



Tax Report

For the year ended
30 June 2021



**Bendigo and
Adelaide Bank**

Chief Financial Officer's Introduction

I am pleased to provide this tax report for Bendigo and Adelaide Bank Limited for the financial year ended 30 June 2021.

This report follows the recommendations outlined in the Board of Taxation's Tax Transparency Code.

Bendigo and Adelaide Bank Limited reported an Australian effective income tax rate of 30.7% for the 2021 financial year. It does not have any international operations, and therefore does not pay tax in any other jurisdictions.

Bendigo and Adelaide Bank Limited supports the public interest in the integrity of tax systems, and enhanced disclosure of taxes paid.



Travis Crouch
Chief Financial Officer
November 2021

Bendigo and Adelaide Bank Limited

Bendigo and Adelaide Bank Limited is a top 100 ASX listed company with approximately 110,000 shareholders, a market capitalisation in excess of \$5.7 billion, and \$76.2 billion in assets under management at 30 June 2021.

The Group operates a range of brands, with more than 770 points of presence.

The principal activities of the Group during the financial year were the provision of banking and other financial services, including lending, deposit taking, leasing finance, superannuation and funds management, insurance, treasury, and foreign exchange services (including trade finance), and trustee services.

Bendigo and Adelaide Bank Limited's vision is to be Australia's bank of choice with a purpose to feed into prosperity, not off it.

Tax policy, strategy and governance

Bendigo and Adelaide Bank Limited, together with its 100% controlled Australian entities, have formed a tax consolidated group for Australian income tax purposes, with Bendigo and Adelaide Bank Limited as the head company.

The Group seeks to comply with all relevant laws and regulations and will not knowingly breach any laws or regulations, including those relating to taxation. Recognising that tax laws are highly complex and are open to interpretation, the Group aims to:

- Comply with statutory obligations and make tax payments in accordance with relevant tax rules and legislation.
- Take a prudent and conservative approach to tax planning and manage transactions with a low level of tax risk.
- Resource its Group Tax function with the appropriate number of suitably qualified staff.
- Engage with Revenue Authorities in a constructive, cooperative and transparent manner, with the intent to avoid unnecessary disputes.

Tax risks and tax related information are provided to the Chief Financial Officer and to the Board Audit Committee on a regular basis.

Bendigo and Adelaide Bank Limited is also required to comply with significant regulations imposed on participants in the Australian banking and financial services industry.

INTERNATIONAL-RELATED PARTY DEALINGS

Bendigo and Adelaide Bank Limited does not have any international-related party dealings.



Income taxes disclosed in the 2021 Annual Financial Report

The Income Tax Expense (ITE) disclosed in the Bendigo and Adelaide Bank Limited Annual Report is calculated based on Australian Accounting Standards.

In any income year it is expected that there will be differences between the ITE calculated in the Annual Report, and the total cash taxes paid to a relevant taxation authority during that same income year.

A number of factors contribute to this difference, including the timing of when corporate tax instalments are paid to the relevant tax authorities, and a number of taxes excluded from ITE such as fringe benefits tax,

non-recoverable goods and services tax, payroll taxes and employee related taxes.

The ITE for Bendigo and Adelaide Bank Limited is also reduced by the receipt of franked dividends and the incentive available for eligible Research and Development expenditure.

Bendigo and Adelaide Bank Limited calculates its Effective Tax Rate (ETR) as ITE divided by accounting profit before income tax. For 2021 the ETR was 30.7% (2020: 32.4%).

Reconciliations of ITE to tax paid, along with calculations of the ETR for Bendigo and Adelaide Bank Limited are included below.

	Note	2021	2020
		\$m	\$m
Reconciliation of accounting profit to income tax expense			
Accounting profit		753.7	286.1
Income tax on profit at 30%		226.1	85.8
Distributions on Tier 1 loan capital instruments	1	8.1	8.8
Other current year adjustments		(3.5)	(1.1)
Franking credits offset		0.8	1.0
Prior year adjustments			
Research & development incentive		(1.5)	(0.6)
Other		(0.3)	(0.6)
Income tax expense reported in the Annual Financial Report		229.7	93.3
Amounts relating to other years	2	1.8	(0.6)
Income tax expense for the current year		231.5	92.7
Australian effective tax rate	2	30.7%	32.4%
Reconciliation of income tax expense to income tax payable			
Income tax expense for current year		231.5	92.7
Temporary differences between accounting and tax treatment			
Unrealised revaluations	3	(29.3)	3.4
Depreciation of property, plant and equipment	4	(11.0)	4.6
Movement in provisions		1.6	17.4
Software impairment and accelerated amortisation	5	6.7	40.4
Other adjustments	6	(0.5)	0.2
Income tax payable for the current year		199.0	158.7
Reconciliation of income tax payable to income tax paid			
Income tax payable for current year		199.0	158.7
Less: income tax paid for current year		(154.5)	(179.2)
Balance of income tax payable/(refundable) as at 30 June		44.5	(20.5)
Income tax paid for current year		154.5	179.2
Income tax paid/(refunded) for prior years in current year		(20.5)	3.8
Income taxes paid reported in the cash flow statement in Annual Financial Report		134.0	183.0

Note 1: Tier 1 loan capital instruments issued by Bendigo and Adelaide Bank Limited are recorded as debt instruments for accounting purposes, but are treated as equity instruments for tax purposes. The distributions on these instruments are not tax deductible, but are frankable as dividends.

Note 2: Amounts included in Income Tax Expense that relate to different years are excluded to determine the effective tax rate for the current year.

Note 3: Unrealised revaluations include gains and losses on fair value movements of the Group's investment in residential real estate through its Homesafe product, and revaluations of derivative instruments. Both of these items are subject to tax when they are realised.

Note 4: Property, plant and equipment is generally depreciated at a different rate under the Australian Accounting Standards compared to the income tax rules, resulting in tax adjustments each year in respect of depreciation. The item was also impacted due to the application of the instant asset write-off measures.

Note 5: During the 2020 financial year, a review of the Group's software intangible assets together with a review of the software capitalisation policy was conducted resulting in the recognition of impairment charges and accelerated amortisation for certain assets, which have no impact on the tax deduction profile of the underlying items.

Note 6: Prior year comparison data has been updated to reflect the final balances included in the lodged tax return for the 2020 financial year.

Tax contribution summary

The following is a summary of Bendigo and Adelaide Bank Limited's tax contributions paid to tax authorities in respect of the 2021 and 2020 financial years. The amounts include payments made to the Australian Taxation Office and other State Revenue Offices for taxes due on its own behalf and in respect of tax collected on behalf of others.

Year	2021 \$m	2020 \$m
Corporate income tax	199.0	158.7
Employer payroll taxes	30.1	28.7
Non-recoverable GST*	44.2	41.1
Tax paid	273.3	228.5
Employee payroll taxes withheld	133.1	122.6
Customer tax withheld	1.2	2.8
GST collected	40.5	37.6
Tax collected	174.8	163.0
Total tax contribution	448.1	391.5

* Bendigo and Adelaide Bank Limited provides financial supplies that are "input taxed" in accordance with Australian GST laws. This amount represents the GST that Bendigo and Adelaide Bank Limited is not able to claim back from the ATO in relation to making input taxed supplies.

ATO tax transparency disclosures

The ATO produces an annual report called "Report of entity tax information" which includes tax data for public corporate tax entities with a total income of at least \$100 million.

The ATO is expected to publish the following income tax information in respect of the 2020 financial year for the Bendigo and Adelaide Bank Limited tax consolidated group:

Total Income \$	Taxable Income \$	Tax Payable \$
2,579,169,134	555,166,857	158,691,183

A reconciliation from the accounting profit included in the 2020 Annual Financial Report to the amounts disclosed by the ATO is included below:

	\$m
Accounting profit for the Group	286.1
Non-deductible/non-assessable differences (a)	11.8
Temporary differences (b)	257.3
Taxable income	555.2
Income tax liability on taxable income at 30%	166.6
Less: franking credit offset	(1.0)
Less: research & development offset	(6.9)
Income tax payable	158.7

(a) Non-deductible/non-assessable items relate to interest expense on Tier 1 loan capital instruments, accounting impairments and expenditure subject to research and development incentive claims.

(b) Temporary differences include movements in provisions, depreciation on plant & equipment, fair value adjustments and revaluations and amortisation of intangible assets. This includes the impairment charges and accelerated amortisation of certain software assets as a result of a review of the 2020 financial year.