Bendigo and Adelaide Bank

Milestones

fullannualreport08

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Bendigo and Adelaide Bank Limited
ABN 11 068 049 178

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Bendigo VIC
Australia 3552
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Email: share.register@bendigobank.com.au

In this report, the expression “the Bank”, “the Company” or “the Group” refers to Bendigo and Adelaide Bank Limited and its controlled entities.

Customer/Shareholder Inquiries
Customer Help Centre
(Head Office inquiries)
1300 361 911 (local call)
Mondays to Fridays
8.30am – 6.30pm
Australian Eastern Standard Time/
Australian Eastern Daylight Time (AEST/AEDT)

Bendigo OnCall
(Bendigo Bank customer inquiries)
1300 366 666 (local call)
8.00am – 8.00pm weekdays
9.00am – 4.00pm Saturdays
10.00am – 4.00pm Sundays
(AEST/AEDT)

Adelaide Bank customers
13 22 20 (within SA) or
1300 65 22 20 (outside SA)
8.00am – 8.00pm weekdays
9.00am – 6.00pm Saturdays
10.00am – 6.00pm Sundays
Australian Central Standard Time/
Australian Central Daylight Time (ACST/ACDT)

24-hour Phone Bank
Bendigo Bank customers -1300 366 666 (local call)

Adelaide Bank customers - 08 8300 7000
or 1300 300 893 (outside metropolitan SA)

24-hour e-banking
www.bendigobank.com.au
www.adelaidebank.com.au

Website
www.bendigobank.com.au
www.adelaidebank.com.au

Securities Registry: 1800 646 042

Financial Calendar

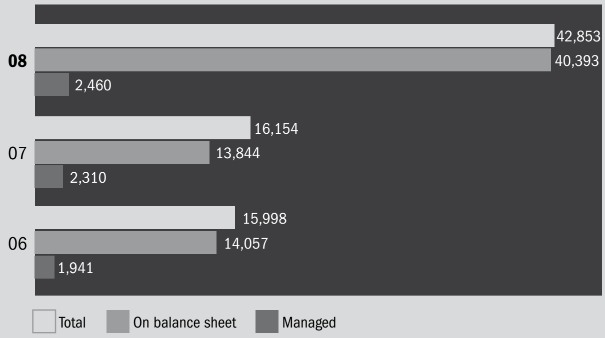
2008

27 August	Ex-dividend date
2 September	Final dividend record date
15 September	Bendigo Preference Share dividend
30 September	Distribution of final dividend
10 October	Bendigo Step Up Preference Share dividend
27 October	Annual General Meeting
3 November	Bendigo Reset Preference Share dividend
15 December	Bendigo Preference Share dividend

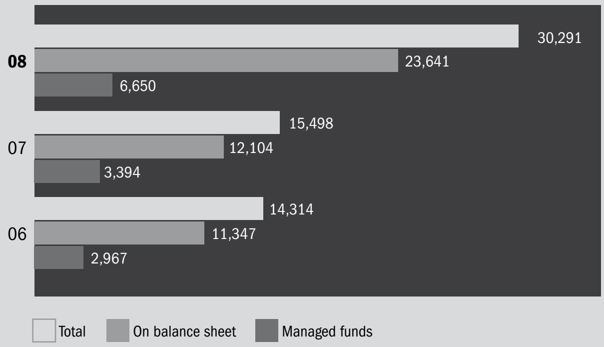
Proposed 2009

12 January	Bendigo Step Up Preference Share dividend
16 February	Interim results & interim dividend announcement
26 February	Ex-dividend date
4 March	Interim dividend record date
16 March	Bendigo Preference Share dividend
31 March	Distribution of interim dividend
10 April	Bendigo Step Up Preference Share dividend
1 May	Bendigo Reset Preference Share dividend
15 June	Bendigo Preference Share dividend
10 July	Bendigo Step Up Preference Share dividend
10 August	Final results & final dividend announcement
27 August	Ex-dividend date
2 September	Final dividend date
15 September	Bendigo Preference Share dividend
30 September	Distribution of final dividend
12 October	Bendigo Step Up Preference Share dividend
27 October	Annual General Meeting
2 November	Bendigo Reset Preference Share dividend
15 December	Bendigo Preference Share dividend

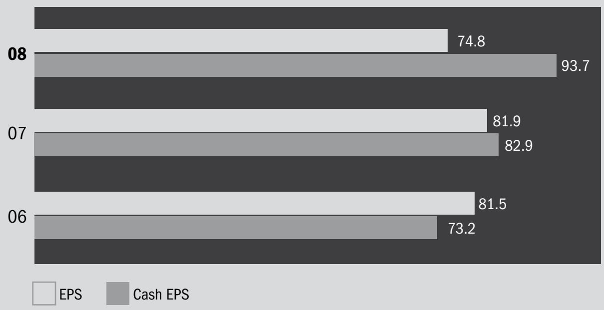
Gross loans and other recievables



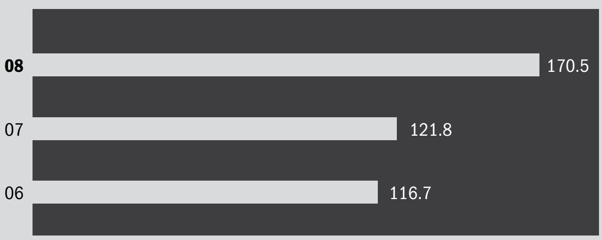
Retail deposits and funds under management ($mil)



Earnings per share (EPS - cents)



Profit after tax ($mil)



Dividends (cents per share)

Report by the **Chairman** and **Managing Director**

The past financial year has been a difficult year for the world's banks but at Bendigo and Adelaide Bank we increased our cash earnings per share by 13 per cent. We continue to grow our business across Australia steadily by being disciplined in the business we write.

We expect to grow shareholder value again this year, even if there is no improvement in the difficult market conditions facing the banking and financial sectors. We are confident in the capacity of the merged bank to perform through different business cycles and through the varied challenges that emerge from time to time (and have done so throughout our history).

With confidence levels in worldwide financial markets seriously challenged, like all banks, we found wholesale funding (previously flowing to fund domestic activities) was more difficult to obtain and more expensive. We have been able to adequately fund all profitable activities and businesses in our group and have not needed to make large provisions against doubtful loans.

The fact that Australia has strong employment levels and a quite resilient economy, coupled with our adherence to prudent underwriting standards, has kept our credit performance in good shape. However, we do remain watchful for any impact on Australian households and businesses, from changes in performance of the Australian economy given the pressures of higher interest rates, fuel and energy costs, food, etc. And we will be working proactively with our customers through any such difficulties, should the domestic environment deteriorate.

Given the change in market conditions during the year, we quickly adjusted our priorities to focus on growing retail deposits and reshaping our asset and liability bases to better reflect the new environment. By taking this disciplined and focussed approach, we have delivered revenue growth and profitability in line with the market guidance we provided prior to the market dislocation which, as stated, followed the global credit crisis. In our view, this provides evidence of the strength of our now enlarged and merged entity.

For years now we have said we focus on producing growth at profitable prices; on writing business that is prudent, profitable and promotes strong relationships that will endure and deliver reliable, quality earnings into the future. We have steadfastly refused to take risks onto the balance sheet or into our business just in pursuit of growth or market share. This has helped us build a resilient balance sheet, a good reputation, and an excellent customer and partner franchise.

We have so far enjoyed 16 years of uninterrupted economic growth in our domestic market. Conditions have become more difficult this year, particularly in the international credit markets, but this only reminds us that we have survived – and thrived – for so long because successive boards, executive teams and our staff have learned the lessons of hard times endured en route to this year's 150th anniversary celebrations. We are utilising the same disciplined approach of our forebears – who managed depressions, credit squeezes, wars, droughts and other challenges. We are applying our limited resources to writing business that is sound and profitable. It is not rocket science but, as Reserve Bank Governor Glenn Stevens reminded guests at our anniversary dinner, it is a lesson forgotten by managers of many large and seemingly powerful banks around the globe.

The challenges we face are considerable and we must not be complacent about the task confronting us. Financial markets remain uneasy, economic growth has slowed, confidence levels have deteriorated, and our businesses previously benefiting from the funds emanating from wholesale markets (in particular) still face further challenges. However, we believe we are the best partner business in financial services and, therefore, the best placed to work with our partners to reshape these customer channels to be more sustainable in the future.

We remain confident in the future of our now enlarged and more robust merged bank and its capacity to handle changed circumstances. Just as our retail bank is flourishing from the current flow of capital back to the banking system, so we believe our partner advised businesses can be reshaped to deliver certainty, quality earnings (to ourselves and our partners), and high quality services to customers who choose these channels.

Our merger, while far from complete, is on target. Our new leadership team has been in place since early 2008, and most business units have been restructured to capitalise on the opportunities that will emerge over the next decade. Approximately one-third of the forecast merger synergies had been delivered by 30 June 2008 – with a $20 million reduction in the cost base run rate, due to implementation of the early expected merger synergies. We are well advanced in reshaping the Adelaide Bank retail network to become part of the national Bendigo Bank retail network (embracing our



From left to right

> Chief General Manager Brand Development & Positioning Greg Gillett (left), Director Jenny Dawson and The Right Reverend Bishop Ron Stone at the Bank's 150th anniversary dinner.

> A re-enactment of the historic meeting held at Abbott's Hotel on 9 July 1858 votes to form the Bendigo Land and Building Society that 150 years later is the Bendigo and Adelaide Bank.

> Managing Director Rob Hunt and Chairman Robert Johanson enjoy the anniversary festivities.

community banking style). We will ensure we pay respect to the Adelaide brand – chosen by more than 180,000 South Australians – but we see a great opportunity for Bendigo to become a meaningful competitor in Adelaide Bank's home State.

While we keep our eye on future possibilities, we believe it is important to celebrate, reflect and learn from our past and our milestones:

> The merger between Bendigo and Adelaide on 30 November 2007 created Australia's sixth largest bank.

> The oldest strand of our company, Bendigo Bank, turned 150 on 9 July 2008.

> Sandhurst Trustees celebrated its 120th anniversary.

> More than 600 delegates from across Australia congregated in Bendigo to share their experiences, to learn new skills, and to celebrate the 10th anniversary of our first **Community Bank®** branches.

> Our joint venture with Futuris Corporation was signed in 1998. The result of this partnership was the launch of Elders Rural Bank in 2000.

> Our headline profit topped $200 million for the first time.

> And another milestone looms: our new headquarters in Bendigo will be officially opened in December 2008.

This report celebrates these milestones in the simplest and most appropriate way – with 'snapshots' of people celebrating. We think these photographs best reflect the qualities that differentiate us from our competitors. Ours is a business built by people with the welfare of people in mind. Whether it was helping miners to build their own homes in 1858, helping struggling borrowers to remain in their homes during the 1930s, providing communities the wherewithal to overcome adversity in the 1990s, or giving our partner advised channels hope in these uncertain times, our belief has predominated. Successful customers, successful communities and partners, help us create a successful bank – in that order.

We believe Bendigo and Adelaide Bank can be Australia's leading customer-connected banking group, whether those connections are established directly or through our community and business partners. In whatever way our customers choose to deal with us, it will be because we have developed banking models and a style of banking that aspires to be relevant, connected and valued by our customer base (for having focussed on their aspirations and needs).

Australia has one of the best banking systems in the world – and vibrant local economies and strong support for small business are two of the key drivers for a highly effective national economy. The global credit crisis has served to remind us that banks (such as ours) remain the most efficient way to deliver capital – from wherever that funding is sourced – to local markets and economies. Just as we developed the **Community Bank®** model to connect us with those communities, so we will continue to shape all of our businesses to fulfil the vital role played by banks in all local economies – feeding into prosperity.

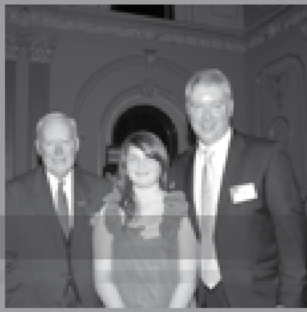
Today in more than 400 Australian communities the connection with our bank (through our company and **Community Bank®** branches) is proving invaluable to the future success of their towns, suburbs, and local economies. A bank which is strongly connected and contributes to the wellbeing of its customers and local markets is generally afforded greater customer support and strong advocacy. And this approach is also helping us to secure our own ongoing and sustainable future – and therefore more reliable growth in shareholder value.

Robert Johanson

Robert Johanson
Chairman

Rob Hunt
Managing Director

Results at a Glance



From left to right

> The Balsillie family represents three generations of Bendigo Bank shareholders. John (left), Alexandra and Neil (right) have held shares in the bank originally accumulated by John's grandfather Andrew Balsillie. Andrew worked for the building society for 50 years from the turn of the 20th century and as manager played a role in forging its strong ethical reputation. The family is pictured at the dinner celebrating Bendigo Bank's 150th anniversary.

> The Bendigo Town Hall was the setting of our 150th anniversary dinner.

> Customer Help Centre team members Jo-Anne Denbrok (left) and Mary Headon (right) and Receptionist Michele Van den Berg (middle) at the staff event.

After-tax profit of $170.5 million for the 12 months ending 30 June 2008 (this result represents seven months contribution from Adelaide Bank following November 2007 merger).

Cash earnings $201.9 million, an increase of 70.4 per cent from 2006/2007.

Cash basis earnings per ordinary share increased to 93.7 cents per share (fully franked), a 13.0 per cent increase.

Dividends for the financial year total 65.0 cents, an increase of 12.1 per cent

> Another 18 **Community Bank®** branches and four company owned branches joined the network. This does not include the addition of 25 South Australian branches resulting from the Adelaide Bank merger.

> Customer numbers increased by more than 70,000, with our customer base approaching 1.4 million.

> Customer and business satisfaction ratings lead the industry with ratings consistently reported in the 90-plus per cent bracket.

> Our 200-plus strong **Community Bank®** network continues to make significant financial contributions, returning almost $12 million to their shareholders and spending more than $21.7 million on communities and projects.

> Launched our biggest ever marketing campaign during the Beijing Olympics – At the Bendigo it starts with U.

$170.5 million

After-tax profit

13.0%

Cash basis earnings per ordinary share

Bendigo and **Adelaide** Bank Limited > Our **New Bank**

From left to right
> Victorian Premier, the Hon. John Brumby, proposes a toast at the anniversary dinner.
> Rob Hunt responds to the toast.

Bendigo and Adelaide Bank was able to deliver an improvement in shareholder value in 2007/08 despite difficult market conditions.

The Bank has prospered through past market cycles. Prudent financial management that is a feature of our operational style, has held the Bank in good stead through good times and bad during 150 years.

The merger enacted in 2007/08 to create Bendigo and Adelaide Bank makes us still more resilient.

Market overview

Bendigo and Adelaide Bank's share price during the year reflected the funding pressures that constrained all Australian banks.

As we finished the year, the Australian economy was showing signs of slowing and expectations are for weaker economic conditions to remain through the rest of 2008.

Conversely, the start of 2007/08 was dominated by the strong consumer demand and record levels of employment we have enjoyed for several years but with signs of rising inflation. In a bid to stem this latter trend the RBA moved rates in August 2007.

Three more increases followed, aimed at reducing demand and slowing price and wages pressure.

The rise in wholesale funding costs as a result of credit issues in the US sub-prime market meant that competition increased among Australian banks for retail deposits. Bendigo and Adelaide Bank, which funds more than 70 per cent of on balance sheet loans through retail deposits, was particularly well positioned to take advantage of these circumstances through its strong retail network.

The expectation for 2008/09 is that intense competition will continue among banks for retail deposits. Attention is also expected to focus on capital management requirements rather than traditional asset growth.

Bendigo and Adelaide Bank worked last year to ensure we were allocating available resources to the businesses which would offer the most profitable returns. In the current environment, that is in the retail business. While we are not expecting to significantly grow our balance sheet in the short term, we are expecting revenues to continue to grow through a disciplined approach to writing profitable business. We have also taken a targeted approach to cost management.

Merger Integration

Our focus last year was to build a solid foundation on which to construct a fully integrated bank.

The priorities are to support staff through the process, improve business performance and realise revenue and cost synergies.

This is all critical groundwork towards creating a strong but pliant organisation.

In addition, we have had a strong focus on building the awareness of the community philosophies that our business is built on. The response of the Adelaide Bank team has been overwhelmingly positive, and there is a genuine desire to be involved in community engagement.

A key step in the integration process involves the transfer of Adelaide Bank's banking business to Bendigo and Adelaide Bank.

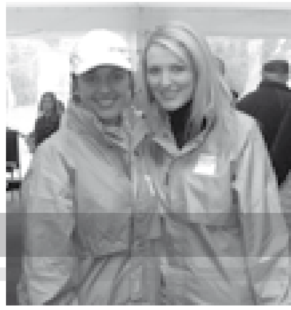
Adelaide Bank and Bendigo and Adelaide Bank have applied to the Australian Prudential Regulation Authority under the Financial Sector (Business Transfer and Group Restructure) Act 1999 (Cth) (the Transfer Act) to carry out the transfer. If approved by the Treasurer and APRA, the process will occur in two stages, with the initial transfer involving Adelaide Bank's remaining listed securities and the transfer of the balance of the business scheduled to be complete by the end of calendar year 2008.

The merits of the merger, as spelt out at the time of the proposal, remain the same. Bendigo and Adelaide Bank recognises that the merger is one of two distinctive but complementary businesses, combining partnering, wholesale manufacturing and processing with a community focussed retail banking business. The merged bank boasts superior customer service and community standing, established brands, minimal overlap in businesses and cultural compatibility.

It enhances the value proposition for customers, partners, communities and staff by supplying more products, more branches and more ATMs for retail customers, by preserving and continuing to invest in the **Community Bank®** and wholesale partnership models, and by creating greater career opportunities for staff through a larger, more diversified company.

We are financially stronger and better positioned to grow and innovate.

Our **Milestones**



From left to right

> Bendigo's Rob Hunt and Adelaide's Jamie McPhee at the announcement of the merger in November 2007.

> Marketing Liaison Officer Michele Schepers (left) and Public Relations Officer Lauren Treacy at the Community Day celebrating the anniversary.

> Business Analyst Kelly Stevens (left), National Human Resources Manager Jy Pertzel (middle) and Community Development Support Officer Fiona Keating (right) at the anniversary dinner.

Bendigo Bank's 150th anniversary

9 July 2008

On this day 150 years ago, 100 locals gathered at Abbott's Hotel on Pall Mall to establish a building society.

Calling the meeting to order, Chairman James Sullivan said the "paramount object of the institution" would be to encourage people to settle permanently in Bendigo. "Surely every man of right feeling would rather see men living in comfortable houses than in tents" he stated.

After much discussion, the following resolution was carried unanimously:

'That it is considered expedient to establish a society to be called The Bendigo Land and Building Society for the purpose of enabling shareholders of such a society to become possessed of freehold and leasehold property, and other benefits.'

More than 150 men and women subscribed for the initial share issue. They had come from across the world and now they pooled their savings to finance housing for each other and to build a community.

Today that company is Bendigo and Adelaide Bank. We are a national financial organisation with our head office in Bendigo. We have more than 400 retail branches in every State and Territory. We remain committed to our founders' original philosophy. If we help to create successful, sustainable communities, our own success will follow.

Happy birthday Sandhurst Trustees Ltd

18 January 2008

Sandhurst Trustees Ltd which celebrated 120 years since its incorporation.

Sandhurst Trustees has provided Australian families with estate management and financial services since 1888. It has been a wholly owned subsidary of Bendigo Bank since 1991.

This special occasion was marked with a morning tea for Sandhurst staff in recognition of their contribution to the Company. Thanks also to our customers and retail network staff who have helped to build a portfolio of $3.5 billion in funds under management.

Elders Rural Bank 10 years

June 1998

Although the banking licence for Elders Rural Bank was issued in 2000, it was in 1998 that our joint venture with Futuris Corporation, parent company of Elders, was formalised. In June of that year, Bendigo and Futuris agreed to the 50/50 joint venture. Elders Rural Bank applied for, and was granted a banking licence and established a banking service that catered specifically for agribusiness customers.

Community Bank® network 10 years young

26 June 2008

Just over 11 years ago Rob Hunt outlined what was, given that it coincided with branch closures and perceived industry focus on profits rather than community, a very clear vision of our business direction.

That vision encompassed an unprecedented mix of community, localism, vision, use of rapidly developing technology, corporate expertise and perhaps most of all, belief.

Today we see the outcomes of that vision in our community and alliance banking models, and indeed, every one of our bank's decisions and actions. It may not always be visible or readily tangible, but it is there.

And what a way to do business. More than 55 per cent of our branches are run by our partners. The **Community Bank®** network alone accounts for 217 branches in our total network of more than 400 branches.

In June, Rupanyup's David Matthews, Minyip's Stewart Petering and Bendigo Bank celebrated their remarkable effort to open the first two **Community Bank®** branches. It is just as special to think we have repeated that process 215 more times in the ensuing years. We share a truly special partnership with these communities.

Happy 10th birthday to the **Community Bank®** network and to all who have participated in, and continue to participate in, this journey.

Bendigo Bank and Adelaide Bank merger

November 2007

Bendigo is no stranger to mergers and the latest merger, with South Australia's Adelaide Bank is the most significant, and certainly the largest, in the company's 150 year history.

The merger creates a bank better positioned to achieve our strategic aspirations.

Announced on Thursday 9 August 2007, the merger was implemented on Friday 30 November. The first day we traded as a merged company was on Monday 3 December 2007.

Our **Community**

The diverse ways we can directly contribute to communities, and the increasing number that accept our contribution, are key measures of our success.

Bendigo and Adelaide Bank is proud to be able to assist Australian communities to enhance their security, wellbeing and connection. We believe it starts with finding a way to retain capital within communities. From that foundation, residents can be the architects of their own future.

*"It is a worthwhile dream, and operating a **Community Bank®** branch has proven that it can be a catalyst for positive change." – David Matthews, Australia's first **Community Bank®** company Chairman.*

Community Bank® network

The pioneers of the **Community Bank®** network had the opportunity to celebrate the 10th anniversary of their work at the annual **Community Bank®** National Conference in Bendigo in July.

The conference attracted 600 delegates from branches throughout Australia, including representatives from our newest **Community Bank®** branch openings - from Queensland's Mission Beach, Nowra in New South Wales and the regional Victorian town of Balnarring.

As at 30 June 2008, there were 217 **Community Bank®** branches throughout Australia.

After 10 years, Bendigo Bank has paid $444 million to local boards as their share of banking revenues. This has helped to create more than 1000 new jobs, with beneficial flow-on effects from wages and expenditure on local services. Last year, **Community Bank®** branches spent $59 million in their communities on wages, rent, accounting and cleaning services, buildings, staff amenities and other expenses.

During the past decade, **Community Bank®** boards have contributed $21.7 million to local projects and groups and $12 million in shareholder dividends.

Our **Community Bank®** branch network services more than 664,000 accounts and has $11.9 billion in total banking.

Community Partnerships

Our **Community Bank®** program is the best known, but is only one of the many partnerships we have with communities. We partner with communities in banking, but also in the more holistic sense of working with towns, regional cities and suburbs to improve their prospects.

For example, in a three-way partnership, Bendigo and Adelaide Bank, Delfin Lend Lease and Queensland's Varsity Lakes residents will begin banking in their locally owned **Community Bank®** branch within the next 12 months. In the case of Varsity Lakes, talks centred on the type of specialised services required for this community and a plan was developed. The community plans to use profits generated from their branch to develop, and sustain facilities for young people, for health and safety programs and to enhance existing community activities and events.

In several communities we have helped establish locally-owned companies with the objective of generating revenue streams to fund local projects. Customers can now pledge their new banking business to the company which generates ongoing commission payments from Bendigo and Adelaide Bank. We continue to work with, and towards, our communities' aspirations to develop solutions to enhance their future prospects.

From left to right

- *> Marking the 10th birthday of the opening of the first **Community Bank®** branches at Rupanyup and Minyip, Chief General Manager Russell Jenkins and Coolalinga **Community Bank®** Branch Chairman Maureen Newman cut the cake, watched by Rupanyup/Minyip **Community Bank®** Group Chairman Stewart Petering (left) and Chairman Robert Johanson.*
- *> Delegates at the annual **Community Bank®** National Conference celebrate 10 years of the **Community Bank®** concept.*
- *> More than 600 delegates from around Australia attended the conference.*

Community Telco

Community Telco Australia (CTA) is a supplier of telecommunications services to telco franchises of Bendigo and Adelaide Bank's wholly owned subsidary Community Developments Australia. Under this supply agreement, CTA uses the aggregated buying power of these franchise communities to form strategic alliances with large telco providers. Communities, particularly those in regional Australia, can then be certain of accessing telephone, data and internet solutions that city customers take for granted.

This access improves the capacity of rural and regional communities to compete globally. Access to the operational efficiencies that can be delivered to communities by telecommunication solutions is no longer a luxury but essential for long term sustainability.

Since the initial pilots in Bendigo in 2000 and Ipswich in 2001, six more communities have signed franchise agreements including the Sunshine Coast, Ballarat, Tasmania, Oxley (Dubbo, Orange, Bathurst), Geelong and Newcastle.

Our **Community** continued



From left to right

> *Lang Lang **Community Bank®** Branch Company Chairman Max Papley (left) receives an award marking the branch's entry into the **Community Bank®** Hall of Fame from Chief General Manager Retail Customers Russell Jenkins.*

> *Chief Manager Strategic Solutions Graeme Harvey (left), Western Australia State Manager Vicki Pearce and shareholder John Balsillie (right) at the dinner.*

> *City of Greater Bendigo Mayor David Jones (left), Bendigo and Adelaide Bank Head of Retail Delivery & Design Georgina Pickett and Victorian Premier The Hon. John Brumby.*

Community Enterprise™ Foundation

Launched in early 2005 as the philanthropic arm of Bendigo and Adelaide Bank, Community Enterprise™ Foundation provides grant making support.

As of June 2008 the Foundation had raised more than $13.6 million, and distributed $7.9 million.

The two components of the Community Enterprise™ Foundation, its Charitable Fund and Tax-Deductible Fund, provide a wide range of funding capacity for communities. Both can receive bequests, corporate donations, individual donations, shares, property and stock.

In an exciting year ahead we will see the Adelaide Bank Charitable Foundation merge into Bendigo's Foundation structure.

The Adelaide Bank Charitable Foundation was established in 1981. The concept was considered visionary for its time and required the passing of an Act of Parliament that year for it to become a reality.

The Foundation's contribution to South Australia has been significant over its history. Hundreds of worthy causes have been assisted through funding of more than $7 million.

Sponsorships

Each year, Bendigo and Adelaide Bank contributes more than one per cent of its after tax profits to community sponsorships.

This is in addition to the sponsorships made by the boards of **Community Bank®** branches which are committed to returning a percentage of profits to community groups and projects. Millions of dollars are being returned to communities across Australia. This will only continue to increase as new community branches open and the business of existing branches grows.

Lead On™

Successful communities value and understand the importance of their young people as the next generation of leaders and community custodians. They actively encourage the participation of young people and value the contribution they can make to the community's prosperity.

Lead On is a community-building model that helps communities become successful by engaging, supporting and connecting young people.

Nine years into the Lead On journey, almost 7000 young people have been actively involved in 1100 community and business sponsored projects nationally.

Our
Retail Business

From left to right

- *> Managing Director Rob Hunt, Chairman Robert Johanson and Reserve Bank of Australia Governor Glenn Stevens at the anniversary dinner.*
- *> Chief General Manager Solutions/ Product Marnie Baker thanks the Reserve Bank Governor Glenn Stevens for his speech and attendance at the dinner.*
- *> Guests at the dinner included Bendigo and Adelaide Bank Manager Business Analysis Will Conlan (left), Deputy Chairman Kevin Osborn (centre), Bendigo Health Chief Executive Officer John Mulder (right) and partner Anne Hepner.*

The starting point for our business is listening to and focussing on customers and their communities. The result in the past financial year is that, for the tenth consecutive year, we were the Australian bank with the most satisfied customers.

This outcome can be attributed to the service and value we offer customers, whether it be through our partners, our **Community Bank®** branches, joint venture partners or our own branches and agencies. The financial outcome resulted in retail banking contributing a 28.1 per cent rise in pre-tax profit to the Group.

Last year we placed even greater priority on customers as we went about merging Bendigo Bank and Adelaide Bank. This focus has seen the Bank benefit from market conditions that favoured liability growth.

The Bank enjoyed a record inflow of retail deposits in June 2008 in a hypercompetitive market, a trend that continued into the first quarter of 2008/09.

For the year, deposits increased by 15.8 per cent, helped in part by the addition of 250,000 new customers – 180,000 of which are Adelaide Bank customers. This growth is a continuation of an increase of 70,000 customers per year since 2003.

How our retail customers benefit from the merger is simple. As we continue to grow, so does our accessibility and the retail banking options we offer.

There are now more than 400 Bendigo and Adelaide Bank branches, including 217 **Community Bank®** branches. Add on 100 Bendigo Bank agencies and 700 ATMs and there will soon be 1200-plus service points wherever our customers travel in Australia.

Having developed a national network, our objective now is to deliver greater value to our community and customers. We are doing that by evolving our branch design and structure, with the latest 'branch of the future' in North Adelaide opening in July. The branch is a response to the reduction by 29 per cent in branch-based transactions and features more space to talk and meet with customers, greater use of technology and areas available for community interaction.

As we integrate the businesses, we are striving to ensure all customers can take full advantage of an expanding banking service and product range as quickly as possible. What we achieved during the past financial year was an integration of ATM services with customers able to utilise any Adelaide Bank or Bendigo Bank-branded ATM free of any 'other bank' fees. Adelaide Bank customers have also started to see some Bendigo Bank products introduced into the 25 South Australian-based Adelaide Bank branches.

Customers can look forward to the following completion of steps leading up to the realisation of a full interbank branch service:

> By early 2009, we expect customers from Adelaide Bank will be able to transact on their Adelaide Bank accounts in Bendigo Bank branches, and Bendigo customers in Adelaide Bank branches.

> Full integration – where products of both banks will be available in all branches – will take longer, around late 2009.

As outlined when the merger was announced, the longer term objective is that the national retail brand will be Bendigo, while the national wholesale brand will be Adelaide. The transition of the retail brand from Adelaide to Bendigo in South Australia will be a gradual one, with a key focus recognising the heritage of Adelaide's customer base.

Underpinning all of our retail banking objectives are the broader themes of our community engagement strategy. This has created our major point of difference and we won't lose sight of the community focus that underpins our success. We are terribly proud of what we have achieved within the communities in which we operate.

We see these results reinforced in the feedback from our customers and ongoing market research.

Our agencies provide us with great flexibility in responding to community demands for the Bendigo Bank service. They are often used as stepping stones for those communities wishing to join our branch network. Last year, five agency sites were upgraded to full sites – four as **Community Bank®** branches and one company owned branch. **Community Bank®** campaigns are currently underway in several communities where there is a Bendigo Bank agency operating.

The agency network last year averaged about 70,000 transactions per month. With the introduction of the low cost Agent Delivery System, two thirds of our agency network now provides a real time transactional banking service.

Our **Wholesale** Businesses

From left to right

> Bendigo and Adelaide Bank National Community Enterprise Manager Chris DeAraugo talks to The Advertiser Editor Peter Kennedy.

> Chief Executive Wholesale Bank Jamie McPhee (left), Director Terry O'Dwyer (middle) and Australian Prudential Regulation Authority Chairman John Laker (right) at the dinner.

*> Henty **Community Bank®** Branch Company Chairman Milton Taylor (left), Bendigo and Adelaide Bank Chief Risk Officer Tim Piper (middle) and Customer Relationship Officer Lachlan Pinner (right).*

The Wholesale business unit includes Partner Advised and Business Partners (portfolio funding and specialised lending).

This area of the business contributed a pre-tax profit of $56.1 million to Bendigo and Adelaide Bank.

Partner Advised business

The Partner Advised business unit manufactures and processes residential home loans, which are distributed through mortgage brokers and mortgage managers. The business is a product developer and a highly efficient home loan processor. Ratings agency Standard & Poors recently reaffirmed Adelaide Bank's servicer rating as strong (outlook – stable), the highest ranking available, which confirmed the strength of our processing capability.

Market conditions have been very difficult for this business in the past 12 months. The cost of funds from the international capital markets became unacceptably expensive. The business responded by minimising costs and focussing on only writing soundly priced residential home loans.

Commissions to distribution partners were adjusted to reflect the ongoing cost pressures in a move that will build stronger and more sustainable relationships with mortgage brokers and mortgage managers. Growth in business was actively managed to fit the prevailing trading conditions.

Pricing changes as well as slowing demand in the Australian housing market due to rising interest rates saw the unit's asset portfolio fall 4.2 per cent to $16.7 billion. This is consistent with our aim of preparing the business to increase lending volumes when appropriately costed funding becomes available.

We do believe the business is reshaping and we will continue to be a part of it in the future. Almost 40 per cent of Australian customers use third parties to choose their mortgage products and we will continue to service them.

In the early stages of merger integration we reviewed the structure of the division and in the process introduced a team dedicated to analysing where our business fits in the market. The Products & Solutions team will ensure our products and services remain in a preferred competitive position, manage and launch product and service innovations and refresh our operating environment to ensure that we remain a low cost provider. This division will also identify future business trends.

Business Partners

Portfolio Funding is focussed on providing funding solutions using our securitisation expertise to finance companies.

The business was constrained by increased funding costs but the credit quality of the portfolio is sound. There were no write-offs for any program with subordination structures. Write-offs and arrears were below forecasts for on balance sheet portfolios.

Specialised Lending focusses predominately on lending to the aged care and retirement village sectors.

Strong synergies exist between this unit and the bank's retail network. Combined with ongoing strong industry demand, we believe this unit has strong growth potential.

The Wholesale business has a strong focus on customers and partners rather than on products. This allows us to execute our business strategy in line with the organisation's overall focus on its customers, partners and communities. This is in line with the industry trend of converging third party distribution through the various channels – in our case through stockbrokers, financial planners, mortgage managers, mortgage brokers, accountants and fixed income brokers.

Specialised Products



Cards

Credit card receivables grew by $266 million during the year. This result was underwritten by the merging of the Bendigo and Adelaide Bank card portfolios and continued strong growth with the award winning "Basic Black" credit card and the RSPCA Rescue Co-branded card.

Insurance

Income from the general insurance activities of the Bank grew 12 per cent during the financial year. This growth included an improved result from our Health and Commercial insurance businesses and the successful introduction of our newest product, Compulsory Third Party Insurance, in Queensland and NSW.

The Bendigo-based Insurance Department has been expanded to cater for the increased customer numbers from the merger.

Web Partner™

Web Partner™, a comprehensive website development service, develops websites that work hard for our customers to help achieve their business goals.

Our Web Partner™ team works closely with the customer to collect information about their business, which our Web Partner™ team then convert to professional website graphics and content. We build the website for the customer and host it on the Internet at their individual domain name. Included are ongoing website updates, statistical reporting and of course, technical support.

International Trade

International Trade is an important and growing field of enterprise for our business customers. It can offer great rewards, but can also bring with it certain risks. International Trade division throughout 2007/08 has continued to provide valuable support and guidance to our business customers through a comprehensive range of international trade products and services and a dedicated team of international trade specialists.

In a competitive environment free trade agreements have opened the door to increased global competition and industry players (including Bendigo and Adelaide Bank) are better positioning themselves to service this ever increasing market segment.

Equipment Finance

Businesses looking to finance equipment face a range of options. Two of the primary financial considerations are cash flow and taxation. Bendigo and Adelaide Bank Equipment Finance division supports our business customers with a range of leasing commercial chattel mortgage and asset purchase solutions designed to either enhance cash flow or minimise tax.

During 2007/08 equipment finance sales increased by 14 per cent and receivables increased by 12 per cent.

The equipment finance industry continues to seek and use more efficient, user friendly computer systems to gain a competitive advantage.

Debtor Finance

In the past year the Bank's commitment to providing small to medium enterprises relevant solutions to their cash flow financing needs continued to grow. Oxford Funding Pty Ltd, Bendigo and Adelaide Bank's debtor finance arm, offers additional cash flow products tailored to customers needs. As the only bank-owned Australian member of Factors Chain International (an association of worldwide major banks and financial institutions), the Bank can now offer funding for international open account business-to-business trade.

The Debtor Finance Market has grown by over 20 per cent for each of the past 10 years and this growth is set to continue. Oxford Funding is well placed to participate significantly in this growth sector.

From left to right

> Staff members Janelle Taig, Anthea Mawby and Stacey Blake attend a staff celebration for Bendigo-based employees.

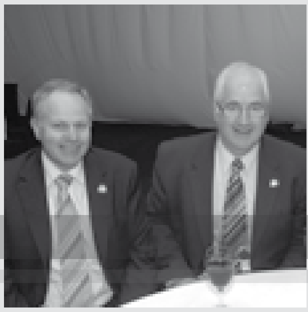
> We continue to expand our range of agribusines products and services through the Elder's Rural Bank joint-venture and within our own national branch network.

> Fun at the Community Day celebrating the bank's anniversary.

Homesafe Debt Free Equity Release

Through a joint venture company, Homesafe Solutions Pty Ltd, we make this equity release product available to over 60's homeowners seeking to safely access extra cash from their home. Unlike a loan, Homesafe Debt Free Equity Release allows homeowners to sell a share of the future sale proceeds of their home in return for a debt free cash payment. They continue to own and live in the home until they die or sell the home. Homesafe receives its share of the sale proceeds when the home is eventually sold. Homesafe is widely regarded as a 'safe' equity release option for seniors. Interest in the product remains strong with eligible enquiries increasing in 2007/08 by 13 per cent. The offering is currently limited to nominated postcodes in Melbourne and Sydney.

Our **Wealth** Businesses



The Wealth businesses of Bendigo and Adelaide Bank deliver proportionally greater and more diverse earnings to the Group as a result of the merger.

These businesses include funds management, margin lending, our finance company and financial planning.

The combining of our two wealth businesses has provided our retail customers with access to a broader range of wealth products while at the same time expanding the range of products and services offered by the organisation to independently advised customers.

The Wealth division includes the Cannex 5-Star rated Leveraged Equities margin lending business and the funds management arms currently operated through Sandhurst Trustees Limited and Adelaide Managed Funds Limited. A process to amalgamate the Funds Management activities is underway.

In retail, Bendigo Financial Planning and Victorian Securities Corporation Limited are also aimed at the wealth market.

In 2007/08, the Wealth Solutions division contributed $42.3 million to the Bank's pre-tax profit, an increase of 54 per cent (taking into account seven months contribution from Adelaide Bank).

The division's performance was pleasing given the backdrop of the weakening global economic environment and investment markets in particular.

Managed funds

Total funds and assets under management increased by 97 per cent to $6.7 billion, reflecting the inclusion of Adelaide Bank's business.

Despite the negative sentiment that accompanied falling equity markets for most of 2007/08, demand in the sector will continue to grow as Australia's population ages. We regard the managed funds arm as one that will benefit exponentially from the merger through increased opportunity for product innovation and business growth as well as being able to leverage an increased retail customer base and greater connections.

Margin Lending

Our margin lending business remains a key growth opportunity for us.

The merger allows greater distribution to a larger retail customer base.

Having traversed difficult equity markets which reduced the value of the portfolio to $3.8 billion at 30 June 2008, the business continues to enjoy a strong market share and increasing customer numbers.

Victorian Securities Corporation Limited

As the only debenture-issuer for the Group, our Ballarat-based finance company operated during the year according to its successful philosophy of providing a simple competitive product consistent with the market expectations of investors.

As a specialist commercial and development lender, VSCL offers a variety of lending products tailored specifically to meet the needs of borrowers.

Bendigo Financial Planning

Funds under advice declined by about six per cent for the year, the main influence being fluctuating market conditions.

However, strong demand continues for our financial planning offering featuring transparent fee disclosure. In 2006, we moved toward more transparent disclosure of payment for financial advice by adopting a Fee for Service business model.

Since then many of our competitors have changed their models to the same approach, a move which we strongly support. The main difference between a Fee for Service business model and a commission structure is that, in the first scenario, the customer pays a fee for the service the financial planner provides similar to a fee paid to an accountant or solicitor. The fee, therefore, is independent from the amount of money invested and bias to an investment provider.

From left to right

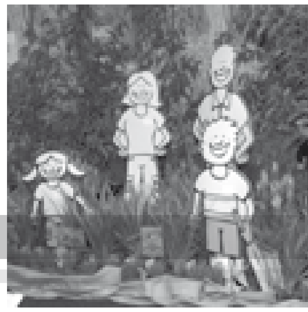
> *Bendigo's Neil Athorn and Denis Kelly were among the hundreds of staff who attended anniversary celebrations.*

> *Sack races in the Gala Marquee at the Community Day.*

> *Chief Executive Retail Bank Mike Hirst, Chief General Manager Wealth & Partner Advised Anthony Baum, Chief Executive Wholesale Bank Jamie McPhee and Chief Risk Officer Tim Piper.*

Bendigo Financial Planning also provides the Associate Planner Program, a training program for Bendigo and Adelaide Bank employees who are interested in becoming financial planners. The program allows the Bank to draw on talent within the organisation and to establish a professional team committed to doing business according to our customer focussed approach. There is no minimum education requirement to enter the program, however associates are required to complete the Diploma of Financial Services (Financial Planning) or its equivalent.

Our **Future**



From left to right

> Our new building, which opens in December, uses ecologically sustainable principles in design and construction.

> One of our young customers enjoys being a butterfly at the Community Day.

> The virtual Green family shows on our website the cost and benefits of creating a more environmentally friendly home.

It may seem unusual for a bank to play an active role in the conservation of the environment. But the concept of sustainability has always been at the heart of what we do. It's what led to our introduction of the **Community Bank®** model and all of our community engagement activities.

So we have taken a lead on caring for our future by creating the means by which people and communities can look after theirs. And we have followed the example by building headquarters in Bendigo that meet a 5–Green Star rating, the first of its kind in regional Australia.

Generation Green™

Generation Green™ is an exciting range of solutions that make it easy for everybody to help the environment. Generation Green™ provides a range of green loans, carbon offsets and other services that encourage 'green' behaviour and make looking after the environment simply a part of everyday life.

Some of the ways Generation Green™ is helping us live a greener life is by providing tips online through the sustainability guide and the Green range's three stage program that helps save money and the environment at the same time.

And at a community level, Generation Green™ has developed a suite of community engagement programs that help our **Community Bank®** network prepare their local community for the effects of climate change.

Last financial year we implemented Ban the Bulb campaigns through eight **Community Bank®** branches which have exchanged approximately 60,000 incandescent light bulbs for new energy efficient ones. The exchange programs have involved more than 600 volunteers who raised approximately $160,000 in funds for their local community groups while reducing greenhouse gas emissions by around 60,000 tonnes. That's equivalent to taking 14,000 cars off the road for a whole year.

More than just a range of products and services, Generation Green™ is a way of thinking. We encourage you and your community to be part of Generation Green™ - a generation that will act to make a difference. And by being a part of Generation Green™ you'll be helping to ensure that future generations can enjoy a beautiful, sustainable environment.

The environment

Bendigo and Adelaide Bank is committed to minimising the emissions created in everyday business. Our staff spend a significant amount of time on the road and in the air as part of their job. We intend to offset the effects of our corporate fleet and our business air travel for 2007/08.

The Victorian farming communities of Lockington, Elmore, Rupanyip and Minyip are working in partnership with Bendigo and Adelaide Bank, Victor Smorgon Group and Atlas Fuels to establish a fuel distribution business.

The fuel project will work under the same principles as our **Community Bank®** concept. Under the proposed model, the community will own the local storage facility and be able to capture some of the profits associated with fuel purchases. This initiative will bring huge benefits to the region, creating another income stream for the community and securing a supply of all liquid fuels, including access to Bio-Fuels.

The Bendigo Centre

Our new headquarters in the centre of Bendigo will open in December, three years after the first sod was turned.

The building is distinct for more than its modern design. It has earned 5–Green Star status for its range of environmental features including:

> external sun shading.
> Double glazed windows.
> Automatic light dimming.
> Solar hot water.
> Underfloor air conditioning allowing individual user control.
> Rainwater collection
> Grey and black water recycling.
> Recycled water used in toilets and mixed with rain water for irrigation.

As well as creating a world class building for environmental performance, we have also delivered a world class working environment. The complex will ultimately house more than 1000 workers, bringing together people who have been working in various buildings throughout Bendigo's central business district.

On 1 September 2006 we signed a sale and leaseback agreement to sell the building and lease it back for a minimum of 18 years. That agreement was settled on 1 September 2008. We have now sold the land and building for $100 million and leased it back until at least 2026.

Adelaide building plans

In February, Bendigo and Adelaide Bank announced it was looking for new office accommodation in Adelaide. At the time, the project team issued a general request to the property market that it was looking for A grade accommodation in Adelaide's central business district, between 13,000 to 17,000 square metres in size, which could support a 5–Green Star rating.

The Board later reaffirmed its commitment to the plan, in the process acknowledging that a new office development would benefit Adelaide-based staff and the broader South Australian community.

By the end of the financial year, an executive sub-committee had been established to evaluate options. A Board sub-committee has also been formed, and will assist in evaluating the final recommendation.

The project team has reduced 25 different proposals to a shortlist of three preferred options and will present a final recommendation to the Executive and Board in 2008/09.

Our **Technology**

We continue to invest in technology to support the expansion of our business and to deliver new capabilities to our staff, partners and customers.

A new system which will provide a single view of our customers' relationship with the Bank will be implemented during the next few months, and will be rolled out progressively across our branch network and call centres. It will also underpin our compliance under the new Anti Money Laundering legislation. An extensive branch training program will be undertaken to ensure that staff and partners harness the full capabilities of the new system.

A new data warehouse is also being progressively built, with the first achievement being our compliance with the recently introduced Basel II accord. The warehouse will be expanded to provide a consolidated repository of all corporate data, and to provide information to better serve our customers, staff and partners.

Planning is well advanced to consolidate our technology platforms for the merged Group. Networks are in place and our program to consolidate data centres is well advanced. A full program is underway to implement common processes and systems to meet the business goals of the merged bank.

Investments in technology are a key to supporting our growth to meeting regulatory compliance and to implementing new products and services.

Our **Partners**

Through our partners, we are able to offer specialist services to discrete customer groups. Our partners are as important as our customers.

In 2007/08, our joint ventures and alliances contributed before tax earnings of $26.4 million.

Elders Rural Bank Ltd is a joint venture between Bendigo and Adelaide Bank Limited and Futuris Corporation which provides specialist banking services to Australia's farming sector. Elders Rural Bank (ERB) products are available through 240 Elders Limited branches Australia-wide and selected co-branded agribusiness products are available from Bendigo Bank branches.

ERB, of which we own 50 per cent, reported a net profit (after tax) of $41 million for the year ended 30 June 2008. This was despite the ongoing challenges experienced by rural communities.

The result can be attributed to continued customer confidence in ERB. Retail deposit growth was 19 per cent in 2007/08. ERB's funding is more than 90 per cent retail deposits.

It also reported strong credit quality. The ratio of net non-performing loans to gross loans under management improved to 0.33 per cent from 0.36 per cent the year before.

Community Sector Enterprises Pty Ltd is a joint venture between the Bendigo and Adelaide Bank and Community 21 Ltd (which is owned by 20 not-for-profit sector organisations). Based on the **Community Bank®** model, it delivers banking services to the not-for-profit sector in return for a share of the margin and fee income. This improves the return on capital for the sector, enhancing its ability to deliver services to the community.

Banking business totals $352.7 million, representing a 39 per cent rise during the year.

Tasmanian Banking Services Ltd is a joint venture between Bendigo and Adelaide Bank and Tasmanian Perpetual Trustees Ltd, a provider of banking services in Tasmania. The company operates nine branches across Tasmania.

Banking business now totals $721.6 million, representing an 18.7 per cent increase over the previous year.

Strategic Payments Services Pty Ltd was established in May 2006 and is a joint venture between Bendigo and Adelaide Bank, Customers Limited and MasterCard International. The company is building an independent payment business that will handle the processing and management of all Bendigo and Adelaide Bank's and Customers' ATM and Eftpos transactions. To date, all Bendigo Bank ATMs and more than 90 per cent of Eftpos terminals have been transferred to this new system.

Ours is a great partnership business, and we have a great history in making partnerships work. We continue to look to the partnership model to see how it can enhance our business in the future.

The merger has only highlighted how effectively the model has worked. That is because both banks have focussed on building partnerships. In the case of Bendigo Bank, the relationships it has developed over the years – with Elders Rural Bank, Tasmanian Banking Services, Community Sector Enterprises and Strategic Payment Services Pty Ltd – are starting to meaningfully benefit us. We have also focussed on retail partnering, most significantly through the partner businesses in communities which have helped us establish **Community Bank®** branches.

Adelaide Bank has focussed on wholesale partnering to form an extensive distribution network through which to deliver the lending products it manufactures and processes.

It is interesting to note that both banks have come from building society backgrounds and have needed, in order to be competitive, to be innovative and adaptable. They have done this by building partnerships.

Importantly, the merger does not in any way threaten the partnerships each bank has created, nor the customer channels each has invested in. This gives the merged entity the opportunity to continue with the partnerships that work so well.

And in this regard, the merger rationale has been vindicated.

Our **Staff**

Above From left to right

> Chief General Manager Brand Development & Positioning Greg Gillett and Senior Manager Customer Help Centre Leonie Higgs.

> Dja Dja Wrung Elder Uncle Brien Nelson gives the Welcome to Country at the anniversary dinner.

> Our mailroom staff (from left to right) Hamish Riley, Hayley Ketterer, Bill Whatley and Tessie Dole enjoy the anniversary celebrations.

Opposite page from left to right

> The Bendigo Centre Concierge John Pitto anchors the tug-of-war at the Community Day.

> The popular sausage sizzle – cooked by the Rotary Club of Bendigo Sandhurst.

At Bendigo and Adelaide Bank we believe happy, healthy, satisfied and engaged employees help us to achieve 'successful customers, partners and communities'.

We are committed to working with our employees so that we can provide an exceptional work environment with valued rewards and benefits.

Work is almost complete on bringing the 1144 Adelaide and 2744 Bendigo staff (Full Time Equivalent) onto the one payroll system.

Of great importance is the need for our employees to maintain a balance between their work and life commitments. By offering a flexible work options program we aim to assist employees meet their needs, while not compromising the needs of our customers and the wider business.

Our dedicated Health, Safety and Environment team ensures the business has the right systems in place to keep people safe, happy and healthy. The Bank recently subsidised a group of employees to participate in the Global Corporate Challenge – a worthwhile staff engagement activity, which not only benefits the health and wellbeing of our employees, but also brings them closer together as many of our teams work in different locations.

Staff have access to an Employee Assistance Program, a confidential counselling service available to all employees and the company's subsidiaries to assist with both work related and family related difficulties that come up from time to time and can affect general wellbeing and work performance.

As a result of the merger, employees are now part of a larger and financially stronger organisation that provides greater career and training opportunities. We support and provide career management initiatives across the Bank and this, together with employees wanting to develop their own career pathways, means greater opportunities are available to them.

We also provide tailored and unique training and development courses across the organisation at all levels, with the aim of building our future people capability. Our large Learning and Development team located throughout Australia has the expertise to develop education and training that will contribute to a sustainable and engaged workforce.

Our employees continue to be central to the success of Bendigo and Adelaide Bank - staff enjoy being part of a larger and more diversified business that is relevant and connected to our communities.

Executive profiles

The merger resulted in a restructure of the Bank's Executive team, which brings a wide range of skils and financial sector experience to the Company - profiles below.

Profiles of our Board of Directors are available in the Corporate Governance section of this report .

Jamie McPhee

Chief Executive Wholesale Bank

Mr McPhee was Group Managing Director of Adelaide Bank before the merged bank was formed on 30 November 2007 when he was appointed Chief Executive Wholesale Bank of Bendigo and Adelaide Bank.

Mr McPhee began his financial services career in the dealing room of merchant bank Wallace Smith Trust Company based in London. He returned to Adelaide in 1998 and joined The Co-operative Building Society of South Australia Limited (which later became Adelaide Bank) within the Treasury function.

He held various positions in Adelaide Bank before 2003 when he was appointed Chief General Manager of Operations, responsible for the day-to-day banking operations of the Bank and its subsidiaries. In 2005 he was appointed Chief Operating Officer, responsible for all bank operations. He has a civil engineering degree with Honours and a MBA from the University of Adelaide.

Mike Hirst

Chief Executive Retail Bank

Mr Hirst was Chief Operating Officer of Bendigo Bank before the merger with Adelaide Bank. He started with Bendigo Bank in July 2001 as Executive Director of Sandhurst Trustees Limited. Mr Hirst was responsible for the creation of the Group's new Wealth Management business, and brings extensive experience and qualifications in the areas of banking, treasury, capital markets and funds management. He joined the Group after 11 years in senior executive and management positions with Colonial Ltd. Prior to this, Mr Hirst held senior finance roles with Chase AMP Bank, for three years, and with Westpac, for seven years, in branch banking, finance and planning roles.

Mr Hirst holds a Bachelor of Commerce, Melbourne University, and is a Director of Treasury Corporation of Victoria, Elders Rural Bank and Barwon Health.

Marnie Baker

Chief General Manager Solutions/Product

Ms Baker was Chief General Manager Solutions before the merger. She holds a Bachelor of Business (Accounting), Latrobe University, and is a member of the Australian Society of Certified Practicing Accountants, a member of the Australian Institute of Company Directors and a Fellow of the Financial Services Institute of Australasia. Ms Baker joined Bendigo in 1989 and has held senior positions within Treasury, Structured Finance, Capital Planning and Balance Sheet Management prior to being appointed to her role of Chief General Manager Solutions. In that role, Ms Baker is also the Chief Executive Officer and Executive Director of Sandhurst Trustees Ltd, executive Director of Bendigo Financial Planning Ltd, Victorian Securities Corporation Ltd and Oxford Funding Pty Ltd and a Director of Australian Friendly Society Ltd.

Anthony Baum

Chief General Manager Wealth & Partner Advised

Mr Baum has more than 17 years experience in the banking sector. He was appointed to his current role of Chief General Manager, Wealth & Partner Advised in May 2007. Mr Baum is responsible for the merged Group's growing wealth management businesses which includes, margin lending, investment and structured products and common funds through our managed funds arm Sandhurst Trustees Ltd.

Prior to his current role, Mr Baum was Chief General Manager of Financial Markets for Adelaide Bank. Mr Baum joined the business in May 2000 from BNP Paribas in London.

Richard Fennell

Chief General Manager Strategy

Mr Fennell joined Adelaide Bank in March 2007 after an 18 year career in management consulting, primarily with PricewaterhouseCoopers.

As a partner with PricewaterhouseCoopers in Australia and Hong Kong, Mr Fennell managed change programs with banks and other financial services organisations in Australia and across South East Asia.

Following the acquisition of PricewaterhouseCoopers Consulting by IBM, Mr Fennell led IBM's Finance and Administration Outsourcing business for the Asia Pacific region.

Greg Gillett

Chief General Manager Brand Development & Positioning

Mr Gillett spent 20 years with National Bank (10 years in management) before joining Bendigo in 1995. Mr Gillett's previous positions within the Group include Manager, Branch Planning & Productivity, Executive Assistant to the Managing Director, before heading up the Group's retail distribution network. He is a Senior Fellow of Finsia and former member of the Australian Banking Industry Ombudsman Ltd.

David Hughes

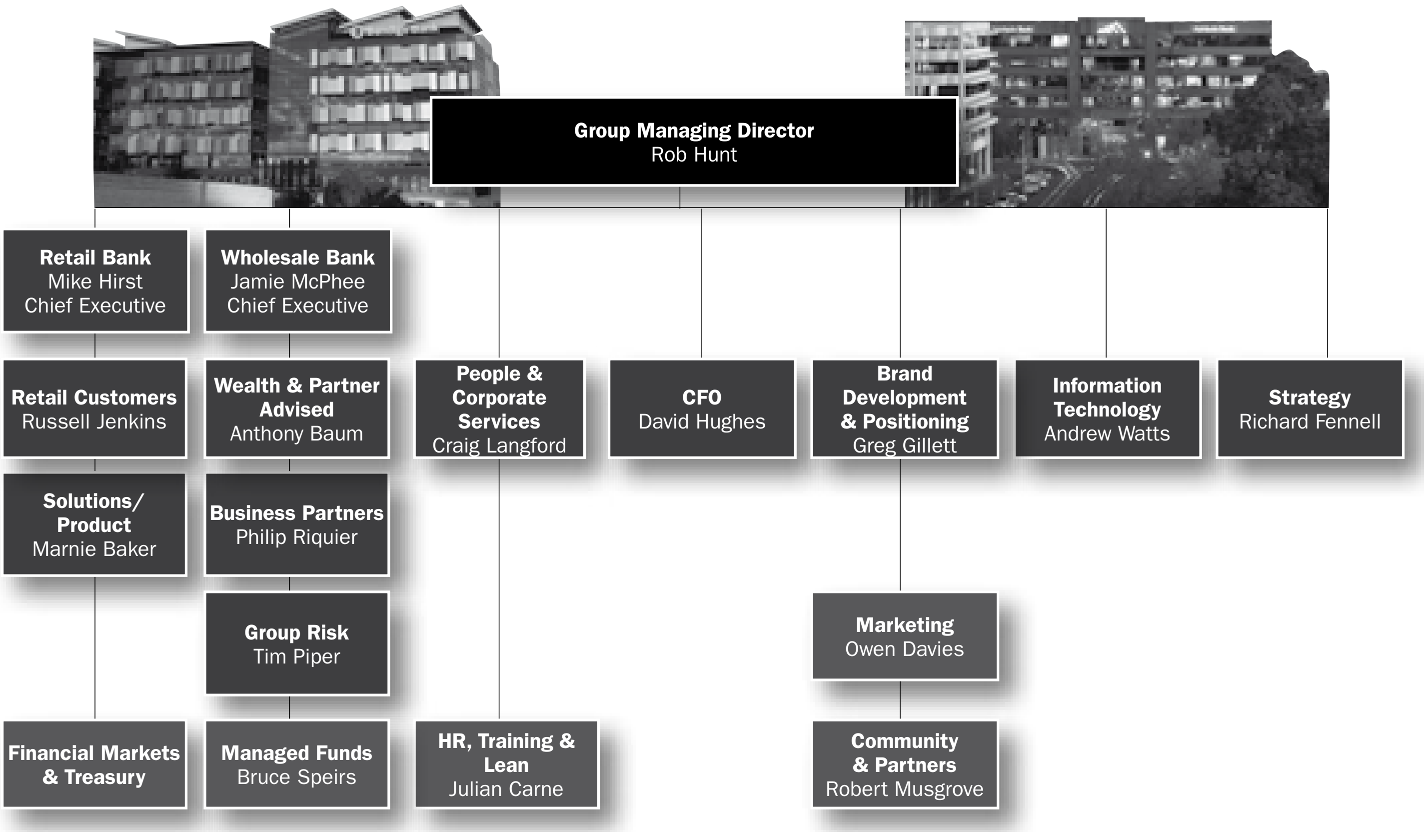
Chief Financial Officer

Mr Hughes was Chief General Manager, Finance & Information Services at Adelaide Bank before the merger. He came to Adelaide Bank in June 2007 after seven years as Chief Financial Officer and Company Secretary for Codan Limited, an Adelaide-based designer and manufacturer of communications equipment.

Mr Hughes was instrumental in the successful listing of the company on the ASX and was heavily involved in its predominantly export-focussed business planning. Prior to Codan Limited, Mr Hughes was Executive General Manager – Information Services for Normandy Mining Limited and held global responsibility for information services.

Mr Hughes also has experience in senior roles with Southcorp Limited and James Hardie Industries Limited.

Mr Hughes has led a number of large business system



implementations and business process re-design projects, as well as senior finance roles across a number of diverse industries.
He holds a Bachelor of Accounting and the qualification of CPA.

Russell Jenkins

Chief General Manager Retail Customers

Mr Jenkins was Chief General Manager Retail & Distribution before the merger. He joined Bendigo in 1992 and undertook a variety of roles ranging from Corporate Services to Chief Manager Group Strategy and Planning. Mr Jenkins led the Bank's **Community Bank®** team from inauguration in 1998. In 2002 the role was broadened to incorporate responsibility for the Group's other Alliance Partners, Business Banking, Cards and Marketing arms.
In 2005 Mr Jenkins was appointed to the role of Chief General Manager – Retail & Distribution, covering all of the Group's distribution networks.
Mr Jenkins holds an Honours degree in Engineering from Melbourne University. Prior to joining Bendigo Bank he spent three years with the Pratt Group/Visyboard and five years with Price Waterhouse in a senior consulting role in their Australian and European practices.

Craig Langford

Chief General Manager People & Corporate Services

Mr Langford has more than 30 years experience in the financial sector.
He holds a Master of Business Administration, University of Melbourne (Melbourne Business School), a Bachelor of Business (Accounting), University of Tasmania, and is a Fellow of Financial Services Institute of Australasia, and a Fellow of the Australian Society of Certified Practicing Accountants. He was General Manager Financial Management with Trust Bank before joining Bendigo Bank in October 1997.

Tim Piper

Chief General Manager Group Risk

Mr Piper joined Adelaide Bank in 2005 following nearly 18 years with a major Australian bank. During a career spanning nearly 30 years he has had direct experience with most facets of banking, from personal finance, through to middle and large commercial lending, and credit risk. In particular, his credit risk experience has seen him closely involved with asset restructuring and international capital and debt markets.
He held global responsibilities – with a strong Asian focus – for three years of his career. He initially joined Adelaide Bank as the General Manager of Credit Risk, spent a short time leading the Shared Services division and most recently assumed responsibility for Wholesale Mortgages as Chief General Manager Wholesale Mortgages.

Philip Riquier

Chief General Manager Business Partners

Mr Riquier has had a career in the financial services sector spanning more than 20 years. His experience includes commercial and corporate banking with a major Australian bank prior to joining Adelaide Bank in 1993.
Mr Riquier has held several positions, including Head of Products, Head of National Business Lending and General Manager of Portfolio Funding. He has a Bachelor of Business and a Masters in Business Administration from the University of Adelaide.

Andrew Watts

Chief Information Officer

Mr Watts joined Bendigo Bank in 1994, just prior to bank conversion in 1995. He has held senior management positions in Marketing, Product Development, Direct Banking, Electronic Banking and Retail, and has overseen a number of strategic projects. Mr Watts moved into IT in 2006 as General Manager, Business Integration & Strategy, and was appointed to the role of Chief Information Officer in 2007, overseeing the information technology operations in Bendigo and Adelaide. Mr Watts holds a Bachelor of Engineering and Graduate Diploma of Business Administration.

Opposite page from left to right
> Chief General Manager People & Corporate Services Craig Langford (left), Group Secretariat's Sharyn McKitterick and Assistant Company Secretary June Wilde (right) at the staff event celebrating our anniversary.
> Director Tony Robinson
> Two generations of Board involvement: former Bendigo Building Society director Warwick Johanson (left), Yvonne Johanson and Chairman Robert Johanson.

Shareholder Information

Online Shareholder Services

www.bendigobank.com.au/shareholders

Bendigo and Adelaide Bank shareholders can check share prices of the Bank's listed shares as well as their shareholder privileges and details of their holding (including balance, dividend payments and dividend payment instructions) on the Online Share Registry.

Forms including Change of Address, Dividend Nomination Advice and Off Market Transfer are all available to download. The online service aims to provide shareholders with useful information 24 hours a day, seven days a week.

e-Shareholders
Shareholders are encouraged to record their email address so that reports can be received online. To register simply log on to www.bendigobank.com.au/e-shareholder and enter your details.

Share Registry - Manager Karyn Flynn and staff can provide assistance with matters relating to all the Company's listed securities by:

Mail: Share Registry
Bendigo and Adelaide Bank Ltd
PO Box 480,
BENDIGO VIC 3552

Telephone: (03) 5485 6392 or 1800 646 042

Fax: (03) 5485 7645

Email: share.register@bendigobank.com.au

Full Financial Report

For the 12 month period ending
30 June 2008

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CORPORATE GOVERNANCE - OVERVIEW

Bendigo and Adelaide Bank is committed to high standards of corporate governance. The Board believes that Bendigo and Adelaide Bank's commitment to ethical corporate dealings in the conduct of its business has been an important element of its success during its 150-year history. This commitment applies to the dealings by Bendigo and Adelaide Bank with its shareholders, customers, employees, suppliers, regulators and the community. It is also reflected in Bendigo and Adelaide Bank's corporate values.

1. The Board

1.a Role

The Board provides direction to the Bank by approving and monitoring the Bank's strategy and financial objectives. Available from our website, the Board charter sets out the Board's detailed responsibilities, including its responsibilities in relation to committees, nomination, remuneration, governance, audit, risk, IT strategy and credit matters. Except in relation to any matters reserved to the Board under the charter, the day-to-day management of Bendigo and Adelaide Bank and its operations is delegated to management.

1.b Composition

The Constitution provides that the number of directors is to be decided by the Board, being not fewer than three and not more than twelve. The Board currently consists of eight non-executive directors, the Managing Director and an executive director. The roles of the Chairman and Managing Director are separated. Information on each of the directors is set out on pages 22 to 25.

The Board believes that the exercise of independent judgment by directors is an important feature of corporate governance.

The Board has decided that the majority of directors are to be independent. Available from our website, the Board Independence Policy sets out the test for the purpose of assessing the independence of non-executive directors. An independent director is a director who is free from any business or other association – including those arising out of a substantial shareholding, involvement in past management or as a supplier, customer or advisor - that could materially interfere with the exercise of their independent judgment. In deciding materiality, the quantitative materiality thresholds in Accounting Standard AASB 1031 are taken into account, as well as qualitative materiality factors.

Directors must disclose any material personal interest in accordance with the Corporations Act. Directors must also comply with the constraints on their participation and voting in relation to matters in which they may have an interest in accordance with the Corporations Act.

Each director may from time to time have personal dealings with Bendigo and Adelaide Bank. Each director may be involved in other companies or professional firms which may from time to time have dealings with Bendigo and Adelaide Bank. Full details of related party dealings are set out in notes to the Bendigo and Adelaide Bank financial statements as required by law.

The Board has assessed each non-executive director as independent. In making that assessment, the Board has taken into account the relationships set out on pages 22 to 25 and the following.

- No director is, or is associated directly with, a substantial shareholder of Bendigo and Adelaide Bank.
- No director, except as previously disclosed, has ever been employed by the Bendigo and Adelaide Bank or any of its subsidiaries.
- No director is, or is associated directly with, a professional adviser, consultant, supplier, customer or other contractor of Bendigo and Adelaide Bank that is a material adviser, consultant, supplier, customer or other contractor under accounting standards.
- No director has any other connection (eg family ties or cross-directorships) with Bendigo and Adelaide Bank which affect independence.
- No related party dealing referable to any director is material under accounting standards.

The Board does not consider that the term of service on the Board should be considered as a factor affecting a director's ability to exercise unfettered and independent judgement.

1.c Appointment

The policy of Bendigo and Adelaide Bank is to appoint directors with appropriate skills, knowledge and experience to contribute to the effectiveness of the Board and to provide leadership and contribute to the success of Bendigo and Adelaide Bank. The policy and procedure for the selection and appointment of new directors is available from the website.

1.d Performance

The Board charter provides for an annual evaluation of the Board, individual directors and Board Committees. An evaluation took place in the reporting period. The evaluation of individual directors and the Board was conducted by the Chairman. The Board (in the absence of the Chairman) undertook an evaluation of the Chairman. The Chairman of each Board Committee conducted a performance evaluation of the Committee and the results were discussed in a Board meeting. Information on the performance evaluation procedure is available from the website.

1.e Remuneration

The Remuneration report in the Directors' Report includes a discussion of non-executive directors' remuneration.

1.f Procedures

The Board charter (available from the website) sets out relevant Board procedural matters. This includes procedures in relation to a conflict of interest and also provision for access to independent professional advice at the expense of Bendigo and Adelaide Bank.

THE BOARD

Current

NAME, AGE, QUALIFICATIONS AND INDEPENDENCE STATUS	SKILLS, EXPERIENCE, EXPERTISE, RELATIONSHIPS
Robert Johanson **Chairman** (57 years) BA, LLM (Melb) MBA (Harvard) Independent Director **TERM OF OFFICE** Director for 21 years and appointed as Chairman during 2006. Previously Deputy Chairman for 5 years. **SPECIAL RESPONSIBILITIES** ***Committees*** Governance & HR (Chair) IT Strategy	**Group and joint venture company directorships** Adelaide Bank Limited (Chair) Community Telco Australia Pty Ltd Elders Rural Bank Ltd Homesafe Solutions Pty Ltd (Chair) Mr Johanson has expertise in corporate strategy, capital and risk management. He has provided independent corporate advice in respect to capital market transactions to a wide range of public and private companies. Mr Johanson is a member of the Council of the University of Melbourne, a member of its Finance Committee and Chairman of the Investment Committee. He is a director of the Robert Salzer Foundation Ltd and a member of the Takeovers Panel. Mr Johanson is a director of Grant Samuel Group Pty Ltd (and subsidiaries). Grant Samuel provides professional advisory services to the Group on normal commercial terms and conditions. The services provided during the 2008 financial year included services in relation to corporate matters including alliance and joint venture activities, strategic developments and the merger of Adelaide Bank. A protocol, approved by the Board, has been established for the engagement of Grant Samuel by the Bank which includes arrangements for dealing with conflicts of interest.
Rob Hunt AM **Managing Director** (57 years) FAICD Doctor of University (honoris causa) La Trobe University, 1999 Executive Director and Chief Executive Officer **TERM OF OFFICE** Employee since 1973 and appointed CEO in 1988. Appointed to Board in 1990. **SPECIAL RESPONSIBILITIES** ***Committees*** IT Strategy Governance & HR Risk Audit (attendee only) Property (ceased in Jan '08)	**Group and joint venture company directorships** Adelaide Bank Limited Community Telco Australia Pty Ltd (Chair) Community Sector Enterprises Pty Ltd Elders Rural Bank Ltd (ceased April 2008) Tasmanian Banking Services Ltd Mr Hunt is also chair of a number of subsidiary companies involved in community engagement activities. Based in Bendigo, Mr Hunt has led the Bank's development from a provincial building society to a nationally represented, uniquely positioned and diverse banking and financial services group. Mr Hunt is the architect of the Bank's Community Banking™ and other alliance arrangements. He is also Chairman of Bendigo Community Telco Ltd and a member of the Community Bank® Strategic Advisory Board. He is a Councillor of the ABA, a member of the BCA and a former member of the Prime Minister's Community Business Partnership and the Victorian Government's Innovation Economy Advisory Board (both of which ceased during the year).
Kevin Abrahamson (63 years) BSc (Hons) MA MBA FAICD, FFin, FAIM Independent Director **TERM OF OFFICE** Appointed to Board in November 2007 Appointed to Adelaide Bank Board in 2000 *Seeking election at 2008 AGM **SPECIAL RESPONSIBILITIES** ***Committees*** Audit IT Strategy	**Group and joint venture company directorships** Adelaide Bank Limited Sunstate Lenders Mortgage Insurance Pty Ltd A Sydney based director, Mr Abrahamson is an Australian finance sector specialist and consultant who has been on the Adelaide Bank Board since 2000. As a specialist in the area of corporate strategy and information technology, he has worked as a consultant to the financial sector since 1997 as the head of KD Abrahamson Consultants. From 1988 to 1997, he held the position of General Manager, Group Services with Advance Bank and St George Bank. Mr Abrahamson was also a director of Fiducian Portfolio Services Limited between 2000 and 2004.

NAME, AGE, QUALIFICATIONS AND INDEPENDENCE STATUS	SKILLS, EXPERIENCE, EXPERTISE, RELATIONSHIPS
Jenny Dawson (43 years) B Bus (Acc) FCA, MAICD Independent Director **TERM OF OFFICE** Director for 9 years. **SPECIAL RESPONSIBILITIES** ***Committees*** Audit (Chair) Credit Property (ceased in Jan ’08)	**Group and joint venture company directorships** Adelaide Bank Limited Adelaide Managed Funds Limited (Chair) Community Sector Banking Pty Ltd Community Sector Enterprises Pty Ltd A Bendigo-based director, Ms Dawson spent 10 years with Arthur Andersen in the audit and IT controls division. Ms Dawson has experience in the areas of financial reporting and audit, IT internal control reviews, internal audit and risk management. Ms Dawson is a director of Coliban Region Water Corporation and a member of the Victorian Regional Development Advisory Committee.
Jamie McPhee (43 years) BEng (Hons) MBA FAICD, SF Fin Executive Director **TERM OF OFFICE** Appointed to Board in November 2007 Appointed to Adelaide Bank Board in 2006 *Seeking election at 2008 AGM **SPECIAL RESPONSIBILITIES** ***Committees*** Risk Credit IT Strategy	**Group and joint venture company directorships** Adelaide Bank Limited Adelaide Managed Funds Limited Elders Rural Bank Limited Mr McPhee joined Adelaide Bank in 1988 within the Treasury function, and was appointed Group Managing Director of Adelaide Bank in December 2006. Mr McPhee began his financial services career in the dealing room of merchant bank Wallace Smith Trust Company based in London. He returned to Adelaide in 1988 and joined The Co-operative Building Society of South Australia Limited (which later became Adelaide Bank). He was appointed Chief Manager of Treasury at the time of the merger between The Co-operative Building Society of South Australia Limited and the Hindmarsh Building Society in January 1992 and in 1993 was promoted to the organisation’s executive committee. Mr McPhee was the Treasurer of The Co-operative Building Society of South Australia Limited during its conversion to Adelaide Bank on 1 January 1994. In 2003, he was appointed Chief General Manager of Operations and in 2005 was appointed Chief Operating Officer, responsible for all bank operations in the group.
Terry O’Dwyer (58 years) B Com Dip Adv Acc FCA, FAICD Independent Director **TERM OF OFFICE** Director for 8 years. **SPECIAL RESPONSIBILITIES** ***Committees*** Audit Risk IT Strategy (Chair)	**Group and joint venture company directorships** Adelaide Bank Limited Sunstate Lenders Mortgage Insurance Pty Ltd A Queensland-based director, Mr O’Dwyer is the former chairman and managing partner of BDO Kendalls (Chartered Accountants). He was a partner in the firm for 28 years and headed its corporate finance division prior to being appointed its independent chairman. Mr O’Dwyer is chairman of Metal Storm Ltd, Roamfree Ltd and a director of Queensland Theatre Company Ltd, Backwell Lombard Capital Pty Ltd and Retravision Southern Ltd. He has previously chaired MFS Limited and Brumby’s Bakeries Holdings Ltd and has had service on other public company board’s and government business enterprises. Mr O’Dwyer was a director of First Australian Building Society Limited which was acquired by Bendigo and Adelaide Bank in 2000.
Kevin Osborn **Deputy Chairman** (57 years) FAICD, FPNA Independent Director **TERM OF OFFICE** Appointed to Board in November 2007 Appointed to Adelaide Bank Board in 2003 *Seeking election at 2008 AGM **SPECIAL RESPONSIBILITIES** ***Committees*** Credit (Chair) Audit Risk	**Group and joint venture company directorships** Adelaide Bank Limited An Adelaide based director, Mr Osborn was appointed to the Adelaide Bank Board in 2003. He was formerly the Chief Executive of Bank One in Australia (now part of JPMorgan Chase). Mr Osborn is a director of the Economic Development Board of South Australia, and was formerly a director of the American Chamber of Commerce in Australia. He is a director of ABB Grain Limited, the SA Government Projects Co-ordination Board, the Leadership Institute of South Australia and chairs the Adelaide Desalination Project Committee. Mr Osborn is a Fellow of the National Institute of Accountants and a Foundation Fellow of the Australian Institute of Company Directors. The Board has approved a protocol that sets out arrangements for dealing with potential conflicts of interest connected with the financial services activities of ABB Grain Limited.

NAME, AGE, QUALIFICATIONS AND INDEPENDENCE STATUS	SKILLS, EXPERIENCE, EXPERTISE, RELATIONSHIPS
Deborah Radford (52 years) B.Ec G. Dip Finance & Investment John Kennedy School of Government (Harvard) Independent Director **TERM OF OFFICE** Director for 3 years. **SPECIAL RESPONSIBILITIES** ***Committees*** Audit IT Strategy Credit	**Group and joint venture company directorships** Adelaide Bank Limited A Melbourne based director, Ms Radford is an economics graduate with experience in both the public and private sector. Ms Radford has 15 years experience in the banking industry with both international and local Banks. Following seven years with the Victorian State Treasury, she ran her own consulting business between 2001 and 2007 advising the government on commercial transactions. Ms Radford is a Director of Forestry Tasmania and City West Water.
Kevin Roache (68 years) LLB, B Com, ASCPA, FAICD Barrister & Solicitor of the Supreme Court of Victoria Independent Director **TERM OF OFFICE** Director for 17 years. **SPECIAL RESPONSIBILITIES** ***Committees*** Credit Risk Governance & HR	**Group and joint venture company directorships** Adelaide Bank Limited A Geelong-based director, Mr Roache has extensive experience in advising clients on business and taxation issues. Mr Roache is a director of Geelong Community Enterprise Ltd, a former President of the Geelong Business Club, member of the Finance Committee of Geelong Chamber of Commerce, member of Committee for Geelong, a former Chairman of Barwon Health Geelong and has been a board member of many community and charitable organisations. Mr Roache was the Chairman of Capital Building Society, the business of which was integrated into Bendigo and Adelaide Bank in 1992. Mr Roache is the chairman of partners in Coulter Roache Lawyers which provides legal services to the Group on normal commercial terms and conditions.
Tony Robinson (50 years) B Com (Melb) ASA MBA (Melb) Independent Director **TERM OF OFFICE** Director for 3 years. **SPECIAL RESPONSIBILITIES** ***Committees*** Risk (Chair) Governance & HR	**Group and joint venture company directorships** Adelaide Bank Limited A Melbourne-based director, Mr Robinson commenced employment in 2007 as an executive director and chief executive officer of IOOF Holdings Ltd. Mr Robinson was previously the managing director and chief executive officer of OAMPS Limited. He was previously also a director of VECCI. Mr Robinson's other previous management positions include joint managing director of Falkiners Stockbroking, managing director of WealthPoint, chief financial officer of Link Telecommunications and general manager corporate services at Mayne Nickless. Mr Robinson is a director of IOOF Investment Management Limited ("IOOF") and Perennial Investment Partners Limited ("Perennial"), which are subsidiaries of IOOF Holdings Ltd. These companies provide investment management services to managed investment schemes for which Sandhurst Trustees Ltd is the responsible entity. The fees paid by Sandhurst Trustees for these services are on normal commercial terms and conditions. Bendigo Financial Planning Ltd, a subsidiary of Bendigo and Adelaide Bank, is the sponsor and markets and promotes Bendigo Financial Solutions Personal Superannuation ("BFSPS"). BFSPS is a superannuation product offered by IOOF Investment Management Services Ltd. The fees paid by IOOF to BFP are based on normal commercial terms and conditions. The Board has approved a protocol that sets out arrangements for dealing with potential conflicts of interest connected with the financial services activities of IOOF Holdings Limited and its subsidiaries.

Previous

NAME, AGE, QUALIFICATIONS AND INDEPENDENCE STATUS	SKILLS, EXPERIENCE, EXPERTISE, RELATIONSHIPS
Neal Axelby (57 years) Dip CM FAICD, AIMM, AIFS Independent Director **TERM OF OFFICE** Director for 7 years Retired from Board in November 2007 **SPECIAL RESPONSIBILITIES** ***Committees*** Credit Governance Risk	**Group and joint venture company directorships** Sunstate Lenders Mortgage Insurance Pty Ltd A Queensland-based director, Mr Axelby has had 15 years combined years of experience as an employee and director in the finance industry before joining the board. He also has 23 years experience in senior management positions in the private sector. Mr Axelby is a director of Ipswich & West Morton United Friendly Society Dispensary Ltd and several private companies. Mr Axelby was a director of First Australian Building Society Limited which was acquired by Bendigo and Adelaide Bank in 2000.
Roger Cook (64 years) FREI, MAICD Independent Director **TERM OF OFFICE** Appointed to Board in November 2007 Retired from Board in December 2007 **SPECIAL RESPONSIBILITIES** ***Committees*** Nil	**Group and joint venture company directorships** Adelaide Bank Limited Mr Cook is an international commercial real estate authority who joined the Adelaide Bank Board in 1997 and was appointed Deputy Chairman in 2005. He is the Chairman of the SA Motor Sport Board, Urban Construct Pty Limited and the Motor Accident Commission (SA). Mr Cook is a director of V8 Supercars Australia Pty Limited, TEGA Pty Limited and a number of other private companies.
Donald Erskine (62 years) Independent Director **TERM OF OFFICE** Director for 8 years Retired from Board in November 2007 **SPECIAL RESPONSIBILITIES** ***Committees*** Credit Property IT Strategy	**Group and joint venture company directorships** Nil A Bendigo-based director, Mr Erskine is a mechanical engineer and chairman of several private companies. Mr Erskine has an extensive background in manufacturing and property development and experience in international trade. Mr Erskine is the chairman of Australian Technical College, Bendigo. He is also a director of Bendigo Community Telco Ltd.
Adele Lloyd (61 years) PhD Med Admin BA (Hons) DipT Independent Director **TERM OF OFFICE** Appointed to Board in November 2007 Retired from Board in June 2008 **SPECIAL RESPONSIBILITIES** ***Committees*** Governance & HR Risk	**Group and joint venture company directorships** Adelaide Bank Limited Adelaide Managed Funds Limited Dr Lloyd joined the Adelaide Bank Board in 1997. She was appointed Deputy Chairman of Adelaide Bank in March 2003 and Chairman in October 2005. Dr Lloyd has a number of family business interests. She holds a Masters and Doctorate in Administration and Management and is currently a member of the Council of the University of South Australia. Dr Lloyd was a director of Adelaide Bank Limited and Adelaide Managed Funds until June 2008.

2. Board committees

2.a Composition and responsibilities

To help it discharge specific aspects of its responsibility, the Board has established the following Committees.

COMMITTEE	COMPOSITION – REQUIREMENTS	MEMBERS	RESPONSIBILITIES
Audit	At least 3 members. All independent directors. An independent chair, who is not chairman of the Board.	Ms Dawson (Chair) Mr Abrahamson Mr O'Dwyer Mr Osborn Ms Radford	The role of the Committee is to provide assistance to the Board in relation to the following. ➢ External audit function (including prudential audit requirements). ➢ Internal audit function. ➢ Statutory financial and APRA reporting. ➢ Internal control framework.
Governance & HR	At least 3 members. A majority of independent directors. An independent chair.	Mr Johanson (Chair) Mr Hunt Mr Roache Mr Robinson	The role of the Committee is to provide assistance to the Board in relation to the following. ➢ Board composition and succession planning. ➢ Board performance and Board and executive remuneration policy. ➢ Corporate governance matters generally. ➢ Key human resources policies.
Risk	At least 3 members. A majority of independent directors. An independent chair.	Mr Robinson (Chair) Mr Hunt Mr McPhee Mr O'Dwyer Mr Osborn Mr Roache	The role of the Committee is to provide assistance to the Board in relation to oversight of risk and includes the establishment, implementation, review and monitoring of risk management systems and policies for the following. ➢ Balance sheet and off-balance sheet risk, including trading. ➢ Operational risk, including regulatory compliance and business continuity.
Credit	At least 3 members. A majority of independent directors. An independent chair.	Mr Osborn (Chair) Ms Dawson Mr McPhee Ms Radford Mr Roache	The role of the Committee is to provide assistance to the Board in relation to oversight of the establishment, implementation, review and monitoring of credit risk management systems and policies, taking into account the risk appetite of the Group (comprising the Bank and its subsidiaries), the overall business strategy and management expertise.
IT Strategy	At least 3 members. A majority of independent directors. An independent chair.	Mr O'Dwyer (Chair) Mr Hunt Mr Abrahamson Mr Johanson Mr McPhee Ms Radford	The role of the Committee is to provide oversight of IT strategic planning and to make sure frameworks are in place for the efficient and effective management of the IT investment and the continuing alignment with business strategy and plans

2b. Procedures

Membership of all Committees is reviewed annually. Each Committee is governed by a charter which identifies the Committee's role and responsibilities. A 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. A Committee may meet with employees and third parties without the presence of management. The minutes of each Committee meeting are tabled and discussed at the next meeting of the Board.

3. Risk management

The recognition and management of risk is an essential element of the Group's strategy. The risk management strategy is based on risk principles approved by the Board.

The Board is responsible for overseeing the establishment, implementation, review and monitoring of risk management systems, policies and internal controls to manage the Bank's material risks. It has established an integrated framework of committee, policies and controls to identify, assess, monitor and manage risk. Executive management is responsible for implementing the policies and controls.

The Bank has established a system of regular reporting from independent risk, audit and credit functions to the executive and the board committees on the implementation and effectiveness of the risk management systems, policies and internal controls designed to manage the material business risks outlined below.

The key risk management responsibilities of the risk, credit and audit committees are outlined at *Section 2.a.*

The key risks and responsibilities for the Group are:

- *Credit risk:* The risk of financial loss due to the unwillingness or inability of a counterparty to fully meet their contractual debts and obligations. Credit risk is primarily monitored by the Credit Committee and the framework, policies, analysis and reporting are managed by the Group Credit Risk business unit (which includes retail and wholesale).
- *Interest rate risk*: The risk of volatility in earnings due to adverse movements in interest rates. Interest rate risk is primarily monitored through the Risk Committee and the Asset Liability Management Committee and managed through the Group Treasury.
- *Liquidity risk*: The risk of the inability to access funds which may lead to an inability to meet obligations in an orderly manner as they arise or forgone investment opportunities. Liquidity risk is primarily monitored by the Risk Committee and the Asset Liability Management Committee and managed through the Liquidity and Balance Sheet Management Unit within Group Treasury.
- *Currency risk*: The risk of loss of earnings due to adverse movements in exchange rates. Currency risk is primarily monitored by the Risk Committee and the Asset Liability Management Committee and managed through the Financial Markets Unit within Group Treasury.
- *Operational risk*: The risk resulting from inadequate or failed internal processes, people and systems or from external events that are not covered by credit and market risks. Operational Risk is primarily monitored by the Risk Committee and the Executive Committee and managed through the Group Operational Risk business unit incorporating operational risk, regulatory compliance, fraud prevention and detection, anti-money laundering and business continuity. The Audit Committee has primary responsibility for the oversight of financial reporting risk.

  Each of Adelaide Bank and Bendigo and Adelaide Bank had adopted their own Operational Risk Management Policy and Frameworks prior to the merger.

  The frameworks are in line with Basel II (operational risk management) and the Australian Standard – AS/NZS 4360:2004 (risk management). Group Operational Risk is in the process of reviewing these documents to consolidate the approaches.
- *Integration risk:* The risks associated with merging the operations of Adelaide Bank into the Group and achieving the merger benefits contained in the merger "Scheme Book". A Merger Integration Steering Committee (comprising the managing director and group chief executives) and a merger integration project office have been established to oversee the integration project.

In addition, the Group has an independent internal audit function that oversees all activities across the Group. The Head of Group Audit has a direct reporting line to the Audit Committee and an administrative reporting line to the Chief General Manager, People and Corporate Services. The head of Group Audit has direct access to the Managing Director, the Chair of the Audit Committee and the Chairman of the Board.

Group Audit also has direct access to any member of staff and access to any information relevant to its work. Group Audit assists in monitoring the effectiveness of the Group's risk management and internal compliance and control system including implementation. Reports on the outcome of internal audit programs are provided to the Audit Committee. The strategic plan for the internal audit function is approved and monitored by the Audit Committee.

The audit function is also independent of the external auditor. External audit considers risk management in order to assess and understand the Group's business and financial risks as well as the effectiveness of internal controls which may have a significant impact on the financial statements.

The Managing Director and Chief Financial Officer provide an annual sign-off to the Board on the matters summarised below for the Bank and the consolidated entity for the reporting period. 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 events or circumstances that may arise in future periods.

- Whether the financial reports present a true and fair view, in all material respects, of the Group's financial position and performance and are in accordance with the Corporations Act and comply with the Corporations Regulations 2001 and Accounting Standards.
- Whether the financial records of the Group are maintained in accordance with the Corporations Act.
- Whether the financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

To support this sign off the Bank has implemented due diligence, verification and certification processes throughout the business to provide assurance to the Managing Director, Chief Financial Officer and the Board, both in respect to the financial statements and the system of risk management and internal control.

This process is conducted on a six-monthly basis in conjunction with the Bank's half year and year end reporting obligations.

Further information on the Bank's risk management framework, including risk management responsibilities, reporting and control arrangements, is presented in the full financial statements at Note 42.

4. External auditor

The Audit Committee is responsible for recommending to the Board the appointment of the external auditor and a policy in relation to auditor independence, rotation and the provision of non-audit services by the external auditor, and for monitoring compliance with the policy.

The policy on audit independence sets out the factors regarded as compromising auditor independence. It includes a requirement for the engagement of the auditor for any non-audit services to be approved by the Audit Committee before the engagement, so that the Audit Committee can consider any impact on the independence of the auditor. The policy also provides for the Audit Committee to receive the annual and half-year independence declaration from the auditor. As required by the Corporations Act, the Audit Committee provides an annual statement to the Board as to whether the Audit Committee is satisfied that the provision of non-audit services is compatible with the independence of the auditor and the reasons for being so satisfied.

The Directors' Report includes a statement about whether the directors are satisfied that the provision of non-audit services is compatible with the independence of the auditor and the reasons for being so satisfied. In addition, while not required by the Corporations Act, the policy requires the Audit Committee to provide the same statement for the half-year and for the directors to consider it with the auditor's half-year independence declaration.

The policy provides that a person who plays a significant role in the audit must rotate if they have acted in that role for five successive years or, if they were to act, they would have played a significant role for more than five out of seven successive financial years, with a two-year cooling-off period.

The Corporations Act provides for members to submit written questions to the Bank for the auditor about the content of the auditor's report to be considered at the annual general meeting, or the conduct of the audit of the annual financial report to be considered at the annual general meeting, no later than the fifth business day before the day on which the annual general meeting is held.

The external audit engagement partner from Ernst & Young is required to make sure that a suitably qualified representative attends the annual general meeting. The Chairman of the meeting is required to provide an opportunity for the members as a whole at the meeting to ask the auditor's representative questions relevant to the conduct of the audit, the preparation and conduct of the auditor's report, the accounting policies adopted by the Bank in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit. The Chairman is also required to allow a reasonable opportunity for the representative of the auditor to answer written questions submitted before the meeting.

5. Continuous disclosure and communications

The Bendigo and Adelaide Bank Board recognises the importance of making sure that the Bank's shareholders, and the broader investment market, are kept informed about the Bank's activities and that the Bank meets its continuous disclosure obligations.

5.a Continuous disclosure

The Bank has a continuous disclosure policy to assist the Bank in making sure that all price sensitive information is disclosed to Australian Securities Exchange ("ASX") under the continuous disclosure requirements of ASX Listing Rules and the Corporations Act.

The Board meeting agenda includes continuous disclosure as a standing item for Board consideration. The Managing Director, Chairman and executive officers are responsible for identifying matters or transactions arising between Board meetings which require disclosure in accordance with the ASX Listing Rules.

All announcements to be lodged with ASX must first be approved by an authorised officer, generally the Managing Director, before release.

The company secretary is responsible for coordinating communications with ASX and for having systems in place to ensure that information is not released to external parties until confirmation of lodgement is received from ASX.

5.b Communications

The Bank has also established a communications policy which provides clear authorities and protocols for all communications with parties external to the Bank, in particular, investors, ASX, regulatory authorities, media and brokers.

Bendigo and Adelaide Bank communicates with its shareholders by the following means.

- ASX announcements
- Shareholder updates
- Annual reporting (as well as the full financial statements, it includes annual reviews)
- Annual general meetings
- Shareholder question sheet included with annual general meeting notice

The following material is made available on the Bendigo and Adelaide Bank website.

- Shareholder updates
- Full financial statements (for past three years), shareholder reviews (commencing 2007), and concise reports (2004 – 2006)
- Media releases (for past four years)
- Notices of meeting (for past four years)
- Webcasting of results presentation (following preliminary final announcement) Webcasting of annual general meeting
- Any material provided in briefings with analysts, stockbrokers and institutional investors (following its release to the market).

In addition, there is a link from the Bendigo and Adelaide Bank website to the ASX website for access to announcements that Bendigo and Adelaide Bank has made to ASX.

6. Corporate conduct

6a. Code of Conduct and Reporting of Concerns policy

Bendigo and Adelaide Bank's corporate values provide a framework to guide interactions within the Group, with customers, shareholders, suppliers and the community. The values are achievement, excellence, equality, integrity, loyalty, respect and trust.

These values have been incorporated in a Code of Conduct that has been endorsed by the Bank Executive Committee and adopted by the Board. The Code of Conduct sets out the Group's mission statement, being to focus on building and improving the prospects of customers, communities and partnerships in order to develop sustainable earnings and growth for the business, and thus provide increasing wealth for shareholders. Engagement with communities is central to the Group's strategy and stands Bendigo and Adelaide Bank apart.

The Code of Conduct provides guidelines for directors and staff, so that there is a common understanding of the values and expected standards of behaviour, including in relation to conflicts of interest, staff trading and confidentiality.

The Group's Reporting of Concerns policy provides a reference point for reporting concerns, including on an anonymous basis. This includes a concern, a grievance, and report of a suspected breach of law or Group policy (including any breach of the Code of Conduct). The Reporting of Concerns policy also explains the protection provided for employees who raise concerns in good faith.

The Group's Code of Conduct and Reporting of Concerns policy apply to all Group members except Adelaide Bank Limited, which has its own Code of Conduct and Reporting of Concerns policy.

As part of the merger integration process, it is anticipated that Adelaide Bank employees will become employees of Bendigo and Adelaide Bank.

6.b Regulatory compliance

Bendigo and Adelaide Bank has always placed importance on being law-abiding, and has a long history of dealing fairly and ethically with its customers. The Code of Conduct requires all employees and directors to comply with laws and policies, and requires directors and officers to promote compliance. In addition, a regulatory compliance framework is in place that applies across the Group, setting out specific responsibilities in relation to compliance with regulatory obligations. The Board is responsible for overseeing regulatory compliance and is assisted by the Risk Committee.

6.c Share trading policy

The staff trading policy imposes restrictions on trading in the company's shares and securities by directors, members of the Executive Committee and other designated employees (who may have access to price sensitive information). A black-out period is imposed for the 10 weeks leading up to each of the half-year and full-year announcements to ASX.

The policy also imposes obligations on these employees and officers in relation to notifying the Bank before and after trading. The notifications are reported to the Board. In addition, all employees and directors are prohibited from trading if in possession of price sensitive information.

The policy prohibits directors, members of the Executive Committee and other designated employees from using their Bendigo and Adelaide Bank securities as part of a margin loan portfolio. This prohibition does not apply to shares issued under the group's loan based share plans as described in Note 38.

The policy also prohibits the hedging of unvested instruments granted under the Executive Incentive Plan.

7. Executives

7.a Performance

The Remuneration Report in the Directors' Report includes a discussion of the annual performance assessment arrangements for executive management, including the managing director.

7.b Remuneration, contracts with executives

The Remuneration Report in the Directors' Report includes a discussion of executive (including the managing director) remuneration and contracts.

The following is a guide to the above discussion in this report about how Bendigo and Adelaide Bank practices meet the ASX Corporate Governance Council *Corporate Governance Principles and Recommendations (and Guides to reporting)* (August 2007). The documents referred to below are available from the Bendigo and Adelaide Bank website (www.bendigobank.com.au) in the corporate governance section of "About us".

1. PRINCIPLE	RECOMMENDATION	BENDIGO AND ADELAIDE BANK PRACTICE
1. Lay solid foundations for management and oversight	1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	*Status:* Adopted *Annual report:* Section 1.a *Documents on website:* Constitution, Board charter
	1.2 Companies should disclose the process for evaluating the performance of senior executives.	*Status*: Adopted *Annual report*: Section 7.a
	Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.	*Status*: Adopted *Annual report*: section 7.a Directors' Report p.46
2. Structure the board to add value	2.1 A majority of the board should be independent directors.	*Status:* Adopted *Annual report:* Section 1.b *Documents on website:* Independence Policy
	2.2 The chair should be an independent director.	*Status:* Adopted *Annual report:* Section 1.b
	2.3 The roles of chair and chief executive officer should not be exercised by the same individual.	*Status:* Adopted *Annual report:* Section 1.b
	2.4 The board should establish a nomination committee.	*Status:* Adopted *Annual report:* Section 2.a
	2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors,	*Status*: Adopted *Annual report*: Section 1.d *Documents on website:* Performance Evaluation Policy
	2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2.	*Status:* Adopted *Annual report:* Section 1.b, 1.f, 2.a, and see Directors' Report p.22 to p.25 for director details and p.64 for director attendances at Committee meetings *Documents on website:* Constitution, Board charter, Governance & HR Committee charter, Committee procedural rules, Appointment of non-executive directors
3. Promote ethical and responsible decision-making	3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	*Status:* Adopted *Annual report:* Section 6.a
	3.2 Companies should establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.	*Status:* Adopted *Annual report:* Section 6.c *Documents on website:* Staff Trading Policy
	3.3 Companies should provide the information indicated in the Guide to reporting on Principle 3.	*Status:* Adopted *Annual report:* Section 6 *Documents on website:* Code of conduct, Reporting of concerns, Staff Trading Policy

4. Safeguard integrity in financial reporting	4.1 The board should establish an audit committee.	*Status:* Adopted *Annual report:* Section 2.a
	4.2 The audit committee should be structured so that it: ➢ consists only of non-executive directors ➢ consists of a majority of independent directors ➢ is chaired by an independent chair, who is not chair of the board ➢ has at least three members.	*Status*: Adopted *Annual report*: Section 2.a
	4.3 The audit committee should have a formal charter.	*Status*: Adopted *Annual report*: Section 2
	4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.	*Status:* Adopted *Annual report:* Section 1.b, 2.a and see Directors' Report p.64 for director attendances at Committee meetings *Documents on website:* Audit Committee charter, Committee procedural rules, Selection and appointment of external auditor engagement partners; rotation of external audit partners, Risk management system description
5. Make timely and balanced disclosure	5.1 Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	*Status*: Adopted *Annual report*: Section 5 *Documents on website:* Continuous Disclosure Policy
	5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.	*Status*: Adopted *Annual report*: Section 5 *Documents on website*: Continuous disclosure policy, Communications policy
6. Respect the rights of shareholders	6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	*Status:* Adopted *Annual report*: Section 5 *Documents on website*: Communications policy
	6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.	*Status:* Adopted *Annual report*: Section 5 *Documents on website*: Communications policy
7. Recognise and manage risk	7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	*Status*: Adopted *Annual report*: Section 3 *Documents on website:* Risk Management Principles & Systems Description - Summary
	7.2 The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	*Status*: Adopted *Annual report*: Section 3

	7.3 The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act[1] is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	*Status*: Adopted *Annual report*: Section 3
	7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.	*Status*: Adopted *Annual report*: Section 3 *Documents on website*: Risk Committee, Credit Committee, IT Committee Overview, Risk management system description
8. Remunerate fairly and responsibly	8.1 The Board should establish a remuneration committee.	*Status*: Adopted *Annual report*: Section 2.a
	8.2 Companies should clearly distinguish the structure of non-executive directors remuneration from that of executive directors and senior executives.	*Status*: Adopted *Annual report*: Section 1.e, and Directors' Report under the heading "Remuneration Report"
	8.3 Companies should provide the information indicated in the Guide to reporting on Principle 8.	*Status*: Adopted *Annual report*: Section 1.e and 2.a, and see Directors' Report p.64 for committee attendance p.42 and p.61 for remuneration policies *Documents on website*: Governance & HR Committee charter, Remuneration policy – executives and non-executive directors; Employee Share Ownership Plan

[1] Section 295A CA provides for the CEO and CFO to give a declaration that financial records have been properly maintained, financial statements comply with accounting standards and financial statements give a true and fair view.

FIVE YEAR HISTORY

The Bendigo and Adelaide Bank Group

	Disclosures prepared under :				Previous
Financial Performance for the year ended 30 June	AIFRS (1) 2008 $m	AIFRS 2007 $m	AIFRS 2006 $m	AIFRS (2) 2005 $m	AGAAP 2004 $m
Interest income	2,605.7	1,058.6	907.4	815.0	615.5
Interest expense	2,091.4	701.5	592.4	528.9	361.9
Net interest income	514.3	357.1	315.0	286.1	253.6
Other income	300.7	205.1	201.8	172.9	157.5
Bad & doubtful debts expense (net of bad debts recovered)	23.1	8.2	7.0	13.6	13.8
Other expenses	545.3	376.1	344.1	309.9	282.0
Profit before income tax expense	246.6	177.9	165.7	135.5	115.3
Income tax expense	(75.4)	(56.2)	(49.0)	(41.2)	(35.8)
Net (profit)/loss attributable to minority interest	(0.7)	0.1	-	0.4	0.3
Profit after income tax expense	170.5	121.8	116.7	94.7	79.8
Adjustments	31.4	(3.3)	(14.2)	(3.0)	(6.6)
Cash basis earnings	201.9	118.5	102.5	91.7	73.2
Financial Position at 30 June					
Total assets	48,022.9	17,001.6	15,196.1	13,858.6	11,284.5
Net loans and other receivables	40,239.5	13,773.3	12,376.0	11,337.4	9,329.3
Cash and cash equivalents	1,608.6	329.1	479.8	442.0	315.1
Financial assets and derivatives	3,647.8	2,249.0	1,854.3	1,615.7	1,220.2
Other assets	2,527.0	650.2	486.0	463.5	419.9
Equity	3,270.0	1,015.0	899.5	720.7	676.4
Deposits and Notes payable	42,781.2	15,146.6	13,525.8	12,513.5	10,098.1
Reset preference share	89.5	-	-	-	-
Subordinated debt	681.8	307.2	307.1	262.1	199.3
Other liabilities	1,200.4	532.8	463.7	362.3	310.7
Share Information					
Net tangible assets per ordinary share	$5.59	$5.40	$4.78	$4.21	$4.40
Earnings per ordinary share - cents	74.8	81.9	81.5	67.5	60.2
Cash basis earnings per ordinary share - cents	93.7	82.9	73.2	65.5	58.5
Dividends per ordinary share:					
Interim - cents	28.0	24.0	22.0	19.0	17.0
Final - cents	37.0	34.0	30.0	26.0	23.0
Total - cents	65.0	58.0	52.0	45.0	40.0
Ratios					
After tax before significant items return on average assets	0.58%	0.80%	0.75%	0.73%	0.71%
Return on average assets	0.48%	0.76%	0.80%	0.75%	0.78%
Cash basis return on average ordinary equity	10.82%	15.38%	14.51%	13.54%	11.91%
Return on average ordinary equity	8.65%	15.18%	16.16%	13.98%	12.99%

1 *Figures for 2008 include the merger with Adelaide Bank effective 30 November 2007.*
2 *Figures for 2005 include the acquisition of Oxford Funding Pty Ltd effective 1 May 2005.*

Comparatives for financial year 2004 are not prepared under AIFRS. The main adjustments that would make the figures comply with AIFRS are:

Profit -
- goodwill and trustee licence are not amortised under AIFRS.
- movements in general provision for doubtful debts (general reserve for credit losses) reflect as appropriations of profit under AIFRS rather than expense under AGAAP.
- loan application fees and loan origination fees are recognised on an effective interest rate basis (deferred and amortised) and are disclosed as net interest income under AIFRS.

Balance sheet -
- general provision for doubtful debts now disclosed as general reserve for credit losses in equity.
- establishment of new collective provision for doubtful debts under AIFRS. This provision is treated as a general provision for prudential purposes.
- specific provisions for doubtful debts are assessed on the basis of discounted estimated future cash flows under AIFRS. Future cash flows were not discounted under AGAAP.
- loans to employees in relation to employee share ownership plan disclosed as reduction of equity under AIFRS.
- assets and liabilities of securitisation trusts are consolidated under AIFRS.
- share investments are carried at fair value under AIFRS.
- derivative financial instruments are carried at fair value under AIFRS.
- computer software assets have been reclassified from property, plant & equipment to intangible assets under AIFRS.
- deferred tax assets and liabilities have been recognised in relation to asset revaluation reserves under AIFRS.

FIVE YEAR COMPARISON

The Bendigo and Adelaide Bank Group

Financial Performance for the year ended 30 June		AIFRS 2008 (2)	AIFRS 2007	AIFRS 2006	AIFRS 2005 (3)	Previous AGAAP 2004
		Disclosures prepared under :				
Key Trading Indicators						
Retail deposits - branch sourced	($m)	14,986.8	11,641.3	10,771.4	9,259.8	8,293.3
Number of depositors' accounts - branch sourced		1,638,443	1,418,088	1,309,957	1,201,627	1,094,884
Total loans approved	($m)	8,845.2	7,018.0	6,189.6	5,872.6	6,077.8
Number of loans approved		81,853	73,236	66,227	65,498	72,063
Liquid assets and cash equivalents	($m)	5,256.4	2,578.1	2,334.1	2,057.7	1,535.3
Total assets	($m)	48,022.9	17,001.6	15,196.1	13,858.6	11,284.5
Liquid assets & cash equiv as proportion of total assets	(%)	10.95	15.16	15.36	14.85	13.61
Number of branches (1)		404	357	335	302	276
Average deposit holdings per branch	($m)	37.1	32.6	32.2	30.7	30.0
Number of staff (excluding Community Banks)	(FTE)	3,478 (2)	2,428	2,343	2,214 (3)	2,063
Assets per staff member (4)	($m)	13.808	7.002	6.486	5.990	5.470
Staff per million dollars of assets (4)		0.07	0.14	0.15	0.17	0.18
Dissection of Loans by Security (5)	($'000)					
Residential loans		29,964.9	10,193.3	9,233.0	8,588.0	7,078.4
Commercial loans		5,722.8	2,905.0	2,561.9	2,207.2	1,766.0
Margin lending		3,774.0	90.5	-	-	-
Unsecured loans		737.9	472.4	413.1	488.3	490.6
Other		193.2	182.9	228.6	164.4	91.6
Gross loans		40,392.8	13,844.1	12,436.6	11,447.9	9,426.6
Dissection of Loans by Security (5)	(%)					
Residential loans		74.18	73.63	74.24	75.02	75.09
Commercial loans		14.17	20.98	20.60	19.28	18.73
Margin lending		9.34	0.65	-	-	-
Unsecured loans		1.83	3.41	3.32	4.27	5.20
Other		0.48	1.33	1.84	1.43	0.98
Total		100.00	100.00	100.00	100.00	100.00
Asset Quality						
Impaired loans	($m)	43.2	18.2	14.9	16.7	12.9
Specific provisions	($m)	(21.6)	(8.4)	(9.0)	(8.6)	(8.0)
Net impaired loans	($m)	21.6	9.8	5.9	8.1	4.9
Net impaired loans % of gross loans	(%)	0.05	0.07	0.05	0.07	0.05
Specific provision for impairment	($m)	22.1	8.4	9.1	8.6	8.1
Specific provision % of gross loans less unearned income	(%)	0.06	0.06	0.07	0.08	0.09
Collective provision	($m)	36.8	11.4	8.8	-	-
General reserve for credit losses (general provision)	($m)	76.2	45.3	40.6	60.3	53.4
Collective provision (net of tax effect) & GRCL (general provn) as a % of risk-weighted assets	(%)	0.51	0.55	0.55	0.55	0.55
Loan write-offs as % of average total assets	(%)	0.03	0.04	0.04	0.06	0.07

1 *Includes Community Bank branches.*
2 *Includes staff increases from the merger with Adelaide Bank.*
3 *Includes staff increases from the acquisition of Oxford Funding Pty Ltd.*
4 *These ratios do not take into account off-balance sheet assets under management, which totalled $2.5 billion at 30 June 2008 (2007: $2.3 billion).*
5 *For the purposes of this dissection, overdrafts and personal loans secured by residential and commercial property mortgages are included in residential and commercial loan categories respectively.*

Comparatives for financial year 2004 are not prepared under AIFRS. The main adjustments that would make the figures comply with AIFRS are:

Profit -	goodwill and trustee licence are not amortised under AIFRS. movements in general provision for doubtful debts (general reserve for credit losses) reflect as appropriations of profit under AIFRS rather than expense under AGAAP. loan application fees and loan origination fees are recognised on an effective interest rate basis (deferred and amortised) and are disclosed as net interest income under AIFRS.
Balance sheet -	general provision for doubtful debts now disclosed as general reserve for credit losses in equity. establishment of new collective provision for doubtful debts under AIFRS. This provision is treated as a general provision for prudential purposes. specific provisions for doubtful debts are assessed on the basis of discounted estimated future cash flows under AIFRS. Future cash flows were not discounted under AGAAP. loans to employees in relation to employee share ownership plan disclosed as reduction of equity under AIFRS. assets and liabilities of securitisation trusts are consolidated under AIFRS. share investments are carried at fair value under AIFRS. derivative financial instruments are carried at fair value under AIFRS. computer software assets have been reclassified from property, plant & equipment to intangible assets under AIFRS. deferred tax assets and liabilities have been recognised in relation to asset revaluation reserves under AIFRS.

Please note that only Key Trading Indicators based on asset values are impacted by AIFRS.

DIRECTORS' REPORT

Your Board of Directors has pleasure in presenting the 144th Financial Report of Bendigo and Adelaide Bank Limited and its controlled entities for the year ended 30 June 2008.

DIRECTORS

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Current
Robert Johanson (Chairman)
Rob Hunt (Managing Director)
Kevin Osborn (Deputy Chairman) [1]
Kevin Abrahamson [1]
Jenny Dawson
Jamie McPhee [1]
Terry O'Dwyer
Deborah Radford
Kevin Roache
Tony Robinson

Former
Neal Axelby [2]
Roger Cook [1] [3]
Don Erskine [2]
Dr Adele Lloyd [1] [4]

[1] *Appointed on 30 November 2007*
[2] *Resigned on 30 November 2007*
[3] *Resigned on 17 December 2007*
[4] *Resigned on 23 June 2008*

Particulars of the skills, experience, expertise and responsibilities of the Directors at the date of this report are set out in the Corporate Governance section of this Report.

Share Issues

The following share classes were issued during the financial year:

	No. of shares
Ordinary shares	
Ordinary shares issued under the Share Purchase Plan	9,333,865
Ordinary shares issued under the Dividend Reinvestment Plan	2,879,447
Ordinary shares issued in lieu of dividends under the Bonus Share Scheme	362,500
Ordinary shares issued under the Employee Share Plan	226,790
Ordinary shares issued as consideration for the acquisition of Adelaide Bank Limited	117,687,891
Total ordinary shares issued	**130,490,493**

Share Options and Rights

Unissued Shares:

As at the date of this report, there were 1,034,849 unissued ordinary shares under options and 294,427 rights to unissued ordinary shares. Refer to notes 38 and 40 of the financial statements for further details of the rights and options outstanding. The Board may decide how to treat the Participant's Options or Performance Rights to make sure the Participant is neither advantaged nor disadvantaged as a result of any share issues or reconstructions.

Shares issued as a result of the exercise of options:

During the financial year, 9,462 performance rights vested (and automatically exercised) to acquire 9,462 ordinary shares in the Company at a nil exercise price. Also during the year 33,251 options to acquire ordinary shares in the Company vested. These options had not been exercised as at the date of this report.

Ordinary Share Dividends Paid or Recommended

Dividends paid:	
Final dividend 2007 of 34.0¢ per share, paid September 2007	$46.8 million
Interim dividend 2008 of 28.0¢ per share, paid March 2008	$71.7 million
Dividend recommended:	
Final dividend 2008 of 37.0¢ per share, declared by the directors on 11 August 2008, payable 30 September 2008	$99.4 million
All dividends were fully franked	
Shareholders electing to receive dividends in the form of shares received the following ordinary shares, paid in full:	
September 2007	854,591
March 2008	2,024,856
In addition, shareholders electing to receive bonus shares in lieu of dividends received the following ordinary shares, paid in full:	
September 2007	149,813
March 2008	212,687

Preference Share Dividends Paid or Recommended

Dividends paid:	
142.66 cents per share, paid 17 September 2007 (2007: 131.68 cents)	$1.3 million
147.76 cents per share, paid 17 December 2007 (2007: 134.64 cents)	$1.3 million
154.28 cents per share, paid 17 March 2008 (2007: 136.36 cents)	$1.4 million
162.85 cents per share, paid 16 June 2008 (2007: 138.89 cents)	$1.5 million
Dividend announced:	
A dividend of 161.60¢ per security for the period 16 June 2008 to 14 September 2008 (inclusive), announced on 8 August 2008, payable 15 September 2008	$1.5 million
All dividends were fully franked	

Step-up Preference Share Dividends Paid or Recommended

Dividend paid:	
152.00 cents per share, paid 10 January 2008 (2007: nil)	$1.5 million
155.00 cents per share, paid 10 April 2008 (2007: nil)	$1.6 million
Dividend announced:	
A dividend of 168.0¢ per security for the period 10 April 2008 to 9 July 2008 (inclusive), announced on 16 June 2008, payable 10 July 2008	$1.7 million
All dividends were fully franked	

Operating and Financial Review

Principal Activities

The principal activities of the Company and its controlled entities during the financial year were the provision of a range of banking and other financial services, including retail banking, wholesale mortgages, business banking, margin lending and commercial finance, funds management, treasury and foreign exchange services (including trade finance), superannuation, financial advisory and trustee services. There was no significant change in the nature of the activities of the economic entity during the year except those new activities introduced or expanded following the merger with Adelaide Bank on 30 November 2007.

Consolidated Result

The consolidated profit after providing for income tax of the economic entity amounted to $170.5 million (2007 - $121.7 million).

Review of Operations and Operating Results

An operational and financial review, including information on the operations, financial position and business strategies and prospects of the economic entity is set out in the Report by Chairman and Managing Director. Certain information in respect to business strategies and prospects has not been disclosed where the disclosure is likely to result in unreasonable prejudice to the Company or its controlled entities.

Significant Changes in the State of Affairs

The following significant change in the state of affairs of the chief entity occurred during the financial year:

In September 2007, 854,591 shares were allotted at an issue price of $14.87 to those shareholders participating in the Dividend Reinvestment Plan, increasing share capital by $12.7 million.

In November 2007, 117,687,891 shares were allotted at an issue price of $16.80 to the ordinary shareholders of Adelaide Bank to acquire the issued ordinary capital of Adelaide Bank, increasing ordinary share capital by $1,977.2 million.

In November 2007, 1,000,000 step-up preference shares (fully paid) were allotted at an issue price of $100.00 to the holders of Adelaide Bank step-up preference shares as part of the merger with Adelaide Bank, increasing share capital by $100.0 million.

In January 2008, 226,790 ordinary shares were allotted to Community Bank companies employees at an issue price of $13.40 under the Employee Share Plan, increasing ordinary share capital by $3.0 million.

In March 2008, 2,024,856 shares were allotted at an issue price of $9.60 to those shareholders participating in the Dividend Reinvestment Plan, increasing share capital by $19.4 million.

In May 2008, 9,333,865 shares were allotted at an issue price of $9.60 to shareholders under the share purchase plan, increasing share capital by $89.6 million.

During the financial year, share issue costs of $0.8 million were incurred, reducing share capital.

On 31 March 2008 the parent entity, Bendigo Bank Limited, changed its name to Bendigo and Adelaide Bank Limited as approved by shareholders in January 2008.

In the opinion of the directors, there were no other significant changes in the state of affairs of the economic entity that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Significant After Balance Date Events

On 11 August 2008 the Bank declared a final dividend for ordinary shares, on 8 August 2008 announced a dividend for preference shares and on 16 June 2008 announced a dividend for Step up preference shares, details of which are shown above.

Except as referred to in the Report by Chairman and Managing Director, above, or dealt with elsewhere in the consolidated financial report, there were no matters or circumstances which arose since the end of the financial year to the date of this report which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years.

Likely Developments and Results

Disclosure of information relating to major developments in the operations of the Group and the expected results of those operations in future financial years, which, in the opinion of the directors, will not unreasonably prejudice the interests of the Group, is contained in the Report by Chairman and Managing Director accompanying this Full Financial Report.

REMUNERATION REPORT (AUDITED) FY2008

The Directors of the Company present the Remuneration Report prepared in accordance with section 300A of the Corporations Act for the Company and the consolidated entity ("Group") for the year ended 30 June 2008. The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act. This Remuneration Report forms part of the Directors' Report.

This report describes the remuneration arrangements established by the Company for our Non-Executive Directors and Senior Executives as well as the equity participation arrangements for our general staff.

The Company has maintained a branded retail banking strategy for many years focussing on our customers, the communities and partners we work with and building sustainable shareholder value. The realisation of the value from this strategy will only be delivered by successful staff that are capable, committed and motivated to deliver the business strategy.

Each year we make a significant investment in recruiting, training and developing our staff. To attract and retain skilled and committed staff we must pay competitively and, more importantly, have a work environment where our staff know they are valued and respected. It is through arrangements such as the staff incentive plans, staff bonus pool, staff benefits and flexible working arrangements that we can achieve this objective.

The merger of Adelaide Bank was also implemented during the 2008 fiscal year. The remuneration strategy of the Company is being progressively implemented across the Non-Executive Directors, Senior Executives and general staff from Adelaide Bank as part of the merger integration process. The Board will continue to monitor the appropriateness of its remuneration framework and at this time considers the arrangements described in this report as appropriate for its circumstances.

REMUNERATION SNAPSHOT

Table 1 - Senior Executive remuneration snapshot

SENIOR EXECUTIVES

Throughout this Remuneration Report, we use the term **Senior Executives** to refer to:

- the 5 most highly remunerated Company/Group executives; and
- all other Executives who fall within the definition of key management personnel of the Group (being those persons with authority and responsibility for planning, directing and controlling the activities of the Group) (**KMP**) including the Managing Director (Mr Rob Hunt) and Executive Director (Mr Jamie McPhee).

Current	
Rob Hunt	Managing Director & Chief Executive Officer
Jamie McPhee [1]	Executive Director & Chief Executive Wholesale Bank
Mike Hirst [2]	Chief Executive Retail Bank (previously Chief Operating Officer)
Marnie Baker [2]	Chief General Manager Solutions and Product (previously CGM Solutions)
Anthony Baum [1,3]	Chief General Manager Wealth & Partner Advised
Richard Fennell [1]	Chief General Manager Strategy
Greg Gillett [2]	Chief General Manager Brand Development & Positioning (previously CGM Strategy and Human Resources)
David Hughes [1]	Chief Financial Officer
Russell Jenkins [2]	Chief General Manager Retail (previously CGM Retail & Distribution)
Craig Langford [2]	Chief General Manager People & Corporate Services (previously Chief Financial Officer)
Tim Piper [1,4]	Chief General Manager Chief Risk Officer
Philip Riquier [1]	Chief General Manager Business Partners
Andrew Watts	Chief Information Officer (appointed 27 August 2007)
	[1] *Former Adelaide Bank Ltd executive appointed to position on 30 November 2007* [2] *Appointed to new positions on 30 November 2007* [3] *Appointed to new position on 25 August 2008 (previously was Chief General Manager Wealth)* [4] *Appointed to new position on 25 August 2008 (previously was Chief General Manager Wholesale Mortgages)*
Former	
Richard Hasseldine	Chief General Manager Group Delivery (ceased Senior Executive role on 30 November 2007)
Vicky Kelly	Chief Information Officer (ceased Senior Executive role on 27 August 2007 and ceased employment on 31 January 2008)

ISSUE	SUMMARY	DISCUSSION IN REPORT
Key changes for 2008	The new senior management structure for the Group was announced on 30 November 2007 to coincide with the implementation of the merger of Adelaide Bank. The terms and conditions for each senior manager role were formalised in new employment agreements following the merger. The Company's remuneration structure was otherwise unchanged for the year.	
Remuneration Strategy	To attract, retain and motivate Senior Executives to manage and lead the business successfully including driving organisational growth and performance in line with the Company's strategy and business objectives.	Page 42
i. Fixed Remuneration	Fixed remuneration is set taking into account market relativities and having regard to the Senior Executive's direct accountability and responsibility for operational management, strategic direction, decision making and their demonstrated leadership.	Page 44
ii. Short-term incentive	Senior Executive remuneration arrangements include an annual (cash) incentive component. Payment of the annual at-risk component is dependent on (in the first instance) the achievement of targeted financial performance and then (at the discretion of the Board and Managing Director) the achievement of position objectives set at the start of the year and the level of performance achieved by the Senior Executive in discharging their role.	Page 45
iii. Long-term incentive	Senior Executive remuneration arrangements include participation in the Executive Incentive Plan ("Plan") established in 2006. The Plan gives Senior Executives the opportunity to participate in grants of Performance Rights and Options to acquire shares in the Company subject to the achievement of performance conditions over a 3 year performance period set by the Board.	Page 47
Service Agreements	The remuneration and other terms of employment for Senior Executives are formalised in employment agreements. The employment agreements also deal with Senior Executive duties, conflicts of interest, confidentiality, termination rights, notice periods and entitlements upon termination.	Page 60
Remuneration paid	Details of Senior Executive remuneration for the 2008 financial year are presented at Table 7.	Page 52
Linking remuneration and company performance	The remuneration structure for Senior Executives is designed to provide the desired flexibility and reward structure to support the Company's short term performance targets and continued investment in its strategy and business objectives that have a medium to longer term maturity profile. Page 51 demonstrates the correlation between the Company's progress and financial performance and the short term incentive remuneration received by Senior Executive over the past 5 years. As mentioned above, the long term incentive plan has only been in place since 2006 and requires a 3 year performance period to be completed before any Performance Rights or Options may vest (subject to the achievement of performance conditions over the 3 year period). At the date of this report, no Performance Rights or Options have vested to current Senior Executives of the Group.	Page 51

Table 2 - Non-Executive Director remuneration snapshot

NON-EXECUTIVE DIRECTORS		
Current Robert Johanson (Chairman) Kevin G Osborn (Deputy Chairman) [1] Kevin Abrahamson [1] Jennifer Dawson Terry O'Dwyer Deborah Radford Kevin Roache Tony Robinson **Former** Neal Axelby [2] Roger Cook [1] [3] Donald Erskine [2] Dr Adele Lloyd [1] [4] [1] *Appointed on 30 November 2007* [2] *Resigned on 30 November 2007* [3] *Resigned on 17 December 2007* [4] *Resigned on 30 June 2008*		
ISSUE	**SUMMARY**	**DISCUSSION IN REPORT**
Remuneration strategy	To attract and retain appropriately qualified and experienced directors.	Page 61
Base Fee	Following the Board's annual Non-Executive Director fee review process in July 2008, the annual base fee increased effective from 1 July 2008. The chairman receives twice the annual base fee in recognition of the additional time commitment. The base fee is reviewed annually with reference to survey data and peer analysis. Non-Executive Directors do not receive additional fees for committee memberships. The Board may determine additional fees for subsidiary and joint venture appointments.	Pages 61 & 62
Not at risk	The focus of the Board is to build sustainable shareholder value by taking a longer-term strategic perspective. Non-Executive Director fees are not linked to the short-term results of the Company. Non-Executive Director remuneration comprises a fixed annual fee plus superannuation contributions[1]. Non-Executive Directors do not receive bonuses or incentive payments or participate in the Company's employee equity plans.	Page 61
Alignment with shareholders interests	A Non-Executive Director may enter into a salary-sacrifice arrangement under which the director may acquire shares rather than receiving cash. The Company will seek shareholder approval at the 2008 Annual General Meeting for a Non-Executive Director Fee Sacrifice Plan.	Page 62
Remuneration paid	Details of Non-Executive Director remuneration for the 2008 financial year are presented at Table 15.	Page 63

1 *Non-Executive Directors do not accrue separate retirement benefits in addition to superannuation contributions. The Company's former retirement benefit arrangement was crystallised as at 31 August 2005 and all accrued entitlements at that date have since been paid out by the Company.*

SENIOR EXECUTIVE REMUNERATION

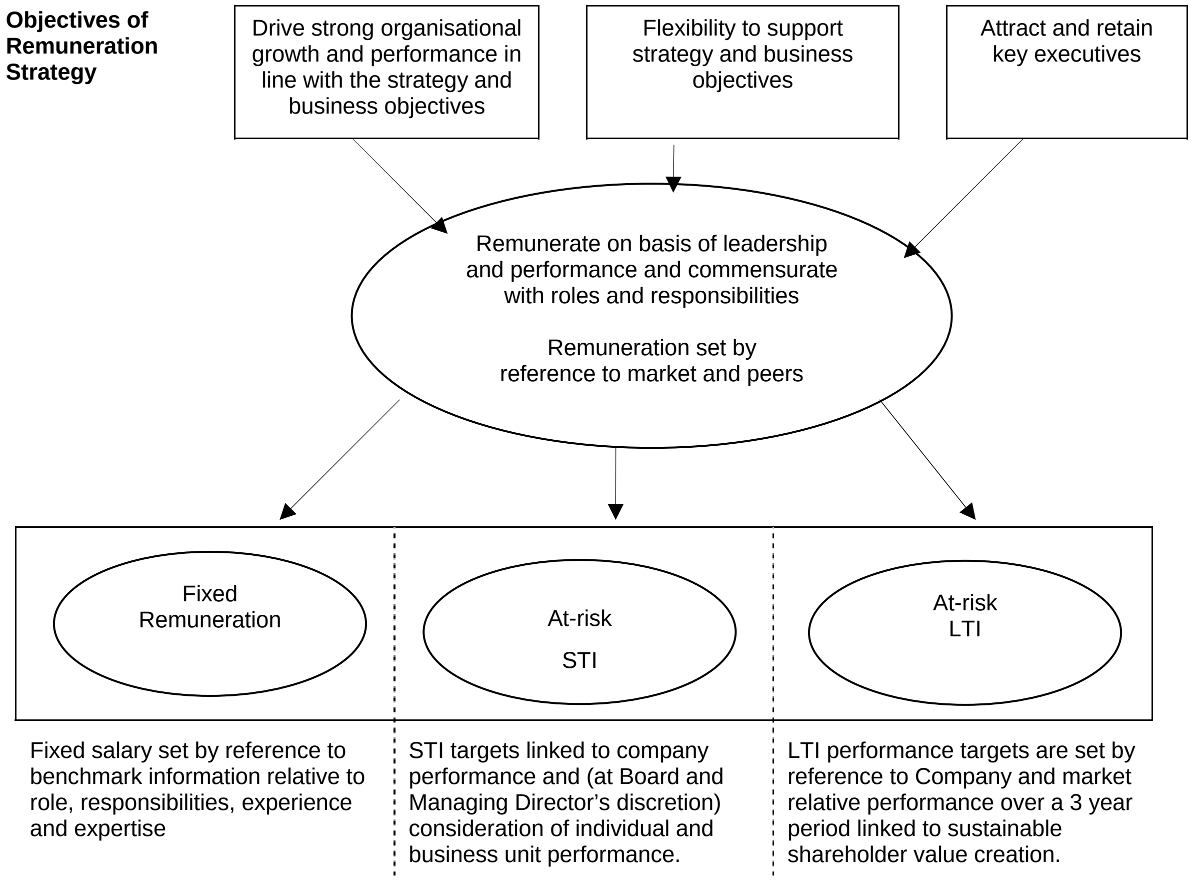
Board policy on Senior Executive remuneration

The Board's policy on Senior Executive remuneration is designed to attract, retain and motivate Senior Executives to manage and lead the business successfully including driving organisational growth and performance in line with the branded retail banking strategy and business objectives. More specifically, the remuneration policy aims to:

- motivate executive management to manage and lead the business successfully and to drive strong long-term organisational growth in line with the strategy and business objectives;
- drive successful organisational performance by incorporating an annual performance incentive and establish longer-term performance objectives;
- further drive longer-term organisational performance through an equity-based reward structure;
- make sure that there is transparency and fairness in executive remuneration policy and practices;
- deliver a balanced solution addressing all elements of total pay – base pay, incentive pay (cash and shares), and benefits;
- make sure appropriate superannuation arrangements are in place for Senior Executives; and
- contribute to appropriate attraction and retention strategies for Senior Executives.

The key aspects of the Company's remuneration strategy for Senior Executives (including all Senior Executives and the Company Secretary) are set out in the diagram and commentary below.

Summary of Senior Executive remuneration strategy



The Company has pursued a long term "branded retail banking strategy" focussed on the interests and prospects of its customers, communities and partners, and building sustainable shareholder value. The strategy has required a significantly different focus and direction to that typically taken by other organisations in the sector.

The strategy is supported by a strategically focussed investment program and commitment to our corporate and social responsibilities. The Company has undertaken a significant investment program to expand its customer base, product range and distribution capability through mergers and acquisitions, joint ventures, **community bank**® and alliance activities and investments into community enhancement initiatives. These investments have a medium to longer-term maturity profile with the objective of generating sustainable improvement in shareholder value.

Through its strategy the Company has built a brand that is well recognised, respected and sought after. With continued commitment to the strategy, the maturity of investments to date and further investment, the Company expects to continue to deliver to shareholders improved, and sustainable, growth in shareholder value.

The merger with Adelaide Bank during the year represents a further continuation of the strategy. While the merger is still in its early stages, combining two successful organisations with specialist skills in wholesale and relationship banking, wealth management and retail banking creates an opportunity to be Australia's leading customer connected banking group.

The Board and Managing Director have sought to maintain a remuneration framework that provides the desired flexibility and reward structure to support this strategy whilst recognising the need to provide remuneration arrangements which are aligned with shareholder interests and commensurate with Senior Executive roles, responsibilities and market relativities.

This has been reflected in the Company's short and long term incentive remuneration arrangements for Senior Executives. The arrangements have been designed to balance the reward for annual performance and provide sufficient flexibility to allow rewards to be tailored to recognise the development of business opportunities that present themselves during a year or investments that stretch across more than one reporting period.

Specific Arrangements for the Managing Director

As announced on 9 August 2007, Mr Rob Hunt will continue to head the merged organisation as Managing Director until 1 July 2009 and will lead the merger implementation and integration process until this date. The Board has restructured the Managing Director's long term incentive arrangement. The Board is not proposing further grants to the Managing Director under the Executive Incentive Plan having regard to the Plan's three year performance period and the Managing Director's remaining term with the Company.

The implementation and integration process will be critical in realising the value of the synergies and business opportunities from the merger. Accordingly the Board has decided that it will restructure the Managing Director's long term incentive component for 2009 as a cash incentive that focuses on the following areas:

1. Integration of the Adelaide Bank businesses;
2. Realisation of synergies and business opportunities from the merger; and
3. Continued development of the Adelaide Bank businesses.

The amount of the above cash incentive will equate to the value of the previous LTI component (being approximately 30% of the Managing Director's annual remuneration package).

COMPONENTS OF REMUNERATION

The remuneration for Senior Executives has the following components:

a. Fixed Remuneration (including any salary sacrifice arrangements and company superannuation);

b. Performance Based "at-risk" Remuneration comprising:

- Short-term Incentive Component – cash payment based on annual company performance and takes into consideration performance at a business unit and individual level.
- Long-Term Incentive Component – annual grants of Performance Rights and Options that are subject to achievement of company and market relative performance hurdles over a 3 year performance period.

It is the objective of the Board, and Managing Director, to achieve a balance between fixed remuneration and incentive components that take into account market relativities and aligns Senior Executive remuneration with shareholder interests. The incentive arrangements in place during the year were designed to reward the achievement of annual financial goals, individual performance criteria and to drive continued improvement in sustainable shareholder value.

c. Remuneration amounts and disclosures

The remuneration details for Mr K Abrahamson, Mr R Cook, Dr A Lloyd and Mr K Osborn disclosed at Table 15 represents the remuneration paid by the Company to these directors for the period 30 November 2007 (merger date) to 30 June 2008 or their date of retirement from the board (as applicable). A new leadership team for the merged group, including Senior Executives, was announced on 30 November 2007. The short term employee benefit details for former Adelaide Bank executives appointed to Senior Executive positions (identified at Table 1) also only relates to the period 30 November 2007 to 30 June 2008. The remuneration component percentages for the same Senior Executives presented in this report (including Table 3) are however based on annualised remuneration arrangements.

The relative proportions of Senior Executives' 2008 remuneration that were ''at-risk'' (including the relative proportion that is performance-based) are set out in Table 3 below:

Table 3 - Proportion of fixed and at-risk remuneration

	% of Total Aggregate Remuneration (annualised) *		
	Fixed Remuneration	**'At risk' – performance-based**	
	FAR	**STI****	**LTI****
Managing Director/CEO	46%	29%	25%
Executive Director	42%	29%	29%
Other Senior Executives	Between 52% and 60%	Between 20% and 25%	Between 19% and 24%

* Aggregate Remuneration is comprised of fixed annual reward (including base salary, superannuation and allowances), STI at-risk available for the F'08 year and the remuneration value of LTI grants for the F'08 year.

** These amounts are subject to 'target' performance levels being achieved. For the Managing Director, the LTI component for the 2009 year has been replaced by a cash incentive linked to merger integration goals set by the Board.

(a) Fixed remuneration

The terms of employment for all Senior Executives contain a fixed remuneration component expressed as a dollar amount. The fixed remuneration package is inclusive of a base salary and company superannuation.

The base salary includes any salary sacrifice or deductions from salary resulting from participation in benefit programs available to Senior Executives. This amount of remuneration is not 'at risk' but is set by reference to appropriate benchmark information for an individual's role, responsibilities, experience and expertise.

It is intended that Senior Executive base salaries take into account market relativities having regard to the need for the Company to attract, motivate and retain the appropriate executive management. The base salary is a specified amount and Senior Executives are given the opportunity to receive their base salary in a variety of forms including cash and non-cash (salary sacrifice) benefits such as motor vehicle, superannuation contributions and expense payment arrangements. Senior Executives are able to structure their salary sacrifice arrangements so that the payments are optimal for the recipient, provided they are made available at the same economic cost (including applicable fringe benefits tax) to the Company.

In setting the fixed remuneration arrangements for the Managing Director, the Board surveys the range of comparable remuneration arrangements in the market, particularly in the banking and finance sector, to ensure that the remuneration arrangements take into account market relativities and the particular experience, expertise and strategic direction that the Managing Director brings to the role. The Board's assessment has regard to changes in the size, nature and complexity of the Group's business activities and relevant industry developments which impact the Managing Director's role and responsibilities. The Board also considered independent advice from a remuneration consultant in setting the Managing Director's 2009 remuneration arrangements.

In setting the fixed remuneration arrangements for other Senior Executives, the Managing Director takes into account general market and peer information, relative to the particular role and responsibilities of the Senior Executive.

(b) Performance-based 'at risk' remuneration

Short Term Incentive (STI)

Table 4 - Summary of STI

What is the STI?	The Senior Executive remuneration packages include an annual cash incentive component which rewards both annual financial goals and Senior Executive contributions to longer term growth and performance. Payment of any part of the incentive component is at the discretion of the Board in respect of the Managing Director and at the discretion of the Managing Director for other Senior Executives. The maximum amount of the cash incentive is set by the Board for the Managing Director, taking into account market data, and for the 2009 year, independent remuneration advice. The Managing Director sets the maximum cash incentive for other Senior Executives, taking into account market data and the Senior Executive's particular role and responsibilities.
Who participates in the STI?	All members of the Group's leadership team, including Senior Executives, as decided by the Board and Managing Director.
Why does the Board consider the STI an appropriate incentive?	The objective of the incentive component is to link the annual financial performance of the Group, and the achievement of individual business priorities which enhance the future prospects of the Company with the remuneration received by Senior Executives. The total potential annual cash incentive is set for each Senior Executive with operational responsibilities at a level which provides an appropriate incentive to achieve the business and financial targets and at a cost that is reasonable to the Company in its circumstances.
Are both target and stretch performance conditions imposed?	The STI is based on target performance conditions. Payment of the STI for Senior Executives and other participants (other than the Managing Director whose arrangements are described below) is at the discretion of the Managing Director and is based, in the first instance, on the achievement of the Company's target financial performance for the year. If the targeted financial performance is not achieved, the Managing Director will take into consideration the Senior Executive's business unit performance and individual performance in determining the amount of any STI payment. In addition, Senior Executives may also participate in the bonus pool that is allocated amongst Group employees. Senior Executives only participate in the bonus pool if Company performance exceeds the Board approved targeted cash EPS performance. The amount of any payment from the bonus pool to Senior Executives is also at the discretion of the Managing Director.
What are the performance conditions and why were these conditions chosen?	***Managing Director*** The Managing Director's annual cash incentive component for the year ended 30 June 2008 was based upon a mix of quantitative and qualitative performance measures and was set at a maximum of $726,000. The quantitative element focused on the Group achieving its targeted cash EPS performance with a maximum of $484,000 payable. The qualitative performance measures in respect of the balance of the annual cash incentive focused on the continued progress of the Group strategic priorities including: • Growth at profitable prices, revenue diversity and customer relationship objectives; • Brand positioning objectives; • Customer, product, distribution, community engagement and IT capability objectives; and • Other internal and organisational priorities. ***Other Senior Executives*** The amount of the annual incentive component paid to Senior Executives and other participants is primarily contingent upon the Group achieving its targeted cash EPS performance set by the Board. The amounts are determined following the year-end profit announcement. At the discretion of the Managing Director, payment of the annual incentive component may also take into account the Senior Executive's technical competence, leadership, operational management performance and achievement of relevant business outcomes for the year. The Board selected the cash EPS measure for the Managing Director as it represents a publicly available performance measure that appropriately reflects the short-term interests of shareholders. The Company's cash EPS ratio ensures that an appropriate focus is placed upon both profit performance and effective application of shareholder capital. The Managing Director selected the same measure for the other Senior Executives for the same reasons. The above qualitative and quantitative performance measures were selected by the Board and Managing Director (respectively) to reflect a balance between measures which provide an annual profit-based incentive and measures which provide incentive to generate further sustainable shareholder value during the short to medium term.

How are the performance conditions measured and who assesses the performance?	The achievement of the quantitative cash EPS performance condition for the Managing Director and other Senior Executives is measured on the basis of the Company's reported (audited) cash EPS ratio. The performance of the Managing Director is assessed by the non-executive directors on an annual basis. The Chairman and Non-Executive Directors conduct the assessment of the Managing Director's performance, taking into account the qualitative measures set by the Board, after the Group's year-end profit result announcement, at which time the Board determines the amount of the incentive payment based upon the achievement of the agreed performance measures. The Board also determines at the same time the following year's fixed remuneration and incentive arrangements including performance criteria. The Managing Director reviews and determines the annual STI payment for Senior Executives after the Group's year-end profit result announcement based on the reported cash EPS result and his assessment of the achievement of Senior Executive qualitative performance measures.
How well were the performance conditions met in the 2008 financial year?	The Company reported the following key achievements for the 2008 financial year: The Group recorded a cash profit of $201.9 million (including a 7 month contribution from Adelaide Bank) representing a 70.4% increase on the previous year. The cash basis earnings per ordinary share increased to 93.7 cents representing an increase of 13% on the 2007 cash EPS ratio. The Company declared a final dividend of 37 cents per share (fully franked) taking the full year dividend paid for the year to 65 cents. This represents an increase of 12.1% on the previous year. Strong contributions from all major business divisions were recorded during the year. The Group increased its retail funding with more than 75% of all on-balance sheet funding coming from this source at year end. Branch openings included four new company owned sites, 18 Community Bank® branches and the addition of 25 branches through the merger of Adelaide Bank. Customer numbers grew by a further 70,000 during the year. Information on the percentage of the STI that was paid and the percentage that was forfeited for the Senior Executives are presented in Table 8 on page 55.

Long Term Incentive

Table 5 - Summary of LTI (includes LTI grants, employee share plans & policies affecting shareholdings)

The Company established an Executive Incentive Plan (the "Plan") in 2006. Shareholder approval for grants under the Plan was obtained at the 2006 Annual General Meeting. The Board considers it important that Senior Executives have ongoing share ownership in the Company.

The Plan provides for grants of Options and Performance Rights ("Instruments") to Senior Executives, including the Managing Director and Executive Director. Under the Plan, Senior Executives are granted Options and Performance Rights subject to performance conditions set by the Board. If the performance conditions are not satisfied during the relevant performance period, the Options and Performance Rights will lapse and the Senior Executives will derive no value from the grants.

For the Managing Director, the LTI component for the 2009 year will be replaced by a cash incentive linked to merger integration goals set and assessed by the Board.

What is the purpose of the LTI?	The plan is designed to link Senior Executive reward with key performance measures that underpin sustainable growth in shareholder value including both share price and returns to shareholders.
Who participates in the LTI?	All members of the Group's leadership team as decided by the Board. Grants under the plan are made on an annual basis having regard to the Managing Director's and each Senior Executive's annual remuneration.
What proportion of total remuneration does the LTI represent?	In the case of the Managing Director and Executive Director, the fair value of grants made under the plan target approximately 30% of their total annual remuneration at the time the grant is made. In the case of other Senior Executives, the grants under the LTI are structured to equate to between 19% and 24% of their total annual remuneration.
How is reward delivered under the LTI?	Each Option and Performance Right represents an entitlement to one ordinary share in the Company. Accordingly, the maximum number of shares that may be acquired by the Senior Executives is equal to the number of Options and Performance Rights issued (subject to the achievement of performance hurdles over a 3 year performance period).
Do participants pay for the Performance Rights & Options?	Options and Performance Rights are granted at no cost to the Senior Executives. The plan rules provide that the Board may determine that a price is payable upon exercise of an Option or exercisable Performance Right. Generally the exercise price for Options will be the market price of the shares at the grant date, and no exercise price will apply to exercisable Performance Rights.
What rights are attached to the Performance Rights & Options?	Senior Executives are entitled to vote and to receive any dividend, bonus issue, return of capital or other distribution made in respect of shares they are allocated on vesting and exercise of their Performance Rights and Options, as applicable. The grants are subject to a dealing restriction. Senior Executives are not entitled to sell, transfer or otherwise deal with the shares allocated to them until 2 years after the end of the initial performance period. The plan rules also contain a restriction on removing the "at-risk" element of the instruments. Plan participants may not enter into any transaction designed to remove the "at-risk" element of an instrument before it vests (Refer to section "Policies Affecting Shareholdings" and subheading "Hedging restrictions").
What are the performance hurdles?	The performance condition for Options granted under the plan is based on the Company's total shareholder return ("TSR"). The performance condition for Performance Rights granted under the plan is based on the Company's compound growth in cash basis earnings per share ("EPS"). Both are measured over a 3 year initial performance period.
How is EPS measured?	Cash basis EPS will be calculated as the reportable earnings which reflect the underlying operating performance of the business, as approved by the Board. For the purpose of the grants under the Plan, the EPS performance condition involves a comparison between the cash basis EPS for the last financial year of the performance period against the cash basis EPS for the first financial year of the three year performance period.
Why does the Company think the EPS hurdle is appropriate?	The EPS based hurdle is a fundamental indicator of financial performance, both internally and externally and links directly to the Company's long-term objective of growing earnings. For Performance Rights granted to date under the Plan, the Board has maintained a three year 10% EPS performance hurdle for Performance Right grants. The Board has set a 5% EPS performance hurdle for the 2009 Performance Right grant. The performance hurdle is consistent with the Board's view on the longer term sustainable EPS performance of the sector taking into account the impacts of the global credit crisis, equity market volatility and economic outlooks. Whilst the banking sector has enjoyed buoyant market conditions over a number of years, market conditions have become much tougher and are expected to get even more competitive going forward. The consistent achievement of the EPS hurdle will be extremely challenging taking into account the current market environment, the stage of the credit cycle and intense level of competition across the sector.
How is TSR measured?	TSR measures changes in the market value of the Company's shares over the performance period and the value of dividends on the shares during that period (dividends are treated as if they were re-invested).

<table>
<tr><td>Why does the Company think the TSR hurdle is appropriate?</td><td>The use of a TSR based hurdle ensures an alignment between comparative shareholder return and reward for the Senior Executives and provides a relative, external market performance measure, having regard to the TSR performance of other companies in a comparator group. For the purpose of the grants under the Plan, the comparator group consists of ASX 200 companies (excluding property trusts and resources).</td></tr>
<tr><td>What are the Plan's vesting terms – Performance Rights?</td><td>Performance Rights granted to date under the Plan will vest as set out below. At the end of the relevant performance period, the growth in the Company's cash basis EPS must equal or exceed 10% per annum, calculated on a compound basis.
<table>
<tr><td>Company's compound growth in EPS</td><td>Percentage of Performance Rights that vest</td></tr>
<tr><td>EPS growth less than 10%</td><td>Nil</td></tr>
<tr><td>EPS growth at or above 10%</td><td>100%</td></tr>
</table>
The Board has discretion to increase or decrease by 20% the number of Performance Rights provided under the Plan based on an assessment of whether cash basis EPS growth was due to factors controllable by the Company or external factors.</td></tr>
<tr><td>What are the Plan's vesting terms – Options?</td><td>Options granted to date under the Plan will vest in accordance with the following table.
<table>
<tr><td>Company's TSR ranking against TSR of Peer Group</td><td>Percentage of Options that vest</td></tr>
<tr><td>TSR below 50th percentile</td><td>Nil</td></tr>
<tr><td>TSR at the 50th percentile</td><td>50%</td></tr>
<tr><td>TSR between 51st and 74th percentile</td><td>An additional 2% of Options will vest for every percentage increase.</td></tr>
<tr><td>TSR at or above 75th percentile</td><td>100%</td></tr>
</table></td></tr>
<tr><td>Does the Plan provide for retesting?</td><td>To the extent that the performance conditions attaching to Options and Performance Rights granted under the Plan are not satisfied at the end of the initial performance period, the Options and Performance Rights that do not vest, will be carried forward and retested as described below.
Options will be retested after a further 6 months and, if still not satisfied, they may be retested one final time after another 6 months. Performance Rights will be retested only once, after 12 months.
Any Options or Performance Rights that have not vested at the end of the additional 12 month period will lapse.
The Board believes that retesting in these limited circumstances is appropriate because it ensures that Senior Executives are not disadvantaged by one year of average performance over a longer-term period of strong performance.</td></tr>
<tr><td>What if a Senior Executive ceases employment?</td><td>If a Senior Executive ends their employment with the Company before the performance conditions for the Options or Performance Rights have been met, the Options and Performance Rights that have not yet vested will lapse. However, if the Senior Executive's employment ends because of death, disability, redundancy, or any other reason approved by the Board for this purpose, the Board may, in its discretion decide that a number of Options and Performance Rights vest.</td></tr>
<tr><td>What if a Senior Executive breaches their duties?</td><td>If a Senior Executive were to act fraudulently, dishonestly or, in the Board's opinion, in breach of his or her legal duties, any unvested Options or Performance Rights will lapse.</td></tr>
<tr><td>What happens in the event of a change in control?</td><td>If there is a takeover or change of control of the Company, the Board may, in its discretion decide that unvested Options or Performance Rights vest, having regard to the Company's pro rata performance against the relevant performance conditions.</td></tr>
<tr><td>What about Performance Rights & Options that were tested in FY2008?</td><td>The plan's performance hurdles are tested over a three year period (except for the Tranche 1 grant to the Managing Director which had a 2 year performance period). The first offer to be tested will be in 2008 for the Managing Director's Tranche 1 grant made in November 2006. Satisfaction of the performance conditions attaching to these Performance Rights and Options will be tested after the release of the Company's full year result for 2008 but had not been tested at the date of this report.</td></tr>
</table>

Grants to Senior Executives

Shareholders at the 2006 annual general meeting approved the grant of instruments in three tranches to the Managing Director. The first grant, Tranches 1 and 2, was made to the Managing Director shortly after the 2006 annual general meeting. Tranche 3 was granted to the Managing Director in July 2007. For the reasons explained at page 43 there have been no further grants to the Managing Director.

The first offer to other Senior Executives to participate in the Plan was also made shortly after the 2006 Annual General Meeting ("2007 grant"). The offer was made to all executive committee members of the Company at the time of the offer. A second offer to the same Senior Executives was made in July 2007 ("2008 grant").

It is intended that a third grant to Senior Executives will be made in November 2008 ("2009 grant"). The grant will be made in accordance with the terms as described in Table 5.

Replacement Grant to Adelaide Bank Executives

Prior to the merger, senior executives of Adelaide Bank (including Mr McPhee) were granted Performance Rights under an Adelaide Bank employee incentive scheme. As a result of the merger, the executives lost the benefit of those rights. Under the merger terms, the Company committed to replace the grant of Performance Rights on terms which, taken as a whole, were economically equivalent to the terms of the Adelaide Bank offer.

Shareholders at the 2008 extraordinary general meeting approved the grant of replacement instruments to Executive Director, Mr Jamie McPhee, which was made shortly after the extraordinary meeting. The replacement offer was also made to new Senior Executives from Adelaide Bank at the same time.

For the replacement grant to satisfy the above mentioned "economically equivalent" requirement it was necessary to make a grant on different terms to some of those described in Table 5 above. A summary of the differences is set out below:

Table 6 - Summary of differences

<table>
<tr><td>Grant Instruments</td><td>The replacement offer comprised only Performance Rights. There were no grants of Options.</td></tr>
<tr><td>Performance Conditions</td><td>Half the Performance Rights are subject to an EPS condition and half the Performance Rights are subject to a TSR condition.</td></tr>
<tr><td>Comparator group for TSR performance hurdle</td><td>The TSR growth of companies in the S&P/ASX 200 Financials Index (excluding property trusts and resources and Bendigo and Adelaide Bank Limited).</td></tr>
<tr><td>Vesting terms – EPS Condition</td><td>The Performance Rights granted will vest as set out below. At the end of the performance period, the growth in the Company's cash basis EPS must equal or exceed 8% per annum, calculated on a compound basis.
<table>
<tr><td>Company's compound growth in EPS</td><td>Percentage of Performance Rights that vest</td></tr>
<tr><td>EPS growth less than 8%</td><td>0%</td></tr>
<tr><td>EPS growth at or above 8%</td><td>25%</td></tr>
<tr><td>EPS growth between 9% and 13%</td><td>An additional 12.5% of Performance Rights will vest for every 1% increase in EPS growth</td></tr>
<tr><td>EPS growth at or above 14%</td><td>100%</td></tr>
</table>
</td></tr>
</table>

Details of the instruments granted to all Senior Executives under the above grants are presented in the remuneration tables that accompany this report.

Policies Affecting Shareholdings

Hedging Restriction (LTI)

The Company's Executive Incentive Plan ("Plan") Rules prohibit hedging of unvested instruments. A Plan participant may not enter into a transaction designed to remove the "at-risk" element of an entitlement under the Plan before it vests. Plan participants may only enter into a transaction designed to remove the "at risk" element of an entitlement under the Plan ***after*** it vests and if the Board has not decided to restrict or prohibit the participant from doing this. If a Plan participant enters into such a transaction, they must tell the Company Secretary and provide any details requested.

At the end of each financial year, the Company requires formal confirmation from each participant in the Plan that this policy has been adhered to. The above restrictions are also contained in the Staff Trading Policy.

Margin Loan Facility Restriction

The Staff Trading Policy also prohibits designated officers, including Non-Executive Directors and Senior Executives, from using the Company's securities as collateral in any margin loan arrangements. The restriction was adopted by the Board on 28 April 2008.

Employee Share Plans: General Staff

The Company operated a limited recourse loan-based employee share plan for many years (from 1995 to 2006) with grants under the Plan being made every two to three years at the Board's discretion. A new loan limited recourse loan-based employee share plan was established in 2006 (as described below).

Adelaide Bank has operated a tax-exempt share allocation plan for many years with grants under the Plan made on an annual basis. As part of the process to align the employment arrangements of the two organisations, it is intended that the Company will establish a tax-exempt share allocation plan, similar to the tax-exempt plan operated by Adelaide Bank (as outlined below) as the main equity participation platform for the Group's full-time and permanent part-time employees.

It is intended that the loan-based plan established in 2006 (described below) will be retained to provide an opportunity for continued participation in share ownership of the Company by employees of joint venture and community bank companies and for discretionary grants to employees as determined by the Board.

a. Current Plan

The Company has established a loan-based limited recourse Employee Share Plan ("ESP"). Shareholder approval for grants under the ESP was obtained at the 2006 Annual General Meeting. The ESP is only available to general staff. Senior Executives (including the Managing Director) may not participate in it.

Under the terms of the ESP, shares are issued at the prevailing market value and must be paid for by the staff member. The Plan provides staff members with an interest-free loan for the sole purpose of acquiring Plan shares. Net cash dividends after personal income tax obligations are applied to reduce the loan balance. Staff cannot deal in the shares until the loan has been repaid. The primary benefit under the terms of the ESP is the financial benefit of the limited recourse interest-free loan.

The first issue to general staff under this ESP was completed in September 2006. An issue to employees of Community Bank® companies was also completed during the year. Shares issued under this ESP are valued and expensed in accordance with applicable accounting requirements.

b. Proposed Plans

The Board will seek shareholder approval at the 2008 Annual General Meeting for future issues of shares under a new tax-exempt Employee Share Grant Plan ("ESGP"). The ESGP will be open to all full-time and permanent part-time staff in the Group (excluding Directors and Senior Executives) and it is currently intended that grants under the ESGP would be made annually subject to Board discretion.

The Board will also seek shareholder approval for future issues of shares under a new Employee Salary Sacrifice and Deferred Share Plan ("DSP"). The DSP will provide a vehicle that will facilitate the purchase of shares on a salary-sacrifice basis and the making of additional discretionary grants as may be required from time to time in line with the Company's employee attraction and retention objective.

The Plans will provide additional flexibility to the Company's remuneration arrangements and establish a uniform and more cost effective approach to equity participation for Group employees. Full details of these plans will be disclosed in the 2008 Notice of Annual General Meeting.

c. Discontinued Plans

The Company has the following legacy employee share plans which are now closed. The plans will continue until all shares have been withdrawn and / or outstanding loans repaid as appropriate. Details of shares issued and loans outstanding to Senior Executives under these plans are disclosed in Notes 38 and 40 of the 2008 Financial Statements.

1. Bendigo and Adelaide Bank Limited Employee Share Ownership Plan
2. Adelaide Bank Deferred Employee Share Plan
3. Adelaide Bank Allocation Scheme
4. Adelaide Bank Loan Scheme

Company Performance

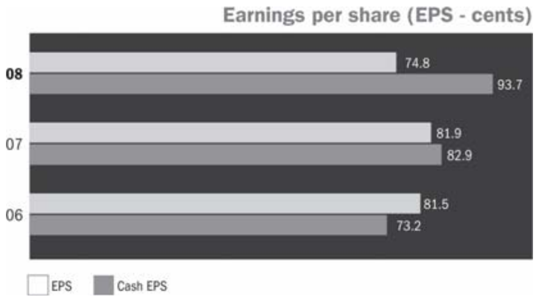
The following overview of the Company's development and performance is provided as background information to assist shareholders in their consideration of the Remuneration Report and particularly to explain the link between the Company's performance and Senior Executive remuneration.

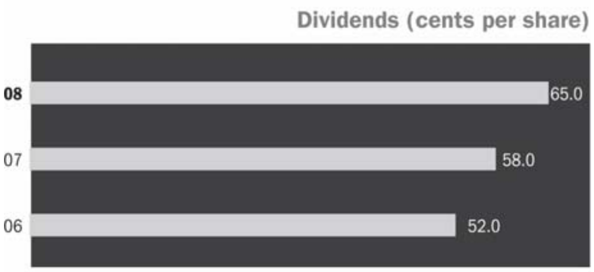
The Company is a nationally represented, diversified financial services enterprise which is in the top 100 companies on the Australian Securities Exchange. As described earlier, the Company has maintained a consistent strategy focussing on the interests and success of its customers, communities and partners. Through continued commitment to the strategy and the maturity of past and future investments the Company expects to continue to deliver to shareholders improved, and sustainable, growth in shareholder value.

The Company announced on 11 August 2008 an after-tax profit of $170.5 million. The result represents a 13% improvement in cash earnings per share. This result was achieved despite the challenges experienced by the banking sector due to global credit and equity market volatility and a slowing in economic activity.

The accompanying charts set out the Company's key financial performance measures for the financial year ended 30 June 2008, and the four previous financial years, to illustrate the consequences of the Company's performance on shareholder value and returns and the link to Senior Executive remuneration.

The following graphs demonstrate the recent progress in the Company's performance:





The Company has experienced consistent growth in after-tax cash earnings of approximately 29% per annum since 2003 resulting in:

- An increase of $2.76 (33.8%) in the Company's share price from $8.17 at 30 June 2003 to $10.93 at 30 June 2008. The share price decreased by $4.27 in 2008 (28%). During the same period the ASX S&P 200 Index decreased by 17% and the S&P/ASX 200 Financials Index decreased by 51%;
- Growth in cash EPS of 43.5 cents (87%) from 50.2 cents for 2003 to 93.7 cents for 2008. The cash EPS increased by 10.8 cents (13%) for 2008; and
- An increase in dividends of 31.5 cents per share (94%) from 33.5 cents per share for 2003 to 65.0 cents per share for 2008. The dividend increased by 7.0 cents per share (12%) for 2008.

Full details of the Company's recent performance are set out in the Chairman's and Managing Director's Review on pages 2 and 3 of this Annual Report.

Performance against key short-term metrics

The above graphs highlight the improvement over the past 5 years in respect of key performance indicators used by the Board to measure and compare year-on-year performance. The performance indicators include the cash EPS ratio that the Company uses as a performance condition for Senior Executive STI payments and LTI grants. The second key performance indicator used for the LTI is the Company's TSR performance.

The Company has achieved its targeted cash EPS performance for each of the past 5 years.

TSR performance

The Company's market relative TSR performance is one of the key performance conditions for the Company' LTI component. As the LTI was established in 2006 (and has a 3 year performance period) the amount of maximum LTI which has been awarded to participating Senior Executives based on performance against the key indicators has to date been nil.

REMUNERATION PAID *(Details of the remuneration paid to the Senior Executives are set out in Table 7 below)*

The remuneration details for the former Adelaide Bank executives[(1)] are for the period 30 November 2007 to 30 June 2008. All values are in A$ unless otherwise stated.

Table 7 – Senior Executive remuneration paid for FY2008 and FY2007

	Short-term Employee Benefits				Post-employment benefits		Other Long-term employee benefits[9]	Termination benefits		Share-based Payments[10 11]		Total
	Cash Salary[4]	Bonuses (at-risk)[5]	Non-Monetary Benefits[6]	Other[7]	Super-annuation benefits[8]	Other		Termination	Other	Performance Rights	Options	
Senior Executives of the Company and the Group												
Current												
R Hunt												
2008	964,402	726,000	49,943	93,971	248,828	-	164,312	-	-	342,092	330,386	2,919,934
2007	823,791	660,000	49,875	243,096	233,475	-	135,038	-	-	236,759	225,053	2,607,087
J McPhee[1]												
2008	412,647	350,000	396	13,350	49,846	-	11,450	-	-	196,452	-	1,034,141
2007	-	-	-	-	-	-	-	-	-	-	-	-
M Hirst												
2008	538,117	320,000	27,761	10,454	73,384	-	10,285	-	-	65,373	65,775	1,111,149
2007	487,734	200,000	38,891	16,771	61,512	-	12.140	-	-	30,373	30,775	878,196
M Baker												
2008	322,091	140,000	35,517	10,481	43,770	-	9,103	-	-	44,945	45,223	651,130
2007	297,498	140,000	36,199	15,081	37,835	-	16,872	-	-	20,781	21,056	585,322
A Baum[1]												
2008	172,438	100,625	8,450	-	21,859	-	-	-	-	56,482	-	359,854
2007	-	-	-	-	-	-	-	-	-	-	-	-
R Fennell[1]												
2008	175,870	94,792	7,032	-	20,592	-	-	-	-	53,209	-	351,495
2007	-	-	-	-	-	-	-	-	-	-	-	-
G Gillett												
2008	352,729	170,000	103,850	25,105	54,263	-	10,036	-	-	53,910	54,249	824,142
2007	337,925	170,000	107,286	30,138	52,373	-	(2,037)	-	-	25,579	25,916	747,180

D Hughes [1]												
2008	164,230	91,875	20,314	-	19,958	-	-	-	-	51,572	-	347,949
2007	-	-	-	-	-	-	-	-	-	-	-	-
R Jenkins												
2008	378,307	150,000	19,585	12,362	48,752	-	9,313	-	-	49,844	50,152	718,315
2007	389,423	150,000	18,423	16,945	41,711	-	(3,684)	-	-	23,178	23,486	659,482
C Langford												
2008	369,764	190,000	95,122	22,749	59,774	-	10,614	-	-	57,977	58,345	864,345
2007	413,629	190,000	71,666	19,975	55,973	-	12,716	-	-	27,976	28,345	820,280
T Piper [1]												
2008	168,159	94,792	7,242	-	20,592	-	-	-	-	53,204	-	343,989
2007	-	-	-	-	-	-	-	-	-	-	-	-
P Riquier [1]												
2008	111,519	80,208	26,647	-	17,058	-	3,681	-	-	45,020	-	284,133
2007	-	-	-	-	-	-	-	-	-	-	-	-
A Watts												
2008	223,031	91,000	52,100	5,203	34,042	-	5,499	-	-	35,916	36,150	482,941
2007	-	-	-	-	-	-	-	-	-	-	-	-
Former												
R Hasseldine [2]												
2008	46,993	37,500	50,175	4,356	11,728	-	5,901	-	-	33,646	33,859	224,158
2007	219,364	120,000	117,009	8,782	36,973	-	6,272	-	-	16,146	16,359	540,905
V Kelly [3]												
2008	61,822	25,000	8,019	5,912	9,786	-	87,370	405,573	-	42,448	42,723	688,653
2007	266,655	150,000	71,614	28,293	44,962	-	11,621	-	-	20,781	21,056	614,988

[1] Commenced employment with the Company on 30 November 2007. The remuneration represents the amounts paid or payable by the Company for the period 30 November 2007 to 30 June 2008.

[2] Ceased senior executive role on 30 November 2007. The amounts included under short term employee benefits and post-employment benefits are pro-rata for the period the executive was a KMP.

[3] Ceased senior executive role on 27 August 2007 and ceased employment on 31 January 2008. The amounts included under short term employee benefits and post-employment benefits are pro-rata for the period the executive was a KMP.

[4] Cash salary amounts include the net movement in the KMP's annual leave accrual for the year.

[5] This amount represents STI payments to Senior Executives for 2008, which are expected to be paid in September 2008.

[6] "Non-monetary" relates to sacrifice components of KMP salary.

[7] "Other" relates to the notional value of the interest free loan benefit provided under the group's employee share plans. A notional benefit is calculated using the average outstanding loan balance and the bank's average cost of funds. Details in respect to loans provided to the Senior Executive under the employee share plans are disclosed in the full financial statements at Note 38.

[8] Represents superannuation contributions made on behalf of key management personnel in accordance with the Superannuation Guarantee Charge legislation.

[9] The amounts disclosed relate to movements in long service leave entitlement accruals.

[10] In accordance with the requirements of the Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year. The fair value of equity instruments which do not vest during the reporting period is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual Senior Executives may ultimately realise should the equity instruments vest. The fair value of Performance Rights and Options as at the date of their grant has been determined in accordance with AASB 124 applying a Black-Scholes-Merton valuation method incorporating a Monte Carlo simulation option pricing model to estimate the probability of achieving the TSR hurdle and the number of options vesting. The assumptions underpinning these valuations are set out in Note 38 to the financial statements.

[11] The amortisation value of Performance Rights and Options as a percentage of total remuneration was: R Hunt 23% (2007: 27%), J McPhee 19% (2007: 0%), M Baker 14% (2007: 18%), A Baum 16% (2007: 0%), R Fennell 15% (2007: 0%), G Gillett 13% (2007: 16%), M Hirst 12% (2007: 18%), D Hughes 15% (2007: 0%), R Jenkins 13% (2007: 18%), C Langford 13% (2007: 17%), T Piper 15% (2007: 0%), P Riquier 17% (2007: 0%), A Watts 15% (2007: 0%)

The percentages of maximum STI paid and not achieved for FY2008 are detailed in the table below.

Table 8 – Percentage of STI paid and forfeited for Senior Executives

Senior Executives	Actual STI payment ($)[(1)(2) (3)]	Actual STI payment as % of maximum STI	% of maximum STI payment forfeited
Current			
Rob Hunt	*726,000*	*100%*	*0%*
Jamie McPhee [6]	*350,000*	*100%*	*0%*
Mike Hirst	*278,500*	*100%*	*0%*
Marnie Baker	*140,000*	*100%*	*0%*
Anthony Baum [6]	*100,625*	*100%*	*0%*
Richard Fennell [6]	*94,792*	*100%*	*0%*
Greg Gillett	*170,000*	*100%*	*0%*
David Hughes [6]	*91,875*	*100%*	*0%*
Russell Jenkins	*150,000*	*100%*	*0%*
Craig Langford	*190,000*	*100%*	*0%*
Tim Piper [6]	*94,792*	*100%*	*0%*
Philip Riquier [6]	*80,208*	*100%*	*0%*
Andrew Watts	*91,000*	*100%*	*0%*
Former			
Vicky Kelly [(4)]	*25,000*	*51%*	*49%*
Richard Hasseldine [(5)]	*37,500*	*75%*	*25%*

(1) STI constitutes a cash incentive earned during fiscal 2008, and is expected to be paid in September 2008.

(2) A minimum level of performance must be achieved before any STI is paid as outlined above. Therefore, the minimum potential value of the STI which was granted in respect of the year was nil. The maximum value of grants under the STI is the actual amount of STI paid.

(3) The grant date for the STI is August 2008.

(4) Ms V Kelly ceased employment on 31 January 2008 and forfeited a pro-rata proportion of her STI award for 2008. The amount disclosed represents a pro-rata allocation of the total STI applicable to the period the senior executive was a KMP.

(5) Mr R Hasseldine's STI award was adjusted during the year on a pro-rata basis following change in employment arrangements. The amount disclosed represents a pro-rata allocation of the total STI applicable to the period the senior executive was a KMP.

(6) Actual STI payment represents a pro-rata allocation of the total STI applicable to the period 30 November 2007 to 30 June 2008.

EQUITY INSTRUMENTS GRANTED AS REMUNERATION

As part of its remuneration strategy, the Company granted Performance Rights and Options to Senior Executives during the year, as set out in Table 9 below.

Table 9 – Performance Rights and Options granted in FY2008

Senior Executive	Instrument	Number of Performance Rights/ Options granted (a)	Future years payable	Fair value per Performance Right/ Option (b)	Maximum value of grant (c) (d)
Current					
Rob Hunt (c)	Performance Rights	22,523	2010	$14.03	$315,998
	Options	121,538	2010	$2.60	$315,999
Jamie McPhee (b)	Performance Rights	20,767	2009	$16.03	$332,895
		20,766	2010	$15.74	$326,857
Mike Hirst (c)	Performance Rights	7,484	2010	$14.03	$105,001
	Options	40,385	2010	$2.60	$105,001
Marnie Baker (c)	Performance Rights	5,167	2010	$14.03	$72,493
	Options	27,885	2010	$2.60	$72,501
Anthony Baum (b)	Performance Rights	5,971	2009	$16.03	$95,715
		5,970	2010	$15.74	$93,968
Richard Fennell (b)	Performance Rights	5,625	2009	$16.03	$90,169
		5,624	2010	$15.74	$88,522
Greg Gillett (c)	Performance Rights	6,058	2010	$14.03	$84,994
	Options	32,692	2010	$2.60	$84,999
David Hughes (b)	Performance Rights	5,452	2009	$16.03	$87,396
		5,451	2010	$15.74	$85,799
Russell Jenkins (c)	Performance Rights	5,702	2010	$14.03	$79,999
	Options	30,769	2010	$2.60	$79,999
Craig Langford (c)	Performance Rights	6,415	2010	$14.03	$90,002
	Options	34,615	2010	$2.60	$89,999
Tim Piper (b)	Performance Rights	5,625	2009	$16.03	$90,169
		5,624	2010	$15.74	$88,522
Philip Riquier (b)	Performance Rights	4,759	2009	$16.03	$76,287
		4,759	2010	$15.74	$74,907
Andrew Watts (c)	Performance Rights	3,920	2010	$14.03	$54,998
	Options	21,154	2010	$2.60	$55,000
Former					
Vicky Kelly (c)	Performance Rights	4,633	2010	$14.03	$65,001
	Options	25,000	2010	$2.60	$65,000
Richard Hasseldine (c)	Performance Rights	3,742	2010	$14.03	$52,500
	Options	20,192	2010	$2.60	$52,499
Total - Rights		**162,037**			**$2,452,190**
Total - Options		**354,230**			**$920,998**

(a) The grants made to Senior Executives constituted 100% of the grants available for the year and were made on the terms summarised above. As the Performance Rights and Options only vest on satisfaction of performance conditions which are to be tested in future financial periods, other than as disclosed at (e) below, none of the Senior Executives forfeited Performance Rights or Options during 2008.

(b) The fair value of the Performance Rights was calculated as at the grant dates of 1 December 2007. The exercise price for the Performance Rights is nil and expiry date is 30 June 2010. An explanation of the pricing model used to calculate these values is set out in Note 38 to the financial statements.

(c) The fair values were calculated as at the grant dates of 9 July 2007 for Performance Rights and Options. The exercise price for the Options is $15.47 and expiry date is 31 July 2012. The exercise price for the Performance Rights is nil and the expiry date is 30 June 2011. An explanation of the pricing model used to calculate these values is set out in Note 38 to the financial statements.

(d) The maximum value of the grant has been estimated based on the fair value per instrument. The minimum total value of the grant, if the applicable performance conditions are not met, is nil.

(e) Ms V Kelly forfeited the unvested Performance Options upon ceasing employment with the Company on 31 January 2008.

Table 10 sets out details of the movement in the number of Performance Rights and Options held by Senior Executives during the year.

Table 10 – Movement in Performance Rights and Options in FY2008 (number)

Movements in value							
Senior Executive	**Instrument**	**Balance at 1 July 2007**	**Granted**	**Vested**	**Exercised**	**Forfeited/Lapsed**	**Balance at 30 June 2008**
Current							
Rob Hunt	Performance Rights	44,434	22,523	-	-	-	66,957
	Options	280,814	121,538	-	-	-	402,352
Jamie McPhee	Performance Rights	-	41,533	-	-	-	41,533
Mike Hirst	Performance Rights	7,058	7,484	-	-	-	14,542
	Options	44,601	40,385	-	-	-	84,986
Marnie Baker	Performance Rights	4,829	5,167	-	-	-	9,996
	Share Awards	30,516	27,885	-	-	-	58,401
Anthony Baum	Performance Rights	-	11,941	-	-	-	11,941
Richard Fennell	Performance Rights	-	11,249	-	-	-	11,249
Greg Gillett	Performance Rights	5,944	6,058	-	-	-	12,002
	Options	37,559	32,692	-	-	-	70,251
David Hughes	Performance Rights	-	10,903	-	-	-	10,903
Russell Jenkins	Performance Rights	5,386	5,702	-	-	-	11,088
	Options	34,038	30,769	-	-	-	64,807
Craig Langford	Performance Rights	6,501	6,415	-	-	-	12,916
	Options	41,080	34,615	-	-	-	75,695
Tim Piper	Performance Rights	-	11,249	-	-	-	11,249
Philip Riquier	Performance Rights	-	9,518	-	-	-	9,518
Andrew Watts	Performance Rights	4,096	3,920	-	-	-	8,016
	Options	25,822	21,154	-	-	-	46,976
Former							
Vicky Kelly	Performance Rights	4,829	4,633	9,462	9,462	-	-
	Options	30,516	25,000	33,251	-	22,265	33,251
Richard Hasseldine	Performance Rights	3,752	3,742	-	-	-	7,494
	Options	23,709	20,192	-	-	-	43,901
Total	**Performance Rights**	**86,829**	**162,037**	**9,462**	**9,462**	**-**	**239,404**
Total	**Options**	**548,655**	**354,230**	**33,251**	**-**	**22,265**	**880,620**

Table 11 sets out details of changes in the value of Performance Rights and Options (a) held by Senior Executives during the year.

Table 11 – Movement in Performance Rights and Options in FY2008 (value)

Senior Executive	Instrument	Granted[(a)]	Vested[(b)]	Forfeited/Lapsed[(c)]
Current				
Rob Hunt	Performance Rights	$315,998	-	-
	Options	$315,999	-	-
Jamie McPhee	Performance Rights	$659,752	-	-
Mike Hirst	Performance Rights	$105,001	-	-
	Options	$105,001	-	-
Marnie Baker	Performance Rights	$72,493	-	-
	Options	$72,501	-	-
Anthony Baum	Performance Rights	$189,683	-	-
Richard Fennell	Performance Rights	$178,691	-	-
Greg Gillett	Performance Rights	$84,994	-	-
	Options	$84,999	-	-
David Hughes	Performance Rights	$173,195	-	-
Russell Jenkins	Performance Rights	$79,999	-	-
	Options	$79,999	-	-
Craig Langford	Performance Rights	$90,002	-	-
	Options	$89,999	-	-
Tim Piper	Performance Rights	$178,691	-	-
Philip Riquier	Performance Rights	$151,194	-	-
Andrew Watts	Performance Rights	$54,998	-	-
	Options	$55,000	-	-
Former				
Vicky Kelly	Performance Rights	$65,001	$65,001	-
	Options	$65,000	$32,500	$32,500
Richard Hasseldine	Performance Rights	$52,500	-	-
	Options	$52,499	-	-
Total	**Performance Rights**	**$2,452,192**	**$65,001**	**-**
Total	**Options**	**$920,997**	**$32,500**	**$32,500**

(a) The value of the Performance Rights and Options granted to Senior Executives during the year is set out in Table 10 above.

(b) On the vesting of each Performance Right and Option, the holder received one fully paid ordinary share in the Company. The market value of each Performance Right and Option on the date of vesting was $12.00, being the closing price of the Company's shares on the ASX on the preceding trading day.

(c) These amounts relate to Performance Rights and Options granted in 2006 and 2007 to Ms V Kelly that were forfeited upon cessation of employment with the Company and having regard to the achievement of the performance measures on a pro-rata basis. The value of each Performance Right and Option on the date it lapsed or was forfeited was calculated using the fair value of the Performance Rights and Options (for the Performance Rights forfeited by Ms V Kelly). An explanation of the pricing model used to calculate this value is set out in Note 38 to the financial statements.

SERVICE AGREEMENTS

The remuneration and other terms of employment for Senior Executives are formalised in Service Agreements. Each agreement provides for the payment of performance-related cash STI component (as discussed above) and participation in the Company's LTI component (as discussed above). It is the Group's policy that Senior Executive employment contracts will not be for fixed terms and are not to include a provision for payment on early termination, without Board approval. The material terms of the Service Agreements are set out below.

Table 12 – Summary of Service Agreements

About the Contract	Contractual Provision	Applies To
What is the duration of the contracts?	On-going until notice is given by either party.	All Senior Executives
What notice must be provided by a Senior Executive to terminate a Service Agreement without cause?	6 months' notice or payment in lieu. No notice period required if material change in duties or responsibilities.	All Senior Executives
What notice must be provided by the Company to terminate a Service Agreement without cause? [a]	12 months' notice or payment in lieu.	All Senior Executives
What payments must be made by the Company for termination without cause?	Payment of gross salary in lieu of period of notice (including payment of accrued / unused leave entitlements calculated to end of relevant notice period).	Senior Executives [b]
	Up to 31 December 2009: Payment of gross salary and superannuation (including payment of accrued / unused leave entitlements and any entitlement under STI and LTI plans) calculated to date of termination, an amount equivalent to 12 months' base salary and a pro-rata payment based on years of service (including service with Adelaide Bank). The pro-rata payment equates to seven weeks pay plus three weeks pay for every year of service up to a maximum of ninety weeks. *From 1 January 2010 – as described for Senior Executives above*	Executive Director (J McPhee)
What are notice and payment requirements for termination for cause?	Termination for cause does not require notice. Payment of pro-rata gross salary and benefits (including payment of accrued / unused leave entitlements) is required to date of termination.	Senior Executives [b]
	Up to 31 December 2009: Termination for cause does not require notice. Payment of pro-rata base salary and benefits (including payment of accrued / unused leave entitlements and any entitlement under STI and LTI plans) is required to date of termination. *From 1 January 2010 – as described for Senior Executives above*	Executive Director (J McPhee)
Are there any post-employment restraints?	12 month non-solicitation restriction	Senior Executives [b]
	Up to 31 December 2009: Must not engage in competitive business activity for 6 months in Australia or New Zealand (*applies only if employment ceases before 1 January 2010*). *From 1 January 2010* 12 month non-solicitation restriction	Executive Director (J McPhee)

[a] In certain circumstances, such as a substantial diminution of responsibility, the Company may be deemed to have terminated the employment of a Senior Executive and will be liable to pay a termination benefit as outlined above at "What payments must be made by the Company for termination without cause".

[b] Being the current Senior Executives listed at Table 1 excluding the Executive Director.

BOARD POLICY ON REMUNERATION

The table below sets out the key principles that underpin the Board's policy on Non-Executive Director remuneration:

Table 13 – Principles underpinning remuneration policy for Non-Executive Directors

Principle	Comment
Aggregate Board fees are approved by shareholders	The current aggregate fee pool for Non-Executive Directors of $1,700,000 was approved by shareholders at the 2008 Extraordinary General Meeting. (Note: Some benefits are payable outside of the shareholder-approved cap – refer Table 14 for details)
Remuneration structured to encourage longer term perspective	As the focus of the Board is to build sustainable shareholder value by taking a longer-term strategic perspective, there is no direct link between Non-Executive Directors' fees and the annual results of the Company. In accordance with the Board policy, Non-Executive Director remuneration comprises the following elements. • Base fee; and • Superannuation Non-Executive Directors do not receive bonuses or incentive payments, nor participate in the Company's employee equity participation plans. Approval will be sought at the 2008 Annual General Meeting for future issues of shares to non-executive directors under a new fee-sacrifice share plan.
Fees are set by reference to key considerations	Non-Executive Director fees are set by reference to considerations including: • The demands and the scope of responsibilities of Non-Executive Directors • Fees paid by peer companies and companies of similar market capitalisation The Committee takes into account changes in director responsibilities and time commitments during the year, at both the board and committee level, as well as survey data and peer analysis to determine the level of director fees paid in the market by companies of a relatively comparable size and complexity, including the banking and finance sector, and to ensure that fees and payments reflect the demands and the scope of responsibilities of directors. The assessment takes into account the remuneration policies of the Company, changes in the nature and operations of the Group including industry developments which impact the responsibilities and risks associated with the role of director.
Fees changes recommended by Board committee	Non-Executive Director fees are reviewed annually by the Board to ensure that the structure and amounts are appropriate for the circumstances of the Company. Fees for Non-Executive Directors are decided by the Board based on the recommendation of the Governance Committee.
No retirement benefits	No additional benefits are paid to Non-Executive Directors upon their retirement from office (ie in addition to their existing superannuation entitlements).[1]
Regular reviews of remuneration	The Board periodically reviews its approach to Non-Executive Director remuneration to ensure it remains in line with general industry practice and best practice principles of corporate governance.

1. The retirement benefit scheme which was in place for Non-Executive Directors since 1982 has been closed. No retirement benefits (other than superannuation) have accrued to existing or new Non-Executive Directors after 31 August 2005.

COMPONENTS OF NON-EXECUTIVE DIRECTOR REMUNERATION

Table 14 – Components of remuneration for Non-Executive Directors

Element	Board fees	Other fees/benefits	Post-employment benefits	Equity/NED Share Plan
Details/ Explanation	Current fees per annum are: • $125,000 for Board members from 1 July 2008 (previously $100,000). • $250,000 for Chair to recognise extra time commitment. *No additional committee fees.* Fee payments may be increased annually by the CPI index should the Governance and HR Committee not recommend a general fee increase	1 The Board may determine additional fees for appointments to Subsidiary or Joint Venture Boards. 2 Non-Executive Directors are permitted to be paid additional remuneration for special services or journey on the business of the Company. No such fees were paid during the year. 3 Non-Executive Directors are entitled under the Company's Constitution to be reimbursed for all reasonable travel, accommodation and other expenses incurred in attending meetings or when engaged on company business.	Superannuation contributions are made on behalf of the Non-Executive Directors at a rate of 9%, which satisfies the Company's statutory superannuation obligations. Non-Executive Directors appointed prior to 31 August 2005 were entitled to a retirement benefit under the Company's legacy retirement benefit scheme. The scheme is closed and no retirement benefits have accrued to existing or new Non-Executive Directors after 31 August 2005. All entitlements at that date were crystallised and have since been paid to the Non-Executive Directors.	The Company will seek shareholder approval at the 2008 AGM for a Non-Executive Director Fee Sacrifice Plan under which Non-Executive Directors may elect to sacrifice part of their fees to acquire shares in the Company.
Included in shareholder approved cap?	Yes	Yes – 1 & 2 No – 3	Yes (Superannuation)	N/A

REMUNERATION PAID

Details of Non-Executive Directors' remuneration are set out in Table 15.

Table 15 – Non-Executive Director Remuneration for FY2008 and FY2007

	Short-term benefits		Post-employment benefits		Share-based payments	Total
	Fees	Non-monetary benefits[1]	Superannuation Contributions[2]	Retirement Benefits	Non-Executive Director Share Plan	
R Johanson (Chairman)						
2008	197,538	-	17,778	-	-	215,316
2007	184,796	-	16,416	-	-	201,212
K Osborn [3]						
2008	57,692	-	5,192	-	-	62,884
2007	-	-	-	-	-	-
K Abrahamson [3]						
2008	6,634	51,058	5,192	-	-	62,884
2007	-	-	-	-	-	-
N Axelby [4]						
2008	41,078	-	3,697	-	-	44,775
2007	92,398	-	8,315	-	-	100,713
R Cook [3 5]						
2008	4,658	-	419	-	-	5,077
2007	-	-	-	-	-	-
J Dawson						
2008	98,769	-	8,889	-	-	107,658
2007	92,398	-	8,315	-	-	100,713
D Erskine [4]						
2008	41,078	-	3,697	-	-	44,775
2007	92,398	-	8,315	-	-	100,713
A Lloyd [3 5]						
2008	9,297	48,395	5,192	-	-	62,884
2007	-	-	-	-	-	-
T O'Dwyer						
2008	98,769	-	8,889	-	-	107,658
2007	92,398	-	8,315	-	-	100,713
D Radford						
2008	98,769	-	8,889	-	-	107,658
2007	92,398	-	8,315	-	-	100,713
K Roache						
2008	98,769	-	8,889	-	-	107,658
2007	92,398	-	8,315	-	-	100,713
A Robinson						
2008	53,769	45,000	8,889	-	-	107,658
2007	47,398	45,000	8,315	-	-	100,713

1 Represents fee sacrifice component of base director fee amount
2 Company superannuation contributions paid in accordance with the Superannuation Guarantee Legislation.
3 Appointed as a director on 30 November 2007. The remuneration represents the fees paid or payable by the Company for the period 30 November 2007 to 30 June 2008.
4 Ceased as a director on 30 November 2007
5 Ms Lloyd resigned on 30 June 2008 and Mr Cook resigned on 17 December 2007.

The preceding Remuneration Report has been audited.

Meetings of directors

The number of meetings of the Bank's directors (including meetings of committees of directors) held during the year ended 30 June 2008 and the number attended by each director were:

	Board of directors Meetings		Meetings in Committees											
			Audit[5]		Credit		Risk		Governance		IT Strategy		Property[6]	
Attended by:	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
R Johanson	18	17	3	3					3	3	4	3		
K Osborn[2]	8	8	3	3	6	6	3	3						
R Hunt AM	18	17	8	5			6	4	3	2	6	6	1	1
K Abrahamson[2]	8	8	4	4							4	4		
N Axelby[1]	10	8			5	4	3	2	2	1				
R Cook[2 3]	1	1												
J Dawson	18	17	8	8	11	10							1	1
D Erskine[1]	10	9			5	4					2	2	1	1
A Lloyd[2 4]	8	8					3	3	1	1				
J McPhee	8	8			5	4	3	3			4	4		
T O'Dwyer	18	16	8	7			6	6			6	5		
D Radford	18	17	8	8	11	11					6	6		
K Roache	18	17			11	11	6	5	3	2				
A Robinson	18	16					6	5	3	3				

A = Number eligible to attend
B = Number attended

1 Mr N Axelby and D Erskine resigned from the board on 30 November 2007
2 Mr K Osborn, Mr K Abrahamson, Mr R Cook and Dr A Lloyd were appointed to the board on 30 November 2007
3 Mr R Cook resigned from the board on 17 December 2007
4 Dr A Lloyd resigned from the board on 23 June 2008
5 Mr R Hunt is a standing attendee for audit committee meetings. In particular, Mr Hunt attends the meetings that consider the group's half-year and full-year result announcements and the statutory financial statements
6 The Property Committee ceased in January 2008

Insurance of Directors and Officers

During or since the financial year end, the Company has paid premiums to insure certain officers of the company and its related bodies corporate. The officers of the Company covered by the insurance policy include the directors listed above, the secretary and directors or secretaries of controlled entities who are not also directors and secretaries of Bendigo and Adelaide Bank Limited, and general managers of each of the divisions of the economic entity.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an independent auditor of the Company or a related body corporate.

Indemnification of Officers

The constitution stipulates that the Company is to indemnify, to the extent permitted by law, each officer of the Company against liabilities (including costs, damages and expenses incurred in defending any proceedings or appearing before any court, tribunal, government authority or other body) incurred by an officer or employee in, or arising out of the conduct of the business of the Company or arising out of the discharge of the officer's or employee's duties.

As provided under the Company's Constitution, the Company has entered into deeds providing for indemnity, insurance and access to documents for each director who held office during the year. The deed requires the Company to indemnify, to the extent permitted by law, the director against all liabilities (including costs, damages and expenses incurred in defending any proceedings or appearing before any court, tribunal, government authority or other body) incurred by the director in, or arising out of conduct of the business of the Company, an associated entity of the Company or in the discharge of their duties as a director of the Company, a subsidiary or associated company.

Directors' Interests in Equity

The relevant interest of each director (in accordance with section 205G of the Corporations Act 2001) in shares of the company or a related body corporate at the date of this report is as follows:

Director	Ordinary shares	Preference shares	Step-Up Preference Shares	Reset Preference Shares
R N Johanson	195,337	500	-	-
R G Hunt AM[(1)]	869,915	-	-	-
K D Abrahamson	16,801	-	180	129
J L Dawson	14,280	100	-	-
J L McPhee [(2)]	608,076	-	-	-
T J O'Dwyer	61,900	-	-	-
K G Osborn	9,078	-	-	-
D L Radford	1,000	-	-	-
K E Roache	49,079	200	-	-
A D Robinson	2,500	-	-	-

[(1)] Includes 600,000 shares issued under the Bendigo Employee Share Ownership Plan.

[(2)] Includes 236,500 shares issued under the Adelaide Bank Deferred Employee Share Plan. Mr McPhee also holds 90,723 units in the Asset Backed Yield Trust. Adelaide Managed Funds Limited (a subsidiary of Adelaide Bank) is the responsible entity for the Trust.

Environmental Regulation

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

Company Secretary

David A Oataway B Bus, CA, ACIS

Mr Oataway has been the company secretary of Bendigo and Adelaide Bank Limited for ten years. Prior to this position he held roles within the Bank's internal audit and secretariat departments. Prior to joining the Bank he was employed by Melbourne and Bendigo based chartered accounting firms.

Auditor Independence and Non-audit Services

The Company's audit committee has conducted an assessment of the independence of the external auditor for the year ended 30 June 2008. The assessment was conducted on the basis of the Company's 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 2008. The audit committee's assessment confirmed that the independence requirements have been met. The audit committee's assessment was accepted by the full Board. A copy of the auditor's independence declaration is provided at the end of this Directors' Report.

Non-Audit Services

Non-audit services are those services paid or payable to the Group's external auditor, Ernst & Young, which do not relate to Group statutory audit engagements.

Details of all non-audit services for the year ended 30 June 2008:

(a) Audit related fees:

In its capacity as the Group's external auditor, Ernst & Young are 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. They include audit services required for regulatory and prudential purposes and the amounts shown are GST exclusive.

Service Category	Fees (excluding GST) $	Entity
APRA Prudential Standard APS310 report	89,500	Bendigo and Adelaide Bank Limited
Australian Financial Services Licence Audits	59,100	*Note 1*
APRA Prudential Standard GPS220 report	15,500	Sunstate Lenders Mortgage Insurance
APRA Targeted Review – APS 310 report	30,900	Bendigo and Adelaide Bank Limited
Trust Deed Report – Euro Medium Term Note Program	15,000	Bendigo and Adelaide Bank Limited
Trust Deed Report- Adelaide Bank Securitisation	52,123	Bendigo and Adelaide Bank Limited
Report on VSCL debenture prospectus information	3,605	VSCL
APRA peer actuary review report – GPS 310	18,000	Sunstate Lenders Mortgage Insurance
Sub total – audit related fees	**283,728**	

Note 1: Amount attributed to Bendigo and Adelaide Bank and subsidiary companies: Sandhurst Trustees Limited, Victorian Securities Corporation Limited, Adelaide Managed Funds Limited, Leveraged Equities Nominees Proprietary Limited, Bendigo Financial Planning Limited and National Assets Securitisation Corporation

(b) Consulting fees:

Service	Fees (excluding GST) $	Entity
Tax advice	579,751	Bendigo and Adelaide Bank Limited
Professional Services	272,237	Bendigo and Adelaide Bank Limited
Sub total – Consulting fees	**851,988**	
Total – non audit services	**1,135,716**	

The Audit Committee has reviewed the nature and scope of the above non-audit services provided by the external auditor. In doing so, the Audit Committee has assessed that the provision of those services is compatible with the general standard of independence for auditors imposed by the Corporations Act.

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. As noted previously, this Audit Committee's assessment has been reviewed and accepted by the full Board.

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

In relation to our audit of the financial report of Bendigo and Adelaide Bank Limited for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Brett Kallio

Ernst + Young

Brett Kallio

Partner

9 September 2008

Ernst & Young

Liability limited by a scheme approved under
Professional Standards Legislation.

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

Robert Johanson

R N Johanson

Chairman

9 September 2008

R G Hunt AM

Managing Director

INCOME STATEMENT

for the year ended 30 June 2008

	Note	Consolidated		Parent	
		2008	2007	2008	2007
Income		$m	$m	$m	$m
Net interest income					
Interest income	4	2,634.0	1,058.6	1,227.6	1,009.1
Interest expense	4	2,091.4	701.5	863.0	657.6
Net interest income before cash flow hedge/derivative income/(expense)		542.6	357.1	364.6	351.5
Adelaide Bank derivatives ineffective post acquistion	4	(28.3)	-	-	-
Cash flow derivative - controlled entity	4	-	-	(148.4)	-
Net interest income		514.3	357.1	216.2	351.5
Other revenue					
Dividends	4	3.9	3.8	197.0	41.2
Fees	4	172.4	114.4	121.0	105.6
Commissions	4	54.4	48.1	11.4	10.0
Other revenue	4	16.2	10.9	21.1	16.8
Total other revenue		246.9	177.2	350.5	173.6
Other income					
Realised accounting gain on Visa Inc shares	4	25.2	-	18.6	-
Other	4	2.2	6.0	2.2	4.1
		27.4	6.0	20.8	4.1
Share of associates' and joint ventures net profit/losses		26.4	21.9	-	-
Total income after interest expense		815.0	562.2	587.5	529.2
Expenses					
Bad and doubtful debts on loans and receivables					
Bad and doubtful debts		25.7	8.8	7.7	7.9
Bad and doubtful debts recovered		(2.6)	(0.6)	(0.7)	(0.6)
Total bad and doubtful debts on loans and receivables	4	23.1	8.2	7.0	7.3
Other expenses					
Staff and related costs	4	256.3	187.7	188.4	171.6
Occupancy costs	4	43.0	31.5	52.2	42.6
Amortisation of intangibles	4	11.1	5.4	5.2	4.1
Property, plant & equipment costs	4	13.4	10.3	9.9	9.5
Fees and commissions	4	20.4	20.2	16.6	16.7
Impairment loss on equity investments	4	30.3	-	30.2	-
Integration costs	4	9.4	-	4.8	-
Other	4	161.4	121.0	128.7	128.2
Total other expenses		545.3	376.1	436.0	372.7
Profit before income tax expense		246.6	177.9	144.5	149.2
Income tax expense	6	(75.4)	(56.2)	18.5	(37.0)
Net profit for the period		171.2	121.7	163.0	112.2
Net profit / (loss) for the period attributable to:					
Minority interest	36	0.7	(0.1)	-	-
Members of the Parent		170.5	121.8	163.0	112.2
Earnings per share for profit attributable to the ordinary equity holders of the Company:					
Basic earnings per ordinary share (cents per share)	9	74.8	81.9		
Diluted earnings per ordinary share (cents per share)	9	74.7	81.1		
Franked dividends per ordinary share (cents per share)	10	65.0	58.0		

BALANCE SHEET

as at 30 June 2008

	Note	Consolidated		Parent	
		2008	2007	2008	2007
		$m	$m	$m	$m
Assets					
Cash and cash equivalents	14	1,195.9	257.6	440.5	203.5
Due from other financial institutions	14	412.7	71.5	237.6	71.1
Derivatives	44	311.8	75.4	128.1	75.4
Financial assets held for trading	15	1,414.8	-	-	-
Financial assets available for sale - securities	16	422.0	428.8	611.5	428.8
Financial assets available for sale - share investments	17	84.6	130.4	77.2	127.9
Shares in controlled entities		-	-	2,272.5	134.8
Financial assets held to maturity	18	1,414.6	1,614.4	1,673.4	1,530.5
Loans and other receivables - investment	19	517.6	-	-	-
Net loans and other receivables	19	39,721.9	13,773.3	15,018.4	13,418.1
Amounts receivable from controlled entities		-	-	164.2	101.0
Investments in associates and joint ventures accounted for using the equity method	22	185.2	156.3	-	-
Property, plant & equipment	23	113.5	61.5	66.7	53.6
Assets held for sale	24	105.5	93.4	3.2	-
Investment property	25	80.4	34.2	-	-
Deferred tax assets	6	113.8	32.6	84.3	31.5
Intangible assets and goodwill	26	1,460.4	93.7	53.4	54.2
Other assets	28	468.2	178.5	450.7	304.8
Total Assets		48,022.9	17,001.6	21,281.7	16,535.2
Liabilities					
Due to other financial institutions	14	269.7	184.0	151.7	184.0
Deposits	29	31,425.1	14,887.5	16,948.2	14,740.6
Notes payable	29	11,356.1	259.1	-	-
Derivatives	44	72.4	35.0	173.2	35.8
Other payables	30	680.9	235.3	282.5	207.1
Income tax payable		11.1	16.3	11.1	16.3
Provisions	31	67.8	40.4	52.8	39.9
Deferred tax liabilities	6	98.5	21.8	38.8	20.8
Reset preference shares	32	89.5	-	89.5	-
Subordinated debt - at amortised cost	33	681.8	307.2	301.3	307.2
Total Liabilities		44,752.9	15,986.6	18,049.1	15,551.7
Net Assets		3,270.0	1,015.0	3,232.6	983.5
Equity					
Equity attributable to equity holders of the parent					
Issued capital -ordinary	34	2,706.3	605.2	2,706.3	605.2
Perpetual non-cumulative redeemable convertible preference shares	34	88.5	88.5	88.5	88.5
Step up preference shares	34	100.0	-	100.0	-
Employee Share Ownership Plan (ESOP) shares	34	(37.4)	(40.4)	(37.4)	(40.4)
Reserves	35	170.6	130.0	129.1	117.6
Retained earnings	35	242.0	232.4	246.1	212.6
Total parent interests		3,270.0	1,015.7	3,232.6	983.5
Total minority interest	36	-	(0.7)	-	-
Total Equity		3,270.0	1,015.0	3,232.6	983.5

STATEMENT OF RECOGNISED INCOME AND EXPENSES
for the year ended 30 June 2008

	Note	Consolidated		Parent	
		2008	2007	2008	2007
		$m	$m	$m	$m
Available for sale financial assets revaluation	**35**	(56.0)	8.9	(56.7)	9.4
Transfer available for sale assets impairment loss to income	**35**	29.9	-	29.8	-
Net gain/(loss) on cash flow hedges taken to equity	**35**	14.4	32.0	47.7	30.4
Net gain/(loss) on reclassification from equity to income	**35**	28.4	0.5	(0.3)	0.5
Net unrealised gain/(loss) on investments in AFS portfolio	**35**	0.1	-	0.1	-
Actuarial gain/(loss) on superannuation defined benefits plan	**35**	(1.4)	-	-	-
Tax effect on items taken directly to or transferred from equity	**35**	(13.9)	(2.9)	(16.1)	(2.8)
Net income/(loss) recognised directly in equity		1.5	38.5	4.5	37.5
Profit for the year		171.2	121.7	163.0	112.2
Total recognised income and expenses for the period		172.7	160.2	167.5	149.7
Total recognised income and expenses for the period attributable to:					
Minority interest		0.7	(0.1)	-	-
Members of the Parent		172.0	160.3	167.5	149.7

CASH FLOW STATEMENT

for the year ended 30 June 2008

	Note	Consolidated		Parent	
		2008	2007	2008	2007
		$m	$m	$m	$m
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest and other items of a similar nature received		2,515.9	1,038.7	1,027.1	985.6
Interest and other costs of finance paid		(1,993.4)	(664.5)	(828.4)	(623.9)
Receipts from customers (excluding effective interest)		211.1	172.5	150.6	128.2
Payments to suppliers and employees		(510.3)	(420.7)	(193.6)	(407.6)
Dividends received		16.8	15.7	107.0	41.2
Income taxes paid		(81.9)	(43.9)	(46.0)	(33.4)
Net cash flows from operating activities	13	158.2	97.8	216.7	90.1
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash flows for purchases of property, plant and equipment		(85.9)	(117.8)	(29.2)	(28.6)
Cash proceeds from sale of property, plant and equipment		6.9	1.0	1.6	0.7
Cash paid for purchases of intangible software		(0.2)	(1.6)	(0.2)	(1.5)
Cash paid for purchases of equity investments		(34.4)	(35.3)	(91.2)	(59.2)
Cash proceeds from sale of equity investments		11.8	7.7	11.8	5.4
Net (increase)/decrease in balance of loans and other receivables outstanding		768.4	(1,412.1)	(1,662.2)	(1,596.4)
Net (increase)/decrease in balance of investment securities		808.6	(278.1)	(213.0)	(275.7)
Net cash received/(paid) on acquisition of a subsidiary		474.4	-	-	-
Net cash flows from/(used in) investing activities		1,949.6	(1,836.2)	(1,982.4)	(1,955.3)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from preference share instalment		89.8	0.2	92.1	0.2
Net increase in balance of retail deposits		2,050.9	831.7	2,041.9	845.6
Net increase/(decrease) in balance of wholesale deposits		(955.6)	789.3	165.8	904.1
Proceeds from issue of subordinated debt		50.0	60.0	50.0	60.0
Repayment of subordinated debt		(56.0)	(60.0)	(56.0)	(60.0)
Dividends paid		(94.9)	(57.0)	(94.9)	(57.0)
Net increase/(decrease) in balance of notes payable		(2,000.8)	-	-	-
Repayment of ESOP shares		3.0	5.8	3.0	5.8
Payment of share issue costs		(0.4)	-	(0.4)	-
Net cash flows from/(used in) financing activities		(914.0)	1,570.0	2,201.5	1,698.7
Net increase/(decrease) in cash and cash equivalents		1,193.8	(168.4)	435.8	(166.5)
Cash and cash equivalents at the beginning of period		145.1	313.5	90.6	257.1
Cash and cash equivalents the at end of period	14	1,338.9	145.1	526.4	90.6

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of Bendigo and Adelaide Bank Limited (the Company) for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 9 September 2008.

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
PO Box 480
Bendigo, Victoria
Australia 3552

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

Bendigo and Adelaide Bank Limited is a "prescribed corporation" in terms of the Corporations Act 2001. Financial reports prepared in compliance with the Banking Act are deemed to comply with the accounts provisions of the Corporations Act 2001.

The financial report is a general purpose financial report which has been prepared in accordance with the Banking Act, Australian Accounting Standards, Corporations Act 2001 and the requirements of law so far as they are applicable to Australian banking corporations.

The financial report has been prepared in accordance with the historical cost or amortised cost for loans and receivables and financial liabilities, except for investment properties, land and buildings, derivative financial instruments and available-for-sale financial assets which are measured at their fair value.

The amounts contained in the financial statements have been rounded off under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies. The Class Order allows for rounding to the nearest one hundred thousand dollars ($'00,000).

Due to the business combination on 30 November 2007 the current year figures represent 7 months contribution of Adelaide Bank. Comparatives represent Bendigo Bank only.

2.2 Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

Recently issued or amended standards not yet effective.

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2008:

Reference	Title	Summary	Application date of standard *	Impact on Group financial report	Application date for Group
AASB Int. 12 and AASB 2007-2	Service Concession Arrangements and consequential amendments to other Australian Accounting Standards	Clarifies how operators recognise the infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment.	1 January 2008	Unless the Group enters into service concession arrangements or public-private-partnerships (PPP), the amendments are not expected to have any impact on the Group's financial report.	1 July 2008
AASB Int. 4 (Revised)	Service Concession Arrangements and consequential amendments to other Australian Accounting Standards	Clarifies how operators recognise the infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment.	1 January 2008	Refer to AASB Int. 12 and AASB 2007-2 above.	1 July 2008
AASB Int. 129	Service Concession Arrangements: Disclosures	Requires disclosure of provisions or significant features necessary to assist in assessing the amount, timing and certainty of future cash flows and the nature and extent of the various rights and obligations involved. These disclosures apply to both grantors and operators.	1 January 2008	Refer to AASB Int. 12 and AASB 2007-2 above.	1 July 2008

Reference	Title	Summary	Application date of standard *	Impact on Group financial report	Application date for Group
AASB Int. 13	Customer Loyalty Programmes	Deals with the accounting for customer loyalty programmes, which are used by companies to provide incentives to their customers to buy their products or use their services.	1 July 2008	The Group does have a customer loyalty programme but this interpretation is not expected to have any material impact on the Group's financial report.	1 July 2008
AASB Int. 14	AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Aims to clarify how to determine in normal circumstances the limit on the asset that an employer's balance sheet may contain in respect of its defined benefit pension plan.	1 January 2008	The Group has a defined benefit pension plan and as such this interpretation may have an impact on the Group's financial report. However, the Group has not yet determined the extent of the impact, if any. Any impact would not be material to the group in light of the relatively small balances involved. The majority of employees participate in an accumulation fund.	1 July 2008
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 Segment Reporting, which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements, although it may indirectly impact the level at which goodwill is tested for impairment. In addition, the amendments may have an impact on the Group's segment disclosures.	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009
AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009

Reference	Title	Summary	Application date of standard *	Impact on Group financial report	Application date for Group
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	1 July 2009
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009

Reference	Title	Summary	Application date of standard *	Impact on Group financial report	Application date for Group
Amendments to International Financial Reporting Standards**	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments. In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.	1 July 2009
Amendments to International Financial Reporting Standards**	Improvements to IFRSs	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 except for amendments to IFRS 5, which are effective from 1 July 2009.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009

*designates the beginning of the applicable annual reporting period unless otherwise stated

** pronouncements that have been issued by the IASB and IFRIC but have not yet been issued by the AASB.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of Bendigo and Adelaide Bank Limited and all of its controlled entities ("the Group"). Interests in associates are equity accounted and are not part of the consolidated group.

A controlled entity is any entity (including special purpose entities) over which Bendigo and Adelaide Bank Limited has the power to govern directly or indirectly decision-making in relation to financial and operating policies, so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether they group controls another entity.

Controlled entities prepare financial reports for consolidation in conformity with group accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The financial statements of controlled entities are prepared for the same reporting period as the parent company.

All inter-company balances and transactions between entities in the economic entity have been eliminated 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.

Investments in subsidiaries held by Bendigo and Adelaide Bank Limited are accounted for at cost in separate financial statement of the parent entity.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Minority interest not held by the group are allocated their share of net profit after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

2.4 Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published price at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identifiable and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Due to the business combination on 30 November 2007 the current year figures represent 7 months contribution of Adelaide Bank. Comparatives represent Bendigo Bank only.

2.5 Changes in accounting policies

The accounting policies are consistent with those applied in the previous financial year and corresponding interim period.
During the current financial year the balances of accrued interest in relation to loans and receivables and deposits have been reclassified to be disclosed as other assets, other payables respectively and derivatives. This change in balance sheet classification was made to adopt industry practice. The impact of this reclassification when compared to the previous classifications is as follows:

	Consolidated		**Parent**	
	2008	**2007**	**2008**	**2007**
	$m	**$m**	**$m**	**$m**
Decrease loans and receivables	173.1	70.2	81.3	65.6
Increase other assets	172.9	69.7	81.1	65.1
Increase derivatives	0.2	0.5	0.2	0.5
Decrease deposits	136.7	84.4	134.7	82.1
Increase other payables	135.2	84.0	133.2	81.7
Increase derivatives	1.5	0.4	1.5	0.4

2.6 Significant accounting judgments, estimates and assumptions

(i) Significant accounting judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating Lease Commitments – Group as Lessor

The entity has entered into commercial property leases on its investment property portfolio. The entity has determined that it retains all the significant risks and rewards of ownership of these properties and has thus classified the leases as operating leases.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of goodwill and intangibles with indefinite useful lives.

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 27

Impairment of financial assets and property, plant & equipment.

The group has to make a judgment as to whether an impairment trigger is evident at each balance date. If a trigger is evident the asset must be tested for impairment, which requires the estimation of future cash flows and the use of an appropriate discount rate.

Impairment of non-financial assets other than goodwill

The group assess impairment of all assets at each reporting date by evaluating conditions specific to the group and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

Employee benefits (leave provisions)

The carrying amount of leave liabilities is calculated based on assumptions and estimates of when employees will take leave and the prevailing wage rates at the time the leave will be taken. Long service leave liability also requires a prediction of the number of employees that will achieve entitlement to long service leave.

Superannuation defined benefit plan

Various actuarial assumptions are required when determining the group's superannuation obligations. The bank's policy on superannuation defined benefit plan is disclosed in Note 2.24 and Note 44

Loan provisioning

The group determines whether loans are impaired on an ongoing basis. This requires an estimation of the value of future cash flows. The bank's policy for calculation of loan loss allowance is disclosed in Note 2.13

Assets held for sale – head office development asset

The fair value carrying amount of the head office development has been determined based on estimates of cost to completion and other variables associated with a development of this nature.

2.7 Securitisations

Securitised positions are held through a number of Special Purpose Entities ("SPEs"). As the Bank is exposed to the majority of the residual risk associated with these SPEs, their underlying assets, liabilities, revenues and expenses are reported in the Bank's consolidated balance sheet and income statement.

2.8 Trustee and funds management activities

Controlled entities of the Bank act as the Trustee and/or Manager for a number of funds. The assets and liabilities of these funds are not included in the consolidated financial statements. The parent entity does not have direct or indirect control of the funds as defined by Accounting Standard AASB 127 "Consolidated and Separate Financial Statements". Commissions and fees generated by the funds management activities are brought to account when earned.

2.9 Foreign currency transactions and balances

Both the functional and presentation currency of Bendigo and Adelaide Bank Limited and each of its subsidiaries is Australian dollars (AUD). Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling on the date of the transaction.

All amounts are expressed in Australian currency and all references to "$" are to Australian dollars unless otherwise stated. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date. Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the income statement in the financial year in which the exchange rates change.

2.10 Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the cash flow statement, cash includes cash on hand and in banks, short-term money market investments readily convertible into cash within 2 working days, net of outstanding overdrafts.

Bank overdrafts are carried at amortised cost. Interest is charged as an expense as it accrues.

2.11 Classification of financial instruments

Financial instruments in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified into one of five categories, which determines the accounting treatment of the financial instrument.

The classification depends on the purpose for which the instruments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

The classifications are:

Loans & receivables -	measured at amortised cost
Held to maturity -	measured at amortised cost
Held for trading -	measured at fair value with changes in fair value charged to the income statement
Available for sale -	measured at fair value with changes in fair value taken to equity
Non-trading liabilities -	measured at amortised cost

All derivative contracts are recorded at fair value in the balance sheet.

2.12 Financial assets and financial liabilities

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

All regular way purchases and sales of financial assets are recognised on the settlement date ie. the date the Group settles the purchase of the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

Gains or losses on available-for-sale investments are recognised as a separate component in equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Treasury financial assets – held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity where the group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Investments that are intended to be held to maturity are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

Treasury financial liabilities – deposits and subordinated debt

All treasury funding instruments are initially recognised at cost, being the fair value of the consideration given and including charges associated with the issue of the instrument. They are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For liabilities carried at amortised cost, gains and losses are recognised in income when the instruments are derecognised. Treasury funding instruments that are hedged are treated in accordance with the accounting policy for hedges.

Funding instruments that are issued in currencies other than AUD are accounted for at amortised cost. These transactions are restated to AUD equivalents each month with adjustments taken directly to income.

Financial assets – available for sale share investments

Investment securities available for sale consist of securities that are not actively traded by the economic entity.

Fair value of quoted investments in active markets are based on current bid prices. If the relevant market is not considered active (or the securities are unlisted), the economic entity establishes fair value by using valuation techniques, including recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Purchases and sales of financial assets and liabilities that require delivery of assets/securities within the time frame, and generally established by regulation or convention in the market place are recognised on the settlement date ie. the date that the group receives or pays the principal sum.

2.13 Loans and receivables

Loans and receivables are carried at amortised cost, using the effective interest method. The effective interest rate calculation includes the contractual terms of loans together with all fees, transaction costs and other premiums or discounts.

Loans with renegotiated terms are accounted for in the same manner, taking account of any change to the terms of the loan.

All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired.

Impairment loss is measured as the difference between the loan's carrying amount and the value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate.

Impairment losses are recognised in the income statement.

Specific provision

A specific provision is recognised for all impaired loans when there is reasonable doubt over the collectability of principal and interest in accordance with the loan agreement. All bad debts are written off against the specific provision in the period in which they are classified as not recoverable.

The provision is determined by specific identification and by estimation of expected losses in relation to loan portfolios where specific identification is impractical, based on historical impairment experience for these portfolios. These portfolios include unsecured credit cards, overdrawn accounts and personal loans, unsecured mortgage loans (property realisation shortfalls) where provisions are calculated based on historical loss experience.

Collective provision

Individual loans not subject to specific provisioning are grouped together according to their risk characteristics and are then assessed for impairment. Based on historical loss data and current available information for assets with similar risk characteristics, the appropriate collective provision is raised. Adjustments to the collective provisions are recognised as an expense in the income statement.

General reserve for credit losses

In addition a general reserve for credit losses is maintained to cover risks inherent in the loan portfolios. Movements in the general reserve for credit losses are recognised as an appropriation of retained earnings.

Australian Prudential Regulation Authority (“APRA”) requires that banks maintain a general reserve for credit losses at a minimum level of 0.50% of risk weighted assets (net of tax). In certain circumstances the collective provision can be included in this assessment.

2.14 Investments in associates and joint ventures accounted for using the equity method

The group's investment in associates is accounted for under the equity method of accounting in the consolidated financial statements. These are entities in which the group has significant influence and which is neither a subsidiary nor a joint venture. The financial statements of associates are used by the group to apply the equity method. The reporting dates of the associates and the group are identical and both use consistent accounting policies.

The investments in the associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the group's share of the results of operations of the associates, less any impairment in value. The income statement reflects the share of the results of operations of the associates.

Where there have been changes recognised directly in the associates' equity, the group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. The cumulative post acquisition changes in reserves are adjusted against the carrying amount of the investment.

Dividends receivable from associates are recognised in the parent entity’s income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the group’s share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2.15 Property, plant & equipment

Cost and valuation

Plant and equipment is measured at cost less accumulated depreciation and any impairment in value. Land is measured at fair value. Buildings are measured at fair value less accumulated depreciation.
Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Asset category	**2008**	**2007**
	Years	**Years**
Freehold buildings	40	40
Leasehold improvements	3 - 10	3 - 10
Plant & equipment	2 - 10	3 - 10

Impairment

Management has identified cash generating units and applicable impairment indicators in accordance with AASB 136 "Impairment of Assets".

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised in the income statement, unless they relate to revalued assets. Impairment losses of revalued assets are recognised in the revaluation reserve.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market-based evidence, which is the amount which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus. In addition, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Upon disposal, any revaluation reserve relating to the particular asset being disposed is transferred to retained earnings.

The fair value of property, plant and equipment is assessed at each reporting date. Also, external valuations are performed every three years (or more often if circumstances require) ensuring that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

2.16 Assets held for sale

An asset where the carrying amount will be recovered principally through a sale transaction is classified as held for sale.

The asset must be available for immediate sale in its present condition and the sale must be highly probable for an asset to be classified as held for sale.

Held for sale assets are measured at the lower of carrying amount and fair value less costs to sell.

Adjustments in carrying value to write the asset down to fair value less costs to sell are recognised as an impairment loss.

Assets held for sale are not depreciated.

2.17 Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an investment property at the time the cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under ‘Property, plant and equipment’ up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying value is recognised in profit or loss. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

2.18 Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at date of acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is not amortised. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Management has identified cash generating units and applicable impairment indicators in accordance with AASB 136 "Impairment of Assets".

Goodwill with respect to business combinations is allocated to identified cash generating units expected to benefit from the synergies of the combination.

Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates.

Where the recoverable amount of the cash generating unit is less than the carrying amount, which includes the allocated goodwill, an impairment loss is recognised in the income statement, with the goodwill being impaired first. Impairment losses of goodwill are not subsequently reversed.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash generating unit retained.

2.19 Intangibles assets

Acquired both separately and from a business combination

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition.

Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the income statement. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles, annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

The only intangible asset with an indefinite life currently carried by the group is the trustee licence relating to Sandhurst Trustees Limited.

Computer software

Computer software, other than software that is an integral part of the computer hardware, is capitalised as intangible software and amortised on a straight-line basis over the useful life of the asset.

Research and development costs

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is carried forward when it is probable the future economic benefits attributable to the asset will flow to the group.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Any expenditure carried forward is amortised over the period of expected future sales from the related project or expected useful life.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting period indicating that the carrying value may not be recoverable.

A summary of the policies applied to the group's intangible assets (excluding goodwill) is as follows:

	Trustee Licence	**Computer software/ Development costs**	**Intangible assets acquired in business combination**
Useful lives	Indefinite	Finite	Finite
Method used	Not amortised or revalued	Usually not in excess of 5 years – straight line (major software systems – 7 years)	Amortised to reflect period and pattern of economic benefits
Internally generated/acquired	Acquired	Internally generated or acquired	Acquired
Impairment test/ recoverable amount testing	Annually and where an indicator of impairment exists	Annually and where an indicator of impairment exists	Annually and where an indicator of impairment exists

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement where the asset is derecognised.

2.20 Trade and other payables

Liabilities for trade creditors and other amounts are carried at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Payables to related parties are carried at the amortised cost.

Interest, when charged by the lender, is recognised on an effective interest rate basis.

Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

Interest, when charged on payables to related parties, is recognised as an expense on an accrual basis using the effective interest method.

2.21 Reserve fund

The Trustee Companies Act 1984 requires that a reserve fund be maintained to provide for the event of the appointment of a liquidator, a receiver and manager or an administrator of a trustee company. In such an event, the monies in the reserve fund are available to be utilised in accordance with Section 39 (3) of the Trustee Companies Act 1984.

Sandhurst Trustees Limited complies with the Act by setting aside the value of at call investments, freehold property and other financial assets to the reserve fund.

2.22 Deposits

All deposits and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

2.23 Provisions

Provisions are recognised when the economic entity 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.

A provision for dividend is not recognised as a liability unless the dividend is declared, determined or publicly recommended on or before the reporting date.

2.24 Employee benefits

Wages and Salaries, Annual leave, Sick leave and Directors' Retirement Provision

Liabilities for wages and salaries have been recognised and measured as the amount which the economic entity has a present obligation to pay, at balance date, in respect of employees' service up to that date. Liabilities have been calculated at nominal amounts based on wage and salary rates current at balance date and include related on-costs. Wages and salaries liabilities are recognised in payables.

Annual leave liabilities are accrued on the basis of full pro rata entitlement at their nominal amounts, being the amounts estimated to apply when the leave is paid. Sick leave bonus liability has been calculated at balance date in accordance with the relevant group policy, which provides entitlement dependent on an individual employees' years of service and unused sick leave.

Directors' retirement provision accruals ceased with effect 31 August 2005, due to the crystallisation of entitlements at that date as disclosed in the Bendigo and Adelaide Bank Limited Financial Report 30 June 2005.

Long Service Leave

Long service leave has been assessed at full pro rata entitlement in respect of all employees with more than five year's service. The amount provided meets the requirement of Accounting Standard AASB 119 "Employee Benefits", which requires the assessment of the likely number of employees that will ultimately be entitled to long service leave, the estimated salary rates that will apply when the leave is paid, discounted to take account of the time value of money.

Annual leave, sick leave, Directors' retirement and long service leave liabilities are recognised in provisions.

Superannuation

Accumulation fund

Contributions are made to an employee accumulation superannuation fund and are charged to expenses when incurred.

Defined benefit plan

Contributions made to the defined benefit plan by entities within the consolidated entity are added to the superannuation asset in the balance sheet. Any actuarial gains or losses are applied to the retained earnings with other fund movements being recognised in the income statement.

2.25 Share based payments

The Group provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares, rights or options over shares.

There are currently two plans in place to provide these benefits:

1. the Employee Share Plan ("ESP"), which provides benefits only to the general staff. Executives (including the Managing Director) may not participate in it.

Under the terms of the ESP, shares are issued at the prevailing market value at the time of the issues. The shares must be paid for by the staff member. The ESP provides staff members with an interest-free loan for the sole purpose of acquiring Bendigo and Adelaide Bank shares. Dividends paid on shares issued under the plan are applied primarily to repay the loans. Staff cannot deal in the shares until the loan has been repaid.

The unpaid portion of the issued shares, reflected in the outstanding balance of interest-free loans advanced to employees, is accounted for as ESP shares. The outstanding loan value of the ESP shares is deducted from equity in the balance sheet.

The cost of issues under the plan is measured by reference to the fair value of the equity instruments at the date at which they are granted. Shares granted under the ESP, vest immediately and are expensed to the Income Statement with the employee benefits reserve increasing by a corresponding amount.

2. the Executive Incentive Plan ("EIP"), which provides for grants of performance options and rights to key executives, including the Managing Director.

Under the EIP, eligible executives are granted options and performance rights subject to performance conditions set by the Board. If the performance conditions are satisfied during the relevant performance period, the options and performance rights will vest.

The cost of these equity-settled transactions under the EIP is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined with the assistance of an external valuer using a binomial model.

The cost of equity-settled transactions is recognised, together with a corresponding increase to employee benefits reserve, over the period in which the performance conditions are fulfilled (the vesting period), ending on the date on which the relevant executive becomes fully entitled to the award.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2.26 Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses over the period of the lease on a straight-line basis unless another systematic basis is more representative of the time pattern of the benefit.

The economic entity has no leases deemed to be finance leases where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities within the economic entity.

2.27 Financial guarantees

Bank guarantees have been issued by the bank on behalf of customers whereby the bank is required to make specified payments to reimburse the holders for a loss they may incur because the customer fails to make a payment.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach.

In order to estimate the fair value under this approach the following assumptions have been made:

- Probability of default (PD): This represents the likelihood of the guaranteed party defaulting in a 1 year period and is assessed on historical default rates.
- Loss given default (LGD): This represents the proportion of the exposure that is not expected to be recovered in the event of a default by the guaranteed party and is based on historical experience.
- Exposure to default (EAD): This represents the maximum loss that Bendigo and Adelaide Bank is exposed to if the guaranteed party were to default. The model assumes that the guaranteed loan/facility/contract is at maximum possible exposure at the time of default.

The value of the financial guarantee over each future year of the guarantees' life is then equal to PD x LGD x EAD, which is discounted over the contractual term of the guarantee, to reporting date to determine the fair value. The discount rate adopted is the five year Commonwealth government bond yield at 30 June. The contractual term of the guarantee matches the underlying obligations to which it relates.

As guarantees issued by the bank are fully secured and the bank has therefore never incurred a loss in relation to financial guarantees, the LGD (proportion of the exposure that is not expected to be recovered) is zero. This results in the fair value of financial guarantees to be zero.

Therefore, the fair value of financial guarantees has not been included in the balance sheet. The nominal value of financial guarantees is disclosed in the "Contingent liabilities" note of this financial report.

2.28 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest, fees and commissions

Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

Interest, fee and commission revenue is brought to account on an accruals basis. Interest is accrued using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument.

Loan origination and loan application fees

Loan origination and application fees are amortised as a component of the calculation of the effective interest rate method in relation to originated loans. They therefore reduce the interest recognised in relation to this portfolio of loans.

The average life and interest recognition pattern of loans in the relevant loan portfolios is reviewed annually to ensure the amortisation methodology is appropriate.

Unearned income

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

Loan portfolio premium

The loan portfolio premium is included as part of net loans and receivables in the balance sheet. The amortisation of the loan portfolio premium is charged to the Income statement on an effective yield basis and is included in net interest income.

Day 1 Profit

Where the transaction price in a non-active market is different to the fair value from other observable market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit) in the income statement in 'Other income'.

Dividends

Dividends are recognised when control of a right to receive consideration for the investment in assets is established.

2.29 Borrowing costs

Borrowing costs are recognised as an expense when incurred unless they are incurred in relation to qualifying assets.

Borrowing costs for qualifying assets are capitalised as part of the cost of that asset.

2.30 Income tax

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.

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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets 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 assets 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.

2.31 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.

2.32 Derecognition of financial instruments

The derecognition of a financial instrument takes place when the group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

2.33 Derivative financial instruments

The group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates with similar maturity profiles. The fair value of interest rate swap contracts is determined by discounting the expected future cash flows associated with the swaps. Discount rates are determined by reference to swap curves available through independent market data providers.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the income statement.

Any gain or loss attributable to the hedged risk on remeasurement of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the income statement such that it is fully amortised by maturity.

In relation to cash flow hedges, to hedge firm commitments which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

The group tests each of the designated cash flow hedges for effectiveness on a monthly basis both retrospectively and prospectively using regression analysis. A minimum of 30 data points is used for regression analysis and if the testing falls within the 80:125 range the hedge is considered highly effective and continues to be designated as a cash flow hedge.

When the hedged firm commitment results in the recognition of an asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the year.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

2.34 Issued ordinary capital

Issued and paid up ordinary capital is recognised at the fair value of the consideration received by the company. Any transaction costs (net of any tax benefit) arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

2.35 Hybrid capital instruments

Perpetual non-cumulative redeemable convertible preference shares

Preference capital is recognised at the fair value of the consideration received by the company. Any transaction costs (net of any tax benefit) arising on the issue of preference shares are recognised directly in equity as a reduction of the share proceeds received. Dividends on the shares are recognised as a distribution of equity.

Reset preference shares

These instruments are classified as debt within the Balance sheet and distributions to the holders are treated as interest expense in the Income statement.

Step up preference shares

These instruments are classified as equity and the dividends are recognised as a distribution of equity.

2.36 Earnings per ordinary share (EPS)

Basic EPS is calculated as net profit attributable to members, adjusted to exclude cost of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends), preference share dividends and movements in general reserve for credit losses; the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Cash basis EPS is calculated as net profit attributable to members, adjusted for:

- after tax intangibles amortisation (except intangible software amortisation); and
- after tax significant income and expense items
- costs of servicing equity (other than dividends), preference share dividends and movements in general reserve for credit losses

divided by the weighted average number of ordinary shares, adjusted for any bonus element.

3. SEGMENT INFORMATION

The Group's primary reporting format is business segments and its secondary format is geographical segments.

Business segments

The Group's business segments have been realigned to reflect the organisational structure following the merger with Adelaide Bank. These segments are managed according to the nature of products and services provided and the key delivery channels, with each segment representing a strategic business unit that offers a different delivery method and/or different products and services.

Retail banking

Net interest income predominantly derived from the provision of first mortgage finance less the interest paid to depositors; and fee income from the provision of banking services delivered through the company-owned branch network and the Group's share of net interest and fee income from the community bank branch network.

Wholesale banking

Net interest income and fees derived from the Partner Advised business unit, which manufactures and processes residential home loans, distributed through mortgage brokers and mortgage managers and the Portfolio Funding and Specialised Lending businesses of the Group.

Wealth solutions

Fees, commissions and interest from the provision of financial planning services and margin lending activities. Commission received as Responsible Entity for managed investment schemes and for corporate trusteeships and other trustee and custodial services.

Joint ventures and Alliances

Profit share from equity accounted investments in associates and revenue from alliances and minor subsidiaries.

Corporate support

Unallocated corporate support business units.

Geographic segments

Bendigo and Adelaide Bank Limited and its controlled entities operate predominately in the geographic areas of all Australian states and territories, providing banking and other financial services.

Intersegment transactions

Applicable commercial rates are used as the basis for pricing intersegment transactions.

SEGMENT INFORMATION (continued)

Business segments

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2008 and 2007.

For the year ended 30 June 2008

	Retail Banking	Wholesale Banking	Wealth Solutions	J/Ventures & Alliances	Total Segments	Corporate Support	Total
Income	$m	$m	$m	$m	$m	$m	$m
Net interest income	420.7	73.4	48.5	-	**542.6**	(28.3)	**514.3**
Other income							
Other external income	172.1	19.2	54.6	-	**245.9**	28.4	**274.3**
Other intersegment income	-	-	-	-	**-**	-	**-**
Total other income	172.1	19.2	54.6	-	245.9	28.4	274.3
Share of net profit of equity accounted investments	-	-	-	26.4	**26.4**	-	**26.4**
Total segment income after interest expense							
External income	592.8	92.6	103.1	26.4	**814.9**	0.1	**815.0**
Intersegment income	-	-	-	-	**-**	-	**-**
Total segment income	592.8	92.6	103.1	26.4	**814.9**	0.1	**815.0**
Results							
Segment result from continuing operations before income tax expense	193.1	56.1	42.3	26.4	**317.9**	(71.3)	**246.6**
Income tax expense							**(75.4)**
Minority interests							**(0.7)**
Consolidated entity profit from continuing operations after income tax expense							**170.5**
Assets							
Segment assets	17,013.3	18,888.8	3,860.2	482.7	**40,245.0**	7,592.7	**47,837.7**
Equity accounted assets	-	-	-	185.2	**185.2**	**-**	**185.2**
Total assets	17,013.3	18,888.8	3,860.2	667.9	**40,430.2**	7,592.7	**48,022.9**
Liabilities							
Total liabilities	14,913.3	8,101.8	10,110.1	632.8	**33,758.0**	10,994.9	**44,752.9**
Impairment losses recognised in profit and loss	-	-	-	-	-	35.4	**35.4**
Other segment information							
Non-cash expenses							
Depreciation	14.2	0.9	1.1	-	**16.2**	0.5	**16.7**
Amortisation of intangibles	6.4	0.4	0.3	-	**7.1**	-	**7.1**
Impairment losses recognised in profit & loss	-	-	-	-	**-**	4.0	**4.0**
Non-cash expenses other than depreciation and amortisation	33.0	4.9	20.0	-	**57.9**	(7.8)	**50.1**
Acquisition of property, plant & equipment, intangible assets and other non-current assets	57.1	0.3	0.7	-	**58.1**	71.9	**130.0**

For the year ended 30 June 2007

	Retail Banking	Wholesale Banking	Wealth Solutions	J/Ventures & Alliances	Total Segments	Corporate Support	Total
Income	$m	$m	$m	$m	$m	$m	$m
Net interest income	349.0	-	8.1	-	**357.1**	-	**357.1**
Other income							
Other external income	127.3	-	46.7	-	**174.0**	9.2	**183.2**
Other intersegment income	0.2	-	0.1	-	**0.3**	(0.3)	**-**
Total other income	127.5	-	46.8	-	174.3	8.9	183.2
Share of net profit of equity accounted investments	-	-	-	21.9	**21.9**	-	**21.9**
Total segment income after interest expense							
External income	476.3	-	54.8	21.9	**553.0**	9.2	**562.2**
Intersegment income	0.2	-	0.1	-	**0.3**	(0.3)	**-**
Total segment income	476.5	-	54.9	21.9	**553.3**	8.9	**562.2**
Results							
Segment result from continuing operations before income tax expense	150.7	-	27.5	21.9	**200.1**	(22.2)	**177.9**
Income tax expense							**(56.2)**
Minority interests							**0.1**
Consolidated entity profit from continuing operations after income tax expense							**121.8**
Assets							
Segment assets	13,014.3	-	136.4	426.2	**13,576.9**	3,268.4	**16,845.3**
Equity accounted assets	-	-	-	156.3	**156.3**	**-**	**156.3**
Total assets	13,014.3	-	136.4	582.5	**13,733.2**	3,268.4	**17,001.6**
Liabilities							
Total liabilities	11,688.8	-	164.6	470.4	**12,323.8**	3,662.8	**15,986.6**
Other segment information							
Non-cash expenses							
Depreciation	12.4	-	0.3	-	**12.7**	0.2	**12.9**
Amortisation of intangibles	5.3	-	0.1	-	**5.4**	-	**5.4**
Impairment losses recognised in profit & loss	-	-	-	-	**-**	-	**-**
Non-cash expenses other than depreciation and amortisation	26.2	-	13.5	-	**39.7**	(10.6)	**29.1**
Acquisition of property, plant & equipment, intangible assets and other non-current assets	34.2	-	1.0	-	**35.2**	128.0	**163.2**

4. PROFIT

Profit before income tax expense has been determined as follows:

	Consolidated 2008 $m	Consolidated 2007 $m	Parent 2008 $m	Parent 2007 $m
(a) Income:				
Interest income				
Controlled entities				
Cash and cash equivalents	-	-	0.2	2.6
Financial assets (treasury) held for trading, available for sale and held to maturity	-	-	3.7	-
Loans and other receivables	-	-	3.0	3.0
Other persons/entities				
Cash and cash equivalents	7.2	4.5	7.2	4.5
Financial assets (treasury) held for trading	89.8	-	-	-
Financial assets (treasury) available for sale	40.7	24.6	40.7	24.6
Financial assets (treasury) held to maturity	128.1	104.0	115.3	100.5
Loans and other receivables	2,368.2	925.5	1,057.5	873.9
	2,634.0	1,058.6	1,227.6	1,009.1
Adelaide Bank derivatives ineffective post acquistion	(28.3)	-	-	-
Cash flow derivative - controlled entity	-	-	(148.4)	-
Total interest income	2,605.7	1,058.6	1,079.2	1,009.1
Interest expense				
Controlled entities				
Wholesale - domestic	-	-	0.9	0.8
Other persons/entities				
Deposits				
Retail	1,036.5	515.7	663.5	506.1
Wholesale - domestic	304.1	76.5	89.4	64.5
Wholesale - offshore	119.2	65.0	79.2	65.0
Other borrowings				
Notes payable	583.8	23.1	-	-
Reset preference shares	3.2	-	3.7	-
Subordinated debt	44.6	21.2	26.3	21.2
Total interest expense	2,091.4	701.5	863.0	657.6
Other revenue				
Dividends				
Controlled entities	-	-	178.8	25.9
Associates	-	-	14.6	11.9
Other	3.7	3.4	3.6	3.4
Distribution from unit trusts	0.2	0.4	-	-
	3.9	3.8	197.0	41.2
Fees				
Assets	44.6	23.4	30.8	22.3
Liabilities & electronic delivery	85.0	69.8	76.4	69.7
Securitisation income	15.9	-	-	-
Trustee, management & other services	11.5	9.5	0.6	2.2
Trading profit/(loss) - held for trading securities	(0.6)	-	-	-
Other	16.0	11.7	13.2	11.4
	172.4	114.4	121.0	105.6
Commissions				
Wealth solutions	37.7	35.2	0.4	0.4
Insurance	12.9	9.6	7.3	6.3
Other	3.8	3.3	3.7	3.3
	54.4	48.1	11.4	10.0
Other				
Income from property	1.2	0.9	16.9	11.6
Foreign exchange income	6.5	5.1	6.5	5.1
Other	8.5	4.9	(2.3)	0.1
	16.2	10.9	21.1	16.8
Other income				
Profit/(loss) on disposal of property, plant & equipment	0.4	-	0.4	0.1
Profit on sale of other investments	1.8	6.0	1.8	4.0
Realised accounting gain on Visa Inc shares	25.2	-	18.6	-
	27.4	6.0	20.8	4.1

	Consolidated		Parent	
	2008	2007	2008	2007
	$m	$m	$m	$m
(b) Expenses				
Bad and doubtful debts				
Specific provision	13.7	5.5	8.3	5.6
Collective provision	2.9	2.6	(1.0)	2.4
Bad debts written off	9.1	0.7	0.4	(0.1)
Bad debts recovered	(2.6)	(0.6)	(0.7)	(0.6)
	23.1	8.2	7.0	7.3
Staff and related costs				
Salaries and wages	182.1	148.1	140.2	134.4
Superannuation contributions	18.9	14.5	14.0	13.2
Provision for annual leave	5.2	(0.2)	0.8	0.1
Provision for long service leave	10.6	2.0	1.6	2.1
Other provisions	0.6	0.9	0.6	1.0
Payroll tax	12.4	9.0	8.9	8.2
Fringe benefits tax	3.4	2.5	2.4	2.2
Executive equity transactions expense	3.3	0.9	5.0	0.9
Other	19.8	10.0	14.9	9.5
	256.3	187.7	188.4	171.6
Occupancy costs				
Operating lease rentals	22.2	17.3	35.1	29.5
Depreciation of buildings	-	0.2	-	-
Amortisation of leasehold improvements	3.3	2.5	3.3	2.5
Property rates and outgoings	2.1	1.5	1.4	1.4
Land tax	0.1	0.2	-	-
Repairs and maintenance	5.3	3.2	4.1	3.0
Utililities	2.9	2.0	2.4	1.8
Cleaning	3.5	2.5	3.1	2.4
Other	3.6	2.1	2.8	2.0
	43.0	31.5	52.2	42.6
Amortisation of intangibles				
Amortisation of intangible assets	0.8	1.2	-	-
Amortisation of intangible software	6.3	4.2	5.2	4.1
Impairment losses on goodwill	4.0	-	-	-
	11.1	5.4	5.2	4.1
Property, plant & equipment costs				
Depreciation of property, plant & equipment	13.4	10.3	9.9	9.5
Fees and commissions	20.4	20.2	16.6	16.7
Impairment loss on equity investments	30.3	-	30.2	-
Integration costs	9.4	-	4.8	-
Other				
Administration expenses				
Communications, postage and stationery	28.9	23.8	24.5	23.0
Computer systems and software costs	44.2	34.8	36.8	33.7
Advertising & promotion	16.9	10.9	14.5	10.3
Other product & services delivery costs	26.8	20.4	24.9	20.3
Impairment loss - asset held for sale (2007 - shares in controlled entities)	1.1	-	1.1	9.9
General administration expenses	34.8	23.6	20.9	21.3
Other	7.5	7.1	5.4	9.3
	160.2	120.6	128.1	127.8
Borrowing costs	1.2	0.4	0.6	0.4
Total other	161.4	121.0	128.7	128.2

5. UNDERLYING PROFIT

Underlying profit shows the growth in the core business of the economic entity

	Consolidated	
	2008	2007
	$m	$m
Profit after income tax expense	170.5	121.8
Add,		
Bad and doubtful debts expense (net of bad debts recovered)	23.1	8.2
Amortisation of intangibles excluding software amortisation)	4.8	1.2
Significant items before tax (Note 9)	49.9	7.3
Income tax expense - total (Note 6)	75.4	56.2
Underlying profit before income tax	323.7	194.7

6. INCOME TAX EXPENSE

Major components of income tax expense are:

	Consolidated		Parent	
	2008	2007	2008	2007
	$m	$m	$m	$m
Income statement				
Current income tax				
Current income tax charge	117.8	67.2	41.2	48.4
Adjustments in respect of current income tax of previous years	0.6	(1.1)	(0.7)	(1.1)
Deferred income tax				
Relating to origination and reversal of temporary differences	(35.9)	(3.2)	(51.9)	(3.6)
Imputation credits	(7.1)	(6.7)	(7.1)	(6.7)
Income tax expense reported in the income statement	75.4	56.2	(18.5)	37.0
Statement of changes in equity				
Deferred income tax related to items charged or credited directly in equity				
Net gain/(loss) on cash flow hedge	33.1	-	24.2	-
Net gain/(loss) on revaluation of investments	(8.0)	2.7	(8.0)	2.7
Net gain on revaluation of land and buildings	-	0.2	-	0.1
Net gain on acquisition revaluations	3.2	-	-	-
Other	0.6	-	-	-
Income tax benefit reported in equity	28.9	2.9	16.2	2.8

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

Income tax expense attributable to:				
Accounting profit before income tax	246.6	177.9	144.5	149.2

	Consolidated		Parent	
	2008	2007	2008	2007
	$m	$m	$m	$m
The 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	74.0	53.4	43.3	44.8
under (over) provision in prior years	0.6	(1.1)	(0.7)	(1.1)
tax credits and adjustments	(7.1)	(6.7)	(7.1)	(6.7)
Land, buildings and improvements	0.6	0.5	0.6	0.5
Accrued expenses	3.4	0.1	-	0.1
Borrowing costs	(7.1)	-	-	-
Deferred Expenses	21.5	(1.2)	(6.6)	(1.3)
Plant and equipment	0.6	0.3	0.6	0.3
Capital allowances	0.1	0.2	0.1	0.2
Expenditure not allowable for income tax purposes	15.8	16.1	10.9	5.7
Deferred tax movement	(35.9)	(3.2)	(51.9)	(3.6)
Other non assessable income	(7.5)	-	(6.7)	-
Tax effect attributable to associates	5.7	-	-	-
Post-employment benefits	0.1	0.5	0.7	0.6
Movement in loan provisions	3.2	0.6	0.1	0.6
Movement in provisions	3.1	0.4	3.2	0.4
Tax effect of franking credits	2.1	2.0	2.1	2.0
Other	2.2	(5.7)	(7.1)	(5.5)
Income tax expense reported in the consolidated income statement	75.4	56.2	(18.5)	37.0
Effective income tax rate	30.6%	31.6%	-12.8%	24.8%

Deferred income tax

Deferred income tax at 30 June relates to the following:

	Balance sheet		Income statement	
	2008	2007	2008	2007
	$m	$m	$m	$m
Consolidated				
Deferred tax liabilities				
Land, buildings and improvements	(4.3)	(0.4)	(0.1)	-
Revaluations of available-for-sale financial assets to fair value	(3.6)	(16.3)	(5.1)	0.4
Deferred gains and losses of interest rate swaps	(68.3)	-	0.8	
Deferred gains and losses on foreign exchange contracts	1.3	(0.1)	(0.6)	0.1
Deferred expenses	(5.5)	(3.6)	2.4	1.2
Borrowing costs	(3.6)	-	7.1	-
Lease receivable	(12.7)	-	(0.1)	-
Other	(1.8)	(1.4)	0.1	(0.1)
Deferred tax liabilities	(98.5)	(21.8)		
Deferred tax assets				
Accrued expenses	5.2	0.1	(3.4)	(0.1)
Deferred expenses	22.4	-	(23.6)	-
Merger costs	8.0	-	(1.9)	-
Post-employment benefits	12.1	7.3	(0.1)	(0.5)
Deferred gains and losses of interest rate swaps	(0.1)	1.5	-	(1.1)
Expenses tax depreciable	1.1	0.9	(0.1)	(0.2)
Land, buildings and improvements	4.9	3.6	(1.2)	(0.5)
Plant and equipment	3.7	2.1	(0.6)	(0.3)
Movement in provisions	8.0	4.8	(3.1)	(0.4)
Prepaid income	24.1	1.7	(3.1)	(0.5)
Movement in loan provisions	19.5	5.9	(3.2)	(0.6)
Other	4.9	4.7	(0.1)	(0.6)
Deferred tax assets	113.8	32.6		
Deferred tax income/(expense)			(35.9)	(3.2)

INCOME TAX EXPENSE (continued)

	Balance sheet		Income statement	
	2008	2007	2008	2007
Bendigo and Adelaide Bank	$m	$m	$m	$m
Deferred tax liabilities				
Land, buildings and improvements	(0.1)	(0.1)	(0.1)	-
Revaluations of available-for-sale financial assets to fair value	(1.8)	(15.8)	(6.7)	-
Revaluations of interest rate swaps to fair value	(27.7)	-	-	
Deferred expenses	(9.6)	(3.4)	6.6	1.4
Other	0.4	(1.5)	(0.4)	0.1
Deferred tax liabilities	(38.8)	(20.8)		
Deferred tax assets				
Post-employment benefits	7.9	7.2	(0.7)	(0.6)
Revaluations of interest rate swaps to fair value	46.3	1.8	(43.7)	(1.1)
Expenses tax depreciable	1.1	0.9	(0.1)	(0.2)
Land, buildings and improvements	3.8	3.2	(0.7)	(0.5)
Plant and equipment	2.7	1.8	(0.5)	(0.3)
Movement in provisions	7.9	4.7	(3.2)	(0.4)
Prepaid income	1.5	1.7	0.2	(0.5)
Movement in loan provisions	5.8	5.7	(0.1)	(0.6)
Other	7.3	4.5	(2.5)	(0.9)
Deferred tax assets	84.3	31.5		
Deferred tax income/(expense)			(51.9)	(3.6)

At 30 June 2008, there is no unrecognised deferred income tax liability (2007: Nil) for taxes that would be payable on the unremitted earnings of certain of the group's subsidiaries, associates or joint ventures, as the group has no liability for additional taxation should such amounts be remitted.

Tax consolidation

Effective 1 July 2002, for the purposes of income taxation, Bendigo and Adelaide Bank Limited and its 100% owned subsidiaries formed a tax consolidated group. Members of the group entered into a tax sharing agreement in order to allocate income tax expense to the wholly-owned subsidiaries on a stand alone basis. In addition the agreement provides for the allocation of income tax liabilities between the entities 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.

There has not been any material effect on tax assets or liabilities as a result of any revised tax legislation. Bendigo and Adelaide Bank Limited formally notified the Australian Tax Office of its adoption of the tax consolidation regime upon the lodgement of its 2003 income tax return.

Tax effect accounting by members of the tax consolidated group

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 stand alone taxpayer basis, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principle of Accounting Standard AASB 112 “Income Taxes”. Allocations under the tax funding agreement are made at the end of each month.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries inter-company accounts with the tax consolidated group head company, Bendigo and Adelaide Bank Limited. Because under UIG 1052 Tax Consolidation Accounting the allocation of current taxes to tax consolidated group members on the basis of accounting profits is not an acceptable method of allocation given the group's circumstances, the difference between the current tax amount that is allocated under the tax funding agreement and the amount that is allocated under an acceptable method is recognised as a contribution/distribution of the subsidiaries' equity accounts.

In preparing the accounts of Bendigo and Adelaide Bank Limited for the current year, the following amounts have been recognised as tax-consolidation contribution adjustments:

	Parent	
	2008	2007
	$m	$m
Total increase/(reduction) to tax expense of Bendigo Bank Limited	6.6	1.6
Total increase/(reduction) to inter-company assets of Bendigo Bank Limited	(6.6)	(1.6)

7. AVERAGE BALANCE SHEET AND RELATED INTEREST

For the twelve month period ended 30 June 2008

	Footnote	Average Balance $m	Interest 12 mths $m	Average Rate %
Average balances and rates	*1*			
Interest earning assets				
Cash and investments		4,125.7	265.8	6.44
Loans and other receivables - company		24,576.4	2,061.3	8.39
Loans and other receivables - alliances		5,060.1	386.4	7.64
Total interest earning assets	*2*	33,762.2	2,713.5	8.04
Non interest earning assets				
Provisions for doubtful debts		(41.0)		
Other assets		1,902.1		
		1,861.1		
Total assets (average balance)		35,623.3		
Interest bearing liabilities				
Deposits				
Retail - company		13,036.6	732.9	5.62
Retail - alliances		5,906.0	383.1	6.49
Wholesale - domestic		4,474.0	304.1	6.80
Wholesale - offshore		1,483.6	119.2	8.03
Notes payable		7,326.7	583.8	7.97
Reset preference shares		52.2	3.2	6.13
Subordinated debt		552.6	44.6	8.07
Total interest bearing liabilities	*2*	32,831.7	2,170.9	6.61
Non interest bearing liabilities and equity				
Other liabilities		536.5		
Equity		2,255.1		
		2,791.6		
Total liabilities and equity		35,623.3		
Interest margin and interest spread				
Interest earning assets		33,762.2	2,713.5	8.04
Interest bearing liabilities		(32,831.7)	(2,170.9)	(6.61)
Net interest income and interest spread	*3*		542.6	1.43
Net interest margin before cash flow hedge - ineffectiveness				1.61
Adelaide Bank derivatives ineffective post acquistion			(28.3)	(0.09)
Net interest margin	*4*		514.3	1.52
Impact of community bank/alliances profit share arrangements				
Net interest margin before community bank/alliances share of net interest income and cash flow hedge ineffectiveness				1.93
Less impact of community bank/alliances share of net interest income				0.32
Net interest margin before cash flow hedge ineffectiveness				1.61

1 Average balance is based on monthly closing balances from 30 June 2007 through 30 June 2008 inclusive, with the exception of Wholesale domestic, which is based on a daily closing balance.
2 Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by $79.5m to reflect the gross amounts.
3 Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.
4 Interest margin is the net interest income as a percentage of average interest earning assets.

AVERAGE BALANCE SHEET AND RELATED INTEREST (continued)

For the twelve month period ended 30 June 2007

	Footnote	Average Balance $m	Interest 12 mths $m	Average Rate %
Average balances and rates	*1*			
Interest earning assets				
Cash and investments		2,271.6	133.1	5.86
Loans and other receivables - company		8,939.1	696.9	7.80
Loans and other receivables - alliances		4,059.2	285.5	7.03
Total interest earning assets	*2*	15,269.9	1,115.5	7.31
Non interest earning assets				
Provisions for doubtful debts		(19.2)		
Other assets		720.1		
		700.9		
Total assets (average balance)		15,970.8		
Interest bearing liabilities				
Deposits				
Retail - company		6,911.6	300.2	4.34
Retail - alliances		4,824.4	272.4	5.65
Wholesale - domestic		1,338.6	76.5	5.71
Wholesale - offshore		1,015.7	65.0	6.40
Notes payable		314.5	23.1	7.34
Reset preference shares		-	-	-
Subordinated debt		295.9	21.2	7.16
Total interest bearing liabilities	*2*	14,700.7	758.4	5.16
Non interest bearing liabilities and equity				
Other liabilities		330.0		
Equity		940.1		
		1,270.1		
Total liabilities and equity		15,970.8		
Interest margin and interest spread				
Interest earning assets		15,269.9	1,115.5	7.31
Interest bearing liabilities		(14,700.7)	(758.4)	(5.16)
Net interest income and interest spread	*3*		357.1	2.15
Net interest margin	*4*			2.34

Impact of community bank/alliances profit share arrangements

Net interest margin before community bank/alliances share of net interest income	2.90
Less impact of community bank/alliances share of net interest income	0.56
Net interest margin	2.34

1 Average balance is based on monthly closing balances from 30 June 2006 through 30 June 2007 inclusive, with the exception of Wholesale domestic, which is based on a daily closing balance.
2 Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by $56.9m to reflect the gross amounts.
3 Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.
4 Interest margin is the net interest income as a percentage of average interest earning assets.

8. CAPITAL MANAGEMENT

a. Capital management

Bendigo and Adelaide Bank Limited's (Bendigo's) key capital management objectives are to:

- Optimise the level and use of capital resources to enhance shareholder value through maximising financial performance;
- 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;
- Ensure that capital management is closely aligned with the Group's business and strategic objectives; and
- Achieve progressive improvement to short- and long-term credit ratings.

The Group manages capital adequacy according to the framework provided by APRA's Prudential Standards. Capital adequacy is measured at two levels:

- Level 1 includes Bendigo and Adelaide Bank Limited (Bendigo) and certain controlled entities that meet the APRA definition of extended licensed entities; and
- Level 2 consists of the consolidated group, excluding non-controlled subsidiaries and subsidiaries involved in insurance, funds management, non-financial operations and securitisation special purpose vehicles.

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 is required to maintain a minimum prudential capital ratio (eligible capital as a percentage of total risk-weighted assets) at both Level 1 and Level 2 as determined by APRA. As part of Bendigo's capital management process, the Board considers the Group's strategy, financial performance objectives, ACE ratio, 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 Bendigo's internal capital adequacy assessment process (or iCAAP).

Bendigo has adopted APRA's Standardised Approach to credit risk, which requires the Group to determine capital requirements based on standards set by APRA.

Bendigo satisfied APRA's minimum capital requirements at Levels 1 and 2 throughout the 2007/8 financial year.

APRA has defined two broad categories of capital, and the form and substance of their components must meet APRA's specific requirements in order to be eligible for inclusion in the Group's capital base. Tier 1 capital comprises the highest quality components of capital, and Tier 2 includes other components of lesser quality, but which still contribute to the overall strength of the Group as a going concern. At least half of Bendigo's eligible capital must be held in the form of Tier 1 capital.

CAPITAL MANAGEMENT (continued)

b. Capital adequacy

	Consolidated	
	As at June 2008 $m	**As at June 2007 $m**
Risk weighted capital ratios		
Tier 1	7.52%	7.98%
Tier 2	2.91%	2.26%
Total capital ratio	10.43%	10.24%
Qualifying capital		
Tier 1		
Contributed capital	2,706.3	693.7
Retained profits & reserves	207.5	234.8
Innovative tier 1 capital	277.9	-
Less,		
Intangible assets, cash flow hedges and capitalised expenses	1,592.5	104.9
Net deferred tax assets	66.9	4.9
50/50 deductions	40.6	-
Other adjustments as per APRA advice	-	40.6
Total tier 1 capital	1,491.7	778.1
Tier 2		
General reserve for credit losses/collective provision (net of tax effect)	103.6	53.2
Subordinated debt	681.8	307.1
Asset revaluation reserves	11.4	21.5
	796.8	381.8
Less,		
50/50 deductions	40.6	-
Other adjustments as per APRA advice	179.5	-
Subsidiary investment residual	-	9.0
Total tier 2 capital	576.7	372.8
Less,		
Investments in non-consolidated subsidiaries or associates and other bank's capital instruments	-	151.9
Total qualifying capital	2,068.4	999.0
Total risk weighted assets	**19,820.8**	**9,754.0**

c. Adjusted common equity (“ACE”) and Adjusted total equity (“ATE”)

Adjusted common equity and Adjusted total equity are measures considered by Standard & Poor’s in evaluating the Bank’s credit rating. The ACE and ATE ratios have been calculated in accordance with the Standard & Poor’s methodology.

	Consolidated	
	As at June 2008 $m	As at June 2007 $m
Shareholders' equity	2,766.9	624.9
Minority interest equity	-	(0.7)
Retained earnings	242.0	232.4
Expected dividends	(99.4)	(46.6)
Goodwill	(1,460.4)	(93.7)
Other deductions	(4.5)	-
	1,444.6	716.3
Adjusted Common Equity ratio to risk weighted assets	7.29%	7.34%
Investments in associates and joint ventures equity accounted for	(185.2)	(156.3)
Hybrid capital	278.0	88.5
Subsidiary investment residual	(9.0)	(9.0)
Adjusted total equity	1,528.4	639.5
Adjusted Total Equity ratio to risk weighted assets	7.71%	6.56%

9. EARNINGS PER ORDINARY SHARE

	Consolidated	
	2008	2007
	Cents per share	Cents per share
Basic earnings per ordinary share	74.8	81.9
Diluted earnings per ordinary share	74.7	81.1
Cash basis earnings per ordinary share	93.7	82.9
	$m	$m
Reconciliation of earnings used in the calculation of basic earnings per ordinary share		
Profit after tax	171.2	121.7
(Profit)/loss attributable to minority interests	(0.7)	0.1
Dividends paid on preference shares	(5.5)	(4.8)
Dividends paid/accrued on step up preference shares	(3.7)	-
	161.3	117.0
Reconciliation of earnings used in the calculation of diluted earnings per ordinary share		
Earnings used in calculating basic earnings per ordinary share	161.3	117.0
Add back dividends on dilutive preference shares	-	4.8
	161.3	121.8

EARNINGS PER ORDINARY SHARE (continued)

	Consolidated	
	2008	**2007**
Reconciliation of earnings used in the calculation of cash basis earnings per ordinary share		
Earnings used in calculating basic earnings per ordinary share	161.3	117.0
After tax intangibles amortisation (excluding software amortisation)	4.8	1.2
After tax significant income and expense items (1)	35.1	6.8
Movement in general reserve for credit losses	5.7	(4.7)
Movement in general reserve for credit losses - associates	(1.0)	(1.8)
Significant general reserve for credit losses movement - BBL move to 0.51% of RWA	(4.0)	-
	201.9	118.5

	No. of shares	No. of shares
Weighted average number of ordinary shares used in basic and cash basis earnings per ordinary share	215,528,083	142,878,434
Effect of dilution - executive performance rights	294,427	100,117
Effect of dilution - preference shares	-	7,155,635
Weighted average number of ordinary shares used in diluted earnings per ordinary share	215,822,510	150,134,186

(1) Significant income and expense items after tax comprise:	**$m**	**$m**
Income		
Adelaide Bank derivatives ineffective post acquistion	19.8	-
Realised accounting gain on Visa Inc shares	(17.6)	-
Expense		
Expense relating to an issue of shares to staff under the Employee Share Plan	1.0	5.6
Shortfall relating to Employee Share Plan	2.1	-
Impairment loss - equity investments	21.1	-
Integration costs	6.6	-
Fair value adjustment - head office development	1.4	-
ATO audit costs	0.7	-
Expense relating to Bank of Queensland proposed merger	-	1.2
	35.1	6.8

Significant items are items of income or expense that are, by management judgement, of significant value and/or are unusual or non-recurring by nature. These items are excluded from cash basis earnings.

Conversions, calls, subscription or issues after 30 June 2008
There have been not conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

Information on the classification of securities - Executive performace rights
Executive performance rights 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.

Potentially dilutive instruments
The following instruments are potentially dilutive in the future, but are assessed as not being dilutive as at the reporting date:

	Dilutive	
	2008	**2007**
Preference shares	No	Yes
Step up preference shares	No	Yes
Reset preference shares	No	Yes
Executive share options	No	No
Executive performance rights	Yes	Yes

10. DIVIDENDS

	Consolidated		Parent	
	2008	2007	2008	2007
	$m	$m	$m	$m
Dividends paid or proposed				
Ordinary shares				
Dividends paid during the year				
current year				
Interim dividend (28.0 cents per share) (2007 - 24.0 cents per share)	71.7	32.6	71.7	32.6
previous year				
Final dividend (34.0 cents per share) (2007 - 30.0 cents per share)	46.8	40.1	46.8	40.1
	118.5	72.7	118.5	72.7
Dividends proposed since the reporting date, but not recognised as a liability				
Final dividend (37.0 cents per share) (2007: 34.0 cents per share)	99.4	46.6	99.4	46.6

All dividends paid were fully franked. Proposed dividends will be fully franked out of existing franking credits or out of franking credits arising from payment of income tax provided for in the financial statements for the year ended 30 June 2008.

Preference shares				
Dividends paid during the year				
142.66 cents per share paid on 17 September 2007 (2007: 131.68 cents)	1.3	1.2	1.3	1.2
147.76 cents per share paid on 17 December 2007 (2007: 134.64 cents)	1.3	1.2	1.3	1.2
154.28 cents per share paid on 17 March 2008 (2007: 136.36 cents)	1.4	1.2	1.4	1.2
162.85 cents per share paid on 16 June 2008 (2007: 138.89 cents)	1.5	1.2	1.5	1.2
	5.5	4.8	5.5	4.8
Step up preference shares				
Dividends paid during the year				
152.00 cents per share paid on 10 January 2008 (2007: Nil)	1.5	-	1.5	-
155.00 cents per share paid on 10 April 2008 (2007: Nil)	1.6	-	1.6	-
	3.1	-	3.1	-
Dividend franking account				
Balance of franking account as at end of financial year			233.9	116.0
Franking credits that will arise from the payment of income tax provided for in the financial report			11.1	16.3
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			(43.6)	(21.0)
			201.4	111.3

The tax rate at which dividends have been franked is 30% (2007: 30%).
Dividends proposed will be franked at the rate of 30% (2007: 30%).

Dividend paid
Dividends paid by cash or satisfied by the issue of shares under the dividend reinvestment plan during the year were as follows:

Paid in cash	95.0	57.0	95.0	57.0
Satisfied by issue of shares	32.1	20.5	32.1	20.5
	127.1	77.5	127.1	77.5

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 ten trading days following the Record Date at a current discount of 2.5% for 2008. 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 ten trading days following the Record Date at a current discount of 2.5% for 2008. 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 for the 2008 final dividend was 2 September 2008.

11. RETURN ON AVERAGE ORDINARY EQUITY

	Consolidated	
	2008	2007
	%	%
Return on average ordinary equity	8.65	15.18
Pre-significant items return on average ordinary equity	10.53	16.06
Cash basis return on average ordinary equity	10.82	15.38
	$m	$m
Reconciliation of earnings used in the calculation of return on average ordinary equity		
Net profit for the year	171.2	121.7
(Profit)/loss attributable to minority interests	(0.7)	0.1
Dividends paid on preference shares	(5.5)	(4.8)
Dividends paid/accrued on step up preference shares	(3.7)	-
Earnings used in calculation of return on average ordinary equity	161.3	117.0
After tax significant income and expense items	35.1	6.8
Earnings used in calculation of pre-significant items return on average ordinary equity	196.4	123.8
After tax intangibles amortisation (excluding amortisation of intangible software)	4.8	1.2
Movement in general reserve for credit losses	5.7	(4.7)
Movement in general reserve for credit losses - associates	(1.0)	(1.8)
Significant general reserve for credit losses movement - BBL move to 0.51% of RWA	(4.0)	-
Earnings used in calculation of cash basis return on average ordinary equity	201.9	118.5

Reconciliation of ordinary equity used in the calculation of return on average ordinary equity

Total equity	3,270.0	1,015.0
Preference share net capital	(188.5)	(88.5)
Asset revaluation reserve - shares	(14.8)	(32.7)
Unrealised gains/losses on cash flow hedge reserve	(55.8)	(35.2)
General reserve for credit losses	(76.2)	(45.3)
General reserve for credit losses - associates	(9.3)	(8.3)
Minority interest	-	0.7
Ordinary equity	2,925.4	805.7
Average ordinary equity	1,865.6	770.7

The above calculation uses a basic average balance calculation, consistant with previous years.
If a monthly average balance calculation were used for the current period, the return on average ordinary equity would be 8.55%. This is due to the significant increase in ordinary equity following the merger with Adelaide Bank on 30 November 2007.

12. NET TANGIBLE ASSETS PER ORDINARY SHARE

	Consolidated	
	2008	2007
Net tangible assets per ordinary share	$ 5.59	$ 5.40

Reconciliation of net tangible assets used in calculation of net tangible assets per ordinary share

	$m	$m
Net assets	3,270.0	1,015.0
Intangibles	(1,460.4)	(93.7)
Preference shares - face value	(90.0)	(90.0)
Step up preference shares - face value	(100.0)	-
General reserve for credit losses	(76.2)	(45.3)
General reserve for credit losses - associates	(9.3)	(8.3)
Minority interest	-	0.7
Net tangible assets	1,534.1	778.4
Number of ordinary shares on issue at reporting date	274,678,383	144,187,890

13. CASH FLOW STATEMENT RECONCILIATION

	Consolidated		Parent	
	2008	2007	2008	2007
	$m	$m	$m	$m
Profit after tax	171.2	121.7	163.0	112.2
Non-cash items				
Doubtful debts expense	25.7	8.8	7.7	7.9
Amortisation	11.1	5.4	5.2	4.1
Depreciation	16.7	12.9	13.2	12.0
Revaluation (increments)/decrements	16.0	(1.5)	19.5	(1.4)
Equity settled transactions	4.4	6.6	6.1	6.6
Share of associates' net (profits)	(26.4)	(21.9)	-	-
Dividends received/(accrued) from associates	13.0	11.9	-	-
Profits on sale of investment securities	(0.5)	(6.0)	(0.5)	(4.0)
Impairment loss on investments	4.0	-	-	9.9
(Profits)/losses on sale of property, plant & equipment	(0.4)	-	(0.4)	0.1
Changes in assets and liabilities				
Increase/(decrease) in tax provision	34.1	6.4	(29.7)	6.4
Increase/(decrease) in deferred tax assets & liabilities	(4.4)	0.5	(34.8)	1.0
(Increase)/decrease in accrued interest	(21.5)	15.1	(15.9)	13.9
Increase in accrued employees entitlements	21.6	2.7	11.1	3.1
Increase/(decrease) in other accruals, receivables and provisions	(106.4)	(64.8)	72.2	(81.7)
Net cash flows from/(used in) operating activities	158.2	97.8	216.7	90.1

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 receivables, Investment securities, Retail deposits, Wholesale deposits and Subordinated debt.

14. CASH AND CASH EQUIVALENTS

	Consolidated		Parent	
	2008	2007	2008	2007
	$m	$m	$m	$m
Notes, coin and cash at bank	809.1	200.7	198.6	146.6
Investments at call	386.8	56.9	241.9	56.9
	1,195.9	257.6	440.5	203.5
Reconciliation of cash and cash equivalents				
For the purposes of the cash flow statement, cash and cash equivalents includes:				
Cash and cash equivalents	1,195.9	257.6	440.5	203.5
Due from other financial institutions	412.7	71.5	237.6	71.1
Due to other financial institutions	(269.7)	(184.0)	(151.7)	(184.0)
	1,338.9	145.1	526.4	90.6

15. FINANCIAL ASSETS HELD FOR TRADING

	Consolidated		Parent	
	2008	2007	2008	2007
	$m	$m	$m	$m
Bank discount securities	29.9	-	-	-
Other discount securities	1,026.9	-	-	-
Floating rate notes	259.7	-	-	-
Government securities	98.3	-	-	-
	1,414.8	-	-	-
Maturity analysis				
Not longer than 3 months	745.7	-	-	-
Longer than 3 and not longer than 12 months	481.7	-	-	-
Longer than 1 and not longer than 5 years	187.4	-	-	-
Over 5 years	-	-	-	-
	1,414.8	-	-	-

16. FINANCIAL ASSETS AVAILABLE FOR SALE - SECURITIES

	Consolidated		Parent	
	2008	2007	2008	2007
	$m	$m	$m	$m
Negotiable securities				
Negotiable certificates of deposit	307.2	19.9	407.2	19.9
Government securities	15.0	408.9	15.0	408.9
Bank accepted bills of exchange	99.8	-	99.8	-
Reset preference Shares	-	-	89.5	-
	422.0	428.8	611.5	428.8
Maturity analysis				
Not longer than 3 months	422.0	428.8	522.0	428.8
Longer than 3 and not longer than 12 months	-	-	-	-
Longer than 1 and not longer than 5 years	-	-	-	-
Over 5 years	-	-	89.5	-
	422.0	428.8	611.5	428.8
Recognised gains / (losses) before tax:				
Gain/(loss) recognised directly in equity	0.1	-	-	-
Amount removed from equity and recognised in profit/(loss)	-	-	-	-

17. FINANCIAL ASSETS AVAILABLE FOR SALE – SHARE INVESTMENTS

	Consolidated		Parent	
	2008	2007	2008	2007
	$m	$m	$m	$m
Share investments at fair value				
Listed share investments	79.7	124.5	74.5	123.8
Unlisted share investments	4.9	5.9	2.7	4.1
	84.6	130.4	77.2	127.9
Recognised gains / (losses) before tax:				
Gain/(loss) recognised directly in equity	(56.0)	8.9	(56.7)	9.4
Amount removed from equity and recognised in (profit)/loss	29.9	-	29.8	-

18. FINANCIAL ASSETS HELD TO MATURITY

	Consolidated		Parent	
	2008	2007	2008	2007
	$m	$m	$m	$m
Negotiable securities				
Bank accepted bills of exchange	5.3	36.2	-	-
Negotiable certificates of deposit	798.9	299.5	1,131.4	262.8
Government securities	204.3	990.5	204.3	990.5
Other	394.1	277.0	337.7	277.0
	1,402.6	1,603.2	1,673.4	1,530.3
Non negotiable securities				
Deposits - banks	-	-	-	-
Deposits - other	12.0	11.0	-	-
Other	-	0.2	-	0.2
	12.0	11.2	-	0.2
	1,414.6	1,614.4	1,673.4	1,530.5
Maturity analysis				
Not longer than 3 months	813.8	882.7	1,077.9	798.8
Longer than 3 and not longer than 12 months	333.9	475.4	328.6	475.4
Longer than 1 and not longer than 5 years	266.9	256.3	266.9	256.3
Over 5 years	-	-	-	-
	1,414.6	1,614.4	1,673.4	1,530.5

19. LOANS AND OTHER RECEIVABLES

	Consolidated		Parent	
	2008	2007	2008	2007
	$m	$m	$m	$m
Loans and other receivables - investments	517.6	-	-	-
Overdrafts	3,184.3	2,973.0	3,136.2	3,012.4
Credit cards	289.9	139.8	169.9	139.8
Term loans	32,153.2	10,241.1	11,313.4	9,884.0
Margin lending	3,767.3	90.5	63.4	90.5
Lease receivables	434.3	359.4	405.9	356.7
Factoring receivables	46.2	40.3	9.4	4.5
Gross loans and other receivables	39,875.2	13,844.1	15,098.2	13,487.9
Specific provision for impairment (Note 20)	(22.1)	(8.4)	(9.5)	(8.1)
Collective provision for impairment (Note 20)	(36.8)	(11.4)	(10.0)	(11.0)
Unearned income	(106.7)	(51.0)	(60.3)	(50.7)
	(165.6)	(70.8)	(79.8)	(69.8)
Deferred costs	12.3	-	-	-
Net loans and other receivables	39,721.9	13,773.3	15,018.4	13,418.1
Impaired loans				
Loans - without provisions	-	0.6	-	0.6
- with provisions	43.2	17.6	12.9	16.8
less specific impairment provisions	(21.6)	(8.4)	(9.0)	(8.1)
Net impaired loans	21.6	9.8	3.9	9.3
Net impaired loans % of loans and other receivables	0.05%	0.07%	0.03%	0.07%
Portfolios facilities - past due 90 days, not well secured	2.4	2.0	2.4	2.0
less impairment provisions	(0.5)	(0.3)	(0.5)	(0.3)
Net portfolio facilities	1.9	1.7	1.9	1.7
Loans past due 90 days				
Accruing loans past due 90 days, with adequate security balance	174.3	61.6	54.1	61.2
Amount in arrears	15.3	7.3	6.2	7.1
Net fair value of properties acquired through the enforcement of security	88.3	15.3	15.3	15.3
Interest income recognised				
Interest income recognised in respect of impaired loans	0.3	0.1	0.3	0.1
Interest income recognised in respect of assets acquired through enforcement	0.5	0.6	0.5	0.6

Interest income recognised is the interest income actually received subsequent to these balances becoming impaired or restructured.

Maturity analysis (1)				
At call / overdrafts	2,242.7	3,261.7	2,111.2	3,251.9
Not longer than 3 months	4,699.9	1,092.8	1,036.7	1,090.1
Longer than 3 and not longer than 12 months	2,621.9	844.4	2,072.7	832.5
Longer than 1 and not longer than 5 years	8,712.5	5,467.3	6,534.0	5,427.0
Longer than 5 years	22,115.8	3,177.9	3,343.6	2,886.4
	40,392.8	13,844.1	15,098.2	13,487.9

1 *Balances exclude specific and general provisions for doubtful debts and unearned revenue.*

20. IMPAIRMENT OF LOANS AND ADVANCES

	Consolidated		Parent	
	2008	2007	2008	2007
	$m	$m	$m	$m
Specific provision for impairment				
Opening balance	8.4	9.1	8.1	8.6
Provision acquired in business combination	6.9	-	-	-
Charged to income statement	13.7	5.5	8.3	5.6
Impaired debts written-off applied to specific impairment provision	(6.9)	(6.2)	(6.9)	(6.1)
Closing balance	22.1	8.4	9.5	8.1
Collective provision for impairment				
Opening balance	11.4	8.8	11.0	8.6
Provision acquired in business combination	22.5	-	-	-
Charged to income statement	2.9	2.6	(1.0)	2.4
Closing balance	36.8	11.4	10.0	11.0
General reserve for credit losses				
Opening balance	45.3	40.6	45.3	40.6
Provision acquired in business combination	36.6	-	-	-
Charged to equity	(5.7)	4.7	0.9	4.7
Closing balance	76.2	45.3	46.2	45.3
Bad and doubtful debts expense				
Specific provisions for impairment	13.7	5.5	8.3	5.6
Collective provision	2.9	2.6	(1.0)	2.4
Bad debts written off	9.1	0.7	0.4	(0.1)
Bad debts recovered	(2.6)	(0.6)	(0.7)	(0.6)
	23.1	8.2	7.0	7.3
Ratios				
Specific provision as % of gross loans less unearned income	0.06%	0.06%		
Collective provision (net of tax) & General reserve for credit losses as a % of risk-weighted assets	0.51%	0.55%		

21. PARTICULARS IN RELATION TO CONTROLLED ENTITIES

Name	Principal Activities
Chief entity	
Bendigo and Adelaide Bank Limited	Banking
Directly Controlled Operating Entities (1) (2)	
Adelaide Bank Limited	Banking
AB Management Pty Ltd	Securitisation Manager
ABL Custodian Services Pty Ltd	Security Trustee
ABL NIM Pty Ltd	Trust Manager
ABL Nominees Pty Ltd	Trustee company
ABL Securities Pty Ltd	Investment company
Adelaide Bank Charitable Foundation Ltd	Trustee company
Adelaide Equity Finance Pty Ltd	Margin Lending
Adelaide Managed Funds Ltd	Responsible Entity for listed trust
Co-operative Member Services Pty Ltd	Trustee for executive & staff equity plans
Hindmarsh Adelaide Property Trust	Property Owner
Leveraged Equities Ltd	Margin Lending
Pirie Street Custodian Ltd (formerly Leveraged Equities Nominees Ltd)	Provider of share nominee services for margin lending
Pirie Street Nominees Pty Ltd (formerly Leveq Nominees Pty Ltd)	Acquires and sells financial products held as security for LE margin loans
BBS Nominees Pty Ltd	Administration company
Bendigo Finance Pty Ltd	Leasing finance
Bendigo Financial Planning Ltd	Financial advisory services
Community Developments Australia Pty Ltd	Community initiatives
Community Energy Australia Pty Ltd	Community initiatives
Community Solutions Australia Pty Ltd	Community initiatives
Community Exchanges Australia Pty Ltd	Community initiatives
Fountain Plaza Pty Ltd	Property owner
Homesafe Trust	Financial services
National Mortgage Market Corporation Pty Ltd	Mortgage origination & m'ment
Asia Pacific Receivables Corporation Pty Ltd	Securitisation Manager
National Assets Securitisation Corporation Pty Ltd	Securitisation manager
Oxford Funding Pty Ltd	Invoice discounting
Sandhurst Trustees Ltd	Trustee company
Sandhurst Nominees (Victoria) Ltd	Nominee company
Sandhurst Custodians Ltd	Custodian company
Sandhurst Nominees (Canberra) Ltd	Nominee company
Bendigo Asset Management Limited	Investment manager
CS Cust Pty Ltd (nine custodian subsidiaries)	Custodian company
CS Subcust 1 Pty Ltd	Custodian company
CS Subcust 2 Pty Ltd	Custodian company
Sunstate Lenders Mortgage Insurance Pty Ltd	Mortgage insurance
Victorian Securities Corporation Ltd	Financial services
Securitisation	
Banksia Trust Series 2001-1	Securitisation
Banksia Trust Series 2001-2	Securitisation
AIL Trust No 1	Securitisation
Series 2007-1 Torrens Trust	Securitisation
Portfolio Funding Trust 2007-1	Securitisation
Series 2006-1(E) Torrens Trust	Securitisation
Series 2005-1 Torrens Trust	Securitisation
Series 2001-1 Torrens Trust	Securitisation
Series 2008-1 Torrens Trust	Securitisation
Lighthouse Warehouse Trust No 6	Securitisation
Lighthouse Warehouse Trust No 4	Securitisation
Series 2004-1 Torrens Trust	Securitisation
Series 2005-3 (E) Torrens Trust	Securitisation
NIM Trust	Securitisation

Name	Principal Activities
Securitisation (cont)	
Series 2003-1 Torrens Trust	Securitisation
Series 2002-1 Torrens Trust	Securitisation
Series 2005-1AAA Torrens Trust	Securitisation
Lighthouse Warehouse Trust No 12	Securitisation
Lighthouse Warehouse Trust No 2	Securitisation
Lighthouse Warehouse Trust No 1	Securitisation
Lighthouse Warehouse Trust No 11	Securitisation
Series 2004-2 (W) Torrens Trust	Securitisation
Series 2005-2(S) Torrens Trust	Securitisation
Q9 Trust	Securitisation
Lighthouse Warehouse Trust No. 5	Securitisation
Q10 Trust	Securitisation

1 Non-Operating controlled entities are excluded from the above list.
2 All entities are 100% owned and incorporated in Australia.

22. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES USING THE EQUITY METHOD

Name	Ownership interest held by consolidated entity 2008 %	2007 %	Balance date
Elders Rural Bank Ltd	50.0	50.0	30 June
Tasmanian Banking Services Ltd	50.0	50.0	30 June
Community Sector Enterprises Pty Ltd	50.0	50.0	30 June
Homesafe Solutions Pty Ltd	50.0	50.0	30 June
* Caroline Springs Fin Serv Pty Ltd	100.0	50.0	30 June
Silver Body Corp Fin Serv Pty Ltd	50.0	50.0	30 June
Community Telco Australia Pty Ltd	50.0	50.0	30 June
Strategic Payments Services Pty Ltd	33.3	40.0	30 June

(i) Principal activities of joint venture companies
Elders Rural Bank Ltd - financial services
Tasmanian Banking Services Ltd - financial services
Community Sector Enterprises Pty Ltd - financial services
Homesafe Solutions Pty Ltd - financial services
* Caroline Springs Financial Services Pty Ltd - financial services
Silver Body Corporate Financial Services Pty Ltd - financial services
Community Telco Australia Pty Ltd - telecommunication services
Strategic Payments Services Pty Ltd - payment processing services

* Effective 30 June 2008, Caroline Springs Financial Services Pty Ltd is a wholly-owned subsidiary.

All joint venture companies were incorporated in Australia.

(ii) Share of joint ventures' revenue and profits	2008 $m	2007 $m
Share of joint ventures':		
- revenue	67.3	59.8
- expense	40.9	37.9
- profit before income tax	26.4	21.9
- income tax expense	9.2	8.1
- profit after income tax	17.2	13.8

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES USING THE EQUITY METHOD (continued)

	2008 $m	2007 $m
Share of joint ventures' operating profits after income tax:		
- Elders Rural Bank Ltd	20.8	18.0
- Tasmanian Banking Services Ltd	1.0	0.9
- Community Sector Enterprises Pty Ltd	0.5	(0.1)
- Homesafe Solutions Pty Ltd	(0.7)	(1.0)
- Caroline Springs Financial Services Pty Ltd**	-	(0.1)
- Silver Body Corporate Financial Services Pty Ltd	0.2	0.1
- Community Telco Australia Pty Ltd	(1.9)	(1.4)
- Strategic Payments Services Pty Ltd	(2.7)	(2.6)
	17.2	13.8

The consolidated entity's share in the retained profits and reserves of joint venture companies is not available for payment of dividends to shareholders of Bendigo and Adelaide Bank Limited until such time as those profits and reserves are distributed by the joint venture companies.

	2008 $m	2007 $m
(iii) Carrying amount of investments in joint ventures		
Balance at the beginning of financial year	156.3	143.5
- carrying amount of investment in joint ventures acquired during the year	24.3	9.4
- dividends received from joint ventures	(14.6)	(12.0)
- share of joint ventures' net profits (losses) for the financial year	17.2	13.8
- share of joint ventures' movements in retained earnings for the financial year	0.1	-
- share of joint ventures' movements in reserves for the financial year	1.9	1.6
Carrying amount of investments in joint ventures at the end of the financial year	185.2	156.3
Represented by:		
Investments at equity accounted amount:		
- Elders Rural Bank Ltd	179.4	151.4
- Tasmanian Banking Services Ltd	2.3	2.2
- Community Sector Enterprises Pty Ltd	0.5	-
- Homesafe Solutions Pty Ltd	0.1	-
- Caroline Springs Financial Services Pty Ltd**	-	0.1
- Silver Body Corporate Financial Services Pty Ltd	0.5	0.3
- Community Telco Australia Pty Ltd	1.3	0.8
- Strategic Payment Services Pty Ltd	1.1	1.5
	185.2	156.3

There are no impairment losses relating to investments in joint ventures.

	2008	2007
Unrecognised losses relating to joint ventures	-	-

** Caroline Springs Financial Services Pty Ltd became a wholly owned subsidiary of Bendigo and Adelaide Bank Ltd on 30 June 2008

	Total 2008	Total 2007	Elders Rural Bank Limited 2008	Elders Rural Bank Limited 2007
(iv) The consolidated entity's share of the assets and liabilities of joint venture in aggregate				
Assets	2,122.4	1,895.1	2,111.5	1,885.4
Liabilities	1,959.8	1,760.7	1,954.5	1,756.2
Net Assets	162.6	134.4	157.0	129.2
(v) Amount of retained profits of the consolidated entity attributable to joint ventures	72.8	70.2		

Subsequent events affecting a joint ventures' profits/losses for the ensuing year (if any) are disclosed in the Events after Balance Sheet Date note.

The consolidated entity's share of joint ventures' commitments and contingent liabilities (if any) are disclosed in the Commitments and Contingencies note.

23. PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Parent	
	2008	2007	2008	2007
	$m	$m	$m	$m
(a) Carrying Value				
Property				
Freehold land - at fair value (1)	9.3	5.8	0.3	0.4
	9.3	5.8	0.3	0.4
Freehold buildings - at fair value (1)	24.5	1.2	0.2	0.3
Accumulated depreciation	(0.5)	-	-	-
	24.0	1.2	0.2	0.3
Leasehold improvements - at cost	47.4	37.2	44.1	37.2
Accumulated depreciation	(17.3)	(12.6)	(15.8)	(12.6)
	30.1	24.6	28.3	24.6
	63.4	31.6	28.8	25.3
Other				
Plant, furniture, fittings, office equipment & vehicles - at cost	178.2	91.2	101.8	84.6
Accumulated depreciation	(128.1)	(61.3)	(63.9)	(56.3)
	50.1	29.9	37.9	28.3
	113.5	61.5	66.7	53.6
(b) Reconciliations				
Freehold land (1)				
Carrying amount at beginning of financial year	5.8	5.0	0.4	0.2
Additions	-	0.5	-	-
Additions through acquisition of entities	8.2	-	-	-
Revaluations	-	0.3	-	0.2
Disposals	(4.7)	-	(0.1)	-
	9.3	5.8	0.3	0.4
Freehold buildings (1)				
Carrying amount at beginning of financial year	1.2	7.6	0.3	0.2
Additions	-	1.0	-	-
Additions through acquisition of entities	23.4	-	-	-
Revaluations	-	0.1	-	0.1
Disposals	(0.1)	(7.3)	(0.1)	-
Depreciation expense	(0.5)	(0.2)	-	-
	24.0	1.2	0.2	0.3
Leasehold improvements - at cost				
Carrying amount at beginning of financial year	24.6	14.4	24.6	14.4
Acquisitions	-	-	-	-
Additions	7.3	12.6	6.9	12.6
Additions through acquisition of entities	1.6	-	-	-
Disposals	-	(0.1)	-	(0.1)
Depreciation expense	(3.4)	(2.3)	(3.2)	(2.3)
	30.1	24.6	28.3	24.6
Plant, furniture, fittings, office equipment & vehicles				
Carrying amount at beginning of financial year	29.9	54.1	28.3	26.1
Acquisitions	-	-	-	-
Additions	21.8	82.0	20.6	13.9
Additions through acquisition of entities	12.5	-	-	-
Re-classification to assets held for sale	-	(93.4)	-	-
Disposals	(1.2)	(2.5)	(1.1)	(2.1)
Depreciation expense	(12.9)	(10.3)	(9.9)	(9.6)
	50.1	29.9	37.9	28.3

If land and buildings were measured using the cost model the carrying amounts would be as follows:

Land	2.4	2.4	0.1	0.1
Buildings	16.9	8.7	0.1	0.1
Accumulated depreciation and impairment	(6.3)	(4.1)	-	-
Net carrying amount	13.0	7.0	0.2	0.2

1 The fair values of freehold land and buildings have been determined by reference to director valuations, based upon independent valuations previously obtained. The independent valuations are performed on an open market basis, being the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date. The effective date of the revaluation was 30 June 2007.

24. ASSETS HELD FOR SALE

	Consolidated		Parent	
	2008	2007	2008	2007
	$m	$m	$m	$m
Carrying amount at beginning of financial year	93.4	-	-	-
Additions	15.2	93.4	4.3	-
Fair value adjustment	(3.1)	-	(1.1)	-
	105.5	93.4	3.2	-

In accordance with Accounting Standard AASB 5: "Non-current Assets Held for Sale and Discontinued Operations", the carrying value of the new Head Office development in Bendigo, Victoria has been disclosed as Assets held for sale.

The development is the subject of a Sale and Leaseback contract which took effect 29 August 2008.

25. INVESTMENT PROPERTY

	Consolidated		Parent	
	2008	2007	2008	2007
	$m	$m	$m	$m
Carrying amount at beginning of financial year	34.2	-	-	-
Additions	41.0	32.7	-	-
Net gain from fair value adjustments	5.2	1.5	-	-
	80.4	34.2	-	-

Investment properties are carried at fair value, which has been determined in accordance with directors' valuations and have not been independently valued.

The fair value represents the amounts at which the assets could be sold in an arm's length transaction at the date of valuation.

As the asset represents residential properties, the realisability of the properties and the remittance of income and proceeds of disposal can be impacted by the real estate market conditions in relation to residential properties, particularly Melbourne and Sydney.

26. INTANGIBLE ASSETS AND GOODWILL

	Consolidated		Parent	
	2008	2007	2008	2007
	$m	$m	$m	$m
(a) Carrying value				
Intangible assets				
Customer list - at cost	4.7	4.6	-	-
Accumulated amortisation	(4.0)	(3.2)	-	-
	0.7	1.4	-	-
Computer software - at cost	37.1	29.7	33.4	28.8
Accumulated amortisation	(15.3)	(10.0)	(14.6)	(9.2)
	21.8	19.7	18.8	19.6
Trustee licence - at cost	8.4	8.4	-	-
Accumulated impairment	-	-	-	-
	8.4	8.4	-	-
Goodwill				
Purchased goodwill	34.6	34.6	34.6	34.6
Accumulated impairment	-	-	-	-
	34.6	34.6	34.6	34.6
Goodwill on consolidation - at cost	1,398.9	29.6	-	-
Accumulated impairment	(4.0)	-	-	-
	1,394.9	29.6	-	-
	1,460.4	93.7	53.4	54.2
(b) Reconciliations				
Intangible assets				
Customer list				
Carrying amount at beginning of financial year	1.4	2.6	-	-
Additions/fair value adjustment	0.1	-	-	-
Amortisation charge	(0.8)	(1.2)	-	-
	0.7	1.4	-	-
Computer software				
Carrying amount at beginning of financial year	19.7	13.6	19.6	13.5
Addition acquired through business combination	3.2	-	-	-
Additions	4.3	10.3	4.6	10.2
Disposals	-	-	-	-
Amortisation charge	(5.4)	(4.2)	(5.4)	(4.1)
	21.8	19.7	18.8	19.6
Trustee licence				
Carrying amount at beginning of financial year	8.4	8.4	-	-
	8.4	8.4	-	-
Goodwill				
Purchased goodwill				
Carrying amount at beginning of financial year	34.6	-	34.6	-
Additions/transfer from goodwill on consolidation	-	34.6	-	34.6
	34.6	34.6	34.6	34.6
Goodwill on consolidation				
Carrying amount at beginning of financial year	29.6	65.0	-	-
Addition acquired through business combination/(purchase price adjustment)	1,369.3	(0.8)	-	-
Transfer to purchased goodwill	-	(34.6)	-	-
Impairment	(4.0)	-	-	-
	1,394.9	29.6	-	-
	1,460.4	93.7	53.4	54.2

INTANGIBLE ASSETS AND GOODWILL (continued)

Intangible assets

Finite useful life

The customer list was acquired through a business combination (Oxford Funding Pty Ltd) and has been capitalised at fair value. The customer list has been assessed as having a finite life and is amortised using a method that reflects the pattern of the economic benefits of the asset over a period of 5 years.

Computer software includes internally developed software and software that is not an integral part of the related hardware. Intangible software is capitalised at cost and is amortised over the assessed useful life of the asset on a straight line basis. This is generally a period of between 2.5 years and 7 years (major software items).

Indefinite useful life

The trustee licence represents an intangible asset purchased through the effect of a business combination (Sandhurst Trustees Limited). The useful life of this asset has been estimated as indefinite and the cost method utilised for measurement.

The asset is assessed as having an indefinite life as the authorisation for Sandhurst Trustees Limited to trade as a trustee company has no end period. Revocation of the authority is unlikely and would occur only in the event of non-compliance with conditions under which authorisation is granted. Sandhurst Trustees Limited has specific compliance procedures in place to ensure these conditions are met.

Goodwill

The goodwill items represent intangible assets purchased through the effect of business combinations.

27. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES

Goodwill acquired through business combinations has been allocated to cash generating units, or groups of cash generating units, which are reportable segments for internal reporting, for impairment testing as follows:

Sandhurst Trustees Limited

Goodwill has been allocated to the cash generating unit (CGU) of Sandhurst Trustees Limited (STL).

The recoverable amount of the STL CGU has been determined based on a fair value calculation using the projected cash flows for 2007/08 and applying a multiple of 12 (2007:12). Management believe this multiple is appropriate for this business. For impairment testing purposes, the fair value has been allocated on the basis of 80% to the trustee licence and 20% to the goodwill.

The multiple would have to decline to 1 (2007: 1) before impairment would be evident.

Benhold Pty Ltd (IOOF Building Society)

Goodwill for IOOF has been allocated to the group of cash generating units comprising branches in the state of Victoria, Australia.

The recoverable amount of the IOOF group of branches has been determined based on a value in use calculation using the projected after-tax cash flows for 2007/08 of the group of units and applying a multiple of 12 (2007:12). Management believes this multiple is appropriate for the group of branches.

The multiple would have to decline to 4.9 (2007:4) before impairment would be evident.

Victorian Securities Corporation Limited

Goodwill has been allocated to the cash generating unit of Victorian Securities Corporation Limited (VSCL).

The recoverable amount of the VSCL CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets and projections approved by senior management covering a five-year period.

The pre-tax discount rate applied to cash flow projections is 16.1%. The terminal value of the unit has been calculated using a multiple of 10 (2007: 12), which is considered by management to be appropriate for a company of this nature.

The multiple would have to decline to 5.5 (2007: 8.5) before impairment would be evident.

First Australian Building Society Limited

Goodwill for First Australian Building Society Limited (FABS) has been allocated to the group of cash generating units comprising the branches located in the state of Queensland, Australia.

The recoverable amount of the FABS CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets and projections approved by senior management covering a five-year period.

The pre-tax discount rate applied to cash flow projections is 13.6%. The terminal value of the unit has been calculated using a multiple of 12 (2007: 12), which is considered by management to be appropriate for a company of this nature.

The multiple would have to decline to 6 (2007: 9.7) before impairment would be evident.

Oxford Funding Pty Ltd

Goodwill has been allocated to the cash generating unit of Oxford Funding Pty Ltd (Oxford).

The recoverable amount of the Oxford CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets and projections approved by senior management covering a five-year period.

The pre-tax discount rate applied to cash flow projections is 15.6% (2007: 16.2%). The terminal value of the unit has been calculated using a multiple of 8 (2007: 10), which is considered by management to be appropriate for a company of this nature in the factoring industry.

The results of this test have required the recognition of a goodwill impairment loss of $4.0 m (2007: Nil). The goodwill relating to this cash generating unit is now carried at $8.1 m.

Intangible assets with indefinite lives

Sandhurst Trustees Limited trustee licence

The recoverable amount of the STL cash generating unit has been determined based on a fair value calculation using the projected cash flows for 2007/08 and applying a multiple of 12 (2007:12). Management believe this multiple is appropriate for this business. For impairment testing purposes, the fair value has been allocated on the basis of 80% relates to the trustee licence and 20% relates to the goodwill.

The multiple would have to decline to 1.5 (2007: 1.5) before impairment would be evident.

Multiples

Multiples used in impairment testing - management believe that the appropriate multiples to be used in impairment testing of the majority of cash generating units within the group fall within the range 8 to 12. This range has been derived taking into account a number of relevant factors that would influence the multiple relating to businesses within the Bendigo and Adelaide Bank group.

Carrying amount of goodwill allocated to each of the cash generating units or group of cash generating units

		2008 $m	2007 $m
Sandhurst Trustees Limited	- goodwill	0.8	0.8
	- trustee licence	8.4	8.4
Benhold Pty Ltd (IOOF Building Society)		13.7	13.7
Victorian Securities Corporation Limited		2.7	2.7
First Australian Building Society Limited		34.6	34.6
Oxford Funding Pty Ltd	- goodwill	8.4	12.4
	- customer list	0.7	1.4
Adelaide Bank Limited		-	-
Total value allocated		69.3	74.0

At 30 June 2008 the goodwill in relation to the acquisition of Adelaide Bank Limited in November 2007 has not been allocated to a group of cash generating units. This is due to the complexity and timing of this business combination. As there is no current indication of impairment, allocation of cash generating units and impairment testing will be made in line with goodwill impairment testing of all other group goodwill and intangible assets with indefinite lives prior to June 2009.

28. OTHER ASSETS

	Consolidated		Parent	
	2008 $m	2007 $m	2008 $m	2007 $m
Shares in associates	-	-	162.8	140.7
Accrued income	24.1	18.3	108.6	15.7
Prepayments	24.4	7.3	9.3	7.2
Sundry debtors	245.6	83.3	88.9	76.1
Accrued interest	174.1	69.6	81.1	65.1
	468.2	178.5	450.7	304.8

29. DEPOSITS

	Consolidated		Parent	
	2008	2007	2008	2007
	$m	$m	$m	$m
DEPOSITS				
Retail				
Branch network	20,537.7	11,556.9	13,247.2	11,399.6
Treasury sourced	3,103.0	547.0	751.6	557.4
	23,640.7	12,103.9	13,998.8	11,957.0
Wholesale				
Domestic	6,326.6	1,519.8	1,708.6	1,519.8
Offshore	1,457.8	1,263.8	1,240.8	1,263.8
	7,784.4	2,783.6	2,949.4	2,783.6
	31,425.1	14,887.5	16,948.2	14,740.6
Deposits by geographic location				
Victoria	9,863.8	8,297.5	9,179.4	8,185.6
New South Wales	3,385.5	1,928.7	2,842.6	1,919.5
Australian Capital Territory	111.6	99.2	110.4	99.0
Queensland	2,657.6	1,986.1	2,316.8	1,961.8
South Australia/Northern Territory	12,852.6	229.5	309.6	228.8
Western Australia	1,221.9	965.7	1,086.0	965.5
Tasmania	366.0	271.4	354.9	271.1
Overseas	966.0	1,109.4	748.5	1,109.3
	31,425.1	14,887.5	16,948.2	14,740.6
NOTES PAYABLE	11,356.1	259.1	-	-

30. OTHER PAYABLES

	Consolidated		Parent	
	2008	2007	2008	2007
	$m	$m	$m	$m
Sundry creditors	35.7	54.7	16.1	36.8
Accrued expenses and outstanding claims	211.7	96.6	132.5	88.6
Accrued interest	358.2	84.0	133.9	81.7
Prepaid interest	75.3	-	-	-
	680.9	235.3	282.5	207.1

31. PROVISIONS

	Consolidated		Parent	
	2008	2007	2008	2007
	$m	$m	$m	$m
(a) Balances				
Employee benefits (Note 37)	56.6	35.0	42.6	34.5
Other loss events	3.0	-	3.0	-
Rewards program	3.5	3.2	3.5	3.2
Property Rent	2.1	2.1	2.1	2.1
Dividends	2.6	0.1	1.6	0.1
	67.8	40.4	52.8	39.9

Provision for rewards program is to recognise the liability to customers in relation to points earned by them under the Bendigo and Adelaide Bank Rewards Program and is measured on the basis of full value of points outstanding at balance date. As reward points "expire" after three years, the balance will be utilised, or forfeited within a three year period.

Provision for property rent is to recognise the difference between actual property rent paid and the property rent expense recognised in the income statement. The value recognised in the income statement is in accordance with Accounting Standard AASB 117 "Leases" whereby the lease expense is to be recognised on a straight-line basis over the period of the lease. The provision is expected to be utilised over the period of the respective leases, typically a period between three and ten years. However, it is expected that a balance will continue as old leases expire and are replaced by new leases.

Provision for dividends represents the residual carried forward balance in relation to shareholders that participate in the dividend reinvestment plan. It is expected that the current balance will be utilised within a 12 month period. However, an ongoing balance will continue unless all outstanding balances are paid to shareholders upon ceasing participation in the dividend reinvestment plan.

Provision employee shares shortfall is in relation to possible losses associated with employee loans relating to the Employee share plan. This provision will only be utilised if:

(a) employees instruct the administrator of the plan to sell their shares in settlement of the employee loan relating to those shares: and,

(b) at the time of the sale the market price of Bendigo and Adelaide Bank Limited shares is below the outstanding value of those shares in the loan account.

	Consolidated		Parent	
	2008	2007	2008	2007
(b) Movements	$m	$m	$m	$m
Employee benefits				
Opening balance	35.0	32.4	34.5	31.4
Provision acquired in business combination	15.7	-	-	-
Additional provisions recognised	30.1	20.2	24.5	19.4
Decrease due to change in discount rate	-	-	(0.1)	-
Amounts utilised during the year	(24.2)	(17.6)	(16.3)	(16.3)
Closing balance	56.6	35.0	42.6	34.5
Other loss events				
Opening balance	-	0.4	-	0.4
Additional provisions recognised	3.0	0.2	3.0	0.2
Amounts utilised during the year	-	(0.6)	-	(0.6)
Closing balance	3.0	-	3.0	-
Rewards program				
Opening balance	3.2	2.6	3.2	2.6
Additional provisions recognised	1.9	1.7	1.9	1.7
Amounts utilised during the year	(1.6)	(1.1)	(1.6)	(1.1)
Closing balance	3.5	3.2	3.5	3.2
Property Rent				
Opening balance	2.1	1.9	2.1	1.9
Additional provisions recognised	-	0.2	-	0.2
Amounts utilised during the year	-	-	-	-
Closing balance	2.1	2.1	2.1	2.1
Dividends				
Opening balance	0.1	0.1	0.1	0.1
Provision acquired in business combination	1.3	-	-	-
Additional dividends provided	128.2	72.7	128.5	72.7
Dividends paid during the year	(127.1)	(72.7)	(127.1)	(72.7)
Closing balance	2.5	0.1	1.5	0.1

32. RESET PREFERENCE SHARES

Reset preference shares - 895,740 fully paid $100 preference shares	89.5	-	89.5	-
	89.5	-	89.5	-

Reset preference shares are perpetual, but can be exchanged at the request of the holder or Bendigo and Adelaide Bank. Dividends are non-cumulative and are payable six-monthly in arrears at the discretion of the directors, based on a dividend rate of the five year mid swap reference rate plus the initial margin multiplied by one less the corporate tax rate.

33. SUBORDINATED DEBT

Subordinated capital notes	681.8	307.2	301.3	307.2
Maturity analysis				
Not longer than 3 months	-	-	-	-
Longer than 3 and not longer than 12 months	80.3	56.3	30.3	56.3
Longer than 1 and not longer than 5 years	526.7	250.9	271.0	250.9
Over 5 years	74.8	-	-	-
	681.8	307.2	301.3	307.2

34. ISSUED CAPITAL

	Consolidated		Parent	
	2008	2007	2008	2007
	$m	$m	$m	$m
Issued and paid up capital				
Ordinary shares fully paid - 274,678,383 (2007: 144,187,890)	2,706.3	605.2	2,706.3	605.2
Preference shares of $100 face value fully paid - 900,000 (2007: 900,000 fully paid)	88.5	88.5	88.5	88.5
Step-up preference shares of $100 face value fully paid - 1,000,000 (2007: Nil)	100.0	-	100.0	-
Employee share ownership plan shares	(37.4)	(40.4)	(37.4)	(40.4)
	2,857.4	653.3	2,857.4	653.3

Effective 1 July 1998, the corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the parent does not have authorised capital nor par value in respect of its issued shares.
Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Preference share (BPS) dividends are non-cumulative and are payable quarterly in arrears, at the discretion of he directors, based on a dividend rate equal to the sum of the 90 day bank bill rate plus the initial margin multiplied by one minus the company tax rate. It is expected that dividends paid will be fully franked. The BPS are perpetual, but may be redeemed by Bendigo and Adelaide Bank subject to prior approval of APRA.

Step up Preference share (SPS) dividends are non-cumulative and are payable quarterly in arrears, at the discretion of the directors, based on a dividend rate equal to the sum of the 90 day bank bill rate plus the initial margin multiplied by one minus the company tax rate. It is expected that dividends paid will be fully franked. The SPS are perpetual, but may be redeemed by Bendigo and Adelaide Bank subject to prior approval of APRA.

Employee share ownership plan shares 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.

	Consolidated		Parent	
	2008	2007	2008	2007
	$m	$m	$m	$m
Movement in ordinary shares on issue				
Opening balance - 1 July	605.2	564.1	605.2	564.1
Shares issued under:				
Bonus share scheme - 149,813 @ $14.87; 212,687 @ $9.60; (2007: 156,945 @ $13.62; 136,561 @ $13.40)	-	-	-	-
Dividend reinvestment plan - 854,591 @ $14.87; 2,024,856 @ $9.60; (2007: 818,654 @ $13.62; 704,107 @ $13.40)	32.1	20.5	32.1	20.5
Employee share plan - 226,790 @ $13.40 (2007: 1,520,662 @ $13.54)	3.0	20.6	3.0	20.6
Issue to Adelaide Bank shareholders - 117,687,891 @ $16.80	1,977.2	-	1,977.2	-
Share purchase plan - 9,333,865 @ $9.60	89.6	-	89.6	-
Share issue costs	(0.8)	-	(0.8)	-
Closing balance - 30 June	2,706.3	605.2	2,706.3	605.2
Movements in preference shares on issue				
Opening balance 1 July - 900,000 fully paid (2007: 900,000 partly paid to $50)	88.5	88.3	88.5	88.3
Payment of unpaid portion of existing shares	-	0.2	-	0.2
Closing balance 30 June - 900,000 fully paid to $100 (2007: 900,000 fully paid)	88.5	88.5	88.5	88.5
Movements in step up preference shares on issue				
Opening balance 1 July - Nil (2007: Nil)	-	-	-	-
Issue of 1,000,000 $100 fully paid step up preference shares	100.0	-	100.0	-
Closing balance 30 June - 1,000,000 fully paid to $100 (2007: Nil)	100.0	-	100.0	-
Movements in Employee share ownership plan shares				
Opening balance 1 July	(40.4)	(25.6)	(40.4)	(25.6)
Issue of share capital	(3.0)	(20.6)	(3.0)	(20.6)
Reduction in Employee share ownership plan shares	6.0	5.8	6.0	5.8
	(37.4)	(40.4)	(37.4)	(40.4)
Total issued and paid up capital	2,857.4	653.3	2,857.4	653.3

35. RETAINED EARNINGS AND RESERVES

	Consolidated		Parent	
	2008	2007	2008	2007
RETAINED EARNINGS	$m	$m	$m	$m
Movements				
Opening balance 1 July	232.4	194.5	212.6	182.7
Profit for the year	170.5	121.8	163.0	112.2
Transfer from asset revaluation reserve	-	0.1	-	-
Movements in general reserve for credit losses	4.7	(6.5)	(1.0)	(4.7)
Dividends	(127.6)	(77.5)	(128.5)	(77.5)
Establishment of Adelaide Bank GRCL on acquisition	(36.6)	-	-	-
Defined benefits actuarial adjustment	(1.4)	-	-	-
Other	-	-	-	(0.1)
Balance 30 June	242.0	232.4	246.1	212.6

OTHER RESERVES

(a) Balances

Employee benefits reserve	12.4	6.5	12.6	6.5
Asset revaluation reserve	16.9	34.8	13.9	32.7
Net unrealised gains reserve	-	(0.1)	-	(0.1)
Cash flow hedge reserve	51.9	33.2	56.4	33.2
Cash flow hedge reserve - associates	3.9	2.0	-	-
General reserve for credit losses	76.2	45.3	46.2	45.3
General reserve for credit losses - associates	9.3	8.3	-	-
	170.6	130.0	129.1	117.6

(b) Nature, purpose and movements

Employee benefits reserve

(a) Nature and purpose

The employee benefits reserve is used to record the assessed cost of shares issue to non-executive employees under the Employee Share Plan and the assessed cost of options granted to executive employees under the Executive Incentive Plan.

(b) Movements

Opening balance	6.5	-	6.5	-
Net increase in reserve	5.9	6.5	6.1	6.5
	12.4	6.5	12.6	6.5

Asset revaluation reserve

(a) Nature and purpose

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets. The reserve can only be used to pay dividends in limited circumstances.

(b) Movements

Opening balance	34.8	29.1	32.7	26.2
Transfer asset revaluation reserve to retained earnings (sold assets)	-	(0.1)	-	(0.1)
Transfer asset revaluation reserve to retained earnings (revalued buildings depreciation)	(0.1)	(0.2)	-	-
Transfer impairment loss to income	29.9	-	29.8	-
Net revaluation increments/(decrements)	(56.0)	8.9	(56.7)	9.4
Tax effect of net revaluation increments	8.3	(2.9)	8.1	(2.8)
	16.9	34.8	13.9	32.7

Net unrealised gains reserve

(a) Nature and purpose

The net unrealised gains reserve is used to record unrealised gains and losses on investments in the available for sale portfolio.

(b) Movements

Opening balance	(0.1)	(0.1)	(0.1)	(0.1)
Net unrealised gains/(losses)	0.1	-	0.1	-
	-	(0.1)	-	(0.1)

RETAINED EARNINGS AND RESERVES (continued)

	Consolidated		Parent	
	2008	2007	2008	2007
	$m	$m	$m	$m
Cash flow hedge reserve				
(a) Nature and purpose				
The cash flow hedge reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.				
(b) Movements				
Opening balance	33.2	2.3	33.2	2.3
Changes due to mark to market	12.5	30.4	47.7	30.4
Tax effect of changes due to mark to market	(13.7)	0.2	(24.3)	0.2
Changes due to transfer to the income statement	28.4	0.5	(0.3)	0.5
Tax effect of changes due to transfer to the income statement	(8.5)	(0.2)	0.1	(0.2)
	51.9	33.2	56.4	33.2
Cash flow hedge reserve - associates				
(a) Nature and purpose				
Associates record the group's share of the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.				
(b) Movements				
Opening balance	2.0	0.4	-	-
Net gains on cash flow hedges	1.9	1.6	-	.
	3.9	2.0	-	-
General reserve for credit losses				
(a) Nature and purpose				
The general reserve for credit losses records the value of a reserve maintained to recognised credit losses inherent in the group's lending portfolio, but not yet identified. The bank is required to maintain general provisions (includes general reserve for credit losses and collective provision) by APRA at a minimum level of 0.50% (net of tax) of risk-weighted assets. The bank maintains a GRCL of 51% as at 30 June 2008 (2007:55%).				
(b) Movements				
Opening balance	45.3	40.6	45.3	40.6
Establishment of Adelaide Bank GRCL on acquisition	36.6	-	-	-
Increase/(decrease) in general reserve for credit losses	(5.7)	4.7	0.9	4.7
	76.2	45.3	46.2	45.3
General reserve for credit losses - associates				
(a) Nature and purpose				
The general reserve for credit losses - associates records the group's share of an associate company's GRCL in accordance with equity accounting.				
(b) Movements				
Opening balance	8.3	6.5	-	-
Increase in general reserve for credit losses	1.0	1.8	-	-
	9.3	8.3	-	-
Total reserves	170.6	130.0	129.1	117.6

36. MINORITY INTEREST

	Consolidated		Parent	
	2008	2007	2008	2007
	$m	$m	$m	$m
Interest in:				
Ordinary shares	-	-	-	-
Retained earnings	-	(0.7)	-	-
	-	(0.7)	-	-
Reconciliation of minority equity interest in controlled entities:				
Opening balance	(0.7)	(0.6)	-	-
Add share of operating loss	-	(0.1)	-	-
Derecognition of minority interest	0.7	-	-	-
Closing balance	-	(0.7)	-	-

37. EMPLOYEE BENEFITS

	Consolidated		Parent	
	2008	2007	2008	2007
	$m	$m	$m	$m
Employee benefits liability				
Provision for annual leave	17.0	11.7	12.4	11.5
Provision for other employee payments	9.8	4.6	9.8	4.6
Provision for long service leave	23.1	12.6	14.0	12.4
Provision for sick leave bonus	2.5	2.2	2.4	2.2
Provision for employee on costs	4.2	3.8	4.0	3.7
Directors' retirement allowance	-	0.1	-	0.1
Aggregate employee benefits liability	56.6	35.0	42.6	34.5

38. SHARE BASED PAYMENT PLANS

Executive Incentive Plan

The Executive Incentive Plan ("Plan") was established in 2006. The Plan provides for grants of options and performance rights ("Instruments") to the group's senior leadership team including the Managing Director and Executive Director ("Senior Executives"). Under the Plan, Senior Executives are granted options and performance rights subject to performance conditions set by the Board. If the performance conditions are satisfied during the relevant performance period, the options and performance rights will vest.

The performance conditions and performance periods for grants under the Plan are set out in the 2008 Remuneration Report. Each option and performance right represents an entitlement to one ordinary share in the company. Accordingly, the maximum number of shares that may be acquired by key executives is equal to the number of options and performance rights issued.

Options and performance rights are granted at no cost to the Senior Executives. The Plan rules provide that the Board may determine that a price is payable upon exercise of an option or exercisable performance right. The exercise price for options will generally be the market price of the shares at the grant date, and no exercise price will apply to exercisable performance rights.

The number of options and performance rights granted to the Senior Executives is based on the value of each option and performance right. The assessed fair value of each option and each performance right granted under the Plan are set out in the tables presented at note 40.

Senior Executives are entitled to vote and to receive any dividend, bonus issue, return of capital or other distribution made in respect of shares they are allocated on vesting and exercise of their performance rights and options, as applicable. The grants are subject to a dealing restriction. Senior Executives are not entitled to sell, transfer or otherwise deal with the shares allocated to them until 2 years after the end of the initial performance period.

Two grants were made under the Plan during the year. The first grant was the scheduled annual grant to Senior Executives of the group as at July 2007. A second grant was made to senior executives of Adelaide Bank in December 2007.

As set out in the 2008 Remuneration Report, prior to the merger senior executives of Adelaide Bank were granted Performance Rights under an Adelaide Bank employee incentive scheme. As a result of the merger, the executives lost the benefit of those rights. Under the merger terms, the Company committed to replace the grant of Performance Rights on terms which, taken as a whole, were economically equivalent to the terms of the Adelaide Bank offer.

Each of the grants made in 2008 were valued and expensed in accordance with applicable accounting requirements. The expense recognised in the income statement in relation to share-based payments is disclosed in note 40.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of and movements in performance options issued during the year.

	2008 No.	**2008 WAEP**	**2007 No.**	**2007 WAEP**
Outstanding at the beginning of the year	632,693	$14.66	-	-
Granted during the year	424,421	$15.47	632,693	$14.66
Forfeited during the year	(22,265)	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	1,034,849	$14.98	632,693	$14.66

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of and movements in performance rights issued during the year.

	2008 No.	**2008 WAEP**	**2007 No.**	**2007 WAEP**
Outstanding at the beginning of the year	100,117	$0.00	-	-
Granted during the year	203,772	$0.00	100,117	$0.00
Forfeited during the year	-	-	-	-
Exercised during the year	(9,462)	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	294,427	$0.00	100,117	$0.00

The outstanding balance as at 30 June 2008 is represented by:

- 622,928 performance options over ordinary shares with an exercise price of $14.66 each and 411,921 performance options over ordinary shares with an exercise price of $15.47 each, exercisable upon meeting the above conditions, and until 31 July 2012.
- 294,427 performance rights over ordinary shares with an exercise price of $0.00 each, exercisable upon meeting the above conditions, and until 30 June 2011.

The weighted average fair value of rights granted during the year was $15.17 (2007: $13.00). The weighted average fair value of options and granted during the year was $2.60 (2007: $2.03).

The fair value of the performance options and performance rights granted under the Plan takes into account the terms and conditions upon which the options were granted. The fair value is estimated as at the date of grant using the Black-Scholes – Merton Option Pricing Model incorporating a Monte Carlo simulation option pricing model to estimate the probability of achieving the TSR hurdle and the number of options vesting.

The following table lists the inputs to the model used for the year ended 30 June 2008.

	July 2007 (Rights & Options)	**December 2007 (Rights only)**
Dividend yield (%)	3.75	3.75
Expected volatility (%)	18 and 20	22 to 25
Risk-free interest rate (%)	6.38	6.47
Expected life of option (years)	4.3	-
Expected life of rights (years)	3.5	3.5
Option exercise price ($) (1)	15.47	-
Closing share price at grant date ($)	15.94	17.31

(1) For performance rights the exercise price is nil.

The expected life of the rights and options is based on historical data and is 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.

Employee Share Plans

Current Plan

The Bank established a new loan-based limited recourse Employee Share Plan ("Plan") in 2006. The Plan is substantially the same as the Legacy plan that was in place from 1995 to 2006. However, the new Plan is only available to general staff. Executives (including the Managing Director) may not participate in it.

Under the terms of the new Plan, shares will be issued at the prevailing market value. The shares must be paid for by the staff member. The Plan provides staff members with an interest-free loan for the sole purpose of acquiring Plan shares. Net cash dividends after personal income tax obligations are applied to reduce the loan balance. Staff cannot deal in the shares until the loan has been repaid. The primary benefit under the terms of the Plan is the financial benefit of the limited recourse interest-free loan.

The first issue to general staff under this plan was completed in September 2006. A grant to Community Bank® employees was made in December 2007. There have been no further issues under this Plan.

The share issue in December 2007 was valued and expensed in accordance with applicable accounting requirements. The expense recognised in the income statement in relation to share-based payments is disclosed on the following page.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of and movements in Plan shares issued during the year.

	2008 No.	2008 WAEP	2007 No.	2007 WAEP
Outstanding at the beginning of the year	5,710,615	40,400,000	4,798,426	25,600,000
Granted during the year	226,790	3,038,986	1,520,662	20,600,000
Forfeited during the year	-	-	-	-
Exercised during the year	384,036	6,038,986	608,473	5,800,000
Expired during the year	-	-	-	-
Outstanding at the end of the year	5,553,369	37,400,000	5,710,615	40,400,000
Exercisable at the end of the year	5,553,369	37,400,000	5,710,615	40,400,000

The outstanding balance as at 30 June 2008 is represented by 5,553,369 ordinary shares with a market value at 30 June 2008 of $10.93 each (value: $60,698,323), exercisable upon repayment of the employee loans.

The acquisition price of shares granted during the year was $13.40 (2007: $13.54) being the volume weighted average share price of the company's shares traded on the ASX in the 7 days trading ending one calendar week before the invitation date.

The fair value of the shares granted under the Plan is estimated as at the date of grant using the Black-Scholes-Merton Option Pricing Model taking into account the terms and conditions upon which the shares were granted. The fair value determined by independent valuation was $4.56.

SHARE BASED PAYMENT PLANS (continued)

The following table lists the inputs to the model used for the year ended 30 June 2008.

	2008
Dividend yield (%)	-
Expected volatility (%)	22 and 25
Risk-free interest rate (%)	6.66
Expected life of shares (years)	5
Share exercise price ($)	13.40
Share price at grant date ($)	14.16

The expected life of the share options is based on historical data and is 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 exercise price of the shares issued will reduce over time as dividends are applied to repay the staff loans.

		Consolidated	
		2008	2007
Recognised share-based payment expenses		$m	$m
Expense arising from equity settled share-based payment transactions		4.4	7.3
Total expense arising from share-based payment transactions		4.4	7.3
Employee share and loan values and EPS impact [(1)]			
Employee Share and Loan Values			
Value of unlisted employee shares on issue at 30 June 2008 - 5,553,369 shares @ $10.93 (2007 - 5,710,615 shares @ $15.20)		60.7	86.8
Value of outstanding employee loans at beginning of year relating to employee shares		40.4	25.6
Value of new loans relating to employee shares issued during year		3.0	20.6
Value of repayments of loans during year		(6.0)	(5.8)
Value of outstanding employee loans at end of year relating to employee shares		37.4	40.4
Number of employees with outstanding loan balances		3,075	2,555
Indicative cost of funding employee loans			
Average balance of loans outstanding		39.0	37.1
Average cost of funds		6.61%	5.16%
After tax indicative cost of funding employee loans		1.8	1.3
Earnings per ordinary share - actual	- cents	74.8	81.9
Earnings per ordinary share - adjusted for interest foregone	- cents	75.7	82.8

The cost of employee interest-free loans is calculated by applying the bank's average cost of funds for the financial year to the average outstanding balance of employee loans for the financial year. This cost is then tax-effected at the company tax rate of 30% (2007: 30%).

Earnings per ordinary share - adjusted is calculated by adding the after tax indicative cost of funding employee loans to profit available for distribution to ordinary shareholders. This adjusted earnings figure is divided by the weighted average number of ordinary shares.

(1) The EPS analysis relates to shares issued under the Company’s current and legacy employee share plans. The analysis does not take into account the plans operated by Adelaide Bank as summarised on the next page.

Proposed Plans

The Board will seek shareholder approval at the 2008 Annual General Meeting for future issues of shares under a new tax-exempt Employee Share Grant Plan ("ESGP"). The ESGP will be open to all full-time and permanent part-time staff in the Group (excluding Directors and Senior Executives) and it is currently intended that grants under the ESGP would be made annually subject to Board discretion.

The Board will also seek shareholder approval for future issues of shares under a new Employee Salary Sacrifice and Deferred Share Plan ("DSP"). The DSP will provide a vehicle that will facilitate the purchase of shares on a salary-sacrifice basis and the making of additional discretionary grants as may be required from time to time in line with the Company's employee attraction and retention objective.

No shares have been issued under these plans to date. Further details of these plans are disclosed in the 2008 Notice of Annual General Meeting.

Discontinued Plans

The Group has the following legacy employee share plans which are now closed.

Bendigo and Adelaide Bank Employee Share Ownership Plan

The Company discontinued in 2006 the existing loan-based Employee Share Ownership Plan ("Plan") that was open to all employees in the Group, including the Managing Director and senior executives. The Plan will continue as a legacy plan until such time as the loans provided to fund share purchases under the Plan have been repaid. There have been no issues of shares under this Plan since November 2004. Shares were issued under the Plan at market value.

The notional value of the limited recourse interest-free loan provided to the managing director and relevant senior executives under this legacy Plan is disclosed in the remuneration tables that accompany this report.

Adelaide Bank Deferred Employee Share Plan

Adelaide Bank operated a deferred employee share plan ("Plan") for senior and executive staff whereby that part of total remuneration allocated to short-term incentive and long-term incentive were received by way of shares held in the Plan. Participation in the Plan was at the Board's discretion and the shares were purchased on-market.

The shares are held by the Plan Trustee for the benefit of plan participants. A participant's right to receive shares allocated under the Plan may be subject to performance and/or vesting criteria ("requirements"). When the requirements have been met the participant may request the Trustee to transfer the vested shares from the Plan or direct the Trustee to sell the shares on market.

As at 30 June 2008 there were 53,307 shares were held by the Plan Trustee with 53,307 shares having vested.

Adelaide Bank Share Allocation Scheme

The Adelaide Bank Share Allocation Scheme ("Scheme") allowed the Board to allocate a percentage of Adelaide Bank's pre-tax operating profit each year towards the acquisition of fully paid shares for eligible non-executive employees (free of charge). The Scheme was open to all part time, full time and casual employees who had completed at least one year of continuous service with Adelaide Bank.

The percentage of profit at the discretion of the Board that could be allocated under the scheme ranged between 2% and 5%. Invitations were issued to eligible employees and, in relation to accepted invitations, the Scheme Trustee would acquire and hold the shares on trust for the participants. Three years after the shares had been acquired, the Trustee must transfer the shares to the participant provided the participant had not previously ceased their employment.

As at 30 June 2008, 45,518 shares were held by the Scheme Trustee with 6,517 shares having vested and 39,001 shares having not yet vested.

Adelaide Bank Loan Plan

Adelaide Bank operated an employee share plan ("Plan") whereby shares were allotted from time to time to eligible staff that elected to take up their entitlement. The Plan was open to all part time, full time and casual employees who had completed at least one year of continuous service and participation in the Plan was at the Board's discretion.

The price was generally set at market price and funded by an interest free loan from a subsidiary of Adelaide Bank. The Plan provided participants with a right to take up a limited recourse loan from an Adelaide Bank subsidiary to fund the purchase of the shares. Until the loan is repaid the shares are held in trust by the Trustee of the Plan. Dividends paid on the shares were applied to repay the outstanding loan balance. The last allocation of shares made under the Plan was in 2001.

As at 30 June 2008 the Plan Trustee held 317,125 shares under the Plan with a market value of $3.5 million. The aggregate amount of loans outstanding at year end was $365,525.

The above discontinued plans will continue until all shares have been withdrawn and / or outstanding loans repaid as appropriate.

39. AUDITOR'S REMUNERATION

	Consolidated		Parent	
	2008	2007	2008	2007
	$	$	$	$
Chief entity auditors				
The auditor of Bendigo and Adelaide Bank Limited is Ernst & Young (Australia)				
Amounts received, or due and receivable by the auditors for:				
-auditing the financial statements of the chief entity and any other entity in the economic entity	1,358,071	615,050	784,875	615,050
-taxation services in relation to the chief entity and any other entity in the economic entity	579,751	72,853	154,378	70,823
-other services in relation to the chief entity and any other entity in the economic entity	555,965	238,655	228,247	238,655
	2,493,787	926,558	1,167,500	924,528
Amounts received, or due and receivable by non Ernst & Young audit firms for:				
-review of the financial report	15,000	18,000	-	-
-other services in relation to the chief entity and any other entity in the economic entity	10,420	5,244	-	2,244
	25,420	23,244	-	2,244

40. DIRECTOR AND EXECUTIVE DISCLOSURES

Details of the remuneration of directors and executives of the group for the 2008 financial year

(a) Details of key management personnel

The key management personnel (being the directors of the Bank and the executives who have the authority and responsibility for planning, directing and controlling the activities of the Group), and the five most highly remunerated executives of the Group and the Company for the 2008 financial year are set out in the 2008 Remuneration Report at pages 39 and 63.

(b) Compensation of key management personnel

The Corporations Legislation Amendment Act made a number of changes to section 300A of the Corporations Act and Regulations relating to the disclosure of executive and director remuneration by disclosing entities. These changes were made in order to remove the duplication of disclosures which existed in the Corporations Act and Accounting Standard *AASB124 Related Party Disclosures*. The remuneration disclosures (including comparative information) in relation to key management personnel are provided in the "Remuneration Report" section of the Directors' Report.

(c) Compensation by category: for key management personnel (being the directors of the Bank and the executives who have the authority and responsibility for planning, directing and controlling the activities of the Group), and the five most highly remunerated executives of the Group for the 2008 financial year.

	CONSOLIDATED	
	2008	2007
	$	$
Short-term employee benefits	8,791,280	6,737,651
Post employment benefits	819,844	639,435
Other long-term benefits	327,564	188,938
Termination benefits	405,573	-
Share-based payment	1,898,952	793,619
Total Compensation	**12,243,213**	**8,359,643**

(d) Performance rights and options: Granted and vested during the year (Consolidated)

During the financial year performance rights and performance options were granted as equity compensation under the Executive Incentive Plan ("Plan") to certain key management personnel. No share rights or options have been granted to non-executive Directors under this Plan.

The Plan provides for grants of options and performance rights ("Instruments") to key executives, including the Managing Director. Under the Plan, eligible executives are granted options and performance rights subject to performance conditions set by the Board. If the performance conditions are satisfied during the relevant performance period, the options and performance rights will vest.

Each option and performance right represents an entitlement to one ordinary share in the company. Accordingly, the maximum number of shares that may be acquired by the key executives is equal to the number of options and performance rights issued.

Options and performance rights are granted at no cost to the key executives. The exercise price for options will generally be the market price of the shares at the grant date, and no exercise price will apply to exercisable performance rights.

The number of options and performance rights granted to the Managing Director and key executives have been based on the value of each option and performance right, calculated using the recognised Black – Scoles-Merton valuation methodology. The assessed fair value of each option and each performance right granted under the Plan are set out in the tables below.

The grants are subject to a dealing restriction. Executives are not entitled to sell, transfer or otherwise deal with the shares allocated to them until 2 years after the end of the initial performance period. Further details of the Plan are set out in the 2008 Remuneration Report.

A Plan participant may not enter into a transaction designed to remove the "at-risk" element of an entitlement under the Plan before it vests. Plan participants may only enter into a transaction designed to remove the "at risk" element of an entitlement under the Plan ***after*** it vests and if the Board has not decided to restrict or prohibit the participant from doing this. If a Plan participant enters into such a transaction, they must tell the Company Secretary and provide any details requested.

DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Performance Options

	Vested	**Granted**	**Terms & Conditions for each Grant**					
30 June 2008	*No.*	*No.*	*Grant Date*	*Fair Value per option at grant date*	*Exercise price per option*	*Expiry Date*	*First Exercise Date*	*Last Exercise Date*
Directors								
R Hunt	-	121,538	9.7.07	$2.60	$15.47	31.7.12	30.6.10	31.7.12
J McPhee	-	-	-	-	-	-	-	-
Executives								
M Baker	-	27,885	9.7.07	$2.60	$15.47	31.7.12	30.6.10	31.7.12
A Baum	-	-	-	-	-	-	-	-
R Fennell	-	-	-	-	-	-	-	-
G Gillett	-	32,692	9.7.07	$2.60	$15.47	31.7.12	30.6.10	31.7.12
R Hasseldine	-	20,192	9.7.07	$2.60	$15.47	31.7.12	30.6.10	31.7.12
M Hirst	-	40,385	9.7.07	$2.60	$15.47	31.7.12	30.6.10	31.7.12
D Hughes	-	-	-	-	-	-	-	-
R Jenkins	-	30,769	9.7.07	$2.60	$15.47	31.7.12	30.6.10	31.7.12
V Kelly	12,500	25,000	9.7.07	$2.60	$15.47	31.7.12	30.6.10	31.7.12
C Langford	-	34,615	9.7.07	$2.60	$15.47	31.7.12	30.6.10	31.7.12
T Piper	-	-	-	-	-	-	-	-
P Riquier	-	-	-	-	-	-	-	-
A Watts	-	21,154	9.7.07	$2.60	$15.47	31.7.12	30.6.10	31.7.12
Total	12,500	354,230						

Performance Rights

	Vested	Granted	Terms & Conditions for each Grant					
30 June 2008	*No.*	*No.*	*Grant Date*	*Fair Value per right at grant date*	*Exercise price per right*	*Expiry Date*	*First Exercise Date*	*Last Exercise Date*
Directors								
R Hunt	-	22,523	9.7.07	$14.03	$0.00	30.6.11	30.6.10	30.6.11
J McPhee	-	20,767	12.12.07	$16.03	$0.00	30.6.10	30.6.09	30.6.10
J McPhee	-	20,766	12.12.07	$15.74	$0.00	30.6.10	30.6.10	30.6.10
Executives								
M Baker	-	5,167	9.7.07	$14.03	$0.00	30.6.11	30.6.10	30.6.11
A Baum	-	5,971	12.12.07	$16.03	$0.00	30.6.10	30.6.09	30.6.10
A Baum	-	5,970	12.12.07	$15.74	$0.00	30.6.10	30.6.10	30.6.10
R Fennell	-	5,625	12.12.07	$16.03	$0.00	30.6.10	30.6.09	30.6.10
R Fennell	-	5,624	12.12.07	$15.74	$0.00	30.6.10	30.6.10	30.6.10
G Gillett	-	6,058	9.7.07	$14.03	$0.00	30.6.11	30.6.10	30.6.11
R Hasseldine	-	3,742	9.7.07	$14.03	$0.00	30.6.11	30.6.10	30.6.11
M Hirst	-	7,484	9.7.07	$14.03	$0.00	30.6.11	30.6.10	30.6.11
D Hughes	-	5,452	12.12.07	$16.03	$0.00	30.6.10	30.6.09	30.6.10
D Hughes	-	5,451	12.12.07	$15.74	$0.00	30.6.10	30.6.10	30.6.10
R Jenkins	-	5,702	9.7.07	$14.03	$0.00	30.6.11	30.6.10	30.6.11
V Kelly	4,633	4,633	9.7.07	$14.03	$0.00	30.6.11	30.6.10	30.6.11
C Langford	-	6,415	9.7.07	$14.03	$0.00	30.6.11	30.6.10	30.6.11
T Piper	-	5,625	12.12.07	$16.03	$0.00	30.6.10	30.6.09	30.6.10
T Piper	-	5,624	12.12.07	$15.74	$0.00	30.6.10	30.6.10	30.6.10
P Riquier	-	4,759	12.12.07	$16.03	$0.00	30.6.10	30.6.09	30.6.10
P Riquier	-	4,759	12.12.07	$15.74	$0.00	30.6.10	30.6.10	30.6.10
A Watts	-	3,920	9.7.07	$14.03	$0.00	30.6.11	30.6.10	30.6.11
Total	4,633	162,037						

During the year 9,462 shares were issued on the exercise of performance rights. No shares were issued on the exercise of vested options.

Performance Options

30 June 2008	*Balance at beginning of period 01-Jul-07*	*Granted as Remun-eration*	*Options Exercised*	*Net Change Other*	*Balance at end of period 30-Jun-08*	*Total*	*Exercisable*	*Not Exercisable*
Directors								
R Hunt	280,814	121,538	-	-	402,352	402,352	-	-
J McPhee	-	-	-	-	-	-	-	-
Executives								
M Baker	30,516	27,885	-	-	58,401	58,401	-	-
A Baum	-	-	-	-	-	-	-	-
R Fennell	-	-	-	-	-	-	-	-
G Gillett	37,559	32,692	-	-	70,251	70,251	-	-
R Hasseldine	23,709	20,192	-	-	43,901	43,901	-	-
M Hirst	44,601	40,385	-	-	84,986	84,986	-	-
D Hughes	-	-	-	-	-	-	-	-
R Jenkins	34,038	30,769	-	-	64,807	64,807	-	-
V Kelly	30,516	25,000	-	(22,265)	33,251	33,251	33,251	-
C Langford	41,080	34,615	-	-	75,695	75,695	-	-
T Piper	-	-	-	-	-	-	-	-
P Riquier	-	-	-	-	-	-	-	-
A Watts	25,822	21,154	-	-	46,976	46,976	-	
Total	548,655	354,230	-	(22,265)	880,620	880,620	33,251	-

Performance Rights

30 June 2008	*Balance at beginning of period 01-Jul-07*	*Granted as Remun-eration*	*Rights Vested*	*Net Change Other*	*Balance at end of period 30-Jun-08*	*Total*	*Exercisable*	*Not Exercisable*
Directors								
R Hunt	44,434	22,523	-	-	66,957	66,957	-	-
J McPhee	-	20,767	-	-	20,767	20,767	-	-
J McPhee	-	20,766	-	-	20,766	20,766	-	-
Executives								
M Baker	4,829	5,167	-	-	9,996	9,996	-	-
A Baum	-	5,971	-	-	5,971	5,971	-	-
A Baum	-	5,970	-	-	5,970	5,970	-	-
R Fennell	-	5,625	-	-	5,625	5,625	-	-
R Fennell	-	5,624	-	-	5,624	5,624	-	-
G Gillett	5,944	6,058	-	-	12,002	12,002	-	-
R Hasseldine	3,752	3,742	-	-	7,494	7,494	-	-
M Hirst	7,058	7,484	-	-	14,542	14,542	-	-
D Hughes	-	5,452	-	-	5,452	5,452	-	-
D Hughes	-	5,451	-	-	5,451	5,451	-	-
R Jenkins	5,386	5,702	-	-	11,088	11,088	-	-
V Kelly	4,829	4,633	9,462	(9,462)	-	-	-	-
C Langford	6,501	6,415	-	-	12,916	12,916	-	-
T Piper	-	5,625	-	-	5,625	5,625	-	-
T Piper	-	5,624	-	-	5,624	5,624	-	-
P Riquier	-	4,759	-	-	4,759	4,759	-	-
P Riquier	-	4,759	-	-	4,759	4,759	-	-
A Watts	4,086	3,920	-	-	8,006	8,006	-	-
Total	86,819	162,037	9,462	(9,462)	239,394	239,394	-	-

(e) Shareholdings of directors and named executives (including their related parties)

Shares held in Bendigo and Adelaide Bank	**Balance 1 July 2007**			**Net Change**			**Balance 30 June 2008**		
	Ordinary shares	**Employee shares**	**Preference Shares**	**Ordinary shares**	**Employee shares**	**Preference Shares**	**Ordinary shares**	**Employee shares**	**Preference Shares**
Directors [(4)]									
R Johanson	268,600	-	1,000	15,628	-	-	284,228	-	1,000
R Hunt AM	254,130	600,000	-	94,604	-	-	348,734	600,000	-
K Abrahamson [2]	-	-	-	16,801	-	309	16,801	-	309
N Axelby [1]	41,884	-	100	(41,884)	-	(100)	-	-	-
J Dawson	17,301	-	150	1,813	-	-	19,114	-	150
D Erskine [1]	240,220	-	-	(240,220)	-	-	-	-	-
J McPhee [2]	-	-	-	371,576	236,500	-	371,576	236,500	-
T O'Dwyer	50,300	-	-	11,600	-	-	61,900	-	-
K Osborn [2]	-	-	-	9,078	-	-	9,078	-	-
D Radford	1,000	-	-	-	-	-	1,000	-	-
K Roache	45,156	-	200	3,923	-	-	49,079	-	200
A Robinson	2,500	-	-	-	-	-	2,500	-	-
Senior Executives									
M Baker	4,920	57,850	500	2,689	(2,130)[(3)]	-	7,609	55,720	500
A Baum [2]	-	-	-	538	30,746		538	30,746	-
G Gillett	1,364	139,410	-	372	(6,820)[(3)]	-	1,736	132,590	-
R Hasseldine [1]	150	45,000	-	(150)	(45,000)	-	-	-	-
M Hirst	150	50,000	-	300	-	-	450	50,000	-
D Hughes [2]	-	-	-	208	-	-	208	-	-
R Jenkins	15,984	76,160	-	1,143	(6,280)[(3)]	-	17,127	69,880	-
V Kelly [1]	2,622	129,000	-	(2,622)	(129,000)	-	-	-	-
C Langford	450	123,367	-	300	-	-	750	123,367	-
T Piper [2]	-	-	-	16,878	-	-	16,878	-	-
P Riquier [2]	-	-	-	-	2,467	-	-	2,467	-
A Watts [2]	-	-	-	1,630	19,470	-	1,630	19,470	-
Total	946,731	1,220,787	1,950	264,205	99,953	209	1,120,936	1,320,740	2,159

[1] Ceased as key management personnel during the year.

[2] Commenced as key management personnel during the year.

[3] Converted to ordinary shares.

[4] Dr A Lloyd held 4,780 shares and Mr R Cook held 3,359 shares during their term on the Board.

Shares held in Bendigo and Adelaide Bank	Balance 1 July 2006			Net Change			Balance 30 June 2007		
	Ordinary shares	Employee shares	Preference Shares	Ordinary shares	Employee shares	Preference Shares	Ordinary shares	Employee shares	Preference Shares
Directors									
R N Johanson	272,450	-	1,000	(3,850)	-	-	268,600	-	1,000
R G Hunt AM	112,212	740,000	-	141,918	(140,000)	-	254,130	600,000	-
N J Axelby	41,559	-	100	325	-	-	41,884	-	100
J L Dawson	16,630	-	150	671	-	-	17,301	-	150
D J Erskine	231,111	-	-	9,109	-	-	240,220	-	-
T J O'Dwyer	50,300	-	-	-	-	-	50,300	-	-
D L Radford	1,000	-	-	-	-	-	1,000	-	-
K E Roache	44,053	-	200	1,103	-	-	45,156	-	200
A D Robinson	2,500	-	-	-	-	-	2,500	-	-
Executives									
M A Baker	4,729	57,850	500	191	-	-	4,920	57,850	500
G D Gillett	2,404	139,410	-	(1,040)	-	-	1,364	139,410	-
R H Hasseldine	150	45,000	-	-	-	-	150	45,000	-
M J Hirst	150	50,000	-	-	-	-	150	50,000	-
V M Kelly	2,622	129,000	-	-	-	-	2,622	129,000	-
K C Langford	450	123,367	-	-	-	-	450	123,367	-
R P Jenkins	15,363	76,160	-	621	-	-	15,984	76,160	-
Total	797,683	1,360,787	1,950	149,048	(140,000)	-	946,731	1,220,787	1,950

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length other than shares issued under the Employee Share Ownership Plan. Issue of shares under the Employee Share Plans are made under conditions disclosed in Note 38.

(f) Loans to directors and named executives (including their related parties)

(i) Details of aggregates of loans to directors and named executives (including their related parties) are as follows:

	Balance at beginning of period $'000	Interest charged $'000	Interest not charged $'000	Write-off $'000	Balance at end of period $'000	Number atp 30 June 2008
Directors[1]						
2008 [2]	8,294	550	117	-	14,070	7
2007	28,629	1,742	239	-	25,275	9
Executives[1]						
2008 [2]	7,046	465	85	-	8,298	10
2007	5,137	204	150	-	8,807	7
Total directors and executives						
2008 [2]	15,340	1,015	202	-	22,368	17
2007	33,766	1,946	389	-	34,082	16

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

	Balance at beginning of period $'000	Interest charged $'000	Interest not charged $'000	Write-off $'000	Balance at end of period $'000	Highest owing in period $'000
Directors						
R Johanson	642	51	-	-	556	710
R Hunt AM	1,071	97	-	-	2,230	2,262
Staff share loan	4,218	-	94	-	3,934	4,218
J Dawson	222	38	-	-	473	497
J McPhee	468	76	-	-	1,906	1,969
Staff share loan	417	-	23	-	275	417
D Radford	-	43	-	-	992	1,004
K Roache	1,256	181	-	-	2,204	2,729
T Robinson	-	64	-	-	1,500	1,500
Senior Executives						
M A Baker						
Staff share loan	283	-	10	-	255	283
Loans	121	9	-	-	114	121
A Baum						
Loans	363	19	-	-	288	723
R Fennell						
Loans	400	37	-	-	400	400
G Gillett						
Staff share loan	559	-	25	-	494	559
Loans	808	65	-	-	786	845
M Hirst						
Staff share loan	317	-	10	-	293	317
Loans	3	-	-	-	-	6
R Jenkins						
Staff share loan	315	-	12	-	280	315
Loans	1,059	91	-	-	1,125	1,170
C Langford						
Staff share loan	521	-	23	-	462	521
Loans	766	119	-	-	1,757	1,999

	Balance at beginning of period $'000	Interest charged $'000	Interest not charged $'000	Write-off $'000	Balance at end of period $'000	Highest owing in period $'000
Senior Executives cont'd..						
T Piper						
Loans	1,212	78	-	-	1,299	1,310
P Riquier						
Loans	241	10	-	-	237	242
A Watts						
Staff share loan	78	-	5	-	69	78
Loans	-	37	-	-	439	455

1 Balances include interest-free loans provided to the Managing Director and Senior Executives in connection with share issues under employee share plans as described at Note 38.

2 Opening balances have been adjusted to include loans to directors and senior executives appointed during the year and to exclude directors and senior executives who ceased during the year.

Terms and conditions of director and senior executive loans

The loans to directors and senior executives are made in the ordinary course of the company's business and on an arms length basis. The loans are processed and approved in accordance with the Bank's standing lending processes and prevailing terms and conditions.

Terms and conditions of the loans under Staff Share Plan

Loans have been provided to Mr R G Hunt and Senior Executives under the terms of Bank's legacy Employee Share Ownership Plan ("Plan"). Details of the Plan's terms and conditions are provided at Note 38 to the financial statements.

(g) Other transactions of directors and director related entities

Mr K Roache as partner of the legal firm Coulter Roache has provided legal services to Bendigo and Adelaide Bank Ltd by way of mortgage document preparation based on normal commercial terms and conditions. The amount paid or payable during the year totalled $93,774 (2007: $52,157).

Mr R Johanson is a director of the Grant Samuel Group, which provided professional advisory services to Bendigo and Adelaide Bank Ltd based on normal commercial terms and conditions. A protocol, approved by the Board, has been established for the engagement of Grant Samuel by the Bank which includes arrangements for dealing with conflicts of interest. The services are provided in accordance with scheduled fee rates which were discussed and approved by the Board in the absence of Mr Johanson.

The services provided during the 2008 financial year included services in relation to corporate matters including alliance and joint venture activities, strategic developments and the merger of Adelaide Bank. The amount paid or payable for the year was $5,444,190 (2007: $1,157,957).

Mr Robinson is a director of IOOF Holdings Limited. Mr Robinson is also a director of IOOF Investment Management Limited ("IOOF") and Perennial Investment Partners Limited ("Perennial"), which are subsidiaries of IOOF Holdings Ltd. These companies provide investment management services to managed investment schemes for which Sandhurst Trustees Ltd is the responsible entity. The fees paid by Sandhurst Trustees for these services are on normal commercial terms and conditions. The fees paid for the year totalled $304,000 (2007 $300,000).

Bendigo Financial Planning Ltd, a subsidiary of Bendigo and Adelaide Bank, is the sponsor and markets and promotes Bendigo Financial Solutions Personal Superannuation ("BFSPS"). BFSPS is a superannuation product offered by IOOF Investment Management Services Ltd. The fees paid by IOOF to BFP are based on normal commercial terms and conditions. The Board has approved a protocol that sets out arrangements for dealing with potential conflicts of interest connected with the financial services activities of IOOF Holdings Limited and its subsidiaries. The fees paid to BFP for the year were $3,236,000 (2007 $2,857,028).

Mr Hunt is a Director of Bendigo Community Telco ("BCT"). BCT supplies telecommunications and business continuity services to the group. The services are provided on commercial terms and conditions. Bendigo and Adelaide Bank also provides banking overdraft and lending facilities to BCT. The banking services are provided in accordance with Bendigo and Adelaide Bank's prevailing product terms and conditions.

Associate company directorships:

Mr R Johanson is a non-executive director of Elders Rural Bank Limited, an associate entity of Bendigo and Adelaide Bank. Mr Johanson was entitled to receive a director fee of $58,000 plus Superannuation Guarantee Charge by Elders Rural Bank Limited in connection with the directorship.

41. RELATED PARTY DISCLOSURES

Ultimate Parent Entity

Bendigo and Adelaide Bank Limited is the ultimate parent entity.

Wholly owned group transactions

Bendigo and Adelaide Bank Limited is the parent entity of all entities listed in Note 20 - Particulars in relation to controlled entities. Transactions undertaken during the financial year with those entities are eliminated in the consolidated financial report. The transactions principally arise from the provision of administrative, distribution, corporate and the general banking services.

Additionally, Bendigo and Adelaide Bank pays operating costs and banks receipts on behalf of certain controlled entities which are financed via unsecured interest free intercompany loans. The loans have no fixed repayment date. Amounts due from and due to controlled entities at balance date are shown in the balance sheet. The balance of these inter-company loans is included in the net amount owing to/(from) subsidiaries column of the table below.

Interest received or receivable from and paid or payable to controlled entities and dividends received and receivable from controlled entities is disclosed in Note 4 - Profit and is included in the table below.

Material transactions between Bendigo and Adelaide Bank and its subsidiaries during the period were as follows:

		Net receipts and fees paid to subsidiaries	Supplies, fixed assets and services charged to subsidiaries	Net amount owing to/(from) subsidiaries at 30 June
		$m	$m	$m
Bendigo Finance Pty Ltd	2008	(0.6)	-	(2.0)
	2007	0.9	-	(1.4)
Worley Securities Pty Ltd	2008	-	-	-
	2007	2.6	2.4	-
National Mortgage Market Corporation Limited	2008	2.3	0.6	9.0
	2007	4.3	1.4	7.3
National Assets Securitisation Pty Ltd	2008	0.2	0.1	0.9
	2007	0.2	0.2	0.8
Fountain Plaza Pty Ltd	2008	(2.9)	2.2	(87.8)
	2007	0.5	60.5	(82.7)
Victorian Securities Corporation Limited	2008	10.6	2.7	(3.9)
	2007	(1.1)	3.0	(11.8)
Bendigo Financial Planning Limited	2008	10.5	10.6	(2.1)
	2007	7.8	10.0	(2.0)
Benhold Pty Ltd	2008	-	-	(5.1)
	2007	0.1	-	(5.1)
IOOF Building Society Pty Ltd	2008	-	-	20.4
	2007	-	-	20.4
Cass Comm Pty Ltd	2008	-	-	-
	2007	0.1	2.1	-
Community Developments Australia Pty Ltd	2008	(1.3)	1.3	(8.2)
	2007	1.2	1.2	(5.6)
Community Exchanges Australia Pty Ltd	2008	0.2	0.2	(1.4)
	2007	0.2	0.2	(1.4)
Sandhurst Trustees Limited	2008	28.1	30.3	(0.3)
	2007	30.7	27.4	1.9
Oxford Funding Pty Ltd	2008	3.5	8.1	(36.9)
	2007	11.8	3.9	(32.3)
First Australian Building Society Limited	2008	-	-	-
	2007	8.9	3.8	-
Adelaide Bank Limited	2008	(2.6)	54.7	(57.3)
	2007	-	-	-

Bendigo and Adelaide Bank provides funding and guarantee facilities to several subsidiary companies as detailed in the following table. The balance outstanding on these facilities is included in the net amount owing to/(from) subsidiaries in the above table.

Subsidiary	Facility	Limit	Drawn/issued at 30 June 2008
		$m	$m
Sandhurst Trustees Limited	Standby	20.0	-
Bendigo Financial Planning Limited	Guarantee	-	-
Victorian Securities Corporation Limited	Standby	10.0	-
	Guarantee	-	-
Community Exchanges Australia Pty Ltd	Overdraft	1.4	1.0
Community Energy Australia Pty Ltd	Overdraft	0.4	0.2
Community Solutions Australia Pty Ltd	Overdraft	0.8	0.8
	Guarantee	-	-
Oxford Funding Pty Ltd	Overdraft	62.0	47.1
	Guarantee	4.6	-
Adelaide Bank Limited and its subsidiaries	Counterparty limit	2,600.0	1,723.5
	Guarantee	100.0	-

Guarantees disclosed in the above table with a zero limit are less than $0.1 million.

All funding and guarantee facilities are provided to subsidiary companies on normal commercial terms and conditions.

Several subsidiary companies have bank accounts and investment funds held with Bendigo and Adelaide Bank Limited under normal terms and conditions. These balances are included in the amount owing to/(from) subsidiaries in the above table.

The following dividends received by Bendigo and Adelaide Bank Limited from subsidiary companies are included in the net receipts/fees paid column of the above table:

		$m
Adelaide Bank Limited	2008	54.7
	2007	-
Sandhurst Trustees Limited	2008	20.6
	2007	18.2
Worley Securities Pty Ltd	2008	-
	2007	1.9
Cass Com Limited	2008	-
	2007	2.1
First Australian Building Society	2008	-
	2007	3.8

There were no material transactions between subsidiary companies.

Other related party transactions

Securitised and sold loans

The bank securitised or sold loans totalling $3,308.0 million (2007: $561 million) during the financial year. Of this total, $359.1 million (2007: $561 million) were sold to the Common Funds managed by Sandhurst Trustees Limited. The consolidated entity does not invest in any of its own securitisation programs other than the Torrens Series 2008-1 Trust where the Bank holds A & B notes equivalent to $2,102.6 million as at 30 June 2008. The Bank does invest in other securitisation programs unrelated to the Bank as part of normal investment activities.

Associated entities

Bendigo and Adelaide Bank Limited has investments in associated entities as disclosed in Note 21 - Investments in associates. The group has transactions with the associated entities, principally relating to commissions received and paid, services and supplies procured from associates and fees charged in relation to the provision of banking, administrative and corporate services. These revenue and expense items are included in the relevant values disclosed in Note 4 - Profit. The transactions are conducted on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with the associated entities at arm's length in the same circumstances.

RELATED PARTY DISCLOSURES (continued)

During the financial year, transactions took place between the Bendigo and Adelaide Bank group and associated entities as follows:

		Commissions and fees paid to associates	Supplies and services provided to associates	Amount owing to/(from) associates at 30 June
		$m	$m	$m
Elders Rural Bank Ltd	2008	1.5	3.5	(0.3)
	2007	1.3	3.5	(0.3)
Tasmanian Banking Services Ltd	2008	9.6	4.8	0.6
	2007	8.1	5.7	-
Community Sector Enterprises P/L	2008	4.6	2.3	0.2
	2007	2.9	3.1	0.1
Caroline Springs Financial Services Pty Ltd	2008	0.5	0.6	-
	2007	0.4	0.6	-
Silver Body Corporate Financial Services P/L	2008	1.2	0.6	-
	2007	0.8	0.5	0.2
Strategic Payments Services P/L	2008	2.2	-	-
	2007	-	-	-

Dividends received and receivable from associated entities are disclosed in Note 4 – Profit.

Bendigo and Adelaide Bank Limited provides loans, guarantees and/or overdraft facilities to associated companies in connection with cash flow management, and the payment of administration costs on behalf of the associated companies. The loans have agreed repayment terms which vary according to the nature of the facility. The outstanding balances of these loans are disclosed in the above table.

42. RISK MANAGEMENT

RISK OVERSIGHT

Overview

The management of risk is an essential element of the Group's strategy and profitability and the way the Group operates.

The Board, being ultimately responsible for risk management associated with the Group's activities, has established an integrated governance and accountability framework, policies and controls to identify, assess, monitor and manage risk.

In addition to strategic and reputation risk the material business risks relating to the Group can be categorised as: credit, market (including interest rate and currency), liquidity, and operational risk (includes compliance, contagion, environment/sustainability risks). In addition to these material risks, the Group acknowledges the risk arising from integrating the operations of Bendigo and Adelaide Banks.

The risk management strategy is based upon risk principles approved by the Board and is underpinned by a system of delegations, passing from the Board through Board committees, the Managing Director ("MD"), management committees to the various risk, support and business units of the Group.

An essential element of the risk framework is the risk culture of the Group. Management of risk is the responsibility of the business units of the Group. Embedded in our culture is the value in all staff to doing the right thing, taking responsibility for managing risks inherent in their role and engaging with our stakeholders including the broader community to deliver a sustainable business proposition for all. The Group's risk management culture is also demonstrated by many aspects of management of the Group, including:

- Risk is managed both top down and bottom up.
- Risk management is embedded in strategy, planning, policy and procedures.
- An ability to identify opportunities, strive for quality and efficiency and minimise losses.
- Maintaining risk competencies especially for key roles.
- Regular discussion on risk at the business unit level.
- Acting promptly to manage risks and events whether internal or external.
- The existence of a close working relationship/partnership between the business and risk functions and acceptance of a "healthy tension" between the functions.

Board Responsibilities

In accordance with the Board Charter, the Board principally through the Audit, Credit, Risk and Governance & HR Committees oversees the establishment, implementation, review and monitoring of risk management systems and policies, taking into account the risk appetite of the Group, the overall business strategy, management expertise and the external environment. This includes approving risk limits and risk policies.

Board Committee Responsibilities

The Board has approved policies that support the implementation of a risk oversight and management framework for the Group. These policies are overseen by the Board Committees with each Committee operating under a Board approved charter that is reviewed annually.

Each Committee has established a reporting structure that describes the relevant responsibilities in respect to oversight and monitoring of Board-approved risk management policies.

The Committees evaluate developments in respect to the Group's structure and operations, as well as economic, industry and market developments that may impact the Group's management of risk.

Executive Responsibilities

On a day to day basis each Executive, management and staff are responsible for carrying out their roles in a way that manages risk in line with policies and procedures.

Whilst the Board has responsibility for setting the Group's appetite for risk, the MD and other Executive Committee members are responsible for developing strategies and business plans commensurate with that risk appetite.

The Executive Committee has responsibility for ensuring that the Board approved strategies and decisions are appropriately implemented as well as managing and monitoring the day to day activities of the Group including the management of risk and consideration of emerging risks and opportunities.

The Executive has a number of sub-committees that consider risk management matters including the Asset Liability Management Committee, Executive Credit Committee and the OH&S and Security Committee.

RISK MANAGEMENT (continued)

Independent Review

Internal Audit

The internal audit function operates under a charter and annual audit plan approved by the Board Audit Committee. The Board, on recommendation of the Board Audit Committee, approves the appointment of the Head of Internal Audit. The Committee receives reports at each meeting in respect to the outcomes and status of the internal audit plan. The independent internal audit function audits all functions across the Group including the effectiveness of the Group's risk management and internal compliance and control systems, in line with the audit plan and has direct access to the Board through the Board Audit Committee.

Group Risk

Group Risk is an independent function of the Group, providing the frameworks, policies and procedures to assist the Group in managing credit and operational risk in line with the strategy and risk appetite set by the Board.

The Group Credit Risk function is responsible for reviewing portfolio credit quality, policy development and promulgation, credit policy compliance, the assessment of large/maximum credit and manages the performance of the credit management system at the Group level.

The Group Operational Risk function is responsible for providing the frameworks, tools and support to assist the business in the management of its operational risk (including regulatory compliance, business continuity, financial crimes and dealings through Partners).

The Group Insurance function develops an insurance strategy and program for "insurable risk" which is approved by the Board Risk Committee

The Group Risk function has direct access to the Board through the Board Credit and Risk Committees.

Group Treasury

A function has been established within Group Treasury that is responsible for monitoring Treasury Policy compliance (including adherence to tolerance limits). Group Treasury has direct access to the Asset Liability Management Committee and in turn the Board Risk Committee.

MD/CEO and CFO Assurance

As part of the statutory reporting arrangements for the Group, the Managing Director (MD/CEO) and Chief Financial Officer (CFO), provide a written declaration to the Board that:

- The Group's financial statements present a true and fair view, in all material respects, of the Group's financial position and performance, are in accordance with the Corporations Act and comply with the Corporations Regulations 2001 and comply with accounting standards.
- The financial records of the Group for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001.
- The above statements regarding the integrity of the financial reports are founded on a sound system of risk management and internal control and that the systems, including those relating to business continuity, are operating effectively in all material respects in relation to financial reporting risks.
- Any other matters that are prescribed by the Corporations Act regulations as they relate to the financial statements and notes to the financial statements are met.

To provide this assurance a formal due diligence and verification process, including attestations from management, is conducted. This assurance is provided each six months in conjunction with the 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.

Further a description of the systems and policies employed to manage the key risks to which the Bank and Group is exposed is provided to APRA. The MD confirms annually the integrity of these descriptions to APRA with the endorsement of the Board.

RISK PRINCIPLES

Overview

The Group's Risk Management Principles and Systems Description document summarises the risk management control framework of the Group. These principles are approved by the Board and may be amended with endorsement of the Board. Specific details and responsibilities for managing each category of risk are contained in the relevant policy statements, frameworks and procedural manuals.

The risk principles are summarised below.

Risk Management Strategy

A structured framework has been established to ensure that the risk management objectives are linked to the Group's business strategy and operations. The risk management strategy is underpinned by an integrated framework of responsibilities and functions driven from Board level down to operational levels, covering all aspects of risk, most notably market, credit, liquidity, operational (includes compliance, contagion and environmental), strategic and reputation risks.

The framework recognises the governance structure and risk management framework referred to above.

Risk Limits

Risk limits for market risk, credit risk and capital at risk are set and monitored by the appropriate management committees within the parameters approved by the Board.

The management of operational risk is performed using qualitative self assessment and the Group has defined general parameters to manage the Group-wide operational risk profile to comply with the approved risk appetite and tolerances.

Limits are based upon the level of capital (which may be in the form of net interest income, net profit before or after tax, retained earnings, market value of equity or other key performance indicators) the Board is willing to place at risk. Limits are calculated by aggregating quantifiable measures of market, credit and operational risk.

Prior to approval by the Board, limits are formally reviewed on a regular basis by the appropriate management and Board committees, and consider changes in market conditions, strategy or risk appetite with limits:

- Set and reviewed regularly by the Asset Liability Management Committee (“ALMAC”), Executive Credit Committee and Executive Committee.
- Aligned with the budgeting and planning cycle.
- Taking into account historic and projected risk-adjusted performance.
- Independently monitored.

Risk Management Measurement Reporting and Control

Effective measurement, reporting and control of risk is vital to manage the Group’s business activities in accordance with overall strategic and risk management objectives. The risk management, reporting and control framework requires the quantification of market, credit and liquidity risk, the capability to aggregate and monitor exposures, a comprehensive set of limits to ensure that exposures remain within agreed boundaries, and a mechanism for evaluating performance on a risk-adjusted basis. The management of operational risk is based on a documented policy and framework. The Board has defined general parameters to manage the Group-wide operational risk profile to comply with the approved risk appetite and tolerances which considers both downside risk and opportunities.

Internal controls

The risk management framework requires robust internal controls across all aspects of the business as well as strong support functions covering legal, regulatory, governance, reputation, finance, information technology, human resources and strategy. Consequently the effectiveness and efficiency of controls is evaluated in all new and amended products, processes and systems or where external and internal factors impact the operating environment (e.g. changes in organisation structure, growth, new regulation).

Risk Management Systems

Accurate, reliable and timely information is vital to support decisions regarding risk management at all levels. The requirements span a diverse range of risk functionality including market and credit risk analysis systems, budgeting, strategic planning, asset and liability management, performance measurement, operational risk and regulatory reporting, as well as trading and trade processing systems and those systems supporting our staff.

Data reconciliation is established to provide for the integrity of the information used and appropriate security controls around all systems. Back-up and recovery procedures are defined and business continuity plans approved and communicated to promote resilience and minimise the impact of an incident.

The Group maintains and implements specific policies and procedures to measure, monitor, manage and report on the material risks to which the Group is exposed. Each policy contains requirements to be met for review and approval.

MATERIAL RISKS

Overview

The risk management framework of the Group is structured upon:

- Core Risk Principles – overriding principles governing all activities and risk monitoring procedures; and
- Specific Risk Policies – appropriate policies, framework documents, procedures and processes implemented to manage specific risks to which the Group is exposed.

The Board, and industry regulators, have identified the material risks to which the Group is exposed as being credit, market (including interest rate and currency), liquidity and operational risk. The Group has identified a further short term risk, termed integration risk, relating to the merger of Bendigo and Adelaide Bank Group and Adelaide Bank Group on 30 November 2007. Specific risk management structures have been developed and implemented by the Group to manage these and other risks (e.g. reputation, strategic, contagion and sustainability).

The material risks are described below.

RISK MANAGEMENT (continued)

Credit Risk

Credit risk is the potential that the Group will suffer a financial loss due to the unwillingness or inability of a counterparty to fully meet their contractual debts and obligations.

The Board Credit Committee is responsible for monitoring adherence to credit policies, practices and procedures within the Group. The Board has established levels of delegated lending authority under which various levels of management (including the Executive Credit Committee), partners and the Board Credit Committee can approve transactions.

Group Credit Risk has responsibility for:

- Managing, maintaining and enhancing the currency and relevance of the Group's Credit Policies;
- Providing support and analysis of credit portfolio information for credit management purposes; and
- Reporting to the Executive Credit Committee and the Board Credit Committee.

The table below shows the maximum exposure to credit risk for the components of the balance sheet, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

Gross maximum exposure	Consolidated		Parent	
	2008	2007	2008	2007
	$ m	$ m	$ m	$ m
Cash and cash equivalents	1,195.9	257.6	440.5	203.5
Due from other financial institutions	412.7	71.5	237.6	71.1
Derivatives	311.8	75.4	128.1	75.4
Financial assets held for trading	1,414.8	-	-	-
Financial assets available for sale - securities	422.0	428.8	611.5	428.8
Financial assets available for sale - share investments	84.6	130.4	77.2	127.9
Shares in controlled entities	-	-	2,272.5	134.8
Financial assets held to maturity	1,414.6	1,614.4	1,673.4	1,530.5
Loans and other receivables - investment	517.6	-	-	-
Gross loans and other receivables	39,875.2	13,844.1	15,098.2	13,487.9
Amounts receivable from controlled entities	-	-	164.2	101.0
Other assets	468.2	178.5	450.7	304.8
	46,117.4	16,600.7	21,153.9	16,465.7
Contingent liabilities	179.4	135.9	137.5	135.9
Commitments	3,954.2	2,393.9	2,671.7	2,418.8
	4,133.6	2,529.8	2,809.2	2,554.7
Total credit risk exposure	50,251.0	19,130.5	23,963.1	19,020.4

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.
The effect of collateral and other risk mitigation techniques is shown below.

Concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client/counterparty, by geographical region and by industry sector. The maximum credit exposure to any client or counterparty as at 30 June 2008 was $232.5 million (2007: $403.3 million) before taking account of collateral or other credit enhancements and $232.5 million (2007: $403.3 million) net of such protection.

Geographic
The group's financial assets, before taking into account any collateral held or other credit enhancements can be analysed by the following geographic regions:

Gross maximum exposure	Consolidated		Parent	
	2008	2007	2008	2007
	$ m	$ m	$ m	$ m
Victoria	14,847.0	10,362.2	11,446.1	10,305.9
New South Wales	11,369.5	2,826.8	2,969.1	2,728.9
Australian Capital Territory	470.2	288.7	314.1	281.1
Queensland	8,568.5	2,678.9	3,292.8	2,636.7
South Australia/Northern Territory	9,579.3	454.1	3,319.7	560.7
Western Australia	3,663.2	1,499.9	1,478.1	1,495.1
Tasmania	1,093.6	592.7	742.4	591.0
Overseas/other	659.7	427.3	400.7	421.0
Total credit risk exposure	50,251.0	19,130.5	23,963.1	19,020.4

Industry sector

An industry sector analysis of the group's financial assets, before taking into account collateral held or other credit enhancements, is as follows:

	Consolidated		Parent	
	Gross maximum exposure 2008 $ m	Gross maximum exposure 2007 $ m	Gross maximum exposure 2008 $ m	Gross maximum exposure 2007 $ m
Accom, cafes & restaurants	458.6	399.2	439.4	392.7
Agriculture & associated industries	1,557.6	744.0	797.0	736.6
Communication services	195.8	183.9	192.8	179.9
Construction	1,670.9	1,410.2	1,560.4	1,371.1
Cultural & recreational services	206.5	180.9	195.5	175.8
Education	396.7	377.4	386.9	363.5
Electricity, Gas and Water Supply	153.7	138.1	152.5	136.3
Finance & insurance	550.0	461.6	2,833.9	606.7
Financial services	5,447.0	2,720.8	3,567.7	2,720.5
Government Administration and Defence	418.4	370.3	409.4	357.0
Health & community services	966.8	667.1	696.5	653.0
Manufacturing	857.8	770.1	818.6	751.9
Margin Lending	3,716.2	90.5	63.4	90.5
Mining	229.5	186.3	226.4	185.2
Other	607.8	164.6	156.9	138.0
Personal & other services	525.6	298.5	299.8	290.2
Property & business services	3,283.4	2,823.9	3,318.8	2,853.0
Residential/consumer	25,932.0	4,694.2	5,250.3	4,610.2
Retail trade	1,529.9	1,439.7	1,512.0	1,418.5
Retirement	248.6	-	-	-
Transport & storage	825.4	610.8	653.3	599.9
Wholesale trade	472.8	398.4	431.6	389.9
	50,251.0	19,130.5	23,963.1	19,020.4

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For commercial lending, charges over real estate properties, inventory and trade receivables
- For retail lending, mortgages over residential properties

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during the review of the adequacy of the allowance for impairment losses.

It is the group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. The group does not occupy repossessed properties for business use.

RISK MANAGEMENT (continued)

Credit quality

The credit quality of financial assets is managed by the group using internal credit ratings. The table below shows the credit quality by class of asset for loan-related balance sheet lines, based on the group's credit rating system.

Consolidated	Neither past due or impaired						
2008	High Grade	Standard Grade	Sub-standard Grade	Unrated	Consumer Loans *	Past Due or Impaired	Total
	$ m	$ m	$ m	$ m	$ m	$ m	$ m
Cash and cash equivalents	-	-	-	1,195.9	-	-	1,195.9
Due from other financial institutions	412.7	-	-	-	-	-	412.7
Derivatives	-	-	-	311.8	-	-	311.8
Financial assets held for trading	1,414.8	-	-	-	-	-	1,414.8
Financial assets available for sale - securities	422.0	-	-	-	-	-	422.0
Financial assets available for sale - share investments	-	-	-	84.6	-	-	84.6
Shares in controlled entities	-	-	-	-	-	-	-
Financial assets held to maturity	1,414.6	-	-	-	-	-	1,414.6
Loans and other receivables - investment	-	-	-	517.6	-	-	517.6
Loans and other receivables	2,636.9	6,824.3	428.4	1,290.5	27,991.1	704.0	39,875.2
Other assets	-	-	-	468.2	-	-	468.2
	6,301.0	6,824.3	428.4	3,868.6	27,991.1	704.0	46,117.4
2007							
Cash and cash equivalents	-	-	-	257.6	-	-	257.6
Due from other financial institutions	71.5	-	-	-	-	-	71.5
Derivatives	75.4	-	-	-	-	-	75.4
Financial assets held for trading	-	-	-	-	-	-	-
Financial assets available for sale - securities	428.8	-	-	-	-	-	428.8
Financial assets available for sale - share investments	-	-	-	130.4	-	-	130.4
Shares in controlled entities	-	-	-	-	-	-	-
Financial assets held to maturity	1,614.4	-	-	-	-	-	1,614.4
Loans and other receivables - investment	-	-	-	-	-	-	-
Loans and other receivables	94.0	3,942.0	318.0	388.1	8,492.0	610.0	13,844.1
Other assets	-	-	-	178.5	-	-	178.5
	2,284.1	3,942.0	318.0	954.6	8,492.0	610.0	16,600.7

Parent	Neither past due or impaired						
2008	High Grade	Standard Grade	Sub-standard Grade	Unrated	Consumer Loans *	Past Due or Impaired	Total
	$ m	$ m	$ m	$ m	$ m	$ m	$ m
Cash and cash equivalents	-	-	-	440.5	-	-	440.5
Due from other financial institutions	237.6	-	-	-	-	-	237.6
Derivatives	128.1	-	-	-	-	-	128.1
Financial assets available for sale - securities	611.5	-	-	-	-	-	611.5
Financial assets available for sale - share investments	-	-	-	77.2	-	-	77.2
Shares in controlled entities	-	-	-	2,272.5	-	-	2,272.5
Financial assets held to maturity	1,673.4	-	-	-	-	-	1,673.4
Loans and other receivables	105.0	4,616.0	369.0	435.0	8,994.2	579.0	15,098.2
Amounts received from controlled entities	-	-	-	164.2	-	-	164.2
Other assets	-	-	-	450.7	-	-	450.7
	2,755.6	4,616.0	369.0	3,840.1	8,994.2	579.0	21,153.9
2007							
Cash and cash equivalents	-	-	-	203.5	-	-	203.5
Due from other financial institutions	71.1	-	-	-	-	-	71.1
Derivatives	75.4	-	-	-	-	-	75.4
Financial assets available for sale - securities	428.8	-	-	-	-	-	428.8
Financial assets available for sale - share investments	-	-	-	127.9	-	-	127.9
Shares in controlled entities	-	-	-	134.8	-	-	134.8
Financial assets held to maturity	1,530.5	-	-	-	-	-	1,530.5
Loans and other receivables	82.7	3,847.0	286.1	182.1	8,491.9	598.1	13,487.9
Amounts received from controlled entities	-	-	-	101.0	-	-	101.0
Other assets	-	-	-	304.8	-	-	304.8
	2,188.5	3,847.0	286.1	1,054.1	8,491.9	598.1	16,465.7

* Consumer loans are predominantly mortgage secured residential loans not rated on an individual basis.

Ageing

Ageing analysis of past due but not impaired loans and other receivables

Consolidated	**Less than 30 days $ m**	**31 to 60 days $ m**	**61 to 90 days $ m**	**More than 91 days $ m**	**Total $ m**	**Fair value of collateral $m**
2008	584.6	262.6	137.7	231.3	1,216.2	2,536.5
2007	422.4	56.2	42.9	65.6	587.1	1,745.8
Parent						
2008	407.5	64.6	32.9	61.0	566.0	1,861.9
2007	417.3	54.9	42.9	64.8	579.9	1,744.7

Renegotiated terms

Generally, the terms of loans are only renegotiated on a temporary basis in the event of customer hardship. In these cases the term of the loan is extended, but no longer than the maximum term entitlement for the product. Original terms are typically re-instated within a 3 to 6 month period. The majority of retail customers proactively contact the bank prior to the loan becoming past due or impaired. Therefore, the carrying value of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is considered immaterial.

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The group addresses impairment assessment in three areas: individually assessed allowances (specific provisions), collectively assessed allowances (collective provisions) and a prudential reserve (general reserve for credit losses).

Individually assessed provisions (specific provisions)

The group determines the impairment provision appropriate for each individually significant loan or advance on an individual basis. Items considered when determining provision amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realisable value of collateral, and the timing of expected cash flows. The impairment losses are evaluated on a continuous basis.

Allowances are assessed on a portfolio basis for losses on loans and receivables that are not individually significant (including unsecured credit cards, personal loans, overdrafts, unsecured mortgage loans) and where specific identification is impractical. Provisions are calculated for these portfolios based on historical loss experience.

Collectively assessed provisions (collective provisions)

Where individual loans are found not to be specifically impaired they are grouped together according to their risk characteristics and are then assessed for impairment. Based on historical loss data and current available information for assets with similar risk characteristics, the appropriate collective provision is raised. The collective provisions are re-assessed at each balance date.

Prudential reserve (general reserve for credit losses)

A general reserve for credit losses is maintained to cover risks inherent in the loan portfolios.

Australian Prudential Regulation Authority ("APRA") requires that banks maintain a general reserve for credit losses at a minimum level of 0.50% of risk weighted assets (net of tax). In certain circumstances the collective provision can be included in this assessment. The bank maintained a GLCL at 0.51% as at 30 June 2008 (2007:55%).

Liquidity Risk

Liquidity risk is the risk that the group will be unable to meet its payment obligations when they fall due under normal and stress circumstances.

Group Treasury is responsible for implementing liquidity risk management strategies in accordance with approved policies and adherence is monitored by the Asset Liability Management Committee and Board Risk Committee. This includes maintaining prudent levels of liquid reserves and a diverse range of funding options to meet daily, short-term and long-term liquidity requirements.

Liquidity scenarios are calculated under stressed and normal operating conditions to assist in anticipating cash flow needs and providing adequate reserves.

The group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The group also has committed lines of credit that it can access to meet liquidity needs. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the group. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, set to reflect market conditions. Net liquid assets consist of cash, short term bank deposits and liquid debt securities available for immediate sale, less deposits for banks and other issued securities and borrowings due to mature within the next month.

RISK MANAGEMENT (continued)

The *liquidity ratio* during the financial year was as follows:

	2008 %	2007 %
30 June	13.53	14.24
Average during the financial year	14.59	14.47
Highest	17.02	16.22
Lowest	12.67	12.88

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the group's financial liabilities at 30 June 2008 based on contractual undiscounted cash flows. Cash flows which are subject to notice are treated as if notice were to be given immediately. However, the group expects that many customers will not request repayment on the earliest date the group could be required to pay and the table does not reflect the expected cash flows indicated by the group's deposit retention history.

Consolidated 2008	At call $ m	Not longer than 3 mths $ m	3 to 12 months $ m	1 to 5 years $ m	Longer than 5 years $ m	Total $ m
Due to other financial institutions	269.7	-	-	-	-	269.7
Deposits	5,825.0	17,939.5	5,638.5	2,296.3	17.4	31,716.7
Notes payable	-	321.5	121.7	10,977.0	-	11,420.2
Derivatives	-	575.7	691.8	1,313.2	74.2	2,654.9
Other payables	768.9	-	-	-	-	768.9
Income tax payable	11.1	-	-	-	-	11.1
Reset preference shares	-	-	5.4	18.9	89.5	113.8
Subordinated debt - at amortised cost	-	11.6	100.1	568.5	75.0	755.2
	6,874.7	18,848.3	6,557.5	15,173.9	256.1	47,710.5
2007						
Due to other financial institutions	184.0	-	-	-	-	184.0
Deposits	6,360.2	4,658.9	2,631.2	1,321.4	0.3	14,972.0
Notes payable	-	-	-	261.6	-	261.6
Derivatives	-	62.1	222.9	883.6	56.8	1,225.4
Other payables	235.3	-	-	-	-	235.3
Income tax payable	13.6	2.7	-	-	-	16.3
Reset preference shares	-	-	-	-	-	-
Subordinated debt - at amortised cost	-	4.3	72.2	289.9	-	366.4
	6,793.1	4,728.0	2,926.3	2,756.5	57.1	17,261.0
Parent						
2008						
Due to other financial institutions	151.7	-	-	-	-	151.7
Deposits	5,338.8	7,976.9	2,990.0	775.7	0.1	17,081.5
Notes payable	-	-	-	-	-	-
Derivatives	-	93.7	238.1	554.6	197.3	1,083.7
Other payables	282.5	-	-	-	-	282.5
Income tax payable	11.1	-	-	-	-	11.1
Reset preference shares	-	-	5.4	18.9	89.5	113.8
Subordinated debt - at amortised cost	-	5.1	49.0	311.6	-	365.7
	5,784.1	8,075.7	3,282.5	1,660.8	286.9	19,090.0
2007						
Due to other financial institutions	184.0	-	-	-	-	184.0
Deposits	6,369.0	4,581.7	2,557.5	1,314.1	0.3	14,822.6
Notes payable	-	-	-	-	-	-
Derivatives	-	62.1	222.9	883.6	56.8	1,225.4
Other payables	207.1	-	-	-	-	207.1
Income tax payable	13.6	2.7	-	-	-	16.3
Reset preference shares	-	-	-	-	-	-
Subordinated debt - at amortised cost	-	4.3	72.2	289.9	-	366.4
	6,773.7	4,650.8	2,852.6	2,487.6	57.1	16,821.8

Excluded from the table above the undiscounted contractual maturities arising from $75m of floating rate capital notes. These are perpetual notes with no fixed maturity.

The table below shows the contractual expiry by *maturity of the group's contingent liabilities and commitments*.

Consolidated 2008	At call $ m	Not longer than 3 mths $ m	3 to 12 months $ m	1 to 5 years $ m	Longer than 5 years $ m	Total $ m
Contingent liabilities	179.4	-	-	-	-	179.4
Commitments	3,627.1	-	56.9	132.4	137.8	3,954.2
Total	3,806.5	-	56.9	132.4	137.8	4,133.6
2007						
Contingent liabilities	135.9	-	-	-	-	135.9
Commitments	1,668.5	419.0	50.7	114.5	141.2	2,393.9
Total	1,804.4	419.0	50.7	114.5	141.2	2,529.8
Parent						
2008						
Contingent liabilities	137.5	-	-	-	-	137.5
Commitments	2,355.5	-	51.2	127.1	137.9	2,671.7
Total	2,493.0	-	51.2	127.1	137.9	2,809.2
2007						
Contingent liabilities	135.9	-	-	-	-	135.9
Commitments	2,112.6	-	52.8	112.2	141.2	2,418.8
Total	2,248.5	-	52.8	112.2	141.2	2,554.7

Market Risk (including interest rate and currency risk)

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the interest rate gaps for stipulated periods. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

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 for one year, based on the floating rate financial assets and financial liabilities held at 30 June 2008, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing fixed rate available for sale financial assets (including the effect of any associated hedges), and swaps designated as cash flow hedges, at 30 June 2008 for the effects of the assumed changes in interest rates. The sensitivity of equity is analysed by maturity of the asset or swap. With sensitivity based on the assumption that there are parallel shifts in the yield curve.

Monitoring of adherence to policies, limits and procedures is controlled through the Asset Liability Management Committee and the Board Risk Committee.

RISK MANAGEMENT (continued)

Reasonably possible movements in interest rates

Consolidated	+100 basis points 2008 $ m	-100 basis points 2008 $ m	+100 basis points 2007 $ m	-100 basis points 2007 $ m
Net interest income before cash flow hedge ineffectiveness	(29.8)	29.8	14.0	(14.0)
Cash flow hedge ineffectiveness	0.3	(43.3)	-	-
Net interest income	(29.5)	(13.5)	14.0	(14.0)
Income tax effect at 30%	8.9	4.1	(4.2)	4.2
Effect on profit	(20.6)	(9.4)	9.8	(9.8)
Effect on profit (per above)	(20.6)	(9.4)	9.8	(9.8)
Available for sale reserve	(0.8)	0.8	(0.3)	0.3
Cash flow hedge reserve	176.8	(133.8)	64.5	(64.5)
Income tax effect on reserves at 30%	(52.9)	39.9	(19.3)	19.3
Effect on equity	102.5	(102.5)	54.7	(54.7)
Parent				
Net interest income	16.1	(16.1)	13.3	(13.3)
Cash flow hedge - controlled entity	(57.7)	57.7	-	-
Income tax effect at 30%	12.5	(12.5)	(4.0)	4.0
Effect on profit	(29.1)	29.1	9.3	(9.3)
Effect on profit (per above)	(29.1)	29.1	9.3	(9.3)
Available for sale reserve	(0.8)	0.8	(0.3)	0.3
Cash flow hedge reserve	91.6	(91.6)	64.5	(64.5)
Income tax effect on reserves at 30%	(27.2)	27.2	(19.3)	19.3
Effect on equity	34.5	(34.5)	54.2	(54.2)

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. The sensitivity is greater in 2008 than 2007 predominantly due to the merger with Adelaide Bank on 30 November 2007, thereby increasing the value of debt, cash and derivative instruments held by the Group. 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, except for borrowings through a Euro medium term note program (EMTN) and a Euro commercial paper program (ECP). At balance date the principal of borrowings under these programs was AUD $1,730.2 million (2007: AUD 1,234.2 million). The borrowings are fully hedged through the utilisation of cross currency swaps, thereby mitigating any exposure to foreign currency risk.

It is the current policy of the Group that it does not trade in derivatives or foreign currencies (i.e. the risk is managed rather than actively sought).

Equity price risk

The Group's exposure to equity securities at 30 June 2008 is $84.6m (2007:$130.4m) with $79.7m (2007:$124.5m) of these listed on a recognised stock exchange. The fair value of listed investments is affected by movements in market prices, whilst unlisted investment fair values are determined using other valuation methods.

Equity securities price risk arises from investments in equity securities and is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The majority of the value of equity investments held are of a high quality and are publicly traded on either the ASX or NSX.

The Groups' equity investments represent less than 0.2% of total Group assets and are predominately long term strategic holdings, therefore short term volatility in fair values is not considered significant and a sensitivity analysis has not been completed.

Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events that are not already covered by other regulatory capital charges (i.e. credit and market risks).

The Board Risk Committee is responsible for the oversight of the operational risk management policies and effectiveness of implementation across the Group.

The Executive Committee and each individual Executive member has day to day responsibility and accountability for the management of operational risk in their business/support line including, but not limited to ensuring operational risk management strategies are in place and operating effectively.

Management and staff in each business are responsible for identifying operational risks and determining, implementing, monitoring and reporting on policies and practices to manage operational risks to which their business is exposed.

In managing operational risks, the Group is cognisant of its correlation with strategic, reputation and contagion risk.

The Group considers both the internal and external environment as well emerging risks when monitoring and assessing operational risk.

Inherent in our industry the following factors can also impact the Group's operations and outcomes:

- Globalisation & global impacts e.g. market liquidity, investor sentiment
- Economy e.g. changes in economic growth, interest rates
- Changes in Government policy and regulation
- Demographic trends
- Technological dependency, advancements and speed to market
- Financial convergence and competitive landscape

Group Operational Risk, has a role to assist and support the Executive Committee and Business Units to develop, implement, monitor and report on the effectiveness of implementation of the Group's Operational Risk Management framework. It reports to the Board Risk Committee on the status of the implementation of the framework and implications of significant risks and risk events at the Group level.

Sustainability and climate change

Sustainability and climate change risk is defined as the risk to the business and our stakeholders of meeting objectives due to changes in climate and environment.

In recognition of the importance of managing this risk (both downside and opportunity) the Group's risk and business functions consider the broader environment, social responsibility and resilience in its decision making.

Integration Risk

Integration risk is defined as the risk associated with merging the operations of Bendigo and Adelaide Bank Group and Adelaide Bank Group. It is the risk of not meeting the strategic objectives and success criteria outlined for the merger in the "Scheme Book".

In recognition of this specific short term risk a Merger Integration Steering Committee comprising the CEO, the Chief Executive Retail Bank and the Chief Executive Wholesale Bank meets regularly. This Committee has approved a set of guiding principles for the merger which includes disciplines such as monthly reporting on synergy tracking and issues and risks identified. A Merger Integration Office has also been established to provide the reporting to the Committee and other merger working groups.

43. FINANCIAL INSTRUMENTS

Fair value

Disclosed below is the estimated fair value of the economic entity's financial instruments presented in accordance with the requirements of Accounting Standard AASB 132 "Financial Instruments: Disclosure and Presentation".
A financial instrument is defined by AASB 132 as any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. A financial liability is a contractual obligation either to deliver cash or another financial asset to another entity, or, to exchange financial instruments with another entity under conditions that are potentially unfavourable.

Methodologies

The methodologies and assumptions used depend on the terms and risk characteristics of the various instruments and include the following:

Cash and cash equivalents, due to and from other financial institutions

The carrying values of certain on-balance sheet financial instruments approximate fair values. These include cash and short-term cash equivalents, due to and from other financial institutions and accrued interest receivable or payable. These instruments are short-term in nature and the related amounts approximate fair value and are receivable or payable on demand.

Derivatives (assets and liabilities)

The fair value of exchange-rate and interest-rate contracts, used for hedging purposes, is the estimated amount the Group would receive or pay to terminate the contracts at reporting date. The fair value of these instruments is disclosed under "Derivative financial instruments".

Financial assets – held for trading (Securities)

These financial assets include floating rate notes and discounted short term securities. The carrying value of these assets is based on a mark to market value. Therefore the carrying value represents fair value.

Financial assets - available for sale

Available for sale financial assets (securities) are predominantly short-term bank accepted bills of exchange and negotiable certificates of deposit and are carried at fair value.

Financial assets - held to maturity (Securities)

The fair value of financial assets held to maturity, including bills of exchange, negotiable certificates of deposit, government securities and bank and other deposits, which are predominantly short-term, is measured at amortised book value. Carrying value of these assets approximates fair value.

Financial assets - available for sale (share investments and shares in controlled entities)

The fair value of share investments is based on market value for listed share investments and carrying values for unlisted share investments. As the listed share investments are carried at market value, carrying value represents fair value.

Loans and other receivables

The carrying value of loans and other receivables is net of specific and collective provisions for doubtful debts.

For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of fair value. The net fair value for fixed loans is calculated by utilising discounted cash flow models (ie the net present value of the portfolio future principal and interest cash flows), based on the maturity of the loans. The discount rates applied represent the rate the market is willing to offer these loans at arms-length.

The net fair value of impaired loans is calculated by discounting expected cash flows using these rates.

Other assets

This category includes items such as sundry debtors, which are short-term by nature and the carrying amount is therefore a reasonable estimate of fair value.

Deposits and Notes payable

The carrying value of call, variable rate and fixed rate deposits repricing within six months approximates the fair value at balance date. The fair value of other term deposits is calculated using discounted cash flow models, based on the deposit type and its related maturity. The discount rates applied represent the rate the market is willing to offer these loans at arms-length.

Other financial liabilities

This category includes items such as sundry creditors which are short-term by nature and the carrying amount is therefore a reasonable estimate of fair value.

Reset preference shares

The closing share price of the reset preference shares on 30 June is used to calculate the fair value of these financial liabilities.

Subordinated debt and other debt

The fair value of subordinated debt is calculated based on quoted market prices, where applicable. 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.

Summary

The following table provides comparison of carrying and net fair values for each item discussed above, where applicable:

	Carrying value		Net fair value	
	2008	2007	2008	2007
CONSOLIDATED	$m	$m	$m	$m
Financial Assets				
Cash and cash equivalents	1,195.9	257.6	1,195.9	257.6
Due from other financial institutions	412.7	71.5	412.7	71.5
Derivatives	311.8	75.4	311.8	75.4
Financial assets held for trading	1,414.8	-	1,414.8	-
Financial assets available for sale - securities	422.0	428.8	422.0	428.8
Financial assets available for sale - share investments	84.6	130.4	84.6	130.4
Financial assets held to maturity	1,414.6	1,614.4	1,414.6	1,614.4
Loans and other receivables - investment	517.6	-	519.7	-
Net loans and other receivables	39,721.9	13,773.3	40,007.9	14,193.2
Investments in associates and joint ventures accounted for using the equity method	185.2	156.3	185.2	156.3
Other assets	468.2	178.5	468.2	178.5
Financial Liabilities				
Due to other financial institutions	269.7	184.0	269.7	184.0
Deposits	31,425.1	14,887.5	31,423.8	14,665.8
Notes Payable	11,356.1	259.1	11,354.9	259.1
Derivatives	72.4	35.0	72.4	35.0
Other payables	680.9	235.3	680.9	235.3
Reset preference shares	89.5	-	78.7	-
Subordinated debt	681.8	307.2	659.9	307.2
PARENT				
Financial Assets				
Cash and cash equivalents	440.5	203.5	440.5	203.5
Due from other financial institutions	237.6	71.1	237.6	71.1
Derivatives	128.1	75.4	128.1	75.4
Financial assets available for sale - securities	611.5	428.8	611.5	428.8
Financial assets available for sale - share investments	77.2	127.9	77.2	127.9
Shares in controlled entities	2,272.5	134.8	2,272.5	134.8
Financial assets held to maturity	1,673.4	1,530.5	1,673.4	1,530.5
Net loans and other receivables	15,018.4	13,418.1	15,535.6	13,459.7
Amounts receivable from controlled entities	164.2	101.0	164.2	101.0
Other assets	450.7	304.8	450.7	304.8
Financial Liabilities				
Due to other financial institutions	151.7	184.0	151.7	184.0
Deposits	16,948.2	14,740.6	16,546.9	14,495.6
Derivatives	173.2	35.8	173.2	35.8
Other payables	282.5	207.1	282.5	207.1
Reset preference shares	89.5	-	78.7	-
Subordinated debt	301.3	307.2	301.3	307.2

FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The economic entity's exposure to interest rate risks of financial assets and liabilities at the balance date are disclosed in the following table.

Sensitivity to interest rates arises from mismatches in the period to repricing of assets and liabilities. These mismatches are managed as part of the overall asset and liability management process.

AS AT 30 JUNE 2008	Floating interest rate	Fixed interest rate repricing : Less than 3 months	Between 3 months & 6 months	Between 6 months & 12 months	Between 1 year & 5 years	After 5 years	Non-interest bearing	Total carrying value per Balance sheet	Weighted average effective interest rate
Consolidated	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**%**
Assets									
Cash and cash equivalents	901.6	158.3	-	-	-	-	136.0	1,195.9	6.73
Due from other financial institutions	161.0	-	-	-	-	-	251.7	412.7	3.17
Financial assets held for trading	1,414.8	-	-	-	-	-	-	1,414.8	7.08
Financial assets available for sale	-	353.0	69.1	-	(0.0)	-	-	422.0	7.78
Financial assets held to maturity	56.8	614.8	733.0	9.9	-	-	-	1,414.6	7.77
Loans and other receivables	21,391.9	2,785.6	1,432.0	3,358.2	11,358.7	46.4	(133.3)	40,239.5	8.71
Derivatives	-	-	-	-	-	-	311.8	311.8	-
Total financial assets	23,926.1	3,911.8	2,234.1	3,368.1	11,358.7	46.4	566.1	45,411.3	-
Liabilities									
Due to other financial instituions	-	-	-	-	-	-	269.7	269.7	-
Deposits	8,452.4	13,078.0	5,127.4	4,744.1	23.1	-	-	31,425.1	6.85
Notes payable	11,181.1	175.0	-	-	-	-	-	11,356.1	7.73
Derivatives	-	-	-	-	-	-	72.4	72.4	-
Reset preference shares	-	-	-	-	89.5	-	-	89.5	6.16
Subordinated debt	380.5	155.6	145.7	-	-	-	-	681.8	8.18
Total financial liabilities	20,014.0	13,408.6	5,273.1	4,744.1	112.6	0.0	342.1	43,894.6	-

AS AT 30 JUNE 2007	Floating interest rate	Fixed interest rate repricing : Less than 3 months	Between 3 months & 6 months	Between 6 months & 12 months	Between 1 year & 5 years	After 5 years	Non-interest bearing	Total carrying value per Balance sheet	Weighted average effective interest rate
Consolidated	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**%**
Assets									
Cash and cash equivalents	145.1	-	-	-	-	-	112.5	257.6	3.31
Due from other financial institutions	-	-	-	-	-	-	71.5	71.5	-
Financial assets available for sale	-	428.8	-	-	-	-	130.4	559.2	6.24
Financial assets held to maturity	11.7	782.3	659.4	161.0	-	-	-	1,614.4	6.46
Loans and other receivables	6,632.8	1,218.2	384.7	704.9	4,834.0	25.8	(27.1)	13,773.3	7.69
Derivatives	-	-	-	-	-	-	74.9	74.9	-
Total financial assets	6,789.6	2,429.3	1,044.1	865.9	4,834.0	25.8	362.2	16,350.9	-
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	184.0	184.0	-
Deposits	4,628.2	4,054.1	3,419.9	2,950.6	93.8	-	84.4	15,231.0	4.90
Derivatives	-	-	-	-	-	-	75.4	75.4	-
Subordinated debt	-	172.2	135.0	-	-	-	-	307.2	7.23
Total financial liabilities	4,628.2	4,226.3	3,554.9	2,950.6	93.8	-	343.8	15,797.6	-

Interest rate risk (continued)

AS AT 30 JUNE 2008	Floating interest rate	Fixed interest rate repricing : Less than 3 months	Between 3 months & 6 months	Between 6 months & 12 months	Between 1 year & 5 years	After 5 years	Non-interest bearing	Total carrying value per Balance sheet	Weighted average effective interest rate
Parent	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**%**
Assets									
Cash and cash equivalents	73.2	263.3	-	-	-	-	104.0	440.5	6.34
Due from other financial institutions	-	-	-	-	-	-	237.6	237.6	-
Financial assets available for sale	-	453.0	69.1	-	89.5	-	77.2	688.7	7.58
Shares in controlled entities	-	-	-	-	-	-	2,272.5	2,272.5	-
Financial assets held to maturity	0.5	590.5	1,072.6	9.8	-	-	-	1,673.4	7.84
Loans and other receivables	6,323.3	1,475.3	788.6	1,225.6	5,191.7	29.9	(16.0)	15,018.4	8.70
Derivatives	-	-	-	-	-	-	128.1	128.1	-
Total financial assets	6,397.0	2,782.1	1,930.3	1,235.4	5,281.2	29.9	2,803.4	20,459.3	-
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	151.7	151.7	-
Deposits	4,903.7	4,800.4	3,853.0	3,370.2	21.0	-	-	16,948.2	6.04
Derivatives	-	-	-	-	-	-	173.2	173.2	-
Reset preference shares	-	-	-	-	89.5	-	-	89.5	6.16
Subordinated debt	-	155.7	145.6	-	-	-	-	301.3	8.59
Total financial liabilities	4,903.7	4,956.1	3,998.6	3,370.2	110.5	-	324.9	17,663.9	-

AS AT 30 JUNE 2007	Floating interest rate	Fixed interest rate repricing : Less than 3 months	Between 3 months & 6 months	Between 6 months & 12 months	Between 1 year & 5 years	After 5 years	Non-interest bearing	Total carrying value per Balance sheet	Weighted average effective interest rate
Parent	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**%**
Assets									
Cash and cash equivalents	118.4	-	-	-	-	-	85.1	203.5	3.42
Due from other financial institutions	-	-	-	-	-	-	71.1	71.1	0.00
Financial assets available for sale	-	428.8	-	-	-	-	127.9	556.7	6.24
Shares in controlled entities	-	-	-	-	-	-	134.8	134.8	-
Financial assets held to maturity	0.7	724.2	644.6	161.0	-	-	-	1,530.5	6.46
Loans and other receivables	6,334.1	1,209.7	379.6	698.1	4,797.3	25.8	(26.5)	13,418.1	7.82
Derivatives	-	-	-	-	-	-	75.4	75.4	0.00
Total financial assets	6,453.2	2,362.7	1,024.2	859.1	4,797.3	25.8	467.8	15,990.1	-
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	184.0	184.0	-
Deposits	4,637.1	3,743.1	3,347.5	2,926.1	86.8	-	-	14,740.6	4.87
Derivatives	-	-	-	-	-	-	35.8	35.8	-
Subordinated debt	-	172.2	135.0	-	-	-	-	307.2	7.23
Total financial liabilities	4,637.1	3,915.3	3,482.5	2,926.1	86.8	-	219.8	15,267.6	-

44. DERIVATIVE FINANCIAL INSTRUMENTS

The economic entity uses derivatives primarily to hedge banking operations and for asset and liability management. Some derivatives transactions may qualify as either cashflow or fair value hedges. The accounting treatment of these hedges is outlined in Note 2.33 Derivative Financial Instruments.

The economic entity is exposed to volatility in interest cash flows inherent in its loan portfolio and that of the securitisation vehicles. Interest rate swaps are used to hedge the risk that this volatility creates.

As at 30 June 2008 the fair value of outstanding derivatives designated as cashflow hedges by the parent entity was $10.9 million negative value (2007: $40.5 million positive).

During the 2008 financial year the consolidated entity recognised a loss of $27.1 million (2007: loss $1.6 million) due to hedge ineffectiveness.

Value of derivatives as at 30 June

	Consolidated 2008				Consolidated 2007			
	Notional Amount	Asset Revaluation	Liability Revaluation	Net Fair Value	Notional Amount	Asset	Liability Revaluation	Net Fair Value
	$m	$m	$m	$m	$m	$m	$m	$m
Included in derivatives category								
Derivitives held for trading								
Interest Rate Swaps	17,455.0	0.9	(0.6)	0.3	-	-	-	-
Derivatives	17,455.0	0.9	(0.6)	0.3	-	-	-	-
Derivatives held as fair value hedges								
Interest Rate Swaps	355.8	6.1	(2.4)	3.7	-	-	-	-
Embedded Derivatives	1.5	-	(0.1)	(0.1)	-	-	-	-
Derivatives	357.3	6.1	(2.5)	3.6	-	-	-	-
Derivatives held as cash flow hedges								
Cross Currency Swaps	1,525.1	12.8	(11.6)	1.2	830.2	4.1	(5.6)	(1.5)
Interest Rate Swaps	15,848.4	284.0	(33.1)	250.9	4,120.4	70.8	(29.1)	41.7
Foreign Exchange Contracts	496.9	8.0	(24.6)	(16.6)	50.8	0.5	(0.3)	0.2
Derivatives	17,870.4	304.8	(69.3)	235.5	5,001.4	75.4	(35.0)	40.4
Derivatives	35,682.7	311.8	(72.4)	239.4	5,001.4	75.4	(35.0)	40.4
Included in deposits category								
Cross Currency Swaps	-	-	(12.9)	(12.9)	-	-	(72.1)	(72.1)
Total derivatives	35,682.7	311.8	(85.3)	226.5	5,001.4	75.4	(107.1)	(31.7)

As at 30 June 2008, hedged cash flows are expected to occur and they are expected to affect the income statement as follows:

Consolidated	**Within 1 year**	**1 to 3 years**	**3 to 8 years**	**Over 8 years**
2008	**$ m**	**$ m**	**$ m**	**$ m**
Cash inflows (Assets)	1,333.2	1,161.1	247.6	37.8
Cash outflows (Liabilities)	(1,230.8)	(1,079.1)	(234.9)	(37.6)
Net cash inflow	102.4	82.0	12.7	0.2
Income statement	96.9	79.8	11.3	0.2
2007				
Cash inflows (Assets)	302.4	621.2	339.1	43.2
Cash outflows (Liabilities)	(275.8)	(555.0)	(317.0)	(42.7)
Net cash inflow	26.6	66.2	22.1	0.5
Income statement	31.1	61.9	20.7	0.5

Net gain on cash flow hedges reclassified to the income statement:

	Consolidated		**Parent**	
	2008	**2007**	**2008**	**2007**
	$ m	**$ m**	**$ m**	**$ m**
Interest income	14.3	-	-	-
Interest expense	(42.7)	-	-	-
Other operating expenses	0.3	(0.5)	0.3	(0.5)
	(28.1)	(0.5)	0.3	(0.5)
Taxation	8.4	0.2	(0.1)	0.2
Net gain on cash flow hedges reclassified to the income statement	**(19.7)**	**(0.3)**	**0.2**	**(0.4)**

45. COMMITMENTS AND CONTINGENCIES

(a) Commitments

The following are outstanding expenditure and credit related commitments as at 30 June 2008. Except where specified, all commitments are payable withinone year.

Operating lease commitments - group as lessee
The group has entered into commercial property leases and commercial leases on certain motor vehicles and items of office equipment. These leases have an average life of between 3 and 7 years. Some property leases include optional renewal periods included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

	Consolidated		Parent	
	2008	2007	2008	2007
	$m	$m	$m	$m
Future minimum rentals payable under non-cancellable operating leases as at 30 June:	319.7	292.0	308.8	291.9

Lease commitments for 2007 includes the lease in relation to the new Head Office development in Bendigo, Victoria which commences August 2008.

Operating lease commitments - group as lessor
The group has entered into commercial property leases on the group's surplus office space. These non-cancellable leases have remaining terms of between 2 and 5 years. All leases have a clause to enable upward revision of the rental charge on a regular basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June	2.2	2.8	2.1	2.8
Capital expenditure commitments				
Capital expenditure commitments not provided for in the financial statements	6.0	12.7	6.0	12.7
Other expenditure commitments				
Sponsorship commitments not paid as at balance date, payable not later than one year	1.4	1.7	1.4	1.6
Credit related commitments				
Gross loans approved, but not advanced to borrowers	623.5	419.0	348.0	419.0
Credit limits granted to clients for overdrafts and credit cards				
Total amount of facilities provided	7,828.2	4,871.8	5,286.8	4,936.3
Amount undrawn at balance date	3,003.6	1,668.5	2,007.5	1,693.6

Normal commercial restrictions apply as to use and withdrawal of the facilities

b) Superannuation Commitments

The Bendigo and Adelaide Bank Group has a legally enforceable obligation to contribute to a superannuation plan for employees either on an accumulation basis (including the Superannuation Guarantee Charge) or on a defined benefits basis (Adelaide Bank staff superannuation plan) which provides benefits on retirement, disability or death based on years of service and final average salary. Employees contribute to the plan at a fixed percentage of remuneration.

The Group's contribution to the defined benefit plan is determined by the Trustee after consideration of actuarial advice and an actuarial review is carried out every three years. The last actuarial review was carried out as at 1 July 2006 by Kathryn Daniels B.Sc, FIAA of Mercer Human Resource Consulting Pty Ltd. The value of accrued benefits from this Actuarial review was $62.5 million. At balance date, the Directors believe that funds available were adequate to satisfy all vested benefits under the plan.

Accounting Policy

Actuarial gains and losses are recognised in retained earnings.

Plan Information

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal. The defined benefit section of the Plan is closed to new members. All new members are entitled to become members of the accumulation categories of the fund.

Fair Value of Plan Assets

The fair value of Plan assets includes Bendigo and Adelaide Bank shares to the value of $2.5 million as at 30 June 2008.

Actual Return

	2008
	$ m
Actual return on Plan assets	(0.4)

Principal Actuarial Assumptions

Discount rate	6.1% pa
Expected rate of return on Plan assets	7.2% pa
Expected salary increase rate	4.5% pa

Reconciliation of the Present Value of the Defined Benefit Obligation

	$ m
Present value of defined benefit obligations at 30 Nov 2007	**13.0**
Add Current service cost	0.5
Add Interest cost	0.4
Add contributions by plan participants	0.3
Add Actuarial gains/(losses)	-
Less Benefits paid	1.9
Less Taxes, premiums and expenses paid	0.1
Add Transfers in	0.2
Less Contributions to accumulation section	0.2
Present value of defined benefit obligations at end of the year	**12.2**

Reconciliation of the Fair Value of Plan Assets

Fair value of Plan assets at 30 Nov 2007	**21.4**
Add Expected return on plan assets	0.8
Add Actuarial gains/(losses)	(1.8)
Add Employer contributions	-
Add Contributions by plan participants	0.3
Less Benefits paid	1.9
Less Taxes, premiums and expenses paid	0.1
Add Transfers in	0.2
Less Contributions to accumulation section	0.2
Fair value of Plan assets at end of the year	**18.7**

COMMITMENTS AND CONTINGENCIES (continued)

Reconciliation of the Assets and Liabilities Recognised in the Balance Sheet

Defined Benefit Obligation ^	12.2
Less Fair value of Plan assets	18.7
(Surplus)	(6.5)
Net superannuation (asset) / liability	**(6.5)**

^ *includes contributions tax provision*

Movements in Liability / (Asset) Recognised in the Balance Sheet

Net superannuation (asset) at 30 Nov 2007	**(8.5)**
Add Expense recognised in income statement	2.0
Less Employer contributions	-
Net superannuation (asset) at 30 June 2008	**(6.5)**

Expense Recognised in Income Statement

	2008
	$ m
Service cost	0.5
Interest cost	0.4
Expected return on assets	(0.8)
Superannuation expense	**0.1**

Gain recognised directly in Equity

Actuarial (gain) / loss	1.8

Cumulative Gain recognised directly in Equity

Actuarial (gain) / loss	(0.3)

Plan Assets

The percentage invested in each asset class at the balance sheet date:

	2008
Australian Equity	40%
International Equity	23%
Fixed Income	9%
Property	10%
Alternatives	8%
Cash	10%

Funding Arrangements for Employer Contributions

Surplus / (Deficit)

The following is a summary of the financial position of the Adelaide Bank Staff Superannuation Plan as at the date of the last actuarial review conducted on 1 July 2006. Note that the figures below relate to the Plan as a whole, including the accumulation section.

	1 July 2006
	$ m
Accrued benefits	62.5
Net market value of Plan assets	67.5
Net surplus	5.0

Contribution Recommendations

The Bank is currently on a contribution holiday with respect to employer funding of the defined benefit section of the Plan. This decision was made in accordance with recommendations from the Actuary. The next actuarial valuation will be at 1 July 2009. The financial position of the defined benefits is reviewed regularly by the Bank, at least annually, to ensure that the contribution holiday remains appropriate.

Funding Method

The method used to determine the employer contribution recommendations at the last actuarial review was the Attained Age Normal method. The method adopted affects the timing of the cost to the Bank.

Under the Attained Age Normal method, a "normal cost" is calculated which is the estimated employer contribution rate required to provide benefits in respect of future service after the review date. The "normal" cost is then adjusted to take into account any surplus (or deficiency) of assets over the value of liabilities in respect of service prior to the review date. Any surplus or deficiency can be used to reduce or increase the "normal" employer contribution rate over a suitable period of time.

Economic Assumptions

The long-term economic assumptions adopted for the last actuarial review of the Plan as at 1 July 2006 were:

Expected rate of return on assets (discount rate)	7.20% pa
Expected salary increase rate	4.50% pa

Nature of Asset

Bendigo and Adelaide Bank has recognised an asset in the Balance Sheet (under Other assets) in respect of its defined benefit superannuation arrangements. If a surplus exists in the Plan, Bendigo and Adelaide Bank may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Plan's actuary.

The Adelaide Bank Staff Superannuation Plan, a sub-plan of the Mercer Super Trust, does not impose a legal liability on Bendigo and Adelaide Bank to cover any deficit that exists in the Plan. If the Plan were wound up, there would be no legal obligation on the Bank to make good any shortfall. The rules of the Plan state that if the Plan winds up, the remaining assets are to be distributed amongst the Members as determined by the Trustee of the Plan.

The Bank may at any time terminate its contributions by giving one month's notice in writing to the Trustee.

Historical Information

	2008
	$ m
Present value of defined benefit obligation	12.2
Fair value of Plan assets	18.7
(Surplus) / deficit in Plan	(6.5)
Experience adjustments (gain)/loss - Plan assets	1.8
Experience adjustments (gain)/loss - Plan liabilities	0.3

Expected Contributions

Financial year ending	**2009**
	$m
Expected employer contributions	-

(b) Contingent liabilities and contingent assets

	Consolidated		**Parent**	
	2008	**2007**	**2008**	**2007**
	$m	**$m**	**$m**	**$m**
Contingent liabilities				
Guarantees				
The economic entity has issued guarantees on behalf of clients	161.7	111.9	119.8	111.9
Other				
Documentary letters of credit & performance related obligations	17.7	24.0	17.7	24.0

As the probability and value of guarantees, 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.

Contingent assets

As at 30 June 2008, the economic entity does not have any contingent assets.

46. STANDBY ARRANGEMENTS AND UNCOMMITTED CREDIT FACILITIES

	Consolidated		Parent	
	2008	2007	2008	2007
	$m	$m	$m	$m
Amount available:				
Offshore borrowing facility	6,255.4	1,767.1	2,077.9	1,767.1
Domestic note program	7,000.0	2,000.0	2,000.0	2,000.0
Amount utilised:				
Offshore borrowing facility	1,460.2	1,200.9	1,234.1	1,200.9
Domestic note program	1,730.2	520.0	200.0	520.0
Amount not utilised:				
Offshore borrowing facility	4,795.3	566.1	843.9	566.1
Domestic note program	5,269.8	1,480.0	1,800.0	1,480.0

The Bank has a $US 4,000 million Euro Commerical Paper program of which $US 1208 million was drawn down as at 30 June 2008, and a $US 2,000 million Euro Medium Term Note program of whch $EURO 300 million was drawn down. The Bank also has a $7,000 million Domestic Note Program of which $1,730 million was issued as at 30 June 2008.

47. FIDUCIARY ACTIVITIES

The economic entity conducts investment management and other fiduciary activities as trustee, custodian or manager for a number of funds and trusts, including superannuation and approved deposit funds, unit trusts and mortgage pools. The amounts of the funds concerned, which are not included in the economic entity's statement of financial position are as follows:

	Consolidated	
	2008	2007
	$m	$m
Funds under trusteeship	3,820.2	3,780.3
Assets under management	4,828.0	2,310.4
Funds under management	1,822.6	1,083.8

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 economic entity acts in more than one capacity in relation to those funds eg manager and trustee. Where controlled entities, as trustees, incur liabilities in respect of these activities, 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 companies will be required to settle them, the liabilities are not included in the financial statements. Bendigo and Adelaide Bank does not guarantee the performance or obligations of its subsidiaries.

48. EVENTS AFTER BALANCE SHEET DATE

On 11 August 2008 the Bank declared a final dividend, details of which are disclosed in the directors' report and in Note 10.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years.

49. BUSINESS COMBINATIONS

On 30 November 2007 Bendigo and Adelaide Bank Limited acquired all the ordinary shares in Adelaide Bank Limited (“Adelaide”) for $1,994,311,136, satisfied by the issue of 117,687,891 ordinary shares in Bendigo and Adelaide Bank Limited at a fair value of $16.80 per share, based on the volume weighted average price on the day of acquisition plus $17,154,567 in cash (transaction costs). The cost of the acquisition includes directly attributable costs including consultancy, legal, accounting and other professional fees.

The principal activities of Adelaide are the provision of wholesale mortgages, business lending, wealth management and retail banking services.

The acquisition had the following effect on the Group's assets and liabilities:

	Pre-acquisition carrying amount	Provisional recognised values on acquisition
Assets	$m	$m
Cash and cash equivalents	483.7	483.7
Due from other financial institutions	120.3	120.3
Derivatives	210.7	210.7
Financial assets held for trading	1,934.5	1,934.5
Financial assets held to maturity - securities	64.8	64.8
Financial assets available for sale - share investments	3.0	0.3
Loans and other receivables	27,483.7	27,335.2
Property, plant & equipment	28.7	45.7
Intangible assets		
Intangible software	3.9	3.9
Goodwill	33.9	-
Deferred tax assets	42.0	71.0
Other assets	34.2	34.2
Total Assets	30,443.4	30,304.3
Liabilities		
Due to other financial institutions	112.4	112.4
Deposits	15,740.9	15,740.9
Notes payable	13,038.3	13,038.3
Derivatives	30.9	30.9
Other payables	96.6	103.5
Income tax payable	(13.2)	0.9
Provisions	17.0	17.0
Deferred tax liabilities	68.4	65.4
Reset preference shares	89.5	89.5
Subordinated debt - at amortised cost	380.5	380.5
Total Liabilities	29,561.3	29,579.3
Net identifiable assets and liabilities attributable to Bendigo Bank Limited	882.1	725.0
Consideration paid in cash (transaction costs)		(17.2)
Cash acquired		491.6
Net cash inflow		474.4
Total consideration		2,094.3
Provisional fair value of identifiable assets and liabilities		(725.0)
Provisional goodwill on acquisition		1,369.3

Goodwill

Goodwill arose in the business combination as the consideration paid for the combination effectively included amounts in relation to the skills and talent of the acquired business workforce, the benefit of expected head office and operational synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be measured reliably or they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged either individually or together with any related contracts.

Due to the complexity and timing of this acquisition, the fair values currently established are provisional and are subject to further review during the 12 month period following acquisition. This will alter assets and liabilities as currently disclosed for 31 December 2007 and 30 June 2008.

During the period 30 November 2007 to 30 June 2008, Adelaide contributed net profit of $76.9 million to the consolidated net profit for the financial year (excluding net significant income items after tax of $96.1 million).

If the acquisition had occurred on 1 July 2007, group revenue would have been $988.6 million for the financial year and net profit would have been $241.0 million. This pro-forma financial information uses Adelaide Bank Limited data for the 12 months ended 30 June 2008 and represents the historical operation results of Adelaide Bank Limited, reported in accordance with their pre-acquisition accounting policies. It excludes transaction and net significant expense items of $62.1 million after tax.

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, notes and the additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) 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 2008.

On behalf of the Board

R N Johanson	**R G Hunt AM**
Chairman	**Managing Director**

9 September 2008

ERNST & YOUNG

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Independent auditor's report to the members of Bendigo and Adelaide Bank Limited

Scope

We have audited the accompanying financial report of Bendigo and Adelaide Bank Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2.2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ERNST & YOUNG

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Bendigo and Adelaide Bank Limited is in accordance with the *Corporations Act 2001*, including:

    i giving a true and fair view of the financial position of Bendigo and Adelaide Bank Limited and the consolidated entity at 30 June 2008 and of their performance for the year ended on that date; and

    ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 39 to 63 of the directors' report for the year ended 30 June 2008. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Bendigo and Adelaide Bank Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

Brett Kallio — Ernst + Young

Brett Kallio — Ernst & Young
Partner
Melbourne

9 September 2008

ADDITIONAL INFORMATION

1. MATERIAL DIFFERENCES

There are no material differences between the information supplied in this report and the information in the preliminary final report supplied by Bendigo and Adelaide Bank Limited to the Australian Securities Exchange on 11 August 2008.

2. AUDIT COMMITTEE

As at the date of the Directors' Report the economic entity had an audit committee of the Board of Directors.

3. CORPORATE GOVERNANCE PRACTICES

The corporate governance practices adopted by Bendigo and Adelaide Bank Limited are detailed in the Corporate Governance section of this report.

4. SUBSTANTIAL SHAREHOLDERS

As at 18 August 2008 there were no substantial shareholders in Bendigo and Adelaide Bank Limited as disclosed in substantial holding notices given to the company.

5. DISTRIBUTION OF SHAREHOLDERS

Range of Securities as at 18 August 2008 in the following categories:

Category	Fully Paid Ordinary Shares	Fully Paid Employee Shares	BPS Preference Shares	RPS Reset Pref Shares	SPS Step Up Pref Shares
1 - 1,000	35,987	2,057	3,333	3,527	3,170
1,001 - 5,000	35,639	871	43	73	72
5,001 - 10,000	5,344	106	1	5	3
10,001 - 100,000	2,920	31	3	3	5
100,001 and over	104	3	1	0	0
Number of Holders	79,994	3,068	3,381	3,608	3,250
Securities on Issue	269,576,082	5,102,301	900,000	894,574	1,000,000

6. MARKETABLE PARCEL

Based on the closing price of $11.94 on 18 August 2008 the number of holders with less than a marketable parcel of the Company's main class of securities (Ordinary Shares), as at 18 August 2008 was 2,311.

7. UNQUOTED SECURITIES

The number of unquoted equity securities that are on issue and the number of holders of those securities are shown in the above table under the heading of Fully Paid Employee shares.

8. MAJOR SHAREHOLDERS

Names of the 20 largest holders of Fully Paid Ordinary Shares, including the number of shares each holds and the percentage of issued ordinary share capital that number represents as at 18 August 2008 are:

FULLY PAID ORDINARY SHARES

Rank	Name	Number of fully paid Ordinary Shares	Percentage held of Issued Ordinary Capital
1	HSBC Custody Nominees (Australia) Limited	19,993,115	7.28%
2	J P Morgan Nominees Australia Limited	11,808,862	4.30%
3	National Nominees Limited	8,275,550	3.01%
4	Milton Corporation Limited	4,421,366	1.61%
5	ANZ Nominees Limited (Cash Income a/c)	4,354,402	1.59%
6	UBS Nominees Pty Ltd	2,321,644	0.85%
7	Argo Investments Limited	2,044,700	0.74%
8	Cogent Nominees Pty Limited (SMP Accounts)	1,766,324	0.64%
9	AMP Life Limited	1,721,113	0.63%
10	Cogent Nominees Pty Limited	1,636,852	0.60%
11	Citicorp Nominees Pty Limited	1,550,487	0.56%
12	Leesville Equity Pty Ltd	1,019,093	0.37%
13	Choiseul Investments Limited	1,009,750	0.37%
14	Queensland Investment Corporation	923,131	0.34%
15	Carlton Hotel Limited	752,500	0.27%
16	Merrill Lynch (Australia) Nominees Pty Limited	717,789	0.26%
17	HSBC Custody Nominees (Australia) Limited - a/c 2	532,686	0.19%
18	Yarabie Estates Pty Ltd (Yarabie Super Fund a/c)	508,670	0.19%
19	Invia Custodian Pty Limited (Wilson Invmt Fund Ltd a/c)	495,763	0.18%
20	Anthony Detata Nominees Pty Ltd	473,600	0.17%
		66,327,397	24.15%

BBS Nominees Pty Ltd, trustee for the Bendigo and Adelaide employee share ownership plan, held 5,102,301 unquoted shares as at the date of this report. These shares have not been included in the above table, but are included in total issued ordinary share capital.

Names of the 20 largest holders of Bendigo and Adelaide Preference Shares, including the number of shares each holds and the percentage of preference share capital that number represents as at 18 August 2008 are:

FULLY PAID PREFERENCE SHARES

Rank	Name	Number of fully paid Preference Shares	Percentage held of issued Preference Capital
1	J P Morgan Nominees Australia Limited	189,233	21.03%
2	Citicorp Nominees Pty Limited	15,481	1.72%
3	ANZ Nominees Limited (Cash Income a/c)	12,988	1.44%
4	M F Custodians Ltd	11,070	1.23%
5	Cogent Nominees Pty Limited	10,000	1.11%
6	Cambooya Pty Ltd	4,655	0.52%
7	Bruttown Pty Limited	4,000	0.44%
8	Dylac Pty Ltd	4,000	0.44%
9	Leesville Equity Pty Ltd	4,000	0.44%
10	The Trustees of the Diocese of Tasmania	3,000	0.33%
11	Edwards, JF & JR	2,794	0.31%
12	Green Super Pty Ltd (Ross Knowles Super Fund a/c)	2,531	0.28%
13	Uniting Church in Australia Property Trust (WA) (UCIF a/c)	2,500	0.28%
14	Cambooya Pty Ltd (Foundation a/c)	2,500	0.28%
15	Bostock J & Taylor H & RSL Custodian Pty Ltd (Blacktown RSL S/B Cap a/c)	2,474	0.27%
16	Rome Pty Ltd	2,428	0.27%
17	Fedton Pty Ltd (S/F No 1 a/c)	2,200	0.24%
18	World Wide Fund for Nature Australia	2,075	0.23%
19	Buckingham GE & EM (Buckingham S/F a/c)	2,046	0.23%
20	Andre, RM	2,000	0.22%
		281,975	31.31%

Names of the 20 largest holders of Bendigo and Adelaide Reset Preference shares, including the number of shares each holds and the percentage of reset preference share capital that number represents as at 18 August 2008 are:

FULLY PAID RESET PREFERENCE SHARES

Rank	Name	Number of fully paid Reset Preference Shares	Percentage held of issued Reset Preference Shares
1	M F Custodians Ltd	19,616	2.19%
2	ANZ Nominees Limited (Cash Income a/c)	19,447	2.17%
3	Bayeux Capital Pty Ltd	15,300	1.71%
4	MLEQ Nominees Pty Limited (Unpaid 1 a/c)	10,000	1.12%
5	Questor Financial Services Limited (TPS RF a/c)	9,353	1.05%
6	Cogent Nominees Pty Limited	8,131	0.91%
7	Merrill Lynch (Australia) Nominees Pty Limited	7,973	0.89%
8	Citicorp Nominees Pty Limited (CFSIL CFS WS ENH Yield a/c)	6,382	0.71%
9	Bailey IW & GJ (Bailey Family Super Fund a/c)	4,000	0.45%
10	Malvern Development Co Pty Ltd	4,000	0.45%
11	Reece Superannuation Pty Ltd (Reece Super Fund a/c)	3,694	0.41%
12	Baker Custodian Corporation	3,390	0.38%
13	Synod of the Diocese of Adelaide of the Anglican Church of Australia Inc	3,000	0.34%
14	Dowling AM	2,700	0.30%
15	Comil Australia Pty Ltd (Forbes Family a/c)	2,500	0.28%
16	The Loreto Property Association	2,500	0.28%
17	Salteri S	2,500	0.28%
18	A & V Taylor Pty Ltd (Alan & Vivien Taylor S/F a/c)	2,476	0.28%
19	The Invergowrie Foundation	2,400	0.27%
20	Secure Investment Consultants Pty Ltd	2,390	0.27%
		131,752	14.74%

Names of the 20 largest holders of Bendigo and Adelaide Step Up Preference Shares, including the number of shares each holds and the percentage of step up preference share capital that number represents as at 18 August 2008 are:

FULLY PAID STEP UP PREFERENCE SHARES

Rank	Name	Number of fully paid Step up Preference Shares	Percentage held of issued Step up Preference Shares
1	J P Morgan Nominees Australia Limited	51,020	5.10%
2	National Nominees Limited	50,000	5.00%
3	RBC Dexia Investor Services Australia Nominees Pty Limited (MLCI a/c)	23,989	2.40%
4	ANZ Nominees Limited (Cash Income a/c)	18,229	1.82%
5	Argo Investments Limited	17,000	1.70%
6	Returned Services League of Australia (Queensland Branch)	10,000	1.00%
7	Questor Financial Services Limited (TPS RF a/c)	7,819	0.78%
8	Laidlaw Family Investment Pty Ltd (Laidlaw Family Inv No 1 a/c)	5,428	0.54%
9	Laidlaw Family Investment Pty Ltd (Laidlaw Family Invest a/c)	4,865	0.49%
10	Rogand Pty Ltd (Rogand Unit a/c)	4,220	0.42%
11	Aileendonan Investments Pty Ltd	4,000	0.40%
12	Baker Custodian Corporation	3,893	0.39%
13	Moladi Pty Ltd (Kahrisky Super Fund a/c)	3,526	0.35%
14	Peroda Nominees Pty Limited (Berman Super Fund a/c)	3,504	0.35%
15	Reece Superannuation Pty Ltd (Reece Super Fund a/c)	3,270	0.33%
16	Richard Oppen Investments Pty Ltd	3,031	0.30%
17	Acland Street Investments Pty Ltd (Acland Investments S/F a/c)	3,000	0.30%
18	Shore Nominees Limited	3,000	0.30%
19	Synod of the Diocese of Adelaide of the Anglican Church of Australia Inc	3,000	0.30%
20	Tulloch B M	3,000	0.30%
		225,794	22.57%

9. VOTING RIGHTS

The holders of ordinary shares are entitled to vote at meetings of shareholders in the first instance by a show of hands of the shareholders present and entitled to vote. If a poll is called, each shareholder has one vote for each fully paid share held.

Holders of partly paid shares have a vote which carries the same proportionate value as the proportion that the amount paid up on the total issue price bears to the total issue price of the share.

In the case of an equality of votes the Chairman has, on both a show of hands and at a poll, a casting vote in addition to the vote to which the Chairman may be entitled as a shareholder, proxy, attorney or duly appointed representative of a shareholder.

Bendigo Bank

Adelaide Bank

Sandhurst Trustees
SUBSIDIARY OF BENDIGO BANK

Adelaide Managed Funds

Victorian Securities
SUBSIDIARY OF BENDIGO BANK

Leveraged Equities

National Mortgage Market Corporation
SUBSIDIARY OF BENDIGO BANK

Elders Elders Rural Bank

OXFORD FUNDING
INNOVATIVE SOLUTIONS

Bendigo Financial Planning

COMMUNITY SECTOR BANKING

Tasmanian Banking Services Bendigo Bank
A JOINT VENTURE BETWEEN TASMANIAN PERPETUAL TRUSTEES AND BENDIGO BANK

Community Enterprise™ Foundation

Adelaide Bank Charitable Foundation

Bendigoand**Adelaide**Bank

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