

Bendigo and Adelaide Bank Limited

TAX REPORT FOR THE YEAR
ENDED 30 JUNE 2017



Chief Financial Officer's Introduction

I am pleased to provide the following tax report for Bendigo and Adelaide Bank Ltd for FY2017.

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

Bendigo and Adelaide Bank Ltd reported an Australian effective income tax rate of 31.6% for FY2017 based on its statutory earnings. It does not have any international operations, and therefore does not pay tax in any other jurisdictions.

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



Richard Fennell
Chief Financial Officer

Bendigo and Adelaide Bank Ltd

Bendigo and Adelaide Bank Ltd is a top 70 ASX listed company owned by more than 100,000 shareholders, with a market capitalisation in excess of \$5 billion, and \$71.4 billion in assets.

The Group operates its retail brand, Bendigo Bank through more than 600 service outlets, including 316 locally-owned **Community Bank®** branches.

The principal activities of the Group during the financial year were the provision of a broad range of banking and other financial services, including residential, business, rural and consumer lending, deposit-taking, payment services, wealth management and superannuation, treasury and foreign exchange services.

Bendigo and Adelaide Bank Ltd's vision is to be Australia's most customer-connected bank.

The Group's strategy is to focus on the success of our customers, people, partners and communities in which we operate.

Tax policy, strategy and governance

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

Bendigo and Adelaide Bank Ltd:

- Recognises its responsibilities to make tax payments in accordance with relevant tax rules and legislation which is consistent with its strategy and values.
- Manages tax risk like any other operational risk.
- Takes a conservative approach to tax planning, and ensures that transactions are managed with a low level of tax risk.
- Employs staff with appropriate qualifications, skills and experience to manage its tax obligations and operate within its accepted level of tax risk.
- Complies with statutory obligations and engages with the Australian Taxation Office in a cooperative and transparent manner.

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 Ltd 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 Ltd does not have any international-related party dealings.

Income taxes disclosed in the 2017 Annual Financial Report

The Income Tax Expense (ITE) disclosed in the Bendigo and Adelaide Bank Ltd 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 that corporate tax instalments are made to the relevant tax authorities, and a number of taxes excluded from ITE such as Fringe Benefits Tax, non-recoverable GST, payroll taxes and employee related taxes.

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

Bendigo and Adelaide Bank Ltd calculates its Effective Tax Rate (ETR) as ITE divided by accounting profit before income tax. For 2017 the ETR was 31.6% (2016: 31.7%).

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

	Note	2017	2016
		\$m	\$m
Reconciliation of accounting profit to income tax expense			
Accounting profit		628.3	606.9
Income tax on profit at 30%		188.5	182.1
Distributions on convertible preference shares	1	10.8	11.2
Other current year adjustments		0.3	0.1
Franking credits offset		(1.2)	(0.8)
Prior year adjustments			
Research & development incentive		(0.5)	(3.1)
Other adjustments		0.8	1.8
Income tax expense per Annual Financial Report		198.7	191.3
Exclude prior year amounts		(0.3)	1.3
Income tax expense for the current year	2	198.4	192.6
Effective tax rate		31.6%	31.7%
Reconciliation of income tax expense to income tax payable			
Income tax expense		198.4	192.6
Temporary differences between accounting and tax treatment			
Unrealised revaluations	3	(14.9)	(20.0)
Amortisation of intangible assets	4	5.3	5.7
Movement in provisions		(6.7)	0.9
Other adjustments		(0.9)	1.0
Income tax payable for current year		181.2	180.2
Reconciliation of income tax payable to income tax paid			
Income tax payable for current year		181.2	180.2
Less: income tax paid for current year		(159.7)	(145.7)
Balance of income tax payable as at 30 June		21.5	34.5
Income tax paid for current year		159.7	145.7
Income tax paid/(refund) for prior years in current year		33.0	9.5
Income taxes paid per cash flow statement		192.7	155.2

Note 1: Convertible preference shares issued by Bendigo and Adelaide Bank Ltd 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: In May 2017, at the request of the Board of Taxation, the Australian Accounting Standards Board (AASB) issued draft guidance on the calculation of the effective tax rate for this report. In particular, the AASB recommended that income tax expense should refer only to the tax period for which the accounting profit is calculated. As a consequence, the income tax expense on this report does differ to that on the Annual Financial Report due to the exclusion of prior year amounts from 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: Amortisation of intangible assets relates to core deposits, customer relationships, customer lists, management rights and trade names. These items are accounted for as a business combination in accordance with Australian Accounting Standards. The amortisation of these items are not tax deductible.

Tax contribution summary

The following is a summary of Bendigo and Adelaide Bank Ltd's tax contributions paid to tax authorities in respect of the 2017 and 2016 tax 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 withheld on behalf of others.

Year	2017 \$m	2016 \$m
Corporate income tax	181.2	178.5
Employer payroll taxes	26.1	26.5
Non-recoverable GST (a)	36.1	37.6
Tax paid	243.4	242.6
Employee payroll taxes withheld	104.4	102.9
Customer tax withheld	4.3	5.4
Total tax withheld	108.7	108.3
Total tax contribution	352.1	350.9

(a) Bendigo and Adelaide Bank Ltd provides financial supplies which are "input taxed" in accordance with Australian GST laws. This amount represents the GST that Bendigo and Adelaide Bank Ltd 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.

In December 2017, the ATO published the following income tax information in respect of the 2016 year for the Bendigo and Adelaide Bank Ltd tax consolidated group:

Total Income \$	Taxable Income \$	Tax Payable \$
3,128,893,081	610,800,865	178,516,466

A reconciliation from the accounting profit included in the 2016 Annual Report to the amounts disclosed by the ATO is included below:

	\$m
Accounting profit - 2016 Annual Report	606.9
Adjustment to profit for certain group entities	(1.2)
Accounting profit - tax consolidated group	605.7
Non-deductible/non-assessable differences (a)	48.2
Temporary differences (b)	(43.1)
Taxable income	610.8
Income tax liability on taxable income at 30%	183.2
Less: franking credit offset	(0.8)
Less: research & development offset	(3.9)
Income tax payable	178.5

(a) Non-deductible/non-assessable items relate to interest expense on convertible preference shares, accounting impairments and expenditure subject to R&D incentive claims.

(b) Temporary differences include movements in provisions, depreciation on plant & equipment, fair value adjustments and revaluations and amortisation of intangible assets.