Annual Financial Report 2022

Bendigo and Adelaide Bank

Contact us

Bendigo and Adelaide Bank Limited
ABN 11 068 049 178

Registered head office
The Bendigo Centre,
Bendigo VIC Australia 3550
Telephone: 1300 236 344
+61 3 5445 0666 (if calling from overseas)

Shareholder enquiries
Share Registry 1300 032 762 (within Australia)
Email: BEN@boardroomlimited.com.au

FSC www.fsc.org MIX Paper from responsible sources FSC® C001959

This report has been printed on FSC™ certified paper. This paper has been made with wood sourced from forests that are responsibly managed in the most environmentally sustainable way. This includes water and energy use, as well as the end product's overall environmental rating.

Table of contents

Message from our Chair

Last financial year proved to be a challenging one for many Australians. Once in a generation floods, an uncertain economic outlook and the persistent impact of COVID-19 have given the community much to grapple with.

While our ability to influence events such as these is limited, we are able to choose how we respond. It has once again been reassuring to observe the resilience of those most impacted and the willingness of the community to support one another in difficult times.

Further challenges await us all and the Bank, as always, is prepared for a range of outcomes. The economic outlook in particular has changed significantly since I last wrote to you with the return of inflation and the efforts of central banks to contain it bringing with them a degree of uncertainty.

Despite these uncertainties and challenges your Bank has continued to adapt and find new ways to support our customers in their daily lives. Pleasingly this has also resulted in a solid performance through FY22 with the bank delivering cash earnings after tax of more than $500 million for the first time in its history.

Over the course of the year our capital levels continued to rise reflecting the strength of our business. Our Common Equity Tier 1 ratio - our financial buffers and a key measure of financial strength - rose 11 basis points over the year to 9.68 percent. We are cautiously optimistic, but prudently provisioned.

In addition to our Bank's solid FY22 financial performance, the value of considered and thoughtful stewardship was further highlighted in the Bank's approach to capital management, which resulted in the Board's declaration of a final dividend of 26.5 cents per share, taking the fully franked, full year dividend to 53 cents per share - a rise of six percent on FY21. The Board trusts the shareholders view these as positive returns that strike a balanced approach to the needs of all stakeholders.

Through all of this we continued to put customers at the centre of everything we do as we worked together to achieve our vision to be Australia's bank of choice. Pleasingly this was validated with independent research house Roy Morgan once again concluding we are Australia's most trusted bank.

Recognising that sustainability is crucial to our ongoing success we also advanced several initiatives central to our recently developed ESG Framework. Foundational steps taken in FY22 include the establishment of a dedicated ESG & Sustainability function that has progressed important initiatives including improved ESG data integrity, embedding ESG governance structures and the release of our second Sustainability Report.

In this second year of our Climate Change Action Plan we have made progress on a number of important initiatives including reaching a total of 51 rooftop solar installations on our branches and office locations, the commencement of an electric vehicle pilot for our sealed road fleet and the completion of our transition risk scenario analysis amongst many others.

As we look to the future, we know we also need to continue to invest into our next generation of leaders. Our scholarship program, which entered its 16th year, provides students with the opportunity to access a range of scholarships to help ease the financial burden associated with tertiary education.

Since its inception in 2007 the program has helped almost 1,400 students embark on tertiary education, as well as address the disadvantages faced by some students in regional areas. I congratulate all 292 first year students who received support from the Bank as part of this year's 2022 Scholarship Program and I wish them well in their future educational endeavours.

Further to our important work on climate and nurturing the leaders of tomorrow, the Board of Directors has undergone its own period of renewal as we prepare the Bank for what lies ahead with the appointments of Richard Deutsch in September 2021 and Victoria Weekes in February 2022.

Richard brings with him extensive auditing and advisory expertise, while Victoria has led several large organisations through complex operating environments and periods of significant change. Both have significant financial services experience. We are fortunate to be able to attract such high-quality candidates to our organisation.

As we continue our work in FY23 I want to assure you that the Bank remains well positioned to support its customers and adapt to the changing environment, as it has done many times before in its 164-year history.

While FY22 has presented considerable, yet surmountable, challenges to the Bank, I am confident we have the right Board, Executive and Leadership team in place to overcome the challenges of tomorrow and continue to deliver on our purpose of feeding into the prosperity of the community and not off it.

Jacqueline Hey
Chair, Bendigo and Adelaide Bank

Message from our Managing Director

As Bendigo and Adelaide Bank faces into the winds of economic change, I remind myself and the team that it has never been more important to focus on the things we can control, such as our strategy, our vision and our focus on customers and the community.

Our vision to be Australia's bank of choice and our strategic imperatives to reduce complexity, invest in capability and tell our story have not changed, but in FY22's results you will see our strengthened focus on returns, execution and sustainable growth as we strive to drive the business forward, better support our customers and staff, while producing returns for our shareholders.

In line with this commitment, in February, we brought together our business and agribusiness divisions and confirmed a refreshed and accomplished Executive team.

This included the new appointments of Andrew Morgan as Chief Financial Officer and Adam Rowse as Chief Customer Officer Business and Agribusiness Banking. There were changes for existing members of the executive team as well with Bruce Speirs appointed Chief Operating Officer.

Our solid FY22 results further demonstrated our capability to deliver on our promises, in the face of economic headwinds and global uncertainty. We delivered continued growth in loans, deposits and customer numbers and our cost-to-income ratio has declined for the second consecutive year.

Attracted by our products, service levels and digital experience, our customer numbers grew 7.3 percent to 2.2 million in FY22, while we retained our position as Australia's most trusted bank. You will find more details about the results in the pages ahead.

Our transformation to becoming a bigger, better and stronger bank continued as we reduced the number of core banking systems and technology applications we operate. We now have more applications in the cloud and more digital customers than 12 months ago.

In recognition of the progress we have made, in May, I was invited to Sydney to address one of the largest cloud community gatherings in the southern hemisphere about the Bank's values, purpose, and technology strategy.

It brought our story to a whole new audience and was a reminder of how far the Bank has come in a short period of time.

In FY22, we also completed the acquisition of our technology partner, Ferocia, which allowed the Bank to consolidate its ownership of Up - Australia's highest rating banking app - and further develop its digital capability and customer offerings.

In just four years, Up has attracted more than 550,000 customers and $1 billion in deposits. More recently, it launched its first digital home loan product - Up Home - which will provide a pathway to home ownership for a new generation of customers.

While COVID-19 restrictions were largely wound back in FY22, the pandemic continued to challenge the operation of our business and the communities in which we are based. Rising COVID-19 cases, combined with a seasonal influenza outbreak, contributed to an increase in temporary closures across our branch network - and businesses everywhere - as we worked to manage and mitigate the risks posed to our staff and customers.

Viewed through this lens, our Bank's performance in FY22 - against both financial and non-financial metrics - is a credit to the outstanding work of every one of our employees across the country.

Our commitment to strengthening communities through our unique Community Bank model remains unwavering. Since the model's inception in 1998, our Community Bank partners have returned over $292 million to local communities and initiatives Australia-wide.

In FY22, our Community Bank model continued to thrive bringing strong customer and deposit growth.

The communities themselves benefited from countless programs, including several multiple million dollar projects.

I look forward to continuing to work closely with our Community Bank partners in FY23, as we work together to evolve the successful Community Bank model we have built together for the next 25 years and beyond. While much has changed in the world of banking, I believe there will always be appetite from consumers for a genuine and competitive, community minded alternative.

In the years ahead, we may come to view the beginning of the interest rate tightening cycle this year as a critical juncture for the national and global economy. For some, it will be difficult to manage as the lingering effects of the pandemic continue to be felt.

While the end of a long cycle of falling interest rates and low inflation will bring with it significant challenges for the Bank and our customers, we understand the challenges we face, the opportunities we can leverage and the future we want to create for all our stakeholders.

At Bendigo and Adelaide Bank our focus on what matters has never been clearer and our strategic imperatives never more important.

For our many stakeholders that focus means managing our costs diligently, supporting our customers in good times and challenging times, strengthening the returns we derive from our investments and improving our returns and outcomes to you.

We remain as we have always been, an organisation with both heart and heritage, united in our purpose of feeding into the prosperity of the community and not off it.

Marnie Baker
Chief Executive Officer and Managing Director,
Bendigo and Adelaide Bank

Year in review highlights

Bendigo and Adelaide Bank is committed to operating sustainably from an economic, social and environmental standpoint, considering the needs and expectations of our stakeholders over the long-term. While our expertise is in delivering best in class financial services, our purpose underpins everything we do. The strength and success of Bendigo and Adelaide Bank has been consistently built throughout 164 years in business, and the care and capability we offer in helping all stakeholders to have the best opportunity to succeed. The following is a snapshot of our financial and non-financial highlights, as well as milestones we have achieved in FY22.

2.2 million+
Customers

Most trusted bank
(Top 20 most trusted brand Roy Morgan)

+24.5
NPS
(Bendigo Bank)

+72
NPS
(UP)

Customers

Customers are at the heart of what we do, our focus on customers and community is central to who we are, and how we think and operate. We're proud that more and more Australians are choosing to bank with us. Our competitive range of banking products, unique relationship model, digital capability and friendly customer service are just some of the reasons why our Net Promoter Score continues to sit well above the industry average. We are Australia's most trusted bank and our leading customer advocacy and satisfaction scores reflect the high esteem in which we are held by our customers.

46%
of leadership roles held by women

Employee engagement score increased to
77%

Refreshed our diversity and inclusion strategy, Belonging at BEN

Recognised as an Inclusive Employer 2012-2022 by the Diversity Council of Australia

People

We know when our people are supported and performing at their best, our customers and community benefit. Investing in capability is critical to the success of our strategy and through programs like myBENU and Lead BEN we're delivering greater access to greater quality learning to support performance uplift. This helps create the performance we're seeking and contributes to our strong group employee engagement, with 77 percent of our people feeling as though they belong being the highest driver in our latest staff survey. Considerable progress has been made on our Belonging at BEN strategy, focusing on foundational diversity and inclusion programs, policies, and benchmark measures across priority dimensions including gender, LGBTQI+, accessibility, cultural inclusion, and Aboriginal and Torres Strait Islander inclusion. Our employer value proposition continues to be a major contributor to our strong employment brand, allowing us to attract the talent we require to deliver our Group strategy.

$292.2m
in Community Contributions since inception

307
Community Bank branches across Australia

70,000+
Community Bank shareholders

1,600+
Community Bank directors

Community

As a regionally headquartered institution, we share a natural affinity with rural and regional communities and see firsthand the role banking plays in supporting communities to be vibrant, healthy, and dynamic places to live and work. To galvanise our efforts around our purpose in 2021-2022 the Bank adopted its first Social Impact Framework which focuses on achieving shared value outcomes that address challenges in our community. Our award-winning Community Bank model continues to be a fundamental part of this framework and in FY22, more than $19 million was invested into communities through this model. Our Community Enterprise Foundation is also pivotal in this framework. The Foundation's expertise in maximising community investment outcomes and experience in helping communities recover from natural disasters supports the aims of the Community Bank model and enhances their impact. We also continued our support of students awarding 292 scholarships, including eight Indigenous scholarships in FY22. In total we have invested more than $11 million in scholarships to support 1,398 students since the program began in 2007.

Successfully delivered the second year of our Climate Change Action Plan

Over halfway to meeting our 50% absolute emissions reduction by 2030 target

51
Branches and office locations are now fitted with rooftop solar systems

Commenced electric vehicle pilot for our employee fleet

Environment

We recognise climate change has far-reaching risks for the environment, the economy, society, our customers and their communities. Bendigo and Adelaide Bank achieved carbon neutral status in FY20 and FY21 and is maintaining this in FY22. We support the required transition to net zero emissions by 2050 with aligned interim targets. Since launching our Climate Change Action Plan, we have reduced our absolute emissions by over 25 percent, our travel related greenhouse emissions by 65.5 percent and 51 of our branches and office locations are now fitted with rooftop solar systems.

Released Supplier Code of Conduct, setting ESG expectations with suppliers

Developed Social Impact Procurement Strategy

93.2%
of our small business suppliers paid within 30 days of invoicing

Delivered our Modern Slavery Roadmap

Governance

Robust governance is essential to strong and sustainable growth and success. We always strive to act ethically, capably and with great care and attention, ensuring everyone is respectfully heard. However, like any organisation we sometimes make mistakes and when we do, we take ownership and action to make good and remediate any errors. Our highly skilled and trained people engage with stakeholder groups in a disciplined manner, and this ensures relationships are cultivated for the long term.

$500.4m
Cash earnings after tax up 9.4%[1]

$1,709.9m
Total income on a cash basis up 0.4%[1]

$1,016.3m
Operating expenses down 1.1%[1]

1.74%
Net interest margin down 21 basis points[1]

Financial performance

This year, the Bank announced cash earnings after tax increased by 9.4 percent, to $500.4 million, the first time in our history that cash earnings have exceeded $500 million. Statutory net profit after tax was $488.1 million, down 6.9 percent. Cash earnings per share were 89.8 cents, up 4.9 percent. We delivered total income on a cash basis of $1,709.9 million, up $7.4 million. Total lending increased by 7.7 percent, largely driven by residential lending which continued to grow well above system. Our cost to income ratio decreased by 90 basis points to 59.4 percent, reflecting an ongoing focus on sustainable cost reduction. Our capital position further strengthened with Common Equity Tier 1 (CET1) ratio up 11 basis points to 9.68 percent, reflecting a well-managed balance sheet and strong risk management. We announced a fully franked final dividend of 26.5 cents per share, taking the full year dividend to 53 cents per share and continuing our history of rewarding shareholders with high yield and long-term returns.

Reporting on our performance

In FY22, we have grown market share, customer numbers, total lending and deposits. Importantly, we have not achieved this at the expense of our commitment to our customers, people, community, or the environment, also recording strong results against our non-financial targets. More about our progress over the past year is contained within our reporting suite outlined below.

Annual Financial Report	Sustainability Report	Additional disclosures:
Our statutory financial reporting	*Our report on our material ESG topics*	Climate-related Financial Disclosures (TCFD)
Corporate Governance Statement	Tax Report	Modern Slavery Statement
		Workplace Gender Equality Agency reporting

All reports are available on our website via our Investor centre: www.bendigoadelaide.com.au/investor-centre

1 Movements are for the 12 months ended 30 June 2022

Directors' Report

The Directors of Bendigo and Adelaide Bank Limited present their report together with the financial report of Bendigo and Adelaide Bank Limited (the "Bank") and its controlled entities (the "Group") for the year ended 30 June 2022.

Directors' information

The names and details of the Directors in office as at the date of this report are as follows:

Jacqueline Hey,

Chair, Independent
BCom, Graduate Certificate in Management,
GAICD, 56 years

Jacquie joined the Board in July 2011 and was appointed Chair in October 2019, becoming the Bank's first female Chair. She is currently one of only 19 ASX 200 female chairs. Jacquie offers a depth of international experience in business and technology systems and enjoyed a highly successful executive career prior to becoming a full-time company director in 2011.

After majoring in economics at the University of Melbourne, Jacquie took up a graduate position with Ericsson - the Swedish telecommunications company - where she held a variety of leadership roles across more than two decades, eventually rising to become MD & CEO of Ericsson in the UK/Ireland and Australia/NZ.

Jacquie brings to the Board an extensive array of skills including executive leadership, corporate and business acumen, technology and innovation, financial acumen and corporate governance.

Jacquie is a member of the People, Culture and Transformation Committee and the Audit Committee.

Other director and memberships (including directorships of other listed companies for the previous three years):
Director: Qantas Airways Limited (ASX listed, period: August 2013 to present), Commonwealth Superannuation Corporation.
Member: Brighton Grammar School Council.
Former Director: AGL Energy Limited (ASX listed, period: March 2016 to May 2022)

Marnie Baker,

Chief Executive Officer and Managing Director, Non-independent

BBus, ASA, MAICD and SFFin, 54 years

Marnie Baker was appointed Chief Executive Officer and Managing Director commencing July 2018. Marnie is the Bank's first female CEO and one of only thirteen females currently serving as CEO of an ASX100 company.

Marnie has over 30 years' experience in the financial services industry, across Banking and wealth. Marnie has been with the Bendigo and Adelaide Bank Group since 1989, and an Executive of the Bank since 2000. Her most recent positions include Chief Customer Officer which had responsibility for all the customer facing and direct customer support businesses across the Group, and Executive Corporate Resources with responsibility for human resources, information technology, legal, assurance, property & security, procurement and corporate services. Prior to this Marnie held the positions of Chief Information Officer, Group Treasurer and Chief Executive Officer Sandhurst Trustees. Marnie holds a Bachelor of Business (Accounting) from La Trobe University and is a member of the Australian Society of Certified Practicing Accountants, member of the Australian Institute of Company Directors and a Senior Fellow of the Financial Services Institute of Australasia. Marnie brings to the Board a strong understanding and connection to regional Australia as well as an extensive array of skills, knowledge and experience from over three decades in financial services, two thirds of which has been in Executive positions.

Marnie is not a member of any Board Committees.

Other director and memberships (including directorships of other listed companies for the previous three years):
Deputy Chair of the Australian Banking Association and member of Business Council of Australia, Mastercard (Asia Pacific) Advisory Board, La Trobe University's Bendigo Regional Advisory Board, Victorian Government – Economic Restart and Recovery Steering Committee, Loddon Campaspe Regional Taskforce.

Vicki Carter,

Independent

BA (Social Sciences), Dip Mgt, Certificate in Executive Coaching, GAICD, 58 years

Vicki joined the Board in September 2018.

Vicki has over 30 years' experience in the financial services and telecommunications sectors with executive roles in distribution, strategy and operations, human resources and transformation. Her extensive skills in large scale people leadership, product and sales management, transformation delivery and risk management have been, and continue to be, valuable and contemporary contributions to the Board and the Bank. Vicki recently concluded her role as Executive Director, Transformation Delivery at Telstra, and prior to that held a number of executive roles at NAB including Executive General Manager - Retail Bank, Executive General Manager - Business Operations and General Manager - People and Culture, as well as senior leadership roles at MLC, ING and Prudential Assurance Co Ltd.

Vicki is Chair of the People, Culture and Transformation Committee and a member of the Risk Committee.

Other director and memberships (including directorships of other listed companies for the previous three years):
Chair: Sandhurst Trustees Limited

Richard Deutsch,
Independent
BE, FCA, 55 years

Richard joined the Board in September 2021.
Richard brings extensive experience delivering complex audit and advisory services to Australia's leading public, private, government and not-for-profit organisations having most recently served as CEO of Deloitte Australia.

At Deloitte Australia, Richard was the Managing Partner of the Audit & Advisory Practice and a member of the Global Audit & Advisory Leadership Team. Richard's career also includes more than 25 years working with PwC, including nine years on PwC's Australian executive.

Richard is passionate about supporting organisations that have a positive impact in the community. He is a former Chairman of OzHarvest and a former Director of Adara Group, a charitable organisation focusing on international development in emerging economies.

His former directorships also include serving as President and Chairman of the Institute of Chartered Accountants Australia (now Chartered Accountants Australia and New Zealand) and Director of SCEGGS Darlinghurst. Richard has also been a member of the Male Champions of Change, Australian Climate Leaders Coalition and the Business Council of Australia.

Richard is Chair of the Audit Committee and a member of the Financial Risk Committee.

David Foster,
Independent
B.AppSci, MBA, SFFin, FAIM, GAICD, 53 years

David joined the Board in September 2019.

David is an experienced and highly skilled non-executive director, with a diverse portfolio of directorships and advisory roles across a range of listed and government organisations. David's executive career - primarily in financial services - has spanned more than 25 years, most recently as CEO of Suncorp Bank from 2008 to 2013. He also held a number of senior roles with Westpac Banking Corporation in Sydney and Queensland across a 14-year period. David brings to the Board an extensive array of skills including strategy, M&A, operational leadership, finance and risk management, product management and marketing, and change management.

David is Chair of the Financial Risk Committee and a member of the People, Culture and Transformation Committee.

Other director and memberships (including directorships of other listed companies for the previous three years):
Chair: Motorcycle Holdings Limited (ASX listed, period: March 2016 to present), G8 Education Limited (ASX listed, period: February 2016 to present)
Director: Youi Holdings Pty Ltd, Peak Services Pty Ltd, Queensland Titles Registry Pty Ltd, Australian Reinsurance Pool Corporation
Member: Sunshine Coast University Council
Former Director: Thorn Group Limited (ASX listed, period: December 2014 to October 2019), Genworth Mortgage Insurance Australia Limited (ASX listed, period: May 2016 to March 2022)

Jan Harris,

Independent

BEc (Hons), 63 years

Jan joined the Board in February 2016.

Jan's exceptional experience and understanding of the regulatory and government landscape brings additional breadth and balance to the Board. Jan has had a distinguished career in the Australian public service with broad experience in public and regulatory policy development, economics and governance. Jan has held senior roles in the Department of the Treasury and the Department of the Prime Minister and Cabinet, including as Deputy Secretary of the Treasury, as well as being a member of the Australian Office of Financial Management Audit Committee. As well as her depth and understanding of public policy, Jan brings an array of skills including finance, regulatory risk, compliance and risk management.

Jan is a member of the Audit Committee and the Risk Committee, having recently transitioned from Chair of that committee.

Jim Hazel,

Independent

BEc, SFFin, FAICD, 71 years

Jim joined the Board in March 2010.

Jim is a professional public company director who has had an extensive career in banking, finance and risk management, including in the regional banking industry. Jim brings to the Board more than 40 years of experience in the financial services sector along with a deep understanding of regional and rural interests, valuable insights into the challenges faced by Australia's ageing population, and the retirement housing sector. Jim has led government initiatives to lower the occurrence of motor vehicle accidents, reduce the impact of road trauma and oversee programs to change behaviours and encourage safer driving.

Jim is a member of the Risk Committee and Financial Risk Committee.

Other director and memberships (including directorships of other listed companies for the previous three years):
Chair: Ingenia Communities Group Limited (ASX listed, period: March 2012 to present), Precision Group, and Barossa Hills Fleurieu Local Health network
Director: Coopers Brewery Limited, Inheritance Capital Management Pty Ltd, Omega Communities Pty Ltd, Chapman Capital Partners
Memberships: Pro-Chancellor, University of South Australia
Former Director: Centrex Metals Limited (ASX listed, period: July 2010 to September 2019)

David Matthews,

Independent

Dip BIT, GAICD, 64 years

David joined the Board in March 2010.

David chaired the first Community Bank company in Australia, which began in Rupanyup and Minyip in Victoria. He retains a keen interest in the sustainability of the Community Bank network, and its value and importance to hundreds of communities across Australia. David also brings to the Board a sound understanding of the importance and resilience of the Australian agricultural sector – both to the economy and to our future - and continues to operate a farm and an agricultural import/export business based in the Wimmera region of Victoria. David continues to maintain a close involvement in several agricultural industry bodies. David brings to the Board an extensive array of skills including broad experience in agribusiness from production to international trade, deep community connections and an understanding of the critical role the 'human' piece plays in business success.

David is a member of the Audit Committee and People, Culture and Transformation Committee. David is also a member of the Community Bank National Council and Rural Bank Advisory Committee.

Other director and memberships (including directorships of other listed companies for the previous three years):
Director: Farm Trade Australia Pty Limited, Rupanyup/Minyip Finance Group Limited.

Victoria Weekes,

Independent

BCom (UNSW) LLB (UNSW), FAICD, 60 years

Victoria joined the Board in February 2022.

Victoria brings with her over 35 years of experience in financial services and has led several large organisations through complex operating environments and periods of significant change. Victoria has held executive roles with major Australian listed companies and multi-nationals including Westpac, Citi, ASIC and Jarden Morgan (now CS First Boston). Victoria is the former chair of NSW Treasury Audit and Risk Committee and former Chair of OnePath Custodians.

An accomplished non-executive director and chair with experience across a range of business sectors in the public, private, government and not-for-profit organisations, Victoria has deep expertise in risk management, regulation, and compliance at both executive and board level.

Victoria is a Senior Fellow and past president of professional standards body FINSIA, a Fellow of the Australian Institute of Company Directors, a Chartered Banker and was previously the chair of the Australian Gender Equality Council.

Victoria is Chair of the Risk Committee and member of the Financial Risk Committee.

Other director and memberships (including directorships of other listed companies for the previous three years):
Director: Alcidion Group Limited (ASX listed, period: September 2001 – present).
Member: State Library of NSW
Former Director: URB Investments Limited (ASX listed, period: April 2017 – December 2019), Deputy Chair St George Community Housing Limited, OnePath Custodians, St George Community Housing Limited.

Robert Hubbard and Anthony Robinson retired as Directors at the end of the Annual General Meeting of shareholders on 9 November 2021.

Company Secretary

Ms Carmen Lunderstedt (BCom, GradCertFinPlan, FGIA, FCIS) was appointed as Company Secretary of the Bank on 14 October 2019. Ms Lunderstedt is a Chartered Secretary with more than twenty years' experience in governance, risk and compliance, with more than half of these years in the banking and financial services industry.

Principal Activities

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, rural and commercial lending, deposit-taking, payments services, wealth management, margin lending, and superannuation, treasury, and foreign exchange services.

On 1 December 2021, the Group completed the sale of its insurance broking service, Community Insurance Solutions to Community Broker Network.

In December 2021, the Group entered into an agreement with Timelio Pty Ltd to sell its debtor finance asset book and associated business.

Operating and Financial Review

Further information on the Group's operating results (including cash earnings results and commentary) for the financial year are contained in the Operating and Financial Review section of this report. The following commentary relates to the statutory earnings results of the Group.

The Group's statutory profit after tax for FY22 decreased by 6.9% to $488.1 million (FY21: $524.0 million). This was impacted by:

- An increase in net interest income due to growth in the lending portfolios, offset by a reduction in net interest margin.
- A decrease in other operating income primarily driven by a reduction in Homesafe unrealised revaluation gains resulting from changes to the valuation assumptions.
- A slight increase in operating costs, which included continued investment spend to simplify the business and reduce complexity.
- A decrease in credit expenses largely attributed to improved economic conditions in the Australian economy from FY21, partially offset by the impact of revised scenarios more heavily weighted towards the downside given economic uncertainty.

Dividends and Distributions

On 15 August 2022, the Directors announced a fully franked dividend of 26.5 cents per fully paid ordinary share. The final dividend is payable on 29 September 2022. The proposed payment is expected to total $146.7 million.

The following fully franked dividends were paid by the Bank during the year on fully paid ordinary shares:

- A final dividend for the 2021 financial year of 26.5 cents per share, paid on 30 September 2021 (amount paid: $144.0 million); and
- An interim dividend for the FY22 of 26.5 cents per share, paid on 31 March 2022 (amount paid: $145.6 million).

Further details on dividends provided for or paid during FY22 on the Bank's ordinary and preference shares are provided at Note 7 Dividends of the Financial Report.

Review of Operations

An analysis of the Group's operations for the financial year and the results of those operations, including the financial position, business priorities and prospects, is presented in the Operating and Financial Review section of this report.

State of Affairs

Changes in the principal activities of the Group have been outlined above.

There were changes made to the composition of the Board and the Executive Team during the financial year, specifically:

- Richard Deutsch was appointed as a non-executive director effective 20 September 2021.
- Robert Hubbard and Anthony Robinson retired from the Board on 9 November 2021.
- On 1 February 2022, the Executive Team was restructured. Bruce Speirs was appointed to a new role of Chief Operating Officer, Alexandra Gartmann resigned from the role of Rural Bank CEO, and a new role of Chief Customer Officer Business and Agribusiness was created. Adam Rowse was subsequently appointed to this role effective from 1 July 2022.
- Victoria Weekes was appointed as a non-executive director effective 15 February 2022.
- Travis Crouch ceased as Chief Financial Officer, being replaced by Andrew Morgan on 24 June 2022.

In the opinion of the Directors there have been no other significant changes in the state of affairs of the Group during the financial year. Further information on events and matters that affected the Group's state of affairs is presented in the Chair's and Managing Director's Messages and the Operating and Financial Review section of this report.

Events After Reporting Date

On 7 July 2022, Bendigo and Adelaide Bank Limited entered into an agreement to acquire the ANZ Investment Lending portfolio, with the transaction expected to be completed in the first half of the 2023 calendar year. The acquisition will allow the Group to further grow its margin lending business, Leveraged Equities Limited. The value of the portfolio being acquired is approximately $715 million and is subject to movements in the underlying portfolio up until the completion date. The Group will pay an immaterial premium over book value.

The Directors are not aware of any other matter or circumstance which arose since the end of the financial year to the date of this report that has 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 years.

Directors and Meetings of Directors

The Board met 21 times (scheduled and unscheduled meetings) in the year ended 30 June 2022. The following table includes:

- names of the Directors holding office at any time during, or since the end of, the financial year;
- the number of Board and Board Committee meetings for which each Director was eligible to attend; and
- the number of meetings attended by each Director.

Director	Board		Committees									
			Audit		Financial Risk		Risk		People, Culture and Transformation[1]		Technology[2]	
Meetings during the year	A	B	A	B	A	B	A	B	A	B	A	B
Jacqueline Hey	21	21	4	4					8	8	2	2
Marnie Baker	21	21										
Vicki Carter	21	21			3	3	6	6	8	8	2	2
Richard Deutsch[3]	15	15	5	5	7	7						
David Foster	21	21			10	10	3	3	5	5		
Jan Harris	21	21	7	7			9	9				
Jim Hazel	21	21			10	10	9	8				
Robert Hubbard[4]	9	9	3	3			3	3			2	1
David Matthews	21	21	7	7	3	3			8	8		
Anthony Robinson[5]	9	9	3	3					3	3	2	2
Victoria Weekes[6]	7	7			4	4	4	4				

A = Number eligible to attend
B = Number attended

1. Committee renamed to People, Culture and Transformation Committee effective 16 February 2022.
2. Remit of Technology Committee incorporated into other Committees effective 16 February 2022.
3. Richard Deutsch was appointed as a Non-executive Director commencing on 20 September 2021.
4. Robert Hubbard retired at the end of the Annual General Meeting of shareholders on 9 November 2021.
5. Anthony Robinson retired at the end of the Annual General Meeting of shareholders on 9 November 2021.
6. Victoria Weekes was appointed as a Non-executive Director commencing on 15 February 2022.

Directors' interests in Equity

The relevant interest of each Director in shares in the Bank and in units of registered schemes made available by a related body corporate at the date of this report are as follows:

Director	Ordinary Shares	Preference Shares	Performance Rights	Rights to Shares[1]	Sandhurst Common Fund [2]
Jacqueline Hey	57,359	250	-	-	-
Marnie Baker	1,411,744	100	110,895	-	$14,156.59
Vicki Carter	24,850	-	-	-	-
Richard Deutsch	3,000	-	-	4,193	-
David Foster	10,560	-	-	-	-
Jan Harris	15,628	-	-	-	-
Jim Hazel	40,670	-	-	-	-
David Matthews	45,020	-	-	-	-
Victoria Weekes	5,500	-	-	4,193	-

1. Rights to shares have been issued under the BEN Omnibus Plan Rules for the FY23 Non-Executive Directors Fee Share Plan. Each participant has elected to sacrifice a portion of the base fee, to which a number of rights has been allocated by dividing the fee sacrifice amount by the five day volume weighted average share price prior to the allocation date of 23 August 2022. The rights to shares vest in two equal tranches after 6 and 12 months, with the first tranche vesting in February 2023. Upon vesting, the converted shares must be retained for the duration of their service as a Director or for up to 15 years, whichever occurs earlier, and will form part of the fulfilment of the Minimum Shareholding Policy introduced from FY21.
2. Being a relevant interest in a managed investment scheme made available by Sandhurst Trustees Limited, a subsidiary of the Bank.

Share Options and Rights

There were no options over unissued ordinary shares at the start of the financial year and no options to acquire ordinary shares in the Bank were issued during or since the end of the financial year.

Performance rights ("rights") to ordinary shares in the Bank are issued by the Bank under the Employee Salary Sacrifice, Deferred Share, Deferred Share Rights and Performance Rights Plan and the BEN Omnibus Equity Plan ("Plans"). Each right represents an entitlement to one fully paid ordinary share in the Bank, subject to certain conditions.

During or since the end of the financial year the Bank granted 1,429,004 rights (2021: 177,525). This included 83,722 rights granted to key management personnel.

As at the date of this report there are 1,289,941 rights that are exercisable or may become exercisable at a future date under the Plans. The last date for the exercise of the rights ranges between 30 June 2022 and 30 June 2026.

During or since the end of the financial year

- 493,220 rights vested (2021: 108,744) and no new fully paid ordinary shares have been issued by the Bank during or since the end of the financial year as a result of rights being exercised.
- 111,510 rights have lapsed.

Further details of Key Management Personnel equity holdings during the financial year are detailed in the 2022 Remuneration Report.

Corporate Governance

An overview of the Bank's corporate governance structures and practices is presented in the 2022 Corporate Governance Statement available from the Bank's website at www.bendigoadelaide.com.au/public/corporate_governance/index.asp

The Bank confirms it has followed the ASX Corporate Governance Principles and Recommendations (4th edition) during FY22.

Environmental Regulation

The Bank endeavours to conduct its operations in a manner that minimises its impact on the environment. Information on the Bank's environmental performance including its Climate Change Policy Statement and focus areas to manage its environmental impact are provided in the 2022 Climate Related Financial Disclosures which are available from the Bank's website https://www.bendigoadelaide.com.au/esg/environment/

The Bank's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Bank has adequate systems in place for the management of its environmental requirements and is not aware of any breach of any environmental requirement. The Bank is not subject to the Federal Government's National Greenhouse and Energy Reporting (NGER) Scheme which requires controlling corporations to report annually on greenhouse gas emissions, energy production and energy consumption, if they exceed certain threshold levels. Whilst not required to report under the Scheme, the Bank does measure and monitor its greenhouse gas emissions and has voluntarily reported these emissions since 2011 to the CDP.

Indemnification of Officers

The Bank's Constitution provides that the Bank is to indemnify, to the extent permitted by law, each officer of the Bank against liabilities (including costs, charges, losses, damages, expenses, penalties and liabilities of any kind including, in particular, legal costs incurred in defending any proceedings or appearing before any court, tribunal, government authority or other body) incurred by an officer in or arising out of the conduct of the business of the Bank or arising out of the discharge of the officer's duties.

As provided under the Bank's Constitution, the Bank has entered into deeds providing for indemnity, insurance and access to documents for each of its Directors. The Bank may also enter into deeds providing for indemnity and insurance for each Executive Committee member and the Company Secretary as well as deeds providing for indemnity, insurance and access to documents for each Director of a subsidiary.

The deeds require the Bank to indemnify, to the extent permitted by law, the officers for all liabilities (including costs, charges, losses, damages, expenses, penalties and liabilities of any kind) incurred in their capacity as an officer of the relevant company.

Indemnification of Auditor

To the extent permitted by law and professional regulations, the Bank has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against all claims by third parties and resulting liabilities, losses, damages, costs and expenses (including reasonable external legal costs) arising from the audit engagement including any negligent, wrongful or wilful act or omission by the Bank.

The indemnity does not apply to any loss resulting from Ernst & Young's negligent, wrongful or wilful acts or omissions. No payment has been made under this indemnity to Ernst & Young during or since the financial year end.

Insurance of Directors and Officers

During or since the financial year end, the Bank has paid premiums to insure certain officers of the Bank and its related bodies corporate. The officers of the Bank covered by the insurance policy include the Directors, the Company Secretary and Directors and Company Secretaries of controlled entities who are not Directors or Company Secretaries of the Bank. The policy also covers officers who accept external directorships as part of their responsibilities with the Bank. The insurance does not provide cover for the external auditor of the Bank or related bodies corporate of the Bank. Disclosure of the nature of the liabilities covered and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance.

Rounding of Amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, amounts in the Directors' Report and Financial Report have been rounded to the nearest million Australian dollars unless otherwise indicated.

Declaration by Chief Executive Officer and Managing Director and Chief Financial Officer

The Chief Executive Officer and Managing Director and the Chief Financial Officer have provided the required declarations to the Board in accordance with section 295A of the Corporations Act 2001 and recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations in relation to the financial records and financial statements for the year ended 30 June 2022.

The Chief Executive Officer and Managing Director and the Chief Financial Officer also provided declarations to the Board, consistent with the declarations under section 295A of the Corporations Act 2001 and recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations, in relation to the financial statements for the half year ended 31 December 2021.

To support the declaration, formal risk management and financial statement due diligence and verification processes, including attestations from senior management, were undertaken. This assurance is provided every six months in conjunction with the Bank's half year and full year financial reporting obligations. The statements are made on the basis that they provide a reasonable but not absolute level of assurance and do not imply a guarantee against adverse circumstances that may arise in future periods.

Non-audit Services

The Board Audit Committee has assessed the independence of the Group's external auditor, Ernst & Young, for the year ended 30 June 2022. The assessment was conducted in accordance with the Group's External Audit Independence Policy and the requirements of the Corporations Act 2001. The assessment included a review of non-audit services provided by the auditor and an assessment of the independence declaration issued by the external auditor for the year ended 30 June 2022.

Non-audit services are those services paid or payable to Ernst & Young which do not relate to Group statutory audit engagements. In its capacity as the Group's external auditor, Ernst & Young is periodically engaged to provide assurance services to the Group in accordance with Australian Auditing Standards. All assignments are subject to engagement letters in accordance with Australian Auditing Standards.

The Board Audit Committee has reviewed the nature and scope of the above non-audit services provided by Ernst & Young. This assessment was made on the basis that the non-audit services performed did not represent the performance of management functions or the making of management decisions, nor were the dollar amounts of the non-audit fees considered sufficient to impair the external auditor's independence. The Board Audit Committee has confirmed that the provision of those services is consistent with Group's External Audit Independence Policy and compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. This confirmation was provided to, and accepted by, the full Board.

Details of the fees paid or payable to Ernst & Young for audit, review, assurance and non-audit services provided during the year are contained in Note 35 Remuneration of Auditor of the Financial Report.

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Building a better working world

Auditor's Independence Declaration to the Directors of Bendigo and Adelaide Bank Limited

As lead auditor for the audit of the financial report of Bendigo and Adelaide Bank Limited for the financial year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Bendigo and Adelaide Bank Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

T M Dring
Partner
5 September 2022

Operating and Financial Review

Our strategy

Our vision is to be Australia's bank of choice – for those who bank with us, work for us, partner with us and invest in us. Our purpose of feeding into prosperity, not off it, is our anchor; informing who we are today, and where we see ourselves in the future. We believe our success is driven by helping our customers, and the communities in which they operate, to be successful.

Our overarching strategy has proven to be effective and remains relatively unchanged. Our results for FY22 show that we have delivered what we promised in a challenging and competitive environment.

As Australia's better big bank and a top 100 ASX listed company, we aim to set an example of how banking should be; progressive, sustainable, shared and trusted.

We have delivered continued growth in loans, deposits and customer numbers, we have reduced our costs and improved our cost to income ratio while maintaining a strong balance sheet and preserving credit quality.

Our transformation agenda continues to improve our productivity, efficiency, speed to market and customer experience. Our underlying business, balance sheet, brand proposition, risk profile and transformation have made our business stronger for the future.

While our strategy and vision remain the same, as we enter a new financial year, we will continue to strengthen our focus on returns, execution, sustainable growth and capital generation as we drive the business forward to better support and enhance the experience for our stakeholders.

As we build on our purpose, we continue to reduce complexity, invest in capability and tell our unique story, with an eye to the future as we strive to be Australia's bank of choice.

Vision	**Australia's bank of choice**
Purpose	To feed into prosperity, not off it
Imperatives	Reduce complexity · Invest in capability · Tell our story

Customer Centric Operating Model
Digital by design, human when it matters

Customer Value Proposition
Based on trust, authenticity, knowledge, expertise, connection and personalised relationships

Growth and Transformation Strategy
Propelled by human, digital and community connections

ESG Framework
Strengthen our ESG outcomes in line with our purpose

For our customers, people, partners, communities and shareholders.

Our Business performance

We have delivered continued growth in loans, deposits and customer numbers, in a challenging and competitive environment. We have reduced costs and improved our cost-to-income ratio while maintaining a strong balance sheet and preserving our credit quality.

In FY22 cash earnings after tax increased by 9.4 percent to $500.4 million, the first time in our history that cash earnings has exceeded $500 million. Statutory earnings of $488.1 million decreased 6.9 percent, largely due to a decline in Homesafe revaluation income. Cash earnings per share of 89.8 cents were up 4.9 percent from the prior year and the cost-to-income ratio continued to improve, decreasing by 90 bps to 59.4 percent.

For the third consecutive year we have delivered above system growth in residential lending, with total lending up $5.6 billion or 7.7 percent. Customer deposits also grew by $6.4 billion or 11.0 percent in FY22. Customer numbers have grown 7.3 percent to 2.2 million and our leading Net Promoter Score[1] of 24.5 is 26.3 points higher than the industry average. We are making progress on simplifying our business and reducing complexity through our transformation agenda. We have fewer brands, fewer core banking systems and fewer IT systems. We also have more apps in the cloud, more APIs being re-used and more e-banking customers than ever before. We have completed the acquisition of Melbourne-based fintech, Ferocia Pty Ltd, which has allowed us to consolidate ownership of Up - Australia's highest rated banking app.

We announced a fully franked final dividend of 26.5 cents per sharetaking the fully franked full year dividend to 53 cents per share, a rise of 6 percent on FY21.

These results demonstrate our strategy is working. Our path to become a bigger, stronger and simpler bank is on track.

CASH EARNINGS AFTER TAX ($M)

FY22	**500.4**
FY21	457.2
FY20	301.7
FY19	415.7

STATUTORY NET PROFIT AFTER TAX ($M)

FY22	**488.1**
FY21	524.0
FY20	192.8
FY19	376.8

COST TO INCOME (%) [2]

FY22	**59.4**
FY21	60.3
FY20	62.7
FY19	59.2

CASH EARNINGS PER SHARE (C)

FY22	**89.8**
FY21	85.6
FY20	59.7
FY19	85.0

DIVIDEND PER SHARE (C)

FY22	**53.0**
FY21	50.0
FY20	35.5
FY19	70.0

RETURN ON EQUITY (%) [2]

FY22	**7.72**
FY21	7.67
FY20	5.36
FY19	7.55

[1] Roy Morgan Net Promoter Score Roy Morgan Research, 6 month rolling averages, comparing BEN to the industry average. Industry includes: ANZ, BOM, BOQ, Bank SA, Bankwest, CBA, ING, NAB, St. George, Suncorp & WBC. Net Promoter, Net Promoter System, Net Promoter Score, NPS and the NPS related emoticons are registered trademarks of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc.

[2] Calculated using cash earnings.

CASH EARNINGS AFTER TAX

$500.4m

FY21 $457.2m
▲ 9.4%

STATUTORY EARNINGS AFTER TAX

$488.1m

FY21 $524.0m
▼ 6.9%

Income

INCOME (CASH BASIS)[1]

$1,709.9m

FY21 $1,702.5m

NET INTEREST MARGIN

1.74%

FY21 1.95%

Net interest income (cash basis) decreased 0.4 percent to $1,417.4 million (FY21: $1,423.8 million). This was driven by an increase in average interest earning assets, up $8.2 billion or 11.3 percent, offset by a decrease in net interest margin, down 21bps to 1.74 percent (FY21: 1.95 percent).

Net interest margin was impacted by continued pricing pressure on mortgages, a change in customer preference to fixed rate loans and a higher balance of lower yielding liquid assets. This was partly offset by favourable term deposit pricing and lower wholesale funding costs.

Other income (cash basis) increased 5.0 percent to $292.5 million (FY21: $278.7 million). This was driven by increased Homesafe realised income, foreign exchange income and increased dividend income from the Group's strategic investments.

This was partly offset by reductions in fee income over the year, mainly from reduced income in the Agribusiness' Government services division. Card and merchant income also reduced, driven by the sale of the Merchant Services business to Tyro Payments Limited in the 2021 financial year. This revenue decline is partly offset by cost savings realised from the transaction.

Net interest margin represents the return on average interest earning assets less the costs of funding these assets. Net interest margin is calculated including the impact of any revenue share arrangements with partners.

[1] Includes Homesafe realised income.

Operating expenses

OPERATING EXPENSES (CASH BASIS)

$1,016.3m

FY21 $1,027.4m

COST TO INCOME RATIO

59.4%

FY21 60.3%

Operating expenses (cash basis) reduced 1.1 percent to $1,016.3 million (FY21: $1,027.4 million) mainly due to reduced investment spend reflected in lower consultancy costs, with the completion of a number of large foundational transformation projects in the 2021 financial year. Lower staff costs reflected increased headcount in Technology and Transformation teams (including Ferocia staff), more than offset by efficiency gains from structural and operational changes across the Group and lower redundancy costs.

Software amortisation increased, with a number of significant technology assets becoming operational during the year. Non-credit losses and remediation costs increased $12.4 million from the 2021 financial year.

The cost to income ratio decreased by 90 bps to 59.4 percent (FY21: 60.3 percent), reflecting an ongoing focus on sustainable cost reduction.

Credit expenses and provisions

CREDIT EXPENSES

($27.2m)

FY21 $18.0m

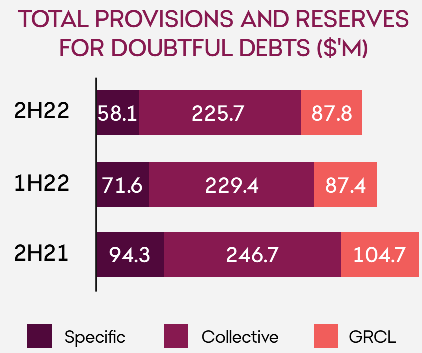
TOTAL PROVISIONS

$371.6m

FY21 $445.7m

Total **credit expenses** reflected a net release of $27.2 million (FY21: $18.0 million expense). This was largely attributed to a release of $20.8 million in the collective provision mainly due to improved economic conditions in the Australian economy from the 2021 financial year, which was offset against the impact of revised scenarios more heavily weighted towards the downside given the continued economic uncertainty. In addition, there has also been a sizable reduction in specific impairment charges from the 2021 financial year, down $34.3 million to a $2.3 million release (FY21: $32.0 million expense).

Credit performance remains strong, with low levels of arrears leading to a reduction in impaired assets of 36.3 percent to $133.1 million (FY21: $208.8 million). Provision levels remain conservative given the continuing uncertainties resulting from rising interest rates and property price projections. The total of provisions and general reserve for credit losses decreased over the year by 16.6 percent to $371.6 million (FY21: $445.7 million).



Dividends

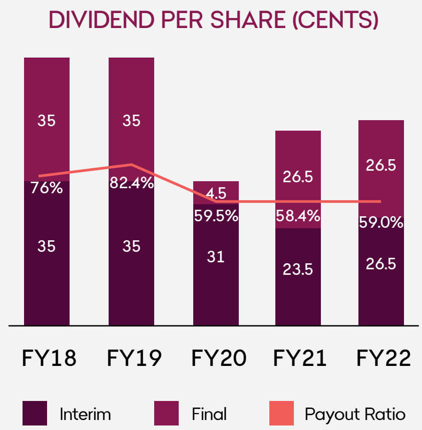
DIVIDENDS

53.0c

FY21 50.0c

The Board declared a fully franked final dividend of 26.5 cents per share (FY21 interim: 23.5 cents per share; FY21 final: 26.5 cents per share).

The Group has in place a Dividend Reinvestment Plan (DRP) and a Bonus Share Scheme. The DRP provides shareholders with the opportunity of converting their entitlement to a dividend into new shares. 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.



Divisional performance

Consumer

CASH EARNINGS (AFTER TAX)

$492.2m

FY21 $455.1m

The Consumer division focuses on engaging with and servicing our consumer customers and includes the branch network (including Community Banks and Alliance Banks), Up digital bank, mobile relationship managers, third party banking channels, wealth services, Homesafe, and customer support functions.

Cash earnings increased to $492.2 million (FY21: $455.1 million), driven by:

- **Net interest income** - Improvement in net interest income following continued strong growth in the residential mortgage portfolio, partially offset by NIM reductions mainly due to a higher proportion of lower yielding fixed-rate lending compared to variable lending and competitive pressure to support above system loan growth.
- **Other income** - A decline in other income due to the sale of the Merchant Services business in the 2021 financial year offset by increases in interchange and scheme income, loan account fees and fund management fees.
- **Operating expenses** - The reduction in operating expenses is attributed to savings realised from the sale of the Merchant Services business as well as agency branch and rationalisation programmes, partially offset by increases in costs due to the acquisition of Ferocia Pty Ltd and increased non-credit losses and remediation costs.
- **Credit expenses** - Lower credit expenses due to the releases of collectively assessed provisions, in addition to lower specific provision charges.

Business and Agribusiness

CASH EARNINGS (AFTER TAX)

$293.1m

FY21 $269.8m

The Business and Agribusiness division is focused on servicing business customers, particularly small and medium businesses who are seeking a relationship banking experience and includes portfolio funding, Delphi Bank and all banking services provided to agribusiness, rural and regional Australian communities through our Rural Bank brand.

Cash earnings increased to $293.1 million (FY21: $269.8 million), with the key drivers of this performance being:

- **Net interest income** - Reduced net interest income following a decline in average assets balances and an increase in liability balances over the year, in addition to lower margins.
- **Other income** - A reduction in other income due to reduced management fees from Government Services in Rural Bank, partially offset by increased foreign exchange income, in addition to new referral arrangements entered into by the division in the first half of FY22.
- **Operating expenses** - A reduction in operating expenses, reflecting the savings in staff costs from efficiency programs that occurred in the 2021 financial year and FY22, partially offset by an increase driven by impact of a one-off legal and insurance recovery in the 2021 financial year.
- **Credit expenses** - Lower credit expenses driven by specific and collective impairment releases, in addition to increased recoveries.

Corporate

CASH EARNINGS (AFTER TAX)

($284.9m)

FY21 ($267.7m)

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.

Cash earnings for FY22 totalled ($284.9 million) (FY21: ($267.7 million)), with the key drivers of this performance being:

- **Other income** - Increased other income due to the Group's participation in an equal access share buy-back by Cuscal Limited, in addition to the receipt of a special dividend following Cuscal's sale of 86 400.
- **Operating expenses** - Higher operating expenses, driven by increased spend in the technology divisions, particularly on risk and compliance projects, in addition to increased amortisation following a number of significant technology assets becoming operational during the year.
- **Credit expenses** - Smaller write-back with a net release of $8.2 million in FY22, compared to a net release of $15.5 million in the 2021 financial year.

Capital

COMMON EQUITY TIER 1 RATIO

9.68%

FY21 9.57%

The Group maintained a strong capital position with a Common Equity Tier 1 (CET1) ratio of 9.68 percent (FY21: 9.57 percent), which is above APRA's 'unquestionably strong' benchmark target for standardised banks. Our continued strong capital position reflects a well-managed balance sheet and strong risk management.

The Group is regulated by APRA due to its status as an Authorised Deposit-taking Institution ("ADI"). APRA is the prudential regulator of the Australian financial services industry which includes ADIs. APRA's Prudential Standards aim to ensure that ADIs remain adequately capitalised to support the risks associated with their activities and to generally protect Australian depositors. The Group is on the standardised approach for calculating its regulatory capital requirements under Basel II and targets a CET1 ratio in the range of 9.5 percent to 10.0 percent.

Liquidity

LIQUIDITY COVERAGE RATIO

142.2%

FY21 142.0%

NET STABLE FUNDING RATIO

134.1%

FY21 125.9%

The Liquidity Coverage Ratio (LCR) for the financial year was 142.2 percent (FY21: 142.0 percent), exceeding the regulatory minimum of 100 percent.

The Net Stable Funding Ratio (NSFR) for the financial year was 134.1 percent (FY21: 125.9 percent), exceeding the regulatory minimum of 100 percent.

The Liquidity Coverage Ratio represents the proportion of high-quality liquid assets held by the Bank to meet short-term obligations. The LCRs quoted above represent the average daily LCRs over the respective 12-month periods.

The Net Stable Funding Ratio measures the extent to which long-term assets are covered by stable sources of funding. The NSFRs quoted above represent the average NSFRs over the respective 12-month periods.

Funding (including deposits)

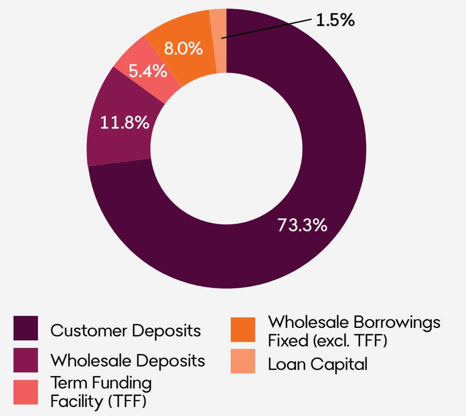
CUSTOMER DEPOSITS	WHOLESALE DEPOSITS	OTHER WHOLESALE BORROWINGS[1]	LOAN CAPITAL[2]
$64.3b	**$10.3b**	**$11.7b**	**$1.4b**
FY21: $57.9b	FY21: $8.3b	FY21: $11.7b	FY21: $1.4b

Total funding including deposits increased by 10.5 percent to $87.7 billion over the year (FY21: $79.3 billion).

The Group's principal source of funding is customer deposits, which represent 73.3 percent (FY21: 73.0 percent) of the Group's total funding. Customer deposits include deposits sourced from retail, small business and corporate customers, predominantly through the retail network.

Wholesale funding activities support the funding strategy providing additional diversification benefits from longer term borrowings. Wholesale funding (including the TFF and securitisation) reduced to 26.7 percent of total funding (FY21: 27.0 percent) during the year. Securitisation funding represents 4.4 percent of total funding (FY21: 4.5 percent).

FUNDING COMPOSITION



1 Other wholesale borrowings include the RBA Term Funding Facility (TFF), securitisation and medium-term notes.

2 Loan Capital includes subordinated debt, converting preference shares and capital notes. References to 'wholesale funding' include deposits from wholesale customers, loan capital and other wholesale borrowings.

Lending

GROSS LOAN BALANCES BY PURPOSE

RESIDENTIAL	COMMERCIAL	CONSUMER	MARGIN LOANS
$57.6b	**$16.6b**	**$2.2b**	**$1.4b**
FY21 $51.7b	FY21 $16.5b	FY21 $2.4b	FY21 $1.5b
▲ 11.0%	▲ 1.1%	▼ 9.8%	▼ 3.2%

Total gross loans increased 7.7 percent to $77.8 billion over the financial year (FY21: $72.2 billion).

Residential lending grew 11.0 percent or $5.7 billion during FY22, which was above system lending growth, reflecting the continued strength in customer demand and the ongoing investment made in our retail and third-party businesses. This lending growth was delivered in our core segments of owner occupied and principal and interest lending. In FY22 there was continued customer preference towards fixed rate lending in anticipation of interest rate increases. As interest rates started to increase in the first half of FY22, customer preferences changed from fixed rate lending to variable lending.

During FY22, commercial lending across the Group increased by 1.1 percent. Agribusiness lending saw a marginal increase on June 2021. A record harvest, in tandem with record commodity pricing, has led to large paydowns of the Agribusiness facilities, noting that these paydowns do not impact the customers' credit limits. Business lending reduced marginally, driven by continued market competition and a deleveraging of risk within the portfolio. In early February 2022 it was announced that the Business Banking and Agribusiness divisions would be combined into a single division, with a clear focus on growth.

Reconciliation of cash earnings to statutory earnings

	FY22 ($m)	FY21 ($m)
Cash earnings after tax	500.4	457.2
Homesafe unrealised adjustments	19.3	90.4
Revaluation losses on economic hedges	-	(5.7)
Sale of Merchant Services business	-	(3.1)
Sale of Insurance Broker business	3.3	-
Sale of Debtor Financing business	1.7	-
Ferocia acquisition costs	(2.9)	-
Restructure costs	(6.8)	-
Amortisation of acquired intangibles	(4.2)	(2.1)
Homesafe realised income	(22.7)	(12.7)
Statutory Profit after tax	488.1	524.0

Homesafe unrealised adjustments represent unrealised funding costs (calculated as the interest expense incurred to fund existing contracts for the current year) and valuation movements of the investment properties held.

Revaluation losses on economic hedges represents unrealised losses from changes in the fair value of economic hedges. These movements represent timing differences that will reverse through earnings in the future.

Sale of Insurance Broker business represents proceeds less costs of disposal relating to the sale of Community Insurance Solutions to Community Broker Network.

Sale of Debtor Financing business represents proceeds less costs of disposal relating to the sale of the Debtor Financing business to Timelio Pty Ltd.

Ferocia acquisition costs represents legal, consultancy and integration costs incurred in relation to the acquisition of Ferocia Pty Ltd.

Restructure costs represents business restructuring costs incurred following the changes made to the Group's Executive structure as announced in February 2022, as well as costs associated with the conversion of the Alliance Partner model to the Community Bank model and operating structure, and costs associated with the creation of a separate Responsible Entity for the Bendigo Superannuation Fund.

Amortisation of acquired intangibles
This amount represents the amortisation of intangible assets acquired by the Group including brand names, customer lists, management rights, and acquired software.

Homesafe realised income represents funds received on completion, being the difference between the cash received on completion less the initial funds advanced, and realised funding costs representing accumulated interest expense on the completed contracts since initiation.

Risk Management Framework, Material Risks and Business Uncertainties

The Board is responsible for the risk management strategy which includes establishing and overseeing the risk management framework and risk appetite within which the business is expected to operate.

The Group has in place a Group Risk Management Framework, approved by the Board, which forms part of the detailed description of the Risk Management Strategy for the Group.

The Group Risk Management Framework (Summary) in combination with the following individual Risk Management Frameworks, details the Group's management approach for each of its material risks:

- Group Credit Risk Management Framework
- Group Operational Risk Management Framework – encompassing Operational Risk, Data Risk, Technology Risk (including Information Security), Regulatory Compliance Risk, Financial Crime Risk, Third-party Supplier Risk and Conduct Risk; Group Interest Rate Risk Management Framework.
- Group Traded Market Risk Management Framework; Group Liquidity Risk Management Framework; and Strategic Including Environmental, Social and Governance Risk (ESG) and Other Risks - incorporated in the Group Risk Management Framework (Summary).

All material risks are managed within a defined risk appetite which is aligned with the Group strategy and business objectives. The Board's risk appetite for its material risks are documented in the Group's Risk Appetite Statement (RAS). The Group's RAS is reviewed, updated and approved annually by the Board. The Group's adherence to the risk appetite is reported regularly to the Board.

Risk Culture

The Group's risk culture (being a subset of broader enterprise culture) plays a key role in managing risk. An effective risk culture is critical for the Group to deliver its strategic objectives and operate within its risk appetite. The Board, Executive and Senior Management play a pivotal role in establishing the target risk culture state which guides and prioritises risk culture specific initiatives and assists the Board and Executive to form an aligned view of risk culture and its drivers.

Lines of Defence

The Group adopts a Three Lines of Defence model which includes ownership (First Line), challenge and oversight (Second Line) and independent assurance (Third Line). The First Line is the business itself. The day-to-day responsibility for risk management rests with the Executive management team and business divisions. The Second Line is Group Risk. Group Risk provides oversight and challenge to the First Line. The Third Line is the Group Internal Audit function which conducts independent testing and verification of the effectiveness of internal controls and provides assurance that the risk management process is functioning as designed.

Further information on our risk management framework, governance and appetite is presented in the 2022 Corporate Governance Statement.

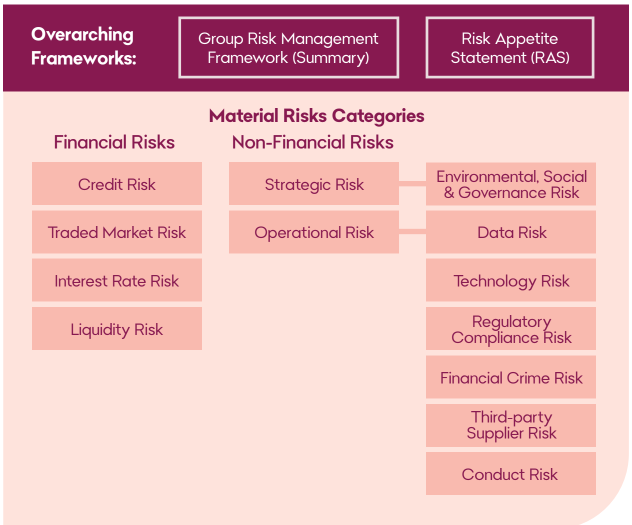
Emerging Risks

The Group conducts a formal process for the identification, consideration and assessment of emerging risks and their integration into the Group Risk Management Frameworks. In addition, new and emerging risks are also considered in risk assessments and risk profiling activities.

Material Risks

Our business is exposed to a broad range of financial and non-financial risks arising from our operations.

The most material risks that the Group faces have been assessed as 'material risks' which are considered to be those risks that may affect the Group's ability to meet its obligations to shareholders and depositors. The Group's risk categorises have been split between financial and non-financial and are detailed in the diagram below.



Financial Risks

The Group has identified the following material financial risks:

These material financial risks each have an individual risk management framework, and are supported by an established network of systems, policies, standards and procedures which are overseen by the Board and Board Committees, with support from Management Committees and our independent risk management functions. These material financial risks are considered within the Group's RAS, with both Primary and Secondary Appetite Settings.

The definition and management of these financial risks are outlined in further detail in Note 20 Risk Management of the Financial Report.

Non-Financial Risks

The material non-financial risks each have or are incorporated within a risk management framework, and are supported by an established network of systems, policies, standards and procedures which are overseen by the Board and Board Committees, with support from Management Committees and our independent risk management functions. The material non-financial risks are considered within the Group's RAS, with both Primary and Secondary Appetite Settings.

The Group has identified the following material non-financial risks.

Strategic Risk is defined as the risk that adverse business decisions, ineffective or inappropriate business plans or failure to respond to changes in the environment will impact our ability to meet our objectives.

The Group has an integrated strategic planning process to ensure alignment between the Group's strategy and risk management process. The Group sets strategic imperatives and outcomes which are documented in a three-year rolling strategic plan, that is approved by the Board. Performance against the strategy is reviewed on an ongoing basis.

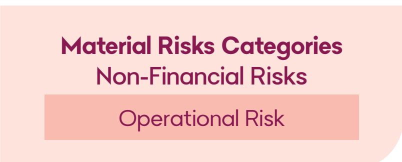
The Group also regularly examines new initiatives and market opportunities, including acquisitions and disposals, with a view to growing shareholder value. The Group actively scans the environment to identify emerging risks and assesses the adequacy of the Group's risk framework to monitor and manage.

The Group seeks to maintain an engaged workforce with appropriate culture, conduct and capability to execute the strategy. Failure to recruit and retain key executives, employees and Directors may have an adverse effect on our business.

Environmental, Society and Governance (ESG) Risk

ESG Risk is the risk of failure to appropriately identify and manage material environmental, social and governance risks and opportunities.

ESG Risk is a subset of Strategic Risk and managed via the Group ESG Framework that creates a structure for how the Group manages ESG Risks and opportunities, and supports meeting emerging ESG compliance requirements, as well as developing greater rigour in the Group's ESG reporting to market. It also serves to build the capability of Group employees to understand ESG in connection with their roles.



Operational Risk is defined as the risk of impact on objectives or the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational Risk may lead to a range of potential consequences including financial, business disruption, customer/partner, regulatory/legal, people and reputation.

Operational Risk is managed via a comprehensive risk management framework, and is supported by an established network of systems, policies, standards and procedures. The Operational Risk Management Framework assist the Group in integrating risk management into significant activities and functions.

An operational risk event may also result in an adverse outcome for customers that the Group would need to remediate. Where this occurs, activities are instigated to ensure affected parties are remediated in a timely and fair manner. These events could require the Group to incur significant remediation costs (which may include compensation payments to customers, legal fees and costs associated with correcting the underlying issue). The Group has established remediation governance, frameworks and compensation methods which are managed within the specific business divisions.

Reputational damage is considered as a consequence of an operational risk event. Reputational damage may arise as a result of an external event, our own actions or the actions of a partner, and adversely affect perceptions about us held by the public. Reputational damage may occur through traditional media or via social media platforms where the velocity of this impact elevated through the rising use of social media.

Operational Risk is wide in scope. The Group has identified sub-risks within Operational Risk, and considers six to be material. These are outlined in the diagram below. In addition, to these material sub-risks, other Operational Risks include People Risk, Physical Security and Safety, Business Continuity, Transaction Processing and Execution, Statutory Reporting and Tax, and Model Risk. These are managed in accordance with the Operational Risk Management Framework.

Data Risk

Data Risk is defined as the risk of failing to appropriately manage and maintain data, including all types of data, for example, client data, employee data, and the organisation's proprietary data. Data Risk encompass the risk of data loss, poor quality of data, inaccurate data that serves as model inputs, incomplete collection of data that serves as reporting inputs, poor management of data and data corruption or unavailability resulting in business disruption.

Data Risk could adversely affect the Group and result in failure to meet these objectives, including regulatory and legal requirements. The range of data assets the Group administers is extensive and includes commercially sensitive information which is collected and maintained on behalf of its customers and partners. Data Risk is a subset of Operational Risk with policies, processes and practices for Data Risk fully aligned to Operational Risk. The Group seeks to minimise Data Risk through maintaining a dedicated Data Risk Management Framework to ensure Data Risk is identified, managed and measured for the Group. The Group actively scans the internal and external environment to identify and monitor for current, evolving and emerging data related threats and vulnerabilities.

Technology Risk (including Information Security)

Technology Risk is defined by the Group as the governance, people, process or technology risks which result in loss or negative impact to the confidentiality, availability and/or integrity of the Group's information technology environment or parts of the information technology environment, including infrastructure, systems, applications and data. Most of the Group's daily operations are highly dependent on information technology and there is a risk that these systems or technologies might fail or not be available. The exposure to systems risks includes information security threats and risks, the complete or partial failure of information technology or data centre infrastructure and using internal or third-party information technology systems that do not adequately support the requirements of the business.

Technology Risk is a subset of Operational Risk with policies, processes and practices for Technology Risk fully aligned to Operational Risk. The Group Technology Risk Management Framework has been developed to specifically recognise the significance of Technology Risk as a sub-risk of Operational Risk and highlight specific measurements, monitoring and reporting to be developed as part of the Group's Strategy and Risk Appetite for Technology Risk. The Group seeks to minimise Technology Risk through maintaining a dedicated Technology Risk Management Framework to ensure Technology Risks are identified, managed and measured for the Group. The Group actively scans the internal and external environment to identify and monitor for current, evolving and emerging technology and information security related threats and vulnerabilities, as well as other digital devices used to transmit and communicate data and conduct financial transactions.

Regulatory Compliance Risk

Regulatory Compliance Risk is defined as the risk associated with failure to comply with any legal or regulatory obligations. The Group's operations are highly regulated and subject to various laws, regulations, policies, standards and industry codes. In addition, at times there are regulatory changes which can affect the Group in substantial and unpredictable ways which includes the need to significantly increase investment in staff, systems and procedures to comply with the regulatory requirements. A failure to comply could result in financial losses and/or a range of actions against the Group including fines, penalties, sanctions being imposed by regulatory authorities, the exercise of discretionary powers by regulatory authorities or other compensatory action by affected persons.

Regulatory Compliance Risk is a subset of Operational Risk and managed with policies, processes and practices aligned to the Operational Risk Management Framework. The Regulatory Compliance function provides independent advice, oversight and challenge on regulatory compliance as well as providing advice to individual business divisions to assist with the implementation of regulatory change.

Financial Crime Risk

The Group is exposed to the risk of financial crime and internal and external fraud. Financial Crime Risk is defined as the risk of money laundering, sanctions violations, bribery and corruption, and Know Your Customer (KYC) failure.

Financial crime is an inherent risk within financial services, given the ability for employees and external parties to obtain advantage for themselves or others. An inherent risk also exists due to systems and internal controls failing to prevent or detect all instances of financial crime.

Financial Crime related risks are a subset of Operational Risk and managed with policies, processes and practices aligned to the Operational Risk Management Framework. A dedicated Financial Crime Risk function is responsible for establishing programs, policies, procedures and tools as independent challenge, oversight, monitoring and reporting of financial crime risks and internal and external Fraud. The Group has established robust techniques and capabilities to detect and prevent financial crime and comply with legislation.

Third-party Supplier Risk

Third-party Supplier Risk is defined as the risk of failing to manage third party relationships and risks appropriately, for example: not taking reasonable steps to identify and mitigate additional Operational Risks resulting from the outsourcing of services or functions.

The Group sources a number of key services from external suppliers and service providers. The failure of a key service provider, or the inability of a key service provider to meet their contractual obligations, including key service standards, could disrupt our operations and ability to comply with regulatory requirements.

Third-party Supplier Risk is a subset of Operational Risk and managed with policies, processes and practices aligned to Operational Risk. The Group has a Procurement Policy which provides the required steps to undertake sourcing activities and the assessment and treatment of supplier risk. In addition, the Group has an Outsourcing Policy which outlines the principles and practices to effectively manage risks arising from the outsourcing of its business activities and functions. The Enterprise Procurement function provides advice, support and oversight throughout the procurement process as well as manage policies, procedures and tools.

Conduct Risk

Conduct Risk is the risk of delivering unfair outcomes for our customers, investors, staff, communities, the Group and/or markets in which we operate from inappropriate, unethical, or unlawful behaviour, action or omission by management or employees which may be deliberate or inadvertent. Poor conduct is a cause of Operational Risk. The Group is exposed to both intentional and unintentional misconduct risks.

Conduct risk is managed with policies, processes and practices aligned to the Operational Risk Management Framework. The Group seeks to minimise conduct risk through maintaining a dedicated Conduct Risk Management Framework incorporating a set of Good Conduct Principles and by promoting an appropriate organisational culture.

Other Non-Financial Risks

The Group is exposed to other non-financial risks, which are detailed in the diagram below:

Other Risks Categories
Non-Financial Risks

- Contagion Risk
- Business Strategy Risk
- Transformation / Change Risk

Contagion Risk

Contagion Risk is the possibility that problems arising in other Group members may compromise the financial and operational position of the ADI. This may include related entities, incorporating subsidiaries, partnerships, Community Bank and our Alliance Bank network.

The Board oversees the business activities conducted by subsidiary entities and is cognisant of specific legal and regulatory requirements applicable to subsidiary business activities. The Board approved Related Entity Policy sets out the key risks that may arise from dealings between Bendigo and Adelaide Bank and its related entities and the associated policies and limits designed to manage those risks.

Business Strategy Risk

Business Strategy Risk is the risk of a material shareholder value destruction or less than planned value creation, due to adverse business decisions, ineffective or inappropriate business plans or failure to respond to changes in the environment.

The Group has an integrated strategic planning process to ensure alignment between the Group's strategy and risk management process. The Group sets strategic imperatives and outcomes which are documented in a three-year rolling strategic plan, that is approved by the Board. Performance against the strategy is reviewed on an ongoing basis.

Transformation/Change Risk

Transformation/Change Risk are those risks that may impact on the successful delivery of an initiative or are introduced to the Group upon implementation of an initiative. Transformation/Change Risk is a subset of both Strategic and Operational Risk and managed with policies, processes and practices aligned to the Operational Risk Management Framework. The Group continues to execute its transformation and growth strategy and an Enterprise Delivery Framework has been developed which outlines the process of how the Group delivers transformation and programs of work including consideration of resourcing, risk, issues and interdependencies.

Business uncertainties

The financial prospects of any company are sensitive to the underlying characteristics of its business. The external operating environment can at times be dynamic, volatile and unpredictable. The external environment and emerging trends are considered as part of the strategic planning process. Uncertainties remain and risks arising from the external environment need to be managed and remain a focal point.

A summary of the significant uncertainties are presented below:

Dependence on prevailing macroeconomic and financial market conditions

The business is highly dependent on the general state of the domestic economy and global financial markets. Our performance can be significantly impacted by economic and political events, both domestic and international, as well as by natural disasters and pandemics. This includes the level of economic activity and demand for financial services by our customers. In particular, lending is dependent on customer and investor confidence, the overall state of the economy including employment levels, the residential lending market and the prevailing interest rate environment. The Group's Economic Oversight Committee is responsible for the approval of forecast macroeconomic scenarios.

Geopolitical tensions/events

Geopolitical tensions/events arise due to differing global political agendas which may result in international trade wars and a general loss of business confidence. The global economy may then experience a slowdown which reduces global appetite for Australian exports. The Group may be significantly affected by geopolitical tensions/events which may impact our ability to deliver our strategy and business objectives.

Climate change and other environmental factors

The Group and its customers and external suppliers are based in, and operate across, a diverse range of geographical locations. Physical drivers such as climate change including increases in temperatures and sea levels and the frequency and severity of adverse climate events has the potential to disrupt business activities, impact on our operations, damage property, impact on our customers and affect the value of assets held in affected locations and our ability to recover amounts owing to us.

Market Competition

The markets in which we operate are highly competitive and may become even more so. Factors that contribute to competition include mergers and acquisitions, changes in customer behaviour, entry of new participants, the development of new sales methods and regulatory change. Increasing competition could potentially lead to reduced business volumes and revenue, a compression in our net interest margins as well as additional costs to retain market share. The Group is also dependent on its ability to offer products and services that meet changing customer preferences.

A weakening in the Australian real estate market

Residential, commercial and rural lending, together with property finance, constitute important businesses to us. A significant slowdown in Australian property markets, including a decrease in Australian property valuations, could decrease the amount of new lending the Group is able to write and/or increase the amount of credit losses from existing loans, as well as impact the valuation of the Homesafe portfolio.

Changes in monetary policy

The Reserve Bank of Australia (RBA) sets official interest rates so as to affect the demand for money and credit in Australia. The cash rate influences other interest rates in the economy which then affects the level of economic activity.

Movements in the cash rate impact our cost of funds for lending and investing and the return earned on these loans and investments which can impact our net interest margin.

Changes in monetary policy can also affect the behaviour of borrowers and depositors, such as potentially increasing the risk that borrowers may fail to repay their loans, or repay their loans in advance, and in the case of depositors, potentially increasing the risk that they may seek returns in other asset classes.

Credit Ratings

External credit ratings have a significant impact on both our access to, and the cost of, capital and wholesale funding. Credit ratings may be withdrawn, made subject to qualifications, revised, or suspended by a credit rating agency at any time. Also, the methodologies by which they are determined may be revised. A downgrade or potential downgrade to our rating may reduce access to capital and wholesale debt markets, potentially leading to an increase in funding costs, as well as affecting the willingness of counterparties to transact with the Group.

Capital Base

The capital base is critical to the management of our businesses and our ability to access funding. We are required to maintain a level of capital by APRA and other key stakeholders to support our business operations and risk appetite. There can be no certainty that additional capital required in the future will be available or able to be raised on acceptable terms.

Extreme cyber or critical infrastructure events

Cyber-attacks are becoming more frequent and severe globally, with increasing online adoption, reliance on digital services and supply chain risks also leading to greater sophistication and complexity. The Group monitors internal and external cyber-security threats and risks that could impact the organisation and its customers, people, partners, stakeholders and the broader industry. The Group operates a range of controls and protection methods to manage and mitigate cyber risk. Monitoring, contingency planning and control testing is also regularly performed to minimise the potential of a disruption to critical systems or infrastructure and to maintain a resilient technology environment.

Remuneration Report

Remuneration Report contents

To our shareholders:

On behalf of your Board, I am pleased to present the Bendigo and Adelaide Bank Remuneration Report for FY22. During the previous 12 months there have been changes in the Bank's executive team and we have developed a new executive reward framework for FY23.

These changes are designed to support the Bank's strategic objectives; ensuring we attract, retain and motivate the executive talent required to deliver on our strategy, and that we align remuneration outcomes with the interests of our shareholders, customers, community, people, planet and regulators. We hope the following report provides you with an understanding of our approach in pursuing these goals.

Executive changes

During the year there were changes to the executive team to support the Bank's strategic and growth objectives.

In February 2022 we announced structural changes to the executive team, with Richard Fennell transitioning to the role of Chief Customer Officer, Consumer Banking and Bruce Speirs transitioning to the role of Chief Operating Officer. These changes in organisational structure support our objective of reducing complexity by centralising like functions and maintaining our focus on customers.

In March 2022 we appointed a new Chief Financial Officer (CFO), Andrew Morgan, who commenced on 24 June 2022. Mr Morgan's experience and understanding of the banking landscape will help us to execute our strategy and become a bigger, better, and stronger bank. In addition, we have recently appointed Adam Rowse as Chief Customer Officer Business and Agribusiness. Mr Rowse joined the executive team on 1 July 2022. His appointment is an important step in bringing the business and agribusiness banking divisions together to better support the Bank's customers and grow their businesses.

As part of the changes the former CFO, Travis Crouch, moved into the Deputy CFO role. Alexandra Gartmann, former Executive Rural Bank, Partnerships, Marketing and Corporate Affairs, stepped down from her role effective February 2022.

Remuneration outcomes for FY22

The overall structure and approach to executive remuneration at Bendigo and Adelaide Bank remained unchanged during the year, and there were no fixed remuneration increases for the executive team.

The executive team, including the Managing Director, do not participate in a short-term incentive plan, and no cash bonus payments were made during FY22.

Following the end of the financial year, historical long-term incentive grants and the FY21 Loan Funded Share Plan grant were tested.

Our continued focus on our customers resulted in achievement of performance metrics based on relative Net Promoter Score (NPS). Our market growth aspirations over the FY21 and FY22 periods were achieved, and our focus on disciplined cost management has resulted in a material decrease in our cost to income ratio since FY2020. Based on these results the performance targets for the FY21 Loan Funded Share Plan were met.

However, our total returns to shareholders have been below our selected peer group, and this has meant that long-term incentive grants linked to relative total shareholder return have not vested.

A summary of performance outcomes for FY22 can be found below.

During the year the Bank undertook a review of the Non-executive Director fee structure. Historically, the Bank has paid an all-inclusive Non-executive Director's fee, which compensated Non-executive Directors for their time on the main board and committees. Following the review, and in line with market practice, it was determined appropriate to move to a base fee and committee fee structure. The introduction of committee fees was largely offset by a reduction in the Base Board fee. These changes were effective from 1 January 2022. There was no change to the Board Chair's fee in FY22.

Refer to Section 7 for further information on the new fee structure and for remuneration paid to Non-executive Directors in the year.

Changes for FY23

During the year, we conducted a comprehensive review of the Bank's approach to executive remuneration to ensure that our reward frameworks support our strategic objectives and meet the requirements of APRA's Prudential Standard CPS511 Remuneration, which is effective from 1 January 2023.

For the FY23 year the executive remuneration framework will consist of fixed remuneration, a short-term incentive, and a long-term incentive plan. These plans will be aligned to a range of balanced outcomes across shareholders, customers, community, people, planet and our regulators.

These changes have been made within the context of our long-held philosophy that our remuneration structures, when compared to the market, are weighted towards fixed remuneration and equity incentives.

Looking ahead

The remuneration and executive changes made during the year support us in the delivery of our strategy to become a better big bank.

The FY23 remuneration framework will reinforce our approach to disciplined execution so that we continue making a positive contribution to all our stakeholders.

As always, we look forward to shareholder feedback.

Vicki Carter
Chair - People, Culture and Transformation Committee

This Remuneration Report is for the financial year ended 30 June 2022. The Report has been prepared in accordance with section 300A of the Corporations Act 2001 and the Corporations Regulations 2001 and has been audited. The Remuneration Report sets out our remuneration framework, the remuneration arrangements applicable to the Key Management Personnel (KMP), and the link between performance and remuneration outcomes for the year.

Executive remuneration outcomes for FY22

Remuneration component	Remuneration outcomes
Fixed Base	There were no increases in fixed remuneration for executive KMP in FY22. Executive KMP fixed remuneration is inclusive of superannuation. The increase in the superannuation guarantee rate of 0.5 percent to 10 percent from 1 July 2021 resulted in a small reduction in cash salary.
Executive Appoint-ments	The Board approved competitive remuneration packages for two executive appointments in FY22. · Andrew Morgan commenced as Chief Financial Officer on 24 June 2022 with a fixed remuneration of $865,000. Mr Morgan received a sign-on equity grant of deferred rights to the value of $600,000 to compensate for remuneration forgone upon resignation from his previous employer. 40% of the deferred rights will vest in September 2023 and 60% will vest in September 2026, subject to continued service. · Adam Rowse commenced as Chief Customer Officer Business and Agribusiness on 1 July 2022, with a fixed remuneration of $750,000. Mr Rowse will be included as executive KMP in the FY23 Remuneration Report. Neither executive was eligible for a variable reward under the FY22 executive remuneration framework. Their FY23 variable reward will be made under the new FY23 framework, summarised in Section 3.
Deferred Base Shares (Managing Director Only)	As approved by shareholders at the 2018 AGM, a grant of 200,000 deferred shares was granted in 2018 to the Managing Director. Vesting of the third tranche of the deferred shares was approved by the Board, with the service condition having been met on 30 June 2022. For FY22, 50,000 of the deferred shares are considered part of the Managing Director's remuneration. The remaining fourth and final tranche of the award is scheduled to vest subject to the Managing Director being employed on 30 June 2023.
Long-term Incentive - Loan Funded Share Plan	The Loan Funded Share Plan grant that was made in November 2020 was tested at the end of FY22. The grant has three tranches and all three of the tranches met their performance condition: · The FY22 cost to income ratio, when adjusted for the impact of the acquisition of Ferocia, was 58.4 percent, meeting the target set by the Board. · The Bank achieved a relative NPS score of 27.4 compared to a peer group of retail banks, demonstrating our continued focus on customer experience, meeting the target set by the Board · The Bank achieved market share of 2.42 percent at the end of FY22, which represented a significant growth over the period, and met our growth target set by the Board. Full details of the performance outcomes are provided in Section 2.2. The shares are subject to a further two-year service condition and may vest to executives at the end of FY2024 following the risk assessment by the Board. As such, executives did not receive any remuneration relating to the Loan Funded Share Plan in FY22. During FY22 the Managing Director received a grant of loan funded shares in accordance with the terms approved by shareholders at the 2021 AGM. A grant of loan funded shares was made to other executives in accordance with their remuneration mix.
Long-term Incentive - Performance Rights Plan	The FY2019 Managing Director performance rights grant and half of the FY2020 executive performance rights grant were tested at the end of FY22. Relative TSR performance fell below the median of the peer group. As a result, the sleeves of the grants that were linked to relative TSR were forfeited. The sleeves of grants that were linked to the Customer Hurdle vested in full. This was in recognition of the Bank's relative NPS being 27.2 points above the industry average for the three-year performance period and 27.7 points for the four-year performance period finishing 30 June 2022. The executive rights are subject to a further one-year deferral period before they vest and as such, executives did not receive any remuneration relating to the Performance Rights Plan in FY22. The FY2019 Managing Director grant does not have a further service condition (see Section 2.3 for further detail). In FY22 the Managing Director received a grant of performance rights in accordance with the terms approved by shareholders at the 2021 AGM. A grant of performance rights was made to other executives in accordance with their remuneration mix. Both grants are subject to a four-year performance period.
Non-executive Director Fees	Following a review of Non-executive Director fees, a new fee structure was introduced effective 1 January 2022. The new fee structure saw a change from the previous all-inclusive Board fee to a Base Board fee and separate committee fees. The introduction of committee fees was largely offset by a reduction in the Base Board fee. There was no change to the Board Chair fee. Further details are outlined in Section 7 of the report. The Non-executive Directors continue to contribute $5,000 each to the Bank's scholarship program. The aggregate Non-executive Director fees paid for the year was $1.920 million which represents 76.8 percent of the $2.5 million fee cap approved by shareholders.

Section 1: **Remuneration overview**

1.1 Key Management Personnel

KMP are the persons with authority and responsibility for planning, directing, and controlling the activities of the Group.

Name	Position	Term as KMP	Progress against Minimum Shareholding Policy [5]
Non-executive directors			
Jacqueline Hey	Chair	Full Year	Meets
Vicki Carter	Non-executive Director	Full Year	Meets
Richard Deutsch	Non-executive Director	Appointed to the Board effective 20 September 2021	On track
David Foster	Non-executive Director	Full Year	On track
Jan Harris	Non-executive Director	Full Year	On track
Jim Hazel	Non-executive Director	Full Year	Meets
David Matthews	Non-executive Director	Full Year	Meets
Victoria Weekes	Non-executive Director	Appointed to the Board effective 15 February 2022	On track
Former Non-executive directors			
Robert Hubbard	Non-executive Director	Retired from the Board effective 9 November 2021	N/A
Anthony Robinson	Non-executive Director	Retired from the Board effective 9 November 2021	N/A
Executive KMP			
Marnie Baker	Managing Director & Chief Executive Officer	Full Year	Meets
Ryan Brosnahan	Chief Transformation Officer	Full Year	Meets
Taso Corolis	Chief Risk Officer	Full Year	Meets
Richard Fennell[1]	Chief Customer Officer, Consumer Banking	Full Year	Meets
Andrew Morgan	Chief Financial Officer	Commenced 24 June 2022	On track
Bruce Speirs[2]	Chief Operating Officer	Full Year	Meets
Former Executive KMP			
Travis Crouch[3]	Former Chief Financial Officer	Ceased as KMP on 13 June 2022	N/A
Alexandra Gartmann[4]	Former Executive, Rural Bank, Partnerships, Public and Corporate Affairs	Ceased as KMP on 1 February 2022	N/A

1 Mr Fennell changed role from Executive, Consumer Banking to Chief Customer Officer, Consumer Banking on 1 February 2022 as part of changes to the organisational structure.
2 Mr Speirs changed role from Executive, Business Banking to Chief Operating Officer on 1 February 2022 as part of changes to the organisational structure.
3 Mr Crouch stepped down as Chief Financial Officer on 13 June 2022.
4 Ms Gartmann stepped down as Executive, Rural Bank, Partnerships, Public and Corporate Affairs on 1 February 2022, and her employment will cease on 22 October 2022.
5 Details on the Minimum Shareholding Policy can be found in Section 5.

1.2 Executive remuneration framework FY22

The overall structure and approach to executive remuneration remained unchanged during FY22.

Our values

Teamwork	Integrity	Performance	Engagement	Leadership	Passion
We are one team with one vision	We build a culture of trust	We strive for sustainable success	We listen, understand – then deliver	We all lead by example	We believe in what we do

Remuneration Principles

Simplicity	Transparency	Alignment with Values	Appropriate Risk Behaviour	Good customer Outcomes
The link between performance, value created, and reward should be clear and the framework easy for all employees to understand so that it effectively attracts, retains and motivates the talent the organisation needs to deliver long term sustainable success.	The Bank commits to providing employees with visibility wherever possible of the considerations made in making reward decisions and fairly undertaking all performance and reward processes to support the objective of fair remuneration. This includes addressing, when necessary, gender pay equity.	Remuneration should reinforce the corporate values of teamwork, integrity, performance, engagement, leadership and passion. Individual reward outcomes are first dependent on the success of the Bank, Division and team.	Remuneration should encourage innovation and prudent risk taking that supports the achievement of superior long-term results for shareholders and customers and supports the risk management framework of the Bank.	Reward structures and practices will be designed to minimise the risk of incentivising behaviours that may lead to poor customer outcomes whilst encouraging the right behaviours, at the right time for great customer experiences.

Remuneration Framework

Fixed Reward		
	Long Term Incentive (LTI)	
Fixed Base - Cash	Loan Funded Share Plan	Performance Rights Plan
Comprises cash salary and superannuation contributions. Set by reference to the size, complexity of role and individual responsibilities. External market benchmarking includes comparable roles in the banking sector and companies of a similar size, complexity and performance outlook. Recognises an individual's experience, skills, competencies and value. In addition to her cash salary the MD receives a portion of their salary as deferred shares, with the final tranche from FY2019 vesting in FY23.	Shares granted with a non-recourse interest free loan subject to performance criteria. Dividends received pay off the loan for the duration of the grant. Plan operates over 6 years. At 2 years, performance is measured against Cost to Income ratio (50 percent), relative Net Promoter Score (25 percent) and Market Share (25 percent) to determine vesting.[1] Any vested shares are subject to a further 2 year deferral period. Any unvested shares are forfeited. At year 4 participants have another 2 years to settle the loan.	Annual grant of performance rights. Each right represents an entitlement to one ordinary share in the Bank. Rights are granted at no cost and have no exercise price. Vesting is subject to a relative Total Shareholder Return (rTSR) performance measure, risk and service condition tested over 4 years.
	All equity grants are subject to ongoing risk adjustment and the Clawback and Malus Policy	

Minimum Shareholding Policy

Details of the Minimum Shareholding Policy (MSP) are provided in Section 5 of this report.

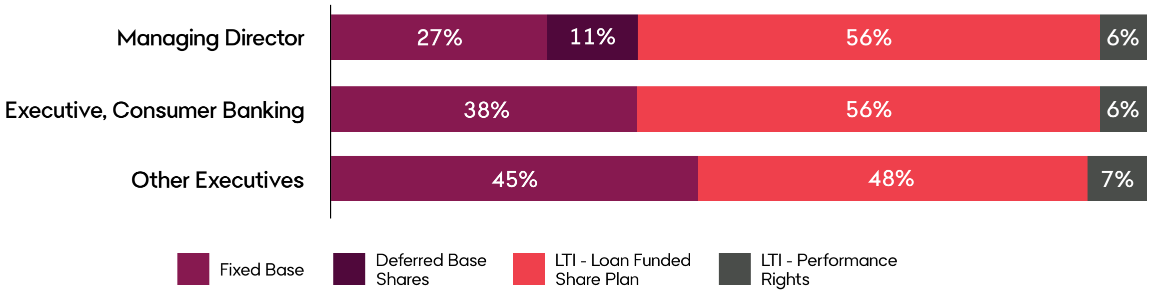
[1] In FY22, Cash Earnings was included as an additional performance measure, with equal weighting applied across the four measures.

Executive remuneration mix

The total target reward for executives is set by the Board at the start of each year and represents the potential target maximum reward. The arrangements are reviewed by the People, Culture and Transformation Committee to ensure the mix and total target reward continues to be fair and balances the interests of stakeholders.

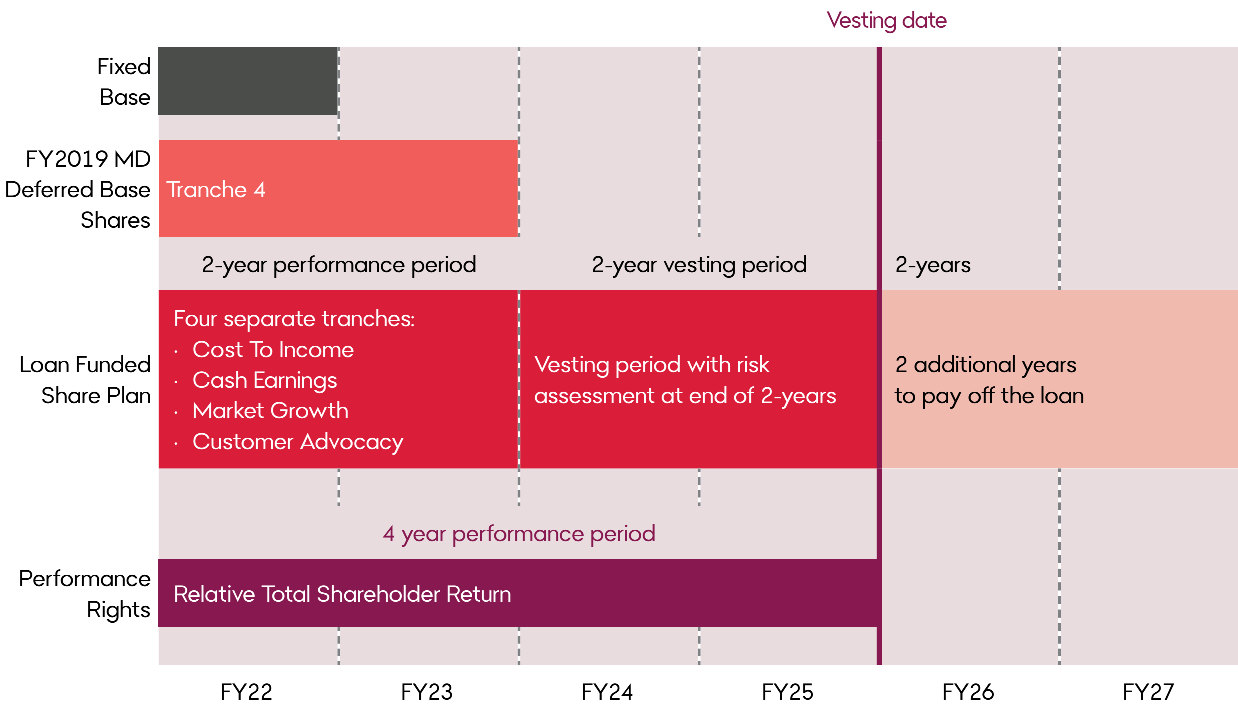
The below chart sets out the target remuneration mix for each executive who was in their position as at 30 June 2022 (excluding Mr Morgan as he was not eligible for variable reward for FY22). The actual remuneration mix will vary depending on performance outcomes. The percentages represent the maximum opportunity for each component, e.g. the face value (loan value) of the Loan Funded Shares and the face-value of the Performance Rights.

The face value of the Loan Funded Share Plan is the loan value at time of grant and is depicted in the table below. The actual value to participants if the shares vest is equal to any capital gain and the dividends paid over the period, and is likely to be significantly less than the face value. It should be noted that the face value of the opportunity is significantly higher than the fair value of the shares allocated. At the time of implementation, the Board determined that a multiple of 3.9x was aligned with market practice and would facilitate the appropriate levels of reward outcomes in line with the intended reward package value. When adjusted to reflect the option like nature of the Loan Funded Share plan, the opportunity is 25-40% of Fixed Base Reward.



Remuneration time horizon

The following provides an illustration of how FY22 remuneration will be delivered to the Managing Director and other executive KMP.

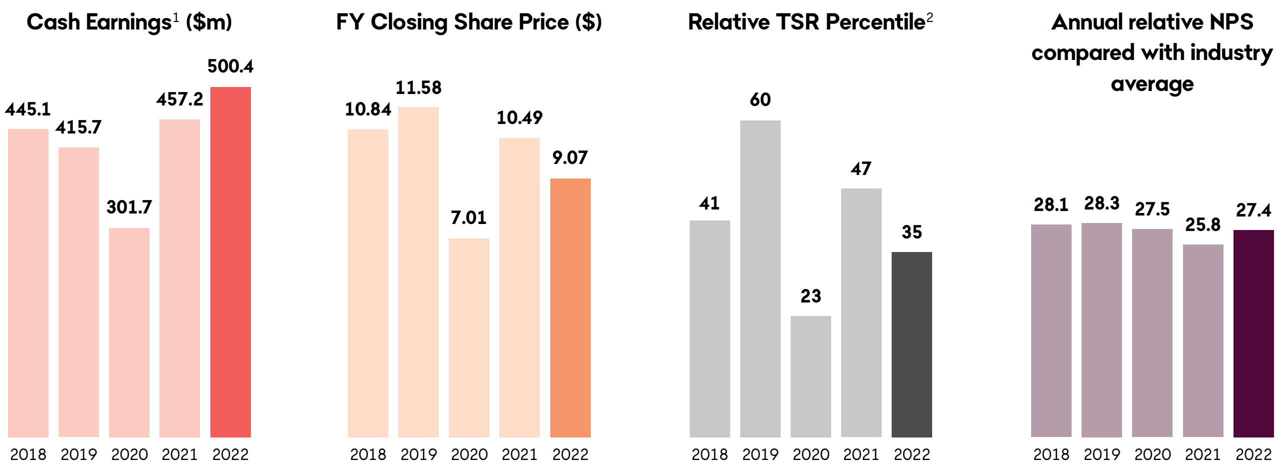


Section 2: **Performance and reward outcomes**

2.1 Group financial performance

The level of variable remuneration outcomes reflects the Bank's performance as presented in this five-year snapshot of key measures and metrics.

Group Performance Measures



1 Cash earnings is an unaudited, non-IFRS financial measure.
2 Relative TSR percentile rank versus ASX comparator group over the performance period tested at the end of each corresponding financial year.

Variable Reward Outcomes for Executives	Financial year				
	2018	2019	2020	2021[1]	**2022[1]**
Average STI awarded as a % of maximum opportunity	63%	0%	0%	n/a	**n/a**
Percentage of LTI which vested	0%	83%	30%	35%	**35%**

1 STI is not part of the Executive reward framework for FY21 and FY22.

Below is a summary of other key performance metrics for the previous five years, including FY22.

Company performance measure	Financial year				
	2018	2019	2020	2021	**2022**
Statutory net profit after tax ($m)	434.5	376.8	192.8	524	**488.1**
Statutory earnings per share (cents)	89.9	77.1	38.1	98.1	**87.5**
Cash earnings per share (cents)	92.1	85.0	59.7	85.6	**89.8**
Dividends paid and payable (cents per share)	70.0	70.0	31.0	50.0	**53.0**
Total shareholder return (annual)	4.20%	14.20%	-36.40%	55.45%	**-6.80%**
Annual relative NPS compared with industry average [1]	+28.1	+28.3	+27.5	+25.8	**+27.4[2]**

1 Roy Morgan data provided for FY2020 has been adjusted due to reporting issue incurred during FY2020, however this did not result in any adjustments to LTI outcomes relating to FY2020.
2 Over the period 1 July 2020 to 30 June 2022, per the terms of the FY21 Loan Funded Share Plan.

2.2 Variable reward outcomes for FY22

Equity grants that were tested for vesting

Deferred Base

Deferred base pay shares were granted to the Managing Director on 19 December 2018. As at 30 June 2022 the service condition for the third tranche of deferred base pay shares was met. The Board considered their vesting with regard to the financial soundness and risk profile of the organisation, and it was determined by the Board to vest the deferred shares in full (see Section 6.3 for further details).

Loan Funded Share Plan

The FY21 Loan Funded Share Plan grant was tested at the end of FY22 at the completion of the two-year performance period. All three tranches met their performance conditions. The award is subject to a further two-year service condition and may vest to executives at the end of FY2024 following the risk assessment by the Board. As such, executives did not receive any remuneration relating to the Loan Funded Share Plan in FY22.

Performance results for each tranche are summarised below.

Measure	Weighting	Performance	Outcome	Performance commentary
Cost to Income (CTI) ratio	50%	58.4%	Met	The Bank has continued to focus on cost management and achieved the CTI target. The target, that was set at the end of FY2020 did not consider the impact of the Ferocia transaction on operating expenses. The cost of this transaction has been excluded from the CTI ratio. The Board believes this is appropriate as the transaction has long-term shareholder benefit and management should be encouraged to pursue such transactions.
Market Growth	25%	2.42%	Met	The Bank achieved market share growth over the period, with a total footings (deposits and lending) of 2.42 percent at the end of the performance period.
Customer Advocacy (relative NPS)	25%	+27.4	Exceed	The Bank achieved a relative NPS score of 27.4, compared to a peer group of retail banks, demonstrating our continued focus on customer experience.

Performance Rights Plan

The FY2019 Managing Director LTI grant and half of the FY2020 senior executive LTI grant were tested on 30 June 2022.

The FY2019 Managing Director LTI was granted on 19 December 2018 with a four-year performance period. The grant used a two 'sleeve' approach, with the first sleeve linked to a 'Customer Hurdle' (NPS) and the second sleeve linked to the relative TSR measure.

The FY2020 senior executive grant also used the two 'sleeve' approach outlined above and the grant was then split into two sets, one set had a three-year performance period with a one-year further service condition and the other set had a four-year performance period. The three-year performance period was tested on 30 June 2022. The second set of the grant will be tested on 30 June 2023 following the completion of the four-year performance period.

The results for the FY2019 Managing Director grant and half of the FY2020 LTI senior executive grant (three-year performance period set) are detailed below.

Grant	Hurdle	Weighting	Grant Date	Test Date	Outcome	Vested 2022[1]	Lapsed 2022
FY2019 Managing Director	TSR	65%	19.12.2018	30.06.2022	40th percentile	0%	100%
	NPS	35%	19.12.2018	30.06.2022	+27.7	100%	0%
FY2020 LTI Senior Executive (three-year performance period) [1]	TSR	65%	17.12.2019	30.06.2022	35th percentile	0%	100%
	NPS	35%	17.12.2019	30.06.2022	+27.2	100%	0%

1 Performance rights issued as part of the FY2020 LTI Senior Executive grant are subject to a further one-year service condition.

The table below sets out the value of Loan Funded Share Plan and Performance Rights Plans that were subject to performance tests as at 30 June 2022. In the case of the Loan Funded Share Plan and FY2020 LTI Senior Executive (three-year performance period) the equity has not vested to participants, and is subject to service conditions and risk adjustment.

The table includes the executive KMP who held that position as at 30 June 2022. Values are based on the share price at 30 June 2022. This table has been introduced for FY22 Remuneration Report to provide transparency on the potential value of the Loan Funded Share Plan, noting that the final value available to participants is subject to ongoing conditions and changes in share price.

Executive	Year	Net Loan Funded Share Plan value[1]	Performance Rights	Total tested outcomes
M Baker[2]	2022	$1,108,110	$158,725	$1,266,835
R Brosnahan	2022	$325,916	$21,913	$347,829
T Corolis	2022	$315,482	$21,913	$337,395
R Fennell	2022	$563,834	$38,348	$602,182
A Morgan[3]	2022	$0	$0	$0
B Speirs	2022	$286,799	$20,544	$307,343

1 Represents the Net value of the Loan Value Funded Shares that achieved their performance condition as of 30 June 2022 but are subject to ongoing service requirements and risk adjustments. This is calculated as the value of the Loan Funded Shares less the value of the loan that executives are required to repay as at 30 June 2022.
2 M Baker participated in the FY2019 Managing Director Performance Rights plan, this grant has vested, and is not subject to any further restrictions.
3 A Morgan did not have any equity grants subject to testing.

2.3 Actual remuneration received in FY22

The table below sets out actual remuneration received by the executive KMP for FY22 including the value of any equity awarded in prior years which vested during this financial year. Equity awards that vested during FY22 based on meeting performance conditions, but which are still subject to a further service condition have been excluded. The table below also shows the maximum value of total remuneration forgone, including previous years' equity awards that were due to vest but did not meet the relevant hurdles and were lapsed.

The executive team do not participate in a short-term incentive plan, and no cash bonus payments were made to executive KMP in the year.

The table includes the executive KMP who held that position as at 30 June 2022.

The information presented differs from the statutory remuneration table which presents remuneration in accordance with Australian Accounting Standards. Statutory disclosures are provided in Section 6.

Executive	Year	Fixed Base[1]	Prior years' deferred base vested [2]	Prior years' deferred LTI vested[3,4]	Total remuneration received [5]	Total remuneration forgone [6]
M Baker	**2022**	**$1,144,537**	**$525,797**	**$158,725**	**$1,829,059**	**$294,775**
	2021	$1,188,826	$583,810	-	$1,772,636	-
R Brosnahan	**2022**	**$740,280**	**-**	**-**	**$740,280**	**$40,697**
	2021	$761,753	$90,508	-	$852,261	-
T Corolis	**2022**	**$688,352**	**-**	**-**	**$688,352**	**$40,697**
	2021	$672,131	$90,508	$54,496	$817,135	$101,197
R Fennell	**2022**	**$890,677**	**-**	**-**	**$890,677**	**$71,218**
	2021	$888,010	$149,336	$95,365	$1,132,711	$177,103
A Morgan[7]	**2022**	**$14,210**	**-**	**-**	**$14,210**	**-**
	2021	-	-	-	-	-
B Speirs	**2022**	**$610,216**	**-**	**-**	**$610,216**	**$38,157**
	2021	$632,202	$90,508	$51,086	$773,796	$94,872

1 Fixed Base includes cash salary, non-monetary benefits, superannuation, and movements in accrued annual and long service leave and reflects the time in role during the year.
2 Ms Baker was granted 200,000 deferred base pay shares in FY2018/19, in four tranches of 50,000, each with a varying deferral period, vesting annually from the time of grant. Any dividends received on these grants are reinvested into ordinary shares and allocated in tranches. The dividend reinvested deferred base pay shares also vested and were released in 2022.
3 Performance rights awarded to Ms Baker in 2018 were tested on 30 June 2022, measured for the period 1 July 2018-30 June 2022, resulting in 100% lapsing of the TSR hurdle and 100% vesting of the NPS hurdle. The award has reached the four-year performance period and the NPS vested component of the grant was released. For further details on testing outcomes, refer to Section 2.2.
4 Performance rights awarded to executives in FY2019/20, measured for the period 1 July 2019-30 June 2022, were tested on 30 June 2022 resulting in 100% lapsing of the TSR hurdle and 100% vesting of the NPS hurdle. Details of the award will be included in the FY23 remuneration report following an additional one-year service condition. Further details on testing outcomes, refer to Section 2.2.
5 The Loan Funded Share Plan grant awarded in FY2020/21 was tested on 30 June 2022 and outcomes were achieved. Vesting outcomes will be provided in the FY2024 remuneration report following an additional two-year service condition and subject to a risk assessment by the Board. Further details on testing outcomes, refer to Section 2.2.
6 Total remuneration forgone values are inclusive of prior year LTI which lapsed on 30 June 2022, performance hurdles not achieved. Forgone amounts are calculated using the 30 June closing share price. For further details on vesting outcomes refer to Section 2.2.
7 The fixed base for Mr Morgan reflects his pro-rated remuneration from his commencement on 24 June 2022.

Section 3: **Executive remuneration framework in detail**

3.1 Executive reward framework for FY22

Fixed Base

Fixed Base comprises cash salary, non-monetary benefits and employer superannuation contributions.

Deferred Base Pay Shares

For Managing Director only.

Deferred base is a grant of deferred shares that are held in trust for a deferral period, and forms part of the Managing Director's total Fixed Base. Deferred shares are fully paid ordinary shares granted at no cost and are beneficially owned by the recipient from grant date. The grants are subject to a service condition and risk adjustment at the discretion of the Board. If the service condition is not met the deferred shares will not vest and are forfeited, unless the Board decides otherwise.

The Managing Director received a grant of 200,000 deferred shares in FY2018/19 delivered in four equal tranches of 50,000 shares and each tranche had a deferral period of two-years, three-years, four-years, and five-years respectively. Tranche 1 vested in FY2020, Tranche 2 in FY21 and Tranche 3 vested in FY22. Tranche 4 is to be tested for vesting in FY23.

The deferred base shares are no longer part of the executive remuneration framework.

The following tables describe the Long-term Incentive which is in two parts, the Loan Funded Share Plan and Performance Rights Plan. The Board believes that equity based long-term incentives are important to ensure an appropriate part of the executive's reward is linked to generating long-term returns for shareholders.

Long Term Incentive – Loan Funded Share Plan

Features	Approach
Instrument	Loan Funded Shares Loan Funded Shares are ordinary shares (Shares) provided via an interest free, non-recourse loan.
Participants	Executives
Opportunity	100% to 150% of Fixed Base. The number of shares granted is determined using the face value method. This is determined by dividing the loan value by the arithmetic average of the daily volume weighted average price of fully paid ordinary BEN shares sold on the ASX in the ordinary course of trading for the five trading days prior to allocation. It should be noted that the face value of the opportunity is significantly higher than the fair value of the shares allocated. At the time of implementation the Board determined that a multiple of 3.9X was aligned with market practice and would facilitate the appropriate levels of reward outcomes in line with the intended reward package value. When adjusted to reflect the option like nature of the Loan Funded Share the opportunity is 25-40% of the Fixed Base Reward.
Performance Hurdles	See table below
Performance Period	Measured over two years plus two further years of restriction period

Performance Hurdles

Measure	How	Weighting
Cost to Income ratio	Significant improvements in the Bank's CTI Ratio, consistent with the Bank's stated objective of CTI towards 50% over the medium term.	25%
Cash Earnings	Performance against the FY22 and FY23 targets which has been set in line with our growth agenda.	25%
Market Growth	Grow our deposits and loans faster than system and increase our market share.	25%
Customer Advocacy (relative NPS)	Bank's Net Promoter Score over the performance period (measured using a six-month rolling average) must be 20 points greater than the average performance of a peer group of Australian Banks.	25%

Duration to access reward post grant	Four years with two years to settle any outstanding loan balance
Vesting	Cliff vesting · If the performance hurdle is met or exceeded, that proportion of the incentive will vest. · If the performance hurdle is not met, that proportion of the incentive will lapse. Shares and loan balance will be forfeited.
How the Loan works	Any dividends or other distributions paid on the Shares while the Shares are restricted, are applied (on a notional after-tax basis) towards repaying the loan. Any vested shares will be used to settle the loan balance owing.
Risk Assessment & Risk Behaviour Gateway	In accordance with the Bank's Clawback and Malus Policy, the Board has broad discretion to ensure that, amongst other things, no unfair benefit is derived by any participant in the case of a material misstatement of financial results or serious misconduct by a participant. Reputation and conduct matters are also considered under the policy. This includes discretion to reduce or forfeit unvested awards, reset or alter the performance conditions applying to the applicable award or require the repayment of any vested awards.
Cessation of Employment	Shares will be forfeited in the event of resignation, or the Bank terminates employment due to fraud, dishonesty, breach of legal duties or serious misconduct. Where a participant ceases employment due to death, disablement, bona fide redundancy or by agreement with the Bank, shares will remain on-foot to be tested against the applicable performance conditions at the same time as continuing participants and will have 1 year to settle the loan.

Long Term Incentive – Performance Rights

Features	Approach
Instrument	Performance rights A performance right is a promise to an ordinary share subject to performance conditions.
Participants	Executives
Opportunity	15% of Fixed Base Number of performance rights granted is determined using the face value method. This is determined by dividing the loan value by the arithmetic average of the daily volume weighted average price of fully paid ordinary BEN shares sold on the ASX in the ordinary course of trading for the five trading days' prior to 1 July of the financial year of issue.
Performance Hurdles	Relative TSR Total Shareholder Return is measured over the four-year performance period against a peer group consisting of the ASX100 companies (excluding property trusts and resources companies).
Performance Period	Four years
Duration to access reward post grant	Four years
Vesting	The vesting scale is as follows: (see table below)

TSR performance against peer group	Percentage of performance rights that vest
At or below the 50th percentile	0%
At 50.1th percentile	60%
Between the 50.1th and 75th percentiles	Straight-line vesting: · starting at 60%; and · reaching 100% at the 75th percentile.
At or above the 75th percentile	100%

Risk Assessment & Risk Behaviour Gateway	In accordance with the Bank's Clawback and Malus Policy, the Board has broad discretion to ensure that, amongst other things, no unfair benefit is derived by any participant in the case of a material misstatement of financial results or serious misconduct by a participant. Reputation and conduct matters are also considered under the policy. This includes discretion to reduce or forfeit unvested awards, reset or alter the performance conditions applying to the applicable award or require the repayment of any vested awards.
Cessation of Employment	Performance rights will be forfeited in the event of resignation, or the Bank terminates employment due to fraud, dishonesty, breach of legal duties or serious misconduct. Where a participant ceases employment due to death, disablement, bona fide redundancy or by agreement with the Bank, performance shares will remain on-foot to be tested against the applicable performance conditions at the same time as continuing participants.

3.2 Executive reward framework for FY23

The Bank introduced the current executive reward framework, including the Loan Funded Share Plan, in FY21. The current framework creates a high degree of alignment with shareholders, however changes in internal and external factors meant that it was appropriate to review the Bank's executive incentive structure. These factors included APRA setting clear expectations on remuneration design as part of the implementation of CPS511 Remuneration, changes in the labour market, and the evolution of our strategy with an increased focus on sustainable growth, while remaining true to our purpose and protecting our trusted position in the Australian community.

The Board was supported by KPMG as part of the design process, and the review included consultation across a wide number of stakeholders. The new framework is underpinned by a set of design principles; Strategy Led Reward, Reward balanced outcomes, Recognise people for their impact, Transparent and simple metrics, Embedded risk management.

From the start of FY23 the executive reward framework consists of fixed remuneration, a short-term incentive award and a long-term incentive plan. There will be no more grants made under the previous Loan Funded Share Plan, while the historic FY21 and FY22 grants will continue per their original terms, reinforcing the alignment between executive and shareholders. The reintroduction of an annual incentive plan creates the potential for an overlap in measurement, with the FY22 Loan Funded Share Plan and the FY23 Short-term incentive both being assessed against the FY23 CTI and cash-earnings results, noting the cash earnings measure in the Loan Funded Share Plan is assessed over the FY22 and FY23 period. The Board will consider this overlap when determining performance outcomes to ensure that executive reward outcomes are aligned with shareholder expectations.

The proposed framework rewards executives if they deliver on our strategy, creating value for all our stakeholders, across shareholders, customers, community, people, planet and regulators. Atleast 70 percent of the variable reward will be delivered in equity, creating strong alignment with shareholders. We will continue to strengthen our approach to incorporating risk and conduct issues into remuneration decisions, including through the recent adoption of a new Consequence Management Policy.

The framework has been designed so that it is consistent with the incoming APRA Prudential Standard CPS 511 Remuneration and is designed to be fit for purpose for the coming years.

A high-level summary of the variable reward components of the new framework is outlined below.

Features	Short-term Incentive
Delivered through	A mix of cash (50%) and deferred rights (50%)
Maximum Incentive opportunity (% of fixed remuneration)	Managing Director and Executive in the range between 60%-30%

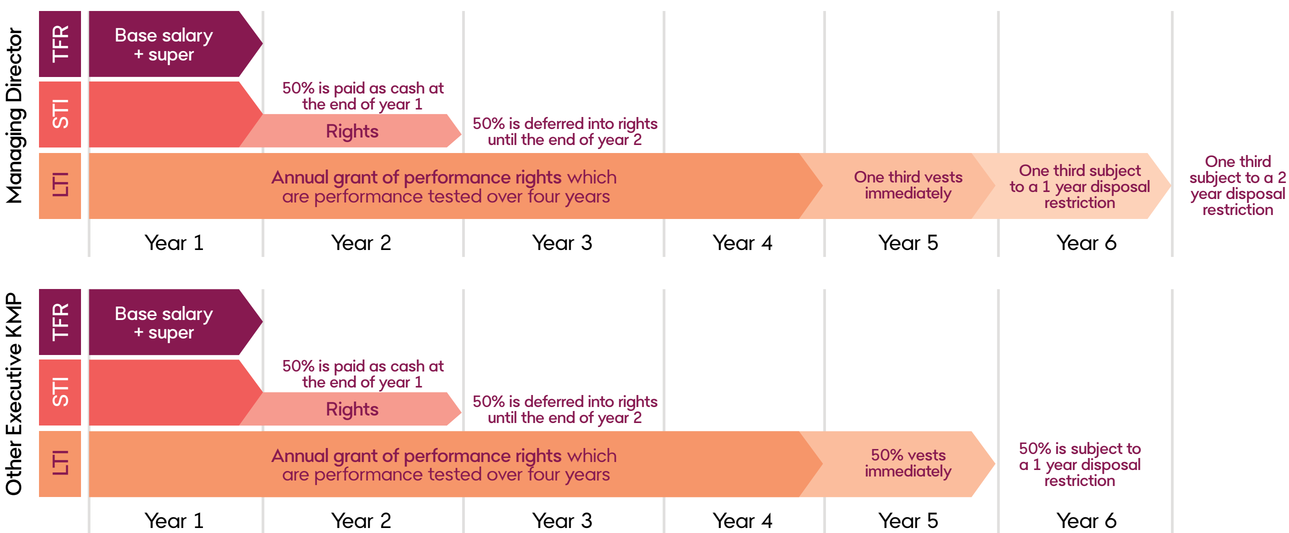
Group STI scorecard

Category	Measure	Weighting
Financial Measures	Cost-to-Income ratio	20%
	Cash earnings	20%
	Profit after capital charge	10%
Customer & Community	Customer experience and satisfaction	20%
	Social impact through our Community Bank network	
People & Planet	Employee experience and diversity	10%
	Implementation of the climate change action plan	
Capability	Risk and Governance uplift	20%

Individual modifier	Outcomes can be adjusted based on individual performance. This is to allow for recognition of exceptional individual contribution, as well as providing a mechanism for downward adjustment. The assessment will consider: · Individual performance and delivery of key strategic objectives · Individual risk performance · Broader cultural considerations The range of the modifier is 0 – 120%, meaning that individual STI outcomes can be reduced to zero, or increased to 120% of the scorecard outcome (capped at the maximum incentive opportunity).
Performance Period	One year
Deferral period	One year following completion of performance period, but will be adjusted to meet regulatory requirements
Adjustments	Incentives are subject to downward adjustments through a risk assessment and/or consequence management process and the Clawback and Malus Policy applies

<table>
<tr><th>Features</th><th>Long-term Incentive</th></tr>
<tr><td>Delivered through</td><td>Performance rights (100%)</td></tr>
<tr><td>Maximum Incentive opportunity (% of fixed)</td><td>Managing Director and Executive in the range between 60%-40%</td></tr>
<tr><td>LTI scorecard</td><td>The scorecard is a mixture of financial and non-financial measures. The performance targets and assessment against those targets will be included when the grant is tested. Further details on Managing Director's FY23 grant can be found in the 2022 Notice of Meeting.
<table>
<tr><th>Measure</th><th>Weighting</th></tr>
<tr><td>Relative TSR - against ASX S&P100 Financials</td><td>40%</td></tr>
<tr><td>ROE over the period</td><td>25%</td></tr>
<tr><td>Relative customer NPS</td><td>20%</td></tr>
<tr><td>Reputation index</td><td>15%</td></tr>
</table></td></tr>
<tr><td>Performance period</td><td>Four years</td></tr>
<tr><td>Deferral period</td><td>One to two years following completion of performance period, depending on the executive</td></tr>
<tr><td>Adjustments</td><td>Incentives are subject to downward adjustments through a risk assessment and/or consequence management process and the Clawback and Malus Policy applies</td></tr>
</table>

The structure and time horizon of the new framework for the Managing Director and other executive KMP is illustrated below.



Additional details will be provided in the FY22 Notice of Meeting and FY23 Remuneration Report.

Section 4: **Remuneration governance**

4.1 Risk and remuneration consequences

The Bank is committed to effective remuneration practices that reward performance in a manner that is appropriate and consistent with shareholder and regulatory expectations, including the requirements under APRA Prudential Standard CPS 510 Governance, the incoming APRA Prudential Standard CPS 511 Remuneration and the Banking Executive Accountability Regime (BEAR).

The Clawback and Malus Policy sets out some of the circumstances in which the Board may seek to reduce or recoup "at risk" remuneration (whether vested or unvested) or take other actions to ensure remuneration outcomes are appropriate in light of all the circumstances, including those which arise or come to light after "at risk" remuneration has been granted or delivered. The policy applies to all employees of any Group Company who receive "at risk" remuneration, meaning the portion of an employee's remuneration that is subject to performance conditions, vesting conditions or a real risk of forfeiture. It includes all variable remuneration, one-off or special incentive arrangements in place, provided in cash or equity.

Taking into account the provisions of the Clawback and Malus Policy, the Board has discretion, having regard to the recommendations of the People, Culture and Transformation Committee, to adjust variable remuneration (including Annual Variable Reward and equity incentives) to reflect the following:

a. The outcomes of business activities.
b. The risks, including non-financial risks, related to the business activities taking into account, where relevant, the cost of the associated capital.
c. The time necessary for the outcomes of those business activities to be reliably measured.

This includes adjusting performance-based components of remuneration downwards, to zero if appropriate, in relation to particular persons or classes of persons, if such adjustments are necessary to:

- Protect the financial soundness of the regulated institution; or
- Respond to significant unexpected or unintended consequences that were not foreseen by the Board.

In these circumstances, this may involve the Board deciding, having regard to the recommendation of the People, Culture and Transformation Committee, to clawback the deferred component of an Annual Variable Reward award or equity incentives during the deferral period. This may include the deferred component and the awarded or granted component.

To support the application of the Clawback and Malus Policy a Consequence Management Policy has been adopted by the Board in July 2022. The Consequence Management Policy provides the People, Culture and Transformation Committee with more detailed guidance on the circumstances when remuneration adjustments should be made, and what factors should be considered in determining the quantum of remuneration adjustment.

The Board also has discretion to adjust positively in cases where the organisation has mitigated high-risk events and demonstrated a successful risk culture.

The accountability obligations for accountable persons are outlined in the Bank's BEAR policy. As outlined in the BEAR Policy, the Board may determine that the accountable person has breached their accountability obligations. If the Board makes such a determination, the Bank may not pay some or all of the accountable person's variable remuneration, including deferred remuneration, as it sees fit.

Hedging and margin loan restrictions

The Remuneration Policy mandates that executives, and their closely related parties, may not enter into a transaction designed to remove the at-risk element of equity-based pay before it has vested, or while it is subject to a trading restriction. The restriction is contained in the Remuneration Policy. The Bank treats compliance with the requirement as important and at the end of each year requires the individuals to confirm they have complied with the restriction. If the restriction is breached the individual will forfeit all equity-based remuneration that is subject to the prohibition at the time of the breach.

The Bank's Trading Policy also prohibits KMPs from using the Bank's securities as collateral in any margin loan arrangements.

4.2 Remuneration governance

During the year, the Board established a new Committee, the People, Culture and Transformation Committee, which took on the responsibilities of the Governance and HR Committee and some aspects of the Technology Committee. The People, Culture and Transformation Committee (Committee) assists the Board in relation to the Group's remuneration arrangements. The Board makes all final decisions in relation to those arrangements. The current members of the Committee are all independent Non-executive Directors:

a. Vicki Carter (Chair)
b. Jacqueline Hey
c. David Foster
d. David Matthews

A summary of the Committee's remuneration responsibilities is presented below and the Committee Charter is available from the Corporate Governance section of the Bank's website at https://www.bendigoadelaide.com.au/esg/governance/

The Committee's remuneration responsibilities include conducting regular reviews of, and making recommendations to the Board on, the remuneration strategy and policy taking into account the Group's objectives, risk profile, shareholder interests, regulatory requirements and market developments. The Committee is also responsible for making recommendations to the Board on:

- the remuneration arrangements for executives, including the terms on which performance-based remuneration will be provided;
- the performance-based remuneration outcomes for the executives; and
- the annual bonus pool.

The Committee makes recommendations to the Board on the exercise of the Board's discretion to adjust incentive and performance-based remuneration to reflect the outcomes of business activities and the risks relating to those activities.

The Committee is also responsible for recommending to the Board the remuneration matters specified by the Australian

Prudential Regulation Authority under Prudential Standard CPS 510 Governance relating to other designated responsible persons, risk and financial control personnel and material risk takers.

The Committee also has responsibility for providing input into the Group's risk management framework in relation to remuneration risk, in particular, recommending to the Board the remuneration arrangements for the executives.

The Committee may consult a professional adviser or expert, at the cost of the Bank, if the Committee considers it necessary to carry out its duties and responsibilities. During FY22, the Committee engaged KPMG to provide support as part of the Bank's review of the executive remuneration framework. KPMG provided market practice, remuneration data, trends and assistance with other ad-hoc tax, governance and legal matters. KPMG did not provide any remuneration recommendations as defined in the Corporations Act 2001 (Cth) to the Committee during FY22.

Section 5: **Executive shareholdings and contracts**

5.1 Minimum Shareholding Policy

The Minimum Shareholding Policy (MSP) aims to further align the interests of executives and Non-executive Directors with those of shareholders. The MSP supports a focus on long-term shareholder value by requiring executives and Non-executive Directors to build a minimum shareholding in BEN shares and maintain it during their tenure.

With effect from 25 August 2020 the MSP requires the Managing Director to accumulate shares equal to 150 percent of Fixed Base and other executives to accumulate shares equal to 75 percent of Fixed Base over a five-year period (from the later of 25 August 2020 or the date of their appointment).

Once the minimum shareholding level has been assessed as met for the first time, the executive or Non-executive Director will be deemed to have met the policy requirements. The Board may, at any time and in its sole discretion, amend the minimum shareholding levels and/or timing requirements.

Compliance with our minimum shareholding requirement is assessed at the end of each financial year. Based on their shareholding as at 30 June 2022, all executives have either met their MSR, or are on track to meet this, within the required timeframes. See Section 1.1 for the status of each executive.

5.2 Executive employment arrangements

The remuneration and other terms of employment for executives are contained in formal employment contracts. The material terms of the executive contracts at the date of this report are set out below.

Issue	Description	Applies to
What is the duration of the contracts?	On-going until notice is given by either party.	All executives
What notice must be provided by an Executive to end the contract without cause? [2]	Between 6 and 12 months' notice. No notice period required if material change in duties or responsibilities.	All executives
What notice must be provided by the Bank to end the contract without cause? [1]	6 months' notice or payment in lieu.[2]	M Baker, T Corolis, R Brosnahan, A Morgan
	12 months' notice or payment in lieu.	B Speirs, R Fennell
What payments must be made by the Bank for ending the contract without cause? [1]	Payment of gross salary in lieu of period of notice (including payment of accrued/unused leave entitlements calculated to end of relevant notice period).	All executives
What are notice and payment requirements if the Bank ends the contract for cause?	Termination for cause does not require a notice period. Payment of pro-rata gross salary and benefits (including payment of accrued/ unused leave entitlements) is required to date of termination.	All executives
Are there any post-employment restraints?	12-month non-competition and non-solicitation (employees, customers and suppliers) restriction.	Chief Executive Officer and Managing Director
	12-month non-solicitation (employees, customers and suppliers) restriction.	Other executives

1 In certain circumstances, such as a material diminution of responsibility, the Bank may be deemed to have ended the employment of an executive and will be liable to pay a termination benefit as outlined at the row titled "What payments must be made by the Bank for ending the contract without cause".

2 A review of the executive employment contract was completed in 2019 having regard to market practice. Changes to the contract included reducing the relevant notice period from 12 months to 6 months. The 12-month notice period for existing KMPs has been grandfathered.

Section 6: **Executive statutory remuneration**

6.1 Statutory remuneration details

The following table sets out the statutory executive remuneration disclosures which have been prepared in accordance with the *Corporations Act* 2001 and the Australian Accounting Standards.

Executive		Short-term benefits		Super-annuation benefits [3]	Other long-term benefits [4]	Other Remun-eration	Share-based payments [5]			Total	Perfor-mance Related [7]
		Cash salary [1]	Non-monetary [2]				Rights [6]	Deferred Shares	Loan Funded Shares		
M Baker	**2022**	**$1,095,265**	**$6,027**	**$23,568**	**$19,677**	**-**	**$176,711**	**$233,100**	**$364,110**	**$1,918,458**	**28%**
	2021	$1,174,871	$7,980	$22,529	($16,554)	-	$155,747	$405,767	$176,611	$1,926,951	17%
R Brosnahan	**2022**	**$693,243**	**$12,573**	**$22,729**	**$11,735**	**-**	**$111,400**	**-**	**$107,091**	**$958,771**	**23%**
	2021	$717,825	$10,049	$21,694	$12,185	-	$102,151	$51,199	$51,944	$967,047	16%
T Corolis	**2022**	**$648,873**	**-**	**$23,568**	**$15,911**	**-**	**$31,097**	**-**	**$103,664**	**$823,113**	**16%**
	2021	$633,583	-	$22,529	$16,019	-	$55,761	$42,665	$50,282	$820,839	13%
R Fennell	**2022**	**$855,701**	**-**	**$23,568**	**$11,408**	**-**	**$47,446**	**-**	**$185,268**	**$1,123,391**	**21%**
	2021	$873,350	$9,727	$22,529	($17,596)	-	$94,186	$70,397	$89,864	$1,142,457	16%
A Morgan[8]	**2022**	**$12,919**	**-**	**$1,292**	**-**	**-**	**$8,052**	**-**	**-**	**$22,263**	**n/a**
	2021	-	-	-	-	-	-	-	-	-	-
B Speirs	**2022**	**$563,440**	**$6,525**	**$23,568**	**$16,683**	**-**	**$28,701**	**-**	**$94,240**	**$733,157**	**17%**
	2021	$594,196	$6,525	$22,529	$8,953	-	$52,055	$42,665	$45,711	$772,634	13%
Former executive KMP											
T Crouch	**2022**	**$515,924**	**$28,564**	**$28,688**	**($29,263)**	**-**	**$30,375**	**-**	**$98,952**	**$673,240**	**19%**
	2021	$581,652	$30,741	$28,136	($33,887)	-	$55,410	$42,665	$47,996	$752,713	14%
A Gartmann[9]	**2022**	**$327,329**	**-**	**$41,153**	**$9,638**	**$407,936**	**$7,398**	**-**	**$48,529**	**$841,983**	**7%**
	2021	$588,361	-	$22,529	$9,676	-	$52,055	$42,665	$45,711	$760,997	13%
Totals	**2022**	**$4,712,694**	**$53,689**	**$188,134**	**$55,789**	**$407,936**	**$441,180**	**$233,100**	**$1,001,854**	**$7,094,376**	**-**
	2021	**$5,163,838**	**$65,022**	**$162,475**	**($21,204)**	**-**	**$567,367**	**$698,023**	**$508,119**	**$7,143,638**	**-**

1. Cash salary amounts include the net movement in the annual leave accrual for the year.
2. Non-monetary relates to sacrifice components of salary such as motor vehicle costs.
3. Company superannuation contributions form part of fixed remuneration and are paid up to the statutory maximum contribution base.
4. The amounts relate to movements in long service leave accruals.
5. The share-based payments expense is inclusive of adjustments that may be made in the current period in relation to unvested awards including those related to cessation of employment. The fair value of performance rights as at the grant date has been calculated under AASB 2 Share-based Payment applying a Black-Scholes-Merton valuation method incorporating a Monte Carlo simulation option pricing model to estimate the probability of achieving the Total Shareholder Return hurdle and the number of performance rights that vest. The assumptions underpinning these valuations are set out in Section 6.5.
6. The rights share-based payment expenses includes performance tested awards held by the KMP with the exception of Mr Morgan whose sign-on equity award was delivered in serviced based deferred share rights.
7. The performance related percentage comprises the amortised fair value of performance right grants and the amortised fair value of loan funded share grants.
8. Remuneration for FY22 is disclosed to the extent that it relates to Mr Morgan's employment in the capacity as an Executive which commenced on 24 June 2022. Mr Morgan received a sign-on equity award which was delivered in deferred share rights to compensate for incentive arrangements with his previous employer that were forgone. The amount provided reflects the portion of the award expensed from 24 June to year end. Refer to 'Remuneration outcomes for FY22' on page 30 for further details.
9. Remuneration is disclosed to the extent that it relates to Ms Gartmann's employment in the capacity as an executive, which will cease on 22 October 2022. In accordance with contractual terms, Ms Gartmann did not receive a payment in lieu of a reduced notice period and all unvested equity awards lapsed.

6.2 Loans and other transactions

Details on the aggregate loans provided to KMP and their related parties are as follows. The loans occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those that it is reasonable to expect the Bank would have adopted if dealing at arms-length with an unrelated person.

2022	Balance on 1 July 2021 $'000	Interest charged [1] $'000	Interest not charged $'000	Write-off $'000	Balance on 30 June 2022 $'000	Number at year end
Non-executive Directors	6,451	133	-	-	7,748	8
Executives	4,879	102	-	-	4,745	7
Total Directors and Executives	**11,330**	**235**	**-**	**-**	**12,493**	**15**

Details of KMP (including their related parties) with an aggregate of loans above $100,000 in the reporting period are as follows:

2022	Balance on 1 July 2021 $'000	Interest charged [1] $'000	Interest not charged $'000	Write-off $'000	Balance on 30 June 2022 $'000	Highest owing in period [2] $'000
Non-executive Directors						
J Hey	3	11	-	-	1,556	1,646
D Matthews	3,945	100	-	-	3,689	3,959
Executives						
M Baker	754	22	-	-	830	1
R Fennell	2,328	58	-	-	2,199	2,358
Former Non-executive Directors and Executives						
A Robinson[3]	2,503	22	-	-	2,503	-
T Crouch	524	8	-	-	498	528
A Gartmann[4]	1,273	14	-	-	1,218	1,273

1 Interest charged may include the impact of interest off-set facility.
2 Represents aggregate highest indebtedness of the KMP during the financial year. All other items in this table relate to the KMP and their related parties.
3 Part year represented for A Robinson to 9 November 2021.
4 Part year data represented for Ms Gartmann is disclosed up to 1 February 2022.

6.3 Executive equity instrument grants

Executive KMP	Equity Instrument	Grant Date	Granted [1] Units[1]	Granted [1] $	Prior years' awards vested [2,3,4,5] Units	Prior years' awards vested $	Forfeited / Lapsed [3,4] Units	Forfeited / Lapsed $
M Baker	Deferred Shares	19.12.2018	-	-	50,000	518,000	-	-
	Deferred Shares	08.04.2019	-	-	1,362	-	-	-
	Deferred Shares	03.10.2019	-	-	1,194	-	-	-
	Deferred Shares	03.04.2020	-	-	1,933	-	-	-
	Deferred Shares	08.04.2021	-	-	1,164	-	-	-
	Deferred Shares	06.10.2021	2,406	-	1,203	-	-	-
	Deferred Shares	06.04.2022	2,230	-	1,115	-	-	-
	Loan Funded Shares	16.11.2021	277,777	749,998	-	-	-	-
	Performance Rights	19.12.2018	-	-	17,500	141,050	32,500	174,200
	Performance Rights	16.11.2021	24,519	83,855	-	-	-	-
R Brosnahan	Loan Funded Shares	16.11.2021	81,699	220,587	-	-	-	-
	Performance Rights	17.12.2019	-	-	-	-	4,487	11,038
	Performance Rights	16.11.2021	10,817	36,994	-	-	-	-
T Corolis	Loan Funded Shares	16.11.2021	79,084	213,527	-	-	-	-
	Performance Rights	17.12.2019	-	-	-	-	4,487	11,038
	Performance Rights	16.11.2021	9,519	32,555	-	-	-	-
R Fennell	Loan Funded Shares	16.11.2021	141,339	381,615	-	-	-	-
	Performance Rights	17.12.2019	-	-	-	-	7,852	19,316
	Performance Rights	16.11.2021	12,475	42,665	-	-	-	-
A Morgan[6]	Deferred Share Rights	24.06.2022	66,888	524,322	-	-	-	-
B Speirs	Loan Funded Shares	16.11.2021	71,895	194,117	-	-	-	-
	Performance Rights	17.12.2019	-	-	-	-	4,207	10,349
	Performance Rights	16.11.2021	8,653	29,593	-	-	-	-
Former executive KMP								
T Crouch	Loan Funded Shares	16.11.2021	75,490	203,823	-	-	-	-
	Performance Rights	17.12.2019	-	-	-	-	4,487	11,038
	Performance Rights	16.11.2021	9,086	31,074	-	-	-	-
A Gartmann[7]	Loan Funded Shares	04.11.2020	-	-	-	-	97,777	182,843
	Loan Funded Shares	16.11.2021	71,895	194,117	-	-	71,895	194,117
	Performance Rights	17.12.2019	-	-	-	-	12,942	57,096
	Performance Rights	04.11.2020	-	-	-	-	12,838	28,115
	Performance Rights	16.11.2021	8,653	29,593	-	-	8653	29,593

1 The price used to calculate any performance right and deferred share awards granted is the fair value on the grant date. Refer to Section 6.5 for further details.

2 Ms Baker was granted 200,000 of deferred base pay shares in FY2018/19, in four tranches of 50,000, each with a varying deferral period, vesting annually from the time of grant. Any dividends received on these grants are reinvested into ordinary shares and allocated in tranches. The dividend reinvested deferred base pay shares also vested and were released in 2022. Performance rights awarded to Ms Baker in FY2018/19 were tested on 30 June 2022 resulting in 100% lapsing of the TSR hurdle and 100% vesting of the NPS hurdle. The award has reached the four-year performance period and the NPS vested component of the grant was released. For further details on testing outcomes, refer to Section 2.2.

3 Performance rights awarded to executives in FY2019/20, measured for the period 1 July 2019-30 June 2022, were tested on 30 June 2022 resulting in a full lapse of the TSR hurdle and 100% of the NPS hurdle was achieved. Details of the award will be included in the FY23 remuneration report following an additional one-year service condition. Further details on testing outcomes, refer to Section 2.2.

4 The Loan Funded Share Plan grant awarded in FY2020/21 was tested on 30 June 2022 and outcomes were achieved. Vesting outcomes will be provided in the FY2024 remuneration report following an additional two-year service condition and subject to a risk assessment by the Board. Further details on testing outcomes, Section 2.2.

5 The value of each instrument on the date it lapses or is forfeited is calculated using the fair value of the instrument. Performance rights lapse where the applicable performance and service conditions are not satisfied.

6 Deferred share rights granted to Mr Morgan were awarded as part of his sign-on equity award to replace incentive arrangements that were forgone with his previous employer.

7 All unvested equity awards held by Ms Gartmann at the time of her resignation were lapsed in full.

6.4 Movements in Executive KMP equity holdings

Executive KMP	Equity Instrument [1]	Number at 1 July 2021	Granted during the year	Vested or released [2,3,4]	Lapsed or expired [3,4]	Net change other	Number at 30 June 2022
M Baker[5]	Deferred shares	111,304	4,636	(57,971)	-	-	57,969
	Loan Funded shares	377,777	277,777	-	-	-	655,554
	Ordinary shares	589,722	-	75,471	-	33,028	698,221
	Preference shares	100	-	-	-		100
	Performance rights	136,376	24,519	(17,500)	(32,500)	-	110,895
R Brosnahan	Loan Funded shares	111,111	81,699	-	-	-	192,810
	Ordinary shares	8,628	-	-	-	-	8,628
	Performance rights	75,639	10,817	-	(4,487)	-	81,969
T Corolis	Loan Funded shares	107,555	79,084	-	-	-	186,639
	Ordinary shares	59,048	-	-	-	5,753	64,801
	Performance rights	27,927	9,519	-	(4,487)	-	32,959
R Fennell	Loan Funded shares	192,222	141,339	-	-	-	333,561
	Ordinary shares	102,475	-	-	-	(1,111)	101,364
	Performance rights	42,667	12,475	-	(7,852)	-	47,290
A Morgan[6]	Deferred Share Rights	-	66,888	-	-	-	66,888
B Speirs	Loan Funded shares	97,777	71,895	-	-	-	169,672
	Ordinary shares	25,502	-	-	-	5	25,507
	Performance rights	25,780	8,653	-	(4,207)	-	30,226
Former executive KMP							
T Crouch	Loan Funded shares	102,666	75,490	-	-	-	178,156
	Ordinary shares	33,424	-	-	-	(1,672)	31,752
	Performance rights	17,368	9,086	-	(4,487)	-	21,967
A Gartmann[7]	Loan Funded shares	97,777	71,895	-	(169,672)	-	-
	Ordinary shares	56,164	-	-	-	-	56,164
	Performance rights	25,780	8,653	-	(34,433)	-	-

1 No equity holdings are held nominally.

2 Ms Baker was granted 200,000 of deferred base pay shares in FY2018/19, in four tranches of 50,000, each with a varying deferral period, vesting annually from the time of grant. Any dividends received on these grants are reinvested into ordinary shares and allocated in tranches. The dividend reinvested deferred base pay shares also vested and were released in 2022. Performance rights awarded to Ms Baker in FY2018/19, measured for the period 1 July 2018-30 June 2022, were tested on 30 June 2022 resulting in 100% lapsing of the TSR hurdle and 100% vesting of the NPS hurdle. The award has reached the four-year performance period and the NPS vested component of the grant was released. For further details on testing outcomes, refer to Section 2.2.

3 Performance rights awarded to executives in FY2019/20, measured for the period 1 July 2019-30 June 2022, were tested on 30 June 2022 resulting in a full lapse of the TSR hurdle and 100% of the NPS hurdle was achieved. Details of the award will be included in the FY23 remuneration report following an additional one-year service condition. For further details on testing outcomes, refer to Section 2.2.

4 No performance rights held at year end had vested and were exercisable. The Loan Funded Share Plan grant awarded in FY2020/21 was tested on 30 June 2022 and outcomes were achieved. Vesting outcomes will be included in the FY2024 remuneration report following an additional two-year service condition and subject to a risk assessment by the Board. For further details on testing outcomes, refer to Section 2.2.

5 The closing balance of Ms Baker's ordinary shares as disclosed in the FY21 remuneration report was overstated by 33,341 shares. The opening balance in the table above has been reduced by the overstated amount.

6 Deferred share rights granted to Mr Morgan were awarded as part of his sign-on equity award to replace incentive arrangements that were forgone with his previous employer.

7 Any unvested equity awards held by Ms Gartmann upon her resignation were lapsed in full.

6.5 Equity plan valuation inputs

Performance rights

Terms & Conditions for each Grant									
Equity Instrument	Grant date	Fair value [1]	Share price	Exercise price	Risk free interest rate	Dividend yield	Expected volatility	Expected life	Performance period end / expiry date [2]
Performance Rights – Sleeve 1	17.12.2018	$8.60	$10.37	-	1.89%	6.73%	23.40%	3 years	30.06.2021
Performance Rights – Sleeve 2	17.12.2018	$5.57	$10.37	-	1.89%	6.73%	23.40%	3 years	30.06.2021
Performance Rights – Sleeve 1 (MD)	19.12.2018	$8.06	$10.40	-	1.99%	6.73%	23.40%	4 years	30.06.2022
Performance Rights – Sleeve 2 (MD)	19.12.2018	$5.36	$10.40	-	1.99%	6.73%	23.40%	4 years	30.06.2022
Performance Rights - Sleeve 1	17.12.2019	$7.61	$9.89	-	0.88%	7.08%	21.23%	4 years	30.06.2022
Performance Rights - Sleeve 2	17.12.2019	$7.61	$9.89	-	0.88%	7.08%	21.23%	4 years	30.06.2023
Performance Rights - Sleeve 3	17.12.2019	$2.46	$9.89	-	0.88%	7.08%	21.23%	4 years	30.06.2022
Performance Rights - Sleeve 4	17.12.2019	$2.92	$9.89	-	0.88%	7.08%	21.23%	4 years	30.06.2023
Performance Rights – Sleeve 1 (MD)	17.12.2019	$7.61	$9.89	-	0.88%	7.08%	21.23%	4 years	30.06.2023
Performance Rights – Sleeve 2 (MD)	17.12.2019	$2.92	$9.89	-	0.88%	7.08%	21.23%	4 years	30.06.2023
Performance Rights - Transformation	17.12.2019	$7.61	$9.89	-	0.88%	7.08%	21.23%	4 years	30.06.2023
Performance Rights	04.11.2020	$2.19	$6.83	-	0.19%	4.54%	29.21%	4 years	30.06.2024
Performance Rights - Transformation	04.11.2020	$5.74	$6.83	-	0.19%	4.54%	29.21%	4 years	30.06.2024
Performance Rights	16.11.2021	$3.42	$9.18	-	1.23%	6.02%	30.85%	4 years	30.06.2025

1 The fair value is calculated as at grant date in accordance with AASB 2 Share-based Payment using an independent valuation.
2 The Board will test the performance condition as soon as practical after the performance period has been reached. Any performance rights that do not vest will lapse at 5.00pm on the date the Board determines the vesting outcome of the grant.

Deferred Share Rights

Terms & Conditions for each Grant					
Equity Instrument[1]	Grant date	Issue price / Fair value [2]	Share price at grant date	Restriction period end / test date	Vest / Expiry date
Deferred Share Rights (Tranche 1)	24.06.2022	$8.35	$8.97	30.09.2023	30.09.2023
Deferred Share Rights (Tranche 2)	24.06.2022	$7.06	$8.97	30.09.2026	30.09.2026

1 Mr Morgan received a sign-on equity award delivered in deferred share rights, vesting in two tranches over four years to replace incentive arrangements that were forgone with his previous employer. Refer to 'Remuneration outcomes for FY22' on page 30 for further details.
2 The fair value is calculated as at grant date in accordance with AASB 2 Share-based Payment using an independent valuation.

Deferred Shares

Terms & Conditions for each Grant					
Equity Instrument	Grant date	Issue price / Fair value [1]	Share price at grant date	Restriction period end / test date	Vest / Expiry date
Deferred Shares Base Pay (MD)	19.12.2018	$10.36	$10.40	30.06.2021	30.06.2021

1 The fair value is calculated using the volume weighted average closing price of the Bank's shares for the five-day period ending on the grant date.

Loan Funded Share Plan

Terms & Conditions for each Grant									
Equity Instrument	Grant date	Fair value [1]	Share price $	Exercise price	Risk free interest rate	Dividend yield	Expected volatility	Expected life	Performance period end / expiry date
Loan Funded Share Plan	04.11.2020	$1.87	$6.83	$6.75	0.26%	0.00%	27.92%	4 – 6 years	30.06.2022 (performance) 30.06.2024 (vesting) 30.06.2026 (expiry)
Loan Funded Share Plan	16.11.2021	$2.70	$9.18	$9.18	1.44%	0.00%	28.93%	4 – 6 years	30.06.2023 (performance) 30.06.2025 (vesting) 30.06.2027 (expiry)

1 The Loan Funded Share Plan grant awarded in FY2020/21 was tested on 30 June 2022 and outcomes were achieved. Vesting outcomes will be included in the FY2024 remuneration report following an additional two-year service condition and subject to a risk assessment by the Board. For further details on testing outcomes, refer to Section 2.2.

6.6 Details of unvested and untested grants

The following summary details the current LTI plans that remain on-foot, are untested and are not eligible for vesting. All plans are subject to a risk and compliance gateway and the Clawback and Malus policy.

Grant	Grant Date	Measures	Weighting	Performance Period	Vesting Schedule
Performance Rights					
2020 MD LTI	17.12.2019	NPS TSR	35% 65%	01.07.2019 – 30.06.2023	**NPS:** 20 points above industry average over performance period · If target met 100% · If not met 0% **TSR:** Compared to peer group of ASX100 companies (excluding property trust and resources) over performance period · If less than or equal to 50th percentile: 0% · If between 50.1th & 75th percentile: straight line vesting starting at 60% up to 100% · If greater than 75th percentile: 100%
2020 LTI Senior Executives (Tranche 2)[1]	19.12.2019	NPS TSR	17.5% 32.5%	01.07.2019 – 30.06.2023	
2021 MD LTI	26.11.2020	NPS TSR	35% 65%	01.07.2020 – 30.06.2024	
2021 LTI Senior Executives	04.11.2020	TSR	100%	01.07.2020 – 30.06.2024	
2022 MD LTI	16.11.2021	TSR	100%	01.07.2021 – 30.06.2025	
2022 LTI Senior Executives	16.11.2021	TSR	100%	01.07.2021 – 30.06.2025	
2020 - Transformation[2]	19.12.2019	Service	100%	04.11.2019 – 04.11.2023	100% subject to: · Individual performance; and · Risk and compliance gateway
2021 -Transformation[2]	04.11.2020	Service	100%	01.07.2020 – 30.06.2024	
Loan Funded Shares					
2022 Loan Funded Shares	16.11.2021	Cost to Income Cash Earnings Market Growth Customer Advocacy (NPS)	25% 25% 25% 25%	01.07.2021 – 30.06.2023 plus 2 year holding lock	**CTI:** substantive progress to medium term target of 50% **Cash Earnings:** Performance against the FY22 and FY23 targets which has been set in line with our growth agenda **Market Growth:** deposits and lending above system; and market growth **NPS:** 20 points above industry average over performance period · If target met or exceeded 100% · If target not met 0%

1 Tranche 1 performance was tested on 30.06.2022. The Loan Funded Share Plan grant awarded in FY2020/21 was tested on 30 June 2022 and outcomes were achieved. Vesting outcomes will be included in the FY2024 remuneration report following an additional two-year service condition and subject to a risk assessment by the Board. For further details on testing outcomes, refer to Section 2.2.

2 The Transformation Alignment Rights granted in previous years is held by R Brosnahan.

Section 7: **Non-executive Director arrangements**

7.1 Non-executive Director fees

The remuneration of Non-executive Directors is based on the following principles and arrangements. There is no direct link between Non-executive Director fees and the annual results of the Group. Non-executive Directors do not receive bonuses or incentive payments, nor receive equity-based pay.

Shareholders approved an aggregate fee pool for Non-executive Directors of $2,500,000 at the 2011 Annual General Meeting. This fee pool covers payments (including superannuation) for the main Board and Committees (from FY22) and payments to the Bank's Non-executive Directors appointed to subsidiary boards and the Community Bank National Council.

The People, Culture and Transformation Committee (the "Committee") recommends to the Board the remuneration arrangements for Non-executive Directors. The fees are reviewed annually by the Committee and the following considerations are taken into account in setting the fees:

a. The scope of responsibilities of Non-executive Directors and time commitments. This includes consideration of significant changes to the Group's operations and industry developments which impact workloads and responsibilities at the Board and committee level.

b. Fees paid by peer companies and companies of similar market capitalisation and complexity, including survey data and peer analysis to understand the level of Director fees paid in the market, particularly in the banking and finance sector.

Non-executive Directors fees are inclusive of superannuation contributions at 10 percent. In relation to the superannuation contributions, Non-executive Directors can elect to receive amounts above the maximum contributions limit as cash.

During the year the Bank undertook a review of the Non-executive Director fee structure. Historically, the Bank has paid an all-inclusive fee, which compensated Non-executive Directors for their time on the main board and committees. Following a review of the fee structure it was determined it would be appropriate to introduce committee fees in line with market practice. These changes were effective from 1 January 2022. There was no change to the Board Chair's fee in FY22. The Chair receives a higher base fee in recognition of the additional time commitment and responsibilities and does not receive separate committee fees.

The following table shows the annual fees in FY22 for the Board and committees (inclusive of company superannuation contributions).

Board/Committee	Fee (up until 31 December 2021)		Fee (from 1 January 2022)	
	Chair[1]	Member	Chair[1]	Member
Board	$479,230	$201,780	$479,230	$165,000
Committees	N/A	N/A	$30,000	$20,000

1. Chair fees are all inclusive i.e. a separate committee member fee is not paid.

Additional fees are paid to Non-executive Directors appointed to the Community Bank National Council.

The Directors contribute $5,000 each to the Bank's scholarship program. The program was established to assist disadvantaged students from regional areas meet tertiary education accommodation and direct study costs. The contributions are deducted from Base Board fee payments.

7.2 Non-executive Director minimum shareholding requirements

From FY21 the Board introduced a minimum shareholding requirement of 100 percent of annual Base Board fee for all Non-executive Directors. Directors have five years from the introduction of the policy or their date of appointment to meet the shareholding requirements. Once the minimum shareholding level has been assessed as met for the first time, the Director will be deemed to have met the policy requirements. The policy was introduced on 25 August 2020. See Section 1.1 for the status of each Non-executive Director as at 30 June 2022.

7.3 Rights to Shares plan

A fee sacrifice Rights to Shares Plan was introduced in FY21 for Non-executive Directors, to be offered annually, on an opt-in basis under the terms of the BEN Omnibus Equity Plan. Participants can nominate to sacrifice a minimum of $10,000 of fees, up to a maximum of 100 percent, to be issued as Rights to Shares. The Rights to Shares are allocated after the announcement of year-end results, Appendix 4E. The number of Rights to Shares is allocated on a face value methodology, with the nominated fee sacrificed amount divided by the five-day volume weighted average closing price from the date of the Appendix 4E announcement for that plan year.

The Rights to Shares are allocated in two tranches, with the first tranche vesting after that plan year's Appendix 4D announcement and the second tranche vesting post the Appendix 4E announcement for the following financial year. Vested shares must be held for the earlier of 15 years or the Non-executive Director's retirement from the Board.

7.4 Non-executive Director statutory remuneration

Non-executive Director	Year	Short-term benefits: Fees [1]	Short-term benefits: Rights to Shares plan [2]	Short-term benefits: Non-monetary benefits [3]	Post-employment benefits: Superannuation contributions	Total
J Hey (Chair)	2022	$411,867	$45,559	-	$23,042	$480,468
	2021	$389,718	$45,748	-	$21,694	$457,160
V Carter	2022	$190,176	-	-	$19,018	$209,194
	2021	$175,820	-	-	$16,838	$192,658
R Deutsch	2022 (part year)	$149,956	-	-	$14,996	$164,952
	2021	-	-	-	-	-
D Foster	2022	$190,176	-	-	$19,018	$209,194
	2021	$175,820	-	-	$16,838	$192,658
J Harris	2022	$160,176	$30,000	-	$19,018	$209,194
	2021	$145,823	$29,997	-	$16,838	$192,658
J Hazel	2022	$185,615	-	-	$18,562	$204,177
	2021	$175,820	-	-	$16,838	$192,658
D Matthews [4]	2022	$197,965	-	$5,696	$19,976	$223,637
	2021	$184,333	-	$5,696	$18,198	$208,227
V Weekes	2022 (part year)	$70,245	-	-	$7,024	$77,269
	2021	-	-	-	-	-
Former Non-executive Directors						
R Hubbard	2022 (part year)	$66,324	-	–	$6,632	$72,956
	2021	$130,543	$49,999	–	$12,115	$192,657
A Robinson	2022 (part year)	$66,324	-	–	$6,819	$73,143
	2021	$175,870		–	$16,842	$192,712
Totals	**2022**	**$1,688,824**	**$75,559**	**$5,696**	**$154,105**	**$1,924,184**
	2021	**$1,553,747**	**$125,744**	**$5,696**	**$136,201**	**$1,821,388**

1 Fee amounts include the $5,000 Director contribution to the Bank's scholarship program. From 1 July 2020 the Chair elected to an ongoing reduction in their fee of 5% to $479,230, inclusive of superannuation. In addition, the Non-executive Directors nominated to reduce base fees by 10% for the period 1 November 2020 through to 30 April 2021 inclusive, in recognition of the performance of the Bank during the difficult 2020 year. All fees were reinstated in FY22.

2 Includes fee sacrifice component of the Base Board fee sacrificed as part of the FY22 NED Rights to Shares Plan.

3 Includes fee sacrifice component of the Base Board fee paid as superannuation.

4 The fees paid to Mr Matthews include $15,500 as a member of the Community Bank National Council.

7.5 Shares and other securities held by Non-executive Directors

Non-Executive Director	Equity Instrument	Number at start of year	Granted during the year [1]	Vested or released [2]	Lapsed or expired	Net change other	Number at end of year
J Hey (Chair)	Ordinary shares	46,844	-	5,807	-	2,426	55,077
	Preference Shares	250	-	-	-	-	250
	Rights to Shares	3,524	4,565	(5,807)	-	-	2,282
V Carter	Ordinary shares	17,858	-	-	-	6,992	24,850
	Preference Shares	-	-	-	-	-	-
	Rights to Shares	-	-	-	-	-	-
R Deutsch	Ordinary shares	-	-	-	-	3,000	3,000
	Preference Shares	-	-	-	-	-	-
	Rights to Shares	-	-	-	-	-	-
D Foster	Ordinary shares	7,526	-	-	-	2,513	10,039
	Preference Shares	-	-	-	-	-	-
	Rights to Shares	-	-	-	-	-	-
J Harris	Ordinary shares	10,311	-	3,814	-	-	14,125
	Preference Shares	-	-	-	-	-	-
	Rights to Shares	2,311	3,006	(3,814)	-	-	1,503
J Hazel	Ordinary shares	38,885	-	-	-	1,785	40,670
	Preference Shares	-	-	-	-	-	-
	Rights to Shares	-	-	-	-	-	-
D Matthews	Ordinary shares	38,371	-	-	-	2,149	40,520
	Preference Shares	-	-	-	-	-	-
	Rights to Shares	-	-	-	-	-	-
V Weekes	Ordinary shares	-	-	-	-	5,500	5,500
	Preference Shares	-	-	-	-	-	-
	Rights to Shares	-	-	-	-	-	-
Former Non-executive Directors							
R Hubbard	Ordinary shares	31,113	-	3,852	-	761	35,726
	Preference Shares	-	-	-	-	-	-
	Rights to Shares	3,852	-	(3,852)	-	-	-
A Robinson	Ordinary shares	43,140	-	-	-	-	43,140
	Preference Shares	-	-	-	-	-	-
	Rights to Shares	-	-	-	-	-	-

[1] Ms Hey and Ms Harris elected to participate in the FY22 Rights to Shares Plan. Rights to Shares were allocated on 23 August 2021 using a volume weighted average closing price of $9.98 in two tranches.

[2] The FY22 Rights to Shares Plan first tranche vested on 4 March 2022 coinciding with the Bank's half yearly results.

This Directors' Report is signed in accordance with a resolution of the Board of Directors.

Jacqueline Hey
Chair
5 September 2022

Marnie Baker
Chief Executive Officer and Managing Director
5 September 2022

Financial highlights

The following table provides a summary of the last five years' key metrics. Note some of the key indicators in the table below are non-IFRS measures and are unaudited.

		Group				
		June 2022	June 2021	June 2020	June 2019[1]	June 2018
Financial performance						
Net interest income	($m)	1,416.8	1,422.5	1,333.8	1,289.6	1,305.2
Other revenue	($m)	293.0	382.9	300.6	277.9	338.3
Operating expenses	($m)	(1,035.6)	(1,033.7)	(1,179.8)	(965.2)	(938.4)
Credit reversals/(expenses)	($m)	27.2	(18.0)	(168.5)	(50.3)	(70.6)
Income tax expense	($m)	(213.3)	(229.7)	(93.3)	(175.2)	(200.0)
Net profit attributable to owners of the Bank	**($m)**	**488.1**	**524.0**	**192.8**	**376.8**	**434.5**
Add back: total non-cash and specific items [2]	($m)	12.3	(66.8)	108.9	38.9	10.6
Cash earnings after income tax [3]	**($m)**	**500.4**	**457.2**	**301.7**	**415.7**	**445.1**
Financial position						
Net loans and other receivables	($m)	77,610.4	71,920.6	64,980.4	61,822.2	61,601.8
Total assets	($m)	95,243.7	86,577.2	76,008.9	72,435.3	71,439.8
Deposits	($m)	74,583.9	66,217.1	58,912.4	56,897.5	55,663.5
Total liabilities	($m)	88,531.8	80,223.7	70,210.7	66,969.1	65,819.5
Total equity	($m)	6,711.9	6,353.5	5,798.2	5,631.6	5,620.3
Risk weighted assets	($m)	42,197.9	40,469.3	38,215.2	37,483.1	38,256.4
Common Equity Tier 1 capital ratio	(%)	9.68	9.57	9.25	8.92	8.62
Total capital ratio	(%)	13.60	13.81	13.61	13.14	12.85
Share information (per ordinary share)						
Net tangible assets	($)	8.71	8.66	7.98	8.03	8.16
Earnings per share (statutory basis)	(¢)	87.5	98.1	38.1	77.1	89.9
Earnings per share (cash basis) [3]	(¢)	89.8	85.6	59.7	85.0	92.1
Total fully franked dividend	(¢)	53.0	50.0	35.5	70.0	70.0
Shareholder ratios						
Return on average tangible equity (cash basis) [3]	(%)	10.28	10.27	7.42	10.73	11.52
Return on average assets (cash basis) [3]	(%)	0.59	0.60	0.42	0.61	0.65
Return on average ordinary equity (cash basis) [3]	(%)	7.72	7.67	5.36	7.55	8.23
Return on average ordinary equity (statutory basis)	(%)	7.53	8.79	3.43	6.84	8.03
Key trading indicators						
Number of staff (excluding Community Banks)	(FTE)	4,652	4,483	4,776	4,540	4,426
Assets per staff member	($m)	20.5	19.3	15.9	16.0	16.1
Asset quality						
Impaired loans	($m)	133.1	208.8	240.5	310.9	335.8
Individually assessed provisions	($m)	(57.1)	(93.0)	(77.5)	(127.6)	(118.3)
Net impaired loans	**($m)**	**76.0**	**115.8**	**163.0**	**183.3**	**217.5**
Net impaired loans % of gross loans	(%)	0.10	0.16	0.25	0.29	0.35
Individually assessed provision for impairment	($m)	58.1	94.3	78.4	128.5	119.3
Individually assessed provision % of gross loans	(%)	0.07	0.13	0.12	0.21	0.20
Collectively assessed provision	($m)	225.7	246.7	263.2	157.0	48.2
General reserve for credit losses (GRCL)	($m)	87.8	104.7	86.6	77.3	140.3
Collectively assessed provision & GRCL % of risk-weighted assets	(%)	0.74	0.87	0.92	0.63	0.49

1 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 Specific items are those items that are deemed to be outside of the Group's core activities and hence these items are not considered to be representative of the Group's ongoing financial performance.

3 Cash earnings is an unaudited, non-IFRS financial measure. It is considered by management to be a key indicator of the underlying performance of the core business activities of the Group. The basis for determining cash earnings is net profit after tax, adjusted for specific items, amortisation on acquired intangibles and Homesafe net realised income. All adjustments are net of tax.

Financial Statements

Income statement
For the year ended 30 June 2022

		Group		Bank	
		June 2022	June 2021	June 2022	June 2021
	Note	$m	$m	$m	$m
Net interest income					
Interest income		1,749.1	1,867.8	1,731.0	1,846.6
Interest expense		(332.3)	(445.3)	(284.8)	(400.7)
Total net interest income	3	**1,416.8**	**1,422.5**	**1,446.2**	**1,445.9**
Other revenue					
Fees		141.2	158.7	126.1	144.2
Commissions and management fees		57.6	53.5	18.1	16.1
Other income		94.2	170.7	138.0	56.2
Total other revenue	3	**293.0**	**382.9**	**282.2**	**216.5**
Total income		**1,709.8**	**1,805.4**	**1,728.4**	**1,662.4**
Credit expenses					
Credit reversals/(expenses)		23.4	(20.7)	24.6	(16.9)
Bad and doubtful debts recovered		3.8	2.7	3.8	2.2
Total credit reversals/(expenses)	3	**27.2**	**(18.0)**	**28.4**	**(14.7)**
Operating expenses					
Staff and related costs		(604.1)	(589.8)	(588.5)	(573.8)
Occupancy costs		(35.7)	(35.9)	(35.7)	(35.6)
Amortisation and depreciation costs		(90.9)	(92.0)	(90.1)	(90.9)
Fees and commissions		(19.4)	(20.2)	(6.8)	(8.6)
Other operating expenses		(285.5)	(295.8)	(281.8)	(319.4)
Total operating expenses	3	**(1,035.6)**	**(1,033.7)**	**(1,002.9)**	**(1,028.3)**
Profit before income tax expense		**701.4**	**753.7**	**753.9**	**619.4**
Income tax expense	4	(213.3)	(229.7)	(203.6)	(191.7)
Net profit attributable to owners of the Bank		**488.1**	**524.0**	**550.3**	**427.7**

Earnings per share		cents	cents
Basic	6	**87.5**	98.1
Diluted	6	**77.6**	82.6

Statement of comprehensive income
For the year ended 30 June 2022

		Group		Bank	
		June 2022	June 2021	June 2022	June 2021
	Note	$m	$m	$m	$m
Profit for the year		**488.1**	**524.0**	**550.3**	**427.7**
Items which may be reclassified subsequently to profit or loss:					
Revaluation (loss)/gain on debt securities at FVOCI	22	(84.8)	(0.5)	(420.6)	304.0
Impairment of debt securities at FVOCI	22	0.1	-	0.1	-
Gains on cash flow hedge instruments	22	46.1	32.5	46.1	32.5
Tax effect on items taken directly to or transferred from equity	22	20.2	(9.6)	120.8	(101.0)
Total items that may be reclassified to profit or loss		**(18.4)**	**22.4**	**(253.6)**	**235.5**
Items which will not be reclassified subsequently to profit or loss:					
Revaluation gain on equity investments at FVOCI	22	4.7	13.5	5.4	12.7
Actuarial loss on defined benefit superannuation plan	22	-	(0.9)	-	(0.9)
Tax effect on items taken directly to or transferred from equity	22	(1.4)	(3.9)	(1.6)	(3.7)
Total items that will not be reclassified to profit or loss		**3.3**	**8.7**	**3.8**	**8.1**
Total comprehensive income for the year		**473.0**	**555.1**	**300.5**	**671.3**
Total comprehensive income for the year attributable to:					
Owners of the Bank		473.0	555.1	300.5	671.3

Balance sheet
As at 30 June 2022

	Note	Group June 2022 $m	Group June 2021 $m	Bank June 2022 $m	Bank June 2021 $m
Assets					
Cash and cash equivalents	8	3,541.0	7,086.3	3,082.3	6,631.6
Due from other financial institutions	8	188.0	173.4	188.0	173.4
Financial assets at fair value through profit or loss (FVTPL)	11	30.5	1,678.7	30.5	1,678.7
Financial assets at amortised cost	12	861.7	351.5	603.9	135.5
Financial assets at fair value through other comprehensive income (FVOCI)	13	9,618.1	2,186.1	23,300.4	15,060.7
Derivatives	18	59.9	59.1	59.9	59.1
Net loans and other receivables	9	77,610.4	71,920.6	77,118.4	71,304.1
Investments accounted for using the equity method		14.5	9.7	14.5	9.7
Shares in controlled entities	29	-	-	112.8	103.7
Property, plant and equipment		179.6	205.9	179.5	205.2
Deferred tax assets	4	48.6	42.2	184.6	81.1
Investment property	23	920.3	901.7	-	-
Goodwill and other intangible assets	24	1,808.3	1,631.9	1,741.9	1,564.8
Other assets	25	362.8	330.1	1,397.9	1,394.6
Total Assets		**95,243.7**	**86,577.2**	**108,014.6**	**98,402.2**
Liabilities					
Due to other financial institutions	8	178.8	175.4	178.8	175.4
Deposits	14	74,583.9	66,217.1	74,589.7	66,229.3
Other borrowings	15	11,703.0	11,736.3	7,863.0	8,138.6
Derivatives	18	34.8	45.3	34.8	45.3
Amounts payable to controlled entities		-	-	408.3	394.3
Loans payable to securitisation trusts	17	-	-	16,686.7	15,328.5
Income tax payable	4	50.6	44.2	50.6	44.2
Provisions	27	122.2	120.5	122.2	120.4
Other payables	26	492.4	501.7	466.6	481.3
Loan capital	16	1,366.1	1,383.2	1,366.1	1,383.2
Total Liabilities		**88,531.8**	**80,223.7**	**101,766.8**	**92,340.5**
Net Assets		**6,711.9**	**6,353.5**	**6,247.8**	**6,061.7**
Equity					
Share capital	21	5,219.5	5,049.5	5,219.5	5,049.5
Reserves	22	105.9	138.0	67.2	329.8
Retained earnings	22	1,386.5	1,166.0	961.1	682.4
Total Equity		**6,711.9**	**6,353.5**	**6,247.8**	**6,061.7**

Statement of changes in equity
For the year ended 30 June 2022

	Group				
	Attributable to owners of Bendigo and Adelaide Bank Limited				
	Issued ordinary capital $m	Other issued capital [1] $m	Retained earnings [2] $m	Reserves [2] $m	Total equity $m
Opening balance at 1 July 2021	**5,053.1**	**(3.6)**	**1,166.0**	**138.0**	**6,353.5**
Comprehensive income					
Profit for the year	-	-	488.1	-	488.1
Other comprehensive income	-	-	-	(15.1)	(15.1)
Total comprehensive income for the year	**-**	**-**	**488.1**	**(15.1)**	**473.0**
Transactions with owners in their capacity as owners:					
Shares issued	178.1	-	-	-	178.1
Purchase of Treasury shares	(8.6)	-	-	-	(8.6)
Movement in Executive Share plans	(0.1)	-	-	-	(0.1)
Reduction in employee share ownership plan (ESOP) shares	-	0.6	-	-	0.6
Movement in general reserve for credit losses (GRCL)	-	-	16.9	(16.9)	-
Movement in operational risk reserve	-	-	4.2	(4.2)	-
Share based payment	-	-	0.9	4.1	5.0
Equity dividends	-	-	(289.6)	-	(289.6)
Closing balance at 30 June 2022	**5,222.5**	**(3.0)**	**1,386.5**	**105.9**	**6,711.9**

For the year ended 30 June 2021

	Group				
	Attributable to owners of Bendigo and Adelaide Bank Limited				
	Issued ordinary capital $m	Other issued capital [1] $m	Retained earnings [2] $m	Reserves [2] $m	Total equity $m
Opening balance at 1 July 2020	**4,909.3**	**(4.3)**	**805.9**	**87.3**	**5,798.2**
Comprehensive income					
Profit for the year	-	-	524.0	-	524.0
Other comprehensive income	-	-	(0.8)	31.9	31.1
Total comprehensive income for the year	**-**	**-**	**523.2**	**31.9**	**555.1**
Transactions with owners in their capacity as owners:					
Shares issued	155.4	-	-	-	155.4
Purchase of Treasury shares	(11.8)	-	-	-	(11.8)
Movement in Executive Share plans	0.2	-	-	-	0.2
Reduction in employee share ownership plan (ESOP) shares	-	0.7	-	-	0.7
Movement in general reserve for credit losses (GRCL)	-	-	(18.1)	18.1	-
Share based payment	-	-	1.3	0.7	2.0
Equity dividends	-	-	(146.3)	-	(146.3)
Closing balance at 30 June 2021	**5,053.1**	**(3.6)**	**1,166.0**	**138.0**	**6,353.5**

[1] Refer to Note 21 for further details.
[2] Refer to Note 22 for further details.

Statement of changes in equity (continued)
For the year ended 30 June 2022

	Bank				
	Attributable to owners of Bendigo and Adelaide Bank Limited				
	Issued ordinary capital $m	Other issued capital [1] $m	Retained earnings [2] $m	Reserves [2] $m	Total equity $m
Opening balance at 1 July 2021	**5,053.1**	**(3.6)**	**682.4**	**329.8**	**6,061.7**
De-registered subsidiary companies	-	-	0.2	-	0.2
Comprehensive income					
Profit for the year	-	-	550.3	-	550.3
Other comprehensive income	-	-	-	(249.8)	(249.8)
Total comprehensive income for the year	**-**	**-**	**550.3**	**(249.8)**	**300.5**
Transactions with owners in their capacity as owners:					
Shares issued	178.1	-	-	-	178.1
Purchase of Treasury shares	(8.6)	-	-	-	(8.6)
Movement in Executive Share plans	(0.1)	-	-	-	(0.1)
Reduction in employee share ownership plan (ESOP) shares	-	0.6	-	-	0.6
Movement in general reserve for credit losses (GRCL)	-	-	16.9	(16.9)	-
Share based payment	-	-	0.9	4.1	5.0
Equity dividends	-	-	(289.6)	-	(289.6)
Closing balance at 30 June 2022	**5,222.5**	**(3.0)**	**961.1**	**67.2**	**6,247.8**

For the year ended 30 June 2021

	Bank				
	Attributable to owners of Bendigo and Adelaide Bank Limited				
	Issued ordinary capital $m	Other issued capital [1] $m	Retained earnings [2] $m	Reserves [2] $m	Total equity $m
Opening balance at 1 July 2020	**4,909.3**	**(4.3)**	**427.6**	**66.6**	**5,399.2**
De-registered subsidiary companies	-	-	(9.0)	-	(9.0)
Comprehensive income					
Profit for the year	-	-	427.7	-	427.7
Other comprehensive income	-	-	(0.8)	244.4	243.6
Total comprehensive income for the year	**-**	**-**	**426.9**	**244.4**	**671.3**
Transactions with owners in their capacity as owners:					
Shares issued	155.4	-	-	-	155.4
Purchase of Treasury shares	(11.8)	-	-	-	(11.8)
Movement in Executive Share plans	0.2	-	-	-	0.2
Reduction in employee share ownership plan (ESOP) shares	-	0.7	-	-	0.7
Movement in general reserve for credit losses (GRCL)	-	-	(18.1)	18.1	-
Share based payment	-	-	1.3	0.7	2.0
Equity dividends	-	-	(146.3)	-	(146.3)
Closing balance at 30 June 2021	**5,053.1**	**(3.6)**	**682.4**	**329.8**	**6,061.7**

[1] Refer to Note 21 for further details.
[2] Refer to Note 22 for further details.

Cash flow statement
For the year ended 30 June 2022

	Note	Group June 2022 $m	Group June 2021 $m	Bank June 2022 $m	Bank June 2021 $m
Cash flows from operating activities					
Interest and other items of a similar nature received		1,812.5	1,927.8	1,568.0	1,819.1
Interest and other costs of finance paid		(351.1)	(503.7)	(312.3)	(462.5)
Receipts from customers (excluding effective interest)		257.6	250.4	199.7	206.0
Payments to suppliers and employees		(1,065.8)	(1,043.0)	(1,103.7)	(786.8)
Dividends received		5.2	0.5	89.5	25.9
Income taxes paid		(195.3)	(134.0)	(195.3)	(134.0)
Cash flows from operating activities before changes in operating assets and liabilities		**463.1**	**498.0**	**245.9**	**667.7**
(Increase)/decrease in operating assets					
Net increase in balance of loans and other receivables		(5,666.4)	(6,960.9)	(4,418.5)	(6,984.6)
Net (increase)/decrease in balance of investment securities		(6,380.1)	2,330.4	(7,145.3)	2,191.2
Increase/(decrease) in operating liabilities					
Net increase in balance of deposits		8,366.8	10,173.0	8,360.4	10,187.8
Net (decrease)/increase in balance of other borrowings		(33.3)	94.2	(275.6)	-
Net cash flows (used in)/from operating activities	28	**(3,249.9)**	**6,134.7**	**(3,233.1)**	**6,062.1**
Cash flows related to investing activities					
Cash paid for purchases of property, plant and equipment		(14.5)	(21.0)	(14.4)	(21.0)
Cash proceeds from sale of property, plant and equipment		2.9	7.5	1.1	6.1
Cash paid for purchases of investment property		(51.9)	(31.6)	-	-
Cash proceeds from sale of investment property		71.0	48.7	-	-
Cash proceeds from sale of equity investments		0.8	-	0.8	-
Cash paid for purchases of equity investments		(5.0)	-	(5.0)	-
Cash proceeds from return of capital/dividend from JV partners		1.9	-	1.9	-
Net cash received on acquisition of a business combination/acquisition		0.5	-	0.5	-
Net cash proceeds from sale of Insurance Broking and Debtor Financing businesses		4.0	-	4.0	-
Net cash flows from/(used in) investing activities		**9.7**	**3.6**	**(11.1)**	**(14.9)**
Cash flows from financing activities					
Proceeds from issue of ordinary shares		-	105.8	-	105.8
Repayment of preference shares		-	(574.3)	-	(574.3)
Payment of share issue costs		-	(0.2)	-	(0.2)
Cash paid for purchases of treasury shares		(8.7)	(3.2)	(8.7)	(3.2)
Proceeds from issuance of capital notes		-	502.5	-	502.5
Repayment of loan capital		(21.1)	-	(21.1)	-
Payment of loan capital issue costs		(0.7)	(7.4)	(0.7)	(7.4)
Proceeds from issuance of subordinated debt		125.0	146.9	125.0	146.9
Repayment of subordinated debt		(125.0)	(250.0)	(125.0)	(250.0)
Equity dividends paid		(213.7)	(105.3)	(213.7)	(105.3)
Repayment of lease liabilities		(50.3)	(51.0)	(50.3)	(51.0)
Repayment of ESOP shares		0.6	0.7	0.6	0.7
Net cash flows used in financing activities		**(293.9)**	**(235.5)**	**(293.9)**	**(235.5)**
Net (decrease)/increase in cash and cash equivalents		(3,534.1)	5,902.8	(3,538.1)	5,811.7
Cash and cash equivalents at the beginning of period		7,084.3	1,181.5	6,629.6	817.9
Cash and cash equivalents at the end of period	8	**3,550.2**	**7,084.3**	**3,091.5**	**6,629.6**

Basis of preparation

This section describes the Group's significant accounting policies that relate to the financial statements and notes of the accounts. If an accounting policy relates to a particular note, the applicable policy is contained within the relevant note.

This section also details new accounting standards, amendments and interpretations, and whether they are effective in FY22 or later years. We explain how these changes are expected to impact the financial position and performance of the Group.

1 Corporate information

The financial report of Bendigo and Adelaide Bank Limited ('the Bank') and its controlled entities ('the Group') for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the Board of Directors on 5 September 2022. The Directors have the power to amend and reissue the financial statements.

Bendigo and Adelaide Bank Limited is a company limited by shares incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange.

The domicile of Bendigo and Adelaide Bank Limited is Australia.

The registered office of the company is: The Bendigo Centre, 22 – 44 Bath Lane Bendigo, Victoria, Australia.

2 Summary of significant accounting policies

Basis of preparation

The financial report of Bendigo and Adelaide Bank Limited:

- is a general purpose financial report;
- has been prepared in accordance with Australian Accounting Standards along with interpretations issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared in accordance with the requirements of the *Corporations Act 2001*;
- has been prepared in accordance with the requirements for an authorised deposit-taking institution under the *Banking Act 1959* (as amended);
- has been presented in Australian dollars, which is the functional presentation currency of the Bank and each of its subsidiaries, with all values rounded to the nearest hundred thousand dollar ($'00,000) in accordance with ASIC Corporations (rounding in Financial/Directors' Reports) instrument 2016-191, unless otherwise stated;
- includes foreign currency transactions that are translated into the functional currency using exchange rates at the date of the transaction; and
- where necessary, presents reclassified comparatives for consistency with current year disclosures.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items that are measured at fair value in the Balance Sheet:

- Financial assets and liabilities at fair value through profit or loss (FVTPL)
- Derivative financial instruments
- Debt and equity instruments measured at fair value through other comprehensive income (FVOCI)

Significant accounting judgements, estimates and assumptions

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, revenues, expenses and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis.

Further information on these judgements, estimates and assumptions that are considered material to the financial statements have been included within the following notes:

- Note 10 Impairment of loans and advances
- Note 23 Investment property
- Note 24 Goodwill and other intangible assets

Events subsequent to reporting date

On 7 July 2022, Bendigo and Adelaide Bank Limited entered into an agreement to acquire the ANZ Investment Lending portfolio, with the transaction expected to be completed in the first half of the 2023 calendar year. The acquisition will allow the Group to further grow its margin lending business, Leveraged Equities Limited. The value of the portfolio being acquired is approximately $715 million and is subject to movements in the underlying portfolio up until the completion date. The Group will pay an immaterial premium over book value.

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.

Changes in accounting policies

New and amended standards and interpretations

Interest Rate Benchmark Reform - Phase 2 (Amendments to AASB 9, IAS39, AASB 7, AASB 4, and AASB 16)

In September 2020, the AASB issued AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2, which has an effective date for the Group of 1 July 2021. This standard addresses issues that may affect the Group at the point of transition from an existing IBOR to a RFR and provides relief from applying specific requirements related to hedge accounting and the modification of financial assets and financial liabilities if certain criteria are met.

2 **Summary of significant accounting policies** (continued)

Changes in accounting policies (continued)

The Group has exposure to IBOR, mainly BBSW, through its issuance of debt, holdings of investment securities, and associated hedging activities.

The Group expects BBSW to exist as a benchmark rate for the foreseeable future and, therefore, does not expect to be directly impacted by IBOR reform.

Recently issued or amended standards not yet effective

The following recently issued or amendments to existing standards are not expected to result in significant changes to the Group's accounting policies:

- AASB 17 *Insurance Contracts*;
- Classification of liabilities as current or non-current (Amendments to AASB 101);
- Amendments to AASB 17;
- Disclosure of Accounting Policy (Amendments to AASB 101 and IFRS Practice Statement 2);
- Definition of Accounting Estimate (Amendments to AASB 108); and
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction / Amendments to IAS 12 *Income Taxes*.

Results for the year

This section outlines the performance of the Group in more detail. Further analysis has been provided for the following key areas: revenue and expenses, income tax, segment results, earnings per share and dividends.

3 Profit

		Group		Bank	
		Jun-22	Jun-21	Jun-22	Jun-21
	Note	$m	$m	$m	$m
Interest income					
Effective interest income					
Cash and cash equivalents		0.9	0.5	0.9	0.5
Assets held at FVTPL		0.9	18.6	0.9	18.6
Assets held at FVOCI		16.0	1.7	199.9	159.6
Assets held at amortised cost		1.8	0.3	1.8	0.3
Reverse repurchase agreements		0.7	1.2	0.7	1.2
Loans and other receivables		1,728.8	1,845.5	1,526.8	1,666.4
Total interest income		**1,749.1**	**1,867.8**	**1,731.0**	**1,846.6**
Interest expense					
Deposits					
- Customer		(163.1)	(268.8)	(163.0)	(268.9)
- Wholesale		(36.9)	(35.5)	(36.9)	(35.5)
Wholesale borrowings					
- Other wholesale borrowings - domestic		(33.6)	(37.0)	(33.6)	(37.0)
- Notes payable		(47.4)	(44.7)	-	-
- Repurchase agreements		(7.5)	(5.0)	(7.5)	(5.0)
Lease liability		(4.9)	(5.9)	(4.9)	(5.9)
Loan capital		(38.9)	(48.4)	(38.9)	(48.4)
Total interest expense		**(332.3)**	**(445.3)**	**(284.8)**	**(400.7)**
Total net interest income		**1,416.8**	**1,422.5**	**1,446.2**	**1,445.9**
Other revenue					
Fee income					
Assets		81.4	85.0	69.7	73.7
Liabilities and other products		55.5	70.0	55.3	69.9
Trustee, management and other services		4.3	3.7	1.1	0.6
Total fee income		**141.2**	**158.7**	**126.1**	**144.2**
Commissions and management fees		**57.6**	**53.5**	**18.1**	**16.1**
Total revenue from contracts with customers		**198.8**	**212.2**	**144.2**	**160.3**
Other income					
Foreign exchange income		24.3	19.1	24.3	19.1
Factoring products income		0.6	1.0	0.6	1.0
Trading book (loss)/income		(0.7)	1.7	(0.7)	1.7
Homesafe revaluation gain	23	38.5	137.7	-	-
Dividend income		4.9	0.4	89.5	25.9
Other		26.6	10.8	24.3	8.5
Total other income		**94.2**	**170.7**	**138.0**	**56.2**
Total other revenue		**293.0**	**382.9**	**282.2**	**216.5**

3 **Profit** (continued)

Expenses	Note	Group Jun-22 $m	Group Jun-21 $m	Bank Jun-22 $m	Bank Jun-21 $m
Credit expenses					
Individually assessed provision	10	1.7	(34.2)	1.9	(34.2)
Collectively assessed provision	10	21.0	16.5	21.0	16.6
Bad debts written off		0.7	(3.0)	1.7	0.7
Bad debts recovered		3.8	2.7	3.8	2.2
Total credit reversals/(expenses)		**27.2**	**(18.0)**	**28.4**	**(14.7)**
Operating expenses					
Staff and related costs					
Salaries, wages and incentives		(519.0)	(510.5)	(505.7)	(496.7)
Superannuation contributions		(48.2)	(44.6)	(46.8)	(43.2)
Other staff related costs		(36.9)	(34.7)	(36.0)	(33.9)
Total staff and related costs		**(604.1)**	**(589.8)**	**(588.5)**	**(573.8)**
Occupancy costs					
Operating lease rentals		(6.3)	(5.8)	(6.3)	(5.8)
Depreciation of leasehold improvements		(8.3)	(8.2)	(8.3)	(8.2)
Other		(21.1)	(21.9)	(21.1)	(21.6)
Total occupancy costs		**(35.7)**	**(35.9)**	**(35.7)**	**(35.6)**
Amortisation and depreciation					
Amortisation of acquired intangibles	24	(6.0)	(3.0)	(5.3)	(1.9)
Amortisation of software intangibles	24	(33.4)	(27.9)	(33.3)	(27.9)
Depreciation of property, plant and equipment		(51.5)	(61.1)	(51.5)	(61.1)
Total amortisation and depreciation costs		**(90.9)**	**(92.0)**	**(90.1)**	**(90.9)**
Fees and commission expense		**(19.4)**	**(20.2)**	**(6.8)**	**(8.6)**
Other operating expenses					
Communications, postage and stationery		(33.8)	(33.4)	(33.7)	(35.5)
Computer systems and software costs		(87.0)	(79.4)	(86.2)	(76.5)
Advertising and promotion		(22.9)	(28.3)	(22.7)	(27.5)
Other product and services delivery costs		(17.0)	(22.8)	(17.0)	(22.8)
Consultancy fees		(32.3)	(59.9)	(31.4)	(59.4)
Non-credit losses		(13.2)	(7.9)	(13.2)	(7.9)
Insurance costs		(12.4)	(10.8)	(12.4)	(10.8)
Other expenses		(66.9)	(53.3)	(65.2)	(79.0)
Total other operating expenses		**(285.5)**	**(295.8)**	**(281.8)**	**(319.4)**
Total operating expenses		**(1,035.6)**	**(1,033.7)**	**(1,002.9)**	**(1,028.3)**

Recognition and measurement

Interest income or expense on financial instruments that are recognised at amortised cost or fair value through other comprehensive income are measured using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial instrument. Calculation of the effective interest rate takes into account fees receivable (i.e. origination and application fees) or payable that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows. Where the Group acts as a lessee, and a lease liability has been recognised, the interest expense associated with the lease liability is recognised as an interest expense.

Trading book (loss)/income represents the fair value adjustments for financial assets measured at FVTPL.

Commissions and management fees are earned by the Group from a diverse range of financial services provided to customers. Fees, commissions and management fees are recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or over the contract period for a service provided over time.

Dividend income is recognised by the Group when the right to receive a payment is established.

Homesafe revaluation gain reflects the gains arising from changes in the fair value of investment property and are recognised in the year in which they arise.

Refer to Note 23 for further information.

3 **Profit** (continued)

Recognition and measurement (continued)

Operating expenses are recognised as the relevant service is rendered, or once a liability is incurred.

Credit expenses are measured as the difference between the carrying amount and the value of the estimated future cash flows, discounted at the financial instrument's original effective interest rate. Refer to Note 10 for more information on the impairment of loans and advances.

Staff and related costs are recognised over the period in which the employees provide the service.

Refer to Note 27 for more information relating to provisions for employee entitlements.

Incentive payments are recognised to the extent that the Group has a present obligation. Refer to Note 33 for further information on share based payments.

Superannuation contributions are made to an employee accumulation fund and are expensed when they become payable.

Occupancy costs includes operating lease expenses relating to low value assets and short-term leases, being leases with a term of 12 months or less.

Amortisation
Refer to Note 24 for information on the amortisation of intangibles.

Depreciation of Property, Plant and Equipment includes depreciation expenses associated with operating leases, which are recognised as Right of Use Assets (ROUA). Refer to Note 36 for further information on the depreciation of leased assets.

Goods and services tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the Balance Sheet. Cash flows are included in the Cash Flow Statement on a gross basis. The GST component of cash flows arising from investing and financing activities, which are recoverable from or payable to the taxation authority, are classified as operating cash flows.

4 Income tax expense

Major components of income tax expense are:

	Group		Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
Income Statement	$m	$m	$m	$m
Current income tax				
Current income tax charge	(209.2)	(200.1)	(197.7)	(197.5)
Franking credits	2.8	0.8	2.8	0.8
Adjustments in respect of current income tax of previous years	5.7	3.6	7.0	3.8
Deferred income tax				
Adjustments in respect of deferred income tax of previous years	(4.6)	(1.8)	(5.7)	(2.0)
Relating to origination and reversal of temporary differences	(8.0)	(32.2)	(10.0)	3.2
Income tax expense reported in the Income Statement	**(213.3)**	**(229.7)**	**(203.6)**	**(191.7)**
Statement of changes in equity	$m	$m	$m	$m
Deferred income tax related to items charged or credited directly in equity				
Net gain on cash flow hedges	(5.3)	(9.8)	(5.3)	(9.8)
Net loss/(gain) on financial assets at FVOCI	24.1	(3.8)	124.5	(95.0)
Actuarial loss on superannuation defined benefits plan	-	0.1	-	0.1
Income tax charged or credited in equity	**18.8**	**(13.5)**	**119.2**	**(104.7)**

A reconciliation between income tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	$m	$m	$m	$m
Accounting profit before income tax	**701.4**	**753.7**	**753.9**	**619.4**
Income tax expense comprises amounts set aside as:				
Provision attributable to current year at statutory rate, being:				
Prima facie tax on accounting profit before tax	(210.4)	(226.1)	(226.2)	(185.8)
Under provision in prior years	1.1	1.8	1.3	1.8
Tax credits and adjustments	2.8	0.8	2.8	0.8
Expenditure not allowable for income tax purposes	(7.5)	(9.3)	(7.5)	(16.5)
Other non assessable income	1.9	3.5	1.8	0.8
Tax effect of tax credits and adjustments	(0.8)	(0.2)	(0.8)	(0.2)
Dividends received	-	-	25.3	7.6
Other	(0.4)	(0.2)	(0.3)	(0.2)
Income tax expense reported in the Income Statement	**(213.3)**	**(229.7)**	**(203.6)**	**(191.7)**

Deferred income tax

Deferred income tax at 30 June relates to the following:

	Group		Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
Gross deferred tax assets	$m	$m	$m	$m
Derivatives	44.4	13.8	44.4	13.8
Employee benefits	31.6	31.2	31.6	31.2
Provisions	89.4	106.5	89.1	106.4
Lease liability	44.7	54.1	44.7	53.9
Financial assets at FVOCI	19.5	-	36.1	-
Other	34.9	24.9	33.9	24.4
Gross deferred tax assets	**264.5**	**230.5**	**279.8**	**229.7**
Set-off of deferred tax assets and deferred tax liabilities	(215.9)	(188.3)	(95.2)	(148.6)
Net deferred tax assets	**48.6**	**42.2**	**184.6**	**81.1**

4 **Income tax expense** (continued)

Deferred income tax (continued)

	Group		Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
Gross deferred tax liabilities	$m	$m	$m	$m
Net gain on financial assets at FVOCI	-	4.5	-	88.4
Derivatives	53.6	17.8	53.6	17.8
Intangible assets	15.0	5.5	14.9	5.0
Investment property	120.6	122.2	-	-
Property, plant and equipment	19.1	26.8	19.1	26.6
Other	7.6	11.5	7.6	10.8
Gross deferred tax liability	**215.9**	**188.3**	**95.2**	**148.6**
Set-off of deferred tax assets and deferred tax liabilities	**(215.9)**	**(188.3)**	**(95.2)**	**(148.6)**
Net deferred tax liabilities	**-**	**-**	**-**	**-**

Income tax payable	$m	$m	$m	$m
Tax payable attributable to members of the tax consolidated group	50.6	44.2	50.6	44.2
	50.6	**44.2**	**50.6**	**44.2**

At 30 June 2022, there is no unrecognised deferred income tax liability (June 2021: Nil) for taxes that would be payable on the unremitted earnings of certain subsidiaries or joint ventures of the Group, as the Group has no liability for additional taxation should such amounts be remitted.

At 30 June 2022, the Group had unused capital losses of $9.7 million (June 2021: Nil). The amount includes an estimate of tax losses on the disposal of assets from the debtor finance business. A deferred tax asset has not been recognised in respect of these losses as the utilisation is not regarded as probable.

Recognition and measurement

Current taxes
The income tax for the period is the tax payable on the current period's taxable income based on the national income tax rate, adjusted for changes in deferred tax assets and liabilities and unused tax losses.

Deferred taxes
The Group has adopted the Balance Sheet liability method of tax effect accounting, which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Balance Sheet or a tax-based Balance Sheet.

Deferred tax assets and liabilities are recognised for temporary differences, except where the deferred tax asset/liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

For amounts directly recognised in equity, the associated current and deferred tax balances are also recognised directly in equity.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax balances are reviewed annually to determine whether they should be recognised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Balance Sheet date.

Tax consolidation
Bendigo and Adelaide Bank Limited and its 100% owned subsidiaries form the tax consolidated Group. Members of the Group entered into a tax sharing agreement to allocate income tax liabilities to the wholly-owned subsidiaries should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated Group is Bendigo and Adelaide Bank Limited.

Members of the tax consolidated Group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated Group on a group allocation method based on a notional stand alone calculation, while deferred taxes are calculated by members of the tax consolidated Group in accordance with AASB 112 *Income Taxes*.

5 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.

To support the next phase of the Group's growth and transformation strategy, on 1 February 2022 the Group announced the aggregation of the Business and Agribusiness customer groups. The restructure triggered a review of the Group's operating segments. The Group's revised reportable segments are Consumer, Business and Agribusiness and Corporate.

Consumer
The Consumer division focuses on engaging with and servicing our consumer customers and includes the branch network (including Community Banks and Alliance Banks), Up digital bank, mobile relationship managers, third party banking channels, wealth services, Homesafe, and customer support functions.

Business and Agribusiness
The Business and Agribusiness division is focused on servicing business customers, particularly small and medium businesses who are seeking a relationship banking experience and includes portfolio funding, Delphi Bank and all banking services provided to agribusiness, rural and regional Australian communities through the Rural Bank brand.

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 funds 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.

	30 June 2022			
	Consumer	Business & Agribusiness	Corporate	**Total**
	$m	$m	$m	**$m**
Net interest income	917.4	478.5	21.5	**1,417.4**
Other income	220.0	61.6	10.9	**292.5**
Total segment income	**1,137.4**	**540.1**	**32.4**	**1,709.9**
Operating expenses	(433.6)	(132.7)	(450.0)	**(1,016.3)**
Credit reversals	4.4	14.6	8.2	**27.2**
Total segment expenses	**(429.2)**	**(118.1)**	**(441.8)**	**(989.1)**
Net profit before income tax expense (cash basis)	**708.2**	**422.0**	**(409.4)**	**720.8**
Income tax expense	(216.0)	(128.9)	124.5	**(220.4)**
Net profit after income tax expense (cash basis)	**492.2**	**293.1**	**(284.9)**	**500.4**
Non-cash net interest income items	(0.5)	-	-	**(0.5)**
Non-cash other income items	0.4	1.7	-	**2.1**
Non-cash operating expense items	(8.4)	(4.5)	(1.0)	**(13.9)**
Net profit after income tax expense (statutory basis)	**483.7**	**290.3**	**(285.9)**	**488.1**

5 **Segment results** (continued)

	30 June 2021			
	Consumer	Business & Agribusiness	Corporate	**Total**
	$m	$m	$m	**$m**
Net interest income	904.1	486.0	33.7	**1,423.8**
Other income	204.5	66.1	8.1	**278.7**
Total segment income	**1,108.6**	**552.1**	**41.8**	**1,702.5**
Operating expenses	(446.1)	(138.9)	(442.4)	**(1,027.4)**
Credit (expenses)/reversals	(8.3)	(25.2)	15.5	**(18.0)**
Total segment expenses	**(454.4)**	**(164.1)**	**(426.9)**	**(1,045.4)**
Net profit before income tax expense (cash basis)	**654.2**	**388.0**	**(385.1)**	**657.1**
Income tax expense	(199.1)	(118.2)	117.4	**(199.9)**
Net profit after income tax expense (cash basis)	**455.1**	**269.8**	**(267.7)**	**457.2**
Non-cash net interest income items	(0.9)	-	-	**(0.9)**
Non-cash other income items	72.9	-	-	**72.9**
Non-cash operating expense items	(4.3)	(0.9)	-	**(5.2)**
Net profit after income tax expense (statutory basis)	**522.8**	**268.9**	**(267.7)**	**524.0**

Reportable segment assets and liabilities	Consumer	Business & Agribusiness	**Total operating segments**	Corporate	**Total**
	$m	$m	**$m**	$m	**$m**
For the year ended 30 June 2022					
Reportable segment assets	58,206.9	19,743.8	**77,950.7**	17,293.0	**95,243.7**
Reportable segment liabilities	52,957.3	18,075.8	**71,033.1**	13,658.8	**84,691.9**
For the year ended 30 June 2021					
Reportable segment assets	52,594.7	19,591.9	**72,186.6**	14,390.6	**86,577.2**
Reportable segment liabilities	47,293.8	16,115.3	**63,409.1**	13,216.9	**76,626.0**

Reconciliation of reportable segments to consolidated assets and liabilities	Jun-22	Jun-21
	$m	$m
Total assets for operating segments	95,243.7	86,577.2
Total assets	**95,243.7**	**86,577.2**
Total liabilities for operating segments	84,691.9	76,626.0
Notes payable [1]	3,839.9	3,597.7
Total liabilities	**88,531.8**	**80,223.7**

[1] Refer to Note 15

6 Earnings per ordinary share

	Group	
	Jun-22	Jun-21
	Cents per share	Cents per share
Basic	87.5	98.1
Diluted	77.6	82.6

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share (EPS) are as follows:

Reconciliation of earnings used in calculation of earnings per ordinary share	$m	$m
Net profit after tax	488.1	524.0
Total statutory earnings	**488.1**	**524.0**
Earnings used in calculating statutory earnings per ordinary share	488.1	524.0
Add back: dividends accrued and/or paid on dilutive loan capital	15.9	19.1
Total diluted earnings	**504.0**	**543.1**

Reconciliation of weighted average number of ordinary shares (WANOS) used in earnings per share calculations	No. of shares	
	Jun-22	Jun-21
WANOS used in the calculation of basic earnings per share	557,537,515	534,373,747
Effect of dilution - executive performance rights	3,829,073	1,619,192
Effect of dilution - loan capital	88,235,194	121,148,692
WANOS used in the calculation of diluted earnings per share	**649,601,783**	**657,141,631**

Potentially dilutive instruments

The following instruments are potentially dilutive during the reporting period:

	Dilutive instruments	
	Jun-22	Jun-21
Loan capital instruments	Yes	Yes
Executive share options	No	No
Executive performance rights	Yes	Yes
Subordinated note (with non viability clause)	No	No

Recognition and measurement

Basic earnings per share (EPS) is calculated as net profit after tax, divided by the weighted average number of ordinary shares.

Diluted EPS is calculated as net profit after tax, add back dividends on dilutive loan capital instruments, divided by the weighted average number of ordinary shares and potentially dilutive ordinary shares, including loan capital instruments and share based payment plan rights and shares.

Executive performance rights and Loan Funded Share Plan shares - classification of securities
Executive performance rights and Loan Funded Share Plan shares are treated as dilutive from the date of issue and remain dilutive, so long as the performance conditions are satisfied.

In the event of a performance condition not being satisfied, the number of dilutive rights would be reduced to the number that would have been issued if the end of the period was the end of the contingency period.

7 Dividends

Ordinary shares (ASX: BEN)

	Group						Bank					
Dividends paid	Date paid	Cents per share	Total amount	Date paid	Cents per share	Total amount	Date paid	Cents per share	Total amount	Date paid	Cents per share	Total amount
		¢	$m		¢	$m		¢	$m		¢	$m
	Jun-21 final dividend			Jun-20 final dividend			Jun-21 final dividend			Jun-20 final dividend		
	Sep 2021	26.5	144.0	Mar 2021	4.5	23.5	Sep 2021	26.5	144.0	Mar 2021	4.5	23.5
	Dec-21 interim dividend			Dec-20 interim dividend			Dec-21 interim dividend			Dec-20 interim dividend		
	Mar 2022	26.5	145.6	Mar 2021	23.5	122.8	Mar 2022	26.5	145.6	Mar 2021	23.5	122.8
		53.0	**289.6**		**28.0**	**146.3**		**53.0**	**289.6**		**28.0**	**146.3**

Final dividend June 2022[1]

Dividends proposed since the reporting date, but not recognised as a liability:

	Group			Bank		
		¢	$m		¢	$m
	Sep 2022	26.5	146.7	Sep 2022	26.5	146.7

All dividends paid were fully franked at 30% either from existing franking credits or from franking credits arising from payment of income tax provided for in the financial statements for the year ended 30 June 2022.

1 Dividend amount payable is indicative as it is based on expected Bonus Share Scheme participation recorded at reporting date and is subject to finalisation upon confirmation by shareholders electing to participate in the Group's Bonus Share Scheme.

Preference shares and Capital notes

	Group						Bank					
	2022			2021			2022			2021		
	Date paid	Cents per share	Total amount	Date paid	Cents per share	Total amount	Date paid	Cents per share	Total amount	Date paid	Cents per share	Total amount
		¢	$m		¢	$m		¢	$m		¢	$m
Convertible preference shares (CPS2) (recorded as debt instruments) (ASX: BENPE) [1]												
				Nov 2020	117.28	3.4				Nov 2020	117.28	3.4
					117.28	**3.4**					**117.28**	**3.4**
Convertible preference shares (CPS3) (recorded as debt instruments) (ASX: BENPF) [2]												
				Dec 2020	146.35	4.1				Dec 2020	146.35	4.1
				Jun 2021	140.31	4.0				Jun 2021	140.31	4.0
					286.66	**8.1**					**286.66**	**8.1**
Converting preference shares (CPS4) (recorded as debt instruments) (ASX: BENPG)												
	Sep 2021	65.15	2.1	Sep 2020	67.19	2.2	Sep 2021	65.15	2.1	Sep 2020	67.19	2.2
	Dec 2021	65.65	2.1	Dec 2020	67.02	2.2	Dec 2021	65.65	2.1	Dec 2020	67.02	2.2
	Mar 2022	67.25	2.2	Mar 2021	65.80	2.1	Mar 2022	67.25	2.2	Mar 2021	65.80	2.1
	Jun 2022	68.14	2.2	Jun 2021	66.81	2.1	Jun 2022	68.14	2.2	Jun 2021	66.81	2.1
		266.19	**8.6**		**266.82**	**8.6**		**266.19**	**8.6**		**266.82**	**8.6**
Capital notes (recorded as debt instruments) (ASX: BENPH) [3]												
	Sep 2021	67.48	3.4				Sep 2021	67.48	3.4			
	Dec 2021	66.51	3.3				Dec 2021	66.51	3.3			
	Mar 2022	66.66	3.4	Mar 2021	76.92	3.9	Mar 2022	66.66	3.4	Mar 2021	76.92	3.9
	Jun 2022	69.77	3.5	Jun 2021	67.70	3.4	Jun 2022	69.77	3.5	Jun 2021	67.70	3.4
		270.42	**13.6**		**144.62**	**7.3**		**270.42**	**13.6**		**144.62**	**7.3**

1 Convertible preference shares (CPS2, ASX: BENPE) were redeemed in November 2020. Final dividend payment was made in November 2020.
2 Convertible preference shares (CPS3, ASX: BENPF) were redeemed in June 2021. Final dividend payment was made in June 2021.
3 Capital notes (ASX: BENPH) were issued in November 2020. First dividend payment was made in March 2021.

7 **Dividends** (continued)

Dividend franking account

	Group	
	Jun-22	Jun-21
	$m	$m
Balance of franking account as at the end of the financial year	628.1	561.2
Franking credits that will arise from the payment of income tax provided for in the financial report	50.6	44.2
Impact of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution of equity holders during the period [1]	(63.4)	(63.2)
Closing balance	**615.3**	**542.2**

1 Impact of dividends is indicative as it is based on expected Bonus Share Scheme participation recorded at reporting date and is subject to finalisation upon confirmation by shareholders electing to participate in the Group's Bonus Share Scheme.

Ordinary share dividends paid

Dividends paid by cash or satisfied by the issue of shares under the Dividend Reinvestment Plan during the year were as follows:

	Group		Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
	$m	$m	$m	$m
Paid in cash [1]	213.7	105.3	213.7	105.3
Satisfied by issue of shares [2]	75.9	41.0	75.9	41.0
	289.6	**146.3**	**289.6**	**146.3**

1 Refers to cash paid to shareholders who did not elect to participate in the Dividend Reinvestment Plan.
2 Represents the value of shares issued to participating shareholders under the Dividend Reinvestment Plan.

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 Securities Exchange over the seven trading days commencing 8 September 2022. Shares issued under this Plan rank equally with all other ordinary shares.

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 shares is equal to the volume weighted average price of Bendigo and Adelaide Bank shares traded on the Australian Securities Exchange over the seven trading days commencing 8 September 2022. Shares issued under this scheme rank equally with all other ordinary shares.

The last date for the receipt of an election notice for participation in either the Dividend Reinvestment Plan or Bonus Share Scheme 2022 final dividend is 7 September 2022.

Financial Instruments

This section covers the financial instruments held by the Group including: loans and advances, derivatives, deposits and other borrowings. This section outlines how the fair value of financial instruments is determined and the associated methodology.

Initial recognition and measurement

Financial assets and liabilities are initially recognised on the date on which the Group becomes a party to the contractual provisions of the instrument, or, in the case of loans and advances, when funds are transferred to the customers' account.

At initial recognition, the Group measures a financial instrument at its fair value plus or minus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial instrument, such as fees and commissions. Transaction costs of financial instruments carried at FVTPL are expensed in profit or loss.

Classification of financial assets

Subsequent to initial recognition, the measurement of the Group's financial assets is dependent on the business model in which it is managed and the contractual cash flow characteristics. There are four measurement classifications, being:

- amortised cost;
- fair value through other comprehensive income (FVOCI) with recycling;
- fair value through other comprehensive income (FVOCI) without recycling; and
- fair value through profit or loss (FVTPL).

The Group measures financial assets at amortised cost if the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, unless the financial asset has been designated as FVTPL. The details of these conditions are outlined below.

Financial assets with contractual terms that meet the SPPI test and that are held within a business model where the objective is to both collect contractual cashflows and sell the financial assets are measured at FVOCI with subsequent reclassification to the Income Statement, unless the financial asset has been designated as FVTPL. Non-traded equity instruments have been designated at FVOCI with no subsequent reclassification to the Income Statement. All other assets are measured at FVTPL.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives. While judgement is used in determining the business model, consideration is given to relevant, objective evidence including:

- The business purpose of the portfolio;
- The risks that affect the performance and the way those risks are managed;
- The basis on which the performance of the portfolio is evaluated; and
- The frequency and significance of sales activity.

If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

The Group assesses financial assets to evaluate if their contractual cashflows are comprised of solely payments of principal and interest (the SPPI test). 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). 'Interest' for the purpose of this test is defined as the consideration for the time value of money and credit risk, which are the most significant elements of interest within a lending arrangement. Principal amounts include repayments of lending and financing arrangements, and interest primarily relates to basic lending returns, including compensation for credit risk and the time value of money associated with the principal amount outstanding. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding.

8 Cash and cash equivalents

	Group		Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
	$m	$m	$m	$m
Notes and coins	133.4	137.1	133.4	137.1
Cash at bank	2,836.4	5,211.1	2,377.7	4,756.4
Reverse repurchase agreements	571.2	1,738.1	571.2	1,738.1
Total cash and cash equivalents	**3,541.0**	**7,086.3**	**3,082.3**	**6,631.6**

Reconciliation of cash and cash equivalents
For the purposes of the Cash Flow Statement, cash and cash equivalents includes:

	$m	$m	$m	$m
Cash and cash equivalents	3,541.0	7,086.3	3,082.3	6,631.6
Due from other financial institutions	188.0	173.4	188.0	173.4
Due to other financial institutions	(178.8)	(175.4)	(178.8)	(175.4)
	3,550.2	**7,084.3**	**3,091.5**	**6,629.6**

Recognition and measurement

Cash and cash equivalents include notes and coins at branches, unrestricted balances held with other financial institutions, reverse repurchase agreements and highly liquid financial assets with original maturities of three months or less and are subject to an insignificant risk of changes in their fair value. These assets are generally used by the Group in managing its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the Balance Sheet.

Cash at bank earns interest at variable rates based on daily bank and short-term deposit rates. Interest is recognised in the Income Statement using the effective interest method.

9 Loans and other receivables

	Note	Group Jun-22 $m	Group Jun-21 $m	Bank Jun-22 $m	Bank Jun-21 $m
Overdrafts		1,290.7	1,573.5	1,290.5	1,573.3
Credit cards		314.7	313.3	314.7	313.3
Term loans		73,952.9	67,951.7	74,893.2	68,815.6
Margin lending		1,433.2	1,480.6	-	-
Lease receivables		693.7	695.8	693.5	695.3
Factoring receivables		-	45.2	-	45.2
Other		136.1	172.5	136.1	172.5
Gross loans and other receivables		**77,821.3**	**72,232.6**	**77,328.0**	**71,615.2**
Individually assessed provision	10	(58.1)	(94.3)	(57.8)	(94.3)
Collectively assessed provision	10	(225.7)	(246.7)	(224.8)	(245.8)
Unearned income		(71.3)	(82.4)	(71.2)	(82.4)
Total provisions and unearned income		**(355.1)**	**(423.4)**	**(353.8)**	**(422.5)**
Deferred costs paid		144.2	111.4	144.2	111.4
Net loans and other receivables		**77,610.4**	**71,920.6**	**77,118.4**	**71,304.1**

Maturity analysis [1]	Group Jun-22 $m	Group Jun-21 $m	Bank Jun-22 $m	Bank Jun-21 $m
At call/overdrafts	3,872.4	4,337.8	2,439.2	2,857.1
Not longer than 3 months	1,499.5	1,134.8	1,499.5	1,134.8
Longer than 3 and not longer than 12 months	2,823.8	3,034.9	2,823.8	3,034.9
Longer than 1 and not longer than 5 years	10,062.6	10,145.6	10,062.4	10,145.2
Longer than 5 years	59,563.0	53,579.5	60,503.1	54,443.2
Gross loans and other receivables	**77,821.3**	**72,232.6**	**77,328.0**	**71,615.2**

[1] Balances exclude individually assessed and collectively assessed provisions, unearned revenue, and deferred costs and are categorised by the contracted maturity date of each loan facility.

Recognition and measurement

Loans and other receivables are debt instruments recognised initially at fair value, which represent the cash advanced to the borrower plus direct and incremental transaction costs on settlement date, when funding is advanced to the customer. Loans are subsequently measured in accordance with the Group's Classification of financial assets policy. Most loans are carried at amortised cost, which represents the gross carrying amount less allowances for credit losses. Interest on loans is recognised using the effective interest method. The estimated future cash flows used in the calculation of the effective interest rate include those determined by the contractual term of the asset, and includes all fees, transaction costs and all other premiums or discounts.

For loans carried at amortised cost, impairment losses are recognised in accordance with the three-stage expected credit loss (ECL) impairment model outlined in Note 10.

Finance leases, where the Group acts as lessor, are included in loans and other receivables. Finance leases are those where substantially all the risks and rewards of ownership of the asset have been transferred to the lessee. Lease receivables are recognised at an amount equal to the net investment in the lease.

Deferred costs include costs associated with the acquisition, origination or securitisation of loan portfolios. These costs are amortised through the Income Statement over the average life of the loans in these portfolios.

All loans are subject to continuous management review to assess whether there is any objective evidence of impairment.

For further details regarding impairment of loans refer to Note 10.

Unearned income on the Group's personal lending and leasing portfolios is brought to account over the life of the contracts on an actuarial basis.

10 **Impairment of loans and advances**

Summary of impaired financial assets	Group Jun-22 $m	Group Jun-21 $m	Bank Jun-22 $m	Bank Jun-21 $m
Impaired loans				
Loans - without individually assessed provisions	19.7	40.6	19.7	40.6
Loans - with individually assessed provisions	110.6	168.0	110.6	168.0
Restructured loans	2.8	0.2	2.8	0.2
Less: individually assessed provisions	(57.1)	(93.0)	(57.1)	(93.0)
Net impaired loans	**76.0**	**115.8**	**76.0**	**115.8**
Net impaired loans to gross loans	0.10%	0.16%	0.10%	0.16%
Portfolio facilities - past due 90 days, not well secured	2.0	2.9	2.0	2.9
Less: individually assessed provisions	(1.0)	(1.3)	(1.0)	(1.3)
Net portfolio facilities	**1.0**	**1.6**	**1.0**	**1.6**
Loans past due 90 days	$m	$m	$m	$m
Accruing loans past due 90 days, with adequate security balance	256.9	282.9	256.9	282.9
Net fair value of properties acquired through the enforcement of security	41.8	35.3	41.8	35.3

Recognition and measurement

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 received in a timely manner. This is the case even if the full extent of the loss cannot be clearly determined.

Losses for impaired loans are recognised when there is objective evidence that impairment of a loan, or portfolio of loans, has occurred. Impairment losses that are calculated on individual loans, or on groups of loans assessed collectively, are recorded in the Income Statement.

Impairment losses are calculated by discounting the expected future cash flows of a loan, which includes expected future receipts of contractual interest, at the loan's original effective interest rate, and comparing the resultant present value with the loan's current carrying amount.

Restructured loans
Restructured loans are facilities in which the original contractual terms have been modified for reasons related to the financial difficulties of the customer. Restructuring may consist of reduction of interest, principal or other payments legally due, or an extension in maturity.

Group	Stage 1	Stage 2	Stage 3			
Movements in provisions and reserve	12 month ECL $m	Lifetime ECL $m	Collectively assessed - Lifetime ECL $m	Individually assessed - Lifetime ECL $m	General reserve for credit losses $m	**Total $m**
Balance as at 1 July 2021	**126.3**	**86.8**	**33.6**	**94.3**	**104.7**	**445.7**
Transfers during the period to:						
Stage 1	1.2	(1.2)	-	-	-	-
Stage 2	(18.6)	19.3	(0.7)	-	-	-
Stage 3	(8.7)	(5.4)	14.1	-	-	-
Transfer from collectively assessed to individually assessed provisions	-	(0.4)	(1.4)	1.8	-	-
New/increased provisions	13.5	3.9	0.5	(3.5)	-	14.4
Write-back of provisions no longer required	(2.8)	(9.9)	(8.3)	-	-	(21.0)
Change in balances	(5.8)	(3.7)	(6.6)	-	(16.9)	(33.0)
Bad debts written off previously provided for	-	-	-	(34.5)	-	(34.5)
Total provision for doubtful debts as at 30 June 2022	**105.1**	**89.4**	**31.2**	**58.1**	**87.8**	**371.6**

10 Impairment of loans and advances (continued)

Group	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Collectively assessed - Lifetime ECL	Stage 3 Individually assessed - Lifetime ECL	General reserve for credit losses	Total
	$m	$m	$m	$m	$m	$m
Balance as at 1 July 2020	**116.6**	**107.7**	**38.9**	**78.4**	**86.6**	**428.2**
Transfers during the period to:						
Stage 1	1.7	(1.6)	(0.1)	-	-	-
Stage 2	(18.6)	20.8	(2.2)	-	-	-
Stage 3	(5.0)	(7.0)	12.0	-	-	-
Transfer from collectively assessed to individually assessed provisions	-	(0.3)	(0.9)	1.2	-	-
New/increased provisions	12.6	2.6	0.4	33.0	-	48.6
Write-back of provisions no longer required	(5.7)	(4.6)	(6.2)	-	-	(16.5)
Change in balances	24.7	(30.8)	(8.3)	-	18.1	3.7
Bad debts written off previously provided for	-	-	-	(18.3)	-	(18.3)
Total provision for doubtful debts as at 30 June 2021	**126.3**	**86.8**	**33.6**	**94.3**	**104.7**	**445.7**

Bank

Movements in provisions and reserve	$m	$m	$m	$m	$m	$m
Balance as at 1 July 2021	**125.5**	**86.7**	**33.6**	**94.3**	**104.7**	**444.8**
Transfers during the period to:						
Stage 1	1.2	(1.2)	-	-	-	-
Stage 2	(18.6)	19.3	(0.7)	-	-	-
Stage 3	(8.7)	(5.4)	14.1	-	-	-
Transfer from collectively assessed to individually assessed provisions	-	(0.4)	(1.4)	1.8	-	-
New/increased provisions	13.5	3.9	0.5	(3.7)	-	14.2
Write-back of provisions no longer required	(2.8)	(9.9)	(8.3)	-	-	(21.0)
Change in balances	(5.9)	(3.6)	(6.6)	-	(16.9)	(33.0)
Bad debts written off previously provided for	-	-	-	(34.6)	-	(34.6)
Total provision for doubtful debts as at 30 June 2022	**104.2**	**89.4**	**31.2**	**57.8**	**87.8**	**370.4**

	$m	$m	$m	$m	$m	$m
Balance as at 1 July 2020	**115.8**	**107.7**	**38.9**	**78.2**	**86.6**	**427.2**
Transfers during the period to:						
Stage 1	1.7	(1.6)	(0.1)	-	-	-
Stage 2	(18.6)	20.8	(2.2)	-	-	-
Stage 3	(5.0)	(7.0)	12.0	-	-	-
Transfer from collectively assessed to individually assessed provisions	-	(0.3)	(0.9)	1.2	-	-
New/increased provisions	12.6	2.6	0.4	33.0	-	48.6
Write-back of provisions no longer required	(5.7)	(4.6)	(6.2)	-	-	(16.5)
Change in balances	24.7	(30.9)	(8.3)	-	18.1	3.6
Bad debts written off previously provided for	-	-	-	(18.1)	-	(18.1)
Total provision for doubtful debts as at 30 June 2021	**125.5**	**86.7**	**33.6**	**94.3**	**104.7**	**444.8**

10 **Impairment of loans and advances** (continued)

Summary of provisions and reserve	Group Jun-22 $m	Group Jun-21 $m	Bank Jun-22 $m	Bank Jun-21 $m
Individually assessed provision				
Opening balance	94.3	78.4	94.3	78.2
Bad debts written off previously provided for	(34.5)	(18.3)	(34.6)	(18.1)
(Released)/charged to Income Statement	(1.7)	34.2	(1.9)	34.2
Closing balance Individually assessed provision	**58.1**	**94.3**	**57.8**	**94.3**
Collectively assessed provision				
Opening balance	246.7	263.2	245.8	262.4
Released to Income Statement	(21.0)	(16.5)	(21.0)	(16.6)
Closing balance Collectively assessed provision	**225.7**	**246.7**	**224.8**	**245.8**
General reserve for credit losses (GRCL)				
Opening balance	104.7	86.6	104.7	86.6
(Decrease)/increase in GRCL	(16.9)	18.1	(16.9)	18.1
Closing balance GRCL	**87.8**	**104.7**	**87.8**	**104.7**
Total provisions and reserve	**371.6**	**445.7**	**370.4**	**444.8**
Ratios				
Individually assessed provision to gross loans	0.07%	0.13%		
Total provisions and reserves to gross loans	0.48%	0.62%		
Collectively assessed provision and GRCL to risk-weighted assets	0.74%	0.87%		
Provision coverage [1]	279.19%	213.46%		

[1] Provision coverage is calculated as total provisions and reserves for doubtful debts divided by total gross impaired assets.

Recognition and measurement

Scope
The Group applies a three-stage approach to measure the allowance for expected credit losses for the following categories of financial assets that are not measured at FVTPL:

- Amortised cost financial assets;
- Debt securities at FVOCI;
- Off-Balance Sheet loan commitments; and
- Financial guarantee contracts.

Expected credit loss impairment model
The Group's allowance for credit losses calculations are outputs of credit risk models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial asset depending on credit deterioration from inception.

The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple economic scenarios based on reasonable and supportable forecasts.

This impairment model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination:

- **Stage 1** – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial asset, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those assets with a remaining maturity of less than 12 months, a probability of default corresponding to the remaining term to maturity is used.
- **Stage 2** – When a financial asset experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial asset.
- **Stage 3** – Financial assets that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

10 **Impairment of loans and advances** (continued)

Recognition and measurement (continued)

Expected credit loss impairment model (continued)
Interest income is recognised on gross carrying amounts for financial assets in Stage 1 and Stage 2, and gross carrying value net of provisions for financial assets in Stage 3.

Financial assets in Stage 1 and Stage 2 are assessed for impairment collectively, whilst those in Stage 3 are subjected to either a collective or individual impairment assessment. The Group uses the following collective provisioning models for the purpose of calculating expected credit loss:

- **Retail lending:** residential mortgages model, personal loans model, credit cards model, retail small and medium enterprise (SME) model;
- **Non-retail lending:** corporate model, commercial real estate model, agribusiness model.

Measurement of expected credit loss
The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio.

Details of these statistical parameters/inputs are as follows:

- **PD** – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognised and is still in the portfolio.
- **EAD** – The exposure at default is an estimate of the exposure at the point of default, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- **LGD** – The loss given default is an estimate of the loss arising in the case where a default occurs. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

Forward-looking information
The estimation of expected credit losses for each stage and the assessment of significant increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information may require significant judgement, particularly during periods of economic uncertainty. In assessing the forward-looking information, the Group has considered the potential impacts of the conflict in Europe, escalating inflation and increasing interest rates. The Group's expectations of future events have been based on a range of plausible scenarios and are believed to be reasonable and supportable.

Under the circumstances, however, it is recognised that uncertainty still exists and actual results may differ from these estimates.

Macroeconomic factors
In its models, the Group relies on a broad range of forward-looking economic information as inputs, such as: Gross Domestic Product (GDP) growth, unemployment rates, central-bank interest rates, and house-price growth. The inputs and models used for calculating expected credit losses may not always capture all characteristics and available data of the market at the date of the financial statements. To reflect this, qualitative adjustments or management overlays may be made using expert credit judgement.

The Group's Economic Outlook Committee (EOC) is responsible for reviewing and approving the macroeconomic forecasts. Economic scenarios are discussed and approved by the EOC, and any management overlays or adjustments required to account for identified risks that have not been considered in the modelling process are determined after consultation with business representatives. At each reporting period the modelled outcomes and any key areas of judgement are reported to the Group's Board Audit Committee and the Board Financial Risk Committee.

Multiple forward-looking scenarios
The Group determines its allowance for credit losses using five probability-weighted forward-looking scenarios. The Group considers both internal and external sources of information and data in order to achieve unbiased projections and forecasts.

The forecasts are based on consensus forecasts and expert judgement to formulate a 'base case' view of the most probable future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The process involves the development of four additional economic scenarios and consideration of the relative probabilities of each outcome. The 'base case' represents the most likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. Two downside and two upside scenarios are also generated in addition to the base case. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables, credit risk and credit losses.

The assessment and determination of forward-looking assumptions in the current environment is challenging given the inherent uncertainties surrounding the European conflict and increasing interest rates.

The Group's base case economic forecast used for the collectively assessed provision assessment as at 30 June 2022 reflects a slowing of growth following a strong recovery from the peak of the pandemic. GDP growth is forecasted to slow to around 2 percent in 2023 and 1.5 percent towards the end of 2024. Inflation is expected to continue to increase, resulting in higher interest rates which is forecasted to peak at 4.5 percent. The labour market is expected to remain strong with the unemployment rate forecasted to remain below 4 percent up to mid-2027. As interest rates continue to increase, house prices are projected to fall by nearly 13 percent by the end of 2023. Commercial property prices are expected to remain under pressure, with especially CBD properties primarily impacted. The Group's significant deterioration scenario was based on Moody's 96th percentile scenario, adjusted in line with the base forecast.

10 **Impairment of loans and advances** (continued)

Recognition and measurement (continued)

Multiple forward-looking scenarios (continued)

In this scenario, GDP growth is projected to be negative for 4 quarters while the unemployment rate peaks at 7.3 percent by March 2024. House prices are projected to fall by 24 percent and commercial property prices by 26 percent on average over the next 2 years.

The table below illustrates the weightings applied to the scenarios for the purpose of calculating the collectively assessed provisions:

Weightings	30 June 2022	30 June 2021
Base scenario	50.0%	50.0%
Significant improvement	0.0%	0.0%
Mild improvement	0.0%	5.0%
Mild deterioration	27.5%	27.5%
Significant deterioration	22.5%	17.5%

It was decided to increase the probabilities to the downside given the uncertainty of the current economic environment. The probabilities for the agricultural lending portfolio were also increased to the downside to reflect the risks associated with price pressures, higher input costs and inflated farmland values. Given the strength of this market, the probabilities are still more optimistic than for the rest of the Group with 50 percent base scenario, 10 percent mild improvement, 35 percent mild deterioration, and 5 percent significant deterioration (June 2021: 53 percent base scenario, 25 percent mild deterioration, 20 percent mild improvement, and 1 percent each to the remaining two scenarios).

The table below discloses the collectively assessed provision outcomes assuming a 100 percent weighting is applied to the relevant scenario, all other assumptions held constant.

Scenario Outcomes	30 June 2022 ($m) [1]	30 June 2021 ($m) [1]
100% Base scenario	206.6	217.0
100% Significant improvement	189.8	203.0
100% Mild improvement	196.0	207.2
100% Mild deterioration	229.2	247.5
100% Significant deterioration	266.2	347.6

[1] These outcomes exclude the GRCL.

Assessment of significant increase in credit risk (SICR)
The Group assesses whether there has been a SICR for exposures since initial recognition by comparing the current probability of default (PD) and the PD at the date of initial recognition. The assessment also considers borrower-specific quantitative and qualitative information including arrears status and hardship arrangements.

Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a SICR. Qualitative factors may be assessed to supplement the gap. Examples of situations include changes in adjudication criteria for a particular group of borrowers; changes in portfolio composition; and natural disasters impacting certain portfolios. With regards to delinquency and monitoring, there is a rebuttable presumption that the credit risk of the financial instrument has increased since initial recognition when contractual payments are more than 30 days overdue.

For retail portfolios, a 50 basis point increase in PDs combined with a doubling of the PD since origination will result in a loan transitioning to Stage 2.

The Group uses an internal rating system for its non-retail exposures. All non-retail exposures have a rating assigned that reflects the probability of default of the borrower. SICR is evaluated based on the movement in the ratings of customers, i.e. a two notch downgrade in the internal rating since origination will trigger a transfer to Stage 2.

The thresholds used for PD migration are reviewed and assessed at least annually unless there is a significant change in credit risk management practices in which case the review is brought forward.

Expected life
When measuring expected credit loss, the Group considers the maximum contractual period over which the Group is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment, and extension and rollover options. For certain revolving credit facilities, such as credit cards, the expected life is estimated based on the period over which the Group is exposed to credit risk and how the credit losses are mitigated by management actions.

Presentation of allowance for credit losses in the Balance Sheet

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the financial assets;
- Debt instruments measured at fair value through other comprehensive income: no allowance is recognised in the Balance Sheet because the carrying value of these assets is their fair value. However, the allowance determined is presented in the accumulated other comprehensive income;
- Off-Balance Sheet credit risks include undrawn lending commitments, letters of credit and letters of guarantee as a provision in other liabilities.

Definition of default
The definition of default used in measuring ECL is aligned to the definition used for internal credit risk management and regulatory purposes.

The Group considers a financial instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- significant financial difficulty of the borrower;
- default or delinquency in interest or principal payments;
- high probability of the borrower entering a phase of bankruptcy or a financial reorganisation;
- measurable decrease in the estimated future cash flows from the loan or the underlying assets that back the loan.

The Group considers that default has occurred when a financial asset is more than 90 days past due, unless reasonable and supportable information demonstrates that a more lagging default criterion is appropriate. Impairment is recognised when it is determined that all principal and interest amounts which are due are unlikely to actually be fully recovered.

10 **Impairment of loans and advances** (continued)

Recognition and measurement (continued)

Write-off policy
The Group writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, write-off is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier. In subsequent periods, any recoveries of amounts previously written off are credited to the provision for credit losses in the Income Statement.

Modified financial assets
If the terms of a financial asset are modified or an existing financial asset is replaced with a new one, an assessment is made to determine if the existing financial asset should be derecognised. Where a modification does not result in derecognition, the date of origination continues to be used to determine SICR. Where a modification results in derecognition, the new financial asset is recognised at its fair value on the modification date. The modification date is also the date of origination for this new asset.

The Group may modify the contractual terms of loans for either commercial or credit reasons. The terms of a loan in good standing may be modified for commercial reasons to provide competitive pricing to borrowers. Loans are also modified for credit reasons where the contractual terms are modified to grant a concession to a borrower that may be experiencing financial difficulty.

For all financial assets modifications of the contractual terms may result in derecognition of the original asset when the changes to the terms of the loans are considered substantial. These terms include interest rate, authorised amount, term, or type of underlying collateral. The original loan is derecognised and the new loan is recognised at its fair value. The difference between the carrying value of the derecognised asset and the fair value of the new asset is recognised in the Income Statement.

For all loans, performing and credit-impaired, where the modification of terms did not result in the derecognition of the loan, the gross carrying amount of the modified loan is recalculated based on the present value of the modified cash flows discounted at the original effective interest rate, and any gain or loss from the modification is recorded in the provision for credit losses line in the Income Statement.

Purchased loans
All purchased loans are initially measured at fair value on the date of acquisition. As a result no allowance for credit losses would be recorded in the Balance Sheet on the date of acquisition. Purchased loans may fit into either of the two categories: Performing loans or Purchased Credit Impaired (PCI) loans.

Purchased performing loans follow the same accounting as originated performing loans and are reflected in Stage 1 on the date of the acquisition. They will be subject to a 12-month allowance for credit losses which is recorded as a provision for credit losses in the Income Statement. The fair value adjustment set up for these loans on the date of acquisition is amortised into interest income over the life of these loans.

PCI loans are reflected in Stage 3 and are always subject to lifetime allowance for credit losses. Any changes in the expected cash flows since the date of acquisition are recorded as a charge/recovery in the provision for credit losses in the Income Statement at the end of all reporting periods subsequent to the date of acquisition.

General reserve for credit losses (GRCL)
The General reserve for credit losses was initially established to meet the requirements of APRA Prudential Standard, APS 220 Credit Quality, which required a reserve to be held to recognise estimated future credit losses which may arise over the life of the Group's lending portfolio. This requirement was removed from 1 January 2022, however, the Group has prudently maintained this reserve pending further clarification.

11 **Financial assets at fair value through profit or loss**

	Group		Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
	$m	$m	$m	$m
Floating rate notes	-	320.5	-	320.5
Government securities	30.5	1,358.2	30.5	1,358.2
Total financial assets at fair value through profit or loss	**30.5**	**1,678.7**	**30.5**	**1,678.7**
Maturity analysis	$m	$m	$m	$m
Not longer than 3 months	-	1,171.0	-	1,171.0
Longer than 3 and not longer than 12 months	-	137.6	-	137.6
Longer than 1 and not longer than 5 years	-	182.9	-	182.9
Longer than 5 years	30.5	187.2	30.5	187.2
Total financial assets at fair value through profit or loss	**30.5**	**1,678.7**	**30.5**	**1,678.7**

The reduction in financial assets at fair value through profit or loss is due to the transition of liquid assets to the Banking Book in FY22.

Recognition and measurement

Financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These financial instruments are recorded in the Balance Sheet at fair value with revaluation gains or losses being recognised in the Income Statement.

Interest earned is accrued in interest income using the effective interest rate method, taking into account any discount or premium and qualifying transaction costs being an integral part of the instrument.

Fair value measurement is outlined in Note 19.

12 **Financial assets at amortised cost**

	Group		Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
	$m	$m	$m	$m
Collateral and security deposits	470.3	325.4	219.6	116.3
Other deposits	7.2	7.0	0.1	0.1
Bonds	184.0	19.1	184.0	19.1
Reverse repurchase agreements [1]	200.2	-	200.2	-
Total financial assets at amortised cost	**861.7**	**351.5**	**603.9**	**135.5**
Maturity analysis	$m	$m	$m	$m
Not longer than 3 months	42.1	33.5	42.1	33.5
Longer than 3 and not longer than 12 months	200.2	-	200.2	-
Longer than 1 and not longer than 5 years	0.1	0.1	0.1	0.1
Longer than 5 years	619.3	317.9	361.5	101.9
Total financial assets at amortised cost	**861.7**	**351.5**	**603.9**	**135.5**

[1] Reverse repurchase agreements have an original maturity date of greater than 90 days.

Classification and measurement

A financial asset is measured at amortised cost only if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in Note 10.

Interest income from these financial assets is included in interest income using the effective interest rate method.

13 **Financial assets at fair value through other comprehensive income**

	Group		Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
	$m	$m	$m	$m
Debt securities (with recycling)				
Discount securities	-	300.0	-	300.0
Floating rate notes	974.6	229.3	974.6	229.3
Government securities	8,589.9	1,602.0	8,589.9	1,602.0
Mortgage backed securities	8.7	13.6	13,699.7	12,897.6
Other debt securities	0.5	0.5	0.5	0.5
Total debt securities (with recycling)	**9,573.7**	**2,145.4**	**23,264.7**	**15,029.4**
Managed Fund investments (without recycling)				
Unlisted Managed Fund investments	8.7	9.4	-	-
Total managed fund investments (without recycling)	**8.7**	**9.4**	**-**	**-**
Equity investments (without recycling)				
Listed share investments	0.1	0.1	0.1	0.1
Unlisted share investments	35.6	31.2	35.6	31.2
Total equity investments (without recycling)	**35.7**	**31.3**	**35.7**	**31.3**
Total financial assets at fair value through other comprehensive income	**9,618.1**	**2,186.1**	**23,300.4**	**15,060.7**

The increase in financial assets at fair value through other comprehensive income is due to the transition of liquid assets to the Banking Book in FY22.

Maturity analysis	$m	$m	$m	$m
Not longer than 3 months	6,676.9	205.3	6,912.2	480.7
Longer than 3 and not longer than 12 months	1,564.2	824.4	1,564.2	824.4
Longer than 1 and not longer than 5 years	792.9	1,125.1	738.1	1,396.8
Over 5 years	539.7	-	14,050.2	12,327.5
Non-maturing	44.4	31.3	35.7	31.3
Total financial assets at fair value through other comprehensive income	**9,618.1**	**2,186.1**	**23,300.4**	**15,060.7**

Recognition and measurement

A financial asset will be measured at fair value through other comprehensive income if:

- the Group's intent is to hold the asset in order to collect contractual cash flows and/or to sell the asset; and
- the cash flows solely represent principal and interest.

These assets are initially recognised at fair value including directly attributable transaction costs. Subsequent measurement is at fair value with any revaluation gains or losses being included in other comprehensive income. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income is transferred to the Income Statement.

Equity instruments

The Group has irrevocably elected to measure all equity investments that are not held for trading at fair value through other comprehensive income.

Subsequent changes to the fair value are recognised in other comprehensive income and are not transferred to the Income Statement, including upon disposal. Dividend income is recognised in the Income Statement unless the dividend represents a recovery of part of the cost of the investment.

Financial liabilities

Classification and measurement of financial liabilities
Financial liabilities are classified into one of the following measurement categories:
- Fair value through profit or loss (FVTPL);
- Amortised cost; or
- Designated at FVTPL.

Financial liabilities measured at FVTPL
Financial liabilities measured at FVTPL are held principally for the purpose of repurchasing in the near term, or form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Financial liabilities are recognised on a trade date basis and are accounted for at fair value, with changes in fair value and any gains or losses recognised in the Income Statement as part of the non-interest income. Transaction costs are expensed as incurred.

Financial liabilities measured at amortised cost
Deposits, subordinated notes and debentures are accounted for at amortised cost. Interest on deposits, calculated using the effective interest rate method, is recognised as interest expense. Interest on subordinated notes and capital notes, including capitalised transaction costs, is recognised using the effective interest rate method as interest expense.

Financial liabilities designated at FVTPL
Financial liabilities classified in this category are those that have been designated by the Group upon initial recognition, and once designated, the designation is irrevocable. The FVTPL designation is available only for those financial liabilities for which a reliable estimate of fair value can be obtained.

Financial liabilities are designated at FVTPL when one of the following criteria is met:
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- A group of financial liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- The financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required.

Financial liabilities designated at FVTPL are recorded in the Balance Sheet at fair value. Any changes in fair value are recognised in non-interest income in the Income Statement, except for changes in fair value arising from changes in the Group's own credit risk which are recognised in other comprehensive income.

Changes in fair value due to changes in the Group's own credit risk are not subsequently reclassified to the Income Statement upon derecognition/extinguishment of the liabilities.

14 Deposits

	Group		Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
	$m	$m	$m	$m
At call	46,925.3	39,304.4	46,931.0	39,316.6
Term	21,463.3	21,697.9	21,463.4	21,697.9
Certificates of Deposit	6,195.3	5,214.8	6,195.3	5,214.8
Total deposits	**74,583.9**	**66,217.1**	**74,589.7**	**66,229.3**
Concentration of deposits	$m	$m	$m	$m
Customer deposits [1]	64,261.4	57,915.7	64,267.2	57,927.9
Wholesale deposits [2]	10,322.5	8,301.4	10,322.5	8,301.4
Total deposits	**74,583.9**	**66,217.1**	**74,589.7**	**66,229.3**

1 Customer deposits represent the sum of interest bearing, non-interest bearing and term deposits from retail and corporate customers.
2 Wholesale deposits represent the sum of interest bearing, non-interest bearing and term deposits from Other Financial Institutions and certificates of deposit.

14 **Deposits** (continued)

Deposits by geographic location	Group		Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
	$m	$m	$m	$m
Victoria	38,954.8	35,189.4	38,996.7	35,228.4
New South Wales	12,228.8	10,255.6	12,215.7	10,242.8
Queensland	8,315.7	7,119.5	8,304.7	7,113.4
South Australia/Northern Territory	6,427.2	6,009.2	6,424.7	6,008.0
Western Australia	4,998.7	4,352.8	4,990.8	4,347.6
Australian Capital Territory	1,406.6	1,169.9	1,406.5	1,169.8
Tasmania	1,607.8	1,490.3	1,607.5	1,490.2
Overseas	644.3	630.4	643.1	629.1
Total deposits	**74,583.9**	**66,217.1**	**74,589.7**	**66,229.3**

Recognition and measurement

All deposits are initially recognised at cost, being the fair value of the consideration received net of issue costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost using the effective interest method. Amortised cost includes any issue costs and any discount or premium on settlement.

For liabilities carried at amortised cost, gains and losses are recognised in the Income Statement when the liabilities are de-recognised.

15 **Other borrowings**

	Group		Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
	$m	$m	$m	$m
Term Funding Facility	4,730.4	4,722.9	4,730.4	4,722.9
Medium-term notes	3,132.7	2,915.7	3,132.6	2,915.7
Notes payable	3,839.9	3,597.7	-	-
Repurchase agreements	-	500.0	-	500.0
Total other borrowings	**11,703.0**	**11,736.3**	**7,863.0**	**8,138.6**

Term Funding Facility
The Term Funding Facility (TFF) was part of a package of measures put in place by the Reserve Bank of Australia in March 2020 to support the Australian economy. The TFF is a three year facility. Prior to 4 November 2020, funding provided under the TFF was at a fixed interest rate of 0.25 percent per annum. From 4 November 2020, the fixed interest rate was changed to 0.1 percent per annum. As at 30 June 2022, the Group had drawn down on $4,718.3 million of funds under the TFF (June 2021: $4,718.3 million).

Medium-term notes
The Group's medium-term notes include fixed and floating rate notes issued under the $7.5 billion Debt Instrument Programme (2020) and the $7.5 billion Debt Instrument Program (2018).

Notes payable
The Group conducts an asset securitisation program through which it packages and sells asset-backed securities to investors. Notes payable are predominately interest-bearing financial instruments issued through these securitisation programs. The notes are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Interest is recognised in the Income Statement.

Repurchase agreements
Securities sold under agreement to repurchase are retained in the Balance Sheet when the majority of the risks and rewards of ownership remain with the Group. The counterparty liability is included separately in the Balance Sheet when cash consideration is received.

16 **Loan capital**

	Group		Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
	$m	$m	$m	$m
Tier 1 loan capital	816.0	813.8	816.0	813.8
Tier 2 loan capital	550.1	569.4	550.1	569.4
Total loan capital	**1,366.1**	**1,383.2**	**1,366.1**	**1,383.2**

Tier 1 loan capital	$m	$m	$m	$m
CPS4 (ASX Code: BENPG)				
December 2017: 3,216,145 fully paid $100 Converting preference shares	321.6	321.6	321.6	321.6
Closing balance CPS4	**321.6**	**321.6**	**321.6**	**321.6**
Capital notes (ASX Code: BENPH)				
November 2020: 5,024,446 fully paid $100 Capital notes	502.5	502.5	502.5	502.5
Closing balance capital notes	**502.5**	**502.5**	**502.5**	**502.5**
Total Additional Tier 1 regulatory capital	**824.1**	**824.1**	**824.1**	**824.1**
Unamortised issue costs	(8.1)	(10.3)	(8.1)	(10.3)
Total Tier 1 loan capital	**816.0**	**813.8**	**816.0**	**813.8**

Tier 1 capital instruments

In accordance with Australian Prudential Regulation Authority's Basel III capital adequacy framework, these instruments form part of the Group's Additional Tier 1 capital.

Nature of Tier 1 capital instruments
Tier 1 loan capital instruments are long term in nature and are perpetual, hence they do not have a fixed maturity date. The instruments may be redeemed at the discretion of the Group for a price per security on the redemption date. Any securities not already converted will be converted into ordinary shares on the mandatory conversion date specified in the issue's prospectus located at https://www.bendigoadelaide.com.au/investor-centre/prospectus/

If the Group is unable to pay a dividend/distribution because of insufficient profits, the dividend/distribution is non-cumulative. The securities rank ahead of ordinary shares in the event of liquidation. Under certain circumstances, ranking may be affected resulting in shares being converted or written off.

Recognition and measurement

Tier 1 loan capital instruments are classified as debt within the Balance Sheet and dividends/distributions are treated as interest expense in the Income Statement.

These instruments are initially recognised at fair value less charges associated with the issue of the instrument. They are subsequently measured at amortised cost using the effective interest rate method.

The preference shares carry a dividend which will be determined semi-annually or quarterly and payable half yearly or quarterly in arrears. The dividend rate will be the floating Bank Bill Rate plus the initial fixed margin, adjusted for franking credits.

The capital notes carry a discretionary distribution which will be determined and payable quarterly in arrears. The distribution rate will be based on the floating Bank Bill Swap Rate.

16 **Loan capital** (continued)

Tier 2 loan capital	Group Jun-22 $m	Group Jun-21 $m	Bank Jun-22 $m	Bank Jun-21 $m
Floating rate capital notes	-	21.1	-	21.1
Floating rate subordinated notes	550.0	550.0	550.0	550.0
Total Tier 2 capital instruments	**550.0**	**571.1**	**550.0**	**571.1**
Accrued interest	1.9	1.1	1.9	1.1
Unamortised issue costs	(1.8)	(2.8)	(1.8)	(2.8)
Total Tier 2 loan capital	**550.1**	**569.4**	**550.1**	**569.4**

Tier 2 loan capital instruments

In accordance with Australian Prudential Regulation Authority's Basel III capital adequacy framework, these instruments form part of the Group's Tier 2 capital. Tier 2 capital instruments rank ahead of Additional Tier 1 capital instruments.

Recognition and measurement

These instruments are classified as debt within the Balance Sheet and the interest expense is recorded in the Income Statement. Tier 2 loan capital instruments are initially recognised at fair value less charges associated with the issue of the instrument. They are subsequently measured at amortised cost using the effective interest rate method.

Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses are recognised in the Income Statement when the liabilities are derecognised.

Transactions that are in currencies other than in AUD are restated to AUD equivalents each month with adjustments taken directly to income.

Maturity analysis [1]	Group Jun-22 $m	Group Jun-21 $m	Bank Jun-22 $m	Bank Jun-21 $m
Longer than 3 and not longer than 12 months	-	-	-	-
Longer than 1 and not longer than 5 years	816.0	444.0	816.0	444.0
Over 5 years	550.1	918.1	550.1	918.1
No maturity date (instruments in perpetuity)	-	21.1	-	21.1
	1,366.1	**1,383.2**	**1,366.1**	**1,383.2**

[1] Based on the final maturity date or, in the case of Additional Tier 1 capital securities, the optional exchange date (if any).

Capital management

Capital management strategy
Bendigo and Adelaide Bank Limited's key capital management objectives are to:

- Maintain a sufficient level of capital above the regulatory minimum to provide a buffer against loss arising from unanticipated events, and allow the Group to continue as a going concern;
- Optimise the level and use of capital resources to enhance shareholder value through maximising financial performance; and
- Ensure that capital management is closely aligned with the Group's business and strategic objectives.

Regulatory Capital
As an Authorised Deposit-taking Institution (ADI) in Australia, Bendigo and Adelaide Bank Limited is regulated by Australian Prudential Regulation Authority (APRA) under the *Banking Act 1959*.

The Group manages capital adequacy according to the framework provided by the APRA Standards. These requirements are summarised below:

Regulatory Capital consists of:

Common Equity Tier 1 Capital	Tier 1 Capital	Tier 2 Capital	Total Capital
Shareholders equity less goodwill and other prescribed adjustments	Common Equity Tier 1 plus other highly ranked capital instruments acceptable to APRA	Subordinated debt instruments acceptable to APRA	Tier 1 Capital plus Tier 2 Capital

Reporting Levels consist of:

Level 1	Level 2
Bendigo and Adelaide Bank Limited and certain controlled entities that meet the APRA definition of extended licensed entities.	Consolidated Group, excluding non-controlled subsidiaries and subsidiaries involved in insurance, funds management, non-financial operations and special purpose vehicles.

16 **Loan capital** (continued)

Capital management (continued)

Regulatory Capital (continued)

APRA determines minimum prudential capital ratios (eligible capital as a percentage of total risk-weighted assets) that must be held by all authorised deposit-taking institutions. Accordingly, Bendigo and Adelaide Bank Limited is required to maintain a minimum prudential capital ratio at both Level 1 and Level 2 as determined by APRA. As part of the Group's capital management process, the Board considers the Group's strategy, financial performance objectives, credit ratings and other factors relating to the efficient management of capital in setting target ratios of capital above the regulatory required levels. These processes are formalised within the Group's Internal Capital Adequacy Assessment Process (ICAAP).

The Group determines its regulatory capital requirements in relation to credit risk, operational risk and market risk using the Standardised Approach set by APRA. The Group satisfied its minimum capital requirements at both Level 1 and 2 throughout the financial year.

Capital Adequacy

The following table provides details of the Group's capital adequacy ratios:

Risk-weighted capital adequacy ratios	June 2022	June 2021
Tier 1	11.63%	11.61%
Tier 2	1.97%	2.20%
Total capital ratio	13.60%	13.81%
Common Equity Tier 1	9.68%	9.57%

Regulatory capital	$m	$m
Contributed capital	5,222.5	5,053.1
Retained profits and reserves	1,078.2	792.3
Accumulated other comprehensive income (and other reserves)	17.6	28.3
Deductions	(2,235.4)	(2,000.6)
Total Common Equity Tier 1 capital	**4,082.9**	**3,873.1**
Additional Tier 1 capital	**824.1**	**824.1**
Total Tier 1 capital	**4,907.0**	**4,697.2**
Tier 2 capital	**832.3**	**891.7**
Total regulatory capital	**5,739.3**	**5,588.9**
Total risk-weighted assets	**42,197.9**	**40,469.3**

17 Securitisation and transferred assets

	Group			
	Repurchase agreements		Securitisation	
	Jun-22	Jun-21	Jun-22	Jun-21
Group	$m	$m	$m	$m
Carrying amount of transferred assets [1]	4,730.4	5,222.9	3,780.9	3,564.0
Carrying amount of associated liabilities [2]	4,730.4	5,222.9	3,839.9	3,597.7
Fair value of transferred assets			3,744.3	3,556.4
Fair value of associated liabilities			3,797.0	3,633.2
Net position			**(52.7)**	**(76.8)**

	Bank			
	Repurchase agreements		Securitisation	
	Jun-22	Jun-21	Jun-22	Jun-21
Bank	$m	$m	$m	$m
Carrying amount of transferred assets [1]	4,730.4	5,222.9	16,686.7	15,328.5
Carrying amount of associated liabilities [3]	4,730.4	5,222.9	17,350.5	15,871.0
Fair value of transferred assets			16,468.6	15,273.4
Fair value of associated liabilities			17,252.9	16,184.2
Net position			**(784.3)**	**(910.8)**

1 Represents the carrying value of the loans transferred to the trust.
2 Securitisation liabilities of the Group include RMBS notes issued by the SPEs and held by external parties.
3 Securitisation liabilities of the Bank include borrowings from SPEs including the SPEs that issue internally held notes for repurchase with central banks, recognised on transfer of residential mortgages by the Bank.

Securitisation programs
The Group uses special purpose entities (SPEs) to securitise customer loans and advances that it has originated, in order to source funding, and/or for capital efficiency purposes. The loans are transferred by the Group to the SPEs, which in turn issue debt to investors. This transfer does not give rise to the de-recognition of those financial assets for the Group. The Group holds income and capital units in the trusts which entitle the Group to any residual income of the SPEs after all payments to investors and costs of the entity have been met. Trust investors have no recourse against the Group if cash flows from the securitised loans are inadequate to service the trust obligations. Liabilities associated with the SPEs are accounted for on an amortised basis using the effective interest rate method.

Repurchase agreements
Securities sold under agreement to repurchase are retained in the Balance Sheet when the majority of the risks and rewards of ownership remain with the Group. The counterparty liability is included separately in the Balance Sheet when cash consideration is received.

Consolidation
SPEs are consolidated by the Group where the Group has the power to govern directly or indirectly decision making in relation to financial and operational policies and receives the majority of the residual income or is exposed to the majority of the residual risks associated with the SPEs.

The Group enters into interest rate swaps and liquidity facilities with the trusts which are all at arm's length to the SPEs.

Securitised and sold loans
The Group securitised loans totalling $6,436.4 million (June 2021: $3,963.7 million) during the financial year. The Group invests in some of its own securitisation programs by holding A and B class notes equivalent to $13,745.8 million as at 30 June 2022 (June 2021: $12,602.9 million).

18 **Derivative financial instruments**

The Group uses derivative financial instruments primarily to manage risk, including interest rate risk and foreign currency rate risk. Note 20 outlines the risk management framework that the Group applies.

Derivative instruments are contracts whose value is derived from interest rates, foreign exchange rates, commodities, equity prices or other financial variables. Most derivative instruments can be characterised as interest rate contracts, foreign exchange contracts, commodity contracts, equity contracts or credit contracts. Derivative instruments are either exchange-traded contracts or negotiated over-the-counter contracts. Negotiated over-the-counter contracts include swaps, forwards and options.

The Group enters into these derivative contracts for trading purposes, as well as to manage its risk exposures (i.e. to manage the Group's non-trading interest rate, foreign currency and other exposures). Trading activities are undertaken to meet the needs of the Group's customers, as well as for the Group's own account to generate income from trading operations.

All derivatives are recorded at fair value in the Balance Sheet. The determination of the fair value of derivatives includes consideration of credit risk, estimated funding costs and ongoing direct costs over the life of the instruments.

Inception gains or losses on derivatives are only recognised where the valuation is dependent only on observable market data, otherwise, they are deferred and amortised over the life of the related contract, or until the valuation inputs become observable. Derivative financial instruments are valued in accordance with Level 2 of the fair value hierarchy, as outlined in Note 19.

The gains or losses resulting from changes in fair values of trading derivatives and non-trading derivatives that do not qualify for hedge accounting are included in the Income Statement in Other revenue. Changes in the fair value of derivatives that qualify for hedge accounting are recorded in the Income Statement in Other revenue for fair value hedges and are recorded in the Statement of Comprehensive Income in gains on cash flow hedge instruments.

Fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of fixed rate long term financial instruments due to movements in interest rates and exchange rates.

Cash flow hedges consist principally of interest rate swaps that are used to protect against exposures to movements in future interest cash flows on assets and liabilities which bear interest at variable rates.

The following table describes the fair values and notional values of derivatives held for trading purposes and for risk management purposes by type of instrument:

	Group 2022				Group 2021			
	Notional amount	Fair value assets	Fair value liabilities	Net fair value	Notional amount	Fair value assets	Fair value liabilities	Net fair value
Derivative category	$m	$m	$m	$m	$m	$m	$m	$m
Derivatives held for trading								
Futures	31.5	-	-	-	159.0	-	-	-
Interest rate swaps	338.0	5.5	(5.1)	0.4	5,778.0	11.0	(10.5)	0.5
Foreign exchange contracts	977.2	10.5	(4.0)	6.5	474.0	5.0	(0.8)	4.2
	1,346.7	**16.0**	**(9.1)**	**6.9**	**6,411.0**	**16.0**	**(11.3)**	**4.7**
Derivatives held as fair value hedges								
Interest rate swaps	-	-	-	-	0.6	-	-	-
	-	**-**	**-**	**-**	**0.6**	**-**	**-**	**-**
Derivatives held as cash flow hedges								
Interest rate swaps	13,625.4	43.9	(25.7)	18.2	17,935.5	43.1	(34.0)	9.1
	13,625.4	**43.9**	**(25.7)**	**18.2**	**17,935.5**	**43.1**	**(34.0)**	**9.1**
Total derivatives	**14,972.1**	**59.9**	**(34.8)**	**25.1**	**24,347.1**	**59.1**	**(45.3)**	**13.8**

18 **Derivative financial instruments** (continued)

	Bank 2022				Bank 2021			
	Notional amount	Fair value assets	Fair value liabilities	Net fair value	Notional amount	Fair value assets	Fair value liabilities	Net fair value
Derivative category	$m	$m	$m	$m	$m	$m	$m	$m
Derivatives held for trading								
Futures	31.5	-	-	-	159.0	-	-	-
Interest rate swaps	338.0	5.5	(5.1)	0.4	5,778.0	11.0	(10.5)	0.5
Foreign exchange contracts	977.2	10.5	(4.0)	6.5	474.0	5.0	(0.8)	4.2
	1,346.7	**16.0**	**(9.1)**	**6.9**	**6,411.0**	**16.0**	**(11.3)**	**4.7**
Derivatives held as fair value hedges								
Interest rate swaps	-	-	-	-	0.6	-	-	-
	-	**-**	**-**	**-**	**0.6**	**-**	**-**	**-**
Derivatives held as cash flow hedges								
Interest rate swaps	13,625.4	43.9	(25.7)	18.2	17,935.5	43.1	(34.0)	9.1
	13,625.4	**43.9**	**(25.7)**	**18.2**	**17,935.5**	**43.1**	**(34.0)**	**9.1**
Total derivatives	**14,972.1**	**59.9**	**(34.8)**	**25.1**	**24,347.1**	**59.1**	**(45.3)**	**13.8**

The interest rate swaps that are settled through the central clearing body, London Clearing House, have a minimal fair value. Variation margin is paid or received on the daily mark to market movements, with this payment being offset against the fair value of the swap. The market valuation for the centrally cleared derivatives totalled $20.4 million and $5.7 million was received as variation margin as at 30 June 2022. The difference represented variable margin receivable from London Clearing House as at 30 June 2022, which is classified as Due from other financial institutions in the Balance Sheet. The total notional value of the centrally cleared derivatives as at 30 June 2022 is $11.87 billion (June 2021: $2.25 billion), which is included in Derivatives held as cash flow hedges - Interest rate swaps in the tables above for the Group and the Bank.

As at 30 June 2022 hedged cash flows are expected to occur and affect the Income Statement as follows:

Group	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Greater than 5 years
2022	$m	$m	$m	$m	$m	$m
Forecast cash inflows	27.9	34.1	23.1	5.3	0.5	-
Forecast cash outflows	(28.1)	(28.8)	(9.9)	(5.3)	(0.5)	-
Forecast net cash inflows/(outflows)	**(0.2)**	**5.3**	**13.2**	**-**	**-**	**-**
2021	$m	$m	$m	$m	$m	$m
Forecast cash inflows	43.4	46.0	41.0	18.6	4.5	0.2
Forecast cash outflows	(54.1)	(38.6)	(24.2)	(10.8)	(5.1)	(0.2)
Forecast net cash inflows/(outflows)	**(10.7)**	**7.4**	**16.8**	**7.8**	**(0.6)**	**-**
Bank						
2022	$m	$m	$m	$m	$m	$m
Forecast cash inflows	27.9	34.1	23.1	5.3	0.5	-
Forecast cash outflows	(28.1)	(28.8)	(9.9)	(5.3)	(0.5)	-
Forecast net cash inflows/(outflows)	**(0.2)**	**5.3**	**13.2**	**-**	**-**	**-**
2021	$m	$m	$m	$m	$m	$m
Forecast cash inflows	43.4	46.0	41.0	18.6	4.5	0.2
Forecast cash outflows	(54.1)	(38.6)	(24.2)	(10.8)	(5.1)	(0.2)
Forecast net cash inflows/(outflows)	**(10.7)**	**7.4**	**16.8**	**7.8**	**(0.6)**	**-**

18 **Derivative financial instruments** (continued)

Revaluation movements arising from economic hedges

Revaluation movements arise from fair value hedges as well as derivatives that are not in a hedge relationship. The table below summarises the amounts that were recognised in non-interest income - other revenue as a result of both fair value hedges and economic derivatives that are not in a hedge relationship.

	Group		Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
Revaluation gains /(losses) arising from economic hedges	$m	$m	$m	$m
Revaluation gains /(losses) arising from fair value hedges				
Gains on hedging instruments	-	0.1	-	0.1
Losses on the hedged items attributable to the hedged risk	-	(0.1)	-	(0.1)
Revaluation losses arising from economic derivatives that are not in a hedge relationship				
Losses on derivatives	-	(8.1)	-	(8.1)
	-	**(8.1)**	**-**	**(8.1)**

Average price/rate of hedged instruments

The following table sets out the maturity profile and average price/rate of the hedging instruments used in the Group's non-dynamic hedging strategies:

	Maturity					
	June 2022					
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Cash flow hedges - interest rate swaps	$m	$m	$m	$m	$m	$m
Notional principal	-	2,025.0	4,625.0	6,775.4	200.0	13,625.4
Average fixed rate (%)	-	0.12%	0.33%	2.43%	1.99%	

	Maturity					
	June 2021					
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Cash flow hedges - interest rate swaps	$m	$m	$m	$m	$m	$m
Notional principal	-	2,000.0	6,785.0	9,150.5	-	17,935.5
Average fixed rate (%)	-	0.75%	0.52%	0.53%	-	

18 **Derivative financial instruments** (continued)

Offsetting financial assets and financial liabilities
Non Centrally Cleared Derivatives
Derivative financial instruments entered into by the Group are subject to International Swaps and Derivatives Association (ISDA) master netting agreements and other similar master netting arrangements. These arrangements do not meet the criteria for offsetting in the Balance Sheet. This is because the right of set-off is only enforceable by the parties to the agreement following an event of default, insolvency or bankruptcy of the Group, or the counterparties, or following other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Centrally Cleared Derivatives
Derivative amounts are only offset on the balance sheet where the Group has a legally enforceable right to offset in all circumstances and there is an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously. The Group has applied offsetting to centrally cleared derivatives and their associated collateral amounts which were deemed to satisfy the AASB 132 *Financial Instruments: Presentation* requirements.

The following table sets out the effect of netting arrangements on derivative financial assets and derivative financial liabilities if they were to be applied:

	Subject to enforceable master netting or similar agreements							
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet				
	Gross Balance Sheet amount	Amount offset [1]	Net amounts recognised on the Balance Sheet	Financial instruments	Financial collateral (received)/ pledged [2]	Net amount	Not subject to netting agree-ments	Total Balance Sheet amount
	$m	$m	$m	$m	$m	$m	$m	$m
Group								
30 June 2022								
Derivative assets	191.5	(131.7)	59.8	(19.6)	(32.2)	8.0	0.1	59.9
Derivative liabilities	(142.1)	111.3	(30.8)	19.6	8.4	(2.8)	(4.0)	(34.8)
30 June 2021								
Derivative assets	62.6	(5.3)	57.3	(29.0)	(6.7)	21.6	1.8	59.1
Derivative liabilities	(45.3)	-	(45.3)	29.0	14.0	(2.3)	-	(45.3)
Bank								
30 June 2022								
Derivative assets	191.5	(131.7)	59.8	(19.6)	(32.2)	8.0	0.1	59.9
Derivative liabilities	(142.1)	111.3	(30.8)	19.6	8.4	(2.8)	(4.0)	(34.8)
30 June 2021								
Derivative assets	62.6	(5.3)	57.3	(29.0)	(6.7)	21.6	1.8	59.1
Derivative liabilities	(45.3)	-	(45.3)	29.0	14.0	(2.3)	-	(45.3)

[1] Includes net variation receivable of $14.7m (June 2021: $0.2m) reflected in Due from other financial institutions in the Balance Sheet.
[2] For the purpose of this disclosure, financial collateral not set off in the Balance Sheet have been capped by relevant netting agreements so as not to exceed the net amounts of financial assets/(liabilities) reported in the Balance Sheet (i.e. over-collateralisation, where it exists, is not reflected in the tables)

19 **Financial instruments**

All financial instruments are initially recognised at fair value on the date of initial recognition depending on the classification of the asset and liability.

a) Measurement basis of financial assets and liabilities

The following table details the carrying amount of the financial assets and liabilities by classification in the Balance Sheet.

	Group			
	30 June 2022			
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total
	$m	$m	$m	$m
Financial assets				
Cash and cash equivalents	-	-	3,541.0	3,541.0
Due from other financial institutions	-	-	188.0	188.0
Financial assets fair value through profit or loss (FVTPL)	30.5	-	-	30.5
Financial assets amortised cost	-	-	861.7	861.7
Financial assets fair value through other comprehensive income (FVOCI)	-	9,618.1	-	9,618.1
Net loans and other receivables	-	-	77,610.4	77,610.4
Derivatives	16.0	43.9	-	59.9
Total financial assets	**46.5**	**9,662.0**	**82,201.1**	**91,909.6**
Financial liabilities				
Due to other financial institutions	-	-	178.8	178.8
Deposits	-	-	74,583.9	74,583.9
Other wholesale borrowings	-	-	11,703.0	11,703.0
Derivatives	9.1	25.7	-	34.8
Loan capital	-	-	1,366.1	1,366.1
Total financial liabilities	**9.1**	**25.7**	**87,831.8**	**87,866.6**
	30 June 2021			
	$m	$m	$m	$m
Financial assets				
Cash and cash equivalents	-	-	7,086.3	7,086.3
Due from other financial institutions	-	-	173.4	173.4
Financial assets fair value through profit or loss (FVTPL)	1,678.7	-	-	1,678.7
Financial assets amortised cost	-	-	351.5	351.5
Financial assets fair value through other comprehensive income (FVOCI)	-	2,186.1	-	2,186.1
Net Loans and other receivables	-	-	71,920.6	71,920.6
Derivatives	16.0	43.1	-	59.1
Total financial assets	**1,694.7**	**2,229.2**	**79,531.8**	**83,455.7**
Financial liabilities				
Due to other financial institutions	-	-	175.4	175.4
Deposits	-	-	66,217.1	66,217.1
Other wholesale borrowings	-	-	11,736.3	11,736.3
Derivatives	11.3	34.0	-	45.3
Loan capital	-	-	1,383.2	1,383.2
Total financial liabilities	**11.3**	**34.0**	**79,512.0**	**79,557.3**

19 **Financial instruments** (continued)

a) Measurement basis of financial assets and liabilities (continued)

	Bank			
	30 June 2022			
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total
	$m	$m	$m	$m
Financial assets				
Cash and cash equivalents	-	-	3,082.3	3,082.3
Due from other financial institutions	-	-	188.0	188.0
Financial assets fair value through profit or loss (FVTPL)	30.5	-	-	30.5
Financial assets amortised cost	-	-	603.9	603.9
Financial assets fair value through other comprehensive income (FVOCI)	-	23,300.4	-	23,300.4
Net loans and other receivables	-	-	77,118.4	77,118.4
Derivatives	16.0	43.9	-	59.9
Total financial assets	**46.5**	**23,344.3**	**80,992.6**	**104,383.4**
Financial liabilities				
Due to other financial institutions	-	-	178.8	178.8
Deposits	-	-	74,589.7	74,589.7
Other wholesale borrowings	-	-	7,863.0	7,863.0
Derivatives	9.1	25.7	-	34.8
Loan capital	-	-	1,366.1	1,366.1
Total financial liabilities	**9.1**	**25.7**	**83,997.6**	**84,032.4**
	30 June 2021			
	$m	$m	$m	$m
Financial assets				
Cash and cash equivalents	-	-	6,631.6	6,631.6
Due from other financial institutions	-	-	173.4	173.4
Financial assets fair value through profit or loss (FVTPL)	1,678.7	-	-	1,678.7
Financial assets amortised cost	-	-	135.5	135.5
Financial assets fair value through other comprehensive income (FVOCI)	-	15,060.7	-	15,060.7
Net Loans and other receivables	-	-	71,304.1	71,304.1
Derivatives	16.0	43.1	-	59.1
Total financial assets	**1,694.7**	**15,103.8**	**78,244.6**	**95,043.1**
Financial liabilities				
Due to other financial institutions	-	-	175.4	175.4
Deposits	-	-	66,229.3	66,229.3
Other wholesale borrowings	-	-	8,138.6	8,138.6
Derivatives	11.3	34.0	-	45.3
Loan capital	-	-	1,383.2	1,383.2
Total financial liabilities	**11.3**	**34.0**	**75,926.5**	**75,971.8**

19 **Financial instruments** (continued)

b) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets for identical instruments. A quoted market price in an active market provides the most reliable evidence of fair value. For all other financial instruments, the fair value is determined by using other valuation techniques.

Valuation of financial assets and liabilities

Various valuation techniques are used to measure the fair value of financial instruments. The technique adopted is dependent upon the inputs available.

As part of the fair value measurement, the Group classifies its assets and liabilities according to a hierarchy that reflects the observability of significant market inputs. The three levels of the hierarchy are defined as follows:

Level 1 - Quoted market prices
Financial instruments that have been valued by reference to unadjusted quoted prices for identical financial assets in active markets. Government bonds issued by the Commonwealth of Australia have been included in this category.

Level 2 - Valuation technique using observable inputs
The fair value is determined using models whose inputs are observable in an active market.

Level 3 - Valuation technique using significant unobservable inputs
The fair value is calculated using significant inputs that are not based on observable market data but that are most reflective of the market conditions at the measurement date.

Financial assets and liabilities carried at fair value

The table below details financial instruments carried at fair value, by Balance Sheet classification and hierarchy level:

	Group				
	30 June 2022				
	Level 1	Level 2	Level 3	Total fair value	Total carrying value
	$m	$m	$m	$m	$m
Financial assets					
Financial assets FVTPL	30.5	-	-	30.5	30.5
Financial assets FVOCI	237.3	9,345.3	35.5	9,618.1	9,618.1
Derivatives	-	59.9	-	59.9	59.9
Financial liabilities					
Derivatives	-	34.8	-	34.8	34.8
	30 June 2021				
	$m	$m	$m	$m	$m
Financial assets					
Financial assets FVTPL	187.2	1,491.5	-	1,678.7	1,678.7
Financial assets FVOCI	561.4	1,593.5	31.2	2,186.1	2,186.1
Derivatives	-	59.1	-	59.1	59.1
Financial liabilities					
Derivatives	-	45.3	-	45.3	45.3
	Bank				
	30 June 2022				
	$m	$m	$m	$m	$m
Financial assets					
Financial assets FVTPL	30.5	-	-	30.5	30.5
Financial assets FVOCI	237.6	23,027.3	35.5	23,300.4	23,300.4
Derivatives	-	59.9	-	59.9	59.9
Financial liabilities					
Derivatives	-	34.8	-	34.8	34.8
	30 June 2021				
	$m	$m	$m	$m	$m
Financial assets					
Financial assets FVTPL	187.2	1,491.5	-	1,678.7	1,678.7
Financial assets FVOCI	561.4	14,468.1	31.2	15,060.7	15,060.7
Derivatives	-	59.1	-	59.1	59.1
Financial liabilities					
Derivatives	-	45.3	-	45.3	45.3

Transfers between levels are deemed to have occurred at the beginning of the reporting period in which instruments are transferred. There were no transfers between levels during the year for the Group or Bank.

19 **Financial instruments** (continued)

Valuation methodology

Financial instruments - debt securities
Each month, independent valuations are determined by the Group's Financial Risk & Modelling function. This involves an analysis of independently sourced data that is deemed most representative of the market. From this independent data which is made available by other financial institutions, market average valuations are calculated, and the value of debt securities are updated.

Financial instruments - equity investments
Level 1 - Listed investments relates to equities held that are on listed exchanges.

Level 2 - Unlisted investments are equity holdings in unlisted managed investment schemes. For managed scheme investments the most recent prices provided by the fund manager are used.

Level 3 - Unlisted investments are equity holdings in small unlisted entities. Given there are no quoted market prices and no observable inputs, assumptions reflective of market conditions at the measurement date are used to approximate fair value.

Derivatives
Where the Group's derivative assets and liabilities are not traded on an exchange, they are valued using valuation methodologies, including discounted cash flow and option pricing models as appropriate. The most significant inputs into the valuations are interest rate yields which are developed from publicly quoted rates.

Movements in Level 3 portfolio
The following table provides a reconciliation from the beginning balances to the ending balances for financial instruments which are classified as Level 3:

Financial assets - equity investments	Group		Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
	$m	$m	$m	$m
Opening balance	**31.2**	**18.6**	**31.2**	**18.6**
Revaluations	5.4	12.6	5.4	12.6
Sales	(1.0)	-	(1.0)	-
Closing balance	**35.6**	**31.2**	**35.6**	**31.2**

Financial assets and liabilities carried at amortised cost

Valuation hierarchy

The table below details financial instruments carried at amortised cost, by Balance Sheet classification and hierarchy level:

	Group				
	30 June 2022				
	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
	$m	$m	$m	$m	$m
Financial assets					
Cash and cash equivalents [1]	-	3,407.6	-	3,407.6	3,407.6
Due from other financial institutions	-	188.0	-	188.0	188.0
Financial assets amortised cost	-	861.7	-	861.7	861.7
Net loans and other receivables	-	-	77,008.6	77,008.6	77,610.4
Financial liabilities					
Due to other financial institutions	-	178.8	-	178.8	178.8
Deposits	-	74,339.1	-	74,339.1	74,583.9
Other wholesale borrowings	-	11,412.6	-	11,412.6	11,703.0
Loan capital	817.1	549.8	-	1,366.9	1,366.1

[1] Cash and cash equivalents excludes the balance of Notes and Coins.

19 **Financial instruments** (continued)

Financial assets and liabilities carried at amortised cost (continued)

Valuation hierarchy (continued)

	Group				
	30 June 2021				
	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
	$m	$m	$m	$m	$m
Financial assets					
Cash and cash equivalents [1]	-	6,949.2	-	6,949.2	6,949.2
Due from other financial institutions	-	173.4	-	173.4	173.4
Financial assets amortised cost	-	351.5	-	351.5	351.5
Net loans and other receivables	-	-	71,985.9	71,985.9	71,920.6
Financial liabilities					
Due to other financial institutions	-	175.4	-	175.4	175.4
Deposits	-	66,269.2	-	66,269.2	66,217.1
Other wholesale borrowings	-	11,703.8	-	11,703.8	11,736.3
Loan capital	850.3	568.1	-	1,418.4	1,383.2

	Bank				
	30 June 2022				
	$m	$m	$m	$m	$m
Financial assets					
Cash and cash equivalents [1]	-	2,948.9	-	2,948.9	2,948.9
Due from other financial institutions	-	188.0	-	188.0	188.0
Financial assets amortised cost	-	603.9	-	603.9	603.9
Net loans and other receivables	-	-	76,514.3	76,514.3	77,118.4
Financial liabilities					
Due to other financial institutions	-	178.8	-	178.8	178.8
Deposits	-	74,344.9	-	74,344.9	74,589.7
Other wholesale borrowings	-	7,615.5	-	7,615.5	7,863.0
Loan capital	817.1	549.8	-	1,366.9	1,366.1

	30 June 2021				
	$m	$m	$m	$m	$m
Financial assets					
Cash and cash equivalents [1]	-	6,494.5	-	6,494.5	6,494.5
Due from other financial institutions	-	173.4	-	173.4	173.4
Financial assets amortised cost	-	135.5	-	135.5	135.5
Net loans and other receivables	-	-	71,369.4	71,369.4	71,304.1
Financial liabilities					
Due to other financial institutions	-	175.4	-	175.4	175.4
Deposits	-	66,281.4	-	66,281.4	66,229.3
Other wholesale borrowings	-	8,106.1	-	8,106.1	8,138.6
Loan capital	850.3	568.1	-	1,418.4	1,383.2

[1] Cash and cash equivalents excludes the balance of Notes and Coins.

Transfers between levels are deemed to have occurred at the beginning of the reporting period in which instruments are transferred. There were no significant transfers between levels during the year for the Group or Bank.

19 **Financial instruments** (continued)

Valuation methodology

Cash and cash equivalents, due from/to other financial institutions
The carrying value for these assets and liabilities are a reasonable approximation of fair value.

Financial assets amortised cost
The fair values of financial assets held to maturity are measured at amortised cost which approximates their fair value given they are predominantly short-term in nature or have interest rates which reprice frequently.

Net loans and other receivables
The carrying value of loans and other receivables is net of individually assessed and collectively assessed provisions. For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of fair value.

The fair value for fixed-rate loans is calculated by utilising discounted cash flow models, based on the maturity of the loans. The discount rates used represent the rate the market is willing to offer at arm's length for customers of similar credit quality. The net fair value of impaired loans is calculated by discounting expected cash flows using these rates.

Deposits
The carrying value of deposits at call is considered to represent fair value given they are short-term in nature. The fair value for all term deposits is calculated using a discounted cash flow model applying market rates, or current rates for deposits of similar maturities.

Other wholesale borrowings
The fair value for all wholesale borrowings is calculated using a discounted cash flow model applying independent market rates and margins for similar financial instruments.

Loan capital
The fair value of preference shares and capital notes is based on quoted market rates for the issue concerned as at year end.

The fair value of subordinated debt is calculated based on quoted market prices. For those debt issues where quoted market prices were not available, a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instrument is used.

20 **Risk management**

Nature of risk

Our business is exposed to a broad range of financial and non-financial risks.

The Group has identified the following material financial risks that have the potential to adversely impact its financial performance and financial position:

- Credit risk;
- Market risk (traded & non-traded); and
- Liquidity risk

Non-financial risks, including operational risk and strategic risk (including environmental, social and governance (ESG) risk), are outlined in the Risk Management Framework, Material Risks and Business Uncertainties section of the 2022 Annual Financial Report.

The Board is ultimately responsible for the management of risk which is achieved by establishing, reviewing and overseeing the Group's Risk Management Framework including its risk profile, risk appetite and risk strategy. The framework provides a high-level description of the material risks faced by the Group together with the policies and procedures implemented to measure, monitor and manage those risks.

The Board's role is supported by Board Committees; Board Risk Committee (BRC) and Board Financial Risk Committee (BFRC) and Management Committees; Asset and Liability Management Committee (ALMAC), Risk Models Committee (RMC), Operational Risk Committee (ORC), Management Credit Committee (MCC) and Rural Bank Management Credit Committee (RB MCC). Further details regarding the Group's material risks including our strategic approach to their management is contained within the Directors' Report and the Corporate Governance statement. Our Board committee charters are available on our website.

Financial risk management

The Group's exposure to financial risks are considered significant given financial instruments held by the Group constitute the core contributors of financial performance and position. An overview of the Group's key financial risks is presented as follows.

Credit risk

The Group is predominantly exposed to credit risk as a result of its lending activities. Credit risk is defined as the risk of loss of principal, interest and/or fees and charges resulting from a borrower otherwise failing to meet a credit commitment.

The Group is also exposed to counterparty credit risk, which is the risk that a counterparty may default before the final settlement of the transaction's cash flows. This risk is primarily related to derivative instruments. Derivatives that are cleared through a central clearing counterparty or an exchange have less credit risk than over-the-counter derivatives and are subject to relevant netting and collateral agreements. At an operational level, business unit managers are responsible for managing credit risks accepted in their business and for maximising risk adjusted returns from their portfolios within the approved Credit Risk Management Framework, risk appetite and policies.

Authority to officers to approve credit risk exposures for customers, is granted by the Chief Credit Officer in line with the Delegated Lending Authority Policy. The Credit Risk Management function is responsible for establishing policies, monitoring trends impacting credit quality, setting credit limits and authorising delegated lending authorities and where required approving credit exposures. Financial Risk & Modelling is responsible for monitoring Treasury counterparty credit limits in line with the Group’s Counterparty Credit Limit Framework.

The Group utilises models to support the management of credit risk. Governance of risk models is overseen by the RMC and credit risk models are approved by the Group's MCC.

The Board has set a risk appetite for the maximum amount of credit risk that it is willing to take, based on a percentage of the Group's capital that has been allocated to credit risk. The BFRC has articulated additional secondary risk appetite settings that support this primary risk appetite setting through a number of selected credit risk measures. Credit risk appetite is reviewed and recommended by the MCC and/or RB MCC, and ultimately approved by the BFRC and/or Board.

The Group maintains a Credit Risk Management Framework and supporting policies to ensure and facilitate effective management of credit risk and the maintenance of acceptable asset quality. Stress testing is also undertaken on key portfolios to support prudent management of credit risks.

Regular reporting provides confirmation of the effectiveness of processes and highlights any trends or deterioration which require attention. This enables portfolio monitoring by all levels of management and the Board. Regular reporting is provided to the Group's MCC, RB MCC and BFRC.

20 **Risk management** (continued)

Credit risk (continued)

Maximum exposure to credit risk
The table below presents the maximum exposure to credit risk arising from Balance Sheet and off-Balance Sheet financial instruments. The exposure is shown gross before taking into account any master netting, collateral agreements or other credit enhancements.

	Group			
	30 June 2022			
	Stage 1	Stage 2	Stage 3	Total
Gross maximum exposure	$m	$m	$m	$m
Cash and cash equivalents	3,407.6	-	-	3,407.6
Due from other financial institutions	188.0	-	-	188.0
Financial assets fair value through profit or loss (FVTPL)	30.5	-	-	30.5
Financial assets amortised cost	861.7	-	-	861.7
Financial assets fair value through other comprehensive income (FVOCI)	9,618.1	-	-	9,618.1
Other assets	279.5	-	-	279.5
Derivative assets	59.9	-	-	59.9
Gross loans and other receivables	70,981.9	6,047.6	791.8	77,821.3
	85,427.2	**6,047.6**	**791.8**	**92,266.6**
Commitments and contingent liabilities	10,811.7	-	-	10,811.7
Total credit risk exposure	**96,238.9**	**6,047.6**	**791.8**	**103,078.3**

	30 June 2021			
	Stage 1	Stage 2	Stage 3	Total
	$m	$m	$m	$m
Cash and cash equivalents	6,949.2	-	-	6,949.2
Due from other financial institutions	173.4	-	-	173.4
Financial assets fair value through profit or loss (FVTPL)	1,678.7	-	-	1,678.7
Financial assets amortised cost	351.5	-	-	351.5
Financial assets fair value through other comprehensive income (FVOCI)	2,186.1	-	-	2,186.1
Other assets	255.8	-	-	255.8
Derivative assets	59.1	-	-	59.1
Gross loans and other receivables	64,894.6	6,479.5	858.5	72,232.6
	76,548.4	**6,479.5**	**858.5**	**83,886.4**
Commitments and contingent liabilities	10,701.3	-	-	10,701.3
Total credit risk exposure	**87,249.7**	**6,479.5**	**858.5**	**94,587.7**

20 **Risk management** (continued)

Credit risk (continued)

Maximum exposure to credit risk (continued)

	Bank			
	30 June 2022			
	Stage 1	Stage 2	Stage 3	Total
Gross maximum exposure	$m	$m	$m	$m
Cash and cash equivalents	2,948.9	-	-	2,948.9
Due from other financial institutions	188.0	-	-	188.0
Financial assets fair value through profit or loss (FVTPL)	30.5	-	-	30.5
Financial assets amortised cost	603.9	-	-	603.9
Financial assets fair value through other comprehensive income (FVOCI)	23,300.4	-	-	23,300.4
Other assets	1,318.0	-	-	1,318.0
Derivative assets	59.9	-	-	59.9
Gross loans and other receivables	70,489.7	6,047.6	790.7	77,328.0
	98,939.3	**6,047.6**	**790.7**	**105,777.6**
Commitments and contingent liabilities	10,811.7	-	-	10,811.7
Total credit risk exposure	**109,751.0**	**6,047.6**	**790.7**	**116,589.3**

	30 June 2021			
	Stage 1	Stage 2	Stage 3	Total
	$m	$m	$m	$m
Cash and cash equivalents	6,494.5	-	-	6,494.5
Due from other financial institutions	173.4	-	-	173.4
Financial assets fair value through profit or loss (FVTPL)	1,678.7	-	-	1,678.7
Financial assets amortised cost	135.5	-	-	135.5
Financial assets fair value through other comprehensive income (FVOCI)	15,060.7	-	-	15,060.7
Other assets	1,326.7	-	-	1,326.7
Derivative assets	59.1	-	-	59.1
Gross loans and other receivables	64,278.4	6,479.5	857.3	71,615.2
	89,207.0	**6,479.5**	**857.3**	**96,543.8**
Commitments and contingent liabilities	10,701.3	-	-	10,701.3
Total credit risk exposure	**99,908.3**	**6,479.5**	**857.3**	**107,245.1**

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For financial assets recognised in the Balance Sheet, the maximum exposure to credit risk equals their carrying amount. For contingent liabilities including financial guarantees granted, it is the maximum amount that the Group would have to pay if the guarantees were called upon. For loan commitments and other credit-related commitments, it is generally the full amount of the committed facilities.

20 **Risk management** (continued)

Credit risk (continued)

Concentration of credit risk
Concentration risk is managed by client or counterparty, by geographical region and by industry sector. The Group implements certain exposure and concentration limits in order to mitigate the risk.

The gross maximum credit exposure to any client or counterparty (excluding sovereign/government exposures as at 30 June 2022 was $397.1 million (June 2021: $373.7million) before taking to account collateral or other credit enhancements.

Geographic - based on the location of the counterparty or customer.

The table below presents the maximum exposure to credit risk categorised by geographical region. The exposures are shown gross before taking into account any collateral held or other credit enhancements.

	Group		Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
Geographic concentration	$m	$m	$m	$m
Victoria	38,630.7	36,314.6	40,295.2	38,243.0
New South Wales	24,368.6	24,929.6	27,142.2	28,979.1
Queensland	12,880.0	11,685.9	12,626.5	11,419.5
South Australia/Northern Territory	9,379.0	8,113.2	19,055.4	15,385.3
Western Australia	8,105.6	7,646.4	7,959.7	7,481.1
Australian Capital Territory	6,972.0	3,497.7	6,912.1	3,471.9
Tasmania	2,098.1	1,847.0	2,080.4	1,829.4
Overseas/other	644.3	553.3	630.6	539.5
Total credit risk exposure	**103,078.3**	**94,587.7**	**116,702.1**	**107,348.8**

Industry Sector - is based on the industry in which the customer or counterparty are engaged.

The table below presents the maximum exposure to credit risk categorised by industry sector. The exposures are shown gross before taking into account any collateral held or other credit enhancements.

Industry concentration	$m	$m	$m	$m
Accommodation and food services	420.3	383.6	420.3	396.3
Administrative and support services	87.5	53.7	87.5	53.7
Agriculture, forestry and fishing	8,040.8	7,856.9	8,043.0	7,858.9
Arts and recreation services	169.6	111.4	169.6	111.4
Construction	1,100.4	904.6	1,100.4	902.7
Education and training	142.8	72.0	142.8	72.0
Electricity, gas, water and waste services	61.4	35.7	61.4	35.7
Financial and insurance services	12,178.2	12,301.8	27,116.6	26,526.8
Health care and social assistance	603.2	702.9	604.8	704.5
Information media and telecommunications	50.4	28.9	50.4	28.9
Manufacturing	401.9	276.2	401.9	276.1
Margin lending	1,433.2	1,480.6	-	-
Mining	33.4	23.2	33.4	23.2
Other	316.6	286.4	318.0	288.9
Other services	344.5	258.0	344.5	257.9
Professional, scientific and technical services	395.7	290.3	508.5	290.3
Public administration and safety	5,329.2	2,111.9	5,328.8	2,111.5
Rental, hiring and real estate services	5,101.1	4,293.9	5,101.1	4,293.9
Residential/consumer	65,756.4	62,351.0	65,757.4	62,351.4
Retail trade	692.9	426.6	692.9	426.6
Transport, postal and warehousing	246.1	159.6	246.1	159.6
Wholesale trade	172.7	178.5	172.7	178.5
Total credit risk exposure	**103,078.3**	**94,587.7**	**116,702.1**	**107,348.8**

20 **Risk management** (continued)

Credit risk (continued)

Credit quality

The table below discloses the effect of movements in the gross carrying value of loans and other receivables, other financial assets held at amortised cost and contingent liabilities issued by the Group on behalf of customers, to the different stages of the ECL model:

	Group				
	Stage 1	Stage 2	Stage 3	Stage 3	
	Collectively assessed provisions			Individually assessed provisions	**Total**
	$m	$m	$m	$m	**$m**
Gross carrying amount as at 1 July 2021	**83,207.0**	**6,479.5**	**652.8**	**205.7**	**90,545.0**
Stage 1	1,947.7	(1,915.3)	(32.4)	-	-
Stage 2	(3,055.2)	3,146.5	(91.3)	-	-
Stage 3	(236.9)	(220.0)	456.9	-	-
Transfer from collectively assessed to individually assessed provisions	(2.6)	(9.0)	(21.7)	33.3	-
New financial assets originated or purchased	20,337.7	441.0	9.2	-	20,787.9
Financial assets derecognised or repaid	(11,911.3)	(1,617.1)	(307.6)	-	(13,836.0)
Change in balances	(3,902.0)	(258.0)	(0.8)	(77.8)	(4,238.6)
Amounts written off against provisions	-	-	-	(34.5)	(34.5)
Gross carrying amount as at 30 June 2022	**86,384.4**	**6,047.6**	**665.1**	**126.7**	**93,223.8**
	$m	$m	$m	$m	**$m**
Gross carrying amount as at 1 July 2020	**69,092.6**	**6,794.5**	**866.5**	**232.7**	**76,986.3**
Stage 1	2,376.4	(2,295.0)	(81.4)	-	-
Stage 2	(2,991.5)	3,150.5	(159.0)	-	-
Stage 3	(142.6)	(231.0)	373.6	-	-
Transfer from collectively assessed to individually assessed provisions	(3.3)	(11.4)	(42.0)	56.7	-
New financial assets originated or purchased	18,813.6	364.6	11.9	-	19,190.1
Financial assets derecognised or repaid	(9,629.0)	(1,045.4)	(256.8)	-	(10,931.2)
Change in balances	5,690.8	(247.3)	(60.0)	(65.6)	5,317.9
Amounts written off against provisions	-	-	-	(18.1)	(18.1)
Gross carrying amount as at 30 June 2021	**83,207.0**	**6,479.5**	**652.8**	**205.7**	**90,545.0**

	Bank				
	$m	$m	$m	$m	**$m**
Gross carrying amount as at 1 July 2021	**81,920.1**	**6,479.5**	**652.8**	**204.5**	**89,256.9**
Stage 1	1,947.7	(1,915.3)	(32.4)	-	-
Stage 2	(3,055.2)	3,146.5	(91.3)	-	-
Stage 3	(236.9)	(220.0)	456.9	-	-
Transfer from collectively assessed to individually assessed provisions	(2.6)	(9.0)	(21.7)	33.3	-
New financial assets originated or purchased	20,337.7	441.0	9.2	-	20,787.9
Financial assets derecognised or repaid	(11,911.3)	(1,617.1)	(307.6)	-	(13,836.0)
Change in balances	(3,823.8)	(258.0)	(0.8)	(77.8)	(4,160.4)
Amounts written off against provisions	-	-	-	(34.4)	(34.4)
Gross carrying amount as at 30 June 2022	**85,175.7**	**6,047.6**	**665.1**	**125.6**	**92,014.0**
	$m	$m	$m	$m	**$m**
Gross carrying amount as at 1 July 2020	**68,035.2**	**6,794.5**	**866.5**	**231.5**	**75,927.7**
Stage 1	2,376.4	(2,295.0)	(81.4)	-	-
Stage 2	(2,991.5)	3,150.5	(159.0)	-	-
Stage 3	(142.6)	(231.0)	373.6	-	-
Transfer from collectively assessed to individually assessed provisions	(3.3)	(11.4)	(42.0)	56.7	-
New financial assets originated or purchased	18,813.6	364.6	11.9	-	19,190.1
Financial assets derecognised or repaid	(9,629.0)	(1,045.4)	(256.8)	-	(10,931.2)
Change in balances	5,461.3	(247.3)	(60.0)	(65.5)	5,088.5
Amounts written off against provisions	-	-	-	(18.2)	(18.2)
Gross carrying amount as at 30 June 2021	**81,920.1**	**6,479.5**	**652.8**	**204.5**	**89,256.9**

20 **Risk management** (continued)

Credit risk (continued)

Credit quality (continued)

The table below discloses information about the credit quality of financial assets measured at amortised cost without taking into account collateral or other credit enhancement. Unless specifically indicated, the amounts in the table represent gross carrying amounts.

	Group				
	Stage 1	Stage 2	Stage 3	Stage 3	
	Collectively assessed provisions			Individually assessed provisions	**Total**
	$m	$m	$m	$m	**$m**
Neither past due or impaired					
> High grade	59,078.3	298.1	-	-	59,376.4
> Standard grade	28,970.9	3,445.4	0.8	-	32,417.1
> Sub-standard grade	806.7	1,434.3	3.7	-	2,244.7
> Unrated	6,997.6	78.8	6.4	-	7,082.8
Past due or impaired	539.4	626.1	665.1	126.7	1,957.3
Gross carrying amount as at 30 June 2022	**96,392.9**	**5,882.7**	**676.0**	**126.7**	**103,078.3**
	$m	$m	$m	$m	**$m**
Neither past due or impaired					
> High grade	51,974.8	361.5	-	-	52,336.3
> Standard grade	28,923.0	3,476.1	-	-	32,399.1
> Sub-standard grade	1,035.8	1,647.3	-	-	2,683.1
> Unrated	4,863.8	135.6	-	-	4,999.4
Past due or impaired	452.2	859.0	652.8	205.8	2,169.8
Gross carrying amount as at 30 June 2021	**87,249.6**	**6,479.5**	**652.8**	**205.8**	**94,587.7**

	Bank				
	Stage 1	Stage 2	Stage 3	Stage 3	
	Collectively assessed provisions			Individually assessed provisions	**Total**
	$m	$m	$m	$m	**$m**
Neither past due or impaired					
> High grade	72,702.1	298.1	-	-	73,000.2
> Standard grade	28,970.9	3,445.4	0.8	-	32,417.1
> Sub-standard grade	806.7	1,434.3	3.7	-	2,244.7
> Unrated	6,997.6	78.8	6.4	-	7,082.8
Past due or impaired	539.5	626.0	665.1	126.7	1,957.3
Gross carrying amount as at 30 June 2022	**110,016.8**	**5,882.6**	**676.0**	**126.7**	**116,702.1**
	$m	$m	$m	$m	**$m**
Neither past due or impaired					
> High grade	64,782.4	361.5	-	-	65,143.9
> Standard grade	28,876.5	3,476.1	-	-	32,352.6
> Sub-standard grade	1,035.8	1,647.3	-	-	2,683.1
> Unrated	4,790.9	135.6	-	-	4,926.5
Past due or impaired	525.1	859.0	652.8	205.8	2,242.7
Gross carrying amount as at 30 June 2021	**100,010.7**	**6,479.5**	**652.8**	**205.8**	**107,348.8**

20 **Risk management** (continued)

Credit risk (continued)

Credit quality (continued)
The credit ratings range from high grade where there is a very high likelihood of the asset being recovered in full to sub-standard grade where there is concern over the obligor's ability to make payments when due.

Credit risk stress testing is regularly performed to assess the likelihood of loan default, to examine the financial strength of borrowers and counterparties including their ability to meet commitments under changing scenarios and to assess the exposure and extent of loss should default actually occur.

Ageing

The following table presents the ageing analysis of past due but not impaired loans and other receivables.

Loans and receivables which are 90 or more days past due are not classified as impaired assets where the estimated net realisable value of the collateral/security is sufficient to cover the repayment of all principal and interest amounts due.

The exposures are shown net after taking into account any collateral held or other credit enhancements.

		Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total	Fair value of collateral
		$m	$m	$m	$m	$m	$m
Group	2022	977.2	240.3	123.3	489.8	1,830.6	4,734.2
	2021	953.9	274.6	167.6	565.3	1,961.4	3,902.1
Bank	2022	977.2	240.3	123.3	489.8	1,830.6	4,728.5
	2021	953.9	274.6	167.6	565.3	1,961.4	3,902.1

Climate change risk

Climate change risk includes the physical risks which cause direct damage to assets, property and/or customers' cash flows as a result of rising global temperatures, as well as transition risks which arise from the transition to a low-carbon economy. The Group is predominantly exposed to climate change risk through our lending activities whilst noting there is also exposure through our supply chains and built assets such as branches and offices.

The Group is currently two years into a three year climate change action plan and our understanding of climate change risks and its management is being enhanced as we execute the plan. For further information refer to the Group's 2022 Climate Related Financial Disclosures.

Liquidity risk

Liquidity risk is defined as the risk that the Group is unable to access funds, both anticipated and unforeseen, which may lead to the Group being unable to meet its obligations in an orderly manner as they arise or forgoing investment opportunities.

Liquidity risk is managed in line with the Board approved Risk Appetite Statement and the Group Liquidity Risk Management Framework. The principal objective of the Group's Liquidity Risk Management Framework is to ensure that all cash flow commitments are met in a timely manner and prudential requirements are satisfied.

The Group manages a portfolio of High Quality Liquid Assets (HQLA) and Alternative Liquid Assets (ALA) to cover projected net cash outflows over a 30 day period under the stress scenario assumptions prescribed by the Liquidity Coverage Ratio (LCR) in APRA Prudential Standard 210 Liquidity. APRA requires LCR ADIs to maintain a minimum 100 percent LCR. The Group also monitors the stability and composition of funding, including the calculation of the Net Stable Funding Ratio (NSFR), which APRA also requires LCR ADIs to maintain at a minimum of 100 percent.

The Group continues to manage liquidity holdings in line with the Board approved Funding Strategy, ensuring adequate levels of HQLA, ALA and diversified sources of funding. In meeting our liquidity requirement, the Group makes use of the Reserve Bank of Australia (RBA) provided Committed Liquidity Facility (CLF), and the RBA Term Funding Facility (TFF). Both the CLF and the TFF contribute to the Groups LCR and NSFR positions.

The Group also maintains collateral in the form of internal securitisation which could potentially be used to support funding arrangements under the RBA Exceptional Liquidity Assistance (ELA). The intent of ELA is to provide the RBA with a facility that could be used to provide liquidity support to a solvent bank experiencing acute liquidity difficulties where the RBA considers it to be in the public interest to do so. The provision of liquidity under ELA is at the absolute discretion of the RBA.

The Group has established a trigger framework to support the liquidity risk management process, in particular, to alert management of emerging or increased risk or vulnerability in its liquidity position. This framework incorporates limits, early warning indicators, triggers, monitoring and escalation processes to ensure that sufficient liquidity is maintained.

The Group undertakes scenario analysis to examine liquidity under both "business as usual" and stressed scenarios. In addition, the Group's Contingency Funding Plan (CFP) outlines specific actions to deal with a liquidity related event. Regular reporting is provided to ALMAC and BFRC.

20 **Risk management** (continued)

Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities
The table below categorises the Group's financial liabilities into relevant maturity periods based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table represent all cash flows, on an undiscounted basis, including all future coupon payments, both principal and interest, and therefore may not reconcile with the amounts disclosed in the Balance Sheet.

For foreign exchange derivatives and cross currency interest rate swaps, the amounts disclosed are the gross contractual cash flows to be paid. For interest rate swaps, the cash flows are the net amounts to be paid, and have been estimated using forward interest rates applicable at the reporting date.

	Group					
	30 June 2022					
	At call	Not longer than 3 months	3 to 12 months	1 to 5 years	Longer than 5 years	**Total**
	$m	$m	$m	$m	$m	**$m**
Due to other financial institutions	178.8	-	-	-	-	**178.8**
Deposits	46,930.6	12,751.4	14,520.8	411.9	0.5	**74,615.2**
Other borrowings	-	500.6	1,288.3	7,413.3	2,500.8	**11,703.0**
Derivatives - net settled	-	3.8	21.0	10.9	-	**35.7**
Other payables	312.2	2.3	8.2	137.0	8.9	**468.6**
Loan capital	-	12.1	36.2	1,006.9	550.0	**1,605.2**
Total financial liabilities	**47,421.6**	**13,270.2**	**15,874.5**	**8,980.0**	**3,060.2**	**88,606.5**
Commitments and contingent liabilities	10,811.7	-	-	-	-	**10,811.7**
Total contingent liabilities and commitments	**10,811.7**	**-**	**-**	**-**	**-**	**10,811.7**

	30 June 2021					
	$m	$m	$m	$m	$m	**$m**
Due to other financial institutions	175.4	-	-	-	-	**175.4**
Deposits	39,300.6	12,530.6	13,884.1	552.5	0.4	**66,268.2**
Other borrowings	-	532.3	591.8	7,678.2	2,934.0	**11,736.3**
Derivatives - net settled	-	11.9	21.8	27.1	-	**60.8**
Other payables	270.4	20.4	29.4	142.8	-	**463.0**
Loan capital	-	8.9	26.6	456.8	1,117.9	**1,610.2**
Total financial liabilities	**39,746.4**	**13,104.1**	**14,553.7**	**8,857.4**	**4,052.3**	**80,313.9**
Commitments and contingent liabilities	10,701.3	-	-	-	-	**10,701.3**
Total contingent liabilities and commitments	**10,701.3**	**-**	**-**	**-**	**-**	**10,701.3**

	Bank					
	30 June 2022					
	$m	$m	$m	$m	$m	**$m**
Due to other financial institutions	178.8	-	-	-	-	**178.8**
Deposits	46,936.4	12,751.4	14,520.8	411.9	0.5	**74,621.0**
Other borrowings	-	500.6	1,232.0	6,130.4	-	**7,863.0**
Derivatives - net settled	-	3.8	21.0	10.9	-	**35.7**
Other payables	286.4	2.3	8.2	137.0	8.9	**442.8**
Loans payable to securitisation trusts	-	-	-	-	16,686.7	**16,686.7**
Loan capital	-	12.1	36.2	1,006.9	550.0	**1,605.2**
Total financial liabilities	**47,401.6**	**13,270.2**	**15,818.2**	**7,697.1**	**17,246.1**	**101,433.2**
Commitments and contingent liabilities	10,811.7	-	-	-	-	**10,811.7**
Total contingent liabilities and commitments	**10,811.7**	**-**	**-**	**-**	**-**	**10,811.7**

20 **Risk management** (continued)

Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities (continued)

	Bank					
	30 June 2021					
	At call	Not longer than 3 months	3 to 12 months	1 to 5 years	Longer than 5 years	**Total**
	$m	$m	$m	$m	$m	**$m**
Due to other financial institutions	175.4	-	-	-	-	**175.4**
Deposits	39,312.7	12,530.7	13,884.1	552.5	0.4	**66,280.4**
Other borrowings	-	500.1	536.1	7,102.4	-	**8,138.6**
Derivatives - net settled	-	11.9	21.8	27.1	-	**60.8**
Other payables	249.8	20.4	29.4	142.8	-	**442.4**
Loans payable to securitisation trusts	-	-	-	-	15,328.5	**15,328.5**
Loan capital	-	8.9	26.6	456.8	1,117.9	**1,610.2**
Total financial liabilities	**39,737.9**	**13,072.0**	**14,498.0**	**8,281.6**	**16,446.8**	**92,036.3**
Commitments and contingent liabilities	10,701.3	-	-	-	-	**10,701.3**
Total contingent liabilities and commitments	**10,701.3**	**-**	**-**	**-**	**-**	**10,701.3**

Market risk (including interest rate and currency risk)

Market risk is the risk that changes in market variables such as interest rates, foreign exchange rates and equity prices will impact the Group's fair value or future cash flows of financial instruments. The Group classifies its exposures to market risk as either traded (the Trading Book) or non-traded (the Banking Book).

Traded market risk is defined as the risk of loss owing to changes in the general level of market prices or interest rates. Traded market risk arises from positions held in the Group's Trading Book, which consists of securities held for both trading and liquidity purposes, and discretionary interest rate and foreign exchange trading. Foreign currency trading is undertaken primarily for the purpose of providing the Group's customers with access to foreign exchange markets. The trading book positions include approved financial instruments, both physical and derivative. Traded market risk is managed in line with the Risk Appetite Statement, Board approved Group Traded Market Risk Management Framework and Group Trading Book Policy.

Non-traded market risk primarily represents Interest Rate Risk in the Banking Book (IRRBB). IRRBB is the risk of loss in earnings or in the economic value in the Banking Book due to movements in interest rates. Non-traded market risk arises predominantly from the Group's general balance sheet funding and lending activities. The Group takes a prudent approach to the management of IRRBB, balancing NII and EV within Board risk appetite and aiming to reduce volatility in current and future earnings.

IRRBB is managed in line with the Risk Appetite Statement, Board approved Group Interest Rate Risk Management Framework, and Group Interest Rate Risk in the Banking Book Policy and Standard.

Market risk is primarily managed by Group Treasury, which is responsible for ensuring that the Group's exposures are in compliance with market risk limits.

The Board has set a risk appetite for the maximum amount of traded market risk and IRRBB that it is willing to take, based on a percentage of the Group's capital.

Group Treasury monitors significant developments in market structure and pricing as part of their established market risk management process. The Financial Risk & Modelling function provides independent oversight of market risk practices.

The Group utilises Value at Risk (VaR) as a key measure of IRRBB. VaR measures the potential loss in the value of an asset or portfolio to a 99 percent confidence level over a 12 month timeframe due to interest rate changes.

The Group also models a variety of scenarios to analyse the Group's exposure to IRRBB and project the potential impact. This includes scenarios that would potentially have an extreme impact on earnings.

20 **Risk management** (continued)

Market risk (including interest rate and currency risk) (continued)

The following table outlines the key measure for Traded Market Risk. EV Sensitivity is based on the impact of a 50bp parallel movement in rates.

	Exposure at year end	Average during the year	Exposure at year end	Average during the year
	Jun-22		Jun-21	
VaR	$m	$m	$m	$m
Economic Value (EV) Sensitivity	(0.5)	(0.5)	(1.0)	(4.9)

The following table outlines the key measures for Non-Traded Market Risk (IRRBB). EV and NII Sensitivity are based on a static representation of the Balance Sheet and the impact of instantaneous 200bp parallel and non-parallel shifts in rates.

VaR	$m	$m	$m	$m
VaR	45.1	53.6	60.2	75.3
Economic Value (EV) Sensitivity	(57.3)	(73.7)	(69.0)	(116.6)
Net Interest Income (NII) Sensitivity	(85.7)	(96.5)	(62.5)	(67.5)

20 **Risk management** (continued)

Market risk (including interest rate and currency risk) (continued)

Interest Rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group's Income Statement and equity.

The sensitivity of the Income Statement is the effect of assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and financial liabilities held at 30 June 2022, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing fixed rate financial assets (including the effect of any associated hedges), and swaps designated as cash flow hedges, at 30 June 2022 for the effects of the assumed changes in interest rates. The sensitivity of equity is analysed by the maturity of the asset or swap, with sensitivity based on the assumption that there are parallel shifts in the yield curve.

Taking into account the fact that the official cash rate in Australia has increased 1.0 percent in two months from 30 June 2022, the table below represents the change to the Group's profit for the relevant financial year from a 150 basis point up and 25 basis point down rate shock. Where a 25 basis point rate shock would result in an interest rate which is below zero, the interest rate has been assumed to be zero, that is, no negative interest rates have been used.

	Group			
	2022		2021	
	+150 basis points	-25 basis points	+150 basis points	-25 basis points
	$m	$m	$m	$m
Net interest income	99.0	(20.1)	200.8	(18.3)
Revaluation (losses)/gains arising on economic hedges that are not in a hedge relationship	-	-	(12.2)	0.2
Income tax effect at 30%	(29.7)	6.0	3.7	5.4
Effect on profit	**69.3**	**(14.1)**	**192.3**	**(12.7)**
Effect on profit (per above)	69.3	(14.1)	192.3	(12.7)
Cash flow hedge reserve	(134.6)	22.4	8.8	(1.5)
Income tax effect on reserves at 30%	40.4	(6.7)	(2.6)	0.4
Effect on equity	**(24.9)**	**1.6**	**198.5**	**(13.8)**

	Bank			
	2022		2021	
	$m	$m	$m	$m
Net interest income	99.0	(20.1)	200.8	(18.3)
Revaluation (losses)/gains arising on economic hedges that are not in a hedge relationship	-	-	(12.2)	0.2
Income tax effect at 30%	(29.7)	6.0	3.7	5.4
Effect on profit	**69.3**	**(14.1)**	**192.3**	**(12.7)**
Effect on profit (per above)	69.3	(14.1)	192.3	(12.7)
Cash flow hedge reserve	(134.6)	22.4	8.8	(1.5)
Income tax effect on reserves at 30%	40.4	(6.7)	(2.6)	0.4
Effect on equity	**(24.9)**	**1.6**	**198.5**	**(13.8)**

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The movement in equity is also affected by the increase/decrease in the fair value of derivative instruments designated as cash flow hedges, where these derivatives are deemed effective.

This analysis reflects a scenario where no management actions are taken to counter movements in rates.

Foreign currency risk

The Group does not have any significant exposure to foreign currency risk, as all borrowings through the Group's Euro Medium Term Note program (EMTN) and Euro Commercial Paper program (ECP) are fully hedged. At balance date the principal of foreign currency denominated borrowings under these programs was AUD $nil (June 2021: AUD $nil).

Retail and business banking foreign exchange transactions are managed by the Group's Financial Markets unit, with resulting risk constrained by Board approved spot and forward limits. Adherence to limits is independently monitored by the Financial Risk & Modelling function.

21 Share capital

	Group		Bank	
	Jun-2022		Jun-2022	
Issued and paid up capital	No. of shares	$m	No. of shares	$m
Ordinary shares fully paid (ASX Code: BEN)	563,077,445	5,222.5	563,077,445	5,222.5
Employee Share Ownership Plan shares	-	(3.0)	-	(3.0)
Total issued and paid up capital	**563,077,445**	**5,219.5**	**563,077,445**	**5,219.5**
Movements in ordinary shares on issue	No. of shares	$m	No. of shares	$m
Opening balance 1 July 2021	547,147,671	5,064.9	547,147,671	5,064.9
Bonus share scheme [1]	601,774	-	601,774	-
Dividend reinvestment plan [2]	7,903,601	75.9	7,903,601	75.9
Shares issued for business acquisition [3]	10,002,606	102.2	10,002,606	102.2
Executive performance rights	-	(0.1)	-	(0.1)
Closing balance (includes Treasury shares) 30 June 2022	**565,655,652**	**5,242.9**	**565,655,652**	**5,242.9**
Less: Treasury shares	No. of shares	$m	No. of shares	$m
Opening balance 1 July 2021	(1,637,293)	(11.8)	(1,637,293)	(11.8)
Net (acquisitions)/disposals during the period	(940,914)	(8.6)	(940,914)	(8.6)
Closing balance (excludes Treasury shares) 30 June 2022	**563,077,445**	**5,222.5**	**563,077,445**	**5,222.5**
Movements in Employee Share Ownership Plan	No. of shares	$m	No. of shares	$m
Opening balance 1 July 2021	–	(3.6)	–	(3.6)
Reduction in Employee Share Ownership Plan	–	0.6	–	0.6
Closing balance 30 June 2022	**-**	**(3.0)**	**-**	**(3.0)**
Total issued and paid up capital	**563,077,445**	**5,219.5**	**563,077,445**	**5,219.5**

1 The Group issued 339,228 shares @ $9.49 as part of the December 2021 interim dividend and issued 262,546 shares @ $9.70 as part of the June 2022 final dividend under the Bonus Share Scheme.

2 The Group issued 3,989,562 shares @ $9.49 as part of the December 2021 interim dividend and issued 3,914,039 shares @ $9.70 as part of the June 2022 final dividend under the Dividend Reinvestment Plan.

3 The Group issued 10,002,606 shares @ $10.22 as part of the Ferocia acquisition.

21 **Share capital** (continued)

	Group		Bank	
	Jun-2021		Jun-2021	
Issued and paid up capital	No. of shares	$m	No. of shares	$m
Ordinary shares fully paid (ASX Code: BEN)	545,510,378	5,053.1	545,510,378	5,053.1
Employee Share Ownership Plan shares	-	(3.6)	-	(3.6)
Total issued and paid up capital	**545,510,378**	**5,049.5**	**545,510,378**	**5,049.5**
Movements in ordinary shares on issue	No. of shares	$m	No. of shares	$m
Opening balance 1 July 2020	530,779,195	4,909.3	530,779,195	4,909.3
Bonus share scheme [1]	232,760	-	232,760	-
Dividend reinvestment plan [2]	4,213,290	41.0	4,213,290	41.0
Institutional placement	71	-	71	-
Underwriting issue [3]	10,624,730	105.7	10,624,730	105.7
Shares issued for Loan Share Plan	1,297,625	8.7	1,297,625	8.7
Executive performance rights	-	0.2	-	0.2
Closing balance 30 June 2021	**547,147,671**	**5,064.9**	**547,147,671**	**5,064.9**
Less: Treasury shares	No. of shares	$m	No. of shares	$m
Opening balance 1 July 2020	-	-	–	-
Net acquisitions during the period	(1,637,293)	(11.8)	(1,637,293)	(11.8)
Closing balance (excludes Treasury shares) 30 June 2021	**545,510,378**	**5,053.1**	**545,510,378**	**5,053.1**
Movements in Employee Share Ownership Plan	No. of shares	$m	No. of shares	$m
Opening balance 1 July 2020	–	(4.3)	–	(4.3)
Reduction in Employee Share Ownership Plan	–	0.7	–	0.7
Closing balance 30 June 2021	**-**	**(3.6)**	**-**	**(3.6)**
Total issued and paid up capital	**545,510,378**	**5,049.5**	**545,510,378**	**5,049.5**

[1] The Group issued 232,760 shares @ $9.72 as part of the December 2020 interim dividend under the Bonus Share Scheme.
[2] The Group issued 4,213,290 shares @ $9.72 as part of the December 2020 interim dividend under the Dividend Reinvestment Scheme.
[3] The Group issued 10,624,730 shares @ $9.95 as part of the June 2021 final dividend.

Nature of issued capital

Ordinary shares (ASX code: BEN)
The Group does not have authorised capital. Ordinary shares are fully-paid and have no par value. Each ordinary share entitles the holder to one vote, either in person or by proxy, at a shareholder meeting. Ordinary shares entitle the holder to participate in dividends and, in the event of the Group winding up, to a share of the proceeds in proportion to the number of and amounts paid on the shares held.

Recognition and measurement

Ordinary shares are classified as equity. Issued ordinary capital is recognised at the fair value of the consideration received net of transaction costs (net of any tax benefit). Dividends are recognised as a distribution from equity in the year that they are declared.

Employee Share Ownership Plan is the value of loans outstanding in relation to shares issued to employees under this plan and effectively represents the unpaid portion of the issued shares.

22 Retained earnings and reserves

	Group		Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
Retained earnings movements	$m	$m	$m	$m
Opening balance	1,166.0	805.9	682.4	427.6
Profit for the year	488.1	524.0	550.3	427.7
Share-based payment	0.9	1.3	0.9	1.3
Operational risk reserve	4.2	-	-	-
Decrease/(increase) General reserve for credit losses	16.9	(18.1)	16.9	(18.1)
Dividends	(289.6)	(146.3)	(289.6)	(146.3)
Deregistration of subsidiary companies	-	-	0.2	(9.0)
Defined benefits actuarial adjustment (after tax)	-	(0.8)	-	(0.8)
Closing balance	**1,386.5**	**1,166.0**	**961.1**	**682.4**
Reserve movements				
Employee benefits reserve	$m	$m	$m	$m
Opening balance	9.6	8.9	9.6	8.9
Net increase in reserve	4.1	0.7	4.1	0.7
Closing balance	**13.7**	**9.6**	**13.7**	**9.6**
Revaluation reserve - FVOCI without recycling	$m	$m	$m	$m
Opening balance	9.7	0.2	8.9	-
Net unrealised gains	4.7	13.5	5.4	12.7
Tax effect of net unrealised gains	(1.4)	(4.0)	(1.6)	(3.8)
Closing balance	**13.0**	**9.7**	**12.7**	**8.9**
Revaluation reserve - Debt Securities at FVOCI	$m	$m	$m	$m
Opening balance	0.7	1.0	197.5	(15.3)
Impairment	0.1	-	0.1	-
Net unrealised (losses)/gains	(84.8)	(0.5)	(420.6)	304.0
Tax effect of revaluations	25.5	0.2	126.1	(91.2)
Closing balance	**(58.5)**	**0.7**	**(96.9)**	**197.5**
Operational risk reserve	$m	$m	$m	$m
Opening balance	4.2	4.2	-	-
Movement operational risk reserve	(4.2)	-	-	-
Closing balance	**-**	**4.2**	**-**	**-**
Cash flow hedge reserve	$m	$m	$m	$m
Opening balance	9.1	(13.6)	9.1	(13.6)
Mark-to-market movements	46.1	32.5	46.1	32.5
Tax effect of mark-to-market movements	(5.3)	(9.8)	(5.3)	(9.8)
Closing balance	**49.9**	**9.1**	**49.9**	**9.1**
General reserve for credit losses (GRCL)	$m	$m	$m	$m
Opening balance	104.7	86.6	104.7	86.6
(Decrease)/increase in GRCL	(16.9)	18.1	(16.9)	18.1
Closing balance	**87.8**	**104.7**	**87.8**	**104.7**
Total reserves	**105.9**	**138.0**	**67.2**	**329.8**

22 **Retained earnings and reserves** (continued)

Nature and purpose of reserves

Employee benefits reserve
The reserve records the value of equities issued to non-executive employees under the Employee Share Ownership Plan and the value of deferred shares and rights granted to Executive employees under the Employee Salary Sacrifice, Deferred Share and Performance Share Plan.

Further details regarding these employee equity plans are disclosed within Note 33.

Revaluation reserve - FVOCI (without recycling)
The reserve records fair value changes in relation to investments held at FVOCI.

Revaluation reserve - Debt Securities at FVOCI
The reserve records fair value changes in assets classified as debt securities.

Operational risk reserve
The reserve is required to meet Sandhurst Trustees Limited licence requirements.

Cash flow hedge reserve
The reserve records mark-to-market movements in relation to derivatives that are determined to be in an effective cash flow hedge relationship.

General reserve for credit losses
The General reserve for credit losses was initially established to meet the requirements of APRA Prudential Standard, APS 220 Credit Quality, which required a reserve to be held to recognise estimated future credit losses which may arise over the life of the Group's lending portfolio. This requirement was removed from 1 January 2022, however, the Group has prudently maintained this reserve pending further clarification.

23 Investment property

Investment property values reflect the Group's investment in residential real estate through the Homesafe Trust. The investments represent shared equity interest alongside the original home owners in Sydney and Melbourne residential properties.

	Group		Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
	$m	$m	$m	$m
Opening balance	901.7	779.8	-	-
Additions	51.9	31.6	-	-
Disposals	(63.1)	(43.5)	-	-
Homesafe revaluation gain [1]	29.8	133.8	-	-
Total investment property	**920.3**	**901.7**	**-**	**-**

[1] Homesafe revaluation income in Note 3 of $38.5m (June 2021: $137.7m), includes Homesafe revaluation gain and the profit/(loss) recognised on each contracts' completion.

Recognition and measurement

Investment properties are measured initially at cost, including transaction costs and are then stated at fair value. Gains or losses arising from changes in the fair values of investment properties are recognised in the Income Statement in the year in which they arise.

Valuation methodology

Subsequent to initial recognition, fair value is determined by discounting the expected future cash flows of the portfolio, taking into account the restrictions on the ability to realise the investment property due to contractual obligations.

Assumptions used in the modelling of future cashflows are sourced from market indices of property values (Residex) and long term growth/discount rates appropriate to residential property and historical experience of contracts that have been closed out. The discounted cash flow model is prepared on a monthly basis. Inputs that form part of the discounted cash flow model include rates of property appreciation/(depreciation), discount rates, selling costs, mortality rates and future CPI increases.

The Group has revised the assumptions upon which the Homesafe valuation is calculated to ensure consistency with the Group's forecasts for the property market as determined by the Economic Outlook Committee, taking into account the specific characteristics of the portfolio. The Group has applied a discount rate of 5.75 percent (June 2021: 5.75 percent) and property appreciation rates of -5.0 percent for the first year, -2.0 percent for the second year, and 4.0 percent per annum thereafter (June 2021: 3.0 percent for the first year, 3.0 percent for the second year, and 4.0 percent per annum thereafter).

Fair value measurement

There are different levels of fair value measurement. When fair value is calculated using inputs that are not based on observable market data, then assets will be considered as Level 3 fair value. Investment property has been categorised as a Level 3 fair value based on the inputs outlined above.

Sensitivity of Level 3 fair value measurements to reasonably possible alternative assumptions

Valuation technique	Significant unobservable inputs	Range of estimates for unobservable inputs		Fair value measurement sensitivity to unobservable inputs	Effect of reasonably possible alternative assumptions	
		Favourable change	Unfavourable change		Favourable change	Unfavourable change
Discounted cash flow	Rates of property appreciation ~ short-term growth rates: Year 1: (5%) Year 2: (2%)	Year 1: (4%) Year 2: (1%)	Year 1: (6%) Year 2: (3%)	Significant increases in these inputs would result in higher fair values.	17.8	(17.4)
	Rates of property appreciation ~ long-term growth rate 4%	5%	3%	Significant increases in these inputs would result in higher fair values.	79.2	(69.6)
	Discount rates ~ 5.75%	4.75%	6.75%	Significant increases in these inputs would result in higher fair values.	99.1	(84.9)

Where valuation techniques use non-observable inputs that are significant to a fair value measurement in its entirety, changing these inputs will change the resultant fair value measurement.

The most significant inputs impacting the carrying value of the investment property are the long-term growth rates and the discount rates. There are interdependencies between a number of the assumptions made which mean that no single factor is likely to move independent of others, however, the sensitivities disclosed above assume all other assumptions remain unchanged.

24 **Goodwill and other intangible assets**

	Group						
	Goodwill[1]	Software[1]	Software under devel-opment[2]	Customer relationship	Other acquired intangibles[3]	Trustee licence	Total
	$m	$m	$m	$m	$m	$m	$m
Carrying amount as at 1 July 2021	1,437.5	95.4	82.5	4.6	3.5	8.4	1,631.9
Additions	91.3	22.0	103.8	-	-	-	217.1
Transfer to software	-	76.3	(76.3)	-	-	-	-
Write off on disposal	(1.3)	-	-	-	-	-	(1.3)
Amortisation of acquired intangibles	-	(3.3)	-	(0.6)	(2.1)	-	(6.0)
Amortisation of internally developed intangibles	-	(33.4)	-	-	-	-	(33.4)
Closing balance as at 30 June 2022	**1,527.5**	**157.0**	**110.0**	**4.0**	**1.4**	**8.4**	**1,808.3**
	$m	$m	$m	$m	$m	$m	$m
Carrying amount as at 1 July 2020	1,440.3	104.8	28.7	5.5	5.6	8.4	1,593.3
Additions	-	-	72.3	-	-	-	72.3
Transfer to software	-	18.5	(18.5)	-	-	-	-
Write off on disposal	(2.8)	-	-	-	-	-	(2.8)
Amortisation of acquired intangibles	-	-	-	(0.9)	(2.1)	-	(3.0)
Amortisation of internally developed intangibles	-	(27.9)	-	-	-	-	(27.9)
Closing balance as at 30 June 2021	**1,437.5**	**95.4**	**82.5**	**4.6**	**3.5**	**8.4**	**1,631.9**
	Bank						
	$m	$m	$m	$m	$m	$m	$m
Carrying amount as at 1 July 2021	1,380.4	95.3	82.5	4.6	2.0	-	1,564.8
Additions	91.3	22.0	103.7	-	-	-	217.0
Transfer to software	-	76.3	(76.3)	-	-	-	-
Write off on disposal	(1.3)	-	-	-	-	-	(1.3)
Amortisation of acquired intangibles	-	(3.3)	-	(0.6)	(1.4)	-	(5.3)
Amortisation of internally developed intangibles	-	(33.3)	-	-	-	-	(33.3)
Closing balance as at 30 June 2022	**1,470.4**	**157.0**	**109.9**	**4.0**	**0.6**	**-**	**1,741.9**
	$m	$m	$m	$m	$m	$m	$m
Carrying amount as at 1 July 2020	1,377.5	104.7	28.7	5.2	3.3	-	1,519.4
Additions	5.7	-	72.3	-	-	-	78.0
Transfer to software	-	18.5	(18.5)	-	-	-	-
Write off on disposal	(2.8)	-	-	-	-	-	(2.8)
Amortisation of acquired intangibles	-	-	-	(0.6)	(1.3)	-	(1.9)
Amortisation of internally developed intangibles	-	(27.9)	-	-	-	-	(27.9)
Closing balance as at 30 June 2021	**1,380.4**	**95.3**	**82.5**	**4.6**	**2.0**	**-**	**1,564.8**

1 Goodwill and software additions in FY22 relate to the acquisition of Ferocia Pty Ltd. Goodwill disposals include disposals as part of the sale of Community Insurance Solutions Pty Ltd and the debtor finance business.
2 Software under development was previously disclosed in 'other assets'.
3 These assets include customer lists, management rights and trade names.

24 **Goodwill and other intangible assets** (continued)

Intangible assets (other than goodwill)

Recognition and measurement

Intangible assets acquired separately are measured at cost on initial recognition. Intangible assets acquired in a business combination are measured at fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment losses. Intangible assets with a finite life are amortised over their useful life on a straight line basis or in line with the expected benefit realisation and are tested at least annually for impairment or when there is an indicator that impairment may exist. Intangible assets with indefinite useful lives are tested for impairment in the same way as goodwill. The amortisation period and method are reviewed at each financial year end for all intangible assets.

Software includes both purchased and internally generated software. The cost of internally generated software comprises all directly attributable costs necessary to create, produce and prepare the software to be capable of operating in the manner intended by management. Costs incurred in the ongoing maintenance of software are expensed as incurred.

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the sale proceeds and the carrying amount of the asset and are included in the Income Statement in the year of disposal.

Software-as-a-Service (SaaS) arrangements

The Group enters into arrangements with software providers which provide the Group with the right to access the suppliers' cloud-based software over a contracted period. The Group incurs ongoing access fees for use of the software, in addition to costs in implementing the service. Ongoing access fees are expensed over the contract period. Where implementation costs relate to the development of software or code for on-premise systems that the Group controls; the Group may capitalise these costs to the extent they meet the recognition criteria for an intangible asset. To the extent implementation costs relate to configuring or customising a SaaS providers' software, the Group will make an assessment of whether to expense the costs over the contract period or as the configuration and customisation services are performed based on:

1. Who performs the configuration and customisation services; and (if applicable)
2. Whether the performance obligations in the contract are distinct.

In completing the impairment tests for the Group's intangibles, management is required to make judgements, estimates and assumptions that affect the recoverable amount of the asset. Management make these judgements, estimates and assumptions on information available when the financial statements are prepared. Changes to these judgements, estimates and assumptions may occur in the future which are beyond the control of the Group. Such changes will be reflected in the assumptions when they occur.

A summary of the policies applied to the Group's intangible assets (excluding goodwill) are as follows:

	Trustee Licence	Software	Intangible assets acquired in a business combination
Useful lives	Indefinite	Finite	Finite
Method used	Not amortised or revalued	Straight line or in line with expected benefit realisation over 2.5 to 10 years	Straight line over life of asset (2 - 15yrs)
Internally generated/ acquired	Acquired	Internally generated or acquired	Acquired
Impairment test/recoverable amount testing	Annually and when an indicator of impairment exists	When an indicator of impairment exists	When an indicator of impairment exists

Goodwill

Recognition and measurement

Goodwill acquired in a business combination is initially measured at cost. Cost is measured as the consideration paid for the business minus the fair value of the identifiable net assets acquired. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Where a business is divested, goodwill attributable to the sale is measured on the basis of the relative value of the operation disposed of and the portion of the CGU retained.

Impairment of goodwill

Goodwill is allocated to cash generating units (CGUs) for the purposes of impairment testing, which is undertaken at the lowest level at which goodwill is monitored for internal management purposes. Impairment testing is performed at least annually, and whenever there is an indication of impairment, by comparing the recoverable amount of a CGU with its carrying amount. The carrying amount of a CGU is based on its assets, liabilities and allocated goodwill. The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value in use. If the recoverable amount is less than the carrying value, an impairment loss is charged to the Income Statement.

In FY21, the Group had three CGUs which aligned to the Group's segments, namely; 'Consumer', 'Business' and 'Agribusiness'. To support the next phase of the Group's growth and transformation strategy, the Group announced the combination of the Business and Agribusiness divisions led by a single Executive. Following these structural and executive changes, the Group amended the CGUs to 'Consumer' and 'Business and Agribusiness'. The goodwill attributable to the former 'Business' and 'Agribusiness' CGUs have been aggregated into the new consolidated CGU.

24 **Goodwill and other intangible assets** (continued)

Goodwill (continued)

Recognition and measurement (continued)

Key assumptions and estimates

Cash flows
The recoverable amount of each CGU is determined using a value in use calculation. In determining value in use, the estimated future cash flows for each CGU are discounted to their present value using a post-tax discount rate. The basis for estimated future cash flows is the Group's target which is developed annually and approved by management and the Board, and the Group's five year strategic plan. A terminal growth rate is applied to extrapolate cash flows beyond the initial five year period for each CGU. The value in use calculations are compared against other valuations prepared using various approaches to calculate the Group's fair value less cost to sell.

The assumptions made in determining value in use have been based on reasonable and supportable information as at 30 June 2022 and include the following:

- Cash flows are based on the Group's FY23 target and five-year strategic plan, with specific adjustments as required by accounting standards, for non-cash items and to account for inherent uncertainties in longer-term forecasting. Cash flows are based on past performance, established divisional strategies and management's expectations of future conditions (including the expected tangible benefits from the Board approved transformation initiatives).
- Terminal growth rate of 2.5 percent (June 2021: 2.5 percent), as a representation of long-term growth rates, including inflation, in Australia.

Post-tax discount rate
The post-tax discount rate used is based on the weighted average cost of capital for each CGU and reflects current market assessments of the risks specific to the CGU for which future estimates of cash flows have not been adjusted.

The table below contains the carrying value of goodwill and other indefinite useful life intangible assets for each CGU, together with the post-tax discount rates used in the calculation of the recoverable amount.

	Goodwill		Other indefinite useful life assets		Post-tax discount rate	
	Jun-22	Jun-21	Jun-22	Jun-21	Jun-22	Jun-21
	$m	$m	$m	$m	$m	$m
Consumer	1,285.1	1,194.8	8.4	8.4	10.15%	10.15%
Business and Agribusiness	242.4	-	-	-	10.27%	n/a
Business	-	152.1	-	-	n/a	10.15%
Agribusiness	-	90.6	-	-	n/a	10.45%

Management has determined that there is no impairment of goodwill for the year ended 30 June 2022.

25 **Other assets**

	Group		Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
	$m	$m	$m	$m
Accrued income	24.5	28.1	21.3	21.7
Prepayments	54.1	41.3	53.9	41.3
Sundry debtors	154.4	132.8	1,192.9	1,203.7
Accrued interest	125.1	123.0	125.1	123.0
Deferred expenditure[1]	4.7	4.9	4.7	4.9
Total other assets	**362.8**	**330.1**	**1,397.9**	**1,394.6**

[1] Upon review of the Group's Intangible Assets accounting policy, Software under Development has been reclassified from Other Assets to Intangible Assets. Prior period comparatives have been restated.

Recognition and measurement

Prepayments and sundry debtors
Prepayments and sundry debtors are recognised initially at fair value and then subsequently measured at amortised cost using the effective interest rate method. Collectability of sundry debtors is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified.

Accrued interest
Accrued interest is interest that has been recognised as income on an accrual basis using the effective interest rate method, but is yet to be charged to the loan or receivable.

26 **Other payables**

	Group		Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
	$m	$m	$m	$m
Lease liability	148.9	180.3	148.9	179.6
Accrued expenses and outstanding claims	290.7	253.9	286.4	250.6
Accrued interest	31.3	51.1	31.3	51.1
Prepaid interest	21.5	16.4	-	-
Total other payables	**492.4**	**501.7**	**466.6**	**481.3**

Recognition and measurement

Lease liability
A lease liability is recorded in the Balance Sheet at the inception of a lease contract. The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a lease modification that is not accounted for as a separate lease, a change in index or rate applicable, a change in the amount payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Accrued expenses
Accrued expenses are carried at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received.

Accrued interest
Accrued interest is the interest that is recognised as an expense in the Income Statement but has yet to be paid to the customers' liability account.

Interest is recognised using the effective interest rate method.

Prepaid interest
Prepaid interest is the interest received from customers in advance. This interest is recognised in the Income Statement using the effective interest rate method.

27 Provisions

	Group		Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
	$m	$m	$m	$m
Employee entitlements	105.4	104.1	105.4	104.1
Make good provision	13.0	12.9	13.0	12.9
Other [1]	3.8	3.5	3.8	3.4
Closing balance	**122.2**	**120.5**	**122.2**	**120.4**

[1] Other provisions comprises of various other provisions including reward programs and dividends.

Movements in provisions (excluding employee entitlements)

	Group					
	Make Good Provision		Other		Total	
	Jun-22	Jun-21	Jun-22	Jun-21	Jun-22	Jun-21
	$m	$m	$m	$m	$m	$m
Opening balance	12.9	13.5	3.5	2.7	16.4	16.2
Additional provision recognised	0.8	0.2	289.1	147.8	289.9	148.0
Amounts utilised during the year	(0.7)	(0.8)	(288.8)	(147.0)	(289.5)	(147.8)
Closing balance	**13.0**	**12.9**	**3.8**	**3.5**	**16.8**	**16.4**

	Bank					
	$m	$m	$m	$m	$m	$m
Opening balance	12.9	13.5	3.4	2.7	16.3	16.2
Additional provision recognised	0.8	0.2	289.1	147.8	289.9	148.0
Amounts utilised during the year	(0.7)	(0.8)	(288.7)	(147.1)	(289.4)	(147.9)
Closing balance	**13.0**	**12.9**	**3.8**	**3.4**	**16.8**	**16.3**

Employee benefits

The table below shows the individual balances for employee benefits:

	Group		Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
	$m	$m	$m	$m
Annual leave	37.5	36.0	37.5	36.0
Other employee payments	10.0	10.0	10.0	10.0
Long service leave	52.2	52.1	52.2	52.1
Sick leave bonus	5.7	6.0	5.7	6.0
Closing balance	**105.4**	**104.1**	**105.4**	**104.1**

27 **Provisions** (continued)

Recognition and measurement

Provisions are recognised when the Group has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, and it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used the increase in the provision due to the passage of time is recognised as a finance cost.

Employee entitlements
Annual leave and long service leave provisions are measured as the present value of expected future payments for the services provided by employees up to the reporting date. The provision is measured at the amounts that are expected to be paid when the liabilities are settled.

Expected future payments are discounted using corporate bond rates.

Annual leave is accrued on the basis of full pro-rata entitlement and amounts are estimated to apply when the leave is paid. It is anticipated that annual leave will be paid in the ensuing twelve months.

Long service leave has been assessed at full pro-rata entitlement in respect of all employees with more than one year of service. The assessment considers the likely number of employees that will ultimately be entitled to long service leave, estimated future salary rates and on-costs. Sick leave bonus provides an entitlement dependent on an employee's years of service and unused sick leave and is paid on termination. Other employee payments include short-term incentives and are expected to be paid in the ensuing twelve months.

Make good provision
Upon initial recognition of a lease contract, to which the Group acts as a lessee, a provision is recorded in the Balance Sheet. The provision is to recognise the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease and the useful life of the assets.

Other
A provision for dividends payable is not recognised as a liability unless the dividend is declared, determined or publicly recommended on or before the reporting date.

The provision of rewards program is to recognise the liability to customers in relation to points earned by them under the program. Reward points expire after three years. The balance will be utilised or forfeited during that period.

28 Cash flow statement reconciliation

	Group		Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
	$m	$m	$m	$m
Profit after tax	**488.1**	**524.0**	**550.3**	**427.7**
Non-cash items				
Credit (reversals)/expenses	(23.4)	20.7	(24.6)	16.9
Amortisation	39.4	30.9	38.6	29.8
Depreciation (including leasehold improvements)	59.8	69.3	59.8	69.3
Revaluation increment/(decrement)	10.1	(122.6)	5.9	6.0
Equity settled transactions	4.6	3.0	4.6	3.0
Share of net profit from joint arrangements and associates	(1.4)	(1.1)	(1.4)	(1.1)
Dividends received	(4.9)	(0.4)	(89.5)	(25.9)
Impairment write down	-	2.8	-	2.8
Fair value acquisition adjustments	11.3	9.8	11.3	9.8
Revaluation gains on derivatives	-	8.1	-	8.1
Changes in assets and liabilities				
Increase in tax provision	6.4	44.2	6.4	44.2
(Increase)/decrease in deferred tax assets and liabilities	(6.4)	46.1	(103.5)	102.0
Decrease in derivatives	(11.3)	(7.6)	(11.3)	(7.6)
Decrease in accrued interest	(16.8)	(42.3)	(21.9)	(48.9)
Increase in accrued employee entitlements	1.3	5.9	1.3	5.9
(Increase)/decrease in other accruals, receivables and provisions	(93.7)	(92.8)	(180.1)	25.7
Cash flows from operating activities before changes in operating assets and liabilities	**463.1**	**498.0**	**245.9**	**667.7**
(Increase)/decrease in operating assets				
Net increase in balance of loans and other receivables	(5,666.4)	(6,960.9)	(4,418.5)	(6,984.6)
Net (increase)/decrease of investment securities	(6,380.1)	2,330.4	(7,145.3)	2,191.2
Increase/(decrease) in operating liabilities				
Net increase in balance of deposits	8,366.8	10,173.0	8,360.4	10,187.8
Net (decrease)/increase in balance of other borrowings	(33.3)	94.2	(275.6)	-
Net cash flows (used in)/from operating activities	**(3,249.9)**	**6,134.7**	**(3,233.1)**	**6,062.1**

Cash flows presented on a net basis
Cash flows arising from the following activities are presented on a net basis in the Cash Flow Statement:

Loans and other receivables, investment securities, deposits and other borrowings.

29 **Subsidiaries and other controlled entities**

Subsidiaries

Bendigo and Adelaide Bank Limited consolidates a subsidiary (including structured entities) when it controls it. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

When assessing whether the Bank has power over an entity, and therefore, control over the variability of its returns, consideration is given to all relevant facts and circumstances, including:

- voting rights currently exercisable;
- the purpose and design of the entity;
- the relevant activities and how decisions about those activities are made and whether the Bank can direct those activities;
- contractual arrangements such as call rights, put rights and liquidation rights.

Subsidiaries prepare financial reports for consolidation in accordance with the Group's accounting policies. When necessary, adjustments are made to bring their accounting policies in line with the Group's accounting policies.

All inter-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group have been eliminated in full on consolidation. Where a controlled entity has been sold or acquired during the year its operating results have been included to the date control ceased or from the date control was obtained.

The following table presents the material subsidiaries of the Group. A subsidiary has been considered to be material if it has more than 0.5 percent of the total Group assets.

Chief entity and Ultimate parent	Principal activities
Bendigo and Adelaide Bank Limited	Banking

Other entities	Principal activities
Homesafe Trust	Homesafe product financier
Leveraged Equities Ltd	Margin lending

All entities are 100% owned and incorporated in Australia.

Investments in controlled entities

	Group		Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
	$m	$m	$m	$m
At cost	-	-	112.8	103.7
	-	**-**	**112.8**	**103.7**

Significant restrictions

The Group does not have any significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which banking subsidiaries operate. The supervisory framework requires banking subsidiaries to keep certain levels of regulatory capital and liquid assets, limit their exposure to other parts of the Group and comply with other ratios.

Recognition and measurement

The Group classifies all entities where it owns 100 percent of the shares and in which it controls as subsidiaries. Investments in subsidiaries are stated at cost.

Special Purpose Entities (SPE's)

The following table presents a list of the material SPEs. A SPE has been considered to be material where the assets are more than 0.5 percent of total Group assets. For further information relating to SPEs refer to Note 17.

Entity	Principal activities
Torrens Series 2008-1 Trust	Securitisation
Torrens Series 2008-4 Trust	Securitisation
Torrens Series 2019-2 Trust	Securitisation
Torrens Series 2021-1 Trust	Securitisation
Torrens Series 2021-2 Trust	Securitisation
Torrens Series 2022-1 Trust	Securitisation

30 Related party disclosures

Subsidiary transactions
Transactions undertaken with subsidiaries are eliminated in the Group's financial statements. Transactions between the Bank and the subsidiary are funded through intercompany loans with no fixed repayment date and are repayable upon demand.

A summary of material transactions (excluding dividends) between the Bank and its subsidiaries during the period were:

	Jun-22 $m	Jun-21 $m
Opening balance at beginning of financial year	1,469.3	1,573.8
Net receipts and fees received from/(paid to) subsidiaries	90.2	(37.6)
Supplies, fixed assets and services charged to subsidiaries	(41.0)	(66.9)
Net amount owing to subsidiaries	**1,518.5**	**1,469.3**

Bendigo and Adelaide Bank provides funding and guarantee facilities to several subsidiary companies.

These facilities are provided on normal commercial terms and conditions.

Subsidiary	Facility	Limit $m	Drawn/ issued at 30 June 2022 $m
Sandhurst Trustees Limited	Guarantee	0.5	-

Dividends paid by subsidiaries	Jun-22 $m	Jun-21 $m
Sandhurst Trustees Limited	84.6	-
Adelaide Managed Funds	-	0.6
Bank Of Cyprus Australia	-	24.8

Other related party transactions

Joint arrangement entities and associates
Bendigo and Adelaide Bank Limited has investments in joint arrangement entities and associates which are accounted for using the equity method. The investments are initially recorded at cost, and are subsequently adjusted by the Group's share of the entity's profit or loss. Dividends received reduce the carrying value of the investment.

Transactions entered into with these related entities principally include commissions received and paid, services and supplies procured and fees charged in relation to the provision of banking, administrative and corporate services. These revenue and expense items are included in the Group's Income Statement.

The transactions are conducted on the same terms as other third party transactions.

A summary of material transactions excluding dividends between the Group and joint arrangements and associates during the period were:

	Jun-22 $m	Jun-21 $m
Commissions and fees paid to joint arrangements and associates	23.7	21.6
Supplies and services provided to joint arrangements and associates	0.3	0.6
Amount owing to/(from) joint arrangements and associates	15.3	(3.2)

Bendigo and Adelaide Bank Limited provides loans, guarantees and/or overdraft facilities to joint arrangements and associates. The loans have agreed repayment terms which vary according to the nature of the facility. These loans are included in the net amount owing from joint arrangements and associates in the above table.

Key management personnel
Key management personnel (KMP) are those persons with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

The Group's KMP are those members of the Bendigo and Adelaide Bank Group Executive Committee together with its Non-executive Directors. Further details relating to KMP are located in the Remuneration Report.

The table below details, on an aggregated basis, KMP compensation:

Compensation	Jun-22 $'000's	Jun-21 $'000's
Salaries and other short-term benefits	6,868.8	6,788.3
Post-employment benefits	342.2	298.7
Other long term benefits	55.8	(21.2)
Share-based payments	1,751.7	1,899.3
Total compensation	**9,018.5**	**8,965.1**

The table below details, on an aggregate basis, KMP equity holdings. The holdings comprise ordinary shares, preference shares, performance shares and deferred shares:

Equity holdings	Jun-22 No.	Jun-21 No.
Ordinary shares (includes deferred shares)	1,317,053	1,253,656
Preference shares	350	350
Performance rights	325,306	351,537
Deferred share rights	66,888	-
Loan funded shares	1,716,392	1,086,885
Rights to shares	3,785	9,687
Closing balance of equity holdings	**3,429,774**	**2,702,115**

30 **Related party disclosures** (continued)

Other related party transactions (continued)

The table below details, on an aggregated basis, loan balances outstanding at the end of the year between the Group and its KMP:

	Jun-22	Jun-21
Loans [1,2,3]	$'000's	$'000's
Loans outstanding at the beginning of the year [2]	11,330.0	9,562.0
Loans outstanding at the end of the year	12,493.0	11,330.0
Interest paid or payable	235.0	269.0
Interest not charged	-	-

1 The balance of loans outstanding includes the provision of a guarantee to the value of $20,000 which was provided to a KMP in the ordinary course of the Group's business and on an arm's length basis.
2 The balance of loans outstanding excludes the value of loans provided to Executives under the Employee Share Ownership Plan.
3 The balance of loans outstanding relate to KMP who were in office at the start of, or appointed during, the financial year.

Loans to directors and senior executives are made in the ordinary course of the Group's business and on an arm's length basis. The loans are processed and approved in accordance with the Bank's standard lending terms and conditions.

31 **Involvement with unconsolidated entities**

The table below describes the types of structured entities that the Group does not consolidate but in which it holds an interest.

Type of structured entity	Nature and purpose	Interest held by the Group
Securitisation vehicles - for loans and advances originated by third parties	To generate: · external funding for third parties; and · investment opportunities for the Group. These vehicles are financed through the issue of notes to investors.	· Investments in notes issued by the vehicles
Managed investment funds	To generate: · a range of investment opportunities for external investors; and · fees from managing assets on behalf of third party investors for the Group.	· Investment in units issued by the funds · Management fees

Risks associated with unconsolidated structured entities
The following table summarises the carrying values recognised in the Balance Sheet in relation to unconsolidated structured entities, together with the maximum exposure to loss that could arise from those interests.

	Managed investment funds	Securitisation vehicles	Managed investment funds	Securitisation vehicles
	Jun-22	Jun-22	Jun-21	Jun-21
	$m	$m	$m	$m
Cash and cash equivalents	0.1	-	0.1	-
Financial assets amortised cost	-	184.0	-	19.1
Financial assets fair value through other comprehensive income	8.7	8.7	9.4	13.6
Net Loans and other receivables	-	2,104.9	-	1,646.0
Total on-balance sheet exposures	**8.8**	**2,297.6**	**9.5**	**1,678.7**
Total off-balance sheet exposures [1]	-	29.6	-	22.4
Total maximum exposure to loss	**8.8**	**2,327.2**	**9.5**	**1,701.1**

1 Relates to undrawn funding limits.

31 **Involvement with unconsolidated entities** (continued)

Maximum exposure to loss

For loans and other receivables, the maximum exposure to loss is the current carrying value of these interests representing the amortised cost at reporting date, in addition to any undrawn funding limits.

The following table summarises the Group's maximum exposure to loss from its involvement with unconsolidated structured entities.

	Carrying amount	Maximum loss exposure	Carrying amount	Maximum loss exposure
	Jun-22	Jun-22	Jun-21	Jun-21
	$m	$m	$m	$m
Cash and cash equivalents	0.1	0.1	0.1	0.1
Senior notes	2,297.6	2,327.2	1,678.7	1,701.1
Investment	8.7	8.7	9.4	9.4
	2,306.4	**2,336.0**	**1,688.2**	**1,710.6**

Significant restrictions

There are no significant restrictions imposed by any unconsolidated structured entity on the Group's ability to access or use its assets or settle its liabilities.

Recognition and measurement

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

Involvement with structured entities varies and includes debt financing of these entities as well as other relationships.

A review is undertaken to determine the involvement the Group has and whether the involvement with these entities results in significant influence, joint control or control over the structured entity. The structured entities over which control can be exercised are consolidated. These entities are outlined in Note 29.

The Group has no contractual arrangements that would require it to provide financial or other support to an unconsolidated entity. The Group has not previously provided financial support, and has no intention to provide such support to these entities.

Securitisation vehicles

The Group has exposure to a number of securitisation vehicles through Residential Mortgage Backed Securities (RMBS). Securitisations involve transferring assets into an entity that sells interests to investors through the issue of debt or equity notes. The notes are secured by the underlying assets transferred to the vehicles, and generally hold a number of levels of subordination, with the residual income paid to the most subordinated investor. The Group does not hold any mezzanine notes in the unconsolidated structured entities it invests in, and does not receive any residual income. The Group does not act as the primary trust manager or servicer of any of its unconsolidated structured entities.

Managed Investment funds

Sandhurst Trustees Limited (STL), a subsidiary of the Group, acts as a responsible entity for certain managed investment funds. The decision-making rights of the fund are restricted to the Product Disclosure Statements. The fees received by STL are not variable, are commensurate with the services provided and are consistent with similar funds in the market. Where STL holds investments in the funds, an assessment of the Group's power over the relevant activities of the Fund and the significance of its exposure to variable returns is completed to determine whether the Fund should be consolidated.

Community Banks

Community Banks are not consolidated by the Group as the Group does not have power to govern decision making. While the Group's returns are variable they are calculated as a percentage of the gross margin. In some cases the Group holds shares in Community Bank branches and has representation on the Board. These shares are held as investments and are accounted for using the equity method. Consolidation of a Community Bank branch would occur when the Group has power to affect returns through a majority representation on the Board.

Alliance partners

Alliance partners are not consolidated by the Group as the Group does not have power to govern decision making. While the Group's returns are variable they are calculated as a percentage of the gross margin. The Group has no representation on the Board of these entities.

32 **Fiduciary activities**

The Group conducts investment management and other fiduciary activities as responsible entity, trustee, custodian or manager for a number of funds and trusts, including superannuation, unit trusts and mortgage pools.

The amounts of the funds concerned are:

	Group	
	Jun-22	Jun-21
	$m	$m
Funds under trusteeship	6,680.0	6,872.2
Assets under management	2,928.5	2,809.7
Funds under management	3,751.5	4,062.5

Recognition and measurement

The assets and liabilities of these trusts and funds are not included in the consolidated financial statements as the Group does not have direct or indirect control of the trusts and funds. Commissions and fees earned in respect of the activities are included in the Income Statement of the Group.

As an obligation arises under each type of duty, the amount of funds has been included where that duty arises. This may lead to the same funds being shown more than once where the Group acts in more than one capacity in relation to those funds (e.g. manager and trustee). Where controlled entities, as trustees, custodian or manager incur liabilities in the normal course of their duties, a right of indemnity exists against the assets of the applicable trusts. As these assets are sufficient to cover liabilities, and it is therefore not probable that the Group will be required to settle them, the liabilities are not included in the financial statements.

33 **Share-based payment plans**

The Group provides benefits to employees by offering share-based compensation whereby employees render services in exchange for shares or rights over shares.

These share-based incentive plans form an integral part of the Group's remuneration framework with the objective of aligning the interests of executives and other eligible employees to the long term returns of shareholders.

Further detailed information associated with each plan are included in the Remuneration Report.

Details of current plans

Employee Salary Sacrifice, Deferred Shares, Deferred Share Rights and Performance Rights Plan
The Bank's plan was established in November 2008 to provide for grants of Deferred shares, Deferred Share rights and Performance rights to the Managing Director, Senior Executives and key senior management (the Participants) as determined by the Board.

Upon review of the executive remuneration framework the plan was replaced with the Omnibus Equity Plan in the 2021 financial year. Consequently, all existing grants made within the plan will either vest or lapse in accordance with the individual grant's vesting as well as any service and or performance conditions that may be relevant.

Performance rights
Under the Plan, Participants were granted performance rights as part of their long-term incentive reward. Each right represents an entitlement to one of the Bank's fully paid ordinary share upon the right vesting and being exercised. The number of performance rights granted to Participants was determined by dividing the remuneration value of the proposed grant by the volume weighted average closing price of the Bank's shares for the last five trading days of the financial year prior to the year of grant.

Deferred Share rights (non-market based hurdle)
Under the Plan, Participants were granted service based rights as part of their long-term incentive reward, retention or sign-on grants. Each right represents an entitlement to one of the Bank's fully paid ordinary share upon the right vesting and being exercised. The number of share rights granted to Participants was determined by dividing the value of the proposed grant by the volume weighted average price of the Bank's shares for the five trading days preceding the allocation date.

Deferred shares
Under the Plan, Participants were granted deferred shares as part of their base remuneration and short-term incentive payments. The number of deferred shares granted to Participants is calculated by dividing the deferred remuneration value by the volume weighted average closing price of the Bank's shares for the last five trading days of the financial year prior to the year of grant.

Omnibus Equity Plan
The Bank established the Omnibus Equity Plan (OEP) in November 2020. Under the long-term incentive plan, eligible executives are issued with performance rights. Each right represents a promise to one fully paid ordinary share in the Bank subject to performance and service conditions. The plan provides for grants to be equity settled or cash settled at the Board's discretion.

33 **Share-based payment plans** (continued)

Loan Funded Share Plan

The Bank established a Loan Funded Share Plan (LFSP) in November 2020. Under the LFSP, awards granted since 2020, eligible Executives are provided with a non-recourse loan for the sole purpose of acquiring shares in the Bank. The full loan term is six years.

The LFSP facilitates immediate share ownership by the senior managers and links a significant proportion of their 'at-risk' remuneration to Bendigo and Adelaide Bank Limited's ongoing share price and returns to shareholders over the performance period. It is designed to encourage senior managers to focus on the key performance drivers that underpin sustainable growth in shareholder value.

The shares must be paid for by the senior managers with cash dividends after personal income tax being applied to repay the loans. Eligible senior managers cannot exercise, dispose or transfer the shares until the loan has been fully repaid.

The Loan Funded Share Plan will not be re-offered in financial year 2023.

The table below outlines key terms and conditions associated with the current plans:

Plan name	Employee Salary Sacrifice, Deferred Shares, Deferred Share Rights and Performance Rights Plan		Omnibus Equity Plan	Loan Funded Share Plan
Type of share-based payment	Performance rights (allocated at no cost) [1]	Deferred shares (allocated at no cost) [2]	Share rights (allocated at no cost)	Bendigo and Adelaide Bank Ltd's fully paid ordinary shares
Eligibility	Eligible employees including Managing Director, Senior Executives and key senior management	Eligible employees including Managing Director, Senior Executives and key senior management	Eligible employees including an executive director	Eligible employees including an executive director
Exercise price ($)	Nil	Nil	Nil	FY21 $6.75 FY22 $9.18
Performance hurdles	· Bank's Net Promoter Score over the performance period to be better than the performance of a peer group of Australian banks. · Relative Total shareholder return (TSR). Measured over a 4 year period.	N/A	N/A	· Cost to Income · Cash Earnings* · Market Growth · Customer Advocacy
Service conditions	Continued employment over a 4 year period.	Continued employment over a 4 year period.	Continued employment over the vesting period.	Continued employment over a 4 year period.
Other conditions	Risk assessment and behaviour gateway at the end of year 4.	Risk assessment and behaviour gateway at the end of year 4.	Risk assessment and behaviour gateway at the end of the vesting period.	Risk assessment and behaviour gateway at the end of year 4.
Vesting period (period over which expenses are recognised)	4 years	4 years	Various	4 years
Method of settlement	Equity-settled	Equity-settled	Equity-settled with option of cash-settlement at Board's discretion.	Equity-settled with option of cash-settlement at Board's discretion.
Dividends and voting rights during the vesting period	No	Yes	No	Yes, however dividends must be applied to repayment of outstanding non-recourse loan balance.

[1] Performance and Deferred Share rights are granted within the Omnibus Equity Plan.

[2] Deferred Base Pay Shares are no longer part of the executive remuneration framework. Final tranche will vest in FY23.

* The Cash Earnings measure only applies to the FY22LFSP award.

33 **Share-based payment plans** (continued)

Details of other plans

Employee Share Plan
The Bank established a loan based limited recourse Employee Share plan in 2006. The plan is only available to full time and part time employees of the Group (excluding Senior Executives and the Managing Director).

The Plan provides employees with a limited recourse interest free loan for the sole purpose of acquiring fully paid ordinary shares in the Bank.

The shares must be paid for by the employee with cash dividends after personal income tax being applied to repay the loans. Employees cannot exercise, dispose of or transfer the shares until the loan has been fully repaid.

The first issue to employees under this Plan was completed in September 2006 with a further grant made in December 2007. There have been no further issues under this plan.

Summary of details under the various plans
The following table details the number (No.) and movements in the various plans during the year. The rights and shares are granted at no cost and have no exercise price.

	Rights[1]		Deferred shares[2]	
	Jun-22	Jun-21	Jun-22	Jun-21
	No.	No.	No.	No.
Outstanding at beginning of year	460,667	678,310	111,304	251,371
Granted	1,429,004	177,525	4,636	3,493
Forfeited/lapsed	(110,656)	(286,424)	-	-
Vested/exercised	(112,400)	(108,744)	(57,971)	(143,560)
Outstanding at year end	1,666,615	460,667	57,969	111,304
Exercisable at year end	-	-	-	-

	Employee Share Plan				Loan Funded Share Plan			
	Jun-22		Jun-21		Jun-22		Jun-21	
	No. [3]	WAEP ($)	No.	WAEP ($)	No.	WAEP ($)	No.	WAEP ($)
Outstanding at beginning of year	705,054	5.12	815,524	5.31	1,635,527	6.95	-	-
Granted	-	-	-	-	954,134	-	1,646,981	-
Forfeited/lapsed	-	-	-	-	(181,126)	-	(11,454)	-
Vested/exercised	(74,171)	4.76	(110,470)	5.12	-	-	-	-
Outstanding at year end	630,883	4.74	705,054	5.12	2,408,535	7.45	1,635,527	6.95
Exercisable at year end	-	-	-	-	-	-	-	-

1 The rights share-based payment expenses includes performance tested and service based awards.
2 Closing balance of deferred shares and rights are exercisable up to June 2026, depending on the award meeting the required conditions.
3 The outstanding balance as at 30 June 2022 is represented by 630,883 (June 2021: 705,054) ordinary shares with a market value of $5,722,109 (June 2021: $7,396,016), exercisable upon repayment of the employee loan.

Recognition and measurement

The cost of the employee services received in respect of shares or rights granted is recognised in the Income Statement over the period the employee provides the services, generally the period between the grant date and the vesting date of the shares or rights. The overall cost of the award is calculated using the number of shares or rights expected to vest and the fair value of the shares or rights at the grant date.

Fair value methodology
The fair value of shares or rights granted under the various Plans takes into account the terms and conditions upon which the shares or rights were granted.

33 **Share-based payment plans** (continued)

Performance rights and loan shares - The fair value is determined using a Black Scholes Merton valuation method incorporating a Monte Carlo Simulation option pricing model taking into account the terms and conditions upon which the rights were granted.

The following inputs are used in the models:

	Performance Rights	Loan Shares - Executives
	16 Nov 2021	16 Nov 2021
Dividend yield (%)	6.02%	-
Expected volatility (%)	30.85%	28.93%
Risk-free interest rate (%)	1.23%	1.44%
Expected life of performance rights (years)	4 years	4 - 6 years
Exercise price ($)	nil	9.18

	Deferred Share Rights		
	13 Sept 2021		
	Tranche 1	Tranche 2	Tranche 3
Dividend yield (%)	5.70%	5.70%	5.70%
Expected volatility (%)	30.87%	38.27%	33.25%
Risk-free interest rate (%)	-	-	0.18%
Expected life of performance rights (years)	1 year	2 years	3 years
Exercise price ($)	nil	nil	nil

The expected life of the performance rights are based on historical data, and are not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of shares granted were incorporated into the measurement of fair value. The fair value is determined by an independent valuation.

Deferred shares - The fair value is measured as at the date of the grant using the volume weighted average closing price of the Bank's shares traded on the ASX for five trading days ending on the grant date.

Deferred Share Rights (non-market based hurdle) - The number of share rights granted to Participants was determined by dividing the value of the proposed grant by the volume weighted average price of the Bank's shares for the five trading days preceding the allocation date.

Rights are not eligible for dividends until converted into shares.

34 **Commitments and contingencies**

(a) Commitments and contingent liabilities

The following are outstanding expenditure and credit related commitments as at 30 June 2022.

	Group		Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
	$m	$m	$m	$m
Commitment to provide credit	10,556.4	10,453.3	10,556.4	10,453.3
Guarantees	253.2	244.3	253.2	244.3
Documentary letters of credit and performance related obligations	2.1	3.7	2.1	3.7

Recognition and measurement

Commitment to provide credit
The Group enters into arrangements with customers that allows them to borrow money in line with specific terms and conditions, these commitments are made for a fixed term or subject to cancellation conditions. These arrangements expose the Group to liquidity risk when they are called upon and/or credit risk if the customer fails to repay the funds under the terms of their agreement. The maximum exposure to credit loss is the contractual or notional amount, which does not reflect future cash requirements of the Group as it is expected that a large portion of these values will not be drawn upon. All commitments noted will expire within 12 months.

34 **Commitments and contingencies**

(a) Commitments and contingent liabilities (continued)

Recognition and measurement (continued)

Guarantees, documentary letters of credit and performance related obligations
Bank guarantees have been issued by the Group on behalf of customers whereby the Group is required to make specified payments to reimburse the holders for a loss they may incur because the customer fails to make a payment.

Guarantees, documentary letters of credit and performance related obligations are not recognised on the Balance Sheet. The contractual term of the guarantee matches the underlying obligations to which they relate.

The fair value of these contracts has been assessed using a probability weighted discounted cash flow approach.

The guarantees issued by the Bank are fully secured and the Bank has never incurred a loss in relation to the financial guarantees it has provided. As the probability and value of guarantees, documentary letters of credit and performance related obligations that may be called on is unpredictable, it is not practical to state the timing of any potential payment.

Legal claims
The Group is engaged in a range of litigation and court proceedings at any point in time. However, no current proceedings or claims are expected to have a material effect on the business, financial condition or operating results of the Group. For all litigation exposures where loss is probable and can be reliably estimated an appropriate provision is made. The Group has no material provisions raised for any current legal proceedings.

Remediation and compensation claims
The Group undertakes ongoing compliance activities, including review of products, advice, conduct and services provided to customers, as well as interest, fees and premiums charged.

Some of these investigations and reviews have resulted in remediation programs and where required the Group consults with the respective regulator on the proposed remediation action. There is a risk that where a breach has occurred, regulators may also impose fines and/or sanctions.

Provisions are recognised when it is probable an outflow will be required to address a past event and where a reliable estimate is available. There remains a contingent liability with respect to these matters however, the aggregate potential liability of the above matters cannot be reliably estimated.

(b) Contingent assets

As at 30 June 2022, the economic entity does not have any contingent assets.

35 Remuneration of Auditor

The Group's external auditor is Ernst & Young (EY). In addition to the audit and review of the Group's financial reports, EY has provided other services throughout the year.

	Group		Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
	$	$	$	$
Fees to Ernst & Young (Australia) [1]				
Category 1 - Fees to the group auditor for audit and review of financial statements	1,818,400	1,983,100	1,725,700	1,885,300
Category 2 - Audit related services	382,000	333,900	382,000	333,900
Category 3 - Other assurance services				
- Consolidated entities	523,000	624,900	523,000	590,400
- Non-consolidated entities	377,722	383,200	-	-
Category 4 - Non-audit (other) related fees				
- Consolidated entities	400,000	382,988	400,000	382,988
Total fees to Ernst & Young (Australia)	**3,501,122**	**3,708,088**	**3,030,700**	**3,192,588**

1 Fees exclude goods and services tax (GST).

Category 1 - Fees to the Group's auditor for auditing the statutory financial reports of the Group and the Parent, and for auditing the statutory financial reports of any controlled entities.

Category 2 - Fees for assurance services that are required by legislation to be provided by the external auditor. These services include assurance of the Group's compliance with Australian Financial Services Licensing requirements.

Category 3 - Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the external auditor or another firm. These services include regulatory compliance reviews, agreed-upon procedures, comfort letters, assurance of the Group's sustainability reporting, systems assurance and controls reviews. This category also includes assurance services provided to non-consolidated trusts of which a Group entity is trustee, manager, or responsible entity, and the non-consolidated Group superannuation fund.

Category 4 - Fees for other services.

The Group has processes in place to maintain the independence of the external auditor, including the nature of expenditure on non-audit services.

Ernst & Young also has specific internal processes in place to ensure auditor independence.

36 Leases

A. Leases as lessee

Recognition and measurement

As a lessee the Group leases many assets including property, IT equipment, ATMs and motor vehicles. The Group records right-of-use assets (ROUA) and lease liabilities for most of its lease contracts, with the exception of short-term and leases of low-value whereby lease payments are expensed on a straight line basis over the lease term.

(i) Right-of-use assets (ROUA) relate to leased branch and office premises that are included in the balance of property, plant and equipment in the Balance Sheet.

	Properties	IT Equipment	Other
ROUA	$m	$m	$m
Balance as at 1 July 2021	133.6	7.2	3.9
Depreciation charge	(40.1)	(3.2)	(1.9)
Additions	13.8	-	0.8
Remeasurements	6.8	(0.8)	-
Disposals	-	(0.1)	-
Balance as at 30 June 2022	**114.1**	**3.1**	**2.8**
	$m	$m	$m
Balance as at 1 July 2020	167.0	13.0	3.2
Depreciation charge	(41.8)	(5.8)	(2.0)
Additions	2.8	-	2.7
Remeasurements	5.3	-	-
Disposals	0.3	-	-
Balance as at 30 June 2021	**133.6**	**7.2**	**3.9**

(ii) Amounts recognised in the Income Statement

	Group	
	Jun-22	Jun-21
Depreciation charge of ROUA	$m	$m
Buildings	36.9	41.8
Equipment	3.2	5.8
Other	1.9	2.0
Total depreciation expense	**42.0**	**49.6**
Interest on lease liabilities	4.9	5.9
Expenses relating to short-term leases	1.7	1.3
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	(0.2)	0.1

(iii) Amounts recognised in the Cash Flow Statement

	Group	
	Jun-22	Jun-21
	$m	$m
Total cash outflow for leases	50.3	51.0

B. Leases as lessor

Recognition and measurement

The Group sub-leases some of its properties. As of 1 July 2019, the Group accounts for its interests in the head lease and the sub-lease separately and assesses the lease classification of a sub-lease with reference to the ROUA arising from the head lease, rather than the underlying asset. The Group has defined the sub-leases to be operating leases and as a consequence recognises lease income from the sub-lease in the Income Statement on a straight line basis over the lease term.

Rental income recognised by the Group during the year ended 30 June 2022 was $4.4m (June 2021: $4.0m).

36 **Leases** (continued)

Recognition and measurement (continued)

The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	Group		Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
	$m	$m	$m	$m
Less than one year	5.1	5.2	5.1	5.2
One to two years	4.1	4.8	4.1	4.8
Two to three years	4.0	4.3	4.0	4.3
Three to four years	1.5	4.0	1.5	4.0
Four to five years	-	1.5	-	1.5
Total	**14.7**	**19.8**	**14.7**	**19.8**

37 **Business combinations**

Acquisition of Ferocia Pty Ltd

On 1 September 2021 the Group completed the acquisition of 100 percent of the shares and voting interests in Ferocia Pty Ltd (Ferocia), a Melbourne-based fintech company. The team of technology engineers employed by Ferocia have sound knowledge of the Australian Financial Services market and will help to accelerate the Group's transformation and digital strategy. The acquisition will also drive better outcomes and experiences for all customers providing the ability for the Group to connect more easily with new customers, service customer needs better through digital offerings, and reduce scale disadvantages.

The purchase price consisted of the following:

- The Initial Purchase Price totalling $106.0 million. The initial purchase price was adjusted for working capital to $102.2m.
- The Earnout Payment which will be calculated and paid annually in respect of each annual period, with the first annual period ending on 30 June 2022 and the final annual period ending on 30 June 2026 (5 payments).

$91.3 million of goodwill has been recognised in relation to the acquisition. The goodwill is attributable to the skills and technical talent of the Ferocia workforce and the efficiencies created in the delivery of the Bendigo e-banking app and Internet banking platform. None of the goodwill recognised is expected to be deductible for tax purposes.

	Group
	$m
Consideration transferred	
Value of shares issued on 1 September 2021 [1]	102.2
Settlement of pre-existing finance	3.1
Contingent consideration [2]	6.5
Replacement of employee share-based payment agreements	1.0
Total consideration transferred	**112.8**
Net assets acquired	
Fair value of assets acquired [3]	22.7
Fair value of liabilities acquired	1.2
Net fair value of assets acquired	**21.5**
Goodwill	**91.3**

1 The fair value of the ordinary shares issued was calculated with reference to the volume weighted average price of a BEN share calculated over the 30 trading days ending on, and including, 30 August 2021. 10,002,606 Bendigo and Adelaide Bank Limited shares were issued on 1 September 2021.

2 The contingent consideration is equal to 0.10% of the Up sourced mortgage balance at the end of each year. An earnout payment will be paid only if the aggregated earnout payments exceed $5 million. The maximum aggregate amount of all earnout payments that may be paid to the vendors is $10 million. The calculation of the contingent consideration has been based on level 3 inputs.

3 The fair value of assets acquired included $22 million of software intangible assets relating to the Up platform.

Recognition and measurement

The Group accounts for a business combination using the acquisition accounting method when control is transferred. The consideration transferred for the acquisition is measured at fair value, including contingent consideration, given at the date of acquisition. The acquired identifiable net assets are generally measured at fair value. Goodwill will be recorded on the Balance Sheet where the purchase price exceeds the fair value of the identifiable net assets. Any gain on a bargain purchase is recognised in the Income Statement immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity.

38 **Events after balance sheet date**

On 7 July 2022, Bendigo and Adelaide Bank Limited entered into an agreement to acquire the ANZ Investment Lending portfolio, with the transaction expected to be completed in the first half of the 2023 calendar year. The acquisition will allow the Group to further grow its margin lending business, Leveraged Equities Limited. The value of the portfolio being acquired is approximately $715 million and is subject to movements in the underlying portfolio up until the completion date. The Group will pay an immaterial premium over book value.

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.

Directors' Declaration

In accordance with a resolution of the directors of Bendigo and Adelaide Bank Limited, we state that:

In the opinion of the directors:

a) the financial statements and notes of the Company and the Bendigo and Adelaide Bank Group are in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the Company's and the Bendigo and Adelaide Bank Group's financial position as at 30 June 2022 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*; and

b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2; and

c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2022.

On behalf of the Board

Jacqueline Hey
Chair
5 September 2022

Marnie Baker
Chief Executive Officer and Managing Director
5 September 2022

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent auditor's report to the Members of Bendigo and Adelaide Bank Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Bendigo and Adelaide Bank Limited (the Company) and its subsidiaries (collectively the Group), which comprises:

- The Group consolidated and Company balance sheets as at 30 June 2022;
- The Group consolidated and Company income statements, statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended;
- Notes to the financial statements, including a summary of significant accounting policies; and
- The Directors' declaration.

In our opinion, the accompanying financial report is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the Company's and the Group's financial position as at 30 June 2022 and of their financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Allowance for credit losses

Why significant	How our audit addressed the key audit matter
As described in Notes 3 *Profit*, 10 *Impairment of loans and advances* and 20 *Risk management*, the allowance for expected credit losses is determined in accordance with Australian Accounting Standard - AASB 9 *Financial Instruments* (AASB 9). This was a key audit matter due to the size of the provision (specific provision 30 June 2022: $58.1 million, collective provision 30 June 2022: $225.7 million), and the degree of judgment and estimation uncertainty associated with the calculations. Key areas of judgment included: ▸ the application of the impairment requirements within AASB 9, which is reflected in the Group's expected credit loss model; ▸ the identification of exposures with a significant deterioration in credit quality; ▸ assumptions used in the expected credit loss model (for exposures assessed on an individual or collective basis) such as the financial condition of the counterparty, expected future cash flows, and forward-looking macroeconomic factors (e.g. GDP growth, unemployment rates, central-bank interest rates, and house-price indices) as disclosed in Note 10; and ▸ the incorporation of forward-looking information to reflect current or future external factors, specifically judgments related to current economic uncertainty, both in the multiple forward-looking scenarios and the probability weighting determined for each of these scenarios as disclosed in Note 10.	In addressing the adequacy of the allowance for credit losses for exposures assessed on a collective basis, our audit procedures included the following: ▸ Assessed the Group's calculation methodology against the requirements of AASB 9. ▸ Involved our actuarial specialists to test the mathematical accuracy of the models and key assumptions, including probability of default, exposure at default and loss given default assumptions. ▸ Assessed the significant modelling and macroeconomic assumptions, including the reasonableness of forward-looking information and scenarios, with reference to relevant publicly-available macro-economic information and the sensitivity of the collective provision to changes in such assumptions. ▸ Assessed, through testing a sample, the operating effectiveness of relevant controls used to manage the flow of information between systems and models related to the determination of the allowance for credit losses. We assessed the basis for, and assumptions used in, overlays recognised to capture current and future market characteristics resulting from current market uncertainty, with reference to market data and industry/geographic concentrations.

Allowance for credit losses (cont.)

Why significant	How our audit addressed the key audit matter
	Our audit procedures on the specific provision included the following on a sample basis: ▸ Assessed the reasonableness of internal credit quality assessments based on the borrowers' particular circumstances. ▸ Evaluated the associated provisions by assessing the reasonableness of key inputs into the calculation, with particular focus on emerging trends within high-risk industries, work out strategies, collateral values, and the value and timing of recoveries. We assessed the adequacy and appropriateness of the disclosures associated with credit impairment within the financial report.

Building a better working world

Impairment assessment of goodwill

Why significant	How our audit addressed the key audit matter

The Group has recognised goodwill as part of historical acquisitions. During the year, additional goodwill of $91.3 million was recognised arising from the acquisition of Ferocia Pty Ltd.
 	
Details on the methodology and assumptions used in the impairment assessment of goodwill are included in Note 24 *Goodwill and other intangible assets*.
 	
This was a key audit matter due to the size of the goodwill balance held on the balance sheet (30 June 2022: $1,527.5 million), and the degree of judgment and estimation uncertainty associated with the impairment assessment.
 	
An impairment assessment is performed each year, comparing the carrying value of each cash generating unit (CGU), inclusive of goodwill balances, with its recoverable amount. The recoverable amount of each CGU was determined using a value in use calculation. This calculation incorporated a number of assumptions, including:
▶ future cash flows;
▶ discount rates; and
▶ terminal growth rates.
 	
During the year, the Group aggregated its previous Business and Agribusiness CGUs to form one combined 'Business and Agribusiness' CGU.
	Our audit procedures included the following:
	▶ Assessed whether the models used in the impairment testing of goodwill met the requirements of Australian Accounting Standards.
	▶ Assessed the appropriateness of the CGUs identified to which goodwill has been allocated.
	▶ Agreed the forecast cash flows to the most recent forecasts approved by management or the Board, considered the reasonableness of these forecasts based on the current economic environment, and assessed the accuracy of the Group's previous forecasts by performing a comparison of historical forecasts to actual results.
	▶ Involved our valuation specialists to:
	  ▶ Assess the key assumptions used in the impairment assessment with reference to market rates and historical performance;
	  ▶ Assess the market capitalisation of the business as at 30 June 2022 and recent trading history relative to net assets;
	  ▶ Test the mathematical accuracy of the impairment models; and
	  ▶ Benchmark the implied valuations to comparable company trading and control valuation multiples.
	▶ Assessed the adequacy of the disclosures associated with the impairment assessment of goodwill within the financial report.

Homesafe

Why significant	How our audit addressed the key audit matter

Why significant

The Group controls Homesafe Trust. Homesafe offers a debt-free equity release product to allow customers to release the equity in their homes in exchange for a capped percentage share of the future sale proceeds of the property. The investment is accounted for as investment property.

As at 30 June 2022 there is significant valuation uncertainty related to the residential property market. This means that Level 3 residential investment property values may change significantly and unexpectedly over a relatively short period of time. In this situation the disclosures in the financial report provide particularly important information about the assumptions made in the asset valuations and the market conditions at 30 June 2022. Details on the methodology and assumptions used in the calculation of the fair value of investment properties are included in Note 23 *Investment property*.

This is a key audit matter due to the size of the Group's investment in residential real estate recognised within the Homesafe Trust (30 June 2022: $920.3 million), the revaluation loss recognised in the current year from the Homesafe portfolio (30 June 2022: $38.5 million), and the degree of judgment and estimation uncertainty associated with the assumptions, particularly the expected rates of property appreciation assumption.

The Homesafe investment portfolio is measured at fair value using a discounted cash flow model. The valuation of the portfolio is subject to judgment in relation to key assumptions, including:

- expected rates of property appreciation;
- discount rates;
- mortality rates; and
- voluntary exit rates.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Assessed the design and operating effectiveness of controls over new contracts, maintenance and settlement processes associated with this product.
- Agreed data used in the discounted cash flow model for a sample of properties to signed contracts.
- Performed cut-off procedures by agreeing new contracts and settlements around 30 June 2022 to supporting documentation to establish that the contracts were recorded within the correct period.
- Involved real estate and actuarial specialists to assess the key assumptions used in the valuation model with reference to market rates, historical trends and settlements during the year, as well as the model mechanics and validation.
- Assessed the adequacy of the disclosures in respect of the investment and associated revaluation gains within the financial report.

Building a better working world

Information Technology (IT) systems and controls over financial reporting

Why significant	How our audit addressed the key audit matter
A significant part of the Company's and the Group's financial reporting process is primarily reliant on IT systems with automated processes and controls relating to the capture, storage and extraction of information. A fundamental component of these IT controls is ensuring that risks relating to inappropriate user access management, unauthorised program changes and IT operating protocols are addressed.	We involved our IT specialists, as audit procedures over IT systems and controls require specific expertise. We assessed the design and tested the operating effectiveness of the Company's and the Group's IT controls significant to financial reporting processes, including those related to user access, change management and data integrity. Where we identified design and/or operating deficiencies in the IT control environment, our procedures included the following: ▸ Assessed the potential impact of the deficiencies on the integrity and reliability of the systems and data related to financial reporting; and ▸ Where automated procedures were supported by systems with identified deficiencies, performed alternative controls or substantive testing procedures.

Building a better working world

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Building a better
working world

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 28 to 51 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Bendigo and Adelaide Bank Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

T M Dring
Partner

Clare Sporle
Partner

Melbourne
5 September 2022

Shareholder Information

Substantial shareholders

The following parties and their associates have notified the Company that they have a substantial relevant interest in the ordinary shares of the Company, as at 24 August 2022:

Substantial holder	Number or ordinary shares held	% of total shares issued*	Date of last notice
State Street Corporation	29,973,230	5.30%	21/07/22
Vanguard Group	28,298,593	5.003%	12/07/22

* As at the date of the substantial shareholder's last notice lodged with the ASX.

Twenty largest holders of fully paid ordinary shares as at 24 August 2022

Rank	Name	Number of shares	% of shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	98,825,563	17.471%
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	53,642,394	9.483%
3	CITICORP NOMINEES PTY LIMITED	38,525,574	6.811%
4	NATIONAL NOMINEES LIMITED	17,901,195	3.165%
5	BNP PARIBAS NOMS PTY LTD <SMP ACCOUNTS DRP>	12,507,866	2.211%
6	UBS NOMINEES PTY LTD	3,334,450	0.589%
7	GRANT THOMAS NOMINEES PTY LTD <GRANT THOMAS SERVICES A/C>	2,000,521	0.354%
8	D AND F PYM FAMILY PTY LTD <D AND F PYM FAMILY A/C>	2,000,521	0.354%
9	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	1,372,390	0.243%
10	MARNIE ANN BAKER	1,250,882	0.221%
11	BNP PARIBAS NOMINEES PTY LTD BARCLAYS <DRP A/C>	1,190,159	0.210%
12	CARLTON HOTEL LIMITED	1,117,147	0.197%
13	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,087,151	0.192%
14	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LTD <EML ACCOUNT>	952,132	0.168%
15	BOND STREET CUSTODIANS LIMITED <MACQUARIE AEEF A/C>	702,683	0.124%
16	LEESVILLE EQUITY PTY LTD	681,688	0.121%
17	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	509,016	0.090%
18	NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	505,035	0.089%
19	JOHN PIERCE TOBIN	503,878	0.089%
20	TERMZ PTY LTD <POMPAPIEL SUPER A/C>	500,000	0.088%
	Total securities of Top 20 Holdings	**239,110,245**	**42.271%**

Equity Trustees Limited, trustee for the Bendigo and Adelaide Bank Employee Share Plan held 617,911 unquoted shares. These shares have not been included in the above table but are included in the total of issued ordinary share capital.

Distribution of fully paid ordinary shares and employee shares as at 24 August 2022

Category	Fully Paid Ordinary Shares	Number of holders	%	Fully Paid Employee Shares (BENAK, AA and AB)	Number of holders	%
1 – 1,000	17,275,026	43,966	3.07	348,526	757	56.4
1,001 – 5,000	97,979,327	39,172	17.41	248,570	162	40.23
5,001 – 10,000	69,789,734	9,827	12.4	5,815	1	0.94
10,001 – 100,000	122,235,716	6,016	21.73	15,000	1	2.43
100,001 and over	255,351,506	132	45.39	0	0	0
Total	**562,631,309**	**99,113**	**100**	**617,911**	**921**	**100**

Securities subject to voluntary escrow

4,001,042 fully paid ordinary shares are subject to 12 months voluntary escrow, expiring 1 September 2022.

Securities purchased on-market

During the reporting period, a total of 1,054,682 shares were purchased on-market for the purposes of an employee incentive scheme at an average price of $9.14.

Marketable parcel

Based on a closing price of $9.04 on 24 August 2022 the number of holders with less than a marketable parcel of the Company's main class of securities (Ordinary Shares), as at 24 August 2022 was 6,201.

Unquoted securities

The number of unquoted equity securities that are on issue and the number of holders of those securities is shown in the above table under the heading of Fully Paid Employee Shares (namely BENAK, BENAA and BENAB securities).

Twenty largest holders of fully paid Convertible Preference Shares 4 (CPS4) (ASX: BENPG) as at 24 August 2022

Rank	Name	Number of shares	% of shares
1	MUTUAL TRUST PTY LTD	142,706	4.437%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	110,521	3.436%
3	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	91,450	2.843%
4	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	59,072	1.837%
5	BNP PARIBAS NOMINEES PTY LTD <PITCHER PARTNERS DRP>	53,999	1.679%
6	CITICORP NOMINEES PTY LIMITED	51,900	1.614%
7	BNP PARIBAS NOMS PTY LTD <SMP ACCOUNTS DRP>	36,367	1.131%
8	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	34,312	1.067%
9	NATIONAL NOMINEES LIMITED	27,687	0.861%
10	BOND STREET CUSTODIANS LIMITED <MACQUARIE AEEF A/C>	26,694	0.830%
11	NAVIGATOR AUSTRALIA LTD <JB WERE LIST FIX INT SMA A/C>	26,310	0.818%
12	J P MORGAN NOMINEES AUSTRALIA LIMITED	24,506	0.762%
13	AUSTRALIAN EXECUTOR TRUSTEES LIMITED	24,015	0.747%
14	INVIA CUSTODIAN PTY LIMITED < SALES SETTLE A/C >	18,322	0.570%
15	SOUTH BAY NOMINEES PTY LTD <C & P HONG FAMILY A/C>	18,000	0.560%
16	SOUTH HONG NOMINEES PTY LTD <HONG SUPER FUND A/C>	17,000	0.529%
17	BT PORTFOLIO SERVICES LIMITED <MR DAVID SCOTT FREER A/C>	16,492	0.513%
18	INVIA CUSTODIAN PTY LIMITED <A/M UNIT A/C>	16,110	0.501%
19	BERNE NO 132 NOMINEES PTY LTD <684168 A/C>	15,606	0.485%
20	NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	15,551	0.484%
	Total securities of Top 20 Holdings	**826,620**	**25.702%**

Distribution of fully paid Convertible Preference Shares 4 (CPS4) (ASX: BENPG) as at 24 August 2022

Category	Convertible Preference Shares 4 (BENPG)	Number of holders	%
1 – 1,000	1,446,167	5,148	44.97
1,001 – 5,000	738,858	373	22.97
5,001 – 10,000	186,310	26	5.79
10,001 – 100,000	702,104	26	21.83
100,001 and over	142,706	1	4.44
Total	**3,216,145**	**5,574**	**100**

Twenty largest holders of BEN Capital Notes (ASX: BENPH) as at 24 August 2022

Rank	Name	Number of shares	% of shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	338,980	6.747%
2	CITICORP NOMINEES PTY LIMITED	212,011	4.220%
3	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	205,983	4.100%
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	202,128	4.023%
5	INVIA CUSTODIAN PTY LIMITED < SALES SETTLE A/C >	119,706	2.382%
6	BNP PARIBAS NOMINEES PTY LTD <PITCHER PARTNERS DRP>	111,287	2.215%
7	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	66,824	1.330%
8	NATIONAL NOMINEES LIMITED	53,535	1.065%
9	DIOCESE DEVELOPMENT FUND - CATHOLIC DIOCESE OF PARRAMATTA	48,600	0.967%
10	BNP PARIBAS NOMS PTY LTD <SMP ACCOUNTS DRP>	42,171	0.839%
11	MUTUAL TRUST PTY LTD	38,980	0.776%
12	AUSTRALIAN EXECUTOR TRUSTEES LIMITED	37,320	0.743%
13	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	30,472	0.606%
14	SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA A/C>	30,031	0.598%
15	BOND STREET CUSTODIANS LIMITED <MACQUARIE AEEF A/C>	17,350	0.345%
16	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IPS IOOF EMPLOYER SUPER A/C>	16,403	0.326%
17	NAVIGATOR AUSTRALIA LTD <JB WERE LIST FIX INT SMA A/C>	16,105	0.321%
18	MEYER TIMBER CONSOLIDATED PTY LTD	15,000	0.299%
19	THE TRUST COMPANY (AUSTRALIA) LIMITED <WCCTFI A/C>	14,670	0.292%
20	TRUSTEES OF CHURCH PROPERTY FOR THE DIOCESE OF NEWCASTLE <SAVINGS & DEVELOPMENT A/C>	14,500	0.289%
	Total securities of Top 20 Holdings	**1,632,056**	**32.482%**

The Floating Rate Capital Notes (BENHB) were suspended from official quotation at the close of trading on 11 November 2021 and removed from official listing on 15 November 2021.

Distribution of BEN Capital Notes (ASX: BENPH) as at 24 August 2022

Category	Capital Notes (BENPH)	Number of holders	%
1 – 1,000	1,903,948	6,385	37.89
1,001 – 5,000	1,228,815	582	24.46
5,001 – 10,000	335,905	47	6.69
10,001 – 100,000	505,186	22	10.05
100,001 and over	1,050,592	5	20.91
Total	**5,024,446**	**7,041**	**100**

Distribution of BEN Performance Rights (ASX: BENAAA) and Rights to Shares (ASX: BENAAC) as at 24 August 2022

Category	Performance Rights (BENAAA)	Number of holders	%	Rights to Shares (BENAAC)	Number of holders	%
1 – 1,000	0	0	0	0	0	0
1,001 – 5,000	94,900	30	13.51	8,386	2	100
5,001 – 10,000	6,471	1	0.92	0	0	0
10,001 – 100,000	440,345	10	62.67	0	0	0
100,001 and over	160,895	1	22.9	0	0	0
Total	**702,611**	**42**	**100**	**8,386**	**2**	**100**

Voting rights

Under the Company's Constitution, each person who is a voting Shareholder and who is present at a general meeting of the Company in person or by proxy, attorney or official representative is entitled to one vote on a show of hands or, on a poll, one vote for each fully paid ordinary share held. In the case of an equality of votes the Chair has, on both a show of hands and at a poll, a casting vote in addition to the vote to which the Chair may be entitled as a shareholder, proxy, attorney or duly appointed representative of a shareholder.

With respect to each person that is a holder of preference shares under the Company's Constitution each holder is not entitled to vote at any general meeting of the Company except:

(a) on any resolution during a period in which a dividend or part of a dividend remains unpaid

(b) on any resolution:

- to reduce the share capital of the Company (other than a resolution to approve a redemption of the holder's class of preference shares)
- that affects rights attached to the holder's class of preference shares
- to wind up the Company
- for the disposal of the whole of the property, business and undertaking of the Company

(c) on a resolution to approve the terms of a buy-back agreement (other than a resolution to approve a redemption of the holder's class of preference shares)

(d) during a winding-up of the Company, in which case a holder will have the same rights as to manner of attendance and voting as a holder of ordinary shares with one vote per preference share.

Glossary

Australian Accounting Standards (AAS)
Refers to the Australian Accounting Standards issued by the AASB. An accounting standard is a technical pronouncement that sets out the required accounting, including measurement and recognition requirements, for particular types of transactions and events. The accounting requirements affect the preparation and presentation of an entity's financial statements.

Australian Accounting Standards Board (AASB)
The Australian Accounting Standards Board (AASB) is the Australian Government agency responsible for developing, issuing and maintaining accounting standards that apply under *Corporations Act 2001*.

Australian Prudential Regulation Authority (APRA)
Is the prudential regulator of the Australian financial services industry. APRA is an independent statutory authority that supervises institutions across banking, insurance and superannuation and promotes financial system stability in Australia.

Australian Prudential Standards (APS)
Refers to the Prudential and Regulatory Standards issued by APRA.

Authorised deposit-taking institution (ADI)
A body corporate which is authorised under the *Banking Act 1959*, to carry on banking business in Australia. It includes banks, building societies and credit unions.

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.

Cash earnings
Represents a non-statutory financial measure, is not presented in accordance with AAS, and is not audited or reviewed in accordance with Australian Auditing Standards. It is considered by management to be a key indicator of the underlying performance of the core business activities of the Group. Cash earnings is defined as statutory net profit after tax adjusted for specific items and non-cash items. Specific items are those deemed to be outside of the Group's core activities and hence these items are not considered to be representative of the Group's ongoing financial performance.

Committed Liquidity Facility (CLF)
The RBA makes available to Australian Authorised Deposit-taking institutions a CLF that, subject to qualifying conditions set and approved by APRA, can be accessed to meet LCR requirements under APS 210 *Liquidity*.

Common Equity Tier 1 Capital (CET1)
The highest quality of capital available to the Group reflecting the permanent and unrestricted commitment of funds that are freely available to absorb losses. It comprises ordinary share capital retained earnings and reserves less specified regulatory adjustments.

Cost to Income ratio
A performance measure which represents total operating expenses before specific expenses and non-cash items as a percentage of total income before specific income items and non-cash items.

Credit risk
The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Dilutive earnings per share
An earnings measure calculated by dividing net profit after tax attributable to owners of the Bank by the weighted average number of fully paid ordinary shares on issue over the period adjusted for the effect of all potentially dilutive instruments.

Dividend payout ratio
Dividends paid on ordinary shares divided by net profit after tax attributable to owners of the Bank.

Dividend Reinvestment Plan
A plan which provides shareholders with the opportunity to convert all or part of their entitlement to a dividend into new shares.

Earnings per share
An earnings measure calculated by dividing net profit after tax attributable to owners of the Bank by the weighted average number of fully paid ordinary shares on issue over the period.

Expected Credit Loss (ECL)
Represents the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument and considers reasonable and supportable information about past events, current conditions, and forecasts of future events and economic conditions that impact the Bank's credit risk assessment.

Fair value
Is an amount at which an asset or liability could be exchanged between knowledgeable and willing parties in an arm's length transaction.

Financial assets measured at amortised cost
Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value through other comprehensive income (FVOCI)
Financial assets that are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Changes in fair value are recognised in other comprehensive income.

Financial assets measured at fair value through profit or loss (FVTPL)
Financial assets that are not held in one of the two business models applicable to amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. Changes in fair value are recognised in the Income Statement.

Full time equivalent (FTE)
Includes all permanent full-time staff and part-time staff equivalents.

Glossary (continued)

General Reserve for Credit Losses (GRCL)
The general reserve for credit losses was initially established to meet the requirements of APRA Prudential Standard, APS 220 *Credit Quality*, which required a reserve to be held to recognise estimated future credit losses which may arise over the life of the Group's lending portfolio. This requirement was removed from 1 January 2022, however, the Group has prudently maintained this reserve pending further clarification.

Gross loans and other receivables
Is the principal amount of loans and advances provided, gross of provisions and deferred fee income and including any accrued interest.

Group
Is Bendigo and Adelaide Bank Limited ('the Bank') and the entities it controlled at financial year end and during the financial year ('the Group').

Hedging
The use of capital market contracts, namely derivatives, to eliminate or minimise the Bank's exposure to fluctuations in interest rates, foreign currency exchange rates, or other market factors.

Impaired loan
A facility must be 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.

Key Management Personnel (KMP)
Persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

Liquidity Coverage Ratio (LCR)
In January 2013 the Basel Committee introduced Basel III Liquidity Coverage Ratio (LCR), with the objective of ensuring each bank maintains an adequate level of high-quality liquid assets that can be converted into cash to meet its liquidity needs for 30 days under a liquidity stress scenario. APRA adapted these requirements for Australian ADIs under APS 210 *Liquidity*. These requirements came into effect 1st January 2015.

Mark-to-Market valuation
A valuation that reflects current market rates as at the Balance Sheet date for financial instruments that are carried at fair value.

Net Interest Income (NII)
The amount of interest received or receivable on assets net of interest paid or payable on liabilities.

Net Interest Margin (NIM)
Net interest income divided by average interest-earning assets. This measure provides an indication of the profitability of the Bank's interest earning assets less the cost of interest bearing liabilities (i.e cost of funding).

Net Stable Funding Ratio (NSFR)
Following the Liquidity Coverage Ratio, the NSFR is the second quantitative global liquidity standard introduced under the Basel III Liquidity reforms with the intention of promoting more stable funding of assets and off-balance sheet activities of banking institutions. The aim of NSFR is to ensure that long-term assets are financed with at least a minimum amount of stable funding (APRA, 2016). NSFR came into effect from January 2018. It is the ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF). ASF is the portion of an Authorised Deposit-taking Institution's (ADI) capital and liabilities expected to be a reliable source of funds over a one year time horizon. RSF is the function of the liquidity characteristics and residual maturities of an ADI's assets and off Balance Sheet activities.

Net tangible assets
Net assets excluding intangible assets and other equity instruments divided by ordinary shares on issue at the end of the period (excluding Treasury Shares deduction).

Notional
Is the face value on which the calculations of payments for derivative financial instruments is based.

Offset account
An Offset Account (RCA) is a savings account which participates with a separate facility usually for a mortgage. Instead of receiving interest on the savings account, the interest payment due on the loan is calculated only on the net balance of the facility balance less the savings account balance.

Operating segment
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.

Past due
A financial asset is past due when a counterparty has failed to make a payment of principal, interest or other amount, when contractually due.

Past Due 90 Days
For a loan subject to a regular repayment schedule:

- At least 90 days has elapsed from the due date of a contractual repayment which has not been satisfied in full; and
- Total amount of arrears is equivalent to at least 90 days worth of Scheduled Payments.

For a loan not subject to a contractual repayment schedule (e.g. overdrafts and revolving credit facilities) the facility remains over the contractual limit amount for at least 90 days.

Residential Mortgage Backed Security (RMBS)
A debt security whose cash flow is backed by the principal and interest payments from a specified pool of mortgage loans that are secured by mortgages over residential property.

Restructured facility
A "Restructured Loan" is a facility in which the original contractual terms have been modified to provide for concessions of interest, or principal, or other payments due, or for an extension in maturity for a non-commercial period for reasons related to the financial difficulties of a customer and would not be offered to new customers with similar risk.

Return on average ordinary equity (ROE)
Net profit attributable to owners of the Bank divided by average ordinary equity, excluding Treasury shares.

Glossary (continued)

Return on average tangible equity (ROTE)
Net profit attributable to the owners of the Bank divided by average ordinary equity, excluding Treasury shares less goodwill and other intangible assets.

Right-of-use-asset
The right-of-use asset is a lessee's right to use an asset over the life of a lease.

Rights
Rights to ordinary shares in Bendigo and Adelaide Bank Limited granted under Long Term Variable Remuneration award and subject to performance, service and risk gateway conditions.

Risk-weighted assets (RWA)
Assets calculated by applying a regulatory risk-weight factor, prescribed by APRA, to on and off-balance sheet exposures.

Share-based payments (SBP)
Arrangements whereby employees services are exchanged for equity settled instruments namely options or shares. These payments are accounted for under AASB 2 *Share-Based Payments* where, in relation to employees and KMP, the organisation receives in exchange for providing Equity instruments (including shares and share options) of the organisation with the ability to settle in cash at the Board's discretion.

Special purpose entity (SPE)
A non-bank entity established for a narrowly defined purpose, including for carrying on securitisation activities. The structure of the SPE and its activities are intended to isolate its obligations from those of the originator and the holders of the beneficial interests in the securitisation.

Term Funding Facility (TFF)
In response to the difficult economic period resulting from COVID-19, the Reserve Bank of Australia established a Term Funding Facility (TFF) to offer three-year funding to authorised deposit-taking institutions (ADIs).

Total Capital adequacy ratio
Total capital divided by total RWA calculated in accordance with relevant APS.

Treasury shares
Are shares that the Bank has issued but are held by a trust included within the Bank's consolidated results. Treasury shares are not considered shares outstanding and are not included in 'per share' calculations.

Value at risk (VaR)
A measure of the loss that could occur on risk positions as a result of adverse movements in market risk factors (e.g. rates, prices, volatilities) over a specified time horizon and to a given level of confidence.

Weighted average number of shares
The calculation includes fully paid ordinary shares of the Bank and excludes Treasury Shares related to investment in the Bank's shares.

About our front cover

This year's cover page features Bendigo Bank customer Nicole Davenport. Nicole and her family have acquired a new home with the assistance of the Bank and the Victorian Homebuyer Fund. Bendigo and Adelaide Bank, in conjunction with the Victorian State Government scheme and the Federal Government's First Home Loan Deposit Scheme, have now helped more than 3000 customers achieve their dream of home ownership. Nicole takes comfort in the security that comes from home ownership and the certainty that comes from putting down roots in a community she knows. She also enjoys the freedom to decorate her home in a way that she, her family and her dog Coco love. Bendigo and Adelaide Bank's purpose is to feed into the prosperity of the community, not off it, and stories like Nicole's are a good reminder of the important role we play, helping more than a million Australians become homeowners since 1858.

The better big bank.

Annual Financial Report 2022
Bendigo and Adelaide Bank Limited
ABN 11 068 049 178