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APPENDIX 4E

Full Year Results

ABN 11 068 049 178



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Appendix 4E: Full year results

1.1 Company details and reporting period

Bendigo and Adelaide Bank Limited
ABN 11 068 049 178

Reporting period - twelve months ended: 30 June 2020
Previous corresponding period - twelve months ended: 30 June 2019

1.2 Results for announcement to the market

Income from operations		4.3% to \$1,634.4 m
Profit after tax from ordinary activities		48.8% to \$192.8 m
Net profit after tax attributable to Owners of the Company		48.8% to \$192.8 m

Dividends	Date Payable/Paid	Amount per security
Current year 2020		
Record date for determining entitlements	Decision deferred ¹	
Final dividend - fully franked	Decision deferred ¹	Decision deferred ¹
Interim dividend - fully franked	31 March 2020	31.0 cents
Previous year 2019		
Final dividend - fully franked	30 September 2019	35.0 cents
Interim dividend - fully franked	29 March 2019	35.0 cents

¹ The decision on the payment of a final dividend in relation to the financial year ended 30 June 2020 has been deferred by the Board.

1.3 Cash earnings results

Cash earnings attributable to Owners of the Company		27.4% to \$301.7 m
Cash earnings per share		29.8% to 59.7 cents
See note 2.1.2 and 2.3.10.3 for full details		

This Appendix 4E: Full year results should be read in conjunction with the media release and results presentation released to the ASX on 17 August 2020.

1.4 ASX Appendix 4E table

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

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

Accounting standards used for foreign entities

Not applicable.

Dispute or qualifications if audited

This report is based on financial accounts that are in the process of being audited by our external auditors, Ernst & Young.

1.5 Results snapshot

➤	Statutory profit	↓	48.8% to \$192.8m
➤	Statutory earnings per share	↓	50.6% to 38.1 cents
➤	Cash earnings	↓	27.4% to \$301.7m
➤	Cash earnings per share	↓	29.8% to 59.7 cents
➤	Net interest margin	↓	decreased by 3 bps to 2.33% compared to June 2019
➤	CET1 ratio of 9.25%	↑	up 33 basis points compared to June 2019

1.6 Performance summary

The Group's performance during the financial year ended 30 June 2020 has been materially impacted by the COVID-19 pandemic, specifically in relation to credit expenses, due to uncertainty in the economic environment and the potential deterioration of forward looking macroeconomic factors.

- On a statutory basis, net profit was \$192.8m compared to \$376.8m in June 2019.
- Cash earnings was \$301.7m compared to \$415.7m in June 2019.¹
- On a cash earnings basis:
 - Net interest income increased \$38.4m to \$1,346.4m. Net interest margin (before revenue share arrangements) for the year decreased to 2.33% compared to the prior corresponding period. While there was a contraction in net interest margin during the year, this has been offset by an increase in lending activity and an increase in hedging revenue.
 - Other operating income decreased \$23.7m or 8.1%. Commission income declined during the year following the sale of the Bendigo Financial Planning business in June 2019 (FY19: \$11.1m). During 2H20, fee income, commissions, and foreign exchange income decreased by approximately \$8.8m due to the COVID-19 pandemic.
 - Operating expenses increased by \$67.0m or 7.0% mainly due to an increase in staff costs and consultancy fees. Staff costs have increased to support Consumer residential lending growth and Agribusiness initiatives, greater investment in risk and compliance capabilities, and organisational change initiatives. The increase in consultancy fees was driven by accelerated technology investment.
 - Credit expenses increased by \$118.2m or 235.0%. An overlay of \$127.7m has been added to the balance of the collectively assessed provision in 2H20 for potential future impacts of the COVID-19 pandemic.
- Net impaired assets decreased by \$20.3m or 11.1%.
- Well secured lending (excluding commercial arrangement loans) past due 90 days has decreased by \$21.6m or 5.3%. Great Southern past due 90 days has reduced by \$26.5m or 75.9%.
- Common Equity Tier 1 ratio was up 33 basis points to 9.25% compared to June 2019. Total capital was 13.61% compared to 13.14% in June 2019.
- The decision on the payment of a final dividend in relation to the financial year ended 30 June 2020 has been deferred. Whilst economic uncertainty remains and the impact of COVID-19 is still evolving, the Board has acted prudently to defer a final dividend decision. Ongoing stress testing supports the Group's strong balance sheet and capital position. The Group will continue to adhere to APRA's guidance to Authorised Deposit Taking Institutions (ADIs) on capital management decisions. The Board will continue to monitor the economic conditions in order to review dividend options.

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

1.7 Annual general meeting

The annual general meeting will be held on 27 October 2020.
Details of the meeting will be notified to the ASX.

1.8 Subsequent events

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

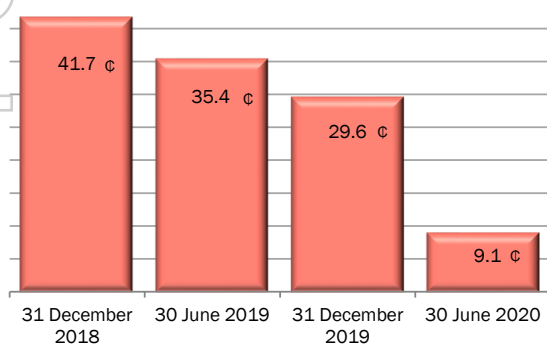
2.0 Full year results
 2.1 Financial summary
 2.1.1 Statutory profit results

	Full year ending				Half year ending			
	Jun-20	Jun-19	Change		Jun-20	Dec-19	Change	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Net interest income	1,333.8	1,289.6	44.2	3.4	664.0	669.8	(5.8)	(0.9)
Other operating income	300.6	277.9	22.7	8.2	136.2	164.4	(28.2)	(17.2)
Total income	1,634.4	1,567.5	66.9	4.3	800.2	834.2	(34.0)	(4.1)
Credit expenses	(168.5)	(50.3)	(118.2)	(235.0)	(145.3)	(23.2)	(122.1)	(526.3)
Operating expenses	(1,179.8)	(965.2)	(214.6)	(22.2)	(581.1)	(598.7)	17.6	2.9
Total expenses	(1,348.3)	(1,015.5)	(332.8)	(32.8)	(726.4)	(621.9)	(104.5)	(16.8)
Profit before income tax expense	286.1	552.0	(265.9)	(48.2)	73.8	212.3	(138.5)	(65.2)
Income tax expense	(93.3)	(175.2)	81.9	46.7	(26.8)	(66.5)	39.7	59.7
Profit after income tax expense	192.8	376.8	(184.0)	(48.8)	47.0	145.8	(98.8)	(67.8)

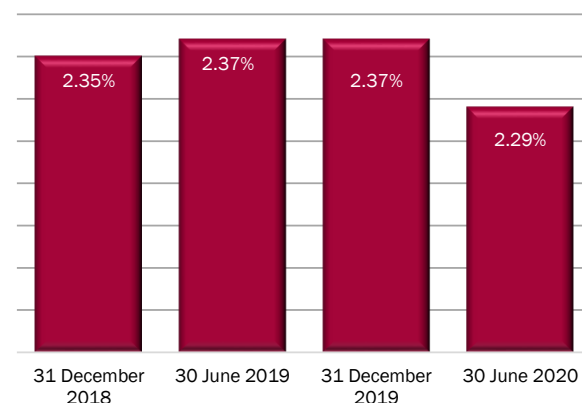
	Half year			Half year			Year on year change
	Jun-20	Dec-19	Total	Jun-19	Dec-18	Total	
Earnings per ordinary share (cents)	cents	cents	cents	cents	cents	cents	cps
Basic	9.1	29.6	38.1	35.4	41.7	77.1	(39.0)
Diluted	8.9	27.1	35.2	32.1	37.6	69.7	(34.5)
Franked dividends per share	Note 1	31.0	31.0	35.0	35.0	70.0	
Financial performance ratios	%	%	%	%	%	%	bps
Net interest margin before revenue share arrangements	2.29%	2.37%	2.33%	2.37%	2.35%	2.36%	(3)
Net interest margin after revenue share arrangements	1.93%	1.99%	1.96%	1.97%	1.95%	1.96%	-
Financial position ratios	%	%	%	%	%	%	bps
Return on average ordinary equity (after tax)	1.65%	5.26%	3.43%	6.34%	7.34%	6.84%	(341)
Return on average tangible equity (after tax)	2.24%	7.42%	4.74%	9.00%	10.46%	9.73%	(499)
Return on average assets	0.13%	0.41%	0.27%	0.51%	0.59%	0.55%	(28)

Note 1: The decision on the payment of a final dividend in relation to the financial year ended 30 June 2020 has been deferred by the Board. The Board will continue to monitor the economic conditions in order to review dividend options.

Statutory EPS (cents)



Net interest margin before revenue share arrangements (%)



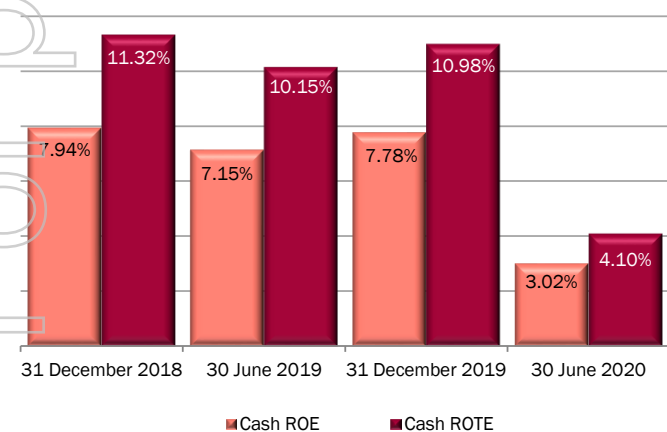
2.1 Financial summary (continued)

2.1.2 Cash earnings results

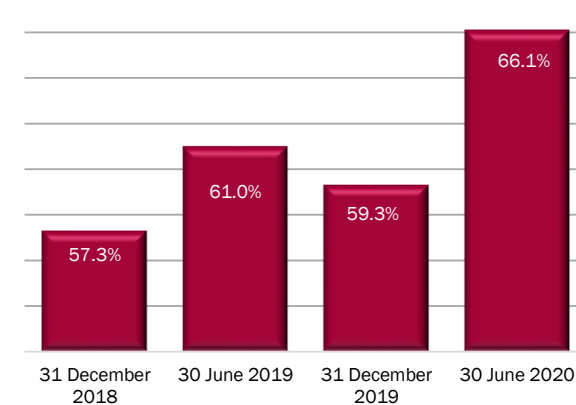
	Full year ending				Half year ending			
	Jun-20	Jun-19	Change		Jun-20	Dec-19	Change	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Net interest income	1,346.4	1,308.0	38.4	2.9	670.0	676.4	(6.4)	(0.9)
Other operating income	267.8	291.5	(23.7)	(8.1)	129.5	138.3	(8.8)	(6.4)
Total income	1,614.2	1,599.5	14.7	0.9	799.5	814.7	(15.2)	(1.9)
Credit expenses	(168.5)	(50.3)	(118.2)	(235.0)	(145.3)	(23.2)	(122.1)	(526.3)
Operating expenses	(1,021.5)	(954.5)	(67.0)	(7.0)	(534.1)	(487.4)	(46.7)	(9.6)
Total expenses	(1,190.0)	(1,004.8)	(185.2)	(18.4)	(679.4)	(510.6)	(168.8)	(33.1)
Income tax expense	(133.5)	(188.9)	55.4	29.3	(40.1)	(93.4)	53.3	57.1
Cash earnings before Homesafe realised income	290.7	405.8	(115.1)	(28.4)	80.0	210.7	(130.7)	(62.0)
Net Homesafe realised income (after tax)	11.0	9.9	1.1	11.1	6.0	5.0	1.0	20.0
Cash earnings after income tax expense	301.7	415.7	(114.0)	(27.4)	86.0	215.7	(129.7)	(60.1)

	Half year			Half year			Year on year change
	Jun-20	Dec-19	Total	Jun-19	Dec-18	Total	
Earnings per ordinary share (cents)	cents	cents	cents	cents	cents	cents	cps
Cash	16.6	43.8	59.7	40.0	45.1	85.0	(25.3)
Financial performance ratios (cash)	%	%	%	%	%	%	bps
Cost to income ratio	66.1%	59.3%	62.7%	61.0%	57.3%	59.2%	350
Financial position ratios (cash)	%	%	%	%	%	%	bps
Return on average ordinary equity	3.02%	7.78%	5.36%	7.15%	7.94%	7.55%	(219)
Return on average tangible equity	4.10%	10.98%	7.42%	10.15%	11.32%	10.73%	(331)
Return on average assets	0.24%	0.61%	0.42%	0.58%	0.63%	0.61%	(19)

Cash ROE and ROTE (%)



Cost to income ratio (%)



2.1 Financial summary (continued)

2.1.3 Cash earnings reconciliation

For the year ended 30 June 2020

	Cash earnings adjustments											
	Statutory profit	Fair value	Homesafe unrealised	Hedging revaluation	Loss on sale of business	Impairment charge	Software impairment	Operating expenses ¹	Amortisation of acquired intangibles	Cash earnings sub-total ²	Homesafe realised income	Cash earnings
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Net interest income	1,333.8	0.1	12.5	-	-	-	-	-	-	1,346.4	(8.5)	1,337.9
Other income	300.6	-	(36.0)	3.2	-	-	-	-	-	267.8	24.2	292.0
Total income	1,634.4	0.1	(23.5)	3.2	-	-	-	-	-	1,614.2	15.7	1,629.9
Credit expenses	(168.5)	-	-	-	-	-	-	-	-	(168.5)	-	(168.5)
Operating expenses	(1,179.8)	-	-	-	-	2.8	121.9	30.4	3.2	(1,021.5)	-	(1,021.5)
Net profit before tax	286.1	0.1	(23.5)	3.2	-	2.8	121.9	30.4	3.2	424.2	15.7	439.9
Income tax expense	(93.3)	-	7.1	(1.0)	-	-	(36.4)	(8.9)	(1.0)	(133.5)	(4.7)	(138.2)
Net profit after tax	192.8	0.1	(16.4)	2.2	-	2.8	85.5	21.5	2.2	290.7	11.0	301.7

¹ Includes legal, accelerated amortisation and restructuring costs.

² Cash earnings sub-total is equal to cash earnings before Homesafe realised income.

For the year ended 30 June 2019

	Cash earnings adjustments											
	Statutory profit	Fair value	Homesafe unrealised	Hedging revaluation	Loss on sale of business	Impairment charge	Software impairment	Operating expenses ¹	Amortisation of acquired intangibles	Cash earnings sub-total ²	Homesafe realised income	Cash earnings
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Net interest income	1,289.6	0.4	18.0	-	-	-	-	-	-	1,308.0	(7.3)	1,300.7
Other income	277.9	-	24.1	(10.5)	-	-	-	-	-	291.5	21.4	312.9
Total income	1,567.5	0.4	42.1	(10.5)	-	-	-	-	-	1,599.5	14.1	1,613.6
Credit expenses	(50.3)	-	-	-	-	-	-	-	-	(50.3)	-	(50.3)
Operating expenses	(965.2)	-	-	-	3.7	-	0.7	2.6	3.7	(954.5)	-	(954.5)
Net profit before tax	552.0	0.4	42.1	(10.5)	3.7	-	0.7	2.6	3.7	594.7	14.1	608.8
Income tax expense	(175.2)	(0.1)	(12.6)	3.1	(2.1)	-	(0.2)	(0.7)	(1.1)	(188.9)	(4.2)	(193.1)
Net profit after tax	376.8	0.3	29.5	(7.4)	1.6	-	0.5	1.9	2.6	405.8	9.9	415.7

¹ Includes legal, compensation and integration costs.

² Cash earnings sub-total is equal to cash earnings before Homesafe realised income.

2.1 Financial summary (continued)

2.1.3 Cash earnings reconciliation

For the half year ended 30 June 2020

	Cash earnings adjustments										
	Statutory profit	Fair value	Homesafe unrealised	Hedging revaluation	Impairment charge	Software impairment	Operating expenses ¹	Amortisation of acquired intangibles	Cash earnings sub-total ²	Homesafe realised income	Cash earnings
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Net interest income	664.0	-	6.0	-	-	-	-	-	670.0	(4.1)	665.9
Other income	136.2	-	2.8	(9.5)	-	-	-	-	129.5	12.7	142.2
Total income	800.2	-	8.8	(9.5)	-	-	-	-	799.5	8.6	808.1
Credit expenses	(145.3)	-	-	-	-	-	-	-	(145.3)	-	(145.3)
Operating expenses	(581.1)	-	-	-	1.6	34.8	8.9	1.7	(534.1)	-	(534.1)
Net profit before tax	73.8	-	8.8	(9.5)	1.6	34.8	8.9	1.7	120.1	8.6	128.7
Income tax expense	(26.8)	-	(2.6)	2.8	-	(10.2)	(2.7)	(0.6)	(40.1)	(2.6)	(42.7)
Net profit after tax	47.0	-	6.2	(6.7)	1.6	24.6	6.2	1.1	80.0	6.0	86.0

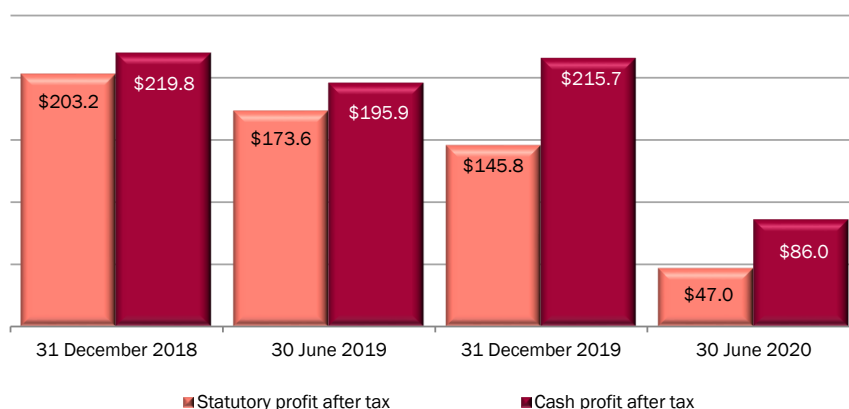
For the half year ended 31 December 2019

	Cash earnings adjustments										
	Statutory profit	Fair value	Homesafe unrealised	Hedging revaluation	Impairment charge	Software impairment	Operating expenses ¹	Amortisation of acquired intangibles	Cash earnings sub-total ²	Homesafe realised income	Cash earnings
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Net interest income	669.8	0.1	6.5	-	-	-	-	-	676.4	(4.4)	672.0
Other income	164.4	-	(38.8)	12.7	-	-	-	-	138.3	11.5	149.8
Total income	834.2	0.1	(32.3)	12.7	-	-	-	-	814.7	7.1	821.8
Credit expenses	(23.2)	-	-	-	-	-	-	-	(23.2)	-	(23.2)
Operating expenses	(598.7)	-	-	-	1.2	87.1	21.5	1.5	(487.4)	-	(487.4)
Net profit before tax	212.3	0.1	(32.3)	12.7	1.2	87.1	21.5	1.5	304.1	7.1	311.2
Income tax expense	(66.5)	-	9.7	(3.8)	-	(26.2)	(6.2)	(0.4)	(93.4)	(2.1)	(95.5)
Net profit after tax	145.8	0.1	(22.6)	8.9	1.2	60.9	15.3	1.1	210.7	5.0	215.7

¹ Includes legal, accelerated amortisation and restructuring costs.

² Cash earnings sub-total is equal to cash earnings before Homesafe realised income.

Statutory profit and cash profit (\$m)



2.2 Results commentary

2.2.1 Specific items

The reported profit after tax for the year ended 30 June 2020 \$192.8 million included the following specific items:

	30 June 2020		30 June 2019	
	Before Tax	After Tax	Before Tax	After Tax
	\$m	\$m	\$m	\$m
Items included in interest income				
Fair value adjustments - interest expense	(0.1)	(0.1)	(0.4)	(0.3)
Homesafe funding costs - unrealised	(12.5)	(8.8)	(18.0)	(12.6)
Total specific net interest income items	(12.6)	(8.9)	(18.4)	(12.9)
Items included in other income				
Revaluation (losses)/gains on economic hedges	(3.2)	(2.2)	10.5	7.4
Homesafe revaluation gain/(loss)	36.0	25.2	(24.1)	(16.9)
Total specific other income items	32.8	23.0	(13.6)	(9.5)
Items included in operating expenses				
Integration costs	-	-	(0.7)	(0.5)
Loss on sale of Bendigo Financial Planning business	-	-	(3.7)	(1.6)
Impairment charge	(2.8)	(2.8)	-	-
Compensation costs	-	-	(0.7)	(0.5)
Legal costs	(2.5)	(2.1)	(1.2)	(0.9)
Restructuring costs	(8.9)	(6.2)	-	-
Software impairment	(121.9)	(85.5)	(0.7)	(0.5)
Software accelerated amortisation	(19.0)	(13.2)	-	-
Total specific operating expense items	(155.1)	(109.8)	(7.0)	(4.0)
Total specific items attributable to the Group	(134.9)	(95.7)	(39.0)	(26.4)
Other specific items				
Homesafe revaluation gain - realised	(24.2)	(17.0)	(21.4)	(15.0)
Homesafe funding costs - realised	8.5	6.0	7.3	5.1
Total other specific items attributable to the Group	(15.7)	(11.0)	(14.1)	(9.9)
Amortisation of acquired intangibles	(3.2)	(2.2)	(3.7)	(2.6)

Specific interest income items

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

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

Specific other income items

Revaluation (losses)/gains on economic hedges - represents unrealised gains and losses from changes in the fair value of economic hedges.

These movements represent timing differences that will reverse through earnings in the future.

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

Specific operating expense items

Impairment charge - an impairment of the Group's investment in Bendigo Telco Ltd was recorded during the period. An impairment of the Group's joint venture investment in Community Sector Enterprise was also recorded upon acquisition of the remaining 50% of the entity.

Legal costs - costs associated with the Community Bank registered trademark case.

Restructuring costs - during the year costs have been incurred as a result of restructures in both the Technology & Transformation and Marketing divisions.

Software impairment - following a review of the Group's software intangible assets and projects, impairments have been recorded where the benefits associated with the assets are substantially lower than originally anticipated and for regulatory and compliance assets and projects where there are no tangible benefits.

Software accelerated amortisation - a review of the Group's software intangible assets was completed following an increase to the Group's capitalisation threshold from 1 July 2019, resulting in an accelerated amortisation charge.

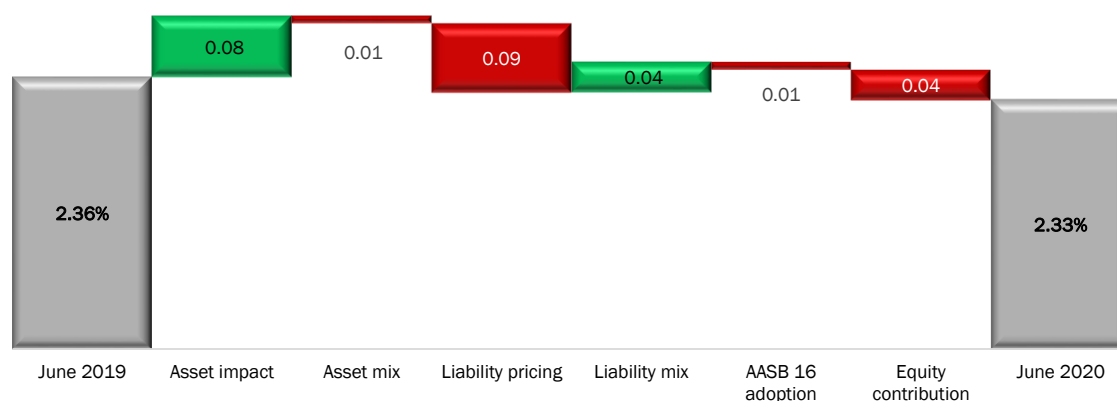
Other specific items

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

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

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

2.2.2 Net interest margin (before revenue share arrangements)



Asset impact - favourable variable mortgage repricing and an increase in net hedging revenue, were partially offset by pricing pressure which continued on variable lending portfolios.

Asset mix - an increase in the average balance of lower yielding liquid assets through ongoing management of the Group's liquidity position.

Liability pricing - margin contraction from floored at call deposits not reduced with cash rate changes and term deposits not reduced in line with decreases in underlying BBSW rates.

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

AASB 16 adoption - effective from 1 July 2019, interest expense associated with lease contracts where the Group acts as the lessee.

Equity contribution - margin contraction following the cash rate changes.

Cash Net Interest Income ¹

	Full year		Half year	
	Jun-20	Jun-19	Jun-20	Dec-19
	\$m	\$m	\$m	\$m
Net interest income including specific items ²	1,333.8	1,289.6	664.0	669.8
Adjustments:				
Fair value adjustments ³	0.1	0.4	-	0.1
Net interest income used in NIM calculation	1,333.9	1,290.0	664.0	669.9
Average interest earning assets ⁴	68,182.1	65,789.2	69,315.8	67,079.8
Average interest earning liabilities ⁴	64,664.7	62,093.0	65,734.9	63,665.5
Net interest margin	1.96%	1.96%	1.93%	1.99%
Net interest margin before revenue share arrangement	2.33%	2.36%	2.29%	2.37%

¹ Cash net interest income includes Homesafe unrealised funding costs.

² Refer to section 2.2.3 - Income.

³ Fair value adjustments represent entries created on a business acquisition (Rural Finance).

⁴ Offset products have been reclassified from deposits and netted against the corresponding loan balance.

(FY20: \$3,324.9, FY19: \$2,836.4); (2H20: \$3,503.6, 1H20: \$3,145.9);

2.2.3 Income

	Full year ending				Half year ending			
	Jun-20	Jun-19	Change		Jun-20	Dec-19	Change	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Net interest income	1,346.4	1,308.0	38.4	2.9	670.0	676.4	(6.4)	(0.9)
Homesafe funding costs - unrealised	(12.5)	(18.0)	5.5	30.6	(6.0)	(6.5)	0.5	7.7
Fair value adjustments - interest expense	(0.1)	(0.4)	0.3	75.0	-	(0.1)	0.1	100.0
Total net interest income including specific items	1,333.8	1,289.6	44.2	3.4	664.0	669.8	(5.8)	(0.9)
Other income								
Fee income	155.5	163.8	(8.3)	(5.1)	76.2	79.3	(3.1)	(3.9)
Commissions and management fees	56.6	73.5	(16.9)	(23.0)	27.4	29.2	(1.8)	(6.2)
Foreign exchange income	22.6	22.4	0.2	0.9	10.2	12.4	(2.2)	(17.7)
Trading book income	11.2	12.2	(1.0)	(8.2)	6.4	4.8	1.6	33.3
Other	21.9	19.6	2.3	11.7	9.3	12.6	(3.3)	(26.2)
Total other income	267.8	291.5	(23.7)	(8.1)	129.5	138.3	(8.8)	(6.4)
Specific other income items								
Homesafe revaluation gain/(loss)	36.0	(24.1)	60.1	249.4	(2.8)	38.8	(41.6)	(107.2)
Revaluation (losses)/gains on economic hedges	(3.2)	10.5	(13.7)	(130.5)	9.5	(12.7)	22.2	174.8
Total other specific income	32.8	(13.6)	46.4	341.2	6.7	26.1	(19.4)	(74.3)
Total other income including specific items	300.6	277.9	22.7	8.2	136.2	164.4	(28.2)	(17.2)
Total income	1,634.4	1,567.5	66.9	4.3	800.2	834.2	(34.0)	(4.1)

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

Net interest income increased by \$38.4m or 2.9%. While there was a contraction in net interest margin during the year (refer to 2.2.2 for further analysis), this has been offset by an increase in the lending portfolios and an increase in hedging revenue driven by the fall in the cash rate, resulting in an overall increase to net interest income.

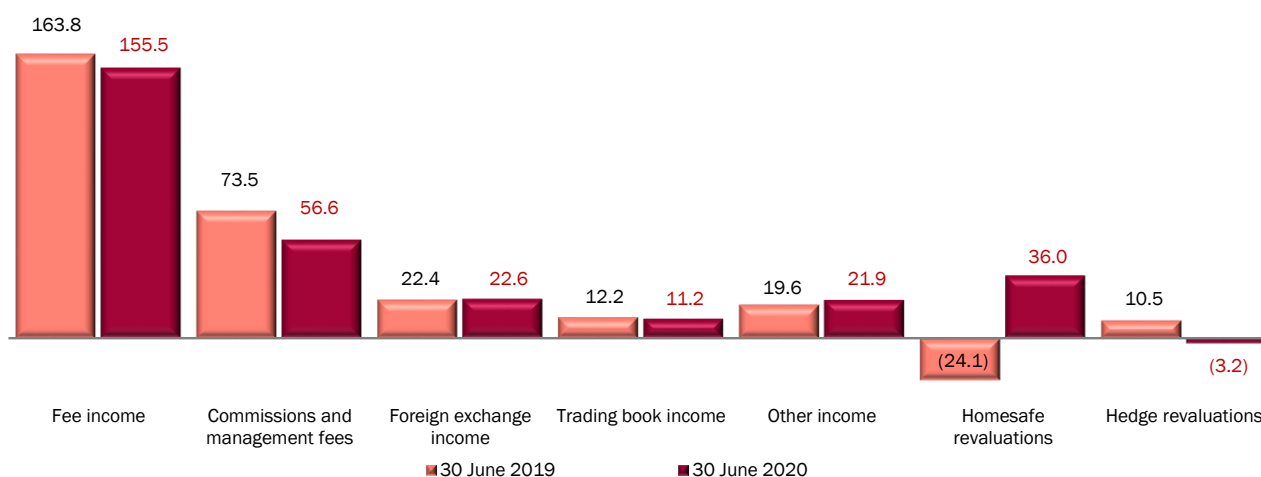
Fee income decreased by \$8.3m or 5.1%. During 2H20, fee income decreased by approximately \$5.9m because of the COVID-19 pandemic.

Commissions and management fees decreased by \$16.9m or 23.0%, largely as a result of a reduction in financial planning income following the sale of the Bendigo Financial Planning business in FY19 (\$11.1m).

Homesafe revaluation gain/(loss) was \$60.1m or 249.4%, higher due to the impact of property revaluations and a recent improvement in Sydney and Melbourne residential property prices, partially offset against a loss recorded due to changed valuation assumptions. Refer to section 2.2.4 for further detail.

Revaluation (losses)/gains on economic hedges decreased by \$13.7m or 130.5%. Refer to 2.2.1 for further detail.

Other income (\$m)



2.2.4 Homesafe Trust

	Full Year			Half Year		
	Jun-20	Jun-20	Dec-19	Jun-19	Jun-19	Dec-18
	\$m	\$m	\$m	\$m	\$m	\$m
Homesafe income						
Discount unwind	23.1	11.7	11.4	22.4	11.2	11.2
Profit/(loss) on sale	3.2	1.9	1.3	0.5	0.7	(0.2)
Property revaluations	9.7	(16.4)	26.1	(47.0)	(30.6)	(16.4)
Total income/(loss)	36.0	(2.8)	38.8	(24.1)	(18.7)	(5.4)

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

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

	Full Year			Half Year		
	Jun-20	Jun-20	Dec-19	Jun-19	Jun-19	Dec-18
	\$m	\$m	\$m	\$m	\$m	\$m
Homesafe realised income	24.2	12.7	11.5	21.4	10.8	10.6

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

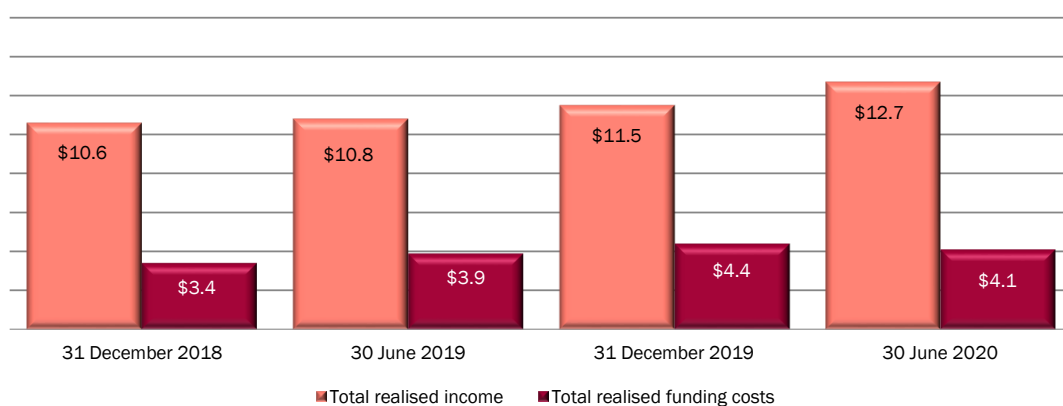
	Full Year			Half Year		
	Jun-20	Jun-20	Dec-19	Jun-19	Jun-19	Dec-18
	\$m	\$m	\$m	\$m	\$m	\$m
Funding costs						
Funding costs - unrealised	(12.5)	(6.0)	(6.5)	(18.0)	(8.9)	(9.1)
Funding costs - realised	(8.5)	(4.1)	(4.4)	(7.3)	(3.9)	(3.4)

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

Funding costs unrealised - Interest expense on existing contracts.

	As at		As at	
	Jun-20	Dec-19	Jun-19	Dec-18
	\$m	\$m	\$m	\$m
Portfolio balance				
Funded balance	485.6	472.3	452.3	433.3
Property revaluation balance	294.2	309.9	282.2	311.9
Total investment portfolio balance	779.8	782.2	734.5	745.2

Total realised gains and realised funding costs (\$m)



2.2.5 Operating expenses

	Full year ending				Half year ending			
	Jun-20	Jun-19	Change		Jun-20	Dec-19	Change	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Staff and related costs	567.1	518.5	(48.6)	(9.4)	293.6	273.5	(20.1)	(7.3)
Occupancy costs	36.3	91.3	55.0	60.2	18.4	17.9	(0.5)	(2.8)
Information technology costs	70.9	74.9	4.0	5.3	37.6	33.3	(4.3)	(12.9)
Amortisation of acquired intangibles	3.2	3.7	0.5	13.5	1.7	1.5	(0.2)	(13.3)
Amortisation of software intangibles	31.1	33.8	2.7	8.0	14.7	16.4	1.7	10.4
Property, plant and equipment costs	64.4	10.6	(53.8)	(507.5)	31.9	32.5	0.6	1.8
Fees and commissions	20.3	31.1	10.8	34.7	10.0	10.3	0.3	2.9
Communications, postage and stationery	35.8	37.2	1.4	3.8	17.7	18.1	0.4	2.2
Advertising and promotion	31.6	29.5	(2.1)	(7.1)	16.6	15.0	(1.6)	(10.7)
Other product and services delivery costs	24.3	31.0	6.7	21.6	12.4	11.9	(0.5)	(4.2)
Other administration expenses	139.7	96.6	(43.1)	(44.6)	81.2	58.5	(22.7)	(38.8)
Total operating expenses	1,024.7	958.2	(66.5)	(6.9)	535.8	488.9	(46.9)	(9.6)
Specific items	155.1	7.0	(148.1)	(2,115.7)	45.3	109.8	64.5	58.7
Total expenses	1,179.8	965.2	(214.6)	(22.2)	581.1	598.7	17.6	2.9

	Change				Change			
	Jun-20	Jun-19	%	Jun-20	Dec-19	%		
Cost to income ¹	62.7%	59.2%	3.5	5.9	66.1%	59.3%	6.8	11.5
Expenses to average assets	1.43%	1.39%	0.04	2.9	1.48%	1.38%	0.10	7.2
Number of staff (full-time equivalent)	4,776	4,540	236	5.2	4,776	4,560	216	4.7
Staff and related costs to income ²	34.1%	31.4%	2.7	8.6	35.6%	32.7%	2.9	8.9

¹ Expenses used in the above ratios are expenses less specific expense items and amortisation of acquired intangibles.

Income used in the above ratios is income less specific net interest income items and other specific income items.

² Excludes redundancy costs.

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

Staff and related costs increased by \$48.6m or 9.4% which includes redundancy costs of \$10.8m (FY19: \$11.9m). Staff costs have increased to support Consumer residential lending growth and Agribusiness initiatives, greater investment in risk and compliance capabilities, and organisational change initiatives.

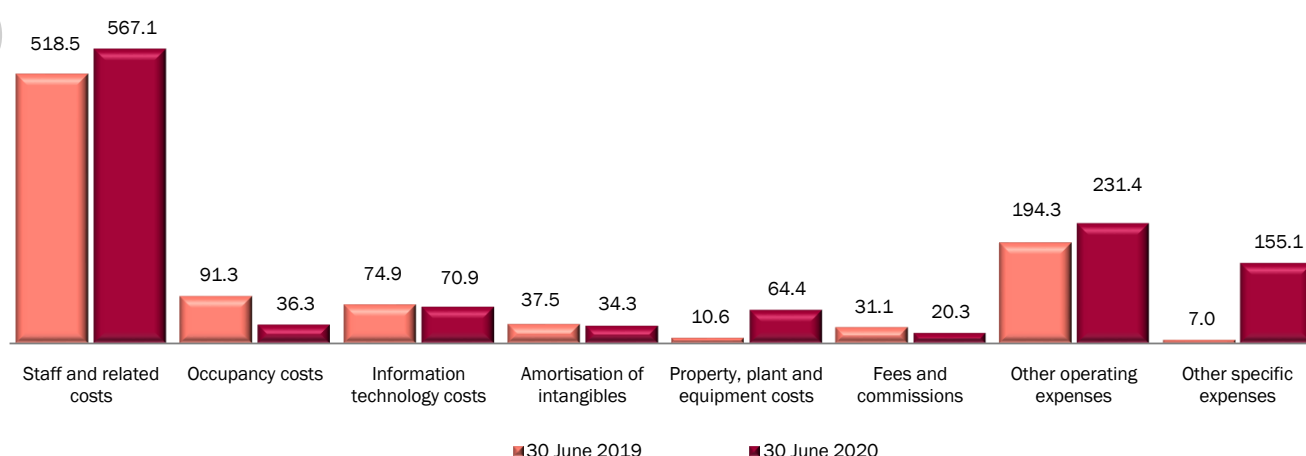
Occupancy costs decreased by \$55.0m or 60.2% due to the adoption of AASB 16 from 1 July 2019 which resulted in lease payments being recorded as interest and depreciation expenses.

Property, plant and equipment costs increased by \$53.8m or 507.5% due to the adoption of AASB 16 from 1 July 2019 which resulted in depreciation expenses being recorded in relation to the Right of Use Assets (ROUA) not previously recorded on the Group's Balance Sheet.

Other administration expenses increased by \$43.1m or 44.6%, predominantly due to an increase in consultancy fees. The increase in consultancy fees was driven by accelerated technology investment totalling \$52.4m. Remediation costs of \$7.4m were recorded through other administration expenses during the year (FY19: \$16.7m).

Specific items - other expenses increased by \$148.1m. Refer to 2.2.1 for further detail.

Operating expenses (\$m)



2.2.6 Average balance sheet

For the years ended 30 June 2020 and 30 June 2019

	30 June 2020			30 June 2019		
	Average	Interest	Average	Average	Interest	Average
	Balance	12 mths	Rate	Balance	12 mths	Rate
	\$m	\$m	%	\$m	\$m	%
Average balances and rates ¹						
Interest earning assets						
Cash and investments	8,427.1	72.6	0.86	7,144.0	125.3	1.75
Loans and other receivables ^{2,5}	59,755.0	2,197.7	3.68	58,645.2	2,518.4	4.29
Total interest earning assets	68,182.1	2,270.3	3.33	65,789.2	2,643.7	4.02
Non interest earning assets						
Credit provisions	(290.4)			(299.8)		
Other assets	3,451.6			3,025.4		
Total non interest earning assets	3,161.2			2,725.6		
Total assets (average balance)	71,343.3			68,514.8		
Interest bearing liabilities						
Deposits						
Retail ⁵	46,098.1	(668.8)	(1.45)	44,438.6	(965.7)	(2.17)
Wholesale - domestic	12,341.0	(125.9)	(1.02)	12,407.1	(208.9)	(1.68)
Wholesale - offshore	-	-	-	129.5	(4.1)	(3.17)
Repurchase agreements	850.0	(4.0)	(0.47)	517.0	(7.8)	(1.51)
Lease liability ⁷	240.9	(7.4)	(3.07)	-	-	-
Notes payable	3,564.4	(73.8)	(2.07)	2,977.0	(94.4)	(3.17)
Convertible preference shares	888.3	(29.4)	(3.31)	883.9	(35.7)	(4.04)
Subordinated debt	682.0	(27.1)	(3.97)	739.9	(37.1)	(5.01)
Total interest bearing liabilities	64,664.7	(936.4)	(1.45)	62,093.0	(1,353.7)	(2.18)
Non interest bearing liabilities and equity						
Other liabilities	988.1			872.9		
Equity	5,690.5			5,548.9		
Total liabilities and equity (average balance)	71,343.3			68,514.8		
Interest margin and interest spread						
Interest earning assets	68,182.1	2,270.3	3.33	65,789.2	2,643.7	4.02
Interest bearing liabilities	(64,664.7)	(936.4)	(1.45)	(62,093.0)	(1,353.7)	(2.18)
Net interest income and interest spread ^{3,6}		1,333.9	1.88		1,290.0	1.84
Interest free liabilities and equity			0.08			0.12
Net interest margin ⁴			1.96			1.96
Impact of revenue share arrangements						
Net interest margin			1.96			1.96
Add: impact of revenue share arrangements			0.37			0.40
Net interest margin before revenue share arrangements			2.33			2.36

¹ Average balance is based on monthly closing balances.

² Loans and other receivables excludes fair value specific items (FY20 \$0.1m and FY19 \$0.4m).

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

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

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

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

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

2.2.6 Average balance sheet

For the six months ended 30 June 2020 and 31 December 2019

	30 June 2020			31 December 2019		
	Average	Interest	Average	Average	Interest	Average
	Balance	6 mths	Rate	Balance	6 mths	Rate
	\$m	\$m	%	\$m	\$m	%
Average balances and rates ¹						
Interest earning assets						
Cash and investments	8,943.2	31.0	0.70	7,971.1	41.6	1.04
Loans and other receivables ^{2,5}	60,372.6	1,035.5	3.45	59,108.7	1,162.2	3.91
Total interest earning assets	69,315.8	1,066.5	3.09	67,079.8	1,203.8	3.57
Non interest earning assets						
Credit provisions	(298.2)			(280.9)		
Other assets	3,362.0			3,506.4		
Total non interest earning assets	3,063.8			3,225.5		
Total assets (average balance)	72,379.6			70,305.3		
Interest bearing liabilities						
Deposits						
Retail ⁵	46,852.4	(284.0)	(1.22)	45,364.0	(384.8)	(1.69)
Wholesale - domestic	12,234.3	(52.3)	(0.86)	12,492.0	(73.6)	(1.17)
Repurchase agreements	1,120.2	(1.8)	(0.32)	530.3	(2.2)	(0.83)
Lease liability	229.5	(3.6)	(3.15)	252.2	(3.8)	(3.00)
Notes payable	3,728.1	(34.2)	(1.84)	3,456.8	(39.6)	(2.28)
Convertible Preference Shares	889.2	(13.9)	(3.14)	887.4	(15.5)	(3.47)
Subordinated debt	681.2	(12.7)	(3.75)	682.8	(14.4)	(4.20)
Total interest bearing liabilities	65,734.9	(402.5)	(1.23)	63,665.5	(533.9)	(1.67)
Non interest bearing liabilities and equity						
Other liabilities	867.4			1,050.3		
Equity	5,777.3			5,589.5		
Total liabilities and equity (average balance)	72,379.6			70,305.3		
Interest margin and interest spread						
Interest earning assets	69,315.8	1,066.5	3.09	67,079.8	1,203.8	3.57
Interest bearing liabilities	(65,734.9)	(402.5)	(1.23)	(63,665.5)	(533.9)	(1.67)
Net interest income and interest spread ^{3,6}		664.0	1.86		669.9	1.90
Interest free liabilities and equity			0.07			0.09
Net interest margin ⁴			1.93			1.99
Net interest margin			1.93			1.99
Add: impact of revenue share arrangements			0.36			0.38
Net interest margin before revenue share arrangements			2.29			2.37

¹ Average balance is based on monthly closing balances.

² Loans and other receivables excludes fair value specific items (2H20 \$nil and 1H20 \$0.1m).

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

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

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

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

2.2.6 Average balance sheet

For the six months ended 30 June 2019 and 31 December 2018

	30 June 2019			31 December 2018		
	Average	Interest	Average	Average	Interest	Average
	Balance	6 mths	Rate	Balance	6 mths	Rate
	\$m	\$m	%	\$m	\$m	%
Average balances and rates ¹						
Interest earning assets						
Cash and Investments	7,181.7	60.4	1.69	7,183.1	64.9	1.79
Loans and other receivables ^{2,5}	58,467.0	1,239.6	4.28	58,774.4	1,278.8	4.32
Total interest earning assets	65,648.7	1,300.0	3.99	65,957.5	1,343.7	4.04
Non interest earning assets						
Credit provisions	(298.9)			(301.8)		
Other assets	3,041.9			3,010.0		
Total non interest earning assets	2,743.0			2,708.2		
Total assets (average balance)	68,391.7			68,665.7		
Interest bearing liabilities and equity						
Deposits						
Retail ⁵	44,971.2	(477.3)	(2.14)	43,980.4	(488.4)	(2.20)
Wholesale - domestic	12,016.8	(99.4)	(1.67)	12,765.9	(109.5)	(1.70)
Wholesale - offshore	76.6	(1.2)	(3.16)	190.0	(2.9)	(3.03)
Repurchase agreements	514.6	(3.9)	(1.53)	519.6	(3.9)	(1.49)
Notes payable	2,747.3	(42.3)	(3.10)	3,174.1	(52.1)	(3.26)
Convertible Preference Shares	885.5	(17.6)	(4.01)	882.5	(18.1)	(4.07)
Subordinated debt	726.5	(17.7)	(4.91)	788.2	(19.4)	(4.88)
Total interest bearing liabilities	61,938.5	(659.4)	(2.15)	62,300.7	(694.3)	(2.21)
Non interest bearing liabilities and equity						
Other liabilities	877.7			837.4		
Equity	5,575.5			5,527.6		
Total liabilities and equity (average balance)	68,391.7			68,665.7		
Interest margin and interest spread						
Interest earning assets	65,648.7	1,300.0	3.99	65,957.5	1,343.7	4.04
Interest bearing liabilities	(61,938.5)	(659.4)	(2.15)	(62,300.7)	(694.3)	(2.21)
Net interest income and interest spread ^{3,6}		640.6	1.84		649.4	1.83
Interest free liabilities and equity			0.13			0.12
Net interest margin ⁴			1.97			1.95
Net interest margin			1.97			1.95
Add: impact of revenue share arrangements			0.40			0.40
Net interest margin before revenue share arrangements			2.37			2.35

¹ Average balance is based on monthly closing balances.

² Loans and other receivables excludes fair value specific items (2H19 \$0.2m and 1H19 \$0.2m).

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

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

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

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

2.2.7 Segment results

Segment reporting

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

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

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

Consumer

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

Business

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

Agribusiness

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

Corporate

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

Accounting policies and inter-segment transactions

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

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

Major customers

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

Geographic Information

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

For the year ended 30 June 2020

	Operating segments			Total operating segments	Corporate	Total
	Consumer	Business	Agribusiness			
	\$m	\$m	\$m	\$m	\$m	\$m
Net interest income	856.3	288.1	155.3	1,299.7	34.1	1,333.8
Other income	224.8	42.5	18.3	285.6	15.0	300.6
Total segment income	1,081.1	330.6	173.6	1,585.3	49.1	1,634.4
Operating expenses	(482.4)	(97.9)	(63.6)	(643.9)	(535.9)	(1,179.8)
Credit expenses ¹	3.9	(35.0)	(6.1)	(37.2)	(131.3)	(168.5)
Segment result (before tax expense)	602.6	197.7	103.9	904.2	(618.1)	286.1
Income tax expense	(196.5)	(64.5)	(33.9)	(294.9)	201.6	(93.3)
Segment result (statutory basis)	406.1	133.2	70.0	609.3	(416.5)	192.8
Cash basis adjustments:						
Specific income and expense items (after tax)	(12.3)	3.0	0.1	(9.2)	104.9	95.7
Homesafe net realised income (after tax)	11.0	-	-	11.0	-	11.0
Amortisation of acquired intangibles (after tax)	-	0.1	0.5	0.6	1.6	2.2
Segment result (cash basis)	404.8	136.3	70.6	611.7	(310.0)	301.7

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

2.2.7 Segment results (continued)

For the year ended 30 June 2019

	Operating segments			Total operating segments	Corporate	Total
	Consumer	Business	Agribusiness			
	\$m	\$m	\$m			
Net interest income	826.3	295.8	135.9	1,258.0	31.6	1,289.6
Other income	188.7	45.3	15.2	249.2	28.7	277.9
Total segment income	1,015.0	341.1	151.1	1,507.2	60.3	1,567.5
Operating expenses	(494.9)	(88.7)	(66.8)	(650.4)	(314.8)	(965.2)
Credit expenses	(18.7)	(32.5)	2.5	(48.7)	(1.6)	(50.3)
Segment result (before tax expense)	501.4	219.9	86.8	808.1	(256.1)	552.0
Income tax expense	(159.1)	(69.8)	(27.6)	(256.5)	81.3	(175.2)
Segment result (statutory basis)	342.3	150.1	59.2	551.6	(174.8)	376.8
Cash basis adjustments:						
Specific income & expense items	32.1	-	0.8	32.9	(6.5)	26.4
Homesafe net realised income	9.9	-	-	9.9	-	9.9
Amortisation of intangibles	0.4	-	0.4	0.8	1.8	2.6
Segment result (cash basis)	384.7	150.1	60.4	595.2	(179.5)	415.7

Reportable segment assets and liabilities

	Operating segments			Total operating segments	Corporate	Total
	Consumer	Business	Agribusiness			
	\$m	\$m	\$m			
For the year ended 30 June 2020						
Reportable segment assets	45,884.6	13,348.8	6,073.5	65,306.9	10,702.0	76,008.9
Reportable segment liabilities	41,281.0	11,503.7	3,107.8	55,892.5	10,814.7	66,707.2
For the year ended 30 June 2019						
Reportable segment assets	42,705.0	13,446.4	5,997.5	62,148.9	10,286.4	72,435.3
Reportable segment liabilities	37,750.6	12,118.2	3,863.0	53,731.8	9,607.5	63,339.3
					As at June 2020	As at June 2019
					\$m	\$m
Total assets for operating segments					76,008.9	72,435.3
Total assets					76,008.9	72,435.3
Total liabilities for operating segments					66,707.2	63,339.3
Notes payable					3,503.5	3,464.4
Total liabilities					70,210.7	66,803.7

2.3 Financial statements

2.3.1 Balance Sheet metrics

	Half year		Total	Half year		Total	Year on year change	
	Jun-20	Dec-19		FY20	Jun-19		Dec-18	FY19
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Financial position metrics								
Ordinary equity	5,715.2	5,520.9	5,715.2	5,563.2	5,539.4	5,563.2	152.0	2.7
Customer deposits	50,909.2	49,562.6	50,909.2	48,043.5	47,822.9	48,043.5	2,865.7	6.0
Funds under management	6,161.7	6,634.3	6,161.7	6,592.2	6,013.0	6,592.2	(430.5)	(6.5)
Loans under management	66,770.9	64,191.5	66,770.9	63,219.2	62,812.9	63,219.2	3,551.7	5.6
New loan approvals	10,194.5	9,568.1	19,762.6	7,517.1	7,732.2	15,249.3	4,513.3	29.6
> Residential	7,553.7	6,924.0	14,477.7	4,680.5	5,590.3	10,270.8	4,206.9	41.0
> Non-residential	2,640.8	2,644.1	5,284.9	2,836.6	2,141.9	4,978.5	306.4	6.2
Total provisions and reserves for doubtful debts	428.2	352.6	428.2	362.8	379.9	362.8	65.4	18.0
Capital management metrics								
Common Equity Tier 1 (%)	9.25%	9.00%	9.25%	8.92%	8.76%	8.92%		33
							\$m	%
Credit risk weighted assets (\$m)	34,252.2	33,246.3	34,252.2	33,424.1	33,656.7	33,424.1	828.1	2.5
Total risk weighted assets (\$m)	38,215.2	37,265.6	38,215.2	37,483.1	37,539.0	37,483.1	732.1	2.0
Liquidity risk								
Liquidity coverage ratio (LCR) ¹	139.1%	129.1%	134.1%	126.3%	129.8%	128.1%		600
Net stable funding ratio (NSFR) ²	116.3%	113.0%	114.7%	112.8%	112.0%	112.4%		230
Impaired assets								
Gross impaired assets (\$m)	240.5	315.5	240.5	310.9	346.0	310.9	(70.4)	(22.6)
Net impaired assets (\$m)	163.0	185.0	163.0	183.3	221.3	183.3	(20.3)	(11.1)
Net impaired loans to gross loans (%)								
Net impaired loans to gross loans (%)	0.25%	0.29%	0.25%	0.29%	0.36%	0.29%		(4)

¹ Represents average daily LCR over respective 6 and 12 month period.

² Represents average end of month NSFR over respective 6 and 12 month period.

2.3.2 Statement of comprehensive income

For the year ended 30 June 2020

	As at 30 June 2020	As at 30 June 2019
	\$m	\$m
Profit for the period ended 30 June	192.8	376.8
Items which may be reclassified subsequently to profit or loss:		
Revaluation gain on debt instruments at fair value through other comprehensive income	1.1	0.2
Transfer from asset revaluation reserve to income	(1.4)	(0.3)
Net (loss)/gain on cash flow hedges taken to equity	(20.3)	19.5
Tax effect on items taken directly to or transferred from equity	6.1	(5.8)
Total items that may be reclassified to profit or loss	(14.5)	13.6
Items which will not be reclassified subsequently to profit or loss:		
Actuarial (loss)/gain on superannuation defined benefits plan	(1.3)	(0.1)
Tax effect on items taken directly to or transferred from equity	0.4	-
Total items that will not be reclassified to profit or loss	(0.9)	(0.1)
Total comprehensive income for the period	177.4	390.3

2.3.3 Balance Sheet

As at 30 June 2020

	As at 30 June 2020 ¹	As at 30 June 2019
	\$m	\$m
Assets		
Cash and cash equivalents	1,189.6	1,072.0
Due from other financial institutions	137.0	270.6
Financial assets fair value through profit or loss (FVTPL)	5,411.1	5,836.9
Financial assets amortised cost	325.3	293.1
Financial assets fair value through other comprehensive income (FVOCI)	819.6	55.7
Current tax assets	17.6	-
Derivatives	106.4	150.6
Net loans and other receivables	64,980.4	61,822.2
Investments accounted for using the equity method	5.4	9.3
Property, plant and equipment	252.3	63.1
Deferred tax assets	88.3	5.3
Investment property	779.8	734.5
Goodwill and other intangible assets	1,564.6	1,685.6
Other assets	331.5	436.4
Total Assets	76,008.9	72,435.3
Liabilities		
Due to other financial institutions	145.1	420.6
Deposits	64,182.6	60,596.9
Notes payable	3,503.5	3,464.4
Derivatives	100.2	135.0
Income tax payable	-	6.4
Provisions	114.4	119.6
Other payables	603.4	493.0
Preference shares	890.2	886.4
Subordinated debt	671.3	681.4
Total Liabilities	70,210.7	66,803.7
Net Assets	5,798.2	5,631.6
Equity		
Share capital	4,905.0	4,570.5
Reserves	87.3	73.8
Retained earnings	805.9	987.3
Total Equity	5,798.2	5,631.6

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

2.3.4 Statement of changes in equity

For the year ended 30 June 2020

	Attributable to owners of Bendigo and Adelaide Bank Limited				Total equity
	Issued	Other	Retained	Reserves	
	ordinary	issued	earnings		
	capital	capital			
	\$m	\$m	\$m	\$m	\$m
Opening balance at 1 July 2019	4,575.9	(5.4)	987.3	73.8	5,631.6
Restated for adoption of new accounting standards ¹	-	-	(24.7)	-	(24.7)
Rural Bank consolidation ²	-	-	(20.4)	20.4	-
Comprehensive income:					
Profit for the period	-	-	192.8	-	192.8
Other comprehensive income	-	-	(0.9)	(14.5)	(15.4)
Total comprehensive income for the period	-	-	191.9	(14.5)	177.4
Transactions with owners in their capacity as owners:					
Shares issued	337.7	-	-	-	337.7
Share issue expenses	(3.0)	-	-	-	(3.0)
Movement in Executive Share plans	(1.3)	-	-	-	(1.3)
Reduction in employee share ownership plan (ESOP) shares	-	1.1	-	-	1.1
Movement in general reserve for credit losses (GRCL)	-	-	(9.3)	9.3	-
Movement in share based payment	-	-	1.0	(2.1)	(1.1)
Transfer from asset revaluation reserve	-	-	0.8	-	0.8
Movement in operational risk reserve	-	-	(0.4)	0.4	-
Equity dividends	-	-	(320.3)	-	(320.3)
Closing balance at 30 June 2020	4,909.3	(4.3)	805.9	87.3	5,798.2

For the year ended 30 June 2019

	Attributable to owners of Bendigo and Adelaide Bank Limited				Total equity
	Issued	Other	Retained	Reserves	
	ordinary	issued	earnings		
	capital	capital			
	\$m	\$m	\$m	\$m	\$m
Opening balance at 1 July 2018	4,529.9	(6.6)	975.9	121.1	5,620.3
Restated for adoption of new accounting standards ³	-	-	(11.1)	(82.8)	(93.9)
Comprehensive income:					
Profit for the period	-	-	376.8	-	376.8
Other comprehensive income	-	-	(0.1)	13.6	13.5
Total comprehensive income for the period	-	-	376.7	13.6	390.3
Transactions with owners in their capacity as owners:					
Shares issued	46.0	-	-	-	46.0
Reduction in employee share ownership plan (ESOP) shares	-	1.2	-	-	1.2
Movement in general reserve for credit losses (GRCL)	-	-	(19.9)	19.9	-
Movement in share based payment	-	-	1.0	1.4	2.4
Movement in operational risk reserve	-	-	(0.6)	0.6	-
Equity dividends	-	-	(334.7)	-	(334.7)
Closing balance at 30 June 2019	4,575.9	(5.4)	987.3	73.8	5,631.6

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

² Relates to Rural Bank consolidation adjustments.

³ The Group applied AASB 9 *Financial Instruments* from 1 July 2018. Further information can be found in the Group's 2019 Annual Financial Report.

2.3.5 Cash flow statement

For the year ended 30 June 2020

As at 30 June 2020 ¹ As at 30 June 2019
 \$m \$m

Cash flows from operating activities		
Interest and other items of a similar nature received	2,316.2	2,646.2
Interest and other costs of finance paid	(998.5)	(1,361.4)
Receipts from customers (excluding effective interest)	257.0	280.4
Payments to suppliers and employees	(990.7)	(1,000.1)
Dividends received	1.6	0.9
Income taxes paid	(183.0)	(205.9)
Cash flows from operating activities before changes in operating assets and liabilities	402.6	360.1
(Increase)/decrease in operating assets		
Net increase in balance of loans and other receivables	(3,319.9)	(337.6)
Net increase in balance of investment securities	(384.0)	(773.2)
Increase/(decrease) in operating liabilities		
Net increase in balance of deposits	3,585.7	1,037.1
Net increase/(decrease) in balance of notes payable	39.1	(80.4)
Cash flows from operating activities	323.5	206.0
Cash flows related to investing activities		
Cash paid for purchases of property, plant and equipment	(28.4)	(12.6)
Cash proceeds from sale of property, plant and equipment	4.2	0.8
Cash paid for purchases of investment property	(59.3)	(67.0)
Cash proceeds from sale of investment property	50.0	44.1
Cash paid for purchases of equity investments	(4.5)	(0.3)
Cash proceeds from sale of equity investments	0.1	0.1
Cash proceeds from return of capital/dividend from JV partners	4.4	2.0
Cash paid for purchases of intangible assets	(7.4)	(3.7)
Net cash flows used in investing activities	(40.9)	(36.6)
Cash flows from financing activities		
Proceeds from issue of ordinary/convertible preference shares	294.8	-
Payments to from subordinated debt holders	(10.5)	(27.8)
Dividends paid	(277.4)	(288.7)
Lease repayments	(26.8)	-
Repayment of ESOP shares	1.1	1.2
Payment of shares issue costs	(4.3)	-
Net cash flows from financing activities	(23.1)	(315.3)
Net increase/(decrease) in cash and cash equivalents	259.5	(145.9)
Cash and cash equivalents at the beginning of the period	922.0	1,067.9
Cash and cash equivalents at the end of period	1,181.5	922.0

¹ AASB 16 has been adopted on 1 July 2019; comparative information has not been restated.

2.3.6 Lending

	Full year ending				Half year ending			
	Jun-20	Jun-19	Change		Jun-20	Dec-19	Change	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Approvals - by security								
Residential	14,477.7	10,270.8	4,206.9	41.0	7,553.7	6,924.0	629.7	9.1
Non-residential	5,284.9	4,978.5	306.4	6.2	2,640.8	2,644.1	(3.3)	(0.1)
Total approvals	19,762.6	15,249.3	4,513.3	29.6	10,194.5	9,568.1	626.4	6.5
	As at Jun-20	As at Jun-19	Change		As at Jun-20	As at Dec-19	Change	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Gross loan balance - by security								
Residential	48,593.3	45,023.2	3,570.1	7.9	48,593.3	46,439.7	2,153.6	4.6
Business								
Accommodation and food services	353.2	340.0	13.2	3.9	353.2	324.2	29.0	8.9
Administrative and support services	31.9	28.1	3.8	13.5	31.9	28.4	3.5	12.3
Agriculture, forestry and fishing	6,337.1	6,201.8	135.3	2.2	6,337.1	5,970.4	366.7	6.1
Arts and recreation services	75.1	65.7	9.4	14.3	75.1	72.1	3.0	4.2
Construction	640.1	785.5	(145.4)	(18.5)	640.1	690.8	(50.7)	(7.3)
Education and training	50.2	58.9	(8.7)	(14.8)	50.2	70.1	(19.9)	(28.4)
Electricity, gas, water and waste services	27.0	35.0	(8.0)	(22.9)	27.0	34.2	(7.2)	(21.1)
Financial and insurance services	1,715.2	1,267.7	447.5	35.3	1,715.2	1,248.1	467.1	37.4
Health care and social assistance	479.6	532.9	(53.3)	(10.0)	479.6	487.2	(7.6)	(1.6)
Information media & telecommunications	31.2	31.2	-	-	31.2	31.3	(0.1)	(0.3)
Manufacturing	228.4	249.2	(20.8)	(8.3)	228.4	231.0	(2.6)	(1.1)
Mining	23.0	27.8	(4.8)	(17.3)	23.0	26.1	(3.1)	(11.9)
Other Services	235.3	200.6	34.7	17.3	235.3	222.2	13.1	5.9
Professional, scientific & technical services	194.3	209.3	(15.0)	(7.2)	194.3	194.1	0.2	0.1
Public administration and safety	16.3	47.5	(31.2)	(65.7)	16.3	48.2	(31.9)	(66.2)
Rental, hiring and real estate services	3,333.9	3,502.1	(168.2)	(4.8)	3,333.9	3,416.7	(82.8)	(2.4)
Retail trade	390.4	409.9	(19.5)	(4.8)	390.4	391.3	(0.9)	(0.2)
Transport, postal and warehousing	142.3	147.4	(5.1)	(3.5)	142.3	144.7	(2.4)	(1.7)
Wholesale trade	137.0	146.7	(9.7)	(6.6)	137.0	132.2	4.8	3.6
Other	85.2	103.1	(17.9)	(17.4)	85.2	97.3	(12.1)	(12.4)
Total business	14,526.7	14,390.4	136.3	0.9	14,526.7	13,860.6	666.1	4.8
Margin lending	1,294.9	1,559.0	(264.1)	(16.9)	1,294.9	1,542.7	(247.8)	(16.1)
Unsecured	734.8	912.0	(177.2)	(19.4)	734.8	863.1	(128.3)	(14.9)
Other	172.0	256.2	(84.2)	(32.9)	172.0	218.5	(46.5)	(21.3)
Total gross loan balance	65,321.7	62,140.8	3,180.9	5.1	65,321.7	62,924.6	2,397.1	3.8
Gross loan balance - by purpose								
Residential	46,943.9	43,096.6	3,847.3	8.9	46,943.9	44,544.4	2,399.5	5.4
Consumer	2,039.9	2,232.1	(192.2)	(8.6)	2,039.9	2,167.2	(127.3)	(5.9)
Margin lending	1,294.9	1,559.0	(264.1)	(16.9)	1,294.9	1,542.7	(247.8)	(16.1)
Business	15,043.0	15,253.1	(210.1)	(1.4)	15,043.0	14,670.3	372.7	2.5
Total gross loan balance	65,321.7	62,140.8	3,180.9	5.1	65,321.7	62,924.6	2,397.1	3.8
Loans under management (gross balance)								
On-balance sheet	65,321.7	62,140.8	3,180.9	5.1	65,321.7	62,924.6	2,397.1	3.8
Off-balance sheet loans under management	1,449.2	1,078.4	370.8	34.4	1,449.2	1,266.9	182.3	14.4
Total Group loans under management	66,770.9	63,219.2	3,551.7	5.6	66,770.9	64,191.5	2,579.4	4.0

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 and factoring receivables 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.

2.3.7 Asset quality

	As at Jun-20	As at Jun-19	Change		As at Jun-20	As at Dec-19	Change	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Impaired loans ¹								
Full-performing ²	10.1	8.3	1.8	21.7	10.1	7.5	2.6	34.7
Part-performing ³	52.4	82.2	(29.8)	(36.3)	52.4	83.2	(30.8)	(37.0)
Non-performing	177.0	217.1	(40.1)	(18.5)	177.0	221.0	(44.0)	(19.9)
Restructured loans ⁴	1.0	3.3	(2.3)	(69.7)	1.0	3.8	(2.8)	(73.7)
Total impaired assets	240.5	310.9	(70.4)	(22.6)	240.5	315.5	(75.0)	(23.8)
Less: specific impairment provisions	(77.5)	(127.6)	50.1	39.3	(77.5)	(130.5)	53.0	40.6
Net impaired assets	163.0	183.3	(20.3)	(11.1)	163.0	185.0	(22.0)	(11.9)
Portfolio facilities - past due 90 days, not well secured	4.9	4.6	0.3	6.5	4.9	3.8	1.1	28.9
Less: specific impairment provisions	(0.9)	(0.9)	-	-	(0.9)	(0.7)	(0.2)	(28.6)
Net portfolio facilities	4.0	3.7	0.3	8.1	4.0	3.1	0.9	29.0
Past due 90 days								
Well secured (excluding commercial arrangement loans)	382.5	404.1	(21.6)	(5.3)	382.5	449.8	(67.3)	(15.0)
Great Southern portfolio	8.4	34.9	(26.5)	(75.9)	8.4	8.8	(0.4)	(4.5)
Ratios	%	%	bps		%	%	bps	
Total impaired loans to gross loans	0.37%	0.50%	(13)		0.37%	0.50%	(13)	
Total impaired loans to total assets	0.32%	0.43%	(11)		0.32%	0.42%	(10)	
Net impaired loans to gross loans	0.25%	0.29%	(4)		0.25%	0.29%	(4)	
Provision coverage ⁵	178.0%	116.7%	6,130		178.0%	111.8%	6,620	

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

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

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

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

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

2.3.8 Credit expenses

	Full year ending				Half year ending			
	Jun-20	Jun-19	Change		Jun-20	Dec-19	Change	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Credit expense								
Bad debts written off	10.7	10.0	(0.7)	(7.0)	3.8	6.9	3.1	44.9
Provision expense	162.6	44.6	(118.0)	(264.6)	143.5	19.2	(124.3)	(647.4)
Total credit expense	173.3	54.6	(118.7)	(217.4)	147.3	26.1	(121.2)	(464.4)
Bad debts recovered	(4.8)	(4.3)	0.5	11.6	(2.0)	(2.9)	(0.9)	(31.0)
Credit expenses net of recoveries	168.5	50.3	(118.2)	(235.0)	145.3	23.2	(122.1)	(526.3)

	As at		As at		As at		As at	
	Jun-20	Jun-19	Jun-20	Jun-19	Jun-20	Dec-19	Jun-20	Dec-19
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Provisions and reserves								
Individually assessed provisions	78.4	128.5	50.1	39.0	78.4	131.2	52.8	40.2
Collectively assessed provisions	263.2	157.0	(106.2)	(67.6)	263.2	147.2	(116.0)	(78.8)
General reserve for credit losses	86.6	77.3	(9.3)	(12.0)	86.6	74.2	(12.4)	(16.7)
Total provisions and reserve for doubtful debts	428.2	362.8	(65.4)	(18.0)	428.2	352.6	(75.6)	(21.4)

	%	%	bps	%	%	bps
Ratios						
Credit expenses net of recoveries to gross loans	0.26%	0.08%	18	0.45%	0.07%	38
Credit expenses net of recoveries (excluding Great Southern) to gross loans	0.26%	0.06%	20	0.44%	0.07%	37
Total provision/reserve for doubtful debts to gross loans	0.66%	0.58%	8	0.66%	0.56%	10
Collectively assessed provisions and GRCL to risk-weighted assets	0.92%	0.63%	29	0.92%	0.59%	33

The Group has recorded a total overlay of \$148.3m during the half year ended 30 June 2020 for the potential future impacts from the COVID-19 pandemic. \$127.7m of this overlay has been added to the collectively assessed provision and \$20.6m to the general reserve for credit losses. This overlay consists of three components, being:

- A significant change to the base case economic outlook given COVID-19 impacts. This includes lower GDP, higher unemployment, and a reduction in residential and commercial property prices;
- A shift in the weightings of the scenarios used in the calculation of the provision towards an increase in the downside economic scenarios; and
- An overlay specific to business and consumer portfolios reflecting further potential COVID-19 impacts.

The assessment and determination of forward-looking assumptions used to calculate the provision is challenging given the inherent uncertainties around COVID-19. The Group has not assumed a sharp recovery in the adopted economic outlook, but rather a slower recovery with probabilities biased to the downside. The increase in the provisions are based on the Group's view and do not reflect any deterioration in observed credit quality.

	Stage 1	Stage 2	Stage 3		General reserve for credit losses	Total
	12 month ECL	Lifetime ECL	Collectively assessed - Lifetime ECL	Individually assessed - Lifetime ECL		
	\$m	\$m	\$m	\$m	\$m	\$m
Movements in provisions and reserves						
Balance as at 1 July 2019	28.3	84.5	44.2	128.5	77.3	362.8
Transfers during the period to:						
Stage 1	0.7	(0.7)	-	-	-	-
Stage 2	(17.3)	18.3	(1.0)	-	-	-
Stage 3	(6.6)	(6.2)	12.8	-	-	-
Transfer from collectively assessed to individually assessed	(0.1)	(1.2)	(6.5)	7.8	-	-
New/increased provisions ¹	11.6	131.4	1.0	48.6	20.6	213.2
Write-back of provisions no longer required	(5.2)	(8.3)	(3.4)	-	-	(16.9)
Change in balances	17.5	(17.4)	(13.2)	-	(11.3)	(24.4)
Bad debts written off previously provided for	-	-	-	(106.5)	-	(106.5)
Total provision for doubtful debts as at 30 June 2020	28.9	200.4	33.9	78.4	86.6	428.2

¹ includes recognition of COVID-19 overlay.

2.3.8 Credit expenses (continued)

	Stage 1		Stage 2	Stage 3		General reserve for credit losses	Total
	Collective provision ¹	12 month ECL	Lifetime ECL	Collectively assessed - Lifetime ECL	Individually assessed - Lifetime ECL		
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Movements in provisions and reserves (continued)							
Balance as at 1 July 2018	48.2	-	-	-	119.3	140.3	307.8
Restated for adoption of new accounting standards ¹	(48.2)	33.1	79.0	70.4	-	(82.9)	51.4
Transfer from retained earnings	-	-	-	-	-	19.9	19.9
Transfers during the period to:							
Stage 1	-	2.9	(2.8)	(0.1)	-	-	-
Stage 2	-	(29.1)	31.5	(2.4)	-	-	-
Stage 3	-	(9.9)	(15.7)	25.6	-	-	-
Transfer from collectively assessed to individually assessed	-	(0.1)	(0.6)	(1.3)	2.0	-	-
New/increased provisions	-	6.6	4.5	1.1	68.1	-	80.3
Write-back of provisions no longer required	-	(6.4)	(4.4)	(7.3)	-	-	(18.1)
Change in balances	-	31.2	(7.0)	(41.8)	-	-	(17.6)
Bad debts written off previously provided for	-	-	-	-	(60.9)	-	(60.9)
Total provision for doubtful debts as at 30 June 2019	-	28.3	84.5	44.2	128.5	77.3	362.8

¹ June 2019 results have been prepared in accordance with AASB 9; Refer to prior period Appendix 4E for further details.

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	Stage 3	Total
	Collectively assessed provisions			Individually assessed provisions	
	\$m	\$m	\$m	\$m	
Gross carrying amount as at 1 July 2019	55,530.2	7,287.9	901.3	281.5	64,000.9
New financial assets originated or purchased	15,270.6	400.3	166.7	-	15,837.6
Financial assets derecognised or repaid	(8,698.0)	(1,537.6)	(384.0)	-	(10,619.6)
Stage 1	2,242.5	(2,183.2)	(59.3)	-	-
Stage 2	(3,229.5)	3,375.7	(146.2)	-	-
Stage 3	(245.6)	(294.7)	540.3	-	-
Change in balances	(1,528.5)	(219.3)	(83.6)	(68.9)	(1,900.3)
Transfer from collectively assessed to individually assessed provisions	(23.4)	(34.6)	(68.7)	126.7	-
Amounts written off against provisions	-	-	-	(106.6)	(106.6)
Gross carrying amount as at 30 June 2020	59,318.3	6,794.5	866.5	232.7	67,212.0

	\$m	\$m	\$m	\$m	\$m
Gross carrying amount as at 1 July 2018	56,221.5	6,397.7	808.4	309.7	63,737.3
New financial assets originated or purchased	10,936.5	334.4	29.7	-	11,300.6
Financial assets derecognised or repaid	(8,995.8)	(1,000.9)	(226.8)	-	(10,223.5)
Stage 1	2,304.4	(2,231.3)	(73.1)	-	-
Stage 2	(4,396.8)	4,519.3	(122.5)	-	-
Stage 3	(287.1)	(283.4)	570.5	-	-
Change in balances	(218.0)	(399.3)	(60.2)	(75.5)	(753.0)
Transfer from collectively assessed to individually assessed provisions	(34.5)	(48.6)	(24.7)	107.8	-
Amounts written off against provisions	-	-	-	(60.5)	(60.5)
Gross carrying amount as at 30 June 2019	55,530.2	7,287.9	901.3	281.5	64,000.9

2.3.9 Deposits and funds under management

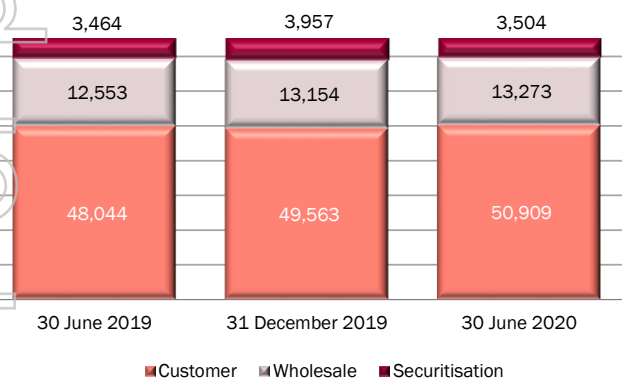
	As at		As at		As at		As at	
	Jun-20	Jun-19	Change		Jun-20	Dec-19	Change	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Deposits and funds under management								
Deposits	64,182.6	60,596.9	3,585.7	5.9	64,182.6	62,716.7	1,465.9	2.3
Securitisation	3,503.5	3,464.4	39.1	1.1	3,503.5	3,957.3	(453.8)	(11.5)
Managed funds	6,161.7	6,592.2	(430.5)	(6.5)	6,161.7	6,634.3	(472.6)	(7.1)
Total deposits and funds under management	73,847.8	70,653.5	3,194.3	4.5	73,847.8	73,308.3	539.5	0.7
Deposits dissection - \$m								
Customer	50,909.2	48,043.5	2,865.7	6.0	50,909.2	49,562.6	1,346.6	2.7
Wholesale	13,273.4	12,553.4	720.0	5.7	13,273.4	13,154.1	119.3	0.9
Securitisation	3,503.5	3,464.4	39.1	1.1	3,503.5	3,957.3	(453.8)	(11.5)
Total deposits	67,686.1	64,061.3	3,624.8	5.7	67,686.1	66,674.0	1,012.1	1.5
Deposits dissection - %								
Customer	75.2%	75.0%			75.2%	74.4%		
Wholesale	19.6%	19.6%			19.6%	19.7%		
Securitisation	5.2%	5.4%			5.2%	5.9%		
Total deposits	100.0%	100.0%			100.0%	100.0%		
Managed funds dissection								
Assets under management	2,472.3	2,536.7	(64.4)	(2.5)	2,472.3	2,507.7	(35.4)	(1.4)
Other managed funds	3,689.4	4,055.5	(366.1)	(9.0)	3,689.4	4,126.6	(437.2)	(10.6)
Total managed funds	6,161.7	6,592.2	(430.5)	(6.5)	6,161.7	6,634.3	(472.6)	(7.1)

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

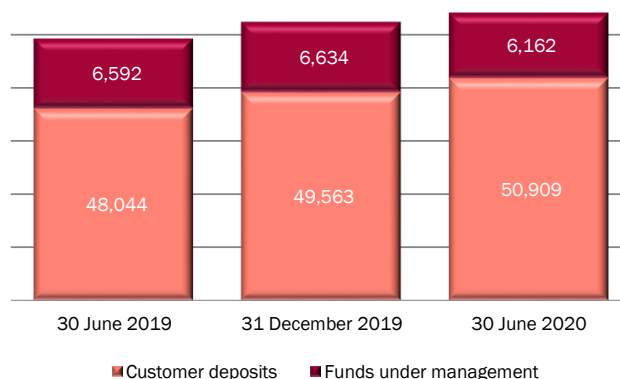
Assets under management include those funds deposited in the Sandhurst Trustees Limited Common Funds, which are invested in cash, cash enhanced and mortgage investments on behalf of investors. These funds are off-balance sheet.

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

Funding mix (\$m)



Customer deposits and funds under management (\$m)



2.3.10 Capital and shareholder returns

2.3.10.1 Assets and capital

	As at		Change		As at		Change	
	Jun-20	Jun-19	\$m	%	Jun-20	Dec-19	\$m	%
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Group assets	76,008.9	72,435.3	3,573.6	4.9	76,008.9	74,659.5	1,349.4	1.8
Capital adequacy								
Total regulatory capital	5,202.6	4,925.0	277.6	5.6	5,202.6	4,924.3	278.3	5.7
Risk-weighted assets	38,215.2	37,483.1	732.1	2.0	38,215.2	37,265.6	949.6	2.5
	%	%	%	%	%	%	%	%
Risk-weighted capital adequacy	13.61%	13.14%	0.47%	3.6	13.61%	13.21%	0.40%	3.0
- Tier 1	11.59%	11.31%	0.28%	2.5	11.59%	11.40%	0.19%	1.7
- Tier 2	2.02%	1.83%	0.19%	10.4	2.02%	1.81%	0.21%	11.6
- Common Equity Tier 1	9.25%	8.92%	0.33%	3.7	9.25%	9.00%	0.25%	2.8

2.3.10.2 Capital adequacy

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

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

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

	Jun-20	Dec-19	Jun-19
Risk weighted capital ratios			
Tier 1	11.59%	11.40%	11.31%
Tier 2	2.02%	1.81%	1.83%
Total capital ratio	13.61%	13.21%	13.14%
Common Equity Tier 1	9.25%	9.00%	8.92%
Regulatory capital	\$m	\$m	\$m
Common Equity Tier 1			
Contributed capital	4,909.3	4,598.7	4,576.0
Retained profits and reserves	528.4	642.1	735.2
Accumulated other comprehensive income (and other reserves)	(3.6)	(2.2)	(9.0)
Less:			
Intangible assets, cash flow hedges and capitalised expenses	1,690.1	1,712.2	1,827.1
Net deferred tax assets	170.9	135.4	91.4
Equity exposures	38.1	36.6	37.5
Other adjustments as per APRA advice	0.4	1.5	1.4
Total common equity Tier 1 capital	3,534.6	3,352.9	3,344.8
Additional Tier 1 capital instruments	895.9	895.9	895.9
Total Additional Tier 1 Capital	895.9	895.9	895.9
Total Tier 1 Capital	4,430.5	4,248.8	4,240.7
Tier 2			
Tier 2 capital instruments	456.2	494.3	494.3
General reserve for credit losses/collective provision (net of tax effect)	315.9	181.2	190.0
Total Tier 2 Capital	772.1	675.5	684.3
Total regulatory capital	5,202.6	4,924.3	4,925.0
Total risk weighted assets	38,215.2	37,265.6	37,483.1

2.3.10.2 Capital adequacy (continued)

	As at		Change		As at		Change	
	Jun-20	Jun-19	\$m	%	Jun-20	Dec-19	\$m	%
Risk-weighted assets	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Credit risk	34,252.2	33,424.1	828.1	2.5	34,252.2	33,246.3	1,005.9	3.0
Market risk	238.0	343.6	(105.6)	(30.7)	238.0	297.9	(59.9)	(20.1)
Operational risk	3,725.0	3,715.4	9.6	0.3	3,725.0	3,721.4	3.6	0.1
Total risk-weighted assets	38,215.2	37,483.1	732.1	2.0	38,215.2	37,265.6	949.6	2.5

Key movements in FY20 year include:

> Common Tier 1

Capital increased by \$333.4m, predominantly due to an Institutional Placement in February 2020 (\$250.0m) and a Share Purchase Plan in March 2020 (\$44.8m). Refer to 2.4.5 for further details.

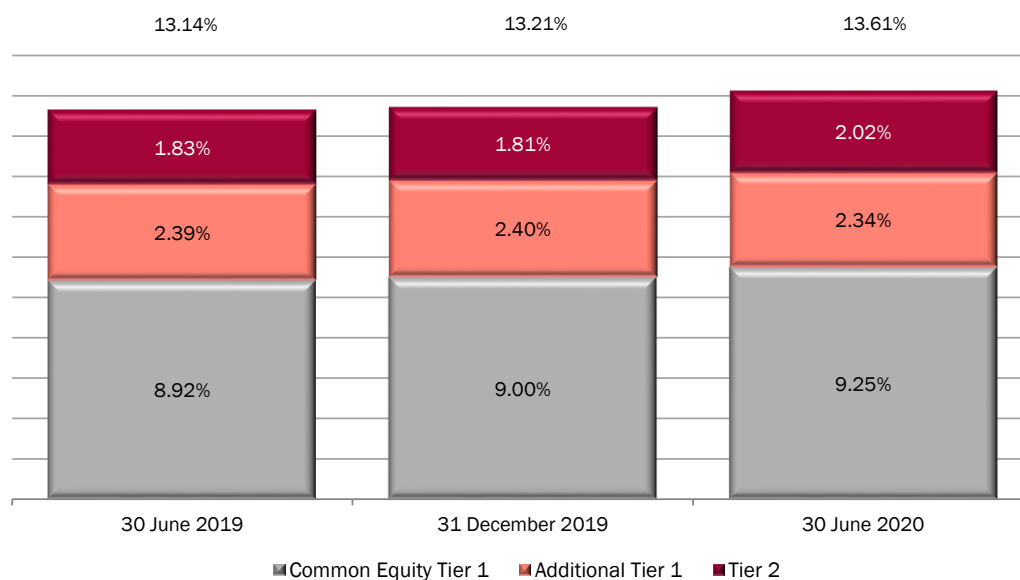
> Tier 2

General reserve for credit losses/collectively assessed provision increased mainly due to the recognition of the COVID-19 overlay provision.

> Risk weighted assets

Risk weighted assets increased during the year mainly due to growth in residential mortgages.

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.bendigoalelaide.com.au/public/shareholders/announcements/aps_330.asp

2.3.10.3 Shareholder returns

	Full year ending				Half year ending			
	Jun-20	Jun-19	Change		Jun-20	Dec-19	Change	
Earnings per ordinary share	cents	cents	cents	%	cents	cents	cents	%
Statutory earnings per ordinary share (weighted average)	38.1	77.1	(39.0)	(50.6)	9.1	29.6	(20.5)	(69.3)
Cash earnings per ordinary share (weighted average)	59.7	85.0	(25.3)	(29.8)	16.6	43.8	(27.2)	(62.1)
Diluted earnings per ordinary share (weighted average)	35.2	69.7	(34.5)	(49.5)	8.9	27.1	(18.2)	(67.2)
Weighted average number of ordinary shares	000's	000's	Change		000's	000's	Change	
Weighted average number of ordinary shares - used in basic and cash basis EPS calculations	505,527	489,004	16,523	3.4	518,487	492,709	25,778	5.2
Weighted average number of ordinary shares - used in diluted EPS calculations	605,381	576,616	28,765	5.0	638,893	578,126	60,767	10.5
Ratios	%	%	bps		%	%	bps	
Return on average ordinary equity (after tax)	3.43%	6.84%	(341)		1.65%	5.26%	(361)	
Return on average ordinary equity (cash basis)	5.36%	7.55%	(219)		3.02%	7.78%	(476)	
Return on average tangible equity (cash basis)	7.42%	10.73%	(331)		4.10%	10.98%	(688)	
Return on average assets (after tax)	0.27%	0.55%	(28)		0.13%	0.41%	(28)	
Return on average assets (cash basis)	0.42%	0.61%	(19)		0.24%	0.61%	(37)	

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

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

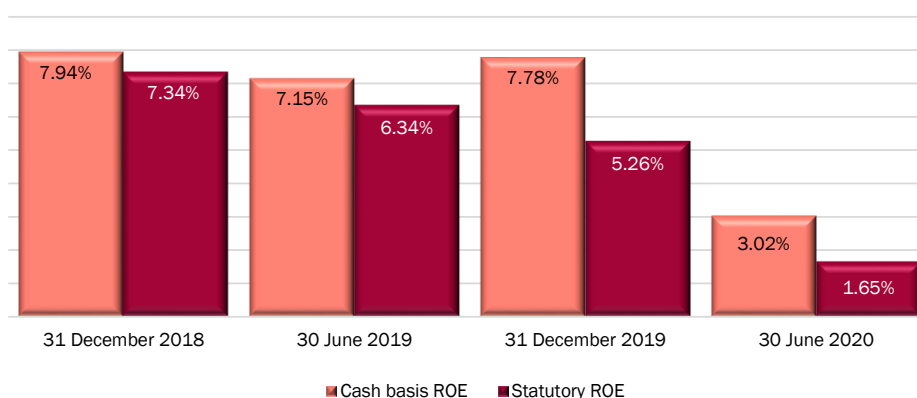
Dilutive preference shares include convertible and converting preference shares.

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

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

	As at		As at		As at		As at	
	Jun-20	Jun-19	Change	%	Jun-20	Dec-19	Change	%
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Ordinary issued capital	4,909.3	4,575.9	333.4	7.3	4,909.3	4,598.7	310.6	6.8
Retained earnings	805.9	987.3	(181.4)	(18.4)	805.9	922.2	(116.3)	(12.6)
Total ordinary equity	5,715.2	5,563.2	152.0	2.7	5,715.2	5,520.9	194.3	3.5
Average ordinary equity	5,623.6	5,506.6			5,735.2	5,512.1		
Average tangible ordinary equity	4,063.3	3,872.4			4,218.6	3,908.0		

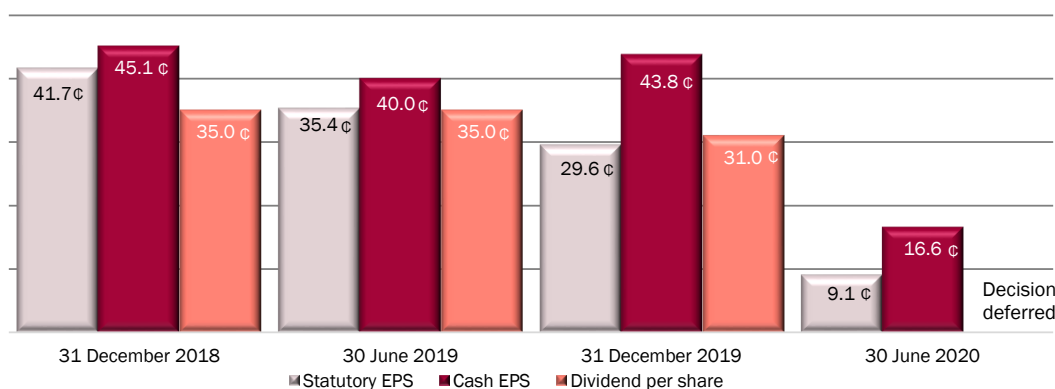
Statutory return on equity and cash return on equity (%)



2.3.10.3 Shareholder returns (continued)

Reconciliation of earnings used in the calculation of earnings per ordinary share	Full year ending		Half year ending	
	Jun-20	Jun-19	Jun-20	Dec-19
	\$m	\$m	\$m	\$m
Net Profit after tax	192.8	376.8	47.0	145.8
Total basic earnings	192.8	376.8	47.0	145.8
Earnings used in calculating basic earnings per ordinary share	192.8	376.8	47.0	145.8
Add back : Dividends accrued and/or paid on dilutive convertible preference shares	20.6	25.0	9.7	10.9
Total diluted earnings	213.4	401.8	56.7	156.7
Earnings used in calculating basic earnings per ordinary share	192.8	376.8	47.0	145.8
Add back: Amortisation of acquired intangibles (after tax)	2.2	2.6	1.1	1.1
Add back: Specific income and expense items (after tax)	95.7	26.4	31.9	63.8
Add back: Homesafe net realised income	11.0	9.9	6.0	5.0
Total cash earnings	301.7	415.7	86.0	215.7

Earnings per share and dividend per share (cents)



2.3.10.4 Dividends

	Full year ending			Half year ending		
	Jun-20	Jun-19	Change	Jun-20	Dec-19	Change
			%			%
Dividend per share - cents	Note 1	70.0		Note 1	31.0	
Dividend amount payable/paid - \$m	Note 1	338.2		Note 1	150.8	
Payout ratio - earnings per ordinary share ¹	Note 2	90.8%		Note 2	104.7%	
Payout ratio - cash basis per ordinary share ¹	Note 2	82.4%		Note 2	70.8%	

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

Note 1: The decision on the payment of a final dividend in relation to the financial year ended 30 June 2020 has been deferred by the Board. The Board will continue to monitor the economic conditions in order to review dividend options.

Note 2: The dividend payout ratios for the June 2020 half year and full year will be determined following the Board's decision on the final dividend payment for the financial year ended 30 June 2020.

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 Stock Exchange over the seven trading days commencing two trading days following the record date for determining entitlements. Shares issued under this Plan rank equally with all other ordinary shares. Given the Board's decision to defer the final dividend for the year ended 30 June 2020, decisions relating to the Dividend Reinvestment Plan have also been deferred and will be reviewed in line with dividend options.

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 share is equal to the volume weighted average share price of Bendigo and Adelaide Bank shares traded on the Australian Stock Exchange over the seven trading days commencing two trading days following the record date for determining entitlements. Shares issued under this Plan rank equally with all other ordinary shares. Given the Board's decision to defer the final dividend for the year ended 30 June 2020, decisions relating to the Bonus Share Scheme have also been deferred and will be reviewed in line with dividend options.

The last date for the receipt of an election notice for participation in either the Dividend Reinvestment Plan or the Bonus Share Scheme for the 2020 final dividend is the trading day following the record date for determining entitlements.

2.4 Additional notes

2.4.1 Analysis of intangible assets

	Balance sheet		Amortisation/ impairment expense	
	Carrying value			
	Jun-20	Jun-19	Jun-20	Jun-19
	\$m	\$m	\$m	\$m
Goodwill	1,440.3	1,440.3	-	-
Trustee licence	8.4	8.4	-	-
Software ¹	104.8	228.1	163.5	34.5
Customer lists	2.3	3.1	0.8	0.6
Trade name	0.8	1.1	0.3	0.3
Customer relationship	5.5	1.1	1.1	1.8
Management rights - Adelaide Bank	2.5	3.5	1.0	1.0
Total intangible assets and goodwill	1,564.6	1,685.6	166.7	38.2

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

During the year the Group's software capitalisation policy was reviewed. To align the Group's policy to the rapidly changing technology and regulatory environments and the Group's evolving transformation strategy, the capitalisation threshold was raised and regulatory and compliance-related assets with no tangible benefits will be expensed as incurred.

2.4.2 Net tangible assets per ordinary share

	Jun-20	Jun-19
Net tangible assets per ordinary share	\$7.98	\$8.03
	\$m	\$m
Net tangible assets		
Net assets	5,798.2	5,631.6
Intangibles	(1,564.6)	(1,685.6)
Net tangible assets attributable to ordinary shareholders	4,233.6	3,946.0
Number of fully paid ordinary shares on issue - 000's	530,779	491,575

2.4.3 Investments accounted for using the equity method

	Ownership interest held by consolidated entity		Balance date
	June 2020	June 2019	
	%	%	
Joint Arrangements			
Community Sector Enterprises Pty Ltd ¹	-	50.0	30 June
Homesafe Solutions Pty Ltd	50.0	50.0	30 June
Silver Body Corporate Financial Services Pty Ltd	50.0	50.0	30 June
Associates			
Aegis Group ²	49.5	49.5	30 June
Bendigo Telco Ltd	30.4	30.4	30 June
Dancoor Community Finances Ltd	49.0	49.0	30 June
Homebush Financial Services Ltd	49.0	49.0	30 June
TicToc Online Pty Ltd	28.0	27.0	30 June

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

² Aegis Group - economic interest is 23.5%.

All joint arrangements and associates are incorporated in Australia.

2.4.4 Credit ratings

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

On 17 December 2019, Standard & Poor's Global Ratings affirmed its long-term counterparty credit rating for Bendigo and Adelaide Bank Limited at 'BBB+', and affirmed the short-term rating at 'A-2'. The outlook remains stable. Standard and Poor's commented that they remain of the view that the Bank's capitalisation is a strength to its creditworthiness and expect credit losses to remain low given its predominantly low risk and well-secured mortgaged loan book. The Bank's Community Banking model provides it a point of differentiation to regional and major bank peers, and allows it to compete with larger institutions despite the pricing power and cost advantages they have through economies of scale.

On 13 May 2020, Fitch Ratings, the international ratings agency affirmed Bendigo and Adelaide Bank Ltd's long term rating at 'A-', the short term rating of 'F2' and its support rating of '3', and the Bank's viability rating of 'A-'. The outlook was downgraded from stable to negative. Fitch commented that the operating environment in Australia has been significantly affected by COVID-19. As a result, Fitch Ratings believes BEN's financial performance, especially asset quality and profitability, will deteriorate considerably over the next two years.

On 17 April 2020, Moody's affirmed its long-term issuer rating at 'A3' and short term rating at 'P-2', with a stable outlook. Moody's commented that the ratings reflect the Bank's strong credit profile characterised by its well-developed franchise centered around Community Banking, conservative management historically focused on low-risk lending, stable asset quality, strong funding structure and good capital adequacy. Moody's commented that earnings pressure for Australian Banks will intensify in 2020 as a result of the economic slowdown caused by the COVID-19 outbreak.

2.4.5 Issued capital

Changes to issued and quoted securities during the period:

Ordinary Shares ¹	Number of Shares	\$m
Fully paid ordinary shares at 30 June 2019	491,575,157	4,575.9
Shares issued:		
September 2019 - Dividend reinvestment plan at \$11.14	2,037,832	22.8
September 2019 - Bonus share scheme (in lieu of dividend payment) at \$11.14	230,071	-
February 2020 - Institutional placement at \$9.34	26,766,596	250.0
March 2020 - Share purchase plan at \$6.72	6,660,218	44.8
Share issue costs	-	(3.0)
Executive Performance Rights	-	(1.3)
March 2020 - Dividend reinvestment plan at \$6.40	3,154,051	20.1
March 2020 - Bonus share scheme (in lieu of dividend payment) at \$6.40	355,270	-
Total ordinary shares at 30 June 2020	530,779,195	4,909.3

¹ BEN - ASX code Ordinary Fully Paid Shares

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