APPENDIX 4D

Half Year Results

For the period ended 31 December 2020
Released 15 February 2021

ABN 11 068 049 178

Bendigo and Adelaide Bank

This report comprises information given to the ASX under listing rule 4.2A
Information contained in this report should be read in conjunction with the June 2020 annual financial report.

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Appendix 4D: Half Year Results

Contents

1 Appendix 4D: Half year results

1.1 Company details and reporting period

Bendigo and Adelaide Bank Limited

ABN 11 068 049 178

Reporting period - six months ended:	31 December 2020
Previous corresponding period - six months ended:	31 December 2019

1.2 Results for announcement to the market

Income from operations	up	6.7% to $889.8 m
Profit after tax from ordinary activities	up	67.3% to $243.9 m
Net profit after tax attributable to Owners of the Company	up	67.3% to $243.9 m

Dividends	Date payable/paid	Amount per security
Current financial year 2021		
Record date for determining entitlements	19 February 2021	
Interim dividend - fully franked	31 March 2021	23.5 cents
Previous financial year 2020		
Record date for determining entitlements [1]	19 February 2021	
Final dividend - fully franked	31 March 2021	4.5 cents
Interim dividend - fully franked	31 March 2020	31.0 cents

[1] The decision on the payment of a final dividend in relation to the financial year ended 30 June 2020 has now been finalised with payment of the final dividend to be made 31 March 2021.

1.3 Cash earnings results

Cash earnings attributable to Owners of the Company	up	1.9% to $219.7 m
Cash earnings per share	down	5.5% to 41.4 cents

See note 2.1.2 and 2.2.12.3 for full details

1.4 ASX Appendix 4D table

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Details of entities over which control has been gained or lost during the period

During the financial period there have been no changes to the entities in the Group.

Accounting standards used for foreign entities

Not applicable.

Half year financial statements

Refer to pages 28 to 55 of the attached December 2020 half year profit announcement.

1.5 Results snapshot

- **Statutory profit** — 67.3% to $243.9m
- **Statutory earnings per share** — 55.4% to 46.0 cents
- **Cash earnings** — 1.9% to $219.7m
- **Cash earnings per share** — 5.5% to 41.4 cents
- **Net interest margin** — down 7 basis points
- **CET1 ratio of 9.36%** — up 36 basis points

1.6 Performance summary

- On a statutory basis, net profit was $243.9m compared to $145.8m in December 2019. This increase is mainly attributed to software impairments and software accelerated amortisation adjustments which were recorded in December 2019 and were not repeated in the current period.
- Cash earnings was $219.7m compared to $215.7m in December 2019. [1]
- On a cash earnings basis:
  - Net interest income increased by $35.0m to $711.4m as a result of growth in the lending portfolios and an increase in hedging revenue. Net interest margin (before revenue share arrangements) decreased by 7 basis points to 2.30% compared to the prior corresponding period.
  - Other operating income decreased by $8.4m or 6.1% due to a reduction in fees collected and foreign exchange income earnt due to the impact of the COVID-19 pandemic, as well as a reduction in management fees.
  - Operating expenses increased by $30.0m or 6.2% mainly due to an increase in staff and redundancy costs, software licencing fees, consultancy fees and professional fees.
  - Credit expenses decreased by $3.7m or 15.9%.
- Net impaired assets decreased by $47.1m or 25.5%.
- Lending past due 90 days has decreased by $151.0m or 32.9%.
- Common Equity Tier 1 ratio was up 36 basis points to 9.36% compared to December 2019. Total Tier 1 capital was 12.17% compared to 11.40% in December 2019.
- The interim dividend for the December 2020 half is 23.5 cents.

[1] Cash earnings adjustments are outlined in section 2.1.2, 2.1.3, and 2.2.1.

1.7 Subsequent events

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

2 Half year results

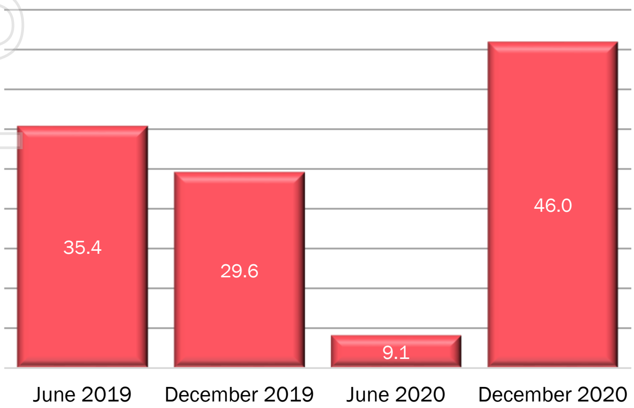
2.1 Financial summary

2.1.1 Statutory profit results

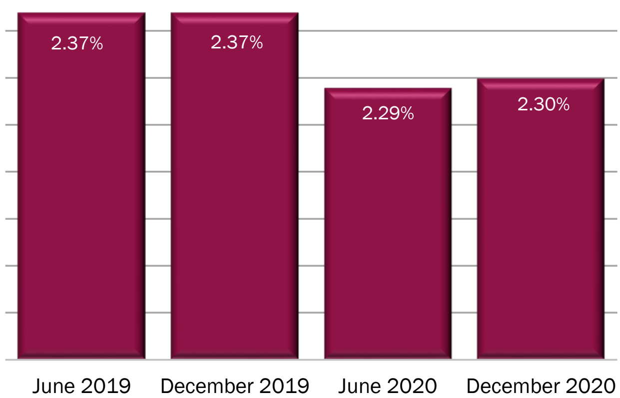
	Dec-20	Jun-20	Change		Dec-19	Change	
	$m	$m	$m	%	$m	$m	%
Net interest income	706.4	664.0	42.4	6.4	669.8	36.6	5.5
Other operating income	183.4	136.2	47.2	34.7	164.4	19.0	11.6
Total income	**889.8**	**800.2**	**89.6**	**11.2**	**834.2**	**55.6**	**6.7**
Credit expenses	(19.5)	(145.3)	125.8	86.6	(23.2)	3.7	15.9
Operating expenses	(522.4)	(581.1)	58.7	10.1	(598.7)	76.3	12.7
Total expenses	**(541.9)**	**(726.4)**	**184.5**	**25.4**	**(621.9)**	**80.0**	**12.9**
Profit before income tax expense	**347.9**	**73.8**	**274.1**	**371.4**	**212.3**	**135.6**	**63.9**
Income tax expense	(104.0)	(26.8)	(77.2)	(288.1)	(66.5)	(37.5)	(56.4)
Profit after income tax expense	**243.9**	**47.0**	**196.9**	**418.9**	**145.8**	**98.1**	**67.3**

	Half year				Dec-20 to Dec-19
	Dec-20	Jun-20	Dec-19	Jun-19	change
Earnings per ordinary share (cents)	cents	cents	cents	cents	cps
Basic	46.0	9.1	29.6	35.4	16.4
Diluted	38.0	8.9	27.1	32.1	10.9
Franked dividends per share	23.5	4.5	31.0	35.0	(7.5)
Financial performance ratios	%	%	%	%	bps
Net interest margin before revenue share arrangements	2.30%	2.29%	2.37%	2.37%	(7)
Net interest margin after revenue share arrangements	1.97%	1.93%	1.99%	1.97%	(2)
Financial position ratios	%	%	%	%	bps
Return on average ordinary equity (after tax)	8.29%	1.65%	5.26%	6.34%	303
Return on average tangible equity (after tax)	11.12%	2.24%	7.42%	9.00%	370
Return on average assets	0.65%	0.13%	0.41%	0.51%	24

Statutory EPS (cents)



Net interest margin before revenue share arrangements (%)

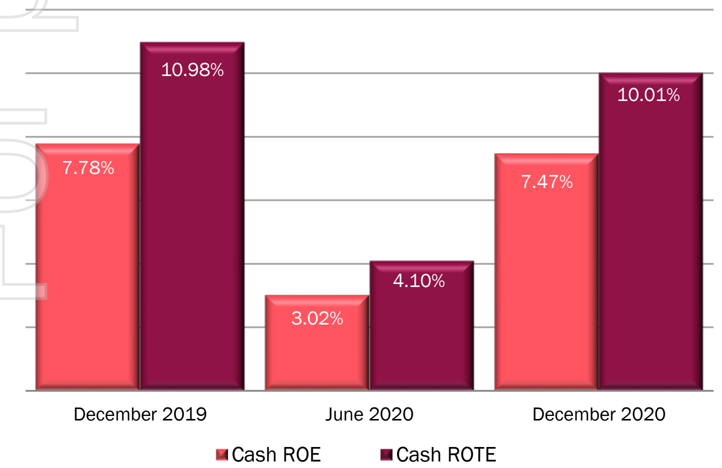


2.1.2 Cash earnings results

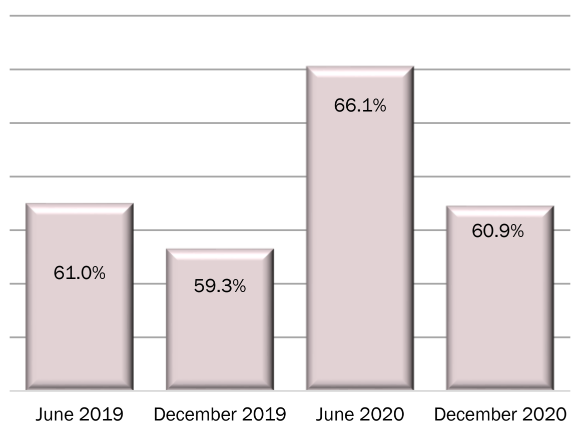
	Dec-20	Jun-20	Change		Dec-19	Change	
	$m	$m	$m	%	$m	$m	%
Net interest income	711.4	670.0	41.4	6.2	676.4	35.0	5.2
Other operating income	129.9	129.5	0.4	0.3	138.3	(8.4)	(6.1)
Total income	**841.3**	**799.5**	**41.8**	**5.2**	**814.7**	**26.6**	**3.3**
Credit expenses	(19.5)	(145.3)	125.8	86.6	(23.2)	3.7	15.9
Operating expenses	(517.4)	(534.1)	16.7	3.1	(487.4)	(30.0)	(6.2)
Total expenses	**(536.9)**	**(679.4)**	**142.5**	**21.0**	**(510.6)**	**(26.3)**	**(5.2)**
Income tax expense	(90.1)	(40.1)	(50.0)	(124.7)	(93.4)	3.3	3.5
Cash earnings before Homesafe realised income	**214.3**	**80.0**	**134.3**	**167.9**	**210.7**	**3.6**	**1.7**
Net Homesafe realised income (after tax)	5.4	6.0	(0.6)	(10.0)	5.0	0.4	8.0
Cash earnings after income tax expense	**219.7**	**86.0**	**133.7**	**155.5**	**215.7**	**4.0**	**1.9**

	Half year				Dec-20 to Dec-19
	Dec-20	Jun-20	Dec-19	Jun-19	change
Earnings per ordinary share (cents)	cents	cents	cents	cents	cps
Cash	41.4	16.6	43.8	40.0	(2.4)
Financial performance ratios (cash)	%	%	%	%	bps
Cost to income ratio	60.9%	66.1%	59.3%	61.0%	160
Financial position ratios (cash)	%	%	%	%	bps
Return on average ordinary equity	7.47%	3.02%	7.78%	7.15%	(31)
Return on average tangible equity	10.01%	4.10%	10.98%	10.15%	(97)
Return on average assets	0.59%	0.24%	0.61%	0.58%	(2)

Cash ROE and ROTE (%)



Cost to income ratio (%)



2.1.3 Cash earnings reconciliation

For the half year ended 31 December 2020

	Statutory Profit	Fair value	Homesafe unrealised	Hedging reval'n	Merchant services sale	Impairment charges [1]	Operating expenses [2]	Amort'n of acquired intangibles	Cash earnings sub-total [3]	Homesafe realised income	Cash earnings
		Cash earnings adjustments									
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Net interest income	706.4	-	5.0	-	-	-	-	-	711.4	(4.2)	707.2
Other income	183.4	-	(61.6)	8.1	-	-	-	-	129.9	11.9	141.8
Total income	889.8	-	(56.6)	8.1	-	-	-	-	841.3	7.7	849.0
Credit expenses	(19.5)	-	-	-	-	-	-	-	(19.5)	-	(19.5)
Operating expenses	(522.4)	-	-	-	3.3	-	-	1.7	(517.4)	-	(517.4)
Net profit before tax	347.9	-	(56.6)	8.1	3.3	-	-	1.7	304.4	7.7	312.1
Income tax expense	(104.0)	-	17.0	(2.4)	(0.2)	-	-	(0.5)	(90.1)	(2.3)	(92.4)
Net profit after tax	243.9	-	(39.6)	5.7	3.1	-	-	1.2	214.3	5.4	219.7

For the half year ended 30 June 2020

	Statutory profit	Fair value	Homesafe unrealised	Hedging reval'n	Merchant services sale	Impairment charges [1]	Operating expenses [2]	Amort'n of acquired intangibles	Cash earnings sub-total [3]	Homesafe realised income	Cash earnings
		Cash earnings adjustments									
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Net interest income	664.0	-	6.0	-	-	-	-	-	670.0	(4.1)	665.9
Other income	136.2	-	2.8	(9.5)	-	-	-	-	129.5	12.7	142.2
Total income	800.2	-	8.8	(9.5)	-	-	-	-	799.5	8.6	808.1
Credit expenses	(145.3)	-	-	-	-	-	-	-	(145.3)	-	(145.3)
Operating expenses	(581.1)	-	-	-	-	36.4	8.9	1.7	(534.1)	-	(534.1)
Net profit before tax	73.8	-	8.8	(9.5)	-	36.4	8.9	1.7	120.1	8.6	128.7
Income tax expense	(26.8)	-	(2.6)	2.8	-	(10.2)	(2.7)	(0.6)	(40.1)	(2.6)	(42.7)
Net profit after tax	47.0	-	6.2	(6.7)	-	26.2	6.2	1.1	80.0	6.0	86.0

For the half year ended 31 December 2019

	Statutory profit	Fair value	Homesafe unrealised	Hedging reval'n	Merchant services sale	Impairment charges [1]	Operating expenses [2]	Amort'n of acquired intangibles	Cash earnings sub-total [3]	Homesafe realised income	Cash earnings
		Cash earnings adjustments									
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Net interest income	669.8	0.1	6.5	-	-	-	-	-	676.4	(4.4)	672.0
Other income	164.4	-	(38.8)	12.7	-	-	-	-	138.3	11.5	149.8
Total income	834.2	0.1	(32.3)	12.7	-	-	-	-	814.7	7.1	821.8
Credit expenses	(23.2)	-	-	-	-	-	-	-	(23.2)	-	(23.2)
Operating expenses	(598.7)	-	-	-	-	88.3	21.5	1.5	(487.4)	-	(487.4)
Net profit before tax	212.3	0.1	(32.3)	12.7	-	88.3	21.5	1.5	304.1	7.1	311.2
Income tax expense	(66.5)	-	9.7	(3.8)	-	(26.2)	(6.2)	(0.4)	(93.4)	(2.1)	(95.5)
Net profit after tax	145.8	0.1	(22.6)	8.9	-	62.1	15.3	1.1	210.7	5.0	215.7

[1] Includes impairments of both investments and software intangible assets.

[2] Includes legal, accelerated amortisation and restructuring costs.

[3] Cash earnings sub-total is equal to cash earnings before Homesafe realised income.

2.2 Results commentary

2.2.1 Specific items

The reported profit after tax for the half year ended 31 December 2020 of $243.9 million included the following specific items:

	Dec-20		Jun-20		Dec-19	
	Before Tax	After Tax	Before Tax	After Tax	Before Tax	After Tax
	$m	$m	$m	$m	$m	$m
Items included in interest income						
Fair value adjustments - interest expense	-	-	-	-	(0.1)	(0.1)
Homesafe funding costs - unrealised	(5.0)	(3.5)	(6.0)	(4.2)	(6.5)	(4.6)
Total specific net interest income items	**(5.0)**	**(3.5)**	**(6.0)**	**(4.2)**	**(6.6)**	**(4.7)**
Items included in other income						
Revaluation (losses)/gains on economic hedges	(8.1)	(5.7)	9.5	6.7	(12.7)	(8.9)
Homesafe revaluation gain/(loss)	61.6	43.1	(2.8)	(2.0)	38.8	27.2
Total specific other income items	**53.5**	**37.4**	**6.7**	**4.7**	**26.1**	**18.3**
Items included in operating expenses						
Sale of Merchant Services business	(3.3)	(3.1)	-	-	-	-
Impairment charge	-	-	(1.6)	(1.6)	(1.2)	(1.2)
Legal costs	-	-	-	-	(2.5)	(2.1)
Restructuring costs	-	-	(8.9)	(6.2)	-	-
Software impairment	-	-	(34.8)	(24.6)	(87.1)	(60.9)
Software accelerated amortisation	-	-	-	-	(19.0)	(13.2)
Total specific operating expense items	**(3.3)**	**(3.1)**	**(45.3)**	**(32.4)**	**(109.8)**	**(77.4)**
Total specific items attributable to the Group	**45.2**	**30.8**	**(44.6)**	**(31.9)**	**(90.3)**	**(63.8)**
Other specific items						
Homesafe revaluation gain - realised	(11.9)	(8.3)	(12.7)	(8.9)	(11.5)	(8.1)
Homesafe funding costs - realised	4.2	2.9	4.1	2.9	4.4	3.1
Total other specific items attributable to the Group	**(7.7)**	**(5.4)**	**(8.6)**	**(6.0)**	**(7.1)**	**(5.0)**
Amortisation of acquired intangibles	**(1.7)**	**(1.2)**	**(1.7)**	**(1.1)**	**(1.5)**	**(1.1)**

Specific interest income items

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

Homesafe funding costs - unrealised - interest expense incurred on existing contracts for the current year.

Specific other income items

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

Homesafe revaluation gain/(loss) - represents the valuation movements of the investment property held.

Specific operating expense items

Sale of Merchant Services business - represents proceeds less costs of disposal relating to the sale of the Merchant Services business to Tyro Payments Limited.

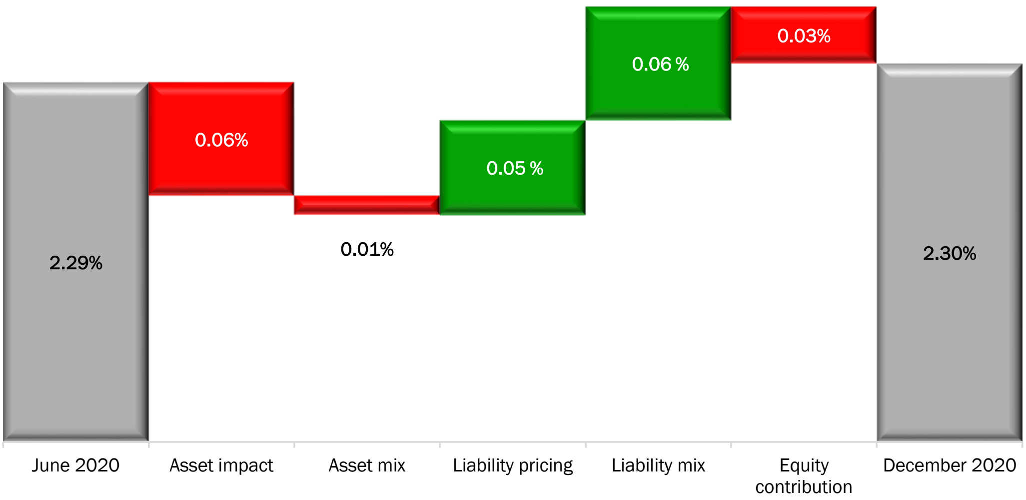
Other specific items

Homesafe revaluation gain - realised - represents funds received on completion being the difference between the cash received on completion less the initial funds advanced.

Homesafe funding costs - realised - represents accumulated interest expense on completed contracts since contract initiation. These costs have previously been excluded from cash earnings during the financial year they were incurred. These adjustments align the realised income and funding costs within the same period.

Refer to prior period Appendix 4E ASX result releases for details of prior period specific items.

2.2.2 Net interest margin (before revenue share arrangements)



Asset impact - A decrease in hedging revenue and pricing pressure on variable and fixed lending portfolios were partially offset by favourable variable mortgage repricing following cash rate decreases.

Asset mix - An increase in the average balance of lower yielding fixed loans compared to variable loans was offset by reduction to liquid assets through ongoing management of the Group's liquidity position.

Liability pricing - Favourable term deposit and wholesale funding repricing were partially offset by margin contraction from floored at call deposits not reduced with cash rate decreases.

Liability mix - The continued strong at call deposit growth has had a positive impact on the total cost of deposits funding.

Equity contribution - Margin contraction following the cash rate decreases.

Cash net interest income [1]

	Half year		
	Dec-20	Jun-20	Dec-19
	$m	$m	$m
Net interest income including specific items [2]	706.4	664.0	669.8
Adjustments:			
Fair value adjustments [3]	-	-	0.1
Net interest income used in NIM calculation	**706.4**	**664.0**	**669.9**
Average interest earning assets [4]	71,290.0	69,315.8	67,079.8
Average interest earning liabilities [4]	67,575.2	65,734.9	63,665.5
Net interest margin	1.97%	1.93%	1.99%
Net interest margin before revenue share arrangement	2.30%	2.29%	2.37%

[1] Cash net interest income includes Homesafe unrealised funding costs.

[2] Refer to section 2.2.3 - Total net interest income including specific items.

[3] Fair value adjustments relate to the acquisition of loans from Rural Finance.

[4] Offset products have been reclassified from deposits and netted against the corresponding loan balance. (1H21: $4,206.2, 2H20: $3,503.6, 1H20: $3,145.9)

2.2.3 Income

	Dec-20	Jun-20	Change		Dec-19	Change	
	$m	$m	$m	%	$m	$m	%
Net interest income	711.4	670.0	41.4	6.2	676.4	35.0	5.2
Homesafe funding costs - unrealised	(5.0)	(6.0)	1.0	16.7	(6.5)	1.5	23.1
Fair value adjustments - interest expense	-	-	-	-	(0.1)	0.1	100.0
Total net interest income including specific items	**706.4**	**664.0**	**42.4**	**6.4**	**669.8**	**36.6**	**5.5**
Other income							
Fee income	76.5	76.2	0.3	0.4	79.3	(2.8)	(3.5)
Commissions and management fees	26.5	27.4	(0.9)	(3.3)	29.2	(2.7)	(9.2)
Foreign exchange income	10.0	10.2	(0.2)	(2.0)	12.4	(2.4)	(19.4)
Trading book income	6.9	6.4	0.5	7.8	4.8	2.1	43.8
Other	10.0	9.3	0.7	7.5	12.6	(2.6)	(20.6)
Total other income	**129.9**	**129.5**	**0.4**	**0.3**	**138.3**	**(8.4)**	**(6.1)**
Specific other income items							
Homesafe revaluation gain/(loss)	61.6	(2.8)	64.4	2,300.0	38.8	22.8	58.8
Revaluation (losses)/gains on economic hedges	(8.1)	9.5	(17.6)	(185.3)	(12.7)	4.6	36.2
Total other specific income	**53.5**	**6.7**	**46.8**	**698.5**	**26.1**	**27.4**	**105.0**
Total other income including specific items	**183.4**	**136.2**	**47.2**	**34.7**	**164.4**	**19.0**	**11.6**
Total income	**889.8**	**800.2**	**89.6**	**11.2**	**834.2**	**55.6**	**6.7**

Comments on individual income categories when compared to the previous corresponding period are:

Net interest income increased by $36.6m or 5.5% largely as a result of growth in the lending portfolios, offset against a contraction in net interest margin (1H21: 2.30%, 1H20: 2.37%).

Fee income decreased by $2.8m or 3.5% primarily due to a reduction in fees collected due to the impact of the COVID-19 pandemic.

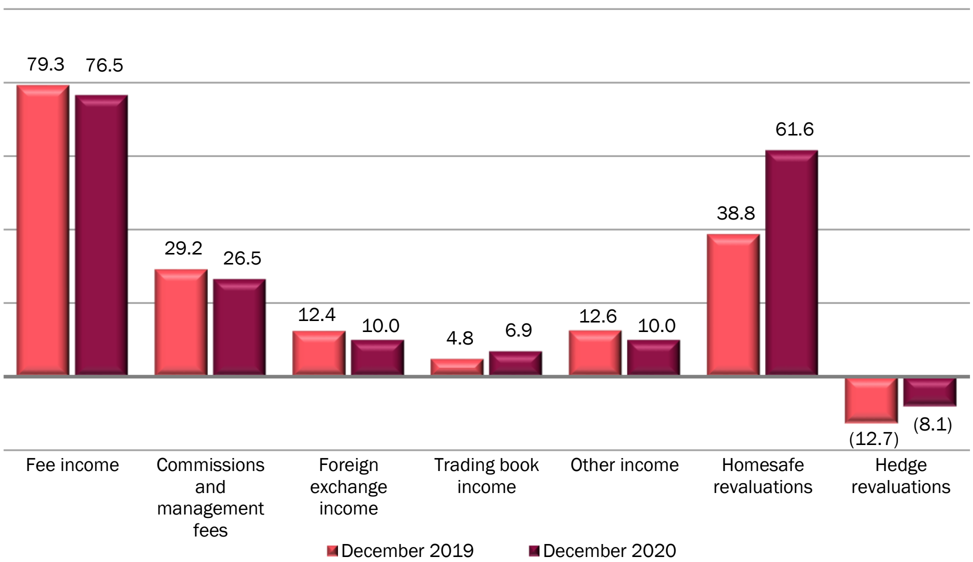
Commissions and management fees decreased by $2.7m or 9.2%, mainly due to reductions in the management fees earned by Sandhurst Trustees Limited from the managed funds resulting from margin contractions.

Foreign exchange income decreased by $2.4m or 19.4% as a result of a decrease in foreign exchange transactions directly attributed to a decrease in international trade activities due to COVID-19.

Homesafe revaluation gain/(loss) was $22.8m or 58.8%, higher mainly due to a change in the valuation assumptions. Refer to section 2.2.4 for further detail.

Revaluation (losses)/gains on economic hedges increased by $4.6m or 36.2%. Refer to 2.2.1 for further detail.

Other income ($m)



2.2.4 Homesafe Trust

	Half Year		
	Dec-20	Jun-20	Dec-19
Homesafe income	$m	$m	$m
Discount unwind	12.3	11.7	11.4
Profit on sale	1.7	1.9	1.3
Property revaluations	47.6	(16.4)	26.1
Total income/(loss)	**61.6**	**(2.8)**	**38.8**

Homesafe income - This includes the unwind of the discount and property revaluation movements.

Profit on sale - This represents the difference between cash received on completion and the carrying value at the time of completion.

Property revaluations - This includes the impact of monthly movements in market indices of property values (Residex) and changes to property appreciation rate assumptions adopted by the Group.

	Half Year		
	Dec-20	Jun-20	Dec-19
	$m	$m	$m
Homesafe realised income	11.9	12.7	11.5

Realised income - The difference between cash received on completion and the initial funds advanced.

	Half Year		
	Dec-20	Jun-20	Dec-19
Funding costs	$m	$m	$m
Funding costs - unrealised	(5.0)	(6.0)	(6.5)
Funding costs - realised	(4.2)	(4.1)	(4.4)

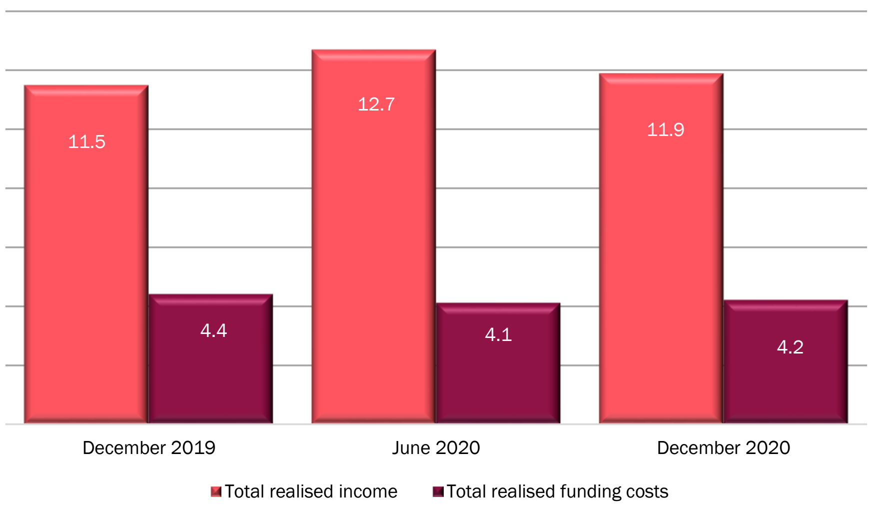
Funding costs realised - Accumulated interest expense on completed contracts since initial funding.

Funding costs unrealised - Interest expense on existing contracts.

	As at 31 Dec 2020	As at 30 Jun 2020	As at 31 Dec 2019
Portfolio balance	$m	$m	$m
Funded balance	490.6	485.6	472.3
Property revaluation balance	344.9	294.2	309.9
Total investment portfolio balance	**835.5**	**779.8**	**782.2**

For details relating to the fair value of the Homesafe investment properties, including sensitivity analysis, refer to 3.8.2.

Total realised income and realised funding costs ($m)



2.2.5 Operating expenses

	Dec-20	Jun-20	Change		Dec-19	Change	
	$m	$m	$m	%	$m	$m	%
Staff and related costs	294.2	293.6	(0.6)	(0.2)	273.5	(20.7)	(7.6)
Occupancy costs	18.4	18.4	-	-	17.9	(0.5)	(2.8)
Information technology costs	38.9	37.6	(1.3)	(3.5)	33.3	(5.6)	(16.8)
Amortisation of acquired intangibles	1.7	1.7	-	-	1.5	(0.2)	(13.3)
Amortisation of software intangibles	14.4	14.7	0.3	2.0	16.4	2.0	12.2
Property, plant and equipment costs	31.3	31.9	0.6	1.9	32.5	1.2	3.7
Fees and commissions	10.8	10.0	(0.8)	(8.0)	10.3	(0.5)	(4.9)
Communications, postage and stationery	17.2	17.7	0.5	2.8	18.1	0.9	5.0
Advertising and promotion	15.2	16.6	1.4	8.4	15.0	(0.2)	(1.3)
Other product and services delivery costs	11.4	12.4	1.0	8.1	11.9	0.5	4.2
Other administration expenses	65.6	81.2	15.6	19.2	58.5	(7.1)	(12.1)
Total operating expenses	**519.1**	**535.8**	**16.7**	**3.1**	**488.9**	**(30.2)**	**(6.2)**
Specific items	3.3	45.3	42.0	92.7	109.8	106.5	97.0
Total expenses	**522.4**	**581.1**	**58.7**	**10.1**	**598.7**	**76.3**	**12.7**

	Dec-20	Jun-20	Change	%	Dec-19	Change	%
Cost to income [1]	60.9%	66.1%	(5.2)	(7.9)	59.3%	1.6	2.7
Expenses to average assets	1.38%	1.48%	(0.10)	(6.8)	1.38%	-	-
Staff and related costs to income [1,2]	33.7%	35.6%	(1.9)	(5.3)	32.7%	1.0	3.1
Number of staff (full-time equivalent)	4,529	4,776	(247)	(5.2)	4,560	(31)	(0.7)

[1] Expenses used in the above ratios are expenses less specific expense items and acquired intangibles amortisation.
Income used in the above ratios is income less specific net interest income items and other specific income items.
[2] This ratio has been adjusted to exclude the impact of redundancy costs before tax (1H21: $7.7m, 2H20: $6.1m, 1H20: $4.7m).

Comments on individual expense categories when compared to the previous corresponding period are:

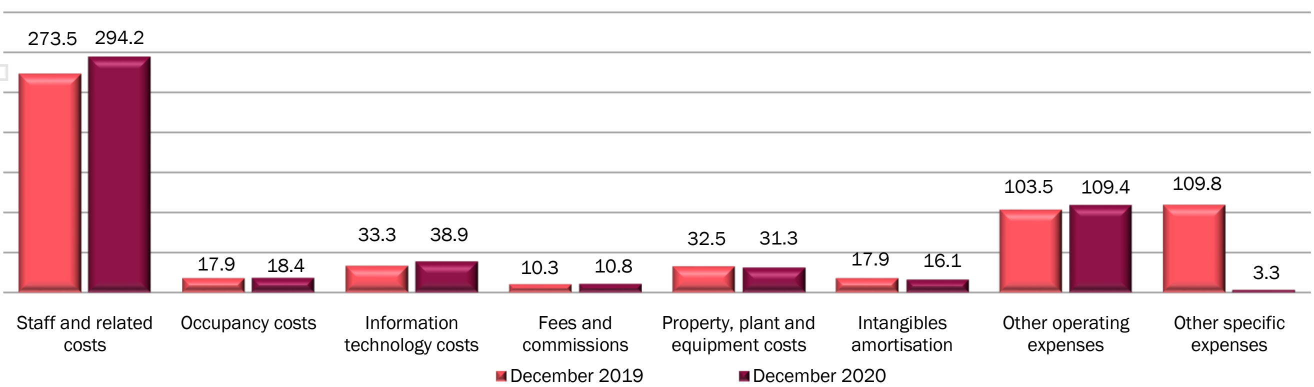
Staff and related costs increased by $20.7m or 7.6%. This increase is attributed to an increase in staff costs as well as an increase in redundancy costs (1H21: $7.7m, 1H20 $4.7m). Staff costs have increased to support Consumer residential lending growth and Agribusiness initiatives, greater investment in risk and compliance capabilities, and organisational change initiatives.

Information technology costs increased by $5.6m or 16.8% due to an increase in software licence fees.

Other administration expenses increased by $7.1m or 12.1%, predominantly due to an increase in consultancy fees driven by accelerated technology investment and an increase in insurance premiums and other professional fees, partially offset against reduced travel costs due to the travel restrictions in place because of COVID-19.

Specific items decreased by $106.5m. Refer to 2.2.1 for further detail.

Operating expenses ($m)



2.2.6 Average balance sheet
For the six months ended 31 December 2020 and 30 June 2020

	31 December 2020			30 June 2020		
	Average Balance $m	Interest 6 mths $m	Average Rate %	Average Balance $m	Interest 6 mths $m	Average Rate %
Average balances and rates [1]						
Interest earning assets						
Cash and investments	8,695.4	12.9	0.29	8,943.2	31.0	0.70
Loans and other receivables [4]	62,594.6	953.1	3.02	60,372.6	1,037.6	3.46
Total interest earning assets	**71,290.0**	**966.0**	**2.69**	**69,315.8**	**1,068.6**	**3.10**
Non-interest earning assets						
Credit provisions	(344.9)			(298.2)		
Other assets	3,336.7			3,362.0		
Total non-interest earning assets	**2,991.8**			**3,063.8**		
Total assets (average balance)	**74,281.8**			**72,379.6**		
Interest bearing liabilities						
Deposits						
Customer [4]	49,527.9	(183.3)	(0.73)	46,852.4	(284.0)	(1.22)
Wholesale - domestic	10,785.9	(22.1)	(0.41)	12,234.3	(52.3)	(0.86)
Repurchase agreements	2,180.9	(2.5)	(0.23)	1,120.2	(1.8)	(0.32)
Lease liability	207.5	(3.1)	(2.96)	229.5	(3.6)	(3.15)
Notes payable	3,243.5	(23.4)	(1.43)	3,728.1	(34.2)	(1.84)
Other debt issues	950.4	(13.2)	(2.76)	889.2	(15.8)	(3.57)
Subordinated debt	679.1	(12.0)	(3.51)	681.2	(12.9)	(3.81)
Total interest bearing liabilities	**67,575.2**	**(259.6)**	**(0.76)**	**65,734.9**	**(404.6)**	**(1.24)**
Non-interest bearing liabilities and equity						
Other liabilities	800.1			867.4		
Equity	5,906.5			5,777.3		
	6,706.6			**6,644.7**		
Total liabilities and equity (average balance)	**74,281.8**			**72,379.6**		
Interest margin and interest spread						
Interest earning assets	71,290.0	966.0	2.69	69,315.8	1,068.6	3.10
Interest bearing liabilities	(67,575.2)	(259.6)	(0.76)	(65,734.9)	(404.6)	(1.24)
Net interest income and interest spread [2,5]		**706.4**	**1.93**		**664.0**	**1.86**
Benefit of net free liabilities, provisions and equity			0.04			0.07
Net interest margin [3]			**1.97**			**1.93**
Impact of revenue share arrangements						
Net interest margin			1.97			1.93
Add: impact of revenue share arrangements			0.33			0.36
Net interest margin before revenue share arrangements			2.30			2.29

[1] Average balance is based on monthly closing balances.
[2] Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.
[3] Net interest margin is the net interest income as a percentage of average interest earning assets.
[4] Offset products have been reclassified from deposits and netted against the corresponding loan balance.
[5] Net interest income excludes fair value adjustments - refer to section 2.2.2 for net interest income reconciliation.

2.2.6 Average balance sheet (continued)
For the six months ended 31 December 2019 and 30 June 2019

	31 December 2019			30 June 2019		
	Average Balance $m	Interest 6 mths $m	Average Rate %	Average Balance $m	Interest 6 mths $m	Average Rate %
Average balances and rates [1]						
Interest earning assets						
Cash and Investments	7,971.1	41.6	1.04	7,181.7	60.4	1.70
Loans and other receivables [2,5]	59,108.7	1,164.3	3.92	58,467.0	1,241.6	4.28
Total interest earning assets	**67,079.8**	**1,205.9**	**3.58**	**65,648.7**	**1,302.0**	**4.00**
Non-interest earning assets						
Credit provisions	(280.9)			(298.9)		
Other assets	3,506.4			3,041.9		
Total non-interest earning assets	**3,225.5**			**2,743.0**		
Total assets (average balance)	**70,305.3**			**68,391.7**		
Interest bearing liabilities and equity						
Deposits						
Customer [5]	45,364.0	(384.8)	(1.69)	44,971.2	(476.7)	(2.14)
Wholesale - domestic	12,492.0	(73.6)	(1.17)	12,016.8	(100.0)	(1.68)
Wholesale - offshore	-	-	-	76.6	(1.2)	(3.16)
Repurchase agreements	530.3	(2.2)	(0.83)	514.6	(3.9)	(1.53)
Lease liability [7]	252.2	(3.8)	(3.00)	-	-	-
Notes payable	3,456.8	(39.6)	(2.28)	2,747.3	(42.3)	(3.1)
Other debt issues	887.4	(17.4)	(3.90)	885.5	(19.5)	(4.44)
Subordinated debt	682.8	(14.6)	(4.25)	726.5	(17.8)	(4.94)
Total interest bearing liabilities	**63,665.5**	**(536.0)**	**(1.67)**	**61,938.5**	**(661.4)**	**(2.15)**
Non-interest bearing liabilities and equity						
Other liabilities	1,050.3			877.7		
Equity	5,589.5			5,575.5		
	6,639.8			**6,453.2**		
Total liabilities and equity (average balance)	**70,305.3**			**68,391.7**		
Interest margin and interest spread						
Interest earning assets	67,079.8	1,205.9	3.58	65,648.7	1,302.0	4.00
Interest bearing liabilities	(63,665.5)	(536.0)	(1.67)	(61,938.5)	(661.4)	(2.15)
Net interest income and interest spread [3, 6]		**669.9**	**1.91**		**640.6**	**1.85**
Benefit of net free liabilities, provisions and equity			0.08			0.12
Net interest margin [4]			**1.99**			**1.97**
Impact of revenue share arrangements						
Net interest margin			1.99			1.97
Add: impact of revenue share arrangements			0.38			0.40
Net interest margin before revenue share arrangements			2.37			2.37

[1] Average balance is based on monthly closing balances.

[2] Loans and other receivables excludes fair value specific items (1H20 $0.1m and 2H19 $0.2m).

[3] Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.

[4] Net interest margin is the net interest income as a percentage of average interest earning assets.

[5] Offset products have been reclassified from deposits and netted against the corresponding loan balance.

[6] Net interest income excludes fair value adjustments - refer to section 2.2.2 for net interest income reconciliation.

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

2.2.7 Balance sheet metrics

	Half year		Half year		Dec-20 to Dec-19 change	
	Dec-20	Jun-20	Dec-19	Jun-19		
	$m	$m	$m	$m	$m	%
Financial position metrics						
Ordinary equity	5,948.5	5,715.2	5,521.0	5,563.2	427.5	7.7
Customer deposits	55,942.3	50,909.2	49,562.6	48,043.5	6,379.7	12.9
Funds under management	6,610.9	6,161.7	6,634.3	6,592.2	(23.4)	(0.4)
Loans under management	70,057.9	66,770.9	64,191.5	63,219.2	5,866.4	9.1
New loan approvals	12,109.9	10,194.5	9,568.1	7,517.1	2,541.8	26.6
> Residential	8,665.6	7,553.7	6,924.0	4,680.5	1,741.6	25.2
> Non-residential	3,444.3	2,640.8	2,644.1	2,836.6	800.2	30.3
Total provisions and reserves for doubtful debts	445.8	428.2	352.6	362.8	93.2	26.4

	Half year		Half year		Dec-20 to Dec-19 change	
Capital management metrics	Dec-20	Jun-20	Dec-19	Jun-19		bps
Common Equity Tier 1 (%)	9.36%	9.25%	9.00%	8.92%		36
					$m	%
Credit risk weighted assets ($m)	35,311.0	34,252.2	33,246.3	33,424.1	2,064.7	6.2
Total risk weighted assets ($m)	39,398.5	38,215.2	37,265.6	37,483.1	2,132.9	5.7
Liquidity risk [1]						bps
Liquidity coverage ratio (LCR) (%) [2]	139.0%	121.9%	112.7%	109.7%		2,630
Net stable funding ratio (NSFR) (%) [3]	123.7%	114.8%	111.6%	111.5%		1,210
Impaired assets					$m	%
Gross impaired assets ($m)	222.2	240.5	315.5	310.9	(93.3)	(29.6)
Net impaired assets ($m)	137.9	163.0	185.0	183.3	(47.1)	(25.5)
						bps
Net impaired loans to gross loans (%)	0.20%	0.25%	0.29%	0.29%		(9)

[1] The Bank advised the Australian Stock Exchange (ASX) on 21 October 2020 that it had discovered a historical error in its calculation of the Liquidity Coverage Ratio (LCR). The error related to the incorrect system coding of three business rules used to categorise deposits for stability used in the LCR calculation. The incorrect system coding resulted in an understatement of the expected net cash outflow and consequently an overstatement of the LCR. The incorrect system coding matter which resulted in an understatement of the expected net cash outflow and consequently an overstatement of the LCR also impacted the Net Stable Funding Ratio (NSFR) via an overstatement of Available Stable Funding (ASF). The Bank has since corrected the coding errors and the restated LCRs and NSFRs are disclosed in the table above.

[2] Represents average daily LCR over respective 6 monthly period.

[3] Represents average end of month NSFR over respective 6 month period.

2.2.8 Lending

	Dec-20	Jun-20	Change		Dec-19	Change	
	$m	$m	$m	%	$m	$m	%
Approvals - by security							
Residential	8,665.6	7,553.7	1,111.9	14.7	6,924.0	1,741.6	25.2
Non-residential	3,444.3	2,640.8	803.5	30.4	2,644.1	800.2	30.3
Total approvals	**12,109.9**	**10,194.5**	**1,915.4**	**18.8**	**9,568.1**	**2,541.8**	**26.6**

	As at Dec-20	As at Jun-20	Change		As at Dec-19	Change	
	$m	$m	$m	%	$m	$m	%
Gross loan balance - by security							
Residential	**51,549.2**	**48,593.3**	**2,955.9**	**6.1**	**46,439.7**	**5,109.5**	**11.0**
Business							
Accommodation and food services	332.1	353.2	(21.1)	(6.0)	324.2	7.9	2.4
Administrative and support services	29.8	31.9	(2.1)	(6.6)	28.4	1.4	4.9
Agriculture, forestry and fishing	6,076.3	6,337.1	(260.8)	(4.1)	5,970.4	105.9	1.8
Arts and recreation services	64.6	75.1	(10.5)	(14.0)	72.1	(7.5)	(10.4)
Construction	608.2	640.1	(31.9)	(5.0)	690.8	(82.6)	(12.0)
Education and training	93.1	50.2	42.9	85.5	70.1	23.0	32.8
Electricity, gas, water and waste services	27.5	27.0	0.5	1.9	34.2	(6.7)	(19.6)
Financial and insurance services	1,858.7	1,715.2	143.5	8.4	1,248.1	610.6	48.9
Health care and social assistance	532.6	479.6	53.0	11.1	487.2	45.4	9.3
Information media and telecommunications	26.1	31.2	(5.1)	(16.3)	31.3	(5.2)	(16.6)
Manufacturing	224.0	228.4	(4.4)	(1.9)	231.0	(7.0)	(3.0)
Mining	22.4	23.0	(0.6)	(2.6)	26.1	(3.7)	(14.2)
Other Services	213.8	235.3	(21.5)	(9.1)	222.2	(8.4)	(3.8)
Professional, scientific and technical services	187.4	194.3	(6.9)	(3.6)	194.1	(6.7)	(3.5)
Public administration and safety	17.8	16.3	1.5	9.2	48.2	(30.4)	(63.1)
Rental, hiring and real estate services	3,528.7	3,333.9	194.8	5.8	3,416.7	112.0	3.3
Retail trade	356.0	390.4	(34.4)	(8.8)	391.3	(35.3)	(9.0)
Transport, postal and warehousing	135.9	142.3	(6.4)	(4.5)	144.7	(8.8)	(6.1)
Wholesale trade	137.1	137.0	0.1	0.1	132.2	4.9	3.7
Other	71.4	85.2	(13.8)	(16.2)	97.3	(25.9)	(26.6)
Total business	**14,543.5**	**14,526.7**	**16.8**	**0.1**	**13,860.6**	**682.9**	**4.9**
Margin lending	1,368.0	1,294.9	73.1	5.6	1,542.7	(174.7)	(11.3)
Unsecured	701.6	734.8	(33.2)	(4.5)	863.1	(161.5)	(18.7)
Other	165.0	172.0	(7.0)	(4.1)	218.5	(53.5)	(24.5)
Total gross loan balance	**68,327.3**	**65,321.7**	**3,005.6**	**4.6**	**62,924.6**	**5,402.7**	**8.6**
Gross loan balance - by purpose							
Residential	50,098.9	46,943.9	3,155.0	6.7	44,544.4	5,554.5	12.5
Consumer	1,885.9	2,039.9	(154.0)	(7.5)	2,167.2	(281.3)	(13.0)
Margin lending	1,368.0	1,294.9	73.1	5.6	1,542.7	(174.7)	(11.3)
Commercial	14,974.5	15,043.0	(68.5)	(0.5)	14,670.3	304.2	2.1
Total gross loan balance	**68,327.3**	**65,321.7**	**3,005.6**	**4.6**	**62,924.6**	**5,402.7**	**8.6**
Loans under management (gross balance)							
On-balance sheet	68,327.3	65,321.7	3,005.6	4.6	62,924.6	5,402.7	8.6
Off-balance sheet loans under management	1,730.6	1,449.2	281.4	19.4	1,266.9	463.7	36.6
Total Group loans under management	**70,057.9**	**66,770.9**	**3,287.0**	**4.9**	**64,191.5**	**5,866.4**	**9.1**

Loans under management represent the gross balance of loans held and managed by the Group categorised as follows:

On-balance sheet loans are the gross balance of loans and factoring receivables held by the consolidated Group.

Off-balance sheet loans under management represent the gross balance of off-balance sheet loans managed by wholly-owned subsidiaries of Bendigo and Adelaide Bank Limited.

2.2.9 Asset quality

	As at Dec-20	As at Jun-20	Change		As at Dec-19	Change	
Impaired loans [1]	$m	$m	$m	%	$m	$m	%
Full-performing [2]	8.7	10.1	(1.4)	(13.9)	7.5	1.2	16.0
Part-performing [3]	48.4	52.4	(4.0)	(7.6)	83.2	(34.8)	(41.8)
Non-performing	164.7	177.0	(12.3)	(6.9)	221.0	(56.3)	(25.5)
Restructured loans [4]	0.4	1.0	(0.6)	(60.0)	3.8	(3.4)	(89.5)
Total impaired assets	**222.2**	**240.5**	**(18.3)**	**(7.6)**	**315.5**	**(93.3)**	**(29.6)**
Less: specific impairment provisions	(84.3)	(77.5)	(6.8)	(8.8)	(130.5)	46.2	35.4
Net impaired assets	**137.9**	**163.0**	**(25.1)**	**(15.4)**	**185.0**	**(47.1)**	**(25.5)**
Portfolio facilities - past due 90 days, not well secured	2.1	4.9	(2.8)	(57.1)	3.8	(1.7)	(44.7)
Less: specific impairment provisions	(1.1)	(0.9)	(0.2)	(22.2)	(0.7)	(0.4)	57.1
Net portfolio facilities	**1.0**	**4.0**	**(3.0)**	**(75.0)**	**3.1**	**(2.1)**	**(67.7)**
Past due 90 days	$m	$m	$m	%	$m	$m	%
Well secured (excluding commercial arrangement loans)	302.0	382.5	(80.5)	(21.0)	449.8	(147.8)	(32.9)
Great Southern portfolio	5.6	8.4	(2.8)	(33.3)	8.8	(3.2)	(36.4)
Ratios	%	%	Change bps		%	Change bps	
Total impaired loans to gross loans	0.33%	0.37%	(4)		0.50%	(17)	
Total impaired loans to total assets	0.28%	0.32%	(4)		0.42%	(14)	
Net impaired loans to gross loans	0.20%	0.25%	(5)		0.29%	(9)	
Provision coverage [5]	200.6%	178.0%	2,260		111.8%	8,880	

1 A facility is classified as impaired regardless of whether it is 90 days or more past due (arrears) when there is doubt as to whether the full amounts due (interest and principal) will be achieved in a timely manner. This is the case even if the full extent of the loss cannot be clearly determined. Customers receiving COVID-19 eligible deferrals have been treated as performing in accordance with APRA guidance, unless other objective contrary evidence exists. For details of the COVID-19 deferral arrangements, refer to 3.8.2.

2 Includes loans where the value of the security has reduced below the value of the outstanding loans but repayments are being made in accordance with the loan contract.

3 Includes loans where the value of the security has reduced below the value of the outstanding loans but partial repayments are being made in accordance with the loan contract.

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

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

2.2.10 Credit expenses

Credit expense	Dec-20 $m	Jun-20 $m	Change $m	Change %	Dec-19 $m	Change $m	Change %
Bad debts written off	1.1	3.8	2.7	71.1	6.9	5.8	84.1
Provision expense	20.3	143.5	123.2	85.9	19.2	(1.1)	(5.7)
Total credit expense	**21.4**	**147.3**	**125.9**	**85.5**	**26.1**	**4.7**	**18.0**
Bad debts recovered	(1.9)	(2.0)	(0.1)	(5.0)	(2.9)	(1.0)	(34.5)
Credit expenses net of recoveries	**19.5**	**145.3**	**125.8**	**86.6**	**23.2**	**3.7**	**15.9**

Provisions and reserves	As at Dec-20 $m	As at Jun-20 $m	Change $m	Change %	As at Dec-19 $m	Change $m	Change %
Individually assessed provisions	85.4	78.4	(7.0)	(8.9)	131.2	45.8	34.9
Collectively assessed provisions	266.1	263.2	(2.9)	(1.1)	147.2	(118.9)	(80.8)
General reserve for credit losses	94.3	86.6	(7.7)	(8.9)	74.2	(20.1)	(27.1)
Total provisions and reserve for doubtful debts	**445.8**	**428.2**	**(17.6)**	**(4.1)**	**352.6**	**(93.2)**	**(26.4)**

Ratios	%	%	Change bps	%	Change bps
Credit expenses net of recoveries to gross loans	0.06%	0.45%	(39)	0.07%	(1)
Credit expenses net of recoveries (excluding Great Southern) to gross loans	0.05%	0.44%	(39)	0.07%	(2)
Total provision/reserve for doubtful debts to gross loans	0.65%	0.66%	(1)	0.56%	9
Collectively assessed provisions and GRCL to risk-weighted assets	0.91%	0.92%	(1)	0.59%	32

For details relating to the calculation of the Group's allowance for credit losses, refer to 3.8.2.

Movements in provisions and reserves	Stage 1 12 month ECL $m	Stage 2 Lifetime ECL $m	Stage 3 Collectively assessed - Lifetime ECL $m	Stage 3 Individually assessed - Lifetime ECL $m	General reserve for credit losses $m	**Total $m**
Balance as at 1 July 2020	**29.0**	**200.3**	**33.9**	**78.4**	**86.6**	**428.2**
Transfers during the period to:						
Stage 1	(4.3)	4.5	(0.2)	-	-	-
Stage 2	(21.5)	23.7	(2.2)	-	-	-
Stage 3	(2.1)	(4.5)	6.6	-	-	-
Transfer from collectively assessed to individually assessed provisions	-	(0.4)	(1.6)	2.0	-	-
New/increased provisions	7.6	1.1	0.2	15.4	-	**24.3**
Write-back of provisions no longer required	(3.0)	(2.1)	(2.4)	-	-	**(7.5)**
Change in balances	21.0	(13.1)	(4.4)	-	7.7	**11.2**
Bad debts written off previously provided for	-	-	-	(10.4)	-	**(10.4)**
Total provision as at 31 December 2020	**26.7**	**209.5**	**29.9**	**85.4**	**94.3**	**445.8**
	$m	$m	$m	$m	$m	**$m**
Balance as at 1 January 2020	**27.0**	**80.0**	**40.2**	**131.2**	**74.2**	**352.6**
Transfers during the period to:						
Stage 1	-	-	-	-	-	-
Stage 2	(15.3)	16.3	(1.0)	-	-	-
Stage 3	(3.5)	(5.9)	9.4	-	-	-
Transfer from collectively assessed to individually assessed provisions	-	(0.8)	(2.6)	3.4	-	-
New/increased provisions	8.3	128.6	0.3	24.1	20.6	**181.9**
Write-back of provisions no longer required	(3.2)	(2.3)	(3.5)	-	-	**(9.0)**
Change in balances	15.7	(15.6)	(8.9)	-	(8.2)	**(17.0)**
Bad debts written off previously provided for	-	-	-	(80.3)	-	**(80.3)**
Total provision as at 30 June 2020	**29.0**	**200.3**	**33.9**	**78.4**	**86.6**	**428.2**

2.2.10 Credit expenses (continued)

Movements in provisions and reserves (continued)	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Collectively assessed - Lifetime ECL	Stage 3 Individually assessed - Lifetime ECL	General reserve for credit losses	Total
	$m	$m	$m	$m	$m	$m
Balance as at 1 July 2019	**28.3**	**84.5**	**44.2**	**128.5**	**77.3**	**362.8**
Transfers during the period to:						
Stage 1	1.1	(1.1)	-	-	-	-
Stage 2	(11.5)	12.7	(1.2)	-	-	-
Stage 3	(5.5)	(6.2)	11.7	-	-	-
Transfer from collectively assessed to individually assessed provisions	(0.1)	(1.3)	(5.0)	6.4	-	-
New/increased provisions	4.0	1.1	0.1	22.6	-	**27.8**
Write-back of provisions no longer required	(2.5)	(4.4)	(0.4)	-	-	**(7.3)**
Change in balances	13.2	(5.3)	(9.2)	-	(3.1)	**(4.4)**
Bad debts written off previously provided for	-	-	-	(26.3)	-	**(26.3)**
Total provision as at 31 December 2019	**27.0**	**80.0**	**40.2**	**131.2**	**74.2**	**352.6**

The table below discloses the effect of movements in the gross carrying value of loans and other receivables and other financial assets held at amortised cost to the different stages of the ECL model:

	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 2020	**59,334.6**	**6,794.5**	**866.5**	**232.7**	**67,228.3**
Stage 1	1,839.7	(1,805.0)	(34.7)	-	-
Stage 2	(2,672.1)	2,819.1	(147.0)	-	-
Stage 3	(93.4)	(189.6)	283.0	-	-
Transfer from collectively assessed to individually assessed provisions	(1.0)	(1.2)	(0.7)	2.9	-
New financial assets originated or purchased	9,499.5	78.3	5.0	-	**9,582.8**
Financial assets derecognised or repaid	(4,983.6)	(521.5)	(212.0)	-	**(5,717.1)**
Change in balances	2,726.2	(147.1)	(87.3)	43.6	**2,535.4**
Amounts written off against provisions	-	-	-	(17.5)	**(17.5)**
Gross carrying amount as at 31 December 2020	**65,649.9**	**7,027.5**	**672.8**	**261.7**	**73,611.9**
	$m	$m	$m	$m	$m
Gross carrying amount as at 1 January 2020	**58,219.9**	**6,601.5**	**831.2**	**315.8**	**65,968.4**
Stage 1	1,710.8	(1,691.8)	(19.0)	-	-
Stage 2	(2,676.8)	2,797.7	(120.9)	-	-
Stage 3	(129.4)	(255.0)	384.4	-	-
Transfer from collectively assessed to individually assessed provisions	(10.1)	(25.9)	(27.9)	63.9	-
New financial assets originated or purchased	9,019.5	72.4	15.9	-	**9,107.8**
Financial assets derecognised or repaid	(4,862.8)	(572.7)	(185.5)	-	**(5,621.0)**
Change in balances	(1,936.5)	(131.7)	(11.7)	(66.8)	**(2,146.7)**
Amounts written off against provisions	-	-	-	(80.2)	**(80.2)**
Gross carrying amount as at 30 June 2020	**59,334.6**	**6,794.5**	**866.5**	**232.7**	**67,228.3**
	$m	$m	$m	$m	$m
Gross carrying amount as at 1 July 2019	**55,499.8**	**7,287.9**	**901.3**	**281.5**	**63,970.5**
Stage 1	1,940.5	(1,913.7)	(26.8)	-	-
Stage 2	(2,274.1)	2,421.7	(147.6)	-	-
Stage 3	(62.2)	(239.3)	301.5	-	-
Transfer from collectively assessed to individually assessed provisions	(21.6)	(18.7)	(61.2)	101.5	-
New financial assets originated or purchased	6,631.5	63.9	9.7	-	**6,705.1**
Financial assets derecognised or repaid	(4,608.2)	(920.9)	(198.1)	-	**(5,727.2)**
Change in balances	1,114.2	(79.4)	52.4	(40.9)	**1,046.3**
Amounts written off against provisions	-	-	-	(26.3)	**(26.3)**
Gross carrying amount as at 31 December 2019	**58,219.9**	**6,601.5**	**831.2**	**315.8**	**65,968.4**

2.2.11 Deposits and funds under management

	As at Dec-20	As at Jun-20	Change		As at Dec-19	Change	
	$m	$m	$m	%	$m	$m	%
Deposits and funds under management							
Deposits	69,339.4	64,182.6	5,156.8	8.0	62,716.7	6,622.7	10.6
Securitisation	3,008.9	3,503.5	(494.6)	(14.1)	3,957.3	(948.4)	(24.0)
Managed funds	6,610.9	6,161.7	449.2	7.3	6,634.3	(23.4)	(0.4)
Total deposits and funds under management	**78,959.2**	**73,847.8**	**5,111.4**	**6.9**	**73,308.3**	**5,650.9**	**7.7**
Deposits dissection - $m							
Customer	55,942.3	50,909.2	5,033.1	9.9	49,562.6	6,379.7	12.9
Wholesale	13,397.1	13,273.4	123.7	0.9	13,154.1	243.0	1.8
Securitisation	3,008.9	3,503.5	(494.6)	(14.1)	3,957.3	(948.4)	(24.0)
Total deposits	**72,348.3**	**67,686.1**	**4,662.2**	**6.9**	**66,674.0**	**5,674.3**	**8.5**
Deposits dissection - %							
Customer	77.3%	75.2%			74.4%		
Wholesale	18.5%	19.6%			19.7%		
Securitisation	4.2%	5.2%			5.9%		
Total deposits	**100.0%**	**100.0%**			**100.0%**		
Managed funds dissection - $m							
Assets under management	2,622.1	2,472.3	149.8	6.1	2,507.7	114.4	4.6
Other managed funds	3,988.8	3,689.4	299.4	8.1	4,126.6	(137.8)	(3.3)
Total managed funds	**6,610.9**	**6,161.7**	**449.2**	**7.3**	**6,634.3**	**(23.4)**	**(0.4)**

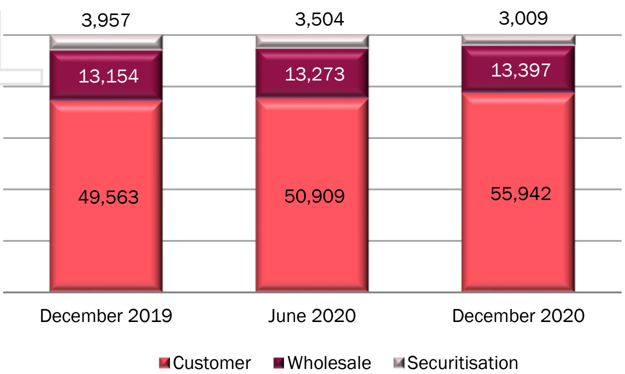
Customer deposits represents the sum of interest bearing, non-interest bearing and term deposits from retail and corporate customers.

Wholesale deposits 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 with a fixed interest rate of 0.25% per annum. The TFF was established to provide ADIs with access to long-term funding to reinforce the benefits to the economy of a lower RBA cash rate and to encourage ADIs to support businesses. The TFF is collateralised by residential mortgage-backed securities issued by the Group. As at 31 December 2020 the Group's TTF drawdowns totalled $1.8 billion (30 June 2020: $0.7 billion).

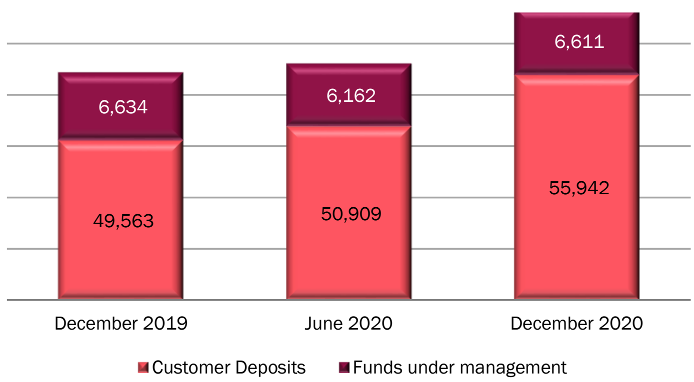
Assets under management include those funds deposited in the Sandhurst Trustees Limited Common Funds, which are invested in cash, cash enhanced and mortgage investments on behalf of investors. These funds are off-balance sheet.

Other managed funds include funds deposited for investment in managed investment products and superannuation funds managed off-balance sheet by Sandhurst Trustees Limited and Adelaide Managed Funds Limited. Also included are portfolios of loans managed by the Bank and third parties who contribute to first loss coverage.

Funding mix ($m)



Customer deposits and funds under management ($m)



2.2.12 Capital and shareholder returns

2.2.12.1 Assets and capital

	As at Dec-20	As at Jun-20	Change		As at Dec-19	Change	
	$m	$m	$m	%	$m	$m	%
Group assets	80,765.2	76,008.9	4,756.3	6.3	74,659.5	6,105.7	8.2
Capital adequacy							
Total regulatory capital	5,694.3	5,202.6	491.7	9.5	4,924.3	770.0	15.6
Risk-weighted assets	39,398.5	38,215.2	1,183.3	3.1	37,265.6	2,132.9	5.7
	%	%	%		%	%	
Risk-weighted capital adequacy	14.45%	13.61%	0.84%	6.2	13.21%	1.24%	9.4
- Tier 1	12.17%	11.59%	0.58%	5.0	11.40%	0.77%	6.8
- Tier 2	2.28%	2.02%	0.26%	12.9	1.81%	0.47%	26.0
- Common Equity Tier 1	9.36%	9.25%	0.11%	1.2	9.00%	0.36%	4.0

2.2.12.2 Capital adequacy

The Australian Prudential Regulation Authority (APRA) guidelines require capital to be allocated against credit, operational and market risk.

Banks must maintain a ratio of qualifying capital (comprising Common Equity Tier 1, Additional Tier 1 and Tier 2 capital), to risk weighted assets.

The Bank adopted the "standard model" approach prescribed by APRA to calculate the Bank's capital position.

Risk weighted capital ratios	Dec-20	Jun-20	Dec-19
Tier 1	12.17%	11.59%	11.40%
Tier 2	2.28%	2.02%	1.81%
Total capital ratio	**14.45%**	**13.61%**	**13.21%**
Common Equity Tier 1	**9.36%**	**9.25%**	**9.00%**

Regulatory capital	$m	$m	$m
Common Equity Tier 1			
Contributed capital	4,906.6	4,909.3	4,598.7
Retained profits and reserves	722.2	528.4	642.1
Accumulated other comprehensive income (and other reserves)	3.6	(3.6)	(2.2)
Less:			
Intangible assets, cash flow hedges and capitalised expenses	1,727.5	1,690.1	1,712.2
Net deferred tax assets	180.6	170.9	135.4
Equity exposures	37.7	38.1	36.6
Other adjustments as per APRA advice	-	0.4	1.5
Total Common Equity Tier 1 capital	**3,686.6**	**3,534.6**	**3,352.9**
Additional Tier 1 capital instruments	1,106.3	895.9	895.9
Total Additional Tier 1 capital	**1,106.3**	**895.9**	**895.9**
Total Tier 1 capital	**4,792.9**	**4,430.5**	**4,248.8**
Tier 2			
Tier 2 capital instruments	571.1	456.2	494.3
General reserve for credit losses/collectively assessed provision (net of tax effect)	330.3	315.9	181.2
Total Tier 2 capital	**901.4**	**772.1**	**675.5**
Total regulatory capital	**5,694.3**	**5,202.6**	**4,924.3**
Total risk weighted assets	**39,398.5**	**38,215.2**	**37,265.6**

2.2.12.2 Capital adequacy (continued)

	As at	As at			As at		
	Dec-20	Jun-20	Change		Dec-19	Change	
Risk-weighted assets	$m	$m	$m	%	$m	$m	%
Credit risk	35,311.0	34,252.2	1,058.8	3.1	33,246.3	2,064.7	6.2
Market risk	360.4	238.0	122.4	51.4	297.9	62.5	21.0
Operational risk	3,727.1	3,725.0	2.1	0.1	3,721.4	5.7	0.2
Total risk-weighted assets	**39,398.5**	**38,215.2**	**1,183.3**	**3.1**	**37,265.6**	**2,132.9**	**5.7**

Key movements in capital in the December 2020 half year compared to the June 2020 half include:

> Tier 1 Capital

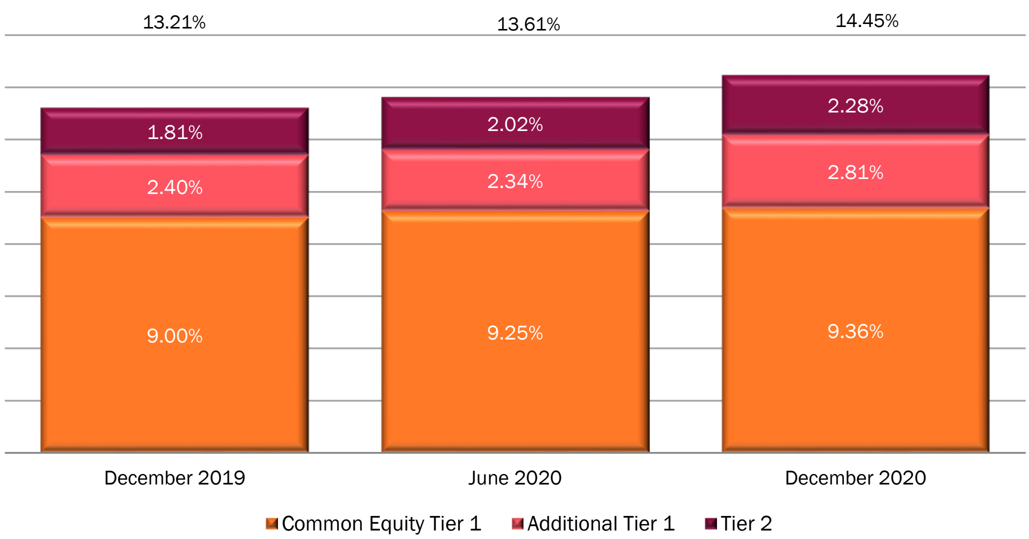
Additional Tier 1 capital instruments increased by $210.4m due to the issue of Capital notes and partially offset by the redemption of Preference shares in November 2020.

Retained earnings and net deferred tax assets increased by $193.8m net of Homesafe unrealised revaluation gains.

> Risk weighted assets

Risk weighted assets increased during the period predominately due to the growth in residential mortgages.

Capital adequacy (%)



Capital adequacy is calculated in accordance with regulations set down by APRA.

Pillar 3 Disclosures

Details on the market disclosures required under Pillar 3, per prudential standard APS 330 “Public Disclosure”, are provided on the Group’s website at: http://www.bendigoadelaide.com.au/public/shareholders/announcements/aps_330.asp

2.2.12.3 Shareholder returns

Earnings per ordinary share	Dec-20 cents	Jun-20 cents	Change cents	Change %	Dec-19 cents	Change cents	Change %
Statutory earnings per ordinary share (weighted average)	46.0	9.1	36.9	405.5	29.6	16.4	55.4
Cash earnings per ordinary share (weighted average)	41.4	16.6	24.8	149.4	43.8	(2.4)	(5.5)
Diluted earnings per ordinary share (weighted average)	38.0	8.9	29.1	327.0	27.1	10.9	40.2

Weighted average number of ordinary shares	000's	000's	Change 000's	Change %	000's	Change 000's	Change %
Weighted average number of ordinary shares - used in basic and cash basis EPS calculations	530,711	518,340	12,371	2.4	492,709	38,002	7.7
Weighted average number of ordinary shares - used in diluted EPS calculations	664,298	638,746	25,552	4.0	578,126	86,172	14.9

Ratios	%	%	Change bps		%	Change bps	
Return on average ordinary equity (after tax)	8.29%	1.65%	664		5.26%	303	
Return on average ordinary equity (cash basis)	7.47%	3.02%	445		7.78%	(31)	
Return on average tangible equity (cash basis)	10.01%	4.10%	591		10.98%	(97)	
Return on average assets (after tax)	0.65%	0.13%	52		0.41%	24	
Return on average assets (cash basis)	0.59%	0.24%	35		0.61%	(2)	

Cash earnings used in cash basis earnings per ordinary share is profit after tax adjusted for specific items after tax and amortisation on acquired intangibles.

Earnings used in the statutory earnings per ordinary share is profit after tax including specific items.

Dilutive shares include other debt issues.

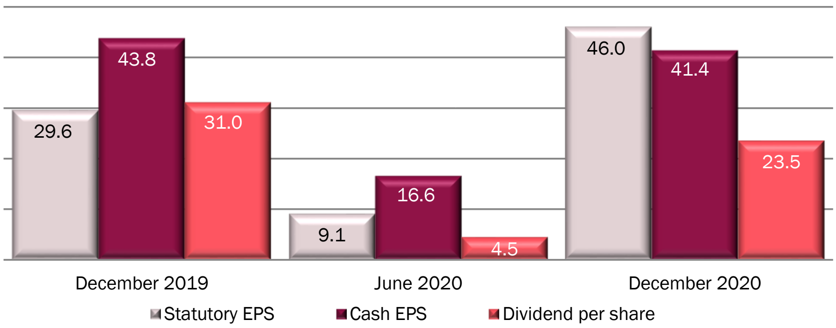
Ordinary equity for use in these ratios is represented by total ordinary shares and retained earnings.

Tangible equity for use in these ratios is represented by net assets less intangible assets.

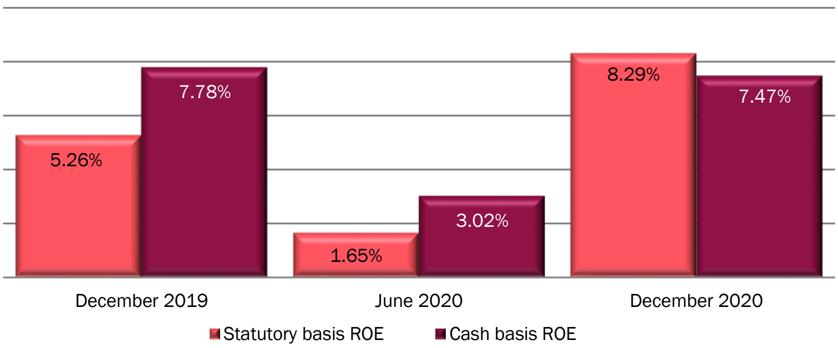
	As at Dec-20 $m	As at Jun-20 $m	Change $m	Change %	As at Dec-19 $m	Change $m	Change %
Ordinary issued capital	4,906.3	4,909.3	(3.0)	(0.1)	4,598.7	307.6	6.7
Retained earnings	1,042.2	805.9	236.3	29.3	922.3	119.9	13.0
Total ordinary equity	**5,948.5**	**5,715.2**	**233.3**	**4.1**	**5,521.0**	**427.5**	**7.7**
Average ordinary equity	**5,832.9**	**5,735.2**			**5,512.1**		
Average tangible ordinary equity	**4,352.0**	**4,218.6**			**3,908.0**		

2.2.12.3 Shareholder returns (continued)

Earnings per share and dividend per share (cents)



Statutory return on equity and cash return on equity (%)



2.2.12.4 Dividends

	Dec-20	Jun-20	Change	%	Dec-19	Change	%
Dividend per share - cents	23.5	4.5	19.0	422.2	31.0	(7.5)	(24.2)
Dividend amount payable/paid - $m	122.8	23.5	99.3	422.6	150.8	(28.0)	(18.6)
Payout ratio - earnings per ordinary share [1]	51.1%	49.5%	1.6%	3.2	104.7%	(53.6%)	(51.2)
Payout ratio - cash basis per ordinary share [1]	56.8%	27.1%	29.7%	109.6	70.8%	(14.0%)	(19.8)

[1] Payout ratio is calculated as dividend per share divided by the applicable earnings per ordinary share.

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 21 trading days commencing 23 February 2021 at a discount of 1.5%. Shares issued under this Plan rank equally with all other ordinary shares.

Bonus Share Scheme

The Bonus Share Scheme provides shareholders with the opportunity to elect to receive a number of bonus shares issued for no consideration instead of receiving a dividend. The issue price of the shares is equal to the volume weighted average price of Bendigo and Adelaide Bank shares traded on the Australian Securities Exchange over the 21 trading days commencing 23 February 2021 at a discount of 1.5%. Shares issued under this scheme rank equally with all other ordinary shares.

The last date for the receipt of an election notice for participation in either the Dividend Reinvestment Plan or Bonus Share Scheme for the 2021 interim dividend is 22 February 2021.

2.3 Additional notes

2.3.1 Analysis of intangible assets

	Balance sheet Carrying value			Half year amortisation/ Impairment expense		
	Dec-20	Jun-20	Dec-19	Dec-20	Jun-20	Dec-19
	$m	$m	$m	$m	$m	$m
Goodwill	1,437.5	1,440.3	1,440.3	-	-	-
Trustee licence	8.4	8.4	8.4	-	-	-
Software [1]	108.8	104.8	136.9	14.4	41.0	122.5
Customer lists	1.9	2.3	2.7	0.7	0.8	-
Trade name	0.7	0.8	1.0	0.2	0.1	0.2
Customer relationship	4.9	5.5	0.6	0.3	0.3	0.8
Management rights - Adelaide Bank	2.0	2.5	3.0	0.5	0.5	0.5
Total goodwill and other intangible assets	**1,564.2**	**1,564.6**	**1,592.9**	**16.1**	**42.7**	**124.0**

[1] Total expenses recorded in relation to software in 2H20 and 1H20 include impairments and accelerated amortisation charges that have been excluded from cash earnings.

2.3.2 Net tangible assets per ordinary share

	Dec-20	Jun-20	Dec-19
Net tangible assets per ordinary share	$8.43	$7.98	$8.10
	$m	$m	$m
Net tangible assets			
Net assets	6,047.2	5,798.2	5,591.9
Intangibles	(1,564.2)	(1,564.6)	(1,592.9)
Net tangible assets attributable to ordinary shareholders	**4,483.0**	**4,233.6**	**3,999.0**
Number of fully paid ordinary shares on issue - 000's	532,077	530,779	493,843

2.3.3 Investments accounted for using the equity method

	Ownership interest held by consolidated entity			
	December 2020	June 2020	December 2019	
	%	%	%	Balance date
Joint arrangements				
Community Sector Enterprises Pty Ltd [1]	-	-	50.0	30 June
Homesafe Solutions Pty Ltd	50.0	50.0	50.0	30 June
Silver Body Corporate Financial Services Pty Ltd	50.0	50.0	50.0	30 June
Associates				
Aegis Group [2]	-	49.5	49.5	30 June
Bendigo Telco Ltd	30.4	30.4	30.8	30 June
Dancoor Community Finances Ltd	49.0	49.0	49.0	30 June
Homebush Financial Services Ltd	49.0	49.0	49.0	30 June
TicToc Online Pty Ltd	28.8	28.0	26.9	30 June

[1] On 1 March 2020, the Group acquired Community 21 Limited's 50% equity share in Community Sector Enterprises Pty Ltd, resulting in this former joint venture becoming a 100% owned subsidiary.

[2] In December 2020 the Group sold its equity interest in the Aegis Group.

All joint arrangements and associates are incorporated in Australia.

2.3.4 Credit ratings

	Short-term	Long-term	Outlook
Standard & Poor's	A-2	BBB+	Stable
Fitch Ratings	F2	A-	Negative
Moody's	P-2	A3	Stable

On 10 December 2020, Standard & Poor's Global Ratings affirmed its long-term counterparty credit rating for Bendigo and Adelaide Bank Limited at BBB+', and affirmed the short-term rating at 'A-2'. The outlook remains stable. Standard and Poor's expect the Bank's capitalisation and provisioning to remain strong, continuing to support its credit profile in the coming two years. The Bank's community banking model provides it a point of differentiation to regional and major bank peers, and allows it to compete with larger institutions despite the pricing power and cost advantages they have through economies of scale.

On 30 November 2020, Fitch Ratings, the international ratings agency affirmed Bendigo and Adelaide Bank Ltd's long term rating at 'A-', and affirmed the short term rating of 'F2' and its support rating of '3', and the Bank's viability rating of 'A-'. The outlook is negative. Fitch commented that they have maintained a negative factor outlook on the 'aa-' operating environment score for Australian banks to reflect continued downside risks to the base-case forecasts, although the level of uncertainty has reduced since Fitch revised the factor outlook in April 2020.

On 2 November 2020, Moody's affirmed its long-term issuer rating at 'A3' and short term rating at 'P-2', with a stable outlook. Moody's commented that the ratings reflect the Bank's strong credit profile characterised by its well-developed franchise centered around community banking, conservative management historically focused on low-risk lending, stable asset quality, strong funding structure and good capital adequacy. Moody's commented that earnings pressure for Australian Banks will intensify in 2020 as a result of the economic slowdown caused by the coronavirus outbreak.

2.3.5 Issued capital

Changes to issued and quoted securities during the period:

Ordinary shares [1]	Number of shares	$m
Fully paid ordinary shares at 1 July 2020	530,779,195	4,909.3
Shares issued under:		
October 2020 - Institutional share issue at $6.79	43	-
November 2020 - Shares issued for Loan Share Plan at $6.75	1,297,625	8.7
Executive Performance rights	-	0.2
Total ordinary shares as at 31 December 2020	**532,076,863**	**4,918.2**

Treasury shares (included in ordinary shares above)	Number of shares	$m
Treasury shares at 1 July 2020	-	-
Net acquisitions during the period	(1,646,981)	(11.9)
Total treasury shares as at 31 December 2020	**(1,646,981)**	**(11.9)**

[1] BEN - ASX code Ordinary Fully Paid Shares

Half Year Financial Report

For the period ended 31 December 2020
Released 15 February 2021

ABN 11 068 049 178

Bendigo and Adelaide Bank

This report comprises information given to the ASX under listing rule 4.2A.
Information contained in this report should be read in conjunction with the June 2020 annual financial report.

3 Statutory half year financial report

3.1 Corporate information

This half year report covers the consolidated entity comprising Bendigo and Adelaide Bank Limited ("the Company") and its subsidiaries ("the Group").

A description of the Group's operations and its principal activities is included in the review of operations and activities in the Directors' Report.

The Directors' Report is not subject to audit or review and does not form part of the financial report.

Directors

Jacqueline Hey (Chair)
Marnie Baker (Managing Director)
Vicki Carter
David Foster
Jan Harris
Jim Hazel
Robert Hubbard
David Matthews
Tony Robinson

Company Secretary

Carmen Lunderstedt

Registered Office

Bendigo and Adelaide Bank Limited
The Bendigo Centre
22 - 44 Bath Lane
Bendigo Victoria 3550
Telephone: 1300 361 911
Facsimile: 03 5485 7000

Principal place of business

The Bendigo Centre,
22-44 Bath Lane, Bendigo, VIC, 3550

Share Registry

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Grosvenor Place, Level 12, 225 George Street, Sydney NSW 2000
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Telephone: 02 8023 5417 (inside Australia)
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Auditors

Ernst & Young
Australia

3.2 Directors' report

Your Directors submit their report for the half year ended 31 December 2020.

3.2.1 Directors

The names of the Directors of the Board of Bendigo and Adelaide Bank Limited ("the Company") who have held office during the half year and up to the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

Jacqueline Hey (Chair)
Marnie Baker (Managing Director)
Vicki Carter
David Foster
Jan Harris
Jim Hazel
Robert Hubbard
David Matthews
Tony Robinson

3.2.2 Review of operations

The principal activities of the Company and its controlled entities ("the Group") during the financial period were the provision of a range of banking and other financial services, including retail banking, mortgage distribution through third-parties, business lending, rural lending, margin lending, business banking and commercial finance, invoice discounting, funds management, treasury and foreign exchange services (including trade finance), superannuation and trustee services. There was no significant change in the nature of the activities of the Group during the period.

The Group recorded an increase in cash earnings during the half year when compared to the previous corresponding period.

Total income from operations increased by $55.6 million, or 6.7%, to $889.8 million when compared with the half year ended 31 December 2019.

Profit before tax increased by $135.6 million, or 63.9%, to $347.9 million when compared to the previous corresponding period.

Profit after tax (attributable to owners of the Company) increased by $98.1 million to $243.9 million when compared to the previous corresponding period.

The increase in profit after tax is mainly attributed to software impairments and software accelerated amortisation adjustments which were recorded in December 2019 and were not repeated in the current period.

Group assets increased by 8.2%, or $6.1 billion, when compared with the half year ended 31 December 2019. Group assets at 31 December 2020 were $80.8 billion.

The total capital adequacy ratio increased during the half year from 13.61% to 14.45%. Tier 1 capital increased during the half year from 11.59% to 12.17%, with Tier 2 capital increasing from 2.02% to 2.28%. The Common Equity Tier 1 ratio increased during the half year from 9.25% to 9.36%.

Fully franked dividends paid on convertible and converting preference shares (CPS) during the half year:

> CPS2 117.28 cents per share, paid on 30 November 2020

> CPS3 146.35 cents per share, paid on 15 December 2020

> CPS4 67.19 cents per share, paid on 14 September 2020 and 67.02 cents per share, paid on 14 December 2020

Fully franked dividends paid or declared on ordinary shares during the half year:
The decision on the payment of a final dividend in relation to the financial year ended 30 June 2020 has now been finalised with payment of the final dividend of 4.5 cents per share, payable on 31 March 2021.
Interim dividend of 23.5 cents per share, declared on 15 February 2021, payable on 31 March 2021.

3.2 Directors' report (continued)

3.2.3 Significant changes in the state of affairs

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Group that occurred during the half year under review not otherwise disclosed in this report or the financial statements.

3.2.4 Events after balance sheet date

No other 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.

3.2.5 Auditor's Independence Declaration

The Group's Audit Committee has conducted an assessment of the independence of the external auditor for the period ended 31 December 2020. The assessment was conducted on the basis of the Group's audit independence policy and the requirements of the *Corporations Act 2001* . The assessment included a review of non-audit services provided by the auditor and an assessment of the independence declaration issued by the external auditor for the period ended 31 December 2020. The Audit Committee's assessment confirmed that the independence requirements have been met. The Audit Committee's assessment was accepted by the full Board.

A copy of the auditor's independence declaration as required is set out on the following page and forms part of this report.

Signed in accordance with a resolution of the Board of Directors.

Jacqueline Hey

Jacqueline Hey (Chair)
Bendigo
15 February 2021

Ernst & Young
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Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
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 review of the half-year financial report of Bendigo and Adelaide Bank Limited for the half-year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b. No contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

T M Dring
Partner
15 February 2021

3.3 Income statement
For the half year ended 31 December 2020

	Note	Consolidated Dec-20 $m	Jun-20 $m	Dec-19 $m
Net interest income				
Interest income		966.0	1,068.6	1,205.8
Interest expense		(259.6)	(404.6)	(536.0)
Total net interest income	3.8.3	**706.4**	**664.0**	**669.8**
Other revenue				
Fees		76.5	76.2	79.3
Commissions and management fees		26.5	27.4	29.2
Other income		80.4	32.6	55.9
Total other revenue	3.8.3	**183.4**	**136.2**	**164.4**
Total income		**889.8**	**800.2**	**834.2**
Expenses				
Credit expenses	3.8.4	(19.5)	(145.3)	(23.2)
Other expenses				
Staff and related costs		(294.2)	(293.6)	(273.5)
Occupancy costs		(18.4)	(18.4)	(17.9)
Amortisation and depreciation costs		(47.4)	(48.3)	(69.4)
Fees and commissions		(10.8)	(10.0)	(10.3)
Other operating expenses		(151.6)	(210.8)	(227.6)
Total other expenses	3.8.4	**(522.4)**	**(581.1)**	**(598.7)**
Profit before income tax expense		**347.9**	**73.8**	**212.3**
Income tax expense	3.8.6	(104.0)	(26.8)	(66.5)
Net profit attributable to owners of the company		**243.9**	**47.0**	**145.8**
Earnings per ordinary share (cents per share):		cents	cents	cents
Basic	3.8.8	46.0	9.1	29.6
Diluted	3.8.8	38.0	8.9	27.1

3.4 Statement of comprehensive income
For the half year ended 31 December 2020

	Consolidated Dec-20 $m	Jun-20 $m	Dec-19 $m
Profit for the period ended	**243.9**	**47.0**	**145.8**
Items which may be reclassified subsequently to profit or loss:			
Revaluation gain/(loss) on debt investments at fair value through other comprehensive income	0.4	(0.3)	-
Revaluation (loss)/gain on debt securities at fair value through other comprehensive income	(1.4)	1.4	-
Transfer from asset revaluation reserve to income	-	0.7	(0.6)
Net gain/(loss) on cash flow hedges taken to equity	14.5	(5.4)	(14.9)
Tax effect on items taken directly to or transferred from equity	(4.0)	0.9	4.5
Total items that may be reclassified to profit or loss	**9.5**	**(2.7)**	**(11.0)**
Items which will not be reclassified subsequently to profit or loss:			
Revaluation loss on land and buildings	-	(0.7)	-
Actuarial (loss)/gain on superannuation defined benefits plan	(0.9)	(1.5)	0.2
Tax effect on items taken directly to or transferred from equity	0.1	1.1	-
Total items that will not be reclassified to profit or loss	**(0.8)**	**(1.1)**	**0.2**
Total comprehensive income for the period	**252.6**	**43.2**	**135.0**

3.5 Balance sheet
As at 31 December 2020

	Note	Consolidated As at Dec-20 $m	As at Jun-20 $m	As at Dec-19 $m
Assets				
Cash and cash equivalents	3.8.10	4,577.0	1,189.6	2,319.0
Due from other financial institutions	3.8.10	116.5	137.0	169.7
Financial assets fair value through profit or loss (FVTPL)		4,514.4	5,411.1	6,025.4
Financial assets amortised cost		339.8	325.3	301.1
Financial assets fair value through other comprehensive income (FVOCI)		110.6	819.6	51.7
Derivatives		80.1	106.4	80.4
Net loans and other receivables		67,989.9	64,980.4	62,629.9
Investments accounted for using the equity method		9.8	5.4	8.4
Property, plant and equipment		232.2	252.3	272.5
Income tax receivable		3.5	17.6	6.0
Deferred tax assets		78.7	88.3	45.7
Investment property		835.5	779.8	782.2
Assets held for sale		-	-	1.7
Goodwill and other intangible assets		1,564.2	1,564.6	1,592.9
Other assets		313.0	331.5	372.9
Total Assets		**80,765.2**	**76,008.9**	**74,659.5**
Liabilities				
Due to other financial institutions	3.8.10	62.4	145.1	68.4
Deposits		69,339.4	64,182.6	62,716.7
Notes payable		3,008.9	3,503.5	3,957.3
Derivatives		87.1	100.2	91.5
Provisions		114.0	114.4	113.3
Other payables		439.7	603.4	550.6
Other debt issues		1,096.8	890.2	888.3
Subordinated debt		569.7	671.3	681.5
Total Liabilities		**74,718.0**	**70,210.7**	**69,067.6**
Net Assets		**6,047.2**	**5,798.2**	**5,591.9**
Equity				
Share capital	3.8.11	4,902.2	4,905.0	4,592.7
Reserves		102.8	87.3	76.9
Retained earnings		1,042.2	805.9	922.3
Total Equity		**6,047.2**	**5,798.2**	**5,591.9**

3.6 Statement of changes in equity
For the half year ended 31 December 2020

	Attributable to owners of Bendigo and Adelaide Bank Limited				
	Issued ordinary capital $m	Other issued capital [1] $m	Retained earnings $m	Reserves $m	Total equity $m
Opening balance at 1 July 2020	**4,909.3**	**(4.3)**	**805.9**	**87.3**	**5,798.2**
Comprehensive income					
Profit for the period	-	-	243.9	-	243.9
Other comprehensive income	-	-	(0.8)	9.5	8.7
Total comprehensive income for the period	**-**	**-**	**243.1**	**9.5**	**252.6**
Transactions with owners in their capacity as owners					
Shares issued	8.7	-	-	-	8.7
Purchase of Treasury shares	(11.9)	-	-	-	(11.9)
Movement in Executive Share plans	0.2	-	-	-	0.2
Movement in employee share ownership plan (ESOP) shares	-	0.2	-	-	0.2
Movement in general reserve for credit losses (GRCL)	-	-	(7.7)	7.7	-
Movement in share based payment	-	-	0.9	(1.7)	(0.8)
Closing balance at 31 December 2020	**4,906.3**	**(4.1)**	**1,042.2**	**102.8**	**6,047.2**

For the half year ended 30 June 2020

	$m	$m [1]	$m	$m	$m
Opening balance at 1 January 2020	**4,598.7**	**(6.0)**	**922.3**	**76.9**	**5,591.9**
Comprehensive income					
Profit for the period	-	-	47.0	-	47.0
Other comprehensive income	-	-	(1.1)	(2.7)	(3.8)
Total comprehensive income for the period	**-**	**-**	**45.9**	**(2.7)**	**43.2**
Transactions with owners in their capacity as owners					
Shares issued	314.9	-	-	-	314.9
Share issue expenses	(3.0)	-	-	-	(3.0)
Movement in Executive Share plans	(1.3)	-	-	-	(1.3)
Movement in employee share ownership plan (ESOP) shares	-	1.7	-	-	1.7
Movement in general reserve for credit losses (GRCL)	-	-	(12.3)	12.3	-
Movement in operational risk reserve	-	-	(0.4)	0.4	-
Movement in share based payment	-	-	0.4	1.2	1.6
Transfer from asset revaluation reserve	-	-	0.8	(0.8)	-
Equity dividends	-	-	(150.8)	-	(150.8)
Closing balance at 30 June 2020	**4,909.3**	**(4.3)**	**805.9**	**87.3**	**5,798.2**

For the half year ended 31 December 2019

	$m	$m [1]	$m	$m	$m
Opening balance at 1 July 2019	**4,575.9**	**(5.4)**	**987.3**	**73.8**	**5,631.6**
Impact of adoption of new accounting standards [2]	-	-	(24.7)	-	(24.7)
Rural Bank consolidation [3]	-	-	(20.4)	20.4	-
Comprehensive income					
Profit for the period	-	-	145.8	-	145.8
Other comprehensive income	-	-	0.2	(11.0)	(10.8)
Total comprehensive income for the period	**-**	**-**	**146.0**	**(11.0)**	**135.0**
Transactions with owners in their capacity as owners					
Shares issued	22.8	-	-	-	22.8
Movement in employee share ownership plan (ESOP) shares	-	(0.6)	-	-	(0.6)
Movement in general reserve for credit losses (GRCL)	-	-	3.0	(3.0)	-
Movement in share based payment	-	-	0.6	(3.3)	(2.7)
Equity dividends	-	-	(169.5)	-	(169.5)
Closing balance at 31 December 2019	**4,598.7**	**(6.0)**	**922.3**	**76.9**	**5,591.9**

[1] Refer to note 3.8.9 Share capital for further details.

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

[3] Relates to Rural Bank consolidation adjustments.

3.7 Cash flow statement
For the half year ended 31 December 2020

	Note	Consolidated Dec-20 $m	Jun-20 $m	Dec-19 $m
Cash flows from operating activities				
Interest and other items of a similar nature received		1,009.6	1,052.7	1,270.8
Interest and other costs of finance paid		(299.7)	(434.5)	(571.4)
Receipts from customers (excluding effective interest)		125.8	123.9	133.1
Payments to suppliers and employees		(577.5)	(395.9)	(568.0)
Dividends received		0.2	0.3	1.3
Income taxes paid		(81.1)	(78.3)	(104.7)
Cash flows from operating activities before changes in operating assets and liabilities		**177.3**	**268.2**	**161.1**
(Increase)/decrease in operating assets				
Net increase in balance of loans and other receivables		(3,031.0)	(2,494.2)	(825.7)
Net decrease/(increase) in balance of investment securities		1,572.5	(136.7)	(247.3)
Increase/(decrease) in operating liabilities				
Net increase in balance of deposits		5,156.7	1,463.7	2,122.0
Net (decrease)/increase in balance of notes payable		(494.6)	(453.9)	493.0
Net cash flows from/(used in) operating activities		**3,380.9**	**(1,352.9)**	**1,703.1**
Cash flows related to investing activities				
Cash paid for purchases of property, plant and equipment		(7.0)	(10.4)	(16.6)
Cash proceeds from sale of property, plant and equipment		0.4	3.9	0.3
Cash paid for purchases of investment property		(16.6)	(27.2)	(32.1)
Cash proceeds from sale of investment property		22.6	26.8	23.2
Cash paid for purchases of intangible assets		-	(4.2)	(3.2)
Cash paid for purchases of equity investments		-	(4.5)	-
Cash proceeds from sale of equity investments		-	0.1	-
Cash proceeds from return of capital/dividend from JV partners		0.9	3.8	0.6
Net cash flows from/(used in) investing activities		**0.3**	**(11.7)**	**(27.8)**
Cash flows from financing activities				
Cash paid for purchase of treasury shares		(3.2)	-	-
Proceeds from issue of ordinary shares		-	294.8	-
Repayment of preference shares		(292.1)	-	-
Repayment of subordinated debt holders		(101.8)	(10.4)	(0.1)
Proceeds from other debt issues		502.4	-	-
Payment of other debt issue costs		(5.5)	-	-
Dividends paid		-	(130.6)	(146.8)
Repayment of lease liabilities		(31.6)	(24.1)	(30.8)
Repayment of ESOP shares		0.2	0.4	0.7
Payment of shares issue costs		-	(4.3)	-
Net cash flows from/(used in) financing activities		**68.4**	**125.8**	**(177.0)**
Net increase/(decrease) in cash and cash equivalents		3,449.6	(1,238.8)	1,498.3
Cash and cash equivalents at the beginning of period		1,181.5	2,420.3	922.0
Cash and cash equivalents at the end of period	3.8.10	**4,631.1**	**1,181.5**	**2,420.3**

3.8 Notes to and forming part of the financial statements

3.8.1 Corporate information

The half year financial report of Bendigo and Adelaide Bank Limited for the six months ended 31 December 2020 was authorised for issue in accordance with a resolution of the Directors on 15 February 2021.

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 Group's functional and presentation currency is AUD ($).

3.8.2 Summary of significant accounting policies

The half year financial report does not contain all disclosures of the type normally found within an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and finance and investing activities of the consolidated entity as that given by the annual financial report.

It is recommended that the half year financial report is read in conjunction with the annual financial report of Bendigo and Adelaide Bank Limited as at 30 June 2020, which was prepared based on Australian Accounting Standards, together with any public announcements made by Bendigo and Adelaide Bank Limited and its controlled entities made up until the date this half year financial report is signed by the Group in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and the ASX Listing Rules.

This half year financial report has been prepared on the basis of accounting policies consistent with those applied in the 30 June 2020 annual financial report, except as disclosed below.

Basis of preparation

Bendigo and Adelaide Bank Limited is a "prescribed corporation" in terms of the *Corporations Act 2001* . Financial reports prepared in compliance with the Banking Act are deemed to comply with the accounts provisions of the *Corporations Act 2001.*

The half year financial report is a general purpose financial report which has been prepared in accordance with the Banking Act, applicable Australian Accounting Standards including AASB 134 *Interim Financial Reporting* , *Corporations Act 2001* and the requirements of law in so far as they are applicable to Australian banking corporations.

The amounts contained in the financial report have been rounded to the nearest one hundred thousand dollars ($'00,000) under the option available to the Company under ASIC Corporations (rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

For the purposes of preparing the half year financial report, the half year has been treated as a discrete reporting period.

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)

Changes in accounting policies

New and amended standards and interpretations

IBOR reform Phase 2

Interbank Offered Rates (IBORs), such as LIBOR (the London Interbank Offered Rate) and BBSW (the Australian Bank Bill Swap Rate), play a critical role in global financial markets, serving as a reference rate for a wide variety of financial instruments such as derivatives, loans and securities. In recent years, the integrity of IBORs has been questioned leading to a fundamental reform of IBORs being undertaken globally, with some IBORs being replaced with alternative nearly risk-free rates (RFRs).

In 2018, in response to the uncertainty about the long-term viability of these benchmark rates, in particular the LIBOR, the International Accounting Standards Board (IASB) established a project to consider the financial reporting implications of the reforms, given the expected impacts to hedge accounting, loan modifications, fair value methodologies and disclosures.

3.8.2 Summary of significant accounting policies (continued)

Changes in accounting policies (continued)

New and amended standards and interpretations (continued)

IBOR reform Phase 2 (continued)

In October 2019, AASB issued AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform* which makes amendments to the specific hedge accounting requirements contained within AASB 7 *Financial Instruments: Disclosures* and AASB 9 *Financial Instruments,* to provide relief from the potential impacts of the uncertainty caused by interest rate benchmark reform. This uncertainty arises as it is not known when the hedged item and associated hedging instruments will be changed to reference the RFRs, or if both the hedging item and the associated hedging instrument will move to the new rates at the same time. The relief enables the continuation of hedge accounting for impacted hedge relationships during the period of uncertainty prior to IBOR transition. As permitted by the standard, the Group elected to early adopt AASB 2019-3 which has had no impact to the Group's financial results.

In September 2020, the AASB issued AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* , which has an effective date for the Group of 1 July 2021. This standard addresses issues that may affect the Group at the point of transition from an existing IBOR to a RFR and provides relief from applying specific requirements related to hedge accounting and the modification of financial assets and financial liabilities if certain criteria are met.

The Group has established a project to monitor and assess the impact of the introduction of RFRs and to ensure the introduction of RFRs is incorporated into the Group's internal processes and systems, including pricing, risk management, documentation, and hedging arrangements. The Group has exposure to IBOR, mainly BBSW, through its issuance of debt, holdings of investment securities, and associated hedging activities. The Group expects BBSW to exist as a benchmark rate for the foreseeable future and, therefore, does not expect to be directly impacted by IBOR reform.

Amendments to References to Conceptual Framework in IFRS Standards

In June 2019 the AASB issued a revised Conceptual Framework for Financial Reporting. The new Framework includes updated definitions and criteria for the recognition and derecognition of assets and liabilities. Additionally, it introduces new concepts on measurement, including factors to consider when selecting a measurement basis. These amendments have had no impact on the consolidated financial statements of the Group.

Recently issued or amended standards not yet effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the half year ended 31 December 2020.

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

- Interest Rate Benchmark Reform - Phase 2 (Amendments to AASB 9, IAS39, AASB 7, AASB 4, and AASB 16);
- AASB 17 *Insurance Contracts;*
- Classification of liabilities as current or non-current (Amendments to AASB 101);
- *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to AASB 137)* ;
- Annual Improvements to IFRS Standards 2018-2020;
- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to AASB 16);*
- *Reference to the Conceptual Framework (Amendments to AASB 3);*
- Amendments to AASB 17; and
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASB 10 and IAS 28).

Significant accounting judgements, estimates and assumptions

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

Coronavirus (COVID-19) pandemic

The rapid development of the COVID-19 pandemic during 2020 has had severe consequences for communities worldwide. The global economic disruption and financial market volatility caused by the COVID-19 pandemic has created uncertainty about future economic and market conditions. While measures have been put in place by governments, regulators and the central banks to mitigate the impacts of COVID-19 on the economy, there is still uncertainty as to whether these measures will be sufficient. In preparing the financial statements for the period ended 31 December 2020, the Group has considered the impact of COVID-19 on critical judgements, estimates and assumptions.

3.8.2 Summary of significant accounting policies (continued)

Significant accounting judgements, estimates and assumptions (continued)

Impairment of loans and advances

As at 31 December 2020 the Group has recorded a total overlay of $141.9m (2H20: $148.3m) for the potential future impacts from the COVID-19 pandemic. $124.5m (2H20: $127.7m) of this overlay has been added to the collectively assessed provision and $17.4m (2H20: $20.6m) to the general reserve for credit losses. This overlay consists of four components, being:

> A significant change to the base case economic outlook given COVID-19 impacts. This includes lower GDP, higher unemployment, and a reduction in residential and commercial property prices;

> A shift in the weightings of the scenarios used in the calculation of the provision towards an increase in the downside economic scenarios;

> An overlay specific to business and consumer portfolios reflecting further potential COVID-19 impacts; and

> A management overlay for the uncertainty surrounding the expiration of government stimulus packages and the emerging new COVID-19 strain.

The assessment and determination of forward-looking assumptions used to calculate the provision is challenging given the inherent uncertainties around COVID-19. The Group has assumed a more positive economic outlook in line with consensus forecasts but has increased the probabilities for the downside scenarios due to the uncertainty in the current economic climate.

Multiple forward-looking scenarios

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

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

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

The Group's base case economic forecast scenario used in the calculation of the collectively assessed provision as at 31 December 2020, reflects a strong recovery in economic conditions. Unemployment, under the base case scenario, peaks at 7.8% in the first quarter of the 2021 calendar year. Gross Domestic Product is expected to contract by 2.5% in the first quarter of the 2021 calendar year, with positive growth commencing from mid-2021. House prices are expected to grow by 2-3% p.a. up to mid 2021, before returning to normal growth rates of around 5-6% p.a. Commercial property prices are expected to fall 14.0% by September 2021, and remain at low levels up to September 2023.

The Group's significant deterioration scenario was aligned to the APRA stress test scenario at the end of 2020 and assumes unemployment peaks at 13.7% in March 2022, and improves slightly to 11.2% by September 2023. Gross Domestic Product is expected to contract by 14.6% in March 2021 and substantially recover by March 2022. House prices are expected to fall by 22.0% and commercial property prices fall by 28.0% towards the end of 2021.

3.8.2 Summary of significant accounting policies (continued)

Significant accounting judgements, estimates and assumptions (continued)

Impairment of loans and advances (continued)

Multiple forward-looking scenarios (continued)

The Group's approach to formulating the macroeconomic factors used in the upside and downside scenarios has been revised. Implied values derived from the base scenario were used in the other scenarios for 30 June 2020, whereas for 31 December 2020 discrete macroeconomic forecasts for each scenario were determined by the Economic Outlook Committee. The change in probabilities assigned to the downside scenarios for 31 December 2020 are largely due to the change in underlying scenarios rather than a significant change in the Group's economic outlook.

The table below illustrates the weightings applied to the forecast scenarios for the purpose of calculating the collectively assessed provision.

Weightings	31 Dec 2020	30 Jun 2020
Base scenario	50%	50%
Significant improvement	0%	0%
Mild improvement	10%	15%
Mild deterioration	25%	30%
Significant deterioration	15%	5%

The above probability weightings have been applied to all portfolios with the exception of the agricultural lending portfolio. The weightings applied to this portfolio for 31 December 2020 were 53% base scenario, 25% mild deterioration, 20% mild improvement, and 1% for the remaining scenarios.

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

Scenario Outcomes	31 Dec 2020 ($m) [1]	30 Jun 2020 ($m) [1]
100% Base scenario	229.4	232.2
100% Significant improvement	210.8	114.9
100% Mild improvement	220.7	207.0
100% Mild deterioration	269.0	307.7
100% Significant deterioration	413.9	475.1

[1] *These outcomes exclude the GRCL.*

COVID-19 Deferral Arrangements

Since March 2020, the Group has offered a range of assistance measures to ensure short and long-term support for both retail and business customers affected by COVID-19, including deferral of payments for an initial period of six months. In accordance with AASB 9 *Financial Instruments,* the deferral arrangement is considered to be a non-substantial loan modification, hence the existing loan continues to be recognised.

Loans with a gross carrying value of approximately $1.1 billion were subject to COVID-19 deferral arrangements as at 31 December 2020 (30 June 2020: $6.9 billion). The table below provides a summary of gross carrying values of loans subject to COVID-19 deferral arrangements as at 31 December 2020.

COVID-19 deferral arrangements	31 Dec 2020 ($m)	30 Jun 2020 ($m)
Retail	727.8	4,539.6
Consumer	60.1	397.3
Business	307.4	1,978.4
Total deferral arrangements	**1,095.3**	**6,915.3**

3.8.2 Summary of significant accounting policies (continued)

Significant accounting judgements, estimates and assumptions (continued)

Homesafe Trust

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

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

The Group has revised the assumptions upon which the Homesafe valuation is calculated to ensure consistency with the Group's forecasts for the property market as determined by the Economic Outlook Committee, taking into account the specific characteristics of the portfolio. The Group has applied a discount rate of 5.75% and property appreciation rates of 2.0% for the first year, 3.0% for the second year, and 4.0% per annum thereafter.

Fair value measurement

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

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

				Effect of reasonably possible alternative assumptions	
Valuation technique	Significant unobservable inputs	Range of estimates (weighted-average) for unobservable inputs	Fair value measurement sensitivity to unobservable inputs	Favourable change	Unfavourable change
Discounted cash flow	Rates of property appreciation ~ long-term growth rate 4%	3% ~ 5%	Significant increases in these inputs would result in higher fair values.	$76.5m	($66.9m)
	Discount rates ~ 5.75%	4.75% ~ 6.75%	Significant increases in these inputs would result in lower fair values.	$94.9m	($80.9m)

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.

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Cash earnings

Cash earnings is a non-IFRS key financial performance measure used by the Group, the investment community and other Australian banks with similar business portfolios. As a non-IFRS financial measure, cash earnings has been prepared on a basis other than in accordance with Australian Accounting Standards.

The basis for determining cash earnings is the statutory profit after tax, adjusted for specific items after tax and acquired intangibles amortisation after tax. Cash earnings have been used in a number of key indicator calculations such as 3.8.8 - Earnings per ordinary share and 3.8.9 - Return on average ordinary equity.

Specific items

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

3.8.3 Income

	Consolidated		
	Dec-20	Jun-20	Dec-19
	$m	$m	$m
Interest income			
Effective interest income			
Cash and cash equivalents	-	0.2	0.3
Assets held at FVTPL	11.0	24.8	33.7
Assets held at FVOCI	0.9	0.8	0.2
Assets held at amortised cost	0.2	0.4	0.7
Reverse repurchase agreements	0.8	4.8	6.7
Loans and other receivables	953.1	1,037.6	1,164.2
Total interest income	**966.0**	**1,068.6**	**1,205.8**
Interest expense			
Deposits			
Customer	(183.3)	(284.0)	(384.8)
Wholesale - domestic	(22.1)	(52.3)	(73.6)
Other borrowings			
Notes payable	(23.4)	(34.2)	(39.6)
Repurchase agreements	(2.5)	(1.8)	(2.2)
Lease liability - interest expense	(3.1)	(3.6)	(3.8)
Other debt issues	(13.2)	(15.8)	(17.4)
Subordinated debt	(12.0)	(12.9)	(14.6)
Total interest expense	**(259.6)**	**(404.6)**	**(536.0)**
Total net interest income	**706.4**	**664.0**	**669.8**
Other revenue			
Fee income			
Assets	39.2	40.1	35.9
Liabilities and other products	35.7	34.2	41.9
Trustee, management and other services	1.6	1.9	1.5
Total fee income	**76.5**	**76.2**	**79.3**
Commissions and management fees	**26.5**	**27.4**	**29.2**
Revenue from contracts with customers	**103.0**	**103.6**	**108.5**
Other income			
Foreign exchange income	10.0	10.2	12.4
Factoring products income	0.5	0.6	0.8
Trading book income	6.9	6.4	4.8
Homesafe revaluation gain/(loss)	61.6	(2.8)	38.8
Dividend income	-	0.3	1.0
Other	1.4	17.9	(1.9)
Total other income	**80.4**	**32.6**	**55.9**
Total other revenue	**183.4**	**136.2**	**164.4**

Recognition and measurement

Interest income or expense on financial instruments that are recognised at amortised cost or fair value through other comprehensive income are measured using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial instrument. Calculation of the effective interest rate takes into account fees receivable (ie origination and application fees) or payable that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

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.

3.8.3 Income (continued)

Recognition and measurement (continued)

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

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

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

Homesafe revaluation gain/(loss) reflects the gains or losses arising from changes in the fair value of investment property and are recognised in the period in which they arise.

3.8.4 Expenses

	Consolidated		
	Dec-20	Jun-20	Dec-19
	$m	$m	$m
Credit expenses			
Individually assessed provision	(17.4)	(27.5)	(28.9)
Collectively assessed provision	(2.9)	(116.0)	9.8
Bad debts written off	(1.1)	(3.8)	(6.9)
Bad debts recovered	1.9	2.0	2.8
Total credit expenses	**(19.5)**	**(145.3)**	**(23.2)**
Other expenses			
Staff and related costs			
Salaries, wages and incentives	(254.1)	(246.0)	(235.0)
Superannuation contributions	(22.8)	(28.7)	(21.4)
Other staff related costs	(17.3)	(18.9)	(17.1)
Total staff and related costs	**(294.2)**	**(293.6)**	**(273.5)**
Occupancy costs			
Operating lease rentals	(3.2)	(3.0)	(2.5)
Depreciation of leasehold improvements	(4.1)	(4.0)	(3.8)
Other	(11.1)	(11.4)	(11.6)
Total occupancy costs	**(18.4)**	**(18.4)**	**(17.9)**
Amortisation and depreciation			
Amortisation of acquired intangibles	(1.7)	(1.7)	(1.5)
Amortisation of software intangibles	(14.4)	(14.7)	(35.4)
Depreciation of property, plant and equipment	(31.3)	(31.9)	(32.5)
Total amortisation and depreciation costs	**(47.4)**	**(48.3)**	**(69.4)**
Fees and commission expense	**(10.8)**	**(10.0)**	**(10.3)**
Other operating expenses			
Communications, postage and stationery	(17.2)	(17.7)	(18.1)
Computer systems and software costs	(38.9)	(37.6)	(33.3)
Advertising and promotion	(15.2)	(16.6)	(15.0)
Other product and services delivery costs	(11.4)	(12.4)	(11.9)
Other expenses	(68.9)	(126.5)	(149.3)
Total other operating expenses	**(151.6)**	**(210.8)**	**(227.6)**
Total other expenses	**(522.4)**	**(581.1)**	**(598.7)**

3.8.4 Expenses (continued)

Recognition and measurement

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

Credit expenses are measured as the difference between the carrying amount and the value of the estimated future cash flows, discounted at the financial instruments original effective interest rate.

Staff and related costs

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

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

Occupancy costs include operating lease expenses relating to low value assets and short term leases (leases that have lease terms of 12 months or less).

Amortisation and depreciation

Amortisation expense includes computer software previously capitalised and subsequently amortised over its estimated useful life.

Depreciation expenses associated with operating leases are shown as depreciation of the Right of Use Assets (ROUA).

3.8.5 Segment results

Segment reporting

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

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

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

Consumer

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

Business

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

Agribusiness

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

Corporate

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

Accounting policies and inter-segment transactions

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

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

Major customers

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

Geographic Information

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

For the half year ended 31 December 2020

	Operating segments					
	Consumer	Business	Agribusiness	**Total operating segments**	Corporate	**Total**
	$m	$m	$m	**$m**	$m	**$m**
Net interest income	446.8	154.5	87.1	**688.4**	18.0	**706.4**
Other income	151.0	19.4	11.9	**182.3**	1.1	**183.4**
Total segment income	**597.8**	**173.9**	**99.0**	**870.7**	**19.1**	**889.8**
Operating expenses	(244.1)	(42.8)	(30.9)	**(317.8)**	(204.6)	**(522.4)**
Credit expenses	(2.4)	(4.1)	(5.9)	**(12.4)**	(7.1)	**(19.5)**
Segment result (before tax expense)	**351.3**	**127.0**	**62.2**	**540.5**	**(192.6)**	**347.9**
Tax (expense)/benefit	(105.0)	(38.0)	(18.6)	**(161.6)**	57.6	**(104.0)**
Segment result (statutory basis)	**246.3**	**89.0**	**43.6**	**378.9**	**(135.0)**	**243.9**
Cash basis adjustments:						
Specific income and expense items (after tax)	(36.5)	0.1	-	**(36.4)**	5.6	**(30.8)**
Homesafe net realised income (after tax)	5.4	-	-	**5.4**	-	**5.4**
Amortisation of acquired intangibles (after tax)	-	0.2	0.3	**0.5**	0.7	**1.2**
Segment result (cash basis)	**215.2**	**89.3**	**43.9**	**348.4**	**(128.7)**	**219.7**

3.8.5 Segment results (continued)
For the half year ended 30 June 2020

	Operating segments					
	Consumer	Business	Agribusiness	Total operating segments	Corporate	Total
	$m	$m	$m	$m	$m	$m
Net interest income	427.9	141.7	77.6	**647.2**	16.8	**664.0**
Other income	85.6	20.3	10.3	**116.2**	20.0	**136.2**
Total segment income	**513.5**	**162.0**	**87.9**	**763.4**	**36.8**	**800.2**
Operating expenses	(244.9)	(52.2)	(32.8)	**(329.9)**	(251.2)	**(581.1)**
Credit (expenses)/reversals [1]	3.5	(17.3)	(2.8)	**(16.6)**	(128.7)	**(145.3)**
Segment result (before tax expense)	**272.1**	**92.5**	**52.3**	**416.9**	**(343.1)**	**73.8**
Tax (expense)/benefit	(92.9)	(31.5)	(17.7)	**(142.1)**	115.3	**(26.8)**
Segment result (statutory basis)	**179.2**	**61.0**	**34.6**	**274.8**	**(227.8)**	**47.0**
Cash basis adjustments:						
Specific income and expense items (after tax)	7.0	2.8	-	**9.8**	22.1	**31.9**
Homesafe net realised income (after tax)	6.0	-	-	**6.0**	-	**6.0**
Amortisation of acquired intangibles (after tax)	-	0.1	0.3	**0.4**	0.7	**1.1**
Segment result (cash basis)	**192.2**	**63.9**	**34.9**	**291.0**	**(205.0)**	**86.0**

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

For the half year ended 31 December 2019

	$m	$m	$m	$m	$m	$m
Net interest income	428.3	146.4	77.7	**652.4**	17.4	**669.8**
Other income	139.2	22.2	8.0	**169.4**	(5.0)	**164.4**
Total segment income	**567.5**	**168.6**	**85.7**	**821.8**	**12.4**	**834.2**
Operating expenses	(237.3)	(45.8)	(30.8)	**(313.9)**	(284.8)	**(598.7)**
Credit (expenses)/reversals	0.4	(17.7)	(3.3)	**(20.6)**	(2.6)	**(23.2)**
Segment result (before tax expense)	**330.6**	**105.1**	**51.6**	**487.3**	**(275.0)**	**212.3**
Tax (expense)/benefit	(103.6)	(32.9)	(16.2)	**(152.7)**	86.2	**(66.5)**
Segment result (statutory basis)	**227.0**	**72.2**	**35.4**	**334.6**	**(188.8)**	**145.8**
Cash basis adjustments:						
Specific income and expense items (after tax)	(19.3)	0.2	0.1	**(19.0)**	82.8	**63.8**
Homesafe net realised income (after tax)	5.0	-	-	**5.0**	-	**5.0**
Amortisation of acquired intangibles (after tax)	-	-	0.2	**0.2**	0.9	**1.1**
Segment result (cash basis)	**212.7**	**72.4**	**35.7**	**320.8**	**(105.1)**	**215.7**

	Consumer	Business	Agribusiness	Total operating segments	Corporate	Total
Reportable segment assets and liabilities	$m	$m	$m	$m	$m	$m
As at 31 Dec 2020						
Reportable segment assets	49,040.3	13,416.8	5,821.9	**68,279.0**	12,486.2	**80,765.2**
Reportable segment liabilities	45,337.3	12,489.3	3,102.6	**60,929.2**	10,779.9	**71,709.1**
As at 30 Jun 2020						
Reportable segment assets	45,884.6	13,348.8	6,073.5	**65,306.9**	10,702.0	**76,008.9**
Reportable segment liabilities	41,281.0	11,503.7	3,107.8	**55,892.5**	10,814.7	**66,707.2**
As at 31 Dec 2019						
Reportable segment assets	44,038.8	13,057.4	5,791.2	**62,887.4**	11,772.1	**74,659.5**
Reportable segment liabilities	39,015.1	12,688.0	3,400.4	**55,103.5**	10,006.8	**65,110.3**

Reconciliation of reportable segments to consolidated assets and liabilities	As at 31 Dec 2020 $m	As at 30 Jun 2020 $m	As at 31 Dec 2019 $m
Total assets for operating segments	80,765.2	76,008.9	74,659.5
Total assets	**80,765.2**	**76,008.9**	**74,659.5**
Total liabilities for operating segments	71,709.1	66,707.2	65,110.3
Notes payable	3,008.9	3,503.5	3,957.3
Total liabilities	**74,718.0**	**70,210.7**	**69,067.6**

3.8.6 Income tax
For the half year ended 31 December 2020

The major components of income tax expense for the half year ended 31 December 2020 are:

	Dec-20 $m	Jun-20 $m	Dec-19 $m
Current income tax			
Current income tax charge	(99.3)	(67.1)	(96.0)
Franking credits	0.4	0.3	0.7
Adjustments in respect of current income tax of previous years	3.6	-	2.5
Deferred income tax			
Adjustments in respect of deferred income tax of previous years	(1.8)	-	(1.4)
Relating to origination and reversal of temporary differences	(6.9)	40.0	27.7
Income tax expense reported in the Income Statement	**(104.0)**	**(26.8)**	**(66.5)**

3.8.7 Dividends paid and payable

	31 Dec 2020 interim dividend		
	Amount per share cents	Franked amount per share - %	Total amount $m
On 15 February 2021, the directors declared the following dividend:	23.5	100.0	122.8

Ordinary shares [1 & 2]	Date paid	Amount per share - cents	Total amount $m	Date paid	Amount per share - cents	Total amount $m	Date paid	Amount per share - cents	Total amount $m
	June 2020 final dividend			December 2019 interim dividend			June 2019 final dividend		
Dividends paid/payable	Mar 2021	4.5	23.5	Mar 2020	31.0	150.8	Sep 2019	35.0	169.5

	Dec-20			Jun-20			Dec-19		
	Date paid	Amount per share - cents	Total amount $m	Date paid	Amount per share - cents	Total amount $m	Date paid	Amount per share - cents	Total amount $m
Convertible non-cumulative preference shares (CPS2) (recorded as debt instruments) [3]									
Dividends paid during the half-year:	Nov 2020	117.3	3.4	May 2020	144.6	4.2	Dec 2019	164.7	4.8
Convertible non-cumulative preference shares (CPS3) (recorded as debt instruments) [4]									
Dividends paid during the half-year:	Dec 2020	146.4	4.1	Jun 2020	174.0	4.9	Dec 2019	184.6	5.2
Converting preference shares (CPS4) (recorded as debt instruments) [5]									
Dividends paid during the half-year:	Sep 2020	67.2	2.2	Mar 2020	81.1	2.6	Sep 2019	89.9	2.9
	Dec 2020	67.0	2.2	Jun 2020	78.8	2.5	Dec 2019	83.4	2.7

[1] The decision on the payment of a final dividend in relation to the financial year ended 30 June 2020 has now been finalised with payment of the final dividend payable on 31 March 2021.

[2] BEN - ASX code - Ordinary Fully Paid Shares.

[3] BENPE - ASX code - Convertible Non-Cumulative Preference Shares (CPS2). These shares were redeemed in November 2020.

[4] BENPF - ASX code - Convertible Non-Cumulative Preference Shares (CPS3). These shares were issued in June 2015.

[5] BENPG - ASX code - Converting Preference Shares (CPS4). These shares were issued in December 2017.

3.8.8 Earnings per ordinary share

	Half Year		
	Dec-20	Jun-20	Dec-19
Earnings per ordinary share	Cents per share	Cents per share	Cents per share
Basic	46.0	9.1	29.6
Cash basis	41.4	16.6	43.8
Diluted	38.0	8.9	27.1

Reconciliation of earnings used in the calculation of basic earnings per ordinary share	$m	$m	$m
Net profit for the half-year (after tax)	243.9	47.0	145.8
Total basic earnings	**243.9**	**47.0**	**145.8**

Reconciliation of earnings used in the calculation of diluted earnings per ordinary share	$m	$m	$m
Earnings used in calculating basic earnings per ordinary share	243.9	47.0	145.8
Add back: dividends accrued and/or paid on dilutive other debt issues	8.8	9.7	10.9
Total diluted earnings	**252.7**	**56.7**	**156.7**

Reconciliation of earnings used in the calculation of cash basis earnings per ordinary share	$m	$m	$m
Earnings used in calculating basic earnings per ordinary share	243.9	47.0	145.8
Add back: amortisation of acquired intangibles (after tax)	1.2	1.1	1.1
Add back: Specific income and expense items (after tax) [1]	(30.8)	31.9	63.8
Add back: Homesafe net realised income (after tax)	5.4	6.0	5.0
Total cash earnings	**219.7**	**86.0**	**215.7**

	No. of shares	No. of shares	No. of shares
Weighted ave no. of ordinary shares used in basic and cash basis earnings per ordinary share	530,710,864	518,339,583	492,709,109
Effect of dilution - executive performance rights	1,425,878	887,092	981,547
Effect of dilution - other debt issues	132,160,948	119,518,973	84,435,407
Weighted ave no. of ordinary shares used in diluted earnings per ordinary share	**664,297,690**	**638,745,648**	**578,126,063**

[1] Specific income and expense items after tax comprise:	Dec-20	Jun-20	Dec-19
	$m	$m	$m
Specific net interest income items			
Fair value adjustments - interest expense	-	-	(0.1)
Homesafe funding costs - unrealised	(3.5)	(4.2)	(4.6)
Specific other income items			
Revaluation (losses)/gains on economic hedges	(5.7)	6.7	(8.9)
Homesafe revaluation gain/(loss)	43.1	(2.0)	27.2
Specific operating expense items			
Merchant services - Tyro transaction	(3.1)	-	-
Impairment charge	-	(1.6)	(1.2)
Legal costs	-	-	(2.1)
Restructuring provision	-	(6.2)	-
Software impairment	-	(24.6)	(60.9)
Software accelerated amortisation	-	-	(13.2)
Total specific items attributable to the Group	**30.8**	**(31.9)**	**(63.8)**
Homesafe realised income			
Homesafe revaluation gain - realised	(8.3)	(8.9)	(8.1)
Homesafe funding costs - realised	2.9	2.9	3.1
Homesafe net realised income	**(5.4)**	**(6.0)**	**(5.0)**

3.8.9 Return on average ordinary equity

	Half year		
	Dec-20	Jun-20	Dec-19
	%	%	%
Return on average ordinary equity (after tax)	8.29	1.65	5.26
Return on average ordinary equity (cash basis)	7.47	3.02	7.78

Reconciliation of ordinary equity used in the calculation of return on average ordinary equity

	As at 31 Dec 2020	As at 30 Jun 2020	As at 31 Dec 2019
	$m	$m	$m
Ordinary issued capital	4,906.3	4,909.3	4,598.7
Retained earnings	1,042.2	805.9	922.3
Total ordinary equity	**5,948.5**	**5,715.2**	**5,521.0**
Average ordinary equity [1]	**5,832.9**	**5,735.2**	**5,512.1**

[1] The average ordinary equity is calculated using a six month average.

Return on average ordinary equity is a key performance measure and is used in the company's management remuneration policy.

Refer to the June 2020 full year annual report for the full details of this policy.

3.8.10 Cash flow information

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

	As at 31 Dec 2020	As at 30 Jun 2020	As at 31 Dec 2019
	$m	$m	$m
Cash and cash equivalents	4,577.0	1,189.6	2,319.0
Due from other financial institutions	116.5	137.0	169.7
Due to other financial institutions	(62.4)	(145.1)	(68.4)
Total cash and cash equivalents	**4,631.1**	**1,181.5**	**2,420.3**

Recognition and measurement

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with other financial institutions, reverse repurchase agreements and highly liquid financial assets with original maturities of three months or less and are subject to an insignificant risk of changes in their fair value.

These assets are generally used by the Group in managing its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the Balance Sheet.

Cash at bank earns interest at variable rates based on daily bank and short-term deposit rates. Interest is recognised in the Income Statement using the effective interest method.

3.8.11 Share capital

	As at 31 Dec 2020		As at 30 Jun 2020		As at 31 Dec 2019	
Issued and paid up capital	No. of shares	$m	No. of shares	$m	No. of shares	$m
Ordinary shares fully paid	530,429,882	4,906.3	530,779,195	4,909.3	493,843,060	4,598.7
Employee Share Ownership Plan shares	-	(4.1)	-	(4.3)	-	(6.0)
Total issued and paid up capital		**4,902.2**		**4,905.0**		**4,592.7**

Movements in ordinary shares on issue	No. of shares	$m	No. of shares	$m	No. of shares	$m
Opening balance	530,779,195	4,909.3	493,843,060	4,598.7	491,575,157	4,575.9
Bonus share scheme	-	-	355,270.0	-	230,071	-
Dividend reinvestment plan	-	-	3,154,051.0	20.1	2,037,832	22.8
Institutional placement	43.0	-	26,766,596	250.0	-	-
Share purchase plan	-	-	6,660,218	44.8	-	-
Shares issued for Loan Share Plan	1,297,625.0	8.7	-	-	-	-
Share issue costs	-	-	-	(3.0)	-	-
Executive performance rights	-	0.2	-	(1.3)	-	-
Closing balance (includes Treasury shares)	**532,076,863**	**4,918.2**	**530,779,195**	**4,909.3**	**493,843,060**	**4,598.7**

Less: Treasury shares	No. of shares	$m	No. of shares	$m	No. of shares	$m
Opening balance	-	-	-	-	-	-
Net acquisitions during the period	(1,646,981)	(11.9)	-	-	-	-
Closing balance (excludes Treasury shares)	**530,429,882**	**4,906.3**	**530,779,195**	**4,909.3**	**493,843,060**	**4,598.7**

Movements in Employee Share Ownership Plan	$m	$m	$m
Opening balance	(4.3)	(6.0)	(5.4)
Reduction in Employee Share Ownership Plan shares	0.2	1.7	(0.6)
Closing balance	**(4.1)**	**(4.3)**	**(6.0)**

3.8.12 Financial instruments

All financial instruments are initially recognised at fair value on the date of initial recognition depending on the classification of the asset and liability.

a) Measurement basis of financial assets and liabilities

The following table details the carrying amount of the financial assets and liabilities by classification on the Balance Sheet.

	Fair value through profit or loss		Fair value through other comprehensive income	Amortised cost		
	Derivatives	Financial assets	Financial assets	Loans and receivables	Other financial instruments	Total
31 December 2020	$m	$m	$m	$m	$m	$m
Financial assets						
Cash and cash equivalents	-	-	-	-	4,577.0	4,577.0
Due from other financial institutions	-	-	-	-	116.5	116.5
Financial assets fair value through profit or loss (FVTPL)	-	4,514.4	-	-	-	4,514.4
Financial assets amortised cost	-	-	-	-	339.8	339.8
Financial assets fair value through other comprehensive income (FVOCI)	-	-	110.6	-	-	110.6
Net loans and other receivables	-	-	-	67,989.9	-	67,989.9
Derivatives	80.1	-	-	-	-	80.1
Total financial assets	**80.1**	**4,514.4**	**110.6**	**67,989.9**	**5,033.3**	**77,728.3**
Financial liabilities						
Due to other financial institutions	-	-	-	-	62.4	62.4
Deposits	-	-	-	-	69,339.4	69,339.4
Notes payable	-	-	-	-	3,008.9	3,008.9
Derivatives	87.1	-	-	-	-	87.1
Other debt issues	-	-	-	-	1,096.8	1,096.8
Subordinated debt	-	-	-	-	569.7	569.7
Total financial liabilities	**87.1**	**-**	**-**	**-**	**74,077.2**	**74,164.3**
30 June 2020	$m	$m	$m	$m	$m	$m
Financial assets						
Cash and cash equivalents	-	-	-	-	1,189.6	1,189.6
Due from other financial institutions	-	-	-	-	137.0	137.0
Financial assets fair value through profit or loss (FVTPL)	-	5,411.1	-	-	-	5,411.1
Financial assets amortised cost	-	-	-	-	325.3	325.3
Financial assets fair value through other comprehensive income (FVOCI)	-	-	819.6	-	-	819.6
Net loans and other receivables	-	-	-	64,980.4	-	64,980.4
Derivatives	106.4	-	-	-	-	106.4
Total financial assets	**106.4**	**5,411.1**	**819.6**	**64,980.4**	**1,651.9**	**72,969.4**
Financial liabilities						
Due to other financial institutions	-	-	-	-	145.1	145.1
Deposits	-	-	-	-	64,182.6	64,182.6
Notes payable	-	-	-	-	3,503.5	3,503.5
Derivatives	100.2	-	-	-	-	100.2
Other debt issues	-	-	-	-	890.2	890.2
Subordinated debt	-	-	-	-	671.3	671.3
Total financial liabilities	**100.2**	**-**	**-**	**-**	**69,392.7**	**69,492.9**

3.8.12 Financial instruments (continued)

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

	Fair value through profit or loss		Fair value through other comprehensive income	Amortised cost		
	Derivatives	Financial assets	Financial assets	Loans and receivables	Other financial instruments	Total
31 December 2019	$m	$m	$m	$m	$m	$m
Financial assets						
Cash and cash equivalents	-	-	-	-	2,319.0	2,319.0
Due from other financial institutions	-	-	-	-	169.7	169.7
Financial assets fair value through profit or loss (FVTPL)	-	6,025.4	-	-	-	6,025.4
Financial assets amortised cost	-	-	-	-	301.1	301.1
Financial assets fair value through other comprehensive income (FVOCI)	-	-	51.7	-	-	51.7
Net loans and other receivables	-	-	-	62,629.9	-	62,629.9
Derivatives	80.4	-	-	-	-	80.4
Total financial assets	**80.4**	**6,025.4**	**51.7**	**62,629.9**	**2,789.8**	**71,577.2**
Financial liabilities						
Due to other financial institutions	-	-	-	-	68.4	68.4
Deposits	-	-	-	-	62,716.7	62,716.7
Notes payable	-	-	-	-	3,957.3	3,957.3
Derivatives	91.5	-	-	-	-	91.5
Other debt issues	-	-	-	-	888.3	888.3
Subordinated debt	-	-	-	-	681.5	681.5
Total financial liabilities	**91.5**	**-**	**-**	**-**	**68,312.2**	**68,403.7**

b) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets for identical instruments. A quoted market price in an active market provides the most reliable evidence of fair value. For all other financial instruments, the fair value is determined by using other valuation techniques.

Valuation of financial assets and liabilities

Various valuation techniques are used to measure the fair value of financial instruments. The technique adopted is dependent upon the inputs available.

As part of the fair value measurement, the Group classifies its assets and liabilities according to a hierarchy that reflects the observability of significant market inputs. The three levels of the hierarchy are defined below:

Level 1 - Quoted market prices

The fair value is determined using unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Valuation technique using observable inputs

The fair value is determined using models whose inputs are observable in an active market.

Level 3 - Valuation technique using significant unobservable inputs

The fair value is calculated using significant inputs that are not based on observable market data but that are most reflective of the market conditions at the measurement date.

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

3.8.12 Financial instruments (continued)

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:

	Level 1	Level 2	Level 3	Total fair value	Total carrying value
31 December 2020	$m	$m	$m	$m	$m
Financial assets					
Financial assets FVTPL	-	4,514.4	-	4,514.4	4,514.4
Financial assets FVOCI	0.1	91.9	18.6	110.6	110.6
Derivatives	-	80.1	-	80.1	80.1
Financial liabilities					
Derivatives	-	87.1	-	87.1	87.1
30 June 2020	$m	$m	$m	$m	$m
Financial assets					
Financial assets FVTPL	-	5,411.1	-	5,411.1	5,411.1
Financial assets FVOCI	0.1	796.0	23.5	819.6	819.6
Derivatives	-	106.4	-	106.4	106.4
Financial liabilities					
Derivatives	-	100.2	-	100.2	100.2
31 December 2019	$m	$m	$m	$m	$m
Financial assets					
Financial assets FVTPL	-	6,025.4	-	6,025.4	6,025.4
Financial assets FVOCI	0.1	32.6	19.0	51.7	51.7
Derivatives	-	80.4	-	80.4	80.4
Financial liabilities					
Derivatives	-	91.5	-	91.5	91.5

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 half year for the Group.

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.

3.8.12 Financial instruments (continued)

Movements in level 3 portfolio

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

Financial assets - equity investments	$m
As at 30 June 2020	18.6
Purchases	-
Sales	-
Transfers out	-
As at 31 December 2020	**18.6**

Financial assets and liabilities carried at amortised cost

Valuation Hierarchy

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

	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying amount
31 December 2020	$m	$m	$m	$m	$m
Financial assets					
Cash and cash equivalents	-	4,387.4	-	4,387.4	4,387.4
Due from other financial institutions	-	116.5	-	116.5	116.5
Financial assets - amortised cost	-	339.8	-	339.8	339.8
Net Loans and other receivables	-	-	68,166.7	68,166.7	67,989.9
Financial liabilities					
Due to other financial institutions	-	62.4	-	62.4	62.4
Deposits	-	69,431.8	-	69,431.8	69,339.4
Notes payable	-	3,030.2	-	3,030.2	3,008.9
Other debt issues	1,114.8	-	-	1,114.8	1,096.8
Subordinated debt	-	565.5	-	565.5	569.7
30 June 2020	$m	$m	$m	$m	$m
Financial assets					
Cash and cash equivalents	-	1,059.9	-	1,059.9	1,059.9
Due from other financial institutions	-	137.0	-	137.0	137.0
Financial assets - amortised cost	-	325.3	-	325.3	325.3
Net Loans and other receivables	-	-	65,145.4	65,145.4	64,980.4
Financial liabilities					
Due to other financial institutions	-	145.1	-	145.1	145.1
Deposits	-	64,285.9	-	64,285.9	64,182.6
Notes payable	-	3,494.2	-	3,494.2	3,503.5
Other debt issues	885.7	-	-	885.7	890.2
Subordinated debt	-	666.6	-	666.6	671.3
31 December 2019	$m	$m	$m	$m	$m
Financial assets					
Cash and cash equivalents	-	2,129.7	-	2,129.7	2,129.7
Due from other financial institutions	-	169.7	-	169.7	169.7
Financial assets - amortised cost	-	301.1	-	301.1	301.1
Net Loans and other receivables	-	-	62,716.1	62,716.1	62,629.9
Financial liabilities					
Due to other financial institutions	-	68.4	-	68.4	68.4
Deposits	-	62,806.8	-	62,806.8	62,716.7
Notes payable	-	3,971.0	-	3,971.0	3,957.3
Other debt issues	911.6	-	-	911.6	888.3
Subordinated debt	-	678.5	-	678.5	681.5

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

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

There were no transfers between levels during the half year for the Group.

Valuation methodology

Cash and cash equivalents, due from/to other financial institutions

The carrying value for these assets and liabilities are a reasonable approximation of fair value.

Financial assets amortised cost

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

Net loans and other receivables

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

The fair value for fixed loans is calculated by utilising discounted cash flow models, based on the maturity of the loans. The discount rates used represent the rate the market is willing to offer at arm's length for customers of similar credit quality. The net fair value of impaired loans is calculated by discounting expected cash flows using these rates.

Deposits

The carrying value of deposits at call is considered to represent fair value given they are short term in nature. The fair value for all term deposits is calculated using a discounted cash flow model applying market rates, or current rates for deposits of similar maturities.

Wholesale deposits 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 with a fixed interest rate of 0.25% per annum. The TFF was established to provide ADIs with access to long-term funding to reinforce the benefits to the economy of a lower RBA cash rate and to encourage ADIs to support businesses. The TFF is collateralised by residential mortgage-backed securities issued by the Group. As at 31 December 2020 the Group's TTF drawdowns totalled $1.8 billion (30 June 2020: $0.7 billion).

Notes payable

The fair value for all notes payable is calculated using a discounted cash flow model applying independent market rates and margins for similar financial instruments.

Other debt issues

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

Subordinated debt

The fair value of subordinated debt is calculated based on quoted market prices. For those debt issues where quoted market prices were not available, a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instrument is used.

3.8.13 Contingent assets and liabilities

(a) Contingent assets

As at 31 December 2020, the economic entity does not have any contingent assets (31 December 2019: Nil).

(b) Contingent liabilities

	Dec-20 $m	Jun-20 $m	Dec-19 $m
Guarantees - the economic entity has issued guarantees on behalf of clients in the normal course of business	254.8	253.3	252.7
Other - documentary letters of credit	1.4	1.4	1.4

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

Recognition and measurement

Legal, remediation and compensation claims

The Group is engaged in a range of litigation and court proceedings at any point in time and undertakes internal investigations and reviews into past conduct and services provided. Provisions are recognised when it is probable an outflow will be required to address a past event and where a reliable estimate is available.

3.9 Events after balance sheet date

No other matters or circumstances have arisen since the end of the half year to the date of this report which have 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, I state that:

In the opinion of the directors:

(a) the half year financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half year ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* ;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Jacqueline Hey
Chair
Bendigo
15 February 2021

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Independent auditor's review report to the members of Bendigo and Adelaide Bank Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Bendigo and Adelaide Bank Limited (the Company) and its subsidiaries (collectively the Group), which comprises the balance sheet as at 31 December 2020, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Bendigo and Adelaide Bank Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Ernst & Young

Ernst & Young

T M Dring
Partner

Clare Sporle
Partner

Melbourne
15 February 2021

Bendigo and Adelaide Bank Limited.
ABN 11 068 049 178

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