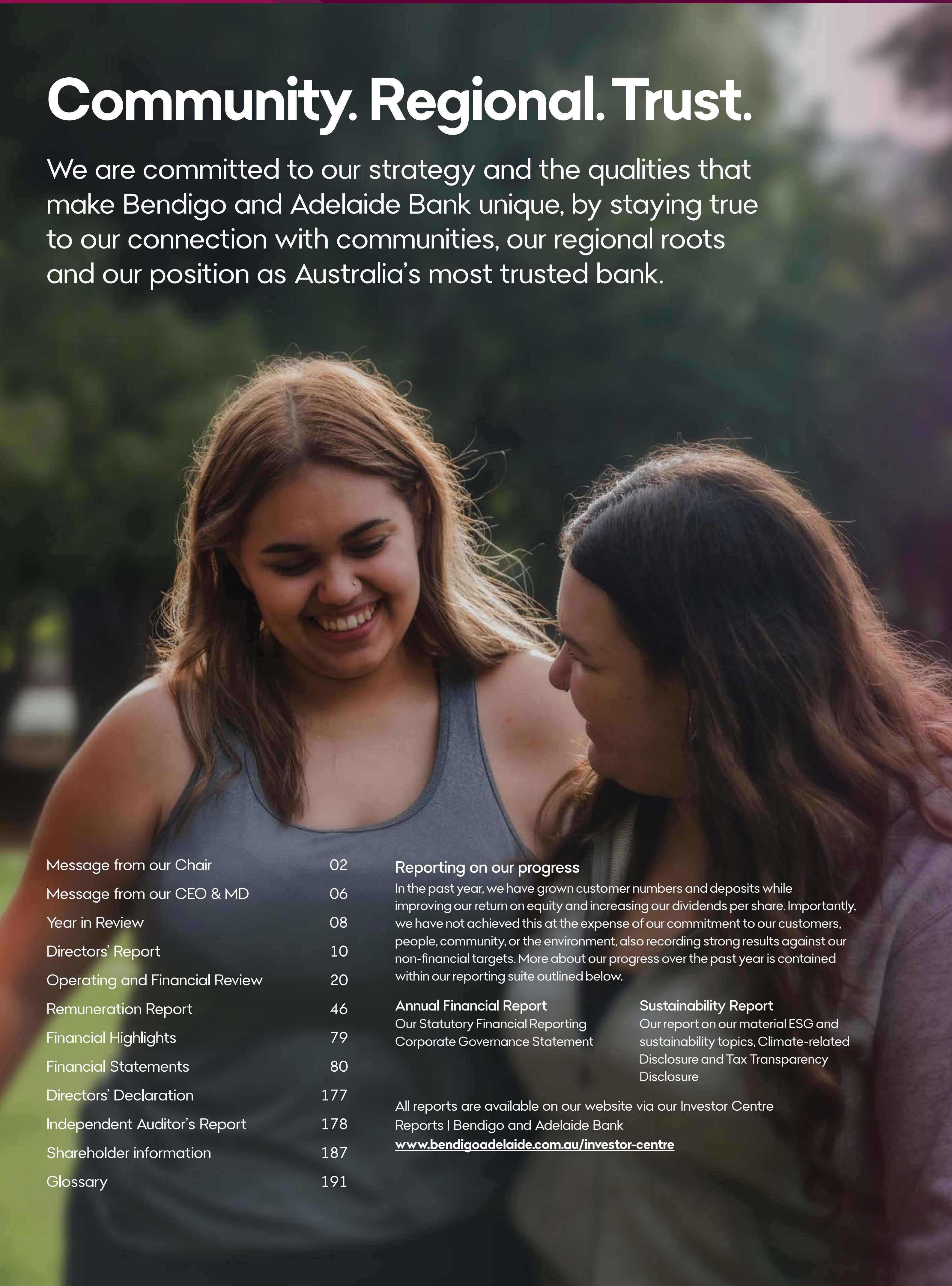
Annual Report 2023

The better big bank
connecting community and country

Bendigo and Adelaide Bank



Community. Regional. Trust.

We are committed to our strategy and the qualities that make Bendigo and Adelaide Bank unique, by staying true to our connection with communities, our regional roots and our position as Australia's most trusted bank.

Reporting on our progress

In the past year, we have grown customer numbers and deposits while improving our return on equity and increasing our dividends per share. Importantly, we have not achieved this at the expense of our commitment to our customers, people, community, or the environment, also recording strong results against our non-financial targets. More about our progress over the past year is contained within our reporting suite outlined below.

Annual Financial Report

Our Statutory Financial Reporting
Corporate Governance Statement

Sustainability Report

Our report on our material ESG and sustainability topics, Climate-related Disclosure and Tax Transparency Disclosure

All reports are available on our website via our Investor Centre Reports | Bendigo and Adelaide Bank
www.bendigoadelaide.com.au/investor-centre

FY23 Achievements

Most trusted bank
(Roy Morgan)

2.4 million customers
A 9.9% increase

$576.9 million
Cash earnings after tax, up 15.3%

8.62%
Return on equity, up 90 basis points

$32.9 million in community bank contributions
Taking total contributions to $320 million since inception

Expanded digital proposition
Digital Mortgages comprised 12% of residential mortgages settled in 2H FY23

Reflect RAP
Our inaugural reconciliation action plan

Launched BEN Zero
Our pathway to net zero by 2040

Acknowledgement of Country

We respectfully acknowledge the traditional owners of lands across Australia and pay our respects to their elders past and present. Our head office is located on Dja Dja Wurrung land.

Artwork by Troy Firebrace, Yorta Yorta and Dja Dja Wurrung artist and educator

Contact us

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ABN 11 068 049 178

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+61 3 5445 0666 (standard international call charges apply)

Shareholder enquiries
https://www.bendigoadelaide.com.au/investor-centre/frequently-asked-questions/

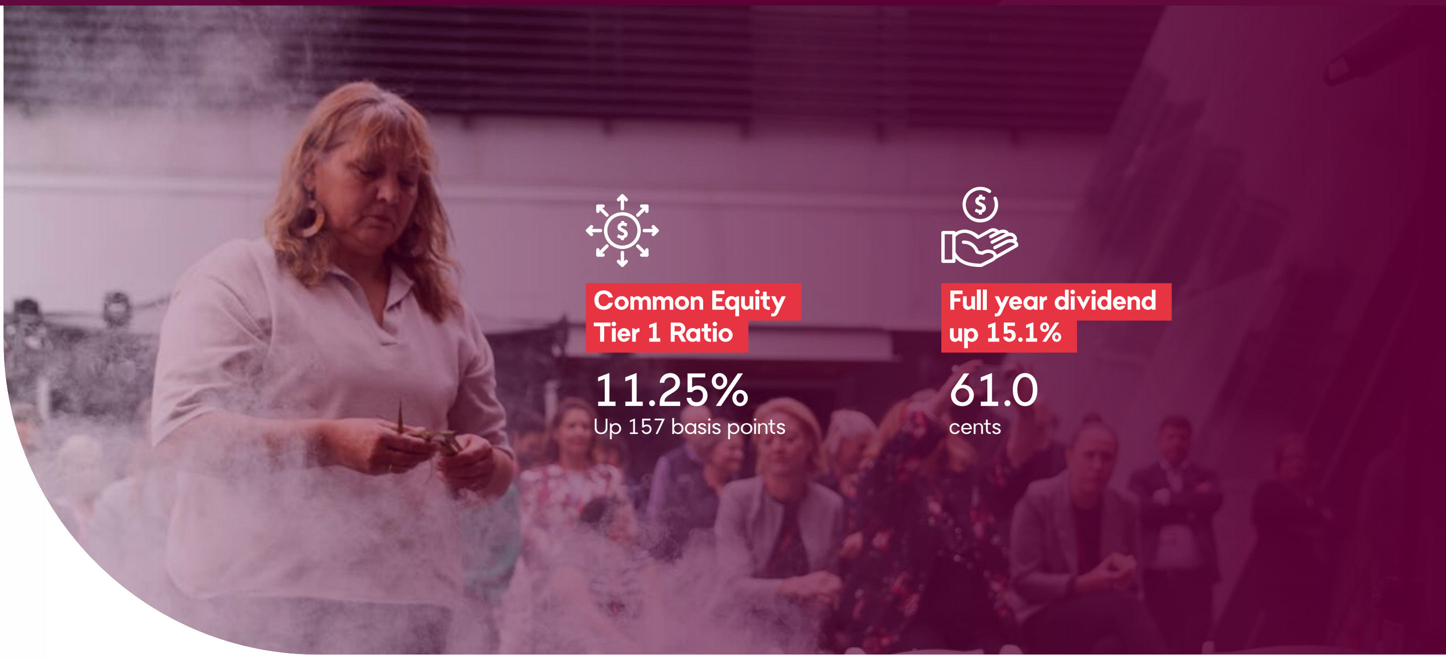
Message from **our Chair**

Bendigo and Adelaide Bank has more than 165 years of experience in providing the community with banking services and supporting customers who need our help. The Bank has been through many economic cycles in that time and remains well positioned to continue meeting the expectations of the community and our customers.

Jacqueline Hey
Chair, Bendigo and Adelaide Bank

90%
of the actions in our Climate Change Action Plan have now been delivered

$700,000
awarded to 200 first time students as part of our expanded 2023 Scholarship Program



Our transformation program, which began in financial year 2019, continues with the Bank delivering a number of key milestones which you can read about in the letter from our CEO and Managing Director, Marnie Baker, on the following pages. The important foundational work that has been completed by your management team will pave the way for our future growth.

The evolving economic environment presents both opportunities and challenges. We all hope that inflation appears to have peaked, however elements of it remain persistent. The end of record low interest rates will be welcomed by depositors while we understand borrowers will need to make some adjustments.

Rest assured the bank continues to prioritise sustainable growth for the benefit of all our stakeholders including customers, people, partners, communities and shareholders.

Given the uncertain outlook, it is pleasing to note the continuing rise in the Bank's capital levels. They improved again over FY23 with our Common Equity Tier 1 ratio rising 157 basis points to 11.25 percent, well above regulatory requirements and APRA's definition of 'unquestionably strong' and reflecting our prudent and conservative approach.

In August, the board declared a final fully franked dividend of 32 cents per share, taking the full year dividend to 61 cents per share, representing a 15.1 percent rise on the previous year. Your Board always strives to balance the needs and interests of all our stakeholders and trusts that you view this as a fair return on your investment. Rest assured that we continue to exercise discipline and accountability in our judicious use of your shareholder capital.

The Bank's customer centric approach continues to deliver both financial results and public accolades. Bendigo and Adelaide Bank's home loan customers are Australia's most satisfied and we retained our position as Australia's most trusted bank. The Board acknowledges the many, many hours of hard work by our people that go into securing and maintaining this type of recognition for the Bank.

The good standing of the Bank can be seen in the continued growth in customer numbers as they increasingly recognise the Bank as a genuine alternative to the major banks. The multi-channel experience we offer both direct to customers and through our partners continues to broaden in response to our customer's evolving needs and it is pleasing to see this expertise become more widely acknowledged.

In other measures undertaken this year, your Board approved our ESG and Sustainability Business Plan, as well as our Climate and Nature Action Plan for 2024 to 2026, which continues to build on our ESG framework. The new plan provides details of our various ESG initiatives, how we will implement them, and further clarifies how we will both track and be accountable for our performance.

This builds on the financial year just passed, where we saw the delivery of the final year of our inaugural Climate Change Action Plan, with nearly 90 percent of the actions in the plan now delivered. The Bank has been able to nearly halve its operational emissions since 2020 and made good progress on our target to purchase 100 percent renewable electricity by 2025.

The launch of the Bank's inaugural Reflect Reconciliation Action Plan was another highlight as one of the first steps in our reconciliation journey. The Bank's Executive and Board participated in cultural immersion experiences hosted in the Bendigo region by the Dja Dja Wurrung and the Kaurna peoples in the Adelaide region as part of this process, which left lasting impressions.

Message from **our Chair** continued

Rest assured the bank continues to prioritise sustainable growth for the benefit of all our stakeholders including customers, people, partners, communities and shareholders.

In conjunction with our Community Bank partners, the Bank awarded 200 first time students more than $700,000 as part of our expanded 2023 Scholarship Program which delivers on our commitment to address jobs and skills challenges in regional areas. The program has now provided more than $12 million in funding to more than 1,500 students across Australia.

Established to empower and assist students on their educational journey, the program creates life changing opportunities for students who might otherwise miss out on further education, especially those in regional and remote areas. I am proud of what the program has achieved, and I hope you are too.

A diverse mix of experiences and expertise is crucial to the success of any Board. We have been fortunate in this regard with no shortage of attractive candidates.

The Bank appointed digital executive and entrepreneur Alistair Muir in September 2022 and his constructive contributions to our board discussions have been welcome. We will also welcome Margaret Payn as a Non-Executive Director commencing in September 2023. Margaret brings a strong background in banking and financial services. We have announced the retirement of Jim Hazel as a Non-Executive Director effective from November. We thank Jim for his many years of valuable contribution to your Board.

As you may know, this is my final report as your Chair and my last year as a Director, with my time at Bendigo and Adelaide Bank coming to an end. I have served as Director of the Bank for more than 12 years and as your Chair for the last four years, which has been a highlight of my career.

Reflecting on my time at the Bank I am proud to have worked closely with your CEO and Managing Director Marnie Baker and her talented Executive team during a period of accelerated change for the bank, its customers and the community.

David Foster, as an existing member of the Board, is well qualified to continue working with the Executive team and I am pleased he will be your new Chair. Rest assured your Bank is in good shape and I will continue to take a keen interest in its progress.

I want you to know there are many talented and skilled people working hard for you and all our stakeholders, right across the organisation. I remain confident we have the right mix of experience and skills on our Board, Executive, within our Senior Leadership team and across the breadth of the company.

Their combined efforts will remain important as our people continue to execute on our vision to be Australia's bank of choice. We look forward to the challenges and opportunities of the coming year, and to continue delivering on our longstanding purpose of feeding into the prosperity of our customers and the community.

Jacqueline Hey
Chair, Bendigo and Adelaide Bank

Message from **our CEO & MD**

As the Bank continues with the important program of work that will help us deliver on our vision to be Australia's bank of choice, it's important to consider the achievements we have made on this journey and reflect on just how far we've come.

Marnie Baker
CEO & MD, Bendigo and Adelaide Bank

Over recent years, the Bank has made good progress on our strategic imperatives of reducing complexity in our operations, investing in our capabilities and telling our story in more ways than ever.

As the Bank and our customers face into a new set of challenges with the conclusion of the low interest rate cycle, I'm proud of what we have achieved and reminded once again of the important role strong banks play in the community, and particularly in regional Australia.

As a result of this hard work, the Bank has never been better placed to offer support to those who need it and to continue delivering on our purpose of feeding into the prosperity of our customers and their communities, and not off them.

As you may know, the Bank has introduced a strengthened focus on returns, execution and sustainable growth. I'm pleased to share the results of this work with you over the following pages, which show improved financial performance across the Bank's key metrics such as cash earnings, return on equity and dividends per share.

The Bank delivered record cash earnings and further improvements in our cost-to-income ratio in financial year 2023 through disciplined lending, continued growth in deposits and a measured approach to cost management in a period of high inflation.

Cash earnings per share

102.1 cents
Up 13.7%

2.4 million
Customers
up 9.9%

$320 million
in profits to be returned
to the community by our unique
Community Bank model

8.62%
Return on Equity
up from 7.72%

Our transformation strategy is on track. We continue to embed changes within the Bank to meet the growing and changing expectations of our customers and other stakeholders, while also ensuring the Bank is nimble enough to adapt to changes in the environment that are yet to present themselves.

Over the year, we reached a number of key milestones for the Bank which included reducing the number of core banking systems from seven to four. The percentage of home loan settlements achieved through digital channels has increased to 12 percent for the second half and one third of the Bank's applications are now in the cloud.

Bendigo and Adelaide Bank continues to maintain Australia's fourth largest branch network and has more branches per customer than any other Australian bank. Our physical network is very important to us, and we value the personalised interactions we have with our customers every day.

Our customer numbers have continued to grow over the year, increasing 9.9 percent to 2.4 million. They are attracted to our trusted brand because we continue to put our customers at the centre of everything we do. They are attracted to our quality products, award-winning service and digital offerings which are all helping to drive our Net Promoter Score which is now 28.4 points higher than the industry average, widening the gap against our competitors by 2.1 points in the last 12 months alone.

These achievements are proof of our unwavering commitment to become a bigger, better and stronger bank.

Our people, who are the key to our success, have embraced this change with staff engagement levels remaining steady. Importantly, we have retained our market leading customer advocacy, trust and reputation scores while doing so.

This year our unique Community Bank model celebrated its 25th anniversary and is on track to return $320 million in profits to the community since inception. The model is just one of the ways we continue to deliver on our purpose, and we are extremely proud of its success and of the communities they have strengthened.

Looking ahead, the opportunities for our Bank has never been clearer.

A review of our business and agribusiness division has identified target markets that will support our focus on sustainable returns. Our prudent approach to lending, supported by our unique Community Bank model, has paid off with a return to growth in the final quarter of FY23. We expect customer interest in our digital mortgage products to continue to grow as they embrace their convenience and utility.

There is a downside to the speed and convenience of digital products as the landscape for scams and fraud continues to evolve. As part of our ongoing and consistent focus on protecting our customers, the Bank has tightened transaction rules, removed hyperlinks from our SMS messages and doubled the size of our financial crime team.

We continue to work hard to proactively detect and prevent the unauthorised use of customer accounts. We advocate for a whole of system approach to combatting scams and fraud and remind customers of the important role they play in keeping their information secure.

The value of our transformation agenda is evident in the improved returns we have delivered for shareholders over the last 12 months, with cash earnings per share increasing from 89.8 cents to 102.1 cents, Return on Equity increasing from 7.72 percent to 8.62 percent and our Common Equity Tier 1 ratio increasing from 9.68 percent to 11.25 percent.

We are committed to maintaining momentum in returns for our shareholders by managing our costs, generating sustainable returns on our assets and liabilities, and leveraging those qualities that make Bendigo and Adelaide Bank unique: our connection with communities, our regional roots and our position as Australia's most trusted bank.

At this year's Annual General Meeting, we will say farewell to Jacquie Hey. Jacquie is retiring from the Bank after 12 years as a Director and four years as Chair. Jacquie has been a valuable sounding board for the organisation providing thoughtful advice and guidance during a period of intense change. I thank Jacquie for her wise counsel and commitment to the purpose and performance of the Bank.

I'd also like to welcome David Foster, Jacquie's successor as Chair. David has a strong background in banking and developed a deep understanding of our Bank after being elected to your Board in 2019. I look forward to working closely with David and continuing to deliver on our purpose of feeding into the prosperity of our customers and the community and executing on our vision to be Australia's Bank of choice.

Marnie Baker
CEO and Managing Director,
Bendigo and Adelaide Bank

2023 Year in review **highlights**

We are proud of our regional heritage and the positive impact we have in the communities in which we operate. Our vision is to be Australia's bank of choice – for those who bank with us, work for us, partner with us and invest in us.

Our longstanding purpose of feeding into the prosperity of our customers continues to underpin everything we do. In FY23, we have continued to develop and build on the strength of our trusted brand and our authentic connection to community and regional Australia as our competitive advantage. The following is a snapshot of the financial and non-financial milestones we achieved in FY23.

Customers and Trust

We are proud to be Australia's most trusted bank with Australia's most satisfied home loan customers. We have achieved and maintained our high trust and satisfaction scores by putting our customers at the centre of everything we do. They recognise we are a genuine alternative to the major banks, which has seen our customer numbers rise almost 10 percent to 2.4 million. We are committed to meeting the evolving expectations of our customers by offering products and services that are simple, convenient, and personal.

Community

Our business activities deliver real value and create a positive difference in our communities, impacting the health and wellbeing of our customers and the places they live, work and play. Our commitment to community through our Community Bank model, philanthropic donations and the many social investments and partnerships that occur across our business, help bring our social purpose to life each day. We have remained true to our regional roots; we have worked hard to maintain and strengthen our connection with communities, and we will continue to do everything we can to earn and keep our customers' trust.

Transformation

We have continued to deliver on our transformation agenda, with key milestones being achieved across the year. Our digital proposition expanded substantially with the launch of Up Home and Qantas Money Home Loans and in-app digital term deposits. FY23 also saw a significant increase in our digital home loan platform, BEN Express, which has delivered over $270 million in home loan settlements since inception, with more in the second half of 2023 than in the previous four years combined. These achievements demonstrate our expertise in digital and the value of our trusted brand.

FY23 Milestones

Most trusted bank
(Roy Morgan)

9.9% increase
in customer numbers

+23.2 NPS
(Net Promoter Score)

28.4 points
higher than industry average

Celebrated
25 years
of the Community Bank Model

$32.9 million
in Community Bank Contributions in FY23

$54.1 million
in donations received by the Community Enterprise Foundation in FY23

$1.1 million
across 289 scholarships in FY23

Reduced
core banking systems from seven to four

90 fewer IT applications

Launched
digital term deposits

72% of customers
are active ebanking users

Financial Performance

Over the last 12 months, the Bank has made significant progress on our financial and strategic objectives. Financially, we have delivered on our key metrics. Cash earnings increased 15.3 percent to $576.9 million, Return on Equity increased 90 basis points to 8.62 percent and our Cost to Income ratio improved by 420 basis points to 54.9 percent. These results have been achieved through managing our costs and reinvesting back into value enhancing areas of our business and demonstrate the progress we have made to deliver on our strategy. Importantly, we have continued to deliver on our busy agenda of change without losing sight of who we are.

People

Empowered people create empowered communities. At the Bank we consistently promote teamwork, integrity, performance, engagement, leadership, inclusion, and passion. We pride ourselves on our commitment to conduct business ethically and to the highest possible standard. We believe diversity of experience, mindset and background inspires our best ideas, helps us challenge the status quo and identify better ways of working.

Planet

The Bank is committed to playing our part in the transition to net zero emissions and continues to build climate mitigation and adaption into our business and support our customers and their communities to build climate resilient futures. Our approach to how we manage and respond to climate change is shaped by our Board-endorsed Climate Change Action Plan and Climate Change Policy Statement. Guided by these, we identify opportunities to respond, mitigate and adapt to climate change. With our customers and communities at the centre of everything we do, we support them with tools to take climate change adaption and mitigation into their own hands.

Cash earnings after tax
$576.9 million
Up 15.3%

Net interest margin
1.94%
Up 20 basis points

Return on equity
8.62%
Up 90 basis points

Cost to income
54.9%
an improvement of 420 basis points

Delivered our
Reflect Reconciliation Action Plan

Achieved
Bronze status
through the Australian Workplace Equality Index (**AWEI**)

Female representation
increased from 33.7% to 37%
at the Other Executive/ General Manager level

Delivered the
first in-house demographic survey

Reduced
Scope 1 & 2 emissions by 46%
since 2020

Delivered close to
90% of the actions
identified in the Climate Change Action Plan

Launched BENZero
our pathway to net zero by 2040

CDP Score of
B (uplift from C)

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 2023.

Directors' Information

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

Jacqueline Hey
Chair, Independent

BCom, Graduate Certificate in Management, GAICD, 57 years

Jacquie lives on the land of the Bunurong people of the Kulin Nation.

Jacquie joined the Board as a director in July 2011 and was appointed Chair in October 2019, becoming the Bank's first female Chair.

Jacquie is a member of the Board Audit Committee and the Board People, Culture & Transformation Committee.

Jacquie has international executive experience in business and technology systems including as Managing Director & CEO of Ericsson – the Swedish telecommunications company - in the UK and Ireland and Australia/NZ prior to becoming a full-time company director in 2011.

Jacquie Hey will retire from the Board from the close of the Annual General Meeting on 24 October 2023.

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

- Director of Qantas Airways Limited *(ASX listed Aug 2013 to present)*
- Director of Commonwealth Superannuation Corporation
- Member of Brighton Grammar School Council
- Former Director of AGEL Energy Limited *(ASX listed, Mar 2016 to May 2022)*

Marnie Baker
CEO and MD, Non-independent

BBus, ASA, MAICD and SFFin, 55 years

Marnie Baker lives on the land of the Dja Dja Wurrung people of the Kulin Nation.

Marnie was appointed Chief Executive Officer & Managing Director in 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.

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

- Deputy Chair of Australian Banking Association Limited
- Member of Business Council of Australia
- Member of La Trobe University's Bendigo Regional Advisory Board
- Member of Mentally Healthy Workplaces Advisory Group

Vicki Carter
Independent

BA (Social Sciences), Dip Mgt, Certificate in Executive Coaching, GAICD, 59 years

Vicki lives on the land of the Bunurong people of the Kulin Nation.

Vicki joined the Board in September 2018. Vicki is Chair of the Board People, Culture & Transformation Committee and a member of the Board Risk Committee.

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.

Vicki's former roles include Executive Director, Transformation Delivery at Telstra, and prior to that, she held several 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.

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

- Director of ASX Limited *(ASX listed Feb 2023 to present)*
- Director of IPH Limited *(ASX listed Oct 2022 to present)*
- Chair of Sandhurst Trustees Limited

Richard Deutsch
Independent

BE, FCA, 56 years

Richard lives on the land of the Bidjigal and Gadigal people of the Eora Nation.

Richard joined the Board in September 2021. Richard is Chair of the Board Audit Committee and a member of the Board Financial Risk Committee.

Richard most recently served as CEO of Deloitte Australia, the Managing Partner of the Audit & Advisory Practice and a member of the Global Audit & Advisory Leadership Team. Richard's career also includes more than 25 years working with PwC, including nine years on PwC's Australian executive.

His former directorships also include serving as President and Chairman of the Institute of Chartered Accountants Australia (now Chartered Accountants Australia and New Zealand). Richard has also been a member of the Business Council of Australia.

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

- Chair Movember Foundation
- Director of AUB Group Limited *(ASX listed, Dec 2022 to present)*

Directors' Report continued

David Foster
Independent

B.AppSci, MBA, SFFin, FAIM, GAICD, 54 years

David lives on the land of the Kabi Kabi people.

David joined the Board in September 2019. David is Chair of the Board Financial Risk Committee and a member of the Board People, Culture & Transformation Committee.

David's executive career - primarily in financial services - has spanned over 25 years, most recently as CEO of Suncorp Bank from 2008 to 2013. He also held several senior roles with Westpac Banking Corporation in Sydney and Queensland across a 14-year period. David was previously the Chair of Motorcycle Holdings Limited and is now the current Chair of G8 Education Limited and Youi Holdings Group Limited. In December 2022, he was appointed director of Star Entertainment Group Limited and in March 2023, David was announced as the Star Entertainment Group Limited's new Chair.

David has experience in strategy, mergers and acquisitions, operational leadership, finance and risk management, product management and marketing, and change management.

David will be appointed Chair from the close of the Annual General Meeting on 24 October 2023.

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

- Chair of G8 Education Limited *(ASX listed, Feb 2016 to present)*
- Chair of Youi Holdings Group Limited *(ASX listed, Sept 2022 to present, chair since Jan 2023)*
- Chair of Star Entertainment Group Limited *(ASX listed, Dec 2022 to present, chair since March 2023)*
- Former Director Helia Group Limited (previously Genworth Mortgage Insurance Australia Limited) *(ASX listed, May 2016 to Mar 2022)*
- Former Director Motorcycle Holdings Ltd *(ASX listed, Mar 2016 to Dec 2022)*

Jim Hazel
Independent

BEc, SFFin, FAICD, 72 years

Jim lives on the land of the Kaurna people.

Jim joined the Board in March 2010. Jim is a member of the Board Risk Committee and the Board Financial Risk Committee.

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 has had more than 40 years of experience in the financial services sector.

As Chair of the Adelaide Festival Centre, Jim played a pivotal role in the redevelopment of Her Majesty's Theatre in Adelaide and led the Arts Community through the challenging pandemic period.

Jim Hazel will retire from the Board from the close of the Annual General Meeting on 24 October 2023.

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

- Chair of Ingenia Communities Group Limited *(ASX listed, Mar 2012 to present)*
- Chair of Precision Group
- Chair of Barossa Hills Fleurieu Local Health Network
- Director of Omega Communities Pty Ltd
- Director of Chapman Capital Partners
- Pro-Chancellor of University of South Australia

David Matthews
Independent

Dip BIT, GAICD, 65 years

David lives on the land of the Wotjobaluk people of the Kulin Nation.

David joined the Board in March 2010. David is a member of the Board Audit Committee and the Board Financial Risk Committee. David is also a member of the Community Bank National Council and Chair of the Agribusiness Advisory Committee.

David has extensive connections and experience with regional and rural Australia. David played a fundamental role in the creation of the Community Bank network and chaired the first Community Bank company in Australia which began in Rupanyup and Minyip in Victoria.

David has broad experience in agribusiness from production to international trade, deep community connections and an understanding of the critical role 'people' play in business success.

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

- Director Rupanyup/Minyip Finance Group Limited
- Director of Farm Trade Australia Pty Ltd
- Former Director of Australian Grain Technologies Pty Ltd

Alistair Muir
Independent

Dip. Comp Sci, BSC (Hons), MAICD, 42 years

Alistair lives on the land of the of the Bidjigal and Gadigal people of the Eora Nation.

Alistair joined the Board in September 2022. Alistair is a member of the Board Risk Committee and the Board People, Culture & Transformation Committee.

Alistair is an experienced digital executive and entrepreneur with almost 20 years experience working in Financial Services and in Technology across a broad range of ASX 50 and Fortune 500 companies.

Alistair is currently the Managing Director of advisory business Vanteum and has advised several banks, insurers, and Fintech businesses on Open Banking and the Consumer Data Right (**CDR**) as well as advising several government departments in Australia and overseas on Fintech and digital innovation. He was previously Director and Chair of the Technology Board committee at Humm Group Limited.

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

- Director of Helia Group Limited (formerly Genworth) *(ASX listed, Dec 2021 to present)*
- Director of AFM Investments Pty Ltd
- Director of Davak Pty Ltd
- Member of ASIC's Consultative Panel
- Advisor to CSIRO on the commercialisation of science and technology
- Former Director of Humm Group Limited *(ASX listed, Mar 2021 to Jun 2022)*

(Patricia) Margaret Payn
Independent

B.A (Honors) French and Pure Mathematics, ICAEW Fellow (FCA), 63 years

Margaret lives on the land of the Kaurna people.

Margaret will join the Board from 14 September 2023. Margaret will be a member of the Board Financial Risk Committee and the Board Risk Committee.

Margaret's career has been mainly in finance, risk and operational roles across financial services including retail banking, institutional banking and wealth management. She also has significant non-executive experience covering publicly listed companies, subsidiaries of large, listed companies and responsible entities for investment schemes and trusts for both public and private markets. She has extensive global experience, having worked in Australia, Asia and the UK.

Margaret's most recent executive position was AMP Capital's Chief Financial Officer and Chief Operating Officer; she has held roles as Group Managing Director of Strategy and Marketing at ANZ Banking Group and senior finance roles across ANZ, Westpac and Citigroup Australia.

Prior to that, Margaret held senior finance and operational roles at Schroders plc in Asia, London and Australia. She was also the Group Risk director during her time in London.

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

- Director of Albion Technology & General VCT plc
- Director of JP Morgan Mid Cap Investment Trust plc

Victoria Weekes
Independent

BCom (UNSW) LLB (UNSW), FAICD, 61 years

Victoria lives on the land of the Wangal people of the Eora Nation.

Victoria joined the Board in February 2022. Victoria is Chair of the Board Risk Committee and member of the Board Audit Committee.

Victoria has over 35 years of experience in financial services. Victoria has held executive roles with major Australian listed companies and multi-nationals including Westpac, Citi, Allens and Jarden Morgan (now CS First Boston). Victoria is the Deputy Chair of the ASIC Markets Disciplinary Panel and former chair of NSW Treasury Audit and Risk Committee.

Victoria has been a non-executive director and chair with experience across a range of business sectors in the public, private, government and not-for-profit organisations, with expertise in risk management, regulation, and compliance at both executive and board level.

Victoria is a Senior Fellow and past president of professional standards body FINSIA, a Fellow of the Australian Institute of Company Directors, a Chartered Banker and was previously the chair of the Australian Gender Equality Council. Victoria was a former director of URB Investments Limited (ASX:URB).

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

- Director of Alcidion Group Limited (2021 – current) *(ASX listed, Sept 2001 to present)*
- Director of Risk Compliance Solutions Pty Ltd
- Member of State Library Council of NSW
- Member of ASIC's Markets Disciplinary Panel

Directors' Report continued

Company Secretary

Belinda Donaldson (BCom(Economics), LLB) was appointed as Company Secretary of the Bank on 9 January 2023. She is an experienced corporate lawyer and governance professional with extensive experience assisting listed, non-listed and not-for-profit organisations, in mergers and acquisitions, commercial law, corporate governance and advisory matters.

Will Conlan, Chief of Staff and the former Company Secretary of the Bank, was appointed Company Secretary effective 18 October 2022 on an interim basis until 9 January 2023.

Carmen Lunderstedt was Company Secretary of the Bank until her resignation effective 17 October 2022.

Principal Activities

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

Operating and Financial Review

The Group's statutory profit after tax for the financial year ended 30 June 2023 increased by 1.8 percent to $497.0 million (FY22: $488.1 million). This was impacted by:

- An increase in net interest income due to an increase in net interest margin, in addition to an increase in interest earning assets.
- An increase in operating costs of $140.5 million or 13.8 percent, due to an impairment of software intangible assets, along with increased investment spend, information technology costs and staff costs.
- An increase in credit expenses largely attributed to an increase in collective provision charges driven by global economic uncertainty, higher inflation and cost of living pressures.

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 14 August 2023 a fully franked dividend of 32 cents per fully paid ordinary share. The final dividend is payable on 29 September 2023. The proposed payment is expected to total $181.1 million.

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

- A final dividend for FY22 of 26.5 cents per share, paid on 29 September 2022 (amount paid: $147.4 million); and
- An interim dividend for FY23 of 29.0 cents per share, paid on 31 March 2023 (amount paid: $162.1 million).

Further details on dividends provided for or paid during the FY23 on the Bank's ordinary and preference shares are provided at Note 8 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

Changes in the principal activities of the Group have been outlined above.

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

Directors

1. Jan Harris resigned as a Non-executive Director 12 September 2022.
2. Alistair Muir was appointed as a Non-executive Director commencing 12 September 2022.
3. Margaret Payn was appointed as a Non-executive Director commencing 14 September 2023 and will stand for election at the AGM.
4. Jim Hazel will retire as a Non-executive Director effective from the AGM on 24 October 2023.
5. Jacqueline Hey will retire as Chair and Non-executive Director effective from the AGM on 24 October 2023.
6. David Foster will be appointed Chair from the AGM on 24 October 2023

Executives

1. Adam Rowse was appointed as Chief Customer Officer Business and Agribusiness on 1 July 2022.

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

Events After Reporting Date

The Directors are not aware of any matter or circumstance which has arisen 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

The Board met 16 times (scheduled and unscheduled meetings) in the year ended 30 June 2023. The following table includes:

- names of the Directors holding office at any time during, or since the end of, the financial year;
- the number of Board and Board Committee meetings for which each Director was eligible to attend; and
- the number of meetings attended by each Director.

Meetings during the year	Board		Audit		Financial Risk		Risk		People, Culture & Transformation	
Meetings during the year	A	B	A	B	A	B	A	B	A	B
Jacqueline Hey	16	16	8	8					5	5
Marnie Baker	16	16								
Vicki Carter	16	16					7	7	5	5
Jan Harris[1]	5	2	2	0			1	1		
David Foster	16	16			10	10			5	5
David Matthews[2]	16	16	8	8	7	7			2	2
Jim Hazel	16	16			10	10	7	5		
Richard Deutsch	16	16	8	8	10	8				
Victoria Weekes[3]	16	15	6	6	3	3	7	7		
Alistair Muir[4]	11	11					5	4	3	3
Margaret Payn[5]										

A = Number eligible to attend B = Number attended

1. Jan Harris resigned as a non-executive director 12 September 2022.
2. David Matthews resigned as a member of the Board People, Culture & Transformation Committee, last meeting attended was 17 August 2022.
3. Victoria Weekes resigned as a member of the Board Financial Risk Committee; last meeting attended was 14 September 2022.
4. Alistair Muir was appointed as a non-executive director commencing 12 September 2022.
5. Margaret Payn was appointed as a non-executive director commencing 14 September 2023.

Directors' Report continued

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:

Ordinary shares	Ordinary shares	Preference Shares	Performance Rights	Rights to Shares[1]	Sandhurst Cash Common Fund ($)[2]
Jacqueline Hey	57,437	250	—	—	—
Marnie Baker	1,422,635	100	130,384	—	14,470.90
Vicki Carter	24,850	—	—	—	—
Richard Deutsch	8,183	—	—	4,415	—
David Foster	13,170	—	—	—	—
Jim Hazel	42,835	—	—	—	—
David Matthews	47,625	—	—	—	—
Alistair Muir	1,043	—	—	—	—
Victoria Weekes	9,693	—	—	4,415	—

1. Rights to shares have been issued under the BEN Omnibus Plan Rules for the FY24 Non-executive Directors Fee Share Plan. Each participant has elected to sacrifice a portion of the base fee, to which a number of rights have been allocated by dividing the fee sacrifice amount by the five day volume weighted average share price prior to the allocation date of 16 August 2023. The rights to shares vest in two equal tranches after six and 12 months, with the first tranche vesting in February 2024. Upon vesting, the Director must retain the converted shares 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 FY21.
2. Being a relevant interest in a managed investment scheme made available by Sandhurst Trustees Limited, a subsidiary of the Bank.

Performance and Deferred Share Rights

Rights to ordinary shares in the Bank (Rights) are issued by the Bank to employees under the Performance Rights Plan and Deferred Share Rights Plans and these plans are governed by the BEN Omnibus Plan Rules. 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 1,204,047 rights (2022: 1,429,004). This included 287,276 rights granted to key management personnel.

As at the date of this report there are 2,329,028 rights that are exercisable or may become exercisable at a future date under the Plans. The last date for the exercise of existing rights awards that may vest is up to 30 September 2028.

During or since the end of the financial year 443,534 rights vested (2022: 493,220) and no new fully paid ordinary shares were awarded by the Bank during or since the end of the financial year resulting from rights being exercised.

During or since the end of the financial year, 98,100 rights have lapsed.

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.

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

Corporate Governance

An overview of the Bank's corporate governance structures and practices is presented in the 2023 Corporate Governance Statement available from the Bank's website at: bendigoadelaide.com.au/public/corporate_governance/index.asp

The Bank confirms it has followed the ASX Corporate Governance Principles and Recommendations (4th edition) during FY23.

Environmental Regulation

The Bank's operations are not subject to any significant environmental regulations under a law of the Commonwealth or of an Australian State or Territory.

For information about our approach to climate change, greenhouse gas emissions and environmental footprint, carbon neutral certification and progress against our environmental targets, see our 2023 Sustainability Report.

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 any liability 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 permitted by the Bank's Constitution, the Bank has entered into deeds providing for indemnity, insurance and access to documents for each of its Directors.

The deeds require the Bank to indemnify, to the extent permitted by law, the Directors for all liabilities incurred in their capacity as Directors.

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 a premium to insure certain Officers of the Bank and its related corporate bodies. 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. Disclosure of the nature of the liabilities covered and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance.

Directors' Report continued

Declaration by Chief Executive Officer and Chief Financial Officer

The Chief Executive Officer and Managing Director, and the 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 2023.

The Chief Executive Officer and Managing Director, and the 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 2022.

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 financial 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 2023. 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 2023.

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 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 36 Remuneration of Auditor of the Financial Report.

Auditor's Independence declaration

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Building a better working world

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Fax: +61 3 8650 7777
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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 2023, 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;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

T M Dring
Partner
11 September 2023

Operating and Financial Review

Our Strategy

Our vision is to be Australia's bank of choice – for those who bank with us, work for us, partner with us and invest in us. Our purpose of feeding into prosperity, not off it, is our anchor.

As the only regionally-headquartered listed bank, our heart and soul and our values remain rooted in regional and rural Australia, where relationships are built on trust, care and a strong sense of community. We believe our success is driven by helping our customers and the communities in which they operate to be successful.

As Australia's better big bank and a top 100 ASX listed company, we aim to set an example of how banking should be: progressive, sustainable, shared and trusted.

In the last year we have delivered continued growth in customers, loans, and deposits; we have improved our cost to income ratio and grown net profits while maintaining a strong balance sheet, liquidity, and credit quality.

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.

While our strategy and vision remain the same, as we enter a new financial year, we will continue to strengthen our focus on returns, execution, sustainable growth and capital generation as we drive the business forward to better support and enhance the experience for our stakeholders.

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.

Our vision

Australia's bank of choice

Our purpose

To feed into prosperity, not off it

Strategic Imperatives

Reduce complexity	Invest in capability	Tell our story

Customer Centric Operating Model	Customer Value Proposition	Growth and Transformation Strategy	ESG & Sustainability Business Plan
Digital by design, human when it matters	Based on trust, authenticity, knowledge, expertise, connection and personalised relationships	Propelled by human, digital and community connections	Managing ESG and Sustainability risks and opportunities

For our customers, people, partners, communities and shareholders

Operating and Financial Review continued

Our Business Performance

Our momentum in delivering improvements in shareholder returns continues through disciplined execution and our differentiated approach.

In FY23 we recorded cash earnings after tax of $576.9 million, a 15.3 percent increase on the prior year. Cash earnings per share of 102.1 cents were up 13.7 percent on the prior year. Our strengthened focus on returns contributed to a 90 basis points increase in return on equity to 8.62 percent, and a 420 basis points decrease in the cost to income ratio to 54.9 percent.

Net Interest Margin rose 20 basis points on the previous year to 1.94 percent, reflecting the impact of rising rates and our disciplined management of volumes and margins.

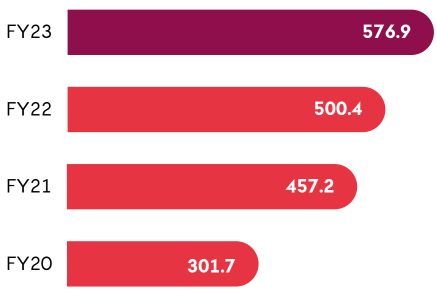
Customer numbers have grown 9.9 percent to 2.4 million and our leading Net Promoter Score[1] of 23.2 is 28.4 points higher than the industry average, with the gap widening over the year, because we continue to put the customer at the centre of everything we do.

Our transformation agenda is on track with the foundational work we have completed paving the way for ongoing simplification of our business. We have consolidated our core banking systems from seven to four, have 90 fewer IT applications and have moved one third of applications to the cloud.

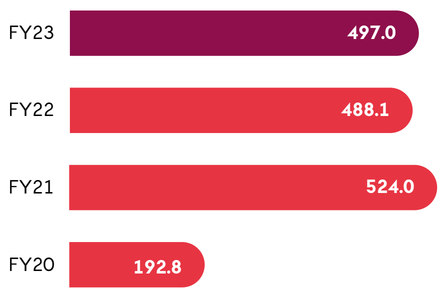
Interest in our digital products, including Up Home and BEN Express, continues to grow with this channel accounting for 12.0 percent of total settlements in the second half. The proportion of our customers who actively use e-banking has risen from 68 percent to 72 percent over FY23 as they recognise the convenience and utility of our platforms. We are digital by design and human when it matters.

We announced a fully franked final dividend of 32.0 cents per share, reflecting our desire to maintain a strong capital position given the uncertain business outlook, while balancing our commitment to support our shareholders with a reasonable return on their investment.

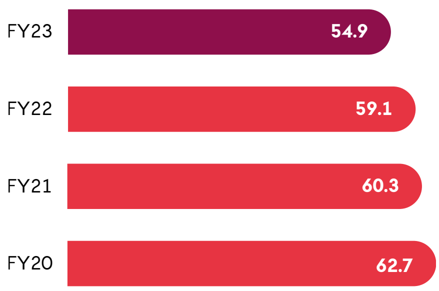
Cash earnings after tax ($m)



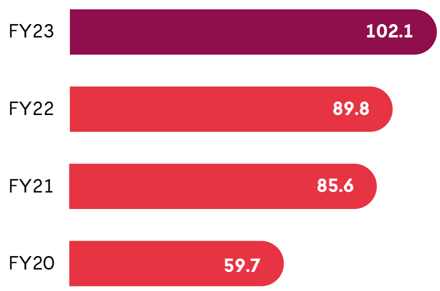
Statutory net profit after tax ($m)



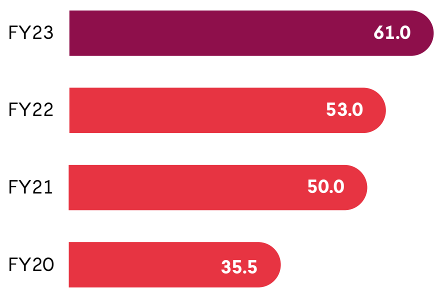
Cost to income (%)[2]



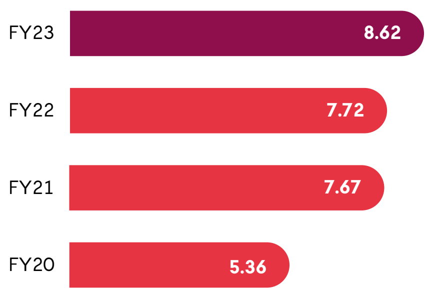
Cash earnings per share (cents)



Dividend per share (cents)



Return on equity (%)[2]



1. Roy Morgan Net Promoter Score Roy Morgan Research, 6 month rolling averages, comparing BEN to the industry average. Industry includes: ANZ, BOM, BOQ, Bank SA, Bankwest, CBA, ING, NAB, St. George, Suncorp & WBC. Net Promoter, Net Promoter System, Net Promoter Score, NPS and the NPS related emoticons are registered trademarks of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc.
2. Calculated using cash earnings

Cash Earnings After Tax

$576.9 million

FY22 $500.4 million

Up 15.3%

Statutory Earnings After Tax

$497.0 million

FY22 $488.1 million

Up 1.8%

Income

Income (Cash Basis)

$1,932.8 million

FY22 $1,695.7 million

Net Interest Margin

1.94%

FY22 1.74%

Net interest income (cash basis) increased 17.6 percent to $1,662.5 million (FY22: $1,413.4 million). This was driven by an increase in net interest margin of 20 basis points to 1.94 percent (FY22: 1.74 percent) in FY23, in addition to an increase in average interest earning assets, up $4.4 billion or 5.5 percent.

Net interest margin has increased due to our disciplined approach to volume and margin management in a rising rate environment, as well as ongoing benefit from the management of our replicating portfolio. This was partially offset by lending margins narrowing from front book/back book pressure, and an increase in revenue share payments to Community Bank partners.

Other operating income (cash basis) decreased 4.3 percent to $270.3 million (FY22: $282.3 million). This was driven by reduced Homesafe realised income, loan fee income, income from joint ventures and associates and other revenue. The decline in other income is attributed to income items, such as dividends and contract payments, recorded in FY22 which have not recurred in FY23. This is partially offset by increased management fees, foreign exchange income and fee income from non-lending products.

Net interest margin represents the return on average interest earning assets less the costs of funding these assets Net interest margin is calculated including the impact of any revenue share arrangements with partners.

Operating Expenses

Operating Expenses (Cash Basis)

$1,061.2 million

FY22 $1,002.1 million

Cost to Income Ratio

54.9%

FY22 59.1%

Operating expenses (cash basis) increased 5.9 percent to $1,061.2 million (FY22: $1,002.1 million). Investment spend increased, reflecting the Group's continued focus on reducing complexity across the business through investment in enabling technologies. Risk and compliance investment spend has also increased, with a focus on uplifting risk capabilities and culture. Customer-related fraud losses have continued to rise, with a $17.3 million increase from FY22. Information technology and staff costs have also increased, as the Group continues to invest further in cyber and data teams, and migrate services to the cloud.

Business as usual expenses (excluding investment spend and non-lending losses) contributed 2.4 percent of the total expense growth which is well below inflation and reflects ongoing prudent expense management.

Cost to income ratio has decreased to 54.9 percent (FY22: 59.1 percent) with operating expenses increasing at a slower pace than income. The Group maintains its commitment of reducing its cost to income ratio toward 50 percent over the medium term.

Operating and Financial Review continued

Credit expenses and provisions

Credit Expenses/(Reversals)

$33.6 million
FY22 ($27.2 million)

Total Provisions

$381.5 million
FY22 $371.6 million

Total credit expenses reflected a net expense of $33.6 million (FY22: $27.2 million release). This was largely attributed to an increase in collective provision charges from ($20.9) million to $13.3 million, driven by global economic uncertainty, higher inflation and cost of living pressures, with the impacts of the rapid interest rate increases expected to be recognised during the year. In addition, there has also been an increase in specific impairment charges from FY22 up $23.1 million to $21.3 million.

Credit performance remains resilient, with a reduction in impaired assets of 14.4 percent to $113.9 million (FY22: $133.1 million). Provision levels remain appropriate given the continuing uncertainties mentioned above. The total of provisions and equity reserve for credit losses (**ERCL**) increased over FY23 to $381.5 million (FY22: $371.6 million) which represents 0.48 percent of gross lending.

Total provisions and reserves for credit losses ($m)

Dividends

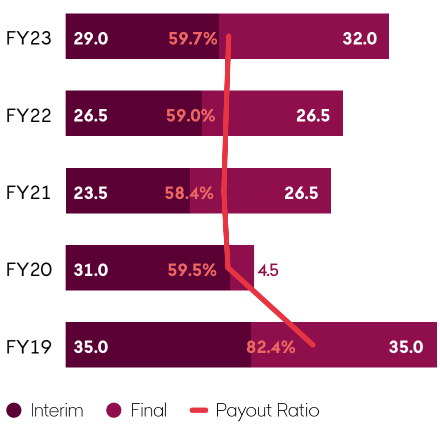
Dividends

61.0 cents
FY22 53.0 cents

The Board declared a fully franked final dividend of 32.0 cents per share (FY22: final dividend 26.5 cents per share). Dividend per share has increased 15.1 percent on the prior year.

The Group has in place a Dividend Reinvestment Plan (**DRP**) which provides shareholders with the opportunity of converting their entitlement to a dividend into new shares.

Dividend per share (cents)



Divisional Performance

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

Consumer

Net Interest Income

Net interest income of $1.3 billion represented an increase of 42.9 percent on the prior year. This was driven by an increase in net interest margin (**NIM**) of 57 basis points and an increase in average asset balances.

- Average asset balances increased $3.3 billion, mainly in Third Party Banking, Leveraged Equities and Up, offset by reductions in Retail.
- Average deposit balances have increased $4.1 billion on the prior year reflecting strong growth in both term deposit and call accounts mainly through the branch network.
- Net interest margin after revenue share increased 57 basis points, with the benefit of rising rates on deposit margins being partially offset by reduced lending margins.
- Revenue share payments increased $181.4 million mainly reflecting higher deposit NIMs.

Other Income

Other Income was $211.5 million, an increase of $1.0 million on FY22. There has been a reduction in Homesafe realised income of $9.7 million, offset by increased fee income from the wealth business due to improved margins and balances in funds. Deposit and other fee income has increased with the introduction of new fees during the year, in addition to an increase in net profits from joint ventures and associates.

Operating Expenses

Operating expenses were $445.7 million, an increase of $29.3 million on the prior year. The increase is largely driven by a $12.9 million increase in non-lending losses, predominantly due to customer-related fraud losses which increased by $17.3 million. Management fee and commissions expense has increased, with increased fees paid to Bendigo Superannuation and Homesafe. Depreciation and amortisation expenses have reduced $1.8 million following the impairment of a number of software assets, offset by increases due to lease incentive payments recorded in FY22.

Credit Expenses

Credit expenses have increased by $22.8 million to an $18.3 million expense in FY23. The increase is largely driven by increased collective provision charges, with minimal increases in specific impairments.

Operating and Financial Review continued

Divisional Performance (continued)

Business and Agribusiness focuses on servicing business customers and includes Business Banking and Portfolio Funding, in addition to all banking services provided to agribusiness, rural and regional Australian communities through Rural Bank.

Business and Agribusiness

Net Interest Income

Net interest income was $520.4 million, an increase of $37.5 million from the prior year.

- Average asset balances declined $329.0 million reflecting reductions to business and residential lending partially offset by increases in agri lending.
- Average deposit balances grew by $909.0 million from the prior year reflecting strong growth in term deposits partially offset by reduction in call accounts.
- Net interest margin after revenue share increased 24 basis points with the benefit of higher rates on deposit margins partly offset by reduced lending margins.

Other Income

Other Income was $56.4 million, a reduction of $4.3 million from FY22. There has been a reduction in fee income, predominantly in the Government Services division. This is offset by a $3.6 million increase in foreign exchange income to $27.2 million in FY23, due to stronger deal flows and customer activity.

Operating Expenses

Operating expenses were $124.1 million, a reduction of $13.1 million from the prior year. Staff and related costs have reduced as a result of business consolidation initiatives, in addition to reduced staffing levels in the Government Services division in line with reduced volumes. Other operating costs, including occupancy costs have reduced, in part due to the consolidation of the Delphi brand and operations.

Credit Expenses

Credit expenses were $25.0 million in FY23 (FY22: $14.5 million net release). FY23 credit expenses include a $19.0 million specific impairment charge and a $6.7 million collective provision charge.

Divisional Performance (continued)

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.

Corporate

Net Interest Income

Net Interest Income reduced by $178.3 million from FY22, driven by interest rate mismatch methodology (largely offset by higher net interest income in Consumer and Business & Agribusiness Divisions).

Other Income

Other Income was $2.4 million, a reduction of $8.7 million from FY22. This was predominantly driven by non-recurring dividends and contract payments received in FY22, in addition to an increase in share of net losses from associates accounted for under the equity method.

Operating Expenses

Investment spend increased $18.0 million on the prior year with a focus on uplifting risk capabilities and culture. Other operating expenses have increased by $24.9 million. Information technology and staff costs have also increased, as the Group continues to invest further in cyber and data teams, and migrate services to the cloud.

Full time equivalent staff (**FTE**) increase was primarily in the area of Risk and Technology to support our strategic investment priorities and uplift to our cyber security capabilities.

Credit Expenses

Credit expenses were $9.7 million in FY23 (FY22: $8.2 million), an increase of $1.5 million from FY22, with a $1.6m increase in collective provision charges.

Operating and Financial Review continued

Capital

Common Equity Tier 1 Ratio

11.25%
FY22 9.68%

The Group's CET1 ratio increased by 157 basis points to 11.25 percent (FY22: 9.68 percent). This was largely driven by the introduction of the Basel III capital frameworks. These came into effect from 1 January 2023, increasing the reported 31 December 2022 CET1 position by 111 basis points. Across the year, the Group generated a further 53 basis points of net capital after payment of dividends, reflecting a disciplined focus on returns.

The Group 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.

Under APRA's new Basel III capital framework, the Board has revised the CET1 ratio target range to 10.0 percent to 10.5 percent.

Liquidity

Liquidity Cover Ratio

136.6%
FY22 142.2%

Net Stable Funding Ratio

121.5%
FY22 129.2%

The Liquidity Coverage Ratio (**LCR**) for the financial year was 136.6 percent (FY22: 142.2 percent), exceeding the regulatory minimum of 100 percent. The 10 percent add-on imposed by APRA on 21 October 2020 to the net cash outflow component of the Liquidity Coverage Ratio calculation has been removed, effective from 9 August 2023.

The Net Stable Funding Ratio for the financial year was 121.5 percent (FY22: 129.2 percent), exceeding the regulatory minimum of 100 percent.

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

The Net Stable Funding ratio measures the amount of available stable funding (**ASF**) to the amount of required stable funding (**RSF**) as defined by APRA.

Lending

Gross Loan Balances by purpose

Residential	Commercial	Agribusiness	Consumer	Margin Loans
$58.6 billion	$10.3 billion	$6.3 billion	$1.7 billion	$1.9 billion
FY22 $57.6 billion	FY22 $16.6 billion	FY22 $6.1 billion	FY22 $2.2 billion	FY22 $1.4 billion
Up 1.8%	Down 2.9%	Up 4.5%	Down 23.5%	Up 30.8%

Total gross loans increased 1.2 percent to $78.7 billion over the year (FY22: $77.8 billion).

Residential lending increased from FY22, up 1.8 percent or $1.0 billion during FY23. The Group took a measured approach to managing margin and volume during a competitive market environment in the first half. In the last quarter of FY23, lending volumes improved as the Group grew at or above system with a disciplined approach to sustainable returns.

Business lending reduced over the year by 2.9 percent or $305.5 million, with significant competition from major peers. Agribusiness lending has increased 8.8 percent in the last six months, following the introduction of a strong broker proposition that has resonated well with the market. The Group has commenced a foundational rebuild of the Business and Agribusiness proposition that will occur over the next few years.

The increase of 30.8 percent or $442.1 million in margin loans is mainly due to the acquisition of the ANZ Investment Lending portfolio which was completed on 3 April 2023 and resulted in the addition of $558.5 million of margin loans.

Funding (including deposits)

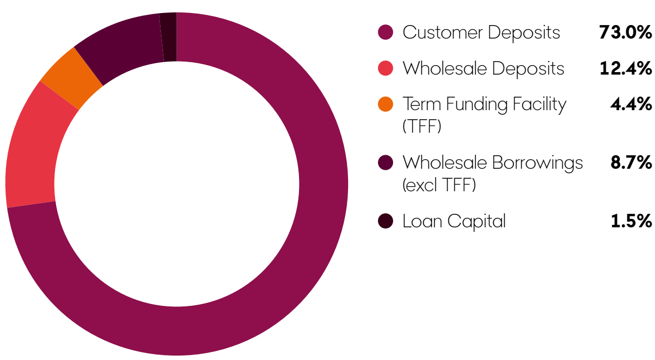
Customer Deposits	Wholesale Deposits	Other Wholesale borrowings [1]	Loan Capital [2]
$66.1 billion	$11.2 billion	$11.8 billion	$1.4 billion
FY22 $64.3 billion	FY22 $10.3 billion	FY22 $11.7 billion	FY22 $1.4 billion
Up 2.8%	Up 8.7%	Up 1.2%	Up 0.4%

Total funding including deposits increased by 3.3 percent to $90.5 billion (FY22: $87.7 billion).

The Group's principal source of funding is customer deposits, which represented 73.0 percent (FY22: 73.3 percent) of the Group's total funding. Customer deposits include deposits sourced from retail, small business and corporate customers, predominantly through the retail network.

Wholesale funding activities support the funding strategy providing additional diversification benefits from longer term borrowings. Wholesale funding (including the TFF and securitisation) increased to 27.0 percent of total funding (FY22: 26.7 percent) during FY23. Securitisation funding represented 3.2 percent of total funding (FY22: 4.4 percent). The Group launched its inaugural Covered Bond Programme in October 2022 to continue to diversify its funding sources, and completed this issuance during the year.

Funding Composition



1. Other wholesale borrowings include the RBA Term Funding Facility (TFF), securitisation and medium-term notes.
2. Loan Capital includes subordinated debt, converting preference shares and capital notes.

References to 'wholesale funding' include deposits from wholesale customers, loan capital and other wholesale borrowings.

Operating and Financial Review continued

Reconciliation cash earnings to statutory net profit	FY23 ($m)	FY22 ($m)
Cash earnings after tax	**576.9**	**500.4**
Fair value adjustments	(1.5)	—
Homesafe unrealised adjustments	11.2	19.3
Revaluation losses on economic hedges	(1.6)	—
Sale of Insurance Broker business	—	3.3
Sale of Debtor Finance business	—	1.7
Ferocia acquisition costs	—	(2.9)
ANZ Investment Lending acquisition costs	(2.0)	—
Impairment charges	(37.2)	—
Restructure costs	(27.4)	(6.8)
Amortisation of acquired intangibles	(4.5)	(4.2)
Homesafe realised income	(16.9)	(22.7)
Statutory net profit after tax	**497.0**	**488.1**

Fair value adjustments relate to the acquisition of the ANZ Investment Lending portfolio which was completed in April 2023 and resulted in the recognition of fair value adjustments on the loans acquired. These fair value adjustments are amortised over the behavioural term of the underlying loans.

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

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

ANZ Investment Lending acquisition costs represent costs associated with the acquisition of the ANZ Investment Lending portfolio, including legal and consultancy costs.

Impairment charges include an impairment of the Group's investment in Bendigo Telco Limited, an impairment relating to the Group's Right of Use Assets (**ROUAs**) and impairments relating to the Group's software intangible assets. A detailed review of the Group's software intangible assets and projects has been conducted during the past six months. This review has resulted in impairments to certain assets recorded where the asset has been decommissioned or abandoned.

Restructure costs represent business restructuring costs incurred as a result of structure changes within the Business and Agribusiness division, costs associated with the implementation of various cost and productivity initiatives through business simplification and restructuring activities, as well as costs associated with the conversion of the Alliance Partner model to the Community Bank model and operating structure.

Amortisation of acquired intangibles represents the amortisation of intangible assets acquired by the Group including brand names, customer lists, management rights, and acquired software.

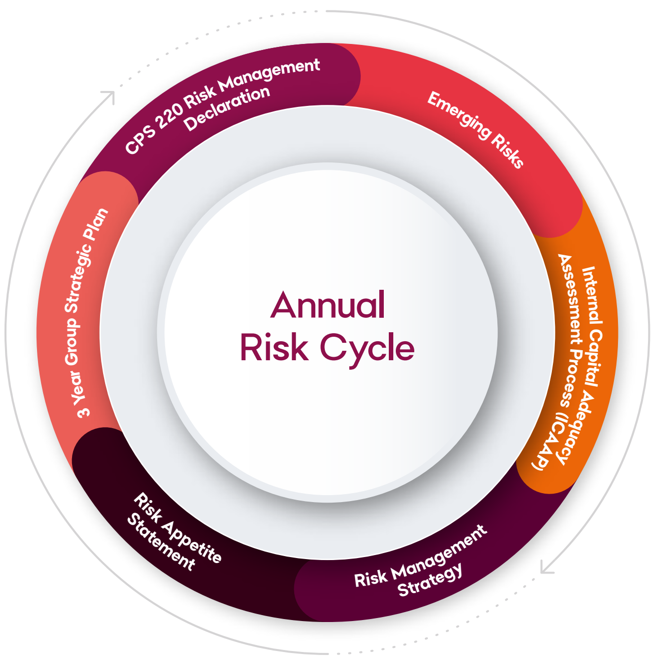
Homesafe realised income represents funds received on completion, being the difference between the cash received on completion less the initial funds advanced and realised funding costs representing accumulated interest expense on the completed contracts since initiation.

Risk Management Framework, Material Risks and Business Uncertainties

The Group operates in a complex and challenging external environment. Our Risk Management Strategy (RMS), framework, and practices support the Group to navigate such challenges and achieve its vision of being Australia's bank of choice.

The Risk Management Framework (**RMF**) comprises the systems, structures, policies, processes, and people within the Group that identify, measure, evaluate, monitor, report, and control or mitigate all internal and external sources of material risk. The Board is ultimately responsible for the Group's RMF and is responsible for the oversight of its operation by the Executive and management of the Group.

There are several key items approved by the Board and/or Board Committees which form part of the RMF. The Group undertakes an annual cycle to set the strategy and appetite for the Group and assess capital adequacy.



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 is 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. The RAS defines the level and types of risk that the Group is willing to take.

Risk Culture

Risk Culture refers to the shared attitudes, values, and behaviours that characterise how our people consider risk in their day-to-day activities.

A strong risk culture ensures that risk management is embedded in the Group's culture, strategy, risk appetite, and decision-making processes, and that everyone understands their role in managing risk. A positive risk culture also promotes transparency, accountability, and a willingness to speak up about risks and issues to prevent or mitigate these before they materialise.

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. This is accomplished using the Group's culture model.

Risk Capabilities, Skills & Behavioural Expectations

To enable and support a strong Risk Culture, it is important that our people model expected organisational behaviours and continually develop their risk capabilities and skills.

Group frameworks set out the behavioural expectations of our people whilst our Values and Critical Few Behaviours provide a simple and clear set of actions to help accelerate the way we execute on our strategy whilst managing risk. Adherence to these behaviours is reviewed as part of the performance management cycle.

Capabilities are behaviours and attributes that are demonstrated independent of context. They are broad, generic, and transferable and therefore have value and applicability across different roles, function, and divisions. Risk Acumen has its own category across the People Capability Framework to reflect that risk management should be foundational and everybody's responsibility across the Group. Risk Acumen is a key pillar in both recruitment processes and in ongoing performance management of our people.

Skills are the knowledge and expertise which relate to a particular function, tool, or outcome. Skills are required to achieve work outcomes within a specific context and therefore could become obsolete over time. The Group develops risk skill matrices to align learning roadmaps and enterprise learning strategies to our people.

Operating and Financial Review continued

Lines of Defence

The Group adopts a Three Lines of Defence model across most of its operations, which allocates responsibility and accountability for risk across the three lines.

Each area has a distinct role and specific accountabilities. The model includes accountability (First Line), independent challenge (Second Line), and assurance & review (Third Line).

Three lines of defence is important because:

- It helps us define who is responsible for what across the organisation;
- It avoids gaps in our risk management, and unnecessary duplication; and
- It helps us deliver strong, integrated, Group-wide assurance activities.

The table below provides a definition:

Line of Defence	Definition	Ownership
First Line of Defense (1LoD)		
Accountability	1LoD includes most front facing and operations-based staff. This includes Executives and all staff of those divisions, staff members with delegated authority to make decisions (including sales staff), including any staff conducting risk management activities as part of operational teams.	Ownership of the business outcomes, risk and compliance obligations, risks, and controls.
Second Line of Defense (2LoD)		
Independent Challenge	2LoD is made up of specialised risk, compliance, and subject matter expert resources, who are responsible for the development of risk frameworks and policies and providing independent oversight and challenge. 2LoD includes any specialist areas responsible for setting and monitoring adherence with enterprise-wide standards.	Ownership of the design and operation of the risk management framework and the extent to which it is fit-for-purpose to enable the business to manage risk. Setting the rules which are to be applied consistently across the organisation and are designed to ensure compliance or manage/reduce risk.
Third Line of Defense (3LoD)		
Assurance and Review	3LoD is made up of Group Internal Audit (**GIA**) and the co-sourced internal audit provider (PwC). 3LoD is independent of management with a direct reporting line to the Board Audit Committee. The GIA team have unfettered access to the 1LoD and 2LoD people, systems, and processes which allows for objective, transparent, and credible assessment and reporting of the internal risk and control environment. External audit fulfils a 3LoD role but is independent to GIA.	Ownership of the execution of the Board Audit Committee-approved assurance program.

Further information on our Risk Management Framework, Governance and Appetite is presented in the 2023 Corporate Governance Statement.

Emerging Risks

The Group has a process to identify key emerging risks that are either currently or likely to impact the Group in the near future.

The objective of the emerging risks review is to identify the Group's key emerging risks, and review how the Group is managing these risks, to ensure:

- Sufficient management attention and resources are being allocated; and
- An appropriate governance structure exists to enable Executive and Board to have sufficient oversight of the risks.

For any risk identified as not being sufficiently managed, consideration will be given as to how this risk might be better assessed, managed, or controlled. An action plan will be required and may consider integrating the emerging risk into an existing material risk framework, or if it should be considered as a material risk in its own right.

Material Risks

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

The most material risks that the Group faces have been assessed as 'material risks' which are considered to be those risks that could have a significant adverse impact, financial and/or non-financial, on the Group and its ability to do any of the following:

- Meet its obligations to customers, staff, shareholders, community and/or regulators;
- Maintain a sound financial position;
- Meet its strategic objectives and business plan;
- Maintain critical operations; or
- Maintain its reputation and level of trust.

The Group's material risk categories have been split between financial and non-financial and are detailed in the next column.

Financial Risks

Financial risks arise from the Group's risk-taking activities that are reflected in the Group's financial position and balance sheet.

Credit Risk

Traded Market Risk

Liquidity Risk

Interest Rate Risk in the Banking Book

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 RAS.

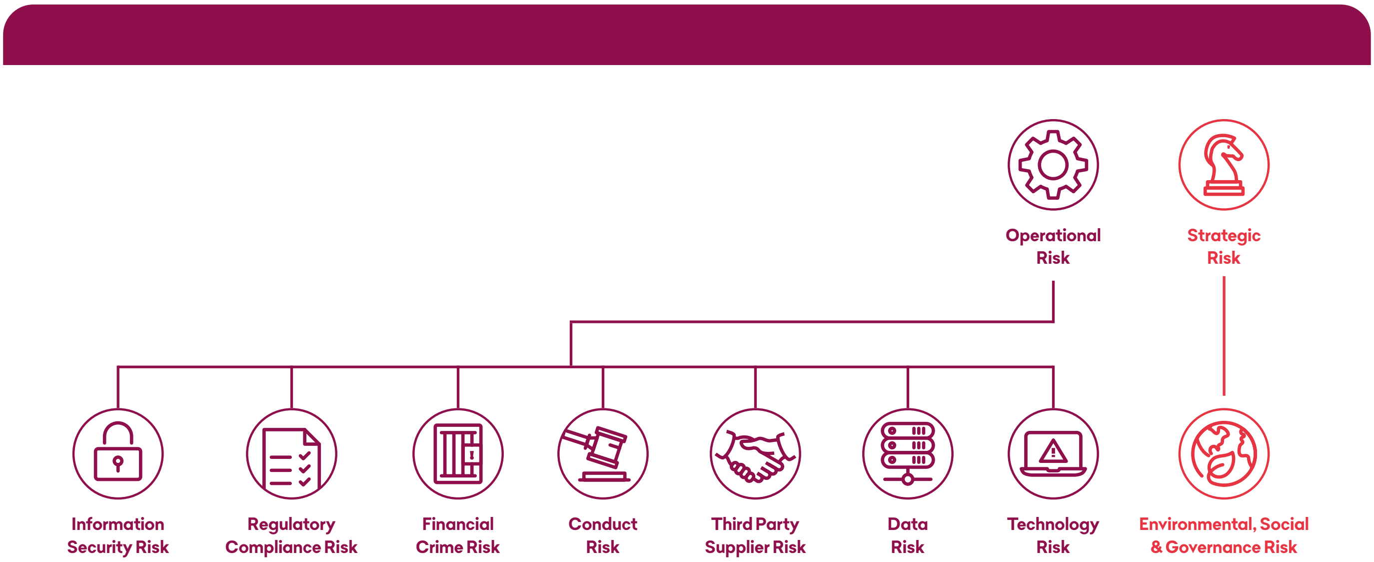
The definition and management of these financial risks are outlined in further detail in Note 21 to the 2023 Annual Financial Report.

Operating and Financial Review continued

Non-Financial Risks

Non-financial risks arise from our staff, operations, processes, systems, and external environment. These are classified as Operational and Strategic 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. These 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 RAS.



The details of the management of Non-financial Material risks are provided below.

Definition	How we manage risk	Consequence
Strategic Risk		
Strategic Risk is the risk that adverse business decisions, ineffective or inappropriate business plans, failure to respond to changes in the environment, or failure to appropriately execute on strategic initiatives will impact our ability to meet our objectives.	The organisational strategic planning processes are the responsibility of the Managing Director and facilitated by Corporate Strategy. This process considers industry and regulatory factors, emerging risks considering both threats and opportunities, organisation risk profile, and risk appetite. The governance structure in place manages the execution of strategic objectives which includes approval of the investment, consideration of prioritisation and sequencing of initiatives, and monitoring delivery against financial and non-financial metrics.	Failing to manage Strategic Risk may impact on the ability to deliver expected outcomes for all stakeholders and harm the organisations ability to grow and prosper.
Environmental, Social & Governance Risk		
Environmental, Social and Governance (**ESG**) Risk is defined as the risk of failure to appropriately identify and manage material environmental, social, and governance risks and opportunities.	The Group has adopted an approach to assess its most material ESG issues. This approach assesses a range of factors which validate our approach on an ongoing basis including the regulatory environment; monitoring external ESG and sustainability assessments of the Group; monitoring developments in relevant international frameworks and national industry bodies; reviewing customer complaints; updating the Group's Social Issues Register and reviewing ESG and sustainability themes emerging from banking sector Annual General Meetings; and conducting Group's annual materiality process. The dynamic materiality approach has informed the transition of the Group's inaugural ESG Framework to an enterprise wide ESG & Sustainability Business Plan. This Business Plan provides detail on ESG initiatives, provides clarity on accountability and includes the public commitments to help us measure our performance. The Business Plan demonstrates alignment to Group's vision, purpose, and strategic imperatives, but also identifies how ESG and sustainability risks are managed, and which policies and positions guide our approach. The Business Plan reflects that climate change and its impacts will increasingly play a role across our environment, social, and governance programs and therefore identifies a climate change approach as a point of opportunity for Group. It also identifies programs of work to manage our environment, social, and governance approach which is how we maintain our social licence to operate and ensures that the Group remains a responsible and ethical business. The Business Plan helps to identify ESG gaps and opportunities and is underpinned by detailed programs of work underway to ensure successful management of ESG risks and opportunities for our business. The dynamic materiality approach is further leveraged to test and assess the focus of the ESG & Sustainability Business Plan on an ongoing basis. The Group's approach to governance, strategy, risk management and metrics & targets of climate is provided separately within this report.	Failing to identify and manage ESG risks can lead to a range of damaging consequences at an enterprise level and across all stakeholder groups and has the potential to cause material financial and/or reputational damage.

Operating and Financial Review continued

Non-Financial Risks (continued)

Definition	How we manage risk	Consequence
Operational Risk		
Operational Risk is 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. It covers a broad range of risks including, but not limited to, material risks such as Regulatory Compliance, Financial Crime, Conduct, Third Party Supplier, Data, Technology, and Information Security Risks	Operational Risk is managed in accordance with the Operational Risk Framework which outlines important activities to ensure we manage and minimise our risks, including: • Evaluating our environment for threats and challenges, as we strive to achieve our strategic objectives. • Identifying different types of Operational Risks we are exposed to, or what can go wrong with our products and processes. • Assessing the potential impact to our customers, staff, shareholders, and community if risks materialise. • Introducing controls or processes to prevent risks from occurring or reduce the impact if they do occur. • Proactively improving our products and processes when there are changes to regulations. • When things do go wrong, investigating what happened to understand why errors occurred, and how our customers, staff, shareholders and community are impacted so that we can learn from our mistakes and prevent recurrences. • Monitoring and reporting risk information to Executive management and the Group's Board, to enable them to make risk informed decisions, and ensure we remain optimally capitalised and can safely absorb unexpected losses. All staff in the Group have a role in managing Operational Risk.	Failing to manage Operational Risk can result in significant adverse outcomes for our customers, staff, shareholders, or community. Operational Risk events due to ineffective processes or insufficient controls can significantly impact the Group's reputation and directly impact the Group's ability to achieve its strategy. Operational Risk events can result in significant financial losses, regulatory intervention, fines and penalties, and, depending on the nature of the failure, result in lengthy litigation or class action.
Regulatory Compliance Risk		
Regulatory Compliance Risk is the failure to comply with legal or regulatory obligations.	Regulatory Compliance Risk is managed in accordance with the Group Regulatory Compliance Risk Management Framework. Regulatory Compliance Risk is a subset of Operational Risk and utilises the core Operational Risk management process and procedures.	As with many Operational Risks, failing to effectively manage our compliance risks can result in significant damage to our reputation, increased regulatory scrutiny, fines and penalties, or restrictions on our licences, and can result in significant financial losses in legal fees, customer restitution, or class action.

Definition	How we manage risk	Consequence
Financial Crime Risk		
The risk of facilitation of money laundering, sanctions violations, bribery and corruption, or Know Your Customer (**KYC**) failure.	Financial Crime related risks are a subset of Operational Risk and managed with policies, processes, and practices aligned to the Operational Risk Management Framework. Financial Crime Risk is an inherent risk within financial services, given the ability for staff 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. The Group has established robust techniques and capabilities to detect and prevent financial crime and comply with legislation. A specialist Financial Crime Risk function is responsible for establishing programs and policies to detect, prevent, and mitigate the risks financial crime and fraud, which includes an independent challenge, oversight, and monitoring function.	Failing to manage financial crime can result in significant regulatory fines and penalties impacting our customers, staff, shareholders, and the broader community. Inadvertently facilitating financial crime by failing to identify it and prevent it can also result in significant damage to our reputation as our customers and community lose trust in us.
Conduct Risk		
The risk of delivering unfair outcomes for our customers, staff, shareholders, community, the Group and/or markets in which we operate from inappropriate, unethical, or unlawful behaviour, action or omission by management or staff which may be deliberate or inadvertent.	Conduct risk is managed in accordance with the Conduct Risk Framework. Conduct Risk is a subset of Operational Risk and utilises the core Operational Risk management process and procedures to identify and assess key Conduct Risks, undertake monitoring and consider underlying contributing behaviours as part of root cause processes. In addition, the following specialty management elements are specific and/or related to Conduct Risk: • Code of Conduct; • Good Conduct Principles; and • Consequence Management Policy.	Failure to manage Conduct Risk may impact stakeholders of the Group and expose the Group to regulatory actions, restrictions, or conditions on banking licences, financial implications, and/or reputational consequences that may adversely affect the Group's business, operations, and financial position.
Third Party Supplier Risk		
The risk of failing to manage third party relationships and risks appropriately, for example, not taking appropriate steps to identify and mitigate additional Operational Risks resulting from the outsourcing of services or functions.	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 Sourcing 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.	Depending on the service provided by our suppliers, failing to manage Third-party supplier risks can have significant consequences resulting in financial losses, regulatory impacts, and/or damage to our reputation. Third-party failures can result in various operational risk events materialising, including Business Disruption.

Operating and Financial Review continued

Non-Financial Risks (continued)

Definition	How we manage risk	Consequence
Data Risk		
The risk of failing to appropriately manage and maintain data, including all types of data, for example, client data, staff data, and the organisation's proprietary data.	Data Risk is a subset of Operational Risk. There are specific Data Risk policies, standards, processes, and practices that provide specific information on our management of Data Risks. The Group seeks to minimise Data Risk through maintaining a dedicated Data Risk Management Framework to ensure Data Risk is effectively identified, measured, treated, and monitored for the Group. The Group proactively scans its internal and external environment to identify and monitor for current, evolving, and emerging Data Risks.	Data Risk could potentially directly affect the Group's ability to meet its strategic objectives. Failing to manage the Group's data can result in significant Operational Risk failures and poor customer outcomes, particularly where data is inaccurate, or where data is used or transformed inappropriately. It can also result in significant regulatory fines and penalties and affect the Group's our ability to meet our its contractual and legal obligations.
Technology Risk		
The risk associated with the failure or outage of systems, including hardware, software, and networks.	Technology Risk is a subset of Operational Risk. There are specific Technology Risk related policies, processes and practices that provide specific information on our management of Technology Risks. Monitoring and reporting on the health of our Technology assets and associated risks is incorporated in our Governance processes, including specific Risk Appetite statements and measures for Technology Risk. The Group seeks to minimise Technology Risk through maintaining a dedicated Technology Risk Management Framework to ensure Technology is effectively identified, measured, treated, and monitored for the Group. The Group actively scans the internal and external environment to identify and monitor for current, evolving, and emerging Technology Risks.	The use of Technology is pervasive across all our products, processes, and services. Technology failure can result in significant disruption of our business processes, negative customer outcomes and significant breach of regulatory and legal requirements.
Information Security Risk		
The risk of information security incidents, including the loss, theft, or misuse of data/information; this covers all types of data, e.g., client data, staff data, and the organisation's proprietary data, and can include the failure to comply to rules concerning information security.	Information Security Risk is a subset of Operational Risk. There are specific policies, processes and practices that provide specific information on our management of Information Security. Information Security Risks, including events where our data and/or associated assets are compromised, are monitored and reported in order to inform our decision making and associated governance processes. The Group seeks to minimise Information Security Risk through maintaining a dedicated framework, policies and standards where Information Security Risks 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 information security related threats and vulnerabilities.	Failing to manage information security can directly impact our customers particularly in cases where their private identity or business information is compromised. It can also significantly impact our shareholders particularly where commercially sensitive information is compromised. Our failure to manage information security would result in significant financial and reputational consequences, as well as significant fines and penalties as our result of breaching our regulatory or legal obligations.

Business Uncertainties

The financial prospects of any company are sensitive to the underlying characteristics of its business and the interaction with the internal and/or external environments. This section explores some of the more significant uncertainties and risks managed by the Group based on these derivations.

Risk derived from Business characteristics:

Real estate risk

Residential, commercial, and rural property lending, together with property finance, including real estate development and investment property finance, constitute important businesses to the Group. There is also exposure to Australian real estate through the investment in Homesafe. A significant reduction in Australian property prices could significantly impact the Group's financial performance and operations.

Extreme cyber or critical infrastructure events

Cyber-attacks are becoming more frequent and severe globally, with increasing online adoption, reliance on digital services and supply chain risks also leading to greater sophistication and complexity. The Group monitors internal and external cyber-security threats and risks that could impact the organisation and its customers, staff, shareholders, community, partners, and the broader industry. The Group operates a range of controls and protection methods to manage and mitigate cyber risk. Monitoring, contingency planning and control testing is also regularly performed to minimise the potential of a disruption to critical systems or infrastructure and to maintain a resilient technology environment.

Capital base

The capital base of the Group is critical to the management of our businesses and our ability to access funding. We are required to maintain a minimum level of capital based on the regulatory capital framework set by APRA. The Group also assesses future capital requirements to ensure support of 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 and economic terms.

Changes in accounting policies & critical estimate

The Group is required to adhere to accounting standards which set out how the financial performance and position of the Group is recorded and reported. These financial reports, along with the associated processes, are audited annually.

The Group needs to make assumptions and judgements when executing accounting processes, particularly when determining valuations and computing accounting provisions. These assumptions and judgements could change based on new information, new interpretations, or change in circumstances, which could lead to the Group incurring higher losses or needing to take higher provisions than previously forecasted.

The Group is also exposed to the risk of the introduction or amendment of accounting standards or interpretations. New or changed accounting requirements could result in higher losses or higher provisions.

Fraud risk

The Group is exposed to the risk of fraud, both internal and external (including fraudulent applications for loans, or from incorrect or fraudulent payments and settlements). The Group also runs the risk that staff, contractor and external service provider misconduct could occur. For instance, fraudulent conduct can also arise from external parties seeking to access the Group's systems or customer accounts. All actual or alleged fraud is investigated under the authority of the Group's financial crimes unit. It is not always possible to deter or prevent misconduct and the precautions taken by the staff to prevent and detect such activity may not be effective in all cases, which could result in financial losses, regulatory intervention, and reputational damage.

Risk derived from Internal environment:

The internal environment may lead to different risks for the business in the event of deficient systems, lack of proper risk management, inadequate internal controls or ineffective decision making.

Partner risk

The Group has Community Bank branches operating in all Australian states and territories and deals with intermediaries through its Third Party Banking business. The Community Bank branches are operated by companies that have entered into franchise and management agreements with the Group to manage and operate a Community Bank branch. Intermediary agreements are also entered into for all Third Party Banking intermediaries. The Group carefully assesses and monitors the progress of the franchisees and intermediaries although there can be no guarantee of their success. Whilst the Community Bank branch network is relatively mature and the Group's dealings with intermediaries through its Third Party Banking model continue, there are risks that may develop over time which may adversely impact the Group's financial results. These risks include the actions of intermediaries adversely affecting the Group's reputation, loss of customers, and regulatory investigations, enforcement actions, fines, penalties or litigation or other actions brought by third parties (including class actions) all of which, individually or in combination, could adversely affect the Group's business, financial performance, or financial condition. For instance, failure by these intermediaries and third parties (including their authorised representatives) to deliver services as required could disrupt the ability of the Community Bank branches to provide their products and services and adversely impact the Group's operations, financial performance, or reputation and result in enhanced regulatory scrutiny, regulatory investigations, and actions resulting in fines and sanctions for the Group. This may have an adverse impact on the Group's reputation and financial position.

Operating and Financial Review continued

Litigation and contingent liabilities risk

From time to time, the Group may be subject to material litigation, regulatory actions, legal or arbitration proceedings and other contingent liabilities which, if they materialise, may adversely affect the Group's results. The Group may be exposed to risks relating to the provision of advice, recommendations or guidance about financial products and services, or behaviours which do not appropriately consider the interests of consumers, the integrity of the financial markets and the expectations of the community, in the course of its business activities.

In recent years, there have been significant increases in the nature and scale of regulatory investigations and reviews, enforcement actions (whether by court action or otherwise) and the quantum of fines issued by regulators, particularly against financial institutions both in Australia and globally. The nature of those investigations, reviews and enforcement actions can be wide ranging and, for example, across the financial services industry currently include a range of matters including responsible lending practices, product suitability, wealth advice and conduct in financial markets and capital markets transactions. Regulatory investigations, fines, other penalties or regulator-imposed conditions could adversely affect the Group's reputation, prospects, financial performance and position and capital condition. There is a risk that these contingent liabilities may be larger than anticipated or that additional litigation or other contingent liabilities may arise.

Joint venture risk

Some of the Group's activities are conducted through joint ventures. These joint ventures are not controlled exclusively by the Group and, while the Group may be represented on the board of those entities, the day-to-day operations of those joint ventures are not managed by the Group. The governing documents for some of the Group's joint ventures provide that key matters and decisions require the agreement of the Group's joint venture partners. The Group may be unable to reach agreement with its joint venture partners concerning these matters and any disagreements may affect the ability of a joint venture to function properly or distribute income to the Group. In some cases, the Group's arrangements with its joint venture partners may require the Group to make an additional investment in the venture or to provide additional financing. Overall, the nature and obligations of the joint venture arrangements may adversely impact the Group's financial position and financial performance.

Conduct risk

The Group is exposed to risks relating to product flaws, processing and collection errors, and mis-selling. These risks can arise from product design or disclosure flaws or errors in transaction processing. It can also include mis-selling of products to the Group's customers in a manner that is not aligned to the customer's risk appetite, needs or objectives. Where issues are identified, the Group has processes for customer review and remediation and determines compensation amounts for affected customers. Provisions are raised for the estimated compensation due to customers (once sufficient information has been obtained), but this is judgmental and the actual compensation may vary significantly from the amounts provided for.

If conduct risk materialises, this may expose the Group to regulatory actions, restrictions or conditions on banking licences and/or reputational consequences that may adversely affect the Group's business, operations, and financial position. It is possible that remediation programmes may not be implemented appropriately or may lead to further remediation work being required, resulting in litigation, regulatory action and/or increasing cost to the Group, all of which may adversely affect the Group's business, operations and financial position.

Contagion risk

The Group includes a number of subsidiaries which are trading entities and holders of Australian Financial Services Licences and/or Australian Credit Licences. Dealings and exposures between the Group and its subsidiaries principally arise from the provision of administrative, corporate, distribution and general banking services. The majority of subsidiary resourcing and infrastructure is provided by the Group's centralised back office functions. Other dealings arise from the provision of funding and equity contributions. The Group is exposed to risks through such dealings, including risks relating to credit, liquidity and funding. The Group has subsidiaries (whether partially or fully owned), which through their normal dealings and exposures, may not be able to meet financial obligations as and when they fall due, or become subject to regulatory scrutiny or penalties. This in turn may have an adverse impact on the Group's reputation, business, growth prospects, engagement with regulators, financial performance, or financial condition.

Strategic and acquisition risk

The Group regularly examines a range of corporate opportunities, including material acquisitions, commercial partnerships and disposals with a view to determining whether those opportunities are aligned with the Group's vision and strategy and would enhance the Group's financial performance and position. There are risks associated with strategic and business decisions made by the Group in the ordinary course of business, including restructures, organic development initiatives or acquisitions and other corporate opportunities. Any restructure, initiative, acquisition, or decision made in relation to other corporate opportunities could, for a variety of reasons, have a material adverse effect on the Group's current and future financial position or performance.

The Group may seek to sell or dispose of certain businesses in the future. This may result in a change in the operations of the Group and cause it to face risks, including operations and financial risks that could adversely affect the Group's financial condition and results of operations. The Group's operating performance, risk profile or capital structure may also be affected by these corporate opportunities and there is a risk that any of the Group's credit ratings may be placed on credit watch or downgraded if these opportunities are pursued.

The Group may seek to grow in the future by merging with or acquiring other companies or businesses. There can be no assurance that any merger or acquisition would have the anticipated positive results, including results relating to the total cost of integration, the time required to complete the integration, the amount of longer-term cost savings or the overall performance of the combined entity or an improved price for the Group's securities. Integration of a merged or acquired business can be complex and costly, sometimes including combining relevant accounting and Information Technology systems and management controls, as well as managing relevant relationships with staff, clients, suppliers and other business partners. Integration efforts could divert management attention and resources, which could adversely affect the Group's operations or results. A merger or acquisition may also result in business disruptions that cause the Group to lose customers or cause customers to remove their business from the Group to competing financial institutions.

Risk of ineffective risk management

The RMF is designed to enable the management of risk from identification through to measurement, management, reporting, and maintaining a robust control framework. There is a risk that the RMF may be inadequate due to changes in the risk environment, inadequacy of design, or ineffectiveness of process, controls, people, or technology. This could lead to higher risk exposure than the intended risk appetite settings, which in turn could lead to increased regulatory focus, breaches of obligations, losses, or reputational damage.

Data quality risk

The Group maintains a large volume of data which is critical to the Group's business and the services provided to customers, staff, shareholders, communities, and regulators. The data held by the Group is also critical to its reporting and risk management framework. Inadequate data, which could be either incomplete, inaccurate, or lacking in sufficient detail can lead to suboptimal outcomes for the services and processes supported by the Group's data. This can also impact the Group's ability to make decisions and have knock-on impacts to the Group's reputation and performance.

Retention risk

The Group employs specialist staff in the operation of its business. An inability to retain or recruit appropriately skilled and qualified staff into specific roles could impact the Group's performance, reputation, and prospects. The Group is also dependent on the Australia-wide resourcing conditions at any given time.

Strategic risk

The Group determines strategic plans and objectives to achieve desired strategic outcomes. These strategic plans are at risk of the Group failing to execute appropriately and also the external business environment changing which prevents strategic objectives being achieved. The Group seeks to mitigate these risks through proactive analysis of potential outcomes and emerging risks, but this may not be effective.

Operating and Financial Review continued

Risk derived from External environment:

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.

Dependence on prevailing macroeconomic and financial market conditions

The business is dependent on the general state of the domestic economy and global financial markets. Our performance can be 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 from 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 Asset and Liability Management Committee is responsible for the approval of forecast macroeconomic scenarios, which the Group uses to better understand the potential range of outcomes for strategic planning, financial management and forecasting, the assessment of provisions, and scenario analysis.

Geopolitical tensions/events

Geopolitical tensions/events arise due to differing political agendas across the world which may result in disruptions to international trade and a reduction in business confidence. This can lead to a reduction in appetite for Australian exports and also disrupt supply chains. The Group can be affected by geopolitical tensions/events, which may impact our ability to deliver our strategy and business objectives.

Climate change and other environmental factors

The Group, 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 as well as the frequency and severity of adverse climate events have 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 can be competitive at times 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.

Changes in monetary policy

The RBA sets official interest rates 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.

Regulatory Compliance Risk

The Group's businesses are highly regulated, and the Group could be adversely affected by failing to comply with existing laws, regulations or regulatory policy.

As a financial institution, the Group is subject to laws, regulations, policies. In particular, the Group's banking and funds management activities are subject to extensive regulation, mainly relating to its operational practices, liquidity levels, capital, solvency, provisioning and licensing conditions.

Regulations generally are designed to protect depositors, insured parties, customers with other products and the banking system as a whole. The Group is currently operating in an environment where there is increased scrutiny of the financial services sector and specifically, increased scrutiny of financial services providers by regulators. The Australian government and its agencies, including APRA, RBA and other financial industry regulating bodies including the Australian Securities and Investment Commission (**ASIC**) and Australian Transaction Reports and Analysis Centre (**AUSTRAC**), have supervisory oversight of the Group. In this environment, the Group faces increasing supervision and regulation regarding its operation. This environment has also served to increase the pace and scope of regulatory change.

A failure to comply with any standards, laws, regulations or policies could result in sanctions by these or other regulatory agencies, the exercise of any discretionary powers that the regulators hold or compensatory action by affected persons, which may in turn cause substantial damage to the Group's reputation. To the extent that these regulatory requirements limit the Group's operations or flexibility, they could adversely impact the Group's financial performance.

A change to regulations or the manner in which they are interpreted or implemented by Regulators can also have a material impact on the operation and financial performance of the Group.

Approach to Climate-related Governance, Strategy & Risk Management

The Bank's purpose is to feed into the prosperity of our customers and communities, not off it. Responding to climate change presents an opportunity for the Group to further demonstrate its purpose.

The Group has provided climate-related disclosures based on the recommendations of the Taskforce on Climate-related Financial Disclosures (**TCFD**) since 2021. We are proud to build on these foundations in the 2023 Climate-related Disclosure which is included as a supplement in our Sustainability Report. A summary of the Group's approach to governance, strategy, risk management and metrics and targets are provided below.

Governance

The Board has ultimate oversight of the Group's management of climate-related risks and opportunities and how they are reflected in the Group's strategy. The Board is the ultimate decision-making and approval body for our ESG & Sustainability Business Plan, our climate strategy and Group-wide policy.

The Board is assisted by the Board Audit Committee in the oversight, consideration, and approval of the Group's ESG and sustainability approach, which includes the Group's strategic approach to climate change. The BAC receives half yearly updates on progress against the Climate Change Action Plan (**Action Plan**), and the Board receives Action Plan updates annually. Risk management, including climate risk, is managed with oversight from the Board Financial Risk Committee, Board Risk Committee, and Board People, Culture and Transformation Committee.

The Bank's Directors are required to have deep experience across multiple skills identified in the Board Skills Matrix. Climate-related expertise is a skill referenced as part of the 'Social & Environmental' assessment in the Board Skills Matrix (please see our Corporate Governance Statement 2023 for further details).

The Board delegates its responsibility of assessing and managing climate risks and opportunities to the Group's Executive Committee, with the support of the Board committees noted above.

The Executive Committee is accountable for implementing the Action Plan and each Executive has specific accountabilities for delivering actions relevant to their area of responsibility. Overall, the Executive Committee has direct operational accountability for and oversight of the governance, strategy and risk management activities across the business relating to climate change. Various teams across the Group execute the Plan, including:

- ESG & Sustainability;
- Group Risk;
- Business and Agribusiness;
- Products & Analysis;
- Consumer Banking;
- People & Culture;
- Corporate & Public Affairs; and
- Procurement.

This delivery is supported by several forums where climate risks and opportunities are considered, such as the Sustainability Council, Climate Change Action Strategy Group, Sustainable Procurement Working Group and Agribusiness Climate and Nature Working Group.

This year, the Group introduced a 'People and Planet' category to the Executive Reward Framework weighted at 10 percent of variable reward remuneration. In relation to the climate change targets, the Group achieved two of the three included targets:

1. Maintain a carbon neutral Group (achieved);
2. Maintain FY23 Scope 1, Scope 2, and Scope 3 operational emissions below FY22 levels (achieved); and
3. Purchase 60 percent renewable electricity (not achieved in FY23 [1]).

1. The renewable electricity target was not achieved in FY23. However, renewable electricity contracts commenced on 1 July 2023 which are expected to increase overall renewable electricity to more than 53% from the first day of FY24.

Operating and Financial Review continued

Approach to Climate-related Governance, Strategy & Risk Management (continued)

Strategy

Over the last three years, the Group has uplifted the management of climate-related risks and opportunities. Our climate strategy is captured in our Climate Change Action Plan (**CCAP**) and it has guided the Group's focus to:

1. Reduce our footprint;
2. Support our customers;
3. Understand and manage risks; and
4. Be transparent.

This year we were proud to conclude the third and final year of our inaugural CCAP. Between FY21-FY23 we achieved nearly 90 percent of documented actions, meaning we have reduced our Scope 1 and 2 emissions (market-based[1]) by 46 percent since FY20 through deliberate reductions in the use of electricity, gas, and fleet fuel. We have maintained the Group's carbon-neutral status, become an active member in a suite of climate-related collaborative forums and improved our climate-related risk management and governance. Critically, the CCAP saw the Group introduce BENZero – our Net Zero approach – as well as our first climate-related reporting based on the TCFD.

In this reporting year the Group has further reduced Scope 1 and 2 (location-based) emissions by 13 percent, developed further climate-related shadow Risk Appetite Settings, included Action Plan accountabilities into Executive and Senior Leader KPIs, improved our CDP score from a C to a B, submitted our BENZero targets for verification by the Science Based Targets initiative (**SBTi**), and continued climate-related stakeholder engagement.

The CCAP has prepared the foundations for the next three years of Group's climate action, captured in the Climate & Nature Action Plan FY24-FY26 (**CNAP**).

Please see the Climate-related Disclosure in the 2023 Sustainability Report for further detail on the CNAP, climate-related risks and opportunities identified, how they impact our business and strategy, and our strategic resilience under future scenarios.

Risk Management

The process for identifying, assessing, and managing climate-related risks is integrated into our overall risk management approach. Climate risk is embedded in our risk frameworks and therefore managed by the Group's three lines of defence. Throughout the year the Group has continued to evolve and improve climate risk management:

- Improved scenario analysis capability through talent acquisition and improved analytics;
- Introduced two new climate risk metrics for quarterly reporting relating to physical risk in residential mortgages and developed further physical and transitional risk metrics to be introduced in other parts of the Group's portfolio;
- Approved the introduction of two new climate-related shadow risk appetite settings relating to (a) Scope 1 and 2 emissions and (b) percentage of renewable electricity across the Group;
- Updated the Climate Risk Credit Policy and Equipment Finance Policy to reflect our evolving climate risks and opportunities;
- Identified and commenced engagement with the top 25 largest lending customers in high emissions segments of the Business Banking and Agricultural Business portfolios to deepen our understanding of our customer's awareness of the climate risks their business may face and planned actions to mitigate them;
- Continued industry engagement, including active membership, contributions and learning across several climate-related Australian Banking Association working groups as well as several climate focused industry events;
- Undertook a climate risk assessment of material supplier relationships;
- Conducted a green personal loan eligibility review;
- Deepened partnerships with Insurance providers to improve data analytics; and
- Reviewed climate-related risks and opportunities that were identified in FY22.

Metrics & Targets

The Group has set targets and accompanying metrics to direct action, manage climate risks and act on opportunities. We continue to make progress against these targets and transparently report on progress.

This year, the Group has made several updates to our target setting to further drive strategic climate decisions.

We have introduced a new target to reduce Scope 1 and 2 (market-based[1]) operational emissions to 90 percent by FY25 and 92 percent by FY30. This target was introduced to better reflect the Group's climate ambition and our prioritisation of renewable energy across the Group's operations.

The Group has updated the baseline year for business travel emissions from FY19 (4,151 tCO2-e) to FY20 (2,311 tCO2-e). The updated baseline accounts for the reduced business travel in FY20 due to COVID-19 lockdowns. It is therefore a more ambitious baseline which the Group will work to maintain 25 percent below. The updated baseline has been validated by an external third party.

This year we are reporting our Group and Community Bank network's electricity, noting that Community Banks make their own electricity procurement decisions.

1. The market-based method accounts for the Group's deliberate procurement of renewable electricity, and reflects the emissions intensity of different electricity products, markets and investments.

Approach to Climate-related Governance, Strategy & Risk Management (continued)

Metrics & Targets continued

We have increased our focus on rigour and external validation of climate related data. We submitted the Group's emissions targets to the SBTi in December 2022, with verification expected in early 2024. We have also engaged an independent consultant to conduct a pre-assurance over the Group's Scope 1, Scope 2, and Scope 3 operational and financed emissions during FY23.

Summarised targets and performance are included below, with more detail available in the Climate-related Disclosure in the 2023 Sustainability Report.

Metric		Baseline	FY23 Update		Comment	FY25 Target	FY30 Target	FY40 Target
Scope 1 and 2 emissions *(market-based)*	Bank total	FY20	-46%	In Progress	In progress. Significant further reductions expected due to renewable electricity, EV uptake and office improvements.	-90%	-92%	—
Absolute emissions *(incl. financed emissions)* [1]		FY20	—	In Progress	In progress, Scope 3 financed emissions is planned to be externally assured and reported in FY24. Pre-assurance to assure readiness assessment commenced in 2023.	—	-50%	-95%
Renewable electricity *(market-based)*	Bank total	FY20	33%	In Progress	On track to meet FY25 target for sites where the Group has direct control of electricity procurement.			
	Bank operations	FY20	40%	On Track	From 1 July 2023 all sites where the Group has direct control of electricity procurement were powered by renewable electricity.	100%	—	—
	Community Bank operations	FY20	21%	In Progress	Note: We support the transition to renewable electricity procurement in Community Banks and sites where electricity procurement is outside of the Group's direct control, as part of our CNAP.			
Business travel emissions		FY20 [2]	-67%	Complete	While the Group will work to maintain emissions reductions in line with our target, we note that business travel emission increases may occur over time.	Maintain travel emissions at 25% below FY20 levels.		
Electronic statement delivery		FY20	67% [3]	On Track	In progress.	90%	—	—
Maintain carbon neutral status		—	Achieved	Complete	Achieved and ongoing. Please refer to the Climate Active Product Disclosure Statement [4] available on our website.	—	—	—
No direct lending exposure to coal, coal seam gas, crude oil, natural gas, native forest logging projects [5]		—	Achieved	Complete	Achieved and ongoing. Please refer to the Climate Change Position available on our website.	—	—	—

In Progress | On Track | Complete

1. Absolute emissions include all operational and financed emissions combined (Scope 1, Scope 2 and all Scope 3 categories).
2. The baseline year for travel emissions has been updated from FY19 (4,151 tCO2-e) to FY20 (2,311 tCO2-e). The emissions reduction target of -25% from baseline remains consistent.
3. Reported data includes active Bendigo Bank customers and accounts.
4. Our most recent Climate Active Product Disclosure Statement (FY22) is available on our website. FY23 will be submitted and verified by Climate Active in October, after publication of this report.
5. This applies to all employees and all other parties acting for or on behalf of the Group that prepare credit applications and undertake credit decisioning.

Remuneration Report

Contents

Sierra (left) and Amy (right), Strath Hill Branch

To our shareholders

On behalf of your Board, and as Chair of the People, Culture and Transformation Committee, I am pleased to present the Bendigo and Adelaide Bank Remuneration Report for the financial year ended 30 June 2023 (FY23).

The Board is committed to remaining focused on the strong connection amongst our people to the Bank's purpose and vision, continuing to improve the employee experience and strong workplace culture through performance and reward, internal succession, and leader capability to ensure we attract and retain the best talent.

Key messages from the People, Culture and Transformation Committee

Year in review

As reflected elsewhere in the Annual Report, the Bank has delivered a strong financial performance during the year.

We are building more clarity on the cultural attributes that underpin our transformation and developing leaders who create meaning, embrace possibility and deliver what matters for the community.

At the core of our strategy are people who are energised and empowered to drive sustainable impact. We're evolving our strategies to build competitive advantage and accelerate best-in-class capabilities for our customers, investing in skills for the future as well as technical capabilities.

In the context of BEN's broader transformation objectives, we delivered strategically important outcomes that will deliver long-term sustainable outcomes. These include further simplifying our core banking systems, investing in cloud capabilities and increasing digital self service and sales while continuing to deliver the personalised interactions our customers value. Our customers will continue to benefit from our investment in multi-channel experiences in response to their evolving needs.

Community within and outside the organisation remains a strong focus and we are listening to our people through network groups such as BEN Pride and BENAbility. A significant event this year was the launch of the Bank's Reflect Reconciliation Action Plan. This is an important first step for us, and will support our understanding, exploration, and measurement of where and how we can have a meaningful impact and lay firm foundations for reconciliation across the Group in the years to come. Our people are the key to our success and employee engagement remained stable in FY23 at 77 percent. While this is a pleasing result, we continue to aim higher for a score above 80 percent.

The Committee's decision making during the year has remained focused on overseeing fair outcomes for our people while responding to the current inflationary environment and cost of living pressures.

Executive changes

As announced last year, the Bank welcomed Adam Rowse to the Executive team as Chief Customer Officer, Business and Agribusiness. Adam commenced on 1 July 2022 and his appointment is an important step in bringing the Business and Agribusiness banking divisions together to better support the Bank's customers to grow their businesses.

Executive remuneration framework changes

As outlined in the FY22 Remuneration Report, we introduced a new executive remuneration framework for the 2023 performance year.

As part of finalising the design, we consulted shareholders and other stakeholders and received positive feedback. This was reinforced with a "Yes" vote of 94.55% for the 2022 Remuneration Report.

The executive remuneration framework comprises fixed remuneration, a short-term incentive, and a long-term incentive plan. These plans are aligned to a range of balanced outcomes including financial, risk, customers, community, people and planet. Importantly these outcomes also consider the expectations of our investors, regulators and the community.

Refer to Section 3.2 for further details.

Remuneration Report continued

Performance during FY23

The Group's record cash earnings for the full year of $576.9m were driven by margin management through a disciplined response to lending competition, continued growth in deposits and a measured approach to cost management. The disciplined approach to cost management resulted in our Cost-to-Income ratio decreasing to 54.9% and Return on Equity increasing to 8.62%.

These financial results allowed the Bank to increase the full year dividend by 15.1% to 61 cents per share.

More broadly, our customer base grew, 9.9% over the year, and our Net Promoter Score (measured by Roy Morgan) of 23.2 is 28.4 points above the industry.

Performance outcomes are outlined in the Key highlights and Section 2.1 of this report.

Alignment with Environment, Social and Governance (ESG)

Bendigo and Adelaide Bank has a long and proud history of prioritising ESG strategies and investment. The new remuneration framework has further embedded this priority in performance metrics, reinforcing accountability for outcomes. The short-term incentive plan includes metrics supporting the implementation of our strategy: transitioning to net zero, supporting gender diversity, growing social impact through our community banks, and enhancing risk and governance capability. Our long-term incentive tracks progress externally, including shareholder returns, customer advocacy and reputation.

Remuneration outcomes in FY23

The Board approved fixed remuneration adjustments for three of the Executive Committee effective 1 July 2022 including Ryan Brosnahan, Chief Transformation Officer, Taso Corolis, Chief Risk Officer and Bruce Speirs, Chief Operating Officer.

The Chief Executive Officer & Managing Director (CEO & MD) remuneration arrangements were amended to align with the new executive reward framework and to ensure compliance with APRA Prudential Standard CPS 511 *Remuneration* (CPS 511). Details on Executive salary adjustments and the CEO & MD's remuneration arrangements are provided in the Key highlights table overleaf.

Variable reward outcomes

We have made meaningful progress on our strategic priorities which were set four-years ago and which form the basis of this year's Group performance outcomes.

Overall, the FY23 short-term incentive scorecard achieved an outcome of 110%. Three of the four FY22 Loan Funded Share Plan performance objectives were achieved. With respect to the FY20 long-term incentive plan, the tranches linked to customer advocacy vested, while those linked to relative total shareholder return lapsed.

The People, Culture and Transformation Committee follows a rigorous process to ensure remuneration recommendations to the Board remain aligned to remuneration principles, broader company performance, risk outcomes and shareholder experience.

This year specific consideration was given to the impact of transitioning from the Loan Funded Share Plan with a two-year performance period, to a short-term incentive plan, and the duplication of metrics across the two plans.

The Committee considered the duplication of the Cost-to-Income metric in both plans, and the potential for this to create misalignment with shareholder outcomes. A thorough analysis of the different timing, intent and design of the plans, supported by an external review led the Committee to conclude that while the Cost-to-Income metric was duplicated across the plans, there was no doubling up of reward for the Executive. The Committee recommended to the Board that no discretionary adjustment be made and this was supported by the Board. Refer to Section 2.5 for further details.

Looking ahead

For FY24, we are moving to a more consistent approach of incentive opportunities for the KMP. Whilst there are no other changes to the Executive Reward Framework, we will continue to monitor remuneration arrangements to support future direction and proactively respond to changes in regulatory requirements. Refer to the Remuneration outcomes and highlights for FY23 section for further details.

To ensure we continue to build a diverse workforce, we have an increased focus on closing our gender pay gap in coming years.

The Board remains committed to enabling our people to deliver positive outcomes for our people, customers, shareholders and broader stakeholders.

I hope you find this Remuneration Report informative. I encourage you to read the report in full and welcome your feedback.

Vicki Carter
Chair, People, Culture and Transformation Committee

Remuneration outcomes and highlights for FY23

Key area of focus	Details
CEO & MD's remuneration structure and changes for FY23	In FY23, the Board approved a revised remuneration structure for the CEO & MD. Key considerations in the Board's assessment included acknowledgement that there had been no change to the CEO & MD's fixed remuneration since commencing in the role in July 2018 and that the final tranche of deferred base pay shares vested on 30 June 2023. Alignment to the new executive reward framework and meeting deferral requirements introduced under CPS 511 was also considered. Under the prior remuneration structure, the CEO & MD's annual fixed remuneration consisted of \$1.2 million (salary and superannuation) and deferred base pay shares (which held a notional value of \$500,000 per annum), equivalent to \$1.7 million total fixed remuneration. Under the new remuneration structure, the CEO & MD's annual remuneration consists of \$1.6 million (salary and superannuation) and variable reward (short-term and long-term incentive). While the cash salary is higher than in prior years, it compensates for the removal of deferred base pay that had previously been delivered in restricted shares and her total fixed remuneration has decreased. Refer to Section 2.8 for further details.
FY23 fixed remuneration adjustments	In addition to the broader executive remuneration framework review undertaken in 2022, the Board approved fixed remuneration adjustments for select executives effective 1 July 2022. The Board approved the following remuneration adjustments: • Ryan Brosnahan, Chief Transformation Officer, received a fixed remuneration increase of \$20,000 to \$770,000. • Taso Corolis, Chief Risk Officer, received a fixed remuneration increase of \$40,000 to \$700,000. • Bruce Speirs, Chief Operating Officer, received a fixed remuneration increase of \$50,000 to \$650,000.
FY23 Short-term Incentive (STI) outcome	As part of our implementation of CPS 511, the Board revised the executive reward framework for FY23, retired the Loan Funded Share Plan (LFSP) and introduced an STI component to the variable reward. In making changes to the executive reward framework, the Board sought to ensure that outcomes continue to reflect our core remuneration principles (see Section 3.1) while also supporting our strategy and delivering value to our shareholders. The Group scorecard outcome was 110%. This is a solid result reflecting strong financial and business performance. The individual modifier was applied which resulted in an outcome of 132% of target opportunity (99% of maximum opportunity) for both the Chief Risk Officer and Chief Operating Officer. Refer to Section 2.3 for further details.
Vesting outcome: CEO & MD – Deferred Base Pay Shares	At the 2018 Annual General Meeting (AGM), shareholders approved a grant of 200,000 deferred shares to the CEO & MD. The remuneration comprised cash, superannuation and deferred base pay delivered in restricted shares consisting of four equal tranches with deferral periods of 2,3,4 and 5 years. Vesting of the fourth and final tranche of the deferred base pay shares was approved by the Board, with the service condition having been met on 30 June 2023.

Remuneration Report continued

Remuneration outcomes and highlights for FY23

Key area of focus	Details
FY20 vesting outcomes: Long-term Incentive – Performance Rights Plan	The FY20 LTI performance rights award granted to the CEO & MD (tranches 1 & 2) and the remaining tranches (2 & 4) granted to the Executive were tested at the end of the performance period on 30 June 2023. Relative TSR performance condition fell below the median of the peer group. As a result, the relative TSR tranche was lapsed. In recognition of the Bank's relative NPS being +27.5 points above the industry average for the four-year performance period up to 30 June 2023, the Customer hurdle vested in full. Tranche 1 of the FY20 performance rights grant that was tested in performance year FY22, has met the additional one-year service condition and vested.
FY22 testing outcomes: Long-term Incentive – Loan Funded Share Plan (LFSP)	The FY22 LFSP grant was awarded in November 2021 and tested on 30 June 2023. The grant has four tranches and three of the four tranches met the performance condition: • The Cost-to-Income ratio was 54.9% and cash earnings of $576.9 million meeting the target set by the Board. • The Bank achieved market share of 2.35% at the end of FY23, which represented flat growth over the period and did not meet the growth target set by the Board and was forfeited. • The Bank achieved a relative NPS score of +28.4 compared to a peer group of retail banks, demonstrating a continued focus on customer experience, meeting the target set by the Board. NPS was measured over the two-year performance period up to 30 June 2023. Refer to Section 2.4 for further details. The shares are subject to a further two-year service condition and may vest to executives at the end of FY25 following the risk assessment. As such, no remuneration was paid to executives relating to the Loan Funded Share Plan in FY23. The Loan Funded Share Plan was not reoffered under the new Executive Remuneration Framework introduced in FY23.
FY23 Long-term Incentive – Performance Rights Plan	In FY23 the CEO & MD received a grant of performance rights in accordance with the terms approved by shareholders at the 2022 AGM. The FY23 performance rights grant has a four-year performance period and will be tested on 30 June 2026. Following testing, tranches 2 & 3 of the grant remain subject to further conditions including a service period and risk gateway until 30 June 2027 and 30 June 2028. In FY23 the Executive received a grant of performance rights with a four-year performance period to be tested on 30 June 2026. Following testing, tranche 2 will remain subject to further conditions including a service period and risk gateway until 30 June 2027. In FY23, Andrew Morgan, who commenced as Chief Financial Officer on 24 June 2022 and Adam Rowse who commenced as Chief Customer Officer Business and Agribusiness on 1 July 2022, received a grant of Alignment Rights. The award is subject to service and risk gateway conditions measured from 1 July 2022 and the vesting date for tranche 1 is scheduled for 30 September 2026 and tranche 2, 30 September 2027. Refer to Section 2.6 for further details.
FY24 remuneration structure	Following a review of the CEO & MD's total remuneration, the Board has agreed to a modest increase in her variable reward opportunity. For FY24 the CEO & MD will have a maximum STI opportunity of 65% of fixed remuneration (an increase from 60%) and an LTI grant of 65% of fixed remuneration (an increase from 40%). The Board believes that this appropriately balances the mix of short-term and long-term incentives, is consistent with the Bank's remuneration philosophy, and with market practice. All executive KMP excluding the Chief Risk Officer (CRO) will have a maximum STI opportunity of 60%. The CRO's maximum STI opportunity will be 50%. The LTI opportunity for the CEO & MD will increase to 65% and executive KMP will be 40%. These changes are consistent with market practice, and we will continue to monitor remuneration arrangements to support future direction and proactively respond to changes in regulatory requirements. Further details of the Executive KMP remuneration structure will be provided in the FY24 Remuneration Report.

Section 1: Key Management Personnel overview

This Remuneration Report is for the financial year ended 30 June 2023 (FY23). The Report has been prepared and audited in accordance with section 300A of the *Corporations Act 2001* and the Corporations Regulations 2001.

1.1 Key Management Personnel (KMP)

This report covers KMP of Bendigo and Adelaide Bank Limited who have the authority and responsibility for planning, directing, and controlling the activities of the Group either directly or indirectly. This includes both Executive KMP and Non-executive Directors. The following Executive KMP and Non-executive Directors are covered in this report.

Name	Position	Term as KMP	Progress against Minimum Shareholding Policy [1]
Executive KMP			
Marnie Baker	Chief Executive Officer & Managing Director	Full Year	Meets
Ryan Brosnahan	Chief Transformation Officer	Full Year	Meets
Taso Corolis	Chief Risk Officer	Full Year	Meets
Richard Fennell	Chief Customer Officer, Consumer Banking	Full Year	Meets
Andrew Morgan	Chief Financial Officer	Full Year	Meets
Adam Rowse	Chief Customer Officer, Business and Agribusiness	Full Year	On track
Bruce Speirs	Chief Operating Officer	Full Year	Meets
Non-executive Directors			
Jacqueline Hey	Chair	Full Year	Meets
Vicki Carter	Non-executive Director	Full Year	Meets
Richard Deutsch	Non-executive Director	Full Year	On track
David Foster	Non-executive Director	Full Year	On track
Jim Hazel	Non-executive Director	Full Year	Meets
David Matthews	Non-executive Director	Full Year	Meets
Alistair Muir	Non-executive Director	Appointed to the Board effective 12 September 2022	On track
Victoria Weekes	Non-executive Director	Full Year	On track
Former Non-executive Directors			
Jan Harris [2]	Non-executive Director	12 September 2022	N/A

1. Details on the Minimum Shareholding Policy can be found in Section 5.
2. Non-executive Director, Jan Harris, resigned from the Board on 12 September 2022.

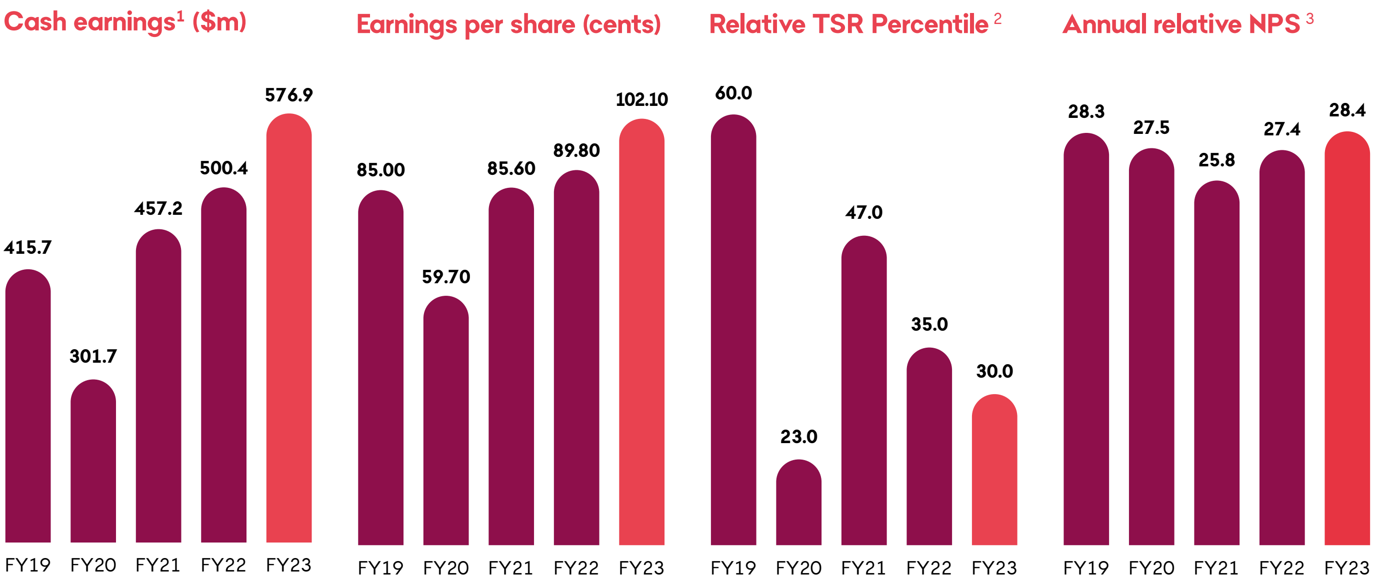
Remuneration Report continued

Section 2: Performance and reward outcomes

2.1 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. 6 month rolling averages comparing BEN to the industry average.

	Financial year				
Variable reward outcomes for executives	2019	2020	2021	2022	2023[1]
Average STI received as a % of maximum opportunity	0%	0%	n/a	n/a	83%
Percentage of LTI which vested	83%	30%	35%	35%	35%

1. Under the new executive reward framework, STI was reintroduced in FY23. STI was not part of the Executive reward framework for FY22 or FY21.

Below is a summary of other key performance metrics for the previous five years, including FY23.

	Financial year				
Company performance measures	2019	2020	2021	2022	2023
Statutory net profit after tax ($m)	376.8	192.8	524.0	488.1	497.0
Statutory earnings per share (cents)	77.1	38.1	98.1	87.5	87.9
Cash earnings per share (cents)	85.0	59.7	85.6	89.8	102.1
Dividends paid and payable (cents per share)	70.0	31.0	50.0	53.0	61.0
Total shareholder return (annual)	14.20%	-36.40%	55.45%	-6.80%	0.77%
Annual relative NPS compared to industry average[1]	+28.3	+27.5	+25.8	+27.4	28.4[2]

1. Roy Morgan data provided for FY20 has been adjusted due to reporting issue incurred during FY20, however this did not result in any adjustments to LTI outcomes relating to FY20.
2. 6 month rolling averages comparing BEN to the industry average.

Section 2: Performance and reward outcomes continued

2.2 FY23 STI Group scorecard outcomes

As part of the Board's commitment to provide increased transparency regarding performance objectives and measures, detailed below are the financial and non-financial measures used to assess performance outcomes for the Executive KMP.

The scorecard is underpinned by key priorities that were set at the beginning of the performance year, 1 July 2022.

Based on the Board's assessment, it was deemed the scorecard outcome to be a holistic reflection of performance during FY23 and no upward discretion was applied to final outcomes. Achievement against these objectives was used by the Board as a key component in determining the incentive pool for non executive staff.

Scorecard measures	FY23 outcome	Weighted outcome	Further detail
Financial: Cost-to-Income ratio (20% weighting)			
• Operating expenses divided by Total Income	 THRESHOLD TARGET MAXIMUM	**27%**	• The Cost-to-Income (CTI) outcome was strong for the year, with a 420% basis point improvement from FY22 • Whilst absolute costs were not the measure, the Board exercised downward discretion as actual costs were higher than forecast. The outcome was adjusted from Maximum to between Maximum and Target
Financial: Cash earnings (20% weighting)			
• Cash earnings after tax, excludes non-cash items	 THRESHOLD TARGET MAXIMUM	**29%**	• The FY23 Cash Earnings was a record for the Bank and was an increase of 15.3% from FY22 • This resulted in an outcome of just below Maximum
Financial: Profit after capital charge (10% weighting)			
• Earnings minus the estimated costs of capital	 THRESHOLD TARGET MAXIMUM	**15%**	• Disciplined capital management and pricing resulted in a significant improvement in the Bank's Profit After Capital Charge (PACC) • This resulted in an outcome of Maximum
Customer & Community (20% weighting)			
• Customer experience and satisfaction • Social impact through our Community Bank network	 THRESHOLD TARGET MAXIMUM	**10%**	• Internal customer metrics were broadly flat, with advocacy increasing, but other measures flat or declining slightly • The Community Banks delivered record contributions to their Communities • This resulted in an outcome at Threshold
People & Planet (10% weighting)			
• Employee experience and diversity • Implementation of the climate change action plan, including our Net Zero and renewable energy targets	 THRESHOLD TARGET MAXIMUM	**8%**	• Employee engagement remains strong at 77%, but is below aspiration • We continue to make progress toward our target of 40:40:20 across the Group. • In FY23 we tracked ahead of emission reduction target, but missed renewable energy target • This resulted in an outcome of between Threshold and Target
Capability (20% weighting)			
• Delivery of an organisational wide capability and risk culture uplift	 THRESHOLD TARGET MAXIMUM	**21%**	• Significant progress was made this year in uplifting our systems and frameworks to create strong foundations to build a better big bank • This resulted in an outcome of just above Target
Scorecard outcome	(% of target)	**110%**	
	(% of maximum)	**83%**	

Remuneration Report continued

Section 2: Performance and reward outcomes continued

2.3 FY23 STI outcomes

The table below provides the 2023 financial year STI outcomes for Executive KMP. The minimum potential outcome is zero.

	STI target $'000	STI maximum $'000	STI earned Total $'000	STI earned Cash [1] $'000	STI earned Deferred equity $'000	STI actual as a % of target opportunity	STI actual as a % of maximum opportunity
CEO & MD							
M Baker	720	960	792	396	396	110%	83%
Executive KMP							
R Brosnahan	231	308	254	127	127	110%	83%
T Corolis [2]	158	210	208	104	104	132%	99%
R Fennell	389	519	428	214	214	110%	83%
A Morgan	389	519	428	214	214	110%	83%
A Rowse	338	450	371	186	186	110%	83%
B Speirs [2]	195	260	257	129	129	132%	99%

1. Cash amounts will be paid in September 2023.
2. The individual modifier was applied which resulted in an outcome of 132% of target opportunity (99% of maximum opportunity) for both the Chief Risk Officer and Chief Operating Officer.

2.4 Loan Funded Share Plan outcomes

Loan Funded Share Plan

The FY22 Loan Funded Share Plan grant was tested on 30 June 2023 at the completion of the two-year performance period. Three of the four tranches met their performance conditions. The equity award is subject to a further two-year service condition and may vest to Executives at the end of FY25 following a risk assessment. As such, no remuneration was paid to Executives relating to the Loan Funded Share Plan in FY23.

Performance results for each tranche are summarised below.

Measure	Weighting	Performance	Outcome	Performance commentary
Cost-to-Income (CTI) ratio	25%	54.90%	Met	The Bank has continued to focus on cost management over the 2-year period and achieved the CTI target. FY23 saw a significant improvement in the Bank's CTI.
Cash earnings	25%	$576.9m	Met	The Bank's FY22 and FY23 targets were set in line with our growth agenda. It is measured as reported cash earnings.
Market Growth	25%	2.35%	Not met	The Bank saw a slight decline over the 2-year period, with total footings (deposits and lending) of 2.3% at the end of the performance period. This was not sufficient to meet the target.
Customer Advocacy (relative NPS)	25%	+28.4	Met	The Bank achieved a relative NPS score of +28.4, compared to a peer group of retail banks, demonstrating our continued focus on customer experience.

Section 2: Performance and reward outcomes continued

2.5 Short-term incentive transition considerations

As foreshadowed in the FY22 Remuneration Report, the Board proactively discussed the metric duplication of the FY22 Loan Funded Share Plan and FY23 Short-term Incentive (STI) outcomes and sought an external view to specifically address this. The transition from a Loan Funded Share Plan (LFSP) with a 2-year performance period, additional 2-year service condition and risk assessment to an STI with a one-year performance period and one-year deferral period is somewhat unusual. It was introduced to meet the requirements of CPS 511. Therefore it was decided that a principles-based approach would best support the review of the appropriateness of outcomes under both plans.

The FY22 LFSP and FY23 STI plan have a different purpose, structure and payout profile. The LFSP is intended to reward for share price outperformance, with measures that focus on maintaining business fundamentals and the STI is intended to reward Executives for differentiation in performance outcomes assessed against several scorecard measures. Further, the LFSP has a 2-year performance period while the STI plan has a 1-year performance period.

Lowering the Bank's Cost-to-Income ratio is an important strategic objective and both plans were tested against the FY23 Cost-to-Income (CTI) target. That is, the Board believed it would have been inappropriate to exclude this metric from the FY23 STI given it is a strategic imperative.

The Board concluded that although the transition from the LFSP to the STI program resulted in the performance periods of both plans finishing on 30 June 2023, it does not create a doubling up of reward. Changes in timing and performance conditions of variable reward programs year-on-year are common, and this can impact the staggering of performance tests and payments. This may also result in multiple plans being tested at the same time, or years where no plans are tested.

On this basis, the Board determined that both awards would vest, and that no downward adjustments would be applied. In determining this outcome the Board also considered the experience of the Executive and our shareholders during the performance period.

2.6 FY23 LTI outcomes

Performance Rights Plan

The FY20 LTI grant (tranche 1 & 2) awarded to the CEO & MD and FY20 LTI grant (tranche 2 & 4) awarded to Executives were tested on 30 June 2023. The FY20 LTI (CEO & MD) grant used a two 'sleeve' approach, with the first sleeve linked to a 'Customer Hurdle' (NPS) and the second sleeve linked to the relative TSR measured over a four-year performance period.

The FY20 LTI grant to Executives used the two 'sleeve' approach outlined above and the grant was then split into two sets, one set had a three-year performance period with an additional one-year service condition and the other set had a four-year performance period. The first set of the grant had a three-year performance period that was tested on 30 June 2022 and outcomes were provided in the FY22 Remuneration Report. The second set of the grant was tested on 30 June 2023 following the completion of the four-year performance period.

Results for the FY20 LTI (MD) grant and FY20 LTI (Executives) grant is detailed below.

Grant	Grant Date	Test Date	Hurdle	Weighting	Performance	Outcome
FY20 CEO & MD	17.12.2019	30.06.2023	TSR	65%	30th percentile	Not met
	17.12.2019	30.06.2023	NPS	35%	+27.5	Met
FY20 LTI Executive KMP	17.12.2019	30.06.2023	TSR	65%	30th percentile	Not met
	17.12.2019	30.06.2023	NPS	35%	+27.5	Met

Remuneration Report continued

Section 2: Performance and reward outcomes continued

2.7 Tested awards

The table below is intended to provide transparency on the potential value of awards that were tested noting that the realised value to participants of the Loan Funded Share Plan (LFSP) awards remain subject to ongoing conditions and changes in share price over the two-year service period.

The table sets out the value of the Loan Funded Share Plan and Performance Rights that were subject to testing on 30 June 2023.

				Total tested award values
	Test year	Net loan funded share plan value [1] $'000	Performance rights value [2] $'000	Total value of tested outcomes $'000
CEO & MD				
M Baker	2023	9	150	159
Group Executives				
R Brosnahan	2023	3	21	24
T Corolis	2023	2	21	23
R Fennell	2023	4	36	40
A Morgan	2023	0	0	0
A Rowse	2023	0	0	0
B Speirs	2023	2	19	21

1. The value shown represents the Net value of the award which has been calculated as the value of the LFSP less the value of the loan that executive KMP are required to repay as at 30 June 2023. Vesting outcomes will be provided in the FY25 remuneration report following an additional two-year service condition and subject to a risk assessment by the Board. For further details on testing outcomes, refer to Section 2.4.
2. The FY20 Performance Rights award was measured for the period 1 July 2019 – 30 June 2023 and resulted in 100% lapse of the TSR hurdle and 100% vest of the NPS hurdle. The award has reached the four-year performance period and the NPS component of the grant was released except for Ryan Brosnahan for whom the award has a holding lock until November 2023. Values shown in the table above relate to the NPS component of the award and were calculated using the 30 June 2023 closing price. For further details on testing outcomes, refer to Section 2.6.

Section 2: Performance and reward outcomes continued

2.8 FY23 realised remuneration

The table below sets out actual remuneration received by the Executive KMP for FY23 including the value of any equity awarded in prior years which vested during this financial year. Equity awards that vested during FY23 based on meeting performance conditions, but which are still subject to a further service condition have been excluded. The table below also shows the maximum value of total remuneration forgone, including previous years' equity awards that were due to vest but did not meet the relevant hurdles and were lapsed.

The table includes the Executive KMP who held that position as at 30 June 2023.

Fixed remuneration is inclusive of superannuation and the increase in the superannuation guarantee rate of 0.5% to 10.5% from 1 July 2022 resulted in a small reduction to the Executive KMP cash salary.

The information presented differs from the statutory remuneration table which presents remuneration in accordance with Australian Accounting Standards. Statutory disclosures are provided in Section 6.

						FY23 Total Realised Remuneration	
	Fixed remuneration [1] $'000	Cash STI [2] $'000	Deferred base pay [3] $'000	Long-term Incentive [4] $'000	Loan funded Share Plan [5] $'000	Total realised remuneration [6] $'000	Equity forfeited/ lapsed [7] $'000
CEO & MD							
M Baker	1,593	396	523	150	—	2,662	282
Executive KMP							
R Brosnahan	758	127	—	—	—	885	68
T Corolis	712	104	—	41	—	857	66
R Fennell	865	214	—	73	—	1,152	118
A Morgan	915	214	—	—	—	1,129	—
A Rowse	743	186	—	—	—	929	—
B Speirs	673	129	—	39	—	841	61

1. Fixed Remuneration includes cash salary, non-monetary benefits, superannuation, and movements in accrued annual and long service leave and reflects the time in role during the year.
2. The cash STI awarded to executive KMP for the 2023 performance year is shown in the above table. Of the STI awarded, 50% is delivered in cash and 50% is delivered in share rights that will be granted in September 2023.
3. Marnie Baker was granted 200,000 deferred base pay shares in FY19, in four equal tranches of 50,000 units. Each grant has a varying deferral period, vesting annually from the time of grant. Any dividends received on these grants are reinvested into ordinary shares and allocated in tranches. The dividend reinvested shares also vested and were released in FY23. This is the fourth and final tranche to vest. Deferred Base Pay Shares will not be reoffered.
4. Performance rights awarded to executive KMP in FY20 under the long-term incentive plan were tested on 30 June 2023, measured for the period 1 July 2019 – 30 June 2023 and resulted in 100% lapse of the TSR hurdle and 100% vest of the NPS hurdle. The award has reached the four-year performance period and the NPS component of the grant was released except for Ryan Brosnahan for whom the award has a holding lock until November 2023. The value of the vested award was calculated using the 30 June 2023 closing price. For further details on testing outcomes, refer to Section 2.6.

   FY20 Performance rights awarded to Executive KMP that were tested in FY22 have met the additional one-year service condition and the grant was released except for Ryan Brosnahan for whom the award has a holding lock until November 2023. The value of the vested award was calculated using the 30 June 2023 closing price. For further details on testing outcomes, refer to the FY22 Remuneration Report.
5. The FY22 Loan Funded Share Plan grant was tested on 30 June 2023 at the completion of the two-year performance period. Three of the four tranches met their performance conditions. The award is subject to a further two-year service condition and may vest at the end of FY25 following a risk assessment. As such, executives did not receive any realised remuneration related to the Loan Funded Share Plan in FY23. For testing outcome details, refer to Section 2.4.
6. The realised remuneration amounts provided differ from the statutory remuneration table in Section 6 which is prepared according to Australian Accounting Standards.
7. Total remuneration forgone values are inclusive of prior year performance rights and Loan Funded Share Plan awards which were lapsed on 30 June 2023, performance hurdles not achieved. Forgone amounts are calculated using the fair value on the date of grant. For further details on vesting outcomes refer to Section 2.

Remuneration Report continued

Section 3: Executive remuneration strategy and framework

3.1 Remuneration strategy, design and structure

The remuneration policy adopted by the Bank provides the framework for the implementation, assessment and maintenance of the Bank's remuneration strategy and arrangements. The framework is structured to attract, retain, and motivate employees to achieve the organisation's objectives within the approved risk appetite.

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

Strategy led reward	Reward balanced outcomes	Recognise people for their impact	Transparent and simple metrics	Embedded risk management
The reward framework supports the delivery of BEN's strategy through the attraction, motivation, and retention of talented people. The framework is aligned to BEN's strategy of; reducing complexity, investing in capability, and telling BEN's story. With a focus on customer connection and investment in the community. Total remuneration is competitive with the market and structured in a way that is consistent with our long-held belief that remuneration should be weighted to fixed reward (compared to market) and focus on long-term, collective performance.	The reward framework aligns outcomes with a range of stakeholders – including shareholders, customer, community, regulators, people, and planet. Financial performance is not the dominant driver of reward outcomes. Non-financial objectives are used to support achieving balanced outcomes. The types of performance measures and their respective weightings meet regulatory requirements and intent.	BEN's performance is the sum of its parts, and when its people make a meaningful impact, this is recognised. Likewise, when standards fall short or individuals' actions do not align with BEN's values, there are appropriate consequences. The framework supports meaningful differentiation in outcomes based on individual and organisational performance, as well as supporting effective consequence management. Variable reward plans are tailored to the objectives of the role and the impact roles can have on business outcomes (which means that pay-mix and scorecard design may differ across cohorts).	People understand the organisational and individual objectives they are expected to achieve and (as much as possible) how performance is tracking against those targets. Simple and transparent measures are supported with ongoing communication on performance. Scorecards may have explicit weightings to provide clarity on performance assessments.	Remuneration arrangements encourage prudent risk taking that supports the achievement of superior long-term results for shareholders and customers by supporting BEN's risk management framework. This is achieved through the use of various levers, including: stand-alone risk measures, the integration of risk measures into gateways and contra-measures, and a consequence management process.

Section 3: Executive remuneration strategy and framework continued

3.2 Executive remuneration framework

As discussed in the FY22 Remuneration Report, during 2022 the Board undertook a detailed review of its approach to executive remuneration and the review resulted in a change to the executive remuneration framework. The new framework was introduced on 1 July 2022.

The new framework rewards Executives if they deliver on our strategy, creating value for all our stakeholders, across shareholders, customers, community, people, planet and regulators. Three quarters of the variable reward is delivered in equity, creating strong alignment with shareholders. We will continue to strengthen our approach to incorporating risk and conduct issues into remuneration decisions, including through the recent adoption of a new Consequence Management Policy.

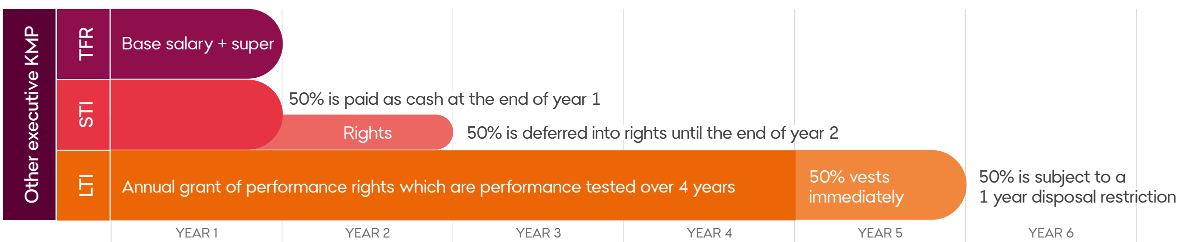
For FY23 the Executive reward framework consists of fixed remuneration, a short-term incentive award and a long-term incentive plan. No further grants have been made under the Loan Funded Share Plan, and the FY21 and FY22 grants will continue as per their original terms, reinforcing the alignment between the Executive and shareholders.

Remuneration Framework

Fixed Reward	Variable Reward	
Fixed Remuneration – Cash	**Short-term Incentive (STI)**	**Long-term Incentive (LTI)**
• Comprises cash 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	• Rewards the achievement of Bank, Divisional and individual performance • Performance is assessed based on a scorecard of: Financial Risk, Customer & Community and People & Planet, and Governance uplift • Delivered through a mix of cash (50%) and deferred rights (50%) • One-year deferral period following completion of the performance period, adjusted to meet regulatory requirements	• Rewards the creation of long-term shareholder value • Performance is assessed against: Relative Total Shareholder Return, Return on Equity, Relative Customer Advocacy, Relative Reputation • Delivered as performance rights. Performance is measured over four-years and subject to an additional one-year restriction for Executives, and one and two-year restrictions for the Chief Executive Officer & Managing Director plus ongoing service conditions and risk assessment
	Incentives are subject to downward adjustments through ongoing risk assessments and/or consequence management process. All awards are subject to the Clawback and Malus Policy.	

Minimum Shareholding Policy details of the Minimum Shareholding Policy (MSP) are provided in Section 5 of this report.

The following provides an illustration of how FY23 remuneration will be delivered to the CEO & MD and other executive KMP.



Remuneration Report continued

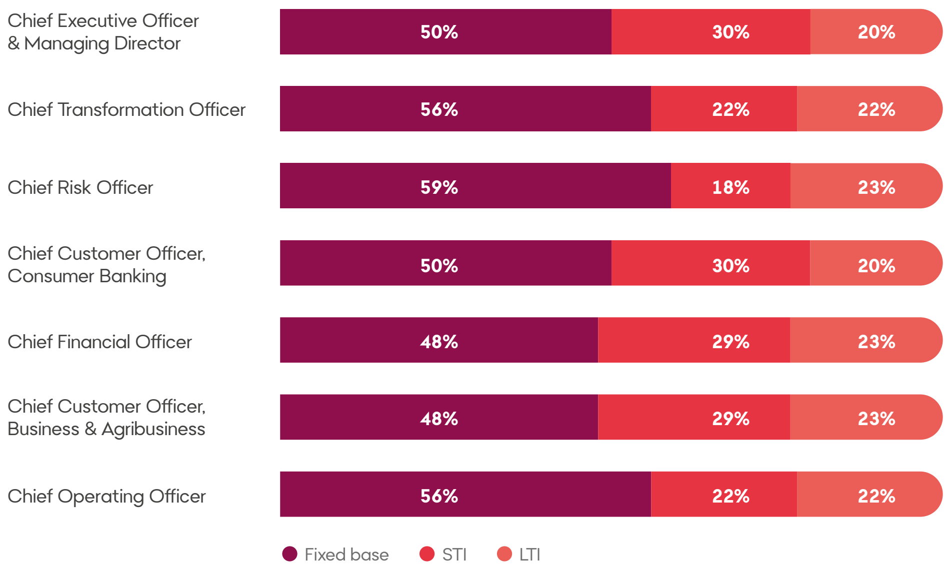
Section 3: Executive remuneration strategy and framework continued

3.3 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 People, Culture and Transformation Committee to ensure the mix and total target reward continues to be fair and balances the interests of stakeholders.

The chart below sets out the remuneration mix for each Executive who was in their position as at 30 June 2023. The actual remuneration mix will vary depending on performance outcomes. The percentages represent the maximum opportunity for each component, e.g. maximum short-term incentive and the face-value of the long-term incentive grant.

The Chief Financial Officer and the Chief Customer Officer – Business & Agribusiness FY23 long-term incentive grants consisted of a grant of performance rights, equal to 30% of their respective fixed remuneration, and a grant of deferred share rights equal to 20% of their fixed remuneration. This structure was specific to their first year's remuneration and was designed to increase shareholder alignment.



3.4 Other awards

The Chief Financial Officer and Chief Customer Officer, Business and Agribusiness were awarded one-off alignment rights in respect of their long-term incentives forgone from their previous employers in FY23. The award is subject to continued service and a risk assessment up to and including each relevant vesting date. Tranche 1 is scheduled to vest in FY27 (30 September 2026) and tranche 2 is scheduled to vest in FY28 (30 September 2027). For further details, refer to Sections 6.3 and 6.4.

Section 3: Executive remuneration strategy and framework continued

3.5 FY23 Short-term Incentive (STI)

Features	STI
Delivered through	A mix of cash (50%) and deferred rights (50%)
Maximum Incentive opportunity (% of fixed remuneration)	CEO & MD: 60% Executives: 60% – 30%
Group STI scorecard	The scorecard is a mixture of financial and non-financial measures.

Category	Measure	Weighting
Financial Measures	Cost-to-Income ratio	20%
	Cash earnings	20%
	Profit after capital charge	10%
Customer & Community	Customer experience and satisfaction Social impact through our Community Bank network	20%
People & Planet	Employee experience and diversity Implementation of the Climate Change Action Plan	10%
Capability	Risk and Governance uplift	20%

Features	STI
Individual modifier	Outcomes can be adjusted based on individual performance. This is to allow for recognition of exceptional individual contribution, as well as providing a mechanism for downward adjustment. The assessment will consider: • Individual performance and delivery of key strategic objectives • Individual risk performance • Broader cultural considerations The range of the modifier is 0 – 120%, meaning that individual STI outcomes can be reduced to zero, or increased to 120% of the scorecard outcome (capped at the maximum incentive opportunity).
Performance period	One year
Deferral period	One year following completion of performance period
Adjustments	Incentives are subject to downward adjustments through a risk assessment and / or consequence management process and the Clawback and Malus Policy applies.

Remuneration Report continued

Section 3: Executive remuneration strategy and framework continued

3.6 FY23 Long-term Incentive (LTI)

Features	LTI
Delivered through	Performance rights (100%)
Maximum Incentive opportunity (% of fixed)	CEO & MD: 40% Executives (including CRO): 40% – 30%
LTI scorecard	The scorecard is a mixture of financial and non-financial measures. The performance targets and assessment against those targets will be included when the grant is tested.
Performance period	Four years
Deferral period	One to two years following completion of performance period, depending on the executive.
Adjustments	Incentives are subject to downward adjustments through a risk assessment and / or consequence management process and the Clawback and Malus Policy applies.

LTI scorecard:

Measure	Weighting
Relative TSR – against ASX S&P100 Financials	40%
Target Return on Equity for the period	25%
Relative customer NPS – measured against retail bank peers	20%
RepTrak Reputation index – measured against financial services peers	15%

Section 4: Remuneration Governance

4.1 Remuneration governance

The People, Culture and Transformation Committee (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. Vicki Carter (Chair)

b. Jacqueline Hey

c. David Foster

d. Alistair Muir

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 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:

- the remuneration arrangements for executives, including the terms on which performance-based remuneration will be provided;
- the performance-based remuneration outcomes for the executives; and
- 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 511 *Remuneration* 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.

As part of the end-of-year process the Committee takes advice from the Chairs of the Board Risk Committee, Board Financial Risk Committee, and Audit Committee regarding the need to apply risk adjustments to incentive outcomes to individual executives, cohorts of employees or across the Bank. Adjustments could include the reduction of in-year cash incentives, the reduction of future incentive awards, or through the application of the Bank's Malus and Clawback Policy.

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 the FY23 process, the Committee considered remuneration data, trends and assistance with other ad-hoc tax, governance and legal matters from experienced remuneration consultations. No remuneration recommendations as defined in the *Corporations Act 2001* (Cth) were provided to the Committee during FY23.

Remuneration Report continued

Section 4: Remuneration Governance continued

4.2 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 APRA Prudential Standard CPS 511 *Remuneration* 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.

Considering the provisions of the Clawback and Malus Policy, the Board has discretion, having regard to the recommendations of the Committee, to adjust variable remuneration (including the short-term incentive and equity incentives) 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:

- Protect the financial soundness of the regulated institution; or
- 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 Committee, to clawback a short-term incentive award or equity incentives 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 Executive KMP from using the Bank’s securities as collateral in any margin loan arrangements.

Section 5: Minimum Shareholding Policy, contracts and Executive KMP loans

5.1 Minimum Shareholding Policy

The Minimum Shareholding Policy (MSP) aims to further align the interests of Executives and Non-executive Directors with those of shareholders. The MSP supports a focus on long-term shareholder value by requiring Executives and Non-executive Directors to build a minimum shareholding in BEN shares and maintain it during their tenure.

With effect from 25 August 2020 the MSP requires the CEO & MD to accumulate shares equal to 150% of Fixed Remuneration and executive KMP to accumulate shares equal to 75% of Fixed Remuneration and Non-executive Directors to hold 100% of their annual Base Board fee. The requirement must be met within a five-year period (from the later of 25 August 2020 or the date of their appointment).

Once the minimum shareholding level has been assessed as met for the first time, the KMP will be deemed to have met the policy requirements. The Board may, at any time and in its sole discretion, amend the minimum shareholding levels and/or timing requirements.

Compliance with the minimum shareholding requirement is assessed at the end of each financial year. Based on their shareholding at 30 June 2023, all Executives and Non-executive Directors have either met the requirement, or are on track to meet this, within the required timeframes. See Section 1.1 for the status of each executive.

5.2 Executive KMP 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? [1]	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? [2]	6 months' notice or payment in lieu. [1]	Marnie Baker, Taso Corolis, Ryan Brosnahan, Andrew Morgan, Adam Rowse
	12 months' notice or payment in lieu.	Bruce Speirs, Richard Fennell
What payments must be made by the Bank for ending the contract without cause? [2]	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.	CEO & MD
	12-month non-solicitation (employees, customers and suppliers) restriction.	Other Executives

1. 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 the existing Executive KMP has been grandfathered.
2. 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.

Remuneration Report continued

Section 5: Minimum Shareholding Policy, contracts and Executive KMP loans continued

5.3 Loans and other transactions

Details on the aggregate loans provided to Executive KMP and Non-executive Directors 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.

2023	Balance on 1 July 2022 $'000	Interest charged [1] $'000	Interest not charged $'000	Write-off $'000	Balance on 30 June 2023 $'000	Number at year end
Non-executive Directors	5,245	222	—	—	4,319	9
Executive KMP	3,029	92	—	—	2,830	11
Total Directors and Executives	8,274	314	—	—	7,149	20

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

2023	Balance on 1 July 2022 $'000	Interest charged [1] $'000	Interest not charged $'000	Write-off $'000	Balance on 1 July 2023 $'000	Highest owing in period [2] $'000
Non-executive Directors						
J Hey	1,556	44	—	—	686	1,563
D Matthews	3,689	178	—	—	3,633	3,766
Executive KMP						
M Baker	830	35	—	—	815	0
R Fennell	2,199	57	—	—	2,015	2,206

1. Interest charged may include the impact of interest off-set facility.
2. Represents aggregate highest indebtedness of the Executive KMP and Non-executive Directors during the financial year. All other items in the table includes their related parties. Therefore, highest owing in the period may be lower than other amounts disclosed.

Section 6: Executive statutory remuneration

6.1 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.

		Short-term benefits					Share-based payments [8]			
Executive KMP		Cash salary [1] $'000	Cash STI [2] $'000	Non-monetary [3] $'000	Super annuation benefits [4] $'000	Other long-term benefits [5] $'000	Other remuner-ation [6] $'000	Rights $'000	Deferred shares [7] $'000	Loan Funded Shares $'000	Total $'000
M Baker	2023	1,653	396	8	27	(95)	—	171	104	364	2,628
	2022	1,095	—	6	24	20	—	177	233	364	1,919
R Brosnahan	2023	722	127	—	24	12	—	157	—	107	1,149
	2022	693	—	13	23	12	—	111	—	107	959
T Corolis	2023	670	104	—	25	17	—	64	—	104	984
	2022	649	—	—	24	16	—	31	—	104	824
R Fennell	2023	854	214	—	25	(14)	—	97	—	185	1,361
	2022	856	—	—	24	11	—	47	—	185	1,123
A Morgan	2023	876	214	—	24	14	—	136	—	—	1,264
	2022	13	—	—	1	—	—	8	—	—	22
A Rowse	2023	707	186	—	25	11	—	52	—	—	981
	2022	—	—	—	—	—	—	—	—	—	—
B Speirs	2023	626	129	7	25	16	—	59	—	94	956
	2022	563	—	7	24	17	—	29	—	94	734
Former executive KMP											
T Crouch	2022	516	—	29	29	(29)	—	30	—	99	674
A Gartmann	2022 (part year)	327	—	—	41	10	408	7	—	49	842
Totals	2023	6,108	1,370	15	175	(39)	—	736	104	854	9,323
	2022	4,712	—	55	190	57	408	440	233	1,002	7,097

1. Cash salary amounts include the net movement in the annual leave accrual for the year.
2. Cash STI for FY23 reflects the STI award outcome for the performance year for Executive KMP.
3. Non-monetary relates to sacrifice components of salary such as motor vehicle costs.
4. Company superannuation contributions form part of fixed remuneration and are paid up to the statutory maximum contribution base.
5. The amounts relate to movements in long service leave accruals.
6. Other remuneration is disclosed to the extent that it relates to Alexandra Gartmann's employment in the capacity as an executive, which ceased on 22 October 2022. In accordance with contractual terms, Alexandra Gartmann did not receive a payment in lieu of a reduced notice period and all unvested equity awards lapsed.
7. Under the prior remuneration structure, the CEO & MD's annual fixed remuneration consisted of cash salary, superannuation and deferred base pay shares. For further details refer to the Remuneration outcomes and highlights for FY23 section of the report.
8. The values in the table reflect the current year expense for all awards outstanding at any point during the year. The expense is inclusive of adjustments that may be made in the current period in relation to unvested awards. The fair value of the awards as at the grant date has been calculated under AASB 2 Share-based Payment 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 securities that are expected to vest.

Remuneration Report continued

Section 6: Executive statutory remuneration continued

6.2 Movements in Executive KMP equity holdings

Executive KMP	Equity instrument	Balance on 1 July 2022	Granted	Vested/ released [1]	Lapsed/ forfeited [2,3]	Net change other [4]	Balance on 30 June 2023
M Baker [5]	Ordinary shares	698,221	—	78,415	—	59,889	836,525
	Preference shares	100	—	—	—	—	100
	Deferred shares	57,969	2,946	(60,915)	—	—	—
	Loan Funded Shares	655,554	—	—	(69,444)	—	586,110
	Performance rights	110,895	69,489	(17,500)	(32,500)	—	130,384
R Brosnahan	Ordinary shares	8,628	—	—	—	—	8,628
	Loan Funded Shares	192,810	—	—	(20,425)	—	172,385
	Performance rights	81,969	33,514	—	(4,487)	—	110,996
T Corolis	Ordinary shares	64,801	—	4,831	—	4,074	73,706
	Loan Funded Shares	186,639	—	—	(19,771)	—	166,868
	Performance rights	32,959	30,467	(4,831)	(4,487)	—	54,108
R Fennell	Ordinary shares	101,364	—	8,455	—	3,418	113,237
	Loan Funded Shares	333,561	—	—	(35,335)	—	298,226
	Performance rights	47,290	37,649	(8,455)	(7,851)	—	68,633
A Morgan[6]	Performance rights	—	28,237	—	—	—	28,237
	Alignment rights	—	18,824	—	—	—	18,824
	Deferred Share rights	66,888	—	—	—	—	66,888
A Rowse [6]	Performance rights	—	24,483	—	—	—	24,483
	Alignment rights	—	16,322	—	—	—	16,322
B Speirs	Ordinary shares	25,507	—	4,529	—	—	30,036
	Loan Funded Shares	169,672	—	—	(17,974)	—	151,698
	Performance rights	30,226	28,291	(4,529)	(4,206)	—	49,782

1. Performance rights awarded to the Executive KMP in FY20 were tested on 30 June 2023, measured for the period 1 July 2019-30 June 2023 and resulted in 100% lapse of the TSR hurdle and 100% vest of the NPS hurdle. The award has reached the four-year performance period and the NPS component of the grant was released except for Ryan Brosnahan, for whom the award has a holding lock until November 2023. For further details on testing outcomes, refer to Section 2.6.
2. FY20 Performance rights that were tested in FY22 have met the additional one-year restriction and were released. For further details on testing outcomes, refer to the FY22 Remuneration Report.
3. The Loan Funded Share Plan grant awarded in FY22 was tested on 30 June 2023 and three of the four tranches met the performance condition. Vesting outcomes will be provided in the FY25 remuneration report following an additional two-year service condition and subject to a risk assessment by the Board. The lapsed amount is shown in the above table. For further details on testing outcomes, refer to Section 2.4.
4. Net Change may include shares allocated under the Dividend Reinvestment Plan (DRP), an on market purchase or Related Party holdings.
5. Marnie Baker was granted 200,000 deferred base pay shares in FY19, in four equal tranches of 50,000 units. Each grant has a varying deferral period, vesting annually from the time of grant. Any dividends received on these grants are reinvested into ordinary shares and allocated in tranches. The dividend reinvested shares also vested and were released in FY23. This is the fourth and final tranche to vest. Deferred Base Pay Shares will not be reoffered.
6. Alignment rights were awarded to Andrew Morgan and Adam Rowse as part of their long-term incentive arrangements in FY23.

Section 6: Executive statutory remuneration continued

6.3 Details of awards granted, vested, lapsed

Executive KMP	Equity Instrument	Grant date	Units granted	Value at grant [1] $	Units vested/ released [2,3,4]	Value at vest [5] $	Units forfeited/ lapsed [6]	Forfeited/ lapse value [7] $
M Baker	Deferred shares	19.12.2018	—	—	50,000	518,000	—	—
	Deferred shares	08.04.2019	—	—	1,361	—	—	—
	Deferred shares	03.10.2019	—	—	1,193	—	—	—
	Deferred shares	06.04.2020	—	—	1,933	—	—	—
	Deferred shares	08.04.2021	—	—	1,164	—	—	—
	Deferred shares	06.10.2021	—	—	1,203	—	—	—
	Deferred shares	06.04.2022	—	—	1,115	—	—	—
	Deferred shares	07.10.2022	1,455	—	1,455	—	—	—
	Deferred shares	06.04.2023	1,491	—	1,491	—	—	—
	Loan funded shares	16.11.2021	—	—	—	—	69,444	187,499
	Performance rights	17.12.2019	—	—	17,500	133,175	—	—
	Performance rights	17.12.2019	—	—	—	—	32,500	94,900
	Performance rights	14.11.2022	23,140	84,230	—	—	—	—
	Performance rights	14.11.2022	23,140	77,288	—	—	—	—
	Performance rights	14.11.2022	23,209	72,876	—	—	—	—
R Brosnahan	Loan funded shares	16.11.2021	—	—	—	—	20,425	55,148
	Performance rights	17.12.2019	—	—	—	—	4,487	13,102
	Performance rights	14.11.2022	16,757	60,995	—	—	—	—
	Performance rights	14.11.2022	16,757	55,968	—	—	—	—
T Corolis	Loan funded shares	04.11.2020	—	—	—	—	—	—
	Loan funded shares	16.11.2021	—	—	—	—	19,771	53,382
	Performance rights	17.12.2019	—	—	2,416	18,386	—	—
	Performance rights	17.12.2019	—	—	2,415	18,378	—	—
	Performance rights	17.12.2019	—	—	—	—	4,487	13,102
	Performance rights	14.11.2022	15,234	55,452	—	—	—	—
	Performance rights	14.11.2022	15,233	50,878	—	—	—	—
R Fennell	Loan funded shares	16.11.2021	—	—	—	—	35,335	95,405
	Performance rights	17.12.2019	—	—	4,228	32,175	—	—
	Performance rights	17.12.2019	—	—	4,227	32,167	—	—
	Performance rights	17.12.2019	—	—	—	—	7,851	22,925
	Performance rights	14.11.2022	18,825	68,523	—	—	—	—
	Performance rights	14.11.2022	18,824	62,872	—	—	—	—
A Morgan	Performance rights	14.11.2022	14,119	51,393	—	—	—	—
	Performance rights	14.11.2022	14,118	47,154	—	—	—	—
	Alignment rights	14.11.2022	18,824	128,097	—	—	—	—

Remuneration Report continued

Section 6: Executive statutory remuneration continued

6.3 Details of awards granted, vested, lapsed continued

Executive KMP	Equity Instrument	Grant date	Units granted	Value at grant [1] $	Units vested/ released [2,3,4]	Value at vest [5] $	Units forfeited/ lapsed [6]	Forfeited/ lapse value [7] $
A Rowse	Performance rights	14.11.2022	12,242	44,561	—	—	—	—
	Performance rights	14.11.2022	12,241	40,885	—	—	—	—
	Alignment rights	14.11.2022	16,322	111,071	—	—	—	—
B Speirs	Loan funded shares	16.11.2021	—	—	—	—	17,974	48,530
	Performance rights	17.12.2019	—	—	2,265	17,237	—	—
	Performance rights	17.12.2019	—	—	2,264	17,229	—	—
	Performance rights	17.12.2019	—	—	—	—	4,206	12,282
	Performance rights	14.11.2022	14,146	51,491	—	—	—	—
	Performance rights	14.11.2022	14,145	47,244	—	—	—	—

1. The price used to calculate the award value at the time of grant is the fair value on the date of grant. Refer to Section 6.4 for further details.
2. Marnie Baker was granted 200,000 deferred base pay shares in FY19, in four equal tranches of 50,000 units. Each grant has a varying deferral period, vesting annually from the time of grant. Any dividends received on these grants are reinvested into ordinary shares and allocated in tranches. The dividend reinvested shares also vested and were released in FY23. This is the fourth and final tranche to vest. Deferred Base Pay Shares will not be reoffered.
3. Performance rights awarded to the Executive KMP in FY20 were tested on 30 June 2023, measured for the period 1 July 2019-30 June 2023 and resulted in 100% lapse of the TSR hurdle and 100% vest of the NPS hurdle. The award has reached the four-year performance period and the NPS component of the grant was released except for Ryan Brosnahan, for whom the award has a holding lock until November 2023. For further details on testing outcomes, refer to Section 2.6.
4. FY20 Performance rights that were tested in FY22 have met the additional one-year restriction and were released. For further details on testing outcomes, refer to the FY22 Remuneration Report.
5. The value of each award on the date it vests is calculated using the fair value on the date of grant.
6. The Loan Funded Share Plan grant awarded in FY22 was tested on 30 June 2023 and three of the four tranches met the performance condition. Vesting outcomes will be provided in the FY25 remuneration report following an additional two-year service condition and subject to a risk assessment by the Board. The lapsed number of units and value is shown in the above table. For further details on testing outcomes, refer to Section 2.4.
7. The value of lapsed awards is calculated using the fair value on the date of grant.

Section 6: Executive statutory remuneration continued

6.4 Equity plan valuation inputs

Performance Rights

Terms and Conditions for each Grant

Equity Instrument	Grant date	Fair value [1]		Share price	Risk free interest rate	Dividend yield	Expected volatility	Expected life	Performance period end [2]	Vest date
		Financial	Non-financial	$	%	%	%			
FY20 Performance Rights MD (T1)	17.12.2019	$7.61	n/a	$9.89	0.88%	7.08%	21.23%	4 years	30.06.2023	30.09.2023
FY20 Performance Rights MD (T2)	17.12.2019	$2.92	n/a	$9.89	0.88%	7.08%	21.23%	4 years	30.06.2023	30.09.2023
FY20 Performance Rights (T2)	17.12.2019	$7.61	n/a	$9.89	0.88%	7.08%	21.23%	4 years	30.06.2023	30.09.2023
FY20 Performance Rights (T4)	17.12.2019	$2.92	n/a	$9.89	0.88%	7.08%	21.23%	4 years	30.06.2023	30.09.2023
FY20 Performance Rights Transformation	17.12.2019	$7.61	n/a	$9.89	0.88%	7.08%	21.23%	4 years	30.06.2023	30.09.2023
FY21 Performance Rights Transformation	04.11.2020	$5.74	n/a	$6.83	0.19%	4.54%	29.21%	4 years	30.06.2024	30.09.2024
FY21 Performance Rights	04.11.2020	$2.19	n/a	$6.83	0.19%	4.54%	29.21%	4 years	30.06.2024	30.09.2024
FY22 Performance Rights	16.11.2021	$3.42	n/a	$9.18	1.23%	6.02%	30.85%	4 years	30.06.2025	30.09.2025
FY23 Performance Rights MD & Executive (T1)	14.11.2022	$3.64	$7.01	$8.84	3.34%	6.00%	31.72%	4 years	30.06.2026	30.09.2026
FY23 Performance Rights MD & Executive (T2)	14.11.2022	$3.34	$6.60	$8.84	3.42%	6.00%	29.65%	5 years	30.06.2026	30.09.2027
FY23 Performance Rights MD (T3)	14.11.2022	$3.14	$6.21	$8.84	3.49%	6.00%	28.65%	6 years	30.06.2026	30.09.2028
FY23 Alignment Rights (T1)	14.11.2022	n/a	$7.01	$8.84	3.34%	6.00%	31.72%	4 years	30.09.2026	30.09.2026
FY23 Alignment Rights (T2)	14.11.2022	n/a	$6.60	$8.84	3.42%	6.00%	29.65%	5 years	30.09.2027	30.09.2027

1. The fair value is calculated as at grant date in accordance with AASB 2 *Share-based Payment* using an independent valuation.
2. The Board will test the performance condition as soon as practical after the performance period has been reached. Any performance rights that do not vest will lapse at 5.00pm on the date the Board determines the vesting outcome of the grant.

All awards outlined in the table above do not have an exercise price at the time of reporting.

Remuneration Report continued

Section 6: Executive statutory remuneration continued

6.4 Equity plan valuation inputs continued

Deferred Share Rights

Equity Instrument[1]	Grant date	Issue price / fair value[2] $	Share price at grant date $	Restriction period end / test date	Vest / expiry date
Deferred Share Rights (T1)	24.06.2022	8.35	8.97	30.09.2023	30.09.2023
Deferred Share Rights (T2)	24.06.2022	7.06	8.97	30.09.2026	30.09.2026

1. Andrew Morgan received a sign-on equity award delivered in deferred share rights, vesting in two tranches over four years to replace incentive arrangements that were forgone with his previous employer.
2. The fair value is calculated on the grant date in accordance with AASB 2 *Share-based Payment* using an independent valuation.

Deferred Shares

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	30.06.2023	30.06.2023

1. The fair value is calculated on the grant date in accordance with AASB 2 *Share-based Payment* using an independent valuation.

Loan Funded Share Plan

Equity Instrument	Grant date	Fair value $	Share price $	Exercise price $	Risk free interest rate	Dividend yield	Expected volatility	Expected life	Performance/ Vest schedule
FY21 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 (perf.) 30.06.2024 (vesting) 30.06.2026 (expiry)
FY22 Loan Funded Share Plan[1]	16.11.2021	2.70	9.18	9.18	1.44%	0.00%	28.93%	4 – 6 years	30.06.2023 (perf.) 30.06.2025 (vesting) 30.06.2027 (expiry)

1. The FY22 Loan Funded Share Plan grant was tested on 30 June 2023 at the completion of the two-year performance period. Three of the four tranches met their performance conditions. The award is subject to a further two-year service condition and may vest at the end of FY25 following a risk assessment.

Section 6: Executive statutory remuneration continued

6.5 Details of untested awards

The following summary details the current 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.

Grant	Grant Date	Measures	Weighting	Performance Period	Vesting Condition
Performance Rights					
2021 LTI CEO & MD	25.11.2020	NPS TSR	35% 65%	01.07.2020 – 30.06.2024	**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%
2021 LTI Executive	25.11.2020	TSR	100%	01.07.2020 – 30.06.2024	
2022 LTI CEO & MD	16.11.2021	TSR	100%	01.07.2021 – 30.06.2025	
2022 LTI Executive	16.11.2021	TSR	100%	01.07.2021 – 30.06.2025	
2021 Transformation rights [1]	04.11.2020	Service	100%	01.07.2020 – 30.06.2024	100% subject to: • Individual performance; and • Risk and compliance gateway
FY23 Alignment rights (T1) [2]	14.11.2022	Service	100%	01.07.2022 – 30.09.2026	100% subject to: • Remaining employed by the Company for the duration of the Service Period; and • Risk gateway
FY23 Alignment rights (T2) [2]	14.11.2022	Service	100%	01.07.2022 – 30.09.2027	

Grant	Grant Date	Measures	Weighting	Performance Period
2023 LTI CEO & MD & Executive	14.11.2022	rTSR ROE NPS Reptrak	40% 25% 20% 15%	01.07.2022 – 30.06.2026

Relative TSR:
Compared to peer group of ASX100 companies (excluding resources and property trusts) over performance period:
- 50th percentile or less: 0%
- At 50.1th percentile: 50%
- Between 50.11th percentile and 75th percentile: Straight-line vesting between 50% and 100%
- Above 75th percentile: 100%

Absolute ROE:
Based on Company's Absolute ROE performance in final year of Performance Period:
- Below 10%: 0%
- 10.1%: 50%
- Between 10.1% and 10.43%: Straight-line vesting between 50% and 100%
- 10.43%: 100%

NPS:
20 points above the Customer NPS Peer Group over Performance Period:
- If target met: 100%
- If not met: 0%

Reptrak:
Measures the level of trust towards the Company and threshold to maintain an average gap of 8 points over the period:
- Below Threshold: 0%
- At Threshold: 50%
- Between Threshold and Stretch Performance: Straight-line vesting between 50% and 100%
- At or above Stretch Performance: 100%

1. Transformation rights granted in previous years were awarded to Ryan Brosnahan.
2. Alignment rights granted during the year were awarded to Andrew Morgan and Adam Rowse as part of their contracted long-term incentive.

Remuneration Report continued

Section 7: Non-executive Director arrangements

7.1 Non-executive Director fees

The People, Culture and Transformation Committee (Committee) is responsible for reviewing Non-executive Director (NED) fees for BEN and its main subsidiaries. In reviewing these fees, the Committee has regard to a range of factors including:

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.

c. Attracting and retaining high calibre Non-executive Directors who are equipped with the diverse skills needed to oversee all functions of the Bank in an increasingly complex environment.

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 AGM. This fee pool covers payments (including superannuation) for the main Board and Committees (from FY2022) and payments to the Bank's Non-executive Directors appointed to subsidiary boards and the Community Bank National Council. The aggregate Non-executive Director fees paid for the year was $2,068,000 which represents 82.7% of the $2,500,000 fee cap approved by shareholders.

Non-executive Directors fees are inclusive of superannuation contributions at 10.5%. In relation to the superannuation contributions, Non-executive Directors can elect to receive amounts above the maximum contributions limit as cash.

The Directors contribute $5,000 per annum each to the Bank's scholarship program. The program was established to assist disadvantaged students from rural and regional areas to meet their tertiary education, accomodation, and direct study costs. The contributions are deducted from Base Board fees. To date this program has raised $2.18 million in scholarship funds since it began in 2007.

The following table shows the annual fees in FY2023 for the Board and committees (inclusive of company superannuation contributions). Additional fees are paid to Non-executive Directors appointed to the Community Bank National Council.

	Fee schedule	
Board/Committee	Chair [1] $	Member $
Board	479,230	165,000
Committees	30,000	20,000

1. Chair fees are all inclusive i.e. a separate committee member fee is not paid.

7.2 Rights to Shares Plan

A fee sacrifice Rights to Shares Plan was introduced in FY21 for Non-executive Directors, to be offered annually, 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 the year-end results and the filing of the Appendix 4E announcement. The number of Rights to Shares is allocated on a face value methodology, with the nominated fee sacrificed amount divided by the five-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.

Section 7: Non-executive Director arrangements continued

7.3 Non-executive Director statutory remuneration

	Year	Short-term benefits			Post-employment benefits	
		Fees [1] $'000	Rights to Shares Plan [2] $'000	Non-monetary benefits [3] $'000	Superannuation contributions $'000	Total $'000
Non-executive Director						
J Hey (Chair)	2023	456	–	–	25	481
	2022	412	46	–	23	481
V Carter [4]	2023	284	–	–	25	309
	2022	190	–	–	19	209
R Deutsch	2023	155	40	–	21	216
	2022 (part year)	150	–	–	15	165
D Foster	2023	195	–	–	21	216
	2022	190	–	–	19	209
J Hazel	2023	186	–	–	20	206
	2022	186	–	–	19	205
D Matthews [5]	2023	199	–	6	21	226
	2022	198	–	6	20	224
A Muir	2023 (part year)	144	–	–	15	159
	2022	–	–	–	–	–
V Weekes	2023	155	40	–	20	215
	2022 (part year)	70	–	–	7	77
Former Non-executive Director						
J Harris	2023 (part year)	38	–	–	4	42
	2022	160	30	–	19	209
R Hubbard	2022 (part year)	66	–	–	7	73
A Robinson	2022 (part year)	66	–	–	7	73
Totals	2023	1,812	80	6	172	2,070
	2022	1,688	76	6	155	1,925

1. Fee amounts include the $5,000 Director contribution to the Bank's scholarship program.
2. Includes fee sacrifice component of the Base Board fee sacrificed as part of the FY23 NED Rights to Shares Plan. The values contained in the table above are calculated using the grant price multiplied by the total units granted. For FY23 the grant price was $9.54.
3. Includes fee sacrifice component of the Base Board fee paid as superannuation.
4. Fees paid to Vicki Carter includes $93,925 as the Chair of Sandhurst Trustees Limited.
5. Fees paid to David Matthews include $15,500 as a member of the Community Bank National Council.

Remuneration Report continued

Section 7: Non-executive Director arrangements continued

7.4 Shares and other securities held by Non-executive Directors

	Equity Instrument	Number at start of year	Granted during the year [1]	Vested or released [2]	Lapsed or expired	Net change other [3]	Number at end of year
Non-executive Director							
J Hey	Ordinary shares	55,077	—	2,282	—	78	57,437
	Preference Shares	250	—	—	—	—	250
	Rights to Shares	2,282	—	(2,282)	—	—	—
V Carter	Ordinary shares	24,850	—	—	—	—	24,850
	Preference Shares	—	—	—	—	—	—
	Rights to Shares	—	—	—	—	—	—
R Deutsch	Ordinary shares	3,000	—	2,097	—	990	6,087
	Preference Shares	—	—	—	—	—	—
	Rights to Shares	—	4,193	(2,097)	—	—	2,096
D Foster	Ordinary shares	10,039	—	—	—	1,542	11,581
	Preference Shares	—	—	—	—	—	—
	Rights to Shares	—	—	—	—	—	—
J Hazel	Ordinary shares	40,670	—	—	—	2,165	42,835
	Preference Shares	—	—	—	—	—	—
	Rights to Shares	—	—	—	—	—	—
D Matthews	Ordinary shares	40,520	—	—	—	7,105	47,625
	Preference Shares	—	—	—	—	—	—
	Rights to Shares	—	—	—	—	—	—
A Muir	Ordinary shares	—	—	—	—	1,043	1,043
	Preference Shares	—	—	—	—	—	—
	Rights to Shares	—	—	—	—	—	—
V Weekes	Ordinary shares	5,500	—	2,097	—	—	7,597
	Preference Shares	—	—	—	—	—	—
	Rights to Shares	—	4,193	(2,097)	—	—	2,096
Former Non-executive Director							
J Harris [4]	Ordinary shares	14,125	—	1,503	—	—	15,628
	Preference Shares	—	—	—	—	—	—
	Rights to Shares	1,503	—	(1,503)	—	—	—

1. Richard Deutsch and Victoria Weekes elected to participate in the FY23 Rights to Shares Plan. Rights to Shares were allocated in two tranches on 23 August 2022 using a VWAP of $9.54.
2. The FY22 Rights to Shares Plan (tranche 2) granted to Jacqueline Hey vested on 18 August 2022, coinciding with the Bank's full year results.
   The FY23 Rights to Shares Plan (tranche 1) granted to Richard Deutsch and Victoria Weekes vested on 21 February 2023, coinciding with the Bank's half year results.
3. Net Change may include shares allocated under the Dividend Reinvestment Plan (DRP), an on market purchase or Related Party holdings.
4. Jan Harris' Shares were released from restriction upon her resignation from the Bank effective 12 September 2022.

Financial Report

Financial contents

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				
Financial performance		**June 2023**	June 2022	June 2021	June 2020	June 2019 [1]
Net interest income	($m)	**1,640.8**	1,412.8	1,422.5	1,333.8	1,289.6
Other revenue	($m)	**279.5**	282.8	382.9	300.6	277.9
Operating expenses	($m)	**(1,161.9)**	(1,021.4)	(1,033.7)	(1,179.8)	(965.2)
Credit (expenses)/reversals	($m)	**(33.6)**	27.2	(18.0)	(168.5)	(50.3)
Income tax expense	($m)	**(227.8)**	(213.3)	(229.7)	(93.3)	(175.2)
Statutory earnings attributable to owners of the Bank	($m)	**497.0**	488.1	524.0	192.8	376.8
Add back: total non-cash items and other adjustments [2]	($m)	**79.9**	12.3	(66.8)	108.9	38.9
Cash earnings after income tax [3]	($m)	**576.9**	500.4	457.2	301.7	415.7
Financial position						
Net loans and other receivables	($m)	**78,526.3**	77,610.4	71,920.6	64,980.4	61,822.2
Total assets	($m)	**98,479.7**	95,239.6	86,577.2	76,008.9	72,435.3
Deposits	($m)	**77,310.8**	74,583.9	66,217.1	58,912.4	56,897.5
Total liabilities	($m)	**91,629.0**	88,527.7	80,223.7	70,210.7	66,969.1
Total equity	($m)	**6,850.7**	6,711.9	6,353.5	5,798.2	5,631.6
Risk-weighted assets	($m)	**37,900.3**	42,197.9	40,469.3	38,215.2	37,483.1
Common Equity Tier 1 capital ratio	(%)	**11.25**	9.68	9.57	9.25	8.92
Total capital ratio	(%)	**15.63**	13.60	13.81	13.61	13.14
Share information (per ordinary share)						
Net tangible assets	($)	**8.85**	8.71	8.66	7.98	8.03
Earnings per share (statutory basis)	(¢)	**87.9**	87.5	98.1	38.1	77.1
Earnings per share (cash basis) [3]	(¢)	**102.1**	89.8	85.6	59.7	85.0
Total fully franked dividend	(¢)	**61.0**	53.0	50.0	35.5	70.0
Shareholder ratios						
Return on average tangible equity (cash basis) [3]	(%)	**11.63**	10.28	10.27	7.42	10.73
Return on average assets (cash basis) [3]	(%)	**0.65**	0.59	0.60	0.42	0.61
Return on average ordinary equity (cash basis) [3]	(%)	**8.62**	7.72	7.67	5.36	7.55
Return on average ordinary equity (statutory basis)	(%)	**7.42**	7.53	8.79	3.43	6.84
Key trading indicators						
Number of staff (excluding Community Banks)	(FTE)	**4,726**	4,652	4,483	4,776	4,540
Assets per staff member	($m)	**20.8**	20.5	19.3	15.9	16.0
Asset quality						
Impaired loans	($m)	**113.9**	133.1	208.8	240.5	310.9
Individually assessed provisions	($m)	**(46.2)**	(57.1)	(93.0)	(77.5)	(127.6)
Net impaired loans	($m)	**67.7**	76.0	115.8	163.0	183.3
Net impaired loans % of gross loans	(%)	**0.09**	0.10	0.16	0.25	0.29
Individually assessed provision for impairment	($m)	**47.8**	58.1	94.3	78.4	128.5
Individually assessed provision % of gross loans	(%)	**0.06**	0.07	0.13	0.12	0.21
Collectively assessed provision	($m)	**238.5**	225.7	246.7	263.2	157.0
Equity reserve for credit losses (ERCL)	($m)	**95.2**	87.8	104.7	86.6	77.3
Collectively assessed provision & ERCL % of risk-weighted assets	(%)	**0.88**	0.74	0.87	0.92	0.63

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. Non-cash 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. For further details relating to non-cash items refer to the Operating and Financial Review section of this report.
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 non-cash items, amortisation on acquired intangibles and Homesafe net realised income. All adjustments are net of tax.

Income statement

For the year ended 30 June 2023

		Group		Bank	
	Note	**June 2023 $m**	June 2022 $m	**June 2023 $m**	June 2022 $m
Net interest income					
Interest income		**3,406.8**	1,745.3	**3,316.8**	1,727.2
Interest expense		**(1,766.0)**	(332.5)	**(1,633.9)**	(285.0)
Total net interest income	3	**1,640.8**	1,412.8	**1,682.9**	1,442.2
Other revenue					
Fees		**129.7**	130.8	**115.2**	115.8
Commissions and management fees		**64.0**	57.8	**16.3**	18.2
Other income		**85.8**	94.2	**46.3**	138.1
Total other revenue	3	**279.5**	282.8	**177.8**	272.1
Total income		**1,920.3**	1,695.6	**1,860.7**	1,714.3
Credit expenses					
Credit (expenses)/reversals		**(36.1)**	23.4	**(71.4)**	24.6
Bad and doubtful debts recovered		**2.5**	3.8	**2.5**	3.8
Total credit (expenses)/reversals	11	**(33.6)**	27.2	**(68.9)**	28.4
Operating expenses					
Staff and related costs		**(656.7)**	(604.1)	**(640.2)**	(588.5)
Occupancy costs		**(35.9)**	(35.7)	**(35.9)**	(35.7)
Amortisation and depreciation costs		**(93.9)**	(90.9)	**(93.2)**	(90.1)
Fees and commissions		**(23.6)**	(22.5)	**(7.9)**	(10.0)
Other operating expenses		**(351.8)**	(268.2)	**(357.7)**	(264.5)
Total operating expenses	4	**(1,161.9)**	(1,021.4)	**(1,134.9)**	(988.8)
Profit before income tax expense		**724.8**	701.4	**656.9**	753.9
Income tax expense	5	**(227.8)**	(213.3)	**(208.5)**	(203.6)
Net profit attributable to owners of the Bank		**497.0**	488.1	**448.4**	550.3

Earnings per share		**cents**	cents
Basic	7	**87.9**	87.5
Diluted	7	**79.2**	77.6

Statement of comprehensive income

For the year ended 30 June 2023

	Note	Group June 2023 $m	Group June 2022 $m	Bank June 2023 $m	Bank June 2022 $m
Profit for the year		**497.0**	488.1	**448.4**	550.3
Items which may be reclassified subsequently to profit or loss:					
Revaluation (loss)/gain on debt securities at FVOCI with recycling	23	**(17.0)**	(84.8)	**9.7**	(420.6)
Impairment of debt securities at FVOCI	23	**—**	0.1	**—**	0.1
Net (loss)/gain on cash flow hedges taken to equity	23	**(75.6)**	46.1	**(75.6)**	46.1
Tax effect on items taken directly to or transferred from equity	23	**19.2**	20.2	**11.2**	120.8
Total items that may be reclassified to profit or loss		**(73.4)**	(18.4)	**(54.7)**	(253.6)
Items which will not be reclassified subsequently to profit or loss:					
Revaluation gain on equity investments at FVOCI	23	**—**	4.7	**—**	5.4
Tax effect on items taken directly to or transferred from equity	23	**—**	(1.4)	**—**	(1.6)
Total items that will not be reclassified to profit or loss		**—**	3.3	**—**	3.8
Total comprehensive income for the year		**423.6**	473.0	**393.7**	300.5
Total comprehensive income for the year attributable to:					
Owners of the Bank		**423.6**	473.0	**393.7**	300.5

Balance sheet

As at 30 June 2023

		Group		Bank	
	Note	**June 2023 $m**	June 2022 $m	**June 2023 $m**	June 2022 $m
Assets					
Cash and cash equivalents	9	**8,384.2**	3,541.0	**7,953.9**	3,082.3
Due from other financial institutions	9	**123.9**	188.0	**123.9**	188.0
Financial assets at fair value through profit or loss (FVTPL)	12	**18.5**	30.5	**9.2**	30.5
Financial assets at amortised cost	13	**864.6**	861.7	**3,830.1**	603.9
Financial assets at fair value through other comprehensive income (FVOCI)	14	**6,917.5**	9,618.1	**17,458.9**	23,300.4
Derivatives	19	**9.2**	59.9	**9.2**	59.9
Net loans and other receivables	10	**78,526.3**	77,610.4	**77,616.7**	77,118.4
Investments accounted for using the equity method		**13.8**	14.5	**13.8**	14.5
Shares in controlled entities	30	**—**	—	**101.8**	112.8
Property, plant and equipment		**166.2**	179.6	**166.2**	179.5
Deferred tax assets	5	**71.2**	48.6	**203.4**	184.6
Investment property	24	**957.8**	920.3	**—**	—
Goodwill and other intangible assets	25	**1,841.9**	1,808.3	**1,776.3**	1,741.9
Other assets	26	**584.6**	358.7	**1,593.6**	1,393.8
Total Assets		**98,479.7**	95,239.6	**110,857.0**	108,010.5
Liabilities					
Due to other financial institutions	9	**190.3**	178.8	**190.3**	178.8
Deposits	15	**77,310.8**	74,583.9	**77,316.2**	74,589.7
Other borrowings	16	**11,838.2**	11,698.9	**8,945.7**	7,859.0
Derivatives	19	**17.4**	34.8	**17.4**	34.8
Amounts payable to controlled entities		**—**	—	**15,829.0**	17,095.0
Income tax payable	5	**40.8**	50.6	**40.8**	50.6
Provisions	28	**126.3**	122.2	**96.5**	122.2
Other payables	27	**734.2**	492.4	**693.5**	466.5
Loan capital	17	**1,371.0**	1,366.1	**1,371.0**	1,366.1
Total Liabilities		**91,629.0**	88,527.7	**104,500.4**	101,762.7
Net Assets		**6,850.7**	6,711.9	**6,356.6**	6,247.8
Equity					
Share capital	22	**5,240.5**	5,219.5	**5,240.5**	5,219.5
Reserves	23	**42.9**	105.9	**23.2**	67.2
Retained earnings	23	**1,567.3**	1,386.5	**1,092.9**	961.1
Total Equity		**6,850.7**	6,711.9	**6,356.6**	6,247.8

Statement of changes in equity

For the year ended 30 June 2023

	Group				
	Attributable to owners of Bendigo and Adelaide Bank Limited				
For the year ended 30 June 2023	**Issued ordinary capital $m**	**Other Issued capital [1] $m**	**Retained earnings [2] $m**	**Reserves [2] $m**	**Total equity $m**
Opening balance at 1 July 2022	**5,222.5**	**(3.0)**	**1,386.5**	**105.9**	**6,711.9**
Comprehensive income					
Profit for the year	**—**	**—**	**497.0**	**—**	**497.0**
Other comprehensive income/(loss)	**—**	**—**	**—**	**(73.4)**	**(73.4)**
Total comprehensive income for the year	**—**	**—**	**497.0**	**(73.4)**	**423.6**
Transactions with owners in their capacity as owners:					
Shares issued	**18.8**	**—**	**—**	**—**	**18.8**
Movement in treasury shares	**1.4**	**—**	**—**	**—**	**1.4**
Movement in executive share plans	**0.2**	**—**	**—**	**—**	**0.2**
Reduction in employee share ownership plan (ESOP) shares	**—**	**0.6**	**—**	**—**	**0.6**
Movement in equity reserve for credit losses (ERCL)	**—**	**—**	**(7.4)**	**7.4**	**—**
Share-based payment	**—**	**—**	**0.4**	**3.3**	**3.7**
Transfer from reserves	**—**	**—**	**0.3**	**(0.3)**	**—**
Equity dividends	**—**	**—**	**(309.5)**	**—**	**(309.5)**
Closing balance at 30 June 2023	**5,242.9**	**(2.4)**	**1,567.3**	**42.9**	**6,850.7**

	Group				
	Attributable to owners of Bendigo and Adelaide Bank Limited				
For the year ended 30 June 2022	Issued ordinary capital $m	Other Issued capital [1] $m	Retained earnings [2] $m	Reserves [2] $m	Total equity $m
Opening balance at 1 July 2021	5,053.1	(3.6)	1,166.0	138.0	6,353.5
Comprehensive income					
Profit for the year	—	—	488.1	—	488.1
Other comprehensive income/(loss)	—	—	—	(15.1)	(15.1)
Total comprehensive income for the year	—	—	488.1	(15.1)	473.0
Transactions with owners in their capacity as owners:					
Shares issued	178.1	—	—	—	178.1
Movement in treasury shares	(8.6)	—	—	—	(8.6)
Movement in executive share plans	(0.1)	—	—	—	(0.1)
Reduction in employee share ownership plan (ESOP) shares	—	0.6	—	—	0.6
Movement in equity reserve for credit losses (ERCL)	—	—	16.9	(16.9)	—
Movement in operational risk reserve	—	—	4.2	(4.2)	—
Share-based payment	—	—	0.9	4.1	5.0
Equity dividends	—	—	(289.6)	—	(289.6)
Closing balance at 30 June 2022	5,222.5	(3.0)	1,386.5	105.9	6,711.9

1. Refer to Note 22 for further details.
2. Refer to Note 23 for further details.

Statement of changes in equity

For the year ended 30 June 2023

For the year ended 30 June 2023	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 2022	**5,222.5**	**(3.0)**	**961.1**	**67.2**	**6,247.8**
Comprehensive income					
Profit for the year	—	—	448.4	—	448.4
Other comprehensive income/(loss)	—	—	—	(54.7)	(54.7)
Total comprehensive income for the year	—	—	448.4	(54.7)	393.7
Transactions with owners in their capacity as owners:					
Shares issued	18.8	—	—	—	18.8
Movement in treasury shares	1.4	—	—	—	1.4
Movement in executive share plans	0.2	—	—	—	0.2
Reduction in employee share ownership plan (ESOP) shares	—	0.6	—	—	0.6
Movement in equity reserve for credit losses (ERCL)	—	—	(7.4)	7.4	—
Share-based payment	—	—	0.3	3.3	3.6
Equity dividends	—	—	(309.5)	—	(309.5)
Closing balance at 30 June 2023	**5,242.9**	**(2.4)**	**1,092.9**	**23.2**	**6,356.6**

For the year ended 30 June 2022	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 2021	5,053.1	(3.6)	682.4	329.8	6,061.7
De-registered subsidiary companies	—	—	0.2	—	0.2
Comprehensive income					
Profit for the year	—	—	550.3	—	550.3
Other comprehensive income/(loss)	—	—		(249.8)	(249.8)
Total comprehensive income for the year	—	—	550.3	(249.8)	300.5
Transactions with owners in their capacity as owners:					
Shares issued	178.1	—	—	—	178.1
Movement in treasury shares	(8.6)	—	—	—	(8.6)
Movement in executive share plans	(0.1)	—	—	—	(0.1)
Reduction in employee share ownership plan (ESOP) shares	—	0.6	—	—	0.6
Movement in equity reserve for credit losses (ERCL)	—	—	16.9	(16.9)	—
Share-based payment	—	—	0.9	4.1	5.0
Equity dividends	—	—	(289.6)	—	(289.6)
Closing balance at 30 June 2022	5,222.5	(3.0)	961.1	67.2	6,247.8

1. Refer to Note 22 for further details.
2. Refer to Note 23 for further details.

Cash flow statement

For the year ended 30 June 2023

	Note	Group June 2023 $m	Group June 2022 $m	Bank June 2023 $m	Bank June 2022 $m
Cash flows from operating activities					
Interest and other items of a similar nature received		**3,124.1**	1,812.5	**2,984.6**	1,568.0
Interest and other costs of finance paid		**(1,330.8)**	(351.1)	**(1,201.8)**	(312.3)
Receipts from customers (excluding effective interest)		**251.5**	257.6	**211.1**	199.7
Payments to suppliers and employees		**(1,280.0)**	(1,065.8)	**(1,230.3)**	(1,103.7)
Dividends received		**1.4**	5.2	**8.7**	89.5
Income taxes paid		**(241.1)**	(195.3)	**(241.1)**	(195.3)
Cash flows from operating activities before changes in operating assets and liabilities		**525.1**	463.1	**531.2**	245.9
(Increase)/decrease in operating assets					
Net increase in balance of loans and other receivables		**(380.5)**	(5,666.4)	**(1,823.9)**	(4,418.5)
Net decrease/(increase) in balance of investment securities		**2,694.9**	(6,380.1)	**2,648.6**	(7,145.3)
Increase/(decrease) in operating liabilities					
Net increase in balance of deposits		**2,726.9**	8,366.8	**2,726.5**	8,360.4
Net increase/(decrease) in balance of other borrowings		**139.3**	(33.3)	**1,086.7**	(275.6)
Net cash flows from/(used in) operating activities	29	**5,705.7**	(3,249.9)	**5,169.1**	(3,233.1)
Cash flows related to investing activities					
Cash paid for purchases of property, plant and equipment		**(30.6)**	(14.5)	**(30.5)**	(14.4)
Cash proceeds from sale of property, plant and equipment		**0.1**	2.9	**0.1**	1.1
Cash paid for purchases of investment property		**(52.2)**	(51.9)	**—**	—
Cash proceeds from sale of investment property		**58.8**	71.0	**—**	—
Cash proceeds from sale of equity investments		**—**	0.8	**—**	0.8
Cash paid for purchases of equity investments		**(4.0)**	(5.0)	**(4.0)**	(5.0)
Cash proceeds from dividends from JV partners		**1.9**	1.9	**1.9**	1.9
Cash paid for purchase of ANZ investment lending portfolio		**(571.5)**	—	**—**	—
Net cash received on acquisition of a business combination/acquisition		**—**	0.5	**—**	0.5
Net cash proceeds from sale of Insurance Broking and Debtor Financing businesses		**—**	4.0	**—**	4.0
Net cash flows (used in)/from investing activities		**(597.5)**	9.7	**(32.5)**	(11.1)
Cash flows from financing activities					
Cash paid for purchases of treasury shares		**—**	(8.7)	**—**	(8.7)
Repayment of loan capital		**—**	(21.1)	**—**	(21.1)
Payment of loan capital issue costs		**—**	(0.7)	**—**	(0.7)
Proceeds from issuance of subordinated debt		**—**	125.0	**—**	125.0
Repayment of subordinated debt		**—**	(125.0)	**—**	(125.0)
Equity dividends paid	8	**(290.7)**	(213.7)	**(290.7)**	(213.7)
Repayment of lease liabilities	37	**(50.5)**	(50.3)	**(50.5)**	(50.3)
Repayment from employees for ESOP shares		**0.6**	0.6	**0.6**	0.6
Net cash flows used in financing activities		**(340.6)**	(293.9)	**(340.6)**	(293.9)
Net increase/(decrease) in cash and cash equivalents		**4,767.6**	(3,534.1)	**4,796.0**	(3,538.1)
Cash and cash equivalents at the beginning of year		**3,550.2**	7,084.3	**3,091.5**	6,629.6
Cash and cash equivalents at the end of year	9	**8,317.8**	3,550.2	**7,887.5**	3,091.5

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 the 2023 financial year 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 2023 was authorised for issue in accordance with a resolution of the Board of Directors on 11 September 2023. 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)
- Investment Property

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.

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

- Note 11 Impairment of loans and advances
- Note 24 Investment property
- Note 25 Goodwill and other intangible assets

Events subsequent to reporting date

No other matters or circumstances have arisen since the end of the financial year to the date of this report which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

Changes in accounting policies

New and amended standards and interpretations

The accounting policies applied by the Group in this consolidated financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2022.

The Group is yet to finalise its detailed assessment of the impact of AASB 17 *Insurance Contracts* however, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2024.

Recently issued or amended standards not yet effective

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

- AASB 17 *Insurance Contracts* (issued on 18 May 2017) including Amendments to AASB 17 (issued on 25 June 2020);
- 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*;
- Initial Application of AASB 17 and AASB 9 – Comparative Information (Amendments to AASB 17) (issued on 9 December 2021);
- International Tax Reform—Pillar Two Model Rules (Amendments to AASB 112);
- Classification of liabilities as current or non-current (Amendments to AASB 101);
- Lease Liability in a Sale and Leaseback (Amendments to AASB 16);
- Non-current Liabilities with Covenants (Amendments to AASB 101); and
- Supplier Finance Arrangements (Amendments to IAS 7 and AASB 107).

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 Income

	Note	Group June 2023 $m	Group June 2022 $m	Bank June 2023 $m	Bank June 2022 $m
Interest income					
Effective interest income					
Cash and cash equivalents		**170.7**	1.7	**152.7**	1.3
Assets held at FVTPL		**0.4**	0.9	**0.4**	0.9
Assets held at FVOCI		**237.0**	16.0	**724.3**	199.9
Assets held at amortised cost		**15.1**	1.9	**54.5**	1.9
Reverse repurchase agreements		**17.9**	0.7	**17.9**	0.7
Loans and other receivables		**2,965.7**	1,724.1	**2,367.0**	1,522.5
Total interest income		**3,406.8**	1,745.3	**3,316.8**	1,727.2
Interest expense					
Deposits					
Customer		**(1,092.2)**	(163.0)	**(1,092.3)**	(162.9)
Wholesale		**(340.1)**	(37.2)	**(340.1)**	(37.2)
Wholesale borrowings					
Wholesale borrowings – domestic		**(121.7)**	(33.6)	**(121.7)**	(33.6)
Notes payable		**(132.2)**	(47.4)	**—**	—
Repurchase agreements		**(7.3)**	(7.5)	**(7.3)**	(7.5)
Lease liability		**(4.0)**	(4.9)	**(4.0)**	(4.9)
Loan capital		**(68.5)**	(38.9)	**(68.5)**	(38.9)
Total interest expense		**(1,766.0)**	(332.5)	**(1,633.9)**	(285.0)
Total net interest income [1]		**1,640.8**	1,412.8	**1,682.9**	1,442.2
Other revenue					
Fee income					
Assets		**69.5**	75.4	**58.7**	63.8
Liabilities and other products		**54.7**	50.6	**54.5**	50.4
Trustee, management and other services		**5.5**	4.8	**2.0**	1.6
Total fee income		**129.7**	130.8	**115.2**	115.8
Commissions and management fees		**64.0**	57.8	**16.3**	18.2
Total revenue from contracts with customers		**193.7**	188.6	**131.5**	134.0
Other income					
Foreign exchange income		**27.9**	24.3	**27.9**	24.3
Homesafe revaluation gain	24	**44.3**	38.5	**—**	—
Dividend income		**1.2**	4.9	**8.7**	89.5
Other		**12.4**	26.5	**9.7**	24.3
Total other income		**85.8**	94.2	**46.3**	138.1
Total other revenue [1]		**279.5**	282.8	**177.8**	272.1
Total income		**1,920.3**	1,695.6	**1,860.7**	1,714.3

1. During the financial year a detailed review of the application of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* was undertaken. A number of reclassifications have been made, with these changes being applied retrospectively resulting in changes to comparative information. The restatements impact Net Interest Income, Other Income and Operating Expenses.

3 Income 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.

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 reflects the gains arising from changes in the fair value of investment property and are recognised in the year in which they arise.

Refer to Note 24 for further information.

Results for the year

4 Operating expenses

	Note	Group June 2023 $m	Group June 2022 $m	Bank June 2023 $m	Bank June 2022 $m
Staff and related costs					
Salaries, wages and incentives		**567.7**	519.0	**553.6**	505.7
Superannuation contributions		**53.5**	48.2	**52.0**	46.8
Other staff related costs		**35.5**	36.9	**34.6**	36.0
Total staff and related costs		**656.7**	604.1	**640.2**	588.5
Occupancy costs					
Operating lease rentals		**5.8**	6.3	**5.8**	6.3
Depreciation of leasehold improvements		**8.9**	8.3	**8.9**	8.3
Other		**21.2**	21.1	**21.2**	21.1
Total occupancy costs		**35.9**	35.7	**35.9**	35.7
Amortisation and depreciation					
Amortisation of acquired intangibles	25	**6.3**	6.0	**5.6**	5.3
Amortisation of software intangibles	25	**32.5**	33.4	**32.5**	33.3
Depreciation of property, plant and equipment		**55.1**	51.5	**55.1**	51.5
Total amortisation and depreciation costs		**93.9**	90.9	**93.2**	90.1
Fees and commission expense[1]		**23.6**	22.5	**7.9**	10.0
Other operating expenses					
Communications, postage and stationery		**34.2**	33.8	**34.1**	33.7
Computer systems and software costs		**101.6**	85.7	**100.5**	84.6
Advertising and promotion		**28.3**	22.9	**28.0**	22.7
Other product and services delivery costs		**14.7**	14.1	**14.7**	14.1
Consultancy fees		**47.3**	32.3	**47.0**	31.4
Non-credit losses		**30.5**	13.2	**30.5**	13.2
Insurance costs		**10.3**	12.4	**10.3**	12.4
Impairment charges		**52.2**	—	**63.2**	—
Other expenses		**32.7**	53.8	**29.4**	52.4
Total other operating expenses[1]		**351.8**	268.2	**357.7**	264.5
Total operating expenses		**1,161.9**	1,021.4	**1,134.9**	988.8

1. During the financial year a detailed review of the application of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* was undertaken. A number of reclassifications have been made, with these changes being applied retrospectively resulting in changes to comparative information. The restatements impact Net Interest Income, Other Income and Operating Expenses.

4 Operating expenses continued

Recognition and measurement

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

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

Refer to Note 28 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 34 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 include 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 25 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 37 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.

Results for the year

5 Income tax expense

Major components of income tax expense are:

	Group		Bank	
Income Statement	**June 2023 $m**	June 2022 $m	**June 2023 $m**	June 2022 $m
Current income tax				
Current income tax charge	**(239.4)**	(209.2)	**(224.1)**	(197.7)
Franking credits	**1.3**	2.8	**1.3**	2.8
Adjustments in respect of current income tax of previous years	**6.6**	5.7	**6.6**	7.0
Deferred income tax				
Adjustments in respect of deferred income tax of previous years	**(4.8)**	(4.6)	**(4.8)**	(5.7)
Relating to origination and reversal of temporary differences	**8.5**	(8.0)	**12.5**	(10.0)
Income tax expense reported in the Income Statement	**(227.8)**	(213.3)	**(208.5)**	(203.6)

Statement of changes in equity	**$m**	$m	**$m**	$m
Deferred income tax related to items charged or credited directly in equity				
Net loss/(gain) on cash flow hedges	**14.1**	(5.3)	**14.1**	(5.3)
Net loss/(gain) on financial assets at FVOCI	**5.1**	24.1	**(2.9)**	124.5
Income tax charged or credited in equity	**19.2**	18.8	**11.2**	119.2

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	**724.8**	701.4	**656.9**	753.9
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	**(217.5)**	(210.4)	**(197.1)**	(226.2)
Under provision in prior years	**1.8**	1.1	**1.8**	1.3
Tax credits and adjustments	**1.3**	2.8	**1.3**	2.8
Expenditure not allowable for income tax purposes	**(12.4)**	(7.5)	**(15.7)**	(7.5)
Other non-assessable income	**—**	1.9	**—**	1.8
Tax effect of tax credits and adjustments	**(0.3)**	(0.8)	**(0.3)**	(0.8)
Dividends received	**—**	—	**2.2**	25.3
Other	**(0.7)**	(0.4)	**(0.7)**	(0.3)
Income tax expense reported in the Income Statement	**(227.8)**	(213.3)	**(208.5)**	(203.6)

5 Income tax expense continued

Deferred income tax

Deferred income tax at 30 June relates to the following:

	Group		Bank	
Gross deferred tax assets	June 2023 $m	June 2022 $m	June 2023 $m	June 2022 $m
Derivatives	**50.4**	44.4	**50.4**	44.4
Employee benefits	**33.1**	31.6	**24.2**	31.6
Provisions	**89.9**	89.4	**99.4**	89.1
Lease liability	**34.7**	44.7	**34.7**	44.7
Financial assets at FVOCI	**24.5**	19.5	**33.2**	36.1
Other	**23.7**	34.9	**22.7**	33.9
Gross deferred tax assets	**256.3**	264.5	**264.6**	279.8
Set-off of deferred tax assets and deferred tax liabilities	**(185.1)**	(215.9)	**(61.2)**	(95.2)
Net deferred tax assets	**71.2**	48.6	**203.4**	184.6

	Group		Bank	
Gross deferred tax liabilities	June 2023 $m	June 2022 $m	June 2023 $m	June 2022 $m
Deferred expenses	**3.0**	—	**3.0**	—
Derivatives	**22.2**	53.6	**22.2**	53.6
Intangible assets	**13.4**	15.0	**13.4**	14.9
Investment property	**123.9**	120.6	**—**	—
Property, plant and equipment	**15.5**	19.1	**15.5**	19.1
Other	**7.1**	7.6	**7.1**	7.6
Gross deferred tax liability	**185.1**	215.9	**61.2**	95.2
Set-off of deferred tax assets and deferred tax liabilities	**(185.1)**	(215.9)	**(61.2)**	(95.2)
Net deferred tax liabilities	**—**	—	**—**	—

Income tax payable	$m	$m	$m	$m
Tax payable attributable to members of the tax consolidated group	**40.8**	50.6	**40.8**	50.6
	40.8	50.6	**40.8**	50.6

As at 30 June 2023, there is no unrecognised deferred income tax liability (June 2022: 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.

As at 30 June 2023, the Group had unused capital losses of $9.3 million (June 2022: $9.3 million) that will be carried forward. Capital losses can only be used to offset capital gains, and as such the associated deferred tax asset of $2.8m relating to the capital losses has not been recognised on the basis that it is not probable of recovery.

Results for the year

5 Income tax expense continued

Recognition and measurement

Current taxes

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

Deferred taxes

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

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

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

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

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

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

Tax consolidation

Bendigo and Adelaide Bank Limited and its 100% owned subsidiaries form the tax consolidated Group. Members of the Group entered into a tax sharing agreement to allocate income tax liabilities to the wholly-owned subsidiaries should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated Group is Bendigo and Adelaide Bank Limited.

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

6 Segment reporting

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

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.

The Group's reportable segments are as follows:

Consumer

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

Business and Agribusiness

The Business and Agribusiness division is focused on servicing business customers, particularly small and medium businesses who are seeking a relationship banking experience and includes Portfolio Funding, in addition to all banking services provided to agribusiness, rural and regional Australian communities through the Rural Bank brand.

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.

Results for the year

6 Segment reporting continued

	30 June 2023			
	Consumer $m	Business and Agribusiness $m	Corporate $m	Total $m
Net interest income	1,299.4	520.4	(157.3)	1,662.5
Other income	211.5	56.4	2.4	270.3
Total segment income	1,510.9	576.8	(154.9)	1,932.8
Operating expenses	(445.7)	(124.1)	(491.4)	(1,061.2)
Credit (expenses)/reversals	(18.3)	(25.0)	9.7	(33.6)
Total segment expenses	(464.0)	(149.1)	(481.7)	(1,094.8)
Net profit/(loss) before tax (cash basis)	1,046.9	427.7	(636.6)	838.0
Income tax (expense)/benefit	(328.7)	(134.3)	201.9	(261.1)
Net profit/(loss) after tax (cash basis)	718.2	293.4	(434.7)	576.9
Non-cash net interest income items	(15.2)	—	—	(15.2)
Non-cash other income items	8.0	0.5	(2.0)	6.5
Non-cash operating expense items [1]	(8.1)	(7.1)	(56.0)	(71.2)
Net profit/(loss) after tax (statutory basis)	702.9	286.8	(492.7)	497.0
	$m	$m	$m	$m
Reportable segment assets	60,182.9	19,221.9	19,074.9	98,479.7
Reportable segment liabilities	55,798.2	17,909.5	17,921.3	91,629.0

	30 June 2022			
	Consumer $m	Business and Agribusiness $m	Corporate $m	Total $m
Net interest income	909.5	482.9	21.0	1,413.4
Other income	210.5	60.7	11.1	282.3
Total segment income	1,120.0	543.6	32.1	1,695.7
Operating expenses	(416.4)	(137.2)	(448.5)	(1,002.1)
Credit reversals	4.5	14.5	8.2	27.2
Total segment expenses	(411.9)	(122.7)	(440.3)	(974.9)
Net profit/(loss) before tax (cash basis)	708.1	420.9	(408.2)	720.8
Income tax (expense)/benefit	(216.0)	(128.7)	124.3	(220.4)
Net profit/(loss) after tax (cash basis)	492.1	292.2	(283.9)	500.4
Non-cash net interest income items	(0.5)	—	—	(0.5)
Non-cash other income items	0.4	1.7	—	2.1
Non-cash operating expense items	(8.4)	(2.4)	(3.1)	(13.9)
Net profit/(loss) after tax (statutory basis)	483.6	291.5	(287.0)	488.1
	$m	$m	$m	$m
Reportable segment assets	58,724.3	19,743.8	16,771.5	95,239.6
Reportable segment liabilities	52,957.3	18,075.8	17,494.6	88,527.7

1. In FY23, an impairment expense of $47.6m was recognised against the Group's software intangible balances. This includes a $39.3m impairment against assets to be replaced, and an $8.3m impairment of software under development. A majority of the impairment loss is recorded in the Corporate segment for the purposes of AASB 8 *Operating Segments*, with a small component of the impairment recorded in the Consumer segment.

7 Earnings per ordinary share

	Group	
Earnings per ordinary share	June 2023 cents	June 2022 cents
Basic	**87.9**	87.5
Diluted	**79.2**	77.6

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	**497.0**	488.1
Total statutory earnings	**497.0**	488.1
Earnings used in calculating statutory earnings per ordinary share	**497.0**	488.1
Add back: dividends accrued and/or paid on dilutive loan capital instruments	**27.0**	15.9
Total diluted earnings	**524.0**	504.0

Reconciliation of weighted average number of ordinary shares (WANOS) used in earnings per share calculations	No. of shares	No. of shares
WANOS used in the calculation of basic earnings per share	**565,153,125**	557,537,515
Effect of dilutive instruments – executive share plans and convertible loan capital instruments	**96,813,366**	92,064,267
WANOS used in the calculation of diluted earnings per share	**661,966,491**	649,601,782

Recognition and measurement

Basic EPS is calculated as net profit after tax attributable to ordinary shareholders, divided by the weighted average number of ordinary shares outstanding during the year excluding treasury shares held.

Diluted EPS is calculated as net profit after tax attributable to ordinary shareholders, adjusted for the effect of dividends on dilutive loan capital instruments, divided by the weighted average number of ordinary shares outstanding during the year adjusted for the effects of potentially dilutive ordinary shares, including loan capital instruments and shares issuable as part of Group's share-based payment plans.

Results for the year

8 Dividends

Ordinary shares (ASX:BEN)

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 2022 final dividend			June 2021 final dividend			**June 2022 final dividend**			June 2021 final dividend		
Sep 2022	**26.5**	**147.4**	Sep 2021	26.5	144.0	Sep 2022	**26.5**	**147.4**	Sep 2021	26.5	144.0
December 22 interim dividend			December 21 interim dividend			**December 22 interim dividend**			December 21 interim dividend		
Mar 2023	**29.0**	**162.1**	Mar 2022	26.5	145.6	Mar 2023	**29.0**	**162.1**	Mar 2022	26.5	145.6
	55.5	**309.5**		53.0	289.6		**55.5**	**309.5**		53.0	289.6

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 2023.

Final dividend June 2023

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

Group			Bank		
Date payable	**¢**	**$m**	**Date payable**	**¢**	**$m**
Sep 2023	**32.0**	**181.1**	Sep 2023	**32.0**	**181.1**

Preference shares and Capital notes

Group						Bank					
June 2023			June 2022			**June 2023**			June 2022		
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
Converting preference shares (CPS4) (recorded as debt instruments) (ASX: BENPG) [1]											
Sep 2022	**93.76**	**3.0**	Sep 2021	65.15	2.1	Sep 2022	**93.76**	**3.0**	Sep 2021	65.15	2.1
Dec 2022	**112.26**	**3.6**	Dec 2021	65.65	2.1	Dec 2022	**112.26**	**3.6**	Dec 2021	65.65	2.1
Mar 2023	**120.32**	**3.9**	Mar 2022	67.25	2.2	Mar 2023	**120.32**	**3.9**	Mar 2022	67.25	2.2
Jun 2023	**128.94**	**4.1**	Jun 2022	68.14	2.2	Jun 2023	**128.94**	**4.1**	Jun 2022	68.14	2.2
	455.28	**14.6**		266.19	8.6		**455.28**	**14.6**		266.19	8.6
Capital notes (recorded as debt instruments) (ASX: BENPH) [2]											
Sep 2022	**97.13**	**4.9**	Sep 2021	67.48	3.4	Sep 2022	**97.13**	**4.9**	Sep 2021	67.48	3.4
Dec 2022	**114.37**	**5.7**	Dec 2021	66.51	3.3	Dec 2022	**114.37**	**5.7**	Dec 2021	66.51	3.3
Mar 2023	**120.25**	**6.0**	Mar 2022	66.66	3.4	Mar 2023	**120.25**	**6.0**	Mar 2022	66.66	3.4
Jun 2023	**131.59**	**6.6**	Jun 2022	69.77	3.5	Jun 2023	**131.59**	**6.6**	Jun 2022	69.77	3.5
	463.34	**23.2**		270.42	13.6		**463.34**	**23.2**		270.42	13.6

1. Converting preference shares (CPS 4, ASX:BENPG) were issued in December 2017.
2. Capital notes (ASX: BENPH) were issued in November 2020.

8 Dividends continued

Dividend franking account

	Group	
	June 2023 $m	June 2022 $m
Balance of franking account as at the end of the financial year	**721.5**	628.1
Franking credits that will arise from the payment of income tax provided for in the financial report	**40.8**	50.6
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	**(78.5)**	(63.4)
Closing balance	**683.8**	615.3

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 2023 $m	June 2022 $m	**June 2023 $m**	June 2022 $m
Paid in cash [1]	**290.7**	213.7	**290.7**	213.7
Satisfied by issue of shares [2]	**18.8**	75.9	**18.8**	75.9
	309.5	289.6	**309.5**	289.6

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 their entitlement to a dividend into new shares. The issue price of the shares is equal to the volume weighted average share price of Bendigo and Adelaide Bank shares traded on the Australian Securities Exchange over the ten trading days commencing 8 September 2023. Shares issued under this Plan rank equally with all other ordinary shares.

The last date for the receipt of an election notice for participation in the Dividend Reinvestment Plan for the 2023 final dividend is 6 September 2023.

Bonus Share Scheme

The Bonus Share Scheme has been terminated effective as of 1 April 2023. The final offer under the Scheme occurred in December 2022.

Financial Instruments

This section covers the financial instruments held by the Group including: loans and advances, derivatives, deposits and other borrowings. 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.

Financial assets

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 cash flows and sell the financial assets are measured at FVOCI with subsequent reclassification to the Income Statement, unless the financial asset has been designated as FVTPL. Non-traded equity instruments have been designated at FVOCI with no subsequent reclassification to the Income Statement. All other assets are measured at FVTPL.

Business model assessment

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

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

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

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

The SPPI test

The Group assesses financial assets to evaluate if their contractual cash flows 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.

9 Cash and cash equivalents

	Group		Bank	
	June 2023 $m	June 2022 $m	**June 2023 $m**	June 2022 $m
Notes and coins	**131.0**	133.4	**130.9**	133.4
Cash at bank	**6,429.0**	2,836.4	**5,998.8**	2,377.7
Reverse repurchase agreements	**1,824.2**	571.2	**1,824.2**	571.2
Total cash and cash equivalents	**8,384.2**	3,541.0	**7,953.9**	3,082.3

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	**8,384.2**	3,541.0	**7,953.9**	3,082.3
Due from other financial institutions	**123.9**	188.0	**123.9**	188.0
Due to other financial institutions	**(190.3)**	(178.8)	**(190.3)**	(178.8)
	8,317.8	3,550.2	**7,887.5**	3,091.5

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.

Financial Instruments

10 Loans and other receivables

		Group		Bank	
	Note	**June 2023 $m**	June 2022 $m	**June 2023 $m**	June 2022 $m
Overdrafts		**1,102.0**	1,290.7	**1,102.0**	1,290.5
Credit cards		**318.7**	314.7	**318.7**	314.7
Term loans		**74,592.4**	73,952.9	**75,613.0**	74,893.2
Margin lending		**1,875.3**	1,433.2	**—**	—
Lease receivables		**710.6**	693.7	**710.5**	693.5
Other		**140.3**	136.1	**140.3**	136.1
Gross loans and other receivables		**78,739.3**	77,821.3	**77,884.5**	77,328.0
Individually assessed provision	11	**(47.8)**	(58.1)	**(80.2)**	(57.8)
Collectively assessed provision	11	**(238.5)**	(225.7)	**(237.4)**	(224.8)
Unearned income		**(90.4)**	(71.3)	**(90.4)**	(71.2)
Total provisions and unearned income		**(376.7)**	(355.1)	**(408.0)**	(353.8)
Deferred costs paid		**163.7**	144.2	**140.2**	144.2
Net loans and other receivables		**78,526.3**	77,610.4	**77,616.7**	77,118.4
Maturity analysis [1]		**$m**	$m	**$m**	$m
At call / overdrafts		**4,183.0**	3,872.4	**2,307.7**	2,439.2
Not longer than 3 months		**771.8**	1,499.5	**771.8**	1,499.5
Longer than 3 and not longer than 12 months		**2,729.9**	2,823.8	**2,729.9**	2,823.8
Longer than 1 and not longer than 5 years		**10,220.7**	10,062.6	**10,220.7**	10,062.4
Longer than 5 years		**60,833.9**	59,563.0	**61,854.4**	60,503.1
Gross loans and other receivables		**78,739.3**	77,821.3	**77,884.5**	77,328.0

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

Recognition and measurement

Loans and other receivables are debt instruments recognised initially at fair value, which 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 11.

On 7 July 2022, the Group entered into an agreement to acquire the ANZ Investment Lending portfolio. On 3 April 2023, the transaction completed resulting in the addition of $558.5 million of margin loans to Leveraged Equities Limited. In accordance with AASB 9 *Financial Instruments*, the loans have been recorded at fair value plus transaction costs. The margin loans will subsequently be amortised through net interest income in accordance with the effective interest rate method. The amortisation of the fair value adjustment and the transaction costs will be included in cash earnings adjustments.

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.

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.

11 Impairment of loans and advances

	Group		Bank	
Credit expenses	**June 2023 $m**	June 2022 $m	**June 2023 $m**	June 2022 $m
Individually assessed provision	**21.8**	(1.7)	**54.2**	(1.9)
Collectively assessed provision	**12.8**	(21.0)	**12.6**	(21.0)
Bad debts written off	**1.5**	(0.7)	**4.6**	(1.7)
Bad debts recovered	**(2.5)**	(3.8)	**(2.5)**	(3.8)
Total credit expenses/(reversals)	**33.6**	(27.2)	**68.9**	(28.4)

Summary of impaired financial assets	**$m**	$m	**$m**	$m
Impaired loans				
Loans – without individually assessed provisions	**25.1**	19.7	**25.1**	19.7
Loans – with individually assessed provisions	**85.7**	110.6	**1,106.8**	110.6
Restructured loans	**3.1**	2.8	**3.1**	2.8
Less: individually assessed provisions	**(46.2)**	(57.1)	**(78.6)**	(56.8)
Net impaired loans	**67.7**	76.0	**1,056.4**	76.3
Net impaired loans to gross loans	**0.09%**	0.10%	**1.36%**	0.10%
Portfolio facilities – past due 90 days, not well secured	**2.9**	2.0	**2.9**	2.0
Less: individually assessed provisions	**(1.6)**	(1.0)	**(1.6)**	(1.0)
Net portfolio facilities	**1.3**	1.0	**1.3**	1.0

Loans past due 90 days	**$m**	$m	**$m**	$m
Accruing loans past due 90 days, with adequate security balance	**331.1**	256.9	**331.1**	256.9
Net fair value of properties acquired through the enforcement of security	**10.5**	41.8	**10.5**	41.8

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.

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 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.

Financial Instruments

11 Impairment of loans and advances continued

Movements in provisions and reserves	Group					
	Stage 1	Stage 2	Stage 3			
	12 month ECL $m	Lifetime ECL $m	Collectively assessed – Lifetime ECL $m	Individually assessed – Lifetime ECL $m	Equity reserve for credit losses $m	Total $m
Balance as at 1 July 2022	**105.1**	**89.4**	**31.2**	**58.1**	**87.8**	**371.6**
Transfers to/(from) during the year:						
Stage 1	**1.3**	**(1.2)**	**(0.1)**	**—**	**—**	**—**
Stage 2	**(24.6)**	**25.6**	**(1.0)**	**—**	**—**	**—**
Stage 3	**(13.5)**	**(14.5)**	**28.0**	**—**	**—**	**—**
Transfer from collectively assessed to individually assessed provisions	**—**	**(0.4)**	**(1.1)**	**1.5**	**—**	**—**
New/increased provisions	**20.4**	**5.6**	**1.4**	**19.8**	**—**	**47.2**
Write-back of provisions no longer required	**(7.1)**	**(12.4)**	**(7.6)**	**—**	**—**	**(27.1)**
Change in balances	**33.6**	**(16.8)**	**(2.8)**	**—**	**7.4**	**21.4**
Bad debts written off previously provided for	**—**	**—**	**—**	**(31.6)**	**—**	**(31.6)**
Total provision for doubtful debts as at 30 June 2023	**115.2**	**75.3**	**48.0**	**47.8**	**95.2**	**381.5**

	Group					
	Stage 1	Stage 2	Stage 3			
	12 month ECL $m	Lifetime ECL $m	Collectively assessed – Lifetime ECL $m	Individually assessed – Lifetime ECL $m	Equity reserve for credit losses $m	Total $m
Balance as at 1 July 2021	126.3	86.8	33.6	94.3	104.7	445.7
Transfers to/(from) during the year:						
Stage 1	1.2	(1.2)	—	—	—	—
Stage 2	(18.6)	19.3	(0.7)	—	—	—
Stage 3	(8.7)	(5.4)	14.1	—	—	—
Transfer from collectively assessed to individually assessed provisions	—	(0.4)	(1.4)	1.8	—	—
New/increased provisions	13.5	3.9	0.5	(3.5)	—	14.4
Write-back of provisions no longer required	(2.8)	(9.9)	(8.3)	—	—	(21.0)
Change in balances	(5.8)	(3.7)	(6.6)	—	(16.9)	(33.0)
Bad debts written off previously provided for	—	—	—	(34.5)	—	(34.5)
Total provision for doubtful debts as at 30 June 2022	105.1	89.4	31.2	58.1	87.8	371.6

11 Impairment of loans and advances continued

	Bank					
	Stage 1	Stage 2	Stage 3			
Movements in provisions and reserves	12 month ECL $m	Lifetime ECL $m	Collectively assessed – Lifetime ECL $m	Individually assessed – Lifetime ECL $m	Equity reserve for credit losses $m	Total $m
Balance as at 1 July 2022	**104.2**	**89.4**	**31.2**	**57.8**	**87.8**	**370.4**
Transfers to/(from) during the year:						
Stage 1	**1.3**	**(1.2)**	**(0.1)**	**—**	**—**	**—**
Stage 2	**(24.6)**	**25.6**	**(1.0)**	**—**	**—**	**—**
Stage 3	**(13.5)**	**(14.5)**	**28.0**	**—**	**—**	**—**
Transfer from collectively assessed to individually assessed provisions	**—**	**(0.4)**	**(1.1)**	**1.5**	**—**	**—**
New/increased provisions	**20.4**	**5.6**	**1.4**	**52.5**	**—**	**79.9**
Write-back of provisions no longer required	**(7.1)**	**(12.4)**	**(7.6)**	**—**	**—**	**(27.1)**
Change in balances	**33.4**	**(16.8)**	**(2.8)**	**—**	**7.4**	**21.2**
Bad debts written off previously provided for	**—**	**—**	**—**	**(31.6)**	**—**	**(31.6)**
Total provision for doubtful debts as at 30 June 2023	**114.1**	**75.3**	**48.0**	**80.2**	**95.2**	**412.8**

	Bank					
	Stage 1	Stage 2	Stage 3			
	12 month ECL $m	Lifetime ECL $m	Collectively assessed – Lifetime ECL $m	Individually assessed – Lifetime ECL $m	Equity reserve for credit losses $m	Total $m
Balance as at 1 July 2021	125.5	86.7	33.6	94.3	104.7	444.8
Transfers to/(from) during the year:						
Stage 1	1.2	(1.2)	—	—	—	—
Stage 2	(18.6)	19.3	(0.7)	—	—	—
Stage 3	(8.7)	(5.4)	14.1	—	—	—
Transfer from collectively assessed to individually assessed provisions	—	(0.4)	(1.4)	1.8	—	—
New/increased provisions	13.5	3.9	0.5	(3.7)	—	14.2
Write-back of provisions no longer required	(2.8)	(9.9)	(8.3)	—	—	(21.0)
Change in balances	(5.9)	(3.6)	(6.6)	—	(16.9)	(33.0)
Bad debts written off previously provided for	—	—	—	(34.6)	—	(34.6)
Total provision for doubtful debts as at 30 June 2022	104.2	89.4	31.2	57.8	87.8	370.4

Financial Instruments

11 Impairment of loans and advances continued

	Group		Bank	
Summary of provisions and reserves	**June 2023 $m**	June 2022 $m	**June 2023 $m**	June 2022 $m
Individually assessed provision				
Opening balance	**58.1**	94.3	**57.8**	94.3
Bad debts written off previously provided for	**(31.6)**	(34.5)	**(31.6)**	(34.6)
Charged/(released) to Income Statement	**21.3**	(1.7)	**54.0**	(1.9)
Closing balance individually assessed provision	**47.8**	58.1	**80.2**	57.8
Collectively assessed provision				
Opening balance	**225.7**	246.7	**224.8**	245.8
Charged/(released) to Income Statement	**12.8**	(21.0)	**12.6**	(21.0)
Closing balance collectively assessed provision	**238.5**	225.7	**237.4**	224.8
Equity reserve for credit losses (ERCL)				
Opening balance	**87.8**	104.7	**87.8**	104.7
Increase/(decrease) in ERCL	**7.4**	(16.9)	**7.4**	(16.9)
Closing balance ERCL	**95.2**	87.8	**95.2**	87.8
Total provisions and reserves	**381.5**	371.6	**412.8**	370.4

Ratios		
Individually assessed provision to gross loans	**0.06%**	0.07%
Total provisions and reserves to gross loans	**0.48%**	0.48%
Collectively assessed provision and ERCL to risk-weighted assets	**0.88%**	0.74%
Provision coverage [1]	**334.94%**	279.19%

1. Provision coverage is calculated as total provisions and reserves for doubtful debts 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 credit risk 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 the 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.

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.

11 Impairment of loans and advances continued

Financial assets in Stage 1 and Stage 2 are assessed for impairment collectively, whilst those in Stage 3 are subjected to either a 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 the point of default, 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. 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 conflict in Europe, escalating inflation and increasing interest rates. 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 growth. 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 management overlays may be made using expert credit judgement.

The Group's Economic Outlook Workgroup (EOW) is responsible for reviewing and formulating the macroeconomic forecasts. The base economic scenario is discussed and approved by the Asset and Liability Management Committee (ALMAC) while the upside and downside scenarios are approved by the Management Credit Committee (MCC). Any management overlays or adjustments required to account for identified risks that have not been considered in the modelling process are determined after consultation with respective business representatives. At each reporting period the modelled outcomes and 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 determine projections and forecasts.

The forecasts are based on consensus forecasts and expert judgment 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. Two downside and two upside scenarios are generated in addition to the base case. 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 Group's base case economic forecast used for the collective provision assessment as at 30 June 2023 reflects a slowing of growth as the higher interest rates start to impact mortgage owners and the expectation that interest rates will further increase as a result of inflationary pressures. Annual GDP growth is forecasted to slow to 0% for the December 2023 and March 2024 quarters, with growth above 2% only returning by June 2026.

Financial Instruments

11 Impairment of loans and advances continued

Interest rates are forecasted to peak at 4.6% and remain at that level to June 2024 while the unemployment rate is expected to gradually increase, peaking at 5.9% in June 2025 before declining to around 5.5%.

A modest reduction in house prices is projected until March 2024 before positive growth returns. Commercial property prices are expected to remain under pressure. There is currently a low volume of transactions in this market which, along with other factors, reduces price transparency.

The Group's significant deterioration scenario is more severe than in previous assessments and is more aligned with a typical stress test scenario. In the significant deterioration scenario, GDP growth is assumed to be negative for 10 quarters while the unemployment rate peaks at 10% by December 2025. House prices are assumed to fall by 38% from December 2022 levels and commercial property prices by 39%. The mild deterioration scenario is at a similar severity level as previous assessments, with GDP growth being negative for 5 quarters, unemployment peaking at 8.3%, house prices falling by 21% from December 2022 levels and commercial property prices by 20%.

The table below illustrates the weightings applied to the scenarios for the purpose of calculating the collectively assessed provisions. These have been adjusted from June 2022 to reflect the more severe downside scenarios:

Weightings	**30 June 2023**	30 June 2022
Base scenario	**55.0%**	50.0%
Significant improvement	**0.0%**	0.0%
Mild improvement	**5.0%**	0.0%
Mild deterioration	**30.0%**	27.5%
Significant deterioration	**10.0%**	22.5%

The table below discloses the collectively assessed provision outcomes assuming a 100% weighting is applied to the relevant scenario, with all other assumptions constant. Overlays were determined separately for each scenario for the June 2023 assessment which materially increased the quantum of the downside scenarios and reduced the upside scenarios as compared with June 2022.

Scenario Outcomes [1]	**30 June 2023**	30 June 2022
100% Base scenario	**$177.3 m**	$206.6 m
100% Significant improvement	**$151.9 m**	$189.8 m
100% Mild improvement	**$165.5 m**	$196.0 m
100% Mild deterioration	**$271.0 m**	$229.2 m
100% Significant deterioration	**$514.4 m**	$266.2 m

1. These outcomes exclude the equity reserve for credit losses (ERCL).

11 Impairment of loans and advances continued

Assessment of significant increase in credit risk (SICR)

The Group assesses whether there has been a SICR for exposures since initial recognition by comparing the current probability of default (PD) and the PD at the date of initial recognition. The assessment also considers borrower-specific quantitative and qualitative information including arrears status and hardship arrangements.

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.

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 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. SICR is evaluated based on the movement in the ratings of customers, i.e. a two notch downgrade in the internal rating since origination will trigger a transfer 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.

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.

Financial Instruments

11 Impairment of loans and advances continued

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.

Equity reserve for credit losses

The equity reserve for credit losses was initially established to meet the requirements of APRA Prudential Standard, APS 220 *Credit Quality*, which required a reserve to be held to recognise estimated future credit losses which may arise over the life of the Group's lending portfolio. This requirement was removed from 1 January 2022, however, the Group has prudently maintained this reserve pending further clarification.

12 Financial assets at fair value through profit or loss

	Group		Bank	
	June 2023 $m	June 2022 $m	**June 2023 $m**	June 2022 $m
Government securities	**9.2**	30.5	**9.2**	30.5
Unlisted Managed Fund investments	**9.3**	—	**—**	—
Total financial assets at fair value through profit or loss	**18.5**	30.5	**9.2**	30.5
Maturity analysis	**$m**	$m	**$m**	$m
Longer than 5 years	**9.2**	30.5	**9.2**	30.5
Non-maturing	**9.3**	—	**—**	—
Total financial assets at fair value through profit or loss	**18.5**	30.5	**9.2**	30.5

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 20.

Financial Instruments

13 Financial assets at amortised cost

	Group		Bank	
	June 2023 $m	June 2022 $m	**June 2023 $m**	June 2022 $m
Collateral and security deposits	**518.5**	470.3	**260.0**	219.6
Other deposits	**7.5**	7.2	**—**	0.1
Bonds	**186.4**	184.0	**186.4**	184.0
Loans receivable from controlled entities	**—**	—	**3,231.5**	—
Reverse repurchase agreements [1]	**152.2**	200.2	**152.2**	200.2
Total financial assets at amortised cost	**864.6**	861.7	**3,830.1**	603.9

Maturity analysis	**$m**	$m	**$m**	$m
Not longer than 3 months [2]	**198.7**	42.1	**2,225.6**	42.1
Longer than 3 and not longer than 12 months	**—**	200.2	**—**	200.2
Longer than 1 and not longer than 5 years	**—**	0.1	**453.1**	0.1
Longer than 5 years	**665.9**	619.3	**1,151.4**	361.5
Total financial assets at amortised cost	**864.6**	861.7	**3,830.1**	603.9

1. Reverse repurchase agreements have an original maturity date of greater than 90 days.
2. Represents the demand component of loans receivable from controlled entities.

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 11.

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

14 Financial assets at fair value through other comprehensive income

	Group		Bank	
	June 2023 $m	June 2022 $m	**June 2023 $m**	June 2022 $m
Debt securities (with recycling)				
Floating rate notes	**975.3**	974.6	**975.3**	974.6
Government securities	**5,902.7**	8,589.9	**5,902.7**	8,589.9
Mortgage backed securities	**3.3**	8.7	**10,544.7**	13,699.7
Other debt securities	**0.5**	0.5	**0.5**	0.5
Total debt securities (with recycling)	**6,881.8**	9,573.7	**17,423.2**	23,264.7
Managed Fund investments (without recycling)				
Unlisted Managed Fund investments	**—**	8.7	**—**	—
Total managed fund investments (without recycling)	**—**	8.7	**—**	—
Equity investments (without recycling)				
Listed share investments	**0.1**	0.1	**0.1**	0.1
Unlisted share investments	**35.6**	35.6	**35.6**	35.6
Total equity investments (without recycling)	**35.7**	35.7	**35.7**	35.7
Total financial assets at fair value through other comprehensive income	**6,917.5**	9,618.1	**17,458.9**	23,300.4

Maturity analysis	**$m**	$m	**$m**	$m
Not longer than 3 months	**3,421.0**	6,676.9	**3,618.6**	6,912.2
Longer than 3 and not longer than 12 months	**586.6**	1,564.2	**586.6**	1,564.2
Longer than 1 and not longer than 5 years	**966.9**	792.9	**966.9**	738.1
Longer than 5 years	**1,907.3**	539.7	**12,251.1**	14,050.2
Non-maturing	**35.7**	44.4	**35.7**	35.7
Total financial assets at fair value through other comprehensive income	**6,917.5**	9,618.1	**17,458.9**	23,300.4

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 to sell the asset; and
- the cash flows solely represent principal and interest.

Debt instruments

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 Instruments

14 Financial assets at fair value through other comprehensive income continued

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 capital notes 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 capital notes, 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.

15 Deposits

	Group		Bank	
	June 2023 $m	June 2022 $m	**June 2023 $m**	June 2022 $m
At call	**42,777.4**	46,925.3	**42,782.7**	46,931.0
Term	**27,778.1**	21,463.3	**27,778.2**	21,463.4
Certificates of Deposit	**6,755.3**	6,195.3	**6,755.3**	6,195.3
Total deposits	**77,310.8**	74,583.9	**77,316.2**	74,589.7
Concentration of deposits	**$m**	$m	**$m**	$m
Customer deposits [1]	**66,089.7**	64,261.4	**66,095.1**	64,267.2
Wholesale deposits [2]	**11,221.1**	10,322.5	**11,221.1**	10,322.5
Total deposits	**77,310.8**	74,583.9	**77,316.2**	74,589.7
Deposits by geographic location	**$m**	$m	**$m**	$m
Victoria	**40,109.5**	38,954.8	**40,145.5**	38,996.7
New South Wales	**12,707.5**	12,228.8	**12,697.4**	12,215.7
Queensland	**9,051.3**	8,315.7	**9,044.3**	8,304.7
South Australia/Northern Territory	**6,392.0**	6,427.2	**6,390.3**	6,424.7
Western Australia	**5,443.1**	4,998.7	**5,434.5**	4,990.8
Australian Capital Territory	**1,405.5**	1,406.6	**1,405.2**	1,406.5
Tasmania	**1,595.6**	1,607.8	**1,595.4**	1,607.5
Overseas/other	**606.3**	644.3	**603.6**	643.1
Total deposits	**77,310.8**	74,583.9	**77,316.2**	74,589.7

1. Customer deposits represent the sum of interest bearing, non-interest bearing and term deposits from retail and corporate customers.
2. Wholesale deposits represent the sum of interest bearing, non-interest bearing and term deposits from Other Financial Institutions and certificates of deposit.

Recognition and measurement

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.

Financial Instruments

16 Other Borrowings

	Group		Bank	
	June 2023 $m	June 2022 $m	**June 2023 $m**	June 2022 $m
Term Funding Facility	**4,007.2**	4,730.4	**4,007.2**	4,730.4
Covered Bonds	**1,201.3**	—	**1,201.3**	—
Medium-term notes	**3,737.2**	3,128.6	**3,737.2**	3,128.6
Notes payable	**2,892.5**	3,839.9	**—**	—
Total other borrowings	**11,838.2**	11,698.9	**8,945.7**	7,859.0

Upon review of the Group's application of AASB 9 *Financial Instruments* a reclassification has been made in relation to issue costs from Other Assets to Other Borrowings. Prior period comparatives have been restated.

Term Funding Facility

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

As at 30 June 2023 the Group's TTF drawdowns totalled $4.0 billion (30 June 2022: $4.7 billion). The final tranche of the TFF facility will mature in June 2024.

Covered Bonds

The Group established its inaugural Covered Bond Programme (CBP) in October 2022. The covered bonds issued by the Bank constitute wholesale debt instruments that offer investors dual recourse to the issuing ADI, the Bank, and a bankruptcy-remote Special Purpose Entity (SPE) associated with the CBP.

Medium-term notes

The Group's medium-term notes include fixed and floating rate notes issued under the $7.5 billion Debt Instrument Programme (2020) and the $7.5 billion Debt Instrument Program (2018).

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. The associated interest expense is recognised in the Income Statement.

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.

17 Loan capital

	Group		Bank	
	June 2023 $m	June 2022 $m	**June 2023 $m**	June 2022 $m
Tier 1 loan capital	**818.2**	816.0	**818.2**	816.0
Tier 2 loan capital	**552.8**	550.1	**552.8**	550.1
Total loan capital	**1,371.0**	1,366.1	**1,371.0**	1,366.1

Tier 1 loan capital instruments

	$m	$m	**$m**	$m
CPS4 (ASX Code: BENPG)				
December 2017: 3,216,145 fully paid $100 Converting preference shares	**321.6**	321.6	**321.6**	321.6
Closing balance CPS4	**321.6**	321.6	**321.6**	321.6
Capital notes (ASX Code: BENPH)				
November 2020: 5,024,446 fully paid $100 Capital notes	**502.5**	502.5	**502.5**	502.5
Closing balance capital notes	**502.5**	502.5	**502.5**	502.5
Total Additional Tier 1 regulatory capital	**824.1**	824.1	**824.1**	824.1
Unamortised issue costs	**(5.9)**	(8.1)	**(5.9)**	(8.1)
Total Tier 1 loan capital	**818.2**	816.0	**818.2**	816.0

Nature of 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.

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 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, the ranking of the securities may be affected resulting in the securities converting to ordinary shares or the securities being written off.

Financial Instruments

17 Loan capital continued

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 costs 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 is determined semi-annually or quarterly and payable half yearly or quarterly in arrears. The dividend rate is the floating Bank Bill Rate plus the initial fixed margin, adjusted for franking credits.

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

Tier 2 loan capital instruments

	Group		Bank	
	June 2023 $m	June 2022 $m	**June 2023 $m**	June 2022 $m
Floating rate subordinated notes	**550.0**	550.0	**550.0**	550.0
Total Tier 2 capital instruments	**550.0**	550.0	**550.0**	550.0
Accrued interest	**4.0**	1.9	**4.0**	1.9
Unamortised issue costs	**(1.2)**	(1.8)	**(1.2)**	(1.8)
Total Tier 2 loan capital	**552.8**	550.1	**552.8**	550.1

Nature of 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 denominated in foreign currencies are translated into Australian dollars at the end of each month at the spot foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the Income Statement.

	Group		Bank	
Maturity analysis [1]	**June 2023 $m**	June 2022 $m	**June 2023 $m**	June 2022 $m
Longer than 3 and not longer than 12 months	**4.0**	1.9	**4.0**	1.9
Longer than 1 and not longer than 5 years	**818.2**	816.0	**818.2**	816.0
Over 5 years	**548.8**	548.2	**548.8**	548.2
Total loan capital	**1,371.0**	1,366.1	**1,371.0**	1,366.1

1. Based on the final maturity date or, in the case of Additional Tier 1 capital securities, the optional exchange date (if any).

17 Loan capital continued

Capital management

Capital management strategy

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.

Regulatory Capital

As an Authorised Deposit-taking Institution (ADI) in Australia, Bendigo and Adelaide Bank Limited is regulated by Australian Prudential Regulation Authority (APRA) under the *Banking Act 1959*.

The Group manages capital adequacy in accordance with the framework provided by APRA. APRA's new Basel III capital framework came into effect from 1 January 2023, impacting the measurement of credit and operational risk-weighted assets. The capital requirements have been summarised below.

Regulatory Capital consists of:

Common Equity Tier 1 Capital	Tier 1 Capital	Tier 2 Capital	Total Capital
Shareholders' equity less goodwill and other prescribed adjustments.	Common Equity Tier 1 plus other highly ranked capital instruments acceptable to APRA.	Subordinated debt instruments acceptable to APRA.	Tier 1 Capital plus Tier 2 Capital.

Reporting Levels consist of:

Level 1	Level 2
Bendigo and Adelaide Bank Limited and certain controlled entities that meet the APRA definition of extended licensed entities.	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).

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.

Financial Instruments

17 Loan capital continued

Capital Adequacy

The following table provides details of the Group's capital adequacy ratios:

Risk-weighted capital adequacy ratios	June 2023 [1]	June 2022
Tier 1	**13.43%**	11.63%
Tier 2	**2.20%**	1.97%
Total capital ratio	**15.63%**	13.60%
Common Equity Tier 1	**11.25%**	9.68%

Regulatory capital	$m	$m
Common Equity Tier 1		
Contributed capital	**5,242.9**	5,222.5
Retained profits and reserves	**1,233.0**	1,078.2
Accumulated other comprehensive income (and other reserves)	**(52.3)**	17.6
Less: Deductions	**(2,158.3)**	(2,235.4)
Total Common Equity Tier 1 capital	**4,265.3**	4,082.9
Additional Tier 1 capital	**824.1**	824.1
Total Tier 1 capital	**5,089.4**	4,907.0
Total Tier 2 capital	**835.7**	832.3
Total regulatory capital	**5,925.1**	5,739.3
Total risk-weighted assets	**37,900.3**	42,197.9

1. APRA's new Basel III capital framework came into effect from 1 January 2023 and resulted in an increase of 111 basis points to the Common Equity Tier 1 ratio. June 2022 ratios are as previously reported.

18 Securitisation and transferred assets

In the normal course of business the Group enters into transactions by which it transfers financial assets to counterparties or directly to Special Purpose Entities (SPE's). These transfers do not give rise to derecognition of those financial assets for the Group.

At the Balance Sheet date, transferred financial assets that did not qualify for derecognition and their associated liabilities are as follows:

	Group					
	Repurchase agreements		Covered Bonds		Securitisation	
	June 2023 $m	June 2022 $m	**June 2023 $m**	June 2022 $m	**June 2023 $m**	June 2022 $m
Carrying amount of transferred assets [1]	**4,007.2**	4,730.4	**3,155.5**	—	**2,857.4**	3,780.9
Carrying amount of associated liabilities [2]	**4,007.2**	4,730.4	**1,201.3**	—	**2,892.5**	3,839.9
Fair value of transferred assets					**2,842.6**	3,744.3
Fair value of associated liabilities					**2,863.3**	3,797.0
Net position					**(20.7)**	(52.7)

	Bank					
	Repurchase agreements		Covered Bonds		Securitisation	
	June 2023 $m	June 2022 $m	**June 2023 $m**	June 2022 $m	**June 2023 $m**	June 2022 $m
Carrying amount of transferred assets [1,3]	**4,007.2**	4,730.4	**3,155.5**	—	**12,668.0**	16,686.7
Carrying amount of associated liabilities [4]	**4,007.2**	4,730.4	**1,201.3**	—	**13,264.3**	17,350.5
Fair value of transferred assets					**12,584.3**	16,468.6
Fair value of associated liabilities					**13,207.1**	17,252.9
Net position					**(622.8)**	(784.3)

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 assets include assets where the Bank holds all the issued instruments of the SPE.
4. 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.

Repurchase agreements

Securities sold under agreement to repurchase are retained on 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.

Covered bonds

The Group established its inaugural Covered Bond Programme (CBP) in October 2022. The Bank has established a special purpose entity (SPE) to which a cover pool of specific residential mortgages has been assigned. In the event the Bank is unable to fulfil its obligations owing to the covered bond holders, the SPE's assets are available for distribution thereby providing investors with a dual layer of protection. The Group is entitled to any residual income after all payments due to covered bonds investors have been met. The Group retains all of the risks and rewards associated with the residential mortgages.

Securitisation programs

The Group uses 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 SPEs, 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 SPEs which entitles the Group to any residual income after all payments to investors and costs 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 SPEs are accounted for at amortised cost using the effective interest rate method.

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 SPEs which are all at arm's length.

Securitised and sold loans

The Group securitised loans totalling $3,370.4 million (June 2022: $6,436.4 million) during the financial year. The Group invests in some of its own securitisation programs by holding A and B class notes equivalent to $13,800.9 million as at 30 June 2023 (June 2022: $13,745.8 million).

Financial Instruments

19 Derivative financial instruments

The Group uses derivative financial instruments primarily to manage risk, including interest rate risk and foreign currency rate risk. Note 21 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, with the exception of future exchange contracts, are valued in accordance with Level 2 of the fair value hierarchy, as outlined in Note 20. Future contracts are valued in accordance with Level 1 of the fair value hierarchy.

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 gains on cash flow hedge instruments.

19 Derivative financial instruments continued

Cash flow hedges consist 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							
	June 2023				June 2022			
Derivative category	Notional amount $m	Fair value assets $m	Fair value liabilities $m	Net fair value $m	Notional amount $m	Fair value assets $m	Fair value liabilities $m	Net fair value $m
Derivatives held for trading								
Futures	**9.0**	**—**	**—**	**—**	31.5	—	—	—
Interest rate swaps	**572.5**	**8.1**	**(7.0)**	**1.1**	338.0	5.5	(5.1)	0.4
Foreign exchange contracts	**390.6**	**1.1**	**(1.9)**	**(0.8)**	977.2	10.5	(4.0)	6.5
	972.1	**9.2**	**(8.9)**	**0.3**	1,346.7	16.0	(9.1)	6.9
Derivatives held as cash flow hedges								
Interest rate swaps	**15,965.3**	**—**	**(8.5)**	**(8.5)**	13,625.4	43.9	(25.7)	18.2
	15,965.3	**—**	**(8.5)**	**(8.5)**	13,625.4	43.9	(25.7)	18.2
Total derivatives	**16,937.4**	**9.2**	**(17.4)**	**(8.2)**	14,972.1	59.9	(34.8)	25.1

	Bank							
Derivative category	$m	$m	$m	$m	$m	$m	$m	$m
Derivatives held for trading								
Futures	**9.0**	**—**	**—**	**—**	31.5	—	—	—
Interest rate swaps	**572.5**	**8.1**	**(7.0)**	**1.1**	338.0	5.5	(5.1)	0.4
Foreign exchange contracts	**390.6**	**1.1**	**(1.9)**	**(0.8)**	977.2	10.5	(4.0)	6.5
	972.1	**9.2**	**(8.9)**	**0.3**	1,346.7	16.0	(9.1)	6.9
Derivatives held as cash flow hedges								
Interest rate swaps	**15,965.3**	**—**	**(8.5)**	**(8.5)**	13,625.4	43.9	(25.7)	18.2
	15,965.3	**—**	**(8.5)**	**(8.5)**	13,625.4	43.9	(25.7)	18.2
Total derivatives	**16,937.4**	**9.2**	**(17.4)**	**(8.2)**	14,972.1	59.9	(34.8)	25.1

Variation margin is paid or received on the daily mark to market movements on the interest rate swaps that are settled through the central clearing body, London Clearing House, with this payment being offset against the fair value of the swap. The market valuation for the centrally cleared derivatives totalled $67.2 million and $73.7 million was received as variation margin as at 30 June 2023. The difference represented variable margin payable to London Clearing House as at 30 June 2023, 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 2023 is $15.77 billion (June 2022: $11.87 billion), which is included in Derivatives held as cash flow hedges – Interest rate swaps in the tables above for the Group and the Bank.

Financial Instruments

19 Derivative financial instruments continued

As at 30 June 2023 hedged cash flows are expected to occur and affect the Income Statement as follows:

	Group					
June 2023	**Within 1 year $m**	**1 to 2 years $m**	**2 to 3 years $m**	**3 to 4 years $m**	**4 to 5 years $m**	**Greater than 5 years $m**
Forecast cash inflows	**25.4**	**21.3**	**16.9**	**7.8**	**0.7**	**–**
Forecast cash outflows	**(31.9)**	**(22.0)**	**(16.8)**	**(7.7)**	**(0.8)**	**–**
Forecast net cash (outflows)/inflows	**(6.5)**	**(0.7)**	**0.1**	**0.1**	**(0.1)**	**–**
June 2022	$m	$m	$m	$m	$m	$m
Forecast cash inflows	27.9	34.1	23.1	5.3	0.5	–
Forecast cash outflows	(28.1)	(28.8)	(9.9)	(5.3)	(0.5)	–
Forecast net cash (outflows)/inflows	(0.2)	5.3	13.2	–	–	–

	Bank					
June 2023	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Forecast cash inflows	**25.4**	**21.3**	**16.9**	**7.8**	**0.7**	**–**
Forecast cash outflows	**(31.9)**	**(22.0)**	**(16.8)**	**(7.7)**	**(0.8)**	**–**
Forecast net cash (outflows)/inflows	**(6.5)**	**(0.7)**	**0.1**	**0.1**	**(0.1)**	**–**
June 2022	$m	$m	$m	$m	$m	$m
Forecast cash inflows	27.9	34.1	23.1	5.3	0.5	–
Forecast cash outflows	(28.1)	(28.8)	(9.9)	(5.3)	(0.5)	–
Forecast net cash (outflows)/inflows	(0.2)	5.3	13.2	–	–	–

	Group		Bank	
	June 2023 $m	June 2022 $m	**June 2023 $m**	June 2022 $m
Revaluation losses arising from derivatives that are not in a hedge relationship				
Loss on derivatives	**2.2**	–	**2.2**	–
	2.2	–	**2.2**	–

19 Derivative financial instruments continued

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 hedging strategies:

	Maturity					
	June 2023					
Cash flow hedges – interest rate swaps	Less than 1 month $m	1 to 3 months $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total $m
Notional principal	**1,500.0**	**1,000.0**	**5,713.0**	**5,825.3**	**1,927.0**	**15,965.3**
Average fixed rate (%)	**3.67%**	**3.88%**	**3.94%**	**3.86%**	**4.52%**	**—**
	June 2022					
	$m	$m	$m	$m	$m	$m
Notional principal	—	2,025.0	4,625.0	6,775.4	200.0	13,625.4
Average fixed rate (%)	—	0.12%	0.33%	2.43%	1.99%	—

Financial Instruments

19 Derivative financial instruments continued

Offsetting financial assets and financial liabilities

Non-Centrally Cleared Derivatives

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.

Centrally Cleared Derivatives

Derivative amounts are only offset on the Balance Sheet where the Group has a legally enforceable right to offset in all circumstances and there is an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously. The Group has applied offsetting to centrally cleared derivatives and their associated collateral amounts which were deemed to satisfy the AASB 132 *Financial Instruments: Presentation* requirements.

The following table identifies amounts that have been offset on the Balance Sheet and amounts covered by enforceable netting arrangements or similar agreements that do not qualify for set off:

	Subject to enforceable master netting or similar agreements							
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet				
	Gross Balance Sheet amount $m	Amount offset [1] $m	Net amounts recognised on the Balance Sheet $m	Financial instruments $m	Financial collateral (received)/ pledged [2] $m	Net amount $m	Not subject to netting agreements $m	Total Balance Sheet amount $m
Group								
June 2023								
Derivative assets	**248.8**	**(239.7)**	**9.1**	**(5.0)**	**(1.4)**	**2.7**	**0.1**	**9.2**
Derivative liabilities	**(185.4)**	**172.5**	**(12.9)**	**5.0**	**7.5**	**(0.4)**	**(4.5)**	**(17.4)**
June 2022								
Derivative assets	191.5	(131.7)	59.8	(19.6)	(32.2)	8.0	0.1	59.9
Derivative liabilities	(142.1)	111.3	(30.8)	19.6	8.4	(2.8)	(4.0)	(34.8)
Bank								
June 2023								
Derivative assets	**248.8**	**(239.7)**	**9.1**	**(5.0)**	**(1.4)**	**2.7**	**0.1**	**9.2**
Derivative liabilities	**(185.4)**	**172.5**	**(12.9)**	**5.0**	**7.5**	**(0.4)**	**(4.5)**	**(17.4)**
June 2022								
Derivative assets	191.5	(131.7)	59.8	(19.6)	(32.2)	8.0	0.1	59.9
Derivative liabilities	(142.1)	111.3	(30.8)	19.6	8.4	(2.8)	(4.0)	(34.8)

1. The net offset balance of $67.2 million represents variation margin received $73.7 million less variation margin payable of $6.5 million (June 2022: variation margin received $5.7 million plus variation margin receivable $14.7 million). The variation payable amount is reflected in Due to other financial institutions in the Balance Sheet.
2. For the purpose of this disclosure, financial collateral not set off in the Balance Sheet has been capped by relevant netting agreements so as not to exceed the net amounts of financial assets/(liabilities) reported in the Balance Sheet (i.e. over-collateralisation, where it exists, is not reflected in the tables).

20 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			
	June 2023			
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total
	$m	$m	$m	$m
Financial assets				
Cash and cash equivalents	—	—	8,384.2	8,384.2
Due from other financial institutions	—	—	123.9	123.9
Financial assets fair value through profit or loss (FVTPL)	18.5	—	—	18.5
Financial assets amortised cost	—	—	864.6	864.6
Financial assets fair value through other comprehensive income (FVOCI)	—	6,917.5	—	6,917.5
Net loans and other receivables	—	—	78,526.3	78,526.3
Derivatives – not designated as hedging instruments	9.2	—	—	9.2
Total financial assets	27.7	6,917.5	87,899.0	94,844.2
Financial liabilities				
Due to other financial institutions	—	—	190.3	190.3
Deposits	—	—	77,310.8	77,310.8
Wholesale borrowings	—	—	11,838.2	11,838.2
Derivatives – designated as hedging instruments	8.5	—	—	8.5
Derivatives – not designated as hedging instruments	8.9	—	—	8.9
Loan capital	—	—	1,371.0	1,371.0
Total financial liabilities	17.4	—	90,710.3	90,727.7
	June 2022			
	$m	$m	$m	$m
Financial assets				
Cash and cash equivalents	—	—	3,541.0	3,541.0
Due from other financial institutions	—	—	188.0	188.0
Financial assets fair value through profit or loss (FVTPL)	30.5	—	—	30.5
Financial assets amortised cost	—	—	861.7	861.7
Financial assets fair value through other comprehensive income (FVOCI)	—	9,618.1	—	9,618.1
Net Loans and other receivables	—	—	77,610.4	77,610.4
Derivatives – designated as hedging instruments	43.9	—	—	43.9
Derivatives – not designated as hedging instruments	16.0	—	—	16.0
Total financial assets	90.4	9,618.1	82,201.1	91,909.6
Financial liabilities				
Due to other financial institutions	—	—	178.8	178.8
Deposits	—	—	74,583.9	74,583.9
Wholesale borrowings	—	—	11,698.9	11,698.9
Derivatives – designated as hedging instruments	25.7	—	—	25.7
Derivatives – not designated as hedging instruments	9.1	—	—	9.1
Loan capital	—	—	1,366.1	1,366.1
Total financial liabilities	34.8	—	87,827.7	87,862.5

Financial Instruments

20 Financial instruments continued

	Bank			
	June 2023			
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total
	$m	$m	$m	$m
Financial assets				
Cash and cash equivalents	—	—	7,953.9	7,953.9
Due from other financial institutions	—	—	123.9	123.9
Financial assets fair value through profit or loss (FVTPL)	9.2	—	—	9.2
Financial assets amortised cost	—	—	3,830.1	3,830.1
Financial assets fair value through other comprehensive income (FVOCI)	—	17,458.9	—	17,458.9
Net loans and other receivables	—	—	77,616.7	77,616.7
Derivatives – not designated as hedging instruments	9.2	—	—	9.2
Total financial assets	18.4	17,458.9	89,524.6	107,001.9
Financial liabilities				
Due to other financial institutions	—	—	190.3	190.3
Deposits	—	—	77,316.2	77,316.2
Wholesale borrowings	—	—	8,945.7	8,945.7
Derivatives – designated as hedging instruments	8.5	—	—	8.5
Derivatives – not designated as hedging instruments	8.9	—	—	8.9
Loan capital	—	—	1,371.0	1,371.0
Total financial liabilities	17.4	—	87,823.2	87,840.6
	June 2022			
	$m	$m	$m	$m
Financial assets				
Cash and cash equivalents	—	—	3,082.3	3,082.3
Due from other financial institutions	—	—	188.0	188.0
Financial assets fair value through profit or loss (FVTPL)	30.5	—	—	30.5
Financial assets amortised cost	—	—	603.9	603.9
Financial assets fair value through other comprehensive income (FVOCI)	—	23,300.4	—	23,300.4
Net Loans and other receivables	—	—	77,118.4	77,118.4
Derivatives – designated as hedging instruments	43.9	—	—	43.9
Derivatives – not designated as hedging instruments	16.0	—	—	16.0
Total financial assets	90.4	23,300.4	80,992.6	104,383.4
Financial liabilities				
Due to other financial institutions	—	—	178.8	178.8
Deposits	—	—	74,589.7	74,589.7
Wholesale borrowings	—	—	7,859.0	7,859.0
Derivatives – designated as hedging instruments	25.7	—	—	25.7
Derivatives – not designated as hedging instruments	9.1	—	—	9.1
Loan capital	—	—	1,366.1	1,366.1
Total financial liabilities	34.8	—	83,993.6	84,028.4

20 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				
	June 2023				
	Level 1	Level 2	Level 3	Total fair value	Total carrying value
	$m	$m	$m	$m	$m
Financial assets					
Financial assets FVTPL	**9.2**	**9.3**	**—**	**18.5**	**18.5**
Financial assets FVOCI	**0.1**	**6,881.8**	**35.6**	**6,917.5**	**6,917.5**
Derivatives	**—**	**9.2**	**—**	**9.2**	**9.2**
Financial liabilities					
Derivatives	**—**	**17.4**	**—**	**17.4**	**17.4**
	June 2022				
	$m	$m	$m	$m	$m
Financial assets					
Financial assets FVTPL	30.5	—	—	30.5	30.5
Financial assets FVOCI	237.3	9,345.2	35.6	9,618.1	9,618.1
Derivatives	—	59.9	—	59.9	59.9
Financial liabilities					
Derivatives	—	34.8	—	34.8	34.8

Financial Instruments

20 Financial instruments continued

	Bank				
	June 2023				
	Level 1	Level 2	Level 3	Total fair value	Total carrying value
	$m	$m	$m	$m	$m
Financial assets					
Financial assets FVTPL	**9.2**	**–**	**–**	**9.2**	**9.2**
Financial assets FVOCI	**0.1**	**17,423.2**	**35.6**	**17,458.9**	**17,458.9**
Derivatives	**–**	**9.2**	**–**	**9.2**	**9.2**
Financial liabilities					
Derivatives	**–**	**17.4**	**–**	**17.4**	**17.4**
	June 2022				
	$m	$m	$m	$m	$m
Financial assets					
Financial assets FVTPL	30.5	–	–	30.5	30.5
Financial assets FVOCI	5,224.7	18,040.1	35.6	23,300.4	23,300.4
Derivatives	–	59.9	–	59.9	59.9
Financial liabilities					
Derivatives	–	34.8	–	34.8	34.8

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.

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.

20 Financial instruments continued

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	June 2023 $m	June 2022 $m	June 2023 $m	June 2022 $m
Opening balance	**35.6**	31.2	**35.6**	31.2
Revaluations	—	5.4	—	5.4
Sales	—	(1.0)	—	(1.0)
Closing balance	**35.6**	35.6	**35.6**	35.6

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				
	June 2023				
	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
	$m	**$m**	**$m**	**$m**	**$m**
Cash and cash equivalents [1]	—	**8,253.2**	—	**8,253.2**	**8,253.2**
Due from other financial institutions	—	**123.9**	—	**123.9**	**123.9**
Financial assets amortised cost	—	**864.6**	—	**864.6**	**864.6**
Net loans and other receivables	—	—	**78,010.6**	**78,010.6**	**78,526.3**
Total financial assets at amortised cost	—	**9,241.7**	**78,010.6**	**87,252.3**	**87,768.0**
Due to other financial institutions	—	**190.3**	—	**190.3**	**190.3**
Deposits	—	**77,951.1**	—	**77,951.1**	**77,310.8**
Wholesale borrowings	—	**11,669.6**	—	**11,669.6**	**11,838.2**
Loan capital	**837.7**	**552.6**	—	**1,390.3**	**1,371.0**
Total financial liabilities at amortised cost	**837.7**	**90,363.6**	—	**91,201.3**	**90,710.3**
	June 2022				
	$m	$m	$m	$m	$m
Cash and cash equivalents [1]	—	3,407.6	—	3,407.6	3,407.6
Due from other financial institutions	—	188.0	—	188.0	188.0
Financial assets amortised cost	—	861.7	—	861.7	861.7
Net loans and other receivables	—	—	77,008.6	77,008.6	77,610.4
Total financial assets at amortised cost	—	4,457.3	77,008.6	81,465.9	82,067.7
Due to other financial institutions	—	178.8	—	178.8	178.8
Deposits	—	74,339.1	—	74,339.1	74,583.9
Wholesale borrowings	—	11,412.6	—	11,412.6	11,698.9
Loan capital	817.1	549.8	—	1,366.9	1,366.1
Total financial liabilities at amortised cost	817.1	86,480.3	—	87,297.4	87,827.7

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

Financial Instruments

20 Financial instruments continued

	Bank				
	June 2023				
	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
	$m	$m	$m	$m	$m
Cash and cash equivalents [1]	—	7,823.0	—	7,823.0	7,823.0
Due from other financial institutions	—	123.9	—	123.9	123.9
Financial assets amortised cost	—	3,278.2	551.9	3,830.1	3,830.1
Net loans and other receivables	—	—	77,100.9	77,100.9	77,616.7
Total financial assets at amortised cost	—	11,225.1	77,652.8	88,877.9	89,393.7
Due to other financial institutions	—	190.3	—	190.3	190.3
Deposits	—	77,956.5	—	77,956.5	77,316.2
Wholesale borrowings	—	8,806.3	—	8,806.3	8,945.7
Loan capital	837.7	552.6	—	1,390.3	1,371.0
Total financial liabilities at amortised cost	837.7	87,505.7	—	88,343.4	87,823.2
	June 2022				
	$m	$m	$m	$m	$m
Cash and cash equivalents [1]	—	2,948.9	—	2,948.9	2,948.9
Due from other financial institutions	—	188.0	—	188.0	188.0
Financial assets amortised cost	—	603.9	—	603.9	603.9
Net loans and other receivables	—	—	76,514.3	76,514.3	77,118.4
Total financial assets at amortised cost	—	3,740.8	76,514.3	80,255.1	80,859.2
Due to other financial institutions	—	178.8	—	178.8	178.8
Deposits	—	74,344.9	—	74,344.9	74,589.7
Wholesale borrowings	—	7,615.5	—	7,615.5	7,859.0
Loan capital	817.1	549.8	—	1,366.9	1,366.1
Total financial liabilities at amortised cost	817.1	82,689.0	—	83,506.1	83,993.6

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.

20 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 individual 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.

Wholesale borrowings

The fair value for all wholesale borrowings 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.

Financial Instruments

21 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 those are reflected in the Group's financial position and balance sheet and result from the Group's risk-taking activities:

- Credit Risk;
- Market Risk (traded & non-traded); and
- Liquidity Risk

Non-financial risks, including operational risk and strategic risk (including environmental, social and governance (ESG) risk), are outlined in the Risk Management Framework, Material Risks and Business Uncertainties section of the 2023 Annual Financial Report.

The Risk Management Framework (RMF) comprises the systems, structures, policies, processes and people with the Group that identify, measure, evaluate, monitor, report and control or mitigate all internal and external sources of material risk.

The Board is ultimately responsible for the Group's RMF and is responsible for the oversight of its operation by the Executive and management of the Group. The RMF is a group of items that collectively form our RMF such as Risk Appetite Statement, Risk Management Strategy, CPS 220 Risk Management Declaration Report, 3-Year Group Strategic Plan, Internal Capital Adequacy Assessment Process (ICAAP) and Emerging risks assessments.

The Board's role is supported by Board Committees; Board Risk Committee (BRC), Board People, Culture and Transformation Committee (BPCTC) and Board Financial Risk Committee (BFRC) and Management Committees; Asset and Liability Management Committee (ALMAC), Risk Models Committee (RMC), Operational Risk Committee (ORC) and Management Credit Committee (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.

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 credit commitment. Losses can occur where collateral held is insufficient to repay loans.

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

Authority for officers to approve credit risk exposures for customers, is delegated by the Board to the Group's MCC and 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.

The Group utilises models to support the management of credit risk. Governance of risk models is overseen by the RMC and credit risk models are approved by the Group's MCC.

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 the Group's derivative exposures. Counterparty credit risk is mitigated using margining and central clearing.

Financial Risk & Modelling is responsible for monitoring Treasury counterparty credit limits in line with the Group's Counterparty Credit Limit Framework.

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

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

21 Risk management continued

Maximum exposure to credit risk

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

	Group			
	June 2023			
	Stage 1	Stage 2	Stage 3	Total
Gross maximum exposure	$m	$m	$m	$m
Credit risk exposures relating to on Balance Sheet assets				
Cash and cash equivalents [1]	**8,253.2**	—	—	**8,253.2**
Due from other financial institutions	**123.9**	—	—	**123.9**
Financial assets fair value through profit or loss (FVTPL)	**18.5**	—	—	**18.5**
Financial assets amortised cost	**864.6**	—	—	**864.6**
Financial assets fair value through other comprehensive income (FVOCI)	**6,917.5**	—	—	**6,917.5**
Other assets	**469.5**	—	—	**469.5**
Derivative assets	**9.2**	—	—	**9.2**
Gross loans and other receivables	**70,923.6**	**7,052.1**	**763.6**	**78,739.3**
Total financial assets	**87,580.0**	**7,052.1**	**763.6**	**95,395.7**
Credit risk exposures relating to off Balance Sheet assets				
Commitments and contingencies	**12,821.2**	—	—	**12,821.2**
Total credit risk exposure	**100,401.2**	**7,052.1**	**763.6**	**108,216.9**

	June 2022			
	$m	$m	$m	$m
Credit risk exposures relating to on Balance Sheet assets				
Cash and cash equivalents [1]	3,407.6	—	—	3,407.6
Due from other financial institutions	188.0	—	—	188.0
Financial assets fair value through profit or loss (FVTPL)	30.5	—	—	30.5
Financial assets amortised cost	861.7	—	—	861.7
Financial assets fair value through other comprehensive income (FVOCI)	9,618.1	—	—	9,618.1
Other assets	279.5	—	—	279.5
Derivative assets	59.9	—	—	59.9
Gross loans and other receivables	70,981.9	6,047.6	791.8	77,821.3
Total financial assets	85,427.2	6,047.6	791.8	92,266.6
Credit risk exposures relating to off Balance Sheet assets				
Commitments and contingencies	12,295.2	—	—	12,295.2
Total credit risk exposure	97,722.4	6,047.6	791.8	104,561.8

1. Cash and cash equivalents excludes notes and coins as they do not give rise to credit risk.

Financial Instruments

21 Risk management continued

	Bank			
	June 2023			
	Stage 1	Stage 2	Stage 3	Total
Gross maximum exposure	$m	$m	$m	$m
Credit risk exposures relating to on Balance Sheet assets				
Cash and cash equivalents [1]	**7,823.0**	—	—	**7,823.0**
Due from other financial institutions	**123.9**	—	—	**123.9**
Financial assets fair value through profit or loss (FVTPL)	**9.2**	—	—	**9.2**
Financial assets amortised cost	**3,830.1**	—	—	**3,830.1**
Financial assets fair value through other comprehensive income (FVOCI)	**17,458.9**	—	—	**17,458.9**
Other assets	**1,482.5**	—	—	**1,482.5**
Derivative assets	**9.2**	—	—	**9.2**
Gross loans and other receivables	**69,048.8**	**7,052.1**	**1,783.6**	**77,884.5**
Total financial assets	**99,785.6**	**7,052.1**	**1,783.6**	**108,621.3**
Credit risk exposures relating to off Balance Sheet assets				
Commitments and contingencies	**10,746.9**	—	—	**10,746.9**
Total credit risk exposure	**110,532.5**	**7,052.1**	**1,783.6**	**119,368.2**
	June 2022			
	$m	$m	$m	$m
Credit risk exposures relating to on Balance Sheet assets				
Cash and cash equivalents [1]	2,948.9	—	—	2,948.9
Due from other financial institutions	188.0	—	—	188.0
Financial assets fair value through profit or loss (FVTPL)	30.5	—	—	30.5
Financial assets amortised cost	603.9	—	—	603.9
Financial assets fair value through other comprehensive income (FVOCI)	23,300.4	—	—	23,300.4
Other assets	1,318.0	—	—	1,318.0
Derivative assets	59.9	—	—	59.9
Gross loans and other receivables	70,489.7	6,047.6	790.7	77,328.0
Total financial assets	98,939.3	6,047.6	790.7	105,777.6
Credit risk exposures relating to off Balance Sheet assets				
Commitments and contingencies	10,811.7	—	—	10,811.7
Total credit risk exposure	109,751.0	6,047.6	790.7	116,589.3

1. Cash and cash equivalents excludes notes and coins as they do not give rise to credit risk.

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.

21 Risk management continued

Concentration of credit risk

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

The gross maximum credit exposure to any client or counterparty (excluding sovereign/ government exposures) as at 30 June 2023 was $418.7 million (June 2022: $397.1 million) before taking to account collateral or other credit enhancements.

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	
Geographic concentration [1]	**June 2023 $m**	June 2022 $m	**June 2023 $m**	June 2022 $m
Victoria	**39,687.5**	39,360.5	**40,335.8**	40,185.3
New South Wales	**30,759.7**	24,606.1	**32,151.6**	27,142.2
Queensland	**13,040.5**	13,071.7	**12,338.3**	12,626.5
South Australia/Northern Territory	**9,051.9**	9,534.9	**16,197.9**	19,055.4
Western Australia	**8,354.5**	8,206.8	**8,019.8**	7,959.7
Australian Capital Territory	**4,969.4**	6,994.3	**4,829.6**	6,912.1
Tasmania	**1,783.0**	2,140.7	**1,732.0**	2,080.4
Overseas/other	**570.4**	646.8	**3,763.2**	627.7
Total credit risk exposure	**108,216.9**	104,561.8	**119,368.2**	116,589.3

1. Current financial year disclosures reconcile to definitions applied for regulatory reporting purposes.

Financial Instruments

21 Risk management continued

Industry Sector – is based on the industry in which the customer or counterparty are engaged.

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

	Group		Bank	
Industry concentration [1]	June 2023 $m	June 22 $m	June 2023 $m	June 22 $m
Accommodation and food services	**281.9**	441.3	**276.4**	422.9
Administrative and support services	**48.4**	93.4	**47.5**	88.2
Agriculture, forestry and fishing	**7,717.3**	8,069.9	**7,566.5**	7,867.4
Arts and recreation services	**68.6**	187.8	**67.3**	171.8
Construction	**782.8**	1,154.6	**767.7**	1,107.0
Education and training	**65.1**	157.6	**63.9**	144.6
Electricity, gas, water and waste services	**32.1**	67.9	**31.5**	62.2
Financial and insurance services	**16,810.2**	12,210.5	**31,818.0**	27,120.8
Health care and social assistance	**382.7**	646.6	**375.2**	608.5
Information media and telecommunications	**24.6**	54.5	**24.1**	50.9
Manufacturing	**237.3**	426.1	**232.7**	404.8
Margin lending	**2,176.5**	1,433.2	**—**	—
Mining	**14.8**	36.6	**14.5**	33.8
Other	**261.0**	316.6	**259.8**	315.1
Other services	**218.2**	365.4	**213.9**	347.0
Professional, scientific and technical services	**282.2**	418.2	**276.7**	398.4
Public administration and safety	**3,099.5**	5,337.6	**3,098.4**	5,329.8
Rental, hiring and real estate services	**4,917.6**	5,230.4	**4,821.3**	5,116.8
Residential/consumer	**70,113.3**	66,722.2	**68,743.1**	65,877.9
Retail trade	**364.7**	747.7	**357.6**	699.6
Transport, postal and warehousing	**174.2**	261.8	**170.9**	248.0
Wholesale trade	**143.9**	181.9	**141.2**	173.8
Total credit risk exposure	**108,216.9**	104,561.8	**119,368.2**	116,589.3

1. Current financial year disclosures reconcile to definitions applied for regulatory reporting purposes.

21 Risk management 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	Stage 3	Stage 3	
	Collectively assessed provisions			Individually assessed provisions	Total
	$m	$m	$m	$m	$m
Gross carrying amount as at 1 July 2022	**87,867.9**	**6,047.6**	**665.1**	**126.7**	**94,707.3**
Stage 1	**1,726.7**	**(1,664.6)**	**(62.1)**	**—**	**—**
Stage 2	**(3,985.4)**	**4,124.5**	**(139.1)**	**—**	**—**
Stage 3	**(217.2)**	**(240.2)**	**457.4**	**—**	**—**
Transfer from collectively assessed to individually assessed provisions	**(3.5)**	**(16.8)**	**(10.6)**	**30.9**	**—**
New financial assets originated or purchased	**15,175.1**	**509.6**	**26.4**	**—**	**15,711.1**
Financial assets derecognised or repaid	**(11,266.3)**	**(1,537.3)**	**(304.8)**	**—**	**(13,108.4)**
Change in balances	**3,820.2**	**(170.7)**	**24.9**	**(19.6)**	**3,654.8**
Amounts written off against provisions	**—**	**—**	**—**	**(31.6)**	**(31.6)**
Gross carrying amount as at 30 June 2023	**93,117.5**	**7,052.1**	**657.2**	**106.4**	**100,933.2**
	$m	$m	$m	$m	$m
Gross carrying amount as at 1 July 2021	84,788.5	6,479.5	652.8	205.7	92,126.5
Stage 1	1,947.7	(1,915.3)	(32.4)	—	—
Stage 2	(3,055.2)	3,146.5	(91.3)	—	—
Stage 3	(236.9)	(220.0)	456.9	—	—
Transfer from collectively assessed to individually assessed provisions	(2.6)	(9.0)	(21.7)	33.3	—
New financial assets originated or purchased	20,337.7	441.0	9.2	—	20,787.9
Financial assets derecognised or repaid	(11,911.3)	(1,617.1)	(307.6)	—	(13,836.0)
Change in balances	(4,000.0)	(258.0)	(0.8)	(77.8)	(4,336.6)
Amounts written off against provisions	—	—	—	(34.5)	(34.5)
Gross carrying amount as at 30 June 2022	87,867.9	6,047.6	665.1	126.7	94,707.3

Financial Instruments

21 Risk management continued

	Bank				
	Stage 1	Stage 2	Stage 3	Stage 3	
	Collectively assessed provisions			Individually assessed provisions	Total
	$m	$m	$m	$m	$m
Gross carrying amount as at 1 July 2022	**85,175.7**	**6,047.6**	**665.1**	**125.6**	**92,014.0**
Stage 1	**1,726.7**	**(1,664.6)**	**(62.1)**	**—**	**—**
Stage 2	**(3,985.4)**	**4,124.5**	**(139.1)**	**—**	**—**
Stage 3	**(217.2)**	**(240.2)**	**457.4**	**—**	**—**
Transfer from collectively assessed to individually assessed provisions	**(1,024.6)**	**(16.8)**	**(10.6)**	**1,052.0**	**—**
New financial assets originated or purchased	**15,175.1**	**509.6**	**26.4**	**—**	**15,711.1**
Financial assets derecognised or repaid	**(11,266.3)**	**(1,537.3)**	**(304.8)**	**—**	**(13,108.4)**
Change in balances	**6,119.6**	**(170.7)**	**24.9**	**(19.6)**	**5,954.2**
Amounts written off against provisions	**—**	**—**	**—**	**(31.6)**	**(31.6)**
Gross carrying amount as at 30 June 2023	**91,703.6**	**7,052.1**	**657.2**	**1,126.4**	**100,539.3**

	$m	$m	$m	$m	$m
Gross carrying amount as at 1 July 2021	81,920.1	6,479.5	652.8	204.5	89,256.9
Stage 1	1,947.7	(1,915.3)	(32.4)	—	—
Stage 2	(3,055.2)	3,146.5	(91.3)	—	—
Stage 3	(236.9)	(220.0)	456.9	—	—
Transfer from collectively assessed to individually assessed provisions	(2.6)	(9.0)	(21.7)	33.3	—
New financial assets originated or purchased	20,337.7	441.0	9.2	—	20,787.9
Financial assets derecognised or repaid	(11,911.3)	(1,617.1)	(307.6)	—	(13,836.0)
Change in balances	(3,823.8)	(258.0)	(0.8)	(77.8)	(4,160.4)
Amounts written off against provisions	—	—	—	(34.4)	(34.4)
Gross carrying amount as at 30 June 2022	85,175.7	6,047.6	665.1	125.6	92,014.0

21 Risk management continued

Credit quality

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	Stage 3	Stage 3	
	Collectively assessed provisions			Individually assessed provisions	Total
	$m	$m	$m	$m	$m
Neither past due or impaired					
• High grade	**63,696.4**	**493.0**	**0.8**	**—**	**64,190.2**
• Standard grade	**28,913.2**	**3,890.3**	**13.5**	**—**	**32,817.0**
• Sub-standard grade	**1,242.0**	**1,245.9**	**36.8**	**—**	**2,524.7**
• Unrated	**6,056.0**	**103.9**	**1.8**	**—**	**6,161.7**
Past due or impaired	**493.5**	**1,319.1**	**604.3**	**106.4**	**2,523.3**
Gross carrying amount as at 30 June 2023	**100,401.1**	**7,052.2**	**657.2**	**106.4**	**108,216.9**
	$m	$m	$m	$m	$m
Neither past due or impaired					
• High grade	60,561.8	298.1	—	—	60,859.9
• Standard grade	28,970.9	3,445.4	0.8	—	32,417.1
• Sub-standard grade	806.7	1,434.3	3.7	—	2,244.7
• Unrated	6,997.6	78.8	6.4	—	7,082.8
Past due or impaired	539.4	626.1	665.1	126.7	1,957.3
Gross carrying amount as at 30 June 2022	97,876.4	5,882.7	676.0	126.7	104,561.8

	Bank				
	Stage 1	Stage 2	Stage 3	Stage 3	
	Collectively assessed provisions			Individually assessed provisions	Total
	$m	$m	$m	$m	$m
Neither past due or impaired					
• High grade	**74,847.7**	**493.0**	**0.8**	**—**	**75,341.5**
• Standard grade	**28,913.2**	**3,890.3**	**13.5**	**—**	**32,817.0**
• Sub-standard grade	**1,242.0**	**1,245.9**	**36.8**	**—**	**2,524.7**
• Unrated	**6,056.0**	**103.9**	**1.8**	**—**	**6,161.7**
Past due or impaired	**493.6**	**1,319.0**	**604.3**	**106.4**	**2,523.3**
Gross carrying amount as at 30 June 2023	**111,552.5**	**7,052.1**	**657.2**	**106.4**	**119,368.2**
	$m	$m	$m	$m	$m
Neither past due or impaired					
• High grade	72,589.3	298.1	—	—	72,887.4
• Standard grade	28,970.9	3,445.4	0.8	—	32,417.1
• Sub-standard grade	806.7	1,434.3	3.7	—	2,244.7
• Unrated	6,997.6	78.8	6.4	—	7,082.8
Past due or impaired	539.5	626.0	665.1	126.7	1,957.3
Gross carrying amount as at 30 June 2022	109,904.0	5,882.6	676.0	126.7	116,589.3

Financial Instruments

21 Risk management 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 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.

	Group					
	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
June 2023	**1,333.0**	**332.2**	**231.6**	**520.1**	**2,416.9**	**6,510.5**
June 2022	977.2	240.3	123.3	489.8	1,830.6	5,253.7
	Bank					
June 2023	**1,333.0**	**332.2**	**231.6**	**520.1**	**2,416.9**	**6,510.5**
June 2022	977.2	240.3	123.3	489.8	1,830.6	5,248.0

Comparative information in the above table has been restated to align to the methodology applied in current financial year.

Climate Change Risk

Climate Change Risk includes the physical risks which cause direct damage to assets, property and/or customers' cash flows 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 property assets such as branches and offices.

The processes for identifying, assessing, and managing climate-related risks is integrated into our overall risk management. Specifically, it is included in the Group Risk Management Framework (GRMF) and annual GRMF review process with ultimate oversight from the Executive and Board.

The Group has delivered its inaugural Climate Change Action Plan 2021-2023. The Action Plan has enhanced our understanding and management of climate change risks, including through climate scenario analysis. The risks and opportunities identified through this process have informed the next iteration of the Group's climate planning, the Climate & Nature Action Plan 2024 – 2026. It represents another step forward in the Group's approach and maturity toward climate risks and opportunities.

For further information on how the Group identifies, assesses, manages, and integrates climate risk, refer to the Group's TCFD-aligned Climate-related Disclosure in the 2023 Sustainability Report and the Operating and Financial Review section of this Report.

21 Risk management continued

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 forgoing investment opportunities.

Liquidity risk is managed in line with the Board approved Risk Appetite Statement and the Group Liquidity Risk Management Framework. The principal objective of the Group's Liquidity Risk Management Framework is to ensure that all cash flow commitments are met in a timely manner and prudential requirements are satisfied.

The Group manages a portfolio of High Quality Liquid Assets (HQLA) and Alternative Liquid Assets (ALA) to cover projected net cash outflows over a 30 day period under the stress scenario assumptions prescribed by the Liquidity Coverage Ratio (LCR) in APRA Prudential Standard 210 *Liquidity*. APRA requires LCR ADIs to maintain a minimum 100% LCR. The Group also 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%.

The Group continues to manage 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 and NSFR positions.

The Group also maintains collateral in the form of internal securitisation which could potentially be used to support funding arrangements under the RBA Exceptional Liquidity Assistance (ELA). The intent of ELA is to provide the RBA with a facility that could be used to provide liquidity support to a solvent bank experiencing acute liquidity difficulties where the RBA considers it to be in the public interest to do so. The provision of liquidity under ELA is at the absolute discretion of the RBA.

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 that 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 specific actions to deal with a liquidity related event. Regular reporting is provided to ALMAC and BFRC.

Analysis of financial liabilities by remaining contractual maturities

The following table 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.

Financial Instruments

21 Risk management continued

	Group					
	June 2023					
	At call	**Not longer than 3 months**	**3 to 12 months**	**1 to 5 years**	**Longer than 5 years**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
Due to other financial institutions	**190.3**	**–**	**–**	**–**	**–**	**190.3**
Deposits	**42,823.6**	**15,610.3**	**18,577.7**	**586.0**	**0.4**	**77,598.0**
Other borrowings	**–**	**1,113.1**	**2,957.5**	**6,368.1**	**1,399.8**	**11,838.5**
Derivatives – net settled	**–**	**4.4**	**4.4**	**4.4**	**–**	**13.2**
Other payables	**331.4**	**1.8**	**6.7**	**112.4**	**–**	**452.3**
Loan capital	**–**	**19.9**	**59.6**	**1,067.0**	**599.6**	**1,746.1**
Total financial liabilities	**43,345.3**	**16,749.5**	**21,605.9**	**8,137.9**	**1,999.8**	**91,838.4**
Commitments and contingent liabilities	**12,821.2**	**–**	**–**	**–**	**–**	**12,821.2**
Total contingent liabilities and commitments	**12,821.2**	**–**	**–**	**–**	**–**	**12,821.2**

	June 2022					
	At call	Not longer than 3 months	3 to 12 months	1 to 5 years	Longer than 5 years	Total
	$m	$m	$m	$m	$m	$m
Due to other financial institutions	178.8	–	–	–	–	178.8
Deposits	46,930.6	12,751.4	14,520.8	411.9	0.5	74,615.2
Other borrowings	–	500.6	1,288.3	7,413.3	2,500.8	11,703.0
Derivatives – net settled	–	3.8	21.0	10.9	–	35.7
Other payables	312.2	2.3	8.2	137.0	8.9	468.6
Loan capital	–	12.1	36.2	1,006.9	550.0	1,605.2
Total financial liabilities	47,421.6	13,270.2	15,874.5	8,980.0	3,060.2	88,606.5
Commitments and contingent liabilities	12,295.2	–	–	–	–	12,295.2
Total contingent liabilities and commitments	12,295.2	–	–	–	–	12,295.2

21 Risk management continued

	Bank					
	June 2023					
	At call	Not longer than 3 months	3 to 12 months	1 to 5 years	Longer than 5 years	Total
	$m	$m	$m	$m	$m	$m
Due to other financial institutions	**190.3**	**—**	**—**	**—**	**—**	**190.3**
Deposits	**42,829.0**	**15,610.3**	**18,577.7**	**586.0**	**0.4**	**77,603.4**
Other borrowings	**—**	**1,113.1**	**2,885.0**	**4,947.9**	**—**	**8,946.0**
Derivatives – net settled	**—**	**4.4**	**4.4**	**4.4**	**—**	**13.2**
Other payables	**290.7**	**1.8**	**6.7**	**112.4**	**—**	**411.6**
Loans payable to securitisation trusts	**—**	**—**	**—**	**—**	**15,823.5**	**15,823.5**
Loan capital	**—**	**19.9**	**59.6**	**1,067.0**	**599.6**	**1,746.1**
Total financial liabilities	**43,310.0**	**16,749.5**	**21,533.4**	**6,717.7**	**16,423.5**	**104,734.1**
Commitments and contingent liabilities	**10,746.9**	**—**	**—**	**—**	**—**	**10,746.9**
Total contingent liabilities and commitments	**10,746.9**	**—**	**—**	**—**	**—**	**10,746.9**

	June 2022					
	At call	Not longer than 3 months	3 to 12 months	1 to 5 years	Longer than 5 years	Total
	$m	$m	$m	$m	$m	$m
Due to other financial institutions	178.8	—	—	—	—	178.8
Deposits	46,936.4	12,751.4	14,520.8	411.9	0.5	74,621.0
Other borrowings	—	500.6	1,232.0	6,130.4	—	7,863.0
Derivatives – net settled	—	3.8	21.0	10.9	—	35.7
Other payables	286.4	2.3	8.2	137.0	8.9	442.8
Loans payable to securitisation trusts	—	—	—	—	16,686.7	16,686.7
Loan capital	—	12.1	36.2	1,006.9	550.0	1,605.2
Total financial liabilities	47,401.6	13,270.2	15,818.2	7,697.1	17,246.1	101,433.2
Commitments and contingent liabilities	10,811.7	—	—	—	—	10,811.7
Total contingent liabilities and commitments	10,811.7	—	—	—	—	10,811.7

Financial Instruments

21 Risk management continued

Market Risk (including Interest Rate Risk 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. Traded market risk arises from positions held in the Group's Trading Book, which consists of securities held for both trading and liquidity purposes, and discretionary interest rate and foreign exchange trading. Foreign currency trading is undertaken primarily for the purpose of providing the Group's customers with access to foreign exchange markets. Trading Book positions include approved financial instruments, both physical and derivative. Traded Market Risk is managed in line with the Board-approved Risk Appetite Statement and, Group Trading Book Policy.

Non-traded Market Risk comprises 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 due to movements in interest rates. IRRBB arises predominantly from the Group's general balance sheet funding and lending activities. The Group takes a prudent approach to the management of IRRBB, balancing NII and Economic Value (EV) and aiming to minimise volatility in current and future earnings.

IRRBB is managed in line with the Board-approved Risk Appetite Statement, and Group Interest Rate Risk in the Banking Book Policy.

Market Risk is primarily managed by Group Treasury, which is responsible for ensuring that the Group's exposures remain compliant 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.

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 impact on earnings.

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	Avg during the year	Exposure at year end	Avg during the year
	June 2023		June 2022	
VaR	$m	$m	$m	$m
Economic Value (EV) Sensitivity	**–**	**(0.1)**	(0.5)	(0.5)

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	Avg during the year	Exposure at year end	Avg during the year
	June 2023		June 2022	
VaR	$m	$m	$m	$m
VaR	**123.1**	**106.9**	45.1	53.6
Economic Value (EV) Sensitivity	**(117.1)**	**(85.8)**	(57.3)	(73.7)
Net Interest Income (NII) Sensitivity	**(115.2)**	**(93.5)**	(85.7)	(96.5)

21 Risk management continued

Interest Rate Risk

The following table demonstrates the sensitivity of the Group's Income Statement and equity to a plausible change in interest rates, with all other variables held constant.

The sensitivity of the Income Statement is the effect of assumed changes in interest rates on the net interest income including revenue share arrangements for one year, based on the floating rate financial assets and financial liabilities held at 30 June 2023, 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 2023 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.

The table below represents the change to the Group's profit for the relevant financial year from a 50 basis point up and 25 basis point down rate shock.

	Group			
	June 2023		June 2022	
	+50 bps $m	-25 bps $m	+50 bps $m	-25 bps $m
Net interest income	**46.1**	**(21.6)**	29.0	(17.1)
Revaluation (losses)/gains arising on economic hedges that are not in a hedge relationship	**(3.1)**	**1.6**	—	—
Income tax effect at 30%	**(12.9)**	**6.0**	(8.7)	5.1
Effect on profit	**30.1**	**(14.0)**	20.3	(12.0)
Effect on profit (per above)	**30.1**	**(14.0)**	20.3	(12.0)
Cash flow hedge reserve	**(47.6)**	**23.8**	(44.9)	22.4
Income tax effect on reserves at 30%	**14.3**	**(7.1)**	13.5	(6.7)
Effect on equity	**(3.2)**	**2.7**	(11.1)	3.7

	Bank			
	June 2023		June 2022	
Net interest income	**46.1**	**(21.6)**	29.0	(17.1)
Revaluation (losses)/gains arising on economic hedges that are not in a hedge relationship	**(3.1)**	**1.6**	—	—
Income tax effect at 30%	**(12.9)**	**6.0**	(8.7)	5.1
Effect on profit	**30.1**	**(14.0)**	20.3	(12.0)
Effect on profit (per above)	**30.1**	**(14.0)**	20.3	(12.0)
Cash flow hedge reserve	**(47.6)**	**23.8**	(44.9)	22.4
Income tax effect on reserves at 30%	**14.3**	**(7.1)**	13.5	(6.7)
Effect on equity	**(3.2)**	**2.7**	(11.1)	3.7

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 there are no non-AUD outstandings under the Euro Medium-Term Note program (EMTN), Euro Commercial Paper program (ECP) or Covered bond programme (CBP). At balance date the principal of foreign currency denominated borrowings under these programs was AUD $nil (June 2022: AUD $nil).

Retail and business banking foreign exchange transactions are managed by the Group's Financial Markets business unit within, spot and forward limits. Adherence to limits is independently monitored by the Financial Risk & Modelling function.

Funding and Capital Management

22 Share capital

	Group		Bank	
	June 2023		June 2023	
Issued and paid up capital	No. of shares	$m	No. of shares	$m
Ordinary shares fully paid (ASX Code: BEN)	565,895,510	5,242.9	565,895,510	5,242.9
Employee Share Ownership Plan shares	—	(2.4)	—	(2.4)
Total issued and paid up capital	565,895,510	5,240.5	565,895,510	5,240.5
Movements in ordinary shares on issue	No. of shares	$m	No. of shares	$m
Opening balance 1 July 2022	565,655,652	5,242.9	565,655,652	5,242.9
Bonus share scheme [1]	434,164	—	434,164	—
Dividend reinvestment plan [2, 3]	2,202,982	18.8	2,202,982	18.8
Executive performance rights	—	0.2	—	0.2
Closing balance (including treasury shares) 30 June 2023	568,292,798	5,261.9	568,292,798	5,261.9
Less: treasury shares	No. of shares	$m	No. of shares	$m
Opening balance 1 July 2022	(2,578,207)	(20.4)	(2,578,207)	(20.4)
Net movement during the period	180,919	1.4	180,919	1.4
Closing balance (excluding treasury shares) 30 June 2023	565,895,510	5,242.9	565,895,510	5,242.9
Movements in Employee Share Ownership Plan	No. of shares	$m	No. of shares	$m
Opening balance 1 July 2022	—	(3.0)	—	(3.0)
Reduction in Employee Share Ownership Plan	—	0.6	—	0.6
Closing balance 30 June 2023	—	(2.4)	—	(2.4)
Total issued and paid up capital	565,895,510	5,240.5	565,895,510	5,240.5

1. The Group issued 217,141 shares @ $8.98 as part of the December 2022 interim dividend and issued 217,023 shares @ $8.55 as part of the June 2022 final dividend under the Bonus Share Scheme.
2. The Group issued 2,202,982 shares @ $8.55 as part of the June 2022 final dividend under the Dividend Reinvestment Plan.
3. The Dividend Reinvestment Plan in respect of the 31 December 2022 interim dividend was satisfied in full by the on-market purchase and transfer of 2,496,726 shares at $8.98 to participating shareholders.

22 Share capital continued

	Group		Bank	
	June 2022		June 2022	
Issued and paid up capital	**No. of shares**	**$m**	**No. of shares**	**$m**
Ordinary shares fully paid (ASX Code: BEN)	563,077,445	5,222.5	563,077,445	5,222.5
Employee Share Ownership Plan shares	—	(3.0)	—	(3.0)
Total issued and paid up capital	563,077,445	5,219.5	563,077,445	5,219.5
Movements in ordinary shares on issue	**No. of shares**	**$m**	**No. of shares**	**$m**
Opening balance 1 July 2021	547,147,671	5,064.9	547,147,671	5,064.9
Bonus share scheme [1]	601,774	—	601,774	—
Dividend reinvestment plan [2]	7,903,601	75.9	7,903,601	75.9
Shares issued for business acquisition [3]	10,002,606	102.2	10,002,606	102.2
Executive performance rights	—	(0.1)	—	(0.1)
Closing balance (including treasury shares) 30 June 2022	565,655,652	5,242.9	565,655,652	5,242.9
Less: treasury shares	**No. of shares**	**$m**	**No. of shares**	**$m**
Opening balance 1 July 2021	(1,637,293)	(11.8)	(1,637,293)	(11.8)
Net movement during the period	(940,914)	(8.6)	(940,914)	(8.6)
Closing balance (excluding treasury shares) 30 June 2022	563,077,445	5,222.5	563,077,445	5,222.5
Movements in Employee Share Ownership Plan	**No. of shares**	**$m**	**No. of shares**	**$m**
Opening balance 1 July 2021	—	(3.6)	—	(3.6)
Reduction in Employee Share Ownership Plan	—	0.6	—	0.6
Closing balance 30 June 2022	—	(3.0)	—	(3.0)
Total issued and paid up capital	563,077,445	5,219.5	563,077,445	5,219.5

1. The Group issued 262,546 shares @ $9.70 as part of the December 2021 interim dividend and issued 339,228 shares @ $9.49 as part of the June 2021 final dividend under the Bonus Share Scheme.
2. The Group issued 3,914,039 shares @ $9.70 as part of the December 2021 interim dividend and issued 3,989,562 shares @ $9.49 as part of the June 2021 final dividend under the Dividend Reinvestment Scheme.
3. The Group issued 10,002,606 shares @ $10.22 as part of the Ferocia acquisition.

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.

Funding and Capital Management

23 Retained earnings and reserves

	Group		Bank	
	June 2023	June 2022	**June 2023**	June 2022
Retained earnings movements	**$m**	$m	**$m**	$m
Opening balance	**1,386.5**	1,166.0	**961.1**	682.4
Profit for the year	**497.0**	488.1	**448.4**	550.3
Share-based payment	**0.4**	0.9	**0.3**	0.9
Operational risk reserve	**—**	4.2	**—**	—
(Increase)/decrease in equity reserve for credit losses	**(7.4)**	16.9	**(7.4)**	16.9
Transfer from reserves	**0.3**	—	**—**	—
Dividends	**(309.5)**	(289.6)	**(309.5)**	(289.6)
Deregistration of subsidiary companies	**—**	—	**—**	0.2
Closing balance	**1,567.3**	1,386.5	**1,092.9**	961.1

Reserve movements

Employee benefits reserve	**$m**	$m	**$m**	$m
Opening balance	**13.7**	9.6	**13.7**	9.6
Share based payment expense	**9.4**	7.7	**9.4**	7.7
Lapsed/forfeited awards	**(0.5)**	(1.3)	**(0.5)**	(1.3)
Vested awards	**(5.6)**	(2.3)	**(5.6)**	(2.3)
Closing balance	**17.0**	13.7	**17.0**	13.7

Revaluation reserve – Equity Investments at FVOCI without recycling	**$m**	$m	**$m**	$m
Opening balance	**13.0**	9.7	**12.7**	8.9
Net unrealised gains	**—**	4.7	**—**	5.4
Transfer from reserves	**(0.3)**	—	**—**	—
Tax effect of net unrealised gains	**—**	(1.4)	**—**	(1.6)
Closing balance	**12.7**	13.0	**12.7**	12.7

Revaluation reserve – Debt Securities at FVOCI with recycling	**$m**	$m	**$m**	$m
Opening balance	**(58.5)**	0.7	**(96.9)**	197.5
Impairment	**—**	0.1	**—**	0.1
Net unrealised (losses)/gains	**(17.0)**	(84.8)	**9.7**	(420.6)
Tax effect of revaluations	**5.1**	25.5	**(2.9)**	126.1
Closing balance	**(70.4)**	(58.5)	**(90.1)**	(96.9)

Operational risk reserve	**$m**	$m	**$m**	$m
Opening balance	**—**	4.2	**—**	—
Movement operational risk reserve	**—**	(4.2)	**—**	—
Closing balance	**—**	—	**—**	—

23 Retained earnings and reserves continued

Cash flow hedge reserve	$m	$m	$m	$m
Opening balance	**49.9**	9.1	**49.9**	9.1
Mark-to-market movements	**(75.6)**	46.1	**(75.6)**	46.1
Tax effect of mark-to-market movements	**14.1**	(5.3)	**14.1**	(5.3)
Closing balance	**(11.6)**	49.9	**(11.6)**	49.9

Equity reserve for credit losses (ERCL)	$m	$m	$m	$m
Opening balance	**87.8**	104.7	**87.8**	104.7
Increase/(decrease) in ERCL	**7.4**	(16.9)	**7.4**	(16.9)
Closing balance	**95.2**	87.8	**95.2**	87.8
Total reserves	**42.9**	105.9	**23.2**	67.2

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 34.

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 Bendigo Superannuation Pty Ltd 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.

Equity reserve for credit losses

The equity reserve for credit losses was initially established to meet the requirements of APRA Prudential Standard, APS 220 *Credit Quality*, which required a reserve to be held to recognise estimated future credit losses which may arise over the life of the Group's lending portfolio. This requirement was removed from 1 January 2022, however, the Group has prudently maintained this reserve pending further clarification.

Other assets and liabilities

24 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	
	June 2023	June 2022	**June 2023**	June 2022
	$m	$m	**$m**	$m
Opening balance	**920.3**	901.7	**–**	–
Additions	**52.2**	51.9	**–**	–
Disposals	**(51.5)**	(63.1)	**–**	–
Homesafe revaluation gain [1]	**36.8**	29.8	**–**	–
Total investment property	**957.8**	920.3	**–**	–

1. Homesafe revaluation income in Note 3 of $44.3m (June 2022: $38.5m), 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 cash flows are sourced from market indices of property values (CoreLogic regional property indices) and long-term growth/discount rates appropriate to residential property and historical performance 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/(depreciation), 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 Workgroup, taking into account the specific characteristics of the portfolio. The Group has applied a discount rate of 6.75% (June 2022: 5.75%) and property appreciation rates of -1.0% for the first year, 2.0% for the second year, and 5.0% per annum thereafter (June 2022: -5.0% for the first year, -2.0% for the second year, and 4.0% per annum thereafter).

24 Investment property continued

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

		Range of estimates for unobservable inputs			Effect of reasonably possible alternative assumptions	
Valuation technique	Significant unobservable inputs	Favourable change	Unfavourable change	Fair value measurement sensitivity to unobservable inputs	Favourable change	Unfavourable change
Discounted cash flow	Rates of property appreciation ~ short-term growth rates: Year 1: (1%) Year 2: 2%	Year 1: 0% Year 2: 3%	Year 1: (2%) Year 2: 1%	Significant increases in these inputs would result in higher fair values.	$17.6m	($17.3)m
	Rates of property appreciation ~ long-term growth rate 5%	6%	4%	Significant increases in these inputs would result in higher fair values.	$78.9m	($69.7)m
	Discount rates ~ 6.75%	5.75%	7.75%	Significant increases in these inputs would result in lower fair values.	$99.0m	($85.2)m

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.

Other assets and liabilities

25 Goodwill and other intangible assets

	Group						
	Goodwill $m	Software $m	Software under development $m	Customer relationship $m	Other acquired intangibles [3] $m	Trustee licence $m	Total $m
Carrying amount as at 1 July 2022	**1,527.5**	**157.0**	**110.0**	**4.0**	**1.4**	**8.4**	**1,808.3**
Additions	**—**	**—**	**120.0**	**—**	**—**	**—**	**120.0**
Impairment charge [1]	**—**	**(39.3)**	**(8.3)**	**—**	**—**	**—**	**(47.6)**
Transfer to software	**—**	**34.2**	**(34.2)**	**—**	**—**	**—**	**—**
Amortisation of acquired intangibles	**—**	**(4.4)**	**—**	**(0.6)**	**(1.3)**	**—**	**(6.3)**
Amortisation of internally developed intangibles	**—**	**(32.5)**	**—**	**—**	**—**	**—**	**(32.5)**
Closing balance as at 30 June 2023	**1,527.5**	**115.0**	**187.5**	**3.4**	**0.1**	**8.4**	**1841.9**
	$m	$m	$m	$m	$m	$m	$m
Carrying amount as at 1 July 2021	1,437.5	95.4	82.5	4.6	3.5	8.4	1,631.9
Additions [2]	91.3	22.0	103.8	—	—	—	217.1
Transfer to software	—	76.3	(76.3)	—	—	—	—
Write off on disposal	(1.3)	—	—	—	—	—	(1.3)
Amortisation of acquired intangibles	—	(3.3)	—	(0.6)	(2.1)	—	(6.0)
Amortisation of internally developed intangibles	—	(33.4)	—	—	—	—	(33.4)
Closing balance as at 30 June 2022	1,527.5	157.0	110.0	4.0	1.4	8.4	1808.3

	Bank						
	$m	$m	$m	$m	$m	$m	$m
Carrying amount as at 1 July 2022	**1,470.4**	**157.0**	**109.9**	**4.0**	**0.6**	**—**	**1,741.9**
Additions	**—**	**—**	**120.0**	**—**	**—**	**—**	**120.0**
Impairment charge [1]	**—**	**(39.3)**	**(8.2)**	**—**	**—**	**—**	**(47.5)**
Transfer to software	**—**	**34.2**	**(34.2)**	**—**	**—**	**—**	**—**
Amortisation of acquired intangibles	**—**	**(4.4)**	**—**	**(0.6)**	**(0.6)**	**—**	**(5.6)**
Amortisation of internally developed intangibles	**—**	**(32.5)**	**—**	**—**	**—**	**—**	**(32.5)**
Closing balance as at 30 June 2023	**1,470.4**	**115.0**	**187.5**	**3.4**	**—**	**—**	**1,776.3**
	$m	$m	$m	$m	$m	$m	$m
Carrying amount as at 1 July 2021	1,380.4	95.3	82.5	4.6	2.0	—	1,564.8
Additions [2]	91.3	22.0	103.7	—	—	—	217.0
Transfer to software	—	76.3	(76.3)	—	—	—	—
Write off on disposal	(1.3)	—	—	—	—	—	(1.3)
Amortisation of acquired intangibles	—	(3.3)	—	(0.6)	(1.4)	—	(5.3)
Amortisation of internally developed intangibles	—	(33.3)	—	—	—	—	(33.3)
Closing balance as at 30 June 2022	1,470.4	157.0	109.9	4.0	0.6	—	1,741.9

1. In FY23, an impairment expense of $47.6m was recognised against the Group's software intangible balances. This includes a $39.3m impairment against assets in use, and an $8.3m impairment of software under development. As the Group continues to invest in new capabilities and technologies, legacy assets will necessarily be retired. In accordance with AASB 136 *Impairment of Assets*, an impairment of such assets is recorded where the carrying value exceeds the recoverable amount. A majority of the impairment loss is recorded in the Corporate segment for the purposes of AASB 8 *Operating Segments*, with a small component of the impairment recorded in the Consumer segment.
2. Goodwill and software additions in FY22 relate to the acquisition of Ferocia Pty Ltd. Goodwill disposals include disposals as part of the sale of Community Insurance Solutions Pty Ltd and the debtor finance business.
3. These assets include customer lists, management rights and trade names.

25 Goodwill and other intangible assets continued

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, not yet available for use or not capable of generating largely independent cash flows 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.

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	Intangible assets acquired in a business combination
Useful lives	Indefinite	Finite	Finite
Method used	Not amortised or revalued	Straight line over 2.5 – 10 yrs	Straight line over 2 – 15 yrs
Internally generated/acquired	Acquired	Internally generated or acquired	Acquired
Impairment test/recoverable amount testing	Annually and when an indicator of impairment exists	When an indicator of impairment exists	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.

Other assets and liabilities

25 Goodwill and other intangible assets continued

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, or when there is an indicator 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 impairment loss will be recorded initially against any goodwill allocated to the CGU, followed by other assets of the CGU on a pro-rata basis, subject to the requirements in AASB 136 *Impairment of Assets*.

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 other valuations prepared using various approaches to calculate the Group's fair value less cost to sell.

The assumptions made in determining value in use have been based on reasonable and supportable information as at 30 June 2023 and include the following:

- Cash flows are based on the Group's FY24 target and five-year strategic plan, with specific adjustments as required by accounting standards, for non-cash items and to account for inherent uncertainties in longer-term forecasting.
- 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 2022: 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. Management has included a 75bps risk premium in the post-tax discount rate to reflect the inherent uncertainties in forecasting cash flows in the current environment.

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

	Goodwill		Other indefinite useful life assets		Post-tax discount rate	
	June 2023 $m	June 2022 $m	**June 2023 $m**	June 2022 $m	**June 2023 %**	June 2022 %
Consumer	**1,285.1**	1,285.1	**8.4**	8.4	**11.01%**	10.15%
Business & Agribusiness	**242.4**	242.4	**—**	—	**11.13%**	10.27%

Sensitivity to changes in assumptions

The measurement of the CGUs recoverable amount is most sensitive to changes in net interest income and expenses. As a result, if the Group experiences a significant reduction in assumed asset growth or net interest margin, or a significant increase in assumed expenses, this may impact the assessment of the Group's goodwill balances.

The table below details the movements in net interest income and operating expense growth rates, and post-tax discount rates that would result in an impairment. These sensitivities assume the specific assumption moves in isolation, with all other assumptions held constant. Growth rate sensitivities are cumulative and adjust the growth rates applied to FY25-FY28 within the cash flow. Management believes that any reasonably possible change in other key assumptions would not result in an impairment.

			Growth rates	
	Headroom	Post tax discount rate	Net interest income	Operating expenses
	$m	bps	bps	bps
Consumer	478.3	+90	-137	+243
Business & Agribusiness	154.9	+106	-123	+198

26 Other assets

	Group		Bank	
	June 2023 $m	June 2022 $m	**June 2023 $m**	June 2022 $m
Accrued income	**44.0**	24.5	**40.5**	21.3
Prepayments	**62.7**	50.0	**62.6**	49.8
Sundry debtors	**252.0**	154.4	**1,265.0**	1,192.9
Accrued interest	**217.6**	125.1	**217.5**	125.1
Deferred expenditure	**8.3**	4.7	**8.0**	4.7
Total other assets	**584.6**	358.7	**1,593.6**	1,393.8

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.

27 Other payables

	Group		Bank	
	June 2023 $m	June 2022 $m	**June 2023 $m**	June 2022 $m
Lease liability	**115.8**	148.9	**115.8**	148.9
Accrued expenses and outstanding claims	**294.8**	290.7	**290.5**	286.3
Accrued interest	**287.2**	31.3	**287.2**	31.3
Prepaid interest	**36.4**	21.5	**—**	—
Total other payables	**734.2**	492.4	**693.5**	466.5

Recognition and measurement

Lease liability

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.

Other assets and liabilities

28 Provisions

	Group		Bank	
	June 2023 $m	June 2022 $m	**June 2023 $m**	June 2022 $m
Employee entitlements	**110.4**	105.4	**80.6**	105.4
Make good provision	**12.2**	13.0	**12.2**	13.0
Other [1]	**3.7**	3.8	**3.7**	3.8
Closing balance	**126.3**	122.2	**96.5**	122.2

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

Movements in provisions (excluding employee entitlements)

	Group					
	Make good provision		Other		Total	
	June 2023 $m	June 2022 $m	**June 2023 $m**	June 2022 $m	**June 2023 $m**	June 2022 $m
Opening balance	**13.0**	12.9	**3.8**	3.5	**16.8**	16.4
Additional provision recognised	**0.8**	0.8	**319.5**	289.1	**320.3**	289.9
Amounts utilised during the year	**(1.6)**	(0.7)	**(319.6)**	(288.8)	**(321.2)**	(289.5)
Closing balance	**12.2**	13.0	**3.7**	3.8	**15.9**	16.8

	Bank					
	$m	$m	**$m**	$m	**$m**	$m
Opening balance	**13.0**	12.9	**3.8**	3.4	**16.8**	16.3
Additional provision recognised	**0.8**	0.8	**319.5**	289.1	**320.3**	289.9
Amounts utilised during the year	**(1.6)**	(0.7)	**(319.6)**	(288.7)	**(321.2)**	(289.4)
Closing balance	**12.2**	13.0	**3.7**	3.8	**15.9**	16.8

Employee benefits

The table below shows the individual balances for employee benefits:

	Group		Bank	
	June 2023 $m	June 2022 $m	**June 2023 $m**	June 2022 $m
Annual leave	**35.9**	37.5	**24.5**	37.5
Other employee payments	**17.2**	10.0	**17.2**	10.0
Long service leave	**51.0**	52.2	**32.6**	52.2
Sick leave bonus	**6.3**	5.7	**6.3**	5.7
Closing balance	**110.4**	105.4	**80.6**	105.4

28 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.

Other disclosure matters

29 Cash flow statement reconciliation

	Group		Bank	
	June 2023 $m	June 2022 $m	**June 2023 $m**	June 2022 $m
Profit after tax	**497.0**	488.1	**448.4**	550.3
Non-cash items				
Credit expenses/(reversals)	**36.1**	(23.4)	**71.4**	(24.6)
Amortisation	**38.8**	39.4	**38.1**	38.6
Depreciation (including leasehold improvements)	**64.0**	59.8	**64.0**	59.8
Revaluation increment/(decrement)	**5.3**	10.1	**(2.6)**	5.9
Equity settled transactions	**7.0**	4.5	**7.0**	4.5
Share of net profit from joint arrangements and associates	**0.5**	(1.4)	**0.5**	(1.4)
Dividends received	**(1.2)**	(4.9)	**(8.7)**	(89.5)
Impairment write down	**52.2**	—	**63.2**	—
Fair value acquisition adjustments	**13.4**	11.3	**11.3**	11.3
Revaluation loss on derivatives	**2.2**	—	**2.2**	—
Changes in assets and liabilities				
(Decrease)/increase in tax provision	**(9.8)**	6.4	**(9.8)**	6.4
Increase in deferred tax assets and liabilities	**(22.6)**	(6.4)	**(18.8)**	(103.5)
Decrease/(increase) in derivatives	**33.3**	(11.3)	**33.3**	(11.3)
Increase/(decrease) in accrued interest	**178.3**	(16.8)	**163.5**	(21.9)
Increase/(decrease) in accrued employee entitlements	**5.0**	1.3	**(24.8)**	1.3
Increase in other accruals, receivables and provisions	**(374.4)**	(93.6)	**(307.0)**	(180.0)
Cash flows from operating activities before changes in operating assets and liabilities	**525.1**	463.1	**531.2**	245.9
(Increase)/decrease in operating assets				
Net increase in balance of loans and other receivables	**(380.5)**	(5,666.4)	**(1,823.9)**	(4,418.5)
Net decrease/(increase) of investment securities	**2,694.9**	(6,380.1)	**2,648.6**	(7,145.3)
Increase/(decrease) in operating liabilities				
Net increase in balance of deposits	**2,726.9**	8,366.8	**2,726.5**	8,360.4
Net increase/(decrease) in balance of other borrowings	**139.3**	(33.3)	**1,086.7**	(275.6)
Net cash flows from/(used in) operating activities	**5,705.7**	(3,249.9)	**5,169.1**	(3,233.1)

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, deposits and other borrowings.

30 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 cash flows relating to transactions between members of the Group have been eliminated in full on consolidation. Where a controlled entity has been sold or acquired during the year its operating results have been included to the date control ceased or from the date control was obtained.

The following table presents the material subsidiaries of the Group. A subsidiary has been considered to be material where the assets are more than 0.5% of 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.

Other disclosure matters

30 Subsidiaries and other controlled entities continued

Investments in controlled entities

The Bank's investment in controlled entities are disclosed in the table below.

	Bank	
	June 2023 $m	June 2022 $m
At cost	**101.8**	112.8
Total investments in controlled entities	**101.8**	112.8

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 classifies all entities where it owns 100% of the shares and in which it controls as subsidiaries. Investments in subsidiaries are stated at cost.

Special Purpose Entities (SPE's)

The following table presents a list of the material SPEs. An 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 18.

Entity	Principal activities
Bendigo Covered Bond Trust [1]	Securitisation
Torrens Series 2008-1 Trust	Securitisation
Torrens Series 2008-4 Trust	Securitisation
Torrens Series 2021-1 Trust	Securitisation
Torrens Series 2021-2 Trust	Securitisation

1. The Group established its inaugural Covered Bond Programme (CBP) in October 2022. Refer to Note 18 for further details.

31 Related party disclosures

Subsidiary and controlled entity transactions

Transactions undertaken with subsidiaries (including controlled Special Purpose Entities) are eliminated in the Group's financial statements. Transactions between the Bank and the subsidiary are primarily 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 year were:

	June 2023 $m	June 2022 $m
Opening balance at beginning of financial year	**3,731.4**	2,575.1
Net receipts and fees received from/(paid to) subsidiaries	**(1,414.7)**	1,198.2
Supplies, fixed assets and services charged to subsidiaries	**(48.1)**	(41.9)
Net amount owing to subsidiaries	**2,268.6**	3,731.4

Bendigo and Adelaide Bank Limited 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 2023 $m
Sandhurst Trustees Limited	Guarantee	**0.5**	–

Dividends paid by subsidiaries	June 2023 $m	June 2022 $m
Sandhurst Trustees Limited	**7.5**	84.6

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:

	June 2023 $m	June 2022 $m
Commissions and fees paid to joint arrangements and associates	**29.0**	23.7
Supplies and services provided to joint arrangements and associates	**0.5**	0.3
Amount owing to/(from) joint arrangements and associates	**19.5**	15.3

Bendigo and Adelaide Bank Limited provides loans, guarantees and/or overdraft facilities to joint arrangements and associates. The loans have agreed repayment terms which vary according to the nature of the facility. These loans are included in the net amount owing from joint arrangements and associates in the above table.

Other disclosure matters

31 Related party disclosures continued

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	June 2023 $'000's	June 2022 $'000's
Salaries and other short-term benefits	**9,308.8**	6,868.8
Post-employment benefits	**346.4**	342.2
Other long-term benefits	**(38.8)**	55.8
Share-based payments	**1,773.9**	1,751.7
Total compensation	**11,390.3**	9,018.5

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	June 2023 No.	June 2022 No.
Ordinary shares (includes deferred shares)	**1,276,815**	1,317,053
Preference shares	**350**	350
Performance Rights	**466,623**	325,306
Alignment Rights	**35,146**	—
Deferred Share Rights	**66,888**	66,888
Loan Funded Shares	**1,375,287**	1,716,392
NED Rights to Shares	**4,192**	3,785
Closing balance of equity holdings	**3,225,301**	3,429,774

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]	June 2023 $'000's	June 2022 $'000's
Loans outstanding at the beginning of the year [2]	**8,274.0**	11,330.0
Loans outstanding at the end of the year	**7,149.0**	12,493.0
Interest paid or payable [3]	**314.0**	235.0
Interest not charged	**—**	—

1. For details related to loans held by Executive KMP and Non-executive Directors, refer to Section 5 of the Remuneration Report section of the Annual Financial Report.
2. The balance of loans outstanding relate to Executive KMP and Non-executive Directors who were in office at the start of, or appointed during, the financial year. Loan balances exclude the value of loans provided to Executives under the Loan Funded Share Plan or Employee Share Ownership Plan.
3. Interest charged may include the impact of an interest off-set facility.

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.

32 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 or bonds to investors.	Investments in notes or bonds 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, together with the maximum exposure to loss that could arise from those interests.

Balance Sheet	Managed investment funds June 2023 $m	Securitisation vehicles June 2023 $m	Managed investment funds June 2022 $m	Securitisation vehicles June 2022 $m
Cash and cash equivalents	**0.1**	**—**	0.1	—
Financial assets – amortised cost	**—**	**186.4**	—	184.0
Financial assets fair value through other comprehensive income	**—**	**3.2**	8.7	8.7
Financial assets fair value through profit and loss	**9.4**	**—**	—	—
Net Loans and other receivables	**—**	**2,279.9**	—	2,104.9
Other assets		**4.6**	—	2.0
Total on-balance sheet exposures	**9.5**	**2,474.1**	8.8	2,299.6
Total off-balance sheet exposures [1]	**—**	**197.4**	—	29.6
Total maximum exposure to loss	**9.5**	**2,671.5**	8.8	2,329.2

1. Relates to undrawn funding limits.

Other disclosure matters

32 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 June 2023 $m	Maximum loss exposure June 2023 $m	Carrying amount June 2022 $m	Maximum loss exposure June 2022 $m
Cash and cash equivalents	**0.1**	**0.1**	0.1	0.1
Senior notes	**2,474.1**	**2,671.5**	2,299.6	2,329.2
Investment	**9.4**	**9.4**	8.7	8.7
	2,483.6	**2,681.0**	2,308.4	2,338.0

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 30.

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 a majority representation on the Board.

33 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	
	June 2023 $m	June 2022 $m
Funds under trusteeship	**6,665.2**	6,680.0
Assets under management	**3,090.4**	2,928.5
Funds under management	**3,574.8**	3,751.5

Recognition and measurement

The assets and liabilities of these trusts and funds are not included in the consolidated financial statements as the Group does not have direct or indirect control of the trusts and funds. Commissions and fees earned in respect of the activities are included in the Income Statement of the Group.

As an obligation arises under each type of duty, the amount of funds has been included where that duty arises. This may lead to the same funds being shown more than once where the Group acts in more than one capacity in relation to those funds (e.g. manager and trustee). Where controlled entities, as trustees, custodian or manager incur liabilities in the normal course of their duties, a right of indemnity exists against the assets of the applicable trusts. As these assets are sufficient to cover liabilities, and it is therefore not probable that the Group will be required to settle them, the liabilities are not included in the financial statements.

Other disclosure matters

34 Share-based payment plans

Bendigo and Adelaide Bank has multiple employee share-based payment plans. The share-based payment plans form an integral part of the Group's remuneration framework and help create alignment between employees participating in those plans (participants) and shareholders.

Information on the plans currently offered is provided below and further details are outlined in the Remuneration Report. The following table shows the expense recorded for share-based payment plans during the year:

Plans	June 2023 $m	June 2022 $m
Performance and Share Rights	**5.4**	3.2
Loan Funded Shares	**1.5**	1.1
Deferred Shares	**0.1**	0.2
Total share-based payments expense	**7.0**	4.5

Accounting Policy

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.

Recognition and Measurement

The shares or rights are recognised at fair value at the grant date and expensed to staff expenses over the vesting period, with a corresponding increase in reserves. If the shares do not vest because of market conditions, the Employee Benefits Reserve is cleared to Retained Earnings. If the shares do not vest because of service or performance conditions not being met, the Employee Benefits Reserve is cleared to Profit or Loss.

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.

Equity-settled share-based payments

The cost of equity-settled share-based payments is measured using their fair value at the date on which they are granted. The fair value calculation takes into consideration a number of factors, including the likelihood of achieving market-based vesting conditions such as total shareholder return (market conditions).

The cost of equity-settled share-based payments is recognised in the Consolidated income statement, together with a corresponding increase in the share-based payment reserve (SBP reserve) in equity, over the vesting period of the instrument. At each reporting date, the Bank reviews its estimates of the number of instruments that are expected to vest and any changes to the cost are recognised in the Consolidated income statement and the SBP reserve, over the remaining vesting period.

Where the terms of an equity-settled share-based payment are modified and the expense increases as a result of the modification, the increase is recognised over the remaining vesting period. When a modification reduces the expense, there is no adjustment, and the pre-modification cost continues to be recognised.

Where an equity-settled award does not ultimately vest, expenses are not reversed; except for awards where vesting is conditional upon a non-market condition, in which case all expenses are reversed in the period in which the award lapses.

Cash-settled share-based payments

Cash-settled share-based payments are recognised when the terms of the arrangement provide the Bank with the discretion to settle in cash or by issuing equity instruments and it has a present obligation to settle the arrangement in cash. A present obligation may occur where the past practice has set a precedent for future settlements in cash.

Cash-settled share-based payments are recognised, over the vesting period of the award, in the Consolidated income statement, together with a corresponding liability. The fair value is measured on initial recognition and re-measured at each reporting date up to and including the settlement date, with any changes in fair value recognised in the Consolidated income statement. Similar to equity-settled awards, numbers of instruments expected to vest are reviewed at each reporting date and any changes are recognised in the Consolidated income statement and corresponding liability. The fair value is determined using appropriate valuation techniques at grant date and subsequent reporting dates.

34 Share-based payment plans continued

Plan overview

Performance rights

The Managing Director and Executive KMP receive their long-term incentive in performance rights. Incentives are subject to downward adjustments through ongoing risk assessments and/or consequence management process. All awards are subject to the Clawback and Malus Policy.

These arrangements are summarised below:

Long-term Incentive

Performance rights give the participant the right to acquire one fully paid ordinary share in Bendigo and Adelaide Bank upon meeting specific hurdles. They are granted at no cost to the participant and carry no dividend or voting rights until they vest.

Performance is assessed against; Relative Total Shareholder Return, Return on Equity, Relative Customer Advocacy, Relative Reputation.

Managing Director & CEO

In FY23 the Managing Director received a grant of performance rights in accordance with the terms approved by shareholders at the 2022 AGM.

The FY23 performance rights grant has a four-year performance period and will be tested on 30 June 2026.

Following testing, tranches 2 & 3 of the grant remain subject to further conditions including a service period and risk gateway until 30 June 2027 and 30 June 2028 respectively.

Executive KMP

In FY23 the Executive received a grant of performance rights with a four-year performance period and will be tested on 30 June 2026.

Following testing, tranche 2 will remain subject to further conditions including a service period and risk gateway until 30 June 2027.

Performance rights valuation

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 valuations are based on the 5-day volume weighted average share price measured over the 5-day trading period prior to the start of the award's valuation period. Assumptions regarding the dividend yield and volatility have been estimated based on dividend yield and volatility over the relevant period.

The following table shows the factors considered in determining the value of the performance rights granted during the period. No awards are exercisable at exercisable at year end.

CEO & Managing Director

Grant date	Share price	Contractual life (years)	Dividend yield	Volatility	Risk-free interest rate	Fair value of rTSR	Fair value of ROE, NPS, Reputation
14/11/2022	$8.84	3.88 years	6.00%	31.72%	3.34%	$3.64	$7.01
14/11/2022	$8.84	4.88 years	6.00%	29.65%	3.42%	$3.34	$6.60
14/11/2022	$8.84	5.88 years	6.00%	28.65%	3.49%	$3.14	$6.21

Executive KMP

Grant date	Share price	Contractual life (years)	Dividend yield	Volatility	Risk-free interest rate	Fair value of rTSR	Fair value of ROE, NPS, Reputation
14/11/2022	$8.84	3.88 years	6.00%	31.72%	3.34%	$3.64	$7.01
14/11/2022	$8.84	4.88 years	6.00%	29.65%	3.42%	$3.34	$6.60

The following table shows the movement in number of performance rights outstanding during the period:

Performance rights	June 2023	June 2022
Opening balance	**352,763**	460,667
Granted during the year	**310,127**	100,428
Lapsed during the year	**(77,619)**	(95,932)
Exercised during the year	**(51,467)**	(112,400)
Closing balance	**533,804**	352,763

Other disclosure matters

34 Share-based payment plans continued

Share Rights

The Managing Director, Executive KMP, executives and employees may receive share rights as part of their remuneration arrangements. Share rights give the participant the right to acquire one fully paid ordinary share in Bendigo and Adelaide Bank after a specific service period. They are granted at no cost to the participant and carry no dividend or voting rights until they vest. All awards are subject to ongoing employment, compliance with the Clawback and Malus Policy and the Board's discretion.

These arrangements are summarised below.

Long-term Incentive Plan	Short-term Incentive Plan Managing Director and Executive KMP	Deferred Share Rights
Alignment Rights and Transformation Incentive awards are subject to continued service and risk gateway conditions and may be awarded to certain employees as part of their overall LTI award.	STI rewards the achievement of Bank, Divisional and individual performance. Performance is assessed based on a scorecard of; Financial, Customer & Community, People & Planet, and Risk and Governance uplift. Delivered through a mix of cash (50% and deferred rights (50%). One-year deferral period following completion of the performance period, adjusted to meet regulatory requirements.	Deferred bonus equity and sign-on awards are subject to continued service and risk gateway conditions. Deferred bonus equity grants are made whereby a portion of the employee's annual STI outcome is delivered in share rights. Sign-on awards are made to select employees to replace STI forgone from their previous employer strategy.

Share rights valuation

The number of share rights granted to Participants was determined by dividing the value of the proposed grant by the volume weighted average price of the Company's shares for the five trading days preceding the allocation date.

The service conditions and risk gateways attached to the Share Rights granted are not considered market-based conditions under AASB 2. Accordingly, a Black-Scholes-Merton model to estimate the fair value.

As soon as reasonably practicable at the end of the vesting period, the Board will make an assessment against the Company's overall Risk Gateway to determine whether, and the extent to which, the Share Rights which have not otherwise been forfeited will vest. The Board may in its discretion make adjustments to the award to reflect risk outcomes.

The following table shows the factors considered in determining the value of the share rights granted during the period:

Grant date	Share price	Contractual life (years)	Dividend yield	Volatility	Risk-free interest rate	Fair value
1/7/2022	$9.13	1/9/2024	5.81%	31.67%	3.20%	$8.05

Grant date	Share price	Contractual life (years)	Dividend yield	Volatility	Risk-free interest rate	Fair value
14/10/2022	$8.58	1/9/2024	6.18%	27.60%	3.62%	$7.64
11/4/2023	$8.79	11/4/2025	6.31%	25.48%	2.87%	$8.52
8/5/2023	$8.62	8/5/2025	6.44%	25.37%	3.07%	$8.34

Grant date	Share price	Contractual life (years)	Dividend yield	Volatility	Risk-free interest rate	Fair value
14/11/2022	$8.84	30/9/2026	6.00%	31.72%	3.34%	$7.01
14/11/2022	$8.84	30/9/2027	6.00%	29.65%	3.42%	$6.60

34 Share-based payment plans continued

The following table shows the movement in number of share rights outstanding during the period. No awards are exercisable at exercisable at year end.

Share rights	June 2023	June 2022
Opening balance	**1,313,852**	—
Granted during the year	**893,920**	1,328,576
Lapsed during the year	**(20,481)**	(14,724)
Exercised during the year	**(392,067)**	—
Closing balance	**1,795,224**	1,313,852

Restricted Shares

The Managing Director, Executive KMP, executives and employees may receive restricted shares.

These arrangements are summarised below:

Loan Funded Share Plan

The Bank established a Loan Funded Share Plan (LFSP) in 2020. Under the LFSP, eligible employees 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 LFSP 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.

There have been no further issues under this plan since 2021.

Employee Share Plan

The Bank established a loan based limited recourse Employee Share plan in 2006. The plan is only available to full time and part time employees of the Group (excluding Senior Executives and the Managing Director). The Plan provides employees with a limited recourse interest free loan for the sole purpose of acquiring fully paid ordinary shares in the Bank.

The shares must be paid for by the employee with cash dividends after personal income tax being applied to repay the loans. Employees cannot exercise, dispose of or transfer the shares until the loan has been fully repaid.

There have been no further issues under this plan since 2008.

Deferred Shares

Under the Plan, Participants were granted deferred shares as part of their base remuneration and short-term incentive payments.

The number of deferred shares granted to Participants is calculated by dividing the deferred remuneration value by the volume weighted average closing price of the Bank's shares for the last five trading days of the financial year prior to the year of grant.

There have been no further issues under this plan since 2018.

Other disclosure matters

34 Share-based payment plans continued

Restricted share valuation

The fair value is measured 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.

The following table shows the factors considered in determining the value of the restricted shares granted in prior years. No awards are exercisable at year end.

Grant date	Share price	Contractual life (years)	Dividend yield	Volatility	Risk-free interest rate	Fair value
25/11/2020	$6.83	4-6 years	0.00%	27.92%	0.26%	$1.87
16/11/2021	$9.18	4-6 years	0.00%	28.93%	1.44%	$2.70

	June 2023		June 2022	
Loan Funded Share Plan [1]	No.	WAEP $	No.	WAEP $
Opening balance	**2,408,535**	**$7.45**	1,635,527	$6.95
Granted during the year	**—**	**—**	954,134	—
Lapsed during the year	**(300,085)**	**—**	(181,126)	—
Exercised during the year	**—**	**—**	—	—
Closing balance	**2,108,450**	**$6.82**	2,408,535	$7.45

1. There have been no further issues under this plan since 2021.

	June 2023		June 2022	
Employee Share Plan [1]	No.	WAEP $	No.	WAEP $
Opening balance	**630,883**	**$4.74**	705,054	$5.12
Granted during the year	**—**	**—**	—	—
Lapsed during the year	**—**	**—**	—	—
Exercised during the year	**(70,584)**	**$4.58**	(74,171)	$4.76
Closing balance [2]	**560,299**	**$4.31**	630,883	$4.74

1. There have been no further issues under this plan since 2008.
2. The closing balance of the Employee Share Plan on 30 June 2023 is represented by 560,299 (2022: 630,883) ordinary shares with a market value of $4,812,968 (2022 : $5,722,109), exercisable upon repayment of the employee loan.

Deferred Share Pay Plan [1]	June 2023	June 2022
Opening balance	**57,969**	111,304
Granted during the year	**2,946**	4,636
Lapsed during the year	**—**	—
Exercised during the year	**(60,915)**	(57,971)
Closing balance	**—**	57,969

1. There have been no further issues under this plan since 2018.

35 Commitments and contingencies

a) Commitments and contingent liabilities

The following are outstanding expenditure and credit related commitments as at 30 June 2023.

	Group		Bank	
	June 2023 $m	June 2022 $m	**June 2023 $m**	June 2022 $m
Commitment to provide credit	**12,577.4**	12,039.9	**10,503.1**	10,556.4
Guarantees	**243.3**	253.2	**243.3**	253.2
Documentary letters of credit and performance related obligations	**0.5**	2.1	**0.5**	2.1

Comparative information in the above Commitments and contingent liabilities table has been restated to align to methodology applied in current financial year.

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 guarantee matches the underlying obligations to which they relate.

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 material 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.

b) Contingent assets

As at 30 June 2023, the economic entity does not have any contingent assets.

Other disclosure matters

36 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	
	June 2023 $	June 2022 $	**June 2023 $**	June 2022 $
Fees to Ernst & Young (Australia) [1]				
Category 1 – Fees to the group auditor for audit and review of financial statements	**1,929,542**	1,818,400	**1,836,322**	1,725,700
Category 2 – Audit related services	**464,000**	382,000	**464,000**	382,000
Category 3 – Other assurance services				
• Consolidated entities	**560,967**	523,000	**560,967**	523,000
• Non-consolidated entities	**437,769**	377,722	**—**	—
Category 4 – Non-audit (other) related fees				
• Consolidated entities	**449,675**	400,000	**449,675**	400,000
Total fees to Ernst & Young (Australia)	**3,841,953**	3,501,122	**3,310,964**	3,030,700

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.

37 Leases

A) Leases as lessee

Recognition and measurement

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 leases of low-value whereby lease payments are expensed on a straight line basis over the lease term.

i) Right-of-use assets (ROUA) relate to leased branch and office premises that are included in the balance of property, plant and equipment in the Balance Sheet.

	Properties		Other	
ROUA	**June 2023 $m**	June 2022 $m	**June 2023 $m**	June 2022 $m
Opening balance as at 1 July	**114.1**	133.6	**5.9**	11.1
Depreciation charge	**(39.5)**	(40.1)	**(3.8)**	(5.1)
Additions	**10.2**	13.8	**0.8**	0.8
Remeasurements	**7.4**	6.8	**—**	(0.8)
Disposals	**—**	—	**—**	(0.1)
Impairments [1]	**(2.4)**	—	**—**	—
Closing balance as at 30 June	**89.8**	114.1	**2.9**	5.9

1. During the year the Group considered the utilisation of head office workspaces due to staff engaging in a hybrid working model. As a result, there was a decision to mothball some head office spaces, resulting in an impairment for the affected Right of Use Assets.

ii) Amounts recognised in the Income Statement:

	Group	
Depreciation charge of ROUA	**June 2023 $m**	June 2022 $m
Properties	**39.5**	36.9
Other	**3.8**	5.1
Total depreciation expense ROUA	**43.3**	42.0
Interest on lease liabilities	**4.0**	4.9
Expenses relating to short-term leases	**1.4**	1.7
Expenses relating to leases of low value assets, excluding short-term leases of low value assets	**0.1**	0.2
Expenses relating to impairment of leases	**2.4**	—

iii) Amounts recognised in the Cash Flow Statement:

	Group	
	June 2023 $m	June 2022 $m
Total cash outflow for leases	**50.5**	50.3

Other disclosure matters

37 Leases continued

B) Leases as lessor

Recognition and measurement

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 2023 was $4.6 million (30 June 2022: $4.4 million).

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	
	June 2023 $m	June 2022 $m	**June 2023 $m**	June 2022 $m
Less than one year	**4.7**	5.1	**4.7**	5.1
One to two years	**4.3**	4.1	**4.3**	4.1
Two to three years	**1.7**	4.0	**1.7**	4.0
Three to four years	**—**	1.5	**—**	1.5
Total	**10.7**	14.7	**10.7**	14.7

38 Events after balance sheet date

No matters or circumstances have arisen since the end of the half 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 2023 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 2023.

On behalf of the Board,

Jacqueline Hey

Jacqueline Hey
Chair

Marnie Baker
Chief Executive Officer and Managing Director

11 September 2023

Independent Auditor's Report

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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 2023;
- 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 2023 and of their financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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Allowance for credit losses

Why significant	How our audit addressed the key audit matter
At 30 June 2023 the allowance for credit losses includes individually assessed credit provision of $47.8 million and collectively assessed credit provisions of $238.5 million as disclosed in Notes 11 *Impairment of loans and advances* and 21 *Risk management*. The allowance for expected credit losses is determined in accordance with Australian Accounting Standards and is subject to a number of significant judgements, such as: - the identification of exposures with a significant increase in credit risk; - 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, such as gross domestic product growth, unemployment rates, central-bank interest rates and house price indices as disclosed in Note 11; - the incorporation of forward-looking information to reflect current or future external factors, specifically judgments related to current economic uncertainty, both in the multiple forward-looking scenarios and the probability weighting determined for each of these scenarios as disclosed in Note 11; and - assumptions used in the calculation of overlays, which are used to capture known model shortcomings or current and future market characteristics that are not are not currently captured by the Group's expected credit loss models. This was a key audit matter due to the value of the provisions and the degree of judgment and estimation uncertainty associated with the calculations.	In addressing the adequacy of the 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 Australian Accounting Standards. - Involved our actuarial specialists to test the mathematical accuracy of the Group's models and key modelling assumptions, including probability of default, exposure at default and loss given default assumptions. - Involved our Economics specialists to assess significant macroeconomic assumptions incorporated into the Group's models, including the reasonableness of forward-looking information and scenarios, with reference to relevant publicly-available macro-economic information and the sensitivity of the collectively assessed credit provision to changes in such assumptions. - On a sample basis, assessed 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. - On a sample basis, agreed the key loan attributes that are used in the models to calculate the expected credit loss, through to relevant source documentation. - We assessed the basis for, and assumptions used in, overlays recognised to capture current and future market characteristics resulting from current market uncertainty, with reference to market data and industry/geographic concentrations.

Independent Auditor's Report

Allowance for credit losses (cont.)

Why significant	How our audit addressed the key audit matter
	Our audit procedures on the individually assessed credit 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 emerging trends within high-risk industries, work out strategies, collateral values and the value and timing of recoveries. We assessed the adequacy and appropriateness of the disclosures associated with credit impairment included in the financial report.

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Impairment assessment of goodwill

Why significant	How our audit addressed the key audit matter

At 30 June 2023, goodwill associated with historical acquisitions amounts to $1,527.5 million.
 	
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:
▸ forecast future cash flows;
▸ discount rates; and
▸ terminal growth rates.
 	
Details on the methodology and assumptions used in the impairment assessment of goodwill are included in Note 25 *Goodwill and other intangible assets*.
 	
This was a key audit matter due to the value of the goodwill balance and the degree of judgment and estimation uncertainty associated with the impairment assessment.
	Our audit procedures included the following:
	▸ Assessed whether the models used by the Group in the impairment testing of goodwill met the requirements of Australian Accounting Standards.
	▸ 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;
	  ▸ Consider the relationship between market capitalisation of the Group as at 30 June 2023 and recent trading history relative to net assets;
	  ▸ Test the mathematical accuracy of the impairment models; and
	  ▸ Benchmark the implied valuations to comparable company trading and control valuation multiples.
	▸ Assessed the adequacy of the disclosures associated with the impairment assessment of goodwill included in the financial report.

Independent Auditor's Report

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Valuation of investment property

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 product is accounted for as investment property.

The Group's investment property balance as at 30 June 2023 was $957.8 million and the revaluation gain recognised in the current year from the Homesafe portfolio was $44.3 million. The Homesafe investment property portfolio is measured at fair value using a discounted cash flow model which is categorised as level 3 in the fair value hierarchy. 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.

Details on the methodology and assumptions used in the calculation of the fair value of investment properties are disclosed in Note 24 *Investment property.*

This was a key audit matter due to the value of the Group's investment property portfolio and the degree of judgment and estimation uncertainty associated with the assumptions, particularly the expected rates of property appreciation assumption.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Assessed the 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.
- Assessed whether a sample of new contracts and settlements around 30 June 2023 were recorded within the correct period.
- Involved our 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 mathematical accuracy of the model.
- Considered the disclosures in respect of the investment property and associated revaluation gains included in the financial report.

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Information Technology (IT) systems and controls over financial reporting

Why significant	How our audit addressed the key audit matter

The Group's financial reporting process is significantly reliant on IT systems with automated processes and controls relating to the capture, storage and extraction of information.
 	
A fundamental component of these IT controls is ensuring that risks relating to inappropriate user access management, unauthorised program changes and IT operating protocols are addressed.
	Our audit procedures in this area were conducted with the involvement of our IT specialists and included the following:
	
	▸ We assessed the effectiveness of the Group's IT controls significant to the financial reporting processes, including those related to user access, change management and data integrity.
	▸ Where we identified design and/or operating deficiencies in the IT control environment, our procedures included the following:
	  ▸ Assessed the potential impact of the deficiencies on the integrity and reliability of the systems and data related to financial reporting; and
	  ▸ Where automated procedures were supported by systems with identified deficiencies, performed alternative audit procedures.

Independent Auditor's 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 2023 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report

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Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 46 to 76 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Bendigo and Adelaide Bank Limited for the year ended 30 June 2023, 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

T M Dring
Partner

Clare Sporle
Partner

Melbourne
11 September 2023

Shareholder information

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 ASX on 14 August 2023.

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 2023 Corporate Governance Statement. For further details, please refer to our website at 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 30 August 2023:

Substantial holder	Number of ordinary shares held	% of total shares issued [1]	Date of last notice
Vanguard Group	28,298,593	5.003%	07/07/2022
State Street Corporation	29,816,863	5.25%	07/03/2023

1. 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 30 August 2023 were in the following categories:

Category	Fully Paid Ordinary Shares	%	Fully Paid Employee Shares (BENAK, AA and AB)	%	Convertible Preference Shares 4 (BEN PG)	%	Capital Notes (BEN PH)	%	Performance and Share Rights (BENAAA, and BENAC)	%	Rights to Shares (BENAAD)	%
1 – 1,000	16,773,337	2.97	305,474	55.66	1,444,555	44.92	2,020,054	40.20	342,069	13.98	0	0.00
1,001 – 5,000	96,795,991	17.11	222,520	40.55	770,055	23.94	1,272,756	25.60	284,233	11.62	8,830	100.00
5,001 – 10,000	70,792,589	12.52	5,815	1.06	199,775	6.21	331,241	6.59	288,710	11.80	0	0.00
10,001 – 100,000	128,977,548	22.80	15,000	2.73	452,818	14.08	374,883	7.46	985,369	40.27	0	0.00
100,001 and over	252,296,074	44.60	0	0.00	348,942	10.85	1,025,512	20.41	546,428	22.33	0	0.00
Number of Holders	98,232	100	823	100	5,167	100	6,695	100	53	100	2	100
Securities on Issue	**565,635,539**	**100.00**	**548,809**	**100.00**	**3,216,145**	**100.00**	**5,024,446**	**100.00**	**2,446,809**	**100.00**	**8,830**	**100.00**

6 Marketable parcel

Based on a closing price of $9.53 on 30 August 2023 the number of holders with less than a marketable parcel of the Company's main class of securities (Ordinary Shares) as at 30 August 2023 was 5637.

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).

Shareholder information

Additional Information continued

8 Major shareholders

Names of the 20 largest holders of Fully Paid Ordinary Shares in the Company, including the number of shares each holds and the percentage of capital that number represents, as at 30 August 2023 are:

Fully paid ordinary shares

Rank	Name	Number of shares	% of shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	91,481,703	16.173%
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	57,847,827	10.227%
3	CITICORP NOMINEES PTY LIMITED	34,864,294	6.164%
4	NATIONAL NOMINEES LIMITED	18,288,273	3.233%
5	BNP PARIBAS NOMS PTY LTD <DRP>	8,268,339	1.462%
6	UBS NOMINEES PTY LTD	4,464,117	0.789%
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	3,658,331	0.647%
8	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	2,514,532	0.445%
9	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,845,815	0.326%
10	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	1,378,304	0.244%
11	CARLTON HOTEL LIMITED	1,117,147	0.198%
12	BNP PARIBAS NOMS (NZ) LTD <DRP>	771,296	0.136%
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	714,146	0.126%
14	MARNIE ANN BAKER	697,960	0.123%
15	LEESVILLE EQUITY PTY LTD	681,688	0.121%
16	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	634,080	0.112%
17	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	622,718	0.110%
18	JOHN PIERCE TOBIN	536,272	0.095%
19	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	522,255	0.092%
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <GSCO CUSTOMERS A/C>	517,094	0.091%
	Total Securities of Top 20 Holdings	**231,426,191**	**40.914%**

Equity Trustees Limited, trustee for the Bendigo and Adelaide Bank Limited Employee Share Plan, held a combined total of 548,809 unquoted shares. These shares have not been included in the above table but are included in the total of issued ordinary share capital.

Names of the 20 largest holders of Convertible Preference Shares 4, including the number of shares each holds and the percentage of Convertible Preference Share 4 capital that number represents, as at 30 August 2023 are:

Additional Information continued

Fully paid Convertible Preference Shares 4 (CPS4) (ASX: BENPG)

Rank	Name	Number of shares	% of shares
1	MUTUAL TRUST PTY LTD	137,774	4.284%
2	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	108,666	3.379%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	102,502	3.187%
4	CITICORP NOMINEES PTY LIMITED	53,683	1.669%
5	BNP PARIBAS NOMINEES PTY LTD <PITCHER PARTNERS DRP>	50,415	1.568%
6	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	46,398	1.443%
7	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	40,208	1.250%
8	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	33,852	1.053%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	30,088	0.936%
10	VISION AUSTRALIA FOUNDATION <VISION AUSTRALIA CREDIT A/C>	25,000	0.777%
11	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	19,598	0.609%
12	INVIA CUSTODIAN PTY LIMITED <A/M UNIT A/C>	18,600	0.578%
13	SOUTH BAY NOMINEES PTY LTD <C & P HONG FAMILY A/C>	18,000	0.560%
14	SOUTH HONG NOMINEES PTY LTD <HONG SUPER FUND A/C>	18,000	0.560%
15	CORP OF THE TSTEES OF THE ROMAN CATH ARC	14,000	0.435%
16	TRUSTEES OF CHURCH PROPERTY FOR THE DIOCESE OF NEWCASTLE <SAVINGS & DEVELOPMENT A/C>	13,605	0.423%
17	NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	13,495	0.420%
18	MR MICHAEL KENNETH HARVEY & MR BRUCE WILLIAM NEILL & MS BROOKE ELIZABETH SLATTERY <THE SELECT FOUNDATION A/C>	12,375	0.385%
19	IOOF INVESTMENT SERVICES LIMITED <IPS SUPERFUND A/C>	11,947	0.371%
20	T & A CAPITAL MANAGEMENT PTY LTD <S&H A/C>	11,520	0.358%
	Total Securities of Top 20 Holdings	**779,726**	**24.244%**

Shareholder information

Additional Information continued

BEN Capital Notes (ASX: BEN PH)

Rank	Name	Number of Notes	% of Notes
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	277,336	5.520%
2	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	271,060	5.395%
3	CITICORP NOMINEES PTY LIMITED	145,427	2.894%
4	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	116,113	2.311%
5	BNP PARIBAS NOMINEES PTY LTD <PITCHER PARTNERS DRP>	114,823	2.285%
6	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	100,753	2.005%
7	DIOCESE DEVELOPMENT FUND - CATHOLIC DIOCESE OF PARRAMATTA	48,600	0.967%
8	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	39,118	0.779%
9	NAVIGATOR AUSTRALIA LTD <JB WERE LIST FIX INT SMA A/C>	38,847	0.773%
10	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	31,059	0.618%
11	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	30,204	0.601%
12	IOOF INVESTMENT SERVICES LIMITED <IPS SUPERFUND A/C>	29,863	0.594%
13	MUTUAL TRUST PTY LTD	20,460	0.407%
14	NATIONAL NOMINEES LIMITED	17,896	0.356%
15	SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA A/C>	17,524	0.349%
16	NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	16,879	0.336%
17	IOOF INVESTMENT SERVICES LIMITED <IOOF IDPS A/C>	15,195	0.302%
18	MEYER TIMBER CONSOLIDATED PTY LTD	15,000	0.299%
19	CITICORP NOMINEES PTY LIMITED <DPSL A/C>	14,751	0.294%
20	TRUSTEES OF CHURCH PROPERTY FOR THE DIOCESE OF NEWCASTLE <SAVINGS & DEVELOPMENT A/C>	14,500	0.289%
	Total Securities of Top 20 Holdings	**1,375,408**	**27.374%**

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.

Glossary

Australian Accounting Standards (AAS)	Refers to the Australian Accounting Standards issued by the AASB. An accounting standard is a technical pronouncement that sets out the required accounting, including measurement and recognition requirements, for particular types of transactions and events. The accounting requirements affect the preparation and presentation of an entity's financial statements.
Australian Accounting Standards Board (AASB)	The Australian Accounting Standards Board (AASB) is the Australian Government agency responsible for developing, issuing and maintaining accounting standards that apply under *Corporations Act 2001*.
Australian Prudential Regulation Authority (APRA)	Is the prudential regulator of the Australian financial services industry. APRA is an independent statutory authority that supervises institutions across banking, insurance and superannuation and promotes financial system stability in Australia.
Australian Prudential Standards (APS)	Refers to the Prudential and Regulatory Standards issued by APRA.
Authorised deposit-taking institution (ADI)	A body corporate which is authorised under the *Banking Act 1959*, to carry on banking business "in Australia. It includes banks, building societies and credit unions."
Bonus Share Scheme	The Bonus Share Scheme was terminated in April 2023. The final offering occurred in December 2022.
Cash earnings	Cash earnings is not a statutory financial measure, is not presented in accordance with Australian Accounting Standards, and is not audited or reviewed in accordance with Australian Auditing Standards. It is considered by management to be a key indicator of the underlying performance of the core business activities of the Group. Cash earnings is defined as statutory net profit after tax adjusted for non-cash items and other adjustments. Non-cash items are those 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.
Committed Liquidity Facility (CLF)	The RBA makes available to Australian Authorised Deposit-taking institutions a CLF that, subject to qualifying conditions set and approved by APRA, can be accessed to meet LCR requirements under APS 210 *Liquidity*.
Common Equity Tier 1 Capital (CET1)	The highest quality of capital available to the Group reflecting the permanent and unrestricted commitment of funds that are freely available to absorb losses. It comprises ordinary share capital, retained earnings and reserves less specified regulatory adjustments.
Cost to Income ratio	A performance measure which represents total operating expenses before non-cash items and other adjustments as a percentage of total income before non-cash items and other adjustments.
Credit Risk	The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
Dilutive earnings per share	An earnings measure calculated by dividing net profit after tax attributable to owners of the Bank by the weighted average number of fully paid ordinary shares on issue over the period adjusted for the effect of all potentially dilutive instruments.
Dividend payout ratio	Dividends paid on ordinary shares divided by net profit after tax attributable to owners of the Bank.
Dividend Reinvestment Plan	A plan which provides shareholders with the opportunity to convert all or part of their entitlement to a dividend into new shares.
Earnings per share	An earnings measure calculated by dividing net profit after tax attributable to owners of the Bank by the weighted average number of fully paid ordinary shares on issue over the period.
Expected Credit Loss (ECL)	Represents the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument and considers reasonable and supportable information about past events, current conditions, and forecasts of future events and economic conditions that impact the Bank's credit risk assessment.
Fair value	Is an amount at which an asset or liability could be exchanged between knowledgeable and willing parties in an arm's length transaction.
Financial assets measured at amortised cost	Financial assets that are 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.

Glossary

Financial assets measured at fair value through other comprehensive income (FVOCI)	Financial assets that are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Changes in fair value are recognised in other comprehensive income.
Financial assets measured at fair value through profit or loss (FVTPL)	Financial assets that are not held in one of the two business models applicable to amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. Changes in fair value are recognised in the Income Statement.
Full time equivalent (FTE)	Includes all permanent full-time staff and part-time staff equivalents.
Equity Reserve for Credit Losses (ERCL)	The equity reserve for credit losses was initially established to meet the requirements of APRA Prudential Standard, APS 220 *Credit Quality*, which required a reserve to be held to recognise estimated future credit losses which may arise over the life of the Group's lending portfolio. This requirement was removed from 1 January 2022, however, the Group has prudently maintained this reserve pending further clarification.
Gross loans and other receivables	Is the principal amount of loans and advances provided, gross of provisions and deferred fee income and including any accrued interest.
Group	Is Bendigo and Adelaide Bank Limited ('the Bank') and the entities it controlled at financial year end and during the financial year ('the Group').
Hedging	The use of capital market contracts, namely derivatives, to eliminate or minimise the Bank's exposure to fluctuations in interest rates, foreign currency exchange rates, or other market factors.
Impaired loan	A facility must be classified as impaired regardless of whether it is 90 days or more past due (arrears) when there is doubt as to whether the full amounts due (interest and principal) will be achieved in a timely manner. This is the case even if the full extent of the loss cannot be clearly determined.
Key Management Personnel (KMP)	Persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.
Liquidity Coverage Ratio (LCR)	The Liquidity Coverage Ratio (LCR) is the ratio measures the portion of High Quality Liquidity Assets (HQLA) available to meet net cash outflows over a 30-day period under an APRA defined severe short term stress scenario.
Mark-to-Market valuation	A valuation that reflects current market rates as at the Balance Sheet date for financial instruments that are carried at fair value.
Net Interest Income (NII)	The amount of interest received or receivable on assets net of interest paid or payable on liabilities.
Net Interest Margin (NIM)	Net interest income divided by average interest-earning assets. This measure provides an indication of the profitability of the Bank's interest earning assets less the cost of interest bearing liabilities (i.e. cost of funding).
Net Stable Funding Ratio (NSFR)	The Net Stable Funding Ratio (NSFR) is the ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF). ASF is the portion of an Authorised Deposit-taking Institution's (ADI) capital and liabilities expected to be a reliable source of funds over a one year time horizon. RSF is the function of the liquidity characteristics and residual maturities of an ADI's assets and Off Balance Sheet activities.
Net tangible assets	Net assets excluding intangible assets and other equity instruments divided by ordinary shares on issue at the end of the period (excluding treasury shares deduction).
Non-performing loans	Are loans that have been recognised as either impaired or 90 days past due, consistent with the methodology in APS 220 *Credit Risk Management*.
Notional	Is the face value on which the calculations of payments for derivative financial instruments is based.
Offset account	An Offset Account (RCA) is a savings account which participates with a separate facility usually for a mortgage. Instead of receiving interest on the savings account, the interest payment due on the loan is calculated only on the net balance of the facility balance less the savings account balance.

Operating segment	An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses. Segment reporting reflects the information that is used by the Managing Director for the purposes of resource allocation and performance assessment, hence it is consistent with the internal reporting provided to the Managing Director and the Executive Team.
Past due	A financial asset is past due when a counterparty has failed to make a payment of principal, interest or other amount, when contractually due.
Past Due 90 Days	For a loan subject to a regular repayment schedule: • At least 90 days has elapsed from the due date of a contractual repayment which has not been satisfied in full; and • Total amount of arrears is equivalent to at least 90 days worth of Scheduled Payments. For a loan not subject to a contractual repayment schedule (e.g. overdrafts and revolving credit facilities) the facility remains over the contractual limit amount for at least 90 days.
Residential Mortgage Backed Security (RMBS)	A debt security whose cash flow is backed by the principal and interest payments from a specified pool of mortgage loans that are secured by mortgages over residential property.
Restructured facility	A 'Restructured Loan' is a facility in which the original contractual terms have been modified to provide for concessions of interest, or principal, or other payments due, or for an extension in maturity for a non-commercial period for reasons related to the financial difficulties of a customer and would not be offered to new customers with similar risk.
Return on average ordinary equity (ROE)	Net profit attributable to owners of the Bank divided by average ordinary equity, excluding treasury shares.
Return on average tangible equity (ROTE)	Net profit attributable to the owners of the Bank divided by average ordinary equity, excluding treasury shares less goodwill and other intangible assets.
Right-of-use-asset (ROUA)	The right-of-use asset is a lessee's right to use an asset over the life of a lease.
Rights	Rights to ordinary shares in Bendigo and Adelaide Bank Limited granted under Long-Term Variable Remuneration award and subject to performance, service and risk gateway conditions.
Risk-weighted assets (RWA)	Assets calculated by applying a regulatory risk-weight factor, prescribed by APRA, to on and off-balance sheet exposures.
Share-based payments (SBP)	Arrangements whereby employees services are exchanged for equity settled instruments namely options or shares. These payments are accounted for under AASB 2 *Share-Based Payments* where, in relation to employees and KMP, the organisation receives in exchange for providing equity instruments (including shares and share options) of the organisation with the ability to settle in cash at the Board's discretion.
Special purpose entity (SPE)	A non-bank entity established for a narrowly defined purpose, including for carrying on securitisation activities. The structure of the SPE and its activities are intended to isolate its obligation from those of the originator and the holders of the beneficial interests in the securitisation.
Term Funding Facility (TFF)	The Term Funding Facility (TFF) was established by the RBA in March 2020 to provide three-year term funding to authorised deposit-taking institutions (ADIs), to support lending to Australian businesses.
Total Capital adequacy ratio	Total capital divided by total RWA calculated in accordance with relevant APS.
Treasury shares	Are shares that the Bank has issued but are held by a trust included within the Bank's consolidated results. Treasury shares are not considered shares outstanding and are not included in 'per share' calculations.
Value at Risk (VaR)	A measure of the loss that could occur on risk positions as a result of adverse movements in market risk factors (e.g. rates, prices, volatilities) over a specified time horizon and to a given level of confidence.
Weighted average number of shares	the calculation includes fully paid ordinary shares of the Bank and excludes treasury shares related to investment in the Bank's shares.