)
Increase/(decrease) in operating liabilities					
Net increase in balance of deposits		10,173.0	3,585.7	10,187.8	3,578.5
Net increase/(decrease) in balance of notes payable		94.2	39.1	-	(23.1)
Net cash flows from operating activities	27	**6,134.6**	**357.4**	**6,062.0**	**171.7**
Cash flows related to investing activities					
Cash paid for purchases of property, plant and equipment		(21.0)	(29.9)	(21.0)	(26.8)
Cash proceeds from sale of property, plant and equipment		7.5	4.2	6.1	0.5
Cash paid for purchases of investment property		(31.6)	(59.1)	-	-
Cash proceeds from sale of investment property		48.7	50.0	-	-
Cash paid for purchases of intangible assets		-	(7.4)	-	(2.0)
Cash paid for purchases of equity investments		-	(4.5)	-	(4.5)
Net cash flows used in investing activities		**3.6**	**(46.7)**	**(14.9)**	**(32.8)**
Cash flows from financing activities					
Proceeds from issue of ordinary shares		102.8	294.8	102.8	294.8
Repayment of preference shares		(574.3)	-	(574.3)	-
Payment of share issue costs		(0.2)	(4.3)	(0.2)	(4.3)
Proceeds from issuance of capital notes		502.4	-	502.4	-
Payment of loan capital issue costs		(7.4)	-	(7.4)	-
Proceeds from issuance of subordinated debt		146.9	-	146.9	-
Repayment of subordinated debt		(250.0)	(10.5)	(250.0)	(10.5)
Equity dividends paid		(105.3)	(277.4)	(105.3)	(277.4)
Repayment of lease liabilities		(51.0)	(54.9)	(51.0)	(54.9)
Repayment of ESOP shares		0.7	1.1	0.7	1.1
Net cash flows used in financing activities		**(235.4)**	**(51.2)**	**(235.4)**	**(51.2)**
Net increase/(decrease) in cash and cash equivalents		5,902.8	259.5	5,811.7	87.7
Cash and cash equivalents at the beginning of period		1,181.5	922.0	817.9	730.2
Cash and cash equivalents at the end of period	8	**7,084.3**	**1,181.5**	**6,629.6**	**817.9**

Basis of preparation

This section describes the Group's significant accounting policies that relate to the financial statements and notes of the accounts. If an accounting policy relates to a particular note, the applicable policy is contained within the relevant note.

This section also details new accounting standards, amendments and interpretations, and whether they are effective in FY21 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 2021 was authorised for issue in accordance with a resolution of the Board of Directors on 2 September 2021. The Directors have the power to amend and reissue the financial statements.

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, Australia.

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 along with 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; and
- where necessary, presents reclassified comparatives for consistency with current year disclosures.

Basis of measurement

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

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

Significant accounting judgements, estimates and assumptions

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

Coronavirus (COVID-19) pandemic

The COVID-19 pandemic continues to create uncertainty about future economic and market conditions. In preparing the financial statements for the year ended 30 June 2021, the Group has carefully considered the impact of COVID-19 on critical judgements, estimates and assumptions.

Further information on these judgements, estimates and assumptions that are considered material to the financial statements have been included within the following notes:

- Note 10 Impairment of loans and advances
- Note 22 Investment property
- Note 23 Goodwill and other intangible assets

Events subsequent to reporting date

On 15 August 2021, Bendigo and Adelaide Bank Limited entered into a Share Sale Agreement to acquire 100% of the shares in Ferocia Pty Ltd, a Melbourne-based fintech company, for consideration of up to $116.0 million, with the transaction being completed on 1 September 2021. The consideration has been paid in cash and shares, with a portion of the consideration being contingent on future performance.

The acquisition will help to accelerate the Group's transformation and digital strategy and drive better outcomes and experiences for all customers.

We are currently in the process of finalising the acquisition accounting for this transaction. It is expected that this will include recognition of an amount of goodwill.

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.

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

Changes in accounting policies

New and amended standards and interpretations

The IFRS Interpretations Committee recently issued an agenda decision on the treatment of costs incurred in implementing software-as-a-service (SaaS) arrangements under the International equivalent of AASB 138 *Intangible Assets*. As a result of this agenda decision, the Group has revised its accounting policy in relation to SaaS arrangements, which is outlined in Note 23. The Group has reviewed the existing capitalised software balances in light of the accounting policy change, and noted no material changes to existing balances or prior period statements.

Recently issued or amended standards not yet effective

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

- Interest Rate Benchmark Reform - Phase 2 (Amendments to AASB 9, IAS 39, AASB 7, AASB 4, and AASB 16);
- AASB 17 *Insurance Contracts*;
- Classification of liabilities as current or non-current (Amendments to AASB 101);
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to AASB 137);
- Annual Improvements to IFRS Standards 2018-2020;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to AASB 16);
- Reference to the Conceptual Framework (Amendments to AASB 3);
- Amendments to AASB 17;
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASB 10 and IAS 28);
- Disclosure of Accounting Policy (Amendments to AASB 101 and IFRS Practice Statement 2);
- Definition of Accounting Estimate (Amendments to AASB 108);
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to AASB 112 *Income Taxes*).

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	
		2021	2020	2021	2020
	Note	$m	$m	$m	$m
Interest income					
Effective interest income					
Cash and cash equivalents		-	0.5	-	0.4
Assets held at FVTPL		18.6	58.5	18.6	58.5
Assets held at FVOCI		1.7	1.0	159.6	148.8
Assets held at amortised cost		0.3	1.1	0.3	1.1
Reverse repurchase agreements		1.2	11.5	1.2	11.5
Loans and other receivables		1,845.5	2,201.7	1,666.3	1,992.2
Total interest income		**1,867.3**	**2,274.3**	**1,846.0**	**2,212.5**
Interest expense					
Deposits					
Customer		(305.8)	(668.7)	(305.8)	(668.7)
Wholesale - domestic		(35.0)	(126.0)	(35.0)	(125.9)
Other borrowings					
Notes payable		(44.7)	(73.8)	-	0.1
Repurchase agreements		(5.0)	(4.0)	(5.0)	(4.0)
Lease liability - interest expense		(5.9)	(7.4)	(5.9)	(7.4)
Loan capital		(48.4)	(60.6)	(48.4)	(60.6)
Total interest expense		**(444.8)**	**(940.5)**	**(400.1)**	**(866.5)**
Total net interest income		**1,422.5**	**1,333.8**	**1,445.9**	**1,346.0**
Other revenue					
Fee income					
Assets		85.0	76.0	73.7	67.8
Liabilities and other products		70.0	76.1	69.9	76.0
Trustee, management and other services		3.7	3.4	0.6	0.7
Total fee income		**158.7**	**155.5**	**144.2**	**144.5**
Commissions and management fees		**53.5**	**56.6**	**16.1**	**15.8**
Revenue from contracts with customers		**212.2**	**212.1**	**160.3**	**160.3**
Other income					
Foreign exchange income		19.1	22.6	19.1	22.6
Factoring products income		1.0	1.4	1.0	1.4
Trading book income		1.7	11.2	1.7	11.2
Homesafe revaluation income	22	137.7	36.0	-	-
Dividend income		0.4	1.3	25.9	120.5
Other		10.8	16.0	8.5	13.3
Total other income		**170.7**	**88.5**	**56.2**	**169.0**
Total other revenue		**382.9**	**300.6**	**216.5**	**329.3**

3 **Profit** (continued)

Recognition and measurement

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

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

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

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

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

Homesafe revaluation gain/(loss) reflects the gains or losses arising from changes in the fair value of investment property and are recognised in the year in which they arise. Refer to Note 22 for further information.

		Group		Bank	
		2021	2020	2021	2020
Expenses	Note	$m	$m	$m	$m
Credit expenses					
Individually assessed provision		(34.2)	(56.4)	(34.2)	(56.3)
Collectively assessed provision		16.5	(106.2)	16.6	(106.3)
Bad debts written off		(3.0)	(10.7)	0.7	(8.3)
Bad debts recovered		2.7	4.8	2.2	3.1
Total credit expenses	10	**(18.0)**	**(168.5)**	**(14.7)**	**(167.8)**
Operating expenses					
Staff and related costs					
Salaries, wages and incentives		(510.5)	(481.0)	(496.7)	(464.4)
Superannuation contributions		(44.6)	(50.1)	(43.2)	(48.5)
Other staff related costs		(34.7)	(36.0)	(33.9)	(34.9)
Total staff and related costs		**(589.8)**	**(567.1)**	**(573.8)**	**(547.8)**
Occupancy costs					
Operating lease rentals		(5.8)	(5.5)	(5.8)	(5.5)
Depreciation of leasehold improvements		(8.2)	(7.8)	(8.2)	(7.8)
Other		(21.9)	(23.0)	(21.6)	(22.7)
Total occupancy costs		**(35.9)**	**(36.3)**	**(35.6)**	**(36.0)**
Amortisation and depreciation					
Amortisation of acquired intangibles		(3.0)	(3.2)	(1.9)	(1.8)
Amortisation of software intangibles[1]		(27.9)	(50.1)	(27.9)	(49.6)
Depreciation of property, plant and equipment		(61.1)	(64.4)	(61.1)	(64.3)
Total amortisation and depreciation costs		**(92.0)**	**(117.7)**	**(90.9)**	**(115.7)**
Fees and commission expense		**(20.2)**	**(20.3)**	**(8.6)**	**(7.2)**
Other operating expenses					
Communications, postage and stationery		(33.4)	(35.8)	(35.5)	(38.0)
Computer systems and software costs		(79.4)	(70.9)	(76.5)	(67.9)
Advertising and promotion		(28.3)	(31.6)	(27.5)	(30.9)
Other product and services delivery costs		(22.8)	(24.3)	(22.8)	(24.3)
Consultancy fees		(59.9)	(58.5)	(59.4)	(58.2)
Other expenses[2]		(72.0)	(217.3)	(97.7)	(236.5)
Total other operating expenses		**(295.8)**	**(438.4)**	**(319.4)**	**(455.8)**
Total other expenses		**(1,033.7)**	**(1,179.8)**	**(1,028.3)**	**(1,162.5)**

[1] FY20 includes software accelerated amortisation expenses (Group: $19.0m and Bank: $18.5m).
[2] FY20 includes software impairment charges (Group: $121.9m and Bank: $121.9m).

3 **Profit** (continued)

Recognition and measurement

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

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

Staff and related costs
Wage and salary costs are recognised over the period in which the employees provide the service.

Refer to Note 26 for more information relating to provisions for employee entitlements.

Incentive payments are recognised to the extent that the Group has a present obligation.

Refer to Note 32 for further information on share based payments.

Superannuation contributions are made to an employee accumulation fund and are expensed when they become payable.

Occupancy costs
Includes operating lease expenses relating to low value assets and short-term leases, being leases with a term of 12 months or less.

Amortisation
Refer to Note 23 for information on the amortisation of intangibles.

Depreciation of Property, Plant and Equipment
Includes depreciation expenses associated with operating leases, which are recognised as Right of Use Assets (ROUA).

Refer to Note 35 for further information on the depreciation of leased assets.

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

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

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST component of cash flows arising from investing and financing activities, which are recoverable from or payable to the taxation authority, are classified as operating cash flows.

4 Income tax expense

Major components of income tax expense are:	Group		Bank	
	2021	2020	2021	2020
Income Statement	$m	$m	$m	$m
Current income tax				
Current income tax charge	(200.1)	(163.1)	(197.5)	(157.5)
Franking credits	0.8	1.0	0.8	1.0
Adjustments in respect of current income tax of previous years	3.6	2.5	3.8	2.6
Deferred income tax				
Adjustments in respect of deferred income tax of previous years	(1.8)	(1.4)	(2.0)	(1.6)
Relating to origination and reversal of temporary differences	(32.2)	67.7	3.2	73.3
Income tax expense reported in the Income Statement	**(229.7)**	**(93.3)**	**(191.7)**	**(82.2)**

Statement of changes in equity	$m	$m	$m	$m
Deferred income tax related to items charged or credited directly in equity				
Net gain on cash flow hedges	(9.8)	6.1	(9.8)	6.1
Net gain on financial assets fair value through other comprehensive income (FVOCI)	(3.8)	(0.4)	(95.0)	13.7
Net gain on revaluation of land and buildings	-	0.4	-	-
Actuarial gain on superannuation defined benefits plan	0.1	0.4	0.1	0.4
Income tax charged or credited in equity	**(13.5)**	**6.5**	**(104.7)**	**20.2**

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

	$m	$m	$m	$m
Accounting profit before income tax	**753.7**	**286.1**	**619.4**	**345.0**
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	(226.1)	(85.8)	(185.8)	(103.5)
Under provision in prior years	1.8	1.1	1.8	1.0
Tax credits and adjustments	0.8	1.0	0.8	1.0
Expenditure not allowable for income tax purposes	(9.3)	(11.3)	(16.5)	(18.4)
Other non assessable income	3.5	0.2	0.8	0.2
Tax effect of tax credits and adjustments	(0.2)	(0.3)	(0.2)	(0.3)
Dividends received	-	-	7.6	35.8
Other	(0.2)	1.8	(0.2)	2.0
Income tax expense reported in the Income Statement	**(229.7)**	**(93.3)**	**(191.7)**	**(82.2)**

Deferred income tax Deferred income tax at 30 June relates to the following:	Group		Bank	
	2021	2020	2021	2020
Gross deferred tax assets	$m	$m	$m	$m
Derivatives	13.8	35.0	13.8	35.0
Employee benefits	31.2	29.4	31.2	29.5
Provisions	106.5	106.5	106.4	107.0
Lease liability	54.1	66.4	53.9	66.3
Other	24.9	14.6	24.4	19.1
Gross deferred tax assets	**230.5**	**251.9**	**229.7**	**256.9**
Set-off of deferred tax assets and deferred tax liabilities	(188.3)	(163.6)	(148.6)	(73.8)
Net deferred tax assets	**42.2**	**88.3**	**81.1**	**183.1**

4 Income tax expense (continued)

Deferred income tax (continued)

Gross deferred tax liabilities	Group 2021 $m	Group 2020 $m	Bank 2021 $m	Bank 2020 $m
Net gain on financial assets fair value through other comprehensive income (FVOCI)	4.5	0.6	88.4	-
Derivatives	17.8	31.7	17.8	31.7
Intangible assets	5.5	1.6	5.0	0.8
Investment property	122.2	88.3	-	-
Property, plant and equipment	26.8	32.6	26.6	32.5
Other	11.5	8.8	10.8	8.8
Gross deferred tax liability	**188.3**	**163.6**	**148.6**	**73.8**
Set-off of deferred tax assets and deferred tax liabilities	**(188.3)**	**(163.6)**	**(148.6)**	**(73.8)**
Net deferred tax liabilities	**-**	**-**	**-**	**-**

Income tax payable/(current tax asset)	$m	$m	$m	$m
Tax (refundable)/payable attributable to members of the tax consolidated group	44.2	(17.6)	44.2	(17.6)
	44.2	**(17.6)**	**44.2**	**(17.6)**

At 30 June 2021, there is no unrecognised deferred income tax liability (2020: 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 tax rate, adjusted for changes in deferred tax assets and liabilities and unused tax losses.

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

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

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

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

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

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

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

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

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

5 Segment results

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses. Segment reporting reflects the information that is used by the Chief Executive Officer and Managing Director for the purposes of resource allocation and performance assessment, hence it is consistent with the internal reporting provided to the Chief Executive Officer and Managing Director and the Executive Team.

Changes to the management structure of the Group can cause the Group's operating segments to change. Where this occurs, prior period segment results are restated. A description of each of the Group's segments has been provided below.

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

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

Business
Business focuses on servicing business customers and includes business banking, Portfolio Funding and Delphi Bank.

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

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

Accounting policies and inter-segment transactions

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

Segment net interest income is recognised based on an internally set funds transfer pricing policy, based on pre-determined market rates of return on the assets and liabilities of the segment.

Major customers

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

Geographic Information

The allocation of revenue and assets is based on the geographic location of the customer. The Group operates in all Australian states and territories, providing banking and other financial services.

For the year ended 30 June 2021	Operating segments			Total operating segments	Corporate	Total
	Consumer	Business	Agribusiness			
	$m	$m	$m	$m	$m	$m
Net interest income	902.5	314.4	171.9	**1,388.8**	33.7	**1,422.5**
Other income	316.8	39.2	26.6	**382.6**	0.3	**382.9**
Total segment income	**1,219.3**	**353.6**	**198.5**	**1,771.4**	**34.0**	**1,805.4**
Operating expenses	(451.0)	(85.1)	(61.5)	**(597.6)**	(436.1)	**(1,033.7)**
Credit (expenses)/reversals [1]	(8.3)	(17.7)	(7.5)	**(33.5)**	15.5	**(18.0)**
Segment result (before tax expense)	**760.0**	**250.8**	**129.5**	**1,140.3**	**(386.6)**	**753.7**
Tax (expense)/benefit	(231.7)	(76.4)	(39.5)	**(347.6)**	117.9	**(229.7)**
Segment result (statutory basis)	**528.3**	**174.4**	**90.0**	**792.7**	**(268.7)**	**524.0**
Cash basis adjustments:						
Specific income and expense items (after tax)	(87.3)	0.2	0.1	**(87.0)**	5.4	**(81.6)**
Homesafe net realised income (after tax)	12.7	-	-	**12.7**	-	**12.7**
Amortisation of acquired intangibles (after tax)	1.2	0.4	0.5	**2.1**	-	**2.1**
Segment result (cash basis) [2]	**454.9**	**175.0**	**90.6**	**720.5**	**(263.3)**	**457.2**

[1] Overlays added to the collectively assessed provisions are included in the Corporate segment results.
[2] This balance excludes non-cash and specific items. Specific items are those deemed to be outside of the Group's core activities and hence are not considered to be representative of the Group's ongoing financial performance.

5 **Segment results** (continued)

For the year ended 30 June 2020	Operating segments Consumer	Business	Agribusiness	**Total operating segments**	Corporate	**Total**
	$m	$m	$m	**$m**	$m	**$m**
Net interest income	856.2	288.1	155.3	**1,299.6**	34.2	**1,333.8**
Other income	224.1	42.5	18.3	**284.9**	15.7	**300.6**
Total segment income	**1,080.3**	**330.6**	**173.6**	**1,584.5**	**49.9**	**1,634.4**
Operating expenses	(459.5)	(96.4)	(63.6)	**(619.5)**	(560.3)	**(1,179.8)**
Credit (expenses)/reversals [1]	3.9	(35.0)	(6.1)	**(37.2)**	(131.3)	**(168.5)**
Segment result (before tax expense)	**624.7**	**199.2**	**103.9**	**927.8**	**(641.7)**	**286.1**
Tax (expense)/benefit	(203.7)	(65.0)	(33.9)	**(302.6)**	209.3	**(93.3)**
Segment result (statutory basis)	**421.0**	**134.2**	**70.0**	**625.2**	**(432.4)**	**192.8**
Cash basis adjustments:						
Specific income and expense items (after tax)	(16.4)	1.4	0.1	**(14.9)**	110.6	**95.7**
Homesafe net realised income (after tax)	11.0	-	-	**11.0**	-	**11.0**
Amortisation of acquired intangibles (after tax)	1.6	0.1	0.5	**2.2**	-	**2.2**
Segment result (cash basis) [2]	**417.2**	**135.7**	**70.6**	**623.5**	**(321.8)**	**301.7**

[1] The COVID-19 overlay of $127.7m has been included in the Corporate segment results.
[2] This balance excludes non-cash and specific items. Specific items are those deemed to be outside of the Group's core activities and hence are not considered to be representative of the Group's ongoing financial performance.

Reportable segment assets and liabilities	Operating segments Consumer	Business	Agribusiness	**Total operating segments**	Corporate	**Total**
	$m	$m	$m	**$m**	$m	**$m**
For the year ended 30 June 2021						
Reportable segment assets	52,456.6	13,500.6	6,229.5	**72,186.7**	14,390.5	**86,577.2**
Reportable segment liabilities	47,053.4	13,602.3	2,753.4	**63,409.1**	13,216.9	**76,626.0**
For the year ended 30 June 2020						
Reportable segment assets	45,884.6	13,348.8	6,073.5	**65,306.9**	10,702.0	**76,008.9**
Reportable segment liabilities	41,281.0	11,503.7	3,107.8	**55,892.5**	10,814.7	**66,707.2**

Reconciliation of reportable segments to consolidated assets and liabilities	As at June 2021 $m	As at June 2020 $m
Total assets for operating segments	86,577.2	76,008.9
Total assets	**86,577.2**	**76,008.9**
Total liabilities for operating segments	76,626.0	66,707.2
Notes payable [1]	3,597.7	3,503.5
Total liabilities	**80,223.7**	**70,210.7**

[1] Refer to Note 14 for further details.

6 Earnings per ordinary share

	Group 2021	Group 2020
	Cents per share	Cents per share
Basic	98.1	38.1
Diluted	82.6	35.2

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 calculation of earnings per ordinary share	$m	$m
Net profit after tax	524.0	192.8
Total basic earnings	**524.0**	**192.8**
Earnings used in calculating basic earnings per ordinary share	524.0	192.8
Add back: dividends accrued and/or paid on dilutive loan capital	19.1	20.9
Total diluted earnings	**543.1**	**213.7**

Reconciliation of weighted average number of ordinary shares (WANOS) used in earnings per share calculations	No. of shares 2021	No. of shares 2020
WANOS used in the calculation of basic earnings per share	534,373,747	505,527,450
Effect of dilution - executive performance rights	1,619,192	894,188
Effect of dilution - loan capital	121,148,692	101,288,644
WANOS used in the calculation of diluted earnings per share	**657,141,631**	**607,710,282**

Potentially dilutive instruments

The following instruments are potentially dilutive during the reporting period:

	Dilutive 2021	Dilutive 2020
Loan capital instruments	Yes	Yes
Executive share options	No	No
Executive performance rights	Yes	Yes
Subordinated note (with non viability clause)	No	No

Recognition and measurement

Basic earnings per share (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 loan capital instruments, divided by the weighted average number of ordinary shares and potential dilutive ordinary shares, including loan capital instruments.

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.

7 Dividends

Ordinary shares (ASX: BEN)

Dividends paid	Group						Bank					
	Date paid	Cents per share ¢	Total amount $m	Date paid	Cents per share ¢	Total amount $m	Date paid	Cents per share ¢	Total amount $m	Date paid	Cents per share ¢	Total amount $m
	June 2020 final dividend			June 2019 final dividend			June 2020 final dividend			June 2019 final dividend		
	Mar 2021	4.5	23.5	Sep 2019	35.0	169.5	Mar 2021	4.5	23.5	Sep 2019	35.0	169.5
	December 2020 interim dividend			December 2019 interim dividend			December 2020 interim dividend			December 2019 interim dividend		
	Mar 2021	23.5	122.8	Mar 2020	31.0	150.8	Mar 2021	23.5	122.8	Mar 2020	31.0	150.8
		28.0	**146.3**		**66.0**	**320.3**		**28.0**	**146.3**		**66.0**	**320.3**

Final dividend June 2021

Dividends proposed since the reporting date, but not recognised as a liability:

	¢	$m		¢	$m
Sep 2021	26.5	142.5	Sep 2021	26.5	142.5

All dividends paid were fully franked at 30% either from existing franking credits or from franking credits arising from payment of income tax provided for in the financial statements for the year ended 30 June 2021.

Preference shares and capital notes

	Group						Bank					
	2021			2020			2021			2020		
	Date paid	Cents per share ¢	Total amount $m	Date paid	Cents per share ¢	Total amount $m	Date paid	Cents per share ¢	Total amount $m	Date paid	Cents per share ¢	Total amount $m
Convertible preference shares (CPS2) (recorded as debt instruments) (ASX: BENPE) [1]												
	Nov 2020	117.28	3.4	Nov 2019	164.71	4.8	Nov 2020	117.28	3.4	Nov 2019	164.71	4.8
				May 2020	144.57	4.2				May 2020	144.57	4.2
		117.28	**3.4**		**309.28**	**9.0**		**117.28**	**3.4**		**309.28**	**9.0**
Convertible preference shares (CPS3) (recorded as debt instruments) (ASX: BENPF) [2]												
	Dec 2020	146.35	4.1	Dec 2019	184.60	5.2	Dec 2020	146.35	4.1	Dec 2019	184.60	5.2
	Jun 2021	140.31	4.0	Jun 2020	174.03	4.9	Jun 2021	140.31	4.0	Jun 2020	174.03	4.9
		286.66	**8.1**		**358.63**	**10.1**		**286.66**	**8.1**		**358.63**	**10.1**
Converting preference shares (CPS4) (recorded as debt instruments) (ASX: BENPG)												
	Sep 2020	67.19	2.2	Sep 2019	89.91	2.9	Sep 2020	67.19	2.2	Sep 2019	89.91	2.9
	Dec 2020	67.02	2.2	Dec 2019	83.43	2.7	Dec 2020	67.02	2.2	Dec 2019	83.43	2.7
	Mar 2021	65.80	2.1	Mar 2020	81.08	2.6	Mar 2021	65.80	2.1	Mar 2020	81.08	2.6
	Jun 2021	66.81	2.1	Jun 2020	78.78	2.5	Jun 2021	66.81	2.1	Jun 2020	78.78	2.5
		266.82	**8.6**		**333.20**	**10.7**		**266.82**	**8.6**		**333.20**	**10.7**
Capital notes (recorded as debt instruments) (ASX: BENPH) [3]												
	Mar 2021	76.92	3.9				Mar 2021	76.92	3.9			
	Jun 2021	67.70	3.4				Jun 2021	67.70	3.4			
		144.62	**7.3**					**144.62**	**7.3**			

[1] Convertible preference shares (CPS2, ASX: BENPE) were redeemed in November 2020. Final dividend payment was made in November 2020.
[2] Convertible preference shares (CPS3, ASX: BENPF) were redeemed in June 2021. Final dividend payment was made in June 2021.
[3] Capital notes (ASX: BENPH) were issued in November 2020. First dividend payment was made in March 2021.

7 **Dividends** (continued)

Dividend franking account

	Group	
	June 2021	June 2020
	$m	$m
Balance of franking account as at the end of the financial year	561.2	499.0
Franking credits that will arise from the payment of income tax provided for in the financial report	44.2	(17.6)
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	(144.6)	(0.6)
Closing balance	**460.8**	**480.8**

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 2021	June 2020	June 2021	June 2020
	$m	$m	$m	$m
Paid in cash [1]	105.3	277.4	105.3	277.4
Satisfied by issue of shares [2]	41.0	42.9	41.0	42.9
	146.3	**320.3**	**146.3**	**320.3**

[1] Refers to cash paid to shareholders who did not elect to participate in the Dividend Reinvestment Plan.
[2] Represents the value of shares 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 (ASX) over the seven trading days commencing 8 September 2021 at a discount of 1.5%. Shares issued under this Plan rank equally with all other ordinary shares.

Bonus Share Scheme

The Bonus Share Scheme provides shareholders with the opportunity to elect to receive a number of bonus shares issued for no consideration instead of receiving a dividend. The issue price of the shares is equal to the volume weighted average share price of Bendigo and Adelaide Bank shares traded on the Australian Securities Exchange (ASX) over the seven trading days commencing 8 September 2021 at a discount of 1.5%.

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 2021 final dividend is 7 September 2021.

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

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

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

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

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives.

While judgement is used in determining the business model, consideration is given to relevant, objective evidence including:

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

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

The SPPI test

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

8 Cash and cash equivalents

	Group		Bank	
	2021	2020	2021	2020
	$m	$m	$m	$m
Notes and coins	137.1	129.7	137.1	129.8
Cash at bank	5,211.1	960.0	4,756.4	596.3
Reverse repurchase agreements	1,738.1	99.9	1,738.1	99.9
Total cash and cash equivalents	**7,086.3**	**1,189.6**	**6,631.6**	**826.0**

Reconciliation of cash and cash equivalents
For the purposes of the Cash Flow Statement, cash and cash equivalents includes:

	$m	$m	$m	$m
Cash and cash equivalents	7,086.3	1,189.6	6,631.6	826.0
Due from other financial institutions	173.4	137.0	173.4	137.0
Due to other financial institutions	(175.4)	(145.1)	(175.4)	(145.1)
	7,084.3	**1,181.5**	**6,629.6**	**817.9**

Recognition and measurement

Cash and cash equivalents include notes and coins at branches, 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 2021 $m	Group 2020 $m	Bank 2021 $m	Bank 2020 $m
Overdrafts		1,573.5	1,985.8	1,573.3	1,985.2
Credit cards		313.3	307.2	313.3	307.2
Term loans		67,951.7	60,911.2	68,815.6	61,703.1
Margin lending		1,480.6	1,294.9	-	-
Lease receivables		695.8	626.2	695.3	625.2
Factoring receivables		45.2	33.3	45.2	33.3
Other		172.5	163.1	172.5	163.1
Gross loans and other receivables		**72,232.6**	**65,321.7**	**71,615.2**	**64,817.1**
Individually assessed provision	10	(94.3)	(78.4)	(94.3)	(78.2)
Collectively assessed provision	10	(246.7)	(263.2)	(245.8)	(262.4)
Unearned income		(82.4)	(81.1)	(82.4)	(81.0)
Total provisions and unearned income		**(423.4)**	**(422.7)**	**(422.5)**	**(421.6)**
Deferred costs paid		111.4	81.4	111.4	81.3
Net loans and other receivables		**71,920.6**	**64,980.4**	**71,304.1**	**64,476.8**

Maturity analysis [1]	Group 2021 $m	Group 2020 $m	Bank 2021 $m	Bank 2020 $m
At call / overdrafts	4,337.8	4,699.1	2,857.1	3,404.2
Not longer than 3 months	1,134.8	941.5	1,134.8	941.4
Longer than 3 and not longer than 12 months	3,034.9	2,430.7	3,034.9	2,430.5
Longer than 1 and not longer than 5 years	10,145.6	10,383.1	10,145.2	10,379.8
Longer than 5 years	53,579.5	46,867.3	54,443.2	47,661.2
Gross loans and other receivables	**72,232.6**	**65,321.7**	**71,615.2**	**64,817.1**

[1] Balances exclude specific and collective provisions, unearned revenue, and deferred costs and are categorised by the contracted maturity date of each loan facility.

Comparative information in the maturity analysis table above has been restated to align to the presentation in the current financial year. Current financial year disclosures reconcile to definitions applied for regulatory reporting purposes.

Recognition and measurement

Loans and other receivables are debt instruments recognised initially at fair value, which represent 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 expected credit loss (ECL) 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 ownership of the 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 of impairment.

For further details regarding impairment of loans refer to Note 10.

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

Some of the Group's customers have been provided with COVID-19 support measures which allow for the deferral of loan payments during the deferral period. These packages have been offered to customers to provide short-term cash flow support. During the deferral period, interest has been capitalised.

It is expected that the loan balance along with the capitalised interest will be repaid in full.

10 **Impairment of loans and advances**

Summary of impaired financial assets	Group 2021 $m	Group 2020 $m	Bank 2021 $m	Bank 2020 $m
Impaired loans				
Loans - without provisions	40.6	52.4	40.6	52.4
Loans - with provisions	168.0	187.1	168.0	187.0
Restructured loans	0.2	1.0	0.2	1.0
Less: individually assessed provisions	(93.0)	(77.5)	(93.0)	(77.3)
Net impaired loans	**115.8**	**163.0**	**115.8**	**163.1**
Net impaired loans % of net loans and other receivables	0.16%	0.25%	0.16%	0.25%
Portfolio facilities - past due 90 days, not well secured	2.9	4.9	2.9	4.9
Less: individually assessed provisions	(1.3)	(0.9)	(1.3)	(0.9)
Net portfolio facilities	**1.6**	**4.0**	**1.6**	**4.0**
Loans past due 90 days	$m	$m	$m	$m
Accruing loans past due 90 days, with adequate security balance	362.7	399.2	362.7	399.2
Net fair value of properties acquired through the enforcement of security	35.3	96.4	35.3	94.7

Recognition and measurement

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

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

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

Restructured loans

Restructured loans are facilities in which the original contractual terms have been modified for reasons related to the financial difficulties of the customer.

Restructuring may consist of reduction of interest, principal or other payments legally due, or an extension in maturity.

Group	Stage 1	Stage 2	Stage 3			
	12 month ECL	Lifetime ECL	Collectively assessed - Lifetime ECL	Individually assessed - Lifetime ECL	General reserve for credit losses	**Total**
Movements in provisions and reserve	$m	$m	$m	$m	$m	**$m**
Balance as at 1 July 2020	**76.3**	**153.0**	**33.9**	**78.4**	**86.6**	**428.2**
Transfers during the period to:						
Stage 1	1.7	(1.6)	(0.1)	-	-	-
Stage 2	(18.6)	20.8	(2.2)	-	-	-
Stage 3	(5.0)	(7.0)	12.0	-	-	-
Transfer from collectively assessed to individually assessed provisions	-	(0.3)	(0.9)	1.2	-	-
New/increased provisions	12.6	2.6	0.4	33.0	-	48.6
Write-back of provisions no longer required	(5.7)	(4.6)	(6.2)	-	-	(16.5)
Change in balances	10.7	(19.0)	(6.1)	-	18.1	3.7
Bad debts written off previously provided for	-	-	-	(18.3)	-	(18.3)
Total provision for doubtful debts as at 30 June 2021	**72.0**	**143.9**	**30.8**	**94.3**	**104.7**	**445.7**

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

Group	Stage 1	Stage 2	Stage 3			
	12 month ECL	Lifetime ECL	Collectively assessed - Lifetime ECL	Individually assessed - Lifetime ECL	General reserve for credit losses	**Total**
	$m	$m	$m	$m	$m	**$m**
Balance as at 1 July 2019	**36.9**	**75.9**	**44.2**	**128.5**	**77.3**	**362.8**
Transfers during the period to:						
Stage 1	0.7	(0.7)	-	-	-	-
Stage 2	(17.3)	18.3	(1.0)	-	-	-
Stage 3	(6.4)	(6.4)	12.8	-	-	-
Transfer from collectively assessed to individually assessed provisions	(0.1)	(1.2)	(6.5)	7.8	-	-
New/increased provisions	11.6	3.7	1.0	48.6	20.6	85.5
Write-back of provisions no longer required	(5.2)	(8.4)	(3.3)	-	-	(16.9)
Change in balances	56.1	71.8	(13.3)	-	(11.3)	103.3
Bad debts written off previously provided for	-	-	-	(106.5)	-	(106.5)
Total provision for doubtful debts as at 30 June 2020	**76.3**	**153.0**	**33.9**	**78.4**	**86.6**	**428.2**

Bank

Movements in provisions and reserve	$m	$m	$m	$m	$m	**$m**
Balance as at 1 July 2020	**74.9**	**153.6**	**33.9**	**78.2**	**86.6**	**427.2**
Transfers during the period to:						
Stage 1	1.7	(1.6)	(0.1)	-	-	-
Stage 2	(18.6)	20.8	(2.2)	-	-	-
Stage 3	(5.0)	(7.0)	12.0	-	-	-
Transfer from collectively assessed to individually assessed provisions	-	(0.3)	(0.9)	1.2	-	-
New/increased provisions	12.6	2.6	0.4	33.0	-	48.6
Write-back of provisions no longer required	(5.7)	(4.6)	(6.2)	-	-	(16.5)
Change in balances	10.8	(19.2)	(6.1)	-	18.1	3.6
Bad debts written off previously provided for	-	-	-	(18.1)	-	(18.1)
Total provision for doubtful debts as at 30 June 2021	**70.7**	**144.3**	**30.8**	**94.3**	**104.7**	**444.8**

	$m	$m	$m	$m	$m	**$m**
Balance as at 1 July 2019	**36.0**	**75.9**	**44.2**	**128.2**	**77.3**	**361.6**
Transfers during the period to:						
Stage 1	0.7	(0.7)	-	-	-	-
Stage 2	(17.3)	18.3	(1.0)	-	-	-
Stage 3	(6.4)	(6.4)	12.8	-	-	-
Transfer from collectively assessed to individually assessed provisions	(0.1)	(1.2)	(6.5)	7.8	-	-
New/increased provisions	11.6	3.7	1.0	48.5	20.6	85.4
Write-back of provisions no longer required	(5.2)	(8.4)	(3.3)	-	-	(16.9)
Change in balances	55.6	72.4	(13.3)	-	(11.3)	103.4
Bad debts written off previously provided for	-	-	-	(106.3)	-	(106.3)
Total provision for doubtful debts as at 30 June 2020	**74.9**	**153.6**	**33.9**	**78.2**	**86.6**	**427.2**

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

Summary of provisions and reserve	Group 2021 $m	Group 2020 $m	Bank 2021 $m	Bank 2020 $m
Individually assessed provision				
Opening balance	78.4	128.5	78.2	128.2
Bad debts written off previously provided for	(18.3)	(106.5)	(18.1)	(106.3)
Charged to Income Statement	34.2	56.4	34.2	56.3
Closing balance	**94.3**	**78.4**	**94.3**	**78.2**
Collectively assessed provision				
Opening balance	263.2	157.0	262.4	156.1
Charged/(Released) to Income Statement	(16.5)	106.2	(16.6)	106.3
Closing balance	**246.7**	**263.2**	**245.8**	**262.4**
General reserve for credit losses (GRCL)				
Opening balance	86.6	77.3	86.6	77.3
Increase in GRCL	18.1	9.3	18.1	9.3
Closing balance	**104.7**	**86.6**	**104.7**	**86.6**
Total provisions and reserve	**445.7**	**428.2**	**444.8**	**427.2**
Ratios				
Individually assessed provision to gross loans	0.13%	0.12%		
Total provisions and GRCL to gross loans	0.62%	0.66%		
Collectively assessed provision and GRCL to risk-weighted assets	0.87%	0.92%		
Provision coverage [1]	213.46%	178.05%		

[1] 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 actuarial 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 economic scenarios based on reasonable and supportable forecasts.

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

- **Stage 1** – Where there has not been a significant increase in credit risk (SICR) 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 SICR 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.

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

Recognition and measurement (continued)

Expected credit loss impairment model (continued)
Interest income is recognised on gross carrying amounts for financial assets in Stage 1 and Stage 2, and gross carrying value net of provisions for financial assets in Stage 3.

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

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

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

Details of these statistical parameters/inputs are as follows:

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

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

Macroeconomic factors
In its models, the Group relies on a broad range of forward-looking economic information as inputs, such as: Gross Domestic Product (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 and available data of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as adjustments using expert credit judgement.

The Group's Economic Outlook Committee is responsible for reviewing and approving the methodology, and any adjustments 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 and the Board Financial Risk Committee.

Multiple forward-looking scenarios
The Group determines its allowance for credit losses using five probability-weighted forward-looking scenarios. The Group considers both internal and external sources of information and data in order to achieve unbiased projections and forecasts. The Group prepares the scenarios using forecasts generated by the Economic Oversight Committee (EOC). The forecasts are created using consensus forecasts and internal models 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 four additional economic scenarios and consideration of the relative probabilities of each outcome.

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

The assessment and determination of forward-looking assumptions in the current environment is challenging given the inherent uncertainties surrounding COVID-19, including current lockdowns and the risk of further lockdowns.

The Group's base case economic forecast scenario used in the calculation of the collectively assessed provision as at 30 June 2021, reflects a strong recovery in economic conditions. Unemployment, under the base case scenario, peaks at 5.3% in September 2021. Quarterly growth in GDP is expected to be negative during the September 2021 quarter with subdued positive growth commencing from 2022. House prices are expected to grow by more then 11.0% p.a. up to September 2021, before returning to normal growth rates of around 5.0% to 6.0% p.a. Commercial property prices are expected to fall more than 16.0% by December 2021 with office and retail space in the CBD primarily impacted.

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

Recognition and measurement (continued)

Multiple forward-looking scenarios (continued)
The Group's significant deterioration scenario was mostly aligned to the APRA stress test scenario (adjusted in line with the new base scenario) at the end of 2020 and assumes unemployment peaks at 10.5% in September 2022, and improves slightly to 9.2% by March 2024. Gross Domestic Product is expected to contract by 6.0% in December 2021 and substantially recover by September 2023. House prices are projected to fall by 16.9% and commercial property prices by 12.2% on average towards the end of 2021, with CBD retail space projected to fall by 26.0% and CBD office space by 28.4%.

The Group's approach to formulating the macroeconomic factors used in the upside and downside scenarios has been revised. Implied values derived from the base scenario were used in the other scenarios for 30 June 2020, whereas for 30 June 2021 discrete macroeconomic forecasts for each scenario were determined by the EOC. The change in probabilities assigned to the downside scenarios for 30 June 2021 are largely due to the change in underlying scenarios rather than a significant change in the Group's economic outlook.

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

Weightings	30 June 2021	30 June 2020
Base scenario	50.0%	50.0%
Significant improvement	0.0%	0.0%
Mild improvement	5.0%	15.0%
Mild deterioration	27.5%	30.0%
Significant deterioration	17.5%	5.0%

The above probability weightings have been applied to all portfolios with the exception of the agricultural lending portfolio. The weightings applied to this portfolio for 30 June 2021 were 53% base scenario, 25% mild deterioration, 20% mild improvement, and 1% each for the remaining two scenarios (2020: 53.3% base scenario, 22.2% mild deterioration, 22.2% mild improvement, 1.1% for each of the remaining two scenarios).

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

Scenario Outcomes	30 June 2021 ($m) [1]	30 June 2020 ($m) [1]
100% Base scenario	217.0	232.2
100% Significant improvement	203.0	114.9
100% Mild improvement	207.2	207.0
100% Mild deterioration	247.5	307.7
100% Significant deterioration	347.6	475.1

[1] These outcomes exclude the GRCL.

Assessment of significant increase in credit risk (SICR)
At each reporting date, the Group assesses whether there has been a SICR 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 SICR 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 SICR.

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 SICR 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. SICR is evaluated based on the movement of the exposures between ratings i.e. a two notch downgrade in the internal rating since origination will trigger a transfer to Stage 2.

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

Recognition and measurement (continued)

Expected life

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

Presentation of allowance for credit losses in the Balance Sheet

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

Definition of default

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

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

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

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

Write-off policy

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

Modified financial assets

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

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

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

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

Purchased loans

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

Purchased performing loans follow the same accounting as originated performing loans and are reflected in Stage 1 on the date of the acquisition.

They will be subject to a 12-month allowance for credit losses which is recorded as a provision for credit losses in the Income Statement. The fair value adjustment set up for these loans on the date of acquisition is amortised into interest income over the life of these loans.

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

General reserve for credit losses (GRCL)

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

11 Financial assets at fair value through profit or loss

	Group		Bank	
	2021	2020	2021	2020
	$m	$m	$m	$m
Discount securities	-	996.7	-	996.7
Floating rate notes	320.5	170.0	320.5	170.0
Government securities	1,358.2	4,244.4	1,358.2	4,244.4
Total financial assets at fair value through profit or loss	**1,678.7**	**5,411.1**	**1,678.7**	**5,411.1**
Maturity analysis	$m	$m	$m	$m
Not longer than 3 months	1,171.0	733.7	1,171.0	733.7
Longer than 3 and not longer than 12 months	137.6	1,767.7	137.6	1,767.7
Longer than 1 and not longer than 5 years	182.9	2,320.6	182.9	2,320.6
Over 5 years	187.2	589.1	187.2	589.1
	1,678.7	**5,411.1**	**1,678.7**	**5,411.1**

Recognition and measurement

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 18.

12 Financial assets at amortised cost

	Group		Bank	
	2021	2020	2021	2020
	$m	$m	$m	$m
Collateral and security deposits	325.4	289.3	116.3	105.7
Other deposits	7.0	6.8	0.1	0.1
Bonds	19.1	29.2	19.1	29.2
Total financial assets at amortised cost	**351.5**	**325.3**	**135.5**	**135.0**
Maturity analysis	$m	$m	$m	$m
Not longer than 3 months	33.5	-	33.5	-
Longer than 1 and not longer than 5 years	0.1	-	0.1	-
Over 5 years	317.9	325.3	101.9	135.0
	351.5	**325.3**	**135.5**	**135.0**

Classification and measurement

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

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

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

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

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

	Group		Bank	
	2021	2020	2021	2020
	$m	$m	$m	$m
Debt securities				
Discount securities	300.0	-	300.0	-
Mortgage backed securities	13.6	17.0	12,897.6	12,431.5
Floating rate notes	229.3	253.1	229.3	253.1
Government securities	1,602.0	516.8	1,602.0	516.8
Other debt securities	0.5	0.5	0.5	0.5
Total debt securities	**2,145.4**	**787.4**	**15,029.4**	**13,201.9**
Managed Fund investments				
Unlisted Managed Fund investments	9.4	8.7	-	-
Total Managed Fund investments	**9.4**	**8.7**	**-**	**-**
Equity investments				
Listed share investments	0.1	0.1	0.1	0.1
Unlisted share investments	31.2	18.6	31.2	18.6
Total equity investments	**31.3**	**18.7**	**31.3**	**18.7**
Total financial assets at fair value through other comprehensive income	**2,186.1**	**814.8**	**15,060.7**	**13,220.6**
Maturity analysis	$m	$m	$m	$m
Not longer than 3 months	205.3	150.6	480.7	429.4
Longer than 3 and not longer than 12 months	824.4	383.7	824.4	384.0
Longer than 1 and not longer than 5 years	1,125.1	253.1	1,396.8	253.6
Over 5 years	-	-	12,327.5	12,134.9
Non-maturing	31.3	27.4	31.3	18.7
	2,186.1	**814.8**	**15,060.7**	**13,220.6**

Recognition and measurement

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

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

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

Equity instruments

The Group has irrevocably elected to measure all equity investments that are not held for trading at fair value through other comprehensive income.

Subsequent changes to the fair value are recognised in other comprehensive income and are not transferred to the Income Statement, including upon disposal. Dividend income is recognised in the Income Statement unless the dividend represents a recovery of part of the cost of the investment.

Financial liabilities

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

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

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

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

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

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

14 Deposits and notes payable

	Group		Bank	
	2021	2020	2021	2020
Deposits	$m	$m	$m	$m
Customer [1]				
At call	38,103.1	29,025.0	38,115.3	29,022.4
Term	19,812.6	21,691.6	19,812.6	21,691.6
Total customer deposits	**57,915.7**	**50,716.6**	**57,927.9**	**50,714.0**
Wholesale				
Domestic [2]	16,439.9	13,466.0	16,439.9	13,466.0
Total deposits	**74,355.6**	**64,182.6**	**74,367.8**	**64,180.0**

[1] Customer deposits represent the sum of interest bearing, non-interest bearing and term deposits from retail and corporate customers.
[2] Includes Term Funding Facility.

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

Deposits by geographic location	Group 2021 $m	Group 2020 $m	Bank 2021 $m	Bank 2020 $m
Victoria	43,327.9	36,535.4	43,366.9	36,569.4
New South Wales	10,255.6	9,090.3	10,242.8	9,067.9
Queensland	7,119.5	6,149.6	7,113.4	6,143.1
South Australia/Northern Territory	6,009.2	5,591.2	6,008.0	5,588.2
Western Australia	4,352.8	4,004.7	4,347.6	4,002.5
Australian Capital Territory	1,169.9	927.9	1,169.8	927.8
Tasmania	1,490.3	1,263.4	1,490.2	1,263.3
Overseas	630.4	620.1	629.1	617.8
Total deposits	**74,355.6**	**64,182.6**	**74,367.8**	**64,180.0**
Total notes payable	**3,597.7**	**3,503.5**	**-**	**-**

Comparative information in the table above has been restated to align to the presentation in the current financial year. Current financial year disclosures reconcile to definitions applied for regulatory reporting purposes.

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.

Term Funding Facility
Wholesale domestic deposits include $4,718.3 million (2020: $725.0 million) of funds drawn down under the Reserve Bank of Australia's Term Funding Facility (TFF). The TFF was part of a package of measures put in place by the Reserve Bank of Australia in March 2020 to support the Australian economy. The TFF is a three year facility. Prior to 4 November 2020, funding provided under the TFF was at a fixed interest rate of 0.25% per annum. From 4 November 2020, the fixed interest rate was changed to 0.1% per annum.

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.

15 Loan capital

	Group		Bank	
	2021	2020	2021	2020
	$m	$m	$m	$m
Tier 1 loan capital	813.8	890.2	813.8	890.2
Tier 2 loan capital	569.4	671.3	569.4	671.3
Total Loan capital	**1,383.2**	**1,561.5**	**1,383.2**	**1,561.5**

Tier 1 loan capital	$m	$m	$m	$m
CPS2 (ASX Code: BENPE) [1]				
Oct 2014: 2,921,188 fully paid $100 Convertible preference shares	-	292.1	-	292.1
Unamortised issue costs	-	(0.6)	-	(0.6)
Closing balance CPS2	**-**	**291.5**	**-**	**291.5**
CPS3 (ASX Code: BENPF) [2]				
June 2015: 2,822,108 fully paid $100 Convertible preference shares	-	282.2	-	282.2
Unamortised issue costs	-	(1.4)	-	(1.4)
Closing balance CPS3	**-**	**280.8**	**-**	**280.8**
CPS4 (ASX Code: BENPG)				
December 2017: 3,216,145 fully paid $100 Converting preference shares	321.6	321.6	321.6	321.6
Unamortised issue costs	(2.8)	(3.7)	(2.8)	(3.7)
Closing balance CPS4	**318.8**	**317.9**	**318.8**	**317.9**
Total Preference shares	**318.8**	**890.2**	**318.8**	**890.2**
Capital notes (ASX Code: BENPH) [3]				
November 2020: 5,024,446 fully paid $100 Capital notes	502.4	-	502.4	-
Unamortised issue costs	(7.4)	-	(7.4)	-
Closing balance capital notes	**495.0**	**-**	**495.0**	**-**
Total Tier 1 capital	**813.8**	**890.2**	**813.8**	**890.2**

[1] Convertible preference shares (CPS2, ASX: BENPE) were redeemed in November 2020.
[2] Convertible preference shares (CPS3, ASX: BENPF) were redeemed in June 2021.
[3] Capital notes (ASX Code: BENPH) were issued in November 2020.

Tier 1 capital instruments

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

Nature of Tier 1 capital instruments
Tier 1 loan capital instruments are long term in nature and are perpetual, hence they do not have a fixed maturity date. The instruments may be redeemed at the discretion of the Group for a price per security on the redemption date. Any securities not already converted will be converted into ordinary shares on the mandatory conversion date specified in the issue's prospectus located at https://www.bendigoadelaide.com.au/investor-centre/prospectus/

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

Recognition and measurement

Tier 1 loan capital instruments are classified as debt within the Balance Sheet and dividends/distributions are treated as interest expense in the Income Statement.

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

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

The capital notes carry a discretionary distribution which will be determined and payable quarterly in arrears. The distribution rate will be based on the floating Bank Bill Swap Rate.

15 **Loan capital** (continued)

Tier 2 loan capital	Group 2021 $m	Group 2020 $m	Bank 2021 $m	Bank 2020 $m
Tier 2 capital notes	21.1	21.1	21.1	21.1
Other subordinated debt	548.3	650.2	548.3	650.2
Total Tier 2 loan capital	**569.4**	**671.3**	**569.4**	**671.3**

Tier 2 capital instruments

In accordance with Australian Prudential Regulation Authority's Basel III capital adequacy framework, these instruments form part of the Group's Tier 2 capital. Tier 2 capital instruments rank ahead of Additional Tier 1 capital instruments.

Recognition and measurement

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

Tier 2 loan capital instruments are initially recognised at fair value less charges associated with the issue of the instrument. They are subsequently measured at amortised cost using the effective interest rate method.

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

Transactions that are in currencies other than in AUD are restated to AUD equivalents each month with adjustments taken directly to income.

Loan capital **Maturity analysis** [1]	$m	$m	$m	$m
Longer than 3 and not longer than 12 months	-	250.4	-	250.4
Longer than 1 and not longer than 5 years	444.0	890.3	444.0	890.3
Over 5 years	918.1	399.7	918.1	399.7
No maturity date (instruments in perpetuity)	21.1	21.1	21.1	21.1
	1,383.2	**1,561.5**	**1,383.2**	**1,561.5**

[1] Based on the final maturity date or, in the case of Additional Tier 1 capital securities, the mandatory conversion date (if any).

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 determines its regulatory capital requirements in relation to credit risk, operational risk and market risk using the Standardised Approach set by APRA. The Group satisfied its minimum capital requirements at both Level 1 and 2 throughout the financial year.

16 Securitisation and transferred assets

Group	Repurchase agreements 2021 $m	Repurchase agreements 2020 $m	Securitisation 2021 $m	Securitisation 2020 $m
Carrying amount of transferred assets [1]	5,222.9	1,976.9	3,564.0	3,488.2
Carrying amount of associated liabilities [2]	5,222.9	1,976.9	3,597.7	3,503.5
Fair value of transferred assets			3,556.4	3,478.4
Fair value of associated liabilities			3,633.2	3,494.5
Net position			**(76.8)**	**(16.1)**

Bank	Repurchase agreements 2021 $m	Repurchase agreements 2020 $m	Securitisation 2021 $m	Securitisation 2020 $m
Carrying amount of transferred assets	5,222.9	1,976.9	15,303.7	15,158.0
Carrying amount of associated liabilities [3]	5,222.9	1,976.9	15,871.0	15,595.9
Fair value of transferred assets			15,273.4	15,111.7
Fair value of associated liabilities			16,184.2	15,563.0
Net position			**(910.8)**	**(451.3)**

[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 in the Balance Sheet when the majority of the risks and rewards of ownership remain with the Group. The counterparty liability is included separately in 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 $3,963.7 million (2020: $8,847.3 million) during the financial year. The Group invests in some of its own securitisation programs by holding A and B class notes equivalent to $12,602.9 million as at 30 June 2021 (2020: $12,437.8 million).

17 **Derivative financial instruments**

The Group uses derivative financial instruments primarily to manage risk, including interest rate risk and foreign currency rate risk. Note 19 outlines the risk management framework that the Group applies.

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

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

All derivatives are recorded at fair value in the Balance Sheet. The determination of the fair value of derivatives includes consideration of credit risk, estimated funding costs and ongoing direct costs over the life of the instruments. Inception gains or losses on derivatives are only recognised where the valuation is dependent only on observable market data, otherwise, they are deferred and amortised over the life of the related contract, or until the valuation inputs become observable. Derivative financial instruments are valued in accordance with Level 2 of the fair value hierarchy, as outlined in Note 18.

The gains or losses resulting from changes in fair values of trading derivatives and non-trading derivatives that do not qualify for hedge accounting are included in the Income Statement in Other revenue. Changes in the fair value of derivatives that qualify for hedge accounting are recorded in the Income Statement in Other revenue for fair value hedges and are recorded in the Statement of Comprehensive Income in Other comprehensive income for cash flow hedges.

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

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

The 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 2021				Group 2020			
	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	159.0	-	-	-	2,862.5	-	-	-
Interest rate swaps	5,778.0	11.0	(10.5)	0.5	10,415.1	25.1	(10.0)	15.1
Foreign exchange contracts	474.0	5.0	(0.8)	4.2	101.9	0.7	(0.6)	0.1
	6,411.0	**16.0**	**(11.3)**	**4.7**	**13,379.5**	**25.8**	**(10.6)**	**15.2**
Derivatives held as fair value hedges								
Interest rate swaps	0.6	-	-	-	1.3	-	(0.2)	(0.2)
	0.6	**-**	**-**	**-**	**1.3**	**-**	**(0.2)**	**(0.2)**
Derivatives held as cash flow hedges								
Interest rate swaps	17,935.5	43.1	(34.0)	9.1	34,120.6	80.6	(89.4)	(8.8)
	17,935.5	**43.1**	**(34.0)**	**9.1**	**34,120.6**	**80.6**	**(89.4)**	**(8.8)**
Total derivatives	**24,347.1**	**59.1**	**(45.3)**	**13.8**	**47,501.4**	**106.4**	**(100.2)**	**6.2**

17 **Derivative financial instruments** (continued)

	Bank 2021				Bank 2020			
	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	159.0	-	-	-	2,862.5	-	-	-
Interest rate swaps	5,778.0	11.0	(10.5)	0.5	10,415.1	25.1	(10.0)	15.1
Foreign exchange contracts	474.0	5.0	(0.8)	4.2	101.9	0.7	(0.6)	0.1
	6,411.0	**16.0**	**(11.3)**	**4.7**	**13,379.5**	**25.8**	**(10.6)**	**15.2**
Derivatives held as fair value hedges								
Interest rate swaps	0.6	-	-	-	1.3	-	(0.2)	(0.2)
	0.6	**-**	**-**	**-**	**1.3**	**-**	**(0.2)**	**(0.2)**
Derivatives held as cash flow hedges								
Interest rate swaps	17,935.5	43.1	(34.0)	9.1	34,120.6	80.6	(89.4)	(8.8)
	17,935.5	**43.1**	**(34.0)**	**9.1**	**34,120.6**	**80.6**	**(89.4)**	**(8.8)**
Total derivatives	**24,347.1**	**59.1**	**(45.3)**	**13.8**	**47,501.4**	**106.4**	**(100.2)**	**6.2**

The interest rate swaps that are settled through the central clearing body London Clearing House have a Nil fair value as variation margin is paid or received on the daily mark to market movement. The market valuation for the centrally cleared derivates amounted to $5.3 million and $5.4 million was received as variation margin receipts as at 30 June 2021. The difference represented variable margin payable to London Clearing House as at 30 June 2021, which is classified as due to other financial institutions in the Balance Sheet. The total notional value of the centrally cleared derivatives as at 30 June 2021 is $2.25 billion, which is included in Derivatives held as cash flow hedges - Interest rate swaps in the tables above for the Group and the Bank.

As at 30 June 2021 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
2021	$m	$m	$m	$m	$m	$m
Forecast cash inflows	43.4	46.0	41.0	18.6	4.5	0.2
Forecast cash outflows	(54.1)	(38.6)	(24.2)	(10.8)	(5.1)	(0.2)
Forecast net cash inflows/(outflows)	**(10.7)**	**7.4**	**16.8**	**7.8**	**(0.6)**	**-**
2020	$m	$m	$m	$m	$m	$m
Forecast cash inflows	159.2	40.4	22.1	14.0	6.2	4.5
Forecast cash outflows	(147.6)	(47.9)	(22.3)	(12.7)	(5.1)	(4.5)
Forecast net cash inflows/(outflows)	**11.6**	**(7.5)**	**(0.2)**	**1.3**	**1.1**	**-**
Bank						
2021	$m	$m	$m	$m	$m	$m
Forecast cash inflows	43.4	46.0	41.0	18.6	4.5	0.2
Forecast cash outflows	(54.1)	(38.6)	(24.2)	(10.8)	(5.1)	(0.2)
Forecast net cash inflows/(outflows)	**(10.7)**	**7.4**	**16.8**	**7.8**	**(0.6)**	**-**
2020	$m	$m	$m	$m	$m	$m
Forecast cash inflows	159.2	40.4	22.1	14.0	6.2	4.5
Forecast cash outflows	(147.6)	(47.9)	(22.3)	(12.7)	(5.1)	(4.5)
Forecast net cash inflows/(outflows)	**11.6**	**(7.5)**	**(0.2)**	**1.3**	**1.1**	**-**

17 **Derivative financial instruments** (continued)

Revaluation movements arising from economic hedges

Revaluation movements arise from fair value hedges as well as derivatives that are not in a hedge relationship. The table below summarises the amounts that were recognised in non-interest income - other revenue as a result of both fair value hedges and economic derivatives that are not in a hedge relationship.

	Group		Bank	
	2021	2020	2021	2020
Revaluation gains /(losses) arising from economic hedges	$m	$m	$m	$m
Revaluation gains /(losses) arising from fair value hedges				
Gains on hedging instruments	0.1	-	0.1	-
Loses on the hedged items attributable to the hedged risk	(0.1)	-	(0.1)	-
Revaluation losses arising from economic derivatives that are not in a hedge relationship				
Losses on derivatives	(8.1)	(3.2)	(8.1)	(3.2)
	(8.1)	**(3.2)**	**(8.1)**	**(3.2)**

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:

2021	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	-	2,000.0	6,785.0	9,150.5	-	17,935.5
Average fixed rate (%)	-	0.75%	0.52%	0.53%		

2020	Maturity					
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Cash flow hedges - interest rate swaps	$m	$m	$m	$m	$m	$m
Notional principal	3,825.0	4,650.0	6,850.0	7,935.6	-	23,260.6
Average fixed rate (%)	2.48%	1.96%	2.04%	0.95%		

17 **Derivative financial instruments** (continued)

Offsetting financial assets and financial liabilities

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

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

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

	Group			
	Derivative assets	Derivative liabilities	Derivative assets	Derivative liabilities
	2021		2020	
	$m	$m	$m	$m
Amounts subject to enforceable master netting or similar agreements				
Amounts offset in the Balance Sheet				
- Gross amounts recognised in the Balance Sheet	62.6	(45.3)	102.0	(100.2)
- Variation margin received	(5.3)	-	-	-
Reported in the Balance Sheet	**57.3**	**(45.3)**	**102.0**	**(100.2)**
Related amounts not set-off in the Balance Sheet				
- Financial collateral (received)/pledged	(23.9)	33.5	(49.5)	69.7
Net amount	**33.4**	**(11.8)**	**52.5**	**(30.5)**
Financial assets not subject to enforceable master netting or similar agreements	1.8	-	4.4	-
Total financial assets/(liabilities) recognised in the Balance Sheet	**59.1**	**(45.3)**	**106.4**	**(100.2)**

	Bank			
	$m	$m	$m	$m
Amounts subject to enforceable master netting or similar agreements				
Amounts offset in the Balance Sheet				
- Gross amounts recognised in the Balance Sheet	62.6	(45.3)	102.0	(100.2)
- Variation margin received	(5.3)	-		
Reported in the Balance Sheet	**57.3**	**(45.3)**	**102.0**	**(100.2)**
Related amounts not set-off in the Balance Sheet				
- Financial collateral (received)/pledged	(23.9)	33.5	(49.5)	69.7
Net amount	**33.4**	**(11.8)**	**52.5**	**(30.5)**
Financial assets not subject to enforceable master netting or similar agreements	1.8	-	4.4	-
Total financial assets/(liabilities) recognised in the Balance Sheet	**59.1**	**(45.3)**	**106.4**	**(100.2)**

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

18 **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 in the Balance Sheet.

Group	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total
2021	$m	$m	$m	$m
Financial assets				
Cash and cash equivalents	-	-	7,086.3	7,086.3
Due from other financial institutions	-	-	173.4	173.4
Financial assets fair value through profit or loss (FVTPL)	1,678.7	-	-	1,678.7
Financial assets amortised cost	-	-	351.5	351.5
Financial assets fair value through other comprehensive income (FVOCI)	-	2,186.1	-	2,186.1
Net loans and other receivables	-	-	71,920.6	71,920.6
Derivatives	16.0	43.1	-	59.1
Total financial assets	**1,694.7**	**2,229.2**	**79,531.8**	**83,455.7**
Financial liabilities				
Due to other financial institutions	-	-	175.4	175.4
Deposits	-	-	74,355.6	74,355.6
Notes payable	-	-	3,597.7	3,597.7
Derivatives	11.3	34.0	-	45.3
Loan capital	-	-	1,383.2	1,383.2
Total financial liabilities	**11.3**	**34.0**	**79,511.9**	**79,557.2**
2020	$m	$m	$m	$m
Financial assets				
Cash and cash equivalents	-	-	1,189.6	1,189.6
Due from other financial institutions	-	-	137.0	137.0
Financial assets fair value through profit or loss (FVTPL)	5,411.1	-	-	5,411.1
Financial assets amortised cost	-	-	325.3	325.3
Financial assets fair value through other comprehensive income (FVOCI)	-	814.8	-	814.8
Net Loans and other receivables	-	-	64,980.4	64,980.4
Derivatives	25.8	80.6	-	106.4
Total financial assets	**5,436.9**	**895.4**	**66,632.3**	**72,964.6**
Financial liabilities				
Due to other financial institutions	-	-	145.1	145.1
Deposits	-	-	64,182.6	64,182.6
Notes payable	-	-	3,503.5	3,503.5
Derivatives	10.8	89.4	-	100.2
Loan capital	-	-	1,561.5	1,561.5
Total financial liabilities	**10.8**	**89.4**	**69,392.7**	**69,492.9**

18 **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
2021	$m	$m	$m	$m
Financial assets				
Cash and cash equivalents	-	-	6,631.6	6,631.6
Due from other financial institutions	-	-	173.4	173.4
Financial assets fair value through profit or loss (FVTPL)	1,678.7	-	-	1,678.7
Financial assets amortised cost	-	-	135.5	135.5
Financial assets fair value through other comprehensive income (FVOCI)	-	15,060.7	-	15,060.7
Net loans and other receivables	-	-	71,304.1	71,304.1
Derivatives	16.0	43.1	-	59.1
Total financial assets	**1,694.7**	**15,103.8**	**78,244.6**	**95,043.1**
Financial liabilities				
Due to other financial institutions	-	-	175.4	175.4
Deposits	-	-	74,367.8	74,367.8
Derivatives	11.3	34.0	-	45.3
Loan capital	-	-	1,383.2	1,383.2
Total financial liabilities	**11.3**	**34.0**	**75,926.4**	**75,971.7**
2020	$m	$m	$m	$m
Financial assets				
Cash and cash equivalents	-	-	826.0	826.0
Due from other financial institutions	-	-	137.0	137.0
Financial assets fair value through profit or loss (FVTPL)	5,411.1	-	-	5,411.1
Financial assets amortised cost	-	-	135.0	135.0
Financial assets fair value through other comprehensive income (FVOCI)	-	13,220.6	-	13,220.6
Net Loans and other receivables	-	-	64,476.8	64,476.8
Derivatives	25.8	80.6	-	106.4
Total financial assets	**5,436.9**	**13,301.2**	**65,574.8**	**84,312.9**
Financial liabilities				
Due to other financial institutions	-	-	145.1	145.1
Deposits	-	-	64,180.0	64,180.0
Derivatives	10.8	89.4	-	100.2
Loan capital	-	-	1,561.5	1,561.5
Total financial liabilities	**10.8**	**89.4**	**65,886.6**	**65,986.8**

18 **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 as follows:

Level 1 - Quoted market prices
Financial instruments that have been valued by reference to unadjusted quoted prices for identical financial assets in active markets. Government bonds issued by the Commonwealth of Australia have been included in this category.

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 but that are most reflective of the market conditions at the measurement date.

Financial assets and liabilities carried at fair value

The table below details financial instruments carried at fair value, by Balance Sheet classification and hierarchy level:

Group	Level 1	Level 2	Level 3	Total fair value	Total carrying value
2021	$m	$m	$m	$m	$m
Financial assets					
Financial assets FVTPL	187.2	1,491.5	-	1,678.7	1,678.7
Financial assets FVOCI	561.4	1,593.5	31.2	2,186.1	2,186.1
Derivatives	-	59.1	-	59.1	59.1
Financial liabilities					
Derivatives	-	45.3	-	45.3	45.3
2020	$m	$m	$m	$m	$m
Financial assets					
Financial assets FVTPL	2,870.0	2,541.1	-	5,411.1	5,411.1
Financial assets FVOCI	0.1	796.1	18.6	814.8	814.8
Derivatives	-	106.4	-	106.4	106.4
Financial liabilities					
Derivatives	-	100.2	-	100.2	100.2
Bank					
2021	$m	$m	$m	$m	$m
Financial assets					
Financial assets FVTPL	187.2	1,491.5	-	1,678.7	1,678.7
Financial assets FVOCI	561.4	14,468.1	31.2	15,060.7	15,060.7
Derivatives	-	59.1	-	59.1	59.1
Financial liabilities					
Derivatives	-	45.3	-	45.3	45.3
2020	$m	$m	$m	$m	$m
Financial assets					
Financial assets FVTPL	2,870.0	2,541.1	-	5,411.1	5,411.1
Financial assets FVOCI	0.1	13,201.9	18.6	13,220.6	13,220.6
Derivatives	-	106.4	-	106.4	106.4
Financial liabilities					
Derivatives	-	100.2	-	100.2	100.2

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

18 **Financial instruments** (continued)

Valuation methodology

Financial instruments - debt securities
Each month, independent valuations are determined by the Group's Financial Risk & Modelling function. This involves an analysis of independently sourced data that is deemed most representative of the market. From this independent data which is made available by other financial institutions, market average valuations are calculated, and the value of debt securities are updated.

Financial instruments - equity investments
Level 1 - Listed investments relates to equities held that are on listed exchanges.

Level 2 - Unlisted investments are equity holdings in unlisted managed investment 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 no observable inputs, assumptions reflective of market conditions at the measurement date are used to approximate fair value.

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

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

	Group		Bank	
Financial assets - equity investments	2021	2020	2021	2020
	$m	$m	$m	$m
Opening balance	**18.6**	**19.0**	**18.6**	**19.0**
Valuations	12.6	(0.4)	12.6	(0.4)
Purchases	-	-	-	-
Transfers out	-	-	-	-
Closing balance	**31.2**	**18.6**	**31.2**	**18.6**

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
2021	$m	$m	$m	$m	$m
Financial assets					
Cash and cash equivalents [1]	-	6,949.2	-	6,949.2	6,949.2
Due from other financial institutions	-	173.4	-	173.4	173.4
Financial assets amortised cost	-	351.5	-	351.5	351.5
Net loans and other receivables	-	-	71,985.9	71,985.9	71,920.6
Financial liabilities					
Due to other financial institutions	-	175.4	-	175.4	175.4
Deposits	-	74,375.3	-	74,375.3	74,355.6
Notes payable	-	3,631.5	-	3,631.5	3,597.7
Loan capital	850.3	568.1	-	1,418.4	1,383.2

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

18 **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
2020	$m	$m	$m	$m	$m
Financial assets					
Cash and cash equivalents [1]	-	1,059.9	-	1,059.9	1,059.9
Due from other financial institutions	-	137.0	-	137.0	137.0
Financial assets amortised cost	-	325.3	-	325.3	325.3
Net loans and other receivables	-	-	65,145.4	65,145.4	64,980.4
Financial liabilities					
Due to other financial institutions	-	145.1	-	145.1	145.1
Deposits	-	64,285.9	-	64,285.9	64,182.6
Notes Payable	-	3,494.2	-	3,494.2	3,503.5
Loan capital	885.7	666.6	-	1,552.3	1,561.5

Bank					
2021	$m	$m	$m	$m	$m
Financial assets					
Cash and cash equivalents [1]	-	6,494.5	-	6,494.5	6,494.5
Due from other financial institutions	-	173.4	-	173.4	173.4
Financial assets - amortised cost	-	135.5	-	135.5	135.5
Net loans and other receivables	-	-	71,369.4	71,369.4	71,369.4
Financial liabilities					
Due to other financial institutions	-	175.4	-	175.4	175.4
Deposits	-	74,387.5	-	74,387.5	74,367.8
Loan capital	850.3	568.1	-	1,418.4	1,383.2
2020	$m	$m	$m	$m	$m
Financial assets					
Cash and cash equivalents [1]	-	696.2	-	696.2	696.2
Due from other financial institutions	-	137.0	-	137.0	137.0
Financial assets held to maturity	-	135.0	-	135.0	135.0
Net loans and other receivables	-	-	64,641.8	64,641.8	64,476.8
Financial liabilities					
Due to other financial institutions	-	145.1	-	145.1	145.1
Deposits	-	64,283.3	-	64,283.3	64,180.0
Loan capital	885.7	666.6	-	1,552.3	1,561.5

[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.

18 **Financial instruments** (continued)

Valuation methodology

Cash and cash equivalents, due from/to other financial institutions
The carrying value for these assets and liabilities are a reasonable approximation of fair value.

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

Net loans and other receivables
The carrying value of loans and other receivables is net of 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.

Loan capital
The fair value of preference shares and capital notes is based on quoted market rates for the issue concerned as at year end.

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.

19 **Risk management**

Nature of risk

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

The Group has identified the following material financial risks that have the potential to adversely impact its financial performance and financial position:
- Credit Risk;
- Market Risk (Traded & Non-Traded); and
- Liquidity Risk

Non-Financial Risks, including Operational Risk, are outlined in the Risk Management Framework, Material Risks, Business Risks and Uncertainties section of the 2021 Annual Financial Report. The Board is ultimately responsible for the management of risk which is achieved by establishing, reviewing and overseeing the Group's Risk Management Framework including its risk profile, risk appetite and risk strategy. The framework provides a high-level description of the material risks faced by the Group together with the policies and procedures implemented to measure, monitor and manage those risks.

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

Financial risk management

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

Changes to the Group's external and internal operating environments, such as those related to the COVID-19 pandemic, may impact one or more of the Group's material financial risks. The Group continues to actively monitor the impacts of the COVID-19 pandemic and take actions to address the associated risks.

Credit risk

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

The Group is also exposed to Counterparty Credit Risk, which is the risk that a counterparty may default before the final settlement of the transaction's cash flows. This risk is primarily related to derivative instruments. Derivatives that are cleared through a central clearing counterparty or an exchange have less credit risk than over-the-counter derivatives and are subject to relevant netting and collateral agreements.

At an operational level, business unit managers are responsible for managing credit risks accepted in their business and for maximising risk adjusted returns from their portfolios within the approved Credit Risk Management Framework, risk appetite and policies.

Authority to officers to approve credit risk exposures for customers, is granted by the Chief Credit Officer in line with the Delegated Lending Authority Policy. The Credit Risk Management function is responsible for establishing policies, monitoring trends impacting credit quality, setting credit limits and authorising delegated lending authorities and where required approving credit exposures. Financial Risk & Modelling is responsible for monitoring Treasury counterparty credit limits in line with the Group's Counterparty Credit Limit Framework.

The Group utilises models to support the management of Credit Risk. Governance of Risk Models is overseen by the Risk Models Committee (RMC) and models are approved by the Group's MCC.

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

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

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

19 **Risk management** (continued)

Credit risk (continued)

Maximum exposure to credit risk
The table below presents the maximum exposure to credit risk arising from Balance Sheet and off-Balance Sheet financial instruments. The exposure is shown gross before taking into account any master netting, collateral agreements or other credit enhancements.

	30 June 2021			
Group	Stage 1	Stage 2	Stage 3	Total
Gross maximum exposure	$m	$m	$m	$m
Cash and cash equivalents	6,949.2	-	-	6,949.2
Due from other financial institutions	173.4	-	-	173.4
Financial assets fair value through profit or loss (FVTPL)	1,678.7	-	-	1,678.7
Financial assets amortised cost	351.5	-	-	351.5
Financial assets fair value through other comprehensive income (FVOCI)	2,186.1	-	-	2,186.1
Other assets	255.8	-	-	255.8
Derivative assets	59.1	-	-	59.1
Gross loans and other receivables	64,894.5	6,479.5	858.6	72,232.6
	76,548.3	**6,479.5**	**858.6**	**83,886.4**
Commitments and contingent liabilities	10,701.3	-	-	10,701.3
Total credit risk exposure	**87,249.6**	**6,479.5**	**858.6**	**94,587.7**

	30 June 2020			
	Stage 1	Stage 2	Stage 3	Total
	$m	$m	$m	$m
Cash and cash equivalents	1,059.9	-	-	1,059.9
Due from other financial institutions	137.0	-	-	137.0
Financial assets fair value through profit or loss (FVTPL)	5,411.1	-	-	5,411.1
Financial assets amortised cost	325.3	-	-	325.3
Financial assets fair value through other comprehensive income (FVOCI)	814.8	-	-	814.8
Other assets	226.2	-	-	226.2
Derivative assets	106.4	-	-	106.4
Gross loans and other receivables	57,428.0	6,794.5	1,099.2	65,321.7
	65,508.7	**6,794.5**	**1,099.2**	**73,402.4**
Commitments and contingent liabilities	10,012.7	-	-	10,012.7
Total credit risk exposure	**75,521.4**	**6,794.5**	**1,099.2**	**83.415.1**

19 **Risk management** (continued)

Credit risk (continued)

Maximum exposure to credit risk (continued)

Bank	30 June 2021			
	Stage 1	Stage 2	Stage 3	Total
Gross maximum exposure	$m	$m	$m	$m
Cash and cash equivalents	6,494.5	-	-	6,494.5
Due from other financial institutions	173.4	-	-	173.4
Financial assets fair value through profit or loss (FVTPL)	1,678.7	-	-	1,678.7
Financial assets amortised cost	135.5	-	-	135.5
Financial assets fair value through other comprehensive income (FVOCI)	15,060.7	-	-	15,060.7
Other assets	1,301.9	-	-	1,301.9
Derivative assets	59.1	-	-	59.1
Shares in controlled entities	103.7	-	-	103.7
Gross loans and other receivables	64,036.5	6,479.5	1,099.2	71,615.2
	89,044.0	**6,479.5**	**1,099.2**	**96,622.7**
Commitments and contingent liabilities	10,701.3	-	-	10,701.3
Total credit risk exposure	**99,745.3**	**6,479.5**	**1,099.2**	**107,324.0**

	30 June 2020			
	Stage 1	Stage 2	Stage 3	Total
	$m	$m	$m	$m
Cash and cash equivalents	696.2	-	-	696.2
Due from other financial institutions	137.0	-	-	137.0
Financial assets fair value through profit or loss (FVTPL)	5,411.1	-	-	5,411.1
Financial assets amortised cost	135.0	-	-	135.0
Financial assets fair value through other comprehensive income (FVOCI)	13,220.6	-	-	13,220.6
Other assets	1,297.3	-	-	1,297.3
Derivative assets	106.4	-	-	106.4
Shares in controlled entities	134.5	-	-	134.5
Gross loans and other receivables	56,924.6	6,794.5	1,098.0	64,817.1
	78,062.7	**6,794.5**	**1,098.0**	**85,955.2**
Commitments and contingent liabilities	10,012.7	-	-	10,012.7
Total credit risk exposure	**88,075.4**	**6,794.5**	**1,098.0**	**95,967.9**

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 in 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.

19 **Risk management** (continued)

Credit risk (continued)

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

The maximum credit exposure to any client or counterparty as at 30 June 2021 was $524.0 million (2020: $339.0 million) before taking into account collateral or other credit enhancements and $524.0 million (2020: $339.0 million) net of such protection.

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

The table below presents the maximum exposure to credit risk categorised by geographical region. The exposures are shown gross before taking into account any collateral held or other credit enhancements.

	Group		Bank	
	2021	2020	2021	2020
Geographic concentration	$m	$m	$m	$m
Victoria	36,314.6	32,478.4	38,234.1	34,101.7
New South Wales	24,929.6	18,031.2	28,972.4	23,713.4
Queensland	11,685.9	10,298.6	11,416.9	10,067.9
South Australia/Northern Territory	8,113.2	7,573.6	15,381.7	13,262.7
Western Australia	7,646.4	7,541.0	7,479.4	7,385.0
Australian Capital Territory	3,497.7	5,266.7	3,471.1	5,240.5
Tasmania	1,847.0	1,680.3	1,829.0	1,664.8
Overseas/other	553.3	545.3	539.4	531.9
Total credit risk exposure	**94,587.7**	**83,415.1**	**107,324.0**	**95,967.9**

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.

Industry concentration	$m	$m	$m	$m
Accommodation and food services	383.6	418.7	396.3	417.8
Administrative and support services	53.7	456.5	53.7	456.5
Agriculture, forestry and fishing	7,856.9	7,619.4	7,858.9	7,620.4
Arts and recreation services	111.4	113.3	111.4	113.3
Construction	904.6	931.6	902.7	927.9
Education and training	72.0	75.9	72.0	48.9
Electricity, gas, water and waste services	35.7	34.2	35.7	34.2
Financial and insurance services	12,301.8	6,351.0	26,526.8	20,259.0
Health care and social assistance	702.9	707.3	704.5	712.6
Information media and telecommunications	28.9	35.1	28.9	42.8
Manufacturing	276.2	272.7	276.1	269.4
Margin lending	1,480.6	1,294.9	-	-
Mining	23.2	26.7	23.2	88.7
Other	286.4	238.8	288.9	165.0
Other services	258.0	251.3	257.9	251.1
Professional, scientific and technical services	290.3	299.4	290.3	299.3
Public administration and safety	2,111.9	4,075.0	2,111.5	4,075.0
Rental, hiring and real estate services	4,293.9	3,953.5	4,293.9	4,054.8
Residential/consumer	62,351.0	55,459.4	62,326.6	55,332.8
Retail trade	426.6	454.8	426.6	454.7
Transport, postal and warehousing	159.6	167.2	159.6	163.4
Wholesale trade	178.5	178.4	178.5	180.3
Total credit risk exposure	**94,587.7**	**83,415.1**	**107,324.0**	**95,967.9**

Comparative information in the two tables above has been restated to align to the presentation in the current financial year. Current financial year disclosures reconcile to definitions applied for regulatory reporting purposes.

19 **Risk management** (continued)

Credit risk (continued)

Credit quality

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

Group	Stage 1	Stage 2 Collectively assessed provisions	Stage 3	Stage 3 Individually assessed provisions	**Total**
	$m	$m	$m	$m	**$m**
Gross carrying amount as at 1 July 2020	**59,337.4**	**6,794.5**	**866.5**	**232.7**	**67,231.1**
Stage 1	2,376.4	(2,295.0)	(81.4)	-	-
Stage 2	(2,991.5)	3,150.5	(159.0)	-	-
Stage 3	(142.6)	(231.0)	373.6	-	-
Transfer from collectively assessed to individually assessed provisions	(3.3)	(11.4)	(42.0)	56.7	-
New financial assets originated or purchased	18,813.6	364.6	11.9	-	19,190.1
Financial assets derecognised or repaid	(9,629.0)	(1,045.4)	(256.8)	-	(10,931.2)
Change in balances	4,992.7	(247.3)	(60.0)	(65.4)	4,620.0
Amounts written off against provisions	-	-	-	(18.2)	(18.2)
Gross carrying amount as at 30 June 2021	**72,753.7**	**6,479.5**	**652.8**	**205.8**	**80,091.8**
	$m	$m	$m	$m	**$m**
Gross carrying amount as at 1 July 2019	**55,543.7**	**7,287.9**	**901.3**	**281.5**	**64,014.4**
Stage 1	2,242.5	(2,183.2)	(59.3)	-	-
Stage 2	(3,229.5)	3,375.7	(146.2)	-	-
Stage 3	(245.6)	(294.7)	540.3	-	-
Transfer from collectively assessed to individually assessed provisions	(23.4)	(34.6)	(68.7)	126.7	-
New financial assets originated or purchased	15,229.4	400.3	166.7	-	15,796.4
Financial assets derecognised or repaid	(8,651.3)	(1,537.6)	(384.0)	-	(10,572.9)
Change in balances	(1,528.4)	(219.3)	(83.6)	(68.9)	(1,900.2)
Amounts written off against provisions	-	-	-	(106.6)	(106.6)
Gross carrying amount as at 30 June 2020	**59,337.4**	**6,794.5**	**866.5**	**232.7**	**67,231.1**
Bank	$m	$m	$m	$m	**$m**
Gross carrying amount as at 1 July 2020	**58,280.0**	**6,794.5**	**866.5**	**231.5**	**66,172.5**
Stage 1	2,376.4	(2,295.0)	(81.4)	-	-
Stage 2	(2,991.5)	3,150.5	(159.0)	-	-
Stage 3	(142.6)	(231.0)	373.6	-	-
Transfer from collectively assessed to individually assessed provisions	(3.3)	(11.4)	(42.0)	56.7	-
New financial assets originated or purchased	18,813.6	364.6	11.9	-	19,190.1
Financial assets derecognised or repaid	(9,629.0)	(1,045.4)	(256.8)	-	(10,931.2)
Change in balances	4,763.2	(247.3)	(60.0)	(65.4)	4,390.5
Amounts written off against provisions	-	-	-	(18.2)	(18.2)
Gross carrying amount as at 30 June 2021	**71,466.8**	**6,479.5**	**652.8**	**204.6**	**78,803.7**
	$m	$m	$m	$m	**$m**
Gross carrying amount as at 1 July 2019	**54,352.2**	**7,287.9**	**901.3**	**280.3**	**62,821.7**
Stage 1	2,242.5	(2,183.2)	(59.3)	-	-
Stage 2	(3,229.5)	3,375.7	(146.2)	-	-
Stage 3	(245.6)	(294.7)	540.3	-	-
Transfer from collectively assessed to individually assessed provisions	(23.4)	(34.6)	(68.7)	126.7	-
New financial assets originated or purchased	15,229.4	400.3	166.7	-	15,796.4
Financial assets derecognised or repaid	(8,651.3)	(1,537.6)	(384.0)	-	(10,572.9)
Change in balances	(1,394.2)	(219.3)	(83.6)	(68.9)	(1,766.0)
Amounts written off against provisions	-	-	-	(106.6)	(106.6)
Gross carrying amount as at 30 June 2020	**58,280.1**	**6,794.5**	**866.5**	**231.5**	**66,172.6**

19 **Risk management** (continued)

Credit risk (continued)

Credit quality (continued)

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

Group	Stage 1	Stage 2 Collectively assessed provisions	Stage 3	Stage 3 Individually assessed provisions	Total
	$m	$m	$m	$m	**$m**
Neither past due or impaired					
> High grade	51,974.8	361.5	-	-	52,336.3
> Standard grade	28,923.0	3,476.1	-	-	32,399.1
> Sub-standard grade	1,035.8	1,647.3	-	-	2,683.1
> Unrated	4,863.8	135.6	-	-	4,999.4
Past due or impaired	452.2	859.0	652.8	(18.2)	2,169.8
Gross carrying amount as at 30 June 2021	**87,249.6**	**6,479.5**	**652.8**	**205.8**	**94,587.7**
	$m	$m	$m	$m	**$m**
Neither past due or impaired					
> High grade	40,468.2	463.7	4.7	-	40,936.6
> Standard grade	26,921.7	3,516.0	34.8	-	30,472.5
> Sub-standard grade	1,496.0	1,961.8	119.1	-	3,576.9
> Unrated	6,287.0	166.5	21.1	-	6,474.6
Past due or impaired	348.5	686.5	686.8	232.7	1,954.5
Gross carrying amount as at 30 June 2020	**75,521.4**	**6,794.5**	**866.5**	**232.7**	**83,415.1**

Bank	$m	$m	$m	$m	**$m**
Neither past due or impaired					
> High grade	64,757.6	361.5	-	-	65,119.1
> Standard grade	28,876.5	3,476.1	-	-	32,352.6
> Sub-standard grade	1,035.8	1,647.3	-	-	2,683.1
> Unrated	4,790.9	135.6	-	-	4,926.5
Past due or impaired	525.1	859.0	652.8	205.8	2,242.7
Gross carrying amount as at 30 June 2021	**99,985.9**	**6,479.5**	**652.8**	**205.8**	**107,324.0**
	$m	$m	$m	$m	**$m**
Neither past due or impaired					
> High grade	53,367.5	463.7	4.7	-	53,835.9
> Standard grade	26,587.4	3,506.6	34.8	-	30,128.8
> Sub-standard grade	1,496.0	1,961.8	119.1	-	3,576.9
> Unrated	6,287.0	166.5	21.1	-	6,474.6
Past due or impaired	348.5	686.5	724.2	192.5	1,951.7
Gross carrying amount as at 30 June 2020	**88,086.4**	**6,785.1**	**903.9**	**192.5**	**95,967.9**

19 **Risk management** (continued)

Credit risk (continued)

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

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

Ageing

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

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

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

		Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total	Fair value of collateral
		$m	$m	$m	$m	$m	$m
Group	2021	953.9	274.6	167.6	565.3	1,961.4	3,902.1
	2020	832.3	268.5	179.2	589.3	1,869.3	4,805.9
Bank	2021	953.9	274.6	167.6	565.3	1,961.4	3,902.1
	2020	832.3	268.5	179.2	589.3	1,869.3	4,805.9

Climate change risk

Climate change risk includes the physical risks which cause direct damage to assets, property and/or customers' cashflows as a result of rising global temperatures, as well as transition risks which arise from the transition to a low-carbon economy. The Group is predominantly exposed to climate change risk through our lending activities whilst noting there is also exposure through our supply chains and built assets such as branches and offices. The Group is currently one year into a three year climate change action plan and our understanding of climate change risks and its management is being enhanced as we execute the plan. For further information refer to the Group's 2021 Sustainability Report.

Liquidity risk

Liquidity Risk is defined as the risk that the Group is unable 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 for going investment opportunities. 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 APRA Prudential Standard 210, the Group manages a portfolio of High Quality Liquid Assets (HQLA) and Alternative Liquidity Assets (ALA) to cover defined projected net cash outflows over a 30 day period, using the scenario based Liquidity Coverage Ratio (LCR). APRA requires LCR ADIs to maintain a minimum 100%LCR. The Group monitors the stability and composition of funding, including the calculation of the Net Stable Funding Ratio (NSFR), which APRA also requires LCR ADIs to maintain at a minimum of 100%.

At an operational level, Liquidity Risk is managed by Group Treasury, which is responsible for ensuring compliance with policy in executing its daily operations for managing cash inflows and outflows to meet the Group's obligations as and when they fall due.

The Financial Risk & Modelling function provides independent oversight of liquidity risk practices, calculation of LCR and NSFR and preparing liquidity stress tests/scenarios.

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

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

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

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

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

19 **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 in 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**
2021	$m	$m	$m	$m	$m	**$m**
Due to other financial institutions	175.4	-	-	-	-	**175.4**
Deposits	39,300.6	13,030.7	14,420.2	7,654.9	0.4	**74,406.8**
Notes payable	-	32.2	55.7	575.8	2,934.0	**3,597.7**
Derivatives - net settled	-	11.9	21.8	27.1	-	**60.8**
Other payables	270.4	19.0	25.9	135.3	-	**450.6**
Loan capital	-	8.9	26.6	456.8	1,117.9	**1,610.2**
Total financial liabilities	**39,746.4**	**13,102.7**	**14,550.2**	**8,849.9**	**4,052.3**	**80,301.5**
Commitments and contingent liabilities	10,701.3	-	-	-	-	**10,701.3**
Total contingent liabilities and commitments	**10,701.3**	**-**	**-**	**-**	**-**	**10,701.3**
2020	$m	$m	$m	$m	$m	**$m**
Due to other financial institutions	145.1	-	-	-	-	**145.1**
Deposits	31,842.4	17,565.9	11,296.5	3,582.5	1.2	**64,288.5**
Notes payable	-	105.6	42.0	574.9	2,781.0	**3,503.5**
Derivatives - net settled	-	22.6	50.1	53.5	2.8	**129.0**
Other payables	276.2	18.0	20.8	162.6	20.0	**497.6**
Loan capital	-	7.4	286.5	679.4	807.5	**1,780.8**
Total financial liabilities	**32,263.7**	**17,719.5**	**11,695.9**	**5,052.9**	**3,612.5**	**70,344.5**
Commitments and contingent liabilities	10,012.7	-	-	-	-	**10,012.7**
Total contingent liabilities and commitments	**10,012.7**	**-**	**-**	**-**	**-**	**10,012.7**

Bank						
2021	$m	$m	$m	$m	$m	**$m**
Due to other financial institutions	175.4	-	-	-	-	**175.4**
Deposits	39,312.7	13,030.7	14,420.2	7,654.9	0.4	**74,418.9**
Derivatives - net settled	-	11.9	21.8	27.1	-	**60.8**
Other payables	249.8	19.0	25.9	135.3	-	**430.0**
Loans payable to securitisation trusts	-	-	-	-	15,303.7	**15,303.7**
Loan capital	-	8.9	26.6	456.8	1,117.9	**1,610.2**
Total financial liabilities	**39,737.9**	**13,070.5**	**14,494.5**	**8,274.1**	**16,422.0**	**91,999.0**
Commitments and contingent liabilities	10,701.3	-	-	-	-	**10,701.3**
Total contingent liabilities and commitments	**10,701.3**	**-**	**-**	**-**	**-**	**10,701.3**

19 **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**
2020	$m	$m	$m	$m	$m	**$m**
Due to other financial institutions	145.1	-	-	-	-	**145.1**
Deposits	31,839.8	17,565.9	11,296.5	3,582.5	1.2	**64,285.9**
Derivatives - net settled	-	22.6	50.1	53.5	2.8	**129.0**
Other payables	253.2	18.0	20.7	162.2	20.0	**474.1**
Loans payable to securitisation trusts	-	-	-	-	15,158.0	**15,158.0**
Loan capital	-	7.4	286.5	679.4	807.5	**1,780.8**
Total financial liabilities	**32,238.1**	**17,613.9**	**11,653.8**	**4,477.6**	**15,989.5**	**81,972.9**
Commitments and contingent liabilities	10,012.7	-	-	-	-	**10,012.7**
Total contingent liabilities and commitments	**10,012.7**	**-**	**-**	**-**	**-**	**10,012.7**

Market risk (including interest rate and currency risk)

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

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

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

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

The Board has set a risk appetite for the maximum amount of traded market risk and interest rate risk (IRR) that it is willing to take, based on a percentage of the Group's capital that has been allocated to traded market risk and IRRBB.

The Board Financial Risk Committee (BFRC) has set additional secondary risk appetite settings that support this primary risk appetite setting. Traded market risk and IRRBB risk appetite and limits are reviewed and endorsed by the Group's Asset & Liability Management Committee (ALMAC) and are ultimately approved by the BFRC and Board.

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

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

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

19 **Risk management** (continued)

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

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

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

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

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

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

The following table outlines the key measure for Traded Market Risk. EV Sensitivity is based on the impact of a 50 basis point parallel movement in rates.

	Exposure at year end	Average during the year	Exposure at year end	Average during the year
	30 June 2021		30 June 2020	
VaR	$m	$m	$m	$m
Economic Value (EV) Sensitivity	(1.0)	(4.9)	(3.5)	(4.3)

The following table outlines the key measures for Non-Traded Market Risk (IRRBB). EV and NII Sensitivity are based on a static representation of the Balance Sheet and the impact of instantaneous 200 basis point parallel and non-parallel shifts in rates.

	Exposure at year end	Average during the year	Exposure at year end	Average during the year
	30 June 2021		30 June 2020	
VaR	$m	$m	$m	$m
VaR	60.2	75.3	20.9	16.5
Economic Value (EV) Sensitivity	(69.0)	(116.6)	(102.4)	(52.4)
Net Interest Income (NII) Sensitivity	(62.5)	(67.5)	(49.5)	(51.3)

19 **Risk management** (continued)

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

Interest Rate risk
The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group's Income Statement and equity.

The sensitivity of the Income Statement is the effect of assumed changes in interest rates on the net interest for one year, based on the floating rate financial assets and financial liabilities held at 30 June 2021, 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 2021 for the effects of the assumed changes in interest rates. The sensitivity of equity is analysed by the maturity of the asset or swap, with sensitivity based on the assumption that there are parallel shifts in the yield curve.

Taking into account the fact that the official cash rate in Australia was 0.10% as at 30 June 2021, the table below represents the change to the Group's profit for the relevant financial year from a 25 basis point parallel rate shock. Where a 25 basis point parallel rate shock would result in an interest rate which is below zero, the interest rate has been assumed to be zero, that is, no negative interest rates have been used.

	+25 basis points	-25 basis points	+25 basis points	-25 basis points
	2021	2021	2020	2020
Group	$m	$m	$m	$m
Net interest income	28.1	(18.3)	7.7	(12.8)
Revaluation (losses)/gains arising on economic hedges that are not in a hedge relationship	(2.0)	0.2	(6.1)	3.2
Income tax effect at 30%	(7.8)	5.4	(0.5)	2.9
Effect on profit	**18.3**	**(12.7)**	**1.1**	**(6.7)**
Effect on profit (per above)	18.3	(12.7)	1.1	(6.7)
Cash flow hedge reserve	1.5	(1.5)	(29.7)	29.7
Income tax effect on reserves at 30%	(0.4)	0.4	8.9	(8.9)
Effect on equity	**19.4**	**(13.8)**	**(19.7)**	**14.1**
Bank				
Net interest income	28.1	(18.3)	7.7	(12.8)
Revaluation (losses)/gains arising on economic hedges that are not in a hedge relationship	(2.0)	0.2	(6.1)	3.2
Income tax effect at 30%	(7.8)	5.4	(0.5)	2.9
Effect on profit	**18.3**	**(12.7)**	**1.1**	**(6.7)**
Effect on profit (per above)	18.3	(12.7)	1.1	(6.7)
Cash flow hedge reserve	1.5	(1.5)	(29.7)	29.7
Income tax effect on reserves at 30%	(0.4)	0.4	8.9	(8.9)
Effect on equity	**19.4**	**(13.8)**	**(19.7)**	**14.1**

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 Group'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 (2021: AUD $nil).

Retail and business banking FX transactions are managed by the Group's Financial Markets unit, with resulting risk constrained by Board approved spot and forward limits. Adherence to limits is independently monitored by the Financial Risk & Modelling function.

20 Share capital

	Group		Bank	
	2021		2021	
Issued and paid up capital	No. of shares	$m	No. of shares	$m
Ordinary shares fully paid (ASX Code: BEN)	545,510,378	5,053.1	545,510,378	5,053.1
Employee Share Ownership Plan shares	-	(3.6)	-	(3.6)
Total issued and paid up capital	**545,510,378**	**5,049.5**	**545,510,378**	**5,049.5**
Movements in ordinary shares on issue	No. of shares	$m	No. of shares	$m
Opening balance 1 July 2020	530,779,195	4,909.3	530,779,195	4,909.3
Bonus share scheme [1]	232,760	-	232,760	-
Dividend reinvestment plan [2]	4,213,290	41.0	4,213,290	41.0
Institutional placement	71	-	71	-
Underwriting issue [3]	10,624,730	105.7	10,624,730	105.7
Shares issued for Loan Share Plan	1,297,625	8.7	1,297,625	8.7
Executive performance rights	-	0.2	-	0.2
Closing balance (includes Treasury shares) 30 June 2021	**547,147,671**	**5,064.9**	**547,147,671**	**5,064.9**
Less: Treasury shares	No. of shares	$m	No. of shares	$m
Opening balance 1 July 2020	-	-	-	-
Net acquisitions during the period	(1,637,293)	(11.8)	(1,637,293)	(11.8)
Closing balance (excludes Treasury shares) 30 June 2021	**545,510,378**	**5,053.1**	**545,510,378**	**5,053.1**
Movements in Employee Share Ownership Plan	No. of shares	$m	No. of shares	$m
Opening balance 1 July 2020	–	(4.3)	–	(4.3)
Reduction in Employee Share Ownership Plan	–	0.7	–	0.7
Closing balance 30 June 2021	**-**	**(3.6)**	**-**	**(3.6)**
Total issued and paid up capital	**545,510,378**	**5,049.5**	**545,510,378**	**5,049.5**

[1] The Group issued 232,760 shares @ $9.72 as part of the December 2020 interim dividend under the Bonus Share Scheme.
[2] The Group issued 4,213,290 shares @ $9.72 as part of the December 2020 interim dividend under the Dividend Reinvestment Plan.
[3] The Group issued 10,624,730 shares @ $9.95 as part of the June 2021 final dividend.

20 **Share capital** (continued)

	Group		Bank	
	2020		2020	
Issued and paid up capital	No. of shares	$m	No. of shares	$m
Ordinary shares fully paid (ASX Code: BEN)	530,779,195	4,909.3	530,779,195	4,909.3
Employee Share Ownership Plan shares	-	(4.3)	-	(4.3)
	530,779,195	**4,905.0**	**530,779,195**	**4,905.0**
Movements in ordinary shares on issue	No. of shares	$m	No. of shares	$m
Opening balance 1 July 2019	491,575,157	4,575.9	491,575,157	4,575.9
Bonus share scheme [1]	585,341	-	585,341	-
Dividend reinvestment plan [2]	5,191,883	42.9	5,191,883	42.9
Institutional placement	26,766,596	250.0	26,766,596	250.0
Share purchase plan	6,660,218	44.8	6,660,218	44.8
Share issue costs	-	(3.0)	-	(3.0)
Executive performance rights	-	(1.3)	-	(1.3)
Closing balance 30 June 2020	**530,779,195**	**4,909.3**	**530,779,195**	**4,909.3**
Movements in Employee Share Ownership Plan	No. of shares	$m	No. of shares	$m
Opening balance	–	(5.4)	–	(5.4)
Reduction in Employee Share Ownership Plan	–	1.1	–	1.1
Closing balance 30 June 2020	**-**	**(4.3)**	**-**	**(4.3)**
Total issued and paid up capital	**530,779,195**	**4,905.0**	**530,779,195**	**4,905.0**

[1] The Group issued 230,071 shares @ $11.14 for the June 2019 final dividend, and 355,270 shares were issued @ $6.40 December 2019 interim dividend under the Bonus Share Scheme.

[2] The Group issued 2,037,832 shares @ $11.14 for the June 2019 final dividend, and 3,154,051 shares were issued @ $6.40 December 2020 interim dividend under the Dividend Reinvestment Plan.

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.

21 Retained earnings and reserves

	Group		Bank	
	2021	2020	2021	2020
Retained earnings movements	$m	$m	$m	$m
Opening balance	805.9	987.3	427.6	562.9
Impact of adoption of new accounting standards [1]	-	(24.7)	-	(24.7)
Restated opening balance	**805.9**	**962.6**	**427.6**	**538.2**
Profit for the year	524.0	192.8	427.7	262.8
Share based payment	1.3	1.0	1.3	1.0
Operational risk reserve	-	(0.4)	-	-
Movements in general reserve for credit losses	(18.1)	(9.3)	(18.1)	(9.3)
Rural Bank consolidation adjustments	-	(20.4)	-	(43.9)
Transfer from asset revaluation reserve	-	0.8	-	-
Dividends	(146.3)	(320.3)	(146.3)	(320.3)
Deregistration of subsidiary companies	-	-	(9.0)	-
Defined benefits actuarial adjustment (after tax)	(0.8)	(0.9)	(0.8)	(0.9)
Closing balance	**1,166.0**	**805.9**	**682.4**	**427.6**

Reserve movements

	Group 2021	Group 2020	Bank 2021	Bank 2020
Employee benefits reserve	$m	$m	$m	$m
Opening balance	8.9	11.0	8.9	11.0
Net increase/(decrease) in reserve	0.7	(2.1)	0.7	(2.1)
Closing balance	**9.6**	**8.9**	**9.6**	**8.9**
Asset revaluation reserve - property	$m	$m	$m	$m
Opening balance	-	1.1	-	-
Transfer asset revaluation reserve to retained earnings	-	(0.8)	-	-
Net revaluation decrements	-	(0.7)	-	-
Tax effect of net revaluation decrements	-	0.4	-	-
Closing balance	**-**	**-**	**-**	**-**
Revaluation reserve - Equity Investments at FVOCI	$m	$m	$m	$m
Opening balance	0.2	0.4	-	-
Net unrealised gains/(losses)	13.5	(0.3)	12.7	-
Tax effect of net unrealised (losses)/gains	(4.0)	0.1	(3.8)	-
Closing balance	**9.7**	**0.2**	**8.9**	**-**
Revaluation reserve - Debt Securities at FVOCI	$m	$m	$m	$m
Opening balance	1.0	-	(15.3)	16.6
Transfer from asset revaluation reserve to income	-	0.1	-	-
Net unrealised (losses)/gains	(0.5)	1.4	304.0	(45.6)
Tax effect of revaluations	0.2	(0.5)	(91.2)	13.7
Closing balance	**0.7**	**1.0**	**197.5**	**(15.3)**

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

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

Reserve movements (continued)

	Group		Bank	
	2021	2020	2021	2020
Operational risk reserve	$m	$m	$m	$m
Opening balance	4.2	3.8	-	-
Movement operational risk reserve	-	0.4	-	-
Closing balance	**4.2**	**4.2**	**-**	**-**
Cash flow hedge reserve	$m	$m	$m	$m
Opening balance	(13.6)	0.6	(13.6)	0.6
Mark-to-market movements	32.5	(20.3)	32.5	(20.3)
Tax effect of mark-to-market movements	(9.8)	6.1	(9.8)	6.1
Closing balance	**9.1**	**(13.6)**	**9.1**	**(13.6)**
General reserve for credit losses (GRCL)	$m	$m	$m	$m
Opening balance	86.6	77.3	86.6	77.3
Increase in GRCL	18.1	9.3	18.1	9.3
Closing balance	**104.7**	**86.6**	**104.7**	**86.6**
Acquisition reserve	$m	$m	$m	$m
Opening balance	-	(20.4)	-	-
Rural Bank consolidation adjustments	-	20.4	-	-
Closing balance	**-**	**-**	**-**	**-**
Total reserves	**138.0**	**87.3**	**329.8**	**66.6**

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 32.

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

Revaluation reserve - Equity Investments at FVOCI
The reserve records fair value changes in relation to equity investments held at FVOCI.

Revaluation reserve - Debt Securities at FVOCI
The reserve records fair value changes in assets classified as debt securities.

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

Cash flow hedge reserve
The reserve records mark-to-market movements in relation to derivatives that are determined to be in an effective cash flow hedge relationship.

General reserve for credit losses
APRA Prudential standard, APS 220 Credit Quality, requires a reserve to be held to recognise estimated future credit losses which may arise over the life of the Group's lending portfolio.

Acquisition reserve
The reserve records the difference between the carrying value of the non-controlling interest and the consideration paid to acquire the remaining interest of the non-controlling interest.

22 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	
	2021	2020	2021	2020
	$m	$m	$m	$m
Opening balance	779.8	734.5	-	-
Additions	31.6	59.1	-	-
Disposals	(43.5)	(46.8)	-	-
Homesafe revaluation gain [1]	133.8	33.0	-	-
Total investment property	**901.7**	**779.8**	**-**	**-**

[1] Homesafe revaluation income in Note 3 of $137.7m (2020: $36.0m), includes Homesafe revaluation gain and the profit/(loss) recognised on each contracts' completion.

Recognition and measurement

Investment properties are measured initially at cost, including transaction costs and are then stated at fair value. Gains or losses arising from changes in the fair values of investment properties are recognised in the Income Statement in the year in which they arise.

Valuation methodology
Subsequent to initial recognition, fair value is determined by discounting the expected future cash flows of the portfolio, taking into account the restrictions on the ability to realise the investment property due to contractual obligations.

Assumptions used in the modelling of future cashflows are sourced from market indices of property values (Residex) and long term growth/discount rates appropriate to residential property and historical experience of contracts that have been closed out. The discounted cash flow model is prepared on a monthly basis. Inputs that form part of the discounted cash flow model include rates of property appreciation, discount rates, selling costs, mortality rates and future CPI increases.

The Group has revised the assumptions upon which the Homesafe valuation is calculated to ensure consistency with the Group's forecasts for the property market as determined by the Economic Outlook Committee, taking into account the specific characteristics of the portfolio. The Group has applied a discount rate of 5.75% (2020: 5.75%) and property appreciation rates of 3.0% for the first year, 3.0% for the second year, and 4.0% per annum thereafter (2020: -4.0% for the first year, 3.0% for the second year, and 4.0% per annum thereafter).

Fair value measurement
There are different levels of fair value measurement. When fair value is calculated using inputs that are not based on observable market data, then assets will be considered as Level 3 fair value. Investment property has been categorised as a Level 3 fair value based on the inputs outlined above.

Sensitivity of Level 3 fair value measurements to reasonably possible alternative assumptions

Valuation technique	Significant unobservable inputs		Range of estimates (weighted -average) for unobservable inputs	Fair value measurement sensitivity to unobservable inputs	Effect of reasonably possible alternative assumptions	
					Favourable change	Unfavourable change
Discounted cash flow	Rates of property appreciation ~ long-term growth rate 4%	$901.7m	3% ~ 5%	Significant increases in these inputs would result in higher fair values.	$81.2m	($71.5m)
	Discount rates ~ 5.75%	$901.7m	4.75% ~ 6.75%	Significant increases in these inputs would result in lower fair values.	$100.9m	($86.3m)

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.

23 **Goodwill and other intangible assets**

Group	Goodwill	Software	Customer relationship	Other acquired intangibles[1]	Trustee licence	Total
	$m	$m	$m	$m	$m	$m
Carrying amount as at 1 July 2020	1,440.3	104.8	5.5	5.6	8.4	1,564.6
Additions	-	18.5	-	-	-	18.5
Write off on disposal	(2.8)	-	-	-	-	(2.8)
Amortisation charge	-	(27.9)	(0.9)	(2.1)	-	(30.9)
Closing balance as at 30 June 2021	**1,437.5**	**95.4**	**4.6**	**3.5**	**8.4**	**1,549.4**
	$m	$m	$m	$m	$m	$m
Carrying amount as at 1 July 2019	1,440.3	228.1	1.1	7.7	8.4	1,685.6
Additions	-	40.2	5.5	-	-	45.7
Impairment charge	-	(113.4)	-	-	-	(113.4)
Accelerated amortisation charge	-	(19.0)	-	-	-	(19.0)
Amortisation charge	-	(31.1)	(1.1)	(2.1)	-	(34.3)
Closing balance as at 30 June 2020	**1,440.3**	**104.8**	**5.5**	**5.6**	**8.4**	**1,564.6**

Bank	$m	$m	$m	$m	$m	$m
Carrying amount as at 1 July 2020	1,377.5	104.7	5.2	3.3	-	1,490.7
Additions	5.7	18.5	-	-	-	24.2
Write off on disposal	(2.8)	-	-	-	-	(2.8)
Amortisation charge	-	(27.9)	(0.6)	(1.3)	-	(29.8)
Closing balance as at 30 June 2021	**1,380.4**	**95.3**	**4.6**	**2.0**	**-**	**1,482.3**
Carrying amount as at 1 July 2019	1,360.8	227.6	0.2	4.6	-	1,593.2
Additions	16.7	40.1	5.5	-	-	62.3
Impairment charge	-	(113.4)	-	-	-	(113.4)
Accelerated amortisation charge	-	(18.5)	-	-	-	(18.5)
Amortisation charge	-	(31.1)	(0.5)	(1.3)	-	(32.9)
Closing balance as at 30 June 2020	**1,377.5**	**104.7**	**5.2**	**3.3**	**-**	**1,490.7**

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

Intangible assets (other than goodwill)

Recognition and measurement

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 useful 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.

Intangible assets (other than goodwill) (continued)

Recognition and measurement (continued)

Software-as-a-Service (SaaS) arrangements
The Group enters into arrangements with software providers which provide the Group with the right to access the suppliers' cloud-based software over a contracted period. The Group incurs ongoing access fees for use of the software, in addition to costs in implementing the service. Ongoing access fees are expensed over the contract period. Where implementation costs relate to the development of software or code for on-premise systems that the Group controls; the Group may capitalise these costs to the extent they meet the recognition criteria for an intangible asset. To the extent implementation costs relate to configuring or customising a SaaS providers' software, the Group will make an assessment of whether to expense the costs over the contract period or as the configuration and customisation services are performed based on:

1. Who performs the configuration and customisation services; and (if applicable)
2. Whether the performance obligations in the contract are distinct.

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 make these judgements, estimates and assumptions on information available when the financial statements are prepared. Changes to these judgements, estimates and assumptions may occur in the future which are beyond the control of the Group. Such changes will be reflected in the assumptions when they occur.

A summary of the policies applied to the Group's intangible assets (excluding goodwill) are as follows:

	Trustee Licence	Software/ development costs	Intangible assets acquired in a business combination
Useful lives	Indefinite	Finite	Finite
Method used	Not amortised or revalued	Straight line or in line with expected benefit realisation over 2.5 to 10 years	Straight line over life of asset (2 - 15yrs)
Internally generated/ acquired	Acquired	Internally generated or acquired	Acquired
Impairment test/recover-able 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

Goodwill

Recognition and measurement

Goodwill acquired in a business combination is initially measured at cost. Cost is measured as the consideration paid for the business minus the fair value of the identifiable net assets acquired. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Where a business is divested, goodwill attributable to the sale is measured on the basis of the relative value of the operation disposed of and the portion of the CGU retained.

Impairment of goodwill
Goodwill is allocated to cash generating units (CGUs) for the purposes of impairment testing, which is undertaken at the lowest level at which goodwill is monitored for internal management purposes. Impairment testing is performed at least annually, and whenever there is an indication of impairment, by comparing the recoverable amount of a CGU with its carrying amount. The carrying amount of a CGU is based on its assets, liabilities and allocated goodwill. The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value in use. If the recoverable amount is less than the carrying value, an impairment loss is charged to the Income Statement.

The Group has three CGUs which are aligned to the Group's segments, namely; Consumer, Business and Agribusiness.

Key assumptions and estimates
Cash flows
The recoverable amount of each CGU is determined using a value in use calculation. In determining value in use, the estimated future cash flows for each CGU are discounted to their present value using a post-tax discount rate. The basis for estimated future cash flows is the Group's target which is developed annually and approved by management and the Board, and the Group's Five-Year Strategic Plan. A terminal growth rate is applied to extrapolate cash flows beyond the initial five year period for each CGU. The value in use calculations are compared against both internal and external valuations prepared using various approaches to calculate the Group's fair value less cost to sell.

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

Goodwill (continued)

Key assumptions and estimates (continued)
The assumptions made in determining value in use have been based on reasonable and supportable information as at 30 June 2021 and include the following:

- Cash flows are aligned to the Group's FY22 target and Five-Year Strategic Plan, with specific adjustments as required by accounting standards or for non-cash items.
- Cash flows are based on past performance, established divisional strategies and management's expectations of future conditions (including the expected tangible benefits from the Board approved transformation initiatives).
- Terminal growth rate of 2.5% (June 2020: 2.5%), as a representation of long-term growth rates, including inflation, in Australia.

Post-tax discount rate

The post-tax discount rate used is based on the weighted average cost of capital for each CGU and reflects current market assessments of the risks specific to the CGU for which future estimates of cash flows have not been adjusted. At 30 June 2021, management revised the post-tax discount rate and removed the risk premium that was included at 30 June 2020. The risk premium was included due to the increased estimation uncertainty at that time as a result of the COVID-19 pandemic.

The table below contains the carrying value of goodwill and other indefinite useful life intangible assets for each CGU, together with the post-tax discount rates used in the calculation of the recoverable amount.

	Goodwill		Other intangible assets [1]		Post-tax discount rate	
	2021	2020	2021	2020	2021	2020
	$m	$m	$m	$m	$m	$m
Consumer	1,194.8	1,197.6	8.4	8.4	10.15%	10.33%
Business	152.1	152.1	-	-	10.15%	10.33%
Agribusiness	90.6	90.6	-	-	10.45%	10.63%

[1] Refers to intangible assets with an indefinite useful life.

Management has determined that there is no impairment of goodwill for the year ended 30 June 2021.

24 **Other assets**

	Group		Bank	
	2021	2020	2021	2020
	$m	$m	$m	$m
Accrued income	28.1	27.8	21.7	24.8
Prepayments	41.3	40.4	41.3	40.3
Sundry debtors	132.8	91.0	1,203.7	1,193.2
Accrued interest	123.0	135.2	98.2	104.1
Deferred expenditure	87.4	37.1	87.4	37.1
Total other assets	**412.6**	**331.5**	**1,452.3**	**1,399.5**

Recognition and measurement

Prepayments and sundry debtors
Prepayments and sundry debtors are recognised initially at fair value and then subsequently measured at amortised cost using the effective interest rate method. Collectability of sundry debtors is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified.

Accrued interest
Accrued interest is interest that has been recognised as income on an accrual basis using the effective interest rate method, but is yet to be charged to the loan or receivable.

Deferred expenditure
Deferred expenditure relating to projects is capitalised to the Balance Sheet when it is probable the future economic benefits attributable to the asset will flow to the Group. The cost model is applied which requires the asset to be carried at cost less any impairment losses. When the project has been completed these items are transferred to software intangible assets. Refer to Note 23 for further information.

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

25 **Other payables**

	Group		Bank	
	2021	2020	2021	2020
	$m	$m	$m	$m
Lease liability	180.3	221.4	179.6	220.9
Accrued expenses and outstanding claims	254.0	260.0	250.7	253.0
Accrued interest	51.1	105.9	51.1	105.9
Prepaid interest	16.4	16.1	-	-
Total other payables	**501.8**	**603.4**	**481.4**	**579.8**

Recognition and measurement

Lease liability
AASB 16 *Leases* requires that a lease liability is recorded in the Balance Sheet at the inception of a lease contract. The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a lease modification that is not accounted for as a separate lease, a change in index or rate applicable, a change in the amount payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Accrued expenses
Accrued expenses are carried at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received.

Accrued interest
Accrued interest is the interest that is recognised as an expense in the Income Statement but has yet to be paid to the customers' liability account.

Interest is recognised using the effective interest rate method.

Prepaid interest
Prepaid interest is the interest received from customers in advance. This interest is recognised in the Income Statement using the effective interest rate method.

26 Provisions

	Group 2021 $m	Group 2020 $m	Bank 2021 $m	Bank 2020 $m
Employee entitlements	104.1	98.2	104.1	98.2
Make good provision	12.9	13.5	12.9	13.5
Other [1]	3.5	2.7	3.4	2.7
Closing balance	**120.5**	**114.4**	**120.4**	**114.4**

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

Movements in provisions (excluding employee entitlements)

	Property Rent		Make Good Provision		Other		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Group	$m	$m	$m	$m	$m	$m	$m	$m
Opening balance	-	19.0	13.5	-	2.7	4.9	16.2	23.9
Additional provision recognised	-	-	0.2	0.1	147.8	320.5	148.0	320.6
Impact of adoption of new accounting standard [1]	-	(19.0)	-	14.4	-	-	-	(4.6)
Amounts utilised during the year	-	-	(0.8)	(1.0)	(147.0)	(322.7)	(147.8)	(323.7)
Closing balance	**-**	**-**	**12.9**	**13.5**	**3.5**	**2.7**	**16.4**	**16.2**
Bank	$m	$m	$m	$m	$m	$m	$m	$m
Opening balance	-	19.0	13.5	-	2.7	4.8	16.2	23.8
Additional provision recognised	-	-	0.2	0.1	147.8	320.5	148.0	320.6
Impact of adoption of new accounting standard [1]	-	(19.0)	-	14.4	-	-	-	(4.6)
Amounts utilised during the year	-	-	(0.8)	(1.0)	(147.1)	(322.6)	(147.9)	(323.6)
Closing balance	**-**	**-**	**12.9**	**13.5**	**3.4**	**2.7**	**16.3**	**16.2**

[1] The Group applied AASB 16 *Leases* from 1 July 2019.

Employee benefits

The table below shows the individual balances for employee benefits:

	Group 2021 $m	Group 2020 $m	Bank 2021 $m	Bank 2020 $m
Annual leave	36.0	36.8	36.0	36.8
Long service leave	10.0	-	10.0	-
Long service leave	52.1	54.9	52.1	54.9
Sick leave bonus	6.0	6.5	6.0	6.5
Closing balance	**104.1**	**98.2**	**104.1**	**98.2**

26 **Provisions** (continued)

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.

Employee entitlements
Annual leave and long service leave provisions are measured as the present value of expected future payments for the services provided by employees up to the reporting date. The provision is measured at the amounts that are expected to be paid when the liabilities are settled.

Expected future payments are discounted using corporate bond rates.

Annual leave is accrued on the basis of full pro-rata entitlement and amounts are estimated to apply when the leave is paid.

It is anticipated that annual leave will be paid in the ensuing twelve months.

Long service leave has been assessed at full pro-rata entitlement in respect of all employees with more than one year of service. The assessment considers the likely number of employees that will ultimately be entitled to long service leave, estimated future salary rates and on-costs. Sick leave bonus provides an entitlement dependent on an employee's years of service and unused sick leave and is paid on termination. Other employee payments include short-term incentives and are expected to be paid in the ensuing twelve months.

Make good provision
Upon initial recognition of a lease contract, to which the Group acts as a lessee, a provision is recorded in the Balance Sheet. The provision is to recognise the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease and the useful life of the assets.

Other
A provision for dividends payable is not recognised as a liability unless the dividend is declared, determined or publicly recommended on or before the reporting date.

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.

27 Cash flow statement reconciliation

	Group		Bank	
	2021	2020	2021	2020
	$m	$m	$m	$m
Profit after tax	**524.0**	**192.8**	**427.7**	**262.8**
Non-cash items				
Credit expenses	20.7	173.3	16.9	170.9
Amortisation	30.9	53.3	29.8	51.4
Depreciation (including leasehold improvements)	69.3	72.2	69.3	72.1
Revaluation increment/(decrement)	(122.6)	7.9	6.0	19.4
Equity settled transactions	3.0	3.3	3.0	3.3
Share of net profit from joint arrangements and associates	(1.1)	(1.6)	(1.1)	(1.6)
Dividends received	(0.5)	(1.6)	(25.9)	(120.5)
Impairment write down	2.8	4.0	2.8	4.0
Fair value acquisition adjustments	9.8	7.0	9.8	7.0
Revaluation gains on derivatives	8.1	3.2	8.1	3.2
Changes in assets and liabilities				
Increase/(decrease) in tax provision	44.2	(6.4)	44.2	(6.4)
Decrease/(increase) in deferred tax assets and liabilities	46.1	(83.0)	102.0	(101.2)
Decrease/(increase) in derivatives	(7.6)	9.4	(7.6)	9.5
Decrease in accrued interest	(42.3)	(43.8)	(48.9)	(27.0)
Increase in accrued employee entitlements	5.9	2.5	5.9	4.0
(Increase)/decrease in other accruals, receivables and provisions	(92.8)	44.0	25.6	(54.7)
Cash flows from operating activities before changes in operating assets and liabilities	**497.9**	**436.5**	**667.6**	**296.2**
Net increase in operating assets				
Net (increase)/decrease of loans to other entities	(6,960.9)	(3,319.9)	(6,984.6)	2,991.0
Net (increase)/ decrease of investment securities	2,330.4	(384.0)	2,191.2	(6,671.0)
Net increase in operating liabilities				
Net increase in balance of deposits	10,173.0	3,585.7	10,187.8	3,578.6
Net increase/(decrease) in balance of notes payable	94.2	39.1	-	(23.1)
Net cash flows from operating activities	**6,134.6**	**357.4**	**6,062.0**	**171.7**

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.

28 **Subsidiaries and other controlled entities**

Subsidiaries

Bendigo and Adelaide Bank Limited consolidates a subsidiary (including structured 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	
	2021	2020	2021	2020
	$m	$m	$m	$m
At cost [1]	-	-	103.7	134.5
	-	**-**	**103.7**	**134.5**

[1] During the period, the Group voluntarily deregistered a number of non-trading entities. As a result of this, any remaining assets and liabilities of these entities were transferred to Bendigo and Adelaide Bank Limited. In order to deregister these entities, a final dividend and return of capital payment was made to Bendigo and Adelaide Bank Limited.

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 16.

Entity	Principal activities
Torrens Series 2008-1 Trust	Securitisation
Torrens Series 2008-4 Trust	Securitisation
Torrens Series 2021-1 Trust	Securitisation
Torrens Series 2019-1 Trust	Securitisation
Torrens Series 2019-2 Trust	Securitisation

29 **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:

	2021 $m	2020 $m
Opening balance at beginning of financial year	1,587.1	1,342.8
Net receipts and fees (paid to)/ received from subsidiaries	(39.6)	290.3
Supplies, fixed assets and services charged to subsidiaries	(66.9)	(46.0)
Net amount owing to subsidiaries	**1,480.6**	**1,587.1**

Bendigo and Adelaide Bank provides funding and guarantee facilities to several subsidiary companies.

These facilities are provided on normal commercial terms and conditions.

Subsidiary	Facility	Limit $m	Drawn/ issued at 30 June 2021 $m
Sandhurst Trustees Limited	Guarantee	0.5	-

Dividends paid by the subsidiaries	2021 $m	2020 $m
Rural Bank Limited	-	119.2
Adelaide Managed Funds	0.6	-
Bank Of Cyprus Australia	24.8	-

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:

	2021 $m	2020 $m
Commissions and fees paid to joint arrangements and associates	21.6	32.9
Supplies and services provided to joint arrangements and associates	0.6	5.6
Amount owing to/(from) joint arrangements and associates	(3.2)	5.1

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.

Key management personnel
Key management personnel (KMP) are those persons with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

The Group's KMP are those members of the Bendigo and Adelaide Bank Group Executive Committee together with its Non-executive Directors.

Further details relating to KMP are located in the Remuneration Report.

The table below details, on an aggregated basis, KMP compensation:

Compensation	2021 $'000's	2020 $'000's
Salaries and other short-term benefits	6,788.3	6,307.2
Post-employment benefits	298.7	298.1
Other long term benefits	(21.2)	41.5
Termination benefits	-	809.7
Share based payments	1,889.3	2,028.2
Total	**8,965.1**	**9,484.7**

The table below details, on an aggregate basis, KMP equity holdings. The holdings comprise ordinary shares, preference shares, performance shares and deferred shares:

Equity holdings	2021 No.	2020 No.
Ordinary shares (includes deferred shares)	1,253,656	1,465,883
Preference shares	350	1,050
Performance shares	351,537	282,282
Loan funded shares	1,086,885	-
Rights to shares	9,687	-
Closing balance	**2,702,115**	**1,749,215**

29 **Related party disclosures** (continued)

Other related party transactions (continued)

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

Loans [1,2,3]	2021 $'000's	2020 $'000's
Loans outstanding at the beginning of the year [2]	9,562.0	12,387.6
Loans outstanding at the end of the year	11,330.0	12,136.2
Interest paid or payable	269.0	394.7
Interest not charged	-	-

[1] The balance of loans outstanding includes the provision of a guarantee to the value of $20,000 which was provided to a KMP in the ordinary course of the Group's business and on an arm's length basis.
[2] The balance of loans outstanding excludes the value of loans provided to Executives under the Employee Share Ownership Plan.
[3] The balance of loans outstanding relate to KMP who were in office at the start of, or appointed during, the financial year.

Loans to directors and senior executives are made in the ordinary course of the Group's business and on an arm's length basis. The loans are processed and approved in accordance with the Bank's standard lending terms and conditions.

30 **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

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 2021 $m	Securitisation vehicles 2021 $m	Managed investment funds 2020 $m	Securitisation vehicles 2020 $m
Cash and cash equivalents	0.1	-	0.1	-
Financial assets - amortised cost	-	19.1	-	29.2
Financial assets fair value through other comprehensive income	9.4	13.6	8.7	17.1
Loans and other receivables	-	1,646.0	-	1,385.2
Total on-balance sheet exposures	**9.5**	**1,678.7**	**8.8**	**1,431.5**
Total off-balance sheet exposures [1]	-	22.4	-	262.8
Total maximum exposure to loss	**9.5**	**1,701.1**	**8.8**	**1,694.3**

[1] Relates to undrawn funding limits.

30 **Involvement with unconsolidated entities** (continued)

Maximum exposure to loss

For loans and other receivables, the maximum exposure to loss is the current carrying value of these interests representing the amortised cost at reporting date, in addition to any undrawn funding limits.

The following table summarises the Group's maximum exposure to loss from its involvement with unconsolidated structured entities.

	Carrying amount	Maximum loss exposure	Carrying amount	Maximum loss exposure
	2021	2021	2020	2020
	$m	$m	$m	$m
Cash and cash equivalents	0.1	0.1	0.1	0.1
Senior notes	1,678.7	1,701.1	1,431.4	1,694.2
Investment	9.4	9.4	8.7	8.7
	1,688.2	**1,710.6**	**1,440.2**	**1,703.0**

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 28.

The Group has no contractual arrangements that would require it to provide financial or other support to an unconsolidated entity. The Group has not previously provided financial support, and has no intention to provide such support to these entities.

Securitisation vehicles

The Group has exposure to a number of securitisation vehicles through Residential Mortgage Backed Securities (RMBS). Securitisations involve transferring assets into an entity that sells interests to investors through the issue of debt or equity notes. The notes are secured by the underlying assets transferred to the vehicles, and generally hold a number of levels of subordination, with the residual income paid to the most subordinated investor. The Group does not hold any mezzanine notes in the unconsolidated structured entities it invests in, and does not receive any residual income. The Group does not act as the primary trust manager or servicer of any of its unconsolidated structured entities.

Managed Investment funds

Sandhurst Trustees Limited (STL), a subsidiary of the Group, acts as a responsible entity for certain managed investment funds. The decision-making rights of the fund are restricted to the Product Disclosure Statements. The fees received by STL are not variable, are commensurate with the services provided and are consistent with similar funds in the market. Where STL holds investments in the funds, an assessment of the Group's power over the relevant activities of the Fund and the significance of its exposure to variable returns is completed to determine whether the Fund should be consolidated.

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.

31 **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	
	2021	2020
	$m	$m
Funds under trusteeship	6,872.2	6,179.4
Assets under management	2,809.7	2,472.4
Funds under management	4,062.5	3,707.0

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.

32 **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 are included in the Remuneration Report.

Details of current plans

Performance rights
The Plan provides for grants of performance rights to the Chief Executive Officer and Managing Director, Senior Executives and key senior management (the Participants) as determined by the Board. Participants are invited to receive grants of performance rights that are subject to performance conditions set by the Board.

The performance right grant made during the current financial year is subject to the following performance conditions:

- a 'customer hurdle' that requires the Bank's Net Promoter Score over the performance period to be better than the performance of a peer group of Australian banks.
- a total shareholder return (TSR) performance hurdle;
- continuing service with the Group; and
- risk conditions.

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

The number of performance rights granted to Participants is determined by dividing the remuneration value of the proposed grant by the volume weighted average closing price of the Company's shares for the last five trading days of the financial year prior to the year of grant.

The Participants are entitled to vote and to receive any dividend, bonus issue, return of capital or distribution made in respect of shares they are allocated on vesting and exercise of their performance rights.

Deferred shares
Under the Plan, Participants are granted deferred shares as part of their base remuneration and short-term incentive payments. The deferred shares are beneficially owned by the Participant from the grant date and are held on trust for a two year period.

The deferred shares are fully-paid ordinary shares in the Company and are granted subject to certain Board imposed conditions being satisfied:

- two year continued service condition; and
- risk conditions

If the service condition is satisfied, the deferred shares will vest subject to any risk conditions.

The number of shares awarded as part of the plan are calculated by dividing the deferred remuneration value by the volume weighted average closing price of the Company's shares for the last five trading days of the financial year prior to the year of grant. The Participants are entitled to vote and to receive any dividend, bonus issue, return of capital or distribution made in respect of shares they are allocated on vesting and exercise of their deferred shares.

32 **Share based payment plans** (continued)

Employee Share Grant Scheme (ESGS)
The Company has established a share based incentive plan for full time and permanent part time employees of the Group (excluding Directors and Senior Executives).

The shares will be held in trust for a period of three years after which time they will be transferred to the employee. During the restricted period employees will be entitled to receive dividends and to vote at general meetings. The shares under this plan were released on 10 March 2020.

Employee Share Plan
The Company established a loan based limited recourse Employee Share plan in 2006. The Plan is only available to full time and part time employees of the Group (excluding Senior Executives and the Chief Executive Officer and 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. Dividends payable in relation to the shares must be applied to pay down the outstanding loan. 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.

Loan Share Plan
The Company established a Loan Share Plan (LSP) in November 2020. Under the LSP, eligible executives are provided with a non-recourse loan for the sole purpose of acquiring shares in the Bank. The full loan term is six years.

The LSP facilitates immediate share ownership by the senior managers and links a significant proportion of their 'at-risk' remuneration to Bendigo and Adelaide Bank Limited's ongoing share price and returns to shareholders over the performance period. It is designed to encourage senior managers to focus on the key performance drivers that underpin sustainable growth in shareholder value.

The shares must be paid for by the senior managers with cash dividends after personal income tax being applied to repay the loans. Eligible senior managers cannot exercise, dispose or transfer the shares until the loan has been fully repaid.

The shares are fully-paid ordinary shares in the Company and are granted subject to the following performance measures being achieved within a 2 year period:

- CTI (Cost to Income Ratio) – 50% of LSP
- Market Growth (loans / deposits / footings) – 25% of LSP
- Customer Hurdle – 25% of LSP

Following the performance measures being satisfied the following conditions will apply prior to the shares vesting:

- a continued service condition; and
- risk conditions

Employee Share Ownership Plan (discontinued)
In 2006 the Company discontinued the existing loan based Employee Share Ownership Plan that was open to all employees of the Group.

Refer to the 2015 Annual Financial Report or prior years for more detailed information regarding this Plan.

32 **Share based payment plans** (continued)

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	
	2021	2020	2021	2020	2021	2020
	No. [1]	No. [1]	No. [1]	No. [1]	No. [2]	No. [2]
Outstanding at beginning of year	678,310	649,842	251,371	301,721	-	167,079
Granted	177,525	300,634	3,493	91,452	-	-
Forfeited/lapsed	(286,424)	(212,616)	-	-	-	-
Vested/exercised	(108,744)	(59,550)	(142,820)	(141,802)	-	(167,079)
Outstanding at year end	460,667	678,310	112,044	251,371	-	-
Exercisable at year end	-	-	-	-	-	-

	Employee Share Plan				Employee Share Plan			
	2021	2021	2020	2020	2021	2021	2020	2020
	No. [3]	WAEP ($)	No.	WAEP ($)	No. [2]	WAEP ($)	No.	WAEP ($)
Outstanding at beginning of year	815,524	5.31	949,734	5.72	-	-	-	-
Granted	-	-	-	-	1,646,981	-	-	-
Forfeited/lapsed	-	-	-	-	(11,454)	-	-	-
Vested/exercised	(110,470)	5.12	(134,560)	4.96	-	-	-	-
Outstanding at year end	705,054	5.12	815,174	5.31	1,635,527	6.95	-	-
Exercisable at year end	-	-	-	-	-	-	-	-

1 Closing balance of deferred shares and performance rights are exercisable upon meeting the required conditions and until 30 June 2023 and 30 June 2024 respectively.

2 The Share Grant Scheme was discontinued in March 2020.

3 The outstanding balance as at 30 June 2021 is represented by 705,054 (2020: 815,174) ordinary shares with a market value of $7,396,016 (2020: $5,714,370), exercisable upon repayment of the employee loan.

Recognition and measurement

The cost of the employee services received in respect of shares or rights granted is recognised in the income statement over the period the employee provides the services, generally the period between the grant date and the vesting date of the shares or rights. The overall cost of the award is calculated using the number of shares or rights expected to vest and the fair value of the shares or rights at the grant date.

Fair value methodology

The fair value of shares or rights granted under the various Plans takes into account the terms and conditions upon which the shares or rights were granted.

Performance rights and loan shares - The fair value is determined using a Black Scholes Merton valuation method incorporating a Monte Carlo Simulation option pricing model taking into account the terms and conditions upon which the rights were granted.

The following inputs are used in the models:

	Performance Rights	Loan Shares - Executives	Loan Shares - Senior Leaders
	4- Nov 2020	4- Nov 2020	26-Nov-2020
Dividend yield (%)	4.54%	-	-
Expected volatility (%)	29.21%	27.92%	28.26%
Risk-free interest rate (%)	0.19%	0.26%	0.30%
Expected life of performance rights (years)	4 years	4-6 years	4-6 years
Exercise price ($)	nil	6.75	8.73

The expected life of the performance rights are based on historical data, and are not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of shares granted were incorporated into the measurement of fair value. The fair value is determined by an independent valuation.

Deferred shares - The fair value is measured as at the date of the grant using the volume weighted average closing price of the Company's shares traded on the ASX for five trading days ending on the grant date.

33 **Commitments and contingencies**

(a) Commitments and contingent liabilities

The following are outstanding expenditure and credit related commitments as at 30 June 2021.

	Group		Bank	
	2021	2020	2021	2020
	$m	$m	$m	$m
Commitment to provide credit	10,453.3	9,755.2	10,453.3	9,755.2
Guarantees	244.3	253.3	244.3	253.3
Documentary letters of credit and performance related obligations	3.7	4.2	3.7	4.2

Recognition and measurement

Commitment to provide credit
The Group enters into arrangements with customers that allows them to borrow money in line with specific terms and conditions, these commitments are made for a fixed term or subject to cancellation conditions. These arrangements expose the Group to liquidity risk when they are called upon and/or credit risk if the customer fails to repay the funds under the terms of their agreement. The maximum exposure to credit loss is the contractual or notional amount,which does not reflect future cash requirements of the Group as It is expected that a large portion of these values will not be drawn upon. All commitments noted will expire within 12 months.

Guarantees, documentary letters of credit and performance related obligations
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.

Guarantees, documentary letters of credit and performance related obligations are not recognised on the Balance Sheet. The contractual term of the matches the underlying obligations to which they relate.

The fair value of these 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.

As the probability and value of guarantees, documentary 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.

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.

(b) Contingent assets

As at 30 June 2021, the economic entity does not have any contingent assets.

34 Remuneration of Auditor

The Group's external auditor is Ernst & Young (EY). In addition to the audit and review of the Group's financial reports, EY has provided other services throughout the year.

	Group		Bank	
	2021	2020	2021	2020
	$	$	$	$
Fees to Ernst & Young (Australia) [1]				
Category 1 - Fees to the group auditor for audit and review of financial statements	1,983,100	1,913,300	1,885,300	1,906,300
Category 2 - Audit related services	57,600	51,700	57,600	51,700
Category 3 - Other assurance services				
Consolidated entities	901,200	843,620	866,700	843,620
Non-consolidated entities	383,200	352,060	-	-
Category 4 - Non-audit (other) related fees				
Consolidated entities	382,988	-	382,988	-
Non-consolidated entities	-	8,000	-	-
Total fees to Ernst & Young (Australia)	**3,708,088**	**3,168,680**	**3,192,588**	**2,801,620**

1. Fees exclude goods and services tax (GST).

Category 1 - Fees to the Group's auditor for auditing the statutory financial reports of the Group and the Parent, and for auditing the statutory financial reports of any controlled entities.

Category 2 - Fees for assurance services that are required by legislation to be provided by the external auditor. These services include assurance of the Group's compliance with Australian Financial Services Licensing requirements.

Category 3 - Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the external auditor or another firm. These services include regulatory compliance reviews, agreed-upon procedures, comfort letters, assurance of the Group's sustainability reporting, systems assurance and controls reviews. This category also includes assurance services provided to non-consolidated trusts of which a Group entity is trustee, manager, or responsible entity, and the non-consolidated Group superannuation fund.

Category 4 - Fees for other services.

The Group has processes in place to maintain the independence of the external auditor, including the nature of expenditure on non-audit services.

EY also has specific internal processes in place to ensure auditor independence.

35 Leases

Recognition and measurement

A. Leases as lessee
As a lessee the Group leases many assets including property, IT equipment, ATMs and motor vehicles. The Group records right-of-use assets (ROUA) and lease liabilities for most of its lease contracts, with the exception of short-term and or leases of low-value whereby lease payments are expensed on a straight line basis over the lease term.

(i) Right-of-use assets relate to leased branch and office premises that are included in the balance of property, plant and equipment in the Balance Sheet.

	Properties	IT Equipment	Other
Right-of-use assets	$m	$m	$m
Balance as at 1 July 2020	167.0	13.0	3.2
Depreciation charge	(41.8)	(5.8)	(2.0)
Additions	2.8	-	2.7
Remeasurements	5.3	-	-
Disposals	0.3	-	-
Balance as at 30 June 2021	**133.6**	**7.2**	**3.9**
	$m	$m	$m
Balance as at 1 July 2019	202.4	18.7	5.8
Depreciation charge	(44.9)	(6.4)	(2.6)
Additions	3.9	-	-
Remeasurements	5.6	0.7	-
Balance as at 30 June 2020	**167.0**	**13.0**	**3.2**

(ii) Amounts recognised in the Income Statement

	Group	
	2021	2020
Depreciation charge of Right-of-use assets	$m	$m
Buildings	37.9	44.9
Equipment	1.0	6.4
Other	2.0	2.6
Total depreciation expense ROUA	**40.9**	**53.9**
Interest on lease liabilities	5.9	7.3
Expenses relating to short-term leases	1.3	1.0
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	0.1	-

(iii) Amounts recognised in statement of cash flows

	Group	
	2021	2020
	$m	$m
Total cash outflow for leases	51.0	54.9

Recognition and measurement

B. Leases as lessor
The Group sub-leases some of its properties. As of 1 July 2019, the Group accounts for its interests in the head lease and the sub-lease separately and assesses the lease classification of a sub-lease with reference to the ROUA arising from the head lease, rather than the underlying asset. The Group has defined the sub-leases to be operating leases and as a consequence recognises lease income from the sub-lease in the Income Statement on a straight line basis over the lease term.

Rental income recognised by the Group during the year ended 30 June 2021 was $4.0m (2020: $3.8m).

35 **Leases** (continued)

Recognition and measurement (continued)

The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	Group		Bank	
	2021	2020	2021	2020
	$m	$m	$m	$m
Less than one year	5.2	4.6	5.2	4.6
One to two years	4.8	4.7	4.8	4.7
Two to three years	4.3	4.3	4.3	4.3
Three to four years	4.0	3.9	4.0	3.9
Four to five years	1.5	3.8	1.5	3.8
More than five years	-	1.4	-	1.4
Total	**19.8**	**22.7**	**19.8**	**22.7**

36 **Events after balance sheet date**

On 15 August 2021, Bendigo and Adelaide Bank Limited entered into a Share Sale Agreement to acquire 100% of the shares in Ferocia Pty Ltd, a Melbourne-based fintech company, for consideration of up to $116.0 million, with the transaction being completed on 1 September 2021. The consideration has been paid in cash and shares, with a portion of the consideration being contingent on future performance.

The acquisition will help to accelerate the Group's transformation and digital strategy and drive better outcomes and experiences for all customers.

We are currently in the process of finalising the acquisition accounting for this transaction. It is expected that this will include recognition of an amount of goodwill.

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.

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 2021 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and

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

c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

d) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2021.

On behalf of the Board

Jacqueline Hey
Chair
2 September 2021

Marnie Baker
Chief Executive Officer and 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 2021;
- The Group consolidated and Company income statements, statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended;
- Notes to the financial statements, including a summary of significant accounting policies; and
- The Directors' declaration.

In our opinion, the accompanying financial report is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the Company's and the Group's financial position as at 30 June 2021 and of their financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Allowance for credit losses

Why significant	How our audit addressed the key audit matter
As described in Notes 3 *Profit*, 10 *Impairment of loans and advances* and 20 *Risk management*, the allowance for credit losses is determined in accordance with Australian Accounting Standard - AASB 9 *Financial Instruments* (AASB 9). This was a key audit matter due to the size of the provision (specific provision 30 June 2021: $94.3 million, collective provision 30 June 2021: $246.7 million), and the degree of judgment and estimation uncertainty associated with the calculations. Key areas of judgment included: ▸ the application of the impairment requirements within AASB 9, which is reflected in the Group's expected credit loss model; ▸ the identification of exposures with a significant deterioration in credit quality; ▸ assumptions used in the expected credit loss model (for exposures assessed on an individual or collective basis) such as the financial condition of the counterparty, expected future cash flows, and forward-looking macroeconomic factors (e.g. GDP growth, unemployment rates, central-bank interest rates, and house-price indices) as disclosed in Note 10; and ▸ the incorporation of forward-looking information to reflect current or future external factors, specifically judgments related to the expected ongoing impact of COVID-19, both in the multiple forward-looking scenarios and the weighting determined for each of these scenarios as disclosed in Note 10.	Our audit of the collective provision for credit losses required actuarial expertise to assist in the testing of the mechanics of the underlying models and model assumptions. Accordingly, we involved our actuarial specialists to test the mathematical accuracy of the model and key assumptions, including probability of default, 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 and macroeconomic assumptions, including the reasonableness of forward-looking information and scenarios, with reference to relevant publicly-available macro-economic information and the sensitivity of the collective provision to changes in such assumptions. ▸ Assessed, through testing a sample, the operating effectiveness of relevant controls used to manage the flow of information between systems and models related to the determination of the allowance for credit losses. We assessed the basis for, and assumptions used in, overlays recognised to capture current and future market characteristics resulting from the continuing impacts of COVID-19, with reference to market data and industry/geographic concentrations.

Building a better working world

Allowance for credit losses (cont.)

Why significant	How our audit addressed the key audit matter
	Our audit procedures on the specific provision included the following on a sample basis: ▸ Assessed the reasonableness of internal credit quality assessments based on the borrowers' particular circumstances. ▸ Evaluated the associated provisions by assessing the reasonableness of key inputs into the calculation, with particular focus on the impact of COVID-19 on high-risk industries, work out strategies, collateral values, and the value and timing of recoveries. We assessed the adequacy of the disclosures associated with the allowance for credit losses, including related key estimates and judgments, and sensitivity analysis.

Impairment assessment of goodwill

Why significant	How our audit addressed the key audit matter

The Group has recognised goodwill as part of historical acquisitions.
 	
Details on the methodology and assumptions used in the impairment assessment of goodwill and the consideration given to the potential impacts of COVID-19 are included in Note 26 *Goodwill and other intangible assets*.
 	
This was a key audit matter due to the size of the goodwill balance held on the balance sheet, and the degree of judgment and estimation uncertainty associated with the impairment assessment, particularly as a result of COVID-19.
 	
An impairment assessment is performed each year, comparing the carrying value of each cash generating unit ("CGU"), inclusive of goodwill balances, with its recoverable amount. The recoverable amount of each CGU was determined using a value in use calculation. This calculation incorporated a number of assumptions, including:
▸ future cash flows;
▸ discount rates; and
▸ terminal growth rates.
	Our audit procedures included the following:
	▸ Assessed the appropriateness of the CGUs identified to which goodwill has been allocated.
	
	▸ Agreed the forecast cash flows to the most recent forecasts approved by management or the Board, considered the reasonableness of these forecasts based on the current economic environment, and assessed the accuracy of the Group's previous forecasts by performing a comparison of historical forecasts to actual results.
	
	▸ Involved our valuation specialists to:
	    ▸ Assess the key assumptions used in the impairment assessment with reference to market rates and historical performance;
	    ▸ Assess the reasonableness of adjustments made to incorporate the expected impacts from COVID-19 within these assumptions;
	    ▸ Review supporting material to assess the market capitalisation of the business as at 30 June 2021 and recent trading history relative to net assets; and
	    ▸ Test the mathematical accuracy of the impairment models.
	
	▸ Benchmarked the implied valuations to comparable company trading and control valuation multiples.
	
	▸ Assessed the adequacy of the disclosures associated with the goodwill impairment assessment in the financial report.

Investment property – Homesafe

Why significant

The Group controls Homesafe Trust. Homesafe offers a Debt Free Equity Release product to allow customers to release the equity in their homes in exchange for a capped percentage share of the future sale proceeds of the property. The investment is accounted for as investment property.

As at 30 June 2021 there continues to be significant valuation uncertainty arising from the COVID-19 pandemic and related Government response. This means that Level 3 asset values, such as investment properties, may change significantly and unexpectedly over a relatively short period of time. In this situation the disclosures in the financial report provide particularly important information about the assumptions made in the asset valuations and the market conditions at 30 June 2021. Details on the methodology and assumptions used in the calculation of the fair value of investment properties are included in Note 25 *Investment property*.

This was a key audit matter due to the size of the Group's investment in residential real estate recognised within the Homesafe Trust (30 June 2021: $901.7 million), the revaluation gain recognised in the current year from the Homesafe portfolio (30 June 2021: $137.7 million), and the degree of judgment and estimation uncertainty associated with the assumptions, particularly the expected rates of property appreciation assumption due to the impact of COVID-19.

The Homesafe investment portfolio is measured at fair value using a discounted cash flow model. The valuation of the portfolio is subject to judgment in relation to key assumptions, including:

- expected rates of property appreciation;
- discount rates;
- mortality rates; and
- voluntary exit rates.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Assessed the design and operating effectiveness of controls over new contracts, maintenance and settlement processes associated with this product.
- Agreed data used in the discounted cash flow model for a sample of properties to signed contracts.
- Performed cut-off procedures by agreeing new contracts and settlements around 30 June 2021 to supporting documentation to establish that the contracts were recorded in the correct period.
- Involved real estate and actuarial specialists to assess the key assumptions used in the valuation model with reference to market rates, historical trends and settlements during the year, as well as the model mechanics and validation.
- Assessed the adequacy of the disclosures in respect of the investment and associated revaluation gains within the financial report.

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 2021 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Building a better working world

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 28 to 50 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Bendigo and Adelaide Bank Limited for the year ended 30 June 2021, 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

T M Dring
Partner

Clare Sporle
Partner

Melbourne
2 September 2021

Additional information

1 Material differences

There are no material differences between the information supplied in this report and the information in the preliminary final report supplied by Bendigo and Adelaide Bank Limited ("the Company") to the Australian Securities Exchange on 16 August 2021.

2 Audit Committee

As at the date of the Directors' Report the Group had an Audit Committee of the Board of Directors.

3 Corporate governance practices

The corporate governance practices adopted by the Company are as detailed in the 2021 Corporate Governance Statement. For further details, please refer to our website at https://www.bendigoadelaide.com.au/esg/governance

4 Substantial shareholders

The following parties and their associates have notified the Company that they have a substantial relevant interest in the ordinary shares of the Company, effective as at 6 August 2021:

Substantial holder	Number or ordinary shares held	% of total shares issued*	Date of last notice
Vanguard Group	30,269,146	6.048%	25/03/2020

* As at the date of the substantial shareholder's last notice lodged with the ASX.

5. Distribution of shareholders

The range of securities as at 13 August 2021 were in the following categories:

Category	Fully Paid Ordinary Shares (BEN)	%	Fully Paid Employee Shares (BENAK, AA and AB)	%	Converting Preference Shares 4 (BENPG)	%	Capital Notes (BENPH)	%	Perfor-mance Rights (BENAAA)	%	Rights to Shares (BENAAB)	%
1 – 1,000	16,707,470	3.07	374,359	55.03	1,459,602	45.38	1,804,393	35.91	0	0.00	0	
1,001 – 5,000	95,227,126	17.48	285,128	41.91	749,712	23.31	1,254,752	24.97	65,438	8.04	9,687	100
5,001 – 10,000	66,890,389	12.28	5,815	0.85	172,114	5.35	346,299	6.890	139,638	17.16	0	
10,001 – 100,000	113,520,843	20.84	15,000	2.20	834,717	25.95	644,682	12.83	472,069	58.03	0	
100,001 and over	252,497,468	46.34	0	0	0	0	974,320	19.39	136,376	16.76	0	
Number of Holders	95,565		1,006		5,688		6,405		53		3	
Securities on Issue	**544,843,296**		**680,302**		**3,216,145**		**5,024,446**		**813,521**		**9,687**	

6 Marketable parcel

Based on a closing price of $11.10 on 13 August 2021 the number of holders with less than a marketable parcel of the Company's main class of securities (Ordinary Shares), as at 13 August 2021 was 4,926.

7 Unquoted securities

The number of unquoted equity securities that are on issue and the number of holders of those securities are shown in the above table under the heading of Fully Paid Employee Shares (namely BENAK, BENAA and BENAB securities).

Additional information (continued)

8 Major shareholders

Fully paid ordinary shares (ASX: BEN)

Names of the 20 largest holders of Fully Paid Ordinary Shares in the Company, including the number of shares each holds and the percentage of capital that number represents, as at 13 August 2021 are:

Rank	Name	Number of shares	% of shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	100,627,645	18.39
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	54,399,237	9.94
3	CITICORP NOMINEES PTY LIMITED	37,205,223	6.80
4	NATIONAL NOMINEES LIMITED	20,484,219	3.74
5	BNP PARIBAS NOMS PTY LTD <SMP ACCOUNTS DRP>	10,007,871	1.83
6	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	2,000,270	0.37
7	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	1,954,338	0.36
8	CARLTON HOTEL LIMITED	1,117,147	0.20
9	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	943,459	0.17
10	MARNIE ANN BAKER	886,673	0.16
11	AMP LIFE LIMITED	827,136	0.15
12	BOND STREET CUSTODIANS LIMITED <MACQUARIE AEEF A/C>	791,328	0.14
13	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	719,438	0.13
14	LEESVILLE EQUITY PTY LTD	681,688	0.12
15	BNP PARIBAS NOMINEES PTY LTD <IOOF INSTMT MGT LTD DRP>	524,312	0.10
16	NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	518,370	0.09
17	TERMZ PTY LTD <POMPAPIEL SUPER A/C>	500,000	0.09
18	JOHN PIERCE TOBIN	477,154	0.09
19	BNP PARIBAS NOMS (NZ) LTD <DRP>	475,874	0.09
20	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	469,344	0.09
	Total Securities of Top 20 Holdings	**235,610,726**	**43.06**

Equity Trustees Limited, trustee for the Bendigo and Adelaide Bank Employee Share Plan and the Employee Share Grant Scheme, held a combined total of 680,302 unquoted shares. These shares have not been included in the above table but are included in the total of issued ordinary share capital.

Fully paid Converting Preference Shares 4 (CPS4) (ASX: BENPG)

Names of the 20 largest holders of 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 13 August 2021 are:

Rank	Name	Number of shares	% of shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	124,404	3.87
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	95,741	2.98
3	MUTUAL TRUST PTY LTD	90,242	2.81
4	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	86,531	2.69
5	CITICORP NOMINEES PTY LIMITED	44,268	1.38
6	BNP PARIBAS NOMINEES PTY LTD <PITCHER PARTNERS DRP>	42,762	1.33
7	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	38,866	1.21
8	BOND STREET CUSTODIANS LIMITED <MACQUARIE AEEF A/C>	37,018	1.15
9	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	33,475	1.04
10	NATIONAL NOMINEES LIMITED	32,479	1.01
11	IOOF INVESTMENT MANAGEMENT LIMITED <IIML ACF IPS 255946M A/C>	27,507	0.86
12	NAVIGATOR AUSTRALIA LTD <JB WERE LIST FIX INT SMA A/C>	25,724	0.80
13	AUSTRALIAN EXECUTOR TRUSTEES LIMITED	24,463	0.76
14	BERNE NO 132 NOMINEES PTY LTD <684168 A/C>	20,274	0.63
15	BT PORTFOLIO SERVICES LIMITED <MR DAVID SCOTT FREER A/C>	19,462	0.61
16	SOUTH BAY NOMINEES PTY LTD <C & P HONG FAMILY A/C>	18,000	0.56
17	PCI PTY LTD	17,715	0.55
18	INVIA CUSTODIAN PTY LIMITED < SALES SETTLE A/C >	17,677	0.55
18	NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	17,590	0.55
20	SOUTH HONG NOMINEES PTY LTD <HONG SUPER FUND A/C>	17,000	0.53
	Total Securities of Top 20 Holdings	**831,198**	**25.84**

Additional information (continued)

8 **Major shareholders** (continued)

BEN Capital Notes (ASX: BENPH)

Names of the 20 largest holders of Capital Notes, including the number of notes each holds and the percentage of notes outstanding that number represents, as at 13 August 2021 are:

Rank	Name	Number of notes	% of notes
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	472,466	9.40
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	343,784	6.84
3	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	170,830	3.40
4	INVIA CUSTODIAN PTY LIMITED < SALES SETTLE A/C >	138,221	2.75
5	BNP PARIBAS NOMS PTY LTD <SMP ACCOUNTS DRP>	96,792	1.93
6	BNP PARIBAS NOMINEES PTY LTD <PITCHER PARTNERS DRP>	89,106	1.77
7	DIOCESE DEVELOPMENT FUND - CATHOLIC DIOCESE OF PARRAMATTA	48,600	0.97
8	NATIONAL NOMINEES LIMITED	47,833	0.95
9	MUTUAL TRUST PTY LTD	40,811	0.81
10	CITICORP NOMINEES PTY LIMITED	39,477	0.79
11	AUSTRALIAN EXECUTOR TRUSTEES LIMITED	31,696	0.63
12	SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA A/C>	31,514	0.63
13	MERCHANT FOUNDATION PTY LTD <MERCHANT CHARITABLE FND A/C>	28,998	0.58
14	BOND STREET CUSTODIANS LIMITED <MACQUARIE AEEF A/C>	24,607	0.49
15	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	24,007	0.48
16	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	21,409	0.43
17	MEYER TIMBER CONSOLIDATED PTY LTD	15,000	0.30
18	THE TRUST COMPANY (AUSTRALIA) LIMITED <WCCTFI A/C>	14,670	0.29
19	ZW 2 PTY LTD	13,943	0.28
20	BERNE NO 132 NOMINEES PTY LTD <684168 A/C>	13,250	0.26
		1,707,014	**33.97**

The Convertible Preference Shares 2 were removed from Official Quotation at the close of trading on Monday, 30 November 2020 following the resale and redemption of the Notes.

The Convertible Preference Shares 3 were removed from Official Quotation at the close of trading on Tuesday, 15 June 2021 following the resale and redemption of the Notes.

9 **Voting rights**

Under the Company's Constitution, each person who is a voting Shareholder and who is present at a general meeting of the Company in person or by proxy, attorney or official representative is entitled to one vote on a show of hands or, on a poll, one vote for each fully paid ordinary share held. In the case of an equality of votes the Chair has, on both a show of hands and at a poll, a casting vote in addition to the vote to which the Chair may be entitled as a shareholder, proxy, attorney or duly appointed representative of a shareholder.

With respect to each person that is a holder of preference shares under the Company's Constitution each holder is not entitled to vote at any general meeting of the Company except:

a) on any resolution during a period in which a dividend or part of a dividend remains unpaid

b) on any resolution:
   - to reduce the share capital of the Company (other than a resolution to approve a redemption of the holder's class of preference shares)
   - that affects rights attached to the holder's class of preference shares
   - to wind up the Company
   - for the disposal of the whole of the property, business and undertaking of the Company

c) on a resolution to approve the terms of a buy-back agreement (other than a resolution to approve a redemption of the holder's class of preference shares)

d) during a winding-up of the Company, in which case a holder will have the same rights as to manner of attendance and voting as a holder of ordinary shares with one vote per preference share.

About our front cover

This year's cover page is dedicated to the resilience, professionalism, and dedication of our people. Without their expertise and efforts, the results and achievements outlined in this document would not have been possible, and importantly, our Bank would not have been able to support our customers, communities and all stakeholders to the extent we have.

Jess Brawn is a Local Engagement Officer at our Mitchell Street branch in Bendigo. Like many of our frontline staff, Jess has been a friendly face for customers – and a connection for our communities - as they navigated the uncertainty of the last 18 months. Jess and the team have ensured the highest levels of safety and hygiene in their branch so that customers can continue to access essential banking services.

Jess works in one of our reimagined branches that brings together our customer, community and digital strengths to reimagine banking for the future. Our Mitchell Street branch includes space for retail pop-ups where local businesses can showcase their products and services.

As a purpose-led organisation, our business attracts people who are passionate about community. Throughout COVID-19, our people have been experiencing the same challenges as the wider community, but their adaptability and passion have seen them prioritise the needs of our customers and communities, ultimately contributing to Australia's economic recovery and ongoing resilience.

We know that when we support and invest in our people, our customers, communities and stakeholders benefit the most.

Australia's Bank of Choice

Annual Financial Report 2020
Bendigo and Adelaide Bank Limited.
ABN 11 068 049 178