

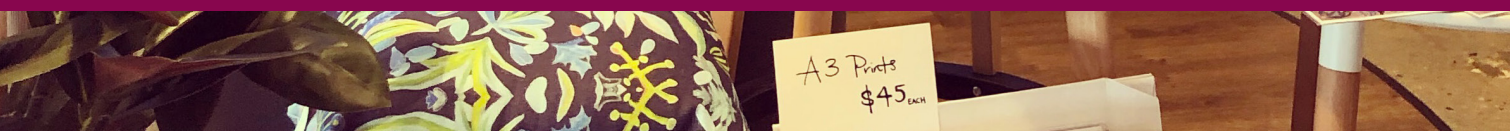


Tax Report

For the year ended
30 June 2020



**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 2020.

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 33.0% for the 2020 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 2020



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 \$3.5 billion, and \$76 billion in total assets at 30 June 2020.

The Group operates a range of brands, with more than 700 points of presence.

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

Bendigo and Adelaide Bank Limited:

- 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 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 2020 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 2020 the ETR was 33.0% (2019: 31.9%).

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

	Note	2020	2019
		\$m	\$m
Reconciliation of accounting profit to income tax expense			
Accounting profit		286.1	552.0
Income tax on profit at 30%		85.8	165.6
Distributions on convertible preference shares	1	8.8	10.7
Other current year adjustments		(1.1)	(0.3)
Franking credits offset		1.0	1.1
Prior year adjustments			
Research & development incentive		(0.6)	(1.8)
Other		(0.6)	(0.1)
Income tax expense reported in the Annual Financial Report		93.3	175.2
Amounts relating to other years	2	1.2	0.7
Income tax expense for the current year		94.5	175.9
Australian effective tax rate	2	33.0%	31.9%
Reconciliation of income tax expense to income tax payable			
Income tax expense for current year		94.5	175.9
Temporary differences between accounting and tax treatment			
Unrealised revaluations	3	3.4	(0.1)
Amortisation of intangible assets	4	0.9	1.3
Movement in provisions		17.4	(9.7)
Software impairment and accelerated amortisation	5	40.4	0.0
Other adjustments	6	5.0	(3.3)
Income tax payable for the current year		161.6	164.1
Reconciliation of income tax payable to income tax paid			
Income tax payable for current year		161.6	164.1
Less: income tax paid for current year		(179.2)	(160.3)
Balance of income tax payable/(refundable) as at 30 June		(17.6)	3.8
Income tax paid for current year		179.2	160.3
Income tax paid for prior years in current year		3.8	45.5
Income taxes paid reported in the cash flow statement in Annual Financial Report		183.0	205.8

Note 1: Convertible preference shares 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: Amortisation of intangible assets relate 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.

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 accounting purposes. The change to accounting treatment does not alter the profile or timing of the tax deduction for 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 2019 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 2020 and 2019 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	2020 \$m	2019 \$m
Corporate income tax	161.6	164.1
Employer payroll taxes	27.4	26.5
Non-recoverable GST*	41.1	36.3
Tax paid	230.1	226.9
Employee payroll taxes withheld	122.7	120.9
Customer tax withheld	2.8	4.2
GST collected	37.6	36.6
Tax collected	163.1	161.7
Total tax contribution	393.2	388.6

* 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 2019 financial year for the Bendigo and Adelaide Bank Limited tax consolidated group:

Total Income \$	Taxable Income \$	Tax Payable \$
2,996,807,937	559,401,495	164,143,115

A reconciliation from the accounting profit included in the 2019 Annual Financial Report to the amounts disclosed by the ATO is included below:

	\$m
Accounting profit for the Group	552.0
Non-deductible/non-assessable differences (a)	7.2
Temporary differences (b)	0.2
Taxable income	559.4
Income tax liability on taxable income at 30%	167.8
Less: franking credit offset	(1.1)
Less: research & development offset	(2.6)
Income tax payable	164.1

(a) Non-deductible/non-assessable items relate to interest expense on convertible preference shares, 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.