

Basel III Pillar 3 Disclosures: Prudential Standard APS 330

27 November 2020

Bendigo and Adelaide Bank Limited (**ASX: BEN**), is an Authorised Deposit-taking Institution (ADI) subject to regulation by the Australian Prudential Regulation Authority (APRA). Attached is the prudential information required to be disclosed in accordance with Prudential Standard APS 330.

The prudential disclosures have been prepared for Bendigo and Adelaide Bank Limited.

The disclosures provided have been prepared as at 30 September 2020.

Liquidity Coverage Ratio and Net Stable Funding Ratio restatements

Additional information has been included on page 2, 3 and 4 of this disclosure in relation to the identification of a historic error in the calculation of the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) that was announced on the 21 October 2020. This includes a separate table outlining all restated items from the quarters ending 30 September 2018 to 30 June 2020 for the LCR and NSFR.

Approved for release by: Travis Crouch – Chief Financial Officer.

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About Bendigo and Adelaide Bank Limited

Bendigo and Adelaide Bank is Australia's fifth largest retail bank, with more than 7,400 staff helping our 1.9 million customers to achieve their financial goals. Bendigo and Adelaide Bank's vision is to be Australia's bank of choice, by feeding into the prosperity of customers and their communities.

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Table 20 Liquidity Coverage Ratio Historic Restatements

The Bank advised the ASX on 21 October that it had discovered a historical error in its calculation of the Liquidity Coverage Ratio (LCR). The error related to the incorrect system coding of three business rules used to categorise deposits for stability used in the LCR calculation. The incorrect system coding resulted in an understatement of the expected net cash outflow and consequently an overstatement of the LCR. The Bank has since corrected the coding errors and the restated numbers presented below have been calculated on that basis.

Table 20 Restated Liquidity Coverage Ratio

	30 June 2020 Quarter		31 March 2020 Quarter		31 December 2019 Quarter		30 September 2019 Quarter	
	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
4 Restated retail deposits and deposits from small business customers, of which:	28,712.2	3,080.1	27,528.6	2,942.1	27,030.5	2,890.6	25,034.4	2,684.1
5 <i>restated stable deposits</i>	10,521.1	526.1	10,152.2	507.6	9,970.6	498.5	9,192.8	459.6
6 <i>restated less stable deposits</i>	18,191.1	2,554.0	17,376.4	2,434.5	17,059.9	2,392.1	15,841.6	2,224.5
23 Total liquid assets		10,381.9		9,502.7		8,696.8		8,247.6
24 Restated total net cash outflows		8,255.1		8,066.0		7,677.8		7,369.3
25 Restated Liquidity Coverage Ratio (%)		125.9%		118.0%		113.4%		112.0%
Number of data points used in calculating the quarterly average figures		91		91		92		92

Table 20 Originally Reported Liquidity Coverage Ratio

	30 June 2020 Quarter		31 March 2020 Quarter		31 December 2019 Quarter		30 September 2019 Quarter	
	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
4 Retail deposits and deposits from small business customers, of which:	28,712.3	2,039.4	27,528.6	1,975.3	27,030.6	1,909.5	25,034.4	1,758.3
5 <i>stable deposits</i>	19,777.2	988.9	18,850.5	942.5	18,686.3	934.3	17,387.9	869.4
6 <i>less stable deposits</i>	8,935.1	1,050.5	8,678.1	1,032.8	8,344.3	975.2	7,646.5	888.9
23 Total liquid assets		10,381.9		9,502.7		8,696.8		8,247.6
24 Total net cash outflows		7,214.4		7,099.2		6,696.7		6,443.5
25 Liquidity Coverage Ratio (%)		144.0%		134.1%		130.0%		128.2%
Number of data points used in calculating the quarterly average figures		91		91		92		92

Table 20 Liquidity Coverage Ratio Historic Restatements (continued)**Table 20 Restated Liquidity Coverage Ratio**

	30 June 2019 Quarter		31 March 2019 Quarter		31 December 2018 Quarter		30 September 2018 Quarter	
	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
4 Restated retail deposits and deposits from small business customers, of which:	25,424.7	2,723.0	24,778.1	2,649.7	24,561.1	2,632.4	24,071.5	2,583.4
5 <i>restated stable deposits</i>	9,356.5	467.8	9,110.3	455.5	9,037.2	451.9	8,849.0	442.4
6 <i>restated less stable deposits</i>	16,068.2	2,255.2	15,667.8	2,194.2	15,523.9	2,180.5	15,222.5	2,141.0
23 Total liquid assets		7,281.8		7,891.6		7,920.6		7,405.8
24 Restated total net cash outflows		6,760.8		7,072.9		6,834.0		6,639.8
25 Restated Liquidity Coverage Ratio (%)		107.8%		111.7%		116.1%		111.6%
Number of data points used in calculating the quarterly average figures		91		90		92		92

Table 20 Originally Reported Liquidity Coverage

	30 June 2019 Quarter		31 March 2019 Quarter		31 December 2018 Quarter		30 September 2018 Quarter	
	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
4 Retail deposits and deposits from small business customers, of which:	25,424.7	1,802.2	24,778.0	1,758.1	24,561.1	1,767.7	24,071.5	1,798.7
5 <i>stable deposits</i>	17,358.7	867.9	16,903.3	845.2	16,572.2	828.6	15,986.5	799.3
6 <i>less stable deposits</i>	8,066.0	934.3	7,874.7	912.9	7,988.9	939.1	8,085.0	999.4
23 Total liquid assets		7,281.8		7,891.6		7,920.6		7,405.8
24 Total net cash outflows		5,840.0		6,181.3		5,969.1		5,855.2
25 Liquidity Coverage Ratio (%)		124.8%		127.9%		133.0%		126.6%
Number of data points used in calculating the quarterly average figures		91		90		92		92

Table 21 Net Stable Funding Ratio (NSFR) Historic Restatements

The incorrect system coding matter which resulted in an understatement of the expected net cash outflow and consequently an overstatement of the LCR also impacted the Net Stable Funding Ratio (NSFR) via an overstatement of Available Stable Funding (ASF). The Bank has since corrected the coding errors and the restated NSFR has been calculated on that basis.

Quarter ending	Originally Reported NSFR	Restated NSFR
30-Sep-18	110.6%	109.4%
31-Dec-18	113.5%	112.2%
31-Mar-19	112.5%	111.1%
30-Jun-19	111.7%	110.4%
30-Sep-19	112.1%	110.7%
31-Dec-19	115.2%	113.8%
31-Mar-20	117.3%	115.7%
30-Jun-20	118.4%	116.7%

Bendigo and Adelaide Bank Limited, Basel III Pillar 3 Disclosures, 30 September 2020

Table 3 Capital Adequacy

	30 September 2020 \$m	30 June 2020 \$m
Risk-weighted Assets		
Capital requirements (in terms of risk-weighted assets) for credit risk (excluding securitisation) by portfolio:		
Claims secured by residential mortgage	18,685.3	17,954.9
Other retail	14,371.0	14,460.3
Corporate	-	-
Banks and Other ADIs	140.0	146.1
Government	69.7	22.6
All other	1,120.3	1,111.2
Total on balance sheet assets and off balance sheet exposures	34,386.3	33,695.1
Securitisation Risk weighted assets ¹	569.7	557.1
Market Risk weighted assets	378.8	238.0
Operational Risk weighted assets	3,725.0	3,725.0
Total Risk Weighted Assets	39,059.8	38,215.2
Capital Ratios (for the consolidated group)	%	%
Common Equity Tier 1	9.26	9.25
Tier 1	11.56	11.59
Total Capital	13.53	13.61

Notes

¹ Please refer to Table 5 for securitisation exposures.

Bendigo and Adelaide Bank Limited, Basel III Pillar 3 Disclosures, 30 September 2020

Table 4 Credit Risk

Exposure Type ³	Gross Credit Exposure		Average Gross Credit Exposure	
	30 September 2020 \$m	30 June 2020 \$m	30 September 2020 \$m	30 June 2020 \$m
Loans and other receivables	65,576.2	63,603.2	64,589.8	62,708.9
Debt securities	412.8	770.3	591.6	385.4
Commitments and other non-market off balance sheet exposures ²	2,110.8	1,998.3	2,054.5	1,970.2
Market-related off balance sheet exposures ²	144.0	152.9	148.4	161.9
Total exposures	68,243.8	66,524.7	67,384.3	65,226.4

Portfolios ³	Gross Credit Exposure		Average Gross Credit Exposure	
	30 September 2020 \$m	30 June 2020 \$m	30 September 2020 \$m	30 June 2020 \$m
Claims secured by residential mortgage ²	49,795.4	47,647.9	48,721.7	46,952.4
Other retail ²	15,458.6	15,527.4	15,493.0	15,402.7
Corporate	-	-	-	-
Banks and other ADIs	1,063.2	1,168.5	1,115.8	1,100.6
Government	482.6	792.1	637.4	406.3
All other ²	1,444.0	1,388.8	1,416.4	1,364.4
Total exposures	68,243.8	66,524.7	67,384.3	65,226.4

30 September 2020 Portfolios	Impaired Loans \$m	Past Due Loans > 90 days \$m	Specific Provisions \$m	Charges for Specific Provisions and Write- offs during the Period \$m
Claims secured by residential mortgage	57.6	273.1 ⁵	24.9 ⁴	0.9
Other retail	172.2	261.0 ⁵	87.1 ⁴	2.7
Corporate	-	-	-	-
Banks and other ADIs	-	-	-	-
Government	-	-	-	-
All other	-	-	-	-
Total exposures	229.8	534.1	112.0	3.6

30 June 2020 Portfolios	Impaired Loans \$m	Past Due Loans > 90 days \$m	Specific Provisions \$m	Charges for Specific Provisions and Write- offs during the Period \$m
Claims secured by residential mortgage	55.1	310.7 ⁵	24.4 ⁴	3.5
Other retail	185.4	266.7 ⁵	87.9 ⁴	11.5
Corporate	-	-	-	-
Banks and other ADIs	-	-	-	-
Government	-	-	-	-
All other	-	-	-	-
Total exposures	240.5	577.4	112.3	15.0

	30 September 2020 \$m	30 June 2020 \$m
General reserve for credit losses	315.3 ⁶	315.9 ⁶

Notes

² Off-balance sheet exposures have been converted to their credit equivalent amounts.

³ Excludes equity investments and securitisation exposures.

⁴ Specific provisions include some items that are treated as collective provisions for statutory reporting, however are treated as specific provisions for regulatory purposes. This includes provisions for Great Southern \$8.2 million (June 2020 \$8.2 million) and loans in Stage 3 \$25.2 million (June 2020 \$25.7 million) under AASB9.

⁵ Includes loans under commercial arrangement, \$109.45 million (June 2020 \$184.71 million).

⁶ Includes a total overlay of \$148.3 million for the potential future impacts from the COVID-19 pandemic, including \$127.7 million added to the collectively assessed provision and \$20.6 million to the general reserve for credit losses.

Bendigo and Adelaide Bank Limited, Basel III Pillar 3 Disclosures, 30 September 2020

Table 5 Securitisation

30 September 2020 Quarter					
Exposure Type	Securitisation Activity				Gain or Loss on Sale \$m
	Capital Relief \$m	Funding Only \$m	Self-Securitisation \$m	Total Activity \$m	
Residential Mortgage	-	-	-	-	-
Credit Card and Other Personal Loans	-	-	-	-	-
Commercial Loans	-	-	-	-	-
Other	-	-	-	-	-
Total	-	-	-	-	-

30 June 2020 Quarter					
Exposure Type	Securitisation Activity				Gain or Loss on Sale \$m
	Capital Relief \$m	Funding Only \$m	Self-Securitisation \$m	Total Activity \$m	
Residential Mortgage	-	-	2,997.7	2,997.7	-
Credit Card and Other Personal Loans	-	-	-	-	-
Commercial Loans	-	-	-	-	-
Other	-	-	-	-	-
Total	-	-	2,997.7	2,997.7	-

30 September 2020					
Securitisation Exposures	Liquidity Support Facilities \$m	Funding Facilities \$m	Derivative Facilities \$m	Holdings of Securities \$m	Other \$m
On-balance sheet securitisation exposures retained or purchased	8.3	1,022.6	172.2	11,763.6 ⁷	-
Off-balance sheet securitisation exposures	44.1	257.0	55.8	-	-
Total	52.4	1,279.6	228.0	11,763.6	-

30 June 2020					
Securitisation Exposures	Liquidity Support Facilities \$m	Funding Facilities \$m	Derivative Facilities \$m	Holdings of Securities \$m	Other \$m
On-balance sheet securitisation exposures retained or purchased	8.5	958.3	182.6	12,467.0 ⁷	-
Off-balance sheet securitisation exposures	47.8	258.7	59.8	-	-
Total	56.3	1,217.0	242.4	12,467.0	-

Notes

⁷ Includes holdings of self-securitised assets, \$11,413.9 million (June 2020 \$12,098.6 million).

Bendigo and Adelaide Bank Limited, Basel III Pillar 3 Disclosures, 30 September 2020

From 1 January 2015, following the introduction of APS 210, APRA requires ADIs to maintain a minimum 100% Liquidity Coverage Ratio (LCR). The LCR requires banks to hold sufficient High Quality Liquid Assets (HQLA) to meet net cash outflows over a 30-day period, under a regulator-defined stress scenario. The Group's LCR for the quarters ending 30 September 2020, 30 June 2020 and 31 March 2020 is presented in the following table (Table 20), using the Basel standard disclosure template and is based on a simple average of LCR outcomes observed during each period (i.e. 92 data points for the quarter ended 30 September 2020, 91 data points for the quarter ended 30 June 2020 and 91 data points for the quarter ended 31 March 2020).

The Group manages its daily LCR requirement in line with the regulatory minimum, with appropriate additional Board and management buffers that are set in line with the Group's risk appetite. Movements in the LCR are attributed to changes in net cash outflows and holdings of liquid assets. Table 20 details the quantum of movements impacting the LCR between periods. These differences between periods are in line with the Group's normal course of business. Average liquid assets for the September 2020 quarter were \$10,932.9 million, of which HQLA was \$6,320.0 million. HQLA comprises cash, deposits with the Reserve Bank of Australia (RBA), Australian Semi-Government and Commonwealth Government Securities.

Cash inflows and outflows are as prescribed in APS 210 and are calculated by applying APRA-prescribed run-off factors to maturing debt and deposits and discount factors to inflows/assets.

The Group has a well-diversified deposit and funding base without undue concentration. The Group does not have significant derivative or currency exposures that would impact upon cash flows.

The table below includes the restatement of items for 31 March 2020 Quarter and 30 June 2020 Quarter due to the historical error identified in the calculation of the LCR. The historical errors have been corrected and the 30 September 2020 Quarter has not previously been disclosed and as a result no restatement is required. Please refer to page 2, 3 and 4 of this release for more information which includes a separate table containing the restated LCR from 30 September 2018 to 30 June 2020.

Table 20 Liquidity Coverage Ratio		30 September 2020 Quarter		30 June 2020 Quarter		31 March 2020 Quarter	
Liquidity assets, of which		Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
		\$m	\$m	\$m	\$m	\$m	\$m
1	High-quality liquid assets (HQLA)	-	6,320.0		5,617.0		6,584.5
2	Alternate liquid assets (ALA)		4,612.9		4,764.9		2,918.2
3	Reserve Bank of New Zealand (RBNZ) securities		-		-		-
Cash outflows							
4	Retail deposits and deposits from small business customers, of which:	31,589.8	3,379.3	28,712.2	3,080.1	27,528.6	2,942.1
5	<i>stable deposits</i>	11,591.8	579.6	10,521.1	526.1	10,152.2	507.6
6	<i>less stable deposits</i>	19,998.0	2,799.7	18,191.1	2,554.0	17,376.4	2,434.5
7	Unsecured wholesale funding, of which:	6,345.0	3,600.2	6,065.1	3,391.7	6,255.7	3,396.2
8	<i>operational deposits (all counterparties) and deposits in networks for cooperative banks</i>	-	-	-	-	-	-
9	<i>non-operational deposits (all counterparties)</i>	5,427.7	2,682.9	5,427.0	2,753.6	5,368.9	2,509.4
10	<i>unsecured debt</i>	917.3	917.3	638.1	638.1	886.8	886.8
11	Secured wholesale funding						
12	Additional requirements, of which:	5,318.4	702.8	5,028.4	670.8	4,744.3	465.8
13	<i>outflows related to derivatives exposures and other collateral requirements</i>	78.0	78.0	77.7	77.7	58.8	58.8
14	<i>outflows related to loss of funding on debt products</i>	51.0	51.0	25.6	25.6	28.2	28.2
15	<i>credit and liquidity facilities</i>	5,189.4	573.8	4,925.1	567.5	4,657.3	378.8
16	Other contractual funding obligations	880.5	622.5	788.4	508.2	925.7	652.1
17	Other contingent funding obligations	14,255.0	1,046.3	14,948.4	1,096.1	16,323.5	1,242.6
18	Total cash outflows		9,351.1		8,746.9		8,698.8
Cash inflows							
19	Secured lending (e.g. reverse repos)	293.1	-	330.9	-	1,164.3	-
20	Inflows from fully performing exposures	668.4	410.3	644.1	363.9	767.4	493.8
21	Other cash inflows	133.7	133.7	127.9	127.9	139.0	139.0
22	Total cash inflows	1,095.2	544.0	1,102.9	491.8	2,070.7	632.8
			Total adjusted value \$m		Total adjusted value \$m		Total adjusted value \$m
23	Total liquid assets		10,932.9		10,381.9		9,502.7
24	Total net cash outflows		8,807.1		8,255.1		8,066.0
25	Liquidity Coverage Ratio (%)		124.3%		125.9%		118.0%

Note: As per BEN's ASX release dated 21 October 2020, APRA has advised the Bank that an overlay of 10 per cent will be added to net cash outflows from 2 November 2020. This will remain in place until all required reviews are completed and all findings relating to the Bank's identification of a historic error in its calculation of the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are addressed to APRA's satisfaction.