# APPENDIX 4D

## Half Year Results

For the period ended 31 December 2022
Released 20 February 2023

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 2022 annual financial report.

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# Appendix 4D: Half Year Results

## Contents



**Cash Earnings**

Certain financial measures detailed in this Half Year Results Announcement for the half year ended 31 December 2022 have been disclosed on a cash earnings basis.

Cash earnings is not a statutory financial measure, is not presented in accordance with Australian Accounting Standards, and is not audited or reviewed in accordance with Australian Auditing Standards. It is considered by management to be a key indicator of the underlying performance of the core business activities of the Group. Cash earnings is defined as statutory net profit after tax adjusted for specific items and non-cash items. Specific items are those deemed to be outside of the Group's core activities and hence these items are not considered to be representative of the Group's ongoing financial performance.

Section 2.2.7 of this Half Year Results Announcement for the half year ended 31 December 2022 contains a reconciliation of cash earnings to statutory earnings and provides a description of the cash earnings adjustments for the half year ended 31 December 2022.

# 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 2022 |
| Previous corresponding period - six months ended: | 31 December 2021 |

## 1.2 Results for announcement to the market

| | | |
|---|---|---|
| Revenue from ordinary activities | ▼ | 5.9% to $907.8 m |
| Profit after tax from ordinary activities | ▼ | 22.5% to $249.0 m |
| Net profit after tax attributable to Owners of the Bank | ▼ | 22.5% to $249.0 m |

| Dividends | Date payable/paid | Amount per security |
|---|---|---|
| Current financial year 2023 | | |
| Record date for determining entitlements | 7 March 2023 | |
| Interim dividend - fully franked | 31 March 2023 | 29.0 cents |
| | | |
| Previous financial year 2022 | | |
| Final dividend - fully franked | 29 September 2022 | 26.5 cents |
| Interim dividend - fully franked | 31 March 2022 | 26.5 cents |

## 1.3 Cash earnings results

| | | |
|---|---|---|
| Cash earnings attributable to Owners of the Bank | ▲ | 13.0% to $294.7 m |
| Cash earnings per share | ▲ | 11.1% to 52.2 cents |

See note 2.1 and 2.2.7 for further details.

# Appendix 4D: Half year results (continued)

## 1.4 ASX Appendix 4D table



**Details of entities over which control has been gained or lost during the period (Rule 4.2A.3 Item No. 4)**

Not applicable.

**Accounting standards used for foreign entities (Rule 4.2A.3 Item No. 8)**

Not applicable.

**Half year financial statements**

Refer to pages 34 to 65 of the attached 31 December 2022 half year profit announcement.

1.5 Group performance summary

# Our Business Performance

We have delivered strong income growth and prudently managed costs. We have made good progress on our transformation agenda and significantly reduced our cost-to-income ratio. We have grown our customer base, maintained a strong balance sheet and preserved our credit quality.

In 1H23 we recorded an after-tax statutory profit of $249.0 million and cash earnings of $294.7 million, a 22.9% increase on the prior half. Cash earnings per share of 52.2 cents were up 22.2% on the prior half. Our strengthened focus on returns contributed to a 145bps increase in return on equity to 8.79%, and a 500bps decrease in the cost-to-income ratio to 54.6%.

Net Interest Margin rose 19bps from the previous half, reflecting the positive impact of rising rates and our active management of volumes and margins.

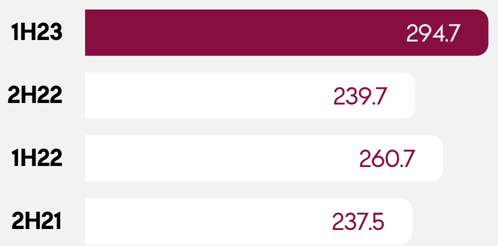
Customer numbers have grown 4.5% to 2.3 million and our leading Net Promoter Score [1] of 23.8 is 28.2 points higher than the industry average, with the gap widening over the half.

Our transformation agenda is on track with the foundational work we have completed paving the way for ongoing simplification of our business. We have reduced our time to decision on home loans, we have fewer IT applications, we have increased the number of applications in the cloud and have more e-Banking customers than before.

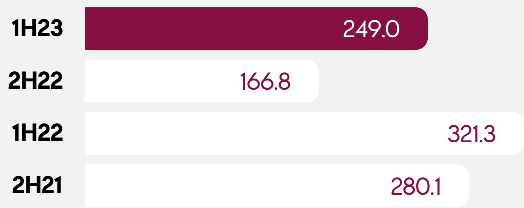
Our digital channels now account for 8.9% of settled home loans. During the half our digital bank, Up, soft launched its lending product, Up Home, with $38 million of loans settled and our digital home loan BEN Express reached $100 million in lending for the half.

We announced a fully franked interim dividend of 29.0 cents per share, supporting our strong capital position and our business outlook, while balancing our commitment to support our shareholders with a reasonable return on their investment.

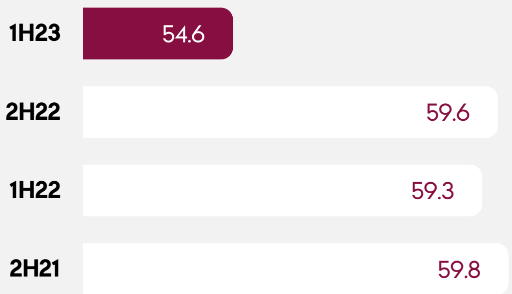
### Cash earnings after tax ($m)



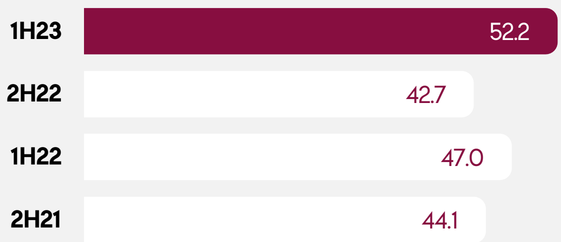

### Statutory earnings after tax ($m)



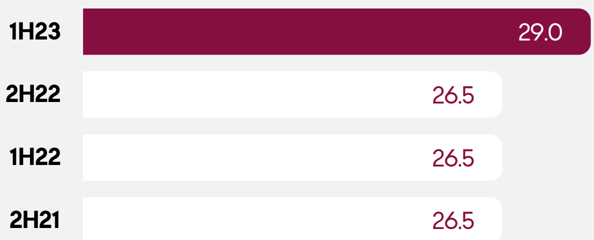

### Cost to income (%) [2]



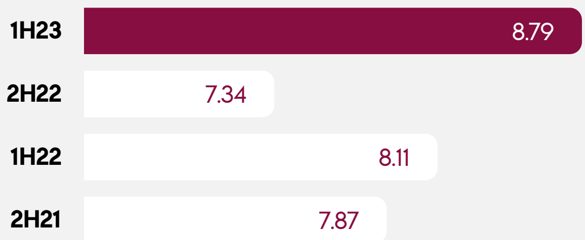

### Cash earnings per share (c)




### Dividend per share (c)




### Return on equity (%) [2]




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

[2] Calculated using cash earnings.

## 1.6 Group performance commentary

**CASH EARNINGS AFTER TAX**

**$294.7m**

**2H22 $239.7m**
▲ 22.9%

**1H22 $260.7m**
▲ 13.0%

**STATUTORY EARNINGS AFTER TAX**

**$249.0m**

**2H22 $166.8m**
▲ 49.3%

**1H22 $321.3m**
▼ 22.5%

### Income

**INCOME (CASH BASIS) [1]**

**$958.2m**

**2H22 $836.5m**
**1H22 $873.4m**

**NET INTEREST MARGIN**

**1.88%**

**2H22 1.69%**
**1H22 1.80%**

**Net interest income** (cash basis) increased 19.0% to $821.8 million (2H22: $690.5 million). This was driven by a net interest margin increase of 19bps to 1.88% (2H22: 1.69%) in 1H23, and an increase in average interest earning assets, up $2.9 billion or 3.6%.

**Net interest margin** increased, with rising cash rates providing an opportunity to grow revenue and selectively compete in lending and deposit markets at appropriate economic returns.  Deposit margin growth has been strong, partially offset by continued pressure on lending margins relfecting higher borrowing costs and intense competition. Revenue share payments to Community Bank partners have increased as a result of both volume growth and higher margins reflecting rising cash rates.

**Other operating income** (cash basis) decreased 6.6% to $136.4 million (2H22: $146.0 million). This was driven by reduced Homesafe realised income, fee income, income from joint ventures and associates and other revenue. This was partially offset by increased foreign exchange income, and management fee income from Sandhurst Trustees Managed Funds.

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

[1] Includes Homesafe realised income.

### Operating expenses

**OPERATING EXPENSES (CASH BASIS)**

**$523.2m**

**2H22 $498.6m**
**1H22 $517.7m**

**COST TO INCOME RATIO**

**54.6%**

**2H22 59.6%**
**1H22 59.3%**

**Operating expenses** (cash basis) increased 4.9% to $523.2 million (2H22: $498.6 million). Investment spend increased, reflecting the Group's continued focus on reducing complexity across the business through investment in enabling technologies. Information technology costs have increased by $6.3 million as the Group continues to migrate data and network services to the cloud.

Amortisation of software intangibles has increased by $4.5 million, with a number of key assets becoming operational in late 2H22 and during 1H23. Customer-related fraud costs have continued to increase from 2H22, offset by reduced remediation expenses.

The cost to income ratio has decreased to 54.6% (2H22: 59.6%) with operating expenses increasing at a slower pace than income. The Group maintains its commitment of moving its cost to income ratio toward 50% over the medium term.

## 1.6 Group performance commentary (continued)

### Credit expenses and provisions

**CREDIT EXPENSES**

**$5.6m**

**2H22 ($9.4m)**
**1H22 ($17.8m)**

**TOTAL PROVISIONS**

**$374.0m**

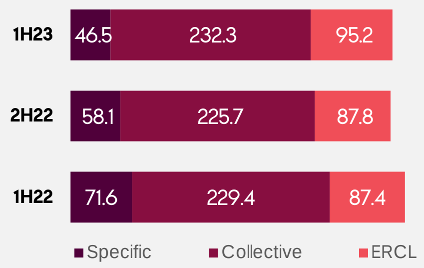
**2H22 $371.6m**
**1H22 $388.4m**

Total credit expenses increased in the half to $5.6 million (2H22: benefit $9.4 million). This was largely attributed to an increase of $6.6 million in the collective provision driven by global economic uncertainty, higher inflation and cost of living pressures, and the impact of the rapid increase in interest rates which is yet to fully materialise. There has been a continued reduction in the specific provision balance from 2H22, down a further $11.6 million to $46.5 million (2H22: $58.1 million).

Credit performance remains resilient, with low levels of arrears leading to a reduction in impaired assets of 11% to $118.4 million (2H22: $133.1 million).

Provision levels remain risk-adjusted given the continuing uncertainties resulting from rising interest rates and property price projections. The total of provisions and equity reserve for credit losses (ERCL) increased over the 1H23 to $374.0 million (2H22: $371.6 million, 1H22: $388.4 million).

**TOTAL PROVISIONS AND RESERVES FOR DOUBTFUL DEBTS ($'M)**




### Dividends

**DIVIDENDS**

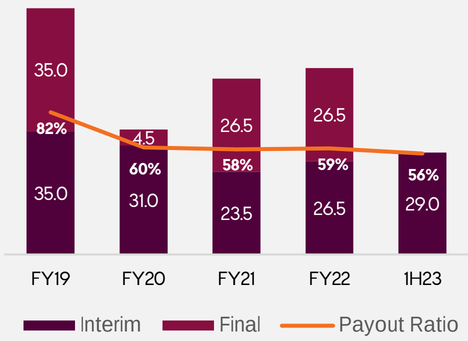
**29.0c**

**2H22 26.5c**
**1H22 26.5c**

The Board declared a fully franked interim dividend of 29.0 cents per share (2H22 final: 26.5 cents per share; 1H22 interim: 26.5 cents per share).

The Group has in place a Dividend Reinvestment Plan (DRP) and a Bonus Share Scheme. The DRP provides shareholders with the opportunity of converting their entitlement to a dividend into new shares. The Bonus Share Scheme provides shareholders with the opportunity to elect to receive a number of bonus shares issued for no consideration instead of receiving a dividend.

**DIVIDEND PER SHARE (CENTS)**




### Capital and liquidity

**COMMON EQUITY TIER 1 RATIO**

**10.13%**

**2H22 9.68%**
**1H22 9.85%**

**LIQUIDITY COVERAGE RATIO**

**138.3%**

**2H22 137.5%**
**1H22 146.8%**

**NET STABLE FUNDING RATIO**

**129.9%**

**2H22 129.2%**
**1H22 137.4%**

The Group maintained a strong capital position with a Common Equity Tier 1 (CET1) ratio of 10.13% (2H22: 9.68%, 1H22: 9.85%), which is above APRA's 'unquestionably strong' benchmark target for standardised banks. Our continued strong capital position reflects a well-managed balance sheet and strong risk management practices.

The Group is regulated by APRA due to its status as an Authorised Deposit-taking Institution ("ADI").

APRA is the prudential regulator of the Australian financial services industry which includes ADIs. APRA's Prudential Standards aim to ensure that ADIs remain adequately capitalised to support the risks associated with their activities and to generally protect Australian depositors. The Group is on the standardised approach for calculating its regulatory capital requirements under Basel II and targets a CET1 ratio in the range of 9.5% to 10.0%.

The Liquidity Coverage Ratio (LCR) for the 1H23 was 138.3% (2H22: 137.5%, 1H22: 146.8%), exceeding the regulatory minimum of 100%.

The Liquidity Coverage Ratio represents the proportion of high-quality liquid assets held by the Bank to meet short-term obligations. The LCRs quoted represent the average daily LCRs over the respective 6-month period.

The Net Stable Funding Ratio (NSFR) as at 31 December 2022 was 129.9% (as at 30 June 2022: 129.2%, as at 31 December 2021: 137.4%), exceeding the regulatory minimum of 100%.

The Net Stable Funding Ratio measures the extent to which long-term assets are covered by stable sources of funding.

## 1.6 Group performance commentary (continued)

### Lending

**GROSS LOAN BALANCES BY PURPOSE**

| RESIDENTIAL | BUSINESS | CONSUMER | MARGIN LOANS |
|---|---|---|---|
| **$57.5b** | **$16.1b** | **$2.0b** | **$1.4b** |
| **FY22 $57.6b** | **FY22 $16.6b** | **FY22 $2.2b** | **FY22 $1.4b** |
| ▼ 0.1% | ▼ 3.5% | ▼ 6.5% | ▼ 3.7% |

Total gross loans decreased 1.1% to $77.0 billion over the half year (FY22: $77.8 billion).

Residential lending was marginally lower, down 0.1% or $58.6 million during 1H23 and below system lending growth. Residential lending in the retail channel fell 0.1% in the half, with marginal growth of 0.1% seen in Third Party Banking. Volume growth reflects a decision to selectively compete in key residential lending channels where appropriate economic returns are available. This half saw the soft launch of Up Home, a digital home loan offering which has grown its portfolio to $38 million.

During 1H23, business lending across the Group decreased by 3.5%. The agribusiness portfolio was driven by seasonality, down 3.3%. 1H23 was a strong period for agriculture as wet conditions supported high supply of many commodities, including a record winter crop leading to strong paydowns in facilities. Business banking continues to experience significant competition from major peers, which in tandem with rising amortisation rates has led to a reduction in portfolio size of 5.1%.

### Funding (including deposits)

| CUSTOMER DEPOSITS | WHOLESALE DEPOSITS | OTHER WHOLESALE BORROWINGS[1] | LOAN CAPITAL[2] |
|---|---|---|---|
| **$65.7b** | **$10.7b** | **$11.1b** | **$1.4b** |
| **FY22 $64.3b** | **FY22 $10.3b** | **FY22 $11.7b** | **FY22 $1.4b** |
| ▲ 2.3% | ▲ 3.8% | ▼ 5.1% | ▲ 0.2% |

Total funding including deposits increased by 1.5% to $88.9 billion (2H22: $87.7 billion).

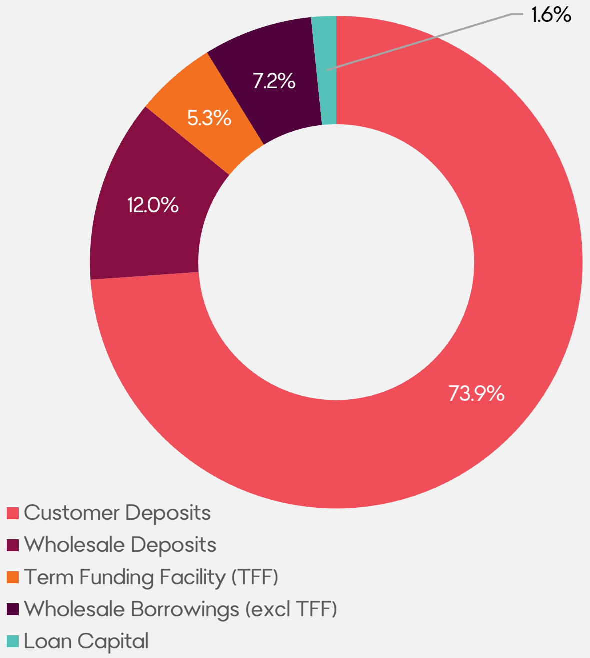
The Group's principal source of funding is customer deposits, which represent 73.9% (2H22: 73.3%) of the Group's total funding. Customer deposits include deposits sourced from retail, small business and corporate customers, predominantly through the retail network.

Wholesale funding activities support the funding strategy providing additional diversification benefits from longer term borrowings. Wholesale funding (including the TFF and securitisation) reduced to 26.2% of total funding (2H22: 26.7%) during 2H22. Securitisation funding represents 3.7% of total funding (2H22: 4.4%). The Group launched its inaugural Covered Bond Program in October 2022 to continue to diversify its funding sources.

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

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

FUNDING COMPOSITION



# 2 Half year results

## 2.1 Group financial results

| | Half year ended | | | | | | |
|---|---|---|---|---|---|---|---|
| | 31 Dec 22 | 30 Jun 22 | Dec-22 to Jun-22 | | 31 Dec 21 | Dec-22 to Dec-21 | |
| | $m | $m | $m | % | $m | $m | % |
| Net interest income | 821.8 | 690.5 | 131.3 | 19.0 | 726.9 | 94.9 | 13.1 |
| Other operating income | 136.4 | 146.0 | (9.6) | (6.6) | 146.5 | (10.1) | (6.9) |
| **Total income** | **958.2** | **836.5** | **121.7** | **14.5** | **873.4** | **84.8** | **9.7** |
| Operating expenses | (523.2) | (498.6) | (24.6) | (4.9) | (517.7) | (5.5) | (1.1) |
| **Operating performance** | **435.0** | **337.9** | **97.1** | **28.7** | **355.7** | **79.3** | **22.3** |
| Credit (expenses)/reversals | (5.6) | 9.4 | (15.0) | (159.6) | 17.8 | (23.4) | (131.5) |
| **Cash earnings before tax** | **429.4** | **347.3** | **82.1** | **23.6** | **373.5** | **55.9** | **15.0** |
| Income tax expense | (134.7) | (107.6) | (27.1) | (25.2) | (112.8) | (21.9) | (19.4) |
| **Cash earnings after tax** | **294.7** | **239.7** | **55.0** | **22.9** | **260.7** | **34.0** | **13.0** |
| Non-cash items | (45.7) | (72.9) | 27.2 | 37.3 | 60.6 | (106.3) | (175.4) |
| **Statutory earnings after tax** | **249.0** | **166.8** | **82.2** | **49.3** | **321.3** | **(72.3)** | **(22.5)** |

### Financial performance ratios [1]

| | | 31 Dec 22 | 30 Jun 22 | Dec-22 to Jun-22 | 31 Dec 21 | Dec-22 to Dec-21 |
|---|---|---|---|---|---|---|
| Cash earnings per ordinary share | ¢ | 52.2 | 42.7 | 9.5 | 47.0 | 5.2 |
| Statutory earnings per ordinary share | ¢ | 44.1 | 29.7 | 14.4 | 58.0 | (13.9) |
| Diluted statutory earnings per ordinary share | ¢ | 39.6 | 26.8 | 12.8 | 50.8 | (11.2) |
| Franked dividends per share | ¢ | 29.0 | 26.5 | 2.5 | 26.5 | 2.5 |
| Return on average ordinary equity | % | 8.79% | 7.34% | 145 bps | 8.11% | 68 bps |
| Return on average tangible equity | % | 11.86% | 9.77% | 209 bps | 10.79% | 107 bps |
| Return on average assets | % | 0.66% | 0.56% | 10 bps | 0.62% | 4 bps |
| Cost to income ratio | % | 54.6% | 59.6% | (500) bps | 59.3% | (470) bps |
| Net interest margin before revenue share arrangements | % | 2.34% | 1.99% | 35 bps | 2.09% | 25 bps |
| Net interest margin after revenue share arrangements | % | 1.88% | 1.69% | 19 bps | 1.80% | 8 bps |
| Average interest earning assets | $m | 85,463.3 | 82,524.8 | 3.6% | 79,881.9 | 7.0% |
| **Market share [2]** | | | | | | |
| Residential lending | % | 2.78% | 2.86% | (8) bps | 2.78% | - |
| Business lending | % | 1.46% | 1.59% | (13) bps | 1.67% | (21) bps |
| Deposits | % | 2.46% | 2.48% | (2) bps | 2.47% | (1) bps |
| **Capital management** | | | | | | |
| Common Equity Tier 1 | % | 10.13% | 9.68% | 45 bps | 9.85% | 28 bps |
| Credit risk-weighted assets | $m | 36,782.2 | 37,710.4 | (2.5%) | 36,258.9 | 1.4% |
| Total risk-weighted assets | $m | 41,485.4 | 42,197.9 | (1.7%) | 40,487.2 | 2.5% |
| **Liquidity Risk** | | | | | | |
| Liquidity Coverage Ratio (LCR) [3] | % | 138.3% | 137.5% | 84 bps | 146.8% | (846) bps |
| Net Stable Funding Ratio (NSFR) | % | 129.9% | 129.2% | 70 bps | 137.4% | (750) bps |

[1] Performance ratios prepared on a cash basis except where otherwise indicated.

[2] Calculated using APRA's Monthly Authorised Deposit-taking Institution Statistics publication.

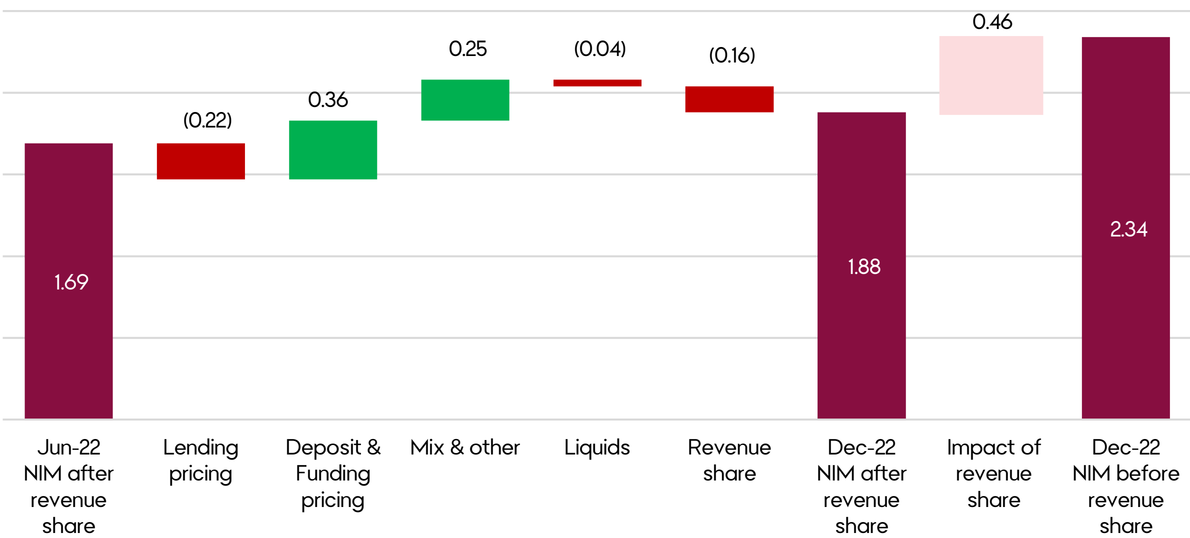
[3] Represents average daily LCR over respective 6 month period.

## 2.2 Group performance analysis

### 2.2.1 Net interest income

| | | Half year ended | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 31 Dec 22 | 30 Jun 22 | 31 Dec 22 to 30 Jun 22 | | 31 Dec 21 | 31 Dec 22 to 31 Dec 21 | |
| | | $m | $m | $m | % | $m | $m | % |
| Net interest income (cash basis) | | 821.8 | 690.5 | 131.3 | 19.0 | 726.9 | 94.9 | 13.1 |
| Non-cash net interest income items | | | | | | | | |
| Homesafe funding costs - unrealised | | (15.3) | (6.5) | (8.8) | (135.4) | (4.2) | (11.1) | (264.3) |
| Homesafe funding costs - realised | | 4.3 | 6.1 | (1.8) | (29.5) | 4.1 | 0.2 | 4.9 |
| Fair value adjustments - interest expense | | - | - | - | - | (0.1) | 0.1 | 100.0 |
| **Total non-cash net interest income items** | | **(11.0)** | **(0.4)** | **(10.6)** | **(2,650.0)** | **(0.2)** | **(10.8)** | **(5,400.0)** |
| **Total net interest income (statutory basis)** | | **810.8** | **690.1** | **120.7** | **17.5** | **726.7** | **84.1** | **11.6** |
| Total gross loans | $m | 76,981.3 | 77,821.3 | (840.0) | (1.1) | 73,752.8 | 3,228.5 | 4.4 |
| > Residential | $m | 57,515.4 | 57,574.0 | (58.6) | (0.1) | 54,041.2 | 3,474.2 | 6.4 |
| > Business | $m | 16,062.4 | 16,648.8 | (586.4) | (3.5) | 15,910.1 | 152.3 | 1.0 |
| Customer deposits | $m | 65,744.4 | 64,261.4 | 1,483.0 | 2.3 | 61,730.5 | 4,013.9 | 6.5 |
| Funds under management | $m | 6,720.6 | 6,680.0 | 40.6 | 0.6 | 7,285.3 | (564.7) | (7.8) |
| Average interest earning assets | $m | 85,463.3 | 82,524.8 | 2,938.5 | 3.6 | 79,881.9 | 5,581.4 | 7.0 |
| Net interest margin after revenue share | % | 1.88% | 1.69% | | 19 bps | 1.80% | | 8 bps |
| Net interest margin before revenue share | % | 2.34% | 1.99% | | 35 bps | 2.09% | | 25 bps |

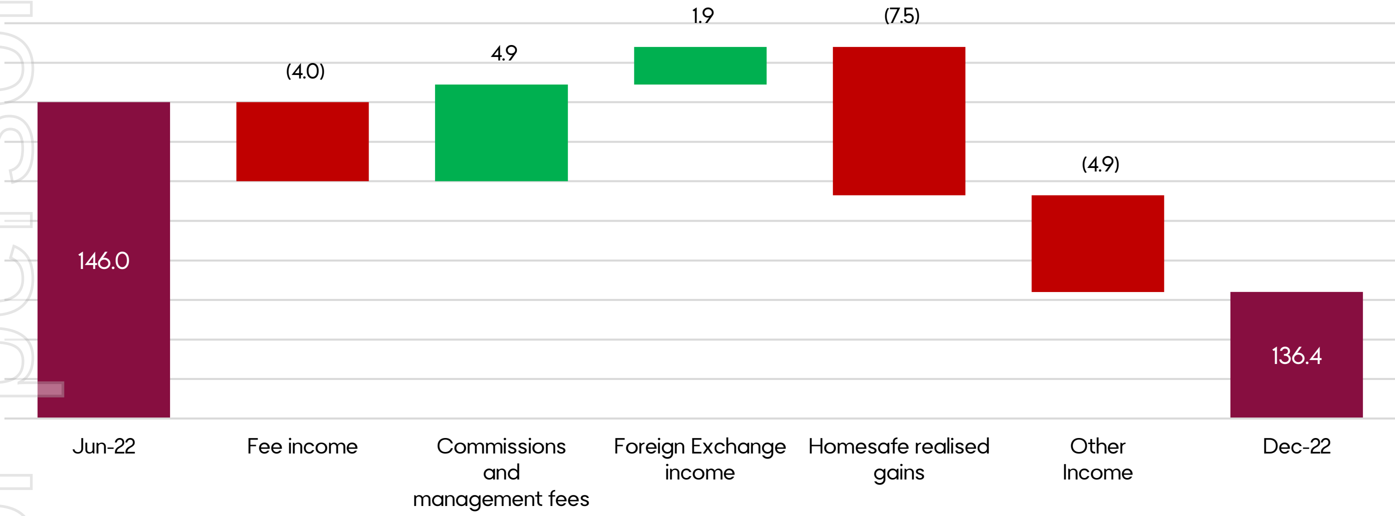
Net interest margin (%)



## 2.2.2 Other income

| | Half year ended | | | | | | |
|---|---|---|---|---|---|---|---|
| | 31 Dec 22 | 30 Jun 22 | 31 Dec 22 to 30 Jun 22 | | 31 Dec 21 | 31 Dec 22 to 31 Dec 21 | |
| | $m | $m | $m | % | $m | $m | % |
| Fee income | 65.1 | 69.1 | (4.0) | (5.8) | 72.1 | (7.0) | (9.7) |
| Commissions and management fees | 32.7 | 27.8 | 4.9 | 17.6 | 29.8 | 2.9 | 9.7 |
| Foreign exchange income | 14.1 | 12.2 | 1.9 | 15.6 | 12.1 | 2.0 | 16.5 |
| Trading book income/(loss) | 0.1 | 0.1 | - | - | (0.8) | 0.9 | 112.5 |
| Homesafe realised income | 16.8 | 24.3 | (7.5) | (30.9) | 18.3 | (1.5) | (8.2) |
| Other | 7.6 | 12.5 | (4.9) | (39.2) | 15.0 | (7.4) | (49.2) |
| **Total other income (cash basis)** | **136.4** | **146.0** | **(9.6)** | **(6.6)** | **146.5** | **(10.1)** | **(6.9)** |
| Non-cash other income items | | | | | | | |
| Homesafe revaluation (loss)/gain | (23.2) | (67.1) | 43.9 | 65.4 | 105.6 | (128.8) | (122.0) |
| Homesafe realised income | (16.8) | (24.3) | 7.5 | 30.9 | (18.3) | 1.5 | 8.2 |
| Other non-cash income items | 0.6 | - | 0.6 | 100.0 | 4.6 | (4.0) | (87.0) |
| **Total non-cash other income items** | **(39.4)** | **(91.4)** | **52.0** | **56.9** | **91.9** | **(131.3)** | **(142.9)** |
| **Total other income (statutory basis)** | **97.0** | **54.6** | **42.4** | **77.7** | **238.4** | **(141.4)** | **(59.3)** |

Other income ($m)



## 2.2.3 Homesafe income

| | Half year ended | | | | | | |
|---|---|---|---|---|---|---|---|
| | 31 Dec 22 | 30 Jun 22 | 31 Dec 22 to 30 Jun 22 | | 31 Dec 21 | 31 Dec 22 to 31 Dec 21 | |
| | $m | $m | $m | % | $m | $m | % |
| Homesafe income - realised | 16.8 | 24.3 | (7.5) | (30.9) | 18.3 | (1.5) | (8.2) |
| Funding costs - realised | (4.3) | (6.1) | 1.8 | 29.5 | (4.1) | (0.2) | (4.9) |
| **Total Homesafe income (cash basis)** | **12.5** | **18.2** | **(5.7)** | **(31.3)** | **14.2** | **(1.7)** | **(12.0)** |
| Non-cash items | | | | | | | |
| Homesafe income - realised | (16.8) | (24.3) | 7.5 | 30.9 | (18.3) | 1.5 | 8.2 |
| Discount unwind | 14.3 | 13.7 | 0.6 | 4.4 | 13.1 | 1.2 | 9.2 |
| Profit on sale | 3.6 | 3.0 | 0.6 | 20.0 | 4.9 | (1.3) | (26.5) |
| Property revaluations | (41.1) | (83.8) | 42.7 | 51.0 | 87.6 | (128.7) | (146.9) |
| Funding costs - realised | 4.3 | 6.1 | (1.8) | (29.5) | 4.1 | 0.2 | 4.9 |
| Funding costs - unrealised | (15.3) | (6.5) | (8.8) | (135.4) | (4.2) | (11.1) | (264.3) |
| **Total non-cash Homesafe income items** | **(51.0)** | **(91.8)** | **40.8** | **44.4** | **87.2** | **(138.2)** | **(158.5)** |
| **Total Homesafe income (statutory basis)** | **(38.5)** | **(73.6)** | **35.1** | **47.7** | **101.4** | **(139.9)** | **(138.0)** |

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

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

Discount unwind - The unwind of the discount priced into the contract.

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 (CoreLogic Hedonic Home Value Index) and changes to property appreciation rate assumptions adopted by the Group.

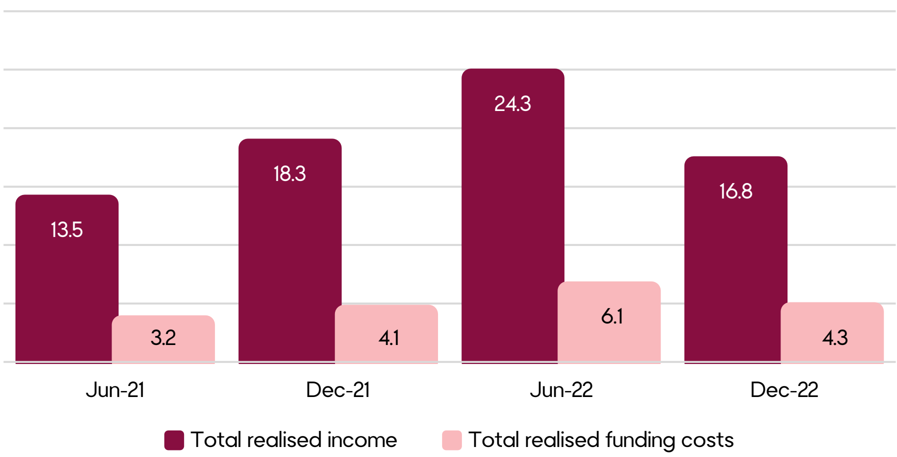
Funding costs unrealised - Interest expense on existing contracts.

| | As at | As at | Change | | As at | Change | |
|---|---|---|---|---|---|---|---|
| | 31 Dec 22 | 30 Jun 22 | 31 Dec 22 to 30 Jun 22 | | 31 Dec 21 | 31 Dec 22 to 31 Dec 21 | |
| Portfolio balance | $m | $m | $m | % | $m | $m | % |
| Funded balance | 534.8 | 517.4 | 17.4 | 3.4 | 509.4 | 25.4 | 5.0 |
| Property revaluation balance | 362.6 | 402.9 | (40.3) | (10.0) | 494.9 | (132.3) | (26.7) |
| **Total investment portfolio balance** | **897.4** | **920.3** | **(22.9)** | **(2.5)** | **1,004.3** | **(106.9)** | **(10.6)** |

For the purpose of calculating capital ratios, the property revaluation balance is deducted from retained earnings, and hence is a CET1 deduction.

The funded balance is included in the calculation of risk-weighted assets with a risk weight of 100%.

Total realised gains and realised funding costs ($m)



## 2.2.4 Operating expenses

| | | Half year ended | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31 Dec 22 | 30 Jun 22 | 31 Dec 22 to 30 Jun 22 | | 31 Dec 21 | 31 Dec 22 to 31 Dec 21 | |
| | $m | $m | $m | % | $m | $m | % |
| Staff and related costs | 277.6 | 278.2 | (0.6) | (0.2) | 277.7 | (0.1) | - |
| Occupancy costs | 17.7 | 17.6 | 0.1 | 0.6 | 18.1 | (0.4) | (2.2) |
| Information technology costs | 47.3 | 41.5 | 5.8 | 14.0 | 39.2 | 8.1 | 20.7 |
| Amortisation of software intangibles | 21.3 | 16.8 | 4.5 | 26.8 | 16.6 | 4.7 | 28.3 |
| Property, plant and equipment costs | 27.1 | 23.9 | 3.2 | 13.4 | 27.5 | (0.4) | (1.5) |
| Fees and commissions | 11.5 | 9.6 | 1.9 | 19.8 | 9.8 | 1.7 | 17.3 |
| Communications, postage and stationery | 16.8 | 16.7 | 0.1 | 0.6 | 17.0 | (0.2) | (1.2) |
| Advertising and promotion | 11.6 | 10.6 | 1.0 | 9.4 | 11.9 | (0.3) | (2.5) |
| Other product and services delivery costs | 9.2 | 8.6 | 0.6 | 7.0 | 8.4 | 0.8 | 9.5 |
| Other administration expenses | 41.0 | 53.1 | (12.1) | (22.8) | 49.4 | (8.4) | (17.0) |
| Investment spend [1] | 42.1 | 22.0 | 20.1 | 91.4 | 42.1 | - | - |
| **Total operating expenses (cash basis)** | **523.2** | **498.6** | **24.6** | **4.9** | **517.7** | **5.5** | **1.1** |
| Non-cash expense items | | | | | | | |
| Amortisation of acquired intangibles | 3.5 | 3.6 | (0.1) | (2.8) | 2.4 | 1.1 | 45.8 |
| Other non-cash expense items | 11.6 | 8.9 | 2.7 | 30.3 | 4.4 | 7.2 | 163.6 |
| **Total non-cash expense items** | **15.1** | **12.5** | **2.6** | **20.8** | **6.8** | **8.3** | **122.1** |
| **Total operating expenses (statutory basis)** | **538.3** | **511.1** | **27.2** | **5.3** | **524.5** | **13.8** | **2.6** |

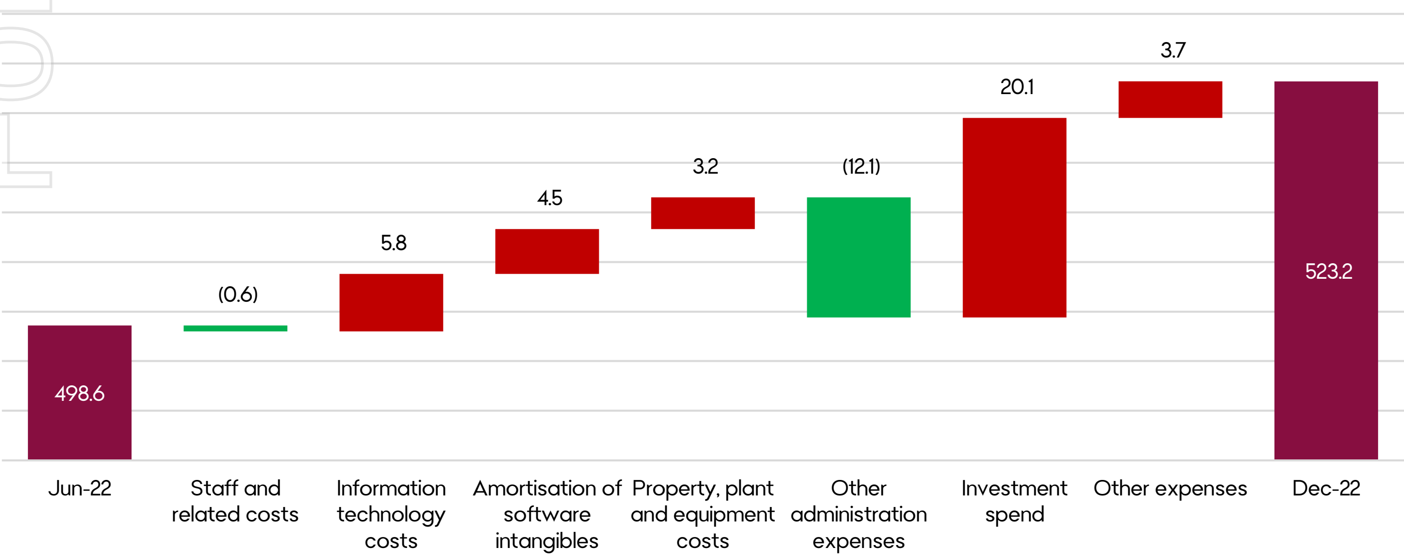
| | | | | 31 Dec 22 to 30 Jun 22 | | | 31 Dec 22 to 31 Dec 21 | |
|---|---|---|---|---|---|---|---|---|
| | | 31 Dec 22 | 30 Jun 22 | | % | 31 Dec 21 | | % |
| Cost to income [2] | % | 54.6% | 59.6% | (5.0) | (8.4) | 59.3% | (4.7) | (7.9) |
| Expenses to average assets | % | 1.17% | 1.17% | - | - | 1.23% | (0.1) | (4.9) |
| Staff and related costs to income [2,3] | % | 28.6% | 33.1% | (4.5) | (13.6) | 31.7% | (3.1) | (9.8) |
| Number of staff (full-time equivalent) | FTE | 4,559 | 4,652 | (93) | (2.0) | 4,574 | (15) | (0.3) |

[1] Investment spend reflects the operating expenses incurred as part of the transformation agenda and includes staff costs, IT costs and external consultancy costs.

[2] Expenses used in the above ratios are expenses less non-cash expense items and amortisation of acquired intangibles.
Income used in the above ratios is income less non-cash net interest income items and other non-cash income items.

[3] This ratio has been adjusted to exclude the impact of redundancy costs before tax (1H23: $3.1m, 2H22: $1.0m, 1H22: $1.1m).

Operating expenses ($m)



## 2.2.5 Investment spend

| | Half year ended | | | | | | |
|---|---|---|---|---|---|---|---|
| | 31 Dec 22 | 30 Jun 22 | 31 Dec 22 to 30 Jun 22 | | 31 Dec 21 | 31 Dec 22 to 31 Dec 21 | |
| | $m | $m | $m | % | $m | $m | % |
| Expensed Investment Spend | 42.1 | 22.0 | 20.1 | 91.4 | 42.1 | - | - |
| Capitalised Investment Spend | 62.2 | 55.6 | 6.6 | 11.9 | 45.7 | 16.5 | 36.1 |
| **Total investment spend** | **104.3** | **77.6** | **26.7** | **34.4** | **87.8** | **16.5** | **18.8** |
| Comprising: | | | | | | | |
| Risk and compliance | 29.7 | 23.7 | 6.0 | 25.3 | 25.2 | 4.5 | 17.9 |
| Foundational technology | 54.3 | 42.5 | 11.8 | 27.8 | 51.1 | 3.2 | 6.3 |
| Growth and productivity | 16.3 | 7.6 | 8.7 | 114.5 | 10.1 | 6.2 | 61.4 |
| Asset lifecycle management | 4.0 | 3.8 | 0.2 | 5.3 | 1.4 | 2.6 | 185.7 |
| **Total investment spend** | **104.3** | **77.6** | **26.7** | **34.4** | **87.8** | **16.5** | **18.8** |

## 2.2.6 Credit expenses

| | Half year ended | | | | | | |
|---|---|---|---|---|---|---|---|
| | 31 Dec 22 | 30 Jun 22 | 31 Dec 22 to 30 Jun 22 | | 31 Dec 21 | 31 Dec 22 to 31 Dec 21 | |
| Credit expense | $m | $m | $m | % | $m | $m | % |
| Bad debts written off | 0.7 | 1.0 | (0.3) | (30.0) | (1.7) | 2.4 | 141.2 |
| Provision expenses/(releases) | 5.7 | (8.8) | 14.5 | 164.8 | (13.9) | 19.6 | 141.0 |
| **Total credit expenses/(reversals)** | **6.4** | **(7.8)** | **14.2** | **182.1** | **(15.6)** | **22.0** | **141.0** |
| Bad debts recovered | (0.8) | (1.6) | 0.8 | 50.0 | (2.2) | 1.4 | 63.6 |
| **Credit expenses (net of recoveries)** | **5.6** | **(9.4)** | **15.0** | **159.6** | **(17.8)** | **23.4** | **131.5** |

| | As at 31 Dec 22 | As at 30 Jun 22 | 31 Dec 22 to 30 Jun 22 | | As at 31 Dec 21 | 31 Dec 22 to 31 Dec 21 | |
|---|---|---|---|---|---|---|---|
| Provisions and reserves | $m | $m | $m | % | $m | $m | % |
| Individually assessed provisions | 46.5 | 58.1 | (11.6) | (20.0) | 71.6 | (25.1) | (35.1) |
| Collectively assessed provisions | 232.3 | 225.7 | 6.6 | 2.9 | 229.4 | 2.9 | 1.3 |
| Equity reserve for credit losses (ERCL) | 95.2 | 87.8 | 7.4 | 8.4 | 87.4 | 7.8 | 8.9 |
| **Total provisions and reserves for doubtful debts** | **374.0** | **371.6** | **2.4** | **0.6** | **388.4** | **(14.4)** | **(3.7)** |

| Ratios | % | % | bps | % | bps |
|---|---|---|---|---|---|
| Credit expenses net of recoveries to gross loans | 0.01% | (0.02%) | 3 bps | (0.05%) | 6 bps |
| Total provisions/reserves for doubtful debts to gross loans | 0.49% | 0.48% | 1 bps | 0.53% | (4) bps |
| Collectively assessed provisions and ERCL to risk-weighted assets | 0.79% | 0.74% | 5 bps | 0.78% | 1 bps |

The table below discloses the effect of movements in provisions and reserves to the different stages of the ECL model:

| | Stage 1 | Stage 2 | Stage 3 | | | |
|---|---|---|---|---|---|---|
| | Collectively assessed - 12 month ECL | Collectively assessed - Lifetime ECL | Collectively assessed - Lifetime ECL | Individually assessed - Lifetime ECL | Equity reserve for credit losses | Total |
| Movements in provisions and reserves | $m | $m | $m | $m | $m | $m |
| Balance as at 1 July 2022 | 105.1 | 89.4 | 31.2 | 58.1 | 87.8 | 371.6 |
| Transfers to/(from) during the period to: | | | | | | |
| Stage 1 | 1.2 | (1.2) | - | - | - | - |
| Stage 2 | (15.0) | 16.3 | (1.3) | - | - | - |
| Stage 3 | (5.0) | (7.2) | 12.2 | - | - | - |
| Transfer from collectively assessed to individually assessed provisions | - | (0.3) | (0.8) | 1.1 | - | - |
| New/increased provisions | 7.9 | 1.3 | 4.5 | (2.0) | - | 11.7 |
| Write-back of provisions no longer required | (3.2) | (4.2) | (3.6) | - | - | (11.0) |
| Change in balances | 2.4 | 0.6 | 2.0 | - | 7.4 | 12.4 |
| Bad debts written off previously provided for | - | - | - | (10.7) | - | (10.7) |
| **Total provisions and reserves for doubtful debts as at 31 December 2022** | **93.4** | **94.7** | **44.2** | **46.5** | **95.2** | **374.0** |

## 2.2.6 Credit expenses (continued)

| | Stage 1 | Stage 2 | Stage 3 | | | |
|---|---|---|---|---|---|---|
| | Collectively assessed - 12 month ECL | Collectively assessed - Lifetime ECL | Collectively assessed - Lifetime ECL | Individually assessed - Lifetime ECL | Equity reserve for credit losses | Total |
| Movements in provisions and reserves (continued) | $m | $m | $m | $m | $m | $m |
| Balance as at 1 January 2022 | 122.2 | 77.8 | 29.4 | 71.6 | 87.4 | 388.4 |
| Transfers to/(from) during the period to: | | | | | | |
| Stage 1 | 1.0 | (1.0) | - | - | - | - |
| Stage 2 | (16.0) | 16.5 | (0.5) | - | - | - |
| Stage 3 | (6.9) | (4.9) | 11.8 | - | - | - |
| Transfer from collectively assessed to individually assessed provisions | - | (0.3) | (0.2) | 0.5 | - | - |
| New/increased provisions | 7.5 | 1.9 | 0.1 | (5.6) | - | 3.9 |
| Write-back of provisions no longer required | (5.1) | (4.4) | (4.0) | - | - | (13.5) |
| Change in balances | 2.4 | 3.8 | (5.4) | - | 0.4 | 1.2 |
| Bad debts written off previously provided for | - | - | - | (8.4) | - | (8.4) |
| **Total provisions and reserves for doubtful debts as at 30 June 2022** | **105.1** | **89.4** | **31.2** | **58.1** | **87.8** | **371.6** |
| | $m | $m | $m | $m | $m | $m |
| Balance as at 1 July 2021 | 126.3 | 86.8 | 33.6 | 94.3 | 104.7 | 445.7 |
| Transfers to/(from) during the period to: | | | | | | |
| Stage 1 | 1.5 | (1.5) | - | - | - | - |
| Stage 2 | (11.3) | 12.0 | (0.7) | - | - | - |
| Stage 3 | (2.5) | (3.0) | 5.5 | - | - | - |
| Transfer from collectively assessed to individually assessed provisions | - | (0.4) | (1.8) | 2.2 | - | - |
| New/increased provisions | 12.1 | 0.6 | 0.3 | 1.2 | - | 14.2 |
| Write-back of provisions no longer required | (3.7) | (5.7) | (4.2) | - | - | (13.6) |
| Change in balances | (0.2) | (11.0) | (3.3) | - | (17.3) | (31.8) |
| Bad debts written off previously provided for | - | - | - | (26.1) | - | (26.1) |
| **Total provisions and reserves for doubtful debts as at 31 December 2021** | **122.2** | **77.8** | **29.4** | **71.6** | **87.4** | **388.4** |

## 2.2.6 Credit expenses (continued)

### Credit quality

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 | | |
|---|---|---|---|---|---|
| | Collectively assessed - 12 month ECL | Collectively assessed - Lifetime ECL | Collectively assessed - Lifetime ECL | Individually assessed - Lifetime ECL | Total |
| | $m | $m | $m | $m | $m |
| Gross carrying amount as at 1 July 2022 | 75,539.4 | 6,047.6 | 698.3 | 126.8 | 82,412.1 |
| Transfers to/(from) during the period to: | | | | | |
| Stage 1 | 1,783.2 | (1,755.3) | (27.9) | - | - |
| Stage 2 | (2,627.8) | 2,790.9 | (163.1) | - | - |
| Stage 3 | (81.4) | (151.7) | 233.1 | - | - |
| Transfer from collectively assessed to individually assessed provisions | (2.2) | (14.6) | (8.0) | 24.8 | - |
| New financial assets originated or purchased | 7,670.3 | 77.2 | 45.5 | - | 7,793.0 |
| Financial assets derecognised or repaid | (5,708.5) | (843.4) | (204.9) | (24.8) | (6,781.6) |
| Change in balances | 2,588.2 | (95.0) | 4.0 | (5.1) | 2,492.1 |
| Amounts written off against provisions | - | - | - | (10.8) | (10.8) |
| **Gross carrying amount as at 31 December 2022** | **79,161.2** | **6,055.7** | **577.0** | **110.9** | **85,904.8** |

| | $m | $m | $m | $m | $m |
|---|---|---|---|---|---|
| Gross carrying amount as at 1 January 2022 | 77,470.8 | 5,847.9 | 538.0 | 162.6 | 84,019.3 |
| Transfers to/(from) during the period to: | | | | | |
| Stage 1 | 1,532.3 | (1,522.9) | (9.4) | - | - |
| Stage 2 | (2,704.6) | 2,769.1 | (64.5) | - | - |
| Stage 3 | (170.4) | (208.3) | 378.7 | - | - |
| Transfer from collectively assessed to individually assessed provisions | (0.7) | (4.5) | (3.3) | 8.5 | - |
| New financial assets originated or purchased | 10,574.5 | 98.0 | 3.6 | - | 10,676.1 |
| Financial assets derecognised or repaid | (5,723.7) | (808.3) | (144.0) | (8.5) | (6,684.5) |
| Change in balances | (5,438.8) | (123.4) | (0.8) | (27.4) | (5,590.4) |
| Amounts written off against provisions | - | - | - | (8.4) | (8.4) |
| **Gross carrying amount as at 30 June 2022** | **75,539.4** | **6,047.6** | **698.3** | **126.8** | **82,412.1** |

| | $m | $m | $m | $m | $m |
|---|---|---|---|---|---|
| Gross carrying amount as at 1 July 2021 | 72,505.6 | 6,479.5 | 652.8 | 205.8 | 79,843.7 |
| Transfers to/(from) during the period to: | | | | | |
| Stage 1 | 1,940.7 | (1,918.0) | (22.7) | - | - |
| Stage 2 | (2,344.2) | 2,450.1 | (105.9) | - | - |
| Stage 3 | (72.4) | (117.8) | 190.2 | - | - |
| Transfer from collectively assessed to individually assessed provisions | (1.9) | (5.8) | (25.0) | 32.7 | - |
| New financial assets originated or purchased | 9,954.3 | 57.6 | 2.8 | - | 10,014.7 |
| Financial assets derecognised or repaid | (6,453.7) | (945.3) | (175.6) | - | (7,574.6) |
| Change in balances | 1,942.4 | (152.4) | 21.4 | (49.9) | 1,761.5 |
| Amounts written off against provisions | - | - | - | (26.0) | (26.0) |
| **Gross carrying amount as at 31 December 2021** | **77,470.8** | **5,847.9** | **538.0** | **162.6** | **84,019.3** |

## 2.2.7 Cash earnings reconciliation

For the half year ended 31 December 2022

| | | Cash earnings adjustments | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Refer to page 20 | Note 1 | Note 2 | | Note 3 | Note 4 | Note 5 | |
| | Cash earnings | Homesafe unrealised | Hedging reval'n | Ferocia acquist'n | Restructure costs | Amort'n of acquired intangibles | Homesafe realised income | Statutory earnings |
| | $m | $m | $m | $m | $m | $m | $m | $m |
| Net interest income | 821.8 | (15.3) | - | - | - | - | 4.3 | 810.8 |
| Other income | 136.4 | (23.2) | 0.6 | - | - | - | (16.8) | 97.0 |
| **Total income** | **958.2** | **(38.5)** | **0.6** | **-** | **-** | **-** | **(12.5)** | **907.8** |
| Operating expenses | (523.2) | - | - | - | (11.6) | (3.5) | - | (538.3) |
| Credit expenses | (5.6) | - | - | - | - | - | - | (5.6) |
| **Net profit before tax** | **429.4** | **(38.5)** | **0.6** | **-** | **(11.6)** | **(3.5)** | **(12.5)** | **363.9** |
| Income tax expense | (134.7) | 11.6 | (0.2) | - | 3.7 | 1.0 | 3.7 | (114.9) |
| **Net profit after tax** | **294.7** | **(26.9)** | **0.4** | **-** | **(7.9)** | **(2.5)** | **(8.8)** | **249.0** |

For the half year ended 30 June 2022

| | | Cash earnings adjustments | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Cash earnings | Homesafe unrealised | Hedging reval'n | Ferocia acquist'n | Restructure costs | Amort'n of acquired intangibles | Homesafe realised income | Statutory earnings |
| | $m | $m | $m | $m | $m | $m | $m | $m |
| Net interest income | 690.5 | (6.5) | - | - | - | - | 6.1 | 690.1 |
| Other income | 146.0 | (67.1) | - | - | - | - | (24.3) | 54.6 |
| **Total income** | **836.5** | **(73.6)** | **-** | **-** | **-** | **-** | **(18.2)** | **744.7** |
| Operating expenses | (498.6) | - | - | (0.1) | (8.8) | (3.6) | - | (511.1) |
| Credit reversals | 9.4 | - | - | - | - | - | - | 9.4 |
| **Net profit before tax** | **347.3** | **(73.6)** | **-** | **(0.1)** | **(8.8)** | **(3.6)** | **(18.2)** | **243.0** |
| Income tax expense | (107.6) | 22.0 | - | 0.1 | 2.7 | 1.1 | 5.5 | (76.2) |
| **Net profit after tax** | **239.7** | **(51.6)** | **-** | **-** | **(6.1)** | **(2.5)** | **(12.7)** | **166.8** |

## 2.2.7 Cash earnings reconciliation (continued)

For the half year ended 31 December 2021

| | | Cash earnings adjustments | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Refer to page 20 | | Note 1 | Note 2 | | | | | Note 4 | Note 5 | |
| | Cash earnings | Fair value | Homesafe unrealised | Hedging reval'n | Insurance Broking sale | Debtor Finance sale | Ferocia acquist'n | Restructure costs | Amort'n of acquired intangibles | Homesafe realised income | Statutory earnings |
| | $m | $m | $m | $m | $m | $m | $m | $m | $m | $m | $m |
| Net interest income | 726.9 | (0.1) | (4.2) | - | - | - | - | - | - | 4.1 | 726.7 |
| Other income | 146.5 | - | 105.6 | - | 3.1 | 1.5 | - | - | - | (18.3) | 238.4 |
| **Total income** | **873.4** | **(0.1)** | **101.4** | **-** | **3.1** | **1.5** | **-** | **-** | **-** | **(14.2)** | **965.1** |
| Operating expenses | (517.7) | - | - | - | - | - | (3.5) | (0.9) | (2.4) | - | (524.5) |
| Credit reversals | 17.8 | - | - | - | - | - | - | - | - | - | 17.8 |
| **Net profit before tax** | **373.5** | **(0.1)** | **101.4** | **-** | **3.1** | **1.5** | **(3.5)** | **(0.9)** | **(2.4)** | **(14.2)** | **458.4** |
| Income tax expense | (112.8) | 0.1 | (30.5) | - | 0.2 | 0.2 | 0.6 | 0.2 | 0.7 | 4.2 | (137.1) |
| **Net profit after tax** | **260.7** | **-** | **70.9** | **-** | **3.3** | **1.7** | **(2.9)** | **(0.7)** | **(1.7)** | **(10.0)** | **321.3** |

## 2.2.7 Cash earnings reconciliation (continued)

**Non-cash interest income items**

Note 1 - Homesafe funding costs - unrealised - interest expense incurred on existing contracts for the current year.

**Non-cash other income items**

Note 2 - Revaluation gains on economic hedges - represents unrealised gains from changes in the fair value of economic hedges. These movements represent timing differences that will reverse through earnings in the future.

Note 1 - Homesafe revaluation (loss)/gain - represents the valuation movements of the investment property held.

**Non-cash operating expense items**

Note 3 - Restructure costs - represents business restructuring costs incurred as a result of outsourcing property services, structure changes within the Business and Agribusiness division, and costs associated with the conversion of the Alliance Partner model to the Community Bank model and operating structure.

Note 4 - Amortisation of acquired intangibles - This amount represents the amortisation of intangible assets acquired by the Group including brand names, customer lists, management rights, and acquired software.

**Other adjustments to statutory earnings**

Note 5 - Homesafe realised income - represents funds received on completion, being the difference between the cash received on completion less the initial funds advanced.

Note 5 - Homesafe realised funding costs - 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 year non-cash items and other adjustments.

## 2.2.8 Average balance sheet

| | Half year ended 31 Dec 22 | | | Half year ended 30 Jun 22 | | | Half year ended 31 Dec 21 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Average Balance $m | Interest 6 mths $m | Average Rate % | 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 | 15,478.5 | 167.0 | 2.14 | 13,661.7 | 16.5 | 0.24 | 12,846.7 | 4.6 | 0.07 |
| Loans and other receivables [2] | 69,984.8 | 1331.8 | 3.77 | 68,863.1 | 855.6 | 2.51 | 67,035.2 | 872.4 | 2.58 |
| **Total interest earning assets** | **85,463.3** | **1498.8** | **3.48** | **82,524.8** | **872.1** | **2.13** | **79,881.9** | **877.0** | **2.18** |
| Non-interest earning assets | | | | | | | | | |
| Credit provisions | (275.2) | | | (288.1) | | | (326.2) | | |
| Other assets | 3,814.4 | | | 3,943.3 | | | 3,703.2 | | |
| **Total non-interest earning assets** | **3,539.2** | | | **3,655.2** | | | **3,377.0** | | |
| **Total assets (average balance)** | **89,002.5** | | | **86,180.0** | | | **83,258.9** | | |
| Interest bearing liabilities | | | | | | | | | |
| Deposits | | | | | | | | | |
| - Customer [2] | 58,006.5 | (409.9) | (1.40) | 56,395.1 | (87.8) | (0.31) | 53,977.4 | (75.3) | (0.28) |
| - Wholesale | 10,645.5 | (135.2) | (2.52) | 9,216.1 | (25.8) | (0.56) | 8,525.8 | (11.1) | (0.26) |
| Wholesale borrowings | | | | | | | | | |
| - Repurchase agreements | 4,732.2 | (3.8) | (0.16) | 4,728.5 | (3.7) | (0.16) | 5,081.9 | (3.8) | (0.15) |
| - Notes payable | 3,562.3 | (60.6) | (3.37) | 3,784.9 | (24.7) | (1.32) | 3,863.4 | (22.8) | (1.17) |
| - Other wholesale borrowings - domestic | 2,979.5 | (45.3) | (3.02) | 2,880.5 | (18.3) | (1.28) | 2,904.9 | (15.3) | (1.04) |
| Lease liability | 137.6 | (2.1) | (3.03) | 150.7 | (2.3) | (3.08) | 165.3 | (2.6) | (3.12) |
| Loan capital | 1,367.3 | (31.1) | (4.51) | 1,364.8 | (19.4) | (2.87) | 1,414.0 | (19.5) | (2.74) |
| **Total interest bearing liabilities** | **81,430.9** | **(688.0)** | **(1.68)** | **78,520.6** | **(182.0)** | **(0.47)** | **75,932.7** | **(150.4)** | **(0.39)** |
| Non-interest bearing liabilities and equity | | | | | | | | | |
| Other liabilities | 839.7 | | | 929.1 | | | 837.9 | | |
| Equity | 6,731.9 | | | 6,730.3 | | | 6,488.3 | | |
| **Total non-interest bearing liabilities and equity** | **7,571.6** | | | **7,659.4** | | | **7,326.2** | | |
| **Total liabilities and equity (average balance)** | **89,002.5** | | | **86,180.0** | | | **83,258.9** | | |
| Interest margin and interest spread | | | | | | | | | |
| Interest earning assets | 85,463.3 | 1,498.8 | 3.48 | 82,524.8 | 872.1 | 2.13 | 79,881.9 | 877.0 | 2.18 |
| Interest bearing liabilities | (81,430.9) | (688.0) | (1.68) | (78,520.6) | (182.0) | (0.47) | (75,932.7) | (150.4) | (0.39) |
| **Net interest income and interest spread [3]** | | **810.8** | **1.80** | | **690.1** | **1.66** | | **726.6** | **1.79** |
| Benefit of net free liabilities, provisions and equity | | | 0.08 | | | 0.03 | | | 0.01 |
| Net interest margin [4] | | | 1.88 | | | 1.69 | | | 1.80 |
| Add: impact of revenue share arrangements | | | 0.46 | | | 0.30 | | | 0.29 |
| Net interest margin before revenue share arrangements | | | 2.34 | | | 1.99 | | | 2.09 |

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

[2] Offset products have been reclassified from deposits and netted against the corresponding loan balance (1H23: $7,322.9m; 2H22: $6,759.7m; 1H22: $6,759.7m)

[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.

## 2.2.9 Segment results

### Consumer

| | Half year ending | | | | | | |
|---|---|---|---|---|---|---|---|
| | 31 Dec 22 | 30 Jun 22 | 31 Dec 22 to 30 Jun 22 | | 31 Dec 21 | 31 Dec 22 to 31 Dec 21 | |
| | $m | $m | $m | % | $m | $m | % |
| Net interest income | 629.7 | 450.4 | 179.3 | 39.8 | 467.0 | 162.7 | 34.8 |
| Other income | 108.4 | 111.4 | (3.0) | (2.7) | 108.6 | (0.2) | (0.2) |
| **Total segment income** | **738.1** | **561.8** | **176.3** | **31.4** | **575.6** | **162.5** | **28.2** |
| Operating expenses | (229.1) | (215.0) | (14.1) | (6.6) | (218.5) | (10.6) | (4.9) |
| Credit (expenses)/reversals | (4.9) | (1.0) | (3.9) | (390.0) | 5.5 | (10.4) | (189.1) |
| **Total expenses** | **(234.0)** | **(216.0)** | **(18.0)** | **(8.3)** | **(213.0)** | **(21.0)** | **(9.9)** |
| Income tax expense | (158.3) | (107.0) | (51.3) | (47.9) | (109.0) | (49.3) | (45.2) |
| **Cash earnings after income tax expense** | **345.8** | **238.8** | **107.0** | **44.8** | **253.6** | **92.2** | **36.4** |
| Non-cash net interest income items | (7.7) | (0.3) | (7.4) | (2,466.7) | (0.2) | (7.5) | (3,750.0) |
| Non-cash other income items | (28.0) | (64.0) | 36.0 | 56.3 | 64.4 | (92.4) | (143.5) |
| Non-cash operating expense items | (2.0) | (4.3) | 2.3 | 53.5 | (4.1) | 2.1 | 51.2 |
| **Statutory earnings after income tax expense** | **308.1** | **170.2** | **137.9** | **81.0** | **313.7** | **(5.6)** | **(1.8)** |

| | | 31 Dec 22 | 30 Jun 22 | 31 Dec 22 to 30 Jun 22 | | 31 Dec 21 | 31 Dec 22 to 31 Dec 21 | |
|---|---|---|---|---|---|---|---|---|
| Net interest margin before revenue share | % | 2.91% | 2.16% | | 75 bps | 2.27% | | 64 bps |
| Net interest margin after revenue share | % | 2.10% | 1.60% | | 50 bps | 1.73% | | 37 bps |
| Cost to income ratio | % | 31.0% | 38.3% | | (730) bps | 38.0% | | (700) bps |
| Number of staff (full-time equivalent) | FTE | 2,322 | 2,381 | (59) | (2.5) | 2,260 | 62 | 2.7 |
| | | $m | $m | $m | % | $m | $m | % |
| Reportable segment assets | $m | 58,938.0 | 58,724.3 | 213.7 | 0.4 | 55,342.3 | 3,595.7 | 6.5 |
| Reportable segment liabilities | $m | 55,228.0 | 52,957.4 | 2,270.6 | 4.3 | 50,730.3 | 4,497.7 | 8.9 |

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

**Cash earnings after tax have increased to $345.8 million (2H22: $238.8 million).**

**Net Interest Income**

Net interest income of $629.7 million represented an increase of 39.8% on the prior period. This was driven by an increase in net interest margin (NIM) of 50 basis points and a 0.4% increase in average asset balances over the half.

> Average asset balances increased $1.6 billion, mainly in Third Party Banking and Up, offset by reductions in Margin Lending. NIM on assets has declined by 21 basis points due to pricing pressure on variable rate mortgages. This has been partially offset by an increase in higher NIM variable loans.
> Average deposit balances have increased $2.3 billion on the prior half. NIM has increased 102 basis points, due to customer rates increasing by less than underlying base rates.
> Margin share payments increased $74.9m mainly reflecting higher deposit NIMs.

**Other Income**

Other Income was $108.4 million, a reduction of $3.0 million on 2H22. There has been a reduction in Homesafe realised income of $7.5 million, in addition to reduced fee income. This is partially offset by a $4.5 million increase in management fees from Sandhurst Trustees Ltd managed funds,due to the improved margins on cash and term funds and an increase in net profits/(losses) from joint ventures and associates.

**Operating Expenses**

Operating expenses were $229.1 million, an increase of $14.1 million on the prior half. Depreciation and amortisation expenses have increased by $4.3 million due to the deployment of a number of assets in July 2022, in addition to lease incentive payments recorded in the prior half. Management fee and commissions expense has increased by $1.9m, and includes incremental costs associated with the launch of Up Home. Other operating expense increases include a $2.7m increase in non-lending write-offs.

**Credit Expenses**

Credit expenses have increased by $3.9 million to a $4.9 million expense in 1H23. An increase in collective impairment charges by $4.6 million was partly offset by an increase in the specific impairment release in 1H23.

## 2.2.9 Segment results (continued)

### Business and Agribusiness

| | Half year ending | | | | | | |
|---|---|---|---|---|---|---|---|
| | 31 Dec 22 | 30 Jun 22 | 31 Dec 22 to 30 Jun 22 | | 31 Dec 21 | 31 Dec 22 to 31 Dec 21 | |
| | $m | $m | $m | % | $m | $m | % |
| Net interest income | 261.8 | 227.8 | 34.0 | 14.9 | 250.3 | 11.5 | 4.6 |
| Other income | 28.2 | 29.3 | (1.1) | (3.8) | 32.3 | (4.1) | (12.7) |
| **Total income** | **290.0** | **257.1** | **32.9** | **12.8** | **282.6** | **7.4** | **2.6** |
| Operating expenses | (63.0) | (66.5) | 3.5 | 5.3 | (66.2) | 3.2 | 4.8 |
| Credit reversals | - | 9.4 | (9.4) | (100.0) | 5.1 | (5.1) | (100.0) |
| **Total expenses** | **(63.0)** | **(57.1)** | **(5.9)** | **(10.3)** | **(61.1)** | **(1.9)** | **(3.1)** |
| Income tax expense | (71.6) | (61.9) | (9.7) | (15.7) | (66.9) | (4.7) | (7.0) |
| **Cash earnings after income tax expense** | **155.4** | **138.1** | **17.3** | **12.5** | **154.6** | **0.8** | **0.5** |
| Non-cash other income items | 0.4 | - | 0.4 | - | 1.7 | (1.3) | (76.5) |
| Non-cash operating expense items | (1.6) | (1.9) | 0.3 | 15.8 | (0.5) | (1.1) | (220.0) |
| **Statutory earnings after income tax expense** | **154.2** | **136.2** | **18.0** | **13.2** | **155.8** | **(1.6)** | **(1.0)** |

| | | 31 Dec 22 | 30 Jun 22 | 31 Dec 22 to 30 Jun 22 | | 31 Dec 21 | 31 Dec 22 to 31 Dec 21 | |
|---|---|---|---|---|---|---|---|---|
| Net interest margin before revenue share | % | 3.05% | 2.71% | | 34 bps | 2.92% | | 13 bps |
| Net interest margin after revenue share | % | 2.71% | 2.40% | | 31 bps | 2.58% | | 13 bps |
| Cost to income ratio | % | 21.7% | 25.9% | | (420) bps | 23.4% | | 170 bps |
| Number of staff (full-time equivalent) | FTE | 741 | 817 | (76) | (9.3) | 860 | (119) | (13.8) |
| | | $m | $m | $m | % | $m | $m | % |
| Reportable segment assets | $m | 18,704.0 | 19,743.8 | (1,039.8) | (5.3) | 19,065.1 | (361.1) | (1.9) |
| Reportable segment liabilities | $m | 17,542.0 | 18,075.8 | (533.8) | (3.0) | 16,720.0 | 822.0 | 4.9 |

**The Business and Agribusiness division is focused on servicing business customers, particularly small and medium businesses who are seeking a relationship banking experience and includes portfolio funding, Delphi Bank and all banking services provided to agribusiness, rural and regional Australian communities through our Rural Bank brand.**

**Cash earnings after tax have increased to $155.4 million (2H22: $138.1 million).**

**Net Interest Income**

Net interest income was $261.8 million, an increase of $34.0 million from the prior period. This was driven by an increase in net interest margin (NIM) by 31 basis points, in addition to increased average asset balances over the half.

- Average asset balances have increased slightly $84 million, while the closing balance is below 2H22. Asset NIM has reduced by 15 basis points, with reductions largely from delays in repricing the residential lending portfolio.
- Average deposit balances have reduced by $872 million from the prior half. This has been offset by an increase in NIM by 50 basis points, due to customer rates increasing by less than underlying base rates.

**Other Income**

Other Income was $28.2 million, a reduction of $1.1 million from 2H22. There has been a reduction in fee income, predominantly in the Government Services division in Rural Bank in addition to reduction in loan fees due to reduced assessment and settlement volumes. This is offset by a $1.8 million increase in foreign exchange income to $13.7 million in 1H23.

**Operating Expenses**

Operating expenses were $63.0 million, a reduction of $3.5 million from the prior half. Staff and related costs have reduced by $2.1 million as a result of business consolidation initiatives, in addition to reduced staffing levels in the Government Services division in line with reduced volumes. Other operating costs have reduced by $0.9 million, with reductions in remediation costs, marketing and legal fees as the largest contributors.

**Credit Expenses**

Credit expenses were $nil in 1H23 (2H22: $9.4 million net release). 1H23 credit expenses include a $0.4 million specific impairment charge, offset by collective impairment releases and recoveries.

## 2.2.9 Segment results (continued)

### Corporate

| | | Half year ending | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 31 Dec 22 | 30 Jun 22 | 31 Dec 22 to 30 Jun 22 | | 31 Dec 21 | 31 Dec 22 to 31 Dec 21 | |
| | | $m | $m | $m | % | $m | $m | % |
| Net interest income | | (69.7) | 12.3 | (82.0) | (666.7) | 9.6 | (79.3) | (826.0) |
| Other income | | (0.2) | 5.3 | (5.5) | (103.8) | 5.6 | (5.8) | (103.6) |
| **Total income** | | **(69.9)** | **17.6** | **(87.5)** | **(497.2)** | **15.2** | **(85.1)** | **(559.9)** |
| Operating expenses | | (231.1) | (217.1) | (14.0) | (6.4) | (233.0) | 1.9 | 0.8 |
| Credit (expenses)/reversals | | (0.7) | 1.0 | (1.7) | (170.0) | 7.2 | (7.9) | (109.7) |
| **Total expenses** | | **(231.8)** | **(216.1)** | **(15.7)** | **(7.3)** | **(225.8)** | **(6.0)** | **(2.7)** |
| Income tax expense | | 95.2 | 61.3 | 33.9 | 55.3 | 63.1 | 32.1 | 50.9 |
| **Cash earnings after income tax expense** | | **(206.5)** | **(137.2)** | **(69.3)** | **(50.5)** | **(147.5)** | **(59.0)** | **(40.0)** |
| Non-cash operating expense items | | (6.8) | (2.4) | (4.4) | (183.3) | (0.7) | (6.1) | (871.4) |
| **Statutory earnings after income tax expense** | | **(213.3)** | **(139.6)** | **(73.7)** | **(52.8)** | **(148.2)** | **(65.1)** | **(43.9)** |
| | | 31 Dec 22 | 30 Jun 22 | 31 Dec 22 to 30 Jun 22 | | 31 Dec 21 | 31 Dec 22 to 31 Dec 21 | |
| Number of staff (full-time equivalent) | FTE | 1,496 | 1,454 | 42 | 2.9 | 1,454 | 42 | 2.9 |
| | | $m | $m | $m | % | $m | $m | % |
| Reportable segment assets | $m | 19,005.1 | 16,775.6 | 2,229.5 | 13.3 | 16,375.2 | 2,629.9 | 16.1 |
| Reportable segment liabilities | $m | 13,794.3 | 13,662.3 | 132.0 | 1.0 | 12,673.3 | 1,121.0 | 8.8 |

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

**Cash earnings after tax have reduced to $206.5 million (2H22: $137.2 million).**

**Net Interest Income**

Net Interest Income has reduced by $82.0 million from 2H22, driven by interest rate mismatch, with underlying rates on liabilities increasing by more rapidly than assets within the Bank's FTP methodology.

**Other Income**

Other Income was a net $0.2 million loss, a reduction of $5.5 million. 1H23 includes a share of net losses from associates accounted for under the equity method. The reduction in income is also driven by a non-recurring vendor sign-on bonus recorded in 2H22.

**Operating Expenses**

Operating expenses were $231.3 million, a reduction of $14.2 million from the prior half. Investment spend has increased by $13.9 million. This includes an increase in risk and compliance expenditure, in addition to increased investment in productivity, simplification and digitisation. Software amortisation has increased by $3.4 million following the deployment of a number of key assets in 2H22. This is offset by a $7.1 million reduction in other operating expenses.

**Credit Expenses**

Credit expenses have increased by $1.7 million to $0.7 million in 1H23 (2H22: $1.0 million net release). 1H23 credit expenses include a $0.6 million collective impairment charge.

Change to operating segments

Changes to the management structure of the Group can cause the Group's operating segments to change. Where this occurs, prior period segment results are restated.

## 2.2.10 Lending

| | Half year ended | | | | | | |
|---|---|---|---|---|---|---|---|
| | 31 Dec 22 | 30 Jun 22 | 31 Dec 22 to 30 Jun 22 | | 31 Dec 21 | 31 Dec 22 to 31 Dec 21 | |
| | $m | $m | $m | % | $m | $m | % |
| Residential | 57,515.4 | 57,574.0 | (58.6) | (0.1) | 54,041.2 | 3,474.2 | 6.4 |
| Business | 16,062.4 | 16,648.8 | (586.4) | (3.5) | 15,910.1 | 152.3 | 1.0 |
| Consumer | 2,023.8 | 2,165.3 | (141.5) | (6.5) | 2,279.1 | (255.3) | (11.2) |
| Margin lending | 1,379.7 | 1,433.2 | (53.5) | (3.7) | 1,522.4 | (142.7) | (9.4) |
| **Gross loans and other receivables** | **76,981.3** | **77,821.3** | **(840.0)** | **(1.1)** | **73,752.8** | **3,228.5** | **4.4** |
| | | | | | | | |
| Individually assessed provision | (46.5) | (58.1) | 11.6 | 20.0 | (71.6) | 25.1 | 35.1 |
| Collectively assessed provision | (232.3) | (225.7) | (6.6) | (2.9) | (229.4) | (2.9) | (1.3) |
| Unearned income | (75.2) | (71.3) | (3.9) | (5.5) | (72.5) | (2.7) | (3.7) |
| Total provisions and unearned income | (354.0) | (355.1) | 1.1 | 0.3 | (373.5) | 19.5 | 5.2 |
| Deferred costs paid | 141.0 | 144.2 | (3.2) | (2.2) | 125.4 | 15.6 | 12.4 |
| **Net loans and other receivables** | **76,768.3** | **77,610.4** | **(842.1)** | **(1.1)** | **73,504.7** | **3,263.6** | **4.4** |
| | | | | | | | |
| Loans under management | | | | | | | |
| On-balance sheet | 76,768.3 | 77,610.4 | (842.1) | (1.1) | 73,504.7 | 3,263.6 | 4.4 |
| Off-balance sheet loans under management | 3,716.4 | 3,726.9 | (10.5) | (0.3) | 3,426.7 | 289.7 | 8.5 |
| **Total Group loans under management** | **80,484.7** | **81,337.3** | **(852.6)** | **(1.0)** | **76,931.4** | **3,553.3** | **4.6** |

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

> On-balance sheet loans are the gross balance of loans held by the consolidated Group.

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

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

## 2.2.11 Asset quality

| | As at 31 Dec 22 | As at 30 Jun 22 | 31 Dec 22 to 30 Jun 22 | | As at 31 Dec 21 | 31 Dec 22 to 31 Dec 21 | |
|---|---|---|---|---|---|---|---|
| Impaired loans [1] | $m | $m | $m | % | $m | $m | % |
| Loans - without individually assessed provisions | 28.8 | 19.7 | 9.1 | 46.2 | 21.0 | 7.8 | 37.1 |
| Loans - with individually assessed provisions | 86.4 | 110.6 | (24.2) | (21.9) | 131.8 | (45.4) | (34.4) |
| Restructured loans [2] | 3.2 | 2.8 | 0.4 | 14.3 | - | 3.2 | 100.0 |
| Less: individually assessed provisions | (45.5) | (57.1) | 11.6 | 20.3 | (70.4) | 24.9 | 35.4 |
| **Net impaired loans** | **72.9** | **76.0** | **(3.1)** | **(4.1)** | **82.4** | **(9.5)** | **(11.5)** |
| Portfolio facilities - past due 90 days, not well secured | 2.1 | 4.9 | (2.8) | (57.1) | 2.8 | (0.7) | (25.0) |
| Less: individually assessed provisions | (1.0) | (1.0) | - | - | (1.2) | 0.2 | 16.7 |
| **Net portfolio facilities** | **1.1** | **3.9** | **(2.8)** | **(71.8)** | **1.6** | **(0.5)** | **(31.3)** |
| Loans past due 90 days | $m | $m | $m | % | $m | $m | % |
| Accruing loans past due 90 days, with adequate security balance | 276.3 | 256.9 | 19.4 | 7.6 | 278.8 | (2.5) | (0.9) |
| Net fair value of properties acquired through the enforcement of security | 10.4 | 41.8 | (31.4) | (75.1) | 29.4 | (19.0) | (64.6) |
| Ratios | % | % | | bps | % | | bps |
| Total impaired loans to gross loans | 0.15% | 0.17% | | (2) bps | 0.21% | | (6) bps |
| Total impaired loans to total assets | 0.12% | 0.14% | | (2) bps | 0.17% | | (5) bps |
| Net impaired loans to gross loans | 0.09% | 0.10% | | (1) bps | 0.11% | | (2) bps |
| Total provisions and reserves to gross loans | 0.49% | 0.48% | | 1 bps | 0.53% | | (4) bps |
| Provision coverage [3] | 315.9% | 279.2% | | 3670 bps | 254.2% | | 6170 bps |

[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 received in a timely manner. This is the case even if the full extent of the loss cannot be clearly determined.

Impairment losses that are calculated on individual loans, or on groups of loans assessed collectively, are recorded in the Income Statement.

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

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

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

## 2.2.12 Funding and funds under management

| | As at 31 Dec 22 | As at 30 Jun 22 | 31 Dec 22 to 30 Jun 22 | | As at 31 Dec 21 | 31 Dec 22 to 31 Dec 21 | |
|---|---|---|---|---|---|---|---|
| Funding | $m | $m | $m | % | $m | $m | % |
| Deposits | 76,455.4 | 74,583.9 | 1,871.5 | 2.5 | 70,370.6 | 6,084.8 | 8.6 |
| Other borrowings | 11,100.7 | 11,703.0 | (602.3) | (5.1) | 11,579.5 | (478.8) | (4.1) |
| Loan capital | 1,369.0 | 1,366.1 | 2.9 | 0.2 | 1,364.2 | 4.8 | 0.4 |
| **Total funding** | **88,925.1** | **87,653.0** | **1,272.1** | **1.5** | **83,314.3** | **5,610.8** | **6.7** |
| Funding dissection | $m | $m | $m | % | $m | $m | % |
| Customer deposits | 65,744.4 | 64,261.4 | 1,483.0 | 2.3 | 61,730.5 | 4,013.9 | 6.5 |
| Wholesale deposits | 10,711.0 | 10,322.5 | 388.5 | 3.8 | 8,640.1 | 2,070.9 | 24.0 |
| Wholesale borrowings | 11,100.7 | 11,703.0 | (602.3) | (5.1) | 11,579.5 | (478.8) | (4.1) |
| Loan capital | 1,369.0 | 1,366.1 | 2.9 | 0.2 | 1,364.2 | 4.8 | 0.4 |
| **Total funding** | **88,925.1** | **87,653.0** | **1,272.1** | **1.5** | **83,314.3** | **5,610.8** | **6.7** |
| Funding dissection | % | % | | | % | | |
| Customer deposits | 73.9% | 73.3% | | | 74.1% | | |
| Wholesale deposits | 12.0% | 11.8% | | | 10.4% | | |
| Wholesale borrowings | 12.5% | 13.4% | | | 13.9% | | |
| Loan capital | 1.6% | 1.5% | | | 1.6% | | |
| **Total funding** | **100%** | **100%** | | | **100%** | | |
| Funds under management | $m | $m | $m | % | $m | $m | % |
| Assets under management | 3,047.4 | 2,928.5 | 118.9 | 4.1 | 2,957.5 | 89.9 | 3.0 |
| Other managed funds | 3,673.2 | 3,751.5 | (78.3) | (2.1) | 4,327.8 | (654.6) | (15.1) |
| **Total funds under management** | **6,720.6** | **6,680.0** | **40.6** | **0.6** | **7,285.3** | **(564.7)** | **(7.8)** |

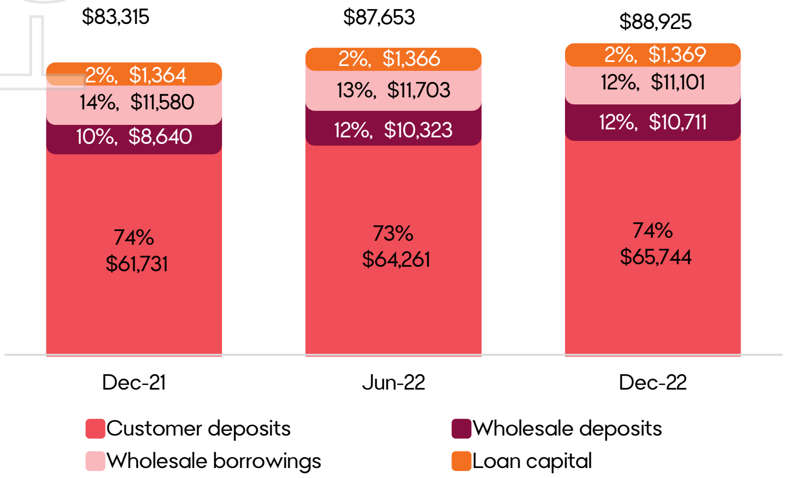
Customer deposits represents the sum of interest bearing, non-interest bearing and term deposits from retail and corporate customers.

Wholesale funding includes the Term Funding Facility (TFF). On 19 March 2020, the Reserve Bank of Australia announced the establishment of the TFF, a three-year facility. The TFF was established to provide ADIs with access to long-term funding to reinforce the benefits to the economy of a lower RBA cash rate and to encourage ADIs to support businesses. The TFF is collateralised by residential mortgage-backed securities issued by the Group. As at 31 December 2022 the Group's TTF drawdowns totalled $4.7 billion (30 June 2022: $4.7 billion).

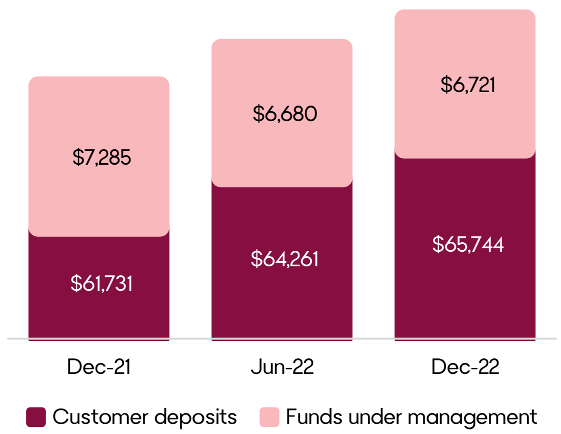
Assets under management include those funds deposited in the Sandhurst Trustees Limited Common Funds, which are invested in cash, cash enhanced and mortgage investments on behalf of investors. These funds are off-balance sheet.

Other managed funds include funds deposited for investment in managed investment products and superannuation funds managed off-balance sheet by Sandhurst Trustees Limited.

Funding mix ($m)




Customer deposits and funds under management ($m)



## 2.2.13 Capital

| | As at 31 Dec 22 | As at 30 Jun 22 | 31 Dec 22 to 30 Jun 22 | | As at 31 Dec 21 | 31 Dec 22 to 31 Dec 21 | |
|---|---|---|---|---|---|---|---|
| | $m | $m | $m | % | $m | $m | % |
| Group assets | 96,647.1 | 95,243.7 | 1,403.4 | 1.5 | 90,782.6 | 5,864.5 | 6.5 |
| **Capital adequacy** | $m | $m | $m | % | $m | $m | % |
| Total regulatory capital | 5,860.0 | 5,739.3 | 120.7 | 2.1 | 5,660.3 | 199.7 | 3.5 |
| Risk-weighted assets | 41,485.4 | 42,197.9 | (712.5) | (1.7) | 40,487.2 | 998.2 | 2.5 |
| **Capital adequacy ratios** | % | % | | bps | % | | bps |
| Tier 1 | 12.12% | 11.63% | | 49 bps | 11.89% | | 23 bps |
| Tier 2 | 2.01% | 1.97% | | 4 bps | 2.09% | | (8) bps |
| **Total capital ratio** | **14.13%** | **13.60%** | | **53 bps** | **13.98%** | | **15 bps** |
| Common Equity Tier 1 | 10.13% | 9.68% | | 45 bps | 9.85% | | 28 bps |

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

| Regulatory capital | 31 Dec 22 $m | 30 Jun 22 $m | 31 Dec 21 $m |
|---|---|---|---|
| Common Equity Tier 1 | | | |
| Contributed capital | 5,242.8 | 5,222.5 | 5,184.7 |
| Retained profits and reserves | 1,196.0 | 1,078.2 | 932.5 |
| Accumulated other comprehensive income (and other reserves) | (7.0) | 17.6 | 54.1 |
| Less: | | | |
| Intangible assets, cash flow hedges and capitalised expenses | 1,996.2 | 1,991.0 | 1,960.5 |
| Net deferred tax assets | 165.7 | 175.8 | 162.6 |
| Equity exposures | 67.4 | 68.6 | 59.1 |
| **Total Common Equity Tier 1 capital** | **4,202.5** | **4,082.9** | **3,989.1** |
| Additional Tier 1 capital instruments | 824.1 | 824.1 | 824.1 |
| **Total Additional Tier 1 capital** | **824.1** | **824.1** | **824.1** |
| **Total Tier 1 capital** | **5,026.6** | **4,907.0** | **4,813.2** |
| Tier 2 | | | |
| Tier 2 capital instruments | 550.0 | 550.0 | 550.0 |
| Equity reserve for credit losses/collective provision (net of tax effect) | 283.4 | 282.3 | 297.1 |
| **Total Tier 2 capital** | **833.4** | **832.3** | **847.1** |
| **Total regulatory capital** | **5,860.0** | **5,739.3** | **5,660.3** |
| **Total risk-weighted assets** | **41,485.4** | **42,197.9** | **40,487.2** |

## 2.2.13 Capital (continued)

| Risk-weighted assets | As at 31 Dec 22 $m | As at 30 Jun 22 $m | 31 Dec 22 to 30 Jun 22 $m | 31 Dec 22 to 30 Jun 22 % | As at 31 Dec 21 $m | 31 Dec 22 to 31 Dec 21 $m | 31 Dec 22 to 31 Dec 21 % |
|---|---|---|---|---|---|---|---|
| Credit Risk | 36,782.2 | 37,710.4 | (928.2) | (2.5) | 36,258.9 | 523.3 | 1.4 |
| Market Risk | 1.2 | 9.5 | (8.3) | (87.4) | 6.9 | (5.7) | (82.6) |
| Operational Risk | 4,702.0 | 4,478.0 | 224.0 | 5.0 | 4,221.4 | 480.6 | 11.4 |
| **Total risk-weighted assets** | **41,485.4** | **42,197.9** | **(712.5)** | **(1.7)** | **40,487.2** | **998.2** | **2.5** |

Key movements in 1H23 year include:

**Tier 1 capital**

Dividend reinvestment plan increased capital by $18.8 million.

Retained earnings increased by $117.8 million net of Homesafe unrealised revaluation gains.

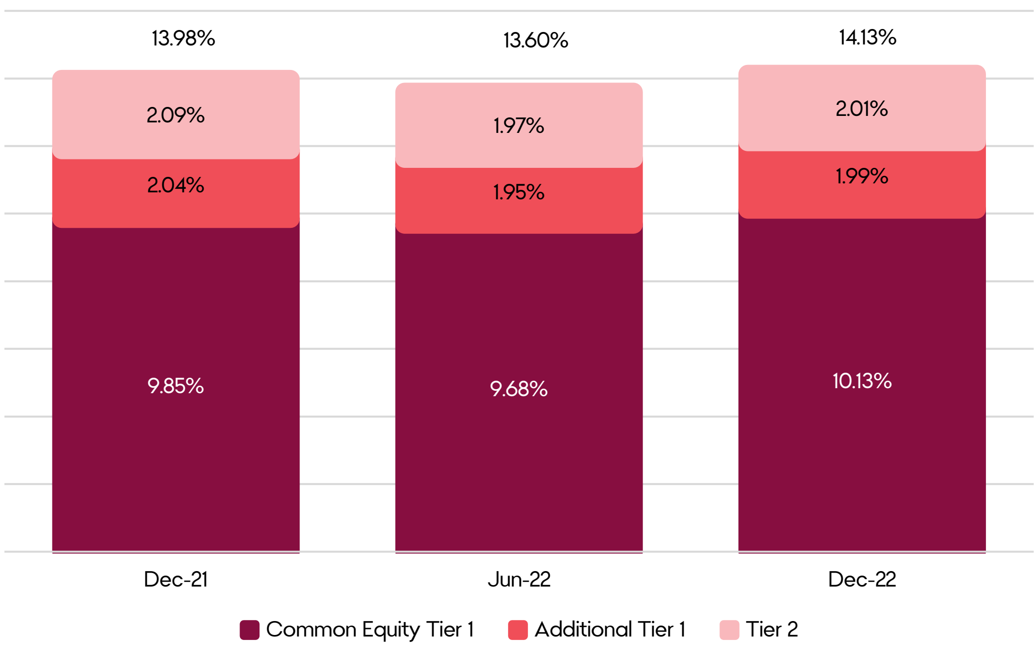
**Risk-weighted assets**

Total risk-weighted assets decreased during the period as a result of:

> Decreases in Credit Risk due to a reduction in lending to private sector counterparties and non-performing claims partially offset by increases in residential lending.

> An increase in Operational Risk driven by retail lending growth, an increase in cash holdings and an increase in operating income.

Capital adequacy




Capital adequacy is calculated in accordance with regulations prescribed 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

## 2.2.14 Shareholder returns and dividends

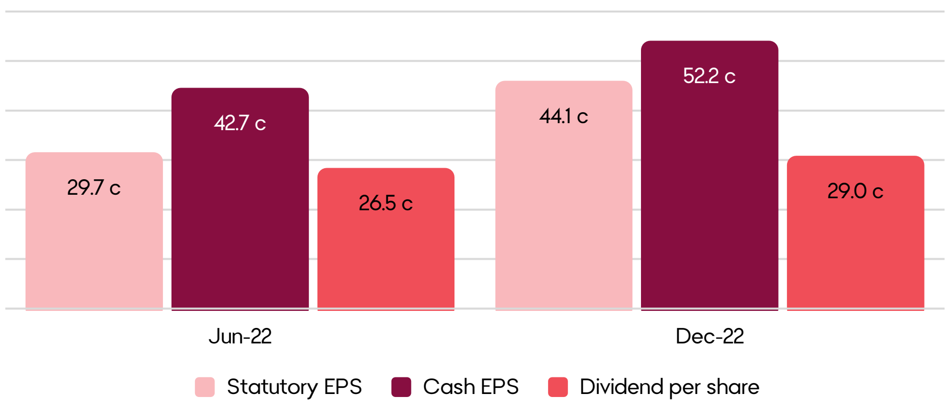
| | Half year ended | | | | | | |
|---|---|---|---|---|---|---|---|
| Reconciliation of earnings used in the calculation of | 31 Dec 22 | 30 Jun 22 | 31 Dec 22 to 30 Jun 22 | | 31 Dec 21 | 31 Dec 22 to 31 Dec 21 | |
| earnings per ordinary share (EPS) | $m | $m | 000's | % | $m | 000's | % |
| **Statutory profit after tax** | **249.0** | **166.8** | **82.2** | **49.3** | **321.3** | **(72.3)** | **(22.5)** |
| Earnings used in calculating statutory EPS | 249.0 | 166.8 | 82.2 | 49.3 | 321.3 | (72.3) | (22.5) |
| Add back : Dividends accrued and/or paid on loan capital | 12.5 | 8.1 | 4.4 | 54.3 | 7.8 | 4.7 | 60.3 |
| **Total diluted earnings** | **261.5** | **174.9** | **86.6** | **49.5** | **329.1** | **(67.6)** | **(20.5)** |
| Earnings used in calculating statutory EPS | 249.0 | 166.8 | 82.2 | 49.3 | 321.3 | (72.3) | (22.5) |
| Add back: Amortisation of acquired intangibles (after tax) | 2.5 | 2.5 | - | - | 1.7 | 0.8 | 47.1 |
| Add back: Non-cash income and expense items (after tax) | 34.4 | 57.7 | (23.3) | (40.4) | (72.3) | 106.7 | 147.6 |
| Add back: Homesafe net realised income (after tax) | 8.8 | 12.7 | (3.9) | (30.7) | 10.0 | (1.2) | (12.0) |
| **Total cash earnings** | **294.7** | **239.7** | **55.0** | **22.9** | **260.7** | **34.0** | **13.0** |

| Weighted average number of ordinary shares (WANOS) | 31 Dec 22 | 30 Jun 22 | 31 Dec 22 to 30 Jun 22 | | 31 Dec 21 | 31 Dec 22 to 31 Dec 21 | |
|---|---|---|---|---|---|---|---|
| used in the calculation of EPS | 000's | 000's | 000's | % | 000's | 000's | % |
| WANOS - used in statutory and cash basis EPS calculations | 564,530 | 561,024 | 3,506.0 | 0.6 | 554,108 | 10,422.0 | 1.9 |
| WANOS - used in diluted EPS calculations | 660,967 | 651,982 | 8,985.0 | 1.4 | 647,301 | 13,666.0 | 2.1 |

| Reconciliation of equity used in the calculation of ROE and ROTE | $m | $m | $m | % | $m | $m | % |
|---|---|---|---|---|---|---|---|
| Ordinary issued capital | 5,242.8 | 5,222.5 | 20.3 | 0.4 | 5,184.7 | 58.1 | 1.1 |
| Retained earnings | 1,481.4 | 1,386.5 | 94.9 | 6.8 | 1,361.0 | 120.4 | 8.8 |
| **Total ordinary equity** | **6,724.2** | **6,609.0** | **115.2** | **1.7** | **6,545.7** | **178.5** | **2.7** |
| **Average ordinary equity [1]** | **6,649.7** | **6,586.6** | **63.1** | **1.0** | **6,379.0** | **270.7** | **4.2** |
| **Average tangible equity [1]** | **4,928.2** | **4,946.2** | **(18.0)** | **(0.4)** | **4,792.4** | **135.8** | **2.8** |

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

Earnings per share and dividend per share



## 2.2.14 Shareholder returns and dividends (continued)

| | | Half year ended | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 31 Dec 22 | 30 Jun 22 | 31 Dec 22 to 30 Jun 22 | | 31 Dec 21 | 31 Dec 22 to 31 Dec 21 | |
| | | | | | % | | | % |
| Dividend per share | ¢ | 29.0 | 26.5 | 2.5 | 9.4 | 26.5 | 2.5 | 9.4 |
| Dividend amount payable/paid [1] | $m | 162.1 | 147.4 | 14.7 | 10.0 | 145.6 | 16.5 | 11.3 |
| Payout ratio - earnings per ordinary share [2] | % | 65.8% | 89.2% | | (2,340) bps | 45.7% | | 2,010 bps |
| Payout ratio - cash basis per ordinary share [2] | % | 55.6% | 62.1% | | (650) bps | 56.4% | | (80) bps |

[1] Dividend amount payable is indicative as it is based on expected Bonus Share Scheme participation recorded at reporting date and is subject to finalisation upon confirmation by shareholders electing to participate in the Group's Bonus Share Scheme.

[2] 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 ten trading days commencing 9 March 2023. 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 ten trading days commencing 9 March 2023. 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 2023 interim dividend is 8 March 2023.

## 2.3 Additional notes

### 2.3.1 Analysis of intangible assets

| | Balance Sheet Carrying value | | | Income Statement Amortisation expense | | |
|---|---|---|---|---|---|---|
| | 31 Dec 22 | 30 Jun 22 | 31 Dec 21 | 31 Dec 22 | 30 Jun 22 | 31 Dec 21 |
| | $m | $m | $m | $m | $m | $m |
| Goodwill | 1,527.5 | 1,527.5 | 1,527.5 | - | - | - |
| Software [1] | 288.6 | 248.3 | 208.1 | 21.3 | 16.8 | 16.6 |
| Software - acquired | 16.5 | 18.7 | 20.9 | 2.2 | 2.2 | 1.1 |
| Trustee licence | 8.4 | 8.4 | 8.4 | - | - | - |
| Customer relationship | 3.7 | 4.0 | 4.3 | 0.3 | 0.3 | 0.3 |
| Customer lists | 0.4 | 0.9 | 1.2 | 0.4 | 0.4 | 0.3 |
| Management rights - Adelaide Bank | - | 0.4 | 0.9 | 0.4 | 0.5 | 0.5 |
| Trade name | - | 0.1 | 0.3 | 0.2 | 0.2 | 0.2 |
| **Total goodwill and other intangible assets** | **1,845.1** | **1,808.3** | **1,771.6** | **24.8** | **20.4** | **19.0** |

[1] Includes software assets under development (1H23: $137.5 million, 2H22: $109.9 million, 1H22: $65.1 million). Previously balance was classed within Other Assets.

### 2.3.2 Net tangible assets per ordinary share

| | 31 Dec 22 | 30 Jun 22 | 31 Dec 21 |
|---|---|---|---|
| Net assets per ordinary share | $ 12.04 | $ 11.92 | $ 11.97 |
| Net tangible assets per ordinary share | $ 8.78 | $ 8.71 | $ 8.80 |
| Net tangible assets | $m | $m | $m |
| Net assets | 6,809.6 | 6,711.9 | 6,689.1 |
| Intangible assets | (1,845.1) | (1,808.3) | (1,771.6) |
| **Net tangible assets attributable to ordinary shareholders** | **4,964.5** | **4,903.6** | **4,917.5** |
| Number of fully paid ordinary shares on issue - 000's | 565,667 | 563,077 | 558,901 |

### 2.3.3 Investments accounted for using the equity method

| | Ownership interest held by consolidated entity | | | |
|---|---|---|---|---|
| | 31 Dec 22 | 30 Jun 22 | 31 Dec 21 | Balance |
| | % | % | % | date |
| Joint Arrangements | | | | |
| 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 | | | | |
| Bendigo Telco Ltd | 30.8% | 30.8% | 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 | 26.8% | 27.0% | 27.3% | 30 June |

All joint arrangements and associates are incorporated in Australia.

## 2.3.4 Credit ratings

| | Short-term | Long-term | Outlook |
|---|---|---|---|
| S&P Global Ratings | A-2 | BBB+ | Positive |
| Fitch Ratings | F2 | A- | Stable |
| Moody's Investors Service | P-2 | A3 | Stable |

On 14 December 2022, S&P Global Ratings (S&P) affirmed its long-term counterparty credit rating of Bendigo and Adelaide Bank Limited (the Bank) at 'BBB+' and affirmed the short-term rating at 'A-2' outlook. Further to this, the positive outlook for the Bank was affirmed. The positive outlook reflects a positive trend for Australian banking industry risk on the back of growing system-wide customer deposits and declining offshore borrowing - both as a proportion of domestic customer loans. S&P expect to raise the long-term issuer credit rating of the Bank in the next two years if a view is formed that the Australian banking system's net external borrowings were to remain sustainably below 20% of domestic customer loans.

On 23 November 2022, Fitch Ratings (Fitch) affirmed the Bank's Long-Term Issuer Default Rating (IDR) at 'A-' with a Stable Outlook and affirmed the Viability Rating (VR) at 'a-'. Fitch expects the Bank's asset quality metrics to weaken modestly over the next two years due to rising rates and high inflation. However, low unemployment combined with buffers built up by borrowers, mean a significant increase in the Stage 3 loan ratio is unlikely. Fitch's base case forecasts the four year average operating profit/risk-weighted assets (RWA) ratio at approximately 1.5%. Rising rates and a strong deposit base should result in net interest margin expanding over the next two years, however it may be partly offset by high competition, slowing growth and elevated investment costs. Fitch expects the Bank's Common Equity Tier 1 (CET1) ratio to improve modestly over the next two years from the 9.7% reported in FY22. It expects the Bank's funding profile to remain stable over the next two years, maintaining most of the improvement in the loan/deposit ratio over the last two years.

On 15 November 2021, Moody's Investor Service (Moody's) affirmed the 'A3' long-term issuer and senior unsecured debt ratings of the Bank. Moody's has also affirmed the Bank's baseline credit assessment (BCA) of 'baa1' and short-term rating of 'P-2'. The ratings outlook remains stable. Moody's noted that the Bank's ratings reflect the Bank's well-developed franchise centred around community banking, conservative management historically focused on low-risk lending, strong funding structure and good capital adequacy. Moody's also noted the Bank's balance sheet buffers remain very strong as its asset profile is good with relatively low levels of non-performing loans, but remains sensitive to the uncertainty of the COVID-19 pandemic in Australia.

## 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 as at 1 July 2022 | 565,655,652 | 5,242.9 |
| Shares issued: | | |
| September 2022 - Dividend Reinvestment Plan at $8.55 | 2,202,982 | 18.8 |
| September 2022 - Bonus Share Scheme (in lieu of dividend payment) at $8.55 | 217,023 | - |
| Executive Performance rights | - | 0.2 |
| **Total ordinary shares as at 31 December 2022** | **568,075,657** | **5,261.9** |

| Treasury shares (included in ordinary shares above) | Number of shares | $m |
|---|---|---|
| Treasury shares as at 1 July 2022 | (2,578,207) | (20.4) |
| Net disposals and vesting during the period | 169,672 | 1.3 |
| **Total treasury shares as at 31 December 2022** | **(2,408,535)** | **(19.1)** |

[1] BEN - ASX code Ordinary Fully Paid Shares

# Half Year Financial Report

For the period ended 31 December 2022
Released 20 February 2023

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 2022 annual financial report.

# 3 Financial statements

## 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

Richard Deutsch

David Foster

Jan Harris (retired September 2022)

Jim Hazel

David Matthews

Alistair Muir (appointed September 2022)

Victoria Weekes

**Company Secretary**

Belinda Donaldson (appointed January 2023)

**Registered Office**

Bendigo and Adelaide Bank Limited

The Bendigo Centre

22 - 44 Bath Lane, Bendigo, Victoria, 3550

Telephone: 1300 361 911

**Principal place of business**

The Bendigo Centre,

22-44 Bath Lane, Bendigo, Victoria, 3550

**Share Registry**

Boardroom Pty Limited

Grosvenor Place, Level 12, 225 George Street, Sydney, NSW, 2000

Postal Address: GPO Box 3993, Sydney, NSW, 2001

Website: www.boardroomlimited.com.au

Email: BEN@boardroomlimited.com.au

Telephone: 02 8023 5417 (inside Australia)

+61 1300 032 762 (from outside Australia)

**Auditors**

Ernst & Young

Australia

# Directors' report

The Directors of Bendigo and Adelaide Bank Limited present their report together with the financial statements of Bendigo and Adelaide Bank Limited (the "Bank") and its controlled entities (the "Group") for the half year ended 31 December 2022.

## Directors

The names of the Directors 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
Richard Deutsch
David Foster
Jan Harris (retired September 2022)
Jim Hazel
David Matthews
Alistair Muir (appointed September 2022)
Victoria Weekes

## Review of operations

The principal activities of the Company and its controlled entities ("the Group") during the financial period were the provision of a broad range of banking and other financial services including consumer, residential, business, rural and commercial lending, deposit-taking, payments services, wealth management, margin lending, and superannuation, treasury, and foreign exchange services.
There have been no significant changes in the nature of the principal activities of the Group during the period.

The Group's statutory net profit after income tax (attributable to owners of the Bank) decreased by $72.3 million, or 22.5%, to $249.0 million when compared with the half year ended 31 December 2021.

Group assets increased by $5.9 billion, or 6.5% to $96.6 billion when compared with the half year ended 31 December 2021.

The total capital adequacy ratio increased during the half year from 13.98% to 14.13%. Tier 1 capital increased during the half year from 11.89% to 12.12%, with Tier 2 capital decreasing from 2.09% to 2.01%. The Common Equity Tier 1 ratio increased during the half year from 9.85% to 10.13%.

Additional analysis of operations for the half year ended 31 December 2022 is set out in Section 1.6 - Group performance commentary.

**Dividends and distributions**
Fully franked dividends paid or declared on ordinary shares during the half year:
> Final dividend of 26.5 cents per share, paid on 29 September 2022 in respect of the year ended 30 June 2022.
> Interim dividend of 29.0 cents per share, declared on 20 February 2023, payable on 31 March 2023.

Fully franked dividends paid on Converting Preference Shares (CPS) and Capital Notes during the half year:
> CPS4 93.76 cents per share, paid on 13 September 2022 and 112.26 cents per share, paid on 13 December 2022.
> Capital notes 97.13 cents per share, paid on 15 September 2022 and 114.37 cents per share, paid on 15 December 2022.

Further details on dividends provided for or paid during the half year ended 31 December 2022 on the Bank's ordinary and preference shares and capital notes are provided in Section 3.7 - Dividends paid and payable of the financial statements.

# Directors' report (continued)

## Significant changes in the state of affairs

The following significant changes in the state of affairs of the Group occurred during the half year:

In September 2022, 2,202,982 shares were allotted at an issue price of $8.55 to those shareholders participating in the Dividend Reinvestment Plan. increasing share capital by $18.8 million. Further to this, 217,023 shares were allotted under the Bonus Share Scheme.

Alistair Muir was appointed as a non-executive director effective 12 September 2022. Jan Harris retired from the Board effective 12 September 2022.

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.

## Rounding of amounts

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

## 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.

## Auditor's Independence Declaration

The Group's Board Audit Committee has conducted an assessment of the independence of the external auditor for the period ended 31 December 2022. The assessment was conducted on the basis of the Group's External Audit Independence Policy and the requirements of the *Corporations Act 2001* . The assessment included a review of non-audit services provided by the auditor and an assessment of the independence declaration issued by the external auditor for the period ended 31 December 2022. The Board Audit Committee's assessment confirmed that the independence requirements have been met. The Board 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
Chair

20 February 2023

Marnie Baker
Chief Executive Officer and Managing Director

20 February 2023

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au



# 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 2022, 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;

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

c. No non-audit services provided that contravene 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

Ernst & Young

T M Dring
Partner
20 February 2023

## Consolidated income statement

### For the half year ended 31 December 2022

| | Note | 31 Dec 22 | 30 Jun 22 | 31 Dec 21 |
|---|---|---|---|---|
| | | Half year ended | | |
| | | $m | $m | $m |
| **Net interest income** | | | | |
| Interest income | | 1,498.7 | 872.0 | 877.1 |
| Interest expense | | (687.9) | (181.9) | (150.4) |
| **Total net interest income** | 3.3 | **810.8** | **690.1** | **726.7** |
| **Other revenue** | | | | |
| Fees | | 65.1 | 69.1 | 72.1 |
| Commissions and management fees | | 32.7 | 27.8 | 29.8 |
| Other income | | (0.8) | (42.3) | 136.5 |
| **Total other revenue** | 3.3 | **97.0** | **54.6** | **238.4** |
| **Total income** | | **907.8** | **744.7** | **965.1** |
| **Credit expenses** | | | | |
| Credit (expenses)/reversals | | (6.4) | 7.8 | 15.6 |
| Bad and doubtful debts recovered | | 0.8 | 1.6 | 2.2 |
| **Total credit (expenses)/reversals** | 3.4 | **(5.6)** | **9.4** | **17.8** |
| **Operating expenses** | | | | |
| Staff and related costs | | (312.5) | (299.2) | (304.9) |
| Occupancy costs | | (17.7) | (17.6) | (18.1) |
| Amortisation and depreciation costs | | (51.9) | (44.4) | (46.5) |
| Fees and commissions | | (11.5) | (9.6) | (9.8) |
| Other operating expenses | | (144.7) | (140.3) | (145.2) |
| **Total operating expenses** | 3.4 | **(538.3)** | **(511.1)** | **(524.5)** |
| Profit before income tax expense | | 363.9 | 243.0 | 458.4 |
| Income tax expense | 3.6 | (114.9) | (76.2) | (137.1) |
| **Net profit attributable to owners of the Bank** | | **249.0** | **166.8** | **321.3** |
| Earnings per share (EPS) | | cents | cents | cents |
| Statutory EPS | 3.8 | 44.1 | 29.7 | 58.0 |
| Diluted EPS | 3.8 | 39.6 | 26.8 | 50.8 |

Bendigo and Adelaide Bank

## Consolidated statement of comprehensive income

### For the half year ended 31 December 2022

| | Half year ended | | |
|---|---|---|---|
| | 31 Dec 22 | 30 Jun 22 | 31 Dec 21 |
| | $m | $m | $m |
| **Profit for the period** | **249.0** | **166.8** | **321.3** |
| **Items which may be reclassified subsequently to profit or loss:** | | | |
| Revaluation loss on debt securities at FVOCI | (11.1) | (69.1) | (15.6) |
| Impairment of debt securities at FVOCI | - | 0.1 | - |
| (Loss)/gain on cash flow hedge instruments | (11.0) | 5.6 | 40.5 |
| Tax effect on items taken directly to or transferred from equity | (2.0) | 22.7 | (2.6) |
| **Total items that may be reclassified to profit or loss** | **(24.1)** | **(40.7)** | **22.3** |
| **Items which will not be reclassified subsequently to profit or loss:** | | | |
| Revaluation (loss)/gain on equity investments at FVOCI | (0.5) | (0.7) | 5.4 |
| Tax effect on items taken directly to or transferred from equity | 0.2 | 0.2 | (1.6) |
| **Total items that will not be reclassified to profit or loss** | **(0.3)** | **(0.5)** | **3.8** |
| **Total comprehensive income for the period** | **224.6** | **125.6** | **347.4** |
| Total comprehensive income for the period attributable to: | | | |
| Owners of the Bank | 224.6 | 125.6 | 347.4 |

## Consolidated balance sheet

### As at 31 December 2022

| | Note | As at 31 Dec 22 $m | As at 30 Jun 22 $m | As at 31 Dec 21 $m |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | 3.10 | 8,007.0 | 3,541.0 | 9,493.3 |
| Due from other financial institutions | 3.10 | 222.1 | 188.0 | 200.4 |
| Financial assets at fair value through profit or loss (FVTPL) | | 8.8 | 30.5 | 58.0 |
| Financial assets at amortised cost | | 694.4 | 861.7 | 572.8 |
| Financial assets at fair value through other comprehensive income (FVOCI) | | 7,468.6 | 9,618.1 | 3,554.9 |
| Derivatives | | 10.5 | 59.9 | 46.9 |
| Net loans and other receivables | | 76,768.3 | 77,610.4 | 73,504.7 |
| Investments accounted for using the equity method | | 13.2 | 14.5 | 14.5 |
| Property, plant and equipment | | 171.2 | 179.6 | 185.9 |
| Deferred tax assets | | 60.5 | 48.6 | - |
| Investment property | | 897.4 | 920.3 | 1,004.3 |
| Goodwill and other intangible assets | | 1,845.1 | 1,808.3 | 1,771.6 |
| Other assets | | 480.0 | 362.8 | 375.3 |
| **Total Assets** | | **96,647.1** | **95,243.7** | **90,782.6** |
| **Liabilities** | | | | |
| Due to other financial institutions | 3.10 | 137.7 | 178.8 | 116.1 |
| Deposits | | 76,455.4 | 74,583.9 | 70,370.6 |
| Other borrowings | | 11,100.7 | 11,703.0 | 11,579.5 |
| Derivatives | | 18.2 | 34.8 | 32.7 |
| Income tax payable | | 45.3 | 50.6 | 26.6 |
| Provisions | | 114.0 | 122.2 | 116.8 |
| Deferred tax liabilities | | - | - | 0.8 |
| Other payables | | 597.2 | 492.4 | 486.2 |
| Loan capital | | 1,369.0 | 1,366.1 | 1,364.2 |
| **Total Liabilities** | | **89,837.5** | **88,531.8** | **84,093.5** |
| **Net Assets** | | **6,809.6** | **6,711.9** | **6,689.1** |
| **Equity** | | | | |
| Share capital | 3.11 | 5,240.1 | 5,219.5 | 5,181.3 |
| Reserves | | 88.1 | 105.9 | 146.8 |
| Retained earnings | | 1,481.4 | 1,386.5 | 1,361.0 |
| **Total Equity** | | **6,809.6** | **6,711.9** | **6,689.1** |

# Consolidated statement of changes in equity

## For the half year ended 31 December 2022

| | Attributable to owners of Bendigo and Adelaide Bank Limited | | | | |
|---|---|---|---|---|---|
| | Issued ordinary capital [1] $m | Other Issued capital [1] $m | Retained earnings $m | Reserves $m | Total equity $m |
| Opening balance at 1 July 2022 | 5,222.5 | (3.0) | 1,386.5 | 105.9 | 6,711.9 |
| **Comprehensive income** | | | | | |
| Profit for the period | - | - | 249.0 | - | 249.0 |
| Other comprehensive income | - | - | - | (24.4) | (24.4) |
| **Total comprehensive income for the period** | **-** | **-** | **249.0** | **(24.4)** | **224.6** |
| Transactions with owners in their capacity as owners: | | | | | |
| Shares issued | 18.8 | - | - | - | 18.8 |
| Sale and vesting of treasury shares | 1.3 | - | - | - | 1.3 |
| Movement in Executive Share plans | 0.2 | - | - | - | 0.2 |
| Reduction in employee share ownership plan (ESOP) shares | - | 0.3 | - | - | 0.3 |
| Movement in Equity reserve for credit losses (ERCL) | - | - | (7.4) | 7.4 | - |
| Share-based payment | - | - | 0.3 | (0.8) | (0.5) |
| Transfer from reserves | - | - | 0.4 | - | 0.4 |
| Equity dividends | - | - | (147.4) | - | (147.4) |
| **Closing balance at 31 December 2022** | **5,242.8** | **(2.7)** | **1,481.4** | **88.1** | **6,809.6** |

## For the half year ended 30 June 2022

| | Attributable to owners of Bendigo and Adelaide Bank Limited | | | | |
|---|---|---|---|---|---|
| | Issued ordinary capital [1] $m | Other Issued capital [1] $m | Retained earnings $m | Reserves $m | Total equity $m |
| Opening balance at 1 January 2022 | 5,184.7 | (3.4) | 1,361.0 | 146.8 | 6,689.1 |
| **Comprehensive income** | | | | | |
| Profit for the period | - | - | 166.8 | - | 166.8 |
| Other comprehensive income | - | - | - | (41.2) | (41.2) |
| **Total comprehensive income for the period** | **-** | **-** | **166.8** | **(41.2)** | **125.6** |
| Transactions with owners in their capacity as owners: | | | | | |
| Shares issued | 37.9 | - | - | - | 37.9 |
| Movement in Executive Share plans | (0.1) | - | - | - | (0.1) |
| Reduction in employee share ownership plan (ESOP) shares | - | 0.4 | - | - | 0.4 |
| Movement in Equity reserve for credit losses (ERCL) | - | - | (0.4) | 0.4 | - |
| Movement in operational risk reserve | - | - | 4.6 | (4.6) | - |
| Share-based payment | - | - | 0.1 | 4.5 | 4.6 |
| Equity dividends | - | - | (145.6) | - | (145.6) |
| **Closing balance at 30 June 2022** | **5,222.5** | **(3.0)** | **1,386.5** | **105.9** | **6,711.9** |

[1] Refer to Note 3.11 for further details.

# Consolidated statement of changes in equity (continued)

## For the half year ended 31 December 2021

| | Attributable to owners of Bendigo and Adelaide Bank Limited | | | | |
|---|---|---|---|---|---|
| | Issued ordinary capital [1] $m | Other Issued capital [1] $m | Retained earnings $m | Reserves $m | Total equity $m |
| Opening balance at 1 July 2021 | 5,053.1 | (3.6) | 1,166.0 | 138.0 | 6,353.5 |
| **Comprehensive income** | | | | | |
| Profit for the period | - | - | 321.3 | - | 321.3 |
| Other comprehensive income | - | - | - | 26.1 | 26.1 |
| **Total comprehensive income for the period** | **-** | **-** | **321.3** | **26.1** | **347.4** |
| Transactions with owners in their capacity as owners: | | | | | |
| Shares issued | 140.2 | - | - | - | 140.2 |
| Purchase of treasury shares | (8.6) | - | - | - | (8.6) |
| Reduction in employee share ownership plan (ESOP) shares | - | 0.2 | - | - | 0.2 |
| Movement in Equity reserve for credit losses (ERCL) | - | - | 17.3 | (17.3) | - |
| Movement in operational risk reserve | - | - | (0.4) | 0.4 | - |
| Share-based payment | - | - | 0.8 | (0.4) | 0.4 |
| Equity dividends | - | - | (144.0) | - | (144.0) |
| **Closing balance at 31 December 2021** | **5,184.7** | **(3.4)** | **1,361.0** | **146.8** | **6,689.1** |

[1] Refer to Note 3.11 for further details.

# Consolidated cash flow statement

## For the half year ended 31 December 2022

| | | As at | | |
|---|---|---|---|---|
| | | 31 Dec 22 | 30 Jun 22 | 31 Dec 21 |
| | Note | $m | $m | $m |
| **Cash flows from operating activities** | | | | |
| Interest and other items of a similar nature received | | 1,396.5 | 883.0 | 929.5 |
| Interest and other costs of finance paid | | (524.3) | (163.2) | (187.9) |
| Receipts from customers (excluding effective interest) | | 125.2 | 128.3 | 129.3 |
| Payments to suppliers and employees | | (589.6) | (519.1) | (546.7) |
| Dividends received | | 0.7 | 0.5 | 4.7 |
| Income taxes paid | | (134.1) | (78.2) | (117.1) |
| **Cash flows from operating activities before changes in operating assets and liabilities** | | **274.4** | **251.3** | **211.8** |
| **(Increase)/decrease in operating assets** | | | | |
| Net decrease/(increase) in balance of loans and other receivables | | 835.6 | (4,097.9) | (1,568.5) |
| Net decrease/(increase) in balance of investment securities | | 2,330.0 | (6,396.8) | 16.7 |
| **Increase/(decrease) in operating liabilities** | | | | |
| Net increase in balance of deposits | | 1,871.5 | 4,744.4 | 3,622.4 |
| Net (decrease)/increase in balance of other borrowings | | (602.3) | (407.6) | 374.3 |
| **Net cash flows from/(used in) operating activities** | | **4,709.2** | **(5,906.6)** | **2,656.7** |
| **Cash flows related to investing activities** | | | | |
| Cash paid for purchases of property, plant and equipment | | (10.1) | (9.0) | (5.5) |
| Cash proceeds from sale of property, plant and equipment | | 0.1 | 0.3 | 2.6 |
| Cash paid for purchases of investment property | | (28.2) | (23.5) | (28.4) |
| Cash proceeds from sale of investment property | | 27.9 | 39.6 | 31.4 |
| Cash proceeds from sale of equity investments | | - | - | 0.8 |
| Cash paid for purchases of equity investments | | - | - | (5.0) |
| Cash proceeds from return of capital/dividend from JV partners | | 0.7 | 0.8 | 1.1 |
| Net cash received on acquisition of a business combination/acquisition | | - | - | 0.5 |
| Net cash proceeds from sale of Insurance Broking and Debtor Financing businesses | | - | - | 4.0 |
| **Net cash flows (used in)/from investing activities** | | **(9.6)** | **8.2** | **1.5** |
| **Cash flows from financing activities** | | | | |
| Cash paid for purchases of treasury shares | | - | (0.1) | (8.6) |
| Repayment of loan capital | | - | - | (21.1) |
| Payment of loan capital issue costs | | - | (0.6) | (0.1) |
| Proceeds from issuance of subordinated debt | | - | 124.3 | 0.7 |
| Repayment of subordinated debt | | - | (125.0) | - |
| Equity dividends paid | | (128.6) | (107.7) | (106.0) |
| Repayment of lease liabilities | | (30.1) | (20.3) | (30.0) |
| Repayment of ESOP shares | | 0.3 | 0.4 | 0.2 |
| **Net cash flows used in financing activities** | | **(158.4)** | **(129.0)** | **(164.9)** |
| Net increase/(decrease) in cash and cash equivalents | | 4,541.2 | (6,027.4) | 2,493.3 |
| Cash and cash equivalents at the beginning of period | | 3,550.2 | 9,577.6 | 7,084.3 |
| **Cash and cash equivalents at the end of period** | 3.10 | **8,091.4** | **3,550.2** | **9,577.6** |

# Notes to and forming part of the financial statements

## 3.1 Corporate information

The half year financial report of Bendigo and Adelaide Bank Limited and its subsidiaries (the Group) for the six months ended 31 December 2022 was authorised for issue in accordance with a resolution of the Board of Directors on 20 February 2023. The Directors have the power to amend and reissue the financial statements.

Bendigo and Adelaide Bank Limited is a company limited by shares incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange. The registered office is 22 - 44 Bath Lane, Bendigo, Victoria, 3550, Australia.

The domicile of Bendigo and Adelaide Bank Limited is Australia.

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

## 3.2 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 2022, 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 2022 annual financial report, as disclosed below.

### Basis of preparation

The financial report of Bendigo and Adelaide Bank Limited:

> is a general purpose financial report;

> has been prepared in accordance with Australian Accounting Standards, including AASB 134 *Interim Financial Reporting*, along with interpretations issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);

> has been prepared in accordance with the requirements of the *Corporations Act 2001*;

> has been prepared in accordance with the requirements for an authorised deposit-taking institution under the *Banking Act 1959 (as amended)*;

> has been presented in Australian dollars, which is the functional presentation currency of the Bank and each of its subsidiaries, with all values rounded to the nearest hundred thousand dollar ($'00,000) in accordance with ASIC Corporations (rounding in Financial/Directors' Reports) instrument 2016-191, unless otherwise stated;

> includes foreign currency transactions that are translated into the functional currency using exchange rates at the date of the transaction; and

> where necessary, presents reclassified comparatives for consistency with current year disclosures.

### Basis of measurement

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

> Financial assets and liabilities at fair value through profit or loss (FVTPL)

> Derivative financial instruments

> Debt and equity instruments measured at fair value through other comprehensive income (FVOCI)

## 3.2 Summary of significant accounting policies (continued)

### 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.

### Events subsequent to reporting date

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

### Changes in accounting policies

#### New and amended standards and interpretations

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

#### Recently issued or amended standards not yet effective

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

> AASB 17 *Insurance Contracts* ;

> Classification of liabilities as current or non-current (Amendments to AASB 101);

> Disclosure of Accounting Policy (Amendments to AASB 101 and IFRS Practice Statement 2);

> Definition of Accounting Estimate (Amendments to AASB 108);

> Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction / Amendments to AASB 112 *Income Taxes;* and

> Lease liability in Sale and Leaseback (amendments to AASB 16).

## 3.2 Summary of significant accounting policies (continued)

### Impairment of loans and advances

During 1H23, the collectively assessed provision was increased by $6.6 million, reflecting the continued economic uncertainty caused by high rates of inflation, rapidly increasing interest rates, the risk of significant declines in residential property and fears of a global recession.

### Forward-looking information

The estimation of expected credit losses for each stage and the assessment of significant increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information may require significant judgement, particularly during periods of economic uncertainty. In assessing the forward-looking information, the Group has considered the potential impacts of the conflict in Europe, escalating inflation, recession fears and increasing interest rates. The Group's expectations of future events have been based on a range of plausible scenarios and are believed to be reasonable and supportable. Under the circumstances, however, it is recognised that uncertainty still exists and actual results may differ from these estimates.

### Macroeconomic factors

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

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

### Multiple forward-looking scenarios

The Group determines its allowance for credit losses using five probability-weighted forward-looking scenarios. The Group considers both internal and external sources of information and data in order to achieve unbiased projections and forecasts.

The forecasts are based on consensus forecasts and expert judgement to formulate a 'base case' view of the most probable future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The process involves the development of four additional economic scenarios and consideration of the relative probabilities of each outcome. The 'base case' represents the most likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. Two downside and two upside scenarios are also generated in addition to the base case. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables, credit risk and credit losses.

The assessment and determination of forward-looking assumptions in the current environment is challenging given the inherent uncertainties surrounding the European conflict and global economic environment.

The Group's base case economic forecast used for the collective provision assessment as at 31 December 2022 reflects a slowing of growth due to a significantly higher interest rate and record pace of tightening by the Reserve Bank of Australia (RBA). This is mainly due to a surge in energy and inflationary pressures. GDP growth is forecasted to slow to around 1.5% by December 2023, remaining at that level until the end of 2024. Interest rates are forecasted to peak at 3.6% towards the end of 2023. The labour market is expected to remain strong until mid-2023 before the unemployment rate gradually increases to 4.8% by the end of 2024.

## 3.2 Summary of significant accounting policies (continued)

### Multiple forward-looking scenarios (continued)

As interest rates continue to increase, house prices are projected to fall by up to 15% by mid-2025 from December 2022 levels. Commercial property prices are expected to remain under pressure. There is currently very low volume of transactions in this market which is, along with other factors, keeping prices inflated. This is not sustainable, and the expectation is that we will see some adjustments coming through from 2H23, with the most significant impact expected to be in the CBD Retail market.

The Group's significant deterioration scenario was based on 96th percentile scenario, adjusted in line with the base forecast. In this scenario, GDP growth is projected to be negative for 5 quarters while the unemployment rate peaks at 8.8% by March 2025. House prices are projected to fall by 20% and commercial property prices by 43% on average over the next 2 years.

The table below illustrates the weightings applied to the scenarios for the purpose of calculation the collectively assessed provisions:

| Weightings | 31 Dec 22 | 30 Jun 22 |
|---|---|---|
| Base scenario | 50.0% | 50.0% |
| Significant improvement | 0.0% | 0.0% |
| Mild improvement | 0.0% | 0.0% |
| Mild deterioration | 27.5% | 27.5% |
| Significant deterioration | 22.5% | 22.5% |

It was decided to retain the probabilities to the downside given the uncertainty of the current economic environment. The probabilities for the agricultural lending portfolio were also retained to reflect the risks associated with price pressures, higher input costs and inflated farmland values. Given the strength of this market, the probabilities are still more optimistic than for the rest of the Group with 50% base scenario, 10% mild improvement, 35% mild deterioration, and 5% significant deterioration (December 2021: 53% base scenario, 25% mild deterioration, 20% mild improvement, and 1% each to the remaining two scenarios).

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

| Scenario Outcomes | 31 Dec 22 $m [1] | 30 Jun 22 $m [1] |
|---|---|---|
| 100% Base scenario | 211.9 | 206.6 |
| 100% Significant improvement | 204.4 | 189.8 |
| 100% Mild improvement | 209.6 | 196.0 |
| 100% Mild deterioration | 241.8 | 229.2 |
| 100% Significant deterioration | 274.2 | 266.2 |

[1] These outcomes exclude the Equity Reserve for Credit Losses (ERCL).

## 3.2 Summary of significant accounting policies (continued)

### Homesafe Trust

#### Valuation methodology

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

Assumptions used in the modelling of future cash flows are sourced from market indices of property values (CoreLogic Hedonic Home Value Index) 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/(depreciation), discount rates, selling costs, mortality rates and future CPI increases.

The Group has revised the assumptions upon which the Homesafe valuation is calculated to ensure consistency with the Group's forecasts for the property market as determined by the Economic Outlook Workgroup (EOW), taking into account the specific characteristics of the portfolio. The Group has applied a discount rate of 6.75% (June 2022: 5.75%) and property appreciation rates of -3.0% for the first year, 1.0% for the second year, and 5.0% per annum thereafter (June 2022: -5.0% for the first year, -2.0% for the second year, and 4.0% per annum thereafter).

#### Fair value measurement

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

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

| Valuation technique | Significant unobservable inputs | Range of estimates for unobservable inputs | | Fair value measurement sensitivity to unobservable inputs | Effect of reasonably possible alternative assumptions | |
|---|---|---|---|---|---|---|
| | | Favourable change | Unfavourable change | | Favourable change | Unfavourable change |
| Discounted cash flow | Rates of property appreciation ~ short-term growth rates: Year 1: (3%) Year 2: 1% | Year 1: (2%) Year 2: 2% | Year 1: (4%) Year 2: 0% | Significant increases in these inputs would result in higher fair values. | $16.7 | ($16.4) |
| | Rates of property appreciation ~ long-term growth rate 5% | 6% | 4% | Significant increases in these inputs would result in higher fair values. | $75.8 | ($66.8) |
| | Discount rates ~ 6.75% | 5.75% | 7.75% | Significant increases in these inputs would result in lower fair values. | $95.1 | ($81.7) |

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.

## 3.3 Income

| | Half year ended | | |
|---|---|---|---|
| | 31 Dec 22 | 30 Jun 22 | 31 Dec 21 |
| | $m | $m | $m |
| **Interest income** | | | |
| **Effective interest income** | | | |
| Cash and cash equivalents | 63.2 | 1.5 | 0.2 |
| Assets held at FVTPL | 0.4 | 0.3 | 0.6 |
| Assets held at FVOCI | 92.8 | 12.8 | 3.2 |
| Assets held at amortised cost | 6.5 | 1.5 | 0.4 |
| Reverse repurchase agreements | 4.1 | 0.6 | 0.1 |
| Loans and other receivables | 1,331.7 | 855.3 | 872.6 |
| **Total interest income** | **1,498.7** | **872.0** | **877.1** |
| | | | |
| **Interest expense** | | | |
| Deposits | | | |
| Customer | (409.9) | (87.8) | (75.3) |
| Wholesale | (135.2) | (25.8) | (11.1) |
| Wholesale borrowings | | | |
| Other wholesale borrowings - domestic | (45.3) | (18.3) | (15.3) |
| Notes payable | (60.6) | (24.6) | (22.8) |
| Repurchase agreements | (3.8) | (3.7) | (3.8) |
| Lease liability | (2.1) | (2.3) | (2.6) |
| Loan capital | (31.0) | (19.4) | (19.5) |
| **Total interest expense** | **(687.9)** | **(181.9)** | **(150.4)** |
| **Total net interest income** | **810.8** | **690.1** | **726.7** |
| | | | |
| **Other revenue** | | | |
| Fee income | | | |
| Assets | 36.4 | 40.6 | 40.8 |
| Liabilities and other products | 26.7 | 26.0 | 29.5 |
| Trustee, management and other services | 2.0 | 2.5 | 1.8 |
| **Total fee income** | **65.1** | **69.1** | **72.1** |
| | | | |
| Commissions and management fees | 32.7 | 27.8 | 29.8 |
| **Total revenue from contracts with customers** | **97.8** | **96.9** | **101.9** |
| | | | |
| **Other income** | | | |
| Foreign exchange income | 14.1 | 12.2 | 12.1 |
| Factoring products income | - | 0.2 | 0.4 |
| Trading book income/(loss) | 0.1 | 0.1 | (0.8) |
| Homesafe revaluation (loss)/gain | (23.2) | (67.1) | 105.6 |
| Dividend income | 0.5 | 0.5 | 4.4 |
| Other | 7.7 | 11.8 | 14.8 |
| **Total other income** | **(0.8)** | **(42.3)** | **136.5** |
| | | | |
| **Total other revenue** | **97.0** | **54.6** | **238.4** |

## 3.4 Expenses

| | Half year ended | | |
|---|---|---|---|
| | 31 Dec 22 | 30 Jun 22 | 31 Dec 21 |
| | $m | $m | $m |
| **Credit expenses** | | | |
| Individually assessed provision | 0.9 | 5.1 | (3.2) |
| Collectively assessed provision | (6.6) | 3.7 | 17.1 |
| Bad debts written off | (0.7) | (1.0) | 1.7 |
| Bad debts recovered | 0.8 | 1.6 | 2.2 |
| **Total credit (expenses)/reversals** | **(5.6)** | **9.4** | **17.8** |
| | | | |
| **Operating expenses** | | | |
| Staff and related costs | | | |
| Salaries, wages and incentives | (268.5) | (255.6) | (263.4) |
| Superannuation contributions | (26.2) | (24.3) | (23.9) |
| Other staff related costs | (17.8) | (19.3) | (17.6) |
| **Total staff and related costs** | **(312.5)** | **(299.2)** | **(304.9)** |
| | | | |
| **Occupancy costs** | | | |
| Operating lease rentals | (3.0) | (3.4) | (2.9) |
| Depreciation of leasehold improvements | (4.3) | (4.1) | (4.2) |
| Other | (10.4) | (10.1) | (11.0) |
| **Total occupancy costs** | **(17.7)** | **(17.6)** | **(18.1)** |
| | | | |
| **Amortisation and depreciation** | | | |
| Amortisation of acquired intangibles | (3.5) | (3.6) | (2.4) |
| Amortisation of software intangibles | (21.3) | (16.8) | (16.6) |
| Depreciation of property, plant and equipment | (27.1) | (24.0) | (27.5) |
| **Total amortisation and depreciation costs** | **(51.9)** | **(44.4)** | **(46.5)** |
| | | | |
| **Fees and commission expense** | **(11.5)** | **(9.6)** | **(9.8)** |
| | | | |
| **Other operating expenses** | | | |
| Communications, postage and stationery | (16.9) | (16.7) | (17.1) |
| Computer systems and software costs | (50.3) | (44.2) | (42.8) |
| Advertising and promotion | (13.9) | (10.7) | (12.2) |
| Other product and services delivery costs | (9.2) | (8.6) | (8.4) |
| Consultancy fees | (18.5) | (11.1) | (21.2) |
| Non-credit losses | (12.9) | (7.0) | (6.2) |
| Insurance costs | (5.5) | (6.0) | (6.4) |
| Other expenses | (17.5) | (36.0) | (30.9) |
| **Total other operating expenses** | **(144.7)** | **(140.3)** | **(145.2)** |
| | | | |
| **Total operating expenses** | **(538.3)** | **(511.1)** | **(524.5)** |

## 3.4 Expenses (continued)

### Recognition and measurement

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

**Trading book income/(loss)** 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 (loss)/gain** reflects the losses or gains arising from changes in the fair value of investment property and are recognised in the year in which they arise.

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

**Credit (expenses)/reversals** are measured as the difference between the carrying amount and the value of the estimated future cash flows, discounted at the financial instrument's original effective interest rate.

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

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

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

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

**Goods and services tax (GST)**
Revenues, expenses and assets are recognised net of the amount of GST except:
> where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
> receivables and payables are stated with the amount of GST included.

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

## 3.5 Segment reporting

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

Changes to the management structure of the Group can cause the Group's operating segments to change. Where this occurs, prior period segment results are restated.

**Consumer**

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

**Business and Agribusiness**

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

**Corporate**

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

### Accounting policies and inter-segment transactions

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

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

### Major customers

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

### Geographic Information

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

### Consumer

| | Half year ending | | | | | | |
|---|---|---|---|---|---|---|---|
| | 31 Dec 22 | 30 Jun 22 | 31 Dec 22 to 30 Jun 22 | | 31 Dec 21 | 31 Dec 22 to 31 Dec 21 | |
| | $m | $m | $m | % | $m | $m | % |
| Net interest income | 629.7 | 450.4 | 179.3 | 39.8 | 467.0 | 162.7 | 34.8 |
| Other income | 108.4 | 111.4 | (3.0) | (2.7) | 108.6 | (0.2) | (0.2) |
| **Total income** | **738.1** | **561.8** | **176.3** | **31.4** | **575.6** | **162.5** | **28.2** |
| Operating expenses | (229.1) | (215.0) | (14.1) | (6.6) | (218.5) | (10.6) | (4.9) |
| Credit (expenses)/reversals | (4.9) | (1.0) | (3.9) | (390.0) | 5.5 | (10.4) | (189.1) |
| **Total expenses** | **(234.0)** | **(216.0)** | **(18.0)** | **(8.3)** | **(213.0)** | **(21.0)** | **(9.9)** |
| Income tax expense | (158.3) | (107.0) | (51.3) | (47.9) | (109.0) | (49.3) | (45.2) |
| **Cash earnings after income tax expense** | **345.8** | **238.8** | **107.0** | **44.8** | **253.6** | **92.2** | **36.4** |
| Non-cash net interest income items | (7.7) | (0.3) | (7.4) | (2,466.7) | (0.2) | (7.5) | (3,750.0) |
| Non-cash other income items | (28.0) | (64.0) | 36.0 | 56.3 | 64.4 | (92.4) | (143.5) |
| Non-cash operating expense items | (2.0) | (4.3) | 2.3 | 53.5 | (4.1) | 2.1 | 51.2 |
| **Statutory earnings after income tax expense** | **308.1** | **170.2** | **137.9** | **81.0** | **313.7** | **(5.6)** | **(1.8)** |
| Reportable segment assets | 58,938.0 | 58,724.3 | 213.7 | 0.4 | 55,342.3 | 3,595.7 | 6.5 |
| Reportable segment liabilities | 55,228.0 | 52,957.4 | 2,270.6 | 4.3 | 50,730.3 | 4,497.7 | 8.9 |

## 3.5 Segment reporting (continued)

### Business and Agribusiness

| | Half year ending | | | | | | |
|---|---|---|---|---|---|---|---|
| | 31 Dec 22 | 30 Jun 22 | 31 Dec 22 to 30 Jun 22 | | 31 Dec 21 | 31 Dec 22 to 31 Dec 21 | |
| | $m | $m | $m | % | $m | $m | % |
| Net interest income | 261.8 | 227.8 | 34.0 | 14.9 | 250.3 | 11.5 | 4.6 |
| Other income | 28.2 | 29.3 | (1.1) | (3.8) | 32.3 | (4.1) | (12.7) |
| **Total income** | **290.0** | **257.1** | **32.9** | **12.8** | **282.6** | **7.4** | **2.6** |
| Operating expenses | (63.0) | (66.5) | 3.5 | 5.3 | (66.2) | 3.2 | 4.8 |
| Credit reversals | - | 9.4 | (9.4) | (100.0) | 5.1 | (5.1) | (100.0) |
| **Total expenses** | **(63.0)** | **(57.1)** | **(5.9)** | **(10.3)** | **(61.1)** | **(1.9)** | **(3.1)** |
| Income tax expense | (71.6) | (61.9) | (9.7) | (15.7) | (66.9) | (4.7) | (7.0) |
| **Cash earnings after income tax expense** | **155.4** | **138.1** | **17.3** | **12.5** | **154.6** | **0.8** | **0.5** |
| Non-cash other income items | 0.4 | - | 0.4 | - | 1.7 | (1.3) | (76.5) |
| Non-cash operating expense items | (1.6) | (1.9) | 0.3 | 15.8 | (0.5) | (1.1) | (220.0) |
| **Statutory earnings after income tax expense** | **154.2** | **136.2** | **18.0** | **13.2** | **155.8** | **(1.6)** | **(1.0)** |
| Reportable segment assets | 18,704.0 | 19,743.8 | (1,039.8) | (5.3) | 19,065.1 | (361.1) | (1.9) |
| Reportable segment liabilities | 17,542.0 | 18,075.8 | (533.8) | (3.0) | 16,720.0 | 822.0 | 4.9 |

### Corporate

| | Half year ending | | | | | | |
|---|---|---|---|---|---|---|---|
| | 31 Dec 22 | 30 Jun 22 | 31 Dec 22 to 30 Jun 22 | | 31 Dec 21 | 31 Dec 22 to 31 Dec 21 | |
| | $m | $m | $m | % | $m | $m | % |
| Net interest income | (69.7) | 12.3 | (82.0) | (666.7) | 9.6 | (79.3) | (826.0) |
| Other income | (0.2) | 5.3 | (5.5) | (103.8) | 5.6 | (5.8) | (103.6) |
| **Total income** | **(69.9)** | **17.6** | **(87.5)** | **(497.2)** | **15.2** | **(85.1)** | **(559.9)** |
| Operating expenses | (231.1) | (217.1) | (14.0) | (6.4) | (233.0) | 1.9 | 0.8 |
| Credit (expenses)/reversals | (0.7) | 1.0 | (1.7) | (170.0) | 7.2 | (7.9) | (109.7) |
| **Total expenses** | **(231.8)** | **(216.1)** | **(15.7)** | **(7.3)** | **(225.8)** | **(6.0)** | **(2.7)** |
| Income tax expense | 95.2 | 61.3 | 33.9 | 55.3 | 63.1 | 32.1 | 50.9 |
| **Cash earnings after income tax expense** | **(206.5)** | **(137.2)** | **(69.3)** | **(50.5)** | **(147.5)** | **(59.0)** | **(40.0)** |
| Non-cash operating expense items | (6.8) | (2.4) | (4.4) | (183.3) | (0.7) | (6.1) | (871.4) |
| **Statutory earnings after income tax expense** | **(213.3)** | **(139.6)** | **(73.7)** | **(52.8)** | **(148.2)** | **(65.1)** | **(43.9)** |
| Reportable segment assets | 19,005.1 | 16,775.6 | 2,229.5 | 13.3 | 16,375.2 | 2,629.9 | 16.1 |
| Reportable segment liabilities | 13,794.3 | 13,662.3 | 132.0 | 1.0 | 12,673.3 | 1,121.0 | 8.8 |

| | As at | | |
|---|---|---|---|
| | 31 Dec 22 | 30 Jun 22 | 31 Dec 21 |
| Reconciliation of reportable segments to consolidated assets and liabilities | $m | $m | $m |
| Total assets for operating segments | 96,647.1 | 95,243.7 | 90,782.6 |
| **Total assets** | **96,647.1** | **95,243.7** | **90,782.6** |
| Total liabilities for operating segments | 86,564.3 | 84,695.5 | 80,123.6 |
| Notes payable | 3,273.2 | 3,836.3 | 3,969.9 |
| **Total liabilities** | **89,837.5** | **88,531.8** | **84,093.5** |

## 3.6 Income tax

### For the half year ended 31 December 2022

The major components of income tax expense for the half year ended 31 December 2022 are:

| Income Statement | 31 Dec 22 $m | 30 Jun 22 $m | 31 Dec 21 $m |
|---|---|---|---|
| **Current income tax** | | | |
| Current income tax charge | (129.7) | (107.7) | (101.5) |
| Franking credits | - | 0.6 | 2.2 |
| Adjustments in respect of current income tax of previous years | 0.5 | (0.2) | 5.9 |
| **Deferred income tax** | | | |
| Adjustments in respect of current income tax of previous years | - | - | (4.6) |
| Relating to origination and reversal of temporary differences | 14.3 | 31.1 | (39.1) |
| **Income tax expense reported in the Income Statement** | **(114.9)** | **(76.2)** | **(137.1)** |

## 3.7 Dividends paid and payable

### Ordinary shares (ASX:BEN)

**Dividends paid**

| Date paid | Cents per share (¢) | Total amount ($m) | Date paid | Cents per share (¢) | Total amount ($m) | Date paid | Cents per share (¢) | Total amount ($m) |
|---|---|---|---|---|---|---|---|---|
| June 2022 final dividend | | | December 2021 interim dividend | | | June 2021 final dividend | | |
| Sep 2022 | 26.5 | 147.4 | Mar 2022 | 26.5 | 145.6 | Sep 2021 | 26.5 | 144.0 |

**Interim dividend December 2022** [1]

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

| Date payable | ¢ | $m |
|---|---|---|
| Mar 2023 | 29.0 | 162.1 |

All dividends paid were fully franked at 30% either from existing franking credits or from franking credits arising from payment of income tax provided for in the financial statements for the half year ended 31 December 2022.

[1] Dividend amount payable is indicative as it is based on expected Bonus Share Scheme participation recorded at reporting date and is subject to finalisation upon confirmation by shareholders electing to participate in the Group's Bonus Share Scheme.

### Preference shares and Capital notes

| 31 Dec 22 | | | 30 Jun 22 | | | 31 Dec 21 | | |
|---|---|---|---|---|---|---|---|---|
| Date paid | Cents per share (¢) | Total amount ($m) | Date paid | Cents per share (¢) | Total amount ($m) | Date paid | Cents per share (¢) | Total amount ($m) |
| Converting preference shares (CPS4) (recorded as debt instruments) (ASX: BENPG) | | | | | | | | |
| Sep 2022 | 93.76 | 3.0 | Mar 2022 | 67.25 | 2.2 | Sep 2021 | 65.15 | 2.1 |
| Dec 2022 | 112.26 | 3.6 | Jun 2022 | 68.14 | 2.2 | Dec 2021 | 65.65 | 2.1 |
| | **206.02** | **6.6** | | **135.39** | **4.4** | | **130.80** | **4.2** |
| Capital notes (recorded as debt instruments) (ASX: BENPH) | | | | | | | | |
| Sep 2022 | 97.13 | 4.9 | Mar 2022 | 66.66 | 3.4 | Sep 2021 | 67.48 | 3.4 |
| Dec 2022 | 114.37 | 5.7 | Jun 2022 | 69.77 | 3.5 | Dec 2021 | 66.51 | 3.3 |
| | **211.50** | **10.6** | | **136.43** | **6.9** | | **133.99** | **6.7** |

## 3.8 Earnings per ordinary share

| | Half year ended | | |
|---|---|---|---|
| | 31 Dec 22 | 30 Jun 22 | 31 Dec 21 |
| Earnings per ordinary share | Cents per share | | |
| Statutory | 44.1 | 29.7 | 58.0 |
| Diluted | 39.6 | 26.8 | 50.8 |

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

| Reconciliation of earnings used in calculation of EPS | $m | $m | $m |
|---|---|---|---|
| Net profit for the half-year (after tax) | 249.0 | 166.8 | 321.3 |
| **Total statutory earnings** | **249.0** | **166.8** | **321.3** |
| | | | |
| Earnings used in calculating statutory EPS | 249.0 | 166.8 | 321.3 |
| Add back : Dividends accrued and/or paid on dilutive loan capital | 12.5 | 8.1 | 7.8 |
| **Total diluted earnings** | **261.5** | **174.9** | **329.1** |

| | As at | | |
|---|---|---|---|
| Reconciliation of weighted average number of ordinary shares (WANOS) | 31 Dec 22 | 30 Jun 22 | 31 Dec 21 |
| used in EPS calculations | No. of shares | | |
| WANOS used in the calculation of statutory EPS | 564,529,768 | 561,023,765 | 554,108,106 |
| Effect of dilution - executive performance rights | 4,225,561 | 4,466,549 | 3,213,958 |
| Effect of dilution - other debt issues | 92,211,444 | 86,491,555 | 89,979,071 |
| **WANOS used in the calculation of diluted EPS** | **660,966,774** | **651,981,869** | **647,301,135** |

### Potentially dilutive instruments

The following instruments are potentially dilutive during the reporting period:

| | 31 Dec 22 | 30 Jun 22 | 31 Dec 21 |
|---|---|---|---|
| Loan capital instruments | Yes | Yes | Yes |
| Executive share options | Yes | Yes | Yes |
| Executive performance rights | Yes | Yes | Yes |
| Subordinated note (with non viability clause) | No | No | No |

### Recognition and measurement

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

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

Executive performance rights - classification of securities

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

## 3.9 Return on average ordinary equity

| | Half year ended | | |
|---|---|---|---|
| | 31 Dec 22 | 30 Jun 22 | 31 Dec 21 |
| | % | % | % |
| Return on average ordinary equity (statutory basis) | 7.43% | 5.11% | 9.99% |
| Return on average ordinary equity (cash basis) | 8.79% | 7.34% | 8.11% |

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

| | As at | | |
|---|---|---|---|
| | 31 Dec 22 | 30 Jun 22 | 31 Dec 21 |
| | $m | $m | $m |
| Ordinary issued capital | 5,242.8 | 5,222.5 | 5,184.7 |
| Retained earnings | 1,481.4 | 1,386.5 | 1,361.0 |
| **Total ordinary equity** | **6,724.2** | **6,609.0** | **6,545.7** |
| | | | |
| **Average ordinary equity** [1] | **6,649.7** | **6,586.6** | **6,379.0** |

[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 2022 annual financial report for the full details of this policy.

## 3.10 Cash flow information

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

| | As at | | |
|---|---|---|---|
| | 31 Dec 22 | 30 Jun 22 | 31 Dec 21 |
| | $m | $m | $m |
| Cash and cash equivalents | 8,007.0 | 3,541.0 | 9,493.3 |
| Due from other financial institutions | 222.1 | 188.0 | 200.4 |
| Due to other financial institutions | (137.7) | (178.8) | (116.1) |
| **Total cash and cash equivalents** | **8,091.4** | **3,550.2** | **9,577.6** |

### 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.

## 3.11 Share capital

| | 31 Dec 22 | | 30 Jun 22 | | 31 Dec 21 | |
|---|---|---|---|---|---|---|
| **Issued and paid up capital** | **No. of shares** | **$m** | **No. of shares** | **$m** | **No. of shares** | **$m** |
| Ordinary shares fully paid (ASX Code: BEN) | 565,667,122 | 5,242.8 | 563,077,445 | 5,222.5 | 558,900,860 | 5,184.7 |
| Employee Share Ownership Plan shares | | (2.7) | | (3.0) | | (3.4) |
| **Total issued and paid up capital** | **565,667,122** | **5,240.1** | **563,077,445** | **5,219.5** | **558,900,860** | **5,181.3** |
| | | | | | | |
| **Movements in ordinary shares on issue** | **No. of shares** | **$m** | **No. of shares** | **$m** | **No. of shares** | **$m** |
| Opening balance | 565,655,652 | 5,242.9 | 561,479,067 | 5,205.1 | 547,147,671 | 5,064.9 |
| Bonus share scheme [1] | 217,023 | - | 262,546 | - | 339,228 | - |
| Dividend reinvestment plan [2] | 2,202,982 | 18.8 | 3,914,039 | 37.9 | 3,989,562 | 38.0 |
| Shares issued for business acquisition | - | - | - | - | 10,002,606 | 102.2 |
| Executive performance rights | - | 0.2 | - | (0.1) | - | - |
| **Closing balance (includes treasury shares)** | **568,075,657** | **5,261.9** | **565,655,652** | **5,242.9** | **561,479,067** | **5,205.1** |
| | | | | | | |
| **Less: treasury shares** | **No. of shares** | **$m** | **No. of shares** | **$m** | **No. of shares** | **$m** |
| Opening balance | (2,578,207) | (20.4) | (2,578,207) | (20.4) | (1,637,293) | (11.8) |
| Net disposals and vesting/(acquisitions) during the period | 169,672.0 | 1.3 | - | - | (940,914) | (8.6) |
| **Closing balance (excludes treasury shares)** | **565,667,122** | **5,242.8** | **563,077,445** | **5,222.5** | **558,900,860** | **5,184.7** |
| | | | | | | |
| **Movements in Employee Share Ownership Plan** | **No. of shares** | **$m** | **No. of shares** | **$m** | **No. of shares** | **$m** |
| Opening balance | - | (3.0) | - | (3.4) | - | (3.6) |
| Reduction in Employee Share Ownership Plan | - | 0.3 | - | 0.4 | - | 0.2 |
| **Closing balance** | **-** | **(2.7)** | **-** | **(3.0)** | **-** | **(3.4)** |
| | | | | | | |
| **Total issued and paid up capital** | **565,667,122** | **5,240.1** | **563,077,445** | **5,219.5** | **558,900,860** | **5,181.3** |

[1] The Group issued 217,023 shares @ $8.55 as part of the June 2022 final dividend; 262,546 shares @ $9.70 as part of the December 2021 interim dividend; 339,228 shares @ $9.49 as part of the June 2021 final dividend under the Group's Bonus Share Scheme.

[2] The Group issued 2,202,982 shares @ $8.55 as part of the June 2022 final dividend; 3,914,039 shares @ $9.70 as part of the December 2021 interim dividend; 3,989,562 shares @ $9.49 as part of the June 2021 final dividend under the Group's Dividend Reinvestment Plan.

## 3.12 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 in the Balance Sheet.

| | 31 Dec 22 | | | |
|---|---|---|---|---|
| | Fair value through profit or loss | Fair value through other comprehensive income | Amortised cost | Total |
| | $m | $m | $m | $m |
| **Financial assets** | | | | |
| Cash and cash equivalents | - | - | 8,007.0 | 8,007.0 |
| Due from other financial institutions | - | - | 222.1 | 222.1 |
| Financial assets fair value through profit or loss (FVTPL) | 8.8 | - | - | 8.8 |
| Financial assets amortised cost | - | - | 694.4 | 694.4 |
| Financial assets fair value through other comprehensive income (FVOCI) | - | 7,468.6 | - | 7,468.6 |
| Net loans and other receivables | - | - | 76,768.3 | 76,768.3 |
| Derivatives | 10.5 | - | - | 10.5 |
| **Total financial assets** | **19.3** | **7,468.6** | **85,691.8** | **93,179.7** |
| | | | | |
| **Financial liabilities** | | | | |
| Due to other financial institutions | - | - | 137.7 | 137.7 |
| Deposits | - | - | 76,455.4 | 76,455.4 |
| Other wholesale borrowings | - | - | 11,100.7 | 11,100.7 |
| Derivatives | 8.6 | 9.6 | - | 18.2 |
| Loan capital | - | - | 1,369.0 | 1,369.0 |
| **Total financial liabilities** | **8.6** | **9.6** | **89,062.8** | **89,081.0** |

| | 30 Jun 22 | | | |
|---|---|---|---|---|
| | $m | $m | $m | $m |
| **Financial assets** | | | | |
| Cash and cash equivalents | - | - | 3,541.0 | 3,541.0 |
| Due from other financial institutions | - | - | 188.0 | 188.0 |
| Financial assets fair value through profit or loss (FVTPL) | 30.5 | - | - | 30.5 |
| Financial assets amortised cost | - | - | 861.7 | 861.7 |
| Financial assets fair value through other comprehensive income (FVOCI) | - | 9,618.1 | - | 9,618.1 |
| Net Loans and other receivables | - | - | 77,610.4 | 77,610.4 |
| Derivatives | 16.0 | 43.9 | - | 59.9 |
| **Total financial assets** | **46.5** | **9,662.0** | **82,201.1** | **91,909.6** |
| | | | | |
| **Financial liabilities** | | | | |
| Due to other financial institutions | - | - | 178.8 | 178.8 |
| Deposits | - | - | 74,583.9 | 74,583.9 |
| Other wholesale borrowings | - | - | 11,703.0 | 11,703.0 |
| Derivatives | 9.1 | 25.7 | - | 34.8 |
| Loan capital | - | - | 1,366.1 | 1,366.1 |
| **Total financial liabilities** | **9.1** | **25.7** | **87,831.8** | **87,866.6** |

## 3.12 Financial instruments (continued)

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

| | 31 Dec 21 | | | |
|---|---|---|---|---|
| | Fair value through profit or loss | Fair value through other comprehensive income | Amortised cost | Total |
| | $m | $m | $m | $m |
| **Financial assets** | | | | |
| Cash and cash equivalents | - | - | 9,493.3 | 9,493.3 |
| Due from other financial institutions | - | - | 200.4 | 200.4 |
| Financial assets fair value through profit or loss (FVTPL) | 58.0 | - | - | 58.0 |
| Financial assets amortised cost | - | - | 572.8 | 572.8 |
| Financial assets fair value through other comprehensive income (FVOCI) | - | 3,554.9 | - | 3,554.9 |
| Net loans and other receivables | - | - | 73,504.7 | 73,504.7 |
| Derivatives | 8.8 | 38.1 | - | 46.9 |
| **Total financial assets** | **66.8** | **3,593.0** | **83,771.2** | **87,431.0** |
| | | | | |
| **Financial liabilities** | | | | |
| Due to other financial institutions | - | - | 116.1 | 116.1 |
| Deposits | - | - | 70,370.6 | 70,370.6 |
| Other wholesale borrowings | - | - | 11,579.5 | 11,579.5 |
| Derivatives | 12.4 | 20.3 | - | 32.7 |
| Loan capital | - | - | 1,364.2 | 1,364.2 |
| **Total financial liabilities** | **12.4** | **20.3** | **83,430.4** | **83,463.1** |

## 3.12 Financial instruments (continued)

### b) Fair value measurement

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

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

### Valuation of financial assets and liabilities

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

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

**Level 1** - Quoted market prices

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

**Level 2** - Valuation technique using observable inputs

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

**Level 3** - Valuation technique using significant unobservable inputs

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

### Financial assets and liabilities carried at fair value

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

| | 31 Dec 22 | | | | |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total fair value | Total carrying value |
| | $m | $m | $m | $m | $m |
| **Financial assets** | | | | | |
| Financial assets FVTPL | - | 8.8 | - | 8.8 | 8.8 |
| Financial assets FVOCI | 153.7 | 7,279.4 | 35.5 | 7,468.6 | 7,468.6 |
| Derivatives | - | 10.5 | - | 10.5 | 10.5 |
| **Financial liabilities** | | | | | |
| Derivatives | - | 18.2 | - | 18.2 | 18.2 |

| | 30 Jun 22 | | | | |
|---|---|---|---|---|---|
| | $m | $m | $m | $m | $m |
| **Financial assets** | | | | | |
| Financial assets FVTPL | 30.5 | - | - | 30.5 | 30.5 |
| Financial assets FVOCI | 237.3 | 9,345.3 | 35.5 | 9,618.1 | 9,618.1 |
| Derivatives | - | 59.9 | - | 59.9 | 59.9 |
| **Financial liabilities** | | | | | |
| Derivatives | - | 34.8 | - | 34.8 | 34.8 |

## 3.12 Financial instruments (continued)

### Financial assets and liabilities carried at fair value (continued)

| | 31 Dec 21 | | | | |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total fair value | Total carrying value |
| | $m | $m | $m | $m | $m |
| **Financial assets** | | | | | |
| Financial assets FVTPL | 14.2 | 43.8 | - | 58.0 | 58.0 |
| Financial assets FVOCI | 152.0 | 3,367.4 | 35.5 | 3,554.9 | 3,554.9 |
| Derivatives | - | 46.9 | - | 46.9 | 46.9 |
| **Financial liabilities** | | | | | |
| Derivatives | - | 32.7 | - | 32.7 | 32.7 |

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

### Valuation methodology

**Financial instruments - debt securities**

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

**Financial instruments - equity investments**

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

Level 2 - Unlisted investments are equity holdings in unlisted managed investment schemes. For managed scheme investments the most recent prices provided by the fund manager are used.

Level 3 - Unlisted investments are equity holdings in small unlisted entities. Given there are no quoted market prices and no observable inputs, assumptions reflective of market conditions at the measurement date are used to approximate fair value.

**Derivatives**

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

### Movements in Level 3 portfolio

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

| | 31 Dec 22 | 30 Jun 22 | 31 Dec 21 |
|---|---|---|---|
| Financial assets - equity investments | $m | $m | $m |
| Opening balance | 35.6 | 35.6 | 31.2 |
| Revaluations | - | (1.2) | 6.6 |
| Sales | - | 1.2 | (2.2) |
| **Closing balance** | **35.6** | **35.6** | **35.6** |

## 3.12 Financial instruments (continued)

### 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:

| | 31 Dec 22 | | | | |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total fair value | Total carrying amount |
| | $m | $m | $m | $m | $m |
| **Financial assets** | | | | | |
| Cash and cash equivalents [1] | - | 7,866.4 | - | 7,866.4 | 7,866.4 |
| Due from other financial institutions | - | 222.1 | - | 222.1 | 222.1 |
| Financial assets amortised cost | - | 694.4 | - | 694.4 | 694.4 |
| Net loans and other receivables | - | - | 76,391.0 | 76,391.0 | 76,768.3 |
| **Financial liabilities** | | | | | |
| Due to other financial institutions | - | 137.7 | - | 137.7 | 137.7 |
| Deposits | - | 76,785.5 | - | 76,785.5 | 76,455.4 |
| Other wholesale borrowings | - | 10,873.9 | - | 10,873.9 | 11,100.7 |
| Loan capital | - | 1,404.2 | - | 1,404.2 | 1,369.0 |

| | 30 Jun 22 | | | | |
|---|---|---|---|---|---|
| | $m | $m | $m | $m | $m |
| **Financial assets** | | | | | |
| Cash and cash equivalents [1] | - | 3,407.6 | - | 3,407.6 | 3,407.6 |
| Due from other financial institutions | - | 188.0 | - | 188.0 | 188.0 |
| Financial assets amortised cost | - | 861.7 | - | 861.7 | 861.7 |
| Net loans and other receivables | - | - | 77,008.6 | 77,008.6 | 77,610.4 |
| **Financial liabilities** | | | | | |
| Due to other financial institutions | - | 178.8 | - | 178.8 | 178.8 |
| Deposits | - | 74,339.1 | - | 74,339.1 | 74,583.9 |
| Other wholesale borrowings | - | 11,412.6 | - | 11,412.6 | 11,703.0 |
| Loan capital | 817.1 | 549.8 | - | 1,366.9 | 1,366.1 |

| | 31 Dec 21 | | | | |
|---|---|---|---|---|---|
| | $m | $m | $m | $m | $m |
| **Financial assets** | | | | | |
| Cash and cash equivalents [1] | - | 9,334.5 | - | 9,334.5 | 9,334.5 |
| Due from other financial institutions | - | 200.4 | - | 200.4 | 200.4 |
| Financial assets amortised cost | - | 572.8 | - | 572.8 | 572.8 |
| Net loans and other receivables | - | - | 73,421.4 | 73,421.4 | 73,504.7 |
| **Financial liabilities** | | | | | |
| Due to other financial institutions | - | 116.1 | - | 116.1 | 116.1 |
| Deposits | - | 77,929.6 | - | 77,929.6 | 70,370.6 |
| Other wholesale borrowings | - | 3,983.9 | - | 3,983.9 | 11,579.5 |
| Loan capital | 858.3 | 549.3 | - | 1,407.6 | 1,364.2 |

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

## 3.12 Financial instruments (continued)

### Financial assets and liabilities carried at amortised cost (continued)

### Valuation hierarchy (continued)

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

### Valuation methodology

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

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

**Financial assets amortised cost**

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

**Net loans and other receivables**

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

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

**Deposits**

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

**Other wholesale borrowings**

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

**Loan capital**

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

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

# 3.13 Commitments and contingencies

## (a) Commitments and contingent liabilities

The following are outstanding expenditure and credit related commitments as at 31 December 2022.

| | 31 Dec 22 | 30 Jun 22 | 31 Dec 21 |
|---|---|---|---|
| | $m | $m | $m |
| Commitment to provide credit | 10,727.3 | 10,556.4 | 11,050.8 |
| Guarantees | 250.2 | 253.2 | 247.6 |
| Documentary letters of credit and performance related obligations | 4.0 | 2.1 | 2.2 |

**Commitment to purchase portfolio**

On 7 July 2022, Bendigo and Adelaide Bank Limited entered into an agreement to acquire the ANZ Investment Lending portfolio, with the transaction expected to be completed in the first half of the 2023 calendar year. The acquisition will allow the Group to further grow its margin lending business, Leveraged Equities Limited. The value of the portfolio being acquired is approximately $715 million and is subject to movements in the underlying portfolio up until the completion date. The Group will pay an immaterial premium over book value.

### Recognition and measurement

**Commitment to provide credit**

The Group enters into arrangements with customers that allows them to borrow money in line with specific terms and conditions. These commitments are made for a fixed term or subject to cancellation conditions. These arrangements expose the Group to liquidity risk when they are called upon and/or credit risk if the customer fails to repay the funds under the terms of their agreement. The maximum exposure to credit loss is the contractual or notional amount, which does not reflect future cash requirements of the Group as it is expected that a large portion of these values will not be drawn upon. All commitments noted will expire within 12 months.

**Guarantees, documentary letters of credit and performance related obligations**

Bank guarantees have been issued by the Group on behalf of customers whereby the Group is required to make specified payments to reimburse the holders for a loss they may incur because the customer fails to make a payment.

Guarantees, documentary letters of credit and performance related obligations are not recognised on the Balance Sheet. The contractual term of the guarantee matches the underlying obligations to which they relate.

The fair value of these contracts has been assessed using a probability weighted discounted cash flow approach.

The guarantees issued by the Bank are fully secured and the Bank has never incurred a loss in relation to the financial guarantees it has provided. As the probability and value of guarantees, documentary letters of credit and performance related obligations that may be called on is unpredictable, it is not practical to state the timing of any potential payment.

**Legal claims**

The Group is engaged in a range of litigation and court proceedings at any point in time. However, no current proceedings or claims are expected to have a material effect on the business, financial condition or operating results of the Group. For all litigation exposures where loss is probable and can be reliably estimated an appropriate provision is made. The Group has no material provisions raised for any current legal proceedings.

**Remediation and compensation claims**

The Group undertakes ongoing compliance activities, including review of products, advice, conduct and services provided to customers, as well as interest, fees and premiums charged.

Some of these investigations and reviews have resulted in remediation programs and where required the Group consults with the respective regulator on the proposed remediation action. There is a risk that where a breach has occurred, regulators may also impose fines and/or sanctions.

Provisions are recognised when it is probable an outflow will be required to address a past event and where a reliable estimate is available. There remains a contingent liability with respect to these matters however, the aggregate potential liability of the above matters cannot be reliably estimated.

## 3.13 Commitments and contingencies (continued)

### (b) Contingent assets

As at 31 December 2022, the economic entity does not have any contingent assets.



## 3.14 Events after balance sheet date

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

## Directors' Declaration

In accordance with a resolution of the directors of Bendigo and Adelaide Bank Limited, we state that:

In the opinion of the directors:

(a) the 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 2022 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

20 February 2023

Marnie Baker
Chief Executive Officer and Managing Director

20 February 2023

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Building a better working world

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

## 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 consolidated balance sheet as at 31 December 2022, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply 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 2022 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*.

## Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (*including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

## Directors' responsibilities 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

## Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us 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 financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.

Ernst & Young

Ernst & Young

T M Dring
Partner

Clare Sporle
Partner

Melbourne
20 February 2023

## Glossary

| | |
|---|---|
| Australian Accounting Standards (AAS) | Refers to the Australian Accounting Standards issued by the AASB. An accounting standard is a technical pronouncement that sets out the required accounting, including measurement and recognition requirements, for particular types of transactions and events. The accounting requirements affect the preparation and presentation of an entity's financial statements. |
| Australian Accounting Standards Board (AASB) | The Australian Accounting Standards Board (AASB) is the Australian Government agency responsible for developing, issuing and maintaining accounting standards that apply under *Corporations Act 2001* . |
| Australian Prudential Regulation Authority (APRA) | Is the prudential regulator of the Australian financial services industry. APRA is an independent statutory authority that supervises institutions across banking, insurance and superannuation and promotes financial system stability in Australia. |
| Australian Prudential Standards (APS) | Refers to the Prudential and Regulatory Standards issued by APRA. |
| Authorised deposit-taking institution (ADI) | A body corporate which is authorised under the *Banking Act 1959* , to carry on banking business in Australia. It includes banks, building societies and credit unions. |
| Bonus Share Scheme | The Bonus Share Scheme provides shareholders with the opportunity to elect to receive a number of bonus shares issued for no consideration instead of receiving a dividend. |
| Cash earnings | Cash earnings is not a statutory financial measure, is not presented in accordance with Australian Accounting Standards, and is not audited or reviewed in accordance with Australian Auditing Standards. It is considered by management to be a key indicator of the underlying performance of the core business activities of the Group. Cash earnings is defined as statutory net profit after tax adjusted for non-cash items and other adjustments. Non-cash items are those deemed to be outside of the Group's core activities and hence these items are not considered to be representative of the Group's ongoing financial performance. |
| Common Equity Tier 1 Capital (CET1) | The highest quality of capital available to the Group reflecting the permanent and unrestricted commitment of funds that are freely available to absorb losses. It comprises ordinary share capital, retained earnings and reserves less specified regulatory adjustments. |
| Cost to Income ratio | A performance measure which represents total operating expenses before specific expenses and non-cash items as a percentage of total income before specific income items and non-cash items. |
| Credit Risk | The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. |
| Dilutive earnings per share | An earnings measure calculated by dividing net profit after tax attributable to owners of the Bank by the weighted average number of fully paid ordinary shares on issue over the period adjusted for the effect of all potentially dilutive instruments. |
| Dividend payout ratio | Dividends paid on ordinary shares divided by net profit after tax attributable to owners of the Bank. |

## Glossary (continued)



| | |
|---|---|
| Dividend Reinvestment Plan | A plan which provides shareholders with the opportunity to convert all or part of their entitlement to a dividend into new shares. |
| Earnings per share (EPS) | An earnings measure calculated by dividing net profit after tax attributable to owners of the Bank by the weighted average number of fully paid ordinary shares on issue over the period. |
| Expected Credit Loss (ECL) | Represents the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument and considers reasonable and supportable information about past events, current conditions, and forecasts of future events and economic conditions that impact the Bank's credit risk assessment. |
| Fair value | Is an amount at which an asset or liability could be exchanged between knowledgeable and willing parties in an arm's length transaction. |
| Financial assets measured at amortised cost | Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. |
| Financial assets measured at fair value through other comprehensive income (FVOCI) | Financial assets that are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Changes in fair value are recognised in other comprehensive income. |
| Financial assets measured at fair value through profit or loss (FVTPL) | Financial assets that are not held in one of the two business models applicable to amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. Changes in fair value are recognised in the Income Statement. |
| Full time equivalent (FTE) | Includes all permanent full-time staff and part-time staff equivalents. |
| Equity Reserve for Credit Losses (ERCL) | The General reserve for credit losses was initially established to meet the requirements of APRA Prudential Standard, APS 220 *Credit Quality*, which required a reserve to be held to recognise estimated future credit losses which may arise over the life of the Group's lending portfolio. This requirement was removed from 1 January 2022, however, the Group has prudently maintained this reserve pending further clarification. |
| Gross loans and other receivables | Is the principal amount of loans and advances provided, gross of provisions and deferred fee income and including any accrued interest. |
| Group | Is Bendigo and Adelaide Bank Limited ('the Bank') and the entities it controlled at financial half year end and during the financial year ('the Group'). |
| Hedging | The use of capital market contracts, namely derivatives, to eliminate or minimise the Bank's exposure to fluctuations in interest rates, foreign currency exchange rates, or other market factors. |
| Impairment losses | Impairments recorded in relation to assets may result in large write-downs to recoverable amount that are not of a recurring nature. Subsequent reversals of impairment losses should also be included as an adjustment to statutory Net Profit After Tax. |

## Glossary (continued)

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| Impaired loan | A facility must be classified as impaired regardless of whether it is 90 days or more past due (arrears) when there is doubt as to whether the full amounts due (interest and principal) will be achieved in a timely manner. This is the case even if the full extent of the loss cannot be clearly determined. |
| Liquidity Coverage Ratio (LCR) | In January 2013 the Basel Committee introduced Basel III Liquidity Coverage Ratio (LCR), with the objective of ensuring each bank maintains an adequate level of high-quality liquid assets that can be converted into cash to meet its liquidity needs for 30 days under a liquidity stress scenario. APRA adapted these requirements for Australian ADIs under APS 210 *Liquidity* . These requirements came into effect 1st January 2015. |
| Net Interest Income (NII) | The amount of interest received or receivable on assets net of interest paid or payable on liabilities. |
| Net Interest Margin (NIM) | Net interest income divided by average interest-earning assets. This measure provides an indication of the profitability of the Bank's interest earning assets less the cost of interest bearing liabilities (i.e cost of funding). |
| Net Stable Funding Ratio (NSFR) | Following the Liquidity Coverage Ratio, the NSFR is the second quantitative global liquidity standard introduced under the Basel III Liquidity reforms with the intention of promoting more stable funding of assets and off-balance sheet activities of banking institutions. The aim of NSFR is to ensure that long-term assets are financed with at least a minimum amount of stable funding (APRA, 2016). NSFR came into effect from January 2018. It is the ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF). ASF is the portion of an Authorised Deposit-taking Institution's (ADI) capital and liabilities expected to be a reliable source of funds over a one year time horizon. RSF is the function of the liquidity characteristics and residual maturities of an ADI's assets and off Balance Sheet activities. |
| Net tangible assets | Net assets excluding intangible assets and other equity instruments divided by ordinary shares on issue at the end of the period (excluding Treasury Shares deduction). |
| Offset account | An Offset Account (RCA) is a savings account which participates with a separate facility usually for a mortgage. Instead of receiving interest on the savings account, the interest payment due on the loan is calculated only on the net balance of the facility balance less the savings account balance. |
| Operating segment | An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses. Segment reporting reflects the information that is used by the Managing Director for the purposes of resource allocation and performance assessment, hence it is consistent with the internal reporting provided to the Managing Director and the Executive Team. |
| Past due | A financial asset is past due when a counterparty has failed to make a payment of principal, interest or other amount, when contractually due. |

## Glossary (continued)

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| Past Due 90 Days | For a loan subject to a regular repayment schedule:<br>> At least 90 days has elapsed from the due date of a contractual repayment which has not been satisfied in full; and<br>> Total amount of arrears is equivalent to at least 90 days worth of Scheduled Payments.<br>For a loan not subject to a contractual repayment schedule (e.g. overdrafts and revolving credit facilities) the facility remains over the contractual limit amount for at least 90 days. |
| Residential Mortgage Backed Security (RMBS) | A debt security whose cash flow is backed by the principal and interest payments from a specified pool of mortgage loans that are secured by mortgages over residential property. |
| Restructured facility | A 'Restructured Loan' is a facility in which the original contractual terms have been modified to provide for concessions of interest, or principal, or other payments due, or for an extension in maturity for a non-commercial period for reasons related to the financial difficulties of a customer and would not be offered to new customers with similar risk. |
| Return on average ordinary equity (ROE) | Net profit attributable to owners of the Bank divided by average ordinary shareholders equity, excluding Treasury shares. |
| Return on average tangible equity (ROTE) | Net profit attributable to the owners of the Bank divided by average shareholders equity, excluding Treasury shares less goodwill and other intangible assets. |
| Risk-weighted assets (RWA) | Assets calculated by applying a regulatory risk-weight factor, prescribed by APRA, to on and off-balance sheet exposures. |
| Term Funding Facility (TFF) | In response to the difficult economic period resulting from COVID19, the Reserve Bank of Australia established a Term Funding Facility (TFF) to offer three-year funding to authorised deposit-taking institutions (ADIs). |
| Total Capital adequacy ratio | Total capital divided by total RWA calculated in accordance with relevant APS. |
| Treasury shares | Are shares that the Bank has issued but are held by a trust included within the Bank's consolidated results. Treasury shares are not considered shares outstanding and are not included in 'per share' calculations. |
| Weighted average number of shares | The calculation includes fully paid ordinary shares of the Bank and excludes Treasury Shares related to investment in the Bank's shares. |

Bendigo and Adelaide Bank Limited.
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