Bendigo and Adelaide Bank

building customer connections

full annual report09

Contents

Financial Calendar 2009/10

2009

30 September	Distribution of final dividend
12 October	Bendigo Step Up Preference Share dividend
26 October	Annual General Meeting
02 November	Bendigo Reset Preference Share dividend
15 December	Bendigo Preference Share dividend

Proposed 2010

11 January	Bendigo Step Up Preference Share dividend
15 February	Announcement of interim results and interim dividend
26 February	Ex-dividend date
04 March	Interim dividend record date
15 March	Bendigo Preference Share dividend
31 March	Distribution of interim dividend
12 April	Bendigo Step Up Preference Share dividend
03 May	Bendigo Reset Preference Share dividend
15 June	Bendigo Preference Share dividend
12 July	Bendigo Step Up Preference Share dividend
16 August	Announcement of final results and final dividend
27 August	Final ex-dividend date
02 September	Final dividend record date
15 September	Bendigo Preference Share dividend
30 September	Distribution of final dividend
11 October	Bendigo Step Up Preference Share dividend
25 October	Annual General Meeting
01 November	Bendigo Reset Preference Share dividend
15 December	Bendigo Preference Share dividend

Annual Review 09 e-book

Go to www.bendigoadelaide.com.au and view our fully interactive e-book featuring video stories and hyperlinks.

Bendigo and Adelaide Bank Limited
ABN 11 068 049 178

Registered Head Office
The Bendigo Centre
PO Box 480
Bendigo VIC
Australia 3552

Telephone: 1300 361 911 (local call)
Facsimile: 03 5485 7668
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 Inquiries

Customer Help Centre
(Head Office inquiries)
1300 361 911 (local call)
Mondays to Fridays
8.30am – 7.30pm
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 Direct
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 Banking

Phone Bank
Bendigo Phone Banking – 1300 366 666 (local call)
Adelaide Express Line – 08 8300 7000
or 1300 300 893 (outside metropolitan SA)

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

Shareholder Inquiries

Share Registry
1800 646 042

Company Website

www.bendigoadelaide.com.au

Bendigo and Adelaide Bank

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At Bendigo and Adelaide Bank we aim to be Australia's leading customer-connected banking group…

That's our vision, but why?

How do you "connect" with a customer? Why is that important? Does it grow your business and improve shareholder returns?

Lots of people shop purely for the cheapest price, although many people look for something more. They value good service; they expect their bank to be fair and honest; they want their bank to act in their best interests; and they want to feel appreciated for their business. If a bank can do all those things and put something back into their community, then all the better. Those customers are likely to trust that bank, remain loyal and do more business with it. They are also likely to recommend "my bank" to others.

That's what we mean by "connected".

We are doing many things to forge those connections.

We stress to staff the values and behaviours Bendigo and Adelaide Bank expects. Our leaders model those behaviours.

Staff are trained to ask customers what they are trying to achieve and then recommend the best financial products to help them. We're opening more branches and installing more ATMs to give customers more service points. Our internet banking is good but is being further improved. We try to ensure branches and call centres are well staffed and that our adviser partners get good service so their customers are happy.

Doing all these things well means we are likely to be trusted with more business by customers and partners pleased with our service. But it is what we do in their communities that has reinforced we are a different bank – one of more value. This report tells some of those stories, because we consider them so important to our future.

We have established corporate values of **teamwork**, **integrity, performance**, **engagement**, **leadership** and **passion**. These are our touchstones in improving outcomes for our customers, their communities and our shareholders.

We believe in what we do and we are proud of our bank.

Our new branding

Drawing from the heritage logos of both Bendigo Bank and Adelaide Bank, we have created a new corporate identity and consistent branding across our business divisions.

Corporate

Retail Banking

Wealth

Margin Lending

Third Party Mortgages

Report from Chairman

Dear Shareholder

2008/09 has been an extraordinary year for Bendigo and Adelaide Bank.

> On 9 July 2008, we celebrated the 150th anniversary of the foundation of the first Bendigo Building Society. 150 years is a very long time in financial services and the business has changed and adapted many times as it steadily grew through various crises, recessions and depressions;

> On 11 December 2008, we opened The Bendigo Centre, an uncompromisingly modern $100 million building in the centre of Bendigo, built to provide more than 1000 staff with an open-planned, light-filled work space for the next 50 years;

> We farewelled Rob Hunt after 35 years as an employee and 21 years as chief executive. Rob has been crucial in the development of the organisation, from a one-branch building society when he joined, to a national bank. Our distinctive identity as Australia's leading customer-connected bank is more attributable to him than anyone else. He made an extraordinary contribution and we thank him for it;

> We welcomed Mike Hirst as the new chief executive, to lead the bank into the next stage of development; and

> We have dealt with the global financial crisis of 2009.

This has been the most serious financial crisis since the 1930s. It has fundamentally changed the nature of banking for at least a generation. Much of the world's banking system has been nationalised. Economies have struggled to cope and will take many years to recover and repay the debts now being incurred.

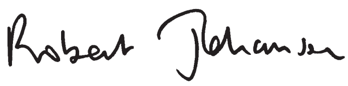
Australia has been relatively unaffected, in part because of early and decisive action by strong regulators and government. But even here, many competitors have been taken over or collapsed and public debt markets were, for a time, frozen. Every Australian bank has relied on government guarantees to borrow from the wholesale markets – every bank that is except Bendigo and Adelaide Bank and our 60 per cent subsidiary Rural Bank, our joint venture with Elders Limited.

But for us, too, there has been a heavy cost. Interest margins shrank as we restructured our balance sheet. Bad debts increased as some customers struggled to cope with the economic downturn and the excesses of the boom caught up with us all. So profits are down and dividends reduced. Funding remains the biggest issue for all banks.

But now we look forward with confidence. Markets remain fragile and for the time-being dependent on government support. But we continue to attract customers and open new branches. Our credit quality remains sound and our capital position strong.

Rob Hunt's time as chief executive commenced just before the collapse of Pyramid Building Society. Out of that crisis we emerged stronger, better equipped to serve our customers and the communities in which they live. We are determined to do the same with this crisis, and look forward to capturing appropriate opportunities being presented by the turmoil.

Yours faithfully



Robert Johanson

Report from Managing Director

The bank has emerged from the worst of the global financial crisis (GFC) in good shape to take advantage of opportunities sure to emerge from the disruption caused to the finance industry.

Our retail brand is strongly differentiated, we enjoy high levels of customer trust and advocacy, our balance sheet is robust, credit quality is sound and demand for our customer and community style of banking is undiminished. We provide customers with a national branch network, extended trading hours, 24/7 electronic banking options, a wide product range and advice not tainted by commissions. They can choose to deal with us directly or through their broker or adviser.

We therefore offer consumers a logical first alternative to the major banks.

That position has been further enhanced through an erosion of competition in large part prompted by the GFC.

But while the GFC will provide us with opportunities, it also disrupted our earnings progress.

Our profit after tax before significant items was down by 26 per cent, to $173.2 million, cash earnings per share (63 cents) and dividends (43 cents) were well below the previous year. These falls were largely due to a slowing economy, higher funding costs and an unprecedented drop in official interest rates.

Having restructured our balance sheet to provide secure funding, and taken a consequent one-off hit to earnings, we are now in the process of structuring the business to grow by:

> Clearly articulating our vision to be Australia's leading customer-connected bank.

> Simplifying our business structure.

> Re-branding our Group to better leverage our distinct point of difference.

> Raising $300 million in capital to enable us to secure growth opportunities.

> Containing our cost base.

The GFC has magnified and accelerated change in the financial services industry and we have already taken some opportunities to expand.

In the past year we opened 22 new branches and brought 24 former Adelaide Bank branches into our national Bendigo Bank retail network. Macquarie's $1.5 billion margin lending portfolio was purchased. We increased our stake in (formerly Elders) Rural Bank from 50 to 60 per cent, bought out our joint venture partner in Tasmanian Banking Services to strengthen Bendigo's offering in that State, increased our stake in IOOF Holdings Limited and negotiated with Customers Ltd to boost our branded ATM network.

Further opportunities will emerge. Peer banks St George and BankWest have been subsumed into major banks, overseas banks have pulled back from the Australian market, credit unions are merging and some firms (particularly mortgage brokers) have departed from the financial services market.

Although consumers have tended to seek out large banks during the GFC, experience tells us many will look to alternatives as nervousness dissipates and customers turn to brands they trust. As the only regional bank with truly national branch coverage, our retail bank is well placed to be the logical alternative to the big four.

- Our customer and community focus means we are highly differentiated.
- Our brand awareness is growing. We have the highest customer advocacy of any bank with a world-class Net Promoter Score of +33.

Continued overleaf

$28.5bil

Retail deposits

Strong growth of 20.8% was recorded

1.4mil

Customers

The bank attracts more than 10,000 new customers every month

$173.2mil

08/09 net profit after tax before significant items

Down by 25.8%

62.9c

Cash earnings per share

Decline of 43.4% with a dividend payout ratio per ordinary share of 68.4%

> We are well connected with and relevant to our communities.

> Customers trust us. Our Sandhurst Trustees mortgage funds remained open throughout the GFC when many competitor funds were closed.

> We expect to open 20-plus branches each year and continue to attract more than 10,000 new customers each month.

Our other businesses, too, are well positioned.

> The mortgage origination industry was badly hit by the GFC, with 90 per cent of new mortgages being written by the big four banks. But the broker industry says there is a need for a fifth financier to promote competition and our Adelaide Bank brand is a logical contender. We continued to provide (admittedly limited) funding to our mortgage broker/manager partners even as competitors withdrew from the market. As funding capacity rebuilds, we will gradually increase our support.

> Our purchase of Macquarie's margin loan portfolio ranks us as the third-biggest provider of customer funding for this important asset class, now re-emerging as share markets recover.

> Our wealth management offering is being consolidated under the banner of Sandhurst Trustees, a renowned fixed income specialist.

Already, there are clear signs of improvement in our business and earnings capacity. Our portfolios are growing in line with improving market sentiment and our interest margin has fully recovered from the lows experienced during the reshaping of our balance sheet. As capacity recovers, we are gradually increasing funding flows to third party mortgages and our wealth management and margin revenues will grow as markets recover.

We are a bank with sound credit quality, a low-risk balance sheet and a high-quality capital base. While the GFC has eroded customer trust in financial institutions, I do not think that is true of Bendigo and Adelaide Bank. We have enshrined in this newly merged bank a set of values that will act as a foundation stone for our staff dealings with each other and with customers, partners and communities.

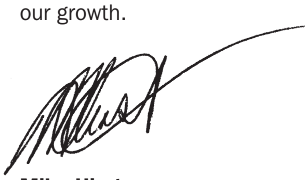
Our vision is to be Australia's leading customer-connected bank, because we know that strong connections equal strong business.

It's important to note that our vision and values come from our staff. Achieving our goal and working to this set of standards is what our staff believe is important and this is reflected in the way we go about doing business.

I would like to thank all of our staff for the tremendous effort they put in over the past year; for their continued willingness to go the extra mile and for their ongoing commitment to see everyone involved with our business succeed.

If there is one thing the GFC taught us, it is the important role played by banks – and particularly those that have not lost touch with their grass roots. Our bank is strongly supported at that level and is in a good position to grow shareholder earnings in a sustainable way while continuing to meet – and at times exceed – the expectations of our customers.

We are a bank different from the herd. Leveraging that difference will produce our growth.



Mike Hirst

The Year in Review

$9.1bil

in loans approved,
an increase of 3.3%

Towards a more flexible cost base

Demand for our banking models, distribution channels and products is strong and we can expect growth as our funding capacity and markets recover. But in the short term, uncertainty remains, and we need to manage our costs according to the income we receive. We therefore took some hard but necessary decisions.

- No increases for salaried employees. (However, the scheduled pay increase for employees covered by the Collective Agreement will proceed in December 2009.)
- No "at risk" payments in September 2009 for the 08/09 financial year.
- Close management of operating expenses.
- Encouragement for all employees to take their accrued annual and long service leave.
- Almost two-thirds of our staff – including all Executives – volunteered to participate in the unpaid leave program, committing to take leave during the 09/10 financial year. This indicates the strength of staff engagement. Directors have agreed to donate equivalent fees to the bank scholarship program for disadvantaged youth.

Credit

Credit quality remains generally sound, and reflects the low-risk nature of our lending book. At 30 June 2009, gross impaired loans were just 0.49 per cent of total assets. A total of $20.2 million was raised in specific and collective provisions relating to loans to investors in Great Southern managed investment schemes.

Funding and capital

After restructuring the balance sheet, retail deposits comprise nearly 90 per cent of on-balance sheet funding, with growth of 20 per cent – almost $5 billion – over the 12 months.

The $300 million equity raising completed post balance date increased total capital to 12.11 per cent and Tier 1 capital to 8.63 per cent on a 30 June 2009 pro-forma basis.

Merger implementation

We are on track to achieve forecast merger synergies of $60-65 million, with 80 per cent due by 1 December 2009 and the balance a year later.

$300mil

Equity raising completed to assist
in further growth of the bank

$60-65mil

Merger synergies

80% due December 2009
and the balance a year later

0.49%

Gross impaired loans to total assets

Compared with 07/08
figure of 0.12%

$47.1bil

Total Assets

A fall of 1.9%

$635mil

Net interest income

An increase of 6.3%

$38.9bil

Total loan balances

A fall of 3.3%

1.7mil

Deposit accounts

A rise of 7.1%

Review of Business Divisions

Retail Banking

Our Bendigo Bank-branded retail business continues to expand rapidly on the back of high customer satisfaction and advocacy ratings. More than 10,000 new customers joined us each month, a trend evident for more than seven years. We opened 22 new branches and merged the 24 former Adelaide Bank branches into our national network.

The strength of the franchise came to the fore during the GFC when we were able to raise huge amounts of deposits to replace scarce wholesale funding. Yearly growth in retail deposits was 20.8 per cent; in a deteriorating economy residential lending fell by 4.2 per cent but gains were made in business loans.

With more than 95 per cent of transactions now electronic, we are gradually reshaping and up-skilling our branch network to concentrate on providing customers with better advice on banking, wealth creation and insurance. Bendigo Financial Planning was one of the first planning groups to adopt a true fee-for-service model (rather than commissions). We think a growing number of customers will appreciate a planning service that tells them how much they will pay and what they will receive for it.

Insurance had a strong year, successfully integrating the Bendigo and Adelaide Bank operations as well as increasing our service, advice and product offering throughout the branch network.

Sandhurst Trustees' trustee services division achieved significant growth in revenues from personal estates and funeral bonds. Corporate Trusts' fee income fell, largely in line with the reduction in its clients' assets under management.

Payment systems

We grew our ATM network to 789 machines. Access to Bendigo Bank-branded ATMs is all-the-more important because of the introduction in March 2009 of direct charging of usage fees by the ATM owner. This has resulted in a significant increase in Bendigo customers using our own network ahead of others. Our expansion will be accelerated under an agreement with Customers Limited to brand more machines over the next five years.

Credit card accounts and receivables grew moderately as the economy slowed.

Business banking

Business lending increased by 6.7 per cent, to $6.13 billion, an excellent result in a slowing economy. Our debtor finance company significantly improved its performance with a 300 per cent increase in net profit before tax.

We became a major sponsor of the Victorian Government's "Energise Enterprise" promotion of small business through more than 400 events at venues throughout Victoria.

Managed funds

As stock markets fell, investors avoided managed funds. Our focus on customer service helped to soften the impact on our business.

The introduction of the government guarantee on bank deposits led to investors withdrawing money from mortgage funds and depositing them with banks.

In response, 70 mortgage fund providers froze customer redemptions – but not ours. Existing customers of Sandhurst Select Mortgage Fund and the AMF Yield Trust could still access their investments. That's because we have a prudent investment mandate and appropriate liquidity facilities provided by the bank.

We also launched a new Cash Management Account in November 2008 to enable customers to access the government guarantee. With our conservative approach and strong balance sheet, our managed funds business is well placed to seize opportunities presented by its expanding retail customer base and partner-advised channels.

Margin Lending (Leveraged Equities)

A fall of 27 per cent in the All Ordinaries Index was always going to be a great stress test for our business model and credit quality. They passed with flying colours, resulting in no significant write-offs or specific provisions. We believe we struck a good balance of customer service and risk management.

The acquisition of the Macquarie margin lending portfolio during the year was a compelling strategic fit of a low-risk business. With integration of the portfolio well on track, and completion planned this calendar year, we expect to fully deliver the value expected of the acquisition.

As markets recover, we look to consolidate and capitalise on our prominent position in the market.

Portfolio Funding

This business buys loans from companies that need cash. It was a challenging year because of the global financial crisis. We had little funding available for new business, so we concentrated on managing existing portfolios and improving margins.

At year end, the number of active partners had reduced to eight from a peak of 25.

Third party mortgages

Mortgage businesses were challenged as funding dried up during the global financial crisis.

Our third party mortgage business responded quickly and prudently to ensure we were well placed to fund our partners' demands as conditions stabilised. Margins were managed appropriately, funding rebalanced and credit policy adjusted to a more conservative setting. Our business is therefore well positioned to deliver the balance sheet-funded, service-oriented banking alternative increasingly demanded.

190

Company branches

Two new company branches opened in 08/09 and 24 Adelaide Bank branches were integrated into our national Bendigo Bank network

236

Community Bank® branches

20 new **Community Bank®** branches opened in 08/09

789

ATMs

On average, we add 80 to 100 new ATMs to the network each year

92

Public Agents

the number of public agents fell in 08/09 as two of our agents became **Community Bank®** branches

Community Bank® Network

Teamwork. We are one team with one vision. We work together, encourage diversity and respect the unique contribution of each individual.

$30.4mil

Donations to local groups and projects since the inception of the **Community Bank®** network

$10.7mil

Dividends paid to local shareholders since the **Community Bank®** network was established

740,161

Community Bank® accounts

$14.9bil

Total business of **Community Bank®** network

1620

Community Bank® company directors

1103

Community Bank® branch staff

Community Bank® Network

Despite the global financial crisis, our grassroots banking movement has marched steadily on. Twenty new **Community Bank®** branches joined our national network. Around 120,000 new customers switched to our community style of banking and 70 communities started campaigning to open their own local **Community Bank®** branch. Those statistics are impressive, but it's the story behind them that is really important.

The story is that of everyday people, who understand that the role of a bank is to feed into prosperity, rather than profit from it. That lesson was forgotten by many bankers across the globe with devastating consequences, but it is well understood by the residents of the 236 towns and suburbs that host a **Community Bank®** branch. They see the fruits of their investment daily in locally owned and operated banking.

Since the **Community Bank®** model was launched in 1998, more than $30 million has been distributed to community projects and groups, and almost $11 million in dividends paid to local shareholders. But again, the real stories lie behind the numbers, with new community centres built, fire trucks purchased, more local nurses employed and new walking tracks and swimming pools established.

As a direct result of these **Community Bank®** branches, more money was retained and spent locally. More jobs were created, 1100 just in the branches alone. And then there's the flow-on or multiplier effect of those wages being spent, supporting local business across Australia.

Our franchised **Community Bank®** branches have not escaped the fallout from the global turmoil. They share margin income with the bank, so their income was impacted as margins fell.

But like Bendigo and Adelaide Bank, they have not needed government help to get through this crisis. And every day we are reminded, banks that are relevant and connected locally will be valued by their customers and communities.

Community Success Stories

The **Community Bank®** success story has been replicated in scores of Australian cities and towns. By taking control of their own financial destiny these communities have been empowered to support local groups and projects that would have otherwise struggled for funding. Here's some of our **Community Bank®** branches' achievements this year.

Hospice bank lifeline

Paradise Point Community Bank® Branch QLD - opened 2001

After reading about the desperate plight of an Arundel facility caring for terminally ill patients, the Paradise Point **Community Bank®** Branch donated $54,000 to the Hopewell Hospice. Donations to the not-for-profit organisation had plummeted by 30 per cent since the start of the year, and the facility faced closure within weeks if funds were not found. The branch has been a long-term supporter of the Arundel facility.

Bus set to make life easier

Coleambally Community Bank® Branch NSW – opened 1999

Since the branch's inception just over 10 years ago, more than $400,000 in profits has been channelled back into community projects. During March, the branch announced the purchase of a community bus. The 36-seater bus is wholly funded by the Coleambally **Community Bank®** Branch. Ongoing profits from the branch will assist in funding the day-to-day running costs of the vehicle.

Community banking on it

North Epping Community Bank® Branch NSW – opened 2003

North Epping **Community Bank®** Branch celebrated its fifth birthday in July by distributing $50,000 worth of grants to 13 community groups. In the five years the branch has been operating it has provided $100,000 in sponsorship and financial support to more than 20 community groups.

Bank donation helps Gosnells light up oval

Gosnells Community Bank® Branch WA – opened 2002

The Gosnells Football Club is closer to its goal of raising $50,000 for lights, thanks to a boost from the Gosnells **Community Bank®** Branch. The Gosnells branch donated $6000 to the club to go towards new lights for the oval. The lights will benefit the whole community, with other sporting groups having use of the oval throughout the year.

Community Bank® bus for senior residents

Tongala Community Bank® Branch VIC – opened 2000

Tongala's senior citizens will not miss out on a single community event in coming years thanks to the purchase of a community bus. The Aged Care Bus has been funded by the Tongala **Community Bank®** Branch and is one of the many major projects funded by the branch. Ongoing profits from Bendigo Bank Telco will assist in funding the day-to-day running costs of the vehicle. The bus will be run throughout Tongala in conjunction with the Tongala Aged Care Complex.

Shade and sand for kids

Diamond Creek Community Bank® Branch VIC – opened 2004

After more than six years of fundraising for a sandpit and shade sail, the Ness Reserve Preschool parents' committee received a very welcome $24,000 grant from the Diamond Creek **Community Bank®** Branch.

From top to bottom 1 The Coleambally **Community Bank®** Branch assists in the ongoing funding of its local community bus. 2 Young footballers are better positioned for victory after a $6000 donation form the Gosnells **Community Bank®** Branch. 3 The Tongala **Community Bank®** Branch has helped purchase an aged care bus for its local senior citizens. 4 Sun smart children are happy children thanks to the Diamond Creek **Community Bank®** Branch. 5 Coleraine & District **Community Bank®** Branch has donated special medical equipment to its local hospital.

Engagement. We listen, understand, then deliver. We build our success through the success of others.

Bank donates special monitor for vital signs

Coleraine & District Community Bank® Branch VIC – opened 2003

Coleraine and District Hospital patients will benefit from a vital signs monitor donated by the town's own **Community Bank®** branch. The $4600 Weelch Allyn monitor is the first of a number of purchases to be made from $14,000 set aside by the bank to help local organistions. The device will be used on neo-natal and adult patients.

Brand new pitch a big hit

Mareeba Community Bank® Branch QLD – opened 2005

Junior cricketers at Mareeba can now play on their very own new pitch – all thanks to the generous support of the local community and a $1500 grant from the Mareeba **Community Bank®** Branch. The new pitch will allow the team to play competitive matches on their home turf.

Program to support young Bellarine leaders

Bellarine Peninsula Community Bank® Branch VIC – opened 1999

A Victorian State Government grant of $225,000 into a youth leadership program in Portarlington, Drysdale and Clifton Springs has been further boosted by a $225,000 contribution by the Bellarine Peninsula **Community Bank®** Branch. The program is designed to deliver skills to young people and is to be carried out over four years.

A bank that lives up to its name

North Richmond Community Bank® Branch NSW – opened 2002

This year the North Richmond **Community Bank®** Branch distributed almost $80,000 to 20 local community groups and organisations. Bridges Disability Services received $25,000 towards a new bus, allowing carers to engage clients in interesting and fun activities. The branch also placed $200,000 with Community Enterprise Foundation™. The money will eventually be used to establish a day care facility for young people living with a disability.

Spreading the joy

Bayswater and Noranda Community Bank® branches WA – opened 2000 and 2004

Bayswater and Noranda **Community Bank®** branches gave $140,000 to local community projects at their first community grants presentation in 2008. The Bayswater Amazon Dragon Boat Racing team was one of the many groups to be given money to buy a fitted-out boat trailer.

Bank's school grant

Margate Community Bank® Branch QLD – opened 2004

Margate **Community Bank®** Branch Manager was greeted with open arms and beaming smiles when he presented Woody Point Special School staff with a cheque for $15,000 – the branch's first major community donation. This money will buy the school, which services severely disabled children, learning aids including an electronic whiteboard and a hydraulic change table.

All aboard new school bus

Braidwood Community Bank® Branch NSW – opened 2002

Braidwood Central School's new bus was officially handed over after a massive fundraising campaign which included a $15,000 donation by the Braidwood **Community Bank®** Branch.

New outdoor bike track unveiled

San Remo Community Bank® Branch VIC – opened 2003

Phillip Island Playgroup unveiled its new outdoor bike track recently, a facility funded in full through the Community Grants Program, an initiative of the San Remo District **Community Bank®** Branch. The soft-fall, rubberised track navigates the perimeter of the playgroup playground providing a fantastic circuit on which the children can ride, walk and enjoy other outdoor activities with their parents.

Chemistry of gold

Harbord Community Bank® Branch NSW – opened 2002

Sixteen-year-old Freshwater High School student Frank Jia was among four Australian chemistry buffs who competed in the International Science Olympiads during July. The competition is funded by government, Science and Research, Merck Sharp and Dohme and Monash University, but Frank received an extra bonus, $3000 provided by the Harbord **Community Bank®** Branch.

Bank gives out $140,000

Oak Flats and Shellharbour Community Bank® Branches NSW – opened 2000 and 2006

Sporting clubs, schools, fire brigades and scouts benefited from $140,000 in funding from Oak Flats and Shellharbour **Community Bank®** branches during October. The two branches have given the money to 55 community groups, including $10,000 to the Shellharbour Beacon Foundation, $4000 to the Oak Flats Rural Fire Brigade and $1000 to Port Kembla Palliative Care. The $140,000 contribution brings the total return to the community to $430,000.

New toys to tempt

East Ivanhoe Community Bank® Branch VIC – opened 2001

The Banyule Toy Library has expanded its treasure trove with $5000 worth of new toys, games and puzzles. The spending spree was funded, in part, by the East Ivanhoe **Community Bank®** Branch, which contributed $2500 under its 2008 community grants program.

School gains a $10,000 sporting boost

Warburton, Yarra Junction District and Woori Yallock Community Bank® branches VIC – opened 2000, 2008 and 2003

Upper Yarra Secondary College got a kick out of the $10,000 it received during June. The school received more than 30 new sleeping bags and a new canoe trailer as part of a joint sponsorship effort between Warburton, Yarra Junction District and the Woori Yallock **Community Bank®** branches. Woori Yallock and Warburton jointly funded the SES purchase of the essential maintenance and repairs equipment. Costing almost $1000 each, the two new toolboxes are important for crew safety.

Dancing on

Windsor Community Bank® Branch VIC – opened 2002

Prahran dance school Patrick Studios Australia has welcomed news that the local **Community Bank®** branch will step in to provide $2000 for dancers struggling with tuition fees. Windsor **Community Bank®** Branch gave four students $500 each. The branch has given $95,000 to the local community this financial year.

Donations aid tanker refit

Ferntree Gully and Rowville Community Bank® Branches VIC – opened 2000 and 2001

Ferntree Gully has rallied behind local CFA volunteers following the loss of their tanker. The branches presented the Upper Ferntree Gully Fire Brigade captain with a cheque for $3000 to purchase equipment for their replacement tanker, after their truck was destroyed in a fire.

From top to bottom: 1 Mareeba **Community Bank®** Branch has shown its support for junior cricketers with a $1500 donation. 2 Bellarine Peninsula **Community Bank®** Branch has invested in its local youth through a leadership program. 3 A new bus funded by the North Richmond **Community Bank®** Branch has opened up a world of opportunities for local disabled people in its community. 4 The Bayswater Amazon Dragon Boat Racing team can now compete in races around the state following the donation of a new boat trailer from the Bayswater and Noranda **Community Bank®** branches. 5 New education aids funded by the Margate **Community Bank®** Branch are assisting severely disabled children to learn.

Sustainability

Performance. We strive for sustainable success. We seek and provide feedback and find a better way.

Sustainability

Bendigo and Adelaide Bank acknowledges it has an obligation to customers, shareholders, staff, partners and the communities in which it participates, to operate in a way that minimises its impact on the environment.

We recognise that our day-to-day business activities have an impact on the environment and we understand our environmental reputation will play a key role in the bank's future success.

The Bendigo Centre

Building a green future

At Bendigo and Adelaide Bank we have embraced the task of building a sustainable community by investing in one of regional Australia's first Five Star Green Star designed buildings.

The six-storey office building accommodates almost 1000 staff and is a landmark redevelopment in Bendigo's city centre. It incorporates new retail stores, cafes and community meeting spaces.

Key features of The Bendigo Centre include;

- The building uses half the energy of a typical office building.
- Recycling Water Treatment Plant saves 20,000 litres of waste water a day.
- The building incorporates under-floor displacement air conditioning which uses considerably less energy than a traditional system.
- Solar panels reduce the amount of power used for heating water.

The bank is now looking at making a similar investment in South Australia, with initial design concepts for a new Green Star office in Pirie Street in Adelaide currently under review.

Solar Cities

Renewable energy solutions

Bendigo and Adelaide Bank is part of the Central Victorian Greenhouse Alliance, which comprises of 14 local governments, businesses and community organisations. The alliance is playing a key role in creating sustainable, climate-aware communities and profitable, climate-friendly economies.

This will be furthered through a number of community education and innovative initiatives, including the construction of two solar parks in Bendigo and Ballarat that will offer renewable energy to local green energy customers.

Generation Green™

Through Generation Green™, Bendigo and Adelaide Bank can play a role in addressing environmental issues by providing customers and communities with simple and practical solutions that add up to a cleaner, greener and more sustainable future.

Ban the Bulb

Illuminating a brighter future for all

Generation Green™ launched the Ban the Bulb campaign in 2007. The project was enormously successful with eight Victorian communities getting involved.

The project called on community based volunteers from organisations such as the Country Fire Authority and State Emergency Service and paid them to replace light bulbs free of charge to the home owner.

The energy efficient bulbs are funded through Generation Green™ and its partnerships with energy providers, the private sector and state government.

More than 60,000 incandescent bulbs were changed for new energy efficient ones in around 4000 homes. The project raised more than $160,000 for the volunteer groups, and will reduce greenhouse gas emissions by about 60,000* tonnes over the lifetime of the bulbs. Participating householders should also see their energy bills fall by as much as $100 a year.

This year, the project will engage more than 50 communities across Victoria. With the co-operation of local community groups, we aim to exchange 300,000 light bulbs in 20,000 homes and small businesses, saving about 150,000* tonnes in emissions. In addition, the campaign will raise more than $600,000 for the participating community groups.

*Greenhouse gas abatement numbers per globe reflect two separate schemes which apply different abatement calculations.

Generation Green™ Loans

Borrowing to invest in our future

Bendigo and Adelaide Bank encourages its customers to live in environmentally friendly homes. To help customers achieve this, we offer Generation Green™ Home Loans and Personal Loans.

Generation Green™ Home Loans are at a 0.50% reduction on the bank's current residential variable rate with no monthly service fee. Generation Green™ Secured and Unsecured Personal loans are at a 1.00% discount to standard personal loan rates.

The loans are available to people building green homes, or for home owners updating their existing residence with products like solar hot water systems, insulation or a water tank.

Carbon Offsets

Sowing seeds for clean air

Bendigo and Adelaide Bank understands that living carbon neutral is challenging. However, the task is more achievable when you offset your emissions by purchasing a Generation Green™ Carbon Offset product.

When you commit to carbon offsetting, we revegetate cleared land with local native species. Over a period of about 30 years this vegetation absorbs the equivalent amount of greenhouse emissions you wish to offset for a one year period. Further offsets can be purchased for subsequent years to continue to offset emissions.

Since 2005, the bank has purchased its own Generation Green™ Carbon Offsets to balance the emissions we produce from our air and road travel. This year, we acquired almost 5500 tonnes of carbon offsets to counter our 2007/08 travel emissions.

Paper Recycling

Saving trees and preserving our land

The invention of email has seen the humble office move a step closer towards the idealised paper-free workplace. However, in reality paper is still a necessary and practical tool for every business.

In an effort to reduce the impact of our paper consumption on the environment, we recycle whenever we can, with each workstation complete with its own paper recycling bin.

This year, we recycled more than 230 tonnes of paper and cardboard waste from our main offices and larger branches. This is an increase of almost 30 tonnes on the previous year.

Leadership. We all lead by example. We show initiative, are accountable and empower others.

From top to bottom: 1 Sunshades on the exterior of our head office building act as a "second skin" cutting out heat and reducing demand on air conditioning. Double glazed windows minimise heat absorption in summer and insulate the building from the cold in winter. 2 The building incorporates one of the first large-scale applications of under-floor displacement air conditioning to be seen in Australia. The system uses considerably less energy than a traditional system, while solar panels further reduce black power used. 3 An SES volunteer helping to make a change for the better in Maldon. 4 Staff are encouraged to recycle with a paper recycling bin at each workstation. 5 Central Victorian Solar Cities supporters at the launch of the Bendigo Solar Park.

Community Enterprise Foundation™

Passion. We believe in what we do and are proud of our bank.

Community Enterprise Foundation™

Community Enterprise Foundation™ is the philanthropic arm of Bendigo and Adelaide Bank. Since 2005, the foundation has worked closely with the bank's network of community and charitable partners to distribute $12.25 million back into more than 1750 charitable projects and programs in communities across Australia.

The foundation has played a central role in mobilising the generosity of thousands of Australians who have chosen to support those in need through a series of appeals run through the bank's retail network.

We do this by collecting donations in a tax-effective way from individuals, businesses and governments. Bendigo and Adelaide Bank and the foundation's trustee, Sandhurst Trustees, are two companies which have already committed to make ongoing donations to a variety of charitable projects and causes.

This year, the foundation worked with 70 community partners to distribute more than $3.9 million to almost 700 projects. In addition to this, the foundation worked with the broader bank network to raise more than $180,000 for flood-affected communities in North Queensland and more than $8 million to support those communities devastated by the Black Saturday bushfires in Victoria.

Lifesaving technology in Toora

Heart-starting initiative

After the death of an elderly patron, the Royal Standard Hotel, Toora **Community Bank®** Branch and local service clubs teamed up to purchase two defibrillators for the small Gippsland community in Victoria.

Training was provided for more than 30 residents by the local doctor and paramedics and one defibrillator is now stationed at the hotel, with the other located at the doctor's surgery.

Community Emergency Response Team

First at an emergency and saving lives

Tongala in North East Victoria had seen many of its community members suffer cardiac arrests, with the chances of survival diminished due to poor access to ambulance services.

Community Enterprise Foundation™, the Tongala **Community Bank®** Branch and Bendigo Bank Telco provided funding in 2007 to establish a Rural Ambulance Victoria Community Emergency Response Team.

The team is made up of 12 local volunteers who are trained by Ambulance Victoria and provide first aid to local residents in an emergency.

This year, the team was called upon to deal with two heart attack victims at the same time. While the first patient was stabilised, the second stopped breathing. Calling upon their new skills, the team successfully revived the second patient until paramedics arrived. Both patients have now made a full recovery.

Bushfire Appeal

The events of the 2009 Victorian bushfires left a lasting impression upon the psyche of our nation. Many Victorians faced the full front of the fires, losing property and treasured possessions. Some lost family, friends, neighbours and loved ones.

Throughout this time our nation rallied. We were generous with our time, our compassion and our financial resources, as well as in our love and support for those whose lives so profoundly changed during the time of the fires and in the weeks that followed.

In the aftermath, the Community Enterprise Foundation™ accepted $8 million from more than 32,000 generous individual donors, businesses and community groups across Australia.

The funds have been administered by the foundation, which is working with the bank's community partners to identify groups and programs in need of support.

A week after the fires hit, more than $250,000 was immediately released to those most in need. Money went towards food and shelter for fire victims and emergency workers, counselling services, back-to-school packs for children and animal welfare programs.

A further $350,000, including $200,000 from Elders staff and customers, is now being used by Conservation Volunteers Australia to replace the thousands of kilometres of fencing destroyed by the fires.

Banking services returned to Kinglake

Hardest hit lend helping hand

Valley Community Financial Services Limited operates the Hurstbridge & Districts and Diamond Creek **Community Bank®** branches.

Thanks to the support of its customers and the local community, the company has been providing ongoing financial assistance to the Country Fire Authority, donating thousands of dollars in branch profits to the firefighters who protect Kinglake, St Andrews, Strathewen, Hurstbridge and Diamond Creek – some of the towns that were hardest hit by the Black Saturday bushfires.

Since Black Saturday, the company has donated more than $200,000 to the Community Enterprise Foundation™ as its contribution to help bushfire-affected communities. A further $80,000 was given to establish an Information Centre to assist locals immediately after the fires, and in July a branch was opened in Kinglake to return banking services to the community.

The **Community Bank®** company is now looking at other ways it can help the Kinglake community rebuild and recover and eventually establish its very own **Community Bank®** branch.

Partnership secures $4 million for fire fund

Helping communities rebuild and recover

The Victorian State Government, Bendigo and Adelaide Bank and Community Enterprise Foundation™ partnered in April to set up a $4 million fund to help rebuild community infrastructure and provide jobs in Victoria's bushfire-affected communities.

The Bushfire Recovery Community Infrastructure Program will provide grants of up to $300,000 to regional, rural and interface council-and-community projects, and is equally funded by the Victorian Government and the foundation.

The funding will enable councils and local groups to immediately undertake vital activities in rebuilding and helping their communities recover from the bushfires. Assistance will go to projects that replace lost or damaged facilities, improve existing community infrastructure, contribute to economic development and demonstrate wide community use and benefit.

This program is essential in helping communities to rebuild, because infrastructure forms the basis from which all future community prosperity can be generated.

North Queensland Flood Appeal

North Queensland residents endured some of the worst flooding the state has ever experienced, when Cyclone Ellie hit the region in February 2009.

The freakish weather event turned the lives of many people upside down, with hundreds of locals displaced from their homes and forced to endure extreme hardship.

The impact of the floods was truly devastating, but within days of the cyclone hitting, Community Enterprise Foundation™ launched the North Queensland Flood Appeal.

Bendigo and Adelaide Bank offered to match community donations dollar-for-dollar up to $50,000, a challenge that was quickly met by the community with money rushing in. More than $180,000 was raised to assist locals with the clean-up and recovery process.

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From top to bottom: 1 Hurstbridge & Districts and Diamond Creek **Community Bank®** Chairman Barry Henwood opens the Kinglake sub branch with Bendigo and Adelaide Bank Managing Director Mike Hirst. 2 Kinglake locals show their community spirit. 3 The people of Toora gathered at the local pub to familiarise themselves with the new life-saving defibrillator (Photograph supplied by The Foster Mirror). 4 Conservation Volunteers Australia are working to replace fencing lost in bushfires around Redesdale. 5 The Tongala Community Emergency Response Team celebrate being named Community Group of the Year by their local council (Photograph supplied by Kyabram Free Press).

Engagement

Integrity. We build a culture of trust. We are open, honest and fair.

Sponsorships and Scholarships

Bendigo and Adelaide Bank has long considered philanthropic contributions as an important part of its continued support of Australian communities.

The bank partners with a variety of community, sports, business, education and arts organisations through sponsorship and scholarship programs.

These programs not only offer financial assistance, but provide access to our network of partners and skilled staff through in-kind work.

Board Scholarship

Helping country kids pursue their academic dreams in the city

As part of the bank's commitment to help build stronger communities, we established the Board Scholarship Fund three years ago.

Each year grants are awarded to outstanding, but disadvantaged students, usually from a rural area, who have been offered a full-time place at an Australian university or college campus. The scholarship aims to support first-year students who, due to social or financial circumstances, would not have been able to further their education.

In 2009, seven students were awarded a scholarship. Those students are now studying to become doctors, dentists, scientists and communications professionals.

Bendigo and Adelaide Bank Court

Supporting affordable housing solutions

Many cities across Australia are experiencing severe shortages of affordable inner-city housing.

We have contributed $700,000 towards the development of Bendigo and Adelaide Bank Court in Adelaide to help provide a home for some of the city's low-income earners. There are 16 units, each with its own kitchen, bathroom and living area.

The project was brought to fruition through an innovative partnering model that forged a union between the bank, South Australian State Government, Unity Housing Company and Adelaide City Council.

Bendigo and Adelaide Bank Award

Creating opportunities for young artists

The bank's sponsorship of the Helpmann Academy for the Visual and Performing Arts continues to help foster emerging artists. The Bendigo and Adelaide Bank Award is now the top prize for an arts graduate in South Australia.

Staff in Adelaide have been particularly supportive of the program, with the walls of the Pirie Street offices adorned with works by Helpmann artists.

Lead On

Bendigo and Adelaide Bank recognises and values the contribution young people make to a community. However, we see a need to better engage youth in civic and business life.

Through Lead On we aim to promote the development of our young people and foster in them a sense of community and an appreciation of the positive impact they can have on their district's prospects.

Lead On started in Bendigo in 1999 and operates in seven locations nationwide including Bendigo, Ballarat, Echuca/Moama, Scenic Rim, Townsville, Logan and Bayswater.

Community Door

Opening doors for youth in our community

Lead On is partnering with **Community Bank®** branches to pilot a new program called Community Door. The initiative aims to get young people involved in, and contributing to, the decision-making structures within their community by becoming active participants on a **Community Bank®** board.

The youth are given guidance by community mentors, providing **Community Bank®** staff and boards with a framework to engage, involve and encourage the active participation of young people.

It's hoped the Community Door program will open up a range of experiences and options for both young people and the communities they become involved in.

Money Matters

Educating young people to manage their money

The Money Matters project is educating young people about microfinance and financial planning, so they are better prepared for the transition into the workforce.

Partnering with **Community Bank®** branches, Lead On invites young people to participate in practical and activity based learning through discussion groups with people from the finance industry in their local community.

Community Telco

Community Telco Australia is an initiative of Bendigo and Adelaide Bank which has been created to improve the prospects of communities and to minimise the capital drain they face from the purchase of essential services such as telecommunications. The primary objective behind this strategy is the long-term sustainability of those communities who choose to partner with the bank.

There are nine Community Telco companies operating throughout Australia including Ballarat Community Telco, Bendigo Community Telco, Bendigo Bank Telco, Geelong Community Telco, Hunter and Coast Community Telco, Oxley Community Telco, South East Qld Community Telco, Suncoast Community Telco and Tastel Community Telco.

Strathfieldsaye Playing Fields

Working together to achieve great things

Strathfieldsaye, on the outskirts of Bendigo, is one of the fastest-growing suburbs in the region. In 2005, the emerging community launched the Strathfieldsaye and Districts Community Enterprise, to raise money to establish a sporting complex.

The enterprise partnered with Bendigo and Adelaide Bank, Bendigo Community Telco and the City of Greater Bendigo and income was generated by the community that committed to use the services these business partners provide. In return, the businesses paid a commission to the enterprise. More than $240,000 was raised and the new Strathfieldsaye playing fields were launched in May.

Our Staff

Bendigo and Adelaide Bank and our **Community Bank®** partners employ about 5500 people at more than 430 locations across Australia. Every day our staff work to ensure we are Australia's leading customer connected bank.

Bank Traineeship Program

Practical learning for students

Many of our staff chose to get involved with the communities in which they live and work by volunteering or partnering with local organisations.

For the second year, branches across the Mornington Peninsula have participated in the School Based Traineeship Program, providing secondary school students with an insight into the finance and banking industry.

Branch staff mentor the students, providing them with hands-on experience as they attain a nationally recognised Certificate III in Financial Services.

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From top to bottom: 1 Board Scholarship recipients Joshua Carter, Jaye Cook, The University of Melbourne's Vice Chancellor Professor Glyn Davis, Bendigo and Adelaide Bank Chairman Robert Johanson, Jeffrey Tho and Callum Lynch. 2 Bendigo and Adelaide Bank Executive Director Jamie McPhee with South Australian Housing Minister Jennifer Rankine and Chairman of Unity Housing Matthew Adcock at the launch of Bendigo and Adelaide Bank Court.
3 Sophie Crawford-Smith from Lead On is eager to make her money matter by improving her financial literacy. 4 The turning of the first sod at the Strathfieldsaye Playing Fields. 5 Mornington Pennisula students graduating from the bank traineeship program.

Our Executives

Executive Structure

A new Executive structure, implemented in August 2009, reflects our strategy and is flexible and dynamic to capitalise on opportunities as they emerge.

The new structure starts with the “single purpose” – or reason for being – for each area. We think of our business as a continuum. First we build a strategy and the brands to communicate our offering (Customer and Community). We then engage with and provide service to those customers, partners and communities attracted to our brand proposition (Banking and Wealth). We provide the people, technology, innovation and services needed to deliver services to those customers (Corporate Resources). We manage risk – a fundamental of banking (Risk). And we devise financial strategies to drive efficiencies and report on our progress (Finance and Treasury). The Executive comprises the heads of those five divisions, plus a head of Retail and head of our other operating businesses.

Mike Hirst
Managing Director

Mike Hirst joined Bendigo Bank in 2001 to establish the Wealth Management business. He then ran the bank’s Strategy and Solutions areas before taking on the role of Chief Operating Officer.

He then became Chief Executive, Retail Bank, and was responsible for the retail distribution network, treasury and all retail product areas of the bank.

In July 2009, Mike took over as Managing Director of Bendigo and Adelaide Bank.

Prior to joining the bank he spent more than two decades working in senior executive and management positions with leading Australian financial institutions.

Russell Jenkins
Customer and Community

Russell Jenkins started at the then Bendigo Building Society in 1992 as Assistant General Manager Corporate Services.
In 1994, he was appointed Chief Manager in charge of Group Planning and Development.

In 1998, Russell headed the introduction and subsequent roll out of the **Community Bank®** concept, with branch numbers growing to more than 230 under his guidance.

He has worked in a variety of roles including Chief General Manager of Retail and Distribution and now heads up the group’s Customer and Community arm.

Jamie McPhee
Banking and Wealth

Jamie McPhee worked at Adelaide Bank for 20 years, starting in Treasury before moving into various roles which involved running the bank’s business units.

In 2003, he was appointed Chief General Manager Operations and in 2005 he became Chief Operating Officer, responsible for all bank operations of the group.

Jamie became Group Managing Director of Adelaide Bank in 2006. Following the 2007 merger with Bendigo Bank, he was appointed as an Executive Director and Chief Executive, Wholesale Bank.

He is now responsible for the Banking and Wealth functions of the business and remains an Executive Director of the bank.

Marnie Baker
Corporate Resources

Marnie Baker joined Sandhurst Trustees in 1989 which became part of the then Bendigo Building Society in 1991.
Since that time Marnie has held a number of senior positions within the bank including areas such as Treasury, Structured Finance, Capital Planning and Balance Sheet Management and more recently as the Chief General Manager Solutions/Products.

Marnie was elevated to a member of the bank’s executive in 2000 and is currently an Executive Director of Sandhurst Trustees Limited, Bendigo Financial Planning Limited, Victorian Securities Corporation Limited and Oxford Funding Pty Ltd and a Director of Australian Friendly Society Limited.

Marnie now oversees the Corporate Resources Division responsible for the technology, people, legal, project management and corporate service functions of the bank.

Tim Piper
Risk

Tim Piper joined Adelaide Bank in 2005 as the General Manager of Credit Risk. He spent a short time leading the Shared Services division and was responsible for Wholesale Mortgages as Chief General Manager, Wholesale Mortgages.

His career in finance spans nearly 30 years during which time he has had direct experience with most facets of banking, from personal finance, through to middle and large commercial lending, and credit risk.

Tim is now in charge of Risk for the business.

David Hughes
Finance and Treasury

David Hughes joined Adelaide Bank in 2007 as Chief General Manager, Finance and Information Services. Soon after, he was appointed Chief Financial Officer of the newly-merged Bendigo and Adelaide Bank.

David's value to the organisation cannot be underestimated.
His experience, skills and guidance have come to the fore in the past financial year, as he calmly guided the bank through the global financial crisis.

David leaves this position in October 2009.

Richard Fennell
Finance and Treasury

Richard joined Adelaide Bank in 2007 after an 18-year career in finance and consulting, including roles as partner with PricewaterhouseCoopers in Australia and Hong Kong and as an executive with IBM's Business Consulting Services.

Richard has led the strategy function at the bank with responsibility for Mergers and Acquisitions, Strategic Projects, the Programme Management Office and the integration of the Bendigo and Adelaide Bank businesses.

Richard takes over Finance and Treasury in October 2009.

Dennis Bice
Retail

Dennis joined the former Eaglehawk Star Building Society in 1975 and has spent more than 35 years focussing on retail banking.

He has a keen understanding of our customers and their needs and has been involved with some of the group's key mergers and acquisitions including IOOF, First Australian Building Society and Adelaide Bank.

Dennis' most recent role as Chief Manager Retail and Distribution saw him oversee the bank's retail strategy and his new role leading Retail sees him focus on the national retail network, specialised lending and agencies.

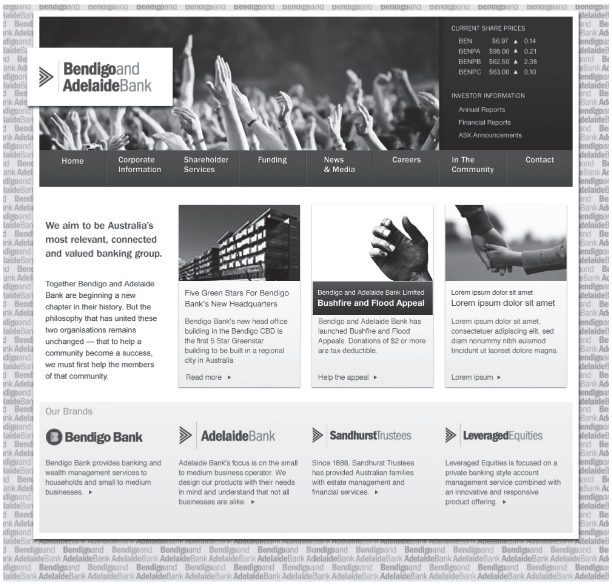
Anthony Baum
Wealth and Third Party Banking

Anthony Baum joined Adelaide Bank in 2000 and has more than 18 years experience in the Australia and European banking sector.

Prior to his current role, Anthony worked at BNP Paribas in London and has previously held the positions of Group Treasurer, Chief General Manager Financial Markets and Chief General Manager Wealth Management.

He now oversees Wealth and Third Party Banking.

Online Shareholder Services



Online

Bendigo and Adelaide Bank's new company website provides shareholders with access to quick, relevant information by text and email.

To benefit from our e-Shareholder service you need to register your mobile number and email address at www.bendigoadelaide.com.au

Once you become an e-Shareholder you can:

- Follow the price of your shares (20-minute delay)
- Get dividend information
- View important dates
- Check the details of your shareholding
- Download shareholder forms
- Read shareholder publications
- Keep up-to-date via company announcements, webcasts and online videos and;
- Email us your comments and feedback

The website complements our retail banking customer site www.bendigobank.com.au where you can bank online and view information on our products, services, branch and ATM locations.

e-Shareholder Register

Visit www.bendigoadelaide.com.au and register your details, including your email address and mobile number.

Once you're registered you will receive alerts to view shareholder publications, including our Annual Report, online. We'll also keep you informed about major company announcements and upcoming webcasts.

Share Registry

Telephone: (03) 5485 6392
or 1800 646 042
Fax: (03) 5485 7645
Email: share.register@bendigobank.com.au

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

Full Financial Report

For the 12 month period ending

30 June 2009

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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 151-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 26 to 28.

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 who 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 26 to 28 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** (58 years) BA, LLM (Melb) MBA (Harvard) Independent Director **TERM OF OFFICE** Director for 22 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** Community Telco Australia Pty Ltd (ceased September 2008) 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 2009 financial year included services in relation to corporate matters including alliance and joint venture activities, strategic developments and the Adelaide accommodation project. 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.
Mike Hirst **Managing Director (appointed on 3 July 2009)** (51 years) BCom (Melb) Executive Director and Chief Executive Officer **TERM OF OFFICE** Employee since 2001 and appointed CEO and Managing Director in July 2009. **SPECIAL RESPONSIBILITIES** ***Committees*** IT Strategy Credit Risk	**Group and joint venture company directorships** Rural Bank Limited Sandhurst Trustees Limited Prior to his appointment as Managing Director, Mr Hirst held the position of Chief Executive Retail Bank and was responsible for the Bank's retail business, group solutions and treasury. He previously held the positions of Chief Operating Officer, responsible for the group's retail banking business and product and service delivery, and Chief General Manager Strategy & Solutions responsible for product development & management and strategy. He joined the Bank in July 2001. Prior to joining the Bank he had worked for 11 years in senior executive and management positions with Colonial Ltd. During this time, his roles were General Manager Treasury, Treasurer Australian Financial Services, Head of Funding and Interest Rate Management, Head of Funding and Risk Management, Head of Financial Markets, Head of Marketing & Sales Treasury and Head of Finance & Operations Treasury. He also worked with Chase AMP Bank for 3 years and with Westpac for 7 years in branch banking and finance and planning roles. Mike has extensive experience in banking, treasury, funds management and financial markets. He previously held directorships with Colonial First State Investment Managers, Barwon Health and Austraclear Ltd. He is a director of Treasury Corporation of Victoria and many of the group's subsidiary companies.
Rob Hunt AM **Managing Director** **(Retired on 3 July 2009)** (58 years) FAICD Doctor of University (honoris causa) La Trobe University, 1999 Former 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	**Group and joint venture company directorships** Community Telco Australia Pty Ltd (Chair) Community Sector Enterprises Pty Ltd Mr Hunt was also chair of a number of subsidiary companies involved in community engagement activities. 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 former Councillor of the ABA, a former member of the BCA and a former member of the Prime Minister's Community Business Partnership and Victorian Government's Innovation Economy Advisory Board. Mr Hunt will now undertake an advisory role at the bank in relation to community engagement activities, reporting to the managing director.

<table>
<tr><th>NAME, AGE, QUALIFICATIONS AND INDEPENDENCE STATUS</th><th>SKILLS, EXPERIENCE, EXPERTISE, RELATIONSHIPS</th></tr>
<tr><td>Kevin Abrahamson
(64 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

SPECIAL RESPONSIBILITIES
Committees
Audit
IT Strategy</td><td>Group and joint venture company directorships

Sunstate Lenders Mortgage Insurance Pty Ltd

Mr Abrahamson is an Australian finance sector specialist and consultant who joined the Adelaide Bank Board in 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.</td></tr>
<tr><td>Jenny Dawson
(44 years)
B Bus (Acc)
FCA, MAICD
Independent Director

TERM OF OFFICE
Director for 10 years.
*Seeking election at 2009 AGM

SPECIAL RESPONSIBILITIES
Committees
Audit (Chair)
Credit</td><td>Group and joint venture company directorships

Adelaide Managed Funds Limited (Chair) (ceased August 2009)
Community Sector Banking Pty Ltd
Community Sector Enterprises Pty Ltd

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.</td></tr>
<tr><td>Jamie McPhee
(44 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

SPECIAL RESPONSIBILITIES
Committees
Risk
Credit
IT Strategy</td><td>Group and joint venture company directorships

Adelaide Managed Funds Limited (ceased August 2009)
Leveraged Equities Limited
Rural Bank Limited

Mr McPhee is the chief executive responsible for the group’s retail, wealth and partner advised businesses. He previously held the role of Chief Executive Partner Advised Bank. 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.</td></tr>
<tr><td>Terry O’Dwyer
(59 years)
B Com
Dip Adv Acc
FCA, FAICD
Independent Director

TERM OF OFFICE
Director for 9 years.

SPECIAL RESPONSIBILITIES
Committees
Audit
Risk
IT Strategy (Chair)</td><td>Group and joint venture company directorships

Sunstate Lenders Mortgage Insurance Pty Ltd

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.</td></tr>
</table>

NAME, AGE, QUALIFICATIONS AND INDEPENDENCE STATUS	SKILLS, EXPERIENCE, EXPERTISE, RELATIONSHIPS
Kevin Osborn **Deputy Chairman** (58 years) FAICD, FPNA Independent Director **TERM OF OFFICE** Appointed to Board in November 2007 Appointed to Adelaide Bank Board in 2003 **SPECIAL RESPONSIBILITIES** ***Committees*** Credit (Chair) Audit Risk	**Group and joint venture company directorships** Nil 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 JP Morgan 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, 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.
Deborah Radford (53 years) B.Ec G. Dip Finance & Investment Independent Director **TERM OF OFFICE** Director for 4 years. *Seeking election at 2009 AGM **SPECIAL RESPONSIBILITIES** ***Committees*** Audit IT Strategy Credit	**Group and joint venture company directorships** Nil 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 (69 years) LLB, B Com, ASCPA, FAICD Barrister & Solicitor of the Supreme Court of Victoria Independent Director **TERM OF OFFICE** Director for 18 years. **SPECIAL RESPONSIBILITIES** ***Committees*** Credit Risk Governance & HR	**Group and joint venture company directorships** Nil 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, treasurer 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 (51 years) B Com (Melb) ASA MBA (Melb) Independent Director **TERM OF OFFICE** Director for 4 years. *Seeking election at 2009 AGM **SPECIAL RESPONSIBILITIES** ***Committees*** Risk (Chair) Governance & HR	**Group and joint venture company directorships** Nil Mr Robinson is the managing director of Centre Point Alliance Limited. Mr Robinson was employed as the executive director and chief executive officer of IOOF Holdings Ltd (“IOOF”) from 2007 until April 2009. Mr Robinson was previously the managing director and chief executive officer of OAMPS Limited and 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. The Group has entered into certain commercial arrangements with subsidiaries of IOOF. The arrangements relate to the provision of investment management and promotion services. Details of these services, and the fees paid in connection with these services, are disclosed at Note 40 of the full Financial Statements. 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.

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 Roache Mr Robinson Mr Hunt (ceased July 2009)	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 McPhee Mr O'Dwyer Mr Osborn Mr Roache Mr Hunt (ceased July 2009) Mr Hirst	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 Mr Hirst	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 Abrahamson Mr Johanson Mr McPhee Ms Radford Mr Hunt (ceased July 2009) Mr Hirst	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 management of risk is an essential element of the Group's strategy and operations. 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. The Credit Committee is responsible for setting policies in relation to credit practices and procedures within the group and monitoring adherence to these policies. The Executive Credit Committee supports the Board Credit Committee responsibilities in respect to credit risk management. Credit support, 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 of loss resulting from inadequate or failed internal processes, people and systems or from external events including legal and reputation risk but excluding strategic risk.

  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

  Operational risk is governed by the Group Operational Risk Framework. The framework is in line with Basel II (operational risk management) and the Australian Standard – AS/NZS 4360:2004 (risk management).
- *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". Many integration tasks have been completed with the remaining activities being overseen by business unit specific Steering Committees. These Steering Committees have responsibility for business and technology changes required to complete the integration.

In addition, Group Assurance is the independent internal audit and credit risk review function that, on a risk basis, assesses the adequacy and effectiveness of the Bank's processes for controlling its activities and managing its risks. The General Manager Group Assurance has a direct reporting line to the Audit Committee and an administrative reporting line to the Chief General Manager, Corporate Resources. The General Manager Group Assurance has direct access to the Managing Director, the Chair of the Audit Committee and the Chairman of the Board.

Group Assurance also has direct access to any member of staff and access to any information relevant to its work. Reports on the outcome of assurance programs are provided to the Audit Committee with those relating to credit risk also provided to the Credit Committee. The strategic plan for the function covering internal audit and credit risk review is approved and monitored by the Audit Committee.

The Group Assurance 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, known as the risk declaration, 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 (commencing 2001)
- Full financial statements (commencing 2000), shareholder reviews (commencing 2007), and concise reports (2000 – 2006)
- Media releases (for the past four years)
- Notices of meeting (commencing 2001)
- 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 teamwork, integrity, performance, engagement, leadership and passion.

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.

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, the Group Operational Risk Management Framework and the regulatory compliance policy set out specific responsibilities in relation to compliance with regulatory obligations and management of regulatory compliance risk. 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".

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.50
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.26 to p.28 for director details and p.68 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.68 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.68 for committee attendance p.45 and p.64 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

Financial Performance for the year ended 30 June

	2009 $m	2008 (1) $m	2007 $m	2006 $m	2005 (2) $m
Interest income	3,154.7	2,695.6	1,058.6	907.4	815.0
Interest expense	2,519.7	2,098.1	701.5	592.4	528.9
Net interest income	635.0	597.5	357.1	315.0	286.1
Other income	238.7	272.4	205.1	201.8	172.9
Bad & doubtful debts expense (net of bad debts recovered)	80.3	23.1	8.2	7.0	13.6
Other expenses	674.1	560.5	376.1	344.1	309.9
Profit before income tax expense	119.3	286.3	177.9	165.7	135.5
Income tax expense	(35.5)	(87.3)	(56.2)	(49.0)	(41.2)
Net (profit)/loss attributable to minority interest	-	(0.7)	0.1	-	0.4
Profit after income tax expense	83.8	198.3	121.8	116.7	94.7
Adjustments	98.4	41.3	(3.3)	(14.2)	(3.0)
Cash basis earnings	182.2	239.6	118.5	102.5	91.7
Financial Position at 30 June					
Total assets	47,114.2	48,049.0	17,001.6	15,196.1	13,858.6
Net loans and other receivables	38,740.9	40,105.0	13,773.3	12,376.0	11,337.4
Cash and cash equivalents	1,148.0	1,608.6	329.1	479.8	442.0
Financial assets and derivatives	4,360.3	3,647.8	2,249.0	1,854.3	1,615.7
Other assets	2,268.3	2,113.9	650.2	486.0	463.5
Equity	3,118.7	3,297.9	1,015.0	899.5	720.7
Deposits and Notes payable	41,854.3	42,697.1	15,146.6	13,525.8	12,513.5
Reset preference share	89.5	89.5	-	-	-
Subordinated debt	598.7	675.8	307.2	307.1	262.1
Other liabilities	1,453.0	1,288.7	532.8	463.7	362.3
Share Information					
Net tangible assets per ordinary share	$4.31	$5.60	$5.40	$4.78	$4.21
Earnings per ordinary share - cents	25.6	87.7	81.9	81.5	67.5
Cash basis earnings per ordinary share - cents	62.9	111.1	82.9	73.2	65.5
Dividends per ordinary share:					
Interim - cents	28.0	28.0	24.0	22.0	19.0
Final - cents	15.0	37.0	34.0	30.0	26.0
Total - cents	43.0	65.0	58.0	52.0	45.0
Ratios					
Profit after tax before significant items return on average assets	0.36%	0.72%	0.80%	0.75%	0.73%
Return on average assets	0.18%	0.61%	0.76%	0.80%	0.75%
Cash basis return on average ordinary equity	5.82%	12.29%	15.38%	14.51%	13.54%
Return on average ordinary equity	2.37%	9.70%	15.18%	16.16%	13.98%

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.*

FIVE YEAR COMPARISON

The Bendigo and Adelaide Bank Group

Financial Performance for the year ended 30 June

		2009	2008 (2)	2007	2006	2005 (3)
Key Trading Indicators						
Retail deposits - branch sourced	($m)	20,799.9	14,986.8	11,641.3	10,771.4	9,259.8
Number of depositors' accounts - branch sourced		1,754,849	1,638,443	1,418,088	1,309,957	1,201,627
Total loans approved	($m)	9,137.4	8,845.2	7,018.0	6,189.6	5,872.6
Number of loans approved		130,670	81,853	73,236	66,227	65,498
Liquid assets and cash equivalents	($m)	5,508.3	5,256.4	2,578.1	2,334.1	2,057.7
Total assets	($m)	47,114.2	48,049.0	17,001.6	15,196.1	13,858.6
Liquid assets & cash equiv as proportion of total assets	(%)	11.69	10.94	15.16	15.36	14.85
Number of branches(1)		426	404	357	335	302
Average deposit holdings per branch	($m)	48.8	37.1	32.6	32.2	30.7
Number of staff (excluding Community Banks)	(FTE)	3,598	3,478	2,428	2,343	2,214
Assets per staff member(4)	($m)	13.095	13.815	7.002	6.486	5.990
Staff per million dollars of assets(4)		0.08	0.07	0.14	0.15	0.17
Dissection of Loans by Security (5)	($'000)					
Residential loans		28,569.4	29,840.4	10,193.3	9,233.0	8,588.0
Commercial loans		6,133.6	5,712.3	2,905.0	2,561.9	2,207.2
Margin lending		3,329.9	3,773.8	90.5	-	-
Unsecured loans		707.1	737.9	472.4	413.1	488.3
Other		183.1	193.9	182.9	228.6	164.4
Gross loans		38,923.1	40,258.3	13,844.1	12,436.6	11,447.9
Dissection of Loans by Security (5)	(%)					
Residential loans		73.40	74.12	73.63	74.24	75.02
Commercial loans		15.76	14.19	20.98	20.60	19.28
Margin lending		8.56	9.37	0.65	-	-
Unsecured loans		1.82	1.83	3.41	3.32	4.27
Other		0.46	0.49	1.33	1.84	1.43
Total		100.00	100.00	100.00	100.00	100.00
Asset Quality						
Impaired loans	($m)	223.6	59.4	18.2	14.9	16.7
Specific provisions	($m)	(66.9)	(21.6)	(8.4)	(9.0)	(8.6)
Net impaired loans	($m)	156.7	37.8	9.8	5.9	8.1
Net impaired loans % of gross loans	(%)	0.40	0.09	0.07	0.05	0.07
Specific provision for impairment	($m)	67.7	22.1	8.4	9.1	8.6
Specific provision % of gross loans less unearned income	(%)	0.18	0.06	0.06	0.07	0.08
Collective provision	($m)	44.3	36.8	11.4	8.8	-
General reserve for credit losses (general provision)	($m)	86.1	76.2	45.3	40.6	60.3
Collective provision (net of tax effect) & GRCL (general provn) as a % of risk-weighted assets	(%)	0.54	0.51	0.55	0.55	0.55
Loan write-offs as % of average total assets	(%)	0.04	0.03	0.04	0.04	0.06

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 $2.4 billion at 30 June 2009 (2008: $4.8 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.

DIRECTORS' REPORT

Your Board of Directors has pleasure in presenting the 145th Financial Report of Bendigo and Adelaide Bank Limited and its controlled entities for the year ended 30 June 2009.

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) [(1)]
Mike Hirst (Managing Director) [(1)]
Kevin Osborn (Deputy Chairman)
Kevin Abrahamson
Jenny Dawson
Jamie McPhee
Terry O'Dwyer
Deborah Radford
Kevin Roache
Tony Robinson

[(1)] Mr Hunt retired from the role of Managing Director (and as a director) on 3 July 2009 and Mr Hirst was appointed to the role of Managing Director on 3 July 2009.

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 a Share Placement and Share Purchase Plan	19,067,229
Ordinary shares issued under the Dividend Reinvestment Plan	6,011,055
Ordinary shares issued in lieu of dividends under the Bonus Share Scheme	592,310
Ordinary shares issued under the Share Grant Scheme	764,504
Ordinary shares issued upon conversion of Tranched Convertible Preference Shares	7,130,155
Total ordinary shares issued	33,565,253

Share Options and Rights

Unissued Shares:

As at the date of this report, there were 1,862,764 unissued ordinary shares under options and 399,453 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, 19,043 performance rights vested (2008: 9,462) and automatically exercised to acquire ordinary shares in the Company at a nil exercise price. Also during the year 120,349 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 2008 of 34.0¢ per share, paid September 2008	$98.8 million
Interim dividend 2009 of 28.0¢ per share, paid March 2009	$81.8 million
Dividend recommended:	
Final dividend 2009 of 15.0¢ per share, declared by the directors on 10 August 2009, payable 30 September 2009	$45.1 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 2008	2,472,153
March 2009	3,538,902
In addition, shareholders electing to receive bonus shares in lieu of dividends received the following ordinary shares, paid in full:	
September 2008	262,362
March 2009	329,948

Preference Share Dividends Paid or Recommended

Dividends paid:	
161.60 cents per share paid on 15 September 2008(2007: 142.66 cents)	$1.5 million
152.98 cents per share paid on 15 December 2008 (2007: 147.76 cents)	$1.4 million
104.89 cents per share paid on 17 March 2009 (2008: 154.28 cents)	$0.9 million
79.12 cents per share paid on 15 June 2009 (2008: 162.85 cents)	$0.7 million
Dividend announced:	
A dividend of 84.6¢ per security for the period 15 June 2009 to 14 September 2009 (inclusive), announced on 16 June 2009, payable 15 September 2009	$0.8 million
All dividends were fully franked	

Step-up Preference Share Dividends Paid or Recommended

Dividend paid:	
168.00 cents per share paid on 10 July 2008 (2007: Nil)	$1.7 million
167.00 cents per share paid on 10 October 2008 (2007: Nil)	$1.6 million
138.00 cents per share paid on 12 January 2009 (2008: 152.00)	$1.4 million
98.00 cents per share paid on 14 April 2009 (2008: 155.00)	$1.0 million
Dividend announced:	
A dividend of 86.0¢ per security for the period 10 April 2009 to 9 July 2009 (inclusive), announced on 17 April 2009, payable 10 July 2009	$0.9 million
All dividends were fully franked	

Convertible Preference Shares Paid

Dividend paid:	
0.0448 cents per share paid on 6 Feb 2009 (2008: Nil)	$0.1 million
0.0867 cents per share paid on 6 March 2009 (2008: Nil)	$0.2 million
0.1345 cents per share paid on 7 April 2009 (2008: Nil)	$0.1 million

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, mortgage distribution through third-parties, business lending, margin lending, business banking and commercial finance, invoice discounting, 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.

Consolidated Result

The consolidated profit after providing for income tax of the economic entity amounted to $83.8 million (2008 - $198.3 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 2008, 2,472,153 shares were allotted at an issue price of $11.01 to those shareholders participating in the Dividend Reinvestment Plan, increasing share capital by $27.2 million.

In December 2008, 19,067,229 shares were allotted at an issue price of $10.00 to ordinary shareholders under a Share Placement and Share Purchase Plan, increasing ordinary share capital by $190.7 million.

On 8 January 2009, Bendigo and Adelaide Bank Limited purchased a $1.5 billion margin lending portfolio from Macquarie Group Limited for $52 million.

In January 2009, 764,504 shares were allotted at an issue price of $10.78 to employees of Bendigo and Adelaide Bank Limited under the Share Grant Scheme, increasing ordinary share capital by $8.2 million.

In February 2009, 2,130,339 preference shares were converted at an issue price of $9.39, increasing ordinary share capital by $20.0 million.

In March 2009, 3,343,355 preference shares were converted at an issue price of $5.98, increasing ordinary share capital by $20.0 million.

In March 2009, 3,538,902 shares were allotted at an issue price of $6.13 to those shareholders participating in the Dividend Reinvestment Plan, increasing share capital by $21.7 million.

In April 2009, 1,656,461 preference shares were converted at an issue price of $7.24, increasing ordinary share capital by $12.0 million.

During the financial year, as part of the acquisition of the Macquarie Group margin lending portfolio, the Bank issued 4,766,270 Tranched Convertible Preference Shares, at an issue price of $10.91. The TCS were mandatorily converted to 7,130,155 ordinary shares within the financial year, increasing ordinary share capital by $52 million.

During the financial year, share issue costs of $2.2 million were incurred, reducing share capital.

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 3 July 2009 Mr Hunt retired from the role of Managing Director and Mr Hirst was appointed to the role of Managing Director.

On 10 August 2009 the Bank declared a final dividend for ordinary shares, on 16 June 2009 announced a dividend for preference shares and on 17 April 2009 announced a dividend for Step up preference shares, details of which are shown above.

On 10 August 2009 the Bank announced it intention to raise up to $300 million of capital (44,444,445 ordinary fully paid shares) pursuant to an entitlement offer and placement offer as described in the prospectus lodged with the ASX on 10 August 2009. A maximum of 18,757,475 shares will be issued under the placement offer and a maximum of 25,686,970 shares will be issued under the entitlement offer. The shares will be issued at $6.75 per share. On 21 August 2009 the Bank announced that it had completed the issue of 18,757,475 shares under the placement offer.

On 10 August 2009 the Bank also announced that it had completed the purchase of Tasmanian Perpetual Trustees Limited's 50 per cent share of the joint venture company, Tasmanian Banking Services Limited, taking the Bank's holding to 100 per cent.

On the 24 August 2009, Slater and Gordon lodged a statement of claim in the Federal Court of Australia against Sandhurst Trustees Limited. The legal claim concerns Sandhurst's role as debenture trustee for failed property developer Fincorp Pty Ltd. The position of Sandhurst has been reviewed by the Bendigo and Adelaide Bank, and the Bank does not believe that Sandhurst has been negligent, fraudulent or in breach of its duty. Sandhurst will strongly defend itself against these claims. The Bank does not consider the legal claim to be materially adverse and will continue to monitor its proceedings.

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) FY2009

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 2009. The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act.

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.

There have been a number of recent developments in relation to the regulation of director and executive remuneration. The Australian Prudential Regulation Authority is developing a framework for the remuneration of executives of financial institutions. The Productivity Commission is concurrently reviewing the Australian regulatory framework around executive remuneration. The Federal Government has also announced proposed changes to the taxation arrangements for employee share schemes as well as its intention to regulate the payment of termination benefits to executives. The Federal Government has also announced an inquiry into Australia's future tax system. The Board will closely monitor these developments including any implications for the group's remuneration structures.

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).
- References to "Managing Director" in this report are references to Mr Rob Hunt who was the Managing Director of the Company during the 2009 financial year.

2009 Financial Year	
Rob Hunt [1]	Managing Director & Chief Executive Officer
Jamie McPhee [2]	Executive Director & Chief Executive Wholesale Bank
Mike Hirst [3, 1]	Chief Executive Retail Bank (previously Chief Operating Officer)
Marnie Baker [3]	Chief General Manager Solutions and Product (previously CGM Solutions)
Anthony Baum [2, 4]	Chief General Manager Wealth & Partner Advised
Richard Fennell [2,]	Chief General Manager Strategy
Greg Gillett [3]	Chief General Manager Brand Development & Positioning (previously CGM Strategy and Human Resources)
David Hughes [2,]	Chief Financial Officer
Russell Jenkins [3]	Chief General Manager Retail (previously CGM Retail & Distribution)
Craig Langford [3]	Chief General Manager People & Corporate Services (previously Chief Financial Officer)
Tim Piper [2, 5]	Chief General Manager Chief Risk Officer
Philip Riquier [2]	Chief General Manager Business Partners
Andrew Watts [6]	Chief Information Officer
2008 Financial Year (comparative information only)	
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).

[1] *Mr Hunt retired as Managing Director on 3 July 2009 and Mr Hirst was appointed as Managing Director on 3 July 2009*
[2] *Former Adelaide Bank Ltd executive appointed to position on 30 November 2007*
[3] *Appointed to new positions on 30 November 2007*
[4] *Appointed to new position on 25 August 2008 (previously was Chief General Manager Wealth)*
[5] *Appointed to new position on 25 August 2008 (previously was Chief General Manager Wholesale Mortgages)*
[6] *Appointed 27 August 2007*

SENIOR EXECUTIVE CHANGES

The following Senior Executive structure has been announced since the end of the financial year:

Mike Hirst	Managing Director and Chief Executive Officer
Jamie McPhee	Chief Executive Banking and Wealth
Marnie Baker	Chief General Manager Corporate Resources
Anthony Baum	General Manager Wealth and 3rd Party Banking
Dennis Bice	General Manager Retail Banking
David Hughes	Chief Financial Officer
Russell Jenkins	Chief General Manager Customer and Community
Tim Piper	Chief Risk Officer

ISSUE	SUMMARY	DISCUSSION IN REPORT
Key changes for 2009	The Company's remuneration structure remained unchanged for the year. The Board will continue to monitor regulatory and market developments that impact remuneration arrangements for non-executive directors and senior executives. Mike Hirst commenced as managing director and chief executive officer on 3 July 2009. His remuneration arrangements were released to the ASX on 15 May 2009 and are also summarised in this report.	
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 45
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 48
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.	Pages 49 & 50
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. The Plan will be replaced by a new arrangement involving grants of performance shares under the Employee Salary Sacrifice, Deferred Share and Performance Share Plan for the 2010 financial year.	Pages 51 & 52
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, post-employment restraints and entitlements upon termination.	Page 63
Remuneration paid	Details of Senior Executive remuneration for the 2009 financial year are presented at Table 7.	Pages 56 - 58
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. Senior executive remuneration is linked to the overall performance of the Group. This report describes the Company's progress and financial performance for the year and explains how the performance impacted senior executive rewards under the Group's short term incentive and long term incentive arrangements.	Page 54

Table 2 - Non-Executive Director remuneration snapshot

NON-EXECUTIVE DIRECTORS
2009 Financial Year Robert Johanson (Chairman) Kevin Osborn (Deputy Chairman) [1] Kevin Abrahamson [1] Jennifer Dawson Terry O'Dwyer Deborah Radford Kevin Roache Tony Robinson **2008 Financial Year (comparative information only)** 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 64
Base Fee	The Non-Executive Director annual base fee was last 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. The fee payments will remain unchanged for the 2010 financial year. The Directors have agreed to donate 4% of their annual fee payment to a charitable cause (refer also Table 13). Non-Executive Directors do not receive additional fees for committee memberships. The Board may determine additional fees for subsidiary and joint venture appointments.	Pages 64 & 65
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. Non-Executive Directors do not receive bonuses or incentive payments or participate in the Company's employee equity plans.	Page 64
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. A new Non-Executive Director Fee Sacrifice Plan was approved by shareholders at the 2008 Annual General Meeting.	Page 65
Remuneration paid	Details of Non-Executive Director remuneration for the 2009 financial year are presented at Table 15.	Page 66

GOVERNANCE

The Board Governance & HR Committee (the "Committee") provides assistance to the Board in relation to the Company's remuneration arrangements. The committee has responsibility for director (including the managing director) remuneration arrangements and monitors developments in remuneration arrangements and practices for directors and senior executives particularly in the banking and finance sector. The committee approves the remuneration policy for senior executives and non-executive directors and makes recommendations to the Board in relation to:

∗ The annual remuneration package for the managing director;
∗ Equity schemes for senior executives and general employees; and
∗ Monitors the tracking of performance against board approved hurdles for the executive incentive plan.

The Committee may consult a professional adviser or expert, at the cost of the Company, if the Committee considers it necessary to carry out its duties and responsibilities.

The current members of the Committee are independent non-executive directors. Members of the Committee are:

∗ Robert Johanson (Chairman)
∗ Tony Robinson
∗ Kevin Roache

Further details of the Committee's role and responsibilities relating to remuneration are outlined in the Corporate Governance Overview in this annual report. The Committee charter is available from the Company's website.

SENIOR EXECUTIVE REMUNERATION

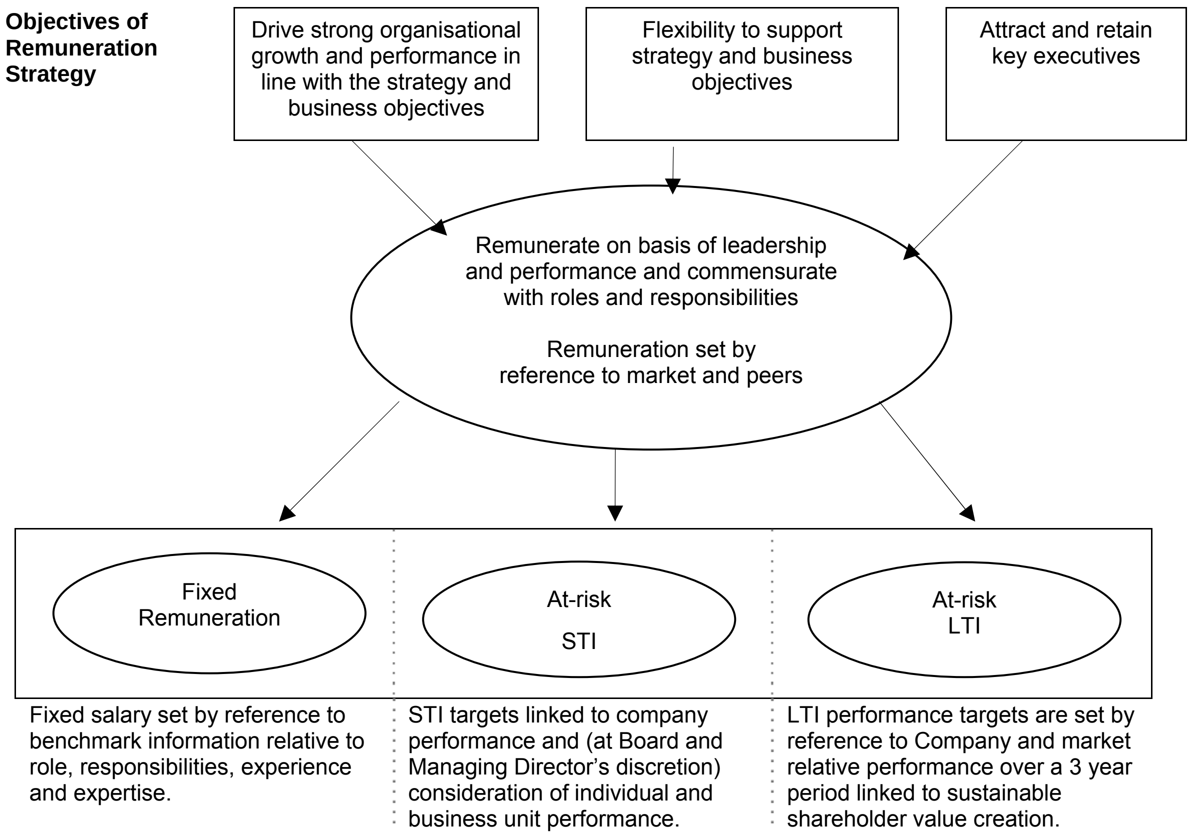
Board policy on Senior Executive remuneration

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 Group's 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



Summary of Senior Executive remuneration strategy (continued)

The Company has pursued a long term strategy focussed on the interests and prospects of its customers, communities and partners, and building sustainable shareholder value. The Company's strategy is built on the vision of being Australia's leading customer connected banking group.

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 grow both earnings and profits into the future and deliver sustainable returns to our shareholders.

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 former Managing Director (Mr Hunt)

The Board set a specific targeted long term incentive arrangement for Mr Hunt for the 2009 financial year following the merger and the announcement of his retirement from the role of Managing Director. Mr Hunt's long term incentive arrangements were designed to focus on the integration of Adelaide Bank given the importance of the integration process on realising merger synergies and developing business opportunities. The Board restructured the former Managing Director's long term incentive component as a cash incentive focusing 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 equates to the value of the previous LTI component (being approximately 30% of the former Managing Director's annual remuneration package). The Board has assessed the achievement of the areas listed above and awarded 100% of the incentive component to the former Managing Director. Further details of the incentive payment are presented at Table 7 of this report. There have been no grants of performance rights or options to the former Managing Director under the Executive Incentive Plan in the 2009 financial year.

Specific arrangements for new Managing Director (Mr Hirst)

The Company announced on 23 March 2009 the appointment of Mike Hirst as Managing Director and Chief Executive Officer of the Bank effective 3 July 2009. Following is a summary of the key contractual terms:

The appointment is for a fixed term of 5 years, subject to provisions summarised at Table 12 for ending the agreement. At the conclusion of the 5 year period the appointment will continue unless the parties agree otherwise. The fixed remuneration package is calculated on a total cost basis and includes a cash component, non-cash benefits, any fringe benefit charges and superannuation

Having regard to current market conditions, at the request of Mr Hirst, his 2008/2009 fixed remuneration package will remain unchanged for the 2009/2010 financial year, namely:

- $796,572 fixed remuneration package.
- Eligibility for an STI of up to $548,100 awarded at the discretion of the Board subject to meeting performance targets.

The following has been agreed for 2010/2011:

- $1,250,000 fixed remuneration package.
- Eligibility for an STI of up to $300,000 awarded at the discretion of the Board subject to meeting performance targets.

At the end of the periods for which the package and STI are fixed, the package and STI will be reviewed annually.

Mr Hirst has not yet been granted a long term incentive since assuming the role of Managing Director due to proposed legislative changes impacting on traditional forms of long term incentive schemes. The Board will seek shareholder approval at the 2009 Annual General Meeting for a long term incentive ("LTI") for the initial five year contract period. The LTI will involve an entitlement to performance shares in five equal annual tranches, subject to satisfaction of hurdles including continuing service and relative TSR performance of the Company over a 5 year period. The performance shares will be issued under the Employee Salary Sacrifice, Deferred Share and Performance Share Plan ("DSP").

The performance shares will be issued at market price to the value of $5 million (i.e. representing an annualised amount over each of the five years of $1 million). The shares will be held by a Trustee of the DSP. At the end of each financial year during the five year contract period the following will apply, subject to Board discretion:

- 10% may be vested.
- 10% may be vested dependent on the satisfaction of performance criteria. The performance criteria will be the Company's TSR performance measured against a peer group (with 65% vesting for performance between the 50^{th} and 75^{th} percentile; 100% vesting for performance over 75^{th} percentile) tested from the commencement of the contract to the end of the relevant financial year for each tranche. Any unvested shares will be rolled over into the following year's tranche.

The LTI will be reviewed at the end of the initial five year contract period. Details of the long term incentive will be provided in the 2009 Notice of Annual General Meeting.

Other Policies

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.

Comparative Remuneration Disclosures (Directors and Senior Executives)

The comparative 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). The comparative 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.

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. As explained at Table 5, a new arrangement will be introduced for the 2010 financial year involving grants of performance shares under the Employee Salary Sacrifice, Deferred Share and Performance Share Plan.

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 grow shareholder value.

The relative proportions of Senior Executives' 2009 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	34%	54%	12%
Executive Director	46%	31%	23%
Other Senior Executives	Between 49% and 57%	Between 23% and 29%	Between 17% and 20%

* Aggregate Remuneration is comprised of fixed annual reward (including base salary, superannuation and allowances), STI at-risk available for the F'09 year and the remuneration value of LTI grants for the F'09 year.

** These amounts are subject to 'target' performance levels being achieved. For the Managing Director, the LTI component for the 2009 financial year was replaced with 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. There were no payments to Senior Executives from the bonus pool for the 2009 financial year.
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 2009 was based upon a mix of quantitative and qualitative performance measures and was set at a maximum of $1,000,000. The quantitative element focused on the Group achieving its targeted cash EPS performance and the qualitative element 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 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 have historically conducted 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. This year, due to Mr Hunt's retirement on 3 July 2009 the Board conducted the 2009 assessment process in May 2009. 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 was the performance conditions met in the 2009 financial year?	The Company reported the following performance and other key developments for the 2009 financial year: The Group recorded an after-tax profit (before significant items) of $173.2 million representing a 26% decrease on the previous year. The cash basis earnings per ordinary share decreased to 62.9 cents representing a decrease of 43.4% on the 2008 cash EPS ratio. In accordance with the design of the STI there were no STI payments to Senior Executives (other than Mr Hunt) for the year as the Company's targeted financial performance was not achieved. The Board determined that the Managing Director (Mr Hunt) would be awarded 50% of his STI. The payment was determined after assessing the achievement of the qualitative performance measures and taking into account the leadership and direction demonstrated by the Managing Director during a year of unprecedented challenges for the sector. 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 59.

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 financial year was replaced by a cash incentive linked to merger integration goals set and assessed by the Board.

Due to proposed taxation reforms announced by the Federal Government the Board has decided to discontinue the annual grant of performance rights and options under the Executive Incentive Plan. The Senior Executive LTI component will be replaced by a new arrangement involving grants of performance shares under the Employee Salary Sacrifice, Deferred Share and Performance Share Plan ("DSP"). Details of grants under the DSP for the 2010 financial year will be set out in the 2009 Notice of Annual General Meeting.

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 (Mr Hunt) and Executive Director (Mr McPhee), the fair value of grants made under the plan target approximately 12% and 23% 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 17% and 20% 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 was 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.

<table>
<tr><td>How is TSR measured?</td><td>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).</td></tr>
<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 5% (10% for previous grants)</td><td>Nil</td></tr>
<tr><td>EPS growth at or above 5% (10% for previous grants)</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 FY2009?</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 tested was the Managing Director's Tranche 1 grant made in November 2006, which was tested, and retested, during 2008. Details of vested securities are presented at Tables 10 and 11.The first offer made to other senior executives in 2006 and the replacement offer made to former executives of Adelaide Bank in 2007 (Tranche 1 also having a 2 year performance period) are due to be tested in August 2009.</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. 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").

A third grant to Senior Executives was made in November 2008 ("2009 grant"). The grant was made in accordance with the terms as described in Table 5.

As disclosed in the 2008 remuneration report, the Company made a replacement grant of Performance Rights to the former executives of Adelaide Bank (including Mr McPhee) on terms which, taken as a whole, were economically equivalent to the terms of the Adelaide Bank offer. The replacement grant was made in December 2007. 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 was presented in the 2008 remuneration report.

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

Company Performance

The following overview of the Company's progress 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 announced on 10 August 2009 a statutory profit after-tax profit of $83.8 million. Cash earnings per share of 62.9 cents represents a 26% decrease on the previous financial year. Information on the Company's share price performance is presented below.

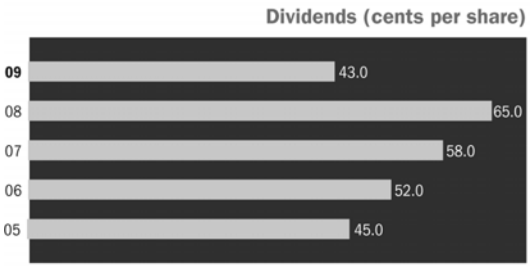
The reduced profit was attributable to a slowing economy and global recession, an unprecedented drop in official cash rates and increased funding costs. The last financial year presented unprecedented challenges for all Australian banks which included a deteriorating credit cycle, a rapid fall in official cash rates and reduced wholesale funding options that impacted significantly on the Company's financial results.

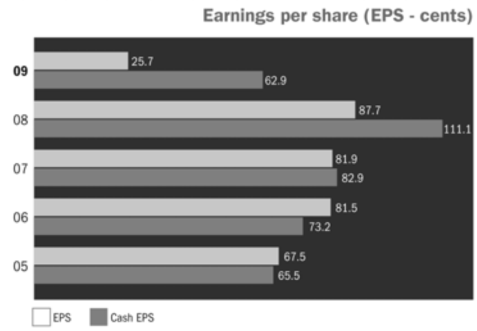
The Company recorded strong retail deposit growth with retail deposits increasing by 20 per cent to more than $28.5 billion. This was a deliberate initiative to re-shape the business and place the Company in the best possible position to grow shareholder value as market conditions improve.

The Company's net interest income performance was largely affected by a reduced demand for credit and a decline in the margin lending and third party mortgages portfolios. The company's net interest margin was affected by a lag in term deposit repricing in a rapidly easing cash rate environment

The Bendigo and Adelaide Bank **Community Bank**® network continues to drive superior franchise growth and above system deposit generation, while the relative immaturity of this network means there is years of latent growth to be harnessed by the Company. The Company has 1.4 million customers based across 191 company-owned and 237 **Community Bank**® branches. The Company is being buoyed by approximately 11,000 new customers per month and is managing approximately 1.7 million accounts.

The accompanying graphs set out the Company's key financial performance measures for the financial year ended 30 June 2009, 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.





As explained above, the Company's earnings for the 2009 financial year have been significantly impacted by market and economic conditions resulting in:

- A decrease of $2.47 (26%) in the Company's share price from $9.42 at 30 June 2004 to $6.95 at 30 June 2009. The share price decreased by $3.98 in 2009 (36%). During the same period the All Ordinaries Index decreased by 26% and the S&P/ASX 200 Financials Index decreased by 24%;
- An increase in cash EPS of 4.4 cents (7.5%) from 58.5 cents for 2004 to 62.9 cents for 2009. The cash EPS decreased by 48.2 cents (43.4%) for 2009; and
- An increase in dividend of 3 cents per share (7.5%) from 40 cents per share for 2004 to 43 cents per share for 2009. The dividend decreased by 22 cents per share (34 %) for 2009.

Full details of the Company's recent performance are set out in the Chairman's and Managing Director's Review on pages 5 and 6 of this Annual Report.

Performance against key short-term metrics

The above graphs illustrate the progress in the key performance indicators used by the Board to measure and compare the company's year-on-year performance over the past 5 years. The performance indicators include the cash EPS ratio used 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 did not achieve its targeted cash EPS performance for 2009 but did achieve the targeted cash EPS performance for each of the 4 years prior to 2009. The Company's market relative TSR performance is one of the key performance conditions for the Company's LTI component. The LTI has a 3 year performance period and was established in 2006.

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

The comparative remuneration details for the former Adelaide Bank executives(1) for FY 2008 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 FY2009 and FY2008

	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 (STI) [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												
2009	1,066,688	1,500,000	54,300	223,296	271,800	-	18,732	-	-	214,599	216,054	3,565,469
2008	964,402	726,000	49,943	269,416	248,828	-	164,312	-	-	342,092	330,386	3,095,379
J McPhee												
2009	765,819	-	66,338	11,913	83,840	-	31,622	-	-	375,782	86,667	1,421,981
2008 [1]	412,647	350,000	396	13,350	49,846	-	11,450	-	-	196,452	-	1,034,141
M Hirst												
2009	727,533	-	2,992	16,579	92,822	-	36,844	-	-	140,210	140,612	1,157,592
2008	538,117	320,000	27,761	20,178	73,384	-	10,285	-	-	65,373	65,775	1,120,873
M Baker												
2009	331,855	-	36,463	14,247	45,473	-	12,099	-	-	68,242	68,519	576,898
2008	322,091	140,000	35,517	17,775	43,770	-	9,103	-	-	44,945	45,223	658,424
A Baum												
2009	346,724	-	18,950	-	48,305	-	-	-	-	106,123	23,000	543,102
2008 [1]	172,438	100,625	8,450	-	21,859	-	-	-	-	56,482	-	359,854
R Fennell												
2009	339,312	-	18,059	-	45,606	-	-	-	-	99,973	21,667	524,617
2008 [1]	175,870	94,792	7,032	-	20,592	-	-	-	-	53,209	-	351,495
G Gillett												
2009	326,009	-	102,440	27,217	54,612	-	7,534	-	-	83,032	83,369	684,213
2008	352,729	170,000	103,850	34,830	54,263	-	10,036	-	-	53,910	54,249	833,867

D Hughes												
2009	329,673	-	42,222	-	45,986	-	-	-	-	96,898	21,000	535,779
2008 [1]	164,230	91,875	20,314	-	19,958	-	-	-	-	51,572	-	347,949
R Jenkins												
2009	371,617	-	20,329	15,474	50,093	-	10,231	-	-	76,191	76,499	620,434
2008	378,307	150,000	19,585	19,656	48,752	-	9,313	-	-	49,844	50,152	725,609
C Langford												
2009	367,329	-	93,340	25,453	60,156	-	8,252	-	-	89,870	90,238	734,638
2008	369,764	190,000	95,122	32,474	59,774	-	10,614	-	-	57,977	58,345	874,070
T Piper												
2009	320,483	-	17,488	-	44,775	-	-	-	-	99,973	21,667	504,386
2008 [1]	168,159	94,792	7,242	-	20,592	-	-	-	-	53,204	-	343,989
P Riquier												
2009	220,716	-	47,288	-	29,700	-	7,687	-	-	84,589	18,333	408,313
2008 [1]	111,519	80,208	26,647	-	17,058	-	3,681	-	-	45,020	-	284,133
A Watts												
2009	318,095	-	47,979	3,764	27,017	-	13,628	-	-	58,850	59,084	528,417
2008	223,031	91,000	52,100	5,203	34,042	-	5,499	-	-	35,916	36,150	482,941
Former												
R Hasseldine [2]												
2008	46,993	37,500	50,175	7,395	11,728	-	5,901	-	-	33,646	33,859	227,197
V Kelly [3]												
2008	61,822	25,000	8,019	5,912	9,786	-	87,370	405,573	-	42,448	42,723	688,653

[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 2009, which are expected to be paid in September 2009 (as applicable). For Mr Hunt, this also includes a payment of $1,000,000 relating to the merger integration incentive.

[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 on 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 12% (2008: 23%), J McPhee 23% (2008: 19%), M Baker 18% (2008: 14%), A Baum 17% (2008: 16%), R Fennell 18% (2008: 15%), G Gillett 20% (2008: 13%), M Hirst 17% (2008: 12%), D Hughes 17% (2008: 15%), R Jenkins 18% (2008: 13%), C Langford 20% (2008: 13%), T Piper 18% (2008: 15%), P Riquier 17% (2008: 17%), A Watts 17% (2008: 15%)

The percentages of maximum STI paid and not achieved for FY2009 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	500,000	50%	50%
Jamie McPhee	-	0%	100%
Mike Hirst	-	0%	100%
Marnie Baker	-	0%	100%
Anthony Baum	-	0%	100%
Richard Fennell	-	0%	100%
Greg Gillett	-	0%	100%
David Hughes	-	0%	100%
Russell Jenkins	-	0%	100%
Craig Langford	-	0%	100%
Tim Piper	-	0%	100%
Philip Riquier	-	0%	100%
Andrew Watts	-	0%	100%

(1) STI constitutes a cash incentive earned during fiscal 2009.

(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) There is no grant date for the STI payments other than for the grant date applicable to the Managing Director, being 25 May 2009.

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 FY2009

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	-	-	-	-
	Options	-	-	-	-
Jamie McPhee[b]	Performance Rights	27,957	2011	$9.30	$260,000
	Options	189,781	2010	$1.37	$260,000
Mike Hirst [c]	Performance Rights	24,141	2011	$9.30	$224,511
	Options	163,876	2010	$1.37	$224,510
Marnie Baker [c]	Performance Rights	7,515	2011	$9.30	$69,890
	Options	51,013	2010	$1.37	$69,888
Anthony Baum[b]	Performance Rights	7,419	2011	$9.30	$68,997
	Options	50,365	2010	$1.37	$69,000
Richard Fennell[b]	Performance Rights	6,989	2011	$9.30	$64,998
	Options	47,445	2010	$1.37	$65,000
Greg Gillett[c]	Performance Rights	9,394	2011	$9.30	$87,364
	Options	63,766	2010	$1.37	$87,359
David Hughes[b]	Performance Rights	6,774	2011	$9.30	$62,998
	Options	45,985	2010	$1.37	$62,999
Russell Jenkins[c]	Performance Rights	8,499	2011	$9.30	$79,041
	Options	57,693	2010	$1.37	$79,039
Craig Langford[c]	Performance Rights	10,288	2011	$9.30	$95,678
	Options	69,839	2010	$1.37	$95,679
Tim Piper[b]	Performance Rights	6,989	2011	$9.30	$64,998
	Options	47,445	2010	$1.37	$65,000
Philip Riquier[b]	Performance Rights	5,914	2011	$9.30	$55,000
	Options	40,146	2010	$1.37	$55,000
Andrew Watts[c]	Performance Rights	7,398	2011	$9.30	$68,801
	Options	50,219	2010	$1.37	$68,800

(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. None of the Senior Executives forfeited Performance Rights or Options during 2009.

(b) The fair values were calculated as at the grant dates of 21 November 2008 for Performance Rights and Options. The exercise price for the Options is $11.09 and expiry date is 31 July 2013. The exercise price for the Performance Rights is nil and the expiry date is 30 June 2012. An explanation of the pricing model used to calculate these values is set out in Note 38 to the financial statements.

(c) 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.

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 FY2009 (number)

Movements in value							
Senior Executive	**Instrument**	**Balance at 1 July 2008**	**Granted**	**Vested**	**Exercised**	**Forfeited/Lapsed**	**Balance at 30 June 2009**
Current							
Rob Hunt	Performance Rights	66,957	-	19,043	19,043	-	47,914
	Options	402,352	-	120,349	-	-	282,003
Jamie McPhee	Performance Rights	41,533	27,957	-	-	-	69,490
	Options	-	189,781	-	-	-	189,781
Mike Hirst	Performance Rights	14,542	24,141	-	-	-	38,683
	Options	84,986	163,876	-	-	-	248,862
Marnie Baker	Performance Rights	9,996	7,515	-	-	-	17,511
	Options	58,401	51,013	-	-	-	109,414
Anthony Baum	Performance Rights	11,941	7,419	-	-	-	19,360
	Options	-	50,365	-	-	-	50,365
Richard Fennell	Performance Rights	11,249	6,989	-	-	-	18,238
	Options	-	47,445	-	-	-	47,445
Greg Gillett	Performance Rights	12,002	9,394	-	-	-	21,396
	Options	70,251	63,766	-	-	-	134,017
David Hughes	Performance Rights	10,903	6,774	-	-	-	17,677
	Options	-	45,985	-	-	-	45,985
Russell Jenkins	Performance Rights	11,088	8,499	-	-	-	19,587
	Options	64,807	57,693	-	-	-	122,500
Craig Langford	Performance Rights	12,916	10,288	-	-	-	23,204
	Options	75,695	69,839	-	-	-	145,534
Tim Piper	Performance Rights	11,249	6,989	-	-	-	18.238
	Options	-	47,445	-	-	-	47,445
Philip Riquier	Performance Rights	9,518	5,914	-	-	-	15,432
	Options	-	40,146	-	-	-	40,146
Andrew Watts	Performance Rights	8,016	7,398	-	-	-	15,414
	Options	46,976	50,219	-	-	-	97,195

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 FY2009 (value)

Senior Executive	Instrument	Granted[(a)]	Vested[(b)]	Exercised	Forfeited/Lapsed[(c)]
Current					
Rob Hunt	Performance Rights	-	$254,986	$254,986	-
	Options	-	$228,663	-	-
Jamie McPhee	Performance Rights	$260,000	-	-	-
	Options	$260,000	-	-	-
Mike Hirst	Performance Rights	$224,511	-	-	-
	Options	$224,510	-	-	-
Marnie Baker	Performance Rights	$69,890	-	-	-
	Options	$69,888	-	-	-
Anthony Baum	Performance Rights	$68,997	-	-	-
	Options	$69,000	-	-	-
Richard Fennell	Performance Rights	$64,998	-	-	-
	Options	$65,000	-	-	-
Greg Gillett	Performance Rights	$87,364	-	-	-
	Options	$87,359	-	-	-
David Hughes	Performance Rights	$62,998	-	-	-
	Options	$62,999	-	-	-
Russell Jenkins	Performance Rights	$79,041	-	-	-
	Options	$79,039	-	-	-
Craig Langford	Performance Rights	$95,678	-	-	-
	Options	$95,679	-	-	-
Tim Piper	Performance Rights	$64,998	-	-	-
	Options	$65,000	-	-	-
Philip Riquier	Performance Rights	$55,000	-	-	-
	Options	$55,000	-	-	-
Andrew Watts	Performance Rights	$68,801	-	-	-
	Options	$68,800	-	-	-

(a) The value of the Performance Rights and Options granted to Senior Executives during the year is set out in Table 11 above.

(b) On the vesting of each Performance Right, the holder received one fully paid ordinary share in the Company. The market value of each Performance Right on the date of vesting was $10.30, being the closing price of the Company's shares on the ASX on the preceding trading day.

(c) No Performance Rights and Options were forfeited during the year 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 lapses or is forfeited will be calculated using the fair value of the Performance Rights and Options. 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 and participation in the Company's LTI component. The material terms of the Service Agreements for the Senior Executives at the date of this report are set out below.

Table 12 – Summary of Service Agreements

About the Contract	Contractual Provision	Applies To
What is the duration of the contracts?	Fixed term of 5 years, subject to the termination provisions summarised below, and then continuing unless otherwise agreed by the company or managing director.	Managing Director (Mr Hirst)
	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?	12 months' notice or payment in lieu. No notice period required if material change in duties or responsibilities.	Managing Director (Mr Hirst)
	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-competition and non-solicitation (employees, customers and suppliers) restriction.	Managing Director (Mr Hirst)
	12 month non-solicitation restriction.	Senior Executives (c)
	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 (Mr McPhee) and former Managing Director (Mr Hunt).

(c) Being the current Senior Executives listed at Table 1 excluding the Executive Director (Mr McPhee), the former Managing Director (Mr Hunt) and new managing Director (Mr Hirst).

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 for future issues of shares to non-executive directors under a fee-sacrifice share plan was obtained at the 2008 Annual General Meeting.
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. The Board has decided that there will be no increase to the annual non-executive director fees for the 2010 financial year. The directors have agreed to donate 4% of their annual fee payment to a charitable cause such as the Board's scholarship program for underprivileged students.
Fee 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 (i.e. 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 (refer also Table 13). • $250,000 for Chair to recognise extra time commitment. No increase to annual fee amount for FY10. 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 obtained 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 FY2009 and FY2010

	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	
Current						
R Johanson (Chairman)						
2009	250,000	-	22,500	-	-	272,500
2008	197,538	-	17,778	-	-	215,316
K Osborn [3]						
2009	125,000	-	11,250	-	-	136,250
2008	57,692	-	5,192	-	-	62,884
K Abrahamson [3, 6]						
2009	73,577	86,423	14,400	-	-	174,400
2008	6,634	51,058	5,192	-	-	62,884
J Dawson [6]						
2009	210,000	-	18,900	-	-	228,900
2008	98,769	-	8,889	-	-	107,658
T O'Dwyer [6]						
2009	160,000	-	14,400	-	-	174,400
2008	98,769	-	8,889	-	-	107,658
D Radford						
2009	125,000	-	11,250	-	-	136,250
2008	98,769	-	8,889	-	-	107,658
K Roache						
2009	125,000	-	11,250	-	-	136,250
2008	98,769	-	8,889	-	-	107,658
A Robinson						
2009	68,093	56,907	11,250	-	-	136,250
2008	53,769	45,000	8,889	-	-	107,658
Former						
N Axelby [4]						
2008	41,078	-	3,697	-	-	44,775
R Cook [3 5]						
2008	4,658	-	419	-	-	5,077
D Erskine [4]						
2008	41,078	-	3,697	-	-	44,775
A Lloyd [3 5]						
2008	9,297	48,395	5,192	-	-	62,884

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 comparative remuneration details represent 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.
6 The fees paid to Mr Abrahamson and Mr O'Dwyer include an additional fee of $35,000 relating to their directorship on Sunstate Lenders Mortgage Insurance Pty Limited and the fees paid to Ms Dawson include an additional fee of $85,000 as chairman of subsidiary company, Adelaide Managed Funds Limited.

Employee Share Plans: General Staff

a. Current Plans

Share Grant Plan

The Company has established a tax-exempt Employee Share Grant Plan ("ESGP") as the main equity participation platform for general employees. Shareholder approval for future grants under the ESGP was obtained at the 2008 Annual General Meeting. The ESGP is open to all full-time and permanent part-time staff in the Group (excluding Directors and Senior Executives) and it is was intended that grants under the ESGP would be made annually subject to Board discretion and having regard to company performance. Employees will generally be entitled to participate in rights attached to the shares including to receive dividends and to vote at general meetings. The shares are restricted for 3 years unless the employee leaves the Company. A grant to general employees was made in January 2009 with a participation rate exceeding 87%.

Salary Sacrifice, Deferred Share and Performance Share Plan (previously named Salary Sacrifice & Deferred Share Plan)

The Company has established an Employee Salary Sacrifice and Deferred Share Plan ("DSP"). Shareholder approval for future issues under the DSP was obtained at the 2008 Annual General Meeting. The DSP provides 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 DSP is open to permanent full-time and part-time employees of the group and the number of shares to be granted to employees will be determined by the Board. Employees will generally be entitled to participate in rights attached to the shares including to receive dividends and to vote at general meetings. A minimum restriction period of 3 years will apply to each invitation under the DSP. There have been no grants under the DSP to date.

The Board has recently approved changes to the rules of the Plan to enable the Plan to be used as the vehicle for the new Managing Director's long term incentive arrangement. The changes to the Plan rules include:

- A definition of Performance Shares has been included;
- Rules have been included to allow the Board to set performance conditions and to determine when those performance conditions have been met and the Performance Shares vest.
- A rule has been inserted clarifying that the Participant does not become beneficially entitled to the underlying shares until the Performance Shares have vested.
- Rules have been included to specify when a Performance Share may lapse and the Participant ceases to be entitled to the underlying share.
- Rules have also been included to clarify the Board's discretions regarding how Performance Shares will be treated in certain circumstances (for example, if the Participant's employment ceases if the Participant is fraudulent, if the Company is subject to a Takeover, or if the Company's share capital is reorganised).

Details of the new Managing Director's long term incentive arrangement will be set out in the 2009 Notice of Annual General Meeting.

Employee Share Plan

The Company has established a loan-based limited recourse Employee Share Plan ("ESP"). 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 only issue to general staff under this ESP was completed in September 2006. An issue to employees of **Community Bank**® companies was completed in the 2008 financial year. It is intended that the loan-based plan 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.

Shares issued under the above Plans are valued and expensed in accordance with applicable accounting requirements. The Board will seek shareholder approval at the 2009 Annual General Meeting for future issues of shares under the ESP.

b. 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 2009 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

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 2009 and the number attended by each director were:

	Board of directors Meetings		**Meetings in Committees**									
			Audit		**Credit**		**Risk**		**Governance**		**IT Strategy**	
Attended by:	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
R Johanson	22	22							4	4	6	6
K Osborn	22	22	7	6	13	12	7	6				
R Hunt AM [1]	22	22					7	7	4	4	6	6
K Abrahamson	22	20	7	7							6	5
J Dawson	22	22	7	7	13	13						
J McPhee	22	21			13	13	7	7			6	6
T O'Dwyer	22	21	7	5			7	6			6	6
D Radford	22	21	7	7	13	12					6	4
K Roache	22	22			13	11	7	7	4	4		
A Robinson	22	19					7	5	4	3		

A = Number eligible to attend
B = Number attended

[1] During the year Mr Hunt was a standing attendee for audit committee meetings. In particular, Mr Hunt attended the meetings that consider the group's half-year and full-year result announcements and the statutory financial statements.

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	Performance Rights & Options
R N Johanson	209,990	500	-	-	-
M J Hirst [1]	51,202	-	-	-	287,545
K D Abrahamson	17,801	-	180	129	-
J L Dawson	16,166	100	-	-	-
J L McPhee [2]	542,076	-	-	-	259,271
T J O'Dwyer	63,300	-	-	-	-
K G Osborn	11,276	-	-	-	-
D L Radford	1,700	-	-	-	-
K E Roache	25,166	200	-	-	-
A D Robinson	5,700	-	-	-	-

[1] Includes 50,000 shares issued under the Bendigo Employee Share Ownership Plan.

[2] Includes 204,250 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 eleven 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 2009. 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 2009. 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 (Australia), which do not relate to Group statutory audit engagements.

Details of all non-audit services for the year ended 30 June 2009:

(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	81,400	Bendigo and Adelaide Bank Limited
Australian Financial Services Licence Audits	56,500	(1) Refer below
APRA Prudential Standard GPS220 report	16,000	Sunstate Lenders Mortgage Insurance
Trust Deed Report – Euro Medium Term Note Program	24,000	Bendigo and Adelaide Bank Limited
Trust Deed Report- Victorian Securities Trust	16,880	Bendigo and Adelaide Bank Limited
Sub total – audit related fees	**194,780**	

(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) Non audit related fees:

Service	**Fees** (excluding GST) $	**Entity**
Tax advice	574,414	Bendigo and Adelaide Bank Limited
Professional Services	725,296	Bendigo and Adelaide Bank Limited
Sub total – non audit related fees	**1,299,710**	
Total – non audit services	**1,494,490**	

Non audit related fees are significantly higher due to acquisition accounting and tax advice as a result of the merger with Adelaide Bank. This level of advice and fees is not expected to continue.

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.

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

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

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 2009, 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
Partner
Melbourne
8 September 2009

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

R N Johanson	**M J Hirst**
Chairman	**Managing Director**

8 September 2009

INCOME STATEMENT

for the year ended 30 June 2009

	Note	Consolidated		Parent	
		2009	2008	2009	2008
Income		$m	$m	$m	$m
Net interest income					
Interest income	4	3,154.7	2,695.6	1,842.4	1,227.6
Interest expense	4	2,519.7	2,098.1	1,435.0	863.0
Total Net interest income		635.0	597.5	407.4	364.6
Other revenue					
Dividends	4	2.2	3.9	147.4	197.0
Fees	4	203.0	172.4	166.2	121.0
Commissions	4	47.7	54.4	13.8	11.4
Other revenue	4	22.7	16.2	31.6	21.1
Total other revenue		275.6	246.9	359.0	350.5
Other income					
Ineffective cash flow hedges	4	(93.6)	(28.3)	(36.4)	-
Cash flow derivative - controlled entity		-	-	-	(148.4)
Realised accounting gain on sale of Visa Inc shares	4	-	25.2	-	18.6
Realised accounting gain on the sale of equity investments	4	26.0	-	25.9	-
Other	4	(0.2)	2.2	(12.0)	2.2
		(67.8)	(0.9)	(22.5)	(127.6)
Share of joint ventures net profit/losses	22	30.9	26.4	-	-
Total income after interest expense		873.7	869.9	743.9	587.5
Expenses					
Bad and doubtful debts on loans and receivables					
Bad and doubtful debts		86.2	25.7	63.7	7.7
Bad and doubtful debts recovered		(5.9)	(2.6)	(4.0)	(0.7)
Total bad and doubtful debts on loans and receivables	4	80.3	23.1	59.7	7.0
Other expenses					
Staff and related costs	4	296.8	256.3	241.1	188.4
Occupancy costs	4	54.8	43.0	68.8	52.4
Amortisation of intangibles	4	32.7	26.2	20.8	5.2
Property, plant & equipment costs	4	13.9	13.4	12.0	9.7
Fees and commissions	4	22.2	20.4	18.3	16.6
Impairment loss on equity investments	4	10.0	30.3	9.2	30.2
Integration costs	4	41.4	9.4	37.0	4.8
Employee shares shortfall	4	5.3	-	5.3	-
Other	4	197.0	161.5	166.3	128.7
Total other expenses		674.1	560.5	578.8	436.0
Profit before income tax expense		119.3	286.3	105.4	144.5
Income tax (expense)/benefit	6	(35.5)	(87.3)	8.2	18.5
Net profit for the period		83.8	199.0	113.6	163.0
Net (profit)/loss attributable to minority interest	36	-	(0.7)	-	-
Net profit attributable to members of the parent		83.8	198.3	113.6	163.0
Net profit / (loss) for the period attributable to:					
Minority interest	36	-	0.7	-	-
Members of the Parent		83.8	198.3	113.6	163.0
Earnings per share for profit attributable to the ordinary equity holders of the Company:					
Basic earnings per ordinary share (cents per share)	9	25.6	87.7		
Diluted earnings per ordinary share (cents per share)	9	25.6	87.6		
Franked dividends per ordinary share (cents per share)	10	43.0	65.0		

BALANCE SHEET
as at 30 June 2009

	Note	Consolidated		Parent	
		2009	2008	2009	2008
		$m	$m	$m	$m
Assets					
Cash and cash equivalents	14	912.6	1,195.9	527.5	440.5
Due from other financial institutions	14	235.4	412.7	235.4	237.6
Assets held for sale	24	-	105.5	-	3.2
Financial assets held for trading	15	3,882.3	1,414.8	5,613.3	-
Financial assets available for sale - securities	16	-	422.0	-	611.5
Financial assets held to maturity	18	344.9	1,414.6	266.4	1,673.4
Current tax asset		84.4	-	84.4	-
Other assets	28	512.3	468.2	660.4	450.7
Financial assets available for sale - share investments	17	84.1	84.6	5.9	77.2
Derivatives	44	49.0	311.8	124.7	128.1
Loans and other receivables - investment	19	505.7	517.6	505.7	-
Net loans and other receivables	19	38,235.2	39,587.4	34,598.4	15,018.4
Amounts receivable from controlled entities		-	-	765.7	164.2
Investments in joint ventures accounted for using the equity method	22	225.9	185.2	-	-
Shares in controlled entities		-	-	460.6	2,272.5
Property, plant & equipment	23	115.9	113.5	93.8	66.7
Deferred tax assets	6	212.0	164.4	186.8	84.3
Investment property	25	115.6	80.4	-	-
Intangible assets and goodwill	26	1,598.9	1,570.4	1,476.7	53.4
Total Assets		47,114.2	48,049.0	45,605.7	21,281.7
Liabilities					
Due to other financial institutions	14	196.3	269.7	196.3	151.7
Deposits	29	31,879.8	31,404.9	31,894.1	16,948.2
Notes payable	29	9,974.5	11,292.2	2,102.4	-
Derivatives	44	436.4	72.4	486.2	173.2
Other payables	30	665.9	680.9	903.3	282.5
Loans payable to securitisation trusts		-	-	6,033.4	-
Income tax payable		-	11.1	-	11.1
Provisions	31	62.7	67.8	62.7	52.8
Deferred tax liabilities	6	91.7	186.8	95.5	38.8
Reset preference shares	32	89.5	89.5	89.5	89.5
Subordinated debt - at amortised cost	33	598.7	675.8	598.7	301.3
Total Liabilities		43,995.5	44,751.1	42,462.1	18,049.1
Net Assets		3,118.7	3,297.9	3,143.6	3,232.6
Equity					
Equity attributable to equity holders of the parent					
Issued capital -ordinary	34	3,003.9	2,706.3	3,003.9	2,706.3
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	100.0	100.0
Employee Share Ownership Plan (ESOP) shares	34	(32.7)	(37.4)	(32.7)	(37.4)
Reserves	35	(185.3)	170.6	(159.5)	129.1
Retained earnings	35	144.3	269.9	143.4	246.1
Total Equity		3,118.7	3,297.9	3,143.6	3,232.6

STATEMENT OF RECOGNISED INCOME AND EXPENSES
for the year ended 30 June 2009

	Note	Consolidated		Parent	
		2009	2008	2009	2008
		$m	$m	$m	$m
Available for sale financial assets revaluation	35	(34.3)	(56.0)	(36.8)	(56.7)
Transfer available for sale assets impairment loss to income	35	0.9	29.9	0.1	29.8
Net gain/(loss) on cash flow hedges taken to equity	35	(538.4)	14.4	(436.3)	47.7
Net gain/(loss) on reclassification from CFHR to income	35	86.7	28.4	29.5	(0.3)
Net unrealised gain/(loss) on investments in AFS portfolio	35	-	0.1	-	0.1
Actuarial gain/(loss) on superannuation defined benefits plan	35	(6.9)	(1.4)	(2.7)	-
Tax effect on items taken directly to or transferred from equity	35	97.2	(13.9)	94.2	(16.1)
Net income/(loss) recognised directly in equity		(394.8)	1.5	(352.0)	4.5
Profit for the year		83.8	199.0	113.6	163.0
Total recognised income and expenses for the period		(311.0)	200.5	(238.4)	167.5
Total recognised income and expenses for the period attributable to:					
Minority interest		-	0.7	-	-
Members of the Parent		(311.0)	199.8	(238.4)	167.5

CASH FLOW STATEMENT

for the year ended 30 June 2009

	Note	Consolidated		Parent	
		2009	2008	2009	2008
		$m	$m	$m	$m
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest and other items of a similar nature received		3,059.1	2,515.9	1,749.8	1,027.1
Interest and other costs of finance paid		(2,481.6)	(1,993.4)	(1,415.1)	(828.4)
Receipts from customers (excluding effective interest)		236.3	211.1	251.4	150.6
Payments to suppliers and employees		(646.7)	(510.3)	(700.0)	(193.6)
Dividends received		34.9	16.8	36.1	107.0
Income taxes paid		(74.7)	(81.9)	(59.4)	(46.0)
Net cash flows from operating activities	13	127.3	158.2	(137.2)	216.7
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash flows for purchases of property, plant and equipment		(47.2)	(85.9)	(8.4)	(29.2)
Cash proceeds from sale of property, plant and equipment		3.4	6.9	0.7	1.6
Cash Proceed from sale of asset held for sale		100.0	-	-	-
Cash paid for purchases of intangible software		(9.7)	(0.2)	(9.5)	(0.2)
Cash paid for purchases of equity investments		(80.2)	(34.4)	(101.8)	(91.2)
Cash proceeds from sale of equity investments		42.1	11.8	112.6	11.8
Net (increase)/decrease in balance of loans and other receivables outstanding		2,833.1	768.4	679.8	(1,662.2)
Net (increase)/decrease in balance of investment securities		(987.9)	808.6	(4,134.4)	(213.0)
Net cash paid on acquisition of a portfolio		(1,482.0)	-	-	-
Net cash received/(paid) on acquisition of a subsidiary		-	474.4	-	-
Net cash received on derecognition of a subsidiary		-	-	129.2	-
Net cash flows from/(used in) investing activities		371.6	1,949.6	(3,331.8)	(1,982.4)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of ordinary shares		192.8	-	192.8	-
Proceeds from preference share instalment		-	89.8	-	92.1
Net increase/(decrease) in balance of retail deposits		4,911.7	2,050.9	4,977.6	2,041.9
Net increase/(decrease) in balance of wholesale deposits		(4,429.0)	(955.6)	(2,483.5)	165.8
Proceeds from issue of subordinated debt		-	50.0	-	50.0
Repayment of subordinated debt		(80.0)	(56.0)	(80.0)	(56.0)
Dividends paid		(142.2)	(94.9)	(142.2)	(94.9)
Net increase/(decrease) in balance of notes payable		(1,341.9)	(2,000.8)	1,042.0	-
Repayment of ESOP shares		4.7	3.0	4.7	3.0
Payment of share issue costs		(2.2)	(0.4)	(2.2)	(0.4)
Net cash flows from/(used in) financing activities		(886.1)	(914.0)	3,509.2	2,201.5
Net increase/(decrease) in cash and cash equivalents		(387.2)	1,193.8	40.2	435.8
Cash and cash equivalents at the beginning of period		1,338.9	145.1	526.4	90.6
Cash and cash equivalents the at end of period	14	951.7	1,338.9	566.6	526.4

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 2009 was authorised for issue in accordance with a resolution of the directors on 8 September 2009.

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, 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 prior year comparative figures represent 7 months contribution of Adelaide Bank Limited.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2009:

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB Int. 18	Transfers of Assets from Customers	This Interpretation provides guidance on the transfer of assets such as items of property, plant and equipment or transfers of cash received from customers. The Interpretation provides guidance on when and how an entity should recognise such assets and discusses the timing of revenue recognition for such arrangements and requires that once the asset meets the condition to be recognised at fair value, it is accounted for as an 'exchange transaction'. Once an exchange transaction occurs the entity is considered to have delivered a service in exchange for receiving the asset. Entities must identify each identifiable service within the agreement and recognise revenue as each service is delivered.	Applies prospectively to transfer of assets from customers received on or after 1 July 2009	The Interpretation is unlikely to have any impact on the Group since it does not currently transfer assets from customers as defined by the interpretation.	1 July 2009
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 which may impact the goodwill impairment, as different cash generating units may apply.	1 July 2009
AASB 1039 (revised)	Concise Reporting	AASB 1039 was revised in August 2008 to achieve consistency with AASB 8 *Operating Segments*. The revisions include changes to terminology and descriptions to ensure consistency with the revised AASB 101 *Presentation of Financial Statements*.	1 January 2009	AASB 1039 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements.	1 July 2009

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
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	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), AASB 2007-8 and AASB 2007-10	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
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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	These amendments are not expected to have any impact on the Group's financial report as the Group does not have on issue or expect to issue any puttable financial instruments as defined by the amendments.	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 includes the requirement to have to expense transaction costs and 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. The Group has not yet assessed which accounting policy to adopt.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction 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 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. Refer above.	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*
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	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. This was the first omnibus of amendments issued by the IASB arising from the Annual Improvements Project and it is expected that going forward, such improvements will be issued annually to remove inconsistencies and clarify wording in the standards. The AASB issued these amendments in two separate amending standards; one dealing with the accounting changes effective from 1 January 2009 and the other dealing with amendments to AASB 5, which will be applicable from 1 July 2009 [refer below AASB 2008-6].	1 January 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project. Refer to AASB 2008-5 above for more details.	1 July 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2008-7	Amendments to Australian Accounting 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 AASB 127 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 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
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	The amendment to AASB 139 clarifies how the principles underlying hedge accounting should be applied when (i) a one-sided risk in a hedged item is being hedged and (ii) inflation in a financial hedged item existed or was likely to exist.	1 July 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy: ► quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); ► inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and ► inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). These amendments arise from the issuance of *Improving Disclosures about Financial Instruments (Amendments to IFRS 7)* by the IASB in March 2009. The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7.	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial results. AASB 4, AASB 1023 and AASB 1038 are not relevant to the Group.	1 July 2009
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main amendment of relevance to Australian entities is that made to IFRIC 16 which allows qualifying hedge instruments to be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements in AASB 139 that relate to a net investment hedge are satisfied. More hedging relationships will be eligible for hedge accounting as a result of the amendment. These amendments arise from the issuance of the IASB's *Improvements to IFRSs*. The amendments pertaining to IFRS 5, 8, IAS 1,7, 17, 36 and 39 have been issued in Australia as AASB 2009-5 (refer below).	1 July 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main amendment of relevance to Australian entities is that made to AASB 117 by removing the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible v property, plant and equipment) needs to be determined. These amendments arise from the issuance of the IASB's *Improvements to IFRSs*. The AASB has issued the amendments to IFRS 2, IAS 38, IFRIC 9 as AASB 2009-4 (refer above).	1 January 2010	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2010
AASB 2009-Y	Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]	These comprise editorial amendments and are expected to have no major impact on the requirements of the amended pronouncements.	1 July 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009
Amendments to International Financial Reporting Standards**	Amendments to IFRS 2	The amendments clarify the accounting for group cash-settled share-based payment transactions, in particular: ► the scope of AASB 2; and ► the interaction between IFRS 2 and other standards. An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. A "group" has the same meaning as in IAS 27 *Consolidated and Separate Financial Statements*, that is, it includes only a parent and its subsidiaries. The amendments also incorporate guidance previously included in IFRIC 8 *Scope of IFRS 2* and IFRIC 11 *IFRS 2—Group and Treasury Share Transactions*. As a result, IFRIC 8 and IFRIC 11 have been withdrawn.	1 January 2010	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2010

* 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. Entities must disclose the impact of these pronouncements in order to make the statement of compliance with IFRS under AASB 101.14. For-profit public sector entities may not be required to disclose the impact of IASB and IFRIC pronouncements if they have applied an Australian Accounting Standard, which is inconsistent with IFRS requirements under AASB 101.Aus14.2. Not-for-profit entities need not comply with AASB 101.14 and are not required to disclose the impact of IASB and IFRIC pronouncements under AASB 101.Aus14.3.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 joint ventures 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 prior year comparative figures represent 7 months contribution of Adelaide Bank.

2.5 Changes in accounting policies

The accounting policies are consistent with those applied in the previous financial year and corresponding interim period.

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:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

For 2008, the fair value carrying amount of the head office development was 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 determine 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, or 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 provision are recognised 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 joint ventures accounted for using the equity method

The group's investment in joint ventures 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 is not a subsidiary. The financial statements of joint ventures are used by the group to apply the equity method. The reporting dates of the joint ventures and the group. The accounting policies of the joint ventures and the group are consistent.

The investments in the joint ventures 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 joint ventures, less any impairment in value. The income statement reflects the share of the results of operations of the joint ventures.

Where there have been changes recognised directly in the joint ventures' 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 joint ventures 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 a joint venture equals or exceeds its interest in the joint venture, 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 joint venture.

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	**2009**	**2008**
	Years	**Years**
Freehold buildings	40	40
Leasehold improvements	3 - 10	3 - 10
Plant & equipment	2 - 10	3 - 10

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 identify 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and Sick leave

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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 a number of 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.

The last issue under this plan was made in January 2008.

2. the Employee Share Grant Scheme

This Plan was introduced in September 2008. This Plan is open employees (excluding directors and senior executives) of Bendigo and Adelaide Bank and its subsidiaries. Employees may be granted shares annually up to a maximum number determined by the Directors having regard to the Bank's performance. When an eligible employee accepts an invitation to participate in the Scheme, the trustee of the Scheme will acquire shares on behalf of the employee and hold the shares on trust for the employee. Three years after the trustee acquires the shares, they will be transferred to the employee.

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

3. Employee Salary Sacrifice, Deferred Share and Performance Share Plan

This Plan was introduced in September 2008 as the Employee Salary Sacrifice and Deferred Share Plan, as a vehicle for employees to purchase shares in the Bank via salary sacrifice. It was amended in August 2009 to allow for the grant of performance shares. Performance shares may be granted to any person employed by or on behalf of a group company who the Board decides are eligible to receive grants. The employee will not have beneficial title to the underlying shares until the relevant performance conditions have been met. The shares will be held by a trustee until that time.

The cost of equity-settled transactions under this Plan 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. 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 recognised as components of the calculation of the effective interest rate method in relation to originated loans. They therefore affect 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 for loan origination fees is appropriate.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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; 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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) and preference share dividends

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 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 and other alliances and minor subsidiaries.

Partner Advised Banking (previously named Wholesale Banking)

Net interest income and fees derived from the manufacture and processing of residential home loans, distributed through mortgage brokers and mortgage managers and the Portfolio Funding and Specialised Lending businesses of the Group.

Wealth

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

Joint Ventures

Profit share from equity accounted investments in joint ventures.

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 2009 and 2008.

For the year ended 30 June 2009

	Retail Banking	Partner Advised Banking	Wealth Solutions	Joint Ventures	Total Segments	Corporate Support	Total
Income	$m	$m	$m	$m	$m	$m	$m
Net interest income	352.4	204.4	78.2	-	**635.0**	-	**635.0**
Other income							
Other external income	190.1	42.7	36.7	-	**269.5**	31.9	**301.4**
Ineffective cash flow hedges	-	-	-	-	**-**	(93.6)	**(93.6)**
Total other income	190.1	42.7	36.7	-	**269.5**	(61.7)	**207.8**
Share of net profit of equity accounted investments	-	-	-	30.9	**30.9**	-	**30.9**
Total segment income after interest expense							
External income	542.5	247.1	114.9	30.9	**935.4**	31.9	**967.3**
Ineffective cash flow hedges	-	-	-	-	**-**	(93.6)	**(93.6)**
Total segment income	542.5	247.1	114.9	30.9	**935.4**	(61.7)	**873.7**
Results							
Segment result from continuing operations before income tax expense	76.7	112.3	55.6	30.9	**275.5**	(156.2)	**119.3**
Income tax expense							**(35.5)**
Consolidated entity profit from continuing operations after income tax expense							**83.8**
Assets							
Segment assets	16,825.2	16,579.0	3,370.6	520.6	**37,295.4**	9,592.9	**46,888.3**
Equity accounted assets	-	-	-	225.9	**225.9**	**-**	**225.9**
Total assets	16,825.2	16,579.0	3,370.6	746.5	**37,521.3**	9,592.9	**47,114.2**
Liabilities							
Total liabilities	20,008.8	6,153.0	5,708.3	857.1	**32,727.1**	11,268.4	**43,995.5**
Impairment losses recognised in profit and loss	-	-	-	-	-	10.0	**10.0**
Other segment information							
Non-cash expenses							
Depreciation	16.0	0.7	0.8	-	**17.5**	0.9	**18.4**
Amortisation of intangibles	5.7	0.5	0.5	-	**6.7**	26.0	**32.7**
Impairment losses recognised in profit & loss	-	-	-	-	**-**	-	**-**
Non-cash expenses other than depreciation and amortisation	40.8	29.7	(0.2)	-	**70.3**	18.3	**88.6**
Acquisition of property, plant & equipment, intangible assets and other non-current assets	25.1	35.7	0.5	-	**61.3**	75.8	**137.1**

SEGMENT INFORMATION (continued)

For the year ended 30 June 2008

	Retail Banking	Partner Advised Banking	Wealth Solutions	Joint Ventures	Total Segments	Corporate Support	Total
Income	$m	$m	$m	$m	$m	$m	$m
Net interest income	424.0	108.7	64.8	-	**597.5**	-	**597.5**
Other income							
Other external income	164.5	35.5	41.7	-	**241.7**	32.6	**274.3**
Ineffective cash flow hedges	-	-	-	-	**-**	(28.3)	**(28.3)**
Total other income	164.5	35.5	41.7	**-**	**241.7**	4.3	**246.0**
Share of net profit of equity accounted investments	-	-	-	26.4	**26.4**	-	**26.4**
Total segment income after interest expense							
External income	588.5	144.2	106.5	26.4	865.6	32.6	**898.2**
Ineffective cash flow hedges	-	-	-	-	**-**	(28.3)	**(28.3)**
Total segment income	588.5	144.2	106.5	26.4	865.6	4.3	869.9
Results							
Segment result from continuing operations before income tax expense	221.6	82.8	60.8	26.4	**391.6**	(105.3)	**286.3**
Income tax expense							**(87.3)**
Minority interests							**(0.7)**
Consolidated entity profit from continuing operations after income tax expense							**198.3**
Assets							
Segment assets	16,365.1	19,604.0	3,860.2	482.7	**40,312.0**	7,551.7	**47,863.7**
Equity accounted assets	-	-	-	185.2	**185.2**	**-**	**185.2**
Total assets	16,365.1	19,604.0	3,860.2	667.9	**40,497.2**	7,551.7	**48,048.9**
Liabilities							
Total liabilities	14,894.1	8,115.9	10,110.1	632.8	**33,752.9**	10,998.1	**44,751.0**
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**	0.6	**16.8**
Amortisation of intangibles	11.9	5.5	3.9	-	**21.3**	-	**21.3**
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	11.0	46.4	0.7	-	**58.1**	71.9	**130.0**

4. PROFIT

Profit before income tax expense has been determined as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
	$m	$m	$m	$m
(a) Income:				
Interest income				
Controlled entities				
Cash and cash equivalents	-	-	19.3	0.2
Financial assets (treasury) held for trading, available for sale and held to maturity	-	-	196.4	3.7
Loans and other receivables	-	-	13.2	3.0
Other persons/entities				
Cash and cash equivalents	47.9	7.2	46.5	7.2
Financial assets (treasury) held for trading	142.0	89.8	74.6	-
Financial assets (treasury) available for sale	31.7	40.7	31.6	40.7
Financial assets (treasury) held to maturity	81.6	128.1	67.8	115.3
Loans and other receivables	2,851.5	2,429.8	1,393.0	1,057.5
Total interest income	3,154.7	2,695.6	1,842.4	1,227.6
Interest expense				
Controlled entities				
Wholesale - domestic	-	-	201.0	0.9
Other persons/entities				
Deposits				
Retail	1,394.1	1,030.5	1,126.7	663.5
Wholesale - domestic	354.6	300.8	5.1	89.4
Wholesale - offshore	68.5	119.2	52.5	79.2
Other borrowings				
Notes payable	654.1	598.3	14.0	-
Reset preference shares	5.6	3.2	6.1	3.7
Subordinated debt	42.8	46.1	29.6	26.3
Total interest expense	2,519.7	2,098.1	1,435.0	863.0
Other revenue				
Dividends				
Controlled entities	-	-	111.3	178.8
Joint ventures	-	-	34.0	14.6
Other	2.1	3.7	2.1	3.6
Distribution from unit trusts	0.1	0.2	-	-
	2.2	3.9	147.4	197.0
Fees				
Assets	58.7	44.6	52.3	30.8
Liabilities & electronic delivery	94.7	85.0	88.4	76.4
Securitisation income	20.1	15.9	9.7	-
Trustee, management & other services	10.8	11.5	0.4	0.6
Trading profit/(loss) - held for trading securities	(0.4)	(0.6)	(1.4)	-
Other	19.1	16.0	16.8	13.2
	203.0	172.4	166.2	121.0
Commissions				
Wealth solutions	28.9	37.7	0.7	0.4
Insurance	15.4	12.9	9.8	7.3
Other	3.4	3.8	3.3	3.7
	47.7	54.4	13.8	11.4
Other				
Income from property	1.4	1.2	21.9	16.9
Foreign exchange income	8.4	6.5	8.4	6.5
Other	12.9	8.5	1.3	(2.3)
	22.7	16.2	31.6	21.1
Other income				
Ineffective cash flow hedges	(93.6)	(28.3)	(36.4)	-
Cash flow derivative - controlled entity	-	-	-	(148.4)
Profit/(loss) on disposal of property, plant & equipment	(0.2)	0.4	0.1	0.4
Profit on sale of other investments	-	1.8	-	1.8
Realised accounting gain on the sale of equity investments	26.0	-	25.9	-
Realised accounting gain on acquisition Visa Inc shares	-	25.2	-	18.6
Gain/(Loss) on transfer of Adelaide business	-	-	(12.1)	-
	(67.8)	(0.9)	(22.5)	(127.6)

PROFIT (continued)

	Consolidated		Parent	
	2009	2008	2009	2008
	$m	$m	$m	$m
(b) Expenses				
Bad and doubtful debts				
Specific provision	57.5	13.7	42.0	8.3
Collective provision	7.5	2.9	7.6	(1.0)
Bad debts written off	21.2	9.1	14.1	0.4
Bad debts recovered	(5.9)	(2.6)	(4.0)	(0.7)
	80.3	23.1	59.7	7.0
Staff and related costs				
Salaries and wages	236.2	182.1	189.3	140.2
Superannuation contributions	21.5	18.9	17.7	14.0
Provision for annual leave	0.5	5.2	0.4	0.8
Provision for long service leave	3.7	10.6	4.1	1.6
Other provisions	2.0	0.6	1.8	0.6
Payroll tax	11.2	12.4	8.6	8.9
Fringe benefits tax	3.1	3.4	2.2	2.4
Executive equity transactions expense	3.3	3.3	3.3	5.0
Other	15.3	19.8	13.7	14.9
	296.8	256.3	241.1	188.4
Occupancy costs				
Operating lease rentals	32.7	22.2	50.0	35.1
Depreciation of buildings	0.8	-	0.2	0.2
Amortisation of leasehold improvements	3.7	3.3	3.7	3.3
Property rates and outgoings	3.0	2.1	2.5	1.4
Land tax	0.1	0.1	0.1	-
Repairs and maintenance	4.7	5.3	3.8	4.1
Utilities	3.5	2.9	3.1	2.4
Cleaning	3.4	3.5	3.1	3.1
Other	2.9	3.6	2.3	2.8
	54.8	43.0	68.8	52.4
Amortisation of intangibles				
Amortisation of intangible assets	26.2	15.9	14.9	-
Amortisation of intangible software	6.5	6.3	5.9	5.2
Impairment losses on goodwill	-	4.0	-	-
	32.7	26.2	20.8	5.2
Property, plant & equipment costs				
Depreciation of property, plant & equipment	13.9	13.4	12.0	9.7
Fees and commissions	22.2	20.4	18.3	16.6
Impairment loss on equity investments	10.0	30.3	9.2	30.2
Employee shares shortfall	5.3	-	5.3	-
Integration costs	41.4	9.4	37.0	4.8
Other				
Administration expenses				
Communications, postage and stationery	33.2	28.9	29.4	24.5
Computer systems and software costs	53.4	44.2	45.7	36.8
Advertising & promotion	13.2	16.9	11.8	14.5
Other product & services delivery costs	32.7	26.8	31.2	24.9
Impairment loss - shares in controlled entities	-	-	4.9	-
Impairment loss - assets held for sale	-	1.1	-	1.1
General administration expenses	59.4	34.8	50.4	20.9
Other	3.7	7.6	(8.0)	5.4
	195.6	160.3	165.4	128.1
Listing and rating agency costs	1.4	1.2	0.9	0.6
Total other	197.0	161.5	166.3	128.7

5. UNDERLYING PROFIT

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

	Consolidated 2009 $m	Consolidated 2008 $m
Profit after income tax expense	83.8	198.3
Add,		
Bad and doubtful debts expense (net of bad debts recovered)	80.3	23.1
Amortisation of intangibles (excluding software amortisation)	26.2	19.9
Significant items before tax (Note 9)	127.7	49.9
Income tax expense - total (Note 6)	35.5	87.3
Underlying profit before income tax	353.5	378.5

6. INCOME TAX EXPENSE

Major components of income tax expense are:

	Consolidated		Parent	
	2009	2008	2009	2008
	$m	$m	$m	$m
Income statement				
Current income tax				
Current income tax charge	(8.4)	141.6	(99.4)	41.2
Imputation credits	(15.0)	(7.1)	(14.9)	(7.1)
Adjustments in respect of current income tax of previous years	0.7	0.6	1.4	(0.7)
Deferred income tax				
Relating to origination and reversal of temporary differences	58.2	(47.8)	104.7	(51.9)
Income tax expense/(benefit) reported in the income statement	35.5	87.3	(8.2)	(18.5)
Statement of changes in equity				
Deferred income tax related to items charged or credited directly in equity				
Net gain/(loss) on cash flow hedge	33.6	33.1	(38.0)	24.2
Net gain/(loss) on revaluation of investments	(5.0)	(8.0)	(5.6)	(8.0)
Net gain on revaluation of land and buildings	(1.4)	-	(1.4)	-
Net gain on acquisition revaluations	-	3.2	-	-
Other	0.3	0.6	0.3	-
Income tax benefit reported in equity	27.5	28.9	(44.7)	16.2

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:

	Consolidated 2009	Consolidated 2008	Parent 2009	Parent 2008
Income tax expense attributable to:				
Accounting profit before income tax	119.3	286.3	105.4	144.5

INCOME TAX EXPENSE (continued)

	Consolidated		Parent	
	2009	2008	2009	2008
	$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	35.8	85.9	31.6	43.3
under (over) provision in prior years	0.7	0.6	1.4	(0.7)
tax credits and adjustments	(15.0)	(7.1)	(14.9)	(7.1)
Land, buildings and improvements	(0.9)	0.6	0.8	0.6
Accrued expenses	(5.1)	3.4	(3.9)	-
Borrowing costs	(0.4)	(7.1)	-	-
Deferred Expenses	7.7	21.5	5.5	(6.6)
Plant and equipment	0.1	0.6	0.4	0.6
Capital allowances	-	0.1	-	0.1
Expenditure not allowable for income tax purposes	1.4	15.8	4.9	10.9
Movement in cashflow hedges	(4.5)	(0.8)	(58.8)	43.7
Deferred tax movement	58.2	(47.8)	104.7	(51.9)
Other non assessable income	(0.3)	(7.5)	(0.8)	(6.7)
Tax effect attributable to joint ventures	0.4	5.7	-	-
Post-employment benefits	1.1	0.1	1.2	0.7
Prepayments	2.1	-	1.0	
Movement in loan provisions	12.7	3.2	12.9	0.1
Movement in provisions	0.6	3.1	(2.4)	3.2
Intangible Liabilities on Acquisition	14.8	20.3	14.8	-
Intangible Assets on Acquisition	(62.0)	(8.4)	(62.0)	-
Tax loss on transfer of business	-	-	3.6	-
Tax effect of franking credits	4.5	2.1	4.5	2.1
Other	(16.4)	3.0	(52.7)	(50.8)
Income tax expense/(benefit) reported in the consolidated income statement	35.5	87.3	(8.2)	(18.5)
Effective income tax rate	29.8%	30.5%	(7.8%)	(12.8%)
	-	-	-	-

Deferred income tax

Deferred income tax at 30 June relates to the following:

	Balance sheet		Income statement	
	2009	2008	2009	2008
	$m	$m	$m	$m
Consolidated				
Deferred tax liabilities				
Land, buildings and improvements	(0.4)	(4.3)	-	(0.1)
Revaluations of available-for-sale financial assets to fair value	3.1	(3.6)	3.1	(5.1)
Deferred gains and losses of interest rate swaps	(11.9)	(68.3)	69.6	0.8
Deferred gains and losses on foreign exchange contracts	2.1	1.3	(3.0)	(0.6)
Intangible assets on acquisition	(62.0)	(88.3)	62.0	8.4
Deferred expenses	(13.0)	(5.5)	4.1	2.4
Borrowing costs	-	(3.6)	0.4	7.1
Lease receivable	(0.5)	(12.7)	1.5	(0.1)
Prepayments	0.3	-	(2.1)	-
Other	(9.4)	(1.8)	4.4	0.1
Deferred tax liabilities	(91.7)	(186.8)		
Deferred tax assets				
Accrued expenses	0.6	5.2	5.2	(3.4)
Deferred expenses	9.6	22.4	(11.8)	(23.6)
Merger costs	0.2	8.0	0.6	(1.9)
Intangible liabilities on acquisition	14.8	50.6	(14.8)	(20.3)
Post-employment benefits	13.3	12.1	(1.2)	(0.1)
Deferred gains and losses of interest rate swaps	108.6	(0.1)	(65.2)	-
Expenses tax depreciable	1.4	1.1	-	(0.1)
Losses available for offset against future taxable income	10.2	10.2	-	-
Land, buildings and improvements	6.1	4.9	0.2	(1.2)
Plant and equipment	(4.4)	3.7	0.1	(0.6)
Movement in provisions	5.5	8.0	2.5	(3.1)
Prepaid income	12.0	24.1	12.0	(3.1)
Movement in loan provisions	30.9	19.5	(12.8)	(3.2)
Other	3.2	(5.3)	3.4	(0.1)
Deferred tax assets	212.0	164.4		
Deferred tax income/(expense)			58.2	(47.8)

INCOME TAX EXPENSE (continued)

	Balance sheet		Income statement	
	2009	2008	2009	2008
Parent	$m	$m	$m	$m
Deferred tax liabilities				
Land, buildings and improvements	(0.2)	(0.1)	-	(0.1)
Revaluations of available-for-sale financial assets to fair value	3.1	(1.8)	3.1	(6.7)
Deferred gains and losses of interest rate swaps	(14.6)	(27.7)	132.2	-
Deferred expenses	(13.0)	(9.6)	4.1	6.6
Intangible assets on acquisition	(62.0)		62.0	
Prepayments	(0.7)		(1.0)	
Other	(8.1)	0.4	4.6	(0.4)
Deferred tax liabilities	(95.5)	(38.8)		
Deferred tax assets				
Post-employment benefits	13.3	7.9	(1.3)	(0.7)
Deferred expenses	9.6	-	(9.6)	-
Intangible liabilities on acquisition	14.8	-	(14.8)	-
Deferred gains and losses of interest rate swaps	116.7	46.3	(73.4)	(43.7)
Expenses tax depreciable	1.3	1.1	-	(0.1)
Land, buildings and improvements	6.1	3.8	(0.8)	(0.7)
Plant and equipment	(4.5)	2.7	(0.5)	(0.5)
Movement in provisions	5.5	7.9	2.4	(3.2)
Prepaid income	1.2	1.5	0.3	0.2
Movement in loan provisions	30.8	5.8	(12.9)	(0.1)
Other	(8.0)	7.3	10.3	(2.5)
Deferred tax assets	186.8	84.3		
Deferred tax income/(expense)			104.7	(51.9)

At 30 June 2009, there is no unrecognised deferred income tax liability (2008: Nil) for taxes that would be payable on the unremitted earnings of certain of the group's subsidiaries 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 group allocation method based on a notional standalone calculation, while deferred taxes are calculated by 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. The tax funding agreement is in accordance with AASB Interpretation 1052 Tax Consolidation Accounting (UIG 1052). Where the tax funding agreement is not in accordance with UIG 1052, 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.

INCOME TAX EXPENSE (continued)

Taxation of Financial Arrangements

The tax laws amendment (Taxation of Financial Arrangements) Act 2009 (TOFA legislation) was enacted during the year. The TOFA legislation provides a framework for the taxation of financial arrangements, potentially providing a closer alignment between tax and accounting requirements. The regime also includes comprehensive tax hedging rules that allow the tax recognition of gains and losses on many hedged instruments to be matched to the recognition of gains and losses of the underlying hedged items.

TOFA is mandatory for the Bendigo and Adelaide Bank Limited for tax years beginning on or after 1 July 2010. An early adoption choice is available for tax years beginning on or after 1 July 2009. In addition, there are specific transitional provisions in relation to the taxation of existing financial arrangements existing at the transition date (i.e. there is a choice to bring pre commencement financial arrangements into the new regime subject to a balancing adjustment being calculated on transition be returned over the next succeeding four tax years).

Bendigo and Adelaide Bank Limited may make the election to early adopt TOFA and the election to bring pre commencement financial arrangements into the regime at any time on or before the first tax return lodgement date in the tax year beginning on or after 1 July 2009.

Bendigo and Adelaide Bank Limited is currently assessing the potential effect of TOFA legislation, but has not yet determined whether it will be early adopting TOFA nor whether it will bring pre commencement financial arrangements into the TOFA regime.

7. AVERAGE BALANCE SHEET AND RELATED INTEREST

For the twelve month period ended 30 June 2009

	Footnote	Average Balance $m	Interest 12 mths $m	Average Rate %
Average balances and rates	1			
Interest earning assets				
Cash and investments		6,125.4	303.2	4.95
Loans and other receivables - company		33,201.9	2,514.0	7.57
Loans and other receivables - alliances		6,008.7	396.2	6.59
Total interest earning assets	2	45,336.0	3,213.4	7.09
Non interest earning assets				
Provisions for doubtful debts		(76.2)		
Other assets		3,185.7		
		3,109.5		
Total assets (average balance)		48,445.5		
Interest bearing liabilities				
Deposits				
Retail - company		18,802.7	990.5	5.27
Retail - alliances		8,177.8	462.3	5.65
Wholesale - domestic		4,803.4	354.6	7.38
Wholesale - offshore		981.1	68.5	6.98
Notes payable		10,235.3	654.1	6.39
Reset preference shares		89.5	5.6	6.26
Subordinated debt		652.5	42.8	6.56
Total interest bearing liabilities	2	43,742.3	2,578.4	5.89
Non interest bearing liabilities and equity				
Other liabilities		1,654.0		
Equity		3,049.2		
		4,703.2		
Total liabilities and equity		48,445.5		
Interest margin and interest spread				
Interest earning assets		45,336.0	3,213.4	7.09
Interest bearing liabilities		(43,742.3)	(2,578.4)	(5.89)
Net interest income and interest spread	3		635.0	1.20
Net free liabilities				0.20
Net interest margin	4			1.40
Impact of community bank/alliances profit share arrangements				
Net interest margin before community bank/alliances share of net interest income				1.66
Less impact of community bank/alliances share of net interest income				0.26
Net interest margin				1.40

1 Average balance is based on monthly closing balances from 30 June 2008 through 30 June 2009 inclusive.
2 Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by $58.7m 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 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		24,450.9	2,122.9	8.68
Loans and other receivables - alliances		5,060.1	386.4	7.64
Total interest earning assets	2	33,636.7	2,775.1	8.25
Non interest earning assets				
Provisions for doubtful debts		(41.0)		
Other assets		2,040.6		
		1,999.6		
Total assets (average balance)		35,636.3		
Interest bearing liabilities				
Deposits				
Retail - company		13,036.7	726.9	5.58
Retail - alliances		5,906.0	383.1	6.49
Wholesale - domestic		3,978.8	300.8	7.56
Wholesale - offshore		1,721.8	119.2	6.92
Notes payable		7,288.4	598.3	8.21
Reset preference shares		52.2	3.2	6.13
Subordinated debt		549.0	46.1	8.40
Total interest bearing liabilities	2	32,532.9	2,177.6	6.69
Non interest bearing liabilities and equity				
Other liabilities		833.5		
Equity		2,269.9		
		3,103.4		
Total liabilities and equity		35,636.3		
Interest margin and interest spread				
Interest earning assets		33,636.7	2,775.1	8.25
Interest bearing liabilities		(32,532.9)	(2,177.6)	(6.69)
Net interest income and interest spread	3		597.5	1.56
Net free liabilities				0.22
Net interest margin	4			1.78

Impact of community bank/alliances profit share arrangements	
Net interest margin before community bank/alliances share of net interest income	2.10
Less impact of community bank/alliances share of net interest income	0.32
Net interest margin	1.78

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.

8. CAPITAL MANAGEMENT

a. Capital management

Bendigo and Adelaide Bank Limited 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 the APRA Prudential Standards. Capital adequacy is measured at two levels:

- Level 1 includes Bendigo and Adelaide Bank Limited 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 and Adelaide Bank 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 the Bank's capital management process, the Board considers the Group's strategy, financial performance objectives, credit ratings and other factors relating to the efficient management of capital in setting target ratios of capital above the regulatory required levels. These processes are formalised within the Bank's internal capital adequacy assessment process (or ICAAP).

The Bank has adopted the Prudential Capital Adequacy Standardised Approach to credit risk, operational risk and market risk, which requires the Group to determine capital requirements based on standards set by APRA. The Bank has satisfied the minimum capital requirements at Levels 1 and 2 throughout the 2008/9 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 the Bank's eligible capital must be held in the form of Tier 1 capital.

b. Rural Bank

Bendigo and Adelaide Bank increased its ownership in Rural Bank in May 2009.

The purchase took the Bank's ownership in Rural Bank from 50% to 60%. The increase in ownership requires Bendigo and Adelaide Bank to consolidate Rural Bank for capital adequacy purposes from May 2009.

The consolidation for capital adequacy purposes in May 2009 required Bendigo and Adelaide Bank to consolidate the risk weighted assets of Rural Bank totalling approximately $4.0 billion while incorporating Elders Limited minority interest of approximately $126 million as fundamental Tier 1 capital. Bendigo and Adelaide Bank's investment in Rural Bank was previously treated as a 100% deduction from Tier 2 capital on a consolidated (Level 2) basis under transitional relief from APRA until March 31, 2010.

CAPITAL MANAGEMENT (continued)

c. Capital adequacy

	Consolidated	
	As at June 2009 $m	As at June 2008 $m
Risk weighted capital ratios		
Tier 1	7.43%	7.53%
Tier 2	3.48%	2.91%
Total capital ratio	10.91%	10.44%
Qualifying capital		
Tier 1		
Contributed capital	3,003.9	2,706.3
Retained profits & reserves	(260.4)	207.5
Minority interests	126.6	-
Innovative tier 1 capital	277.9	277.9
Less,		
Intangible assets, cash flow hedges and capitalised expenses	1,321.4	1,592.5
Net deferred tax assets	11.5	66.9
50/50 deductions	19.6	40.6
Other adjustments as per APRA advice	1.8	-
Total tier 1 capital	1,793.7	1,491.7
Tier 2		
General reserve for credit losses/collective provision (net of tax effect)	129.5	103.6
Subordinated debt	722.1	681.8
Asset revaluation reserves	8.7	11.4
	860.3	796.8
Less,		
50/50 deductions	19.6	40.6
Other adjustments as per APRA advice	-	179.5
Subsidiary investment residual	-	-
Total tier 2 capital	840.7	576.7
Less,		
Investments in non-consolidated subsidiaries or joint ventures and other bank's capital instruments	-	-
Total qualifying capital	2,634.4	2,068.4
Total risk weighted assets	**24,155.0**	**19,820.8**

CAPITAL MANAGEMENT (continued)

d. 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 2009	As at June 2008
	$m	$m
Shareholders' equity	3,091.5	2,766.9
Minority interest equity	126.6	-
Retained earnings	123.8	242.0
Expected dividends	(45.1)	(99.4)
Goodwill	(1,598.9)	(1,460.4)
Other deductions	(1.8)	(4.5)
	1,696.1	1,444.6
Adjusted Common Equity ratio to risk weighted assets	7.02%	7.29%
Investments in joint ventures equity accounted for	(3.2)	(185.2)
Hybrid capital	278.0	278.0
Subsidiary investment residual	(9.0)	(9.0)
Adjusted total equity	1,961.9	1,528.4
Adjusted Total Equity ratio to risk weighted assets	8.12%	7.71%

9. EARNINGS PER ORDINARY SHARE

	Consolidated	
	2009	2008
	Cents per share	Cents per share
Basic earnings per ordinary share	25.6	87.7
Diluted earnings per ordinary share	25.6	87.6
Cash basis earnings per ordinary share	62.9	111.1
	$m	$m
Reconciliation of earnings used in the calculation of basic earnings per ordinary share		
Profit after tax	83.8	199.0
(Profit)/loss attributable to minority interests	-	(0.7)
Dividends paid on preference shares	(4.5)	(5.5)
Dividends paid/accrued on step up preference shares	(5.0)	(3.7)
	74.3	189.1
Reconciliation of earnings used in the calculation of diluted earnings per ordinary share		
Earnings used in calculating basic earnings per ordinary share	74.3	189.1
	74.3	189.1

EARNINGS PER ORDINARY SHARE (continued)

	Consolidated	
	2009	2008
Reconciliation of earnings used in the calculation of cash basis earnings per ordinary share		
Earnings used in calculating basic earnings per ordinary share	74.3	189.1
After tax intangibles amortisation (excluding software amortisation)	18.5	15.4
After tax significant income and expense items (1)	89.4	35.1
	182.2	239.6

	No. of shares	No. of shares
Weighted average number of ordinary shares used in basic and cash basis earnings per ordinary share	289,778,761	215,528,083
Effect of dilution - executive performance rights	430,151	294,427
Effect of dilution - preference shares	-	-
Weighted average number of ordinary shares used in diluted earnings per ordinary share	290,208,912	215,822,510

(1) Significant income and expense items after tax comprise:	$m	$m
Income		
Ineffective cash flow hedges	65.5	19.8
Realised accounting gain on Visa Inc shares	-	(17.6)
Realised accounting gain on equity investments	(18.2)	-
Expense		
Expense relating to an issue of shares to staff under the Employee Share Plan	-	1.0
Expenses relating to withdrawn capital raising	1.1	-
Shortfall relating to Employee Share Plan	3.7	2.1
Impairment loss - equity investments	7.0	21.1
Integration costs	29.0	6.6
Fair value adjustment - head office development	1.3	1.4
ATO audit costs	-	0.7
	89.4	35.1

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 2009

On 10 August 2009 the Bank announced it intention to raise up to $300 million of capital (44,444,445 ordinary fully paid shares) pursuant to an entitlement offer and placement offer as described in the prospectus lodged with the ASX on 10 August 2009. A maximum of 18,757,475 shares will be issued under the placement offer and a maximum of 25,686,970 shares will be issued under the entitlement offer.

Information on the classification of securities - Executive performance 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	
	2009	2008
Preference shares	No	No
Step up preference shares	No	No
Reset preference shares	No	No
Executive share options	No	No
Executive performance rights	Yes	Yes

10. DIVIDENDS

	Consolidated		Parent	
	2009	2008	2009	2008
	$m	$m	$m	$m
Dividends paid or proposed				
Ordinary shares				
Dividends paid during the year				
current year				
Interim dividend (28.0 cents per share) (2008 - 28.0 cents per share)	81.8	71.7	81.8	71.7
previous year				
Final dividend (37.0 cents per share) (2008 - 34.0 cents per share)	98.8	46.8	98.8	46.8
	180.6	118.5	180.6	118.5
Dividends proposed since the reporting date, but not recognised as a liability				
Final dividend (15.0 cents per share) (2008: 37.0 cents per share)	45.1	99.4	45.1	99.4

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 2009.

Preference shares				
Dividends paid during the year				
161.60 cents per share paid on 15 September 2008(2007: 142.66 cents)	1.5	1.3	1.5	1.3
152.98 cents per share paid on 15 December 2008 (2007: 147.76 cents)	1.4	1.3	1.4	1.3
104.89 cents per share paid on 17 March 2009 (2008: 154.28 cents)	0.9	1.4	0.9	1.4
79.12 cents per share paid on 15 June 2009 (2008: 162.85 cents)	0.7	1.5	0.7	1.5
	4.5	5.5	4.5	5.5
Step up preference shares				
Dividends paid during the year				
168.00 cents per share paid on 10 July 2008 (2007: Nil)	1.7	-	1.7	-
167.00 cents per share paid on 10 October 2008 (2007: Nil)	1.6	-	1.6	-
138.00 cents per share paid on 12 January 2009 (2008: 152.00)	1.4	1.5	1.4	1.5
98.00 cents per share paid on 14 April 2009 (2008: 155.00)	1.0	1.6	1.0	1.6
	5.7	3.1	5.7	3.1
Convertible preference shares				
Dividends paid during the year				
0.0448 cents per share paid on 6 Feb 2009 (2008: Nil)	0.1	-	0.1	-
0.0867 cents per share paid on 6 March 2009 (2008: Nil)	0.2	-	0.2	-
0.1345 cents per share paid on 7 April 2009 (2008: Nil)	0.1	-	0.1	-
	0.4	-	0.4	-

Dividend franking account				
Balance of franking account as at end of financial year			249.4	230.4
Franking credits that will arise from the payment of income tax provided for in the financial report			(84.4)	11.1
Franking credits that will arise from the receipt of dividends recognised as receivables as at end financial year			(3.6)	(3.1)
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			(19.3)	(43.6)
			142.1	194.8

The tax rate at which dividends have been franked is 30% (2008: 30%).
Dividends proposed will be franked at the rate of 30% (2008: 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	142.3	95.0	142.3	95.0
Satisfied by issue of shares	48.9	32.1	48.9	32.1
	191.2	127.1	191.2	127.1

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 2009. Shares issued under this Plan rank equally with all other ordinary shares.

DIVIDENDS (continued)

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 2009. 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 2009 final dividend was 2 September 2009.

11. RETURN ON AVERAGE ORDINARY EQUITY

	Consolidated	
	2009	2008
	%	%
Return on average ordinary equity	2.37	9.70
Pre-significant items return on average ordinary equity	5.22	11.50
Cash basis return on average ordinary equity	5.82	12.29
	$m	$m
Reconciliation of earnings used in the calculation of return on average ordinary equity		
Net profit for the year	83.8	199.0
(Profit)/loss attributable to minority interests	-	(0.7)
Dividends paid on preference shares	(4.5)	(5.5)
Dividends paid/accrued on step up preference shares	(5.0)	(3.7)
Earnings used in calculation of return on average ordinary equity	74.3	189.1
After tax significant income and expense items	89.4	35.1
Earnings used in calculation of pre-significant items return on average ordinary equity	163.7	224.2
After tax intangibles amortisation (excluding amortisation of intangible software)	18.5	15.4
Earnings used in calculation of cash basis return on average ordinary equity	182.2	239.6

Reconciliation of ordinary equity used in the calculation of return on average ordinary equity

	2009 $m	2008 $m
Total equity	3,118.7	3,297.9
Preference share net capital	(188.5)	(188.5)
Asset revaluation reserve - shares	(5.5)	(14.8)
Unrealised gains/losses on cash flow hedge reserve	303.7	(55.8)
Ordinary equity	3,228.4	3,038.8
Average ordinary equity	3,133.6	1,949.1

The above calculation uses a basic average balance calculation, consistent with previous years. If a monthly average balance calculation was used for the 2008 year, 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 2009	Consolidated 2008
Net tangible assets per ordinary share	$ 4.31	$ 5.60

Reconciliation of net tangible assets used in calculation of net tangible assets per ordinary share

	$m	$m
Net assets	3,118.7	3,297.9
Intangibles	(1,598.9)	(1,570.4)
Preference shares - face value	(90.0)	(90.0)
Step up preference shares - face value	(100.0)	(100.0)
Net tangible assets	1,329.8	1,537.5
Number of ordinary shares on issue at reporting date	308,243,636	274,678,383

13. CASH FLOW STATEMENT RECONCILIATION

	Consolidated 2009 $m	Consolidated 2008 $m	Parent 2009 $m	Parent 2008 $m
Profit after tax	83.8	199.0	113.6	163.0
Non-cash items				
Doubtful debts expense	86.2	25.7	63.7	7.7
Amortisation	32.7	11.1	5.8	5.2
Depreciation	18.4	16.7	15.7	13.2
Revaluation (increments)/decrements	(9.5)	16.0	(0.7)	19.5
Equity settled transactions	11.9	4.4	11.9	6.1
Share of joint ventures' net profits	(30.9)	(26.4)	-	-
Dividends received/(accrued) from joint ventures	32.8	13.0	-	-
Profits on sale of investment securities	(22.1)	(0.5)	(17.1)	(0.5)
Impairment loss on investments	-	4.0	-	-
(Profits)/losses on sale of property, plant & equipment	0.5	(0.4)	-	(0.4)
Acquisition accounting for intangibles and fair value adjustments	-	(27.8)	-	-
Changes in assets and liabilities				
Increase/(decrease) in tax provision	84.7	34.1	18.9	(29.7)
Increase/(decrease) in deferred tax assets & liabilities	(123.6)	(4.4)	(82.4)	(34.8)
(Increase)/decrease in accrued interest	5.6	(21.5)	32.1	(15.9)
Increase in accrued employees entitlements	(3.2)	21.6	(2.8)	11.1
Increase/(decrease) in other accruals, receivables and provisions	(40.0)	(106.4)	(295.9)	72.2
Net cash flows from/(used in) operating activities	127.3	158.2	(137.2)	216.7

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	
	2009	2008	2009	2008
	$m	$m	$m	$m
Notes, coin and cash at bank	351.0	809.1	150.2	198.6
Investments at call	561.6	386.8	377.3	241.9
	912.6	1,195.9	527.5	440.5
Reconciliation of cash and cash equivalents				
For the purposes of the cash flow statement, cash and cash equivalents includes:				
Cash and cash equivalents	912.6	1,195.9	527.5	440.5
Due from other financial institutions	235.4	412.7	235.4	237.6
Due to other financial institutions	(196.3)	(269.7)	(196.3)	(151.7)
	951.7	1,338.9	566.6	526.4

15. FINANCIAL ASSETS HELD FOR TRADING

	Consolidated		Parent	
	2009	2008	2009	2008
	$m	$m	$m	$m
Bank discount securities	26.0	29.9	26.0	-
Other discount securities	3,020.1	1,026.9	4,751.1	-
Floating rate notes	599.5	259.7	599.5	-
Government securities	236.7	98.3	236.7	-
	3,882.3	1,414.8	5,613.3	-
Maturity analysis				
Not longer than 3 months	2,796.4	745.7	4,153.3	-
Longer than 3 and not longer than 12 months	798.1	481.7	798.1	-
Longer than 1 and not longer than 5 years	287.8	187.4	340.4	-
Over 5 years		-	321.5	-
	3,882.3	1,414.8	5,613.3	-

16. FINANCIAL ASSETS AVAILABLE FOR SALE - SECURITIES

	Consolidated		Parent	
	2009	2008	2009	2008
	$m	$m	$m	$m
Negotiable securities				
Bank accepted bills of exchange				
Negotiable certificates of deposit	-	307.2	-	407.2
Government securities	-	15.0	-	15.0
Bank accepted bills of exchange	-	99.8	-	99.8
Reset preference Shares	-	-	-	89.5
	-	422.0	-	611.5
Maturity analysis				
Not longer than 3 months	-	422.0	-	522.0
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	-	611.5
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	
	2009	2008	2009	2008
	$m	$m	$m	$m
Share investments at fair value				
Listed share investments	81.2	79.7	3.0	74.5
Unlisted share investments	2.9	4.9	2.9	2.7
	84.1	84.6	5.9	77.2
Share investments at cost				
Other share investments	-	-	-	-

Unlisted shares - estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates. Management believes the estimated fair values resulting from the valuation techniques and recorded in the balance sheet and the related changes in fair values recorded in equity are reasonable and the most appropriate at the balance sheet date.

Recognised gains / (losses) before tax:				
Gain/(loss) recognised directly in equity	(15.2)	(56.0)	(17.0)	(56.7)
Amount removed from equity and recognised in (profit)/loss	0.9	29.9	0.1	29.8

18. FINANCIAL ASSETS HELD TO MATURITY

	Consolidated		Parent	
	2009	2008	2009	2008
	$m	$m	$m	$m
Negotiable securities				
Bank accepted bills of exchange	1.8	5.3	-	-
Negotiable certificates of deposit	28.4	798.9	-	1,131.4
Government securities	-	204.3	-	204.3
Other	301.7	394.1	266.4	337.7
	331.9	1,402.6	266.4	1,673.4
Non negotiable securities				
Deposits - banks	-	-	-	-
Deposits - other	13.0	12.0	-	-
Other	-	-	-	-
	13.0	12.0	-	-
	344.9	1,414.6	266.4	1,673.4
Maturity analysis				
Not longer than 3 months	135.6	813.8	85.5	1,077.9
Longer than 3 and not longer than 12 months	100.9	333.9	85.5	328.6
Longer than 1 and not longer than 5 years	108.4	266.9	95.4	266.9
Over 5 years	-	-	-	-
	344.9	1,414.6	266.4	1,673.4

19. LOANS AND OTHER RECEIVABLES

	Consolidated		Parent	
	2009	2008	2009	2008
	$m	$m	$m	$m
Loans and other receivables - investments	505.7	517.6	505.7	-
Overdrafts	3,283.7	3,184.3	3,282.8	3,136.2
Credit cards	184.1	289.9	184.1	169.9
Term loans	30,655.3	32,018.9	30,383.4	11,313.4
Margin lending	3,329.9	3,767.1	-	63.4
Lease receivables	582.3	434.3	578.5	405.9
Factoring receivables	38.5	46.2	38.5	9.4
Other	343.4	-	334.1	-
Gross loans and other receivables	38,417.2	39,740.7	34,801.4	15,098.2
Specific provision for impairment (Note 20)	(67.7)	(22.1)	(58.6)	(9.5)
Collective provision for impairment (Note 20)	(44.3)	(36.8)	(44.0)	(10.0)
Unearned income	(89.6)	(106.7)	(87.2)	(60.3)
	(201.6)	(165.6)	(189.8)	(79.8)
Deferred Costs	19.6	12.3	(13.2)	-
Net loans and other receivables	38,235.2	39,587.4	34,598.4	15,018.4
Impaired loans				
Loans - without provisions	79.4	16.2	79.3	-
- with provisions	144.2	43.2	128.3	12.9
Restructured Loans	7.4	-	7.4	
less specific impairment provisions	(66.9)	(21.6)	(57.8)	(9.0)
Net impaired loans	164.1	37.8	157.2	3.9
Net impaired loans % of loans and other receivables	0.42%	0.09%	0.45%	0.03%
Portfolios facilities - past due 90 days, not well secured	4.1	2.4	4.1	2.4
less impairment provisions	(0.8)	(0.5)	(0.8)	(0.5)
Net portfolio facilities	3.3	1.9	3.3	1.9
Loans past due 90 days				
Accruing loans past due 90 days, with adequate security balance	340.7	281.4	339.3	54.1
Amount in arrears	61.0	38.1	61.0	6.2

Accruing loans past due 90 days balance includes $18.2 million (2008: $6.5 million) of loans due to their review date expiring more than 90 days ago, but

which are not in payment default.

Net fair value of properties acquired through the enforcement of security	52.8	88.3	52.8	15.3
Interest income recognised				
Interest income recognised in respect of impaired loans	0.2	0.3	0.2	0.3
Interest income forgone in respect of impaired loans	5.4	0.8	1.3	0.8

Interest income recognised is the interest income actually received subsequent to these balances becoming impaired or restructured.
Interest income forgone is the gross interest income that would have been recorded during the financial year had the interest on such loans been included in income.

Maturity analysis (1)				
At call / overdrafts	2,645.3	2,235.2	2,403.5	2,111.2
Not longer than 3 months	4,799.5	4,684.3	3,452.7	1,036.7
Longer than 3 and not longer than 12 months	2,032.8	2,613.2	1,861.0	2,072.7
Longer than 1 and not longer than 5 years	6,737.3	8,683.5	6,263.4	6,534.0
Longer than 5 years	22,708.0	22,042.2	21,326.5	3,343.6
	38,922.9	40,258.3	35,307.1	15,098.2

1 *Balances exclude specific and general provisions for doubtful debts and unearned revenue.*

LOANS AND OTHER RECEIVABLES (continued)

Derecognition of securitised loan portfolios

The parent entity ("the Bank") through its loan securitisation program, securitises mortgage loans to the Torrens Trust and Lighthouse Trusts ("the Trusts") which in turn issue rated securities to investors.

The Bank holds income and capital units in the Trusts at nominal values, which entitles the Bank to receive excess income, if any, generated by the securitised assets, while the capital units receive upon termination of the Trust any residual capital value.

Fees are received for various services provided to the Trusts on an arms length basis, including the servicing fee and management fees and are reported in the Income Statement. As the value of fees and excess income is influenced by the financial performance of the Trust, the Bank has determined that substantially all of the risks and rewards of these securitised loan portfolios have been retained and consequently, the loans have not been derecognised. Securitised mortgage loans totalling $10,956.8 million are reported in loans and receivables of the parent entity.

Investors in the Trust have no recourse against the Bank if cash flows from the securitised loans are inadequate to service the obligations of the Trusts.

20. IMPAIRMENT OF LOANS AND ADVANCES

	Consolidated		Parent	
	2009	2008	2009	2008
	$m	$m	$m	$m
Specific provision for impairment				
Opening balance	22.1	8.4	9.5	8.1
Provision acquired in business combination	-	6.9	-	-
Charged to income statement	57.5	13.7	42.0	8.3
Transfer of Adelaide business	-	-	15.5	-
Impaired debts written-off applied to specific impairment provision	(11.9)	(6.9)	(8.4)	(6.9)
Closing balance	67.7	22.1	58.6	9.5
Collective provision for impairment				
Opening balance	36.8	11.4	10.0	11.0
Provision acquired in business combination	-	22.5	-	-
Charged to income statement	7.5	2.9	7.6	(1.0)
Transfer of Adelaide business	-	-	26.4	-
Closing balance	44.3	36.8	44.0	10.0
General reserve for credit losses				
Opening balance	76.2	45.3	46.2	45.3
Provision acquired in business combination	-	36.6	-	-
Transfer of Adelaide business	-	-	30.0	
Charged to equity	9.9	(5.7)	9.9	0.9
Closing balance	86.1	76.2	86.1	46.2
Bad and doubtful debts expense				
Specific provisions for impairment	57.5	13.7	42.0	8.3
Collective provision	7.5	-	26.4	(1.0)
Bad debts written off	21.2	9.1	14.1	0.4
Bad debts recovered	(5.9)	(2.6)	(4.0)	(0.7)
	80.3	23.1	59.7	7.0
Ratios				
Specific provision as % of gross loans less unearned income	0.18%	0.06%		
Collective provision (net of tax) & General reserve for credit losses as a % of risk-weighted assets	0.54%	0.51%		

21. PARTICULARS IN RELATION TO CONTROLLED ENTITIES

		Principal Activities
Chief entity		
Bendigo and Adelaide Bank Limited		Banking
Directly Controlled Operating Entities	(1) (2)	
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 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
Hindmarsh Financial Services Ltd		Investment company
Leveraged Equities Ltd		Margin Lending
Leveraged Equities 2009 Trust		Margin Lending
Pirie Street Custodian Ltd		Provider of share nominee services for margin lending
Pirie Street 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
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
Sunstate Lenders Mortgage Insurance Pty Ltd		Mortgage insurance
Victorian Securities Corporation Ltd		Financial services
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 2008-1 Torrens Trust		Securitisation
Lighthouse Warehouse Trust No 4		Securitisation
Series 2004-1 Torrens Trust		Securitisation
Series 2005-3 (E) Torrens Trust		Securitisation
NIM Trust		Securitisation

PARTICULARS IN RELATION TO CONTROLLED ENTITIES (continued)

	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
Torrens Series 2008-2(W) Trust	Securitisation
Torrens Series 2008-3 Trust	Securitisation
Torrens Series 2008-4 Trust	Securitisation
Torrens Series 2009-1 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 JOINT VENTURES USING THE EQUITY METHOD

Name	Ownership interest held by consolidated entity 2009 %	Ownership interest held by consolidated entity 2008 %	Balance date
Rural Bank Ltd (1)	60.0	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
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	33.3	30 June

(i) Principal activities of joint venture companies
Rural Bank Ltd - financial services
Tasmanian Banking Services Ltd - financial services
Community Sector Enterprises Pty Ltd - financial services
Homesafe Solutions 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

(1) The Rural Bank joint venture is subject to a shareholders agreement. This agreement has not changed despite the change of ownership such that it continues to be a substantive jointly controlled entity. Therefore the AASB 127 control test has not been met as at 30 June 2009 and as a result we have equity accounted for this entity.

All joint venture companies are incorporated in Australia, and have a balance date of 30 June 2009.

(ii) Share of joint ventures' revenue and profits

	2009 $m	2008 $m
Share of joint ventures':		
- revenue	99.6	67.3
- expense	68.7	40.9
- profit before income tax	30.9	26.4
- income tax expense	10.3	9.2
- profit after income tax	20.6	17.2

	2009 $m	2008 $m
Share of joint ventures' operating profits after income tax:		
- Rural Bank Ltd	22.8	20.8
- Tasmanian Banking Services Ltd	0.9	1.0
- Community Sector Enterprises Pty Ltd	(0.3)	0.5
- Homesafe Solutions Pty Ltd	(0.5)	(0.7)
- Silver Body Corporate Financial Services Pty Ltd	0.2	0.2
- Community Telco Australia Pty Ltd	(1.2)	(1.9)
- Strategic Payments Services Pty Ltd	(1.3)	(2.7)
	20.6	17.2

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.

INVESTMENTS IN JOINT VENTURES USING THE EQUITY METHOD (continued)

(iii) Carrying amount of investments in joint ventures		
Balance at the beginning of financial year	185.2	156.3
- carrying amount of investment in joint ventures acquired during the year	66.5	24.3
- dividends received from joint ventures	(34.3)	(14.6)
- share of joint ventures' net profits (losses) for the financial year	20.6	17.2
- share of joint ventures' movements in retained earnings for the financial year	0.1	0.1
- share of joint ventures' movements in reserves for the financial year	(12.2)	1.9
Carrying amount of investments in joint ventures at the end of the financial year	225.9	185.2
Represented by:		
Investments at equity accounted amount:		
- Rural Bank Ltd	222.7	179.4
- Tasmanian Banking Services Ltd	2.2	2.3
- Community Sector Enterprises Pty Ltd	0.2	0.5
- Homesafe Solutions Pty Ltd	-	0.1
- Silver Body Corporate Financial Services Pty Ltd	0.5	0.5
- Community Telco Australia Pty Ltd	-	1.3
- Strategic Payment Services Pty Ltd	0.3	1.1
	225.9	185.2

There are no impairment losses relating to investments in joint ventures.

Unrecognised losses relating to joint ventures	0.2	-

	Total		Rural Bank Limited	
	2009	2008	2009	2008
(iv) The consolidated entity's share of the assets and liabilities of joint venture in aggregate				
Assets	2,147.0	2,122.4	2,137.8	2,111.5
Liabilities	1,977.0	1,959.8	1,970.3	1,954.5
Net Assets	170.0	162.6	167.5	157.0
(v) Amount of retained profits of the consolidated entity attributable to joint ventures	59.1	72.8		

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	
	2009	2008	2009	2008
	$m	$m	$m	$m
(a) Carrying Value				
Property				
Freehold land - at fair value [1]	9.3	9.3	6.5	0.3
	9.3	9.3	6.5	0.3
Freehold buildings - at fair value [1]	29.7	22.5	4.8	0.2
Accumulated depreciation	(1.0)	(0.5)	5.8	-
	28.7	22.0	10.6	0.2
Leasehold improvements - at cost	60.7	47.4	60.7	44.1
Accumulated depreciation	(20.9)	(17.3)	(20.9)	(15.8)
	39.8	30.1	39.8	28.3
	77.8	61.4	56.9	28.8
Other				
Plant, furniture, fittings, office equipment & vehicles - at cost	170.2	180.2	167.4	101.8
Accumulated depreciation	(132.1)	(128.1)	(130.5)	(63.9)
	38.1	52.1	36.9	37.9
	115.9	113.5	93.8	66.7
(b) Reconciliations				
Freehold land [1]				
Carrying amount at beginning of financial year	9.3	5.8	0.3	0.4
Additions	-	-	-	-
Additions through acquisition of entities	-	8.2	-	-
Revaluations	-	-	-	-
Disposals	-	(4.7)	-	(0.1)
Transfer to assets	-	-	6.2	-
	9.3	9.3	6.5	0.3
Freehold buildings [1]				
Carrying amount at beginning of financial year	22.0	1.2	0.2	0.3
Additions	7.5	-	-	-
Additions through acquisition of entities	-	21.4	-	-
Revaluations	-	-	-	
Disposals	-	(0.1)	-	(0.1)
Depreciation expense	(0.8)	(0.5)	(0.2)	-
Transfer to assets	-	-	10.6	-
	28.7	22.0	10.6	0.2
Leasehold improvements - at cost				
Carrying amount at beginning of financial year	30.1	24.6	28.3	24.6
Acquisitions	-	-	-	-
Additions	14.3	7.3	14.2	6.9
Additions through acquisition of entities	-	1.6	-	-
Disposals	(0.3)	-	(0.3)	-
Depreciation expense	(4.3)	(3.4)	(4.1)	(3.2)
Transfer to assets	-	-	1.7	-
	39.8	30.1	39.8	28.3
Plant, furniture, fittings, office equipment & vehicles				
Carrying amount at beginning of financial year	52.1	29.9	37.9	28.3
Acquisitions	-	-	-	-
Additions	3.4	21.8	2.7	20.6
Additions through acquisition of entities	-	14.5	-	-
Re-classification to assets held for sale	-	-	-	-
Disposals	(4.1)	(1.2)	(0.7)	(1.1)
Depreciation expense	(13.3)	(12.9)	(11.6)	(9.9)
Transfer to assets	-	-	8.6	-
	38.1	52.1	36.9	37.9

If land and buildings were measured using the cost model the carrying amounts would be as follows:

Land	8.6	8.6	0.1	0.1
Buildings	29.3	38.3	0.1	0.1
Accumulated depreciation and impairment	(1.1)	(6.6)	-	-
Net carrying amount	36.8	40.3	0.2	0.2

1 Properties obtained as part of the acquisition of Adelaide Bank Limited were independently valued in November 2007, using a capitialisation rate of 6.875%. The value of these properties totals $29.0 million. The remaining properties of the group 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	
	2009	2008	2009	2008
	$m	$m	$m	$m
Carrying amount at beginning of financial year	105.5	93.4	3.2	-
Additions	6.9	15.2	-	4.3
Fair value adjustment	(5.3)	(3.1)	(3.2)	(1.1)
Disposals	(107.1)			
	-	105.5	-	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	
	2009	2008	2009	2008
	$m	$m	$m	$m
Carrying amount at beginning of financial year	80.4	34.2	-	-
Additions	26.3	41.0	-	-
Net gain from fair value adjustments	8.9	5.2	-	-
	115.6	80.4	-	-

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	
	2009	2008	2009	2008
	$m	$m	$m	$m
(a) Carrying value				
Intangible assets				
Customer list - at cost	4.7	4.7	0.1	-
Accumulated amortisation	(4.5)	(4.0)	-	-
	0.2	0.7	0.1	-
Computer software - at cost	69.3	37.1	68.8	33.4
Accumulated amortisation	(40.6)	(15.3)	(40.1)	(14.6)
	28.7	21.8	28.7	18.8
Trustee licence - at cost	8.4	8.4	-	-
Accumulated impairment	-	-	-	-
	8.4	8.4	-	-
Computer Software (Adelaide) - at fair value	1.3	1.3	0.7	-
Accumulated amortisation	(0.8)	(0.4)	(0.2)	-
	0.5	0.9	0.5	-
Trade Name - at fair value	24.7	24.7	20.5	-
Accumulated amortisation	(6.7)	(2.5)	(2.5)	-
	18.0	22.2	18.0	-
Customer Relationship - at fair value	29.3	29.3	25.7	-
Accumulated amortisation	(5.7)	(2.1)	(2.1)	-
	23.6	27.2	23.6	-
Management rights - at fair value	15.3	15.3	14.3	-
Accumulated amortisation	(1.6)	(0.6)	(0.6)	-
	13.7	14.7	13.7	-
Core Deposits - at fair value	98.7	98.7	82.3	-
Accumulated amortisation	(25.9)	(9.5)	(9.5)	-
	72.8	89.2	72.8	-
Goodwill				
Purchased goodwill	1,407.7	34.6	1,319.3	34.6
Accumulated impairment	-	-	-	-
	1,407.7	34.6	1,319.3	34.6
Goodwill on consolidation - at fair value	29.3	1,354.7	-	-
Accumulated impairment	(4.0)	(4.0)	-	-
	25.3	1,350.7	-	-
	1,598.9	1,570.4	1,476.7	53.4

INTANGIBLE ASSETS AND GOODWILL (continued)

	Consolidated		Parent	
(b) Reconciliations	2009	2008	2009	2008
Intangible assets	$m	$m	$m	$m
Customer list				
Carrying amount at beginning of financial year	0.7	1.4	-	-
Additions/fair value adjustment	-	0.1	0.1	-
Amortisation charge	(0.5)	(0.8)	-	-
	0.2	0.7	0.1	-
Computer software				
Carrying amount at beginning of financial year	21.8	19.7	18.8	19.6
Addition acquired through business combination	1.6	3.2	1.6	-
Additions	10.7	4.3	13.9	4.6
Disposals	-	-	-	-
Amortisation charge	(5.4)	(5.4)	(5.6)	(5.4)
	28.7	21.8	28.7	18.8
Trustee licence				
Carrying amount at beginning of financial year	8.4	8.4	-	-
	8.4	8.4	-	-
Computer software (Adelaide)				
Carrying amount at beginning of financial year	0.9	-	-	-
Addition acquired through business combination	-	1.3	0.7	-
Amortisation Charge	(0.4)	(0.4)	(0.2)	-
	0.5	0.9	0.5	-
Trade Name				
Carrying amount at beginning of financial year	22.2	-	-	-
Addition acquired through business combination	-	24.7	20.5	-
Amortisation Charge	(4.2)	(2.5)	(2.5)	-
	18.0	22.2	18.0	-
Customer Relationship				
Carrying amount at beginning of financial year	27.2	-	-	-
Addition acquired through business combination	-	29.3	25.7	-
Amortisation Charge	(3.6)	(2.1)	(2.1)	-
	23.6	27.2	23.6	-
Management Rights				
Carrying amount at beginning of financial year	14.7	-	-	-
Addition acquired through business combination		15.3	14.3	-
Amortisation Charge	(1.0)	(0.6)	(0.6)	-
	13.7	14.7	13.7	-
Core Deposits				
Carrying amount at beginning of financial year	89.2	-	-	-
Addition acquired through business combination	-	98.7	82.3	-
Amortisation Charge	(16.4)	(9.5)	(9.5)	-
	72.8	89.2	72.8	-
Goodwill				
Purchased goodwill				
Carrying amount at beginning of financial year	34.6	34.6	34.6	34.6
Additions/transfer from goodwill on consolidation	1,373.1	-	1,284.7	-
	1,407.7	34.6	1,319.3	34.6
Goodwill on consolidation				
Carrying amount at beginning of financial year	1,350.7	29.6	-	-
Addition acquired through business combination/(purchase price adjustment)	1.4	1,325.1	-	-
Transfer to purchased goodwill	(1,326.8)	-	-	-
Impairment	-	(4.0)	-	-
	25.3	1,350.7	-	-
	1,598.9	1,570.4	1,476.7	53.4

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).

Other intangible assets acquired through the business combination with Adelaide Bank Limited, include trade name, customer relationship, management rights and core deposits. These assets have been capitalised at fair value and are amortised to reflect the period and pattern of economic benefit. Impairment testing is completed annually on these assets, and if impairment indicators are met, the assets are written down to recoverable amounts.

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 is initially measured at its cost, being the excess of the cost of the business combination over Bendigo and Adelaide Bank Limited interest in the net fair value of all subsidiaries' identifiable assets, liabilities and contingent liabilities. Goodwill is not amortised, but is tested for impairment annually or more frequently if impairment indicators exist.

For intangible assets that have definite life, impairment testing is only required at each reporting date where there is an indication of an impairment. For intangible assets that have indefinite life, impairment testing is required at least annually.

Allocation of Goodwill and Intangible Assets

Goodwill and intangible assets do not generate cash flows independently of other assets or groups of assets, and often contributes to the cash flows of multiple cash-generating units. Therefore the accounting standard allows companies to aggregate cash-generating units ("CGU") and test goodwill for impairment at relatively higher levels than is the case of other assets.

Amortisation and Impairment Charge – Intangible Assets with Finite Lives

All the intangible assets other than goodwill, trustee licence and customer list have been assessed as having finite lives in the ranges as follows:

Category	Useful Life
Core deposit	2 – 10 years
Tradename	5 – 15 years
Customer Relationship	7 – 12 years
Management Rights	15 years
Software	1-4 years

Impairment Review Methodologies – Goodwill and Intangible Assets with Indefinite Lives

Impairment testing for goodwill and intangible assets is performed by comparing the carrying amount of the CGU grouping to which the goodwill and intangible assets have been allocated with its recoverable amount. The recoverable amount is measured as the higher of value in use and fair value less costs to sell.

IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES (continued)

(i) Fair Value Method

In the goodwill impairment review model, fair value less costs to sell is calculated by multiplying the CGU's projected after tax cash flows for 2009/2010 (adjusted for non-recurring items) by 12. The multiple of 12 is considered appropriate for each of the groups identified CGU's.

(ii) Value in Use Method

Value in use recoverable amount calculation is based on 5 years' forecasted after tax cash flows for the CGU, discounted back to the present value using an appropriate discount rate, plus a terminal value.

The discount rate applied to the cash flows projection is 11.58%. Management believe this discount rate is appropriate based on current market risk free rate, company specific beta and market risk premium.

Terminal value for value in use method is calculated by discounting the fifth year's earning by the discount factor (i.e. 11.58% minus long term growth rate i.e. 2%). Long term growth rates of 2-3% have been used.

The 5 years' forecasted after tax cash flows of each CGU is based on management's expectation of group strategy and future trends in the industry.

The below table represents the growth assumptions adopted for CGU's using the value in use methodology:

CGU	2010/11	2011/12	2012/13	2013/14	Long term growth rate
Retail Banking	12.5%	12.5%	10.0%	10.0%	3.0%
Wealth Management	12.5%	12.5%	10.0%	10.0%	3.0%

For the 2009/10 year is based on the budget approved by the Board.

For impairment review purposes, no impairment loss is required to be made if the CGU's recoverable amount is above the CGU's net asset carrying amount under either of the fair value and value in use tests. Based on the fair value and value in use tests results, no impairment loss is required to be made for all the CGU as at 30 June 2009.

For the purpose of impairment testing, goodwill and intangible assets acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

For goodwill allocation, the cash generating units identified represent the core business operations of the group as follows

Retail Banking
The provision of retail banking products and 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.

Third Party Mortgages
The provision of residential home loans, distributed through third party mortgage brokers and mortgage managers.

Wealth Management
The provision of financial planning services, margin lending activities and wealth deposit services. Fees and commissions are received as the responsible entity for managed investment schemes and for corporate trusteeships and other trustee and custodial services.

Business Partners
The provision of portfolio funding and specialised lending products and services and the share of joint venture profit and losses.

The carrying amount of goodwill and intangibles allocated to each cash generating unit is as follows:

CGU	Goodwill test applied	Carrying amount of goodwill $m	Carrying amount of intangibles $m	Sensitivity before impairment becomes evident for the test applied
Retail Banking	Value in use	656.9	23.8	Year on year growth rates 1% lower
Third Party Mortgages	Fair value	198.8	76.8	Multiple 1.2 times lower
Business Partners	Fair value	265.1	17.5	Multiple 1.3 times lower
Wealth Management	Value in use	312.2	47.8	Year on year growth rates 2% lower
	Total	**1,433.0**	**165.9**	

28. OTHER ASSETS

	Consolidated		Parent	
	2009	2008	2009	2008
	$m	$m	$m	$m
Shares in joint ventures [(1)]	-	-	229.2	162.8
Accrued income	22.6	24.1	28.6	108.6
Prepayments	38.8	24.4	15.8	9.3
Sundry debtors	334.2	245.6	273.6	88.9
Accrued interest	116.7	174.1	113.2	81.1
	512.3	468.2	660.4	450.7

Other assets are generally non-interest bearing and are short-term by nature.
Sundry debtors are normally settled within 30 days.
Accrued interest is interest accrued on loans and receivables and is generally charged to the loan or receivable on the first day of the next month.

[(1)] Shares in joint ventures are carried at cost. Refer to note 22 for more informatrion regarding joint ventures.

29. DEPOSITS

	Consolidated		Parent	
	2009	2008	2009	2008
	$m	$m	$m	$m
DEPOSITS				
Retail				
Branch network	26,505.0	20,537.9	26,447.4	13,247.2
Treasury sourced	2,031.4	3,103.0	2,103.3	751.6
	28,536.4	23,640.9	28,550.7	13,998.8
Wholesale				
Domestic	2,652.6	6,306.2	2,652.6	1,708.6
Offshore	690.8	1,457.8	690.8	1,240.8
	3,343.4	7,764.0	3,343.4	2,949.4
	31,879.8	31,404.9	31,894.1	16,948.2
Deposits by geographic location				
Victoria	13,298.6	9,862.3	13,289.8	9,179.4
New South Wales	4,422.8	3,384.8	4,422.5	2,842.6
Australian Capital Territory	229.1	111.6	229.5	110.4
Queensland	3,738.5	2,657.1	3,733.6	2,316.8
South Australia/Northern Territory	7,172.9	12,835.3	7,196.0	309.6
Western Australia	1,552.8	1,221.8	1,555.6	1,086.0
Tasmania	565.9	366.0	566.9	354.9
Overseas	899.1	966.0	900.1	748.5
	31,879.8	31,404.9	31,894.1	16,948.2
NOTES PAYABLE	9,974.5	11,292.2	2,102.4	-

30. OTHER PAYABLES

	Consolidated		Parent	
	2009	2008	2009	2008
	$m	$m	$m	$m
Sundry creditors	12.9	35.7	78.8	16.1
Accrued expenses and outstanding claims	299.0	211.7	549.6	132.5
Accrued interest	290.4	358.2	274.9	133.9
Prepaid interest	63.6	75.3	-	-
	665.9	680.9	903.3	282.5

Payables are non-interest bearing and are generally settled within 30 days. Accrued interest is credited to customer accounts in accordance with the terms of the investment products held by the customer, but generally within a twelve month period.

31. PROVISIONS

	Consolidated		Parent	
	2009	2008	2009	2008
	$m	$m	$m	$m
(a) Balances				
Employee benefits (Note 37)	48.3	56.6	48.3	42.6
Employee shares shortfall	8.1	3.0	8.1	3.0
Rewards program	3.3	3.5	3.3	3.5
Property Rent	2.1	2.1	2.1	2.1
Dividends	0.9	2.6	0.9	1.6
	62.7	67.8	62.7	52.8

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.

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 ordinary 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. The provision also includes accrued dividends relating to preference shares.

	Consolidated		Parent	
	2009	2008	2009	2008
(b) Movements	$m	$m	$m	$m
Employee benefits				
Opening balance	56.6	35.0	42.6	34.5
Provision acquired in business combination	-	15.7	-	-
Additional provisions recognised	21.1	30.1	(4.9)	24.5
Decrease due to change in discount rate	(0.8)	-	(0.8)	(0.1)
Amounts utilised during the year	(28.6)	(24.2)	11.4	(16.3)
Closing balance	48.3	56.6	48.3	42.6
Employee shares shortfall				
Opening balance	3.0	-	3.0	-
Additional provisions recognised	5.1	3.0	5.1	3.0
Amounts utilised during the year	-	-	-	-
Closing balance	8.1	3.0	8.1	3.0
Rewards program				
Opening balance	3.5	3.2	3.5	3.2
Additional provisions recognised	1.4	1.9	1.4	1.9
Amounts utilised during the year	(1.6)	(1.6)	(1.6)	(1.6)
Closing balance	3.3	3.5	3.3	3.5
Property Rent				
Opening balance	2.1	2.1	2.1	2.1
Additional provisions recognised	-		-	
Amounts utilised during the year	-	-	-	-
Closing balance	2.1	2.1	2.1	2.1
Dividends				
Opening balance	2.5	0.1	1.5	0.1
Provision acquired in business combination	-	1.3	-	-
Additional dividends provided	190.4	128.2	190.5	128.5
Dividends paid during the year	(192.0)	(127.1)	(191.1)	(127.1)
Closing balance	0.9	2.5	0.9	1.5

32. RESET PREFERENCE SHARES

	Consolidated		Parent	
	2009	2008	2009	2008
	$m	$m	$m	$m
Reset preference shares - 894,574 fully paid $100 preference shares	89.5	89.5	89.5	89.5
	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

	Consolidated		Parent	
	2009	2008	2009	2008
	$m	$m	$m	$m
Subordinated capital notes	598.7	675.8	598.7	301.3
Maturity analysis				
Not longer than 3 months	94.7	-	94.7	-
Longer than 3 and not longer than 12 months	141.0	79.6	141.0	30.3
Longer than 1 and not longer than 5 years	288.0	522.1	288.0	271.0
Over 5 years	75.0	74.1	75.0	-
	598.7	675.8	598.7	301.3

34. ISSUED CAPITAL

	Consolidated		Parent	
	2009	2008	2009	2008
	$m	$m	$m	$m
Issued and paid up capital				
Ordinary shares fully paid - 308,243,636 (2008: 274,678,383)	3,003.9	2,706.3	3,003.9	2,706.3
Preference shares of $100 face value fully paid - 900,000 (2008: 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 (2008: 1,000,000	100.0	100.0	100.0	100.0
Employee share ownership plan shares	(32.7)	(37.4)	(32.7)	(37.4)
	3,159.7	2,857.4	3,159.7	2,857.4

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 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 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	
	2009	2008	2009	2008
	$m	$m	$m	$m
Movement in ordinary shares on issue				
Opening balance - 1 July	2,706.3	605.2	2,706.3	605.2
Shares issued under:				
Bonus share scheme - 262,362 @ $11.01; 329,948 @ $6.13; (2008: 149,813 @ $14.87; 212,687 @ $9.60)	-	-	-	-
Dividend reinvestment plan - 2,472,153 @ $11.01; 3,538,902 @ $6.13; (2008: 854,591 @ $14.87; 2,024,856 @ $9.60)	48.9	32.1	48.9	32.1
Share Grant Scheme - 764,504 @ $10.78 (2008: 226,790 @ $13.40)	8.2	3.0	8.2	3.0
Issue to Adelaide Bank shareholders - Nil; (2008: 117,687,891 @ $16.80)	-	1,977.2	-	1,977.2
Preference share conversions - 2,130,339 @ 9.39; 3,343,355 @ $5.98; 1,656,461 @ $7.24 (2008: Nil) (1)	52.0	-	52.0	-
Share placement and share purchase plan - 19,067,229 @ $10.00 (2008: 9,333,865 @ $9.60)	190.7	89.6	190.7	89.6
Share issue costs	(2.2)	(0.8)	(2.2)	(0.8)
Closing balance - 30 June	3,003.9	2,706.3	3,003.9	2,706.3

(1) *As part of the acquisition of the Macquarie Group Margin Lending portfolio the bank issued 4,766,270 Tranched Convertible Preference Shares (TCS) during the financial yearat an issue price of $10.91. The TCS were mandatorily converted to 7,130,155 ordinary shares within the financial year.*

	Consolidated		Parent	
	2009	2008	2009	2008
Movements in preference shares on issue				
Opening balance 1 July - 900,000 fully paid (2008: 900,000 partly paid to $50)	88.5	88.5	88.5	88.5
Payment of unpaid portion of existing shares	-		-	-
Closing balance 30 June - 900,000 fully paid to $100.00 (2008: 900,000 fully paid)	88.5	88.5	88.5	88.5
Movements in step up preference shares on issue				
Opening balance 1 July - 1,000,000 (2008: 1,000,000)	100.0	-	100.0	-
Issue of fully paid step up preference shares (2008: 1,000,000 @ $100.00)	-	100.0	-	100.0
Closing balance 30 June - 1,000,000 fully paid to $100 (2008: 1,000,000)	100.0	100.0	100.0	100.0
Movements in convertible preference shares				
Opening balance 1 July	-	-	-	-
Issue of convertible preference shares (2008: Nil)	52.0	-	52.0	-
Conversion of convertible preference shares to ordinary shares	(52.0)	-	(52.0)	-
Closing balance 30 June	-	-	-	-
Movements in Employee share ownership plan shares				
Opening balance 1 July	(37.4)	(40.4)	(37.4)	(40.4)
Issue of share capital	-	(3.0)	-	(3.0)
Reduction in Employee share ownership plan shares	4.7	6.0	4.7	6.0
	(32.7)	(37.4)	(32.7)	(37.4)
Total issued and paid up capital	3,159.7	2,857.4	3,159.7	2,857.4

35. RETAINED EARNINGS AND RESERVES

RETAINED EARNINGS	Consolidated 2009 $m	Consolidated 2008 $m	Parent 2009 $m	Parent 2008 $m
Movements				
Opening balance 1 July	269.9	232.5	246.1	212.6
Profit for the year	83.8	198.3	113.6	163.0
Movements in general reserve for credit losses	(11.7)	4.7	(39.9)	(1.0)
Dividends	(190.4)	(127.6)	(190.9)	(128.5)
Establishment of Adelaide Bank GRCL on acquisition	-	(36.6)	-	-
Defined benefits actuarial adjustment	(6.9)	(1.4)	(2.7)	-
Transfer of business - Adelaide Bank	(0.3)	-	17.2	-
Balance 30 June	144.4	269.9	143.4	246.1

OTHER RESERVES

(a) Balances	Consolidated 2009 $m	Consolidated 2008 $m	Parent 2009 $m	Parent 2008 $m
Employee benefits reserve	13.6	12.4	13.6	12.6
Asset revaluation reserve - property	2.1	2.1	0.3	0.3
Asset revaluation reserve - available for sale share investments	5.5	14.8	2.3	13.6
Cash flow hedge reserve	(295.4)	51.9	(261.8)	56.4
Cash flow hedge reserve - joint ventures	(8.3)	3.9	-	-
General reserve for credit losses	86.1	76.2	86.1	46.2
General reserve for credit losses - joint ventures	11.1	9.3	-	-
	(185.3)	170.6	(159.5)	129.1

(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

	Consolidated 2009 $m	Consolidated 2008 $m	Parent 2009 $m	Parent 2008 $m
Opening balance	12.4	6.5	12.6	6.5
Net increase in reserve	1.2	5.9	1.0	6.1
	13.6	12.4	13.6	12.6

Asset revaluation reserve - property

(a) Nature and purpose

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets.

(b) Movements

	Consolidated 2009 $m	Consolidated 2008 $m	Parent 2009 $m	Parent 2008 $m
Opening balance	2.1	2.2	0.3	0.3
Transfer asset revaluation reserve to retained earnings (revalued buildings depreciation)	-	(0.1)	-	-
Net revaluation increments/(decrements)	-	-	-	-
Tax effect of net revaluation increments	-	-	-	-
	2.1	2.1	0.3	0.3

Asset revaluation reserve - available for sale share investments

(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

	Consolidated 2009 $m	Consolidated 2008 $m	Parent 2009 $m	Parent 2008 $m
Opening balance	14.8	32.6	13.6	32.4
Transfer asset revaluation reserve to retained earnings (sold assets)	19.1	-	19.8	-
Transfer impairment loss to income	0.9	29.9	0.1	29.8
Net revaluation increments/(decrements)	(34.3)	(56.0)	(36.8)	(56.7)
Tax effect of net revaluation increments	5.0	8.3	5.6	8.1
	5.5	14.8	2.3	13.6

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

	Consolidated 2009 $m	Consolidated 2008 $m	Parent 2009 $m	Parent 2008 $m
Opening balance	-	(0.1)	-	(0.1)
Net unrealised gains/(losses)	-	0.1	-	0.1
	-	-	-	-

RETAINED EARNINGS AND RESERVES (continued)

OTHER RESERVES (continued)	Consolidated		Parent	
	2009	2008	2009	2008
	$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	51.9	33.2	56.4	33.2
Changes due to mark to market	(526.2)	12.5	(436.3)	47.7
Tax effect of changes due to mark to market	118.2	(13.7)	97.4	(24.3)
Changes due to transfer to the income statement	86.7	28.4	29.5	(0.3)
Tax effect of changes due to transfer to the income statement	(26.0)	(8.5)	(8.8)	0.1
	(295.4)	51.9	(261.8)	56.4
Cash flow hedge reserve - joint ventures				
(a) Nature and purpose				
Joint ventures 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	3.9	2.0	-	-
Net gains on cash flow hedges	(12.2)	1.9	-	.
	(8.3)	3.9	-	-
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.				
(b) Movements				
Opening balance	76.2	45.3	46.2	45.3
Establishment of Adelaide Bank GRCL on acquisition	-	36.6	-	-
Increase/(decrease) in general reserve for credit losses	9.9	(5.7)	39.9	0.9
	86.1	76.2	86.1	46.2
General reserve for credit losses - joint ventures				
(a) Nature and purpose				
The general reserve for credit losses - joint ventures records the group's share of a joint venture company's GRCL in accordance with equity accounting.				
(b) Movements				
Opening balance	9.3	8.3	-	-
Increase in general reserve for credit losses	1.8	1.0	-	-
	11.1	9.3	-	-
Total reserves	(185.3)	170.6	(159.5)	129.1

36. MINORITY INTEREST

	Consolidated		Parent	
	2009	2008	2009	2008
	$m	$m	$m	$m
Interest in:				
Ordinary shares	-	-	-	-
Retained earnings	-	-	-	-
	-	-	-	-
Reconciliation of minority equity interest in controlled entities:				
Opening balance	-	(0.7)	-	-
Derecognition of minority interest	-	0.7	-	-
Closing balance	-	-	-	-

37. EMPLOYEE BENEFITS

	Consolidated		Parent	
	2009	2008	2009	2008
	$m	$m	$m	$m
Employee benefits liability				
Provision for annual leave	17.5	17.0	17.5	12.4
Provision for other employee payments	0.1	9.8	0.1	9.8
Provision for long service leave	26.8	23.1	26.8	14.0
Provision for sick leave bonus	3.9	2.5	3.9	2.4
Provision for employee on costs	-	4.2	-	4.0
Aggregate employee benefits liability	48.3	56.6	48.3	42.6

It is anticipated that annual leave provided at balance date will be paid in the ensuing 12 month period.
Other employee payments are expected to be paid in September 2009.
Long service leave is taken with agreement between employee and employer, or on termination of employment.
Sick leave bonus is paid to entitled employees on termination of employment.

38. SHARE BASED PAYMENT PLANS

Executive Incentive Plan (discontinued)

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 Plan has been discontinued and will be replaced by a new arrangement involving grants of performance shares under the Employee Salary Sacrifice, Deferred Share and Performance Share Plan for the 2010 financial year.

The performance conditions and performance periods for grants under the Plan are set out in the 2009 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.

The scheduled annual grant was made under the Plan during the year to Senior Executives of the group as at July 2008. The grant was in accordance with the terms disclosed in the 2009 Remuneration Report.

The grant made in 2009 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 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.

	2009 No.	2009 WAEP	2008 No.	2008 WAEP
Outstanding at the beginning of the year	1,034,849	$14.98	632,693	$14.66
Granted during the year	1,050,601	$11.09	424,421	$15.47
Forfeited during the year	(33,251)	$14.96	(22,265)	$15.11
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	2,052,199	$12.99	1,034,849	$14.98

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of and movements in performance rights issued during the year.

	2009 No.	2009 WAEP	2008 No.	2008 WAEP
Outstanding at the beginning of the year	294,427	$0.00	100,117	$0.00
Granted during the year	154,767	$0.00	203,772	$0.00
Forfeited during the year	-	-	-	-
Exercised during the year	(19,043)	$0.00	(9,462)	$0.00
Expired during the year	-	-	-	-
Outstanding at the end of the year	430,151	$0.00	294,427	$0.00

The outstanding balance as at 30 June 2009 is represented by:

- 602,177 performance options over ordinary shares with an exercise price of $14.66 each, 399,421 performance options over ordinary shares with an exercise price of $15.47 each and 1,050,601 performance options over ordinary shares with an exercise price of $11.09 each, exercisable upon meeting the above conditions, and until 31 July 2013.
- 430,151 performance rights over ordinary shares with an exercise price of $0.00 each, exercisable upon meeting the above conditions, and until 30 June 2012.

The weighted average fair value of rights granted during the year was $9.30 (2008: $15.17). The weighted average fair value of options and granted during the year was $1.37 (2008: $2.60).

SHARE BASED PAYMENT PLANS (continued)

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 2009.

	2009 Grant (Rights & Options)
Dividend yield (%)	4.0
Expected volatility (%)	25 and 30
Risk-free interest rate (%)	3.51
Expected life of option (years)	4.1
Expected life of rights (years)	3.5
Option exercise price ($) (1)	11.09
Closing share price at grant date ($)	10.51

(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 Plans

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 are 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.

	2009 No.	2009 WAEP	2008 No.	2008 WAEP
Outstanding at the beginning of the year	5,553,369	37,400,000	5,710,615	40,400,000
Granted during the year	-	-	226,790	3,038,986
Forfeited during the year	-		-	-
Exercised during the year	(673,592)	(4,709,216)	(384,036)	(6,038,986)
Expired during the year	-		-	-
Outstanding at the end of the year	4,879,777	32,690,784	5,553,369	37,400,000
Exercisable at the end of the year	4,879,777	32,690,784	5,553,369	37,400,000

The outstanding balance as at 30 June 2009 is represented by 4,879,777 ordinary shares with a market value at 30 June 2009 of $6.95 each (value: $33,914,450), exercisable upon repayment of the employee loans.

The acquisition price of shares granted during the year was nil as no new shares were issued (2008: $13.40), 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 for the 2008 grant was $4.56.

SHARE BASED PAYMENT PLANS (continued)

The following table lists the inputs to the model used for the year ended 30 June 2009.

	2009	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	
		2009	2008
Recognised share-based payment expenses		$m	$m
Expense arising from equity settled share-based payment transactions		11.9	4.4
Total expense arising from share-based payment transactions		11.9	4.4
Employee share and loan values and EPS impact [(1)]			
Employee Share and Loan Values			
Value of unlisted employee shares on issue at 30 June 2009 - 4,879,777 shares @ $6.93 (2008 - 5,553,369 shares @ $10.93)		33.8	60.7
Value of outstanding employee loans at beginning of year relating to employee shares		37.4	40.4
Value of new loans relating to employee shares issued during year		-	3.0
Value of repayments of loans during year		(4.7)	(6.0)
Value of outstanding employee loans at end of year relating to employee shares		32.7	37.4
Number of employees with outstanding loan balances		2,894	3,075
Indicative cost of funding employee loans			
Average balance of loans outstanding		34.4	39.0
Average cost of funds		5.89%	6.69%
After tax indicative cost of funding employee loans		1.4	1.8
Earnings per ordinary share - actual	- cents	25.6	87.7
Earnings per ordinary share - adjusted for interest foregone	- cents	26.1	88.6

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% (2008: 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.

Share Grant Plan

The Company has established a tax-exempt Employee Share Grant Plan ("ESGP") as the main equity participation platform for general employees. Shareholder approval for future grants under the ESGP was obtained at the 2008 Annual General Meeting. The ESGP is open to all full-time and permanent part-time staff in the Group (excluding Directors and Senior Executives) who can elect to acquire fully paid ordinary shares. It is was intended that grants under the ESGP would be made annually subject to Board discretion and having regard to company performance.

SHARE BASED PAYMENT PLANS (continued)

Current Plans cont'd…

Employees will generally be entitled to participate in rights attached to the shares including to receive dividends and to vote at general meetings. The shares are restricted for 3 years unless the employee leaves the Company. A grant to general employees was made in January 2009 with 764,504 fully paid ordinary shares being issued at $10.78, being the volume weighted average price of the Company's shares traded over the 5 days prior to the issue. The share issue 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 previous page. As at 30 June 2009 there were 744,544 fully paid ordinary shares held by the Plan Trustee.

Salary Sacrifice, Deferred Share and Performance Share Plan

The Company has established an Employee Salary Sacrifice, Deferred Share and Performance Share Plan ("DSP"). The DSP provides 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 DSP is open to permanent full-time and part-time employees of the group and the number of shares to be granted to employees will be determined by the Board. Employees will generally be entitled to participate in rights attached to the shares including to receive dividends and to vote at general meetings. The Board has recently approved changes to the rules of the Plan to enable the Plan to be used as the vehicle for the Group's long term incentive arrangement. Details of the changes are set out in the 2009 Remuneration Report. No shares have been issued under the DSP to date.

Further details of these plans are disclosed in the 2009 Remuneration Report.

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 2009 there were 35,135 shares held by the Plan Trustee with 35,135 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 2009, 41,756 shares were held by the Scheme Trustee with 11,350 shares having vested and 30,406 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 2009, the Plan Trustee held 268,750 shares under the plan with a market value of $1,867,813. The aggregate amount of loans outstanding at year end was $171,313.

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	
	2009	2008	2009	2008
	$	$	$	$
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	2,021,222	1,358,071	1,727,477	784,875
-taxation services in relation to the chief entity and any other entity in the economic entity	574,414	579,751	538,685	154,378
-other services in relation to the chief entity and any other entity in the economic entity	725,296	555,965	725,296	228,247
	3,320,932	2,493,787	2,991,458	1,167,500
Amounts received, or due and receivable by non Ernst & Young audit firms for:				
-review of the financial report	-	15,000	-	-
-other services in relation to the chief entity and any other entity in the economic entity	-	10,420	-	-
	-	25,420	-	-

40. DIRECTOR AND EXECUTIVE DISCLOSURES

Details of the remuneration of directors and executives of the group for the 2009 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 2009 financial year are set out in the 2009 Remuneration Report at pages 42 and 66.

(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 2009 financial year.

	CONSOLIDATED	
	2009	2008
	$	$
Short-term employee benefits	8,238,004	8,050,194
Post employment benefits	900,185	743,232
Other long-term benefits	146,629	327,564
Termination benefits	-	405,573
Share-based payment	2,521,041	1,898,952
Total Compensation	**11,805,859**	**11,425,515**

(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 – Scholes-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 2009 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 2009	*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	-	-	-	-	-	-	-	-
J McPhee	-	189,781	21.11.08	$1.37	$11.09	31.7.13	30.6.11	31.7.13
Executives								
M Baker	-	51,013	21.11.08	$1.37	$11.09	31.7.13	30.6.11	31.7.13
A Baum	-	50,365	21.11.08	$1.37	$11.09	31.7.13	30.6.11	31.7.13
R Fennell	-	47,445	21.11.08	$1.37	$11.09	31.7.13	30.6.11	31.7.13
G Gillett	-	63,766	21.11.08	$1.37	$11.09	31.7.13	30.6.11	31.7.13
M Hirst	-	163,876	21.11.08	$1.37	$11.09	31.7.13	30.6.11	31.7.13
D Hughes	-	45,985	21.11.08	$1.37	$11.09	31.7.13	30.6.11	31.7.13
R Jenkins	-	57,693	21.11.08	$1.37	$11.09	31.7.13	30.6.11	31.7.13
C Langford	-	69,839	21.11.08	$1.37	$11.09	31.7.13	30.6.11	31.7.13
T Piper	-	47,445	21.11.08	$1.37	$11.09	31.7.13	30.6.11	31.7.13
P Riquier	-	40,146	21.11.08	$1.37	$11.09	31.7.13	30.6.11	31.7.13
A Watts	-	50,219	21.11.08	$1.37	$11.09	31.7.13	30.6.11	31.7.13
Total	-	877,573						

Performance Rights

	Vested	**Granted**			**Terms & Conditions for each Grant**			
30 June 2009	*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	-	-	-	-	-	-	-	-
J McPhee	-	27,957	21.11.08	$9.30	$0.00	30.6.12	30.6.11	30.6.12
Executives								
M Baker	-	7,515	21.11.08	$9.30	$0.00	30.6.12	30.6.11	30.6.12
A Baum	-	7,419	21.11.08	$9.30	$0.00	30.6.12	30.6.11	30.6.12
R Fennell	-	6,989	21.11.08	$9.30	$0.00	30.6.12	30.6.11	30.6.12
G Gillett	-	9,394	21.11.08	$9.30	$0.00	30.6.12	30.6.11	30.6.12
M Hirst	-	24,141	21.11.08	$9.30	$0.00	30.6.12	30.6.11	30.6.12
D Hughes	-	6,774	21.11.08	$9.30	$0.00	30.6.12	30.6.11	30.6.12
R Jenkins	-	8,499	21.11.08	$9.30	$0.00	30.6.12	30.6.11	30.6.12
C Langford	-	10,288	21.11.08	$9.30	$0.00	30.6.12	30.6.11	30.6.12
T Piper	-	6,989	21.11.08	$9.30	$0.00	30.6.12	30.6.11	30.6.12
P Riquier	-	5,914	21.11.08	$9.30	$0.00	30.6.12	30.6.11	30.6.12
A Watts	-	7,398	21.11.08	$9.30	$0.00	30.6.12	30.6.11	30.6.12
Total	-	129,277						

During the year 19,043 shares (2008: 9,462 shares) were issued on the exercise of performance rights. No shares were issued on the exercise of vested options.

DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Performance Options

30 June 2009	*Balance at beginning of period 01-Jul-08*	*Granted as Remun-eration*	*Options Exercised*	*Net Change Other*	*Balance at end of period 30-Jun-09*	*Total*	*Exercisable*	*Not Exercisable*
Directors								
R Hunt	402,352	-	-	-	402,352	402,352	120,349	-
J McPhee	-	189,781	-	-	189,781	189,781	-	-
Executives								
M Baker	58,401	51,013	-	-	109,414	109,414	-	-
A Baum	-	50,365	-	-	50,365	50,365	-	-
R Fennell	-	47,445	-	-	47,445	47,445	-	-
G Gillett	70,251	63,766	-	-	134,017	134,017	-	-
M Hirst	84,986	163,876	-	-	248,862	248,862	-	-
D Hughes	-	45,985	-	-	45,985	45,985	-	-
R Jenkins	64,807	57,693	-	-	122,500	122,500	-	-
C Langford	75,695	69,839	-	-	145,534	145,534	-	-
T Piper	-	47,445	-	-	47,445	47,445	-	-
P Riquier	-	40,146	-	-	40,146	40,146	-	-
A Watts	46,976	50,219	-	-	97,195	97,195	-	
Total	803,468	877,573	-	-	1,681,041	1,681,041	120,349	-

Performance Rights

30 June 2009	*Balance at beginning of period 01-Jul-08*	*Granted as Remun-eration*	*Rights Vested*	*Net Change Other*	*Balance at end of period 30-Jun-09*	*Total*	*Exercisable*	*Not Exercisable*
Directors								
R Hunt	66,957	-	(19,043)	-	47,914	47,914	-	-
J McPhee	41,533	27,957	-	-	69,490	69,490	-	-
Executives								
M Baker	9,996	7,515	-	-	17,511	17,511	-	-
A Baum	11,941	7,419	-	-	19,360	19,360	-	-
R Fennell	11,249	6,989	-	-	18,238	18,238	-	-
G Gillett	12,002	9,394	-	-	21,396	21,396	-	-
M Hirst	14,542	24,141	-	-	38,683	38,683	-	-
D Hughes	10,903	6,774	-	-	17,677	17,677	-	-
R Jenkins	11,088	8,499	-	-	19,587	19,587	-	-
C Langford	12,916	10,288	-	-	23,204	23,204	-	-
T Piper	11,249	6,989	-	-	18,238	18,238	-	-
P Riquier	9,518	5,914	-	-	15,432	15,432	-	-
A Watts	8,006	7,398	-	-	15,404	15,404	-	-
Total	231,900	129,277	(19,043)	-	342,134	342,134	-	-

DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(e) Shareholdings of directors and named executives (including their related parties)

Shares held in Bendigo and Adelaide Bank	Balance 1 July 2008			Net Change			Balance 30 June 2009		
	Ordinary shares	Employee shares	Preference Shares	Ordinary shares	Employee shares	Preference Shares	Ordinary shares	Employee shares	Preference Shares
Directors									
R Johanson	284,228	-	1,000	21,885	-	-	306,113	-	1,000
R Hunt AM	348,734	600,000	-	39,459	-	-	388,193	600,000	-
K Abrahamson	16,801	-	309	1,000	-	-	17,801	-	309
J Dawson	19,114	-	150	2,591	-	-	21,705	-	150
J McPhee	371,576	236,500	-	(33,750)	(32,250)	-	337,826	204,250	-
T O'Dwyer	61,900	-	-	1,400	-	-	63,300	-	-
K Osborn	9,078	-	-	2,198	-	-	11,276	-	-
D Radford	1,000	-	-	700	-	-	1,700	-	-
K Roache	22,607	-	200	2,559	-	-	25,166	-	200
A Robinson	2,500	-	-	700	-	-	3,200	-	-
Senior Executives									
M Baker	7,609	55,720	500	1,348	-	-	8,957	55,720	500
A Baum	538	30,746	-	-	-	-	538	30,746	-
G Gillett	8,856	132,590	-	1,761	-	-	10,617	132,590	-
M Hirst	450	50,000	-	752	-	-	1,202	50,000	-
D Hughes	208	-	-	500		-	708	-	-
R Jenkins	23,707	69,880	-	3,380	-	-	27,087	69,880	-
C Langford	750	123,367	-	700	-	-	1,450	123,367	-
T Piper	16,878	-	-	-		-	16,878	-	-
P Riquier	-	2,467	-	-		-	-	2,467	-
A Watts	1,630	19,470	-	-	-	-	1,630	19,470	-
Total	1,198,164	1,320,740	2,159	47,183	(32,250)	-	1,245,347	1,288,490	2,159

[1] Converted to ordinary shares.

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 and the Adelaide Bank Loan Plan. Issue of shares under the Employee Share Plans are made under conditions disclosed in Note 38.

DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(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 at 30 June 2009
Directors[1]						
2009 [2]	14,146	645	235	-	11,824	7
2008	8,294	550	117	-	14,146	7
Executives[1]						
2009 [2]	8,562	355	102	-	6,555	10
2008	7,046	465	85	-	8,562	10
Total directors and executives						
2009 [2]	22,708	1,000	337	-	18,379	17
2008	15,340	1,015	202	-	22,708	17

(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	627	32	-	-	527	627
R Hunt AM	2,235	120	-	-	2,101	2,358
Staff share loan	3,934	-	223	-	3,636	3,934
J Dawson	473	36	-	-	449	474
J McPhee	1,906	82	-	-	1.006	1,906
Staff share loan	275	-	12	-	129	275
D Radford	992	72	-	-	995	1,086
K Roache	2,204	176	-	-	2,181	2,476
T Robinson	1,500	127	-	-	800	1,510
Senior Executives						
M A Baker						
Staff share loan	255	-	14	-	228	255
Loans	114	6	-	-	97	114
A Baum						
Loans	554	43	-	-	451	741
R Fennell						
Loans	400	24	-	-	407	407
G Gillett						
Staff share loan	494	-	27	-	428	494
Loans	786	52	-	-	701	801
M Hirst						
Staff share loan	293	-	17	-	269	293
Loans	-	-	-	-	3	5
R Jenkins						
Staff share loan	280	-	15	-	245	280
Loans	1,125	75	-	-	1,035	1,142
C Langford						
Staff share loan	462	-	25	-	401	462
Loans	1,757	112	-	-	1,593	1,767

DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

	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	1,299	4	-	-	-	1,303
P Riquier						
Loans	236	13	-	-	218	238
A Watts						
Staff share loan	69	-	4	-	59	69
Loans	438	26	-	-	423	467

[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, Mr M Hirst, Mr J McPhee and Senior Executives under the terms of Bank's legacy Employee Share Ownership Plan and Adelaide Bank Loan 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 $80,913 (2008: $93,774).

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 2009 financial year included services in relation to corporate matters including alliance and joint venture activities, strategic developments and the Adelaide Accommodation project. The amount paid or payable for the year was $1,216,187 (2008: $5,444,190).

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 $188,000 (2008 $304,000).

Bendigo Financial Planning Ltd ("BFP"), 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 $2,714,239 (2008 $3,236,000).

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. The amount paid or payable for the year was $15,752,831 (2008: $14,773,407).

Joint venture company directorships:

Mr R Johanson is a non-executive director of Rural Bank Limited, a joint venture entity of Bendigo and Adelaide Bank. Mr Johanson was entitled to receive a director fee of $58,000 plus Superannuation Guarantee Charge by 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 21 - 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.

RELATED PARTY DISCLOSURES (continued)

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	2009	0.4	-	(1.6)
	2008	(0.6)	-	(2.0)
National Mortgage Market Corporation Limited	2009	(1.0)	0.5	7.5
	2008	2.3	0.6	9.0
National Assets Securitisation Corporation Pty Ltd	2009	-	-	0.9
	2008	0.2	0.1	0.9
Fountain Plaza Pty Ltd	2009	91.2	1.8	1.6
	2008	(2.9)	2.2	(87.8)
Victorian Securities Corporation Limited	2009	15.1	2.7	8.5
	2008	10.6	2.7	(3.9)
Bendigo Financial Planning Limited	2009	9.8	11.9	(4.2)
	2008	10.5	10.6	(2.1)
Benhold Pty Ltd	2009	5.1	-	-
	2008	-	-	(5.1)
IOOF Building Society Pty Ltd	2009	(20.4)	-	-
	2008	-	-	20.4
Community Developments Australia Pty Ltd	2009	0.9	1.8	(9.1)
	2008	(1.3)	1.3	(8.2)
Community Exchanges Australia Pty Ltd	2009	1.2	-	(0.2)
	2008	0.2	0.2	(1.4)
Sandhurst Trustees Limited	2009	(60.4)	10.0	(70.7)
	2008	28.1	30.3	(0.3)
Oxford Funding Pty Ltd	2009	45.2	6.9	1.4
	2008	3.5	8.1	(36.9)
Sunstate Lenders Mortgage Insurance Limited	2009	-	1.4	(10.0)
	2008	-	1.1	-
Pirie Street Holdings Limited	2009	32.1	52.7	(77.9)
(previously Adelaide Bank Limited)	2008	(2.6)	54.7	(57.3)
Adelaide Equity Finance Pty Ltd	2009	(388.1)	8.6	(396.7)
	2008	-	-	-
Leveraged Equities	2009	(191.6)	18.6	(210.2)
	2008	-	-	-
Co-op Member Services Pty Ltd	2009	22.2	-	22.2
	2008	-	-	-
Hindmarsh Financial Service Pty Ltd	2009	(1.8)	(0.7)	(1.1)
	2008	-	-	-
AB Management Pty Ltd	2009	6.9	-	6.9
	2008	-	-	-
Adelaide Managed Funds Limited	2009	2.6	8.6	(6.0)
	2008	-	-	-
Hindmarsh Adelaide Property Trust	2009	(4.4)	(0.5)	(3.9)
	2008	-	-	-

On 1 December 2008, all of the assets and liabilities of Adelaide Bank Limited were transferred to the parent entity, at fair value. This transaction resulted in a loss of $12.1 million to the parent entity.

In June 2009 Sunstate Lenders Mortgage Insurance Pty Ltd transferred unearned premium income of $18.1 million to Bendigo and Adelaide Bank Limited on cessation of its mortgage insurance operations.

In June 2009 Bendigo and Adelaide bank Limited sold share investments to Sandhurst Trustees Limited at market price. These sales are reflected in the above table of transactions relating to Sandhurst Trustees Limited. These sales resulted in a $1.9 million profit being realised in Bendigo and Adelaide Bank Limited.

- Tasmanian Permanent Trustees Limited	$ 2.3m
- IOOF Holdings Limited	$ 72.8m

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.

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.

RELATED PARTY DISCLOSURES (continued)

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.

Subsidiary	Facility	Limit	Drawn/issued at 30 June 2009
Sandhurst Trustees Limited	Standby	20.0	-
Bendigo Financial Planning Limited	Guarantee	-	-
Victorian Securities Corporation Limited	Standby	10.0	-
	Guarantee	-	-
Community Energy Australia Pty Ltd	Overdraft	0.4	-
Community Solutions Australia Pty Ltd	Overdraft	0.8	0.7
	Guarantee	-	-

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 supplies/services column of the above table:

		$m
Adelaide Bank Limited	2009	86.8
(now Pirie Street Holdings Limited)	2008	54.7
Sandhurst Trustees Limited	2009	14.4
	2008	20.6
Sunstate Lenders Mortgage Insurance Pty Ltd	2009	10.0
	2008	-

There were no material transactions between subsidiary companies.

Other related party transactions

Securitised and sold loans

The bank securitised or sold loans totalling $5,857.6 million (2008: $3,308.0 million) during the financial year. Of this total, $248.9 million (2008: $359.1 million) were sold to the Common Funds managed by Sandhurst Trustees Limited. The consolidated Group does invest in some of its own securitisation programs where the Bank holds A & B notes equivalent to $4,565.9 million as at 30 June 2008. The Bank does invest in other securitisation programs unrelated to the Bank as part of normal investment activities.

Joint venture entities

Bendigo and Adelaide Bank Limited has investments in joint venture entities as disclosed in Note 22 - Investments in joint ventures. The group has transactions with the joint venture entities, principally relating to commissions received and paid, services and supplies procured from joint ventures 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 joint venture 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 joint venture entities as follows:

		Commissions and fees paid to joint ventures	Supplies and services provided to joint ventures	Amount owing to/(from) joint ventures at 30 June
		$m	$m	$m
Rural Bank Ltd	2009	1.4	8.2	(0.3)
	2008	1.5	3.5	(0.3)
Tasmanian Banking Services Ltd	2009	10.5	3.3	0.5
	2008	9.6	4.8	0.6
Community Sector Enterprises Pty Ltd	2009	3.8	2.9	0.1
	2008	4.6	2.3	0.2
Caroline Springs Financial Services Pty Ltd	2009	-	-	-
	2008	0.5	0.6	-
Silver Body Corporate Financial Services Pty Ltd	2009	1.1	0.4	0.1
	2008	1.2	0.6	-
Strategic Payments Services Pty Ltd	2009	6.6	-	-
	2008	2.2	-	-
Homesafe Trust	2009	-	-	(98.5)
	2008	-	-	-
Community Telco Australia Pty Ltd	2009	-	-	(0.7)
	2008	-	-	0.4

Dividends received and receivable from joint venture entities are disclosed in Note 4 – Profit.

Bendigo and Adelaide Bank Limited provides loans, guarantees and/or overdraft facilities to joint venture companies in connection with cash flow management, and the payment of administration costs on behalf of the joint venture 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

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 Terms of Reference 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 committees that assists the Executive consider risk management matters including the Asset Liability Management Committee, Credit Committee and the OH&S and Security Committee.

RISK MANAGEMENT (continued)

Independent Review

Group Assurance (Internal Audit)

The Bank Assurance 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 Bank Assurance. The Committee receives reports at each meeting in respect to the outcomes and status of the internal bank assurance plan. The independent Bank Assurance 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 bank assurance 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 MANAGEMENT (continued)

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 (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) are based upon the level of capital 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 ongoing 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 established 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 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	
	2009	2008	2009	2008
	$ m	$ m	$ m	$ m
Cash and cash equivalents	912.6	1,195.9	527.5	440.5
Due from other financial institutions	235.4	412.7	235.4	237.6
Financial assets held for trading	3,882.3	1,414.8	5,613.3	-
Financial assets available for sale - securities	-	422.0	-	611.5
Financial assets held to maturity	344.9	1,414.6	266.4	1,673.4
Other assets	512.3	468.2	660.4	450.7
Financial assets available for sale - share investments	84.1	84.6	5.9	77.2
Derivatives	49.0	311.8	124.7	128.1
Shares in controlled entities	-	-	460.6	2,272.5
Amounts receivable from controlled entities	-	-	765.7	164.2
Loans and other receivables - investment	505.7	517.6	505.7	-
Gross loans and other receivables	38,417.2	39,740.7	34,801.4	15,098.2
	44,943.5	45,982.9	43,967.0	21,153.9
Contingent liabilities	171.6	179.4	171.6	137.5
Commitments	4,632.4	3,954.2	4,616.2	2,671.7
	4,804.0	4,133.6	4,787.8	2,809.2
Total credit risk exposure	49,747.5	50,116.5	48,754.8	23,963.1

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.
The effect of collateral and other risk mitigation techniques is shown in the Ageing table, page 157 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 2009 was $519.8 million (2007: $232.5 million) before taking account of collateral or other credit enhancements and $519.8 million (2007: $232.5 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	
	2009	2008	2009	2008
	$ m	$ m	$ m	$ m
Victoria	15,573.9	14,807.3	16,170.7	11,446.1
New South Wales	12,984.5	11,339.1	12,701.2	2,969.1
Australian Capital Territory	468.3	468.9	422.1	314.1
Queensland	8,757.8	8,545.6	8,059.6	3,292.8
South Australia/Northern Territory	6,936.6	9,553.7	7,680.3	3,319.7
Western Australia	3,590.5	3,653.4	2,387.8	1,478.1
Tasmania	816.2	1,090.7	722.1	742.4
Overseas/other	619.6	657.9	611.0	400.7
Total credit risk exposure	49,747.4	50,116.5	48,754.8	23,963.1

RISK MANAGEMENT (continued)

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 2009 $ m	Gross maximum exposure 2008 $ m	Gross maximum exposure 2009 $ m	Gross maximum exposure 2008 $ m
Accom, cafes & restaurants	482.6	457.4	441.1	439.4
Agriculture & associated industries	1,592.9	1,553.4	1,505.4	797.0
Communication services	199.2	195.3	164.5	192.8
Construction	1,913.8	1,666.4	1,659.1	1,560.4
Cultural & recreational services	216.7	205.9	189.8	195.5
Education	422.1	395.6	312.1	386.9
Electricity, Gas and Water Supply	172.0	153.3	140.5	152.5
Finance & insurance	829.8	548.5	784.4	2,833.9
Financial services	5,911.9	5,432.4	8,696.4	3,567.7
Government Administration and Defence	461.2	417.3	361.1	409.4
Health & community services	933.6	964.2	792.6	696.5
Manufacturing	905.8	855.5	736.8	818.6
Margin Lending	3,315.8	3,706.3	-	63.4
Mining	256.5	228.9	216.8	226.4
Other	278.7	606.2	263.2	156.9
Personal & other services	507.3	524.2	445.9	299.8
Property & business services	4,015.4	3,274.6	3,823.9	3,318.8
Residential/consumer	24,144.7	25,862.6	25,396.0	5,250.3
Retail trade	1,613.4	1,525.8	1,426.7	1,512.0
Retirement	294.1	247.9	294.1	-
Transport & storage	793.7	823.2	666.9	653.3
Wholesale trade	486.3	471.5	437.5	431.6
	49,747.5	50,116.5	48,754.8	23,963.1

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 (including residential 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.

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						
2009	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	-	-	-	912.6	-	-	912.6
Due from other financial institutions	235.4	-	-	-	-	-	235.4
Financial assets held for trading	3,882.3	-	-	-	-	-	3,882.3
Financial assets available for sale - securities	-	-	-	-	-	-	-
Financial assets held to maturity	344.9	-	-	-	-	-	344.9
Other assets	-	-	-	512.3	-	-	512.3
Financial assets available for sale - share investments	-	-	-	84.1	-	-	84.1
Derivatives	-	-	-	49.0	-	-	49.0
Loans and other receivables - investment	-	-	-	505.7	-	-	505.7
Loans and other receivables	2,560.6	6,742.3	621.7	1,167.0	26,565.5	760.1	38,417.2
	7,023.2	6,742.3	621.7	3,230.7	26,565.5	760.1	44,943.5
2008							
Cash and cash equivalents	-	-	-	1,195.9	-	-	1,195.9
Due from other financial institutions	412.7	-	-	-	-	-	412.7
Financial assets held for trading	1,414.8	-	-	-	-	-	1,414.8
Financial assets available for sale - securities	422.0	-	-	-	-	-	422.0
Financial assets held to maturity	1,414.6	-	-	-	-	-	1,414.6
Other assets	-	-	-	468.2	-	-	468.2
Financial assets available for sale - share investments	-	-	-	84.6	-	-	84.6
Derivatives	-	-	-	311.8	-	-	311.8
Loans and other receivables - investment	-	-	-	517.6	-	-	517.6
Loans and other receivables	2,636.9	6,824.3	428.4	1,290.5	27,856.6	704.0	39,740.7
	6,301.0	6,824.3	428.4	3,868.6	27,856.6	704.0	45,982.9

* Consumer loans are predominantly mortgage secured residential loans not rated on an individual basis.

Parent	Neither past due or impaired						
2009	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	-	-	-	527.5	-	-	527.5
Due from other financial institutions	235.4	-	-	-	-	-	235.4
Financial assets held for trading	5,613.3	-	-	-	-	-	5,613.3
Financial assets available for sale - securities	-	-	-	-	-	-	-
Financial assets held to maturity	266.4	-	-	-	-	-	266.4
Other assets	-	-	-	660.4	-	-	660.4
Financial assets available for sale - share investments	-	-	-	5.9	-	-	5.9
Derivatives	-	-	-	124.7	-	-	124.7
Loans and other receivables - investment	-	-	-	505.7	-	-	505.7
Loans and other receivables	383.4	5,552.4	592.3	1,292.7	26,291.4	689.2	34,801.4
Amounts receivable from controlled entities	-	-	-	765.7	-	-	765.7
Shares in controlled entities	-	-	-	460.6	-	-	460.6
	6,498.5	5,552.4	592.3	4,343.2	26,291.4	689.2	43,967.0
2008							
Cash and cash equivalents	-	-	-	440.5	-	-	440.5
Due from other financial institutions	237.6	-	-	-	-	-	237.6
Financial assets available for sale - securities	611.5	-	-	-	-	-	611.5
Financial assets held to maturity	1,673.4	-	-	-	-	-	1,673.4
Other assets	-	-	-	450.7	-	-	450.7
Financial assets available for sale - share investments	-	-	-	77.2	-	-	77.2
Derivatives	128.1	-	-	-	-	-	128.1
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
Shares in controlled entities	-	-	-	2,272.5	-	-	2,272.5
	2,755.6	4,616.0	369.0	3,840.1	8,994.2	579.0	21,153.9

* Consumer loans are predominantly mortgage secured residential loans not rated on an individual basis.

RISK MANAGEMENT (continued)

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
2009	614.6	229.9	104.4	228.2	1,177.1	3,205.8
2008	584.6	262.6	137.7	231.3	1,216.2	2,536.5
Parent						
2009	568.5	224.4	102.3	226.1	1,121.3	3,195.0
2008	407.5	64.6	32.9	61.0	566.0	1,861.9

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 GRCL at 0.54% as at 30 June 2009 (2008:0.51%).

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:

	2009 %	2008 %
30 June	11.95	13.53
Average during the financial year	14.45	14.59
Highest	16.97	17.02
Lowest	11.19	12.67

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the group's financial liabilities at 30 June 2009 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 2009	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	196.3	-	-	-	-	196.3
Deposits	10,879.5	15,185.9	4,299.9	1,915.4	1.0	32,281.7
Notes payable	-	2,806.5	2,439.6	3,476.5	1,305.6	10,028.2
Derivatives	-	275.2	656.0	1,116.2	88.6	2,136.0
Other payables	625.7	-	-	-	-	625.7
Income tax payable	-	-	-	-	-	-
Reset preference shares	-	-	5.4	103.0	-	108.4
Subordinated debt - at amortised cost	-	100.9	155.6	311.2	95.2	662.9
	11,701.5	18,368.5	7,556.5	6,922.3	1,490.4	46,039.2
2008						
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
Parent						
2009						
Due to other financial institutions	196.3	-	-	-	-	196.3
Deposits	10,974.6	15,164.3	4,243.7	1,909.4	1.0	32,293.0
Notes payable	-	414.6	1,727.5	-	-	2,142.1
Derivatives	-	260.2	583.9	930.2	88.6	1,862.9
Other payables	882.5	-	-	-	-	882.5
Loans payable to securitisation trusts	30.8	895.7	142.5	473.8	4,490.6	6,033.4
Income tax payable	-	-	-	-	-	-
Reset preference shares	-	-	5.4	103.0	-	108.4
Subordinated debt - at amortised cost	-	100.9	155.6	311.2	95.2	662.9
	12,084.2	16,835.7	6,858.6	3,727.5	4,675.4	44,181.5
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

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.

RISK MANAGEMENT (continued)

The table below shows the contractual expiry by *maturity of the group's contingent liabilities and commitments*.

Consolidated	At call	Not longer than 3 mths	3 to 12 months	1 to 5 years	Longer than 5 years	Total
2009	**$ m**	**$ m**	**$ m**	**$ m**	**$ m**	**$ m**
Contingent liabilities	171.6	-	-	-	-	171.6
Commitments	4,295.6	-	64.2	137.4	135.2	4,632.4
Total	4,467.2	-	64.2	137.4	135.2	4,804.0
2008						
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
Parent						
2009						
Contingent liabilities	171.6	-	-	-	-	171.6
Commitments	4,279.4	-	64.2	137.4	135.2	4,616.2
Total	4,451.0	-	64.2	137.4	135.2	4,787.8
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

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 2009, 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 2009 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	**+100 basis points**	**-100 basis points**	**+100 basis points**	**-100 basis points**
Consolidated	**2009**	**2009**	**2008**	**2008**
	$ m	**$ m**	**$ m**	**$ m**
Net interest income	46.0	(46.0)	(29.8)	29.8
Cash flow hedge ineffectiveness	0.2	(0.2)	0.3	(43.3)
Income tax effect at 30%	(13.9)	13.9	8.9	4.1
Effect on profit	32.3	(32.3)	(20.6)	(9.4)
Effect on profit (per above)	32.3	(32.3)	(20.6)	(9.4)
Available for sale reserve	-	-	(0.8)	0.8
Cash flow hedge reserve	95.4	(95.4)	176.8	(133.8)
Income tax effect on reserves at 30%	(28.6)	28.6	(52.9)	39.9
Effect on equity	99.1	(99.1)	102.5	(102.5)
Parent				
Net interest income	45.5	(45.5)	16.1	(16.1)
Cash flow hedge - controlled entity	-	-	(57.7)	57.7
Income tax effect at 30%	(13.7)	13.7	12.5	(12.5)
Effect on profit	31.8	(31.8)	(29.1)	29.1
Effect on profit (per above)	31.8	(31.8)	(29.1)	29.1
Available for sale reserve	-	-	(0.8)	0.8
Cash flow hedge reserve	95.4	(95.4)	91.6	(91.6)
Income tax effect on reserves at 30%	(28.6)	28.6	(27.2)	27.2
Effect on equity	98.6	(98.6)	34.5	(34.5)

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The majority of ineffective cash flow hedges acquired on the merger with Adelaide Bank on the 30 November 2007 have either matured, been sold, terminated, or exercised as at 30 June 2009. Ongoing ineffective hedge impacts to profit and loss due to interest rate movements are expected to be small. The movement in equity is also affected by the increase/decrease in the fair value of derivative instruments designated as cash flow hedges, where these derivatives are deemed effective. Controlled entity hedges are no longer held following the transfer of all of the assets and liabilities of Adelaide Bank Limited to the parent entity. This analysis reflects a scenario where no management actions are taken to counter movements in rates.

Foreign currency risk

The Group does not have any significant exposure to foreign currency risk, as all borrowings through the Bank's Euro medium term note program (EMTN) and Euro commercial paper program (ECP) are fully hedged. At balance date the principal of foreign currency denominated borrowings under these programs was AUD $707.4 million (2008: AUD 1,460.2 million) with all borrowings fully hedged by cross currency swaps, and foreign exchange swaps. Retail and business banking FX transactions are managed by the Bank's Financial Markets unit, with resulting risk constrained by Board approved spot and forward limits. Adherence to limits is independently monitored by the Treasury Operations unit.

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 2009 is $ 84.1m (2008:$ 84.6m) with $81.2m (2008:$ 79.7m) 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.

RISK MANAGEMENT (continued)

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.

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.

Investments in joint ventures

These investments are carried at the proportional share of equity invested in the joint venture, including accumulated profit or losses of the joint venture. The fair value has been determined using a multiple of the latest annual profit after tax. Where the joint venture is not yet profitable the fair value has been assumed to be nil.

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.

FINANCIAL INSTRUMENTS (continued)

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	
	2009	2008	2009	2008
CONSOLIDATED	$m	$m	$m	$m
Financial Assets				
Cash and cash equivalents	912.6	1,195.9	912.6	1,195.9
Due from other financial institutions	235.4	412.7	235.4	412.7
Derivatives	49.0	311.8	49.0	311.8
Financial assets held for trading	3,882.3	1,414.8	3,882.3	1,414.8
Financial assets available for sale - securities	-	422.0	-	422.0
Financial assets available for sale - share investments	84.1	84.6	84.1	84.6
Financial assets held to maturity	344.9	1,414.6	344.9	1,414.6
Loans and other receivables - investment	505.7	517.6	507.6	519.7
Net loans and other receivables	38,235.2	39,587.4	41,053.9	40,007.9
Investments in joint ventures accounted for using the equity method	225.9	185.2	281.6	220.0
Other assets	512.3	468.2	512.3	468.2
Financial Liabilities				
Due to other financial institutions	196.3	269.7	196.3	269.7
Deposits	31,879.8	31,404.9	31,555.7	31,423.8
Notes Payable	9,974.5	11,292.2	9,807.5	11,354.9
Derivatives	436.4	72.4	436.4	72.4
Other payables	665.9	680.9	665.9	680.9
Reset preference shares	89.5	89.5	78.7	78.7
Subordinated debt	598.7	675.8	527.1	659.9
PARENT				
Financial Assets				
Cash and cash equivalents	527.5	440.5	527.5	440.5
Due from other financial institutions	235.4	237.6	235.4	237.6
Derivatives	124.7	128.1	124.7	128.1
Financial assets available for sale - securities	-	611.5	-	611.5
Financial assets available for sale - share investments	5.9	77.2	5.9	77.2
Shares in controlled entities	460.6	2,272.5	460.6	2,272.5
Financial assets held to maturity	266.4	1,673.4	266.4	1,673.4
Loans and other receivables - investment	505.7	-	507.6	-
Net loans and other receivables	34,598.4	15,018.4	38,988.5	15,535.6
Amounts receivable from controlled entities	765.7	164.2	765.7	164.2
Other assets	660.4	450.7	657.1	450.7
Financial Liabilities				
Due to other financial institutions	196.3	151.7	196.3	151.7
Deposits	31,894.1	16,948.2	31,560.2	16,546.9
Derivatives	486.2	173.2	486.2	173.2
Other payables	903.3	282.5	903.3	282.5
Loans payable to securitisation trusts	6,033.4	-	6,033.4	-
Reset preference shares	89.5	89.5	78.7	78.7
Subordinated debt	598.7	301.3	527.1	301.3

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 2009	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	544.4	-	-	-	-	-	368.2	912.6	1.94
Due from other financial institutions	-	-	-	-	-	-	235.4	235.4	-
Financial assets held for trading	-	3,374.7	438.9	68.7	-	-	-	3,882.3	3.53
Financial assets available for sale	-	-	-	-	-	-	-	-	-
Financial assets held to maturity	2.3	333.0	9.6	-	-	-	-	344.9	3.45
Loans and other receivables	21,644.8	5,435.6	1,424.3	3,076.8	7,234.8	50.7	(126.1)	38,740.9	6.72
Derivatives	-	-	-	-	-	-	49.0	49.0	-
Total financial assets	22,191.5	9,143.3	1,872.8	3,145.5	7,234.8	50.7	526.5	44,165.1	-
Liabilities									
Due to other financial instituions	-	-	-	-	-	-	196.3	196.3	-
Deposits	8,578.5	16,214.4	2,441.3	3,428.6	1,217.0	-	-	31,879.8	3.58
Notes payable	-	8,250.3	615.5	1,108.7	-	-	-	9,974.5	4.11
Derivatives	-	-	-	-	-	-	436.4	436.4	-
Reset preference shares	-	-	-	-	89.5	-	-	89.5	6.16
Subordinated debt	-	598.7	-	-	-	-	-	598.7	3.96
Total financial liabilities	8,578.5	25,063.4	3,056.8	4,537.3	1,306.5	-	632.7	43,175.2	-

AS AT 30 JUNE 2008	Floating interest rate	Less than 3 months	Fixed interest rate repricing : 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	21,320.9	2,776.3	1,427.2	3,347.0	11,320.7	46.2	(133.3)	40,105.0	8.71
Derivatives	-	-	-	-	-	-	311.8	311.8	-
Total financial assets	23,855.1	3,902.5	2,229.3	3,356.9	11,320.7	46.2	566.1	45,276.8	-
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	269.7	269.7	-
Deposits	8,447.0	13,069.6	5,124.1	4,741.1	23.1	-	-	31,404.9	6.85
Notes payable	11,118.1	174.1	-	-	-	-	-	11,292.2	7.73
Derivatives	-	-	-	-	-	-	72.4	72.4	-
Reset preference shares	-	-	-	-	89.5	-	-	89.5	6.16
Subordinated debt	377.2	154.2	144.4	-	-	-	-	675.8	8.18
Total financial liabilities	19,942.3	13,397.9	5,268.5	4,741.1	112.6	-	342.1	43,804.5	-

FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

AS AT 30 JUNE 2009	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	370.9	-	-	-	-	-	156.6	527.5	2.26
Due from other financial institutions	-	-	-	-	-	-	235.4	235.4	-
Financial assets held for trading	-	5,105.3	439.3	68.7	-	-	-	5,613.3	4.09
Financial assets available for sale	-	-	-	-	-	-	-	-	-
Financial assets held to maturity	2.0	264.4	-	-	-	-	-	266.4	3.40
Loans and other receivables	13,200.8	6,079.6	880.1	1,556.3	5,304.4	8,198.8	(115.9)	35,104.1	6.59
Derivatives	-	-	-	-	-	-	124.7	124.7	-
Total financial assets	13,573.7	11,449.3	1,319.4	1,625.0	5,304.4	8,198.8	400.8	41,871.4	-
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	196.3	196.3	-
Deposits	8,672.1	16,247.9	2,359.2	3,403.9	1,210.0	1.0	-	31,894.1	3.57
Notes payable	-	406.9	605.3	1,090.2	-	-	-	2,102.4	4.10
Loans payable to securitisation trusts	30.8	895.7	71.0	71.5	473.8	4,490.6	-	6,033.4	-
Derivatives	-	-	-	-	-	-	486.2	486.2	-
Reset preference shares	-	-	-	-	89.5	-	-	89.5	6.16
Subordinated debt	-	598.7	-	-	-	-	-	598.7	3.96
Total financial liabilities	8,702.9	18,149.2	3,035.5	4,565.6	1,773.3	4,491.6	682.5	41,400.6	-

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
Notes payable	-	-	-	-	-	-	-	-	-
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	-

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 cash flow 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.

During the 2009 financial year the consolidated entity recognised a loss of $93.6 million (2008: loss $28.3) due to hedge ineffectiveness.

Value of derivatives as at 30 June

	Consolidated 2009				Consolidated 2008			
	Notional Amount	Asset Revaluation	Liability Revaluation	Net Fair Value	Notional Amount	Asset Revaluation	Liability Revaluation	Net Fair Value
	$ m	$ m	$ m	$ m	$ m	$ m	$ m	$ m
Included in derivatives category								
Derivatives held for trading								
Cross Currency Swap	505.1	-	(1.3)	(1.3)	-	-	-	-
Interest Rate Swaps	163.8	3.4	(2.9)	0.5	17,455.0	0.9	(0.6)	0.3
Foreign Exchange Contracts	52.9	1.4	(1.1)	0.3	-	-	-	-
Derivatives	721.8	4.8	(5.3)	(0.5)	17,455.0	0.9	(0.6)	0.3
Derivatives held as fair value hedges								
Interest Rate Swaps	150.8	0.4	(4.3)	(3.9)	355.8	6.1	(2.4)	3.7
Embedded Derivatives	1.4	-	-	-	1.5	-	(0.1)	(0.1)
Derivatives	152.2	0.4	(4.3)	(3.9)	357.3	6.1	(2.5)	3.6
Derivatives held as cash flow hedges								
Cross Currency Swaps	689.1	43.8	-	43.8	1,525.1	12.8	(11.6)	1.2
Interest Rate Swaps	14,025.1	-	(426.8)	(426.8)	15,848.4	284.0	(33.1)	250.9
Foreign Exchange Contracts	-	-	-	-	496.9	8.0	(24.6)	(16.6)
Derivatives	14,714.2	43.8	(426.8)	(383.0)	17,870.4	304.8	(69.3)	235.5
Derivatives	15,588.2	49.0	(436.4)	(387.4)	35,682.7	311.8	(72.4)	239.4
Included in deposits category								
Cross Currency Swaps	-	16.3	-	16.3	-	-	(12.9)	(12.9)
Total derivatives	15,588.2	65.3	(436.4)	(371.1)	35,682.7	311.8	(85.3)	226.5

Derivative values as at 30 June

	Parent 2009				Parent 2008			
	Notional Amount	Asset Revaluation	Liability Revaluation	Net Fair Value	Notional Amount	Asset Revaluation	Liability Revaluation	Net Fair Value
	$m	$m	$m	$m	$m	$m	$m	$m
Included in derivatives category								
Derivatives held for trading								
Cross Currency Swap	505.1	-	(1.3)	(1.3)	505.1	0.1	(0.2)	(0.1)
Interest Rate Swaps	11,209.6	122.6	(57.9)	64.7	2,044.5	-	(138.6)	(138.6)
Foreign Exchange Contracts	52.9	1.4	(1.0)	0.4	66.2	0.2	(1.5)	(1.3)
Derivatives	11,767.6	124.0	(60.3)	63.7	2,615.8	0.3	(140.3)	(140.0)
Derivatives held as fair value hedges								
Interest Rate Swaps	159.3	0.7	(0.0)	0.7	-	-	-	-
Derivatives	159.3	0.7	(0.0)	0.7	-	-	-	-
Derivatives held as cash flow hedges								
Interest Rate Swaps	13,475.1	-	(425.8)	(425.8)	5,336.3	127.8	(32.9)	94.9
Derivatives	13,475.1	-	(425.8)	(425.8)	5,336.3	127.8	(32.9)	94.9
Derivatives	25,402.0	124.7	(486.2)	(361.5)	7,952.1	128.1	(173.2)	(45.1)
Included in deposits category								
Cross Currency Swaps	-	16.3	-	16.3	-	-	(12.9)	(12.9)
Total derivatives	25,402.0	141.0	(486.2)	(345.2)	7,952.1	128.1	(186.1)	(58.0)

DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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**
2009	**$ m**	**$ m**	**$ m**	**$ m**
Cash inflows (Assets)	636.1	653.2	147.8	54.1
Cash outflows (Liabilities)	(931.2)	(933.8)	(215.6)	(55.5)
Net cash inflow	(295.1)	(280.6)	(67.8)	(1.4)
Income statement	(282.9)	(272.4)	(65.8)	(1.0)
2008				
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

Parent	**Within 1 year**	**1 to 3 years**	**3 to 8 years**	**Over 8 years**
2009	**$ m**	**$ m**	**$ m**	**$ m**
Cash inflows (Assets)	849.5	713.5	197.6	55.3
Cash outflows (Liabilities)	(1,258.7)	(1,132.4)	(296.3)	(56.7)
Net cash inflow	(409.1)	(418.9)	(98.7)	(1.4)
Income statement	(392.2)	(406.7)	(95.7)	(1.0)
2008				
Cash inflows (Assets)	364.4	428.2	169.0	37.8
Cash outflows (Liabilities)	(320.4)	(393.3)	(159.3)	(37.6)
Net cash inflow	44.0	34.9	9.7	0.2
Income statement	44.0	34.9	9.7	0.2

Net gain on cash flow hedges reclassified to the income statement:

	Consolidated		**Parent**	
	2009	**2008**	**2009**	**2008**
	$ m	**$ m**	**$ m**	**$ m**
Interest income	5.3	14.3	4.3	-
Interest expense	(92.0)	(42.7)	(33.7)	-
Other operating expenses	(6.9)	0.1	(7.0)	0.3
	(93.6)	(28.3)	(36.4)	0.3
Taxation	28.1	8.5	10.9	(0.1)
Net gain on cash flow hedges reclassified to the income statement	**(65.5)**	**(19.8)**	**(25.5)**	**0.2**

During 2009 the consolidated entity recognised a loss on fair value hedges of $0.4m, due to hedge ineffectiveness. Hedges that are mark to market, not in a hedge relationship, a loss $0.7m has been recognised.

45. COMMITMENTS AND CONTINGENCIES

(a) Commitments

The following are outstanding expenditure and credit related commitments as at 30 June 2009. Except where specified, all commitments are payable within one 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. The head office development has a lease term of 18 years remaining.

	Consolidated		Parent	
	2009	2008	2009	2008
	$m	$m	$m	$m
Future minimum rentals payable under non-cancellable operating leases as at 30 June:				
Not later than 1 year	62.1	54.6	62.1	43.9
Later than 1 year but not later than 5 years	137.4	127.2	137.4	127.2
Later than 5 years	135.2	137.9	135.2	137.7
	334.7	319.7	334.7	308.8

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.

	Consolidated 2009 $m	Consolidated 2008 $m	Parent 2009 $m	Parent 2008 $m
Future minimum rentals receivable under non-cancellable operating leases as at 30 June				
Not later than 1 year	1.1	0.9	1.1	0.9
Later than 1 year but not later than 5 years	2.2	1.2	2.2	1.2
	3.3	2.1	3.3	2.1
Capital expenditure commitments				
Capital expenditure commitments not provided for in the financial statements, payable not later than one year	-	6.0	-	6.0
Other expenditure commitments				
Sponsorship commitments not paid as at balance date, payable not later than one year	2.1	1.4	2.1	1.4
Credit related commitments				
Gross loans approved, but not advanced to borrowers	606.2	623.5	589.7	348.0
Credit limits granted to clients for overdrafts and credit cards				
Total amount of facilities provided	9,351.7	7,828.2	9,351.1	5,286.8
Amount undrawn at balance date	3,689.4	3,003.6	3,689.7	2,007.5

Normal commercial restrictions apply as to use and withdrawal of the facilities

COMMITMENTS AND CONTINGENCIES (continued)

(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. The next actuarial review will be completed during the 2009/2010 financial year.

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 $1.2 million as at 30 June 2009.

Actual Return	**Consolidated 2009 $ m**	**Consolidated 2008 $ m**
Actual return on Plan assets	(4.0)	(0.4)
Principal Actuarial Assumptions		
Discount rate	5.2% pa	6.1% pa
Expected rate of return on Plan assets	7.5% pa	7.2% pa
Expected salary increase rate	0.0% pa first year 4.0% pa thereafter	4.5% pa

Reconciliation of the Present Value of the Defined Benefit Obligation

	$ m	**$ m**
Present value of defined benefit obligations at beginning of period [(1)]	**12.2**	**13.0**
Add Current service cost	0.7	0.5
Add Interest cost	0.8	0.4
Add contributions by plan participants	0.3	0.3
Add Actuarial gains/(losses)	(0.9)	-
Less Benefits paid	1.9	1.9
Less Taxes, premiums and expenses paid	0.1	0.1
Add Transfers in	0.1	0.2
Less Contributions to accumulation section	0.2	0.2
Present value of defined benefit obligations at end of the year	**11.0**	**12.2**

Reconciliation of the Fair Value of Plan Assets

Fair value of Plan assets at beginning of period [(1)]	**18.7**	**21.4**
Add Expected return on plan assets	1.4	0.8
Add Actuarial gains/(losses)	(5.3)	(1.8)
Add Employer contributions	0.3	-
Add Contributions by plan participants	0.3	0.3
Less Benefits paid	1.9	1.9
Less Taxes, premiums and expenses paid	0.1	0.1
Add Transfers in	0.1	0.2
Less Contributions to accumulation section	0.2	0.2
Fair value of Plan assets at end of the year	**13.3**	**18.7**

COMMITMENTS AND CONTINGENCIES (continued)

Reconciliation of the Assets and Liabilities Recognised in the Balance Sheet	**Consolidated 2009 $ m**	**Consolidated 2008 $ m**
Defined Benefit Obligation ^	11.0	12.2
Less Fair value of Plan assets	13.3	18.7
(Surplus)	(2.3)	(6.5)
Net superannuation (asset) / liability	**(2.3)**	**(6.5)**

^ includes contributions tax provision

Movements in Liability / (Asset) Recognised in the Balance Sheet		
Net superannuation (asset) at beginning period (1)	**(6.5)**	**(8.5)**
Add Expense recognised in income statement	4.5	2.0
Less Employer contributions	0.3	-
Net superannuation (asset) at 30 June	**(2.3)**	**(6.5)**
Expense Recognised in Income Statement		
Service cost	0.7	0.5
Interest cost	0.8	0.4
Expected return on assets	(1.3)	(0.8)
Superannuation expense	**0.2**	**0.1**
Amount recognised directly in Equity		
Actuarial (gain) / loss	4.3	1.8
Cumulative amount recognised directly in Equity		
Actuarial (gain) / loss	3.9	(0.3)

Plan Assets

The percentage invested in each asset class at the balance sheet date:

	Consolidated 2009 $ m	**Consolidated 2008 $ m**
Australian Equity	39%	40%
International Equity	25%	23%
Fixed Income	9%	9%
Property	10%	10%
Alternatives	7%	8%
Cash	10%	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

COMMITMENTS AND CONTINGENCIES (continued)

Contribution Recommendations

The Bank has recently recommenced employer funding of the defined benefit section of the Plan after an extended period of contribution holiday. This decision was made in accordance with recommendations from the Actuary. The next actuarial valuation will be during the 2009/2010 financial year. The financial position of the defined benefits is reviewed regularly by the Bank, at least annually, to ensure that the contribution amount 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)	7.50% pa
Expected salary increase rate	Nil - first year 4.00% pa - thereafter

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

	2009	**2008**
	$ m	**$ m**
Present value of defined benefit obligation	11.0	12.2
Fair value of Plan assets	13.3	18.7
(Surplus) / deficit in Plan	(2.3)	(6.5)
Experience adjustments (gain)/loss - Plan assets	5.3	1.8
Experience adjustments (gain)/loss - Plan liabilities	0.1	0.3

Expected Contributions

Financial year ending	**2010**
	$m
Expected employer contributions	0.9

(1) Opening balances for prior year comparatives are from 30 November 2007 upon merger with Adelaide Bank Limited.

(c) Legal claim

In the course of its operations Bendigo and Adelaide Bank may be subject to material litigation, which, if it should crystallise, may adversely affect the financial position or financial performance of the Bank.

Bendigo and Adelaide Bank has extended loans to a large number of investors to facilitate their investments in the schemes of which Great Southern Managers Australia Limited is the responsible entity. Administrators and Receivers and Managers have been appointed to Great Southern. The bank has been notified that a number of investors in the Great Southern schemes may involve the Bank in legal proceedings in relation to the schemes. However no legal action has commenced. The risk of litigation will continue to be assessed on an ongoing basis.

COMMITMENTS AND CONTINGENCIES (continued)

(d) Contingent liabilities and contingent assets	Consolidated		Parent	
	2009	2008	2009	2008
	$m	$m	$m	$m
Contingent liabilities				
Guarantees				
The economic entity has issued guarantees on behalf of clients	144.4	161.7	144.4	119.8
Other				
Documentary letters of credit & performance related obligations	27.2	17.7	27.2	17.7

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 2009, the economic entity does not have any contingent assets.

46. STANDBY ARRANGEMENTS AND UNCOMMITTED CREDIT FACILITIES

	Consolidated		Parent	
	2009	2008	2009	2008
	$m	$m	$m	$m
Amount available:				
Offshore borrowing facility	9,855.3	6,255.4	9,855.3	2,077.9
Domestic note program	5,000.0	7,000.0	5,000.0	2,000.0
Amount utilised:				
Offshore borrowing facility	707.4	1,460.2	707.4	1,234.1
Domestic note program	724.0	1,730.2	724.0	200.0
Amount not utilised:				
Offshore borrowing facility	9,147.8	4,795.3	9,147.8	843.9
Domestic note program	4,276.0	5,269.8	4,276.0	1,800.0

The Bank has a $US 5,000 million Euro Commercial Paper program of which $US 150 million was drawn down as at 30 June 2009, and a $US 3,000 million Euro Medium Term Note program of which $EURO 300 million was drawn down. The Bank also has a $5,000 million Domestic Note Program of which $ 724 million was issued as at 30 June 2009.

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, 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	
	2009	2008
	$m	$m
Funds under trusteeship	2,649.7	3,820.2
Assets under management	2,408.8	4,828.0
Funds under management	2,082.5	1,822.6

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, custodian or manager incur liabilities in the normal course of their duties, a right of indemnity exists against the assets of the applicable trusts. As these assets are sufficient to cover liabilities, and it is therefore not probable that the Group 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 3 July 2009 Mr Hunt retired from the role of Managing Director and Mr Hirst was appointed to the role of Managing Director.

On 10 August 2009 the Bank declared a final dividend, details of which are disclosed in the directors' report and in Note 10. On 10 August 2009 the Bank announced it intention to raise up to $300 million of capital (44,444,445 ordinary fully paid shares) pursuant to an entitlement offer and placement offer as described in the prospectus lodged with the ASX on 10 August 2009. A maximum of 18,757,475 shares will be issued under the placement offer and a maximum of 25,686,970 shares will be issued under the entitlement offer. The shares will be issued $6.75 per share. On 21 August 2009 the Bank announced that it had completed the issue of 18,757,475 shares under the placement offer.

On 10 August 2009 the Bank also announced that it had completed the purchase of Tasmanian Perpetual Trustees Limited's 50 per cent share of the joint venture company, Tasmanian Banking Services Limited.

On the 24 August 2009, Slater and Gordon lodged a statement of claim in the Federal Court of Australia against Sandhurst Trustees Limited. The legal claim is concerning Sandhurst's role, as debenture trustee, for failed property developer Fincorp Pty Ltd. The position of Sandhurst has been reviewed by the Bendigo and Adelaide Bank, and the Bank does not believe that Sandhurst has been negligent, fraudulent or in breach of its duty. Sandhurst will strongly defend itself against these claims. The bank does not consider the legal claim to be materially adverse and will continue to monitor its proceedings.

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.

On 8 December 2008, all of the assets and liabilities of Adelaide Bank Limited were transferred to the parent entity, at fair value.

The principal activities of Adelaide Bank Limited were the provision of wholesale mortgages, business lending, wealth management and retail banking services.

BUSINESS COMBINATIONS (continued)

The acquisition had the following effect on the Group's assets and liabilities:

	Pre-acquisition carrying amount	Recognised values on acquisition
Assets	$m	$m
Cash and cash equivalents	483.8	483.8
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	27,414.8	27,070.2
Property, plant & equipment	28.7	45.7
Intangible assets		
Intangible software	3.9	5.2
Goodwill	33.9	-
Brands, Trade names	-	168.0
Deferred tax assets	42.0	142.1
Other assets	34.1	34.1
Total Assets	30,374.5	30,279.7
Liabilities		
Due to other financial institutions	112.5	112.5
Deposits	15,674.4	15,663.5
Notes payable	13,105.2	13,026.8
Derivatives	30.9	30.9
Other payables	22.9	29.8
Income tax payable	(13.2)	0.9
Provisions	16.6	16.6
Deferred tax liabilities	68.4	163.5
Reset preference shares	89.9	89.9
Subordinated debt - at amortised cost	384.8	377.3
Total Liabilities	29,492.4	29,511.7
Net identifiable assets and liabilities attributable to Bendigo and Adelaide Bank Limited	882.1	768.0
Consideration paid in cash (transaction costs)		(17.5)
Cash acquired		491.6
Net cash inflow		474.1
Goodwill on acquisition		1,326.8

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.

BUSINESS COMBINATIONS (continued)

Macquarie margin lending portfolio

On 8 January 2009, Bendigo and Adelaide Bank Limited purchased a $1.5 billion margin lending portfolio from Macquarie Group Limited. The total consideration paid for the portfolio was $1,563,992,000 including the issue of $52 million of short dated convertible preference shares to Macquarie. The convertible shares were converted to ordinary shares in Bendigo and Adelaide Bank during 2009. The cost of the acquisition includes directly attributable costs including consultancy, legal, accounting and other professional fees.

The fair values currently established are provisional and are subject to further review during the 12 month period following acquisition. This will alter asset and liabilities as currently disclosed for 30 June 2009.

The acquisition had the following effect on the Group's assets and liabilities:

	Pre-acquisition carrying amount	Recognised values on acquisition
Assets	$m	$m
Cash and cash equivalents	30.0	30.0
Loans and other receivables	1,467.2	1,467.2
Deferred tax assets	19.8	19.8
Other assets	0.7	0.7
Total Assets	1,517.7	1,517.7
Net identifiable assets and liabilities attributable to Bendigo and Adelaide Bank Limited	1,517.7	1,517.7
Consideration paid in cash (transaction costs)		(1,512.0)
Cash acquired		30.0
Net cash outflow		(1,482.0)
Total consideration		1,564.0
Provisional fair value of identifiable assets and liabilities		(1,517.7)
Provisional goodwill on acquisition		46.3

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 2009 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 2009.

On behalf of the Board

R N Johanson
Chairman

M J Hirst
Managing Director

8 September 2009

ERNST & YOUNG

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

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

Independent auditor's report to the members of Bendigo and Adelaide Bank Limited

Report on the Financial Report
We have audited the accompanying financial report of Bendigo and Adelaide Bank Limited, which comprises the balance sheet as at 30 June 2009, 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.

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 2009 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*.
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 42 to 69 of the directors' report for the year ended 30 June 2009. 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 2009, complies with section 300A of the *Corporations Act 2001.*

Brett Kallio
Partner
Melbourne
8 September 2009

Ernst & Young

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 10 August 2009.

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 as detailed in the Corporate Governance section of this report.

4. SUBSTANTIAL SHAREHOLDERS

As at 18 August 2009 there were no substantial shareholders in Bendigo and Adelaide Bank Limited are detailed in substantial holdings notices given to the company.

5. DISTRIBUTION OF SHAREHOLDERS

Range of Securities as at 18 August 2009 in the following categories:

Category	Fully Paid Ordinary Shares	Fully Paid Employee Shares	BPS Preference Shares	RPS Preference Shares	SPS Preference Shares
1 - 1,000	35,460	3,220	3,309	3,435	3,123
1,001 - 5,000	35,975	971	52	76	76
5,001 - 10,000	5,551	104	1	6	2
10,001 - 100,000	2,947	28	2	3	6
100,001 and over	94	3	1	0	0
Number of Holders	80,027	4,326	3,365	3,520	3,207
Securities on Issue	303,559,617	5,465,929	900,000	894,574	1,000,000

6. MARKETABLE PARCEL

Based on the closing price of $8.61 on 18 August 2009 the number of holders with less than a marketable parcel of the Company's main class of securities (Ordinary Shares), as at 18 August 2009 was 3,227.

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 2009 are:

FULLY PAID ORDINARY SHARES		**Number of fully paid**	**Percentage held of**
Rank	**Name**	**Ordinary Shares**	**Issued Ordinary Capital**
1	HSBC Custody Nominees (Australia) Limited	29,883,683	9.67%
2	J P Morgan Nominees Australia Limited	19,084,704	6.18%
3	National Nominees Limited	10,780,640	3.49%
4	Citicorp Nominees Pty Limited	6,058,485	1.96%
5	AMP Life Limited	4,842,490	1.57%
6	Milton Corporation Limited	4,451,366	1.44%
7	Cogent Nominees Pty Limited <SMP Accounts>	3,172,626	1.03%
8	ANZ Nominees Limited <Cash Income A/C>	2,393,971	0.77%
9	Cogent Nominees Pty Limited	2,102,478	0.68%
10	Queensland Investment Corporation	2,080,035	0.67%
11	Bainpro Nominees Pty Limited	1,827,121	0.59%
12	HSBC Custody Nominees (Australia) Limited - A/C 3	1,756,148	0.57%
13	HSBC Custody Nominees (Australia) Limited - A/C 2	1,523,362	0.49%
14	Equitas Nominees Pty Limited <2870903 A/C>	1,270,000	0.41%
15	Choiseul Investments Limited	1,039,750	0.34%
16	Merrill Lynch (Australia) Nominees Pty Limited	958,889	0.31%
17	Tasmanian Perpetual Trustees Limited	781,910	0.25%
18	Leesville Equity Pty Ltd	752,530	0.24%
19	Carlton Hotel Limited	752,500	0.24%
20	Warbont Nominees Pty Ltd <Settlement Entrepot A/C>	736,024	0.24%
		96,248,712	31.14%

BBS Nominees Pty Ltd, trustee for the Bendigo and Adelaide employee share ownership plan, held 5,465,929 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 2009 are:

FULLY PAID PREFERENCE SHARES		**Number of fully paid**	**Percentage held of issued**
Rank	**Name**	**Preference Shares**	**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>	10,942	1.22%
4	Cogent Nominees Pty Limited	10,000	1.11%
5	Cambooya Pty Ltd	4,549	0.51%
6	RBC Dexia Investor Services Australia Nominees Pty Limited <GSNIP A/C>	4,402	0.49%
7	Dylac Pty Ltd	4,000	0.44%
8	The Trustees Of The Diocese Of Tasmania	3,000	0.33%
9	Mr Jeffrey Frederick Edwards & Mrs June Rose Edwards	2,794	0.31%
10	World Wide Fund For Nature Australia	2,660	0.30%
11	Green Super Pty Ltd <Ross Knowles Super Fund A/C>	2,531	0.28%
12	Cambooya Pty Ltd <Foundation A/C>	2,500	0.28%
13	Uniting Church In Australia Property Trust (WA) <UCIF A/C>	2,500	0.28%
14	Bostock J & Taylor H & RSL Custodian Pty Ltd <Blacktown RSL S/B Cap A/C>	2,474	0.27%
15	Rome Pty Ltd	2,428	0.27%
16	Dylac Pty Ltd <John Dyson Super A/C>	2,400	0.27%
17	Fedton Pty Ltd <S/F No 1 A/C>	2,200	0.24%
18	Carol Roberts Investments Pty Ltd <C J Roberts Superfund A/C>	2,071	0.23%
19	Buckingham GF & EM <Buckingham S/F A/C>	2,046	0.23%
20	Mrs Rita Marion Andre	2,000	0.22%
		270,211	30.03%

MAJOR SHAREHOLDERS (continued)

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 2009 are:

FULLY PAID RESET PREFERENCE SHARES		Number of fully paid	Percentage held of issued
Rank	**Name**	Reset Preference Shares	Reset Preference Shares
1	Blann Investments Pty Limited <Blann Holding A/C>	19,585	2.19%
2	M F Custodians Ltd	17,834	1.99%
3	RBC Dexia Investor Services Australia Nominees Pty Limited <GSNIP A/C>	10,593	1.18%
4	Questor Financial Services Limited <TPS RF A/C>	8,849	0.99%
5	Cogent Nominees Pty Limited	8,131	0.91%
6	Taverner No 11 Pty Ltd <Brencorp No 11 Unit A/C>	8,000	0.89%
7	ANZ Nominees Limited <Cash Income A/C>	7,072	0.79%
8	M F Custodians Ltd	7,055	0.79%
9	Synod of the Diocese of Adelaide of the Anglican Church of Australia Inc <No2 A/C>	6,000	0.67%
10	National Nominees Limited	4,400	0.49%
11	Mr Ian William Bailey & Mrs Gloria Jean Bailey <Bailey Family Super Fund A/C>	4,000	0.45%
12	Malvern Development Co Pty Ltd	4,000	0.45%
13	Dr Spencer David <David Family Inv Fund A/C>	3,860	0.43%
14	Baker Custodian Corporation	3,390	0.38%
15	The Invergowrie Foundation	3,350	0.37%
16	Austymca Nominees Pty Ltd <YMCA Super Fund A/C>	3,200	0.36%
17	Invia Custodian Pty Limited <De La Salle Brothers A/C>	3,015	0.34%
18	Fortis Clearing Nominees P/L <Next Custodian A/C>	2,862	0.32%
19	Liangrove Group Pty Ltd	2,800	0.31%
20	Citicorp Nominees Pty Limited <CFSIL CFS WS ENH Yield A/C>	2,750	0.31%
		130,746	14.61%

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 2009 are:

FULLY PAID STEP UP PREFERENCE SHARES		**Number of fully paid**	**Percentage held of issued**
Rank	**Name**	**Step Up Preference Shares**	**Step Up Preference Shares**
1	J P Morgan Nominees Australia Limited	51,020	5.10%
2	National Nominees Limited	40,000	4.00%
3	RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI A/C>	28,196	2.82%
4	Argo Investments Limited	17,000	1.70%
5	ANZ Nominees Limited <Cash Income A/C>	14,600	1.46%
6	Laidlaw Family Investment Pty Ltd <Laidlaw Family Inv No 1 A/C>	10,293	1.03%
7	Returned Services League Of Australia (Queensland Branch)	10,000	1.00%
8	Questor Financial Services Limited <TPS RF A/C>	7,475	0.75%
9	Wal Investments Pty Ltd	4,605	0.46%
10	Fortis Clearing Nominees P/L <Next Custodian A/C>	4,309	0.43%
11	Rogand Pty Ltd <Rogand Unit A/C>	4,220	0.42%
12	Peroda Nominees Pty Limited <Berman Super Fund A/C>	4,004	0.40%
13	Aileendonan Investments Pty Ltd	4,000	0.40%
14	JGW Investments Pty Ltd	3,948	0.39%
15	Baker Custodian Corporation	3,893	0.39%
16	HSBC Custody Nominees (Australia) Limited	3,838	0.38%
17	The Trustees Of The Diocese Of Tasmania	3,670	0.37%
18	Moladi Pty Ltd <Kahrisky Super Fund A/C>	3,526	0.35%
19	Richard Oppen Investments Pty Ltd	3,031	0.30%
20	Acland Street Investments Pty Ltd <Acland Investments S/F A/C>	3,000	0.30%
		224,628	22.45%

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.